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DECK - Q4 2016 Deckers Outdoor Corp Earnings Call

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OVERVIEW:

Co. reported 4Q16 reported revenues of $379m and non-GAAP EPS of $0.11. Expects FY17 revenues to be flat-to-down 3% vs. 2016 levels and EPS to be $4.05-4.40. Expects 1Q17 reported revenues to be down 20-25% vs. 1Q16 and diluted loss per share to be approx. $2.10-2.20.

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to the Deckers Brands fourth-quarter and FY16 year-end conference call.

(Operator Instructions)

I would like to remind everyone that this conference is being recorded. I would now like to turn the call over to Steve Fasching, Vice President, Strategy and Investor Relations. Thank you. You may begin.

Steve Fasching - *Deckers Brands - VP of Strategy and IR*

Welcome, everyone joining us today. On the call today is Angel Martinez, Chief Executive Officer and Chair of the Board of Directors; Dave Powers, President; and Tom George, Chief Financial Officer.

Before we begin, I would like to remind everyone of the Company's Safe Harbor policy. Please note that certain statements made on this call are forward-looking statements, within the meaning of federal securities laws, which are subject to considerable risks and uncertainties. These forward-looking statements are intended to qualify for the Safe Harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements made on this call today, other than statements of historical fact, are forward-looking statements, and include statements regarding our anticipated financial performance, including our projected net sales, margins, expenses, and earnings per share, as well as statements regarding our business transformation plans, product and brand strategies, market opportunities and restructuring plans.

Forward-looking statements made on this call represent the Company's current expectations, and are based on currently available information. Forward-looking statements involve numerous risks and uncertainties that may cause actual results to differ materially from results predicted, assumed or implied by forward-looking statements. The Company has explained some of these risks and uncertainties in its SEC filings, including the risk factor section of its annual performance on Form 10-K. Except as required by law or the listings of the New York Stock Exchange, the

Company expressly disclaims any intent or obligation to update any forward-looking statements, whether to conform such statements to actual results or to changes in its expectations, or as a result of the availability of new information.

With that, I will now turn it over to Angel.

Angel Martinez - *Deckers Outdoor Corporation - Chairman of the Board & CEO*

Thanks, Steve. And thank you to everyone for joining us on today's call.

We closed out FY16 with a solid fourth-quarter performance that was highlighted by double-digit top-line and EPS growth on a non-GAAP pro forma basis, a meaningful increase versus a year ago. I'm proud of how our teams persevered, following a challenging holiday period to deliver non-GAAP results that exceeded guidance, while also executing the strategic initiatives and restructuring that we believe will allow the Company to gain market share and deliver profitable growth over the long term.

With that being said, we're aware that the retail industry continues to undergo significant structural change, fueled by technology that is changing consumer behavior and impacting what they buy, when and how they buy it, and how much they pay for it. To succeed in today's environment, companies not only need authentic brand position and compelling on-trend product, they must also have the infrastructure that supports direct and personalized dialogue with consumers, efficient premium service levels, a customizable differentiated shopping experience, and the ability to scale internationally.

The strategic initiatives we have made over the last five years have put the Company in a great position to win on these critical fronts. This has included building a highly advanced global omnichannel platform, enhancing our supply chain, including the addition of a new state-of-the-art distribution center, bringing in experienced professionals to work alongside our talented group of employees around the world, and developing a strong international presence. On top of this, our product engine is stronger than ever, with new innovations fueling excitement and freshness throughout our brand portfolio.

With a solid foundation now in place, I have decided that this is the right time to retire as Chief Executive Officer, effective May 31. Our succession plan has been something that the Board and I have been working on for quite a while now. It was incredibly important for us to find the right person, and I'm proud to announce that Dave Powers will assume the CEO role.

Since joining the Company in 2012, Dave has exhibited all the qualities that we need in the Company's next leader. As many of you know, Dave is a seasoned footwear and retail executive, with a career that includes senior leadership roles at Nike, Timberland and The Gap. I have great confidence that he is absolutely the right person to elevate our brands to new levels and drive the Company forward.

I'll now hand it over to Dave.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Thanks, Angel.

Let me first say that I am honored to be given the opportunity to lead this amazing Company. I want to thank the Board and Angel for the confidence they have shown and continue to show in me.

It has been a privilege to work so closely with Angel these past four years, and I feel very fortunate that I will be able to benefit from his continued involvement in the Business as Chairman. I'm very optimistic about the long-term potential of our brands, and I'm eager to continue the tremendous progress the team has made building a stronger Organization to support the many growth opportunities still ahead of us.

With that, let's turn to our recent performance. In FY16, we made several changes to the Organization to drive long-term value and improve our competitiveness. This included adding new leadership within our brands and to our omnichannel division, streamlining and restructuring our brands to create operating efficiencies and synergies, improving our retail store footprint, and aligning our Organization to improve the consumer experience. We believe these changes have prepared us to navigate the evolving retail landscape, and will lead to long-term success and an increase in shareholder value.

I'll now review our two lifestyle groups -- fashion and performance -- and then cover our results by channel. Beginning with fashion lifestyle, as we announced last month, we appointed Andrea O'Donnell to lead this group. Andrea joins us recently from the DFS Group, a multi-billion-dollar retailer, owned by LVMH, where she served as President of Global Merchandising. We're excited to have her on board, and believe our teams will benefit from her strong international background and experience working with premium brands.

The UGG brand performed strongly in the quarter, growing 15% in constant currency to end the year up 5%. The arrival of cold weather in January helped drive sales of our fall and winter product.

As the season transitioned to spring, we experienced strong sales in our casual shoes and sneakers across all channels. The use of our Treadlite technology in these categories is proving to be a differentiator for the brand, and we have already received a favorable response from wholesalers to our spring 2017 offering.

For the quarter, unit sales for UGG increased mid-teens, with non-core units up over 20%. This demonstrates once again demand for UGG remains strong, and that more than ever, consumers are turning to the brand for its full product assortment.

As we look at FY17, we are excited about the products we're bringing to market. This year, our major focus is on the relaunch of the UGG's Classics franchise. Anchoring this relaunch is the new Classic, which will be supported with robust marketing, showcasing the water- and stain-resistant treatment, and the comfort and traction delivered by our Treadlite outsoles.

