crocs™

Audrey Villiger, Dhanya Babu, Elle Voves, Jack Neuman, Isabel Libordi, Eric Main

Investment Overview

Recommendation: BUY

Holding Period: 3-5 years
Current Price: $83.66
Target Price: $105-$115
Implied Return: 26%-38%

Thesis 1:
Crocs core brand strong despite HeyDude drag

Thesis 2:
Increased international expansion exposes Crocs to untapped markets and boosts revenue

Catalysts boost EPS and FCF, allowing for faster debt paydown and more near-term share buybacks

Business Overview

General Information

- **Ticker:** CROX
- **Headquarters:** Broomfield, CO
- **Physical stores:** Over 370 in 11 different countries
- **Subsidiaries:** 80
- **Employees:** ~5,000

Management

- CEO: Andrew Rees
  - Piloted brand turnaround in 2017
- CFO: Patraic Reagan
  - Key decision-maker in debt reduction
- CBO: Terence Reilly
  - Viral marketing experience (Stanley)
- Brand President: Anne Mehlman
  - Scaled revenues to 3.3B

General History

- 2002: Founded by 3 sailing enthusiasts
- 2004: Acquired Foam Creations for Croslite
- 2006: IPO and acquisition of Jibbitz
- 2008: Stock Crashed to $1
- Early 2010s: Closed stores, slashed production to cut costs
- 2017-2018: Revitalized through rebranding the “ugly” shoe
- 2022: HeyDude Acquisition

Crocs produces and sells casual footwear through the core Crocs brand and HeyDude. They initally started with the iconic clog, but now also produce flip flops and sandals. They branched into the casual comfort space through their acquisition of HeyDude.

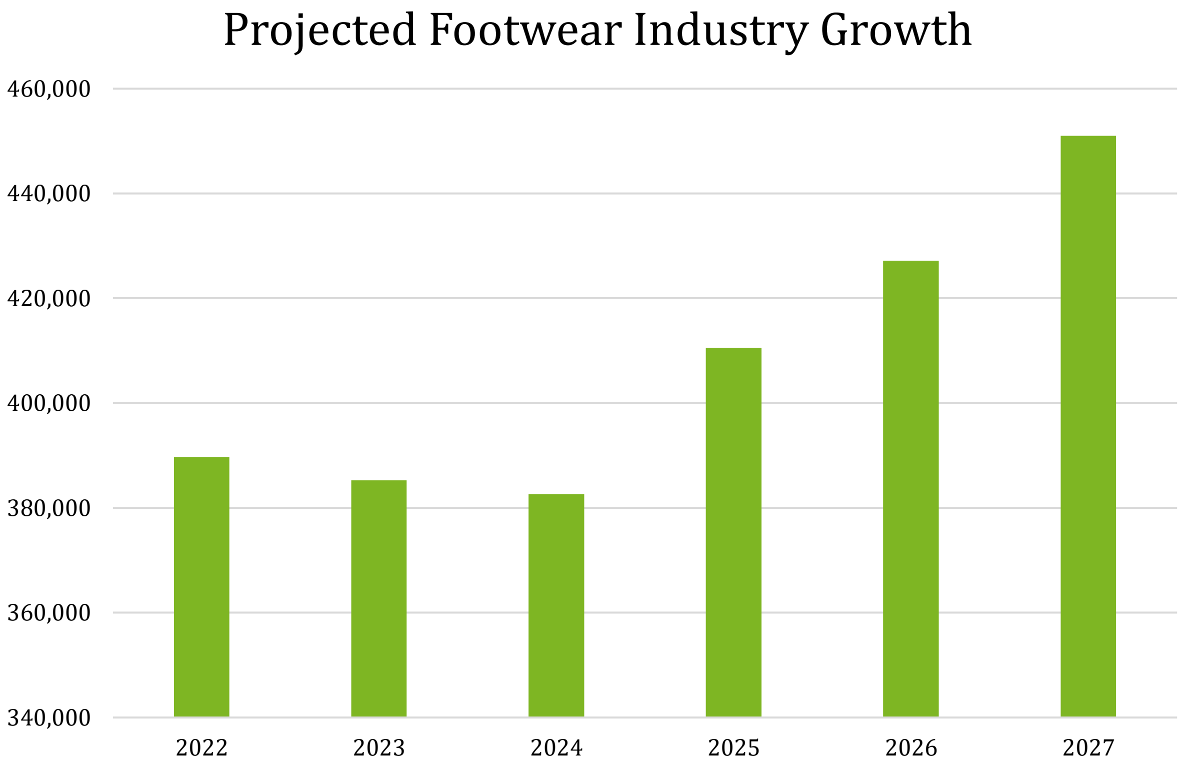
Industry Overview

Industry: Global Footwear → Comfortable Footwear

Value: ~$476B and projected to be ~$675B by 2033. Estimated of 4.5% CAGR

Crocs has high gross margins of 55% and an advantage in sandals /clogs which sees estimated 6-11% growth annually

Crocs FY2025:
~$4.0B revenue | 129M units sold



Porters 5 Forces

Threat of New Entrants - Low

- Large scale production allows Crocs to negotiate for lower priced raw materials and logistics
- Strong brand and emotional loyalty
- Large global reach (over 90 countries)
- Growing DTC Channels

