DECKERS BRANDS

2022 ANNUAL REPORT

DECKERS

— BRANDS —

Dear Stockholders,

On behalf of everyone at Deckers Brands, I'm excited to share that we had another record-breaking year in fiscal 2022, delivering over $3 billion in annual revenue for the first time and earnings per share of $16.26, year-over-year increases of 24% and 21%, respectively. Our disciplined financial management enabled the delivery of a top-tier operating margin at 17.9% despite facing an unprecedented logistics environment.

Our impressive performance was the result of prioritizing quality HOKA growth, growing the UGG brand through a diverse product assortment, strengthening the DTC business, and unlocking the potential of international markets. Reflecting the success of our strategies, HOKA delivered revenue growth of 56% over the prior year to $892 million. In fiscal year 2022, HOKA represented 28% of total portfolio revenue, which was up from 22% last year and 17% two years ago. On UGG, the brand drove its second consecutive year of double digit growth while broadening consumer acceptance of its evolved product assortment. This is reflected in the UGG brand's business outside of Women's Classics now representing over 65% of total brand revenue, which is up more than ten percentage points from five years ago.

To support the ongoing success of our key initiatives and as we scale our brands, we have continued to make critical investments to bolster the Company's infrastructure. While investing for the future, we have consistently emphasized the delivery of exceptional levels of profitability, and have been successful in doing so despite significant incremental costs resulting from industry wide supply chain disruption. Our steps to secure manufacturing capacity and additional production lines with both existing and new partners are helping ensure we meet the increasing levels of demand for our brands.

Building on our organization's exceptionally strong foundation, Deckers continues to embrace our mission to do good *and* do great at the forefront of everything we do. Our employees contributed more than 14,000 volunteer hours in fiscal 2022 through Deckers Gives, which continues to positively impact the communities in which we operate. We also improved BIPOC (Black, Indigenous and People of Color) representation among U.S. leaders (director and above) to 21%, up from 12% two years ago, as we make progress towards our target of 25% by fiscal year 2027. Additionally, we've established a long-term grant with the Savory Institute to support regenerative farming practices, thus far influencing over 200,000 acres and 40 farms. These highlights represent a sample of our broader ESG initiatives. For more information, please read our forthcoming Corporate Responsibility and Sustainability Report (Creating Change Report), and visit our website www.deckers.com/responsibility.

We are entering fiscal year 2023 from a position of strength. Leveraging the lessons learned in fiscal year 2022 and our team's proven abilities, I am confident that we can continue to deliver on our strategic vision and take advantage of exciting new opportunities with our brands. Thank you for your ongoing interest in Deckers.

Sincerely,

Dave Powers
Chief Executive Officer and President

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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended March 31, 2022

☐ 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)

(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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes** ☒ **No** ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. **Yes** ☐ **No** ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

At September 30, 2021, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting and non-voting stock held by the non-affiliates of the registrant was approximately $9,890,267,142, based on the number of shares held by non-affiliates of the registrant as of that date, and the last reported sale price of the registrant's common stock on the New York Stock Exchange on that date, which was $360.20. This calculation does not reflect a determination that persons are affiliates for any other purposes.

As of the close of business on May 5, 2022, the number of outstanding shares of the registrant's common stock, par value $0.01 per share, was 26,789,861.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement on Schedule 14A relating to the registrant's 2022 annual meeting of stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference in Part III within this Annual Report on Form 10-K. With the exception of the portions of the Proxy Statement specifically incorporated herein by reference, the Proxy Statement and related proxy solicitation materials are not deemed to be filed as part of this Annual Report on Form 10-K.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
For the Fiscal Year Ended March 31, 2022
TABLE OF CONTENTS

		Page
	Cautionary Note Regarding Forward-Looking Statements	2
	PART I	
Item 1.	Business	3
Item 1A.	Risk Factors	13
Item 1B.	Unresolved Staff Comments	*
Item 2.	Properties	28
Item 3.	Legal Proceedings	28
Item 4.	Mine Safety Disclosures	*
	PART II	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	29
Item 6.	[Reserved]	*
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	31
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	48
Item 8.	Financial Statements and Supplementary Data	49
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	*
Item 9A.	Controls and Procedures	49
Item 9B.	Other Information	*
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	*
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	50
Item 11.	Executive Compensation	50
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	50
Item 13.	Certain Relationships and Related Transactions, and Director Independence	50
Item 14.	Principal Accounting Fees and Services	50
	PART IV	
Item 15.	Exhibits and Financial Statement Schedule	51
	Signatures	54
	Index to Consolidated Financial Statements and Financial Statement Schedule	F-1
Item 16.	Form 10-K Summary	*

*Not applicable.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for our fiscal year ended March 31, 2022 (Annual Report), and the information and documents incorporated by reference within this Annual 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 Annual 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 Annual Report, and the information and documents incorporated by reference within this Annual Report, contain forward-looking statements relating to, among other things:

- the impacts of the COVID-19 global pandemic (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 climate change and related regulations on our business and 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 (DTC) capabilities, including our distribution facilities and e-commerce platforms;
- the operational challenges faced by our warehouse and distribution centers (DCs), our wholesale partners, our global third-party logistics providers (3PLs), 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;
- global uncertainty resulting from Russia’s invasion of Ukraine, including financial and economic sanctions resulting in higher transportation and energy costs, as well as other implications;
- availability of raw materials and manufacturing capacity, and reliability of overseas production and storage;
- inflationary pressures, including on labor costs 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; 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 I, Item 1A, “Risk Factors,” and Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” within this Annual Report, as well as in our other filings with the Securities and Exchange Commission (SEC). You should read this Annual 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

References within this Annual 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), Koolaburra by UGG® brand (Koolaburra), UGGpure® (UGGpure), and UGGplush™ (UGGplush) are some of our trademarks. Other trademarks or trade names appearing elsewhere within this Annual Report are the property of their respective owners. Solely for convenience, the trademarks and trade names within this Annual Report are referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

Unless otherwise specifically indicated, all figures included within this Annual Report are expressed in thousands, except for per share or share data. The defined periods for the fiscal years ended March 31, 2022, 2021, and 2020 are stated herein as "year ended" or "years ended." We also refer to these fiscal years as "fiscal year 2022," "fiscal year 2021," and "fiscal year 2020," respectively.

Item 1. Business

General

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. Our brands compete across the fashion and casual lifestyle, performance, running, and outdoor markets. 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 manufactured by independent manufacturers.

Products and Brands

UGG. 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 intend to continue diversifying the UGG brand to drive year-round product sales, including through expansion of Women's spring and summer footwear, Men's products, and apparel, accessories, and home goods. The UGG brand is sold globally, including in the US, Canada, Europe, Asia-Pacific, and Latin America.

HOKA. The HOKA brand is an authentic, premium line of year-round performance footwear and apparel that offers enhanced cushioning and inherent stability with minimal weight. Originally designed for ultra-runners, the brand now appeals to world champions, taste makers, and everyday athletes. Strong marketing has fueled both domestic and international sales growth for the HOKA brand, which has quickly become a leading brand within our run and outdoor specialty wholesale accounts and is rapidly growing within selective key accounts. The HOKA brand's product line includes running, trail, hiking, fitness, and lifestyle. The HOKA brand is sold globally, including in the US, Canada, Europe, Asia-Pacific, and Latin America.

Teva. The Teva brand was born in the Grand Canyon and for decades has served as a trusted companion for outdoor adventure seekers around the world. Today, Teva builds upon sport sandal leadership, authentic outdoor heritage, and a commitment to sustainability to drive growth through category expansion and a young, diverse, and adventurous consumer. The Teva brand's product line includes sandals, shoes, and boots. The Teva brand is sold globally, including in the US, Canada, Europe, Asia-Pacific, and Latin America.

Sanuk. The Sanuk brand originated in Southern California surf culture and has manifested into a lifestyle brand with a presence in the relaxed casual shoe and sandal categories, focusing on innovations 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. The Sanuk brand is primarily sold in the US.

Other Brands. Other brands consist primarily of the Koolaburra brand. The Koolaburra brand is a casual footwear fashion line using plush materials and is intended to target the value-oriented consumer to complement the UGG brand offering. Our Other brands are primarily sold in the US and Canada.

Sales and Distribution

US Distribution. In our wholesale channel, we distribute our products in the US through sales representatives, who are organized by account type or geographically and by brand. In addition to our wholesale channel, we sell products directly to consumers through our DTC business and fulfill online orders through our DCs and retail stores.

Our sales force is separated by brand, as each brand generally has certain specialty customers that expect a dedicated sales team with specialized knowledge of the brand's product offerings. However, there is some overlap between the sales teams and customers, and we have aligned our brands' sales forces to position them for the future success of all of our brands.

We currently distribute products sold in the US through our DCs in Moreno Valley, California, and Mooresville, Indiana, as well as through a 3PL in Pennsylvania. Our DCs feature a warehouse management system that enables us to efficiently pick and pack products for direct shipment to customers. Further, we intend to expand our DCs in the US.

Refer to Part I, Item 2, "Properties," and Note 7, "Leases and Other Commitments," of our consolidated financial statements in Part IV within this Annual Report for further information on our properties and related minimum lease and other commitments.

International Distribution. Internationally, in our wholesale channel, we distribute our products through independent distributors and wholly owned subsidiaries in many regions and countries, including Canada, Europe, Asia-Pacific, and Latin America, among others. We also sell products internationally, particularly in China, through partner retail stores, which are branded stores that are wholly owned and operated by third parties. In addition, in certain countries we sell products through our DTC business. For our wholesale and DTC businesses, we distribute our products through a number of DCs managed by 3PLs in certain international locations.

UGG Wholesale. We sell our UGG brand products primarily through fashion lifestyle retailers such as Urban Outfitters and ASOS, domestic higher-end department stores such as Nordstrom, Dillard's, and Macy's, streetwear and sports style partners such as Footlocker and Journey's, as well as online retailers such as Amazon.com, Zappos.com, and Zalando.com. As the retail marketplace continues to evolve to reflect changing consumer preferences, we continually review and evaluate our UGG wholesale distribution and product segmentation approach. For example, as the UGG brand continues to amplify its audience with younger consumers, our distribution to these consumers is expanding faster through our lifestyle and sports style partners.

HOKA Wholesale. We sell select HOKA brand footwear primarily through full-service domestic specialty retailers such as Fleet Feet, JackRabbit, Road Runner Sports, REI, select online retailers such as Zappos.com, and other strategic partners, such as DICK's Sporting Goods, Running Warehouse, and Nordstrom. We continue to expand our HOKA brand wholesale distribution in international markets, including through strategic partners such as Intersport and Sport 2000 in Europe and Xebio Group and Himaraya in Japan.

Teva Wholesale. We sell our Teva brand footwear primarily through specialty outdoor retailers, sporting goods and department stores, including REI, Famous Footwear, United Arrows, ABC Mart, Aeon Sports, Urban Outfitters, DICK's Sporting Goods, DSW, and Nordstrom, and online retailers such as Amazon.com and Zappos.com.

Sanuk Wholesale. We sell our Sanuk brand footwear primarily through domestic independent action sports and outdoor specialty footwear retailers, as well as larger national retail chains, including Journeys, Dillard's, DSW, REI, and online retailers such as Amazon.com and Zappos.com.

Other Brands Wholesale. We sell our Other brands' footwear primarily through department stores and online retailers. Key accounts of the Koolaburra brand include larger national retail chains, including Kohl's, DSW, Macy's, QVC, Shoe Carnival, and Famous Footwear, as well as online retailers such as Amazon.com and Zappos.com.

Direct-to-Consumer. Our DTC business is comprised of our e-commerce business, which we operate through various websites and platforms, and retail stores. Our websites and retail stores are largely intertwined and interdependent. In an omni-channel marketplace, we believe many of our consumers interact with both our retail stores and our websites before making purchasing decisions. For example, consumers may feel or try on products in our retail stores and then place an order online later. Conversely, they may initially research products online, and then view inventory availability by store location and make a purchase in store. We have observed a meaningful shift in the way consumers shop for products and make purchasing decisions, evidenced by decreases in consumer retail store activity as consumers accelerate their migration to online shopping. We have optimized our digital marketing strategy to capitalize on these trends, which has accelerated global online consumer acquisition and retention rates. Although we continue to see consumers migrate to online shopping, our DTC online and retail sales channels interact with each other and largely overlap to provide a fluid purchasing experience, which engenders brand loyalty while increasing product sales and improving our inventory productivity. Further, our domestic and international consumer loyalty programs allow our consumers to earn points and awards across the DTC business, which has contributed to higher brand demand.

Our retail stores enable us to expose consumers to a more curated selection of products, directly impact our consumers' experience with our brands, and sell our products at retail prices thereby generating larger gross profit as a percentage of net sales (gross margin). Our retail stores are predominantly UGG brand concept stores and UGG brand outlet stores, though also include recent openings in our retail store fleet for the HOKA brand. 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. We continue to open outlet stores in key markets to further grow our brand presence and appeal to a broader consumer base. We also have several UGG brand flagship stores and recently opened a HOKA brand flagship store, which are lead concept stores in key markets designed to showcase the UGG and HOKA brand products, respectively. We continue to evaluate future locations for a curated fleet of mono branded retail stores for the UGG and HOKA brands to continue interacting with our consumers and enhancing brand loyalty.

As of March 31, 2022, we operate our e-commerce business through Company-owned websites and mobile platforms in 59 different countries, and have a total of 149 global retail stores, which includes 75 concept stores and 74 outlet stores.

Refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," within this Annual Report for further disclosure and discussion of our DTC business.

Product Design and Development

The design and development functions for all of our brands are performed by a combination of internal design and development staff and outside freelance designers. Our design and development staff work closely with brand management to develop new styles and product lines. Throughout the development process, we have multiple design and development reviews, which we then coordinate with our independent manufacturers. To ensure quality, consistency, and efficiency in our product design and development process, we continually evaluate the availability and cost of raw materials, the capabilities and capacity of our independent manufacturers, and the target retail price of new products.

Manufacturing and Supply Chain

We outsource the production of our products to independent manufacturers, which are primarily located in Asia. We generally purchase products from our manufacturers on the basis of individual purchase orders or short-term purchase commitments, rather than maintaining long-term purchase commitments, which provides us greater flexibility to adapt to changing consumer preferences, changes in international trade relations, and evolving inventory management requirements. Production by our independent manufacturers is performed in accordance with our detailed product specifications and rigorous quality control and operating compliance standards. We maintain a buying office in Hong Kong, as well as on-site supervisory offices in China and Vietnam, which collectively serve as a strong link to our independent manufacturers. We believe our strong regional presence enhances our manufacturing processes by providing predictability of material availability and ensuring compliance with laws and regulations, and adherence to quality control standards and final design specifications.

The majority of the materials and components used in the production of our products by these independent manufacturers are purchased from independent suppliers that we designate. At our direction, our manufacturers purchase the majority of the sheepskin used in our products from two tanneries in China, which source their sheepskin primarily from Australia and the United Kingdom (UK). We maintain routine communication with the tanneries to closely monitor the supply of high-quality sheepskin for our projected UGG brand production. To ensure an adequate supply of sheepskin, we forecast our expected usage in advance at a forward price. We also enter into fixed purchasing contracts and other pricing arrangements with certain sheepskin, leather, and UGGpure suppliers to manage price volatility. We believe current supplies are sufficient to meet our current and anticipated demand, but we continually monitor our supply chain and investigate options to accommodate our expected growth, as well as unexpected supply chain issues. Refer to Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” and Note 7, “Leases and Other Commitments,” of our consolidated financial statements in Part IV within this Annual Report for further information on our minimum purchase commitments.

We require our independent manufacturers and designated suppliers, including our partners and licensees, to adopt our Ethical Supply Chain Supplier Code of Conduct, which specifies that they comply with all local laws and regulations governing human rights, working conditions, anti-corruption laws, restricted substances, and environmental compliance, including animal welfare and conflicts minerals, before we are willing to conduct business with them.

We use a proprietary raw material, UGGpure, which is almost entirely repurposed wool woven into a durable backing, and UGGplush, which is almost entirely repurposed wool and lyocell woven into a durable backing, in some of our UGG brand products. As part of an ongoing effort to eliminate waste as part of our corporate sustainability efforts, at this time, all of the wool in UGGpure and UGGplush is sheared from the sheepskin we are already using in our products. In addition, we are continuing to drive our strategy of introducing counter-seasonal products through category expansion, including the UGG brand’s spring and summer products, as well as the year-round performance footwear product offering of the HOKA brand, which we believe will help further reduce our dependency on sheepskin. Excluding sheepskin, UGGpure, and UGGplush, we believe that substantially all raw materials and components used to manufacture our products, including wool, rubber, leather, and nylon webbing, are generally available from multiple sources at competitive prices.

Inventory Management and Product Returns

We have an extended design and manufacturing process, which involves the initial design of our products, the purchase of raw materials, the accumulation of inventories, the subsequent sale of the inventories, and the collection of the resulting accounts receivable. This production cycle results in significant liquidity requirements and working capital fluctuations throughout our fiscal year. Because our production cycle typically involves long lead times, which requires us to make manufacturing decisions several months in advance of an anticipated purchasing decision by the customer, it is challenging for us to estimate and manage our inventory and working capital requirements.

We seek to manage our inventory levels by considering existing customer orders, forecasted sales and budgets for both our wholesale and DTC channels, and the delivery requirements of our customers. Our systems and processes are designed to improve our product forecasting, inventory control and supply chain management capabilities and we are making investments in a new end-to-end planning system to further support our scaling business, including our e-commerce business. In addition, added discipline around SKU productivity, product purchasing decisions, the reduction of production lead times, and the sale of excess inventory through our liquidation channels, are key areas of focus that we expect will further enhance inventory performance.

Our general practice, and the general practice in our industry, is to offer customers in our wholesale channel the right to return defective or improperly shipped merchandise, and to accept returns from our consumers in the DTC channel between 30 to 90 days from the point of sale for cash or credit.

We encourage our customers to place a significant portion of orders as pre-season orders, which are typically placed up to 12 months prior to the anticipated shipment date, as well as in-season fill-in orders that can be shipped immediately. We work with our customers through pre-season programs to enable us to better plan our production schedule, inventory, and shipping requirements.

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. As we manage product availability, we are focused on mitigating the impacts of ongoing supply chain disruptions in both the wholesale and DTC channels, including through the early procurement of inventory in the country of sale, which will likely result in higher levels of inventory, to allow us to maintain expected service levels into our next fiscal year ending March 31, 2023 (next fiscal year).

Refer to Part I, Item 1A, “Risk Factors,” within this Annual Report for further information on the associated risks and impacts on our business for supply chain disruptions. Refer to Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” within this Annual Report under the sections entitled “Trends and Uncertainties Impacting Our Business and Industry,” “Liquidity,” and “Contractual Obligations” for further information on the impact of supply chain disruptions on our results of operations, our working capital and operating requirements, as well as our purchase obligations for product, respectively.

Environmental, Social, and Governance (ESG)

As a global leader in designing, marketing and distributing innovative footwear, apparel, and accessories, our worldwide reach and impact is significant. We believe consumers are increasingly buying brands that advance sustainable business practices and deliver quality products while striving for minimal environmental impact by employing socially conscious operations. Our sustainability policies and strategies are aligned with, and informed by, our ongoing efforts with multi-stakeholder initiatives, which involve our stockholders, employees, suppliers, and our customers, as well as other brands and non-governmental organizations. Through our holistic environmental, social and governance program, which has been in existence since 2010, we are committed to advancing our sustainable business initiatives. As a result of our efforts, we have been recognized by Newsweek as one of America’s Most Responsible Companies and included on the Bloomberg Gender Equality Index during fiscal year 2022.

ESG Oversight. Our Board of Directors, through its Corporate Governance Committee, which is comprised of four independent directors, oversees our ESG efforts. The Corporate Governance Committee and full Board of Directors regularly receives updates on the status of our ESG program. Our Chief Administrative Officer (CAO) is responsible for the day-to-day management of our ESG program. The program’s execution is driven by our leadership team and various cross-functional teams including our ethical sourcing, facilities, DCs, brands, innovation, materials, and supply chain teams.

Our ESG program aligns our internal teams with our Sustainable Development Goals (SDGs) and establishes policies to encourage our partners and suppliers to employ sustainable business practices. We annually assess risks related to ESG issues as part of our overall enterprise risk management approach. In addition, our internal audit team provides periodic targeted reviews of our ESG-related policies and procedures to the Audit & Risk Management Committee.

Stakeholder Engagement. We highly value stakeholder input and have consistently demonstrated our commitment to maintaining open and interactive dialogue on ESG matters with our stakeholders, including non-governmental organizations, employees, suppliers, industry groups, communities and governments, to ensure their views are actively considered in executing our ESG program. Our stakeholder outreach program is led by a cross-functional team that includes members of our investor relations, compliance, sustainability, diversity, equity, and inclusion (DEI), and legal teams. Additionally, we actively engage with our employees to obtain valuable feedback and track progress.

Sustainable Development Goals. Achieving measurable sustainability success is critical to our future economic and business growth, and we work to establish SDGs that we believe will make the most significant impact for our business, our stockholders, and the communities in which we operate. We are a member of the United Nations Global Compact (UNGC), the world’s largest voluntary corporate sustainability initiative. This membership requires an annual statement of progress, which is reflected in our Corporate Responsibility and Sustainability Report (Creating Change Report). Our CAO identifies specific SDGs established by the UNGC, which we adopt to guide our efforts to address environmental and social challenges. Our SDGs are currently focused on categories where we believe we can make substantial impacts.

The following is a brief overview of our SDGs and related achievements during fiscal year 2022:

- *Materials.* We strive to maximize the amount of environmentally preferred materials in our products (including recycled, renewable, regenerated, and natural materials). During fiscal year 2022, we sourced the vast majority of our leather supplies from Leather Working Group-certified tanneries, which promote sustainable and environmentally friendly business practices within the leather industry. We continued to utilize our third-party, science-based Lifecycle Assessment (LCA) tool to guide our brands toward leveraging preferred materials.

  Our goal through calendar year 2022 is for any virgin market wool to be certified by the Responsible Wool Standard, which addresses the welfare of sheep and the land they graze on. We require our supply chain partners to comply with our Ethical Sourcing and Animal Welfare Policy and have amplified our requirements for leathers sourced from South America by implementing detailed traceability standards to address deforestation. In addition, we do not believe in the exploitation or killing of animals solely for the purpose of their fur. We only use hides that are the byproduct of the meat industry and, with our innovative UGGpure and UGGplush technologies, the wool used in our UGG brand footwear is almost entirely repurposed from sheepskin we are already using.

- *Waste*. We aim to sustainably reduce waste generated at our facilities and partner facilities through reduction, recycling, and reuse. Our DC in Moreno Valley, California has undertaken efforts to become a zero-waste facility by calendar year 2023. We have taken steps to remove most single-use plastic from our packaging at our corporate headquarters, and have eliminated single-use plastic bags from our retail stores. We have also implemented tracking programs with the majority of our manufacturing partners to monitor waste generation and waste diversion methods and we continue to monitor all supplier partners through our ongoing LCA outreach efforts.

- *Water.* We strive to mitigate water scarcity in the countries we operate in by reducing water consumption and improving water quality throughout our operations. We have reduced water consumption among our monitored manufacturing partners and have set reduction targets for our suppliers. We expect our partners to adhere to the highest standards of water efficiency and discharge.

- *Chemistry.* We seek to achieve environmentally sound management of chemicals and reduce the discharge of hazardous substances among our key business partners. Since fiscal year 2021, our Restricted Substances team manages and controls over 1,600 restricted substances and are constantly exploring cleaner chemistries where possible.

- *Climate and Clean Energy.* We aim to reduce energy consumption and carbon emissions throughout our operations. We set ambitious Scope 1, 2, and 3 carbon reduction targets with the Science-Based Targets initiative, which provides guidance to companies to set targets in line with the latest climate science. We have also engaged a third-party expert, Carbon Trust, to oversee our carbon accounting, and have collaborated with them to establish our carbon reduction targets. We are founders of the Savory Institute's Land to Market program, working to protect and reverse environmental degradation through regenerative farming practices. During fiscal year 2022, we established a long-term grant with Savory Institute to support regenerative farming practices on sheep farms in Australia, influencing over 200,000 acres and 40 farms.

- *Gender Equality and Quality Education.* We are committed to accelerating our DEI efforts to make a meaningful difference for our employees, our customers, and the communities in which we operate. In fiscal year 2022, we debuted on the Bloomberg Gender-Equality Index, which helps bring transparency to gender-related practices and policies at publicly-listed companies around the world. In addition to our own corporate DEI efforts, we promote gender equality and quality education at our supply chain partners through our partnership with the Business for Social Responsibility’s HERproject, which positively impacts the well-being of women through workplace-based education and training to promote health, gender equality and financial inclusion. Further, each of our brands has committed to represent Black, Indigenous, and people of color (BIPOC), Lesbian, Gay, Bisexual, Transgender, Queer, Intersex, and Allies (LGBTQIA+), and diverse body types and abilities in their marketing campaigns.

- *Human Rights.* We are committed to positively impacting the communities in which we operate, including assuring industry leading human rights practices within our supply chain. We have established robust criteria in our Ethical Supply Chain Supplier Code of Conduct, based on International Labour Organization standards, which outlines our expectations of our partners on various topics including child labor, forced labor, slavery and human trafficking, harassment, discrimination, health and safety, compensation, working hours, freedom of association, and environment. Topics covered in our Supplier Code of Conduct, health and safety ratings, and environmental performance are included in our performance scorecards which are regularly reviewed by our leadership team. Partners who underperform are placed on corrective action plans and monitored more frequently. We are members of the Transparency Pledge to promote a standard for supply chain disclosure in the garment and footwear industry. We publish a list that includes all of our Tier 1 and Tier 2 supply chain partners and ensure it is regularly updated to include key details like number of employees at each site, location, and types of products made. We are also members of The Social & Labor Convergence Program, a multi-stakeholder initiative whose goal is to increase the effectiveness of factory audits.

Our brands are each fully committed to sustainability, fully embrace our targets, and continue to launch sustainable collections. For example, the UGG brand's Plant Power Collection features carbon-neutral, plant-based materials, and the brand's Icon Impact Collection leverages environmentally preferred materials, such as lyocell, renewable sugarcane EVA, cotton, hemp, repurposed wool and recycled polyester made from recycled plastic bottles. The HOKA brand continues to focus on integrating more environmentally preferred materials in its footwear and launched a sustainable apparel collection. Further, the Teva brand partnered with TerraCycle® to give well-worn Teva sandals new life as downcycled materials. The Sanuk brand continues to offer the SustainaSole™ Collection featuring styles comprised of 55% total recycled material by weight and undyed uppers.

Our Creating Change Report for the year ended March 31, 2022, which will be published under the "Responsibility" tab of our website located at *www.deckers.com*, will provide more information regarding our fiscal year 2022 ESG achievements with a focus on the above SDGs. We believe that the progress of our corporate responsibility efforts is served by disclosing goals and relevant metrics and, to that end, we have aligned the reporting standards included in our Creating Change Report with the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (commonly referred to as TCFD), Global Reporting Initiative's (commonly referred to as GRI) Core Standards, and Sustainability Accounting Standards Board's (commonly referred to as SASB, and now part of the Value Reporting Foundation) Consumer Goods Sector Apparel, Accessories and Footwear Index. The content of our historical Corporate Responsibility and Sustainability Reports is not incorporated by reference into this Annual Report or in any other report or document we file with the SEC.

Human Capital - Our People and Our Culture

Employees. As of March 31, 2022, we employ approximately 4,000 employees in North America, Europe, and Asia. This includes approximately 1,400 employees in our retail stores worldwide, which includes part-time and seasonal employees. For a variety of reasons, we believe that our relationship with our employees is generally favorable.

Culture. Our purpose is to positively impact the world by uniting purposeful brands with diverse people driven to succeed and create change. Our key values, which guide our journey onward together to improve our business and create a better world around it, help hold us accountable to deliver on this purpose:

- *Come as you are.* Authentic employees create an authentic company.
- *Better together.* The power of independent spirit, united for a common goal.
- *Commit to create.* Curiosity fuels creativity, which in turn fuels innovation.
- *Own it.* We set high targets and hit them and take accountability when we don't.
- *Do good and do great.* We act with integrity and humility and respect each other and our communities to drive a sustainable business.

Our values define our Company and serve as the driving force behind how we work together and work with customers, consumers, partners, suppliers, and communities. We also have detailed ethics and compliance policies that instill a commitment to ethical behavior and legal compliance across our Company. Through our open-door policy and culture, employees are encouraged to approach their managers if they believe violations of standards or policies have occurred and are also able to make confidential and anonymous reports using a 24/7 online or telephone hotline hosted by an independent third-party provider.

***Promoting Diversity, Equity and Inclusion*.** We promote DEI and believe that creating a diverse and inclusive workplace is critical to ensuring all of our employees can come as they are and can bring their authentic selves to work each day. We believe the inclusion of diverse perspectives, and amplifying voices of underrepresented communities brings a unique set of experiences, opinions, and thoughts on critical issues that help enhance our business and drive better outcomes. To that end, our Board of Directors is currently comprised of a total of ten directors, 40% of whom are female, and 60% of whom are from underrepresented communities. As of March 31, 2022, 21% of our director-level and above employees in the US are from BIPOC communities. This represents an increase of 6% compared to fiscal year 2021 and an overall increase of more than 9% since fiscal year 2020. Further, during fiscal year 2022, 44% of all new hires reporting into the US corporate office were BIPOC.

