Crocs (CROX) Q4 2023 Earnings Call Transcript

By Motley Fool Transcribing – Feb 15, 2024 at 4:00PM

CROX earnings call for the period ending December 31, 2023.

Crocs (CROX -0.90%)
Q4 2023 Earnings Call
Feb 15, 2024, *8:30 a.m. ET*

Contents:

IMAGE SOURCE: THE MOTLEY FOOL.

Prepared Remarks:

Operator

Good morning and welcome to the Crocs fourth quarter 2023 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 corporate strategy. Please go ahead.

Erinn Murphy -- *Senior Vice President, Investor Relations and Corporate Strategy*

Good morning, everyone, and thank you for joining us to discuss Crocs Inc. fourth quarter and full year results. With me today are Andrew Rees, chief executive officer; and Anne Mehlman, executive vice president, incoming Crocs brand president and current chief financial officer. Following their prepared remarks, we will open the call for your questions, which we ask you to 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 include, but are not limited to, statements regarding our strategies, plans, objectives, expectations and intentions including our financial outlook. 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 annual report on Form 10-K 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 will turn the call over to Andrew Rees, Crocs Inc.

chief executive officer.

Andrew Rees -- *Director and Chief Executive Officer*

Thank you, Erinn, and good morning, everyone. Thank you for joining us today. 2023 was a record year for the Crocs Enterprise and we're starting off 2024 from a position of strength. Our teams are focused on continuing to drive market share gains and sustainable profitable growth.

We ended the year strong delivering better than expected fourth quarter. Let me start by sharing a few highlights from the full year of 2023. Total revenues grew 12% year-on-year to almost $4 billion dollars, driven by 19% direct-to-consumer growth at the enterprise level. Crocs brand revenues surpassed the $3 billion mark, increasing 14% versus last year.

HEYDUDE Brand revenues were approximately $950 million and delivered over $200 million in operating income. We expanded our gross margins and once again delivered industry-leading margins with adjusted operating margins of almost 28% exceeding our guidance. We grew our adjusted diluted earnings per share by 10% versus last year to $12.03. Our strong cash flow generation allowed us to repay $666 million of debt as we resumed our share repurchase program during the year.

Finally, we're pleased to see the Crocs Inc. achieved the number 20 spot on Fortune's 2023 top 100 fastest growing companies. Before I provide strategic updates by brand, I want to speak to the recently announced executive transitions. Michelle Poole, Crocs' brand president will be retiring from the company following a distinguished 32-year career in the footwear industry, the last decade of which she had a tremendous impact on Crocs.

Michelle Poole maiden her role through early May and transitioned to a special advisor through early 2025. In keeping with our succession planning. I'm pleased to promote our current CFO Anne Mehlman to Crocs brand president. Many of you have the opportunity to work closely with Anne and know she brings a strategic and consumer-focused commercial lens to her leadership.

I have strong confidence in her commercial acumen, deep knowledge of the Crocs business and global mindset. Anne will remain CFO until a replacement is named an active search for her successor is already underway. Moving on to our performance against our key strategic pillars, starting with the Crocs brand. We continue to invest in our Crocs brand to our socially led usually first marketing playbook and product innovation naming a few of our accomplishments this year.

Our marketing wins range from creating height to mainstream moments including the MSCHF Yellow Boot, Aespa K-pop brand that featured a stump line clog and we ended the year unveiling Armada clog the perfect friend to Lightning McQueen. Complex, a leading culture publications set it back Crocs can't stop going viral in 2023. We celebrated our most successful Crocs over year fueled by the span inspired Crocs Cowboy Boot that sold out in 24 hours. We were awarded Collection of the Year by Footwear News Salehe Bembury Times Crocs Pollex Clog for partnership.

Moving on to products, innovation and ongoing diversification remain important areas of focus. While we've had great success creating consumer moments through partnerships and collaborations, our core franchisees are our fundamental growth engines and all three of our product pillars Clogs, Sandals and personalization grew double-digits in 2023. Clogs grew 12% supported by solid growth in both our core Classic, as well as new Clog franchises filled by height and product innovation. Sandals surpassed the $400 million mark growing 29% versus last year and now makes up 13% of our Crocs sales mix.

We gained market share across our four Sandal segments that we prioritize everyday Style, Sport Street and Adventure. Beyond the revenue milestone the sandals category brings diversification not only to our overall product mix but to our customer mix. In 2023, 61% of consumers that purchase Sandals on own ecom channels were new to the brand. These consumers shop more frequently carried a higher average order value and purchase multiple Silhouettes.

Our Sandal consumers skew more female versus our other buyers. Our Jibbitz business grew 17% to over a quarter billion dollars making up approximately 9% of our total mix. We continue to view personalization as a mega consumer trend and see opportunity to further grow our Jibbitz penetration in 2024, notably through improved wholesale execution, deeper international penetration and increased speed to market. We're elevating our franchise management capabilities and have built several sustainable multi-product platforms including the Echo, Brooklyn and Crush to name a few.

Each of these franchises caters to unique customer groups and diversified wearing occasions. The echo franchise which was developed a breadth of products across Clogs, Sandals, Boots and now Sneakers has bringing a largely male explorer consumer. In fact 71% of consumers who shopped our Echo franchise on our owned ecom channel in 2023 were new consumers. We're becoming faster and more agile and we see opportunities to further capitalize on these attributes in 2024.

