Crocs Inc. (NASDAQ: CROX)

Victor Li, Max Hornstein, Jack Frauenhofer

Crocs Inc, More Than Just the Clog

Crocs Inc. sells casual lifestyle footwear and accessories, with two major brands: Crocs and HEYDUDE

Business Overview

Crocs Brand

- $3B revenue, 76% of total
- Product offerings include Clogs, Sandals, and Jibbitz

HEYDUDE Brand

- $900M revenue, 24% of total
- Acquired in 2022
- Product offerings include The Wally, a boat shaped shoe, and sneakers

"We take an inherently simple approach to uniting style, modern comfort and value" – **Crocs Inc. vision statement**

Sales by Region

- **North America:** 59% of Crocs; >95% of HEYDUDE brand revenues
- **Asia Pacific:** Significant market share potential, with triple-digit growth in China and Australia in 2023
- **EMEALA (everywhere else):** Consistent double-digit growth

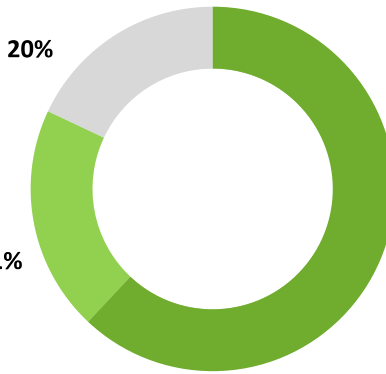
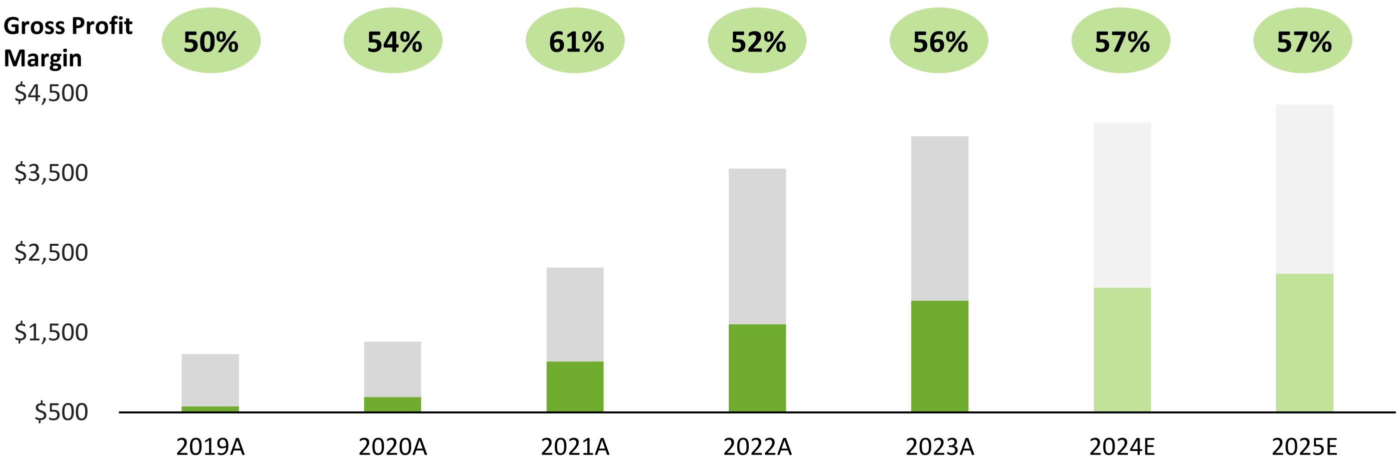


Chart for Crocs brand only

Revenue Year by Year ($M)



DTC:
- Crocs directly distributes products to consumers via company-owned stores and websites

Wholesale:
- Partnerships with online and brick-and-mortar distributors to sell their product to consumers

Notre Dame INVESTMENT CLUB

Sources: Capital IQ, Company Filings, Crocs Inc

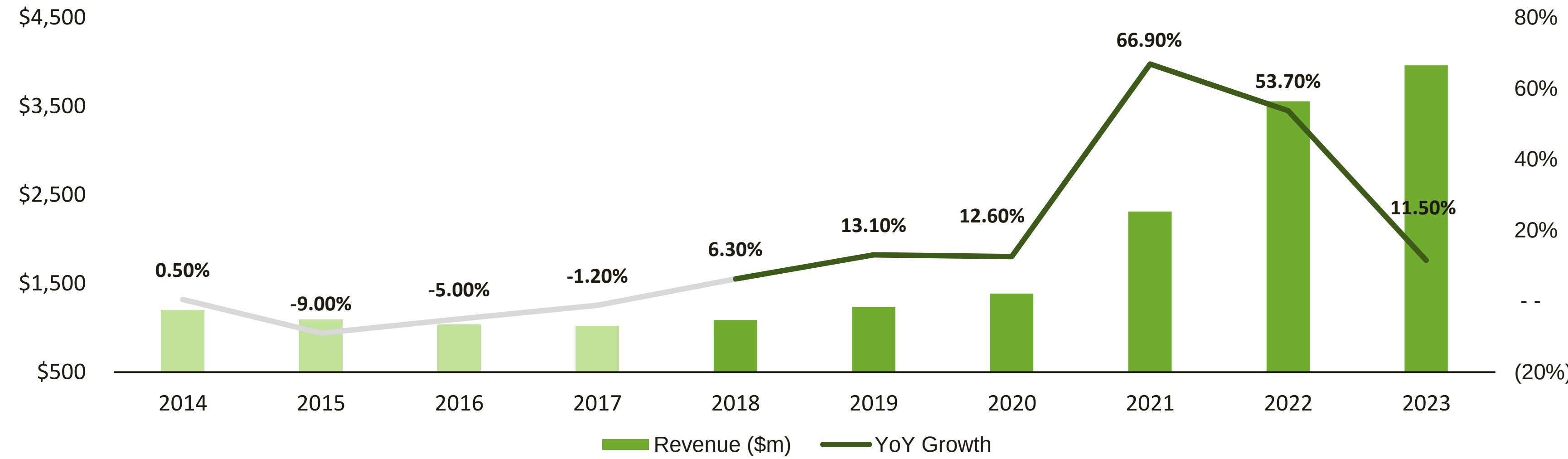
Crocs Over the Years

crocs™

After a rocky start with declining to flat growth rates, the brand has thrived under a new management team and has become a leading player in the footwear space

Effects of Good Management

Operating Margin	3.1%	(4.3)%	(0.2)%	(2.1)%	6.8%	10.4%	17.0%	29.5%	24.9%	26.4%



Timeline of the Brand

Beginning 2002-2006	Overextended 2008-2013	Restructure 2014-2017	Profitability & Growth 2018-Present
• Creation of the clog • Acquisition of Jibbitz	• Low profits and valuation • Poor marketing • Overdiversified products	• Location closures • $80mm expense elimination • New management team	• Marketing playbook • Product diversification • Cost management • Distribution improvements • HEYDUDE acquisition

Notre Dame INVESTMENT CLUB

Sources: Crocs IR

Investment Thesis

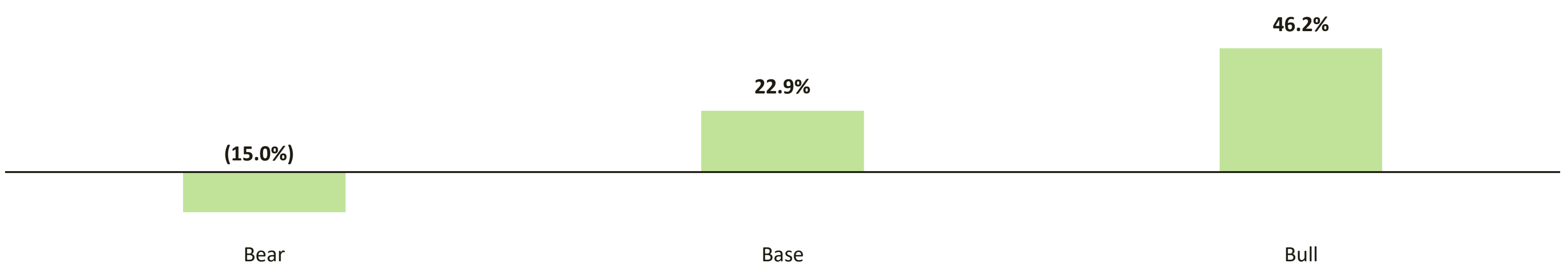
crocs™

1. Crocs Inc. is a fundamentally strong company, demonstrated by its comparable-crushing financials

2. The Crocs and HEYDUDE brands both have ample space to grow, fueled by incredible branding and continuous international expansion

3. Despite value creation from the acquisition of HEYDUDE, the market has negatively overreacted, undervaluing the combined company

