
Section 1: 8-K (DECKERS OUTDOOR CORPORATION 8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 24, 2018

DECKERS OUTDOOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

001-36436

(Commission File Number)

95-3015862

(IRS Employer Identification No.)

250 Coromar Drive, Goleta, California

(Address of principal executive offices)

93117

(Zip code)

Registrant's telephone number, including area code (805) 967-7611

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On May 24, 2018, Deckers Outdoor Corporation issued a press release announcing its financial results for the three months and fiscal year ended March 31, 2018 and held a conference call regarding these financial results. A copy of the press release is furnished hereto as Exhibit 99.1.

The information in this Form 8-K and the exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|-----------------------------------|
| 99.1 | Press Release, dated May 24, 2018 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 24, 2018

Deckers Outdoor Corporation

/s/ Thomas A. George

Thomas A. George
Chief Financial Officer

EXHIBIT INDEX

| Exhibit No. | Description |
|----------------------|---|
| 99.1 | Press Release, dated May 24, 2018 |

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Section 2: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1

Deckers Brands Reports Fourth Quarter and Fiscal 2018 Financial Results

GOLETA, Calif.--(BUSINESS WIRE)--May 24, 2018--Deckers Brands (NYSE: DECK), a global leader in designing, marketing and distributing innovative footwear, apparel and accessories, today announced financial results for the fourth fiscal quarter and fiscal year ended March 31, 2018.

Throughout this release, references to Non-GAAP financial measures exclude the impact of certain charges relating to restructuring activities, retail store closures, tax reform and other one-time or non-recurring charges. Additional information regarding these Non-GAAP financial measures is set forth under the heading "Non-GAAP Financial Measures" below.

"We closed fiscal 2018 on a high note as we exceeded expectations for the fifth consecutive quarter," said Dave Powers, President and Chief Executive Officer. "The entire Deckers team stepped up to the plate and performed exceptionally well despite the numerous challenges the organization faced over the last twelve months. For the full year, we achieved record revenue of \$1.9 billion, drove a 320 basis point improvement in non-GAAP operating margin to 12.4% and increased non-GAAP diluted earnings per share by 50% to a record \$5.74. I am confident that the Company is well positioned to build on its recent financial accomplishments and enhance its industry competitiveness through the continued execution of our operating profit improvement plan and strategic focus."

Fourth Quarter Fiscal 2018 Financial Review

- **Net sales** increased 8.4% to \$400.7 million compared to \$369.5 million for the same period last year. On a constant currency basis, net sales increased 6.6%.
- **Gross margin** was 48.0% compared to 43.0% for the same period last year.
- **SG&A expenses** were \$174.1 million compared to \$189.8 million for the same period last year. Non-GAAP SG&A expenses were \$172.5 million this year compared to \$153.9 million last year.
- **Operating income** was \$18.3 million compared to an operating loss of \$30.9 million for the same period last year. Non-GAAP operating income was \$19.9 million this year compared to \$5.1 million last year.
- **Diluted earnings per share** was \$0.66 compared to a loss of \$0.49 for the same period last year. Non-GAAP diluted earnings per share was \$0.50 this year compared to \$0.11 last year.

Full Year Fiscal 2018 Financial Review

- **Net sales** increased 6.3% to \$1.9 billion compared to \$1.8 billion for the same period last year. On a constant currency basis, net sales increased 6.1%.
 - **Gross margin** was 48.9% compared to 46.7% for the same period last year.
 - **SG&A expenses** were \$709.1 million compared to \$837.2 million for the same period last year. Non-GAAP SG&A expenses were \$695.2 million this year compared to \$669.6 million last year.
 - **Operating income** was \$222.6 million compared to an operating loss of \$1.9 million for the same period last year. Non-GAAP operating income was \$236.5 million this year compared to \$165.6 million last year.
 - **Diluted earnings per share** was \$3.58 compared to \$0.18 for the same period last year. Non-GAAP diluted earnings per share was \$5.74 this year compared to \$3.82 last year.
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Brand Summary

- UGG® brand net sales for the fourth quarter increased 6.0% to \$257.5 million compared to \$243.0 million for the same period last year. For fiscal 2018, sales increased 3.9% to \$1.5 billion.
- HOKA ONE ONE® brand net sales for the fourth quarter increased 34.1% to \$50.4 million compared to \$37.6 million for the same period last year. For fiscal 2018, sales increased 46.7% to \$153.5 million.
- Teva® brand net sales for the fourth quarter increased 7.3% to \$55.0 million compared to \$51.3 million for the same period last year. For fiscal 2018, sales increased 13.5% to \$133.6 million.
- Sanuk® brand net sales for the fourth quarter increased 10.3% to \$35.6 million compared to \$32.3 million for the same period last year. For fiscal 2018, sales declined 0.9% to \$90.9 million.

