

13-Feb-2025

# YETI Holdings, Inc. (YETI)

Q4 2024 Earnings Call

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### Matthew J. Reintjes

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, ladies and gentlemen, and welcome to the YETI Holdings Fourth Quarter 2024 Earnings Conference Call. At this time, all lines are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. [Operator Instructions] This call is being recorded on Thursday, February 13, 2025.

I would now like to turn the conference over to Maria Lycouris, Investor Relations for YETI. Please go ahead.

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### Maria Lycouris

*Managing Director, Solebury Strategic Communications*

Good morning, and thank you for joining us to discuss YETI Holdings' fourth quarter and fiscal 2024 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 maybe 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-K. We undertake no obligation to revise or update any forward-looking statements made today as a result of the new information, future events or otherwise, except as required by law.

Unless otherwise stated, our financial measures discussed 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 the press release or in the presentation posted this morning to the Investor Relations section of our website at yeti.com.

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

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## Matthew J. Reintjes

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

Thanks, Maria, and good morning. 2024 was an excellent year for YETI with strong top and bottom line growth, fueled by our brand strength, expanding product portfolio, and growing global presence. Over the past 12 months, our team has clearly executed against our strategic priorities. Starting with brand. The YETI consumer and owner studies continue to show strong passion for the brand and support our product expansion strategy. In 2024, we participated in over 200 consumer events around the world, ended the year with roughly 200 global ambassadors and secured meaningful partnerships, growing our addressable market across key consumer groups. In innovation, we delivered impactful additions in drinkware, food, coolers and bags, plus expanded our color options. Within our omni-channel, we grew our DTC and wholesale across geographies, continuing to find meaningful ways to intersect with consumers where they shop.

And finally, internationally, YETI's global brand resonance is unlocking tremendous white space in international markets. Additionally, YETI delivered excellent adjusted gross margin and adjusted operating margin expansion throughout the year, despite a choppy macro and competitive domestic environment. We ended the year with a cash position of approximately \$360 million, building on our strong balance sheet. Our momentum continued in the fourth quarter, even as we saw signs of discerning consumer buying, more promotional activity and heightened competition, particularly in the US market. Innovation and product diversification continued to drive demand across YETI in the quarter with particular strength in the coolers and equipment category, specifically in hard coolers and bags, and with strong growth internationally.

We delivered over \$200 million in free cash flow for the second year in a row, and we expect another strong year in 2025. This robust cash generation gives us the flexibility to pursue a targeted capital allocation strategy, which is centered around driving long-term sustainable growth, and delivering value to shareholders through three key levers: investment in the business, accelerating innovation, and building upon our share repurchase cadence started in 2024. In the year, we meaningfully delivered on these capital allocation priorities with \$200 million in announced share buybacks, representing roughly 6% of outstanding shares, and the acquisition of Mystery Ranch and Butter Pat. These deals enabled the accelerated launch of YETI cast iron cookware, and the limited release of the Bozeman backpack in 2024. This is what we mean when we talk about our capital allocation strategy driving innovation.

Notably, in the fourth quarter, we also acquired capabilities, technology and IP that provides us with a foundation to engineer and develop a unique powered cooler system. We believe this technology is highly complementary to our existing hard cooler portfolio, and is another example of the significant opportunity we see for future product innovation. Over the year, we also made great progress on our supply chain diversification. We achieved our target of 20% of our global drinkware capacity shifted outside of China by the end of 2024. And importantly, we are firmly ahead of plan and now expect that, by the end of 2025, to have 80% of US drinkware capacity located outside of China. Our team's strong operational execution across sourcing process and automation improvements, as well as cost and service optimization, gives us tremendous confidence in our ability to cost effectively support our growing global demand.

Looking ahead to 2025 and beyond, I'm more excited than ever about the opportunities to drive our business and our growing global brand. As we execute our plan, we expect to continue to deliver top line performance despite

anticipated FX headwinds and market dynamics that Mike will discuss in more detail shortly, while also expanding adjusted operating margins and strong earnings growth, all while maintaining a very healthy balance sheet. While we expect macro pressures to persist in 2025, our long-standing strategic growth priorities remain the same which we believe will support our ability to deliver long-term sustainable growth. Turning to brands. Numerous enthusiast communities are the core of what we do, supporting their activities and pursuits. The deep connectivity and trust we have fostered is evident in the testimonies of YETI owners and the strong engagement we've seen over the last year.

Our most recent US owner study, completed in December, underscores the strength of our brand. 2024 was the seventh consecutive year that 95% of YETI owners surveyed responded they have recommended YETI to peers, highlighting our incredible brand loyalty and a testament to our products. Moreover, the study shows that our consumers want us to be in the newer categories we're scaling, in particular, bags and travel. This, along with our key design attributes of durability, performance and design, gives us confidence in our unique positioning and differentiation in the market. To that end, in the fourth quarter, we continue to expand our presence and awareness through events, strategic partnerships and broadening ambassador engagement throughout our target communities, and made notable progress in the large, diverse and global worlds of hospitality and sports, where we continue to drive significant traction for our brand.

In hospitality, we secured partnerships with a number of premium, experiential and excursion-focused travel lodges and resorts across the US and globe. In Europe, YETI also had an unmistakable presence at two key film festivals in our largest European markets during the quarter. Most notably, the 2024 European Outdoor Film Festival (sic) [2024 European Outdoor Film Tour] (00:07:27) kicked off in October, attracting over 190,000 spectators across 10 different countries. At each stop, YETI's branded products were prominently featured. In sports front, our professional and collegiate sports partnerships accelerated in the fourth quarter, benefiting from events such as the NFL playoffs, Formula One's championship finale, and a college football playoff, featuring two of our partners in Notre Dame and Ohio State.

