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Deckers Outdoor Corp. (DECK)

Q1 2027 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, everyone, and thank you for standing by. Welcome to the Deckers Brands First Quarter Fiscal 2027 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 your questions. [Operator Instructions] And finally, I would like to remind everyone that this conference call is being recorded.

I would now like to turn the call over to Ms. Erinn Kohler, Vice President, Investor Relations and Corporate Planning. Please go ahead, ma'am.

Erinn Kohler

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

Hello and thank you, everyone, for joining us today. On the call are 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.

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All statements made on this call today, other than statements of historical fact, are forward-looking statements, and include statements regarding our ability to drive long-term value, the dynamic macroeconomic environment and related impacts on our business and operating results, including changes to global trade policy, freight costs and fluctuations in foreign currency exchange rates, geopolitical conflicts, including the ongoing Middle East conflict and related supply chain, logistics and cost impacts, our current and long-term strategic objectives, the expected performance of our brands and demand for our products, the anticipated impacts of our brand, product, marketing, marketplace, distribution and investment strategies, our product development plans and the timing and anticipated performance of product launches, changes in consumer behavior, our ability to acquire new consumers and gain market share, our ability to achieve our financial outlook in multi-year framework, including anticipated revenues, product mix, margins, expenses, inventory levels, promotional activity, anticipated rate of full price selling and earnings per share, the timing of wholesale and distributor shipments, our ability to maintain a premium full price global marketplace, statements regarding tariff refunds, and our ability to generate free cash flow and execute our capital allocation strategy, including potential share repurchases.

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 such as foreign currency rates fluctuations and changes to trade policies 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 as well as free cash flow. For example, the company reports comparable direct-to-consumer sales on a constant currency basis for operations that were open throughout the current and prior reporting periods. The company believes that these non-GAAP financial measures are useful supplemental indicators of its operating performance because they exclude items that are unrelated to, and may not be indicative of, its core operating results.

Additionally, free cash flow is defined as net cash provided by operating activities for a particular period, less capital expenditures made during that same period. The company believes free cash flow is a useful supplemental measure of liquidity as it reflects the cash generated from operations after investments required to support the strategic growth of the business. 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.

Thanks, Erinn. Good afternoon and thank you all for joining today's call. For the first time in Decker's history, we delivered over $1 billion of revenue in the first quarter, as total company revenue increased 5.7% versus last year, and diluted earnings per share was $0.94, both above our expectations for the quarter. As anticipated, performance was led by total company DTC, which increased 13% versus last year. Both HOKA and UGG maintained solid momentum and continued to capture high level of full price consumer demand, driving global DTC revenue growth of 17% and 6%, respectively.

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Wholesale channel growth was in line with our expectation, which included planned international shipment timing differences moving later this year as compared to last. Underlying consumer demand for our brands remain strong across international markets and domestically. HOKA and UGG each delivered healthy first quarter growth in terms of wholesale revenue sell-in and full price units sell-through in the US market.

I'm especially pleased with our progress across innovation and product newness, which are resonating globally. The engagement we're seeing is not limited to a single region, channel or product family. It reflects the broader impact of our consistent approach to creating distinctive consumer-led products that connect emotionally, perform exceptionally and amplify the relevance of our brands.

Further, we have been disciplined in how we're managing supply, protecting brand heat, and avoiding unnecessary promotional pressure reflected in both the quality of our inventories and high levels of full price business. This gives us greater flexibility and visibility as we plan forward because we are operating from a stronger inventory position with cleaner channels, better pricing integrity and continued consumer demand for the products we're bringing to market.

These results reinforce our confidence in our fiscal 2027 outlook and multi-year framework. Our teams are bringing new and innovative ideas to market at the right time while staying focused on quality, authenticity and long-term brand health. We remain committed to the fundamentals that have long differentiated Deckers, building powerful brands, preserving a [ph] pull (07:03) model of demand, and investing with purpose to enhance our competitive positioning and capitalize on the opportunities ahead.

While the consumer backdrop remains pressured, we continue to see people showing up for the brand they love, and we believe the compelling product pipeline for both HOKA and UGG will support continued market share gains throughout this year and beyond.

Steve will provide further details on our first quarter results and fiscal year 2027 outlook later in the call, but first, I will share an update on Q1 brand performance. Starting with HOKA, global revenue in the first quarter increased 8% versus last year to $704 million. HOKA performance was driven by global DTC revenue increasing 17%, with all international regions continuing to deliver robust growth in the US, maintaining positive momentum. DTC growth was broad-based across HOKA franchise families, with continued strong demand for our most popular products, alongside well-received updates to emerging models in the assortment.

As growth in consumer affinity for Clifton and Bondi continues to build, additional models driving full price DTC demand included Speedgoat 7, benefiting from our global integrated run Wilder marketing campaign that delivered meaningful consumer engagement across our key markets; Mach 7, featuring a lower profile geometry inspired by our fastest shoe, the Cielo X1; Mafate Speed 2, leading the HOKA brand acquisition of global lifestyle consumers, particularly with the recent XLIM collaboration that was a resounding success in building brand heat and attention to the model more broadly; and Skyward, attracting consumers to the X2 for an ultra-premium daily ride and the Skyward Laceless as an easy pull-on recovery shoe. We're very encouraged by the meaningful consumer engagement with these models, spending across road running, trail and lifestyle, which collectively contributed over half of global HOKA DTC growth in the quarter.