In the fourth quarter, we tested slippers in four color ways and we're able to get these to market 60% faster than our normal product cycle. This test sold out in two and a half weeks and we're building this into a full line for 2024. We're expanding our speed to market capabilities across other areas of our product portfolio, including emerging new franchise such as a Getaway assortment. As we think about distribution, I'm pleased by the broad-based growth of the Crocs brand for the year.

The 2023 North America grew 8% and international grew 23%. In fact fourth quarter represented our 12th consecutive quarter of strong double-digit growth outside of North America. Globally, South Korea and the UK grew double-digits Australia and China each grew triple-digits. While we reported a record revenue in China, it still only represent 4% of revenues underscoring the untapped potential we have in the region.

We continue to see our organic foundation in China grow as evidenced by our hashtag known as Dong Men or Clogs followers. We now have 70 million Dong Men hashtags on red highlighting the consumer engagement and excitement for the brand. Three weeks ago, I had the opportunity to visit several of our Tier-1 countries in Asia alongside our broader leadership team. It is evident that the brand's trajectory is taking hold across the region.

The Asian consumer is embracing personalization at a rate higher than other parts of the world. Another anecdote that gives me confidence broadly in our international growth agenda is that South Korea, a most established market in the region carries a highest market share of any discrete market globally and is one of the best representations of our core strategies across Clogs, Sandals and Personalization. This strong market position highlights the potential upside of opportunity across our other international markets. The Crocs brand has entered 2024 with momentum.

From a product perspective we expected to deliver more height for her, street for him and drive personalization at scale. We expect Sandals to continue to gain as a percentage of sales, driven by newness as we relaunched the classic Sandal 2.0 and scale, our recently introduced Getaway Sandal franchise. From a sustainability perspective, I'm incredibly pleased to announce that we achieved our 2023 goal to reach 20% buyer base Crocs life material across our portfolio. A significant milestone on our journey to 50% buyer base this Crocs life by 2030.

We also saw promising results in our Pilot Shoe recycling program that we launched in late October and we now plan to expand this initiative to All-Stars. We will share more on these and many other initiatives in our mid-year comfort report. Turning to HEYDUDE, we generated almost $950 million of revenue and over $200 million in operating income in 2023. This year I did share our learnings, but I'm very confident that the HEYDUDE brand benefits from the lightweight, comfortable, easy on and off and value remain top of mind with consumers.

While our brand awareness significantly improved year over year reaching 32% in the second half, it is still low by Eddie Global Brand standing, but our brand love and affinity are high. As we talked about in our third quarter call, we made a number of strategic pivots in September, which impacted our sell-in within the wholesale channel, curtailed smaller, non-strategic accounts and focused our efforts around improving full price sell-through on digital. We're pleased with the initial impact of our decisions as evidenced by improved gross margins and healthy channel inventories and expect sell-in and sell-through to normalize as we move throughout the second half of 2024 and prioritize returning to a full market position. In the fourth quarter and on a full year basis, we gained market share among our key strategic accounts underscoring our confidence in the brand's underlying demand with consumers.

In 2023, The Hated Brand gained approximately 200 basis points of US market share versus 2022 in the casual fashion category, according to Cicada's Retail Tracking Service. During the first quarter, the HEYDUDE brand had some big moments with Dude Perfect as a face of a happy holiday programming. Leveraging our consumer insights we know that 50% of our buyers give HEYDUDES as gifts and we saw evidence of this during the fourth quarter. Looking forward, we plan to create consumer moments through scaling our collaborations and partnerships.

We recently collaborated with actor Chase Stokes from the popular Outer Banks Netflix show to launch the Wally MID. Later in Q1, we will be expanding our Collegiate program to more schools during March Madness to deepen consumer engagement. From a product perspective, during the fourth quarter, our icons the Wally&Wendy were top sellers. Our Bradley boot rounded out by top three selling styles overall with exceptional sell-through as consumers responded to its compelling price point, lightweight and attractive styling despite a soft overall industry boot season.

Once Again our seasonal Ugly Sweater Christmas Styles were standouts. As we move into 2024, we will focus on continuing to invest in core and expect the Wally&Wendy franchises to remain the lion's share of our offerings, driven by newness in color, graphic and heights. We will capitalize on our successful sneaker franchises including the Karina and the Sirocco and build on our fashion boot offering in the fall. We're taking a focused approach to how we allocate inventory by account and expect to see more evidence of account and channel segmentation as we move throughout the year.

From a distribution perspective, we're in the early days of implementing our outlet retail strategy for the HEYDUDE brand leveraging Crocs' successful retail playbook. On the

HEYDUDE side, we opened five outlet locations in the second half and have been pleased with the results thus far. We plan to open up 30 outlet stores in 2024 spread throughout the year. For context retail is roughly one-third of our North American business for the Crocs brand and it's highly profitable.

Turning to wholesale, while our spring order books are down versus last year as we discussed on our November call, we expect sell-in and sell-through to normalize as we move throughout the back half of the year. As it relates to international we remain in test mode in a few direct markets in Europe, as well as in several distributor markets leveraging the success of the Crocs brand playbook. This will lay the groundwork to expand into new international markets in the next two to three years. Well coming into the year from a position of strength.

While there are question marks around the global macro backdrop and the broader consumer health, I'm confident in our brands, our people, and our purpose and are looking forward to another year of outside share gains, industry-leading profitability and top tier cash flow generation. Anne will now review our financial results in more detail.