In the quarter, custom YETI bottles and cups were gifted at Major League Baseball's 2024 Rawlings Gold Glove Awards, as well as the 2024 Heisman Trophy ceremony. These are just a few recent anecdotes that highlight the relevance and resonance of our brand across occasions and pursuits on the field, in the stands, and at home. YETI's expanding partnership with the Oracle Red Bull Racing team is another great testament to the quality of partners we have and the trust in our brand. Our successful and long-standing drinkware and cooler partnership, which not only supports driver hydration but also pit crew performance, was on full display at the Austin Grand Prix in October and the Las Vegas GP in November, where Max Verstappen secured his fourth straight Formula One World Drivers Championship. Images of Max and team sporting YETI products at the Austin GP Race weekend earned our highest organic impressions in the fourth quarter.

The strong collaboration has culminated in YETI also being named as the team's official bags and luggage partner as we head into the 2025 season, outfitting one of the most traveled sports organizations on the planet. As we look forward to 2025 and beyond, we see incredible runway to grow with new and existing partners and to continue to extend our reach to new markets, communities and consumers. Now, turning to product innovation. 2024 was a landmark year for new innovation with 24 new product launches and record color introductions, driving strong demand and adoption across categories and geographies. Drinkware led on the innovation front, from hydration to broadening the portfolio into new areas such as barware, tableware and cookware. Overall, the breadth and depth of our drinkware category offerings clearly differentiates YETI, with products developed for frequency and consistency of use across consumers' daily lives, broadening consideration and ownership, while balancing and diversifying our portfolio.

The consumer demand we saw for these products across our channels gives us confidence that our diversification strategy is resonating, despite a more crowded and promotional hydration market focused on a very narrow set of solutions. On the cooler and equipment side, hard coolers saw excellent growth across both new innovation and legacy products throughout the year with sustained performance in our Roadie and Tundra hard cooler families. Strong holiday demand supports the premium product and price point innovation strategy we discussed in previous quarters. In soft coolers, our backpacks and thermal lunch-style bags continued their positive momentum into the year-end. Turning to bags, our portfolio had a fantastic quarter with great performance in our YETI Crossroads bags, Camino totes and SideKick and Panga dry bags.

We also launched our limited run Bozeman pack, nodding to what's coming starting in the first half of 2025 in a new range of everyday and all-weather bags. This limited run product inspired by YETI and Mystery Ranch designs, drew significant excitement and sold out quickly. We have a big opportunity in front of us with a massive global addressable market across premium bags, packs and luggage, and exciting launches that highlight our unique designs and capabilities, all leveraging our strong commercial engine and brand. After making major strides in new product innovation over the last two years, our focus on the first half of 2025 will center around new packs, lunch style bags and boxes, insulated food transport, updates to our flagship Roadie 24 cooler, and an exciting expansion in our premium chairs, to name a few, with more to come in the second half of 2025.

Raising awareness and broadening consideration and ownership of our suite of products is a key priority, while also continuing to address new areas for expansion with our innovation roadmap. In coolers, we see a strong growth path in both hard and soft cooler solutions as we address more areas across our consumers' day to day lives from smaller format thermal bags to powered cooler systems. This acquisition of the IP around powered coolers is one example of how we're leveraging our balance sheet, much like Mystery Ranch and Butter Pat, to support the strategic and globally relevant evolution of our business, further expanding our technology, capabilities and market opportunity. As our innovation pipeline ramps and we extend further into emerging and legacy categories, we're giving consumers more reasons to choose YETI without compromising on the durability, performance and design we're known for.

Turning now to our omni-channel strategy. As our portfolio of products grows, we continue to benefit from our diverse footprint across wholesale and DTC. Our flexibility to shift dynamically between channels allows us to maximize buying opportunities and strategically position our products, where our consumers want to shop. Starting with wholesale, our wholesale channel was strong throughout the year with new innovation resonating well with our partners and their shoppers, allowing us to maintain a solid channel inventory position. In the fourth quarter, our hard coolers were a highlight and we benefited from shelf space expansion at key retailers. Additionally, holiday merchandising around our giftable price points in drinkware, particularly barware and tableware, and our Camo relaunch saw strong demand. Notably, 2024 was the first year wholesale actively participated in YETI's Gear Garage event, which drove excellent demand and sell-through in the channel.

We remain very pleased with our wholesale relationships and the interest in our innovation. We also continue to evaluate expansion opportunities that address new consumers during differentiated purchasing occasions, but importantly complement our overall go-to-market. On the DTC side, we saw a continuation of softer overall traffic trends, we were able to maximize our impact by staying nimble and strategically allocating marketing dollars to our various channels through major shopping periods. Gear Garage was a key moment for us during the quarter with our Camo drop sparking huge demand, prompting high consumer engagement and purchase intent, which led to larger baskets and a continuation of increased consumer value we saw in the third quarter. While we observed increased competition and promotional intensity in the market, YETI continued past practice of using targeted promotions in these high-noise periods.

Additionally, following the launch of our YETI ID program last quarter, we observed a significant increase in account creation, enabling deeper engagement with our customers and a more unique and personalized experience with the brand. Amazon continues to perform very well as our team drive strong operational efficiencies across the marketplace, effectively reaching consumers who shop that channel. In corporate sales, we saw robust growth across all regions with strong inbound sales performance domestically and great traction in international markets through our ongoing execution. On the retail front, we hit our plan of 24 stores by the end of 2024, adding six to the fleet over the course of the year. From a strategic perspective, our stores continue to play an important role in exposing consumers to our full portfolio of products and raising overall awareness of our brand; importantly, lifting our omni-channel performance in markets where they're located.

Over the next year, we plan to continue growing our presence on a similar cadence to 2024. On the international front, 2024 was a terrific year, growing 30%, reaching 18% of our total business mix. We continue to see great traction across markets with our product resonating and our go-to-market strategy gaining significant momentum. In Europe, we saw remarkable growth in the fourth quarter and for the full year led by strong performance in the UK and Germany and broad demand across channels and partners. While we are still relatively early in our expansion with significant ground ahead, we continue to grow our presence at key events and across local retailers, ending the year with over 1,000 doors in the region. Over the next year, we will continue to focus on our omni-channel expansion by increasing our wholesale footprint, ramping up customization, and growing our brand.