Threat of Substitutes - Moderate

- Similar products in market (Birkenstocks, Hoka clog, Amazon/Walmart)
- Customers have shown to choose $50 Crocs over cheaper alternative because of brand
- Crocs estimate $100 Million in cost savings in 2026

Industry Rivalry - Moderate

- Crocs have personalization aspect with Jibbitz
- Large competition with global sportswear giants as well as in the footwear space in general
- Crocs jump on "ugly comfort" trend first

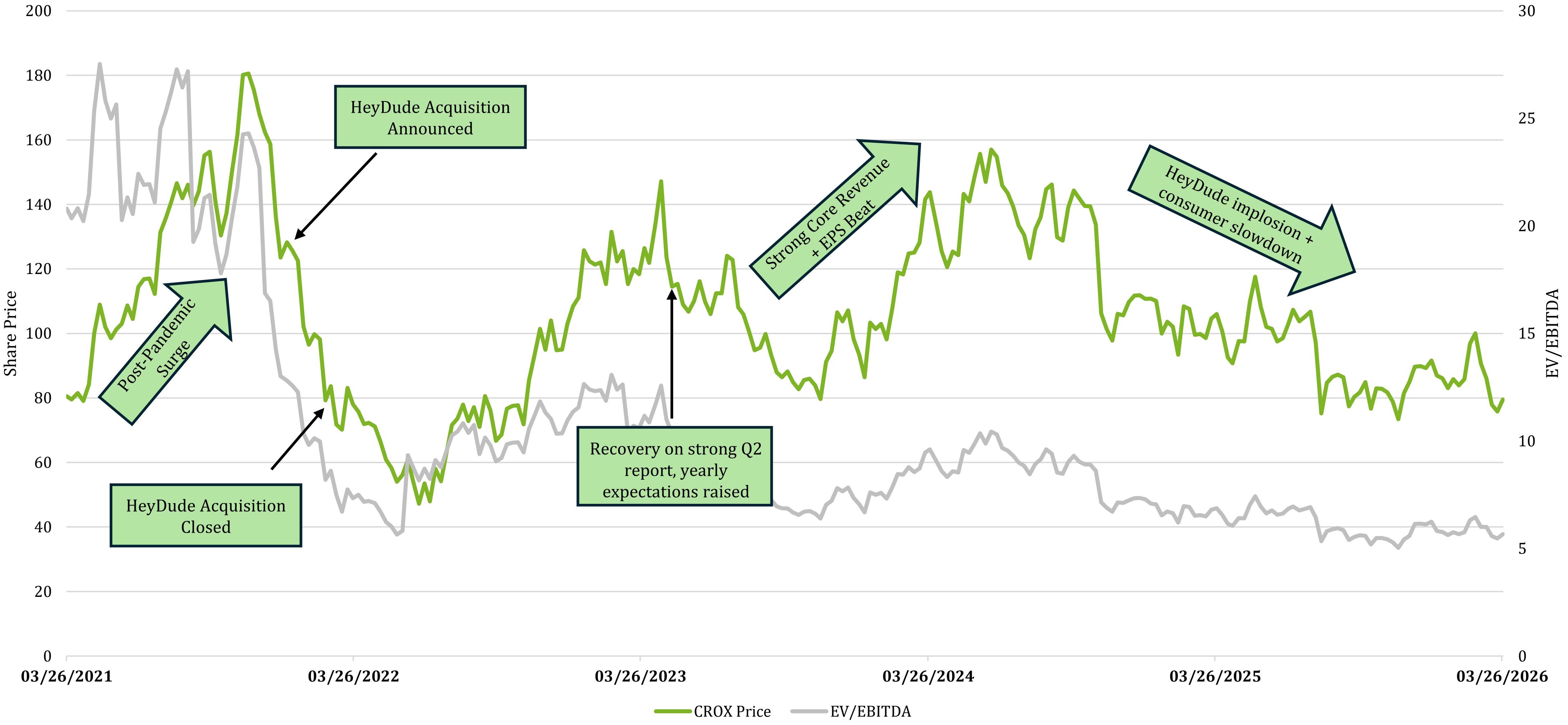
Bargaining Power of Suppliers - Low

- Crocs makes 2/3 components in house making forward integration for suppliers difficult
- Dow main supplier of Croslite
- 314 different suppliers (Vietnam, China)

Bargaining Power of Customers - High

- Customers highly informed and opinionated about shoe choice
- Crocs rely on customers' brand preference
- Crocs relies on customers being willing to pay for premium pricing for brand and sustainability

Crocs 5 Year Stock Chart and EV/EBITDA



Thesis 1: Crocs Core Strong Despite HeyDude Drag

Acquisition of HeyDude:

Acquirer	Crocs
Acquired Brand	HeyDude
Purchase Price	2.5 Billion
Date	2022

Strategic Rationale:

