30-Oct-2025

# Crocs, Inc. (CROX)

## Q3 2025 Earnings Call

# CORPORATE PARTICIPANTS

**Erinn E. Murphy**
*Senior Vice President-Investor Relations & Strategy, Crocs, Inc.*

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

# OTHER PARTICIPANTS

**Jonathan R. Komp**
*Analyst, Robert W. Baird & Co., Inc.*

**Christopher Nardone**
*Analyst, BofA Securities, Inc.*

**Tom Nikic**
*Analyst, Needham & Co. LLC*

**Adrienne Yih**
*Analyst, Barclays Capital, Inc.*

**Peter McGoldrick**
*Analyst, Stifel, Nicolaus & Co., Inc.*

**Rick B. Patel**
*Analyst, Raymond James & Associates, Inc.*

**Jay Sole**
*Analyst, UBS Securities LLC*

**Brooke Roach**
*Analyst, Goldman Sachs & Co. LLC*

**Aubrey Tianello**
*Analyst, BNP Paribas Securities Corp.*

**Anna Andreeva**
*Analyst, Piper Sandler & Co.*

# MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning and welcome to the Crocs, Inc. Third Quarter 2025 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Erinn Murphy, Senior Vice President of Investor Relations and Strategy. Please go ahead.

## Erinn E. Murphy
*Senior Vice President-Investor Relations & Strategy, Crocs, Inc.*

Good morning and thank you for joining us to discuss Crocs, Inc. third quarter results. With me today are Andrew Rees, Chief Executive Officer and Patraic Reagan, Executive Vice President and Chief Financial Officer. Following their prepared remarks, we will open the call for your questions which we ask that you limit to one per caller.

Before we begin, I would like to remind you that some of the information provided on this call is forward-looking and accordingly is subject to the Safe Harbor provisions of the federal securities laws. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to differ materially. Please refer to our most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q, and other reports filed with the SEC for more information on these risks and uncertainties.

Certain financial metrics that we refer to as adjusted or non-GAAP are non-GAAP measures. A reconciliation of these amounts to their GAAP counterparts is contained in the press release we issued earlier this morning. All revenue growth rates will be cited on a constant currency basis unless otherwise stated.

At this time, I'll turn the call over to Andrew Rees, Crocs, Inc.'s Chief Executive Officer.

## Andrew Rees

*Chief Executive Officer & Director, Crocs, Inc.*

Thank you, Erinn, and good morning, everyone. Thank you for joining us today. Before we discuss the quarter, I would like to start by welcoming our Chief Financial Officer, Patraic Reagan, to his first Crocs, Inc. earnings call.

Our third quarter performance was driven by managing both of our brands in a disciplined fashion, streamlining our cost structure and controlling our inventory in the marketplace. We delivered very strong profitability and cash flow, which enabled us to repurchase 2.4 million of our outstanding shares and pay down $63 million of debt. These are fundamental levers of our value creation model.

While our results came in ahead of our expectations, I acknowledge that this performance is not up to the standards that we expect for ourselves. We are working to regain momentum in the marketplace and our teams have already begun executing against our strategies.

With this in mind, I would like to begin the call today by elaborating on the progress we have made on our strategic pillars for both Crocs and HEYDUDE and the speed at which we are driving further simplicity and cost reductions across our enterprise. Patraic will then provide a more detailed overview of our financial results and outlook.

Starting with the Crocs brand, as we communicated last quarter, we elected to take two strategic actions to protect the long-term brand health. First, we pulled back on the breadth and depth of promotional activity across our digital channels in North America. This promotional pullback has had the greatest impact on our Classic Clog business as we work harder to protect our icon. Second, we continue to reduce receipts into the wholesale channel to better match supply to demand and ultimately drive a demand-led model.

While these actions are impacting near-term sales, we expect them to enable a foundation for future growth. Further, we have seen a net positive benefit to our gross profit dollars in North America as a result of our pullback on promotions.

Our return to growth in North America will be based on greater product innovation, diversification within Clogs, growth within Sandals and new categories. We are carefully [ph] managing (00:14:29) Classic Clog franchise with the desired outcome of creating clearer segmentation while leaning into innovation within new Clog and Sandal introductions.

While improving the trajectory of North America is a top priority, we are making good progress against our five strategic pillars for the Crocs Brand. First, we will continue to drive brand relevance through Clog iterations and innovation. During the quarter, we introduced the Crafted Clog starting at $60. This new franchise incorporates a non-molded, comfortable upper with [ph] the jibbitable (00:15:04) back strap as we put personalization to the forefront of our design.

We featured Lola Tung, the actress of hit show, The Summer I Turned Pretty, to bring this to market. Following our initial [ph] sell-up (00:15:17) on TikTok Shop, we are seeing strong consumer response in all channels. We are also focused on scaling existing Clog franchises, including Crocband and Echo. Within the Echo franchise, we launched the Echo RO during the quarter and saw immediate success.

Looking to 2026, we will expand our Crafted franchise with new materializations, launch a new and improved [ph] Croc Brand (00:15:43), which is already an established fan favorite in our portfolio, and introduce Echo 2.0 Clog. We expect product diversification within our Clog pillar to enable greater channel segmentation and drive long-term growth in our Clog franchise.