Price Target:
$157.3
22.9% upside to current $128.6

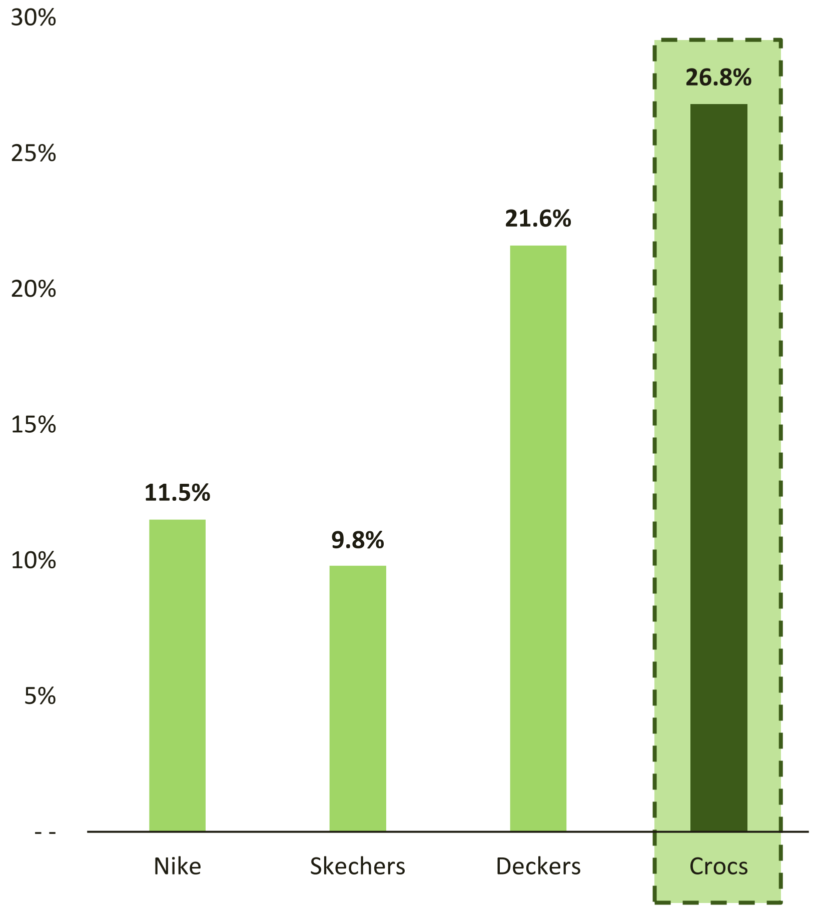


1. Crocs Inc. is a fundamentally strong company, demonstrated by its comparable-crushing financials

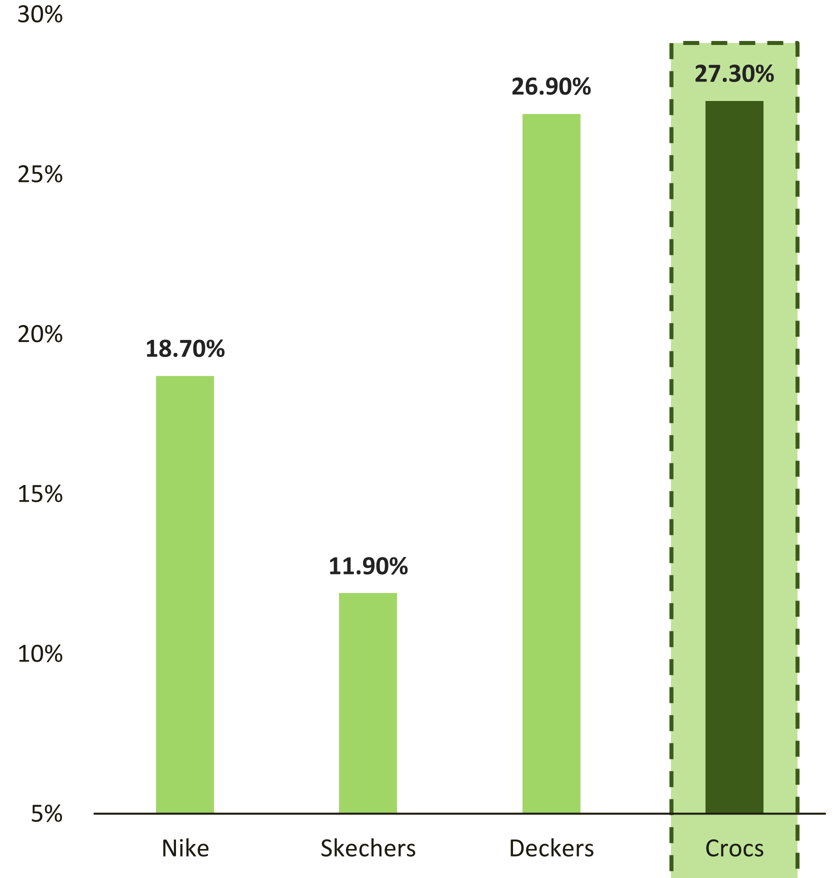
Industry-Crushing Returns

Higher profit margins and ROIC show Crocs Inc.'s superior price utilization and cost management compared to competitors, demonstrating that the brand is well-managed with strong returns relative to their capital

Operating Margins (EBIT)



ROIC



- Crocs is **the most profitable company** in the footwear industry
- Management is projecting >25% Operating Margins for the foreseeable future
- Competitors have seen **margins squeeze** and are projecting lower margins due to **higher input costs and more price-sensitive consumers**

Notre Dame
INVESTMENT CLUB

Sources: Capital IQ

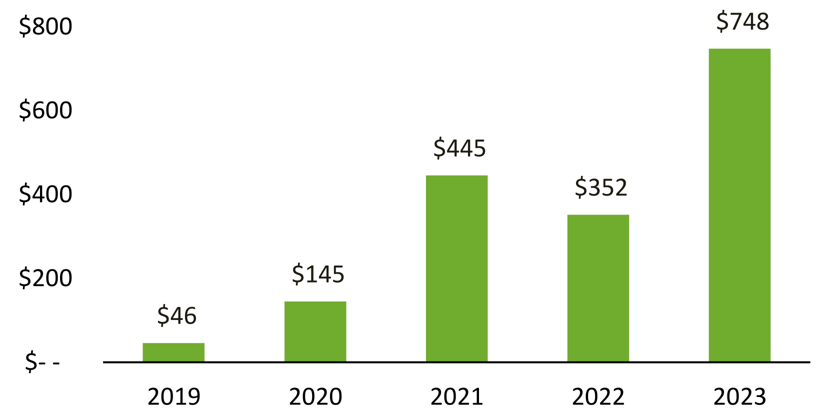
Cash is King

With strong sales numbers and increasing ASP, Crocs has expanded their free cash flow, providing opportunities for smart capital allocation for continuous long-term growth and shareholder value

Boost in Unit Sales and Pricing

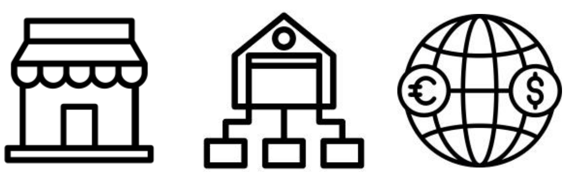
	Crocs Brand	HEYDUDE Brand
Unit Sales Change	3.5%	8.0%
ASP Change	9.7%	1.8%

Unlevered Free Cash Flow Expansion (M)



Capital Allocation Priorities Support Long-Term Growth

#1 Brand Growth Investment



30+ Retail Outlets in 2024

Distribution Centers

International Expansion

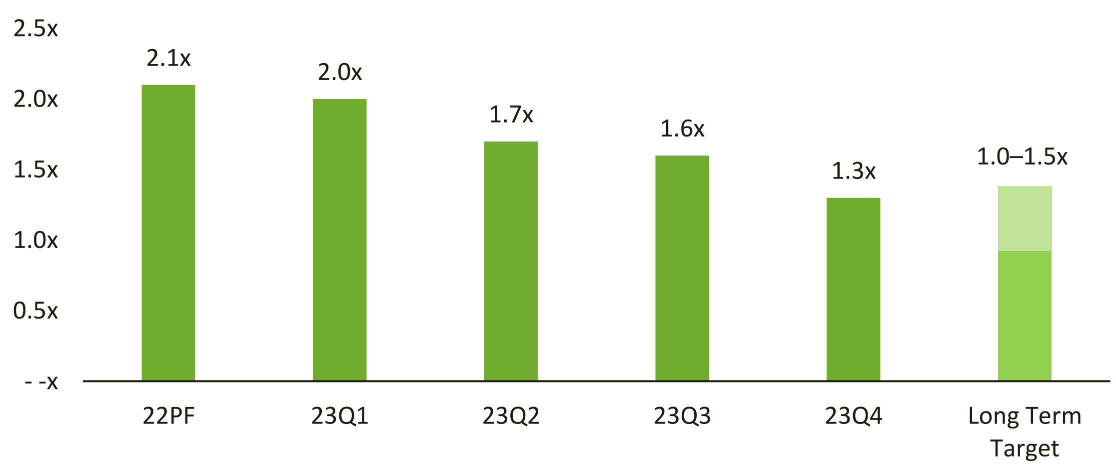
#2 Return of Capital to Shareholders

$875M

Share repurchase authorization remaining

#3 Debt Paydown

Net Leverage Ratio



Sources: Capital IQ, Company Filings, Crocs Inc

2.

