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YETI Holdings, Inc. (YETI)

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MANAGEMENT DISCUSSION SECTION

David E. Tarantino

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

Okay. Good morning everybody and welcome to day 3 of the conference. I am David Tarantino, one of the Co-Directors of Research at Baird. And I just wanted to share a few comments on Baird, ahead of before kicking over to the session for YETI here. Great, just a few comments on Baird and the conference in general. So we've been hosting this conference in some way, shape or form for the last 40 years and hopefully you have recognized this is one of the best ever for us.

We have over 250 companies here and much higher attendance than in the past, so we're proud to host all of you and hopefully you find it a productive three days. And I think we have a great line-up here for the third day as well. Just related to Baird, kind of our key highlights, we're celebrating our 100-year anniversary this year. In fact, we have a big celebration in Milwaukee next week. Lots of partying going on and it's a key milestone for us.

We've grown quite significantly over the years, we're approaching \$2 billion in revenue and we had five strategic businesses driving that, including our equities business. And one of the key highlights that we're very proud of is our equities team is consistently being ranked the top small and midcap equities team on the Street, by small and midcap portfolio managers in the Greenwich Associates survey and that goes – speaks to our major investment that we made in research, sales and trading and we're very honored and humbled to be recognized in that survey, but it does speak to our commitment to this business and hopefully we keep serving in the best way possible.

And then lastly just one of the things that we're very proud of, is our culture at Baird, we've been named on the Fortune 100 Best Companies to Work For list now for 16 years in a row and in the top 25 for the last 11 years and I think that is an outcome of our employee-ownership and privately held sort of infrastructure and that allows us to think for the long-term and do the right thing. For both our employees and for our clients, it allows us to stay

focused on doing what's right for you. So that's something that we hope to continue and that's something we're very proud of.

So with that, I wish you a productive day today and I'm going to turn it over to Pete Benedict who's going to introduce the team from YETI and welcome all of you and have a great day. Thanks.

Peter S. Benedict

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

So good morning, everybody. Pleased to welcome the team from YETI to the Baird Conference. As many of you probably know, YETI is an authentic premium lifestyle brand with roots in outdoor products and Drinkware categories. Company became public last October and has delivered strong fundamentals out of the gate. With significant growth runway still ahead, we consider YETI to be one of the most attractive consumer growth stores in the market today.

Here, to discuss the business with us today, on my right we got CEO, Matt Reintjes; CFO, Paul Carbone; and then IR Head, Tom Shaw. So really, thanks guys for making the trip over.

Let's just start out right out the gate, just about the opportunity for the brand, what it stands for and then what you view is kind of the addressable market for the YETI brand.

Matthew J. Reintjes

President, Chief Executive Officer & Director, YETI Holdings, Inc.

Yeah. Thanks, Pete, and good morning. Thanks for joining us early. So enjoy little bit of your breakfast. There's nothing we like doing better than talking about the YETI, the YETI business and the YETI brand. It really roots all the way back to beginning in 2006. YETI's origin was two brothers around Austin, Texas, who were avid outdoorsman and were rough and beat up on their gear and the one piece of gear they were most frustrated with that they saw an opportunity was with coolers.

So the business really started in its most natural place with two entrepreneurs who saw a problem, designed a product for themselves and what evolved from 2006 was they built a premium, durable high performance cooler. They then started to spark the interest of other people particularly, early days in the hunting and fishing communities, although the product is a cooler it works in the backyard, in the beach, in barbecue and all these other places, but those are first communities to adopt it.

And so what evolved over time over our 13-year history is it went from being about the product and about the cooler to about the brand and to about the expansion underneath the brand. And when you think about a cooler brand launched in 2006, what we start to see in the first couple of years was people started to wear YETI T-shirts and YETI hats and buy YETI stickers.

And then if you go today and you Google, YETI wedding cakes or YETI groom's cakes, this amazing – some amazing work being done in that regard. We've got YETI tattoos [indiscernible] (00:05:42). The evolution of realizing what these two brothers tapped into in 2006 was a consumer passion and at a point in time when they were frustrated with disposable goods it didn't keep up with – keep up with the times and – keep up with their good times.

And so, as [ph] we evolved (00:06:00) the business through 2006 to 2014 when we launched in soft coolers and Drinkware and then from 2014 and beyond became a launching pad to expand the product portfolio. We started to enter into the bag category. We started entering into broader outdoor living category.

