PARTICIPANTS

Corporate Participants

Marisa F. Jacobs – Senior Director - Investor Relations, Crocs, Inc.
Gregg Ribatt – Chief Executive Officer & Director, Crocs, Inc.
Andrew Rees – President and Principal Executive Officer, Crocs, Inc.
Carrie W. Teffner – Chief Financial Officer & Executive Vice President, Crocs, Inc.

Other Participants

Steven L. Marotta – Analyst, C.L. King & Associates, Inc.
Erinn E. Murphy – Analyst, Piper Jaffray & Co.
Sam Poser – Analyst, Susquehanna Financial Group LLLP
Jim Duffy – Analyst, Stifel, Nicolaus & Co., Inc.
Scott D. Krasik – Analyst, The Buckingham Research Group, Inc.
Mitch Kummetz – Analyst, B. Riley & Co. LLC
Jim A. Chartier – Analyst, Monness, Crespi, Hardt & Co., Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Fourth Quarter 2016 Crocs, Incorporated Earnings Conference Call. My name is Ellen, and I will be your operator for today's call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Please note that this conference is being recorded.

I will now turn the call over to Marisa Jacobs, Senior Director of Investor Relations. Ms. Jacobs, you may begin.

Marisa F. Jacobs, Senior Director – Investor Relations, Crocs, Inc.

Good morning, everyone, and thank you for joining us today for the Crocs fourth quarter 2016 earnings call. I'm Marisa Jacobs, and I'd like to start off this morning by introducing myself. I recently joined Crocs as the Senior Director of Investor Relations. I began my career as a securities lawyer before transitioning into investor relations and corporate communications. Most recently, I led the investor relations function at Express, the specialty apparel and accessory retailer. Since joining Crocs, I moved to Boulder and I'm now fully immersed in the business and getting up to speed as quickly as possible. I'm delighted to be here and look forward to speaking with you shortly and working with you in the months and years ahead.

Earlier this morning, we announced our fourth quarter and fiscal year results, and a copy of the press release can be found on our website at crocs.com. We would like to remind everyone that some of the information provided on this call will be forward-looking and accordingly is subject to the Safe Harbor provisions of the federal securities law. These statements include, but are not limited to, statements regarding future revenue and earnings, prospects and our product pipeline. We caution you that these statements are subject to a number of risks and uncertainties described in the Risk Factors section of the company's Annual Report on Form 10-K. Accordingly, all actual results could differ materially from those described on this call.

Those listening to the call are advised to refer to Crocs' Annual Report on Form 10-K, as well as other documents filed with the SEC for additional discussions of these risk factors. Crocs is not

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obligated to update these forward-looking statements to reflect the impact of future events. The company may refer to certain non-GAAP metrics on this call. An explanation of these metrics can be found in the earnings release filed earlier today and on our investor website located at Crocs.com. Joining me on the call today are Gregg Ribatt, Chief Executive Officer; Andrew Rees, President; and Carrie Teffner, Executive Vice President and Chief Financial Officer. Following their prepared remarks, we will open the call for your questions.

I'll now turn the call over to Gregg.

Gregg Ribatt, Chief Executive Officer & Director

Thank you, Marisa, and good morning, everyone. Please join me in welcoming Marisa to Crocs. We are delighted to have her on the team. This morning, we announced our fourth quarter and full year 2016 results and introduced guidance for the first quarter and full year of 2017. We also made some announcements that relate to the ongoing transformation of Crocs as we continue on the path towards sustained profitable growth. I want to spend the bulk of my time talking about our ongoing transformation, and Andrew and Carrie will speak to you in greater detail about our 2016 results and our 2017 guidance.

Looking back on 2016, the year can be viewed from two perspectives: operational and financial. From an operational perspective, it was a successful year. We continued to reshape Crocs into a company that functions more efficiently and effectively and we are in a far better place now than two years ago. And while the operational work is critical, it is not yet, and I emphasize yet, translating into the financial gains we continue to believe are achievable.

As some of you know, our efforts to reshape Crocs actually began more than two years ago when Andrew joined the company as President. At that time, a strategic roadmap to unlock the full potential of the Crocs brand and business was put in place. Over the last two-plus years, we've made significant progress with respect to our team and organizational structure, product, marketing, sourcing and distribution, inventory management, and sales channel capabilities.

Let me briefly touch on each of these, beginning first with our team and organizational structure. Over the past two years, we upgraded the talent in the organization with individuals possessing deep industry experience and essential skill sets across each of our regions and functions. The executive team that we've put in place averages over 20 years of relevant industry experience a piece. With this stronger team in place, including the broader team we have assembled, we're better positioned to complete the transformation embarked upon two years ago.

Second is product. We've greatly simplified our product line. Since completing the 2014 collection, we've reduced SKUs brought to market from over 2,000 to approximately 1,000, generating improved SKU productivity and gross margins. The SKU count reduction of approximately 50% is also contributing to simplifying our supply chain and planning and allocation functions. In addition, for the first time, we're presenting a unified global collection, which is crucial to enhancing our brand positioning on a global scale. Finally, from a style perspective, we've invigorated essential products such as our Classic Clog, while also building out new collections, such as Isabella, Swiftwater and CitiLane Roka.

Third is marketing. We created a global marketing function to replace a regional one. This has enabled us to project a consistent global brand image for the first time. Combined with an elevation of our overall marketing execution, we're seeing an increase in our brand relevance rankings in almost every key market.

Fourth is sourcing and distribution. The improvements we have made in sourcing and distribution are driving more reliable demand and supply planning processes, more robust and proactive

supplier relationships, more effective supply chain management by leveraging SAP, and shorter lead times, all of which are enabling us to be more responsive to the needs of our customers and in turn, drive higher quality revenue and margin gains. Our on-time/in-full performance illustrates this progress. We went from being one of the worst performers in the industry two years ago to a top quartile performer today. In fact, our 2016 performance was the best in the company's history.

Fifth is inventory management. We've been working with our wholesale and distributor partners to clear out their old and unproductive inventory, while simultaneously reducing company-owned inventory. At year-end, our inventory was down 13% or $21.2 million, compared to a year ago. Due to our success in this area, we're bringing newness to our customers more consistently, which is essential to building demand and generating more full-price selling.

Sixth is strengthening and simplifying our go-to-market approach. At wholesale, we've strengthened our customer relationships and are now delivering higher levels of service and better product and marketing programs. With a more collaborative approach, we're better positioned to grow this business. At the same time, we've been focused on our highest potential relationships and decreasing our Tier 4, or discount channel business as well as terminating relationships with less strategic distributor partners.

With respect to our retail business, we're still too heavily weighted towards full price versus outlet locations. In some cases, we're being constrained by large expensive stores with long leases that have been difficult for us to exit. We have, nevertheless, continued to close full price stores and since the beginning of 2015 have reduced our full price store count by 83 or more than 25% of the full price footprint. New store openings are being heavily weighted towards outlet locations. The right sizing of our store footprint will continue over the next few years, and Andrew will provide more details on that shortly.

