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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2020
OR

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

For the transition period from to

Commission File Number: 001-36436

DECKERS OUTDOOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**95-3015862**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

250 Coromar Drive, Goleta, California 93117
(Address of principal executive offices and zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	DECK	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of the close of business on July 30, 2020, the number of outstanding shares of the registrant's common stock, par value $0.01 per share, was 28,021,361.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
For the Three Months Ended June 30, 2020
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*Not applicable.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for our first fiscal quarter ended June 30, 2020 (Quarterly Report), and the information and documents incorporated by reference into this Quarterly Report, contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), which statements 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. Forward-looking statements include all statements other than statements of historical fact contained in, or incorporated by reference into, this Quarterly Report. We have attempted to identify forward-looking statements by using words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “should,” “will,” or “would,” and similar expressions or the negative of these expressions. Specifically, this Quarterly Report, and the information and documents incorporated by reference into this Quarterly Report, contain forward-looking statements relating to, among other things:

- the impacts of the COVID-19 global pandemic (referred to herein as COVID-19, the COVID-19 pandemic, or the pandemic) on our business, financial condition and results of operations, and the business, financial condition and results of operations of our customers and business partners;
- changes to our business resulting from changes in discretionary spending, consumer confidence, unemployment rates, retail store activity, tourist activity, or governmental restrictions;
- our business, operating, investing, capital allocation, marketing, and financing plans and strategies;
- the expansion of our brands and product offerings;
- changes to the geographic and seasonal mix of our brands and products;
- changes to our product distribution strategies, including the implementation of our product allocation and segmentation strategies and our decision to exit the warehouse channel for the Sanuk brand;
- changes in consumer tastes and preferences impacting our brands and products, and the fashion industry generally;
- trends impacting the purchasing behavior of wholesale customers and retail consumers, including those impacting retail and e-commerce businesses;
- bankruptcies or other financial difficulties impacting our wholesale customers or other business partners;
- the impact of seasonality and weather on consumer behavior, demand for our products, and our results of operations;
- the impact of our efforts to continue to advance sustainable and socially conscious business operations;
- expansion of and investments in our Direct-to-Consumer (DTC) capabilities, including our e-commerce platforms;
- the operational challenges faced by our distribution center, and our global third-party logistics providers, and the related impacts on our ability to deliver products;
- availability of raw materials and manufacturing capacity, and reliability of overseas production and storage;
- commitments and contingencies, including with respect to operating leases, purchase obligations for product and raw materials, and legal or regulatory proceedings;
- the impacts of new or proposed legislation, tariffs, regulatory enforcement actions, or legal proceedings;
- the value of goodwill and other intangible assets, and potential write-downs or impairment charges;
- changes impacting our tax liability and effective tax rates;
- repatriation of earnings of non-United States subsidiaries and any related tax impacts;
- the impact from adoption of recent accounting pronouncements; and
- overall global economic and political trends, including foreign currency exchange rate fluctuations, changes in interest rates, and changes in commodity pricing.

Forward-looking statements represent management’s current expectations and predictions about trends affecting our business and industry and are based on information available at 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 Part II, Item 1A, "Risk Factors," and Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in this Quarterly Report, as well as in our other filings with the Securities and Exchange Commission (SEC). You should read this Quarterly Report, including the information and documents incorporated by reference herein, in its entirety and with the understanding that our actual future results may be materially different from the results expressed or implied by these forward-looking statements. Moreover, new risks and uncertainties emerge from time to time and it is not possible for management to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual future results to be materially different from any results expressed or implied by any forward-looking statements. 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. We qualify all our forward-looking statements with these cautionary statements.

PART I. FINANCIAL INFORMATION

References within this Quarterly Report to "Deckers," "we," "our," "us," "management," or the "Company" refer to Deckers Outdoor Corporation, together with its consolidated subsidiaries. UGG® (UGG), HOKA ONE ONE® (HOKA), Teva® (Teva), Sanuk® (Sanuk), and Koolaburra® (Koolaburra) are some of the Company's trademarks. Other trademarks or trade names appearing elsewhere in this Quarterly Report are the property of their respective owners. Solely for convenience, the trademarks and trade names within this Quarterly Report are referred to without the ® and ™ symbols, but such references should not be construed as any indication that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

Unless otherwise indicated, all dollar amounts herein are expressed in thousands, except share and per share data.

ITEM 1. FINANCIAL STATEMENTS

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(dollar and share data amounts in thousands, except par value)

	June 30, 2020	March 31, 2020
ASSETS		(AUDITED)
Cash and cash equivalents	$ 661,941	$ 649,436
Trade accounts receivable, net of allowances ($25,084 and $21,146 as of June 30, 2020 and March 31, 2020, respectively)	135,225	185,596
Inventories, net of reserves ($17,759 and $12,227 as of June 30, 2020 and March 31,2020, respectively)	434,974	311,620
Prepaid expenses	18,286	17,760
Other current assets	24,381	21,548
Income tax receivable	15,003	8,151
Total current assets	1,289,810	1,194,111
Property and equipment, net of accumulated depreciation ($237,898 and $242,138 as of June 30, 2020 and March 31, 2020, respectively)	209,074	209,037
Operating lease assets	230,578	243,522
Goodwill	13,990	13,990
Other intangible assets, net of accumulated amortization ($75,305 and $74,421 as of June 30, 2020 and March 31, 2020, respectively)	47,388	48,016
Deferred tax assets, net	28,243	28,233
Other assets	29,483	28,209
Total assets	**$ 1,848,566**	**$ 1,765,118**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term borrowings	$ 646	$ 638
Trade accounts payable	253,557	147,892
Accrued payroll	27,278	42,309
Operating lease liabilities	48,009	49,091
Other accrued expenses	49,247	46,281
Income taxes payable	12,662	11,104
Value added tax payable	3,599	3,631
Total current liabilities	394,998	300,946
Mortgage payable	30,101	30,263
Long-term operating lease liabilities	205,555	215,724
Income tax liability	64,918	63,547
Other long-term liabilities	16,066	14,518
Total long-term liabilities	316,640	324,052
Commitments and contingencies		
Stockholders' equity		
Common stock ($0.01 par value; 125,000 shares authorized; shares issued and outstanding of 28,005 and 27,999 as of June 30, 2020 and March 31, 2020, respectively)	280	280
Additional paid-in capital	195,226	191,451
Retained earnings	965,975	973,948
Accumulated other comprehensive loss	(24,553)	(25,559)
Total stockholders' equity	1,136,928	1,140,120
Total liabilities and stockholders' equity	**$ 1,848,566**	**$ 1,765,118**

See accompanying notes to the condensed consolidated financial statements.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
(dollar and share data amounts in thousands, except per share data)

	Three Months Ended June 30,	
	2020	2019
Net sales	**$ 283,169**	**$ 276,839**
Cost of sales	140,603	146,820
Gross profit	**142,566**	**130,019**
Selling, general and administrative expenses	150,265	161,436
Loss from operations	**(7,699)**	**(31,417)**
Interest income	(674)	(2,866)
Interest expense	1,190	1,146
Other income, net	(143)	(92)
Total other expense (income), net	373	(1,812)
Loss before income taxes	**(8,072)**	**(29,605)**
Income tax benefit	(99)	(10,254)
Net loss	**(7,973)**	**(19,351)**
Other comprehensive income (loss)		
Unrealized gain (loss) on cash flow hedges, net of tax	353	(317)
Foreign currency translation gain	653	68
Total other comprehensive income (loss)	**1,006**	**(249)**
Comprehensive loss	**$ (6,967)**	**$ (19,600)**
Net loss per share		
Basic	$ (0.28)	$ (0.67)
Diluted	$ (0.28)	$ (0.67)
Weighted-average common shares outstanding		
Basic	28,001	29,089
Diluted	28,001	29,089

See accompanying notes to the condensed consolidated financial statements.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(amounts in thousands)

	Three Months Ended June 30, 2020					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance, March 31, 2020	**27,999**	**$ 280**	**$ 191,451**	**$ 973,948**	**$ (25,559)**	**$ 1,140,120**
Stock-based compensation	1	—	3,618	—	—	3,618
Shares issued upon vesting	1	—	—	—	—	—
Exercise of stock options	4	—	247	—	—	247
Shares withheld for taxes	—	—	(90)	—	—	(90)
Net loss	—	—	—	(7,973)	—	(7,973)
Total other comprehensive income	—	—	—	—	1,006	1,006
Balance, June 30, 2020	**28,005**	**$ 280**	**$ 195,226**	**$ 965,975**	**$ (24,553)**	**$ 1,136,928**

	Three Months Ended June 30, 2019					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance, March 31, 2019	**29,141**	**$ 291**	**$ 178,227**	**$ 889,266**	**$ (22,654)**	**$ 1,045,130**
Stock-based compensation	1	—	3,424	—	—	3,424
Shares issued upon vesting	4	—	—	—	—	—
Exercise of stock options	46	1	2,772	—	—	2,773
Cumulative adjustment from adoption of recent accounting pronouncements	—	—	—	(1,069)	—	(1,069)
Shares withheld for taxes	—	—	(374)	—	—	(374)
Repurchases of common stock	(227)	(2)	—	(35,003)	—	(35,005)
Net loss	—	—	—	(19,351)	—	(19,351)
Total other comprehensive loss	—	—	—	—	(249)	(249)
Balance, June 30, 2019	**28,965**	**$ 290**	**$ 184,049**	**$ 833,843**	**$ (22,903)**	**$ 995,279**

See accompanying notes to the condensed consolidated financial statements.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(amounts in thousands)

	Three Months Ended June 30,	
	2020	2019
OPERATING ACTIVITIES		
Net loss	$ (7,973)	$ (19,351)
Reconciliation of net loss to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion	9,276	10,345
Bad debt expense (benefit)	2,664	(937)
Deferred tax benefit	(14)	(1,646)
Stock-based compensation	3,687	3,473
Excess tax benefit from stock-based compensation	(15)	(580)
(Gain) Loss on disposal of property and equipment	(22)	59
Impairment of operating lease assets and other long-lived assets	2,680	—
Changes in operating assets and liabilities:		
Trade accounts receivable, net	47,709	19,860
Inventories, net	(123,355)	(194,552)
Prepaid expenses and other current assets	(2,895)	(7,172)
Income tax receivable	(6,852)	(1,499)
Net operating lease assets and liabilities	(1,051)	(1,033)
Other assets	(1,273)	(547)
Trade accounts payable	106,203	175,129
Other accrued expenses	(12,091)	(8,598)
Income taxes payable	1,573	(18,625)
Long-term liabilities	2,918	(955)
Net cash provided by (used in) operating activities	**21,169**	**(46,629)**
INVESTING ACTIVITIES		
Purchases of property and equipment	(9,253)	(7,393)
Proceeds from sales of property and equipment	41	227
Net cash used in investing activities	**(9,212)**	**(7,166)**
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	247	2,773
Repurchases of common stock	—	(35,005)
Cash paid for shares withheld for taxes	(90)	(374)
Repayments of mortgage principal	(154)	(146)
Net cash provided by (used in) financing activities	**3**	**(32,752)**
Effect of foreign currency exchange rates on cash and cash equivalents	545	(519)
Net change in cash and cash equivalents	**12,505**	**(87,066)**
Cash and cash equivalents at beginning of period	**649,436**	**589,692**
Cash and cash equivalents at end of period	**$ 661,941**	**$ 502,626**

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(amounts in thousands)
(continued)

	Three Months Ended June 30,	
	2020	2019
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Cash paid during the period		
Income taxes, net of refunds of $797 and $4,293, as of June 30, 2020 and 2019, respectively	$ 4,216	$ 11,833
Interest	756	563
Operating leases	14,185	15,265
Non-cash investing activities		
Accrued for purchases of property and equipment	514	1,116

See accompanying notes to the condensed consolidated financial statements.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the Three Months Ended June 30, 2020 and 2019
(dollar amounts in thousands, except share and per share data)

Note 1. General

The Company

Deckers Outdoor Corporation and its wholly-owned subsidiaries (collectively, the Company) is a global leader in designing, marketing, and distributing innovative footwear, apparel, and accessories developed for both everyday casual lifestyles use and high-performance activities. As part of its omni-channel platform, the Company's proprietary brands are aligned across its Fashion Lifestyle group, including the UGG and Koolaburra brands, and Performance Lifestyle group, including the HOKA, Teva, and Sanuk brands.

The Company sells its products through domestic and international retailers, international distributors, and directly to its global consumers through its DTC business, which is comprised of its retail stores and e-commerce websites. Independent third-party contractors manufacture all of the Company's products. A significant part of the Company's business is seasonal, requiring it to build inventory levels during certain quarters in its fiscal year to support higher selling seasons, which contributes to the variation in its results from quarter to quarter.

Basis of Presentation

The unaudited condensed consolidated financial statements and accompanying notes thereto (referred to herein as condensed consolidated financial statements) as of June 30, 2020 and for the three months ended June 30, 2020 and 2019 were prepared in accordance with accounting principles generally accepted in the United States (US GAAP) for interim financial information pursuant to Rule 10-01 of Regulation S-X issued by the SEC. Accordingly, they do not include all the information and disclosures required by US GAAP for annual financial statements and accompanying notes thereto. The condensed consolidated balance sheet as of March 31, 2020 was derived from the Company's audited consolidated financial statements. In the opinion of management, the condensed consolidated financial statements include all normal and recurring entries necessary to fairly present the results of the interim periods presented but are not necessarily indicative of results to be achieved for full fiscal years or other interim periods. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2020, filed with the SEC on June 1, 2020 (2020 Annual Report).

Consolidation. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Reclassifications. Certain reclassifications were made for prior periods presented to conform to the current period presentation.

Use of Estimates. The preparation of the Company's condensed consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the amounts reported. Management bases these estimates and assumptions upon historical experience, existing and known circumstances, authoritative accounting pronouncements, and other factors that management believes to be reasonable. Although the full impact of the COVID-19 pandemic is unknown and cannot be reasonably estimated, the Company has made appropriate accounting estimates based on the facts and circumstances available as of the reporting date. However, actual results could differ materially from these estimates as a result of a number of factors, including, without limitation, the severity and duration of the pandemic; the timing and extent of governmental actions taken to control the spread and mitigate the impact of the pandemic; the impact of the pandemic on discretionary spending, consumer confidence, unemployment rates and retail store security; and the impact of the pandemic on global economic conditions and financial markets.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the Three Months Ended June 30, 2020 and 2019
(dollar amounts in thousands, except share and per share data)

Significant areas requiring the use of management estimates relate to inventory write-downs, trade accounts receivable allowances, including variable consideration for net sales provided to customers, contract assets and liabilities, stock-based compensation, impairment assessments, goodwill and other intangible assets, depreciation and amortization, income tax receivables and liabilities, uncertain tax positions, the fair value of financial instruments, the reasonably certain lease term, lease classification, and the Company's incremental borrowing rate (IBR) utilized to discount its unpaid lease payments to measure its operating lease assets and liabilities.

Reportable Operating Segments

The Company's six reportable operating segments include the worldwide wholesale operations for each of the UGG brand, HOKA brand, Teva brand, Sanuk brand, and Other brands, as well as DTC (referred to herein as reportable operating segments). Refer to Note 12, “Reportable Operating Segments,” for further information on the Company's reportable operating segments.

Recent Accounting Pronouncements

Recently Adopted. The Financial Accounting Standards Board (FASB) has issued Accounting Standard Updates (ASUs) that have been adopted by the Company for its annual and interim reporting periods as stated below. The following is a summary of each standard and the impact on the Company:

Standard	Description	Impact on Adoption
ASU No. 2017-04, *Goodwill and Other: Simplifying the Test for Goodwill Impairment* (as amended by ASU 2019-06)	Requires annual and interim goodwill impairment tests be performed by comparing the fair value of a reporting unit with its carrying amount, effectively eliminating step two of the goodwill impairment test under legacy US GAAP. The amount by which the carrying amount exceeds the reporting unit’s fair value will continue to be recognized as an impairment charge.	The Company adopted this ASU beginning April 1, 2020 on a prospective basis, which did not have a material impact on its condensed consolidated financial statements.
ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* (as amended by ASUs 2018-19, 2019-04, 2019-05, 2019-11, 2020-02, and 2020-03)	Replaces the incurred loss impairment methodology in legacy US GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	The Company adopted this ASU beginning April 1, 2020 on a prospective basis, which did not have a material impact on its condensed consolidated financial statements.

Not Yet Adopted. The FASB has issued the following ASUs that have not yet been adopted by the Company. The following is a summary of each standard, planned period of adoption, and the expected impact on the Company:

Standard	Description	Planned Period of Adoption	Expected Impact on Adoption
ASU No. 2019-12, *Income Taxes - Simplifying the Accounting for Income Taxes*	Removes certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation and calculating income taxes in interim periods, as well as reduces complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group.	Q1 FY 2022	The Company is currently evaluating the impact on adoption of this ASU; however, the Company does not expect that the adoption will have a material impact on its condensed consolidated financial statements.
ASU No. 2020-04, *Reference Rate Reform - Facilitation of the Effects of Reference Rate Reform on Financial Reporting*	London Interbank Offered Rate (LIBOR) is a benchmark interest rate referenced in a variety of agreements that are used by all types of entities. At the end of 2021, banks will no longer be required to report information that is used to determine LIBOR. As a result, LIBOR could be discontinued. Other interest rates used globally could also be discontinued for similar reasons. This ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. Guidance is limited for adoption through December 31, 2022.	Q4 FY 2021	The Company is currently evaluating the impact of the adoption of this ASU on its consolidated financial statements.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the Three Months Ended June 30, 2020 and 2019
(dollar amounts in thousands, except share and per share data)

Note 2. Revenue Recognition

Revenue is recognized when a performance obligation is completed at a point in time and when the customer has obtained control. Control passes to the customer when it has the ability to direct the use of, and obtain substantially all the remaining benefits from, the goods transferred. The amount of revenue recognized is based on the transaction price, which represents the invoiced amount less known actual amounts or estimates of variable consideration. Components of variable consideration include estimated discounts, markdowns or chargebacks, and sales returns. Estimated variable consideration is included in the transaction price to the extent it is probable that a significant reversal of the cumulative revenue recognized will not occur in a future period.