The Crocs and HEYDUDE brands both have ample space to grow, fueled by incredible branding and continuous international expansion

Croc's Indomitable Branding

Crocs steady brand growth and success can be attributed to their prudent marketing strategies and personalized products that drive recurring revenue from loyal consumer base

Popular Collaborations…

…Drive Trends & Awareness

Top 5 Fashion trends for teens	**Top 6** Footwear brand for teens	**92%** Brand Awareness	**36%** Of Households Own Crocs

"Looking forward, we plan to create consumer movements through scaling our collaborations and partnerships"
– **Andrew Rees, CEO & Director**

Retention, Personalization & Growth

Strong Brand Loyalty

50% of customers intend to buy a new pair in the next 6 Months

36% of owners purchase an average of **7** Jibbitz

Personalization

- Personalization makes up **9%** of Crocs **revenue**
- Jibbitz consumers have a **doubled lifetime value**
- Potential for rapid growth through improved wholesale execution, deeper international penetration, and an increased connection to customers

17% YoY
Revenue growth in Jibbitz

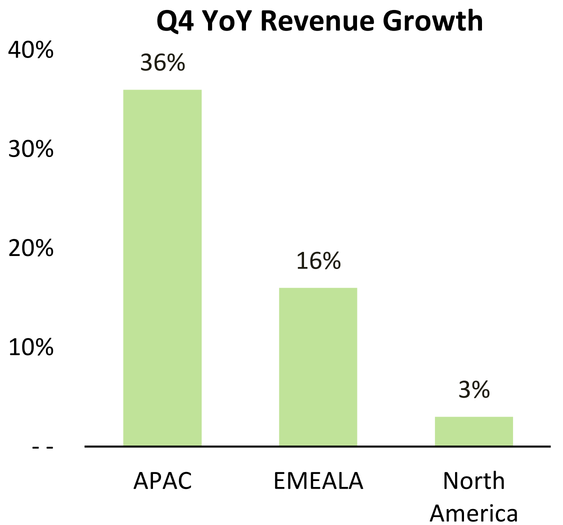
Average customer owns **6** pairs of Crocs

Pillars Of Growth

crocs™

Crocs has noticed untapped potential internationally, especially in Asia and the Pacific, and has had a very successful year growing DTC sales through increased brand heat

International Boom

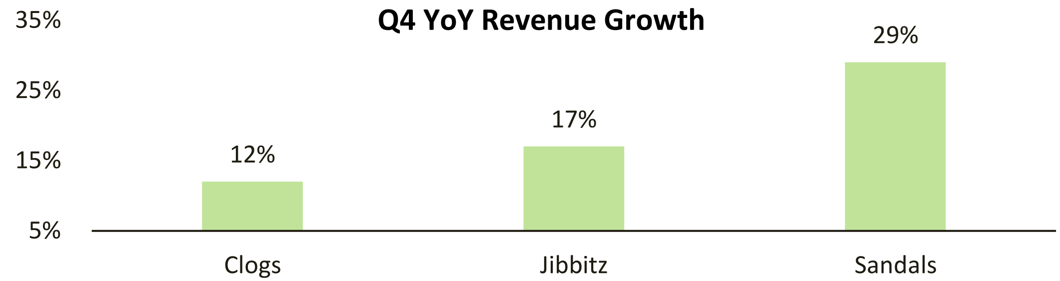


~23% intl. YoY growth

Accessing APAC's Large Markets

- Asia and the Pacific are home **to 60% of the world's population (4.3 billion)**
- **12th consecutive quarter** of strong **double-digit growth** internationally
- Australia and China hit **triple-digit growth rates for 2023**
- Crocs retains **highest-market share in South Korea's sandal Industry**

Diversified Growth Streams



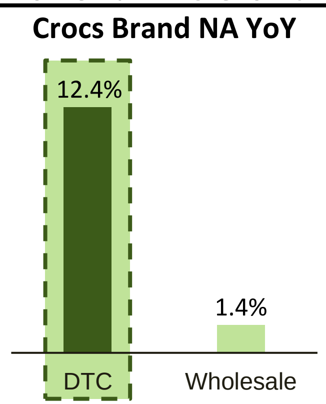
Sandals

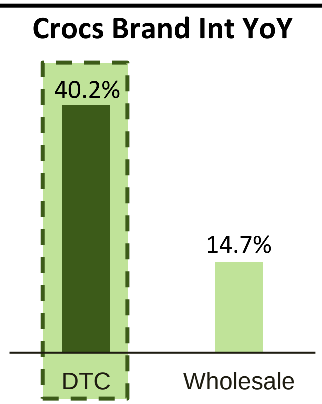
- **61% of customers** who bought sandals in 2023 were **new to the brand**
- Sandals segment makes up **13%** of Croc's **revenue mix** – growth potential
- Although sandals have lower margins, it is a gateway product, potentially leading to clogs, jibbitz, etc

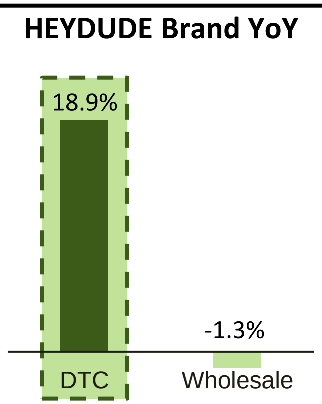
Jibbitz

- Jibbitz are greatly valued by consumers for their personalization aspect
- Highest margins out of all Crocs brand products
- The average Jibbitz audience has **2x lifetime value**

Powerful DTC Growth







Sources: Capital IQ, Company Filings, Crocs Inc

The “Crocs Playbook” with HEYDUDE

Under Crocs Inc’s experienced management team, HEYDUDEs will benefit from the implementation of the “Crocs Playbook” by acquiring new partnerships and diversifying its product portfolio

Partnerships and Collaborations

- HEYDUDE brand awareness increased 14% in 2H23 alone
- HEYDUDEs landed 3 large name collaborations with **Dude Perfect, Chase Stokes, and the SEC – a combined fanbase of ~150M**
- Plans for future collaborations with ***Yellowstone, The Big Lebowski*, a major beer brand and a couple toy brands**

International Growth Opportunity

<5%
Of HEYDUDE revenue is international

“We have set up a few test markets in Europe and are laying the groundwork to expand in new international markets in the next 2-3 years” **– Andrew Rees, CEO & Director**

Personalization and Uniqueness

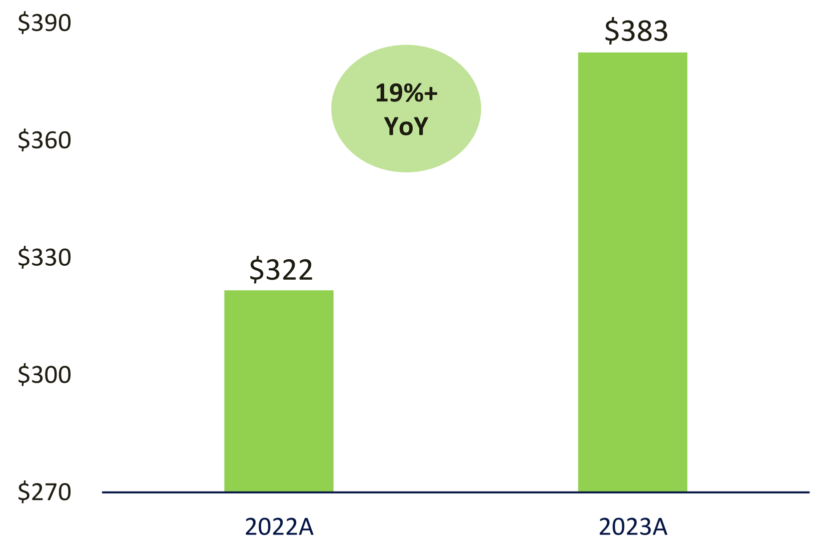
Slip-ons
10 colorways

Sneakers
57 colorways

Wally-Mids
8 colorways

- Similar to Crocs, HEYDUDEs embraces the “ugly” and uniqueness that customers love for its comfort and style
- Drives customer satisfaction - the average consumer owns **4** pairs
- Customer satisfaction is **8.9/10**

DTC Revenue Growth



Notre Dame INVESTMENT CLUB

Sources: Earnings Calls, Company Filings, Crocs Inc crocs™

3.

