

Recommendation: NEUTRAL
 Event risk: Medium
 Sector: Consumer Products
 Analyst: Benjamin Day
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 E-mail: day.ben@principal.com
 Date: 09/09/2022

Recommendation	
Fundamentals	58%
Technicals	45%
Valuation	43%
% of Index	0.04%
Rec Weight	0.15
Total Score	NEUTRAL
Recommendation	NEUTRAL

Company Description

Crocs is one of the world's largest footwear companies. Its shoe collection has grown from its well known slip-on clogs to a range of trainers, sandals, and boots. Clog shoes are made of proprietary closed-cell resin and designed for men, women, and children. Jibbitz are the company's decorative add-on charms. It reaches customers through an omnichannel mix of company owned stores, wholesale retailers, and e-commerce. In February 2022 the company acquired the casual footwear brand Hey Dude for \$2.5 billion, financed primarily by a term loan as well as equity. Hey Dude is a fashion retail brand founded in 2008 by Alessandro Rosano. The company sells casual shoes for men, women, and children. Hey Dude's brand is very popular with Gen Z and Millennial consumers given its comfort and casual profile. Shoes are made from materials like suede and leather which are lightweight and comfortable.

Description	Recommendation	Coupon	Maturity	Amt Out (mn)	S&P Rating	Moody's Rating	Duration	Bond price	YTW	OAS
CROCS INC 1L Gtd Sr. Secd	NEUTRAL	SOFR 1M + 350	02/19/2029	USD 1995	BB-	Ba2	6.5	95.50		
CROCS INC Sr Unsecured	NEUTRAL	4.250%	03/15/2029	USD 350	B	B2	5.52	82.17	7.80%	443
CROCS INC Sr Unsecured	NEUTRAL	4.125%	08/15/2031	USD 350	B	B2	7.33	79.83	7.23%	393

Recommendation Summary

We recommend neutral on Crocs. The company has had massive tailwinds in 2020 and 2021 in the form of government stimulus and a shift to casual footwear from the coronavirus pandemic. Moreover, the Hey Dude acquisition will fuel additional growth and help to diversify a very concentrated business. Crocs has operated well this year despite headwinds like supply chain disruptions, higher transportation costs, and a stronger dollar. We expect Hey Dude to be integrated but growth to slow in the near term due to a weaker consumer and mean reversion from the rapid growth. Current tailwinds are balanced out by high revenue concentration, execution risk, deteriorating industry fundamentals, and elevated leverage. Our base case is Crocs will deleverage to 1.9x Debt/Adj Ebitda by YE 2023.

Risks to Recommendation

Lack of diversification, Crocs clog shoes currently 60% of sales
 Execution risk regarding Hey Dude acquisition
 Product overlap between Clogs and Hey Dude shoes
 Fashion and trend risk
 Challenging macro environment and weakening consumer

Fundamentals

+ Relatively low pro forma leverage should lead to fast deleveraging
 + Industry leading Margins
 + Casual and comfortable secular trend
 + Fantastic operational performance given existing headwinds
 - Very high revenue concentration, although this should improve in coming years
 - Difficult year over year comps
 - Revenue pull forward from covid stimulus
 - Above average cyclicality

Internal Rating

Our internal rating of B and Stable outlook reflects our view that Crocs will maintain its commitment to deleveraging from current leverage of 3.2x Debt / LTM Ebitda to 2x or lower. We also expect Hey Dude to be integrated into the business and become the main growth segment. Our rating is subject to downgrade if management changes leverage plans or if growth slows more than expected. Crocs could see an upgrade if deleveraging is executed ahead of schedule in addition to further revenue diversification.

Valuation

We favor the unsecured bonds over the term loan given our expectation of fairly rapid debt paydown. Crocs 2029 bond trades 25 wide of WWW 2029 and 70 wide of FL 2029. Fair value is 40 wide of WWW and 80 wide of FL. Crocs growth prospects are stronger, but it has a considerably worse credit profile than its competitors. As deleveraging occurs and revenue concentration improves we should see the fair value relationship tighten. Crocs trades tight for a single B credit, but it is an improving story.

1st Lien Covenant Analysis

Mandatory Prepayments:

- 50% of excess cash flow with leverage based step-downs to 25% and 0%
- 100% of non-ordinary asset sales with leverage stepdowns to 50% and 0%
- 100% of net proceeds from the incurrence of non-permitted debt

Usual negative covenants on indebtedness, liens, investments, restricted payments, prepayments of junior debt, asset sales, and more
 No financial covenants

Pro-forma Capital Structure

\$ Millions	Q2 2022	xLTM EBITDA 22	xLTM EBITDA 23
U.S. Revolving Credit Facility '24	\$ 130		
Asia Revolving Credit Facility '22	\$ 5		
First Lien Term Loan '29	\$ 1,995		
Total Secured Debt	\$ 2,130	2.3x	2.1x
4.25% Senior Notes '29	\$ 350		
4.125% Senior Notes '31	\$ 350		
Unamortized Issuance Cost	\$ (62)		
Total Debt	\$ 2,768	3.0x	2.8x
Cash and Cash Equivalents	\$ (187)		
Operating Leases	\$ 268		
Market Capitalization	\$ 4,954		
Enterprise Value	\$ 7,803	8.5x	7.9x
EBITDA 2022e	\$ 921		
EBITDA 2023e	\$ 992		

Source: Company Filings, Bloomberg

Ratings

	Moody's	S&P	Internal
Issue Level Rating	Ba3	BB-	BB-
Senior Unsecured	B2	B	B
1st Lien	Ba2	BB-	BB-
Outlook	STABLE	NEG	STABLE

Technicals

Issuance not expected as company delevers from recent acquisition
 Senior notes were issued to fund share buybacks, could see more of this after deleveraging is complete
 Share buybacks are suspended until total leverage is below 2x
 Liquidity is below average on bonds given small issue size

Liquidity (\$ mill.)