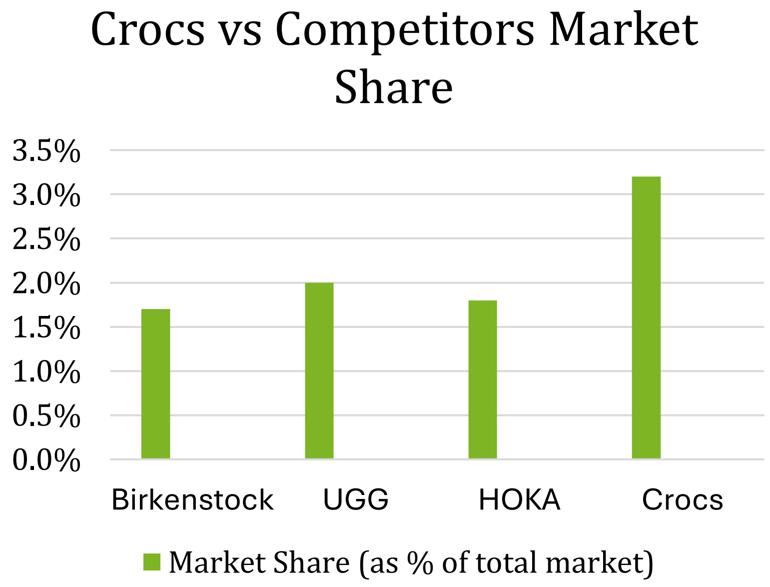
- Expand growth in casual footwear
- Improve distribution channels
- Grow dedicated customer base

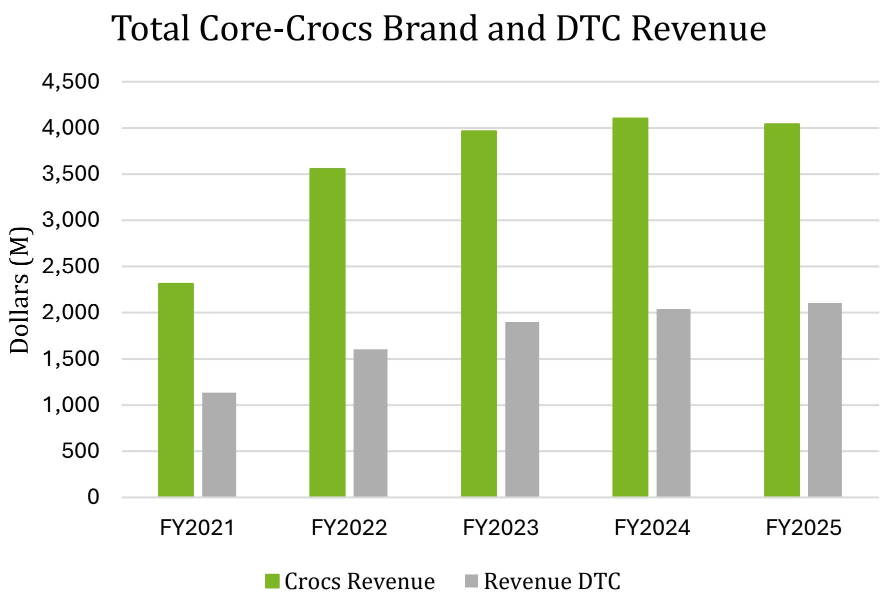
Why investors lost confidence after acquisition:

- HeyDude falling revenues (Q3 2024 17% drop revealed)
- FTC Settlement that cost HeyDude 1.9 Million

Crocs strong brand as a whole:

- Unique Croslite formula
- Customers willing to pay premium
- Personalization with Jibbitz
- 25% bio-circular content in Croslite
- Diversifying portfolio (Brooklyn and Getaway sandal)



