

Deckers Brands

Second Fiscal Quarter 2015 Commentary

Supplemental Information Relating to the Second Quarter 2015 Ended September 30, 2014

Net Sales

Net sales for the period increased 24.2% to a record \$480.3 million from \$386.7 million for the same period last year. Domestic sales increased 21.1% to \$289.1 million and international sales increased 29.2% to \$191.2 million.

UGG® brand net sales for the period increased 23.8% to \$417.1 million compared to \$337.0 million for the same period last year. The increase in sales was driven by higher global wholesale, the sales contribution from new worldwide retail store openings and an increase in global E-Commerce sales, partially offset by a decrease in same store sales and international distributor sales. The decrease in international distributor sales is mainly due to the conversion of the German market from distributor to direct wholesale.

Teva® brand net sales increased 14.9% to \$20.7 million compared to \$18.0 million for the same period last year. The increase in sales was driven by higher domestic wholesale sales and global E-Commerce sales, partially offset by a decrease in international wholesale and distributor sales.

Sanuk® brand net sales increased 3.2% to \$19.0 million compared to \$18.4 million for the same period last year. The increase in sales was driven by higher global E-Commerce sales, domestic retail sales and international wholesale and distributor sales, partially offset by a decrease in domestic wholesale sales.

Combined net sales of the Company's other brands increased 76.5% to \$23.5 million compared to \$13.3 million for the same period last year. The increase was primarily attributable to a \$9.3 million increase in sales for the HOKA ONE ONE® brand compared to the same period last year.

Total wholesale and distributor sales increased 23.9% to \$395.5 million. Domestic wholesale increased 20.8%, Asia-Pacific wholesale and distributor sales increased 17.0% and European wholesale and distributor sales increased 36.3%.

Global Direct-to-Consumer revenue increased 25.6% to \$84.8 million with a Direct-to-Consumer comparable sales increase of 3.3%. E-Commerce sales increased 45.1% to \$21.6 million. Retail sales increased 20.1% to \$63.2 million driven by 33 new stores, partially offset by a same store sales decrease of 8.8%. For all stores open at least 12 months as of September 30, 2014, the average sales per square foot was approximately \$1,200 versus \$1,450 for the same period in 2013.

Gross Margin

Gross margin was 46.6% compared to 43.2% in the same period last year. The 340 basis point improvement was primarily attributable to the conversion of the German distributor and lower sheepskin costs per square foot.

SG&A

Total SG&A expense was \$164.3 million or 34.2% of net sales compared to \$120.4 million or 31.1% of net sales a year ago. The increase in SG&A was primarily attributable to international expansion including the conversion of the German distributor, DTC expansion and marketing.

Operating Income

Operating income for the quarter was \$59.6 million or 12.4% of net sales compared to operating income of \$46.5 million or 12.0% of net sales last year.

Taxes

The Company recorded a tax expense of \$16.9 million compared to a tax expense of \$12.6 million a year ago.

Net Earnings Per Share

Net income was \$40.7 million or \$1.17 per diluted share, compared to net income of \$33.1 million or \$0.95 per diluted share a year ago.

Balance Sheet

As of September 30, 2014, inventory increased 8.3% to \$481.7 million from \$444.6 million at September 30, 2013. Compared to September 30, 2013, UGG brand inventory increased 7.6% to \$429.5 million, Teva brand inventory decreased 34.7% to \$14.1 million, Sanuk brand inventory increased 39.2% to \$17.4 million, and our other brands' inventory increased 81.4% to \$20.7 million.

At September 30, 2014, cash and cash equivalents increased \$30.6 million or 36.3% to \$114.7 million compared to \$84.1 million at September 30, 2013. The Company had \$154.6 million in outstanding borrowings.

Capital Expenditures and Store Counts

For the quarter ended September 30, 2014, the Company spent approximately \$26.6 million on capital expenditures, including approximately \$13 million for the build out of the Moreno Valley distribution center, approximately \$6 million on IT related expenses and approximately \$5 million on retail expansion. During the quarter, the UGG brand opened twelve retail store locations and converted seven stores in China to partner stores. As of September 30, 2014, the total Company store count is 130 stores. A breakdown of the store count by region is included below.

Location	Concept	Outlet	Total
US	25	22	47
China	29	8	37
Japan	16	7	23
EMEA	11	6	17
Canada	2	2	4
Hong Kong	2	0	2
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Total	85	45	130