Channel Summary (included in the brand sales numbers above)

- Wholesale net sales for the fourth quarter increased 1.8% to \$223.1 million compared to \$219.1 million for the same period last year. For fiscal 2018, sales increased 5.7% to \$1.2 billion.
- DTC net sales for the fourth quarter increased 18.1% to \$177.6 million compared to \$150.4 million for the same period last year. DTC comparable sales for the fourth quarter increased 15% over the same period last year. For fiscal 2018, sales increased 7.4% to \$715.7 million and DTC comparable sales increased 7%.

Geographic Summary (included in the brand and channel sales numbers above)

- Domestic net sales for the fourth quarter increased 8.3% to \$249.0 million compared to \$230.0 million for the same period last year. For fiscal 2018, sales increased 2.9% to \$1.2 billion.
- International net sales for the fourth quarter increased 8.7% to \$151.7 million compared to \$139.5 million for the same period last year. For fiscal 2018, sales increased 12.4% to \$729.3 million.

Balance Sheet (March 31, 2018 as compared to March 31, 2017)

- Cash and cash equivalents were \$430.0 million compared to \$291.8 million.
- Inventories were \$299.6 million compared to \$298.9 million.
- Outstanding borrowings were \$32.1 million compared to \$32.6 million.

Stock Repurchase Program

During the fourth quarter, the Company repurchased approximately 1.34 million shares of its common stock for a total of \$125 million. As of March 31, 2018, the Company had \$251 million remaining under its \$400 million in stock repurchase authorizations.

Full Year Fiscal 2019 Outlook for the Twelve Month Period Ending March 31, 2019

- Net sales are expected to be in the range of \$1.925 billion to \$1.950 billion.
- Gross margin is expected to be slightly better than 49.0%.

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- SG&A expenses as a percentage of sales are projected to be slightly better than 36.5%.
 - Operating margin is expected to be in the range of 12.6% to 12.8%.
 - Effective tax rate of approximately 22.0%.
 - Non-GAAP diluted earnings per share are expected to be in the range of \$6.20 to \$6.40.
 - The earnings per share guidance excludes any charges that may occur from additional store closures, restructuring activities, tax reform and other one-time charges. It also does not assume any impact from additional share repurchases.

First Quarter Fiscal 2019 Outlook for the Three Month Period Ending June 30, 2018

- Net sales are expected to be in the range of \$225.0 million to \$235.0 million.
- Effective tax rate of approximately 22.0%.
- Non-GAAP net loss per share is expected to be in the range of (\$1.50) to (\$1.41).
- The earnings per share guidance excludes any charges that may occur from additional store closures, restructuring activities, tax reform and other one-time charges. It also does not assume any impact from additional share repurchases.

Non-GAAP Financial Measures

We present certain Non-GAAP financial measures in this press release, including constant currency, Non-GAAP SG&A expenses, Non-GAAP operating income and Non-GAAP diluted earnings (loss) per share, to provide information that may assist investors in understanding our financial results and assessing our prospects for future performance. We believe these Non-GAAP financial measures are important indicators of our operating performance because they exclude items that are unrelated to, and may not be indicative of, our core operating results, such as charges relating to restructuring activities, retail store closures, tax reform and other one-time or non-recurring charges. In particular, we believe the exclusion of certain costs and charges allows for a more meaningful comparison of our results from period to period. These Non-GAAP measures, as we calculate them, may not necessarily be comparable to similarly titled measures of other companies and may not be appropriate measures for comparing the performance of other companies relative to Deckers. For example, in order to calculate our constant currency information, we calculate the current period financial information using the foreign currency exchange rates that were in effect during the previous comparable period, excluding the effects of foreign currency exchange rate hedges and re-measurements in the condensed consolidated balance sheets. These Non-GAAP financial results are not intended to represent, and should not be considered to be more meaningful measures than, or alternatives to, measures of operating performance as determined in accordance with GAAP. To the extent we utilize such Non-GAAP financial measures in the future, we expect to calculate them using a consistent method from period to period. A reconciliation of each of the financial measures to the most directly comparable GAAP measures has been provided under the heading “Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures” in the financial statement tables included below.