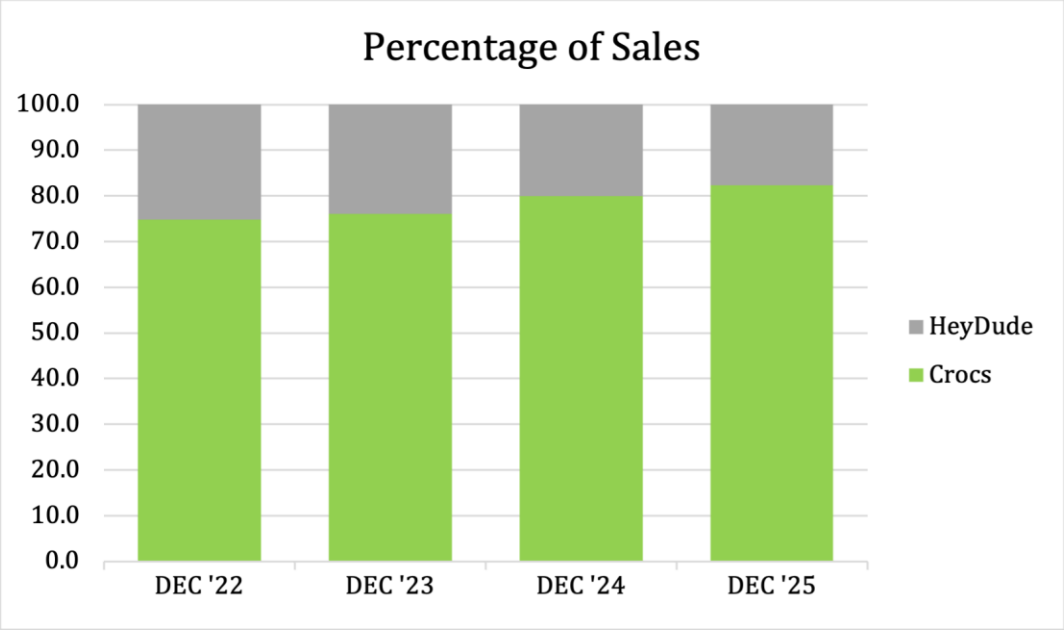


Efficient Cash Machine Hiding Behind the Noise

HeyDude Is Dragging Sentiment While the Crocs Core Segment Remains Strong

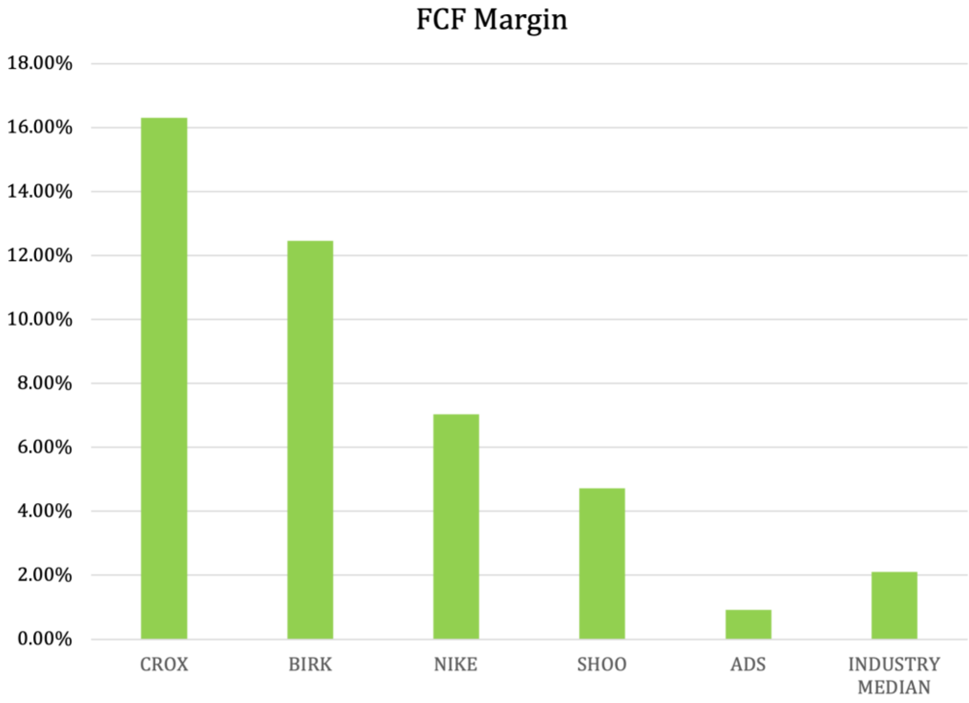
Nearly All Crocs Market Discourse Revolves Around HeyDude

- In reality, this burden is relatively small compared to the unaffected, consistent, adept Crocs core.



Crocs Free Cash Flow Margin Surpasses Competitors and is One of the Highest in The Industry

- Strong margins allows crocs to deleverage HeyDude acquisition debt quickly
- Provides flexibility for share buybacks and growth investment



Increasing DTC Exposure Leads to Higher Margin Revenues

2025 Actions:
- Reduce excess inventory
- Product innovation (slippers & boots)

Reilly Effect
- Terence Reilly rejoined Crocs as CBO in early 2025
- Reilly transformed Stanley into internet icon

Notable 2025 Stats

2025 Q1:
- Revenue decline of 9.8% year-over-year, improved from mid 2024
- HEYDUDE DTC channel 8.3% year-over-year growth.

2025 Q4:
- DTC revenue flat at $133 million
- Wholesale revenue plunged 41% to $56 million, clean-up activity

Look into 2026

Growing core franchises:
- Wally Stretch Socks Program

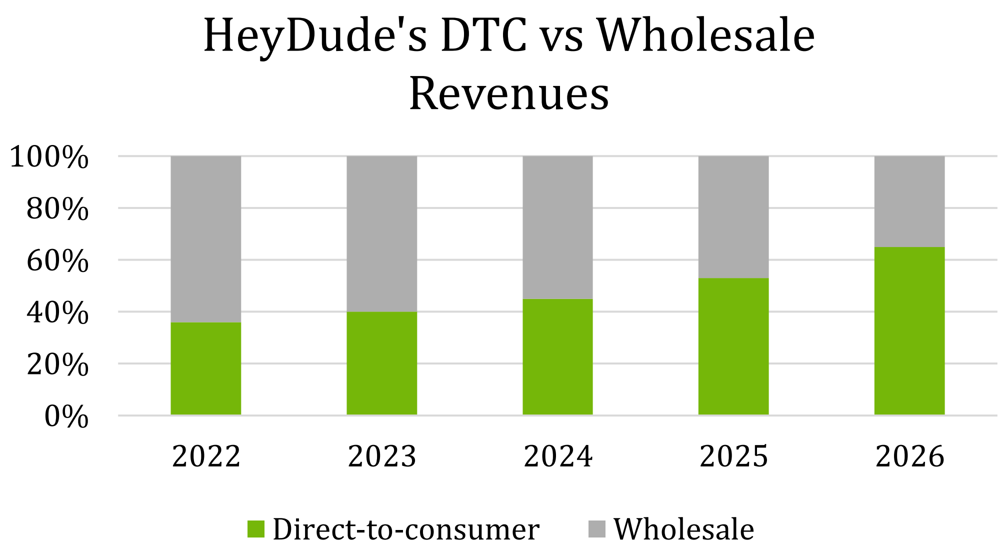
Build community through marketing campaigns:
- Back-To-School marketing campaign