The Company's customer contracts do not have a significant financing component due to their short durations, which are typically effective for one year or less and have payment terms that are generally 30-60 days.

Contract Assets and Liabilities

Contract assets represent the Company's right to consideration subject to conditions other than the passage of time, such as additional performance obligations to be satisfied. Contract liabilities are performance obligations that the Company expects to satisfy or relieve within the next 12 months, advance consideration obtained prior to satisfying a performance obligation, or unconditional obligations to provide goods or services under non-cancelable contracts before the transfer of goods or services to the customer has occurred. Contract assets and liabilities are recorded in other current assets and other accrued expenses, respectively, in the condensed consolidated balance sheets.

Sales Returns. The following table provides activity during the three months ended June 30, 2020 related to estimated sales returns for the Company's existing customer contracts for all channels:

	Contract Asset	Contract Liability
Balance, March 31, 2020	**$ 9,663**	**$ (25,667)**
Net additions to sales return allowance*	8,553	(25,782)
Actual returns	(7,801)	23,573
Balance, June 30, 2020	**$ 10,415**	**$ (27,876)**

The following table provides activity during the three months ended June 30, 2019 related to estimated sales returns for the Company's existing customer contracts for all channels:

	Contract Asset	Contract Liability
Balance, March 31, 2019	**$ 10,441**	**$ (24,787)**
Net additions to sales return allowance*	3,776	(14,632)
Actual returns	(8,713)	24,447
Balance, June 30, 2019	**$ 5,504**	**$ (14,972)**

*Net additions to sales return allowance include provision for anticipated sales returns which consists of both contractual return rights and discretionary authorized returns.

Loyalty Programs. The Company has a customer loyalty program for the UGG brand in its DTC channel where customers earn rewards from qualifying purchases or activities. As of June 30, 2020 and March 31, 2020, the Company's contract liability for loyalty programs was $7,397 and $6,950, respectively.

Refer to Note 12, "Reportable Operating Segments," for further information on the Company's disaggregation of revenue by reportable operating segment.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the Three Months Ended June 30, 2020 and 2019
(dollar amounts in thousands, except share and per share data)

Note 3. Goodwill and Other Intangible Assets

Goodwill and Other Intangible Assets

The Company's goodwill and other intangible assets are recorded in the condensed consolidated balance sheets, as follows:

	June 30, 2020	March 31, 2020
Goodwill		
UGG brand	$ 6,101	$ 6,101
HOKA brand	7,889	7,889
Total goodwill	13,990	13,990
Other intangible assets		
Indefinite-lived intangible assets		
Trademarks	15,454	15,454
Definite-lived intangible assets		
Trademarks	55,245	55,245
Other	51,994	51,738
Total gross carrying amount	107,239	106,983
Accumulated amortization	(75,305)	(74,421)
Net definite-lived intangible assets	31,934	32,562
Total other intangible assets, net	47,388	48,016
Total	**$ 61,378**	**$ 62,006**

Amortization Expense

Aggregate amortization expense for definite-lived intangible assets during the three months ended June 30, 2020 and 2019 was $632 and $1,413, respectively. A reconciliation of the changes in total other intangible assets, net, recorded in the condensed consolidated balance sheets is as follows:

Balance, March 31, 2020	**$ 48,016**
Amortization expense	(632)
Foreign currency translation net gain	4
Balance, June 30, 2020	**$ 47,388**

Note 4. Fair Value Measurements

The accounting standard for fair value measurements provides a framework for measuring fair value, which is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The fair value hierarchy under this accounting standard requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required:

- Level 1: Quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than quoted prices in active markets for identical assets and liabilities.
- Level 3: Unobservable inputs in which little or no market activity exists, therefore requiring the Company to develop its own assumptions.

The carrying amount of the Company's financial instruments, which principally include cash and cash equivalents, trade accounts receivable, net, trade accounts payable, accrued payroll, and other accrued expenses, approximates fair value due to their short-term nature. The carrying amount of the Company's short-term borrowings and mortgage payable, which are considered Level 2 liabilities, approximates fair value based upon current rates and terms available to the Company for similar debt.

Assets and liabilities that are measured on a recurring basis at fair value in the condensed consolidated balance sheets were as follows:

		Measured Using		
	June 30, 2020	Level 1	Level 2	Level 3
Non-qualified deferred compensation asset	$ 7,362	$ 7,362	$ —	$ —
Non-qualified deferred compensation liability	(5,191)	(5,191)	—	—
Designated Derivative Contracts asset	464	—	464	—

		Measured Using		
	March 31, 2020	Level 1	Level 2	Level 3
Non-qualified deferred compensation asset	$ 6,164	$ 6,164	$ —	$ —
Non-qualified deferred compensation liability	(3,756)	(3,756)	—	—

The Company sponsors a non-qualified deferred compensation plan that permits a select group of management employees to defer earnings to a future date on a non-qualified basis. Deferred compensation is recognized based on the fair value of the participants' accounts. A rabbi trust was established as a reserve for benefits payable under this plan, with the assets invested in company-owned life insurance policies. As of June 30, 2020, the non-qualified deferred compensation asset of $7,362 was recorded in other assets in the condensed consolidated balance sheets. As of June 30, 2020, the non-qualified deferred compensation liability of $5,191 was recorded in the condensed consolidated balance sheets, with $668 in other accrued expenses and $4,523 in other long-term liabilities.

The Level 2 inputs consist of forward spot rates at the end of the applicable reporting period. The fair values of assets and liabilities associated with derivative instruments and hedging activities are recorded in other current assets and other accrued expenses, respectively, in the condensed consolidated balance sheets. Refer to Note 9, "Derivative Instruments," for further information, including definitions of the terms Designated Derivative Contracts and Non-Designated Derivative Contracts.

Note 5. Income Taxes

Effective income tax rate

Income tax benefit and the effective income tax rate were as follows:

	Three Months Ended June 30,	
	2020	2019
Income tax benefit	$ (99)	$ (10,254)
Effective income tax rate	1.2%	34.6%

The tax provisions for the three months ended June 30, 2020 and 2019 were computed using the estimated effective income tax rates applicable to each of the domestic and foreign taxable jurisdictions for the full fiscal year and were adjusted for discrete items that occurred within the periods presented.

During the three months ended June 30, 2020, the decrease in the effective income tax rate, compared to the prior period, was due to a reduced tax benefit resulting from an unrecognized tax benefit recorded for a prior year tax position during the three months ended June 30, 2020, compared to the prior period, which recognized an increased tax benefit for the favorable settlement of a state income tax audit.

Unrecognized Tax Benefits

During the three months ended June 30, 2020, the amount of gross unrecognized tax benefits and associated penalties and interest increased by $1,038 to $18,676. This change is related to increases in prior year tax position reserves recorded in income tax liability in the condensed consolidated balance sheets.

Note 6. Revolving Credit Facilities and Mortgage Payable

Primary Credit Facility

In September 2018, the Company entered into a credit agreement that provides for a five-year, $400,000 unsecured revolving credit facility (Primary Credit Facility), contains a $25,000 sublimit for the issuance of letters of credit, and matures on September 20, 2023.

At the Company's election, interest under the Primary Credit Facility is tied to the adjusted London Interbank Offered Rate (LIBOR) or the Alternate Base Rate (ABR). Interest for borrowings made in foreign currencies is based on currency-specific LIBOR or the Canadian deposit offered rate (CDOR) if made in Canadian dollars. As of June 30, 2020, the effective interest rates for US dollar LIBOR and ABR were 1.29% and 3.38%, respectively.

During the three months ended June 30, 2020, the Company made no borrowings or repayments under the Primary Credit Facility. As of June 30, 2020, the Company had no outstanding balance under the Primary Credit Facility and had outstanding letters of credit of $549. As of June 30, 2020, available borrowings under the Primary Credit Facility were $399,451.

China Credit Facility

In August 2013, Deckers (Beijing) Trading Co., LTD, a wholly-owned subsidiary of the Company, entered into a credit agreement in China (as amended, the China Credit Facility) that provides for an uncommitted revolving line of credit of up to CNY 300,000, or $42,425, with an overdraft facility sublimit of CNY 100,000, or $14,142.

The China Credit Facility is payable on demand and subject to annual review with a defined aggregate period of borrowing of up to 12 months. The obligations under the China Credit Facility are guaranteed by the Company for 108.5% of the facility amount in US dollars. Interest is based on the People’s Bank of China (PBOC) market rate multiplied by a variable liquidity factor. As of June 30, 2020, the effective interest rate was 4.24%.

During the three months ended June 30, 2020, the Company made no borrowings or repayments under the China Credit Facility. As of June 30, 2020, the Company had no outstanding balance, outstanding bank guarantees of $28, and available borrowings of $42,397 under the China Credit Facility.

Japan Credit Facility

In March 2016, Deckers Japan, G.K., a wholly-owned subsidiary of the Company, entered into a credit agreement in Japan (as amended, the Japan Credit Facility) that provides for an uncommitted revolving line of credit of up to JPY 3,000,000, or $27,831, for a maximum term of six months for each draw on the facility. The Japan Credit Facility can be renewed annually and is guaranteed by the Company. Interest is based on the Tokyo Interbank Offered Rate (TIBOR) plus 0.40%. As of June 30, 2020, the effective interest rate was 0.44%.

During the three months ended June 30, 2020, the Company made no borrowings or repayments under the Japan Credit Facility. As of June 30, 2020, the Company had no outstanding balance under the Japan Credit Facility and available borrowings of $27,831.

Mortgage

In July 2014, the Company obtained a mortgage secured by the property on which its corporate headquarters is located for $33,931. As of June 30, 2020, the outstanding principal balance under the mortgage was $30,747, which includes $646 in short-term borrowings and $30,101 in mortgage payable in the condensed consolidated balance sheets. The mortgage has a fixed interest rate of 4.928%. Payments include interest and principal in an amount that amortizes the principal balance over a 30-year period; however, the loan will mature and requires a balloon payment of $23,695, in addition to any then-outstanding balance, on July 1, 2029.

Debt Covenants

As of June 30, 2020, the Company was in compliance with all financial debt covenants under the revolving credit facilities and the mortgage.

Note 7. Leases

The Company primarily leases retail stores, showrooms, offices, and distribution facilities under operating lease contracts. Some of the Company's operating leases contain extension options of anywhere from one to 15 years. Historically, the Company has not entered into finance leases and its lease agreements generally do not contain residual value guarantees, options to purchase underlying assets, or material restrictive covenants.

Supplemental information for amounts presented in the condensed consolidated statements of cash flows related to operating leases is as follows:

	Three Months Ended June 30,	
	2020	2019
Non-cash operating activities		
Operating lease assets obtained in exchange for lease liabilities*	$ 2,491	$ 16,422
Reductions to operating lease assets for reductions to lease liabilities*	(1,937)	(2,549)

* Amounts disclosed include non-cash additions or reductions resulting from lease remeasurements.

Note 8. Stock-Based Compensation

From time to time, the Company grants various types of stock-based compensation under the 2015 Stock Incentive Plan, as amended (2015 SIP), including time-based restricted stock units (RSUs), performance-based restricted stock units (PSUs), stock appreciation rights, and non-qualified stock options (NQSOs). The Company typically makes annual grants of RSUs (Annual RSUs) and PSUs (Annual PSUs), as well as long-term incentive plan (LTIP) awards, to certain executive officers and other key employees. During the three months ended June 30, 2020, except for the grant activity summarized below, no awards were granted under the 2015 SIP. Refer to Note 8, “Stock-Based Compensation,” in our 2020 Annual Report for further information on previously granted awards under the 2015 SIP.

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Annual Awards

The Company granted Annual RSUs and Annual PSUs under the 2015 SIP, as summarized below:

	Three Months Ended June 30,			
	2020		2019	
	Shares Granted	Weighted-average grant date fair value per share	Shares Granted	Weighted-average grant date fair value per share
Annual RSUs	33,895	$ 200.71	11,334	$ 173.77
Annual PSUs	—	—	10,764	173.69
Total	**33,895**	**$ 200.71**	**22,098**	**$ 173.73**

Stock-based compensation is recorded net of estimated forfeitures in SG&A expenses in the condensed consolidated statements of comprehensive loss. The Annual RSUs typically vest in equal annual installments over three years following the date of grant. The Annual PSUs are typically earned based on the achievement of pre-established Company performance criteria measured over the fiscal year during which they are granted and, to the extent the performance criteria are met, vest in equal annual installments over three years thereafter. Future unrecognized stock-based compensation expense for Annual RSUs and Annual PSUs outstanding as of June 30, 2020 was $13,877.

Note 9. Derivative Instruments

The Company may enter into foreign currency forward or option contracts (derivative contracts) to manage foreign currency risk on expected cash flows and certain existing assets and liabilities, primarily intercompany balances. Certain of these derivative contracts are designated as cash flow hedges of forecasted sales (Designated Derivative Contracts). The Company may also enter into derivative contracts that are not designated as cash flow hedges (Non-Designated Derivative Contracts), to offset a portion of anticipated gains and losses on certain intercompany balances until the expected time of repayment.

The after-tax unrealized gains or losses from changes in the fair value of Designated Derivative Contracts are recorded as a component of AOCL and are reclassified to net sales in the condensed consolidated statements of comprehensive loss in the same period or periods as the related sales are recognized. The Company includes all hedge components in its assessment of effectiveness for its derivative contracts. When it is probable that a forecasted transaction will not occur, the Company discontinues hedge accounting and the accumulated gains or losses in AOCL related to the hedging relationship are immediately recorded in other comprehensive income or loss (OCI) in the condensed consolidated statements of comprehensive loss.

Changes in the fair value of Non-Designated Derivative Contracts are recorded in SG&A expenses in the condensed consolidated statements of comprehensive loss. The changes in fair value for these contracts are generally offset by the remeasurement gains or losses associated with the underlying foreign currency-denominated intercompany balances, which are recorded in SG&A expenses in the condensed consolidated statements of comprehensive loss.

As of June 30, 2020, the Company had the following derivative contracts recorded at fair value in the condensed consolidated balance sheets:

	Designated Derivative Contracts
Notional value	$ 42,183
Fair value recorded in other current assets	464

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As of June 30, 2020, the Company's outstanding derivative contracts were held by an aggregate of two counterparties, all with various maturity dates within the next nine months. As of March 31, 2020, the Company had no outstanding derivative contracts.

The following table summarizes the effect of Designated Derivative Contracts and the related income tax effects for unrealized gains or losses recorded in the condensed consolidated statements of comprehensive loss for changes in AOCL:

	Three Months Ended June 30,	
	2020	2019
Gain (loss) recognized in OCI	$ 464	$ (417)
Income tax (expense) benefit in OCI	(111)	100
Total	**$ 353**	**$ (317)**

The following table summarizes the effect of Non-Designated Derivative Contracts:

	Three Months Ended June 30,	
	2020	2019
Loss recognized in SG&A expenses	$ —	$ (356)

The non-performance risk of the Company and the counterparties did not have a material impact on the fair value of its derivative contracts. As of June 30, 2020, the amount of unrealized gains on derivative contracts recorded in AOCL is expected to be reclassified into net sales within the next twelve months. Refer to Note 10, “Stockholders' Equity,” for further information on the components of AOCL.

Note 10. Stockholders' Equity

Stock Repurchase Programs

The Company's Board of Directors has authorized various stock repurchase programs pursuant to which the Company may repurchase shares of its common stock. The Company's stock repurchase programs do not obligate it to acquire any amount of common stock and may be suspended at any time at the Company's discretion. During the three months ended June 30, 2020, there were no stock repurchases. As of June 30, 2020, the aggregate remaining approved amount under the Company's stock repurchase programs was $159,807.

Accumulated Other Comprehensive Loss

The components within AOCL recorded in the condensed consolidated balance sheets, were as follows:

	June 30, 2020	March 31, 2020
Unrealized gain on cash flow hedges, net of tax	$ 353	$ —
Cumulative foreign currency translation loss	(24,906)	(25,559)
Total	**$ (24,553)**	**$ (25,559)**

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Note 11. Basic and Diluted Shares

The reconciliation of basic to diluted weighted-average common shares outstanding was as follows:

	Three Months Ended June 30,	
	2020	2019
Basic	28,001,000	29,089,000
Dilutive effect of equity awards	—	—
Diluted	**28,001,000**	**29,089,000**
Excluded*		
Annual RSUs and Annual PSUs	194,000	245,000
LTIP PSUs	153,000	77,000
LTIP NQSOs	299,000	317,000
Deferred Non-Employee Director Equity Awards	5,000	7,000

* The equity awards excluded from the dilutive effect have been excluded due to one of the following: (1) the shares were anti-dilutive; (2) the necessary conditions had not been satisfied for the shares to be issuable based on the Company's performance for the relevant performance period; or (3) the Company recorded a net loss during the period presented (such that inclusion of these equity awards in the calculation would have been anti-dilutive). The number of shares stated for each of these excluded awards is the maximum number of shares issuable pursuant to these awards. For those awards with performance criteria, the actual number of shares to be issued pursuant to such awards will be based on Company performance in future periods, net of forfeitures, and may be materially lower than the number of shares presented. Refer to Note 8, “Stock-Based Compensation,” in our 2020 Annual Report for further information on previously granted awards under the Company's equity incentive plans.

Note 12. Reportable Operating Segments

Information reported to the Chief Operating Decision Maker (CODM), who is the Company's Principal Executive Officer (PEO), is organized into the Company's six reportable operating segments and is consistent with how the CODM evaluates performance and allocates resources. The Company does not consider international operations to be a separate reportable operating segment, and the CODM reviews such operations in the aggregate with the reportable operating segments.

The Company evaluates reportable operating segment performance primarily based on net sales and income (loss) from operations. The wholesale operations of each brand are generally managed separately because each requires different marketing, research and development, design, sourcing, and sales strategies. The income (loss) from operations of each of the reportable operating segments includes only those costs which are specifically related to each reportable operating segment, which consist primarily of cost of sales, research and development, design, sales and marketing, depreciation, amortization, and the direct costs of employees within those reportable operating segments. The Company does not allocate corporate overhead costs or non-operating income and expenses to reportable operating segments, which include unallocable overhead costs associated with distribution centers, certain executive and stock-based compensation, accounting, finance, legal, information technology, human resources, and facilities, among others. Inter-segment sales from the Company’s wholesale reportable operating segments to the DTC reportable operating segment are at the Company’s cost, and there is no inter-segment profit on these inter-segment sales, nor are they reflected in income (loss) from operations of the wholesale reportable operating segments.