Cash and Cash Equivalents	\$ 187
U.S. Revolver	\$ 600
Asia Revolver	\$ 11
U.S. Revolver Outstanding	\$ (130)
Asia Revolver Outstanding	\$ (5)
Total	\$ 663

Financial Analysis

Note: Hey Dude acquisition was closed in Mid February 2022, pro forma Q1 22 Hey Dude revenue was \$205 million

Millions	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E
Income Statement:																					
Cross Revenue	\$ 1,231	\$ 281	\$ 332	\$ 362	\$ 412	\$ 1,386	\$ 460	\$ 641	\$ 626	\$ 587	\$ 2,313	\$ 545	\$ 732	\$ 698	\$ 628	\$ 2,603	\$ 594	\$ 783	\$ 747	\$ 659	\$ 2,783
Hey Dude Revenue	\$ 56					\$ 191					\$ 580	\$ 115	\$ 233	\$ 245	\$ 275	\$ 868	\$ 287	\$ 314	\$ 319	\$ 380	\$ 1,299
Total Revenue	\$ 1,231	\$ 281	\$ 332	\$ 362	\$ 412	\$ 1,386	\$ 460	\$ 641	\$ 626	\$ 587	\$ 2,313	\$ 660	\$ 965	\$ 943	\$ 903	\$ 3,470	\$ 881	\$ 1,097	\$ 1,065	\$ 1,039	\$ 4,082
COGS	\$ 614	\$ 147	\$ 152	\$ 155	\$ 182	\$ 636	\$ 207	\$ 246	\$ 226	\$ 215	\$ 893	\$ 335	\$ 467	\$ 424	\$ 415	\$ 1,642	\$ 441	\$ 538	\$ 501	\$ 499	\$ 1,977
Gross profit	\$ 617	\$ 134	\$ 180	\$ 207	\$ 229	\$ 750	\$ 253	\$ 395	\$ 400	\$ 372	\$ 1,420	\$ 325	\$ 498	\$ 519	\$ 487	\$ 1,829	\$ 441	\$ 560	\$ 565	\$ 540	\$ 2,082
SG&A	\$ 488	\$ 113	\$ 123	\$ 135	\$ 164	\$ 536	\$ 129	\$ 200	\$ 197	\$ 212	\$ 737	\$ 206	\$ 250	\$ 288	\$ 316	\$ 1,060	\$ 247	\$ 285	\$ 309	\$ 338	\$ 1,178
Operating Profit (EBIT)	\$ 129	\$ 21	\$ 57	\$ 72	\$ 65	\$ 214	\$ 125	\$ 195	\$ 203	\$ 160	\$ 683	\$ 119	\$ 248	\$ 231	\$ 172	\$ 769	\$ 194	\$ 274	\$ 256	\$ 203	\$ 926
Interest Expense	\$ 9	\$ 2	\$ 2	\$ 2	\$ 1	\$ 7	\$ 2	\$ 5	\$ 6	\$ 9	\$ 22	\$ 19	\$ 33	\$ 33	\$ 47	\$ 132	\$ 33	\$ 47	\$ 33	\$ 47	\$ 159
FX loss (gain)	\$ 1	\$ 0	\$ 1	\$ 1	\$ (0)	\$ 1	\$ 1	\$ 1	\$ 0	\$ (1)	\$ 0	\$ (1)	\$ 1	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -
Other loss (gain)	\$ (1)	\$ (0)	\$ (1)	\$ -	\$ 0	\$ (1)	\$ (0)	\$ (0)	\$ (1)	\$ (2)	\$ (3)	\$ 1	\$ (1)	\$ -	\$ -	\$ 0	\$ 0	\$ -	\$ -	\$ -	\$ -
Pretax Income	\$ 119	\$ 19	\$ 55	\$ 70	\$ 63	\$ 207	\$ 123	\$ 191	\$ 198	\$ 153	\$ 664	\$ 99	\$ 214	\$ 199	\$ 124	\$ 636	\$ 161	\$ 227	\$ 223	\$ 155	\$ 767
Income tax	\$ (0)	\$ 8	\$ (2)	\$ 8	\$ (120)	\$ (106)	\$ 24	\$ (128)	\$ 44	\$ (2)	\$ (62)	\$ 26	\$ 54	\$ 44	\$ 27	\$ 151	\$ 35	\$ 50	\$ 49	\$ 34	\$ 169
Net Income	\$ 119	\$ 11	\$ 57	\$ 62	\$ 183	\$ 313	\$ 98	\$ 319	\$ 153	\$ 155	\$ 726	\$ 73	\$ 160	\$ 155	\$ 97	\$ 485	\$ 126	\$ 177	\$ 174	\$ 121	\$ 598
Business Trends:																					
Revenue Growth YoY	13.1%	-5.0%	-7.6%	15.7%	56.5%	12.6%	63.6%	93.3%	73.0%	42.6%	66.9%	43.5%	50.5%	50.6%	53.9%	49.6%	33.5%	13.8%	13.0%	15.1%	18.8%
Hey Dude Revenue Growth						241.1%					203.7%					49.6%	40.0%	35.0%	30.0%	38.0%	35.8%
Organic Revenue Growth (ex Hey Dude)												18.5%	14.2%	11.5%	7.0%	12.8%	9.0%	7.0%	7.0%	5.0%	7.0%
Gross Margin	50.1%	47.7%	54.3%	57.2%	55.7%	54.1%	55.0%	61.7%	63.9%	63.4%	61.4%	49.2%	51.6%	55.0%	54.0%	52.5%	50.0%	51.0%	53.0%	52.0%	51.5%
