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Crocs, Inc. (CROX)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Crocs, Inc. First Quarter 2026 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Abigail Ritter, Investor Relations and Strategic Finance for Crocs, Inc. Please go ahead.

Abigail Ritter

Senior Manager-Investor Relations & Strategic Finance, Crocs, Inc.

Good morning and thank you for joining us to discuss Crocs, Inc. first quarter 2026 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 you limit 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 provision 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 most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q, and other reports filed with the SEC for more information on these risks and uncertainties.

Certain financial metrics that we refer to as adjusted or 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. Chief Executive Officer.

Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

Thank you, Abi, and good morning, everyone. Thank you for joining us today.

We delivered a better-than-expected first quarter fueled by broad consumer relevance for both of our brands. Patraic will discuss our quarterly performance in more detail, but first I will share a few financial highlights and a review of our brand strategies.

For the first quarter of 2026, we delivered better-than-expected enterprise revenue of \$921 million with the Crocs Brand down 2% and HEYDUDE Brand down 13% as we work to return both of our brands to growth.

Healthy direct-to-consumer growth including Crocs Brand up 11% despite pulling back on promotional activity and HEYDUDE up 8% despite lower performance marketing spend.

International revenue for the Crocs Brand was up 7% on a reported basis consistent with our expectations despite an unanticipated impact of the war in the Middle East.

Best-in-class inventory management with total footwear units down high-single-digits and overall inventory turning at more than 4 times. Our powerful value creation model continues to support meaningful return of cash to shareholders in the form of repurchases. With second quarter repurchases now underway quarter-to-date, we have bought back 800,000 shares.

Now turning to a discussion by brand and starting with Crocs. We had a strong start to the year as consumers responded positively to product newness across all categories. We continue to make excellent progress against our five strategic pillars. First, we are driving brand relevance globally as the Clog market share leader.

During the quarter, our Focus Clog franchises Crocband, Crafted, and Echo performed well, enabling diversification of our overall Clog portfolio. The reintroduction of Crocband has been well-received with strength seen across channels, colors, and iterations.

The Crafted franchise is building globally and consumer response has been strong with canvas and floral embroidery offers. We continue to scale our existing Echo franchise with new Echo RO colorways and expanded distribution. Within our Classics franchise, we are prioritizing maintaining tight inventory control and driving further segmentation across our key partners in North America.

Second, we're scaling our product pillars outside of Clogs through new category expansion. Our sandal business started the year off strong and we expect this pillar to approach \$500 million in revenue this year up double-digits from 2025.

Our three core style franchises, Getaway, Brooklyn, and Miami are capturing incremental shelf space and winning with consumers. Earlier this spring, we introduced a customizable two-strap Saturday Sandal across channels and saw exceptional response from both consumers and retailers.

Moving beyond sandals, we launched the Classic ballet flat which saw a notable sellout globally. In response, we're chasing supply and we further strengthened our assortment within this trending style. Momentum was further amplified by our first quarter LoveShackFancy collaboration which sold out completely.

Our broader personalization pillar saw standout performance within bags and accessories during the quarter led by the Disney collaboration featuring Mickey Mouse on a number of products. We also saw continued strength in elevated Jibbitz during the quarter.

Third, we're fueling consumer engagement through disruptive social and digital marketing. In February, we kicked off a multi-year global partnership with the LEGO brand by launching the highly disruptive LEGO brick clog, which quickly became one of our best performing partnerships on social media and drove significant consumer engagement and digital traffic.

Also in February, we released Charmed to Meet You, our first micro-drama miniseries on ReelShorts, a platform where Gen Z consumers are increasingly spending time consuming bite-sized content. The launch drove over 10 million views, reinforcing our ability to engage with consumers through bold, innovative, and disruptive channels.

Fourth, we continue to create compelling consumer experiences across all channels. Beginning with social commerce, we continue to scale and deepen our consumer touchpoints across both digital and social. In fact, Crocs was recently awarded Top Seller of the Year on TikTok Shop for 2025, underscoring our ability to continue to reach consumers on their preferred social channels.

In March, we activated at the NBA All-Star Week and introduced our updated Echo Clog, the Echo 2.0, a key second-half product launch this year.

We also released the Ripple, a bold silhouette designed to engage the sneaker community through a number of events from ComplexCon in Hong Kong to our Soho store in New York City. Globally, we continue to expand our presence on TikTok Shop as this is a critical social selling platform over the medium to long term.

During the quarter, we scaled meaningfully in the UK and Malaysia and looking forward we'll be launching in Japan, landing Crocs as the first major footwear brand on the platform in the country.

Fifth and finally, we're continuing to gain market share across the world in our international markets. In the first quarter, we saw broad-based strength across our tier 1 markets led by direct-to-consumer channels. We saw outsized growth in our high priority markets, China, India, Japan, and Western Europe.

In China, we hosted our first ever Super Brand Day on Douyin, which not only outperformed our expectations, but also drove strong consumer touchpoints through celebrity livestreaming.

