Risk Factors Comparison 2024-02-15 to 2023-02-16 Form: 10-K

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You should carefully consider the following risk factors and all other information presented within this Annual Report on Form 10- K. The risks set forth below are those that our management believes are applicable to our business and the industry in which we operate. These risks have the potential to have a material adverse effect on our business, results of operations, cash flows, financial condition, liquidity, access to sources of financing, or stock price. The risks included here are not exhaustive and there may be additional risks that are not presently material or known. Because we operate in a very competitive and rapidly changing environment, new risk factors emerge from time to time and it is not possible for us to predict all risk factors, nor can we assess the impact of all such risk factors on our business. Please also refer to the section entitled " Cautionary Note Regarding Forward- Looking Statements " in this Annual Report on Form 10- K. Risks Related to Our Products Our success depends substantially on the value of our brands; failure to strengthen and preserve this value, either through our actions or those of our business partners, could have a negative impact on our financial results. We believe much of our success has been attributable to the strength of the Crocs and HEYDUDE brands. To be successful in the future, particularly outside of the U. S., where our brands may be **relatively** less well- known or perceived differently, we believe we must timely and appropriately respond to changing consumer demand and leverage the value of our brands across all sales channels. We may have difficulty managing **the image of** our brands ~~' image~~ across markets and international borders as certain consumers may perceive **the image of either or both of** our brands ~~' image~~ to be out of style, outdated, or otherwise undesirable. Maintaining, promoting, and growing our brands will depend on our design and marketing efforts, including product innovation and quality, advertising and consumer campaigns, as well as our ability to adapt to a rapidly changing media environment, including our **continued** reliance on social media and digital dissemination of advertising campaigns. In the past, several footwear companies, including ours, have experienced periods of rapid growth in revenues and earnings followed by periods of declining sales and losses, and our business may be similarly affected in the future. Consumer demand for our products and **the equity of** our brands ~~' equity~~ could also diminish significantly if we **, among other things,** fail to preserve the quality of our products, are perceived to act in an unethical or socially irresponsible manner, fail to comply with laws and regulations, or fail to deliver a consistently positive consumer experience in each of our markets. Adverse publicity about regulatory or legal action against us, or by us, could also damage our reputation and **the image of our** brands ~~' image~~, undermine consumer confidence in us, and reduce long- term demand for our products, even if the regulatory or legal action is unfounded or not material to our operations. Negative claims or publicity involving us, our products, or any of our key employees, endorsers, or business partners could materially damage our reputation and **the image of our** brands ~~' image~~, regardless of whether such claims are accurate. Social media, which accelerates and potentially amplifies the scope of negative publicity, can accelerate, and increase the impact of, negative claims. Further, business incidents that erode consumer trust, such as perceived product safety issues, whether isolated or recurring, in particular incidents that receive considerable publicity or result in litigation, can significantly reduce brand value and have a negative impact on our business and financial results. Additionally, counterfeit reproductions of our products or other infringement of our intellectual property rights, including unauthorized uses of our trademarks by third parties, could harm our brands and adversely impact our business. We face significant competition. The footwear industry is highly competitive. Our competitors include most major athletic and non- athletic footwear companies and retailers with their own private label footwear products. A number of our competitors have significantly greater financial resources, more comprehensive product lines, a broader market presence, longer standing relationships with wholesalers, a longer operating history, greater distribution capabilities, stronger brand recognition, less reliance on a small number of brands or product lines, and spend substantially more on product marketing than we do. Our competitors' greater financial resources and capabilities in these areas may enable them to better withstand periodic downturns in the footwear industry and general economic conditions, compete more effectively on the basis of price and production, price their products more aggressively in the face of inflationary **or other competitive** pressures, launch more extensive or diverse product lines, and more quickly develop new and popular products. Continued demand in the market for casual footwear and readily available offshore manufacturing capacity has also encouraged the entry of new competitors into the marketplace and has increased competition from established companies. Some of our competitors are offering products that are substantially similar, in design and materials, to our products. If we are unable to compete successfully in the future, our sales and profits may decline, we may lose market share, our business and financial results may deteriorate, and the market price of our common stock would likely fall. Introducing new products may be difficult and expensive. If we are unable to do so successfully, our brands may be adversely affected, and we may not be able to maintain or grow our current revenue and profit levels. To successfully continue to evolve our footwear product line to appeal to our consumers, we must anticipate, understand, and react to the rapidly changing tastes of consumers and provide appealing merchandise in a timely manner. New footwear models that we introduce may not be successful with consumers or our brands may fall out of favor with consumers. If we are unable to anticipate, identify, or react appropriately to changes in consumer preferences, our revenues may decrease, **the image of** our brands ~~' image~~ may suffer, our operating performance may decline, and we may not be able to execute our growth plans. In producing new footwear models, we may encounter difficulties that we did not anticipate during the product development stage. If we are not able to efficiently manufacture new products in quantities sufficient to support wholesale, retail, and e- commerce distribution, we may not be able to recover our investment in the development of new styles and product lines, and we would continue to be subject to the risks inherent to having a limited product line. Even if we develop and manufacture new footwear products that consumers find appealing, the ultimate success of a new style may depend on our pricing. We may introduce products that are not popular, set the prices of new styles too high for the market to bear, or we may not provide the appropriate level of marketing in order to educate the market and potential consumers about our new products. Achieving market acceptance will require us to exert substantial product development and marketing efforts, which could result in a material increase in our selling, general and administrative expenses. There can be no assurance that we will have the resources necessary to undertake such efforts effectively or that such efforts will be successful