Second, we are focused on diversifying outside of Clogs through new category expansion. Our Sandals pillar outperformed the broader portfolio and took market share in this quarter with strong full price performance across our style franchise, including Brooklyn, Getaway and Miami. Retailers have continued to chase these key styles beyond the back-to-school season. As we look into 2026, these franchises, paired with the reintroduction of an updated, personalizable two-strap sandal, underscores our opportunity to gain further market share in this category.

We are also excited with the response we have received around our new [ph] Cozzzy (00:16:45) franchise, the Unfurgettable, which we launched in partnership with actress, Millie Bobby Brown, this style has already seen a very positive response on TikTok, resonating particularly well with the Gen Z female consumer. The Unfurgettable, along with broader newness in our [ph] Cozzzy (00:17:03) assortment, has catalyzed our lined business so far this season.

Third, we will fuel consumer engagement with disruptive digital and social marketing. During the quarter, we launched a multi-year agreement with the NFL, which featured our Classic and Classic Line Clogs as well as Jibbitz. This release exceeded our expectations with particularly strong sell-through across the board, leading to multiple restocks.

Other highlights in the quarter included a disruptive launch with Krispy Kreme and our newest release on Roblox. In the quarter, we launched a pan-Asian monsoon campaign, Your Crocs Your Splash. This campaign positions the Classic Clog as the footwear of choice for the rainy season and stars two prominent actors from South Korea and India. The campaign video generated approximately 575 million views across Instagram and YouTube. These partnerships are prime examples of how our brand excites, inspires, and connects with a wide range of consumers across the globe.

Fourth, we will continue to create compelling consumer experiences across distribution. Year-to-date, we've accelerated our first mover advantage in social commerce. We remain the number one footwear brand on TikTok Shop in the US and the growing adoption of this platform is gaining momentum with the younger consumers.

This month, we created further disruption in the market by live streaming both of our brands on TikTok Shop and ourown.com throughout the month of October. Through this initiative, we have seen an uptick in our followers and influx of new consumers. In fact, Crocs was the first fashion brand to live stream 24/7 for an entire month across TikTok [ph] and .com (00:18:52). We're continuing to expand this partnership and have launched TikTok Shop in the UK, Germany, and Brazil.

Fifth, we see significant opportunity to capture greater share across our international markets, many of which are still in their infancy of growth. In the third quarter, we saw broad-based strength across our Tier 1 international markets. China delivered revenue growth across all channels and was up mid 20% to prior year, outperforming the overall market [ph] handily (00:19:25).

During the quarter, we launched a unique POP MART [indiscernible] (00:19:28) SKULLPANDA collaboration, which included [ph] a Douyin (00:19:32) live stream on POP MART's page and was a smash hit in China. In addition to China, we saw strong growth in Japan and across all of our key markets in Western Europe.

In summary, our priorities are clear, driving product innovation in Clogs and Sandals, staying agile and consumer-focused while sharpening segmentation and accelerating international growth where penetration opportunities remain.

Turning now to HEYDUDE. We delivered third quarter results that came in ahead of expectations. We are encouraged by the progress we're making in stabilizing the brand in North America to return to profitable growth. Let me share more about the actions we've taken and what gives me confidence in our ability to re-establish brand growth.

First, we're focused on building a community. Our recently refreshed consumer insights work underscores that we have a passionate group of brand fans, ones that identify as laid back and no fuss, but clearly seek the comfortable and lightweight products we have to offer. We launched our HEYDUDE Country campaign in June, which plays to our brand's affinities, including music, travel and pre and post sport and is centered around this laid back, no fuss consumer. Relatedly, we are encouraged to see the brand's return to the Top 10 preferred footwear brands among males in the Piper Sandler Taking Stock With Teens Survey this fall.

Second, our product direction is clear. We're building the core and thoughtfully adding more. Within our Wally and Wendy franchise, we launched the Stretch Sox and its performance has already surpassed legacy Sox on a like-for-like basis. In 2026, we will launch [ph] Stretch Jersey (00:21:16), a sweatshirt for your feet and retailer response to this product has been very strong as it appeals to both her and him. Outside of our core, we are seeing continued traction of [ph] Paul (00:21:29) franchise, which plays into a dress casual sneaker space and we're solidly building on our [ph] slipper (00:21:35) success again this holiday.

Earlier this month, we launched our third collaboration with Jelly Roll, featuring the fan favorite, Bradley Boot in two colorways. The initial launch on TikTok Shop drove the largest single day for HEYDUDE on the platform to-date. We see this collab as serving to halo our broader boot offering as we move into holiday.

Third, we'll focus on continuing to clean-up channel inventory in the North America marketplace. During the third quarter, we accelerated returns and markdown allowances to our retailers to improve inventory health while elevating our brand presentation at wholesale. The nature of these clean-up actions has had an impact on revenue in the third quarter through vendor returns and we're planning for continued markdown support in the fourth quarter. These actions have been effective in cleaning up the channel and establishing a foundation for future growth.

On an enterprise basis, we're working to quickly right size our cost base. As we shared on our last call, we've already taken action on $50 million of gross cost savings this year and have since identified another $100 million of gross cost savings across the business to simplify the organization. While Patraic will go into more detail shortly, we expect these cost savings to generate greater flexibility across the P&L, enabling future investment to drive growth for our brands.

At this time, I will turn the call over to Patraic to provide more detail around our third quarter financial performance and our fourth quarter outlook.