Conference Call Information

The Company’s conference call to review the results for the fourth quarter and fiscal 2018 will be broadcast live today, Thursday, May 24, 2018 at 4:30 pm Eastern Time and hosted at www.deckers.com. You can access the broadcast by clicking on the “Investor” tab and then clicking on the microphone icon at the top of the page.

About Deckers Brands

Deckers Brands is a global leader in designing, marketing and distributing innovative footwear, apparel and accessories developed for both everyday casual lifestyle use and high performance activities. The Company's portfolio of brands includes UGG®, Koolaburra®, HOKA ONE ONE®, Teva® and Sanuk®. Deckers Brands products are sold in more than 50 countries and territories through select department and specialty stores, Company-owned and operated retail stores, and select online stores, including Company-owned websites. Deckers Brands has a 40-year history of building niche footwear brands into lifestyle market leaders attracting millions of loyal consumers globally. For more information, please visit www.deckers.com.

Forward Looking Statements

This press release contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, which statements are subject to considerable risks and uncertainties. Forward-looking statements include all statements other than statements of historical fact contained in this press release, including statements regarding our anticipated financial performance, including our projected net sales, margins, expenses, effective tax rate and earnings (loss) per share, as well as statements regarding our operating profit improvement plan, our ability to compete in our industry, our product and brand strategies, and our potential repurchase of shares. We have attempted to identify forward-looking statements by using words such as "anticipate," "believe," "could," "estimate," "expected," "intend," "may," "plan," "predict," "project," "should," "will," or "would," and similar expressions or the negative of these expressions.

Forward-looking statements represent our management's current expectations and predictions about trends affecting our business and industry and are based on information available as of the time such statements are made. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy or completeness. Forward-looking statements involve numerous known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements predicted, assumed or implied by the forward-looking statements. Some of the risks and uncertainties that may cause our actual results to materially differ from those expressed or implied by these forward-looking statements are described in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017, as well as in our other filings with the Securities and Exchange Commission.

Any forward-looking statement made by us in this press release is based only on information currently available to us and speaks only as of the date on which it is made. Except as required by applicable law or the listing rules of the New York Stock Exchange, we expressly disclaim any intent or obligation to update any forward-looking statements, or to update the reasons actual results could differ materially from those expressed or implied by these forward-looking statements, whether to conform such statements to actual results or changes in our expectations, or as a result of the availability of new information.

**DECKERS OUTDOOR CORPORATION
AND SUBSIDIARIES**
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(Amounts in thousands, except for per share data)

| | Three-month period ended | | Twelve-months period ended | |
|--|--------------------------|-------------|----------------------------|--------------|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Net sales | \$ 400,684 | \$ 369,465 | \$ 1,903,339 | \$ 1,790,147 |
| Cost of sales | 208,255 | 210,541 | 971,697 | 954,912 |
| Gross profit | 192,429 | 158,924 | 931,642 | 835,235 |
| Selling, general and administrative expenses | 174,135 | 189,797 | 709,058 | 837,154 |
| Income (loss) from operations | 18,294 | (30,873) | 222,584 | (1,919) |
| Other expense, net | 385 | 591 | 1,888 | 5,067 |
| Income (loss) before income taxes | 17,909 | (31,464) | 220,696 | (6,986) |
| Income tax (benefit) expense | (2,706) | (15,760) | 106,302 | (12,696) |
| Net income (loss) | 20,615 | (15,704) | 114,394 | 5,710 |
| Other comprehensive income (loss), net of tax | | | | |
| Unrealized gain (loss) on foreign currency hedging | 1,561 | 84 | (613) | 704 |
| Foreign currency translation adjustment | 7,526 | 3,626 | 14,081 | (6,598) |
| Total other comprehensive income (loss) | 9,087 | 3,710 | 13,468 | (5,894) |
| Comprehensive income (loss) | \$ 29,702 | \$ (11,994) | \$ 127,862 | \$ (184) |

| | | | | | | | | |
|---|----|--------|----|--------|----|--------|----|--------|
| Net income (loss) per share: | | | | | | | | |
| Basic | \$ | 0.66 | \$ | (0.49) | \$ | 3.60 | \$ | 0.18 |
| Diluted | \$ | 0.66 | \$ | (0.49) | \$ | 3.58 | \$ | 0.18 |
| Weighted-average common shares outstanding: | | | | | | | | |
| Basic | | 31,155 | | 31,944 | | 31,758 | | 32,000 |
| Diluted | | 31,360 | | 31,944 | | 31,996 | | 32,355 |