Gross Margin - YoY change (bps)	(140) bps	110 bps	150 bps	480 bps	770 bps	400 bps	730 bps	740 bps	670 bps	770 bps	730 bps	(580) bps	(1010) bps	(670) bps	(940) bps	(890) bps	80 bps	(60) bps	(200) bps	(200) bps	(100) bps
Operating Margin	10.5%	7.4%	17.1%	19.9%	15.7%	15.4%	27.1%	30.5%	32.4%	27.3%	29.5%	18.0%	25.7%	24.5%	19.0%	22.2%	22.0%	25.0%	24.0%	19.5%	22.7%
Operating Margin - YoY change (bps)	210 bps	(420) bps	280 bps	570 bps	1100 bps	490 bps	1970 bps	1340 bps	1250 bps	1160 bps	1410 bps	(910) bps	(480) bps	(600) bps	(830) bps	(730) bps	400 bps	(60) bps	(50) bps	50 bps	50 bps
SG&A (as % revenue)	39.7%	40.3%	37.2%	37.2%	40.0%	38.7%	27.9%	31.2%	31.4%	36.1%	31.9%	31.2%	25.9%	30.5%	35.0%	30.7%	28.0%	26.0%	29.0%	32.5%	28.9%
Depreciation & Amortization	\$ 24	\$ 7	\$ 7	\$ 7	\$ 7	\$ 28	\$ 8	\$ 8	\$ 8	\$ 8	\$ 32	\$ 8	\$ 9	\$ 12	\$ 13	\$ 42	\$ 16	\$ 17	\$ 16	\$ 17	\$ 66
EBITDA	\$ 153	\$ 28	\$ 63	\$ 79	\$ 72	\$ 242	\$ 133	\$ 203	\$ 211	\$ 168	\$ 715	\$ 127	\$ 257	\$ 243	\$ 185	\$ 811	\$ 210	\$ 291	\$ 272	\$ 220	\$ 992
Adjustments	\$ 74	\$ 16	\$ 19	\$ 17	\$ 39	\$ 31	\$ 16	\$ 16	\$ 4	\$ 16	\$ 52	\$ 36	\$ 59	\$ 15	\$ -	\$ 110	\$ -	\$ -	\$ -	\$ -	\$ -
Adj. EBITDA	\$ 227	\$ 44	\$ 82	\$ 96	\$ 111	\$ 273	\$ 149	\$ 219	\$ 215	\$ 184	\$ 767	\$ 163	\$ 316	\$ 258	\$ 185	\$ 921	\$ 210	\$ 291	\$ 272	\$ 220	\$ 992
Adj EBITDA Margin	18.4%	15.5%	24.8%	26.5%	27.0%	23.5%	32.3%	34.2%	34.4%	31.4%	33.1%	24.6%	32.8%	27.4%	20.4%	26.3%	23.8%	26.5%	25.5%	21.1%	24.3%
YoY Adj EBITDA growth (bps)	730 bps	(330) bps	480 bps	570 bps	1410 bps	510 bps	1680 bps	940 bps	790 bps	440 bps	960 bps	(770) bps	(140) bps	(700) bps	(1100) bps	(680) bps	400 bps	(630) bps	(190) bps	(70) bps	(200) bps
Inventory Turnover	4.1	3.6	4.2	3.8	3.7	3.7	3.5	4.4	4.5	4.6	4.6	3.4	3.5	3.6	3.6	3.6	3.5	3.8	4.0	3.9	3.9
Days Inventory Outstanding	88.2	101.5	87.9	97.1	99.6	99.6	102.9	82.2	81.9	79.4	79.4	107.9	104.4	101.4	101.4	101.4	104.3	96.1	91.3	93.6	93.6
LTM Adj EBITDA	\$ 227	\$ 215	\$ 225	\$ 256	\$ 333	\$ 333	\$ 438	\$ 575	\$ 694	\$ 767	\$ 767	\$ 781	\$ 878	\$ 921	\$ 921	\$ 921	\$ 968	\$ 944	\$ 957	\$ 992	\$ 992
Rental Expense	\$ 81	\$ 18	\$ 21	\$ 23	\$ 21	\$ 83	\$ 20	\$ 28	\$ 27	\$ 24	\$ 99	\$ 21	\$ 31	\$ 31	\$ 31	\$ 114	\$ 31	\$ 31	\$ 31	\$ 31	\$ 124
Adj EBITDAR	\$ 308	\$ 233	\$ 246	\$ 279	\$ 354	\$ 354	\$ 458	\$ 603	\$ 721	\$ 791	\$ 791	\$ 802	\$ 909	\$ 952	\$ 952	\$ 952	\$ 999	\$ 975	\$ 988	\$ 1,023	\$ 1,023
Balance Sheet:																					
Cash and cash equivalents	\$ 108	\$ 107	\$ 151	\$ 124	\$ 136	\$ 136	\$ 256	\$ 198	\$ 437	\$ 213	\$ 213	\$ 172	\$ 187	\$ 186	\$ 166	\$ 166	\$ 183	\$ 187	\$ 214	\$ 199	\$ 199
Accounts Receivable	\$ 108	\$ 172	\$ 160	\$ 139	\$ 150	\$ 150	\$ 229	\$ 233	\$ 229	\$ 183	\$ 183	\$ 376	\$ 423	\$ 402	\$ 390	\$ 390	\$ 382	\$ 375	\$ 364	\$ 353	\$ 353
Inventory	\$ 172	\$ 196	\$ 147	\$ 174	\$ 175	\$ 175	\$ 196	\$ 209	\$ 212	\$ 214	\$ 214	\$ 408	\$ 502	\$ 476	\$ 462	\$ 462	\$ 453	\$ 444	\$ 431	\$ 418	\$ 418
