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YETI Holdings, Inc. (YETI)

Q4 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the YETI Holdings Fourth Quarter 2022 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions]

Tom Shaw

Vice President-Investor Relations, YETI Holdings, Inc.

Good morning and thanks for joining us to discuss YETI Holdings fourth quarter and full year 2022 results. 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 details 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.

Unless otherwise stated, our financial measures disclosed on 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 their most directly comparable GAAP measures are included in this morning's press release, as well as in the supplemental reconciliation, both of which are available in the Investor Relations section of our website at yeti.com.

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Today's call will be led by Matt Reintjes, President and CEO; and Mike McMullen, CFO. Following our prepared remarks, we'll open the call for your questions.

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

Matthew J. Reintjes

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

Thanks, Tom and good morning. YETI delivered another strong quarter and year, continuing to showcase our long-term growth and global brand potential. But before we get into our results, I would like to begin by discussing the proposed voluntary recalls regarding certain of our soft cooler and SideKick Dry gear bags, which resulted in a charge that we recognized during the fourth quarter. I'll then provide some commentary on the quarter and year, detail the continued execution against our four strategic growth priorities, and conclude with additional perspectives on our approach in 2023. Importantly, the work we're doing today will position our business for strong top and bottom line growth as we exit the year and support the long-term brand opportunity.

Starting with the proposed recalls, we have identified a potential safety concern with the design of the magnet-lined closures of certain soft coolers and SideKick Dry gear bags. The specific issue with respect to these products is that a strip of material housing the magnets of these products can fail and cause the magnets to potentially release or separate from the product, posing a risk of serious injury or death if the magnets are ingested.

Since 2018, we have sold approximately 1.5 million units with this material construction and we are aware of approximately 1,400 units, or 0.1% of the units sold that have experienced issues with the magnet-lined closure. Importantly, we are not aware of any reported injuries sustained from this product at this time. However, the safety of our customers and the quality of our products remains imperative. After a thoughtful analysis of the situation, we acted decisively in January to remove these products from the market and to stop sale as we coordinate with the CPSC and relevant global agencies on a proposed voluntary recall.

In parallel, our team is actively working to enhance the product design to meet the high standards we hold for YETI. I believe we are well on our way to a product resolution and are working in the path to bring these redesigned products back to market.

Mike will discuss some of the financial impacts recognized during the fourth quarter and how the stop sale will influence our 2023 outlook. Again, while challenging in the near term, trust and integrity are the cornerstone of what makes our brand so special. I'm proud of the decisive action to date and confident that as we focus on taking care of our customers, this action will continue to enhance and build upon the legacy of quality, durability, design, safety and performance in our products.

Now, taking a look at our financial performance on an adjusted basis, excluding the proposed recalls. YETI grew sales 16% for the full year in 2022, coming off a remarkable 29% growth level the prior year, driving a three-year compounded annual growth rate of 21%. The year was supported by balanced double-digit growth across all of our product categories and sales channels. Fourth quarter sales were in line with our outlook from November, with strong underlying consumer demand.

The drivers of these results materialized a bit differently than planned, as DTC strength and international momentum offset a softer wholesale business. Importantly, with these results, we continue to emphasize the premium value of our brand and products over the holiday season, supported by new product introductions and robust digital customer engagement.

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The overall profitability of our business remained strong in 2022, despite the impact of lingering supply chain costs, including a 510 basis point impact from container costs alone. We remain encouraged by the easing of some of the key gross margin headwinds we saw throughout 2022. This should drive lower capitalized freight levels and will support stronger gross margins as we move through 2023.

Finally, we ended the year with a very sound balance sheet, rebuilding our cash position to $235 million and showing continued progress on our inventory levels, which are now down nearly $85 million from the second quarter peak.

Now, onto our progress against our four strategic growth priorities. Our efforts to connect with new and existing customers during the fourth quarter were focused squarely on engagement and brand execution. Our DTC success for the quarter was supported by three key brand initiatives.

First, we demonstrated the versatility and value of our products with our Use Your Gifts campaign, an important message to elevate YETI gifting consideration and promote product usage year round. Second, we reopened our gear garage over Black Friday week to introduce a selection of new products and favorite colorways from our archives. Finally, we expanded our customization options this year by showcasing limited edition holiday designs, debuting an artist series of unique offerings and highlighting how to easily download and apply your own customization artwork. We're excited for the opportunity to continue expanding our brand reach in 2023 and connecting with consumers in new impactful ways.

You will see YETI focus on diverse international partnerships and ambassadors this year to support the ongoing global opportunity of the brand. Our recent global partnership with the World Surf League is a great example, as YETI will be the official drinkware and cooler of the WSL spanning the Championship Tour as well as the Challenger Series and also partner in the organization's We Are One Ocean initiative to protect and conserve the world's oceans.

After almost eight years of supporting surf ambassadors and friends, this broad WSL partnership kicked off last month at Pro Pipeline in Oahu, the first of 10 championship tour events across seven countries. In addition, we continue to support new partnerships with international reach, including our first Premier League licensing agreement with the Tottenham Hotspur and our first Formula One partnership as an official supplier and licensee of Red Bull Racing.

As we evolve our brand and marketing focus, we're spotlighting YETI across moments and cultural trends where we have become increasingly relevant. As an example, we kicked off January with our first wellness oriented campaign. The campaign leverages our existing friends and ambassadors for this traditional New Year's resolution moment, integrating our drinkware, bags and apparel in the gym and other wellness spaces for those times when you're not chasing your outdoor pursuits. Finally, we continue to prioritize our sustainability efforts by increasing the circularity of our products.

Beginning in January, we launched a YETI resell pilot program, YETI RESCUES, offering cooler products that are fully operational but have been returned or lightly used. In addition to extending the life of our products and highlighting YETI's unmatched durability and performance, YETI RESCUES also offers an awareness opportunity for new consumers. We will continue to explore product circularity throughout 2023 and beyond.

