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 December 31, 2021
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 January 20, 2022, the number of outstanding shares of the registrant's common stock, par value $0.01 per share, was 27,241,283.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
For the Three and Nine Months Ended December 31, 2021
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*Not applicable.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for our third fiscal quarter ended December 31, 2021 (Quarterly Report), and the information and documents incorporated by reference within 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 within, 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 within this Quarterly Report, contain forward-looking statements relating to, among other things:

- the impacts of the COVID-19 global pandemic on our business, financial condition, results of operations and liquidity, and the business, financial condition, results of operations and liquidity of our customers, suppliers, and business partners;
- changes to our business resulting from changes in discretionary spending, consumer confidence, unemployment rates, retail store activity, tourist activity, and governmental restrictions;
- the impact of government orders, local authority mandates and expert agency guidance on retail store closures and operating 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;
- changes in consumer preferences impacting our brands and products, and the footwear and fashion industries;
- trends impacting the purchasing behavior of wholesale partners and consumers, including those impacting retail and e-commerce businesses;
- bankruptcies or other financial difficulties impacting our wholesale 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, and the expectations and standards that our investors and other stakeholders have with respect to our environmental, social and governance practices;
- expansion of and investments in our Direct-to-Consumer capabilities, including our distribution facilities and e-commerce platforms;
- the operational challenges faced by our warehouse and distribution centers, our wholesale customers, our global third-party logistics providers, and third-party carriers, including as a result of global supply chain disruptions and labor shortages, and the related impacts on our ability to timely deliver products;
- availability of raw materials and manufacturing capacity, and reliability of overseas production and storage;
- inflationary pressures, including on employee wages and our raw material costs;
- 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 (US) subsidiaries and any related tax impacts;
- the impact of the adoption of recent accounting pronouncements; and
- overall global economic, political, and social 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," within 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® (HOKA), Teva® (Teva), Sanuk® (Sanuk), and Koolaburra® (Koolaburra) are some of the Company's trademarks. Other trademarks or trade names appearing elsewhere within 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 for per share or 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)

	December 31, 2021	March 31, 2021
ASSETS		(AUDITED)
Cash and cash equivalents	$ 998,261	$ 1,089,361
Trade accounts receivable, net of allowances ($40,965 and $26,516 as of December 31, 2021 and March 31, 2021, respectively)	334,541	215,718
Inventories	550,749	278,242
Prepaid expenses	28,231	16,924
Other current assets	68,773	44,244
Income tax receivable	14,052	6,310
Total current assets	1,994,607	1,650,799
Property and equipment, net of accumulated depreciation ($278,877 and $266,905 as of December 31, 2021 and March 31, 2021, respectively)	221,013	206,210
Operating lease assets	180,073	186,991
Goodwill	13,990	13,990
Other intangible assets, net of accumulated amortization ($78,745 and $77,473 as of December 31, 2021 and March 31, 2021, respectively)	40,252	41,945
Deferred tax assets, net	40,881	37,194
Other assets	56,752	30,576
Total assets	**$ 2,547,568**	**$ 2,167,705**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	$ 482,059	$ 231,632
Accrued payroll	49,866	79,152
Operating lease liabilities	48,290	46,768
Other accrued expenses	100,605	68,995
Income tax payable	26,769	36,920
Value added tax payable	20,341	4,901
Total current liabilities	727,930	468,368
Long-term operating lease liabilities	171,314	176,274
Income tax liability	58,029	60,094
Other long-term liabilities	25,553	18,744
Total long-term liabilities	254,896	255,112
Commitments and contingencies (Note 6)		
Stockholders' equity		
Common stock ($0.01 par value; 125,000 shares authorized; shares issued and outstanding of 27,243 and 27,910 as of December 31, 2021 and March 31, 2021, respectively)	272	279
Additional paid-in capital	209,795	203,310
Retained earnings	1,373,832	1,257,379
Accumulated other comprehensive loss	(19,157)	(16,743)
Total stockholders' equity	1,564,742	1,444,225
Total liabilities and stockholders' equity	**$ 2,547,568**	**$ 2,167,705**

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
Net sales	**$ 1,187,752**	**$ 1,077,759**	**$ 2,414,332**	**$ 1,984,453**
Cost of sales	566,531	463,862	1,165,520	909,013
Gross profit	**621,221**	**613,897**	**1,248,812**	**1,075,440**
Selling, general, and administrative expenses	327,825	285,242	765,403	625,880
Income from operations	**293,396**	**328,655**	**483,409**	**449,560**
Interest income	(369)	(593)	(1,311)	(1,719)
Interest expense	999	959	2,808	3,354
Other income, net	(191)	(267)	(376)	(523)
Total other expense, net	439	99	1,121	1,112
Income before income taxes	**292,957**	**328,556**	**482,288**	**448,448**
Income tax expense	60,014	73,020	99,158	99,331
Net income	**232,943**	**255,536**	**383,130**	**349,117**
Other comprehensive (loss) income				
Unrealized (loss) gain on cash flow hedges, net of tax	(1,517)	(279)	974	(726)
Foreign currency translation (loss) gain	(2,744)	7,947	(3,388)	14,995
Total other comprehensive (loss) income	**(4,261)**	**7,668**	**(2,414)**	**14,269**
Comprehensive income	**$ 228,682**	**$ 263,204**	**$ 380,716**	**$ 363,386**
Net income per share				
Basic	$ 8.49	$ 9.09	$ 13.87	$ 12.44
Diluted	$ 8.42	$ 8.99	$ 13.73	$ 12.30
Weighted-average common shares outstanding				
Basic	27,428	28,114	27,630	28,054
Diluted	27,663	28,410	27,904	28,375

See accompanying notes to the condensed consolidated financial statements.

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

	Nine Months Ended December 31, 2021					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance, March 31, 2021	**27,910**	**$ 279**	**$ 203,310**	**$ 1,257,379**	**$ (16,743)**	**$ 1,444,225**
Stock-based compensation	1	—	5,469	—	—	5,469
Exercise of stock options	1	—	69	—	—	69
Shares withheld for taxes	—	—	(85)	—	—	(85)
Repurchases of common stock	(249)	(2)	—	(82,164)	—	(82,166)
Net income	—	—	—	48,124	—	48,124
Total other comprehensive income	—	—	—	—	3,351	3,351
Balance, June 30, 2021	**27,663**	**277**	**208,763**	**1,223,339**	**(13,392)**	**1,418,987**
Stock-based compensation	1	—	6,288	—	—	6,288
Shares issued upon vesting	36	—	914	—	—	914
Shares withheld for taxes	—	—	(9,195)	—	—	(9,195)
Repurchases of common stock	(133)	(1)	—	(53,806)	—	(53,807)
Net income	—	—	—	102,063	—	102,063
Total other comprehensive loss	—	—	—	—	(1,504)	(1,504)
Balance, September 30, 2021	**27,567**	**276**	**206,770**	**1,271,596**	**(14,896)**	**1,463,746**
Stock-based compensation	—	—	6,386	—	—	6,386
Shares issued upon vesting	2	—	—	—	—	—
Exercise of stock options	28	—	1,135	—	—	1,135
Shares withheld for taxes	—	—	(4,496)	—	—	(4,496)
Repurchases of common stock	(354)	(4)	—	(130,707)	—	(130,711)
Net income	—	—	—	232,943	—	232,943
Total other comprehensive loss	—	—	—	—	(4,261)	(4,261)
Balance, December 31, 2021	**27,243**	**$ 272**	**$ 209,795**	**$ 1,373,832**	**$ (19,157)**	**$ 1,564,742**

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

	Nine Months Ended December 31, 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**
Stock-based compensation	1	—	4,019	—	—	4,019
Shares issued upon vesting	60	1	697	—	—	698
Exercise of stock options	16	—	1,134	—	—	1,134
Shares withheld for taxes	—	—	(6,964)	—	—	(6,964)
Net income	—	—	—	101,554	—	101,554
Total other comprehensive income	—	—	—	—	5,595	5,595
Balance, September 30, 2020	**28,082**	**281**	**194,112**	**1,067,529**	**(18,958)**	**1,242,964**
Stock-based compensation	1	—	9,900	—	—	9,900
Shares issued upon vesting	1	—	—	—	—	—
Exercise of stock options	68	1	4,201	—	—	4,202
Shares withheld for taxes	—	—	(149)	—	—	(149)
Net income	—	—	—	255,536	—	255,536
Total other comprehensive income	—	—	—	—	7,668	7,668
Balance, December 31, 2020	**28,152**	**$ 282**	**$ 208,064**	**$ 1,323,065**	**$ (11,290)**	**$ 1,520,121**

See accompanying notes to the condensed consolidated financial statements.

