



March 2021

crocs[™]

Investor Overview Presentation

Disclaimer

This presentation contains statements relating to future results of Crocs, Inc. (the “Company,” “Crocs,” “we,” “us” or “our”) (including certain outlooks, projections and business trends) that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words or phrases such as “believe,” “expect,” “anticipate,” “estimate,” “should,” “are likely to be,” “will,” and similar expressions. These statements include, but are not limited to, statements regarding potential impacts to our business related to the COVID-19 pandemic, our financial condition, strategic plans, brand and liquidity outlook and expectations regarding our future revenue, Adjusted EBITDA (as defined below), Free Cash Flow, tax rate, inventory and capital expenditures. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from any future results, performances, or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the following: the COVID-19 outbreak and related government, private sector, and individual consumer responsive actions; current global financial conditions, including economic impacts resulting from the COVID-19 outbreak; the effect of competition in our industry; our ability to effectively manage our future growth or declines in revenues; changing consumer preferences; our ability to maintain and expand revenues and gross margin; our ability to accurately forecast consumer demand for our products; our ability to successfully implement our strategic plans; our ability to develop and sell new products; our ability to obtain and protect intellectual property rights; the effect of potential adverse currency exchange rate fluctuations and other international operating risks; and other factors described in our most recent Annual Report on Form 10-K under the heading “Risk Factors” and our subsequent filings with the Securities and Exchange Commission (the “SEC”). Readers are encouraged to review that section and all other disclosures appearing in our filings with the SEC. These forward-looking statements are made only as of the date hereof, and Crocs undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law.

In addition to financial measures presented on the basis of accounting principles generally accepted in the United States of America (“GAAP”), we present, among other measures, Adjusted EBITDA, Adjusted EBITDA Margin, EBITDA, EBITDA Margin, Free Cash Flow, Adjusted Cost of Sales, Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Income from Operations and Adjusted Operating Margin, which are Non-GAAP Financial Measures (collectively, the “Non-GAAP Financial Measures”). The Non-GAAP Financial Measures exclude the impact of items that management believes affect the comparability or underlying business trends in our consolidated financial statements for the periods presented. We also present certain information related to our current period results of operations through “constant currency,” which is a Non-GAAP Financial Measure and should be viewed as a supplement to our results of operations and presentation of reportable segments under GAAP. Constant currency represents current period results that have been retranslated using exchange rates used in the prior year comparative period. We believe the use of constant currency enhances the visibility of the underlying business trends excluding the impact of foreign currency exchange rate fluctuations. We use the Non-GAAP Financial Measures results to assist in comparing business trends from period to period on a consistent basis in communications with the board of directors, stockholders, analysts, and investors concerning our financial performance. We believe that the Non-GAAP Financial Measures are useful to investors and other users of our consolidated financial statements as an additional tool for evaluating operating performance and trends. For the periods presented, we believe it is helpful to evaluate our results excluding the impacts of various adjustments relating to special or nonrecurring items. Investors should not consider the Non-GAAP Financial Measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

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1. Company Overview



Scaled Brand:

FY2020 Sales:
\$1,386mm

Strong Margins:

FY2020 Adj. EBITDA⁽¹⁾:
\$290mm
20.9% Margin⁽¹⁾

Iconic Product:



69mm Pairs of
Shoes Sold in 2020

Global Reach:

42%
International Revenue
(Distributed in
80+ Countries)

Widely Recognized:



~64%
Global Aided
Brand Awareness⁽²⁾

Robust Growth:



+12.9%
FY2018 - FY2020
Revenue CAGR

Category Leader:

#1
in Clog Category⁽³⁾

High Digital Penetration:



42%
FY2020 Global
Digital Penetration⁽⁴⁾

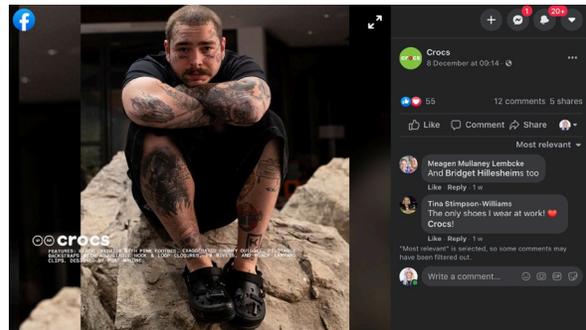
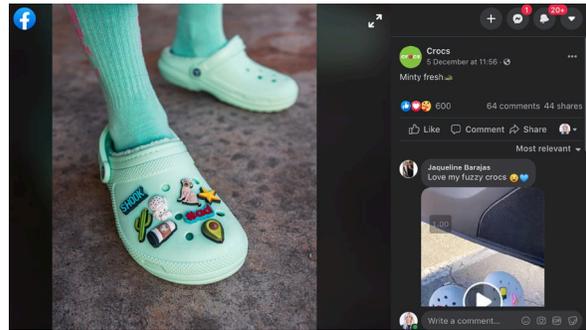
Iconic, Multichannel Brand Positioned for Long-Term Growth

(1) See reconciliation to GAAP equivalents in Appendix.
(2) Company estimate as of year-end 2020.
(3) Based on management's estimates and industry knowledge.

(4) Digital penetration includes: e-tail (reported within wholesale) and e-commerce (inclusive of existing e-commerce segment reported within direct-to-consumer ("DTC")).

Multifaceted Marketing Strategy to Drive Broad Awareness and Brand Affinity

Shift to Digital / Social



Celebrity Campaigns



Collaborations



BRAND COLLABORATION
(nicolemcLaughlin)



BRAND COLLABORATION
Carrots™ cros



BRAND COLLABORATION
Kentucky Fried Chicken x cros



BRAND COLLABORATION
LIBERTY LONDON



ARTIST COLLABORATION
POSTY CO™



BRAND COLLABORATION
RARE

Omnichannel Distribution Mix with Focus on Digital

DTC
(50% of Sales)⁽¹⁾

Wholesale
(50% of Sales)⁽¹⁾

Digital
(42% of Sales)⁽¹⁾

Company-owned stores

Crocs.com

Third-party marketplaces
(e.g., Tmall)

E-tailers
(e.g., Amazon, Zappos,
Zalando)

Distributors, multi-brand and
B&M retailers

- Operates 351 locations worldwide, including full-price, outlet, kiosk and store-in-store formats
- Global network of carefully chosen locations with proven store concept
- Strong store base with 21.2%⁽²⁾ retail comparable store sales growth in FY2020

- Operates e-commerce channel through own site (Crocs.com) and third-party marketplaces (e.g., Tmall, VIP, Rakuten, eBay)
- Company fulfills product (1P)
- Advanced online capabilities, focused on operational excellence and seamless customer experience
- Fast-growing distribution channel driven by accelerated consumer adoption, performance-driven marketing and expanded digital reach

- Wholesale channel includes select number of e-tailers, distributors and B&M retailers
- Strong network of international distributors
- Choose leading partners with close alignment to Crocs product and marketing strategies



Note:

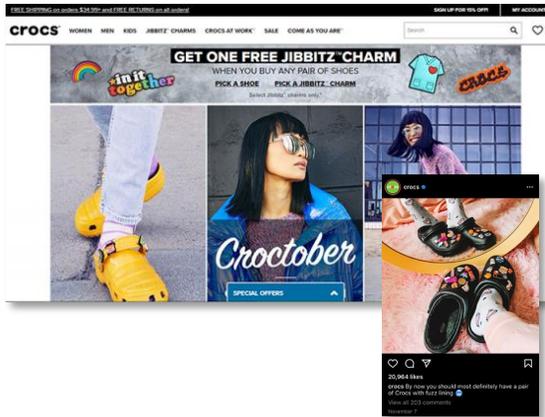
(1) "B&M" represents brick-and-mortar. Channel breakdown reflects FY2020.

