CROCS inc.

Q4 & FY 2023 Investor Presentation

Forward Looking Statement

This document includes estimates, projections, and statements relating to our plans, commitments, objectives, and expectations that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

These statements include, but are not limited to, statements regarding potential impacts to our business related to our supply chain challenges, cost inflation, our financial condition, brand and liquidity outlook, and expectations regarding our future revenue, margins, non-GAAP adjustments, tax rate, earnings per share, debt ratios and capital expenditures, share repurchases, the acquisition of HEYDUDE and benefits thereof, our strategy, plans, objectives, expectations (financial or otherwise) and intentions, future financial results and growth potential, statements regarding first quarter and full year 2024 financial outlook and future profitability, cash flows, and brand strength, anticipated product portfolio and our ability to deliver sustained, highly profitable growth and create significant shareholder value. These statements involve known and unknown risks, uncertainties, and other factors, which may cause our actual results, performance, or achievements to be materially different from any future results, performances, or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the following: our expectations regarding supply chain disruptions; cost inflation; current global financial conditions; the effect of competition in our industry; our ability to effectively manage our future growth or declines in revenues; changing consumer preferences; our ability to maintain and expand revenues and gross margin; our ability to accurately forecast consumer demand for our products; our ability to successfully implement our strategic plans; our ability to develop and sell new products; our ability to obtain and protect intellectual property rights; the effect of potential adverse currency exchange rate fluctuations and other international operating risks; and other factors described in our most recent Annual Report on Form 10-K under the heading "Risk Factors" and our subsequent filings with the Securities and Exchange Commission. Readers are encouraged to review that section and all other disclosures appearing in our filings with the Securities and Exchange Commission.

All information in this document speaks only as of February 15, 2024. We do not undertake any obligation to update publicly any forward-looking statements, whether as a result of the receipt of new information, future events, or otherwise, except as required by applicable law.

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Company Highlights

FINANCIAL HIGHLIGHTS

2023 Highlights

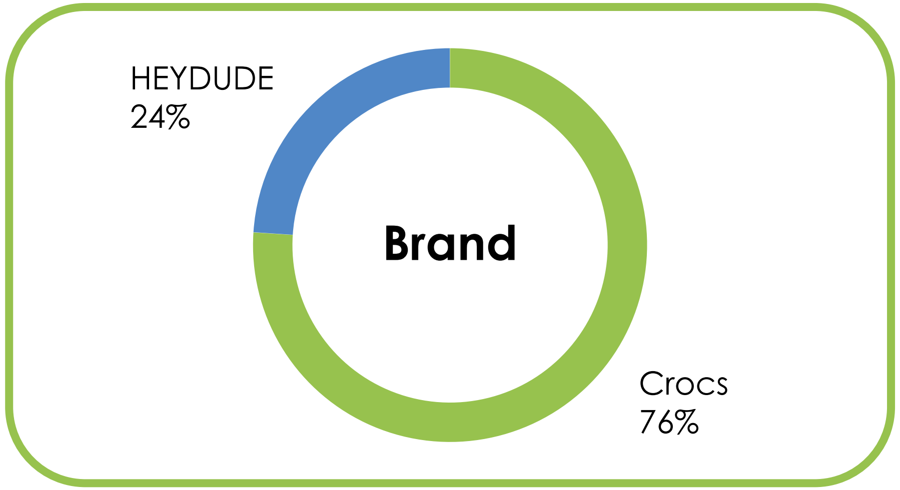
- Revenues of $4.0B, +12%[1]
  - Crocs Brand revenues of $3.0B, +14%[1]
    - Broad based international growth with particular strength in Australia, China, South Korea, and UK
    - North America revenues +8%[1] driven by DTC +13%[1] and WHL +2%[1]
  - HEYDUDE Brand revenues of $949M
- Adjusted operating margin of 27.7%[2], flat YoY
- Adjusted diluted EPS +10% to $12.03[2] per share
- Debt paydown of $666M; Repurchased $175M of shares at average cost of $104 per share
- Net leverage was 1.3x at year end[3]

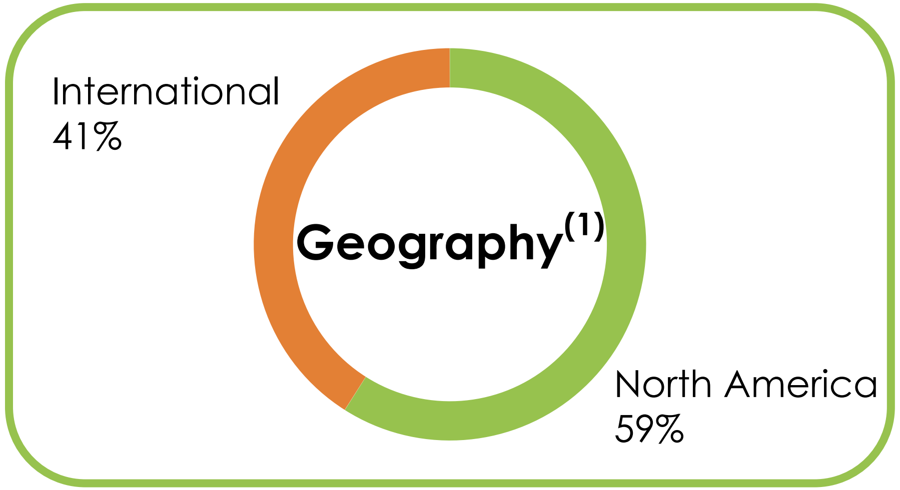
CROCS inc.

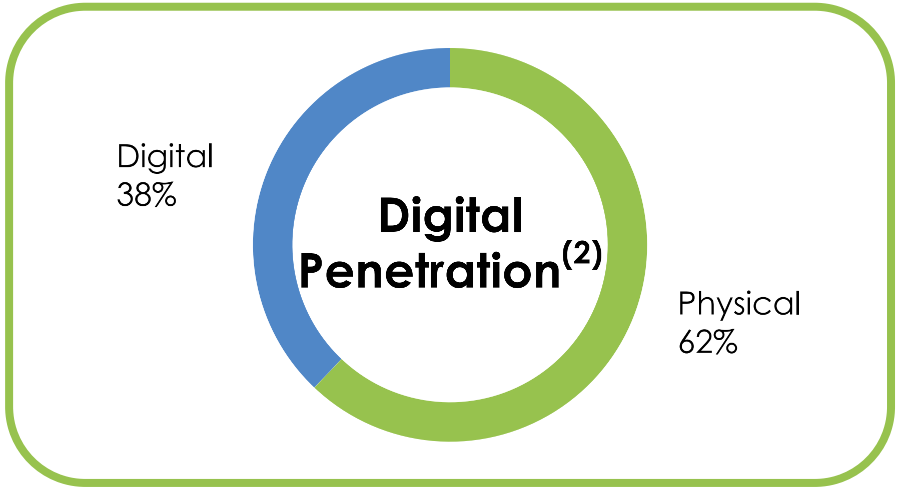
1. Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.
2. See reconciliation to GAAP equivalents in Appendix.
3. Net leverage ratio is a Non-GAAP Financial Measure, calculated as: EBITDA as calculated consistent with debt covenants divided by the sum of (1) gross debt less (2) cash and cash equivalents