Our plan for fall 2016 includes more than just the new Classics; we also have our Classic Slim, Luxe and street styles to round out a more complete Classics franchise. Collectively, these styles give us the most diverse assortment of Classics ever.

This breadth allows us to target a broader range of consumers with Classics through a variety of price points and silhouettes. Based on the success of Slim and Luxe in our DTC channels last fall, we know that these styles expand the wearing occasions of Classics, and create exciting appeal to both new and existing consumers alike. Wholesalers and distributors are also excited about the new Classics franchise, and have booked Slim styles, like the Kristin and the Amie, as top-10 styles.

Beyond relaunching the Classics franchise, we're also continuing our momentum within women's casuals, fashion and weather categories, along with attacking men's, kids and lifestyle. In women's last fall, we entered the rain boot category for the first time, and had strong demand. For fall 2016, we are building on our success in this category with a much wider and deeper rain collection in both wholesale and in DTC.

In men's, we have compelling new product that incorporates Treadlite, as well as a more robust offering of casual boots and shoes, like the Neumel, that infuse the comfort of our slippers but can be worn outside the home. In the lifestyle category, our home and loungewear businesses continue to grow, and we're excited about testing an outerwear collection this fall.

To help elevate the brand, we recently signed Rosie Huntington-Whiteley as the first-ever UGG Global Ambassador. Rosie is one of the world's most recognized models and top style icons. She has a deep love for UGG, and we look forward to working with her to leverage her extensive reach to showcase the brand globally.

We're also excited about the launch of Koolaburra this fall. With Koolaburra, we now have the ability to attack the sub-$100 sheepskin boot market. This is a market that we helped create, but have not competed in with the UGG brand.

Koolaburra will start with a small launch into a few major accounts. Our market research indicates that the sub-$100 sheepskin market represents a significant global opportunity. We are viewing this year as a way to assess the market opportunity and gauge consumer reception to the brand.

Moving on to our performance lifestyle group, HOKA ONE ONE continues to successfully penetrate the running market, growing 44% in constant currency in the fourth quarter, and ending the year with 65% growth. The Clayton, one of the brand's latest, most innovative products yet, showcases the power of the brand in delivering ultra lightweight maximum cushion performance running shoes through its speed cushion platform.

The Clayton is helping HOKA win with women, a key initiative for the brand. Sales of the women's Clayton have been strong, which is a great sign as we look to further balance the brand by gender.

The authenticity that HOKA has built in such a short time is remarkable. And at this year's IRONMAN in California and Texas, HOKA was the most-worn shoe brand, ahead of ASICS, Brooks and Saucony.

As we look to continue to build our strength with athletes, HOKA was recently named the official shoe sponsor of the IRONMAN US Series. As you can see, we're focused on building the brand's awareness, and see excellent short- and long-term opportunities.

Teva grew 11% in the fourth quarter in constant currency, and 7% for the year. The brand continues to have success appealing to a more modern millennial consumer, with its sports sandals and closed-toe footwear. The brand is also expanding its international presence, particularly in Asia-Pacific, with strong growth in Japan and South Korea.

This spring, Teva launched a new series of sport sandals called Terra-Float. This series adds performance elements to our sport sandal category that improve functionality and comfort. Sell-through has been strong, indicating that Teva has a new franchise to get behind in spring 2017.

Sanuk sales declined 2% in the fourth quarter and 7% for the year. FY16 was a challenging year for the brand. And to reinvigorate the brand and improve operational efficiencies, we recently relocated Sanuk to our corporate headquarters in Goleta. The move continues to go smoothly, but it will take time as we transition the team and rebuild in FY17.

Turning now to a review of our channel performance and an update on the initiatives we announced last quarter, beginning with our direct-to-consumer channel, we're pleased to report that our DTC comp was up 2.6% in the fourth quarter. The growth was led by strong performance in eCommerce, offset by a decline in our retail stores, particularly concept stores.

Once again, the decline in traffic from international tourists impacted performance. Excluding our five most tourist-impacted concept stores, the DTC comp was up 6.3%. We are encouraged by our positive DTC comp, especially since ASPs were pressured by the continued promotion of core Classics. For the year, DTC sales increased 7.4% in constant currency, and the DTC comp finished down 1%, although notably it was up 2.7% excluding our five tourist-driven locations.

In February, we announced efforts to optimize our retail store fleet. To that end, we have identified a total of 24 stores for closure, not including any relocations. In the fourth quarter, we closed 3 of the 24 stores, and the remaining 21 are targeted for closure in FY17.

The goal of our fleet optimization is to boost overall fleet productivity and reposition the brand with key relocations. Retail remains an important element of our omnichannel strategy, and we have identified 15 new locations globally to open in FY17, comprised of a mix of concepts and outlets in high visibility, highly trafficked locations that we believe will deliver strong returns and provide the opportunity to further showcase the strength of the UGG brand with our new store design.

Now to our global wholesale business, wholesale and distributor sales increased 14% in constant currency in the fourth quarter, and increased 5% for the year. The fourth-quarter increase was driven by an increase in both closeouts and regular price sales for the UGG brand, expanded distribution with HOKA and Teva, as well as a brand-wide shift in orders from Q1 FY17 into Q4 FY16 in advance of our business transformation systems implementation.

As part of our increasing strategic focus on this channel, we announced last quarter plans to rationalize our wholesale account base to ensure the UGG brand's premium positioning is being reflected in the marketplace. To this end, we implemented minimum order quantities to improve our product assortment at small independents.

To date, we have selectively exited approximately 200 accounts. The goal of rationalizing our wholesale accounts is to make sure the breadth and presentation of the UGG product line is being properly represented, and to adjust our distribution strategy to be in tune with the ongoing changes in consumer shopping patterns.

Last quarter, we announced our wholesale product segmentation strategy. We have classified accounts into pinnacle, premium and core doors across the fashion, lifestyle, sport and outdoor channels, and will begin to sell specific product appropriate to each of them.

Through this process, we have also identified white space for channel-specific product, which will help us open accounts in channels where we are underpenetrated, as well as expand doors with accounts and in markets where we currently have limited presence. While still early, segmentation is creating new distribution opportunities for fall 2016.