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

	Nine Months Ended December 31,	
	2021	2020
OPERATING ACTIVITIES		
Net income	$ 383,130	$ 349,117
Reconciliation of net income to net cash used in by operating activities:		
Depreciation, amortization, and accretion	31,202	30,637
Amortization on cloud computing arrangements	1,154	420
Bad debt (benefit) expense	(254)	6,392
Deferred tax (benefit) expense	(4,263)	1,859
Stock-based compensation	18,281	17,559
Loss on disposal of long-lived assets	37	259
Impairment of operating lease and other long-lived assets	3,186	4,060
Gain on settlement of asset retirement obligations	—	(207)
Changes in operating assets and liabilities:		
Trade accounts receivable, net	(118,568)	(133,708)
Inventories	(272,508)	6,321
Prepaid expenses and other current assets	(33,936)	(32,387)
Income tax receivable	(7,743)	(2,305)
Net operating lease assets and lease liabilities	2,643	1,652
Other assets	(27,331)	(3,023)
Trade accounts payable	246,964	152,797
Other accrued expenses	10,782	75,658
Income tax payable	(10,151)	45,843
Other long-term liabilities	4,745	1,318
Net cash provided by operating activities	**227,370**	**522,262**
INVESTING ACTIVITIES		
Purchases of property and equipment	(41,315)	(21,300)
Proceeds from sales of property and equipment	—	49
Net cash used in investing activities	**(41,315)**	**(21,251)**
FINANCING ACTIVITIES		
Proceeds from short-term borrowings	—	9,100
Repayments of short-term borrowings	—	(9,478)
Proceeds from issuance of stock	914	698
Proceeds from exercise of stock options	1,204	5,583
Repurchases of common stock	(266,684)	—
Cash paid for shares withheld for taxes	(13,776)	(7,203)
Repayments of mortgage principal	—	(470)
Net cash used in financing activities	**(278,342)**	**(1,770)**
Effect of foreign currency exchange rates on cash and cash equivalents	1,187	7,879
Net change in cash and cash equivalents	**(91,100)**	**507,120**
Cash and cash equivalents at beginning of period	**1,089,361**	**649,436**
Cash and cash equivalents at end of period	**$ 998,261**	**$ 1,156,556**

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

	Nine Months Ended December 31,	
	2021	2020
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Cash paid during the period		
Income taxes, net of refunds of $77 and $1,489, as of December 31, 2021 and 2020, respectively	$ 124,651	$ 56,957
Interest	1,399	2,336
Operating leases	43,257	43,263
Non-cash investing activities		
Accrued for purchases of property and equipment	240	1,900
Accrued for asset retirement obligations	3,702	1,595
Leasehold improvements acquired through tenant allowances	4,061	—

See accompanying notes to the condensed consolidated financial statements.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the Three and Nine Months Ended December 31, 2021 and 2020
(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) are global leaders in designing, marketing, and distributing innovative footwear, apparel, and accessories developed for both everyday casual lifestyle use and high-performance activities. As part of its omni-channel platform, the Company's proprietary brands are aligned across its Fashion Lifestyle group, which includes the UGG and Koolaburra brands, and Performance Lifestyle group, which includes 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 Direct-to-Consumer (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 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 December 31, 2021 and for the three and nine months ended December 31, 2021 and 2020 are prepared in accordance with generally accepted accounting principles in the United States (US GAAP) for interim financial information pursuant to Rule 10-01 of Regulation S-X issued by the SEC. Accordingly, the condensed consolidated financial statements 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, 2021 is 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 actual 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, 2021 (prior fiscal year), which was filed with the SEC on May 28, 2021 (2021 Annual Report).

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

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. In addition, the Company has considered the potential impact of the COVID-19 global pandemic (pandemic) on its business and operations. Although the full impact of the pandemic is unknown and cannot be reasonably estimated, the Company believes it has made appropriate accounting estimates and assumptions based on the facts and circumstances available as of the reporting date. However, actual results could differ materially from these estimates and assumptions, which may result in material effects on the Company's financial condition, results of operations, and liquidity. To the extent there are differences between these estimates and actual results, the Company's condensed consolidated financial statements may be materially affected.

Significant areas requiring the use of management estimates and assumptions relate to inventory write-downs; trade accounts receivable allowances, including variable consideration for net sales provided to customers, such as allowances for doubtful accounts, sales discounts, and chargebacks; estimated sales return liability; contract liabilities; valuation of inventories; stock-based compensation; impairment assessments, including valuations for goodwill, other intangible assets, and long-lived assets, as well as operating lease assets and lease liabilities; 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 utilized to discount its unpaid lease payments to measure its operating lease assets and lease 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 (collectively, the Company's reportable operating segments). Refer to Note 11, “Reportable Operating Segments,” for further information on the Company's reportable operating segments.

Impairment of Operating Lease and Other Long-Lived Assets. During the three and nine months ended December 31, 2021, the Company recorded impairment losses for retail store operating lease and other long-lived assets due to performance or store closures of $3,186, within its DTC reportable operating segment in SG&A expenses in the condensed consolidated statements of comprehensive income. For the three and nine months ended December 31, 2020, the Company recorded total impairment charges of $1,380 and $4,060, respectively.

Recent Accounting Pronouncements. The Financial Accounting Standards Board has issued Accounting Standard Updates (ASU) that have been recently adopted and not yet adopted by the Company for its annual and interim reporting periods, as stated below.

Recently Adopted. The following is a summary of each ASU recently adopted by and its impact on the Company:

Standard	Description	Impact Upon 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, and reduces complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group.	The Company adopted this ASU on a retrospective basis beginning April 1, 2021 and concluded that this ASU did not have a material impact on its condensed consolidated financial statements.

Not Yet Adopted. The following is a summary of each ASU issued that is applicable to and has not yet been adopted, as well as the planned period of adoption and the expected impact on the Company upon its adoption:

Standard	Description	Planned Period of Adoption	Expected Impact Upon Adoption
ASU No. 2020-04, *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (as amended by ASU 2021-01)	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.	Q3 FY 2023	The Company is currently evaluating the impact of the adoption of this ASU; however, the Company does not expect that the adoption will have a material impact on its condensed consolidated financial statements.

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 they have 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.

Variable Consideration. Components of variable consideration include estimated sales discounts, markdowns or chargebacks, and sales returns. Estimates for variable consideration are based on the amounts earned or estimates to be claimed as an adjustment to sales. 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 to 60 days.

Sales Return Liability. Reserves are recorded for anticipated future returns of goods shipped prior to the end of the reporting period. In general, the Company accepts returns for damaged or defective products for up to one year. The Company also has a policy whereby returns are generally accepted from customers between 30 to 90 days from the point of sale for cash or credit. Amounts of these reserves are based on known and actual returns, historical returns, and any recent events that could result in a change from historical return rates.

Activity during the nine months ended December 31, 2021 related to estimated sales returns is as follows:

	Recovery Asset	Refund Liability
Balance, March 31, 2021	**$ 10,704**	**$ (37,717)**
Net additions to sales return allowance*	29,603	(122,153)
Actual returns	(26,774)	111,851
Balance, December 31, 2021	**$ 13,533**	**$ (48,019)**

Activity during the nine months ended December 31, 2020 related to estimated sales returns is as follows:

	Recovery Asset	Refund Liability
Balance, March 31, 2020	**$ 9,663**	**$ (25,667)**
Net additions to sales return allowance*	33,883	(122,069)
Actual returns	(27,234)	93,787
Balance, December 31, 2020	**$ 16,312**	**$ (53,949)**

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

Contract Liabilities. 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 liabilities are recorded in other accrued expenses in the condensed consolidated balance sheets.

Loyalty Programs. The Company has a loyalty program for the UGG brand in its DTC channel where consumers can earn rewards from qualifying purchases or activities. As of December 31, 2021 and March 31, 2021, the Company's contract liability for loyalty programs is $17,031 and $12,231, respectively.

Deferred Revenue. Deferred revenue results when customer cash payments are received prior to transfer of control of ordered product, which occurs either when shipped or delivered in accordance with the contractual terms. These cash payments include amounts which are refundable. The Company recognizes deferred revenue into net sales in its wholesale channel. As of December 31, 2021 and March 31, 2021, the Company's contract liability for deferred revenue is $13,591 and $5,425, respectively.

Refer to Note 11, “Reportable Operating Segments,” for further information on the Company's disaggregation of revenue by reportable operating segment.

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Note 3. 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, 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 measured on a recurring basis at fair value in the condensed consolidated balance sheets are as follows:

		Measured Using		
	December 31, 2021	Level 1	Level 2	Level 3
Non-qualified deferred compensation asset	$ 9,673	$ 9,673	$ —	$ —
Non-qualified deferred compensation liability	(10,083)	(10,083)	—	—
Designated Derivative Contracts asset	1,285	—	1,285	—
Non-Designated Derivative Contracts asset	23	—	23	—
Non-Designated Derivative Contracts liability	(9)	—	(9)	—

		Measured Using		
	March 31, 2021	Level 1	Level 2	Level 3
Non-qualified deferred compensation asset	$ 9,107	$ 9,107	$ —	$ —
Non-qualified deferred compensation liability	(6,692)	(6,692)	—	—

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 December 31, 2021, the non-qualified deferred compensation asset of $9,673 is recorded in other assets in the condensed consolidated balance sheets. As of December 31, 2021, the non-qualified deferred compensation liability of $10,083 is recorded in the condensed consolidated balance sheets, with $930 in other accrued expenses and $9,153 in other long-term liabilities.