Australia continued its strong momentum into the year-end, capping off an exceptional year. In the fourth quarter, our national wholesale partners delivered strong performance and our DTC channel benefited from robust drinkware demand, particularly in custom drinkware. The YETI brand has taken strong root in this market, and we're energized about the opportunities we continue to see to grow our consumer base and broaden our omni-channel presence. In Canada, we saw steady growth for the quarter and full year. In wholesale, we saw healthy sell-through at our key retailers despite a more challenging consumer backdrop. And in DTC, strong performance in our custom drinkware business and corporate sales drove our performance in the quarter. Looking to the year ahead, we want to continue to double down on our customization and corporate sales efforts, expanding our offerings and growing our brand presence in the market.

Over the next year, we will continue to drive forward our key international initiatives, growing brand awareness, and building our successful omni-channel. In 2025, we will also expand our presence in the Asian market. In January, we held our first market introduction event in Tokyo with our team, brand ambassadors, and partners all in attendance. We have already begun to lay the groundwork for the next step. And in the coming months, we'll begin executing our proven market expansion playbook by launching our go-to-market, building a localized wholesale footprint, and ramping up brand-building activities as we establish the YETI brand and prepare for future scale and growth. Before I turn the call over to Mike, I want to reiterate my excitement and optimism about the path ahead for YETI. Our compelling brand, diverse and growing product portfolio, and global market opportunity position us well to execute our long-term growth potential.

To that end, we look forward to providing more detail about each of our strategic priorities and how they will translate into long-term growth and future shareholder value at an Investor Day later this year. Finally, none of what I discussed today would be possible without our outstanding team and all of our partners whose tireless efforts and commitment to the YETI brand drive our vision forward and position us for continued growth, margin expansion, and profitability alongside our healthy balance sheet and strong cash generation.

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

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## Michael McMullen

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

Thanks, Matt, and good morning, everyone. I'll start by highlighting a few items that impacted our fourth quarter GAAP results in the current and prior-year periods, then I'll provide a review of our fourth quarter and full year 2024 performance. I'll then discuss our full year 2025 outlook before opening it up to your questions. First, our GAAP results reported today include an unfavorable recall reserve adjustment of \$9.9 million. This is related to the product recall that was first announced in early fiscal 2023. As we reviewed the trend of recall claims and costs in 2024 and projected out the reserve that we would need going forward, we made the determination that this reserve adjustment was necessary. In this adjustment, sales were unfavorably impacted by \$8.8 million due to higher estimated consumer recall participation rates, cost of goods benefited by \$0.7 million due to lower recall-related costs, and SG&A was unfavorably impacted by \$1.8 million primarily due to higher recall claim volume.

As a reminder, in the prior-year period we made a favorable recall reserve adjustment based on the trend of recall claims at that time. Per our standard reporting practices, the impact of these and other non-operational or non-recurring items are excluded from non-GAAP results. All results discussed on today's call will be adjusted non-GAAP metrics in order to better focus on the operating performance of the business during the fourth quarter and fiscal year 2024. YETI just completed an incredibly strong year in 2024. We grew sales 9% to \$1.84 billion with growth across all of our channels, categories, and geographies. We grew operating income 18% to \$309 million while still investing in future growth opportunities and infrastructure. We grew our earnings per share by 21% to \$2.73, which reflects the impact of \$200 million in accelerated share repurchases executed during the year.

We generated \$220 million of free cash flow and maintained our incredibly strong balance sheet while also executing on three acquisitions, two of which contributed to growth in 2024. And we did all of that while continuing to expand the product portfolio and grow the brand in both the US and around the world. Turning now to our fourth quarter results. Sales increased 7% to \$555 million, which was above our expectations. We were very pleased with the execution of our teams during the quarter. Three growth highlights include strong performance in coolers and equipment which grew 17%, 10% growth in our DTC channel, and continued strong momentum in our international business which grew 27% in Q4. I'll discuss each of these in more detail as I review our performance in each of our categories, channels, and geographies.

First, by category. In the fourth quarter, coolers and equipment sales increased 17% to \$189 million. This was above our expectations driven by excellent performance in hard coolers and in bags. Notably, this was our fourth consecutive quarter of double-digit growth in C&E. In hard coolers, as anticipated, our Roadie 15 performed extremely well during the holidays, following its launch in late Q2. In soft coolers, our backpack coolers and smaller size thermal lunch bags also continued to perform well. In equipment, bags had an outstanding quarter. We saw strong demand for our Crossroads, Camino, SideKick and Panga families. And our Mystery Ranch branded products performed in line with our expectations. As Matt said, we are incredibly excited about the upcoming launch of our new line-up of YETI branded Mystery Ranch-inspired bags in the first half of 2025.

Within cargo, our GoBox product family and accessories also contributed to our growth, and we believe there is tremendous opportunity to scale this category through both product innovation and higher overall consumer awareness in 2025 and beyond. For the full year, sales in coolers and equipment increased 14% to \$707 million. For drinkware, Q4 sales grew 3% to \$358 million. As Matt said, the overall US drinkware market experienced higher levels of promotions and elevated competition during the quarter. Our overall drinkware business in the US was down slightly year-over-year in Q4, but we saw good performance within several areas of our portfolio, including our highly giftable barware, our stackable cups and our bottle lineup. We believe this speaks to the importance of our efforts over the last few years to broaden and diversify our drinkware portfolio to over 60 individual products.