This brings me to our order book -- our backlog at March 31 was down 4% compared with the same date a year ago. We're pleased with this result, given the challenging retail environment and the difficulties we experienced from weather this past fall and holiday.

As a reminder, our 3/31 backlog only includes orders from wholesalers and distributors from April to December. This backlog figure represents less than a third of our total revenue, and does not include our DTC channel, all of the fourth quarter, or any in-season at-once orders.

Looking forward, we believe our brands are well positioned to grow, with innovative products in the pipeline, strategic distribution opportunities, and new leadership in place. As CEO, my immediate priorities are: driving excitement by elevating the design of product, and fueling innovation and speed to market; driving desire by connecting with consumers digitally through targeted marketing and robust eCommerce capabilities; driving efficiencies by continuing to streamline the Organization and improve our operations; and driving growth by optimizing new distribution opportunities globally.

I am very excited about the team of talented employees we have around the globe. The new organizational structure, combined with the leadership we have in place, gives me great confidence.

I look forward to working with the team to unlock the value of these initiatives. That said, we are approaching FY17 conservatively, and we're reviewing it as a transition year for the Company, given the realities of the marketplace and the time it will take for our new leadership to make an impact. More than ever, we remain focused on the opportunities in front of us and are confident in the direction of our brands.

With that, I'll now turn the call over to Tom, who will walk us through our financial performance and outlook.

Tom George - *Deckers Outdoor Corporation - CFO*

Thanks, Dave, and good afternoon, everyone.

Today, I will take you through our fourth-quarter and FY16 results in greater detail, and provide an outlook on the first quarter and FY17. Please note: Throughout this discussion, where I refer to non-GAAP financial measures, I am referring to measures before taking into account restructuring and other charges incurred in the fourth quarter. Also note: Our non-GAAP pro forma results are not adjusted for constant currency. A reconciliation between our reported GAAP and the non-GAAP pro forma results can be found in our earnings release that is posted on our website under the Investor Information tab.

Now to our results for the fourth quarter. Starting with revenue, in constant dollars, revenue increased 12% to $383 million, up from $341 million last year. On a reported basis, revenue was up 11% to $379 million. In constant dollars by brand, UGG revenue was up 15%, HOKA up 44%, Teva up 11%, and Sanuk down 2% versus last year.

Our revenue in the quarter exceeded guidance by nearly $14 million. This upside was driven by an $8 million increase in wholesale and distributor sales due to more units than expected being sold, and a $6 million increase in sales in our DTC channel, driven by better-than-expected DTC comps.

For the full year in constant dollars, revenue grew 6% to $1.92 billion, up from $1.82 billion last year. As reported, revenue was up 3% to $1.875 billion. The increase in revenue versus last year was driven by a 2.6% increase in wholesale and distributor sales, and a 4% increase in DTC sales.

Non-GAAP gross margin was 42.3% in the fourth quarter, compared to 44.7% last year. For the quarter, the change in gross margin versus last year was driven by a higher portion of close-out sales, the continued promotion of Classics as we evolve to the new Classic, and FX headwinds.

For the year, non-GAAP gross margin was 45.4%, compared to 48.3% a year ago. We had roughly a 200-basis-point decrease due to increased promotion in closeouts and a 140-basis-point decrease from FX headwinds. These gross margin headwinds were offset by a 50-basis-point improvement from lower input costs, primarily sheepskin.

Non-GAAP SG&A was 40.8% of sales in the fourth quarter, compared to 44.5% a year ago. For the year, SG&A was 35%, compared to 36% a year ago. For both the quarter and the year, the year-over-year improvement was primarily due to lower incentive-based compensation.

For the quarter, non-GAAP earnings per share was $0.11, versus $0.04 a year ago. This was ahead of our guidance of $0.07, and was driven by higher revenue, partially offset by lower planned gross margin.

For the year, non-GAAP earnings per share were $4.50, compared to $4.66 last year. The decline in earnings per share was caused by a greater-than-normal level of promotion due to unseasonably warm weather that impacted UGG sales, FX headwinds created by the stronger US dollar, and an increase in Classics promotion as we evolve to the new Classic, partially offset by lower incentive-based compensation expense.

During the quarter, the Company incurred restructuring charges of $25 million due to retail store closures, office consolidations, and software impairments. We also incurred other charges of $9 million that related to inventory write-downs, asset impairment, and compensation-related expenses. Inventories at the end of Q4 were $300 million, an increase of 26% over the same period last year. This was in line with our expectations.

As a reminder, our inventories are elevated relative to a year ago due to lower sales recorded in the third quarter. The majority of this elevated inventory consists of UGG weather, slippers and casual boots that are being carried over into the fall 2016 line. We have reduced future buys of this product, and still expect to manage our inventory down to more appropriate levels by the end of our second-quarter FY17.

During the quarter, the Company repurchased 441,000 shares of common stock for a total of $25 million. For the full fiscal year, the Company repurchased 1.42 million shares for a total of $94.2 million. As of March 31, 2016, the Company had $77.9 million authorized repurchase funds remaining under its $200 million stock repurchase program announced in January 2015.

As Dave mentioned, total Company backlog at March 31 was down 4%, compared to the same period last year. Directionally, as a percentage, the UGG backlog was down slightly more than the total Company. While not surprising, given our efforts to rationalize our wholesale account base and exit accounts, additionally, as many in the industry have pointed out, wholesalers are being more cautious with their order books and are looking to place more at-once business.

Now moving to our outlook for FY17, given the seasonality of our Business, the changes that are taking place in the industry, and the impact that weather has historically had on our sales, we believe it is prudent to move to a range for our first-quarter and full-year forecast. For full FY17, we expect revenue to be in the range of flat to down 3%, compared to 2016 levels.

Included in our flat sales assumption is: modest improvement in the weather conditions relative to those experienced in the third quarter ending calendar December 2015; flat global wholesale and distributors with reorders and cancellations netted out; flat direct-to-consumer comps; and improvement in the promotional environment with fewer units sold. Included in our 3% decline assumption is similar weather conditions to calendar 2015, a mid-single-digit decline in global wholesale and distributor sales due to net cancellations and lower unit sales, a low single-digit decline in DTC comps, and a similar promotional environment to last year.

