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YETI Holdings, Inc. (YETI)

Q4 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and welcome to the YETI Holdings Fourth Quarter 2023 Earnings Conference Call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to Tom Shaw, Vice President, Investor Relations. Please, go ahead.

Tom Shaw
Vice President-Investor Relations, YETI Holdings, Inc.

Good morning, and thanks for joining us to discuss YETI Holdings' fourth quarter and fiscal 2023 results. Leading the call today will be Matt Reintjes, President and CEO; and Mike McMullen, CFO. Following our prepared remarks, we'll open the call for your questions.

Before we begin, we'd like to remind you that some of the statements that we make today on this call may be considered forward-looking, and such forward-looking statements are subject to various risks and uncertainties that could cause our actual results to differ materially from these statements. For more information, please refer to the risk factors detailed in our most recently filed Form 10-Q and the Form 8-K filed with the SEC today. We undertake no obligation to revise or update any forward-looking statements made today as a result of new information, future events or otherwise, except as required by law.

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Unless otherwise stated, our financial measures disclosed in this call will be on a non-GAAP basis. We use non-GAAP measures as we believe they more accurately represent the true operational performance and underlying results of our business. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are included in the press release or in the presentation posted this morning to our Investor Relations section of our website at yeti.com.

And now, I would like to turn the call over to Matt.

Matthew J. Reintjes

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

Thanks, Tom, and good morning, everyone. I would like to start our call with some perspective on YETI's 2023 and how it informs 2024. YETI delivered a solid year of growth in gross margin expansion, even with one of our more challenging fourth quarters. We continue to see real strength in our brand and momentum in our Drinkware business, while at the same time, we saw inconsistent consumer spending in the fourth quarter on our coolers product. Overall, we remain confident about YETI brand and potential as we continue to expand our product and our audiences.

As we look at our Drinkware business, we saw continued market interest in sustainable products that not only address hydration but also provide for multiple use cases in various occasions. Our diverse portfolio is designed for versatility and durability and is well positioned to address what we believe are long-term market needs. By leaning into this, we not only delivered our strongest quarter of the year, but we also saw YETI Drinkware reach annual sales of $1 billion in 2023.

Even more exciting, we achieved this milestone through balanced growth across our portfolio and consumer demographics. This included gains in customer acquisition, retention and customer value with both female and male consumers. We expect these dynamics will create a foundation for our continued success and expansion in the category.

As we've mentioned in previous quarters, consumers continue to be more discerning with spend. We saw this play out in the fourth quarter as this caution extended into our coolers. While the coolers performance for the quarter fell short of our expectations, as consumer demand shifted away from higher-priced goods, we believe we maintained our premium share in the market. Even though we anticipate some of these headwinds will persist this year, we have a number of actions in place to drive demand, including a range of new products.

Now taking a look at some of our financial highlights. In the fourth quarter of 2023, we continued to showcase our gross margin strength, hitting a record 60%, and delivered adjusted operating margin growth, emphasizing the quality of our revenue. As has become a standard of the YETI story, our balance sheet remains a source of strength with excellent inventory management and all-time high cash of nearly $440 million. Sales growth of 6% was paced by continued expansion of our Drinkware against the previously mentioned cooler challenges, landing the quarter below our double-digit growth target. We saw this dynamic in coolers in both our DTC and wholesale channels.

As we shift to 2024, I remain incredibly enthusiastic about the opportunity to drive our business and our growing global brand. Let me start with how we plan to put our balance sheet to work. In addition to priority investments in the business, we were pleased to announce the acquisition of two new product portfolios in cookware and bags. In cookware, by leveraging acquired designs and processes, we are developing a new line of YETI cast iron cookware and accessories that we'll launch later this summer, allowing us to access the $10 billion plus premium cookware market.

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Also, at the beginning of February, we completed our acquisition of Mystery Ranch, a Bozeman, Montana-based designer and manufacturer of highly durable backpacks and bags. The team in Bozeman shares the YETI commitment to superior design, driving innovation and supporting our communities with the best gear you can make. This range of mission-based outdoor and everyday designs will perfectly complement YETI's premium line of waterproof and everyday bags. I look forward to the coming seasons as we introduce this incredible range of bags and packs to our global audiences, further opening our opportunity in the $9 billion plus premium bags category.

We also made significant talent additions in the business over the past few months to support these moves. Layne Rigney joined us to run Softgoods, including our Mystery Ranch acquisition. Layne was most recently CEO of Osprey Packs, and prior to that, President of CamelBak. In addition, we have added additional resources to support M&A, including a corporate development leader to help us identify and execute on inorganic opportunities that support our product expansion. All these inorganic moves complement our incredible in-house product development team and build upon the potential for the future.

Additionally, today, we announced that our board of directors has authorized the repurchase of up to $300 million of YETI's common stock. We plan to be opportunistic with repurchases to offset dilution as we see buybacks that fit within our capital allocation priority. The primary focus of our capital allocation strategy remains on investment in the business, product expansionary M&A, and finally, opportunistic share repurchases. The deployment of capital in support of M&A, coupled with the share repurchase authorization, shows not only the power of our cash generation, but also the ability to put it to work to support long-term sustainable growth and deliver multiple levers of value for shareholders.

In conjunction with these capital allocation updates, we remain laser focused on making the right decisions to drive our long-standing strategic growth priorities. As I provide updates across our four focus areas, the overarching themes are brand reach, product diversification, channel build and globalization, areas where we made incredible strides in 2023.

Starting with brand and expanding our global customer base, we continue to leverage a breadth and depth strategy by broadening reach while remaining deeply connected and relevant to our consumers. Across our 15 targeted active communities of enthusiasts, we're seeing the payoff of connecting ambassadors, partners and brand and product storytelling to consumers on both a global and localized scale.

With the ongoing push on new product innovation, our priority and opportunity this year will be highlighting the range of our assortment to larger audiences. We will focus broad-based marketing efforts on driving awareness, consideration and purchase of our product lines as well as top of funnel brand efforts.

When we look at 2024 and beyond, we see incredible opportunity to build upon existing and new brand partnerships and collaborations. Some of our global reach partners have already started their 2024 activities during the first quarter, including the World Surf League and Natural Selection Tour, and our partners at Austin FC are getting ready to kick off their 2024 season. With these and many other partners, we are continuing to build out the diversity of our domestic and international reach.

