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# Crocs, Inc. (CROX)

Q4 2025 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day and welcome to the Crocs, Inc. Fourth Quarter and Full Year 2025 Earnings Conference Call. [Operator Instructions] I would now like to turn the conference over to Erinn Murphy, Senior Vice President, Investor Relations and Strategic Finance for Crocs, Inc. Please go ahead.

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**Erinn E. Murphy**

*Senior Vice President-Investor Relations & Strategy, Crocs, Inc.*

Good morning, and thank you for joining us to discuss Crocs, Inc.'s fourth quarter and full year 2025 results. With me today are Andrew Rees, Chief Executive Officer; and, Patraic Reagan, Executive Vice President and Chief Financial Officer.

Following their prepared remarks, we will open the call for your questions, which we ask that you limit yourself to one per caller.

Before we begin, I would like to remind you that some of the information provided on this call is forward looking and, accordingly, is subject to the safe harbor provisions of the federal securities laws. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially. Please refer to our Annual Report on Form 10-K filed with the SEC for more information on these risks and uncertainties.

Certain financial metrics that we refer to as adjusted for non-GAAP are non-GAAP measures. A reconciliation of these amounts to their GAAP counterparts is contained in the press release we issued earlier this morning. All revenue growth rates will be cited on a constant currency basis, unless otherwise stated.

At this time, I'll turn the call over to Andrew Rees, Crocs, Inc.'s Chief Executive Officer.

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## Andrew Rees

*Chief Executive Officer & Director, Crocs, Inc.*

Thank you, Erinn, and good morning, everyone. Thank you for joining us today. 2025 ended on a strong note as we reported a better-than-expected holiday season, fueled by new products and authentic consumer connections. Our powerful value creation model drove strong free cash flow, which we returned to shareholders in the form of repurchases and debt pay-down. We continued to invest thoughtfully and strategically behind our brands in support of building an even stronger foundation to fuel long-term profitable growth.

For the full year of 2025, we delivered revenue of over \$4 billion, with approximately \$3.3 billion from the Crocs Brand and \$715 million from HEYDUDE. Crocs Brand grew for the eighth consecutive year. International revenues, which comprise almost half of our Crocs Brand sales, grew double digits. Direct to consumer with over half of our enterprise revenue and grew faster than our wholesale business.

Strong free cash flow generation of \$659 million enabled us to pay down \$128 million in debt and buy back approximately 6.5 million shares for \$577 million, representing approximately 10% of our shares outstanding. Before going further into 2025's highlights, I would like to start by taking a moment to reflect on a milestone we recently achieved.

Earlier this week, on February 8, we surpassed the 20-year mark as a public company. Since our IPO, we've established ourselves as a world leader in innovative casual footwear for all. In addition to creating one of the greatest and most recognizable icons of our time, the Classic Clog, we have built a powerful and defensible business model that is increasingly diversified across brands, products, channels and geographies, with distribution in over 85 countries.

We have emerged as a disruptor in social and digital marketing and commerce, while building strong communities of loyal brand fans. In the last 20 years, we have relentlessly served our consumers, selling approximately 1.5 billion pairs of shoes, while delivering 14% sales growth on a compound annual growth basis.

Our high margins and cash flow generation give us great flexibility to continue to invest in and grow our business, while returning a considerable amount of cash to shareholders. Since our IPO, Crocs shares have generated a total shareholder return in excess of 700%, almost 2 times that of the S&P 500 over the same period. While I'm exceptionally proud of these accomplishments and the way we have consistently show up for our consumers, I'm even more energized for what I believe lies ahead for our company.

We will continue to build on our promise of creating a more comfortable world for all through driving innovative casual footwear and personalization at scale across our two uniquely positioned consumer beloved brands.

Our diversified revenue streams today are powerful, and we have already built multi-billion dollar-plus revenue pillars. In fact, our digital, international and non-clog product categories each represent a revenue stream in excess of \$1.5 billion, which we see as compelling drivers for future growth. We will attack the next 20 years with ambition, decisiveness and agility and stay on the offense by leveraging our product innovation engine, our social disruptive marketing and multi-channel distribution.

Now, turning to the Crocs Brand. We had a strong holiday season, with positive consumer response to our new product introductions. International grew double digits and sales in North America outperformed our expectations. While improving the trajectory of North America remains our top priority in 2026, we're making good progress against our five strategic pillars for the Crocs Brand.

First, we're driving brand relevance globally as the clog market share leader. During the year, clogs represented 74% of our mix, with sales up slightly to last year, led by strong consumer response to our diversified clog franchises. We scaled existing franchises, like our sports-inspired Echo, by introducing newness, such as the Echo RO.

We also introduced the Bae, a platform-height style for her to great success internationally. We have seen strong early reads in our DTC channels for our Crafted Clog, which will add a wide variety of the materializations that we plan to scale in 2026. We're excited about the short- and long-term prospects for this new franchise. During the fourth quarter, our Line business was particularly robust in both North America and international, fueled by strong consumer response to newness, including the Unforgettable Clog.

In North America, we're carefully managing our Classic franchise, focusing on maintaining tight inventory control and driving further segmentation across our key partners. Internationally, the Classic Clog grew nicely in 2025.

Second, we're making strong in-roads in scaling our product pillars outside of clogs through new category expansion. Sandals had a very good year and represented 13% of our mix, closing in on the \$450 million mark. Sales growth was robust in North America, where we not only took market share, but also took advantage of an extended selling season beyond the traditional spring summer period.