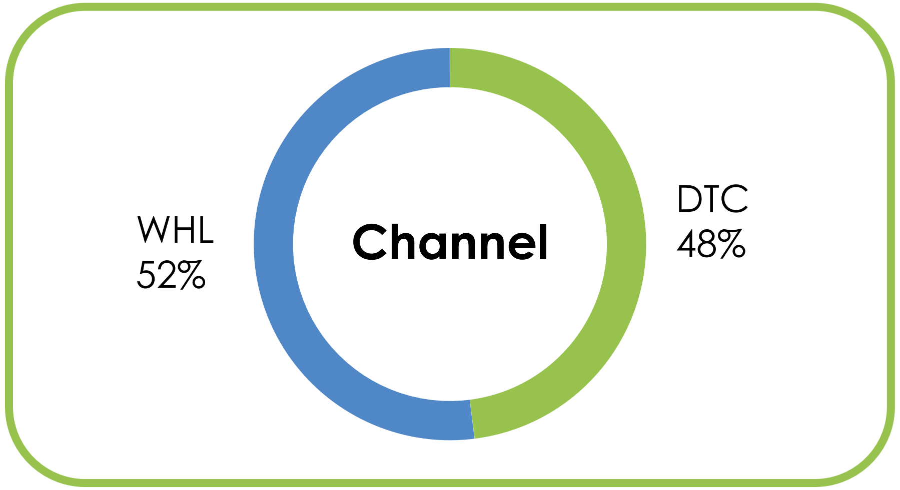
Diversified Sources of Growth

SHARE OF BUSINESS



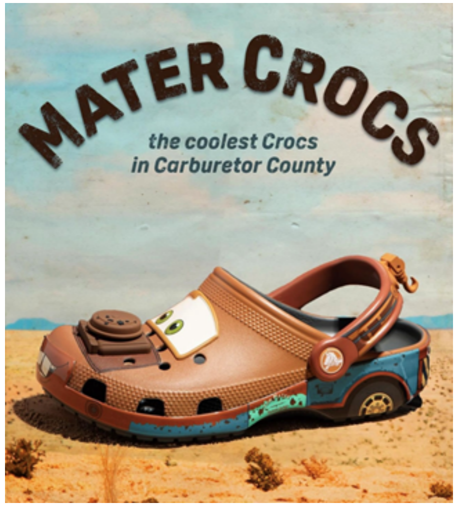


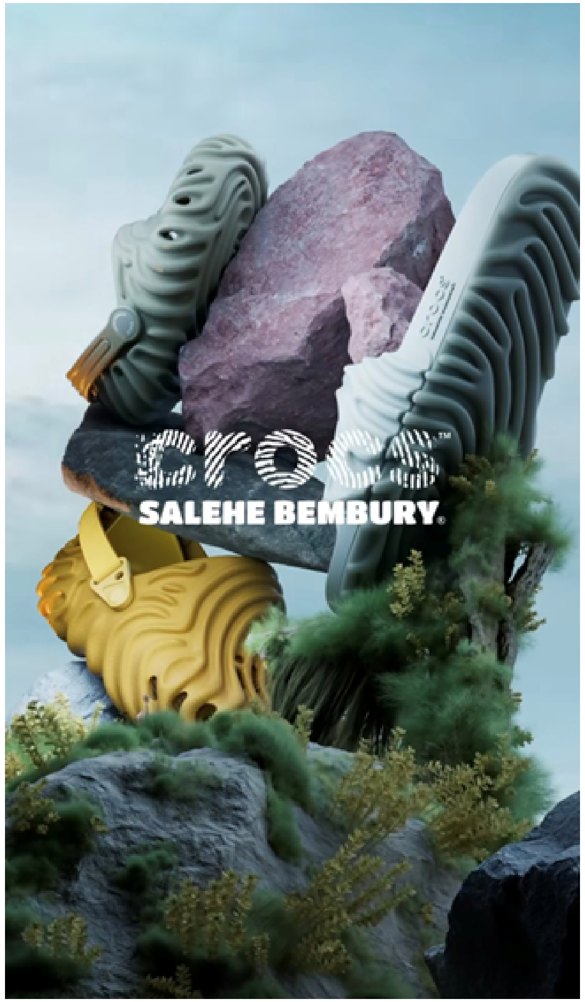




1. Crocs Brand only
2. Digital sales include Crocs.com, heydude.com, third-party marketplaces (e.g. Tmall), and e-tailers (e.g. Amazon, Zappos, Zalando).

Crocs Brand | 2023 Marketing Wins Were Broad Based





Crocs Brand | Three Product Pillars Grew Double Digits

Clogs	Sandals	Jibbitz
		

Revenue Growth vs PY[1]	*+12%*	*+29%*	*+17%*

1. Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.

Established Global Footprint With Accelerating Traction

Crocs brand continues to resonate globally, with international growing 23%[(1)]

Australia & China grew triple-digits[(1)]

South Korea & UK grew double-digits[(1)]

Tier 1 markets: China, India, Japan, South Korea, the U.S., and Western Europe.

1. Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.

HEYDUDE Brand | Marketing Fueling Brand Awareness

HEY DUDE | DUDE PERFECT

Chase Stokes

Brand Ambassador

HEYDUDE BRAND AWARENESS GREW FROM 18% IN 1H 2023 TO 32% IN 2H 2023[(1)]

1. Per Internal Brand Health Tracker Studies performed in April and September 2023.

HEYDUDE Brand | Holiday Product Successes

Wally & Wendy

Bradley Boot

Ugly Christmas Sweater

OUR PRODUCT WINS WERE ANCHORED AROUND OUR ICONS AND OUR BOOTS

HEYDUDE Brand | Distribution Strategy

#1 Realign wholesale distribution with strategic partners, while rightsizing account base, and improving product segmentation

#2 Improve full-price selling on digital as we pull back price matching online

#3 Expand outlet retail strategy with plans to open ~30 stores throughout 2024

#4 Test in select markets leveraging Crocs international playbook

Q4 2023 Highlights

- Revenues of $960M, +2%[1]
  - Crocs Brand revenues of $732M, +10%[1]
    - Growth in all Tier 1 markets
    - North America revenues +3%[1]
    - DTC +12%[1] and WHL +7%[1]
  - HEYDUDE Brand revenues of $228M
- Adjusted operating margin of 24.1%[2], (190) bps YoY
- Adjusted diluted EPS (3)% to $2.58 per share[2]
- Debt paydown of $277M; Repurchased $25M of shares at $86.34

1. Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.
2. See reconciliation to GAAP equivalents in Appendix.

Crocs Brand Highlights

Q4 2023 Revenues

$732M

+10%[1] exceeding high-end of guidance +4% to +7%

Better-than-expected Holiday

Growth in all six Tier 1 countries

Reduced promotional activity against 2022

Owned inventory down 7% vs PY and improved channel inventory

FY2023 Revenues

$3.0B

+14%[1] exceeding high-end of guidance +12% to +13%

Broad based international growth with particular strength in Australia, China, South Korea, and UK

Sandal revenues over $400M, +29%[1]

Strong franchise management with success of Echo, Brooklyn, core Classic, Crush

Scaling personalization with Jibbitz +17%[1]

1. Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.

HEYDUDE Brand Highlights

Q4 2023 Revenues

$228M

(19)%[1] exceeding high-end of guidance (25%) to (20%)

54% of revenues from DTC

Strength in icons: Wally & Wendy

Owned inventory down 38% vs PY and improved channel inventory

Positive early reads on initial outlet stores

FY2023 Revenues

$949M

+6%[1] in-line with high-end of guidance of +4% to +6%

Drove brand awareness from 18% to 32%

Curtailed over 50% of non-strategic accounts in 2023 and pulled-back on digital rights

Increased ASP in digital channels during 2H as we pulled back on price matching

Laid groundwork for enhanced product and channel segmentation in 2024

1. Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.

Financial Review

2023 Financial Highlights

($M)	**2023**	**B/(W) vs. PY**
Revenues	3,962	+12%[1]
Adjusted Gross Margin[2]	56.5%	+210 bp
Adjusted SG&A as % of Revenue[2]	28.7%	(200) bp
Adjusted Operating Income[2]	1,099	+11%
Adjusted Operating Margin[2]	27.7%	— bp
Adjusted Diluted EPS[2]	$12.03	+10%

1. Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.
2. See reconciliation to GAAP equivalents in Appendix.

Q4 2023 Financial Highlights

($M)	Q4	B/(W) vs. PY
Revenues	$960	+2%[1]
Adjusted Gross Margin[2]	55.7%	+240 bp
Adjusted SG&A as % of Revenue[2]	31.6%	(430) bp
Adjusted Operating Income[2]	$231	(6)%
Adjusted Operating Margin[2]	24.1%	(190) bp
Adjusted Diluted EPS[2]	$2.58	(3)%

1. Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.
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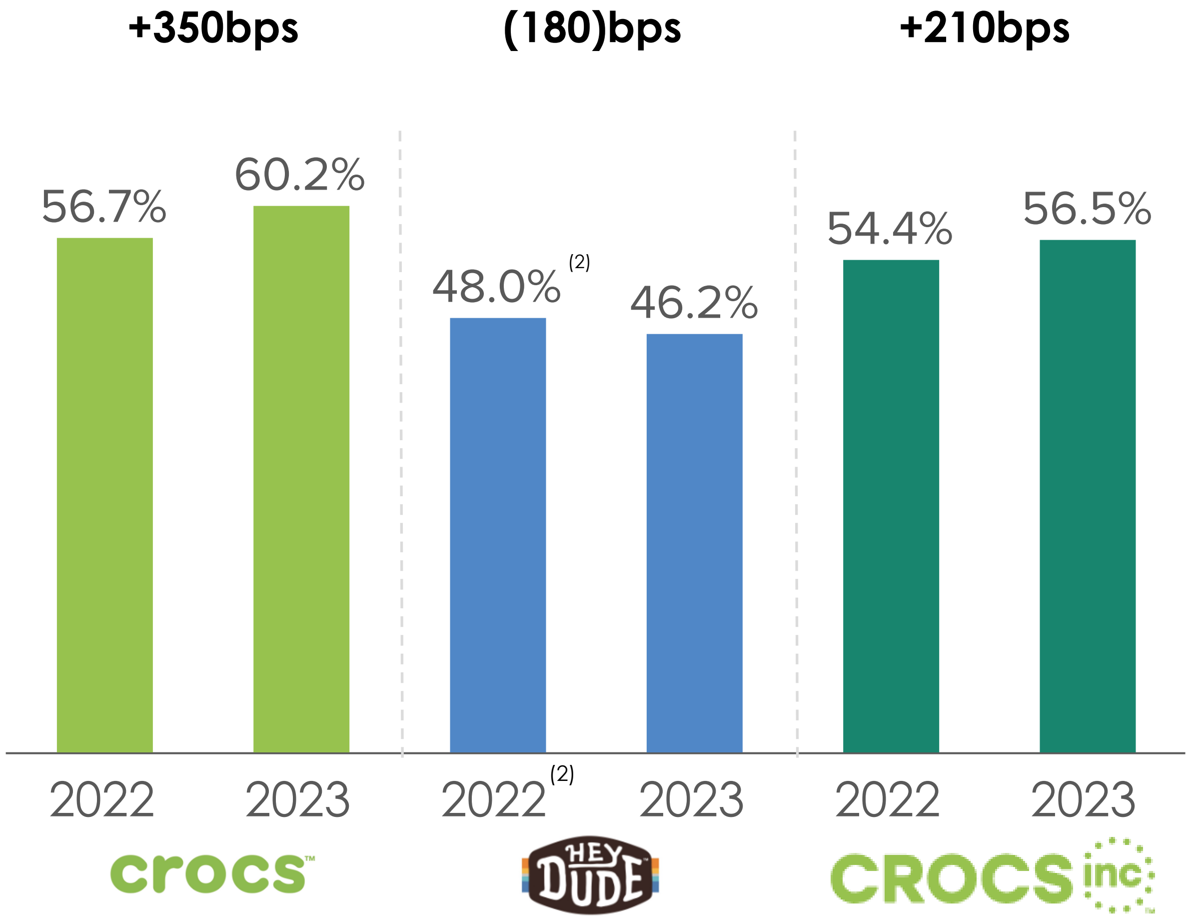
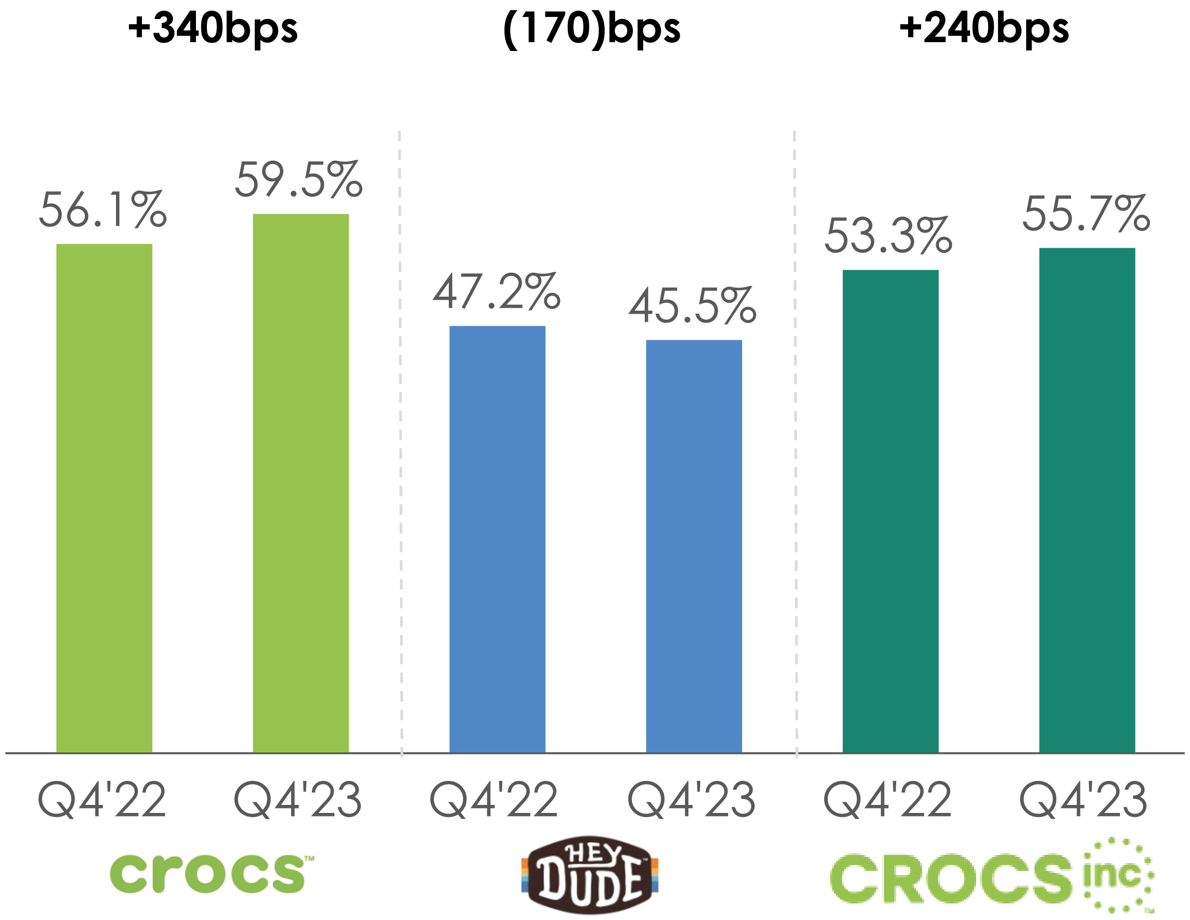
2023 Adjusted Gross Margins(1)

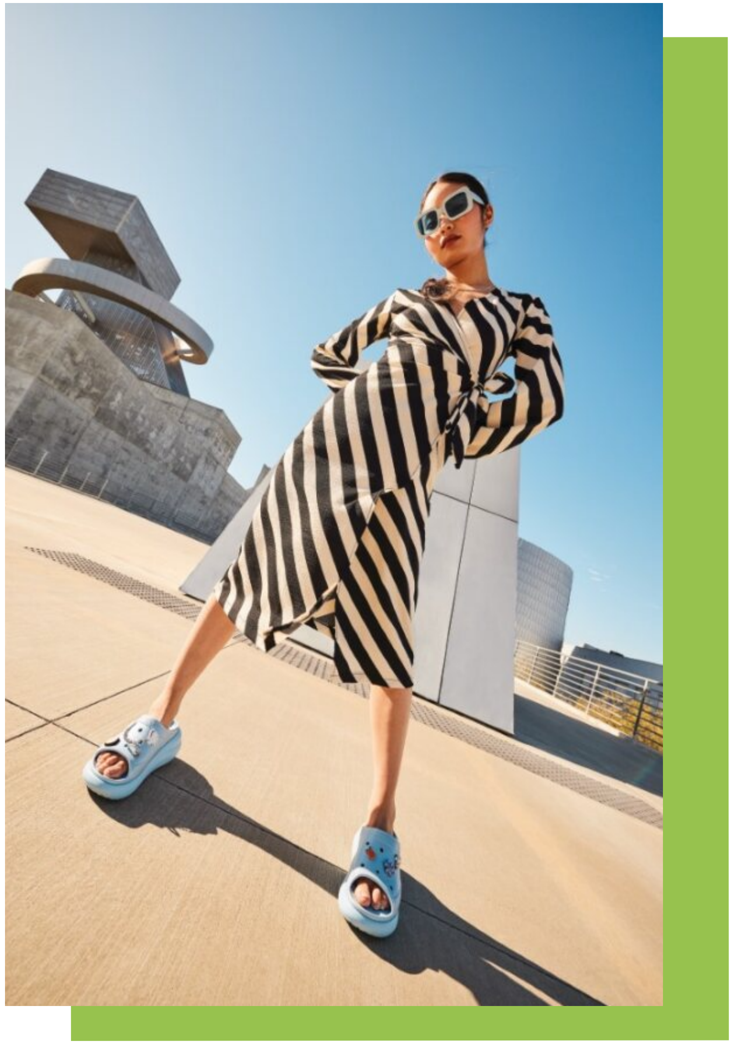


1. See reconciliation to GAAP equivalents in Appendix.
2. We acquired HEYDUDE on February 17, 2022 and, as a result, added the HEYDUDE Brand as a new reportable operating segment. Therefore, the amounts shown above for the year ended December 31, 2022 represents results during the partial period from the acquisition date of February 17, 2022 through December 31, 2022.