Last year, we launched a Dog Bowl, a singular \$50 Dog Bowl is kind of a brand statement. What we saw was incredible receptivity from the consumer base on kind of authenticating us into another kind of leg of the potential growth. And so we're excited about where the business is now 13 years into its history. Our consumer base has evolved significantly from a business that was born in Texas and along with the South and Southeast to businesses emerged in a brand that's emerged nationally and – in the early days of emerging internationally. So we're excited about where we are today.

QUESTION AND ANSWER SECTION

Peter S. Benedict

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

Q

That's a great set up. Let's tap into kind of brand awareness and consumer engagement. We do a quarterly survey of 2,000 consumers across the country and what it has consistently shown is a low, but rising brand awareness in places outside your heritage Southern markets, but a very high brand affinity across all regions of the country. So I know you just made a recent hire of a Chief Marketing Officer, late last year I believe...

Matthew J. Reintjes

President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Right.

Peter S. Benedict

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

Q

...talk about some of the strategies you guys have in place to kind of keep an engagement with existing customers to raise your brand awareness and to bring in new customers?

Matthew J. Reintjes

President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Yeah it's – one of the things as a brand, usually when you think about passion-fueled brands that have strong products backing them, they tend to traditionally emerge from the larger population dense coastal communities. You tend not to have brands emerge from the South and Southeast. I usually joke that if somebody who grew up in Kansas [ph] trend hit us (00:07:50) three to five years after it had started in one of the coastal communities.

We're a brand that we believe in a product portfolios emerging into the larger part of the market opportunity, which is the rest of the United States and then internationally. When we think about brand awareness, the regions in addition to the Baird study with you, a twice-year brand study and once a year owner study, and from our owners – owner and brand study last summer in July of 2018, we had about a 10% unaided awareness nationally, in our – in the markets we had operated in the longest, we had about a mid-teens awareness in the markets that – to the South and Southeast and then the big [ph] growthy (00:08:29) population dense markets we were in mid-single digits.

And so, one of our focuses has been exactly what Pete said, which is growing and expanding where brand is, we brought a new CMO in the beginning – late last year and beginning of this year. Melisa came to us from Calvin Klein. What Melisa brings is a global perspective on building a brand out globally. She was there for 15 years. Her most recent role was, as their CMO, across a bunching of our price points, across a number of different categories.

And so, we focused on not only how do we continue to build authentic relationships with our consumers in our heritage markets, but how do we fill the top of the funnel and build that broad brand awareness. Launched our first brand, national TV ad in Q4 of 2018 and ran it again through Q1. But we've also counterbalanced that with experiential consumer engagement.

The – when we talk to our owners, one of the top couple of items that they identify, as how they learned about the YETI brand is either seeing in news or having someone tell them about it. So that peer-to-peer reference [ph] step (00:09:33) we used in the past is that 95% of YETI owners have said they've told somebody else about it. So when you talk about that passion, the most powerful thing you can have is either a 4.9 star review or one person telling somebody else about your brand. So, we look for ways of both driving that overarching brand awareness, but also continuing to stoke the passion you talk about.

Peter S. Benedict

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

Q

Another way to experience the brand and it's not a big part of [ph] the financials of (00:10:00) the story, but is the retail expansion strategy. I've been to your store down in Austin, but maybe talk a little bit about how you view kind of these retail stores that you're starting to put in place?

Matthew J. Reintjes

President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Yeah. So, we're early days in that one of the things we've come out and said is we believe that having YETI branded stores is part and complement to having a true omnichannel – omnichannel experience. We have a fast growing direct-to-consumer business. Our direct-to-consumer business was 40% of our revenue in Q1. Just a little over three years ago, it was less than 8% of our overall business, so we've affected a shift to be where our consumers shop.

We also think is as our portfolio expands and our assortment gets larger, as our brand storytelling continues to be an important part that retail stores are – our select retail stores are the key way to do that. We targeted about 4 to 6 a year. We launched our first store in 2017 in Austin. We spent two years learning from that store. Next week, we'll open our first non-Austin base store in Charleston, South Carolina on King Street. We have a store under development in Wicker Park, Chicago and we have a store under development in the Cherry Creek district in Denver. So we're selectively targeting markets.

We look at these in 2,500 square feet to 5,000 square feet. They'll be retail stores will be brand experience. They'll be places where we can host YETI fans, where we can have events. We can do film viewings. We can have speakers from our 120 person ambassador list. One of the kind of ways that we use at our store in Austin during the South by Southwest festival, we hosted 40 bands over four days on inside and outside stages that our store had about 5 million views online, we streamed – we streamed a lot of it.