Other ST Assets	\$ 37	\$ 39	\$ 35	\$ 35	\$ 32	\$ 32	\$ 46	\$ 38	\$ 42	\$ 57	\$ 57	\$ 83	\$ 56	\$ 56	\$ 56	\$ 56	\$ 56	\$ 56	\$ 56	\$ 56	\$ 56
Current Assets	\$ 425	\$ 514	\$ 494	\$ 472	\$ 493	\$ 493	\$ 727	\$ 679	\$ 920	\$ 667	\$ 667	\$ 1,039	\$ 1,168	\$ 1,121	\$ 1,074	\$ 1,074	\$ 1,074	\$ 1,062	\$ 1,064	\$ 1,025	\$ 1,025
Net PP&E	\$ 230	\$ 240	\$ 236	\$ 254	\$ 225	\$ 225	\$ 250	\$ 252	\$ 262	\$ 269	\$ 269	\$ 335	\$ 376	\$ 435	\$ 489	\$ 489	\$ 496	\$ 511	\$ 528	\$ 556	\$ 556
Intangible Assets	\$ 47	\$ 46	\$ 44	\$ 40	\$ 38	\$ 38	\$ 35	\$ 34	\$ 32	\$ 29	\$ 29	\$ 1,896	\$ 1,804	\$ 1,801	\$ 1,797	\$ 1,797	\$ 1,794	\$ 1,790	\$ 1,787	\$ 1,783	\$ 1,783
Deferred Tax Assets	\$ 25	\$ 24	\$ 24	\$ 23	\$ 351	\$ 351	\$ 337	\$ 516	\$ 518	\$ 567	\$ 567	\$ 548	\$ 514	\$ 514	\$ 514	\$ 514	\$ 514	\$ 514	\$ 514	\$ 514	\$ 514
Goodwill	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 642	\$ 714	\$ 714	\$ 714	\$ 714	\$ 714	\$ 714	\$ 714	\$ 714	\$ 714
Other LT Assets	\$ 10	\$ 10	\$ 12	\$ 11	\$ 11	\$ 11	\$ 12	\$ 12	\$ 12	\$ 12	\$ 12	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
Total Assets	\$ 739	\$ 836	\$ 811	\$ 802	\$ 1,119	\$ 1,119	\$ 1,362	\$ 1,494	\$ 1,745	\$ 1,545	\$ 1,545	\$ 4,471	\$ 4,587	\$ 4,595	\$ 4,598	\$ 4,598	\$ 4,598	\$ 4,602	\$ 4,618	\$ 4,602	\$ 4,602
Accounts Payable	\$ 96	\$ 105	\$ 83	\$ 119	\$ 113	\$ 113	\$ 142	\$ 167	\$ 133	\$ 162	\$ 162	\$ 203	\$ 225	\$ 207	\$ 201	\$ 201	\$ 197	\$ 203	\$ 207	\$ 209	\$ 209
Other Payables and Accruals	\$ 109	\$ 70	\$ 94	\$ 100	\$ 126	\$ 126	\$ 111	\$ 156	\$ 149	\$ 167	\$ 167	\$ 186	\$ 243	\$ 231	\$ 224	\$ 224	\$ 217	\$ 223	\$ 228	\$ 230	\$ 230
Accrued Taxes	\$ 4	\$ 10	\$ 6	\$ 9	\$ 5	\$ 5	\$ 24	\$ 12	\$ 22	\$ 16	\$ 16	\$ 67	\$ 59	\$ 59	\$ 59	\$ 59	\$ 59	\$ 59	\$ 59	\$ 59	\$ 59
Short Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25
Short Term Operating Leases	\$ 49	\$ 50	\$ 49	\$ 50	\$ 47	\$ 47	\$ 48	\$ 46	\$ 45	\$ 43	\$ 43	\$ 49	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50
Current Liabilities	\$ 258	\$ 235	\$ 233	\$ 279	\$ 291	\$ 292	\$ 325	\$ 380	\$ 350	\$ 388	\$ 388	\$ 531	\$ 602	\$ 572	\$ 558	\$ 558	\$ 548	\$ 560	\$ 569	\$ 573	\$ 573
Long Term Debt	\$ 205	\$ 350	\$ 275	\$ 135	\$ 180	\$ 180	\$ 341	\$ 386	\$ 686	\$ 772	\$ 772	\$ 2,851	\$ 2,743	\$ 2,618	\$ 2,528	\$ 2,528	\$ 2,408	\$ 2,208	\$ 2,033	\$ 1,883	\$ 1,883
Total Debt	\$ 205	\$ 350	\$ 275	\$ 135	\$ 180	\$ 180	\$ 341	\$ 386	\$ 686	\$ 772	\$ 772	\$ 2,877	\$ 2,768	\$ 2,643	\$ 2,553	\$ 2,553	\$ 2,433	\$ 2,233	\$ 2,058	\$ 1,908	\$ 1,908
Net Debt	\$ 97	\$ 243	\$ 124	\$ 12	\$ 45	\$ 45	\$ 85	\$ 188	\$ 249	\$ 558	\$ 558	\$ 2,705	\$ 2,581	\$ 2,457	\$ 2,388	\$ 2,388	\$ 2,250	\$ 2,046	\$ 1,844	\$ 1,709	\$ 1,709
Lease Adj Debt	\$ 394	\$ 552	\$ 466	\$ 340	\$ 373	\$ 373	\$ 555	\$ 595	\$ 889	\$ 964	\$ 964	\$ 3,107	\$ 3,036	\$ 2,911							