In both scenarios, we expect six net store closures, and expect to end FY17 with 147 stores. Note: The majority of the store closures will occur after the new store openings.

By brand, we expect UGG revenue to be in the range of flat to down 3%, HOKA to grow approximately 20% to 30%, Teva down low-single digits, Sanuk down mid-single digits, and Koolaburra to be approximately $10 million to $15 million.

With respect to gross margins, we expect full-year gross margins to be in the range of 47% to 47.5%. This represents an improvement of roughly 200 basis points over last year's pro forma gross margin. This is being driven by a 100-basis-point improvement from lower sheepskin prices negotiated for this year, 50-basis-point improvement from supply chain efficiencies, and potentially up to 80-basis-point improvement from a less promotional environment, slightly offset by 30 basis points of FX headwinds.

SG&A as a percentage of sales is projected to be approximately 37% due to no revenue growth and increased compensation expense. While this results in deleverage, in today's challenging environment we continue to review our operating structure and are committed to driving efficiencies in the Organization.

For the full year, earnings per share is expected to be in the range of $4.05 to $4.40 on a share count of 32.5 million. This excludes any pre-tax charges that may occur from any further restructuring charges, which we anticipate could be up to $15 million in FY17. Capital expenditures for the fiscal year are expected to be $60 million -- approximately $27 million from new DTC infrastructure, $13 million in facilities, $10 million is for maintenance CapEx, and $10 million in IT-related CapEx.

For the first quarter, on a reported basis, we expect revenue to be down 20% to 25%, compared with the same period a year ago. While these percentages are large, Q1 is our smallest revenue quarter, and the decline in revenue is a result of a shift in orders between quarters and a softer retail environment.

We had orders shift between Q1 FY17 into Q4 FY16 in advance of our business transformation implementation, and we expect a shift in orders from Q1 into Q2 FY17 due to the timing of new product launches. As a result, we expect diluted loss per share of approximately $2.10 to $2.20, compared to a diluted loss per share of $1.43 last year. As a reminder, a significant amount of our operating expenses are fixed and spread evenly on an absolute basis throughout each quarter.

I'll now turn it back over to Angel for his closing comments.

Angel Martinez - *Deckers Outdoor Corporation - Chairman of the Board & CEO*

Thanks, Tom.

Well, during the past 11 years, I've had the good fortune of working with an incredible group of people to build a very special Company. It has been a privilege to serve as Chief Executive Officer. And I want to thank everyone who supported me along the way, starting with the entire Deckers family and Board of Directors, as well as our world-class retail partners and suppliers, and finally, our analysts and our shareholders.

I appreciate the interest you have shown in the Company, although I can't say I'm going to miss addressing you on a quarterly basis. But as Chairman and as a shareholder in the Company, I do look forward to assisting Dave and the executive management team in building on the strong market position and solid financial base that we have established.

Operator, we're now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jonathan Komp, Robert W. Baird.

Jonathan Komp - *Robert W. Baird & Company, Inc. - Analyst*

Hi, thank you. If I can maybe just first clarify the wholesale shipment timing factor. Sounds like part of it was earlier shipments and then part of it is later shipments into the second quarter in terms of timing. How much was the piece of the shift into the fourth quarter of 2016?

Tom George - *Deckers Outdoor Corporation - CFO*

Jonathan, this is Tom. It was roughly $10 million that shifted from the first quarter into the fourth quarter, and that was purposeful. We really wanted to make sure we got those shipments out and to the customer, so they could turn it retail, because we were getting ready to go live with our business transformation effort.

Jonathan Komp - *Robert W. Baird & Company, Inc. - Analyst*

Great, thank you for that. And then Dave, maybe a bigger picture question, I know you talked a little bit about the segmentation opportunity for the UGG brand, and it sounds like maybe some of that opportunity is still being developed, at least in terms of how you see it playing out. But are there any specific channels or different areas of the wholesale market that you see particularly as being underpenetrated? Or how should we think about what type of opportunity that segmentation work might bring?

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Yes, happy to speak to that. It's in the early days of development, something that's -- that Stefano and I and the UGG team have been very focused on over the last four to five months is strategically mapping out the right marketplace strategy for North America, and inclusive of that is identifying white space opportunities.

So, if you think about, for example, the outdoor channel, the sports lifestyle channel -- we are very strong within the fashion and department store channel. But we believe there is an opportunity for the brand to extend its reach to new consumers in the outdoor and sports channels. So, we're having initial discussions with those key players, but it takes a while to develop the product and the marketing approach to be successful in that channel. So, we're going to be doing some testing this fall and holiday in some of those key accounts, and then it's really a long-term strategy you will see come to fruition probably more in Fall 2017.

Jonathan Komp - *Robert W. Baird & Company, Inc. - Analyst*

Okay, thank you.

Operator

Taposh Bari, Goldman Sachs

Taposh Bari - *Goldman Sachs - Analyst*

Good afternoon, everybody. First, Angel, congrats on everything that you have done at Deckers, and good luck in your future endeavors.

Angel Martinez - *Deckers Outdoor Corporation - Chairman of the Board & CEO*

Thank you.

Taposh Bari - *Goldman Sachs - Analyst*

A high-level question first, in terms of the UGG brand position, particularly within the wholesale channel in the US. At times of controversy there is always a lot of moving parts, but the backlog commentary sounds pretty encouraging from my perspective. I'd love to get your opinion on how your key wholesale partners, what level of commitment they have from your perspective to the UGG brand after a challenging season, and how they are interpreting some of the changes you are making going forward?

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Yes, so we have obviously been working very closely with our key partners, we are fortunate we have very strong relationships with our key partners that have been built over the years. And going through the challenges in Q3, coming out of that and planning for this coming fall and holiday, Stefano and the team have been very close with those key accounts in managing the future going forward. They have, certainly, challenges that they are facing with regard to consumer traffic patterns and just an overall marketplace malaise; but they understand the importance of UGG to their success. And we've been working very closely with them to make sure that we have the right assortment going forward.