We also did an artist lounge where we introduced the 1.2 million YETI Instagram followers to bands that they had never heard of small bands that kind of use that as a platform to expose people to something beyond just our products, but where YETI gets credit for bringing that kind of experience to them.

Peter S. Benedict

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

Q

That's terrific. I forgot to mention at the beginning, if anybody in the audience has any questions you can e-mail me at session1@rwbaird.com [ph] and we get into the (00:12:07) conversation. Let's touch – move over to kind of the product pipeline. I was personally disappointed to learn that the YETI Falcon was not a real product, but we do a monthly assortment tracker and that's picked up on a number of new kind of colorways and product introductions [ph] just even (00:12:26) over the last six months.

Can you talk about how you guys go about the product development process? How many projects you have in place at any given time and are you really determined where to take this brand, which ones should make the shot – make it to market and which ones don't?

Matthew J. Reintjes

President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Yeah. You weren't alone and being disappointed the Falcon didn't come to market. In fact one of the – and for those who may don't know, we had a history of doing an April Fool's day video and YETI produced 40 or 50 high production value five to seven-minute human interest stories. So it's not about our product per se, but it's about people doing incredible things out in the world.

We have this library of content and so what we've done over the last few years is on April Fools, we'll do a similar one, but with an April Fools theme, so instead of telling a true human interest story, we'll take something else in because it's April Fools' Day and because we're a product company. We created products so if you have a moment and have five to seven minutes you can go watch and take a little bit of fun at the scooter – the scooter craze that's going on. We touch a little bit on the [ph] vaping (00:13:35) world, but just all in good fun.

One of the scooter companies actually reached out to me on April 1st and volunteered to help us make the make the scooter, if we needed some help making it. But, it's – you weren't alone I think we probably would have sold a few thousand on that day at a high price point. When we think about product development, we think about product as our heart and we think about our brand is our soul and neither of them can operate independently or live long independently and that's a philosophy we bring to the brand.

So continuing to infuse the heart with innovation is important both innovation in our hard coolers, soft coolers and Drinkware, but also expanding the product portfolio. We have more ideas and more things being worked on by our in-house 56 person engineering and design team then we're bringing to market in any given time, because we're thinking about these over a three-year horizon.

To oversimplify how we think about bringing to market. We look at two parameters, one is, how we identified the discernible difference, we're going to bring in that product and is now the right time – and is now the right time has as much to do with. Where is our product portfolio, how does it connect to things we've launched before? So we went from hard coolers and soft – to soft coolers and soft coolers and Drinkware sort of different price points both had thermal type things.

Used our soft cooler technology to move into kind of step into bags, so we used the supply chain, technology, materials, designs, shapes, but made a non-insulated bag and then we're using bags – high performance bags to kind of broaden the opportunity more broadly in that highly fragmented bag category.

We got into a \$300 camp chair. Someone asked how do you get to a \$300 camp chair, it seems a little bit of a vector from hard cooler, soft coolers, Drinkware, but people have been buying cushions to sit on top of our coolers forever. Why would they sit on an imperfect seat, if we've got the perfect cooler, [ph] so the perfect cooler be (00:15:29) a perfect cooler and let's build a virtually indestructible chair that takes cues from high end office furniture and ruggedizes them and brings them to the outdoor.

And so it was all sort of testing the edges of where we go. We have a team that does more observational research and we use consumer insights to focus on kind of what's next. We tend not to ask consumers what they want because that tends to lead you to kind of see a sameness of what's available in the market. But we do know based on responses to things like the Falcon or if you look in our social media, we get a lot of inbound kind of what about this, what about that from our consumers, which gives us confidence that the permission underneath the brand that we built is broaden and we're seeing that both domestically and globally.

Peter S. Benedict

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

Q

It's great and then, the 10% to 15% top line growth target that you guys have how important are new categories to achieving that let's say over the next couple of years as opposed to just extending we currently operate?

Matthew J. Reintjes

President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

The bulk of that 10% to 15% growth over the near-term is driven by legacy product or evolutions of legacy product. It's continue to drive colorways, different used cases, things like, [indiscernible] (00:16:41) bottle we launched a couple of years ago, we added a new lid that created a coffee lid for it.

