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YETI Holdings, Inc. (YETI)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to the YETI Holdings Second Quarter 2025 Earnings Conference Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. This call is being recorded on Thursday, August 7, 2025.

I would now like to turn the conference over to Arvind Bhatia, Head of Investor Relations at YETI. Please go ahead, sir.

Arvind Bhatia

Vice President-Investor Relations, YETI Holdings, Inc.

Good morning and thank you for joining us to discuss YETI Holdings' second quarter fiscal 2025 results. Leading the call today will be Matt Reintjes, President and CEO; and Mike McMullen, CFO. Following our prepared remarks, we will open the call for your questions.

Before we begin, we would like to remind you that some of the statements that we make today on this call may be considered forward-looking, and such forward-looking statements are subject to various risks and uncertainties that could cause our actual results to differ materially from these statements. For more information, please refer to the risk factors detailed in our most recently filed Form 10-K and subsequent Form 10-Qs. 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 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 would now like to turn the call over to Matt.

Matthew J. Reintjes

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

Thanks, Arvind, and good morning. Before we discuss our second quarter results, I want to take a moment to acknowledge the devastating floods that recently hit our home state of Texas. Our hearts continue to go out to our Central Texas community, the families and friends impacted by this tragedy. I specifically want to acknowledge and thank the first responders, volunteers, and our long-standing partners at Operation BBQ Relief, who deployed to provide meals to impacted communities all over the country during natural disasters. Give them a follow. Their simple act of a hot meal is incredibly impactful.

We're also deeply grateful for the overwhelming support and generosity of the YETI community across all 50 states who stepped up to purchase the special edition Texas Strong tumbler. All sales generated from these 10,000 Ramblers went to support the long road to recovery in Kerr County, Texas.

Turning now to YETI, I'm excited to share that we are making excellent progress on our long-term strategic priorities, driving innovation, expanding our global presence, and broadening our customer base, plus more near term, transforming our supply chain. These efforts are delivering results in several ways. We're seeing increased momentum in product innovation with notable strength in bags and packs. Our international expansion is thriving with outstanding performance in the UK and Europe and strong demand from our end consumers in Canada and Australia. Our brand continues to grow, resonating with audiences both at home and around the world. At the same time, we're executing a major transformation in our supply chain that is setting us up extremely well for 2026 and beyond.

While top line demand in Q2 came in slightly below expectations, reflecting ongoing macroeconomic uncertainty and cautious behavior from consumers and our retail partners, we believe the actions we're taking position us extremely well for long-term sustainable growth in both revenue and earnings.

I'd like to take a few minutes to outline how we plan to deliver on our growth ambitions beginning with product innovation. First, we were on track to open our Asia-based innovation center in Thailand later this month. I had the opportunity to visit and meet with our local team in July, and I came away energized by their talent, passion, and capabilities. This facility will complement our Austin innovation center, significantly increasing our speed and capacity for product development and further enhancing our innovation capabilities. Importantly, it marks a critical step toward establishing a 24/7 global innovation cycle, continuous product iteration, faster time to market, and greater agility in responding to market opportunities.

Second, our teams continue to execute exceptionally well against a robust innovation pipeline. As a result of the up-tempo pace of innovation you have seen, we're now on track to exceed our prior target of launching 30 new products in the fiscal year, even while making strategic trade-offs to advance supply chain diversification. A large portion of these new launches are limited to initial releases, setting the stage for the full force of our innovation to power our growth in the quarters ahead.

In Drinkware, while the market remained highly promotional and, as we have discussed, continues to shift away from the recent trend-driven growth, we remain focused on broadening our portfolio in sustainable innovation while maintaining our discipline on high-quality profitable growth. We are seeing this play out in response to our

first food bowls, insulated food jars, updated Rambler jug, and travel bottle. We expect similar momentum later this year as we expand into our new half-gallon and 40-ounce sports jugs. Meanwhile, straw bottles and stackable cups continue to perform well for us. Our underlying innovation in Drinkware is performing well, and as we have seen the market clean up, we are expecting to return to growth later this year, driven by our innovation and stabilization in the overall Drinkware category.

Supporting our continued reach and relevance in health, wellness, sport, and lifestyle, we recently acquired designs, tooling, and intellectual property to enable us to bring a patented, category-leading shaker bottle into the YETI family. This innovation fits seamlessly with our commitment to delivering premium, high-performance products. Moreover, our accelerating innovation and launch of exciting new products under the YETI brand showcases how we leverage open innovation in combination with our powerful internal product development machine.

In Coolers & Equipment, our new smaller format but high-performance and appropriately named Daytrip soft coolers positions us well in the \$50 to \$150 price band and complements our \$200 to \$350 high-performance soft coolers. The data has demonstrated impressive early traction, even with limited inventory in the second quarter. Higher priced soft coolers were more challenged in the quarter as we saw some evidence of consumer trade down. While we expect the higher-end products to be staples of our portfolio long term, we are pleased with our strategy to capture a consumer up and down the price and performance ladder.

We also extended our highly regarded chairs with our first beach chair launched just in time for the peak summer. In addition, our Roadie 15 and wheeled Roadie 32 hard coolers, which launched a strong reception more than a year ago, have continued to see great performance.

In bags and packs, our momentum is unmistakable. Our rugged all-weather Cayo backpack debuted in late Q2 to rave early reviews and exceeded our initial expectations. Meanwhile, the Ranchero backpack introduced in Q1 continues its ascent, recently clinching the title of Best Outdoor Daily Pack by Men's Health. These wins not only underscore our relentless commitment to innovation, but also cement our leadership in delivering performance-driven, highly sought-after gear supported by a broad brand umbrella.

Equally exciting is the performance of our long-standing Camino totes and Crossroad (sic) [Crossroads] backpacks. Camino has experienced a notable spike recently as mostly sold out domestically across all channels, including yeti.com and wholesale.