Improve distribution:
- TikTok Shop

Correct product fit & comfort:
- Half sizes trial → less returns

HeyDude Revenue Consensus Chart:

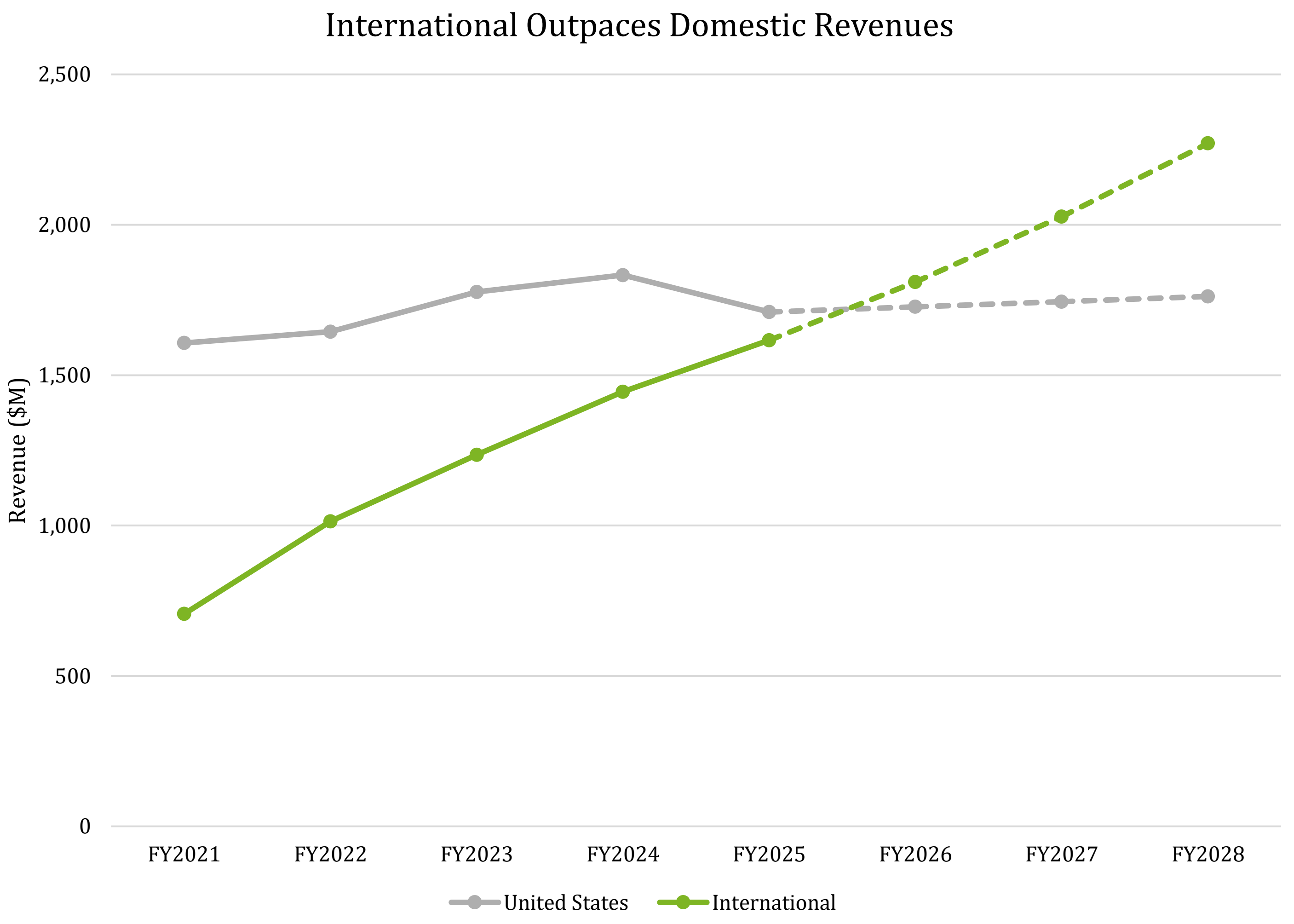
	2023	2024	2025	2026	2027	2028
Revenue ($M)	$949	$824	$715	$662	$669	$678
% Increase		-13.2%	-13.2%	-7.4%	1.1%	1.3%
VS Consensus Projections				-8.0%	1.1%	-4.2%



Thesis 2: Underdeveloped Markets Will Drive Top-Line

Crocs will continue strong expansion in international markets, driving top-line growth

- Crocs has turned focus towards international markets
- Five of six markets designated “Tier 1” are international
- In less developed international markets, the company has about a quarter of the market share it has in more developed markets
- Expansion into these markets introduces new geographies and increased customer bases
- Focus on US and impacts of HeyDude drawing attention away from underlying structural shifts and true strength of the international market and growth prospects