In India, performance was led by growth in our digital traffic stimulated by the Let Them Talk campaign, which introduced the Echo RO for a local cricketer and celebrity KL Rahul.

In Japan, performance was driven by strengthening brand presence in Tokyo retail with high consumer affinity for personalization in our DTC channels.

Lastly, Western Europe saw notable growth across the UK, France, and Germany, led by digital marketplace performance. Sandals started the year strong in the region and we see meaningful opportunity to scale this category going forward.

During the quarter, we opened approximately 40 mono-brand stores and kiosks, including 6 owned and operated stores internationally. To strengthen our international opportunity further, on April 1, we converted our Malaysia distributor business to a directly owned and operated, which resulted in the absorption of 21 highly productive retail stores. We see this as an opportunity to take further share in this vibrant market in 2026 and beyond.

Now turning to HEYDUDE, the first quarter came in ahead of expectations, tied largely to outperformance in DTC despite significant reduction of performance marketing spend, as we continue to deliver against our three-pillar strategic plan.

First, we are building a community laser-focused on our core consumer. During the quarter, we launched several relevant collaborations, including our partnership with the Houston Rodeo. This was supported by retail presence at the rodeo for the third consecutive year as we continue to drive authentic connections with our core HEYDUDE consumer

In addition, we released collaborations with Chevy, Jelly Roll, and Naruto, while accelerating the growth of our HEYDUDE community through scaling social commerce. In fact, during the quarter, HEYDUDE received the Top Growth Seller of the Year award on TikTok Shop and a nod to the progress and commitment we've made to scale this strategic channel.

Second, we are building the core and thoughtfully adding more. We're building our leadership within the slip-on category led by our icons, the Wally & Wendy. Stretch Sox continues to drive our core business and we're seeing momentum building in our newest Stretch Jersey franchise. This style, which we've fondly referred to as a T-shirt for your feet, launched in all channels during the quarter and outperformed expectations.

As we look into spring, we're seeing our sandal business start to gain material traction with key highlights including the Maui Breeze franchise and sandal extensions over some of our already successful lines, the Austin Slide and the HEY2O Flip.

Beyond sandals, we continue to see strong response to our work offering led by the Wally Comp Toe, and we are excited to expand further into this category as we move throughout the year.

Third, we are focused on stabilizing the North America marketplace. Our first quarter outperformance signals a meaningful step in our journey to return the brand to growth in the back half of this year. During the quarter, direct-to-consumer revenues increased 8% led by strength in digital marketplaces, wholesale declined as anticipated while we remain laser-focused on managing our in-channel inventory levels. Wholesale sellouts, while still below our aspirations, improved sequentially versus the fourth quarter. Importantly, we're receiving positive feedback from our key partners around new products like our H2O work and sandals offering as well as our core products like Stretch Jersey franchise and new introductions of our Stretch Sox platform.

Turning back to the enterprise, I wanted to address the conflict in the Middle East as it relates to our business. As of today, it's too early to fully quantify the impact. However, we see this affecting Crocs in three ways. One, reduction of revenues from our Middle East distributor business, which has been contemplated within our annual

guidance. Two, increase raw material and transportation costs associated with elevated oil prices. And three, a broader impact to the global macroeconomy, which is uncertain at this time.

Patraic will speak to our guidance later in the call, which we feel prudently captures the current environment to the best of our ability.

Before concluding, I wanted to highlight the publication of our 2025 Crocs, Inc. Comfort Report being released today. This annual report highlights our commitment to, and progress against, our purpose to create a more comfortable world for all.

To conclude, we're focused on executing our near-term initiatives to drive diversified growth across both brands, DTC and wholesale, as well as domestic and international markets. We believe we have compelling strategies to grow both brands enabled by a clear consumer focus, innovative product and marketing, and our global go-to-market capabilities.

I will now turn the call over to Patraic.

Patraic Reagan

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

Thank you, Andrew, and good morning, everyone.

During the quarter, we made continued progress against both brands' strategic initiatives, which I'm confident will continue to lay the groundwork for sustainable, long-term growth. We're off to a good start in 2026, finishing Q1 slightly ahead of our expectations on both the top- and bottom-line. And while we're encouraged by the positive start to the year, we recognize work remains to return the business to growth. Now, let's move to our results.

For the first quarter, we delivered enterprise revenue of \$921 million, down 2% to prior year on a reported basis, or down 4% on a constant currency basis. Our results were led by the direct-to-consumer channel for both brands as consumers responded favorably to new product offerings across categories. This was offset by planned wholesale declines as we continue to optimize and manage this channel for long-term profitable growth.

For the quarter, Crocs Brand revenue of \$767 million was down 2%. Results were led by our international segment up 7% on a reported basis, including strength in China, India, Japan, and Western Europe. North America was down 6%, including DTC up 5%, despite a meaningful reduction in promotional activity, offset in part by wholesale declines.

The HEYDUDE Brand delivered revenue of \$154 million, down 13% to prior year. DTC was up 8%, driven by outsized digital marketplace performance and new store opening contributions.