In addition to our marketing and brand efforts, we plan to continue to leverage our data insights and analytics work to amplify our diversified assortment of products, which will allow us to segment use cases. And with a coffee, cocktails, health and wellness or travel, we build addressable audiences and deliver dedicated brand and product programming. These efforts drive awareness, consideration and conversion wrapped in a brand and

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product story of why YETI. As we connect in real ways with consumers through brand and product, we also open the brand for future product innovation and category expansion.

Turning to innovation, we were incredibly proud of the expansion of new product during the year, driving new use cases, extended color options and delivering acquisition and retention on a global scale. This was most apparent with the increasing diversification of our Drinkware portfolio in the second half of the year. In Drinkware, [ph] we had a (00:09:19) three smaller volume Ramblers designed for coffee and other beverage uses, a larger 42-ounce straw handled mug to sit alongside our other straw-led offerings. And a YETI cocktail shaker and an insulated wine chiller to complement our beverage bucket and ice scoop. Overall, the success of these introductions helped support strong consumer demand and sell-through across our channels.

On the coolers and equipment side, our cargo line is delivering above expectations as we maintain our bullishness on the potential of the cargo and storage space. In addition, we saw good growth in backpacks, duffels and tote bags, which gives us strong momentum to continue the bags expansion. Within coolers, we had high expectations for the holiday season, given the strong year-to-date Q3 consumer sell-through trends of hard coolers, coupled with the return of key soft coolers.

While we returned to growth in soft coolers, overall demand for hard and soft coolers fell short of expectations. Even as interest in the overall YETI brand remained high across our track data and consumer analytics, we saw softness at higher price points and larger baskets, particularly those above $300. We believe that part of this reflects our position of having a little direct promotional activity against a more promotionally-driven market backdrop and supporting our gross margin strength in the period.

We also underappreciated the combined impacts of 2022's new innovation, seasonal color strength and a limited end of life promotion in the year ago fourth quarter period. Despite the near-term dynamics that impacted coolers in Q4, we remain very confident in these categories as we look to extend our category leadership by driving awareness and releasing new innovation.

As we consider what we learned in 2023, several key themes will be evident in our product approach this year. First, we will continue to focus on the Cooler & Equipment (sic) [Coolers & Equipment] (00:11:15) category and driving our assortment and price points. We expect to fire up our marketing engine to drive deeper awareness of the return and expansion of our Soft Cooler M Series with extended colorways.

At the same time, we will introduce our next wheeled cooler, which will round up a portfolio with a new price point and size in this family. As has been our practice, we plan moves in the stack to create new pricing windows for innovation. To that end, in Q1, we will announce targeted changes in some existing Roadie and Tundra products to create new pricing tiers for near-term 2024 product launches.

Next, we will continue to develop and drive broader food and beverage within Drinkware, including additional awareness of the 2023 expansion and upcoming 2024 innovation. In the near term, we are repositioning some of our stackable cups, refreshing our straw bottle assortment and broadly distributing a straw lid for the first time with our Yonder water bottles. In addition, we expect in 2024 to continue to expand Drinkware, tabletop and barware.

Finally, we will continue to lean into strategic color deployment across our portfolio through our inspired by seasonal color strategy and integrated storytelling, in addition to incorporating a range of limited colors throughout the year. The first wave of colors kicks off next week with our already leaked and highly anticipated return of King Crab Orange and the debut of Agave Teal.

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Importantly, our product strategy will stay true to who we are and focus on long-term sustainable growth. We have developed a nimble commercialization engine, but remain uncompromising in our focus of our core tenets of durability, performance and design. We believe this is the right approach to building an enduring brand and meeting true customer needs.

Within our channel strategy, our business continued a balance shift to DTC in 2023. This is a result of our investments and efforts in digital marketing, technology, analytics capabilities, somewhat impacted by the US wholesale destocking efforts and tight inventory management we saw throughout the year. These interim dynamics are why having powerful, diverse and substantial channels to market, including both wholesale and DTC, have been a priority.

Within our DTC channels, we saw a number of encouraging customer trends highlighted by both new and returning growth in each quarter in 2023. Within yeti.com, we drove new customer acquisition across both females and males with a positive trend in purchase frequency. Returning customer growth was even more impressive, delivering strong metrics across gender and age. While average order values were pressured, in part, due to product mix, we believe these overall customer measures continued to demonstrate strength. Moreover, it provides a strong foundation to drive engagement in 2024 as we amplify and action our analytics insights.

Amazon remained strong in the fourth quarter, and even though we did not participate in October Prime Day, we did see a good engagement during the holiday gifting periods. The channel continues to prove effective in reaching both new and existing customers on the platform.

The performance of our corporate sales channel was more inconsistent in both the quarter and full year 2023 following years of blockbuster growth. We see significant untapped potential in both the domestic and global markets. To that end, we are focused on expanding customization capabilities, strategic partnerships and our inbound and outbound sales efforts.

Our YETI stores increased from 13 to 18 locations during the year. We were pleased with our stores' overall execution, and in particular, the growth during the holiday period. We continue to see YETI stores as powerful tools to drive awareness, consideration, purchase and broader customer acquisition.

Beyond the four-wall value creation, our data would indicate a broader sales impact across the rest of our channels as new stores come online. We are currently expecting to add four to five locations in 2024, including our first store in New York City and our first international store in Calgary, plan to be just in time for the Calgary Stampede, which last year drew 1.4 million visitors over a 10-day period, an incredible event we have actively participated in for over eight years.

Shifting the wholesale, YETI return to growth in the fourth quarter. While inventory in the channel is in good shape and running below where we entered 2023, we've seen little overall change to the cautious ordering trends in the channel. We will continue to lean into areas of strength across our partners and leverage new products. In addition, we will thoughtfully expand our reach, including growth with our leading wholesale partners, previously communicated potential expansion with Tractor Supply and new opportunities that leverage our diversified product assortment.

Our international business had a great 2023, growing 28% for the year and increasing its mix of our total business to just under 16%. Moreover, we finished the year with almost 40% growth in the quarter, marking our highest growth rate of the year and underscoring the momentum of the business. Thematically, our international business is focused on three initiatives this year: growing brand awareness, building our successful omni-channel and

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supporting the significant opportunity in the customization business. In addition, we continue to work on cultivating new markets as we further develop the existing ones.