Looking at innovation and our product portfolio in 2022, we were pleased with the balanced category growth between Coolers & Equipment and Drinkware growing 18% and 14%, respectively. Our innovation during the year

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was a bit heavier on the Coolers side of the business and we were particularly successful with hard coolers last quarter as the new wheeled Roadie 48 and Roadie 60 coolers were introduced to the wholesale channel as overall category inventory was well positioned for holiday demand.

We also saw strong Drinkware performance in our DTC channel during the fourth quarter, supported by our expanded customization offerings and the DTC first launches of our Yonder water bottle and two large capacity straw lid mugs. We expect these highlighted products will continue to gain traction in discovery in 2023, as our wheeled coolers are broadly available across our channel during the peak spring and early summer seasons, and as the new Drinkware offerings move into wholesale for the first time.

Two important aspects of our 2023 product lineup will be deeper expansion into newer product families and new customization options for customers. As we focus on thoughtfully broadening our range of products, we recently announced our new cargo line with the launch of three GoBox storage products to very strong response, emphasizing durability, waterproofness, dust proof protection and versatility of storage. We're excited to take this next step in the cargo family. And we're supporting the launch with an array of creative and marketing support across channels.

Later in the year, we will also start evolving our Drinkware category into tabletop and outdoor entertainment offerings, expanding beyond what customers know and love in our Drinkware. Customization has long been an important driver of business, and we're excited to offer customers even more new ways to personalize YETI products this year. With our Yonder bottles, we will introduce color customization to our Drinkware category for the first time. And internationally, we will begin to introduce and expand customization options for both e-commerce and corporate customers.

Finally, as we work through the redesign of our soft coolers and SideKick gear bags affected by our proposed voluntary recalls, we plan to expand the assortment of both lines. From a channel perspective, growth across DTC and wholesale was relatively balanced throughout most of 2022, with four key highlights underscoring the strength of the brand. We drove positive overall sell-through, including even stronger results in the second half of the year. We grew new DTC customers year-over-year, following very strong 2021 acquisition. We drove great retention of the acquired customers in 2022 and older cohorts showing the value of our returning DTC customers. And we've returned to healthy inventory position across our distribution.

DTC grew 20% in Q4, reaching a new sales mix high of 65% for the quarter and 57% for the year. Channel performance included improved sequential results in our own digital business, exceeding our expectations for the quarter, while corporate sales and the Amazon Marketplace stayed strong. We remained effective at driving retention on yeti.com and revenue per customer continues to move higher year-over-year, which we believe demonstrates the value customers find in the brand. We will continue to leverage our investments in advanced analytics as we increase our efforts to elevate the yeti.com experience. Corporate sales had a phenomenal quarter and year, building off our 2022 momentum. Expanding our customization capabilities will be one of the significant initiatives planned throughout 2023. This includes improved accessibility to hard cooler customization, full color custom for the Yonder water bottle, and an expanded range of customizable products.

Strong growth from Amazon was supported by significantly improved product availability and fulfilled by Amazon compared to last year's fourth quarter. We believe we can expand our partnership with Amazon and ultimately develop international opportunities that align with our brand standards and strategies. As we previously indicated, we're increasing our store opening cadence in 2023 with plans to open up to 5 additional locations, from a base of 13 stores at the end of 2022. Our YETI store locations showcase both the brand and our full breadth of products, and we will continue to evolve this channel throughout the year.

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In wholesale, the brand was well positioned for the holidays and ultimately captured positive sell-through with a record level buying week before Christmas. However, we experienced a fourth quarter decline in channel sell-in as we saw wholesale consumer spending shift later in the quarter, which limited channel replenishment opportunities as we progressed through the quarter. We plan to continue driving positive sell-through with our partners this year. However, sell-in is forecasted to be down year-over-year as we expect to see more cautious ordering patterns from key wholesale partners, plus the impact of products included in the proposed recalls. We do expect to see wholesale return to growth by the fourth quarter.

We had a great year outside the US in 2022 with our international business growing 42% to reach 12% of the total business. We're equally excited by the work planned in 2023 to further accelerate and amplify our international expansion. Our fourth quarter growth remained strong, up 32%. Our Canadian business was supported by a great DTC business during the fourth quarter, including our fulfilled by merchant option by Amazon, the first localized participation in gear garage and broader marketing to drive awareness of corporate sales. We plan to continue growing brand reach in 2023 through wholesale expansion, increased community marketing efforts, while also beginning to set the market for yeti.ca customization.

Australia was our fastest growing international market for the quarter and year, following triple-digit growth during fiscal 2021. This year, we plan to build on our existing initiative to drive the brand deeper into urban markets, as we still estimate that 60% of our business today comes from where only 30% of the population resides. Additionally, we are focused on enhancing the customer experience by adding customization capabilities across DTC, shifting to a new 3PL provider to support our size and scale and building out the digital reach of our brand.

Finally, in Europe, we're hyper focused on the individual markets within Europe and continue to recognize the significance of the opportunity. We're seeing strong traction in the UK and Germany, which we believe represent larger opportunities than what we've seen to date in Australia and Canada. As we grow beyond the UK and Germany, we're excited by what we're seeing in the Nordics.

Our focus remains on continuing to build out the brand and commercial support to get in front of consumers. In 2022, we added ski, surf, and culinary ambassadors and partners across Europe, expanded global partnerships to address regional opportunity, continuing the YETI tradition of depth and breadth to establish sustainable growth. In addition, we have grown our base to 850-plus wholesale doors and expanded our DTC and customization capabilities.

While our international focus has largely been on stoking growth in Australia and Canada, plus the extraordinary opportunity emerging across many countries in Europe, we continue to look at the right expansion into prospective markets, including Japan and Korea. Some of the efforts in 2023 will be more foundational. In advance of our commercial arrival, we're actively developing certain aspects of the brand in some of these markets, particularly around ambassadors, events and partnerships to generate awareness and engagement, as we look forward to a bigger global push in 2024.

