2023

ANNUAL REPORT

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-38713

YETI Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**45-5297111**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7601 Southwest Parkway
Austin, Texas 78735
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: **(512) 394-9384**

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

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

Securities registered pursuant to Section 12(g) of the Act: None

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 Section 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. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

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

As of June 30, 2023, the last business day of our mostly recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates was $2,644,447,229.

As of February 15, 2024, there were 86,933,474 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the registrant's 2023 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission no later than 120 days after December 30, 2023, are incorporated by reference in Part III herein.

YETI HOLDINGS, INC.
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Forward-Looking Statements

This Annual Report on Form 10-K (this "Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical or current fact included in this Report are forward-looking statements. Forward-looking statements include statements containing words such as "anticipate," "assume," "believe," "can," "have," "contemplate," "continue," "could," "design," "due," "estimate," "expect," "forecast," "goal," "intend," "likely," "may," "might," "objective," "plan," "predict," "project," "potential," "seek," "should," "target," "will," "would," and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operational performance or other events. For example, all statements made relating to our share repurchase program, future expectations relating to our acquisitions of Mystery Ranch, LTD and Butter Pat Industries, LLC, voluntary recalls, expected market or macroeconomic environment, estimated and projected costs, expenditures, and growth rates, plans and objectives for future operations, growth, or initiatives, or strategies are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that are expected and, therefore, you should not unduly rely on such statements. The risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these forward-looking statements include but are not limited to the risks and uncertainties listed below under "Risk Factors Summary" and further described under the heading "Risk Factors" in Part I, Item 1A of this Report, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the United States Securities and Exchange Commission.

These forward-looking statements are made based upon detailed assumptions and reflect management's current expectations and beliefs. While we believe that these assumptions underlying the forward-looking statements are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect actual results.

The forward-looking statements included herein are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events, or otherwise, except as required by law.

Risk Factors Summary

Investing in our securities involves a high degree of risk. The following is a summary of the principal factors that make an investment in our securities speculative or risky, all of which are further described below in the section titled "Risk Factors" in Part I, Item 1A of this Report. This summary should be read in conjunction with the "Risk Factors" section and should not be relied upon as an exhaustive summary of the material risks facing our business. In addition to the following summary, you should consider the information set forth in the "Risk Factors" section and the other information contained in this Report before investing in our securities.

Risks Related to Our Business, Operations and Industry

- If we fail to attract new customers and maintain our brand image, we may be unable to maintain demand for our products, which could harm our results of operations.
- If we are unable to successfully design, develop and market new products, our business may be harmed.
- Our business could be harmed if we are unable to accurately forecast our results of operations or our growth rate and demand for our products.
- We may not be able to effectively manage our growth.
- We may not be successful in expanding into additional markets.
- If we fail to compete effectively, we could lose our market position.
- Our future success depends on the continuing efforts of our management and key employees and on our ability to attract and retain highly skilled personnel and senior management.
- Unauthorized use or invalidation of our intellectual property or proprietary rights could damage our brand and harm our results of operations.
- We may be subject to liability if we infringe upon the intellectual property rights of third parties.
- Problems with, or loss of, our suppliers or an inability to obtain raw materials could harm our business and results of operations.
- If we fail to timely and effectively obtain shipments of products from our manufacturers and deliver products to our retail partners and customers, our business and results of operations could be harmed.
- Our business is subject to the risk of manufacturer concentrations.
- Our business could be harmed if we fail to execute our internal plans to transition our supply chain and certain other business processes to a global scale.
- If we cannot maintain prices or effectively implement price increases, our margins may decrease.
- Fluctuations in the cost and availability of raw materials, equipment, labor, and transportation could cause manufacturing delays or increase our costs.
- Many of our products are manufactured by third parties outside of the United States, and our business may be harmed by legal, regulatory, economic, political and public health risks associated with international trade and those markets.
- As current tariffs are implemented, or if additional tariffs or other restrictions are placed on foreign imports or any related counter-measures are taken by other countries, our business and results of operations could be harmed.
- If we fail to appropriately address emerging environmental, social and governance matters, or if we fail, or are perceived to fail, to meet our goals regarding environmental, social and governance matters, our reputation and our business could be harmed.
- Climate change, and related legislative and regulatory responses to climate change, may adversely impact our business.
- A significant portion of our sales are to national, regional, and independent retail partners, and if they cease to carry our current products or choose not to promote or carry new products that we develop, our brand as well as our results of operations and financial condition could be harmed.
- If our plans to increase sales through our direct-to-consumer e-commerce channel are not successful, our business and results of operations could be harmed.
- If we do not successfully implement our retail store expansion plans, our growth and profitability could be harmed.
- Insolvency, credit problems or other financial difficulties that could confront our retail partners could expose us to financial risk.
- If our independent suppliers and manufacturing partners do not comply with ethical business practices or with applicable laws and regulations, our reputation, business, and results of operations could be harmed.
- We are subject to payment-related risks that may result in higher operating costs or the inability to process payments, either of which could harm our business, financial condition and results of operations.
- Our limited operating experience and limited brand recognition in new markets may make it more difficult to execute our international expansion plan and cause our business and growth to suffer.
- Our financial results and future growth could be harmed by currency exchange rate fluctuations.
- We may become involved in legal or regulatory proceedings and audits.
- Our business involves the potential for product recalls, warranty liability, product liability, and other claims against us, which could adversely affect our reputation, earnings and financial condition.

- Our business is subject to the risk of catastrophic events and to interruption by problems such as terrorism, public health crises, cybersecurity incidents or other cybersecurity threats, or events affecting our information technology systems.
- Our results of operations are subject to seasonal and quarterly variations, which could cause the price of our common stock to decline.
- We are subject to many hazards and operational risks that can disrupt our business, some of which may not be insured or fully covered by insurance.

Risks Related to Market and Global Economic Conditions

- Public health crises could negatively impact our business, sales, financial condition, results of operations and cash flows.
- Adverse economic conditions, such as a downturn in the economy or inflationary conditions resulting in rising prices, could adversely affect consumer purchases of discretionary items, which could materially harm our sales, profitability, and financial condition.

Risks Related to Information Technology and Security

- We rely significantly on information technology, and any compromise or interruption of that technology resulting from cybersecurity incidents, data security breaches, design defects or system failures could have a material negative impact on our business.

Risks Related to our Financial Condition, Accounting and Tax Matters

- We depend on cash generated from our operations to support our growth, and we may need to raise additional capital, which may not be available on terms acceptable to us or at all.
- Our indebtedness may limit our ability to invest in the ongoing needs of our business and if we are unable to comply with the covenants in our current Credit Facility, our liquidity and results of operations could be harmed.
- If our goodwill, other intangible assets, or fixed assets become impaired, we may be required to record a charge to our earnings.
- Changes in tax laws or unanticipated tax liabilities could adversely affect our effective income tax rate and profitability.
- If our estimates or judgments relating to our critical accounting policies prove to be incorrect or change significantly, our results of operations could be harmed.
- Our results of operations could be harmed if a material number of our retail partners were not able to meet their payment obligations.

Risks Related to Ownership of Our Common Stock

- Any future failure to maintain effective internal control over financial reporting could harm us.
- We cannot guarantee that our share repurchase program will be fully consummated or that it will enhance long-term stockholder value, and share repurchases could increase the volatility of the price of our common stock.
- Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of the Company more difficult, limit attempts by our stockholders to replace or remove our current management, and limit the market price of our common stock.
- Our Amended and Restated Certificate of Incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for substantially all disputes between us and our stockholders and our Amended and Restated Bylaws provide that the federal district courts of the United States are the exclusive forum for complaints asserting a cause of action under the Securities Act, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.
- YETI Holdings, Inc. is a holding company with no operations of its own and, as such, it depends on its subsidiaries for cash to fund its operations and expenses, including future dividend payments, if any.

Risks Related to Acquisitions, Strategic Transactions, and Stockholder Activism

- We may be the target of strategic transactions, which could divert our management's attention and otherwise disrupt our operations and adversely affect our business.
- We may be the target of stockholder activism, an unsolicited takeover proposal, a proxy contest, or short sellers, which could negatively impact our business.
- Acquisitions or investments in other companies could divert our management's attention, result in dilution to our stockholders, and otherwise disrupt our operations and harm our results of operations.

WEBSITE REFERENCES

In this Annual Report on Form 10-K, we make references to our website at YETI.com. References to our website through this Form 10-K are provided for convenience only and the content on our website does not constitute a part of, and shall not be deemed incorporated by reference into, this Annual Report on Form 10-K.

TRADEMARKS AND SERVICE MARKS

Solely for convenience, certain trademark and service marks referred to in this Annual Report on Form 10-K appear without the ® or ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and service marks. This Annual Report on Form 10-K may also contain additional trademarks or service marks of other companies, which are the property of their respective owners.

PART I

Item 1. Business

Overview

Headquartered in Austin, Texas, YETI is a global designer, retailer, and distributor of innovative outdoor products. From coolers and drinkware to bags and apparel, YETI products are built to meet the unique and varying needs of diverse outdoor pursuits, whether in the remote wilderness, at the beach, or anywhere life takes you. By consistently delivering high-performing, exceptional products, we have built a strong following of brand loyalists throughout the world, ranging from serious outdoor enthusiasts to individuals who simply value products of uncompromising quality and design. We have an unwavering commitment to outdoor and recreation communities, and we are relentless in our pursuit of building superior products for people to confidently enjoy life outdoors and beyond.

We were founded in 2006 by avid outdoorsmen, Roy and Ryan Seiders, who were frustrated with equipment that could not keep pace with their interests in hunting and fishing. By utilizing forward-thinking designs and advanced manufacturing techniques, they developed a nearly indestructible hard cooler with superior ice retention. Our original hard cooler not only delivered exceptional performance, it anchored an authentic, passionate, and durable bond among customers and our company.

Our principal corporate offices are located in Austin, Texas. Unless the context requires otherwise, references to "YETI," the "Company," "we," "us," and "our" used herein refer to YETI Holdings, Inc. and its consolidated subsidiaries.

We have a 52- or 53-week period that ends on the Saturday closest in proximity to December 31, such that each quarterly period will be 13 weeks in length, except during a 53-week period when the fourth quarter will be 14 weeks. Our fiscal years ended December 30, 2023 ("2023"), December 31, 2022 ("2022") and January 1, 2022 ("2021") spanned 52 weeks each. Our fiscal year ending December 28, 2024 ("2024") will span 52 weeks. Unless otherwise stated, references to particular years, quarters, months and periods refer to our fiscal years ended in December and the associated quarters, months, and periods of those fiscal years.

Our Products

Our product portfolio is comprised of three categories: Coolers & Equipment; Drinkware; and Other. We have a history of consistently broadening our high-performance, premium-priced product portfolio to meet our expanding customer base and their evolving pursuits. Our culture of innovation and success in identifying customer needs and wants drives our robust product roadmap. In 2023, net sales of Coolers & Equipment, Drinkware, and Other represented 36%, 62%, and 2% of net sales, respectively. Refer to Note 2 of the Notes to Consolidated Financial Statements for net sales by product category.

Coolers & Equipment

Our Coolers & Equipment family is comprised of hard coolers, soft coolers, cargo, bags, outdoor living, and associated accessories.

Hard Coolers. Our hard coolers are built with seamless rotomolded construction or injection molding construction, making them nearly indestructible. For superior ice retention, we pressure-inject up to two inches of commercial-grade polyurethane foam into the walls and lid and utilize a freezer-quality gasket to seal the lid. Our hard cooler category includes YETI Tundra, YETI Roadie, YETI V Series hard coolers, YETI TANK ice bucket, and YETI Silo 6G water cooler. We also offer related accessories, including locks, dry baskets, beverage holders, dividers, an ice scoop, and other add-ons, to enhance our products' versatility.

Soft Coolers. The Hopper is our line of soft coolers, which are designed to be leakproof and provide superior durability and ice retention compared to ordinary soft coolers. The Hopper soft cooler product line includes: Hopper M15 Soft Cooler, Hopper M12 Soft Backpack Cooler, Hopper M30 Soft Cooler, Hopper M20 Backpack Cooler, Hopper Flip Soft Cooler, Daytrip Lunch Bag, and Daytrip Lunch Box. Our soft coolers also include related accessory options such as the Rambler Bottle Sling, MOLLE Zinger retractable lanyard, and a mountable MOLLE Bottle Opener.

In March 2023, we announced separate, voluntary recalls of our Hopper M30 Soft Cooler, Hopper M20 Soft Backpack Cooler, and SideKick Dry gear case (the "affected products") in collaboration with the U.S. Consumer Product Safety Commission ("CPSC"). In the fourth quarter of 2023, we introduced the redesigned and improved versions of the affected products, and also launched two new sizes with the Hopper M15 Soft Cooler and the Hopper M12 Soft Backpack Cooler. For additional information on the financial impact of the voluntary recalls, see Part II, Item 7, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Cargo, Bags, and Outdoor Living. Our cargo, bags, and outdoor living product category includes: LoadOut Bucket, LoadOut GoBox, the Panga submersible duffel bag, Panga Backpack, Crossroads Collection of backpacks, duffel bags, luggage, and packing cubes, Camino Carryall, Hondo Base Camp Chair, Trailhead Camp Chair, Lowlands Blanket, Trailhead Dog Bed, Boomer Dog Bowls, and SideKick Dry gear case.

Drinkware

Most of our Drinkware products are made with durable, kitchen-grade, 18/8 stainless-steel, double-wall vacuum insulation, and our innovative No Sweat design. The result is high-performing drinkware products that keep beverages at their preferred temperature — whether hot or cold — for hours at a time without condensation. During 2022, we introduced Yonder Water Bottles, our first lightweight water bottle made of durable and safe BPA-free material. During 2023, we introduced several tableware products such as the Rambler beverage bucket, Rambler wine chiller, and Rambler cocktail shaker, and also expanded size offerings of various mugs, cups, and water bottles. Our Drinkware product line also includes the Rambler Colsters, Rambler Lowball, Rambler Wine Tumbler, Rambler Stackable Pints, Rambler Mugs, Rambler Tumblers, Rambler Straw Mugs & Cups, Rambler Bottles, Rambler Jugs, and Yonder Water Bottles. Related accessories include the Rambler Bottle Straw Cap, Rambler Bottle Chug Cap, Rambler Magslider Lid, Rambler Straw Lid, Rambler Magslider color pack, Rambler Tumbler Handles, and Rambler Jug Mount.

Other

Our Other category offers an array of apparel and gear, such as hats, shirts, bottle openers, and ice substitutes.

Segment Information

We operate as one reportable segment.

Sales Channels

We offer our products in the United States, Canada, Australia, New Zealand, Europe, and Japan through a diverse omni-channel strategy, comprised of our wholesale and our direct-to-consumer (“DTC”) channels. In 2023 and 2022, our DTC channel accounted for 60% and 58% of our net sales, respectively, and our wholesale channel accounted for 40% and 42% of our net sales, respectively. As part of our commitment to premium positioning, we maintain supply discipline, consistently enforce our minimum advertised price (“MAP”) policy, and primarily sell through one-step distribution.

In our wholesale channel, we sell to several large retailers with a national presence, including Dick’s Sporting Goods, REI, Academy Sports + Outdoors, Bass Pro Shops, Ace Hardware, Scheels, and Tractor Supply Company, and an assemblage of independent retail partners throughout the United States, Canada, Australia, New Zealand, Europe, and Japan, among others. We carefully evaluate and select retail partners that have an image and approach that are consistent with our premium brand and pricing, while also seeking new retail partners that create access to unique shopping experiences or customer bases. Our network of independent retail partners includes outdoor specialty, hardware, sporting goods, and farm and ranch supply stores, among others. As of December 30, 2023, we sold through a diverse base of approximately 4,500 retail partners in the United States, Canada, Australia, New Zealand, and Europe. No single customer accounted for 10% or more of our gross sales in 2023.

We sell our products in our DTC channel to customers on YETI.com, country and region-specific YETI websites, and YETI Authorized on the Amazon Marketplace, as well as in our retail stores. Additionally, we offer customized products with licensed marks and original artwork through our corporate sales program, on YETI.com, certain country-specific YETI websites, and at select retail stores. Our corporate sales program offers customized products to corporate customers for a wide-range of events and activities, and in certain instances may also offer products to re-sell. Additionally, we sell our full line of products at our retail stores. Our DTC channel enables us to directly interact with our customers, more effectively deliver our brand experience, better understand consumer behavior and preferences, and offer exclusive products, content, and customization capabilities. We believe our control over our DTC channel provides our customers the highest level of brand engagement and further builds customer loyalty, while generating attractive margins.

Our Market

Our premium products are designed for use in a wide variety of activities, from professional to recreational and outdoor to indoor, and can be used year round. As a result, the markets we serve are broad as well as deep, including, for example, outdoor, housewares, home and garden, outdoor living, industrial, and commercial. While our product reach extends into numerous and varied markets, we currently primarily serve the North American outdoor recreation market. The outdoor recreation products market is a large, growing, and diverse economic sector, which includes consumers of all genders, ages, ethnicities, and income levels.

Additionally, we continue to expand internationally and grow our presence in Canada, Australia, New Zealand, Japan, and Europe, among others. We are expanding internationally by focusing on brand awareness, wholesale expansion, and our DTC channel. We believe there are meaningful growth opportunities in expanding into additional international markets, such as Asia, as many of the market dynamics and premium, performance-based consumer needs that we have successfully identified domestically are also valued in these markets.

Product Design and Development

We design and develop our products to provide superior performance and functionality in a variety of environments. Our products are carefully designed and rigorously tested to maximize performance while minimizing complexity, allowing us to deliver highly functional products with simple, clean, and distinct designs.

We expand our existing product families and enter new product categories by designing solutions grounded in consumer insights and relevant product knowledge. We use high-quality materials, as well as advanced design and manufacturing processes, to create premium products that redefine consumer expectations and deliver best-in-class product performance. We continue to expand our product line by introducing anchor products, followed by product expansions, such as additional sizes and colorways, and then offering corresponding accessories.

To ensure our continued success in bringing category-redefining products to market, our marketing and product development teams collaborate to identify consumer needs and wants to drive our robust product roadmap. We use our purpose-built, state-of-the-art research and development centers to generate design prototypes and test performance. We follow a disciplined, stage-gate product development process that is designed to provide consistent quality control while optimizing speed-to-market. We collaborate with our YETI Ambassadors, a diverse group of people throughout the United States and select international markets, comprised of world-class anglers, hunters, rodeo cowboys, barbecue pitmasters, surfers, brewmasters, fitness experts, skateboarders, and outdoor adventurers who embody our brand, and industry professionals to test our prototypes and provide feedback that is incorporated into final product designs. Once we approve the final design and specifications of a new product, we partner with global suppliers and specialized manufacturers to produce our products according to our exacting performance and quality standards.

Marketing

We employ a wide range of marketing tactics and outlets to cultivate our relationships with experts, serious enthusiasts, and everyday consumers, including a combination of traditional, digital, social media, and grass-roots initiatives to support our premium brand, in addition to original short films and high-quality content on YETI websites.

Supply Chain and Quality Assurance

We manage a global supply chain of highly qualified, third-party manufacturing and logistics partners to produce and distribute our products. The primary raw materials and components used by our manufacturing partners include polyethylene, polyurethane foam, stainless-steel, polyester fabric, zippers, magnets, and other plastic materials and coatings. We believe these materials are readily available from multiple vendors. We stipulate approved suppliers and control the specifications for key raw materials used in our products. We do not directly source significant amounts of these raw materials and components.

We do not own or operate any manufacturing facilities. We match sourcing partnerships to deliver flexibility and scalability to support multiple product introductions and evolving channel strategies. Our global supply chain management team researches materials and equipment, qualifies raw material suppliers, vets potential manufacturing partners for advanced production and quality assurance processes, directs our production planning, approves and manages product purchasing plans, and oversees product transportation. Additionally, we work closely with our manufacturing partners regarding product quality and manufacturing process efficiency.

Many of our core products are manufactured in China, the Philippines, Vietnam, Taiwan, Poland, Mexico, Thailand, and Malaysia. In addition, we have other key third-party manufacturing partners in Mexico and Italy. We continue to mitigate the concentration risk in our supply chain by pursuing a higher diversification of manufacturing partners, with both sourcing and geographical advantages. See Note 1 of the Notes to Consolidated Financial Statements included herein for further discussion of concentration risk. We hold our manufacturers to rigorous quality and product conformance standards through frequent involvement and regular product inspecting. We own the molds and tooling used in the production of our products, create and provide the specifications for our products, and work closely with our manufacturing partners to improve production yields and efficiency. Our manufacturers do not have unique skills, technologies, processes, or intellectual property that prevent us from migrating to other manufacturing partners.

To ensure consistent product quality, we provide detailed specifications for our products and inspect finished goods both at our manufacturing partners as well as periodically upon delivery to our third-party logistics partners. As part of our quality assurance program, we have developed and implemented comprehensive product inspection and facility oversight processes that are performed by our employees and third-party service providers who work closely with our suppliers to assist them in meeting our quality standards, as well as improving their production yields and throughput.

Distribution and Inventory Management

We utilize global third-party logistics providers to warehouse and distribute finished products from our distribution facilities in Memphis, Tennessee and Salt Lake City, Utah to support our domestic operations, and in Australia, Canada, the United Kingdom, New Zealand, and the Netherlands to support our international operations. These logistics providers manage various distribution activities, including product receipt, warehousing, certain limited product inspection activities, and coordinating outbound shipping.

We manage our inventory levels by analyzing product sell-through, forecasting demand, and placing orders with our manufacturers before we receive firm orders from customers to ensure sufficient availability.

Competition

We compete in the large outdoor and recreation market and may compete in other related markets. Competition in our markets is based on a number of factors including product quality, performance, durability, styling, and price, as well as brand image and recognition. We believe that we have been able to compete successfully on the basis of our brand, superior design capabilities and product development, our DTC capabilities, as well as the breadth of our national, regional, and independent retail partners.

In the Coolers & Equipment category, we compete against established, well-known, and legacy cooler brands, such as Igloo and Coleman, as well as numerous other brands and retailers that offer competing products. The popularity of YETI products and the YETI brand has attracted numerous new competitors including Pelican, OtterBox, and others, as well as private label brands. In the Drinkware category, we compete against well-known brands such as HydroFlask, Stanley, and Owala, as well as numerous other brands and retailers that offer competing products.

The outdoor and recreation market is highly fragmented and highly competitive, with low barriers to entry. Our current and potential competitors may be able to develop and market superior products or sell similar products at lower prices. These companies may have competitive advantages, including larger retailer bases, global product distribution, greater financial strength, superior relations with suppliers and manufacturing partners, or larger marketing budgets and brand recognition.

Seasonality

Historically, we have experienced our highest levels of net sales in the fourth quarter of the year coinciding with the seasonal holiday shopping season. In 2023, our net sales in the first, second, third, and fourth quarters represented 18%, 24%, 26%, and 32%, respectively, of our total net sales for the year. In 2022, our net sales in the first, second, third, and fourth quarters represented 18%, 26%, 27%, and 29%, respectively, of our total net sales for the year.

Intellectual Property and Brand Protection

We own patents, trademarks, copyrights, and other intellectual property rights that support key aspects of our brand and products. We believe these intellectual property rights, combined with our innovation and distinctive product design, performance, and brand name and reputation, provide us with a competitive advantage. We protect our intellectual property rights in the United States and certain international jurisdictions on all new products.

We aggressively pursue and defend our intellectual property rights to protect our distinctive brand, designs, and inventions. We have processes and procedures in place to identify, protect, and optimize our intellectual property assets on a global basis. Our experienced legal and brand protection teams initiate claims and litigation to protect our intellectual property assets. In the future, we intend to continue to seek intellectual property protection for our new products and enforce our rights against those who infringe on these valuable assets.

All product designs, specifications, and performance characteristics are developed and documented. After these aspects of the process are complete, we seek intellectual property protection to the fullest extent possible, including applying for patents and for registration of trademarks and copyrights.

We have a proactive online marketplace monitoring and seller/listing termination program to disrupt any online counterfeit offerings. In addition, we work to shut down websites selling counterfeit products through litigation.

Human Capital Resources

At YETI, we have an unwavering commitment to outdoor and recreation communities, and we are relentless in our pursuit of building superior products for people to confidently enjoy life outdoors and beyond. We are proud of our unique company culture, where ideas, innovation, collaboration and personal development are essential. We believe our brand, culture, and employees are central to our success and our ability to attract, develop, motivate, and retain highly-skilled talent.

As of December 30, 2023, we employed approximately 1,050 people worldwide, representing eight countries. Of these, approximately 88% of our workforce was located in the United States. None of our employees are currently covered by a collective bargaining agreement. We have no labor-related work stoppages and believe our relations with our employees are positive and stable.

Diversity, Equity and Inclusion ("DE&I"). We believe that an equitable, inclusive, and culturally diverse environment is imperative and key to our long-term growth. We are committed to building an inclusive and diverse culture through a variety of initiatives on employee recruitment, employee training and development. Our DE&I Council is composed of a group of employees representing different demographics, backgrounds, and teams that provides perspective and counsel on DE&I-related topics. We continue to support our voluntary, employee-led affinity groups that foster a diverse and inclusive workplace aligned with our core values, goals, and business practices.

Compensation and Benefits. We strive to hire, develop and retain top talent. We attract and reward our employees by providing competitive benefits, including market-competitive compensation, healthcare, 401(k) program, paid time off, bonding leave, as well as health, wellness, and financial planning programs.

Communication and Engagement. We actively communicate and listen to employees through multiple internal channels and encourage employees to provide feedback about their experiences through ongoing employee engagement activities, including employee satisfaction surveys. We strive to address feedback in real time and provide an environment where our employees can have fulfilling careers and be more productive, creative, happy, and healthy.

Consistent with our focus on employee growth and development, we offer employees the opportunity to participate in educational activities and periodic trainings. Additionally, we employ a variety of recognition programs to recognize leadership and other employees who best exemplify our core values. We also encourage and provide opportunity for our employees to give back to the communities that support us. We provide up to four hours of paid time off to vote, as part of our participation in Time to Vote, and offer employees the chance to dedicate one full day of work to volunteering for an organization of their choice.

For more detailed information regarding our programs and initiatives related to human capital management, please see the "People" section of our 2023 Environmental, Social, and Governance Report ("ESG Report"), located on our website at www.yeti.com/en_US/esg.html. Our ESG Report does not constitute part of, and shall not be deemed to be incorporated by reference into, this Annual Report on Form 10-K.

Compliance with Government Regulations

Our business activities are global and are subject to various federal, state, local, and foreign laws, rules and regulations. For example, substantially all of our import operations are subject to complex trade and customs laws, regulations and tax requirements. In addition, the countries in which our products are manufactured or imported may from time to time impose additional duties, tariffs or other restrictions on our imports or adversely modify existing restrictions. Changes in tax policy or trade regulations, or the imposition of new tariffs on imported products, could have an adverse effect on our business and results of operations. In addition, we are subject to changing regulatory restrictions and requirements, including in the areas of data privacy, sustainability and responses to climate change. Compliance with laws, rules and regulations could harm our current and future business and operations. For additional information, see Part I, Item 1A, "Risk Factors - Risks Related to Our Business, Operations and Industry," included herein for updates to our risk factors regarding the potential impact of government regulations on our business.

