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Deckers Outdoor Corp. (DECK)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon and thank you for standing by. Welcome to the Deckers Brands Second 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. [Operator Instructions] I would like to remind everyone that this conference call is being recorded.

I'll now turn the conference call over to Ms. Erinn Kohler, VP, Investor Relations and Corporate Planning. Please go ahead, ma'am.

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 facts, are forward-looking statements and include statements regarding our ability to respond to the dynamic macroeconomic environment and the impacts on our business and operating results, including as a result of changes to global trade policy, tariffs, pricing actions and mitigation strategies, and fluctuations in foreign currency exchange rates; our current and long-term strategic objectives, including continued international expansion; 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 acquire new consumers and gain share in a dynamic consumer environment; our ability to achieve our financial outlook, including anticipated revenues, product mix, margin, 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.

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 through 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, everyone, and thank you for joining today's call. Deckers has delivered outstanding second quarter results, ahead of our expectations on both the top and the bottom line. Specifically, in the second quarter as compared to last year, we drove revenue growth of 9% and a 14% increase in diluted earnings per share.

These results closed out a solid first half for Deckers' fiscal year 2026, with highlights that include total company revenue growing by 12%, HOKA revenue increasing by 15%, UGG revenue rising 12%, and diluted earnings per share growing by 17%. In the first half, our international regions remained the driving force behind UGG and HOKA revenue growth, increasing 38% versus last year. Year-over-year gains were led by the wholesale channel, in part from earlier shipment timing, while DTC also delivered strong growth for the first half.

We continue to see progress from our brand building marketing investments in these regions, helping grow HOKA awareness and expand UGG mind share with consumers around the world. I could not be more pleased with how our teams are executing our strategy and connecting with consumers who are increasingly looking to HOKA and UGG for innovation and newness.

In the US, consumer sentiment is still under pressure, but we are encouraged by the signs of progress we have seen in our business and have maintained our focus to ensure HOKA and UGG remain positioned for long-term success. The US marketplace remains dynamic, with recent consumer trends indicating a heightened preference for multi-brand shopping experiences.

We believe UGG and HOKA are prepared to acquire new consumers and gain share in this environment with consumers wherever they wish to interact with our brands. As with strong brand partnerships with premium wholesalers, which help elevate our brands, UGG resonates with consumers with high quality, distinctive products that provide a unique tactile experience, HOKA sees the highest consumer adoption when people can try its unique blend of technologies, geometries and materials firsthand on their feet. We view this as a strategic opportunity to continue expanding our consumer base across both brands, while maintaining this relationship through our direct-to-consumer business.

This approach supports our long-term objective of achieving a balance of 50% between direct-to-consumer and wholesale channels. As we enter our historically largest fiscal quarter, our brand and global marketplace teams are focused on delivering profitable growth and building UGG and HOKA for sustainable value creation. I'm confident that our solid foundation, sound financial discipline and nimble operations will serve us well to continue executing against our long-term strategic objectives.

Steve will provide additional details on our second quarter financial results and an update on our latest fiscal year 2026 projections later in the call. Prior to that, I will share further details on first half brand performance as well as the forward direction we see for HOKA and UGG.

Starting with HOKA, global HOKA revenue in the first half increased by 15% versus last year. Performance was driven by consumer-loved updates to the brand's three largest road running franchises: the Clifton, Bondi and Arahi, as well as exciting updates in the trail category with the expansion and evolution of the Mafate franchise.

Bondi, Clifton, and Arahi have continued to deliver strong growth and impressive sell-through rates for the brand as consumers embrace the significant enhancements implemented by our product team. The success of these top franchises helped HOKA gain market share. According to Circana, HOKA gained 2 points of market share in the overall US road running category for the past rolling 12 months ended September 2025, and also outpaced the competition in Europe as one of the fastest-growing road running brands across Italy, France, and Germany for the first half of 2025.

Beyond the success of top franchises, the HOKA team is making great progress developing product families deeply rooted in the brand's origins. We're leveraging a multi-layered approach to build recognizable icons that resonate across multiple categories and use cases, including dimensions of peak performance, everyday performance use, and versatile, active lifestyle.

The Mafate, HOKA's original shoe, is the latest example of how we are aligning our products within these key dimensions. Mafate X was created to deliver peak performance through maximum cushioning and carbon-plate propulsion for agile, long-haul efforts on the trail. Mafate 5 was upgraded to adapt to all types of trail terrain with premium performance cushioning and traction. As the Mafate Speed 2 has been reintroduced from the archive with an updated aesthetic to achieve a contemporary, active lifestyle look, this product family has already contributed meaningful growth during the first half of the year and now accounts for a larger share of total brand revenue, supported by targeted marketing initiatives that have strengthened consumer awareness, visibility, and alignment with HOKA's brand heritage.

We've previously discussed the importance of the UTMB World Series Finals in Chamonix, France, where HOKA is the title sponsor. This event includes seven races attracting top trail runners from around the globe and nearly 100,000 spectators. HOKA reinforced its leadership at UTMB and it was the top brand in overall shoe share as well as among top-five finishers, including first place finishes for HOKA athletes Jim Walmsley, Francesco Puppi, and Martyna Młynarczyk.