Before Mike provides the details underlying our initial 2023 outlook, I would like to add my perspective on several items. First, I would like to congratulate Mike on his recent promotion to CFO. While we conducted a thorough search over the last few months, it gave me the opportunity to see Mike excel as the interim leader through a complex set of challenges, leveraging his deep understanding of the business and establishing his influence and impact broadly across the organization. I've had the opportunity to work very closely with Mike over the past seven years at YETI, from our pre IPO to IPO to today, and I'm thrilled to partner with him and our incredibly strong finance and accounting organizations as we guide our future growth and global expansion.

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Second, we had great 2022 building YETI brand, growing the business, expanding our global reach and setting the business up to deliver upon our long-term outlook. In 2023, we will remain on offense. This includes driving top-line growth. We remain confident in our ability to return to our long-term target of double-digit growth in the fourth quarter and going forward. Through this period, we expect to begin meaningful gross margin expansion, fund global investments to fuel future growth and return to strong cash flow generation.

Finally, I would like to sincerely thank the YETI team and all those that support our efforts around the globe. Your ongoing dedication, perseverance and trust continue to inspire our efforts and provide a foundation for this truly unique and powerful brand.

And with that, I will now pass the call over to Mike.

Michael McMullen

Interim Chief Financial Officer, YETI Holdings, Inc.

Thanks, Matt, and good morning, everyone. I wanted to start by framing up the impact of the proposed voluntary recalls to our 2022 results before then focusing on non-GAAP measures for the fourth quarter and fiscal year. I'll then provide our outlook for fiscal 2023, inclusive of our expectations for how the proposed recalls are expected to impact the business throughout the year.

Starting with the proposed recalls, we have provided many of the financial details in the footnotes and supplemental schedules in our press release, but let me give a quick summary of the $129 million in total reserves and how it is recorded during the period. This includes a $38 million reduction in sales, primarily for estimated future returns, a $59 million impact to cost of goods sold primarily associated with inventory write-downs and estimated future customer remedies, and a $32 million impact to SG&A expenses associated with the recall-related costs.

We believe these reserves are appropriate to cover the estimated cost of the proposed voluntary recall plans that we have submitted to the CPSC, as well as other relevant global authorities. We will provide adjustments when identifiable as we progress through the year and better understand certain variables such as redemption rates, refund mix and associated costs. Any such adjustments to our estimates will continue to be reported separately to better reflect the underlying operations of our business.

Now, on to our non-GAAP results for the fourth quarter and fiscal year 2022. Given the significance of the reserves associated with the proposed recalls, we have updated the definitions of our non-GAAP financial metrics, including two new metrics, adjusted net sales and adjusted gross profit, to exclude this impact. All of the metrics that I will discuss today are adjusted metrics to better focus on our operational performance during the period.

Fourth quarter sales increased 10% to $486 million. As previously provided, we did see earlier ordering from our wholesale channel in Q3 of this year, which impacted our Q4 growth rate by approximately 2 percentage points. For the full year, sales increased 16% to $1.63 billion. From a channel perspective, direct-to-consumer sales grew 20% to $316 million, reaching a new YETI high of 65% of total sales mix. This performance was led by growth in our corporate sales and Amazon businesses, while e-commerce also posted better-than-planned growth for the period.

We also saw a good balance of double-digit growth generated across both product categories within DTC. For the full year, DTC sales increased 18% to $924 million, representing 57% of the overall sales mix, compared to 56%

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last year. The approximate mix within DTC for the year consisted of 52% from our global YETI websites and YETI stores, 25% from corporate sales, and 23% from the Amazon Marketplace.

Wholesale sales decreased 5% to $171 million. Our wholesale performance included strong results in Coolers & Equipment due to both strong sell-through and as we were able to better balance inventory availability across our channel after our constrained position last year. However, this performance was offset by a decline in Drinkware as order volume was more limited given the strong third quarter positioning and late arriving consumer demand that we saw in Q4. As Matt mentioned, channel results were impacted by later than planned consumer demand in the quarter, which while still driving positive sell-through limited are replenishment opportunities.

For the full year, sales increased 13% to $710 million. By category, Coolers & Equipment sales increased 11% to $169 million. Hard coolers were the standout this quarter, including the expansion of our two new Roadie wheeled coolers into wheeled coolers in to wholesale. Soft coolers posted strong growth as well, with a good balance of growth across the line, including Flip and Daytrip. Bags also saw strong growth, most notably in the updated Panga line and with Crossroads backpacks.

For the full year, Coolers & Equipment sales grew 18% to $651 million. Drinkware sales increased 8% to $308 million, with results once again highlighted by bottles and customization as well as the fourth quarter launches of Yonder and the new Rambler straw mugs into the DTC channel. We continued to see good results from our Lowball transition efforts, supported by our holiday gift-with-purchase offer. The success of this overall GWP offer had two benefits. It enabled a clean transition to our updated Lowball offering that we launched last week, and it allowed us to begin the process of a similar transition away from our Rambler 14 ounce mug.

Overall, Drinkware sales for the year increased 14% to $947 million. Internationally, sales grew 32% to $62 million, representing approximately 13% of total sales and led by strong growth in Australia and Europe. For the year, international sales grew 42% to reach 12% of sales, compared to 10% last year.

Gross profit increased 4% to $264 million or 54.3% of sales, compared to 57.5% in the same period last year. Margin pressure was once again led by a 330 basis point impact from higher inbound freight, though this headwind eased sequentially. Additional headwinds included 120 basis points from higher product costs, 100 basis points from unfavorable foreign currency exchange rates, and 50 basis points from all other impacts, including planned promotional activity primarily related to end-of-life products. These headwinds were partially offset by 180 basis points from pricing actions and 100 basis points from favorable channel mix.

Full year gross profit increased 5% to $860 million, contracting 510 basis points to 52.7% of sales. SG&A expenses for the quarter increased 13% to $175 million or 36% of sales, compared to 35% in the same period last year. Variable expenses increased 170 basis points as a percent of sales, primarily reflecting higher distribution and logistics costs, including higher Amazon Marketplace fees. Non-variable expenses decreased 70 basis points as a percent of sales. Full year SG&A expenses increased 12% to $586 million, decreasing 100 basis points to 35.9% of sales.