(2) Retail comparable store sales ("CSS") growth reflects period over period change as if the current period results were in constant currency, which is a Non-GAAP Financial Measure. See further details in Appendix.

Digital Acceleration Driven by Strategic Investment in Channel

Crocs Digital-First Approach Since 2015...

- Emphasis on digital and strengthening of digital platform, experience and partnerships has yielded continued double-digit growth
- Robust digital strategy and e-commerce offering:
 - Early investment in first- and third-party mix optimization by country and region
 - Investment in people and technologies to elevate consumer experience, develop brand affinity and increase conversion through relevant content
 - Acceleration of digital platform investment to execute retention strategies around data, segmentation and personalization



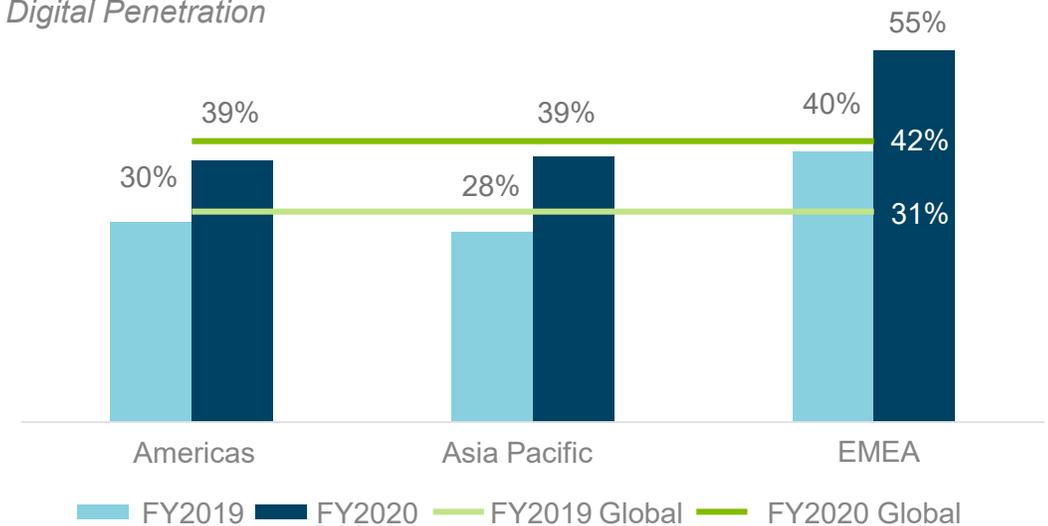
...Prepares Company for Rapid Growth during Pandemic

FY2020 Digital Performance Highlights

- Accelerated consumer adoption of e-commerce throughout the pandemic
- Strong digital growth of 50%, benefitting from:
 - Strong brand heat
 - Fewer discounts and promotions
- Digital represented 42% of total revenue in FY2020, compared to 31% of total revenue in 2019