For context, Camino launched in 2018 and has garnered over 5,000 4.8-star reviews. It's a great product, full stop. And as many of you heard me say over the years, it might be YETI's most versatile product and has been my personal favorite since launch. The broadening consumer interest highlights the product's incredible design and styling, backed by practical versatility and durability. With a large market opportunity in bags and Camino innovations on the horizon, we're well-positioned to build on this momentum and deliver meaningful growth over the long-term.

This wave of enthusiasm for Camino is creating a halo effect, fueling elevated interest across our bags and packs lineup, including our everyday, travel, and dry bags, and amplifying our brand's momentum. What we are seeing with Camino underscores the enduring popularity and the lasting appeal and reliability of our innovation in the market. Speaking to the timeless nature of our brand and design, our product remains bestsellers years after launch, reflecting not only the desirability but also the functionality.

Overall, we expect our Coolers & Equipment business to perform well in the back half as our bags category continues to build and inventory availability for our innovation improves. I'm very encouraged by how our product engine is gaining momentum and how well we're positioned to build on this strength in the second half of the year and into 2026. We continue to drive incremental investment towards product and R&D and are seeing the benefits of this investment.

The second key growth pillar for us is international expansion. I'm pleased with how the YETI brand continues to resonate strongly outside the US, supported by a growing, diversified product portfolio and disciplined execution of our go-to-market strategies. Europe once again delivered very strong growth in the quarter. This reflects both rising brand awareness and the effectiveness of driving engagement with our localized approach. We believe our model is scalable and will support sustained growth across the European market.

In Japan, late in the quarter, distribution rapidly expanded from 17 to over 270 doors, and we're targeting more than 400 doors by year-end. We've also established a digital presence and initiated localized marketing to build awareness and engagement. In early July, we hosted our second successful trade show in Tokyo, drawing nearly 400 buyers, media, and influencers, highlighted by strong enthusiasm and pent-up demand.

As we move into the second half of the year, we're focused on executing our go-to-market, supported by strong alignment between the YETI brand and Japanese consumers' appreciation for premium, well-crafted product. Against a large outdoor market and early investments in community engagement and partnerships, we're optimistic about Japan and the rest of Asia's long-term potential as a meaningful contributor to our international growth.

In Canada, we're seeing sustained end consumer demand even as the wholesale selling environment is cautious. Localized marketing and strong performance from new innovation and color infusions have driven brand interest and momentum.

Sell-through in Australia remained strong in our tracked channels supporting our positive international outlook. While certain retail partners slowed their purchasing during Q2 against an expanding consumer demand, we're encouraged by the rebound we have seen quarter-to-date in Q3.

Our third key growth pillar is broadening our global customer base. We are relentlessly elevating brand awareness, deepening engagement and forging long-term loyalty for the brand. This commitment drives us to connect with more people more meaningfully across the globe. To that end, I'm excited to announce today that we're launching a strategic partnership with Fanatics later this month. This collaboration significantly expands our presence in sports.

Additionally, we're bringing team-colored drinkware and hard coolers to fans across all 32 NFL teams; many MLB, NHL, and over 50 NCAA programs. Our products will be available on yeti.com, YETI stores, certain wholesale partners, Fanatics.com, league and team sites, and at live events, further strengthening our connection with passionate fanbases and driving long-term growth in this vertical.

As we continue to deepen engagement with our global communities, our recent events and partnerships exemplify YETI's commitment to authentic connection and brand growth worldwide. During the second quarter, YETI had a presence in over 70 events globally, connecting with diverse enthusiast communities across sports, culinary, entertainment and beyond. In May, we hosted our inaugural WILD Private Dining Room experience at The Ecology Center in San Juan Capistrano, California, to celebrate the launch of our Outdoor Kitchen collection. This immersive event featured a five-course live-fire meal prepared by YETI global chef ambassadors and served

in YETI cookware and tableware. Attended by media, creators, and ambassadors, the event brought our culinary story to life.

At the 2025 Calgary Stampede in early July, our long-standing partnership included direct sponsorship, consumer activation, and meaningful engagement with media, ambassadors, and partners. Attendance was nearly 1.5 million and our onsite mobile customization machine drove strong sales performance. Importantly, we had YETI ambassadors competing with our own Shad Mayfield delivering a winning run. This is a standout example of multifaceted engagement, delivering both brand impact and commercial results.

Our team in Australia proudly supported our ambassador and surfing legend Mick Fanning's Charity Golf Day, which raised over \$700,000 for flood affected communities in Northern New South Wales. The event reached an audience of over 11 million, amplifying the impact of this incredible organization.

Last month, YETI had a large presence at The Game Fair in the UK, an annual celebration of British countryside culture and a touchstone for YETI's UK community engagement. The event had nearly 130,000 attendees and marked our highest grossing three-day selling event globally. It was awesome.

Our media strategy continues to amplify brand visibility and product storytelling for original content like YETI Presents, partner films, shorts and our new field test series. We're reaching audiences across platforms while showcasing the durability, performance, and design of our products. This year marks the 10th anniversary of YETI Presents, with 85 films released to-date, generating over 33 million views and 2.6 million hours of watch time.

Our field test series pushes YETI gear to the extreme. In the first episode shown across YouTube, Instagram, and TikTok, our new all-weather Cayo backpack was subjected to harsh real-world conditions, mud, water, impact and more, highlighting its rugged water-resistant design and reinforcing our commitment to performance-driven innovation.

Meanwhile, recognizing the breakout momentum behind the Camino, our team acted swiftly to seize the opportunity, amplifying the surge in consumer demand with a targeted campaign. By intensifying our social efforts and collaborating with key creators, we supported the product's position. Strategic digital activations and timely engagement with our community ensured that excitement translated into real business impact, solidifying the Camino's breakout status and laying the groundwork for sustained growth.