Operating income decreased 11% to $89 million or 18.3% of sales, compared to 22.5% during the same period last year. Full year operating income decreased 7% to $274 million, contracting 410 basis points year-over-year to 16.8% of sales. Net income decreased 13% to $68 million or $0.78 per diluted share, compared to $0.88 in the prior-year period. Full year net income declined 11% to $206 million or $2.36 per diluted share. Overall, these results were largely in line with our most recent outlook provided in November.

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Turning to our balance sheet, we ended the fourth quarter with $235 million in cash compared to $312 million in the year-ago period. The lower year-over-year cash position primarily reflects the first quarter completion of the share repurchase.

Inventory increased 16% to $371 million year-over-year. Excluding the $34 million write off of unsalable inventory related to the proposed recalls, inventory would have increased 27% to $406 million. This represents a decrease of $85 million since reaching peak levels at the end of the second quarter.

Total debt, excluding unamortized deferred financing fees and finance leases, was $90 million compared to $113 million at the end of last year's fourth quarter. During the quarter, we made principal payments of $6 million.

Now, turning to our fiscal 2023 outlook. We expect full year sales to increase between 3% and 5% compared to fiscal 2022's adjusted net sales. While we acknowledge that this range falls below our long-term target of 10% to 15% growth, it does reflect the estimated impact of the stop sale of products affected by the proposed recalls and our expectations of wholesale sell-in to start the year.

Regarding the products impacted by the proposed recalls, we estimate a 500 basis point full year sales impact from removing this assortment from the outlook through the third quarter, all else being equal. At wholesale, we expect to continue driving positive sell-through in the channel, which we have seen quarter-to-date, but maintain a cautious approach to the level of sell-in as we move through the front half of the year. Together, we expect these factors to contribute to approximately flat total sales growth during the first three quarters of the year, followed by a return to double-digit growth during the fourth quarter. Importantly, we think the expected fourth quarter growth is more indicative of how we are planning the business in the long term and remain confident in our ability to return to 10% to 15% sales growth.

Looking at the drivers of full year sales, we expect growth in the DTC channel will offset the decline in the wholesale channel, driving our DTC mix to approximately 60%. We are planning to return to wholesale growth in the fourth quarter, which includes our expectation that seasonal sell-in will revert to more traditional timing in 2023 versus the earlier ordering in our wholesale channel that we saw in Q3 of 2022. By category, we expect growth in Drinkware to more than offset a decline in Coolers & Equipment given the impact of the proposed recalls. Our plan is to introduce a full line of redesigned soft coolers and SideKick Dry gear bags in the fourth quarter, where we expect strong category growth to reemerge.

Moving on to margins, we expect gross margins of approximately 55% for the year, up from 52.7% in fiscal 2022. This improvement is primarily driven by lower inbound freight costs, as the lower container rates we began to experience in the second half of 2022 begin to flow through our income statement. In addition, we also expect to see a benefit from higher DTC sales mix in 2023. We expect to build from slightly down year-over-year gross margins in the first quarter with sequentially higher year-over-year margin expansion each subsequent quarter.

With SG&A, our plan is to invest consistently across our business throughout the year. Total SG&A dollars are expected to increase mid-teens, implying approximately 400 basis points of deleverage for the year. We expect this impact to be fairly evenly split across four areas; higher variable expenses related to the expected channel shift to DTC, ongoing investments in areas such as technology and international, the return to more normalized incentive compensation levels, and the impact of the lower sales base from the stop sale of products affected by the proposed recalls.

From a timing perspective, we expect a slightly higher rate of year-over-year growth in SG&A in the first and fourth quarters. We expect operating margin in the range of 15% to 15.5% for the year. The timing of revenue

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growth and pacing of gross margin improvements will drive year-over-year operating margin declines early in the year, followed by an expected return to over 20% operating margins in the fourth quarter.

Below the operating line, we expect interest expense of approximately $6.5 million and an effective tax rate of approximately 24.9% for fiscal 2023. Based on full year diluted shares outstanding of approximately 87.2 million, and earnings per diluted share to decline 5% to 10% to between $2.12 and $2.23 compared to $2.36 in fiscal 2022. We estimate that the stop sale of products affected by the proposed recalls will negatively impact earnings by approximately $0.30 to $0.35 for the year.

Looking at cadence, we expect first quarter adjusted earnings to be slightly less than half of their prior year's levels, followed by sequentially improved performance the following two quarters before returning to strong growth in the fourth quarter. As we consider capital allocation, our operating cash flow is expected to build as working capital normalizes following two years of heavier cash utilization. This includes year-over-year inventory reductions starting in the first half of the year, followed by an expected rebuild of our soft cooler inventory to end the year approximately flat from where we ended fiscal 2022.

Investing in our business will remain a priority as we expect capital expenditures to be higher year-over-year at approximately $60 million, reflecting incremental investments across a number of key initiatives, including a global IT rollout, expanded customization capabilities, accelerated retail openings and product expansion.

With expected free cash flow generation in the $100 million to $150 million range for the year, we will continue to look at a range of capital allocation opportunities. We will continue to remain diligent in our work around strategic M&A and believe the current environment may create new opportunities that align with our brand and product roadmap direction. Outside of M&A, we will evaluate capital allocation alternatives, including share buybacks as our cash balance grows.

In summary, our 2023 strategy and outlook balances some near-term obstacles to growth with our continued optimism and positioning for the future. We will remain focused on driving consumer demand across all our channels and believe wholesale channel growth will begin to improve as buying patterns normalize. At the same time, we will continue to execute our product strategy with great new products like the GoBox family and upcoming Drinkware extensions, while also keeping a sharp focus on reintroducing a full slate of redesigned soft coolers and SideKick Dry gear bags back into the market.