Accelerated Digital Growth in FY2020

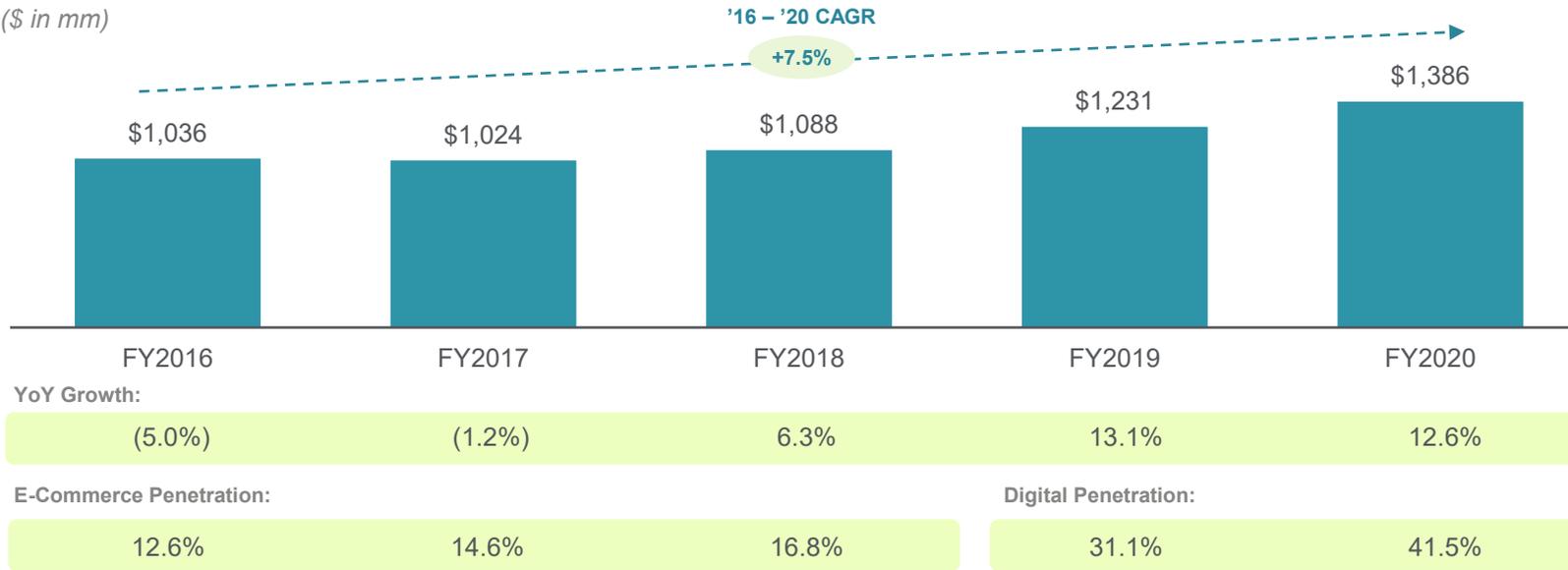
% Digital Penetration



Crocs has Built a Profitable Platform with Incremental Growth Opportunity

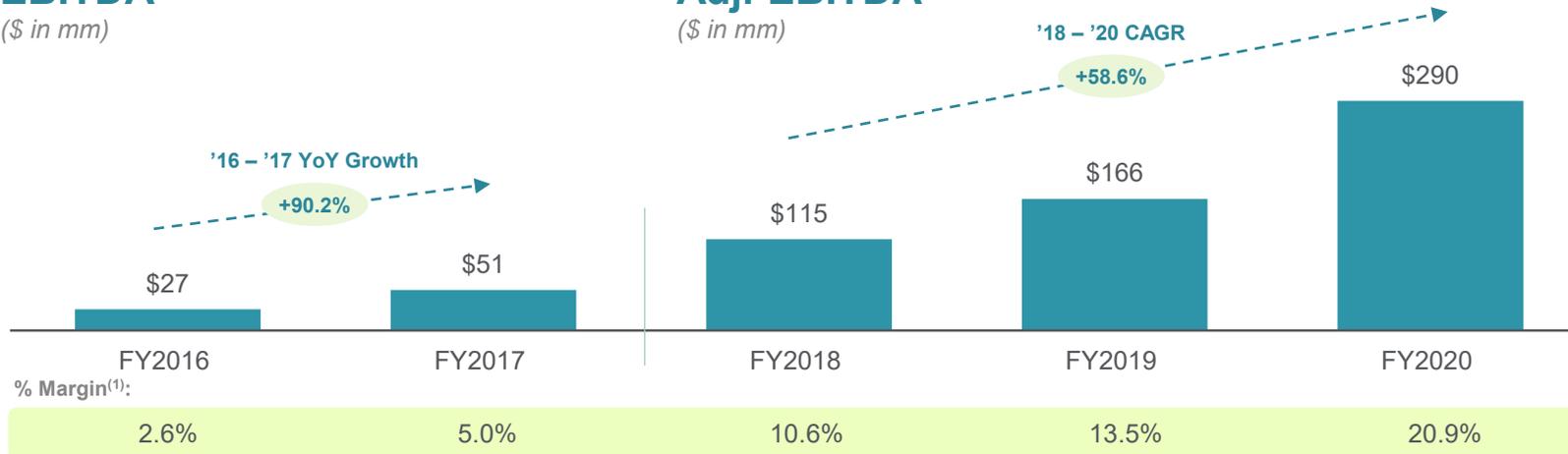
Revenue

(\$ in mm)



EBITDA⁽¹⁾

(\$ in mm)



Crocs Transformation

Since 2014, Crocs has transformed the brand by focusing on:

- ✓ Crystal clear, consumer-centric brand strategy
- ✓ Iconic and incredibly versatile product offering
- ✓ Digital-first approach
- ✓ Disciplined execution
- ✓ Best-in-class talent (at all levels)

Note: In 2019, Crocs began reclassification of online metrics tracking so digital now reported separately and includes: e-tail (reported within wholesale) and e-commerce (inclusive of existing e-commerce segment reported within DTC). Prior to 2019, reported e-commerce penetration, which includes company-operated e-commerce sites and third-party-operated marketplace activity. See reconciliation to GAAP equivalents in Appendix.



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2. Key Investment Highlights



Key Investment Highlights

crocstm

1 Leading Global Footwear Brand Anchored by Iconic Product with Democratic Appeal

2 Market Leader in Clog Category with Significant Whitespace in Sandals and Personalization

3 Accelerating Our Industry-Leading Digital Penetration

4 Global Footprint with Opportunity to Grow and Scale International Markets

5 Authentic, Come As You Are Culture with Commitment to ESG

6 Strong Financial Profile with Exceptional Free Cash Flow Generation

7 Best-in-Class Management Team with Deep Industry Knowledge and Expertise

1 Leading Global Footwear Brand Anchored by Iconic Product with Democratic Appeal

- Classic clog is an unmistakable icon recognized around the world
- Powerful global brand with large, diverse consumer base
- Brand desirability, brand relevance and brand consideration each rose double-digits in 2020 and over the past four years in annual brand survey
- Market leader in expanding global clog category that has grown to \$5bn⁽¹⁾

Top 10
non-athletic global
footwear brand

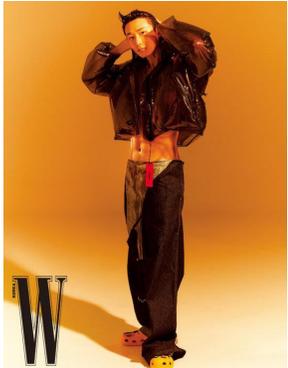
Top 10
footwear brand for
U.S. teens

Brand of the Year
2020 Footwear News
Achievement Awards



VOGUE

Post Malone's Crocs Sold Out—and For Good Reason



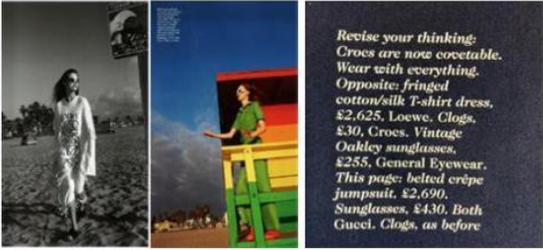
REAL SIMPLE

Here it is: Drew Barrymore's New Line of Colorful Crocs

by **SARAHAN JAMES** February 10, 2020
Drew Barrymore Heats Crocs Color-Block Collection. Drew Barrymore's new line of Crocs is colorful and fun—just like the actress herself! The shoes range from \$30 to \$50 and come in white, navy blue, and yellow with unique motifs centered on the theme of love, just in time for Valentine's Day.
Drew is the mother of two daughters, Olive, 6, and Frankie, 3, who both adore their Crocs, so it's no surprise that two of the styles from Drew for Crocs come in children's sizes. The collection, which is available in six different styles, is unique from traditional Crocs because the Jibbits (the little inserts you can put in the holes of your Crocs) are metal instead of the traditional plastic.



VOGUE



Sources: L.E.K. Consulting, internal estimates and Footwear News.
(1) Based on management's estimates and industry knowledge.

2 Market Leader in Clog Category with Significant Whitespace in Sandals and Personalization

Clog Category

- \$5bn market with outpaced growth in casual footwear
- **Crocs is currently the market leader in the clog category⁽¹⁾**
- Opportunity to further grow the category
- Key drivers of clog growth and relevance include impactful collaborations and personalization
- Strongest growth in Americas with continued opportunity in Europe and Asia

Personalization with Jibbitz

- Optimistic storytelling and personalization will be even more critical post COVID-19
- Major driver of average selling price and overall clog and sandal sales while expanding the originality and uniqueness of the Crocs line of products
- Jibbitz audience has ~2x customer lifetime value vs. clog, sandals and work
- Sales accelerated, doubling in 2020

Sandals Category

- ~\$30bn market, expected to grow in line with casual footwear at ~4% per year
- Large share growth opportunity within fragmented category with no dominant players
- Consistent track record of growth in sandals, accounting for 18% of Crocs footwear sales in 2020
- Key drivers of sandal growth are:
 - Targeting female explorers
 - Marketing to support awareness
 - Higher purchase frequency (multiple purchase occasions)



Sources: L.E.K. Consulting and internal estimates.
(1) Based on management's estimates and industry knowledge.

