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Deckers Outdoor Corp. (DECK)

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon and thank you for standing by. Welcome to the Deckers Brands Fourth Quarter Fiscal 2022 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 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, Deckers Outdoor Corp.

Hello, and thank you everyone for joining us today. On the call is Dave Powers, 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 changes in consumer behavior, strength of our brands and demand for our products, changes to our product allocation, segmentation, and distribution strategies, changes to our marketing plans and strategies, changes to our capital allocation strategies, the impact of the COVID-19 pandemic on our

business and supply chain, our anticipated revenues, brand performance, product mix, gross margins, expenses, inventory and liquidity position, and our 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.

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

David Powers

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

Thanks, Erinn. Good afternoon, everyone, and thank you for joining us today. I'm excited to share our record breaking fiscal year 2022 results, which included a number of significant achievements, the first time Deckers delivered over \$3 billion in annual revenue, and we did so just three years after reaching \$2 billion. In total, we delivered fiscal 2022 revenue of \$3.15 billion, an increase of 24% over the prior year, and nearly 50% above two years ago.

Aligned with our commitment to driving top line growth and healthy profitability, Deckers delivered an operating margin just shy of 18%. And lastly, we delivered earnings per share of \$16.26, which represents a 21% and 69% increase over last year and two years ago respectively.

As I reflect on this incredible expansion and evolution of our business over the past two years, I look forward to seeing our brands build up this momentum, and I'm even more excited about the runway ahead.

Of course, none of this would be possible without our dedicated employees and exceptional leadership team collaborating to deliver in a difficult supply chain environment while remaining focused on executing for the long term.

Because of these efforts, our performance this year was well-aligned with our long-term strategies to drive quality HOKA growth, further diversify and elevate the UGG brand, strengthen and build our DTC business and unlock the full potential of our international markets. More specifically, our progress in these strategic initiatives in fiscal 2022 includes growing HOKA revenue by 56% over the prior year to nearly \$900 million, which represents 28% of the total portfolio revenue up from 22% last year and 17% two years ago.

Diversifying UGG revenue and highlighting the brand's success around the core with categories outside of women's classics now representing more than 65% of annual brand revenue, up more than 10 percentage points from five years ago, increasing DTC revenue by 14% versus the prior year, and 65% versus two years ago, and expanding our international business, which grew 25% versus last year and 34% versus two years ago.

Again, I'm proud of our organization for the hard work that enabled accomplishing these exceptional results while navigating an extremely complicated logistics environment.

Looking ahead to fiscal year 2023, we are operating from our position of strength and leveraging the lessons learned over the last 18 months. Deckers has incredible growth ahead and I have the utmost confidence in the consumer demand for our brand and our team's proven ability to deliver on our goals even amidst a complex macro environment.

Steve will provide more details on our forward-looking expectations later in the call. In the meantime, I will share some details about fiscal 2022 brand and channel performance, as well as some context around strategies propelling us forward in fiscal 2023.

Starting with the brand highlights. Global UGG fiscal 2022 revenue increased 15% versus last year to \$1.982 billion. This is the second consecutive year of UGG driving double-digit growth. Success in fiscal 2022 was driven by continued consumer adoption of the brand's diverse product assortment. As all major categories increased double-digits over the prior year, men's footwear grew to over \$300 million after adding approximately \$100 million over the last three years, apparel and accessories combined increased 47% over last year, now representing more than 6% of brand mix and more than \$100 million and women's classics continued to drive incremental dollar growth through newness.

Consumers adopting a broader assortment of UGG products is directly related to the brand's ability to develop new franchises while innovating existing franchises. The Ultra Mini is a great example of the latter. First introduced in the second half of 2020 as a companion style related to the brand's core Classic Mini and Classic Short, the Ultra Mini has been viewed as something of a sneaker alternative with its greater year round vulnerability as it sports a lower ankle high profile.

While still very new to the UGG assortment, the Ultra Mini has already become a top five DTC style among both newly acquired and retained customers, and it was just outside of the top five styles among consumers aged 18 to 34 years old.

The Tasman is another UGG style that younger consumers are wearing as a sneaker alternative. The original Tasman has been around for many years now, but the UGG product team has developed this heritage style into our burgeoning franchise through the infusion of fresh colors, new prints and logo treatments. Adding new lightweight and sustainable material options such as our UGGplush blend of upcycled wool and plant-based cycle lyocell for the Tasman LTA. The introduction of the Tazz, a fashion-leading platform version, and most recently the launch of an innovative rain clog, the Tasman X.

We are particularly excited about the initial response to the Tasman X, which was featured as part of our broader rain campaign during the fourth quarter and received positive coverage in a number of fashion publications, including a few organic consumer unboxing viral videos on TikTok. With its versatility, year-on relevance and broad consumer appeal, we believe the Tasman franchise can continue to be a key driver of further diversifying and deseasonalizing the UGG brand.

From an omni-channel marketplace management perspective, the UGG brand strategic priorities for the year played out as expected with domestic wholesale driving impressive growth through a diverse product assortment while refilling the channel inventories, international region's growth rate exceeding the US growth rate for the first time in four years, and global direct-to-consumer increasing mid-single-digits on top of the more than 30% increase from the prior year. These results are a testament to UGG omni-channel marketplace management as the brand was able to drive strong growth across all channels despite logistics challenges impacting the timing of deliveries and availability of product.

This also speaks to the consumer demand for UGG overall. Which remains quite high as evidenced in the fourth quarter just completed. UGG performed well beyond our expectations in the fourth quarter as wholesalers accepted later-than-normal deliveries and DTC shoppers waited beyond the peak holiday season for availability of key items that have been out of stock.

Across the full fiscal year 2022, we saw a number of favorable indicators for UGG demand including US search interest increasing 9% over last year and 20% over two years ago according to Google Trends, 18 to 34-year-olds remaining the UGG brand's largest age bracket of consumers, incremental purchases of multiple products at the same time led by Tasman, Neumel, and slipper combinations highlighting our UGG for all mantra and an increase in the brand's loyalty program enrollment across every region with nearly 6 million global members at year-end.

As the size and scale of the UGG rewards program continues to grow, I want to highlight a few key metrics that emphasize the value of these loyal consumers. Such as that members count for approximately 40% or more of revenue in all regions where the program has existed for more than one year, and that members spend approximately 40% to 50% more than non-loyalty consumers.