HEYDUDE TRANSACTION OVERVIEW

Purchase Price⁽¹⁾	\$2.5 billion
Valuation Multiple	13x Enterprise Value / LTM EBITDA as of 9/30
HEYDUDE Revenue	~\$580M Revenue for 2021E
Closing	1Q 2022, subject to customary closing conditions and regulatory approval
Financing	Expected acquisition financing of: <ul style="list-style-type: none"> • \$2.0B Term Loan B • \$450M Crocs shares to be issued to the seller⁽²⁾ • \$50M RCF draw
Leverage	~3x Net Debt / PF 2021E EBITDA Commitment to use excess free cash flow for debt repayment No share repurchase in 2022 and until gross leverage is <2.0x
Accretion	Immediately accretive to Crocs earnings ⁽³⁾ Expect ~\$700-\$750M of PF 2022 revenue for HEYDUDE



OPPORTUNITY TO LEVERAGE CROCS' PROVEN GLOBAL PLAYBOOK

GLOBAL FOOTPRINT

<5%/31%

HEYDUDE vs. Crocs International Revenues*

MARKETING EXPERTISE

~20%/92%

HEYDUDE vs. Crocs Brand Awareness**

WHOLESALE RELATIONSHIPS

30%

HEYDUDE Account Overlap with Crocs Top 20 B&M WHL

CREATES GLOBAL, SCALED LEADER IN BRANDED CASUAL FOOTWEAR



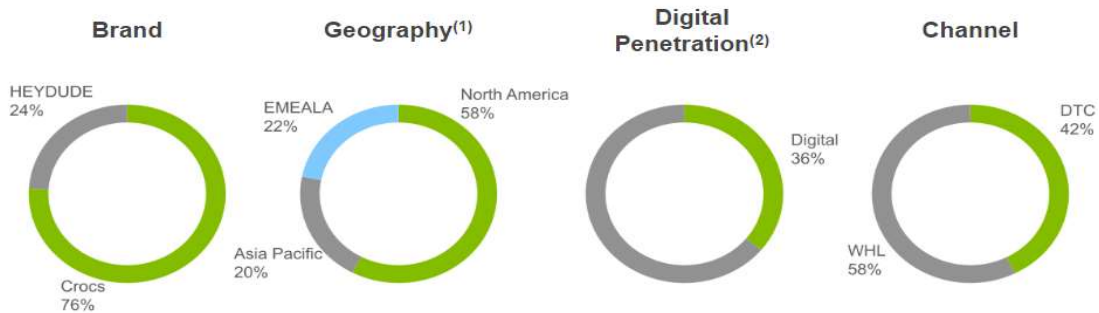
crocs™

* FactSet consensus estimates for competitors as of 1/6/2022. Crocs based on ~\$2.3B 2021E revenues and guidance of 20%+ 2022 revenue growth. HEYDUDE based on midpoint of Crocs estimate for full year pro forma 2022E revenue of \$700M to \$750M.

