

24-Jul-2025

Deckers Outdoor Corp. (DECK)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

Erinn Kohler

Vice President-Investor Relations, Corporate Planning & Business Analytics, Deckers Outdoor Corp.

Stefano Caroti

Chief Executive Officer, President & Director, Deckers Outdoor Corp.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

OTHER PARTICIPANTS

Jay Sole

Analyst, UBS Securities LLC

Laurent Vasilescu

Analyst, BNP Paribas Exane

Adrienne Yih

Analyst, Barclays Capital, Inc.

Jonathan R. Komp

Analyst, Robert W. Baird & Co., Inc.

Rick B. Patel

Analyst, Raymond James & Associates, Inc.

Sam Poser

Analyst, Williams Trading LLC

John Kernan

Analyst, TD Cowen

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and thank you for standing by. Welcome to the Deckers Brands First Quarter Fiscal 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions. [Operator Instructions] I would like to remind everyone that this conference call is being recorded.

I'll now turn the call over to Erinn Kohler, VP, Investor Relations and Corporate Planning.

Erinn Kohler

Vice President-Investor Relations, Corporate Planning & Business Analytics, Deckers Outdoor Corp.

Hello, and thank you, everyone, for joining us today. On the call is Stefano Caroti, President and Chief Executive Officer; and Steve Fasching, Chief Financial Officer.

Before we begin, I would like to remind everyone of the company's Safe Harbor policy. Please note that certain statements made on this call are forward-looking statements within the meaning of the federal securities laws, which are subject to considerable risks and uncertainties. These forward-looking statements are intended to qualify for the Safe Harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements made on this call today, other than statements of historical fact, are forward-looking statements and include statements regarding our ability to respond to the macroeconomic environment and the impacts on our business and operating results, including as a result of changes to global trade policy and fluctuations in foreign currency exchange rates, our current and long-term strategic objectives, the performance of our brands and

demand for our products, anticipated impacts from our brand, product, marketing, marketplace and distribution strategies, product development plans and the timing of product launches, changes in consumer behavior, including in response to price increases, our ability to respond to the dynamic consumer environment, our ability to achieve our financial outlook, including anticipated revenues, product mix, margins, expenses, inventory levels, promotional activity, anticipated rate of full-price selling and earnings per share, and our capital allocation strategy, including the potential repurchase of shares.

Forward-looking statements made on this call represent management's current expectations and are based on information available at the time such statements are made. Forward-looking statements involve numerous known and unknown risks, uncertainties and other factors that may cause our actual results to differ materially from any results predicted, assumed, or implied by the forward-looking statements. The company has explained some of these risks and uncertainties in its SEC filings, including in the Risk Factors section of its annual report on Form 10-K and quarterly reports on form 10-Q. Except as required by law or the listing rules of the New York Stock Exchange, the company expressly disclaims any intent or obligation to update any forward-looking statements.

Please note, as previously disclosed, the company effected a six-for-one forward stock split during the second quarter of fiscal year 2025. The share, per share, and resulting financial amounts mentioned on this call have been adjusted to reflect the effectiveness of the stock split.

On this call, management may refer to financial measures that were not prepared in accordance with generally accepted accounting principles in the United States, including constant currency. For example, the company reports comparable direct-to-consumer sales on a constant currency basis for operations that were open throughout the current and prior reporting periods. The company believes that these non-GAAP financial measures are important indicators of its operating performance, because they exclude items that are unrelated to, and may not be indicative of, its core operating results. Please review our earnings release published today for additional information regarding our non-GAAP financial measures.

With that, I'll now turn it over to Stefano.

Stefano Caroti

Chief Executive Officer, President & Director, Deckers Outdoor Corp.

Thank you, Erinn. Good afternoon and thank you all for joining today's call. Fiscal year 2026 is off to a solid start for Deckers, with HOKA and UGG both outperforming the first quarter expectations we set forth on our year-end call. In the first quarter, our brands gained market share while maintaining a high degree of full-price integrity. HOKA delivered its largest quarter in its history, driving strong sell-throughs during this period of key model transitions.

We continue to make disciplined and strategic investments in our brands, and our teams tightly manage spend in other areas of the business to provide flexibility. This all led to Deckers delivering a great first quarter result, highlighted by revenue growing 17% versus last year to \$965 million and diluted earnings per share increasing 24% to \$0.93. The strength of our business continues to be driven by the remarkable growth in our international markets, with HOKA and UGG both contributing to Deckers 50% increase in international revenue, while navigating a choppy US consumer environment.

Looking at the global marketplace, our first quarter results demonstrate that HOKA and UGG remain two of the best-performing and most consumer-loved brands in our industry. We believe that Deckers key differentiator is our ability to build premium brands, focused on authenticity, innovation and purpose. Our sustained track record

of delivering healthy and profitable growth in challenging environments gives us confidence in navigating current uncertainties, and we believe that our brands and teams will continue to achieve long-term success.

Our brands continue to be guided by the principles of: consumer-first, elevating our products to exceed the expectation of consumers in a more competitive environment; brand-led, leveraging our unique brand codes to deliver a consistent brand experience as we target share gains across categories, seasons, and product applications; innovation-forward, challenging ourselves to create distinct styles with tangible consumer benefits; and globally driven, balancing our business across regions and channels.

As we build for the future, we believe these principles, supported by the strength of our fundamentals and operational discipline, will help us lead, adapt and grow in the rapidly evolving consumer landscape. Steve will provide further details on our first quarter financial results and an update on fiscal year 2026. First, however, I'll share more details on brand performance and how we plan to execute the remainder of this year.