Despite value creation from the acquisition of HEYDUDE, the market has overreacted negatively, undervaluing the combined company

Market Reaction to the HEYDUDE Acquisition

Crocs Inc. has yet to recover from it's all time high of $180 from before the HEYDUDE acquisition due to fad fears and the high amount of leverage used

1 Acquisition Announced

- $2.3B acquisition price, $2B of debt
- Investors concerns over potential risks of unsuccessful integration, fad fears, and high amounts of leverage

Stock Plummets: -50.46%

2 Q3 2022

- +87% YoY Growth
- Projected to reach $1bn yearly sales by 2023, up from 2024 expectations

Stock Rallies: +14.24%

3 Q1 2023

- 15% growth, considered lackluster given context of previous year
- Trimmed growth projections

Stock Plummets: -15.87%

4 Q2 2023

- Only +3% YoY
- Cut sales growth outlook to -9% for 2H23, citing lower wholesale expectations

Stock Plummets: -14.61%

Crocs stock is very heavily tied to earnings, with **major jumps being mostly attributable to earnings beats or press releases**

Notre Dame INVESTMENT CLUB

Sources: Capital IQ, Earnings Calls

Pipeline Fill Creates Earnings Misconceptions

Oversaturation of inventory has resulted in a fluctuating HEYDUDE growth story, raising investor concerns over brand potential and long-term growth

Note: Sell-in represents sales to distributors, while sell-out is from the distributor to the consumer

Situation Breakdown

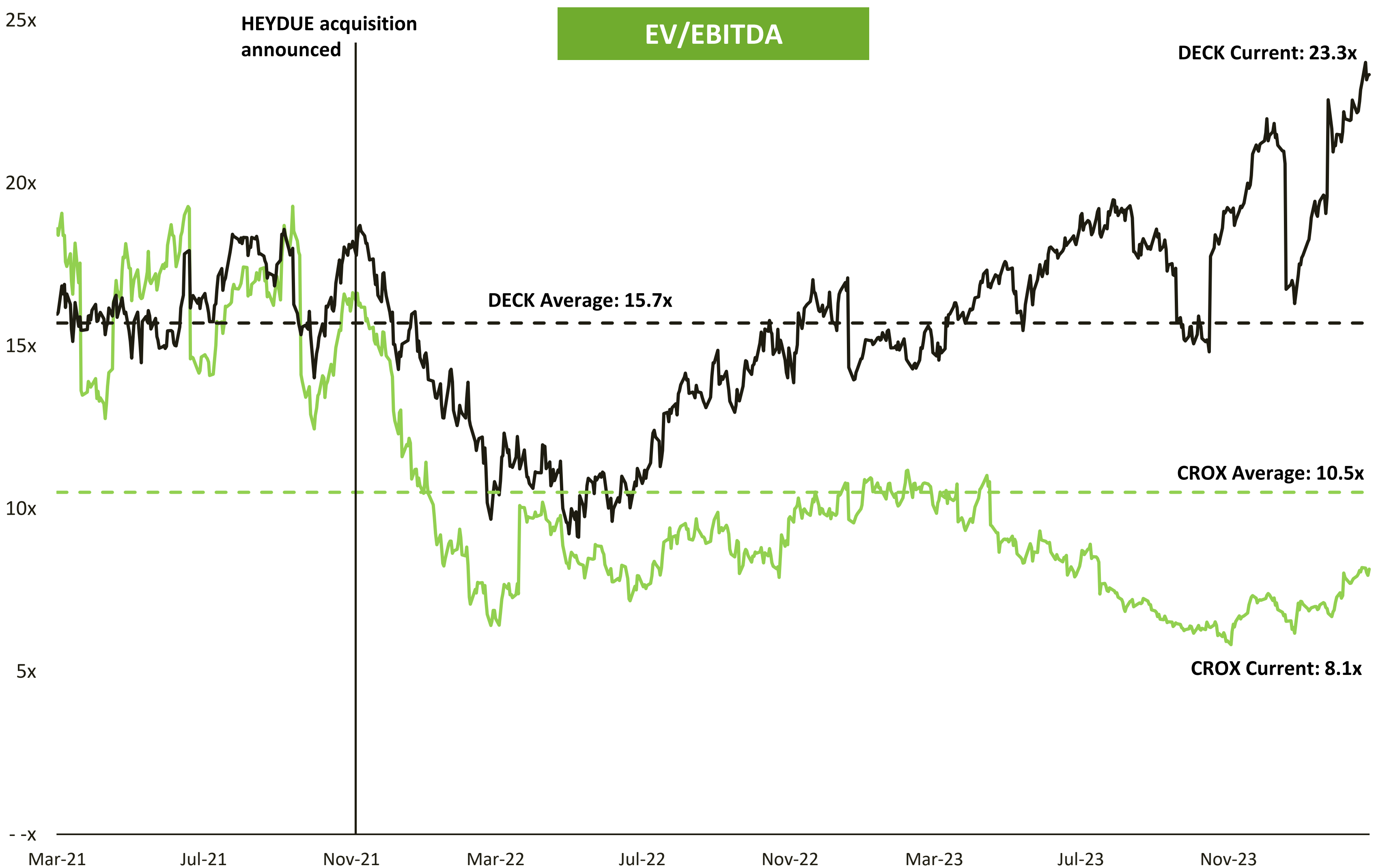
How It Happened	Effects	Future Outlook
• Opened new wholesale locations • $220 million unrepeatable sell-in revenues to these new locations • Oversaturation of inventory	• Over-competition between retailers • Storage costs compressing margins • Other inventory overhang compressing HEYDUDE shelf space	• 38% reduction in HEYDUDE inventory YoY as of 23Q4 • 30 new outlet stores to be opened in 2024 • Projected 20-23% inventory decrease in 24Q1