The fair value of foreign currency forward or option contracts are determined using quoted forward spot rates at the end of the applicable reporting period from counterparties, which are corroborated by market-based pricing (Level 2). 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 8, "Derivative Instruments," for further information, including definitions of the terms Designated Derivative Contracts and Non-Designated Derivative Contracts.

Note 4. Income Taxes

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
Income tax expense	$ 60,014	$ 73,020	$ 99,158	$ 99,331
Effective income tax rate	20.5 %	22.2 %	20.6 %	22.1 %

The tax provisions during the three and nine months ended December 31, 2021 and 2020 were computed using the estimated effective income tax rate applicable to each of the domestic and foreign taxable jurisdictions for the fiscal year ending March 31, 2022 and were adjusted for discrete items that occurred within the periods presented above.

During the three months ended December 31, 2021, the decrease in the effective income tax rate, compared to the prior period, was primarily due to lower income from operations and changes in the jurisdictional mix of worldwide income before income taxes forecasted for the fiscal year ending March 31, 2022, as well as higher net discrete tax benefits, primarily driven by tax deductions for stock-based compensation and return to provision adjustments recorded in the current period.

During the nine months ended December 31, 2021, the decrease in the effective income tax rate, compared to the prior period, was primarily due to higher net discrete tax benefits, primarily driven by tax deductions for stock-based compensation and return to provision adjustments recorded in the current period, partially offset by higher income from operations and changes in the jurisdictional mix of worldwide income before income taxes forecasted for the fiscal year ending March 31, 2022.

Note 5. Revolving Credit Facilities

Primary Credit Facility. In September 2018, the Company entered into a credit agreement (as amended, the Primary Credit Facility) that provides for a five-year, $400,000 unsecured revolving 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 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 December 31, 2021, the effective interest rates for US dollar LIBOR and ABR are 1.23% and 3.38%, respectively.

During the nine months ended December 31, 2021, the Company made no borrowings or repayments under the Primary Credit Facility. As of December 31, 2021, the Company has no outstanding balance, outstanding letters of credit of $549, and available borrowings of $399,451 under the Primary Credit Facility.

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 CNY300,000, or $47,139, with an overdraft facility sublimit of CNY100,000, or $15,713. 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 December 31, 2021, the effective interest rate is 4.10%.

During the nine months ended December 31, 2021, the Company made no borrowings or repayments under the China Credit Facility. As of December 31, 2021, the Company has no outstanding balance, outstanding bank guarantees of $31, and available borrowings of $47,108 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 JPY3,000,000, or $26,064, 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 December 31, 2021, the effective interest rate is 0.48%.

During the nine months ended December 31, 2021, the Company made no borrowings or repayments under the Japan Credit Facility. As of December 31, 2021, the Company has no outstanding balance and available borrowings of $26,064 under the Japan Credit Facility.

Debt Covenants. As of December 31, 2021, the Company is in compliance with all financial covenants under the credit facilities.

Note 6. Commitments and Contingencies

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 between one and 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, was as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
Non-cash operating activities				
Operating lease assets obtained in exchange for lease liabilities*	$ 8,859	$ 1,013	$ 35,153	$ 6,882
Reductions to operating lease assets for reductions to lease liabilities*	(4,669)	(9,206)	(5,293)	(11,619)

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

Litigation. From time to time, the Company is involved in various legal proceedings and claims arising in the ordinary course of business. Although the results of legal proceedings and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not, individually or in the aggregate, have a material adverse effect on its business, results of operations, financial condition, or cash flows. However, regardless of the outcome, litigation can have an adverse impact on the Company because of legal costs, diversion of management time and resources, and other factors.

On March 28, 2016, the Company filed a lawsuit alleging trademark infringement, patent infringement, unfair competition and violation of deceptive trade practices in the US District Court for the Northern District of Illinois Eastern Division (District Court) against Australian Leather. Australian Leather counterclaimed alleging that the UGG brand trademark is invalid. On May 10, 2019, a jury returned a verdict in the Company's favor in its lawsuit against Australian Leather. The District Court entered judgments upholding the UGG brand trademark on February 6 and June 8, 2020. On August 12, 2020, Australian Leather filed an appeal to the US Court of Appeals for the Federal Circuit (Court of Appeals). On May 7, 2021, the Court of Appeals affirmed the District Court’s ruling dismissing Australian Leather’s affirmative defenses and counterclaims and upholding the UGG brand trademark. On October 4, 2021, Australian Leather filed a petition for writ of certiorari asking the US Supreme Court to review the decision of the Court of Appeals. On December 6, 2021, the US Supreme Court denied the petition for writ of certiorari.

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Note 7. 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 key personnel, including employees and directors. During the nine months ended December 31, 2021, except for the Annual RSU and LTIP PSU grant activity summarized below, no additional awards were granted under the 2015 SIP. Refer to Note 8, "Stock-Based Compensation," of our consolidated financial statements in Part IV of our 2021 Annual Report for further information on previously granted awards under the 2015 SIP.

Annual Awards. The Company granted annual awards under the 2015 SIP, as recorded in the condensed consolidated statements of comprehensive income, as summarized below:

	Nine Months Ended December 31,			
	2021		2020	
	Shares Granted	Weighted-average grant date fair value per share	Shares Granted	Weighted-average grant date fair value per share
Annual RSUs	40,062	$ 386.17	45,161	$ 215.66

Stock-based compensation is recorded net of estimated forfeitures in selling, general, and administrative (SG&A) expenses in the condensed consolidated statements of comprehensive income. 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 December 31, 2021 is $14,873.

Long-Term Incentive Plan Awards. During the nine months ended December 31, 2021, the Company approved awards under the 2015 SIP for the issuance of PSUs (2022 LTIP PSUs), which were awarded to certain members of the Company's management team, including the Company's named executive officers and vice presidents. The 2022 LTIP PSUs are subject to vesting based on service conditions over three years. The Company must meet certain revenue and pre-tax income performance targets individually over three reporting periods for the fiscal years ending March 31, 2022, 2023, and 2024 (collectively, the Measurement Periods) and incorporates a relative total stockholder return (TSR) modifier for the 36-month period (commencing April 1, 2021) ending March 31, 2024 (collectively, the Performance Periods). To the extent financial performance is achieved above the threshold levels for each of these performance criteria, the number of 2022 LTIP PSUs that vest will increase up to a maximum of 200% of the targeted amount for that award. No vesting of any portion of the 2022 LTIP PSUs will occur if the Company fails to achieve the minimum revenue and pre-tax income amounts for each reporting period equal to at least 100% of the threshold amounts for these criteria. Following the determination of the Company's achievement with respect to the revenue and pre-tax income criteria for the Measurement Periods, the vesting of each 2022 LTIP PSU will be subject to adjustment based on the application of a relative TSR modifier. The amount of the adjustment will be determined based on a comparison of the Company's TSR relative to the TSR of a pre-determined set of peer group companies for the Performance Periods. A Monte-Carlo simulation model was used to determine the grant date fair value by simulating a range of possible future stock prices for the Company and each member of the peer group over the Performance Periods.

The Company granted awards at the target performance level of 26,347 2022 LTIP PSUs during the nine months ended December 31, 2021. The weighted-average grant date fair value per share of these 2022 LTIP PSUs was $435.94. Based on the Company's current long-range forecast, the Company determined that the achievement of at least the target performance criteria for these awards was probable as of the grant date.

Future unrecognized stock-based compensation expense for the target level of all LTIP PSUs outstanding as of December 31, 2021, including the 2022 LTIP PSUs discussed above, the 19,890 2021 LTIP PSUs issued in March 2021, and the 38,174 2020 LTIP PSUs issued in September 2019, is $16,956.

Note 8. Derivative Instruments

The Company may enter into foreign currency forward or option contracts (derivative contracts), generally with maturities of 15 months or less, 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 accumulated other comprehensive loss (AOCL) and are reclassified to net sales in the condensed consolidated statements of comprehensive income 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.

Changes in the fair value of Non-Designated Derivative Contracts are recorded in SG&A expenses in the condensed consolidated statements of comprehensive income. 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 income.