Starting with HOKA, global revenue in the first quarter increased 20% versus last year to \$653 million. HOKA performance came in ahead of our expectations, but the shape of the brand's revenue growth versus last year was aligned with what we had anticipated, as global wholesale increased 30%, driven primarily by the strength of our international regions, with the US also contributing to this growth. And DTC increased 3% globally, with international regions maintaining their momentum, which was partially offset by ongoing pressure in the US online channel, as previously forecasted.

As you can see, the HOKA brand's international business continues to drive exciting and broad-based growth across all regions in both DTC and wholesale. EMEA contributed the most meaningful incremental dollar growth, as Europe reported record quarterly wholesale reorders, and DTC continued to be fueled by gains in consumer acquisition and retention. The APAC region is also delivering impressive growth, as HOKA further penetrates the market with mono-brand partner stores as well as own retail stores in China.

In the US, HOKA performance was aligned with our expectations. Marketplace dynamics are generally playing out as anticipated amid key franchise upgrades, resulting in the brand experiencing a similar quarter relative to the one prior. From a US wholesale perspective, performance continues to reflect our disciplined approach to marketplace management. HOKA is driving revenue growth from increased sell-in, additional doors with key partners to satisfy greater in-store demand, and reorders as sell-through in the channel continue to outpace revenue growth.

The HOKA brand's ongoing success with the wholesale channel highlights a continued shift in US consumer shopping preferences toward in-person retail experiences. Our observations indicate that while consumers often search for deals online, brick-and-mortar stores remain the primary venue for full-price sales, aligning with the feedback received from our retail partners. Our continued journey to thoughtfully expand wholesale doors plays well into this marketplace dynamic, providing HOKA the opportunity to build share and strengthen partnerships with key customers.

On a much smaller scale, we also continue to selectively expand our own retail locations in key cities around the world, as we seek to build direct relationship with consumers and offer experiences that showcase the full breadth of the HOKA brand's product offering. These strategies help HOKA gain visibility and solidify its position as the leading running brand in the US, although they create short-term pressure on DTC due to our limited retail presence and reliance on e-commerce.

Over time, we expect our DTC business to benefit from the conversion of newly acquired consumers to loyal, repeat purchasers. In addition to the channel dynamics affecting HOKA, we have [ph] proactively (00:09:45) identified opportunities for improved execution in response to evolving US consumer trends.

As a relatively young brand, HOKA remains committed to applying insights gained from our experiences to drive future growth and development. Recognizing some of the execution challenges we faced over the last six months, we're implementing changes that include adjusting product lifecycles to ensure a steady and balanced introduction of new products across key categories, timed to coincide with major shopping periods while providing greater separation between launch dates for our largest franchises, tightening marketplace inventory targets on outgoing models ahead of product updates, and enhancing our HOKA DTC loyalty program to more effectively differentiate the DTC experience.

It will take time for the benefits of these actions to meaningfully impact our business, but we're confident that will ultimately improve the consumer experience and facilitate more seamless key franchise updates in the future.

With respect to our current franchise upgrades, the consumer signals we're seeing for Bondi, Clifton, and Arahi are quite positive. Bondi and Clifton are driving consistent and healthy sell-through in the global marketplace across channels and segments of distribution, evidenced by representing the top-two running franchises in the US according to Circana, driving very strong reorders and representing the top sellers among acquired and retained customers in EMEA, and doubling year-over-year volumes in China for the spring/summer 2025 season.

Building off the success of Clifton and Bondi, the Arahi 8 update has also been a success since launching at the beginning of this month. Early feedback in the US has been very positive on the improved fit and feel, with particularly strong initial selling in the run specialty channel and in DTC. EMEA has experienced double-digit weekly sell-throughs since launch, and China has seen significant volume gains on this model versus last year, performing well ahead of plan for the first two weeks of July. While still early, we're very pleased with the initial results.

The consumer is showing a strong affinity for the updates to the HOKA brand's three largest franchises. We continue to believe there is more work to be done to build the same heat in other franchises across our compelling product assortment. We believe the HOKA brand's point of differentiation to the consumer is its relentless focus on innovation that delivers transformational experiences.

To continue delivering the level of innovation consumers have come to expect from HOKA, we've bolstered capabilities across design, innovation, color, and lifestyle, allowing for greater dedicated resources to enhance a broader range of styles. As a result, we're seeing tangible improvements to the product pipeline, which is reflected in the positive retailer response to our spring/summer 2026 offering.

We also expect to significantly enhance our ability to segment the marketplace with greater product ammunition, allowing us to fuel DTC acquisition through differentiation and expand wholesale doors in a controlled manner as we continue to build awareness and broaden demand for the HOKA brand.

To that end, you may have seen that just a few weeks ago, HOKA launched its 2025 global brand campaign, titled Together We Fly Higher. The campaign is centered around the power of community and the idea that individual progress is fueled by the collective. This is the principle HOKA has always embraced, as we believe the HOKA community has truly been the driving force behind building this transformational brand.

Together We Fly Higher celebrates the unifying power of running, highlighted in a new anthem film and an inspiring series of short films that spotlight real stories of runners. We'll amplify this campaign across retail stores, connected TV, out-of-home, digital, and paid social across HOKA-affiliated social media platforms.

Personally, I'm super excited about this campaign. I feel the brand has found its voice, and this is the strongest HOKA campaign to-date. Overall, fiscal 2026 is off to a very good start for HOKA. Our three largest franchises are performing strongly with consumers and we're expanding the brand's global reach, introducing HOKA footwear to a broader customer base.