Outside the US, our drinkware business grew over 20% with significant room for further growth in both existing and new markets. For the full year, drinkware sales grew 7% to approximately \$1.1 billion, with growth in every region around the globe, including the US. Turning to our performance by channel. Direct-to-consumer sales were \$377 million, growing 10% in the fourth quarter, representing 68% of total sales. We saw growth across all of our DTC channels with notable strength in corporate sales and our Amazon business. One of the key success stories within DTC during the quarter was our drinkware customization offers, which are now live globally for both e-commerce and corporate sales customers. For the full year, DTC sales increased 9% to \$1.1 billion, representing 60% of our overall sales mix, in line with full year 2023.

The approximate mix within DTC remained relatively consistent year-over-year, with 51% from our global YETI websites and YETI stores, 25% from the Amazon marketplace, and 24% from corporate sales. In wholesale, sales increased 3% to \$179 million compared to the prior-year quarter. In the US, sell-through and sell-in grew at similar rates in Q4, both in coolers and equipment and in drinkware, with particularly strong sell-through growth within C&E. For the full year, wholesale channel sales increased 10% to \$743 million, driven by positive sell-in and sell-through growth in every market in which we operate, including the US. Shifting to our international business. We saw another quarter of excellent growth internationally with our business outside the US increasing 27% to \$109 million in Q4. All of our regions grew with Australia and Europe continuing their exceptional double-digit growth.

Our efforts to drive brand awareness, grow our distribution network and roll out our omni-channel model are working, and we see significant runway ahead of us as we continue to capitalize on the global opportunity for YETI. For the full year, international sales grew 30% to \$339 million, representing 18% of total sales, up from 16% of sales last year. Before wrapping up on sales, note that the fourth quarter included \$1.7 million of gift card redemptions related to remedies offered to customers impacted by the product recall compared to \$6.5 million in gift card redemptions during the same period last year. On margins, gross profit increased 8% to \$335 million, or 60.2% of sales, which is flat versus the prior-year period. Drivers of gross margin included lower inbound freight costs and lower product costs, offset by higher customization costs, and a number of other smaller items within our cost of goods sold. Full year gross profit increased 13% to \$1.1 billion, expanding 170 basis points to 58.6% of sales.

The full year gross profit expansion was led by lower inbound freight costs and lower product costs. Before moving on to our SG&A expenses for the quarter, we would like to note that our breakout of SG&A expenses will be shifting from variable and non-variable expenses to the following groupings: marketing costs, employee compensation and benefits costs, distribution and fulfillment costs, depreciation and amortization expenses, and finally, general and administrative costs. In the fourth quarter, SG&A expenses increased 7% to \$224 million or 40.3% of sales, which is flat compared to the prior-year period. Distribution and fulfillment expense leverage on higher sales was offset by higher employee compensation and benefits costs and higher general and administrative costs. Full year SG&A expenses increased 11% to \$768 million, increasing 40 basis points to 41.7% of sales.

Operating income increased 8% to \$111 million or 19.9% of sales, a 10 basis point increase over the fourth quarter last year. For the full year, operating income grew 18% to \$309 million, a 120 basis point increase year-over-year to 16.8% of sales. Net income increased 7% to \$85 million or \$1 per diluted share, representing growth of 11% versus the \$0.90 per diluted share in the prior-year period. On a full year basis, net income grew 19% to \$234 million or \$2.73 per diluted share, representing growth of 21% versus the \$2.25 per diluted share during the same period last year. Now, turning to our balance sheet. We ended 2024 with \$359 million in cash as compared to \$439 million at the end of 2023. We generated \$220 million of free cash flow during the year, which helped

enable the strategic deployment of capital that I mentioned earlier, including \$200 million in share repurchases and the acquisitions of Mystery Ranch, Butter Pat, and the IP for a future powered cooler platform.

Inventory decreased 8% year-over-year to \$310 million. Total debt, excluding finance leases and unamortized deferred financing fees, was \$78 million compared to \$82 million at the end of the fourth quarter last year. Now, turning to our outlook for fiscal 2025. We expect full year sales to increase between approximately 5% and 7% compared to fiscal 2024's adjusted net sales. With the growth of our international business and the recent strengthening of the US dollar, we expect an approximately 100 basis point headwind from FX in 2025. From a phasing perspective, we expect total growth to be stronger in the second half of the year versus the first half of the year, specifically driven by drinkware. Drivers of this dynamic include the pacing of our drinkware innovation, which is much heavier weighted into the second half of the year; and a stronger drinkware growth compare in the first half of the year versus the second half of the year.

Specifically, we expect low to mid-single-digit growth in the first half with growth in the high-single to low-double-digit range in the second half. From a channel perspective, we expect our wholesale and DTC businesses to grow relatively in line with each other in 2025. By category, we continue to expect coolers and equipment growth to outpace drinkware growth in 2025. We have great momentum in several categories within C&E, and given our planned innovation, we believe that we are set up for another strong year. We expect drinkware to grow in the mid-single digit range in 2025. That includes first half growth is approximately flat and second half growth that will approach double digits as our innovation engine resumes. By quarter, in the first half, we expect drinkware to be down slightly year-over-year in Q1, but return to growth in Q2. I also want to call out that the drinkware growth dynamics in the first half of the year are primarily within the US market.

We expect our drinkware business outside the US to grow consistently at a double-digit rate each quarter during 2025. From a geographic perspective, we expect total domestic growth in the mid-single-digit range and total international growth in the mid-teens, even with approximately 500 basis points of growth headwinds from FX. We expect international growth to be relatively consistent during the year, while the US will see stronger growth in the second half versus the first half. As Matt mentioned, we are also very excited about the launch of our Japanese commercial business during 2025. We see 2025 as a foundational year for YETI Japan with 2026 serving as the first full year of operations. We expect gross margins to remain relatively flat for the year with continued benefits from product costs offset by sales mix and FX headwinds.

