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YETI Holdings, Inc. (YETI)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. And welcome to the YETI Holdings Second Quarter Fiscal 2026 Results Conference Call. At this time, all lines are in a listen-only mode. Following the presentation, we'll conduct a question-and-answer session. [Operator Instructions] This call is being recorded on Thursday, August 13, 2026.

I would now like to turn the conference over to Arvind Bhatia, head of Investor Relations. Please go ahead.

Arvind Bhatia
Vice President-Investor Relations, YETI Holdings, Inc.

Good morning, and thank you for joining us to discuss YETI Holdings second quarter fiscal 2026 results. Leading the call today will be Matt Reintjes, Chairman and CEO; and Scott Bomar, 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. 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.

During our call today, we will discuss certain non-GAAP measures. We use non-GAAP measures in certain context 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. We appreciate you all joining us today. YETI's second quarter reinforced the strength, resilience, and breadth we are building across the business. We delivered nearly 9% top line growth, operating margins and EPS that exceeded our expectations, and we executed $130 million in share repurchases in the quarter, which brings our total since 2024 to over $600 million, reflecting our focus on returning value to shareholders through the strength of our balance sheet and free cash flow generation.

But what I want to emphasize is what Q2 continues to tell us about the business structurally. The business today is poised for scale. It's broader, operationally sharper, and better equipped to win through uncertainty than at any other time in our history. Despite an uneven consumer backdrop with pockets of caution, value seeking and ongoing macro uncertainty, YETI's customer is showing up as the brand broadens, our product platforms expand, and the team continues to deliver. That progress is not accidental. It reflects multiyear investments in brand, innovation, commercialization, and global capabilities that are now driving the model.

Scott will walk through the financials and our outlook in detail, so I'm going to focus my time on what matters most from an investor perspective, what we are seeing in the business, why we believe the underlying demand signals remain healthy, and how we are positioning YETI to accelerate growth, generate durable returns over time.

I'll start with four key takeaways from our second quarter. First, brand momentum continues to build, deepening our connection with consumers and driving increasing efficiency in our investments. In Q2, our national brand campaign, FOUR Letters, brought YETI to life through a powerful showcase of the pursuits and passions of our brand. It gave us a scalable platform to express what and who YETI stands for, one that strengthened awareness, expanded the brand's reach to new audiences, and reinforced YETI's relevance across consumer groups.

We showed up in premium programming as well as digital, social, and outdoor environments, including a presence in major live sports, highlighted by the most watched NBA Finals game since 2016. We paired that reach with our active and deep presence, local activations across core and emerging communities around the world, reinforcing our brand continues to be rooted in culture, people and real-world use.

This balance is important. Scale without credibility and trust is expensive. Credibility and trust without scale is limited. YETI is delivering both. We can appear on the biggest stages, and we also show up on the trail among pitmasters, at a surf break, on the fence at a rodeo, and walking the 18. That breadth is who we are and what we do and increasingly plays a role as we expand our innovation into more use cases, more geographies, and more everyday moments.

Strong engagement across our digital ecosystem and wholesale partners reinforces our confidence that the investments we have made in brand building and storytelling are strengthening consumer connection and that brand efficiency is a compounding advantage.

Second, innovation continues to drive the expansion of our product platforms across a wide range of product families. Our second quarter performance demonstrated that our brand is building upon our hard cooler and Drinkware legacy into more platforms across soft coolers, bags, and protective cases that increase daily use and reliance.

We are a brand that travels with the consumer through their day and through their week. That platform breadth gives us resilience and opportunity. It means growth isn't tethered to a single product cycle, channel or geography.

Consumers continue to respond to YETI's durability, design and performance across categories. The combination of brand trust and product credibility is a strategic advantage, and it's what gives us staying power and allows us to enter new categories with relevance.

Our Daytrip insulated bags are a great example of platform expansion. Camino totes are another, where product momentum continues and the recent launch of the Camino Zip brings new sizes and additional functionality to an already strong product family.

We also saw continued strength in smaller, more personal-sized hard coolers with the Roadie 15 performing well and the Roadie 8 generating positive early consumer response. In cases and storage, the GoBox family continued to build momentum across both consumer and professional use cases. As we have said before, there's more to come here, and we're excited to see where it goes.

In Drinkware, we've been clear over the past few years about YETI's strategy to drive innovation and broaden our assortment across the platform. To put the category in context, we expect a roughly 600-basis point drag on our US Drinkware growth in 2026 from three primary SKUs, all tied to the well-publicized but narrow trend-driven momentum and share swapping that has played out in the category over the past few years.

That is a significant headwind, but it has been more than counterbalanced by strong execution of our diversification and innovation strategy across the rest of the platform. This is why we continue to show overall Drinkware growth versus what this significant drag would otherwise suggest. The products driving the headwind will largely complete their lap by year-end, resetting the base as we head into 2027.

We continue to be very pleased with the underlying performance of Drinkware platform, not only new innovation, but also some of our longest-standing models within YETI Drinkware. That reinforces our view of the durable opportunity in front of this category, domestically and globally. The partners who have embraced our broad portfolio are seeing the benefits, outperformance, new consumer reasons to buy, and stronger merchandising. Our product-led expansion has not only benefited YETI's US Drinkware, but continues to drive opportunity globally.

We're focused on breaking away with innovative products that address new occasions and consumer needs. Hydration remains the growth engine, supported by core straw bottles, Rambler jugs, and stackable cups, and core tumblers continue to validate everyday utility while food storage, our beverage buckets, Rambler bowls, and carbon steel cookware demonstrate YETI's expanding opportunity in the home environment.