DTC Channel

Rapidly Growing Digital Platform

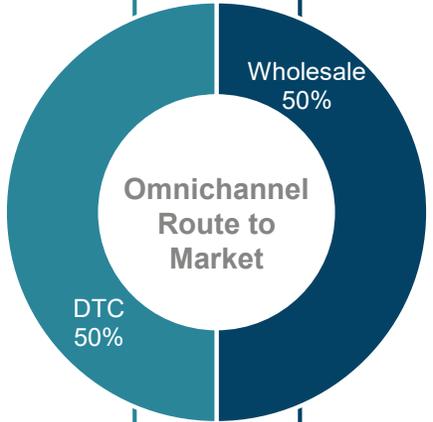
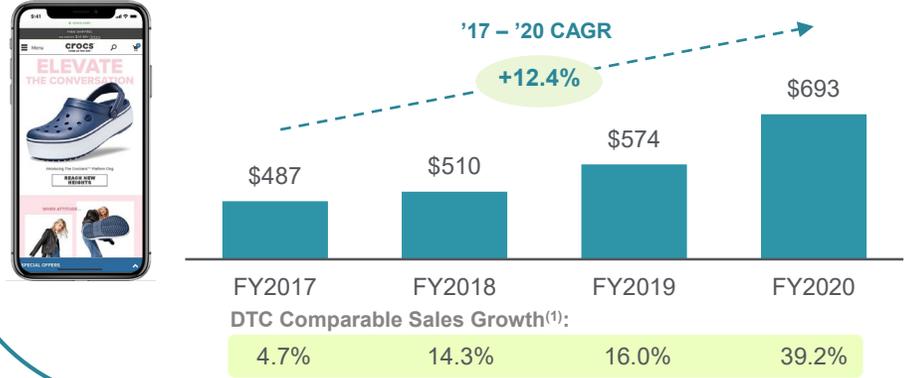
- Investment in digital infrastructure has led to rapid growth in e-commerce channel
- 50% digital revenue growth in 2020 vs. 2019, with room for further expansion

Targeted Global Retail Footprint

- Disciplined store strategy with carefully chosen locations (351 stores)
- Proven DTC platform with strong comparable sales growth of 39.2%⁽¹⁾ in 2020



DTC Revenue Growth



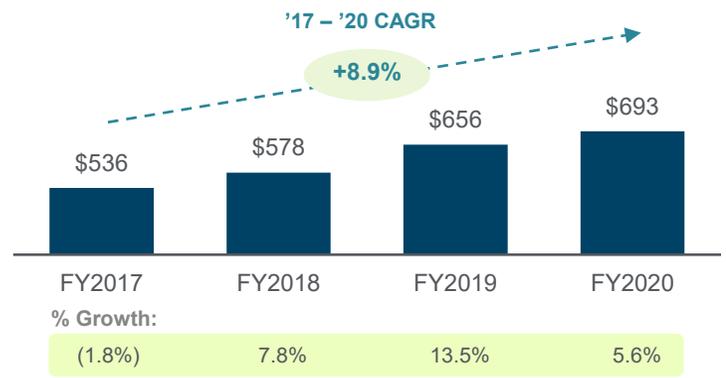
Wholesale Channel

Strong Wholesale Network

- Selective wholesale distribution network with strong portfolio of leading e-tailers, B&M, retailers and distributors
- Products sold and distributed in 80+ countries across key geographies through wholesale partners



Wholesale Revenue Growth



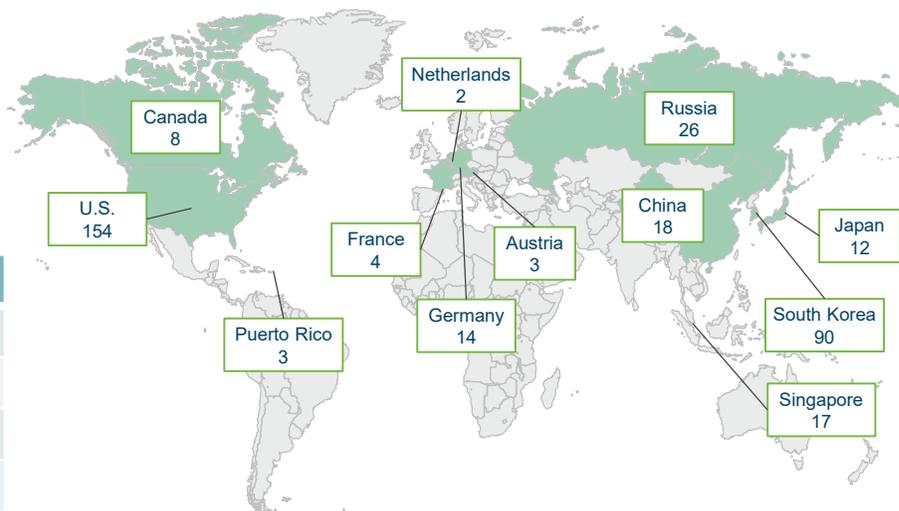
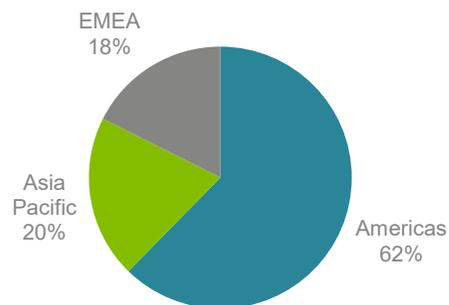
(1) DTC CSS growth reflects period over period change as if the current period results were in constant currency, which is a Non-GAAP Financial Measure. See further details in Appendix.