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Available Information

We file annual, quarterly and current reports and other documents with the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The public can obtain any documents that we file with the SEC at www.sec.gov. We also make available free of charge our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after filing such materials with, or furnishing such materials to, the SEC, on or through our website, www.YETI.com. We are not including the information contained on, or accessible through, any website as a part of, or incorporating it by reference into, this Report, unless expressly noted.

Item 1A. Risk Factors

Our business, financial condition and operating results can be affected by a number of risks and uncertainties, whether currently known or unknown, any one or more of which could, directly or indirectly, cause our actual results of operations and financial condition to vary materially from past, or from anticipated future, results of operations and financial condition. The risks discussed below are not the only ones facing our business but do represent those risks that we believe are material to us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business, financial condition and results of operations.

Risks Related to Our Business, Operations and Industry

Our business depends on maintaining and strengthening our brand to attract new customers and generate and maintain ongoing demand for our products, and a significant reduction in such demand could harm our results of operations.

The YETI name and premium brand image are integral to the growth of our business, as well as to the implementation of our strategies for expanding our business. Our success depends on the value and reputation of our brand, which is rooted in passion for the outdoors. To sustain long-term growth, we must continue to successfully promote our products to consumers who align with the values of our brand, as well as to individuals who simply value products of uncompromising quality and design. Our ability to execute our marketing and growth strategy depends on many factors, such as the quality, design, performance, functionality, and durability of our products, the image and reputation of our e-commerce platform, the design of our retail partner floor spaces, the impact of our communication activities, including advertising, social media, and public relations, and our management of the customer experience, including direct interfaces through customer service. Maintaining, promoting, and positioning our brand are important to expanding our customer base and will depend largely on the success of our marketing and merchandising efforts and our ability to provide consistent, high-quality customer experiences.

We have made, and we expect that we will continue to make, significant investments in promoting our products and attracting new customers, including through the use of corporate partnerships, YETI Ambassadors, traditional, digital, and social media, original YETI films, and participation in, and sponsorship of, community events. Marketing campaigns can be expensive and may not result in the cost-effective acquisition of customers. Ineffective marketing, ongoing and sustained promotional activities, negative publicity, product diversion to unauthorized distribution channels, product or manufacturing defects, product recalls, counterfeit products, unfair labor practices, and failure to protect the intellectual property rights in our brand are some of the potential threats to the strength of our brand, and those and other factors could rapidly and severely diminish customer confidence in us. Furthermore, these factors could cause our customers to lose the personal connection they feel with the YETI brand. Actions taken by individuals that we partner with, such as YETI ambassadors, influencers or our associates, that fail to represent our brand in a manner consistent with our brand image, whether through our social media platforms or their own, could also harm our brand reputation and materially impact our business. Further, as our brand becomes more widely known, future marketing campaigns may not attract new customers at the same rate as past campaigns. Inflation or higher product costs may also affect our ability to provide products in a cost-effective manner and hinder us from attracting new customers. If we are unable to attract new customers, or fail to do so in a cost-effective manner, our growth could be slower than we expect and our business could be harmed.

If we are unable to successfully design, develop and market new products, our business may be harmed.

The market for products in the outdoor and recreation products industry is characterized by new product introductions, frequent enhancements to existing products, and changing customer demands, needs and preferences. To maintain and increase sales, we must continue to introduce new products and improve or enhance our existing products on a timely basis to respond to new and evolving consumer preferences. The success of our new and enhanced products depends on many factors, including anticipating consumer preferences, finding innovative solutions to consumer problems, differentiating our products from those of our competitors, and maintaining the strength of our brand. The design and development of our products is costly, and we typically have several products in development at the same time. Problems in the design or quality of our products, or delays in product introduction, may harm our brand, business, financial condition, and results of operations. Any new products that we develop and market may not generate sufficient revenues to recoup their development, production, marketing, selling and other costs.

Our business could be materially harmed if we are unable to accurately forecast our growth rate and demand for our products.

To ensure adequate inventory supply, we must forecast inventory needs and place orders with our manufacturers before firm orders are placed by our customers. Forecasts are particularly challenging as we expand into new markets and geographies, develop and market new products, and face uncertainties related to consumer discretionary spending and general market conditions, including sustained high interest rates and inflation rates, and uncertainty related to geopolitical events, including the recent conflict in the Red Sea. Our historical sales, expense levels, and profitability may not be an appropriate basis for forecasting future results. If we fail to accurately forecast customer demand, including relating to our expected growth, we may experience excess inventory levels or a shortage of product to deliver to our customers. Failure to accurately forecast our results of operations and growth rate could also cause us to make poor operating decisions and we may not be able to adjust in a timely manner. Consequently, actual results could be materially lower than anticipated. Even if the markets in which we compete expand, we cannot assure you that our business will grow at similar rates, or at all.

Factors that could affect our ability to accurately forecast demand for our products include: (a) an increase or decrease in consumer demand for our products; (b) our failure to accurately forecast consumer acceptance for our new products; (c) product introductions by competitors; (d) unanticipated changes in general market conditions or other factors, which may result in cancellations of advance orders or a reduction or increase in the rate of reorders or at-once orders placed by retailers; (e) impacts on consumer demand due to unseasonable weather conditions; (f) weakening economic conditions or consumer confidence in future economic conditions or inflationary conditions resulting in rising prices, which could each reduce demand for discretionary items, such as our products; and (g) terrorism or acts of war, or the threat thereof, or political or labor instability or unrest, riots, or public health crises, which could adversely affect consumer confidence and spending or interrupt production and distribution of product and raw materials.

Inventory levels in excess of customer demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices or in less preferred distribution channels, which could impair our brand image and harm our gross margin. In addition, if we underestimate the demand for our products, our manufacturers may not be able to produce products to meet our customer requirements, and this could result in delays in the shipment of our products and our ability to recognize revenue, lost sales, as well as damage to our reputation and retailer and distributor relationships.

Difficulty in forecasting demand also makes it difficult to estimate our future results of operations and financial condition from period to period. A failure to accurately predict the level of demand for our products could adversely impact our profitability or cause us not to achieve our expected financial results.

We may not be able to effectively manage our growth.

As we grow our business, slower growing or reduced demand for our products, increased competition, a decrease in the growth rate of our overall market, failure to develop and successfully market new products, or the maturation of our business or market could harm our business. We have made and expect to continue to make significant investments in our business. We plan to continue to expand our operations and infrastructure both domestically and internationally. We also intend to continue to design, develop, and market new products and make enhancements to our existing products. If our sales do not increase at a sufficient rate to offset these increases in our operating expenses, our profitability may decline in future periods.

We have expanded our operations and employee headcount, and the scope and complexity of our business have increased substantially over the past several years. We have only a limited history operating our business at its current scale. Consequently, if our operations continue to grow at a rapid pace, we may experience difficulties in managing our growth and building the appropriate processes and controls. Future rapid growth may increase the strain on our resources, and we could experience operating difficulties, including difficulties in sourcing, logistics, recruiting, maintaining internal controls, marketing, designing innovative products, and meeting consumer needs. If we do not adapt to meet these evolving challenges, the strength of our brand may erode, the quality of our products may suffer, we may not be able to deliver products on a timely basis to our customers, and our corporate culture may be harmed.

Our growth depends, in part, on expanding into additional consumer markets, and we may not be successful in doing so.

We believe that our future growth depends not only on continuing to reach our current core demographic, but also continuing to broaden our retail partner and customer base. The growth of our business will depend, in part, on our ability to continue to expand our retail partner and customer bases in the United States, as well as in international markets, including Canada, Australia, Europe, and Japan. In these markets, we may face challenges that are different from those we currently encounter, including competitive, merchandising, distribution, hiring, and other difficulties. We may also encounter difficulties in attracting customers due to a lack of consumer familiarity with or acceptance of our brand, or a resistance to paying for premium products, particularly in international markets. We continue to evaluate marketing efforts and other strategies to expand the customer base for our products. In addition, although we are investing in sales and marketing activities to further penetrate newer regions, including expansion of our dedicated sales force, we cannot assure you that we will be successful. If we are not successful, our business and results of operations may be harmed.

The markets in which we compete are highly competitive and include numerous other brands and retailers that offer a wide variety of products that compete with our products; if we fail to compete effectively, we could lose our market position.

The markets in which we compete are highly competitive, with low barriers to entry. Numerous other brands and retailers offer a wide variety of products that compete with our coolers, drinkware, and other products, including our bags, cargo, and outdoor lifestyle products and accessories. Competition in these product markets is based on a number of factors including product quality, performance, durability, styling, brand image and recognition, and price. Our competitors may be able to develop and market higher quality products that compete with our products, sell their products for lower prices, adapt to changes in consumers' needs and preferences more quickly, devote greater resources to the design, sourcing, distribution, marketing, and sale of their products, or generate greater brand recognition than us. In addition, as we expand into new product categories, we have faced, and will continue to face, different and, in some cases, more formidable competition. We believe many of our competitors and potential competitors have significant competitive advantages, including longer operating histories, ability to leverage their sales efforts and marketing expenditures across a broader portfolio of products, global product distribution, larger and broader base of retail partners, more established relationships with a larger number of suppliers and manufacturing partners, greater brand recognition, larger or more effective brand ambassador and endorsement relationships, greater financial strength, larger research and development teams, larger marketing budgets, and more distribution and other resources than we do. Some of our competitors may aggressively discount their products or offer other attractive sales terms in order to gain market share, which could result in pricing pressures, reduced profit margins, or lost market share. If we are not able to overcome these potential competitive challenges, effectively market our current and future products, and otherwise compete effectively against our current or potential competitors, our prospects, results of operations, and financial condition could be harmed.

In addition, our customers have become increasingly technologically savvy and expect a seamless omni-channel experience regardless of whether they are shopping in stores or online. Innovation by existing or new competitors could alter the competitive landscape by improving the customer experience and heightening customer expectations or by transforming other aspects of their business through new technologies. If we are unable to develop and continuously improve our technologies, the efforts of which typically require significant capital investments, we may not be able to provide a convenient and consistent experience to our customers, which could negatively affect our ability to compete with other retailers and could result in diminished loyalty to our brands, which could adversely impact our business.

Our future success depends on the continuing efforts of our management and key employees, and on our ability to attract and retain highly skilled personnel and senior management.

We depend on the talents and continued efforts of our senior management and key employees. The loss of members of our management or key employees may disrupt our business and harm our results of operations. Furthermore, our ability to manage further expansion will require us to continue to attract, motivate, and retain additional qualified personnel. Competition for this type of personnel is intense, and we may not be successful in attracting, integrating, and retaining the personnel required to grow and operate our business effectively. There can be no assurance that our current management team or any new members of our management team will be able to successfully execute our business and operating strategies.

Unauthorized use or invalidation of our patents, trademarks, copyrights, trade dress, trade secrets, or other intellectual property or proprietary rights may cause significant damage to our brand and harm our results of operations.

As our business continues to expand, our competitors have imitated or attempted to imitate, and will likely continue to imitate or attempt to imitate, our product designs and branding, which could harm our business and results of operations. Only a portion of the intellectual property used in the manufacture and design of our products is patented, and we therefore rely significantly on trade secrets, trade and service marks, trade dress, and the strength of our brand. We regard our patents, trade dress, trademarks, copyrights, trade secrets, and similar proprietary rights as critical to our success. We also rely on trade secret protection and confidentiality agreements with our employees, consultants, suppliers, manufacturers, and others to protect our proprietary rights. Nevertheless, the steps we take to protect our proprietary rights against infringement or other violation may be inadequate, and we may experience difficulty in effectively limiting the unauthorized use of our patents, trademarks, trade dress, and other intellectual property and proprietary rights worldwide. We also cannot guarantee that others will not independently develop technology with the same or similar function to any proprietary technology we rely on to conduct our business and differentiate ourselves from our competitors. Because a significant portion of our products are manufactured overseas in countries where counterfeiting is more prevalent, and we intend to increase our sales overseas over the long term, we may experience increased counterfeiting of our products. Unauthorized use or invalidation of our patents, trademarks, copyrights, trade dress, trade secrets, or other intellectual property or proprietary rights may cause significant damage to our brand and harm our results of operations.

In addition, except in some of the situations where we have a supply contract, our arrangements with our manufacturers are not exclusive. As a result, our manufacturers could produce similar products for our competitors, some of which could potentially purchase products in significantly greater volume. Further, while certain of our long-term contracts stipulate contractual exclusivity, those manufacturers could choose to breach our agreements and work with our competitors. Our competitors could enter into restrictive or exclusive arrangements with our manufacturers that could impair or eliminate our access to manufacturing capacity or supplies.

While we actively develop and protect our intellectual property rights, there can be no assurance that we will be adequately protected in all countries in which we conduct our business or that we will prevail when defending our patent, trademark, and proprietary rights. Additionally, we could incur significant costs and management distraction in pursuing claims to enforce our intellectual property rights through litigation and defending any alleged counterclaims. If we are unable to protect or preserve the value of our patents, trade dress, trademarks, copyrights, or other intellectual property rights for any reason, or if we fail to maintain our brand image due to actual or perceived product or service quality issues, adverse publicity, governmental investigations or litigation, or other reasons, our brand and reputation could be damaged, and our business may be harmed.

We may be subject to liability if we infringe upon the intellectual property rights of third parties.

Third parties have sued us and may in the future sue us for alleged infringement of their proprietary rights. The party claiming infringement might have greater resources than we do to pursue its claims, and we have been, and may in the future be, forced to incur substantial costs and devote significant management resources to defend against such litigation, even if the claims are meritless and even if we ultimately prevail. If the party claiming infringement were to prevail, we could be forced to modify or discontinue our products, pay significant damages, or enter into expensive royalty or licensing arrangements with the prevailing party. In addition, any payments we are required to make, and any injunction we are required to comply with as a result of such infringement, could harm our reputation and financial results.

We rely on third-party contract manufacturers, and problems with, or loss of, our suppliers or an inability to obtain raw materials could harm our business and results of operations.

Our products are produced by third-party contract manufacturers, typically through a series of purchase orders. Manufacturers may breach our agreements with them, including purchase orders, and we may not be able to enforce our rights under these agreements or may incur significant costs attempting to do so. We therefore face the risk that these third-party contract manufacturers may not produce and deliver our products in adequate quantities, on a timely basis or at all, or that they will fail to comply with our quality standards. We have experienced, and will likely continue to experience, operational difficulties with our manufacturers. These difficulties include reductions in the availability of production capacity, errors in complying with product specifications and regulatory and customer requirements, insufficient quality control, failures to meet production deadlines, failure to achieve our product quality standards, increases in costs of materials, and manufacturing or other business interruptions. The ability of our manufacturers to effectively satisfy our production requirements could also be impacted by manufacturer financial difficulty or damage to their operations caused by fire, terrorist attack, riots, natural disaster, public health emergencies, or other events. The failure of any manufacturer to perform to our expectations could result in supply shortages or delays for certain products and harm our business. If we experience significantly increased demand, or if we need to replace an existing manufacturer due to lack of performance, we may be unable to supplement or replace our manufacturing capacity on a timely basis or on terms that are acceptable to us, which may increase our costs, reduce our margins, and harm our ability to deliver our products on time. For certain of our products, it may take a significant amount of time to identify and qualify a manufacturer that has the capability and resources to produce our products to our specifications in sufficient volume and satisfy our service and quality control standards. In addition, our manufacturers may raise prices in the future, which would increase our costs and harm our margins. Any of these risks could harm our ability to deliver our products on time, or at all, damage our reputation and our relationships with our retail partners and customers, and increase our product costs thereby reducing our margins.

The capacity of our manufacturers to produce our products is also dependent upon the availability of raw materials. Our manufacturers may not be able to obtain sufficient supply of raw materials, which could result in delays in deliveries of our products by our manufacturers or increased costs. Any shortage of raw materials or inability of a manufacturer to produce or ship our products in a timely manner, or at all, could impair our ability to ship orders of our products in a cost-efficient, timely manner and could cause us to miss the delivery requirements of our customers. As a result, we could experience cancellations of orders, refusals to accept deliveries, or reductions in our prices and margins, any of which could harm our financial performance, reputation, and results of operations.

If we fail to timely and effectively obtain shipments of products from our manufacturers and deliver products to our retail partners and customers, our business and results of operations could be harmed.

Our business depends on our ability to source and distribute products in a timely manner. However, we cannot control all of the factors that might affect the timely and effective procurement of our products from our third-party contract manufacturers and the delivery of our products to our retail partners and customers.

Our third-party contract manufacturers ship most of our products to our distribution centers in Memphis, Tennessee, and Salt Lake City, Utah. Our reliance on only two geographical locations for our domestic distribution centers makes us more vulnerable to natural disasters, weather-related disruptions, accidents, system failures, public health emergencies, or other unforeseen events that could delay or impair our ability to fulfill retailer orders and/or ship merchandise purchased on our website, which could harm our sales.

We import our products, and rely on the timely and free flow of goods through open and operational ports from our suppliers and manufacturers. Accordingly, we are subject to certain risks, including labor disputes, union organizing activity, inclement weather, public health crises, and increased transportation costs, associated with our third-party contract manufacturers’ and carriers’ ability to provide products and services to meet our requirements. Such events could result in delayed or canceled orders by customers, unanticipated inventory accumulation or shortages, and harm to our business, results of operations, and financial condition. We are also vulnerable to risks associated with products manufactured abroad, including, among other things: (a) risks of damage, destruction, or confiscation of products while in transit to our distribution centers; and (b) transportation and other delays in shipments, including as a result of heightened security screening, port congestion, container and labor shortages, and inspection processes or other port-of-entry limitations or restrictions. Global events may also impact the import of our products. For example, in response to such global events, certain governments have, and may again in the future, implement sanctions, seizures of assets, or export control measures, which could result in higher costs, inventory shortages, or both. In addition, the recent conflict in the Red Sea has disrupted shipping routes, which has caused us to begin experiencing shipping delays and increased freight costs. Although such effects have not materially impacted our business to date, such conditions could worsen.

In order to meet demand for a product, we have chosen in the past, and may choose in the future, to arrange for additional quantities of the product, if available, to be delivered through air freight, which is significantly more expensive than standard shipping by sea and, consequently, adversely impacts our gross margins. In addition, we rely upon independent land-based and air freight carriers for product shipments from our distribution centers to our retail partners and customers who purchase through our DTC channel. We may not be able to obtain sufficient freight capacity on a timely basis or at favorable shipping rates and, therefore, may not be able to receive products from suppliers or deliver products to retail partners or customers in a timely and cost-effective manner. Failure to procure our products from our third-party contract manufacturers and deliver merchandise to our retail partners and DTC channel in a timely, effective, and economically viable manner could reduce our sales and gross margins, damage our brand, and harm our business.

Our business is subject to the risk of manufacturer concentrations.

We are exposed to risk due to our concentration of business activity with certain third-party contract manufacturers of our products. For coolers & equipment products, our two largest manufacturers comprised approximately 44% of our production volume during 2023. For drinkware, our two largest manufacturers comprised approximately 73% of our production volume during 2023. As a result of this concentration in our supply chain, our business and operations would be negatively affected if any of our key manufacturers were to experience significant disruption affecting the price, quality, availability, or timely delivery of products. Our manufacturers could also be acquired by our competitors and may become our direct competitors, thus limiting or eliminating our access to manufacturing capacity. The partial or complete loss of our key manufacturers, or a significant adverse change in our relationship with any of these manufacturers, could result in lost sales, added costs, and distribution delays that could harm our business and customer relationships.

Our business could be harmed if we fail to execute our internal plans to transition our supply chain and certain other business processes to a global scale.

We continually assess, and re-engineer as needed, our supply chain management and business processes to support our expanding scale. Our expansion to a global scale requires significant investment of capital and human resources, the adaptation and evolution of many business processes, and the attention of many managers and other employees who would otherwise be focused on other aspects of our business. If our globalization efforts fail to produce planned efficiencies, or are not managed effectively, we may experience excess inventories, inventory shortage, late deliveries, lost sales, or increased costs. Any business disruption arising from our globalization efforts, or our failure to effectively execute our internal plans to expand globally, could harm our results of operations and financial condition.

If we cannot maintain prices or effectively implement price increases, our margins may decrease.

Our ability to maintain prices or effectively implement price increases may be affected by several factors, including pricing pressure due to intense competition in the retail industry, effectiveness of our marketing programs, the continuing growth of our brand, general economic conditions, and changes in consumer demand. During challenging economic times, consumers may be less willing or able to pay a price premium for our branded products and may shift purchases to lower-priced or other value offerings, making it more difficult for us to maintain prices and/or effectively implement price increases. In addition, our retail partners and distributors may pressure us to rescind price increases we have announced or already implemented, whether through a change in list price or increased promotional activity. If we cannot maintain prices or effectively implement price increases for our products, or must increase promotional activity, our margins may be adversely affected. Furthermore, price increases generally result in volume losses, as consumers purchase fewer units. If such losses are greater than expected or if we lose distribution due to a price increase, our business, financial condition and results of operations may be materially and adversely affected.

Fluctuations in the cost and availability of raw materials, equipment, labor, and transportation could cause manufacturing delays or increase our costs.

The price and availability of key components used to manufacture our products, including polyethylene, polyurethane foam, stainless-steel, polyester fabric, zippers, and other plastic materials and coatings, as well as manufacturing equipment and molds, may fluctuate significantly. In addition, the cost of labor at our third-party contract manufacturers and third-party logistics providers could increase significantly. Additionally, the cost of logistics and transportation fluctuates in large part due to the price of oil and available capacity. Global political conditions, threatened or actual acts of war or terrorism, instability or other disruptions in oil producing regions, such as in the Middle East, South America and Europe, and trade, economic or other disagreements involving oil producing nations, can significantly affect, and recently have significantly affected the price of oil. Any fluctuations in the cost and availability of any of our raw materials or other sourcing or transportation costs related to our raw materials or products could harm our gross margins and our ability to meet customer demand. For example, the recent conflict in the Red Sea has disrupted shipping routes, which has caused us to begin experiencing shipping delays and increased freight costs. Although such effects have not materially impacted our business to date, such conditions could worsen. If we are unable to successfully mitigate a significant portion of these product cost increases or fluctuations, our results of operations could be harmed.

Many of our products are manufactured by third parties outside of the United States, and our business may be harmed by legal, regulatory, economic, political and public health risks associated with international trade and those markets.

Many of our core products are manufactured in China, the Philippines, Vietnam, Taiwan, Poland, Mexico, Thailand, and Malaysia. In addition, we have other key third-party manufacturing partners in Mexico and Italy. Our reliance on suppliers and manufacturers in foreign markets creates risks inherent in doing business in foreign jurisdictions, including: (a) the burdens of complying with a variety of foreign laws and regulations, including trade and labor restrictions and laws relating to the importation and taxation of goods; (b) weaker protection for intellectual property and other legal rights than in the United States, and practical difficulties in enforcing intellectual property and other rights outside of the United States; (c) compliance with U.S. and foreign laws relating to foreign operations, including the U.S. Foreign Corrupt Practices Act ("FCPA"), the UK Bribery Act 2010 ("Bribery Act"), regulations of the U.S. Office of Foreign Assets Controls ("OFAC"), and U.S. anti-money laundering regulations, which respectively prohibit U.S. companies from making improper payments to foreign officials for the purpose of obtaining or retaining business, operating in certain countries, or maintaining business relationships with certain restricted parties as well as engaging in other corrupt and illegal practices; (d) economic and political instability and acts of terrorism in the countries where our suppliers are located; (e) public health crises, such as pandemics and epidemics, in the countries where our suppliers and manufacturers are located; (f) transportation interruptions or increases in transportation costs; and (g) the imposition of tariffs or non-tariff barriers on components and products that we import into the United States or other markets. Further, we cannot assure you that our directors, officers, employees, representatives, manufacturers, or suppliers have not engaged and will not engage in conduct for which we may be held responsible, nor can we assure you that our manufacturers, suppliers, or other business partners have not engaged and will not engage in conduct that could materially harm their ability to perform their contractual obligations to us or even result in our being held liable for such conduct. Violations of the FCPA, the Bribery Act, OFAC restrictions, or other export control, anti-corruption, anti-money laundering, and anti-terrorism laws or regulations may result in severe criminal or civil penalties, and we may be subject to other related liabilities, which could harm our business, financial condition, cash flows, and results of operations.

If additional tariffs or other restrictions are placed on foreign imports or any related counter-measures are taken by other countries, our business and results of operations could be harmed.

Most of our imported products are subject to duties, indirect taxes, quotas and non-tariff trade barriers, any of which may limit the quantity of products that we may import into the U.S. and other countries or may impact the cost of such products. To maximize opportunities, we rely on free trade agreements and other supply chain initiatives, and, as a result, we are subject to government regulations and restrictions with respect to our cross-border activity. For example, we have historically received benefits from duty-free imports on certain products from certain countries pursuant to the Global System of Preferences ("GSP") program. The GSP program expired on December 31, 2020, resulting in additional duties and negatively impacting gross margin. If the GSP program is not renewed and made retroactive, it will continue to have a negative impact on our expected results. Additionally, we are subject to government regulations relating to importation activities, including related to U.S. Customs and Border Protection ("CBP") withhold release orders. The imposition of taxes, duties and quotas, the withdrawal from or material modification to trade agreements, and/or if CBP detains shipments of our goods pursuant to a withhold release order could have a material adverse effect on our business, results of operations and financial condition.

Tariffs have the potential to significantly raise the cost of our products, particularly our Drinkware. In such a case, there can be no assurance that we will be able to shift manufacturing and supply agreements to non-impacted countries, including the United States, to reduce the effects of the tariffs. As a result, we may suffer margin erosion or be required to raise our prices, which may result in the loss of customers, negatively impact our results of operations, or otherwise harm our business. In addition, the imposition of tariffs on products that we export to international markets could make such products more expensive compared to those of our competitors if we pass related additional costs on to our customers, which may also result in the loss of customers, negatively impact our results of operations, or otherwise harm our business.

Our aspirations, disclosures, and actions related to environmental, social and governance ("ESG") matters expose us to risks that could adversely affect our reputation and performance.

There is an increased focus from investors, customers, associates, business partners and other stakeholders concerning ESG matters. The expectations related to ESG matters are rapidly evolving, and we announce initiatives and goals related to ESG matters from time to time. We have established and publicly announced certain ESG goals, including our commitments to advancing racial and ethnic diversity, achieving gender parity within our workforce and reducing our greenhouse gas emissions. These statements reflect our current plans and aspirations and are not guarantees that we will be able to achieve them. Our failure to accomplish or accurately track and report on these goals on a timely basis, or at all, could adversely affect our reputation, financial performance and growth, and expose us to increased scrutiny from the investment community as well as enforcement authorities. In addition, we could be criticized for the scope of our ESG initiatives or goals.

Our ability to achieve any ESG objective is subject to numerous risks, many of which are outside of our control. Examples of such risks include:

- the availability and cost of alternative energy sources;
- the evolving regulatory requirements affecting ESG practices and/or disclosures;
- the availability of suppliers that can meet our sustainability, diversity and other ESG standards;
- our ability to recruit, develop and retain diverse talent in our labor markets;
- the locations and usage of our products and the implications on their greenhouse gas emissions; and
- the success of our organic growth and acquisitions.

