

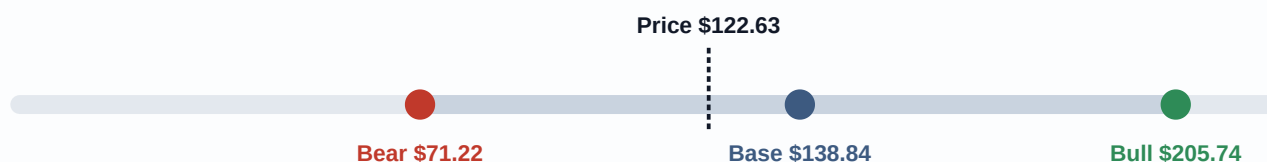
Initiated 2026-09-30 · Price \$122.63 (as of 2026-09-29 close, stockanalysis.com) · Mkt cap \$5.88bn · Consumer discretionary / footwear · Model: verified

Rating: Hold — Conviction: Low

Crocs generates about \$700mm of free cash a year, and at 7.3x EBITDA and 8.5x forward earnings it is priced as a fading fad. The filings don't show a fade yet: the Crocs brand grew 4.3% in Q2. But enterprise growth is guided at only 1–2%, HEYDUDE is still shrinking, and the stock has risen 50% in a year. Base sits only modestly above the price, and most of that gap depends on a re-rating. Hold: the upside is larger in dollars than the downside, but the bear path is the familiar one for a single-silhouette fashion brand.

Conviction tests (3a-v-c): T1 fail (Hold → Buy at –1pp: Base +24.9%; +3.6% at +1pp stays Hold) · T2 fail (Gordon alone +22% reads Buy; exit multiple alone +4% reads Hold) · T3 pass · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

Crocs sells molded-resin clogs, sandals and Jibbitz charms, plus HEYDUDE canvas slip-ons (acquired February 2022). FY2025 revenue was \$4.04bn (–1.5%). In Q2 2026, revenue was \$1,179mm (+2.6%): the Crocs brand \$1,000mm (85%, +4.3%) and HEYDUDE \$179mm (–5.7%). Crocs-brand international now exceeds North America (\$541.7mm vs \$458.7mm), and DTC grows (+12.9%) while wholesale shrinks (–5.0%). Earnings turn on three things: whether Crocs-brand demand holds in North America, how far international DTC can run, and gross margin (60.0% adjusted in Q2, down 170bp, of which 160bp was tariffs). Management guides FY2026 revenue +1% to +2% and adjusted EPS of \$13.70–\$14.00.

Competition

Crocs competes for casual-comfort spend with Birkenstock, Deckers (UGG, HOKA) and On. Birkenstock's April–June quarter revenue rose 15% in constant currency to €720mm (August 2026, via search summary). Pressure would show first in wholesale orders (Crocs brand –5.0%, HEYDUDE –17.2% in Q2), then in promotions. On lease-inclusive trailing EV/EBITDA, Birkenstock trades at 9.9x, Deckers at 7.1x, On at 14.9x and Crocs at 8.0x. On trade: the Section 122 tariff lapsed on 2026-07-24 and was replaced by Section 301 forced-labor tariffs (Baker Donelson, via search summary). Whether the new tariffs cover Crocs' main sourcing countries is n/a (unverified). About \$20mm of IEEPA refunds arrived after Q2 and will be booked in Q3 cost of sales. That is a one-off of \$0.42 per share (0.3% of market cap).

Bull case

1. **International runway** — international Crocs-brand revenue grew 7.8% in Q2, and international DTC grew 23.7%; international is already over half the brand. Plays out if international DTC keeps growing 15%+ and HEYDUDE DTC's +7.2% spreads to its wholesale channel. *Model: rev_growth*
2. **Margin recovers toward FY2023–24** — pre-impairment EBITDA margin was 27.8% and 27.2% in FY2023–24 and 23.9% in FY2025; tariffs cost 160bp of Q2 gross margin. With tariff relief and HEYDUDE stabilised, margin can rebuild to ~26%. Plays out if gross margin excluding refunds returns above 61% in 2027. *Model: ebitda_margin*
3. **The cash yield re-rates** — 7.3x EBITDA and an 11% FCF yield price a brand in decline. Plays out if two more quarters of Crocs-brand growth convince the market the clog is a staple, lifting the multiple toward Birkenstock's 9.9x. *Model: exit_ev_ebitda*

