

Decker's Outdoor Corporation

IC Presentation

April 2nd, 2022

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Deal Team Overview

Student Investment Club Team



Kyle Wilson
Investment Analyst

Joined in Jan 2022
B.S. Finance
Expected Grad: May 2023



Sang Thai
Investment Associate

Joined in Nov 2021
B.S. Finance
Expected Grad: May 2023



Aniket Harshe
Investment Analyst

Joined in Jan 2022
B.S. Finance
Expected Grad: May 2025

Decker's Outdoor Corp (NYSE:DECK) Overview

Company Overview

Company Description

- Decker's Outdoor Corporation, together with its subsidiaries, designs, markets, and distributes footwear, apparel, and accessories for casual lifestyle use and high-performance activities.
- As of March 31, 2021, it had 140 retail stores, including 71 concept stores and 69 outlet stores worldwide.
- The company was founded in 1973 and is headquartered in Goleta, California.

Value Proposition

- Employs sustainable business practices, with the goal of delivering quality products to customers and sound financial performance to stockholders.
- Ensures fair treatment of all workers and a safe environment to work in.
- Requires all suppliers to practice humane animal treatment and certify their compliance with our Animal Welfare Policy on an annual basis
- Implemented initiatives to reduce environmental impact.



Highlighted Products



TASMAN LTA | \$100 | 4 Colors



MEN'S SPEEDGOAT | \$155 | 2 Colors



**ASCOT LEATHER SLIPPER | \$120
| 2 Colors**



**MIDFORM UNIVERSAL | \$60 |
7 Colors**

Operations

- Five proprietary brands, including UGG, HOKA, Teva, Sanuk, and Koolaburra.
- Sells through domestic and international retailers and distributors, and directly to its consumers both domestically and internationally.
- DTC consistent growth. Was \$1.07 bill in 2021 fiscal year, 149% increased compared to \$715 Mil, 2017.
- 150 offices, subsidiaries, and partners worldwide
- Operations in 58 countries.
- 4,500 employees (3,900/87% in the US)



Key Activities

- Requires all independent manufacturers, suppliers, agents, and licenses to complete our rigorous Annual Compliance Training.
- Takes great care to source sheepskin and leather that meet our high standards for quality, environmental impact, and animal welfare.
- Measures the emissions of our inbound and outbound shipping carriers; executing water use and waste reduction plans at our corporate offices

Why DECK?

Growth Opportunities

- Consistently Growth
- Adopting Customer Centric product and Marketing Strategies. : For example, as the UGG brand continues to amplify its audience with younger consumers, our distribution to these consumers is expanding faster through our lifestyle and sport retailers, which is reducing our dependence on department stores.
- New products and utilized other brands Revenue: strong demand for HOKA across our product offerings through both wholesale and DTC channels, HOKA brand's optimized digital marketing increased online consumer acquisition and retention rates continue to drive DTC channel revenues as a percentage of total brand revenue
- Channel expansion result in DTC net sales increased due to higher e-commerce net sales across all brands, partially offset by lower retail sales attributed to lower tourism traffic and store closures related to the pandemic
- Increasing e-commerce growth makes it easier for to enter the markets