In 2025, our Style sandals led the way, fueled by strong full price selling of our Brooklyn, Getaway and Miami franchises. While sandal awareness is roughly half that of clogs, we saw an encouraging mid-single-digit increase in sandal awareness during 2025 versus 2024. Looking forward into 2026, we believe continued newness in our existing franchises, along with the introduction of our new Saturday franchise, an updated personalizable two strap sandal, underscores an opportunity to gain further market share in this category.

Jibbitz, our unique vehicle for self-expression, represented 8% of sales. Within Jibbitz, we have seen continued growth of our Elevated Charms. Beyond Jibbitz, we have expanded what personalization looks like and introduced a collection of bags, bag charms and accessories.

Third, we are fueling consumer engagement through disruptive social and digital marketing. In 2025, we launched many high impact partnerships. Examples included our multiyear NFL partnership, which continues to scale successfully; the launch of Stranger Things, which promptly sold out; and the cult classic, Twilight Collab, that is currently selling for 3 times the MSRP across the resale marketplaces.

At the end of January, we announced an extremely exciting multi-year global partnership with LEGO, bringing together two icons of self-expression and originality. Last month, we teased our disruptive LEGO Brick Clog at Paris Fashion Week and, next week, this clog will be available to consumers. We have a robust pipeline of new product launches together with LEGO that will be centered around footwear and, of course, Jibbitz. Rounding out January, we debuted our new omni-channel global brand campaign: Wonderfully Unordinary.

Fourth, we'll continue to create compelling consumer experiences in all our channels. In 2025, we leaned into our first mover advantage in social commerce, which is a powerful channel to reach consumers and also increasingly,

a commerce engine. We remain the number one footwear brand on TikTok shop in the US, and we anticipate significant future growth in social selling, including on this platform. In 2025, we launched seven new markets globally with TikTok Shop and have more on our roadmap for 2026.

Finally, we're continuing to gain market share across the world in our international markets. During 2025, international grew 11% on top of 19% to prior year. Broad-based growth was led by our direct to consumer channel, which grew 23%. In China, our second largest market, we grew 30% on top of 64% last year, and the country now represents approximately 8% of sales. During the fourth quarter, we had a successful 11/11 shopping festival, fueled by strong acceleration of our Line Clog offerings.

We believe we have significant future growth opportunity internationally. Our average market share in China, India, Japan, Germany and France represented approximately one-third of the market share we have in our established markets. We ended the year with approximately 2,600 Crocs mono-branded stores and kiosks. In 2026, we plan to continue expanding our footprint internationally and see an opportunity to open between 200 and 250 stores, both in our tier 1 markets and within distributor markets around the world.

Now, turning to HEYDUDE. We prioritized our efforts in 2025 around stabilizing the brand in North America, with a renewed focus on our core consumer. While we're doing the work to return the brand to growth, we're encouraged by the progress we have made in 2025. Let me share more about what gives me conviction in our strategic plan.

First, we're building a community laser-focused on our core consumer. Our HEYDUDE country campaign plays into our brand's affinities, including music, travel and pre- and post-sports, while appealing to a laidback, no fuss consumer. We're also building our community through social platforms, in 2025, aided with the number two footwear brand on TikTok Shop. We're encouraged that our brand awareness ended the year at 39%, a healthy 9 percentage point gain from one year ago. We have also seen an uptick in brand purchase intent amongst our core male consumer.

Second, our product direction is clear. We are building the core and thoughtfully adding more. We are strengthening our leadership within the slip-on category, led by our icons, the Wally and Wendy. In January, we launched our stretch jersey across all channels, following a successful test during the holiday quarter. This product that we fondly refer to as a T-shirt for your feet is already appealing to both him and her. Stretch Sox is continuing to perform well in its second year, with favorable consumer and retailer response.

As we look into the spring, we will scale our sandals across various price points and expand our successful Hey2O program that caters to a broad range of outdoor activities important to our target consumer. We also see an opportunity to significantly grow our already successful work program as we bring comfort and safety to hardworking Americans.

Third, we're focused on stabilizing the North America marketplace in the back half of 2025. We took two decisive actions: one, accelerated returns and markdown allowances to our retailers to improve inventory health, while elevating our brand presentation at wholesale; and, two, we pulled back on unproductive performance marketing. While these two actions constrained our revenue growth by approximately \$45 million in the second half of 2025, they have been effective in cleaning up the channel and establish a more profitable foundation for future growth. The fourth quarter was the 10th consecutive quarter of positive ASP growth year on year, supported by channel and product mix.

In conclusion, we're focused on driving the next chapter of our growth story. We believe we have compelling strategies to grow both of our brands, driven by a clear consumer focus, innovative product marketing and our

multi-channel global go to market capabilities. I'm incredibly confident in our talented team's abilities to continue to execute against these strategies.

I will now turn the call over to Patraic.

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## Patraic Reagan

*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

Thank you, Andrew, and good morning, everyone. During 2025, we made significant progress against several strategic initiatives that I am confident will lay the groundwork for sustainable long-term growth. Looking back, we took several decisive actions to build upon our already strong foundation.

These actions included, one, recalibrating our promotional activity in Crocs Brand DTC channels; two, managing sell-in across wholesale for the Crocs Brand; three, reducing unproductive performance marketing spend within HEYDUDE; and, four, accelerating wholesale cleanup actions for HEYDUDE. In addition, we effectively executed our \$50 million cost savings program and actioned \$100 million of additional cost savings for 2026, as we previously communicated.

