22-Oct-2026

Deckers Outdoor Corp. (DECK)

Q2 2027 Earnings Call

Copyright © 2001-2026 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Erinn Kohler
Vice President-Investor Relations, Corporate Planning and Business Analytics, Deckers Outdoor Corp.

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

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

OTHER PARTICIPANTS

Jay Sole
Analyst, UBS Securities LLC

Sam Poser
Analyst, Williams Trading LLC

Adrienne Yih
Analyst, Barclays Capital, Inc.

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

Laurent Vasilescu
Analyst, BNP Paribas Securities Corp.

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

MANAGEMENT DISCUSSION SECTION

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

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

Erinn Kohler

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

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

Before we begin, I would like to remind everyone of the company's Safe Harbor policy. Please note that certain statements made on this call are forward-looking statements within the meaning of the federal securities laws, which are subject to considerable risks and uncertainties. These forward-looking statements are intended to qualify for the Safe Harbor from liability established by the Private Securities Litigation Reform Act of 1995.

All statements made on this call today, other than statements of historical fact, are forward-looking statements, and include statements regarding our ability to drive profitable growth, brand health and long-term value, the macroeconomic and consumer environment and related impacts on our business and operating results, including the expected persistence of current consumer and promotional trends, our current and long-term strategic

Copyright © 2001-2026 FactSet CallStreet, LLC

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, including the expansion of our wholesale presence and our brands' lifestyle, apparel and year-round product offerings, 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, including anticipated revenues, gross margin, SG&A expenses, operating margin, effective tax rate, promotional activity, anticipated rate of full price selling and earnings per share, our cost management and resource allocation actions, the anticipated effects of corrective actions related to our European third-party logistics provider, 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 changes in consumer demand, foreign currency exchange rate fluctuations and changes to trade policies, including the amount and timing of any future tariff refunds, 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, free cash flow, and certain results and outlook measures presented excluding the net benefit of IEEPA tariff refunds and related interest, such as diluted earnings per share, gross margin and operating margin.

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 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.

The company defines free cash flow as net cash provided by operating activities for a particular period, less capital expenditures made during that same period, and 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

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

Thank you, Erinn. Good afternoon, everyone, and thank you for joining today's call. In the second quarter, Deckers delivered another solid results. We expanded our global presence, performed well in multi-brand environments, and delivered a high mix of full price sales. For the quarter, total company revenue grew 3.5% versus last year, with HOKA, and UGG increasing 7% and 4%, respectively. Diluted earnings per share was $2.31, including a $0.28 benefit from the impact of IEEPA net tariff refunds received in the quarter. Excluding this

Copyright © 2001-2026 FactSet CallStreet, LLC

benefit, diluted EPS would have been $2.03, well above the high end of our guidance range and up 11.5% versus last year.

Despite some top line pressure, we maintained healthy gross margins, delivered global growth and continued to invest in the long-term strength of our brands. Our commitment to full price selling and disciplined expense management demonstrates the resilience of our operating model and the value of our strategic approach to growth.

As consumers face increasing economic pressure, our updated fiscal year outlook reflects a more measured approach to growth over the next two quarters. Consistent with our strategic framework, we're making deliberate choices about how we compete, win and grow our brands. We will continue to prioritize margin preservation and long-term value over chasing potential incremental near-term revenue that could dilute our brands. We will use our flexible expense levers to stay agile and protect the integrity of our premium global brands.

Against the backdrop, I will now share what we are seeing across the business and the operating environment, along with the actions we're taking to build on what's working and address the areas where we see opportunity for improvement. International continues to be an area of strength for our brands. Within international, APAC delivered our highest percentage growth, and it was a meaningful contributor to incremental year-over-year dollar growth in the second quarter. International markets serve as a proving ground for our brands in emerging categories. With UGG and HOKA still in the earlier stages of development in many of these markets, these consumers often view our brands through a broader lifestyle lens, helping to influence trends that later gained traction in other regions.

In EMEA, demand signals remained strong. However, service disruptions at our third-party logistics provider during a peak shipping period affected the timing of certain shipments. While this impacted revenue in the quarter, we've taken corrective action with our partner to restore normal operations, improve visibility and reduce the risk of future disruptions.

In the US, we saw promotional activity increased throughout the quarter, particularly in athletic footwear, which weighed on our US e-commerce performance as we maintain full price discipline. We also observed two shifts in consumer behavior: consumers increasingly seeking discounts, concentrating traffic around promotional events; and consumers becoming more purposeful in their spending and prioritizing products with immediate relevance and utility.

Given the trends across our brands and the growing pressure on consumers, we've identified areas where improving execution can have a meaningful impact. Our objective is to deliver healthy market share gains even in a more challenging environment. These actions are grounded in our four guiding principles of consumer first, brand-led, innovation forward and globally driven. Along with our playbook, these key pillars are designed to support sustainable brand growth and create long-term value for shareholders.

As we look ahead, we're focused on, first, delivering product excellence. We have a robust innovation pipeline designed to deliver tangible consumer benefits, reinforce the positioning and credibility of our brands, and create meaningful new revenue streams. We will maximize its impact through sharper franchise segmentation, clear differentiation, elevated design, and purposeful innovation that is commercially relevant and directly connected to consumer demand.