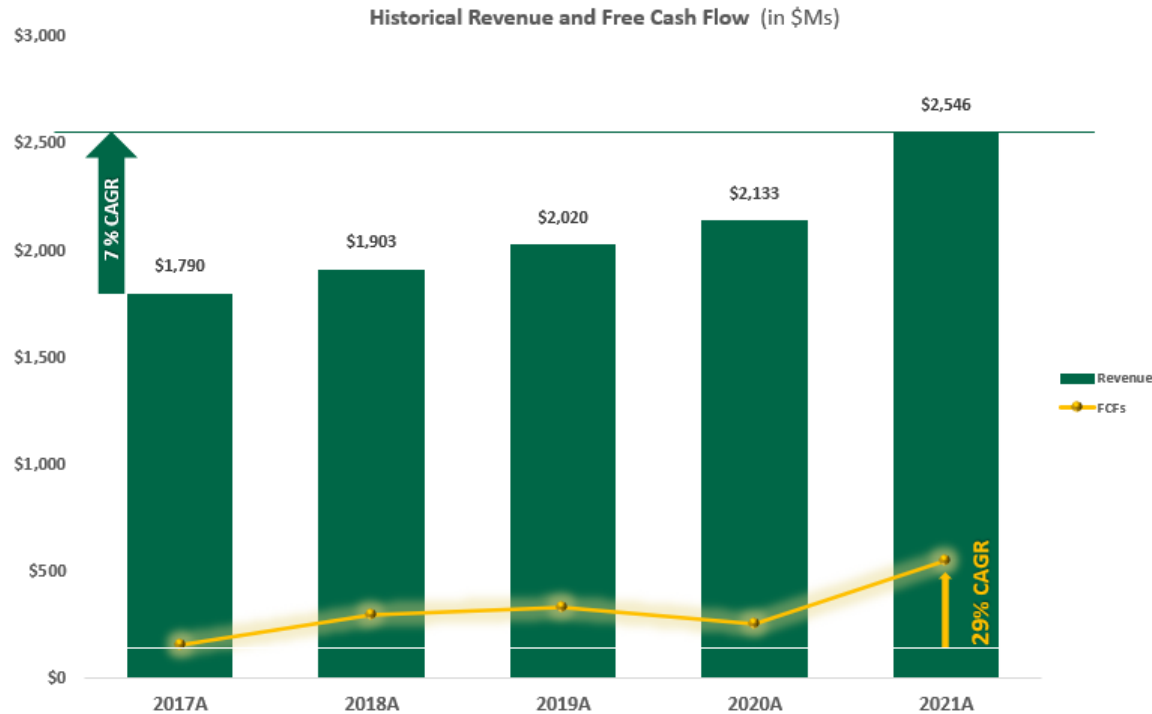
Attractive Attributes

- Risk Versus Reward bases on Projected Return Analysts – Scenario Sensitivity (slide 32)
- Debt-Free
- Substantial available capital and liquidity
- Non-Dividend focus on growth
- High returns on capital turnover
- Strong free cash flow



Top Customer (% Rev.): Consistently has no single foreign country or customers accounted 10% or more of the Company's Total net sales.

Historical Rev and FCFs



48%
Avg. FCF Growth

109%
Avg. Rev Growth

Management



David E. Lafitte
COO

Tenure: 10. 2005 – Present

Compensation: \$1,762,162

- .18% Total TTM Expenses
- Prior position 1: Chief Legal Officer (Prior) 2012-2015
- Prior position 2: Secretary (Prior) 2015
- Prior position 3: COO 2015



David Powers
CEO

Tenure: 8. 2016– Present

Compensation: \$ 3,860,870

- .40% Total TTM Expenses
- Prior position 1: Unit President (Prior) 2014
- Prior position 2: President 2015-2016



Steven J. Fasching
CFO

Tenure: 6. 2010 – Present

Compensation: N/A

- .16% Total TTM Expenses
- Prior position 1: Head of Investor Relations (Prior) 2016-2018

Competitors

Wolverine Worldwide, Inc.

- Manufactures, sources, markets, licenses, and distributes footwear, apparel, and accessories in the United States, Europe, the Middle East, Africa, the Asia Pacific, Canada and Latin America.
- As of January 1, 2022, it operated 143 retail stores, as well as 65 consumer-direct eCommerce sites.



• Crocs, Inc.

- Crocs, Inc., together with its subsidiaries, designs, develops, manufactures, markets, and distributes casual lifestyle footwear and accessories for men, women, and children
- It offers various footwear products, including clogs, sandals, slides, flip-flops, boots, flats, wedges, platforms, socks, shoe charms, loafers, sneakers, and slippers under the Crocs brand name.
- The company sells its products in approximately 85 countries through wholesalers, retail stores, e-commerce sites, and third-party marketplaces.
- As of December 31, 2021, it had 193 outlet stores, 107 retail stores, 373 company-operated stores, 73 kiosks and store-in-stores, and 14 company-operated e-commerce sites. The company serves in the Americas, the Asia Pacific, Europe, the Middle East, and Africa.
 - Cros, Inc. is under review by Investment Team.



Steve Madden

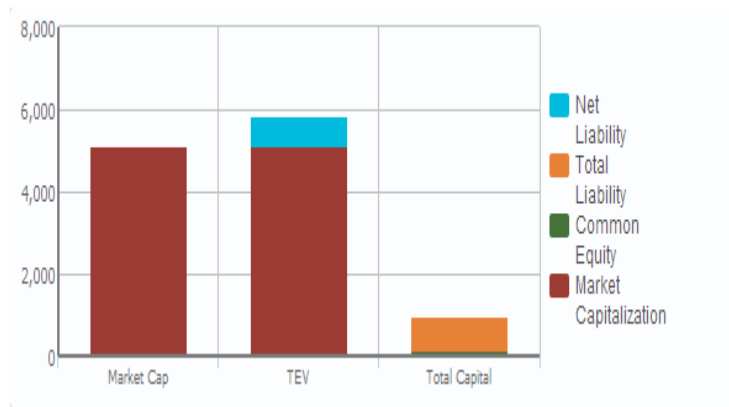
- Steven Madden, Ltd. designs, sources, markets, and sells fashion-forward branded and private label footwear for women, men, and children in the United States and internationally.
- As of December 31, 2020, it owned and operated 218 retail stores, including 143 Steve Madden full-price stores, 66 Steve Madden outlet stores, 1 Steven store, and 1 Superga store, as well as 7 e-commerce websites.

STEVE MADDEN

Advantages Over Competitors

- Shareholder Returns growth within 5 years periods.
 - DECK was 352.7% against 97% (Industry) and 104.7% (Market)
- Outperform ROE
 - DECK was 26.6% against industry 17.7% . Approximately 50% higher.
- Outperform ROA
 - DECK was 16.5% against 9.8% Industry.
- Outperform Annually Earning Growth within 5 years periods.
 - DECK was 40% against industry -7.6% and market 13.9%.
- Debt Free, No Debt Covered by operating CFs.
- Decker's Outdoor Key stakeholders are Fidelity Investment 15.09%, the Vanguard Group, Inc. 9.83%, BlackRock, Inc. 8.19%.
- TTM Total Debt/ EBITDA 0.3x versus 1.9x of DECK comps.