Sources: Capital IQ, Earnings Calls

Cheaper Multiple Creates Buy Opportunity

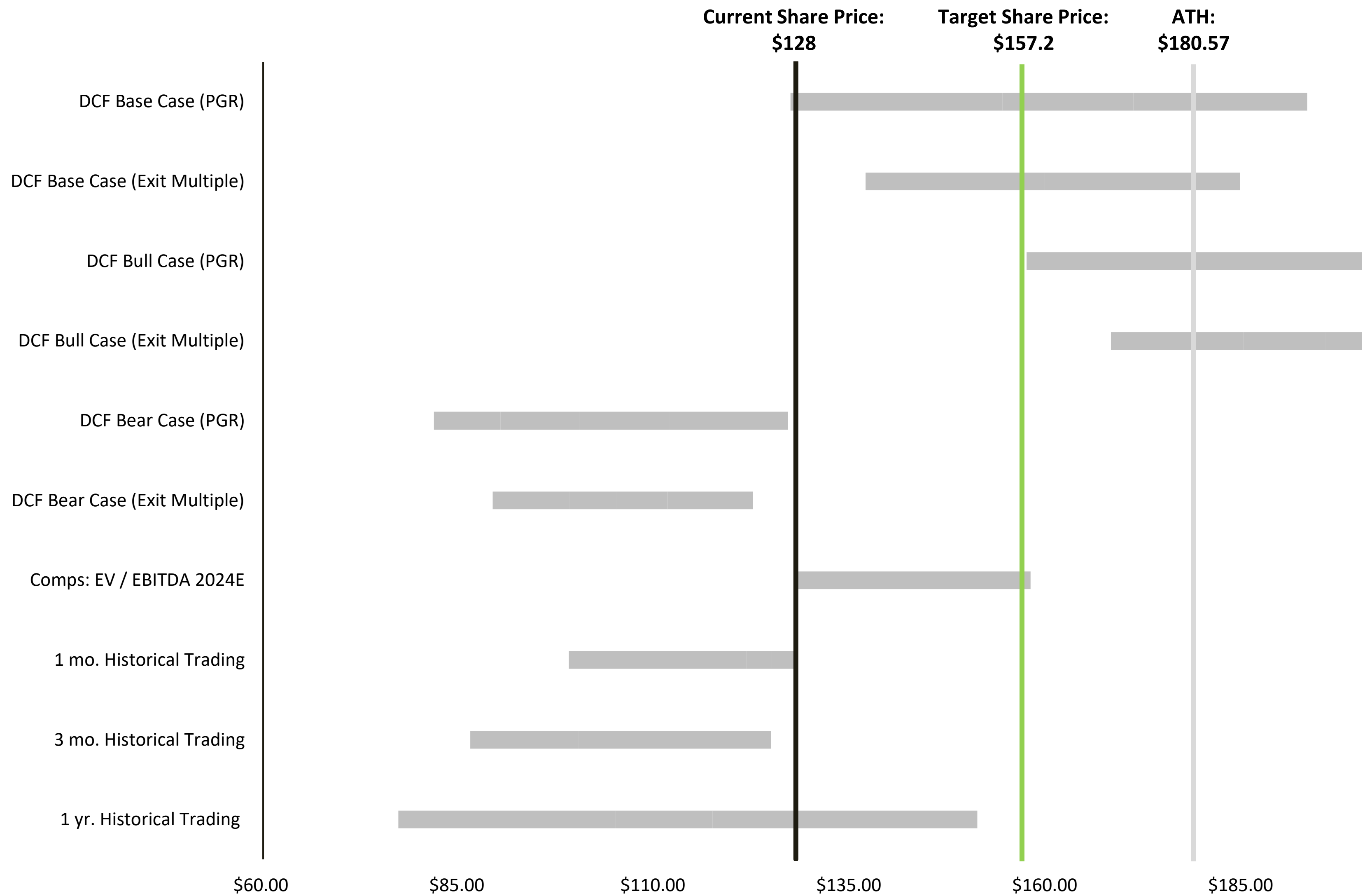
crocs™

Despite trading at similar multiples to its competitor, Deckers, prior to the acquisition of HEYDUDEs, Crocs has been massively undervalued proceeding the acquisition



Football Field

Due to the market's bearish view towards the HEYDUDE brand, Croc's is still undervalued due to its market-leading margins that generate high cash flow that can be channeled into many growth avenues for both brands



Notre Dame
INVESTMENT CLUB

Implied Price Calculations

crocs™

Equally weighted Exit Multiple Method and Gordon Growth Method results in a blended share price of $157.3, a 22.9% upside

Exit Multiple Method

Terminal Value:	
2029 EBITDA	$1,641.8
Exit Multiple	8.7x
Terminal Value	**$14,283.3**
Period	6.0
PV of Terminal Value	**$7,853.5**

Implied Share Price:	
Enterprise Value	**$11,517.5**
(-) Total Debt	1,996.4
(+) Cash	149.3
Equity Value	**$9,670.4**
Shares Outstanding (mm)	60.5
Share Price	**$159.84**
Upside/Downside	24.9%

Gordon Growth Method

Terminal Value:	
2029 FCF	$1,104.8
PGR	2.25%
Terminal Value	**$13,721.7**
Period	6.0
PV of Terminal Value	**$7,544.7**

Implied Share Price:	
Enterprise Value	**$11,208.7**
(-) Total Debt	1,996.4
(+) Cash	149.3
Equity Value	**$9,361.6**
Shares Outstanding (mm)	60.5
Share Price	**$154.74**
Upside/Downside	20.9%

Ultimate Valuation

Blended Implied Share Price	
Exit Multiple Method	**$159.8**
Gordon Growth Method	**$154.7**
Blended Share Price	**$157.3**
Upside/Downside	22.9%

Commentary

WACC Calculation

- WACC of 10.5%, calculated with a 1.6 beta

Exit Multiple

- 8.7x exit multiple is taken from 2024 expected EBITDA multiple; median comps trade at 9.2x EBITDA

Key Value Drivers

1. Crocs Inc. achieves high double-digit growth internationally for both brands
2. HEYDUDE generates $2B in revenue by 2029
3. DTC share of revenue increases
4. Wholesale growth rates normalize

Risks and Mitigants

Fears for the future of Crocs are rooted in an overly negative sentiment regarding growth sustainability

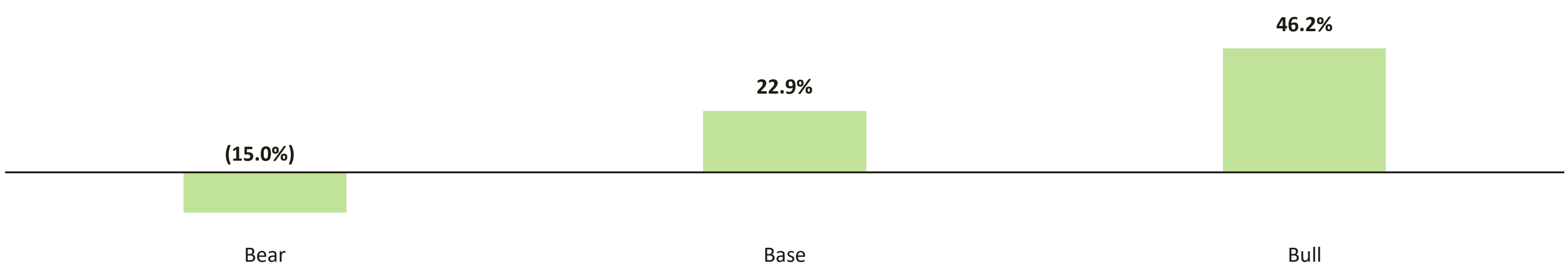
Potential Risks	Crocs Strength
Crocs as a Covid Fad	• Crocs Inc. spends 8% of Revenue on partnerships and collaborations, maintaining brand heat, realized in double-digit revenue growth since 2018 • 50% of Crocs customers plan on buying another pair within 6 months for the uniqueness provided • Product innovations diversify revenue streams and expand TAM
Failure of International Expansion Plan	• Digital sales and well-established wholesale partnerships enable Croc's to capture market share rapidly • Despite China's weaker economic conditions in 2023, Crocs still grew triple-digits, demonstrating resilience, strength, and likelihood of future success • Management expects investments in India (1.4B Population) to cause a boom in the imminent future
Lackluster HEYDUDE Growth	• Utilizing the proven "Croc's Playbook", HEYDUDE's DTC grew 19% in 2023, driven by digital sales, new partnerships and product innovations • International expansion will capitalize on key cost synergies through Crocs brand's established distribution centers and wholesale partnerships • Misrepresented wholesale growth will normalize 2024

Sources: Earnings Calls, Company Filings, Crocs Inc, Forbes

What You Need To Believe

1. Crocs Inc. is a fundamentally strong company
2. Strong growth opportunities for both brands
3. The HEYDUDE acquisition has led to undervaluation

Price Target:
$157.3
22.9% upside to current $128.0



Appendix

Income Statement

crocs™

Income Statement *$ Millions*	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E
Revenues									
Crocs NA Direct-To-Consumer	$934.9	$1,000.4	$1,124.9	$1,214.9	$1,287.8	$1,352.2	$1,406.3	$1,462.6	$1,506.4
Crocs NA Wholesale	585.0	644.2	652.9	685.6	754.1	814.5	879.6	932.4	979.0
Crocs International Direct-To-Consumer	204.4	281.4	394.5	512.8	615.4	707.7	792.6	871.9	959.1
Crocs International Wholesale	589.0	733.1	840.6	941.5	1,035.6	1,118.5	1,196.8	1,268.6	1,332.0
HEYDUDE Direct-To-Consumer	--	321.7	382.5	428.4	484.0	556.6	645.7	761.9	899.1
HEYDUDE Wholesale	--	574.1	566.9	583.9	654.0	797.9	957.5	1,129.8	1,310.6
Total Revenue	2,313.4	3,555.0	3,962.3	4,367.1	4,831.0	5,347.4	5,878.5	6,427.2	6,986.2
% Growth		53.7%	11.5%	10.2%	10.6%	10.7%	9.9%	9.3%	8.7%
Cost of Sales	(893.2)	(1,694.7)	(1,752.3)	(1,965.2)	(2,174.0)	(2,406.3)	(2,645.3)	(2,892.2)	(3,143.8)
Gross Profit	1,420.2	1,860.8	2,210.1	2,402.0	2,657.2	2,941.2	3,233.3	3,535.0	3,842.5
% Gross Margin	*61.4%*	*52.3%*	*55.8%*	*55.0%*	*55.0%*	*55.0%*	*55.0%*	*55.0%*	*55.0%*
Selling, General, Adminstrative	(737.2)	(1,009.5)	(1,163.9)	(1,310.1)	(1,449.3)	(1,604.2)	(1,704.8)	(1,863.9)	(2,026.0)
Other Op Costs	--	--	(9.3)	--	--	--	--	--	--
Operating Income (Loss)	683.7	851.3	1,036.9	1,091.9	1,207.9	1,337.0	1,528.5	1,671.2	1,816.5
% Operating Margin	29.6%	23.9%	26.2%	25.0%	25.0%	25.0%	26.0%	26.0%	26.0%
Foreign currency net	0.1	3.2	(1.2)	-	-	-	-	-	-
Interest Income	0.8	1.0	2.4	-	-	-	-	-	-
Interest Expense	(21.6)	(136.2)	(161.4)	(174.7)	(193.2)	(213.9)	(235.1)	(257.1)	(279.4)
Other (Expense) Income	1.8	(0.3)	(0.3)	-	-	-	-	-	-
EBIT	665.0	719.3	876.6	917.4	1,014.9	1,123.3	1,293.6	1,414.3	1,537.3
% Tax Rate	9.3%	24.8%	9.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%
Income Tax Expense (Benefit)	(61.8)	(178.3)	(83.7)	(197.3)	(218.2)	(241.5)	(278.1)	(304.1)	(330.5)
Net Income	603.3	541.2	793.0	720.4	796.9	882.0	1,015.7	1,110.5	1,207.0
(-) Minority Interest in Earnings	-	-	-	-	-	-	-	-	-
Net Income Available to Common Shareholders	603.3	541.2	793.0	720.4	796.9	882.0	1,015.7	1,110.5	1,207.0
EBITDA Reconciliation:									
EBIT	665.0	719.3	876.6	917.4	1,014.9	1,123.3	1,293.6	1,414.3	1,537.3
(+) Total Depreciation & Amoritization	32.0	39.2	54.3	65.5	72.5	80.2	88.2	96.4	104.8
(+) Stock-Based Compensation	38.1	31.3	29.1	43.7	48.3	53.5	58.8	64.3	69.9
Adj. EBITDA	735.1	789.8	960.0	1,026.6	1,135.6	1,257.0	1,440.6	1,575.0	1,712.0
% Margin	*31.8%*	*22.2%*	*24.2%*	*23.5%*	*23.5%*	*23.5%*	*24.5%*	*24.5%*	*24.5%*