So it's augmenting our current portfolio. So we are in a business that bets on home runs every year to drive that 10% to 15%. What we want to do is, and we have a strategy of building out and continue to grow hard coolers, soft coolers, Drinkware and then lay these planks of future growth, just start to build out in that two-year to three-year and four-year horizon. So you get a more natural climb out and you aren't in that cycle of having to bet seasonally on things in and out.

Peter S. Benedict

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

Q

And in our monthly tracker, we picked up the Hopper Two 30 soft cooler is being retired, right. So you've done a price reduction on that. Talk about how you kind of evolve these products and go through the whole retirement process and then?

Matthew J. Reintjes

President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Yeah. So we tend to stay on price and math pricing. When we take price it's usually for a reason. Our historical reason for taking price has been to slot taking price down who's been to slot a new product in order to take a product out with a replacement. So that's a strategy we've built over the last three years to kind of build the product lifecycle in. It varies by product category.

Our hard cooler celebrated its 10th anniversary last year. So we're in the 11th year of hard cooler Tundra largely unchanged. The biggest change has been we've added some colorways and we added one skew with wheels last year. So that has had incredible longevity in the market. Now, all of our products will be that way. Our soft coolers, we had our first generation soft cooler in 2014. Our second generation was in 2017.

So we're still at a three-year run, but what we realized was there were some technology changes and some things that we could do to the product to make the second generation better than the first, and so cycled it. Drinkware – our core Drinkware that our largest selling Drinkware, we launched in 2014. We continue to evolve and colorways and use cases, but we tend to stay on the shelf for a while.

Peter S. Benedict

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

Q

Okay. The question came in from the audience, around international, you mentioned about 4% of your sales, I think in the first quarter were outside of the U.S., I mean, many brands that have been presenting here over the last couple of days have 30% – 40% of their sales outside of the U.S., so maybe give us an update on where you are internationally? What the strategy is to grow that and ultimately, where you think you could take [ph] penetration as we go (00:19:02)?

Matthew J. Reintjes

President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Yeah, I mean what I've often said is that internationally, this is the smallest International business that I've ever had, most businesses I've had have been more in the – in the range Pete, that you're talking about. Today, we are – it is 4%. We are under-indexing, where we should be and where we can be. We operate today in Canada. We have a subsidiary in Canada. We have a subsidiary in Australia, so we have teams – YETI teams on the ground that are managing those commercial businesses.

We have focused on building a U.S. like go-to-market model internationally. We think the way to maintain brand, the way to maintain premium, the way to maintain control where the product goes is to take the structure to build out internationally and build out a one step. We don't sell through distributors today in the U.S. We're not now looking for the kind of quick international wins of distributor.

So we – Canada is growing very well, but if you think about even 4% of international, Canada is not indexing where any business I've had in the past is indexed to the U.S. business. Australia is a smaller market, but a great brand reference – brand reference market, we'll will soon be operating in New Zealand is kind of an extension to that. We like both those markets because they're gateways for Asia and gateways for the U.S. from a travel perspective, so you travel through those markets.

We just started in Japan in late 2018 with a partner. We're in the setup part – setup kind of phases of the UK and certain markets in Europe. So I think in 2019 you're going to see us active both in a wholesale and in direct-to-consumer way in the UK and Europe.

Peter S. Benedict

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

Q

Right. So, as we go international the key words come up a few times over the last couple of days. So, Paul maybe you can jump in here on tariffs?

Paul C. Carbone

Senior Vice President and Chief Financial Officer, YETI Holdings, Inc.

A

Yeah.

Peter S. Benedict

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

Q

I mean I know our understanding at least historically 60% of new products coming out of China; some have had the exposure of the current list. So potentially if there's the full boat comes on. Not sure what the Mexico exposure is, but maybe you can just talk about how you're handling tariffs, the latest thought process and if we go to everything in tariff [ph] would you get it all (00:21:13)?

Paul C. Carbone

Senior Vice President and Chief Financial Officer, YETI Holdings, Inc.

A

Yeah. Absolutely. So for tariffs we have a playbook that began last summer and it really is – has four levers. The first is product cost negotiations. The second is location of supplier. The third is the COGS itself, so everything from packaging and what not. And then the fourth is consumer pricing, right. So those are our four levers to offset and deal with tariffs. When List 3 came through last September, we used the first three so that List 3 affected our bags and our soft coolers. So we used the first three, we did not take pricing – the consumer pricing. And currently at 25% is fully included in our outlook that we talked about in May on our first quarter earnings call.