Our marketing initiatives for the HOKA brand are designed to establish coherent product narratives that foster consumer engagement and encourage adoption across our portfolio. We're seeing traction with our approach to building product families that are supported by marketing investments. This approach will, over time, allow us to further segment and differentiate the marketplace. You will soon see this product strategy evolution come to life through the Mach franchise, where we recently introduced the X 3 peak performer in the lineup, and in Spring 2026, we'll be launching the Mach 7 and Mach Remastered for everyday road running and active lifestyle, respectively.

From a regional standpoint, HOKA performance in the first half was driven by the strength of our international business, where the brand continues to grow awareness and gain market share. We tailor our strategy for each region, taking into account the unique stages of brand distribution and awareness, while staying attuned to evolving consumer preferences.

What remains consistent is our focus to maintain high levels of full-price selling as we continue to expand our presence within the premium and elevated marketplace. And we're very pleased with HOKA brand's results across the board. HOKA has seen [ph] consistently (00:11:19) strong gains across all international regions throughout the first half, with notable incremental revenue contributions from EMEA and China.

In the EMEA region, HOKA is driving impressive results across all countries and segments of distribution, including market share gains and robust reorders with our own specialty partners as we continue to drive double-digit growth, best-in-class sell-through with our key sporting good partners, significant percentage gains with athletic and lifestyle specialty accounts where we are just beginning to build our business, and broad-based strength in our DTC channel across Germany, France, Italy, and the UK, with our first German store opening in Berlin and a pop-up retail experience in Chamonix for UTMB.

In China, the HOKA brand's premium positioning and product innovation continue to drive resilient consumer demand. Highlights include new store openings in key cities that are attracting strong consumer interest, substantial growth in loyalty membership with particularly strong gains with females and younger consumers, industry leading full-price selling, and sell-through rates for wholesale exceeding the goals set for mono-brand partner locations. As we navigate a dynamic US marketplace, HOKA continues to gain market share in the athletic footwear category, and we remain dedicated to controlling distribution and driving a pull model of demand.

There are a number of positive signals for the HOKA brand's US business. They give us great confidence in the vast opportunities ahead for this brand, with wholesale sell-through increasing double digits in the first half, DTC delivering a sequential improvement from Q1 to Q2, maintaining a high-quality full-price business, a strong spring/summer 2026 season order book, and positive feedback from retailers on our fall 2026 product line, HOKA is a disruptive and transformational brand with the ability to further capture billions of incremental global market share dollars.

Across both domestic and international markets, we'll continue to uphold our disciplined approach to marketplace management by building our DTC business and carefully exploring potential expansion into attractive wholesale channels and partnerships. We're committed to building sustainable growth for HOKA and are confident in the strategy we're executing to achieve this goal.

As we enter the second half of fiscal 2026, our priorities are driving healthy sell-through and gaining market share, leveraging our enhanced DTC loyalty program to drive consumer engagement, preparing the marketplace for

spring 2026 updates to Gaviota, Mach, and Speedgoat franchises, and investing in marketing to build global HOKA awareness.

Moving on to the UGG brand, global UGG revenue in the first half increased by 12% versus last year. The UGG brand's first-half performance stayed consistent, fueled by our key brand initiatives. Top-performing styles remained in line with our 365 focus. Men's footwear achieved growth at twice the rate of the overall brand. International regions accounted for the lion's share of our growth.

We are especially encouraged by the consumer response to newer products and expanded franchises, aligned to our men's and 365 initiatives, including Neumel franchise, which across Sneaker, Chukka, and Chelsea silhouettes has more than doubled versus last year in the first half; the Classic Micro, our most versatile derivative to the original classic boot, debuting as a top-five style across DTC and wholesale; and also the Zora Ballet Flat, an unmistakable UGG version of the timeless silhouette that is significantly outperforming our expectations in its first month since launch.

While these products have driven positive sell-throughs, I would note that wholesale sell-in was the driver for total UGG brand performance in the first half, which includes benefits from earlier shipments that were carefully curated in alignment with our marketplace management strategy. These shipments have provided greater opportunities for consumers to discover UGG at wholesale points of distribution, which we believe in combination with the shifts to consumer shopping habits has put pressure on our DTC business near term. From the regional perspective, as anticipated, international markets are leading [ph] UGG (00:15:57) growth, but we've seen a very strong order book conversion across all regions.

The consumer response to our fall 2025 collection has been very consistent globally, with consumers gravitating towards fresh seasonal colors and transitional newness, such as the Classic Micro, Astromel, PeakMod, and Zora Ballet Flat. This quarter, these styles saw gains as consumer preferred versatile buy-now, wear-now items. As we prepare to ignite UGG Season, our teams have created cohesive brand stories with our iconic style and iconic design global marketing campaigns, aiming to generate excitement and drive consumer engagement.

In August, UGG's Iconic From The First Step campaign, featuring Stefon Diggs, Sarah Jessica Parker, and Founder Brian Smith to celebrate the brand's legacy. In September, UGG served as the official styling partner for Highsnobiety's New York Fashion Week opening ceremony party, aimed at building fashion credibility with influential males.