And finally, eCommerce where our sales grew high-single digits in 2016, despite disappointing second half results. Given shifting consumer shopping patterns, we expect this channel to continue to grow in importance to the overall business. We've been improving our online customer engagement, accelerating our efforts around a mobile-first approach, and allocating additional marketing dollars to drive further eCommerce growth.

In summary, over the past two years, we established critical capabilities and added key talent across the organization. We created an effective and stable operating platform and our work to establish best practices with respect to our wholesale, retail and e-commerce platforms has been substantially advanced. I'm proud of the organization now in place and extremely grateful for the hard work and dedication shown by the Crocs team across the globe.

Looking ahead, we're committed to further strengthening the organization and improving our financial results, which gives rise to two other topics I want to discuss this morning. The first is today's announcement regarding leadership changes.

I'm very pleased to share with you that in response to the substantial progress made over the past two years, our Board of Directors and I have determined that we are now in a position to streamline our leadership structure and consolidate the President and CEO roles. Effective June 1, Andrew Rees is being promoted to President and CEO. At that time, I will step down as CEO, but continue in my board role. Andrew and I worked side by side over the past few years, and I've witnessed firsthand his strength as both a strategic thinker and a leader. I've greatly enjoyed working with him and look forward to continuing to do so as he moves into his new role. I believe fully that Crocs will be in good hands under his direction.

It also gives me great pleasure to share with you today a number of other changes we're making to better capitalize on the talented team we've assembled over the last two years. Michelle Poole, SVP of Global Product and Merchandising, is also assuming responsibility for Marketing;

Ann Chan, currently SVP and GM of Europe, will transition to the role of SVP and GM of Americas;

David Thompson, currently SVP of Asia, Middle East and Africa, is also assuming responsibility for Europe.

And given the importance of eCommerce, we are establishing a new Global eCommerce function to be headed by Adam Michael, who has been promoted to SVP of Global eCommerce.

The last topic I want to address before wrapping up relates to our continuing efforts to drive further operational efficiencies and reduce our SG&A. We have identified a number of actions to be completed by the end of 2018, which we expect to reduce our SG&A by $75 million to $85 million and to deliver between $30 million and $35 million in incremental earnings before interest and taxes in 2019. We believe these actions are critical to right-sizing our cost structure. Andrew will provide additional details momentarily.

I'd like to close today by reiterating my confidence that the progress we have made over the past two years, combined with the changes announced today, sets us up for improved growth and profitability. Although I'll be taking a step back from day-to-day operations, I'm looking forward to contributing to the success of Crocs as I continue in my board role. At this time, let me turn the call over to Andrew. Please join me in congratulating him on this well-deserved promotion. Andrew.

Andrew Rees, President and Principal Executive Officer

Good morning, everyone. I'd like to begin by thanking Gregg for the strong leadership he has provided to this organization. The company has benefited from his footwear expertise and he has inspired people all across the organization with his passion for this business and his vision for reenergizing the company and the brand. On a personal note, I want to thank him for serving as a mentor during the time we've worked together. His guidance has been invaluable and I know I can count on his ongoing advice and support.

As we focus on our business, we are all aware that the macro environment is clearly challenging. It is our job, whatever the circumstances, to grow shareholder value. Our focus in 2017 is to capitalize on the talented team we now have in place to continue driving improvements in our product and marketing, leveraging our more stable operating platform to create further efficiencies, and improving the profitability of the company.

While the focus of the management team is clearly forward-looking, I do want to begin by briefly looking back to 2016. It was a busy and productive year. As Gregg has already noted, from an operational perspective, we;

- strengthened our organization both from a people and process standpoint,
- dramatically improved our on-time and in-full performance,
- solidified relationships with our key wholesale partners,
- worked through excess inventory in each channel of our business,
- reduced the size of our full-price retail fleet,
- exited certain company-owned businesses where we lacked the necessary scale and expertise to justify our presence, and
- shifted business to more qualified distributors.

The last four actions just mentioned depressed our revenues last year. We took those actions intentionally, however, because they are essential to improving the long-term health and profitability of the business.

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As it relates specifically to the fourth quarter of 2016, revenues were $187.4 million, which was within our guidance range. Please keep in mind that this includes a $4.4 million impact of FX fluctuations, an intentional reduction of sales in our discount channel, store closures, and the disposition of our South Africa business, which in aggregate reduced our revenues by approximately $16 million compared to last year.

At wholesale, our global business declined 10.7% as expected. These reductions versus the prior year were driven by the same factors we discussed during our third quarter calls. Specifically, we continued to reduce sales to discount channels, primarily in Europe and the Americas. In Asia, wholesale revenues were down due to the sale of our South Africa business earlier in the year. And lastly, at-once orders came in slightly lower than planned, as retailers continued to be cautious with their open-to-buy dollars and to focus on reducing their own inventories.

In terms of our direct-to-consumer business, sales declined 9.9%, and our comps were down 7.7%.

At retail, we saw high single-digit traffic declines in the Americas and double-digit traffic declines in Asia. We drove conversion rates and UPTs higher, but these gains did not offset the slowdown in traffic. In response to shifting shopping patterns, during the year, we reduced our full-price retail locations by 47, to end the year with a full-price retail store count of 228, down from 275 at the end of 2015. We increased outlet stores by 46 during the year, and ended 2016 with 232 outlet locations. Total store count at year-end was 558 compared to 559 last year.

Our eCommerce business was mixed throughout the year. On a full year basis, we grew eCommerce at 7.9% on top of 15.6% in the prior year. After getting off to a good start, our performance weakened, and actually declined 9.7% in the first quarter.

Our execution across regions was inconsistent, with performance in Europe, our smallest region, outpacing Asia and Americas. In Asia, weak sales in China on Singles' Day, or 11/11, accounted for the shortfall versus expectations. In the U.S., conversion and UPT gains were insufficient to overcome a drop in traffic. There were three primary causes for the weaker traffic. First, we reduced marketing activity compared to last year's fourth quarter. Second, we saw some purchasing activity migrate from our site to sites hosted by large e-tailers offering our product. Finally, with higher quality inventory compared to last year, we had less deep discounting and end-of-life product available.

Turning to product and marketing initiatives, we continued to see success in our core molded product line. Customers are responding favorably to new colors and prints added to the lineup. Furthermore, with demand up for both lined and unlined molded clogs, we learned that some of our spring/summer products can be carried over into fall/holiday season, thereby extending our selling season. We've also confirmed the importance of adding newness to our iconic molded footwear, through new color and graphic introductions and through the expanded use of licensed characters.