FINANCIAL HIGHLIGHTS

Q4 Adjusted Gross Margins[1]





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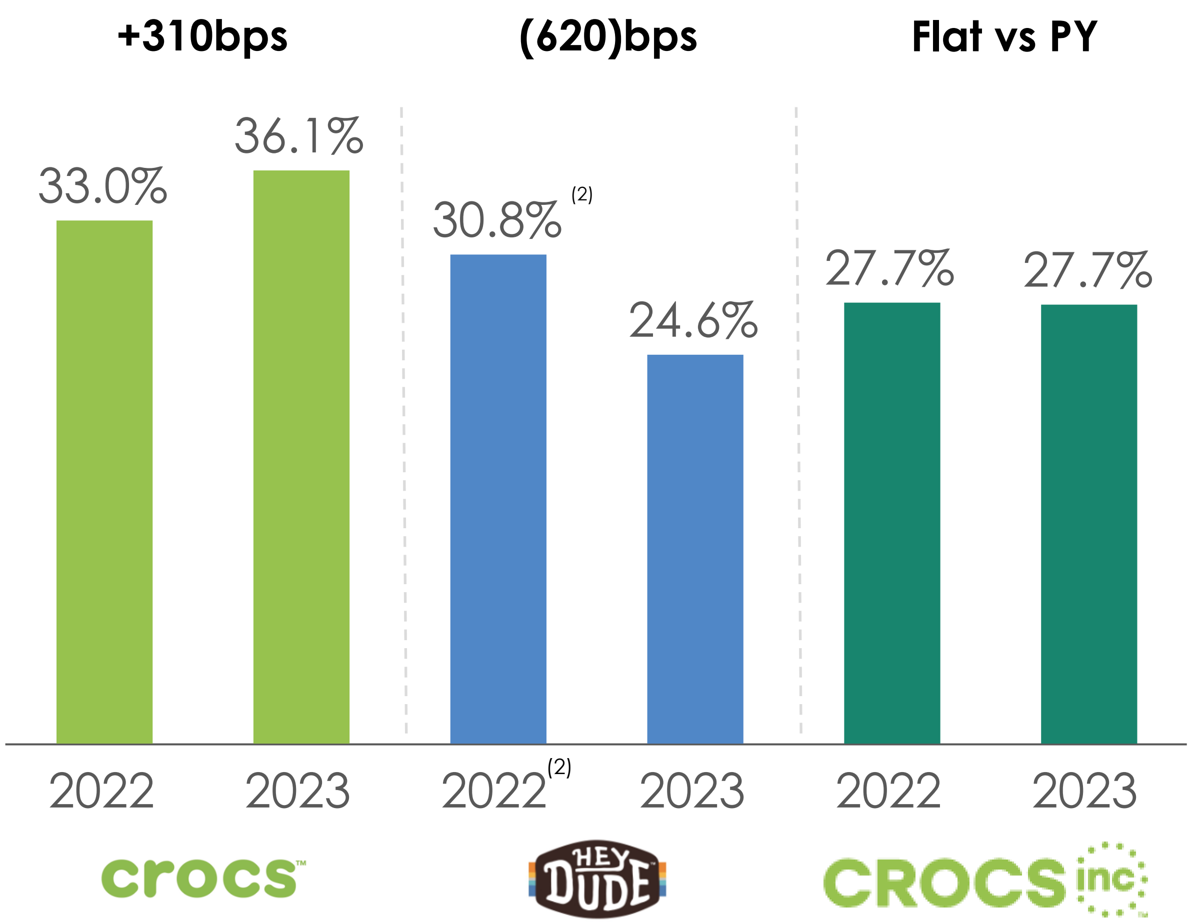
FINANCIAL HIGHLIGHTS