At the beginning of this month, to celebrate Paris Fashion Week, UGG took over the Atrium of Galeries Lafayette to create a curated icons pop-up store. And tomorrow, UGG will launch an aspirational product collaboration with the renowned Japanese fashion label, sacai. These brand activations help the UGG brand generate momentum with consumers, while at the same time maintaining cultural relevance. And our team will continue to build upon the compelling content we've created to elevate the brand and amplify key seasonal product stories. I'm confident that the global marketplace is well-positioned for UGG Season.

Thanks, everyone. I'll now pass it off to Steve to discuss our second quarter financial results and provide an update on fiscal year 2026.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

Thanks, Stefano, and good afternoon, everyone. We're extremely proud of the results achieved in the second quarter and first half of our fiscal year 2026. For the second quarter, HOKA delivered more balanced growth

across wholesale and DTC, led by the strength of international, and included sequential improvement in US DTC compared to the prior quarter, as we continue expanding the brand's presence to gain global awareness and market share.

The UGG brand drove robust wholesale growth, also led by the strength of international, as we prepare the global marketplace for the brand's peak season. Our disciplined approach, flexible operating model, and strong balance sheet continue to position us favorably in a dynamic marketplace as we head into the second half of our fiscal year 2026. We remain energized by the opportunities ahead for HOKA and UGG and look forward to further progress towards our long-term vision for these consumer-loved brands.

Now, let's get into the details of our second quarter results. Second quarter fiscal year 2026 revenue came in at \$1.43 billion, representing an increase of 9% versus the prior year. Performance in the quarter was driven by HOKA and UGG, which increased 11% and 10% versus last year, respectively, with small offsets primarily from winding down standalone operations of smaller brands.

For HOKA, wholesale remained the primary driver of growth, increasing 13% in the quarter as the brand continues to experience strong sell-in and healthy sell-through with innovative and compelling products that are resonating with consumers. HOKA DTC grew 8% versus last year as international momentum carried through from the previous quarter and we saw improvements in the US business as anticipated.

For UGG, growth was driven by wholesale, increasing 17% in the quarter, which was partially offset by a 10% decline in DTC. Wholesale strength was driven by strong demand from our retail partners, including earlier demand as well as European shipments that were pulled forward related to our upcoming third-party warehouse transition.

UGG DTC was softer than anticipated as we have continued to experience pressures from better in-stock positions with our wholesale partners due to increased allocations delivered earlier in the year in an effort to match the demand that has continued to build in recent years, a more challenging macroeconomic environment for the US consumers with shifts in consumer preference toward multi-brand in-store shopping experiences. Additionally, we believe these factors will continue to have an impact on UGG growth in the second half.

Gross margin for the second quarter was 56.2%, up 30 basis points from last year's 55.9%. Second quarter gross margins compared to last year benefited from price increases, favorable product mix, favorable foreign currency exchange rates, and factory cost sharing, with partial offsets from incremental tariffs on US goods and channel mix headwinds.

As a result of our price increases being implemented at the beginning of July in combination with actions to bring additional inventory in ahead of increased tariff rates being implemented, we saw a slight delay in the net headwind of tariffs and did not experience a meaningful negative impact in the second quarter compared to the prior year result. However, this is unique to the second quarter and our expectation of net tariff headwinds in the back half of fiscal year remain largely unchanged.

SG&A dollar spend in the second quarter was in line with expectations at \$477 million, up 11% versus last year's \$428 million, as we continue investing in key areas of the business. As a percentage of revenue, SG&A was 33.4% versus last year's 32.7%. Our tax rate was 21.7%, which compares to 24% for the prior year as a result of one-time benefits recorded in the quarter. These results culminated in diluted earnings per share of \$1.82 for the quarter, which is \$0.23 above last year's \$1.59 diluted earnings per share, representing EPS growth of 14%.

In terms of our second quarter performance, relative to the guidance we provided in July, gross margin was the primary driver of EPS favorability. Again, the better-than-expected gross margin result was largely driven by favorable timing of tariff-related variables, unique to the second quarter, with benefits of our pricing actions flowing through in advance of the full burden from increased tariffs.

Turning to our balance sheet at September 30, 2025, we ended September with \$1.4 billion of cash and equivalents. Inventory was \$836 million, up 7% versus the same point in time last year, and during the period, we had no outstanding borrowings. During the second quarter, we repurchased approximately \$282 million worth of shares at an average price of \$109.31. As of September 30, 2025, the company had approximately \$2.2 billion remaining authorized for share repurchases.

Now, moving into our forward-looking update, we are now providing an outlook for our full year fiscal 2026 and expect total company revenue of approximately \$5.35 billion, with HOKA increasing by a low-teens percentage versus last year and UGG growing in the range of a low to mid single-digit percentage. Gross margin of approximately 56%, as we anticipate headwinds from the impact of tariffs as this becomes material in the back half of this fiscal year, with partial offsets from our mitigation strategies and normalized levels of promotion in a more pressured macroeconomic environment.