Now, let's dig into our results. For the full year, enterprise revenue of just over \$4 billion was down approximately 2% to prior year. Crocs Brand revenue of \$3.3 billion was up 1% to prior year, driven by DTC up 3%, partially offset by wholesale, which was down 1%. Growth was driven by units up 2% to prior year to a total of 129 million pairs sold, while brand ASPs were roughly flat to prior year.

North America was down 7% to prior year at \$1.7 billion. This was tied to both the decision to pull back on promotional activity in our DTC channels earlier in the year, as well as carefully managing our sell-in to the North American market. For North America, DTC and wholesale revenues were down 5% and 9%, respectively, as we worked to better manage channel sell-in.

To reiterate Andrew's comments, expansion in international markets is one of our key strategic pillars, and we are pleased to report another year of double-digit growth. Revenue was up 11% versus prior year to \$1.6 billion, led by DTC up 23% and wholesale up 5%.

We gained market share in China, which grew revenues by 30% to last year, with balanced growth across partner-comparable store sales, digital and new store openings. Importantly, we also saw another year of double-digit growth in Western Europe, while Japan returned to growth.

Turning to HEYDUDE, during the year, we took aggressive actions to stabilize the brand in North America. As such, revenue was \$715 million, down 14% from prior year. DTC revenues were up 3%, supported by strength in digital marketplaces and the addition of 23 new retail stores, offset in part by the impact of lower performance marketing spend.

Wholesale revenues were down 27% as we accelerated our cleanup actions and more aggressively managed sell-in. For the year, ASPs were up 4% to just under \$32, while unit volume was 22 million pairs, down 17% to prior year.

Now, switching to the fourth quarter, we delivered enterprise revenue of approximately \$958 million, down 4% to prior year and a 3 percentage point improvement from the third quarter. This performance was fueled by both brands, particularly during the holiday season in North America.

Crocs Brand revenue of \$768 million was up slightly on a reported basis, led by 11% international revenue growth supported by strength in China, Japan, Western Europe and India. The HEYDUDE brand delivered revenue of \$189 million, which was down 18% to prior year. For HEYDUDE, DTC was roughly flat to prior year and wholesale was down 42%, in part driven by the planned cleanup actions we took in the quarter.

I'll now move to adjusted gross margin. For the year, enterprise adjusted gross margin was 58.3%, down 50 basis points from last year. This was primarily driven by a 130 basis point tariff headwind. The overall decrease in gross margin was offset in part by lower negotiated sourcing costs. Crocs Brand adjusted gross margin was 61.3%, down 30 basis points from prior year, while HEYDUDE brand adjusted gross margin was 44.8%, down 290 basis points.

Moving to fourth quarter, enterprise adjusted gross margin of 54.7% was down 320 basis points to prior year, driven by a 300 basis point tariff headwind. Crocs Brand adjusted gross margin was 57.8% and HEYDUDE Brand adjusted gross margin was 39.7%.

For the year, adjusted SG&A dollars increased 7% to prior year, largely tied to 2024 investments in talent, marketing and DTC, which anniversaried into the first half of 2025. In the fourth quarter, SG&A dollars were down to prior year, reflecting the benefits of our \$50 million cost savings program.

Full year adjusted operating margin of 22.3% was down 330 basis points from prior year. In the fourth quarter, adjusted operating margin of 16.8% was down 340 basis points from prior year, excluding approximately \$14 million of specific discrete costs, primarily associated with a recent reduction in force. Full year adjusted diluted earnings per share of \$12.51 decreased 5% to prior year and our non-GAAP effective tax rate was 17%.

Now, turning to a discussion of the balance sheet and cash flow, we ended the year in a strong liquidity position with \$130 million of cash and cash equivalents and over \$900 million of borrowing capacity on our revolver.

Our inventory balance as of December 31 was \$369 million, an increase of 4% versus prior year on a dollar basis, including the impact of higher tariffs and product mix. It is important to note that inventory units were down high single digits to prior year, reflecting our actions to manage inventory flow into the marketplace.

Enterprise and inventory turns were above our goal of 4 times on an annualized basis, continued competitive strength of our business model. In 2025, we generated free cash flow of \$659 million, which enabled us to repurchase 6.5 million shares for a total of \$577 million, ending the year with \$747 million remaining on our existing share repurchase authorization.

We also repaid \$128 million of debt, which puts us at the low end of our net leverage target range of 1 to 1.5 times. Specifically, in the fourth quarter, we repurchased 2.2 million shares of our common stock for a total of \$180 million at an average cost of approximately \$84 per share.

Before turning to guidance, I wanted to provide an update on our cost savings initiatives for 2026. As we've previously communicated, we have identified \$100 million of cost savings, which include organizational simplification, deliberately reducing spend in non-critical areas and further optimizing and modernizing our supply chain. We expect these savings to be relatively balanced between our cost of goods sold and SG&A.

Now, moving on to our full year 2026 outlook. For the full year, we expect enterprise revenue growth to be in the range of up slightly to down 1% on a reported basis, assuming currency rates as of February 9. As you think about the shape of the year, I want to remind you all that the accelerated strategic actions we took in 2025 were

largely second half weighted and, as such, will continue to have an outsized impact on the first half of the year. Said another way, we expect our year over year enterprise revenue growth on a reported basis in the second half to outpace the first half.

For the Crocs Brand, we expect revenue on a reported basis to be flat to up 2%, led by approximately 10% international growth, offset by declines in North America as we anniversary the strategic actions we took in the second half of 2025. We anticipate the year over year revenue rate in North America to improve slightly from 2025's run rate as our guidance anticipates that the DTC channel outperforms the wholesale channel.