Looking ahead, the momentum we're seeing across global communities underscores the significant opportunity to further penetrate new and existing markets. To that end, we're making incremental investments behind both brand and social campaigns to increase reach, frequency, and engagement as we expand our customer base and strengthen brand equity worldwide.

Turning to our omni-channel performance. As we expand our product portfolio, we continue to meet consumers where and how they prefer to shop. In wholesale, we saw some cautious ordering and tighter inventory management from partners. Despite this, demand remains strong for innovation, and inventory levels remain healthy across the portfolio. We continue to monitor these dynamics closely while exploring new opportunities to expand our reach to underserved consumer segments.

In our direct-to-consumer channels, performance on the Amazon Marketplace remained robust as we capitalized on the diversity of our omni-channel approach to meet evolving shopping behaviors. Corporate sales also delivered outstanding results, propelled by our deepening strategic partnerships, especially in the sports and hospitality sectors as we continue to leverage our advanced customization capabilities.

On YETI.com, site traffic was up, and we saw strong engagement with new product launches and a continuation of trends around increased customer value. However, conversion rates were below expectations amid less intentional shopping behavior. We're applying key learnings from our May Drop Days campaign to enhance account creation, engagement, and conversion, including early access, designed to grow our customer base and build brand affinity.

In retail, we opened our 27th store in early June and plan to open our 28th store next week, which will be our last store opening for the year. While we remain very excited about the long-term retail potential for us, as I previously shared, we are intentionally slowing the pace of new store openings in the near-term. Our focus is on optimizing the performance of our existing fleet as we continue to see the positive impact in lift in our wholesale and direct channels in locations where a YETI retail store anchors the market. I fully expect future-paced store expansion to be part of YETI's complementary go-to-market.

Next, I want to switch gears and talk about one of our highest near-term priorities, which is the transformation of our global supply chain. This year, I've had the opportunity to visit all of our key suppliers across Southeast Asia, see their factories and witness firsthand the incredible progress being made. I was fired up by the momentum on the ground and a clear commitment from our partners to support this critical transition. I'm pleased to report that we remain firmly on track with our accelerated diversification strategy. We continue to expect that by year-end, on a go-forward basis, less than 5% of our total cost of goods sold will be exposed to US tariffs on goods sourced from China.

Importantly, we will have our multi-country sourcing strategy fully in place. This is a testament to outstanding vision and execution by our product and supply chain teams. They are some of the best in the business, and I could not be more proud of the impact they are having on YETI.

This positions us exceptionally well to enter 2026 with a more resilient, agile, and diversified supply base, one that enhances our ability to scale globally while mitigating geopolitical and operational risk. Amid a dynamic environment, our fortress balance sheet and healthy free cash flow continue to support investments in growth and innovation while also advancing our capital allocation priorities, including share repurchases. Mike will provide a further update on capital allocation in his prepared remarks.

As it relates to our full-year 2025 outlook, we are modestly adjusting our top line expectations to reflect a slightly more prolonged recovery in the Drinkware market in the US. At the same time, we're raising our EPS outlook, thanks to our operating discipline and tariff relief on the China sourced goods, partially offset by new tariffs elsewhere.

Given the unprecedented tariff uncertainty and shifting macroeconomic landscape since we announced a targeted late 2025 Investor Day, we've made the strategic decision to move our Investor Day to the first half of next year. This timing, importantly, will allow us to showcase the full impact of innovation acceleration in our broadening product pipeline, the capabilities of our diversified and resilient supply chain, and provide a clear view of our long-term growth and margin expansion initiatives.

Looking ahead, with breakthrough innovation, surging brand momentum, and a world of global opportunity in front of us, we have a great setup, redefining what's possible for YETI. Summarizing my thoughts a bit here, I recognize that ups and downs can be part of any great brand and growth story, and some innings are tougher than others, but all great franchises string together wins season after season. While I like our track record, the

opportunity in front of our team is even greater. I remain highly confident in our strategy, direction of travel, and that this team will deliver on YETI's potential.

To emphasize the point, the strength of our brand is a key differentiator, resonating deeply with a growing base of loyal customers around the world. We're in the early phase of realizing the impact of product expansion and a significant global opportunity providing substantial runway for growth. We've built a tested, proven, and resilient business model.

I want to thank our YETI team for their passion and unwavering commitment to our brand and long-term vision. We're well-positioned to continue to break norms and reset expectations of what a product should be and what a brand can be.

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

Michael McMullen

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

Thanks, Matt, and good morning, everyone. Let me start by reviewing our performance for the second quarter of 2025, after which I'll discuss our revised full-year outlook before opening the floor for questions. As a reminder, all results presented on today's call will be on a non-GAAP basis to better focus on the operating performance of the business during the quarter.

In the second quarter, sales decreased 4% to \$445.9 million, which was slightly below our expectations. As Matt mentioned, this was due to more cautious spending from consumers and our retail partners. At the product category level, Drinkware sales declined 4% to \$236.4 million. The US Drinkware market remained challenging, reflecting a more promotional environment, compounded by temporary inventory constraints stemming from our ongoing supply chain transition, but we continue to be pleased with how our new products are performing.

Coolers & Equipment sales decreased 3% to \$200.6 million in the second quarter. We saw a continued growth in hard coolers, offset by decline in soft coolers. Our bags business gained further traction as we expanded our product lineup and capitalize on the significant opportunities within the bags and packs market. As Matt mentioned, we expect our business in the Coolers & Equipment category to improve meaningfully in the back half of the year, driven by our innovation and improved inventory availability.

Turning to our performance by channel. Direct-to-consumer sales decreased 1% to \$248.6 million, accounting for approximately 56% of total sales during the second quarter. Our Amazon Marketplace remained strong, both in the US and internationally, as we leveraged our omni-channel model and supported it with a strategic allocation of marketing dollars. Corporate sales also remain robust in the US with momentum building internationally following the recent global rollout of customization and as we add strategic partnerships around the world.