Balance Sheet

Balance Sheet *$ Millions*	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E
Assets:									
Cash and Cash Equivalents	$ 213	$ 192	$ 149						
Accounts Receivable	182.6	295.6	305.7	305.7	338.2	374.3	411.5	449.9	489.0
Other Receivables	34.6	33.6	25.5	43.7	48.3	53.5	58.8	64.3	69.9
Inventory	213.5	471.6	385.1	414.9	458.9	508.0	558.5	610.6	663.7
Prepaid Expeneses & Other Current Assets	22.7	33.6	45.1	43.7	48.3	53.5	58.8	64.3	69.9
Total Current Assets	666.6	1,026.0	910.7						
Gross PP&E	108.4	181.5	238.3	299	367	442	524	614	712
Accumulated Depreication									
Operating lease right-of-use assets	160.8	239.9	287.4						
Goodwill	1.6	714.8	711.6						
Other Intangible assets	28.8	1,800.2	1,792.6						
Deferred Income Taxes	567.2	528.3	668.0						
Other Long-Term Assets	11.7	11.1	35.3						
Total Assets	$1,545.1	$4,501.8	$4,643.8						
Liabilities and Equity:									
Accounts Payable	$ 162	$ 231	$ 261	288.2	318.8	352.9	388.0	424.2	461.1
Accrued Exp.	166.9	239.4	285.8	305.7	338.2	374.3	411.5	449.9	489.0
Taxes Payable	16.3	89.2	66.0	87.3	96.6	106.9	117.6	128.5	139.7
Operating Lease Liabilities	42.9	57.5	62.3	69.9	77.3	85.6	94.1	102.8	111.8
Curr. Maturities of long-term debt	--	24.4	23.3	26.2	29.0	32.1	35.3	38.6	41.9
Other Current Liabilities	--	--	--	--	--	--	--	--	--
Total Current Liabilities	388.2	641.3	698.3						
Long-term debt, net of current portion	771.4	2,298.0	1,641.0						
Operating lease liabilities, non-current	149.2	215.1	269.8						
Def. Tax Liabilty, Non-Curr.	0.2	302.0	12.9						
Long-term income taxes payable	219.6	224.8	565.2						
Other Non-Current Liabilities	2.4	2.6	2.8						
Total Liabilities	1,531.0	3,683.9	3,189.9						
Common Stock	0.1	0.1	0.1						
Additional Paid In Capital	496.0	797.6	826.7						
Retained Earnings (Defecit)	1,279.0	1,819.2	2,611.8						
Treasury Stock	(1,684.3)	(1,695.5)	(1,888.9)						
Acc. Other comprehensive income (loss)	(76.8)	(103.5)	(95.8)						
Total Equity	14.1	817.9	1,453.9						
Total Liabilities and Equity	$1,545.1	$4,501.8	$4,643.8						
Balance Check	--	--	--	--	--	--	--	--	--

Net Working Capital Schedule

Property, Plant, and Equipment *$ Millions*	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E
Beginning PPE		108	173	234	295	363	438	520	610
(+)Capital Expenditures	55.9	104.2	115.1	127	140	155	170	186	203
(-)Depreciation	(32)	(39)	(54)	(66)	(72)	(80)	(88)	(96)	(105)
Ending PP&E	108	173	234	295	363	438	520	610	708
Net Working Capital *$ Millions*	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E
Total Receivables	182.6	295.6	305.7	305.7	338.2	374.3	411.5	449.9	489.0
Inventory	213.5	471.6	385.1	414.9	458.9	508.0	558.5	610.6	663.7
Other Recievables	34.6	33.6	25.5	43.7	48.3	53.5	58.8	64.3	69.9
Prepaid Expenses and Other Current Assets	22.7	33.6	45.1	43.7	48.3	53.5	58.8	64.3	69.9
Non-Cash Current Assets	**$453.37**	**$834.35**	**$761.42**	**$807.91**	**$893.74**	**$989.27**	**$1,087.52**	**$1,189.03**	**$1,292.45**
Accounts Payable	$ 162	$ 231	$ 261	288.2	318.8	352.9	388.0	424.2	461.1
Accrued Expenses	$ 167	$ 239	$ 286	305.7	338.2	374.3	411.5	449.9	489.0
Taxes Payables	$ 16	$ 89	$ 66	87.3	96.6	106.9	117.6	128.5	139.7
Operating Lease Liabilities	$ 43	$ 57	$ 62	69.9	77.3	85.6	94.1	102.8	111.8
Curr. Maturities of Long-Term Debt	$ -	$ 24	$ 23	26.2	29.0	32.1	35.3	38.6	41.9
Other Current Liabilities	$ -	$ -	$ -	--	--	--	--	--	--
Non-Debt Current Liabilities	**$ 388**	**$ 641**	**$ 698**	**$ 777**	**$ 860**	**$ 952**	**$ 1,046**	**$ 1,144**	**$ 1,244**
Net Working Capital	$65.13	$193.07	$63.12	$30.57	$33.82	$37.43	$41.15	$44.99	$48.90
		128	(130)	(33)	3	4	4	4	4

WACC Calculation

crocs™

Market Risk Premium	5.0%
Adjusted Beta	1.60
Risk Free Rate	4.3%
Cost of Equity	**12.3%**
Pre-Tax Cost of Debt	4.3%
Tax Rate	22.9%
Cost of Debt	**3.3%**
Total Equity	$7,754.0
Total Debt	$1,996.4
Equity / Total Capitalization	79.5%
Debt / Total Capitalization	20.5%
WACC	**10.5%**

DCF Base Case

crocs

$ in Millions	For Fiscal Year Ending September 24th,					
	2024E	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Revenue	**$4,367.1**	**$4,831.0**	**$5,347.4**	**$5,878.5**	**$6,427.2**	**$6,986.2**
% Growth	*10.2%*	*10.6%*	*10.7%*	*9.9%*	*9.3%*	*8.7%*
(-) COGS and OpEx	(3,450.0)	(3,816.5)	(4,224.4)	(4,585.2)	(5,013.2)	(5,449.2)
(+) Depreciation & Amortization	65.5	72.5	80.2	88.2	96.4	104.8
EBITDA	**982.6**	**1,087.0**	**1,203.2**	**1,381.4**	**1,510.4**	**1,641.8**
% Margin	*22.5%*	*22.5%*	*22.5%*	*23.5%*	*23.5%*	*23.5%*
(-) Depreciation & Amortization	(65.5)	(72.5)	(80.2)	(88.2)	(96.4)	(104.8)
EBIT	**917.1**	**1,014.5**	**1,123.0**	**1,293.3**	**1,414.0**	**1,537.0**
% Margin	*21.0%*	*21.0%*	*21.0%*	*22.0%*	*22.0%*	*22.0%*
(-) Taxes	(197.2)	(218.1)	(241.4)	(278.1)	(304.0)	(330.4)
% Effective Tax Rate	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*
NOPAT	**719.9**	**796.4**	**881.5**	**1,015.2**	**1,110.0**	**1,206.5**
(+) Depreciation & Amortization	65.5	72.5	80.2	88.2	96.4	104.8
(-) Capital Expenditures	(126.6)	(140.1)	(155.1)	(170.5)	(186.4)	(202.6)
(-) Change in Net Working Capital	32.6	(3.2)	(3.6)	(3.7)	(3.8)	(3.9)
FCF For Discounting	**691.3**	**725.5**	**803.0**	**929.2**	**1,016.2**	**1,104.8**
Discount Period	1	2	3	4	5	6
Discount Factor	0.91	0.82	0.74	0.67	0.61	0.55
PV of UFCF	**625.7**	**594.4**	**595.5**	**623.6**	**617.3**	**607.5**