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Reportable operating segment information, with a reconciliation to the condensed consolidated statements of comprehensive loss, was as follows:

	Three Months Ended June 30,	
	2020	2019
Net sales		
UGG brand wholesale	$ 43,428	$ 85,400
HOKA brand wholesale	70,619	64,006
Teva brand wholesale	21,411	30,831
Sanuk brand wholesale	7,228	14,607
Other brands wholesale	635	1,727
Direct-to-Consumer	139,848	80,268
Total	**$ 283,169**	**$ 276,839**

	Three Months Ended June 30,	
	2020	2019
Income (loss) from operations		
UGG brand wholesale	$ (3,735)	$ 9,441
HOKA brand wholesale	17,235	11,358
Teva brand wholesale	4,202	8,316
Sanuk brand wholesale	488	1,935
Other brands wholesale	(1,270)	132
Direct-to-Consumer	31,027	(4,572)
Unallocated overhead costs	(55,646)	(58,027)
Total	**$ (7,699)**	**$ (31,417)**

Assets allocated to each reportable operating segment include trade accounts receivable, net, inventories, net, property and equipment, net, operating lease assets, goodwill, other intangible assets, net, and certain other assets that are specifically identifiable for one of the Company's reportable operating segments. Unallocated assets are those assets not directly related to a specific reportable operating segment and generally include cash and cash equivalents, deferred tax assets, net, and various other corporate assets shared by the Company's reportable operating segments.

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Assets allocated to each reportable operating segment, with a reconciliation to the condensed consolidated balance sheets, were as follows:

	June 30, 2020	March 31, 2020
Assets		
UGG brand wholesale	$ 328,583	$ 245,239
HOKA brand wholesale	142,393	124,958
Teva brand wholesale	64,957	90,305
Sanuk brand wholesale	46,423	50,314
Other brands wholesale	24,145	21,535
Direct-to-Consumer	232,151	243,489
Total assets from reportable operating segments	838,652	775,840
Unallocated cash and cash equivalents	661,941	649,436
Unallocated deferred tax assets, net	28,243	28,233
Unallocated other corporate assets	319,730	311,609
Total	**$ 1,848,566**	**$ 1,765,118**

Note 13. Concentration of Business

Regions and Customers

The Company sells its products to customers throughout the US and to foreign customers in various countries, with concentrations that were as follows:

	Three Months Ended June 30,	
	2020	2019
International net sales	$ 98,869	$ 109,544
% of net sales	34.9%	39.6%
Net sales in foreign currencies	$ 55,683	$ 59,358
% of net sales	19.7%	21.4%
Ten largest customers as % of net sales	22.1%	27.2%

For the three months ended June 30, 2020 and 2019, no single foreign country comprised 10.0% or more of the Company's total net sales. One single customer exceeded 10.0% of the Company's total net sales during the three months ended June 30, 2020, compared to no single customer during the three months ended June 30, 2019.

The Company sells its products to customers for trade accounts receivables and, as of June 30, 2020, had one single customer that exceeded 10.0% of trade accounts receivable, net, compared to no single customer that exceeded 10.0% of trade accounts receivable, net, as of March 31, 2020. Management performs regular evaluations concerning the ability of the Company’s customers to satisfy their obligations to the Company and recognizes an allowance for doubtful accounts based on these evaluations.

Suppliers

The Company's production is concentrated at a limited number of independent manufacturing factories, primarily in Asia. Sheepskin is the principal raw material for certain UGG brand products and most of the Company's sheepskin is purchased from two tanneries in China, which is sourced primarily from Australia and the United Kingdom. The supply of sheepskin can be adversely impacted by weather patterns, harvesting decisions, incidents of disease, and the price of other commodities, such as wool and leather. Furthermore, the price of sheepskin is impacted by numerous other factors, including demand for the Company's products, demand for sheepskin by competitors, use of substitute components or products, changes in consumer preferences, and changes in discretionary spending.

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Long-Lived Assets

Long-lived assets, which consist of property and equipment, net, recorded in the condensed consolidated balance sheets, were as follows:

	June 30, 2020	March 31, 2020
US	$ 195,023	$ 194,679
Foreign*	14,051	14,358
Total	**$ 209,074**	**$ 209,037**

*No single foreign country's property and equipment, net, represented 10.0% or more of the Company's total property and equipment, net, as of June 30, 2020 and March 31, 2020.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read together with our condensed consolidated financial statements and the related notes, included in Part I, Item 1 of this Quarterly Report, and the audited consolidated financial statements included in Part II, Item 8 of our 2020 Annual Report. This section contains forward-looking statements that are based on our current expectations and reflect our plans, estimates, and anticipated future financial performance. These statements involve numerous risks and uncertainties. Our actual results may differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including those set forth in the sections entitled Part II, Item 1A, "Risk Factors," and “Cautionary Note Regarding Forward-Looking Statements” in this Quarterly Report.

Overview

We are a global leader in designing, marketing, and distributing innovative footwear, apparel, and accessories developed for both everyday casual lifestyle use and high-performance activities. We market our products primarily under five proprietary brands: UGG, HOKA, Teva, Sanuk, and Koolaburra. We believe that our products are distinctive and appeal broadly to women, men, and children. We sell our products through quality domestic and international retailers, international distributors, and directly to our consumers both domestically and internationally through our DTC business, which is comprised of our retail stores and e-commerce websites. We seek to differentiate our brands and products by offering diverse lines that emphasize authenticity, functionality, quality, and comfort, and products tailored to a variety of activities, seasons, and demographic groups. All of our products are currently manufactured by independent manufacturers.

Trends and Uncertainties Impacting Our Business

During early calendar year 2020, the COVID-19 pandemic spread globally, including throughout the geographic regions in which we operate our business, and where our wholesale customers, retail stores, manufacturers, and suppliers are located.

In response to the pandemic, many federal, state, local, and foreign governments have put in place, and others in the future may put in place, travel restrictions, “shelter-in-place” orders, and similar government orders and restrictions in an attempt to control the spread and mitigate the impact of the disease. Such restrictions or orders have resulted in the mandatory closure of “non-essential” businesses (including retail stores), increased unemployment rates, “social distancing” restrictions, reduced tourist activity, work-from-home policies, and other changes that have led to significant disruptions to businesses and global financial markets. The overall impact of the pandemic on our business and future results of operations is highly uncertain and subject to change, and we are not able to accurately predict the magnitude or scope of such impacts at this time. However, we believe that the actions we are taking to respond to the pandemic, combined with our strong liquidity position, have created an important foundation that will position us to emerge from this pandemic operationally sound and poised for continued long-term growth.

Our business and the industry in which we operate continue to be impacted by several important trends and uncertainties, including the COVID-19 pandemic, as follows:

Retail Environment

- Primarily as a result of government orders and restrictions imposed in connection with the COVID-19 pandemic, many of our company-owned and operated stores were initially closed for the start of our first fiscal quarter ended June 30, 2020. Approximately 20% of our global retail stores were open for the entire fiscal quarter. The average company-owned retail store was open for roughly half of the fiscal quarter. Subsequent to June 30, 2020 and through July 30, 2020, approximately 95% of our global retail stores are open but, in most cases, with limited operations.

- During the first fiscal quarter ended June 30, 2020, significant civil unrest, looting, and rioting in several major cities across the United States resulted in varying degrees of damage to certain of our retail stores, including some recently reopened stores. As a result, we temporarily closed some of these stores and identified three retail stores for permanent closure.

- We are monitoring guidance provided by health officials, expert agencies, and local authorities to evaluate the current operation of our retail stores at limited capacity, as well as the reopening of our retail stores. Our decision regarding the appropriate timing to fully reopen our retail stores will depend on a number of factors, including the safety of our customers and employees, our ability to comply with government orders and restrictions, and our ability to deliver products to our customers. We expect the scope of allowable retail activities and retail consumer traffic patterns to vary by geographic region due to localized restrictions imposed by governmental authorities, the demand for our products varying between regions, and the actual and expected impact of the COVID-19 pandemic on each region. In an attempt to mitigate the impact of operating our retail stores at limited capacity, we are expanding the use of technology at these locations, including implementing mobile point-of-sales systems.

- Given the ongoing COVID-19 pandemic conditions, including continued uncertainty around governmental responses to emerging trends, as well as changes in economic conditions and consumer sentiment, there is potential risk of additional closures or limitations as we approach our peak selling season.

- Similar to our company-owned retail stores, many of the retail stores of our wholesale customers and retail partners were closed for part of the first fiscal quarter. While many of our wholesale customers have reopened their retail stores during the first fiscal quarter, we believe many of them have limited operations. We are working with our wholesale partners to identify areas of risk and make relevant adjustments to our order-book. However, given the uncertain conditions due to the COVID-19 pandemic, as well as the significant amount of business remaining for the fiscal year, we anticipate that our order-book cancellations will outweigh reorders with our wholesale partners.

E-Commerce Environment

- Even prior to the mandatory retail store closures and limited retail store operations resulting from the COVID-19 pandemic, we observed a meaningful shift in the way consumers shop for products and make purchasing decisions, evidenced by significant and prolonged decreases in consumer retail store activity as customers accelerated their migration to online shopping. These trends have been positively impacting the performance of our e-commerce business, while creating challenges and headwinds for our traditional retail business, as well as the retail businesses of our wholesale customers and retail partners.

- We operate our e-commerce business through various websites and platforms, which have remained operational throughout the COVID-19 pandemic, and we expect they will continue to remain operational.

- During our first fiscal quarter ended June 30, 2020, we observed strong demand across our brands within our e-commerce business, especially for the UGG and HOKA brands. We also observed that our wholesale customers, which had an established e-commerce presence, experienced similarly strong demand trends as those we have experienced, although the trends vary from customer to customer. We continue to see demand for our products, especially within the UGG and HOKA brands, from a number of these wholesale customers as their sell-through of our products remains strong within our partners' e-commerce platforms. We expect our wholesale customers that have a greater reliance on their retail store presence may experience more significant adverse impacts from the COVID-19 pandemic.

- We expect our e-commerce business will continue to be a driver of long-term growth, although the growth rate will be unpredictable and may not be in line with our historical experience. Additionally, we do not expect that the growth rate of our e-commerce business experienced in the first fiscal quarter ended June 30, 2020 will continue throughout the fiscal year. We believe the key factors impacting the growth rate will include consumer demand for our products, our ability to fulfill orders through our limited distribution center operations, the scope and duration of the COVID-19 pandemic, and the impact of the COVID-19 pandemic on unemployment rates, consumer confidence, discretionary spending, and economic conditions.

- In future periods, we do not expect the increased demand we experienced in the first fiscal quarter within our e-commerce businesses to be able to similarly offset peak season UGG brand sales within our wholesale and retail businesses. During our second fiscal quarter we would normally begin to ship higher volumes of product to meet peak demand but due to the current retail environment, we may experience softer than normal sales.

Brand Strategy

- In response to the COVID-19 pandemic, we are exercising discipline by focusing on key products that have achieved sustained success with consumers, reducing the number and types of products offered, delaying product launches, and consolidating seasonal collections.

- Our ongoing and strategic efforts to reduce the impact of seasonality on our results of operations have had a meaningful positive impact on the year-round performance of the HOKA and UGG brands. While we expect to continue to focus on reducing the impact of seasonality through innovation and the expansion of our product offerings over the long-term, and while HOKA brand net sales continue to increase as a percentage of our aggregate net sales, given the magnitude of the UGG brand relative to our other brands, the effect of seasonality on our aggregate net sales and results of operations may continue to be significant. However, it is unclear whether seasonal impacts will be minimized or exaggerated in future periods as a result of the disruptions and uncertainties caused by the COVID-19 pandemic. This uncertainty makes it more difficult for us to predict future demand for our products and manage our manufacturing and inventory, especially as we approach the typical peak season for the UGG brand.

- Within the UGG brand, we have experienced strong sell-through of certain product lines, including the slipper category, as we believe consumers are seeking out luxurious comfort in the current work-from-home environment. In addition, the UGG brand continues to experience success through the introduction of counter-seasonal products, including the spring and summer collections, improving the UGG brand's overall year-round performance. However, we are experiencing softness within the UGG wholesale channel, especially within geographies impacted by extensive retail store closures, and within international markets due to our marketplace reset strategy in Europe, and the UGG brand having a smaller e-commerce presence internationally.

- Within the HOKA brand, we continue to see strong demand across our product offerings through both wholesale and DTC channels, which we believe is being fueled by consumer demand for our products and an even greater emphasis on running and outdoor exercise as consumers seek to find healthy outlets in response to the COVID-19 pandemic. The significant growth of the HOKA brand's year-round performance product offerings as a percentage of our aggregate net sales has had a meaningful positive impact on our seasonality trends, as well as our overall financial results. However, despite the recent growth and success of the HOKA brand, the impacts of the pandemic may cause a lower growth rate of HOKA brand sales in future periods than we have experienced recently.

- For the first fiscal quarter ended June 30, 2020, net sales for the HOKA brand increased relative to the net sales for the UGG brand and as a percentage of our aggregate net sales. However, we do not expect the level of penetration of HOKA brand sales mix observed in the first fiscal quarter to continue.

- The Sanuk and Teva brands are experiencing a disproportionate negative impact from the pandemic as the highest percentage of net sales for these brands typically occur during our fourth fiscal quarter and first fiscal quarter. We are actively monitoring the cost structures associated with these brands.

Supply Chain

- The Company maintains a network of strategic sourcing partners which includes material vendors and third-party manufacturers. The Company experienced certain capacity constraints within its sourcing network during the first fiscal quarter ended June 30, 2020, in addition to disruptions related to travel restrictions between country borders and production facilities. While the effects of these disruptions have been mitigated thus far, and we are not experiencing any major sourcing or manufacturing disruptions at this time, it is possible that there will be disruptions in the future.

- Our Moreno Valley, California, distribution center (DC), as well as our global third-party logistics providers (3PLs), remains open and continues to operate at reduced capacity and with limited and modified operations due to increased safety measures. In order to promote the health and safety of our distribution center employees, we continue to adhere to enhanced safety measures and protocols at our distribution center, including strict social distancing requirements and heightened cleaning of the facility in accordance with Center for Disease Control and Prevention guidelines. Due to these requirements, we are limiting the number of employees on-site relative to our available personnel capacity. We are experiencing, and our 3PLs are experiencing, certain operational and logistical challenges as a result of limited and modified operations, including challenges associated with shipping higher levels of product through our e-commerce channel than in prior periods, and increasing volume of wholesale shipments as we approach the peak selling season for the UGG brand. We are also experiencing higher costs for DC employee safety and payroll costs, as well as some delays in the shipments of our products.

- We are working to mitigate the anticipated impact of limited and modified operations on our peak selling season, including the potential for loss of sales and reputational harm with wholesale customers. These efforts include phasing some wholesale shipments earlier than in previous fiscal years, which could result in changes in the timing of the realization of net sales as compared to prior periods, as well as prioritizing and potentially limiting certain operations within our warehouse to accommodate social distancing measures. However, we may be unsuccessful in these efforts, which could have a negative impact on our results of operations in future periods.

- We are encountering challenges attracting and retaining quality candidates to staff our DC operations as we increasingly compete with other companies with growing e-commerce operations. For example, during the past two fiscal years, we have significantly increased certain DC employee wages in an effort to attract and retain talent. Although growing unemployment rates resulting from the COVID-19 pandemic may result in a larger short-term candidate pool, we may face ongoing challenges with recruiting and training employees as our competitors grow their e-commerce channels and require additional warehouse and DC staff.

Omni-Channel Strategy

- We have implemented a product segmentation strategy, as well as an allocation strategy for the UGG brand's core Classics franchise in the US wholesale marketplace. These strategies are designed to assist us in controlling product inventory, reducing the impact of discounts and closeouts on our sales and gross margins, and increasing full-priced selling across our product offerings. Similarly, we are implementing a multi-year marketplace reset strategy in Europe to drive UGG brand heat. We expect the COVID-19 pandemic will delay or mitigate the benefits we may receive from these strategies. In addition, notwithstanding the implementation of these strategies, in light of the current marketplace environment, we are approaching the planning for the UGG brand's peak selling season with caution as we expect it may be highly competitive and feature increased levels of promotional activity relative to recent periods.

- As a result of changes in consumer purchasing behavior, we continue to invest in and enhance our omni-channel strategy to bolster our e-commerce capabilities and enable us to better engage existing and prospective consumers and expose them to our brands. Our strategy is transforming the way we approach marketing, including through a sustained focus on our targeted digital marketing efforts, as well as marketing activations and product seeding to drive global brand heat. For example, we have begun applying these transformation efforts in Europe to drive UGG brand heat as we work to differentiate consumer experiences across various consumer touch points as part of our marketplace reset strategy. We have also started to apply this marketing strategy shift in Asia.

- In response to the COVID-19 pandemic, we have enhanced our focus on adaptive digital marketing, including virtual events and programs, as we seek to target consumers within the work-from-home environment and promote products that are desirable based on current consumer preferences, working conditions, and lifestyle choices.

Liquidity

- We believe we are in a strong financial position to respond to the disruptions and uncertainties caused by the COVID-19 pandemic. Notwithstanding the challenging environment, we experienced positive cash flow from operations for the first fiscal quarter ended June 30, 2020. In addition, as of June 30, 2020, our cash and cash equivalents balance was $661,941, and we had available borrowings of $469,679 under our revolving credit facilities, providing a strong liquidity position of over $1,100,000. We are currently in compliance with, and expect to remain in compliance, with all financial debt covenants under our revolving credit facilities and mortgage. For additional information, see the sections entitled “Liquidity” and “Capital Resources” below.

- We did not repurchase any shares during the first fiscal quarter ended June 30, 2020. We are continuing the temporary pause of repurchases under our stock repurchase programs due to the disruption and uncertainty caused by the COVID-19 pandemic and our focus on liquidity and cash management, although we may recommence repurchase activity under our stock repurchase programs in future periods at our discretion.

- We are working closely with our wholesale customers, as well as our manufacturers and suppliers, to manage accounts receivable and accounts payable to maximize the availability of working capital as well as leveraging government relief packages that provide certain payroll tax credits and deferrals.