Advantages Over Competitors



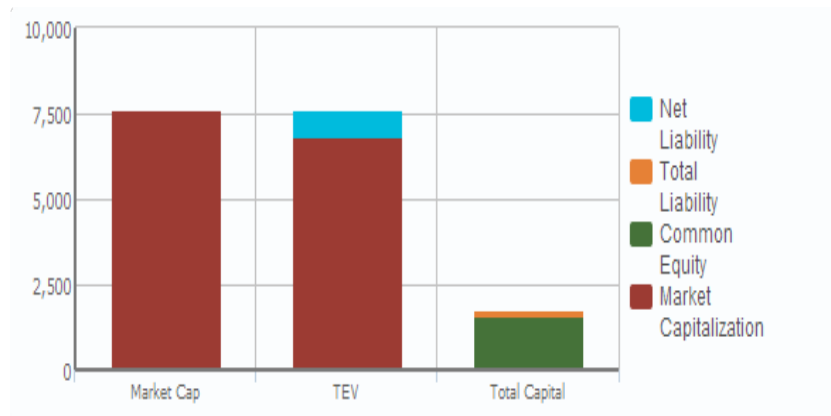
Competitors



VS

Decker Outdoor Corp

- Decker Outdoors has very low total liability over market capitalization compared to competitors.
- Demand for HOKA and UGG brands are remaining strong.
- The company's direct-to-consumer business has been robust. Net sales grew 10.2% during the third quarter.



5-Forces Model

Industry Rivalry & Competition: **Medium**

- Many of Decker's outdoor competitors are larger and have substantially greater resources: compete directly with some of Decker's outdoor products.

Threat of New Entrants: **Medium**

- Access to offshore manufacturing and the growth of e-commerce has made it easier for new companies to enter the markets in which Decker's outdoor currently compete, further increasing competition in the footwear, apparel, and accessories industry.
- Facing in increasing competition from a significant number of domestic and international competitors selling products designed to compete directly or indirectly with UGG brand and HOKA brand products.



5-Forces Model

Supplier Power: **MEDIUM**

- UGG Brand is the Decker's main revenue source are depended on certain of raw materials in both quantities and quality such as Sheepskin, leather, and wool.
- Main raw materials are sheepskin. Decker's outdoor purchase those main raw materials from China, UK and Australia.
- NOTE: As an increasing in competitors, and limited suppliers; the unbalance in supply and demand will cause the increase in supply prices. "Supply is fracture". The company have the advantage over those new competitors because the company credibility is considered decent. Although historical show fluctuations in the prices of the supply, the price of those main raw materials are stables.

Buyer Power: **Low**

- Like many other competitors: Buyers are often a demanding lot. They want to buy the best offerings available by paying the minimum price as possible.
- The smaller and more powerful the customer base is of Deckers Outdoor Corporation the higher the bargaining power of the customers and higher their ability to seek increasing discounts and offers. Which is not in Decker's outdoor case when they a really control over their customers base.

Threat of Substitutes: **Low**

- Designs

Industry Overview

Industry Overview

Industry Tailwinds

- The company's focus on expanding brand assortments, introducing an innovative line of products and enhancing direct-to-consumer business contribution
- Acceleration of omni-channel capabilities, investment in supply chain and logistics infrastructure, and customer-centric product and marketing strategies.
- Keeping pace with the changing trends, Deckers has been constantly developing its e-commerce portal to capture incremental sales. The company has been making substantial investments to strengthen its online presence and enhance shopping experience.



PESTLE Analysis

Political

- The company is at risk of political instability including the negotiations around Brexit.
- Deckers depends on the world trade organization's regulation. Change in regulation will hurt own revenue
- The company has an international presence which could be hurt by the ongoing Russia Ukraine conflict.

Social

- The company reported a 9.9% decline in sales for 2017, when people avoided the UGG boots, which faced a 5,3% of the total decline in sale.
- The company can use media, both traditional and social media to expand and market their products.
- Social impediments to using sheepskin can greatly affect the business since the material is used in a significant portion of its products.

Legal

- Legal impediments to using sheepskin could also lead to losses in the business due to significant portions of this material being used in our products.
- Sales in international markets are subject to various legal restrictions, that might affect the business in certain regions.
- Legal costs and penalties related to defending allegations of non-compliance with foreign government policies, laws and regulations.

Economic

- Government intervention in the footwear industry in particular can result in decreasing revenues of the company
- Liberalization of trade in the United States could help the company to invest in areas that were earlier off limits.
- The company can leverage the skilled workforce to increase efficiency and global opportunities.