Second, elevating marketing capabilities. We are strengthening our global marketing capabilities so our products connect with consumers more meaningfully. Through sharper brand storytelling, more impactful consumer

Copyright © 2001-2026 FactSet CallStreet, LLC

messaging and more compelling experiences, we will build deeper engagement across our growing global audience. This integrated approach will also enable us to deploy resources more effectively, and generate greater consistency, leverage and returns from our marketing investments.

Third, strengthening marketplace execution. Consumer behavior is changing rapidly and we're evolving how we show up. We're focusing our resources in the channels, platforms and points of sale where consumers are most engaged and purchase intent is highest. By amplifying our digital presence, deepening engagement, enhancing loyalty programs and elevating execution at point of sale, we can meet consumers more effectively and convert interest into demand.

And finally, continue to apply disciplined cost control and resource allocation. We're making clear choices, moving faster, and prioritizing initiatives that we believe will deliver the greatest results. This approach will help us manage cost pressures, spend efficiently, and concentrate resources on the actions that will most effectively support the long-term health of our brands.

Steve will provide more detail on our second quarter financial performance and updated fiscal 2027 outlook later in the call. Before that, however, I will review HOKA and UGG's second quarter performance, and discuss how we expect current trends to develop through the balance of the year.

Starting with HOKA, global revenue in the second quarter increased 7% versus last year to $677 million. HOKA growth versus last year was driven by both wholesale and DTC. HOKA wholesale increased 9% to $444 million, while DTC grew by 4% to $234 million. HOKA continued to perform well across our global wholesale accounts, with strong sell-through in domestic and international regions. Consumers are increasingly turning to wholesale partners, both in stores and online, to explore and compare brands in multi-brand destinations, and HOKA continues to deliver a high degree of full price selling. This performance reinforces the brand's premium positioning and the strength of key franchises.

While HOKA maintained strong performance in a competitive wholesale landscape, DTC results were uneven across markets. While the international DTC growth remained robust, US performance was pressured amid a highly promotional US environment, particularly in the athletic footwear category. Across the business, our core franchises performed well, led by Bondi. The introduction of Clifton PRO, a well-received extension of the Clifton franchise, also contributed to that success. However, feedback from consumers and wholesale partners indicated that some of the franchise updates in calendar year 2026 did not resonate as well. That feedback highlights where we have an opportunity to improve for future seasons, starting with spring 2027. We remain focused on continuing to deliver high-quality growth with our wholesale partners while also improving DTC execution.

Across the global marketplace, we will continue to focus on distinctive performance product franchises that reinforce our innovation credibility, convert awareness into a broader base of lifetime consumers and expand the HOKA brand's authentic relevance in lifestyle. As we advance these initiatives, we're confident it will improve our ability to capture market share moving forward.

Specific to our product pipeline, our work to sharpen franchise segmentation is already in flight. Let me provide further insight into the work we're doing. On the performance side, we have a clear approach across the Glide and Fly collections that I shared on last quarter's earnings call. We will extend our leadership in max cushioning through Glide and expand our speed platform with Fly.

Within the Glide collection, Bondi 10 launches in January, introducing an upgraded dual density supercritically foam midsole with streamlined design built for performance runners looking for premium cushioning and comfort.

Copyright © 2001-2026 FactSet CallStreet, LLC

I'm confident Bondi 10 will be a standout performer. In our Fly collection, we'll launch Mach Pro in April, which brings a bold new aesthetic and ATPU midsole to our fastest performance [ph] forward (14:04) franchise designed for daily training. Testing of Mach Pro has been exceptional and bookings are very strong.

Then in early fall, we'll build on that momentum with another major update to the Mach franchise. We recently previewed Mach 8 with several major accounts, and the reaction was excellent. In addition, we'll be expanding our price architecture in both directions, up and down, broadening access while elevating the pinnacle of the brand.

In the first half of calendar 2027, we'll introduce two powerful expressions of this strategy. Fly Pace in January at $115 will welcome a new consumer into HOKA, and Bondi Ultra X in June at $325 will deliver our softest, most cushioned ride for consumers seeking the very best. Bondi Ultra X represents a major leap forward in HOKA innovation, featuring a triple density ATPU midsole that takes maximum cushioning to a whole new level.

Turning to lifestyle, we have a three-pronged approach. First, we're building on the success of archived models such as Mafate Speed 2 with modernized applications, taking insights from early success we're seeing in certain markets to influence opportunities across the globe. Second, we'll expand Bondi and Clifton through fresh colors and new materials that unlock more wearing occasions to drive greater franchise segmentation and differentiation across the marketplace. And third, we will cede new models like Cielo 70, a lower profile silhouette inspired by running shoes from the 1970s and designed to bring new lifestyle consumers into the brand.