Key collections including Isabella, Swiftwater and CitiLane Roka are working well and are poised for further growth. At the same time, a few of our new fall/winter lines, specifically Sarah and Lina, proved to be a bit too fashion forward for our core customers. We took away valuable learnings from this and will be incorporating those into future collections. Our spring/summer 2017 collection rolled out to warm weather doors in November, and early reads are encouraging. Going forward, our innovation and newness will be most heavily concentrated on core clogs, and sandals, flips and slides where we see the greatest opportunity for growth.

From a marketing perspective, we are excited about our new "Come As You Are" campaign. It's just getting started, with the official launch planned for April. It's our first campaign tapping into the power of brand ambassadors. Our partners are Drew Barrymore, John Cena, Yoona Lim and Henry Lau. Each of these celebrities has a unique personality, while simultaneously possessing qualities

consistent with Crocs' DNA. Additionally, Drew and John enjoy strong global recognition, while Yoona and Henry are widely known and admired throughout Asia, and have fans across the world.

In spite of the fact that the campaign hasn't yet formally launched, it's creating great buzz. Our teaser postings are the most viewed in the company's history, and we are generating the highest engagement of any social media campaign we've run to-date. In terms of our marketing investment, consistent with our belief that digital and social campaigns are the most effective means of reaching our target consumers, we're channeling the majority of our marketing dollars there and materially reducing our use of TV and print.

Before wrapping up, I want to expand upon Gregg's comments relating to the cost reductions we announced earlier today. Over the past several months, as we continued to focus on removing unnecessary complexity from our business, we conducted a comprehensive review of our cost structure. This led us to identify a series of actions to reduce our SG&A by $75 million to $85 million. The SG&A reductions fall into two main categories. Approximately 70% will come from planned store closures over the next two years. This will result in a net 25% reduction in our store count, bringing it down to approximately 400 stores by the end of 2018, from 558 at the end of 2016.

The balance of the SG&A reductions will be generated from efficiency gains. We are increasingly able to leverage costs through standardization and our global ERP system, and from organizational changes giving rise to a more nimble and responsive organization. In order to deliver these savings, we expect to incur approximately $10 million to $15 million in one-time costs over the next two years, with approximately $7 million to $10 million of those costs being incurred in 2017. The SG&A reductions just outlined are expected to deliver an incremental $30 million to $35 million of earnings before interests and taxes in 2019.

For modeling purposes, if you use the midpoint of both ranges, you will arrive at a flow through of approximately 40%. I specifically want to call your attention to the fact that the flow through rate is lower than what otherwise would be the case because the stores being closed are burdened with high SG&A and generate little to no operating profit. Our ability to deliver these SG&A reductions is a direct result of the operational and process improvements we put in place over the past few years, combined with continued efforts to simplify our business model.

At this time, let me turn the call over to Carrie to provide a deeper dive into our fourth quarter financial results and to give more detail on our cost reductions and 2017 guidance.

Carrie W. Teffner, Chief Financial Officer & Executive Vice President

Thank you, Andrew. Without repeating what Gregg and Andrew have already said, I hope it is clear that despite a decline in revenues this year, the quality of our revenues and our underlying business has significantly improved, which positions us well going into 2017. Our 2017 guidance incorporates our ongoing commitment to our current strategy, which I believe will drive long-term growth and profitability.

I also want to call out some of the financial progress we did make throughout 2016.

- We drove our gross margins higher,
- we improved our working capital and inventory management,
- we strengthened our internal controls, and
- we identified substantial cost savings opportunities,

all of which create momentum.

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Let me turn now to the fourth quarter of 2016.

Revenue in the fourth quarter was $187.4 million, down 10.2% from a year ago. This places us at the top end of our guidance after excluding the impact of currency, which reduced our revenues by $4.4 million.

We sold 10 million pairs in the quarter, a 14.1% decrease from the prior year. The average selling price of our footwear in the fourth quarter was $18.59, a 5.3% increase. The increase was realized across all channels since we benefited from both limiting sales into the discount channel and promotions that were not as deep as the prior year.

During the quarter, we opened 21 stores, 16 of which were in Asia and we closed 17 stores, 14 of which were full-price stores, ending the quarter with 558 stores, 1 fewer store as compared to Q4 last year.

Turning to our regions, let me note first that given the limited impact of currency in the quarter, the following revenue amounts are as reported.

Americas revenue was $93.1 million, down 9.3% versus prior year. Wholesale revenue in the Americas was down 9.9% driven by lower at-once sales. Retail sales in the Americas declined 7.1%, reflecting a negative 5.6% comp and six fewer stores compared to the same period last year. E-commerce sales declined 12.6% due to the factors Andrew previously discussed, resulting in the Americas DTC comp of negative 8%.

In Asia, revenue was $68.8 million, down 9.8% versus prior year. Wholesale revenues were down 5.3% as a result of the sale of our South African business in April 2016. Retail sales in Asia declined 16.6%, reflecting a negative 12.1% comp despite the addition of nine stores compared to last year. Gains in conversion and UPT could not offset double-digit traffic declines. eCommerce sales declined 7%, resulting in an Asia DTC comp of negative 9.6%.

In Europe, revenue was $25.4 million, down 14.2% versus prior year. As planned, we continued to reduce sales into our discount channel, leading to a 23.3% reduction in our wholesale revenue versus last year's Q4. Retail sales in Europe declined 1.4%. Our retail comp of positive 1% was offset by four fewer stores compared to Q4 2015. eCommerce sales in Europe declined 0.8%, resulting in our European DTC comp being essentially flat.

Our adjusted gross margin was 42.0%, improving approximately 550 basis points from the prior year. This reflects a favorable shift in our product mix, reduced discount, and promotional activity, and lower freight charges. While improving meaningfully, we did not achieve the 1,000-basis-point improvement referenced on our last call. A little more than half of the shortfall related to larger-than-anticipated currency fluctuations, and our DTC mix coming in less than expected. The remaining shortfall was primarily due to an increase in royalty expense related to clarification of new and existing agreements, which resulted in a change in our estimates for royalties.

Non-GAAP SG&A expenses were $115.7 million, down $5 million or 4.2% from the prior year and better than our guidance.

Due to the shortfall in gross margin versus expectations, our loss from operations was higher than anticipated and our EPS was materially lower than anticipated. Net loss attributable to common shareholders after preferred share dividends and equivalents of $3.8 million, was $44.5 million or a loss of $0.60 per diluted share. The weighted average share count used to calculate EPS was 73.3 million shares for Q4. As a reminder, basic and diluted share counts are the same in a quarter that generates a loss.

Turning to the balance sheet, we ended the quarter with $148 million in cash compared to $143 million last year, and no outstanding borrowings. We did not repurchase any shares during the quarter.