SG&A to be approximately 34.5% of revenue, reflecting our commitment to investing in the long-term opportunities of our powerful brands. This results in an expected operating margin of approximately 21.5%, which remains at a top-tier level of profitability relative to our peers. We are projecting an effective tax rate of approximately 23%. And finally, we expect earnings per share in the range of \$6.30 to \$6.39.

This guidance assumes a blended growth rate of approximately 9% from our two largest brands, as we have streamlined our brand portfolio to focus on our most profitable long-term opportunities and expect to yet again deliver record years for UGG and HOKA, each with annual revenues north of \$2.5 billion and significantly contributing to our best-in-class profitability profile.

Within this revenue guidance, we continue to expect international to outpace US growth and global wholesale to outpace DTC for this fiscal year. Over the longer term, our focus remains to create a balanced business across regions and channels as we continue building our consumer base, bolstering connections with consumers through direct relationships, and capturing incremental market share for years to come.

Regarding tariffs, with timing-related favorability seen in the second quarter result and our expectation of tariff impact in the second fiscal half largely unchanged, we now expect the unmitigated tariff impact on fiscal year 2026 to be approximately \$150 million. Further, we now estimate that our mitigation efforts for this fiscal year will offset approximately \$75 million to \$95 million of this pressure, including benefits from select, strategic, and staggered pricing increases as well as partial cost sharing with factory partners.

Please note this guidance excludes any unforeseen charges that may be considered nonrecurring to our ongoing business or impact from any future share repurchases. Additionally, our guidance assumes no meaningful deterioration of current risks and uncertainties, which include but are not limited to further updates to imposed tariffs or other global trade policy, changes in consumer confidence and recessionary pressures, inflationary pressures, fluctuation in foreign currency exchange rates, supply chain disruptions, and geopolitical tensions.

Overall, our second quarter and first half fiscal year 2026 results illustrate the strong demand for our brands and strength of our disciplined model, giving us conviction to provide and achieve a compelling outlook for fiscal year 2026. We remain confident in the growth trajectory of our consumer-loved brands as our top-tier levels of

profitability provide opportunities for targeted investments supported by our fortified balance sheet, all of which position us effectively to drive sustainable growth over the long term.

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. Before we take your questions, I would like to highlight that our brands have continued to perform very well through the first half of this fiscal year. More importantly, we remain committed to supporting and strategically managing our brands to ensure sustained long-term growth. We believe that both HOKA and UGG are well-positioned across the global marketplace as we enter the holiday quarter, and our teams are energized and hyper-focused to deliver our full year guidance.

HOKA has established itself as a prominent global performance brand, extending far beyond its disruptive origins. HOKA [ph] is (00:28:05) just begin to realize its full potential and capability to innovate, and we are excited to continue building this transformational brand. And the UGG brand continues to inspire generations of consumers with its iconic products and its global appeal. This powerful brand has established a unique position in the marketplace with a strong loyal customer base and an ability to capture new audiences through compelling product evolution.

These two premium brands maintain a strong commitment to their original values, consistently creating purposeful products while adapting to the evolving demands of their respective global customer base. We're very excited about the opportunities ahead, and we remain focused and disciplined on our approach to delivering long term sustainable growth and value creation.

I'd like to sincerely thank all of our valued employees across the global Deckers' team for their continued commitment to our collective success. 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: Thank you. [Operator Instructions] Our first question comes from Laurent Vasilescu, BNP Paribas.

Laurent Vasilescu

Analyst, BNP Paribas Exane

Q

Oh, good afternoon. Thank you very much for taking my question. Stefano, Steve, I'm very glad to hear that you are reinstating the guidance here, and I wanted to ask about that. Originally, Steve, the framework, I think on the fourth quarter call, was calling for HOKA to grow mid-teens for this year, UGG to grow around mid-single digits. I think last quarter, I think there was greater confidence in that framework. With today's guide, lower expectations on those two metrics, can you maybe just unpack that a little bit more? Is there just a degree of conservatism? And I didn't hear anything about weather with regards to UGG, of the low single to mid single, but do you think that's a factor playing into your guidance?

Stefano Caroti

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

A

Hey, Laurent. This is Stefano. We have two of the healthiest brands in the global marketplace with a very strong and loyal consumer base and really a growing global demand. Our first half demonstrates the strength of these brands. For the back half, we are anticipating a more cautious consumer as the full impact of tariffs and price increases will be felt here in the US. Having said that, our brands are well positioned when the consumer shows up for the holidays. And as always said, we don't manage our business month to month and quarter to quarter. We build brands for long term, profitable, sustainable growth.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah, Laurent. This is Steve. I think just to talk a little bit about the guidance and kind of reorient everyone in terms of what we said at the beginning of the year. And you're right, we didn't give full year guidance and the fact, and appreciate your recognition of that, giving guidance now, I think, is a demonstration of our confidence of how well our brands are performing in the marketplace and the continued path that we see on that. Part of the framework that we gave at the beginning of the year really said if tariffs did not have an impact on consumers, how we saw kind of certain growth, and we still believe that, right? But we do know and we are more currently seeing some impacts on the US consumer.