For HEYDUDE, we expect revenue on a reported basis to be down approximately 7% to 9%. We expect the HEYDUDE brand to return to growth in the second half of 2026 as we anniversary the impact from the strategic actions we took that started in 2025, primarily in the second half. DTC is expected to outperform the wholesale channel and improve throughout the year.

We expect adjusted gross margin for the year to be up slightly to prior year, despite an anticipated approximate 80 basis points of incremental tariff pressure for the full year, which we expect to materialize in the first half. Based on current tariff rates and sourcing mix, we now see an unmitigated tariff headwind of approximately \$80 million on an annualized basis, which is down from our previously provided figure of \$90 million. We believe our diversified sourcing mix and nimble supply chain position us well as we enter 2026.

Adjusted SG&A dollars are anticipated to be roughly flat to prior year as we recognize the benefits of our previously announced cost savings programs, offset by investment in the direct to consumer channel. Taken together, we expect adjusted operating margin to expand modestly from the 22.3% level in 2025. This excludes approximately \$25 million of specific discrete costs related to the implementation of our cost savings initiatives.

We expect the underlying non-GAAP effective tax rate, which approximates cash taxes paid to be 18% and the GAAP effective tax rate to be 23%. We expect our adjusted diluted earnings per share to be in the range of \$12.88 to \$13.35.

Consistent with our previous guidance philosophy, this range reflects future debt repayment but does not assume the impact from potential future share repurchases. We are committed to maintaining net leverage in the range of 1 to 1.5 times, while deploying excess cash flow towards opportunistically buying back shares. For the year, we are planning capital expenditures to be in the range of \$70 million to \$80 million.

Now, moving on to Q1. For the first quarter, we expect revenues to be down 3.5% to 5.5% at currency rate as of February 9. Crocs Brand revenues are expected to be down low single digits. We expect growth to be led by international, with the quarterly growth rate modestly below our full year run rate.

For HEYDUDE, we expect revenue to be in the range of down 15% to 18%. Given the dynamics I spoke to earlier, the percentage decline for HEYDUDE's first half revenue is anticipated to be similar for the first quarter.

Adjusted operating margin is expected to be approximately 21.5%. In the first quarter, we anticipate adjusted gross margin to be flat despite the continued impact of incremental tariffs. Given the visibility we have today, our Q1 incremental tariff headwind is estimated to be approximately 100 basis points, while the Q2 headwind is expected to be close to 200 basis points. Adjusted diluted earnings per share is planned in the range of \$2.67 to \$2.77.

Before we move to the question-and-answer portion of our call, I wanted to close by reiterating our confidence heading into 2026. We are already seeing positive signs as we continue to execute on the fundamental strategic pillars for both Crocs and HEYDUDE.

In summary, we are doing what we have said we will do and we are managing our brands for the long term. As Andrew mentioned, while we have accomplished much in the first 20 years as a public company, we are even more excited about what the future holds.

At this time, Andrew and I are happy to take your questions. Operator?

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## QUESTION AND ANSWER SECTION

**Operator:** We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Jonathan Komp with Baird. Please go ahead.

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**Jonathan R. Komp**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Hi. Good morning. Thank you. I'm hoping you might unpack the North America Crocs outlook a bit here. Could you share a little bit more drivers for the first quarter and, as you think about the shape of the year, is there potential to get to – back towards growth later in the year? And, any visibility you have there would be great. Thank you.

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**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*

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Thanks Jon. I'll let Patraic give you some shaping for the year and then I'd give you kind of strategic rationale.

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**Patraic Reagan**

*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. So Jon, as you heard in prepared remarks, we feel that for North America we'll see run-rate improvement as we move throughout the year. But for the full year, what we're really thinking is slight improvement from what we saw in 2025. Just as a reminder, what we did in the second half of last year was really beginning to take some strategic actions so that we would improve our outlook as we got into 2026. And with that, what you'll see in first half is kind of continuing to lap those un-anniversaried actions and then as we get into the back half of 2026, we'll start to see some slight improvement as we go through the year.

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**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*

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Yeah. And I think what I'd add to that, Jon, is look, it's a very clear priority for us to return the Crocs Brand to growth in North America. As an element of context, I would also remind everybody that the Crocs Brand in 2026 will actually be bigger internationally than it is in the US and we're very confident in about a 10% growth rate for our international business.

What we think is going to return Crocs North America to growth is really kind of three strategic pillars. Number one is clog iterations and innovation, right? So, we are managing the inventory, the Classic Clog carefully in the marketplace. We've pulled back on discounting, particularly on the Classic Clog on our digital channels, which is

creating some of the headwind, but we are introducing a significant number of new innovative products into the marketplace that are clog-based, right? So, our Crafted Clog, we're introducing the Crocband, and we're also introducing a 2.0 version of our very successful Echo franchise later in the year.

In addition, diversification, so growth of sandals and growth outside of clogs, including slippers and personalization, we took market share in slippers last year. We're very confident we'll continue to take – sorry – took market share in sandals last year. Very confident we're going to continue to take market share in 2026 in sandals.

And then, the last thing is really disruptive, I would say, social and digital selling. We continue to outperform and be the number one and two brand, footwear brand on TikTok Shop, and we're very confident that our digital prowess and our ability to ignite these, I would say, innovative channels and reach our consumers extremely effectively will allow us to continue to lead. So, that's what we're doing to address it and, I think, we've given you what I'd describe as a very prudent guidance for this year.

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**Jonathan R. Komp**

*Analyst, Robert W. Baird & Co., Inc.*

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That's great. Very helpful. Thank you.