Strong performance in these direct-to-consumer channels was offset by softer US e-commerce demand. We saw lower than expected conversion on YETI.com, which offset both higher average order value and higher traffic year-over-year.

In the wholesale channel, sales were \$197.3 million, decreasing 7% compared to the prior-year quarter, with declines in both the US and in our international regions. The year-over-year decline within our wholesale channels outside the US was driven by ordering patterns by some of our retail partners, which I will discuss in more detail during my comments on our international business. In our US wholesale channel, the primary driver of the year-over-year decline was Drinkware, reflective of the highly promotional overall market and an increased level of

caution from consumers and our retail partners. We believe this is a transitory issue, indicative of macroeconomic headwinds. Our strategy to broaden our wholesale channel and drive engagement with a wide range of consumers across markets, pursuits, and demographics remains unchanged.

Finally, sell-through growth outpaced selling growth in the US in Q2 and our overall channel inventory levels remain healthy, giving us confidence in our back-half expectations.

Moving to our international business. Sales outside the US grew 2% to \$78.1 million, representing approximately 18% of total sales in the second quarter this year. Europe continues to lead our international performance with another quarter of strong growth year-over-year. Our efforts to build brand awareness, expand distribution, and scale our omni-channel model in Europe are gaining traction. Also, as Matt mentioned, our expansion in Japan during the second quarter marks an exciting step in the Asia-Pacific region, and we are very optimistic about the growth opportunity we see in this market.

Within our international markets, direct-to-consumer sales remain strong. However, our international wholesale channels, primarily in Australia and Canada, were more challenged from a sell-in perspective. We believe this is a one-quarter dynamic that was driven by inventory balancing and overall caution by our wholesale partners in these two regions. Sell-through in both Australia and Canada continues to be very strong, which gives us the confidence to hold our international sales outlook for the year. We will continue to extend YETI's presence and reach as we expand with both new and existing retailers outside the US.

Now, moving down the P&L. Adjusted gross profit decreased 4% to \$257.6 million, or 57.8% of adjusted sales, compared to 57.7% of adjusted sales in the second quarter of last year. This 10-basis-point increase was driven by product cost optimization and selective price increases, offset by approximately 180 basis points of impact from higher tariffs. That said, relative to our most recent guidance, tariff costs came in lower than expected, primarily due to the reduction in tariff rates for products sourced from China from 145% to 30% that was announced on May 12th.

Adjusted SG&A expenses in the second quarter were \$184.4 million, a decline of \$3.1 million or 2% versus the prior-year period. As a percent of adjusted sales, adjusted SG&A expenses were 41.3% versus 40.5% in the prior-year period. We continue to manage our operating expenses tightly while also making strategic investment to drive future growth.

On an adjusted basis, operating income decreased 9% to \$73.2 million or 16.4% of sales, and net income decreased 7% to \$55.2 million. Adjusted net income per share decreased 6% to \$0.66 versus \$0.70 in the prior-year period. Our EPS this quarter includes a \$0.07 net impact from higher tariff costs.

Turning to our balance sheet, we ended the second quarter with \$269.7 million in cash as compared to \$212.9 million in the second quarter of 2024. During the second quarter, we repurchased 745,000 shares of YETI's common stock on the open market for \$23 million under our current \$450 million share repurchase authorization. This is part of an overall plan to repurchase approximately \$200 million worth of shares during fiscal 2025.

In addition, we continue to deploy capital strategically to strengthen our innovation capabilities. This includes both investing internally and acquiring technology and design expertise. We believe that acquisitions such as the one we are announcing today, along with what you all have seen us do with acquisitions in the bags, cookware, and power cooler categories are great examples of targeted investments that will enable us to build long-term value.

Total debt, excluding finance leases and unamortized deferred financing fees, was \$75.9 million compared to \$80.2 million at the end of last year's second quarter. From a total liquidity standpoint, we ended Q2 in a substantial net cash position and with our \$300 million revolving credit facility fully available. Inventory decreased 10% year-over-year to \$342.1 million, reflecting strategic management of our inventory purchases during the quarter.

Turning to our updated fiscal 2025 outlook. We now expect full-year sales to be flat to up 2% as compared to fiscal 2024's adjusted net sales. Consistent with last quarter, we expect inventory supply disruption in connection with our supply chain diversification efforts to have an approximately 300 basis point impact on our growth this year. The primary driver of the change in our top line outlook is the performance of our Drinkware business in the US. We now anticipate our total Drinkware business to be in a range of flat to down low-single digits in fiscal 2025 versus the prior year.

From a channel perspective, we still expect our wholesale and DTC channels to grow in line with each other this year.

And geographically, we are holding our outlook for our international business to grow between 15% and 20% in fiscal 2025. As I stated earlier, the growth dynamics that we saw in Q2 were largely due to timing within our international wholesale channel. We expect the strong consumer demand trends that we saw outside the US in Q2 to continue and to drive overall growth in the back half of the year. Within the US, we expect our business to be down low-single digits this year due primarily to the dynamics we have discussed in the Drinkware category.

As it relates to phasing for the remainder of the year, for Q3, we anticipate that total sales will be in a range of flat to slightly positive versus last year, with a decrease in Drinkware, balanced by growth in Coolers & Equipment. We are encouraged by the momentum we saw exiting Q2 and what we have seen quarter-to-date in Q3. Geographically, we expect US sales in Q3 to decline relatively in line with what we saw in Q2. Looking ahead to Q4, we expect a slight step-up in total growth with growth across both our Drinkware and Coolers & Equipment categories. When we look at the pipeline of new products that we have slated for release later this year, it gives us the confidence that Drinkware can return to growth in Q4.