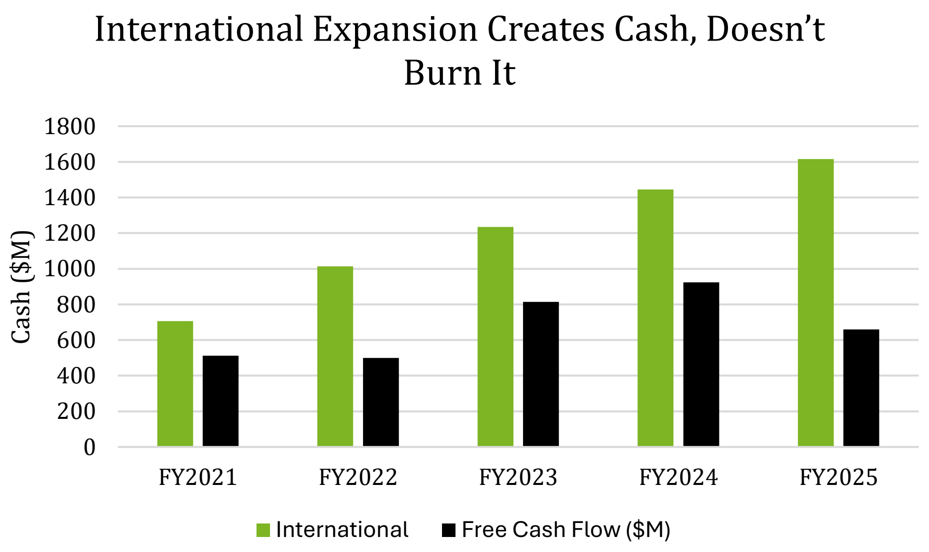
Structural Change: International Expansion

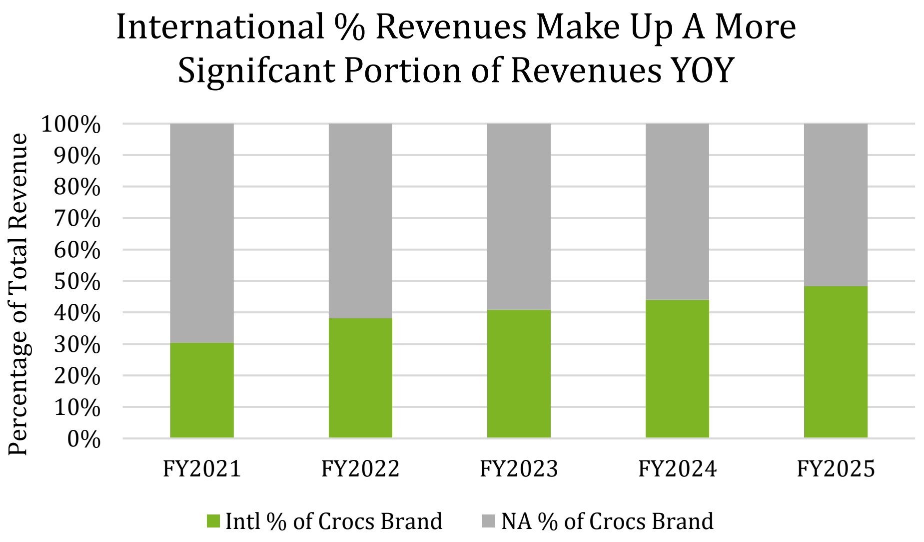
- International has grown from 30.5% to almost half of all revenues in 4 years
- China has been a driving force of international shift

Year	YOY Growth	China % of CROX Brand	China Revenues
FY2023	Triple-Digits	~4%	~120M
FY2024	64%	~6%	~197M
FY2025	30%	~8%	~256M*

*Revenues calculated from 30% YOY growth rate. All data sourced from Q4 earnings calls in 2023, 2024, 2025

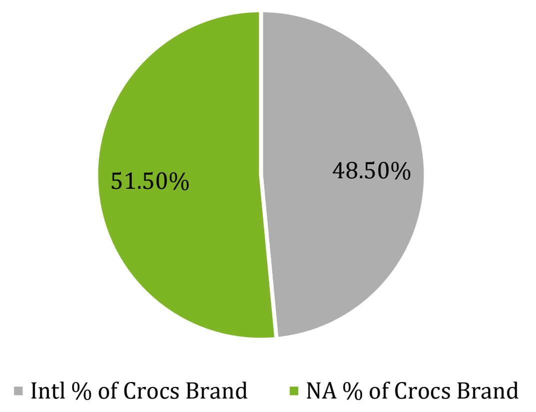
- China is now CROX #2 market globally
  - ➢ Explosive growth stage has ended
  - ➢ Proof of concept
- Same type of growth is replicable across other underdeveloped international markets
  - ➢ ¼ of market share achieved in established markets





International Replication

International markets generate a significant portion of revenues



Market in China

Crocs in China grew 30% in Q2 2025 with having placements in Tmall and Douyin

Market in India

India is Croc's fastest growing market: Tier 1 Market

Not Priced in Due to Early-Stage Expansion in These Countries

- Critical to know that supply chain is built out, there are partnerships
- Hard part of the local manufacturing set up has already been completed
- This negates some impacts from tariffs due to local manufacturing
- Crocs also doubled down in the face of tariffs in India

Climate in South Asia makes it a great potential market as it complements the functionality of the product

- Expansion into international markets exposes Crocs to a whole new customer base
- This execution will work because of marketing, Local supply chain, strong demand for sandal-ware in these countries, like success in China