Fiscal 2022 was another strong year for the UGG brand, and I'd like to thank the team for their hard work and dedication to delivering back-to-back years of exceptional growth.

On the heels of the growth UGG delivered over the last year two years, we are placing an emphasis on maintaining the record levels of brand heat across global markets. To do this, we expect to elevate the brands through disciplined and strategic global marketplace management, prioritize the consumer experience at DTC to build loyalty, edit to amplify the assortment driving fewer but more powerful product stories, and attracting new consumers through innovative fashion collaborations. I'm proud of the great work the UGG team has delivered and look forward to continued progress toward our strategic goals in the upcoming year.

Moving on to HOKA. Global revenue in fiscal 2022 increased 56% versus last year to \$892 million. With improved supply enabling the delivery of strong growth in the fourth quarter, HOKA drove yet another year of record-breaking results with plenty of exciting runway ahead. The HOKA team continues to build a balanced business across the brand ecosystem of access points, which has enabled growth in every region across all channels. More specifically, from a channel perspective, for the full year, HOKA global wholesale accelerated increasing 55% versus the prior year with volume that is now larger than the brand's entire business in fiscal 2021 and global direct-to-consumer increased 58% versus last year with strong gains in acquired and retained customers.

With the rapid growth and consumer adoption of HOKA, distribution management remains a critical component of driving awareness with and attracting new consumers. On the wholesale front, I would note that the majority of growth in fiscal 2022 came from market share expansion with existing run specialty and outdoor retailers versus opening new points of distribution. While HOKA has opened new distribution with strategic partners and even expanded door counts with these accounts in certain instances, the brand continues to be highly disciplined about expansion.

HOKA has a superb group of wholesale partners who have continued to support the brand's strategic vision, enhanced brand credibility and awareness with core consumers, and help broaden the scope of consumers that HOKA reaches. Further to that point, I'd like to provide a little more context around the HOKA brand's growth opportunity at wholesale in the upcoming year and beyond, which includes core to our brand strategy, building market share and run specialty. While in certain locations HOKA has grown to the number one or two brand, we have identified several regional growth opportunities within pockets of the US as well as overseas. Volume

expansion with strategic partners that have opened in the last two years with the opportunity to increase door counts over time, and opening a select number of doors with new strategic accounts.

One of these new strategic relationships I'd like to highlight is Foot Locker. HOKA and Foot Locker have shown mutual interest for several years now. And over that time, created a distribution plan that aligns the interest of both parties. We are excited to be opening HOKA in a limited number of Foot Locker doors beginning this summer with the intent to increase the brand's exposure with young consumers in key markets where HOKA is lacking presence with existing distribution.

We know from our experience with UGG that the Foot Locker team has a clear perspective with their consumer and believe this valuable partnership can have a considerable impact on HOKA awareness with the 18 to 34-year-old audience. Complementing the HOKA wholesale business, the brand's direct-to-consumer channel has continued to acquire new consumers as well as drive repeat purchases with existing consumers.

In fiscal 2022, HOKA global direct-to-consumer acquisition increased 50% versus the prior year and retention increased 62% versus the prior year. While acquiring new consumers is an important metric as we expand HOKA awareness, increasing customer retention is a critical component of maintaining brand strength and building loyalty.

Ultimately, DTC is where HOKA can best showcase the breadth and newness of the brand's innovative product assortment, including apparel, and provide a convenient consumer experience to drive repeat purchases. Over the last year, HOKA drove up more than 40% increase in the number of consumers making multiple purchases as well as those purchasing across multiple categories.

Though wholesale remains the primary acquisition point for new consumers, the HOKA brand's digital marketing activations are also driving DTC acquisition with targeted consumers. With specific focus on the 18 to 34-year-old consumer, the HOKA brand's digital tactics have been successful in growing the mix of these consumers by 2 percentage points over last year and 6 percentage points over two years ago. HOKA is also seeing a fantastic consumer response of the brand's pop-up retail locations. New York has been our strongest performer, but we're also excited about the recently opened pop-up store in Chicago and a relocation in Los Angeles where we opened a store in Venice, California.

We believe HOKA can deliver premium experience at retail locations by showcasing the breadth of the brand's product offering and driving community engagement.

Over the longer term, we see an opportunity to open a limited number of permanent locations in key cities around the world, including our first US location in New York City by the end of fiscal 2023. The HOKA brand's new strategic wholesale distribution targeting digital marketing activations and pop-up retail stores in key markets are collectively designed to accelerate consumer acquisition around the world through increased awareness.

Our integrated approach to managing HOKA distribution continues to serve the brand well in driving balanced global growth across the HOKA ecosystem of access points.

On the product front, HOKA continues to develop an assortment designed to ignite the inner athlete within all humans. The brand's inclusive approach to product management includes evolving heritage franchises to be accessible to all types of athletes, elevating performance through new innovations, and expanding the consumer audience through new categories.

HOKA made progress in all three of these strategies in fiscal 2022 by introducing the Bondi X, which is both an evolution of the heritage Bondi style and an elevation of performance with the addition of our propulsive carbon plate to the brand's most cushioned ride. Trailblazing with the all-new Speedgoat 5, the lightest and most grippy version of the brand's number one trail shoe. Reinventing the Mach using a lower profile outsole that delivers soft cushion with an uptempo ride built for speed and capable of being an everyday trainer. Disrupting the height category with the Anacapa franchise, which is a performance-hiking shoe that features sneaker-like comfort. And launching the all-new Kawana, which is designed to seamlessly transition from gym workouts to daily runs to casual wear.

In all, HOKA continues to develop a compelling product assortment that is built with all types of athletes in mind, [ph] starting the spectrum of (00:16:44) performance runners to extreme hikers and trail explorers, as well as those looking for everyday all-day comfort.

I want to congratulate the HOKA team on delivering another phenomenal year of growth, which we expect to continue in fiscal 2023 through continued market share gains with existing wholesale partners, expanded awareness with new consumers as the brand launches its first major global marketing campaign later this summer, driving acquisition and replenishment activity through our direct-to-consumer channel, and introducing innovative products with the brand signature HOKA ride.