We are now projecting gross margins for the year to be between 56.5% and 57%, which is an increase of 200 to 250 basis points as compared to our prior fiscal 2025 guidance. This improvement is due to changes in tariff rates since our last update, as well as our ability to drive cost efficiencies while undergoing a significant transformation of our supply chain.

Trade policy discussions are ongoing, and the ultimate outcome regarding tariff rates remains unknown. In our guidance, we are currently assuming that the latest tariff rates, as announced, remain through the end of the year, including a total 30% rate on goods from China and an approximately 20% rate on goods from other regions. Collectively, the net tariff costs included in this outlook is approximately \$40 million or 220 basis points as a percent of adjusted sales. From a phasing perspective, we continue to expect the year-over-year impact of tariffs to grow progressively throughout the year.

We now expect operating expense growth of between 2% and 4% versus the prior year. This reflects the impact of ongoing investment in our growth initiatives, partially offset by continued cost optimization. We now expect operating income for the full year to be between 14% and 14.5% of adjusted sales, including a net impact of approximately 220 basis points from higher tariff costs versus the prior year. We expect the year-over-year decline in operating income percent to be relatively consistent in Q3 and Q4.

Below the operating line, we expect an effective tax rate of approximately 25.5%, slightly better than our prior guidance. We now expect full-year 2025 diluted shares outstanding of approximately 82 million, which reflects the impact of \$200 million of stock repurchases anticipated through this fiscal year-end. We now expect adjusted earnings per diluted share of between \$2.34 and \$2.48 as compared to \$1.96 to \$2.02 in our prior outlook. The increase in our EPS outlook reflects the lower tariff rate on China-sourced goods, partially offset by increased tariffs on imports from other regions since our last update. And our updated guidance includes close to a \$0.40 net unfavorable impact from higher tariff costs versus the prior year.

Our capital expenditures for the year are now projected to be approximately \$50 million, down from an earlier estimate of \$60 million. This reduction mainly reflects a shift in accounting treatment for capital investments in our Memphis distribution center, which will now be recorded under cash flows from financing activities rather than investing activities. It's important to note that this year's capital spending remains focused on advancing our technology, launching innovative products, and strengthening our supply chain.

We now expect free cash flow of between \$150 million and \$200 million in 2025 versus our prior outlook of approximately \$100 million to \$125 million. As it relates to year-end inventory, we continue to expect a decline year-over-year. As we move through the second half, we will maintain flexibility to increase our inventory based on our assessment of the market conditions.

In closing, as we navigate the current landscape of tariff volatility and heightened consumer caution, our determination to deliver on our strategic priorities remains unwavering. Each of our decisions is rooted in a relentless drive to invest in transformative growth initiatives and bolster our supply chain resilience, all while maintaining control over costs and effective capital deployment. With this disciplined approach, we are confident in our ability to achieve long-term sustainable growth and to unlock value for our shareholders.

Now, I will turn the call 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] We kindly request that each participant pose only one question, followed by a single follow-up. Thank you. One moment, please, for your first question. Your first question comes from Phillip Blee with William Blair. Please go ahead.

Phillip Blee

Analyst, William Blair & Co. LLC

Q

Hi, guys. Good morning. Thanks for the question. Can you just talk about your expectations between volume and price in the second half of the year after some of these price increases that you rolled through in April? And just maybe speak to your confidence in the implied acceleration or level of conservatism potentially embedded in versus the alternative of a more significant cut to your top line guide and giving yourselves plenty of wiggle room here. Thanks.

Michael McMullen

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

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Hey, Phillip. Good morning. Thank you for the question. So I would say, from a price and volume perspective, the pricing actions that we took in early April, which we've talked about, were relatively minor. It was on a small portion of our product portfolio, and it was not a significant lift in average price. So, the impact we talked about to our gross margins in Q2 was around 70 bps. We [ph] send (00:38:35) that through the year and assume it's over three quarters of the year. It's not a significant move. So, I would say it's more volume than price.

In terms of our expectations for the year, if you look at some of the things we talked about in Q2 and some of the dynamics in Q2 and how that projects out for the end of the year, one, international, we – while Q2 came in at just 2% growth, we held our outlook for the year. When we looked at the opportunity in Europe, the growth in Europe, the fact that international D2C continued to grow well, that overall consumer demand, including wholesale sell-through remains strong. Really, Q2 came down to, like we talked about, just order timing and a little bit of caution from some of our wholesale partners in Australia and Canada. So, we still feel really good about the year for our overall international business, which is what led to us holding our guide.

Second, C&E, when we look at our opportunity in hard coolers, the momentum that our bags business has with innovation, what's happening with Camino, like – we feel like bags will give us an opportunity to really continue to return back to growth in C&E in the second half.

And then lastly, Drinkware. While the US market is taking a little bit longer to recover than we had expected, we do have the innovation we have planned plus the innovation we've come out with recently. When you look at – we'll start to comp some of the dynamics that we've talked about in the US Drinkware market where you've got a portion of our portfolio that started to come under pressure last Q4, we'll start to comp that in Q4. And we believe that will allow us to get back to growth in Drinkware in Q4. So, you pull all that together, and that's what gave us confidence to issue the outlook that we did this morning.

Phillip Blee

Analyst, William Blair & Co. LLC

Q

Okay. Great. That's super helpful. And then just on the Camino tote, I mean, obviously, it's gone a bit viral on social media and has been sold out. I mean, can you talk about your ability to chase into inventory here to capture some of this demand and then maybe give some color around the current size of your bags, revenue within the C&E category, and then how this kind of recent influx of traffic and demand is informing your plans for further innovation in the category? Thank you, guys.