Inventory at the end of the quarter was $147 million, down $21.2 million or 13% from Q4 2015 ending inventory of $168.2 million. We generated $40.3 million of cash from operating activities, an increase of $30.6 million over last year, driven primarily by improved working capital management.

Before I wrap up our discussion of 2016, I am pleased to share with you that we have successfully remediated the two material weaknesses that were identified during our 2015 year-end evaluation of the effectiveness of our internal controls. As we discussed with you last year, these control deficiencies did not impact our reported results. We take our internal control environment very seriously and have made significant improvements over the past year. This enables us to now say with confidence that our internal control environment is effective.

Andrew commented earlier on our cost reduction plan. I want to reiterate the key elements of that plan. We have identified opportunities to reduce our SG&A by $75 million to $85 million which will deliver an incremental $30 million to $35 million of earnings before interest and taxes in 2019.

As Andrew noted, the SG&A reductions will fall into two main categories. Approximately 70% of SG&A reduction is driven by planned store closures over the next two years, which will result in a 25% reduction in our store count. While these store closures reduce our SG&A, they do not have a meaningful impact on our earnings before interest and taxes. But by reducing our geographic footprint, we will continue to simplify a complex business model, and also address the disproportionate amount of owned retail relative to our peers. The balance of the SG&A reduction is associated with operating more efficiently.

We are progressively realizing greater leverage through standardization and the use of our global ERP system, and from making organizational changes to streamline our business. We expect to achieve approximately $25 million of SG&A reductions in 2017, increasing to $45 million to $50 million in 2018, and then reaching the full $75 million to $85 million in 2019. Of the $25 million in anticipated SG&A reductions in 2017, we have already taken action to deliver half of this and we expect the planned store closures to deliver the rest. These benefits have been factored into our guidance.

To achieve these savings, we expect to incur approximately $10 million to $15 million of one-time costs over the next two years, with approximately $7 million to $10 million of this amount being incurred in 2017. These one-time costs consist primarily of severance and consulting costs.

Let me now turn to guidance.

Regarding currency, I want to note that our guidance is on an as-reported basis. I also want to call out that our guidance does not reflect any meaningful changes to foreign currencies compared to today.

Separately, we expect the retail environment to remain challenging due to continued global uncertainty and macroeconomic issues. However, we are focused on controlling those items within our control, and on strengthening the organization, elevating our brand and improving profitability.

Against this backdrop for the full year 2017, we expect revenues to be relatively flat

Consistent with our strategy to improve the quality of revenues, we are continuing to reduce sales into the discount channel to improve both margins and brand perception. Second, we are continuing to rationalize our footprint by closing less productive stores. And third, we have the

impact of lower sales due to the disposition of our South Africa and Taiwan businesses in 2016. After these deliberate actions, revenues would be up mid-single digits for the year.

We expect our gross margin rate to be approximately 50% for the full year as we continue to drive improvements in this area. These gains relate to our ongoing focus on higher margin core molded product, anticipated changes in our channel mix, reduced discount channel revenue and lower promotional activity associated with better inventory management.

Our SG&A for 2017 is expected to be between $500 million and $505 million, which includes the $25 million in SG&A reductions previously mentioned. These savings will be partially offset by increases related to the resetting of variable compensation and a higher marketing investment. Please keep in mind that approximately $7 million to $10 million of one-time charges associated with the implementation of our SG&A reduction plan are included in the $500 million to $505 million guidance range.

With respect to the first quarter of 2017, we expect our revenues to be between $255 million and $265 million. This range takes into account the impact of three factors mentioned previously: reduced lower margin discount sales as we continue to elevate our brand, a lower store count, and the sale of our South Africa and Taiwan businesses in 2016.

In addition, our revenue guidance reflects a conservative DTC comp. We are lapping a 9.9% DTC comp from Q1 last year generated in part by high sales of excess and end-of-life product which will not be the case this year given our improved inventory position.

We expect first quarter gross margins to be up approximately 200 basis points over the prior year.

SG&A is expected to be moderately above the prior year in absolute dollars, reflecting a timing shift in marketing expenses, and the addition of the one-time costs to support our SG&A reduction plan previously mentioned, which are estimated at $2 million for the quarter.

At our fall 2015 Investor Day, we had established targets of 8% revenue growth, gross margins in the low-50%s, and an EBIT margin of 10%, which we expected to be achieved by 2018. Due to dramatic changes in the retail environment over the past two years, we want to acknowledge the fact that the 8% revenue growth target was overly aggressive, and the operating margin target will not be attained in the original timeframe. Given volatile market conditions, we are not establishing new mid-term revenue and EBIT margin targets today.

That said, we continue to believe that the gross margin target can be achieved as projected. We also continue to believe that longer term, the business can deliver EBIT margins in the 10% range. I'm proud of the operational progress we've made in 2016. We stabilized our organization which allowed us to turn our attention to optimizing the business.

We understand clearly that our results must translate into improved financial performance, and that objective is our top priority for 2017.

Now, I'll turn the call back over to Gregg for his final thoughts.

Gregg Ribatt, Chief Executive Officer & Director

Thanks, Carrie. Throughout 2016, we continued to refine our business so that we can succeed in the current retail environment. While our financial results did not improve to the degree anticipated when the year began, we did make meaningful strategic and operational progress transforming Crocs into a company that can more efficiently and effectively produce product that delights our

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existing consumers and bring new ones into the brand. This is the means by which we will improve our financial results and, in turn, deliver enhanced shareholder value.

Let me close by once again expressing my sincere thanks to our incredible associates around the globe whose dedication and hard work is so essential to our company.

Now, operator, we'll open the call up for questions.

Carrie W. Teffner, Chief Financial Officer & Executive Vice President

Before we take our first question – this is Carrie. During my prepared remarks, I referenced an inaccurate number with respect to our cash from operating activities. Just to clarify, we generated $39.7 million of cash from operating activities and that's an increase of approximately $30 million over the prior year.

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QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question is from Steve Marotta with C.L. King & Associates.

<Q – Steve Marotta – C.L. King & Associates, Inc.>: Good morning, everybody. Carrie, one quick comment, regarding SG&A, you mentioned that it's expected in the first quarter to be moderately above last year due to the timing shift in marketing spend. Could you quantify that timing shift and is it from second quarter I assume? And the other question related specifically to that. Did you say there is about $2 million in non-cash expenditures in there as well?

<A – Carrie Teffner – Crocs, Inc.>: So let me take the latter part of the question first. The $2 million of one-time charges are cash charges, so they're not non-cash. With respect to the increase in expenses in Q1 relative to last year, it is marketing and that will be approximately $4 million incremental over the prior year, and it's really phasing across the quarters. And that's related to the accounting treatment, as we've got the celebrity campaign which is different than what we've had in the past years.