The breadth of DTC demand across HOKA is the result of our targeted investments in capabilities across technology, design, color, lifestyle and marketing, which have allowed HOKA to expand consumer appeal for a wider array of styles. This provides HOKA with an even greater opportunity to expand closet share, with existing consumers and attract new consumers through models that offer a distinct HOKA performance experience while

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extending into lifestyle wearing occasions. We expect the benefits of these investments to continue building season after season, with current product assortment representing early days of this strategic elevation and even more exciting things to come in spring 2027 and beyond.

On that front, I'd like to highlight one of our most recent launches, the first-ever Clifton PRO, though it only has been in the market for about two weeks. We're very encouraged by the early response from consumers and wholesale partners, with some accounts already placing reorders. The launch of Clifton PRO is an important milestone for HOKA, as it represents the progress we're making to offer more impactful differentiation, both within our product assortment and relative to the competition.

Building on the strength of the Clifton franchise, Clifton PRO elevates the performance experience with HOKA PROGLIDE+ midsole technology, featuring a supercritical foam that offers greater resilience and efficiency with every stride. Clifton PRO introduces our updated technology branding for HOKA, creating a clear performance product architecture that makes our Fly and Glide collections more intuitive for consumers. Our Glide collection is designed to feel smooth, soft and cushioned, which encapsulates franchises like Clifton and Bondi. On the other end of the performance spectrum, our Fly collection is designed to be responsive, fast and propulsive, including franchises like the Mach, Cielo X and Rocket X.

The Clifton PRO launched with selective, strategic wholesale segmentation, while the Clifton 11 update is positioned for broader wholesale distribution, with both styles available through DTC. As we build upon the PRO concept, the Mach PRO will be our first model within the Fly collection, which is receiving very encouraging bookings in advance of its strategically segmented spring 2027 release. The introduction of HOKA brand technologies is helping create more structure and differentiation throughout our innovation pipeline across performance and lifestyle, improving model clarity for consumers, supporting premium price points and expanding the HOKA brand's addressable market over time.

From a HOKA wholesale perspective, global revenue increased 3% versus last year, aligned with their expectation that outlined in international shipment timing difference this year versus last. Growth in the quarter was driven by the US market, which delivered higher sell-in and strong increase in full price sell-through, reflecting a healthier marketplace and smooth transition for Clifton. While reported international wholesale revenue reflected the comparison to unusually early shipments last year, underlying consumer demand remains strong across regions and channels. EMEA delivered robust wholesale sell-through and another quarterly record for reorders, and international DTC continue to generate exceptional revenue growth across Europe, China and Japan. This momentum is fueled by the HOKA brand's relentless focus on innovation and performance.

Last month, that spirit was on full display at the Western States Endurance Run, the oldest continuously-run 100-mile trail race, where HOKA celebrates its origin in trail running as the title sponsor. This year's ultramarathon was particularly special because our very own Senior Manager of Product Engineering and HOKA athlete, Vincent Bouillard, set a new course record, winning the race in a custom-made HOKA Tecton prototype that he helped designed. We are incredibly proud of Vincent's accomplishment both as an athlete and as an employee. Bravo, Vincent.

We're also proud to congratulate Sam Laidlow, one of the world's top triathletes on his recent world record setting victory at Challenge Roth, the largest iron distance triathlon in the world. Competing with the HOKA Rocket X 3, Sam's performance highlights the potential of HOKA innovation at the highest levels of competition.

As we move into the second quarter, we're focused on advancing our global marketplace execution to elevate and differentiate our strategic partners, supported by the continued strength of our DTC business. In the coming

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quarters, we'll continue to bring HOKA innovation to market across road, trail and lifestyle to grow brand awareness and capture global share.

Shifting to UGG, global revenue in the first quarter increased 5% versus last year to $278 million. Performance was balanced across channels, with DTC and wholesale growing 6% and 5%, respectively. UGG delivered growth in both the US and international regions. Growth was led by international markets with particular strength in Asia, as the mono brand retail presence has been especially effective at driving consumer adoption of versatile UGG products across new categories. [ph] UGG (15:02) performance in the first quarter reflected continued progress with our 365 and men's growth initiatives.

During our first fiscal quarter, we continued to allocate availability of key classic styles while directing greater marketing and product investments toward fashion casual footwear, sneakers and sandals. These efforts have driven increased consumer adoption across those categories, resulting in favorable product mix shifts that supported higher gross margins for the UGG brand.

Key franchise families that have contributed to these product mix shifts include Mel family, which continues to drive demand through the original Lowmel franchise while expanding into low profile with the Minimel introduction, and the Golden Collection, which benefited from strong selling across new seasonal GoldenGaze silhouettes.