DCF Bear Case

crocs™

$ in Millions	For Fiscal Year Ending September 24th,					
	2024E	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Revenue	**$4,228.9**	**$4,518.0**	**$4,769.8**	**$4,990.6**	**$5,159.4**	**$5,283.8**
% Growth	*6.7%*	*6.8%*	*5.6%*	*4.6%*	*3.4%*	*2.4%*
(-) COGS and OpEx	(3,425.4)	(3,704.7)	(3,911.2)	(4,017.4)	(4,153.3)	(4,227.0)
(+) Depreciation & Amortization	63.4	67.8	71.5	74.9	77.4	79.3
EBITDA	**866.9**	**881.0**	**930.1**	**1,048.0**	**1,083.5**	**1,136.0**
% Margin	*20.5%*	*19.5%*	*19.5%*	*21.0%*	*21.0%*	*21.5%*
(-) Depreciation & Amortization	(63.4)	(67.8)	(71.5)	(74.9)	(77.4)	(79.3)
EBIT	**803.5**	**813.2**	**858.6**	**973.2**	**1,006.1**	**1,056.8**
% Margin	*19.0%*	*18.0%*	*18.0%*	*19.5%*	*19.5%*	*20.0%*
(-) Taxes	(172.8)	(174.8)	(184.6)	(209.2)	(216.3)	(227.2)
% Effective Tax Rate	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*
NOPAT	**630.7**	**638.4**	**674.0**	**763.9**	**789.8**	**829.5**
(+) Depreciation & Amortization	63.4	67.8	71.5	74.9	77.4	79.3
(-) Capital Expenditures	(122.6)	(131.0)	(138.3)	(144.7)	(149.6)	(153.2)
(-) Change in Net Working Capital	33.5	(2.0)	(1.8)	(1.5)	(1.2)	(0.9)
FCF For Discounting	**605.1**	**573.1**	**605.4**	**692.5**	**716.4**	**754.7**
Discount Period	1	2	3	4	5	6
Discount Factor	0.91	0.82	0.74	0.67	0.61	0.55
PV of UFCF	**547.6**	**469.5**	**448.9**	**464.8**	**435.2**	**415.0**

DCF Bull Case

$ in Millions	For Fiscal Year Ending September 24th,					
	2024E	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Revenue	**$4,454.4**	**$5,060.1**	**$5,764.6**	**$6,512.4**	**$7,282.7**	**$8,049.0**
% Growth	*12.4%*	*13.6%*	*13.9%*	*13.0%*	*11.8%*	*10.5%*
(-) COGS and OpEx	(3,452.1)	(3,921.6)	(4,438.8)	(5,014.6)	(5,607.7)	(6,197.7)
(+) Depreciation & Amortization	66.8	75.9	86.5	97.7	109.2	120.7
EBITDA	**1,069.0**	**1,214.4**	**1,412.3**	**1,595.5**	**1,784.3**	**1,972.0**
% Margin	*24.0%*	*24.0%*	*24.5%*	*24.5%*	*24.5%*	*24.5%*
(-) Depreciation & Amortization	(66.8)	(75.9)	(86.5)	(97.7)	(109.2)	(120.7)
EBIT	**1,002.2**	**1,138.5**	**1,325.9**	**1,497.9**	**1,675.0**	**1,851.3**
% Margin	*22.5%*	*22.5%*	*23.0%*	*23.0%*	*23.0%*	*23.0%*
(-) Taxes	(215.5)	(244.8)	(285.1)	(322.0)	(360.1)	(398.0)
% Effective Tax Rate	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*
NOPAT	**786.8**	**893.7**	**1,040.8**	**1,175.8**	**1,314.9**	**1,453.2**
(+) Depreciation & Amortization	66.8	75.9	86.5	97.7	109.2	120.7
(-) Capital Expenditures	(129.2)	(146.7)	(167.2)	(188.9)	(211.2)	(233.4)
(-) Change in Net Working Capital	31.9	(4.2)	(4.9)	(5.2)	(5.4)	(5.4)
FCF For Discounting	**756.3**	**818.7**	**955.2**	**1,079.4**	**1,207.5**	**1,335.2**
Discount Period	1	2	3	4	5	6
Discount Factor	0.91	0.82	0.74	0.67	0.61	0.55
PV of UFCF	**684.6**	**670.7**	**708.3**	**724.5**	**733.6**	**734.1**

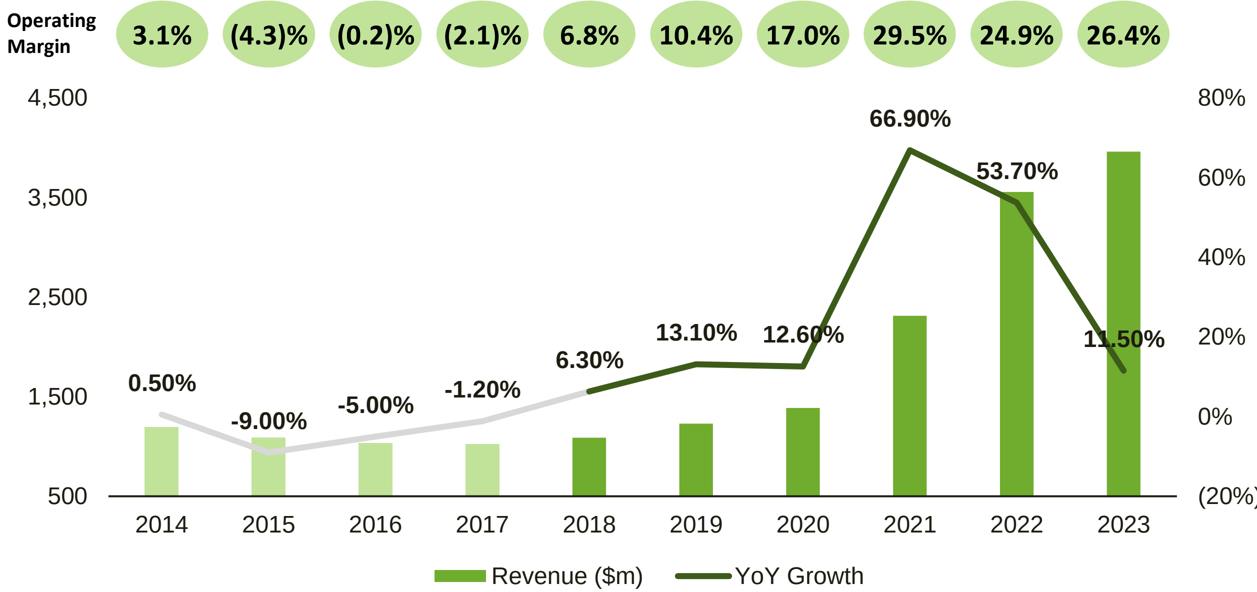
The Rees Factor

After taking over as Director & CEO in 2017, Andrew Rees has expanded margins and pushed revenue gains of >10% nearly every year

Profile & Past Experience

- 25+ years of experience in footwear and retail
- Served as Managing Director of L.E.K. Consulting in Boston, where he founded the “Retail and Consumer Products Practice” for 13 years, consulting Crocs Inc. for two of those years
- Served as VP of Strategic Planning and also Retail Operations for Reebok International

Metrics by Year Before & After Andrew Rees



What made things better?