Shifting to UGG, global revenue in the first quarter increased 19% versus last year to \$265 million. From a channel perspective, UGG outperformed wholesale, as wholesale increased 30% versus last year, with consistent growth across the US and international regions. And DTC decreased 1% with similar regional dynamics relative to HOKA, where we're seeing pressure in the US related to consumer sentiment and in-store shopping preferences, offset by continued strong international growth momentum.

The main drivers of UGG growth this quarter came from our focus areas. International drove the bulk of growth for UGG this quarter, with EMEA and China contributing the largest year-over-year gains. Men's footwear grew at nearly twice the overall brand rate, and sandal and sneaker styles drove most of the growth, reflecting the success of UGG's 365 initiative. Although Q1 is primarily a selling quarter for the brand, we're encouraged by the robust start in wholesale, a positive early indicator of consumer interest as partners look to accelerate shipments.

UGG products continue to gain relevance during transitional periods, reflecting the brand's ongoing success in developing collections that align with consumer preferences. Furthermore, we're particularly optimistic about the consistency of what has been working in key regions around the world. The UGG team has effectively implemented a brand-led global marketplace strategy, delivering elevated experiences through distinctive UGG products around the world. The UGG's brand focus on telling fewer, more targeted stories to amplify launches is demonstrating measurable success.

The consumer response to the PeakMod style is the perfect example of the team's efforts in driving positive results. The PeakMod is a completely new men's-specific clog that takes design cues from popular UGG styles. It initially [ph] soft (00:16:06) launched in March on the heels of our first-ever men's focused spring marketing campaign and was then featured as part of our seasonal Icons Reimagined marketing campaign. This versatile style quickly became a male consumer favorite across the US, EMEA and China, even earning placement in major fashion publications as a go-to style for more and more of their attire.

We believe there are four key reasons for the success: infusing UGG brand codes into a versatile design, leveraging consumer insights early and frequently, continuing to edit the assortment to allow for more focused seasonal stories, and pursuing a long-term strategy to acquire more male consumers.

With respect to our 365 initiative, UGG achieved strong global growth within the sandal and sneaker segments through the following: the Golden Collection, which generated significant consumer interest, particularly in the new Goldenstar Glide and Villa styles that commanded high retail prices compared to existing silhouettes; and the Lowmel franchise, which effectively blends the distinctive UGG aesthetic and comfort with adaptable wearability.

As we move into late summer and early fall, despite ongoing concerns affecting the US consumer sentiment, the UGG brand is strategically positioned within the global marketplace to achieve growth in the second half of calendar year 2025. To provide more context, we've operated with lean marketplace inventory for the Tasman franchise, maintaining scarcity ahead of its core selling season.

In addition, UGG will be launching its Iconic Design campaign to build heat and generate buzz for versatile footwear in advance for UGG Season, with activation planned in key cities around the world. UGG begins this transitional period with three key product stories leveraging its iconic mustard seed colorway on key styles, including the Lowmel sneaker, UGGbraid Clog, and all new Classic Micro. Early feedback on all three styles is very positive, and we anticipate more exciting UGG launches this fall. The UGG team executed the first quarter very well, reinforcing our confidence in achieving another strong year for this powerful brand.

With that, I'll now hand over to Steve to provide further details on our first quarter results as well as our updated thoughts around fiscal year 2026.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

Thanks, Stefano, and good afternoon, everyone. Deckers again delivered another quarter of strong results that came in above our expectations for the first quarter. As Stefano outlined, both HOKA and UGG experienced significant growth in the quarter, with the wholesale channel being the primary driver.

For HOKA, sell-in was strong, as sell-through in the wholesale channel was very healthy. In addition, international DTC delivered robust growth as we continue to build brand awareness and grow market share. For UGG, growth was also driven by the wholesale channel, as the brand experienced success with versatile year-round styles, refilled depleted inventory levels, and started fulfilling fall order books.

While macroeconomic uncertainty continues, our teams are directly engaged to drive improvements across our business, identifying and implementing actions that are aligned with and have the ability to bolster our long-term strategic opportunities.

We believe our disciplined operating model and strong financial framework positions us well to remain nimble and react appropriately to further changes in the dynamic consumer environment. We are excited about the tremendous growth opportunity ahead for both HOKA and UGG, and we'll continue to build upon the rock-solid foundation we have set over the last few years.

With that, let's get into the details of our first quarter fiscal year 2026 results. Total company revenue was \$965 million, up 17% versus the prior year. HOKA drove the majority of incremental dollar volume, adding \$108 million of revenue versus last year to deliver record quarterly revenue of \$653 million. UGG drove its largest June-ended quarter in history, contributing an incremental \$42 million to deliver \$265 million of first quarter revenue.

Gross margin for the quarter was 55.8%, which is down 110 basis points from last year's 56.9%. As compared to last year, first quarter gross margin was impacted by unfavorable channel mix with wholesale growing faster than DTC, increased promotion across UGG and HOKA, as we anticipated, and higher freight rates, with partial offsets from favorable product mix and favorable foreign currency exchange rates.

SG&A dollar spend in the first quarter was \$373 million, which is up 11% from last year's \$337 million. As a percentage of revenue, SG&A was 38.6% versus 40.9% in the prior year, with leverage driven by favorable timing of certain expenses and one-time benefits in the quarter. SG&A dollar growth compared to last year was driven by investment in key areas of the business in support of our growth initiatives, which includes higher marketing spend for HOKA and UGG, increased warehouse costs as we transitioned our EMEA third-party logistics provider, and greater rent expense resulting from select retail store expansion.

Our tax rate was 24%, which was slightly higher than last year's 22.5% due to one-time discrete tax items. These results, coupled with a lower share count as the result of our share repurchase program and higher interest income, net of higher tax rate, drove diluted earnings per share of \$0.93 for the quarter, which compares to \$0.75 in the prior year period, representing growth of 24%.