9

BUSINESS & FINANCIAL HIGHLIGHTS

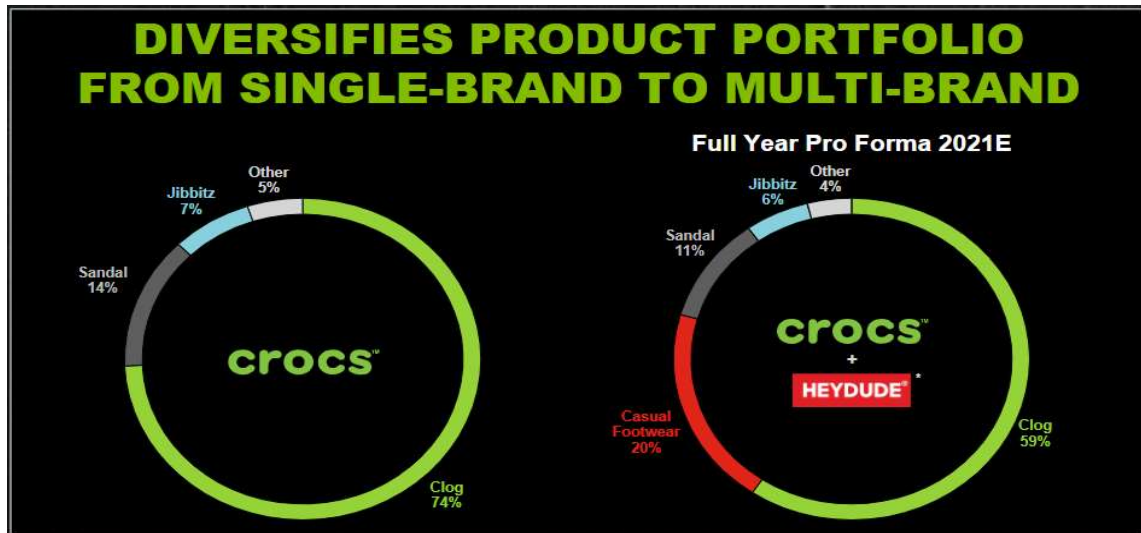
Q2 REVENUE BREAKDOWN



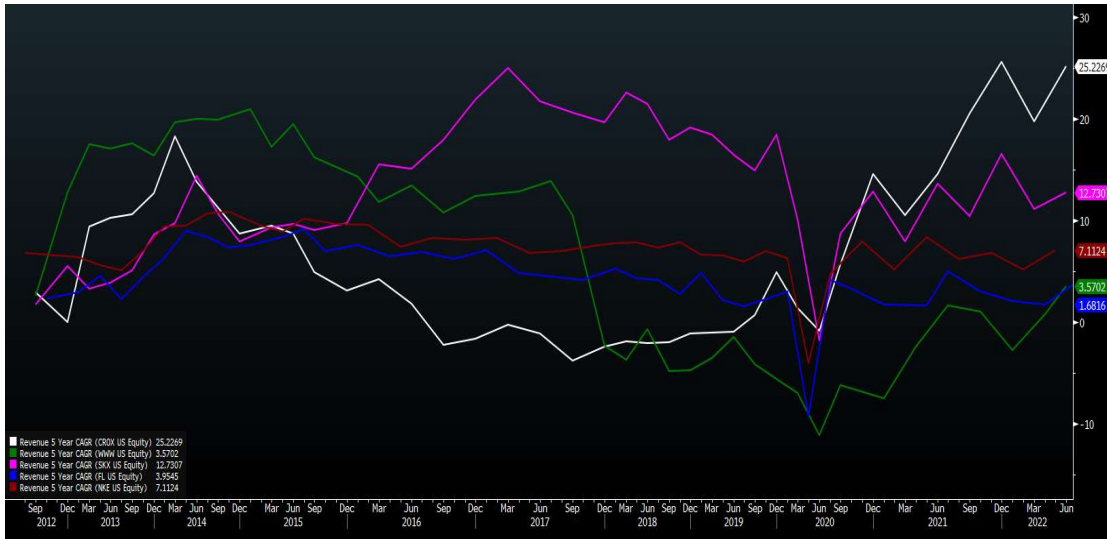
1. Geography is for Crocs Brand only.

2. Digital sales include Crocs.com, heydushoesusa.com, third-party market places (e.g. Tmall), and e-tailers (e.g. Amazon, Zappos, Zalando).