Gross margin tailwinds are planned to steadily ramp throughout the year, which we see continuing to be a positive dynamic moving into 2024. We are confidently rebuilding our SG&A expense base to further support and extend our four strategic growth priorities, even as it pressures operating margins in the near-term quarters. And we will continue to focus on maintaining a strong balance sheet, while increasing our free cash flow generation, which we believe provides optionality in delivering future value. Most importantly, we are diligently working to exit 2023 with a growth profile that is aligned with our long-term growth algorithm, as well as our high aspirations for the brand in the years to come.

And 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] And our first question will come from Brooke Roach of Goldman Sachs. Please go ahead.

Brooke Roach
Analyst, Goldman Sachs & Co. LLC

Q

Good morning, and thank you so much for taking the question. Matt, I was wondering if you could contemplate a little bit more about the return to your long-term growth algorithm of 10% to 15%. How do you see that playing out between your key channels and between the key geographies? What proportion of growth will be sourced internationally versus the US? And then, just one follow up. Could you also discuss the competitive dynamics in the wholesale channel, particularly in Drinkware? How are you thinking about sell-in and sell-through in 2023 for products that are not associated with stop sale? Thank you.

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

A

Thanks, Brooke. Good morning. What I would say is we think about the return to growth and you heard me say it and you heard Mike say it, as we look across the product portfolio we have, the innovation pipeline, the opportunity to continue to engage with consumers in the US market through our direct channels and our incredible wholesale partners, and then we look at what we consider the relatively untapped global opportunity. We feel really good about how we get back to that level, when you take away the proposed voluntary recall.

Obviously, we expect, based on its size, that international will be a big part of that growth resurgence. But as we've shown year over year, the domestic market, as we continue to drive innovation, reach the brand, drive new geographies, pull more customers into this – into the brand, and then really drive retention of those customers that we can continue to drive growth in the core market. And really that's a broad statement across our product portfolio. So, we feel good about where we're positioning the business, where we were positioning the business for 2023 before the proposed recall, and where we're positioning the business now to exit 2023 and beyond.

So, I think that it's really kind of running the YETI playbook that we have for the last 15-plus years of finding new customers, growing the brand, growing the product portfolio and driving it to new geographies. And it's a bit of why we talked about continuing to lean into the investment. I think there's a year where there's a real opportunity just to set YETI up for a great close to 2023 and a great start to 2024.

As we switch to the specific in the wholesale channel and the competitive dynamic, as we said before, broadly, we haven't seen a significant change in the competitive dynamic at wholesale or really across our channels. There are market alternatives across our product range. There have been going back to our earliest days as a brand. I think the strength of the sell-through that we continue to see overall as YETI, the strength to sell-through that we've seen through our wholesale channel, not just in Q4, but throughout the year; I think indicates to us that as we continue to bring innovation, as we continue to show the product portfolio, as we continue to show up as YETI, not a singular product, not a singular product family or category, that really continues to drive strength and resonate with the consumer.

Brooke Roach
Analyst, Goldman Sachs & Co. LLC

Q

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Thank you very much.

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

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

Q

Hi, guys. Thanks for taking the question. I guess just kind of curious, just your thinking, dig a little deeper on 2023. Obviously, you laid out a lot here. But let's take the revenue growth, excluding the stop sale at around 8% to 10%. How confident are you that that embraces the risk to consumer spending that could accrue both domestically and internationally, just trying to understand how you feel like [ph] you've de-risked (00:39:23) that view for 2023? That's my first question.

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

A

Thanks, Peter. Good morning. I'd say a couple of things. As we thought about how the year paces out, we're thoughtful about the front half of the year, just how the consumer is going to behave. We've talked about working very closely with our wholesale partners on making sure they have the right inventory to address the sell-through opportunity. What we're seeing in our DTC business and in our wholesale sell-through year to date has been really positive. And so, we feel, while we're taking, we think, a prudent outlook as we go into this year, we're seeing some positive signs that consumer continues to hold up.

Also, we talk a lot about the price points of our products are, while premium in their category, are really relatively achievable price points when you think about the absolute price point of our Drinkware. You think about the giftable nature of the products. You think about the continued innovation that we bring – excuse me, whether those are colorways or extensions of sizes. And so, I think we've put a really thoughtful plan together for the year. I think we've recognized the challenges that are presented with the first half of the year. And as we build strength through the year, we also think internationally, while we're cognizant of the different markets around the world and the challenges there, the benefit of being earlier in that journey is we can pivot and go identify pockets of strength and we can drive – continue to drive that growth. So, I think going into this year, we feel good about where we are and we feel good about the trajectory it's going to put us on as we wrap 2023.

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

Q

That's helpful. Thanks, Matt. And then, just with respect to the proposed voluntary recall, just – I'm just curious if you can expand on the range of outcomes here. I mean, what you've laid out, is that – the worst case, is there an environment or scenario where you don't have to call back all the products or I'm just trying to maybe frame what you've laid out here and then, what else could transpire over the next several months that would maybe adjust the impacts that you're seeing here. I don't know if you could help us kind of maybe understand that qualitatively, if not, and certainly probably not quantitatively? Thank you.

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

A

Yeah. Yeah. Thanks, Peter. I'll take it qualitatively. Obviously, anytime in these situations, there's a lot of estimates and assumptions that go in. We feel like we've made the appropriate – the approach – appropriate assessments and judgments, working in collaboration with CPSC and make sure that we're following the right approach and that we're thinking about this thoughtfully for the business and for the brand and for our products and primarily and most importantly, for our customers. I think when you think about the – so it's tough to put a

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color on a range of outcomes, because we put forward what we think is the appropriate assumptions and that's what's baked into our 2022 and 2023.

I think there's the opportunities for us as we work to get those products back to market. One of the things that we said that may have been missed in the prepared remarks is we were planning to actually expand the range of those product lines. And so, we have a team working on not only bringing those products back to market, but the future potential of more products within that category. We believe deeply in the soft cooler category, believe deeply in the dry bag expansion opportunity.

