

Deckers Brands

Fourth Quarter Fiscal 2015 Commentary

Supplemental Information Relating to the Fourth Quarter 2015 Ended March 31, 2015

Net Sales

Net sales for the fourth quarter increased 15.6% to a record \$340.6 million compared to \$294.7 million for the same period last year. On a constant currency basis, sales increased 19.1%. Sales increased across all three channels: wholesale and distributor, E-Commerce and retail. Domestic sales increased 9.8% to \$217.7 million and international sales increased 27.5% to \$122.9 million. On a constant dollar basis international sales increased 38.3% to \$133.3 million.

Total wholesale and distributor sales increased 16.6% to \$205.1 million. Domestic wholesale increased 9.6% driven primarily by growth in the Sanuk and Hoka One One brands. Asia-Pacific wholesale and distributor sales increased 146.2% driven primarily by expanded distribution for the Teva and Sanuk brands. European wholesale and distributor sales increased 12.7% due primarily to the conversion of the German distributor.

Global Direct-to-Consumer revenue increased 14.1% to \$135.5 million with a Direct-to-Consumer comparable sales increase of 4.7%. E-Commerce sales increased 27.4% to \$49.2 million. Retail sales increased 7.7% to \$86.3 million driven by the opening of 30 new stores, partially offset by a same store sales decrease of 6.5%. For all stores open at least 12 months as of March 31, 2015, the average sales per square foot was approximately \$1,100 versus \$1,300 for the same period in 2014.

Gross Margin

Gross margin was 44.7% compared to 48.9% in the same period last year. The 420 basis point decline was driven by a 160 basis point impact from changes in foreign currency exchange rates. The remaining 260 basis point change is attributable to a higher proportion of closeout sales including inventory associated with the Tsubo brand for which the Company is currently seeking strategic alternatives, as well as higher air freight charges in order to avoid the West Coast port delays and deliver scheduled fourth quarter shipments on-time.

SG&A

Total SG&A expense was \$151.6 million or 44.5% of net sales compared to \$144.7 million or 49.1% of net sales a year ago. The decrease in SG&A was primarily attributable lower incentive compensation expense.

Operating Income

Operating income for the quarter was \$0.7 million compared to an operating loss of \$(0.4) million last year.

Taxes

The Company recorded a tax benefit of \$0.5 million compared to a tax expense of \$1.9 million a year ago.

Net Earnings Per Share

Net income was \$1.4 million or \$0.04 per diluted share, compared to a net loss of \$(2.7) million or \$(0.08) per diluted share a year ago.

Capital Expenditures and Store Counts

For the quarter ended March 31, 2015, the Company spent approximately \$25.8 million on capital expenditures, including approximately \$12 million on IT related expenses, approximately \$7.5 million for the build out of the Moreno Valley distribution center and approximately \$4.5 million on retail expansion. As of March 31, 2015, the total Company store count is 142 stores. A breakdown of the store count by region is included below.

Location	Concept	Outlet	Total
US	27	24	51
China	30	9	39
Japan	16	8	24
EMEA	11	6	17
Canada	6	2	8
Hong Kong	3	0	3
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Total	93	49	142

Fiscal 2016 Guidance:

Below are the explanations for our fiscal 2016 guidance compared to our previous assumptions given on our fiscal third quarter 2015 earnings call.

		Q3 Earnings Call	Q4 Earnings Call		Comments
		1/29/2015	5/28/2015		
Sales Growth:					
	Constant Currency	Low Double Digits	Approx. 10.5%		
	FX Impact	-200 bps	over 250 bps		Continued strengthening of USD
	Guidance	High Single Digits	Approx. 8%		
Gross Margin:					
	Constant Currency	49.7%	49.3%		Slightly higher proportion of close-outs
	FX Impact	110 bps	130 bps		Continued strengthening of USD
	Guidance	48.6%	48.0%		
SG&A:					
	% to Sales	Approx. 36%	Approx. 35.8%		
	Leverage FYE'15 vs FYE'16	40 bps improvement	10 - 20 bps improvement		Change due to improved FYE'15 actual result
EPS: Bridge to Prior Guidance					
	Previous Guidance	Approx. 10% growth (on \$4.58)	\$5.04	vs prior	Based on a lower FY15 EPS
	FX Impact (Jan. to May impact)		(\$0.23)	-4.5%	
	Gross Margin loss		(\$0.06)	-1.1%	
	SG&A improvement		\$0.13	2.5%	
	Share repurchase (Q4)		<u>\$0.21</u>	<u>4.2%</u>	
	Current Guidance		\$5.09	1.0%	
	Share count ('000)	35,300	33,865		
	Constant Currency FYE 16		\$5.60		
	Full year FX Impact		(\$0.51)		
Tax Rate:					
		27%	27%		