This quarter, our 365 initiative is also reflected in the performance of our men's business, which accounted for the largest portion of incremental UGG revenue. We continue to see a combination of increased engagement from male consumers for all gender franchises like Tasman and Lowmel, as well as demand for newer products specifically designed to serve our men's consumers, such as the Otzo Clog.

We're also encouraged by the reception to our spring UGG apparel offering. Our fleece collection performed especially well across US, Europe and Asia, reinforcing apparel is a natural extension of the UGG brand with an opportunity to deepen engagement across a broader range of occasions. Our common thread across UGG product successes remains our ability to reinterpret iconic brand codes through silhouettes, categories and consumer occasions, expanding the brand's relevance while maintaining the distinctive product attributes that consumers expect from the UGG brand.

Importantly, these encouraging results reflect the UGG brand's ability to both influence and anticipate evolving consumer preferences, translating those insights into products and brand stories that help shape demand across categories and seasons. Our marketing initiatives continue to elevate the brand's cultural relevance, expand consumer engagement and strengthen consumer collections across key markets.

Men's momentum was supported by the continued halo from our spring product campaign, as well as lifestyle storytelling that resonated with global consumers. At the same time, the brand benefited from a series of culturally relevant activations across Atlanta, Los Angeles, Paris, London, Chengdu and Seoul, leveraging social-first content and talent partnerships that expanded awareness, deepened engagement, and reinforced UGG as a year-round lifestyle brand.

Overall, our integrated approach to product storytelling, community-driven experiences and digital engagement helped maintain strong consumer interest while building momentum behind iconic UGG franchise families and new footwear styles that enhance brand growth and credibility across categories and seasons. As we transition towards the fall season, our teams are focused on driving our progress forward with introduction of a new mule and hidden wedge silhouettes in the Mel franchise family, in addition to launching our Dusty Orchid pink

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collection, which spans across classics, sneakers and ballet-inspired models. We'll continue to cultivate this brand's energy with our Born to Feel fall campaign later in the second quarter.

Our team's efforts to continue strengthening the UGG brand's relevance across seasons and consumer occasions are reflected in our performance and the growing consumer demand for UGG, which gives us a confidence in the market share opportunities ahead for this special brand.

With that, I'll hand it over to Steve, who will provide further details on our first quarter financial results and our fiscal year 2027 outlook.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

Thanks, Stefano, and good afternoon, everyone. Our first quarter reflects continued consumer demand across both HOKA and UGG, supported by compelling product innovation, strong consumer engagement and continued strength in our DTC channel. While our wholesale results included planned shipment timing dynamics, the underlying brand adoption for HOKA and UGG across regions and channels remained encouraging. Against that backdrop, we delivered first quarter revenue and earnings modestly above our expectations while continuing to invest in the long-term growth opportunities ahead.

Now, let's dive into the details of our first quarter fiscal year 2027 results. Total company revenue was $1.02 billion, up 5.7% versus the prior year. Growth was primarily driven by HOKA, increasing 8% versus last year, to deliver quarterly revenue of $704 million, driven by DTC channel growth across Europe, China, Japan and the US. UGG increased 5% versus last year to deliver $278 million of revenue, as year-round styles continue to resonate with consumers.

Gross margin for the quarter was 56.4%, which is up 60 basis points from last year's 55.8%. As compared to last year, first quarter gross margin primarily benefited from favorable channel mix, with DTC growing faster than wholesale, favorable product mix and full price selling, favorable foreign currency exchange rates and unique items in the quarter primarily related to better management of product closeouts, with partial offsets from the net headwind of tariffs.

SG&A dollar spend in the first quarter was $420 million, which is up 13% from last year's $373 million. As anticipated, SG&A dollar growth reflects annualization of new hires in the prior year, primarily to support key brand initiatives, marketing investments to support our growth strategies, higher rent costs primarily related to adding global HOKA stores, increased technology expenses to enhance our operating platform, and improve data analytics, and an increase related to foreign currency remeasurement.

Our tax rate was 23.1%, which compares to 24% for the prior year. During the first quarter, we repurchased approximately $338 million worth of shares at an average price per share of $103.79. As of June 30, 2026, the company had approximately $4.7 billion remaining under its stock repurchase authorization. These results, including a lower share count from our share repurchase activity, drove diluted earnings per share of $0.94 for the quarter, which compares to $0.93 in the prior year period.

In terms of our first quarter performance, relative to the expectations we shared in May, favorable gross margin was the primary driver of our $0.07 EPS beat relative to the high end of our guidance, which is incorporated in our updated full-year outlook.

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Turning to our balance sheet at June 30, 2026, we ended June with $1.6 billion of cash and equivalents. Inventory was $808 million, down 5% versus the same point in time last year, and we had no outstanding borrowings.

Now, moving into our updated outlook for fiscal year 2027, we still expect total company revenue in the range of $5.86 billion to $5.91 billion, reflecting high-single digit growth versus the prior year. HOKA is still expected to increase low-double digits and UGG is still expected to increase mid-single digits.