<Q – Steve Marotta – C.L. King & Associates, Inc.>: Okay. That's helpful. And the guidance for fiscal 2017 sales is relatively flat, but as you mentioned, you are deemphasizing the discount channel, there will be a lower store count, and the discontinued businesses internationally. What is up in the quarter? Where is the silver lining in the quarter to offset those things that would get you to flat sales?

<A – Carrie Teffner – Crocs, Inc.>: Yeah. So relatively flat for the year, so let me take it against the year and then we'll come back to the quarter, if that's helpful.

So against the year where we will offset the lower discount sales, the sale of South Africa, Taiwan, and the store closures would really be more in the DTC area, primarily in the eCommerce business where we expect to get back to the double-digit growth that we've been seeing up until this year when we had high-single digit growth due to some of the challenges in the back half of the year. We do see some growth in wholesale as well, but it will be primarily out of the eCommerce business.

And then if I go back to the quarter, we're talking about revenue guidance of $255 million to $265 million. Again, as we think about the quarter, the growth in the quarter will primarily be coming from the Internet channels. If you think about the discount channel in the South African and Taiwan, those really were our wholesale channels, so those channels will be down because of those areas.

<Q – Steve Marotta – C.L. King & Associates, Inc.>: Okay. But Q1 is expected to increase from an e-commerce standpoint?

<A – Carrie Teffner – Crocs, Inc.>: We don't guide specifically on the channels...

<Q – Steve Marotta – C.L. King & Associates, Inc.>: Understood.

<A – Carrie Teffner – Crocs, Inc.>: But I would say we do expect that it's going to be a tough quarter. Look, we're comping over a 30% comp from Q1 last year because we were exiting a lot of EOLs in these products. So we expect it to be significantly softer than last year obviously. I would model it more around the flat level from an eCommerce standpoint.

<A – Andrew Rees – Crocs, Inc.>: Yeah. I think the important element, Steve, is that we're planning the business conservatively from a top line perspective but continuing to drive margin improvement.

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<A – Carrie Teffner – Crocs, Inc.>: Yeah.

<Q – Steve Marotta – C.L. King & Associates, Inc.>: That's very helpful. Thank you.

<A – Andrew Rees – Crocs, Inc.>: Thank you.

Operator: The next question is from Erinn Murphy with Piper Jaffray.

<Q – Erinn Murphy – Piper Jaffray & Co.>: Great. Thanks. Good morning. Just a clarification first on the guidance. How many stores are you closing particularly in 2017? Sorry if I missed that. I think you said 25% over two years.

<A – Carrie Teffner – Crocs, Inc.>: Yes, we said about 160 over two years. We're closing a little less than half of that in 2017.

<Q – Erinn Murphy – Piper Jaffray & Co.>: Okay. And, Carrie, did those store closures come out in any particular quarter? Are they towards the end of the year? Or how are you thinking about timing?

<A – Carrie Teffner – Crocs, Inc.>: They're actually spread throughout the year, Erinn.

<Q – Erinn Murphy – Piper Jaffray & Co.>: Okay. And then going back to Steve's first question, we're struggling a little bit, obviously you're closing the doors and you talk about discontinuing discount sales as well. It just seems like you must be seeing something in an order book that gives you that confidence to kind of see revenue acceleration in the back half. Could you speak about what you're seeing on the wholesale side from your key partners particularly in North America?

<A – Andrew Rees – Crocs, Inc.>: Yeah, Erinn. Let me take that.

So, if we look at wholesale, obviously, the wholesale environment is challenging. But as you look at our wholesale partners this year versus last year, we believe they're coming into the year with cleaner inventories. They were very focused in the back end of the year in terms of working their inventories down. They've been cautious with their open-to-buy. And we believe we're in a much better position relative to them. We've got better product, better marketing. We're lapping a full year of dramatically improved service levels, and we have much stronger relationships. So while we think the environment requires us to continue to be cautious about our forward-looking expectations in wholesale, we are seeing some positive signs of late.

I think if you look additionally in the quarter, we continue to see good sell-through on our Classic and Crocband product, our core products. They are performing well. Early deliveries of sandals, which started to deliver in late Q4, have been selling well, particularly around some traditional styles, Capri, Sanrah, and the new style Swiftwater. So that's kind of how we see the wholesale environment, particularly in the U.S. And I would say that translates reasonably well to the rest of the world.

<Q – Erinn Murphy – Piper Jaffray & Co.>: Okay. And then maybe just on gross margin for 2017, you guys have it projected up again. I'm just trying to understand some of the puts and takes, because I'd imagine if you close those stores that's going to be a negative headwind for gross margin. So, obviously, there's offset I'm sure with discontinuing some of those discount sales. But just curious on just the overall puts and takes there.

<A – Carrie Teffner – Crocs, Inc.>: Yeah. So just couple pieces. So the discount channel sales, reducing those obviously reduces lower-margin product. The other element there is continued focus on the core molded product, which is the highest-margin product in our portfolio. And then, the last piece we've talked about the 2017 guidance, the growth really is going to come from DTC primarily

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from eCommerce. And so, that mix shift is still going to be favorable for us, and so we'll get the channel mix benefit from a gross margin standpoint as well. And then the final piece is, again, we had in the first part of last year a lot of EOL product and ran deep discounts as we were trying to exit excess inventory primarily more so in Q1 last year than later quarters, but we don't have that in this year.

<Q – Erinn Murphy – Piper Jaffray & Co.>: Okay. And then just one last question for me on Asia. You talked about double-digit traffic declines. How does that look in core countries between Japan, Korea, and China? And it seems China must have decelerated I'm imagining given that it was up mid-single in the third quarter. So I'm just trying to understand the regional pieces. Thanks.

<A – Andrew Rees – Crocs, Inc.>: I think if we look at DTC traffic, it was down across Asia, to be honest. It was really a Pan-Asian impact. So it was China, Singapore, Korea, and Japan. So we really saw a dramatic slowdown in traffic. And I would say it was across the region.

<Q – Erinn Murphy – Piper Jaffray & Co.>: Okay. And then China in particular, how do you think about that going forward just given you had made some progress towards the tail end of the third quarter? It seems like it's obviously reversed. So just curious on what you're expecting in China for 2017.

<A – Andrew Rees – Crocs, Inc.>: Yeah. Good question. I think as you think more broadly about China, the issues that we had with problem distributors, as we talked about last quarter, are very much behind us. We've moved on from those distributors and we're focused on rebuilding our wholesale base and building quality wholesale growth. It did slip a little bit in Q4. A good part of that was actually driven by the Ecommerce performance.

And the Bachelor Day holiday or the 11/11 holiday, which didn't perform as well for us this year as it did last year, driven again by higher pricing and less discounting relative to the prior year and also a little bit of shift in how Alibaba is approaching that particular event. As we look at China in general, we remain really confident that the business has stabilized and it represents an important opportunity for growth in the future.

<Q – Erinn Murphy – Piper Jaffray & Co.>: Great. Thank you, guys, and all the best.