2023 Adjusted Operating Margins[1]



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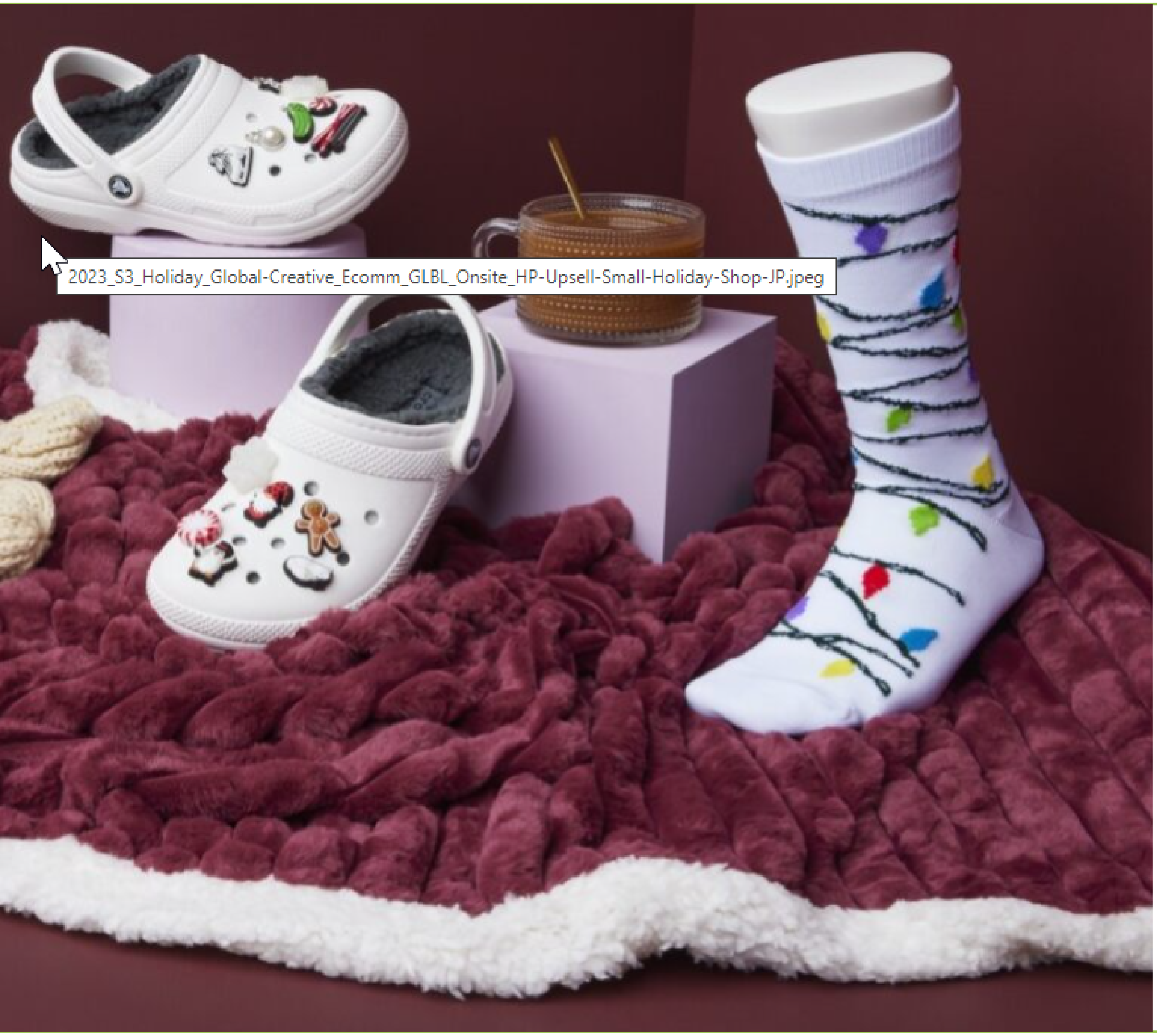
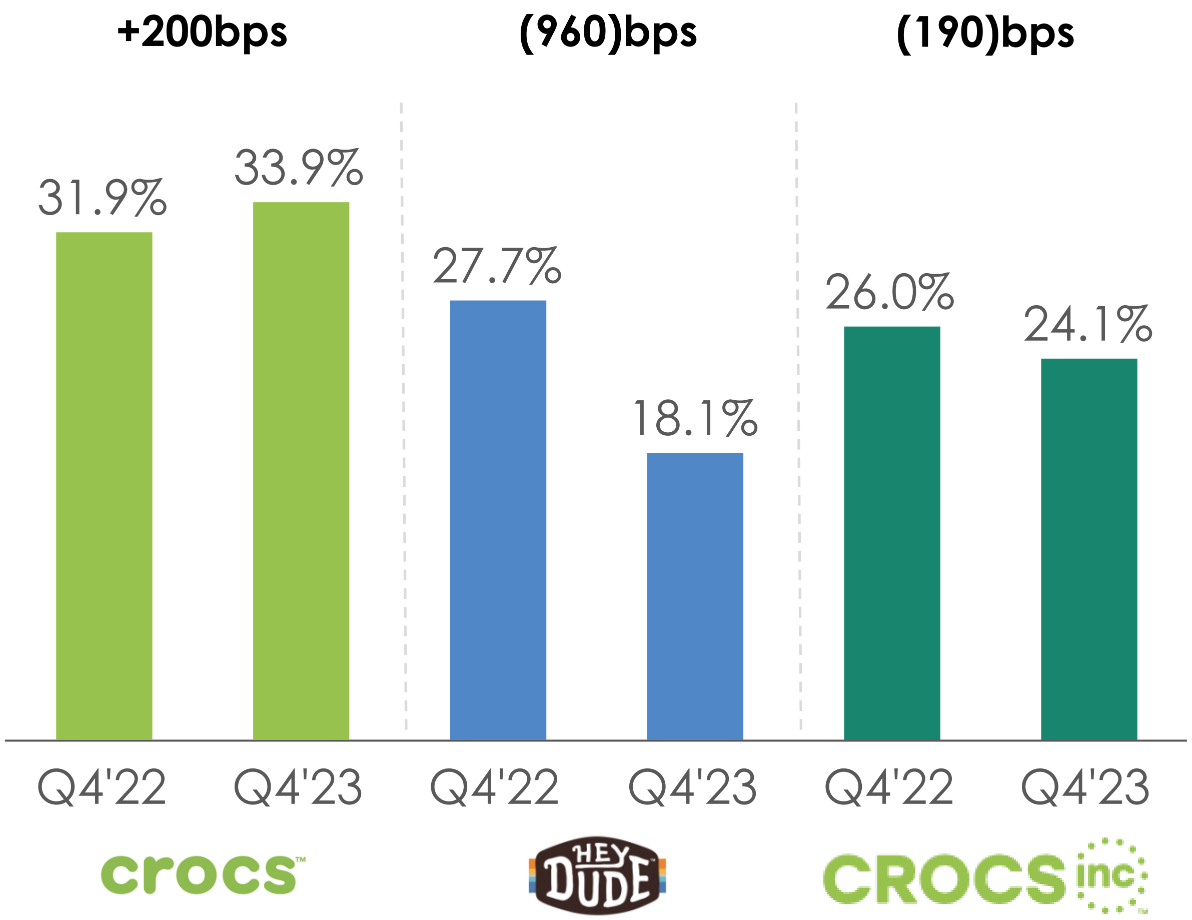
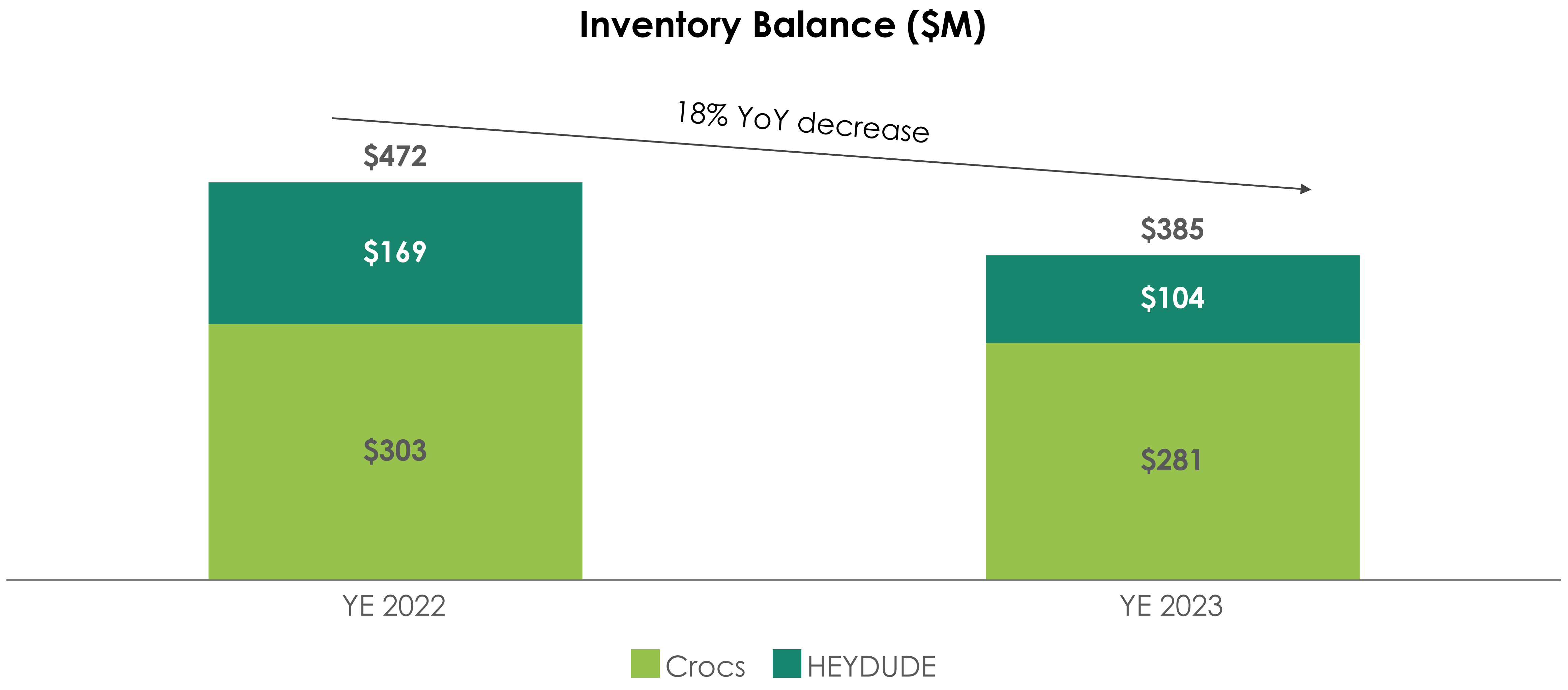