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**Operator:** And the next...

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**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*

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Thanks, Jon.

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**Operator:** And the next question comes from Adrienne Yih with Barclays. Please go ahead.

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**Adrienne Yih**

*Analyst, Barclays Capital, Inc.*

Q

Great. Thank you very much. It really is nice to see the improvement in holiday and then the expansion for this year. Andrew, I was wondering if you can help just to follow on your comments from the last question, can you help contextualize the amount of newness that you're bringing to market this year, both Crocs and at HEYDUDE. We saw a lot of it at Fanny. So that was a very promising but just kind of contextualizing that with regard to how much newness you've brought to the market in the past couple of years and how this year is quite differentiated.

And then, kind of just following on that, I mean, I have to ask about AI-specific investments, how much of your CapEx are you allocating to tech investments to support AI and do you have any benefit of that kind of playing into the guidance this year? Thank you very much.

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**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*

A

Yeah. So, yeah, let me try and add a little color to the newness point, and then I'll hit on AI. So, from a newness perspective, I did add up in my response to Jon, a fair amount of context there. But, I think, there's probably two critical pillars for Crocs in terms of newness. They are the diversification of our Clog franchise. So, adding those other clog pillars. We've been particularly excited about the Crafted because it adds a materialized upper to our clog, which we think broadens the wearing occasion. I would add the clog category continues to grow around the

world. We can see it being a very on-trend silhouette and a strong growth category. And we are, by far, the market share leader in that category. So, we can exploit that growth on a global basis.

And then, from a sandal perspective, I think there's two aspects there. One is our core style franchises. So, Getaway, Miami and Brooklyn will continue to grow and scale and we've added patterns within those franchises, we've added colors and we've broadened those franchises and, we think they have global growth trajectory.

But we're also introducing and we're quite excited about some of the early reads, a very compelling two-strap, and we look at – we've got early reads on that in [indiscernible] (00:35:42) here in North America and we're quite excited about that. Obviously, two-strap is a very popular sandal silhouette and we think that's a nice growth opportunity, which we add into our sandal mix.

From a HEYDUDE perspective, again, a lot of newness there. We introduced already this year Stretch Jersey, which is we kind of talk about it as a T-shirt for your – a sweatshirt for your feet, T-shirt for your feet, very soft, very flexible, very lightweight and super comfortable. It's a bit of a lower price point than our Stretch Sox as well. So, it's an entry level option for consumers. We're excited about that – the runway of that product or that franchise within HEYDUDE.

And then, we're also building on sandals for HEYDUDE. Our work program is looking really well for HEYDUDE. So there's a lot of newness. And, I think, what we're trying to get at, is it more than last year? I think, yes, it's definitely more than last year and we're very confident.

From an AI perspective, it's not really CapEx as much, right? So, we are experimenting with a whole host of AI applications, whether they be on the front end, in terms of marketing, in terms of product development, in terms of product creation. We're also looking at efficiency opportunities more in the supply chain and the back-end of the business. A lot of it, frankly, is SG&A investment. It's investment in people. It's investment in talent. It's investment in key capabilities and leveraging, frankly, other people's CapEx investments. I don't think we're ready to declare breakthroughs based on AI yet, but I think we are leaning in and experimenting to a high degree of, when we see breakthroughs, we'll be happy to let you know about them.

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**Patraic Reagan**

*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

Yeah.

A

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**Adrienne Yih**

*Analyst, Barclays Capital, Inc.*

Fantastic.

Q

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**Patraic Reagan**

*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

And maybe just to put a bow – just to put a bow on this one. Sorry. So, one of the reasons that we are going after the \$100 million in terms of cost savings that we've been talking about now for a couple of quarters is to give us flexibility as we identify what Andrew mentioned earlier in terms of all the experimentation we're doing in the space. So, definitely we're not embedding anything from an upside standpoint into the P&L for the year for AI initiatives, but we are actively in the space.

A

**Adrienne Yih**

*Analyst, Barclays Capital, Inc.*



Fantastic. Well, we'd love to see the trends moving in your direction. Good luck.

**Operator:** And the next question comes from Rick Patel with Raymond James. Please go ahead.

**Rick B. Patel**

*Analyst, Raymond James & Associates, Inc.*



Thank you. Good morning, everyone. A question on Crocs guidance for North America in 2026. Can you talk about the assumptions underpinning the new guide as we think about pricing versus units? Just any color on pricing, in particular, and any changes that have been made and any on the horizon? And also, if pulling back on promotions are a factor in continued ASP improvements and driving a slight improvement in margins for the year?

**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*



Right. So, okay, I think Patraic gave you pretty clear color to the North American Crocs guidance. I think your specific question is really about pricing. I would say, no, there are no significant price changes implied in the North American guidance. We have taken select price increases on select products, are probably more internationally than North American, and we have taken some price increases on select products within HEYDUDE. But, I would say, price is not a material driver of our intended 2026 performance.

In terms of promo pullback, the other piece that you highlighted, the key thing there is just the anniversary of the strategic decisions that we made sort of mid-last year. So, those were anniversaried through to the first half of 2026 and will represent some drag to our sales trajectory during that period, which we have embedded in the guidance we provided.

**Rick B. Patel**

*Analyst, Raymond James & Associates, Inc.*



Thanks very much.

**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*



Thank you.