Our Code of Ethics, on which we train our employees biennially, as well as our annual Creating Change Report, codifies these values and our commitment to DEI. We have a robust collection of programs designed to support creating a more inclusive workplace, as well as policies and practices aimed at increasing diversity. We have implemented a comprehensive, global strategy for DEI, including the following:

- Our brands have committed to having at least 60% of individuals in our marketing campaigns who represent the BIPOC and LGBTQIA+ communities and diverse body types and abilities.
- We have created a framework for the creation of Employee Resource Groups (ERGs), which are formed around common interests, background or characteristics including gender, race, ethnicity, and other affinities. We have nine ERGs with approximately 300 employee members as of March 31, 2022.
- All director-level and above positions are interviewed by a panel that includes individuals from underrepresented communities.
- We are continuing to utilize software that optimizes job descriptions to help ensure a more diverse applicant pool, as well as redacting certain resume information that may lead to unconscious bias.
- We are expanding the pool from which we source our talent, including partnering with Historically Black Colleges and Universities, as well as local and national professional organizations.
- We have joined The Valuable 500, which is a business-to-business initiative comprised of companies committed to disability inclusion, the Civic Alliance, which is a nonpartisan business coalition that champions democracy and civic participation, and we are part of the Bloomberg Gender-Equality Index.
- We have deployed mandatory anti-racism and implicit bias training, as well as a suite of additional learning and development resources available to employees, including *Inclusive Interviewing and Selection* for managers, *Disability Awareness & Inclusion*, and *Applying DEI Practices to Product Lifecycle*, among others aimed at increasing employee acumen about DEI-focused topics.
- We host Coffee & Conversations, monthly small-group facilitated discussions on DEI-related topics.
- We have a global mentorship program to help provide our existing talent with networking and engagement opportunities.

Charitable Giving and Volunteering. Our charitable contributions, product donations, and employee volunteer efforts are an essential part of our culture. Each fiscal year, we contribute to our local communities through monetary donations, volunteer efforts and in-kind donations. During fiscal year 2022, we donated approximately $3,000 to various non-profit organizations, primarily to organizations focused on DEI initiatives, environmental impact mitigation, and community support. We also continued our 'Art of Kindness' events, where employees volunteer during a week-long event in our local communities multiple times during the fiscal year. Our employees volunteered over 14,000 hours in fiscal year 2022. Further, our supply chain partners followed our lead and volunteered in their local communities during fiscal year 2022. Our strategic giving and community-engagement efforts continued to be aligned with our SDGs, including DEI, the environment, uplifting youth, education, and community support. We also encourage our employees to volunteer by compensating each employee for up to 24 hours of volunteer time each calendar year and offer incentives for payments to employees' charity of choice when meeting 100 hours of volunteer time per calendar year.

Talent Development and Retention. The ability to attract, develop and retain employees is critical to our long-term success. We focus on our employees' growth, creating experiences that align with our strategic priorities and promote inclusion, performance, and opportunities for development. For example, our leadership team mentors rising talent on a formal and informal basis, which we believe accelerates the development of our top performers, increases organizational learning, and improves employee performance and retention. Further, our executive leadership team and Board of Directors commits substantial time to evaluating the bench strength of our leadership and supporting their career development while improving organizational performance.

We have demonstrated a history of investing in our workforce by offering competitive salaries and wages, and annual increases based on merit, as well as annual cash bonus compensation, which is based on Company and individual performance. We provide tuition reimbursement for eligible US employees up to $5 thousand per calendar year. We were also one of the first companies to increase the minimum wage in all retail stores across the US to $15 dollars per hour, since November 2020. Further, to foster a stronger sense of ownership and align the interests of management with stockholders, time-based restricted stock units and long-term incentive plan performance stock units are granted to a substantial proportion of our leadership team under our stock-based compensation programs. In addition, employees across the US business have the opportunity to purchase stock at a discounted price through our Employee Stock Purchase Plan. Further, we engage an independent compensation consultant, FW Cook, which provides us with information to evaluate the effectiveness of our executive compensation program, including competitive pay practices and trends in our industry, the design and structure of our executive compensation program, as well as the formulation of and benchmarking against our peers within our industry.

Employee Wellness. We strive to be one of the best places to work and recognize our employees are at different stages of life and have specific individual needs. We offer affordable, innovative, comprehensive and competitive benefits package that range from health insurance, retirement plan, life insurance, disability, accident coverage, paid time off, paid and unpaid leave including maternity and paternity leave, mental health benefits and other voluntary benefits such as health savings accounts or our recent solar and electric car reimbursement program. We also provide resources to support our many employees who work from home as part of our new flexible work model (FWM), including equipment and furniture for their home office setup and workshops and tools for leading remote teams.

Employee Health and Safety. The health and safety of our employees is our highest priority. We have comprehensive safety training programs that ensure our employees know how to do their jobs safely and in compliance with laws and regulations. We operate in modern, efficient, and safe facilities.

In an effort to protect the health and safety of our employees during the pandemic, as part of our new FWM, we continue to allow those employees who could perform their jobs remotely to have a virtual work environment, and we are limiting the number of employees on-site relative to our typical personnel office capacity. We have also implemented enhanced safety measures and protocols at our facilities where on-site work is necessary, including enhanced cleaning protocols and mask requirements where locally mandated.

Reportable Operating Segments and Geographic Areas

Our six reportable operating segments include the five strategic business units responsible for the worldwide operations of the wholesale divisions of our brands (UGG, HOKA, Teva, Sanuk, and Other brands), plus our DTC business. Refer to Note 12, "Reportable Operating Segments," of our consolidated financial statements in Part IV within this Annual Report for further information regarding our reportable operating segments. Additionally, refer to Note 13, "Concentration of Business," of our consolidated financial statements in Part IV within this Annual Report for financial information about geographic areas and concentration of related business risks.

Seasonality

Our business is seasonal, with the highest percentage of UGG and Koolaburra brand net sales occurring in the quarters ending September 30th and December 31st and the highest percentage of Teva and Sanuk brand net sales occurring in the quarters ending March 31st and June 30th. Net sales for the HOKA brand occur more evenly throughout the year reflecting the brand's year-round performance product offerings. Due to the magnitude of the UGG brand relative to our other brands, our aggregate net sales in the quarters ending September 30th and December 31st have historically significantly exceeded 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 and we have begun to experience shifts during fiscal year 2022 for higher sales in the quarter ending March 31st. However, our seasonality has been impacted by supply chain challenges and it is unclear whether these impacts will be minimized or exaggerated in future periods as a result of these disruptions. Refer to Part I, Item 1A, “Risk Factors,” and Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” within this Annual Report for further discussion of the factors that may cause our actual results to differ materially from our expectations, as well as factors that may impact our future results of operations.

Competition

The markets in which we operate are highly competitive. Our competitors include athletic and footwear companies, branded apparel companies and retailers with their own private labels. Although the industry is fragmented, many of our competitors are larger and have substantially greater resources, several of which compete directly with some of our products. In addition, access to offshore manufacturing and the growth of e-commerce has made it easier for new companies to enter the markets in which we compete, further increasing competition in the footwear, apparel, and accessories industry. In particular, and in part due to the popularity of our UGG brand and HOKA brand products, we face increasing competition from a significant number of domestic and international competitors selling products designed to compete directly or indirectly with our products. We believe that our ability to successfully compete depends on numerous factors, including our ability to predict, assess, and respond quickly to changing consumer tastes and preferences, produce appealing products that meet expectations for product quality and technical performance, maintain and enhance the image and strength of our brands, price our products competitively, and weather the impacts and disruptions caused by the pandemic, among others. In addition, we believe that our key customers face intense competition from other department stores, sporting goods stores, retail specialty stores, and online retailers, among others, which could negatively impact the financial stability of their businesses and their ability to conduct business with us. Refer to Part I, Item 1A, “Risk Factors,” within this Annual Report for further discussion of the potential impact of competition on our business and results of operations.

Patents and Trademarks

We utilize trademarks for virtually all of our products and believe that having distinctive marks that are readily identifiable is an important factor in creating a market for our products, promoting our brands, and distinguishing our products from the products of others. We currently hold trademark registrations for “UGG,” “Teva,” “Sanuk,” “HOKA,” “Koolaburra by UGG,” “UGGpure,” and other marks in the US, and for certain of the marks in many other countries, including Canada, China, the UK, various countries in the European Union (EU), Japan, and Korea. As of March 31, 2022, we hold 193 designs and inventions with corresponding design or utility patent registrations, plus 40 designs and inventions which are currently pending registration. These patents expire at various times. We regard our proprietary rights as valuable assets and vigorously protect such rights against infringement by third parties.

Government Regulation

Compliance with federal, state, and local environmental regulations has not had, and it is not expected to have, any material effect on our business, results of operations, financial condition, or competitive position based on information and circumstances known to us at this time.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and information statements (and any amendments or supplements to the foregoing) filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge on our website at *www.deckers.com*. Such documents and information are available as soon as reasonably practicable after they are filed with or furnished to the SEC. We also make the following corporate governance and responsibility documents available through our website: Audit & Risk Management Committee Charter, Talent & Compensation Committee Charter, Corporate Governance Committee Charter, Corporate Disclosure Policy, Code of Ethics, 2021 Corporate Responsibility Report, Restricted Substance Packet, Ethical Supply Chain Supplier Code of Conduct, Accounting and Finance Code of Ethics, Corporate Governance Guidelines, Environmental Policy, Ethical Sourcing and Animal Welfare Policy, Paper and Forest Procurement Policy, Water Policy, and Conflict Minerals Policy. The information contained on or accessed through our website does not constitute part of this Annual Report, and references to our website address within this Annual Report are inactive textual references only.

Item 1A. Risk Factors

Our short and long-term success is subject to numerous risks and uncertainties, many of which involve factors that are difficult to predict or beyond our control. As a result, investing in our common stock involves substantial risk. Before deciding to purchase, hold or sell our common stock, stockholders and potential stockholders should carefully consider the risks and uncertainties described below, in addition to the other information contained in or incorporated by reference into this Annual Report, as well as the other information we file with the SEC. If any of these risks are realized, our business, financial condition, results of operations, and prospects could be materially and adversely affected. In that case, the value of our common stock could decline, and stockholders may lose all or part of their investment. Furthermore, additional risks and uncertainties of which we are currently unaware, or which we currently consider to be immaterial, could have a material adverse effect on our business.

Certain statements made in this section constitute "forward-looking statements," which are subject to numerous risks and uncertainties including those described in this section. Refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" within this Annual Report for additional information.

Risks Related to Our Business and Industry

Health epidemics, including the pandemic, have had, and could in the future have, a material adverse impact on our business, operations, liquidity, financial condition, results of operations, the operations of our customers and business partners, and the markets and communities in which we, our customers, and our partners operate.

Since 2020, the pandemic has had, and in the future other public health crises or epidemics could have, repercussions across local, regional, and global economies and financial markets. The pandemic has driven global uncertainty, disrupted consumer spending and consumer supply chains, contributed to global shipping delays and port congestions, and created significant volatility and disruption of financial markets. Global supply chain disruptions during fiscal year 2022 negatively impacted our profitability and could continue to do so in future periods, which could have a material adverse effect on our financial condition and results of operations. In addition, the demand for our products and our financial condition could be adversely impacted due to a number of other factors in connection with this or other pandemics, including the following:

- reduced demand for certain products, including as a result of decreased store traffic due to retail store closures, social distancing restrictions or changes in consumer behavior;
- a deterioration in our ability, or the ability of our customers, to operate in affected regions;
- reduced availability of our supply of raw materials;
- the impact on and recovery time of our supply chain, including consequential staffing shortages and manufacturing and shipping delays;
- the failure of key business partners to provide services for our efficient operations, including the inability of our manufacturers or third-party distributors to timely fulfill their obligations to us; and
- financial difficulties facing our customers, which could cause them to be unable to make or delay making payments to us or result in order cancellations for our product offerings.

We expect any further spread of the pandemic or the threat or perception that this could occur, or any protracted duration of decreased economic activity, could have a material adverse effect on our business, operations and financial results. Further, we experienced an increase in sales of certain of our products that are desirable to wear within the work-from-home environment, and there can be no assurance that consumers will continue purchasing such products as they transition back into the workplace and travel restrictions are relaxed.

Many of our products are inherently seasonal, and the sales of certain of our products are highly sensitive to weather conditions, which makes it difficult to anticipate consumer demand for our products, manage our expenses, and forecast our financial results.

Due to the nature of our product offerings, sales of our products are inherently seasonal. Historically, the highest percentage of UGG and Koolaburra brand net sales have occurred during the fall and winter (our second and third fiscal quarters), and the highest percentage of Teva and Sanuk brand net sales have occurred during the spring and summer (our first and fourth fiscal quarters). 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, seasonal trends have resulted in our net sales for the second and third

fiscal quarters significantly exceeding that of the first and fourth fiscal quarters. While we continue to diversify and expand our product offerings by creating more year-round styles and focus on increasing HOKA brand net sales as a percentage of our aggregate net sales to positively impact our seasonality trends, we expect our quarterly net sales to fluctuate for the foreseeable future. Sales of certain of our products are highly sensitive to weather conditions, which are difficult to predict and beyond our control. For example, extended periods of unseasonably warm weather during the fall or winter may significantly reduce demand for our UGG brand products. Unfavorable or unexpected weather patterns may have a material, negative impact on our business, financial condition, results of operations and prospects, and the effects of climate change may pronounce these conditions. In addition, the unpredictability of weather conditions makes it more difficult for us to accurately forecast our financial results and meet the expectations of analysts and investors.

Due to the relative concentration of our sales in certain months of the year, factors impacting consumer spending patterns in those months, such as unexpected weather patterns, declines in consumer confidence, changing consumer preferences, uncertain economic conditions, or inflation will disproportionately impact our business and could result in our failure to achieve financial performance that is in line with our expectations or the expectations of market participants. In addition, significant fluctuations in our financial performance due to these or other factors could increase the volatility of our stock price, which could cause our stock price to decline.

The footwear, apparel, and accessories industry is subject to rapid changes in consumer preferences, and if we do not accurately anticipate and promptly respond to consumer demand and spending patterns, we could lose sales, our relationships with customers could be harmed, and our brand loyalty could be diminished.

The footwear, apparel, and accessories industry is subject to rapid changes in consumer preferences and fashion tastes, which make it difficult to anticipate demand for our products and forecast our financial results. Our success is driven to some extent by brand loyalty, and there can be no assurance that consumers will continue to prefer our brands. Consumer demand for our products depends in part on the continued strength of our brands, which in turn depends on our ability to anticipate, understand and promptly respond to the rapidly changing preferences and fashion tastes, as well as consumer spending patterns. As our brands and product offerings evolve, it is necessary for our products to appeal to an even broader range of consumers whose preferences cannot be predicted with certainty. Many of our products, particularly our UGG brand product offerings, include a fashion element and could go out of style at any time. Further, the value of our brands is largely based on evolving consumer perceptions, including as a result of shifting ethical, political or social standards, and concerns with respect to factors such as product quality, product design, technical performance, product components or materials, including the sustainability of products or materials, or customer service, could result in negative perceptions and a corresponding loss of brand loyalty and value. These concerns may be exacerbated by legislation restricting our ability to use certain materials in our products, as well as negative publicity regarding us or our products, brands, marketing campaigns, partners or celebrity endorsers, which could adversely affect our reputation and sales regardless of the accuracy of such claims. Social media, which accelerates the dissemination of information, can increase the challenges of containing any such negative claims. If consumers begin to have negative perceptions of our brands, whether or not warranted, our brand image would become tarnished and our products would become less desirable, which could have a material adverse effect on our business.

Changes in economic conditions may adversely affect our financial condition and results of operations.

Volatile economic conditions and general changes in the market have affected, and will likely continue to affect, consumer spending generally and the buying habits and preferences of consumers. A significant portion of the products we sell, especially those sold under the UGG and HOKA brands, are premium retail products. The purchase of these products by consumers is largely discretionary and is therefore highly dependent upon the level of consumer confidence and discretionary spending, particularly among affluent consumers. Sales of these products may be adversely affected by factors such as worsening economic conditions, consumer confidence in future economic conditions, changes to fuel and other energy costs, labor and healthcare costs, declines in income or asset values, and increases in consumer debt levels, inflation and interest rates, and unemployment rates. Uncertainty in global economic conditions continues, particularly in light of the impacts of the pandemic, and trends in consumer discretionary spending remain unpredictable. During an actual or perceived economic downturn, fewer consumers may shop for our products, and those who do may limit the amount of their purchases or substitute less costly products for our products. As a result, we could be required to reduce the price we can charge for our products or increase our marketing and promotional expenses to generate additional demand for our products. In

either case, these changes could reduce our sales and profitability, which could have a material adverse effect on our financial condition and results of operations.

We sell a large portion of our products through higher-end specialty and department store retailers, as well as through online marketplaces such as Amazon.com. The businesses of these customers may be impacted by factors such as changes in economic conditions, reduced consumer demand for premium products, decreases in available credit, and increased competition. If our customers face financial difficulties, it could have an adverse impact on our estimated allowances and reserves, and potentially result in us losing key customers.

We face intense competition from both established companies and newer entrants into the market, and our failure to compete effectively could cause our market share to decline, which could harm our reputation and have a material adverse impact on our financial condition and results of operations.

The footwear, apparel, and accessories industry is highly competitive and subject to changing consumer preferences and tastes. Our inability to compete effectively could cause our market share to decline, which could harm our reputation and have a material adverse impact on our financial condition and results of operations. Our competitors include both established companies and newer entrants into the market. In particular, we believe that, as a result of the growth of the UGG and HOKA brands, certain competitors have entered the marketplace specifically in response to the success of our brands, and other competitors may do so in the future. A number of our larger competitors have significantly greater financial, technological, engineering, manufacturing, marketing, and distribution resources than we do, as well as greater brand awareness in the footwear, apparel, and accessories markets among consumers. Further, these competitors may have relationships with our key retail customers that are potentially more important to those customers because of the significantly larger volume and product mix that our competitors sell to them. Our competitors' greater resources and capabilities in these areas may enable them to more effectively compete on the basis of price and production, develop new products more quickly or with superior technical capabilities, market their products and brands more successfully, identify or influence consumer preferences, increase their market share, withstand the impacts of seasonality, and manage periodic downturns in the footwear, apparel, and accessories industry or in economic conditions generally. With respect to newer entrants into the market, we believe that factors such as access to offshore manufacturing and changes in technology will make it easier and more cost effective for these companies to compete with us.

As a result of the competitive environment in which we operate, we have faced, and expect to continue to face, intense pricing pressure. Efforts by our competitors to dispose of their excess inventories may significantly reduce prices of competitive products, which may put pressure on us to reduce the pricing of our products to compete, or cause consumers to shift their purchasing decisions away from our products entirely. We have also faced, and expect to continue to face, intense pressure with respect to competition for key customer accounts and distribution channels. Further, we believe that our key customers face intense competition from their competitors, which could negatively impact the financial stability of their businesses and their ability to conduct business with us.

If we fail to compete effectively in the future, our sales could decline, and our margins could be impacted, either of which could have a negative impact on our financial condition and results of operations.

We use sheepskin to manufacture a significant portion of our products, and if we are unable to obtain a sufficient quantity of sheepskin at acceptable prices that meets our quality expectations, or if there are legal or social impediments to our ability to use sheepskin, it could have a material adverse impact on our business.

We purchase certain raw materials that are affected by commodity prices, the most significant of which is sheepskin. The supply of sheepskin, which is used to manufacture a significant portion of our UGG brand products, is in high demand and there are limited suppliers that are able to provide the quantity and quality of sheepskin that we require. In addition, our unique product design and animal welfare standards require sheepskin that may be found only in certain geographies. We presently rely on only two tanneries in China to provide the majority of our sheepskin. If the sheepskin provided by these tanneries and the resulting products we produce do not conform to our quality or sustainability specifications or fail to meet consumer expectations, we could experience reduced demand for our products, a higher rate of customer returns and negative impacts on the image of our brands, any of which could have a material adverse impact on our business. Similarly, if these tanneries are not able to deliver sheepskin in the quantities required, or were to cease operations, we may not be able to timely obtain suitable substitute materials, which would limit our ability to meet demand for our products, lead to inventory shortages, result in a loss of sales, strain our customer relationships, and harm our reputation. In addition, any factors that

negatively impact the business of these tanneries, or the businesses of the suppliers that warehouse their inventories, such as loss of customers, financial instability, loss or destruction of property, work stoppages, political instability, or acts of terrorism or catastrophic events, could result in shortages in our supply of sheepskin.

While we have experienced fairly stable pricing in recent years, fluctuations in the price of sheepskin could occur as a result of 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, 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, which would increase our manufacturing costs and reduce our gross margin. While we use purchasing contracts and other pricing arrangements to reduce the impact of sheepskin price fluctuations on our results of operations, these strategies may not be sufficient to offset the negative impact of a prolonged increase in such prices on our results of operations. In that event, it is unlikely we would be able to adjust our product prices sufficiently to eliminate the impact on our gross margin and our financial results may suffer. In an effort to reduce our dependency on sheepskin, we are seeking sustainable alternatives for key product materials.

In addition, our industry is characterized by rapidly changing fashion trends and consumer preferences, and we believe there is a growing trend to eliminate the use of certain animal products, most notably fur, in footwear, apparel, and accessories. For example, the sale of fur is banned in certain US cities, and similar legislation is being considered in other geographies. While the use of leather and sheepskin has typically not been subject to these restrictions, it is possible that future legislation could restrict our ability to use sheepskin in the products we sell in certain geographies. In addition, notwithstanding whether specific legislation is passed, it is possible that consumer preferences may change based on evolving ethical or social standards, such that our products may potentially become less desirable to certain consumers. Because sheepskin is used to manufacture a significant portion of our UGG brand products, any legal or social impediments to the sale of sheepskin products, especially within our large target markets, could have a material adverse impact on our business, financial condition, and results of operations.

If we are unsuccessful at improving our operational systems and our efforts do not result in the anticipated benefits to us or result in unanticipated disruption to our business, our financial condition and results of operations could be adversely affected, and our business may become less competitive.

We continually strive to improve, automate and streamline our operational systems, processes and infrastructure as part of our ongoing effort to improve the overall efficiency and competitiveness of our business. While these efforts have resulted in improvements to our operational systems, we expect to continue to incur expenses to implement additional improvements and upgrades to our systems. Many of these expenditures have been and may continue to be incurred in advance of the realization of any direct benefits to our business. We cannot guarantee that we will be successful at improving our operational systems, or that our efforts will result in the anticipated benefits to us. If our operational system upgrades, improvements and associated change management efforts are not successful, our financial condition and results of operations could be adversely affected, and our business may become less competitive.

Our success depends in part on the continued operation of our key business processes, including our information technology (IT) and global communications systems. We rely on third-party IT service providers worldwide for many of our IT functions, including network, hardware, and software configuration. Additionally, we rely on internal networks and information systems and other technologies, including the internet and third-party hosted services, to support a variety of business processes and activities. Any disruption to these systems or networks could result in product fulfillment delays, key personnel being unable to perform duties or communicate throughout the organization, loss of sales, significant costs for data restoration, the inability to interpret data timely to enhance operations, and other adverse impacts on our business and reputation. Further, if key operational systems and processes are not properly supporting our business, it could result in information silos and inefficiencies across our organization. If we are unable to modify our systems and processes to respond to changes in our business needs, or if we or our third-party providers experience a failure or interruption in these systems, our ability to accurately forecast sales, report our financial position and results of operations, or otherwise manage and operate our business could be adversely affected.

If we are unsuccessful at managing product manufacturing decisions, we may be unable to accurately forecast our inventory and working capital requirements, which may have a material adverse impact on our financial condition and results of operations.

Like other companies in our industry, we have an extended design and manufacturing process, which involves the initial design of our products, the purchase of raw materials, the accumulation of inventories, the subsequent sale of the inventories, and the collection of the resulting accounts receivable. This production cycle requires us to incur significant expenses relating to the design, manufacturing and marketing of our products in advance of the realization of revenue from the sale of our products, and results in significant liquidity requirements and working capital fluctuations throughout our fiscal year. Because this cycle involves long lead times, which require us to make manufacturing decisions months in advance of an anticipated purchasing decision by the consumer, it is challenging to estimate and manage our inventory and working capital requirements, which has been exacerbated by supply chain disruptions. For example, our inventory in transit as of the end of our third and fourth fiscal quarters ended December 31, 2021, and March 31, 2022, respectively, was significantly higher than our inventory in transit in the comparable periods during fiscal year 2021, and these pressures have negatively impacted our gross margin and may continue to do so in future periods. Further, once manufacturing decisions are made, it is difficult for our management to predict and timely adjust expenses in reaction to various factors, including the following:

- the impacts of unfavorable weather patterns on consumer spending and demand for our products;
- changes in consumer preferences, tastes, discretionary spending, and prevailing fashion trends;
- market acceptance of our current products and new products, and of competitive products;
- future sales demand from our customers;
- the competitive environment, including pricing pressure from reduced pricing of competitive products, which may cause consumers to shift their purchasing decisions away from our products;
- delays in resource or product availability due to impacts from the pandemic; and
- uncertain macroeconomic and political conditions.

The evolution and expansion of our brands and product offerings has made our inventory management activities more challenging. For example, if we overestimate demand for any products or styles, we may be forced to incur significant markdowns or sell excess inventories at reduced prices, which would result in lower revenues and reduced gross margin. On the other hand, if we underestimate demand, or if our independent manufacturing facilities are unable to supply products in sufficient quantities, we may experience inventory shortages that may prevent us from fulfilling customer orders or result in us delaying shipments to customers. If that occurred, we could lose sales, our relationships with customers could be harmed, and our brand loyalty could be diminished. In either event, these factors could have a material adverse impact on our financial condition and results of operations.

It may be difficult to identify new retail store locations that meet our requirements, and any new retail stores may not realize returns on our investments.

We expect to continually review our retail store fleet and may simultaneously identify opportunities for closure of underperforming locations while opening new retail stores at different locations. Global store openings involve substantial investments, including those relating to leasehold improvements, furniture and fixtures, equipment, information systems, inventory, and personnel. Because a certain amount of our retail store costs are fixed, if we have insufficient sales at a new store location, we may be unable to avoid losses or negative cash flows. The closure of a retail store can result in a significant negative financial impact, including lost sales, write-offs of retail store assets and inventory, lease termination costs, and severance costs. In light of these costs and impairments, we conduct a thorough diligence process and apply stringent financial parameters when assessing whether to open a new retail store location. However, there can be no assurance that any new retail location will generate a positive return on our investment or increase our sales.

Furthermore, we license the right to operate retail stores for our brands to third parties through our partner retail program. We currently plan for most of the partner retail stores to be operated in international markets, with the largest number anticipated to be in China. We provide training to support these stores and set and monitor operational standards. However, the quality of these store operations may decline due to the failure of these third parties to operate the stores in a manner consistent with our standards or our failure to adequately monitor these third parties, which could result in reduced sales and cause our brand image to suffer. We continue to evaluate our partner retail strategy and our retail approach in international markets in response to changes in consumer demand, retail store traffic patterns, and our brand and regional strategies.

Our financial success is influenced by the success of our customers, and the loss of a key customer could have a material adverse effect on our financial condition and results of operations.

Much of our financial success is directly related to the ability of our retailer and distributor partners to successfully market and sell our brands directly to consumers. If a partner fails to satisfy contractual obligations or otherwise meet our expectations, or experiences a closure or other operational issues, it may be difficult to locate an acceptable substitute partner. If we determine that it is necessary to make a change, we may experience increased costs, loss of customers, or increased credit or inventory risk. In addition, there is no guarantee that any replacement partner will generate results that are more favorable than the terminated party.

We currently do not have long-term contracts with our customers. As a result, we face the risk that key customers may not increase their business with us as we expect or may significantly decrease their business with us or terminate our relationship. Although no single customer accounted for 10.0% or more of our net sales during fiscal year 2022, the failure to increase or maintain our sales with our key customers as much as we anticipate would have a negative impact on our growth prospects and any decrease or loss of these customers' business could result in a material decrease in our net sales and net income or loss if we are unable to capture these sales through our DTC channel. Further, as of March 31, 2022, we have one customer that represents 11.2% of trade accounts receivable, net. Trade accounts receivable, net are typically unsecured and are thus subject to the increased risk of us being unable to collect on overdue amounts, or us doing so in a timely manner, which could impact our revenue and liquidity. Further, while we have distributor contracts with terms of up to five years, these contracts may have annual purchase minimums which must be met to retain the distribution rights, and these distributors are not otherwise obligated to purchase our products. Sales to our customers are generally on an order-by-order basis and may be cancelled or rescheduled by our customers. We rely on purchase order delivery dates as a key factor to forecast our sales and earnings for future periods, and if our customers postpone, reduce, or discontinue purchases from us, we could fail to meet our forecasted results. These risks have been exacerbated as key customers operate within a retail industry that continues to undergo significant structural changes fueled by technology, changes in consumer purchasing behavior, and a shrinking retail footprint. These trends have been further intensified by the pandemic. We may lose key customers if they fail to manage the impact of this rapidly changing retail environment. Any loss of one of these key customers, or a significant reduction in purchases from one of these customers, could result in a significant decline in sales, write-downs of excess inventory, or increased discounts to our customers, any of which could have a material adverse effect on our financial condition or results of operations. Further, a key customer may dispose of their excess inventories to consumers or unauthorized sellers at significantly reduced prices, which may put pressure on us to reduce our prices to compete, or cause consumers to shift their purchasing decisions away from our authorized sellers entirely.