Operating Expenses

- To mitigate the adverse impact the COVID-19 pandemic may have on our business and operations, we expect to continue to manage expenses to preserve liquidity. In particular, we have implemented a number of temporary measures to reduce operating expenses, including:

    - restricting employee travel;
    - canceling or postponing certain events, trainings, and conferences;
    - converting meetings with current and prospective customers to a virtual platform;
    - suspending hiring of certain non-essential employees and annual salary increases;
    - eliminating or deferring discretionary expenditures;
    - seeking payment accommodations or deferrals; and
    - furloughing certain retail employees while stores are closed.

- We also believe the significant changes we implemented in connection with our previously completed restructuring and operating profit improvement plans will help mitigate potential negative impacts on our gross margins resulting from the COVID-19 pandemic.

Reportable Operating Segment Overview

Our six reportable operating segments include the worldwide wholesale operations of the UGG brand, HOKA brand, Teva brand, Sanuk brand, and Other brands, as well as DTC. Information reported to the CODM, who is our PEO, is organized into these reportable operating segments and is consistent with how the CODM evaluates our performance and allocates resources.

UGG Brand. The UGG brand is one of the most iconic and recognized brands in our industry, which highlights our successful track record of building niche brands into lifestyle and fashion market leaders. With loyal consumers around the world, the UGG brand has proven to be a highly resilient line of premium footwear, apparel, and accessories with expanded product offerings and a growing global audience that appeals to women, men, and children.

We believe demand for UGG brand products will continue to be driven by the following:

- High consumer brand loyalty due to consistent delivery of quality and luxuriously comfortable footwear, apparel, and accessories.
- Diversification of our footwear product offerings, such as women's spring and summer lines, as well as expanded category offerings for men's, apparel, and accessories.

HOKA Brand. The HOKA brand is an authentic premium line of year-round performance footwear and apparel that offers enhanced cushioning and inherent stability with minimal weight. Originally designed for ultra-runners, the brand now appeals to athletes around the world, regardless of activity. The HOKA brand is quickly becoming a leading brand within run specialty wholesale accounts, with strong marketing fueling both domestic and international sales growth. We continue to build product extensions in trail and fitness.

We believe demand for HOKA brand products will continue to be driven by the following:

- Leading product innovation and key franchise management.
- Increased brand awareness through enhanced marketing activations.
- Category extensions in authentic performance footwear offerings.

Teva Brand. The Teva brand, which pioneered the sport sandal category, is born from the outdoors and rooted in adventure. The Teva brand is a global leader within the sport sandal and modern outdoor lifestyle categories by fueling the expression of freedom. The Teva brand's product offerings include sandals, shoes, and boots.

Sanuk Brand. The Sanuk brand originated in Southern California surf culture and has emerged into a lifestyle brand with a presence in the relaxed casual shoe and sandal categories. The Sanuk brand's use of unexpected materials and unconventional constructions, combined with its fun and playful branding, are key elements of the brand's identity.

Other Brands. Other brands currently consist of the Koolaburra by UGG brand. The Koolaburra brand is a casual footwear fashion line using sheepskin and other plush materials and is intended to target the value-oriented consumer in order to complement the UGG brand offering.

Direct-to-Consumer. Our DTC business for all our brands is comprised of our retail stores and e-commerce websites which, in an omni-channel marketplace, are intertwined and interdependent. We believe many of our consumers interact with both our retail stores and websites before making purchasing decisions.

Retail Business. Our retail stores are predominantly UGG brand concept stores and UGG brand outlet stores. Through our outlet stores, we sell some of our discontinued styles from prior seasons, full price in-line products, as well as products made specifically for the outlet stores.

As of June 30, 2020, we had a total of 137 global retail stores, which includes 67 concept stores and 70 outlet stores. Generally, we open retail store locations during the second or third fiscal quarters and consider closures of retail stores during the fourth fiscal quarter. We evaluate retail store closures based on store performance and timing of lease expirations and options. While we expect to identify additional stores for closure, we may simultaneously identify opportunities to open new stores in the future to further enhance our overall DTC business. We currently do not anticipate incurring material incremental retail store closure costs, primarily because any store closures we may pursue are expected to occur as retail store leases expire to avoid incurring potentially significant lease termination costs, as well as through conversions to partner retail stores, further discussed below. We will continue to evaluate our retail store fleet strategy in response to changes in consumer demand and retail store traffic patterns.

Flagship Stores. Included in the total count of global concept stores are eight UGG brand flagship stores, which are lead concept stores in certain key markets and prominent locations designed to showcase the UGG brand products. Primarily located in major tourist locations, these stores are typically larger with broader product offerings and greater traffic than our general concept stores. The net sales for these stores are recorded in our DTC reportable operating segment.

Shop-in-Shop Stores. Included in the total count of global concept stores are 21 shop-in-shop (SIS) stores, defined as concept stores for which we own the inventory and that are operated by us or non-employees within a department store, which we lease from the store owner by paying a percentage of SIS store sales. The net sales for these stores are recorded in our DTC reportable operating segment.

Partner Retail Stores. We rely on partner retail stores for the UGG brand and Sanuk brand in certain markets. Partner retail stores are branded stores that are wholly-owned and operated by third-parties and not included in the total count of global retail stores. When a partner retail store is opened, or a store is converted into a partner retail store, the related net sales are recorded in either the UGG brand or Sanuk brand wholesale reportable operating segments, as applicable.

E-Commerce Business. Our e-commerce business provides us with an opportunity to communicate a consistent brand message to consumers that is in line with our brands' promises, drives awareness of key brand initiatives, offers targeted information to specific consumer demographics, and drives consumers to our retail stores. As of June 30, 2020, we operated our e-commerce business through company-owned websites and mobile platforms in 40 different countries, which increased from ten different countries disclosed in our 2020 Annual Report due to expansions in Europe.

Use of Non-GAAP Financial Measures

Throughout this Quarterly Report, we provide certain financial information on a constant currency basis, excluding the effect of foreign currency exchange rate fluctuations, which we disclose in addition to the financial measures calculated and presented in accordance with US GAAP. We provide these non-GAAP financial measures to provide information that may assist investors in understanding our financial results and assessing our prospects for future performance. Constant currency measures should not be considered in isolation as an alternative to US dollar measures that reflect current period foreign currency exchange rates or to other financial measures presented in accordance with US GAAP. We believe evaluating certain financial and operating measures on a constant currency basis is important as it excludes the impact of foreign currency exchange rate fluctuations that are unrelated to, and may not be indicative of, our core results of operations. However, the information included in this Quarterly Report that is presented on a constant currency basis, as we present such information, may not necessarily be comparable to similarly titled information presented by other companies, and may not be appropriate measures for comparing the performance of other companies relative to us. 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 financial statements. Further, we report comparable DTC sales on a constant currency basis for DTC operations that were open throughout the current and prior reporting periods, and we may adjust prior reporting periods to conform to current year accounting policies. These non-GAAP financial measures 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 US GAAP.

Seasonality

Our business is seasonal, with the highest percentage of UGG and Koolaburra brand net sales occurring in the quarters ending September 30th and December 31st and the highest percentage of Teva and Sanuk brand net sales occurring in the quarters ending March 31st and June 30th. Net sales for the HOKA brand occur more evenly throughout the year reflecting the brand's year-round performance product offerings. Due to the magnitude of the UGG brand relative to our other brands, our aggregate net sales in the quarters ending September 30th and December 31st have significantly exceeded our aggregate net sales in the quarters ending March 31st and June 30th. As we continue to take steps to diversify and expand our product offerings by creating more year-round styles, and as net sales of the HOKA brand continue to increase as a percentage of our aggregate net sales, we expect the seasonality impacts to decrease over time. However, it is unclear whether seasonal impacts will be minimized or exaggerated in future periods as a result of the disruptions and uncertainties caused by the COVID-19 pandemic.

Results of Operations

Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019. The following table summarizes our results of operations:

	Three Months Ended June 30,					
	2020		2019		Change	
	Amount	%	Amount	%	Amount	%
Net sales	**$ 283,169**	**100.0 %**	**$ 276,839**	**100.0 %**	**$ 6,330**	**2.3 %**
Cost of sales	140,603	49.7	146,820	53.0	6,217	4.2
Gross profit	**142,566**	**50.3**	**130,019**	**47.0**	**12,547**	**9.7**
Selling, general and administrative expenses	150,265	53.0	161,436	58.3	11,171	6.9
Loss from operations	**(7,699)**	**(2.7)**	**(31,417)**	**(11.3)**	**23,718**	**75.5**
Other expense (income), net	373	0.2	(1,812)	(0.6)	(2,185)	(120.6)
Loss before income taxes	**(8,072)**	**(2.9)**	**(29,605)**	**(10.7)**	**21,533**	**72.7**
Income tax benefit	(99)	(0.1)	(10,254)	(3.7)	(10,155)	(99.0)
Net loss	**(7,973)**	**(2.8)**	**(19,351)**	**(7.0)**	**11,378**	**58.8**
Total other comprehensive income (loss), net of tax	1,006	0.3	(249)	(0.1)	1,255	504.0
Comprehensive loss	**$ (6,967)**	**(2.5)%**	**$ (19,600)**	**(7.1)%**	**$ 12,633**	**64.5 %**
Net loss per share						
Basic	$ (0.28)		$ (0.67)		$ 0.39	
Diluted	$ (0.28)		$ (0.67)		$ 0.39	

Net Sales. The following table summarizes our net sales by location, and by brand and channel:

	Three Months Ended June 30,			
	2020	2019	Change	
	Amount	Amount	Amount	%
Net sales by location				
US	$ 184,300	$ 167,295	$ 17,005	10.2 %
International	98,869	109,544	(10,675)	(9.7)
Total	**$ 283,169**	**$ 276,839**	**$ 6,330**	**2.3 %**
Net sales by brand and channel				
UGG brand				
Wholesale	$ 43,428	$ 85,400	$ (41,972)	(49.1)%
Direct-to-Consumer	81,312	53,130	28,182	53.0
Total	124,740	138,530	(13,790)	(10.0)
HOKA brand				
Wholesale	70,619	64,006	6,613	10.3
Direct-to-Consumer	38,399	15,518	22,881	147.4
Total	109,018	79,524	29,494	37.1
Teva brand				
Wholesale	21,411	30,831	(9,420)	(30.6)
Direct-to-Consumer	13,833	7,453	6,380	85.6
Total	35,244	38,284	(3,040)	(7.9)

	Three Months Ended June 30,			
	2020	2019	Change	
	Amount	Amount	Amount	%
Sanuk brand				
Wholesale	7,228	14,607	(7,379)	(50.5)
Direct-to-Consumer	6,006	4,091	1,915	46.8
Total	13,234	18,698	(5,464)	(29.2)
Other brands				
Wholesale	635	1,727	(1,092)	(63.2)
Direct-to-Consumer	298	76	222	292.1
Total	933	1,803	(870)	(48.3)
Total	**$ 283,169**	**$ 276,839**	**$ 6,330**	**2.3 %**
Total Wholesale	$ 143,321	$ 196,571	$ (53,250)	(27.1)%
Total Direct-to-Consumer	139,848	80,268	59,580	74.2
Total	**$ 283,169**	**$ 276,839**	**$ 6,330**	**2.3 %**

Total net sales increased primarily due to higher HOKA brand global sales and DTC sales across all brands, partially offset by lower wholesale sales. Further, we experienced a decrease of 9.8% in total volume of pairs sold to 5,500 from 6,100 compared to the prior period. On a constant currency basis, net sales increased by 2.8%, compared to the prior period. Drivers of significant changes in net sales were as follows:

- Wholesale net sales of the UGG brand decreased primarily due to COVID-19 related sales losses due to store closures impacting our wholesale customers. On a constant currency basis, wholesale net sales of the UGG brand decreased by 48.5%, compared to the prior period.

- Wholesale net sales of the HOKA brand increased due to the expansion of international distributor volume as well as continued sales growth driven by key franchise updates and new product launches.

- Wholesale net sales of the Teva brand and the Sanuk brand decreased primarily due to COVID-19 related sales losses due to store closures impacting our wholesale customers.

- DTC net sales increased due to higher e-commerce net sales, primarily for the UGG brand and HOKA brand, partially offset by negative impacts from company-owned retail store closures due to the COVID-19 pandemic. Due to the meaningful disruption of our retail store base throughout the quarter, we are not reporting a comparable DTC net sales metric for the first fiscal quarter.

- International net sales, which are included in the reportable operating segment net sales presented above, decreased by 9.7%, compared to the prior period. International net sales represented 34.9% and 39.6% of total net sales for the three months ended June 30, 2020 and 2019, respectively. The decrease was primarily due to lower net sales in the wholesale channel for the UGG brand in Europe and Asia, including COVID-19 related sales losses, partially offset by higher net sales for the HOKA brand in our international markets, primarily in Europe.

Gross Profit. Gross profit as a percentage of net sales, or gross margin, increased to 50.3% from 47.0%, compared to the prior period, primarily due to a favorable shift in channel mix resulting from reduced wholesale volume, including lower closeout sales and increased penetration of DTC, as well as favorable brand mix for the HOKA brand, partially offset by higher freight costs.

Selling, General and Administrative Expenses. The net decrease in SG&A expenses, compared to the prior period, was primarily the result of the following:

- Decreased variable operating expenses of approximately $8,100, primarily due to lower travel expenses and professional fees.
- Decreased variable advertising and promotion expenses of approximately $3,300, primarily due to shifting the timing of regional marketing development costs.
- Decreased rent and occupancy expenses of approximately $3,100, primarily due lower retail store operating costs.
- Decreased payroll costs of approximately $2,300, primarily due to payroll tax credits, lower retail employee costs, and lower performance-based compensation for cash bonuses.
- Decreased depreciation and amortization expenses of approximately $1,200, primarily due to certain property and equipment and intangible assets being fully amortized during the current period.
- Increased expenses for allowances for trade accounts receivable of approximately $2,900, primarily due to an increase in bad debt expense to account for the higher risk of wholesale customer payment defaults resulting from the COVID-19 pandemic.
- Increased impairments of operating lease and fixed assets of approximately $2,700 due to early store closures.
- Increased other variable net selling expenses of approximately $1,200, including transaction fees and warehousing and shipping costs, primarily due to higher DTC sales and commissions.

Loss from Operations. Loss from operations by reportable operating segment was as follows:

	Three Months Ended June 30,			
	2020	2019	Change	
	Amount	Amount	Amount	%
Income (loss) from operations				
UGG brand wholesale	$ (3,735)	$ 9,441	$ (13,176)	(139.6)%
HOKA brand wholesale	17,235	11,358	5,877	51.7
Teva brand wholesale	4,202	8,316	(4,114)	(49.5)
Sanuk brand wholesale	488	1,935	(1,447)	(74.8)
Other brands wholesale	(1,270)	132	(1,402)	(1,062.1)
Direct-to-Consumer	31,027	(4,572)	35,599	778.6
Unallocated overhead costs	(55,646)	(58,027)	2,381	4.1
Total	**$ (7,699)**	**$ (31,417)**	**$ 23,718**	**75.5 %**

The decrease in total loss from operations, compared to the prior period, was due to higher net sales at higher gross margins and lower SG&A expenses as a percentage of net sales. Drivers of significant net changes in net loss from operations, compared to the prior period, were as follows:

- The increase in income from our DTC business was primarily due to higher net sales at higher gross margins and lower SG&A expenses as a percentage of net sales, primarily driven by lower retail store operating costs due to closures related to the COVID-19 pandemic, partially offset by higher variable marketing and selling expenses and retail store-related asset impairment charges.
- The increase in loss from operations of UGG brand wholesale was due to lower net sales at lower gross margins and higher SG&A expenses as a percentage of net sales due to lower wholesale sales driven by the COVID-19 pandemic, partially offset by lower variable marketing and selling expenses.

- The increase in income from operations of HOKA brand wholesale was due to higher net sales and lower SG&A expenses as a percentage of net sales, partially offset by lower gross margins.

- The decrease in income from operations of Teva brands wholesale was due to lower sales at lower gross margins, partially offset by lower SG&A expenses as a percentage of net sales.

- The decrease in unallocated overhead costs was primarily due to lower operating expenses, primarily for corporate travel expenses and professional costs.

Other Expense (Income), Net. The increase in total other expense, net, compared to the prior period, was primarily due to a decrease in interest income driven by lower average interest rates, partially offset by higher average invested cash balances.

Income Tax Benefit. Income tax benefit and our effective income tax rate were as follows:

	Three Months Ended June 30,	
	2020	2019
Income tax benefit	$ (99)	$ (10,254)
Effective income tax rate	1.2%	34.6%

The decrease in our effective income tax rate, compared to the prior period, was due to a reduced tax benefit resulting from an unrecognized tax benefit recorded for a prior year tax position during the three months ended June 30, 2020, compared to the prior period, which recognized an increased tax benefit for the favorable settlement of a state income tax audit.

Foreign income before income taxes was $4 and $1,307 and worldwide loss before income taxes was $8,072 and $29,605 during the three months ended June 30, 2020 and 2019, respectively. The decrease in foreign income before income taxes as a percentage of worldwide loss before income taxes, compared to the prior period, was primarily due to lower foreign sales as a percentage of worldwide sales and lower gross margins. For the three months ended June 30, 2020 and 2019, we did not generate significant pre-tax earnings from any countries which do not impose a corporate income tax.

We expect our foreign income or loss before income taxes, as well as our effective income tax rate, will continue to fluctuate from period to period based on several factors, including the impact of our global product sourcing organization, our actual results of operations from sales generated in domestic and foreign markets, and changes in domestic and foreign tax laws (or in the application or interpretation of those laws). Over the long-term, we believe the continuing evolution and expansion of our brands, our continuing strategy of enhancing product diversification, and the expected growth from our international DTC business will result in increases in foreign income or loss before income taxes, both in absolute terms and as a percentage of worldwide income or loss before income taxes. In addition, we believe our effective income tax rate will be impacted by our actual foreign income or loss before income taxes relative to our actual worldwide income or loss before income taxes in future periods.

Net Loss. Net loss decreased, compared to the prior period, primarily due to higher net sales at higher gross margins and lower SG&A expenses. Net loss per share decreased, compared to the prior period, due to a lower net loss.