So as US consumers are beginning to see some price increases, it is impacting their purchase behavior within the consumer discretionary space. And so, as we now look out at the next six months to give the full year guidance, our HOKA back half still is a low-teen guide. So, in many respects, we're not off of what we originally thought, maybe a little bit of a reduction, but we are now anticipating the impacts of tariffs. So, I think that's a demonstration, again, that the brand continues to do better than what we thought in a tariff-imposed environment. So, we feel good about that.

To Stefano's point, we're going to manage these brands for the long run. We're not going to try to chase growth in a current period that could be detrimental to the brand. And again, that is what our guidance reflects, is we are going to maintain these brands, we're going to manage them in the marketplace that allows us to grow these meaningful over a sustainable longer period of time. And I think that is a bit of what you're seeing in our guidance. And yeah, we do know that the revenue is below where the consensus was. We're taking into account a

consumer who's a little bit more cautious. I think, is there opportunity that we could do better? Sure. And we'll see how the consumer shows up. And that's how we're looking at it.

From an inventory position, we have inventory that if the consumer shows up, we will be able to capture some upside to this. But we're confident, again, in how our brands are performing in the marketplace, internationally and domestically. We know domestically that the US consumer is a little bit more pressured, so we're reflecting that in our outlook for the next six months. But again, our positioning of the brands remains with long-term sustainable growth in mind.

And then just the other bit on the guidance, I think, again, we're showing a demonstration of how we can manage our business from an overall perspective. So even with a more conservative approach on some of the revenue guidance, we're still delivering profitability on a consensus bracketed for the full year. So, again, I think we will continue to manage these brands in a healthy way and drive long-term sustainable growth.

Laurent Vasilescu

Analyst, BNP Paribas Exane

Q

Very helpful. And then, Steve, just to understand a little bit more on the back half guide for HOKA low double digits, I know you don't guide anymore by quarter out, but any nuances we should consider just because there are some [ph] comparers (00:34:16) that we can look at between 3Q and 4Q. I thought it was also interesting that you mentioned there's positive reception regarding spring/summer order books. Maybe can you unpack that a little bit more? Thank you very much.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah, sure. I think in terms of how we're looking at the back half, more pressure in Q3 with more growth in Q4. And again, I think that's where we're going to see how the consumer shows up kind of Thanksgiving through the holiday season. That's one thing that we're going to keep a very close eye on. We believe our brands are positioned better than most, right? If the consumer shows up, our brands are positioned to capture that demand. And so, really, this is more about how does the consumer show up. So, we're being a little bit more cautious with our third quarter growth, with a little bit more aggressive growth in the fourth quarter.

And then, to your point on the order book, and I'll let Stefano jump in here, very confident with how things are shaping up and the consumer response to our products.

Stefano Caroti

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

A

Yeah. So, Laurent, I'm very happy with what the teams have done specifically in the US market for HOKA. We are growing awareness. We're gaining share really across every country, but specifically to the US, the marketplace is clean, sell-throughs are stronger than sell-in. Our full-price business is very, very strong. Our key franchises, Clifton, Bondi, and Arahi are performing well in the marketplace. And our most recent product launches have also performed well, I'm referring to Challenger, the Mafate family, Mafate X, Mafate 5, Rocket X 3, Rocket X Trail.

Our order books are healthy. We're gaining share in performance running. We're back to number one in run specialty. And we're well set up for the transition to these new models I just mentioned. So, our marketing also has been resonating, and we're seeing improvements also in our DTC business. So, all is good on the HOKA side in the US.

Laurent Vasilescu

Analyst, BNP Paribas Exane

Wonderful. Thank you very much. And best of luck with holiday season.

Q

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

All right. Thanks, Laurent.

A

Stefano Caroti

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

Thank you, Laurent.

A

Operator: The next question is from John Kernan, TD Cowen.

John Kernan

Analyst, TD Cowen

Good afternoon. Thanks for taking the question.

Q

Stefano Caroti

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

Hey, John.

A

John Kernan

Analyst, TD Cowen

Steve, can you talk to the split between DTC and wholesale in Q3 and Q4 a bit more? [ph] Is it (00:36:42) the DTC compare gets a lot easier as you enter fourth quarter? You did provide some color to Laurent's question. Just curious, the channel split between wholesale and DTC, and what you're doing specifically to reaccelerate DTC same-store sales or omnichannel comps, particularly in America, in the US?

Q

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

Yeah, I think from a total company DTC perspective, we expect to continue to see improvements in Q3 and then further improvements in Q4. I think also important just to – as you look at our growth and understand kind of what we said about this year it's, again, remember, as we're expanding wholesale this year, we said much of that was going to come in the first half of the year, right? And that's what we've delivered and more so. And I think that's a demonstration of the strong demand that's out there for both brands is that our wholesale partners, to get their hands on product earlier, they wanted to be able to showcase product earlier, and so we were selling in into that environment.

A

That has put some pressure on our first half DTC, so with expanded distribution, right, it's more a demonstration of the growth of our demand for our brands and really a timing effect. And so, it's not an indication of things kind of slowing down for a brand and from a demand perspective. They are still increasing. And on a full year basis, it still has increased. But as we've shipped more of that in the first half of the year, you're just seeing kind of a timing flow of that. And so, in respect to that, right, that's where we'll see a little bit or expect a little bit more DTC growth on a percentage basis in the back half, little bit more in Q3, a little bit more in Q4. And then with selling more in, in

the first half in wholesale, you're going to see kind of lower numbers as a result of having more product move in into the wholesale channel earlier in the year.