## Patraic Reagan

*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

Thank you, Andrew, and good morning, everyone. Before I review the quarter, I'd like to say how grateful and excited I am to have the opportunity to serve as Chief Financial Officer of Crocs, Inc. This is a company I've long admired professionally and as a consumer, one whose profitable growth has been built on an enduring cultural icon. For Crocs and HEYDUDE, I see strong potential both domestically and globally and I look forward to working with our talented teams across the world to further drive the company's strategic and financial goals.

Now, let's get into our results. Our third quarter revenue of approximately $1 billion were down 7% to prior year. Crocs brand revenue of $836 million was down 3% to prior year with wholesale down 8% and DTC up 1%. North American revenues were down 9% to last year as we continue to intentionally pull back on discounting within our digital channels during the quarter.

This was partially offset by strong digital marketplace performance. These actions in part resulted in DTC [ph] down on (00:24:28) 8% while wholesale was down 11%. International revenue was up 4% to prior year, driven by direct-to-consumer, which was up 23%. DTC performance continues to reflect broad-based strength across both digital and retail. International wholesale was down 7% based on timing shifts we communicated last quarter. Within our Tier 1 international markets, we saw a broad-based strength led by China and Japan while Western Europe also drove strong results across the UK, Germany and France.

Now, turning to HEYDUDE brand. Revenue of $160 million was down 22% to prior year but ahead of our expectations. DTC was better than planned, down 1% to prior year. This was driven by the addition of new retail stores and strong digital marketplace performance most notably on TikTok Shop, offset by the planned reduction in performance marketing spend as we work to enhance profitability, albeit with negative revenue impacts.

Wholesale was down 39%, reflecting the previously communicated wholesale clean-up actions we took in the quarter. As a result of these actions, we started to see an improvement in wholesale sell-outs, which are now in line with our inventory levels. This is an important data point as we position HEYDUDE for a return to growth.

Moving back to Crocs, Inc. enterprise-adjusted gross margin of 58.5% was down 110 basis points to prior year, including a 230 basis point headwind from tariffs. The tariff impact in the quarter was 60 basis points higher than we previously anticipated, based on higher receipts and country mix. Excluding tariffs, our adjusted gross margin would have been up, reflecting lower negotiated product costs, higher ASPs for both brands and brand mix.

Crocs Brand adjusted gross margin of 61.8% was down 70 basis points to prior year driven by tariff headwinds. HEYDUDE Brand adjusted gross margin of 42.3% was down 560 basis points to prior year driven by tariff headwinds and fixed cost to leverage, which was partially offset by higher ASPs. Importantly, the third quarter represents the ninth consecutive quarter of ASP increases for HEYDUDE.

Adjusted SG&A rate was 37.7%, up 350 basis points compared to prior year. Adjusted SG&A dollars increased 3% to prior year, a notable improvement from the 15% SG&A increase in the first half of the year. This was driven by investments in talent, DTC and marketing, significantly offset by cost savings under the $50 million initiative that we announced earlier this year.

Taken together, adjusted operating margin of 20.8% came in ahead of our guidance of 18% to 19%, but was down 460 basis points compared to prior year. Adjusted diluted earnings per share of $2.92 was down 19% to last year and our non-GAAP effective tax rate was 16.9%.

Moving on to inventory. At the end of Q3, our inventory balance was $397 million, up 8% to prior year, including the impact of higher tariffs and product mix. Importantly, inventory units were down low-single digits to prior year. Our enterprise inventory turns were above our goal of four times on an annualized basis as we proactively managed our inventory receipts.

Our liquidity position remains strong, comprised of $154 million of cash and cash equivalents and nearly $850 million of borrowing capacity on our revolver. Our strong profitability and free cash flow enables us to return value to shareholders through buybacks and debt paydown. During the quarter, we repurchased 2.4 million shares of our common stock for a total of $203 million, at an average cost of approximately $83 per share. This represented approximately 4% of our float.

Year-to-date, we have repurchased 4.3 million shares of our common stock for a total of approximately $400 million. We ended the quarter with $927 million remaining on our buyback authorization.

Total borrowings at quarter end of $1.3 billion included the paydown of $63 million of debt during the third quarter. Our net leverage ended the quarter at the lower end of our targeted range of 1 to 1.5 times.

Now, turning to our fourth quarter outlook. For Q4, we expect revenues to be down approximately 8% at currency rates as of October 27. Within this, we expect the Crocs Brand to be down approximately 3% with [ph] acceleration (00:29:49) in our international business from a mid-single digit in Q3 to a low-double digit rate in Q4. North America revenue is expected to be down low-double digits to prior year, reflecting a wider range of outcomes, including our view of a choiceful consumer, a highly competitive holiday season, and lower inventory receipts in the wholesale channel.

For HEYDUDE, we expect revenue to be down in the mid-20s range, including the impact of reducing performance marketing spend in the DTC channel and the investments we are making in wholesale marketplace clean-up.

We expect adjusted operating margin to be approximately 15.5%. This excludes approximately $10 million related to cost reduction initiatives we referenced earlier. Our adjusted operating margin embeds gross margins down approximately 300 basis points driven almost entirely by tariff headwinds. In addition, our adjusted SG&A dollars are expected to be below that of prior year as we continue to see the positive impact of our cost savings.

Adjusted diluted earnings per share is expected to be in the range of $1.82 to $1.92. For the year, our capital expenditures are expected to be in the range of $70 million to $75 million. While it is too early to provide 2026 guidance, I do want to provide more context on how we are thinking about further cost savings. As Andrew mentioned, we are already benefiting from the previously actioned $50 million of gross cost savings in 2025.