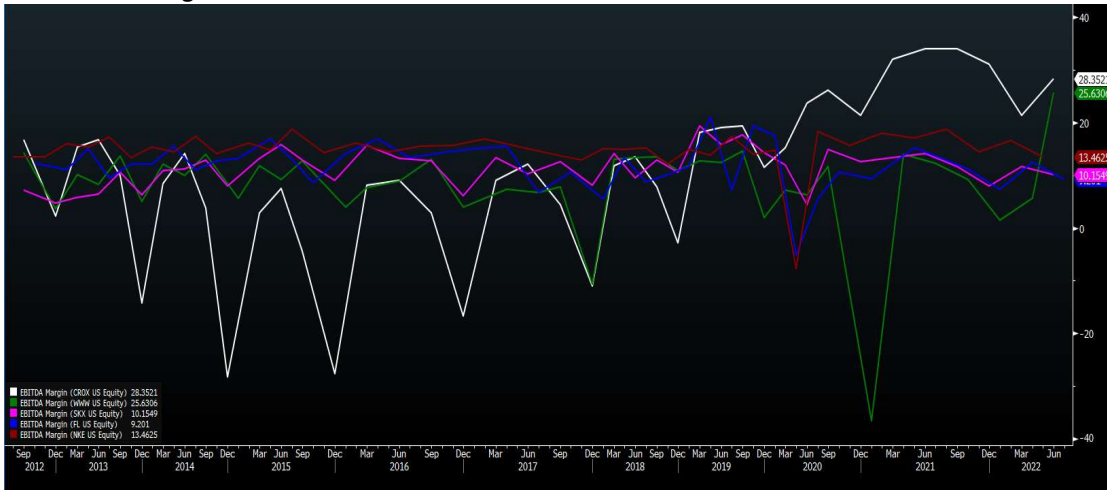
DIVERSIFIES PRODUCT PORTFOLIO FROM SINGLE-BRAND TO MULTI-BRAND



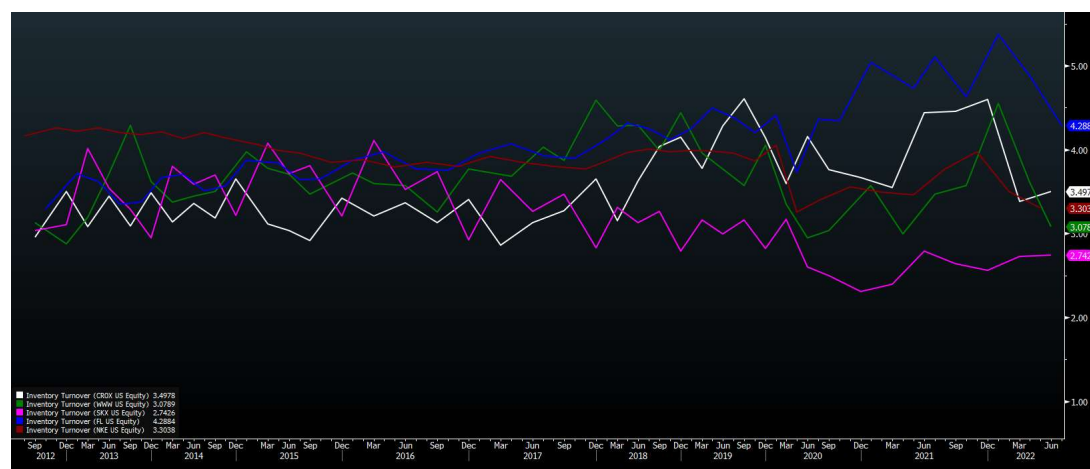
Revenue 5 Year CAGR



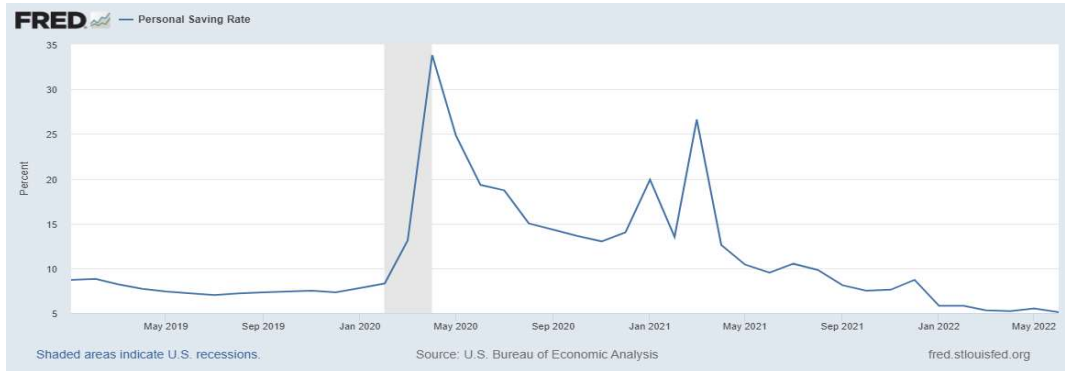
EBITDA Margin



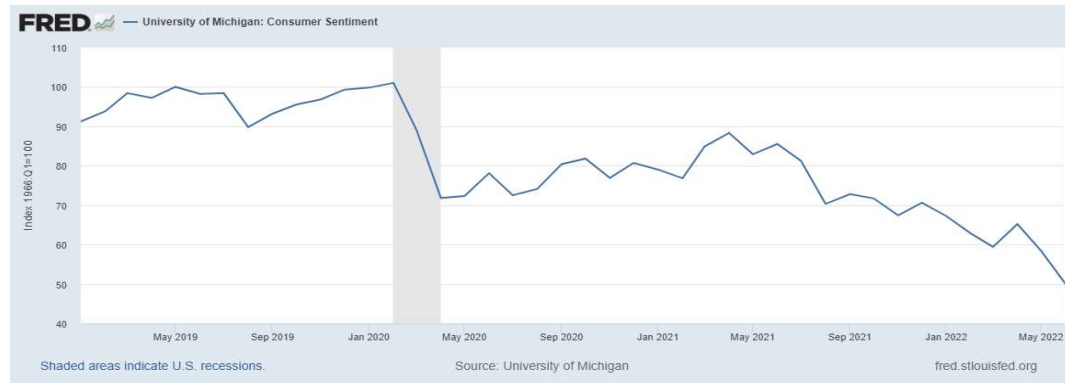
Inventory Turnover



Savings rate below pre-covid levels



Consumer Sentiment declining and below covid levels



Real Nondurable good expenditures declining since Q4 2021



FTV SCORES	WEIGHTING	SCORES
Fundamentals (6-12 months)	60%	58%
Technicals (0-3 months)	15%	45%
Valuation (current)	25%	43%
PGI HY Factor Score		52%
BONUS Recommendation		NEUTRAL