As we look specifically at each region, nowhere is our momentum more evident than in Europe and we expect outsized growth to continue in 2024. We're accelerating marketing activities this year, including event activation and development of our ambassador roster. We will continue to invest in our team to support a range of activities, including our brand marketing and our growing wholesale base, which now covers nearly 1,000 doors in the region.

Momentum in Australia sustained through 2023 and I had the opportunity to experience it first-hand this past January. Seeing the work our team has accomplished throughout Australia with our local partners and dealers was incredible. The way the Australian consumer has adopted YETI as their own has amplified my conviction about the global opportunity for us. Our focus now is on building an even more robust wholesale network in Australia, plus customization for both corporate sales and e-commerce opportunities with extensive room to scale this business.

Canada remains our largest international market. Similar to our other regions, customization and corporate sales are a focus and we expect to more fully develop these capabilities. We will also thoughtfully add to our wholesale doors as we are actively looking at several new accounts.

Before I turn the call over to Mike, I would first like to thank our team and all our partners for their outstanding focus, execution and dedication to YETI. This collective effort is essential to our success and puts the brand in a great position to grow, drive gross margin expansion and invest while continuing to deliver increased profitability. With capital light model, clean balance sheet and strong cash flow, we believe we have ample opportunities to put capital to work in support of value creation and our growth agenda. Most importantly, we remain confident in the long-term sustainable growth potential for the YETI brand.

With that, I'll now turn the call over to Mike.

Michael McMullen

Senior Vice President, Chief Financial Officer & Treasurer, YETI Holdings, Inc.

Thanks, Matt, and good morning, everyone. I'll start today with a quick update on the impact of our voluntary product recall on our GAAP results, followed by a more detailed look at our non-GAAP measures for the fourth quarter and fiscal year. I'll then provide our outlook for fiscal 2024 and some additional details on our capital allocation actions outlined today.

Our GAAP results reported in today's press release includes favorable recall reserve adjustments of $4.9 million associated with the product recall that commenced last March. Specifically, sales benefited by $2.8 million, primarily due to lower than anticipated redemption rates, cost of goods benefited by $1.3 million due to lower costs related to recall logistics and product replacement remedy elections, and SG&A benefited by $0.8 million due to lower other recall related costs. These benefits have been excluded from our adjusted non-GAAP metrics.

As we review our performance for the fourth quarter and fiscal year 2023, I would like to remind everyone that all of the financials discussed on today's call are adjusted non-GAAP metrics.

Now turning to our results for the quarter. Fourth quarter sales increased 6% to $517 million. We were pleased with a number of aspects of our business during the period. The Drinkware category grew 12% as our recent new product introductions helped drive a broad-based growth story across both wholesale and DTC. Our DTC

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customer base continued to grow with gains in both new and returning customers, and our international business continued to show momentum, posting growth of almost 40% versus the prior period.

These are all great indicators of our continued brand strength, the successful broadening of our product assortment and the significant opportunity that we have in front of us. However, our top line results were below our expectations in Q4, largely due to the performance of coolers that Matt laid out and then I will discuss a bit later.

For the full year, sales increased 3% to $1.68 billion. By category, Drinkware sales increased 12% to $346 million, which was above our expectations. We had a fantastic lineup of new product launches during the fourth quarter, which not only broadened our portfolio but also strengthened our ability to take advantage of the trends in the market that we have seen throughout the year. Straw mugs continue to be one of our best performing product families as we added a broader range of color options this year and then introduced our larger-sized 42-ounce version in November.

Our bottles business continues to grow as we offered expanded color and lid options across many of our classic Rambler sizes as well as Yonder water bottles. The new smaller-sized Ramblers were well received in all of our markets around the globe due to both their stackable format as well as the new use cases that they offer both new and existing customers.

Finally, we remain very pleased with the success of our growing range of tabletop offerings, including the previously released beverage bucket and the Q4 introductions of the cocktail shaker and wine chiller. Overall, Drinkware sales for the year increased 8%, crossing the $1 billion mark for the first time.

Coolers & Equipment sales decreased 4% to $162 million. This was below our expectations, driven by lower demand for both hard and soft coolers, as we saw signs of more cautious spending from consumers on higher ticket items. Demand for hard coolers have been strong for much of the year, but slowed during the holiday period. In addition, our hard cooler growth was impacted by a challenging compare, given last Q4, we ran a successful end-of-life promotion and launched two new sizes within our Roadie family.

Soft coolers, the full channel relaunch of the M Series line, drove year-over-year category growth in Q4, but sales from these newly released products were below our expectations. We believe there were two factors that contributed to this. One, after being out of the market for most of the year, we believe the awareness for these new products is still building. And two, in an effort to maximize initial production, we elected to limit the assortment of color options within these products. We expect to have our full color portfolio available to us this year and are excited about the growth opportunity in soft coolers in 2024. Despite these near-term dynamics that impacted coolers in Q4, we remain very confident in these categories as we look to extend our category leadership by driving awareness and releasing new innovation.

Outside of coolers, our cargo line had a fantastic year. Our GoBox family was introduced early last year and consistently outperformed each quarter, benefiting from growing category awareness and expanded wholesale merchandising.

Our bags business also had a strong quarter as we focus on driving ongoing category consideration for our Crossroads, Camino and Panga product families. For the full year, sales in the broader Coolers & Equipment category decreased 5% to $619 million.

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From a channel perspective, direct-to-consumer sales grew 9% to $344 million, representing 67% of total sales, driven by strength in Drinkware. We saw a relatively balanced performance within Amazon and e-commerce during the period, supported by growth of both new and returning customers across both digital channels.

This combined performance was somewhat offset by a continuation of several trends that we mentioned last quarter. First, we saw inconsistent corporate sales ordering, which led to a slight decline in sales from this channel versus the prior year period. And second, we continue to see lower average order values within e-commerce, which again had an impact on both our top line and our costs.

For the full year, DTC sales increased 9% to $1.01 billion, representing 60% of overall sales mix compared to 57% last year. The approximate mix within DTC for the year consisted of 52% from our global websites and YETI stores, 25% from the Amazon marketplace, and 23% from corporate sales.

Wholesale sales increased 1% to $173 million, with Drinkware growth offsetting a decline in Coolers & Equipment. Overall, sell-through in the channel was positive and we were very pleased with the performance of Drinkware on a sell-through basis. Consistent with what we are seeing in our DTC channels, our consumers that shop at one of our great retail partners are responding to new products, new colors and the breadth of our product offering.