In terms of our first quarter performance, relative to the high end of our guidance provided in May, revenue came in approximately \$55 million above expectation, driven by approximately \$25 million of earlier HOKA wholesale shipments largely related to our international business as we transitioned certain warehousing operation for the EMEA region.

Approximately \$15 million of incremental wholesale reorders for HOKA related to strong sell-through, and approximately \$15 million of UGG wholesale shipments from an earlier shift into Q1 from planned in Q2. Gross margin came in approximately 130 basis points better than expected, primarily due to product mix benefits and favorable foreign currency exchange rates.

SG&A grew slower than we anticipated, primarily due to favorable timing of certain expenses and one-time items, including a larger benefit from FX remeasurement. All resulting in a diluted earnings per share coming in approximately \$0.26 above guidance with better performance contributing approximately \$0.15 of favorability and timing contributing approximately \$0.11 of favorability. We did not experience a material impact from tariffs in the first quarter because the majority of products sold was either already in inventory or shipped prior to tariffs taking effect.

In addition, we implemented selective initial price increases, which went into effect on July 1 and provided no meaningful benefit in the quarter. As a reminder, we plan to phase in product price increases over the course of fiscal year 2026, so the associated margin benefit intended to partially offset tariff headwinds would not align precisely with the timing of tariff-driven increases in the cost of goods sold.

Turning to our balance sheet, at June 30, 2025, we ended June with \$1.7 billion of cash and equivalents. Inventory was \$849 million, up 13% versus the same point in time last year, and we had no outstanding borrowings. During the first quarter, we repurchased approximately \$183 million worth of shares at an average price per share of \$109.84. As of June 30, 2025, the company had approximately \$2.4 billion remaining under its stock repurchase authorization.

Now, moving into our forward-looking update, given the continued macroeconomic uncertainty related to the global trade policy and difficulty predicting impact on the consumer environment and purchasing behavior, we are not providing a formal outlook for fiscal year 2026. However, I want to reiterate the key themes of our business and framework for fiscal year 2026. As a reminder, our fiscal year 2026 framework includes the following.

From a revenue perspective, we expect HOKA to continue as our fastest-growing brand, UGG continuing to grow, international to outpace US growth, and wholesale to outpace DTC in the near term. From a gross margin perspective, we expect a year-over-year decline from headwinds that include increased tariffs, higher levels of promotion, upgraded materials on key styles, and higher ocean freight rates in the first half. We believe these headwinds can be partially offset by selective and staggered price increases in the US and partial cost sharing with factory partners.

On the SG&A front, we will continue to tightly manage our expenses and drive efficiencies, but we may deliver a short-term increase in our SG&A expense ratio to revenue as we take advantage of our unique ability to invest in our brands for the longer term. Overall, this should lead us to a lower operating margin relative to our record

23.6% delivered in fiscal year 2025. With a normalized consumer environment, we believe we have the ability to deliver leverage in the coming years.

On tariffs, we are still awaiting final details, but based on the recent updates, assuming Vietnam increases from 10% to 20%, we would expect to face a total of \$185 million of unmitigated impact to our cost of goods sold in fiscal year 2026, up from our previously provided estimate of up to \$150 million. As we said last quarter, we put in measures to recapture up to approximately \$75 million and will continue to evaluate additional levers for potential further mitigation.

One of our mitigating levers is price adjustments. Since our last call, the majority of these have been communicated, and I would note that we have not seen any material changes to our order book resulting from these increases.

Similar to our approach last quarter, as we continue to operate in a period of elevated macro uncertainty, we will be providing an outlook for the quarter ending September 30. For the second quarter of our fiscal year 2026, we expect revenue in the range of \$1.38 billion to \$1.42 billion, with HOKA increasing approximately 10%, reflecting our earlier Q1 wholesale shipments, and UGG increasing at least mid-single digits.

Gross margin is expected to be in the range of 53.5% to 54%, which is down versus the prior year, primarily due to increased tariffs for goods shipped into the US, increased promotional activity as we lap exceptionally low levels in the prior year, and higher freight costs expensed relative to last year's low levels that we signaled would be not sustainable, with partial offsets from our initial price increases that went into effect on July 1.

SG&A is expected to be approximately 33.5% of revenue as we continue investing in brand-building marketing, and diluted earnings per share are expected to be in the range of \$1.50 to \$1.55, as compared to last year's \$1.59.

Overall, the performance of our brands in the first quarter gives us further confidence in our ability to continue to grow these brands. We are operating from a position of strength as our in-demand brands resonate with consumers worldwide, and we remain driven by our long-term focus. Our top-tier levels of profitability, free cash flow, and debt-free balance sheet allow us to continue fueling the long-term opportunities ahead while maintaining an ability to adapt to evolving dynamics.

Thanks, everyone. I'll now hand the call back to Stefano for his final remarks.

Stefano Caroti

Chief Executive Officer, President & Director, Deckers Outdoor Corp.

Thank you, Steve. As we've just covered, our brands are off to a solid start in fiscal 2026. Both HOKA and UGG delivered growth above expectations for Q1, and above the full year growth rates we are targeting prior to tariff uncertainty. Of course, we're mindful that consumers are just beginning to feel the impact of higher prices, and we'll remain nimble to react to changes in the consumer environment, but we're encouraged by the current momentum of our brands.

Though the vast majority of our year is still to come, our confidence in these brands remains high, given the performance and the momentum of the business as we see it today. The opportunities ahead are immense. HOKA and UGG continue to create distinctive products that uniquely resonate with consumers, and both have significant potential to gain market share in growing global segments.