Third, our omnichannel strategy continues to drive balanced and durable growth. In wholesale, we delivered another quarter of strong year-over-year sell-in and sell-through. This performance reflects continued support from our retail partners as they expand their commitments to the broader YETI portfolio and lean into the brand's momentum.

Our wholesale approach hasn't changed, premium positioning, healthy inventory, and long-term shelf productivity. Our track channel inventory exited Q2 down, continuing the trend that we have communicated in the past, reflecting a healthy demand-driven channel. Within DTC, demand remains strong across e-commerce, Amazon and YETI stores, with corporate sales delivering meaningful improvement versus the first quarter trend. We continue to see untapped and scalable near- and long-term global opportunity in this channel.

Fourth, international remains a significant long-term growth opportunity, and we're deploying our disciplined market-by-market approach. Europe delivered strong year-over-year growth with momentum across both digital and wholesale channels, as well as continued door expansion. What is particularly encouraging is the increasing breadth and diversity in the European markets, with growth across Drinkware, hard coolers, soft coolers, and bags.

We are building awareness, localizing the YETI playbook, and maintaining premium positioning. Our recently opened pop-up store in Munich is a strong example. It sits in a premier, high-visibility location, brings the brand to life through storytelling and service, and has already drawn consumers willing to travel meaningful distances to experience the brand.

Asia is still early in its journey, but the progress is there. Japan, in its first full year as a direct business, delivered significant growth in the quarter. We are also advancing our expansion plans for Korea, China, Indonesia, and Taiwan. And by the end of 2026, we expect to be live in 11 markets compared to four at this point last year. These are still early-stage contributions, but the consumer response reinforces our conviction in the long-term international opportunity.

In Australia/New Zealand, brand strength and focused go-to-market execution supported the strong Q2 growth, even as macro conditions in those markets remain challenging.

In Canada, growth was positive but weaker as healthy DTC performance was offset by softer-than-expected wholesale sales, despite strong underlying consumer demand and sell-through trends.

The big picture internationally is this, YETI is still in the early innings of a massive opportunity. Our brand can travel. Our product platforms resonate. Our international playbook remains the same, right assortment, right distribution, localized activation, disciplined investment, and Q2 is a proof that it translates across geographies.

Turning to operations. Our supply chain continues to respond well in a complex and dynamic environment. We're managing the significant impact of oil markets, raw material cost pressure, ocean and parcel headwinds, and shipping delays across certain Asia trade lanes. We've taken proactive steps to reduce risk, including qualifying additional raw material sources, further diversifying our supply chain and scaling our structural enterprise productivity programs.

We continue to invest in capabilities that strengthen our innovation engine and support long-term growth. Our global design and development network, now spanning five locations, is delivering a faster innovation cycle and a deeper pipeline than we had even 12 months ago. These investments are helping us prototype faster, collaborate more effectively with suppliers, and accelerate the pace at which we bring new ideas to market.

We're also investing in digital and customization capabilities. Ranger, our AI-driven shopping assistant, continues to improve conversion and engagement. Artboard customization, a new enhancement to our yeti.com customization platform, is enabling multiple graphics, logos, and text within a single design experience. These are exactly the kind of capabilities that make YETI more personal.

Stepping back, Q2 reinforced several important themes about where we are as a business. Brand power compounds. As YETI becomes a trusted companion across more parts of consumers' lives, whether sports, community, travel, home, work, outdoor, gifting or everyday routines, the brand's relevance and long-term value continues to grow.

Platforms matter. Daytrip, Camino, Roadie, GoBox, stackables and food storage are not isolated products. They are scalable ecosystems that create repeat behavior and expand our addressable market.

Diversification is working. We are not dependent on one moment, one product, one channel, one customer or one geography. Wholesale, DTC, marketplaces, retail stores, corporate sales and international each play a role. And together, they create a more resilient, more durable business.

And discipline matters more in this environment, not less. Consumers are intentional. Retailers are selective. Input costs are fluid. Category competition is dynamic. This is exactly when brand strength, product credibility, inventory discipline, and operational execution separate the strongest companies from the rest.

Before I turn to the back half of 2026, I want to give you an early look at our upcoming Investor Day on September 17 here in Austin. We're looking forward to hosting investors and laying out the next chapter of YETI's growth story. Let me give you a sense of what we plan to cover.

First is brand. We are earning our spot in more places in more moments. This is not a tagline. It's what's happening in the business. The brand is showing up in new geographies, new communities, and new daily routines and doing it with credibility. We will show you why we believe the breadth of YETI's brand relevance is durable, differentiated and still very early in its reach.

Second, innovation. Our innovation engine is built to solve problems, not chase trends. We design for durability, performance and real-world use, and that is what earns us the right to expand into new categories. We'll walk you through the capability of our global innovation centers, the conviction in our pipeline, and why we believe the next wave of product platforms will be as impactful as those that built this company.

Third, commercialization. Right product, right place across DTC and wholesale and increasingly around the world. We're focused on shelf velocity, expanding positioning, and opening new doors globally. Great innovation only compounds when you commercialize it well, and we will lay out how we plan to do that.

Fourth, on the horizon. Add together a powerful brand, a global innovation engine, and a disciplined commercialization model, and the permission and opportunity for meaningful category expansion becomes very real.

Fifth, a powerful financial model. Multiple durable growth engines, disciplined capital allocation, a clear, credible path to outsized EPS growth leads to a financial model built to compound. That is the story we're building, and we're looking forward to telling it.