**DECKERS OUTDOOR CORPORATION
AND SUBSIDIARIES**
Consolidated Balance Sheets
(Unaudited)
(Amounts in thousands)

| Assets | March 31, 2018 | March 31, 2017 |
|---|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 429,970 | \$ 291,764 |
| Trade accounts receivable, net | 143,704 | 158,643 |
| Inventories, net | 299,602 | 298,851 |
| Other current assets | 37,414 | 71,563 |
| Total current assets | <u>910,690</u> | <u>820,821</u> |
| Property and equipment, net | 220,162 | 225,531 |
| Other noncurrent assets | <u>133,527</u> | <u>145,428</u> |
| Total assets | <u>\$ 1,264,379</u> | <u>\$ 1,191,780</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Short-term borrowings | \$ 578 | \$ 550 |
| Trade accounts payable | 93,939 | 95,893 |
| Other current liabilities | 94,649 | 62,608 |
| Total current liabilities | <u>189,166</u> | <u>159,051</u> |
| Long-term liabilities: | | |
| Mortgage payable | 31,504 | 32,082 |
| Other liabilities | 102,930 | 46,392 |
| Total long-term liabilities | <u>134,434</u> | <u>78,474</u> |
| Total stockholders' equity | <u>940,779</u> | <u>954,255</u> |
| Total liabilities and stockholders' equity | <u>\$ 1,264,379</u> | <u>\$ 1,191,780</u> |

Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures

DECKERS BRANDS - GAAP to Non-GAAP Reconciliation
For the Three Months Ended March 31, 2018 and March 31, 2017

(Amounts in thousands, except for per share data)

(Unaudited)

| Three-month period ended March 31, 2018 | | |
|---|-------------------|-------------------|
| GAAP Measures | Restructuring and | Non-GAAP Measures |

| | <u>(As Reported)</u> | <u>Other Charges (1)</u> | <u>(Excluding Items) (2)</u> |
|--|----------------------|--------------------------|------------------------------|
| Net sales | \$ 400,684 | | \$ 400,684 |
| Cost of sales | 208,255 | | 208,255 |
| Gross profit | 192,429 | | 192,429 |
| Selling, general and administrative expenses | 174,135 | (1,594) | 172,541 |
| Income from operations | 18,294 | 1,594 | 19,888 |
| Other expense, net | 385 | | 385 |
| Income before income taxes | 17,909 | | 19,503 |
| Income tax (benefit) expense | (2,706) | | 3,803 |
| Net income | <u>\$ 20,615</u> | | <u>\$ 15,700</u> |
| Net income per share: | | | |
| Basic | \$ 0.66 | | \$ 0.50 |
| Diluted | \$ 0.66 | | \$ 0.50 |
| Weighted-average common shares outstanding: | | | |
| Basic | 31,155 | | 31,155 |
| Diluted | 31,360 | | 31,360 |

(1) Amounts as of March 31, 2018 reflect other charges related to organizational changes.

(2) The difference in GAAP and non-GAAP tax expense is primarily due to revisions made during the quarter from one-time deemed repatriation tax as a result of recently enacted U.S. tax reform. The tax rate applied to the non-GAAP measures is 19.5% which represents the effective tax rate for the fiscal quarter ended March 31, 2018.

| | <u>Three-month period ended March 31, 2017</u> | | |
|--|--|--|--|
| | <u>GAAP Measures (As Reported)</u> | <u>Restructuring and Other Charges (1)</u> | <u>Non-GAAP Measures (Excluding Items) (2)</u> |
| Net sales | \$ 369,465 | | \$ 369,465 |
| Cost of sales | 210,541 | | 210,541 |
| Gross profit | 158,924 | | 158,924 |
| Selling, general and administrative expenses | 189,797 | (35,937) | 153,860 |
| (Loss) income from operations | (30,873) | 35,937 | 5,064 |
| Other expense, net | 591 | | 591 |
| (Loss) income before income taxes | (31,464) | | 4,473 |
| Income tax (benefit) expense | (15,760) | | 1,029 |
| Net (loss) income | <u>\$ (15,704)</u> | | <u>\$ 3,444</u> |
| Net (loss) income per share: | | | |
| Basic | \$ (0.49) | | \$ 0.11 |
| Diluted | \$ (0.49) | | \$ 0.11 |
| Weighted-average common shares outstanding: | | | |
| Basic | 31,944 | | 31,944 |
| Diluted | 31,944 | | 32,200 |