Technological

- Changes in technology as well as offshore manufacturing can lead to greater competition in the markets.
- Technological advancements are lowering production and servicing costs. The company might have to restructure its supply chain to meet customer needs and cost structure.
- Licensing technologies could lead to disruption of partnerships.

Environmental

- COVID-19 has resulted in a decrease in discretionary spending, retail activity and a rapid rise in unemployment.
- The designs of products are being altered by various environmental regulations.
- Manufacturers located outside the United States can be affected by international environmental policies that could decrease supply.

SWOT Analysis

Strengths

- High margins
- First mover advantage
- Brands catering to different customers segments within Footwear segment
- Strong brand recognition
- Expanding HOKA retail stores and brand recognition
- Reliable suppliers make access to raw materials more accessible
- High level of customer satisfaction

Weaknesses

- Low investments into Decker's Outdoors's customer-oriented services
- The UGG Brand accounts for a significant percentage (34.25%) of total revenue.

SWOT Analysis

Opportunities

- Trend of customers migrating to higher end products
- Increasing customer base in lower segments
- Accelerated technological innovations and advances
- Strong free cash flow allows Deckers to invest in adjacent product segments
- New customer trends allow opportunities to enter new markets
- New data analysis technology allow development for new pricing strategies

Threats

- Trade Relation between US and China
- Demand for highly profitable products depends heavily on seasonal trends
- Rising price of raw materials makes Deckers put increasing costs on consumer

Projections & Returns Analysis

Buyout Model - Overview

Entry

EBITDA	537
Multiple	15.5x
EV	8,327

Exit

EBITDA	844
Multiple	15.0x
EV	12,666

Returns Analysis

Firm Equity IRR	13.46%
Firm Equity MOIC	1.76x

13.46%

Projected
IRR

1.76x

Projected
MOIC

5 Year

Holding
Period

1.0%

Projected
Capex % Rev.

\$1.9M

Cash Flow
during Holding
Period

9%

Projected
EBITDA
Growth

18.7%

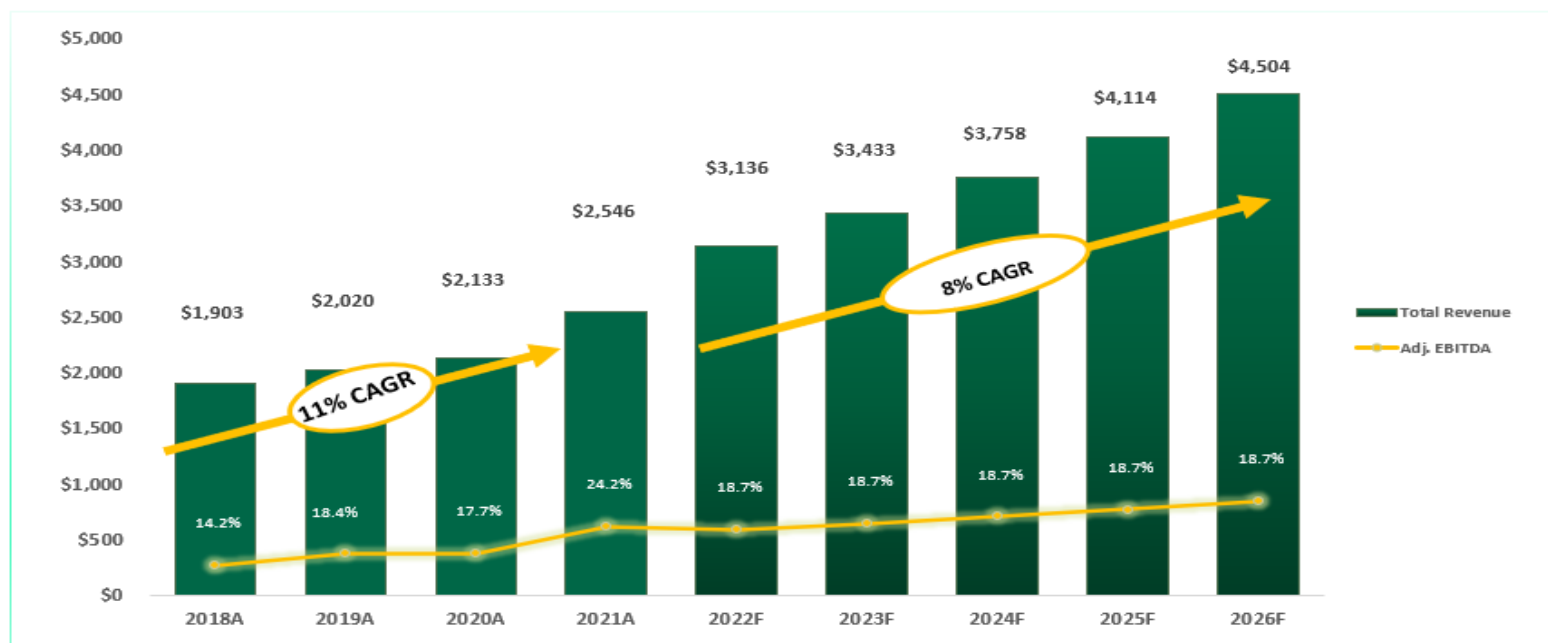
Projected
EBITDA Margin
Growth

9.5%

Projected Rev.
Growth

Buyout model assumes all sources and uses are cash and company is recapitalized on a debt free / cash free basis