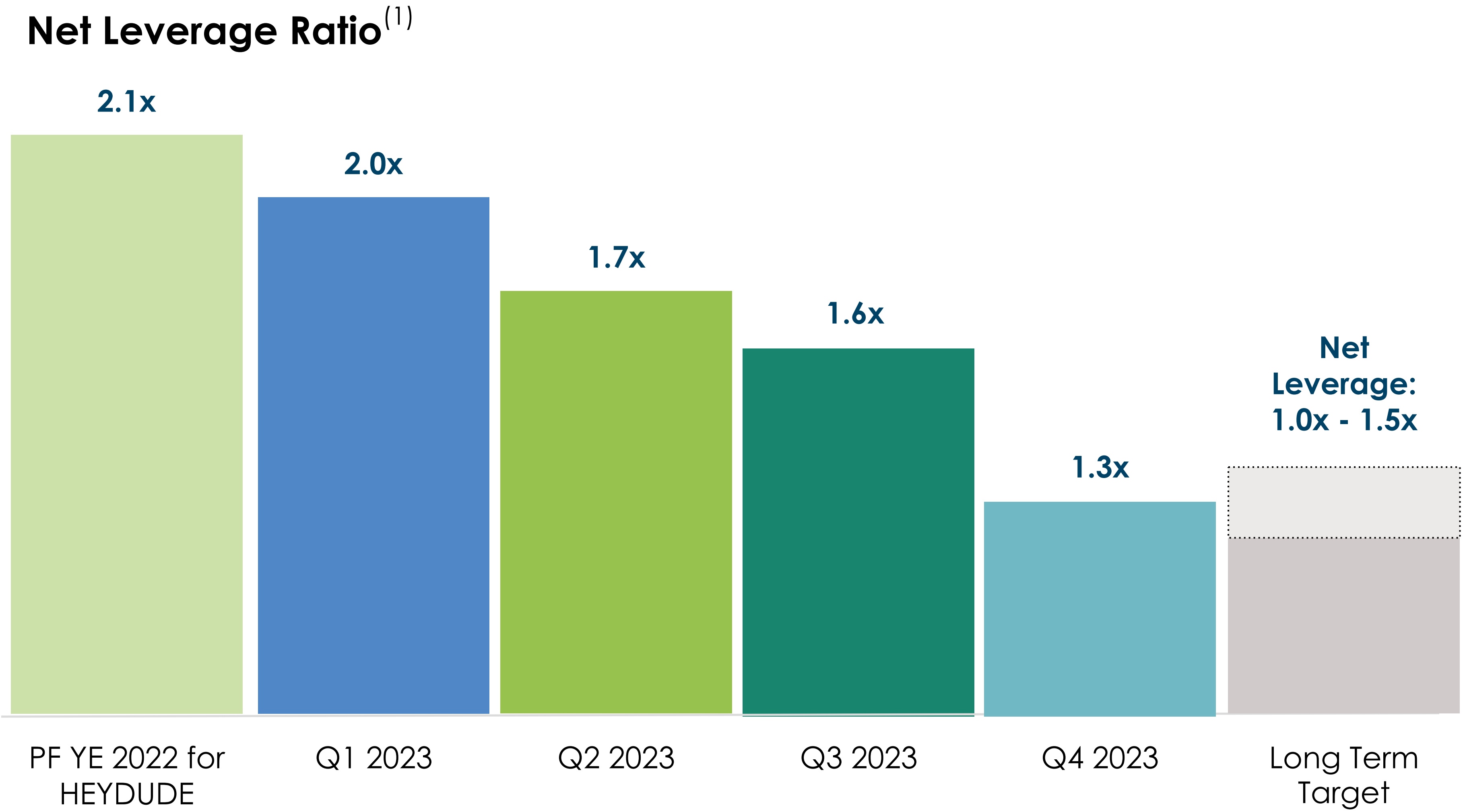
1. See reconciliation to GAAP equivalents in Appendix.

Healthy Inventory Position Returning to 4x Turns



Capital Allocation

- Committed to quickly deleveraging - repaid $1.2B since the acquisition
  - 2023 repayment $666M; $277M in Q4
- We are in the range of our long-term net leverage target
- 2023 share repurchase of $175M; $25M of shares in Q4
- At end of year $875M authorization remaining



1. Net leverage ratio is a Non-GAAP Financial Measure, calculated as: EBITDA as calculated consistent with debt covenants divided by the sum of (1) gross debt less (2) cash and cash equivalents

Capital Allocation Priorities

#1 Brand Growth Investment

#2 Debt Paydown

#3 Return of Capital to Shareholders

Financial Outlook

Near-Term Catalysts

- Strong franchise management for the Crocs' brand augmented by new product introductions in 2024 (Street, height & new sandal franchise)
- Global growth expected to be led by international markets, especially in APAC
- Acute focus on account & channel segmentation for HEYDUDE
- HEYDUDE gross margin stabilization expected through more full price selling on digital & improved operational stability with new DC & ERP system
- Expansion of HEYDUDE's channel diversification strategy through the thoughtful development of outlet retail
- Prioritize both debt paydown and returning cash to shareholders through buybacks

Long-Term Enterprise Priorities

Remain confident in Crocs as a $5B brand over time supported by clog, sandal, Jibbitz, digital and international growth

Build HEYDUDE into a top global footwear brand as we improve segmentation and product differentiation, diversify our channels, and lay the groundwork international expansion

Capitalize on best-in-class gross margins to invest excess into marketing, talent, and other strategic brand investments

Maintain industry-leading margins while investing as appropriate to support long-term growth, recognizing adj. operating margins will not be 26% each and every year[(1)]

1. See reconciliation to GAAP equivalents in Appendix

FINANCIAL OUTLOOK

2024E Guidance

(numbers on reported basis, unless otherwise noted)	Q1 2024	Full Year 2024
Total Revenue Growth	(1.5)% to +0.5%	+3% to 5%
crocs **Revenue Growth**	+6% to 8%	+4% to 6%
HEY DUDE **Reported Revenue Growth**	(23)% to (20)%	Flat To Slightly Up
Adjusted Operating Margin[2,3]	~22%	~25%
Adjusted One Time Costs[2,3]		~$10M
Adjusted Effective Tax Rate[2,3]		~18%
Adjusted Diluted EPS[2,3]	$2.15 to $2.25	$12.05 to $12.50
Capital Expenditures		~$120 to $130M

1. Crocs, Inc. expected FY2024 revenue growth provided of approximately 3% to 5% at currency rates as of the end of the latest reported period.
2. Non-GAAP adjustments of approximately $10 million primarily related to HEYDUDE's distribution and logistics project, impacting cost of goods sold
3. See reconciliation to GAAP equivalents in Appendix.

Appendix

APPENDIX

Non-GAAP Reconciliation

In addition to financial measures presented on the basis of accounting principles generally accepted in the United States of America ("GAAP"), we present "Non-GAAP gross profit," "Non-GAAP gross margin," "Non-GAAP gross margin by brand," "Non-GAAP selling, general, and administrative expenses," "Non-GAAP selling, general and administrative expenses as a percent of revenues," "Non-GAAP selling, general and administrative expenses as a percent of revenues reconciliation by brand," "Non-GAAP income from operations," "Non-GAAP operating margin," "Non-GAAP operating margin by brand," "Non-GAAP operating margin by brand," "Non-GAAP income before income taxes," "Non-GAAP income tax expense," "Non-GAAP effective tax rate," "Non-GAAP net income," "Non-GAAP basic and diluted net income per common share," and "net leverage" which are non-GAAP financial measures. We also present future period guidance for "Non-GAAP operating margin" and "net leverage". Non-GAAP results exclude the impact of items that management believes affect the comparability or underlying business trends in our condensed consolidated financial statements in the periods presented.

We also present certain information related to our current period results of operations through "constant currency," which is a non-GAAP financial measure and should be viewed as a supplement to our results of operations and presentation of reportable segments under GAAP. Constant currency represents current period results that have been retranslated using exchange rates used in the prior year comparative period to enhance the visibility of the underlying business trends excluding the impact of foreign currency exchange rate fluctuations.

Management uses non-GAAP results to assist in comparing business trends from period to period on a consistent basis in communications with the board of directors, stockholders, analysts, and investors concerning our financial performance. We believe that these non-GAAP measures, in addition to corresponding GAAP measures, are useful to investors and other users of our condensed consolidated financial statements as an additional tool for evaluating operating performance and trends by providing meaningful information about operations compared to our peers by excluding the impacts of various differences.

Management believes Non-GAAP gross profit, Non-GAAP gross margin, and Non-GAAP gross margin by brand are useful performance measures for investors because they provide investors with a means of comparing these measures between periods without the impact of certain expenses that we believe are not indicative of our routine cost of sales. Our routine cost of sales includes core product costs and distribution expenses primarily related to receiving, inspecting, warehousing, and packaging product and transportation costs associated with delivering products from distribution centers. Costs not indicative of our routine cost of sales may or may not be recurring in nature and include costs to expand and transition to new distribution centers.

Management believes Non-GAAP selling, general and administrative expenses, and Non-GAAP selling, general and administrative expenses as a percent of revenues and Non-GAAP selling, general and administrative expenses as a percent of revenues reconciliation by brand are useful performance measures for investors because they provide a more meaningful comparison to prior periods and may be indicative of the level of such expenses to be incurred in future periods. These measures exclude the impact of certain expenses not related to our normal operations, such as costs related to the acquisition and integration of HEYDUDE and other costs that are expected to be non-recurring in nature.

Non-GAAP income from operations, Non-GAAP operating margin, and Non-GAAP operating margin by brand reflect the impact of Non-GAAP gross profit and Non-GAAP selling, general, and administrative expenses, as discussed above. We believe these are useful performance measures for investors because they provide a useful basis to compare performance in the period to prior periods.

Non-GAAP income before income taxes reflects the impact of Non-GAAP income from operations, as discussed above. We believe this is a useful performance measure for investors because it provides a useful basis to compare performance in the period to prior periods.

Management believes Non-GAAP income tax expense is a useful performance measure for investors because it provides a basis to compare our tax rates to historical tax rates, and because the adjustment is necessary in order to calculate Non-GAAP net income.