Total Other Comprehensive Income, Net of Tax. Other comprehensive income increased, compared to the prior period, primarily due to unrealized gains on cash flow hedges as well as higher foreign currency translation gains relating to changes in our net asset position driven by Chinese and European foreign currency exchange rates.

Liquidity

We finance our working capital and operating requirements using a combination of our cash and cash equivalents balances, cash provided from ongoing operating activities and, to a lesser extent, available borrowings under our revolving credit facilities. Our working capital requirements begin when we purchase raw materials and inventories and continue until we ultimately collect the resulting trade accounts receivable. Given the historical seasonality of our business, our working capital requirements fluctuate significantly throughout the fiscal year, and we are required to utilize available cash to build inventory levels during certain quarters in our fiscal year to support higher selling seasons.

While we are subject to uncertainty surrounding the COVID-19 pandemic, we believe our cash and cash equivalents balances, cash provided from ongoing operating activities, and available borrowings under our revolving credit facilities (further described below under the heading “Capital Resources”), will provide sufficient liquidity to enable us to meet our working capital requirements for at least the next 12 months.

During the three months ended June 30, 2020, no cash and cash equivalents were repatriated. As of June 30, 2020, we had $204,656 of cash and cash equivalents outside the US, a portion of which may be subject to additional foreign withholding taxes if it were to be repatriated. We continue to evaluate our cash repatriation strategy and we currently anticipate repatriating current and future unremitted earnings of non-US subsidiaries, to the extent they have been and will be subject to US tax, if such cash is not required to fund ongoing foreign operations. Our cash repatriation strategy, and by extension, our liquidity, may be impacted by several additional considerations, which include clarifications of or changes to the Tax Reform Act and our actual earnings for current and future fiscal periods.

We continue to evaluate our capital allocation strategy, and to consider further opportunities to utilize our global cash resources in a way that will profitably grow our business, meet our strategic objectives and drive stockholder value, including by potentially repurchasing additional shares of our common stock. As of June 30, 2020, the aggregate remaining approved amount under our stock repurchase programs was $159,807. Our stock repurchase programs do not obligate us to acquire any amount of common stock and may be suspended at any time at our discretion. Currently, we are temporarily pausing repurchases under our stock repurchase programs due to the disruption and uncertainty caused by the COVID-19 pandemic and our focus on liquidity and cash management, although we retain the discretion to recommence repurchases in future periods.

Our liquidity may be further impacted by additional factors, including our results of operations, the strength of our brands, impacts of seasonality and weather conditions, our ability to respond to changes in consumer preferences and tastes, the timing of capital expenditures and lease payments, our ability to collect our trade accounts receivables in a timely manner and effectively manage our inventories, and our ability to respond to economic, political, and legislative developments. Furthermore, we may require additional cash resources due to changes in business conditions or strategic initiatives, economic recession, changes in stock repurchase strategy, or other future developments, including any investments or acquisitions we may decide to pursue, although we do not have any present commitments with respect to any such investments or acquisitions.

If our existing sources of liquidity are insufficient to satisfy our working capital requirements, we may seek to borrow under our revolving credit facilities, seek new or modified borrowing arrangements, or sell additional debt or equity securities. The sale of convertible debt or equity securities could result in additional dilution to our stockholders, and equity securities may have rights or preferences that are superior to those of our existing stockholders. The incurrence of additional indebtedness would result in additional debt service obligations, as well as operating and financial covenants that would restrict our operations and further encumber our assets. In addition, there can be no assurance that any additional financing will be available on acceptable terms, if at all.

Capital Resources

Primary Credit Facility. Our Primary Credit Facility provides for a five-year, $400,000 unsecured revolving credit facility and contains a $25,000 sublimit for the issuance of letters of credit. As of June 30, 2020, we had no outstanding balance, outstanding letters of credit of $549, and available borrowings of $399,451 under our Primary Credit Facility.

China Credit Facility. Our China Credit Facility is an uncommitted revolving line of credit of up to CNY 300,000, or $42,425. As of June 30, 2020, we had no outstanding balance, outstanding bank guarantees of $28, and available borrowings of $42,397 under our China Credit Facility.

Japan Credit Facility. Our Japan Credit Facility is an uncommitted revolving line of credit of up to JPY 3,000,000, or $27,831. As of June 30, 2020, we had no outstanding balance and had available borrowings of $27,831 under our Japan Credit Facility.

Mortgage. As of June 30, 2020, we had an outstanding principal balance under the mortgage, secured by the property on which our corporate headquarters is located, of $30,747. The loan will mature and require a balloon payment in the amount of $23,695, in addition to any then-outstanding balance, on July 1, 2029.

Debt Covenants. As of June 30, 2020, we were in compliance with all financial debt covenants under our revolving credit facilities and mortgage.

Refer to Note 6, “Revolving Credit Facilities and Mortgage Payable,” of our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report, for further information on our revolving credit facilities and our mortgage.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Three Months Ended June 30,			
	2020	2019	Change	
	Amount	Amount	Amount	%
Net cash provided by (used in) operating activities	$ 21,169	$ (46,629)	$ 67,798	145.4 %
Net cash used in investing activities	(9,212)	(7,166)	(2,046)	(28.6)
Net cash provided by (used in) financing activities	3	(32,752)	32,755	100.0

Operating Activities. Our primary source of liquidity is net cash provided by operating activities, which is primarily driven by our net income or loss, other cash receipts and expenditure adjustments, and changes in working capital. The increase in net cash provided by operating activities during the three months ended June 30, 2020, compared to the prior period, was primarily due to a net positive change in operating assets and liabilities of $48,878 and in net income after non-cash adjustments of $18,920. The changes in operating assets and liabilities were primarily due to net positive changes in inventories, net, trade accounts receivable, net, income taxes payable, and prepaid expenses and other current assets, partially offset by a net negative change in trade accounts payable and income tax receivable.

Investing Activities. The increase in net cash used in investing activities during the three months ended June 30, 2020, compared to the prior period, was primarily due to higher capital expenditures for warehouse improvements for the Moreno Valley distribution center, information system and hardware enhancements, and retail stores.

Financing Activities. The decrease in net cash used in financing activities during the three months ended June 30, 2020, compared to the prior period, was primarily due to no stock repurchases occurring in the current period.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

During the three months ended June 30, 2020, there were no material changes outside the ordinary course of business to the contractual obligations and other commitments disclosed in our 2020 Annual Report.

Critical Accounting Policies and Estimates

Management must make certain estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements, based on historical experience, existing and known circumstances, authoritative accounting pronouncements, and other factors that management believes to be reasonable. The full impact of the COVID-19 pandemic is unknown and cannot be reasonably estimated. However, we have made appropriate accounting estimates based on the facts and circumstances available as of the reporting date. To the extent there are differences between these estimates and our actual results, our condensed consolidated financial statements may be materially affected. Refer to the section entitled "Use of Estimates" within Note 1, “General,” of our condensed consolidated financial statements, in Part I, Item 1 of this Quarterly Report, for a summary of applicable key estimates and judgments. There have been no material changes to the critical accounting policies disclosed in our 2020 Annual Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Commodity Price Risk

For the manufacturing of our products, we purchase certain raw materials that are affected by commodity prices, which include sheepskin, leather, and wool. The supply of sheepskin, which is used to manufacture a significant portion of the UGG brand products, is in high demand and there are a limited number of suppliers that can meet our expectations for the quantity and quality of sheepskin that we require. We presently rely on two tanneries to provide most of our sheepskin. While we have experienced fairly stable pricing in recent years, historically there have been significant fluctuations in the price of sheepskin as the demand for this commodity from our customers and our competitors has changed. We believe significant factors affecting the price of sheepskin include weather patterns, harvesting decisions, incidence of disease, the price of other commodities such as wool and leather, the demand for our products and the products of our competitors, use of substitute products or components, and global economic conditions. Any factors that increase the demand for, or decrease the supply of, sheepskin could cause significant increases in the price of sheepskin.

We typically fix prices for all of our raw materials with firm pricing agreements on a seasonal basis. For sheepskin and leather, we use purchasing contracts and refundable deposits to attempt to manage price volatility as an alternative to hedging commodity prices. The purchasing contracts and other pricing arrangements we use for sheepskin and leather may result in purchase obligations which are not recorded in our condensed consolidated balance sheets. With respect to sheepskin and leather, in the event of significant price increases, we will likely not be able to adjust our selling prices sufficiently to eliminate the impact of such increases on our gross margins.

Foreign Currency Exchange Rate Risk

Fluctuations in currency exchange rates, primarily between the US dollar and the currencies of Europe, Asia, Canada, and Latin America where we operate, may affect our results of operations, financial position, and cash flows. We face market risk to the extent that foreign currency exchange rate fluctuations affect our foreign assets, liabilities, revenues, and expenses. Although most of our sales and inventory purchases are denominated in US dollars, these sales and inventory purchases may be impacted by fluctuations in the exchange rates between the US dollar and local currencies in the international markets where our products are sold and manufactured. We are exposed to financial statement transaction gains and losses as a result of remeasuring our monetary assets and liabilities that are denominated in currencies other than the subsidiaries' functional currencies. We translate all assets and liabilities denominated in foreign currencies into US dollars using the exchange rate as of the end of the reporting period. Gains and losses resulting from translating assets and liabilities from our subsidiaries' functional currencies to US dollars are recorded in OCI. Foreign currency exchange rate fluctuations affect our reported profits and can make comparisons from year to year more difficult.

We hedge certain foreign currency exchange rate risk from existing assets and liabilities, as well as forecasted sales. As our international operations grow and we increase purchases and sales in foreign currencies, we will continue to evaluate our hedging strategy and may utilize additional derivative instruments, as needed, to hedge our foreign currency exchange rate risk. We do not use foreign currency exchange rate forward contracts for trading purposes. As of June 30, 2020, a hypothetical 10.0% foreign currency exchange rate fluctuation would have caused the fair value of our financial instruments to increase or decrease by approximately $4,200. Refer to Note 9, "Derivative Instruments," of our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report, for further information on our use of derivative contracts. As of June 30, 2020, there were no known factors that we would expect to result in a material change in the general nature of our foreign currency exchange rate risk exposure.

Interest Rate Risk

Our market risk exposure with respect to our revolving credit facilities is tied to changes in applicable interest rates, including ABR, the federal funds effective rate, currency-specific LIBOR, and CDOR for our Primary Credit Facility, PBOC market rate for our China Credit Facility, and TIBOR for our Japan Credit Facility. A hypothetical 1.0% increase in interest rates for borrowings made under our revolving credit facilities would have resulted in an immaterial aggregate change to interest expense recorded in our condensed consolidated statements of comprehensive loss during the three months ended June 30, 2020. Refer to Note 6, "Revolving Credit Facilities and Mortgage Payable," of our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report, for further information on our revolving credit facilities.

Item 4. Controls and Procedures

a) Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act, which are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. In designing and evaluating our disclosure controls and procedures, our management recognized that any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours is designed to do, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Under the supervision and with the participation of management, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2020. Based on that evaluation, our PEO and Principal Financial and Accounting Officer (PFAO) concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of June 30, 2020.

b) Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the three months ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

c) Principal Executive Officer and Principal Financial and Accounting Officer Certifications

The certifications of our PEO and PFAO required by Rule 13a-14(a) of the Exchange Act are filed herewith as Exhibit 31.1 and Exhibit 31.2, and furnished as Exhibit 32, within this Quarterly Report. This Part I, Item 4, should be read in conjunction with such certifications for a more complete understanding of the topics presented.

PART II. OTHER INFORMATION

References within this Quarterly Report to "Deckers," "we," "our," "us," "management," or the "Company" refer to Deckers Outdoor Corporation, together with its consolidated subsidiaries. UGG® (UGG), HOKA ONE ONE®, Teva®, Sanuk®, and Koolaburra® are some of our trademarks. Other trademarks or trade names appearing elsewhere in this Quarterly Report are the property of their respective owners. Solely for convenience, the above trademarks and trade names within this Quarterly Report are referred to without the ® and ™ symbols, but such references should not be construed as any indication that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

Unless otherwise indicated, all dollar amounts herein are expressed in thousands, except per share data.

Item 1. Legal Proceedings

As part of our global policing program to protect our intellectual property rights, from time to time, we file lawsuits in various jurisdictions asserting claims for alleged acts of trademark counterfeiting, trademark infringement, patent infringement, trade dress infringement, and trademark dilution. We generally have multiple actions such as these pending at any given point in time. These actions may result in seizure of counterfeit merchandise, out of court settlements with defendants, or other outcomes. In addition, from time to time, we are subject to claims in which opposing parties will raise, either as affirmative defenses or as counterclaims, the invalidity or unenforceability of certain of our intellectual property rights, including allegations that the UGG brand trademark registrations and design patents are invalid or unenforceable. Furthermore, we are aware of many instances throughout the world in which a third-party is using our UGG trademarks within its internet domain name, and we have discovered and are investigating several manufacturers and distributors of counterfeit UGG brand products.

There have been no material changes in the status of legal proceedings and other disputes as compared to what was reported in our Annual Report for the fiscal year ended March 31, 2020, filed with the SEC on June 1, 2020 (2020 Annual Report).

Although we are subject to legal proceedings and other disputes from time to time in the ordinary course of business, including employment, intellectual property, and product liability claims, we believe the outcome of all pending legal proceedings and other disputes in the aggregate will not have a material adverse effect on our business, results of operations, financial condition, or cash flows. However, regardless of the outcome, resolving legal proceedings and other disputes can have an adverse impact on us because of legal costs, diversion of management's time and resources, and other factors.

Item 1A. Risk Factors

An investment in our common stock involves risks. Before making an investment decision, you should carefully consider all the information in this Quarterly Report, including the information contained in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as in our condensed consolidated financial statements and the related notes contained in Part I, Item 1. In addition, you should carefully consider the risks and uncertainties described in Part I, Item 1A, “Risk Factors,” of our 2020 Annual Report, as well as in our other public filings with the SEC. If any of the identified risks are realized, our business, financial condition, results of operations, and prospects could be materially and adversely affected. In that case, the trading price of our common stock may decline, and you could lose all or part of your investment. In addition, other risks of which we are currently unaware, or which we do not currently view as material, could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Certain information contained within Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report and Part I, Item 1A, “Risk Factors,” of our 2020 Annual Report constitute forward-looking statements. Refer to the "Cautionary Note Regarding Forward-Looking Statements" of this Quarterly Report.

During the three months ended June 30, 2020, there were no material changes to the risks and uncertainties described in Part I, Item 1A, “Risk Factors,” of our 2020 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Use of Proceeds

Not applicable.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Our Board of Directors has authorized various stock repurchase programs pursuant to which we may repurchase shares of our common stock. Our current revolving credit agreements allow us to make stock repurchases under these programs, if we do not exceed certain leverage ratios and no event of default has occurred under these agreements. As of June 30, 2020, we were in compliance with these agreements.

Below is a summary of stock repurchase activity under our stock repurchase programs during the three months ended June 30, 2020:

	Total number of shares repurchased*	Average price paid per share	Dollar value of shares repurchased	Dollar value of shares remaining for repurchase
April 1 - April 30, 2020	—	$ —	$ —	$ 159,807
May 1 - May 31, 2020	—	—	—	159,807
June 1 - June 30, 2020	—	—	—	159,807

*Any share repurchases are made as part of publicly-announced programs in open-market transactions.

Our stock repurchase programs do not obligate us to acquire any amount of common stock and may be suspended at any time at our discretion. Currently, we are temporarily pausing repurchases under our stock repurchase programs due to the disruption and uncertainty caused by the COVID-19 pandemic and our focus on liquidity and cash management, although we retain the discretion to commence repurchases in future periods.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
*10.1	Form of Stock Unit Award Agreement (2021 Time-Based RSU) under the 2015 Stock Incentive Plan
*10.2	Form of Change of Control and Severance Agreement
*31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended
*31.2	Certification of Principal Financial and Accounting Officer pursuant to Rule 13a-14(a) under the Exchange Act, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended
**32	Certification pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended
*101.INS	XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
*101.SCH	Inline XBRL Taxonomy Extension Schema Document
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.

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, thereunto duly authorized.

DECKERS OUTDOOR CORPORATION
(Registrant)
/s/ STEVEN J. FASCHING

Steven J. Fasching
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 6, 2020

EXHIBIT 10.1

DECKERS OUTDOOR CORPORATION
2015 STOCK INCENTIVE PLAN
STOCK UNIT AWARD AGREEMENT

Unless otherwise defined herein, capitalized terms shall have the defined meaning set forth in the Deckers Outdoor Corporation 2015 Stock Incentive Plan.

1. NOTICE OF STOCK UNIT GRANT

You have been granted Restricted Stock Units ("**Stock Units**"), subject to the terms and conditions of the Plan and this Stock Unit Award Agreement (this "**Agreement**"), as follows:

Name of Participant ("**Awardee**"):	
Total Number of Stock Units Granted:	
Date of Grant:	
Vesting Schedule:	August 15, 2021: 33.33%
	August 15, 2022: 33.33%
	August 15, 2023: 33.34%

2. AGREEMENT

2.1 Grant of Stock Units. Pursuant to the terms and conditions set forth in this Agreement (including Section 1 above) and the Plan, the Committee ("**Administrator**") hereby grants to the Awardee named in Section 1, on the Date of Grant set forth in Section 1, the number of Stock Units set forth in Section 1.

2.2 Purchase of Stock Units. No payment of cash is required for the Stock Units.

2.3 Vesting/Delivery of Shares. The Award shall vest on the date or dates specified in the Vesting Schedule ("**Vesting Date**" or "**Vesting Dates**") with respect to the number of Stock Units specified for such Vesting Date if the Awardee has remained in Continuous Service from the Date of Grant to the applicable Vesting Date. Within ten (10) business days following the date on which the Award vests in a Stock Unit as set forth herein, the Company shall deliver to the Awardee one Share for each Stock Unit in which the Award becomes vested and such Stock Unit shall terminate.

For purposes of this Agreement, the term "**Continuous Service**" means (i) Awardee's employment by either the Company or any parent or subsidiary corporation of the Company, or by a corporation or a parent or subsidiary of a corporation assuming this Agreement or issuing New Incentives, as defined in Section 2.5 below, which is uninterrupted except for vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**")), or leaves of absence which are approved in writing by the Company or any of such other employer corporations, if applicable, or (ii) so long as Awardee is engaged as a Consultant or providing Service.