As of December 31, 2021, the Company has the following derivative contracts recorded at fair value in the condensed consolidated balance sheets:

	Designated Derivative Contracts	Non-Designated Derivative Contracts	Total
Notional value	$ 21,674	$ 14,241	$ 35,915
Fair value recorded in other current assets	1,285	23	1,308
Fair value recorded in other accrued expenses	—	(9)	(9)

As of December 31, 2021, the Company's outstanding derivative contracts are held by an aggregate of two counterparties, all with various maturity dates within the next three months. As of March 31, 2021, the Company has no outstanding derivative contracts.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
Gain (loss) recorded in Other comprehensive income	$ 105	$ (556)	$ 4,154	$ (1,265)
Reclassifications from Accumulated other comprehensive loss into net sales	(2,107)	189	(2,869)	310
Income tax benefit (expense) in Other comprehensive income	485	88	(311)	229
Total	**$ (1,517)**	**$ (279)**	**$ 974**	**$ (726)**

The following table summarizes the effect of Non-Designated Derivative Contracts recorded in the condensed consolidated statements of comprehensive income:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
(Loss) gain recorded in SG&A expenses	$ (157)	$ (564)	$ 591	$ (522)

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 December 31, 2021, the amount of unrealized gains on derivative contracts recorded in AOCL is expected to be reclassified into net sales within the next three months. Refer to Note 9, “Stockholders' Equity,” for further information on the components of AOCL.

Note 9. 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, and, during April 2021, approved an additional authorization of $750,000 to repurchase the Company's common stock under the same conditions as the prior stock repurchase program (collectively, stock repurchase programs). 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. As of December 31, 2021, the aggregate remaining approved amount under the Company's stock repurchase programs is $543,976.

Stock repurchase activity under these programs for the nine months ended December 31, 2021 was as follows:

	Amounts**
Total number of shares repurchased*	735,976
Average price paid per share	$ 362.36
Dollar value of shares repurchased	$ 266,684

*Any share repurchases are made as part of publicly announced programs in open-market transactions.
** May not calculate on rounded dollars.

Subsequent to December 31, 2021 through January 20, 2022, the Company repurchased 2,643 shares for $973 at an average price of $368.25 per share, and has $543,003 remaining authorized under the stock repurchase programs.

Accumulated Other Comprehensive Loss. The components within AOCL recorded in the condensed consolidated balance sheets are as follows:

	December 31, 2021	March 31, 2021
Unrealized gain on cash flow hedges, net of tax	$ 974	$ —
Cumulative foreign currency translation loss	(20,131)	(16,743)
Total	**$ (19,157)**	**$ (16,743)**

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Note 10. Basic and Diluted Shares

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
Basic	27,428,000	28,114,000	27,630,000	28,054,000
Dilutive effect of equity awards	235,000	296,000	274,000	321,000
Diluted	**27,663,000**	**28,410,000**	**27,904,000**	**28,375,000**
Excluded				
Annual RSUs and Annual PSUs	1,000	2,000	2,000	11,000
LTIP PSUs	90,000	115,000	90,000	115,000
Deferred Non-Employee Director Equity Awards	—	—	—	2,000
Employee Stock Purchase Plan	—	1,000	—	—

Excluded Awards. The equity awards excluded from the calculation of 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 deemed 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 subject to the achievement of 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, which could result in a lower dilutive effect, respectively.

Note 11. Reportable Operating Segments

Information reported to the Chief Operating Decision Maker (CODM), who is the Company's Chief Executive Officer (CEO), President, and 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 the Company's warehouse and distribution centers (DC), certain executive and stock-based compensation, accounting, finance, legal, information technology, human resources, and facilities, among others. Inter-segment sales between the Company’s wholesale and the DTC reportable operating segments are at the Company’s cost, and there is no inter-segment net sales nor income (loss) from operations within the respective reportable operating segments results as these transactions are eliminated in consolidation.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
Net sales				
UGG brand wholesale	$ 432,093	$ 408,859	$ 915,925	$ 744,281
HOKA brand wholesale	122,636	100,893	420,763	279,629
Teva brand wholesale	16,287	12,107	78,857	51,264
Sanuk brand wholesale	3,138	3,829	20,540	17,142
Other brands wholesale	24,247	32,182	51,806	60,489
Direct-to-Consumer	589,351	519,889	926,441	831,648
Total	**$ 1,187,752**	**$ 1,077,759**	**$ 2,414,332**	**$ 1,984,453**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
Income (loss) from operations				
UGG brand wholesale	$ 126,085	$ 158,358	$ 283,624	$ 261,349
HOKA brand wholesale	18,039	26,995	107,696	78,056
Teva brand wholesale	2,188	1,029	21,599	9,993
Sanuk brand wholesale	(31)	17	4,896	1,644
Other brands wholesale	1,139	9,256	12,004	17,855
Direct-to-Consumer	257,517	220,742	335,934	295,053
Unallocated overhead costs	(111,541)	(87,742)	(282,344)	(214,390)
Total	**$ 293,396**	**$ 328,655**	**$ 483,409**	**$ 449,560**

Assets allocated to each reportable operating segment include trade accounts receivable, net; inventories; 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.

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

	December 31, 2021	March 31, 2021
Assets		
UGG brand wholesale	$ 550,960	$ 212,277
HOKA brand wholesale	216,652	168,365
Teva brand wholesale	53,634	87,284
Sanuk brand wholesale	35,132	38,311
Other brands wholesale	50,930	18,732
Direct-to-Consumer	209,542	196,091
Total assets from reportable operating segments	1,116,850	721,060

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	December 31, 2021	March 31, 2021
Unallocated cash and cash equivalents	998,261	1,089,361
Unallocated deferred tax assets, net	40,881	37,194
Unallocated other corporate assets	391,576	320,090
Total	**$ 2,547,568**	**$ 2,167,705**

Note 12. 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 December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
International net sales	$ 391,603	$ 307,239	$ 767,489	$ 602,221
% of net sales	33.0 %	28.5 %	31.8 %	30.3 %
Net sales in foreign currencies	$ 332,968	$ 260,552	$ 580,949	$ 472,906
% of net sales	28.0 %	24.2 %	24.1 %	23.8 %
Ten largest customers as % of net sales	26.4 %	31.0 %	28.8 %	29.6 %

For the three and nine months ended December 31, 2021 and 2020, no single foreign country comprised 10.0% or more of the Company's total net sales. No single customer accounted for 10.0% or more of the Company's net sales during the three and nine months ended December 31, 2021 and 2020. The Company sells its products to customers for trade accounts receivable and, as of December 31, 2021, has two customers that represent 26.2% of trade accounts receivable, net, compared to one that represents 12.8% of trade accounts receivable, net, as of March 31, 2021. 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 (UK). The Company believes 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 the Company's products and the products of its competitors, the use of substitute products or components, and global economic conditions.

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

	December 31, 2021	March 31, 2021
US	$ 208,190	$ 194,833
Foreign*	12,823	11,377
Total	**$ 221,013**	**$ 206,210**

*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 December 31, 2021 and March 31, 2021.

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, "Financial Statements," within this Quarterly Report, and the audited consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of our 2021 Annual Report.

Certain statements made in this section constitute "forward-looking statements," which are subject to numerous risks and uncertainties, including those described in this section. Our actual results of operations 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 section entitled "Cautionary Note Regarding Forward-Looking Statements" and Part II, Item 1A, "Risk Factors," within 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 to a broad demographic. We sell our products through quality domestic and international retailers, international distributors, and directly to our global consumers through our DTC business, which is comprised of our e-commerce websites and retail stores. 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 third-party manufacturers.

Trends and Uncertainties Impacting Our Business and Industry

We expect our business and the industry in which we operate will continue to be impacted by several important trends and uncertainties, including the following:

COVID-19 Pandemic

- Geographic regions in which we and our business partners operate continue to experience the impacts of the pandemic, including recent increases in the number of positive COVID-19 cases in certain locations, which may result in additional or prolonged facility closures, continue to disrupt our supply chain, prompt changes in consumer behavior, reduce discretionary spending, or exacerbate inflationary pressures. Such factors are beyond our control and could elicit further actions and recommendations from governments and public health officials, which could negatively impact our business and results of operations. We believe the actions we have taken to respond to the pandemic, combined with our strong brands, diversified product portfolio, and favorable liquidity position have helped to mitigate the impact of the pandemic on our business thus far, though such impacts continue to be uncertain and subject to change.

Supply Chain

- Similar to other companies in our industry, we continue to experience supply chain challenges across each of the geographies in which we operate. The most significant macro-level supply chain impacts continue to be extended transit lead times and cost pressures due primarily to container shortages, port congestion, and trucking and labor scarcity, which have created negative downstream impacts on our results of operations. For example, our inventory in transit as of the end of our third fiscal quarter ended December 31, 2021 (third fiscal quarter) was significantly higher than our inventory in transit in the same period in our prior fiscal year. We anticipate these global supply chain pressures will continue, and we are focused on ensuring our long-term growth strategy remains flexible to adapt to fluid conditions. To offset the impacts of these ongoing constraints, we have used a substantial amount of air freight. These costs, together with higher ocean container shipment and trucking costs, have elevated our transportation and logistics costs and negatively impacted our gross profit as a percentage of net sales (gross margin) through our third fiscal quarter, and may continue to do so in future periods, particularly as we seek to maintain strategic product launch timelines and customer service levels.