From a phasing perspective, we expect the impact from sales mix to be largest in the first quarter and, therefore, we expect a roughly 50 basis point decline in gross margins year-over-year in Q1. The rest of the year, we expect small year-over-year increases in gross margin each quarter as sales mix normalizes. One dynamic that we have not included in our outlook for the year is tariffs. As you all know, it remains a fluid situation, which we are monitoring closely. As Matt said, we are ahead of plan in our efforts to strategically shift our supply chain outside of China. This progress has been made possible through the extraordinary work of our team and our strong, long-standing relationships with our existing suppliers. As we progress through the year, we will continue to look at all mitigating actions available to us, including price. For SG&A, we expect year-over-year growth to be slightly below our sales growth in 2025.

We will continue to invest behind our key initiatives, global expansion, supply chain diversification, continued DTC growth, and innovation acceleration. The timing of some of these discrete investments will drive roughly 250 basis points of SG&A deleverage in Q1, but we expect improvement as we go through the year, and we expect to end the year with roughly 10 basis points of leverage in SG&A. As a result, we expect adjusted operating income to increase between approximately 5.5% and 7.5% in 2025. We expect a year-over-year decline in operating income in Q1, but for the remaining three quarters, we expect operating income to grow in line to slightly above sales. We

estimate that FX will have a roughly 350 basis point impact on our operating income growth in 2025. Below the operating line, we expect an effective tax rate of approximately 24.5% for fiscal 2025, in line with the prior year.

Based on full year diluted shares outstanding of approximately \$84.3 million, we expect adjusted earnings per diluted share to increase between 6% and 8% to between \$2.90 and \$2.95 compared to \$2.73 in fiscal 2024. We estimate that FX will be a headwind of approximately \$0.10 per share in 2025. As it relates to our share repurchase program, our board recently increased our share repurchase authorization by \$350 million, bringing the total available under our authorization to \$450 million as of today. While our outlook does not include any impact from future share repurchases during 2025, we do expect to leverage share repurchases as part of our capital allocation strategy this year. We expect capital expenditures of between \$60 million and \$70 million, which reflects continued investments in technology, new product innovation and our supply chain. We expect free cash flow of approximately \$200 million in 2025, representing another strong free cash flow year for the business.

In summation, we are very proud of the results we delivered in 2024, even in the context of a challenging macro and consumer backdrop. While we anticipate headwinds from FX and continued inconsistency in the US market, we believe we are well-positioned to deliver against our outlook. We will continue to execute on our strategic priorities which we believe will support our ability to deliver long-term sustainable growth. 2025 is an exciting year for YETI and we are eager to continue growing our brand, delivering innovation, and driving omni-channel growth on a global basis.

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

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Your first question comes from Peter Benedict with Baird. Your line is now open.

**Peter Sloan Benedict**

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

Q

Hi. Good morning, guys. Thanks for taking the question. Mike, maybe on tariffs. So, was wondering if you could maybe frame for us – it looks like the 10% China tariff, maybe the one that's most certain here. I know you talked about being ahead of plan in terms of diversifying [indiscernible] (00:37:39) out of China. Maybe what would that level of tariff do to kind of the outlook, assuming no offsets? And curious, if you could maybe frame your exposure to some other markets on imports, places like Mexico that have been in the news of late? That's my first question.

**Michael McMullen**

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

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Hey, Peter. Thanks for the question. So, yes, if you took the tariff announcement on February 1 that went into effect on February 4, which is essentially the 10% tariff on goods coming out of China, we think that that would have less than a \$10 million impact on the year in terms of additional costs. That is not in our outlook for a few reasons. One, it's obviously a very fluid, dynamic situation. And number two, I mean, that's a – we view that as a manageable number that we are going to continue to work, and we're going to do that via additional cost optimization. And we're also – as we've said consistently, we are going to continue to look at price. But that kind of gives an idea of if that – the tariff that you referenced were to stay in place for the full year, that's what we could be looking at.

In terms of other regions, I guess Mexico is the one I'd call out. But it is a far lower piece of our business than what we talked about with China. And we're running the same playbook that we're running there, we're running in Mexico as well: continue to work with our partners to find ways to offset any potential costs. But obviously, nothing has been officially announced there.

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**Peter Sloan Benedict**

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

Q

Got it. Okay. That's really helpful. My follow-up would be kind of around the acquisition that you did in the fourth quarter. Do you expect that to – it doesn't sound like it's going to contribute to sales this year, but maybe it is a little bit. I don't know if you can maybe frame that. Or is this more of a development-type situation? And, Matt, just how do you – maybe speak to how you're thinking about maintaining discipline within M&A. You obviously have a lot of cash flow. I'm sure you guys get shown anything under the sun that's even remotely tangential to your business. Just maybe talk about your approach to M&A, how you're thinking about it and how you remain disciplined on that front. Thank you.

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**Matthew J. Reintjes**

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

A

Good morning, Peter. Thanks for the question. I'll start with the powered cooler technology and IP that we acquired in the fourth quarter. We're incredibly excited about how that fits within our overall architecture of hard coolers and how that fits underneath the YETI brand and the global opportunity for it. So, we're very excited about that. As you said, we don't expect it to contribute to 2025. It is in development program, off of a platform that we had spent some time looking at and had an opportunity to bring that in to accelerate what we think will deliver a – what we believe will deliver a unique powered cooler solution that fits alongside our Tundras and Roadies and the rest of our portfolio. So more to come on that, but we're working aggressively and actively on that program right now.

I think as it relates to broader M&A, I think what I would point to is, in 2024, two really good illustrations of how we think about M&A. We will look for things that bring ingredients or bring technologies or bring knowhow to accelerate stuff that very likely is already on our product roadmap and it gives us a chance to accelerate those programs fitting underneath the YETI brand. So, we're highly disciplined about how we think about M&A. As you said, it's – there's a lot of things out there. We have a lot of conversations and we enjoy kind of getting to see all the different areas where we believe YETI could go. We probably spend as much time on should we go there, and then how does that acquisition or how does the acquisition of the technologies, materials, capabilities, knowhow accelerate our vision for the expansion of the YETI product roadmap.

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**Peter Sloan Benedict**

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

Q

Great. Thanks so much. Good luck.