Standards for tracking and reporting ESG matters are relatively new, have not been formalized and continue to evolve. Collecting, measuring, and reporting ESG information and metrics can be difficult and time consuming. Our selection of voluntary disclosure frameworks and standards, and the interpretation or application of those frameworks and standards, may change from time to time or differ from those of others. This may result in a lack of consistent or meaningful comparative data from period to period or between YETI and other companies in the same industry. In addition, our processes and controls may not comply with evolving standards for identifying, measuring and reporting ESG metrics, including ESG-related disclosures that may be required of public companies by the SEC and other regulators, and such standards may change over time, which could result in significant revisions to our current goals, reported progress in achieving such goals, or ability to achieve such goals in the future, and could cause us to undertake costly initiatives to satisfy such new criteria.

If our ESG practices do not meet evolving investor or other stakeholder expectations and standards, then our reputation, our ability to attract or retain employees, and our attractiveness as an investment, business partner, acquiror or supplier could be negatively impacted. Further, our failure or perceived failure to pursue or fulfill our goals and objectives or to satisfy various reporting standards on a timely basis, or at all, could have similar negative impacts or expose us to government enforcement actions and private litigation.

Climate change, and related legislative and regulatory responses to climate change, may adversely impact our business.

As climate change and other environmental concerns become more prevalent, federal, state and local governments, non-governmental organizations and our customers, consumers and investors are increasingly concerned about these issues. New governmental requirements or changing consumer preferences could negatively impact our ability to obtain raw materials or increase our acquisition and compliance costs, which could make our products more costly, less attractive to consumers than other competitive products or reduce consumer demand. We could also lose revenue if our consumers change brands or our customers move business from us because we have not complied with their preferences and investors may choose not to invest in our securities if we do not comply with their business expectations.

Significant changes in weather patterns, including an increase in the frequency, severity and duration of extreme weather conditions and natural disasters, could also directly impact our business. Physical risks related to these events could disrupt the operation of our supply chain and the productivity of our manufacturers, increase our production costs, impose capacity restraints or impact the types of products that consumers purchase. These events could also compound adverse economic conditions and impact consumer confidence and discretionary spending. As a result, the physical effects of climate change could have a long-term adverse impact on our business and results of operations.

A significant portion of our sales are to national, regional, and independent retail partners in our wholesale channel. If these retail partners cease to promote or carry our current products or choose not to promote or carry new products that we develop, our brand as well as our results of operations and financial condition could be harmed.

We sell a significant amount of our products through our wholesale channel, consisting of national, regional, and independent retail partners. In 2023, our wholesale channel accounted for 40% of our net sales. No single retail partner accounted for 10% or more of our gross sales in 2023. Because we are a premium brand, our sales depend, in part, on retail partners effectively displaying our products, including providing attractive space and point of purchase displays in their stores, and training their sales personnel to sell our products. If our retail partners reduce or terminate those activities, we may experience reduced sales of our products, resulting in lower gross margins, which would harm our results of operations. Our relationships with these retail partners are important to the authenticity of our brand and the marketing programs we continue to deploy. Our failure to maintain these relationships with our retail partners or financial difficulties experienced by these retail partners could harm our business.

These retail partners may decide to emphasize products from our competitors, to redeploy their retail floor space to other product categories, or to take other actions that reduce their purchases of our products. We do not receive long-term purchase commitments from many of our retail partners, and orders received from our retail partners are often cancellable. Factors that could affect our ability to maintain or expand sales in our wholesale channel include: (a) failure to accurately identify the needs of our customers; (b) a lack of customer acceptance of new products or product expansions; (c) unwillingness of our retail partners and customers to attribute premium value to our new or existing products or product expansions relative to competing products; (d) failure to obtain shelf space from our retail partners; (e) new, well-received product introductions by competitors; (f) damage to our relationships with retail partners due to brand or reputational harm; (g) delays or defaults on our retail partners' payment obligations to us; (h) store closures, decreased foot traffic, or other adverse effects resulting from public health crises; and (i) economic conditions, including levels of consumer discretionary spending, which may be impacted by high inflation, unemployment and interest rates.

We cannot assure you that our retail partners will continue to carry our current products or carry any new products that we develop. If these risks occur, they could harm our brand as well as our results of operations and financial condition.

If our plans to increase sales through our DTC e-commerce channel are not successful, our business and results of operations could be harmed.

For 2023, our DTC channel accounted for 60% of our net sales, and our sales through the Amazon Marketplace represented approximately 15% of our net sales. Part of our growth strategy involves increasing sales through our DTC e-commerce channel. The level of customer traffic and volume of customer purchases through our country and region-specific YETI websites or other e-commerce initiatives are substantially dependent on our ability to provide a content-rich and user-friendly website, a hassle-free customer experience, sufficient product availability, and reliable, timely delivery of our products. If we are unable to maintain and increase customers’ use of our website, allocate sufficient product to our website, and increase any sales through our website, our continued DTC channel growth, our business, and results of operations could be harmed. Furthermore, any adverse change in our relationship with Amazon, including restrictions on the ability to offer products on the Amazon Marketplace or termination of the relationship, could adversely affect our continued DTC channel growth, our business, and results of operations.

Our DTC business subjects us to numerous other risks, including, but not limited to, (i) U.S. or international resellers purchasing our merchandise and reselling it outside of our control, (ii) failure of our DTC operating and support systems, including computer viruses, theft of customer information, privacy concerns, telecommunication failures and electronic break-ins and similar disruptions, (iii) credit card fraud, (iv) diversion of sales from our wholesale customers, (v) difficulty recreating the in-store experience through e-commerce channels, (vi) liability for online content, (vii) changing patterns of consumer behavior and (viii) intense competition from other online retailers. Our failure to successfully respond to these risks might adversely affect sales in our DTC channel, as well as damage our reputation and brand.

We currently have a limited number of country and region-specific YETI websites and have plans to expand our e-commerce platform to others. Expanding into these countries and regions may impose different and evolving laws governing the operation and marketing of e-commerce websites, as well as the collection, storage, and use of information on customers interacting with those websites. We may incur additional costs and operational challenges in complying with these laws, and differences in these laws may cause us to operate our business differently, and less effectively, in different territories. If so, we may incur additional costs and may not fully realize the investment in our international expansion.

If we do not successfully implement our retail store expansion plans, our growth and profitability could be harmed.

We have and may continue to expand our existing DTC channel by opening new retail stores. As of December 30, 2023, we operated 18 retail stores across 11 states. Our ability to open new retail stores in a timely manner and operate them profitably depends on a number of factors, many of which are beyond our control, including:

- our ability to manage the financial and operational aspects of our retail growth strategy, including making appropriate investments in our software systems, information technology, and operational infrastructure;
- our ability to identify suitable locations, including our ability to gather and assess demographic and marketing data to accurately determine customer demand for our products in the locations we select;
- our ability to negotiate favorable lease agreements;
- our ability to properly assess the potential profitability and payback period of potential new retail store locations;
- the availability of financing on favorable terms;
- our ability to secure required governmental permits and approvals and our ability to effectively comply with state and local employment and labor laws, rules, and regulations;
- our ability to hire and train skilled store operating personnel, especially management personnel;
- the availability of construction materials and labor and the absence of significant construction delays or cost overruns;
- our ability to provide a satisfactory mix of merchandise that is responsive to the needs of our customers living in the areas where new retail stores are established;
- our ability to establish a supplier and distribution network able to supply new retail stores with inventory in a timely manner;
- our competitors, or our retail partners, building or leasing stores near our retail stores or in locations we have identified as targets for a new retail store;
- customer demand for our products; and
- general economic and business conditions affecting consumer confidence and spending and the overall strength of our business.

We may not be able to successfully address the risks that opening retail stores entails. In order to pursue our retail store strategy, we will be required to expend significant cash resources prior to generating any sales in these stores. We may not generate sufficient sales from these stores to justify these expenses, which could harm our business and profitability. The substantial management time and resources, which any future retail store expansion strategy may require, could also result in disruption to our existing business operations, which may decrease our net sales and profitability.

Insolvency, credit problems or other financial difficulties that could confront our retail partners could expose us to financial risk.

We sell to the large majority of our retail partners on open account terms and do not require collateral or a security interest in the inventory we sell them. Consequently, our accounts receivable with our retail partners are unsecured. Insolvency, credit problems, or other financial difficulties confronting our retail partners could expose us to financial risk. These actions could expose us to risks if they are unable to pay for the products they purchase from us. Financial difficulties of our retail partners could also cause them to reduce their sales staff, use of attractive displays, number or size of stores, and the amount of floor space dedicated to our products. Further, economic conditions resulting in diminished liquidity or credit availability, increases in inflation rates, rising interest rates, declines in consumer confidence, declines in economic growth, or uncertainty about economic stability, may lead to a material reduction in sales of our products by our retail partners. Any reduction in sales by, or loss of, our current retail partners or customer demand, or credit risks associated with our retail partners, could harm our business, results of operations, and financial condition.

If our independent suppliers and manufacturing partners do not comply with ethical business practices or with applicable laws and regulations, our reputation, business, and results of operations could be harmed.

Our reputation and our customers' willingness to purchase our products depend in part on our suppliers', manufacturers', and retail partners' compliance with ethical employment practices, such as with respect to child labor, wages and benefits, forced labor, discrimination, safe and healthy working conditions, and with all legal and regulatory requirements relating to the conduct of their businesses. We do not exercise control over our suppliers, manufacturers, and retail partners and cannot guarantee their compliance with ethical and lawful business practices. If our suppliers, manufacturers, or retail partners fail to comply with applicable laws, regulations, safety codes, employment practices, human rights standards, quality standards, environmental standards, production practices, or other obligations, norms, or ethical standards, our reputation and brand image could be harmed, and we could be exposed to litigation and additional costs that would harm our business, reputation, and results of operations.

We are subject to payment-related risks that may result in higher operating costs or the inability to process payments, either of which could harm our business, financial condition and results of operations.

For our DTC sales, as well as for sales to certain retail partners, we accept a variety of payment methods, including credit cards, debit cards, electronic funds transfers, electronic payment systems, and gift cards. Accordingly, we are, and will continue to be, subject to significant and evolving regulations and compliance requirements, including obligations to implement enhanced authentication processes that could result in increased costs and liability, and reduce the ease of use of certain payment methods. For certain payment methods, including credit and debit cards, as well as electronic payment systems, we pay interchange and other fees, which may increase over time. We rely on independent service providers for payment processing, including credit and debit cards. If these independent service providers become unwilling or unable to provide these services to us, or if the cost of using these providers increases, our business could be harmed. We are also subject to payment card association operating rules and agreements, including data security rules and agreements, certification requirements, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for losses incurred by card issuing banks or customers, subject to fines and higher transaction fees, lose our ability to accept credit or debit card payments from our customers, or process electronic fund transfers or facilitate other types of payments. Any failure to comply could significantly harm our brand, reputation, business, financial condition and results of operations.

Our plans for international expansion may not be successful; our limited operating experience and limited brand recognition in new markets may make it more difficult to execute our expansion strategy and cause our business and growth to suffer.

Continued expansion into markets outside the United States, including Canada, Australia, Europe and Japan, is one of our key long-term strategies for the future growth of our business. There are, however, significant costs and risks inherent in selling our products in international markets, including: (a) failure to effectively translate and establish our core brand identity, particularly in markets with a less-established heritage of outdoor and recreational activities; (b) time and difficulty in building a widespread network of retail partners; (c) increased shipping and distribution costs, which could increase our expenses and reduce our margins; (d) potentially lower margins in some regions; (e) longer collection cycles in some regions; (f) increased competition from local providers of similar products; (g) compliance with foreign laws and regulations, including taxes and duties, enhanced privacy laws, rules, and regulations, and product liability laws, rules, and regulations, particularly in the European Union and Japan; (h) establishing and maintaining effective internal controls at foreign locations and the associated increased costs; (i) increased counterfeiting and the uncertainty of protection for intellectual property rights in some countries and practical difficulties of enforcing rights abroad; (j) compliance with anti-bribery, anti-corruption, sanctions, and anti-money laundering laws, such as the FCPA, the Bribery Act, and OFAC regulations, by us, our employees, and our business partners; (k) currency exchange rate fluctuations and related effects on our results of operations; (l) economic weakness, including inflation, or political instability in foreign economies and markets; (m) compliance with tax, employment, immigration, and labor laws for employees living or traveling abroad; (n) workforce uncertainty in countries where labor unrest is more common than in the United States; (o) business interruptions resulting from geopolitical actions, including war and terrorism, natural disasters, including earthquakes, typhoons, floods, and fires, public health emergencies, including the outbreak of a pandemic or other public health crisis; (p) the imposition of tariffs on products that we import into international markets that could make such products more expensive compared to those of our competitors; (q) that our ability to expand internationally could be impacted by the intellectual property rights of third parties that conflict with or are superior to ours; and (r) other costs and risks of doing business internationally.

These and other factors could harm our international operations and, consequently, harm our business, results of operations, and financial condition. Further, we may incur significant operating expenses as a result of our planned international expansion, and it may not be successful. We have limited experience with regulatory environments and market practices internationally, and we may not be able to penetrate or successfully operate in new markets. We also have limited operating experience outside of the United States and in our expansion efforts we may encounter obstacles we did not face in the United States, including cultural and linguistic differences, differences in regulatory environments, labor practices and market practices, difficulties in keeping abreast of market, business and technical developments, and preferences of foreign customers. Consumer demand and behavior, as well as tastes and purchasing trends, may differ internationally, and, as a result, sales of our products may not be successful, or the margins on those sales may not be in line with those we anticipate. We may also encounter difficulty expanding into international markets because of limited brand recognition, leading to delayed or limited acceptance of our products by customers in these markets and increased marketing and customer acquisition costs to establish our brand. Accordingly, if we are unable to successfully expand internationally or manage the complexity of our global operations, we may not achieve the expected benefits of this expansion and our financial condition and results of operations could be harmed.

Our financial results and future growth have been, and could in the future be, harmed by currency exchange rate fluctuations.

As our international business grows, our results of operations have been and could in the future be adversely impacted by changes in foreign currency exchange rates. Revenues and certain expenses in markets outside of the United States are recognized in local foreign currencies, and we are exposed to gains or losses from the translation of those amounts into U.S. dollars for consolidation into our financial statements. Similarly, we are exposed to gains and losses resulting from currency exchange rate fluctuations on transactions generated by our foreign subsidiaries in currencies other than their local currencies. In addition, the business of our independent manufacturers may also be disrupted by currency exchange rate fluctuations by making their purchases of raw materials more expensive and more difficult to finance. As a result, foreign currency exchange rate fluctuations may adversely impact our results of operations.

We may become involved in legal or regulatory proceedings and audits.

Our business requires compliance with many laws and regulations, including labor and employment, sales and other taxes, customs, and consumer protection laws and ordinances that regulate retailers generally and/or govern the importation, promotion, and sale of merchandise, and the operation of stores and warehouse facilities. Failure to comply with these laws and regulations could subject us to lawsuits and other proceedings, and could also lead to damage awards, fines, and penalties. We are periodically involved in, and may in the future become involved in, legal proceedings and audits, including government and agency investigations, and consumer, employment, tort, and other litigation. The outcome of some of these legal proceedings, audits, and other contingencies could require us to take, or refrain from taking, actions that could harm our operations or require us to pay substantial amounts of money, harming our financial condition and results of operations. Additionally, defending against these lawsuits and proceedings may be necessary, which could result in substantial costs and diversion of management's attention and resources, harming our business, financial condition, and results of operations. Any pending or future legal or regulatory proceedings and audits could harm our business, financial condition, and results of operations.

Our business involves the potential for product recalls, warranty liability, product liability, and other claims against us, which could adversely affect our reputation, earnings and financial condition.

As a designer, marketer, retailer, and distributor of consumer products, we are subject to the United States Consumer Products Safety Act of 1972, as amended by the Consumer Product Safety Improvement Act of 2008, which empowers the Consumer Products Safety Commission ("CPSC") to exclude from the market products that are found to be unsafe or hazardous, and similar laws under foreign jurisdictions. Although we extensively and rigorously test new and enhanced products, there can be no assurance we will be able to detect, prevent, or fix all defects. Under certain circumstances, the CPSC, and other relevant global regulatory authorities, could require us to repurchase or recall one or more of our products. Additionally, laws regulating consumer products exist in states and some cities, as well as other countries in which we sell our products, and more restrictive laws and regulations may be adopted in the future. Any repurchase or recall of our products, monetary judgment, fine or other penalty could be costly and damaging to our reputation. If we were required to remove, or we voluntarily removed, our products from the market, our reputation could be tarnished and we may have large quantities of finished products that we could not sell. Furthermore, the occurrence of any material defects in our products could expose us to liability for warranty claims in excess of our current reserves, and if our warranty reserves are inadequate to cover future warranty claims on our products, our financial condition and operating results may be harmed.

In January 2023, we notified the CPSC of a potential safety concern regarding the magnet-lined closures of our Hopper M30 Soft Cooler, Hopper M20 Soft Backpack Cooler, and SideKick Dry gear case (the "affected products") and initiated a global stop sale of the affected products. In February 2023, we proposed a voluntary recall of the affected products to the CPSC and other relevant global regulatory authorities. In March 2023, we announced separate, voluntary recalls of the affected products in collaboration with the CPSC. The global stop sale of the affected products and voluntary recalls has subjected and may continue to subject us to substantial costs, including, but not limited to, product recall remedies, legal and advisory fees, and recall-related logistics costs. These actions may also result in adverse publicity, harm our brand and divert management's attention and resources from our operations. As the voluntary recalls have commenced, we have made certain adjustments to our estimates regarding the impact of the voluntary recalls. Actual costs related to the global stop sale and voluntary recalls of the affected products may vary from our estimates, which are primarily based on expected consumer participation rates and the estimated costs of the consumer's elected remedy in the proposed voluntary recall and may have further negative effects on our business. Any of these events or claims could harm our reputation, business, financial condition and results of operations.

We also face exposure to product liability claims and unusual or significant litigation in the event that one of our products is alleged to have resulted in bodily injury, property damage, or other adverse effects. In addition to the risk of monetary judgments or other penalties that may result from product liability claims, such claims could result in negative publicity that could harm our reputation in the marketplace, adversely impact our brand, or result in an increase in the cost of producing our products. As a result, these types of claims could have a material adverse effect on our business, results of operations, and financial condition.

Our business is subject to the risk of earthquakes, fire, power outages, floods, and other catastrophic events, and to interruption by problems such as terrorism, public health crises, cybersecurity incidents or other cybersecurity threats, or events affecting our information technology systems.

Our business is vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, riots, public health crises, and similar events. For example, a significant natural disaster, such as an earthquake, fire, or flood, could result in substantial losses or other costs, and our insurance coverage may be insufficient or unavailable to compensate us for losses that may occur. Our corporate offices, one of our distribution centers, and one of our data center facilities are located in Texas, a state that frequently experiences floods and storms, and our third-party contract manufacturers ship most of our products to our distribution centers in Memphis, Tennessee, and Salt Lake City, Utah, which are susceptible to floods, earthquakes and wildfires. In addition, the facilities of our suppliers and where our manufacturers produce our products are located in parts of Asia that frequently experience typhoons and earthquakes. Facilities of third-party logistics providers located in other countries that warehouse and distribute our finished products internationally also face local extreme weather conditions. Acts of terrorism, civil unrest and public health crises could also cause disruptions in our or our suppliers', manufacturers', and logistics providers' businesses or the economy as a whole. For example, the COVID-19 pandemic contributed significantly to global supply chain issues, with restrictions and limitations on related activities causing disruption and delay. These disruptions and delays strained certain domestic and international supply chains, which affected the flow or availability of certain of our products. We may not have sufficient protection or recovery plans in some circumstances, such as natural disasters affecting Texas or other locations where we have operations or store significant inventory. Our business could also be negatively affected by interruptions or failures of our information technology systems, which could occur for a number of reasons, including cybersecurity incidents or other cybersecurity threats, system failures, or failure to maintain or upgrade information technology systems. See the risk factor titled *"We rely significantly on information technology, and any compromise or interruption of that technology resulting from cybersecurity incidents, data security breaches, design defects or system failures could have a material negative impact on our business"* for further information.

Our results of operations are subject to seasonal and quarterly variations, which could cause the price of our common stock to decline.

Historically, we have experienced our net sales to be highest in our fourth quarter, with the first quarter generating the lowest sales. We expect that this seasonality will continue to be a factor in our results of operations and sales.

Our annual and quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including, among other things, the timing of the introduction of and advertising for our new products and those of our competitors and changes in our product mix. Our results have also been, and may continue to be, impacted by the voluntary recalls of certain of our products and timing and our ability to provide a remedy with respect to the affected products. Variations in weather conditions may also harm our quarterly results of operations. In addition, we may not be able to adjust our spending in a timely manner to compensate for any unexpected shortfall in our sales. As a result of these seasonal and quarterly fluctuations, we believe that comparisons of our results of operations between different quarters within a single fiscal year, or across different fiscal years, are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of our future performance. In the event that any seasonal or quarterly fluctuations in our net sales and results of operations result in our failure to meet our forecasts or the forecasts of the research analysts that may cover us in the future, the market price of our common stock could fluctuate or decline.

We are subject to many hazards and operational risks that can disrupt our business, some of which may not be insured or fully covered by insurance.

Our operations are subject to many hazards and operational risks inherent to our business, including: (a) general business risks; (b) product liability; (c) product recall; and (d) damage to third parties, our infrastructure, or properties caused by fires, floods and other natural disasters, power losses, telecommunications failures, terrorist attacks, riots, public health crises, human errors, and similar events.

Our insurance coverage may be inadequate to cover our liabilities related to such hazards or operational risks. For example, our insurance coverage does not cover us for business interruptions as they relate to public health crises and may not offer coverage for such interruptions related to future pandemics or epidemics. In addition, we may not be able to maintain adequate insurance in the future at rates we consider reasonable and commercially justifiable, and insurance may not continue to be available on terms as favorable as our current arrangements. The occurrence of a significant uninsured claim or a claim in excess of the insurance coverage limits maintained by us could harm our business, results of operations, and financial condition.

Risks Related to Market and Global Economic Conditions

Our net sales and profits depend on the level of customer spending for our products, which is sensitive to general economic conditions and other factors; adverse economic conditions, such as a downturn in the economy or inflationary conditions resulting in rising prices, could adversely affect consumer purchases of discretionary items, which could materially harm our sales, profitability, and financial condition.

Our products are discretionary items for customers. Therefore, the success of our business depends significantly on economic factors and trends in consumer spending. There are a number of factors that influence consumer spending, including actual and perceived economic conditions, consumer confidence, disposable consumer income, consumer credit availability, unemployment, and tax rates in the markets where we sell our products. Consumers also have discretion as to where to spend their disposable income and may choose to purchase other items or services if we do not continue to provide authentic, compelling, and high-quality premium products at appropriate price points. As global economic conditions continue to be volatile and economic uncertainty remains, trends in consumer discretionary spending also remain unpredictable and subject to declines. While some of these conditions have negatively impacted consumer discretionary spending behavior, we continue to see strong consumer demand for our products. Worsening declines in discretionary consumer spending could result in a reduction in demand for our products, decreased prices, and harm to our business and results of operations. Moreover, consumer purchases of discretionary items, such as our products, tend to decline during recessionary periods when disposable income is lower or during other periods of economic instability or uncertainty, which may slow our growth more than we anticipate. For example, inflationary conditions resulting in rising prices, including the prices of our products, and increased interest rates could lead to declines in discretionary spending by consumers, resulting in a reduction in demand for our products, and in turn may materially adversely impact our sales, profitability, and financial condition. Adverse economic conditions in markets in which we sell our products, particularly in the United States, may materially harm our sales, profitability, and financial condition.

Public health crises could negatively impact our business, sales, financial condition, results of operations and cash flows.

Public health crises and preventative measures taken to contain or mitigate them have caused, and may in the future cause, business slowdowns or shutdowns in affected areas and significant disruption in the financial markets both globally and in the United States. The emergence of a pandemic, epidemic, or infectious disease outbreak could, among other risks, lead to:

- the possibility of retail store closures or reduced operating hours and/or decreased retail traffic;
- disruption to our distribution centers and our third-party manufacturing partners and other vendors, including the effects of facility closures as a result of outbreaks of illnesses, or measures taken by federal, state or local governments to reduce the spread of illness, reductions in operating hours, labor shortages, and real time changes in operating procedures, including for additional cleaning and disinfection procedures; and
- significant disruption of global financial markets, which could have a negative impact on our ability to access capital in the future.

For example, the COVID-19 pandemic contributed significantly to global supply chain constraints, with restrictions and limitations on related activities causing disruption and delay. These disruptions and delays strained domestic and international supply chains, resulting in port congestion, transportation delays as well as labor and container shortages, and affected the flow or availability of certain products. In addition, increased demand for online purchases of products impacted our fulfillment operations and small parcel network, resulting in potential delays in delivering products to our customers. Other future public health crises could have a similar effect.

The emergence of another pandemic, epidemic or infectious disease outbreak, including any required or voluntary actions to help limit the spread of illness, could impact our ability to carry out our business and may materially adversely impact global economic conditions, our business, results of operations, cash flows and financial condition. Such events could materially increase our costs, negatively impact our sales and damage our results of operations and liquidity, possibly to a significant degree. The extent of the impact of such events on our business and financial results cannot be predicted.

Risks Related to Information Technology and Security

We rely significantly on information technology, and any compromise or interruption of that technology resulting from cybersecurity incidents, data security breaches, design defects or system failures could have a material negative impact on our business.

We depend on our information technology systems, as well as those of third parties, to design and develop new products, process financial and accounting information, manage inventory and our supply chain, operate our websites, host and manage our services, support our remote-working employees, store data, process transactions, respond to user inquiries, and conduct and manage various other operational activities. Any of these information technology systems could fail or experience a service interruption for a number of reasons, including cybersecurity threats, system failures, or failure to maintain or upgrade information technology systems.

Although we have taken steps to protect the security of our information systems and the data maintained in those systems, we have, from time to time, experienced cybersecurity threats to our data and systems, including malware and computer virus attacks. It is possible that our safety and security measures will not prevent our systems from functioning improperly or becoming damaged. It is also possible that our safety and security measures will not prevent the improper access or disclosure of personally identifiable information such as in the event of a cybersecurity incident. Incidents may include social engineering or impersonation of authorized users, efforts to discover and exploit design flaws, bugs, security vulnerabilities or security weaknesses, intentional or unintentional acts by employees or other insiders with access privileges, intentional acts of vandalism or fraud by third parties or sabotage. In some instances, efforts to correct vulnerabilities or prevent incidents have in the past reduced, and may in the future reduce, the functionality or performance of our information technology, which could negatively impact our business. Cybersecurity incidents can also be caused by ransomware, distributed denial-of-service attacks, worms, and other malicious software programs or other attacks. Such incidents could be caused by the covert introduction of malware to our information technology systems and the use of techniques or processes that change frequently. The intrusions may be disguised, difficult to detect, or designed to remain dormant until a triggering event, and may continue undetected for an extended period of time. In addition, some of our suppliers, vendors, service providers, cloud solution providers and customers have in the past experienced, and may in the future experience, such incidents, which could in turn disrupt our business. While we maintain cybersecurity insurance, such insurance policies may not cover any or all of the resulting financial losses.