In addition, we have identified $100 million of incremental gross cost savings that we expect to benefit 2026. These savings include simplifying our organizational structure, deliberately reducing spend in non-critical areas and further optimizing our supply chain. It is too premature to share how much of these savings we will choose flow to the bottom line. However, we are committed to managing our adjusted SG&A base to ensure we drive operating leverage in 2026 while creating greater flexibility across the P&L.

To conclude, we have already taken several strategic and tactical actions to improve the momentum of our brands. We have also taken steps to provide flexibility in our cost structure and we are intently focused on driving consistent profitable growth in the future.

At this time, we will now turn the call back over to the operator to begin the question-and-answer portion of our call.

# QUESTION AND ANSWER SECTION

**Operator**: We will now begin the question-and-answer session. [Operator Instructions] The first question comes from Jonathan Komp with Baird. Please go ahead.

**Jonathan R. Komp**
*Analyst, Robert W. Baird & Co., Inc.*

Q

Yeah. Hi. Good morning. Thank you. I want to ask first about the incremental cost savings initiatives. It looks like you're obviously preserving margin here, but are there structural deficiencies in the organization you're also trying to address when you look at the structure of the organization? And as you think about 2026 and the comment around driving operating leverage, could you achieve leverage in a scenario where revenue is still down in the first half and maybe not significantly growing for the year?

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

A

Hey. Thank you, Jonathan. I'll address it to start with and Patraic will pick up anything that I missed. So, what I would say in terms of the cost savings, there's a several buckets we're looking at. I think number one is, we've got a significant benefit from some efficiencies we've been able to drive in supply chain. We've invested quite a bit in our supply chain over the last several years and we're now reaping some of the rewards of those efficiency. And we've also integrated both our HEYDUDE and our Crocs supply chains more fully. So, that's given us some really nice benefits.

Number two, we have looked at some structural key components. We've been quite thoughtful about this where we've been able to reorganize kind of how we go to market and how we run some key parts of our business. We think that is going to give us more speed and more efficacy, as well as generating a lower cost. And then, we've also just been, I would say, rigorous around looking at where we're spending on vendors, outside services, et cetera, and consolidating that. And I think there's probably a small component [ph] if that is (00:34:51) trying to use AI and some of the technological advances that we're seeing across the globe to make us more efficient and effective.

In terms of the last part of your question, we will reinvest some of those savings in key areas around product innovation, around some things that we think will drive the top-line, and we do believe that on an annual basis, we can absolutely provide – we can achieve operating leverage in 2026. If revenues are down a little bit in a quarter, that may be harder. But for the year, we're quite confident we can get operating leverage.

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. Jon, just a couple of things to add from my perspective. [ph] One that, what (00:35:40) I would say is that, our language in the prepared remarks were really intentional. So, what we're trying to do is, drive flexibility as we turn into 2026. And I think what's been great to see in terms of the response of the organization is that, we've really been able to turn very quickly, efficiently into identifying some of the areas that we're going to provide that flexibility.

And just to reiterate what Andrew said towards the end is, we're clear that we need to protect product innovation and brand marketing, right? It does us no good to just cut costs through the P&L at the expense of what is the core of our business. So, what we'll do as we go through this is continuing to look at all areas of the organization, but product and innovation and communication to our consumers through brand is area that we're going to ring-fence.

**Jonathan R. Komp**
*Analyst, Robert W. Baird & Co., Inc.*

Q

That's really helpful. If I could sneak in one more. Can I just ask, Andrew, is portfolio management the consideration in your capital allocation strategy? And I ask in the context of coming up on the four-year anniversary of owning HEYDUDE and still seeing significant challenges here? Thanks, again.

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

A

Yeah. Thank you, Jon. No, I would say at this point, look, we believe HEYDUDE is a strong brand. It's a strong scale brand within – particularly within the US casual footwear space. We absolutely acknowledge the challenges that we have had in running and operating this brand over the last several years. But I think, I feel, like we're doing the right work. We've made the right decisions. And we are confident in its future trajectory. We definitely will be focused on returning it to profitability, cleaning up the marketplace, making the right strategic decisions relative to promotion, discount, and also the amount we're investing in digital marketing.

We have retooled the management team and I'm very confident in the strength of our management team and its ability to drive the future. And so, I think, we're not contemplating any portfolio changes at this time. And I would say we're confident returning HEYDUDE to the right level of profitability and also growth in the future.

**Jonathan R. Komp**
*Analyst, Robert W. Baird & Co., Inc.*

Q

Okay. Thanks again.

**Operator**: The next question is from Chris Nardone from Bank of America. Please go ahead.

**Christopher Nardone**
*Analyst, BofA Securities, Inc.*

Q

Great, guys. Thank you. Good morning. So, just on Crocs North America, can you help identify some of the actions you're taking to help drive some improved results in this portion of the business? And in particular, it would be really great if you can elaborate on both your pipeline of new products and also how you think about the ramifications of potentially losing some of your core customers given your pull back on promotions.

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

A

Yes. Thank you, Chris. So, look, I would say returning the North American – Crocs North American business to growth is a top priority for our overall company. As a reminder, some of the lack of growth or the decline in sales are based on some strategic decisions we've made. One is reducing digital discounting. I think, we elaborated on this in prepared remarks, but also reducing wholesale selling. So – and in that, we're making sure that we're appropriately positioned to grow in the future and not eroding our brand and particularly not eroding our core iconic franchise.