Turning to Teva. Global revenue in fiscal 2022 increased 17% versus last year to a record \$163 million. Growth this year was driven by the brand's leadership in sports sandals and progress building share in closed toe categories highlighted by the success of the Hurricane and the ReEmber franchise. Now wholesale drove the majority of growth for Teva in FY 2022, the brand was able to comp the exceptional DTC growth experienced in the prior fiscal year. Success at DTC was driven by a significant increase and retained consumers, which the brand will look to replicate in the upcoming year.

Shifting to Koolaburra, global revenue in fiscal 2022 decreased 9% versus last year to \$69 million due to the disruption of wholesale deliveries that resulted from pandemic-related bottlenecks. Despite this, the Koolaburra brand's DTC business increased 35% over last year, is now 3 times the size of DTC volume two years ago.

And finally, Sanuk global revenue in fiscal year 2022 increased 3% to \$43 million. We are pleased with the brand's performance driven by a greater mix of full price business and an increase in higher price point items.

With respect to channel performance in fiscal year 2022, both wholesale and DTC drove double-digit growth over the prior year reflecting the strength of our omni-channel brand management. For the year, global wholesale revenue increased 31% over last year, and 39% over two years ago with four out of five brands posting double-digit increases this year. Wholesale dollar growth was primarily driven by the momentum of global HOKA as the brand continues to gain market share, reselling the marketplace inventories for domestic UGG accounts, and the UGG brands' international markets returning to growth benefiting from the marketplace reset activities over the past few years that cleaned up distribution in EMEA, and localized product and marketing strategies in China.

Overall, wholesale revenue represented 61% of total revenue, which is up from 58% last year, but down from 65% two years ago. We expect to drive continued growth through wholesale, working with best-in-class partners who are showcasing our brands and attracting new consumers around the world. From a Direct-to-Consumer standpoint, revenue for the year increased 14% over last year and 65% over two years ago to \$1.2 billion. We experienced year-over-year gains in both physical retail as we lap closures during the prior year and online where we have focused our investments to drive new consumer acquisition and increase retention.

Importantly, our DTC business is growing globally and across multiple brands as both domestic and international DTC increased double digits over last year, and four out of our five brands experienced growth on top of the exceptional increases achieved in the prior year, with HOKA and UGG accounting for the vast majority of dollar volume gains.

With that, I'll hand the call over to Steve to provide further details on our fourth quarter and fiscal 2022 financial results, as well as our initial outlook on fiscal year 2023. Steve?

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

Thanks, Dave, and good afternoon, everyone. As you've just heard, our company's performance in fiscal year 2022 was outstanding as we drove top line growth above 20%, and maintained top-tier operating margin in the high teens despite increased costs resulting from global supply chain disruption.

Deckers has added just over \$1 billion to revenue in two years, driven by the strength of demand for our brands, specifically HOKA which has grown more than 50% for three consecutive years and UGG which has increased double digits in back-to-back years.

Our long-term strategies have continued to provide a strong foundation for driving profitable growth, and we are proud to maintain exceptional operating margin levels. We believe that with continued investment behind our key strategies, Deckers can scan drive profitable growth over the long term. We're excited about the year ahead, but first let's get into our fourth quarter of fiscal year 2022 results.

For the fourth quarter, revenue was \$736 million, up 31% versus the prior year. Growth was driven by improved HOKA inventory availability that allowed the brand to deliver both record quarterly revenue of \$283 million and full year revenue that was above the high end of our guidance range. Better than expected outperformance as we saw an extension of the holiday season, with consumers willing to wait for delayed DTC shipments of product in high demand, and fewer wholesale cancellations due to the continued strength of the UGG brand as accounts showed a preference to hold greater levels of key seasonal inventory as the hedge against future potential supply chain disruption that could occur in the upcoming year; and as a result, we expect this to impact UGG orders in this coming fall.

Gross margin in the fourth quarter was 48.7%, a 450-basis-point decrease from the prior year period. The lower gross margin was primarily related to an approximate 490-basis-point freight impact, primarily from increased air usage and higher ocean rates, unfavorable channel mix as wholesale growth outpaced DTC, and unfavorable foreign currency exchange rates with partial offsets from HOKA margins benefiting from price increases and favorable brand mix.

SG&A for the quarter was \$277 million, or 37.7% of revenue, versus last year's \$244 million, or 43.5% of revenue. Increased spend was primarily related to higher head count, marketing, and performance-related compensation. These results, along with the lower tax rate and share count, resulted in diluted earnings per share more than doubling last year's at \$2.51.

Our fourth quarter results underscore the exceptional performance demonstrated by our brands throughout fiscal year 2022 where Deckers eclipsed \$3 billion of revenue for the first time.

For the full fiscal year 2022, revenue increased 24% versus last year to \$3.15 billion. Our company added over \$1 billion in top line revenue over the last two years, delivering a nearly 50% increase over fiscal year 2020. As compared to our guidance, revenue was \$90 million above the high end, primarily due to outperformance in UGG.

Revenue growth versus the prior year was driven by our two largest brands as UGG increased 15% to \$1.982 billion, with growth primarily driven by wholesale refill in the US and a return to growth within the brand's international regions as we signaled at the outset of fiscal year 2022. And HOKA increased 56% to \$892 million, with growth driven by all global regions and channels of distribution.

Gross margins for the year were down 300 basis points versus last year to 51%. The decrease in gross margin was related to an approximate 370-basis-point decrease from freight primarily due to increased air usage and higher ocean container rates, and unfavorable channel mix as wholesale growth outpaced Direct-to-Consumer with partial offsets from a greater mix of HOKA revenue, fewer closeouts, and favorable foreign currency exchange rates.

For the full fiscal year, we incurred freight costs that were more than \$100 million above the prior year, excluding the impact of higher volumes. SG&A dollar spend for the year was \$1.043 billion, up 20% versus the prior year \$870 million. SG&A represented 33.1% of revenue in fiscal year 2022 as compared to 34.2% in fiscal year 2021.

Higher dollar spend was primarily related to increased marketing to build global awareness of the UGG, and HOKA brands, increased compensation costs for added head count to support our scaling organization, and higher warehouse cost to support the growth of our brands. This resulted in a full year 2022 operating margin of 17.9%, which is at the high end of our original guidance range of between 17.5% and 18%. Despite the freight cost being well above what we anticipated at the outset of the year, we were able to deliver this operating margin result through disciplined management of variable expenses.