Notably, this growth was delivered against a continued lower level of performance marketing spend, thus driving higher profitability. The wholesale channel was down 26%, as we continue to carefully manage our inventory to sell-through levels, consistent with our return-to-growth plan.

I'll now move to adjusted gross margin. Enterprise adjusted gross margin of 56.9% was down 90 basis points to prior year, driven by 100 basis points of incremental tariff impact as well as product mix offset in part by brand mix. As Andrew mentioned, we saw accelerated success in our new product offerings in both brands. This success is an important driver of topline performance and is key to our diversification strategy.

As a reminder, select new products come with slightly lower product margins. Crocs Brand adjusted gross margin was 59.5%, down 120 basis points, and HEYDUDE Brand adjusted gross margin was 44.5% down 210 basis points.

Moving to expenses, adjusted SG&A dollars were flat to prior year as we recognize the partial benefit from our 2025 and 2026 cost-savings initiatives, offset in part by choiceful direct-to-consumer channel investments aimed at driving revenue.

Adjusted operating margin of 22.3% was down 150 basis points to prior year. This excludes \$5 million of specific costs related to the implementation of our cost-savings initiatives. Adjusted diluted earnings per share of \$2.99 was ahead of our expectations and flat to prior year and our non-GAAP effective tax rate was 18%.

Now, turning to a discussion of our strong balance sheet and exceptional cash flow, we ended the quarter with \$131 million of cash and cash equivalents and over \$800 million of borrowing capacity on our revolver. Our inventory balance as of March 31 was \$398 million, up 2% to prior year, including the impact of higher tariffs. Inventory footwear units were down high-single-digits to prior year, reflecting our actions to manage inventory flow into the marketplace.

Enterprise inventory turns were above our goal of 4 times on an annualized basis. While we ended the quarter with \$747 million remaining on our existing share repurchase authorization, our powerful value creation engine has enabled our second quarter repurchases to be underway. Quarter-to-date, we have repurchased 800,000 shares for \$74 million and we continue to deliver against our commitment to return meaningful cash to shareholders. Net leverage ended the quarter at the low end of our target range of 1 to 1.5 times.

Now moving on to our full-year 2026 outlook. Based on our better-than-expected first quarter results, we now expect enterprise revenue growth for the full year to be up 1% to down 1% on a reported basis, assuming currency rates as of April 27.

Our updated guidance also reflects the country-specific impact from the war in the Middle East as well as related pressure from elevated distribution and logistics costs.

Moving on to revenue guidance by brand, for the Crocs Brand, we continue to expect revenue to be flat to up 2% led by international growth and offset in part by declines in North America. Our guidance continues to anticipate direct-to-consumer outperforming wholesale globally as evidenced by our first quarter results.

For HEYDUDE, we now expect revenue to be down approximately 5% to 7%, an improvement from our previous guidance of down 7% to 9%. This revenue range reflects our increasing confidence in both direct-to-consumer and wholesale channels returning to growth in the second half of the year. We continue to expect adjusted gross margin for the year to be slightly up versus last year despite the impact of tariffs, which are partially offset as a result of cost-saving initiatives primarily in our supply chain.

Adjusted SG&A dollars are implied roughly flat to prior year in line with our prior guidance as we recognize the benefits of our previously announced cost-savings programs while also investing in growth drivers for the business.

Taken together, we continue to expect adjusted operating margin to expand modestly from the 22.3% level we reported in fiscal year 2025. This excludes approximately \$25 million of non-recurring costs.

Moving to tax, 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 are raising our expectations for adjusted diluted earnings per share to be in the range of \$13.20 to \$13.75. Consistent with our previous guidance policy, this range does not assume any impact from future share repurchases.

For the year, we continue to expect capital expenditures to be in the range of \$70 million to \$80 million. Regarding capital allocation, as I highlighted earlier, we are committed to first investing behind both of our brands to fuel long-term growth and second returning our significant cash flow to shareholders through share repurchases.

Now, turning to our second quarter outlook. For the second quarter, we expect revenues to be down slightly in currency rates as of April 27. Within this, Crocs Brand revenues are expected to be up 1% to 3% and HEYDUDE revenues are expected to be down 12% to 14%.

Adjusted operating margin is expected to be approximately 24.7% which embeds adjusted gross margin down approximately 150 basis points to prior year driven by the impact of tariffs consistent with the commentary on our last call. Adjusted diluted earnings per share is planned to be in the range of \$4.15 to \$4.35.

Finally, before closing, I want to provide an update on the February Supreme Court rulings on tariff refunds. While we believe we are well-positioned to collect refunds on the incremental tariffs we paid in 2025 and into this year, we have not currently embedded any upside from this within our guidance.

To close, while we are pleased that our first quarter results exceeded our expectations, we continue to remain focused on managing the business for long-term profitable growth while generating and deploying our exceptional free cash flow enabled by our best-in-class value creation model.

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

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. Hello Jonathan, is your line on mute?