As we build the lifestyle opportunity for HOKA, we're applying the same authentic approach that established the brand's performance credibility. We're staying grounded in our performance heritage while building lifestyle relevance through differentiated product and consistent storytelling, refined season over season based on consumer and partner insights. Positive feedback from key accounts reinforces our belief that we're building momentum with our target consumer and have ample opportunity to take share in this category. We have a powerful product pipeline across performance and lifestyle, grounded in meaningful innovation, clear segmentation and disciplined distribution. That combination will help us reach more consumers, strengthen the brand at every level, and drive the next phase of HOKA growth.

Delivering differentiated products is only part of the equation. We must also connect innovation with consumers in more compelling and impactful ways. Working with external experts, we reviewed the deployment of our marketing investments and are making changes to improve its effectiveness and efficiency. We're clarifying HOKA brand messaging, sharpening product storytelling, and broadening our content to resonate with a larger audience.

Specific to our third quarter, we're focused on executing a strong holiday season for HOKA, maintaining the strength of full price demand while preparing the marketplace for key launches in our fiscal fourth quarter. We remain focused on protecting what makes the HOKA brand distinctive while raising the level of execution needed to capture the significant global opportunity ahead.

Moving on to UGG, global revenue in the second quarter increased by 4% versus last year to $786 million. Growth was driven by wholesale, which increased 7% to $641 million. This was partially offset by an 8% decline in DTC, which delivered $146 million in the quarter. With the second quarter being a largely selling quarter for the brand, wholesale performance was healthy across the US and international regions, which sets the stage for the upcoming holiday season. In addition, we continued to see very positive indicators of brand health and interest, giving us confidence that UGG is well-positioned for peak season.

Copyright © 2001-2026 FactSet CallStreet, LLC

At the same time, pressures on consumers are prompting some to delay purchase until closer to need. We believe that this shift toward a more deliberate buy now, wear now purchasing behavior makes it even more important to give consumers compelling reasons to choose UGG across a broader range of styles and occasions.

Across the globe, consumers are responding to elevated product that is distinctly UGG, gravitating toward fresh expressions of our iconic franchises, as well as new styles that bring recognizable UGG brand codes into new and unexpected categories. In Q2, we drove success with Lowmel, continued to build the UGG brand's relevance in sneakers, Goldenstar Evelina extending our presence in clogs, and Zora and Quill demonstrating the brand's ability to quickly adapt to fashion trends.

We're also seeing growing demand for UGG head to toe, with fleece-led apparel driving engagement and reinforcing the brand's potential to cement itself as a premium global lifestyle brand. The goal now is to bring these innovation stories to a broader audience. Our most loyal consumers look to UGG for what is next, and we're focused on extending that excitement across a broader consumer base and all genders.

Classics and Tasman are already well-established franchises, while we're building Lowmel, Golden, Zora and Quill into more meaningful contributors. This delivered season-by-season approach is designed to create hero franchises with lasting relevance. As awareness grows, these franchises can expand how consumers engage with UGG across categories and wearing occasions.

During the quarter, our teams created urgency through scarcity, timely restock messaging and culturally relevant product stories. Sunburst Classic Tall and Classic Mini Dipper Legwarmer demonstrated the effectiveness of the strategy, with early season demand exceeding our expectations. These successes show that consumers continue to respond to compelling styles and fresh expressions of the brand even in a more selective spending environment.

As we move deeper into UGG season, our focus is on applying those learnings more broadly and raising our level of execution across the business. That means being more purposeful in how we tell our product stories, creating greater energy and urgency around key franchises and newness, and driving elevated consumer engagement through sharper alignment across product, marketing and marketplace execution.

Building on the encouraging response to key styles, our teams are hyper focused around a key action plan to deliver the UGG brand's largest quarter in its nearly 50-year history. We will support peak shopping periods with coordinated marketing and enhanced digital experience and compelling product storytelling anchored in our Gift the Feeling holiday campaign. Throughout the third quarter, we remain disciplined in how we drive digital conversion and execute peak shopping periods, while managing promotions selectively to protect the long-term health of the brand. I'm excited to see the brand activations come to life this holiday season.

With that, I'll now hand over the call to Steve, who will provide more detail on our second quarter financial results and updated fiscal year 2027 outlook.

Steven J. Fasching

Chief Financial Officer, Deckers Outdoor Corp.

Thanks, Stefano, and good afternoon, everyone. As Stefano outlined, second quarter performance reflected a combination of continued international momentum and solid performance in multi-brand environments, combined with softer US DTC trends and fulfillment challenges associated with our EMEA third-party logistics transition.

Copyright © 2001-2026 FactSet CallStreet, LLC

As the quarter progressed, the US marketplace became increasingly promotional. However, we remain disciplined in how we manage the marketplace, protecting full price selling and prioritizing the long-term health of our brands. That discipline is reflected in our financial results. While revenue came in slightly below our expectations, our continued focus on full price selling and expense management contributed to exceptional gross margin and earnings per share performance. Importantly, these results demonstrate the flexibility and the resilience of the Deckers operating model even in a more pressured environment.