It's a broader assortment based off the new initiative we put into the Classic franchise, and so they are confident still in the UGG brand. And we are still a key player for them, but the challenges they're seeing on a macro level are making things a little bit more challenging. And as I'm sure you can understand across the board, department store open-to-buys are shrinking, they're looking at more of an at-once business versus their pre-booked business, which is why I think our pre-book is down 4% -- is actually a healthy number compared to what the environment looks like right now. So, continuing to work with them closely. Our goal overall is to provide the consumers in the marketplace the best product and the best brand experience we can.

And as part of that objective, we're taking a look at our marketplace strategy with the goal of elevating our presentation in key accounts, elevating that experience, and then cleaning up some of the distribution that, quite frankly we think is not a positive representation of the brand. So, as you heard on the call, we're going to be closing roughly 200 doors, that is strategic. The approach there is to make sure that we continue to elevate the positioning of the UGG brand; look for new distribution opportunities; make sure that the key players are supported the way that we need them to be in our representing the brand the right way; and also looking at new opportunities and different channels, as I mentioned as well. It's a long-term strategy, you're going to see the initial stages of that take place this fall, but continuing to focus on the premium positioning of the UGG brand. We don't want to do anything to damage that integrity in every decision we make with regard to distribution going forward is through that lens.

Taposh Bari - *Goldman Sachs - Analyst*

Thanks for that, that's helpful, Dave. And just a quick followup on the point of diversification, I know that you've been diversifying away from the Classics part of the UGG business. Can you give us a snapshot for what the composition of the UGG brand looks like or looked like in FY16, and what you expect it to look like in FY17? Thanks.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

That's a very important discussion and something we've been working on for quite some time, as you know. And I've been nervous over the last few years about the reliance on the core Classic, and we've done -- we made quite a few changes to broaden the breadth of the assortment, so I'm actually pleased with how things are looking for Fall 2017.

The core Classic is looking to be roughly 20% of the overall business. As you know, that's down from 50% to 60% three to five years ago.

The non-core sheepskin, so things like the Slim, the Luxe, and the new Street collection will be about 25%. And then women's casual and fashion is about 20%, and then slippers make up the rest. So, a much more balanced portfolio.

It's a balance across styles, which also means it's balanced across consumer types and balanced across price and segmentation in the marketplace, which I believe is the right platform for us going forward. It's less reliant on one key style to do all the business for us. And also, provides us with new platforms that we can grow off of over time and to iterate out those styles within the classics franchise and then continue to get after our casual boot business as well.

Taposh Bari - *Goldman Sachs - Analyst*

Great. I just want to confirm, Dave, when you say core classics, you are referring to all colors and finishes within that traditional silhouette, is that correct?

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Yes, core is the classic short, tall and mini, and the Bailey button in core colors, so, black, sand, navy, etc.

Taposh Bari - *Goldman Sachs - Analyst*

Okay. Thank.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Thank you.

Operator

Corinna Van Der Ghinst, Citigroup.

Corinna Van Der Ghinst - *Citigroup - Analyst*

Hi, thank you, good afternoon. Congratulations to Dave, and good luck to you on (inaudible). I believe you're expecting a mid-single-digit decline in wholesale sales for this year, can you parse out how much of that is due to the softening (inaudible) reductions and distribution versus existing accounts just getting more conservative on their backlogs and inventory management?

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

It's not dramatic due to the account closures, a lot of the account closures, that 200 number that we represented overall, while it's a big number, is a small percent of our total business. So it's more just to do with the overall situation in the marketplace, and we feel very good about the product we're bringing to market and the go-to-market strategy that we have in place. So, a little bit of that number is self-inflicted with regards to closing accounts, but the majority of that is due to [whole]-partner open-to-buy.

Tom George - *Deckers Outdoor Corporation - CFO*

This is Tom, just to add to that, Corinna, just to confirm that flat revenue growth guide, as well as, a down 3%, so another driver is the down 3% is -- we assume more cancellations relative to the orders for the year.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Correct.

Corinna Van Der Ghinst - *Citigroup - Analyst*

Okay, that's helpful. And my follow-up was just on if you could give us an update on the cost savings that you guys discussed previously with the $35 million? It looks like your SG&A is going to deleverage this year, or for the upcoming year, could you just give more details on how you see that playing out and what buckets of spending you are focused on for this year?

Tom George - *Deckers Outdoor Corporation - CFO*

Yes, the $35 million number, that was an annualized number, and we think for the FY17 we are about halfway there from a store perspective. The stores they are going to close are going to be more later in the year, so we will still have a fair amount of the store operating expenses for the year. I think we're halfway there on the Sanuk, in our new portion of operating expenses, and we feel good about where we're at in terms of reaffirming that number on an annualized basis going forward. We do have some of the reinvestment that we mentioned in FY17 as well, because we do have some additional marketing we put into the plan this year, mostly around Hoka.

Corinna Van Der Ghinst - *Citigroup - Analyst*

Great thank you.

Operator

Randy Konik, Jefferies.

Randy Konik - *Jefferies LLC - Analyst*

Thanks a lot. So, I guess my first question is, if we think about the long-term trend towards a more at-once business versus a pre-book business, how big of an at-once business do you think at-once can get towards? And how do you think about potentially having to morph or operate the supply chain in a different manner? How do you think about that long-term trend, how you might have to change or manage the Business in a different manner? That's my first question.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Yes, great question. I think the best way to answer that is really around making sure your supply chain can react to that. So, David Lafitte and the team and the operations team, and generally across the Company, we are very focused on adjusting our time to market and our speed to market.

That includes product development timing to market, being able to fast-track product from a trend perspective, and also balancing out our production over the year and working closely with our factories so that we can turn deliveries around faster, mostly on core items, to be able to react to trends. It's not perfect the way we want it to be today, but we can react pretty quickly within core styles, roughly 90 to 120 days on to partners' floor. So when we get into the beginning of the fall season, we can still react pretty quickly to some of those key styles.

Randy Konik - *Jefferies LLC - Analyst*

And then, I guess the second question is, as you think about -- let's say the department store channel distribution is reducing open-to-buy dollars, and then maybe getting just more cautious. We've been hearing on some brands being more -- using those more guarded open-to-buy dollars on proven winners in a company's line, and pulling back a little bit on the risk factor side of things on units. How do you think about, as your line is getting a little bit more SKU-intensive or broadening out and becoming less, dependent on one style, etc. Are you using things like you direct consumer database and getting some data to the department stores to say look, this is going to be a winner? How do you think about as these department stores continue to pull back on that open-to-buy business, maybe to get more conservative on the risk scale of things to get your new lines, your new direction, will be bought by those customers?