For the full year, wholesale channel sales decreased 5% to $675 million, reflecting both a cautious ordering environment and the absence of our M Series products for much of the year. Outside the US, sales grew 39% to $86 million, representing nearly 17% of total sales, with double-digit gains across all three regions, Europe, Australia and Canada. For the year, international sales grew 28% to just under 16% of sales compared to 12% last year.

We remain incredibly encouraged by what we are seeing in these markets. We have made and will continue to make investments to raise brand awareness and support future growth, as we believe this is a significant growth driver for YETI going forward.

As a final point on sales, this quarter did include $6.5 million of gift card redemptions related to remedies offered to customers impacted by the product recall. Gross profit increased 18% to $311 million or 60.2% of sales compared to 54.3% in the same period last year. Positive drivers of this 590 basis point increase include 380 basis points from lower inbound freight, 160 basis points from lower product costs and 50 basis points from favorable channel mix. Full year gross profit increased 11% to $956 million, expanding 420 basis points to 56.9% of sales.

SG&A expenses for the quarter increased 19% to $209 million or 40.3% of sales compared to 36% in the same period last year. The drivers of this increase were consistent with prior quarters. Non-variable expenses increased 240 basis points as a percent of sales, driven by higher demand creation, a rebuild of incentive compensation costs for our employees, and sustained investments in head count to support our future growth.

Variable expenses increased 200 basis points as a percent of sales, primarily driven by the higher mix of our DTC channel. This includes higher Amazon marketplace fees and higher outbound freight expenses. In addition, like last quarter, variable expenses were impacted by lower AOVs within our e-commerce channels.

Full year SG&A expenses increased 18% to $694 million, increasing 540 basis points to 41.3% of sales with year-over-year growth slightly above our original mid-teens outlook, given the mix and ordering dynamics in our DTC channels that I just mentioned.

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Operating income increased 15% to $103 million or 19.8% of sales, an increase of 150 basis points over the 18.3% that we reported in the prior year period. We were pleased by our return to operating margin expansion in Q4, following some of the recent macro and recall related volatility of the past two years. For the full year, operating income decreased 4% to $263 million, contracting 120 basis points year-over-year to 15.6% of sales.

Net income increased 16% to $79 million, or $0.90 per diluted share compared to $0.78 in the prior year period. Full year net income declined 4% to $197 million or $2.25 per diluted share.

Turning to our balance sheet. We ended the year with $439 million in cash compared to $235 million in the year ago period. Working capital efficiency supported this growth, driving more than a fourfold increase in free cash flow year-over-year to $235 million. This included a 9% reduction in inventory year-over-year to $337 million.

Total debt excluding unamortized deferred financing fees and finance leases, was $82 million compared to $90 million at the end of last year's fourth quarter. During the quarter, we made a principal payment of $1 million on our term loan.

Regarding our acquisitions of Mystery Ranch and Butter Pat Industries, both transactions were completed in Q1 of this year, utilizing cash on hand for a combined consideration of $48.5 million. As Matt mentioned, these acquisitions provide unique opportunities to accelerate product innovation in bags and cookware, two categories with significant addressable market sizes and that are a natural fit for the YETI brand.

Now turning to our fiscal 2024 outlook. We expect full year sales to increase between 7% and 9% compared to fiscal 2023's adjusted net sales. There are a number of dynamics in our planned 2024 top line growth rate. First, we are taking a prudently conservative approach to planning our top line in a year where we expect ongoing spending pressures and macro uncertainty.

Second, as a reminder, we do have the gift card redemptions in our fiscal 2023 results. We do not expect to see the same level of redemptions in fiscal 2024. As has been our practice, our outlook does not include an assumption for future gift card redemptions. Third, our sales outlook does assume approximately 200 basis points of growth from our recent acquisitions. However, as we integrate the products into YETI, we do expect some interplay between the Mystery Ranch product line and the existing YETI bags product line.

From a channel perspective, we expect balanced channel growth between wholesale and DTC. Over the last few years, you all have seen our DTC businesses grow much faster than our wholesale business. There are a few dynamics that are causing the channels to grow more in line with each other in fiscal 2024.

First, sales of Mystery Ranch products will have a higher mix of wholesale sales in year one. Mystery Ranch currently goes to market through four primary channels: direct, traditional outdoor retail, specialty and international two-step distribution. Second, we will continue the measured rollout of Tractor Supply. We are very pleased with the partnership so far and any 2024 sell-in will be well supported by sell-through trends.

From a category perspective, we expect Coolers & Equipment growth to outpace Drinkware growth due to two factors. First, having our full portfolio of soft coolers in 2024; and second, due to the incremental sales of Mystery Ranch products.

From a geographic perspective, we expect international growth of between 20% and 25% and domestic growth in the mid-single digit range. In terms of phasing across the year, we expect a stronger growth rate in the first

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quarter, with more balanced growth for the duration of the year. This relative strength in Q1 largely reflects better wholesale sell-in opportunities as our inventory in the channel is in a much healthier position coming out of this holiday season versus the prior year.

We expect gross margins of approximately 57.5% for the year, up from 56.9% in fiscal 2023, which was also above our most recent expectation of 56.5%. The ongoing recovery of inbound freight costs remains the largest driver of margin expansion this year, though we have factored in some offsets stemming from the ongoing conflicts in the Red Sea. Additional product cost opportunities are expected to be partially offset by the pricing actions in hard coolers that Matt mentioned, while channel mix is expected to be roughly neutral. From a timing perspective, we expect much stronger year-over-year margin expansion in the first half of the year.

In SG&A, we expect year-over-year growth to be in the range of sales growth, inclusive of the annualization of last year's investments as well as continued investments in fiscal 2024. Our investments are focused on several key areas to support future growth, including global expansion, continued growth within our DTC business and building out the infrastructure needed to support future M&A opportunities. We expect SG&A growth will start the year up double digits with growth moderating in the second half. Together, we expect adjusted operating margin of approximately 16% for the year compared to 15.6% in fiscal 2023.

Below the operating line, we expect an effective tax rate of approximately 25.3% for fiscal 2024, slightly above the 24.8% rate last year. Based on full year diluted shares outstanding of approximately $87.4 million, we expect adjusted earnings per diluted share to increase 9% to 11% to between $2.45 and $2.50 compared to $2.25 in fiscal 2023.