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Thank you, Andrew, and good morning, everyone. I'm very pleased by our fourth quarter results, which exceeded the high end of our guidance across all metrics. We generated $960 million in consolidated revenues, growing 1.5% over last year led by the Crocs brands. We delivered top-tier profitability with adjusted gross margin up 240 basis points to 55.7% adjusted operating margin of 24.1% and adjusted earnings per share of $2.58 ahead of our guidance of $2.05 to $2.35.

Our strong profitability and focus on net working capital enabled us to repay $277 million of debt in the fourth quarter. We also repurchased $25 million of stock in the fourth quarter at an average cost of $86.34 per share. As discussed earlier in January, at the ICR Conference, we made a change to our segment reporting that will now be reflected in our 10-K. Our reportable operating segments will now be the Crocs brand and the HEYDUDE brand.

We plan to continue sharing our progress against our strategic growth pillars, key country call outs and channel dynamics. Turning to the Crocs brand in the fourth quarter. Revenues were $732 million, growing 10% relative to prior year, driven by strong DTC growth of 12% and wholesale growth of 7%. Brand ASPs were up 12% to $26.76, led by both channel and product mix, higher international pricing and lower discounting.

The brand sold 27 million pairs of shoes, a decrease of 1% to Q4 last year or up 5% excluding the impact of the termination of our African distributor. For the year, the brand sold 120 million units of 3.5% versus last year, an ASP growth of 10%. Now, let's review the Crocs brand highlights by country and channel. In the quarter, North America revenues are $471 million were up 3% from 2022, a strong DTC growth of 7% was partially offset by a 5% decline in wholesale.

The decline in wholesale revenues reflect a full quarter of impacts for e-tail distribution change, partially offset by double-digit growth in our brick and mortar wholesale. Crocs brand in the fourth quarter was led by international with revenues up 25% driven by DTC which grew 37% in the quarter against 2022. In fact, all six of our Tier 1 markets grew in the fourth quarter, China, India, Japan, South Korea, the US and Western Europe. As Andrew noted, two of our countries group grew triple-digits for the year, Australia and China.

China was a record Revenue year ending the year at $120 million. In Western Europe, we saw strong double-digit growth in the UK and France, while Germany ended the year flattish despite a tough macro backdrop. Turning to HEYDUDE. Revenues were $228 million, down 19% from last year, but ahead of our guidance.

During Q4, the brand sold 7.4 million pairs of shoes, a decrease of 18% from last year as we lacked pipeline sell and as we took decisive actions to reduce channel inventories, HEYDUDE average selling price during Q4 was roughly flat to last year at $30.65. Relative to Q3, our e-commerce ASPs were up 15% as we pulled back on price matching online. We continue to make progress against great disk cleanup and expect to be in a substantially better position exiting the first half of 2024. Wholesale revenues were down 28% from Q4 last year as we left 2022 pipeline fill.

Right sized our non-strategic wholesale accounts and faced a more challenging wholesale environment. The DTC channel contracted 9% as we forfeited sales for better pricing and margin. Consolidated adjusted gross margin for the fourth quarter was 55.7%, up 240 basis points from last year as freight was a key tailwind for both brands. Crocs brand adjusted gross margin was 59.5% or 340 basis points higher than prior year.

The increase in adjusted gross margin is attributable to approximately 240 basis points of freight tailwinds, increases in international pricing and favorable promotions and customer mix, partially offset by negative currency impacts of 100 basis points. HEYDUDE brand adjusted gross margin for the quarter with 45.5% and came in better than expected. The margin decrease of 170 basis points from Q4 2022 was driven by excess distribution costs and product mix. This was partially offset by reduced freight and storage costs.

Our Q4 adjusted SG&A at 31.6% of revenues deleverage by 430 basis points, compared to prior year. For full year 2023, adjusted SG&A deleveraged 200 basis points to 28.7%. The significant increase in adjusted SG&A rate for the quarter and the full year is attributable to continued marketing investment, talent and infrastructure to support future growth and durable market share gains. Taking these drivers together, our fourth quarter adjusted operating margin declined 190 basis points to 24.1%, compared to 26% for the same period last year.

In Q4, the company recorded a one-time GAA tax benefit of approximately $112 million, primarily related to the closing of our HEYDUDE activity in Hong Kong and the related transfer of our intellectual property. Fourth quarter adjusted diluted earnings per share decreased 2.6% to $2.58, when reflecting our non-GAAP tax rate of 19.6%. For the full year, our adjusted diluted earnings per share increased 10% to $12.03. We ended the year with clean inventory on our balance sheet and in the channel.

Our inventory balance on December 31st 2023 was $385 million, a decline a 18% against this time last year. The Crocs brand inventory balance was $281 million, down 7% from last year and were roughly flat to Q3 2023. HEYDUDE inventory was down 38% from last year to $104 million and down 6% versus Q3. We ended 2023 with a strong liquidity position, comprised of $149 million of cash and cash equivalents and $570 million of borrowing capacity on our revolver.

Through strong cash flow generation and diligent management of net working capital, we have reduced total borrowings to $1.7 billion and our net leverage stood approximately 1.3 times. Since acquiring HEYDUDE in February 2022, we have repaid $1.2 billion in debt and resumed our share repurchase activity in the second half of 2023. On a full year basis, we repurchased $175 million of stock at an average price of $104 per share. Our strong liquidity position, investing cash flow generation will enable us to continue to pay down debt and buyback stock in 2024.