We have increased our gross margin expectation to now be slightly better than 56.5%, reflecting the first quarter outperformance, while also updating our go-forward tariff rate assumption to 12.5% from the prior 10%. On the tariffs previously paid, we continue to pursue tariff refunds related to the IEEPA ruling, but have not included any assumptions regarding refunds as a part of our guidance at this time.

SG&A is still expected to be approximately 35% of revenue as we remain committed to investing in our key growth initiatives. As a reminder, consistent with our long-term framework, our investments in this fiscal year are focused on fortifying the foundation of our business and supporting the continued growth of our brands, positioning us to begin delivering operating expense leverage in fiscal year 2028 and beyond. With these updates, operating margin is now expected to be slightly better than 21.5%, reflecting an increase from our prior outlook as we flow through a higher expected gross margin. Our effective tax rate is still projected to be approximately 23%.

And we now expect diluted earnings per share in the range of $7.35 to $7.50, which represents a $0.05 increase due to our increased gross margin expectations on the year. This earnings per share guidance still assumes share repurchases with a value equal to approximately 80% of our projected fiscal year 2027 free cash flow.

Our teams remain focused on delivering the full fiscal year 2027 guidance that I just walked through. Within this full year outlook, we continue to expect growth rates to accelerate in the second half. Similar to our first quarter, our second quarter expectations also reflect the planned timing differences in our wholesale and distributor businesses, with shipments moving later in the year, as well as an impact from lapping last year's wind-down of the Koolaburra brand in Q2.

With that in mind, we'd like to provide additional context on the current quarter. In the second quarter compared to last year, we continue to expect HOKA contributing high-single digit percentage growth with acceleration in the second half of this year, UGG maintaining its mid-single digit growth rate, and other brands are expected to be down approximately 50% versus last year, primarily from streamlining our brand portfolio, with this all driving consolidated revenue up approximately 5% in Q2 versus last year.

Our second quarter gross margin is expected to be down due to tariffs and rising freight costs. While SG&A will continue to reflect first half weighted investments, leading to an expected diluted earnings per share in the range of $1.73 to $1.78.

Given the unique operational timing dynamics embedded in the first half of fiscal year 2027, the planned acceleration of revenue growth in the second half is being driven primarily by the HOKA brand in our international wholesale and distributor business. As we have said in the past, quarterly growth is not always linear, particularly for a brand like HOKA that continues to prioritize maintaining a [ph] pull (26:58) model of demand to deliver long-term, sustainable growth.

Overall, the performance of our brands in the first quarter was solid, as underlying global demand signals for our brands continue to be strong, reinforcing our confidence in the ability to achieve our increased full fiscal year guidance. Our top tier levels of profitability, robust free cash flow generation and debt-free balance sheet provide

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us the flexibility to continue fueling our long-term growth opportunities while remaining agile in the current environment.

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

Stefano Caroti

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

Thank you, Steve. As we've discussed today, our first quarter was defined by broad-based consumer demand across both HOKA and UGG, supported by compelling product innovation, disciplined marketplace execution, and strong engagement across channels and geographies. While the external environment remains dynamic, the underlying health of our brands and the quality of demand we continue to see reinforce our confidence in the opportunities ahead.

At HOKA, we're expanding consumer participation through a more differentiated product portfolio, growing international reach and building an innovation pipeline that continues to elevate the brand. With UGG, we're broadening relevance across seasons, categories and consumer segments, creating new avenues for long-term growth. At both brands, our teams are executing the strategies that we believe will strengthen our market position and support sustainable share gains over time.

Looking ahead, we remain disciplined in our approach to delivering exceptional products that resonate with our target audience, investing behind our brands, and maintaining a premium full price global marketplace. I want to thank our global teams for their passion and commitment, our retail partners for their collaboration, and our shareholders for their continued support. We're encouraged by the start to fiscal 2027 and remain confident in our ability to deliver long-term value.

Thank you for joining us today. Operator, we're now ready to begin Q&A.

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QUESTION AND ANSWER SECTION

Operator: Thank you, Mr. Caroti. Ladies and gentlemen, the floor is now open for your questions. [Operator Instructions] . We'll go first this afternoon to Jay Sole with UBS.

Jay Sole
Analyst, UBS Securities LLC

Q

Great. Thank you so much. Stefano, question for you – actually, two questions, and also one for Steve. First, you talked a lot about the new products. You talked about Clifton PRO, which is great. You talked about a lot of new products that are coming out there for HOKA. I think last quarter, you talked about how you had multiple franchises which are already almost at least $100 million in revenue. Can you just talk about how the different franchises that you're launching contribute to HOKA's ability to grow double digits beyond this year, into next year? And like what you see from things like Torrent, which you didn't mention, or Arahi or some of the ones that are – seem like they're strong but you didn't mention on the call. And then maybe just talk about Bondi 10 and what you're expecting from that as you get into the first part of calendar 2027.

And then maybe on the gross margin, you also talked about the importance of full price sell-through, and I know that's one of your top KPIs. You talked about the flexibility that gives you as a brand to continue to grow. But can you just give us an example of why it's so important to stay at a high gross margin and keep the marketplace clean? And then, Steve, can you talk about in the quarter how much upside your gross margin came from better than expected full price sell-through? Those are my questions. Thank you.