And so, as we bring those back to market, those create opportunity potentially in 2023 and beyond. So, I would say that we feel we've made very sound judgments for what we know and where we are right now and based on the appropriate estimates.

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

Q

Got it. Okay. Thanks so much. Good luck.

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

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

Q

Hello. Thanks for taking my question. I'm hoping you can elaborate some on the wholesale channel inventory dynamics. Specifically, I'm curious just postmortem on how it got to the state? Are retailers rethinking the appropriate level of [ph] this (00:44:00) inventory on hand, or did they get overly ambitious with inventory positions? And then, finally, I'm curious how this impacts go to market with things like the rollout of new colorways and so forth and the merchandise assortments that will represent at retail? Thanks.

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

A

Good morning, Jim, and thanks for the question. What I would say is and we've said before, we have incredible wholesale partners and very tight relationships that we spend on a weekly, if not more often basis talking with them about strategically how are we driving sell-through, how is the brand being positioned? How do we assort? How do we manage inventory? And as we said on our last call, we had a wonderful year with wholesale strong sell-through, strong replenishment of their inventory. And we went into Q4 as ready as we've been in years and felt very good about that.

The thing that I think manifest and Mike mentioned this and I talked a bit about it is the way demand flowed in the fourth quarter really started to show up later than we expected and later than we had seen in prior years. We had incredibly strong demand right before the Christmas holiday. It flowed over into the week after Christmas. It's just that demand built later. So, our wholesale partners in partnership with us were ready to go and were ready for the earlier demand. It didn't manifest that way. And so, the replenishment opportunity was shortened in the quarter.

We feel good about where we're starting off the year from a wholesale perspective, and we feel good about the sell-through that we're seeing across our channels, including wholesale quarter-to-date. But we're also cognizant that people are taking a cautious position around their inventory. We haven't seen it affect any merchandising strategy. We still have open conversations around not only existing portfolio, but also, as we importantly rollout products that weren't broadly available on wholesale in 2022. So, our Yonder water bottle will roll out more

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broadly in the channel here in the next month or so. Our new wheeled coolers will be more broadly available in the channel. Our two straw lid mug sizes will become broadly available in the channel, and they weren't in the wholesale channel and they weren't in 2022.

So, we feel good about the relationships. We feel good about the assortment planning. We feel good about the customer facings. And now, it's a matter of just continuing to work closely with our partners as they get through their inventory management and our sell-through demand and move through the year.

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

Q

Thank you for that.

Operator: The next question comes from Peter Keith of Piper Sandler. Please go ahead. Peter, your line is open, is it muted on your end?

Peter Keith
Analyst, Piper Sandler

Q

Sorry about that, everyone. Good morning. I want to dig into the topic of gross margin and you've guided 2023 gross margin to 55%. But how should we think about that roadmap of getting back to prior peak, which nearly touches 58%? And could there even be a chance to you over time might exceed 58% as we just think about the mix of DTC being higher as well as the modest price increases?

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

A

Good morning, Peter, and thanks for the question. I'll take the front end of that. And then, Mike can add a little context on how we feel about gross margin over time. I would say we feel great about getting our gross margin back to 55% as quickly as we have. We talked all about that as we were facing these container costs and as they work their way through our inventory and as we manage it down that we said through 2022, we believe the gross margin opportunity for this business was there and that the 510 basis point headwind on it was really a transient type thing. We see that playing out.

So, we feel great about the recovery and the strength and what that shows about the premium nature of the brand and the pricing power of the brand, and that we continue to realize that gross margin. So, as we go through 2023, that rebuild is a pretty quick rebuild, and pretty quick recovery. We're not calling a stopping point, but I think as we are on our – kind of on our journey to continue to march those gross margins back up.

Michael McMullen
Interim Chief Financial Officer, YETI Holdings, Inc.

A

Yeah. Hey, Peter. So, in addition to what Matt said, what I would expand on that, we've going to get some of the impact back from higher inbound transportation costs that we've seen in the last two years, but we still have more to go in 2024. So, you'll start to see that impact grow and build as we go through 2023. Other factors that could play in as we continue to try to grow DTC faster than wholesale, we'll see a benefit from sales mix. From a product cost standpoint, we're expecting relatively muted impact in 2023. And so, we feel good about where our margins are in 2023 and we think there's opportunity for it to run further as we go into 2024 and beyond, as those lower freight costs continue to work through our P&L.

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Peter Keith
Analyst, Piper Sandler

Q

Okay. Thank you. And kind of related to the recall, but just looking at your product innovation pipeline, does that get disrupted here in 2023 as you need to pivot to the soft cooler category? Should we think about that innovation pipeline now, maybe just looking at two to three years with the recall element?

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

A

I would say a couple of things. The team that is working on the soft cooler is the team that works on our soft cooler. So, we won't – we don't see it as any impact on the planned roadmap we have this year or over the next two to three years as it relates to other products. The thing that would be the most acute impact and what I alluded to on a prior question was the planned expansion of our soft coolers and the planned expansion of our dry bags. That would have kind of come sooner, that will now follow the reintroduction of these products to the market. So, I think that piece of it would be the most direct, but that's contemplated here. I think for the rest of the product portfolio, they run or the rest of the product roadmap, they run relatively independent of this.

Peter Keith
Analyst, Piper Sandler

Q

Okay. Thank you very much. Good luck.

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

A

Thanks, Peter.

Operator: The next question comes from Sharon Zackfia of William Blair. Please go ahead.

Sharon Zackfia
Analyst, William Blair & Co. LLC

Q

Hi. Good morning. I know you've talked about sell-through, being happy with it in the fourth quarter and so far in 2023. But can you maybe provide more color around kind of the pace of sell-through versus what you were seeing earlier in 2022? Because I think people are – there's a lot of moving parts and folks are kind of grappling with maybe what underlying demand is for the product right now. So, maybe any color on what's going on, on wholesale sell-through, particularly in light of DTC actually accelerating in the fourth quarter would be helpful.

