Deckers Brands
Second Quarter Fiscal 2016 Commentary

Supplemental Information Relating to the Second Quarter Fiscal 2016 Ended September 30, 2015

Net Sales

Net sales for the second quarter increased 5.4% to $506.2 million on a constant currency basis compared to $480.3 million for the same period last year. On a reported basis, net sales increased 1.4%. Domestic sales increased 4.3% to $301.6 million and international sales decreased 3.1% to $185.3 million on a reported basis. On a constant currency basis, international sales increased 7.1% to $204.6 million.

Total wholesale and distributor sales increased 1.2% to $400.3 million on a reported basis. Domestic wholesale increased 5.6%. Asia-Pacific wholesale and distributor sales increased 7.1% on a reported basis. European wholesale and distributor sales decreased 16.3% on a reported basis due to the F/X headwinds from the strengthening dollar.

Global Direct-to-Consumer revenue increased 2.1% to $86.6 million on a reported basis. On a constant currency basis, Direct-to-Consumer sales increased 7.5%. Direct-to-Consumer comparable sales were down 5.2% over the same period last year, primarily driven by a decrease in tourist traffic in the U.S. as a result of the strengthening dollar.

Gross Margin

Gross margin was 44.0% on a reported basis compared to 46.6% in the same period last year. The decline in gross margin was driven by an approximately 210 basis point impact from foreign exchange headwinds caused by the strengthening of the U.S. Dollar versus the British Pound, Euro and Yen compared to the same period last year.

SG&A Expense

Total SG&A expense was $162.9 million on a reported basis or 33.5% of net sales compared to $164.3 million or 34.2% of net sales a year ago.

Operating Income

Operating income for the quarter was $51.2 million compared to $59.6 million last year.

Taxes

The Company recorded a tax expense of $13.5 million compared to a tax expense of $16.9 million a year ago.

Net Earnings Per Share

Net earnings were $36.4 million or $1.11 per diluted share, compared to $40.7 million or $1.17 per diluted share a year ago.

Capital Expenditures and Store Counts

For the quarter ended September 30, 2015, the Company added approximately $19.6 million in capital expenditures, including approximately $11.3 million on IT related expenses, approximately $5.9 million on Direct-to-Consumer expansion, and $1.4 million on the build out of the Moreno Valley distribution center. As of September 30, 2015, the total Company store count is 145 stores. A breakdown of the store count by region is included below.

Location	Concept	Outlet	Total
US	26	28	54
China	28	9	37
Japan	18	8	26
EMEA	10	7	17
Canada	6	2	8
Hong Kong	3	0	3
Total	**91**	**54**	**145**