<A – Carrie Teffner – Crocs, Inc.>: Thanks, Erinn.

<A – Gregg Ribatt – Crocs, Inc.>: Thank you.

<A – Andrew Rees – Crocs, Inc.>: Thank you.

Operator: The next question is from Sam Poser with Susquehanna Financial.

<Q – Sam Poser – Susquehanna Financial Group LLLP>: Good morning. Thanks for taking my question. I have a bunch of questions. Number one, the store closures, is SoHo and the Green Monster on the list?

<A – Gregg Ribatt – Crocs, Inc.>: You can take that.

<A – Andrew Rees – Crocs, Inc.>: Yeah. So they are not on the list, Sam. We are actively in discussions and trying to sublet and get out of those stores, but we don't have anything concrete. And, as you know, our leases are long in those environments. And so they are not on the list until we have something concrete to report, but we're working on that.

<Q – Sam Poser – Susquehanna Financial Group LLLP>: Okay. Thank you. And then, Carrie, when we look ahead to 2018 and the SG&A savings that you talked about, how much of those will

reduce SG&A long-term? Or are we going to have the same situation where the SG&A savings from this redo is going to be offset by marketing spend or is this a situation where we'll see these numbers really start to go down significantly in absolute dollars?

<A – Carrie Teffner – Crocs, Inc.>: You will see them go down in absolute dollars in 2018. This year the reductions in SG&A are being offset by an investment in marketing that we are making as well as the reset of variable compensation. But the flow-through rate that Andrew mentioned of about 40%, we expect to see that come through to the bottom line in 2018 and continue obviously into 2019. This is not about taking that and reinvesting it further in the business. We expect that those reinvestments in the business will come from other savings.

<Q – Sam Poser – Susquehanna Financial Group LLLP>: But let me then ask you if we're talking about $495 million of SG&A in 2017 what would the number be, all things being equal, in 2018 given what you're planning?

<A – Carrie Teffner – Crocs, Inc.>: Right. So, we're using that approximately 40% flow-through rate and we're assuming between $45 million and $50 million of SG&A reductions. What you would take off of that is basically you would bring through about $15 million to $20 million of that from the SG&A reductions of 2018, all things being equal and things change over time, but that's the flow-through rate that we're projecting.

<Q – Sam Poser – Susquehanna Financial Group LLLP>: Okay. Thank you. And then what tax rate should we be using on this year coming up?

<A – Carrie Teffner – Crocs, Inc.>: You should assume around 24% for a tax rate. Obviously this year in a year of a loss, the tax rate is pretty goofy, but you should assume around 24% for 2017.

<Q – Sam Poser – Susquehanna Financial Group LLLP>: Okay. And when you talk about moderate growth in SG&A in absolute dollars. What does moderate mean?

<A – Carrie Teffner – Crocs, Inc.>: What we're talking about is we're up a few million due to additional marketing expense. We also have some one-time costs of approximately $2 million in there. So moderate is around $3 million to $4 million above prior year. Nothing significant.

<Q – Sam Poser – Susquehanna Financial Group LLLP>: That's on a GAAP basis or a non-GAAP basis?

<A – Carrie Teffner – Crocs, Inc.>: That is on a GAAP basis...

<Q – Sam Poser – Susquehanna Financial Group LLLP>: That one-time charge of...

<A – Carrie Teffner – Crocs, Inc.>: That is on a GAAP basis

<Q – Sam Poser – Susquehanna Financial Group LLLP>: You did say there was a one-time charge. No, you said that this year there's a one-time charge...

<A – Carrie Teffner – Crocs, Inc.>: And the number is $2 million.

<Q – Sam Poser – Susquehanna Financial Group LLLP>: So -

<A – Carrie Teffner – Crocs, Inc.>: So we're moderately up with the $2 million in there for this year.

<Q – Sam Poser – Susquehanna Financial Group LLLP>: So, basically, it'd be $4 million less $2 million give or take on a non-GAAP basis?

<A – Carrie Teffner – Crocs, Inc.>: Yes.

<Q – Sam Poser – Susquehanna Financial Group LLLP>: Okay, all right. Thank you very much. And Gregg, congratulations. Andrew, congratulations. Thank you.

<A – Andrew Rees – Crocs, Inc.>: Thank you, Sam.

<A – Gregg Ribatt – Crocs, Inc.>: Thank you, Sam.

Operator: The next question is from Jim Duffy with Stifel.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Thanks. Good morning.

<A – Carrie Teffner – Crocs, Inc.>: Hi, Jim.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Congratulations to you both. Few questions for me. Many of mine have been already asked. Can you, Carrie, share 2016 operating loss figures for the stores earmarked for closure?

<A – Carrie Teffner – Crocs, Inc.>: Yeah. So the stores we've closed have either been operating essentially at low to no profit on a four-wall basis.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Okay.

<A – Andrew Rees – Crocs, Inc.>: It's obviously a blend, right. So there are some that are losing more money and there are some that are making a tiny bit, but they blend to essentially zero.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Fair enough. And then, Andrew, I'm interested in your comments on focusing product efforts on clog, sandals, flips, and slides. What will be deemphasized and does that have implications to the seasonality of the business?

<A – Andrew Rees – Crocs, Inc.>: Great question. So it's really a question of where we're going to put more emphasis. So as we looked at where we're seeing success today and where we're seeing the most success over the last year, it's really in the core products in the clogs. We talk a lot about Classic and Crocband. They're our two biggest franchises, but there are obviously others as well. And clog represents about 46% – high 40% of the business. The other place that we've seen real traction is within the whole sandal category, both here in the U.S. and overseas. So those are the areas that we're going to be focusing on the most.

Obviously, we have a range of products beyond that in terms of casual men's shoes, casual women's shoes, wedges. We believe that range has been narrowed to the point where it's productive, it makes sense, it adds to our mix, but we won't be growing that. So it's really a question of where we'll be growing our styles and putting emphasis around where we want incremental distribution.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Okay, great. And then, Carrie, my last question is on the FX. Can you speak to the mechanics of how that flows into the model in 2017? I know in past years, there's been, of course, the revenue impact, but in some instances, a carryover impact on cost of goods and margin.

<A – Carrie Teffner – Crocs, Inc.>: So, it's actually interesting. If we look back at 2016, we basically saw about a 1% change in currencies against the U.S. dollar. And the impact in 2016 was a revenue impact of about $3.4 million and a gross margin impact of a little over $2 million, or 20 basis points on the rate. So, we don't have the situation we had if you think back to 2014, 2015 with

the significant swings in currency rates. So, the currency is pretty steady going into 2017. Assuming the rates stay where they are, we feel our guidance is based on that.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Very good. Thank you.

<A – Andrew Rees – Crocs, Inc.>: Thank you.