Jonathan R. Komp

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

Yeah, hi, can you hear me?

Q

Operator: Yes.

Jonathan R. Komp

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

Okay, great. Good morning, everyone. Andrew, could you talk more about the recent trends you're seeing in sell-through for the Crocs Brand in North America in both channels and how are you thinking about DTC in particularly looking forward here? And do you see any risk that momentum slows as you get past the core sandal season?

And then Patraic, just more broadly the financial outlook as you get closer to the embedded second-half ramp in revenue and profitability. Just can you highlight the factors that are giving you confidence in the second-half projections here? Thank you.

Q

Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

Thank you, Jonathan. So, let me kick that off. So, I think – well, I think the biggest and most important thing, I'll address it for Crocs but it frankly is also true for HEYDUDE, right? Is newness, the consumer is responding to newness. As we've introduced newness and I'll keep my comments focused on Crocs for a second; I'm sure we'll get to HEYDUDE. As we've introduced newness in sandals, in clogs, and I think we talked also in our prepared remarks around ballet flat and other styles, we definitely see the consumer responding. We see them responding here in North America with accelerated demand and strong sell-through. And frankly we're also seeing response for the Crocs brand and those same new products in many of our international markets.

So, I think that gives us some strong underlying confidence. And I would emphasize as you kind of alluded to here in your question, some of that newness is in sandals. But some of that is outside of sandals, it's in clogs and it's in other silhouettes. So I think that's really important.

I also think from a relative – from a DTC perspective, we're also continuing as you would hope any company would, continue to get better about how we execute our DTC business, whether it be digital, whether it be stores, whether it be selling on TikTok and social selling. That's been a nice driver of consumer engagement. And I think there's evidence that some of our marketing activation, some of our storytelling relative to Gen Z or younger more influential consumer is working. So, I think what I would say is we have a lot of confidence around our newness, around the trajectory of our business despite some headwinds that we do see in the global marketplace.

I'll now let Patraic talk a little bit more to the specific elements of the guide.

A

Patraic Reagan

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

A

Yeah, Jonathan, great question. And let me kind of level this up and start just from a strategic standpoint. So, we've now effectively communicated the five strategic pillars for Crocs and the three strategic pillars for HEYDUDE over the course of last many quarters. And I think if you look into what is inherently in that, it is appealing to our consumers, driving product newness within those pillars. And a key component of that is diversification, which ultimately from a product standpoint translates into new products both within Crocs and within HEYDUDE.

And so, we're seeing that really come to life in terms of green shoots within both businesses beginning in Q4 of last year and accelerating into Q1. And so, that's really kind of gives us the basis of confidence in terms of the second half.

Now, while we feel great about that, the second component is really going back to last year. And if you recall during the second half of last year, the team took several strategic actions, but very painful in the moment, to pull back on promotions, pull back on paid search, pull back on inventory going into the marketplace for both Crocs, particularly in North America and HEYDUDE more broadly.

And in the second half we start to lap those actions. And as we lap those actions, those also provide a tailwind for us as we get into the back half of the year. So, if you take those two together, number one, is continuing on our product newness and diversification strategies and then secondly, combine that with starting the anniversary of the actions that we took last year, we feel really confident in terms of where we're headed from a second-half perspective.

Jonathan R. Komp

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

Q

Great. Thank you.

Patraic Reagan

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

A

Appreciate it, Jon.

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

Rick B. Patel

Analyst, Raymond James & Associates, Inc.

Q

Thank you. Good morning, everyone. Can you unpack the impact of higher costs that you alluded to? First, how do we think about how much of a drag freight surcharges could be presenting on gross margin for the year? And second, does guidance contemplate an impact from higher resin costs given the increase in oil prices or do you see this as more of a 2027 event?

Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

A

Yeah. I think maybe – I think you're obviously alluding – you're driving at the impact of high oil. Maybe I'll just kind of start off by setting this up is with what I see as the impacts of sort of the Middle East conflict on our business which are three-fold, right? Number one, we do see some drag in revenue associated with selling directly to our

Middle East distributors. They simply can't take receipts at this point, right? And so we have embedded that in our guidance. So, if you like, if you think about our kind of Crocs and that really only impacts Crocs. We're maintaining our guidance despite some negative impact from revenue that we anticipated in the Middle East that we have no longer put into our future forecasts.

Number two is increase in costs. At this point the biggest impact of increase in costs is really transportation. So, it's fuel surcharges relative to inbound freight and outbound freight in all of our key markets. And that cost is embedded in the guidance we have provided, right?

The third impact of that is we don't really see today, but if this drags on for a sustained period of time, it is inevitable it will happen, right, is a slowdown in the macro global economies, right? The – our global economies are not built to sustain \$120 oil and that will have an impact. We don't really see that impact today. As we look closely at our consumer behavior here in North America, in Europe, and in Asia, we're not seeing a discernible trend relative to, I think, what is reported as weak consumer confidence. We're not seeing a discernible trend. But obviously that risk and concern remains.