We do think and that is embedded in our guidance, we do think the North American consumer is bifurcated. There is a portion of our North American consumers that are highly affluent. They're buying Crocs, they're buying other high-end brands, and they are in great financial say. But there is a large portion of consumers who are nervous, they are in less good financial shape, and they're being super cautious about their spending and certainly spending closer to need.

Given all of that and that – the impact of that, I think, we believe we're seeing in our business think, others have talked about that, and that is embedded in our future expectations. But, what are we doing, which I think is the core of your question. Number one, focusing on Clog innovation and brand relevance. We have introduced and are introducing a number of key product categories or key product franchises, Crafted, Echo and reintroducing [ph] Croc Brand (00:40:21) to diversify our Clog platform and allow greater [ph] segmentation in across (00:40:25) our wholesale partners. And we're quite excited about the impact that this will have.

We're also continuing our diversification into new silhouettes and new categories. We had a strong sandal season in 2025 and we have a very strong pipeline of products going to 2026 [indiscernible] (00:40:45) about continued sandal growth, continued growth in personalization. And we're in the heart of slipper season right now. And as you can see, we have a tremendous line-up of slippers and lined product, actually on both of our brands.

And then, continuing our – I would say, disruptive social and digital engagement. We're a leading brand on TikTok for Crocs, the leading brand on TikTok for Crocs, but also close second for HEYDUDE.

And you probably have seen during October we had launched a live streaming initiative where we live streamed both of our brands 24/7 by a month and gained – and achieved all of our objectives from that perspective and learnt a tremendous amount about how the consumer is migrating from traditional shopping to social shopping. So, I think, we have a well-rounded and robust strategy to return Crocs to growth in North America and are very confident in our ability to do that in short order.

---

**Christopher Nardone** Q
*Analyst, BofA Securities, Inc.*

Thank you.

---

**Andrew Rees** A
*Chief Executive Officer & Director, Crocs, Inc.*

Thank you, Chris.

---

**Operator**: The next question is from Tom Nikic with Needham. Please go ahead.

---

**Tom Nikic** Q
*Analyst, Needham & Co. LLC*

Hey. Good morning. Thanks for taking my question. I want to ask about the marketplace clean-up for HEYDUDE. I know there was quite a bit of action that happened in Q3. Should we assume that there's some more marketplace clean-up that has to happen in Q4? And would you think that by year-end this year, you'd be relatively clean and that we wouldn't see as much in 2026? Thanks.

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

A

Yeah. Good. I'm glad you asked about this, Tom. So, this is important. In Q3, we invested actually a considerable amount of money in terms of the marketplace clean-up. That was primarily return. So, we took back aged and slow selling product from some of our large wholesale partners and it was a substantial amount. We felt this is important to reset how the brand looks at wholesale. There is more in Q4, which is already embedded in the guidance that we provided and that is primarily discount or that is discount support where we're looking to complete some of the clean-up activity. And the majority of it will be done during 2025.

I think there's some ongoing inventory health management that will happen in 2026, but it will be far less impactful than we have seen in the last two quarters. And, in fact, we've been doing this for some period of time. What I would say is, as we look at the impacts of these investments we've made, I think, we're quietly encouraged that sell-through is improving based on a reduction of aged inventory in the marketplace, a stronger presentation of HEYDUDE, and a stronger presentation of new and current product.

We particularly called out Stretch Sox. This was a franchise that we introduced earlier this year. And as the year has gone on, as our partners are more fully set on Stretch Sox and the Sox product that was the precursor, has sold down and is eliminated. We're really happy with the sell-throughs of that franchise and it's a really core and backbone franchise for the brand.

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. And Tom, just maybe two quick things that I would add is that, as you can see from prepared remarks, we highlighted that the sell-in and inventory levels are much – in much better line for HEYDUDE. So, that's very encouraging sign. And then, secondly, we called out that for the ninth consecutive quarter, ASPs have increased with the HEYDUDE brand, which is also a key metric to watch as we continue to pivot the brand to return to growth.

**Tom Nikic**
*Analyst, Needham & Co. LLC*

Q

Very helpful. Thanks very much. And Patraic, welcome aboard and looking forward to working with you.

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Thank you, Tom.

**Operator**: The next question is from Adrienne Yih with Barclays. Please go ahead.

**Adrienne Yih**
*Analyst, Barclays Capital, Inc.*

Q

Thank you very much. Andrew, I wanted to ask about sort of some of the choicefulness that you might be seeing in the fourth quarter. We've heard from other discretionary companies generally that there's been a little bit of a weakness in the [ph] 25 to 35 cohort (00:45:30). Back-to-school generally has been very strong and then a little bit of a exit kind of weakness coming out of the quarter, so if you can talk to that.

And then, Patraic, welcome aboard. Quick question on the end of quarter inventory. The spread looks like it's about 10% between dollars and units. So, that seems like it's reflective of maybe the April tariffs. How should we think about on end of quarter inventory entering the new year? Does that then express kind of the August tariff? And how should we think about early spring, the pass-through on gross margin? Thank you very much.