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

It's a great question, and I think what we did last year with our Slim and Luxe products, by testing those products and launching them in our DTC channels first, and then being able to go to our key wholesaler accounts and show them the sell-through, and the side scale analysis, and the consumer type, really helps the wholesale teams sell that product in at a much stronger rate. The Slim is a great example.

It was a top seller for us in DTC last year, it's going to be a top-five style at wholesale this year. And that speaks to the beauty of having a DTC organization that is tightly connected to the wholesale team, leveraging the learnings, leveraging the go-to-market expertise that we have, the presentation -- and that's something you will continue to see us do is test and learn quickly, and as soon as we get results we will take it to wholesale. It's not a blind fill in to the wholesale accounts, it comes with the analytics and sell-through data that we have through the DTC channel.

Randy Konik - *Jefferies LLC - Analyst*

Got it. My last question, if possible. The Koolaburra, I can't pronounce it, but it seems like a great opportunity in terms of not overlapping, using a different consumer. Are you going after different customer target? How do you think about the competition of, let's say, the branded UGG out there that you see in Macy's versus the pure, Fugg business you see out there, perhaps, at Target. When you think about the long-term distribution angle for the Koolaburra, do you think more like a Target Fugg or a Macy's branded FUGG to compete with? I'm just curious.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

I would say it's less the Target approach. It is still positioned as a better brand within that sub-$100 sheepskin boot market, so it is going to come with a level of quality that we think is exceptional out there for those price points. And we are going to stay focused on that, but we believe that there is a large opportunity in the marketplace for consumers who want quality, who want styling that fits their wardrobe and their lifestyle at a better price. Specific channels, it's hard to say at this point, but I know the major footwear chains in some of the value department stores there's a lot of business there. That's why we're starting this fall with, what I would say, is more of a pilot to get out there and get a read for it; as they react to it, and then we will adjust our strategy going forward. But we are also extremely mindful of the fact that we do not want this distribution to overlap with UGG, we are segmenting the marketplace strategically and thoughtfully, and we are going to continue to elevate the UGG brand while we create an opportunity for Koolaburra.

Randy Konik - *Jefferies LLC - Analyst*

Got it. Thank you. Very helpful.

Operator

Mitch Kummetz, B. Riley.

Mitch Kummetz - *Robert W. Baird & Company, Inc. - Analyst*

Thanks. Tom, when you gave us your full-year guidance you kind of framed it in the context of modest weather improvements kind of gets you flat sales, similar weather gets you down 3%. I'm trying to understand, when you say modest weather improvement, is that a normal winter or what exactly does that mean?

Tom George - *Deckers Outdoor Corporation - CFO*

That means a little better, not a normal winter.

Mitch Kummetz - *Robert W. Baird & Company, Inc. - Analyst*

Okay, let's assume we had a normal winter. What is the ability to drive better results than the high end of your guidance? I think it goes back to the question about your ability to chase on the reorder side, I'm just curious how you guys are planning the inventory for that opportunity.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

This is Dave, I can chip in on that. What we've done this year is we've taken a look at our key styles that we think there's upside and based on the way they are booked. We have identified those 5 to 10 styles that we're going to take a position on in inventory to be able to react to.

They are styles that will not require mark downs if things are soft, we can carry those forward or sell them in Q4. But the biggest benefit we have now is our integrated planning organization, which came with our business transformation efforts. We have a team that is focused on looking at inventory every single day, addressing our demand signals to the factories and managing the flow of inventory so that it's much more in line; and that we have much more intel going into those decisions at the factories. So we can plan better for that, based on trend and demand, but also react in season better than we ever have before.

Mitch Kummetz - *Robert W. Baird & Company, Inc. - Analyst*

Okay, and I want to go back to your question about white space. There's been some chatter out there, I've heard it from a number of people, kind of thirdhand, that you guys might be opening Macy's this year. Can you address that? Is that something that you are looking at as part of a segmentation strategy? And also on the Koolaburra you talked about a pilot program this fall, can you talk about what retailers are actually taking that product?

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Part of looking at the white space and the opportunity is looking where we have the best opportunity to reach new consumers. So, we've been in conversations with Macy's, that originally started around the opportunity of opening a concession at Herald Square, which, actually, I am really excited to say that we are going to open this fall. It's going to be on the main floor of Herald Square, next to Louis Vuitton, so it's a great brand presentation to a global consumer.

And at the same time, we're going to be testing a premium presentation of some of their top flagship stores in key accounts. It's a very closely-monitored partnership, we're also going to be testing roughly 20 to 30 doors in locations where we currently don't have distribution from our key accounts. So, it's very strategic, it's very focused on brand elevating presentation. It's focused on controlling prices in that channel, and we think it's going to be additive to our base over time. But we're starting off with the test this year, primarily focused, as I said, on Herald Square and taking advantage of that opportunity in New York City.

It will be stores only, we're not selling on line with Macy's, and again, part of the test evolves from there. Amazon, it's nothing new that we are talking to Amazon, we work with Amazon from a Deckers perspective, and have been for quite some time; and it's no secret that Amazon taking share in the marketplace and becoming a major player.

I think roughly 45% of searches online start on the Amazon website now, so our brand is on there now. Our goal in negotiating with Amazon and working with them is to make sure that when the brand shows up on that site that it shows up in a premium way, and it's a positive experience for the consumer, it's priced right, and it's merchandised right. So, it's early days of discussion of where we are going to land with Amazon, but it's been an ongoing partnership for some time; and as we look at the realities in the marketplace and how things are shifting and where the consumers are shopping, I believe it's in our best interest to partner closely with them and control our destiny.

Mitch Kummetz - *Robert W. Baird & Company, Inc. - Analyst*

On the pilot program with Macy's, that's all I have. Thanks and good luck. On your pilot program with Koolaburra, sorry.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Koolaburra, yes. So, the major department store we are working with is going to be Kohl's, so we'll be launching with Kohl's.