**Operator:** And the next question comes from Tom Nikic with Needham. Please go ahead.

**Tom Nikic**

*Analyst, Needham & Co. LLC*



Hey. Thanks very much for taking my question. So, I just want to clarify something on the gross margin. So, I think you said flat in Q1 with a 100-basis point tariff headwind. Can you just kind of clarify what the offsets are in Q1? And then, I think, you said a bigger tariff headwind in Q2. So, given that Q1 is flat, should we assume Q2 down and then getting better in the back half? Thanks.

**Patraic Reagan**

*Chief Financial Officer & Executive Vice President, Crocs, Inc.*



Yeah. Yeah. So, it's a great question and, obviously, a lot going in the space. So, first, let me start off by saying, obviously we're guiding up slightly on the full year and that's as a result of all the hard work that we're doing within supply chain to really kind of build out efficiencies as it relates to not just tariffs but just continuing our focus on being as efficient as we can in the space. As you heard Andrew mention, price is not a big component within what we're planning to do this year in terms of margin, margin expansion. So, it's all really kind of centered around the work that's going on.

So, with that as a backdrop the – as it relates to the first half or the first quarter in your question, we really need to think about it as a bit Q4 to Q1 to Q2. And why I say that is, is you heard us talk about the slightly higher than expected tariffs in Q4. The fact of the matter is, this is obviously it's a challenge to kind of predict from a flow standpoint. And so, we saw a little bit higher than expected in Q4 as we flowed inventory through. We've actually seen a little bit lower than we expected 90 days ago as it relates to Q1. And so, we wanted to be transparent with you all in terms of the 100-basis point headwind that we're seeing that's actually below what we were thinking just 90 days ago. And then, Q2 we think is closer to what real run rate is as it relates to tariffs. And so, that's roughly up about 200 basis points of headwind.

And then, as we get through Q1 and Q2 with that nuance, we start to get into the second half, and then all of this is in the base as long as there's no changes from a tariff policy standpoint, everything is in the base and then we get to a much more normalized run rate. So, hopefully, that gives you a little bit more context around the challenge that we've gotten in the space.

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**Tom Nikic**

*Analyst, Needham & Co. LLC*

Q

Right. Very helpful. Thanks very much and best of luck this year.

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**Operator:** And the next question goes to Aubrey Tianello with BNP Paribas. Please go ahead.

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**Aubrey Tianello**

*Analyst, BNP Paribas Securities Corp.*

Q

Hey. Good morning. Thanks for taking the questions. I wanted to ask on the cost savings program. Last quarter, you mentioned it was too early to say how much of the \$100 million will drop through the bottom line. I'd love to know if there are any updates on how you're thinking about flow through and what's included in the guide. Thanks.

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**Patraic Reagan**

*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. So, yeah, a great question. As you heard a little bit earlier, one is, we're just continually focusing on being as efficient as we can. And so part of that is that we're building these cost savings initiatives into our plan so that we're able to fuel investment. We spoke a little bit earlier about what we're doing with AI. We're doing these programs to both be able to capitalize on some of those opportunities in, frankly, things that we may catch an edge on that we don't have visibility to just yet. So we're reserving a little bit of flexibility into what we're doing as well as flowing dollars to the bottom line.

And so, where we are right now, we're planning SG&A flattish to the year, as you've seen. So, certainly, some of the programs that we've put in place around order efficiency, around spend efficiency is cutting through from that standpoint. And, as you see in our gross margin guide, some of the cost efficiency work that we're doing there is helping to offset some of the headwinds that we talked about from tariffs, et cetera, and we're flowing that into our

gross margin outlook. So, that being said, all of that is embedded into the guide for the year. And we'll continue to work through this as we make our way through 2026, but we feel great about where the work is today.

**Aubrey Tianello**

*Analyst, BNP Paribas Securities Corp.*

Q

Great.

**Operator:** And the next question comes from Peter McGoldrick with Stifel. Please go ahead.

**Peter McGoldrick**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Yeah, thanks for taking my question. As we think about the double-digit international Crocs Brand outlook, can you help us think about the regional brand development? You shared some nice commentary on China growing from an 8% base, I'm curious to know about the other regions as well and countries as we think of the 2026 embedded outlook? Thank you.

**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*

A

Great. Thank you, Peter. So let me just kind of give you some details, but also put it all in context. So, during 2025, we grew international 11% on top of 19% prior year. So it's been a sustained double-digit growth driver for us.

From a China you already highlighted that you captured that, but we grew 30% in 2025 and we continue to be confident that we can grow across all of our channels in China. It's a tricky market in China right now, but clearly our brand is resonating and we have the ability to continue to grow. Other markets where we seen strong growth and we expect to see strong growth in 2026 are Japan, returned to growth in 2025, we've been putting considerable time and effort in Japan over the last couple of years. It's a big footwear market, large population, highly affluent population, so we're excited to see that return to growth. And we think we're on the right trajectory there.

Western Europe is also performing well, UK, France, and Germany in particular. Again, double-digit growth in 2025 and we're confident about continued performance there into 2026. And look, India is also important to us. We've been focusing on making some strategic investments in India in terms of setting us up for future sustained growth and we're excited about the prospects for India in 2026, but also frankly for the medium to long term.

**Peter McGoldrick**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Very good, thank you.

**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*

A

Thank you.

**Operator:** And the next question comes from Brooke Roach with Goldman Sachs. Please go ahead.

**Brooke Roach**

*Analyst, Goldman Sachs & Co. LLC*

Q

Good morning and thank you for taking our question. Andrew, I wanted to dive a bit deeper on the North America wholesale channel. How are conversations trending regarding shelf-space preservation and order books for the year? And how do you view the health of the consumer in that channel amidst a competitive environment? Thank you.