As we execute against the actions Stefano outlined, our financial strength gives us the capacity to continue investing behind our brands while remaining disciplined in how we allocate resources. We believe that balance, protecting profitability today while investing behind our most compelling long-term opportunities, remains fundamental to how we aim to create sustainable value over time.

Now, let's get into the details of second quarter results. Second quarter fiscal 2027 revenue came in at $1.48 billion, representing an increase of 3.5% versus the prior year. Performance in the quarter was driven by HOKA and UGG, which increased 7% and 4% versus last year, respectively. And our other brand segment was down 54% versus last year, primarily due to lapping the final quarter of impacts related to the wind-down of standalone operations for the Koolaburra brand.

As Stefano mentioned, we saw some top line pressure against our original expectation for the quarter as a result of shipping delays related to our European 3PL transition, as well as some e-commerce softness. The amount of the 3PL shipment delays impacting the quarter was approximately $22 million. The softness in our domestic DTC business was largely offset by better than expected wholesale sell-in across the globe.

Gross margins for the second quarter was 60.5%, up 430 basis points from last year's 56.2%. Second quarter gross margin included an approximate 310-basis point benefit from IEEPA tariff refunds, net of cost sharing arrangements with our independent manufacturers. The underlying 120-basis point improvement was driven by favorable full price selling and favorable product mix.

SG&A dollar spend for the second quarter was $506 million, up 6% versus last year's $477 million. The total SG&A expense was below our prior expectations for the quarter, reflecting cost management actions to better align spend with lower revenue growth, while marketing and technology remain the primary drivers of year-over-year investment. This led to an operating margin of 26.3%. Excluding the net IEEPA refund benefit, our operating margin was 23.2%, 40 basis points above last year's 22.8%. Our tax rate was 22.4%, which compares to 21.7% in the prior year quarter.

During the second quarter, we repurchased approximately $299 million worth of shares at an average price of $93.65. Over the first six months of fiscal year 2027, we have repurchased $637 million, representing approximately 5% of our outstanding common stock, pacing well ahead of what we signaled at the beginning of the year. This continues to demonstrate our commitment to returning capital to shareholders through disciplined share repurchases while utilizing our strong free cash flow. As of September 30, 2026, the company had approximately $4.4 billion remaining under its stock repurchase authorization.

These results culminated in diluted earnings per share of $2.31 for the quarter, which is $0.49 above last year's $1.82 diluted earnings per share, representing EPS growth of 27%. Excluding the net impact of the IEEPA tariff refunds and related interest, diluted earnings per share was $2.03, representing growth of 11.5% versus last year.

Copyright © 2001-2026 FactSet CallStreet, LLC

Turning to our balance sheet at September 30, 2026, we ended September with $1.2 billion of cash and equivalents. We continue to tightly manage inventory, which was up 3% versus the same point in time last year to $861 million. And during the period, we had no outstanding borrowings.

Now, moving into our updated outlook for fiscal year 2027. As Stefano outlined, our updated outlook reflects a measured approach to revenue growth in the current landscape, maintaining our focus on protecting brand health and profitability. Importantly, we are maintaining our operating margin outlook, and in large part, maintaining our prior EPS expectations before the benefit of net IEEPA tariff refunds. Then, with the net impact of refunds received to date, we are increasing our full year EPS outlook.

With that in mind, let me walk you through our expectations for fiscal year 2027. Total company revenue is now expected to be in the range of $5.7 to $5.725 billion, with HOKA now increasing by a high-single digit percentage versus last year and UGG now increasing by a low-single digit percentage. We are increasing our gross margin expectation to now be approximately 58.5%, reflecting slightly better performance, as well as the approximate $88 million IEEPA tariff refund benefit in cost of sales, which is net of cost sharing arrangements with our independent manufacturers for amounts received to date in both the second and third quarter, representing approximately 90% of the amounts we have submitted. We have not factored any remaining unreceived amounts in our forward-looking guidance.

SG&A is now expected to be approximately 35.5% of revenue as we manage costs with disciplined and reduced dollar spend in response to lower revenue growth expectations, resulting in a slightly higher percentage of revenue, with these all culminating in a raised operating margin expectation of approximately 23%, inclusive of the net IEEPA tariff refunds received to date.

Our effective tax rate is still projected to be approximately 23%, and we now expect diluted earnings per share in the range of $7.80 to $7.95. This earnings per share guidance now includes IEEPA net tariff refunds and associated interest received to date, and assumes share repurchases with a value of $1 billion in fiscal year 2027. Excluding the benefit of IEEPA net tariff refunds received that are now reflected in our outlook, gross margin would be increasing to 57%, and our full year operating margin would still be slightly better than 21.5%, highlighting our discipline and expected preservation of high-quality selling.

To provide a little insight on the third quarter, as we are comparing to a very strong quarter last year, we are expecting third quarter total company revenue growth to be in the low-single digits, with UGG expected to grow low-single digits and HOKA anticipated to deliver low to mid-single digits in the third quarter.

Our expectations have factored continued strength internationally, along with anticipated ongoing pressures in the US market, primarily impacting DTC. Third quarter diluted EPS is expected to be in the range of $3.52 to $3.60, which includes an IEEPA net tariff refund benefit of approximately $0.24.