- Further, as supply chain disruptions continue and we manage product availability, the timing of sales to our wholesale partners and consumers may continue to be impacted, and we face increased risk of order cancellations. While both the wholesale and DTC channels may be impacted by stock-outs of high-demand product, our omni-channel footprint allows us to leverage our DTC channel, which offers a deeper assortment of product, particularly as consumers seek alternative product that is in stock. This strategic benefit allows our DTC channel to fulfill unmet consumer demand in the wholesale channel and partially offset impacts from delayed wholesale shipments. However, we remain focused on mitigating the impacts of ongoing disruptions in both the wholesale and DTC channels, including through the early procurement of inventory, which will likely result in higher levels of inventory to allow us to maintain expected service levels into our fiscal year ending March 31, 2023 (next fiscal year).

- In addition to logistical supply chain pressures, our network of strategic sourcing partners, which include material vendors and manufacturers, have navigated delays and disruptions related to COVID-19 outbreaks at their facilities. Due to our dual sourcing capabilities and our strategic product prioritization, we have been able to mitigate against some significant production disruptions. We have expanded production capacity with certain of our existing sourcing partners and reallocated production among others to navigate facility closures. In addition, we have onboarded additional long-term partners to further diversify our country-level manufacturing and sourcing lines, and expect to continue to grow our distribution network to support our long-term growth strategy. These efforts are intended to support our growing brands and prospectively mitigate against similar localized risks. However, we expect headwinds on growth from new sourcing partners due to capacity constraints and time needed to ramp up production to ensure the rigorous quality standards of our brands in our next fiscal year.

- Although our distribution centers, including our owned DC's and third-party logistics (3PL) providers, are currently operating and supporting ongoing logistics, certain of these facilities continue to experience operational challenges. These challenges have resulted in delays distributing our products, as well as cost pressures, which have and may continue to have an adverse effect on our results of operations. For example, we have experienced start-up challenges during the transition to our new European 3PL, which have resulted in additional supply chain pressures as they refine their system and delivery levels. While the transition has been difficult in the current logistics environment, we believe this is a critical investment to create long-term capacity that will facilitate future anticipated growth.

- We continue to make infrastructure investments to support our scaling business, including investments in our global distribution and logistics capabilities, end-to-end planning systems, and e-commerce platforms. For example, our new US DC began limited operations during our third fiscal quarter, and we expect this facility to create long-term capacity for the domestic growth of the UGG and HOKA brands. We continue to assess and are currently expanding our distribution footprint domestically and internationally to ensure we scale our operations commensurate with consumer demand.

Workforce

- We continue to encounter challenges recruiting, developing, and retaining quality candidates to staff our DC operations as we increasingly compete with other companies that require additional personnel to support their growing e-commerce operations. Further, we are experiencing the same challenges for employees across our business as global labor shortages continue, similar to other companies in our industry. We continue to offer competitive compensation and benefits to employees across our business, which has increased our SG&A expenses. We expect to continue to experience the impacts of labor shortages and cost pressures in our DC, and may experience similar challenges at our owned retail stores and corporate offices as we compete with other companies for talent.

Consumer Shopping Patterns

- As government restrictions in response to the pandemic have eased, allowing consumers to return to retail stores, fluctuations in consumer spending patterns have resulted in a channel mix shift. However, our aggregated DTC channel mix continues to be above our historical pre-pandemic levels. We believe DTC channel demand will continue to increase as we prioritize consumer acquisition and experience strong demand for the HOKA and UGG brands. Our long-term growth strategy remains focused on building our DTC channel to represent an increasing portion of our total net sales.

Brand and Omni-Channel Strategy

- We remain focused on accelerating consumer adoption of the HOKA brand globally to execute our long-term growth strategy, including through our optimized digital marketing strategy. The HOKA brand's growth has been balanced across its ecosystem of access points, with all geographic regions and distribution channels experiencing significant year-round growth, which has positively impacted our seasonality trends. We expect our e-commerce business for the HOKA brand will continue to be a key driver of long-term growth. We intend to focus our efforts on consumer acquisition in key markets and launching innovative product offerings to increase category adoption and market share gains with existing consumers to drive brand performance. For example, we recently opened the HOKA brand's first owned and operated retail stores in China, including four concept stores and one flagship store, and launched pop-up stores in North America to build upon our retail strategy and define the optimal consumer experience and concept for the HOKA brand. We plan to open additional retail stores for the HOKA brand and to continue exploring opportunities to strategically expand our HOKA brand retail store fleet.

- Our marketplace strategies in Europe and Asia (international reset strategies) have continued to drive UGG brand awareness and consumer acquisition through building a foundation of diversified and counter-seasonal product acceptance, especially with younger consumers, which is fueling a healthier product mix and reducing the need for promotional activity, particularly in Europe. Continuing to showcase these product offerings through localized marketing investments and converting a higher percentage of consumers to repeat purchases has fueled global demand for the UGG brand, which we believe will continue to benefit from these international reset strategies.

- We are exploring selective price increases as appropriate by brand and product, taking into consideration, for example, the competitive landscape of our brands, our segmentation strategy, and higher costs.

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 CEO, President, and 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 a broad demographic.

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

- Successful acquisition of a diverse consumer base.
- 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 products.
- Expansion of apparel, home goods, and accessories businesses.

HOKA Brand. The HOKA brand is an authentic premium line of year-round performance footwear that offers enhanced cushioning and inherent stability with minimal weight, apparel, and accessories. Originally designed for ultra-runners, the brand now appeals to world champions, taste makers, and everyday athletes. The HOKA brand is quickly becoming a leading brand within run-specialty wholesale accounts, with strong marketing fueling both domestic and international sales growth, bolstering the brand's net sales, which continue to increase as a percentage of our aggregate net sales. 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, including higher frequency product drop rates.
- Increased global brand awareness and new consumer adoption through enhanced global marketing activations and online consumer acquisition, including building a more diverse outdoor community through in-person event sponsorship.
- Thoughtful and strategic wholesale distribution choices, allowing the HOKA brand access and introduction to a broader, more diverse, consumer base.
- Category extensions in authentic performance footwear offerings such as lifestyle acceleration through the trail and hiking categories.

Teva Brand. The Teva brand created the very first sport sandal when it was founded in the Grand Canyon in 1984. Since then, the Teva brand has grown into a multi-category modern outdoor lifestyle brand offering a range of performance, casual, and trail lifestyle products, and has emerged as a leader in footwear sustainability observed through recent growth fueled by young and diverse consumers passionate for the outdoors and the planet.

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

- Authentic outdoor heritage and a reputation for quality, comfort, sustainability, and performance in any terrain.
- Increasing brand awareness due to outdoor lifestyle participation amongst younger consumers.
- Category extensions in performance hike footwear, including key franchises.

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 with a focus on innovation in comfort and sustainability. 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 consist primarily 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 encompasses all of our brands and 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 and purchase online and in store.

E-Commerce Business. Our e-commerce business provides us with an opportunity to directly engage with and 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 December 31, 2021, we operate our e-commerce business through Company-owned websites and mobile platforms in 58 different countries, for which the net sales are recorded in our DTC reportable operating segment.

Retail Business. Our global Company-owned retail stores are predominantly UGG brand concept stores and UGG brand outlet stores, though also include recent openings of HOKA brand concept 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 December 31, 2021, we have a total of 149 global retail stores, which includes 77 concept stores and 72 outlet stores. While we generally open retail store locations during our second or

third fiscal quarters and consider closures of retail stores during our fourth fiscal quarter, the timing of such openings and closures may vary. 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 flagship stores, which are lead concept stores in certain key markets and prominent locations designed to showcase UGG brand or HOKA brand products in mono branded stores. Primarily located in major tourist locations, these stores are typically larger than our general concept stores with broader product offerings and greater traffic. We anticipate continuing to operate a curated fleet of flagship stores to enhance our interaction with our consumers and increase brand loyalty. 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 28 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 and HOKA brands. Partner retail stores are branded stores that are wholly owned and operated by third parties and not included in the total count of global Company-owned 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 each respective brand's wholesale reportable operating segment, as applicable.

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. However, the information included within 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 remeasurements 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. 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 not indicative of our core results of operations and are largely outside of our control.

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 still significantly exceed our aggregate net sales in the quarters ending March 31st and June 30th. However, 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 impact from seasonality to continue 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 pandemic.