In February, we successfully refinanced our Term Loan B and achieved a 75 basis point reduction in borrowing rate from silver plus 3% to silver plus 2.25% with no change to our leverage covenants or maturity dates. Now, turning to the future, I would like to share our current outlook for Q1 and then full year 2024. For Q1, we expect consolidated revenues to be down 1.5% to up 0.5% at year end currency rates with the Crocs brand growing between 6% to 8%. We expect HEYDUDE revenue to be down 20% to 23% as we lap pipeline sales from last year and given our aforementioned spring order book trends.

We expect adjusted operating margins to be approximately 22% and adjusted diluted earnings per share of $2.15 to $2.25. For the full year 2024, we are reiterating our revenue outlook of 3%, to 5% growth assuming year end currency rates. For Crocs brand revenues, we expect to grow 4% to 6% with growth led by international. For HEYDUDE brand revenues, we continue expect growth to be flat to slightly up.

In terms of shaping, we expect HEYDUDE sales trends to improve throughout the year. We expect gross margin improvement over 2023 at the enterprise level, we expect stable Crocs brand gross margin and expect HEYDUDE gross margin to be up for the year, as we start to realize the benefit of our newly opened Las Vegas DC and our planned ERP implementation. We expect to reinvest these dollars into brand accretive, and strategic SG&A investments resulting in consolidated adjusted operating margins for the year of approximately 25%. Following our tax structure changes, for full year 2024, we expect our underlying non-GAAP tax rate, which approximates cash taxes paid to be approximately 18% and GAAP tax rate 21.5%.

We anticipate non-GAAP diluted earnings per share to be approximately $12.05 to $12.50 in 2024. This range incorporates a recent tax changes in Term Loan B refinancing, but does not assume any impact from potential future share repurchases. We also expect to incur $10 million of one-time charges, primarily in the first quarter related to the completion of our distribution and logistics project for HEYDUDE. To support growth for both brands we expect to invest approximately $120 million to $130 million in capital expenditures in 2024 and continue to expect best-in-class cash flow generation.

At this time, I'll turn the call back over to Andrew for his final thoughts.

Andrew Rees -- *Director and Chief Executive Officer*

Thank you, Anne. Crocs Inc. had a record breaking year in 2023. As we move into 2024, we are on the offense.

I'm proactively making the decisions to invest incrementally in our business to set us up with continued durable market share gains, while delivering top-tier total shareholder returns. At this time, we'll open the call for questions.

Questions & Answers:

Operator

[Operator instructions] And our first question will come from Tom Nikic of Wedbush Securities. Please go ahead.

Tom Nikic -- *Wedbush Securities -- Analyst*

Hey, everybody. Thanks for taking my question. I want to ask about HEYDUDE, I know you gave some of the reasons why we should expect better performance from HEYDUDE over the course of the year, but it seems like you're kind of digging yourself into a pretty big hole in Q1 and you kind of need a pretty significant amount of reacceleration in the remainder of the year. I guess kind that the confidence in that reacceleration stems from order books or like feedback you gotten from wholesale partners and I guess just on the wholesale front, I think obviously last year was a much choppier year than you would expected for the HEYDUDE brand and I guess like, whatever the wholesale partner seen lately that's gotten a more comfortable to help drive that reacceleration and hold it in HEYDUDE brand that that you are expecting.

Andrew Rees -- *Director and Chief Executive Officer*

Yeah. Thanks Tom. Yeah, I think I'll hit the start of this and Anne can pick it up at the end with a few set of points around how we think of the year will play out for HEYDUDE. So, I think the first thing you've got to do is you've got to separate sell-in from sellout, right? So, yes, I absolutely-you can see that the HEYDUDE brand has been choppy from us from a sell-in perspective and didn't play out as we thought it would during the full year.

And you heard us say on our Q3's call talk about how we're going to pivot or how we pivoted some of our kind of strategic actions. But if you kind of step all the way back to sellout and the consumer takeaway that we see for the brand, because that is what our wholesale partners experience right? So I think we can see a few things that are very, very clear. The underlying sell-out for the HEYDUDE brand has been strong, right? It is a top performing brand for many of our wholesale partners and it ranks highly in that brand stack. The HEYDUDE brand during 2023 gained market share in the fashion-the fashion casual category actually substantial market share we believe based on this data of about 200 basis points.

So it was one of the larger market share gainer and that that's in terms of consumer takeaway. And then, we can also see that underlying PTC business and that we've changed some pricing strategies and dynamics and I think easy business which is causing us to give up some revenue, but also to drive higher margin. So, in essence, what we see is we kind of read through to the consumer that we are selling more pairs to more consumers and gain market share. And so, that's kind of the important rate.

Now, we acknowledged that in the back half of '22 early part of '23 we put too many pairs into the market and so we sold more in than we should have done. We also have gone through the process of cleaning up our account base, because I think we had too many accounts with too much inventory kind of competing against each other. And so, I think we got real clarity on who our strategic partners are and I would say as we talk to those strategic partners and frankly you've heard from a number of them those that are the public they are really bullish on the brand. So that's kind of what we see from a consumer lens.

I think the second piece I'd say that drives trajectory for the business is before I hand it over to Anne is that outlet business, right? So we opened up those five outlet stores in the back end of last year. We are very pleased with the performance of those stores and a local mall this year. And as you go through the year, the cumulative revenues and profit that you get from this stores is substantial and will continue to build that business in the future. And the sort of benchmark we gave you to kind of get head around it was the retail business for Crocs North America is about a third of the total business.

So it's very substantial and we think that exists for HEYDUDE too.