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

A

Thanks, Jay. Consumers are responding to newness and innovation, and I'm really happy with how the new product drops, new product launches are performing across the marketplace. Speedgoat 7 has been a resounding success, most recently Clifton 11 and Clifton PRO, are off to a great start. We're already seeing reorders and some customers are already topping up their spring/summer 2027 orders. So consumers are responding to newness, and that's what gives me confidence that things will continue for the second half of the year.

Keep in mind that for the second half of the year, Jay, we have a broader assortment. The broader assortment allows us to segment, differentiate the market even further, and give us the ability to expand with key strategic partners, key strategic partners to champion the brand. We'll have more differentiation there before. We have [ph] Cielo 70 (31:47) for lifestyle destinations and department stores. We have the Clifton [ph] CL (31:53) for athletic lifestyle – athletic specialty destination. We have a new Mach PRO for athletic specialty and a new shoe for sporting goods called the [ph] Fly Pace (32:05). So, consumers are responding to newness and innovation. That's what gives me the confidence that things will continue.

[indiscernible] (32:16)

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

A

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Our full price sales continues to be strong. Inventories are tight. Inventories were down 5% for the quarter. So clearly, we continue to drive the [ph] pull (32:28) model and that's very, very important to us. And we [indiscernible] (32:33) in the marketplace so consumers can buy our product full price.

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

Yeah. And Jay, just to then carry on, I think this quarter, again, demonstrates execution on our part in that high gross margin. As we said, we value it quite a bit and that is what we will strive to achieve. You can see how it helps us maintain brand credibility in the marketplace. It also works well with our partners in terms of, as we've talked about in the past, profit generation for them [indiscernible] (33:04) as well. So, those are all important elements for our brand to be successful for ourselves as well as for our partners.

When we look at Q1, to you question in terms of where we saw the overperformance, largely, it was maintaining that full price selling. As I mentioned, a component of that was better product closeout this year compared to last year. And so just to give you a bit of a bridge in terms of how we saw that, so with the better management of closeout in the quarter, we saw that as worth about 60 basis points. The full price selling, combined with some of the [indiscernible] (33:39) and brand mix in the quarter, contributed about 110 basis points. And then FX, we benefited a little bit with about 40 basis points. And then that was offset by increased tariffs in Q1 this year that we didn't have last year, which was about a negative impact of about 150 basis points. And again, that's year-over-year on Q1.

Jay Sole
Analyst, UBS Securities LLC
Q

Got it. Super helpful. Thank you so much.

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

All right. Thanks, Jay.

Operator: Thank you. We'll go next now to Adrienne Yih with Barclays.

Adrienne Yih
Analyst, Barclays Capital, Inc.
Q

Great. Thank you very much. It's nice to see the start to the quarter and UGG looks really good. So, just wanted to throw that out there. Stefano, I am going to talk about HOKA. I was wondering if you can talk about sort of the changing competitive landscape there. It's clearly not promotional anymore. But there's some new entrants in this space. There's some recovering older players that are kind of coming back in this space. Can you talk about kind of where HOKA is positioned, what you're going after kind of with your traditional performance-based product?

And then when we think about the tariffs, you are taking some price increase in last year across both businesses. There are some refunds coming back. Can you talk about, if you were to get those refunds, how will you – some of it was kind of from the vendors or will you pass any of it back? Will you kind of hold on to current pricing and not raise prices further? So, just kind of talk about some of the puts and takes on what you might do with the tariff refund? Thank you.

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

Yeah. Thanks, Adrienne. On the competitive side and how HOKA is performing across the global marketplace, hey, we continue to maintain or gain share in performance run and trail. I just saw the latest Circana data for the past three months and we've gained share above $120, which is fantastic. Our products continues to perform, and as I said to Jay's question before, the newness that is coming is resonating with the end consumer. Clifton PRO and Clifton 11 appear to be coexisting well. We have a new Mach PRO hitting the market. So, we'll continue to invest across performance run, trail, hike, training fitness and lifestyle inspired by performance. Those are the areas that we could be competing in across footwear, apparel and accessories.

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

And then, Adrienne, just on tariffs, the way we're looking at it, so clearly, we have not recorded anything related to a refund of the tariffs paid over the last year. We're continuing to work on that. Timing on that is not specific yet, but we look to see some recovery potentially down the road. And we'll be able to provide more details when we get clarity on that. We don't see it necessarily as a lump sum. It's going to most likely come in over a period of time.

And so then, to your point of kind of how we're looking at uses of that, so clearly, we will work with our partners who shared in some of that and return some of those funds to our partners. There will likely – and will be tax related to anything that we recover. So, there will be a portion on that. And then the other areas that we're going to continue to look at is what helps us drive the business forward. So, we don't have a specific list yet to articulate today but we'll look at ways that help us either drive growth in the business and/or how we also return value to our shareholders. So, those are all factors that are on the table. But we see when that happens, if that happens, is definitely beneficial to the business in terms of driving it forward.