As Matt noted, our board recently authorized a $300 million share repurchase program. Our outlook assumes a level of share buyback to offset planned share count dilution for the year. We will be opportunistic with the remaining authorization as we look to return value to shareholders over time.

We expect capital expenditures of approximately $60 million, which is in the range of prior years and reflects continued investments across global technology, product expansion, customization capabilities and retail store openings. We expect free cash flow of between $100 million and $150 million for the year.

Overall, while we have embedded some caution into our 2024 outlook, we are excited to enter the year with expected growth across all channels, all categories and all geographies. We have opportunities to drive deeper connections with more customers, leverage our expanding product portfolio, including our integration of the two acquisitions, and further develop and scale several aspects of our international businesses.

We expect to thoughtfully balance our gross margins and investments to drive operating margin leverage, and we will look at additional opportunities to deploy capital that support our growth initiatives and return value to shareholders.

Now, I would like to turn the call back over to the operator to take your questions.

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QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] The first question today comes from Brooke Roach with Goldman Sachs. Please go ahead.

Brooke Roach
Analyst, Goldman Sachs & Co. LLC

Q

Good morning and thank you so much for taking our question. Matt, Mike, I was hoping you could contextualize how you're thinking about the medium to long-term growth outlook for the YETI brand as some of these core categories like hard coolers and Drinkware become a little bit more mature. And then, as you bridge that midterm outlook to FY 2024, can you elaborate on how you're thinking about the drivers of your outlook for organic growth in both coolers and Drinkware as you think through pricing actions in coolers, the macro and discretionary trends that you might be seeing and competitor category dynamics? Thank you so much.

Matthew J. Reintjes
President, Chief Executive Officer & Director, YETI Holdings, Inc.

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Thanks, Brooke. Good morning. As we think about and we stack up our growth levers over the medium and long term, we remain incredibly bullish on the YETI brand and the TAM that that brand has and the thing that we built for the last 15-plus years in building out YETI's relevance, its audience, the global nature of it. And so we break it down in the medium and long term over – across a number of things. We think about products and product expansion, both the products we have in the portfolio today, the ones that are on our road map. I think the success we saw last year, particularly in Drinkware, and seeing that expansion as we continue to redefine that category and what's possible in this broader food and beverage space. We think about customer growth, both our domestic and global customer growth and acquisition, and then the globalization of the business and the success we've had in these relatively early markets around the world, in the markets that we aren't currently in.

And then when you add in our philosophy and our approach to M&A as an innovation extension, we announced the Mystery Ranch acquisition and the Butter Pat acquisition really as expansionary in the product portfolio. So, think about them as things that come in and they hit our product road map and help us continue to grow underneath this YETI brand. We continue to support the brand. We continue to believe that all those levers stack up to supporting double-digit growth potential underneath the YETI brand, and that TAM is large.

The other thing I would add is that we're building the business to support that and evolving our business model as we build this incredibly strong commercialization engine that's diverse in its reach, and then investing in the future. And I think that's how we look at it in the near term, but really, that's how we build out our medium and long-term growth algorithm.

Michael McMullen
Senior Vice President, Chief Financial Officer & Treasurer, YETI Holdings, Inc.

A

And then, Brooke, as it relates to 2024, specifically, obviously, the guide was 7% to 9% growth for the year. And I think there's a couple of important points that I'd call out. Number one, like we said, we felt it was appropriate to factor in some level of caution for the year, given it's our first outlook and as we look at the current environment. Second, there's both – there's – we said there's 200 basis points from M&A, but I think it's important to note that there could be some interplay between the Mystery Ranch bags business and our bags business.

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But as we look at the other pillars that could drive growth, I mean, international we expect to be a driver of growth next year. At a category level, we'll expect C&E to grow slightly faster than Drinkware, really – and I think there's one of the big factors there is getting the soft coolers back out, which we're really excited about.

And then, from a channel perspective, we've got growth across both wholesale and DTC. So, I think the really important part for us and what we really want to call out is that it's a broad-based growth story across our entire business, channels, categories, geographies, and we're focused on delivering the year.

Brooke Roach
Analyst, Goldman Sachs & Co. LLC

Q

Great. Thanks so much. I'll pass it on.

Operator: The next question comes from Peter Benedict with Baird. Please go ahead.

Peter Sloan Benedict
Analyst, Robert W. Baird & Co., Inc.

Q

Oh, hi, guys. Thanks for taking the question. First one, just on the new brand or the M&A that's happening. Is your plan to kind of run out those products under your legacy brands? Are you going to put them to YETI? Are you going to have the legacy brand by YETI? Just what's the approach there? And Matt, maybe how you're thinking about that kind of longer term?

And as you mentioned kind of some building blocks that would support double-digit growth longer term for the YETI brand, is that to say that you think that that 10% to 15% top line algo is still the right way to think about the business longer term and that that's inclusive of M&A and wholesale distribution gains, et cetera, both domestically and internationally? That's my first question.

Matthew J. Reintjes
President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Hey, Peter. Good morning. Well, I would say when we think about M&A and we talk about it as product expansionary, a part of the thesis is the ability to leverage the halo of the YETI brand, the commercial go-to-market platforms that we've built and the global expansion we have. I think in the near term, I would expect us to operate these acquisitions, in particular, Mystery Ranch and YETI in 2024, largely as they are while we work on the integration. But as we think about forward road mapping, I think the expectation is that the technology, the design, the talent and team that we'll put behind really will be to build out a larger YETI portfolio and take advantage of this front-end commercialization engine we have.

I think with each acquisition, there are also nuances and specifics. There are areas where the Mystery Ranch brand has incredible relevance and credibility. And we'll continue to stoke and foster that because I think that's important for both storytelling, innovation, how we build out the overall portfolio. But really, when we think about M&A, it's not the beginning of building a house of brand strategy. It's really how we build underneath what we believe is the potential in the TAM for YETI.

I think when we think about the growth algorithm, I'll go back to what I said in response to Brooke's question. The building blocks, we believe, are there. That's how we're investing behind the business. That's how we're building the team. That's the focus from a product engine and from a commercialization and globalization. We're not updating our long-term growth algorithm on this call or right now, but I wanted to convey those are the building blocks as we think about this business getting to double-digit and back to double-digit growth.