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

A

Yeah, Sharon. Thanks for the question. I would say our wholesale and broadly our sell-through wasn't markedly different than the other quarters in 2022. There were – we had some – a quarter that was higher. We had some quarters that were right around it. But largely, they operated – most of the quarters operated so within the same target area. Things move between the channels.

One of the things that we talked about on prior calls that was most interesting to us in 2022 was how as we inventoried our channels are broad channels more fully, how demand shifted between and underneath our envelope. So, what we saw in 2021 and really in 2020 with the disruption was we had some forced disruptions of channels and then we had inventory constraints that caused us to make decisions on where we placed inventory. 2022 was the year where inventory was most broadly available across our channels.

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And so, what we really started to study was where do consumers end up, all other things being equal as it relates to inventory availability and then rebuild off that baseline. And I really think this year, absent the soft cooler and dry bag discussion, I think this year was the first year in a couple where we were sort of bouncing off that platform of really broadly available inventory and what I will call more natural kind of consumer shopping location.

Sharon Zackfia
Analyst, William Blair & Co. LLC

Q

Okay. And then, my second question is really on innovation, because you're clearly stepping it up this year, but it also just feels like from the outside that you guys take a pretty cautious approach to innovation. So, for example, bags introduced in early 2021, I don't even think it was overly mentioned in the commentary. So, how – I guess, how quickly do you expect new innovation to actually impact top line results? And as we think about tabletop and bags, like how has bags been progressing? How did it do at wholesale in the fourth quarter? And when you launch these new categories, are they expected to be kind of not material to result for a few years before as you learn and iterate and then become more material years three or four? Just trying to get some guidelines around product category cycles here.

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

A

Sharon, there's probably a number of things inside there. I'll try to attack it, at least a few of them. We are continuing to grow our innovation and the number of things in a thoughtful way we put out across product families. So, if you look over a two-year stack, last year, we expanded our soft cooler products, we expanded our hard cooler products into wheeled coolers. We expanded a number of our Drinkware products, our first foray into plastic bottles. This year, to-date, we've expanded our cargo business which is building off something that we launched a few years ago. And then, we've alluded to later this year, bringing out things that are more outdoor camp, outdoor entertainment tabletop type things that can move between those environments, which will expand the definition of what we would call the kind of single-use drinkware.

So, I think the cadence and pace we like, because it gives us a chance to really focus and do, as you've seen year to date, really high quality launches and give consumers a moment to understand the product portfolio. I think that certain things we paced out a little bit longer. So, you mentioned bags we launched in 2021 and 2022. We came back with an extension of our Camino line and some – and which our totes and some colorways. I think as we go into 2024, you're going to see us kind of come back and refocus on expanding bags. But it's really this idea of driving the consistency of waves of innovation, hitting the shores. So, we're never overwhelming and things getting lost. But as we scale, as we become more global, I think you'll see the pace of innovation continue to grow, not just in the depth, but in the breadth of what we do.

Sharon Zackfia
Analyst, William Blair & Co. LLC

Q

Thank you.

Operator: The next question comes from Xian Siew of BNP Paribas. Please go ahead.

Xian Siew
Analyst, BNP Paribas Exane

Q

Hi, guys. I wanted to follow up a bit more on the range of outcomes for the cooler. So, you mentioned that you're targeting 4Q for the reintroduction of the product. I guess like the reason it's taking so long is you're basically

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relaunching the whole line, is that right? Because you wrote down the inventory, there's no fix or anything like that. Just trying to think about like, what are the steps to get the product back to the market in 4Q and have you identified an alternative to the magnet, or do you still need to find some kind of new closing mechanism? Just maybe some more color on that would be helpful. Thanks.

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

A

Good morning. Thanks. Thanks for the question. It really is. As you said, we're – we've removed the product from the market. We're relaunching. We'll be relaunching a new product. We expect the closure to be similar and familiar, meaning operate the same way, but it requires us to go relook at all the features around how those – how the magnets are closed, how it's attached to the product and that's the work.

The time really is, because we're relaunching an entire portfolio at volume to go address the latent demand that's out there for the product. So, that's the longest aspect to this is, it's not just getting a solution that works and there's not a rework path here. It's really bringing a whole product back to market. The good news is, the vast majority of the product is done and known, because it's the product we've been selling. So, we're really focused on this one closure aspect. As I think about, that's really the push that the team is well down the path on not identifying the solution, but then identifying the manufacturing and manufacturing scale and then bringing it back to market.

I think the other thing and the range of outcomes here is, this is a product that has been removed from our portfolio. We think forward, what we're focused on is how does the rest of the portfolio fill in and lean in. So, we have a incredible lineup of soft coolers that are still in the market in our Flip series. We have hard cooler alternatives. For consumers that are just looking for something YETI, we have bag alternatives, we have Drinkware alternatives. So, I think you'll see us continue to lead in to some of our commercial prowess in our brand building and getting – creating customer discovery around the rest of the product portfolio while we work through the soft cooler and dry bag issue.

Xian Siew
Analyst, BNP Paribas Exane

Q

Yeah, that's helpful. And that was actually kind of where I was going with my follow up. Have you seen any kind of consumer, like maybe someone who's in the market for the soft cooler, the Hopper, kind of opt for one of the other like the Flip categories or maybe like, yeah, any kind of lessons you're starting to see kind of leaning into that [ph] pool (00:59:49)? Like, are there any kind of data points you can share in terms of how consumers are reacting to, I guess, switching to different product lines?

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

A

What I would say, we're early in the year, but I would take the comments that we've seen positive, positive sell-through. And if you look at the social response to our cargo launch, it's been fantastic. And to a question earlier, that's a product that we sat on one SKU for quite a while and now, we're brought out a family. The response we've had to the new colors that we just launched in, not just the way we've seen those perform, because they're the colors. But it's interesting to look at those colors against some of our longest-standing SKUs and then those colors again some of our newer SKUs and how they perform in consumer preference. So, I think that the void that the removal created, I think we believe that there's opportunity for us to keep kind of chasing, filling that in. I think it's too early to call how that all materializes, but we like some of the positives that we're seeing.