Looking ahead, we have significant runway in front of us. In the back half of the year, we will continue to build around clear growth platforms, soft coolers, bags, cases and storage, personal hard coolers, hydration, custom and international expansion. We'll support the business through key consumer moments, including a series of fall efforts and ultimately Q4 holiday gifting. And we will continue to bring innovation.

The underlying health of the business remains strong. The brand is expanding. The product portfolio is broadening. The channel model is more balanced. International is scaling, and the operating system continues to improve. YETI is a brand-led platform business, powered by authentic consumer demand, strengthened by disciplined innovation, and scaled through a diversified global omnichannel model. That is what gives us conviction in our ability to grow through cycles, protect the brand, expand margins over time, generate strong free cash flow, and compound value for shareholders.

I want to close by thanking our partners around the world and especially the YETI team. The second quarter reflected a tremendous amount of work from product and brand to sales and operations to our retail, digital, international and corporate teams. We are building YETI for the long term, and we're getting stronger every quarter.

With that, I will turn it over to Scott.

Scott C. Bomar

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

Thanks, Matt. And good morning, everyone. Thank you for joining us. I'll begin with our performance for the quarter, after which I'll provide an update on our outlook for 2026. We look forward to taking your questions following my prepared remarks.

Before I get into the details, let's talk about what I believe are the most important themes for the quarter. We delivered another period of broad-based growth, with sales increasing 9% across categories, channels and geographies, underscoring the strength and resilience of our business.

At the same time, our gross margin performance continued to improve, reflecting strong operational execution. This execution, combined with the momentum we're seeing across the business and some OpEx timing factors I've discussed before, supports our expectation for meaningful operating margin expansion in the back half of the year.

As a result, we're raising our full year operating margin outlook. While the quarter benefited from refunds associated with IEEPA tariffs, the broader tariff and inflationary pressures remain a headwind. Our teams are actively focused on mitigating these pressures by driving productivity while continuing to invest to drive long-term growth.

We also remain disciplined in our approach to capital allocation. We executed $130 million in share repurchases during the quarter, demonstrating our strong commitment to prioritizing shareholder returns. Overall, the quarter reinforced the strength of our operating model and our confidence in delivering our 2026 objectives.

With that, let's dive into the details. Our second quarter results highlight the continued momentum we're seeing in the business, reinforcing the power of our diversified model and the strength of our long-term growth strategy.

Starting with our overall top line performance. In the second quarter, we delivered sales of approximately $484 million or growth of 9% year-over-year. We saw broad-based growth across categories, channels and regions supported by strong consumer demand.

Turning to our performance by category. Coolers & Equipment sales grew 16% to $232 million, driven by strength across bags, soft coolers, cases and storage, and outdoor living. Innovation continues to resonate with consumers across channels, highlighted by our Daytrip and Camino lines, where demand was robust.

In Drinkware, sales grew 2% to $241 million, our third consecutive quarter of growth in the category. Growth was driven by momentum across international markets and strong innovation. In the US, our Drinkware sales were flat amidst continued Drinkware market pressure and competition. However, in-consumer demand for YETI Drinkware remained healthy, increasing mid-single digits in the US during the quarter.

Looking at our performance by channel. Sales in the wholesale channel increased 10% to $218 million, driven by strength across the US and international markets. Sell-through in the wholesale channel was robust and channel inventory remained healthy, positioning us well for the back half of the year.

Direct-to-consumer sales increased 7% to $266 million, supported by continued strong demand across marketplaces, e-commerce and YETI retail stores. Speaking of YETI retail, we're pleased with the consumer response to our two new store openings in Boston and Atlanta during the quarter. Corporate sales declined slightly year-over-year, but improved markedly from the first quarter. Demand in the channel appears to be stable, and we expect continued improvement in the back half of the year.

Moving to our performance by region. In the US, sales increased 6% to $391 million, driven by growth in Coolers & Equipment. In terms of channels, we saw robust demand in the wholesale channel as well as across marketplace and YETI retail stores.

International sales grew 19% to $93 million, reflecting strong growth in Europe, Australia and Japan. Brand strength continues to build across newer markets as we leverage our key channels to drive awareness and scale our international presence.

In Europe, digital and marketplace demand was incredibly strong across core categories, and wholesale strength was supported by ongoing door expansion and brand building momentum. Australia also saw strong digital channel growth, combined with healthy sell-through trends at key wholesale partners.

While Europe and Australia are facing challenging macroeconomic environments and constrained discretionary spending, our brand credibility, premium positioning, and localized engagement is driving strong performance for us.

Sales in Canada were below our expectations. While DTC sales were strong and wholesale consumer demand remained healthy, our wholesale partners maintained a cautious approach to inventory purchases, which resulted in softness in sell-in.

And in Japan, brand awareness continues to build. As we lap one year in the market, we remain excited about the upside potential. We've expanded to just over 500 wholesale doors, recently launched our e-commerce platform, and continue to see growing consumer demand for the brand.

Now, moving down the P&L. Adjusted gross profit increased 12% to $288 million and adjusted gross margin expanded 170 basis points to 59.5%. Operational improvements, including continued pricing discipline, product cost management, and other factors drove 110 basis points of margin favorability.

The net tariff benefit to adjusted gross margins was 60 basis points, reflecting a 170-basis point or $8.2 million benefit from refunds of IEEPA tariffs expensed in 2026, partially offset by a 110-basis point impact from higher year-over-year realized tariff costs.

Adjusted SG&A increased 19% to $220 million and deleveraged 410 basis points to 45.4% of sales. As expected, the largest contributor to the increase was the timing of our brand campaign, which shifted into the second quarter this year from the fourth quarter last year. We also experienced an unfavorable year-over-year impact from a higher short-term incentive compensation accrual. Beyond those items, SG&A reflected continued growth and productivity investments, as well as elevated distribution and fulfillment costs driven by ongoing inflationary pressures across our supply chain.