Financial Overview and Projections



Units: SM	2018A	2019A	2020A	2021A	2022F	2023F	2024F	2025F	2026F
Revenue	1,903	2,020	2,133	2,546	3,136	3,433	3,758	4,114	4,504
Growth	na	6.2%	5.6%	19.4%	23.2%	9.5%	9.5%	9.5%	9.5%
Gross Profit	932	1,040	1,104	1,540	1,686	1,845	2,020	2,211	2,421
Margin	48.9%	51.5%	51.8%	60.5%	53.7%	53.7%	53.7%	53.7%	53.7%
Adj. EBITDA	271	373	378	615	588	644	704	771	844
Margin	14.2%	18.4%	17.7%	24.2%	18.7%	18.7%	18.7%	18.7%	18.7%
Total Revenue	1,903	2,020	2,133	2,546	3,136	3,433	3,758	4,114	4,504
Free Cash Flow					321	356	388	423	462
Adj. EBITDA	271	373	378	615	588	644	704	771	844
Adj. EBITDA Margin	14.2%	18.4%	17.7%	24.2%	18.7%	18.7%	18.7%	18.7%	18.7%

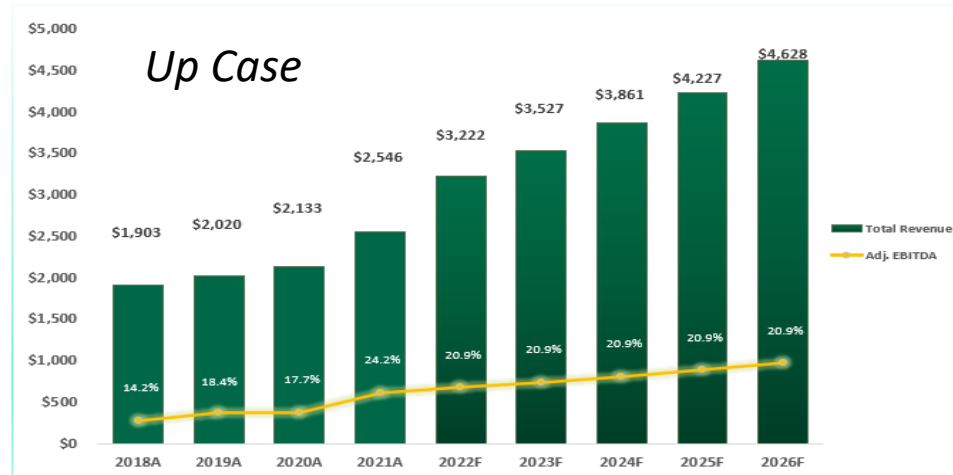
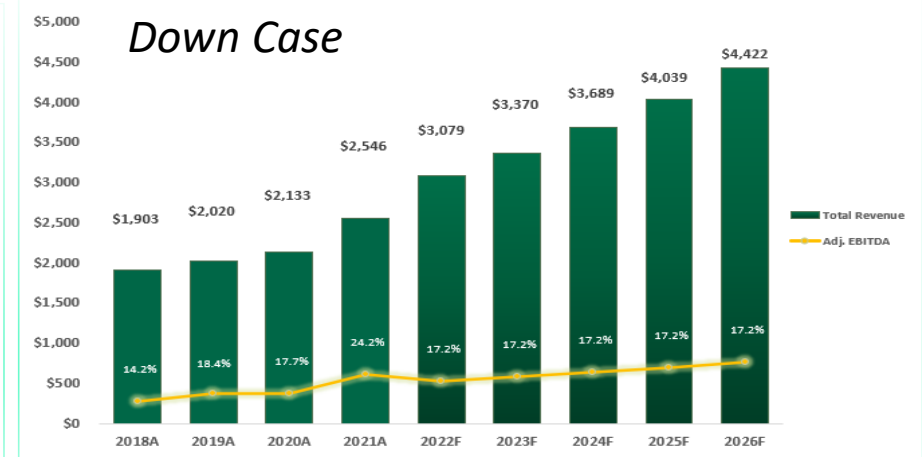
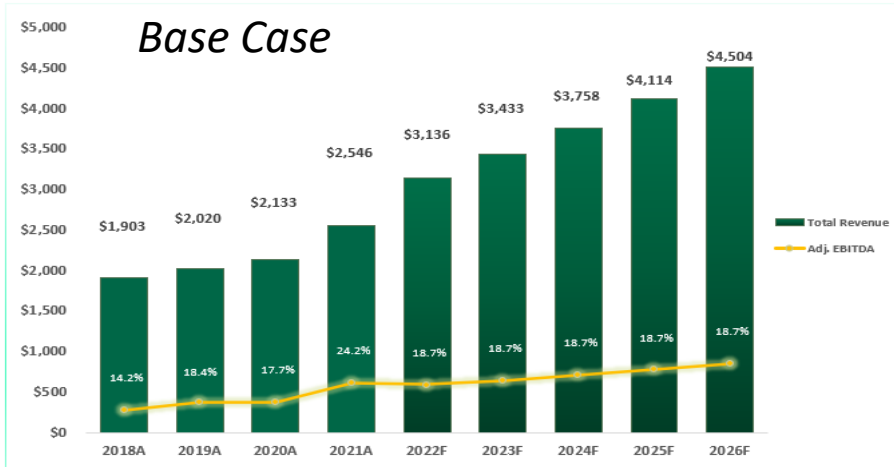
Buyout Model – IRR & MOIC Sensitivity