We continue to challenge ourselves to compete with our own success, building our innovation pipeline to fuel our powerful brands and stay ahead of the competition. As we continue navigating this period of uncertainty, we'll lean on our strong fundamentals to position our brands for long-term success.

I want to thank our dedicated global team for their continued efforts to execute our strategy as we create the future for Deckers. Thank you all for joining us today, and thank you to our shareholders for your continued support.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Jay Sole with UBS. Please go ahead.

Jay Sole

Analyst, UBS Securities LLC

Q

Great. Thank you so much. I want to ask about HOKA. Maybe to start off, Steve, if you could talk about the second quarter guidance you gave for the company overall, and you gave HOKA up 10%. Can you just talk about how you feel about the wholesale channel versus DTC channel? And then on the inventory, can you just tell us where it stands with the Bondi 8 and the Clifton 9, some of the previous styles? Do you think it's completely out of the channels for the most part at this point?

And then, Stefano, just on the innovation you mentioned, can you just talk about the pipeline a little bit, talk about some of the stuff that's coming later this year, like the Mach, and maybe what has you really excited about next year, calendar 2026, that investors should be focused on? Thank you.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Got it. All right. Thanks, Jay. Yeah, I think as we think about the 10% growth, we're taking into account clearly some of the international timing on the wholesale distributor orders that we fulfilled in Q1 that originally we thought might go Q2. So when you adjust for that, we're still in that mid-teens for the first half of the year growth for the HOKA brand. I think what you'll also see in Q2 is a little bit more balanced growth between the two channels. So, it's still wholesale growing a little bit faster, but you're going to see an improvement in the DTC performance. So, that's how we're looking at it.

I think what we've seen coming out of Q1 kind of continued sequential improvement from April to May to June. So, we were seeing improvements in our DTC performance, as we're starting to clear some of that inventory, which I think is one of your questions that we'll talk about. So, improved performance as we moved through Q1, which is giving us confidence. And then also as we look at growth, just managing some of that wholesale growth in Q2 and improving some of our DTC performance.

Stefano Caroti

Chief Executive Officer, President & Director, Deckers Outdoor Corp.

A

In regard the overhang of Bondis and Cliftons, the market's largely clean of Bondi 8s and Clifton 9s. We do have a bit of inventory in Arahi 7 that is moving very fast out, which is not impacting Arahi 8 that is performing very well.

Again, it's early days. It launched July 1, but the read from run specialty, better sporting goods and DTC is very positive on Arahi 8. And Arahi 8, as I mentioned before, is our third largest franchise.

In terms of product pipeline, I'm very, very encouraged by what is coming, especially next spring, but also in the fiscal year. We have a couple of products above \$200 that we recently launched, Mafate X and Rocket X 3, they're performing well. Our second largest trail franchise, Mafate 5, is going to hit the market in August with strong bookings behind that style. Mach X 3 will also be launched in the back half of the year, in addition to Skyward Laceless and Transport Hike GTX GORE-TEX.

And early in the spring next year, we're upgrading our number four, five, and six franchise. Mach 7, Gaviota, and Speedgoat are all being updated, and the bookings on these styles is super strong. Very, very encouraged by what is coming down the pipe.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah. So, I think, Jay, just kind of on the total inventory position, I think we're mindful of inventory. We're mindful of inventory in the channel. I think we are – and I think as demonstrated a little bit by the performance we saw throughout the quarter, improvements in the cleanup of some of that older inventory, we've seen that move out, which is better positioning us to move some of the newer inventory. And as Stefano highlighted, very excited about some of the oncoming models.

In addition, we haven't provided the outlook on this year, but I think what is encouraging is the start to our year. Now, we recognize that that's not largely been impacted by the tariffs yet, but we are very encouraged with the better-than-expected performance start to the year, that consumers are very engaged. And then with some of the surveys, and we talked about it in the prepared remarks, with how well our new models, especially within HOKA, are performing, gives us more confidence on the year as we think about it.

And the unknown really, again, still is just kind of more details on the tariffs and where those land, and then potentially how do they impact the consumer. But I think as Q1 demonstrated, consumers are engaged in our brands, and our brands are performing well around the world.

Jay Sole

Analyst, UBS Securities LLC

Q

Got it. Thank you so much.

Operator: Your next question comes from the line of Laurent Vasilescu with BNP Paribas. Please go ahead.

Laurent Vasilescu

Analyst, BNP Paribas Exane

Q

Good afternoon. Thank you very much for taking my question. I want to follow up on Jay's question. I think, Steve, you mentioned that we should see balanced growth between wholesale and DTC for HOKA. So, I just want to be sure to understand that correctly. And within that, let's say it's 10% for DTC, would you assume that there's a reacceleration in the US DTC business? And then, longer term, on this DTC narrative, I think you ended last year, the fiscal year, with 42 stores for HOKA, of which I think only 5 were in the US. So, how do we think about, longer term, Stefano, where you want this business to be on the DTC front in terms of store penetration globally?

Steven J. Fasching*Chief Financial Officer, Deckers Outdoor Corp.*

A

Yeah, I think – so I'll start on the first part, Laurent, in terms of, again, how we're thinking about HOKA growth in the US. I think as we experienced some challenges, and we talked about that again in the prepared remarks and some of the improvements that we can make through managing that, what we did see was a bit of a low point in April. As I said before, we've seen sequential improvement throughout Q1, which is encouraging for us as we enter Q2.

It is what we expected. So, again, that's encouraging to see that we're seeing that level of improvement. And I think that's where we get to kind of that balanced approach. Now, from a geographic standpoint, the growth will still come largely from international, because we still have a lot of opportunity to grow internationally. It's a smaller market, but we're seeing building brand awareness, which is resonating in our international markets.