Management believes Non-GAAP effective tax rate is a useful performance measure for investors because it provides an ongoing effective tax rate that they can use for historical comparisons and forecasting.

Management believes Non-GAAP net income is a useful performance measure for investors because it focuses on underlying operating results and trends and improves the comparability of our results to prior periods. This measure reflects the impact of Non-GAAP gross profit, Non-GAAP selling, general, and administrative expenses, and Non-GAAP income tax expense, as described above.

Management believes Non-GAAP basic and diluted net income per common share are useful performance measures for investors because they focus on underlying operating results and trends and improve the comparability of our results to prior periods. These measures reflect the impact of Non-GAAP gross profit, Non-GAAP selling, general, and administrative expenses, and Non-GAAP income tax expense, as described above.

Management believes net leverage is a useful performance measure for investors because it allows for a direct comparison of this measure between periods and is reflective of outstanding borrowings after using all available cash and cash equivalents to reduce borrowings.

For the periods presented herein, management believes it is helpful to evaluate our results excluding the impacts of various adjustments relating to special or non-recurring items. Investors should not consider these non-GAAP measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

Comparable store status, as included in the DTC comparable sales figures above, is determined on a monthly basis. Comparable store sales include the revenues of stores that have been in operation for more than twelve months. Stores in which selling square footage has changed more than 15% as a result of a remodel, expansion, or reduction are excluded until the thirteenth month in which they have comparable prior year sales. Temporarily closed stores are excluded from the comparable store sales calculation during the month of closure and in the same month in the following year. Location closures in excess of three months are excluded until the thirteenth month post re-opening. E-commerce comparable revenues are based on same site sales period over period. E-commerce sites that are temporarily offline or unable to transact or fulfill orders ("site disruption") are excluded from the comparable sales calculation during the month of site disruption and in the same month in the following year. E-commerce site disruptions in excess of three months are excluded until the thirteenth month after the site has re-opened.

Non-GAAP Reconciliation

Non-GAAP Gross Profit and Gross Margin Reconciliation:

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
	(in thousands)			
GAAP revenues	$ 960,097	$ 945,162	$ 3,962,347	$ 3,554,985
GAAP gross profit	$ 530,697	$ 496,323	$ 2,210,010	$ 1,860,282
Distribution centers [1]	3,667	6,162	27,331	11,058
HEYDUDE inventory fair value step-up [2]	—	—	—	62,238
Inventory reserve in Russia [3]	—	(590)	—	(390)
Other	—	1,930	—	1,930
Total adjustments	3,667	7,502	27,331	74,836
Non-GAAP gross profit	$ 534,364	$ 503,825	$ 2,237,341	$ 1,935,118
GAAP gross margin	55.3 %	52.5 %	55.8 %	52.3 %
Non-GAAP gross margin	55.7 %	53.3 %	56.5 %	54.4 %

(1) Represents expenses, including expansion costs, duplicate rent costs, and transitional storage costs, primarily related to our distribution centers in Dayton, Ohio, Dordrecht, the Netherlands, and Las Vegas, Nevada.

(2) Primarily represents a prior year step-up of HEYDUDE inventory costs to fair value upon the close of the acquisition on February 17, 2022.

(3) Represents the net impact of an inventory reserve expense in our Crocs Brand segment associated with the shutdown of our direct operations in Russia.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Gross Margin Reconciliation by Brand:

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
GAAP Crocs Brand gross margin	59.4 %	55.3 %
Non-GAAP adjustments:		
Distribution centers [1]	0.1 %	0.9 %
Inventory reserve in Russia [2]	— %	(0.1)%
Non-GAAP Crocs Brand gross margin	59.5 %	56.1 %

	Year Ended December 31, 2023	Year Ended December 31, 2022
GAAP Crocs Brand gross margin	60.0 %	56.3 %
Non-GAAP adjustments:		
Distribution centers [1]	0.2 %	0.4 %
Inventory reserve in Russia [2]	— %	less than 1%
Non-GAAP Crocs Brand gross margin	60.2 %	56.7 %

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
GAAP HEYDUDE Brand gross margin	44.3 %	46.4 %
Non-GAAP adjustments:		
Distribution centers [1]	1.2 %	0.1 %
Inventory fair value step-up [3]	— %	— %
Other	— %	0.7 %
Non-GAAP HEYDUDE Brand gross margin	45.5 %	47.2 %

	Year Ended December 31, 2023	Year Ended December 31, 2022 [4]
GAAP HEYDUDE Brand gross margin	44.0 %	40.8 %
Non-GAAP adjustments:		
Distribution centers [1]	2.2 %	less than 0.1%
Inventory fair value step-up [3]	— %	6.9 %
Other	— %	0.2 %
Non-GAAP HEYDUDE Brand gross margin	46.2 %	48.0 %

(1) Represents expenses, including expansion costs and duplicate rent costs, primarily related to our distribution centers in Dayton, Ohio, Dordrecht, the Netherlands, and Las Vegas, Nevada.
(2) Represents the net impact of an inventory reserve expense in our Crocs Brand segment associated with the shutdown of our direct operations in Russia.
(3) Primarily represents a prior year step-up of HEYDUDE inventory costs to fair value upon the close of the acquisition on February 17, 2022.
(4) We acquired HEYDUDE on February 17, 2022 and, as a result, added the HEYDUDE Brand as a new reportable operating segment. Therefore, the amounts shown above for the year ended December 31, 2022 represents results during the partial period from the acquisition date of February 17, 2022 through December 31, 2022.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP selling, general and administrative expenses and selling, general and administrative expenses as a percent of revenues reconciliation:

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
	(in thousands)			
GAAP revenues	$ 960,097	$ 945,162	$ 3,962,347	$ 3,554,985
GAAP selling, general and administrative expenses	$ 321,183	$ 276,271	$ 1,173,227	$ 1,009,526
Information technology project discontinuation	—	—	(4,119)	—
Headquarters relocation [1]	(9,992)	(973)	(13,161)	(3,348)
HEYDUDE acquisition and integration costs [2]	(1,064)	(4,992)	(3,025)	(38,197)
Impact of shutdown of Russia direct operations [3]	—	(8,489)	—	(14,286)
Other [4]	(6,861)	(3,782)	(14,218)	(4,909)
Total adjustments	(17,917)	(18,236)	(34,523)	(60,740)
Non-GAAP selling, general and administrative expenses [5]	$ 303,266	$ 258,035	$ 1,138,704	$ 948,786
GAAP selling, general and administrative expenses as a percent of revenues	33.5 %	29.2 %	29.6 %	28.4 %
Non-GAAP selling, general and administrative expenses as a percent of revenues	31.6 %	27.3 %	28.7 %	26.7 %

(1) Represents a $9.3 million impairment in the three months ended December 31, 2023 to our former corporate headquarters and the related long-lived assets, as well as the duplicate rent costs associated with our move to a new headquarters.

(2) Represents costs related to the integration of HEYDUDE in the year ended December 31, 2023, and costs related to the acquisition and integration of HEYDUDE in the partial period from acquisition date of February 17, 2022 through December 31, 2022.

(3) Represents various costs in the prior year associated with the shutdown of our direct operations in Russia, including the recognition of cumulative translation adjustments into earnings, severance, and lease exit costs and penalties.

(4) Includes various restructuring costs, as well as costs associated with the implementation of a new enterprise resource planning system.

(5) Non-GAAP selling, general and administrative expenses are presented gross of tax.

APPENDIX

Non-GAAP Reconciliation (Cont'd)

Non-GAAP selling, general and administrative expenses as a percent of revenues reconciliation by Brand:

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
GAAP Crocs Brand selling, general and administrative expenses as a percent of revenues	25.8 %	25.4 %	24.2 %	24.3 %
Non-GAAP adjustments[(1)]	(0.2)%	(1.2)%	(0.1)%	(0.6)%
Non-GAAP Crocs Brand selling, general and administrative as a percent of revenues	25.6 %	24.2 %	24.1 %	23.7 %

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022[(2)]
GAAP HEYDUDE Brand selling, general and administrative expenses as a percent of revenues	27.4 %	19.6 %	21.7 %	17.2 %
Non-GAAP adjustments	— %	(0.1)%	— %	— %
Non-GAAP HEYDUDE Brand selling, general and administrative as a percent of revenues	27.4 %	19.5 %	21.6 %	17.2 %

(1) Represents various costs in the prior year associated with the shutdown of our direct operations in Russia, including the recognition of cumulative translation adjustments into earnings, severance, and lease exit costs and penalties.