Operator: The next question is from Scott Krasik with Buckingham.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: Hey, everyone. Thanks. I have a few questions. Just wondering about last year, when your better delivery rates were supposed to lead to faster turns and perhaps sales growth without gaining shelf space. So, what happened there as you were booking for spring 2017? And then, maybe can you comment on how your delivery rates are going so far in the spring and will you continue to be up year-over-year?

<A – Andrew Rees – Crocs, Inc.>: So, let me take the backend of that first, Scott. Our deliveries, as we think about on time and in full, which is how we measure it, were in the 90% range across our U.S. portfolio and across our international business. So, that compares to a history that unfortunately Crocs enjoyed where most customers would tell us that we were kind of the worst-in-class around deliveries. That made a dramatic improvement and I think frankly did help particularly our U.S. business. So, I think that was very successful and obviously an important stepping stone. I think you highlighted in your question that would obviously logically lead to potentially faster turns and greater sell-in.

I think what we experienced as we went through the year is the market shifted dramatically towards athletic, and we saw our major wholesale customers cut open to buy for casual, as they shifted to athletic and that hurt us. And the second thing is we saw them trying to lower inventory levels and destock to the extent they could. And so, they were reluctant to place pre-orders. So, I think that's how it played out for us in 2016.

As we look at our 2017 book, we are projecting that cautiously. And the guidance that we've given you incorporates the amount of pre-orders that we have taken and we're currently in the throes of delivering, and what we believe is a cautious and sensible sell-through and re-order rate.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: In terms of actually improving upon your on-time...

<A – Andrew Rees – Crocs, Inc.>: I think we've just got a little room to improve upon our on-time, actually. I think most customers will tell us that we're sort of best-in-class at this point.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: Okay. And then, can you just, Carrie, go through, again, obviously we were expecting a bigger gross margin improvement in 4Q, by it's my estimate, at least, 450 basis points. So, I'm just wondering what were the sources of the shortfall again by category?

<A – Carrie Teffner – Crocs, Inc.>: So, you're right, we were up about 550 basis points. And we talked a little bit about that. But the gap to what we provided relative to guidance on the third quarter, half of that was due to the strengthening of the U.S. dollar essentially post the election. And then, we also had, given the actual DTC performance, a lower DTC mix, which created a drag on the rate as well. The remaining shortfall was primarily due to an increase in our royalty expense, which was related to some clarification of new and existing royalty agreements, and it resulted in a change in our estimates. So, while we're disappointed with the incremental royalty expense that we took in the fourth quarter, it was the appropriate thing to do, and we feel that, now, the estimates are complete and accurate there.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: Okay. And then, the $150 million that you have in cash on the balance sheet, how much of that is overseas and do you view that as a sort of the minimum level you need to operate with or how would you characterize the cash?

<A – Carrie Teffner – Crocs, Inc.>: So, as usual, the majority of that is overseas. We're heading into our peak working capital season now. I think it's hard to say it's the minimum capital because it all depends on where the cash actually sits. So, right now, we feel it's the appropriate level to have on the balance sheet.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: Okay. And then last, Andrew, you essentially wrote the original turnaround plan a few years in. Obviously, excluding the currency impacts on the P&L, what hasn't gone right relative to your original expectations?

<A – Andrew Rees – Crocs, Inc.>: That's a good question, Scott. So, frankly, a lot has gone right and we've also hit some significant headwinds. I think as Gregg talked about at length, we've made a lot of progress in stabilizing and cleaning up the business, which has taken longer than we originally thought it was going to take, but I think we feel like we made a ton of progress on that.

And then as you kind of think about the headwinds that we ran into, they were significant. Number one is currency, and if you go back all the way to 2014, to late 2014, early 2015, the currency impact is huge in terms of the revenue impact and then the flow through to gross margins.

Secondly, I think more recently, we've really seen the shift to athletic and a little bit of the softening of the market and what's been interesting about 2016 has been the softening of the market here in the U.S., but frankly globally as well. We've seen, really, a change in terms of traffic patterns in Asia.

And I think the third thing that had a very significant impact was China. I don't think any of us anticipated the issues that we ran into in China. I'm happy to say that we feel that those are behind us at this point, but those are the three big things that we faced.

If we think about going forward, what we're going to focus on, which will, continue to drive the business and improve our financial performance significantly, it's really quality sales. It's driving growth and high-quality sales in high-margin business, and not relying so much on low margin and discounts. It's getting the cost structure further in line with the SG&A reductions that we've announced today and that we'll execute over the next two years. And it's continuing to elevate products and marketing to drive demand for our high-margin molded products.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: Okay. All right, well, good luck. Thanks.

<A – Andrew Rees – Crocs, Inc.>: Thank you.

Operator: Our next question is from Mitch Kummetz with B. Riley.

<Q – Mitch Kummetz – B. Riley & Co. LLC>: Thanks for taking my questions. Carrie, on the stores that you're closing, could you say what the sales impact is for 2017 either in terms of percentage or actual dollars?

<A – Carrie Teffner – Crocs, Inc.>: No. We didn't call it out specifically, but what I did elaborate on was if we adjusted for the elimination of the discount sales, the sale of Taiwan and South Africa, as well as the impact with store closures, we'd actually be up mid single-digits. And the bulk of that actually is related to store closures.

<Q – Mitch Kummetz – B. Riley & Co. LLC>: Right. Well, so what piece of that is the store closures, I guess, that's what I'm trying to get at because that seems like it's one component of that, call it, mid single-digit delta between the two. But how much of that is actual store closures?

<A – Carrie Teffner – Crocs, Inc.>: I would say the majority of it is.

<Q – Mitch Kummetz – B. Riley & Co. LLC>: Okay. And is that just an impact that we would expect then to continue over the next couple of years as you continue to close stores?

<A – Carrie Teffner – Crocs, Inc.>: Basically over 2017 and 2018, you would expect to see that continue, but then it's obviously being offset as we continue to improve the business in wholesale, as well as on the DTC side of the business, primarily in eCommerce.

<Q – Mitch Kummetz – B. Riley & Co. LLC>: And I know that you guys aren't necessarily giving 2019 guidance, but is there a sales assumption that's out there as well? I mean, obviously, you've got the SG&A coming down, you talked about a 50% gross margin. I mean, sales are flat this year. There's going to be some pressure from stores next year. Are you assuming higher sales in 2019 than 2016? I don't know if that's a fair question.

<A – Carrie Teffner – Crocs, Inc.>: It's not. What I would say is, right now what we're focused on in 2017 is quality revenue and driving profitability through driving up gross margins and reducing our SG&A. That's going to be our focus in 2018. We're going to take a cautious line on revenue, and I think that's the particularly responsible thing to do and make sure we're managing our bottom line to drive towards that 10% EBIT margin.