We've partnered closely with them, they understand what we're looking to do from a brand integrity perspective of pricing and positioning and placement. We think that, that consumer -- that we know from talking to Kohl's, that that consumer is looking for our type of product. So we are doing a pretty significant test with them with a few hundred doors, and then a couple other major box retailers that aren't finalized yet. But I think it'll give us a good broad based test across different retailers, different consumers. We will also be selling online at Amazon the Koolaburra brand, and on the Koolaburra website.

Mitch Kummetz - *Robert W. Baird & Company, Inc. - Analyst*

Okay, thanks again.

Operator

Scott Krasik, Buckingham Research.

Scott Krasik - *Buckingham Research Group - Analyst*

Hi, everyone. Good luck, Angel

Angel Martinez - *Deckers Outdoor Corporation - Chairman of the Board & CEO*

Thanks, Scott.

Scott Krasik - *Buckingham Research Group - Analyst*

Can you give a little more color maybe on what you're seeing in some of the big regions: Japan, China, and Europe? And then, how the bookings from a comp perspective, and then how the bookings look, as well, for the fall in the various regions?

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

I can speak to that a little bit and Tom can jump in. Business overseas and the international business has been pretty stable. We went through a lot over the last 18 months with the China business transitioning in the office re-pricing in that market, getting a hold on consumer shopping patterns; that business has stabilized.

The Japan business, as you know, we've really transitioned that marketplace to be a wholesale dominant marketplace to DTC, including concessions-led marketplace, so the brand is healthy and strong there. We're having great success with spring sell-through and new products in the men's business. And then I would say Europe has hit a stabilization point as well.

We're seeing comp stabilize in that marketplace. The transition for Germany is going well and Sergio and the team there are really focused on executing and elevating the brand in Europe the same way we're doing in the US.

Tom George - *Deckers Outdoor Corporation - CFO*

On the wholesale side, our international business, we're really pleased with how that is booked. It's actually up -- the backlog is actually up relative to the prior year -- and they normally order closer to in-season. So that was -- really pleased how that went.

And then we talked about the domestic wholesale business. That backlog as of that point of time is lower, relative to the total company backlog, but we've been pleased with how we have been pre-booking since the date of the backlog.

Scott Krasik - *Buckingham Research Group - Analyst*

Thanks, Tom, and then two more clarifications. The first one, Tom, can you remind us that $50 million in excess inventory at UGG, what is the composition of that inventory again? And Dave, I think at platform the versions we saw were Koolaburra by UGG, I know there's some product out in the marketplace. I think it's DSW that's Koolaburra without the UGG brand. So where we in that evolution and using the by UGG moniker thing?

Tom George - *Deckers Outdoor Corporation - CFO*

This is Tom, the majority of that extra inventory is the UGG weather product and some slippers and some casual boots, and that is being carried into the Fall 2016 line. And since the last call, we've also made a lot of headway on being able to reduce our future buys going forward, so we still believe by the end of June, excuse me, end of September, our second fiscal quarter that our inventory levels will be more in line with our relative sales levels. Maybe still be higher relative to a year ago, but not at the same levels that our current inventory levels are.

Scott Krasik - *Buckingham Research Group - Analyst*

Okay.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

With regards to Koolaburra, when we launch this fall, it will be branded Koolaburra by UGG. Obviously, by UGG is secondary, but we've felt through internal conversations and conversations with consumers and our partners, that there obviously is equity from the UGG brand that we can use to help launch the brand. We've also looked at brands that have tried to do a sub brand in the past that weren't connected to the master brand, and those are usually generally less successful. So the goal is to leverage the equity of the UGG brand to let people know it's a value brand by UGG that they can trust, use that for the launch and ultimately over time, drop the UGG and just stick with Koolaburra

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Scott Krasik - *Buckingham Research Group - Analyst*

Thank you so much.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

At the same time I think it's important to note that, particularly with Andrea coming on board now, we are going to continue to elevate the UGG brand, its premium positioning into a more accessible luxury space. So you'll continue to see us doing things from a product perspective, positioning perspective, and marketing to maintain and elevate the premium positioning of the UGG brand at the same time.

Scott Krasik - *Buckingham Research Group - Analyst*

Helpful. Thanks. Good luck.

Operator

Chris [Svezia], Susquehanna International Group

Chris Svezia - *Susquehanna International Group - Analyst*

Good afternoon, thanks for taking my questions. Angel and Dave, all the best to you both. Dave, a question for you on the inventory in the channel, I'm just curious, sort of your view as to where it is now? What do you see out there in the marketplace, particularly as it relates to something like the Bailey Button, and the fact that in theory those products must be transitioned out of the market? And the Classic, call it 1.0, the idea that you are going to take some of that back into your outlook channels April, May, sell it through there, so that the retail channels that are out there, the wholesale channels, are pretty clean. Give us an update on what you see out there, and if that's still taking place in terms of those transitions?

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Chris, great question. We feel really good about how that transition to the Classic has gone, especially since we made a decision to reduce price earlier and clear a lot of inventory in Q3. We had less than we had planned on originally coming into Q4.

For the most part, the channel was pretty clean, we're taking back a little bit of inventory that we are going to continue to use to fuel our outlet business. So we will be running the original Classic, the 1.0 so to speak, in our outlets over time at the current price, so the reduced price. There is some inventory out there, the older Classic in some smaller doors, and some of the Bailey Bow and Button products. But for the most part when we launch in July, in major accounts, you will see only the 2.0 or the new Classic on the floor, it won't be sitting next to the older Classic, except for perhaps a few small independent accounts across the board. But generally speaking the top 10 of our accounts, which is the majority of our business, will be clean and it will have pure presentation of the new Classic.

Chris Svezia - *Susquehanna International Group - Analyst*

Okay, and the Classic 2.0, call it the new version, the pricing on that, will that back go back to the historical 1.0 pricing, just thoughts on that?

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

The historical price of the original Classic was $160, we're bringing this one out at $165.

Chris Svezia - *Susquehanna International Group - Analyst*

Okay, great. And Tom, for you, just on the gross margin up 200 basis points on the year, any color about the cadence about how we should think about that as it plays out each quarter?

Tom George - *Deckers Outdoor Corporation - CFO*

I think, Chris, that what you want to consider there is between the flat scenario and the down scenario from a sales perspective, really the only swing item is in that December quarter. We would expect some operating margin expansion in the December quarter on the low case, and in the high case we would expect more operating margin expansion in that December quarter.

