

Deckers Brands

Third Fiscal Quarter 2015 Commentary

Supplemental Information Relating to the Third Quarter 2015 Ended December 31, 2014

Net Sales

Net sales for the period increased 6.6% to a record \$784.7 million from \$736.0 million for the same period last year. On constant dollar basis, sales increased 8.2%. Sales increased across all three channels:

E-Commerce, retail and wholesale and distributor. Domestic sales increased 3.1% to \$526.3 million and international sales increased 14.6% to \$258.4 million. On a constant dollar basis international sales increased 19.8%.

Total wholesale and distributor sales increased 1.0% to \$445.1 million. Domestic wholesale decreased 3.1% driven primarily by a decrease in UGG classic sales offsetting increases in other UGG product categories. Asia-Pacific wholesale and distributor sales increased 27.6% driven primarily by partner store sales growth. European wholesale and distributor sales increased 5.6% due primarily to the conversion of the German distributor.

Global Direct-to-Consumer revenue increased 15.0% to \$339.6 million with a Direct-to-Consumer comparable sales increase of 7.6%. E-Commerce sales increased 25.2% to \$146.9 million. Retail sales increased 8.3% to \$192.7 million driven by 29 new stores, partially offset by a same store sales decrease of 7.2%. For all stores open at least 12 months as of December 31, 2014, the average sales per square foot was approximately \$1,100 versus \$1,300 for the same period in 2013.

Gross Margin

Gross margin was 52.9% compared to 51.1% in the same period last year. The 180 basis point improvement was primarily attributable to fewer closeout sales in the domestic wholesale channel, a greater contribution of DTC sales, the conversion of the German distributor and lower sheepskin costs per square foot offset primarily by unfavorable changes in foreign currency exchange rates.

SG&A

Total SG&A expense was \$200.6 million or 25.6% of net sales compared to \$174.7 million or 23.7% of net

sales a year ago. The increase in SG&A was primarily attributable to expansion of international wholesale and global DTC operations and increased marketing expenditures.

Operating Income

Operating income for the quarter was \$214.6 million or 27.3% of net sales compared to operating income of \$201.5 million or 27.4% of net sales last year.

Taxes

The Company recorded a tax expense of \$56.6 million compared to a tax expense of \$59.5 million a year ago.

Net Earnings Per Share

Net income was \$156.7 million or \$4.50 per diluted share, compared to net income of \$140.9 million or \$4.04 per diluted share a year ago.

Capital Expenditures and Store Counts

For the quarter ended December 31, 2014, the Company spent approximately \$24.6 million on capital expenditures, including approximately \$12 million on IT related expenses, approximately \$6 million for the build out of the Moreno Valley distribution center and approximately \$5 million on retail expansion. As of December 31, 2014, the total Company store count is 138 stores. A breakdown of the store count by region is included below.

Location	Concept	Outlet	Total
US	26	24	50
China	30	8	38
Japan	16	7	23
EMEA	11	6	17
Canada	5	2	7
Hong Kong	3	0	3
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Total	91	47	138