**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*

A

Yeah. Let me take that in reverse order. So health of the consumer, I would say, I think, our view on the consumer is that they remain bifurcated, right. So the higher-end consumer I think has plenty of disposable income and is shopping. The lower-end consumer I think is still a bit tentative, so – and we think that likely continues through 2026. There has been plenty of talk about tax rebates and things like that. That has not been a significant factor for us historically and let's see what happens.

And, the market remains super competitive. So if I took both of our brands from a shelf-space perspective, I would say we've been I think fairly clear about we're working hard to make sure that both of our brands have the right inventory in the right retailers and that we're well-positioned relative to our future consumer demand. We're working hard from a Crocs perspective to make sure that our classic – our key core franchise is appropriately positioned, but also getting new product into the marketplace and talk about diversifying the Clog franchise. So we feel good about where we are from a Crocs perspective, but that does represent a drag to sell-in as we've articulated in our guidance.

HEYDUDE, we worked really hard and spent quite a lot of money in the back half of last year to right-size inventories. And we think we're there, right? We look at sell-out relative to our inventories on hand and they are at parity at this point. So, we're excited to be at that point and be able to strategically rebuild the business from a wholesale perspective for HEYDUDE. So – and I think the other thing I just say as an overlay, it's all about newness, right, so when we introduce new products that resonate with consumers, we can see really nice trajectory in terms of sell-out and sell-in and the consumer is definitely receptive to newness. And so, that's the important driver of the success in this business.

**Brooke Roach**

*Analyst, Goldman Sachs & Co. LLC*

Q

Great. Thanks so much.

**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*

A

Thank you.

**Operator:** And the next question comes from Anna Andreeva with Piper Sandler. Please go ahead.

**Anna Andreeva**

*Analyst, Piper Sandler & Co.*

Q

Great. Thank you so much for taking our questions and congrats, nice results. Just wanted to follow up on the actions at HEYDUDE between the wholesale cleanup and the performance marketing change. Andrew, I think you just said the cleanup actions are fully behind us. Can you talk about if you're adding more partners in

wholesale to the brand at this stage? And just what are those conversations looking like. And just as a follow up on Crocs, as you guys think about the adjacent categories, I think you said with sandals penetration was similar at 13%, which I think that implies mid-single-digit growth category, and you called out strength in the US. Can you talk about how international performed? And how do you think about that penetration over time? Thank you.

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**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*

A

All right, so a lot of questions there. Let me try and hit some of them and kind of double click on important ones. So I think we've talked about the HEYDUDE cleanup. So I think you've got that, I guess, the derivative question there was, are we adding more partners?

I would say we're not really adding significant more partners for HEYDUDE, but we do think there is significant growth in key partners. So, I think that will come through, more shoes on shelf and more shoes in more stores, right. But we've got to earn our way back to that growth pathway, but we're very focused on that.

So, then I think your second piece was around sandals. So, 13% overall share for sandals, grew nicely in North America last year. We're confident in growth next year. We took market share. Our growth was significantly above the market for North America. And, I would say, growth in sandals internationally was slower than North America last year, but we have, I think, strong aspirations for sandal growth internationally in 2026.

And part of that was by design, right? So we were very much focused in some of our key developing markets on really penetrating the market with the Classic Clog and landing our icon. And so when you got relatively small footprints in some of these key markets, you got to be strategic about what you put on the shelf. But we do think there is nice sandal growth available to us in key markets like India, Southeast Asia where we're confident about future trajectory in 2026 and beyond.

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**Patraic Reagan**

*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

And Anna, just want to jump back to HEYDUDE for a moment. So number one is, as you saw in the prepared remarks we are calling HEYDUDE return to growth in the second half of this year. And so that goes back to all of the strategic actions that we took in the back half of 2025, will then start to bear fruit in terms of where we're going with the brand. And just want to reiterate, we feel very confident about the trajectory there.

And the other component is in terms of just cleanup, cleanup is continuing to make progress and everything that we're looking at from a KPI standpoint, related to inventory, inventory on hand, sell-out rate versus sell-in rate, is all moving in the right direction.

And so, we feel like a little bit more than six months into the efforts, what we're seeing looks very positive and we're [indiscernible] (00:53:27) where we're going, but we also know that we've got to finish the play. Part of finishing that play is the work that remains to be done in the first half of the year.

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**Anna Andreeva**

*Analyst, Piper Sandler & Co.*

Q

All right. Thank you so much. Terrific and best of luck.

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**Operator:** And the next question comes from Jim Chartier with Monness, Crespi & Hardt (sic) [Monness, Crespi, Hardt] (00:53:45). Please go ahead.

**Jim Chartier**

*Analyst, Monness, Crespi, Hardt & Co., Inc.*



Good morning. Thanks for the question. Can you talk about the performance of HEYDUDE stores and what the store opening plan is for 2026?

**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*



Yeah. I would say, look, we're pleased with the performance so far of our HEYDUDE stores. As you know, the majority of stores, in fact, almost all the stores opened are really outlet stores. We think that's a pretty unique opportunity to do multiple jobs for the brand, which is keep our inventories clean and fresh, as well as benefit from strong traffic in the outlet malls to drive commercial success. So we're pleased with the stores. We opened 23 stores last year, and added to a total of 75 at year-end. Our opening rate in 2026 will probably be a little bit less than that. But we think our stores do a really nice job in terms of generating strong commercial outcomes, as well as broadening consumers' perspective about the brand.