- Values bordered to be most probable entry and exit ratios for the deal
- Entry range from *14.5x* to *16.0x* and exit range from *15.0x* to *17.0x* present attractive returns:
 - From *12.6%* to *18%* for IRR
 - From *1.7x* to *2.1x* for MOIC

IRR Sensitivity Function of Entry and Exit Multiples								
		Entry EBITDA						
		13.46%	14.0x	14.5x	15.0x	15.5x	16.0x	16.5x
Exit EBITDA	13.0x	13.0%	12.1%	11.3%	10.4%	9.6%	8.9%	
	14.0x	14.6%	13.7%	12.8%	12.0%	11.2%	10.4%	
	15.0x	16.1%	15.2%	14.3%	13.5%	12.6%	11.9%	
	16.0x	17.5%	16.6%	15.7%	14.9%	14.0%	13.2%	
	17.0x	18.9%	18.0%	17.1%	16.2%	15.4%	14.6%	
	18.0x	20.2%	19.3%	18.4%	17.5%	16.6%	15.8%	
	19.0x	21.5%	20.5%	19.6%	18.7%	17.9%	17.0%	

MOIC Sensitivity function of Entry and Exit Multiples								
		Entry EBITDA						
		1.76x	14.0x	14.5x	15.0x	15.5x	16.0x	16.5x
Exit EBITDA	13.0x	1.7x	1.7x	1.6x	1.6x	1.5x	1.5x	
	14.0x	1.8x	1.8x	1.7x	1.7x	1.6x	1.6x	
	15.0x	1.9x	1.9x	1.8x	1.8x	1.7x	1.6x	
	16.0x	2.1x	2.0x	1.9x	1.9x	1.8x	1.7x	
	17.0x	2.2x	2.1x	2.0x	2.0x	1.9x	1.8x	
	18.0x	2.3x	2.2x	2.1x	2.1x	2.0x	1.9x	
	19.0x	2.4x	2.3x	2.2x	2.2x	2.1x	2.0x	

Buyout Model – Revenue & Adj. EBITDA Sensitivity



Buyout Model – IRR & MOIC Sensitivity

Base Case

Entry

EBITDA	537
Multiple	15.5x
EV	8,327

Exit

EBITDA	844
Multiple	15.0x
EV	12,666

Returns Analysis

Firm Equity IRR	13.46%
Firm Equity MOIC	1.76x

Down Case Rev Decrease -2%

Entry

EBITDA	537
Multiple	15.5x
EV	8,327

Exit

EBITDA	762
Multiple	15.0x
EV	11,432

Returns Analysis

Firm Equity IRR	10.78%
Firm Equity MOIC	1.58x

Up Case Rev Growth +2%

Entry

EBITDA	537
Multiple	15.5x
EV	8,327

Exit

EBITDA	968
Multiple	15.0x
EV	14,517

Returns Analysis

Firm Equity IRR	17.15%
Firm Equity MOIC	2.02x

Recommendation

Buy

Decker's Outdoor Corp. (NYSE: DECK)

Decker Outdoor Corp.'s historical financials and business model have been reviewed and a detailed financial forecast for the company has been prepared.

A valuation assessment using our financial forecast and standard valuation methods has been performed on Decker's Outdoor Corp.

We believe that Decker's Outdoor Corp. is attractively valued and offers significant upside potential.