Bear case

1. **The clog cycle turns in North America** — Crocs-brand wholesale fell 5.0% in Q2 even as DTC grew. That pattern fits retailers de-stocking, and Q3 is guided about flat. Plays out if North American Crocs-brand revenue falls for two consecutive quarters and inventory outgrows sales. *Model: rev_growth, ebitda_margin, nwc_pct_rev, exit_ev_ebitda*
2. **HEYDUDE keeps shrinking** — H1 revenue –8.9% after \$737mm of impairments in Q2 2025; \$1.54bn of HEYDUDE trademark and goodwill remains on the balance sheet. Plays out if HEYDUDE misses its guided return to North American growth in H2 2026. *Model: rev_growth, ebitda_margin*
3. **High beta at a 5.3% risk-free rate** — an own beta of 1.51 gives a 12.8% cost of equity and an 11.2% WACC, which discounts distant cash flows heavily. Plays out if the 10Y stays above 5%. *Model: wacc*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA (model basis: mkt cap – cash + funded debt; pre-impairment GAAP EBITDA, leases excluded)	7.3x FY2025	n/a (unverified)	DECK 7.1x · BIRK 9.9x · ONON 14.9x (trailing, lease-inclusive, aggregator)	Model; stockanalysis 2026-09-29
EV/EBITDA (aggregator, trailing, lease-inclusive)	8.0x	n/a (unverified)	same as above	stockanalysis 2026-09-29
Forward P/E (consensus)	8.5x	n/a (unverified)	DECK 10.2x · BIRK 12.5x · ONON 16.2x	stockanalysis 2026-09-29
FCF yield (FY OCF – capex, on today's market cap)	11.2% FY2025 (\$659mm)	FY2023 13.9% · FY2024 15.7% of today's cap	DECK 10.6% · BIRK 5.7% · ONON 5.3% (TTM, aggregator)	EDGAR; stockanalysis 2026-09-29

Model-implied value range (from `model-summary.json`; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$71.22 · Base \$138.84 · Bull \$205.74 per share, i.e. implied returns of –41.9% / +13.2% / +67.8% vs \$122.63. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits just below Base: flat-to-low growth at today's margin is priced, and the international runway gets little credit. The Base exit multiple of 7.0x is a ~4% de-rating from today's 7.3x, and that method alone gives \$127.96 (+4.3%). The Gordon method gives \$149.72, 17% higher. At an 11.17% WACC and 2.5% terminal growth, it embeds about 8.6x (est.) year-five EBITDA, an ~18% re-rating. The Base return above +4% needs that re-rating. Tail sensitivity (Crocs brand is ~85% of revenue): FY2026 +1%, then revenue –10%, –8%, –3% and 0%; EBITDA margin falling to 17–18%; NWC 7% of sales; a 4.5x exit; a 13.2% WACC. The bear midpoint falls to \$42.94.

Balance sheet: net leverage 1.20x FY2025 EBITDA; gross leverage 1.38x; coverage 14.2x (model Credit). Debt of \$1,334mm at face (2026-06-30): Term Loan B \$500mm (SOFR + 2.25%, 2029), 4.25% notes \$350mm (2029), 4.125% notes \$350mm (2031), and \$134mm drawn on the revolver. Liquidity: \$170.3mm cash plus \$865.4mm undrawn revolver. Nearest maturity: the revolver, November 2027; \$850mm matures in 2029. Covenants (max leverage 3.25x, min coverage 3.0x) were met at Q2. Ratings: Moody's Ba2 (trade-press search

summary; action date not confirmed); S&P n/a (unverified). In H1, buybacks (\$259mm) exceeded FCF (\$232mm). The \$2.0bn authorization is 34% of market cap. The Base case returns 90% of levered FCF, so net debt falls only slowly: 1.11x EBITDA in year one, 0.73x by year five.

Model note: verified: LibreOffice recalculation matched all 3,207 formula cells. Unverified inputs: none. Assumptions without basis: none. No scenario CHECKS. EBITDA adds back FY2025's \$738.1mm of impairments but stays after SBC and restructuring. Base Y1 EPS of \$14.17 is 2.3% above the \$13.85 adjusted-guide midpoint and ~12% above GAAP guidance (\$12.47–\$12.77). Two reasons: the model uses the 10-Q cover count of 47.9mm shares (Q2 weighted diluted: 49.6mm), and a 21% tax rate, between the 18% adjusted and 23% GAAP guides. FY2023 NWC was not retrieved.