Adjusted operating income decreased 7% to $68 million or 14.1% of sales. Adjusted net income decreased 8% to $51 million or 10.5% of sales and adjusted net income per diluted share increased 2% to $0.67.

Turning to our balance sheet. We ended the quarter with approximately $60 million in cash as compared to $270 million in the prior year quarter. Inventory increased 5% in the second quarter to $359 million. Total debt, excluding finance leases and unamortized deferred financing fees, was approximately $102 million compared to $76 million at the end of the second quarter of last year.

Our capital allocation priorities remain unchanged. We remain committed to reinvesting in the business to drive sustainable growth. In addition, we continue to return value to shareholders through share repurchases. To that end, in the second quarter, we repurchased 2.8 million shares for $130 million under our existing $500 million share repurchase authorization.

Now, turning to an update on our fiscal 2026 outlook. We are pleased with our performance in the first half of the year and remain excited about the opportunity in front of us, driven by the strength of the brand, exciting innovation across key categories, and our strengthening global go-to-market strategy. We continue to expect full year sales growth of 7% to 8%. From a phasing perspective, we anticipate the total sales growth rates will be relatively consistent throughout the rest of the year.

We are also reiterating our growth expectations across channels, categories and geographies. By category, we continue to expect high single-digit to low double-digit growth in Coolers & Equipment, supported by the momentum we see across soft coolers, bags, hard coolers, cases and storage.

In Drinkware, we continue to expect mid-single-digit growth for the year, driven by increased innovation, the continued broadening of the portfolio, and global expansion.

By channel, we expect wholesale to grow at a high single to low double-digit rate and direct-to-consumer to deliver mid-single-digit growth for the year.

By region, in the US, we anticipate low-to-mid single-digit growth for the full year. We continue to project international growth in the high-teens to 20% for the full year.

With respect to adjusted gross margins, we are raising our expectation for the full year to reflect the gross margin performance year-to-date, including operational favorability and the impact of IEEPA tariff refunds, partially offset by continued inflationary pressures in commodity and inbound transportation costs.

We now expect gross margins of 57.5% to 58%, up 100 basis points compared to prior guidance. On a year-over-year basis, the midpoint of the revised guidance implies a 40-basis point increase versus the 60-basis point decline implied in the prior guidance. Our guidance assumes tariff rates returning to approximately 20% beginning in September.

On operating expenses, we continue to expect to see expense growth to moderate in the back half compared to the growth in the first half of the year. As expected, this will be driven primarily by the timing shift of our brand campaign into Q2 this year compared to Q4 last year.

For the full year, we now expect OpEx growth of 6% to 8%. This is slightly higher than our prior outlook of 4% to 7% growth and reflects increased inflationary pressures in distribution, fulfillment and other costs as well as our continued investment in growth and productivity initiatives, including international expansion. We expect to partially offset these pressures through ongoing cost discipline and operating leverage.

We now expect 2026 adjusted operating income margin to be approximately 14.9%, up 30 basis points compared to our prior guidance of 14.6%. We expect adjusted operating income growth of 10% to 12% for the full year compared to the prior guidance of 8% to 10% growth.

From a phasing perspective, we expect operating margins in the second half to increase approximately 280 basis points year-over-year, with the Q4 increase slightly above that.

Turning to the remaining P&L items in our guidance. We continue to expect an effective tax rate of approximately 24%. We now expect diluted shares outstanding of approximately 75.4 million compared to the prior guidance of 76.6 million. This reflects the impact of $130 million in share repurchases to-date in 2026.

We expect adjusted earnings per diluted share of $2.94 to $3, reflecting growth of 19% to 21% compared to prior guidance of $2.83 to $2.89, a growth of 14% to 17%. This increase in EPS relative to our prior guidance reflects strong year-to-date operating performance, the benefit of IEEPA tariff refunds I discussed earlier of $0.08, partially offset by increased inflationary pressures in commodity, transportation, distribution, fulfillment and other costs.

We continue to expect capital expenditures of between $60 million and $70 million and free cash flow of between $200 million and $225 million in 2026. As it relates to our share repurchase program, as of July 4, 2026, there is approximately $370 million remaining on our share repurchase authorization.

As we close, I want to emphasize that we are pleased with both our performance and execution in the first half of the year. We delivered broad-based growth, expanded gross margins, continued to drive strong demand across our key categories and markets, returned meaningful capital to shareholders, and increased our outlook for 2026.

While the operating environment remains dynamic, we believe the strength of the YETI brand, our innovation pipeline, our growing international business, and the discipline of our teams position us well for the remainder of the year and beyond. We remain focused on executing against our long-term growth strategy and creating sustainable value for our customers, shareholders and stakeholders.

With that, I'll turn the call back to the operator for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] One moment, please, for your first question. Your first question comes from Brooke Roach from Goldman Sachs. Please go ahead.

Brooke Roach
Analyst, Goldman Sachs & Co. LLC

Q

Good morning, and thank you for taking my question. Matt, I was hoping that you could expand on your growth outlook for the US market. And the slowdown is embedded in your forecast as you go up against some meaningfully tougher compares.

Is there any way you could frame the underlying demand that you've seen as you've moved through the early back-to-school season? Perhaps, provide a little bit of quarter-to-date commentary about the demand that you've seen by channel? And outline what gives you confidence in the sustainability of continued growth in that core US market from here?