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

A

Okay. There's a lot there, Adrienne. So, let me take – let's take it in the order you asked it. I'll do the consumer and then Patraic can give you some color on inventory. I think – look, I think, you're going to hear from us essentially what you've been hearing from a lot of other people that the consumer is clearly being more cautious about spending. And particularly, I wouldn't categorize it by age groups so much. I probably identify it more by socio-economic strata.

We definitely see it in our mid to lower channels. There is less traffic to stores, right? So, they're not even going to the store, right? They don't have the same level of disposable income or flexible income. So, they're being more choiceful about what they're buying, they're making fewer trips to the store, and they're also shopping closer to need, right? So, we expect – we're anticipating to see that in the fourth quarter where typically even a constrained consumer does release [ph] the perk (00:47:17) strings a little bit as they celebrate the holidays, whichever holidays they do celebrate, but they will shop a little closer to need.

So, those are the things that we're seeing. So, I think, it's the lower end consumer [ph] its being (00:47:31) more choiceful. They have been more cautious about what they spend [indiscernible] (00:47:34) shopping closer to need. That's how I would categorize and think about it.

**Adrienne Yih**
*Analyst, Barclays Capital, Inc.*

Q

Very helpful.

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. And Adrienne, thank you for asking the question about inventory. First of all, I'd start off by saying that how we manage inventory here, matching demand to supply is really a strength of the organization. And frankly, it's a competitive advantage in terms of the speed in which we can evaluate and react to consumer demand in both good times and bad.

You're right as you call out the spread, that's directionally correct. And what you can think about is that optically, with inventory up roughly about 8% as we close the Q3, that was almost entirely on a dollar basis driven by the impact of tariffs, which you really see is in terms of our diligence of managing inventory is on the unit side where we're actually down low-single digits. So, we feel really good about where we are from an inventory position as we ended Q3.

We'll continue to exercise that muscle, honestly, as we are in Q4. We're aggressively managing inventory. Like I said, it is a core competency of what we do. So, we feel like as we turn into Q4, we'll continue to manage inventory from a unit standpoint, similar to what we saw in Q3. And then in 2026, too early to comment really on

2026. But, I think, you can take our history as an indicator in terms of how tightly we will continue to manage inventory and at the same time making sure that we're serving our consumers across the globe.

---

**Adrienne Yih**
*Analyst, Barclays Capital, Inc.*
Q

Great. Thank you very much. Best of luck.

---

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*
A

Thank you.

---

**Operator**: The next question is from Peter McGoldrick with Stifel. Please go ahead.

---

**Peter McGoldrick**
*Analyst, Stifel, Nicolaus & Co., Inc.*
Q

Hi. Thank you. And welcome, Patraic. I'm interested in the market share in the under $100 assortment. I was curious if you could talk more about the current positioning of both of your brands and then any competitive dynamics that may be playing out as the consumer feels prices going directionally higher across the marketplace.

---

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*
A

Yeah. I mean, I think I can talk about that directionally. We can't give you precise numbers around kind of market share. I think, the strength of both of our brands is that they are extremely democratic in nature, right? They service a very broad range of consumers. Both brands attract consumers for whom this is a very – a great value [ph] our brands of a (00:50:20) great value. They also attract consumers that are – see these brands as aspirational. So, we service a very broad consumer base.

I would say the vast majority of our products are under $100, right? So, obviously, you're well aware that the Classic Clog essentially MSRP $50 and the majority of our HEYDUDE product is between $60 and $70. So, from a price point perspective, we give the consumer excellent value.

I think what you're kind of alluding to a little bit, we have seen competitive brands that sell at higher price points being pretty quick to elevate price points further and capture greater price or elevate pricing pretty quickly to compensate [ph] for tariff (00:51:07) impact that they're seeing. We see less of that, I would say a lot less of that at the price points that we compete at.

So, I think the less than $100 arena remains relatively competitive. And I think the other thing that you might be alluding to is in terms of competition at these price points. We do see the athletic brands, particularly the big ones, leaning back into these price points and increasing distribution at the, let's say, the sort of good to bad [ph] out tiers (00:51:48) of the market.

---

**Peter McGoldrick**
*Analyst, Stifel, Nicolaus & Co., Inc.*
Q

That's really helpful. Thank you.

---

**Operator**: The next question is from Rick Patel with Raymond James. Please go ahead.

**Rick B. Patel**
*Analyst, Raymond James & Associates, Inc.*

Q

Good morning and congrats on the new role, Patraic. We have questions on the North America wholesale channel. First, any color on the spring wholesale order book and how that's shaping up? And second, can you point to any product or innovation wins that would give you particular confidence in being able to reinvigorate the wholesale channel as you look out to 2026?

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

A

Are you looking for both brands, Rick, or are you primarily focused on Crocs?

**Rick B. Patel**
*Analyst, Raymond James & Associates, Inc.*

Q

Primarily on the Crocs Brand.

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

A

Yes. So, we don't provide details on order book, as you know, but a little color we can help you with. As we look at the North American Crocs wholesale order book, there's two things going on. One is, number one, our retailers are planning cautiously, right? They're not expecting – they're not seeing traffic growth and they're not expecting significant growth in the short-term. And I actually don't believe they're going to plan significant growth into the early part of 2026. So, they're planning cautiously.

As we talked about last time and as I just articulated a little bit to Peter's question, we do see athletic gaining some share in the good to better portions of the market. So, there's some open-to-buy going to athletic, so there's pressure. We're also managing that carefully. So, we would expect, I would say, continued declines in our wholesale sell-in for Crocs in North America. That is embedded in our guidance that we provided in Q4. So, that's kind of the framework.