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Yeah, and Tom, just to give you a little context on the shape and a little bit more detail, so, embedded in our full year guidance of flat to slightly up for HEYDUDE, we are assuming that wholesale right now is down for the year in our guidance. Although we do assume it improves every quarter throughout just as we look at the trajectory. In Q1, we would expect a similar channel dynamic to what we saw in Q4. And then, we really start to see the benefits of retail contribution start to impact that in Q2 and beyond.

So I would say '24 really about from a wholesale perspective focusing on sellout as Andrew mentioned, making sure we have the right inventory in the market and letting that really be a pull market and wholesale revenue will be what it is and that's incorporated into our guidance.

Tom Nikic -- *Wedbush Securities -- Analyst*

And then, a quick follow up on HEYDUDE. Just where – sorry if you mentioned during the prepared remarks and if I missed it, but where are we at in terms of cleaning up the gray market and all that?

Andrew Rees -- *Director and Chief Executive Officer*

Yeah, I think we're making great progress. Yeah, we see, substantial dips in the gray market from sort of earlier in '2'3. We're not done yet. We think it will take through the first half of '24 to complete that.

But certainly solid progress.

Tom Nikic -- *Wedbush Securities -- Analyst*

All right. Thanks very much and best of luck this year.

Andrew Rees -- *Director and Chief Executive Officer*

Thank you.

Operator

The next question comes from Jonathan Komp of Baird. Please go ahead.

Jonathan Komp -- *Robert W. Baird and Company -- Analyst*

Yeah. Good morning. Thank you. I want to ask about Crocs North America.

Could you just share your current thoughts on the health of the business? Any thoughts on the trajectory in 2024 here and maybe include with that Jibbitz in your view there? I know you mentioned penetration increases for the year. And then, just one separate question more for Anne. As we think about the margin guidance for the year, it looks like you're implying pretty significant SG&A deleveraged for the Crocs brand. I wanted to see if you can give any more color there if that's the case and further give detail on what's driving that? Thank you.

Andrew Rees -- *Director and Chief Executive Officer*

Yes, Jon. So I think the Crocs brand continues to be very well positioned in North America. Obviously, it's our largest business and it is a scale business. We have substantial market share and we are well penetrated from a wholesale perspective from a retail perspective and from a digital perspective.

But we do see we said we were very happy with the performance of the Crocs brand in the market in '23. We see, we are very positive I would say indications of continue to support from our wholesale partners. We have a strong pipeline of product innovation that will bring to market. We have a strong pipeline of licensed products collaborations that will bring to market during the year.

In fact I have spent most of yesterday afternoon reviewing new products. So super excited about that. So I think the brand is well positioned. I think it also does I know as you rightly call out, we do think we have incremental penetration opportunities for Jibbitz.

We see the consumer dynamic with personalization been incredibly positive as you saw in '23 it grew above the overall growth of the business and gained penetration. We think we see opportunities in the wholesale market where, look at it is a different more difficult product to display and sell in the wholesale market, but we have sort of creative solutions that we will be testing and rolling out. We also bring in the timelines in for Jibbitz dramatically. So that we can respond to I would say kind of social friends much more quickly.

So we're super excited about using personalization to create ongoing consumer engagement.

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Yeah, and just as a reminder, that North America in 2023 grew 8.3% on a constant currency basis and 3% in Q4. So pretty good results out of the North America scale Crocs business. I think from an SG&A perspective as we talked about it at ICR, we are going to invest some of our margin improvements in SG&A this year. We think it's really important and that goes for both brands.

Just to give you context, we do expect higher SG&A dollar growth in the first half versus the second half because we're still in anniversaring during some larger investments on both brands that we meet in 2023. So SG&A growth is up mid-20% in both Q1 and Q2. So it's something that to keep in mind and why we're not going to guide specifically from both brand perspective on investments-the investments that we're making across the board are really on the marketing side, talent in both brands. On Crocs, it's really focused on our international markets, which we expect to drive the growth this year.

And then, on HEYDUDE, some of that is related to our outlet store investment and that's the biggest pieces and in some technology associated with both brands.

Jonathan Komp -- *Robert W. Baird and Company -- Analyst*

OK. Thanks, again.

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Thanks, Jonathan.

Operator

Next question comes from Rick Patel of Raymond James. Please go ahead.

Rick Patel -- *Raymond James -- Analyst*

Good morning, everyone. Congrats to Anne on the new role and all the best in the show on your new chapter. Just wanted to ask a question about the long-term potential for growth. So, with total revenues being guided up 3% to 5% percent here.

How should we think about the potential to hit $5 billion of revenue by 2026? Just hoping you could add some color on the building blocks there.

Andrew Rees -- *Director and Chief Executive Officer*

Thanks, Rick and I assume you are referring to the $5 billion for Crocs that we guided some years ago.

Rick Patel -- *Raymond James -- Analyst*

Correct.

Andrew Rees -- *Director and Chief Executive Officer*

Yeah. OK. So, yes. As I think, sort of number of years ago we guided we thought there's a – the Crocs would be a $5 billion brand and I think at that point we set out we thought I could happen by 2026.

I think where we are today is, we absolutely still firmly believe the Crocs is a scale business, the Crocs brand and can easily be $5 billion and we look at the pillars that we used to drive that growth, which is Asia, digital, Clogs, Sandals and personalization and we see really kind of solid progress against all of those pillars, as I probably say more than solid progress we've seen sort of incredible progress over the last several years against those pillars. I think quite a few things have changed since we provided that guidance in around global supply chain. We had to pull back out of Russia because of all the issues that you're well aware of and frankly currency as well cost us about $200 million dollars in top line. So I don't think that it's realistic to achieve the $5 billion by 2026.