For the year, our tax rate was 20%, which compares favorably to last year's 23.7%. Taxes were lower this year, primarily as a result of certain discrete tax benefits recognized in the fourth quarter and a higher proportion of international revenue.

With these results, Deckers delivered another record diluted earnings per share of \$16.26, which compares to \$13.47 in fiscal year 2021. This result is more than \$1 above the high end of our guidance range due to the strength of our fourth quarter. The \$2.79 increase, as compared to last year, was primarily driven by global UGG and HOKA revenue growth, net of increased marketing, a lower tax rate, a lower share count reflecting the benefit of our most aggressive annual share repurchase to-date, and favorable foreign currency exchange rates on net revenue, with partial offsets from higher freight costs from both air freight utilization and climbing ocean rates, higher compensation costs with increased head count, greater warehouse costs, and variable expense growth in line with revenue growth.

Turning to our balance sheet. At March 31, 2022, we ended the year with \$844 million of cash and equivalents. Inventory was \$507 million, up 82% from \$278 million at the same point in time last year, and up 63% versus two years ago, more closely aligned with the sales growth of 48% for the same period. And due to the significant increase of ocean freight rates in the second half of fiscal year 2022, this inventory includes approximately \$50 million of embedded incremental ocean freight, and during the period we had no short-term borrowings. For the year, these results returned invested capital above 35%.

During the fourth quarter, we repurchased approximately \$90 million worth of shares at an average price of \$292.51. For the entire fiscal year of 2022, we repurchased over 1 million shares for approximately \$357 million at

an average price of \$341.77. At March 31, 2022, the company still had \$454 million remaining under its stock repurchase authorization.

Before moving to our outlook for fiscal year 2023, I'd like to provide an update on the status of our logistics network and the actions we are taking to mitigate any macro supply chain impacts on our business. Prolonged transit lead times, port bottlenecks related to trucking scarcity, and ocean container shortages were the most material impacts to our business in fiscal year 2022, and we expect some of these pressures will continue as we begin fiscal year 2023.

While I'm pleased to report that delays and port backlog have improved, we remain cautious given the scale and size of our business, risk that current or future COVID outbreaks or other global events have a domino effect across the supply chain, and the potential for port labor disruption to occur later this summer. As such, as we continue to prioritize receiving inventory into the country of sale, and thus expect inventory balances to remain elevated during fiscal year 2023. Given the momentum of our brands and our strong balance sheet, we are comfortable carrying higher levels of inventory to ensure demand will be fulfilled.

From a factory production standpoint, we have been successful in securing additional production lines with existing partners, as well as onboarding new partners. We believe this will support our plan to continue fueling the growth of our brands, and anticipate that this new production will allow us to begin to see expanded capabilities and capacities as we ramp into fiscal 2023 and beyond. On the cost front, we continue to see higher prices across the supply chain, but in some cases we have seen some moderation. From an ocean freight perspective, we anticipate this to be a headwind to the first half gross margins as we lapped last year's first half lower costs.

Additionally, we have been monitoring inflationary pressures on materials, but believe that impacts from ocean freight and materials inflation can be mitigated by the price increases we implemented for HOKA in the fourth quarter of fiscal 2022, and planned increases for UGG beginning in fall of 2022. Beyond that, we continue to anticipate using air freight in fiscal 2023, but almost exclusively for the HOKA brand as we will work to fill production gaps caused by factory disruption. While we will experience savings from less air on the UGG side, we still anticipate using HOKA air freight during the year which we do not intend to cover through pricing action.

With all that in mind, we have taken concrete steps to mitigate the impacts on our business from persistent supply chain disruption, including placing orders and taking possession of inventory earlier for in-demand items, carrying greater levels of inventory on key styles during this disrupted period, using air freight to strategically position HOKA for the global market share gain, and improving our supply chain logistics capabilities. While some of the strategies will increase costs and reduce certain efficiencies in the short term, we believe this decision support driving profitable top line growth over the longer term.

Shifting to our outlook. For the full fiscal year 2023, we expect year-over-year top line revenue growth of 10% to 11%, leading to revenue in the range of \$3.45 billion to \$3.5 billion, with HOKA growing in the mid-to-high 30% range, reaching the \$1.2 billion milestone on the low end, UGG growing low single digits, accounting for the wholesale revenue that shifted into the fourth quarter of fiscal year 2022 that we anticipate will sell through during the upcoming fall season, and wholesale and DTC growth at a similar rate reflecting the impact of strategic growth initiatives across our brands.

Gross margins is expected to be approximately 51.5% which is 50 basis points higher than last year. The increase over last year anticipates less air freight and benefits from select price increases within HOKA and UGG, with headwinds from foreign currency exchange rates and continued impacts from higher ocean rates.

SG&A is expected to be approximately 34% of revenue. Higher spend is primarily related to investments in talent and capabilities to scale the business and remain competitive in the marketplace, increase marketing to build global HOKA awareness and broaden the brand's consumer appeal, and increase travel as markets open up.

With these gross margins and SG&A expectations, we expect an operating margin in the range of 17.5% to 18%, which is similar to fiscal 2022 levels and approximately 150 to 200 basis points above pre-pandemic levels despite persistent cost pressures related to supply chain disruptions, and aligns with our commitment to remain top tier among our peer group even as we continue investing behind long-term initiatives. We are projecting a tax rate of approximately 22% to 23%. All of these results in an expected diluted earnings per share in the range of \$17.40 to \$18.25.

Capital expenditures are expected to be in the range of \$100 million to \$110 million, which is elevated versus prior years as we scale infrastructure to align with our growing organization. Key areas of investment include additional warehouse space, capital IT projects, and refreshing certain existing retail stores, as well as opening strategic new locations for HOKA and UGG.

Our fiscal 2023 guidance excludes any charges that may be considered one-time in nature and does not contemplate any impact for additional share repurchases. Additionally, our guidance assumes no meaningful deterioration of current risks and uncertainties which include, but are not limited to, further impacts of the COVID-19 pandemic on our operations and economic conditions including supply chain disruptions, constraints and related expenses, labor shortages, inflationary pressures, changes in consumer confidence, and geopolitical tensions.

With continued uncertainty in the world and disruption still impacting the supply chain, we will not be providing quarterly guidance. But similar to last year, we expect to drive full year growth and be profitable in all four quarters, but the quarterly cadence will likely be different than last year as we expect more pressure in the first half of the year compared to last.