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**Matthew J. Reintjes**

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

A

Thanks, Peter.

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**Operator:** Your next question comes from Brooke Roach with Goldman Sachs. Your line is now open.

**Brooke Roach**

*Analyst, Goldman Sachs & Co. LLC*

Q

I was hoping you could elaborate on your comments regarding US growth in 2025 and the dynamics that you're seeing specifically in the US drinkware business. What are you seeing in wholesale versus DTC growth for US drinkware as you enter 2025? And what gives you confidence in that second half inflection to a return to stabilized growth in the US? Thank you so much.

**Michael McMullen**

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

A

Hey, Brooke. The first part of your question was, I think, muted. So, if we don't address everything you asked, please let me know. So, in terms of US drinkware in 2025, so, like we called out – we said – we think, in general, the US will be in the mid-single-digit growth range. We think drinkware globally will be in that range as well. We did want to provide some color really for the first time on kind of what we see at that US drinkware level. And we think it will be essentially flat in the – or drinkware, in total, will be flat in the first half, down in Q1. But as we look to the second half, I think there's a couple of things to call out. One, we do have our – the phasing or the pacing of our innovation is much more second half weighted this year. And I think one of the drivers of that is, all the work we're doing around our supply chain and diversification of that, I mean, that is – it does have an impact on sort of our – that did impact the pacing in our product roadmap this year, number one.

In terms of why we're confidence, because, when we will look at what we have planned coming out in the second half, I mean, we feel like it's a robust lineup that will allow us to get back to that growth rate. The other thing I'd say is, from a compare perspective, drinkware had a strong first half of last year. I mean, it grew 12% in the first quarter of 2024. And so, as we look at from a compare standpoint, there's a pretty big difference in terms of growth rate in the first half versus the second half for drinkware. And so, I think that's playing a role as well.

**Matthew J. Reintjes**

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

A

Hey, Brooke. This is Matt. The one thing I would add. Early in January, I was visiting our factories, the drinkware factories that we're transitioning out of China. And I would say that piece of a big focus at YETI in the first half of the year is the successful diversification of our supply chain, which allows us to have what we think is a really exciting innovation roadmap in the second half within drinkware. And so, I think when you think quarter to quarter, there's some movement there. Overall, we feel we feel great about the potential expansion in drinkware, the continued adoption of our new innovation in drinkware both in the US, and then, obviously, we expect continued outsized growth outside of the US with incredible runway in front of it.

**Brooke Roach**

*Analyst, Goldman Sachs & Co. LLC*

Q

Thanks, Matt. And if I could just follow up, can you discuss the outlook for DTC versus wholesale dynamics in the US market going forward? It seems like you've got some great momentum with ongoing legacy consumers and lovers of the brand, some good innovation coming. How does that play out in DTC versus wholesale in your core market?

**Matthew J. Reintjes**

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

A

Yeah. I think in the US, it's been interesting, as we went into the 2020 period and the hard shift to DTC, and what we've been excited about is our ability to retain the customers that we acquired through that period and build a strong DTC business, what's been as exciting as watching wholesale come back over that time. And so, we think

we've got a really balanced omni-channel. I think the diversification we have underneath DTC and the diversity of wholesale partners we have, we think gives us a lot of opportunity to win and to find areas where we can continue to grow. And so, I think we haven't updated any sort of long-term view on DTC versus wholesale. But I think they're working in a really complementary way right now. We have incredible wholesale partners. We have strong DTC channels.

And so, that's – our focus is really how do we drive getting YETI in front of consumers when and where they want to shop. And we're following what we think has been a change of consumer dynamic on where they choose to shop.

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**Brooke Roach**

*Analyst, Goldman Sachs & Co. LLC*

Q

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

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**Operator:** Your next question comes from Megan Lapp (sic) [Megan Clapp] (00:47:24) with Morgan Stanley. Your line is now open.

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**Megan Clapp**

*Analyst, Morgan Stanley & Co. LLC*

Q

Hi there. Thanks so much. Just first wanted to clarify one thing. I think you mentioned a 53rd week in the press release in 2025. I don't think that's something most and consensus were modeling. So, I just wanted to clarify that the 53rd week is included in your top line. And how does that play into the first half, second half dynamics for top line growth? If I'm doing my math correctly, I think it could be kind of 4 points to the back half. So, is that part of the expected acceleration in the back half as well? Thank you.

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**Michael McMullen**

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

A

Hey, Megan. Thanks. Thanks for the question. So, I think the 53rd week for us is a relatively minor impact. It is less than a point of growth on the total year. The last time we saw this in 2020, we called out less than a point of growth, and that one – it was when we were much smaller than we are now. It's our lowest week of sales of the year, so minimal impact from a top-line perspective. And if anything from an operating income, it's slightly diluted on the year. So, no real impact that we would call out from that 53rd week.

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**Megan Clapp**

*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. Great. That's super helpful. And maybe as a follow-up on drinkware, I wanted to just ask a little bit more about the competitive environment and the promotional intensity you're seeing. Did you see anything in the fourth quarter or anything year-to-date that you would describe as potentially irrational from competition? And I think you mentioned in the prepared remarks that you continued your strategy of maintaining more targeted promotions. But if you are seeing a bit more promotional intensity, how do you think about adjusting your promotional strategy or your pricing strategy in that category to make sure you're maintaining share?

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**Matthew J. Reintjes**

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

A

Hi, Megan. While I won't speak to the rationality or irrational behaviors of others in the market, what I would say is we believe and we continue to show that our diversification of our drinkware approach is working, and is showing

resonance with consumers that we can continue to use promotions as a tool for transitioning in and out of products as we drive more innovation, as we continue to up the cadence of our innovation. I don't think – I think it's more about the market backdrop and kind of the consumer mindset than something that we're going to strongly react to. I also think, as I mentioned in my remarks, the idea that we continue to broaden and diversify the use cases and the reasons for people to buy is going against a bit of where the focus is in the drinkware category right now, which tends to be around a pretty consolidated set of products. And so, I think we feel good about I feel good about our short-term strategy.