2.4 Effect of Termination of Continuous Service before August 15, 2023. If Awardee's termination of Continuous Service occurs before August 15, 2023, all Stock Units that have not vested as of such date of termination shall automatically expire.

2.5 Early Vesting.

(A) Vesting Upon Corporate Transaction.

(a) Notwithstanding Section 2.3 above, if Awardee holds unvested Stock Units at the time a Corporate Transaction occurs, and the acquiring or successor entity (or parent thereof) does not agree to provide for the continuance or assumption of this Agreement or the substitution for this Agreement of a new agreement of comparable value covering shares of a successor corporation ("**New Incentives**"), then all of the unvested Stock Units shall become immediately and unconditionally vested, and the restrictions with respect to all of the unvested Stock Units shall lapse, effective immediately prior to the consummation of such Corporate Transaction.

(b) Notwithstanding subsection 2.5(A)(a) above, if the acquiring or successor entity (or parent thereof) provides for the continuance or assumption of this Agreement or the substitution for this Agreement of a new agreement of comparable value covering New Incentives, then vesting of the unvested Stock Units shall not accelerate in connection with such Corporate Transaction to the extent this Agreement is continued, assumed or substituted for New Incentives; provided, however, if there is a termination of Service of Awardee without Cause or pursuant to a Constructive Termination (as defined below) within 24 months following such Corporate Transaction, all unvested Stock Units or New Incentives shall vest effective upon such termination.

(c) For purposes of this Agreement (including Section 2.4 above), the following terms shall have the meanings set forth below:

(i) "**Cause**" means the termination by the Company of Awardee's Service for any of the following reasons: (a) the continued, unreasonable refusal or omission by the Awardee to perform any material duties required of him or her by the Company if such duties are consistent with duties customary for the position held with the Company; (b) any material act or omission by the Awardee involving malfeasance or gross negligence in the performance of the Awardee's duties to, or material deviation from, any of the policies or directives of, the Company; (c) conduct on the part of the Awardee which constitutes the breach of any statutory or common law duty of loyalty to the Company; including the unauthorized disclosure of material confidential information or trade secrets of the Company; or (d) any illegal act by the Awardee which materially and adversely affects the business of the Company or any felony committed by the Awardee, as evidenced by conviction thereof, provided that the Company may suspend the Awardee with pay while any allegation of such illegal or felonious act is investigated. In the event that the Awardee is a party to an employment agreement or other similar agreement with the Company or any Affiliate that defines a termination on account of "Cause" (or a term having similar meaning), such definition shall apply as the definition of a termination on account of "Cause" for purposes hereof, but only to the extent that such definition provides the Awardee with greater rights. A termination on account of Cause shall be communicated by written notice to the Awardee, and shall be deemed to occur on the date such notice is delivered to the Awardee.

(ii) "**Constructive Termination**" shall mean a termination of the Awardee's Service within sixty (60) days following the occurrence of any one or more of the following events without the Awardee's written consent: (i) any material reduction in overall responsibilities, base compensation, annual incentive compensation opportunity, aggregate employee benefits or (ii) a change of the Awardee's location of employment by more than fifty (50) miles. In the event that the Awardee is a party to an employment agreement or other similar agreement with the Company or any Affiliate (or a successor entity) that defines a termination on account of "Constructive Termination," "Good Reason" or "Breach of Agreement" (or a term having a similar meaning), such definition shall apply as the definition of "Constructive Termination" for purposes hereof in lieu of the foregoing, but only to the extent that such definition provides the Awardee with greater rights. A Constructive Termination shall be communicated by written notice to the Administrator, and shall be deemed to occur on the date such notice is delivered to the Administrator, unless the circumstances giving rise to the Constructive Termination are cured within thirty (30) days of such notice.

(B) Vesting Upon Death or Disability. Notwithstanding Section 2.3 above, if Awardee's Continuous Service ceases due to Awardee's death or disability (as defined in the Plan), then a Pro-Rata Portion (as defined below) of the Stock Units shall become vested effective as of each Vesting Date. Within ten (10) business days following the date on which the Award vests in a Stock Unit as set forth herein, the Company shall deliver to the Awardee one Share for each Stock Unit in which the Award becomes vested and such Stock Unit shall terminate. No transfer by will or the applicable laws of descent and distribution nor any Stock Units that vest by reason of Awardee's death shall be effective to bind the Company unless the Committee shall have been furnished with written notice of such transfer and a copy of the will or such evidence as the Committee may deem necessary to establish the validity of the transfer. "**Pro-Rata Portion**" shall be determined by (A) multiplying the number of Stock Units specified for each Vesting Date (determined without regards to termination of Awardee's Continuous Service due to Awardee's death or disability (as defined in the Plan)) by (B) a fraction, the numerator of which is the number of full months of Awardee's Continuous Service from the Date of Grant until the date of termination of Continuous Service, and the denominator of which is the number of full months from the Date of Grant until the applicable Vesting Date.

2.6 Effect of Awardee's attainment of age 62 and the completion of 10 years of Continuous Service. Notwithstanding Section 2.3 to the contrary, if, after August 15, 2021, and before August 15, 2023, Awardee both (i) attains age sixty-two (62) and (ii) completes ten (10) years of Continuous Service ("**Retirement Event**"), then, notwithstanding that there is a termination of Continuous Service following the Retirement Event, all unvested Stock Units shall vest on the Vesting Dates set forth above, provided that the Awardee continues to comply with any covenants that survive the termination of Continuous Service, including, without limitation, the covenants set forth in Section 3. In that event, within ten (10) business days following any Vesting Date, the Company shall deliver to the Awardee one Share for each Stock Unit in which the Award becomes vested and such Stock Unit shall terminate.

2.7 Adjustments to Stock Units. Upon or in contemplation of any reclassification, recapitalization, stock split, reverse stock split or stock dividend; any merger, combination, consolidation or other reorganization; any split-up, spin-off, or similar extraordinary dividend distribution in respect of the Common Stock (whether in the form of securities or property); any exchange of Common Stock or other securities of the Company, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; or a sale of substantially all the assets of the Company as an entirety; then the Company shall, in such manner, make appropriate adjustments in the number of Stock Units subject to this Agreement and the number and kind of securities that may be issued in respect of such Stock Units, as provided in Section 3.5 of the Plan

2.8 No Rights as a Stockholder Before Delivery. The Awardee shall have no rights as a stockholder of the Company until shares of Common Stock are actually issued to and held of record by the Awardee. The rights of Awardee with respect to the Stock Units shall remain forfeitable at all times prior to the date on which such rights become vested, and the restrictions with respect to the Stock Units lapse, in accordance with Sections 2.3 or 2.5.

2.9 Compliance with Laws. The Award and the offer, issuance and delivery of securities under this Agreement are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities laws) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. The Awardee will, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. The Company will cause such action to be taken, and such filings to be made, so that the grant hereunder shall comply with the rules of the New York Stock Exchange or the principal stock exchange on which shares of the Company's Common Stock are then listed for trading.

2.10 Tax Matters.

(a) In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of Awardee, are withheld or collected from Awardee.

(b) The Company shall reasonably determine the amount of any federal, state, local or other income, employment, or other taxes which the Company or any of its affiliates may reasonably be obligated to withhold with respect to the grant, vesting, or other event with respect to the Stock Units. The Company may, in its sole discretion, withhold a sufficient number of shares of Common Stock in connection with the vesting of the Stock Units at the Fair Market Value of the Common Stock (determined as of the date of measurement of the amount of income subject to such withholding) to satisfy the minimum amount of any such withholding obligations that arise with respect to the vesting of such Stock Units. The Company may take such action(s) without notice to the Awardee, and the Awardee shall have no discretion as to the satisfaction of tax withholding obligations in such manner. If, however, any withholding event occurs with respect to the Stock Units other than upon the vesting of such Stock Units, or if the Company for any reason does not satisfy the withholding obligations with respect to the vesting of the Stock Units as provided above in this Section 2.10(b), the Company shall be entitled to require a cash payment by or on behalf of the Awardee and/or to deduct from other compensation payable to the Awardee the minimum amount of any such withholding obligations.

(c) The Stock Unit evidenced by this Agreement, and the issuance of shares of Common Stock to the Awardee in settlement of vested Stock Units, is intended to be taxed under the provisions of Section 83 of the Code, and is not intended to provide and does not provide for the deferral of compensation within the meaning of Section 409A(d) of the Code. Therefore, the Company intends to report as includible in the Awardee's gross income for any taxable year an amount equal to the Fair Market Value of the shares of Common Stock covered by the Stock Units that vest (if any) during such taxable year, determined as of the date such Stock Units vest. In furtherance of this intended tax treatment, all vested Stock Units shall be automatically settled and payment to the Awardee shall be made as provided in Section 2.3 hereof, but in no event later than March 15th of the year following the calendar year in which such Stock Units vest. The Awardee shall have no power to affect the timing of such settlement or payment. The Company reserves the right to amend this Agreement, without the Awardee's consent, to the extent it reasonably determines from time to time that such amendment is necessary in order to achieve the purposes of this Section.

2.11 Company "Clawback Policy." The Company has developed a policy providing that, in the event the Company is required to prepare an accounting restatement due to noncompliance with any financial reporting requirements under the securities laws based upon and to the extent of such noncompliance or otherwise erroneous data or the Company determines there has been a significant misconduct that causes financial or reputational harm, the Company shall recover a portion or all of any incentive compensation (including stock grants) (the "**Clawback Policy**"). Awardee agrees and acknowledges that the provision of the Company's Clawback Policy, as the same may be amended from time to time, shall apply to Awardee. The Stock Units granted under this Agreement shall be subject to the Company's Clawback Policy, including, without limitation, the rights of the Company to enforce Awardee's repayment obligation.

2.12 Conflict of Provisions. The terms contained in the Plan are incorporated into and made a part of this Agreement and this Agreement shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

2.13 Assignment. Awardee shall have no right, without the prior written consent of the Company, to (i) sell, assign, mortgage, pledge or otherwise transfer any interest or right created hereby, or (ii) delegate his or her duties or obligations under this Agreement. This Agreement is made solely for the benefit of the

parties hereto, and no other person, partnership, association or corporation shall acquire or have any right under or by virtue of this Agreement.

2.14 Restrictions on Transfer. The Restricted Stock Units and any rights under this Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of by Awardee otherwise than by will or by the laws of descent and distribution, and any such purported sale, assignment, transfer, pledge, hypothecation or other disposition shall be void and unenforceable against the Company. Notwithstanding the foregoing, Awardee may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of Awardee and receive any property distributable with respect to the Restricted Stock Units upon the death of Awardee.

2.15 Restrictions on Resale. The Awardee agrees not to sell any shares that have been issued pursuant to the vested Stock Units at a time when applicable laws, company policies, or an agreement between the Company and its underwriters prohibit a sale. This restriction shall apply as long as the Awardee is providing Service and for such period after the Awardee's termination of Service as the Administrator may specify.

2.16 Entire Agreement. This Agreement and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Awardee with respect to the subject matter hereof, and may not be modified adversely to the Awardee's interest except by means of a writing signed by the Company and the Awardee. Notwithstanding the foregoing, amendments made pursuant to Section 2.10(b) hereof may be effectuated solely by the Company.

2.17 No Guarantee of Continued Service. This Agreement, the transactions contemplated hereunder, and the vesting schedule set forth herein constitute neither an express nor implied promise of continued engagement of Awardee as a provider of Service for the vesting period, for any period, or at all, and shall not interfere with Awardee's right or the Company's right to terminate Awardee's Service at any time, with or without Cause, subject to any other written employment agreement to which the Company and Awardee may be a party.

2.18 Severability. Should any provision or portion of this Agreement be held to be unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

2.19 Governing Law. This Agreement shall be construed in accordance with the laws of the State of Delaware without reference to choice of law principles, as to all matters, including, but not limited to, matters of validity, construction, effect or performance.

2.20 Notice. All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given and effective (i) when delivered by hand, (ii) when otherwise delivered against receipt therefor, or (iii) three (3) business days after being mailed if sent by registered or certified mail, postage prepaid, return receipt requested. Any notice shall be addressed to the parties as follows or at such other address as a party may designate by notice given to the other party in the manner set forth herein:

(a) if to the Company:

Deckers Outdoor Corporation
250 Coromar Drive
Goleta, California 93117
Attention: Chief Financial Officer

(b) if to the Awardee, at the address shown on the signature page of this Agreement or at his most recent address as shown in the employment or stock records of the Company.

2.21 Number and Gender. Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

2.22 Section Headings. The section headings of, and titles of paragraphs and subparagraphs contained in, this Agreement are for the purpose of convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation thereof.

2.23 Waiver. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

2.24 Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one agreement and any party hereto may execute this Agreement by signing any such counterpart. This Agreement shall be binding upon Awardee and the Company at such time as the Agreement, in counterpart or otherwise, is executed by Awardee and the Company.

3. RESTRICTIVE COVENANTS. This Section shall apply if Awardee's Continuous Service is terminated following a Retirement Event and any Stock Units of the Awardee continue to vest in accordance with Section 2.6. Nothing in this Section 3 shall in any way limit or eliminate any other restrictions or obligations to which Awardee may be subject following the termination of Awardee's Continuous Service:

3.1 Non-Competition. The Awardee shall not, without the Board's prior written consent, directly or indirectly engage in, have any equity interest in, or assist, manage or participate in (whether as a director, officer, employee, agent, representative, security holder, consultant or otherwise) any Competitive Business; provided, however, that: (i) the Awardee shall be permitted to acquire a passive stock or equity interest in such a Competitive Business provided the stock or other equity interest acquired is not more than 5% of the outstanding interest in such a Competitive Business; and (ii) the Awardee shall be permitted to acquire any investment through a mutual fund, private equity fund or other pooled account that is not controlled by the Awardee and in which the Awardee has less than a 5% interest. For purposes of this provision, the term "Competitive Business" a business or businesses activity which is the same as, substantially similar to, or in competition with, business of the Company.

3.2 Non-Solicitation. The Awardee will not, directly or indirectly, recruit or otherwise solicit or induce any non-clerical employee, director, consultant, customer, vendor or supplier of the Company to terminate his, her or its employment or arrangement with the Company or otherwise change his, her or its relationship with the Company.

3.3 Confidentiality. The Awardee shall maintain in confidence and shall not directly, indirectly or otherwise, use, disseminate, disclose or publish, or use for his or her benefit or the benefit of any person, firm, corporation or other entity, any confidential or proprietary information or trade secrets of or relating to the Company, including, without limitation, information with respect to the Company's operations, processes, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, business plans, designs, marketing or other business strategies, compensation paid to employees or other terms of employment, or deliver to any person, firm, corporation or other entity any document, record, notebook, computer program or similar repository of or containing any such confidential or proprietary information or trade secrets. Notwithstanding

anything herein to the contrary, nothing shall prohibit the Awardee from disclosing any information that is generally known by the public.

3.4 Non-Disparagement. The Awardee will not criticize, defame, be derogatory toward or otherwise disparage the Company (or the Company's past, present and future officers, directors, stockholders, attorneys, agents, representatives, employees or affiliates), or its or their business plans or actions, to any third party, either orally or in writing; provided, however, that this provision will not preclude the Awardee from giving testimony in response to a lawful subpoena or preclude any conduct protected under 18 U.S.C. Section 1514A(a) or any similar state or federal law providing "whistleblower" protection to the Awardee.

[*remainder of page intentionally left blank*]

By the Awardee's signature and the signature of the Company's representative below, the Awardee and the Company agree that this Award is granted under and governed by the terms and conditions of this Agreement and the Plan. The Awardee has reviewed this Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel before executing this Agreement and fully understands all provisions of this Agreement and the Plan. The Awardee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to this Agreement and the Plan.

The Awardee further agrees that the Company may deliver by email all documents relating to the Plan or this Award (including prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including annual reports and proxy statements). The Awardee also agrees that the Company may deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company.

AWARDEE:

_____
Signature

_____
Printed Name

_____
Residence Address

_____
Date

AWARDEE:

By: _____

Its: _____

_____
Date

EXHIBIT 10.2

CHANGE IN CONTROL AND SEVERANCE AGREEMENT

THIS CHANGE IN CONTROL AND SEVERANCE AGREEMENT (the "Agreement") is made as of [DATE], by and between **DECKERS OUTDOOR CORPORATION**, a Delaware corporation (the "Company"), and [EXECUTIVE] (the "Executive") and is effective as [DATE] (the "Effective Date").

ARTICLE I
DUTIES AND TERMS

1.1 EMPLOYMENT. In consideration of their mutual covenants and other good and valuable consideration, the receipt, adequacy, and sufficiency of which is hereby acknowledged, as of the Effective Date the Company shall employ Executive, and the Executive hereby accepts such employment as [POSITION] upon the terms and conditions set forth in this Agreement.

1.2 POSITION AND RESPONSIBILITIES. The Executive will serve as [POSITION] and shall report to the Company's [SUPERVISOR]. The Executive's primary work location will be the Company's offices in Goleta, California, subject to business travel as needed for the Executive's position. The Executive shall perform all of the duties reasonably assigned to him/her by [SUPERVISOR], commensurate with his/her position as [POSITION], and shall observe and comply with the Company's rules and regulations regarding the performance of his/her duties and shall carry out and perform all reasonable orders, directions, and policies given to him/her by [SUPERVISOR] periodically, either orally or in writing, commensurate with his/her position as [POSITION]. The Executive shall at all times carry out the duties assigned to him/her in a loyal, trustworthy and businesslike manner.

1.3 AT-WILL EMPLOYMENT. Executive will continue to be employed as an at-will employee of the Company. Subject to the provisions of Articles III and IV, as an at-will employee, Executive is free to terminate his employment with the Company at any time, for any reason, and the Company has the similar right to terminate Executive's employment at any time, for any reason. Although the Company may choose to terminate Executive's employment for cause, Executive's employment is at-will and cause is not required.

1.4 PERSONNEL POLICIES. Except as otherwise provided herein, Executive shall be subject to the personnel policies of the Company applicable to management employees, and any amendments or revisions thereto. In the event of a conflict between this Agreement and the Company's personnel policies, the terms of this Agreement shall control.