Matthew J. Reintjes

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

A

Good morning, Phillip. Thanks for the question. We've been and you've been around this story for a while. We've been incredibly excited about our bags business and the bags potential, and I think Camino's – well, it's been a product we've had since 2018. It's been a standout for us in our portfolio. And the recent interest in it, I think, further emphasizes that. So, we're incredibly excited and bullish on the emergence and the continued growth – accelerated growth we're seeing in our bags portfolio and the potential to expand it in a global relevance and a really large marketplace. So, we're going to continue to lean into bags. We continue to make investments in team and talent, we continue to make investments in capabilities, and I think you're going to see that read through in the product portfolio expansion we have there.

So, we'll – as it relates to Camino in the near term, obviously, we have an incredibly talented supply chain and an operations team, great partners. We're working to optimize the opportunity in 2025. But really, what we're trying to do is drive sustainable long-term growth and the continued emergence of bags as a really important portion, not only of our C&E but really overall an important part of YETI. So, we'll keep growing the Camino as you know it today. As I mentioned on the call, we're going to continue to innovate around the Camino, but really as part of our overall bag strategy, which is going to touch every day, pursuit-specific, travel, waterproof. So, we're really – we're excited about what's happening around bags.

Phillip Blee

Analyst, William Blair & Co. LLC

Q

Excellent. Very helpful. Thank you, guys. Best of luck.

Arvind Bhatia

Vice President-Investor Relations, YETI Holdings, Inc.

A

Thanks a lot, Phillip.

Operator: Thank you. The next question comes from Brooke Roach with Goldman Sachs. Please go ahead.

Brooke Roach

Analyst, Goldman Sachs & Co. LLC

Q

Good morning and thank you for taking our question. Matt, given the success of some of the recent innovation launches, I'd love to get your perspective on the opportunity for these items to scale to the same degree that they could potentially offset lower productivity levels in some of your core.

And then for Mike, a follow-up question on the US Drinkware business. Can you provide any color on the level of pressure that the supply chain transition is having on this year's ability to scale new innovation and the magnitude of that potential opportunity as you move into 2026? Maybe said another way, when do you expect the US Drinkware business to inflect back to sustainable growth? Thank you.

Matthew J. Reintjes

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

A

Thanks, Brooke. Great question. Here's what I would say. I think that the innovation that we're putting out today is as strong as it's ever been for YETI, and it's in a much greater assortment magnitude, which we think yields incredible forward opportunities for the business. This is an interesting year where our pace of innovation, our expansion of innovation has been at its highest level. But as we talked about, and your question that Mike will address around the inventory constraints in the supply chain, transformations had a little bit of an impact on that.

I think as we think about the expectation from our innovation is – our innovation should deliver two things: the continued relevant diversification of our product portfolio, and it should drive forward growth. And that's the expectation we have of all of our innovation. And so, when you think about some of our long-standing legacy products, we talk about the dynamic that's happening in Drinkware right now, below the surface, we're seeing what we want to see, which is the traction of our innovation. It hasn't – as we'll talk about in the Drinkware category, it hasn't yet comped against the drag of the market correction that we've seen in Drinkware. But that's what our forward look and some of the commentary we had today gives us confidence on where we're going.

And then when you step back, you look at what's happening in Drinkware, in the expansion, in the growth opportunity that we're seeing with our innovation. You put on top of that the incredible range of innovation we're bringing into our soft coolers. I mentioned our Daytrip line, the expansion of our hard coolers, the broad expansion and really untapped opportunity that we have in bags and packs and beyond. It gives us a lot of confidence underneath this brand umbrella of YETI that we continue to invest in and continues to show incredible strength.

Michael McMullen

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

A

And, Brooke, just to your second question, so we mentioned today that the 300 basis points of top line impact due to supply that we talked about last quarter was still in – essentially in our guidance for the year, still having an impact for the year. That's impacting some of our existing products, but it's also having an impact on some of our new products. We've had to shift out the launch of some new products. We're going to be limited in supply in several new products in Drinkware. And the bulk of that 300 basis points is in Drinkware. We've also, for the first time, going to be launching some products outside the US first and exclusively, which is something we've never done before.

And as Matt said, we'll start to roll over some of the dynamics that we're seeing in the US Drinkware market in Q4. We'll also – we believe – this is a – given it's such a significant transformation of our supply chain this year, we'll start to get some relief from that as we get into 2026. So when you – without getting into specifics about when we expect that to start to get back to growth in 2026, we're confident that when you take the fact that we'll start to roll over that compare, we'll get past some of the supply chain constraints that we've talked about, the innovation that we've talked about will start to build. We're confident in what that could mean in our ability to get back to growth in US Drinkware.

Brooke Roach

Analyst, Goldman Sachs & Co. LLC

Q

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

Operator: Thank you. The next question comes from Randy Konik with Jefferies. Please go ahead.

Randal J. Konik

Analyst, Jefferies LLC



Yeah. Thanks, guys, and good morning. I think I heard in the commentary, both from a geographic standpoint and a product standpoint, [ph] a theme (00:47:51) of sell-through outpacing sell-in. Is there any way to kind of get a little bit more granular on that, how much sell-through has outpaced sell-in? As, I believe, the inventory is recorrecting the marketplace and the channel, you should obviously get reorders to pick back up. So, it'd be super helpful there.

And then, Mike, how do we think about – because everyone is going to start to look through to next year and beyond. You guys have done a great job of kind of staying highly profitable, high margins, different moving pieces, whether it's tariffs or other things impacted the numbers a little bit. Is there a way that we should be think about, maybe not quantify, the gross margins, but like qualify how we should be thinking about long-term gross margins from a qualitative perspective with the different moving pieces long term? Just it'd be very helpful to get your thoughts on the different moving pieces there and how we should be thinking about it. Thanks.