- Manufacturing and supply chain processes in place, just up to execution
- Processes in place, gains just need to be realized – very early stage in the process

"Wonderfully Unordinary Marketing Campaign"

Transforms brand into having a "fashionable lifestyle footwear" identity, allowing for building a staple in these global markets

Thesis 1 & 2 Result in Consensus-Beating EPS

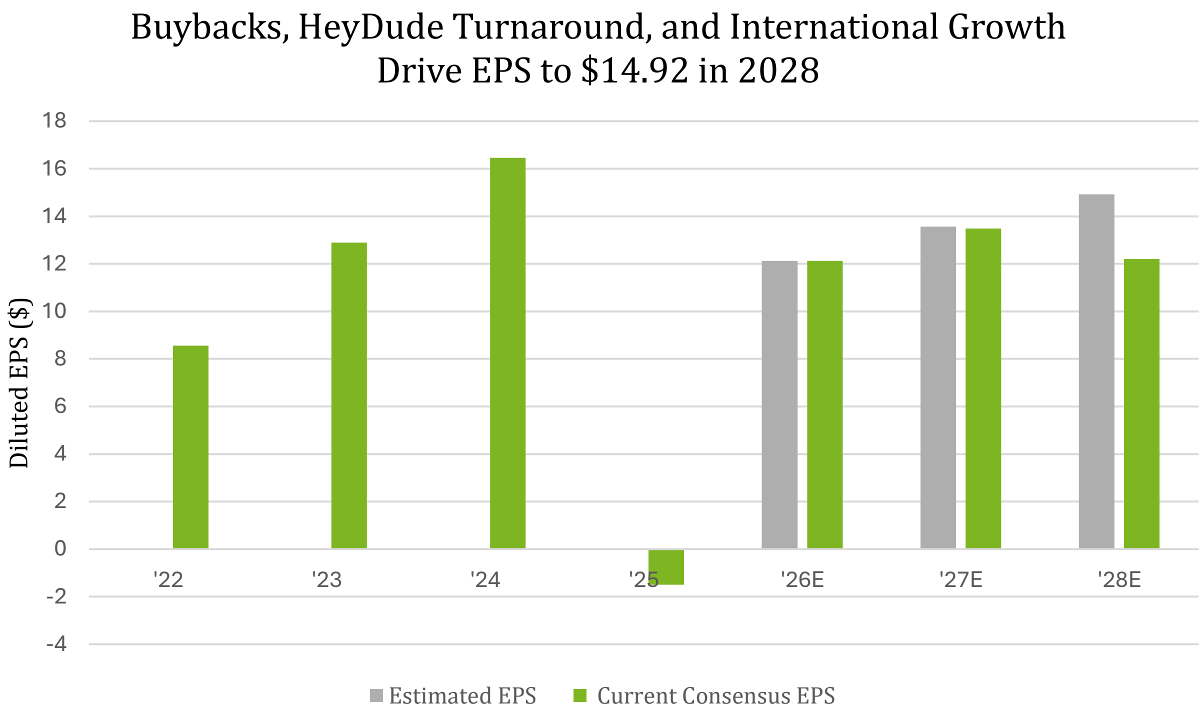
Strong Crocs Core

+

Increased Revenue from International Expansion

More Free Cash Available to Pursue Aggressive Stock Buyback

Consensus-Beating EPS



Crocs Recent Share Buybacks:

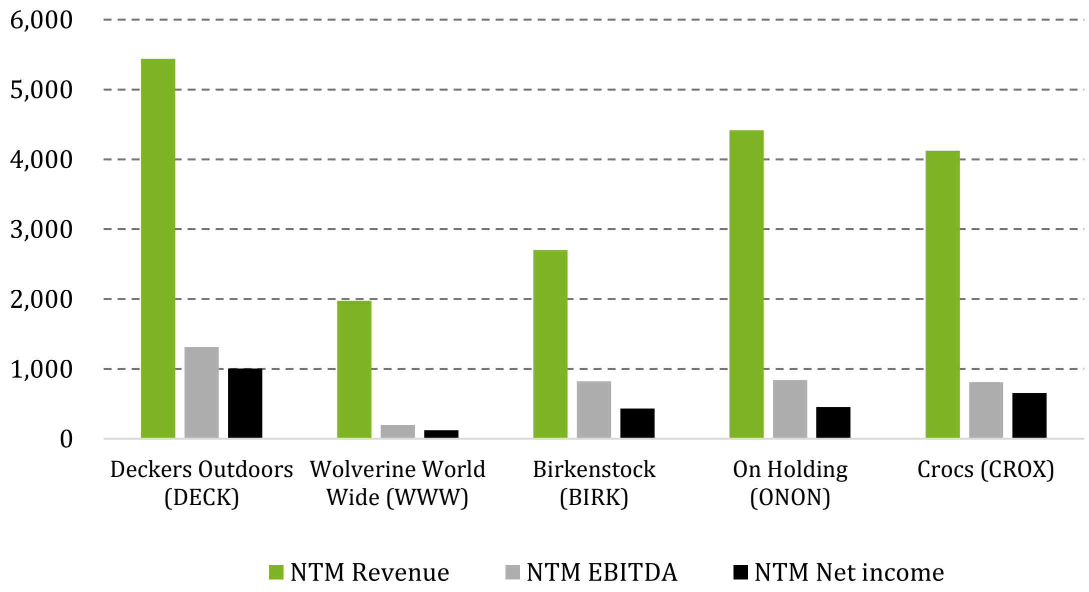
	2023	2024	2025
Repurchases of Common Stock	175,019	552,451	582,320