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

A

Good morning, Brooke. This is Scott. Thanks for the question. Thanks for joining us this morning. So, look, we were really pleased with the demand that we saw throughout the first half. We had steady consumer demand over the course of the first two quarters. In fact, in the United States, our consumer demand exceeded our reported sales. So all the trends were positive. And we don't really see anything derailing those trends.

We had improved corporate sales in the quarter, improved international sales. The innovation is working, as you heard in Matt's prepared comments. We're really happy with the products that our commercial and product teams are bringing to market. So we see – we have a lot of confidence in the trends that we're seeing in the business.

We are mindful, however, that more than half the volume remains. There is some consumer uncertainty in the market. So we're confident in the trends, but being cautious in the outlook for the back half of the year.

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

A

Yeah, Brooke. And I would just add. I hope what you take away from the call and following the story for a long time is we are very focused on driving innovation, driving our channels, supporting our channel partners, building this brand. And we're not quarter-to-quarter. We're thinking about the long-term opportunity, and that's how we're building the business. And so, we feel really good about the first half of this year. We like the direction we're going in the back half this year, but we're thinking about 2027, 2028, 2029.

Brooke Roach
Analyst, Goldman Sachs & Co. LLC

Q

Great. That's very helpful. And Matt, as you think about that 2027 to 2029 forecast, I know we'll get a lot more about this in the Investor Day in a few weeks, but do you still believe that the double-digit growth outlook is still on the table in the near to medium term?

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

A

Yeah. I mean – thanks for calling that out. I mean, we will – we're excited about the Investor Day. As I said in my prepared remarks, there's a lot of good stuff. It'd be a great chance to see the incredible, both the talent we have on the team and how they're driving this business and why we've been able to perform and be resilient in those times as we've gone through the past couple of cycles.

As we look out into the future, I think one of the things you heard on the call was we talked a little bit more about what was the dynamic we're seeing in the Drinkware category. And when you sort of peel back the underlying drivers of the business, we believe this is not only a top line growth engine, but that the outsized EPS we can drive through both the operational driving the free flow, and we've got more opportunities out there in front of us than behind us. And so, as we go into our 21st year as a company, we're incredibly excited and bullish on where we're heading.

Brooke Roach
Analyst, Goldman Sachs & Co. LLC

Q

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

Operator: Your next question comes from Randy Konik from Jefferies. Please go ahead.

Randal J. Konik
Analyst, Jefferies LLC

Q

Yeah. Thanks, guys. Good morning. I guess, Matt, I want to just unpack how you thought about your commentary around Drinkware. You talked about some headwinds abating, I think, by the end of the year.

Maybe just kind of give us a little bit more detail on what you're seeing. How you're thinking about the product breadth and the geographic expansion of the product category ahead. Kind of it almost sounds like you think that you'll have a new base, you'll be able to reaccelerate the Drinkware business into next year and beyond because of distribution, new products. Is that kind of accurate? Can you can kind of talk to that?

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

A

Yeah. Good morning, Randy. Thanks for that. I'd say a couple of things. One, we have consistently said this over the quarters, and frankly, over the last few years on this Drinkware topic. What we called out today is really the articulation of the power of the strategy, the relevance of our assortment, the type of team we have to continue to drive the diversification of our Drinkware.

So as the world has been very focused on a narrow portion of the Drinkware category in the last few years, we've built out our product portfolio. And that's really what's driving the underlying strength in Drinkware. What we wanted to call out today is there's an acute drag and a headwind to that.

We have more than overcome that and then driven growth on top of it. And then we called out that by the end of this year, we'll have largely cycled through those specific narrow set of SKUs, which should rebaseline the business and give us opportunity to really showcase the innovation, the strength and the relevance of the brand that we've built into that broadening Drinkware category.

So what we want to do is we wanted to show what we've been saying because this is what the team has been executing over the last number of quarters, and we're really pleased with where it's setting us up domestically. But more importantly, I think the opportunity globally continues to become more in focus, more realizable and more relevant. So we're passionate about where we're going.

Randal J. Konik
Analyst, Jefferies LLC

Q

Super helpful. And then, I guess, what I want to try to get kind of dimensionalized is where the business had come from over the last couple of years to where it is today in terms of it's almost like you've added the capability to drive more speed through the organization, get products, more products produced, more products produced faster.

Can you maybe give us some help on where you've come from? What have been the more of the quantified changes in speed and ability to produce more things and distribute more? That would be super helpful coming into the Analyst Day because I'm sure you're going to talk about all the products you're going to be kind of launching over the next couple of years, so really there.

And then lastly around that, I think Scott said in his answer to one question that demand exceeded this reported sales growth figures, which means there's probably some sellouts of things, et cetera. So talk about what you're doing to kind of continue to enhance supply chain to be able to meet increasing demand for products where you're seeing some sellouts, that'd be super helpful. Thank you.

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

A

Yeah. Thanks, Randy. I'll tick off a few of those things. What Scott said was that consumer demand exceeded our reported in the US, which is a dynamic we really like.

I think the other thing that we have is as we have continued to cycle through the buildup of our global supply chain and the diversification of our supply chain is it's created more nimbleness. And you heard us call out on the call, the investment we continue to make in our supply chain to drive supply chain flexibility, to increase capacity where needed to shorten lead times. And I'll get to the innovation piece of it.

But it is important to note that Scott also called out some significant inflationary headwinds that we've seen, that our supply chain team is doing an incredible job trying to combat, but that have come up in 2026.