We depend on qualified personnel and, if we are unable to retain or hire executive officers, key employees and skilled personnel, we may not be able to achieve our strategic objectives and our results of operations may suffer.

To execute our growth plan, we must continue to attract and retain highly qualified personnel, including executive officers and key employees. Further, to continue to develop new products and successfully operate and grow our key business processes, it is important for us to continue hiring highly skilled footwear, apparel and accessories designers and IT specialists. Competition for executive officers, key employees and skilled personnel is intense within our industry and there continues to be upward pressure on the compensation paid to these professionals. We are committed to offering competitive compensation and benefits to employees across our business to positively impact attrition, which impacts our selling, general, and administrative (SG&A) expenses. Many of the companies with which we compete for experienced personnel have greater name recognition and financial resources than we have. Further, our domestic headquarters are located in Goleta, California, which is not generally recognized as a prominent commercial center, and it is difficult to attract qualified professionals due to our location. If we hire employees from competitors or other companies, their former employers may assert that we or these employees have breached legal obligations, resulting in a diversion of our time and resources. In addition, prospective and existing employees often consider the value of the stock-based compensation they receive in connection with their employment when deciding whether to take a job. If the perceived value of our stock-based compensation declines, or if the price of our stock experiences significant volatility, it may adversely affect our ability to recruit, retain and motivate qualified personnel. If we are unable to attract, retain, and motivate the personnel necessary to execute our growth plan or successfully operate our business, we may be unable to achieve our long-term strategic objectives, our results of operations may suffer, and it may damage our reputation as a preferred employer which would challenge our ability to effectively compete across the global labor market.

The continued service of our executive officers and key employees is particularly important, and the hiring or departure of such personnel may disrupt our business or result in the depletion of significant institutional knowledge. Our executive officers and key employees are generally employed on an at-will basis, which means that they can

terminate their employment with us at any time. The loss of one or more of our executive officers or other key employees or significant turnover in our senior management, and the often-extensive process of identifying and hiring other personnel to fill those key positions, could have a material adverse effect on our business.

We rely upon a number of warehouse and distribution facilities to operate our business, and any damage to one of these facilities, or any disruptions caused by incorporating new facilities into our operations, could have a material adverse impact on our business.

We rely upon a broad network of warehouse and distribution facilities to store, sort, package and distribute our products. In the US, we distribute products primarily through a self-managed DC in Moreno Valley, California, which features a complex warehouse management system that enables us to efficiently pack products for direct shipment to customers. In October 2021 we opened and began operations in a DC located in Mooresville, Indiana, and we expect this facility to create long-term capacity for the domestic growth of the UGG and HOKA brands. Further, we plan to expand our DCs in the US. We could face a significant disruption in our domestic DC operations if our warehouse management system does not perform as anticipated or ceases to function for an extended period of time, which could occur due to damage to the facility, failure of software or equipment, cyber-security incidents, power outages or similar problems. In addition, if our domestic DC operations and scaling efforts are impeded or delayed for any reason, it could result in shipment delays or the inability to deliver product at all, which would result in lost sales, strain our relationships with customers, and cause harm to our reputation, any of which could have a material adverse impact on our business.

We depend on 3PLs to manage the operation of their DCs as necessary to meet our business needs in certain markets. Internationally, we distribute our products through DCs managed by 3PLs in Canada, China, Japan, the Netherlands, and the UK. We also distribute our products through a domestic 3PL located in Pennsylvania. If our 3PLs fail to manage these responsibilities, our distribution operations could face significant disruptions. The loss of or disruption to the operations of any one or more of these facilities could materially adversely impact our sales, business performance, and results of operations. Although we believe we possess adequate insurance to cover the potential impact of a disruption to the operations of these facilities, such insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

We rely upon independent manufacturers for most of our production needs, and the failure of these manufacturers to manage these responsibilities would prevent us filling customer orders, which would result in loss of sales and harm our relationships with customers.

We rely on independent manufacturers and their respective material suppliers for most of our production needs, and we do not have direct control over these manufacturers or their suppliers. We expect these manufacturers to finance the production of goods ordered, maintain manufacturing capacity, comply with our policies, including our Supplier Code of Conduct and restricted substances policy, and store finished goods in a safe location pending shipment. If these manufacturers fail to manage these responsibilities, or if they experience significant disruption to their business, we may be unable to ensure timely delivery of products, products may not be delivered in sufficient quantities, or products may fail to meet our quality standards. Further, most of our independent manufacturers are concentrated in Asia, which may lead to an increased risk of supply chain disruption, particularly in the event of a natural disaster, epidemic, geopolitical tension or other event impacting the region outside of our control. If any of these were to occur, we may not be able to timely source raw materials, manufacture product, or fill customer orders, or product delivered may not meet our quality standards, which would result in lost sales and harm to our relationships with customers.

We do not currently have long-term contracts with our independent manufacturers, and there can be no assurance of a long-term, uninterrupted supply of products from them. While we do have long-standing relationships with most of these manufacturers, any of them may unilaterally terminate their relationship with us at any time, seek to increase the prices they charge, or extract other concessions from us, and we may not be able to substitute alternative manufacturers that are capable of providing products of a comparable quality, in a sufficient quantity, at an acceptable price, or on a timely basis. If we are required to find alternative manufacturers, we could experience a delay in the manufacturing of our products, increased manufacturing costs, as well as substantial disruption to our business, any of which could negatively impact our results of operations.

Interruptions in the supply of our products can also result from adverse events that impair the operations of our manufacturers. For example, we keep proprietary materials that are required for the production of our products, such as shoe molds and raw materials, under the custody of our independent manufacturers. If these independent

manufacturers were to lose or damage these proprietary materials, we cannot be assured that the manufacturers would have adequate insurance to cover such loss or damage, and, in any event, the replacement of such materials would likely result in significant delays in the production of our products, which could result in a loss of sales and earnings.

Increasing scrutiny from investors and other key stakeholders with respect to our ESG practices may impose additional costs on us or expose us to new or additional risks.

Investor advocacy groups, certain institutional investors, investment funds, stockholders, customers, and consumers are increasingly focused on corporate responsibility, specifically on the ESG practices of companies and the implications of the social cost of their investments. From time to time we communicate certain ESG initiatives and goals to market participants and our customers and business partners. Any corporate responsibility disclosure we make may include our policies, practices, initiatives and goals on a variety of social and ethical matters, corporate governance, environmental compliance, sustainability, employee health and safety practices, human capital management, product quality, supply chain management, and workforce inclusion and diversity. Although we have undertaken expansive efforts to improve and implement our ESG initiatives, it is possible that stakeholders may not be satisfied with such disclosures, our ESG practices or the speed of their adoption. Moreover, the preparation of sustainability metrics requires management to establish criteria, make determinations as to the relevancy of information to be included, and make assumptions that affect reported information. The selection by management of different but acceptable measurement techniques could result in materially different amounts or metrics being reported. If our ESG practices do not meet investor or other stakeholder expectations and standards, which continue to evolve, or if we are perceived to have not appropriately responded to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, it may negatively impact our employee retention, or we may suffer from reputational damage and our business and financial condition could be materially and adversely affected. We may also incur additional costs or require additional resources to monitor such stakeholder expectations and standards and to meet our targets and commitments. Further, we could fail, or be perceived to fail, to achieve our ESG initiatives or goals, or we could fail to fully and accurately report our progress on such initiatives and goals, which could negatively impact our business.

Climate change, including extreme weather conditions, natural disasters, or other events beyond our control, as well as related regulations, may adversely impact our business.

There is increasing concern regarding the effects of climate change, which include significant changes in weather patterns around the globe, an increase in the frequency, severity, and duration of extreme weather conditions and natural disasters, and water scarcity and poor water quality. These events could adversely impact the supply of raw materials, including sheepskin, which is a key resource in the production of our products, disrupt the operation of our supply chain and the productivity of our contract manufacturers, increase our production costs, impose capacity restraints and impact the types of products that consumers purchase. These events could also compound adverse economic conditions and impact consumer confidence and discretionary spending. Further, it is possible consumers may increasingly adopt plant-based diets to minimize their carbon footprint, which could reduce the supply of sheep for the meat industry, and in turn, hinder our ability to source sufficient sheepskin for our products. As a result, the effects of climate change could have a long-term adverse impact on our business and results of operations. Many governmental bodies worldwide are enacting regulations to mitigate the impacts of climate change. If we, our suppliers, or our contract manufacturers are required to comply with these laws and regulations, or if we choose to take voluntary steps to reduce or mitigate our impact on the climate, we may experience increased costs for energy, production, transportation, and raw materials, increased capital expenditures, or increased insurance premiums and deductibles, which could adversely impact our operations. Inconsistent regulations among jurisdictions may also affect our costs of compliance with such laws and regulations. Any assessment of the potential impact of future climate change legislation, regulations or industry standards, as well as any international treaties and accords, is uncertain given the wide scope of potential regulatory change in the countries in which we operate.

Our corporate culture has contributed to our success and, if we cannot maintain this culture as we grow, we could lose the passion, creativity, teamwork, focus and innovation fostered by our culture.

We believe that our culture has been and will continue to be a key contributor to our success. If we do not maintain our culture and core values over time, we may be unable to foster the passion, creativity, teamwork, focus, and innovation that we believe have contributed to the growth and success of our business. Any failure to preserve our culture could negatively affect our ability to recruit and retain personnel and to effectively focus on and pursue

our strategic objectives. As we continue to pursue our goals and implement new strategies, we may find it difficult to maintain our corporate culture, which may be exacerbated by the prevalence of a remote or hybrid work environment, which may make it difficult for employees to interact, communicate and innovate.

Labor disruptions could negatively impact our results of operations and financial position.

Our business depends on our ability to source and distribute products in a timely manner. Labor disputes, shortages, and stoppages that affect the operations of our independent manufacturers, tanneries, transportation carriers, retail stores, or DCs create significant risks for our business, particularly if these disputes result in work slowdowns, strikes, or similar disruptions. For example, labor disputes at US shipping ports have historically impacted the delivery of our products. Furthermore, we have experienced challenges attracting and retaining employees as we increasingly compete for talent. Any such challenges or disruptions may potentially result in cancelled orders by customers, unanticipated inventory accumulation, and increased transportation and labor costs, each of which may negatively impact our results of operations and financial position.

We face risks associated with pursuing strategic acquisitions, and our failure to successfully integrate any acquired business or product could have a material adverse effect on our results of operations and financial position.

As part of our overall strategy, we may periodically consider strategic acquisitions to expand our brands into complementary product categories and markets, or to acquire new brands, technologies, intellectual property, or other assets. Our ability to do so depends on our ability to identify and successfully pursue suitable acquisition opportunities. Such acquisitions involve numerous risks, challenges and uncertainties, including the potential to:

- expose us to risks inherent in entering into a new market or geographic region;
- lose significant customers or key personnel of the acquired business;
- encounter difficulties managing and implementing acquired assets;
- encounter difficulties marketing to new consumers or managing geographically remote operations;
- divert management’s time and attention away from other aspects of our business operations; and
- incur costs relating to a potential acquisition that we fail to consummate, which we may not recover.

Additionally, we may not be able to successfully integrate the assets or operations of any acquired businesses into our operations, or to achieve the expected benefits of any acquisitions. Following an acquisition, we may also face cannibalization of existing product sales by our newly acquired products, unless we adequately integrate new products with our existing products, aggressively target different consumers for our newly acquired products and increase our overall market share. The failure to successfully integrate any acquired business or products in the future could have a material adverse effect on our results of operations and financial position.

Further, we may be required to issue equity securities to finance an acquisition, which would be dilutive to our stockholders, and the equity securities may have rights or preferences senior to those of our existing stockholders. If we incur indebtedness to finance an acquisition, it will result in debt service costs, and we may be subject to covenants restricting our operations or liens encumbering our assets.

Risks Related to Our Global Business Strategy, Operations, and International Commerce

We may not succeed in implementing our growth strategies, in which case we may not be able to take advantage of certain market opportunities and may become less competitive.

As part of our overall growth strategy, we are continually seeking out opportunities to enhance the positioning of our brands, diversify our product offerings, extend our brands into complementary product categories and markets, expand geographically, optimize our retail presence both in stores and online, and improve our financial performance and operational efficiency. In addition, as part of our international growth strategy, we may continue to transition from a third-party distribution model to a direct distribution model for certain brands. Conversely, we may shift from a direct distribution model to a third-party distribution model for certain other brands. We anticipate that substantial further expansion will be required to realize our growth potential and take advantage of new market opportunities. For example, we continue to explore future retail opportunities for the HOKA brand, including through third-party partners in international markets. Failure to effectively implement our growth strategy could negatively impact our revenues and rate of growth and result in our business becoming less competitive. In addition, taking steps to implement our growth initiatives could have a number of negative effects, including increasing our working

capital needs, causing us to incur costs without any corresponding benefits, and diverting management time and resources away from our existing business.

Supply chain disruptions could interrupt product manufacturing and global logistics and increase product costs.

The pandemic and related governmental and port facility actions have caused delays in shipments of our products. During fiscal year 2022, the operations of our independent manufacturers, the DCs where we manage our inventory, the operations of our 3PLs and our third-party logistic partners experienced disruptions that impacted our supply chain and increased global lead-time for our products, including port congestion, temporary closures and worker shortages. Further, due to the pandemic, reductions in the number of ocean carrier voyages and capacity have delayed the arrival of imports and increased ocean transport costs globally. Ongoing ocean carrier consolidation, reduced capacity, congestion at major international gateways and other economic factors are challenging ocean transportation. Further, in the US, trucking costs have risen dramatically due to driver shortages, increased labor costs, and safety, environmental, and labor regulations. 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. However, we remain focused on mitigating the impacts of ongoing disruptions, including through the early procurement of inventory, which will likely result in higher inventory levels to allow us to maintain expected service levels into our next fiscal year.

In addition to logistical supply chain pressures, our network of strategic sourcing partners, which include material vendors and manufacturers, has navigated delays and disruptions due to the pandemic. Due to our dual sourcing capabilities and our strategic product prioritization, we have been able to mitigate the impacts of production disruptions. For example, 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, in our next fiscal year we expect headwinds from this growth resulting from new sourcing partner capacity constraints and time needed to scale production to ensure the rigorous quality standards of our brands.

In addition, global inflation has contributed to already higher incremental freight costs, and such inflation may continue to fuel these costs. We have experienced significant increases in ocean shipping rates resulting in reductions to our gross margin, and we expect such fluctuations to continue in future periods. Further, we strategically used more expensive air freight to ship our products to meet demand in fiscal year 2022, which we may be required to leverage in future periods to maintain service levels. Failure to adequately produce and timely ship our products to customers could lead to lost potential revenue, failure to meet consumer demand, strained relationships with customers and diminished brand loyalty. Despite our actions to mitigate these impacts, we expect to still be impacted by global logistics challenges during our next fiscal year. While we continue to see value in utilizing air freight while ocean bottlenecks persist so that we can capture market share and continue to grow our brands, our gross margin will be impacted by utilizing air freight at increased levels.

Most of our independent manufacturers are located outside of the US, where we are subject to the risks associated with international commerce.

Most of our independent manufacturers are located in Asia. Foreign manufacturing is subject to numerous risks and uncertainties, including the following:

- tariffs, import and export controls, and other non-tariff barriers;
- increasing transportation costs, including as a result of global inflationary pressure, shipping delays at ports, and a limited supply of international shipping capacity;
- increasing labor costs and labor disruptions;
- poor infrastructure and equipment shortages, which can disrupt transportation and utilities;
- restrictions on the transfer of funds from foreign jurisdictions;
- changes in governmental regulations, including with respect to intellectual property, labor, safety, and the environment;
- refusal to adopt or comply with our manufacturing policies;
- customary business traditions in certain countries such as local holidays, which are traditionally accompanied by high levels of turnover in the factories;

- decreased scrutiny by custom officials for counterfeit products;
- practices involving corruption, extortion, bribery, pay-offs, theft, and other fraudulent activity;
- social unrest and political instability, including acts of war and other external factors;
- use of unauthorized or prohibited materials or reclassification of materials;
- health-related concerns that could result in a reduced workforce or scarcity of raw materials;
- disruptions caused by natural or other disasters; and
- adverse changes in consumer perception of goods sourced from certain countries.

These or other risks and uncertainties could interfere with the manufacture or shipment of our products, which could make it more difficult to obtain adequate supplies of quality products and negatively impact our sales and earnings. While we require our independent manufacturers and their suppliers to adhere to environmental, labor, ethical, health, safety, and other standard business practices and applicable laws, and while we periodically visit and audit their operations, we do not control their business practices. If we discover non-compliant manufacturers or suppliers that cannot or will not become compliant, we will cease conducting business with them, which could increase our costs and interrupt our product supply chain. Our manufacturers' violations of applicable laws and business standards could also result in negative publicity, which could damage our reputation and the value of our brands. Further, if our manufacturers or suppliers violate US or foreign trade laws or regulations, we may be subject to extra duties, significant monetary penalties, the seizure and forfeiture of products we are attempting to import, or the loss of our import privileges, which could have a negative impact on our results of operations.

Our sales in international markets are subject to a variety of legal, regulatory, political, cultural and economic risks that may adversely impact our results of operations in certain regions.

Our ability to capitalize on growth in new international markets and to maintain the current level of operation in our existing international markets is subject to risks associated with international operations that could adversely affect our sales and results of operations. These risks include:

- foreign currency exchange rates fluctuations, which impact the prices at which products are sold to international consumers;
- limitations on our ability to move currency out of international markets;
- burdens of complying with a variety of foreign laws and regulations, which may change unexpectedly, and the interpretation and application of such laws and regulations;
- legal costs related to defending allegations of non-compliance with foreign laws;
- inability to import products into a foreign country;
- difficulties associated with promoting and marketing products in unfamiliar cultures;
- political or economic uncertainty or instability, including the war in Ukraine, which has disrupted European businesses and has the potential to reduce levels of consumer spending, which could have a material adverse impact on our business, particularly our UGG and HOKA brands' net sales;
- changes in unemployment rates and consumer spending;
- anti-American sentiment in international markets in which we operate;
- changes in diplomatic and trade relationships between the US and other countries; and
- general economic fluctuations in specific countries or markets.

We conduct business outside the US, which exposes us to foreign currency exchange rate risk, and could have a negative impact on our financial results.

We operate on a global basis, with 31.2% of our net sales for the year ended March 31, 2022, from operations outside the US. As we continue to increase our international operations, our sales and expenditures in foreign currencies are expected to become more material and subject to foreign currency exchange rate fluctuations. A significant portion of our international operating expenses are paid in local currencies and our foreign distributors typically sell our products in local currency, which impacts the price to foreign consumers. Many of our subsidiaries operate with their local currency as their functional currency. Future foreign currency exchange rate fluctuations and global credit markets may cause changes in the US dollar value of our purchases or sales and materially affect our sales, gross margin, and results of operations, when converted to US dollars. Changes in the value of the US dollar relative to other currencies could result in material foreign currency exchange rate fluctuations and, as a result, our net earnings could be materially adversely affected. We routinely utilize foreign currency exchange rate forward contracts or other derivative instruments for the amounts we expect to purchase and sell in foreign currencies to mitigate exposure to foreign currency exchange rate fluctuations. As we continue to expand international operations and increase purchases and sales in foreign currencies, we may utilize additional derivative instruments to hedge

our foreign currency exchange rate risk. Our hedging strategies depend on our forecasts of sales, expenses, and cash flows, which are inherently subject to inaccuracies. Foreign currency exchange rate hedges, transactions, remeasurements, or translations could materially impact our consolidated financial statements.

International trade and import regulations may impose unexpected duty costs, the revision of current trade agreements may require us to alter current practices, changes in trade relations may result in tariffs, and transportation challenges and security procedures may cause significant delays and additional costs.

Products manufactured overseas and imported into the US and other countries are subject to import duties. While we have implemented measures to comply with applicable customs regulations and to properly calculate import duties, customs authorities may disagree with our claimed tariff treatment for certain products, resulting in unexpected costs that may not have been factored into the sales price of such products and our forecasted gross margin. In addition, we cannot predict whether future laws, regulations, trade remedy actions, or international agreements may impose additional duties or other restrictions on the import of products from one or more of our sourcing venues. Further, trade relations between our sourcing venues, particularly those in China, and the US have created uncertainty and there exists the potential for import duties or other restrictions on imports from China, which could increase the cost of sourcing in China. We have transitioned most of our footwear sourcing from China to Vietnam as part of our supplier optimization strategy. If we are unable to source our products from the countries where we wish to purchase them, or if the cost of doing so increases, it could have a material adverse effect on our business, financial condition, and results of operations.

International trade policy is undergoing revision, introducing significant uncertainty with respect to future trade regulations and existing trade agreements. Changes in tax policy or trade regulations could cause us to encounter new customs duties, which may require us to implement new supply chains, withdraw from certain markets or change our business methods, and could make it difficult to obtain quality products at a competitive price. The continued negotiation of free trade agreements with countries other than our principal sourcing venues may stimulate competition for manufacturers, which may seek to export footwear, apparel, and accessories to our target markets at preferred rates of duty which may negatively impact our results of operations.

Transportation and distribution costs may be adversely impacted by new regulations, increased demand, increased fuel and labor costs, inflation, and political and economic instability. For example, the Russian invasion of Ukraine during our fourth fiscal quarter, and the resulting financial and economic sanctions imposed by various countries and organizations has impacted transportation and energy costs. Further disruption in this region, or additional sanctions imposed in response to the conflict, could increase distribution costs in Europe and adversely impact our results of operations. Additionally, the increased threat of terrorist activity, and law enforcement responses to this threat, have required greater levels of inspection of imported goods and caused delays in bringing imported goods to market. Any tightening of security procedures could worsen these delays and increase our costs.

Risks Related to Our Legal, Compliance, and Regulatory Environment

Failure to adequately protect our intellectual property rights to prevent counterfeiting of our products, or to defend claims against us related to our intellectual property rights, could reduce sales and adversely affect the value of our brands.

Our business could be significantly harmed if we are not able to protect our intellectual property rights. We believe our competitive position is largely attributable to the value of our trademarks, patents, trade dress, trade names, trade secrets, copyrights, and other intellectual property rights. An unfortunate reaction to the success of our brands is that we have become a target of counterfeiting and product imitation strategies. Although we are aggressive in legal and other actions in pursuing those who infringe on our intellectual property rights, we cannot guarantee that the actions we have taken will be adequate to protect our brands in the future, especially because some countries' laws do not protect these rights to the same extent as US laws. If we fail to adequately protect our intellectual property rights, it will allow our competitors to sell products that are similar to and directly competitive with our products, or we could otherwise lose opportunities to sell our products to consumers who may instead purchase a counterfeit or imitation product, which could reduce sales of our products and adversely affect the value of our brands. In addition, any intellectual property lawsuits in which we are involved could cost a significant amount of time and money and distract management's attention from operating our business, which may negatively impact our business and results of operations. In addition to fighting intellectual property infringement, we may need to defend claims against us related to our intellectual property rights. For example, we have faced claims that the word "ugg" is a generic term. Such a claim was successful in Australia, but similar claims have been rejected by courts in

the US, China, Turkey, and the Netherlands. Any court decision or settlement that invalidates or limits trademark protection of our brands, which allows a third-party to continue to sell products similar to our products, or that allows a manufacturer or distributor to continue to sell counterfeit products, could lead to intensified competition and a material reduction in our sales, and could have a material adverse effect on the value of our brands.

A security breach or other disruption to our IT systems could result in the loss, theft, misuse, unauthorized disclosure, or unauthorized access of customer, supplier, or sensitive company information or could disrupt our operations, which could damage our relationships with customers, suppliers or employees, expose us to litigation or regulatory proceedings, or harm our reputation, any of which could materially adversely affect our business, financial condition, or results of operations.

Our business involves the storage and transmission of a significant amount of personal, confidential, or sensitive information, including the personal information of our customers and employees, credit card information, and our proprietary financial, operational, and strategic information. The protection of this information is vitally important to us as the loss, theft, misuse, unauthorized disclosure, or unauthorized access of such information could lead to significant reputation or competitive harm, result in litigation involving us or our business partners, expose us to regulatory proceedings, and cause us to incur substantial losses. As a result, we believe our future success and growth depends, in part, on the ability of our key business processes and systems, to prevent the theft, loss, misuse, unauthorized disclosure, or unauthorized access of this information, and to respond quickly and effectively if data security incidents occur. We are subject to numerous data privacy and security risks, which may prevent us from maintaining the privacy of this information, result in the disruption of our business, and require us to expend significant resources attempting to secure and protect such information and respond to incidents, any of which could materially adversely affect our business, financial condition, or results of operations.

The frequency, intensity, and sophistication of cyber-attacks, ransom-ware attacks, and other data security incidents have significantly increased in recent years. Like other businesses, we have experienced, and are continually at risk of, attacks and incidents. Additionally, external events, such as the Russia-Ukraine conflict, can increase the likelihood of such incidents, and our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the current global economic and political environment, our prominent size and scale, and the interconnectivity and interdependence of third parties to our systems. We expend significant resources on IT and data security tools, measures, and processes designed to protect our IT systems, as well as the personal, confidential, or sensitive information stored on or transmitted through those systems, and to ensure an effective response to any attack or incident. Whether these measures are ultimately successful, these expenditures could have an adverse impact on our financial condition and results of operations and divert management’s attention from pursuing our strategic objectives.

Although we take the security of our IT systems seriously, there can be no assurance that the measures we employ will prevent unauthorized persons from obtaining access to our systems and information. Despite our implementation of reasonable security measures, our systems and information may be susceptible to cyber-attacks or data security incidents. These risks may be exacerbated in a remote work environment. Because the techniques used to obtain unauthorized access to IT systems are constantly evolving, we may be unable to anticipate these techniques or implement adequate protective measures in response. Cyber-attacks or data incidents could remain undetected for some period, which could result in significant harm to our systems, as well as unauthorized access to the information stored on and transmitted by our systems. Further, despite our security efforts and training, our employees may purposefully or inadvertently cause security breaches. A cyber-attack or other data security incident could result in significant disruption of our business such that:

- critical business systems become inoperable or require significant time or cost to restore;
- personnel are unable to perform their duties or communicate with third-party partners;
- it results in the loss, theft, misuse, or unauthorized disclosure of confidential information;
- we are prevented from accessing information necessary to conduct our business;
- we are required to make unanticipated investments in equipment, technology or security measures;
- customers cannot place or receive orders, and we are unable to timely ship orders or at all; or
- we become subject to other unanticipated liabilities, costs, or claims.

If any of these events were to occur, it could have a material adverse effect on our financial condition and results of operations and result in harm to our reputation. In addition, if a cyber-attack or other data incident results in the loss, theft, misuse, unauthorized disclosure, or unauthorized access of personal, confidential, or sensitive information belonging to our customers, suppliers, or employees, it could put us at a competitive disadvantage,

result in the deterioration of our customers' confidence in our brands, cause our suppliers to reconsider their relationship with us or impose onerous contractual provisions, and subject us to litigation, liability, fines, and penalties. We could be subject to regulatory or other actions pursuant to domestic and international privacy laws, which could result in costly investigations and litigation, civil or criminal penalties, operational changes, and negative publicity that could adversely affect our reputation, as well as our results of operations and financial condition.

If we are found to have violated laws concerning the privacy and security of consumers' or other individuals' personal information, we could be subject to civil or criminal penalties, which could increase our liabilities and harm our reputation or our business.

There are a number of domestic and international laws protecting the privacy and security of personal information. These laws include US state laws such as the California Consumer Privacy Act, as well as the General Data Protection Regulation in the EU, EU member state directives, or similar applicable laws. These laws place limits on how we may collect, use, share and store personal information, and they impose obligations to protect that information. Further, we may be subject to new data privacy and security laws and regulations. If we, or any of our service providers who have access to the personal data for which we are responsible, are found to be in violation of the privacy or security requirements of applicable data protection laws, we could be subject to civil or criminal penalties, which could increase our liabilities, harm our reputation, and have a material adverse effect on our business, financial condition, and results of operations. Although we utilize a variety of measures to secure the data that we control, even compliant entities can experience security breaches or have inadvertent failures despite employing reasonable practices and safeguards.

Our revolving credit facility agreements expose us to certain risks.

From time to time, we have financed our liquidity needs in part from borrowings made under our revolving credit facilities. Our ability to borrow under our revolving credit facilities may be limited if the lenders believe there has been a material adverse change to our business. In addition, our revolving credit facility agreements contain a number of customary financial covenants and restrictions, which may limit our ability to engage in transactions that would otherwise be in our best interests, or otherwise respond to changing business and economic conditions, and may therefore have a material impact on our business. Failure to comply with any of the covenants could result in a default, allowing our lenders to accelerate the timing of payments, which could have a material adverse effect on our business, operations, financial condition, and liquidity. In addition, in some cases, a default under one revolving credit facility could result in a cross-default under other revolving credit facilities. Certain of our revolving credit facility agreements bear interest at a rate that varies depending on the London Interbank Offered Rate or alternative borrowing rate by currency. Any increases in interest rates applicable to borrowings under our credit facilities would increase our cost of borrowing, which would result in a decline in our net income and liquidity.