Results of Operations

Three Months Ended December 31, 2021 Compared to Three Months Ended December 31, 2020. Results of operations were as follows:

	Three Months Ended December 31,					
	2021		2020		Change	
	Amount	%	Amount	%	Amount	%
Net sales	**$ 1,187,752**	**100.0 %**	**$ 1,077,759**	**100.0 %**	**$ 109,993**	**10.2 %**
Cost of sales	566,531	47.7	463,862	43.0	(102,669)	(22.1)
Gross profit	**621,221**	**52.3**	**613,897**	**57.0**	**7,324**	**1.2**
Selling, general, and administrative expenses	327,825	27.6	285,242	26.5	(42,583)	(14.9)
Income from operations	**293,396**	**24.7**	**328,655**	**30.5**	**(35,259)**	**(10.7)**
Other expense, net	439	—	99	—	(340)	(343.4)
Income before income taxes	**292,957**	**24.7**	**328,556**	**30.5**	**(35,599)**	**(10.8)**
Income tax expense	60,014	5.1	73,020	6.8	13,006	17.8
Net income	**232,943**	**19.6**	**255,536**	**23.7**	**(22,593)**	**(8.8)**
Total other comprehensive (loss) income, net of tax	(4,261)	(0.3)	7,668	0.7	(11,929)	(155.6)
Comprehensive income	**$ 228,682**	**19.3 %**	**$ 263,204**	**24.4 %**	**$ (34,522)**	**(13.1)%**
Net income per share						
Basic	$ 8.49		$ 9.09		$ (0.60)	
Diluted	$ 8.42		$ 8.99		$ (0.57)	

Net Sales. Net sales by location, and by brand and channel were as follows:

	Three Months Ended December 31,			
	2021	2020	Change	
	Amount	Amount	Amount	%
Net sales by location				
US	$ 796,149	$ 770,520	$ 25,629	3.3 %
International	391,603	307,239	84,364	27.5
Total	**$ 1,187,752**	**$ 1,077,759**	**$ 109,993**	**10.2 %**
Net sales by brand and channel				
UGG brand				
Wholesale	$ 432,093	$ 408,859	$ 23,234	5.7 %
Direct-to-Consumer	513,814	467,891	45,923	9.8
Total	945,907	876,750	69,157	7.9
HOKA brand				
Wholesale	122,636	100,893	21,743	21.6
Direct-to-Consumer	61,942	40,728	21,214	52.1
Total	184,578	141,621	42,957	30.3
Teva brand				
Wholesale	16,287	12,107	4,180	34.5
Direct-to-Consumer	4,308	3,569	739	20.7
Total	20,595	15,676	4,919	31.4

	Three Months Ended December 31,			
	2021	2020	Change	
	Amount	Amount	Amount	%
Sanuk brand				
Wholesale	3,138	3,829	(691)	(18.0)
Direct-to-Consumer	2,926	3,173	(247)	(7.8)
Total	6,064	7,002	(938)	(13.4)
Other brands				
Wholesale	24,247	32,182	(7,935)	(24.7)
Direct-to-Consumer	6,361	4,528	1,833	40.5
Total	30,608	36,710	(6,102)	(16.6)
Total	**$ 1,187,752**	**$ 1,077,759**	**$ 109,993**	**10.2 %**
Total Wholesale	$ 598,401	$ 557,870	$ 40,531	7.3 %
Total Direct-to-Consumer	589,351	519,889	69,462	13.4
Total	**$ 1,187,752**	**$ 1,077,759**	**$ 109,993**	**10.2 %**

Total net sales increased primarily due to higher UGG and HOKA brand sales across all channels, despite impacts from supply chain constraints, including extended transit lead times. Further, we experienced an increase of 8.1% in total volume of pairs sold to 16,100 from 14,900, compared to the prior period. On a constant currency basis, net sales increased by 9.7%, compared to the prior period. Drivers of significant changes in net sales, compared to the prior period, were as follows:

- Wholesale net sales of the UGG brand increased due to higher international sales, including the benefit of lapping disruptions from the pandemic and international reset strategies during our prior fiscal year, partially offset by a decline in US sales due to earlier shipments made in the first half of our current fiscal year.

- Wholesale net sales of the HOKA brand increased primarily due to higher global sales resulting from market share gains, including new consumer acquisition, driven by increased brand awareness through expanded sponsorship events and digital marketing, as well as core franchise updates.

- DTC net sales increased primarily due to higher global UGG and HOKA brand sales, driven by robust demand across a diverse portfolio of products. Comparable DTC net sales for the 13 weeks ended December 26, 2021 increased by 10.7%, compared to the same prior period.

- International net sales, which are included in the reportable operating segment sales presented above, increased by 27.5% and represented 33.0% and 28.5% of total net sales for the three months ended December 31, 2021 and 2020, respectively. These increases were driven by higher international sales for the UGG and HOKA brand in all channels in Europe and China.

Gross Profit. Gross margin decreased to 52.3% from 57.0%, compared to the prior period, almost entirely due to higher freight costs, as we used a substantial amount of air freight, and ocean container rates and third-party delivery fees have increased.

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

- Increased other variable net selling expenses of approximately $20,700, primarily due to higher warehousing fees, net insurance costs, and shipping supplies, as well as higher e-commerce technology and credit card costs driven by higher sales and commissions.

- Increased variable advertising and promotion expenses of approximately $16,100, primarily due to higher digital marketing and advertising development expenses, primarily for the HOKA brand, to drive global brand awareness and market share gains, highlight new product categories, and provide localized marketing.

- Increased other operating expenses of approximately $7,500, primarily due to higher information technology and related project costs, legal settlements, and travel expenses.

- Increased foreign currency-related losses of $2,800, primarily due to unfavorable changes in the US dollar exchange rate against European and Canadian foreign currency exchange rates.

- Increased impairments of operating lease and other long-lived assets of approximately $1,900 due to lower retail sales in certain locations.

- Decreased payroll and related costs of approximately $6,900, primarily due to lower annual performance-based compensation, partially offset by a higher headcount, including for warehousing teams, and other related compensation.

Income from Operations. Income (loss) from operations by reportable operating segment was as follows:

	Three Months Ended December 31,			
	2021	2020	Change	
	Amount	Amount	Amount	%
Income (loss) from operations				
UGG brand wholesale	$ 126,085	$ 158,358	$ (32,273)	(20.4)%
HOKA brand wholesale	18,039	26,995	(8,956)	(33.2)
Teva brand wholesale	2,188	1,029	1,159	112.6
Sanuk brand wholesale	(31)	17	(48)	(282.4)
Other brands wholesale	1,139	9,256	(8,117)	(87.7)
Direct-to-Consumer	257,517	220,742	36,775	16.7
Unallocated overhead costs	(111,541)	(87,742)	(23,799)	(27.1)
Total	**$ 293,396**	**$ 328,655**	**$ (35,259)**	**(10.7)%**

The decrease in total income from operations, compared to the prior period, was primarily due to lower gross margin driven by higher freight costs, as well as higher SG&A expenses as a percentage of net sales, partially offset by higher net sales. Drivers of significant net changes in total income from operations, compared to the prior period, were as follows:

- The increase in income from operations of DTC was due to higher net sales.

- The decrease in income from operations of UGG and HOKA brand wholesale was due to lower gross margin driven by freight costs, as well as higher variable marketing expenses, partially offset by higher net sales.

- The increase in unallocated overhead costs was primarily due to higher operating expenses, including warehousing fees, net insurance costs, legal settlements, and shipping supplies, as well as higher foreign currency-related losses, partially offset by lower annual performance-based compensation.

Other Expense, Net. The increase in total other expense, net, compared to the prior period, was due to a decrease in interest income driven by lower average interest rates on lower average invested cash balances.

Income Tax Expense. Income tax expense and our effective income tax rate were as follows:

	Three Months Ended December 31,	
	2021	2020
Income tax expense	$ 60,014	$ 73,020
Effective income tax rate	20.5 %	22.2 %

The decrease in our effective income tax rate, compared to the prior period, was primarily due to lower income from operations and changes in the jurisdictional mix of worldwide income before income taxes forecasted for the fiscal year ending March 31, 2022, as well as higher net discrete tax benefits, primarily driven by tax deductions for stock-based compensation and return to provision adjustments recorded in the current period.

Foreign income before income taxes was $107,072 and $91,902 and worldwide income before income taxes was $292,957 and $328,556 during the three months ended December 31, 2021 and 2020, respectively. The increase in foreign income before income taxes, as a percentage of worldwide income before income taxes, compared to the prior period, was primarily due to higher foreign gross margin as a percentage of worldwide sales.

Net Income. The decrease in net income, compared to the prior period, was primarily due to lower gross margin and higher SG&A expenses as a percentage of net sales. Net income per share decreased, compared to the prior period, due to lower net income, partially offset by lower weighted-average common shares outstanding driven by higher stock repurchases.

Total Other Comprehensive Loss, Net of Tax. The increase in total other comprehensive loss, net of tax, compared to the prior period, was primarily due to higher foreign currency translation losses relating to changes to our net asset position for unfavorable Asian and European foreign currency exchange rates, as well as higher unrealized losses on cash flow hedges.