Patraic Reagan

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

A

And then, Rick, just to jump in and add a little bit more color and context. First and foremost, any – as Andrew mentioned, any impact from Middle East is fully contemplated in the guidance that we provided today. And so, I think within that, couple of things. One, really at Crocs, we pride ourselves on being both agile and resilient. And I think what you see happening with us right now is we're leaning into that agility, we're leaning into that resiliency as we kind of read and react to what's happening in that part of the world.

Everything Andrew said in terms of the three buckets, obviously, absolutely true in how we're thinking about it. The only thing I would add is that within our supply chain, we're really on a always-on offense in supply chain to continue to create and seek out efficiencies that we can either drop to the bottom line or potentially reinvest back in the business.

And then, the second component I would say is you heard us talk over the last couple of quarters about some of the cost efficiencies that we're putting in place and going after, both within SG&A as well as within COGS. And at the time, we talk about choices that we make within that in terms of accelerating our business or dropping dollars to the bottom line. But it's actions like those that we take that give us the ability to be able to continue to raise our guidance that we did today despite the fact that we see unanticipated conflicts like the Middle East. So, I think it goes in testament to who we are as a company and our ability to be both agile and resilient.

Rick B. Patel

Analyst, Raymond James & Associates, Inc.

Q

Thanks very much.

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

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Great. Thank you very much. I guess my first is just a quick clarifying question on the tariffs. So, what level of tariffs are you still embedding in the rest of your guidance? I know that the statutory is collecting 10% right now. So, just the differential between collecting 10% on the, I guess, Section 132 and then what's embedded in the

overall guidance. And then, in terms of inventory into the channel, are you seeing any changes in either conversations or the willingness to buy on the forward order book? Thank you very much.

Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

Hey, Adrienne, I'll take your second piece first and then Patraic will give you chapter and verse on tariffs which is...

Adrienne Yih

Analyst, Barclays Capital, Inc.

Thank you, thank you, thank you very much.

Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

...continues to be an interesting and complicated situation. So, inventory into the channel, I would say very consistent with exactly what we said last quarter and the quarter before. We have put a tremendous amount of time, effort, and money into cleaning up our inventory in channel for – this primarily in North America for both of our brands. We feel really good about where we are.

In terms of their posture, we find most of our major wholesale customers being appropriately prudent, right? So, their biggest controllable is inventory and they're managing their inventory closely and they're certainly not being very assertive with their plans. They are looking to brands to support them with at-once inventory. But we feel great about where we are relative to our inventory levels. And certainly, they are responding to newness and chasing and reordering newness. It's selling well.

Patraic Reagan

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

And Adrienne, moving on to the question about tariffs, as Andrew said, chapter and verse on this, quite a few chapters. And we frankly – we continue to see the tariff landscape evolving. And what we're trying to do is, again, as I mentioned on the response to the question earlier, we're trying to continue to adopt and lean into our mentality of being agile and resilient and responsive as we continue to manage it.

That being said, where we are right now, speaking specifically to Q2, we're essentially managing through a blended rate. If you think about how tariffs have evolved over the past year, we've had a few chapters in terms of how they've been announced, how they've evolved, and how they've landed. Then we had the Supreme Court ruling, then we had a response. And so, what we're trying to do is just be extremely agile in terms of managing our way through that. So, what we do have is we have a bit of a blended mix that's in front of us right now.

As we get into second half though, what we feel better about, although around tariffs, we don't feel great about anything. But what we do feel better about is that tariffs now become part of our base. And that's really important. It's really important because it takes down the degree of variance that we're managing through because we have those costs now at least embedded in our base.

And so, as we think about second half and as it relates to tariff, while I'm not providing any guidance specifically right now, I mean, how you can think of it as a high level is that if we get some good news related to tariff from the administration, we'll have a bit of tailwinds. If we get more challenging news in terms of escalation, then we'll have a little bit of headwinds. And I think though the more important thing around this is that everything that we know

today that is included within tariffs and is embedded in our outlook is embedded in our guidance. And as we continue to see more clear direction coming through, we'll update and make sure that we're providing clarity to the investment community. Hopefully that helps.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Great. Thank you. Very helpful. Thank you so much.

Q

Operator: And the next question comes from Kendall Toscano with Bank of America. Please go ahead.

Kendall Toscano

Analyst, BofA Securities, Inc.

Hi, thanks for taking my question. So the return to growth in North America DTC for the Crocs brand was obviously a very positive surprise. It sounds like a lot of that was driven by a strong response to new product offerings. But curious now how you're thinking about the balance of the year and whether that level of growth – 5% for North America DTC is something that could continue?

Q

Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

Yeah. I mean, what I would say Kendall, we're obviously not guiding channels by country et cetera, in terms of giving you specific numbers on that. But what I would say is look, I think the underlying drivers of that performance and we agree it was great to see it as an important signal of what we're doing as a brand from a product, marketing and distribution perspective, an important signal that it's working, we feel like that they are at the fundamental level and should continue, right?