I think on the innovation side, both the innovation and the commercialization, as I called out, will be big topics as we get together here in about 30 days or so. And so, we'll go into more depth on what we're doing there, the significant improvements we've made in innovation cycle time, but also the strategy and maturation of our commercialization go-to-market.

You heard me say on the call, building up product and creating more product is one thing. Getting it to the right place at the right time to intercept the right consumer is the next phase of it. And we're excited to talk to you all about what we're doing in that regard.

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

A

Randy, I'd just add. You had a – a part of that question was around inventory. We feel really good about the inventory that we have at the moment. It's the healthiest position we've had in quite some time. So we feel like the team has done great work getting in stock and preparing ourselves to deliver the demand in the back half.

Randal J. Konik
Analyst, Jefferies LLC

Q

Super helpful. Thanks, guys.

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

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

Q

Hi. Good morning, guys. Thanks for taking the questions. My first, just around the 20% tariff assumption, I guess, starting in September. I think we can all agree anything's possible these days. I'm just curious if there's any – you have any line of sight into that. Is there something that you're seeing that suggests that's highly probable or are you just trying to plan conservatively given the environment?

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

A

Yeah, Lee (sic) [Peter]. The tariff discussion is one that changes regularly. No, we don't have any particular insight into this other than the fact there are still remaining investigations that are underway and with the intent to potentially introduce more tariffs. We have no particular insight of whether that will or won't happen, but we're just being conservative in our outlook.

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

Q

Okay. That makes sense. Thanks, Scott. And then maybe can you build a little bit more on the inflationary pressures that you've been seeing? You called out raw material costs or some supply chain stuff. Can you maybe frame kind of the largest buckets there, what you're doing, maybe how impactful they are right now? And what you're doing to try to offset them going forward. Thank you.

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

A

Yeah, sure. We'll do. Yes, this is something – we started talking about this a little bit last quarter. And candidly, the pressures have gotten worse over the course of Q2. They fall in a couple of categories that hit the P&L in different places. We have a variety of different pressures that are weighing on input cost into our cost of goods, inflationary pressures and things like stainless steel, magnets, oil-derivative products like resins that go directly into the production of our products. Those are direct.

FX weighs on our cost of goods as well. And then in OpEx, it's really about fuel and transportation and the price of oil. And the additional costs as it relates to transportation has been weighing pretty heavily on the business. And so, we continue to watch this. Obviously, it changes with regularity. And look, we are on this moving average inventory. And so, when we have pressure or benefit, it takes a while for it to be felt in the P&L. And so, we'll see how this unfolds over the course of the second half. But it's something that our teams are actively working to drive mitigating responses.

And I think you saw that in our gross margin performance. We had a 170-basis point increase in gross margin year-over-year, largely based on the hard work of our commercial teams, our product teams, our supply chain teams, driving product and channel profitability. Yes, we did have an $8 million benefit from tariffs, but much of that was eaten up by the additional inflationary pressures. So really proud of the work that the team did to deliver these gross margin results, even with the pressure weighing on the business.

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

A

Peter, and the one thing I would add to what Scott said is, and I mentioned this in my prepared remarks, we have active productivity programs going on inside the company to drive, making sure that we've got the right cost structure, but that we're also helping mitigate some of these pressures that continue to seem to come.

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

Q

Great. Thanks so much, guys. Good luck.

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

A

Thank you.

Operator: Your next question comes from Phillip Blee from William Blair. Please go ahead.

Olivia Witte
Analyst, William Blair & Co. LLC

Q

Good morning. This is Olivia Witte on for Phillip Blee. So international has been a bit choppy this quarter. You were up against easier comparisons. How are you thinking a more stable growth rate going forward? What does inventory levels look like versus sell-through demand in key markets?

And as Asia continues to ramp, can you provide some color on the early contribution from Japan and how you expect additional market launches across the region to contribute to growth over the next couple of years?

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

A

Yeah. So, look, we talked about in the end of Q1, you do have timing elements weigh on the quarter-to-quarter volatility in the business. But we continue to see strong performance and strong demand signals across the globe.

We've got – each market has a slightly different story. We have ANZ and Canada, they're a little bit more mature markets that are performing incredibly well. Australia/New Zealand had a really strong Q2, so we're pleased to see the performance there.

Europe is really driving significant growth for us. And we're just starting to get scale and have real traction with the customer base, and the awareness is increasing across Europe, and think that's going to deliver growth for many years to come.

And Asia is really interesting. It's one that we have significant growth aspirations over the long haul. We're very – newly entered into the markets there. We've seen some terrific traction in Japan. Our e-commerce site is performing extremely well. We know that growth will take – it will be a multiyear build. It's not something where we expect it to explode in the short term. But we are really happy with the results we're seeing there.

And more importantly, happy with the results we're seeing and the reaction we're seeing from the Japanese customer. We've had some terrific activations in the market that garnered terrific response from the customers there. And so, we're really thrilled about where that's heading.

And look, we still think that we have – we're on track to deliver our growth expectations for the year for the international business as a portfolio.

Olivia Witte
Analyst, William Blair & Co. LLC
Q

Okay, great. And then does the additional cash benefit from tariff refunds increase your appetite for opportunistic M&A or does your priorities remain largely unchanged relative to where they stood before the refunds? And more broadly, how are you thinking about balancing M&A, share repurchases, debt reduction, and other capital deployment opportunities going forward?

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

Yeah, thanks for the question. I'll take the front end on the M&A side, and then Scott can talk about the capital allocation. Nothing changes. It doesn't change the way we view inorganic innovation, acquisition of materials, designs, talent, capabilities that we think help drive the long-term growth algorithm for YETI.