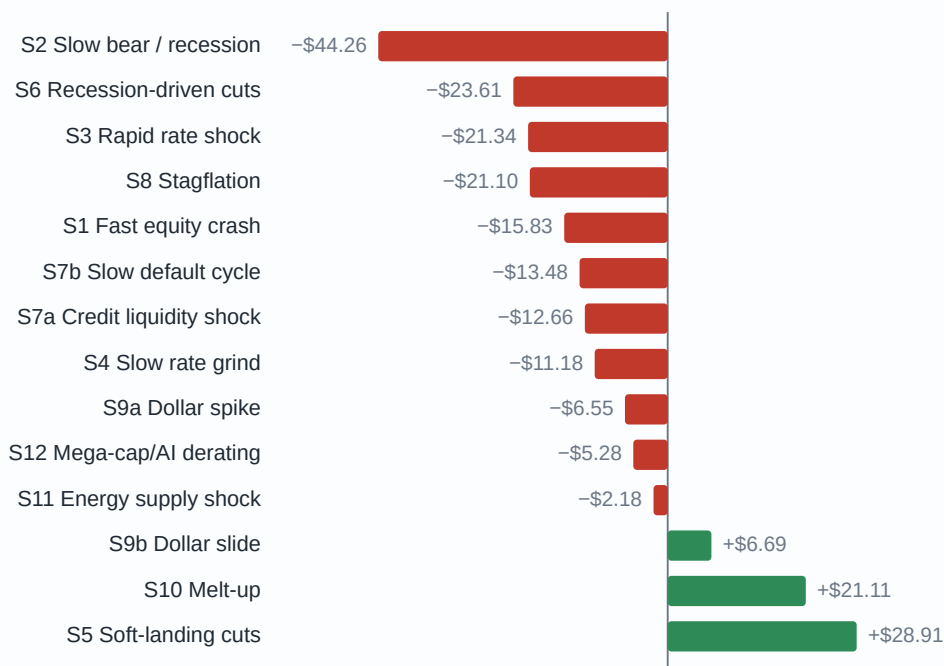
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Beta 1.51 and ~9.8% short interest; multiple de-risks, no operating channel	Med	–\$15.83
S2 Slow bear / recession	–	Wholesale partners cut orders; promotions and deleverage hit margin; multiple compresses. Milder than the bear case because it is a two-year dip, not a permanent fade of the clog	High	–\$44.26
S3 Rapid rate shock	–	Discount rate and multiple re-price; floating TLB and revolver (\$634mm) reprice	Med	–\$21.34
S4 Slow rate grind	–	Same channel, grinding	Low	–\$11.18
S5 Soft-landing cuts	+	Lower discount rate plus consumer relief	Med	+\$28.91
S6 Recession-driven cuts	–	Order cuts and promotions outweigh lower rates	Med	–\$23.61
S7a Credit liquidity shock	–	Ba2/BB-area issuer with a 2027 revolver; levered equities sold, spreads gap	Low	–\$12.66
S7b Slow default cycle	–	Weak wholesale accounts, higher refinancing spread	Low	–\$13.48
S8 Stagflation	–	Freight, resin and wage costs rise while a squeezed consumer resists price	Med	–\$21.10
S9a Dollar spike	–	International is ~46% of enterprise revenue: translation loss outweighs cheaper dollar-priced sourcing	Low	–\$6.55
S9b Dollar slide	+	Mirror: translation gain	Low	+\$6.69
S10 Melt-up	+	Heavily shorted high-beta name at 8.5x forward earnings: covering and re-rating	Med	+\$21.11
S11 Energy supply shock	–	Petroleum-based resin and freight costs; consumer gasoline squeeze	Low	–\$2.18
S12 Mega-cap/AI derating	–	Not AI-linked; modest spillover to high-beta equities	Low	–\$5.28

Currently active/on watch per the playbook: S3 is active (`state.md` says partially active; the 2026-09-29 macro log has all three legs met at a 10Y of 5.26%). S8, S10 and S11 are on watch. S3 is the live row, via the discount rate and \$634mm of floating-rate debt.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: North American Crocs-brand revenue grows again in Q3/Q4, HEYDUDE returns to growth in North America as guided, and adjusted gross margin excluding refunds holds at ~60% or better. **Downgrades if:** Crocs-brand wholesale declines widen past -5% for two quarters, inventory grows faster than revenue, or buybacks keep outrunning FCF so that gross leverage rises above ~2x.

Watch items

- **W1:** Q3 2026 revenue vs the ~flat guide and adjusted operating margin vs ~21.5% — Q3 release — ~late Oct / early Nov 2026 — *Model: rev_growth, ebitda_margin*
- **W2:** Crocs-brand wholesale growth (Q2 -5.0%) and North American revenue trend — Q3 10-Q — Nov 2026 — *Model: rev_growth*
- **W3:** HEYDUDE revenue vs the FY2026 guide of -2% to -4%, and whether North America grows in H2 — Q3/Q4 releases — Nov 2026 / Feb 2027 — *Model: rev_growth, ebitda_margin*
- **W4:** Gross debt vs \$1,334mm and buybacks vs FCF under the \$2.0bn authorization — Q3 10-Q — Nov 2026 — *Model: none*

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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.