Nine Months Ended December 31, 2021 Compared to Nine Months Ended December 31, 2020. Results of operations were as follows:

	Nine Months Ended December 31,					
	2021		2020		Change	
	Amount	%	Amount	%	Amount	%
Net sales	**$ 2,414,332**	**100.0 %**	**$ 1,984,453**	**100.0 %**	**$ 429,879**	**21.7 %**
Cost of sales	1,165,520	48.3	909,013	45.8	(256,507)	(28.2)
Gross profit	**1,248,812**	**51.7**	**1,075,440**	**54.2**	**173,372**	**16.1**
Selling, general, and administrative expenses	765,403	31.7	625,880	31.5	(139,523)	(22.3)
Income from operations	**483,409**	**20.0**	**449,560**	**22.7**	**33,849**	**7.5**
Other expense, net	1,121	—	1,112	0.1	(9)	(0.8)
Income before income taxes	**482,288**	**20.0**	**448,448**	**22.6**	**33,840**	**7.5**
Income tax expense	99,158	4.1	99,331	5.0	173	0.2
Net income	**383,130**	**15.9**	**349,117**	**17.6**	**34,013**	**9.7**
Total other comprehensive (loss) income, net of tax	(2,414)	(0.1)	14,269	0.7	(16,683)	(116.9)
Comprehensive income	**$ 380,716**	**15.8 %**	**$ 363,386**	**18.3 %**	**$ 17,330**	**4.8 %**
Net income per share						
Basic	$ 13.87		$ 12.44		$ 1.43	
Diluted	$ 13.73		$ 12.30		$ 1.43	

Net Sales. Net sales by location, and by brand and channel were as follows:

	Nine Months Ended December 31,			
	2021	2020	Change	
	Amount	Amount	Amount	%
Net sales by location				
US	$ 1,646,843	$ 1,382,232	$ 264,611	19.1 %
International	767,489	602,221	165,268	27.4
Total	**$ 2,414,332**	**$ 1,984,453**	**$ 429,879**	**21.7 %**
Net sales by brand and channel				
UGG brand				
Wholesale	$ 915,925	$ 744,281	$ 171,644	23.1 %
Direct-to-Consumer	691,439	672,286	19,153	2.8
Total	1,607,364	1,416,567	190,797	13.5
HOKA brand				
Wholesale	420,763	279,629	141,134	50.5
Direct-to-Consumer	187,351	114,107	73,244	64.2
Total	608,114	393,736	214,378	54.4
Teva brand				
Wholesale	78,857	51,264	27,593	53.8
Direct-to-Consumer	29,036	27,374	1,662	6.1
Total	107,893	78,638	29,255	37.2
Sanuk brand				
Wholesale	20,540	17,142	3,398	19.8
Direct-to-Consumer	10,635	12,575	(1,940)	(15.4)
Total	31,175	29,717	1,458	4.9
Other brands				
Wholesale	51,806	60,489	(8,683)	(14.4)
Direct-to-Consumer	7,980	5,306	2,674	50.4
Total	59,786	65,795	(6,009)	(9.1)
Total	**$ 2,414,332**	**$ 1,984,453**	**$ 429,879**	**21.7 %**
Total Wholesale	$ 1,487,891	$ 1,152,805	$ 335,086	29.1 %
Total Direct-to-Consumer	926,441	831,648	94,793	11.4
Total	**$ 2,414,332**	**$ 1,984,453**	**$ 429,879**	**21.7 %**

Total net sales increased primarily due to higher UGG and HOKA brand sales across all channels, as well as Teva brand wholesale sales, despite impacts from supply chain constraints, including extended transit lead times. Further, we experienced an increase of 22.0% in total volume of pairs sold to 38,300 from 31,400 compared to the prior period. On a constant currency basis, net sales increased by 20.7% compared to the prior period. Drivers of significant changes in net sales, compared to the prior period, were as follows:

- Wholesale net sales of the UGG brand increased globally, driven by growth across a diversified product lineup, particularly for non-core Women's and Men's products, as well as Kids' core product lines, including the benefit of lapping disruptions from the pandemic and our international reset strategies during our prior fiscal year.

- Wholesale net sales of the HOKA brand increased primarily due to higher global sales resulting from market share gains, including new consumer acquisition, driven by increased brand awareness through expanded sponsorship events and digital marketing, as well as core key franchise updates.

- Wholesale net sales of the Teva brand increased primarily due to continued acceleration of US demand, as well as lapping disruptions from the pandemic during our prior fiscal year, including higher reorders from our wholesale partners through the brands' peak sell-in period during the first half of our current fiscal year.

- DTC net sales increased primarily due to higher global HOKA brand sales as well as international UGG brand sales, primarily in Europe. Due to the disruption of our retail store base throughout the nine months ended December 31, 2020, we are not reporting a comparable DTC net sales metric for our year-to-date third fiscal quarter.

- International net sales, which are included in the reportable operating segment net sales presented above, increased by 27.4% and represented 31.8% and 30.3% of total net sales for the nine months ended December 31, 2021 and 2020, respectively. These increases were primarily driven by higher international sales for the HOKA and UGG brand in all channels and regions.

Gross Profit. Gross margin decreased to 51.7% from 54.2%, compared to the prior period, almost entirely due to higher freight costs, as we used a substantial amount of air freight, and ocean container rates and third-party delivery fees have increased. Further, we experienced a channel mix shift to wholesale, partially offset by fewer closeouts, favorable HOKA brand mix, and favorable changes in foreign currency exchange rates.

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

- Increased variable advertising and promotion expenses of approximately $54,100, primarily due to higher digital marketing and advertising development expenses for the HOKA and UGG brand to drive global brand awareness and market share gains, highlight new product categories, and provide localized marketing.

- Increased other variable net selling expenses of approximately $39,000, primarily due to higher warehousing fees and net insurance costs, as well as higher e-commerce technology and credit card costs driven by higher sales and commissions, and higher shipping supplies.

- Increased payroll and related costs of approximately $31,900, primarily due to higher headcount, including for warehouse teams, and other related compensation, partially offset by lower annual performance-based compensation.

- Increased other operating expenses of approximately $17,600, primarily due to higher information technology and related project costs, legal settlements, and travel expenses.

- Increased foreign currency-related losses of $5,200, primarily due to unfavorable changes in the US dollar exchange rate against European, Canadian, and Chinese foreign currency exchange rates.

- Decreased expenses for allowances for trade accounts receivable of approximately $7,200, primarily due to a decrease in bad debt expense to account for the lower risk of wholesale customer payment defaults resulting from the ongoing recovery from the pandemic.

- Decreased impairments of operating lease and other long-lived assets of approximately $900.

Income from Operations. Income (loss) from operations by reportable operating segment was as follows:

	Nine Months Ended December 31,			
	2021	2020	Change	
	Amount	Amount	Amount	%
Income (loss) from operations				
UGG brand wholesale	$ 283,624	$ 261,349	$ 22,275	8.5 %
HOKA brand wholesale	107,696	78,056	29,640	38.0
Teva brand wholesale	21,599	9,993	11,606	116.1
Sanuk brand wholesale	4,896	1,644	3,252	197.8

	Nine Months Ended December 31,			
	2021	2020	Change	
	Amount	Amount	Amount	%
Other brands wholesale	12,004	17,855	(5,851)	(32.8)
Direct-to-Consumer	335,934	295,053	40,881	13.9
Unallocated overhead costs	(282,344)	(214,390)	(67,954)	(31.7)
Total	**$ 483,409**	**$ 449,560**	**$ 33,849**	**7.5 %**

The increase in total income from operations, compared to the prior period, was primarily due to higher net sales, partially offset by lower gross margin driven by higher freight costs. Drivers of significant net changes in total income from operations, compared to the prior period, were as follows:

- The increase in income from operations of DTC was due to higher net sales at higher gross margin, partially offset by higher variable e-commerce operating costs and higher variable selling costs.
- The increase in income from operations of HOKA and UGG brand wholesale was due to higher net sales, partially offset by lower gross margin driven by freight costs, as well as higher variable marketing expenses.
- The increase in income from operations of Teva brand wholesale was due to higher net sales at higher gross margin.
- The increase in unallocated overhead costs was primarily due to higher operating expenses, including warehousing fees, net insurance costs, legal settlements, information technology costs, shipping supplies, and depreciation expense, in addition to higher payroll and related costs driven by higher headcount, as well as higher foreign currency-related losses.

Other Expense, Net. Total other expense, net, compared to the prior period, remained relatively flat due to lower interest income driven by lower average interest rates on higher average invested cash balances, offset by lower interest expense resulting from repayment of our mortgage during our prior fiscal year.

Income Tax Expense. Income tax expense and our effective income tax rate were as follows:

	Nine Months Ended December 31,	
	2021	2020
Income tax expense	$ 99,158	$ 99,331
Effective income tax rate	20.6 %	22.1 %

The decrease in our effective income tax rate, compared to the prior period, was primarily due to higher net discrete tax benefits, primarily driven by tax deductions for stock-based compensation and return to provision adjustments recorded in the current period, partially offset by higher income from operations and changes in the jurisdictional mix of worldwide income before income taxes forecasted for the fiscal year ending March 31, 2022.