If you look to List 4, if List 4 happens, which would affect our Drinkware, we're going to use that same playbook. The good news is our operations team began working in a List 4 scenario last fall. So we didn't know it was coming. You never know when a tweet will come, but they began working on that last fall, so we are deep in kind of those four levers and we would use those same, if that comes across.

As far as Mexico goes, we have a de minimis expose. We don't do any manufacturing in Mexico. We do a little value-added work. So you know we'll send some stainless Drinkware down to get painted if we need. Colors, if we run – we have a color that runs short, we'll send it down to Mexico to get painted. There is a factory down there. So the exposure there is absolutely minimal for us.

Peter S. Benedict

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

Q

Okay. Great. That's helpful. I want to get back to the direct consumer initiatives it says running around 40% sales like less than 10% three years ago. The integration of the YETI Custom Shop is kind of an event this year that we think has been driving some business. There was a Father's Day offer where you could get customized product in time for Father's Day. Now it's already showing like it's out of capacity. So obviously, the demand is there. Talk to us about the biggest DTC effort you've got, also how you interface with Amazon and handle that?

Matthew J. Reintjes

President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Yeah. So what we did in early April was – [ph] for back-up (00:23:44). In 2017, we acquired our exclusive customization partner for Drinkware. And it was really, [ph] while we are an asset in light (00:23:52) business, this recall was a strategic thing where we could leverage our balance sheet to increase capacity and control the ramp, as we saw a greater and greater demand for consumer customization and also the opportunity in corporate sales.

So we acquired that business in 2017. We ran two separate web properties as part of that, in April of this year we brought those two web properties together. So instead of having to send a consumer or a corporate customer down to different kind of journey paths in the beginning of April [ph] we've send them down (00:24:24) one. So we brought those together technically, we've created one workflow, the project went well.

We're now ramping up our kind of the demand creation. We're putting behind that. As we filled in, at the same time, we're continuing to focus on increasing capacity so that we can shorten and shorten lead times to make a quick turn, as you get around holidays like Father's Day, gifting seasons, end of the year. So those are all building into that capacity. We're excited about what that business can become. We think that once somebody has the opportunity to customize something they make it their own and it creates a different level of engagement with the product.

On the DTC business, we're focused on two big – two big areas, one is continuing to drive the right kind in high quality traffic and going out and attracting that traffic. And then once people hit our website optimizing the flow through the website and the ultimately the conversion rate, so everything from the top of the funnel down through.

The other thing we started investing heavily in it. We were a business that three years ago, as you said Pete, wasn't really in the DTC business. We've invested heavily in our analytics capabilities and our data science. We're in the early days of understanding the full picture of what a YETI consumer looks like and what the repurchase rates are. Part of that because the first – first call it 10 almost years of the business, the buying was unanimous.

It was happening through wholesale channels relatively unanimous to us unless people register their products, so we're painting a picture of what a YETI customer looks like. From our other studies, we know a YETI customer looks like a multiple purchaser. Within a category, it looks like a multiple purchasers across the category, looks like repeat purchase within a cycle, so that's getting tighter and tighter, which we'll then inform and work with Melisa and her team are going to do to go out and target customers.

Peter S. Benedict

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

Q

That's great. So as you think about that 10% to 15% top line growth DTC versus wholesale. How should we think about that both domestically and I think internationally that would be helpful to understand? And I know there's a margin of benefit clearly on the gross margin side from DTC with – but how about we think down at the operating margin or contribution margin line maybe talk about how that works?

Paul C. Carbone

Senior Vice President and Chief Financial Officer, YETI Holdings, Inc.

A

Yeah sure so from a growth rate perspective – we think of DTC in the mid-20s in wholesale in the mid-single digits. Right now international is so small we don't disaggregate the differences. So international both – across both channels will grow significantly faster, but on a very small base. As you come down to the gross margin level, DTC is about a 1,000 basis points to 1,500 basis points better than wholesale higher gross margin. And then as you come down to a contribution margin, DTC is still higher. So the highest is our web properties, second would be our corporate sales then our YETI marketplace – I mean our Amazon Marketplace and then wholesale. So that's kind of the contribution margin.

Peter S. Benedict

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

Q

That's great, question in from the field. Can you discuss how you keep a pulse on inventory levels and sell through within wholesale and how much visibility do you have within that channel.

Paul C. Carbone

Senior Vice President and Chief Financial Officer, YETI Holdings, Inc.