I feel really good about our midterm strategy and continue to drive YETI growth, and YETI relevance in drinkware, both in the US and, obviously, around the world.

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**Megan Clapp**

*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. Awesome. Thank you.

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**Operator:** Your next question comes from Randy Konik with Jefferies. Your line is now open.

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**Randal J. Konik**

*Analyst, Jefferies LLC*

Q

Yeah. Thanks a lot. I guess a couple of things. Just on the – Matt, when you talked about innovation advancing, maybe just give us your perspective on how do you think about what that looks like, is it next 12 to 24 months, and how that's perhaps different or the same, and including the [indiscernible] (00:51:21) amount of newness that we've seen in the last couple of years? Just kind of contextualize that for us. And just on the bags side of the ledger, maybe just also give us some perspective on how big is that kind of category now and kind of what you think about the opportunity long term there as it relates to the innovation question. Thanks.

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**Matthew J. Reintjes**

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

A

Yeah. Thanks. Thanks, Randy. I think what I would say is you saw an up-tempo in innovation in 2024, and that was really the result of a little bit of catch-up from the 2020-2021 period, and getting back online with our partners and incredible work by our product development team. I think that that pacing is going to be largely consistent going forward. We see opportunities to continue to bring vitality and expansion in our drinkware as we've talked about a couple of times on this call. You've seen us bring vitality and expansion into our hard coolers and we've called out the success of that work. I think we see the same thing in our protective case in GoBox line of products. And I called out even some things on the call an expansion into our chair – our small chair franchise, which is really fun, and it's a great product that I think is very, very YETI.

I think as it relates to bags, we've talked about early this year two new families of bags coming out. One of those a direct result of what we think is our thoughtful approach to M&A. So, it has some of the ingredients that we acquired in Mystery Ranch with the design and capabilities that we had at YETI. So, I think it would be a great kind of new step into what we think is a really, really large global bags and travel opportunity. We haven't dimensionalized the size of our bags business today, but we did call out the strong growth in 2024, the kind of acceleration of the cadence of innovation that we have coming in 2025. And I think in that category specifically, you're going to see us do more and more of that. And that is – and I think it fits with the YETI brand, it fits with the YETI consumer, both the existing ones and the ones we acquired. And so, we're very excited about what that can become.

**Randal J. Konik**

*Analyst, Jefferies LLC*



Great. Last question. Maybe it will be helpful to us, if you dimensionalize international from the vantage point of, I think you said mid-teens growth. And maybe kind of talk about what countries that's primarily coming from. And then, maybe kind of looking out a few more years from now, the country opportunities of focusing may not be in yet or maybe starting just to go into [indiscernible] (00:54:14) part of that growth forecast for 2025. Just kind of give us some perspective of that [indiscernible] (00:54:21) growth opportunity in the international markets and where the markets are ahead. Thanks.

**Michael McMullen**

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



Hey, Randy. So, in terms of the first part of the question, I'll take, I think – well, first of all, we've got growth planned in 2025 or included the outlook in every region outside the US. We talked about the strength in 2024 of Europe and Australia, and I think it's fair to say that that's planned to continue in 2025 with the faster growth coming from Europe, given the size of that – of our business there. We haven't been there as long as we've been in Canada or Australia. And frankly, just the overall market opportunity that we have in front of us in Europe. So, that's going to be our fastest growing region in 2025. The other thing that we talked about was Japan. We will start our commercial offer – our commercial sales there. But it's not at an overly significant impact in 2025. I think really the first full year we'll expect that to be a meaningful driver is 2026.

**Matthew J. Reintjes**

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



Yeah, Randy. Let me just add a little bit of color on that. So, when we think about the UK and Europe alone, we're so early stage in the potential opportunity there, and we have an incredible team that is kind of building the momentum in that market that I think – I think we're going to be talking about the UK and Europe as a growth driver for YETI for years to come. And I think that's got that kind of opportunity just based on product relevance, market size, what we're seeing across multiple countries, both the English-speaking and the non-English-speaking parts of the UK and Europe. In early January, I was in Tokyo for the launch of our brand there. We had partners from all over the region or potential partners from all over the region that showed up to a mini trade fair that we held in Tokyo. And I will tell you, it felt like what I had seen when we got going in the early days in Australia, in the early days in the UK, the early days in Germany.

The energy and the potential really – I walked away from that with our team, and we're fired up for what Asia can bring.

**Randal J. Konik**

*Analyst, Jefferies LLC*



Very helpful. Thanks, guys.

**Operator:** Your next question comes from Peter Keith with Piper Sandler. Your line is now open.

**Peter Jacob Keith**

*Analyst, Piper Sandler & Co.*



Thanks. Good morning to both of you. I know you talked about having a very diverse DTC customer base as well as a diverse group of wholesalers. Could you talk about what sort of things you're doing just to raise customer

awareness around product launches? And as you have this higher tempo of launches, does that also require maybe spending a little bit more on advertising?

**Matthew J. Reintjes**

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

A

Yeah. Peter, good morning. A couple things on that. I think what the diversity of our channels does is, whether that's DTC and everything from our flagship e-commerce sites to Amazon to the corporate sales is it gives us pretty efficient ways to get out in front of consumers. And so, it's a cost =-efficient – in many ways, a cost-efficient way of creating marketing. Our corporate sales, our partnerships, Amazon in particular, in there. I think the thing that we're looking at, and you'll start to see a shift is we're actually moving some of our marketing up funnel a bit to the mid funnel to create that combination between brand awareness and product marketing and awareness versus lower funnel transaction which I think is the more contested – the contested part of marketing spend right now. So, what we're doing is we have kind of a constant review between broad brand awareness spend and our performance marketing.