The tax laws applicable to our business are very complex and changes in tax laws could increase our worldwide tax rate, or audits by various taxing authorities may subject us to additional tax liabilities, and materially affect our financial position and results of operations.

We are subject to changes in tax laws, regulations and treaties in and between the jurisdictions in which we operate. These tax laws are highly complex, and significant judgment and specialized expertise is required in evaluating and estimating our worldwide provision for income taxes. Our tax expense is based on our interpretation of the tax laws in effect in various countries at the time that the expense was incurred. Future changes in these tax laws, or in their interpretation, could result in a materially higher tax expense or a higher effective tax rate on our worldwide earnings. For example, global tax authorities may take differing positions in interpreting the Organization for Economic Co-operation and Development's guidance, including with respect to base erosion and profit shifting, which could modify existing tax principles. These changes and potential other tax law changes could increase our income tax liability or adversely affect our long-term effective tax rates and net income.

Many countries in the EU and around the globe have adopted or proposed changes to current tax laws. We are subject to tax audits in each of the various jurisdictions where we conduct business, and any of these jurisdictions may assess additional taxes against us as a result of these audits. Although we believe our tax estimates are reasonable, and we undertake to prepare our tax filings in accordance with all applicable tax laws, the final determination with respect to any tax audits, and any related litigation, could be materially different from our estimates or from our historical tax provisions and accruals. The results of a tax audit or other tax proceeding could have a material adverse effect on our results of operations or cash flows in the periods for which that determination is made and may require a restatement of prior financial reports.

Risks Related to Our Common Stock

Our common stock price has been volatile, which could result in substantial losses for stockholders.

The trading price of our common stock has been and may continue to be volatile. The trading price of our common stock could be affected by a number of factors, including, but not limited to the following:

- changes in expectations of our future financial performance and results of operations;
- changes in estimates of our performance by securities analysts and other market participants, or our failure to meet such estimates;
- changes in our stockholder base or public actions taken by investors;
- market research and opinions published by securities analysts and other market participants, and the response to such publications;
- quarterly fluctuations in our sales, margins, expenses, financial position, and results of operations;
- the financial stability of our customers, manufacturers, and suppliers;
- legal proceedings, regulatory actions, and legislative changes;
- our stock repurchase activity or announcements regarding the same;
- the declaration of stock or cash dividends;
- consumer confidence and discretionary spending levels;
- broad market fluctuations in volume and price;
- general market, political, and economic conditions, including recessionary conditions; and
- a variety of risk factors, including the ones described herein and in our other SEC filings.

In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of individual companies. Accordingly, the price of our common stock is volatile and any investment in our stock is subject to risk of loss. These broad market and industry factors and other general macroeconomic conditions unrelated to our financial performance may also affect our common stock price.

Anti-takeover provisions contained in our Amended and Restated Certificate of Incorporation (Certificate) and Amended and Restated Bylaws (Bylaws), as well as provisions of Delaware law, could impair a takeover attempt.

Our Certificate and Bylaws contain provisions that could have the effect of rendering more difficult hostile takeovers, change-in-control transactions, or changes in our Board of Directors or management. Among other things, these provisions:

- authorize the issuance of preferred stock with powers, preferences and rights that may be senior to our common stock, which can be created and issued by our Board of Directors without prior stockholder approval;
- provide that the number of directors will be fixed by the affirmative vote of a majority of the whole Board of Directors;
- provide that board vacancies can only be filled by directors;
- prohibit stockholders from acting by written consent without holding a meeting of stockholders;
- require the vote of holders of not less than 66 2/3% of the voting stock then-outstanding to approve amendments to our Certificate and Bylaws; and
- require advance written notice of stockholder proposals and director nominations.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which may delay, deter, or prevent a change-in-control transaction. Any provision of Delaware law, our Certificate, or our Bylaws, which has the effect of rendering more difficult, delaying, deterring, or preventing a change-in-control transaction could limit the opportunity for stockholders to receive a premium for their shares of our common stock, and could affect the price that investors are willing to pay for our common stock.

Item 2. Properties

Our corporate headquarters is located in Goleta, California. The construction of our 14-acre corporate headquarters in Goleta, California was substantially completed in January 2014.

We have a warehouse and DC located in Moreno Valley, California, which we began operations during the fourth quarter of fiscal year 2015 and have since continued optimizing and expanding our operations at this location. Further, since October 2021 we opened and began operations for a second US DC located in Mooresville, Indiana. In April 2022, we signed a lease for additional space at our US DC in Mooresville, Indiana for up to 1,015,192 square feet over the duration of the lease term. We expect the expanded space to be operational in the third quarter of our fiscal year ending March 31, 2024.

We also have offices in China, Hong Kong, Vietnam, Japan, France, Germany, the Netherlands, and the UK to oversee the quality and manufacturing standards of our products, and for regional sales, operations, marketing, and administration, as well as offices in Macau and Hong Kong to coordinate logistics.

As of March 31, 2022, we have 50 retail stores in the US ranging from approximately 1,000 to 13,000 square feet. Internationally, we have 99 retail stores in Austria, Belgium, Canada, China, France, Germany, Japan, the Netherlands, Switzerland, and the UK.

Other than our corporate headquarters, we lease our facilities, retail stores and other office spaces from unrelated parties. With the exception of our DTC business facilities, our facilities are attributable to multiple reportable operating segments and are not allocated to our reportable operating segments.

We believe our space is adequate for our current needs and that suitable additional or substitute space will be available to accommodate the foreseeable expansion of our business and operations.

The following table provides details regarding our significant physical properties that are operational as of March 31, 2022:

Facility Location	Description	Lease or Own	Facility Size (Square Footage)
Moreno Valley, California	Warehouse and Distribution Center	Lease	1,530,944
Mooresville, Indiana	Warehouse and Distribution Center	Lease	507,600
Goleta, California	Corporate Headquarters	Own	185,094

Item 3. 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 brand 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.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

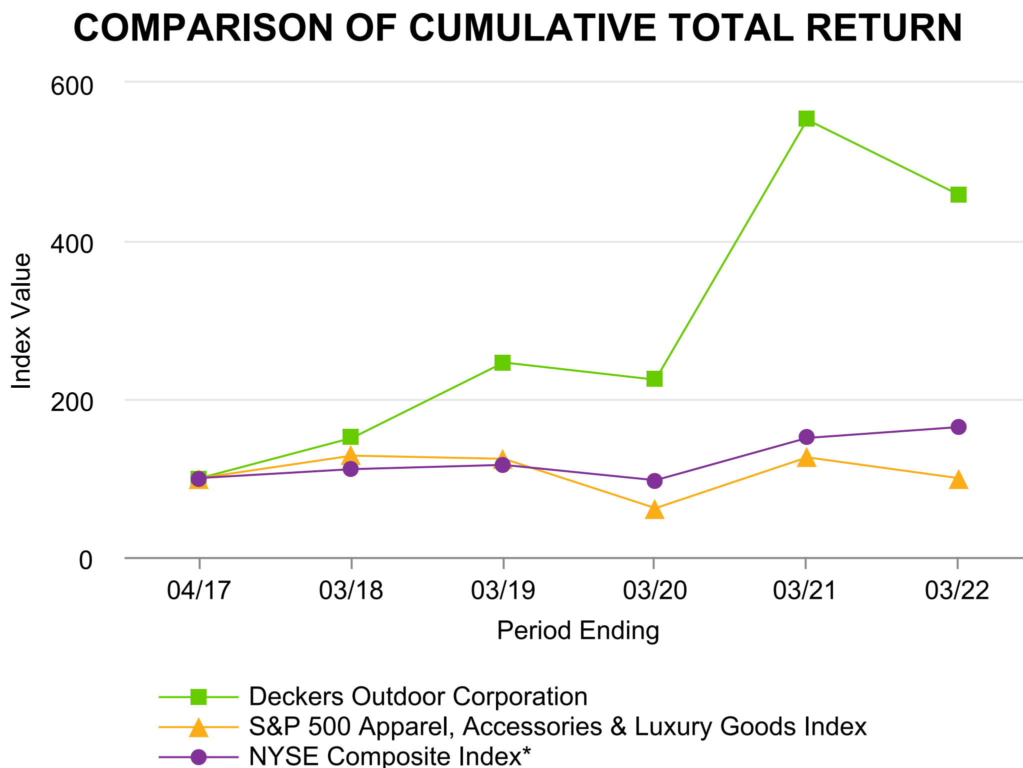
Our common stock has traded under the symbol DECK on the New York Stock Exchange (NYSE) since May 2014 and was previously traded on the Nasdaq Global Select Market.

As of May 5, 2022, we had 38 stockholders of record based on the records of our transfer agent, which does not include beneficial owners of our common stock whose shares are held in the names of various securities brokers, dealers and registered clearing agencies.

We did not sell any equity securities during the year ended March 31, 2022, that were not registered under the Securities Act.

Stock Performance Graph

Below is a graph comparing the percentage change in the cumulative total return on our common stock against the cumulative total return of the S&P 500 Apparel, Accessories & Luxury Goods Index and the NYSE Composite Index for the five fiscal-year periods commencing April 1, 2017, and ended March 31, 2022. Total return assumes reinvestment of dividends, though we have not declared or paid any cash dividends on our common stock since our inception. The data represented in the graph below assumes one hundred dollars invested in our common stock, the S&P 500 Apparel, Accessories & Luxury Goods Index and the NYSE Composite Index on April 1, 2017.



	April 1,	Years Ended March 31,				
	2017	2018	2019	2020	2021	2022
Deckers Outdoor Corporation	$ 100.0	$ 150.7	$ 246.1	$ 224.3	$ 553.2	$ 458.3
S&P 500 Apparel, Accessories & Luxury Goods Index	100.0	128.3	124.2	61.8	126.1	99.7
The NYSE Composite Index	100.0	111.2	116.6	97.2	150.7	164.4

The stock performance graph and related information shall not be deemed incorporated by reference by any general statement incorporating by reference into this Annual Report into any filing under the Securities Act, or under the Exchange Act, except to the extent that we specifically incorporate this information by reference and shall not otherwise be deemed filed under the Securities Act or the Exchange Act.

Dividend Policy

We have not declared or paid any cash dividends on our common stock since our inception. We currently do not anticipate declaring or paying any cash dividends. Our current revolving credit agreements allow us to declare and pay cash dividends, as long as we do not exceed certain leverage ratios and no event of default has occurred.

Stock Repurchase Programs

In January 2019, our Board of Directors approved a stock repurchase program that authorized us to repurchase $261,000 of our common stock in the open market or in privately negotiated transactions, subject to market conditions, applicable legal requirements, and other factors. Our Board of Directors approved an additional authorization of $750,000 during April 2021 to repurchase our common stock under the same conditions as the prior stock repurchase program (collectively, the stock repurchase programs).

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 March 31, 2022, no defaults have occurred under our credit agreements.

Below is a summary of stock repurchasing activity under our stock repurchase programs during the fourth fiscal quarter ended March 31, 2022:

	Total number of shares repurchased*	Average price paid per share	Dollar value of shares repurchased	Dollar value of shares remaining for repurchase**
January 1 - January 31, 2022	2,643	$ 368.25	$ 973	$ 543,003
February 1 - February 28, 2022	194,912	302.69	58,998	484,005
March 1 - March 31, 2022	110,023	272.65	29,998	454,007

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

Subsequent to March 31, 2022, through May 5, 2022, we repurchased 176,046 shares for $47,997 at an average price of $272.64 per share and had $406,010 remaining authorized under the stock repurchase program.

Refer to Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” under the heading “Liquidity and Capital Resources” and Note 10, “Stockholders' Equity,” of our consolidated financial statements and accompanying notes thereto (referred to herein as the consolidated financial statements) in Part IV within this Annual Report for further information on repurchases of our common stock.

Item 7. 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 consolidated financial statements in Part IV within this Annual Report. This discussion includes an analysis of our financial condition and results of operations for the years ended March 31, 2022, and 2021 and year-over-year comparisons between those periods. For year-over-year comparisons between the years ended March 31, 2021, and 2020, refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our Annual Report on Form 10-K for the fiscal year ended March 31, 2021, filed with the SEC on May 28, 2021.

Certain statements made in this section constitute "forward-looking statements," which are subject to numerous risks and uncertainties including those described in this section. Refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" within this Annual Report for additional information.

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 manufacturers.

Financial Highlights

Consolidated financial performance highlights of fiscal year 2022 compared to the prior period, are as follows:

- Net sales increased 23.8% to $3,150,339.
  - ***Channel***
    - Wholesale channel net sales increased 31.0% to $1,936,739.
    - DTC channel net sales increased 13.8% to $1,213,600.
  - ***Geography***
    - Domestic net sales increased 23.1% to $2,167,793.
    - International net sales increased 25.3% to $982,546.
- Gross margin decreased 300 basis points to 51.0%.
- Income from operations increased 12.0% to $564,707.
- Diluted earnings per share increased by $2.79 per share to $16.26 per share.

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:

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, including from inflation, due primarily to container shortages, port congestion, and trucking and labor scarcity, which have created negative downstream impacts on our results of operations. 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 margin during fiscal year 2022, and we expect will continue to do so in future periods, particularly as we seek to maintain strategic product launch timelines and customer service levels. As we manage product availability, we remain focused on mitigating the impacts of ongoing disruptions in both the wholesale and DTC channels into our next

fiscal year, including through the use of air freight (almost exclusively for the HOKA brand) and the early procurement of inventory in the country of sale, which will likely result in higher levels of inventory to allow us to maintain expected service levels into our next fiscal year. We anticipate these global supply chain pressures will continue, and we remain focused on ensuring our long-term growth strategy remains flexible to adapt to fluid conditions.

- Although our owned DCs and 3PL providers are currently operating and supporting ongoing logistics, certain of these facilities continue to experience operational challenges, which have resulted in delays distributing our products, as well as cost pressures. Further, the headwinds we have encountered transitioning to our new European 3PL as that provider refines its system and delivery levels have exacerbated supply chain pressures. While this 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 growth. We continue to invest in infrastructure, including in our global distribution and logistics capabilities, end-to-end planning systems, and e-commerce platforms, as well as in expanding our sourcing capabilities and distribution points, to ensure we scale our operations commensurate with consumer demand.

Inflation

- Due to recent heightened inflation in key global markets, including the United States, we experienced impacts from inflation during fiscal year 2022, primarily related to supply chain challenges including higher freight costs, discussed above. We expect our business will be impacted by continued or increasing inflation in future periods, including impacts to costs for finished goods, freight, and commodities, which will impact our gross margin in our next fiscal year, as well as potential impacts to our operating expenses, foreign currency exchange rates, wages in a competitive job market, interest rates on borrowings, and customer demand.

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 an 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. In our next fiscal year, we intend to focus our efforts to drive HOKA brand performance on distribution management to drive new consumer acquisition in key markets and launching innovative product offerings to increase category adoption and market share gains with existing consumers. For example, we’re looking at volume expansion with new and existing global strategic wholesale partners to drive new consumer acquisition. Further, we recently opened the HOKA brand's first owned and operated retail stores in Asia 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, through localized marketing investments, which is fueling a healthier product mix and reducing the need for promotional activity.

- While we experienced a channel mix shift to wholesale in fiscal year 2022 as we refilled customer inventory levels, our aggregated DTC channel mix continues to be above our historical pre-pandemic levels. Our long-term growth strategy remains focused on building our DTC channel to represent an increasing portion of our total net sales, as we prioritize consumer acquisition and experience strong demand for the HOKA and UGG brands.

- We continue to make 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, including for inflationary pressures on materials used in the production of our products, as well as ocean freight costs, which we believe can be mitigated by these price increases. However, we do not expect price increases to cover the significant use of air freight in our next fiscal year.

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 Chief Operating Decision Maker (CODM), who is our CEO, President, and Principal Executive Officer (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 that resonates globally and with key markets, including for a younger, fashionable consumer, through strategic marketing activations and collaborations.
- 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, and more fashionable product for our Classics line.
- Thoughtful expansion of our apparel 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. Strong marketing has fueled both domestic and international sales growth of the HOKA brand, which has quickly become a leading brand within run and outdoor specialty wholesale accounts and is rapidly growing within selective key accounts. As a result, the HOKA brand is bolstering its net sales, which continue to increase as a percentage of our aggregate net sales.

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

- Leading performance product innovation, category extensions, and key franchise management, including higher frequency product drop rates and improving accessibility to all athletes.
- 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 digital and 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, 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 in key major global markets due to outdoor lifestyle participation amongst younger consumers.
- Category extensions in performance hike footwear, including key franchises, as well as year-round product.

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.

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

- Introducing a broader and more premium range of product, including through category extensions in casual footwear for the younger consumer, including slippers and boots.

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

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

- Increasing brand awareness with younger consumers.
- Evolution of key franchises and further expansion in fashion casual boots, sneakers, and slippers.

Direct-to-Consumer. Our DTC business encompasses all 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 in store and online.

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 March 31, 2022, we operate our e-commerce business through Company-owned websites and mobile platforms in 59 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 in our retail store fleet for the HOKA brand. 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 March 31, 2022, we have a total of 149 global retail stores, which includes 75 concept stores and 74 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 and 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 27 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 Annual 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 generally accepted accounting principles in the United States (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 Annual 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 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 have historically significantly exceeded 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 and we have begun to experience shifts during fiscal year 2022 for higher sales in the quarter ending March 31st. However, our seasonality has been impacted by supply chain challenges and it is unclear whether these impacts will be minimized or exaggerated in future periods as a result of these disruptions. Refer to Note 14, "Quarterly Summary of Information (Unaudited)," of our consolidated financial statements in Part IV within this Annual Report for further information on our results of operations by quarterly period.

Result of Operations

Year Ended March 31, 2022, Compared to Year Ended March 31, 2021. Results of operations were as follows:

	Years Ended March 31,					
	2022		2021		Change	
	Amount	%	Amount	%	Amount	%
Net sales	**$ 3,150,339**	**100.0 %**	**$ 2,545,641**	**100.0 %**	**$ 604,698**	**23.8 %**
Cost of sales	1,542,788	49.0	1,171,551	46.0	(371,237)	(31.7)
Gross profit	**1,607,551**	**51.0**	**1,374,090**	**54.0**	**233,461**	**17.0**
Selling, general, and administrative expenses	1,042,844	33.1	869,885	34.2	(172,959)	(19.9)
Income from operations	**564,707**	**17.9**	**504,205**	**19.8**	**60,502**	**12.0**
Other expense, net	69	—	2,691	0.1	2,622	97.4
Income before income taxes	**564,638**	**17.9**	**501,514**	**19.7**	**63,124**	**12.6**
Income tax expense	112,689	3.6	118,939	4.7	6,250	5.3
Net income	**451,949**	**14.3**	**382,575**	**15.0**	**69,374**	**18.1**
Total other comprehensive (loss) income, net of tax	(8,212)	(0.2)	8,816	0.3	(17,028)	(193.1)
Comprehensive income	**$ 443,737**	**14.1 %**	**$ 391,391**	**15.3 %**	**$ 52,346**	**13.4 %**
Net income per share						
Basic	$ 16.43		$ 13.64		$ 2.79	
Diluted	$ 16.26		$ 13.47		$ 2.79	

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

	Years Ended March 31,			
	2022	2021	Change	
	Amount	Amount	Amount	%
Net sales by location				
Domestic	$ 2,167,793	$ 1,761,477	$ 406,316	23.1 %
International	982,546	784,164	198,382	25.3
Total	**$ 3,150,339**	**$ 2,545,641**	**$ 604,698**	**23.8 %**
Net sales by brand and channel				
UGG brand				
Wholesale	$ 1,088,082	$ 871,799	$ 216,283	24.8 %
Direct-to-Consumer	893,887	845,283	48,604	5.8
Total	1,981,969	1,717,082	264,887	15.4
HOKA brand				
Wholesale	628,674	405,243	223,431	55.1
Direct-to-Consumer	262,920	165,997	96,923	58.4
Total	891,594	571,240	320,354	56.1
Teva brand				
Wholesale	129,094	105,928	23,166	21.9
Direct-to-Consumer	33,643	32,860	783	2.4
Total	162,737	138,788	23,949	17.3

	Years Ended March 31,			
	2022	2021	Change	
	Amount	Amount	Amount	%
Sanuk brand				
Wholesale	30,316	26,566	3,750	14.1
Direct-to-Consumer	12,779	15,274	(2,495)	(16.3)
Total	43,095	41,840	1,255	3.0
Other brands				
Wholesale	60,573	69,375	(8,802)	(12.7)
Direct-to-Consumer	10,371	7,316	3,055	41.8
Total	70,944	76,691	(5,747)	(7.5)
Total	**$ 3,150,339**	**$ 2,545,641**	**$ 604,698**	**23.8 %**
Total Wholesale	$ 1,936,739	$ 1,478,911	$ 457,828	31.0 %
Total Direct-to-Consumer	1,213,600	1,066,730	146,870	13.8
Total	**$ 3,150,339**	**$ 2,545,641**	**$ 604,698**	**23.8 %**

Total net sales increased primarily due to higher HOKA, UGG, and Teva brand sales across all channels, despite impacts from supply chain constraints, including extended transit lead times. Further, we experienced an increase of 22.2% in total volume of pairs sold to 51,200 from 41,900 compared to the prior period. On a constant currency basis, net sales increased by 23.2%, 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, core Men's products such as slippers, as well as Kids' core product lines, including the benefit of refilling inventory levels as well as our international reset strategies.

- Wholesale net sales of the HOKA brand increased globally, 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, the addition of new styles, and select door expansion with key partners.

- Wholesale net sales of the Teva brand increased primarily due to continued acceleration of US demand, as well as lapping disruptions from the pandemic, including higher reorders from our customers through the brands' peak sell-in period during the first half of fiscal year 2022.

- DTC net sales increased primarily due to higher global UGG and HOKA brand sales. Due to the disruption of our retail store base throughout fiscal year 2021, we are not reporting a comparable DTC net sales metric for fiscal year 2022.

- International net sales, which are included in the reportable operating segment net sales presented above, increased by 25.3% and represented 31.2% and 30.8% of total net sales for the years ended March 31, 2022, and 2021, respectively. These increases were primarily driven by higher international sales for the UGG and HOKA brand in all channels and regions.

Gross Profit. Gross margin decreased to 51.0% from 54.0%, compared to the prior period, almost entirely due to higher freight costs, as we incurred a substantial increase in air freight usage, ocean container rates and third-party delivery fees. Further, we experienced an unfavorable channel mix shift to wholesale, partially offset by favorable HOKA brand mix, fewer closeouts, 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 $67,100, 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 $48,700, primarily due to higher warehousing fees, shipping supplies, and retail operating costs, as well as higher net insurance costs and higher e-commerce technology costs driven by higher sales and commissions.

- Increased payroll and related costs of approximately $48,000, 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 $20,800, primarily due to higher IT and related project costs, sales team costs, travel expenses, and depreciation expense.

- Increased foreign currency-related losses of $7,200, primarily due to unfavorable changes in the US dollar exchange rate against Canadian, Asian, and European foreign currency exchange rates.

- Decreased impairments of operating lease and other long-lived assets of approximately $14,500.

- Decreased expenses for allowances for trade accounts receivable of approximately $4,400, primarily due to a decrease in bad debt expense to account for the lower risk of customer payment defaults resulting from the ongoing recovery from the pandemic.

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

	Years Ended March 31,			
	2022	2021	Change	
	Amount	Amount	Amount	%
Income (loss) from operations				
UGG brand wholesale	$ 315,240	$ 292,718	$ 22,522	7.7 %
HOKA brand wholesale	155,344	111,208	44,136	39.7
Teva brand wholesale	33,294	27,120	6,174	22.8
Sanuk brand wholesale	6,463	(162)	6,625	4,089.5
Other brands wholesale	14,028	21,573	(7,545)	(35.0)
Direct-to-Consumer	435,414	349,465	85,949	24.6
Unallocated overhead costs	(395,076)	(297,717)	(97,359)	(32.7)
Total	**$ 564,707**	**$ 504,205**	**$ 60,502**	**12.0 %**

The increase in total income from operations, compared to the prior period, was primarily due to higher net sales and lower SG&A expenses as a percentage of 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 and lower Company-owned retail store impairments, 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 higher freight costs, as well as higher variable marketing expenses.

- The increase in unallocated overhead costs was primarily due to higher operating expenses, including warehousing fees, net insurance costs, IT costs, shipping supplies, depreciation expense, higher payroll and related costs driven by higher headcount, as well as higher foreign currency-related losses and variable advertising and promotion expenses.

Other Expense, Net. Total other expense, net, compared to the prior period, decreased due to lower interest expense resulting from repayment of our mortgage during fiscal year 2021.

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

	Years Ended March 31,	
	2022	2021
Income tax expense	$ 112,689	$ 118,939
Effective income tax rate	20.0 %	23.7 %

The decrease in our effective income tax rate, compared to the prior period, was due to higher net discrete tax benefits, primarily driven by favorable releases of uncertain tax positions, tax deductions for stock-based compensation, and increased benefits for return to provision adjustments, as well as changes in the jurisdictional mix of worldwide income before income taxes.

Foreign income before income taxes was $168,270 and $133,186 and worldwide income before income taxes was $564,638 and $501,514 during the years ended March 31, 2022, and 2021, 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.

For the years ended March 31, 2022, and 2021, we did not generate significant pre-tax earnings from any countries which do not impose a corporate income tax. A small portion of our unremitted accumulated earnings of non-US subsidiaries, for which no US federal or state income tax have been provided, are currently expected to be reinvested outside of the US indefinitely. Such earnings would become taxable upon the sale or liquidation of these subsidiaries. Refer to the section titled “Liquidity” below for further information.

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 European and Asian foreign currency exchange rates.

Liquidity

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

As of March 31, 2022, our cash and cash equivalents are $843,527. 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, contractual obligations, and timely service our debt obligations for at least the next 12 months.

Our liquidity may be 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, including estimating inventory requirements

that require earlier purchasing windows to manage supply chain constraints, 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.

As discussed above under the heading “Trends and Uncertainties Impacting Our Business and Industry,” the pandemic has continued to create supply chain challenges that will impact the availability of inventory over the next few quarters as well as increased costs to mitigate these delays, which we expect to adversely impact our results of operations in our next fiscal year. If there are unexpected material impacts to our business in future periods from the pandemic and we need to raise or conserve additional cash to fund our operations, 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. Although we believe we have adequate sources of liquidity over the long term, a prolonged or more severe economic recession, inflationary pressure, or a slow recovery could adversely affect our business and liquidity.

Repatriation of Cash. We repatriated $120,000 and $175,000 of cash and cash equivalents during the years ended March 31, 2022, and 2021, respectively. As of March 31, 2022, we have $133,053 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. Beginning with the tax year ended March 31, 2018, pursuant to the Tax Reform Act, an installment election was made to pay the one-time transition tax on the deemed repatriation of foreign subsidiaries’ earnings over eight years. The cumulative remaining balance as of March 31, 2022, is $38,263. 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 within this Annual Report for further information on the impacts of the recent Tax Reform Act.

Stock Repurchase Programs. 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 stock repurchase programs do not obligate us to acquire any amount of common stock and may be suspended at any time at our discretion. As of March 31, 2022, the aggregate remaining approved amount under our stock repurchase programs is $454,007. Subsequent to March 31, 2022, through May 5, 2022, we repurchased 176,046 shares for $47,997 at an average price of $272.64 per share and had $406,010 remaining authorized under the stock repurchase program.

Capital Resources

Primary Credit Facility. In September 2018, we refinanced in full and terminated our Second Amended and Restated Credit Agreement dated as of November 13, 2014, as amended. The refinanced revolving credit facility agreement (Credit Agreement) is with JPMorgan Chase Bank, N.A. (JPMorgan), as the administrative agent, Citibank, N.A., Comerica Bank (Comerica) and HSBC Bank USA, N.A., as co-syndication agents, MUFG Bank, Ltd. and US Bank National Association as co-documentation agents, and the lenders party thereto, with JPMorgan and Comerica acting as joint lead arrangers and joint bookrunners. The Credit Agreement provides for a five-year, $400,000 unsecured revolving credit facility (Primary Credit Facility), contains a $25,000 sublimit for the issuance of letters of credit, and matures on September 20, 2023.

As of March 31, 2022, 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 revolving credit facility in China (China Credit Facility) is an uncommitted revolving line of credit of up to CNY300,000, or $47,286.

As of March 31, 2022, we have no outstanding balance, outstanding bank guarantees of $32, and available borrowings of $47,254 under our China Credit Facility.

Japan Credit Facility. Our revolving credit facility in Japan (Japan Credit Facility) is an uncommitted revolving line of credit of up to JPY3,000,000, or $24,623. We renewed the Japan Credit Facility through January 31, 2023, substantially under the terms of the original credit agreement.

As of March 31, 2022, we have no outstanding balance and available borrowings of $24,623 under our Japan Credit Facility.