And then just one more point kind of going forward, because I know there's, especially today, more questions around where tariffs are going. I did want to just highlight that we have increased our assumption on the go-forward rate. So embedded in our raised outlook on the year, we are actually including a higher rate assumption of a tariff go-forward rate. So where we were previously at 10%, we're now assuming that goes to 12.5%. So – and then we know we're in a volatile tariff environment. We're planning our business accordingly. And we're looking for ways that we're going to continue to drive the business forward, continue to grow awareness, continue to grow share while returning value back to our shareholders.

Adrienne Yih
Analyst, Barclays Capital, Inc.
Q

Great. Thank you. Very helpful. Best of luck.

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

Thank you.

Operator: Thank you. We go next now to Laurent Vasilescu at BNP Paribas.

Laurent Vasilescu
Analyst, BNP Paribas Securities Corp.
Q

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Oh, good afternoon. Thank you very much for taking my question. I think in the prepared remarks, it was noted that supported by continued strength of our DTC business, Stefano, Steve, can you maybe unpack that a little bit more? And then as we think about HOKA overall high-single digits for the second quarter, should we think about similar channel growth dynamics until we go to the second half of the year as we think about the launches and the timing shift of distribution – distributors? Thank you very much.

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

A

Yeah, Laurent, I'll take that last part first. Yeah, I think the important thing here, and we articulated it on the last call and just kind of want to further reemphasize this again on this call, the growth that you're seeing this year is really a change in logistics. It's not any change in assumption in demand, right? And so recall last year where we had a new warehouse that we were bringing online in Europe a year ago, that was shifting more of our wholesale and distributor orders earlier in the year, so really more first half, whereas this year, as we're ramping that up to speed, we're seeing more of a normal shift back to a more normal cadence. So, that's where you're seeing really the acceleration of growth.

To your question, how we're seeing growth outside of that change in logistics, yeah, it's fairly comparable through first half and second half. And really, what this is just us aligning to a different logistics. The demand continues to be very strong. Overall, the demand is strong for the year. We're just seeing a shift in fulfilling that demand slightly differently across quarters this year versus last.

Laurent Vasilescu
Analyst, BNP Paribas Securities Corp.

Q

Yeah. Thank you, Steve, for that. But maybe can you just unpack that comment about DTC continued strength? Like how do we think about DTC for HOKA globally for the second quarter? I appreciate you giving us color, giving us quarterly comment. But just to help for the audience, like how do we think about DTC embedded in that 2Q commentary about the top line? Thank you very much.

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

A

Yeah. Basically just a quick answer, there is not a significant change. It still continues to drive significant growth in our DTC channel this year.

Laurent Vasilescu
Analyst, BNP Paribas Securities Corp.

Q

Okay, okay. Maybe one more question. Because there's some concerns about warm weather, just curious to know if you've had any conversations with your key partners around this maybe. Are you seeing any cancellations in the order book for the second half or is that continuing to be really sturdy on that front? Thank you very much.

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

A

No cancellations to the order book, Laurent. The great thing about the UGG brand and what the team has done is that the brand is more versatile, diversified and balanced than ever before across categories, geographies, segments. Our sneakers, as I mentioned on previous calls, continue to perform well. Now, we have – we're building this Lowmel family across mules. We have the wedge that we just launched that is – that we're chasing because it's doing super well. The Minimel has done well. Our Tasman family has now become a year-round business, sheepskin but also deconstructed. We just launched the Flex, which do well. Our Golden Collection has

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done super well. The toe post – the GoldenGaze toe post, was one of key sandals' success stories this season. So, the brand is more diversified than ever before. So even – and we're less depending on the cold winter than ever before. So even if we had a warmer winter, we believe we will continue to perform and we're seeing no cancellations to the order books.

Laurent Vasilescu
Analyst, BNP Paribas Securities Corp.

Q

Fantastic. Thank you, Stefano. Best of luck.

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

A

Thank you, Laurent.

Operator: Thank you. We'll go next now to Paul Lejuez at Citi.

Paul Lejuez
Analyst, Citigroup Global Markets, Inc.

Q

Hey. Thanks, guys. Curious if you could talk about the Europe market a little bit more, what you're seeing in terms of promotional levels, also point-of-sale, and where you're seeing market share gains and what's driving it. And then Steve, I just wanted one clarification on the tariff pressure in the first quarter. Were you still running through majority of the IEEPA tariff? Is that what ran through the P&L causing that that pressure? I just wanted to understand that a little bit more. Thanks.

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

A

Yeah. Paul, on the Europe market, we continue to see high levels of demand for both brands. As I said in the opening remarks, we saw record levels of reorders for the HOKA brand in Q1. We've seen some timing differences, as Steve outlined before, in Q1, but the demand continues to be robust, really, across all markets. Yes, the consumer in Europe is probably a bit more pressured than it is in the US as a result of energy prices going up. But we're holding our own. And even in times of challenge, what I've experienced is consumers gravitate to premium brands and brands that make them feel good. So, we anticipate having a great year in Europe.