BONUS SCALE	
>80%	B UY
60% - 80%	O UTPERFORM
40% - 60%	N EUTRAL
20% - 40%	U NDERPERFORM
<20%	S ELL

SCORE (0-10)		COMMENTS
Fundamentals (6-12 months)		
Future Risk Profile		
Forecasted growth in cash flow	8.0	
Free cash flow to debt	6.0	
Expected change in Leverage	8.0	
Margins / Capital Intensity	8.0	
Financial policy & shareholder initiatives	4.0	
Financial Flexibility (covenants & liquidity)	5.0	
Business Strategy & Sustainability		
Business model assessment (MOAT)	3.0	
Management team assessment	6.0	
Complexity of corporate/capital structure	6.0	
Analyst Fundamental Score	60%	
ESG score	50%	
ACP Fundamental Score		
Total Fundamental Score	58%	
Technicals (0-3 Months)		
Expected impact from issuance (company & sector)	6.0	
Equity price/Volatility/Earnings Surprises	3.0	
Event Risk (+15 to -15)	0.0	
Analyst Technical Score	45%	
ACP Technical Score	45%	
Total Technical Score	45%	
Valuation (Current)		
Expected Return	5.0	Total return scenarios
Relative Value	4.0	vs. peers/rating
Variability of Potential Returns	4.0	10 - low variability in returns. 1-extremely variability/possible downside risk.
Analyst Valuation Score	43%	
ACP Valuation Score	40%	
Total Valuation Score	43%	
Analyst FTV	54%	
Total FTV Score	52%	

Total Return Analysis



CROX 4 1/4 03/15/29

Scenario Description	Probability	Current Price	Current YTW	Coupon	Resulting Price	Resulting YTW	Price Appreciation	Current Yield	Holding Period TRR	Annualized TRR
High growth, deleveraging complete by mid Q2 2023	20%	82.17	7.77%	4.250%	90.57	6.30%	10.23%	5.17%	15.40%	15.40%
Company delevers to 2x Net Debt / LTM Ebitda by YE 2023	50%	82.17	7.77%	4.250%	84.33	7.80%	2.63%	5.17%	7.80%	7.80%
Economic slowdown, margin deterioration, slow deleveraging	25%	82.17	7.77%	4.250%	73.98	10.60%	-9.97%	5.17%	-4.79%	-4.79%
Severe recession, revenue decline, market share loss	5%	82.17	7.77%	4.250%	64.81	13.50%	-21.13%	5.17%	-15.95%	-15.95%
Expected Total Return								0.00%	4.98%	4.98%
								Std. Dev of Returns:		13.83%
								Expected Return/Std. Dev of Return Scenarios		0.36
										13.83%
										0.36

Comp Analysis

Bond	Price	YTW	OAS	Duration	Moody's	S&P	YTD Return	Net Leverage
Crocs (CROX) 4.25% 03/15/29	\$ 82.17	7.80%	443	5.14	B2	B	-17.10%	3.1x
Wolverine (WWW) 4% 08/15/29	\$ 81.11	7.55%	419	5.59	Ba3	BB-	-16.75%	4.0x
Foot Locker (FL) 4% 10/01/29	\$ 83.15	7.08%	372	5.50	Ba2	BB+	-16.94%	2.3x

Net Leverage calculated as Net Lease Adj Debt/Adj EBITDAR

Indexes	YTW	OAS	YTD Return
US HY Index	8.65%	522	-9.78%
HY Consumer Products Index	7.26%	385	-11.66%
HY Retail Index	9.86%	645	-15.49%
B Average	8.74%	531	-9.12%
BB Average	6.77%	337	-9.66%

YTD return excludes any coupon payments

ESG Scoring Grid



CROCS INC					
Date					
Factor	Subfactor	Items of Consideration	Principal Score	Subfactor Weight	Analyst Comments
Environmental	Toxic and Carbon Emissions	Percentage of operations with high/moderate/low carbon and toxic emission intensity and policies in place to manage/reduce emissions	3	20%	Crocs has a net zero emissions goal by 2030 and company framework aligns with the UN Sustainable Development goals. Carbon footprint for each pair of shoes is measured and bio-based Croslite material is being integrated into the manufacturing process. Carbon intensity is still very elevated compared to peers, room for improvement here.
	Material Sourcing/Land Use	Evaluation of practices used by company in natural resource extraction and associated depletion thereof; controversial sourcing	4	20%	Material sourcing in line with industry peers. Products are not certified by externally certified agencies. The company is not working with suppliers to mitigate the environmental impact of raw materials.
	Total Environmental Score		4	40%	
Social	Health/Safety/Nutrition	Risk and management of health and safety-related issues that can lead to accidents causing production disruption, litigation, liabilities, etc; nutritional evaluation of product portfolio	6	20%	
	Product Safety & Quality	Evaluation of product and/or chemical safety as it relates to issues such as recalls, controversies, adverse affects on human health and the environment; pct of revenues facing elevated product/service quality risks (vulnerable populations, government, public services); pct of retail & consumer lending in loan portfolio	2	20%	Crocs' footwear products are made from a proprietary resin-based material, exposing it to chemical safety risks. Also, its operations are mainly in the US (70% revenues as of FY 2021), which has increasingly stringent chemical regulations. Unlike with leading peers, we found no disclosure on programs for phasing out substances of concern from products, or future commitments to integrate environmental and health standards in product design.
	Total Social Score		4	40%	
Governance	Board Evaluation	Factors include CEO/chairman independent, entrenched board, board member experience, the presence of key committees (audit, compensation, etc.)	7	10%	Majority independent directors, fully independent audit committee, and fully independent chairman.
	Management Evaluation	Factors include management tenure, relevant experience, compensation & incentives	7	5%	Pay is average with peers for the most part, although CEO pay is elevated.
	Business Ethics	Risk and history of ethics issues such as fraud, corruption, misconduct, instability, etc; anticompetitive practices; preventative measures against such problems	8	5%	Strong business ethics framework including detailed policies against corruption and bribery as well as whistleblower protection.
	Total Governance Score		7	20%	
			4	100%	