Foreign income before income taxes was $165,643 and $141,699 and worldwide income before income taxes was $482,288 and $448,448 during the nine months ended December 31, 2021 and 2020, respectively. The increase in foreign income before income taxes as a percentage of worldwide income before income taxes, compared to the prior period, was primarily due to higher foreign gross margin as a percentage of worldwide sales.

Net Income. The increase in net income, compared to the prior period, was due to higher net sales, partially offset by lower gross margin. Net income per share increased, compared to the prior period, due to higher net income, combined with lower weighted-average common shares outstanding driven by higher stock repurchases.

Total Other Comprehensive Loss, Net of Tax. The increase in total other comprehensive loss, net of tax, compared to the prior period, was due to higher foreign currency translation losses relating to changes to our net asset position for unfavorable Asian and European foreign currency exchange rates, partially offset by higher unrealized gains on cash flow hedges.

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 pandemic, we believe our cash and cash equivalents balances, cash provided from ongoing operating activities, and available borrowings under our revolving credit facilities, will provide sufficient liquidity to enable us to meet our working capital requirements and timely service our debt obligations for at least the next 12 months.

During the nine months ended December 31, 2021, no cash and cash equivalents were repatriated. As of December 31, 2021, we have $266,283 of cash and cash equivalents outside the US and held by foreign subsidiaries, 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, future changes to, or interpretations of global tax law and regulations, and our actual earnings for current and future periods. Refer to Note 5, “Income Taxes,” of our consolidated financial statements in Part IV of our 2021 Annual Report for further information on the impacts of the recent Tax Reform Act.

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. Our Board of Directors approved an additional authorization of $750,000 during April 2021 to repurchase our common stock under the same conditions as our prior stock repurchase program. As of December 31, 2021, the aggregate remaining approved amount under our stock repurchase programs is $543,976. 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. Subsequent to December 31, 2021 through January 20, 2022, we repurchased 2,643 shares for $973 at an average price of $368.25 per share, and have $543,003 remaining authorized under our stock repurchase programs.

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, our ability to respond to the impacts and disruptions caused by the pandemic, and our ability to respond to economic, political, and legislative developments. Furthermore, we may require additional cash resources due to changes in business conditions, strategic initiatives, or stock repurchase strategy, a national or global economic recession, 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 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 December 31, 2021, we have 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 CNY300,000, or $47,139. As of December 31, 2021, we have no outstanding balance, outstanding bank guarantees of $31, and available borrowings of $47,108 under our China Credit Facility.

Japan Credit Facility. Our Japan Credit Facility is an uncommitted revolving line of credit of up to JPY3,000,000, or $26,064. As of December 31, 2021, we have no outstanding balance and available borrowings of $26,064 under our Japan Credit Facility.

Debt Covenants. As of December 31, 2021, we are in compliance with all financial covenants under our credit facilities.

Refer to Note 5, “Revolving Credit Facilities,” of our condensed consolidated financial statements in Part I, Item 1 within this Quarterly Report, for further information on our capital resources.

Cash Flows

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

	Nine Months Ended December 31,			
	2021	2020	Change	
	Amount	Amount	Amount	%
Net cash provided by operating activities	$ 227,370	$ 522,262	$ (294,892)	(56.5)%
Net cash used in investing activities	(41,315)	(21,251)	(20,064)	(94.4)
Net cash used in financing activities	(278,342)	(1,770)	(276,572)	(15,625.5)

Operating Activities. Our primary source of liquidity is net cash provided by operating activities, which is primarily driven by our net income, other cash receipts and expenditure adjustments, and changes in working capital.

The increase in net cash used in operating activities during the nine months ended December 31, 2021, compared to the prior period, was primarily due to a net negative change in operating assets and liabilities, partially offset by positive net income after non-cash adjustments. The changes in operating assets and liabilities were primarily due to net negative changes in inventories, other accrued expenses, income tax payable, other assets, and income tax receivable, partially offset by net positive changes in trade accounts payable, trade accounts receivable, net; and other long-term liabilities.

Investing Activities. The increase in net cash used in investing activities during the nine months ended December 31, 2021, compared to the prior period, was primarily due to higher capital expenditures for our new US DC, as well as higher showrooms and information technology costs, partially offset by lower capital expenditures for retail stores.

Financing Activities. The increase in net cash used in financing activities during the nine months ended December 31, 2021, compared to the prior period, was primarily due to higher stock repurchases, as well as higher cash paid for shares withheld for taxes and lower proceeds from exercise of stock options.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

During the nine months ended December 31, 2021, there were no material changes outside the ordinary course of business to the contractual obligations and other commitments disclosed in our 2021 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, but actual results could differ materially from these estimates. Management believes the following critical accounting estimates are most significantly affected by judgments and estimates used in the preparation of our condensed consolidated financial statements: allowances for doubtful accounts, sales discounts, and chargebacks; estimated sales return liability; valuation of inventories; valuation of operating lease assets and lease liabilities; valuation of goodwill, other intangible assets, and long-lived assets; and performance-based compensation. The full impact of the ongoing pandemic is unknown and cannot be reasonably estimated for these key estimates. However, we 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 actual results, our condensed consolidated financial statements may be materially affected. Refer to the section "Use of Estimates" within Note 1, “General,” of our condensed consolidated financial statements in Part I, Item 1 within this Quarterly Report, for a summary of applicable key estimates and assumptions.

There have been no material changes to the critical accounting policies and estimates disclosed in our 2021 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. Most of our sheepskin is purchased from two tanneries in China, which is sourced primarily from Australia and the UK. 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 consumers 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 typically 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 for these commodities, we will likely not be able to adjust our selling prices sufficiently to eliminate the impact of such increases on our profitability.

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 other comprehensive income. 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 December 31, 2021, 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 $3,500. Refer to Note 8, "Derivative Instruments," of our condensed consolidated financial statements in Part I, Item 1 within this Quarterly Report, for further information on our use of derivative contracts. As of December 31, 2021, there are 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, the 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 income during the nine months ended December 31, 2021, due to no outstanding balances under our revolving credit facilities. Refer to Note 5, "Revolving Credit Facilities," of our condensed consolidated financial statements in Part I, Item 1 within 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 December 31, 2021. Based on that evaluation, our PEO and Principal Financial and Accounting Officer (PFAO) concluded that our disclosure controls and procedures are effective at a reasonable assurance level as of December 31, 2021.

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) of the Exchange Act during the three months ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Although we have modified our workplace practices globally due to the pandemic, resulting in most of our employees working remotely, this has not materially affected our internal control over financial reporting. We are continually monitoring and assessing the impacts and disruptions caused by the pandemic to ensure there are no material effects on the design and operating effectiveness of 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

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.

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 liquidity. 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.

Refer to Note 6, “Commitments and Contingencies,” of our condensed consolidated financial statements in Part I, Item 1 within this Quarterly Report, for further information on our legal proceedings.

Item 1A. Risk Factors

An investment in our common stock involves risks. Before making an investment decision, you should carefully consider all the information within 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 within this Quarterly Report. In addition, you should carefully consider the risks and uncertainties described in Part I, Item 1A, “Risk Factors,” of our 2021 Annual Report, as well as in our other public filings with the SEC. If any of the identified risks are realized, our business, results of operations, financial condition, liquidity, 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, results of operations, financial condition, and prospects.

During the three months ended December 31, 2021, there were no material changes to the risks and uncertainties described in Part I, Item 1A, “Risk Factors,” of our 2021 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 Board of Directors approved an additional authorization of $750,000 during April 2021 to repurchase our common stock under the same conditions as our prior stock repurchase program. 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.

Our current revolving credit agreements allow us to make stock repurchases under these programs, so long as we do not exceed certain leverage ratios and no event of default has occurred under these agreements. As of December 31, 2021, no defaults have occurred under our credit agreements.

Below is a summary of stock repurchase activity under our stock repurchase programs during the three months ended December 31, 2021:

	Total number of shares repurchased*	Average price paid per share	Dollar value of shares repurchased	Dollar value of shares remaining for repurchase**
October 1 - October 31, 2021	130,517	$ 357.69	$ 46,684	$ 628,003
November 1 - November 30, 2021	27,141	422.26	11,461	616,542
December 1 - December 31, 2021	196,457	369.37	72,566	543,976

*Any share repurchases are made as part of publicly announced programs in open-market transactions.
** May not calculate on rounded dollars.

Subsequent to December 31, 2021 through January 20, 2022, we repurchased 2,643 shares for $973 at an average price of $368.25 per share, and have $543,003 remaining authorized under our stock repurchase programs.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
*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: February 7, 2022

EXHIBIT 31.1

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

I, Dave 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: February 7, 2022

/s/ DAVE POWERS

Dave 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: February 7, 2022

/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, as amended, that, to their knowledge, the Quarterly Report on Form 10-Q of Deckers Outdoor Corporation (the "Company") for the quarter ended December 31, 2021 (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/ DAVE POWERS

Dave 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: February 7, 2022

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.