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

A

And then on the tariff, Paul, the – you're right, basically, recall last year, the inventory that we were selling through in Q1 did not have tariffs associated with that. The inventory that we're selling through in Q1 of this year didn't have tariffs on it. So, that year-over-year headwind that we – that I just called out is the tariffs that have impacted this year. Now, as we move into the year, we'll start to have a more comparable basis on that tariff paid last year versus tariff paid this year. But Q1 was the biggest headwind in terms of the four quarters that we will experience this year.

Paul Lejuez
Analyst, Citigroup Global Markets, Inc.

Q

Thank you, guys. Good luck.

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

A

All right.

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

A

Thank you, Paul.

Operator: We'll go next now to Sam Poser with Williams Trading.

Sam Poser
Analyst, Williams Trading LLC

Q

Thank you for taking my questions. I have a few. On HOKA, with the mix of the business, how much of the – both the margins and the revenue in the first quarter were driven by the decision to promote on your website versus last year? You were keeping things clean. I would assume that was both sales and margin accretive to you. How much did – am I thinking about that properly, and if so, how much did that help?

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

A

Yeah, Sam, I'm not going to give you kind of specifics because it's included in that margin overperformance. So, there is definitely a component to how we handled closeouts this year and its contribution to the gross margin in Q1. So, we definitely benefited this year kind of with that better management closeout product. It wasn't just isolated to HOKA, but in the Clifton franchise, that was a player and component within the quarter. But yeah, what you're seeing in Q1 is how we've managed closeouts better using some of that product and selling it through our direct channels, which have contributed higher gross margins and contributed to the overperformance in Q1.

Sam Poser
Analyst, Williams Trading LLC

Q

Okay. Great. Thank you. And then with UGG, I've heard that in the US, you're rethinking some of your distributions. Some smaller accounts are being cut off and some other accounts are being fed. Can you talk a little bit about, I guess, making certain accounts more important than others not? And how much of that may have been a result of last year where it looks like, let's say, in early, mid-November, you lost some – you may have gotten some cancellations which then were taken up by others and rewarding those retailers that supported you and not the ones that we're trying to cancel orders last year probably regretted it come end of December?

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

A

Our goal is to continue to build a premium marketplace, and I will be doing it for some time and we want to work with retailers to completely champion the brand year round. And that's why you've seen some changes, but the strategy doesn't change, the strategy we've applied over the past five, six years. So, things are continuing to develop according to how we set up to elevate these brands across the marketplace. So, no major changes.

Sam Poser
Analyst, Williams Trading LLC

Q

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Okay. And I just want – I asked this question before, but two years ago, you had a very early response to product that [ph] business (47:43) got cooking in August. But last year, it happened significantly later, more in the holiday. How do you look at sort of the flow of the business really – from a consumer demand perspective, like are you expecting back-to-school to be up and then see another lull – a big lull again in September, October and then have a kick-in back at Thanksgiving and have another year at the end that would look similar to last year around different volumes, but from – sort the way the chart would look on that?

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

I think we're seeing a bit more event-driven buying this year versus last year. That may be the difference we are experiencing, but I wouldn't say patterns are changing dramatically. Yes, there is a buy now, wear now component but I think we're well-prepared and we're flowing product according to key commercial moments to maximize sell-through for us and our partners. So, I don't anticipate major, major changes versus last year.

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

Yeah, I think on that, Sam, and I know we've talked about it in kind of prior quarters and [indiscernible] (48:59) higher peaks and lower valleys, and that goes a little bit to what Stefano says, is we're seeing consumers respond to more event-driven buying. The demand for our brands, we're not seeing a change. Now, we may be seeing some concentration of buying patterns, but what we see and the data reflects is kind of strong consumer response to our brands. I think our gross margins are another indication of the healthy – or health of the position of our brands in the marketplace. And yeah, we may see some more points of concentrated buying in periods of time, but demand remain strong.

Sam Poser Q
Analyst, Williams Trading LLC

[ph] Awesome (49:40). Good luck for the rest of the year.

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

All right. Thanks, Sam.

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

Thank you, Sam.

Operator: We'll go next now to Blake Anderson of Jefferies.

Blake Anderson Q
Analyst, Jefferies LLC

Hi. Thanks for taking our question. I wanted to ask, first of all, for the second half for HOKA, Steve, is there any color you can give us in terms of DTC versus wholesale? I know you talked about the delay kind of with wholesale into the second half. Does that mean that wholesale could be above DTC? Just wondering if there's any more color you could give us on how to think about the magnitude of those two channels in the second half and then any other puts and takes, especially given the level of newness as well.

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

A

Yeah, sure. I think, and this really relates again to just the logistics timing change this year versus last, where you're going to see the change is an increase in the rate of growth on HOKA in the back half due to our logistical fulfillment of the orders that are out there. So what you've seen in the first half, that growth rate being lower than the full year number, will begin to increase as you get into the back half on the wholesale and distributor orders that are international related because that's really the change that you're seeing in the acceleration in the back half. Other than that, we're not expecting a significant shift in our business.