Q&A

Appendices

Historical Income Statement

Deckers Outdoor (Deckers Outdoor) Income Statement Overview

SM	2018A	2019A	2020A	2021A	TTM
Total Revenue	1,903	2,020	2,133	2,546	2,866
<i>Growth</i>	na	6.2%	5.6%	19.4%	12.6%
COGS	972	980	1,029	1,172	1,325
<i>% Revenue</i>	51.1%	48.5%	48.2%	46.0%	46.3%
<i>% Point Change</i>	na	-2.5%	-0.3%	-2.2%	0.2%
Gross Profit	932	1,040	1,104	1,374	1,540
<i>Margin</i>	48.9%	51.5%	51.8%	54.0%	53.7%
Total Expenses	711	711	763	873	969
<i>% Revenue</i>	37.4%	35.2%	35.8%	34.3%	33.8%
Pretax Income	221	329	341	502	571
<i>% Margin</i>	11.6%	16.3%	16.0%	19.7%	19.9%
Taxes	106	65	65	119	132
<i>% Revenue</i>	5.6%	3.2%	3.0%	4.7%	4.6%
Net Income	114	264	276	383	439
<i>% Margin</i>	6.0%	13.1%	12.9%	15.0%	15.3%
Addbacks to EBITDA					
+ Net Interest	2	(1)	(2)	3	3
Net Interest % Revenue	0.1%	-0.1%	-0.1%	0.1%	0.1%
+ Taxes	106	65	65	119	132
Amortization	49	45	39	41	41
D&A % Revenue	2.55%	2.22%	1.82%	1.59%	1.43%
% change	na	-0.33%	-0.40%	-0.23%	-0.16%
Total Addbacks to EBITDA	156	108	101	163	176
EBITDA	271	373	378	545	615
<i>Margin</i>	14.2%	18.4%	17.7%	21.4%	21.5%
Enterprise Value	2500	3,650	4,840	7,730	9,540
<i>Growth</i>	na	na	na	59.7%	23.4%
Revenue Multiple	1.9x	2.4x	2.3x	3.0x	3.3x
Net Income Multiple	31.9x	18.3x	17.5x	20.2x	21.7x
EBITDA Multiple	13.5x	13.0x	12.8x	14.2x	15.5x

Historical Balance Sheet

Deckers Outdoor (Deckers Outdoor) Balance Sheet Overview

\$M	2018A	2019A	2020A	2021A	TTM
Assets					
<i>Current Assets</i>					
Cash and Cash Equivalents	430	590	649	1,089	998
Accounts Receivable	144	179	186	216	335
Inventory	300	279	312	278	551
All other Current Assets	37	48	47	67	111
Total Current Assets	911	1,095	1,194	1,651	1,995
<i>Non-Current Assets</i>					
<i>PP&E</i>					
Gross PP&E	431	450	695	660	680
Accumulated Depreciation	(211)	(236)	(242)	(267)	279
Net PP&E	220	214	453	393	401
All other Non-Current Assets	134	118	118	124	152
Total Non-Current Assets	354	332	571	517	553
Total Assets	1,264	1,427	1,765	2,168	2,548
<i>% Change</i>	<i>na</i>	12.9%	23.7%	22.8%	17.5%
Liabilities					
<i>Total Current Liabilities</i>					
	189	251	301	468	728
<i>Non-Current Liabilities</i>					
Long Term Debt	32	31	30	-	-
All Other Non-Current Liabilities	102	101	294	246	255
Total Non-Current Liabilities	134	132	324	246	255
Total Liabilities	324	382	625	723	983
<i>% Change</i>	<i>na</i>	18.1%	63.6%	15.8%	35.8%
Equity					
Capital Stock	168	179	192	204	210
Retained Earnings	786	889	974	1,257	1374
All Other Equity	(13)	(23)	(26)	(17)	(19)
Total Equity	941	1,045	1,140	1,444	1,565
<i>% Change</i>	<i>na</i>	11.1%	9.1%	26.7%	8.3%
<i>Balance Sheet Check</i>	<i>OK</i>	<i>OK</i>	<i>OK</i>	<i>OK</i>	<i>OK</i>

Historical Cash Flow Statement

Deckers Outdoor (Deckers Outdoor) Cashflow Statement Overview

\$M	2018A	2019A	2020A	2021A	TTM
Total Cashflow from Operations	327	360	286	596	440
% Change	na	9.8%	-20.4%	108.2%	-26.3%
<i>Investing Activities</i>					
Capital Expenditures	-	-	-	-	-
Purchase/Sale of Business	-	-	-	-	-
All Other Investing Activities	(35)	(29)	(32)	(32)	(46)
Total Cashflow from Investing Activities	(35)	(29)	(32)	(32)	(46)
% Change	na	-16.4%	10.2%	0.6%	41.8%
<i>Financing Activities</i>					
Net Debt Issuance (Payment) Cashflow	(1)	(0)	(0)	(31)	(40)
Common Stock Dividends	-	-	-	-	-
(Payments) for Common Stock	(158)	(167)	(195)	(105)	(243)
All other Cashflow from Financing Activities	1	(0)	4	7	5
Cashflow from Financing Activities	(158)	(167)	(192)	(130)	(278)
<i>Cash Analysis</i>					
Cash at Beginning of Period	295	430	590	649	1,089
<i>Reconciling Net Change in Cash</i>					
Calculated Net Change in Cash	135	163	62	434	116
Calculated Cash at End of Period	430	593	652	1,084	1,206
Reconciliations to Net Change in Cash from BS	-	(4)	(3)	5	(207)
Reconciled Net Change in Cash	135	160	60	440	(91)
Cash at End of Period from BS	430	590	649	1,089	998
Check	na	OK	OK	OK	OK