And then the last part of your question was, what are we doing and what product innovation that we think is going to counteract that. I would say, number one, we have a really strong line-up from a Clog perspective in 2026. We just introduced Crafted, which is a Clog with a materialized upper. It's a soft materialized upper. The current iteration that you can see in the marketplace have canvas uppers. There is some – and there is also some leather uppers coming. In fact, it's vegan leather suede coming to the market right about now.

We think that franchise has a lot of legs, because it makes the Clog – the Classic Clog, which has a molded footbed, more approachable or more accessible to a broader group of people. Right now, Unfurgettable, which is a fuzz – our highly exaggerated fuzz product and the other lined products that we have in the marketplace we believe are performing well – are performing well and we're excited about that.

Next year, we're going to be introducing or reintroduce into the market Crocband. This is a fan favorite. I think if you look on Amazon, there's something like 200,000 four and five-star reviews for the Crocband. So, we've downplayed Crocband for some time deliberately to focus on plastic. We're reintroducing Crocband. We think that has a multi-year trajectory.

And then, lastly, we're bring a new Echo 2.0 to the market later next year. And I think the other piece is important and I mentioned already is building on sandals. Sandals were a really strong driver of growth in 2025 and we have additional products and enhancements to key franchises as we think about sandals later into 2026.

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. Hey Rick, just one final comment from me as we close this one out is, we talked quite a bit about the wholesale channel. Andrew alluded to that and went into some great detail. I would say that, we were seeing DTC accelerate as we go from Q3 to Q4. So, we take that as a great sign in terms of how our products and our innovation pipeline are resonating with our consumer. So, I don't want to drive past what's happening in the DTC channels.

**Rick B. Patel**
*Analyst, Raymond James & Associates, Inc.*

Q

And to clarify, you're seeing North America DTC accelerate?

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

That's right. Yes.

**Rick B. Patel**
*Analyst, Raymond James & Associates, Inc.*

Q

That's great. Thank you very much.

**Operator**: The next question is from Jay Sole with UBS. Please go ahead.

**Jay Sole**
*Analyst, UBS Securities LLC*

Q

Great. Thank you so much. Andrew, I want to ask about some of the actions you took on Crocs Brand in Q3, specifically with pulling back on promotions. Did you do that across the entire quarter or was there moments during the quarter where you went back to promotions, whether it's peak back-to-school season just to compete?

And then maybe, Patraic, just on the Q3 gross margin. Was there a tariff impact on the gross margin in Q3? If so, what was it? And then, I think to the 300 basis points you talked about for Q4, is there any mitigation that's part of that or you basically – how much of the gross tariff cost are you absorbing? Thank you so much.

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

A

Yeah. I'll be quick and then Patraic can get into your tariff question. So, from a North American digital promotional pullback, that was across the entire quarter, right? It didn't go to zero, obviously, but we did both have many more days that were non-promotional and also the depth of the promotions that we run were typically substantially less than we had run previously. So, it was across the entire quarter.

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. And then, to answer the question on tariffs, so first of all, I think it's been really impressive to see all the actions that are taking place across Crocs as it relates to mitigating tariffs. And so, the organization has been on the front foot in terms of identifying where we're able to mitigate where we can the impact of tariffs. Specific to Q3, roughly we had about 230 basis points of tariff headwinds in the quarter. Obviously, we had several mitigating actions whether it relates to negotiating with our vendors, with our input costs, et cetera, in our supply chain. So, we're able to mitigate a good portion of that.

And as we go into Q4, the headwinds that you see there are almost entirely due to tariffs. And the mitigating actions will still be present, but in a slightly muted way especially as we look at Q4 and the nature of kind of promotional nature of the quarter and we alluded to that bit in the prepared remarks as we're talking about anticipating a highly competitive selling season in Q4.

---

**Jay Sole**
*Analyst, UBS Securities LLC*

Q

Got it. Okay. Thank you so much.

---

**Operator**: The next question is 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. I was hoping to follow-up on Jay's question about tariff mitigation and just get your latest thoughts on pricing as you look to offset some of these tariffs, particularly given the stronger [ph] AUR (00:59:19) results you've recently materialized. What are your plans for pricing as you move into next year?

And then as a follow-up, Patraic, can you provide a little bit of color on how you see that tariff headwind directionally shaping into the first half of next year versus that 300 bps of gross margin pressure that you're forecasting for the fourth quarter? Thank you.

---

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

A

Yes. Thanks, Brooke. So pricing, from a conceptual perspective, we don't price the cost. We price to market, right? So, I think, we've talked about this a lot over the years, right? What we think about from a pricing perspective, we look at both the strength of our brand, the trajectory of the brand, and the competitive dynamics for products in the marketplaces in which we compete and we do this around the world based on the local market.

So, what we have seen most recently? So, in the back half of 2025, we have actually taken select price increases on key products in some markets around the world and we do have a number of those incrementally planned in the early part of 2026. At this point, though, we are not planning to initiate price increases, for example, on our core Classic Clog here in North America. We think that is well priced in that portion of the market. It still is more price sensitive and more competitive. So, I think, we've got a great pricing framework. We're very precise and dynamic around this, but that's kind of where we sit at this point.