ARTICLE II
COMPENSATION

For all services rendered by the Executive in any capacity during the Executive's employment under this Agreement, the Company will compensate the Executive as follows:

2.1 BASE SALARY. The Company will pay to the Executive an annual base salary to be paid in equal installments in accordance with the Company's general payment policies in effect during the term hereof (the "Base Salary"). The Base Salary shall be subject to review by the Company based on both Executive and Company performance and such base salary amount as may be set from time-to-time shall be "Base Salary" for purposes of this Agreement. This provision does not alter the at-will nature of Executive's employment or the provisions of Articles III and IV below.

2.2 MANAGEMENT INCENTIVE PROGRAM. The Executive shall be eligible to receive a targeted annual bonus based on Company and individual performance criteria established annually by the Compensation Committee (the "Incentive Bonus").

2.3 STOCK COMPENSATION. The Executive will be eligible to participate in the Company's stock compensation program at a level commensurate with like-level executive employees, subject to the terms of the program as set by the Board of Directors. The number, terms and types of stock compensation awards granted may vary from year to year.

2.4 ADDITIONAL BENEFITS. The Executive will be entitled to participate in all benefit and welfare programs, plans, and arrangements that are from time to time made available to the Company's like-level executive employees. These benefits currently include medical, dental and life insurance; Section 125 Flexible Spending Plan; 401(k) Retirement Plan; and Executive Vacation Plan.

ARTICLE III
COMPENSATION

3.1 GENERAL. While Executive is an at-will employee as provided in Section 1.3 above, the following conditions for termination of employment are set forth in order to determine the nature of Executive's compensation entitlement upon termination of employment as discussed in Article IV below. Neither the provisions of Article III or Article IV of this Agreement shall alter the at-will nature of Executive's employment with the Company. Upon termination of Executive's employment, Executive shall be deemed to have automatically resigned as a director or officer of any of the Company's affiliates or subsidiaries in which Executive serves in any such capacity and during and after Executive's employment, Executive will assist Company in every proper way to evidence such resignation.

3.2 DEATH OF EXECUTIVE. The Executive's employment under this Agreement will automatically terminate upon the death of the Executive.

3.3 BY EXECUTIVE. The Executive may terminate the Executive's employment under this Agreement by giving Notice of Termination (as defined in Section 6.1 hereof) to the Company:

(a) for Good Reason (as defined in Section 6.1 hereof); and

(b) at any time without Good Reason.

3.4 BY COMPANY. The Company may terminate the Executive's employment under this Agreement by giving Notice of Termination to the Executive:

(a) in the event of Executive's Total Disability (as defined in Section 6.1 hereof);

(b) for Cause (as defined in Section 6.1 hereof); and

(c) at any time without Cause.

ARTICLE IV
COMPENSATION UPON TERMINATION OF EMPLOYMENT

If the Executive's employment hereunder is terminated, in accordance with the provisions of Article III hereof, and except for any other rights or benefits specifically provided for herein to be effective following the Executive's period of employment, the Company will provide compensation and benefits to the Executive only as follows:

4.1 UPON TERMINATION FOR DEATH OR DISABILITY. If the Executive's employment hereunder is terminated by reason of the Executive's death or Total Disability, the Company will:

(a) pay the Executive (or the Executive's estate) or beneficiaries any Base Salary that has accrued but was not paid as of the termination date (the "Accrued Base Salary");

(b) pay the Executive (or the Executive's estate) or beneficiaries for unused vacation days accrued as of the termination date in an amount equal to the Executive's Base Salary multiplied by a fraction the numerator of which is the number of accrued unused vacation days and the denominator of which is 260 (the "Accrued Vacation Payment");

(c) subject to Section 4.6 hereof, reimburse the Executive (or the Executive's estate) or beneficiaries for expenses incurred by him prior to the date of termination that are subject to reimbursement pursuant to this Agreement (the "Accrued Reimbursable Expenses");

(d) provide to the Executive (or the Executive's estate) or beneficiaries any accrued and vested benefits required to be provided by the terms of any Company-sponsored benefit plans or programs (the "Accrued Benefits"), together with any benefits required to be paid or provided in the event of the Executive's death or Total Disability under applicable law;

(e) pay the Executive (or the Executive's estate) or beneficiaries any Incentive Bonus with respect to a fiscal year prior to the fiscal year of termination that has been earned and accrued but has not been paid (the "Accrued Incentive Bonus"); plus a pro-rated portion of the Incentive Bonus based on the actual length of service during the fiscal year of termination and the target amount of such Incentive Bonus previously established by the Compensation Committee for that fiscal year, which shall be paid no later than the first to occur of the following: (i) March 15 of the year following the year in which the last day of the fiscal year of termination occurs; and (ii) thirty (30) days following the Compensation Committee's determination of the Company's level of achievement of the performance criteria based upon the Company's financial statements for such fiscal year; and

(f) the Executive (or the Executive's estate) or beneficiaries shall have the right to exercise all vested unexercised stock options and warrants outstanding at the termination date in accordance with terms of the plans and agreements pursuant to which such options or warrants were issued.

4.2 UPON TERMINATION BY COMPANY FOR CAUSE OR BY EXECUTIVE WITHOUT GOOD REASON. If the Executive's employment is terminated by the Company for Cause, or if the Executive terminates the Executive's employment with the Company other than (x) upon the Executive's death or Total Disability or (y) for Good Reason, the Company will:

(a) pay the Executive the Accrued Base Salary;

(b) pay the Executive the Accrued Vacation Payment;

(c) subject to Section 4.6 hereof, pay the Executive the Accrued Reimbursable Expenses;

(d) pay the Executive the Accrued Benefits, together with any benefits required to be paid or provided under applicable law;

(e) pay the Executive any Accrued Incentive Bonus, and excluding any Incentive Bonus for the fiscal year of termination; and

(f) the Executive will have the right to exercise vested options and warrants in accordance with Section 4.1(f) hereof.

4.3 UPON TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event the Executive has incurred a Separation from Service (within the meaning of Section 409A(a)(2)(A)(i) of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulation Section 1.409A-1(h)) ("Separation from Service") by reason of a termination of the Executive's employment by the Company without Cause, the Company will:

(a) pay the Executive the Accrued Base Salary;

(b) pay the Executive the Accrued Vacation Payment;

(c) subject to Section 4.6 hereof, pay the Executive the Accrued Reimbursable Expenses;

(d) pay the Executive the Accrued Benefits, together with any benefits required to be paid or provided under applicable law;

(e) pay the Executive any Accrued Incentive Bonus; plus a pro-rated portion of the Incentive Bonus based on the actual length of service during the fiscal year of termination, and the target amount of such Incentive Bonus previously established by the Compensation Committee for that fiscal year, which shall be paid no later than the first to occur of the following: (i) March 15 of the year following the year in which the last day of the fiscal year of termination occurs and (ii) thirty (30) days following the Compensation Committee's determination of the Company's level of achievement of the performance criteria based upon the Company's financial statements for such fiscal year of termination;

(f) pay the Executive severance, commencing within sixty (60) days following the termination date, of [CEO: eighteen (18) / NEO: twelve (12)] monthly payments equal to one-twelfth ($1/12^{th}$) of the Executive's Annual Base Salary in effect immediately prior to the time such termination occurs and paid on the regular monthly payroll dates of the Company in accordance with the Company's payroll practices as in effect on such termination date. Each installment payment made pursuant to this Section 4.3(f) shall be considered a separate payment for purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)). Subject to the requirement that the Executive incurred a Separation from Service, severance will be mitigated on a dollar for dollar basis for any income received by Executive for duties performed for Company or any Affiliate of the Company during the twelve (12) months following termination;

(g) should Executive timely elect continued group health insurance coverage in accordance with the provisions of COBRA, the Company shall pay the premium amount for such continued group health insurance coverage for Executive and Executive's eligible dependents for the first [CEO: eighteen (18) / NEO: twelve (12)] months of such coverage in accordance with the COBRA regulations. At the end of that [CEO: eighteen (18) / NEO: twelve (12)] month period, Executive shall be fully responsible for direct payment of the premium amount for continued group health insurance coverage under COBRA without any further notice from the Company. In addition, the Company shall no longer be required to pay such monthly premium amount if during the applicable [CEO: eighteen (18) / NEO: twelve (12)] month period Executive becomes eligible for paid health insurance through other employment, and Employee agrees to promptly provide the Company notice in the event of such coverage eligibility; and

(h) the Executive shall have the right to exercise vested options and warrants in accordance with Section 4.1(f).

4.4 UPON CHANGE IN CONTROL AND TERMINATION BY THE COMPANY WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON. In the event the Executive has incurred a Separation from Service by reason of a termination of the Executive's employment, within two (2) years after a Change in Control, by the Company without Cause or by the Executive for Good Reason, the Company will:

(a) pay the Executive the Accrued Base Salary;

(b) pay the Executive the Accrued Vacation Payment;

(c) subject to Section 4.6 hereof, pay the Executive the Accrued Reimbursable Expenses;

(d) pay the Executive the Accrued Benefits, together with any benefits required to be paid or provided under applicable law;

(e) pay the Executive any Accrued Incentive Bonus; plus a pro-rated portion of the Incentive Bonus based on the actual length of service during the fiscal year of termination and the target amount of such Incentive Bonus previously established by the Compensation Committee for that fiscal year, payable in lump sum within sixty (60) days after Executive's date of termination;

(f) pay the Executive severance of [CEO: two (2) / NEO: one and one-half (1.5)] times Executive's Annual Base Salary in effect immediately prior to the time such termination occurs plus the greater of (x) one and one-half (1.5) times the targeted Incentive Bonus immediately prior to the time such termination occurs or (y) one and one-half (1.5) times the average actual Incentive Bonus for the previous three (3) years, whichever is greater, in lump sum within sixty (60) days after Executive's date of termination;

(g) should Executive timely elect continued group health insurance coverage in accordance with the provisions of COBRA, the Company shall pay the premium amount for such continued group health insurance coverage for Executive and Executive's eligible dependents for the first [CEO: twenty-four (24) / NEO: eighteen (18)] months of such coverage in accordance with the COBRA regulations. At the end of that [CEO: twenty-four (24) / NEO: eighteen (18)] month period, Executive shall be fully responsible for direct payment of the premium amount for continued group health insurance coverage under COBRA without any further notice from the Company. In addition, the Company shall no longer be required to pay such monthly premium amount if during the applicable [CEO: twenty-four (24) / NEO: eighteen (18)] month period Executive becomes eligible for paid health insurance through other employment, and Employee agrees to promptly provide the Company notice in the event of such coverage eligibility; and

(h) the Executive shall have the right to exercise vested options and warrants in accordance with Section 4.1(f).

4.5 RELEASE. Notwithstanding any provision herein to the contrary, the Company may require that, prior to payment of any amount or provision of any benefit pursuant to subsection (f) or (g) of Sections 4.3 and 4.4, Executive shall have executed, on or prior to the Release Expiration Date, a customary general release in favor of the Company in the form attached hereto as Exhibit A, and any waiting periods contained in such release shall have expired. To the extent that the Company requires execution of such release, the Company shall deliver such release to Executive within five (5) business days following the termination of Executive's employment hereunder. In the event that (a) Executive fails to execute such release on or prior to the Release Expiration Date, Executive shall not be entitled to any payments or benefits pursuant to subsections (f) or (g) of Sections 4.3 and 4.4 and (b) the terms of such release are such that the

permissible period for executing such release spans two tax years, then any payments or benefits pursuant to Sections 4.3 and 4.4 shall commence in the second of the two tax years.

4.6 ACCRUED REIMBURSABLE EXPENSES. Without limiting the Company's obligation under Sections 4.1(c), 4.2(c), 4.3(c) and 4.4(c) hereof, the reimbursement of any Accrued Reimbursable Expenses shall be made no later than December 31 of the year following the year in which the expense was incurred.

4.7 SECTION 409A.

(a) Notwithstanding anything herein to the contrary, to the extent (i) any amount or benefit payable to the Executive pursuant to Sections 4.1, 4.2, 4.3 or 4.4 is treated as non-qualified deferred compensation subject to Section 409A of the Code, (ii) the Company's securities are publicly traded on the date of the Executive's termination of employment, (iii) the Executive is determined by the Company to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, and (iv) the Company determines that delayed commencement of any portion of the amounts payable to Executive pursuant to Sections 4.1, 4.2, 4.3 or 4.4 is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code (any such delayed commencement, a "Payment Delay"), then such portion of the Executive's payments and/or benefits described in Sections 4.2, 4.3 or 4.4, as the case may be, shall not be provided to Executive prior to the earlier of (A) the expiration of the six-month period measured from the date of the Executive's date of termination, (B) the date of the Executive's death or (C) such earlier date as is permitted under Section 409A. Upon the expiration of the applicable Code Section 409A(a)(2)(B)(i) deferral period, all payments deferred pursuant to a Payment Delay shall be paid in a lump sum to Executive on the first day following such expiration, and any remaining payments due under Sections 4.1, 4.2, 4.3 or 4.4 shall be paid as otherwise provided herein.

(b) Notwithstanding anything in this Section 4.7 to the contrary, to the maximum extent permitted by applicable law, amounts payable to Executive pursuant to Sections 4.1, 4.2, 4.3 or 4.4, as the case may be, shall be made in reliance upon the Section 409A Safe Harbor Limit (as defined in Article VI) and/or the exception for short-term deferrals (as set forth in Treasury Regulation Section 1.409A-1(b)(4)).

ARTICLE V
ADDITIONAL AGREEMENTS

5.1 OTHER AGREEMENTS. As further material consideration for the Company entering into this Agreement, the Executive will also execute the Company's standard employee confidentially agreement, inventions assignment agreement, employee handbook and any other agreements or policies required to be executed by all like level executives of the Company.

5.2 EXECUTIVE'S RESTRICTIVE COVENANTS UPON TERMINATION. If the Executive's employment is terminated for any reason, Executive agrees:

(a) To keep all of the Company's Trade Secrets confidential in perpetuity in accordance with the Company's policy;

(b) To not use, directly or indirectly, any of the Company's Trade Secrets for the benefit of any other person or entity, or to otherwise compete against the Company, directly or indirectly;

(c) To not hire or solicit for hire or consultation employees of the Company for a period of one (1) year after termination of employment; and

(d) To refrain from making, directly or indirectly, either orally or in writing, any critical, disparaging, denigrating, or untrue statements about the Company or any of its affiliated and related entities, and their respective agents, officers, directors, shareholders, members, managers, employees, attorneys, insurers, subsidiaries, predecessors, successors and assigns, or the Company's products, services or business. This subsection shall not apply 1) if Executive is compelled to testify in a legal proceeding, including any legal proceeding between the parties to the Agreement, and 2) in connection with Executive filing a charge with, participating in a proceeding before or otherwise communicating with any federal, state or local governmental agency or commission..

ARTICLE VI
MISCELLANEOUS

6.1 DEFINITIONS. For purposes of this Agreement, the following terms will have the following meanings:

(a) "Accrued Base Salary" - as defined in Section 4.1(a) hereof.

(b) "Accrued Benefits" - as defined in Section 4.1(d) hereof.

(c) "Accrued Incentive Bonus" - as defined in Section 4.1(e) hereof.

(d) "Accrued Reimbursable Expenses" - as defined in Section 4.1(c) hereof.

(e) "Accrued Vacation Payment" - as defined in Section 4.1(b) hereof.

(f) "Affiliate" of a Person means a Person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the first Person. "Control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise.

(g) "Incentive Bonus" as defined in Section 2.2 hereof.

(h) "Base Salary" as defined in Section 2.1 hereof.

(i) "Cause" will mean a termination of employment as a result of any of the following: material malfeasance or nonfeasance in the performance of Executive's duties not corrected within 10 days after written notice thereof, unless such malfeasance or nonfeasance is not reasonably subject to correction as determined in the discretion of the Board; violation of the Company's Insider Trading Policies; engaging in conduct which is materially injurious to the Company or its Affiliates, or any of their respective customer or supplier relationships, financially or otherwise; engaging in unlawful discrimination or harassment of employees or any third party while on the Company's premises or engaged in Company business; material breach of this Agreement or Executive's obligations hereunder; breach of the Trade Secret and Confidentiality Agreement and Invention Agreement; conviction of a felony or any crime involving fraud, theft, embezzlement, dishonesty or moral turpitude; or unauthorized absence from work for more than three (3) days.

(j) "Change in Control" will have the meaning set forth for "Corporate Transaction", including, without limitation, all qualifications thereof, in the 2015 Stock Incentive Plan of the Company, as the same may be amended from time to time.

(k) "Compensation Committee" means the Compensation Committee of the Company's Board of Directors.

(l) "Good Reason" will mean, without the consent of the Executive if within two (2) years after a Change in Control, there is a material reduction of the Executive's total compensation, benefits, and perquisites (excluding a material reduction resulting from a decrease in value of the Company's stock), the Company's relocation is greater than fifty (50) miles from the location where the Executive performs services, or a material change in the Executive's authority duties or responsibilities; provided, however, no such event shall constitute "Good Reason" hereunder unless the Executive shall have given written notice to the Company of Executive's intent to resign for "Good Reason" within thirty (30) days after the Executive first becomes aware of the occurrence of any such event (specifying the nature and scope of the event), such event or occurrence shall not have been cured no later than thirty (30) days after the Company's receipt of such notice and the Executive shall have resigned no later than ninety (90) days after the expiration of such thirty (30) day cure period.

(m) "Notice of Termination" will mean a notice which shall indicate the specific termination provision of this Agreement relied upon and shall generally set forth the basis for termination of the Executive's employment under the provision so indicated.

(n) "Person" means any natural person, firm, partnership, association, corporation, company, limited liability company, limited partnership, trust, business trust, governmental authority, or other entity.

(o) "Release Expiration Date" shall mean the date which is twenty-one (21) days following the date upon which the Company delivers to Executive the release contemplated in Section 4.5 above, or, in the event that such termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date which is forty-five (45) days following such delivery date.

(p) "Retirement" will mean normal retirement at age 65.