Some of the items driving quarterly differences year-over-year include lower gross margins expected in the first half of the year as compared to last year due to higher ocean freight expense. Planned increases to marketing investments in the first half to support HOKA launching its first major global campaign alongside new product introductions and higher talent cost related to investing in our workforce and adding head count. With these impacts and the strengthening US dollar, we expect lower profitability in the first quarter as compared to last year.

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

David Powers

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

Thanks, Steve. Fiscal year 2022 represented another phenomenal year for Deckers as our portfolio of brands delivered revenue and earnings growth above 20%. We continue to drive progress towards our long-term vision to build HOKA into a multi-billion dollar major player in the performance athletic space, further diversify the UGG brand's product geographic and seasonal mix, grow our DTC business through consumer acquisition and retention, and drive international markets through strategic investments. These strategies continue to benefit our organization's focus and act as the North Star guiding the continued development of our portfolio of powerful brands while maintaining top-tier levels of profitability.

Our consistent delivery of exceptional results often overshadows the progress our organization continues to make in doing good and doing great in the communities where we operate. We've made great progress with Deckers'

goods as our employees contributed more than 14,000 volunteer hours in fiscal year 2022 of DEI initiatives as we've improved [ph] , by product, (00:35:59) representation among our leadership teams to 21%, which is up from 12% two years ago. I'd like to thank our employees for their dedication and hard work that continues to drive Deckers into the future. Thank you to all of our stakeholders for your continued support.

Before I turn over the call, I'd like to acknowledge our announcement earlier that Wendy Yang will be stepping down from her role as President of Performance Lifestyle effective as of the end of this month. On behalf of the entire Deckers team, I want to thank Wendy for her leadership and contributions over the past seven years. With HOKA and Teva in their strongest positions to-date, I am confident in our ability to continue our positive momentum. I look forward to the future with this talented team, and wish Wendy the best.

While the company conducts the leadership search, Stefano Caroti, our President of Omni-Channel, will assume Wendy's responsibility on an interim basis. Wendy will remain with the company in a consulting role through August 15, 2022 to ensure a smooth transition.

As we're now ready to take questions, again I would like to say how proud I am of the Deckers organization and our accomplishments over the past few years. We have delivered impressive results and have built a strong foundation for the future. Our future opportunities are more exciting than ever, and I look forward to the journey ahead with our team.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Laurent Vasilescu with Exane BNP Paribas (sic) [BNP Paribas Exane] (00:38:00). Please go ahead.

Laurent Vasilescu

Analyst, BNP Paribas Exane

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Good afternoon. Thank you very much for taking my question, and congrats on such a great finish to the year. Dave, Steve, I wanted to ask about pricing. When we think about the 10% to 11% growth for the year, we're hearing a lot of brands take up pricing. Should we assume that there's high single-digit pricing for this year? Any guardrails on that would be very helpful.

David Powers

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

A

Yeah. Great question. Generally speaking, I would say the best way to think about is across the board across all brands globally there's about a 6% to 8% increase on prices heading into this year, and it's been surgical, by brand, by style, by region, but we think that that's right for the brand. It gives us upside to offset some of the headwinds and margin from freight charges, and is in line with expectations in the market and still competitive. And we're going to continue to evaluate that and look for opportunities as we always do, but across the board it's generally around 6% to 8%.

Laurent Vasilescu

Analyst, BNP Paribas Exane



Very helpful. Thank you very much, Dave. And then my second follow-up question is with regards to HOKA's growth of high 30s, can you give us any update on how many doors you are currently at exporting goods? When you said limited number of doors at Foot Locker, can you just give us some guardrails? And on that, like how do we think about wholesale versus Direct-to-Consumer growth? I think you'd mentioned like wholesale still be the driver, but just trying to put some guardrails around that after this full year's results.

David Powers

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



Yeah. I would say, consistent with the way that HOKA brand has been managed to-date, very strategic and very thoughtful on how fast we go, on which accounts we growth with. DICK's Sporting Goods, the business there is very, very strong, but we're still on less than 20% of the total doors and not really looking to expand that aggressively anytime soon. And as you heard in the script, we also have just opened Foot Locker in a handful of stores as well.

So, early days, but we wanted – as we said all along, we want to win with sell-through. We want to be in the right locations with the right partners for our consumers, and build a quality sustainable business over time. So we are looking to expand wholesale, but it's really more in the accounts we're already in. We still see a lot of upside in the run specialty channel even though in some cases we may be the number one running brand and have 20% market share in that channel. There's still lot of upside there globally.

And then the key partners that we've talked about, REI, DICK's, and now Foot Locker, we're going to grow strategically with them in a way that builds a strong sustainable business and targets the right consumers over time. And then DTC is obviously a main focus. And the popup stores that we have done with HOKA, we're very excited about those. We see an opportunity for those locations to grow around the globe strategically as well as we look at our marketplace strategy to augment the awareness that we're building in wholesale, but create a really powerful experience for our consumers and get them to understand the full breadth and the excitement of this brand.

So, lots of reasons to be excited. We have opportunity in wholesale, e-commerce, and retail. And we're going to look holistically across the three of those channels to decide going forward what's the best way to build this brand in a sustainable and strong way going forward. But I will say, we're very proud of the productivity of the doors we're in globally. I think that's the true testament to the strength of the brands where, yes, we're selling in, but the strength of our sell-through is what's really exciting for us.

Laurent Vasilescu

Analyst, BNP Paribas Exane



That's great to hear. Best of luck as you start the year.

David Powers

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



Thank you.

Operator: Our next question comes from Jonathan Komp with Baird. Please go ahead.

Jonathan R. Komp

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

Q

Yeah. Hi. Good afternoon. Thank you. I want to maybe ask first on the UGG brand, just thinking about the low single-digit guidance for the year. Can you maybe just quantify the wholesale timing impact that you called out and whether or not it'd be sort of mid-single-digit [ph] underlying (00:42:06)? And then when you think about the building blocks for that, could you maybe just share more color given the commentary you had is on some of the brand diversification and strengthening international and what you're seeing to give you confidence in that underlying growth?