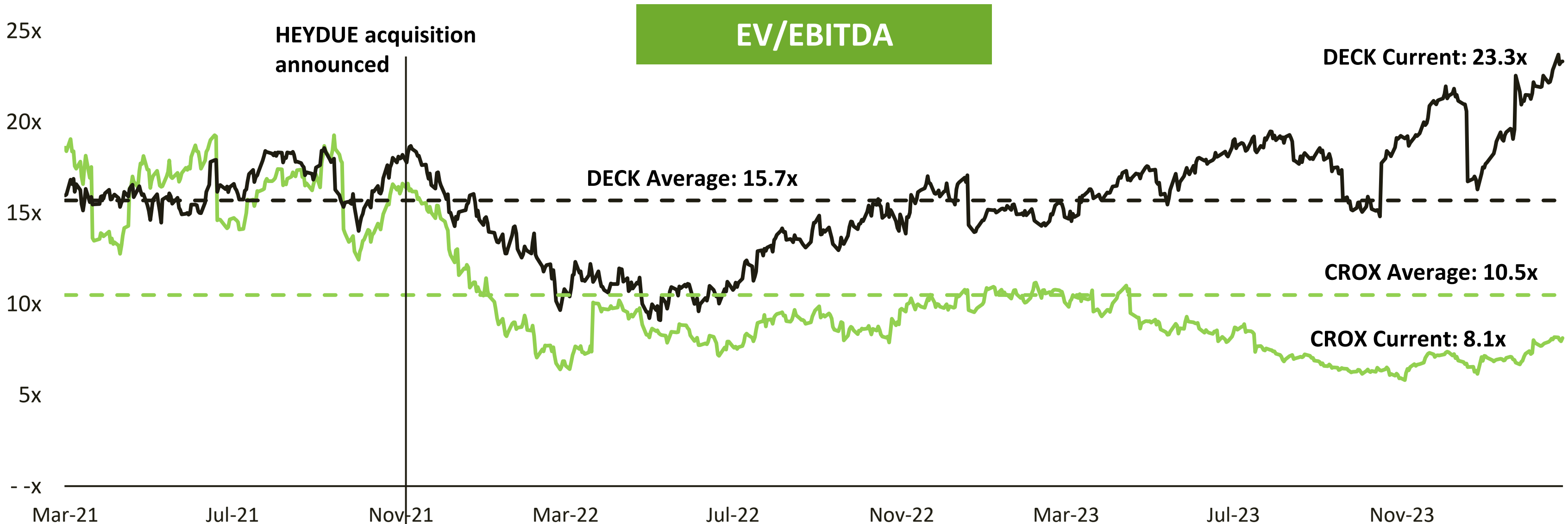
Distribution	Product	Brand
• Reduced retail store count by almost half, eliminating unprofitable shops driving up SG&A • Tightened distribution partnerships and slashed discounting, driving up ASP • Extensively pursued operational efficiencies in distribution	• Heavily invested in top churning products such as clogs, sandals, jibbitz, etc • Aggressively cleared out end-of-life products, eliminating products with low margins and slow sale speeds	• Poured all savings from SG&A cost reductions and operational efficiencies from distribution into brand • Eliminated discounting and other factors that seemed detrimental to brand • Heavy collaboration and “brand representative” investments

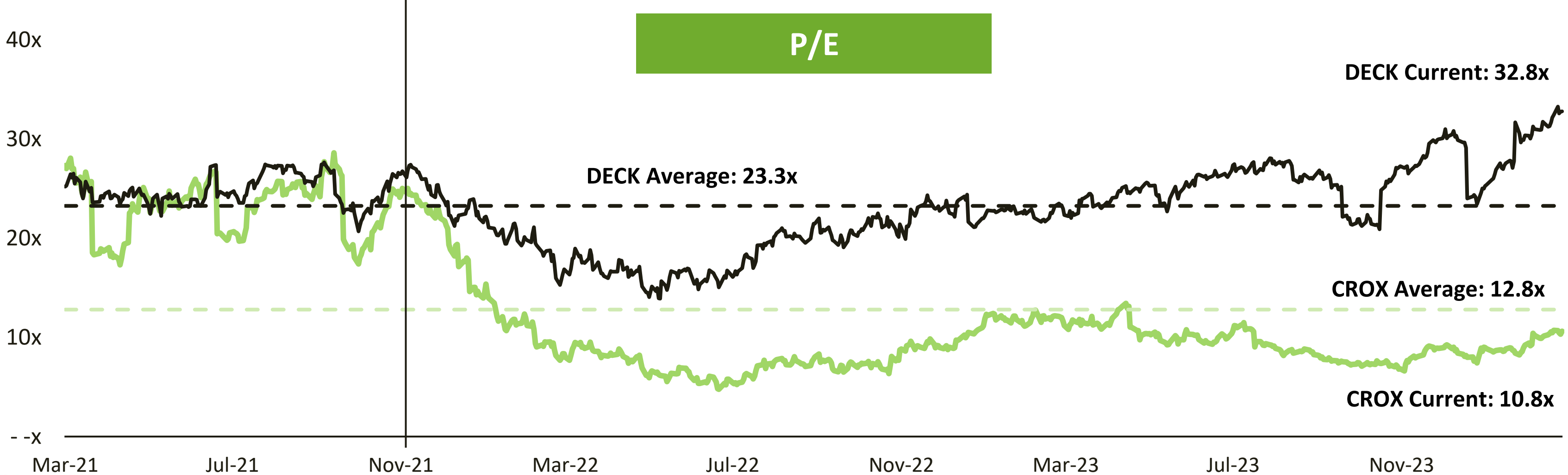
Sources: Capital IQ, Crocs Inc.

Underpriced Multiple

crocs™

Despite trading at similar multiples to its competitor, Deckers, prior to the acquisition of HEYDUDEs, Crocs has been massively undervalued proceeding the acquisition





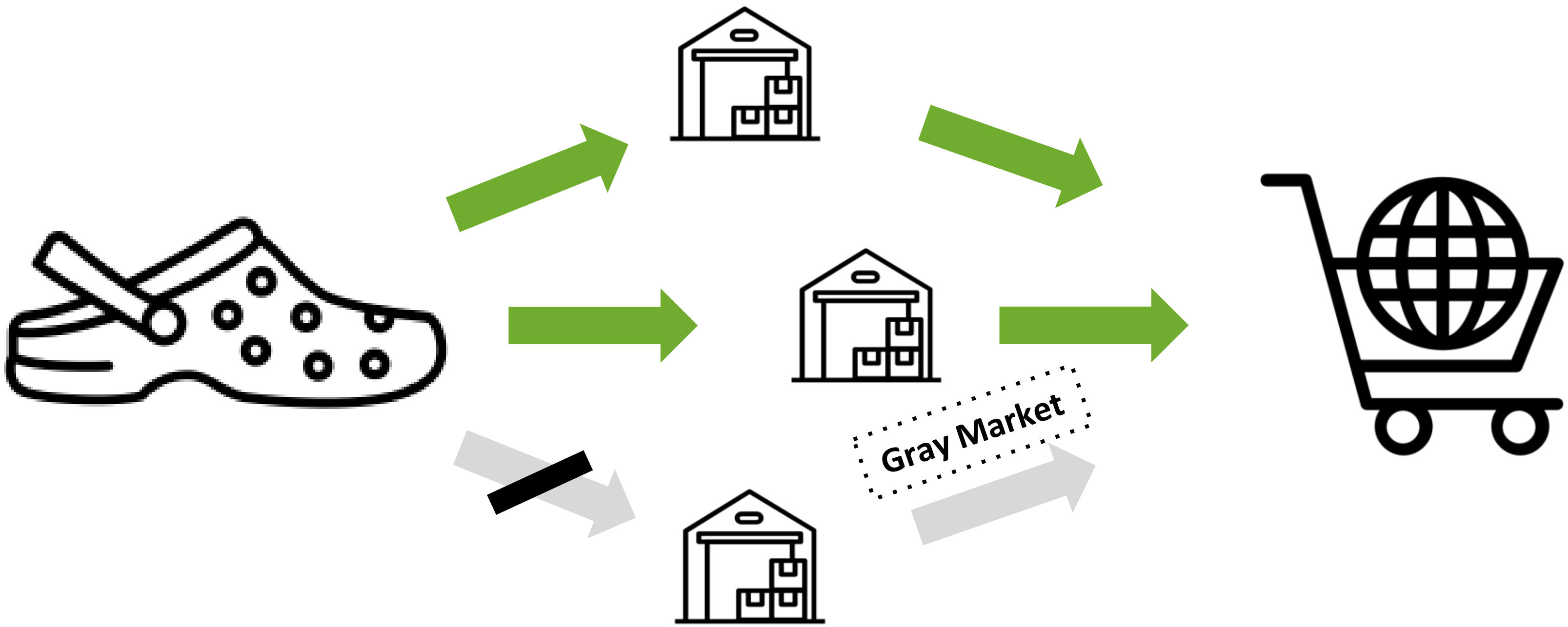
Notre Dame
INVESTMENT CLUB

Sources: Bloomberg

What Is Gray Market Competition?

crocs™

Projected to be fully cleared up by mid 2024, gray market competition has compressed the Crocs brand's margins and sales



Situation Breakdown

How It Happened	Effects	Future Outlook
• Began in Q2 2023 • Cut ties with African distributor due to breach-of-contract • Cut-off distributor begins to sell on Amazon with steep discounts	• Price matches to compete (up to 33% discount) • Lowered sales volume • Wholesale disproportionally affected	• Stopped price matching • Regained proper ASP levels • Expected full clearance of gray market inventory by mid 2024

Sources: Earnings Calls