With this third quarter context in mind and our updated full year outlook, we recognized this implies acceleration of revenue growth in the fourth quarter for HOKA. This expectation reflects our confidence in continued international demand signals and includes the benefit of planned global product launches Stefano discussed earlier. As always, these forward-looking statements are subject to the risks Erinn outlined at the beginning of the call.

In closing, our second quarter results represent the flexibility and the resilience of the Deckers operating model. Our high levels of profitability and strong balance sheet provide the opportunity to make targeted investments that we believe can support future market share gains and drive sustainable long-term growth.

Copyright © 2001-2026 FactSet CallStreet, LLC

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

Stefano Caroti

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

Thank you, Steve. As we look ahead, we remain confident in the power of HOKA and UGG and the significant long-term opportunities in front of both brands. We recognized that the consumer landscape continues to evolve, and we are operating with the agility and discipline required to respond. We will remain laser focused on protecting our premium brand positioning, driving growth with a high degree of full price business, managing inventory with discipline, building clear channel and franchise segmentation, while preserving industry-leading levels of profitability. Fundamentally, our long-term goals remain intact, and we believe in the significant runway ahead for both HOKA and UGG.

Our brands are strong, our balance sheet provides flexibility, and our operating model allows us to move decisively without sacrificing the long-term health of our brands. We believe that this combination positions Deckers well to navigate the near term and capture the substantial opportunities ahead.

Before turning to Q&A, I'd like to mention a board update we announced today. We are pleased to welcome Rati Sahi Levesque to the Deckers board, effective December 1. Rati brings more than 15 years of leadership experience in the retail industry, with deep expertise in digital innovation, brand positioning, elevating brands online and consumer engagement. I'm super excited to have Rati joined the board and bring her expertise, especially her deep knowledge within the digital commerce channel. We look forward to working with Rati to advance our disciplined growth strategy.

I also want to thank Lauri Shanahan, who will retire from the board when Rati joins. Lauri has been a tremendous asset to me and to Deckers through a period of exceptional growth. Her knowledge, passion and insights have been incredibly valuable, and we're grateful for Lauri's immense contribution, dedication and service to Deckers. We wish her all the best.

Thank you for joining us today. We'll now open the call for questions.

Copyright © 2001-2026 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Operator: The floor is now open for questions. [Operator Instructions] Our first question is coming from Jay Sole with UBS. Please go ahead. Your line is open.

Jay Sole
Analyst, UBS Securities LLC

Q

Great, thank you so much. I'm going to start with one question, then I do have a follow-up. Stefano, clearly, you're protecting the health of the brand. You're playing the long game. Lowering the guidance for both brands right now to high-single digit and low-single digit, how do we think about the long-term guidance that we've talked about in May, with HOKA being potential growing low-double digits through fiscal 2030 and UGG being mid-single digits? Can you get back to that algo going forward next year? If so, how? Just if you can tell us how you feel about that, that'd be great to start. Thank you.

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

A

Yeah, of course. Hey, Jay. I think we're only six months into the guidance we shared. The near-term challenges do not change my belief in our brands and their potential for growth. As you know, growth is never a straight line, and in this environment, we don't want to trade brand equity for short-term revenue. We need to manage the next couple of quarters with discipline. At the same time, we need to keep investing in the opportunities that will drive long-term growth. And the discipline starts really with the quality of our growth. Not all growth is healthy, not all growth is profitable, not all growth is brand enhancing. And I assure you we'll compete aggressively, but we're not participating in the race to the bottom.

Experience has taught really all of us that the right approach in this environment is to continue to build your brand, to keep inventories tight and to really focus on full price selling. So, our brands continue to be healthy. Engagement is strong. Our strategy, we believe, is sound and our premium model continues to support attractive margins. So, our vision remains largely intact at this point in time.

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

A

Yeah, Jay, it's Steve. Just to kind of add on that, I think the most important thing is these brands are healthy and we're controlling them in the marketplace. And so, the take-down that you're seeing reflected in this year is more an indication of what we're seeing in the current environment. It is not indicative of what we see for these brands kind of going forward. So, the brands are in healthy shape. This is our ability to control the market and to control pricing and margins and profitability.

And we just think, given some of the pressures that we're seeing in the market, some of the level of promotion that's going on in the market, especially with our competitors, this is the right step for us and for our brand health, and in the long term, these brands will continue to do well. And I would just be careful about kind of extrapolating what we're doing in a quarter or two into any indication of what this represents for the brand over the long term. We believe and have high confidence in what these brands can do over the long term.

Jay Sole
Analyst, UBS Securities LLC

Q

Copyright © 2001-2026 FactSet CallStreet, LLC

Got it. I mean, that makes total sense. If I can follow-up on that, Steve, obviously, I think gross margin this quarter better than the Street had modeled, even though wholesale grew a lot faster than DTC. Can you just talk about what drove the gross margin upside?

And then maybe, Stefano, for – obviously, there's a lot of promotions out there from your competitors in the athletic footwear space across the wholesale channel. What do you think the marketplace gets clean? When do you think that sort of like this maybe irrational pricing that's out there sort of gets back to a more rational level where maybe full price selling doesn't get hit so much?