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Peter Sloan Benedict
Analyst, Robert W. Baird & Co., Inc.

Q

Got it. Understood. Thanks. And then my second question is around kind of sourcing and the inbound freight. You've mentioned some inbound freight considerations, given what's gone on in the Red Sea. Can you talk a little bit about how you've worked your contract versus spot mix? I know, historically, you've done a lot of spot. That's still the case.

And then just remind us your sourcing mix, where are your products are coming from? Tariffs have become a discussion topic in the market. I recall last time, some of your soft products were coming from China and they were tariffed. We know your Drinkware is there. But maybe give us an update on where you're sourcing? And specific to that, what's coming out of China today? Thank you.

Michael McMullen
Senior Vice President, Chief Financial Officer & Treasurer, YETI Holdings, Inc.

A

Hey, Peter, it's Mike. I'll take the first question, and thanks for the question. So, I'd say on the Red Sea, it's something we're watching very closely. We do think inbound freight container cost savings are going to be the primary driver of our margin story this year, just like in 2023. We did factor in some offsets due to the situation in the Red Sea.

From a contracting, I would say a large piece of our rates are contracted, but there can be certain surcharges that get caught – that get charged when something like this happens. So that's why you can see some higher rates get charged.

But I think the caution that we talked about in our outlook, it applies both top line and margins, we feel really good about delivering the gross margin that we put out today, given all the factors involved, the freight – lower freight costs, product cost savings, situation that we talked about in the Red Sea as well as the hard cooler pricing changes that Matt talked about.

Matthew J. Reintjes
President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

I think the thing I would add, Peter, is the majority of any disruption we see on the Red Sea direct disruption is primarily in support of our European business. The majority of our freight lanes that come to the US don't – we don't expect to see that direct disruption that you read about in the news.

I think when it comes to tariff, at the risk of over speculating on what could be, the thing I would point to is the way we handled it back in 2018 when the China tariffs hit. We had significant change in our supply base since 2018 and kind of well-documented evolution of our soft goods business, primarily out of China in response to that. And I think as our sourcing level has evolved, we've moved things to North America, we've moved things throughout Southeast Asia. We still have a primary source base of Drinkware in China. But as we've indicated, we've been working since – actually before 2018 on alternative locations to augment our Drinkware. And we're successfully sourcing product today outside of China for Drinkware, but China is still the primary base for our Drinkware business.

I think the thing I would take away from it is two things. One, regardless of what may come, we continue to evolve and diversify our supply base. That's part of the mission of our supply chain operations team. The second thing is, when these things happen, we have a playbook and we successfully ran it back in 2018. We would anticipate doing the same thing if they were to come.

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Operator: The next question comes from Peter Keith with Piper Sandler. Please go ahead.

Peter Jacob Keith
Analyst, Piper Sandler & Co.

Q

Thanks. Good morning, everyone. Just looking at wholesale, you've talked all year about sell-through outpacing sell-in. I guess, how is the gap between those two trending? Is that widening or narrowing? And even on that, that sell-through trend, has that softened with the cooler weakness or has that started to pick up as 2023 progressed?

Michael McMullen
Senior Vice President, Chief Financial Officer & Treasurer, YETI Holdings, Inc.

A

Hey, Peter. Thanks for the question. So, I'd say, like we said in our prepared remarks, sell-through growth, which is really just in the US, was positive and it was really strong in Drinkware. Some of the dynamics we talked about with coolers applied on a sell-through basis as well.

The gap – and you're right, we talked about this all year long [ph] whether there's (00:48:48) been a gap between sell-through and sell-in. A lot of that was driven by coming out of last holiday season, and we talked about this being a little – the channel being a little higher on inventory and are seeing some caution from some of our retail partners, the gap significantly narrowed in Q4. And we would expect that to sort of continue as we go into 2024, given we feel really good – we feel really good about our inventory position coming out of this holiday season and we'd expect to stay more in balance as we go through this year.

Peter Jacob Keith
Analyst, Piper Sandler & Co.

Q

Okay. Helpful. And then maybe just sticking on the cooler weakness, understanding it's a bigger ticket category. I guess, is there an element there with coolers, and specifically hard coolers, where there's maybe a little bit of lack of newness from the last 12 months that maybe pressured that category more so than others in the portfolio?

Matthew J. Reintjes
President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Thanks, Peter. Good morning. I would say we launched some really exciting products late last year in our wheeled coolers in two larger sizes, a little higher price point in the overall stack of our coolers kind of on the higher end of what we consider our consumer pricing. We feel great about those products. They've really sort of settled into the market in 2023. They were part of the growth story for the first nine months, but really the portfolio performed in the first nine months. So Q4 was the outlier for us.

I think as you heard on the call, we got some things coming this year that we're really excited about, both in what they address from a consumer need perspective, the price points they hit, while still maintaining, as we would, the YETI premium and being something that is both highly functional and durable and delivered all the performance we want. So I think you'll see that in wheeled cooler solution that we talked it around – talked it about on the call and I think you're going to see it in some other coolers later as we go into the year.

So we feel great about the rounding out of the lineup on hard coolers. I think soft coolers really being back in full force with a full assortment and a full – kind of addressing of the color range, I think, is a great thing, and then getting back and telling the consumers they're back and ready to go. I mean, that has been a – that was a highlight product for us as we wrapped 2022. And obviously 2023, we had the voluntary recall, but we're ready to

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get back at it with the soft coolers and I think you'll see us a little louder out there about the soft coolers and really getting after the hard cooler new product launches this year.

Operator: The next question comes from Robby Ohmes with Bank of America. Please go ahead.

Robert F. Ohmes
Analyst, BofA Securities, Inc.

Q

Oh, hey, Matt. So I wanted to follow up on the M&A strategy since I think this is the first chance we've had to really hear you talk about it. So, a couple things. Can you – are you – when you're making these acquisitions and maybe future acquisitions, is there significant IP in Mystery Ranch or Butter Pat that's applicable to the YETI line? Is there like an IP story behind some of these acquisitions? And is that what you're looking at a lot in future acquisitions?

And you guys have mentioned the play between Mystery Ranch and YETI [ph] as something stay (00:52:21), can you elaborate a little more on that? Like, we should expect YETI to be a little softer maybe in certain places because of the Mystery Ranch acquisition. I just want to get more clarification on that. And then I have a follow-up.