But-and so we're really focused on driving continued growth in a profitable and sustainable way. And probably take a little bit longer. But I think it still drives incredible shareholder returns and value creation for shareholders and in terms of operating margins, this will be the first year. I think with deviating from the – or projecting to deviate from the 26%.

We still think the operating margins for our company are in the mid 20s. But will not be every single year above the 26% mark. We think it's very prudent to invest incremental dollars from time-to-time to create the capabilities that allow us to grow in the future. Hopefully it gives you a perspective in a long term.

Rick Patel -- *Raymond James -- Analyst*

Very helpful. Thank you.

Operator

The next question comes from Abbie Zvejnieks of Piper Sandler. Please go ahead.

Abbie Zvejnieks -- *Piper Sandler -- Analyst*

Great. Thanks for taking my question. Just on the Crocs brand, is there any color you can give on quarter-to-date trends and the Crocs brand being guided to 6% to 8% percent versus 4% to 6% for the year. What are you seeing that gives you confidence in that number? And does that assume just a continuation of trends that you're seeing so far? Is there any Improvement contemplated in getting to that 6% to 8% for the quarter?

Andrew Rees -- *Director and Chief Executive Officer*

Yeah, I think I'll obviously we get a of a bit of brand color and Anne can give you some of the more specifics. I would say, it's a continuation of the trends from last year, basically. We see-we don't give a lot of in-quarter color. But if you think about some of the big drivers that have really be propelling the brand.

And so, Asia and international growth has been super important. We see Clog growth, Sandal growth and Jibbitz growth from a product perspective important and as you know, we have visibility to bookings. So we feel real confident around our wholesale bookings and we see we see solid sell-out for the brand. So I think it's continuation mostly.

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Yeah, and just January, we don't really comment on trends inter quarter, but January is a very small piece of our overall quarter when you that is pretty a material for us as a business.

Abbie Zvejnieks -- *Piper Sandler -- Analyst*

Got it. That's helpful. And just one follow-up more of a housekeeping question. Since you changed the reporting segments, is there any way you can tell us kind of what 4Q would have looked like under the old reporting segments? Thank you.

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Yeah, so, as we didn't change our reporting segments to our new reporting segments are HEYDUDE Brand and Crocs brand as we think that reflects how we should look at the business. So as reported, North America grew 3%, in Q4, international grew 25% led by Asia Pac, which was up 36% and Amelia was up 16%. For the year operating profit dollars across all regions increased double-digits verses prior year, and the strongest growth came from Asia Amelia. So this will be the last time what we will give the information as our segments have now changed but that gives you some full-year picture.

Abbie Zvejnieks -- *Piper Sandler -- Analyst*

Perfect. Thank you.

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Thank you, Abbie.

Operator

The next question comes from Jim Duffy of the Stifel. Please go ahead.

Jim Duffy -- *Stifel Financial Corp. -- Analyst*

Thank you. Good morning. Appreciate you taking my question. Hope you guys are doing well.

Two questions. First, can you speak to the outlook for international markets, specifically, which are the markets you are excited about for '24, certainly Chinese on that list. Are there are others that you would highlight? And likewise in the international landscape of the market do you expect to be more challenging?

Andrew Rees -- *Director and Chief Executive Officer*

Yes, absolutely, Jim. So I think, let me start with this sort of highlights. China is probably top of the list as you rightly pointed out. We've had kind of a multi-year investment effort and focus on China.

I am really thrilled with that study to pay off in 2023 with triple-digit growth essentially doubling the business during that year from a top-line perspective. Obviously, it improves dramatically from a bottom-line perspective, as well. But we're just getting started in China, right? So 4% of our overall revenues, if you look at sort of other global brands that benchmark of sort of Greater China substantially higher than that maybe four to five times higher than that. So, I would say second, we're seeing great trajectory in parts of Western Europe, particularly the UK we're probably on a two to three-year very strong growth trajectory in that market.

And it's also an important market for influence across the European marketplace. We're seeing strong trajectory in France also I would say thirdly North Korea-sorry South Korea has been a very steady growth driver for us. And I think I mentioned in my prepared remarks it's actually only isolated our countries around the world is our highest market share performance even above the United States, but we see the future opportunities continued growth opportunities in South Korea. Australia has performed very strongly.

We've seen a real turnaround in the business there. And so, those are probably the highlights. I think the more challenging markets, Japan remains a slightly more challenging market. I think we're shifting focus that market because it is a large market and we do anticipate growth in the future, but we've got some work to do.

And I think you know, we're very, very optimistic about India in the long range and we're putting substantial investments into that market a little bit like we did it around China. But there are a number of short-term issues around sourcing that are creating some I think some headwinds in there very short term. But I think in the long term India will be a big success.

Jim Duffy -- *Stifel Financial Corp. -- Analyst*

Very helpful. Thank you, Andrew. Anne soon you'll be above the fray on questions like this, but I do have a question on the tax rate outlook. It came in a little bit lower than I expected.

Is that reflective of geographic mix of the profit tools? I guess that what I went after here, is that a sustained – we view that as structurally sustainable tax rate or there a one kind of dynamic related to that?

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Yeah, thanks Jim. Yes. I'm very excited to turn trekking over to tax trekking back over somebody else. But I think our tax rate as with any Q4 we moved our HEYDUDE IT from Hong Kong where we don't have operations to Singapore and Netherlands and that created that one-time benefit of $112 million that we backed out for the purposes of adjusted EPS.