---

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. And Brooke, just building on Andrew's comments. So, the nature of pricing here at Crocs is very dynamic in quite a bit of [indiscernible] (01:00:58) in that space. So, we feel really good about how we're going to pricing from a value standpoint to our consumers. So, price to value standpoint.

As we turn into 2026, obviously we're not providing any sort of guidance at this point in time. That will come in the next call. Directionally, what I can say is, large impact in tariffs for us and really any other consumer brand or footwear brand that's operating in the countries that we operate in is most felt in the second half of this year. And so, what you can directionally think about is that we'll continue to feel some of that pressure as we get into the first half of 2026.

**Brooke Roach**
*Analyst, Goldman Sachs & Co. LLC*

Q

Great. Thanks so much.

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

A

Thanks, Brooke

**Operator**: The next question is from Aubrey Tianello with BNP Paribas. Please go ahead.

**Aubrey Tianello**
*Analyst, BNP Paribas Securities Corp.*

Q

Good morning. Thanks for taking the questions. Wanted to ask on stores and if you can give us an update on the store growth strategy for both brands, but especially Crocs where there's been a pickup in store openings over the course of this year. How should we be thinking about store growth going forward? Thanks.

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

A

Yeah. That's great question, Aubrey. Glad you asked it. So, starting with Crocs, there has been a bit of a pickup in store openings. A lot of that is driven out of our European store base, right? So, we've very successfully opened a number of stores in Europe. Those are almost all outlet stores in the UK and France principally. And I would have to say, they are performing incredibly. So, we're super happy about that. Also, some store openings in Asia and a small number here in North America. So, as you probably know, our store base is incredibly profitable, very high sales per square foot, high margins and a very good strong flow through.

The other thing I would also highlight for those of you in New York is, we did open our SoHo store earlier this year. It's performing very, very well indeed. Super happy with it. And it's also, I would say the pinnacle presentation of the brand and you may have seen on social media that we were live streaming from that store during October. Terence Reilly, our Chief Brand Officer, did a amazing job live streaming from the store and also featuring some celebrities, including Jaxson Dart. So, it's been a great investment for us.

From a HEYDUDE perspective, we have also continued to open stores here in North America. Again, outlet stores, which is the one thing that we have done this year is shifted where we've opened the stores [ph] suddenly (01:03:49) and they're a little bit more in what we call HEYDUDE country, the HEYDUDE heartland. And again, those stores continue to meet our expectations.

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. And Aubrey, the only thing I would add and just kind of emphasize in terms of Andrew's comments are the profitability of the Crocs stores both domestically and internationally. They are super impressive. And you can kind of see that in the cascade of the financials and something we haven't talked about as much on the Q&A portion of the call is generating the free cash flow that is just inherent in what is the strength of our financial model. And so, our stores are an important part of that and they drove off and they generate a lot of cash, which allows us then to both invest back into the business and return capital back to our shareholders.

**Aubrey Tianello**
*Analyst, BNP Paribas Securities Corp.*

Q

Very helpful. Thank you.

**Operator**: The next question is from Anna Andreeva with Piper Sandler. Please go ahead.

**Anna Andreeva**
*Analyst, Piper Sandler & Co.*

Q

Great. Thank you so much. Good morning. And welcome to Patraic. We had a question on $100 million of savings. Just any color on how we should think about the cadence of those as we go through 2026? Is the expectation that these are scaling as we go through the year or more equally divided? And what's the amount of savings we should expect for the fourth quarter?

And then, just as a follow-up, Patraic, you mentioned North America DTC accelerated quarter-to-date at Crocs, which is pretty impressive considering fewer promos. And I know Croctober is a big deal for the business. Anything you did differently this year? Is this driven more by TikTok? Just any color you could provide on that? And what's implied in the guide for North American DTC at Crocs for 4Q? Thanks so much.

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. So, Anna, let me hit the cost savings first and then we'll get into the second part of the question. So, first of all, $100 million number, that's a gross number, right? And so, what we mean by gross is, we have identified $100 million of savings across the entirety of our cost base, whether that's in cost of goods, SG&A, etcetera.

And we've done that, number one, to make sure that we're operating as efficiently as we can, of course. But then secondly, to provide us with the flexibility to make choices as we get in to 2026. And those choices could be flowing those savings to the bottom line. Those choices could be investing in areas that we see in terms of outsized growth that we're able to chase into. And so, I'm not going to get into a cadence of kind of quarterly at this point. Too early in that. We'll provide a little bit more detail on that when we get into 2026 during the Q4 call. And I think the second part of the question, Andrew is going to hit on.

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

A

Yeah. So, just a point of clarification. We did not say the DTC accelerated during Q3, right? So, we actually don't comment on trajectory within the quarter. But what we did say is we believe that DTC in North America will be stronger in Q4 than it was in Q3.

**Anna Andreeva**
*Analyst, Piper Sandler & Co.*

Q

Okay. Thank you for that clarification.

**Andrew Rees**
*Chief Executive Officer & Director, Crocs, Inc.*

A

Okay. Thank you, Anna.

**Operator**: This concludes our question-and-answer session. I would like to turn the conference back over to Andrew Reese, Chief Executive Officer, for any closing remarks.

## Andrew Rees

*Chief Executive Officer & Director, Crocs, Inc.*

I just want to say, thank you, everybody, for joining us today and your continued interest in Crocs, Inc. And we look forward to continuing to speak to you in the future. Thank you.

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