4 Global Footprint with Opportunity to Grow and Scale International Markets

Global Footprint

- Established retail presence across 3 continents and distribution in 80+ countries
- Strong network of international distributors
- Double-digit YoY growth in owned e-commerce (+58%) across all regions in FY2020
- Continue to scale international markets with focus on EMEA in 2021 and Asia Pacific in 2022
- Majority of stores are off-mall, primarily outlets and store-in-store locations

FY2020 Revenue by Geography



Region	Retail Stores
Americas	165
Asia Pacific	137
EMEA	49
Total	351

The China Opportunity

Significant Whitespace

- 2nd largest footwear market in the world
- Underpenetrated with less than 5% of FY2020 sales in China

Investing for Growth

- Building brand awareness in second year with Yang Mi
- Developing local-for-local marketing and collaborations
- Changing brand image through new concept stores
- Focusing on key T1 and T2 cities with high spending power and participation of Gen Z consumers
- Repositioning to a higher quality partner store network
- Accelerating strong e-commerce presence through marketplaces (JD, Tmall, VIP)
- Maintaining focus through Board oversight committee



Successful global expansion with international accounting for 42% of revenue in 2020



Environment

- Joined Sustainable Apparel Coalition (SAC)
- Exploring environmentally-friendly raw materials
- Currently rework ~45% of our Croslite production waste back into our production processes
- Over 98% of our product line is currently Vegan with a goal of being a 100% Vegan brand by the end of 2021
- In 2020, over 85% of our product has been sold without shoe boxes
- Over the past 5 years, we've been able to save almost 250mm shoe boxes from entering the market
- Partner with several organizations to keep unsellable product and samples out of the landfill, with >90,000 pairs of shoes donated in 2020



Social

- Diverse workforce with diversity recruiting strategy
- Female: 52% Management / 68% All Other
- URG: 23% Management / 57% All Other
- Culture of learning & development
- Regular engagement / employee listening
- Implemented pay equity practices
- Established CAYA Councils and CAYA Series
- Maintain a factory Social Compliance Code of Conduct and Certification Process
- Social compliance audits in accordance with WRAP principles
- Monitor ~600 chemicals in our supply chain for compliance with legal / regulatory requirements
- Crocs Cares provides shoes, funds and time, with ~1 million pairs donated in the past 5 years



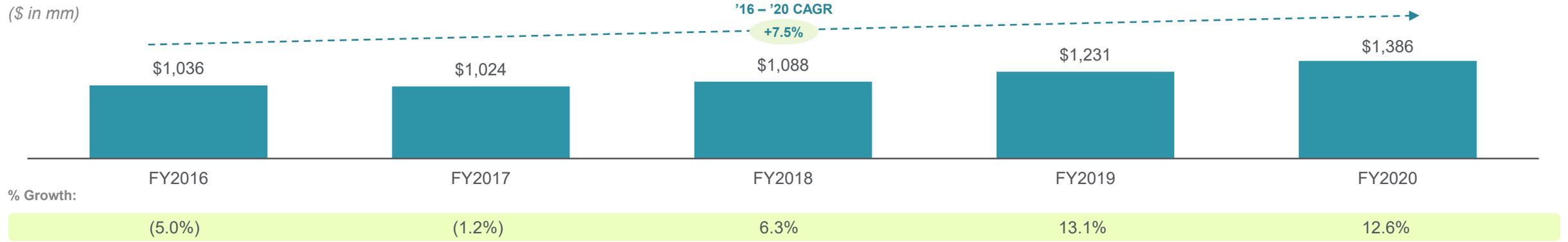
Governance

- Remains an area of strength evidenced by ISS and MSCI rankings
- Diverse Board: 38% Female / 13% URG
- Responsible and performance-driven compensation programs
- Robust Enterprise Risk Management and Ethics & Compliance program frameworks
- Established an ESG / sustainability management and oversight framework
- Strong internal controls, accounting and audit practices

6 Strong Financial Profile with Robust Free Cash Flow Generation

Revenue

(\$ in mm)



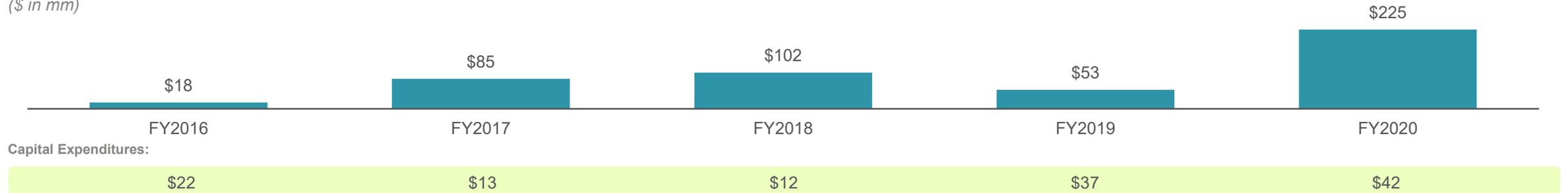
EBITDA⁽¹⁾

(\$ in mm)



Free Cash Flow⁽¹⁾

(\$ in mm)



(1) See reconciliation to GAAP equivalents in Appendix.

7 Best-in-Class Management Team with Deep Industry Knowledge and Expertise

Name and Title

Biography

Prior Experience



Andrew Rees

CEO and Director

Crocs Tenure: 6+ years

Industry Tenure: 25+ years

- Joined Crocs as President in 2014; became CEO and joined Board of Directors in 2017
- Previously served as Managing Director at L.E.K. Consulting where he founded and led the firm's Retail and Consumer Products Practice for 13 years
- Prior to L.E.K., he served as VP of Strategic Planning and Retail Operations for Reebok International



Michelle Poole

President

Crocs Tenure: 6+ years

Industry Tenure: 29+ years

- Became President in Sept. 2020, adding oversight for Americas, Asia and EMEA regional commercial teams
- Previously served as EVP and Chief Product and Merchandising Officer at Crocs beginning in 2014
- Brings more than 29 years of experience having served at Converse, Timberland and Sperry Top-Sider



Anne Mehlman

EVP and CFO

Crocs Tenure: 7+ years

Industry Tenure: 15+ years

- Rejoined Crocs in 2018, bringing over 15 years of financial and operational experience
- Previously served as CFO of Zappos.com and VP of Corporate Finance at Crocs from 2011 to 2016
- Previous experience includes Director of Finance at RSC Equipment Rental and various financial roles at Corporate Express and Lockheed Martin



Elaine Boltz

EVP and COO

Crocs Tenure: 1 year

Industry Tenure: 10+ years

- Joined Crocs as Chief Operations and Transformations Officer in 2020
- Previously served as President of TJX Digital from 2011 to 2017
- Previous experience includes Head of Chico's FAS direct-to-consumer business, Chief Marketing and Strategy Officer at Ann Inc. and Senior Principal at BCG



Dan Hart

EVP and CL&RO

Crocs Tenure: 11+ years

Industry Tenure: 30+ years

- Joined Crocs as Chief Legal and Risk Officer in 2009
- Previously served as SVP and General Counsel at Océ North America from 2006 to 2009
- Previous experience includes SVP of General Counsel and Human Resources for Invensys Controls and senior legal positions at Dictaphone Corporation and Brooke Group



Adam Michaels

SVP and CDO

Crocs Tenure: 7+ years

Industry Tenure: 15+ years

- Promoted to SVP and Chief Digital Officer after joining the company as Vice President of Global E-Commerce in 2013
- Previously led e-commerce channel at Reebok
- Founded and grew e-commerce start-up, Cloud 9 Living, into a successful growth business