<Q – Mitch Kummetz – B. Riley & Co. LLC>: Okay. You mentioned that molded product is your most profitable. Can you say what percent of your sales these days is molded and is the gross margin rate on that molded product still, like you used to say, maybe the high 50%s. Is that about right?

<A – Andrew Rees – Crocs, Inc.>: Say that last bit again.

<Q – Mitch Kummetz – B. Riley & Co. LLC>: Is the gross margin on the molded product in the high 50%s or 60% and what percent of your overall sales are actually molded product?

<A – Andrew Rees – Crocs, Inc.>: Yeah. We don't break all of that out. But I think to give you an indication, molded is well above 50%.

<Q – Mitch Kummetz – B. Riley & Co. LLC>: Okay.

<A – Andrew Rees – Crocs, Inc.>: And growing as a percentage of our overall business. And it's significantly higher margin than our weighted-average margin.

<Q – Mitch Kummetz – B. Riley & Co. LLC>: Okay. And then one last question. You guys have obviously done a great job cutting the SKU count you mentioned from 2,000 SKUs to 1,000 SKUs. I know that as you switch to a global line, there's a lot of nuance that you trimmed out of the business. When you look at the business today at 1,000 SKUs, is there some low-hanging fruit in there that you should be looking to get rid of in order to continue to improve the margins?

<A – Andrew Rees – Crocs, Inc.>: Yeah. We've looked very hard at the SKU productivity. As you look at the poorer performing SKUs, you're always looking to get the tail, right. You're always looking at the tail to try and understand if that is an investment that you want to make, does it provide a strategic benefit to the business, or is it just a poor performing SKU? And we recently went through an exercise on that and our conclusion was the majority of things in the tail were making an incremental contribution and are strategically important. They were a color that was

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important to the overall story. They were an item that was new, that needed more time, et cetera. So, we've looked pretty hard at the tail and we really feel like our overall portfolio is in a good place.

<Q – Mitch Kummetz – B. Riley & Co. LLC>: Got it. Right. Thanks, guys. Good luck.

<A – Carrie Teffner – Crocs, Inc.>: Great. Thanks.

Operator: Our final question for today will come from Jim Chartier with Moness, Crespi, Hardt.

<Q – Jim Chartier – Monness, Crespi, Hardt & Co., Inc.>: Good morning. Thanks for taking my questions. First, Carrie, the EBITDA improvement in – so how much this $30 million to $35 million of EBITDA improvement do you expect in 2017?

<A – Carrie Teffner – Crocs, Inc.>: Yeah. So, we have not guided to the EBIT or the EBITDA line. Essentially the improvement is in gross margin. That's basically going to be what we'll see as the increase on the bottom line because SG&A is relatively flat once you factor in the one-time costs in there. So, we're relatively flat... Sorry, go ahead.

<Q – Jim Chartier – Monness, Crespi, Hardt & Co., Inc.>: Of the $30 million to $35 million EBITDA improvement you're expecting from the SG&A savings, is it $10 million, is that 40% flow through we should be thinking about?

<A – Carrie Teffner – Crocs, Inc.>: For 2017, no, and that's because in 2017, we are investing additional dollars in marketing and we're resetting our variable compensation, and then we have the addition of the one-time costs. So, how you think about 2017, you should model a relatively flat revenue line. Gross margin is increasing to about 50%, and essentially SG&A relatively flat year-on-year. And so, the improvement to EBIT and EBITDA is really going to come from the gross margin increase.

<Q – Jim Chartier – Monness, Crespi, Hardt & Co., Inc.>: And so, the question is, are you expecting the $30 million to $35 million of EBITDA margin improvement off of 2017 EBITDA? That's what I'm saying.

<A – Carrie Teffner – Crocs, Inc.>: Oh, I'm sorry. Yeah. I apologize. I didn't understand the – yes. It's off of the 2017 base.

<Q – Jim Chartier – Monness, Crespi, Hardt & Co., Inc.>: So, there's no EBITDA margin improvement from the SG&A savings baked in this year? You're not expecting any of that SG&A to flow through?

<A – Carrie Teffner – Crocs, Inc.>: Correct. Correct because it's being offset by that variable comp and stuff.

<A – Andrew Rees – Crocs, Inc.>: Yeah. It's embedded in our SG&A guidance.

<A – Carrie Teffner – Crocs, Inc.>: Yeah. It's in our guidance.

<Q – Jim Chartier – Monness, Crespi, Hardt & Co., Inc.>: And then, last quarter you talked about inventory excesses in the Middle East and I think Southeast Asia, that you thought could take one or two quarters to work through. Where are you on that?

<A – Andrew Rees – Crocs, Inc.>: That's a good question. But we are making good progress, through Q4 we made good progress and that's just because of that inventory in the channels, inventory with our distributors in the Middle East and Southeast Asia. We're making good progress

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and we anticipate being through that in the first two quarters of this year, and that impact is embedded in our guidance.

<Q – Jim Chartier – Monness, Crespi, Hardt & Co., Inc.>: Okay. And then, on China, how far down from the peak is your business in China and where do you think it ultimately can get back to?

<A – Andrew Rees – Crocs, Inc.>: Yeah. We don't break out China revenues specifically. It's off the peak by a significant amount. We really feel it has stabilized, and the go-forward distributor base, the eCommerce business and the DTC business that we have in China are well positioned for future growth.

<A – Carrie Teffner – Crocs, Inc.>: And the only thing I'd add to that is when you see the K later today, we call-out in it that the China revenue represents about 7% of our overall revenue. I don't have the prior year's rate in front of me but you should be able to reference it from there.

<Q – Jim Chartier – Monness, Crespi, Hardt & Co., Inc.>: Okay. Great. And then finally, the store footprint, 400 stores after these closings, is that where you think you should be? Do you expect to maybe add some stores over time?

<A – Andrew Rees – Crocs, Inc.>: I think the one thing that we all know is that the retail environment globally is shifting very rapidly. That's our current estimate of the stores that we need to exit, but it's something that we're going to have to reevaluate on a constant basis, the consumer shifting out of retail to e-commerce in this marketplace and many other marketplaces across the globe. And we think our DTC stores, full price and outlet play a strategic role, and the outlet side for obviously liquidation and cleaning up inventories. And on the full price side, for representing and showcasing the full breadth of the product line. But our intent is not to run those stores at a level which is uneconomic. Our intent is to make sure they make a valuable contribution to the bottom line and we'll continue to address that.

<Q – Jim Chartier – Monness, Crespi, Hardt & Co., Inc.>: Great. Thanks, and best of luck.

<A – Gregg Ribatt – Crocs, Inc.>: Thank you.

Operator: This concludes the question-and-answer session. I'll turn the call back to Gregg for closing remarks.

Gregg Ribatt, Chief Executive Officer & Director

Thank you for joining us today, and your continued interest in Crocs. Thanks, everyone.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.

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