But with that, we will see and anticipate to see improvements in the domestic market, too. So as we came off those April lows, we continue to expect to see kind of improvements. We saw that in May and June, and we'll look for that again as we move through Q2.

Stefano Caroti*Chief Executive Officer, President & Director, Deckers Outdoor Corp.*

A

Regarding retail, Laurent, we continue to be excited about the retail opportunity. We have a very small footprint, as you outlined. We have 48 stores now owned and operated, and we have approximately twice as many partner stores across the globe. And they're all performing well. We have stores coming in Germany, in Berlin, and thereafter, we'll probably be opening a store in Milan. We also have a new global head of retail, Jessica Boer, who just joined us, and she'll help lead the charge in retail.

Laurent Vasilescu*Analyst, BNP Paribas Exane*

Q

That's great to hear, Stefano. And then I think, Steve, you mentioned – as a follow-up question here, you mentioned that your order books haven't really changed since the April 2 tariff announcement. I think last call, you mentioned that pre-April 2, the framework that you were thinking through was that there would be at least mid-teens growth for HOKA and at least mid-singles growth for UGG. Since the fact that order books haven't really changed, is that still the right framework to think about? And then, what would you need to see to potentially reinstate guidance, or at least provide formal guidance for this fiscal year?

Steven J. Fasching*Chief Financial Officer, Deckers Outdoor Corp.*

A

Yeah. Good question. I appreciate that, Laurent. I think the framework still holds. I think coming out of the performance of Q1, more confidence in the framework as we navigate kind of the uncertainty around tariff. So, I think, yeah, largely what we laid out at the beginning of the year in terms of how we're thinking about fiscal year 2026 is still intact with more confidence. I think in terms of how we're looking at reinstating full year guidance, our intention is to get there. I think, right now, with uncertainty around the details of the tariff, so we're still looking for greater level of clarity around those percentages applied to various countries.

And then also, I think what we're also looking at is as consumers begin to react to some of the tariffs, they will likely start to see in the second half what consumer reaction is to that. So, those are a couple of the elements that we're looking for. But again, encouraged by our Q1 performance, which is giving us increased confidence around our framework.

Laurent Vasilescu

Analyst, BNP Paribas Exane

Thank you very much, and best of luck.

Q

Stefano Caroti

Chief Executive Officer, President & Director, Deckers Outdoor Corp.

Thank you, Laurent.

A

Operator: Thank you. Your next question comes from the line of Adrienne Yih with Barclays. Please go ahead.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Hey. Good afternoon. What a great start to the year. Congrats. Stefano, I wanted to talk a little bit more about the price increase strategy. It sounds like you are originally taking them on selective, but what percent of product kind of do you have expectations to increase prices in the fall season? Is it only on new launches? Is it also on some like-for-like product? And as we kind of go through the year, how are you thinking about broadly how much of the assortment you would put price increases on?

Q

Stefano Caroti

Chief Executive Officer, President & Director, Deckers Outdoor Corp.

As we said before, Adrienne, we've been selective and staggered in our approach. We took some price increases in July, some we'll take in the spring. And the strategic, there are price points and franchises where we can increase price and price points, especially in kids, that we want to protect. So, it varies across brands and across segments of the business. In terms of percentage, it's difficult to outline what percentage increases we've increased.

A

Adrienne Yih

Analyst, Barclays Capital, Inc.

Okay.

Q

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

Yeah, I'll just add a little bit on to that. So, we looked at it and we kind of broke up the two seasons. So, initially when we were looking at the tariff of around \$150 million, the \$75 million was kind of based on getting a little bit from our suppliers, and then staggering, as Stefano said, some of those price increases. So, looking at not all products, but certain products within the fall across all of our brands, you've seen some of those around \$5 increases on some of that product.

A

Then we've also looked at spring of next year. So, looking at some price increases equivalent [ph] back (00:42:57) on some existing as well as some new models that will come in. We left room that we can continue to evaluate that. So in light of how tariffs land and where they're landing, we can revisit that as well. So, it's still ongoing, but we're fairly set at this point. And we'll see where tariffs land and then our ability to adjust any further.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Okay, great. And then my follow-up is on the 2Q guidance or on the inventory, ending inventory, what percent of that growth is actually tariff-related cost increases? And I would assume that Q2 still has the pressure year-on-year from pushing through the price increases, but not at a commensurate rate with the inventory that's coming through at higher cost. Is there a potentiality that in the back half of the year you could see a gross margin return to expansion, so a flip of kind of those dynamics as you put more pricing through?

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah, I think the answer is no. We'll see more pressure in the back half on the margin, and that's going to largely be driven by the tariff coming into effect. So, as you recall, we started out the year where we said we are seeing some inflation on input costs. We're also using upgraded material costs. Overall, without tariffs, that was going to put pressure on our full year margin. Then with the tariffs, we're seeing kind of further pressure. And again, in FY 2026, there's a dynamic where the tariffs are coming in before our price increases on a full year basis are able to offset that.

So with some of the inflation that we're seeing and not fully adjusting prices to offset that, again with upgraded materials and the tariff impact, that is where we're looking at kind of lower year-on-year gross margins. Some of what you're seeing in the first half are related to that higher freight, higher upgraded material input costs. What you're going to see in the second half, a little bit in Q2, will then also be the differential of the tariff, so the unmitigated offset a little bit by mitigation, but still unfavorable for fiscal year 2026.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Okay, super helpful. Thank you very much. Best of luck.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Okay.