A

So, the drivers of the DTC performance, as I kind of alluded to in an earlier question, were I think introduction of newness and it's broad-based newness, it's clogs, it's sandals, it's new products, it's personalization, it's accessories. And we do believe that DTC will continue to outperform wholesale. And I think there is also some element of effective execution within that as well, right? So, we feel good about it. We think it's an important signal. And we hope it continues, but we're not providing specific guidance at that level.

Kendall Toscano

Analyst, BofA Securities, Inc.

Got it. Okay, that's helpful. And then other question was just on gross margin and so the first quarter came in down 90 basis points versus the expectation for flat year-over-year trends. It sounded like the tariff headwind came in in line with the 100 basis points that you expected. So curious what kind of drove the downside. Was it all in relation – mostly in relation to new product offerings you called out carrying a lower gross margin and if so how should we think about the impact of that for the remainder of the year?

Q

Patraic Reagan

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

Yeah. Kendall, it's a bit of that, let me elaborate just a bit. So, I think, first and foremost, we were really happy with Q1 performance in both brands. And a lot of it really goes back to talking through what we discussed earlier in terms of new products and the green shoots that we're seeing and consumers responding favorably. As it gets into the gross margin results for the quarter, there's really two components that were driving that.

A

Number one is new product mix as you alluded to, and important from a strategic standpoint, and I want to make sure that I emphasize this, extremely important from a strategic standpoint as we execute on our diversification strategy that new product is hitting for us. From that we can start to look into profitability of new product et cetera., over the longer arc of time. But first and foremost from a gross standpoint, important that we're landing from new product and innovation perspective. And so that turned out to be a little bit more headwind than we thought it was going to be when we planned the quarter, but not necessarily a bad thing.

The second component is related to brand mix. And so during the quarter as it relates to what we thought 90 days ago, we saw the HEYDUDE brand outperform our expectations in the quarter. Which again, although a drag on gross margin rate, within the quarter it is very much aligned in terms of our return-to-growth strategy within HEYDUDE, and gave us the confidence to actually raise our guidance on HEYDUDE revenue growth for the balance of year. So as you think about the two key components of the margin performance versus what we talked about in our last quarter call, those are the two key drivers in the quarter.

Kendall Toscano

Analyst, BofA Securities, Inc.

Thank you.

Q

Operator: 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. I wanted to follow up on North America wholesale and I recognize that you're not guiding by channel, geography, et cetera. But obviously it's been negative for quite a few quarters in a row, and I think by the end of this year, depending on how rest of the year shakes out, it'll be something like 30% below peak. But do you feel that given some of the improvements that you've seen in the DTC business that potentially you've got line of sight into the North America wholesale business stabilizing potentially over the near to medium term?

Q

Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

Yeah. I think the short answer is yes, right. So we feel like the North American wholesale business is exactly where we expected it to be at this point in time. So the work that we've been doing with our partners in the channel is, I would say, moving along exactly as we thought it would, which is right-sizing inventory in the channel, making sure that inventory is turning at the appropriate rate, introducing newness whether it be sandals, clogs or other styles, and then also working with them effectively on what they're going to pre-book and making sure that we have kind of appropriate inventory to be able to capitalize and maximize at-once.

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So, we think it's playing out exactly as we thought it would. And in the short answer is, we definitely see it stabilizing and as we continue to build the brand, diversify the brand, and provide more and more reasons for consumers to purchase, we're quite confident we can grow the business for Crocs in North America.

Tom Nikic

Analyst, Needham & Co. LLC

Great. Thanks very much, Andrew, and best of luck the rest of the year.

Q

Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

Thank you.

A

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

Brooke Roach

Analyst, Goldman Sachs & Co. LLC

Good morning and thank you for taking our question. I wanted to follow up on Rick's question on the Middle East. Is there any way you can unpack your expectations for input costs if higher oil prices persist? If oil remains at this level, how long would it take you to begin to see those higher product costs flow through the P&L? Can you frame the magnitude of the potential cost headwind that you might see, and then lay out the key levers that you're thinking about to pull to protect profitability? How important would price be in this situation relative to other levers of opportunity? Thank you.

Q

Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

Okay. That's a very detailed question, Brooke. So – and we're not going to provide all that detail so, but we can give you some qualitative input that I hopefully helps you to understand it a little bit. So what I would say is that absolutely high oil prices for a sustained period of time does provide some upward cost pressure to the resin component of business.

A

I actually probably might point you to transportation as a bigger cost pressure to be quite honest. Because if you look at transportation both in and out, I think that's potentially a bigger impact. But I would say we have a very well-diversified supply chain sourcing engine, transportation, contracts, relationships et cetera. We are very well-equipped to manage this.

There are some components that will provide upward cost pressure but I would also say we've been extremely proactive over a couple of – a number of years now and we'll continue to be proactive about looking for opportunities to save cost in our supply chain, whether that be cost of goods based on country of origin, whether that be tariff optimization due to tariffs – differential tariffs by country, whether that be investing in automation and robotics within our DCs, we have lots of strategies to mitigate cost.