**Jim Chartier**

*Analyst, Monness, Crespi, Hardt & Co., Inc.*



Great. And then international wholesale, looks like it was up about low single digits in constant currency over the last three quarters. Anything to highlight as to why that channel has slowed? And then, what kind of opportunity do you see for international wholesale going forward? Thank you.

**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*



Yeah. I think, as we highlighted, the growth in international was driven by DTC, and that is really two components: one is our digital prowess which is – extends across the globe and also store openings. The number of the stores we have and store openings on an international basis, that's where we've focused our store openings.

As we look at a lot of international wholesale, the vast majority of those sales go into our distributors. So, as I [indiscernible] (00:55:48) there's any real story about why it's slowed, but we're confident in future international wholesale growth.

**Jim Chartier**

*Analyst, Monness, Crespi, Hardt & Co., Inc.*



Great. Thanks and best of luck.

**Operator:** And the next question comes from Mitch Kummetz with Seaport Research. Please go ahead.

**Mitch Kummetz**

*Analyst, Seaport Global Securities LLC*



Yeah. Thanks for taking my questions. I guess, first question, I just wanted to drill down a little bit more on the comment of HEYDUDE returning to growth in the back half. I mean, how much of that is just lapping kind of the \$45 million cleanup that took place in the back half of 2025 versus other factors? And I'm curious if you can speak to kind of what you're seeing in terms of the fall order book from a wholesale perspective?

**Patraic Reagan**

*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah, Mitch. Great question. So as we mentioned earlier, it's been – some great progress that we made in terms of HEYDUDE and we continue to feel really bullish about where the brand is going.

As it relates to the \$45 million in the second half of the 2025, we thought it was important to quantify as best we could the actions that we took and what resulted in coming out of the marketplace.

And so, as we think about now is we've been doing the hard work at cleaning up inventory. We're doing the hard work of kind of looking at our consumer base and, as a note, our awareness for the HEYDUDE brand has improved 9 percentage points from 30% to 39% just in the last six months or so. So, we feel like we're gaining a lot of traction as it relates to consumer, as it relates to product, product newness.

And so, as you think about the second half, part of that obviously will be lapping what we took out, but we're also excited about what we see in terms of product newness coming and continuing to sell in from a greater breadth standpoint on the products that we introduced in the back half of last year and into the first half of this year.

**Mitch Kummetz**

*Analyst, Seaport Global Securities LLC*

Q

And can you say if you've got a positive fall order book?

**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*

A

Yeah. We don't comment on our order book, Mitch. We haven't done that for many years now, so.

**Mitch Kummetz**

*Analyst, Seaport Global Securities LLC*

Q

All right. That's fair. And then, a second question, just on the SG&A, thinking about the shape of the year, I know that you said dollar is flat year-over-year, do you expect that to be kind of consistent across the quarters and would you expect kind of the dollar spending to kind of mirror the sales growth per quarter?

**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*

A

Yeah. I mean, it's the – as we think about the shape of SG&A to the year, obviously, we've got cyclicity in our business as it relates to quarters. And so, as we go through from an SG&A standpoint we see that kind of ebb and flow as a percentage of sale.

From an SG&A perspective, Q1 will be up slightly as we kick off the year and as we work our way through, we'll start to see a bit more traction from these programs that we're putting in, in addition to I just want to stress again, I know I said it earlier, but I just want to reiterate, it's the \$100 million that we're targeting or we've targeted, actually we've identified and are in process of delivering, it is one, yes, through the lens of dropping some to the bottom line, but it is really focused on giving ourselves investment flexibility as we make our way through the year.

When you think about the complexion of 2025 to 2026, what we're seeing is we're re-pivoting both brands and we are reserving the flexibility to deploy some of those savings back into the P&L to accelerate Crocs Brand, HEYDUDE and some of the other areas that we're experimenting from an investment standpoint. I mentioned AI earlier but there's a bunch of others. So, that's a little bit more color in terms of how we're thinking about. Thanks.

**Mitch Kummetz**

*Analyst, Seaport Global Securities LLC*



Great. That's helpful. Thanks and good luck.

**Operator:** We have time for one more question. And the final question goes to Jonathan Komp with Baird. Please go ahead.

**Jonathan R. Komp**

*Analyst, Robert W. Baird & Co., Inc.*



Oh, hi. Thanks for sneaking me in one more. Just any more color as we think about first half and back half progression from an operating profit standpoint. It looks like Q1 and implied first half, you're down year-over-year for operating profit. Second half looks like it could be implied up double digits. So any more color just as we think about the shape and anything that would be helpful for modeling? Thank you.

**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*



Yeah, Jon. I think you're hitting it is, as you think about the complexion of the year, similar to 2025, it's – there's a big first half second half story. Second half of last year, we've talked quite a bit about the actions that we took that impacted second half last year. That's – we're rounding that out in the first half of 2026.

And so, you'll see some of the headwinds from a revenue standpoint. And so, if you think about that trajectory of 2025 into 2026, how you're thinking about the year in terms of from an EBIT standpoint, is how we're thinking about it as well. So, it's really a bit of a first half, second half story.

**Jonathan R. Komp**

*Analyst, Robert W. Baird & Co., Inc.*



Okay. Thanks again.

**Operator:** This concludes our question-and-answer session. I would like to turn the conference back over to Andrew Rees for any closing remarks.

**Andrew Rees**

*Chief Executive Officer & Director, Crocs, Inc.*

Yeah. I just want to say thank you very much for joining us today. I appreciate everybody's interest in our company and their thoughtful questions. So thank you very much and have a great day.

**Operator:** The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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