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Xian Siew
Analyst, BNP Paribas Exane

Q

Okay. Very helpful and good luck, guys. Thanks.

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

A

Thank you.

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

Robert F. Ohmes
Analyst, BofA Securities, Inc.

Q

Hey, Matt. I wanted to – you highlighted doing more with Amazon, and I wanted you to sort of. Can you tell us what does that mean exactly? Maybe remind us where Amazon is in terms of profitability, working on their 3P marketplace. Doing more with them, how much more and does that have an impact on being a little more cautious on filling wholesale in the US? Just more thoughts on that would be great.

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

A

Thanks. Thanks, Robbie. What I would say on Amazon, the doing more is primarily a non-US – US comment. We feel good about our Marketplace relationship. We don't expect that to change or to expand, beyond the Marketplace. We like the reach it provides for the Amazon consumer. That's where they start and that's where they want to shop. So, I think getting the inventory right there and getting it optimized, so that we were available to consumers was a big focus of 2022, and we feel good about where we are in 2023.

As we think about non-US, we mentioned on the call fulfilled by merchant in Canada via Amazon. I think as we look at specific markets around the globe, we've gotten comfortable. As I mentioned, that we can we can manage it from a brand – our brand perspective. We can manage it from a consumer reach perspective. And that it gives us a really nice way to get into and complement some of the other things we're doing in these markets. Our DTC business in Europe continues to perform well, our wholesale business performs well. And this is a nice, I guess, in addition, our corporate sales business is a nice additional leg to the business.

I think as it relates to profitability, I'll let Mike take that.

Michael McMullen
Interim Chief Financial Officer, YETI Holdings, Inc.

A

Yeah. Hey. Hey, Robbie. So, what I'd say is, from a gross margin standpoint, it is equivalent with the rest of our DTC channel, and yeti.com, in terms of having one of the stronger gross margin profiles in our portfolio. There are additional SG&A expenses that come along with selling on Amazon, their fulfillment, their listing fees, et cetera. But overall, just the bottom line profitability, your contribution margin of Amazon is accretive, is strong and is a big part of just driving overall operating income strength in 2023.

Robert F. Ohmes
Analyst, BofA Securities, Inc.

Q

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Thank you. That's really helpful. And then, just one quick follow up on US wholesale. Are you guys potentially reducing any doors or accounts? And are you kind of moving, Matt, to a more segmented product offering by account or door?

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

A

Robbie, we don't have plans to – and I know you've kind of watched our story over time, as we've talked about consolidating around strength and really building what we think is incredible stable of wholesale partners. We don't have any near-term plans to continue to reduce that. There's the small things that happen; we add a door, we change a door, particularly around as we expand communities and audiences that we're trying to reach or geographies that we're trying to put a better representation in. But I think the assortment planning, we are not merchandising narrowly at certain doors and broadly at other doors. It's really what can that partner properly represent and handle based upon their consumer traffic and their shelf space. And so, by nature, bigger doors tend to be able to hold a bigger assortment and smaller doors, maybe a slightly narrower assortment. But we still believe that YETI is best presented when you see multiple product families, and that's why consumers come shop and that's why, consumers engage with the brand versus product-by-product assortment.

Robert F. Ohmes
Analyst, BofA Securities, Inc.

Q

Got it. That's really helpful. Thank you.

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

Brian C. McNamara
Analyst, Canaccord Genuity LLC

Q

Hi. Thanks for taking my question. I'm curious how did this malfunction happen? Does it relate to any change in supplier or manufacturing changes or anything like that? And does it pose a risk to any – the production of any other products? And then, secondly, can you give us an idea of how important a new product introduction like the Hopper M20 or M30 or [indiscernible] (01:06:16) in any particular year given there were either relaunched or introduced about a year ago? Thank you.

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

A

Thanks, Brian. I'll take those. The – as far as risk to other products, no. This specific thing is the strip that holds magnets on the soft cooler. So, the closure on the soft coolers in our dry bags. This goes back six, seven years ago to a design that we made for our first dry bags. And it's been in the market since early 2018. And I mentioned the number of units that have been sold and I mentioned the number of units that have been affected by some type of kind of issue here that has a relationship to that magnetic strip. So, I don't – we don't see a spillover. It's not related to a specific thing beyond the impact on our soft coolers and dry bags.

I think that when you think about the impact of M20, M30, the – when we launch a new products like the M20, M30, it replaces a prior generation. So, there was an M30 prior that we retired and there was a BackFlip soft cooler that was a predecessor to the M20. Both those products came out of the market. The M20, M30 came in. So, if you take Mike's comments about a 500 basis point top line headwind for the year, when we launch products, we get really meaningful impact, because they pick up the momentum of their predecessor and go from there. So, these are obviously big opportunities, big deals. That's why, innovation is so central to our business.

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Operator: Our last question comes from Joe Altobello of Raymond James. Please go ahead.

Q

Hi. Good morning. This is actually [indiscernible] (01:08:26) for Joe. Couple of quick questions here. Regarding the gross margins, when do you plan on lapping the [indiscernible] (01:08:33) by inbound freight and when does that start becoming margin tailwind? And the second question, how much of a headwind can we see from product costs this year? Thank you.

Matthew J. Reintjes

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

A

Hey. Good morning. So, what I'd say is, we'll start to see that benefit, obviously in 2023. What we said was, we expect Q1 margins to be slightly down and then to grow sequentially from there. And so, you'll start to see – we'll start to lap that benefit and start to see it driving gross margin improvement definitely in the first half of this year and then growing from there. From a product cost standpoint, we expect, in 2023, to be – the impact to be fairly muted as things have stabilized. So, that's why, we didn't call it out as a significant driver in 2023.

Q

Got it. Thank you so much.

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.

Thanks, everyone, for joining us this morning. We look forward to updating you on the progress on our Q1 earnings call. Have a wonderful day.

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

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