(2) We acquired HEYDUDE on February 17, 2022 and, as a result, added the HEYDUDE Brand as a new reportable operating segment. Therefore, the amounts shown above for the year ended December 31, 2022 represents results during the partial period from the acquisition date of February 17, 2022 through December 31, 2022.

APPENDIX

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Income from Operations and Operating Margin Reconciliation:

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
	(in thousands)			
GAAP revenues	$ 960,097	$ 945,162	$ 3,962,347	$ 3,554,985
GAAP income from operations	$ 209,514	$ 220,052	$ 1,036,783	$ 850,756
Non-GAAP cost of sales adjustments [1]	3,667	7,502	27,331	74,836
Non-GAAP selling, general and administrative expenses adjustments [2]	17,917	18,236	34,523	60,740
Non-GAAP income from operations	$ 231,098	$ 245,790	$ 1,098,637	$ 986,332
GAAP operating margin	21.8 %	23.3 %	26.2 %	23.9 %
Non-GAAP operating margin	24.1 %	26.0 %	27.7 %	27.7 %

[1] See 'Non-GAAP cost of sales, gross profit, and gross margin reconciliation' above for more details.
[2] See 'Non-GAAP selling, general and administrative expenses and selling, general and administrative expenses reconciliation’ above for more details.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Operating Margin Reconciliation by Brand:

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
GAAP Crocs Brand operating margin	33.6 %	29.9 %	35.8 %	32.0 %
Non-GAAP costs of sales adjustments[1]	0.1 %	0.8 %	0.2 %	0.4 %
Non-GAAP SG&A adjustments[2]	0.2 %	1.2 %	0.1 %	0.6 %
Non-GAAP Crocs Brand operating margin	33.9 %	31.9 %	36.1 %	33.0 %

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022[3]
GAAP HEYDUDE Brand operating margin	16.9 %	26.9 %	22.4 %	23.6 %
Non-GAAP costs of sales adjustments[1]	1.2 %	0.8 %	2.2 %	7.2 %
Non-GAAP SG&A adjustments	— %	0.1 %	— %	— %
Non-GAAP HEYDUDE Brand operating margin	18.1 %	27.7 %	24.6 %	30.8 %

(1) See 'Non-GAAP cost of sales, gross profit, and gross margin reconciliation' above for more details.
(2) See 'Non-GAAP selling, general and administrative expenses and selling, general and administrative expenses reconciliation' above for more details.
(3) We acquired HEYDUDE on February 17, 2022 and, as a result, added the HEYDUDE Brand as a new reportable operating segment. Therefore, the amounts shown above for the year ended December 31, 2022 represents results during the partial period from the acquisition date of February 17, 2022 through December 31, 2022.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Income Tax Expense (Benefit) and Effective Tax Rate Reconciliation:

	Three Months Ended December 31,		December 31,	
	2023	2022	2023	2022
	(in thousands)			
GAAP income from operations	$ 209,514	$ 220,052	$ 1,036,783	$ 850,756
GAAP income before income taxes	173,859	175,569	876,272	718,508
Non-GAAP income from operations [(1)]	$ 231,098	$ 245,790	$ 1,098,637	$ 986,332
GAAP non-operating income (expenses):				
Foreign currency gains (losses), net	382	4,343	(1,240)	3,228
Interest income	1,181	801	2,406	1,020
Interest expense	(36,444)	(49,801)	(161,351)	(136,158)
Other income (expense), net	(774)	174	(326)	(338)
Non-GAAP income before income taxes	$ 195,443	$ 201,307	$ 938,126	$ 854,084
GAAP income tax expense	$ (79,727)	$ 37,834	$ 83,706	$ 178,349
Tax effect of non-GAAP operating adjustments	5,515	4,629	15,591	23,418
Impact of intra-entity IP transfers [(2)]	112,483	(6,737)	93,250	(25,011)
Non-GAAP income tax expense	$ 38,271	$ 35,726	$ 192,547	$ 176,756
GAAP effective income tax rate	(45.9)%	21.5 %	9.6 %	24.8 %
Non-GAAP effective income tax rate	19.6 %	17.7 %	20.5 %	20.7 %

(1) See 'Non-GAAP income from operations and operating margin reconciliation' above for more details.
(2) In the fourth quarter of 2023, and previously in 2021 and 2020, we made changes to our international legal structure, including an intra-entity transfer of certain intellectual property rights, primarily to align with current and future international operations. The transfers resulted in a step-up in the tax basis of intellectual property rights and correlated increases in foreign deferred tax assets based on the fair value of the transferred intellectual property rights. This adjustment represents the current period impact of these transfers.

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APPENDIX

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Earnings Per Share Reconciliation:

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
	(in thousands, except per share data)			
Numerator:				
GAAP net income	$ 253,586	$ 137,735	$ 792,566	$ 540,159
Non-GAAP gross profit adjustments [1]	3,667	7,502	27,331	74,836
Non-GAAP selling, general and administrative expenses adjustments [2]	17,917	18,236	34,523	60,740
Tax effect of non-GAAP adjustments	(117,998)	2,108	(108,841)	1,593
Non-GAAP net income	$ 157,172	$ 165,581	$ 745,579	$ 677,328
Denominator:				
GAAP weighted average common shares outstanding - basic	60,543	61,747	61,386	61,220
Plus: GAAP dilutive effect of stock options and unvested restricted stock units	434	754	566	786
GAAP weighted average common shares outstanding - diluted	60,977	62,501	61,952	62,006
GAAP net income per common share:				
Basic	$ 4.19	$ 2.23	$ 12.91	$ 8.82
Diluted	$ 4.16	$ 2.20	$ 12.79	$ 8.71
Non-GAAP net income per common share:				
Basic	$ 2.60	$ 2.68	$ 12.15	$ 11.06
Diluted	$ 2.58	$ 2.65	$ 12.03	$ 10.92

(1) See 'Non-GAAP gross profit and gross margin reconciliation' above for more details.
(2) See 'Non-GAAP selling, general and administrative expenses and selling, general and administrative expenses reconciliation' above for more details.

Non-GAAP Reconciliation (Cont'd)

Reconciliation of GAAP to Non-GAAP Financial Guidance:

Full Year 2024:

	Approximately:
Non-GAAP operating margin and operating income reconciliation:	
GAAP operating margin	25%
Non-GAAP adjustments, primarily related to investments to support growth [1]	less than 1%
Non-GAAP operating margin	25%
Non-GAAP effective tax rate reconciliation:	
GAAP effective tax rate	22%
Non-GAAP adjustments, primarily related to amortization of intellectual property [1][2]	(4)%
Non-GAAP effective tax rate	18%
Non-GAAP diluted earnings per share reconciliation:	
GAAP diluted earnings per share	$11.40 to $11.85
Non-GAAP adjustments, primarily related to investments to support growth and amortization of intellectual property [1][2]	$0.65
Non-GAAP diluted earnings per share	$12.05 to $12.50

(1) For the full year 2024, we expect to incur $10 million in costs primarily related to capital investments to support growth and to be primarily in cost of goods sold.
(2) In the fourth quarter of 2023, we made changes to our international legal structure, including an intra-entity transfer of certain intellectual property rights, primarily to align with current and future international operations. The transfers resulted in a step-up in the tax basis of intellectual property rights and correlated increases in foreign deferred tax assets based on the fair value of the transferred intellectual property rights.

Non-GAAP Financial Guidance

Our forward-looking guidance for consolidated first quarter "adjusted operating margin" and "adjusted diluted earnings per share" represents non-GAAP financial measures that exclude or otherwise have been adjusted for special items from our U.S. GAAP financial statements. We consider these items to be necessary adjustments for purposes of evaluating our ongoing business performance and are often considered non-recurring. Such adjustments are subjective and involve significant management judgment.

While we are able to estimate full year non-GAAP adjustments, we are unable to reconcile forward-looking non-GAAP financial measures to their nearest U.S. GAAP measure quarter-by-quarter because we are unable to predict the timing of these adjustments with a reasonable degree of certainty. Similarly, we are unable to reconcile long-term net leverage and long-term adjusted operating margin to their nearest U.S. GAAP measures without unreasonable efforts because we are unable to predict with a reasonable degree of certainty the actual impact of the special and other non-core items. By their very nature, special and other non-core items are difficult to anticipate with precision because they are generally associated with unexpected and unplanned events that impact our company and its financial results. Therefore, we are unable to provide a reconciliation of these measures.

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