Debt Covenants. As of March 31, 2022, we are in compliance with all financial covenants under our revolving credit facilities.

Refer to Note 6, “Revolving Credit Facilities,” of our consolidated financial statements in Part IV within this Annual Report for further information on our capital resources.

Cash Flows

The following table summarizes the major components our consolidated statements of cash flows for the periods presented:

	Years Ended March 31,			
	2022	2021	Change	
	Amount	Amount	Amount	%
Net cash provided by operating activities	$ 172,353	$ 596,217	$ (423,864)	(71.1)%
Net cash used in investing activities	(51,009)	(32,169)	(18,840)	(58.6)
Net cash used in financing activities	(367,482)	(129,581)	(237,901)	(183.6)
Effect of foreign currency exchange rates on cash and cash equivalents	304	5,458	(5,154)	(94.4)
Net change in cash and cash equivalents	**$ (245,834)**	**$ 439,925**	**$ (685,759)**	**(155.9)%**

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 decrease in net cash provided by operating activities during the year ended March 31, 2022, compared to the prior period, was primarily due to a net unfavorable change in operating assets and liabilities, partially offset by favorable net income after non-cash adjustments. The changes in operating assets and liabilities were primarily due to net unfavorable changes in inventories, other accrued expenses, trade accounts receivable, net, income tax payable, other assets, and income tax receivable, partially offset by a net favorable change in trade accounts payable.

Investing Activities. The increase in net cash used in investing activities during the year ended March 31, 2022, compared to the prior period, was primarily due to higher capital expenditures for our second US DC, as well as higher showrooms and IT costs, partially offset by lower capital expenditures for retail stores.

Financing Activities. The increase in net cash used in financing activities during the year ended March 31, 2022, compared to the prior period, was primarily due to higher stock repurchases, higher cash paid for shares withheld for taxes, and lower proceeds from exercise of stock options, partially offset by the mortgage repayment during fiscal year 2021.

Contractual Obligations

The following table summarizes our significant contractual obligations as of March 31, 2022, and the effects of such obligations in future periods:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating lease obligations (1)	$ 238,754	$ 53,886	$ 83,667	$ 58,651	$ 42,550
Purchase obligations for product (2)	809,812	809,812	—	—	—
Purchase obligations for commodities (3)	206,979	99,066	107,913	—	—
Other purchase obligations (4)	207,651	69,057	66,073	72,521	—
Net unrecognized tax benefits (5)	8,642	—	8,642	—	—
Total	**$ 1,471,838**	**$ 1,031,821**	**$ 266,295**	**$ 131,172**	**$ 42,550**

(1) Our operating lease commitments consist primarily of building leases for our retail locations, our warehouse and DCs, and regional offices, and include the undiscounted cash lease payments owed under the terms of our operating lease agreements. In April 2022 we signed a lease for additional space at our US DC in Mooresville, Indiana with an initial lease term of ten years for a minimum commitment of approximately $46,000, which we expect to operational in the third quarter of our fiscal year ending March 31, 2024. Refer to Note 7, “Leases and Other Commitments,” of our consolidated financial statements in Part IV within this Annual Report for further information on our operating lease assets and lease liabilities.

(2) Our purchase obligations for product consist mostly of open purchase orders issued in the ordinary course of business. Outstanding purchase orders are primarily issued to our third-party manufacturers and are expected to be paid within one year. We can cancel a significant portion of the purchase obligations under certain circumstances; however, the occurrence of such circumstances is generally limited. As a result, the amount does not necessarily reflect the dollar amount of our binding commitments or minimum purchase obligations, and instead reflects an estimate of our future payment obligations based on information currently available. Due to increased demand for certain products combined with longer logistics lead times and increased transit times from origin to destination as a result of supply chain disruptions, we are currently expecting that our inventory purchases with our third-party manufacturers will be significantly higher for our next fiscal year compared to fiscal year 2022.

(3) Our purchase obligations for commodities include sheepskin, UGGpure, and leather, and represent remaining commitments under existing supply agreements, which are subject to minimum volume commitments. We expect that purchases made by us under these agreements in the ordinary course of business will eventually exceed the minimum commitment levels. There are $33,120 of deposits included in the amount above that have not been fully consumed as of March 31, 2022, which is recorded in other assets in the consolidated balance sheets, which represent remaining minimum commitments under certain expired sheepskin supply agreements that we currently expect to be consumed in future periods.

(4) Our other purchase obligations consist of non-cancellable minimum commitments for logistics arrangements, sales management services, supply chain services, IT services, requirements to pay promotional expenses, and other commitments under service contracts, which are due during our fiscal years ending March 31, 2023 through 2027. Amounts excluded from other purchase obligations above include any capital expenditures that will be purchased before the end of our next fiscal year, which we estimate will range from approximately $100,000 to $110,000. We anticipate these expenditures will primarily relate to the build-out of a third US DC, IT infrastructure and system upgrades, and refreshes to our global retail store fleet including new retail stores. Other anticipated expenditures include upgrades to our existing warehouse and DCs as well as our global office facilities. However, the actual amount of our future capital expenditures may differ significantly from this estimate depending on numerous factors, including the timing of facility openings, as well as unforeseen needs to replace existing assets, and the timing of other expenditures.

(5) Net unrecognized tax benefits are gross unrecognized tax benefits, less federal benefit for state income taxes, related to uncertain tax positions taken in our income tax return that would impact our effective tax rate, if recognized. As of March 31, 2022, the timing of future cash outflows is highly uncertain related to expirations of statute of limitations on liabilities of $14,791, therefore we are unable to make a reasonable estimate of the period of cash settlement. Refer to Note 5, “Income Taxes,” of our consolidated financial statements in Part IV within this Annual Report for further information on our uncertain tax positions.

Refer to Note 7, “Leases and Other Commitments,” of our consolidated financial statements in Part IV within this Annual Report for further information on our operating leases, purchase obligations, capital expenditures, and other contractual obligations and commitments.

Critical Accounting Policies and Estimates

Management must make certain estimates and assumptions that affect the amounts reported in the 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 consolidated financial statements: allowances for doubtful accounts, estimated sales return liability, sales discounts and customer chargebacks, inventory valuations, valuation of goodwill, other intangible assets and long-lived assets, and performance-based stock 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 consolidated financial statements may be materially affected.

Refer to Note 1, “General,” of our consolidated financial statements in Part IV within this Annual Report for a discussion of our significant accounting policies and use of estimates, as well as the impact of recent accounting pronouncements.

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. We recognize revenue and measure the transaction price net of taxes, including sales taxes, use taxes, value-added taxes, and some types of excise taxes, collected from customers and remitted to governmental authorities. We present revenue gross of fees and sales commissions. Sales commissions are expensed as incurred and are recorded in SG&A expenses in the consolidated statements of comprehensive income.

Wholesale and international distributor revenue are each recognized either when products are shipped or when delivered, depending on the applicable contract terms. Retail store and e-commerce revenue are recognized at the point of sale and upon shipment, respectively. Shipping and handling costs paid to third-party shipping companies are recorded as cost of sales in the consolidated statements of comprehensive income. Shipping and handling costs are a fulfillment service, and, for certain wholesale and all e-commerce transactions, revenue is recognized when the customer is deemed to obtain control upon the date of shipment.

Refer to Note 2, “Revenue Recognition,” of our consolidated financial statements in Part IV within this Annual Report for further information regarding the components of variable consideration, including allowances for sales discounts, chargebacks, and our sales return liability.

Accounts Receivable Allowances. The following table summarizes critical accounting estimates for accounts receivable allowances and reserves:

	As of March 31,			
	2022		2021	
	Amount	% of Gross Trade Accounts Receivable	Amount	% of Gross Trade Accounts Receivable
Gross trade accounts receivable	$ 333,279	100.0 %	$ 242,234	100.0 %
Allowance for doubtful accounts	(9,044)	(2.7)	(9,730)	(4.0)
Allowance for sales discounts	(2,831)	(0.9)	(3,016)	(1.2)
Allowance for chargebacks	(18,716)	(5.6)	(13,770)	(5.7)
Trade accounts receivable, net	**$ 302,688**	**90.8 %**	**$ 215,718**	**89.1 %**

Allowance for Doubtful Accounts. We provide an allowance against trade accounts receivable for estimated losses that may result from customers' inability to pay. We determine the amount of the allowance by analyzing known uncollectible accounts, aged trade accounts receivable, economic conditions and forecasts, historical experience, and the customers' creditworthiness. Trade accounts receivable that are subsequently determined to be uncollectible are charged or written off against this allowance. The allowance includes specific allowances for trade accounts, of which all or a portion are identified as potentially uncollectible based on known or anticipated losses. Our use of different estimates and assumptions could produce different financial results.

Allowance for Sales Discounts. We provide a trade accounts receivable allowance for sales discounts for our wholesale channel sales, which reflects a discount that our customers may take, generally based on meeting certain order, shipment or prompt payment terms. We use the amount of the discounts that are available to be taken against the period end trade accounts receivable to estimate and record a corresponding reserve for sales discounts.

Allowance for Chargebacks. We provide a trade accounts receivable allowance for chargebacks and markdowns for our wholesale channel sales. When customers pay their invoices, they may take deductions against their invoices that can include chargebacks for price differences, markdowns, short shipments, and other reasons. Therefore, we record an allowance primarily for known circumstances as well as unknown circumstances based on historical trends related to the timing and amount of chargebacks taken against customer invoices.

Sales Return Liability. The following tables summarize estimates for our sales return liability as a percentage of the most recent quarterly net sales by channel:

	Three Months Ended March 31,			
	2022		2021	
	Amount	% of Net Sales	Amount	% of Net Sales
Net Sales				
Wholesale	$ 448,848	61.0 %	$ 326,106	58.1 %
Direct-to-Consumer	287,159	39.0	235,082	41.9
Total	**$ 736,007**	**100.0 %**	**$ 561,188**	**100.0 %**

	As of March 31,			
	2022		2021	
	Amount	% of Net Sales	Amount	% of Net Sales
Sales Return Liability				
Wholesale	$ (31,082)	(6.9)%	$ (23,987)	(7.4)%
Direct-to-Consumer	(8,785)	(3.1)	(13,730)	(5.8)
Total	**$ (39,867)**	**(5.4)%**	**$ (37,717)**	**(6.7)%**

Reserves are recorded for anticipated future returns of goods shipped prior to the end of the reporting period. In general, we accept returns for damaged or defective products for up to one year. We also have 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. Sales returns are an asset for the right to recover the inventory and a refund liability for the stand-ready right of return. Changes to the refund liability are recorded against gross sales and changes to the asset for the right to recover the inventory are recorded against cost of sales. For our wholesale channel, we base our estimate of sales returns on any approved customer requests for returns, historical returns experience, and any recent events that could result in a change from historical returns rates, among other factors. For our DTC channel and reportable operating segment, we estimate sales returns using a lag compared to the same prior period and consider historical returns experience and any recent events that could result in a change from historical returns, among other factors. Our use of different estimates and assumptions could produce different financial results.

Inventories. The following tables summarize estimates for our inventories:

	As of March 31,			
	2022		2021	
	Amount	% of Gross Inventory	Amount	% of Gross Inventory
Gross Inventories	$ 527,531	100.0 %	$ 297,874	100.0 %
Write-down of inventories	(20,735)	(3.9)	(19,632)	(6.6)
Inventories	**$ 506,796**	**96.1 %**	**$ 278,242**	**93.4 %**

We review inventory on a regular basis for excess, obsolete, and impaired inventory to evaluate write-downs to the lower of cost or net realizable value. Our use of different estimates and assumptions could produce different financial results.

Operating Lease Assets and Lease Liabilities. We recognize operating lease assets and lease liabilities in the consolidated balance sheets on the lease commencement date, based on the present value of the outstanding lease payments over the reasonably certain lease term. The lease term includes the non-cancelable period at the lease commencement date, plus any additional periods covered by our options to extend (or not to terminate) the leases that are reasonably certain to be exercised, or an option to extend (or not to terminate) a lease that is controlled by the lessor.

We discount unpaid lease payments using the interest rate implicit in the lease or, if the rate cannot be readily determined, its incremental borrowing rate (IBR). We cannot determine the interest rate implicit in the lease because we do not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, we derive a discount rate at the lease commencement date by utilizing our IBR, which is based on what we would have to pay on a collateralized basis to borrow an amount equal to our lease payments under similar terms. Because we do not currently borrow on a collateralized basis under our revolving credit facilities, we use the interest rate we pay on our non-collateralized borrowings under our Primary Credit Facility as an input for deriving an appropriate IBR, adjusted for the amount of the lease payments, the lease term, and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease.

Refer to Note 7, “Leases and Other Commitments,” of our consolidated financial statements in Part IV within this Annual Report for further information, including more details of our accounting policy elections and disclosures.

Goodwill and Indefinite-Lived Intangible Assets. We do not amortize goodwill and indefinite-lived intangible assets but instead test for impairment annually, or when an event occurs or changes in circumstances indicate the carrying value may not be recoverable at the reporting unit level. First, we determine if, based on qualitative factors, it is more likely than not that an impairment exists. Qualitative factors considered include significant or adverse changes in consumer demand, historical financial performance, changes in management or key personnel, macroeconomic and industry conditions, and the legal and regulatory environment. If the qualitative assessment indicates that it is more likely than not that an impairment exists, then a quantitative assessment is performed. The quantitative assessment requires an analysis of several best estimates and assumptions, including future sales and results of operations, discount rates, and other factors that could affect fair value or otherwise indicate potential impairment. We also consider the reporting units' projected ability to generate income from operations and positive cash flow in future periods, as well as perceived changes in customer demand and acceptance of products, or other factors impacting our industry. The fair value assessment could change materially if different estimates and assumptions were used.

During the years ended March 31, 2022, and 2021, we performed our annual impairment assessment and evaluated the UGG and HOKA brands' wholesale reportable operating segment goodwill as of December 31st and evaluated our Teva indefinite-lived trademarks as of October 31st. Based on the carrying amounts of the UGG and HOKA brands' goodwill and Teva brand indefinite-lived trademarks, each of the brands' actual fiscal year sales and results of operations, and the brands' long-term forecasts of sales and results of operations as of their evaluation dates, we concluded that these assets were not impaired.

Refer to Note 1, "General," and Note 3, "Goodwill and Other Intangible Assets," of our consolidated financial statements in Part IV within this Annual Report for further information on our goodwill and indefinite-lived intangible assets and annual impairment assessment results.

Definite-Lived Intangible and Other Long-Lived Assets. Definite-lived intangible and other long-lived assets, including definite-lived trademarks, machinery and equipment, internal-use software, operating lease assets and related leasehold improvements, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. At least quarterly, we evaluate factors that would necessitate an impairment assessment, which include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset or a significant decline in the observable market value of an asset, among others.

When an impairment-triggering event has occurred, we test for recoverability of the asset group's carrying value using estimates of undiscounted future cash flows based on the existing service potential of the applicable asset group. In determining the service potential of a long-lived asset group, we consider the remaining useful life, cash-flow generating capacity, and physical output capacity. These estimates include the undiscounted future cash flows associated with future expenditures necessary to maintain the existing service potential. These assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If impaired, the asset or asset group is written down to fair value based on either discounted future cash flows or appraised values. An impairment loss, if any, would only reduce the carrying amount of long-lived assets in the group based on the fair value of the asset group.

We did not identify any definite-lived intangible asset impairments during the year ended March 31, 2022. During the year ended March 31, 2021, we recorded an impairment loss of $3,522 for the Sanuk brand definite-lived international trademark, driven by the strategic decision to focus primarily on future domestic growth, within our Sanuk brand wholesale reportable operating segment in SG&A expenses in the consolidated statements of comprehensive income.

During the years ended March 31, 2022, and 2021, we recorded impairment losses for other long-lived assets, primarily for certain retail store operating lease assets and related leasehold improvements due to performance or store closures, of $3,186 and $14,084, respectively, within our DTC reportable operating segment in SG&A expenses in the consolidated statements of comprehensive income.

Refer to Note 1, "General," and Note 3, "Goodwill and Other Intangible Assets," of our consolidated financial statements in Part IV within this Annual Report for further information on our definite-lived intangible and other long-lived assets.

Performance-Based Compensation. In accordance with applicable accounting guidance, we recognize performance-based compensation expense, including performance-based stock compensation and annual cash bonus compensation, when it is deemed probable that the applicable performance criteria will be met. Performance-based compensation does not include time-based awards subject only to service-based conditions. We evaluate the probability of achieving the applicable performance criteria on a quarterly basis. Our probability assessment can fluctuate from quarter to quarter as we assess our projected results against performance criteria. As a result, the related performance-based compensation expense we recognize may also fluctuate from period to period.

At the beginning of each fiscal year, our Talent & Compensation Committee reviews our results of operations from the prior fiscal year, as well as the financial and strategic plan for future fiscal years. Our Talent & Compensation Committee then establishes specific annual financial and strategic goals. Vesting of performance-based stock compensation or recognition of cash bonus compensation is based on our achievement of certain targets for annual revenue, operating income, and pre-tax income, as well as achievement of predetermined individual financial performance criteria that is tailored to individual employees based on their roles and responsibilities with us. The performance criteria, as well as our annual targets, differ each fiscal year and are based on many factors, including our current business stage and strategies, our recent financial and operating performance, expected growth rates over the prior fiscal year's performance, business and general economic conditions and market and peer group analysis.

Performance-based compensation expense decreased approximately $2,900 during the year ended March 31, 2022, compared to the year ended March 31, 2021. The primary reason for this net decrease was the lower achievement of the performance criteria governing our cash bonuses compared to the prior period, partially offset by the expected achievement of the maximum performance criteria for the 2021 and 2020 long-term incentive plan performance-based restricted stock units. Performance-based compensation expense is primarily recorded in SG&A expenses, with cash bonuses for certain employees recorded in cost of goods sold in the consolidated statements of comprehensive income.

Refer to Note 8, "Stock-Based Compensation," of our consolidated financial statements in Part IV within this Annual Report for further information on our performance-based stock compensation.

Income Taxes. Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates that will be in effect for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. We believe it is more likely than not that forecasted income, together with future reversals of existing taxable temporary differences, will be sufficient to recover our deferred tax assets. In the event that we determine all, or part of our net deferred tax assets are not realizable in the future, we will record an adjustment to the valuation allowance and a corresponding charge to earnings in the period such determination is made.

The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of US GAAP and complex tax laws. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our financial condition and results of operations. We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recorded in the consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

We determine on a regular basis the amount of undistributed earnings that will be indefinitely reinvested in our non-US operations. This assessment is based on the cash flow projections and operational and fiscal objectives of each of our US and foreign subsidiaries. A cash distribution of income from foreign subsidiaries that was previously taxed earnings and profits (PTEP) by the US Internal Revenue Service does not require recognition of a deferred tax liability as the liability has already been recognized under the Tax Reform Act. We have not changed our indefinite reinvestment assertion of foreign earnings other than PTEP.

Refer to Note 5, "Income Taxes," of our consolidated financial statements in Part IV within this Annual Report for further information on our income taxes and tax strategy.

Item 7A. 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 United Kingdom. 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 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. Refer to the section titled "Contractual Obligations" above within Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 7, "Leases and Other Commitments," of our consolidated financial statements in Part IV within this Annual Report for further information on our minimum commodity purchase commitments.

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 March 31, 2022, 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.

Refer to Note 9, "Derivative Instruments," of our consolidated financial statements in Part IV within this Annual Report for further information on our use of derivative contracts.

Interest Rate Risk

Our market risk exposure with respect to our revolving credit facilities is tied to changes in applicable interest rates, including the Alternate Base Rate, the federal funds effective rate, currency-specific London Interbank Offered Rate and Canadian deposit offering rate for our Primary Credit Facility, People's Bank of China market rate for our China Credit Facility, and Tokyo interbank offered rate 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 consolidated statements of comprehensive income during the year ended March 31, 2022, due to no outstanding balances under our revolving credit facilities. Refer to Note 6, "Revolving Credit Facilities," of our consolidated financial statements in Part IV within this Annual Report for further information on our revolving credit facilities.

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements, the Financial Statement Schedule, and the Reports of Independent Registered Public Accounting Firm, are filed in a separate section following Part IV, as shown on the index under Item 15, "Exhibits and Financial Statement Schedule," within this Annual Report.

Item 9A. 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 conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2022. Based on that evaluation, our Principal Executive Officer (PEO) and Principal Financial and Accounting Officer (PFAO) concluded that our disclosure controls and procedures are effective at a reasonable assurance level as of March 31, 2022.

b) Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed under the supervision of our PEO and PFAO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with US GAAP. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of March 31, 2022, our management, including our PEO and PFAO, assessed the effectiveness of our internal control over financial reporting using the criteria set forth in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (commonly referred to as COSO). Based on this assessment, our management concluded that our internal control over financial reporting was effective based on those criteria. The registered public accounting firm that audited our consolidated financial statements in Part IV within this Annual Report has issued an attestation report on our internal control over financial reporting. Refer to Part IV, “Report of Independent Registered Public Accounting Firm - Internal Control Over Financial Reporting,” on page F-4 within this Annual Report.

c) Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rule 13a-15(d) of the Exchange Act during the year ended March 31, 2022, 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.

d) 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 Annual Report. This Part II, Item 9A, should be read in conjunction with such certifications for a more complete understanding of the topics presented.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be disclosed in our definitive proxy statement on Schedule 14A (Proxy Statement) for our 2022 annual meeting of stockholders and is incorporated herein by reference. Our Proxy Statement will be filed with the SEC within 120 days after the end of the year ended March 31, 2022, pursuant to Regulation 14A under the Exchange Act.

Item 11. Executive Compensation

The information required by this item will be disclosed in the Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be disclosed in the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be disclosed in the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item will be disclosed in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedule

Refer to Part IV, "Index to Consolidated Financial Statements and Financial Statement Schedule," on page F-1 within this Annual Report for our Consolidated Financial Statements and the Reports of Independent Registered Public Accounting Firm.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of Deckers Outdoor Corporation, as amended through May 27, 2010 (Exhibit 3.1 to the Registrant's Form 10-Q filed on August 9, 2010, and incorporated by reference herein)
3.2	Amended and Restated Bylaws of Deckers Outdoor Corporation, as amended through June 5, 2018 (Exhibit 3.1 to the Registrant's Form 8-K filed on June 5, 2018, and incorporated by reference herein)
*4.1	Description of the Capital Stock of Deckers Outdoor Corporation
†10.1	Standard Industrial Lease (Net), dated December 5, 2013, by and between Moreno Knox, LLC and Deckers Outdoor Corporation for distribution center at 17791 Perris Blvd., Moreno Valley, CA 92551 (Exhibit 10.6 to the Registrant's Form 10-K filed on March 3, 2014, and incorporated by reference herein)
†10.2	First Amendment to Standard Industrial Lease (Net), dated June 6, 2017, by and between Moreno Knox, LLC and Deckers Outdoor Corporation for distribution center at 17791 Perris Blvd., Moreno Valley, CA 92551 (Exhibit 10.6 to the Registrant's Form 10-K filed on May 30, 2018, and incorporated by reference herein)
10.3	Second Amendment to Standard Industrial Lease (Net), dated July 17, 2017, by and between Moreno Knox, LLC and Deckers Outdoor Corporation for distribution center at 17791 Perris Blvd., Moreno Valley, CA 92551 (Exhibit 10.7 to the Registrant's Form 10-K filed on May 30, 2018, and incorporated by reference herein)
†10.4	Standard Industrial Lease (Net), dated February 10, 2021, by and between Seven Oaks Shopping Center L.P. and Kingstown Parcel O L.P. and Deckers Outdoor Corporation for distribution center at 2633 Westpoint Blvd., Mooresville, IN 46158 (Exhibit 10.4 to the Registrant's Form 10-K filed on May 28, 2021, and incorporated by reference herein)
†*10.5	Standard Industrial Lease (Net), dated April 20, 2022, by and between Westpoint Building V, LLC and Deckers Outdoor Corporation for distribution center at 2723 Westpoint Blvd, Mooresville, IN 46158
10.6	Credit Agreement, dated September 20, 2018, by and among Deckers Outdoor Corporation, Deckers Europe Limited, Deckers UK Ltd., Deckers Benelux B.V., Deckers Outdoor Canada ULC and Deckers Outdoor International Limited, as borrowers, JP Morgan Chase Bank, N.A. as Administrative Agent, Citibank, N.A., Comerica Bank and HSBC Bank USA, National Association, as Co-Syndication Agents, MUFG Bank, Ltd. and U.S. Bank National Association, as Co-Documentation Agents, and the lenders party thereto (Exhibit 10.1 to the Registrant's Form 8-K filed on September 25, 2018, and incorporated by reference herein)
†10.7	Amendment No. 1 to Credit Agreement, dated September 17, 2021, by and among Deckers Outdoor Corporation, Deckers Europe Limited, Deckers UK Ltd., Deckers Benelux B.V., Deckers Outdoor Canada ULC and Deckers Outdoor International Limited, as borrowers, JP Morgan Chase Bank, N.A. as Administrative Agent, Citibank, N.A., Comerica Bank and HSBC Bank USA, National Association, as Co-Syndication Agents, MUFG Bank, Ltd. and U.S. Bank National Association, as Co-Documentation Agents, and the lenders party thereto (Exhibit 10.1 to the Registrants Form 10-Q filed on November 4, 2021, and incorporated by reference herein)
#10.8	Form of Indemnification Agreement (Exhibit 10.1 to the Registrant's Form 8-K filed on June 2, 2008, and incorporated by reference herein)
#10.9	Form of Change in Control and Severance Agreement (Exhibit 10.2 to the Registrant's Form 10-Q filed on August 6, 2020, and incorporated by reference herein)
#10.10	Deckers Outdoor Corporation 2006 Equity Incentive Plan (Appendix A to the Registrant's Definitive Proxy Statement filed on April 21, 2006, and incorporated by reference herein)
#10.11	First Amendment to Deckers Outdoor Corporation 2006 Equity Incentive Plan, as amended through May 9, 2007 (Appendix A to the Registrant's Definitive Proxy Statement filed on April 9, 2007, and incorporated by reference herein)

Exhibit Number	Description of Exhibit
#10.12	Deckers Outdoor Corporation Second Amended and Restated Deferred Stock Unit Compensation Plan, effective December 16, 2015 (Exhibit 10.1 to the Registrant's Form 10-Q filed on November 9, 2017, and incorporated by reference herein)
#10.13	Deckers Outdoor Corporation Amended and Restated Deferred Compensation Plan, effective July 1, 2016 (Exhibit 10.2 to the Registrant's Form 10-Q filed on November 9, 2017, and incorporated by reference herein)
#10.14	Deckers Outdoor Corporation 2015 Employee Stock Purchase Plan (Appendix A to the Registrant's Definitive Proxy Statement filed on July 29, 2015, and incorporated by reference herein)
#10.15	Deckers Outdoor Corporation 2015 Stock Incentive Plan (Appendix B to the Registrant's Definitive Proxy Statement filed on July 29, 2015, and incorporated by reference herein)
#10.16	Deckers Outdoor Corporation Management Incentive Plan (Exhibit 10.1 to the Registrant's Form 10-Q filed on August 10, 2015, and incorporated by reference herein)
#10.17	Form of Performance Stock Option Agreement under 2015 Stock Incentive Plan (Exhibit 10.1 to the Registrant's Form 8-K filed on November 28, 2016, and incorporated by reference herein)
†#10.18	Form of Performance Stock Option Agreement under Deckers Outdoor Corporation 2015 Stock Incentive Plan (Exhibit 10.3 to the Registrant's Form 10-Q filed on August 9, 2017, and incorporated by reference herein)
†#10.19	Form of Stock Unit Award Agreement (2019 Performance-Based PSU) under Deckers Outdoor Corporation 2015 Stock Incentive Plan (Exhibit 10.1 to the Registrant's Form 10-Q filed on August 9, 2018, and incorporated by reference herein)
#10.20	Form of Stock Unit Award Agreement (2019 Time-Based RSU) under Deckers Outdoor Corporation 2015 Stock Incentive Plan (Exhibit 10.2 to the Registrant's Form 10-Q filed on August 9, 2018, and incorporated by reference herein)
†#10.21	Form of Restricted Stock Unit Award Agreement under Deckers Outdoor Corporation 2015 Stock Incentive Plan FY 2019 LTIP Financial Performance Report (Exhibit 10.2 to the Registrant's Form 8-K filed on September 25, 2018, and incorporated by reference herein)
#10.22	Form of Stock Unit Award Agreement (2020 Time-Based RSU) under Deckers Outdoor Corporation 2015 Stock Incentive Plan (Exhibit 10.1 to the Registrant's Form 10-Q filed on August 8, 2019, and incorporated by referenced herein)
†#10.23	Form of Stock Unit Award Agreement (2020 Performance-Based PSU) under Deckers Outdoor Corporation 2015 Stock Incentive Plan (Exhibit 10.2 to the Registrant's Form 10-Q filed on August 8, 2019, and incorporated by reference herein)
†#10.24	Form of Restricted Stock Unit Award Agreement under Deckers Outdoor Corporation 2015 Stock Incentive Plan FY 2020 LTIP Financial Performance Award (Exhibit 10.1 to the Registrant's Form 8-K filed on September 25, 2019, and incorporated by reference herein)
#10.25	Form of Stock Unit Award Agreement (2021 Time-Based RSU) under Deckers Outdoor Corporation 2015 Stock Incentive Plan (Exhibit 10.1 to the Registrant's Form 10-Q filed on August 6, 2020, and incorporated by reference herein)
†#10.26	Form of Restricted Stock Unit Award Agreement under Decker Outdoor Corporation 2015 Stock Incentive Plan FY 2021 LTIP Financial Performance Award (Exhibit 10.26 to the Registrant's Form 10-K filed on May 28, 2021)
*#10.27	Form of Stock Unit Award Agreement (2022 Time-Based RSU) under Deckers Outdoor Corporation 2015 Stock Incentive Plan
†*#10.28	Form of Restricted Stock Unit Award Agreement under Deckers Outdoor Corporation 2015 Stock Incentive Plan FY 2022 LTIP Financial Performance Award
†*#10.29	Form of Restricted Stock Unit Award Agreement under Decker Outdoor Corporation 2015 Stock Incentive Plan FY 2021 LTIP Financial Performance Award, 2-year term
*21.1	Subsidiaries of Registrant
*23.1	Consent of Independent Registered Public Accounting Firm
*31.1	Certification of the 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 the 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

Exhibit Number	Description of Exhibit
*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	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	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.
# Management contract or compensatory plan or arrangement.
† Certain of the exhibits and schedules to this Exhibit Index have been omitted in accordance with Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the Securities and Exchange Commission upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: May 27, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DAVE POWERS Dave Powers	Chief Executive Officer, President and Director (Principal Executive Officer)	May 27, 2022
/s/ STEVEN J. FASCHING Steven J. Fasching	Chief Financial Officer (Principal Financial and Accounting Officer)	May 27, 2022
/s/ MICHAEL F. DEVINE, III Michael F. Devine, III	Chairman of the Board	May 27, 2022
/s/ DAVID A. BURWICK David A. Burwick	Director	May 27, 2022
/s/ NELSON C. CHAN Nelson C. Chan	Director	May 27, 2022
/s/ CYNTHIA (CINDY) L. DAVIS Cynthia (Cindy) L. Davis	Director	May 27, 2022
/s/ JUAN R. FIGUEREO Juan R. Figuereo	Director	May 27, 2022
/s/ MAHA S. IBRAHIM Maha S. Ibrahim	Director	May 27, 2022
/s/ VICTOR LUIS Victor Luis	Director	May 27, 2022
/s/ LAURI M. SHANAHAN Lauri M. Shanahan	Director	May 27, 2022
/s/ BONITA C. STEWART Bonita C. Stewart	Director	May 27, 2022

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE

	Page
Consolidated Financial Statements:	
Report of Independent Registered Public Accounting Firm - Consolidated Financial Statements (KPMG LLP, Los Angeles, CA, Auditor Firm ID: 185)	F-2
Report of Independent Registered Public Accounting Firm - Internal Control Over Financial Reporting (KPMG LLP, Los Angeles, CA, Auditor Firm ID: 185)	F-4
Consolidated Balance Sheets	F-5
Consolidated Statements of Comprehensive Income	F-6
Consolidated Statements of Stockholders' Equity	F-7
Consolidated Statements of Cash Flows	F-8
Notes to Consolidated Financial Statements	F-10
Consolidated Financial Statement Schedule:	
Schedule II - Total Valuation and Qualifying Accounts	F-42

All other schedules are omitted because they are not applicable, or the required information is shown in the consolidated financial statements or accompanying notes thereto.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Deckers Outdoor Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Deckers Outdoor Corporation and subsidiaries (the Company) as of March 31, 2022, and 2021, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2022, and the related notes and financial statement schedule (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated May 27, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit and risk management committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Wholesale sales return liability

As discussed in Note 1 and Note 2 to the consolidated financial statements, the Company has recorded a sales return liability as of March 31, 2022, of $39,867, of which $31,082 is related to the wholesale channel. The Company records an allowance for anticipated future returns of goods shipped prior to the end of the reporting period. 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.