(1) This amount includes approximately (a) \$21,400 of total restructuring charges, which are comprised of lease terminations, retail store asset impairments, severance, software impairments, and other corporate reorganization costs, and (b) \$14,500 of other non-core charges, which are comprised of store impairments, sales agent conversion costs, and contract terminations.

(2) The tax rate applied to non-GAAP income before tax is 23.0% for the fiscal quarter ended March 31, 2017, which represents the Company's full-year Non-GAAP effective tax rate.

Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures

For the Twelve Months Ended March 31, 2018 and March 31, 2017

(Amounts in thousands, except for per share data)

(Unaudited)

| | Twelve-month period ended March 31, 2018 | | |
|--|---|--|--|
| | GAAP Measures (As Reported) | Restructuring and Other Charges (1) | Non-GAAP Measures (Excluding Items) (2) |
| Net sales | \$ 1,903,339 | | \$ 1,903,339 |
| Cost of sales | 971,697 | | 971,697 |
| Gross profit | 931,642 | | 931,642 |
| Selling, general and administrative expenses | 709,058 | (13,872) | 695,186 |
| Income from operations | 222,584 | 13,872 | 236,456 |
| Other expense, net | 1,888 | | 1,888 |
| Income before income taxes | 220,696 | | 234,568 |
| Income tax expense | 106,302 | | 50,888 |
| Net income | <u>\$ 114,394</u> | | <u>\$ 183,680</u> |
| Net income per share: | | | |
| Basic | \$ 3.60 | | \$ 5.78 |
| Diluted | \$ 3.58 | | \$ 5.74 |
| Weighted-average common shares outstanding: | | | |
| Basic | 31,758 | | 31,758 |
| Diluted | 31,996 | | 31,996 |

(1) Amounts as of March 31, 2018 reflect charges related to restructuring costs, our contested proxy and related litigation, tax reform, other charges related to organizational changes and the strategic review process.

(2) The difference in GAAP and non-GAAP tax expense is primarily due to the one-time deemed repatriation tax and deferred tax asset re-measurement to the new lower domestic federal tax rate as a result of recently enacted U.S. tax reform. The tax rate applied to the non-GAAP measures is 21.7% for the twelve months ended March 31, 2018.

| | Twelve-month period ended March 31, 2017 | | |
|--|---|--|--|
| | GAAP Measures (As Reported) | Restructuring and Other Charges (1) | Non-GAAP Measures (Excluding Items) (2) |
| Net sales | \$ 1,790,147 | | \$ 1,790,147 |
| Cost of sales | 954,912 | | 954,912 |
| Gross profit | 835,235 | | 835,235 |
| Selling, general and administrative expenses | 837,154 | (167,507) | 669,647 |
| (Loss) income from operations | (1,919) | 167,507 | 165,588 |
| Other expense, net | 5,067 | | 5,067 |
| (Loss) income before income taxes | (6,986) | | 160,521 |
| Income tax (benefit) expense | (12,696) | | 36,920 |
| Net income | <u>\$ 5,710</u> | | <u>\$ 123,601</u> |
| Net income per share: | | | |
| Basic | \$ 0.18 | | \$ 3.86 |
| Diluted | \$ 0.18 | | \$ 3.82 |
| Weighted-average common shares outstanding: | | | |
| Basic | 32,000 | | 32,000 |
| Diluted | 32,355 | | 32,355 |

(1) This amount includes approximately (a) \$118,000 of Sanuk goodwill and patent impairment charges, (b) \$29,100 of total restructuring charges, which are comprised of lease terminations, retail store asset impairments, severance costs, software impairments, and other corporate reorganization costs, and (c) \$20,400 of other non-core charges, which are comprised of store impairments, sales agent conversion costs, and contract terminations.

(2) The tax rate applied to non-GAAP income before tax is 23.0% for the twelve months ended March 31, 2017.

CONTACT:

Deckers Brands

Investor Contact:

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805.967.7611

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