Michael McMullen

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



Yeah. Thanks, Randy, and good morning. Thanks for the question. So, let me take the first question, sell-through versus sell-in, and let me kind of separate US from international. So in the US, we don't give too many specifics or specific numbers around sell-through. We did – we do tend to talk about trends, and the trend we talked about in the US in Q2 was that sell-through – while sell-in was down, we talked about sell-through was greater than – or outpaced sell-in. And really, the color there was around the health of our inventory levels, that we continue to manage wholesale inventory levels well, which we believe puts us in a good spot for the second half and going forward.

Outside the US, I think the main point we wanted to make there is really consumer demand overall outside the US was really strong and where the weakness was and what led to that 2% growth overall, and international wholesale being down was some order timing and overall caution in two markets, in Canada and Australia. But when we look at the data we have and our track channels around consumer demand in those two countries, nothing has really changed in our belief in the opportunity and our bullishness for the year, and that's what led to us holding our outlook for the year for our international business.

As we think about gross margins going forward, I mean, obviously, there's a lot moving around as it relates to tariffs. What we've got baked in our guidance for the year is essentially the latest announcements, 30% total rate for China and an approximately 20% rate for the other countries in which we source – from which we source. So, I think the thing that I would say is, there is still some uncertainty there. There's still some things that need to sort of become more clear. But I would say, looking forward, the opportunities that we see in gross margin are – continue to work through product cost efficiencies and opportunities to drive down product costs within our supply chain. We've shown a consistent ability to do that, number one.

Number two, sales mix. And I think as Drinkware returns to growth, we think that'll be an opportunity for us given Drinkware has a higher gross margin than the rest of our portfolio. And there are other pieces of our COGS that we believe we have an opportunity to drive efficiency. And so, I think tariffs, we're obviously at, what we believe is, a more stable point now but it's still pretty uncertain. But we're going to focus on what we can control, which is driving efficiencies within our supply chain costs, which we've shown a pretty consistent ability to do.

Randal J. Konik

Analyst, Jefferies LLC



Great. And just one last one for Matt. If you think about, at the IPO in 2018 and the way the company approached innovation and got products developed and then to market, let's say, in that year, maybe give us some perspective of what you've changed from a corporate structure perspective, people perspective to change the way you're going about that innovation process and go-to-market process today versus at IPO to kind of dimensionalize how you're able to kind of push out [indiscernible] (00:52:55) getting them to market quickly, etcetera. that'll be super helpful to get some perspective, what's changed and what allows you to kind of get things out the door faster and more things at that?

Matthew J. Reintjes

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



Sure. Thanks. Thanks, Randy, and appreciate that question. Here's what I would say, the things that haven't changed is we have an absolute focus on bringing innovative products that represent durability performance in design. Full stop. No change there. Almost everything else has rapidly evolved or changed materially. We went from one team working on everything to three focused teams that are focused around Drinkware, the bags and soft cooler opportunity, and then many of our other hard goods, coolers and otherwise. So focused teams, focused resources. We announced today the Thailand innovation center. We've always had incredible global teams, but now we're solidifying that investment to create, as I said in my prepared remarks, almost a 24/7 kind of innovation cycle. The sophistication we built in our supply chain, our procurement team, our sourcing ability, which I think is evidenced by this supply chain diversification and transformation that we've been under.

So, we have incredibly talented leaders. We've got focused teams. We've got robust product pipelines. And I think we've significantly enhanced our capabilities. And then we're very targeted using open innovation to go out and find things that we think are additive to the overall portfolio, including the shaker bottle designs that we acquired and announced today.

So philosophically, nothing has changed. Operationally, execution-wise, I think everything has, and it's made me and my now coming on 10 years at YETI more bullish about the next 10 years.

Randal J. Konik

Analyst, Jefferies LLC



Very helpful. Thanks, guys.

Arvind Bhatia

Vice President-Investor Relations, YETI Holdings, Inc.



Thanks, Randy.

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

Peter Sloan Benedict

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



Hi, guys. Thanks for taking the questions. So first, just on the EBIT margins, the 220 basis points, I guess, it's gross and EBIT impact this year. How do we think about the recovery of that divot as we look to 2026, 2027? Is there any reason why you wouldn't get most or all of that back? I know you talked about some cost efficiencies on top of the tariff stuff, so just conceptually. That's my first question.

And then my second question is around capital allocation. Why is \$200 million of buyback this year the right number? How did you arrive at that level? And then what conditions could or might cause you to do more or less? Thank you.

Michael McMullen

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

A

Hey, Peter. Good morning. Thanks for the question. So, while we're not giving guidance beyond 2025 today, I mean, we can talk in general. I would say, again, on tariffs, there's a lot that's uncertain in terms of where those rates ultimately land. What we're assuming today is what has been announced. So, last quarter, we felt like we could recapture much of the impact that we called out. That was at China at 145% and rest of World at 10%.

Now, where the rates are, assuming we stay at these levels, which I don't know that we have the same level of recapture we did when we talked about last quarter given there isn't such a huge disparity between where we've been to where we're moving but at the same time, we'll have to see what happens with tariffs. But I do want to continue to call out we do have other offsets within COGS, and we're going to continue to pursue all of those offsets as well as all the mitigation strategies we have around costs. We'll continue to look at price.

So, I'd say it's too early to say as there's a lot moving around. But I think, again, we've shown a pretty consistent ability to drive costs out of our supply chain.

From a capital allocation standpoint, in terms of the \$200 million when we look at our cash flow, we were pleased today to take up our outlook up to \$150 million to \$200 million. I mean, I think it's – there's a number of factors that play into it. Where our cash is going to be, we want to make sure we maintain a really strong balance sheet, which we've consistently done. We want to make sure that we balance opportunities within acquisitions like the one we announced today. And when we looked at all of those factors, that's essentially how we landed at the \$200 million. But we will continue to evaluate it, and we'll continue to find ways to return capital to shareholders, balanced with investing back in the business.

Peter Sloan Benedict

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

Q

Great. Thanks, Mike. Makes sense on both fronts. I'll turn it over.