We identified the evaluation of the wholesale sales return liability as a critical audit matter. There was a high degree of auditor judgment required to evaluate recent events that could result in a change from historical return rates used to estimate the wholesale sales return liability.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's process for estimating the wholesale sales return liability, including controls related to the development of estimated return rates. We evaluated the wholesale sales return liability using a combination of Company internal data, known recent trends, and actual and

Report of Independent Registered Public Accounting Firm

historical known information. We analyzed the Company’s internal data and external correspondence to assess adjustments made by management, if any, to historical return rates based on consideration of recent events. We assessed the Company’s ability to accurately estimate the wholesale sales return liability by comparing the historically recorded sales return liability to actual subsequent product returns. We also analyzed actual product returns received after year-end but prior to the issuance of the consolidated financial statements.

/s/ KPMG LLP

We have served as the Company’s auditor since 1992.

Los Angeles, California
May 27, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Deckers Outdoor Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Deckers Outdoor Corporation and subsidiaries' (the Company) internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of March 31, 2022 and 2021, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2022, and the related notes and financial statement schedule (collectively, the consolidated financial statements), and our report dated May 27, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Los Angeles, California
May 27, 2022

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

	As of March 31,	
	2022	2021
ASSETS		
Cash and cash equivalents	$ 843,527	$ 1,089,361
Trade accounts receivable, net of allowances ($30,591 and $26,516 as of March 31, 2022, and March 31, 2021, respectively) (Note 2 and Schedule II)	302,688	215,718
Inventories	506,796	278,242
Prepaid expenses	25,610	16,924
Other current assets	55,264	44,244
Income tax receivable	18,243	6,310
Total current assets	1,752,128	1,650,799
Property and equipment, net of accumulated depreciation ($282,571 and $266,905 as of March 31, 2022, and March 31, 2021, respectively) (Note 1 and Note 13)	222,449	206,210
Operating lease assets	182,459	186,991
Goodwill (Note 3)	13,990	13,990
Other intangible assets, net of accumulated amortization ($79,061 and $77,473 as of March 31, 2022, and March 31, 2021, respectively) (Note 3)	39,688	41,945
Deferred tax assets, net (Note 5)	64,217	37,194
Other assets	57,319	30,576
Total assets	**$ 2,332,250**	**$ 2,167,705**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	$ 327,487	$ 231,632
Accrued payroll	67,553	79,152
Operating lease liabilities (Note 7)	50,098	46,768
Other accrued expenses	81,400	68,995
Income tax payable	12,426	36,920
Value added tax payable	2,720	4,901
Total current liabilities	541,684	468,368
Long-term operating lease liabilities (Note 7)	171,972	176,274
Income tax liability	54,259	60,094
Other long-term liabilities	25,510	18,744
Total long-term liabilities	251,741	255,112
Commitments and contingencies (Note 7)		
Stockholders' equity		
Common stock ($0.01 par value; 125,000 shares authorized; shares issued and outstanding of 26,982 and 27,910 as of March 31, 2022, and March 31, 2021, respectively)	270	279
Additional paid-in capital	210,825	203,310
Retained earnings	1,352,685	1,257,379
Accumulated other comprehensive loss (Note 10)	(24,955)	(16,743)
Total stockholders' equity	1,538,825	1,444,225
Total liabilities and stockholders' equity	**$ 2,332,250**	**$ 2,167,705**

See accompanying notes to the consolidated financial statements.

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

	Years Ended March 31,		
	2022	**2021**	**2020**
Net sales (Note 12 and Note 13)	**$ 3,150,339**	**$ 2,545,641**	**$ 2,132,689**
Cost of sales	1,542,788	1,171,551	1,029,016
Gross profit	**1,607,551**	**1,374,090**	**1,103,673**
Selling, general, and administrative expenses	1,042,844	869,885	765,538
Income from operations (Note 12)	**564,707**	**504,205**	**338,135**
Interest income	(1,901)	(2,637)	(7,261)
Interest expense	2,083	6,028	5,046
Other income, net	(113)	(700)	(516)
Total other expense (income), net	69	2,691	(2,731)
Income before income taxes	**564,638**	**501,514**	**340,866**
Income tax expense (Note 5)	112,689	118,939	64,724
Net income	**451,949**	**382,575**	**276,142**
Other comprehensive (loss) income			
Foreign currency translation (loss) gain	(8,212)	8,816	(2,905)
Total other comprehensive (loss) income	**(8,212)**	**8,816**	**(2,905)**
Comprehensive income	**$ 443,737**	**$ 391,391**	**$ 273,237**
Net income per share			
Basic	$ 16.43	$ 13.64	$ 9.73
Diluted	$ 16.26	$ 13.47	$ 9.62
Weighted-average common shares outstanding (Note 11)			
Basic	27,508	28,055	28,385
Diluted	27,789	28,406	28,694

See accompanying notes to the consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance, March 31, 2019	**29,141**	**$ 291**	**$ 178,227**	**$ 889,266**	**$ (22,654)**	**$ 1,045,130**
Stock-based compensation	10	—	14,471	—	—	14,471
Shares issued upon vesting	86	1	1,287	—	—	1,288
Exercise of stock options	58	1	3,614	—	—	3,615
Cumulative adjustment from adoption of recent accounting pronouncements	—	—	—	(1,068)	—	(1,068)
Shares withheld for taxes	—	—	(6,148)	—	—	(6,148)
Repurchases of common stock (Note 10)	(1,296)	(13)	—	(190,392)	—	(190,405)
Net income	—	—	—	276,142	—	276,142
Total other comprehensive loss	—	—	—	—	(2,905)	(2,905)
Balance, March 31, 2020	**27,999**	**280**	**191,451**	**973,948**	**(25,559)**	**1,140,120**
Stock-based compensation	4	—	22,695	—	—	22,695
Shares issued upon vesting	107	1	1,501	—	—	1,502
Exercise of stock options	107	1	6,774	—	—	6,775
Shares withheld for taxes	—	—	(19,111)	—	—	(19,111)
Repurchases of common stock (Note 10)	(307)	(3)	—	(99,144)	—	(99,147)
Net income	—	—	—	382,575	—	382,575
Total other comprehensive income	—	—	—	—	8,816	8,816
Balance, March 31, 2021	**27,910**	**279**	**203,310**	**1,257,379**	**(16,743)**	**1,444,225**
Stock-based compensation	4	—	26,780	—	—	26,780
Shares issued upon vesting	83	1	1,990	—	—	1,991
Exercise of stock options	29	—	1,204	—	—	1,204
Shares withheld for taxes	—	—	(22,459)	—	—	(22,459)
Repurchases of common stock (Note 10)	(1,044)	(10)	—	(356,643)	—	(356,653)
Net income	—	—	—	451,949	—	451,949
Total other comprehensive loss	—	—	—		(8,212)	(8,212)
Balance, March 31, 2022	**26,982**	**$ 270**	**$ 210,825**	**$1,352,685**	**$ (24,955)**	**$ 1,538,825**

See accompanying notes to the consolidated financial statements.

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

	Years Ended March 31,		
	2022	2021	2020
OPERATING ACTIVITIES			
Net income	$ 451,949	$ 382,575	$ 276,142
Reconciliation of net income to net cash provided by (used in) operating activities:			
Depreciation, amortization, and accretion	42,878	40,530	38,912
Amortization on cloud computing arrangements	1,552	737	—
Bad debt (benefit) expense	(342)	3,053	3,498
Deferred tax (benefit) expense	(27,796)	(8,171)	2,934
Stock-based compensation	26,816	22,701	14,477
Loss on disposal of long-lived assets	107	1,019	698
Impairment of intangible assets	—	3,522	—
Impairment of operating lease and other long-lived assets	3,186	14,084	1,365
Gain on settlement of asset retirement obligations	—	(207)	(705)
Changes in operating assets and liabilities:			
Trade accounts receivable, net	(86,627)	(33,173)	(10,493)
Inventories	(228,554)	33,378	(32,777)
Prepaid expenses and other current assets	(19,095)	(22,128)	2,477
Income tax receivable	(11,933)	1,842	(5,811)
Net operating lease assets and lease liabilities	3,189	250	(3,264)
Other assets	(28,296)	(3,103)	(6,558)
Trade accounts payable	89,184	79,176	23,312
Other accrued expenses	(20,370)	53,785	(11,112)
Income tax payable	(24,494)	25,817	(8,179)
Other long-term liabilities	999	530	1,418
Net cash provided by operating activities	**172,353**	**596,217**	**286,334**
INVESTING ACTIVITIES			
Purchases of property and equipment	(51,017)	(32,218)	(32,455)
Proceeds from sales of property and equipment	8	49	491
Net cash used in investing activities	**(51,009)**	**(32,169)**	**(31,964)**
FINANCING ACTIVITIES			
Proceeds from short-term borrowings	—	9,100	69,336
Repayments of short-term borrowings	—	(9,478)	(69,197)
Proceeds from issuance of stock	1,991	1,502	1,288
Proceeds from exercise of stock options	1,204	6,775	3,615
Repurchases of common stock	(356,653)	(99,147)	(190,405)
Cash paid for shares withheld for taxes	(14,024)	(7,432)	(6,148)
Repayments of mortgage principal	—	(30,901)	(603)
Net cash used in financing activities	**(367,482)**	**(129,581)**	**(192,114)**
Effect of foreign currency exchange rates on cash and cash equivalents	304	5,458	(2,512)
Net change in cash and cash equivalents	**(245,834)**	**439,925**	**59,744**
Cash and cash equivalents at beginning of period	**1,089,361**	**649,436**	**589,692**
Cash and cash equivalents at end of period	**$ 843,527**	**$ 1,089,361**	**$ 649,436**

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

	Years Ended March 31,		
	2022	2021	2020
SUPPLEMENTAL CASH FLOW DISCLOSURE			
Cash paid during the period			
Income taxes, net of refunds of $77, $1,564, and $5,389, as of March 31, 2022, 2021, and 2020, respectively	$ 192,013	$ 104,068	$ 74,573
Interest	1,842	2,931	2,466
Operating leases	55,588	57,376	61,120
Non-cash investing activities			
Change in accounts payable and other accrued expenses for purchases of property and equipment	2,797	2,721	(618)
Accrued for asset retirement obligation assets related to leasehold improvements	3,900	1,842	224
Leasehold improvements acquired through tenant allowances	4,061	—	—
Non-cash financing activities			
Accrued for shares withheld for taxes	8,435	11,679	—

See accompanying notes to the consolidated financial statements.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

Note 1. General

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

The Company sells its products through domestic and international retailers, international distributors, and directly to its global consumers through its 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 the variation in its results from quarter to quarter.

Basis of Presentation. The consolidated financial statements and accompanying notes thereto (referred to herein as consolidated financial statements) as of March 31, 2022, and 2021 and for the years ended March 31, 2022, 2021, and 2020 are prepared in accordance with generally accepted accounting principles in the United States (US GAAP).

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

Use of Estimates. The preparation of the Company's 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 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; contract assets and liabilities; stock-based compensation; impairment assessments, including for goodwill, other intangible assets, and long-lived assets; depreciation and amortization; income tax receivables and liabilities; uncertain tax positions; the fair value of financial instruments; the reasonably certain lease term; lease classification; and the Company's incremental borrowing rate utilized to discount its unpaid lease payments to measure its operating lease assets and lease liabilities.

Foreign Currency Translation. The Company considers the United States (US) dollar as its functional currency. The Company's wholly owned foreign subsidiaries have various assets and liabilities, primarily cash, receivables, and payables, which are denominated in currencies other than their functional currency. The Company remeasures these monetary assets and liabilities using the exchange rate at the end of the reporting period, which results in gains and losses that are recorded in selling, general, and administrative (SG&A) expenses in the consolidated statements of comprehensive income as incurred. In addition, the Company translates assets and liabilities of subsidiaries with reporting currencies other than US dollars into US dollars using the exchange rates at the end of the reporting period, which results in financial statement translation gains and losses recorded in other comprehensive income or loss (OCI).

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

Reportable Operating Segments. The Company's 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 (collectively, the Company's reportable operating segments). Refer to Note 12, "Reportable Operating Segments," for further information on the Company's reportable operating segments.

Recent Accounting Pronouncements. The Financial Accounting Standards Board has issued Accounting Standards Updates (ASU) that have been 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 adopted by and its impact on the Company:

Standard	Description	Impact on Adoption
ASU No. 2019-12, *Income Taxes: Simplifying the Accounting for Income Taxes*	Removes certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation, and calculating income taxes in interim periods, 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 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 on 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 calendar year 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 on its revolving credit facilities, lease agreements, and other transactions; however, the Company does not expect that the adoption will have a material impact on its consolidated financial statements.

Summary of Significant Accounting Policies. The following are a summary of the Company's significant accounting policies applied to its consolidated financial statements:

Cash Equivalents. The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Refer to Note 4, "Fair Value Measurements," for further information on the fair value of money-market funds.

Allowances for Doubtful Accounts. The Company provides an allowance against trade accounts receivable for estimated losses that may result from customers' inability to pay. The Company determines the amount of the allowance by analyzing known uncollectible accounts, aged trade accounts receivable, economic conditions and forecasts, historical experience and the customers' creditworthiness. Trade accounts receivable that are subsequently determined to be uncollectible are charged or written off against this allowance. Additions to the allowance represent bad debt expense estimates which are recorded in SG&A expenses in the consolidated statements of comprehensive income. The allowance includes specific allowances for trade accounts, for which all or a portion are identified as potentially uncollectible based on known or anticipated losses.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

Inventories. Inventories, principally finished goods on hand and in transit, are stated at the lower of cost (weighted average) or net realizable value at each financial statement date. Cost includes shipping, duty, and handling fees which are subsequently expensed to cost of sales. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Cloud Computing Arrangements. The Company enters into various cloud computing arrangements (CCAs) that are governed by service contracts (hosting arrangements) to support operations. Application development stage implementation costs (implementation costs) of a hosting arrangement are deferred and recorded to prepaid expenses and other assets in the consolidated balance sheets. Implementation costs are expensed on a straight-line basis and recorded in SG&A expenses in the consolidated statements of comprehensive income over the term of the hosting arrangement, including reasonably certain renewals, which are generally one to three years.

As of March 31, 2022, net capitalized costs for CCAs is $2,402, with $1,429 recorded in prepaid expenses and $973 in other assets in the consolidated balance sheets. As of March 31, 2021, net capitalized costs for CCAs is $2,983, with $1,308 recorded in prepaid expenses and $1,675 in other assets in the consolidated balance sheets.

Property and Equipment, Depreciation and Amortization. Property and equipment are stated at cost less accumulated depreciation and amortization, and generally have a useful life of at least one year. Property and equipment include tangible, non-consumable items owned by the Company. Software implementation costs are capitalized if they are incurred during the application development stage and relate to costs to obtain computer software from third parties, including related consulting expenses, or costs incurred to modify existing software that results in additional upgrades or enhancements that provide additional functionality.

Depreciation of property and equipment is calculated using the straight-line method based on the estimated useful life. Leasehold improvements are amortized to their residual value, if any, on the straight-line basis over their estimated economic useful lives or the lease term, whichever is shorter. Changes in the estimate of the useful life of an asset may occur after an asset is placed in service. For example, this may occur as a result of the Company incurring costs that prolong the useful life of an asset and are recorded as an adjustment to depreciation over the revised remaining useful life. Depreciation and amortization are recorded in SG&A expenses in the consolidated statements of comprehensive income.

Property and equipment, net, are summarized as follows:

		As of March 31,	
	Useful life (years)	2022	2021
Land	Indefinite	$ 32,864	$ 32,865
Building	39.5	36,112	35,094
Machinery and equipment	1-10	177,397	149,494
Furniture and fixtures	3-7	35,600	36,497
Computer software	3-10	104,114	94,365
Leasehold improvements	1-11	108,526	110,538
Construction in progress		10,407	14,262
Gross property and equipment		505,020	473,115
Less accumulated depreciation and amortization		(282,571)	(266,905)
Total		**$ 222,449**	**$ 206,210**

Operating Lease Assets and Lease Liabilities. The Company determines if an arrangement contains a lease at inception of a contract. The Company recognizes operating lease assets and lease liabilities in the consolidated balance sheets on the lease commencement date, based on the present value of the outstanding lease payments over the reasonably certain lease term. The lease term includes the non-cancelable period at the lease commencement date, plus any additional periods covered by the Company's options to extend (or not to terminate) the leases that are reasonably certain to be exercised, or an option to extend (or not to terminate) a lease that is controlled by the lessor.

Operating lease assets are initially measured at cost, which comprises the initial amount of the associated lease liabilities, adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred, less any lease incentives, such as tenant allowances. Operating lease assets are subsequently measured throughout the lease term at the carrying amount of the associated lease liabilities, plus initial direct costs, plus or minus any prepaid or accrued lease payments, less the unamortized balance of lease incentives received. Operating lease assets and lease liabilities are presented separately in the consolidated balance sheets on a discounted basis. The current portion of operating lease liabilities is presented within current liabilities, while the long-term portion is presented separately as long-term operating lease liabilities. Refer to Note 7, “Leases and Other Commitments,” for further information on discount rate methodology used to measure operating lease assets and lease liabilities.

Rent expense for operating lease payments is recognized on a straight-line basis over the lease term and recorded in SG&A expenses in the consolidated statements of comprehensive income. Lease payments recorded in the operating lease liabilities are (1) fixed payments, including in-substance fixed payments and fixed rate increases, owed over the lease term and (2) exclude any lease prepayments as of the periods presented. Refer to Note 7, “Leases and Other Commitments,” for further information on the nature of variable lease payments and timing of recognition in rent expense.

The Company has elected not to recognize operating lease assets and lease liabilities for short-term leases, which are defined as those operating leases with a term of 12 months or less. Instead, lease payments for short-term leases are recognized on a straight-line basis over the lease term in rent expense and recorded as a component of SG&A expenses in the consolidated statements of comprehensive income.

The Company monitors for events that require a change in estimates for its operating lease assets and lease liabilities, such as modifications to the terms of the contract, including the lease term, economic events that may trigger a contractual term contingency, such as minimum lease payments or termination rights, and related changes in discount rates used to measure the operating lease assets and lease liabilities, as well as events or circumstances that result in lease abandonment or operating lease asset impairments. When a change in estimates results in the remeasurement of the operating lease liabilities, a corresponding adjustment is made to the carrying amount of the operating lease assets. The operating lease assets are remeasured and amortized on a straight-line basis over the remaining lease term, with no impact on the related operating lease liabilities. Refer to the paragraph titled “Definite-Lived Intangible and Other Long-Lived Assets” below for further information on the Company’s accounting policy for evaluating the carrying amount of its operating lease assets and related leasehold improvements (asset group) for indicators of impairment.

Asset Retirement Obligations. The Company is contractually obligated under certain of its lease agreements to restore certain retail, office, and warehouse facilities back to their original conditions. At lease inception, the present value of the estimated fair value of these liabilities is recorded along with the related asset. The liability is estimated based on assumptions requiring management’s judgment, including facility closing costs and discount rates, and is accreted to its projected future value over the life of the asset.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

The Company's asset retirement obligations (AROs) are recorded in other long-term liabilities in the consolidated balance sheets and activity was as follows:

	Amounts
Balance, March 31, 2020	**$ 11,505**
Additions and changes in estimate	3,571
Liabilities settled during the period	(3,495)
Accretion expenses	1,458
Foreign currency translation gains	(56)
Balance, March 31, 2021	**12,983**
Additions and changes in estimate	4,622
Liabilities settled during the period	(898)
Accretion expenses	327
Foreign currency translation gains	(232)
Balance, March 31, 2022	**$ 16,802**

Goodwill and Indefinite-Lived Intangible Assets. Goodwill is initially recorded as the excess of the purchase price over the fair value of the net assets acquired in a business combination. Indefinite-lived intangible assets consist primarily of trademarks, customer and distributor relationships, patents, lease rights and non-compete agreements arising from the application of purchase accounting.

Goodwill and indefinite-lived intangible assets are not amortized but are instead tested for impairment annually, or when an event occurs or changes in circumstances indicate the carrying value may not be recoverable. The Company evaluates the goodwill for impairment at the reporting unit level for the UGG and HOKA brands wholesale reportable operating segments annually as of December 31st of each year and evaluates the Teva brand indefinite-lived trademarks for impairment annually as of October 31st of each year.

The Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative assessment of goodwill or indefinite-lived intangible assets. In general, conditions that may indicate impairment include, but are not limited to the following: (1) a significant adverse change in customer demand or business climate that could affect the value of an asset; (2) change in market share, budget-to-actual performance, and consistency of operating margins and capital expenditures; (3) changes in management or key personnel; or (4) changes in general economic conditions. The Company does not calculate the fair value of the assets unless the Company determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. If the Company concludes that it is more likely than not that its fair value is less than its carrying amount, then the Company prepares a quantitative assessment.

The quantitative assessment requires an analysis of several best estimates and assumptions, including future sales and results of operations, discount rates, and other factors that could affect fair value or otherwise indicate potential impairment. The goodwill impairment assessment involves valuing the Company's various reporting units that carry goodwill, which are currently the same as the Company's reportable operating segments. This includes considering the reporting units' projected ability to generate income from operations and positive cash flow in future periods, as well as perceived changes in customer demand and acceptance of products, or other factors impacting the industry. Upon completion of the quantitative assessment, the Company compares the fair value of the asset to its carrying amount, and if the fair value exceeds its carrying amount, no impairment charge is recognized. If the fair value is less than its carrying amount, the Company will record an impairment charge to write down the asset to its fair value. Refer to Note 3, "Goodwill and Other Intangible Assets," for further information on the Company's goodwill and indefinite-lived intangible assets and annual impairment assessment results.

Definite-Lived Intangible and Other Long-Lived Assets. Definite-lived intangible and other long-lived assets, which include definite-lived trademarks, machinery and equipment, internal-use software, operating lease assets and related leasehold improvements are amortized to their estimated residual values, if any, on a straight-line basis over the estimated useful life and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. Amortization or depreciation are recorded in SG&A expenses in the consolidated statements of comprehensive income.

At least quarterly, the Company evaluates factors that would necessitate an impairment assessment, which include a significant adverse change in the extent or manner in which an asset group is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset group or a significant decline in the observable market value of the asset group, among others. When an impairment-triggering event has occurred, the Company tests for recoverability of the asset group's carrying value using estimates of undiscounted future cash flows based on the existing service potential of the applicable asset group. In determining the service potential of a long-lived asset group, the Company considers its remaining useful life, cash-flow generating capacity, and physical output capacity. These estimates include the undiscounted future cash flows associated with future expenditures necessary to maintain the existing service potential. These assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

Recoverability of definite-lived intangible and other long-lived assets is measured by a comparison of the carrying amount to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of the asset group exceeds the estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the estimated fair value of the asset group, which is based on either discounted future cash flows or appraised values. An impairment loss, if any, would only reduce the carrying amount of the long-lived assets in the asset group based on its fair value limitation and is allocated to individual assets in the asset group, unless doing so would reduce the carrying amount of a long-lived asset in the asset group to an amount less than zero. Impairment charges are recorded in SG&A expenses in the consolidated statements of comprehensive income.

During the years ended March 31, 2022, 2021, and 2020, the Company recorded impairment losses for other long-lived assets, primarily for retail store operating lease assets and related leasehold improvements due to performance or store closures, as well as computer software, of $3,186, $14,084, and $1,365, respectively, within its DTC reportable operating segment and unallocated overhead costs in SG&A expenses in the consolidated statements of comprehensive income. Refer to Note 3, "Goodwill and Other Intangible Assets," for further information on the Company's definite-lived intangible asset impairment assessment results.

Derivative Instruments and Hedging Activities. The Company may use derivative instruments to partially offset its business exposure to foreign currency risk on expected cash flows and certain existing assets and liabilities, primarily intercompany balances. To reduce the volatility in earnings from fluctuations in foreign currency exchange rates, the Company may hedge a portion of forecasted sales denominated in foreign currencies. The Company may enter into foreign currency forward or option contracts (derivative contracts), generally with maturities of 15 months or less, to manage this risk and 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 Company does not use derivative contracts for trading purposes.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

The notional amounts of outstanding Designated and Non-Designated Derivative Contracts are recorded at fair value measured using Level 2 fair value inputs, consisting of forward spot rates at the end of the applicable periods, recorded in other current assets or other accrued expenses in the consolidated balance sheets. The after-tax unrealized gains or losses from changes in fair value of Designated Derivative Contracts are recorded as a component of AOCL and are reclassified to net sales in the consolidated statements of comprehensive income in the same period or periods as the related sales are recognized. When it is probable that a forecasted transaction will not occur, the Company discontinues hedge accounting and the accumulated gains or losses in accumulated other comprehensive loss (AOCL) related to the hedging relationship are immediately recorded in OCI in the consolidated statements of comprehensive income. 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 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 consolidated statements of comprehensive income.

The Company generally enters into over-the-counter derivative contracts with high-credit-quality counterparties, and therefore, considers the risk that counterparties fail to perform according to the terms of the contract as low. The Company factors the nonperformance risk of the counterparties into the fair value measurements of its derivative contracts. Refer to Note 9, “Derivative Instruments,” for further information on the impact of derivative instruments and hedging activities.

Stock Repurchase Programs. Repurchased shares of the Company’s common stock are retired. The par value of repurchased shares is deducted from common stock and the excess repurchase price over par value is allocated to retained earnings in the consolidated balance sheets. Refer to Note 10, “Stockholders' Equity,” for further information on the Company’s stock repurchase programs.