Scott C. Bomar
Senior Vice President, Chief Financial Officer & Treasurer, YETI Holdings, Inc.
A

Yeah. And as an artifact of that, we have no intention of changing our capital allocation priorities. Obviously, we have the cash that'll go back through our normal prioritization process of looking for growth, looking for selective M&A opportunities, and then returning capital to shareholders if the cash flow is available.

Olivia Witte
Analyst, William Blair & Co. LLC
Q

Okay, good to know. Thank you. I'll pass it on.

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

Peter Jacob Keith
Analyst, Piper Sandler & Co.
Q

Hey, thanks. Good morning, guys. Matt, on the FOUR Letters brand campaign during Q2, we thought that was excellent. We've gotten good feedback on it as well. It doesn't – I guess the guidance implies you're not going to be doing national branding in the back half. So could you talk about maybe the – are there longer tail benefits from FOUR Letters that are showing up maybe in some metrics like e-comm traffic, YETI search? Trying to understand the longer term benefits of what we thought was a great campaign.

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

Good morning, Peter. Thanks for that. And we would echo it. Not only did we think it was a great campaign and represented YETI, but the metrics we saw in Q2 from a reach, the audiences that it touched, the age of the audiences, the moments it intersected, but also the fact that it was a scale from linear down to digital.

And we looked at it – and I said the word campaign and probably should have used the word platform. We look at this as a platform that we can use and continue to bring back to life because we think it has more than just a campaign moment. And you're seeing that already in that we've taken this big Q2 campaign and our incredible internal creative team has broken it down into smaller digital-focused bites where we can target different audiences, different communities, different YETI passion points. And I think you're going to continue to see us do that through the rest of this year. And frankly, I think it will last beyond 2026.

As far as a broad-based kind of big bang campaign, we don't have one planned for Q4 or the back half of this year right now. That was the shift from Q4 to Q2. But we do look at those things opportunistically. If the opportunity presents itself and it makes sense, we think based on the metrics we see, we think that they're really impactful for YETI driving that top-of-funnel awareness, brand awareness, reach, new audience, diversification of the audience. So appreciate your positive sentiment on it. We're excited about where this platform can go.

Peter Jacob Keith
Analyst, Piper Sandler & Co.

Q

Okay. Thank you. And then I want to focus a bit on Drinkware. You mentioned a 600-basis point headwind in the US from three SKUs. Could you talk, maybe just unpack that a little bit? What was happening? What are the three SKUs? And then, I believe you're reiterating your Drinkware growth for mid-single-digit despite this headwind, so maybe you can help us like connect the dots on that.

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

A

Yeah. So really, when we've been talking over the last going on three years and the big kind of hype cycle, trend-driven cycle that happened in the Drinkware category is we've been saying for many quarters, it was highly concentrated both in audience and in SKUs that it was focused on. YETI had some SKUs that enjoyed some of that growth.

What we were saying is that is cycled, and we've been saying that part of the category has been cycling out. What we wanted to give investors was a view into how hard that cycle, which would be consistent with everything we've been saying, how hard that cycle has cycled out and what the drag on YETI is really as a way of showcasing and putting into context YETI's mid-single-digit Drinkware growth is against that headwind.

And I think that shows the power of the strategy, that shows the power of the portfolio diversification, it shows the relevance of the rest of our Drinkware portfolio, and that there continues to be really interesting opportunity for us in that important category.

Peter Jacob Keith
Analyst, Piper Sandler & Co.

Q

Okay. So that – you had seen that in the full year guide all along. You're just highlighting for us now?

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

A

Correct.

Scott C. Bomar
Senior Vice President, Chief Financial Officer & Treasurer, YETI Holdings, Inc. A

That's right.

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

Correct.

Peter Jacob Keith
Analyst, Piper Sandler & Co. Q

Very good. Thank you so much, guys.

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

Thank you.

Operator: Your next question comes from Joe Altobello from Raymond James. Please go ahead.

Joseph Altobello
Analyst, Raymond James & Associates, Inc. Q

Thanks. Hey, guys. Good morning. I want to go back to the gross margin. Obviously, significant upside versus what we were expecting. I think what you were expecting as well, even excluding the refunds. And you called out pricing discipline as a driver there. Can you elaborate on what exactly that means?

Scott C. Bomar
Senior Vice President, Chief Financial Officer & Treasurer, YETI Holdings, Inc. A

Yeah. Look, we have product and commercial leaders that are constantly evaluating product and channel profitability. And they look at pricing as a key component of that. And in the quarter, we saw some meaningful benefit from that. Obviously, we have a lot of layers that factor into gross margin, including that, including operational optimization and the supply chain optimization, working with our suppliers to drive productivity. FX was a benefit in the quarter.

And so, there are a number of factors that really helped us deliver strong gross margin results, including that. But that's just part of the normal cadence of managing the business, and our commercial and product teams are highly focused on driving product and channel profitability.

Joseph Altobello
Analyst, Raymond James & Associates, Inc. Q

Okay. So it's not necessarily list price increases. It's pricing, promotion, all of that kind of combined [indiscernible] (00:51:00).

Scott C. Bomar
Senior Vice President, Chief Financial Officer & Treasurer, YETI Holdings, Inc. A

That's right.

Joseph Altobello
Analyst, Raymond James & Associates, Inc.
Q

Okay. And on international, you reiterated the guide for this year, up high-teens to 20%. I think you're up 14% year-to-date with the Japan rollout. Maybe you can kind of give us what you see as – where you're getting the confidence to get that acceleration in the second half. Thanks.