And we're pretty dynamic period-to-period on where we're putting the pressure out there. We keep the hum of building the overall brand halo through many of the things that you're familiar with, ambassadors, partnerships, our sponsorship-type relationships. And then, as we go down into the more kind of product launch awareness-type, mid-funnel things, we move between brand-focused and product-focused. So, I would say I wouldn't expect a big pop in our marketing spend. It's more about the micro adjustments we make within what we think is a really, really thoughtful kind of marketing budget.

**Peter Jacob Keith**

*Analyst, Piper Sandler & Co.*

Q

Okay. Helpful. And then maybe just as a related question. As you're leaning into some categories, whether they're new or existing like bags, cookware, chairs, are you thinking about expanding wholesale relationships maybe with some niche players? Or is this something where you leverage the existing wholesale relationships you have in place today?

**Matthew J. Reintjes**

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

A

I'll start with we have a – as you called out and I mentioned earlier, we have a diverse set of wholesalers that we think can represent our product portfolio. Now, as our portfolio evolves, all wholesalers aren't probably the right place for everything just based on the nature of the customer that comes in and what they represent. So, one of the things we work very closely with our existing partners on is the merchandising and what makes sense inside their stores. Alongside that, I mentioned in the prepared remarks we're constantly looking at partners that we think could fill in and complement our wholesale and then ultimately complement our entire omni-channel. Whether that is some more kind of homewares-type places for some of our recent launches in 2024 or as our portfolio expands, as bags expands, it creates potential new opportunity for places for YETI in wholesale to be placed.

So, no different position or shift from, I think, where we've been over the last 9, 10 years which is we want to build as strong a wholesale network and as complementary a wholesale network as we can to support the product roadmap that we have and the product roadmap that's coming.

**Peter Jacob Keith**

*Analyst, Piper Sandler & Co.*

Q

Very good. Thank you very much.

**Operator:** Your next question comes from Sabrina Baxamusa with William Blair. Your line is now open.

**Sabrina Baxamusa**

*Analyst, William Blair & Co. LLC*

Q

Hi. This is Sabrina on for Phillip Blee. Thanks for taking our question. Could you provide some insight into how demand trends have been tracking quarter-to-date? And then, any insights into sell-through or sell-in trends?

**Michael McMullen**

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

A

Hi. Good morning. So, we don't traditionally provide sort of commentary of the current quarter when we release earnings. But in terms of sell-in and sell-through, what I'd say is first of all, we saw sell-through growth overall for the year last year in every region, including [audio gap] (01:01:50). The other thing I'd say is in Q4 specifically, sell-through and sell-in were aligned for each category. So, we saw really strong growth within C&E, both in sell-in and sell-through, and drinkware sell-through kind of matched the sell-in that we saw. So, I think where that left us is we feel good about where channel inventories are. They're healthy sort of heading into the year, and we'll continue to manage that as we go through 2025.

**Sabrina Baxamusa**

*Analyst, William Blair & Co. LLC*

Q

[ph] Great. (01:02:27) Thank you. And then, going back to kind of the promotional environment, kind of [audio gap] (01:02:33) competitive and promotional pressures during the fourth quarter. Do you expect those to remain elevated headwinds going forward? Does your guide embed some of that normalizing throughout the year?

**Matthew J. Reintjes**

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

A

Yeah. I think that we do expect that drinkware in particular – I think some of this is related to the fact that it's a pretty consolidated assortment out there that's competing for a relatively narrow portion of the market. And I think there's a lot of competition around creating – kind of playing into the value piece, so I wouldn't expect it to end. We contemplate all of that in our guide. I think more importantly, our expansion strategy which we've had underway for a number of years, we think, is the ultimate mid and long-term defense to kind of the competitive environment that exists right now and we think will continue to persist in 2025.

**Sabrina Baxamusa**

*Analyst, William Blair & Co. LLC*

Q

[ph] Great. (01:03:35) Appreciate the help. Thanks.

**Operator:** Your next question comes from Joe Altobello with Raymond James. Your line is now open.

**Martin Mitela**

*Analyst, Raymond James & Associates, Inc.*

Q

Hi. Good morning. This is Martin on for Joe. Where do you see wholesale growth coming from? Is it new doors or expanded shelf space? And additionally, you did mention wholesale expansion opportunities that address new consumers. What might that look like?

**Michael McMullen**

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

A

Yeah. In terms of the first part of the question, I think it's a – like Matt said, we're constantly looking at new opportunities within wholesale. We don't have a significant store expansion planned in our outlook. What I'd say is it's a combination of sell-through growth, of assortment expansion as our product portfolio grows. We're having conversations with our existing wholesaler partners about looking at ways to sort of accommodate that expansion. And we've seen good success there as our product portfolio grows. So, I'd say it's a combination of both just overall consumer demand, and us constantly looking at our footprint and optimizing our wholesale footprint.

**Matthew J. Reintjes**

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

A

Yeah. And, Martin, I would just add to the piece the question about kind of expansion opportunities. I mean, our focus is on where people shop for what. And as our portfolio continues to evolve, we continue analyze our wholesale footprint and say, do those match and do we intercept the consumers in those shopping occasions? And so, it's a broad range from small independents to bigger players that are the opportunities for us. I wouldn't say the opportunity set has fundamentally changed. Our analysis of them is what we kind of keep calibrating on. So, nothing specific to call out. But we are focused on and we have been for years on we want strong wholesale partnerships that continue to grow, and we want to bring innovation to them. So, we bring newness to their customers. And those are the best relationships we've had for years.

**Martin Mitela**

*Analyst, Raymond James & Associates, Inc.*

Q

Great. Very helpful. Thank you.

**Operator:** There are no further questions at this time. I will now turn the call over to Matt for closing remarks.

**Matthew J. Reintjes**

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

Thanks, everyone, for joining us. We look forward to speaking with you on our Q1 call.

**Operator:** Ladies and gentlemen, this concludes your conference call for today. We thank you for participating, and I ask that you please disconnect your lines.

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