A

Yeah so overall from a visibility standpoint our inventory and then in the wholesale channel. So for our inventory and sell through overall we have perfect visibility into the 40% of the direct-to-consumer business and then we have visibility into our national – in national and regional key accounts in the wholesale. So that accounts for about another 35% of our business. So around 75% of our sales we have perfect visibility. And then on the last 25%, which are independent we actually have feet on the Street that go in – into the backroom, looking at shelves and then reporting back.

So 75% of the business, we review that weekly. We have it in the wholesale channel in some brands down to stores and we will make recommendations. The wholesale team will make recommendations to move inventory between stores between DC to store, so we're actively involved in that piece. We're really comfortable with both our inventory levels and what we see in the channel.

Peter S. Benedict

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

Q

That's great. Capital allocation and balance sheet, you've generated a lot of free cash flow, you said [ph] that is the right (00:28:54) business, you're deleveraging the balance sheet. Maybe remind us what your leverage ratio targets are and how you think about uses of free cash flow here?

Paul C. Carbone

Senior Vice President and Chief Financial Officer, YETI Holdings, Inc.

A

Yeah. So we will delever the balance sheet this year. We have talked about \$80 million in debt payments down to 1 times levered by the end of the year. We finished the first quarter at 1.7 times. So we have significantly delevered the balance sheet. Overall for capital allocation, really what we think about is driving shareholder value.

So how do we do that, we fund our CapEx and then for 2019 we'll delever the balance sheet. Throughout the year with our board, we have three independent board members plus three from the private equity firm Cortec. We'll begin having those conversations or continue having those conversations about target leverage ratio and what do – how do we put that free cash flow to drive shareholder value.

Peter S. Benedict

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

Q

Yeah. And then, I mean asset like business you are investing in some retail stores and you talked about the customers shop. Are there any supply chain or IT infrastructure any other things you really kind of need.

Paul C. Carbone

Senior Vice President and Chief Financial Officer, YETI Holdings, Inc.

A

Yeah so we spend out CapEx on three things. So one is IT systems, certainly, we talked about the integration of the two websites, but that continuous, IT systems as we look across our supply chain.

The second is what we would call for product development so molds and tooling for existing products and new products because we own those two and even inside the contract manufacturers and then the third is the retail stores.

Peter S. Benedict

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

Q

Got it.

Matthew J. Reintjes

President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

You know say from the IT systems one of the things as we built up to the public offering in October 2018. We made the big investments prior. We've launched SAP. We've platformed our e-commerce website, [ph] change of our (00:30:53) 3PL partner all in anticipation and getting some of those big kind of those big bulky infrastructure investments behind us.

Peter S. Benedict

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

Q

Someone told me once that imitation is the highest form of flattery, you guys have a lot of imitators in the market, talk about how you go about defending your IP and just dealing with the competitive environment that's out there?

Matthew J. Reintjes

President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Yeah it's [ph] absolutely right, we gone on (00:31:17) a couple of fronts. We vigorously defended our IP and we look at IP on two fronts, we look at both as an offensive thing to create diversion and kind of blocking and we also look at it as a defensive thing and that we will vigorously defend our IP. We've been successful in defending our design patents. We have been successful in defending our trade dress. We are in consumer products, we look for utility where there is utility, but its fewer and further between so we rely heavily on design and trade dress.

We believe that as we continue to bring innovation to market, we continue to invest behind the brand that the consumer continues to recognize that where we saw the bulk of the noise around knock offs, counterfeits, me-toos and private labels. It was really in that 2015 to 2016 kind of hyper ramp-up. We think the market is largely settled out. We're not trying to win every cooler customer, every Drinkware customer. We want the one who is – wants to buy YETI, is willing to buy YETI is going to buy the next product from us. And so it's a little bit we believe the market segmented itself out a bit. So I usually use an example, it's a little like yoga pants. There are – there is premium and then there are a number of others that are kind of catch the strip – the slipstream from private labels and counterfeits and me-toos. We think we're well-positioned over our 13-year history from where we are.

Peter S. Benedict

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

I have the doors open, that's normally the sign for me to wrap up, so these guys will be available for a 15-minute breakout in the Astor Suite A. So please join me in thanking [ph] though (00:32:56) folks from YETI.

Matthew J. Reintjes

President, Chief Executive Officer & Director, YETI Holdings, Inc.

Thank you.

Paul C. Carbone

Senior Vice President and Chief Financial Officer, YETI Holdings, Inc.

Thank you.

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