Valuation

Comparable Companies Analysis									
$USD in Millions	Market Capitalization	Enterprise Value	NTM Revenue	NTM EBITDA	NTM Net income	NTM Gross Margin	NTM EBITDA Margin	NTM EV/EBITDA	NTM P/E
Deckers Outdoors (DECK)	14,065	11,978	5,437	1,314	1,004	57.0%	24.2%	9.1x	14.0x
Wolverine World Wide (WW	1,364	1,855	1,978	199	121	46.0%	10.1%	9.3x	11.3x
Birkenstock (BIRK)	6,408	7,478	2,702	823	434	57.3%	30.5%	9.1x	14.8x
On Holding (ONON)	11,268	9,987	4,418	838	453	62.6%	19.0%	11.9x	24.9x
Crocs (CROX)	**4,333**	**5,433**	**4,121**	**808**	**659**	**58.8%**	**19.6%**	**6.7x**	**6.6x**

- At 9.1x EBITDA (peer group median), Crocs offers ~30% upside
- Current share price reflects pessimism around HeyDude, comps show market is not giving credit to CROX core earning power
- NTM EBITDA reflects continued HeyDude drag, as segment stabilizes, EBITDA back up to 1B+
- Revenue projections assume slow growth in 2026 due to continued HeyDude drag, with growth from 2027 onwards accelerating as HeyDude stabilizes and international expansion offsets any remaining headwinds

Crocs Competes at Scale with Premium-Valued Peers



EV / EBITDA	
Median EV / EBITDA	9.1x
Selected EV / EBITDA	9.1x
Forecasted NTM EBITDA	774
Forecasted Enterprise Value	7,052
Less Debt	1230.9
Add Cash	130.4
Implied Equity Value	5951.0648
Shares Outstanding	54
Implied Share Price	$109.60
Current Share Price	$83.66
Implied Upside (Downside)	31.0%

Risks and Mitigation

HeyDude Turnaround Fails:

The Acquisitions Continues Weighing on Growth + Margins

- Management has already begun inventory normalization
- Crocs strong distributions will improve HeyDude's margins over time
- Even without strong HeyDude growth, Crocs generates most of the company's profits

Brand Demand Fades:

Crocs are a "Fad"

- Crocs has sustained popularity over two decades, repeatedly re-entering fashion cycles
- Product diversification and frequent collaborations have maintained demand over years

Consumer Spending:

Footwear Demand Falls During an Economic Slowdown

- Crocs are relatively low-priced compared to other premium options, making them resilient to downturns
- High margins allow Crocs to maintain profitability even with promotional activity

Slower International Expansion:

Distribution Challenges

- Crocs has already built international wholesale and e-commerce infrastructure
- Localized marketing and partnership and regional retailer are Crocs proven strategy to accelerate growth

Competitive Pressure in Footwear:

Market Share Captured

- Crocs has irreplicable brand differentiation with their proprietary foam material
- Iconic clog silhouette has limited substitutes

Bear Base Bull

Bull Case

EV/EBITDA

Median EV / EBITDA	9.1x
Selected EV / EBITDA	10.1x
Forecasted NTM EBITDA	808
Forecasted Enterprise Value	8,160
Less Debt	1230.9
Add Cash	130.4
Implied Equity Value	7059.6888
Shares Outstanding	54
Implied Share Price	$130.01
Current Share Price	$83.66
Implied Upside (Downside)	55.4%

- International growth ~17%, big market share gains in undeveloped markets
- HeyDude returns to positive revenue growth
- Accelerated share buybacks

Base Case

EV/EBITDA

Median EV / EBITDA	9.1x
Selected EV / EBITDA	9.1x
Forecasted NTM EBITDA	774
Forecasted Enterprise Value	7,052
Less Debt	1230.9
Add Cash	130.4
Implied Equity Value	5951.0648
Shares Outstanding	54
Implied Share Price	$109.60
Current Share Price	$83.66
Implied Upside (Downside)	31.0%

- International growth ~13%, steady growth in key Asia markets
- HeyDude stabilizes, more debt paid down, Reilly effect
- Share buybacks continue

Bear Case

EV/EBITDA

Median EV / EBITDA	9.1x
Selected EV / EBITDA	6.9x
Forecasted NTM EBITDA	664
Forecasted Enterprise Value	4,580
Less Debt	1230.9
Add Cash	130.4
Implied Equity Value	3479.7
Shares Outstanding	54
Implied Share Price	$64.08
Current Share Price	$83.66
Implied Upside (Downside)	(23.4%)

- International growth ~6-8%
- HeyDude struggles, more concerns from investors
- Tariff headwinds greater than expected, margins take a hit
- Share buybacks paused

Investment Recap – Questions?

Recommendation: BUY
Holding Period: 3-5 years
Current Price: $83.66
Target Price: $105-$115
Implied Return: 26%-38%

Crocs core brand strong despite HeyDude drag

Increased international expansion exposes Crocs to untapped markets and boosts revenue

Catalysts boost EPS and FCF increases, allowing for more debt paydown and share buybacks