Arvind Bhatia

Vice President-Investor Relations, YETI Holdings, Inc.

A

Thanks, Peter.

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

Alexia Morgan

Analyst, Piper Sandler & Co.

Q

Hi. This is Alexia Morgan on for Peter. My first question is about Drinkware. You had mentioned to getting more promotional. You gave some detail there for Q2. I was wondering if you could give some more color on what's driving that dynamic. Like is it more due to competitive promos or is it that demand needs stimulated by promos? And then, does guidance assume that the promo environment continues in the second half?

Matthew J. Reintjes

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

A

Alexia, yeah, I'll take that. The comment about the promotional environment is a broader comment about the market. And if you were to kind of go out and see what's happening at retail or you would go online right now and look at some of the brands out there, there's a lot of – there's a lot more activity around pricing. And I think that is a few things. I think it's an indication of the consumer dynamic. I think it is an indication of what we've talked about for a number of quarters which is as markets have rapid acceleration, on the other side of that, there's cleanup. And I think if you look at where the promotion is happening, I think some of it is inventory activities by some brands out there. I think some of it's that trend off on certain form factors and sizes, which is what we're watching and seeing in a very concentrated way in the market.

But it has an effect on the broader market, and I think how that plays against our strategy, if you look at what we've done over the last couple of years, is we have broadly diversified our Drinkware portfolio and our assortment, and we're covering everything from individual-use hydration to food bowls, food storage, food transportation and I think that is a – I think that's a much broader strategic play. And we think it is why, to some of the prior questions, we believe in the long-term opportunity of growth in the broadly defined Drinkware category.

Michael McMullen

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

A

Yeah. And just to the second part of the question, our guidance, I mean, essentially what we said was as we took – the change in our guidance was really around what's happening in the US Drinkware market, and I would say heaviest in Q3. We expect Q3 to look similar to Q2, but we do expect things to start to improve in Q4 when we look at the innovation we have coming, when we look at starting to comp some of the dynamics in the market we've talked about. And then that led to the overall – the change in our guidance, but we do – while we expect Drinkware to be flat to down slightly this year, we do feel like we're in a position where we can return to growth starting in Q4.

Alexia Morgan

Analyst, Piper Sandler & Co.

Q

Thank you. And then just one more, the strong demand for bags in Q2 was very encouraging, and then some of the soft coolers going viral in more recent weeks was also very exciting. We were wondering if there has been a focus recently on products or, in this case, like new colorways geared more towards women or were those just new colorways that happened to go viral.

Matthew J. Reintjes

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

A

Great question, Alexia. What I would say is, I think what you're seeing is great products getting in front of consumers, and I do think color matters in the range of color. But if you look at what's happened in the market in the last few weeks, we have this incredible Wetlands Camo that's had really great market receptivity, and we have Caminos in a range of colors that continue to go in and out of stock. And so, I think what that speaks to is the broad-based receptivity to our innovation, but also our relevance across a diverse and important audience to us. So, that's across a range of demographics, across a range of pursuits and use cases. And that's been the strategy for YETI going back to the very beginning, and I think we're seeing the success of it play out.

Alexia Morgan

Analyst, Piper Sandler & Co.

Q

Thank you.

Arvind Bhatia

Vice President-Investor Relations, YETI Holdings, Inc.

A

Thank you.

Operator: Thank you. The next question comes from Joe Altobello with Raymond James. Please go ahead.

Joseph Altobello

Analyst, Raymond James & Associates, Inc.

Q

Thanks. Hey, guys. Good morning. I guess, first, on the momentum that you touched on a little bit coming out of Q2 and into Q3, can you contextualize that for us and what sort of sales lift are you seeing here in July and August but in particular, international? You mentioned that that was sort of a one-quarter phenomenon. Are you seeing that international business back up into the double-digits here in early Q3?

Michael McMullen

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

A

Hey, Joe. Thanks for the question. So, yeah, I mean, so I think without getting too specific on what we're seeing, I mean, we're encouraged by what we're seeing so far this quarter. I'd say the same thing as we applied to – as we exited Q2. And really, I think that the best indication of what we're seeing and how encouraged we are by it is the fact that we held our outlook for international for the year to grow 15% to 20%. And so, when you look at growth in the second half versus what we did in the first half, yes, I mean, I would say that we're back up to those growth rates that we had seen.

And as a reminder, I mean, we've posted seven quarters in a row of over 20% growth outside the US and so – up until this one. So, we feel good about our international business in the second half and, obviously, what we're seeing so far in Q3.

Joseph Altobello

Analyst, Raymond James & Associates, Inc.

Q

Got it. Helpful. And just the follow-up on that. I wanted to ask about the other category. I know we hardly ever talk about it. It's very small from a revenue standpoint. But it's been pretty weak of late. Is that an indication of how people are engaging with the brand? Because there's a lot of apparel in there, etcetera. So, I'm just curious how we should look at that, is that sort of a canary in the coal mine or it's just kind of a sort of a rounding error?

Michael McMullen

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

A

No. I mean, I don't think that's an indication at all of how people are engaging with the brand. To your point, it's a really small piece of our business. I would say changes in merchandising and sort of marketing strategies can play an impact on that. Freight revenue hits in there as we work to drive people to YETI.com and create accounts so we can drive more engagement with our customers. We've done some things with shipping that can play a role within other. But nothing has changed at all in terms of what's hitting in there or – I don't – I would not read into that at all that it's an indication of how people are engaging with the brand.

Joseph Altobello

Analyst, Raymond James & Associates, Inc.

Q

Okay. Thank you.

Operator: Thank you. This concludes our Q&A session. I'll hand the call over back to Matt Reintjes, Chief Executive Officer, for closing remarks.

Matthew J. Reintjes

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

Thanks, all, for joining today. We look forward to speaking on our 3Q call. Have a wonderful week.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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