Any material disruption or slowdown of our systems or those of third parties that we depend upon could cause information, including data related to orders, to be lost or delayed. Such loss or delay of information could result in delays in the delivery of products to retailers and customers. We could also lose sales, which could in turn reduce demand for our products, harm our brand and reputation, and cause our sales to decline. In addition to disruptions due to cybersecurity incidents, we may experience such disruptions due to significant increases in user volume, system failures, or failure to maintain or upgrade information technology systems. Remediation and repair of any failure, problem or breach of our key information systems could require significant capital investments. Furthermore, the implementation of new information technology systems or any remediation of our key information systems may require investment of capital and human resources, the re-engineering of business processes, and the attention of many employees who would otherwise be focused on other areas of our business. Further, if we experience any significant disruption to our financial information systems that we are unable to mitigate, our ability to timely report our financial results could be impacted, which could negatively impact our stock price.

As part of our normal business activities, we collect, store, process, and use certain information that is confidential, proprietary or otherwise sensitive, including personal information of consumers, customers, suppliers, service providers and employees. Our customers' personal information may include names, addresses, phone numbers, email addresses, payment card data, and payment account information, as well as other information. We share some of this information with certain third parties who assist us with business matters. Moreover, the success of our operations depends upon the secure transmission of confidential, proprietary or otherwise sensitive data, including personal information, over networks. Any unauthorized access or data acquisition, despite security measures in place to protect such information, or other failure on the part of us or third parties to maintain the security of such data could result in business disruption, damage to our reputation, financial obligations to third parties, legal obligations, fines, penalties, regulatory proceedings and private litigation with potentially large costs. Such unauthorized access or data acquisition could also result in deterioration in confidence in our Company and other competitive disadvantages, and thus could have a material adverse effect on our business. Depending on the nature of the information compromised, we may also have obligations to notify users, law enforcement, or payment companies about the incident and may need to provide some form of remedy, such as refunds, for the individuals affected by the incident. Privacy laws, rules, and regulations are constantly evolving in the United States and abroad and may be inconsistent from one jurisdiction to another. For example, in December 2020, the State of California enacted the California Privacy Rights Act, or CPRA, which became effective on January 1, 2023, and substantially amends and expands the current California Consumer Privacy Act bringing the California regulations more in line with the European Union's General Data Protection Regulation, or GDPR. Further, as we expand internationally, we are subject to additional privacy rules, such as GDPR, many of which are significantly more stringent than those in the United States. Complying with these evolving obligations is costly, and any failure to comply could give rise to unwanted media attention and other negative publicity, damage our customer and consumer relationships and reputation, and result in lost sales, fines, or lawsuits, and may harm our business and results of operations.

Risks Related to Our Financial Condition, Accounting and Tax Matters

We depend on cash generated from our operations to support our growth, and we may need to raise additional capital, which may not be available on terms acceptable to us or at all.

We primarily rely on cash flow generated from our sales to fund our current operations and our growth initiatives. As we expand our business, we will need significant cash from operations to purchase inventory, increase our product development, expand our manufacturer and supplier relationships, pay personnel, pay for the increased costs associated with operating as a public company, expand internationally, and further invest in our sales and marketing efforts. If our business does not generate sufficient cash flow from operations to fund these activities and sufficient funds are not otherwise available from our current or future credit facility, we may need additional equity or debt financing. Global economic factors affecting the financial and credit markets, such as diminished liquidity and credit availability, sustained high interest rates and inflation, declines in consumer confidence, declines in economic growth, and uncertainty about stability could impact our ability to obtain financing. If such financing is not available to us on satisfactory terms, our ability to operate and expand our business or to respond to competitive pressures could be harmed. Moreover, if we raise additional capital by issuing equity securities or securities convertible into equity securities, the ownership of our existing stockholders may be diluted. The holders of new securities may also have rights, preferences or privileges which are senior to those of existing holders of common stock. In addition, any indebtedness we incur may subject us to covenants that restrict our operations and will require interest and principal payments that could create additional cash demands and financial risk for us.

Our indebtedness may limit our ability to invest in the ongoing needs of our business and if we are unable to comply with the covenants in our current Credit Facility, our liquidity and results of operations could be harmed.

As of December 30, 2023, we had $82.3 million principal amount of indebtedness outstanding under the Credit Facility (as defined in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations- Business Overview" of this Report). The Credit Facility is jointly and severally guaranteed by certain of our wholly-owned subsidiaries and any of our future subsidiaries that become guarantors, together, which we refer to as the Guarantors, and is also secured by a first-priority lien on substantially all of our assets and the assets of the Guarantors, in each case subject to certain customary exceptions. We may, from time to time, incur additional indebtedness under the Credit Facility.

The Credit Facility places certain conditions on us, including, subject to certain conditions, reductions and exceptions, requiring us to utilize a portion of our cash flow from operations to make payments on our indebtedness, reducing the availability of our cash flow to fund working capital, capital expenditures, development activity, return capital to our stockholders, and other general corporate purposes. Our compliance with this condition may limit our ability to invest in the ongoing needs of our business. For example, complying with this condition:

- increases our vulnerability to adverse economic or industry conditions;
- limits our flexibility in planning for, or reacting to, changes in our business or markets;
- makes us more vulnerable to increases in interest rates, as borrowings under the Credit Facility bear interest at variable rates;
- limits our ability to obtain additional financing in the future for working capital or other purposes; and
- potentially places us at a competitive disadvantage compared to our competitors that have less indebtedness.

The Credit Facility places certain limitations on our ability to incur additional indebtedness. However, subject to the qualifications and exceptions in the Credit Facility, we may incur substantial additional indebtedness under that facility. The Credit Facility also places certain limitations on our ability to enter into certain types of transactions, financing arrangements and investments, to make certain changes to our capital structure, and to guarantee certain indebtedness, among other things. The Credit Facility also places certain restrictions on the payment of dividends and distributions and certain management fees. These restrictions limit or prohibit, among other things, and in each case, subject to certain customary exceptions, our ability to: (a) pay dividends on, redeem or repurchase our stock, or make other distributions; (b) incur or guarantee additional indebtedness; (c) sell stock in our subsidiaries; (d) create or incur liens; (e) make acquisitions or investments; (f) transfer or sell certain assets or merge or consolidate with or into other companies; (g) make certain payments or prepayments of indebtedness subordinated to our obligations under the Credit Facility; and (h) enter into certain transactions with our affiliates.

The Credit Facility requires us to comply with certain covenants, including financial covenants regarding our total net leverage ratio and interest coverage ratio. Fluctuations in these ratios may increase our interest expense. Failure to comply with these covenants and certain other provisions of the Credit Facility, or the occurrence of a change of control, could result in an event of default and an acceleration of our obligations under the Credit Facility or other indebtedness that we may incur in the future.

If such an event of default and acceleration of our obligations occurs, the lenders under the Credit Facility would have the right to proceed against the collateral we granted to them to secure such indebtedness, which consists of substantially all of our assets. If the debt under the Credit Facility were to be accelerated, we may not have sufficient cash or be able to sell sufficient collateral to repay this debt, which would immediately and materially harm our business, results of operations, and financial condition. The threat of our debt being accelerated in connection with a change of control could make it more difficult for us to attract potential buyers or to consummate a change of control transaction that would otherwise be beneficial to our stockholders.

If our goodwill, other intangible assets, or fixed assets become impaired, we may be required to record a charge to our earnings.

We may be required to record future impairments of goodwill, other intangible assets, or fixed assets to the extent the fair value of these assets falls below their book value. Our estimates of fair value are based on assumptions regarding future cash flows, gross margins, expenses, discount rates applied to these cash flows, and current market estimates of value. Estimates used for future sales growth rates, gross profit performance, and other assumptions used to estimate fair value could cause us to record material non-cash impairment charges, which could harm our results of operations and financial condition.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect or change significantly, our results of operations could be harmed.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity and the amount of sales and expenses that are not readily apparent from other sources. Our results of operations may be harmed if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors and could result in a decline in our stock price.

Changes in tax laws or unanticipated tax liabilities could adversely affect our effective income tax rate and profitability.

We are subject to income taxes in the United States (federal and state) and various foreign jurisdictions. Our effective income tax rate could be adversely affected in the future by a number of factors, including changes in the valuation of deferred tax assets and liabilities, changes in tax laws and regulations or their interpretations and application, and the outcome of income tax audits in various jurisdictions around the world.

For example, on August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022 which includes changes to the U.S. corporate income tax system, a 15% book minimum tax on corporations with three-year average annual adjusted financial statement income exceeding $1 billion and a 1% excise tax on share repurchases. These provisions are generally effective for tax years beginning after December 31, 2022. If we become subject to additional taxes under the Inflation Reduction Act of 2022, particularly in connection with our current or any future share repurchase program, our financial condition, results of operations, effective tax rate, and cash flows could be negatively impacted.

The member states of the Organization for Economic Co-Operation and Development (“OECD”) are continuing discussions surrounding fundamental changes to the taxing rights of governments and allocation of profits among tax jurisdictions in which companies do business. The European Union (“EU”) member states have reached an agreement on a 15% global minimum tax rate, with the first implementation measures expected to be effective in 2024. Many countries have enacted or are in the process of enacting laws based on such rules. We are continuing to evaluate the impact of these tax developments as new guidance and regulations are published. A significant change in U.S. tax law, or that of other countries where we operate or have a presence, may materially and adversely impact our income tax liability, provision for income taxes and effective tax rate. We regularly assess all of these matters to determine the adequacy of our income tax provision, which is subject to significant judgment.

We are subject to credit risk in connection with providing credit to our retail partners, and our results of operations could be harmed if a material number of our retail partners were not able to meet their payment obligations.

We are exposed to credit risk primarily relating to our accounts receivable. We provide credit to our retail partners in the ordinary course of our business and perform ongoing credit evaluations. While we believe that our exposure to concentrations of credit risk with respect to trade receivables is mitigated by our large retail partner base, and we make allowances for credit losses, we nevertheless run the risk of our retail partners not being able to meet their payment obligations, particularly in a future economic downturn. If a material number of our retail partners were not able to meet their payment obligations, our results of operations could be harmed.

Risks Related to Ownership of Our Common Stock

If we are unable to maintain effective internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our reported financial information and the market price of our common stock may be negatively affected.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on our internal controls on an annual basis. If we have material weaknesses in our internal control over financial reporting, we may not detect errors on a timely basis and our consolidated financial statements may be materially misstated. We have enhanced our systems, processes and documentation to comply with Section 404 of the Sarbanes-Oxley Act and have hired additional employees and outside consultants to assist us in complying with these requirements; however, we may need to make additional improvements or hire additional employees or outside consultants to maintain such compliance.

Additionally, even if we conclude our internal controls are effective for a given period, we may in the future identify one or more material weaknesses in our internal controls, in which case our management will be unable to conclude that our internal control over financial reporting is effective. Our independent registered public accounting firm is required to issue an attestation report on the effectiveness of our internal control over financial reporting every fiscal year. Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that there are material weaknesses with respect to our internal controls or the level at which our internal controls are documented, designed, implemented or reviewed.

If we are unable to conclude that our internal control over financial reporting is effective or if our auditors were to express an adverse opinion on the effectiveness of our internal control over financial reporting because we had one or more material weaknesses, investors could lose confidence in the accuracy and completeness of our financial disclosures, which could cause the price of our common stock to decline. Irrespective of compliance with Section 404, any failure of our internal control over financial reporting could have a material adverse effect on our reported operating results and harm our reputation. Internal control deficiencies could also result in a restatement of our financial results.

We cannot guarantee that our share repurchase program will be fully consummated or that it will enhance long-term stockholder value, and share repurchases could increase the volatility of the price of our common stock.

Pursuant to the new share repurchase program authorized by our Board of Directors in February 2024, we are authorized to repurchase up to $300 million of outstanding shares of our common stock through various methods, including, but not limited to, open market, privately negotiated, or accelerated share repurchase transactions. Such program may be suspended or discontinued at any time. We are not obligated to repurchase a specified number or dollar of shares, and the timing, manner, price, and actual amount of share repurchases will depend on a variety of factors, including stock price, market conditions, other capital allocation needs and opportunities, and corporate and regulatory considerations. The timing of repurchases pursuant to our share repurchase program could affect our stock price and increase its volatility. We cannot guarantee that we will repurchase shares, and there can be no assurance that any share repurchases will enhance stockholder value because the stock price of our common stock may decline below the levels at which we effected repurchases.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of the Company more difficult, limit attempts by our stockholders to replace or remove our current management, and limit the market price of our common stock.

Provisions in our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws may have the effect of delaying or preventing a change in control or changes in our management. Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws:

- provide that our Board of Directors is classified into three classes of directors;
- prohibit stockholders from taking action by written consent;
- provide that stockholders may remove directors only for cause, and only with the approval of holders of at least 66 2/3% of our then outstanding common stock;
- provide that the authorized number of directors may be changed only by resolution of the Board of Directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law or as set forth in the Stockholders Agreement be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;

- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice;
- restrict the forum for certain litigation against us to Delaware or the federal district courts of the United States, as applicable;
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election);
- provide that special meetings of our stockholders may be called only by the Chairman of the Board of Directors, our CEO, or the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors;
- provide that stockholders will be permitted to amend our Amended and Restated Bylaws only upon receiving at least 66 2/3% of the votes entitled to be cast by holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class; and
- provide that certain provisions of our Amended and Restated Certificate of Incorporation may only be amended upon receiving at least 66 2/3% of the votes entitled to be cast by holders of all outstanding shares then entitled to vote, voting together as a single class.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board of Directors, which is responsible for appointing the members of our management. In addition, we have opted out of the provisions of Section 203 of the General Corporation Law of the State of Delaware (the "DGCL"), which generally prohibit a Delaware corporation from engaging in any of a broad range of business combinations with any interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder. However, our Amended and Restated Certificate of Incorporation provides substantially the same limitations as are set forth in Section 203 but also provides that Cortec Group Fund V, L.P., our controlling stockholder at the time of our initial public offering, and its affiliates and any of their direct or indirect transferees and any group as to which such persons are a party do not constitute "interested stockholders" for purposes of this provision.

Our Amended and Restated Certificate of Incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for substantially all disputes between us and our stockholders and our Amended and Restated bylaws provide that the federal district courts of the United States are the exclusive forum for complaints asserting a cause of action under the Securities Act, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

Our Amended and Restated Certificate of Incorporation provides that, unless we consent to the selection of an alternative forum, (i) the Court of Chancery of the State of Delaware is the sole and exclusive forum for: (a) any derivative action or proceeding brought on our behalf; (b) any action asserting a claim of breach of fiduciary duty owed by any of our stockholders, directors, officers, or other employees to us or to our stockholders; (c) any action asserting a claim arising pursuant to the DGCL; or (d) any action asserting a claim governed by the internal affairs doctrine; and (ii) the federal district courts of the United States are the exclusive forum for the resolution of any complaint asserting a cause of action under the Securities Act of 1933, as amended. The choice of forum provision does not apply to any actions arising under the Exchange Act. These exclusive forum provisions will not relieve us of our duties to comply with the federal securities laws and the rules and regulations thereunder, and stockholders of YETI will not be deemed to have waived our compliance with these laws, rules and regulations. The choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers, and other employees. Alternatively, if a court were to find either our state choice of forum provision or our federal choice of forum provision to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition.

YETI Holdings, Inc. is a holding company with no operations of its own and, as such, it depends on its subsidiaries for cash to fund its operations and expenses, including future dividend payments, if any.

As a holding company, our principal source of cash flow is distributions from our subsidiaries. Therefore, our ability to fund and conduct our business, service our debt, and pay dividends, if any, depends on the ability of our subsidiaries to generate sufficient cash flow to make upstream cash distributions to us. Our subsidiaries are separate legal entities, and although they are wholly owned and controlled by us, they have no obligation to make any funds available to us, whether in the form of loans, dividends, or otherwise. The ability of our subsidiaries to distribute cash to us is also subject to, among other things, restrictions that may be contained in our subsidiary agreements (as entered into from time to time), availability of sufficient funds in such subsidiaries and applicable laws and regulatory restrictions. Claims of any creditors of our subsidiaries generally have priority as to the assets of such subsidiaries over our claims and claims of our creditors and stockholders. To the extent the ability of our subsidiaries to distribute dividends or other payments to us is limited in any way, our ability to fund and conduct our business, service our debt, and pay dividends, if any, could be harmed.

Risks Related to Acquisitions, Strategic Transactions, and Stockholder Activism

We have acquired and may in the future acquire or invest in other companies, which could divert our management’s attention, result in dilution to our stockholders, and otherwise disrupt our operations and harm our results of operations.

We have, and may in the future, acquire or invest in businesses, products, or technologies that we believe could complement or expand our business, enhance our capabilities, or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various costs and expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are completed.

We may not be able to successfully integrate acquired personnel, operations, and technologies, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from such acquisitions due to a number of factors, including: (a) an inability to integrate or benefit from acquisitions in a profitable manner; (b) unanticipated costs or liabilities associated with the acquisition; (c) the incurrence of acquisition-related costs; (d) the diversion of management’s attention from other business concerns; (e) the loss of our or the acquired business’ key employees; or (f) the issuance of dilutive equity securities, the incurrence of debt, or the use of cash to fund such acquisitions.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. If our acquisitions do not yield expected returns, we may be required to take charges to our results of operations based on this impairment assessment process, which could harm our results of operations.

We may be the target of strategic transactions, which could divert our management's attention and otherwise disrupt our operations and adversely affect our business.

Other companies may seek to acquire us or enter into other strategic transactions. We will consider, discuss, and negotiate such transactions as we deem appropriate. The consideration of such transactions, even if not consummated, could divert management’s attention from other business matters, result in adverse publicity or information leaks, and could increase our expenses.

We may be the target of stockholder activism, an unsolicited takeover proposal or a proxy contest or short sellers, which could negatively impact our business.

In recent years, there has been an increase in proxy contests, unsolicited takeovers and other forms of stockholder activism. We may be subject to such actions or proposals from stockholders or others that may not align with our business strategies or the interests of our other stockholders. If such a campaign or proposal were to be made against us, we would likely incur substantial costs, such as legal fees and expenses, and divert management’s and our Board of Director’s (the “Board”) attention and resources from our businesses and strategic plans. Stockholder activists may also seek to involve themselves in the governance, strategic direction and operations of our business through stockholder proposals, which could create perceived uncertainties or concerns as to our future operating environment, legislative environment, strategy, direction, or leadership. Any such uncertainties or concerns could result in the loss of potential business opportunities, harm our business and financial relationships, and harm our ability to attract or retain investors, customers and employees. Actions of activist stockholders may also cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business. We may also be the target of short sellers who engage in negative publicity campaigns that may use selective information that may be presented out of context or that may misrepresent facts and circumstances. Any of the foregoing could adversely affect our business and operating results.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Risk Management and Strategy

We operate a risk-based cybersecurity program dedicated to protecting the confidentiality, integrity and availability of our information systems and the information residing therein.

YETI's cybersecurity program has been integrated into our enterprise risk framework, which identifies, aggregates, and evaluates risks across the enterprise. The enterprise risk framework is integrated with our annual planning, internal audit scoping, and management process. Our internal audit team annually facilitates an enterprise risk assessment with senior management and, through this process, we identify and assess material risks impacting our company and our operations and strategic objectives, which includes information technology and security risks. Management and the Board rank YETI's risks based on their potential impact to YETI's ability to meet our strategic priorities. Management determines appropriate risk responses for each identified enterprise risk. Outside of this annual process, management is responsible for our day-to-day risk management activities.

Our Information Technology team (which includes our Director of Cybersecurity) and our Technology Compliance team (which includes our Director of Technology Compliance) have primary responsibility for the implementation of our cybersecurity program and the management of our responses to information technology and security risks, including risks related to cybersecurity threats. Our cybersecurity program has been developed based on industry standards, including those published by the International Organization for Standardization and the National Institute of Standards Technology.

We utilize a layered approach in managing and protecting against cybersecurity threats and in detecting and responding to cybersecurity incidents. Although we have numerous practices and processes to protect against common cybersecurity incidents, some attacks or other breaches may still be effective. Such practices and processes are designed to detect, triage and contain these cybersecurity incidents. These controls include:

- *Identification*: In addition to technology-based detection capabilities, there are numerous ways employees can report suspected or actual events, including through our internal information technology ticketing system, by emailing the cybersecurity or privacy team emails, or by submitting a report through the compliance hotline. External parties can also report a vulnerability through the link in the footer of our website.

- *Technical Safeguards*: We leverage outside partnerships to gain intelligence on threats and continue to adjust our protection mechanisms (including firewalls, anti-malware functionality and access controls) to be effective. We have systems in place that are designed to securely receive and store information and to detect, contain, and respond to data security incidents.

- *Incident Response:* We maintain a comprehensive incident response plan to guide our response to a cybersecurity incident. Events are analyzed and categorized into one of four severity tiers and an incident response team is formed (whose membership depends on the nature of the incident). In addition to taking actions to respond to and remediate the incident, the incident response team also considers external notification and disclosure obligations. The incident response plan provides for prompt escalation of certain cybersecurity incidents to a multi-disciplinary committee so that decisions regarding the public disclosure of such incidents can be made in a timely manner.

- *Testing:* We engage in periodic assessment and testing of our policies, processes, and practices that are designed to address cybersecurity threats and incidents. For example, we hire a third party to perform an annual penetration test on our website, internal network, and cloud environments. Our other efforts vary from year to year, but have in the past included an information security maturity assessment, risk assessment, tabletop exercises, and threat modeling. The results of such efforts are reported to the Audit Committee of the Board (the "Audit Committee") and the Board, and we adjust our cybersecurity policies, standards, processes and practices as necessary based on the information provided by the assessment, exercise or review.

- *Education and Awareness:* We have a cybersecurity and information security training and compliance program in place to support our employees and directors. As part of this program YETI employees are subject to reoccurring phishing exercises. The results of these exercises are used to inform the subject matter and frequency of additional training modules that employees are required to complete. In addition, employees annually receive training on data privacy and information security, including cybersecurity. YETI also maintains a number of policies that apply to employees and contractors, including a Global Internal Data Protection and Privacy Policy, an Acceptable Use Policy, and a Password Policy.

- *Insurance:* YETI also maintains a cybersecurity and information security risk insurance policy.
- *Third Parties:* YETI has processes in place to oversee and identify risks from cybersecurity threats associated with third-party vendors. Such processes vary based on factors such as the type of vendor, whether the relationship will implicate our technology, and the type of data involved, if any.

To date, we do not believe that known risks from cybersecurity threats, including as a result of any previous cybersecurity incidents that we are aware of, have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition. However, we can give no assurance that we have detected all cybersecurity incidents or cybersecurity threats. Please refer to the risk factor titled *"We rely significantly on information technology, and any compromise or interruption of that technology resulting from cybersecurity incidents, data security breaches, design defects or system failures could have a material negative impact on our business"* in Part I, Item 1A of this Report for additional information about the risks associated with cybersecurity threats.

Governance

As part of its oversight function, the Board plays an active role, both as a whole and at the committee level, in overseeing management of YETI's cybersecurity risks. The Audit Committee has primary oversight responsibility for our overall enterprise risk assessment and risk management policies and systems, which includes risks related to our information technology and security systems, processes, and procedures, including risks related to cybersecurity threats. The Audit Committee receives quarterly presentations regarding our enterprise risk management program, including reports from our Director of Cybersecurity, on information security matters (such as cybersecurity risk and developments), as well as the steps management takes to monitor and control such exposures. These presentations address, among other things, the results of the most recent assessment or testing of our security information systems and our cybersecurity measures; the current threat environment; and cybersecurity trends and best practices. As applicable, these quarterly presentations also include reports of cybersecurity incidents affecting our information systems along with updates on the status of prior cybersecurity incidents and applicable remediation efforts. Such quarterly presentations given to the Audit Committee are summarized and shared with the Board at its next meeting by the Audit Committee Chair. Outside of such quarterly presentations, senior leadership would be expected to update the Audit Committee and the Board in real time of incidents deemed material and requiring disclosure in a Securities and Exchange Commission filing or of other "critical" or "high" severity incidents (the highest severity tiers under our incident response plan) that in senior leadership's discretion require more immediate Audit Committee attention. In addition, the internal audit team provides quarterly cybersecurity updates to either the Audit Committee or the full Board regarding our risk analyses, assessments, risk mitigation strategies, and activities.

As described above, management is responsible for our day-to-day risk management activities and identifies and manages areas of material risk, which includes information technology and security. Our Chief Financial Officer oversees our Information Technology team, which includes the Director, Cybersecurity. Our Chief Legal Officer oversees our Compliance team, which includes our Director, Technology Compliance. We believe that such cross-departmental involvement promotes a collaborative approach to protecting the Company's information systems from cybersecurity threats, detecting cybersecurity incidents and responding to cybersecurity incidents in accordance with our incident response plan. Through the practices and policies described above, including our incident response plan, our Director, Cybersecurity and Director, Technology Compliance are informed about cybersecurity threats and incidents affecting our information systems and lead the prevention, detection, mitigation, and remediation of cybersecurity threats and incidents in real time. Incidents deemed "critical" or "high" are immediately escalated to the Chief Financial Officer, Chief Legal Officer, other senior leadership, and the Audit Committee.

The Director, Cybersecurity has served in various roles in information technology and information security for over 24 years. Prior to joining YETI, he was a principal information security engineer for a global information technology consulting company. The Director, Cybersecurity holds an undergraduate degree in information technology, a master's degree in information systems and technology management and has attained the professional certifications of Certified Information Systems Security Professional and Certified Information Systems Auditor. The Director, Technology Compliance has served in various roles in information technology for 11 years, including as a compliance manager for a large software company and information technology consultant for a major consulting firm. The Director, Technology Compliance holds an undergraduate degree in accounting and a master's degree in management information systems and has attained the professional certifications of Certified Information Systems Auditor. Our Chief Legal Officer has over 13 years of experience managing risks, including risks arising from cybersecurity threats, in an officer capacity. Our Chief Financial Officer has 20 years of experience managing risks at large companies.

Item 2. Properties

Our corporate headquarters are located in a 169,000 square foot leased facility in Austin, Texas, a portion of which we sublease. We also lease office and building space in Austin, Texas, Canada, China, Australia, and the Netherlands. Our primary distribution centers are leased and managed by third-party logistics providers and, as of December 30, 2023, were located in Salt Lake City, Utah, Memphis, Tennessee, Australia, Canada, the United Kingdom, New Zealand, and the Netherlands. In addition, as of December 30, 2023, we leased and operated 18 retail stores across the United States.

We believe that our facilities, including space available through our third-party logistics providers, are in good condition and are adequate to support our current needs.

Item 3. Legal Proceedings

From time to time, we are involved in various legal proceedings. Although no assurance can be given and the outcome of litigation is inherently uncertain, we do not believe that any of our currently pending legal proceedings, individually or in the aggregate, are material or will have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information for Common Stock

Our common stock has been listed and traded on the New York Stock Exchange (the "NYSE") under the symbol "YETI" since October 25, 2018.

Holders of Record

As of February 15, 2024, there were approximately 53 shareholders of record of our common stock. This does not include the significant number of beneficial owners whose stock is in nominee or "street name" accounts through brokers, banks or other nominees.