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. The Company recognizes revenue and measures the transaction price net of taxes, including sales taxes, use taxes, value-added taxes, and some types of excise taxes, collected from customers and remitted to governmental authorities. The Company presents revenue gross of fees and sales commissions. Sales commissions are expensed as incurred and are recorded in SG&A expenses in the consolidated statements of comprehensive income. 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.

Wholesale and international distributor revenue are recognized either when products are shipped or when delivered, depending on the applicable contract terms. Retail store and e-commerce revenue transactions are recognized at the point of sale and upon shipment, respectively. Shipping and handling costs paid to third-party shipping companies are recorded as cost of sales in the consolidated statements of comprehensive income. Shipping and handling costs are a fulfillment service, and, for certain wholesale and all e-commerce transactions, revenue is recognized when the customer is deemed to obtain control upon the date of shipment. Refer to Note 2, “Revenue Recognition,” for further information regarding the Company’s components of variable consideration, including allowances for sales discounts, chargebacks and sales return contract assets and liabilities.

Cost of Sales. Cost of sales for the Company’s goods are for finished goods, which includes the purchase costs and related overhead. Overhead includes all costs for planning, purchasing, quality control, freight, duties, royalties paid to third parties and shrinkage. Cost includes allocation of initial molds and tooling cost that are amortized based on minimum contractual quantities of related product and recorded in cost of sales when the product is sold in the consolidated statements of comprehensive income.

Research and Development Costs. All research and development costs are expensed as incurred. Such costs amounted to $33,344, $28,626, and $27,555 for the years ended March 31, 2022, 2021, and 2020, respectively, and are recorded in SG&A expenses in the consolidated statements of comprehensive income.

Advertising, Marketing, and Promotion Expenses. Advertising, marketing and promotion expenses include media advertising (television, radio, print, social, digital), tactical advertising (signs, banners, point-of-sale materials) and other promotional costs, with $255,881, $188,345, and $144,948 for the years ended March 31, 2022, 2021. and 2020, respectively, recorded in SG&A expenses in the consolidated statements of comprehensive income. Advertising costs are expensed the first time the advertisement is run or communicated. All other costs of advertising, marketing, and promotion are expensed as incurred. Included in prepaid expenses as of March 31, 2022, and 2021 are $2,759 and $1,762, respectively, related to prepaid advertising, marketing, and promotion expenses for programs expected to take place after such dates.

Stock-Based Compensation. All of the Company's stock-based compensation is classified within stockholders' equity. Stock-based compensation expense is measured at the grant date based on the value of the award and is expensed ratably over the service period. The Company recognizes expense only for those awards that management deems probable of achieving the performance criteria and service conditions. Determining the fair value and related expense of stock-based compensation requires judgment, including estimating the percentage of awards that will be forfeited and probabilities of meeting the awards' performance criteria, as well as the Company's reliance on the closing price of its stock on the New York Stock Exchange at or near the time of grant. If actual forfeitures differ significantly from the estimates or if probabilities change during a period, stock-based compensation expense and the Company's results of operations could be materially impacted. Stock-based compensation expense is recorded in SG&A expenses in the consolidated statements of comprehensive income. Refer to Note 8, "Stock-Based Compensation," for further information on grant activity and additional disclosure for stock-based compensation.

Retirement Plan. The Company provides a 401(k) defined contribution plan that eligible US employees may elect to participate in through tax-deferred contributions or other deferrals. The Company matches 50% of each eligible participant's deferrals on up to 6% of eligible compensation. Internationally, the Company has various defined contribution plans. Certain international locations require mandatory contributions under social programs, and the Company contributes at least the statutory minimums. US 401(k) matching contributions totaled $3,953, $3,339, and $3,251 during the years ended March 31, 2022, 2021, and 2020, respectively, and were recorded in SG&A expenses in the consolidated statements of comprehensive income. In addition, the Company may also make discretionary profit-sharing contributions to the plan. However, there were no Company profit-sharing contributions for the years ended March 31, 2022, 2021, and 2020.

Non-qualified Deferred Compensation. In 2010, the Company began sponsoring an unfunded, non-qualified deferred compensation plan (NQDC Plan) that permits certain members of its management team the opportunity to defer compensation into the NQDC Plan. The NQDC Plan year is from January 1st to December 31st. Participants may defer up to 50% of their annual base salary and up to 85% of any cash incentive bonus under the NQDC Plan. The Company holds all its non-qualified deferred compensation plan investments in mutual funds. In March 2015, the Board of Directors approved a Company contribution feature to allow the option, but not the obligation, for the Company to make discretionary or matching cash contributions to NQDC Plan participants. A rabbi trust was established as a reserve for benefits payable under the NQDC Plan, with the assets invested in Company-owned life insurance policies.

As of March 31, 2022, and 2021, no material payments are made or pending under the plan. 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. Refer to Note 4, "Fair Value Measurements," for further information on the fair value of deferred compensation assets and liabilities.

Self-Insurance. The Company is self-insured for a significant portion of its employee medical, including pharmacy, and dental liability exposures. Liabilities for self-insured exposures are accrued for the amounts expected to be paid based on historical claims experience and actuarial data for forecasted settlements of claims filed and for incurred but not yet reported claims. Accruals for self-insured exposures are included in current liabilities in the consolidated balance sheets. Excess liability insurance has been purchased to limit the amount of self-insured risk on claims.

Income Taxes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income during the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recorded in the consolidated statements of comprehensive income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions in the consolidated financial statements only if those positions are more likely than not to be sustained upon examination. Recognized income tax positions are measured at the largest amount of tax benefit that is more than 50% likely to be realized upon settlement. Changes in recognition or measurement are recorded in the period in which the change in judgment occurs. The Company records interest and penalties accrued for income tax contingencies as interest expense in the consolidated statements of comprehensive income. Refer to Note 5, “Income Taxes,” for further information on tax impacts and components of tax balances in the consolidated financial statements.

Comprehensive Income. Comprehensive income or loss is the total of net earnings and all other non-owner changes in equity. Comprehensive income or loss includes net income or loss, foreign currency translation adjustments, and unrealized gains and losses on cash flow hedges. Refer to Note 10, “Stockholders' Equity,” for further information on components of OCI.

Net Income per Share. Basic net income or loss per share represents net income or loss divided by the weighted-average number of common shares outstanding for the period. Diluted net income or loss per share represents net income or loss divided by the weighted-average number of shares outstanding, including the dilutive impact of potential issuances of common stock. Refer to Note 11, “Basic and Diluted Shares,” for a reconciliation of basic to diluted weighted-average common shares outstanding.

Note 2. Revenue Recognition

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.

Allowance for Sales Discounts. The Company provides a trade accounts receivable allowance for sales discounts for wholesale channel sales, which reflects a discount that customers may take, generally based on meeting certain order, shipment or prompt payment terms. The Company uses the amount of the discounts that are available to be taken against the period-end trade accounts receivable to estimate and record a corresponding reserve for sales discounts. Additions to the allowance are recorded against gross sales in the consolidated statements of comprehensive income and write-offs are recorded against the allowance for trade accounts receivable in the consolidated balance sheets. This is consistent with the presentation of such amounts during the prior period. Refer to Schedule II, “Total Valuation and Qualifying Accounts,” for further information regarding the Company’s allowance for sales discounts.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

Allowance for Chargebacks. The Company provides a trade accounts receivable allowance for chargebacks for our wholesale channel sales. When customers pay their invoices, they may take deductions against their invoices that can include chargebacks for price differences, markdowns, short shipments and other reasons. Therefore, the Company records an allowance primarily for known circumstances as well as unknown circumstances based on historical trends related to the timing and amount of chargebacks taken against customer invoices. Additions to the allowance are recorded against gross sales or SG&A expenses in the consolidated statements of comprehensive income and write-offs are recorded against the allowance for trade accounts receivable in the consolidated balance sheets. This is consistent with the presentation of such amounts during the prior period. Refer to Schedule II, "Total Valuation and Qualifying Accounts," for further information regarding the Company's allowance for chargebacks.

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. Sales returns are a refund asset for the right to recover the inventory and a refund liability for the stand-ready right of return. Changes to the refund liability are recorded against gross sales and changes to the refund asset for the right to recover the inventory are recorded against cost of sales in the consolidated statements of comprehensive income. The refund liability is recorded in other accrued expenses and the related asset for the right to recover the inventory is recorded in other current assets in the consolidated balance sheets.

Activity during the years ended March 31, 2022, and 2021 related to estimated sales returns were as follows:

	Recovery Asset	Refund Liability
Balance, March 31, 2020	**$ 9,663**	**$ (25,667)**
Net additions to sales return liability*	39,939	(153,742)
Actual returns	(38,898)	141,692
Balance, March 31, 2021	**10,704**	**(37,717)**
Net additions to sales return liability*	43,555	(178,722)
Actual returns	(42,768)	176,572
Balance, March 31, 2022	**$ 11,491**	**$ (39,867)**

*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 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. The Company defers recognition of revenue for unredeemed awards until the following occurs: (1) rewards are redeemed by the consumer, (2) points or certificates expire, or (3) an estimate of the expected unused portion of points or certificates is applied, which is based on historical redemption patterns. The Company's contract liability for loyalty programs is recorded in other accrued expenses in the consolidated balance sheets.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

Activity during the years ended March 31, 2022, and 2021 was as follows:

		Amounts
Balance, March 31, 2020	**$**	**(6,950)**
Loyalty certificates and points redeemed, expired, and adjustments to net sales		44,445
Deferred revenue for loyalty points and certificated issued		(49,726)
Balance, March 31, 2021		**(12,231)**
Loyalty certificates and points redeemed, expired, and adjustments to net sales		56,930
Deferred revenue for loyalty points and certificated issued		(55,582)
Balance, March 31, 2022	**$**	**(10,883)**

Deferred Revenue. Revenue is deferred for certain wholesale channel transactions as the contract terms indicate control transfers upon product delivery or sell-through. As of March 31, 2022, and 2021, the Company's contract liability for deferred revenue is $15,804 and $5,425, respectively, which is recorded in other accrued expenses in the consolidated balance sheets. The increase in deferred revenue during the year ended March 31, 2022, compared to the prior period, was due to net additions of $9,700 related to customer prepayments and $679 related to other deferred revenue.

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

Note 3. Goodwill and Other Intangible Assets

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

	As of March 31,	
	2022	2021
Goodwill		
UGG brand	$ 6,101	$ 6,101
HOKA brand	7,889	7,889
Total goodwill	13,990	13,990
Other intangible assets		
Indefinite-lived intangible assets		
Trademarks	15,454	15,454
Definite-lived intangible assets		
Trademarks	51,723	51,723
Other	51,572	52,241
Total gross carrying amount	103,295	103,964
Accumulated amortization	(79,061)	(77,473)
Net definite-lived intangible assets	24,234	26,491
Total other intangible assets, net	39,688	41,945
Total	**$ 53,678**	**$ 55,935**

The weighted-average amortization period for definite-lived intangible assets was 15 years for the years ended March 31, 2022, and 2021, respectively. Intangible assets consist primarily of indefinite-lived and definite-lived trademarks, customer relationships, patents, lease rights, and non-compete agreements arising from the application of purchase accounting. Goodwill is allocated to the wholesale reportable operating segments of the brands described above.

Annual Impairment Assessment. During the years ended March 31, 2022, 2021, and 2020, the Company evaluated goodwill for impairment at the reporting unit level for the UGG and HOKA brands wholesale reportable operating segment as of December 31st and evaluated its Teva indefinite-lived trademarks as of October 31st, and based on the evaluation performed, no impairment loss was recorded for the goodwill and indefinite-lived intangible assets. As of March 31, 2022, and 2021, the gross carrying amount of goodwill is $143,765 and the accumulated impairment losses are $129,775.

The Company did not identify any definite-lived intangible asset impairments during the years ended March 31, 2022, and 2020. During the year ended March 31, 2021, the Company recorded an impairment loss of $3,522 for the Sanuk brand definite-lived international trademark, driven by the strategic decision to focus primarily on future domestic growth, within our Sanuk brand wholesale reportable operating segment in SG&A expenses in the consolidated statements of comprehensive income.

Amortization Expense. A reconciliation of the changes in total other intangible assets, net, recorded in the consolidated balance sheets are as follows:

	Amounts
Balance, March 31, 2019	**$ 51,494**
Amortization expense	(3,470)
Foreign currency translation net loss	(8)
Balance, March 31, 2020	**48,016**
Impairment charges	(3,522)
Amortization expense	(2,565)
Foreign currency translation net gain	16
Balance, March 31, 2021	**41,945**
Amortization expense	(2,248)
Foreign currency translation net loss	(9)
Balance, March 31, 2022	**$ 39,688**

Expected amortization expense for amortizable intangible assets subsequent to March 31, 2022, is as follows:

Years Ending March 31,	Amounts
2023	$ 2,220
2024	2,208
2025	2,053
2026	1,551
2027	1,519
Thereafter	14,683
Total	**$ 24,234**

Note 4. Fair Value Measurements

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

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

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. The Company does not currently have any Level 3 assets or liabilities.

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

	As of March 31, 2022	Measured Using Level 1	Measured Using Level 2	Measured Using Level 3
Money-market funds	$ 524,063	$ 524,063	$ —	$ —
Non-qualified deferred compensation asset	8,933	8,933	—	—
Non-qualified deferred compensation liability	(9,573)	(9,573)	—	—

	As of March 31, 2021	Measured Using Level 1	Measured Using Level 2	Measured Using Level 3
Money-market funds	$ 773,092	$ 773,092	$ —	$ —
Non-qualified deferred compensation asset	9,107	9,107	—	—
Non-qualified deferred compensation liability	(6,692)	(6,692)	—	—

As of March 31, 2022, the non-qualified deferred compensation asset of $8,933 is recorded in other assets in the consolidated balance sheets. As of March 31, 2022, the non-qualified deferred compensation liability of $9,573 is recorded in the consolidated balance sheets, with $936 in other accrued expenses and $8,637 in other long-term liabilities. As of March 31, 2021, the non-qualified deferred compensation asset of $9,107 is recorded in other assets in the consolidated balance sheets. Further, the non-qualified deferred compensation liability of $6,692 is recorded in the consolidated balance sheets, with $906 in other accrued expenses and $5,786 in other long-term liabilities.

Note 5. Income Taxes

Income Before Income Taxes. Components of income before income taxes recorded in the consolidated statements of comprehensive income were as follows:

	Years Ended March 31, 2022	2021	2020
Domestic*	$ 396,368	$ 368,328	$ 206,111
Foreign	168,270	133,186	134,755
Total	**$ 564,638**	**$ 501,514**	**$ 340,866**

*Domestic income before income taxes for the years ended March 31, 2022, 2021, and 2020 is presented net of intercompany dividends of $120,000, $175,000, and $150,000, respectively.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

Income Tax Expense. Components of income tax expense (benefit) recorded in the consolidated statements of comprehensive income were as follows:

	Years Ended March 31,		
	2022	2021	2020
Current			
Federal	$ 95,012	$ 93,562	$ 47,087
State	22,544	15,595	635
Foreign	22,929	17,953	14,068
Total	140,485	127,110	61,790
Deferred			
Federal	(17,316)	(6,717)	4,626
State	(4,827)	(633)	(462)
Foreign	(5,653)	(821)	(1,230)
Total	(27,796)	(8,171)	2,934
Total	**$ 112,689**	**$ 118,939**	**$ 64,724**

Income Tax Expense Reconciliation. Income tax expense (benefit) differed from that obtained by applying the statutory federal income tax rate to income before income taxes as follows:

	Years Ended March 31,		
	2022	2021	2020
Computed expected income taxes	$ 118,574	$ 105,318	$ 71,582
State income taxes, net of federal income tax benefit	16,899	16,479	11,042
Foreign rate differential	(22,188)	(15,507)	(17,966)
Unrecognized tax benefits	(494)	7,632	6,695
Return to provision adjustments	(3,736)	—	—
Dividends from previously taxed earnings	(4,240)	(5,313)	(4,584)
Nondeductible executive compensation	11,059	11,070	4,162
US tax on foreign earnings	4,325	4,252	2,343
Tax audit settlements	795	1,147	(3,956)
Employee stock-based compensation excess tax benefits	(10,916)	(6,846)	(2,477)
Other	2,611	707	(2,117)
Total	**$ 112,689**	**$ 118,939**	**$ 64,724**

Deferred Taxes. The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are as follows:

	As of March 31,	
	2022	2021
Deferred tax assets		
Amortization and impairment of intangible assets	$ 4,828	$ 7,302
Nonvested stock-based compensation	7,695	7,138
Operating lease liabilities	37,020	37,707
Uniform capitalization adjustment to inventory	11,996	5,256

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

	As of March 31,	
	2022	2021
Bad debt allowance and other reserves	26,627	19,321
Accrued bonuses	7,572	8,491
Foreign currency translation	649	646
Net operating loss carry-forwards, net of valuation allowances	1,802	1,663
Deferred revenue	22,074	817
Other	1,375	2,231
Gross deferred tax assets	121,638	90,572
Valuation allowances	(1,206)	(1,197)
Total	120,432	89,375
Deferred tax liabilities		
Prepaid expenses	(5,460)	(3,829)
Operating lease assets	(28,831)	(30,754)
Depreciation of property and equipment	(21,924)	(17,598)
Total	(56,215)	(52,181)
Deferred tax assets, net	**$ 64,217**	**$ 37,194**

In order to fully realize the deferred tax assets, the Company will need to generate future taxable income of $243,217. The deferred tax assets are primarily related to the Company's domestic operations and are currently expected to be realized between fiscal years 2023 and 2031. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the results of future operations will generate sufficient taxable income to realize the net deferred tax assets. The Company's deferred tax valuation allowances are primarily the result of foreign losses in jurisdictions with limited future profitability.

US Taxation of Foreign Earnings. The Company is subject to US taxation of its foreign subsidiary earnings considered global intangible low-taxed income, as well as limitations on the deductions of executive compensation, which are included in income tax expense in the consolidated statements of comprehensive income for the periods presented above. Beginning with the tax year ended March 31, 2018, pursuant to the Tax Reform Act, an installment election was made to pay the transition tax on the deemed repatriation of foreign subsidiaries' earnings over eight years. The cumulative remaining balance as of March 31, 2022, is $38,263, with $4,502 recorded in income tax payable and $33,761 in long-term income tax liability in the consolidated balance sheets.

As of March 31, 2022, the Company has $336,582 of undistributed earnings from its non-US subsidiaries, of which $133,053 relates to cash and cash equivalents, a portion of which may be subject to additional foreign withholding taxes if it were to be repatriated. As of March 31, 2022, the Company has $15,381 of accumulated earnings from its non-US subsidiaries for which no US federal or state income taxes have been provided. The Company currently anticipates repatriating current and future unremitted earnings of non-US subsidiaries, to the extent they have been and will be subject to US income tax, as long as such cash is not required to fund ongoing foreign operations. Due to the complexities in the laws of foreign jurisdictions, it is not practicable to estimate the amount of foreign withholding taxes associated with such unremitted earnings. During the year ended March 31, 2022, the Company declared a dividend of $120,000 from a foreign subsidiary, for which no foreign withholding taxes were required.

Unrecognized Tax Benefits. When tax returns are filed, some positions taken are subject to uncertainty about the merits of the position taken or the amount that would be ultimately sustained upon examination. The benefit of a tax position is recorded in the consolidated financial statements in the period during which the Company believes it is more likely than not that the position will be sustained upon examination by taxing authorities. The recognition

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

threshold is measured as the largest amount of tax benefit that is more than 50% likely to be realized upon settlement. The portion of the benefit that exceeds the amount measured, as described above, is recorded as a liability for unrecognized tax benefits, along with any associated interest and penalties, in the consolidated balance sheets.

A reconciliation of the beginning and ending amounts of total gross unrecognized tax benefits are as follows:

Balance, March 31, 2019	**$ 10,942**
Gross increase related to current fiscal year tax positions	1,153
Gross increase related to prior fiscal year tax positions	8,152
Settlements	(246)
Lapse of statute of limitations	(2,363)
Balance, March 31, 2020	**17,638**
Gross increase related to current fiscal year tax positions	2,242
Gross increase related to prior fiscal year tax positions	8,566
Settlements	(1,215)
Lapse of statute of limitations	(1,961)
Balance, March 31, 2021	**25,270**
Gross increase related to current fiscal year tax positions	2,520
Gross increase related to prior fiscal year tax positions	2,750
Gross decrease related to prior fiscal year tax positions	(243)
Settlements	(795)
Lapse of statute of limitations	(4,723)
Balance, March 31, 2022	**$ 24,779**

Total gross unrecognized tax benefits recorded in the consolidated balance sheets are as follows:

	As of March 31,	
	2022	**2021**
Current liability		
Income tax payable	$ —	$ 1,038
Long-term liability		
Income tax liability	24,779	24,232
Total	**$ 24,779**	**$ 25,270**

As of March 31, 2022, and 2021, the Company has accrued $4,722 and $4,782 for the payment of interest and penalties, respectively, in income tax liability in the consolidated balance sheets. During the years ended March 31, 2022, 2021, and 2020, the Company recorded $(60), $1,151, and $1,176, respectively, of interest and penalties as an increase or (decrease) to interest expense in the consolidated statements of comprehensive income.

Management believes it is reasonably possible that the amount of unrecognized tax benefits, as well as associated interest and penalties, may decrease during the next 12 months by $1,351, which includes amounts relating to expirations of statute of limitations on liabilities of $2,531, partially offset by $1,180 for additional unrecognized tax benefits relating to current fiscal year tax return positions. Of this amount, $1,197 would result in an income tax benefit for the Company and $154 would result in a decrease to interest expense in the consolidated statements of comprehensive income.

Net unrecognized tax benefits are defined as gross unrecognized tax benefits, less federal benefit for state income taxes, related to uncertain tax positions taken in the Company's income tax return that would impact the Company's effective tax rate, if recognized. Net unrecognized tax benefits of $23,433, $23,883, and $16,685 for the years ended March 31, 2022, 2021, and 2020, respectively, would reduce the annual effective tax rate recorded in the consolidated statements of comprehensive income.

The Company has on-going income tax examinations in various state and foreign tax jurisdictions and regularly assesses tax positions taken in years open to examination. The Company files income tax returns in the US federal jurisdiction and various state, local, and foreign jurisdictions. With few exceptions, the Company is no longer subject to US federal, state, local, or foreign income tax examinations by tax authorities before fiscal year 2018.

Although the Company believes its tax estimates are reasonable and prepares its tax filings in accordance with all applicable tax laws, the final determination with respect to any tax audits, and any related litigation, could be materially different from the Company's estimates or from its historical income tax provisions and accruals. The results of an audit or litigation could have a material impact on results of operations or cash flows in the periods for which that determination is made. In addition, future period earnings may be adversely impacted by litigation costs, settlements, penalties, or interest assessments. However, it is the opinion of management that the Company does not currently expect these audits and inquiries to have a material impact on the Company's consolidated financial statements.

Note 6. Revolving Credit Facilities and Mortgage Payable

Primary Credit Facility. In September 2018, the Company entered into a credit agreement (Credit Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan), as the administrative agent, Citibank, N.A., Comerica Bank (Comerica) and HSBC Bank USA, N.A., as co-syndication agents, MUFG Bank, Ltd. and US Bank National Association as co-documentation agents, and the lenders party thereto, with JPMorgan and Comerica acting as joint lead arrangers and joint book runners. The Credit Agreement provides for a five-year, $400,000 unsecured revolving credit facility (Primary Credit Facility), contains a $25,000 sublimit for the issuance of letters of credit, and matures on September 20, 2023.

In addition to allowing borrowings in US dollars, the Credit Agreement provides a $175,000 sublimit for borrowings in Euros, Sterling, Canadian dollars and any other foreign currency that is subsequently approved by JPMorgan, each lender and each bank issuing letters of credit. Subject to customary conditions and the approval of any lender whose commitment would be increased, the Company has the option to increase the maximum principal amount available under the Credit Agreement by up to an additional $200,000, resulting in a maximum available principal amount of $600,000. However, none of the lenders has committed at this time to provide any such increase in the commitments.

The obligations of the Company and each other borrower under the Primary Credit Facility are guaranteed by the Company's existing and future wholly owned domestic subsidiaries (other than certain immaterial subsidiaries, foreign subsidiaries, foreign subsidiary holding companies and specified excluded subsidiaries). All obligations under the Primary Credit Facility and the foregoing guaranty are unsecured. Amounts borrowed under the Primary Credit Facility may be prepaid at any time. In addition, the Company has the right to permanently reduce or terminate the lenders' commitments provided under the Credit Agreement, subject to customary conditions.

Certain of the Company's foreign subsidiaries may also borrow under the Primary Credit Facility, which permits the Company, subject to customary conditions and notice periods, to designate one or more additional subsidiaries organized in foreign jurisdictions to borrow under the Primary Credit Facility, subject to the foreign currency sublimit noted above. The Company is liable for the obligations of each foreign borrower, but the obligations of the foreign borrowers are several (not joint) in nature.

Interest Rate Terms. At the Company's election, interest under the Credit Agreement is tied to the adjusted LIBOR or the alternate base rate (ABR). Initial interest for the revolving loans is variable and fluctuates between adjusted LIBOR plus 1.125% per annum and adjusted LIBOR plus 1.625% per annum (or between ABR plus 0.125% per annum and ABR plus 0.625% per annum), based on the Company's total adjusted leverage ratio. Interest for borrowings made in foreign currencies is based on currency-specific LIBOR or the Canadian deposit offered rate if made in Canadian dollars. As of March 31, 2022, the effective interest rates for US dollar LIBOR and ABR rates, with relevant spreads for borrowings made during the reporting period, are 1.58% and 3.38%, respectively.

Commitment Fees. The Company is required to pay a fee rate that fluctuates between 0.125% and 0.20% per annum, based upon the Company's total adjusted leverage ratio.

Borrowing Activity. During the year ended March 31, 2022, the Company made no borrowings or repayments under the Primary Credit Facility. As of March 31, 2022, the Company has no outstanding balance under the Primary Credit Facility and had outstanding letters of credit of $549. As of March 31, 2022, available borrowings under the Primary Credit Facility are $399,451.

Debt Issuance Costs. In connection with entering into the Primary Credit Facility, the Company paid certain commitment, arrangement and other fees to JPMorgan, Comerica and other parties to the Primary Credit Facility, and reimbursed certain of the parties' expenses, which totaled $1,297, and were recorded in prepaid expenses and other assets. These costs are amortized on a straight-line basis over the term of the Credit Agreement.

China Credit Facility. In October 2021, Deckers (Beijing) Trading Co., LTD (DBTC), 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 $47,286, with an overdraft facility sublimit of CNY100,000, or $15,762. 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 market rate multiplied by a variable liquidity factor. As of March 31, 2022, the effective interest rate is 4.00%.

During the year ended March 31, 2022, the Company made no borrowings or repayments under the China Credit Facility. As of March 31, 2022, the Company has no outstanding balance, outstanding bank guarantees of $32, and available borrowings of $47,254 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 $24,623, 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. The Company has renewed the Japan Credit Facility through January 31, 2023, substantially under the terms of the original credit agreement. Interest is based on the Tokyo Interbank Offered Rate plus 0.40%. As of March 31, 2022, the effective interest rate is 0.49%.

During the year ended March 31, 2022, the Company made no borrowings or repayments under the Japan Credit Facility. As of March 31, 2022, the Company has no outstanding balance under the Japan Credit Facility and available borrowings of $24,623.

Debt Covenants. As of March 31, 2022, the Company is in compliance with all financial covenants under the revolving credit facilities.

Primary Credit Facility. Under the Primary Credit Facility, the Company is subject to usual and customary representations and warranties, and usual and customary affirmative and negative covenants, which include limitations on liens, additional indebtedness, investments, restricted payments and transactions with affiliates. Financial covenants (as defined in the Credit Agreement), include the following:

- The total adjusted leverage ratio must not be greater than 3.75 to 1.00.
- The sum of the consolidated annual earnings before interest, taxes, depreciation, and amortization and annual rental expense, divided by the sum of the annual interest expense and the annual rental expense must be greater than 2.25 to 1.00.
- No limits on shares repurchases if the total adjusted leverage ratio does not exceed 3.50 to 1.00.

Under the Primary Credit Facility, the Company is also subject to other customary limitations, as well as usual and customary events of default, which include: non-payment of principal, interest, fees and other amounts; breach of a representation or warranty; non-performance of covenants and obligations; default on other material debt; bankruptcy or insolvency; material judgments; incurrence of certain material ERISA liabilities; and a change of control of the Company (as defined in the Credit Agreement).

China Credit Facility. Under the China Credit Facility, DBTC is subject to usual and customary representations and warranties, and usual and customary affirmative and negative covenants, which include limitations on liens and additional indebtedness.

Japan Credit Facility. Under the Japan Credit Facility, Deckers Japan, G.K., is subject to usual and customary provisions including a restriction against having losses for two years consecutively, maintaining an interest coverage ratio greater than 1.00, and maintaining higher assets than liabilities.

Note 7. Leases and Other Commitments

Leases. The Company primarily leases retail stores, showrooms, offices, and distribution facilities under operating lease agreements which continue in effect through calendar year 2031. Some of the Company's operating leases contain extension options of anywhere from one to 15 years. Historically, the Company has not entered into finance leases and its lease agreements generally do not contain residual value guarantees, options to purchase underlying assets, or material restrictive covenants.