So, what I would say is that, I think Patraic mentioned earlier, we've kind of baked all of that into the guidance we're providing and I think we're well able to manage this.

Patraic Reagan

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

Yeah, Brooke, just to kind of add on to Andrew's comments, as you said at the tail end, everything we know today has been fully contemplated into our guidance which is why we alluded to it in prepared remarks. And I think the other thing to think through is as we've gone through the last year in terms of leaning into our agility, flexibility within how we manage the business, we've now got a track record of being and having very demonstrable success in terms of squeezing out efficiencies within both supply chain and within SG&A.

A

And so, while we don't necessarily want to be leaning into those areas based on what's happening in the Middle East, we know that we can. And so, I think we're in the same boat as a lot of other companies where we're

anxiously waiting to see what happens over the next 30, 60, 90 days or so. And we'll continue to adjust accordingly. So – but I think that the big message here is that all that we know today is reflected in our guidance for 2026.

Brooke Roach

Analyst, Goldman Sachs & Co. LLC

Great. Thank you so much.

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

Anna Andreeva

Analyst, Piper Sandler & Co.

Great. Thank you so much and good morning. We wanted to follow up on international wholesale at Crocs. It's come in softer for the past couple of quarters now and you guys have mentioned controlling the sell-in. Can you just elaborate on that? Is there any door rationalization that's taking place internationally and just how should we think about the progression in this channel in 2026?

And then just to follow up on gross margin, should we expect the Crocs brand to continue to pull back on promotions in DTC? You will lap the beginning of those actions I believe next month. Obviously a lot of the newness you guys talked about that's resonating. So just additional color on that. Thanks so much.

Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

Yeah, thanks, Anna. So what I would say about our kind of Crocs international business is it remains very strong, okay. So our overall Crocs international business we see growing strongly for the remainder of the year and frankly we see a multi-year pathway for continued growth in our significant international markets.

I was just recently in both Japan and China and really pleased with how our brand is performing in those markets and we highlighted that in our prepared remarks. Very strong growth in both of those markets and obviously two of the largest international markets. DTC's growth has been stronger than wholesale. And some of that is a result of the countries where we're seeing the most growth because some of the countries where we're seeing the most growth rely on a DTC driven distribution model and have very strong digital penetration and consumers have – the overall digital penetration is really high in those markets, and in most places where we're operating on digital, we manage that ourselves and [ph] have the (00:50:43) DTC revenue.

I think the wholesale business has been exactly on track with where we expected it with one exception, we do see impacts for the Middle East, right. So our business into the Middle East is a distributor business that was a wholesale sale for us. So, that's a drag. There was a small drag in Q1 and that it will be a drag through the remainder of the year and we've anticipated that and built that into our guidance. And then – so I think those are the things that I'd probably highlight from an international perspective, okay? I'll let Patraic address your additional question on gross margin.

Patraic Reagan

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

Yeah. From a gross margin standpoint, as it relates specifically to promotional cadence and overall promotionality, what we're seeing in maybe more broadly in the marketplace is we're still seeing that the consumer is stressed and that retailers are leaning into promotions as a way to drive both traffic and sales.

Now as it relates to us, slightly different in terms of where we are. So, as we think back to second half of last year, we made a conscious decision in really both of our brands to pull back on discrete promotional components within both Crocs and HEYDUDE. We are still on that journey as we kind of go through the first half of this year. We expect that as we get into second half of the year that we'll continue to function at a more, what we call, normal level of promotionality, which is what we're executing on today.

And so, I think the way to think about it is we've been on this journey which is a multi-quarter journey in terms of pulling back second half. We also feel that effect in first half of this year, which also has an impact on revenue compares on a year-over-year basis and we'll start to see that more normalize as we get into the second half of this year.

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Anna Andreeva

Analyst, Piper Sandler & Co.

Terrific. Very helpful. Thank you so much.

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Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

Thank you.

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

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Peter McGoldrick

Analyst, Stifel, Nicolaus & Co., Inc.

Hi. Thanks for taking my question. Andrew, you discussed consumer resilience in Europe, Asia, and North America despite Middle East disruption. And in the past, you've given some really helpful commentary around the consumer backdrop. So, this commentary sounds like things are holding up better than anticipated. So, I'm curious if you could tell us how the consumer backdrop has evolved to today and what's embedded – any changes that are embedded in the outlook if any.

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Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

Yeah. Thanks, Peter. Yeah, I think what I said and I'll just reiterate that we don't – I wouldn't say resilience is quite the right word. I said we don't see a discernible negative trend is probably the way I would say it, right? So, given that, I think how our potential to succeed, to do well, to drive sales and profitable sales I think is good, right? So, in an environment when the consumer is not discernibly negative, we believe we offer incredible value to the consumer. We have a great roster of new product introductions that are clearly gaining traction with the consumer. And if we offer them a great value, a compelling new product, new colors, new colorways, new augmentations, the ability to personalize their product, we can get them to transact and purchase. So, we do feel good about that.