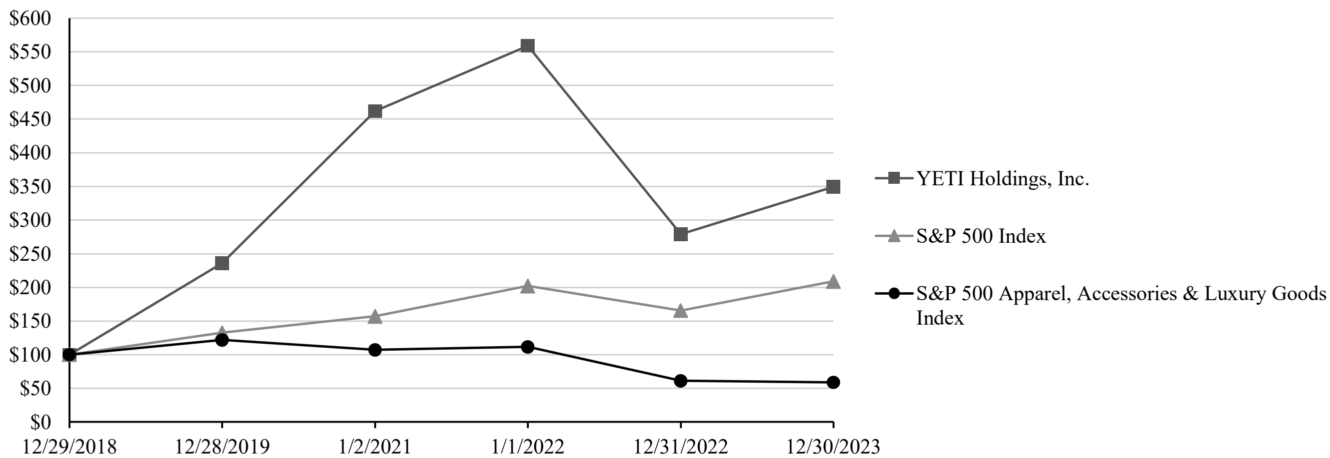
Dividend Policy

We have not declared or paid any cash dividends on our common stock. We intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future.

Stock Performance Graph

The following graph shows a comparison of the cumulative total return for our common stock with that of the Standard & Poor's 500 Stock Index ("S&P 500 Index") and Standard & Poor's 500 Apparel, Accessories & Luxury Goods Index. The graph assumes that $100 was invested on December 29, 2018 in our common stock, the S&P 500 Index, and Standard & Poor's 500 Apparel, Accessories & Luxury Goods Index and assumes reinvestment of any dividends, if any. Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.

Comparison of 5-Year Cumulative Total Return Since December 29, 2018
Assumes Initial Investment of $100



	12/29/2018	12/28/2019	1/2/2021	1/1/2022	12/31/2022	12/30/2023
YETI Holdings, Inc.	$ 100.00	$ 236.03	$ 462.01	$ 558.91	$ 278.74	$ 349.39
S&P 500 Index	100.00	132.97	157.02	202.09	165.49	209.00
S&P 500 Apparel, Accessories & Luxury Goods Index	100.00	121.90	107.21	111.81	61.10	59.03

The performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that section and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act.

Unregistered Issuances of Equity Securities

None.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis contains forward-looking statements within the meaning of the federal securities laws, and should be read in conjunction with the disclosures we make concerning risks and other factors that may affect our business and operating results, including those set forth in Part I, Item 1A, "Risk Factors" of this Report. The information contained in this section should also be read in conjunction with our consolidated financial statements and related notes and the information contained elsewhere in this Report. See also "Forward-Looking Statements" immediately prior to Part I, Item 1, "Business" in this Report. A discussion of our results of operations for the year ended December 31, 2022 compared to the year ended January 1, 2022 is included in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Form 10-K for the year ended December 31, 2022, which was filed with the SEC on February 27, 2023.

Business Overview

Headquartered in Austin, Texas, YETI is a global designer, retailer, and distributor of innovative outdoor products. From coolers and drinkware to bags and apparel, YETI products are built to meet the unique and varying needs of diverse outdoor pursuits, whether in the remote wilderness, at the beach, or anywhere life takes you. By consistently delivering high-performing, exceptional products, we have built a strong following of brand loyalists throughout the world, ranging from serious outdoor enthusiasts to individuals who simply value products of uncompromising quality and design. We have an unwavering commitment to outdoor and recreation communities, and we are relentless in our pursuit of building superior products for people to confidently enjoy life outdoors and beyond.

We distribute our products through a balanced omni-channel platform, consisting of our wholesale and direct-to-consumer ("DTC") channels. In our wholesale channel, we sell our products through select national and regional accounts and an assemblage of independent retail partners throughout the United States, Canada, Australia, New Zealand, Europe, and Japan, among others. We carefully evaluate and select retail partners that have an image and approach that are consistent with our premium brand and pricing. Our domestic national and regional specialty retailers include Dick's Sporting Goods, REI, Academy Sports + Outdoors, Bass Pro Shops, Ace Hardware, Scheels, and Tractor Supply Company. We sell our products in our DTC channel to customers on YETI.com, country and region-specific YETI websites, and YETI Authorized on the Amazon Marketplace, as well as in our retail stores. Additionally, we offer customized products with licensed trademarks and original artwork through our corporate sales program, at YETI.com and certain country-specific YETI websites. Our corporate sales program offers customized products to corporate customers for a wide-range of events and activities, and in certain instances may also offer products to re-sell.

Product Introductions and Updates

During the first quarter of 2023, we expanded our cargo offerings with the launch of the new LoadOut GoBox in three sizes, introduced the new stackable Rambler Lowball, built new customization capabilities for our Yonder bottles, and introduced new seasonal colorways.

During the second quarter of 2023, we expanded our drinkware offerings with the launch of the new Rambler beverage bucket, introduced new color-matched straw lid Rambler bottles and our first ever cast iron skillet, and continued to expand our seasonal colorways.

During the fourth quarter of 2023, we introduced our redesigned and improved SideKick Dry gear case as well as our Hopper M30 Soft Cooler and Hopper M20 Soft Backpack Cooler, and also launched two new sizes with the Hopper M15 Soft Cooler and the Hopper M12 Soft Backpack Cooler (collectively, the "Hopper M Series Soft Cooler line"). We believe the improved design of the SideKick Dry gear case and Hopper M Series Soft Cooler line adequately addresses the potential safety concerns caused by the magnet-lined closures of the previous-generation products, which were affected by the product recalls discussed below.

We also continued the expansion of our drinkware offerings with the launch of specialty coffee Rambler cups and mugs, introduced a third size of our Rambler Straw Mugs, a new stackable Rambler mug, and our first ever wine chiller and cocktail shaker as part of our tabletop solutions.

2024 Acquisitions

During the first quarter of 2024, we completed the acquisitions of Mystery Ranch, Ltd. ("Mystery Ranch"), a designer and manufacturer of durable load-bearing backpacks, bags, and pack accessories, and Butter Pat Industries, LLC ("Butter Pat"), a designer and manufacturer of cast iron cookware. We plan to integrate Mystery Ranch and Butter Pat operations and products into our business to further expand our capabilities in the cookware and bags categories. See Note 14—Subsequent Events of the Notes to Consolidated Financial Statements included herein for additional information about these acquisitions.

Credit Facility Amendment

On March 31, 2023, we amended our senior secured credit agreement (the "Credit Facility"), leaving the material terms of the Credit Facility substantially unchanged, with the exception of certain changes to implement the replacement of LIBOR with SOFR.

On June 22, 2023, we amended our Credit Facility to, among other matters, extend its maturity to June 22, 2028 and increase the commitments under the revolving credit facility (the "Revolving Credit Facility") from $150.0 million to $300.0 million. For additional information on the Credit Facility, see "Liquidity and Capital Resources - Credit Facility" below.

Product Recall Update

In January 2023, we notified the Consumer Products Safety Commission ("CPSC") of a potential safety concern regarding the magnet-lined closures of our Hopper M30 Soft Cooler, Hopper M20 Soft Backpack Cooler, and SideKick Dry gear case (the "affected products") and initiated a global stop sale of the affected products. In February 2023, we proposed a voluntary recall of the affected products to the CPSC and other relevant global regulatory authorities. Accordingly, we established reserves for unsalable inventory on-hand, as well as expected future returns and the estimated cost of recall remedies for consumers with affected products as of December 31, 2022.

For the year ended December 31, 2022, we recorded a reduction to net sales for estimated future returns and recall remedies of $38.4 million; recorded costs in cost of goods sold of $58.6 million primarily related to an inventory write-off of $34.1 million for our unsalable inventory on-hand as well as estimated costs of future product replacement remedies and logistics costs; and recorded $31.9 million associated with estimated recall-related costs in selling, general, and administrative expenses. As a result, the total unfavorable impact of the proposed voluntary recalls to operating income was $128.9 million for the year ended December 31, 2022.

In March 2023, we announced separate, voluntary recalls of the affected products in collaboration with the CPSC. During the second quarter of 2023, we began processing recall returns and claims and based on such experience and trends, we reevaluated our assumptions and adjusted our estimated recall expense reserve. These trends included higher than anticipated elections by consumers to receive gift cards in lieu of product replacement remedies, lower than anticipated consumer recall participation rates, variations in individual product participation rates, and lower logistics costs than previously estimated. As a result, we updated our recall reserve assumptions throughout 2023, which increased the estimated recall expense reserve by $3.6 million in 2023.

As a result of the net unfavorable recall reserve adjustments and other incurred costs, for the year ended December 30, 2023, we recorded a reduction to net sales of $21.7 million primarily related to higher estimated future recall-related gift card elections; recorded a benefit in cost of goods sold of $8.4 million primarily related to lower estimated costs of future product replacement remedy elections and logistics costs, and lower recall-related costs; and recorded a benefit in SG&A expenses primarily related to lower estimated other recall-related costs of $11.4 million. The total unfavorable impact to operating income related to the recalls was $1.9 million in 2023.

As of December 30, 2023 and December 31, 2022, our reserve for estimated recall expenses was $13.1 million and $94.8 million, respectively.

The ultimate impact from the recalls may differ materially from our estimates, and may harm our business, financial condition and results of operations. See Part I, Item 1A "Risk Factors - Risks Related to Our Business, Operations and Industry."

In addition, our 2023 sales were materially adversely impacted by the stop sale of the affected products. We have developed solutions to address the potential safety concern of the affected products. In the fourth quarter of 2023, we introduced our redesigned and improved versions of the affected products.

Macroeconomic Conditions

During 2021 and 2022, we experienced challenges associated with the complex and uncertain macroeconomic environment in which we operate. Consistent across many industries, we experienced inflationary pressures and supply chain challenges, including port congestion, container and labor shortages, which resulted in longer transit times, higher distribution, logistics, and product input costs. As a result, we experienced decreased profitability and delayed product availability for certain products in 2022. However, in the second half of 2022, these inflationary pressures and supply chain challenges, including inbound freight rates, began improving. In 2023, freight rates stabilized at near pre-pandemic levels. The reduction in freight rates resulted in an improvement to our gross margin during 2023 compared to 2022.

There is significant uncertainty regarding how macroeconomic trends, including sustained high levels of inflation and higher interest rates, will impact consumer demand. While some of these conditions have negatively impacted consumer discretionary spending behavior, we continue to see strong consumer demand for our products.

In addition to the trends discussed above, foreign exchange rate fluctuations and geopolitical issues add to significant uncertainty in the macroeconomic environment. The recent conflict in the Red Sea has disrupted shipping routes, which has caused us to begin experiencing shipping delays and increased freight costs. Although such effects have not materially impacted our business to date, such conditions could worsen.

A worsening of any of the macroeconomic trends discussed herein may adversely impact our business, operations, and financial results in the future. We will continue to monitor and, if necessary, mitigate the effects of the macroeconomic environment on our business.

General

Components of Our Results of Operations

Net Sales. Net sales are comprised of wholesale channel sales to our retail partners and sales through our DTC channel. Net sales in both channels reflect the impact of product returns as well as discounts for certain sales programs or promotions.

We discuss the net sales of our products in our two primary categories: Coolers & Equipment and Drinkware. Our Coolers & Equipment category includes hard coolers, soft coolers, bags, outdoor equipment, and cargo, as well as accessories and replacement parts for these products. Our Drinkware category is primarily composed of our stainless-steel drinkware products and related accessories. In addition, our Other category is primarily comprised of ice substitutes and YETI-branded gear, such as shirts, hats, and other miscellaneous products.

Gross profit. Gross profit reflects net sales less cost of goods sold, which primarily includes the purchase cost of our products from our third-party contract manufacturers, inbound freight and duties, product quality testing and inspection costs, depreciation expense of our molds, tooling, and equipment, and the cost of customizing products. We calculate gross margin as gross profit divided by net sales. Our DTC channel generally generates higher gross margin than our wholesale channel due to differentiated pricing between these channels.

Selling, general, and administrative expenses. Selling, general, and administrative ("SG&A") expenses consist primarily of marketing costs, employee compensation and benefits costs, costs of our outsourced warehousing and logistics operations, costs of operating on third-party DTC marketplaces, professional fees and services, non-cash stock-based compensation, cost of product shipment to our customers, depreciation and amortization expense, and general corporate infrastructure expenses. Our variable expenses, including outbound freight, online marketplace fees, third-party logistics fees, and credit card processing fees, will vary as they are dependent on our sales volume and our channel mix. Our DTC channel variable SG&A costs are generally higher as a percentage of net sales than our wholesale channel distribution costs.

Fiscal Year. We have a 52- or 53-week fiscal year that ends on the Saturday closest in proximity to December 31, such that each quarterly period will be 13 weeks in length, except during a 53-week year when the fourth quarter will be 14 weeks. Our fiscal years 2023, 2022 and 2021 ended on December 30, 2023, December 31, 2022 and January 1, 2022, respectively, and were 52 weeks each. Unless otherwise stated, references to particular years, quarters, months and periods refer to our fiscal years ended in December and the associated quarters, months, and periods of those fiscal years.

Results of Operations

The discussion below should be read in conjunction with the following table and our consolidated financial statements and related notes contained elsewhere in this Report. The following table sets forth selected statement of operations data, and their corresponding percentage of net sales, for the periods indicated (dollars in thousands):

	Fiscal Year Ended			
	December 30, 2023		December 31, 2022	
Statement of Operations				
Net sales	$ 1,658,713	100 %	$ 1,595,222	100 %
Cost of goods sold(1)	715,527	43 %	831,821	52 %
Gross profit	943,186	57 %	763,401	48 %
Selling, general, and administrative expenses	717,728	43 %	637,040	40 %
Operating income	225,458	14 %	126,361	8 %
Interest expense	(942)	— %	(4,466)	— %
Other income (expense), net	1,430	— %	(5,718)	— %
Income before income taxes	225,946	14 %	116,177	7 %
Income tax expense	(56,061)	3 %	(26,484)	2 %
Net income	$ 169,885	10 %	$ 89,693	6 %

(1) Includes $6.4 million of inbound freight expense related to an out-of-period adjustment for year ended December 31, 2022. See Note 1 - Organization and Significant Accounting Policies of the Unaudited Condensed Consolidated Financial Statements for additional information.

Year Ended December 30, 2023 Compared to Year Ended December 31, 2022

	Fiscal Year Ended		Change	
(dollars in thousands)	December 30, 2023	December 31, 2022	$	%
Net sales	$ 1,658,713	$ 1,595,222	$ 63,491	4 %
Gross profit	943,186	763,401	179,785	24 %
Gross margin (gross profit as a % of net sales)	56.9 %	47.9 %	900 basis points	
Selling, general, and administrative expenses	$ 717,728	$ 637,040	$ 80,688	13 %
SG&A as a % of net sales	43.3 %	39.9 %	340 basis points	

Net Sales

Net sales increased $63.5 million, or 4%, to $1,658.7 million in 2023 from $1,595.2 million in 2022. Net sales included an unfavorable impact of $21.7 million in 2023 primarily related to recall reserve adjustments, and an unfavorable impact of $38.4 million in 2022 in connection with the initial recognition of the recall reserves, as discussed above. Excluding these recall-related impacts, sales increased 3% primarily due to volume growth in our DTC channel.

Net sales for 2023 were materially adversely impacted by the stop sale of the soft coolers included in the recalls initiated during the first quarter of 2023. In addition, net sales for 2023 include $25.3 million of sales related to gift card redemptions in connection with recall remedies.

Net sales in our channels were as follows:

- DTC channel net sales increased $80.0 million, or 9%, to $997.7 million in 2023 from $917.7 million in 2022, driven by both Drinkware and Coolers & Equipment categories. DTC channel net sales included an unfavorable impact of $7.3 million in 2023 primarily related to recall reserve adjustments, and an unfavorable impact of $6.2 million in 2022 in connection with the initial recognition of the recall reserves. Our DTC channel represented 60% and 58% of total net sales in 2023 and 2022, respectively.

- Net sales in our wholesale channel decreased $16.5 million, or 2%, to $661.0 million in 2023 from $677.5 million in 2022. Wholesale channel net sales included an unfavorable impact of $14.4 million in 2023 primarily related to recall reserve adjustments, and an unfavorable impact of $32.2 million in 2022 in connection with the initial recognition of the recall reserves. The decrease in our wholesale channel sales was primarily due to a decline in Coolers & Equipment, partially offset by growth in Drinkware and a favorable impact of $17.9 million related to the recall reserves. Our wholesale channel represented 40% and 42% of total net sales in 2023 and 2022, respectively.

Net sales in our two primary product categories were as follows:

- Drinkware net sales increased $75.8 million, or 8%, to $1,023.0 million in 2023 from $947.2 million in 2022, primarily driven by strong demand for the continued expansion and innovation of our Drinkware product offerings, including Rambler straw lid mugs, Rambler and Yonder bottles, specialty coffee cups and tabletop solutions, as well as new seasonal colorways.
- Coolers & Equipment net sales decreased $15.0 million, or 2%, to $597.5 million in 2023 from $612.5 million in 2022. Coolers & Equipment net sales included an unfavorable impact of $21.7 million in 2023 primarily related to recall reserve adjustments, and an unfavorable impact of $38.4 million in 2022 in connection with the initial recognition of the recall reserves. The decrease in Coolers & Equipment net sales was primarily due to the stop sale of the products affected by the recalls, partially offset by the introduction of our new Hopper M12 Soft Backpack Cooler and M15 Soft Cooler, and strong performance in our Hopper Flip soft cooler line, cargo, and bags. Coolers & Equipment net sales were also favorably impacted by $16.7 million due to lower recall reserves in 2023.

Gross Profit

Gross profit increased $179.8 million, or 24%, to $943.2 million in 2023 from $763.4 million in 2022. Gross margin increased 900 basis points to 56.9% in 2023 from 47.9% in 2022. Gross profit included an unfavorable impact of $13.3 million in 2023 primarily related to recall reserve adjustments, and an unfavorable impact of $97.0 million in 2022 in connection with the initial recognition of the recall reserves, as discussed above. The increase in gross margin was primarily driven by:

- the lower impact of the recall reserves, which favorably impacted gross margin by 480 basis points;
- lower inbound freight, including lower rates, which favorably impacted gross margin by 370 basis points;
- lower product costs, which favorably impacted gross margin by 110 basis points; and
- an increase in the mix of DTC channel net sales, including our growing Amazon Marketplace business, which favorably impacted gross margin by 50 basis points.

These were partially offset by:

- higher promotions in our DTC channel, including Amazon Prime Day promotions, which unfavorably impacted gross margin by 30 basis points;
- the unfavorable impact of foreign currency exchange rates, which unfavorably impacted gross margin by 20 basis points; and
- other impacts, including higher depreciation and amortization expense and customization costs, which unfavorably impacted gross margin by 60 basis points.

Selling, General, and Administrative Expenses

SG&A expenses increased by $80.7 million, or 13%, to $717.7 million in 2023 from $637.0 million in 2022. As a percentage of net sales, SG&A expenses increased 340 basis points to 43.3% in 2023 from 39.9% in 2022. SG&A expenses included a favorable impact of $11.4 million in 2023 primarily related to recall reserve adjustments, and an unfavorable impact of $31.9 million in 2022 in connection with the initial recognition of the recall reserves, as discussed above. The increase in SG&A expenses resulted from:

- an increase in variable expenses of $39.7 million (increasing SG&A as a percent of sales by 190 basis points) primarily associated with higher DTC channel sales, and comprised of higher distribution costs including higher outbound freight rates, online marketplace fees, third-party logistics fees, and credit card processing fees;
- an increase in non-variable expenses of $84.3 million (increasing SG&A as a percent of sales by 420 basis points) comprised of higher employee costs, mainly due to incentive compensation, investments in headcount to support future growth, and non-cash stock-based compensation expense, as well as investments in marketing expenses, warehousing costs, facility costs, and other operating expenses; which were partially offset by
- the lower impact of the recall reserves, which favorably impacted SG&A expenses by $43.3 million (decreasing SG&A as a percent of sales by 270 basis points).

Non-Operating Expenses

Interest expense was $0.9 million in 2023, compared to $4.5 million in 2022. The decrease was primarily driven by higher interest income, partially offset by an increase in interest expense due to higher interest rates on our outstanding long-term debt.

Other income, net was $1.4 million in 2023, compared to other expense of $5.7 million in 2022. The increase in other income, net was due to foreign currency gains on intercompany balances.

Income tax expense was $56.1 million in 2023, compared to $26.5 million in 2022. Our effective tax rate for 2023 was 25% compared to 23% for 2022. The increase in income tax expense was primarily due to an increase in earnings before taxes in 2023. The increase in the effective tax rate was primarily due to a lower tax benefit from our export sales deductions and an unfavorable tax impact related to stock-based compensation in 2023.

Liquidity and Capital Resources

General

Our cash requirements have principally been for working capital purposes, long-term debt repayments, and capital expenditures. We fund our working capital, which primarily consists of inventory and accounts receivable, and our capital investments from cash flows from operating activities, cash on hand, and borrowings available under our Revolving Credit Facility. Pursuant to our new share repurchase plan described below, we also plan to use cash to repurchase shares of our common stock. We believe that our current operating performance, operating plan, our strong cash position, and borrowings available under our Revolving Credit Facility will be sufficient to satisfy our foreseeable liquidity needs and capital expenditure requirements, including for at least the next twelve months.

Current Liquidity

As of December 30, 2023, we had a cash balance of $439.0 million, $77.1 million of working capital (excluding cash), and $300.0 million of borrowings available under the Revolving Credit Facility.

Credit Facility

Our Credit Facility provides for a $300.0 million Revolving Credit Facility and an $84.4 million term loan (“Term Loan A”).

On March 31, 2023, we amended the Credit Facility, leaving the material terms of the Credit Facility substantially unchanged, with the exception of certain changes to implement the replacement of London Interbank Offered Rate (“LIBOR”) with the Secured Overnight Financing Rate (“SOFR”) as the reference rate therein.

On June 22, 2023, we further amended the Credit Facility, which extended the maturity date of both the Term Loan A and the Revolving Credit Facility from December 17, 2024 to June 22, 2028; refinanced and replaced the existing Term Loan A in full with a new $84.4 million Term Loan A; and increased the commitments under the Revolving Credit Facility from $150.0 million to $300.0 million. As a result of the amendment, we recognized a $0.3 million loss on modification and extinguishment of debt and we capitalized $2.8 million of new lender and third-party fees in the second quarter of 2023.

At December 30, 2023, we had $82.3 million principal amount of indebtedness outstanding under the Term Loan A and no outstanding borrowings under the Revolving Credit Facility. The weighted average interest rate for borrowings under Term Loan A was 6.83% during the year ended December 30, 2023.

The Credit Facility requires us to comply with certain covenants, including financial covenants regarding our total net leverage ratio and interest coverage ratio. Fluctuations in these ratios may increase our interest expense. Failure to comply with these covenants and certain other provisions of the Credit Facility, or the occurrence of a change of control, could result in an event of default and an acceleration of our obligations under the Credit Facility or other indebtedness that we may incur in the future. At December 30, 2023, we were in compliance with all covenants and expect to remain in compliance with all covenants under the Credit Facility.

Share Repurchase Program

On February 1, 2024, our Board of Directors authorized the repurchase of up to $300 million (exclusive of fees and commissions) of YETI's common stock. The common stock may be repurchased from time to time at prevailing prices in the open market, through various methods, including, but not limited to, open market, privately negotiated, or accelerated share repurchase transactions. Repurchases under the share repurchase program may also be made pursuant to a plan adopted under Rule 10b5-1 promulgated under the Exchange Act. The timing, manner, price, and actual amount of share repurchases will be determined by management based on various factors, including, but not limited to, stock price, economic and market conditions, other capital allocation needs and opportunities, and corporate and regulatory considerations. YETI has no obligation to repurchase any amount of our common stock, and such repurchases may be suspended or discontinued at any time.

Material Cash Requirements

For 2024, we expect capital expenditures for property and equipment to be approximately $60 million, primarily to support investments in technology, new product innovation, expansion of our custom portfolio and capacity, and retail stores investments.

The following table summarizes current and long-term material cash requirements for contractual and other obligations as of December 30, 2023 (in thousands):

	Material Cash Requirements						
	Total	2024	2025	2026	2027	2028	Thereafter
Long-term debt principal payment	$ 82,266	$ 4,219	$ 4,219	$ 4,219	$ 4,219	$ 65,390	$ —
Interest	$ 26,783	6,520	6,187	5,896	5,582	2,598	—
Operating lease obligations	$ 107,279	18,571	21,236	17,612	13,280	9,427	27,153
Finance leases	$ 6,003	2,300	2,360	1,011	176	156	—
Other non-cancellable agreements (1)	$ 154,013	73,867	50,515	21,900	6,198	1,533	—
Total	$ 376,344	$ 105,477	$ 84,517	$ 50,638	$ 29,455	$ 79,104	$ 27,153

(1) We have entered into commitments for service and maintenance agreements related to our management information systems, distribution contracts, advertising, sponsorships, and licensing agreements.

The table of our material cash requirements above excludes unrecognized tax benefits as we are unable to reasonably predict the timing of settlement of liabilities, if any, related to unrecognized tax benefits. As of December 30, 2023, we had unrecognized tax benefits of $17.6 million.

As of December 30, 2023, our reserve for estimated recall expenses, including the expected cost of returns, was $13.1 million. The ultimate costs from the approved voluntary recalls could differ materially from this estimate, and as such, changes in the estimate may have a material impact on our financial condition, results of operations, and cash flows.

Cash Flows from Operating, Investing and Financing Activities

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated (in thousands):

	Fiscal Year Ended	
	December 30, 2023	December 31, 2022
Cash flows provided by (used in):		
Operating activities	$ 285,942	$ 100,894
Investing activities	(72,824)	(56,910)
Financing activities	(13,596)	(122,628)

Operating Activities

Cash flows related to operating activities are dependent on net income, non-cash adjustments to net income, and changes in working capital.

The increase in cash provided by operating activities in 2023 was primarily due to an increase in cash received for working capital, and to a smaller extent, net income, adjusted for non-cash items, including the impact of our voluntary recalls, for the periods compared. The increase in cash received for working capital was primarily due to a decrease in inventory and an increase in accounts payable and other accrued expenses, partially offset by an increase in accounts receivable.

Investing Activities

The increase in cash used in investing activities in 2023 compared to 2022 was primarily related to increased purchases of intangible assets.

Financing Activities

The decrease in cash used in financing activities in 2023 compared to 2022 was primarily driven by repurchases of common stock in the prior year period.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. In preparing the consolidated financial statements, we make estimates and judgments that affect the reported amounts of assets, liabilities, sales, expenses, and related disclosure of contingent assets and liabilities. We re-evaluate our estimates on an on-going basis. Our estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Because of the uncertainty inherent in these matters, actual results may differ from these estimates and could differ based upon other assumptions or conditions.