Buyout Model

USF Student Investment Club

	Entry	2022F	2023F	2024F	2025F	2026F	Exit
	4/4/2022	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2026
Year Frac.		0.74	1.00	1.00	1.00	1.00	
Key Assumptions							
Units in \$M							
Entry Date	4/4/2022						
Company Assumptions							
Entry COGS % Rev	46.3%						
COGS % Rev. Decrement Rate	0.0%						
SG&A % Rev	35.0%						
SG&A % Rev. Decrement Rate	0.0%						
D&A % Rev	1.4%						
D&A % Rev Decrement Rate	0.10%						
Capex % Rev	1.0%						
Working Capital Turnover	7						
Interest Rate % revenue	0.1%						
Taxes rate	35.0%						
Revenue Breakdown							
TTM Revenue	2,866						
UGG Wholesale % Rev.	34.25%						
UGG Wholesale Rev. Growth %	9.00%						
HOKA Wholesale % Rev.	15.92%						
HOKA Wholesale Rev. Growth %	10.00%						
Teva Wholesale % Rev.	4.20%						
Teva Wholesale Rev. Growth %	5.00%						
DTC % Rev.	45.63%						
DTC Rev. Growth %	10.00%						
Exit Assumptions							
Current EV (\$M)	8,327						
Entry Multiple	15.5x						
Exit Multiple	15.0x						
SM							
Revenue Build							
UGG Wholesale Rev.	981	1,070	1,166	1,271	1,385	1,510	
HOKA Wholesale Rev.	456	502	552	607	668	735	
Teva Wholesale Rev.	120	126	133	139	146	154	
DTC Revenue	1,308	1,438	1,582	1,740	1,914	2,106	
Total Revenue	2,866	3,136	3,433	3,758	4,114	4,504	
Growth	na	9.4%	9.5%	9.5%	9.5%	9.5%	
COGS % Rev.	46.3%	46.3%	46.3%	46.3%	46.3%	46.3%	
- COGS	1,325	1,451	1,588	1,738	1,903	2,083	
Gross Profit	1,540	1,686	1,845	2,020	2,211	2,421	
Margin	53.7%	53.7%	53.7%	53.7%	53.7%	53.7%	
SG&A % Rev.	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	
- SG&A	1,003	1,098	1,201	1,315	1,440	1,576	
EBITDA	537	588	644	704	771	844	
Growth		9%	9%	9%	9%	9%	
Margin	18.7%	18.7%	18.7%	18.7%	18.7%	18.7%	
D&A % Rev	1.4%	1.3%	1.2%	1.1%	1.0%	0.9%	
- D&A	41	42	42	42	42	42	
EBIT	496	546	601	662	729	803	
- Interest							
EBT	496	546	601	662	729	803	
- Taxes	174	191	210	232	255	281	
Net Income	323	355	391	430	474	522	
Margin	11.3%	11.3%	11.4%	11.5%	11.5%	11.6%	
Adjustments to Free Cash Flow							
+ D&A		42	42	42	42	42	
- Change in NWC		52	43	47	52	57	
- Capex		23	34	38	41	45	
Free Cash Flow		321	356	388	423	462	
Transaction Cash Flow	(8,327)	321	356	388	423	462	12,666
Working Capital							
Working Capital	403	455	498	545	597	654	
Change in WC	na	52	43	47	52	57	
Change in WC as a Cash Flow		(52)	(43)	(47)	(52)	(57)	

1. Supplied Chain Issues:

Strategies:

- Management is operating to mitigate the impact of ongoing supply chain issues through early procurement of inventory which results in significant increase in inventory. The company has 14 supply chain partners in tier 1 and 17 in tier.
- The goal is continuing Increase the number of monitored Tier 1 and Tier 2 partners year over year.
- A significant part of the Company's business is seasonal, requiring it to build inventory levels during certain quarters in its fiscal year to support higher selling seasons, which contributes to the variation in its results from quarter to quarter.

1. Commodity price risk for sheepskin leather and wool

Solving: Company typically fix prices for all of raw materials with firm pricing agreements on a seasonal basis. purchasing contracts and other pricing arrangements with certain sheepskin and leather suppliers to manage the supply of sheepskin. In addition, company use purchasing contracts and other pricing arrangements to attempt to reduce the potential impact of fluctuations in sheepskin prices on its results of operations.

2. Legal Risk

Solving and outlook: regardless of the outcome of the legal process of the company files against its supplier in Australia, litigation can have an adverse impact on the Company because of legal costs, diversion of management time and resources, and other factors. Australia is only tier 2. Where the company has 14 supply chain partners in tier 1 and 17 in tier 2.

1. Pricing:

The pricing are based on numerous of factor including inflation and commodity prices and supply and demands as well as competitors pricing pressures.

2. Social impact:

Goals and Actions: 100% of cotton fiber used in Decker's Outdoor Corp. footwear, within all material categories, will be made from recycled cotton fibers or sourced from farms that utilize sustainable crop growing practices Target conceptualized 1.47% of cotton fibers used in Decker's footwear were made from recycled cotton fibers or sourced from farms that utilize sustainable crop growing practices 20.94% of the cotton fibers used in company's footwear were made from recycled cotton fibers or sourced from farms that utilize sustainable crop growing practices. Process is on Track 2025.