Stefano Caroti

Chief Executive Officer, President & Director, Deckers Outdoor Corp.

A

Thank you.

Operator: Your next question comes from the line of Jonathan Komp with Baird. Please go ahead.

Jonathan R. Komp

Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. Hi. Good afternoon. I want to follow up on HOKA, the discussion about bolstering some of the capabilities, driving better heat for other franchises, and really making some of the launches more spread out and more seamless. Could you maybe just talk a little bit more about the insights in the business currently that are driving you to focus on those areas, especially in a fairly competitive running market?

Stefano Caroti

Chief Executive Officer, President & Director, Deckers Outdoor Corp.

A

Yeah, to the capabilities, Jon, yes, we're adding capabilities in innovation, in design, in color, in engineering. This is a very competitive landscape, especially with other players coming in, so we need to continue to lead. And to

your point about a few learnings, there were a few learnings recently. We'll be spacing out key style launches farther apart from each other. We'll be better aligning flow with key commercial moments. We're tightening inventory of outgoing styles. And as the offer expands, we'll be able to create more segmentation for all channels and more differentiation for DTC.

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

Q

Okay, that's helpful. And Steve, one separate question, if I could, just thinking about the business ongoing. Is there a way to think about the minimum cash that you think you need to run the business? And just any insights on how the board's viewing the buyback, given the big authorization, and just how far your valuation has come in here? Thanks again.

Steven J. Fasching*Chief Financial Officer, Deckers Outdoor Corp.*

A

Yeah. Thanks, Jon, for that. I think, clearly, we're sitting on a very healthy cash position, and that has helped us and the board consider kind of share repurchase opportunities, especially where we feel we're underappreciated for what we're delivering. And so, I think what you've seen the past couple of quarters is we have stepped up. Now, with the increased authorization, we'll continue to look at that. But, yeah, again, where we feel we're putting up exceptional results and it's not reflected in our stock price, we will take advantage of those opportunities.

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

Q

Understood. Thank you.

Operator: Your next question comes from the line of Rick Patel with Raymond James. Please go ahead.

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

Q

Thank you. Good afternoon. Question on HOKA's international performance. Can you unpack the building blocks of growth that you saw in Q1 as we think about what was organic, what you might consider productivity versus new distribution, and how are you thinking about this growth driver as fiscal 2026 move forward?

Stefano Caroti*Chief Executive Officer, President & Director, Deckers Outdoor Corp.*

A

Hey, Rick. This is Stefano. What is great for us, internationally and domestically, is that revenue growth is outpacing door expansion, and sell-through continues to outpace sell-in. So, yes, we're opening more doors with the likes of INTERSPORT and Sport 2000 and the JD Group and Sport Chek internationally. But our product is performing, and we are getting a record – we received record reorders, at-once orders in Europe. Our China business is super strong, and as a result of this, we're seeing very healthy order books for the back half of this year and going to spring/summer 2026.

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

Q

And secondly, can you talk about the outlook for SG&A? I think you touched on timing having an impact on Q1 and seeing a short-term increase in the ratio. Just some additional details there would be great. And if you're not

guiding for the year, perhaps touch on the areas of spending that you have the most confidence in being able to control.

Steven J. Fasching*Chief Financial Officer, Deckers Outdoor Corp.*

A

Yeah, Rick. Steve, I think as we think about SG&A and the margins that we're delivering, right, and recognition of increased competition, we have the advantage with a strong, healthy balance sheet and strong levels of profitability to continue to invest in these brands. But we'll do it in a well-managed way. And I think that's something that we've demonstrated over the past. So, as we talked about kind of on the last call, we will continue to invest to build brand awareness across the globe. That means that we're going to increase our investment in marketing efforts behind our brands to build global awareness.

As we've said, we're investing more in global campaigns, but we're also investing more in localization of content as that resonates across communities across the world. And so, those are important increases that we're making. In addition, as we build out offerings, especially on the HOKA brand, you're seeing continued investment in that brand from a brand capability, but also from a commercialization capability across the globe. So, you're going to see increases in those specific kind of branding and brand-building efforts.

I think from an enterprise, we continue to be very efficient. We will continue to make investments that you're seeing in improving distribution and warehousing. That's some of the changes that we're making in Europe that you're seeing this year. We're also committed to making investments in our IT efforts. But those will all be done in proportion to the growth of our business. So, you'll see some oversized investments in the brand and brand-building capabilities across the globe, continuing to invest in infrastructure and the enterprise functions that support that growth, but in a well-managed way.

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

Q

Thanks very much.

Stefano Caroti*Chief Executive Officer, President & Director, Deckers Outdoor Corp.*

A

Thank you.

Operator: Your next question comes from the line of Sam Poser with Williams Trading. Please go ahead.

Sam Poser*Analyst, Williams Trading LLC*

Q

Thank you for taking my question. The first question I have is on – can you delineate with both HOKA and with UGG how the stores performed? It's harder with HOKA. There are less stores on a comp basis, but let's say comp and versus plan or versus your e-commerce business comp versus plan. So, we can understand, maybe get some color on that people are tending to shopping stores more and see how that's impacting you guys specifically.

Steven J. Fasching*Chief Financial Officer, Deckers Outdoor Corp.*

A

Yeah, I think – yeah, Sam, just to kind of give general context, because we've made reference, and I think you've heard others probably make some reference, where they've seen consumers kind of in the past few months prefer an in-store experience. I think that's consistent with some of the trends that we've seen with some of our retail stores. Again, comparatively speaking to others, we have a much smaller retail footprint, so it doesn't necessarily move the needle as much for us as it does for others. But I think that is definitely a trend that we have seen, which also confirms a lot of the success that we've seen with our wholesale channel and what they've reported with kind of consumer in-store shopping experiences. So yeah, it is definitely something we've seen, but again, we've got a smaller retail footprint, so it doesn't move our DTC needle as much, but it is definitely a trend.