See Note 1 of the Notes to Consolidated Financial Statements for our significant accounting policies. The following describes significant judgments and estimates used in the application of these policies. Within the context of these critical accounting policies, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

Revenue Recognition

Revenue transactions associated with the sale of YETI branded coolers, equipment, drinkware, apparel and accessories comprise a single performance obligation, which consists of the sale of products to customers either through our wholesale or DTC channels. Revenue is recognized when performance obligations are satisfied through the transfer of control of promised goods to the customers, based on the terms of sale. The transfer of control typically occurs at a point in time based on consideration of when the customer has an obligation to pay for the goods, and physical possession of, legal title to, and the risks and rewards of ownership of the goods has been transferred, and the customer has accepted the goods. Revenue from wholesale transactions is generally recognized at the time products are shipped based on contractual terms with the customer. Revenue from our DTC channel is generally recognized at the point of sale in our retail stores and at the time products are shipped for e-commerce transactions and corporate sales based on contractual terms with the customer.

Revenue is recognized net of estimates of variable consideration, including product returns, customer discounts and allowances, sales incentive programs, and miscellaneous claims from customers. We determine these estimates based on contract terms, evaluations of historical experience, anticipated trends, and other factors. The actual amount of customer returns and customer allowances, which is inherently uncertain, may differ from our estimates.

The duration of contractual arrangements with our customers is typically less than 1 year. Payment terms with wholesale customers vary depending on creditworthiness and other considerations, with the most common being net 30 days. Payment is due at the time of sale for retail store transactions and at the time of shipment for e-commerce transactions.

Certain products that we sell include a limited warranty which does not meet the definition of a performance obligation within the context of the contract. Product warranty costs are estimated based on historical and anticipated trends and are recorded as cost of goods sold at the time revenue is recognized.

We elected to account for shipping and handling as fulfillment activities, and not as separate performance obligations. Shipping and handling fees billed to customers are included in net sales. All shipping and handling activity costs are recognized as selling, general and administrative expenses at the time the related revenue is recognized. Sales taxes collected from customers and remitted directly to government authorities are excluded from net sales and cost of goods sold.

Our terms of sale provide limited return rights. We may accept, and have at times accepted, returns outside our terms of sale at our sole discretion. We may also, at our sole discretion, provide our retail partners with sales discounts and allowances. We record estimated sales returns, discounts, and miscellaneous customer claims as reductions to net sales at the time revenues are recorded. We base our estimates upon historical experience and trends, and upon approval of specific returns or discounts. Actual returns and discounts in any future period are inherently uncertain and thus may differ from our estimates. If actual or expected future returns and discounts were significantly greater or lower than the reserves we had established, we would record a reduction or increase to net sales in the period in which we made such determination. A 10% change in our estimated reserve for sales returns, discounts, and miscellaneous claims for 2023 would have impacted net sales by $1.2 million.

Product Recall Reserves

As described in Note 11 of the Notes to Consolidated Financial Statements, in January 2023, we notified the CPSC of a potential safety concern regarding the magnet-lined closures of our Hopper M30 Soft Cooler, Hopper M20 Soft Backpack Cooler, and SideKick Dry gear case (the “affected products”) and initiated a global stop sale of the affected products. In February 2023, we proposed a voluntary recall of the affected products to the CPSC, and other relevant global regulatory authorities, which we refer to as the “voluntary recalls” herein unless otherwise indicated. In conjunction with the stop sale, we determined that the affected products inventory held by us, our suppliers and our wholesale customers was unsalable, and notified our wholesale customers to return the affected products. In March 2023, we announced separate, voluntary recalls of the affected products in collaboration with the CPSC and subsequently began processing recall claims and returns.

We establish reserves for the estimated costs of a product recall when circumstances giving rise to the recall become known and when such costs are probable and estimable. As a result of the voluntary recalls, we established a reserve for expected future returns and the estimated cost of recall remedies for consumers with affected products. Estimating the cost of recall remedies required significant judgment and is primarily based on i) expected consumer participation rates; and ii) the estimated costs of the consumer’s elected remedy in the proposed voluntary recall, including estimated cost of offered product replacements, logistics costs and other recall-related costs. We will reevaluate these assumptions each period, and the related reserves may be adjusted when factors indicate that the reserve is either not sufficient to cover or exceeds the estimated product recall expenses. The ultimate impact from the approved voluntary recalls could differ materially from these estimates. The reserve for the estimated product recall expenses of $13.1 million and $94.8 million is included within accrued expenses and other current liabilities on our consolidated balance sheet as of December 30, 2023 and December 31, 2022, respectively.

Inventory

Inventories are comprised primarily of finished goods and are carried at the lower of cost (weighted-average cost method) or market (net realizable value). We make ongoing estimates relating to the net realizable value of inventories based upon our assumptions about future demand and market conditions. If the estimated net realizable value is less than cost, we reflect the lower value of that inventory. This methodology recognizes inventory exposures at the time such losses are identified rather than at the time the inventory is actually sold. Due to customer demand and inventory constraints, we have not historically taken material adjustments to the carrying value of our inventory.

Our inventory valuation reflects adjustments for anticipated inventory losses that have occurred since the last physical inventory. We estimate inventory shrinkage based on historical trends from physical inventory counts and cycle counts. We perform physical inventory counts and cycle counts throughout the year and adjust the shrink provision accordingly. Historically, physical inventory shrinkage has not been significant.

Valuation of Goodwill and Indefinite-Lived Intangible Assets

Goodwill and intangible assets are recorded at cost, or at their estimated fair values at the date of acquisition. We review goodwill and indefinite-lived intangible assets for impairment annually or whenever events or changes in circumstances indicate the carrying amount may be impaired. In conducting our annual impairment test, we first review qualitative factors to determine whether it is more likely than not that the fair value of the asset, or reporting units, is less than its carrying amount. If factors indicate that the fair value is less than its carrying amount, we perform a quantitative assessment, analyzing the expected present value of future cash flows to quantify the amount of impairment, if any. Based on our qualitative assessment performed during the fourth quarter of 2023, we determined that it is not more likely than not that the fair value of each reporting unit is lower than its carrying value; therefore, the quantitative impairment test was not required. We did not record any goodwill or indefinite-lived intangible assets impairment charges during the years ended December 30, 2023, December 31, 2022 and January 1, 2022.

Valuation of Long-Lived Assets

We assess the recoverability of our long-lived assets, which include property and equipment, operating lease right-of-use-assets, and definite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. An impairment loss on our long-lived assets exists when the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. If the carrying amount exceeds the sum of the undiscounted cash flows, an impairment charge is recognized based on the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or estimated fair value less costs to sell.

Income Taxes

We are subject to taxation in the United States, as well as various state and foreign jurisdictions. The determination of our provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. On an interim basis, we estimate our effective tax rate for the full fiscal year. This estimated annual effective tax rate is then applied to the year-to-date income before income taxes, excluding infrequently occurring or unusual items, to determine the year-to-date income tax expense. The income tax effects of infrequent or unusual items are recognized in the interim period in which they occur. As the fiscal year progresses, we continually refine our estimate based upon actual events and earnings by jurisdiction during the year. This continual estimation process periodically results in a change to our expected effective tax rate for the fiscal year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs.

Tax filing positions are evaluated, and we recognize the largest amount of tax benefit that is more likely than not to be sustained upon examination by the taxing authorities based on the technical merits of the tax position. On a quarterly basis, we evaluate the probability that a tax position will be effectively sustained and the appropriateness of the amount recognized for uncertain tax positions based on factors including changes in facts or circumstances, changes in tax law, and audit activity. Changes in our assessment may result in the recognition of a tax benefit or an additional charge to the tax provision in the period our assessment changes. We recognize interest and penalties related to unrecognized tax benefits in the provision for income taxes in the consolidated statements of operations.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, see "Recently Adopted Accounting Pronouncements" and "Recent Accounting Guidance Not Yet Adopted" in Note 1 of the Notes to Consolidated Financial Statements included herein.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

In order to maintain liquidity and fund business operations, our long-term Credit Facility bears a variable interest rate based on prime, federal funds, or SOFR plus an applicable margin based on our total net leverage ratio. The nature and amount of our long-term debt can be expected to vary as a result of future business requirements, market conditions, and other factors. We may elect to enter into interest rate swap contracts to reduce the impact associated with interest rate fluctuations, but as of December 30, 2023, we have not entered into any such contracts. Based on the balance outstanding under our Term Loan A at December 30, 2023, we estimate that a 1% increase or decrease in underlying interest rates would increase or decrease annual interest expense by $0.8 million and $0.9 million for the years ended December 30, 2023 and December 31, 2022, respectively.

Inflation Risk

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although inflationary pressures and global supply chain disruption, such as higher inbound transportation costs, did not have a material negative impact on our gross margin in 2023, sustained cost increases, or other inflationary pressures in the future, may have an adverse effect on our ability to maintain or improve current levels of gross margin and SG&A expenses as a percentage of net sales if the selling prices of our products do not increase with these increased costs, or we cannot identify cost efficiencies.

Commodity Price Risk

The primary raw materials and components used by our contract manufacturing partners include polyethylene, polyurethane foam, stainless-steel, polyester fabric, zippers, and plastic. We believe these materials are readily available from multiple vendors. We have, and may continue to, negotiate prices with suppliers of these products on behalf of our third-party contract manufacturers in order to leverage the cumulative impact of our volume. We do not, however, source significant amounts of these products directly. Certain of these products use petroleum or natural gas as inputs. However, we do not believe there is a significant direct correlation between petroleum or natural gas prices and the costs of our products.

Foreign Currency Risk

Our international sales are primarily denominated in the Canadian dollar, Australian dollar, Euro, British pound, and New Zealand dollar and any unfavorable movement in the exchange rate between the U.S. dollar and these currencies could have an adverse impact on our revenue. During 2023, net sales from our international entities accounted for 16% of our consolidated net sales, and therefore we do not believe exposure to foreign currency fluctuations would have a material impact on our net sales. A portion of our operating expenses are incurred outside the Unites States and are denominated in foreign currencies, which are also subject to fluctuations due to changes in foreign currency exchange rates. In addition, our suppliers may incur many costs, including labor costs, in other currencies. To the extent that exchange rates move unfavorably for our suppliers, they may seek to pass these additional costs on to us, which could have a material impact on our gross margin. In addition, a strengthening of the U.S. dollar may increase the cost of our products to our customers outside of the United States. Our operating results and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of YETI Holdings, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of YETI Holdings, Inc. and its subsidiaries (the "Company") as of December 30, 2023, and December 31, 2022, and the related consolidated statements of operations, of comprehensive income, of equity and of cash flows for each of the three years in the period ended December 30, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 30, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements 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. 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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.

Critical Audit Matters

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 committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters 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.

Revenue Recognition - Wholesale and E-Commerce Revenue

As described in Note 1 to the consolidated financial statements, the Company’s revenue is generated from the sale of its products to customers either through wholesale or direct-to-consumer (DTC) channels. Revenue from wholesale transactions is generally recognized at the time products are shipped based on contractual terms with the customer. Revenue from the DTC channel is generally recognized at the point of sale in the Company’s retail stores and at the time products are shipped for e-commerce transactions and corporate sales based on contractual terms with the customer. The Company’s consolidated net sales were $1.6 billion for the fiscal year ended December 30, 2023, a majority of which relates to wholesale and e-commerce revenue. Revenue is recognized net of estimates of variable consideration, including product returns, customer discounts and allowances, sales incentive programs, and miscellaneous claims from customers.

The principal consideration for our determination that performing procedures relating to revenue recognition for wholesale and e-commerce revenue is a critical audit matter is a high degree of auditor effort in performing procedures related to the Company’s revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process. These procedures also included, among others (i) testing certain revenue transactions by a) evaluating the settlement of invoices and credit memos; b) tracing transactions not settled to a detailed listing of accounts receivable; and c) testing the completeness and accuracy of data provided by management; (ii) confirming a sample of outstanding customer invoice balances at year end, and obtaining and inspecting source documents, including invoices, proof of shipment, and subsequent cash receipts, where applicable, for confirmations not received; (iii) for a sample of revenue transactions, testing the completeness, accuracy and occurrence of revenue recognized by obtaining and inspecting source documents, such as third-party statements and subsequent cash statements; (iv) developing an independent expectation of customer discounts for certain customers using the contractual rates and comparing it to management’s recorded amounts, including obtaining customer agreements; and (v) testing the timing of revenue recognition for a sample of certain revenue transactions near period end by obtaining and inspecting source documents, such as invoices and proof of shipment.

/s/ PricewaterhouseCoopers LLP
Austin, Texas
February 26, 2024

We have served as the Company’s auditor since 2021.

YETI HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except shares and par value)

	December 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash	$ 438,960	$ 234,741
Accounts receivable, net	95,774	79,446
Inventory	337,208	371,412
Prepaid expenses and other current assets	42,463	33,321
Total current assets	914,405	718,920
Property and equipment, net	130,714	124,587
Operating lease right-of-use assets	77,556	55,406
Goodwill	54,293	54,293
Intangible assets, net	117,629	99,429
Other assets	2,595	24,130
Total assets	$ 1,297,192	$ 1,076,765
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 190,392	$ 140,818
Accrued expenses and other current liabilities	130,026	211,399
Taxes payable	33,489	15,289
Accrued payroll and related costs	23,141	4,847
Operating lease liabilities	14,726	12,076
Current maturities of long-term debt	6,579	24,611
Total current liabilities	398,353	409,040
Long-term debt, net of current portion	78,645	71,741
Operating lease liabilities, non-current	76,163	55,649
Other liabilities	20,421	13,858
Total liabilities	573,582	550,288
Commitments and contingencies (Note 11)		
Stockholders' Equity		
Common stock, par value $0.01; 600,000,000 shares authorized; 88,592,761 and 86,916,210 shares issued and outstanding at December 30, 2023, respectively, and 88,107,787 and 86,431,236 shares issued and outstanding at December 31, 2022, respectively	886	881
Treasury stock, at cost; 1,676,551 shares	(100,025)	(100,025)
Preferred stock, par value $0.01; 30,000,000 shares authorized; no shares issued or outstanding	—	—
Additional paid-in capital	386,377	357,490
Retained earnings	438,436	268,551
Accumulated other comprehensive loss	(2,064)	(420)
Total stockholders' equity	723,610	526,477
Total liabilities and stockholders' equity	$ 1,297,192	$ 1,076,765

See Notes to Consolidated Financial Statements

YETI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Net sales	$ 1,658,713	$ 1,595,222	$ 1,410,989
Cost of goods sold	715,527	831,821	594,876
Gross profit	943,186	763,401	816,113
Selling, general, and administrative expenses	717,728	637,040	541,175
Operating income	225,458	126,361	274,938
Interest expense, net	(942)	(4,466)	(3,339)
Other income (expense), net	1,430	(5,718)	(3,189)
Income before income taxes	225,946	116,177	268,410
Income tax expense	(56,061)	(26,484)	(55,808)
Net income	$ 169,885	$ 89,693	$ 212,602
Net income per share			
Basic	$ 1.96	$ 1.04	$ 2.43
Diluted	$ 1.94	$ 1.03	$ 2.40
Weighted-average common shares outstanding			
Basic	86,717	86,521	87,425
Diluted	87,403	87,195	88,666

See Notes to Consolidated Financial Statements

YETI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Net income	$ 169,885	$ 89,693	$ 212,602
Other comprehensive (loss) income			
Foreign currency translation adjustments	(1,644)	(773)	740
Total comprehensive income	$ 168,241	$ 88,920	$ 213,342

See Notes to Consolidated Financial Statements

YETI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, including shares)

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balance, January 2, 2021	87,128	$ 871	$ 321,678	$ —	$ —	$ (33,744)	$ (387)	$ 288,418
Stock-based compensation	—	—	15,474	—	—	—	—	15,474
Common stock issued under employee benefit plans	641	6	4,089	—	—	—	—	4,095
Common stock withheld related to net share settlement of stock-based compensation	(42)	—	(3,506)	—	—	—	—	(3,506)
Other comprehensive income	—	—	—	—	—	—	740	740
Net income	—	—	—	—	—	212,602	—	212,602
Balance, January 1, 2022	87,727	$ 877	$ 337,735	$ —	$ —	$ 178,858	$ 353	$ 517,823
Stock-based compensation	—	—	17,799	—	—	—	—	17,799
Common stock issued under employee benefit plans	413	4	3,817	—	—	—	—	3,821
Common stock withheld related to net share settlement of stock-based compensation	(32)	—	(1,861)	—	—	—	—	(1,861)
Repurchase of common stock	—	—	—	(1,677)	(100,025)	—	—	(100,025)
Other comprehensive loss	—	—	—	—	—	—	(773)	(773)
Net income	—	—	—	—	—	89,693	—	89,693
Balance, December 31, 2022	88,108	$ 881	$ 357,490	(1,677)	$ (100,025)	$ 268,551	$ (420)	$ 526,477
Stock-based compensation	—	—	29,800	—	—	—	—	29,800
Common stock issued under employee benefit plans	546	5	1,568	—	—	—	—	1,573
Common stock withheld related to net share settlement of stock-based compensation	(61)	—	(2,481)	—	—	—	—	(2,481)
Repurchase of common stock	—	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	—	(1,644)	(1,644)
Net income	—	—	—	—	—	169,885	—	169,885
Balance, December 30, 2023	88,593	$ 886	$ 386,377	(1,677)	$ (100,025)	$ 438,436	$ (2,064)	$ 723,610

See Notes to Consolidated Financial Statements

YETI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Cash Flows from Operating Activities:			
Net income	$ 169,885	$ 89,693	$ 212,602
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	46,434	39,847	32,070
Amortization of deferred financing fees	604	601	679
Stock-based compensation	29,800	17,799	15,474
Deferred income taxes	25,561	(403)	5,147
Impairment of long-lived assets	2,927	1,229	2,473
Loss on prepayment, modification, or extinguishment of debt	330	—	—
Product recalls	1,895	97,176	—
Other	(6,163)	2,039	1,022
Changes in operating assets and liabilities:			
Accounts receivable, net	(15,683)	30,448	(44,681)
Inventory	33,675	(91,624)	(179,803)
Other current assets	(7,933)	(2,187)	(10,587)
Accounts payable and accrued expenses	(15,144)	(86,242)	112,773
Taxes payable	18,156	439	(3,781)
Other	1,598	2,079	3,132
Net cash provided by operating activities	285,942	100,894	146,520
Cash Flows from Investing Activities:			
Purchases of property and equipment	(50,672)	(45,929)	(56,121)
Additions of intangibles, net	(22,152)	(10,981)	(9,635)
Net cash used in investing activities	(72,824)	(56,910)	(65,756)
Cash Flows from Financing Activities:			
Repayments of long-term debt	(7,734)	(22,500)	(22,500)
Proceeds from employee stock transactions	1,573	3,821	4,095
Taxes paid in connection with employee stock transactions	(2,481)	(1,861)	(3,506)
Finance lease principal payment	(2,130)	(2,063)	(1,108)
Repurchase of common stock	—	(100,025)	—
Payments of deferred financing fees	(2,824)	—	—
Net cash used in financing activities	(13,596)	(122,628)	(23,019)
Effect of exchange rate changes on cash	4,697	1,196	1,161
Net increase (decrease) in cash	204,219	(77,448)	58,906
Cash, beginning of period	234,741	312,189	253,283
Cash, end of period	$ 438,960	$ 234,741	$ 312,189
Supplemental cash flow information::			
Interest paid	$ 6,688	$ 2,961	$ 2,365
Income taxes paid, net of refunds	$ 14,131	$ 58,822	$ 58,819
Supplemental non-cash investing activity:			
Property and equipment additions included in accounts payable and accrued expenses	$ 2,647	$ 3,801	$ 9,865

See Notes to Consolidated Financial Statements

YETI HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Headquartered in Austin, Texas, YETI Holdings, Inc. is a global designer, retailer, and distributor of innovative outdoor products. From coolers and drinkware to bags and apparel, YETI products are built to meet the unique and varying needs of diverse outdoor pursuits, whether in the remote wilderness, at the beach, or anywhere life takes you. We sell our products through our wholesale channel, including independent retailers, national, and regional accounts across a wide variety of end user markets, as well as through our direct-to-consumer ("DTC") channel, primarily on YETI.com, country and region-specific YETI websites, YETI Authorized on the Amazon Marketplace, our corporate sales program, and our retail stores. We operate in the U.S., Canada, Australia, New Zealand, Europe, Hong Kong, China, Singapore, and Japan.

The terms "we," "us," "our," "YETI" and "the Company" as used herein and unless otherwise stated or indicated by context, refer to YETI Holdings, Inc. and its subsidiaries.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules of the U.S. Securities and Exchange Commission ("SEC"). The consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. Intercompany balances and transactions are eliminated in consolidation. Certain prior period amounts have been reclassified to conform to current period presentation.

Out-of-Period Adjustment

During the first quarter of 2022, we recognized $6.4 million in cost of goods sold for inbound freight expense recorded as an out-of-period adjustment. The adjustment was not considered material to the interim or annual consolidated financial statements for the year ended December 31, 2022 or the financial statements of any previously filed interim or annual periods.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses during the reporting period and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates and assumptions about future events and their effects cannot be made with certainty. Estimates may change as new events occur, when additional information becomes available and if our operating environment changes. Actual results could differ from our estimates.

Fiscal Year End

We have a 52- or 53-week fiscal year that ends on the Saturday closest in proximity to December 31, such that each quarterly period will be 13 weeks in length, except during a 53-week year when the fourth quarter will be 14 weeks. Fiscal years 2023, 2022 and 2021 were 52-week periods. The consolidated financial results presented herein represent the fiscal years ended December 30, 2023 ("2023"), December 31, 2022 ("2022"), and January 1, 2022 ("2021").

Accounts Receivable

Accounts receivable are carried at original invoice amount less estimated credit losses. Upon initial recognition of a receivable, we estimate credit losses over the contractual term of the receivable and establish an allowance for credit losses based on historical experience, current available information, and expectations of future economic conditions. We mitigate credit loss risk from accounts receivable by assessing customers for credit worthiness, including ongoing credit evaluations and their payment trends. Credit risk is limited due to ongoing monitoring, high geographic customer distribution, and low concentration of risk. As the risk of loss is determined to be similar based on the credit risk factors, we aggregate receivables on a collective basis when assessing credit losses. Accounts receivable are uncollateralized customer obligations due under normal trade terms typically requiring payment within 30 to 90 days of sale. Receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded to income when received. As of December 30, 2023 and December 31, 2022, one customer accounted for 12% and 14% of our total accounts receivable, net, respectively. Our allowance for credit losses was $0.5 million as of December 30, 2023 and $0.7 million as of December 31, 2022, respectively.

Advertising

Advertising costs are expensed in the period in which the advertising occurs and included in selling, general and administrative expenses in our consolidated statements of operations. Advertising costs were $75.5 million, $68.1 million, and $61.9 million for 2023, 2022, and 2021, respectively. At each of December 30, 2023 and December 31, 2022, prepaid advertising costs were $0.5 million.

Benefit Plan

We provide a 401(k)-defined contribution plan covering substantially all our employees, which allows for employee contributions and provides for an employer match. Our contributions totaled approximately $2.0 million, $1.5 million, and $1.2 million for 2023, 2022, and 2021, respectively.

Cash

We maintain our cash in bank deposit accounts which, at times, may exceed federally insured limits. We have not historically experienced any losses in such accounts.

Comprehensive Income

Our comprehensive income is determined based on net income adjusted for gains and losses on foreign currency translation adjustments.

Concentration of Risk

We are exposed to risk due to our concentration of business activity with certain third-party contract manufacturers of our products. For coolers & equipment products, our two largest manufacturers comprised approximately 44% of our production volume during 2023. For drinkware, our two largest manufacturers comprised approximately 73% of our production volume during 2023.

Deferred Financing Fees

Costs incurred upon the issuance of our debt instruments are capitalized and amortized over the life of the associated debt instrument on a straight-line basis, in a manner that approximates the effective interest method. If the debt instrument is retired before its scheduled maturity date, any remaining issuance costs associated with that debt instrument are expensed in the same period. Deferred financing fees related to our Credit Facility (as defined in Note 8. Long-term Debt) are reported in “Long-term debt, net of current portion” as a direct reduction of the carrying amount of our outstanding long-term debt. At each of December 30, 2023 and December 31, 2022, the amortization of deferred financing fees included in interest expense was $0.6 million.

Fair Value of Financial Instruments

For financial assets and liabilities recorded at fair value on a recurring or non-recurring basis, fair value is the price we would receive to sell an asset, or pay to transfer a liability, in an orderly transaction with a market participant at the measurement date. In the absence of such data, fair value is estimated using internal information consistent with what market participants would use in a hypothetical transaction. In determining fair value, observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions; preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3: Significant inputs to the valuation model are unobservable.

Our financial instruments consist principally of cash, accounts receivable, accounts payable, and bank indebtedness. The carrying amount of cash, accounts receivable, and accounts payable, approximates fair value due to the short-term maturity of these instruments. The carrying amount of our long-term bank indebtedness approximates fair value based on Level 2 inputs since the Credit Facility carries a variable interest rate that is based on the Secured Overnight Financing Rate (“SOFR”).

Foreign Currency Translation and Foreign Currency Transactions

Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are included in the foreign currency translation adjustment, a component of accumulated other comprehensive income.

For consolidation purposes, the assets and liabilities of our subsidiaries whose functional currency is not the U.S. dollar are translated into U.S. dollars using the exchange rate on the balance sheet date. Revenues and expenses are translated at average rates prevailing during the period. The gains and losses resulting from translation of financial statements of foreign subsidiaries are recorded as a separate component of accumulated other comprehensive income.

Goodwill and Intangible Assets

Goodwill and intangible assets are recorded at cost, or at their estimated fair values at the date of acquisition. We review goodwill and indefinite-lived intangible assets for impairment annually in the fourth quarter of each fiscal year or on an interim basis whenever events or changes in circumstances indicate the fair value of such assets may be below their carrying amount. In conducting our annual impairment test, we first review qualitative factors to determine whether it is more likely than not that the fair value of the asset is less than its carrying amount. If factors indicate that the fair value of the asset is less than its carrying amount, we perform a quantitative assessment of the asset, analyzing the expected present value of future cash flows to quantify the amount of impairment, if any. We perform our annual impairment tests in the fourth quarter of each fiscal year.

For our annual goodwill impairment tests in the fourth quarters of 2023 and 2022, we performed a qualitative assessment to determine whether the fair value of goodwill was more likely than not less than the carrying value. Based on economic conditions and industry and market considerations, we determined that it was more likely than not that the fair value of goodwill was greater than its carrying value; therefore, the quantitative impairment test was not performed. Therefore, we did not record any goodwill impairment for the years 2023 and 2022.

Our intangible assets consist of indefinite-lived intangible assets, including tradename, trademarks, trade dress, and definite-lived intangible assets such as customer relationships, trademarks, patents, and other intangibles assets, such as copyrights and domain name. We also capitalize the costs of acquired trademarks, trade dress, patents, other intangibles, such as copyrights and domain name assets, and patent and trademark defense costs. Definite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives. See Note 6 for the estimated useful lives of our definite-lived intangible assets.