Matthew J. Reintjes
President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Yeah. Thanks. I'll start. Thanks. Thanks, Robby. Yeah. I would say whenever we – and we talked a little bit about this, but whenever we look at M&A through the lens of products, which is really what we're doing here, we're looking for talent acquisition in what I would call technology or designs, in kind of technology and designs in conjunction for what they bring that we think is a differentiated point of view that's leverageable and that's scalable. So, when I think about the Mystery Ranch acquisition and when you think about the YETI product portfolio today in bags, we have high-end waterproof, fully submersible packs that have been a wonderful part of the YETI story. We've expanded into kind of higher end everyday packs.

Mystery Ranch really brings two things that I think are important. One, in packs, one is carry and the other one is access, how you use the product. And there are some things around the Mystery Ranch designs that are protectable and have been protected, that we really like around the carry and around the access and design that we think has the potential to be really ownable, scalable, identifiable as you think about building out the packs brand.

So it is something that as we look at acquisitions, technology, design, talent are really the three big things because we are thinking about this like additions to our product development engine.

As it relates to the interplay between YETI legacy bags and the Mystery Ranch packs, I think what Mike was expressing is we just don't know exactly how they'll interplay. And kind of when you do this, you create awareness around the category. And so, as we bring those – that assortment together, there's going to be some moving parts in there. There's going to be some skew rationalization. There's going to be some price point rationalization. There's going to be kind of building up that assortment.

So I think we just went into the year with a little bit of being thoughtful about how we plan for it in year one. And then in year two, we expect to kind of build out a more robust portfolio.

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Robert F. Ohmes
Analyst, BofA Securities, Inc.

Q

Got you. That's really helpful. And then, Mike, I just want to clarify, on the 2024 guidance, just a couple quick things. Do you expect Amazon to be a growth driver? Should it be balanced growth support from Amazon and YETI online in 2024, similar to 2023, or would you be leaning on one channel more than another?

And then the other clarification I want to get, just the – on the non-wheeled coolers and pricing and things like that, is there a need for inventory clearance in some of the legacy non-wheeled large ticket coolers and we might see you guys showing up with those? I know a long time ago, you guys had shown up in the off-price channel with some soft cooler bags with a zipper that wasn't that great, but any anything like that we should anticipate for 2024.

Michael McMullen
Senior Vice President, Chief Financial Officer & Treasurer, YETI Holdings, Inc.

A

Hey, Robby, so thanks for the questions. First on the DTC sub-channels, we expect relatively balanced growth across our own e-commerce, Amazon, corporate sales, the three major ones you. Amazon obviously had a really, really strong year in 2023 and that was a big part of the SG&A story in 2023. As we go into 2024, we expect those to be more balanced.

As we think about your second question around inventory, I mean, just to be clear, what we talked about was, as we're introducing new products, you've seen us do this before, we'll change our pricing stack to just make sure that the entire portfolio makes sense as we look at price versus value. And so that's really what's happening here.

There are – just to directly answer the question, there's really no inventory clearance risk as we look out through the year. You've seen us, from time to time, [ph] say things (00:57:08) end of life as we introduce new innovation. But there – as we look out for the year, there's – I wouldn't call out any significant risk for – significant end of life risk that's any different than what we've done in the past.

Operator: The next question comes from Jim Duffy with Stifel. Please go ahead.

James Duffy
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thank you. I wanted to ask about the hard cooler category. The question is, what gives you the confidence that the pressures are related to the macro versus simply maturity of the category and perhaps saturation of the addressable market after a number of strong years of sales?

Matthew J. Reintjes
President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Hey, Jim, this is Matt. Thanks for the question. I think that's a question that we've been answering for years on how many more hard coolers can you sell. And obviously, we've been selling hard coolers since 2006 and we've continued to drive growth in that. I think the thing that was most interesting, it's why we were trying to be very clear about that dynamic is we had nine months of very strong consumer demand in hard coolers and we saw a pretty acute change in the fourth quarter.

And when we go back through our continued improving in what I think are pretty powerful consumer analytics and data analytics capabilities now, really, we started to piece apart the dynamic that came to play in Q4. We look at the market opportunity, we look at consumers that own a YETI cooler vis-à-vis consumers that know the YETI

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brand or own YETI Drinkware, we look at the global opportunity that remains untapped in hard coolers, the price points that we still haven't filled in, the mobility solutions as we talked about with this wheeled cooler. And we believe that hard coolers has a continued and a significant place for YETI going forward.

So, I think that challenge, that consumer dynamic that we saw, I think the biggest thing for us was just how quickly that changed from nine months of a really strong performance.

James Duffy
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thank you, Matt. And then the packs category, seems like a lot of exciting opportunity there, including luggage. Layne's a great addition to the team. He knows the category well. Curious how you see leveraging Mystery Ranch. I think of them as being appreciated by hunters for carrying heavy loads. Do you see the opportunity in expanding that capability to the YETI line or is there opportunity leveraging Mystery Ranch into broader categories like those occupied by Osprey and others, or perhaps with larger addressable audiences?

Matthew J. Reintjes
President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Yeah. I would say – thanks, Jim, and it's a great question, a great, great insight. Mystery Ranch is known for their carry systems. And what I mentioned earlier, and I believe Robby's question was, carry and access are two hugely important things in driving differentiation in packs. And so we see with Layne's leadership and the talent team we now have in Bozeman with the talent – incredibly talented team we have in Austin, the ability to really become not only a big player and a relevant player in outdoor broadly, but also everyday carry. And I think that's where Mystery Ranch as a brand had made a little bit of move there, but their legacy history was really tied into those heavy hauling, heavy carry environments.

And so that's why we saw it incredibly complementary. And we think those technologies and those designs are leverageable and have more broad, more scalable application.

Operator: The next question comes from Noah Zatzkin with KeyBanc Capital Markets. Please go ahead.

Noah Zatzkin
Analyst, KeyBanc Capital Markets, Inc.

Q

Hi. Thanks for taking my question. With the comments around balanced channel growth this year, how should we think about the mix between DTC and wholesale looking longer term? Is the current mix kind of the right way to think about the business or would you expect to reaccelerate DTC relative to wholesale in 2025 and beyond? Thanks.