You could have a better idea of our true underlying tax rate for the current year. That does have underlying benefits for this year. So that's how we get to the 18% So it reflects some geographical mix, but also just a restructure in our in our tax structure. Right now, we're saying we think 18% is right for this year.

I would still use 20% long-term until we have a better picture going forward.

Jim Duffy -- *Stifel Financial Corp. -- Analyst*

Helpful. Thank you.

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Thank you.

Operator

The next question comes from Chris Nardone of Bank of America. Please go ahead.

Chris Nardone -- *Bank of America Merrill Lynch -- Analyst*

Great. Thank you. Good morning. Can you talk about the underlying assumptions in your outlook for the relatively stable gross margins for your core Crocs business this year? I'm just trying to understand what would be holding that back from expanding on the mid-single digit growth and if margins do come in better, are you expecting to spend against that strength or you allow some level of flow through to the bottom-line this year?

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Yeah, I think that's a great question. So obviously we're really pleased with our Crocs gross margins. For the year, they expanded nicely after what was a tougher 2022 on some we had some significant freight tailwinds. We think that's pretty normalized at this point.

So we think that just given all the puts and takes so, you've got currency, you've got freight, you've got mix from a channel perspective, pricing and product mix. We think that that about where we were last year is a fairly good place to be. So on revenue growth that's not necessarily where we tend to see margin expansion on revenue growth as your operating margin because you leverage your SG&A. This year, we've made the conscious decision to take those dollars and really invest as-about that we're investing in India and some of our other international markets, as well as talent and really focused on that long-term sustainable growth.

If we can-if we exceed what we said if we have good Investments we will make the call whether we should continue to invest for the long-term or let that flow through an compound operating margin perspective.

Chris Nardone -- *Bank of America Merrill Lynch -- Analyst*

Got it. That's very helpful. And then, just as a quick follow-up, can you provide an assessment of how the Red Sea disruption is impacting your business today? I am just trying to gauge what you are underwriting for freight rates this year and your initial for your margin outlook?

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Yeah, so right now from a Red Sea perspective, we're really seeing it impact from are mostly our EMEA business at this point we're seeing a couple weeks delay. Overall from a shipping time perspective we haven't seen a material change to our freight rates at this point. And so, I would say, we don't know what's going to happen this year. Obviously, we don't know how this is going to play out.

But at this point, it's not it's not been a material impact to our business.

Operator

The next question comes from Jeff Lick of B. Riley Financial. Please go ahead.

Jeff Lick -- *B. Riley Financial -- Analyst*

Thanks for taking my question. Anne, I would extend my congratulations, a incredibly well-deserved promotion and increase in role. Andrew, I was wondering if you take a step back and look at 2019 as a starting point where in North America was $640 million in with the Crocs brand and international was $590 million. Obviously there's way more people internationally than in the U.S.

And I think there's an argument to be made that the Crocs brand might even resonate a little bit better with certain countries and populations than the U.S. So, I'm just wondering if all the things that you had done leading up to the pandemic, customization, social influencing, speed to market with distribution, obviously, you did that in the U.S. first if you use the U.S. as a kind of a leading indicator, I'm wondering kind of where you're at like what you're seeing internationally and do would you disagree that international should be at least as big if not bigger than the U.S.

And then, I guess, the critics might say we'll see the U.S. is going to come back that obviously hasn't happened. I was wondering maybe you could speak to what people are missing as to if anything in the US has accelerated just the dynamics between the US and international was what you could give us there?

Andrew Rees -- *Director and Chief Executive Officer*

OK? Yeah, I think like I ought to see Japanese great way of thinking about it, right? So, just to sort of paint the picture for everybody, what we saw the Crocs brand really started inflect in the U.S. marketplace sort of late '18 into '19 and then grew dramatically through the pandemic. I think, a lot of people outside of the company kind of put that down to well, that was the pandemic and people were happy to wear Crocs at home, but they're not happy to wear Crocs when they are back out in the real world, right? So, I think at this point, hopefully, that has proven to be incorrect in that, people are happy and excited to wear Crocs out in the real world. And I think what's happening there is we're engaging the consumer, we're excited in the consumer with innovative new products with a high comfort product, with a high value product, with a product that can be personalized in many different ways and it's pretty exciting and the customers engaged in it.

So that's grown that business dramatically. We've seen that trajectory repeated in a number of our international markets. And so, we look at markets like the UK. We are still probably in our third year of very accelerated growth.

So we're seeing that trajectory play out. And so, and then as I highlighted an earlier question and in our prepared remarks, we actually have the highest market share in the Korea marketplace as of today. So even above the U.S. So that's to your point around there might be some places in the world where the Crocs brand actually resonates even better than in the U.S.

Easy on and off and that's kind of key component that where culturally there are many markets where people take their shoes off when they go into a building or go into somebody's home. So I think that's a viable thesis. We're not guiding the international businesses to be clear and then bigger than the U.S. business.

I mean, I think when we did our $5 billion plan, we were pretty clear that a lot of our growth will come out of Asia and that international will be super important. And you've seen that in the last six quarters, the international business growing very strongly. So we can cut.

Jeff Lick -- *B. Riley Financial -- Analyst*

OK. Thank you.

Operator

The next question comes from Sam Poser of Williams Trading. Please go ahead.