External legal costs incurred in the defense of our patents and trademarks are capitalized when we believe that the future economic benefit of the intangible asset will be increased, and a successful defense is probable. In the event of a successful defense, the settlements received are netted against the external legal costs that were capitalized. Where the defense of the patent and trademark maintains rather than increases the expected future economic benefits from the asset, the costs are expensed as incurred. The external legal costs incurred and settlements received may not occur in the same period. Capitalized costs incurred during 2023, 2022, and 2021 primarily relate to external legal costs incurred in the defense of our patents and trademarks, net of settlements received.

Income Taxes

We provide for income taxes at the enacted rate applicable for the appropriate tax jurisdictions. Deferred taxes are provided on an asset and liability method, which requires the recognition of deferred tax assets and liabilities for expected future consequences of temporary differences between the financial reporting and income tax bases of assets and liabilities using enacted tax rates. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Tax filing positions are evaluated, and we recognize the largest amount of tax benefit that is more likely than not to be sustained upon examination by the taxing authorities based on the technical merits of the tax position. Settlements with tax authorities, the expiration of statutes of limitations for particular tax positions, or obtaining new information on particular tax positions may cause a change to the effective tax rate. We recognize interest and penalties related to unrecognized tax benefits in the provision for income taxes in the consolidated statements of operations.

Inventories

Inventories, consisting primarily of finished goods and an immaterial level of component parts, are valued at the lower of cost or net realizable value. Cost is determined using weighted-average costs, including all costs incurred to deliver inventory to our distribution facilities, such as inbound freight, import duties and tariffs. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. We make ongoing estimates relating to the net realizable value of inventories based upon our assumptions about future demand and market conditions. At December 30, 2023 and December 31, 2022, inventory reserves were $2.2 million and $37.3 million, respectively. The balance at December 31, 2022 primarily consisted of reserves related to unsalable inventory on-hand in connection with our voluntary recalls. The decrease in the inventory reserve is primarily related to the physical scrapping of the unsalable recalled inventory. In connection with our voluntary recalls, we recorded an inventory write-off, or reserve, of $34.1 million for the year ended December 31, 2022. See Note 11 for further discussion of our voluntary recalls.

Property and Equipment

We record property and equipment at their original acquisition costs and we depreciate them based on a straight-line method over their estimated useful lives. We capitalize direct internal and external costs related to software used for internal purposes. Expenditures for repairs and maintenance are expensed as incurred, while asset improvements that extend the useful life are capitalized. The useful lives for property and equipment are as follows:

Leasehold improvements	lesser of 10 years, remaining lease term, or estimated useful life of the asset
Molds and tooling	3 - 5 years
Furniture and equipment	3 - 7 years
Computers and software	3 - 7 years

Related-Party Agreements

We lease warehouse and office facilities under various operating leases. One warehouse facility is leased from an entity owned by our founders, brothers Roy and Ryan Seiders. The warehouse facility lease, which is month-to-month and can be cancelled upon 30 days' written notice, requires monthly payments of $8,700 that are reflected in our consolidated statements of operations.

Research and Development Costs

Research and development costs are expensed as incurred and consist primarily of employee compensation, including non-cash stock-based compensation expense, and miscellaneous supplies. Research and development costs are recorded in selling, general, and administrative expenses. Research and development expenses were $15.5 million, $15.4 million, and $13.7 million, for 2023, 2022, and 2021, respectively.

Revenue Recognition

Revenue transactions associated with the sale of our products comprise a single performance obligation, which consists of the sale of products to customers either through wholesale or DTC channels. Revenue is recognized when performance obligations are satisfied through the transfer of control of promised goods to the customers, based on the terms of sale. The transfer of control typically occurs at a point in time based on consideration of when the customer has an obligation to pay for the goods, and physical possession of, legal title to, and the risks and rewards of ownership of the goods has been transferred, and the customer has accepted the goods. Revenue from wholesale transactions is generally recognized at the time products are shipped based on contractual terms with the customer. Revenue from our DTC channel is generally recognized at the point of sale in our retail stores and at the time products are shipped for e-commerce transactions and corporate sales based on contractual terms with the customer.

Revenue is recognized net of estimates of variable consideration, including product returns, customer discounts and allowances, sales incentive programs, and miscellaneous claims from customers. We determine these estimates based on contract terms, evaluations of historical experience, anticipated trends, and other factors. The actual amount of customer returns and customer allowances, which is inherently uncertain, may differ from our estimates.

The duration of contractual arrangements with our customers is typically less than 1 year. Payment terms with wholesale customers vary depending on creditworthiness and other considerations, with the most common being net 30 days. Payment is due at the time of sale for retail store transactions and at the time of shipment for e-commerce transactions.

Certain products that we sell include a limited warranty which does not meet the definition of a performance obligation within the context of the contract. Product warranty costs are estimated based on historical and anticipated trends and are recorded as cost of goods sold at the time revenue is recognized.

We elected to account for shipping and handling as fulfillment activities, and not as separate performance obligations. Shipping and handling fees billed to customers are included in net sales. All shipping and handling activity costs are recognized as selling, general and administrative expenses at the time the related revenue is recognized. Sales taxes collected from customers and remitted directly to government authorities are excluded from net sales and cost of goods sold.

Our terms of sale provide limited return rights. We may accept, and have at times accepted, returns outside our terms of sale at our sole discretion. We may also, at our sole discretion, provide our retail partners with sales discounts and allowances. We record estimated sales returns, discounts, and miscellaneous customer claims as reductions to net sales at the time revenues are recorded. We base our estimates upon historical experience and trends, and upon approval of specific returns or discounts. Actual returns and discounts in any future period are inherently uncertain and thus may differ from our estimates. If actual or expected future returns and discounts were significantly greater or lower than the reserves we had established, we would record a reduction or increase to net sales in the period in which we made such determination.

Segment Information

We report our operations as a single reportable segment and manage our business as a single-brand consumer products business. This is supported by our operational structure, which includes sales, research, product design, operations, marketing, and administrative functions focused on the entire product suite rather than individual product categories. Our chief operating decision maker does not regularly review financial information for individual product categories, sales channels, or geographic regions that would allow decisions to be made about allocation of resources or performance.

Shipping and Handling Costs

Amounts charged to customers for shipping and handling are included in net sales. Our cost of goods sold includes inbound freight charges for product delivery from our third-party contract manufacturers. The cost of product shipment to our customers, which is included in selling, general and administrative expenses in our consolidated statements of operations, was $125.4 million, $114.8 million, and $89.7 million for 2023, 2022, and 2021, respectively.

Stock-Based Compensation

Stock-based compensation awards granted to employees and non-employee directors are measured at fair value. Stock-based compensation expense is recognized on a straight-line basis over the requisite service period. Stock-based compensation expense equal to the fair value of performance-based awards that are expected to vest is estimated and recognized on a straight-line basis over the performance period of the awards. Compensation expense estimates are updated periodically. The vesting of the performance-based awards is also contingent upon the attainment of predetermined performance goals. Depending on the estimated probability of attainment of those performance goals, the compensation expense recognized related to the awards could increase or decrease over the remaining vesting period.

The grant date fair value of restricted stock units, restricted stock awards, and deferred stock units is based on the closing price of our common stock on the award date. The grant date fair value of performance-based awards is estimated on the award date using a Monte Carlo simulation model. For certain of the awards granted, the grant date fair value was calculated using the Finnerty model, as the after-tax portion of these awards is subject to a holding period of one year after the vesting date. The grant date fair value of each stock option granted is estimated on the award date using the Black-Scholes model. The Monte Carlo simulation model, Finnerty model, and Black-Scholes model require various judgmental assumptions including volatility, forfeiture rates and expected option life. No stock options were granted in 2023, 2022, and 2021.

Costs relating to stock-based compensation are recognized in selling, general, and administrative expenses in our consolidated statements of operations, and forfeitures are recognized as they occur. See Note 9 for further discussion.

Supplier Finance Program Obligations

During 2018, we entered into an agreement with a financial institution to facilitate a supplier finance program ("SFP") which provides certain suppliers the option, at their sole discretion, to participate in the program and sell their receivables due from us for early payment. Participating eligible suppliers negotiate the terms directly with the financial institution and we have no involvement in establishing those terms nor are we a party to these agreements. Our payments associated with the invoices from the suppliers participating in the SFP are made to the financial institution according to the original invoice. The outstanding payment obligations under the SFP recorded within accounts payable in our consolidated balance sheets at December 30, 2023 and December 31, 2022 were $77.3 million and $70.7 million, respectively.

Valuation of Long-Lived Assets

We assess the recoverability of our long-lived assets, which include property and equipment, operating lease right-of-use-assets, and definite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. An impairment loss on our long-lived assets exists when the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. If the carrying amount exceeds the sum of the undiscounted cash flows, an impairment charge is recognized based on the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or estimated fair value less costs to sell.

Warranty

Warranty liabilities are recorded at the time of sale for the estimated costs that may be incurred under the terms of our limited warranty. We make and revise these estimates primarily based on the number of units under warranty, historical experience of warranty claims, and an estimated per unit replacement cost. The liability for warranties is included in accrued expenses and other current liabilities in our consolidated balance sheets. The specific warranty terms and conditions vary depending upon the product sold, but are generally warranted against defects in material and workmanship ranging from three to five years. Our warranty only applies to the original owner. If actual product failure rates or repair costs differ from estimates, revisions to the estimated warranty liabilities would be required and could materially affect our financial condition and operating results. Warranty reserves were $9.8 million and $10.0 million as of December 30, 2023 and December 31, 2022, respectively. Warranty costs included in costs of goods sold were $6.3 million, $5.8 million, and $6.9 million for 2023, 2022, and 2021, respectively.

Recently Adopted Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The ASU is intended to ease the potential accounting and financial reporting burden of reference rate reform, including the expected market transition from the London Interbank Offering Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The guidance provides optional expedients and scope exceptions for transactions if certain criteria are met. These transactions include contract modifications, hedge accounting, and the sale or transfer of debt securities classified as held-to-maturity. We adopted this ASU in the first quarter of 2023. Adoption of this new standard did not have a material impact on our consolidated financial statements.

In September 2022, the FASB issued ASU 2022-04, Liabilities-Supplier Finance Programs (Topic 405-50) - Disclosure of Supplier Finance Program Obligations, which requires disclosures intended to enhance the transparency of supplier finance programs. The ASU requires buyers in a supplier finance program to disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023. We adopted provisions of this ASU in the first quarter of 2023, with the exception of the amendment on rollforward information, which will be adopted in the first quarter of 2024. Adoption of the new standard did not have a material impact on our consolidated financial statements.

Recent Accounting Guidance Not Yet Adopted

In November 2023, the FASB issued Accounting Standards Update (ASU) 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The new standard requires enhanced disclosures about significant segment expenses and other segment items and requires companies to provide all annual disclosures about segments in interim periods. All disclosure requirements under ASU 2023-07 are also required for public entities with a single reportable segment. The ASU is effective for the Company's Annual Report on Form 10-K for the fiscal year ending December 28, 2024, and subsequent interim periods, with early adoption permitted. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The amendments in this update are intended to enhance the transparency and decision usefulness of income tax disclosures primarily through changes to the rate reconciliation and income taxes paid information. This update is effective for annual periods beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the ASU to determine its impact on our consolidated financial statements and related disclosures.

2. REVENUE

Contract Balances

Accounts receivable represent an unconditional right to receive consideration from a customer and are recorded at net invoiced amounts, less an estimated allowance for credit losses.

Contract liabilities are recorded when the customer pays consideration before the transfer of a good to the customer and thus represent our obligation to transfer the good to the customer at a future date. Our contract liabilities include advance cash deposits received from customers for certain customized product orders and unredeemed gift card liabilities. As products are shipped and control transfers, we recognize contract liabilities as revenue.

During the second quarter of 2023, we began issuing gift cards as remedies in connection with our voluntary recalls. We recognize sales from gift cards as they are redeemed for products. As of December 30, 2023, $4.5 million of our contract liabilities represented unredeemed gift card liabilities. See Note 11 for further discussion of our recalls.

The following table provides information about accounts receivable and contract liabilities at the periods indicated (in thousands):

	December 30, 2023	December 31, 2022
Accounts receivable, net	$ 95,774	$ 79,446
Contract liabilities	(22,437)	(7,702)

During the year ended December 30, 2023, we recognized $7.7 million of revenue that was previously included in the contract liability balance at the beginning of the period.

Disaggregation of Revenue

The following table disaggregates our net sales by channel, product category, and geography for the periods indicated (in thousands):

	2023[(1)]	2022[(1)]	2021
Net Sales by Channel:			
Wholesale	$ 661,000	$ 677,517	$ 626,259
Direct-to-consumer	997,713	917,705	784,730
Total net sales	$ 1,658,713	$ 1,595,222	$ 1,410,989
Net Sales by Category:			
Coolers & Equipment	$ 597,511	$ 612,525	$ 551,861
Drinkware	1,022,982	947,221	832,428
Other	38,220	35,476	26,700
Total net sales	$ 1,658,713	$ 1,595,222	$ 1,410,989
Net Sales by Geographic Region[(2)]:			
United States	$ 1,398,925	$ 1,394,026	$ 1,267,701
International	259,788	201,196	143,288
Total net sales	$ 1,658,713	$ 1,595,222	$ 1,410,989

(1) Includes the impact from the recall reserve adjustment. See Note 11 for further discussion of our recalls.
(2) Net sales by geographic region is based upon on end-consumer location.

Customers that accounted for 10% or more of gross sales were as follows:

	2023	2022	2021
Customer A	*	11%	10%

* Gross sales were less than 10% and no other customer exceeded 10% of gross sales.

3. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets include the following (in thousands):

	December 30, 2023	December 31, 2022
Prepaid expenses	$ 21,165	$ 18,149
Prepaid taxes	15,089	10,222
Other	6,209	4,950
Total prepaid expenses and other current assets	$ 42,463	$ 33,321

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at the dates indicated (in thousands):

	December 30, 2023	December 31, 2022
Production molds, tooling, and equipment	$ 112,478	$ 101,363
Furniture, fixtures, and equipment	16,605	12,884
Computers and software	100,803	90,103
Leasehold improvements	55,556	45,523
Finance leases	11,361	10,736
Property and equipment, gross	296,803	260,609
Accumulated depreciation	(166,089)	(136,022)
Property and equipment, net	$ 130,714	$ 124,587

Depreciation expense was $41.2 million, $32.8 million, and $25.7 million for 2023, 2022, and 2021, respectively.

Geographic Information

Property and equipment, net by geographical region was as follows as of the dates indicated (in thousands):

	December 30, 2023	December 31, 2022
United States	$ 84,564	$ 83,011
International	46,150	41,576
Property and equipment, net	$ 130,714	$ 124,587

5. LEASES

We determine if an arrangement is or contains a lease at contract inception and determine its classification as an operating or finance lease at lease commencement. We lease certain retail locations, office space, distribution facilities, manufacturing space, and machinery and equipment. While the substantial majority of these leases are operating leases, certain machinery and equipment agreements are finance leases. As of December 30, 2023, the initial lease terms of the various leases range from one to 20 years. ROU lease assets and liabilities associated with leases with an initial term of twelve months or less are not recorded on the balance sheet.

Operating lease assets represent the right to use an underlying asset for the lease term, and operating lease liabilities represent the obligation to make lease payments arising from the lease. These assets and liabilities are recognized based on the present value of future payments over the lease term at commencement date. We use our collateralized incremental borrowing rate based on the information available at commencement date, including lease term, in determining the present value of future payments. Our operating leases also typically require payment of real estate taxes, common area maintenance and insurance. These components comprise the majority of our variable lease cost and are excluded from the present value of our lease obligations. In instances where they are fixed, they are included due to our election to combine lease and non-lease components, with the exception of our distribution facilities. Operating lease assets include prepaid lease payments and initial direct costs and are reduced by lease incentives. Our lease terms generally do not include options to extend or terminate the lease unless it is reasonably certain that the option will be exercised. Fixed payments may contain predetermined fixed rent escalations. We recognize the related rent expense on a straight-line basis from the commencement date to the end of the lease term.

The following table presents the assets and liabilities related to operating and finance leases (in thousands):

	Balance Sheet Location	December 30, 2023	December 31, 2022
Assets:			
Operating lease assets	Operating lease right-of-use assets	$ 77,556	$ 55,406
Finance lease assets	Property and equipment, net	6,295	7,533
Total lease assets		$ 83,851	$ 62,939
Liabilities:			
Current			
Operating lease liabilities	Operating lease liabilities	$ 14,726	$ 12,076
Finance lease liabilities	Current maturities of long-term debt	2,360	2,111
Non-current			
Operating lease liabilities	Operating lease liabilities, non-current	76,163	55,649
Finance lease liabilities	Long-term debt, net of current portion	3,445	5,198
Total lease liabilities		$ 96,694	$ 75,034

The following table presents the components of lease costs (in thousands):

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Operating lease costs	$ 14,889	$ 12,943	12,312
Finance lease cost - amortization of right-of-use assets	1,862	1,860	1,046
Finance lease cost - interest on lease liabilities	138	182	139
Short-term lease cost	246	67	366
Variable lease cost	5,537	4,645	3,822
Sublease income	(747)	(743)	(743)
Total lease cost	$ 21,925	$ 18,954	$ 16,942

The following table presents lease terms and discount rates:

	December 30, 2023	December 31, 2022
Weighted average remaining lease term:		
Operating leases	6.38 years	5.90 years
Finance leases	4.01 years	4.73 years
Weighted average discount rate:		
Operating leases	4.87 %	4.76 %
Finance leases	2.50 %	2.20 %

Minimum lease payments have not been reduced by minimum sublease rentals of $0.9 million due in the future under non-cancelable subleases. We received $0.7 million in sublease income for each of 2023, 2022, and 2021. The following table presents the minimum lease payment obligations of operating and finance lease liabilities (leases with terms in excess of one year) for the next five years and thereafter as of December 30, 2023 (in thousands):

	Operating Leases	Finance Leases	Total
2024	$ 18,571	$ 2,300	$ 20,871
2025	21,236	2,360	23,596
2026	17,612	1,011	18,623
2027	13,280	176	13,456
2028	9,427	156	9,583
Thereafter	27,153	—	27,153
Total lease payments	107,279	6,003	113,282
Less: Effect of discounting to net present value	16,390	198	16,588
Present value of lease liabilities	$ 90,889	$ 5,805	$ 96,694

The following table presents supplemental cash flow information related to our leases (in thousands):

	December 30, 2023	December 31, 2022	January 1, 2022
Cash paid for amounts included in measurement of liabilities:			
Operating cash flows used in operating leases	$ 15,047	$ 13,387	$ 13,146
Operating cash flows used in finance leases	137	182	139
Financing cash flows used in finance leases	2,131	2,063	1,108
Right-of-use assets obtained in exchange for new lease liabilities:			
Operating leases	35,497	12,083	30,234
Finance leases	625	17	9,517

To support the continued growth of our business, we entered into a service agreement with a third-party logistics provider to operate a new distribution facility in Memphis, Tennessee with approximately 970,000 square feet. The service agreement commenced at the end of the second quarter of 2021. The initial term of the agreement is 5 years. We began distributing from this facility in the third quarter of 2021, and we exited our distribution facility in Dallas, Texas in the fourth quarter of 2021.

6. INTANGIBLE ASSETS

Intangible assets consisted of the following at the dates indicated below (dollars in thousands):

	December 30, 2023			
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Tradename	Indefinite	$ 31,363	$ —	$ 31,363
Trade dress	Indefinite	16,707	—	16,707
Trademarks	Indefinite	33,850	—	33,850
Customer relationships	11 years	42,205	(42,205)	—
Trademarks	6 - 30 years	22,323	(11,939)	10,384
Patents	4 - 25 years	28,803	(4,041)	24,762
Other intangibles	15 years	1,049	(486)	563
Total intangible assets		$ 176,300	$ (58,671)	$ 117,629

	December 31, 2022			
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Tradename	Indefinite	$ 31,363	$ —	$ 31,363
Trade dress	Indefinite	14,079	—	14,079
Trademarks	Indefinite	21,745	—	21,745
Customer relationships	11 years	42,205	(40,457)	1,748
Trademarks	6 - 30 years	21,574	(9,834)	11,740
Patents	4 - 25 years	20,810	(2,682)	18,128
Other intangibles	15 years	1,047	(421)	626
Total intangible assets		$ 152,823	$ (53,394)	$ 99,429

Amortization expense was $5.3 million, $6.9 million, and $6.4 million, for 2023, 2022, and 2021, respectively. Amortization expense related to intangible assets is expected to be $3.8 million for 2024, $3.7 million for 2025, $2.9 million for 2026, $2.4 million for 2027, and $2.0 million for 2028.

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following at the dates indicated (in thousands):

	December 30, 2023	December 31, 2022
Accrued freight and distribution costs	$ 45,228	$ 56,354
Product recall reserves[(1)]	13,090	94,807
Contract liabilities	22,437	7,702
Customer discounts, allowances, and returns	11,515	9,948
Advertising and marketing	9,945	11,547
Warranty reserve	9,808	9,996
Accrued capital expenditures	590	895
Interest payable	159	941
Other	17,254	19,209
Total accrued expenses and other current liabilities	$ 130,026	$ 211,399

(1) See Note 11 for further discussion of our product recall reserves.

8. LONG-TERM DEBT

Long-term debt consisted of the following at the dates indicated (in thousands):

	December 30, 2023	December 31, 2022
Term Loan A, due 2028	$ 82,266	$ 90,000
Finance lease debt	5,805	7,309
Total debt	88,071	97,309
Current maturities of long-term debt	(4,219)	(22,500)
Current maturities of finance lease debt	(2,360)	(2,111)
Total long-term debt	81,492	72,698
Unamortized deferred financing fees	(2,847)	(957)
Total long-term debt, net	$ 78,645	$ 71,741

At December 30, 2023, the future maturities of principal amounts of our debt obligations, excluding finance lease obligations, for the next five years and in total (see Note 5 for future maturities of finance lease obligations), consisted of the following (in thousands):

	Amount
2024	4,219
2025	4,219
2026	4,219
2027	4,219
2028	65,390
Total	$ 82,266

Credit Facility

In May 2016, we entered into a senior secured credit agreement (as amended, the "Credit Agreement") that provided for: (a) a five-year $100.0 million revolving credit facility ("Revolving Credit Facility"); (b) a five-year $445.0 million term loan A ("Term Loan A"); and (c) a six-year $105.0 million term loan B ("Term Loan B") (together with amendments described below, the "Credit Facility"). During 2019, we voluntarily repaid in full the principal amount outstanding under Term Loan B.

On July 15, 2017, we amended the Credit Facility to reset the net leverage ratio covenant for the period ending June 2017 and thereafter. On December 17, 2019, we further amended our Credit Facility which increased the remaining principal amount of Term Loan A from approximately $298.0 million to $300.0 million; increased the commitments under the Revolving Credit Facility from $100.0 million to $150.0 million; extended the maturity date of both Term Loan A and the Revolving Credit Facility to December 17, 2024; revised the leverage ratios and reduced the interest rates spreads and commitment fee payable on the average daily unused amount of the revolving commitment; and revised the scheduled quarterly principal payments of Term Loan A.

On March 31, 2023, we amended the Credit Facility, leaving the material terms of the Credit Facility substantially unchanged, with the exception of certain changes to implement the replacement of LIBOR with SOFR.

On June 22, 2023, we further amended the Credit Facility, which extended the maturity date of both the Term Loan A and the Revolving Credit Facility from December 17, 2024 to June 22, 2028; refinanced and replaced the existing Term Loan A in full with a new $84.4 million Term Loan A; and increased the commitments under the Revolving Credit Facility from $150.0 million to $300.0 million. As a result of the amendment, we recognized a $0.3 million loss on modification and extinguishment of debt and we capitalized $2.8 million of new lender and third-party fees in the second quarter of 2023.

Pursuant to the Credit Agreement, we are required to make quarterly principal payments equal to 1.25% of the then-outstanding aggregate principal amount of the Term Loan A. As amended, the scheduled quarterly principal payments began on September 30, 2023 and are due each December 31, March 31, June 30 and September 30 thereafter, with the remaining principal balance due on the maturity date. Borrowings under the Term Loan A and the Revolving Credit Facility bear interest at Term SOFR or the Alternate Base Rate (each as defined in the Credit Agreement) plus an applicable rate ranging from 1.75% to 2.50% for Term SOFR-based loans and from 0.75% to 1.50% for Alternate Base Rate-based loans, depending upon our total Net Leverage Ratio (as defined in the Credit Agreement). Additionally, a commitment fee ranging from 0.200% to 0.300%, determined by reference to a pricing grid based on our net leverage ratio, is payable on the average daily unused amounts under the Revolving Credit Facility. As of December 30, 2023 and December 31, 2022, we had no borrowings outstanding under our Revolving Credit Facility.

The Credit Facility also provides us with the ability to issue up to $40.0 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under our Revolving Credit Facility, it does reduce the amount available. As of December 30, 2023, we had no outstanding letters of credit.

The weighted average interest rate on borrowings outstanding under the Term Loan A at December 30, 2023 and December 31, 2022 was 6.83% and 3.49%, respectively.

The Credit Facility includes customary financial and non-financial covenants limiting, among other things, mergers and acquisitions; investments, loans, and advances; affiliate transactions; changes to capital structure and the business; additional indebtedness; additional liens; the payment of dividends; and the sale of assets, in each case, subject to certain customary exceptions. The Credit Facility contains customary events of default, including payment defaults, breaches of representations and warranties, covenant defaults, defaults under other material debt, events of bankruptcy and insolvency, failure of any guaranty or security document supporting the Credit Facility to be in full force and effect, and a change of control of our business. At December 30, 2023, we were in compliance with the covenants under our Credit Facility.

Term Loan A

The Term Loan A is a $84.4 million term loan facility, maturing on June 22, 2028. Principal payments of $5.6 million were due quarterly during 2021 and through March 2023 and $1.1 million are due from September 2023 through March 2028, with any remaining unpaid balance due at maturity. In 2020, we made $150.0 million in voluntary payments on our Term Loan A from excess cash on hand, and as a result we recorded a $1.1 million loss on prepayments of debt.

9. STOCK-BASED COMPENSATION

We award stock-based compensation to employees and directors under the 2018 Equity and Incentive Compensation Plan ("2018 Plan"), which was adopted by our Board of Directors and became effective upon the completion of our initial public offering in October 2018. The 2018 Plan replaced the 2012 Equity and Performance Incentive Plan, as amended and restated on June 20, 2018 (the "2012 Plan"). Any remaining shares available for issuance under the 2012 Plan as the date of our initial public offering in October 2018 are not available for future issuance. However, shares subject to stock awards granted under the 2012 Plan (a) that expire or terminate without being exercised or (b) that are forfeited under an award, return to the 2018 Plan.

Subject to adjustments as described above, the 2018 Plan provides for up to 4.8 million shares of authorized stock to be awarded as stock options, appreciation rights, restricted stock ("RSAs"), restricted stock units ("RSUs"), performance shares, performance units, cash incentive awards, and certain other awards based on or related to shares of our common stock. The 2012 Plan provided for up to 8.8 million shares of authorized stock to be awarded as either stock options or RSUs.

Stock options, RSUs, and RSAs granted generally have a three-year vesting period and vest one-third on the first anniversary of the grant date, and an additional one-sixth vest on each of the first four six-month anniversaries of the initial vesting date. Stock options have a ten year term. Performance-based restricted stock awards ("PBRSs") and performance-based restricted stock unit awards ("PBRSUs") cliff vest based on the attainment of certain predetermined three-year cumulative performance goals over a three-year performance period subject to continued employment. Depending on the estimated probability of attainment of those performance goals, the compensation expense recognized related to the awards could increase or decrease over the remaining vesting period. Deferred stock units ("DSUs") are issued to non-employee directors in lieu of RSUs or certain cash compensation at the election of the grantee. DSUs generally vest one year from the grant date.