(q) "Section 409A Safe Harbor Limit" will mean, as determined in accordance with Treasury Regulation §1.409A-1(b)(9)(iii), an amount equal to two (2) times the lesser of (i) Executive's annual rate of compensation for the taxable year immediately preceding the taxable year in which Executive's employment is terminated by the Company, or (ii) the dollar amount in effect under Section 401(a)(17) of the Code for the taxable year in which Executive's employment is terminated.

(r) "Severance" will mean payments after termination of Executive's employment.

(s) "Total Disability" will mean the Executive's failure substantially to perform the Executive's duties hereunder on a full-time basis for a period exceeding one hundred eighty (180) consecutive days or for periods aggregating more than one hundred eighty (180) days during any twelve (12) month period as a result of incapacity due to physical or mental illness. If there is a dispute as to whether the Executive is or was physically or mentally unable to perform the Executive's duties under this Agreement, such dispute will be submitted for resolution to a licensed physician agreed upon by the Company and the Executive, or if an agreement cannot be promptly reached, the Company and the Executive will promptly each select a physician, and if these physicians cannot agree, the physicians will promptly select a third physician whose decision will be binding on all parties. If such a dispute arises, the Executive will submit to such examinations and will provide such information as such physician(s) may request, and the determination of the physician(s) as to the Executive's physical or mental condition will be binding and conclusive. Notwithstanding the foregoing, if the Executive participates in any group disability plan provided by the Company, which offers long-term disability benefits, "Total Disability" will mean total disability as defined therein.

6.2 KEY MAN INSURANCE. The Company will have the right, in its sole discretion, to purchase “key man” insurance on the life of the Executive. The Company shall be the owner and beneficiary of any such policy. If the Company elects to purchase such a policy, the Executive will take such physical examinations and supply such information as may be reasonably requested by the insurer.

6.3 PARACHUTE PAYMENTS. If any payment or benefit due under this Agreement, together with all other payments and benefits (including, without limitation, the acceleration of vesting of stock options, restricted stock and performance shares) to which the Executive is entitled from the Company, or any affiliate thereof, would (if paid or provided) constitute an “excess parachute payment” (as defined in Section 280G(b)(1) of the Code, or any successor provision), the amounts otherwise payable and benefits otherwise due under this Agreement will either (a) be delivered in full, or (b) be limited to the minimum extent necessary to ensure that no portion thereof will fail to be tax-deductible to the Company by reason of Section 280G of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state or local income and employment taxes and the excise tax imposed under Section 4999 of the Code, results in the Executive’s receipt, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be subject to the excise tax imposed under Section 4999 of the Code. In the event that the payments and/or benefits are to be reduced pursuant to this Section 6.3, such payments and benefits shall be reduced such that the reduction of compensation to be provided to Executive as a result of this Section 6.3 is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro-rata basis but not below zero.

6.4 SUCCESSORS; BINDING AGREEMENT. This Agreement will be binding upon any successor to the Company and will inure to the benefit of and be enforceable by the Executive’s personal or legal representatives, beneficiaries, designees, executors, administrators, heirs, distributees, devisees and legatees.

6.5 MODIFICATION; NO WAIVER. This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto. No term or condition of this Agreement will be deemed to have been waived, nor will there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument by the party charged with such waiver or estoppel. No such written waiver will be deemed a continuing waiver unless specifically stated therein, and each such waiver will operate only as to the specific term or condition waived and will not constitute a waiver of such term or condition for the future or as to any other term or condition.

6.6 SEVERABILITY. The covenants and agreements contained herein are separate and severable and the invalidity or unenforceability of any one or more of such covenants or agreements, if not material to the employment arrangement that is the basis for this Agreement, will not affect the validity or enforceability of any other covenant or agreement contained herein.

6.7 FORM OF NOTICE TO PARTIES. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered personally, (b) mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or (c) sent by next-day or overnight mail or delivery or (d) sent by telecopy or telegram, to the following address:

If to the Executive:

If to the Company: Deckers Outdoor Corporation
250 Coromar Drive
Goleta, CA 93117
Attn: CEO
Facsimile: 805-967-7862

or, in each case, at such other address as may be specified in writing to the other parties hereto.

All such notices, requests, demands, waivers and other communications shall be deemed to have been received (w) if by personal delivery on the day after such delivery, (x) if by certified or registered mail, on the seventh business day after the mailing thereof, (y) if by next-day or overnight mail or delivery, on the day delivered, (z) if by telecopy or telegram, on the next day following the day on which such telecopy or telegram was sent, provided that a copy is also sent by certified or registered mail.

6.8 ASSIGNMENT. This Agreement and any rights hereunder will not be assignable by either party without the prior written consent of the other party except as otherwise specifically provided for herein.

6.9 ENTIRE UNDERSTANDING. This Agreement constitutes the entire understanding between the parties hereto and no agreement, representation, warranty or covenant has been made by either party except as expressly set forth herein.

6.10 EXECUTIVE'S REPRESENTATIONS. The Executive represents and warrants that neither the execution and delivery of this Agreement nor the performance of the Executive's duties hereunder violates the provisions of any other agreement to which he is a party or by which he is bound.

6.11 GOVERNING LAW. This Agreement will be construed in accordance with the laws of the State of California, without regard to the conflict of laws provisions thereof, with venue proper only in the County of Santa Barbara, California.

6.12 ARBITRATION.

(a) Except as provided in Section 6.12(c) below, Executive and the Company (the "Parties") agree that, unless otherwise required by law, any dispute or controversy between Parties as further defined in subsections (b) and (c) below shall be finally settled by binding arbitration, to be held in Santa Barbara, California under the Employment Arbitration Rules and Mediation Procedures of the American Arbitration Association as then in effect (the "Rules"). Executive may obtain a copy of the Rules by accessing the AAA website at www.adr.org., or by requesting a copy from the Company's General Counsel. By signing this Agreement, Executive acknowledges that s/he has had an opportunity to review the Rules before signing this Agreement. The arbitrator(s) may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator(s) shall be final, conclusive and binding on the parties to the arbitration, and judgment may be entered on the decision of the arbitrator(s) in any court having jurisdiction.

(b) The claims subject to arbitration under this section 6.12 include (i) claims arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination of this Agreement; (ii) claims for violations of confidentiality, privacy or trade secret restrictions; (iii) claims that could be asserted in court, including claims for wrongful termination; breach of any express or implied contract or covenant; breach of any duty owed to Executive; claims for personal, physical or emotional injury; claims arising out of, related to, or in connection with fraud, misrepresentation, defamation and any other tort claims; claims for wages or other compensation due, penalties, benefits, or reimbursement of expenses; claims arising out of, relating to, or in connection with

discrimination, harassment or retaliation of any kind; claims arising out of, relating to, or in connection with retaliation; claims for violation of any federal, state or other governmental constitution, statute, ordinance or regulation (as enacted or as amended), including, but not limited to, Title VII of the Civil Rights Act of 1964 (“Title VII”), the Age Discrimination in Employment Act (“ADEA”), the Americans with Disabilities Act (“ADA”), the federal Fair Labor Standards Act (“FLSA”), the Employee Retirement Income Security Act (“ERISA”), the Consolidated Omnibus Budget Reconciliation Act (“COBRA”), the California Fair Employment and Housing Act, the California Labor Code, the California Wage Orders and any other federal, state or other applicable governmental constitution, statute, ordinance or regulation (as originally enacted or amended) covering similar subjects.

(c) This agreement to arbitrate does not cover claims that cannot be arbitrated as a matter of law, which include (i) administrative claims properly presented to an administrative agency, such as the Equal Employment Opportunity Commission (EEOC) or federal Department of Labor (Wage and Hour Division), or any equivalent state administrative agency, except that if any such claim is dismissed from the administrative agency's jurisdiction, the parties must then submit to binding arbitration pursuant to this Agreement, and except that Executive may (but is not required to) choose arbitration to resolve Executive’s dispute rather than pursuing a claim with an administrative agency; (ii) claims for workers’ compensation benefits; (iii) claims for unemployment compensation benefits; (iv) claims based upon any Company employee benefit and/or welfare plan that contains an appeal procedure or other procedure for the resolution of disputes under the plan; and (v) claims based on the National Labor Relations Act.

(d) The arbitrator shall decide any dispute relating to the interpretation, applicability, enforceability, or formation of this Agreement, including but not limited to arbitrability of any claim under this section 6.12. The same statute of limitations, remedies and defenses that would apply to and be available on claims in court will apply and be available on the claims in arbitration. The arbitrator will have the authority to award any remedy or relief that would have been available to Executive or the Company had the matter been heard in court, including an award of attorneys’ fees and costs to the prevailing party to the extent such an award is authorized by applicable law.

(e) The arbitrator(s) shall apply California law to the merits of any dispute or claim, without reference to rules of conflicts of law. The decision of the arbitrator shall be in writing and shall provide the reasons for the arbitrator's award unless the Parties otherwise agree in writing.

(f) This agreement to arbitrate subject to and shall be enforceable under and subject to the Federal Arbitration Act, 9 U.S.C. Sections 1, et. seq.

(g) The Company shall pay all of the costs of arbitration, including the arbitrator’s fees, except Executive shall pay the fees that s/he would normally have to pay in order to bring a lawsuit in a court of law.

(h) Executive agrees that in any arbitration between Executive and the Company, Executive will assert only his/her own individual claims, and will not assert any claims on behalf of any other person or class of persons. Executive hereby waive any rights to bring a class action against the Company, or to participate as a class member in any class action brought by any third party against the Company.

(i) The parties may apply to any court of competent jurisdiction for a temporary restraining order, preliminary injunction, or other interim or conservatory relief, as necessary, without breach of this arbitration agreement and without abridgement of the powers of the arbitrator. The arbitrator’s award will be enforceable in any court having proper jurisdiction.

(j) EMPLOYEE HAS READ AND UNDERSTANDS THIS SECTION, WHICH DISCUSSES ARBITRATION. EMPLOYEE UNDERSTANDS THAT BY SIGNING THIS AGREEMENT, EMPLOYEE AGREES TO SUBMIT ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION THEREOF TO BINDING ARBITRATION, UNLESS OTHERWISE REQUIRED BY LAW, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF EMPLOYEE'S RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO EMPLOYEE'S RELATIONSHIP WITH THE COMPANY, INCLUDING BUT NOT LIMITED TO, CLAIMS OF HARASSMENT, DISCRIMINATION, WRONGFUL TERMINATION AND ANY STATUTORY CLAIMS.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have duly executed this Change in Control and Severance Agreement as of the day and year first above written.

COMPANY:

DECKERS OUTDOOR CORPORATION

By: _____
Dave Powers
Chief Executive Officer

EXECUTIVE:

_____
Signature

_____
[NAME]

EXHIBIT A

GENERAL RELEASE

1. Employee's employment with Deckers Outdoor Corporation, a Delaware corporation (the "Company") ceased effective _____.

2. Employee represents and agrees that Employee has received all compensation owed to Employee by the Company through Employee's termination date, including all wages, bonuses, commissions, earned but unused vacation, reimbursable business expenses, and any other payments, benefits, or other compensation of any kind to which Employee was entitled from the Company. Employee acknowledges that this compensation will be paid to Employee regardless of whether Employee signs the Change in Control and Severance Agreement dated _____ (the "Agreement") and this General Release.

3. Employee represents to the Company that Employee is signing this General Release (this "General Release") voluntarily and with a full understanding of and agreement with its terms for the purpose of receiving severance pay and benefits from the Company as described in the Agreement.

4. In reliance on the Employee's promises, representations, and releases in this Agreement, upon the Company's receipt of this executed General Release, and conditioned on Employee not revoking this executed General Release as provided in Section 7 below, the Company will provide Employee with the severance payments and benefits described in the Agreement, less legally required withholding and payroll deductions.

5. In exchange for the consideration provided to Employee as set forth above and in the Agreement, Employee irrevocably and unconditionally releases and discharges the Company and all affiliated and related entities, and their respective agents, officers, directors, shareholders, members, managers, employees, attorneys, insurers, subsidiaries, predecessors, successors and assigns ("Releasees"), from any and all claims, liabilities, obligations, promises, causes of actions, actions, suits, or demands, of whatsoever kind or character, known or unknown, suspected to exist or not suspected to exist, anticipated or not anticipated, arising from or relating to any omissions, acts or facts that have occurred up until and including the date of this Agreement, including but not limited to those arising from or related or attributable to Employee's employment with the Company and his/her separation from such employment ("Claims"). Such Claims include, but are not limited to, claims based upon any violation of the Company's policies and regulations or any written or oral contract or agreement between the Company and Employee; tort and common law claims including but not limited to claims for wrongful or retaliatory discharge, emotional distress, defamation, slander, libel or false imprisonment, claims for attorneys' fees, back pay, front pay or reinstatement; claims for penalties of any kind or nature; claims based upon employment discrimination or harassment of any kind or nature, and claims based upon alleged violation of: the California Fair Employment and Housing Act (California Government Code section 12900, et seq.); the Unruh Civil Rights Act (California Civil Code section 51); the California Family Rights Act (California Government Code sections 12945.2 and 19702.3); the California Labor Code; the Equal Pay Act of 1963, as amended (29 U.S.C. section 206(d) et. seq.); the California Fair Pay Act (California Labor Code section 1197.5); Title VII of the Civil Rights Act of 1964, as amended (42 U.S.C. section 2000e et seq.); the Employee Retirement Income Security Act of 1974, as amended (29 U.S.C. section 1001 et seq.); the Family Medical Leave Act (29 U.S.C. section 2601 et seq.); the Fair Labor Standards Act of 1938, as amended (29 U.S.C. section 201, et seq.); the United States and California Constitutions; the Americans With Disabilities Act, as amended (42 U.S.C. section 12101, et seq.); 42 U.S. C. sections 1981 and 1983; State or Federal wage and hour laws; or any other State, Federal or local statutes or laws. Employee further acknowledges that such Claims also include claims based on the Age Discrimination in Employment Act, as amended (29 U.S.C. section 621, et seq.) and the Older Workers Benefit Protection Act (29 U.S.C. §626(f)), as amended. The provisions of this Agreement do not release claims that cannot be released as a matter of law.

6. The provisions of this Agreement do not preclude Employee from filing suit to challenge the Company's compliance with the waiver requirements of the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act. Employee further acknowledges that nothing in the Agreement prohibits or prevents Employee from filing a charge with the Equal Employment Opportunity Commission, California Department of Fair Employment and Housing, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (each a "Government Agency"), or participating, testifying or assisting in any investigation, hearing or other proceeding before any Government Agency. However, Employee acknowledges that to the maximum extent permitted by law, he/she is not entitled to any monetary damages or other individual relief resulting from any charge, claim or complaint pertaining or otherwise relating to the released Claims that is filed with any Government Agency, except nothing in this Agreement prohibits or prevents Employee from receiving individual monetary awards or other individual relief by virtue of providing information to the U.S. Securities and Exchange Commission or filing a charge, claim or complaint protected under the whistleblower provisions of federal law or regulations or participating in a federal whistleblower programs including but not limited to any such programs managed by the U.S. Securities and Exchange Commission and/or the Occupational Safety and Health Administration.

7. It is further understood and agreed that as a condition of this Agreement, all rights under Section 1542 of the Civil Code of the State of California are expressly waived by Employee. Such Section reads as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

Notwithstanding Section 1542, and for the purpose of implementing a full and complete release and discharge of the Released Parties, Employee expressly acknowledges that this Agreement is intended to include and does include in its effect, without limitation, all claims which Employee does not know or suspect to exist in Employee's favor against the Released Parties at the time of execution hereof, and that this Agreement expressly contemplates the extinguishment of all such claims.

8. Employee acknowledges that she/he was provided a copy of this Agreement on _____, 20__, and has been given until _____, 20__ (the "Acceptance Deadline") [MUST BE A PERIOD OF AT LEAST 21 DAYS] to review and consider this Agreement. To accept this Agreement, the Agreement, signed and dated by Employee, must be received in the office of General Counsel of the Company by no later than the Acceptance Deadline. Employee acknowledges that she/he may sign and return this Agreement prior to the Acceptance Deadline if he/she voluntarily wishes to do so. If the executed Agreement is not received by the Acceptance Deadline as provided in this section, then the Agreement will no longer be open for acceptance by Employee, and will be of no further force or effect without any further action by the Company.

9. Employee further acknowledges that she/he has been advised that she/he has seven (7) days from the date this Agreement is signed by Employee to revoke this Agreement. To be effective, the revocation must be in writing and must be received by _____ General Counsel of the Company on or before midnight on the seventh (7th) day after this Agreement is signed by Employee. The Company's obligation to provide severance pay or other benefits under this Agreement does not become final and binding until the expiration of the seven (7) day revocation period and so long as this Agreement has not been revoked during such period.

10. THIS IS REQUIRED TO RELEASE AGE DISCRIMINATION CLAIMS. Employee further acknowledges that she/he had the right to, and was encouraged to, consult with legal counsel regarding this Agreement prior to signing it.

11. This Separation Agreement and General Release shall not be construed as an admission by the Company of any improper, wrongful, or unlawful actions, or any other wrongdoing against Employee, and the Company specifically disclaims any liability to or wrongful acts against Employee on the part of itself, its employees and its agent.

12. This Agreement may be modified only by written agreement signed by both parties.

Dated: _____ EMPLOYEE:

_____

Dated: _____ COMPANY:
DECKERS OUTDOOR CORPORATION

By:
Name:
Its:

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Powers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Deckers Outdoor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

/s/ DAVID POWERS

David Powers
Chief Executive Officer, President and Director
Deckers Outdoor Corporation
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven J. Fasching, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Deckers Outdoor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

/s/ STEVEN J. FASCHING

Steven J. Fasching
Chief Financial Officer
Deckers Outdoor Corporation
(Principal Financial and Accounting Officer)

EXHIBIT 32

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge, the Quarterly Report on Form 10-Q of Deckers Outdoor Corporation (the "Company") for the quarter ended June 30, 2020 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

/s/ DAVID POWERS

David Powers
Chief Executive Officer, President and Director
Deckers Outdoor Corporation
(Principal Executive Officer)

/s/ STEVEN J. FASCHING

Steven J. Fasching
Chief Financial Officer
Deckers Outdoor Corporation
(Principal Financial and Accounting Officer)

Date: August 6, 2020

This certification is being furnished solely to accompany the Report pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference. A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission upon request.