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah. Sure, Jon. It's Steve. I'll go first. So, on the UGG, you're right. When you consider what we did in the fourth quarter, again demonstration of how strong the brand performed, how relevant the brand was, we also did see in our strategic partners' wholesale accounts who took inventory in knowing that they were not going to sell it through in fourth quarter. So, as we expect, they'll carry it in, knowing that there are supply chain disruptions, they're happy to carry it into our fiscal year 2023, which we expected to sell through. We do see that more as an impact in kind of Q3, Q4. And you're right, so the underlying growth on that is more mid single-digits versus the low single-digits that we were kind of thinking previously.

David Powers

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

A

Yeah. There's still a lot of to be excited about UGG, I mean, double-digit growth two years in a row in this environment and some of the supply chain challenges we've had. There's still a lot of upside, but we are taking a little bit more of a cautious approach in the shorter term to kind of make sure that we're resetting appropriately coming out of COVID. But when you look at the UGG brand, I mean, we're attracting a younger and more fashionable and diversified consumer. There is still growth in women's footwear both in classics and extensions and some of the fashions, particularly in spring and summer. Men's kids and apparel, those all have double-digit growth opportunities into this year and beyond.

We're excited about the reset and the positive results in Europe and Asia. We've got some new leadership in the team and marketing and product management, and we'll bring on a new leader soon, ramping up the innovation pipeline. There just a lot to be excited about, but we want to do this strategically, thoughtfully, and in partnership with our commercial leaders in the regions to really attack the marketplace in an elevated and consistent manner.

Jonathan R. Komp

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

Q

Yeah, that's really helpful. And then maybe a broader question on your total top line growth profile. I know before COVID you talked about several years where you saw, I think it was a low double-digit combined revenue growth. Any thoughts as you look out beyond this year? Is that sort of the right algorithm, especially after this year when pricing falls off a bit? And then tied into that, is this sort of a one-year step-up in the G&A investment, and would you expect to deleverage after this year? Thanks.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah. Thanks, Jon. And I think that's a good way to look at it now. Again, we're in a year of a lot of uncertainty, so a lot to work through, but I think we're thinking along those lines. And so, yeah, this is a year of investment coming

on the heels of two years of significant top line growth, kind of we'll work through this year, but I think generally how you said it is kind of a good way to think about it, and then we will see how this year progresses.

David Powers

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

A

Yeah. There is a lot of investments still to make in the business too. I mean, you think about the international growth, setting up retail footprint to expand into HOKA and elevate our game in UGG, apparel resources, IT resources, et cetera. And we've made some investments this year. We're going to continue to do that in line with the growth of the business. So, hopefully, the supply chain headwinds, the cost side of that, subsides over the next year or two, and we can reinvest some of those savings back into the business too.

Jonathan R. Komp

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

Q

That's really helpful color. Thanks again.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

All right. Thanks, Jon.

David Powers

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

A

Thanks, Jon.

Operator: Our next question comes from Camilo Lyon with BTIG. Please go ahead.

Mackenzie Boydston

Analyst, BTIG LLC

Q

Hi. This is Mackenzie Boydston, on for Camilo. Thanks for taking our questions. My first question is just more generally how your wholesale partners are viewing back half quarters and is their views have changed at all from, say, 90 days ago. Just any thoughts on discussions with your partners would be really helpful.

David Powers

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

A

Yeah. I mean, the partnerships are still very healthy. We work really hard on these relationships with our key partners, and I think that served us well over the last couple of years with supply chain disruptions and lack of availability or visibility in inventory. I think it's an ongoing challenge, but I'm proud of the way our teams are managing through it, and we haven't heard any real major issues from any of our wholesale partners. Obviously, they want as much of product they can get as fast as they can, so that's really what the conversations are about. Its more about how we can get it versus hey, we want to do cancellations. We're not seeing any of that at all.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yes.

Mackenzie Boydston

Analyst, BTIG LLC

Q

Perfect. That's helpful. And then just on gross margin. I think it compressed a little bit more than we were modeling. So just understanding maybe the puts and takes to gross margin this quarter. And then maybe, is it safe to say that Q4 [indiscernible] (00:47:12) gross margin contraction, knowing that it'll still be challenged in the first half? So just trying to understand how next year gross margin kind of set out versus this year. Thanks.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah. So I think you can see that on the Q4 here, you're right, a little bit more, and that was really driven by freight. And within the freight, there was the ocean combination, but there was also more air freight as we used air to bring in the HOKA product which really helped drive the top line on the HOKA sales for the quarter. So that was an important element to be able to get that product in. As we said going forward, our expectation is we will incur some headwinds with ocean freight in the first half of the year as we're lapping the year that did not have that freight. And then we do expect to reduce our air freight usage. So sitting on a better inventory position this year going into FY 2023, our expectation is that we'll need to use less air freight which should help margins this year versus last year.

David Powers

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

A

And the other thing I would add, just on a little color on HOKA, we're still in a chase mode on demand still exceeding supply, but our supply teams have done an incredible job finding more capacity for us in Vietnam and beyond for the HOKA brand. And we're going to see the effects of that start to kick in probably in the second half of this fiscal year, which should help us finally get us to the point where we're caught up to the demand, but we're still in chase mode right now which is great, but we're missing some opportunities because of it.

Mackenzie Boydston

Analyst, BTIG LLC

Q

Great. Thanks so much.

David Powers

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

A

Thanks, Mackenzie.

Operator: Our next question comes from Jay Sole with UBS. Please go ahead.

Jay Sole

Analyst, UBS Securities LLC

Q

Great. Thank you so much for taking my questions. Dave, you mentioned Europe and HOKA retail, I want to maybe see if we can dive into those topics a little bit. Europe, specifically on UGG, you've been working really hard, the company has been working really hard on resetting that business, seems like it's poised to break out this year, but the question is, do you see some of the macro factors disrupting that? And secondly, on HOKA retail, so what's your vision? It sounds relatively new. What kind of – just give us an idea what kind of store format you see, what the potential is, and what the objective is there with HOKA retail?