The fourth quarter is a smaller quarter, and from a basis point improvement perspective, that's the quarter that has the highest basis-point improvement. The first quarter is relatively flat year over year and then the second quarter, the expansion is more in line with the total-year number.

Chris Svezia - *Susquehanna International Group - Analyst*

Okay, and then finally, just on the -- I think you said 80 basis points for promotional activity; I'm just curious, given all the promotions that you had to run holiday of this past season, just your thoughts about to what extent you're going to, either A, continue to do that and you factored some of that to your guidance? Or you're just being conservative and assuming we'll be get back 80 basis points of the, call it 200, that we lost in promotion; so just curious about that.

Tom George - *Deckers Outdoor Corporation - CFO*

On the down scenario, we are assuming a similar promotional environment we did last year, and on the flat scenario we are assuming a little bit better promotional environment.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

This is Dave. The goal of this fall and holiday, obviously, is not to repeat the level of promotions.

As we said last fall and holiday, the Classic and the Bailey Bow and Button promotions were a one-time event, and the goal is to get back to normal cadence of mark downs; that would be on seasonal product only, and continue back to the full-price carryover model that we've had in the past. So, that's why you see a little bit of conservatism in the plan as well, is we want to maintain the integrity of the brand and the pricing and not have to get into a promotional environment.

Chris Svezia - *Susquehanna International Group - Analyst*

Okay, thank you very much. All the best, appreciate it.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Great, thanks.

Operator

Jim Duffy, Stifel.

Jim Duffy - *Stifel Nicolaus - Analyst*

Thank you, guys, and all the best, Angel.

Angel Martinez - *Deckers Outdoor Corporation - Chairman of the Board & CEO*

Thank you.

Jim Duffy - *Stifel Nicolaus - Analyst*

A couple questions for you guys. Tom, do you happen to have handy the average selling prices for FY16? Or units?

Tom George - *Deckers Outdoor Corporation - CFO*

I know we had unit growth, the average selling prices when you strip the promotions away, we know had some improvement there, but the promotional environment really put some pressure on that.

Jim Duffy - *Stifel Nicolaus - Analyst*

Okay.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Just to answer because I think I know where you're going. So, ASPs, if you look at them for FY16 lower than they were in the prior year, primarily driven by the lower promotion -- sorry the higher level of promotion driving lower ASP, and then as we look out in our guidance we are assuming a higher level ASP in the guidance because of a slightly lower level of promotion, as well as bringing on the new Classic, which will have the higher price point without the promotion. And the Slim.

Jim Duffy - *Stifel Nicolaus - Analyst*

Got it. That's exactly where I was going with that.

And Dave, question for you, within your stated priorities, you spoke to a focus on opportunities to streamline the organization. Are you prepared to speak of some of the key areas where you see those opportunities?

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Yes, we've been focused on that for the past 12 months and when you saw what we announced with the consolidation of the brands into two lifestyle groups, relocating HOKA and Sanuk into Goleta, those transitions are still in place. And Wendy and team are looking at the restructure of how to best streamline those brands; but it's something we are continuing to focus on, and looking across the organization and our supply chain network, SKU efficiencies within the brands, making sure our ads and drops are in line with how they should be. And generally speaking, there's a mindset here of being more efficient, more focused on the things that are going to matter, but we will be taking a quick look, or hard look I should say, over the next 60 to 90 days of additional opportunities where we think there are efficiencies in the organization to streamline SG&A.

Jim Duffy - *Stifel Nicolaus - Analyst*

Final question, if I may, Dave. On the retail strategy, specifically the new UGG retail format represented by Disney Springs, can you talk a little bit about that? I saw an article that spoke to efforts to attract the younger demographic --purpose of the stores being more directional and driving sales. Help us understand where you are going with that and some of the strategic rationale behind it.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

I'm really excited about that store design, and anybody that hasn't seen that, it's worth taking a look at the Disney Springs store we just opens a few weeks ago. It represents the new brand positioning, which we rolled out last year, which is much more California casual contemporary. But if you think about the fact that we opened our first door 10 years ago as a footwear store, and we've gone 10 years with expanded categories, getting into new categories of lounge and apparel and accessories; it's time to evolve our store design and in-store experience for our consumer.

So, it's a little bit more younger, a little more contemporary, a little more modern, which we think represents where the brand is today. It does appeal to a younger consumer, and it takes in all the things we've learned over the last year with regards to service levels, customer experience, and a lot of the omni-channel capabilities that we have tested over the last two years. So, the goal is to use that as a new beacon for the brand, and then we will take that experience down to our wholesale partners globally through shop and shops partner stores as part of our long-term effort to continue to elevate and reposition the UGG brand.

Jim Duffy - *Stifel Nicolaus - Analyst*

That's great, thanks for that.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

Thanks.

Operator

Thank you. I'd like to turn the floor back over to Management for any closing remarks.

Angel Martinez - *Deckers Outdoor Corporation - Chairman of the Board & CEO*

Let me just say it's been an incredible honor and privilege to be the CEO of this company. And I couldn't be more excited and enthused about Dave Powers stepping into the role.

Over the last 11 years, I've had the incredible good fortune of working with so many special people to build an incredible success story in Deckers Brands, and we've created tremendous opportunity for a lot of folks. I look forward to continuing to assist Dave and the management team as we move to the next chapter, and it's going to be a great ride.

Dave Powers - *Deckers Outdoor Corporation - President - Deckers Brands*

I would just add that, I am incredibly grateful for the opportunity to work with Angel and have the support of the Board and the organization. I'm very excited to work with an exceptional leadership team that we have at Deckers, the existing leadership as well as new leaders we've brought in over the last 18 months.

Deckers is a special place; we are a best-in-class in a lot of ways. But most importantly, as a culture and an organization and great people that work hard and get after business. So I'm very excited to take on the opportunity. There is great opportunity for all of our brands and all of our people globally. We're very focused on driving shareholder value over the long term and continuing to do great things at Deckers, so looking forward to it.

Operator

This concludes today's teleconference. Thank you for your participation. You may disconnect your lines at this time.