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

Yeah. You go first.

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

Yeah, I'll start first. So Jay, kind of in terms of that 120-basis point improvement that we talked about outside...

Jay Sole
Analyst, UBS Securities LLC
Q

[indiscernible] (37:20).

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

Yeah. So, that really was kind of split evenly between full price selling and product mix. And so, I think it was – as we look at what drove that, it was higher margin product selling through better, as well as us maintaining our full price selling environment. So where we saw others being more promotional or heavily promotional, we stayed out of that. We were not getting as aggressive in our promotion levels. We do know that weighed on our DTC performance in the US as a result. But again, to just Stefano's point, we don't want to chase revenue that is not productive to the brand or profitability. And so in pulling back on that, we actually performed better from a margin perspective.

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

If you're concerned about the marketplace and how soon it will be clean, Jay, I don't have a crystal ball, but what I see is that the second summer 2027 and the fall, we look better. What I can assure you is that in the transition of our models, there was a bit still of an overhang of Clifton 10 when we introduced Clifton 11, but that will be very, very clean of Bondi 9 when we introduce Bondi 10 in January. So, I'm confident that we will be quite clean in the marketplace and that will allow us to continue to drive full price business.

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

Yeah, and I think just one more thing to add on that, Jay, is look, we're also watching to see what competitors are doing. We don't want to enter that race to the bottom. There's a lot of promotional product out there. There's a lot of product in the inventory that's weighing, especially in the athletic footwear space. Our belief is if we steer clear of that, it maintains better brand health over the long term. You're seeing in the current quarter how it's driving better margins. So, this will serve us better in the long run and that's really a big driver of, again, the reduction.

Copyright © 2001-2026 FactSet CallStreet, LLC

Operator: Our next question is coming from Adrienne Yih with Barclays. Your line is open.

Adrienne Yih
Analyst, Barclays Capital, Inc.

Q

Thank you very much. Good afternoon. Stefano, I guess my question will still be on the promotional environment. We know that there is kind of an excess of inventory in kind of that lifestyle category, but it now also sounds like it's kind of [ph] all fit (39:45) in the performance category. Is it broadly that athletic footwear in general is promotional, and therefore, you end up competing against lifestyle products that are also promotional in the marketplace?

And then secondarily, UGG is it's really in my mind and the call out has been it really is a brand moment, a little bit more on the [ph] brown shoe (40:10), a little bit of a non-athletic look to it. So I guess the question there is, are you holding back some sell-in because it is promotional out there? Do you see the order book sort of building into spring/summer? As I said before, I think that you have some of the most newness that you've had in a couple of years and it literally looks fantastic. So, just a little bit more color commentary on the [ph] sales miss (40:35) there? Thank you.

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

A

Yeah. Adrienne, hi. Let me start with UGG. Buy now, wear now is real and consumers are purchasing closer to need. To your point, what is very encouraging is that our 360 strategy is paying off and it's really working across categories and also seasons and wearing occasions. Our growth is increasingly driven by sneakers, shoes, flats, clogs, apparel, and consumers are indeed responding to newness. Keep in mind that we've also been allocating our key styles to ensure scarcity full price selling. So some of the new products that the team has delivered, Quill, Zora, Evelina clog, have been really standouts. And the way that we've also dimensionalized the Lowmel franchise has been really resonating. So, we are looking forward to have – things are slower than we would like at this present time, but we're confident the consumer will show up because the brand is super healthy and consumer engagement is strong.

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

A

Yeah, on the first question, Adrienne, maybe I'll take a first shot and Stefano cam jump in. In terms of kind of the difference between performance and lifestyle, clearly, I think one dynamic that we're seeing in the current environment is some people are wearing performance as lifestyle. So anytime you have heavy promotion in performance, it is carried over to an individual who may be wearing performance for lifestyle. So, that is creating kind of this promotional clout, I think, over the environment. That's what we're trying to stay out of. Clearly, there are going to be elements that will always be promotional [indiscernible] (42:21) product and so forth. What we don't want to get into is a heavy promotional environment where you're seeing a lot of promotion across multiple franchises, and that includes both brands. And so, this is just our step to say some of our competitors want to be very promotional. We don't need to enter that competitive promotional environment. Our brands are healthy. We can maintain better health just by staying clean with a bigger focus on that full price selling.

Operator: Our next question is coming from Laurent Vasilescu with BNP Paribas. Your line is open.

Laurent Vasilescu
Analyst, BNP Paribas Securities Corp.

Q

Copyright © 2001-2026 FactSet CallStreet, LLC

Thank you. Good afternoon. Thank you very much for taking my questions. I wanted to ask, Steve, Stefano, I think at the beginning of the year, you guys called out that HOKA DTC would outpace HOKA wholesale. I'm just curious – and I think on UGG, it was supposed to be equal balanced growth between both channels. So with the revised guidance, any chance you can give us some like updated thoughts on how we should think about those channels across both brands for the year? And then I've got a follow-up question on the gross margin. Thank you.