David Powers

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

A

Yeah. Great question. Really excited about Marco, the GM of Europe, and the progress that he and his team have made around UGG. It has been a multi-year journey. They've done a great job of cleaning up the marketplace and creating scarcity around classics, introducing styles like the Fluff and that franchise to younger t consumers. So the playbook, so to speak, that we have been playing in the US is working. It's unfortunate that we've had supply chain challenges last year, and now we have the macroeconomic challenge going on in that region. We're still optimistic. We're still hearing positive responses from our accounts. And the fact that they're still believing in UGG and want the inventory, we can get it. But it is going to dampen our opportunities a little bit and that's embedded into the guidance. But suffice to say, the brand is on the resurgence there. We have work to do in individual markets as we're looking to really optimize Germany, as an example. We were in the market in December visiting the market. The brand is strong. But we need to raise our game on how we look in front of the consumer and how we show up in DTC a little bit. But the good news is a lot of the trends that we're seeing in the US around the younger consumer gravitating to the brand, we're seeing that there as well. And we think that we have a really strong run for the UGG brand going forward.

With regards to HOKA retail, definitely early days. We got into retail really as a way to attack the China market. So we opened the first few stores in the China region. We opened popups here in New York and LA, and we just opened one in Chicago. All exceeding expectations, all doing great. And they're smaller format by design, but they're giving us great confidence that we can do some meaningful business through retail for HOKA, but the real objective is just engage with our consumers and [indiscernible] (00:51:25) further our ecosystem. So we're driving them into our brand across multiple categories, bringing them online, maximizing the lifetime value. So we're not looking in this as, hey, we want 200 HOKA stores overnight, but they will play a strategic role in bringing the full breadth of the brand to consumers in key cities that we have identified, and then we're going to maximize the opportunity in some of these key cities and then see where we go from there.

Jay Sole

Analyst, UBS Securities LLC

Q

Got it. Okay. Thank you so much.

David Powers

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

A

Thank you.

Operator: Our next question comes from John Kernan with Cowen. Please go ahead.

John Kernan

Analyst, Cowen and Company

Q

Yeah. Thanks for taking my question and congrats on a phenomenal year.

David Powers

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

A

Thank you.

John Kernan

Analyst, Cowen and Company

Q

So, maybe just step back on the gross margin. If for everyone across the whole sector costs have risen here, whether it's raw materials, ocean, air, on the freight side, just wondering how the long-term gross margin outlook, has it changed at all if some of these costs remain structurally higher on the commodity and transportation freight side? Can we think about this new inflationary environment that we're in?

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah. I think it's – this is Steve, John. It's a big question, and I think no one knows for certain how all this plays out. I think an expectation is we should see improvement, but I don't think we're going to see that anytime soon, right, and that's really what we've modeled in. So, on that, from a gross margin perspective, we're assuming ocean freight does not significantly improve this year versus last. Although, last year in the first half, we were not expensing through the inventory at these higher levels of inventory. So, FY 2023 will be a full year of expensing that higher ocean freight. We're using pricing to offset most of that. So, we're able to pick up a little bit through some of the pricing increases. We're not using, as we said in the prepared remarks, using price increases to offset the air.

So, as we move in and supply chain disruption improves, margin should improve as we reduce our airfreight usage. And as we said, again, we're planning to use less airfreight this year than what we used last year. So I think that's kind of one dynamic.

Then on inflation, we haven't yet seen too much of that impact although we know it's coming, right? So, we've been anticipating disruption, some inflation, that's why we're bringing more inventory in earlier that's why you're seeing our inventory fit a little bit higher than where it has been in historical levels. But as we call out on a multi-year comparison, our inventory growth is still in line with sales [ph] guys (00:54:17). So, that's something that we'll keep an eye on. We're able to benefit a little of that through material inflation by having the inventory now. But it is something that we're going to keep a close eye on because that is something that we expect could present itself as a headwind. And again, we'll look at pricing structure then.

So, to answer your question, I think it's too early to know long term how all this plays out. We think the guidance – it's best we know today the factors most of this in, and then hopefully we start to see some improvement longer-term. But our expectation isn't that you're going to see anything improve much in our current fiscal year 2023.

John Kernan

Analyst, Cowen and Company

Q

I guess maybe one follow-up is you talked about HOKA becoming a multibillion-dollar brand, I think just a lot of people – they believe in that potential. Can you talk to what it looks like from a channel perspective as they start to get their wholesale? Feels like there is more opportunity on the wholesale side, you talked to the DTC piece already. How do we think about wholesale and DTC as focused scales to multibillion dollars in revenue?

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah, I think there's – well, there's two things to think about. One is the category opportunity. So, we really see HOKA as a performance brand and the – performance brand across multiple categories. We're obviously rooted in running, and that is where our authenticity comes from, but we're relevant and important in trail and hike and getting into fitness and other categories down the road, head to toe. So, when you think about the breadth and the shoulders that this brand has, we see a multibillion-dollar opportunity.

From a channel perspective, listen, we could light up wholesale today and dramatically increase the results of this business overnight. But we want to make sure it's sustainable. And in this environment where first-party data is critical for success, we're doing everything we can to drive a healthy DTC business at the same time.

So, right now, we're looking at probably a 50/50 split because internationally there is more opportunities in wholesale and that's just depending on the market than DTC today. But we're very conscious of the fact that we're leveraging wholesale to introduce the brand and create awareness and have healthy sell-through in the right account. But at the end of the day, we want that traffic to ultimately end up in our websites and our stores, and we believe that that's the right model. We have the resources, we have the capabilities to make that happen, and we're in this sort of long-haul. We want to see this to be a multibillion-dollar brand that is meaningful and against some of the top performance brands in the world over time.

David Powers

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

A

Yeah. And I think, also, John, on that, as we've said before, brand awareness of HOKA relatively speaking is still low.

John Kernan

Analyst, Cowen and Company

Q

Yeah.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Still low.

David Powers

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

A

And so, we can strategically use these wholesale accounts to build that brand awareness. And then we do see a high conversion rate down the road where they come to us direct. So, this is – it's a great way to build brand awareness using these relationships in a strategic partnership to really get the brand out there in front of consumers.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah. And then one other opportunity that we've talked about within the UGG brand is the loyalty program where we have now almost 6 million consumers, I believe, in our UGG loyalty program. Those are our best consumers. They shop most frequently. They spend more money than somebody who's not in loyalty program. And this is an emerging opportunity for HOKA as well down the road that we can use to kind of further bolster the strength of our DTC channel.

John Kernan

Analyst, Cowen and Company

Q

Awesome. Congrats on a great year and outperforming most of your [indiscernible] (00:57:53).