Blake Anderson
Analyst, Jefferies LLC

Q

Got it. And then wanted to ask on lifestyle, in particular. You mentioned some of the newer products and then the Clifton PRO and Mach PRO on more of the performance side. Stefano, are there any other hints you can give us on what's in the pipeline for HOKA product or retailer segmentation for lifestyle in particular? And when do you think we could start to see a larger impact from lifestyle to HOKA's growth over time?

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

A

Yes, you'd like to see a bit more of an impact in the second half of the year. We just launched Speedgoat 2 now. We did the collaboration with Foot Locker, with the rapper call Smino on the Speedgoat 2. There's more product hitting in the spring. I mentioned [ph] Cielo 70 (51:42), a low-profile running-inspired shoe that you should see in lifestyle destinations. We're building these product families. The Bondi franchise, the [ph] Bondi CL (51:55). You should be able to see in key athletic specialty destinations. So, you'll see – in addition to colorways and materials of existing performance products that appeal to a lifestyle consumer. So, you should see a more differentiated marketplace going into the second half of the year.

Blake Anderson
Analyst, Jefferies LLC

Q

Really helpful. Thanks so much.

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

A

Thanks, Blake.

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

A

All right. Thanks, Blake.

Operator: We'll go next now to Rick Patel of Raymond James.

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

Q

Hey, thank you. Good afternoon. On the last call, you talked about HOKA expanding distribution to new wholesale partners. Can you just provide an update there? Like how many points of distribution could be added and to what extent could that be a material part of the building blocks for the back half acceleration?

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

A

Yeah, you'll definitely see some new partners, again, partners who help elevate and champion the brand, especially in sporting goods in the back half of the year, and expansion, given the broader assortment that we have with existing partners, both in sporting good and athletic specialty. I don't think we want to provide specific numbers, but you'll see an expanded distribution with elevated retailers, elevated quality retailers across really all regions in the second half.

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

Q

Great. And then for UGG, I believe in the commentary, you touched on gross margin tailwinds from the outperformance of certain lines. Can you just expand on that? And is this something that you expected or is this something that drove upside? And then as a follow-up on like maybe some context on the UGG men's business, which sounds like it's terrific and going well, just how big that is and where it can go?

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

A

Yeah, the men's business is still 50% of revenues but the goal is to get it to 20% or higher. It was one of our key growth driver this spring. We have healthier assortments, a healthier sell-through than we've had in the past and healthier margins. So, the product – the diversified product, this 365 offering that I mentioned earlier has been performing well across the marketplace, and that gives us confidence that things will continue going into the back half of the year.

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

Q

Thanks very much.

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

A

Thanks, Rick.

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

A

Thanks, Rick.

Operator: Thank you. It looks like we have time for one more question this afternoon. We'll take that now from Peter McGoldrick of Stifel.

Peter McGoldrick
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Hey, guys. Thanks for fitting me in. I wanted to follow-up on Jay's question about the full price dynamics. You pointed to 60 bps of benefit in the first quarter from lower closeout. Can you help us think about what's embedded in the outlook for the remainder of the year, and remind us of what the base year closeouts and full price foundation is?

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

Yeah, sure. Peter, I think the – in terms of the overall performance in Q1, because of the volume of the closeout that was planned in Q1, a bit of that tailwind that we received is unique to that quarter, and that's why we're calling it out as really a unique performance in the quarter. We think that as we go through the rest of the year, it is more equivalent to what we've seen in years past. So, we haven't assumed any significant change in the promotional cadence in the rest of the year. And again, we won't necessarily have the volumes that you do or some of the franchise changeovers in the models and the franchises that we have in Q1. And so, that's why it is a bit of a unique benefit to Q1.

And then again, just the expectation is we will – we'll see some pressure on the gross margin in comparison to year-ago quarters, but overall, that overperformance has helped us lift our thinking on the year. So again, the lift is primarily driven by the Q1 performance, and it's also, again, helped us reconsider the increase in the tariffs to the 12.5% go rate. So again, that's embedded as well. So with all of those factors in, that's what's led us to a slight improvement in our thinking around the gross margin for the year.

Peter McGoldrick
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Excellent. And then, the follow-up for me on gross margin, just a housekeeping item on the gross margin bridge, can you help size the underlying assumption move from 12.5% – to 12.5% from the prior 10% tariff assumption? Can you size that in basis points or EPS, however you want to represent that?

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

Yeah, we haven't called it out but what I – I'll just tell you kind of how we're thinking about it from this perspective. So, much of our inventory is in place for what we're currently selling. So as we look at the increase, there is some impact to it in Q3 and more impact on a full Q4 basis. So, we haven't called out the specific amount on that. You can calculate some of it in your model, but the assumption there is on the inventory that we'll be receiving that will sell through kind of later Q3 and Q4 will be subject to that, what is still being negotiated, I think, in terms of an increased tariff rate.

Peter McGoldrick
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Very helpful. Thank you.

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

All right. Thank you.

Operator: Thank you. And ladies and gentlemen, that will bring us to the conclusion of today's conference call. We'd like to thank you all so much for joining the Deckers Brands First Quarter Fiscal 2027 Earnings Conference Call. Please disconnect your line at this time and have a wonderful day.

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