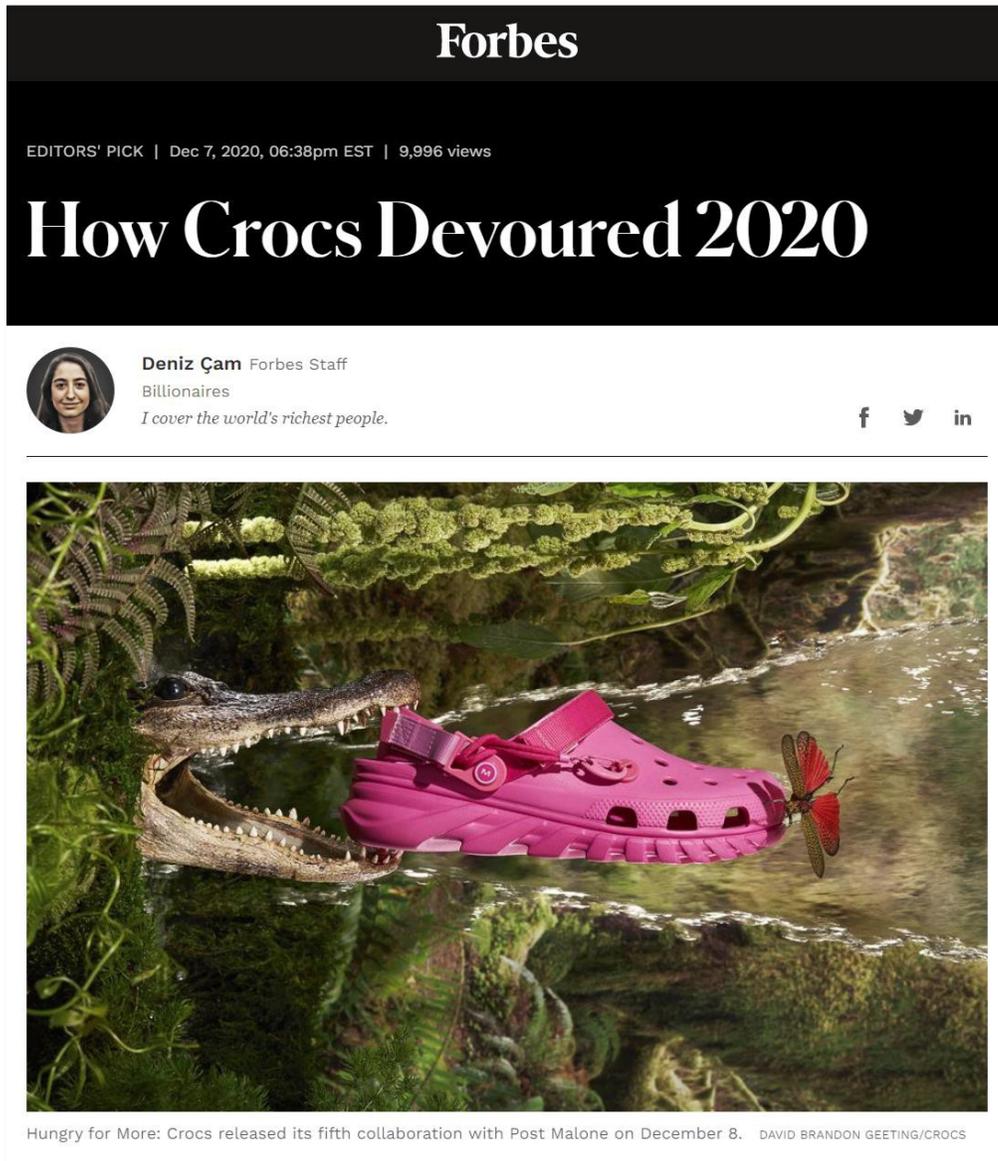




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3. Financial Overview & Business Strategy





- ✓ Robust revenue growth (+13% YoY)
- ✓ Improved quality of revenues
 - Fewer discounts and promotions
- ✓ Expanded margins
 - Higher prices
 - Fewer discounts and promotions
 - Favorable product mix
 - Leveraged SG&A, while supporting growth
- ✓ Invested to support future growth
 - Doubled e-commerce distribution capacity in the U.S.
 - Relocating EMEA distribution center in 2021
- ✓ Strengthened balance sheet