John Kernan

Analyst, TD Cowen

Q

That's helpful. Thanks. And you obviously called out the company's top tier profitability. I think you have the highest operating margin structure of anybody in the athletic footwear and apparel space. I'm just curious, as we look into next year, obviously, tariff pressure's going to be pretty significant in the first half of the year. How do we put guardrails on the long-term margin structure of the business? We're finishing this year around 21.5%. Is north of 20% plus operating margins how you look at the business long term?

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah, it's a good question, John, and we appreciate it. Clearly, right, what you're seeing, so last year, we delivered exceptional levels. Again, this year, I think in comparison to what others are saying, it's going to be another exceptional year with half of the year being impacted by tariffs. Next year, you're going to have kind of another half of year, so that will be a headwind to further margins. But again – and I think you can see, as demonstrated by Q2, how we manage our business. So, we are continuing to organically grow our business. The demand for our brands continues to increase.

And at the same time, we're doing, I think, a very good job of managing an uncertain volatile environment. And you can see how we've mitigated some of those tariff impacts in Q2, where we earlier thought that we would see some headwinds. We were able to take some actions and mitigate some of that and flow that improvement through, and that's what you're seeing on that gross margin. We will continue to operate in that disciplined approach. But yes, to your point, we're going to continue to see tariff headwinds as we look into FY 2027. We're not in the position yet to kind of give guidance on that, but yes, you will see further pressure.

Stefano Caroti

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

A

And our strong financial profile will also allow us to invest in capabilities we're building, whether it's innovation, or apparel, or technology, digital.

John Kernan

Analyst, TD Cowen

Q

Got it. And then the gross margin pressure you're guiding to in the back half of this year, it's safe to assume at least that magnitude carries into the first half of next year, I would assume.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah, correct. If the tariffs stay in effect the way they currently are, yes, equivalent.

John Kernan

Analyst, TD Cowen

Q

Understood. Thanks, guys.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

All right. Thanks, John.

A

Operator: Up next, we'll hear from Adrienne Yih from Barclays.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Good afternoon. This is probably for both of you, both Stefano and Steve. Can you talk about kind of the price actions that you have taken at both brands earlier in July? It's – earlier in the back-to-school, it seemed like those price actions didn't have a lot of impact on the demand, but obviously that was kind of in the back-to-school time period. Is there something that you've seen, either sell-through in the channel at your own DTC, or maybe on the products that actually had those price increases, that has given you a little bit more concern about the consumer?

And then, Steve, my follow-on is how are you [ph] thinking – (00:41:46) it's a really good point on more points of wholesale distribution, right, because there's more places to buy the product, but how are you thinking about when you kind of see a more normalization in the DTC versus wholesale balancing? Thank you.

Q

Stefano Caroti

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

Adrienne, on the pricing question, we have premium brands, and premium brands have more elasticity than other brands. And we've been very selective and strategic in our price increases, and we have not seen any issues. Sell-throughs on key styles continue to be strong for both UGG and HOKA, and no issues so far.

A

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

And then on the wholesale question, it's a good one, and we appreciate you asking it. I think if you go back a year and a half or two years ago, we talked about how we are in the marketplace significantly underpenetrated in wholesale in comparison to many of our peers. So, many of our peers are selling in a lot more points of distribution – wholesale distribution than we are. And we've talked about marketplace management for years now, about how we do this. And this is how we lean into wholesale. And I know there's questions out there about, oh, their growth is coming through wholesale.

Yeah, we're putting more shoes on feet, right, but we're doing it in a strategic, long-term way. Right? We're not chasing growth in a quarter or in a year trying to blow out wholesale distribution just to show sales increases. This is how we're expanding our brand globally and sustaining longer-term growth over a longer period of time.

Does it mean that we deliver slightly lower levels of growth rate in a current period as we continue to expand, but are able to sustain longer-term growth rates? Yes, that's what we're doing. And so, last year was a big year of wholesale expansion. We are anniversarying some of that this year as well as some additional wholesale expansion this year, but that will begin to slow. It doesn't change our outlook on that balance that we talked about of getting to 50/50 wholesale to DTC.

So, we're still on that. You will begin to see wholesale growth slow a little bit and DTC, again, begin to pick up. But again, this is about taking opportunities, increasing demand in the marketplace, giving consumers more points to purchase products, and overall leading to more shoes on feet, and that's what we're building.

A

Stefano Caroti

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

A

Yes. And we operate an omnichannel model, and we have the ability to flex and react to consumer demand as needed.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Yeah. Very helpful. Thank you very much. Best of luck.

Stefano Caroti

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

A

Thanks.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Thanks.

Operator: The next question is Samuel Poser from Williams Trading.

Sam Poser

Analyst, Williams Trading LLC

Q

Good afternoon. Thanks for taking my questions. I got a handful. Number one, you talked about the healthy order book for spring. I assume that's for both UGG and HOKA. Can you define what that means, please?