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

A

Yeah, sure. Just related on HOKA, I think from an international perspective, we still believe that to be true, what you stated. Where we're seeing the pressure more is in the US market. So, that dynamic has changed a little bit. With the pressure that we're seeing in the US and where we're trying to remain as clean as possible within our e-commerce platform especially, that's where we're seeing some of the pressure, where consumers may be finding product through wholesalers, through wholesale online at heavier promotions. We don't want to enter into that promotional environment within our e-commerce. Again, we'll have some level of promotion, but we don't want to get overly promotional. That's putting a little bit of pressure on that DTC growth. So, that dynamic within the US has shifted a little bit, where we'll now expect to see wholesale growth in the US outpace DTC growth.

Laurent Vasilescu
Analyst, BNP Paribas Securities Corp.

Q

Okay. Very helpful. And then, I wanted to ask a housekeeping question. The $22 million shift, is that – in Europe, is that a shift, Steve, or is that kind of just lost sales?

And then on the gross margin question specifically, ex IEEPA tariffs, they were up. I think you were calling them to be down for 2Q. For 3Q, it's a little bit hard for us to model so far but – because there is an IEEPA benefit in 3Q on EPS, but should – how – ex IEEPA, should we think about your 3Q gross margins up or down? Thank you very much.

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

A

Yeah, sure. So first, starting on the European shift, so that $22 million, it's not a full shift into Q3. Some of it will get potentially pushed out longer and some of it may get cancelled, right? So again, we'll have to see how the environment plays out. Right now, the way we've modeled it is not all of it carries through into the back half of the year. A portion of it will move in and some of it is risk of cancellation.

In terms of the gross margin, I think your question was, how does it compare to the prior – to the kind of prior guide, we didn't give a prior guide kind of on the quarter. Really, the assumption, if you kind of look at a bit of Q3, is there is the IEEPA benefit, which we haven't necessarily called out but you can calculate it. That's going to drive an overall net improvement in the gross margin. There will be some slight offset to that that we're anticipating, which is higher freight rates, as well as a slight increase in the promotion environment. So again, we won't get highly promotional, but we are anticipating the promotional level to increase slightly. So, net overall positive driven by the IEEPA tariff refund that we've received to date, partially offset by some pressure on rising freight rates and a slightly increased promotion assumption.

Operator: Our next question is coming from Sam Poser with Williams Trading. Your line is open.

Sam Poser
Analyst, Williams Trading LLC

Q

Copyright © 2001-2026 FactSet CallStreet, LLC

Thank you very much for taking my question. I'm just going to follow-up on Laurent's question. I believe he asked if compared to last year, how to think about the gross margin – last 3Q, how to think about the gross margin in 3Q 2027 without the IEEPA refund? So, that's what he wanted – I think that was the question. So, I [ph] wanted to bring (47:21) an answer to it.

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

Yeah, no, I think that's the way we're thinking about it, is in terms of kind of compared to last year as well, we will get a net improvement driven by the IEEPA refund, and then a partial offset from higher freight rates this year versus last year and a slight increase in promotion activity this year versus last year.

Sam Poser Q
Analyst, Williams Trading LLC

Okay. All right. The thing is, is that we're going to have to take out these benefits in Q2 and Q3 of next year. So, if you gave us – like we know that you are at 57.1%, I believe, in Q2 without IEEPA. Can't you just give us where you're guiding without it?

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

Sure.

Sam Poser Q
Analyst, Williams Trading LLC

Because we're going to take it out next year anyway and it's going...

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

Yeah, yeah.

Sam Poser Q
Analyst, Williams Trading LLC

...to be – all the numbers are going to be wrong unless you give it to us.

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

Sure, sure. So if I give it to you in terms of last year, last year Q3, we were at 59.8% on the gross margin. What we're implying is just north of 60% in the current quarter. The way you can break that out is a little more than 200-basis point IEEPA tariff refund impact, offset by 150 basis points related to mostly freight with a little bit of promo. So up, call it 210 basis points, off by 150 basis points. That net is the increase you're seeing year-over-year.

Sam Poser Q
Analyst, Williams Trading LLC

Thank you. And then with the Bondi transition to the – from the Bondi 9 to the Bondi 10, when are you going to break price on the Bondi 9 to ensure that you're clean when the Bondi 10 comes out in January?

Copyright © 2001-2026 FactSet CallStreet, LLC

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

A

Well, first of all, it's already pretty clean because the Bondi 9 continues to perform very, very well across the marketplace at full price. I believe the markdown cadence starts around Cyber, but let me get back to you on that, Sam.

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

A

Yeah, part of that, Sam, will depend on inventory levels and kind of where we want to go. But to Stefano's point, sell-through of the Bondi 9 right now continues to be very strong at full price.

Operator: Our next question is coming from Jonathan Komp with Baird. Your line is open.