We recognized non-cash stock-based compensation expense of $29.8 million, $17.8 million, and $15.5 million for 2023, 2022, and 2021, respectively. The related income tax benefits were $5.1 million, $3.8 million, and $12.9 million for 2023, 2022, and 2021, respectively. As of December 30, 2023, total unrecognized stock-based compensation expense of $50.4 million for all stock-based compensation plans is expected to be recognized over a weighted-average period of 2.0 years.

Restricted Stock Units, Restricted Stock Awards, and Deferred Stock Units

Stock-based activity, excluding options, for the year ended December 30, 2023 is summarized below (in thousands, except per share data):

	Performance-Based Restricted Stock Awards and Performance-Based Restricted Stock Units		Restricted Stock Units, Restricted Stock Awards, and Deferred Stock Units	
	Number of PBRSs and PBRSUs	Weighted Average Grant Date Fair Value	Number of RSUs, RSAs, and DSUs	Weighted Average Grant Date Fair Value
Nonvested, December 31, 2022	233	$ 53.63	812	$ 51.28
Granted	279	38.59	1,009	38.81
Vested/released	(99)	32.84	(383)	51.74
Forfeited/expired	(15)	64.98	(126)	47.01
Nonvested, December 30, 2023	398	$ 48.14	1,312	$ 41.99

As of December 30, 2023, the weighted average remaining contractual term of PBRSs and PBRSUs was 2.0 years and the aggregate intrinsic value of PBRSs and PBRSUs expected to vest was $9.3 million. The weighted average remaining contractual term of RSUs, RSAs, and DSUs was 1.9 years and the aggregate intrinsic value of RSUs, RSAs, and DSUs was $41.1 million as of December 30, 2023.

The following table summarizes additional information about PBRSs PBRSUs, RSUs, RSAs, and DSUs (in thousands, except per share data):

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Weighted average grant date fair value per share of awards granted	$ 38.74	$ 52.42	$ 79.06
Total grant date fair value of awards vested	$ 19,828	$ 11,602	$ 7,145
Intrinsic value of awards vested	$ 16,485	$ 12,434	$ 19,346

Stock Options

There have been no new grants of options since 2019 and all options outstanding as of December 31, 2022 and December 30, 2023 were exercisable. We had no unrecognized compensation cost related to stock options and no non-vested stock options as of December 30, 2023 or December 31, 2022. A summary of the stock options is as follows for the periods indicated (in thousands, except per share data):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance, December 31, 2022	642	$ 20.10	5.93	
Exercised	(64)	24.41		
Balance, December 30, 2023	578	$ 19.62	4.89	$ 18,550
Exercisable, December 30, 2023	578	$ 19.62	4.89	$ 18,550

The total intrinsic value of stock options exercised was $1.0 million, $3.3 million, and $33.1 million for 2023, 2022, and 2021, respectively. The income tax benefits related to stock options exercised were $0.2 million, $0.8 million, and $8.1 million for 2023, 2022, and 2021, respectively. The total grant date fair value of stock options vested was $1.7 million, and $2.2 million for 2022, and 2021, respectively.

10. STOCKHOLDERS' EQUITY

On February 27, 2022, the Board of Directors authorized a common stock repurchase program of up to $100.0 million. During the three months ended April 2, 2022, we repurchased 1,676,551 shares for an aggregate purchase price of $100.0 million, including fees and commissions, at an average repurchase price of $59.66 per share. Following the repurchases, no shares remained available for future repurchases under the program. All of the common stock repurchased is held as treasury stock.

On February 1, 2024, the Board of Directors authorized the repurchase of up to $300 million of the Company's common stock. See Note 14—Subsequent Events for information regarding the Company's Share Repurchase Program adopted in February 2024.

11. COMMITMENTS AND CONTINGENCIES

Future commitments under non-cancelable agreements at December 30, 2023 were as follows (in thousands):

		Fiscal Year					
	Total	2024	2025	2026	2027	2028	Thereafter
Non-cancelable agreements[1]	$ 154,013	$ 73,867	$ 50,515	$ 21,900	$ 6,198	$ 1,533	$ —

(1) We have entered into commitments for service and maintenance agreements related to our management information systems, distribution contracts, advertising, sponsorships, and licensing agreements.

As we are unable to reasonably predict the timing of settlement of liabilities related to unrecognized tax benefits and other noncurrent tax liabilities, the table above does not include $17.6 million, net, of such liabilities that are on our consolidated balance sheet as of December 30, 2023.

We are involved in various claims and legal proceedings, some of which are covered by insurance. We believe that the existing claims and proceedings, and potential losses relating to such contingencies, will not have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

Product Recall Reserves

In January 2023, we notified the U.S. Consumer Product Safety Commission ("CPSC") of a potential safety concern regarding the magnet-lined closures of our Hopper M30 Soft Cooler, Hopper M20 Soft Backpack Cooler, and SideKick Dry gear case (the "affected products") and initiated a global stop sale of the affected products. In February 2023, we proposed a voluntary recall of the affected products to the CPSC, and other relevant global regulatory authorities, which we refer to as the "voluntary recalls" herein unless otherwise indicated. In conjunction with the stop sale, we determined that the affected products inventory held by us, our suppliers and our wholesale customers is unsalable, and notified our wholesale customers to return the affected products. In March 2023, we announced separate, voluntary recalls of the affected products in collaboration with the CPSC and subsequently began processing recall claims and returns.

We establish reserves for the estimated costs of a product recall when circumstances giving rise to the recall become known and when such costs are probable and estimable. As a result of the voluntary recalls, we established a reserve as of December 31, 2022, for expected future returns and the estimated cost of recall remedies for consumers with affected products. The reserve for the estimated product recall expenses is included within accrued expenses and other current liabilities on our consolidated balance sheets. Estimating the cost of recall remedies required significant judgment and is primarily based on i) expected consumer participation rates; and ii) the estimated costs of the consumer's elected remedy in the recalls, including the estimated cost of either product replacements or gift card elections, logistics costs, and other recall-related costs. We reevaluate these assumptions each period, and the related reserves are adjusted when factors indicate that the reserve is either not sufficient to cover or exceeds the estimated product recall costs. The ultimate impact from the approved voluntary recalls could differ materially from these estimates.

The reserve for the estimated product recall expenses was $13.1 million and $94.8 million as of December 30, 2023 and December 31, 2022, respectively. As of December 31, 2022, we recorded a write-off of $34.1 million for our unsalable inventory on-hand. Due to the physical scrapping of inventory, the inventory reserve for our unsalable inventory on-hand, including affected products returned in connection with the recalls, was nominal as of December 30, 2023.

During the second quarter of 2023, we began processing recall-related claims and returns. Based on such experience and observed trends during 2023, we reevaluated our prior assumptions and adjusted our estimated product recall reserve. These trends included higher than anticipated elections by consumers to receive gift cards in lieu of product replacement remedies, lower than anticipated consumer recall participation rates, variations in individual product participation rates, and lower logistics costs than previously estimated. As a result, we updated our recall reserve assumptions throughout the remainder of 2023, which increased the estimated recall expense reserve by $3.6 million during the year ended December 30, 2023.

The following table summarizes the activity in the reserve for the estimated product recall expenses (in thousands):

	December 30, 2023
Balance, January 1, 2023	$ 94,807
Actual product refunds, replacements and recall-related costs	(55,470)
Gift card issuances[(1)]	(29,802)
Reserve adjustment	3,555
Balance, December 30, 2023	$ 13,090

(1) For the year ended December 30, 2023, we recognized net sales of $25.3 million from redeemed recall-related gift cards. As of December 30, 2023, we had $4.5 million in unredeemed recall-related gift card liabilities, which are included in contract liabilities within accrued expenses and other current liabilities on our consolidated balance sheet.

The product recalls, which include recall reserve adjustments and other incurred costs, had the following effect on our income before income taxes (in thousands):

	Fiscal Year Ended	
	December 30, 2023	December 31, 2022
Decrease to net sales[(1)]	$ (21,700)	$ (38,415)
Decrease (increase) to cost of goods sold[(2)]	8,423	(58,583)
Decrease to gross profit	(13,277)	(96,998)
Decrease (increase) to selling, general and administrative expenses[(3)]	11,382	(31,910)
Decrease to income before income taxes	$ (1,895)	$ (128,908)

(1) For the year ended December 30, 2023, primarily reflects the unfavorable impact of the recall reserve adjustment mainly related to higher estimated future recall remedies (i.e., estimated gift card elections). For the year ended December 31, 2022, reflects a reduction for estimated future returns and recall remedies in connection with the initial recognition of the product recall reserves. Of the total net sales impact, $7.3 million and $14.4 million was allocated to our DTC and wholesale channels for the year ended December 30, 2023, and $6.2 million and $32.2 million was allocated to our DTC and wholesale channels for the year ended December 31, 2022. These amounts were allocated based on the historical channel sell-in basis of the affected products.

(2) For the year ended December 30, 2023, reflects the impact of favorable recall reserve adjustments primarily related to lower estimated costs of future product replacement remedy elections and logistics costs and lower recall-related costs. For the year ended December 31, 2022, reflects an increase to cost of goods sold primarily related to inventory write-offs for unsalable inventory on-hand, and estimated costs of future product replacement remedies, and logistics costs in connection with the initial recognition of the product recall reserves.

(3) For the year ended December 30, 2023, reflects the impact of favorable recall reserve adjustments primarily related to lower estimated other recall-related costs. For the year ended December 31, 2022, reflects an increase to SG&A expenses associated with estimated other recall-related costs in connection with the initial recognition of the product recall reserves.

The ultimate impact from the recalls may differ materially from our estimates, and may harm our business, financial condition, and results of operations. See Part I, Item 1A "Risk Factors - Risks Related to Our Business, Operations and Industry."

12. INCOME TAXES

The components of income before income taxes were as follows for the periods indicated (in thousands):

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Domestic	$ 215,490	$ 107,578	$ 262,182
Foreign	10,456	8,599	6,228
Income before income taxes	$ 225,946	$ 116,177	$ 268,410

The components of income tax expense were as follows for the periods indicated (in thousands):

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Current tax expense:			
U.S. federal	$ 21,139	$ 43,967	$ 37,963
State	7,659	11,761	11,018
Foreign	1,936	3,372	1,726
Total current tax expense	30,734	59,100	50,707
Deferred tax expense (benefit):			
U.S. federal	20,136	(26,783)	4,770
State	4,230	(4,499)	540
Foreign	961	(1,334)	(209)
Total deferred tax expense (benefit)	25,327	(32,616)	5,101
Total income tax expense	$ 56,061	$ 26,484	$ 55,808

A reconciliation of income taxes computed at the federal statutory income tax rate of 21% to the effective income tax rate is as follows for the periods indicated (in thousands):

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Income taxes at the statutory rate	$ 47,449	$ 24,397	$ 56,366
Increase (decrease) resulting from:			
State income taxes, net of federal tax effect	8,532	4,454	8,562
Foreign-derived intangible income	(3,192)	(2,878)	(3,056)
Research and development tax credits	(681)	(742)	(630)
Tax expense (benefit) related to stock-based compensation	713	(472)	(7,259)
Other	3,240	1,725	1,825
Income tax expense	$ 56,061	$ 26,484	$ 55,808

Deferred tax assets and liabilities consisted of the following for the periods indicated (in thousands):

	Fiscal Year Ended	
	December 30, 2023	December 31, 2022
Deferred tax assets:		
Accrued liabilities	$ 7,688	$ 24,339
Allowances and other reserves	3,450	3,510
Inventory	2,974	13,022
Stock-based compensation	5,857	5,410
Operating lease liabilities	22,280	16,817
Capitalized research and development expenditures	9,276	7,921
Other	2,647	4,520
Total deferred tax assets	$ 54,172	$ 75,539
Deferred tax liabilities:		
Operating lease assets	$ (19,047)	$ (13,828)
Prepaid expenses	(1,279)	(1,286)
Property and equipment	(11,469)	(15,734)
Intangible assets	(24,645)	(21,346)
Other	(60)	(112)
Total deferred tax liabilities	(56,500)	(52,306)
Net deferred tax liabilities	$ (2,328)	$ 23,233
Amounts included in the Consolidated Balance Sheets:		
Deferred income taxes	$ 1,692	$ 23,233
Other liabilities	(4,020)	—
Net deferred income tax liabilities	$ (2,328)	$ 23,233

We consider the undistributed earnings of our foreign subsidiaries to be indefinitely reinvested, and, accordingly, no taxes have been recognized on such earnings except for the transition tax recognized as part of the Tax Cuts and Jobs Act ("the Tax Act") during 2017. We continue to evaluate our plans for reinvestment or repatriation of unremitted foreign earnings. If we determine that all or a portion of our foreign earnings are no longer indefinitely reinvested, we may be subject to additional foreign withholding taxes and U.S. state income taxes. We believe it is not practicable to estimate the amount of additional taxes, which may be payable upon distribution of these earnings. At December 30, 2023, we had unremitted earnings of foreign subsidiaries of $37.2 million.

The Tax Act introduced new provisions for U.S. taxation of certain global intangible low-taxed income ("GILTI"). We elected to account for the tax on GILTI as a period cost and therefore have not recorded deferred taxes related to GILTI on our foreign subsidiaries.

As of December 30, 2023, we had Texas research and development tax credit carryforwards of approximately $2.1 million, which if not utilized, will expire beginning in 2038.

The following table summarizes the activity related to our unrecognized tax benefits for the periods indicated (excluding interest and penalties) (in thousands):

	Fiscal Year Ended	
	December 30, 2023	December 31, 2022
Balance, beginning of year	$ 12,591	$ 11,113
Gross increases related to current year tax positions	1,318	2,270
Gross increases related to prior year tax positions	1,060	36
Gross decreases related to prior year tax positions	(141)	(68)
Decreases as a result of settlements during the current period	—	(260)
Lapse of statute of limitations	(492)	(500)
Balance, end of year	$ 14,336	$ 12,591

If our positions are sustained by the relevant taxing authorities, approximately $14.3 million (excluding interest and penalties) of uncertain tax position liabilities as of December 30, 2023 would favorably impact our effective tax rate in future periods. We do not anticipate that the balance of gross unrecognized tax benefits will change significantly during the next twelve months.

We include interest and penalties related to unrecognized tax benefits in our current provision for income taxes in the accompanying consolidated statements of operations. As of December 30, 2023, we had recognized a liability of $3.3 million for interest and penalties related to unrecognized tax benefits.

We file income tax returns in the United States and various state and foreign jurisdictions. The tax years 2020 through 2023 remain open to examination in the United States, and the tax years 2016 through 2023 remain open to examination in Texas. The tax years 2019 through 2023 remain open to examination in most other state and foreign jurisdictions.

13. EARNINGS PER SHARE

Basic income per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted income per share includes the effect of all potentially dilutive securities, which include dilutive stock options and awards.

The following table sets forth the calculation of earnings per share and weighted-average common shares outstanding at the dates indicated (in thousands, except per share data):

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Net income	$ 169,885	$ 89,693	$ 212,602
Weighted average common shares outstanding — basic	86,717	86,521	87,425
Effect of dilutive securities	686	674	1,241
Weighted average common shares outstanding — diluted	87,403	87,195	88,666
Earnings per share			
Basic	$ 1.96	$ 1.04	$ 2.43
Diluted	$ 1.94	$ 1.03	$ 2.40

Outstanding stock-based awards representing 0.2 million, 0.5 million and less than 0.1 million shares of common stock were excluded from the calculations of diluted earnings per share in 2023, 2022, and 2021, respectively, because the effect of their inclusion would have been antidilutive to those years.

14. SUBSEQUENT EVENTS

Mystery Ranch and Butter Pat Acquisitions

During the first quarter of 2024, we completed the acquisitions of Mystery Ranch, Ltd. ("Mystery Ranch"), a designer and manufacturer of durable load-bearing backpacks, bags, and pack accessories, and Butter Pat Industries, LLC ("Butter Pat"), a designer and manufacturer of cast iron cookware. The total purchase consideration for both transactions was approximately $48.5 million in cash. The acquisitions were funded through cash on hand. We plan to integrate the Mystery Ranch and Butter Pat operations and products into our business to further expand our capabilities in the bags and cookware categories.

Share Repurchase Program

On February 1, 2024, the Company's Board of Directors authorized the repurchase of up to $300 million (exclusive of fees and commission) of the Company's common stock. Repurchases of shares of common stock may be made through various methods, including, but not limited to, open market, privately negotiated, or accelerated share repurchase transactions. Repurchases under the share repurchase program may also be made pursuant to a plan adopted under Rule 10b5-1 promulgated under the Securities Exchange Act of 1934, as amended. The timing, manner, price, and actual amount of share repurchases will be determined by management based on various factors, including, but not limited to, stock price, economic and market conditions, other capital allocation needs and opportunities, and corporate and regulatory considerations. The Company has no obligation to repurchase any amount of its common stock, and such repurchases, may be suspended or discontinued at any time. The Company expects to fund repurchases from its existing cash position or future cash flow generated from operations.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure 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 and to ensure that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosures. Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 30, 2023.

Management's Annual Report on Internal Control Over Financial Reporting

Our 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 designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP") and includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Our management has conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 30, 2023, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013) ("COSO"). Based on the results of this evaluation, management concluded that our internal control over financial reporting was effective as of December 30, 2023.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited our internal control over financial reporting. Their opinion on the effectiveness of our internal control over financial reporting as of December 30, 2023 appears in Part II, Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the fourth quarter of 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations in Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures, or our internal controls, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake or fraud. Additionally, controls can be circumvented by individuals or groups of persons or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements in our public reports due to error or fraud may occur and not be detected.

Item 9B. Other information

Insider Trading Arrangements

During the three months ended December 30, 2023, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or constituted a "non Rule 10b5-1 trading arrangement."

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

We adopted a written code of business conduct that applies to our directors, executive officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A current copy of the code is posted under "Governance" on the Investor Relations section of our website, www.YETI.com. To the extent required by applicable rules adopted by the SEC and the NYSE, we intend to disclose future amendments to certain provisions of the code, or waivers of such provisions granted to executive officers and directors, in this location on our website at www.YETI.com.

The remaining information required by this item is incorporated by reference to our definitive Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 30, 2023.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our definitive Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 30, 2023.

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

The information required by this item is incorporated by reference to our definitive Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 30, 2023.

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

The information required by this item is incorporated by reference to our definitive Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 30, 2023.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to our definitive Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 30, 2023.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as a part of this Report:

(1) Financial Statements — See Part II, Item 8. "Financial Statements and Supplementary Data" of this Report.
(2) Financial Statement Schedules — None.
(3) Exhibits — The following is a list of exhibits filed or furnished as part of this Report or incorporated by reference herein to exhibits previously filed with the Securities and Exchange Commission.

Exhibit Number	Exhibit
3.1	Amended and Restated Certificate of Incorporation of YETI Holdings, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K on October 26, 2018 and incorporated herein by reference)
3.2	Amended and Restated Bylaws of YETI Holdings, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K on February 7, 2024 and incorporated herein by reference)
4.1	Description of Capital Stock of YETI Holdings, Inc (filed as Exhibit 4.5 to the Company’s Annual Report on Form 10-K for the year ended December 28, 2019 on February 18, 2020 and incorporated herein by reference)
10.1†	Amended and Restated Employment Agreement, dated as of October 9, 2018, by and between YETI Coolers, LLC and Matthew J. Reintjes (filed as Exhibit 10.3 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (Registration No. 333-227578) on October 15, 2018 and incorporated herein by reference)

10.2†	YETI Holdings, Inc. 2012 Equity and Performance Incentive Plan (Amended and Restated June 20, 2018) (filed as Exhibit 10.9 to the Company's Registration Statement on Form S-1 (Registration No. 333-227578) on September 27, 2018 and incorporated herein by reference)
10.3†	Form of Option Adjustment Letter, dated as of May 19, 2016 (filed as Exhibit 10.14 to the Company's Registration Statement on Form S-1 (Registration No. 333-227578) on September 27, 2018 and incorporated herein by reference)
10.4†	Form of Restricted Stock Unit Agreement under the YETI Holdings, Inc. 2012 Equity and Performance Incentive Plan (Amended and Restated June 20, 2018) (filed as Exhibit 10.15 to the Company's Registration Statement on Form S-1 (Registration No. 333-227578) on September 27, 2018 and incorporated herein by reference)
10.5†	YETI Coolers, LLC Senior Leadership Severance Benefits Plan (filed as Exhibit 10.16 to the Company's Registration Statement on Form S-1 (Registration No. 333-227578) on September 27, 2018 and incorporated herein by reference)
10.6†	YETI Holdings, Inc. 2018 Equity and Incentive Compensation Plan (filed as Exhibit 10.17 to the Company's Registration Statement on Form S-1 (Registration No. 333-227578) on September 27, 2018 and incorporated herein by reference)
10.7†	Form of Non-Employee Director Restricted Stock Unit Agreement under the 2018 Equity and Incentive Compensation Plan (filed as Exhibit 10.18 to the Company's Registration Statement on Form S-1 (Registration No. 333-227578) on September 27, 2018 and incorporated herein by reference)
10.8†	Form of Non-Employee Director Deferred Stock Unit Agreement under the 2018 Equity and Incentive Compensation Plan (filed as Exhibit 10.19 to the Company's Registration Statement on Form S-1 (Registration No. 333-227578) on September 27, 2018 and incorporated herein by reference)
10.9†	Form of Non qualified Stock Option Agreement under the 2018 Equity and Incentive Compensation Plan (filed as Exhibit 10.20 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (Registration No. 333-227578) on October 15, 2018 and incorporated herein by reference)
10.10†	Form of Time-Based Restricted Stock Award Agreement under the YETI Holdings, Inc. 2018 Equity and Performance Incentive Plan (filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 27, 2020 filed August 6, 2020 and incorporated herein by reference)
10.11†	Form of Performance-Based Restricted Stock Award Agreement under the YETI Holdings, Inc. 2018 Equity and Performance Incentive Plan (filed as Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 27, 2020 filed August 6, 2020 and incorporated herein by reference)
10.12†	Form of Global Restricted Stock Unit Agreement under YETI Holdings, Inc. 2018 Equity and Performance Incentive Plan (filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended April 2, 2022 filed May 11, 2022 and incorporated herein by reference)
10.13†	Form of Global Performance-Based Restricted Stock Unit Grant Agreement under YETI Holdings, Inc. 2018 Equity and Performance Incentive Plan (filed as Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended April 2, 2022 filed May 11, 2022 and incorporated herein by reference)
10.14*†	YETI Holdings, Inc. Non-Employee Director Compensation Policy, effective December 31, 2023
10.15†	Form of Indemnification Agreement by and between the Company and each of its directors and executive officers (filed as Exhibit 10.21 to the Company's Registration Statement on Form S-1 (Registration No. 333-227578) on September 27, 2018 and incorporated herein by reference)

10.16	Credit Agreement, dated as of May 19, 2016, by and among YETI Holdings, Inc., the lenders from time to time party thereto and Bank of America, N.A., as administrative agent (filed as Exhibit 10.22 to the Company's Registration Statement on Form S-1 (Registration No. 333-227578) on September 27, 2018 and incorporated herein by reference)
10.17	First Amendment to Credit Agreement, dated as of July 17, 2017, by and among YETI Holdings, Inc., the lenders from time to time party thereto and Bank of America, N.A., as administrative agent (filed as Exhibit 10.23 to the Company's Registration Statement on Form S-1 (Registration No. 333-227578) on September 27, 2018 and incorporated herein by reference)
10.18	Second Amendment to Credit Agreement, dated as of December 17, 2019, by and among YETI Holdings, Inc., the lenders from time to time party thereto and Bank of America, N.A., as administrative agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on December 18, 2019 and incorporated herein by reference)
10.19	Third Amendment to Credit Agreement, dated as of March 31, 2023, by and among YETI Holdings, Inc., the lenders from time to time party thereto and Bank of America, N.A., as administrative agent. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2023 filed May 11, 2023 and incorporated herein by reference)
10.20	Fourth Amendment to Credit Agreement, dated as of June 22, 2023, by and among YETI Holdings, Inc., the subsidiaries of YETI Holdings, Inc. party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on June 26, 2023 and incorporated herein by reference)
21.1*	Subsidiaries of YETI Holdings, Inc.
23.1*	Consent of PricewaterhouseCoopers LLP
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97*	Policy Regarding the Recoupment of Certain Compensation Payments
101	The following audited financial statements from YETI Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 30, 2023, formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to the Consolidated Financial Statements
104*	Cover Page Interactive Data File (embedded within the Exhibit 101 Inline XBRL document)

* Filed herewith.
** Furnished herewith.
† Indicates a management contract or compensation plan or arrangement.

Item 16. Form 10-K Summary

None.

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.

YETI Holdings, Inc.

Dated: February 26, 2024	By: /s/ Matthew J. Reintjes
	Matthew J. Reintjes
	President and Chief Executive Officer

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 indicated and on the dates indicated.

Dated: February 26, 2024	By: /s/ Matthew J. Reintjes
	Matthew J. Reintjes
	President and Chief Executive Officer, Director (Principal Executive Officer)
Dated: February 26, 2024	By: /s/ Michael J. McMullen
	Michael J. McMullen
	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
Dated: February 26, 2024	By: /s/ Robert K. Shearer
	Robert K. Shearer
	Chair and Director
Dated: February 26, 2024	By: /s/ Elizabeth L. Axelrod
	Elizabeth L. Axelrod
	Director
Dated: February 26, 2024	By: /s/ Alison Dean
	Alison Dean
	Director
Dated: February 26, 2024	By: /s/ Frank D. Gibeau
	Frank D. Gibeau
	Director
Dated: February 26, 2024	By: /s/ Robert A. Katz
	Robert A. Katz
	Director
Dated: February 26, 2024	By: /s/ Mary Lou Kelley
	Mary Lou Kelley
	Director
Dated: February 26, 2024	By: /s/ Dustan E. McCoy
	Dustan E. McCoy
	Director

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BOARD OF DIRECTORS

Robert K. Shearer	Chair of the Board; Retired Senior Vice President and Chief Financial Officer of VF Corporation
Matthew J. Reintjes	President and Chief Executive Officer of YETI Holdings, Inc.
Elizabeth L. Axelrod	Former Global Head of Employee Experience, Airbnb, Inc.
Alison Dean	Former Executive Vice President, Chief Financial Officer and Treasurer of iRobot Corporation
Frank D. Gibeau	President, Zynga Label of Take Two Interactive Software, Inc.
Robert Katz	Executive Chairperson, Vail Resorts, Inc.
Mary Lou Kelley	Former President of E-Commerce at Best Buy Co., Inc.
Dustan E. McCoy	Retired Chairman and Chief Executive Officer of Brunswick Corporation

EXECUTIVE OFFICERS

Matthew J. Reintjes	President and Chief Executive Officer, Director
Michael J. McMullen	Senior Vice President, Chief Financial Officer and Treasurer
Bryan C. Barksdale	Senior Vice President, Chief Legal Officer and Secretary
Martin H. Duff	Senior Vice President, Supply Chain and Operations

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