Matthew J. Reintjes
President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Hey, Noah. Thanks for the question. So, correct, so we expect the two channels to grow relatively in line with each other this year, but there's really two – there's really one thing I'd call out in that, in year one of Mystery Ranch, we expect a higher mix of wholesale versus direct. So that's one factor that is driving them to kind of grow more in line with each other.

But over the long term, we believe that DTC will grow faster than wholesale. And not only just with our investments in DTC across both e-commerce and corporate sales, strategic partnerships, stores, et cetera, but

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also as we look outside the US, we don't have that full complement of DTC channels in the other regions where we're operating, Europe, Canada, Australia.

So as we look to build out those other DTC channels within those new regions, we think that's going to help drive faster growth in DTC over the long term.

Noah Zatzkin
Analyst, KeyBanc Capital Markets, Inc.

Q

Thank you.

Operator: The next question comes from Megan Alexander with Morgan Stanley. Please go ahead.

Megan Alexander
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Thanks very much. I just wanted to maybe touch on the new price points in coolers. You've been pretty steadfast in wanting to maintain the premium positioning. So, I guess, how should we think about introducing some lower price points, your comments on marketing, and how you kind of balance that with the strategy to maintain a premium position?

Matthew J. Reintjes
President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Hi, Megan. Thanks for the question. What I would say is we do not plan to introduce a price point that is a new price point – entry price point for YETI being a place we've not been before. So this is not – I wouldn't expect to see a significant step down from any sort of pricing. This will make a lot of sense from bottom to top. And so it's a price point we've been at before.

Megan Alexander
Analyst, Morgan Stanley & Co. LLC

Q

Okay. That makes a lot of sense. And then maybe just a follow-up on maybe Mystery Ranch, in particular. Can you give us any more color on maybe the margin profile of that business and what growth has maybe looked like for that business over the last year or two?

Michael McMullen
Senior Vice President, Chief Financial Officer & Treasurer, YETI Holdings, Inc.

A

Hey, Megan. So we didn't disclose any specifics on the Mystery Ranch business other than to say what we believe the two acquisitions will provide this year from a total growth standpoint, and then we said that they were – are slightly EPS accretive. But beyond that, I'd say from a margin profile, it doesn't have a – obviously, we didn't call it out as a significant driver this year. And so, I would not expect a – we don't expect a significant impact from that in 2024. But I mean, like Matt said, we think there's significant opportunity to grow that business in the overall bags business, and both from a wholesale and a DTC standpoint, and then also both inside the US and international as well.

Matthew J. Reintjes
President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

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Yeah. I would just add one thing, Megan. There's nothing about those packs structurally that's fundamentally different than YETI packs. And I think as we evolve and grow and fit to channels to market, those are all part of our thesis on the opportunity that we see.

Operator: The next question comes from Brian McNamara with Canaccord Genuity. Please go ahead.

Brian C. McNamara
Analyst, Canaccord Genuity LLC

Q

Good morning, guys. Thanks for taking our question. I just have one. I was hoping you could comment on what you're seeing in terms of competitive dynamics in Drinkware, given a competitor's recent emergence. In your view, is that competitor good for the category as it appeals to perhaps a different demographic, or do you expect competitive pressures to increase from here? Thank you.

Matthew J. Reintjes
President, Chief Executive Officer & Director, YETI Holdings, Inc.

A

Thanks, Brian. I would say YETI has dealt with competitors coming into our broadly defined space since our very beginning and everything going back in history from private labels, knock-off, me-toos brands – brands entering. I think that the recent activity in Drinkware really fits in with a macro theme that we're seeing, which is an awareness around health and wellness hydration.

So, I think that sometimes competition brings awareness to a category and creates market opportunity. Obviously, we announced today that we have $1 billion Drinkware business that had strong growth in the fourth quarter. And I think we not only appeal to a broad and diverse and growing broad and diverse audience, but we also have a diverse assortment, and we're covering a wide range within Drinkware and these expansion areas underneath the Drinkware that we're getting into.

So I think I wouldn't say singular competition is bad. I think attention to the category is good. And I think our approach to it is long term and sustainable. And I think the YETI brand and the way we've built it has given us permission to touch a lot of different aspects and broader aspects within that category.

Brian C. McNamara
Analyst, Canaccord Genuity LLC

Q

Great. Thank you.

Operator: The next question comes from Zach Riddle with William Blair. Please go ahead.

Zach Riddle
Analyst, William Blair & Co. LLC

Q

Hi. So just two quick questions here. But could you give us an update on the Tractor Supply rollout as far as maybe how many stores or kind of the breadth of product that's available within the stores?

And then, secondarily, on the wholesale front, with the acquisition of Mystery Ranch and Butter Pat, could you just give us your thoughts on maybe the need for new wholesale door growth as you pursue bags and cookware growth a little bit more aggressively? Thanks.

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Michael McMullen

Senior Vice President, Chief Financial Officer & Treasurer, YETI Holdings, Inc.

A

Hey, Zach, and thanks for the question. So here it's what I'd say about Tractor Supply. First, we started it in the second half of this – of 2023, really pleased and excited about the opportunity. We've been saying since the beginning that this will be a gradual rollout. It's going to be phased both in terms of the number of doors as well as the assortment per door.

And so we don't give specifics dollars for individual customers, but what I'd say is, as we go out in 2024, any sell-in that we have is going to be backed up by sell-through. So, we'll have a – we'll feel really comfortable as we go through the year in terms of this is us capturing consumer demand. And as we've talked about many times, we want to make sure that we're expanding the opportunities to reach new customers and new places with new products. And this is just really just part of that overall strategy.

Matthew J. Reintjes

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

A

Yeah, Zach, and I would add on the – as our portfolio continues to evolve, and even our existing portfolio today, it creates opportunities for additional wholesale partners domestically and globally. Our approach to wholesale expansion has always been really thoughtful, and first and foremost, focused on driving the productivity of our existing partners, supporting our existing partners. We used to use a phrase of consolidate around strength because we thought that was a great way to support that important part of our omni-channel.

I think as the portfolio grows, I think there will be opportunity, probably less need than opportunity to go out and do that. And we've had a lot of success in the past working with our existing partners on expanding their assortment into categories that maybe they weren't naturally or historically in, which is a great win and something that we would primarily focus on as we look at additional opportunities.

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

Matthew J. Reintjes

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

Thank you, everyone, for joining today. We look forward to updating on our Q1 upcoming call, and have a wonderful rest of the week and weekend.

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

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