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

Q

Yeah, hi. Thank you. Good afternoon. I want to follow-up just on HOKA in the US wholesale marketplace. When you look at indicators of sell-through in wholesale, are you seeing any similar dynamics where you maybe are still losing out on some sales to brands that are being more promotional? And as you think about total growth for the wholesale category for HOKA, how far of a runway or visibility do you have on the distribution front and the new doors that could sustain total growth, even though it's a more difficult sell-through marketplace?

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

A

Yeah. Let me start with the second part, Jon. As you know, we're still in much less distribution than many of our peers in sporting goods, athletic specialty, especially. In run specialty, we're pretty covered. So, ample opportunities for us in terms of expansion. And now that we have a line, a collection, an offer that allows us to segment the market more purposefully, we'll be able to differentiate accounts more meaningfully. So starting with spring, you should see the continued thoughtful expansion of our wholesale distribution in the US, which will continue in the fall, not just in the US, in Europe as well, because the line now allows us to do so.

Regarding the first part of your question, we continue to gain share above $120, and we continue to be the leading performance running brand in the US at a premium price line. So, where we potentially lose share to others are the more compressed price points, below $120, where the competition is greater.

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

Q

Okay. And can you comment at all, when you look at a few of the new model changeovers that didn't go as planned, are you making significant changes as you look ahead or is it more tied to the product features on the Bondi 10 and others? Just any more color there...

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

A

No, no, no, good question. So as I referred in the remarks, some products didn't go as planned. I refer to Transport, Kawana and Solimar. Others have performance [indiscernible] (52:41). Speedgoat 7, Arahi 9, Stinson 8 continue to do well – are doing very well across the marketplace. I am very encouraged by what Robin and team have crafted and created for spring/summer 2027 and fall 2027. The lineup of new products, and I'm talking

Copyright © 2001-2026 FactSet CallStreet, LLC

about not just Bondi and Clifton, which have been received very, very well, but the supporting cast, Mach Pro, well-received, [ph] booked (53:17) super well, Mach 8 early in the fall, best Mach to date, also been very, very well-received by the market. So, the supporting lineup of products and some of the upgrades that are coming across performance and lifestyle will be very strong. Cielo 70 will help us attract a new consumer. And these extensions of Bondi and Clifton with material applications and colors to appeal to the lifestyle consumer, also very well-received. So, I am very confident that the lineup we have, the collection we have for spring and fall will allow us to get the US market back to growth.

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

Yeah, I think [ph] I'll mention, too (54:02), with some of the updates that you'll see in 2027 are more significant than the updates you saw in 2026. And that's kind of really what Stefano is highlighting, is that the updates you saw on some of these were not as significant as what you will see next calendar year.

Operator: Our next question is coming from Peter McGoldrick with Stifel. Your line is open.

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

Hey, guys. Thanks for taking my question. I wanted to ask on the UGG brand as we enter a holiday. With UGG wholesale performing better than DTC, can you help us think about the assumptions around retail sell-through and replenishment embedded in the low-single digit growth outlook for the December quarter? And then how do those assumptions compare to the current trends you're experiencing in the marketplace right now?

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

Yeah, I'll start. Maybe just a little bit about kind of how we're thinking about this setup, so coming out of Q2, we definitely saw some of the impact on the consumer. I think as we mentioned a little bit in the prepared remarks, we are seeing consumers kind of buying closer to wearing occasions. We're also seeing sales events driving kind of higher level of sales as opposed to kind of routine level of sales. So, that is how we're looking at it.

As we mentioned and Stefano talked about, the excitement around some of the new product, we think that's going to garner consumer attention, especially as we're getting closer to season. As you know, we just opened up our UGG season. And so, we've seen some strong early reaction to the opening of UGG season that is encouraging. But again, it's still very early days in that. A lot of UGG sales will come end November kind of through December. So, still very early on in that.

In terms of the assumptions then, we aren't necessarily making the same assumptions around reorders that we had last year, because recall that last year was a very strong season. The setup, the weather contributed very well. That drove a very, very strong additional order of business for us in December and January. So, we're not anticipating that same level of reorder, but we'll see what happens. We think our brands are well-positioned in the market. If the consumers show up, we believe we've got the product out there that will resonate, and we'll see what happens.

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

Copyright © 2001-2026 FactSet CallStreet, LLC

Yeah, to Steve's point, the way consumers are responding to newness is fantastic. And some of the heritage styles that we're bringing back, like Sunburst Tall, [indiscernible] (56:51) heritage Classic Mini Dipper Legwarmer are all performing well. So, that gives us confidence that the consumer will show up.

Peter McGoldrick

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Okay, thanks. And then on the HOKA opportunity and zooming out a bit, I wanted to ask how the current environment is influencing your multi-year opportunity to penetrate more meaningfully in athletic specialty, sporting goods and run specialty environments?

Stefano Caroti

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

A

Our strategy doesn't change. As we shared previously, we're going to slowly expand where it makes sense. And now that the offer gives us more differentiation opportunities, that's what we'll be doing. So, our strategy and outlook doesn't change for HOKA.

Operator: Thank you. This concludes today's Deckers Brands Second Quarter Fiscal 2027 Earnings Conference Call. Please disconnect your line at this time and have a wonderful day.

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

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

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2026 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.