Stefano Caroti

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

A

Sam, we didn't provide those details, but we're very happy with the order book that we have for spring/summer 2026 and early reaction to fall 2026.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yes. And I think, Sam, it's fair to say that it's up, right, and that's why we're happy that we're seeing increases in order book.

Sam Poser

Analyst, Williams Trading LLC

Q

And can you talk a little bit – I'm going to get into a little bit of weeds here. Can you talk a little bit about like how – especially with the UGG brand, sort of in and out of back-to-school, how you saw both in your own DTC and within your wholesale partners, because you do get sales reports, how you saw that business like peak and valley? And are you seeing any big differences between the peak – like peaks and valleys versus last year? And – I mean, because I'm really...

Stefano Caroti

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

A

Yeah...

Sam Poser

Analyst, Williams Trading LLC

I'm really wondering what – sorry, go ahead.

Q

Stefano Caroti

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

No, it's a good question, Sam. What we're experiencing, and this is probably due to the consumer uncertainty in the US, deeper valleys and higher peaks, back-to-school was strong, and we anticipate to have a strong holiday season. But September, October are typically not the strongest months in our space.

A

Sam Poser

Analyst, Williams Trading LLC

And so, that leads to, is your guidance for the back half, and I guess particularly holiday, is it more about what you saw during back-to-school, or is it more about sort of what's going on right now? Because given those peaks and valleys, and given the fact that in your own DTC business, every day between Thanksgiving and Christmas, you'll do more business in a day than you basically do in a week, July through probably the beginning of October.

Q

I'm wondering how much of this is just real caution? Or my favorite saying, so I won't say that in front of everybody, guys, but you do live near the beach out there. And I'm just wondering how much of it – because, I mean, consumer seems to want your product. And so, the concern about the consumer, it seems like whatever they're buying your stuff at full price, you're not getting margin pressure, you're not getting those things.

So, the fact is they're not buying [ph] Jo's (00:47:24) furry boot brand. They generally want UGG, and they're not buying Champion sneakers because they want HOKA. And so, either they want your brands or they don't. And you talked about the elasticity you had in price, which tells me that you actually believe that the consumer is buying your stuff regardless. So, why so much caution around this macro consumer, like, oh, my God, the consumer in the US might be hurting, but they still seem to go to your brands, not to [ph] UGG (00:47:56)?

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

Yeah, I think, Sam on that, clearly, our guidance for the year, which is reflective of the next six months, is taking into consideration what we're currently seeing kind of right now, and so I think that's where the question is. Right? It's not about – a question about how we think our brands are placed in the marketplace. We think we're, again, positioned better than most and, in many cases, very well positioned, but we'll have to see how the consumer begins to show up.

A

I think some of the economic signals are consumers are beginning to see higher prices. Inflation is starting to affect them more in the US. And so, there is some caution on our part as we take that into consideration. And again, we don't want to just chase sales because we want to achieve a higher number. We're about building brands for the long term. And so, we don't want to do something in the quarter that could be detrimental to us in the longer term.

So, to your point, yeah, we're taking a little bit of caution in there. We don't know how the consumer is going to show up, but we do know if the consumer does show up, we're better positioned than most.

Sam Poser

Analyst, Williams Trading LLC

Q

And then last – thank you. And then lastly, Stefano, with HOKA, are there any lower profile max cushioning, or are we going to see any evolution to lower profile shoes out of HOKA?

Stefano Caroti

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

A

Yes, you will see more lower profile solutions going forward. Ready for spring, we have the new Solimar that has been very well received, the new Transport on our lower-profile tooling. We have Speedgoat 2 in lifestyle that is resonating and it's slightly lower profile than we've had in the past. So, you'll see a more vast array of products going forward.

Sam Poser

Analyst, Williams Trading LLC

Q

Thanks very much. Have a great holiday.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Thanks, Sam.

Stefano Caroti

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

A

Thanks, Sam.

Operator: The next question is from Jonathan Komp from Baird.

Jonathan R. Komp

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

Q

Yeah. Hi. Good afternoon. Thank you. I want to follow up on HOKA, hoping that maybe you can be a little bit more specific when you think about changes to the product launch plans into 2026. Just any more details on what we should expect broadly and then maybe for some of the key styles going forward, the big three, in terms of cadence and plans. And then just bigger picture on HOKA as you talk about having potential to add billions of revenue yet, can you give somewhat of a buildup or some of the big buckets or growth opportunities that you see when you make that comment?

Stefano Caroti

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

A

Yeah. Let me start with the latter. So, we're focusing on a handful of categories for HOKA. It's performance run and trail, it's hike, it's fitness, it's lifestyle, and over time, you'll also see apparel. So, those are the five key areas of growth for us. And we compete in a \$0.5 trillion market, and there's plenty of upside for HOKA, both in the US and internationally. As we continue to grow awareness and consideration, we should continue to grow our brand in a healthy way.