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

All right. Thanks, John.

David Powers

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

A

Thank you, John.

Operator: Our next question comes from Paul Lejuez with Citi. Please go ahead.

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Q

Hey. Thanks, guys. EBIT margin guidance that you gave for the year is similar to what you achieved this past year. I'm curious how you're thinking about each brand and where you expect HOKA [indiscernible] (00:58:20) to shake out versus this part of year or if you're looking at both of them as being kind of in mind.

And then second question, I'm just curious, just from a very high level, which parts of your supply chain right now are getting better, staying the same, getting worse? Any comments along those lines? Thanks.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah, Paul. I'll go first. Just speaking about kind of the gross margin guidance that we provided similar to what we had in 2022. So, as we talked about some improvements on the gross margin but then also some investments. So, as we've always said, we have shifted our operating model to be more variable so that gives a flexibility in terms of when we see some headwinds to how we can potentially offset some of those headwinds, which is exactly what we did in FY 2022 to deliver the high end of what we gave a year ago.

So, what we also know is that we tightened our belts. And so, going into a year where we can get some little bit of gross margin improvement, it gives us an opportunity to also make some investments in the business. And what we've said, and you have heard me say it before, is we are looking at the long-term opportunities for our brand, and so we want to make sure that we're providing the right level of investment. And even with these results, as we say, these are among the best in our peer group.

So, we're flexible, we're nimble, we've got a nice variable model that allows us to do that. And so, we'll take these opportunities then when we can expand a little bit of margin to also make sure we're investing in the business for the long term.

David Powers

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

A

Yeah. And then I'll answer your questions on supply chain. So, just going down the list, I would say our capacity is good, right. We have the factory capacities that we need for all the brands, but particularly HOKA increasing going into the second half of the year. So that's good.

Shipping times are still a challenge, right? We've had to put buffers into our lead times for product creation and then when we put our buys in. So there's a level of uncertainty that comes with that, but we're managing that through that well. But it is, from the time the inventory leaves the factory to our DC, is still longer than we would like obviously.

Port bottlenecks in – particularly in Long Beach, we're seeing a little bit of improvement there, things are coming in a little bit faster, but I hope I'm wrong. I personally think there's just a [ph] lull (01:00:58) before we come into the fall inventory starting to ramp up again. So I'm optimistic that that will continue, but I'm a little nervous that when we get into peak selling season that's going to jam up again.

Inventory and visibility of that inventory and timing as to when it's going to come in, still a challenge for our teams. Their customer experience and the sales teams are having to rebalance orders against inventory availability. So that's just a lot of heavy lifting that the teams have to go through.

We don't see lot of improvement on that yet still because of the challenge with the port is we don't know which container is going to come in and when, but – and then on the logistic side of it from our DC perspective, the investments we've made in the last couple of years are paying off. We have a little bit of work to do in just stabilizing some of the newer DCs in Europe and the Midwest, but we're excited that we have these underway and we're gearing up for continued growth. So I think the hope there is that the shipping lead times and the bottlenecks at the port abide a little bit. And I think other than that, we're in really good shape.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

And then I think – just also to add, we are keeping a close eye on the labor contract negotiations with the West Coast port workers. So that's just something else that we're very carefully watching. And again, while we're bringing in inventory earlier than what we normally do. So it's something just to keep a close eye on.

David Powers

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

A

Yeah. And then I do think and I really believe that bringing in this inventory [ph] or really – and carrying (01:02:25) a little bit is going to serve us well because we need the inventory in the marketplace to be able to sell it and it's a very uncertain environment right now still, probably more uncertain than it was a year or even last year ago – few years ago. So I'm excited that we have this inventory coming in. We're in good place. We just need to get it out to the marketplace now and just keep going after it.

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Q

Quick follow-up on the inventory. Can you just say what the inventory increases by brand?

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah. We didn't provide that. What we can say is it's consistent with the larger brands, it's consistent with the average. So, increasing as we anticipate kind of disruption and bringing more in. But again on a two and three-year comparison to sales, it's in line with our sales growth.

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Q

Okay. Thanks, guys. Good luck.

David Powers

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

A

Thank you.

Operator: Our next question comes from Tom Nikic with Wedbush Securities. Please go ahead.

Tom Nikic

Analyst, Wedbush Securities, Inc.

Q

Hey, guys. Thanks for taking my question. Dave, just – I think earlier you were talking about still being in chase mode for HOKA and expecting inventory availability to be better in the back half of the year. So, as we kind of model the year, should we think that the growth is a little bit stronger for HOKA in the second half of the year or am I kind of off base here?

David Powers

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

A

Yeah. I was referring more to Q4 results, we were chasing, and that's why we saw the – we got the inventory in, we aired it in, and that got into the marketplace. We're still getting some of that inventory out to the marketplace. Right now, the teams are still outselling for next spring, so it's – we're waiting to see what that looks like. But the point I was trying to make is that if the sales increases – if the sales orders increased, we have the capacity to meet them.

But right now, I wouldn't necessarily say that Q2 is going to be that much stronger than Q1, it's early days on that. But we think pegging ourselves at 30% to 35% growth for the year is right. There's potential that could be higher than that. But early in the year and in uncertain environment we think this is the right way to place this guidance.

Tom Nikic

Analyst, Wedbush Securities, Inc.

Q

Understood. And Steve, if I can ask you a quick one. Just I think the stock's are much lower than it had been and you've got quite a bit of cash on the balance sheet, and I know that you're investing this year, and you said something about like elevated inventory. But like – how do we think about buyback and your willingness to – so that maybe get a little bit more aggressive on the buyback in light of the valuation where it is today?

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah. Good question. And as you know, we don't necessarily comment on current activity. But I can't speak to the year we just completed and as I said it's the most aggressive share repurchase that we've ever done at prices higher than where we currently sit. So, clearly, this is something that we're watching very closely, active discussion on. But, yes, we recognize where our prices at and where the company is going. So that is something that we take into account.

David Powers

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

A

Very much so.

Tom Nikic

Analyst, Wedbush Securities, Inc.

Q

Sounds good. Thanks again and best of luck this year.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Right.

David Powers

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

A

Thanks, Tom.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Thanks, Tom.

Operator: This concludes our question-and-answer session as well as the conference for today. Thank you for attending today's presentation. You may now disconnect.

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