Scott C. Bomar
Senior Vice President, Chief Financial Officer & Treasurer, YETI Holdings, Inc.
A

Yeah. We have the benefit of seeing the demand signals. Like, there's always going to be quarter-to-quarter noise. And we talked a little bit about that in Q1, some items that could have hit in the quarter that didn't. And so, we see the trajectory of the business and see the healthy traction that we're getting in the market.

Obviously, each story is a little bit different. We've got areas where it's all about building awareness. We've got other areas that are mature and continue to drive the business in positive ways. But we feel good about the trajectory and the capabilities that we've built in our international businesses and are really seeing the fruits of multiple years of investment there to put the right teams on the ground, have the right supply chain capabilities to be able to service the market. And we're starting to see that momentum build.

Joseph Altobello
Analyst, Raymond James & Associates, Inc.
Q

Got it. Thank you.

Operator: Your next question comes from Peter Grom from UBS. Please go ahead.

Peter Grom
Analyst, UBS Securities LLC
Q

Great. Thank you. Good morning, everyone. So a quick follow-up just on Drinkware. Maybe just the 2% growth in the quarter, it's a little bit below your full year guidance range. It was a bit below consensus as well. So just kind of curious how the performance came in relative to your own internal expectations this quarter.

And then, just on the guidance, mid-single-digit growth for the year would imply some acceleration from here. So just kind of curious what drives that improvement in the back half.

Scott C. Bomar
Senior Vice President, Chief Financial Officer & Treasurer, YETI Holdings, Inc.
A

Yeah. Look, I think this is just quarter-to-quarter noise more than anything else. Again, we keep seeing the demand signals for Drinkware. There's lots of factors, timing of launches, timing of wholesaler purchasing patterns. So we didn't see anything in Q2 that highlights or indicates additional pressure weighing on the category.

In fact, some of the issues that Matt described with this one narrow set of SKUs weighing on the quarter, that obviously certainly had an impact. But we knew that on the front end. And so, there's nothing that happened in Q2 that makes us feel any different about the full year outlook.

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

And I would just add, what you're going to continue to see from us, which is consistent, is a cadence of innovation, new products, new SKUs, new colors, cycling things in and out. And so, I think the quarter-to-quarter movement, as Scott said, can be highly influenced based on the timing of those things. But we're really pleased with the broad-based demand and the broad-based opportunity that we see in Drinkware.

Peter Grom
Analyst, UBS Securities LLC

Q

Great. And then, Scott, just a follow-up. The increase in the OpEx guidance, is that simply just related to the higher transportation costs or are you also increasing brand investment as well?

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

A

Largely higher operational costs related to inflation, but there is some additional – as we continue to invest in both productivity and growth-driving initiatives, there's a little bit of both in the lift.

Peter Grom
Analyst, UBS Securities LLC

Q

Great. Thank you so much. I'll pass it on.

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

A

Thanks, Peter.

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

Noah Zatzkin
Analyst, KeyBanc Capital Markets, Inc.

Q

Hi. Thanks for taking my questions. I guess, first, is there any way to quantify the incentive comp impact related to tariff refunds in the quarter? Just trying to determine how much of that might be more onetime in nature. Thanks.

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

A

No. So I'm not going to [ph] obviously (00:54:59) break it. That is not the – when we referenced the incentive comp, that was simply a function of the year-over-year accrual relative to last year, had nothing to do with tariffs. So that reference in the prepared comments wasn't related to tariffs. There's not a consequential impact on full year incentive comp based on the refund.

Noah Zatzkin
Analyst, KeyBanc Capital Markets, Inc.

Q

Very helpful. And I guess, second, just on corporate sales. Can you remind us how large that business is and maybe provide some color on the trajectory there? And then any way to think about the headwind that's been there in prior quarters and the opportunity for that to reverse? Thanks.

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

A

Yeah. So corporate sales, obviously, we had a tough Q1 and then had some really nice recovery in Q2, and feel like the team's got a really good strategy there to continue to drive that business. It's roughly 25% or a quarter of the DTC business. And look, we are continuing to emphasize that, and the team is leaning in. It's got a good plan in place.

And as we described at the end of Q1, we weren't projecting a significant tailwind out of corporate sales, but the absence of a headwind. And essentially, that's exactly what happened. And so, we feel good about the trajectory. And we've seen continued demand or improved demand there and think that will cease to be a discussion over the course of the next couple of quarters.

Noah Zatzkin
Analyst, KeyBanc Capital Markets, Inc.

Q

Thank you.

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

A

Thank you.

Operator: Your next question comes from Anna Glaessgen from B. Riley Securities. Please go ahead.

Anna Glaessgen
Analyst, B. Riley Securities, Inc.

Q

Good morning. Thanks for taking my questions. Just one for me. We've seen sell-through exceed sell-in for quite a while now, track channel inventories were down. I guess, does the guidance assume more balanced sell-through and sell-in at any point in the year? And if not, when do you think we could see this reach parity? Thanks.

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

A

Yeah. Look, we – the guidance does imply a balance between sell-in and sell-through. Look, it's always hard to predict exactly how that'll play out over the course of the second half. But we aren't expecting a big inventory build or continued decoupling of those. So when we think about – and that's the goal of the team is to try to create an inventory level that match the sell-through. So that's how we thought about the guide.

Anna Glaessgen
Analyst, B. Riley Securities, Inc.

Q

Great. Thanks.

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

A

Thank you.

Operator: And there are no further questions at this time. I will turn the call back over to Matt for closing remarks.

Matthew J. Reintjes

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

Thank you. And thanks, everyone, for joining us today. Look forward to talking to you on our Q3 call and meeting some of you at our Investor Day.

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