FY2020 Performance Update

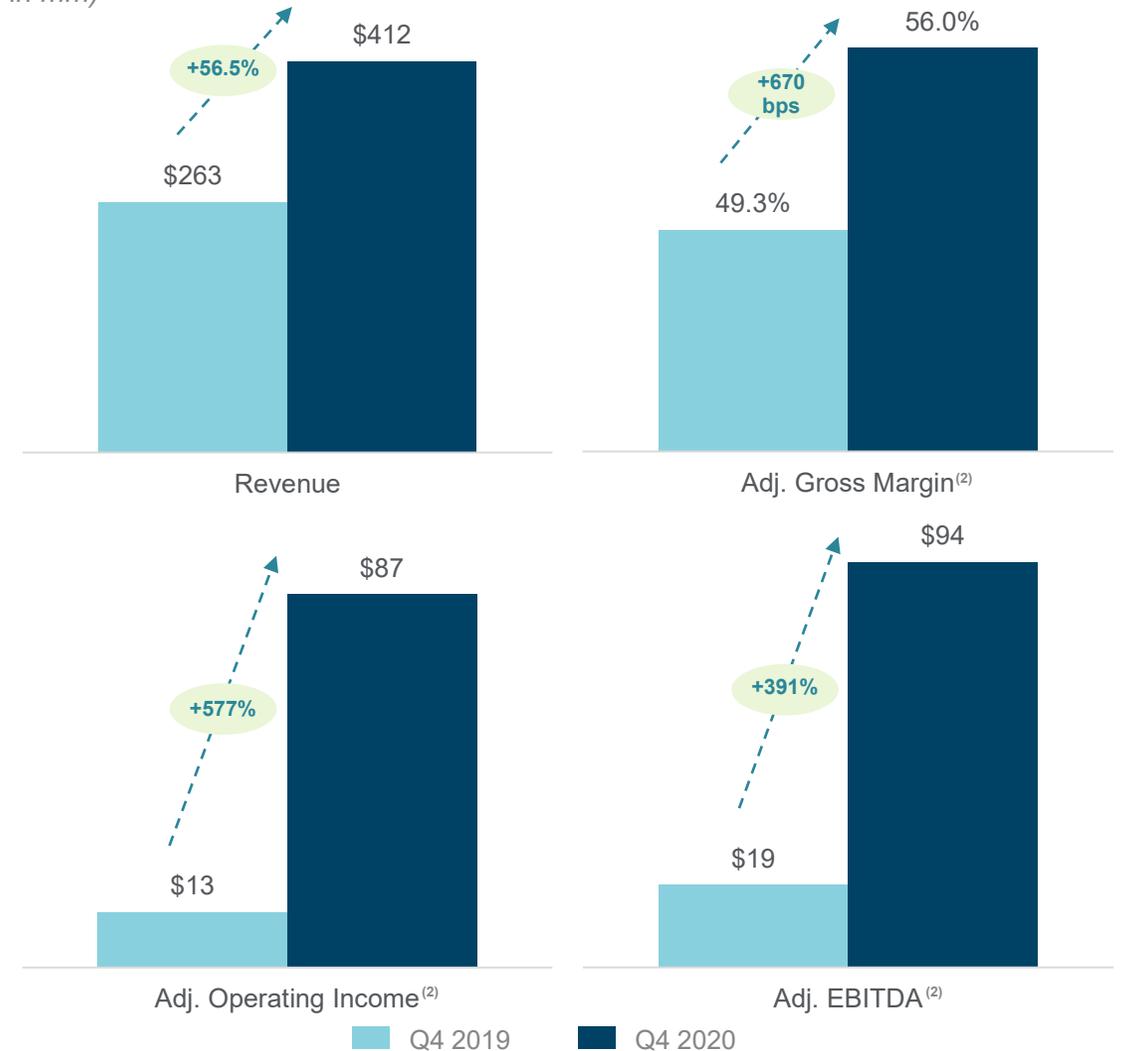
FY2020 Financial Results

(\$ in mm)

	FY2020	vs. PY
Revenue	\$1,386	+13.5% ⁽¹⁾
Adj. Gross Margin ⁽²⁾	54.6%	+350 bps
Operating Income	\$214	66%
Adj. Operating Income ⁽²⁾	\$263	84%
Adj. Operating Margin ⁽²⁾	18.9%	+730 bps
Adj. EBITDA ⁽²⁾	\$290	75%

Q4 2020 Financial Results

(\$ in mm)



(1)

Revenue growth on a constant currency basis.
(2) See reconciliation to GAAP equivalents in Appendix.

Positioned for Global Growth



Four Key Product Pillars

Clog: Innovate & grow clog relevance

Sandals: Significant long-term growth potential

Personalization

Visible Comfort Technology



Powerful Social & Digital Marketing

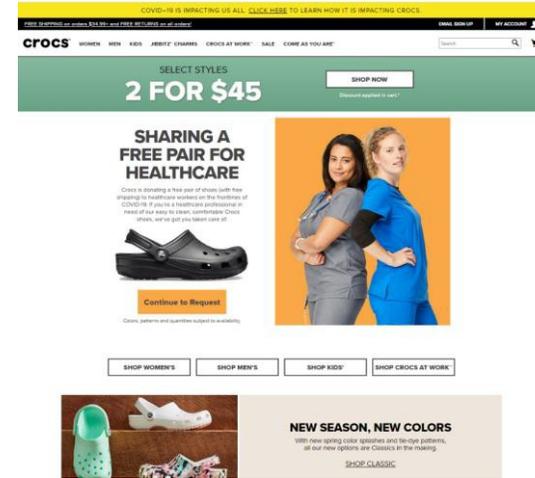
Digital and social focus globally

Come As You Are

Brand ambassadors

Social influencers

Collaborations



Digital-Led Route to Market

E-commerce: Double-digit plus growth continues

Retail: Prioritize outlets as most profitable retail format

Wholesale: Strong growth opportunities within e-tail accounts; long-term growth potential with distributors



Largest Long-Term Growth Opportunity in Asia

Americas: Strong growth momentum

EMEA: Solid growth on brand heat

Asia: Largest long-term growth potential



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Appendix



Adjustments Reconciliation

Adjusted cost of sales, gross profit, and gross margin reconciliation

(\$ thousands)	Three Months Ended December 31,		Year Ended December 31,		
	2020	2019	2020	2019	2018
GAAP revenues	\$ 411,506	\$ 262,979	\$ 1,385,951	\$ 1,230,593	\$ 1,088,205
GAAP cost of sales	\$ 182,422	\$ 136,741	\$ 636,003	\$ 613,537	\$ 528,051
New distribution centers ⁽¹⁾	(1,550)	(3,413)	(4,186)	(11,394)	-
COVID-19 inventory write-off ⁽²⁾	-	-	(2,396)	-	-
Other	-	84	(119)	(91)	-
Total adjustments	(1,550)	(3,329)	(6,701)	(11,485)	-
Adjusted cost of sales	\$ 180,872	\$ 133,412	\$ 629,302	\$ 602,052	\$ 528,051
GAAP gross profit	\$ 229,084	\$ 126,238	\$ 749,948	\$ 617,056	\$ 560,154
GAAP gross margin	55.7%	48.0%	54.1%	50.1%	51.5%
Adjusted gross profit	\$ 230,634	\$ 129,567	\$ 756,649	\$ 628,541	\$ 560,154
Adjusted gross margin	56.0%	49.3%	54.6%	51.1%	51.5%

Adjusted selling, general and administrative expenses reconciliation

(\$ thousands)	Three Months Ended December 31,		Year Ended December 31,		
	2020	2019	2020	2019	2018
GAAP revenues	\$ 411,506	\$ 262,979	\$ 1,385,951	\$ 1,230,593	\$ 1,088,205
GAAP selling, general and administrative expenses	\$ 164,453	\$ 117,882	\$ 535,824	\$ 488,407	\$ 497,210
Donations of inventory	70	-	(9,900)	-	-
COVID-19 severance costs	-	-	(2,403)	-	-
COVID-19 impact of bad debt expense ⁽³⁾	315	-	(4,118)	-	-
Other COVID-19 costs ⁽⁴⁾	(18)	-	(845)	-	-
Accelerated depreciation of assets ⁽⁵⁾	-	-	-	-	(1,306)
Asset impairments ⁽⁶⁾	(21,071)	-	(21,071)	-	-
Duplicate headquarters rent ⁽⁷⁾	(154)	-	(1,274)	-	-
Non-recurring expenses associated with cost reduction initiatives ⁽⁸⁾	-	(584)	-	(2,282)	(6,082)
Offering fees ⁽⁹⁾	-	(589)	-	(589)	-
Closure of manufacturing and distribution facilities ⁽¹⁰⁾	-	-	-	-	(13,712)
Other ⁽¹¹⁾	8	-	(2,125)	-	-
Total adjustments	(20,850)	(1,173)	(41,736)	(2,871)	(21,100)
Adjusted selling, general and administrative expenses ⁽¹²⁾	\$ 143,603	\$ 116,709	\$ 494,088	\$ 485,536	\$ 476,110
GAAP selling, general and administrative expenses as a percent of revenues	40.0%	44.8%	38.7%	39.7%	45.7%
Adjusted selling, general and administrative expenses as a percent of revenues	34.9%	44.4%	35.6%	39.5%	43.8%