Sam Poser -- *Williams Trading -- Analyst*

Good morning. Thank you for taking my questions. I have two for Anne want can you talk about evolving demand planning, especially with the HEYDUDE brand in order to get to the pull model that that you're working toward and how that is working within the Crocs brand and how you in your new role intend to make that work further work? And then, for Andrew, Andrew you talked about it in the prepared remarks about promoting Anne to this position. Could you just expand on why she is, you went through a long process here wasn't quick from what I gathered, but can you sort of go into sort of some more nuanced discussion of why she ended up being the best person for the job and in your view? Thanks.

Andrew Rees -- *Director and Chief Executive Officer*

You mean other than she's awesome?

Sam Poser -- *Williams Trading -- Analyst*

I think yes. Other than she is awesome.

Andrew Rees -- *Director and Chief Executive Officer*

I'll let her answer the first question.

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Andrew is thinking of a good answer for you Sam now and just can't getting at. So, yes, on the demand planning front, for both HEYDUDE and from a Crocs perspective, we have key account planning really very thoughtfully at our big accounts and we plan strategically what sell out is and we are not obviously trying to sell-in. We, as we talked about on HEYDUDE a couple of key differences we are making and remember, when we bought HEYDUDE we didn't really have the infrastructure in place. So we were mutual and tools and that we're implementing.

We worked really hard to do that last year. So we're also looking at making sure that the-as Andrew mentioned that we have the right products in the right accounts and that we're thoughtful about seating product in the right place and also, depths and where we put things. So we're really focused on as you mentioned letting it be a pull model and if we are a little bit short on some things and it sells out fast enough, right? And that's more demand for next year. So that's kind of how we're thinking about it.

That's how we think about it existing on the Crocs side.

Andrew Rees -- *Director and Chief Executive Officer*

Great. So your second question, so look at me my flippant answer is important right? Like we have great confidence in on both the knowledge of the business, the commercial acumen, her understanding of kind of the consumer trends, beyond her abilities as a CFO. So, that's important. I would say this transition is part of the succession planning that we've been doing for some time.

We do it for all of us senior leaders. We do that in conjunction with the board as you'd expect. And we have a very thorough process around this. So, it's definitely something we take very seriously and we think this is, listen this, Michelle is retiring and we wish her well.

I mean, she's done an amazing job and as I also said in my prepared remarks, she has been doing this in the footwear industry for a long time and have some other things that she would like to like spend a bit more time doing. So, I think it's a very natural transition and very well planned.

Sam Poser -- *Williams Trading -- Analyst*

Thanks. And then, I just have a real quick follow-up for Anne, it was just somebody else's question about, comfort that the Hated business would grow in the back half of the year. How much of the sort of the way this looks like it's going to flow is retailers and you overreacted, put too much product into the marketplace at the beginning of last year given sort of the way things were in the middle of this year when they were writing spring retailers over probably over reacted and may not have written enough. And now they're sort of seeing what's going on and then that started to normalize as the orders move throughout the year.

Am I thinking about that correctly?

Andrew Rees -- *Director and Chief Executive Officer*

I think mostly Sam. Yeah, that's mostly a very thoughtful understanding of the marketplace.

Sam Poser -- *Williams Trading -- Analyst*

Thanks very much. Good luck.

Andrew Rees -- *Director and Chief Executive Officer*

Thanks, Sam.

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Thanks, Sam.

Operator

The next question comes from Aubrey Tianello of BNP Paribas. Please go ahead.

Aubrey Tianello -- *Exane BNP Paribas -- Analyst*

Hey. Good morning. Thanks for taking the question. I wanted to follow up on Crocs North America.

You mentioned changing the distribution model with Amazon. Could you maybe give a little more detail on what's changing? How those changes was with the P&L? And also what the timeframes for that?

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Yeah, yeah great question. So as we talked after our third call, I think taking a step back really at the highest level globally, we are trying to have more brand control in global marketplaces where our brand is sold. So we talk about marketplaces that's on a digital front and those maybe Amazon or others. And so, the best way to do that is for us to sell directly to the consumer on those marketplaces.

So it's direct-to-consumer sales versus a wholesale sales. So the dynamics is how it flows through the P&L. It's a higher gross margin, higher SG&A, higher revenue, but it's really not-that's not the focus point. The focus is just controlling our brand and how consumers should-how it shows up to the consumer and making sure that we provide a consistent and best experience for our consumer.

I would say, this distribution model performs-has been performing in line with our expectations these changes. And so, we will expect to continue down this path this year.

Operator

This concludes our question and answer session. I would like to turn the conference back over to Andrew Rees for any closing remarks.

Andrew Rees -- *Director and Chief Executive Officer*

Thank you. I just wanted to express our sincere appreciation for everybody's joining us today and their interest in our company. So, thank you so much and have a great day.

Operator

[Operator signoff]

Duration: 0 minutes

Call participants:

Erinn Murphy -- *Senior Vice President, Investor Relations and Corporate Strategy*

Andrew Rees -- *Director and Chief Executive Officer*

Anne Mehlman -- *Executive Vice President, Chief Financial Officer*

Tom Nikic -- *Wedbush Securities -- Analyst*

Jonathan Komp -- *Robert W. Baird and Company -- Analyst*

Rick Patel -- *Raymond James -- Analyst*

Abbie Zvejnieks -- *Piper Sandler -- Analyst*

Jim Duffy -- *Stifel Financial Corp. -- Analyst*

Chris Nardone -- *Bank of America Merrill Lynch -- Analyst*

Jeff Lick -- *B. Riley Financial -- Analyst*

Sam Poser -- *Williams Trading -- Analyst*

Aubrey Tianello -- *Exane BNP Paribas -- Analyst*

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