I think sustained \$120 oil does provide a drag, a differential drag on some different markets. I think the ones that we are most concerned about or thinking a little bit – or I would say observing closely would be kind of Western Europe and some parts of Southeast Asia, where we see governments putting in place some degree of energy control measures.

So, what I would say is, look, they do appear to be holding up, right? We see that here in North America, we see that in many of our markets, and we continue to succeed. So, I think we're focused on doing what we need to do to succeed in this consumer environment.

Peter McGoldrick

Analyst, Stifel, Nicolaus & Co., Inc.

Very helpful. Thank you.

Q

Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

Thank you.

A

Operator: And the next question comes from Aubrey Tianello with BNP Paribas. Please go ahead.

Aubrey Tianello

Analyst, BNP Paribas Securities Corp.

Hey, good morning. Thanks for taking the questions. I wanted to follow up on Crocs international. Is the 10% revenue growth for the year that you guided to 90 days ago still the right way to think about it? And then, what does guidance assume in terms of FX? I think it was about 100, 120-basis-point benefit at the enterprise level last time you guided. Thanks.

Q

Patraic Reagan

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

Yeah. I'll take that question. So, let me just kind of level it up a little bit to – on the international basis. So, international is, as we continue to talk about is a key strategic pillar for us. It's a key growth area for us and within 2026, it'll be the first year that Crocs, Inc. is predominantly a international-driven company. So, our revenues will be slightly more in international this year for the first time than North America and we feel great about that.

A

From an international perspective, before I get into guidance, I just want to also just reiterate that we feel like we had a really strong quarter from an international perspective. When we think about our Tier 1 growth countries like China, Japan, et cetera, we're double-digit growth in our key Tier 1 countries. So, we continue to see and believe that we've got a lot of white space in those areas.

As it relates to guidance, I think roughly about a quarter ago, we guided to 10% and I would say that we're still very much in the high single digits to approaching 10% within international. The only area that I would say has given us a little bit of friction is what Andrew alluded to earlier is Middle East. And I think that's how we're thinking about it.

So, we're very bullish on international and continue to be bullish. The other example I would say, just from a quarter standpoint is you see our continued commitment in terms of the takeback of our Malaysia distributor business and I was actually in the market towards the end of last year and I got to see a number of – the over 20 stores that come with that takeback and we're really excited about this very productive, very profitable business in an area of the world that has got a high affinity for Crocs.

And so I think if you think about those few components, Peter (sic) [Aubrey], we feel really good about where we are. And as it relates finally to FX, in terms of where we are today versus 90 days ago, the FX is slightly worse, but it's not impacting our guidance and outlook on the year in a meaningful way.

Aubrey Tianello

Analyst, BNP Paribas Securities Corp.

Thank you.

Q

Patraic Reagan

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

Great.

A

Operator: And the next question comes from Janine Stichter with BTIG. Please go ahead.

Janine Stichter

Analyst, BTIG LLC

Yeah. Thanks so much and good morning. Just on the flat SG&A dollars guide that includes the cost-saving program. Maybe speak to some of the areas you're reinvesting in and some of the benefits you're seeing, and then how we should think about your willingness to reinvest more if you see a return or on the flip side, are there areas where you could still pull back?

Q

And then, on wholesale, you talked to your retail partners doing more at-once. Maybe just speak to your supply chain flexibility in the case that there is more demand and your ability to meet that? Thank you.

Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

Yeah. So, what I'd say – so I think the most important thing from an SG&A perspective is the couple of different rounds of cost-saving initiatives that we've talked to you about have all been completed. So we have attained those cost-saving goals. Some of those are in SG&A and some of those savings are in cost of goods or are in COGS relative to the go-up in gross margin. So, we've achieved those cost savings that has given us some flexibility as we go into the year to invest in some critical areas.

A

Those areas are generally some of our DTC capabilities whether that be physical stores or, more likely – or more importantly, digital selling. So we're investing in a higher proportion of DTC sales which carries more SG&A but also carries some strong gross margin and strong operating profit. We're also investing in marketing for both brands to make sure that we create future demand for a lot of those new product introductions that are working.

So, I think – and in terms of supply chain flexibility, look, I think this is a bit of a balancing act. We're really good at managing our inventory and managing our supply chain. We keep lean inventories which I think is an overall strength for the company, allows us to flow a lot of our operating profit through to cash flow and use that to reward shareholders.

And – but we do also try and forecast some of our newer products and best-selling items to have some backup inventory to lean into at-once. And frankly that's on both brands. I think our entire conversation this morning has been on Crocs, nobody's asked a single question about HEYDUDE. But those capabilities apply to both and we are able to capture some nice additional business based on our at-once performance.

Janine Stichter

Analyst, BTIG LLC

Great. Thanks very much.

Q

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

Andrew Rees

Chief Executive Officer & Director, Crocs, Inc.

Thank you. I would just like to thank everybody for their great questions, their attention, and their interest in our incredible company. So, much appreciated.

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

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