Adjusted income from operations and operating margin reconciliation

(\$ thousands)	Three Months Ended December 31,		Year Ended December 31,		
	2020	2019	2020	2019	2018
GAAP revenues	\$ 411,506	\$ 262,979	\$ 1,385,951	\$ 1,230,593	\$ 1,088,205
GAAP income from operations	\$ 64,631	\$ 8,356	\$ 214,124	\$ 128,649	\$ 62,944
Cost of sales adjustments ⁽¹³⁾	1,550	3,329	6,701	11,485	-
Selling, general and administrative expenses adjustments ⁽¹⁴⁾	20,850	1,173	41,736	2,871	21,100
Adjusted income from operations	\$ 87,031	\$ 12,858	\$ 262,561	\$ 143,005	\$ 84,044
GAAP operating margin	15.7%	3.2%	15.4%	10.5%	5.8%
Adjusted operating margin	21.1%	4.9%	18.9%	11.6%	7.7%

(1) Represents expenses, including expansion costs, related to our distribution centers in Dayton, Ohio and Dordrecht, the Netherlands and initial costs for our new third-party operated distribution center in Chiba, Japan.

(2) Represents an inventory write-off in our Asia Pacific segment associated with the impact of COVID-19.

(3) Represents bad debt expense associated with the impact of COVID-19 on wholesale partners in our Asia Pacific and Americas segments.

(4) Represents costs incurred in response to COVID-19, including hazard pay, cleaning costs, and legal costs.

(5) Represents non-recurring expenses related to relocation of Crocs corporate headquarters planned for March 2020.

(6) Represents impairments to our long-lived assets for a retail store in New York City and for our former corporate headquarters in Niwot, Colorado.

(7) Represents ongoing duplicate rent costs associated with our move to our new headquarters in Broomfield, Colorado, while we conclude the lease for our former headquarters.

(8) Represents non-recurring expenses associated with cost reduction initiatives in 2019 and our SG&A reduction plan in 2018.

(9) Represents fees associated with the November 4, 2019 underwritten public offering, in which certain investment funds affiliated with The Blackstone Group Inc. sold 6.9 million shares of our stock to Morgan Stanley & Co. LLC. We did not receive any proceeds from this sale.

(10) Represents non-recurring expenses associated with the 2018 closures of Mexico and Italy manufacturing and distribution facilities.

(11) Represents non-recoverable duties, non-recurring costs related to the closure of company-owned retail stores in Australia, employee severance costs, and various other immaterial items.

(12) Adjusted selling, general and administrative expenses are presented gross of tax.

(13) See 'Adjusted cost of sales and gross margin reconciliation' above for more details.

(14) See 'Adjusted selling, general and administrative expenses reconciliation' above for more details.

Adjustments Reconciliation (Cont'd)

Adjusted EBITDA and Adjusted EBITDA margin reconciliation

(\$ thousands)	Three Months Ended December 31,		Year Ended December 31,		
	2020	2019	2020	2019	2018
GAAP revenues	\$ 411,506	\$ 262,979	\$ 1,385,951	\$ 1,230,593	\$ 1,088,205
GAAP net income	\$ 183,330	\$ 19,913	\$ 312,861	\$ 119,497	\$ 50,437
Interest expense	1,149	1,893	6,742	8,636	955
Interest income	(26)	(108)	(215)	(601)	(1,281)
Income tax expense (benefit)	119,907	13,693	105,882	175	(14,720)
Depreciation and amortization	7,368	6,705	27,619	24,213	29,250
Cost of sales adjustments ⁽¹⁾	1,550	3,329	6,701	11,485	-
Selling, general and administrative expenses adjustments ⁽²⁾	20,850	1,173	41,736	2,871	21,100
Adjusted EBITDA	\$ 94,314	\$ 19,212	\$ 289,562	\$ 165,926	\$ 115,181
GAAP net income	\$ 183,330	\$ 19,913	\$ 312,861	\$ 119,497	\$ 50,437
GAAP net income margin	44.6%	7.6%	22.6%	9.7%	4.6%
Adjusted EBITDA	\$ 94,314	\$ 19,212	\$ 289,562	\$ 165,926	\$ 115,181
Adjusted EBITDA margin	22.9%	7.3%	20.9%	13.5%	10.6%

(1) See 'Adjusted cost of sales and gross margin reconciliation' above for more details.

(2) See 'Adjusted selling, general and administrative expenses reconciliation' above for more details.

EBITDA and EBITDA margin reconciliation

(\$ thousands)	Year Ended December 31,	
	2017	2016
GAAP revenues	\$ 1,023,513	\$ 1,036,273
GAAP net income	\$ 10,238	\$ (16,494)
Interest expense	869	836
Interest income	(870)	(692)
Income tax expense (benefit)	(7,942)	(9,281)
Depreciation and amortization	33,130	34,043
EBITDA	\$ 51,309	\$ 26,974
GAAP net income	\$ 10,238	\$ (16,494)
GAAP net income margin	1.0%	(1.6)%
EBITDA	\$ 51,309	\$ 26,974
EBITDA margin	5.0%	2.6%

Free cash flow reconciliation

(\$ thousands)	Year Ended December 31,				
	2020	2019	2018	2017	2016
Cash provided by operating activities	\$ 266,902	\$ 89,958	\$ 114,162	\$ 98,264	\$ 39,754
Purchases of property, equipment, and software	(42,033)	(36,576)	(11,979)	(13,117)	(22,194)
Free cash flow	\$ 224,869	\$ 53,382	\$ 102,183	\$ 85,147	\$ 17,560

Definitions

Comparable Retail Store Sales: Reflects period over period change as if the current period results were in constant currency, which is a Non-GAAP Financial Measure. Comparable store status is determined on a monthly basis. Comparable store sales include the revenues of stores that have been in operation for more than twelve months. Stores in which selling square footage has changed more than 15% as a result of a remodel, expansion, or reduction are excluded until the thirteenth month in which they have comparable prior year sales. Temporarily closed stores are excluded from the comparable store sales calculation during the month of closure and in the same month in the following year. Location closures in excess of three months are excluded until the thirteenth month post re-opening.

Direct-to-Consumer Comparable Sales: Includes retail and e-commerce. Reflects period over period change as if the current period results were in constant currency, which is a Non-GAAP Financial Measure. Comparable store status is determined on a monthly basis. Comparable store sales include the revenues of stores that have been in operation for more than twelve months. Stores in which selling square footage has changed more than 15% as a result of a remodel, expansion, or reduction are excluded until the thirteenth month in which they have comparable prior year sales. Temporarily closed stores are excluded from the comparable store sales calculation during the month of closure and in the same month in the following year. Location closures in excess of three months are excluded until the thirteenth month post re-opening. E-commerce revenues are based on same site sales period over period.