Sam Poser*Analyst, Williams Trading LLC*

Q

Well, I understand it doesn't move the needle. I'm not asking if it does. I'm trying to get a number. So, the question I have is your stores, let's say with UGG, versus your total – your total DTC was down 7%. What were the stores versus the total? And I know it's harder with HOKA because there are less stores, but I'd like to get some form of clarification on what that is, understanding that it's not material, but at least it is factual and would put more meat on the bone of the comment and – of the comment you've made as well as the others, understanding it is not necessarily material.

Steven J. Fasching*Chief Financial Officer, Deckers Outdoor Corp.*

A

Yeah, I think the – so clearly, the comp in our retail store was better than what we saw online, and we haven't broken that out. But again, I think if your point...

Sam Poser*Analyst, Williams Trading LLC*

Q

To what degree [indiscernible] (00:54:15) basis points, can you please give us something here? Really, I think it's important.

Steven J. Fasching*Chief Financial Officer, Deckers Outdoor Corp.*

A

Yeah, I don't, Sam, that we want to go kind of down a path of breaking out that level of detail.

Sam Poser*Analyst, Williams Trading LLC*

Q

All right.

Stefano Caroti*Chief Executive Officer, President & Director, Deckers Outdoor Corp.*

A

But retail performed better than e-commerce, significantly.

Sam Poser*Analyst, Williams Trading LLC*

Q

Thank you. In the concerns you have about the gross margin, you talked about the headwinds from the tariffs and so on, so forth. Two questions there. One, with the Clifton and the Bondi, where you raised price, I know it was on July 1, but have you seen any – of the Bondi 9 and the Clifton 10, have you seen any change in rate of sale since you raised those prices? [ph] Know it's a (00:55:04) short time. And two, in your discussion about gross margin

going back – going forward, what is your expectation for promotional activity in that, because you did get promotional on the Bondi 8 at the end of last year, but that should be an offset this year, theoretically?

Stefano Caroti*Chief Executive Officer, President & Director, Deckers Outdoor Corp.*

A

Sam, let me answer the first part of the question. Since we increased prices on July 1, we haven't seen any material decline in performance for the products that we have raised price on.

Steven J. Fasching*Chief Financial Officer, Deckers Outdoor Corp.*

A

And then on the promotion assumption, Sam, I think the way we're looking at it is we always assume a level of normal promotion, right now, it's – with some of the improvements that we saw in Q1, we did see an increase in promotion this year versus last year. We anticipate for the rest of this year that we'll see increased levels of promotion this year versus last year. Again, we're not giving the full year guidance, but that's kind of the perspective of how we're looking at it. Q2 embedded in our guidance is an increased level of promotion. I think we'll see, again, how that plays out.

I'll just remind everyone that last year was exceptional in terms of the level of full-price selling that we delivered. And so, we're not expecting to deliver that same level of full-price selling that we did last year, but we'll aim to try to get as close as possibly that we can. So, again, we'll see how it plays out. Our assumption always embeds a level of more normalized promotion, and then we'll see how things play out. And if they play out like Q1, we may see some upside.

Sam Poser*Analyst, Williams Trading LLC*

Q

Thank you, guys, very much.

Stefano Caroti*Chief Executive Officer, President & Director, Deckers Outdoor Corp.*

A

Thanks, Sam.

Operator: Your final question comes from the line of John Kernan with TD Cowen. Please go ahead.

John Kernan*Analyst, TD Cowen*

Q

All right. Thanks for taking my question. Steve, maybe just within the framework of US and international, US was down 3%, international up 50% in Q1. How should we be thinking about that within Q2, I understand you don't give specific guidance, but just some guardrails on that? And then, follow up is just HOKA DTC. Within your forecasting, how should we think about the re-inflection of HOKA within the direct to consumer channel globally?

Steven J. Fasching*Chief Financial Officer, Deckers Outdoor Corp.*

A

Yeah, sure. So in terms of, first, the international versus US, so with the slower growth, there will be some improvement, so Q2 compared to Q1, international, the growth won't be as robust as what you saw in Q1, again, because some of that was timing that we called out with the warehouse move. And a little bit of improvement on

the domestic side. So, we're looking for incremental improvement in Q2, but still the bulk of the growth will come from the international perspective.

And then your question on DTC growth, just – sorry, could you repeat the question on...

John Kernan

Analyst, TD Cowen

Q

Yeah, sure. Within HOKA DTC, how should we be thinking about the inflection, particularly in US for HOKA DTC? It sounds like you exited the quarter at a stronger rate. Some of the data we've seen shows improved traffic trends. So just curious how you're thinking about HOKA DTC specifically within the US.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah. I think we saw slightly better improvements at the end of Q1, so we're encouraged with that. Again, I think it's incremental, right, as we continue to look at Q2. So as we saw in Q1, May incrementally built on April, June incrementally built on May. And as we're thinking about Q2, it's a build on Q1. We're not looking for anything dramatically different. We're looking kind of for continued incremental improvement, because, remember, we're still managing some wholesale expansion. So, we know that that will be pressure in the near term, but it's more about the incremental improvement.

John Kernan

Analyst, TD Cowen

Q

Understood. Thank you. Best of luck.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

All right. Thank you.

Stefano Caroti

Chief Executive Officer, President & Director, Deckers Outdoor Corp.

A

Thank you.

Operator: Ladies and gentlemen, this concludes today's call. Thank you all for joining. And you may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.