Variable Lease Payments. Certain leases require additional payments based on (1) actual or forecasted sales volume (either monthly or annually), (2) reimbursement for real estate taxes (tax), (3) common area maintenance (CAM), and (4) insurance (collectively, variable lease payments). Variable lease payments are generally excluded from operating lease assets and lease liabilities and are recorded in rent expense as a component of SG&A expenses in the consolidated statements of comprehensive income. Some leases are dependent upon forecasted annual sales volume, and lease payments are recognized on a straight-line basis as rent expense over each annual period when the achievement of the related sales target is reasonably likely to occur. Other variable lease payments, such as tax, CAM and insurance, are recognized in rent expense as incurred. Some leases contain one fixed lease payment that include variable lease payments, which are considered non-lease components. The Company has elected to account for these instances as a single lease component and the total of these fixed payments is used to measure the operating lease assets and lease liabilities.

Discount Rate. The Company discounts its unpaid lease payments using the interest rate implicit in the lease or, if the rate cannot be readily determined, its incremental borrowing rate (IBR). Generally, the Company cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Company generally derives a discount rate at the lease commencement date by utilizing its IBR, which is based on what the Company would have to pay on a collateralized basis to borrow an amount equal to its lease payments under similar terms. Because the Company does not currently borrow on a collateralized basis under its revolving credit facilities, it uses the interest rate it pays on its non-collateralized borrowings under its Primary Credit Facility as an input for deriving an appropriate IBR, adjusted for the amount of the lease payments, the lease term, and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

Rent Expense. The components of rent expense for operating leases recorded in the consolidated statements of comprehensive income were as follows:

	Years Ended March 31,		
	2022	2021	2020
Operating	$ 51,126	$ 52,849	$ 57,966
Variable	24,265	24,033	26,996
Short-term	3,428	3,015	3,332
Total	**$ 78,819**	**$ 79,897**	**$ 88,294**

Operating Lease Liabilities. Maturities of undiscounted operating lease liabilities remaining as of March 31, 2022, with a reconciliation to the present value of operating lease liabilities recorded in the consolidated balance sheets, are as follows:

Years Ending March 31,	Amount*
2023	$ 53,886
2024	47,021
2025	36,646
2026	31,594
2027	27,057
Thereafter	42,550
Total undiscounted future lease payments	238,754
Less: Imputed interest	(16,684)
Total	**$ 222,070**

In April 2022, the Company signed a lease for additional space at the Company's US warehouse and distribution center (DC) in Mooresville, Indiana with an initial lease term of ten years for a minimum commitment of approximately $46,000, which the Company expects to be operational in the third quarter of the fiscal year ending March 31, 2024.

Supplemental Disclosure. Key estimates and judgments related to operating lease assets and lease liabilities that are outstanding and presented in the consolidated balance sheets are as follows:

	As of March 31,	
	2022	2021
Weighted-average remaining lease term in years	5.6	6.0
Weighted-average discount rate	2.6 %	3.1 %

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

	Years Ended March 31,		
	2022	2021	2020
Non-cash operating activities			
Operating lease assets obtained in exchange for lease liabilities*	$ 50,190	$ 9,861	$ 71,097
Reductions to operating lease assets for reductions to lease liabilities*	(5,293)	(12,051)	(7,055)

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

Purchase Obligations. The Company has various types of purchase obligations, as follows:

Product. The Company has $809,812 of outstanding purchase orders or other obligations with its manufacturers as of March 31, 2022. The Company has an extended design and manufacturing process, which requires it to forecast production volumes and estimate inventory requirements many months before consumers decide to purchase its products. The Company generally orders product three to nine months in advance of the anticipated shipment dates based primarily on a combination of product lead time and orders received from customers and consumers. Accordingly, the aggregate amount reflects purchase commitments for products that the Company reasonably expects to fulfill in the ordinary course of business. However, a significant portion of the purchase commitments can be cancelled by the Company under certain circumstances. As a result, the amount does not necessarily reflect the dollar amount of the Company’s binding commitments or minimum purchase commitments, and instead reflects an estimate of its future payment commitments based on information currently available.

Commodities. The Company has an aggregate of $206,979 remaining purchase commitments, primarily for sheepskin, as well as UGGpure and leather, as of March 31, 2022. These commitments generally arise under two-year supply agreements. The aggregate amount reflects the remaining commitments under these purchase orders. The Company enters into contracts requiring these purchase commitments that its affiliates, manufacturers, factories, and other agents (each or collectively, a Buyer) must make on or before a specified target date. These agreements may result in unconditional purchase commitments if a Buyer does not meet the minimum purchase requirements. In the event that a Buyer does not purchase such minimum commitments by the target dates, the Company would be responsible for compliance with any and all minimum purchase commitments under these contracts, and the Company would make additional deposit payments towards the purchase of the remaining minimum commitments and such additional deposits would be returned as the Buyer purchases the remaining minimum commitments. The contracts do not permit net settlement. There are $33,120 of deposits, included in the amount above, that have not been fully consumed as of March 31, 2022, which are recorded in other assets in the consolidated balance sheets, which represent remaining minimum commitments under certain expired sheepskin supply agreements that the Company currently expects will be consumed in future periods.

Total future minimum commitments for commodities contracts as of March 31, 2022, are as follows:

Contract Effective Date	Final Target Date	Contract Value	Remaining Commitment
July 2017	September 2019	$ 7,200	$ 5,223
October 2018	September 2020	3,600	1,586
October 2018	September 2021	41,210	34,272
March 2021	June 2022	6,104	2,033
November 2021	June 2022	19,635	8,508
August 2021	September 2022	60,200	44,994
November 2021	December 2022	2,450	2,450
November 2021	June 2023	4,900	4,900
August 2021	September 2023	72,000	72,000
December 2021	September 2024	32,920	31,013
		$ 250,219	**$ 206,979**

The Company expects that purchases made under these agreements in the ordinary course of business will eventually exceed the minimum commitment levels, and that any deposits will become fully refundable or will be reflected as a credit against purchases. The amounts above do not necessarily reflect the dollar amount of the

Company's binding commitments or minimum purchase obligations, and instead reflect an estimate of its future payment obligations based on information currently available.

Other. The Company has an aggregate of $207,651 of other purchase commitments as of March 31, 2022, which consisted of minimum commitments for logistics arrangements, sales management services, supply chain services, information technology (IT) services, requirements to pay promotional expenses, and other commitments under service contracts.

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.

Indemnification. The Company has agreed to indemnify certain of its licensees, distributors, and promotional partners in connection with claims related to the use of the Company's intellectual property. The terms of such agreements range up to five years initially and generally do not provide for a limitation on the maximum potential future payments. From time to time, the Company also agrees to indemnify its licensees, distributors, and promotional partners in connection with claims that the Company's products infringe on the intellectual property rights of third parties. These agreements may or may not be made pursuant to a written contract. In addition, from time to time, the Company also agrees to standard indemnification provisions in commercial agreements in the ordinary course of business. Management believes the likelihood of any payments under any of these arrangements is remote and would be immaterial. This determination is made based on a prior history of insignificant claims and related payments. There are currently no pending claims relating to indemnification matters involving the Company's intellectual property.

Note 8. Stock-Based Compensation

In September 2015, the Company's stockholders approved the 2015 Stock Incentive Plan (2015 SIP), for which the primary purpose is to encourage ownership in the Company by key personnel, whose long-term service is considered essential to the Company's continued success. The 2015 SIP reserves 1,275,000 shares of the Company's common stock for issuance to employees, directors, consultants, independent contractors and advisors. The maximum aggregate number of shares that may be issued to employees under the 2015 SIP through the exercise of incentive stock options is 750,000. From time to time, the Company grants various types of stock-based compensation under the 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 and PSUs, as well as long-term incentive plan (LTIP) awards, to key personnel, including employees and directors.

Annual Awards. The Company has granted RSUs and PSUs under the 2015 SIP, which entitle the recipients to receive shares of the Company's common stock upon vesting. The RSUs are subject to time-based vesting criteria and vest in equal annual installments over three years following the date of grant. The vesting of PSUs are subject to 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 has been met, vest in equal annual installments over three years thereafter.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

The Company granted the following annual awards under the 2015 SIP, as recorded in the consolidated statements of comprehensive income:

	Years Ended March 31,								
	2022			2021			2020		
	Shares Granted	Weighted-average grant date fair value per share		Shares Granted	Weighted-average grant date fair value per share		Shares Granted	Weighted-average grant date fair value per share	
RSUs	52,256	$	363.89	47,015	$	220.31	47,577	$	171.50
PSUs	—		—	—		—	19,938		174.36
Total	**52,256**	**$**	**363.89**	**47,015**	**$**	**220.31**	**67,515**	**$**	**172.34**

Annual award activity recorded in the consolidated statements of comprehensive income were as follows:

	Number of Shares	Weighted-Average Grant-Date Fair Value	
Nonvested, March 31, 2019	**231,399**	**$**	**84.75**
Granted	67,515		172.34
Vested	(121,572)		(76.81)
Forfeited	(14,993)		(113.49)
Nonvested, March 31, 2020	**162,349**		**124.47**
Granted	47,015		220.31
Vested*	(92,614)		(104.92)
Forfeited	(3,664)		(147.34)
Nonvested, March 31, 2021	**113,086**		**179.58**
Granted	52,256		363.89
Vested*	(60,034)		(162.37)
Forfeited	(7,441)		(239.39)
Nonvested, March 31, 2022	**97,867**	**$**	**284.00**

* The amounts vested include shares withheld for taxes that are not formally issued to the market.

Long-Term Incentive Plan Awards. The Company grants LTIP awards under the 2015 SIP for the issuance of PSUs (LTIP PSUs) and a Monte-Carlo simulation model is 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 (further defined for each individual grant below). For each grant of LTIP PSUs, the Monte-Carlo simulation model factors in key assumptions, such as the market price of the underlying common stock at the beginning and end of the reporting period, risk free interest rate, expected dividend yield when simulating total stockholder return (TSR), expected dividend yield when simulating the Company’s stock price, stock price volatility, and correlation coefficients. The Company evaluates at least quarterly the probability of achieving performance criteria included in its LTIP PSUs against its most current forecast. LTIP awards recorded in the consolidated statements of comprehensive income, were as follows:

2022 LTIP PSUs. During fiscal year 2022, the Company approved LTIP awards under the 2015 SIP (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.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

The Company must meet certain revenue and pre-tax income performance targets individually over three reporting periods for the year ended March 31, 2022, and for the fiscal years ending March 31, 2023, and 2024 (collectively, the 2024 Measurement Periods) and incorporates a relative TSR modifier for 36-month performance period (commencing on April 1, 2021) ending March 31, 2024 (collectively, the 2024 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 will 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 2024 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 2024 Performance Periods.

The Company granted awards at the target performance level of 34,822 2022 LTIP PSUs during the year ended March 31, 2022. The weighted-average grant date fair value per share of these 2022 LTIP PSUs was $407.37. Based on the Company's current long-range forecast, the Company determined that the achievement of at least the target performance criteria for each of the Measurement Periods for these awards was probable as of the grant date.

2021 LTIP PSUs. During fiscal year 2021, the Company approved LTIP awards under the 2015 SIP (2021 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 2021 LTIP PSUs are subject to vesting based on service conditions over either two or three years.

The Company must meet certain revenue and pre-tax income performance targets individually over three reporting periods for the years ended March 31, 2021 and March 31, 2022, and for the fiscal year ending March 31, 2023 (collectively, the 2023 Measurement Periods) and incorporates a relative TSR modifier for both the 24-month performance period (commencing on April 1, 2021) and 36-month performance period (commencing on April 1, 2020) ending March 31, 2023 (collectively, 2023 the Performance Periods). To the extent financial performance is achieved above the threshold levels for each of these performance criteria, the number of 2021 LTIP PSUs that will vest will increase up to a maximum of 200% of the targeted amount for that award. No vesting of any portion of the 2021 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 2023 Measurement Periods, the vesting of each 2021 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 2023 Performance Periods.

The Company granted awards at the target performance level of 19,890 2021 LTIP PSUs during the year ended March 31, 2021. The weighted-average grant date fair value of these 2021 LTIP PSUs was $376.45 per share. The Company currently expects to exceed the financial performance threshold levels as defined above for each of the performance criteria, and therefore the number of 2021 LTIP PSUs that is expected to vest is above 190% of the targeted amount for the awards.

2020 LTIP PSUs. During fiscal year 2020, the Company approved LTIP awards under the 2015 SIP (2020 LTIP PSUs), which were awarded to certain members of the Company's senior management team, including the Company's named executive officers. The 2020 LTIP PSUs are subject to vesting based on service conditions over three years.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

The Company must meet certain revenue and pre-tax income performance targets for the fiscal year ending March 31, 2022 (2022 Measurement Period) and incorporates a relative TSR modifier for the 36-month performance period commencing on April 1, 2019, and ending March 31, 2022 (collectively, the 2022 Performance Periods). To the extent financial performance is achieved above the threshold levels for each of these performance criteria, the number of 2020 LTIP PSUs that will vest will increase up to a maximum of 200% of the targeted amount for that award. No vesting of any portion of the 2020 LTIP PSUs will occur if the Company fails to achieve revenue and pre-tax income amounts equal to at least 90% 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 2022 Measurement Period, the vesting of each 2020 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 2022 Performance Periods.

The Company granted awards at the target performance level of 38,174 2020 LTIP PSUs during the year ended March 31, 2020. The weighted-average grant date fair value of these 2020 LTIP PSUs was $146.96 per share. The Company exceeded the financial performance threshold levels as defined above for each of the performance criteria, and therefore the maximum number of 2020 LTIP PSUs that vested is 200% of the targeted amount for that award.

LTIP award activity recorded in the consolidated statements of comprehensive income were as follows:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested, March 31, 2019	**77,098**	**$ 120.24**
Granted*	76,348	146.96
Nonvested, March 31, 2020	**153,446**	**133.53**
Granted*	39,780	376.45
Vested**	(77,098)	(106.37)
Nonvested, March 31, 2021	**116,128**	**215.30**
Granted*	69,644	358.75
Vested**	(69,816)	(131.33)
Forfeited	(12,924)	(239.81)
Nonvested, March 31, 2022	**103,032**	**$ 344.25**

*The amounts granted are the maximum amounts under the terms of the applicable LTIP PSUs.
** The amounts vested include shares withheld for taxes that are not formally issued to the market.

Long-Term Incentive Plan Options. Previously, the Company approved the issuance of LTIP NQSOs under the 2015 SIP, including in June 2017 (2018 LTIP NQSOs), which were awarded to certain members of the Company's management team, with a maximum contractual term of seven years from the grant date. If the recipient provided continuous service, the LTIP NQSOs would vest after the Company had determined it achieved the target performance criteria by the date specified in the award. Each vested LTIP NQSO provides the recipient the right to purchase a specified number of shares of the Company's common stock at a fixed exercise price per share based on the closing price of the common stock on the date of grant. As of March 31, 2020, the Company determined that the target performance criteria related to the 2018 LTIP NQSOs for the year ended March 31, 2020, were achieved. During the years ended March 31, 2022, 2021, and 2020, no LTIP NQSOs were granted.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

LTIP option activity recorded in the consolidated statements of comprehensive income were as follows:

	Number of Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Vested, March 31, 2019	**361,383**	**$ 65.35**	**6.2**	**$ 29,504**
Exercised	(58,444)	(61.86)		
Vested, March 31, 2020	**302,939**	**66.02**	**5.0**	**20,594**
Exercised	(107,197)	(63.20)		
Vested, March 31, 2021	**195,742**	**67.56**	**3.6**	**51,452**
Exercised*	(45,810)	(67.11)		
Vested, March 31, 2022	**149,932**	**$ 67.70**	**2.6**	**$ 30,896**

*The amounts exercised include shares withheld for taxes that are not formally issued to the market.

Grants to Directors. Each of the Company’s nonemployee directors is entitled to receive common stock with a total value of $150 for annual service on the Board of Directors. The shares are issued in equal quarterly installments with the number of shares being determined using the rolling average of the closing price of the Company’s common stock during the last ten trading days leading up to, and including, the 15th day of the last month of each quarterly period. Each of these shares is fully vested on the date of issuance.

Stock-Based Compensation. Components of stock-based compensation recorded in the consolidated statements of comprehensive income were as follows:

	Years Ended March 31,		
	2022	2021	2020
RSUs	$ 12,093	$ 7,820	$ 6,509
PSUs	—	1,900	2,851
LTIP PSUs	12,865	11,555	2,203
LTIP NQSOs	—	—	1,641
Grants to Directors	1,507	1,195	1,045
Employee Stock Purchase Plan	351	231	228
Total stock-based compensation, pre-tax	26,816	22,701	14,477
Income tax benefit	(6,496)	(5,441)	(3,308)
Total stock-based compensation, net of tax	**$ 20,320**	**$ 17,260**	**$ 11,169**

Employee Stock Purchase Plan. The 2015 Employee Stock Purchase Plan (ESPP) authorizes 1,000,000 shares of the Company’s common stock for sale to eligible employees using their after-tax payroll deductions, which are refundable until purchases are made, and are liability-classified. ESPP shares are excluded from basic earnings per share until purchases are made, while included in diluted earnings per share computations as after-tax payroll deductions are made. Each consecutive purchase period is six months (purchase period) in duration and shares are purchased on the last trading day of the purchase period (no look-back provision) for a fixed amount at a 15% discount to the closing price on that date. Purchase windows take place in February and August of each fiscal year. The net difference between the timing of compensation expense incurred and remeasured during the purchase period and purchase windows are recorded in other accrued expenses in the consolidated balance sheets.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

Unrecognized Stock-Based Compensation. Total remaining unrecognized stock-based compensation as of March 31, 2022, related to non-vested awards that the Company considers probable to vest and the weighted-average period over which the cost is expected to be recognized in future periods, are as follows:

	Unrecognized Stock-based Compensation	Weighted-Average Remaining Vesting Period (Years)
RSUs	$ 14,839	1.1
PSUs	130	0.4
LTIP PSUs	21,324	1.7
Total	**$ 36,293**	

Note 9. Derivative Instruments

As of March 31, 2022, and 2021, the Company has no outstanding derivative contracts, however, settled derivative contracts with notional values are as follows:

	Years Ended March 31,	
	2022	2021
Designated Derivative Contracts	$ 110,430	$ 68,241
Non-Designated Derivative Contracts	38,659	18,909
Total	**$ 149,089**	**$ 87,150**

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

	Years Ended March 31,		
	2022	2021	2020
Gain (loss) recorded in Other comprehensive income	$ 4,161	$ (1,223)	$ 1,516
Reclassifications from Accumulated other comprehensive loss into net sales	(4,161)	1,223	(1,516)
Total	**$ —**	**$ —**	**$ —**

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

	Years Ended March 31,		
	2022	2021	2020
Gain recorded in SG&A expenses	$ 611	$ 267	$ 328

Note 10. Stockholders' Equity

Stock Repurchase Programs. In January 2019, the Company's Board of Directors approved a stock repurchase program that authorized the Company to repurchase a total of up to $261,000 of its common stock in the open market or in privately negotiated transactions, subject to market conditions, applicable legal requirements, and other factors. The Company's Board of Directors approved an additional authorization of $750,000 during April 2021 for the Company to repurchase its common stock under the same conditions as the prior stock repurchase program (collectively, the stock repurchase programs). The Company's stock repurchase programs do not obligate us to acquire any amount of common stock and may be suspended at any time at our discretion. As of March 31, 2022, the aggregate remaining approved amount under the Company's stock repurchase programs is $454,007.

Stock repurchase activity under the Company's stock repurchase program was as follows:

	Years Ended March 31,		
	2022	2021	2020
Total number of shares repurchased*	1,043,554	307,080	1,296,201
Average price paid per share	$ 341.77	$ 322.87	$ 146.89
Dollar value of shares repurchased**	$ 356,653	$ 99,147	$ 190,405

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

Subsequent to March 31, 2022, through May 5, 2022, the Company repurchased 176,046 shares for $47,997 at an average price of $272.64 per share and had $406,010 remaining authorized under the stock repurchase program. The Company's stock repurchase program does not obligate it to acquire any particular amount of common stock and may be suspended at any time at the Company's discretion.

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

	As of March 31,	
	2022	2021
Cumulative foreign currency translation loss	$ (24,955)	$ (16,743)
Total	**$ (24,955)**	**$ (16,743)**

Note 11. Basic and Diluted Shares

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

	Years Ended March 31,		
	2022	2021	2020
Basic	27,508,000	28,055,000	28,385,000
Dilutive effect of equity awards	281,000	351,000	309,000
Diluted	**27,789,000**	**28,406,000**	**28,694,000**
Excluded			
RSUs and PSUs	2,000	4,000	3,000
LTIP PSUs	66,000	116,000	153,000
Deferred Non-Employee Director Equity Awards	1,000	1,000	—

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

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 antidilutive). 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. Refer to Note 8, “Stock-Based Compensation,” for further information on the Company's equity incentive plans.

Note 12. Reportable Operating Segments

Information reported to the Chief Operating Decision Maker (CODM), who is the Company’s Principal Executive Officer, 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. Inter-segment sales from the Company’s wholesale reportable operating segments to the DTC reportable operating segment are at the Company’s cost, and there is no inter-segment profit on these inter-segment sales, nor are they reflected in income (loss) from operations of the wholesale reportable operating segments.

Segment Net Sales and Income from Operations. 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, certain executive and stock-based compensation, accounting, finance, legal, IT, human resources, and facilities, among others.

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

	Years Ended March 31,		
	2022	2021	2020
Net sales			
UGG brand wholesale	$ 1,088,082	$ 871,799	$ 892,990
HOKA brand wholesale	628,674	405,243	277,097
Teva brand wholesale	129,094	105,928	119,108
Sanuk brand wholesale	30,316	26,566	39,463
Other brands wholesale	60,573	69,375	67,175
Direct-to-Consumer	1,213,600	1,066,730	736,856
Total	**$ 3,150,339**	**$ 2,545,641**	**$ 2,132,689**

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

	Years Ended March 31,		
	2022	2021	2020
Income (loss) from operations			
UGG brand wholesale	$ 315,240	$ 292,718	$ 303,908
HOKA brand wholesale	155,344	111,208	61,860
Teva brand wholesale	33,294	27,120	30,736
Sanuk brand wholesale	6,463	(162)	3,212
Other brands wholesale	14,028	21,573	16,087
Direct-to-Consumer	435,414	349,465	182,548
Unallocated overhead costs	(395,076)	(297,717)	(260,216)
Total	**$ 564,707**	**$ 504,205**	**$ 338,135**
Depreciation, amortization, and accretion			
UGG brand wholesale	$ 416	$ 532	$ 611
HOKA brand wholesale	701	611	612
Teva brand wholesale	—	—	1
Sanuk brand wholesale	1,490	1,727	2,361
Other brands wholesale	382	382	382
Direct-to-Consumer	9,771	11,121	10,586
Unallocated overhead costs	30,118	26,157	24,359
Total	**$ 42,878**	**$ 40,530**	**$ 38,912**
Capital expenditures			
UGG brand wholesale	$ 109	$ (31)	$ 404
HOKA brand wholesale	1,191	56	331
Sanuk brand wholesale	—	8	—
Other brands wholesale	—	40	64
Direct-to-Consumer	11,872	11,175	7,886
Unallocated overhead costs	44,542	25,533	23,376
Total	**$ 57,714**	**$ 36,781**	**$ 32,061**

Segment Assets. 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 consolidated balance sheets are as follows:

	As of March 31,	
	2022	2021
Assets		
UGG brand wholesale	$ 382,837	$ 212,277
HOKA brand wholesale	293,025	168,365
Teva brand wholesale	91,140	87,284
Sanuk brand wholesale	40,766	38,311
Other brands wholesale	32,429	18,732
Direct-to-Consumer	191,193	196,091

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

	As of March 31,	
	2022	**2021**
Total assets from reportable operating segments	1,031,390	721,060
Unallocated cash and cash equivalents	843,527	1,089,361
Unallocated deferred tax assets, net	64,217	37,194
Unallocated other corporate assets	393,116	320,090
Total	**$ 2,332,250**	**$ 2,167,705**

Note 13. Concentration of Business

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

	Years Ended March 31,		
	2022	**2021**	**2020**
International net sales	**$ 982,546**	**$ 784,164**	**$ 730,997**
% of net sales	31.2 %	30.8 %	34.3 %
Net sales in foreign currencies	**$ 744,213**	**$ 611,897**	**$ 587,233**
% of net sales	23.6 %	24.0 %	27.5 %
Ten largest customers as % of net sales	**27.4 %**	**27.8 %**	**28.0 %**

For the years ended March 31, 2022, 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 years ended March 31, 2022, 2021, and 2020.

The Company sells its products to customers for trade accounts receivables and, as of March 31, 2022, has one customer that represents 11.2% of trade accounts receivable, net, compared to one customer 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. 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 consolidated balance sheets are as follows:

	As of March 31,	
	2022	**2021**
US	$ 208,078	$ 194,833
Foreign*	14,371	11,377
Total	**$ 222,449**	**$ 206,210**

*No single foreign country's property and equipment, net, represents 10.0% or more of the Company's total property and equipment, net, as of March 31, 2022, and 2021.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2022, 2021, and 2020
(dollar amounts in thousands, except per share or share data)

Note 14. Quarterly Summary of Information (Unaudited)

The Company's 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 the Company's other brands, the Company's aggregate net sales in the quarters ending September 30th and December 31st have historically significantly exceeded the Company's aggregate net sales in the quarter ending March 31st and June 30th. However, as the Company continues to take steps to diversify and expand its product offerings by creating more year-round styles, and as net sales of the HOKA brand continue to increase as a percentage of the Company's aggregate net sales, the Company expects the impact from seasonality to continue to decrease over time and the Company has begun to experience shifts during fiscal year 2022 for higher sales in the quarter ending March 31st. However, the Company's seasonality has been impacted by supply chain challenges and it is unclear whether these impacts will be minimized or exaggerated in future periods as a result of these disruptions.

The following is summarized unaudited quarterly financial data for the last two fiscal years:

	Fiscal Year 2022			
	Quarter Ended			
	6/30/2021	9/30/2021	12/31/2021	3/31/2022
Net sales	$ 504,678	$ 721,902	$ 1,187,752	$ 736,007
Gross profit	260,503	367,088	621,221	358,739
Income from operations	61,832	128,181	293,396	81,298
Net income	48,124	102,063	232,943	68,819
Net income per share				
Basic	$ 1.73	$ 3.69	$ 8.49	$ 2.54
Diluted	$ 1.71	$ 3.66	$ 8.42	$ 2.51

	Fiscal Year 2021			
	Quarter Ended			
	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Net sales	$ 283,169	$ 623,525	$ 1,077,759	$ 561,188
Gross profit	142,566	318,977	613,897	298,650
(Loss) income from operations	(7,699)	128,604	328,655	54,645
Net (loss) income	(7,973)	101,554	255,536	33,458
Net (loss) income per share				
Basic	$ (0.28)	$ 3.62	$ 9.09	$ 1.19
Diluted	$ (0.28)	$ 3.58	$ 8.99	$ 1.18

Schedule II

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
TOTAL VALUATION AND QUALIFYING ACCOUNTS
(amounts in thousands)

Allowances for doubtful accounts, sales discounts, and chargebacks against gross trade accounts receivable related to wholesale channel sales recorded in the consolidated balance sheets are as follows:

	As of March 31,		
	2022	2021	2020
Allowance for doubtful accounts (1)			
Balance at Beginning of Year	$ (9,730)	$ (6,989)	$ (5,073)
Additions	—	(3,052)	(3,498)
Deductions	686	311	1,582
Balance at End of Year	$ (9,044)	$ (9,730)	$ (6,989)
Allowance for sales discounts (2)			
Balance at Beginning of Year	$ (3,016)	$ (1,030)	$ (710)
Additions	(20,713)	(16,414)	(14,845)
Deductions	20,898	14,428	14,525
Balance at End of Year	$ (2,831)	$ (3,016)	$ (1,030)
Allowance for chargebacks (3)			
Balance at Beginning of Year	$ (13,770)	$ (13,127)	$ (13,041)
Additions	(32,062)	(23,214)	(13,399)
Deductions	27,116	22,571	13,313
Balance at End of Year	$ (18,716)	$ (13,770)	$ (13,127)
Total	**$ (30,591)**	**$ (26,516)**	**$ (21,146)**

(1) The additions to the allowance for doubtful accounts represent estimates of the Company's bad debt expense or recovery based on the factors on which the Company evaluates the collectability of its accounts receivable, with actual recoveries netted into additions. Deductions are for the actual amounts written off against outstanding trade accounts receivables.

(2) The additions to the allowance for sales discounts represent estimates of discounts to be taken by the Company's customers based on the amount of outstanding discounts for meeting certain order, shipment, and prompt payments terms. Deductions are for the actual discounts taken by the Company's customers against outstanding trade accounts receivables.

(3) The additions to the allowance for chargebacks represent chargebacks and markdowns taken in the respective year, as well as an estimate of amounts that will be taken in the future related to sales in the current reporting period. Deductions are for the actual amounts written off against outstanding trade accounts receivables.

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