As regard – regarding product transitions, we have a tightened inventory of a key outgoing style as we prepare for the upcoming launches of Gaviota, Mach, Transport, and Speedgoat. So, you should see, experience less noise

in the marketplace as we have [ph] a lot (00:51:44) less and tight inventories. And in regards to cadence, you will see an update to our biggest franchise, the Clifton, in Fall 2026. So, Clifton and Bondi will no longer overlap.

Jonathan R. Komp

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

Q

Okay. That's helpful. Thank you. Steve, one follow-up then on margin. It looks like the back half margin for operating margin pointed in the low-20% range. Historically, when the back half was in the low-20s, the full year margin was more in the high-teens, below 20% on an annual basis. Is that the run rate for the business currently as we think about annualizing some of the second half pressures, or how should we think about the back half margin guide in relation to the current annual run rate that you're performing at? Thank you.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah, I think, Jon, just on that, as we look at the back half kind of this year in comparison to kind of last year, the declines that we're reflecting are really being driven by the tariffs, right? So, in terms of how we're running the business, how we think about margins and the margin profile of the business, really the change that you're seeing in the back half is tariff driven. So, that's what we expect, again, based on the tariffs as they're imposed today.

Jonathan R. Komp

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

Q

And just to follow up, given the discussion about maintaining premium positioning, should we view that pressure and the unmitigated portion that you guided to for tariffs, is that more temporary or is that a permanent step-down on the margin that you're willing to give up, essentially? Thanks again.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

A

Yeah. So, the margin change that you're seeing between last year and this year is going to be driven by the tariffs. And then we'll see kind of if promotion changes – we do have an element of promotion assumed for the back half, so we'll see that, again, the biggest driver being tariffs, that's the overall driver, but there is a level of promotion given the environment today. That will – again, to the earlier question, I think that John asked, is that that will also trickle into FY 2027. Again, we haven't given any update on 2027, but the first half will be pressured by that margin. So, there will be an overall headwind.

We have done, I think, a very good job of mitigating that in Q2, and that's what you saw us deliver. We don't have the same levers necessarily going into the back half, nor will we have those levers kind of going into, we were able to take advantage of inventory movement that now that the tariffs are fully into effect, you won't necessarily get that. You'll get that benefit into future periods. But we'll continue to look at – as we talked about some of our mitigation strategies, we'll again continue to review pricing.

To an earlier question, we didn't really see much pushback on some of our price increases. So, we'll always – with a strong brand that's well-positioned in the marketplace, we'll continue to evaluate levers that we have. But the way we're kind of currently looking at it, we still have headwinds in the back half that will continue into FY 2027.

Operator: And our final question today comes from Jay Sole from UBS.

Jay Sole

Analyst, UBS Securities LLC



Great. Thank you so much for taking my question. Maybe Stefano, first question for you. As you just think about calendar 2025 for HOKA brand, do you see this year as a little bit of a transition year, where you had sort of the accelerated life cycles of Bondi 8 and Clifton 9, and then you have this tariff situation, where next year maybe it's sort of not a transition year where you have a lot of newness and clean inventories in the marketplace and good brand momentum, where you might see a different kind of momentum financially?

And then, I guess, Steve, the question for you is that, I know this was asked in an earlier question, but the guidance before was, say, mid-teens for HOKA, assuming no tariffs. Now, you're saying low-teens for HOKA with tariffs. So, if we had gone back to the beginning of the year and you would have given guidance for HOKA with tariffs, what would it have been? Or if – without giving us maybe exactly what it would have been, would the guidance that you gave today have been in line with that? Would it have been better than that? Would it have been worse than that? Maybe if you could just be – really just frame that clearly for us, that'd be super helpful. Thank you so much.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.



Yeah. Sure, Jay. I'll start kind of with that question, then Stefano can talk about a bit of the transition year of 2025. So, to your point, if we look back, I think one way to answer your question is that how we've seen HOKA perform, especially with the product transitions, we're very encouraged by the year. So, to the point where in a pre-tariff environment, we saw mid-teens, and the fact now with a tariff-imposed world in the back half, we're low-teens, I'm very encouraged by that, right? Because what it shows is even in a tariff-imposed world, consumers are still showing up for our brand, probably a little bit better than what we may have thought at the beginning of the year.

So, I think that speaks to how well some of our updates are resonating with consumers in the US and globally, too, and you're seeing that in the global numbers. So, where the tariff is impacting a US consumer, I think we've seen a good response. And then we've seen a very good response from an international perspective, which gives us a view into that non-tariff-imposed world of a consumer response. So, having seen that be very positive is actually very positive on the brand, because I do think tariffs are having an impact on the US consumer.

Stefano Caroti

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



Yeah. And regarding the question on transition, yes, it's – 2025 is a bit of a transition year. We probably amassed a few – too many big product launched in the first half of the year and we didn't space them out enough. There were a few learnings from us in the transition to the model. So, I think that was a learning year for us, and hopefully, this will help going forward.

Jay Sole

Analyst, UBS Securities LLC



Got it. Thank you so much.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.



All right. Thanks, Jay.

Stefano Caroti

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

A

Thank you.

Operator: And everyone, that does conclude our question-and-answer session. This does conclude our conference for today. We would like to thank you all for your participation. You may now disconnect.

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