or that we will dedicate our limited marketing resources to the right product lines. Failure to gain market acceptance for new products could impede our ability to maintain or grow current revenue levels, reduce profits, adversely affect the image of our brands, erode our competitive position, and result in long- term harm to our business and financial results. See also the risk factor under " ~~HEYDUDE Acquisition~~ Risks **Specific to Our Company and Strategy** — Our ability to realize the benefits from the Acquisition is substantially dependent on our ability to continue to grow HEYDUDE. " Failure to adequately protect our trademarks and other intellectual property rights and counterfeiting of our brands could divert sales, damage our brands' image, and adversely affect our business. We utilize trademarks, trade names, copyrights, trade secrets, issued and pending patents and trade dress, and design rights on nearly all of our products. We believe that having distinctive marks that are readily identifiable trademarks and intellectual property is important to our brands, our success, and our competitive position. The laws of some countries, for example, China, do not protect intellectual property rights to the same extent as do U. S. laws. We frequently discover products that are counterfeit reproductions of our products or that otherwise infringe on our intellectual property rights. If we are unsuccessful in challenging another party' s products on the basis of trademark or design or utility patent infringement or other infringement, particularly in some foreign countries, or if we are required to change our name or use a different logo, or it is otherwise found that we infringe on others' intellectual property rights, continued sales of such competing products by third parties could harm our brands or we may be forced to cease selling certain products, which could adversely impact our business, financial condition, revenues, and results of operations by resulting in the shift of consumer preference away from our products. If our brands are associated with inferior counterfeit reproductions, the integrity and reputation of our brands could be adversely affected. Furthermore, our efforts to enforce our intellectual property rights are typically met with defenses and counterclaims attacking the validity and enforceability of our intellectual property rights. We may face significant expenses and liability in connection with the protection of our intellectual property, and if we are unable to successfully protect our rights or resolve intellectual property conflicts with others, our business or financial condition could be adversely affected. We also rely on trade secrets, confidential information, and other unpatented proprietary rights and information related to, among other things, the Croslite ™ material formulations and product development, particularly where we do not believe patent protection is appropriate or obtainable. Using third- party manufacturers and compounding facilities may increase the risk of misappropriation of our trade secrets, confidential information, and other unpatented proprietary information. The agreements we use in an effort to protect our intellectual property, confidential information, and other unpatented proprietary information may be ineffective or insufficient to prevent unauthorized use or disclosure of such trade secrets and information. A party to one of these agreements may breach the agreement, and we may not have adequate remedies for such breach. As a result, our trade secrets, confidential information, and other unpatented proprietary rights and information may become known to others, including our competitors. Furthermore, our competitors or others may independently develop or discover such trade secrets and information, which would render them less valuable to us. Failure to continue to obtain or maintain high- quality endorsers of our products could harm our business. We establish relationships with both celebrity endorsers and design, celebrity, and brand collaborators to develop, evaluate, and promote our products, as well as strengthen our brands. In a competitive environment, the costs associated with establishment and retention of these relationships may increase. If we are unable to maintain current associations and / or to establish new associations in the future, this could adversely affect our brands' visibility and strength and result in a negative impact to financial results. In addition, actions taken by celebrity endorsers and collaborators associated with our products that harm the public image and reputations of those endorsers and collaborators could also seriously harm **the image of** our brands ~~' image~~ with consumers and, as a result, could have an adverse effect on our sales and financial condition. We rely on technical innovation to compete in the market for our products. Our success relies on continued innovation in both materials and design of footwear, such as our branded Croslite ™ and LiteRide ™ materials. Research and development is a key part of our continued success and growth, and we rely on experts to develop and test our materials and products. Croslite ™, our branded proprietary closed- cell resin, is the primary raw material used in the vast majority of our Crocs Brand footwear and some of our accessories. Croslite ™ is carefully formulated to create soft, durable, extremely lightweight, and water- resistant footwear that conforms to the shape of the foot and increases comfort. We continue to invest in research and development in order to refine our materials to enhance these properties and to develop new properties for specific applications. We strive to produce footwear featuring fun, comfort, color, and functionality. If we fail to introduce technical innovation in our products, consumer demand for our products could decline, and if we experience problems with the quality of our products, we may incur substantial expense to remedy the problems. Risks Related to the Economy The COVID- 19 pandemic has had...... to remain uncertain at this time. Changes in global economic conditions, including, but not limited to, those driven by inflation, may adversely affect consumer spending and the financial health of our customers and others with whom we do business, which may adversely affect our financial condition, results of operations, and cash resources. Uncertainty about current and future global economic conditions may cause consumers, wholesalers, and retailers to defer purchases or cancel purchase orders for our products in response to tighter credit, decreased cash availability, and weakened consumer confidence. Our financial success is sensitive to changes in general economic conditions, both globally and in specific markets, that may adversely affect the demand for our products including recessionary economic cycles, higher interest rates, higher fuel and other energy costs, increased labor costs, declines in asset values, inflation, increases in commodity prices, higher levels of unemployment, higher consumer debt levels, higher tax rates and other changes in tax laws, public health issues like the COVID- 19 pandemic, or other economic factors, certain of which effects, including cost inflation, we experienced in 2022 and **2023 and** currently expect to continue to experience in ~~2023~~ **2024** . Global inflation, elevated interest rates, global industry- wide logistics challenges, and foreign currency fluctuations resulting in a stronger U. S. Dollar (" USD "), have impacted, and we expect will continue to impact, our business, contributing to, among other things, incremental freight costs, increased wages, particularly in our distribution centers, and increased raw material costs. A stronger USD also results in costs for foreign goods purchased in USD but recognized in foreign currencies (" purchasing power ") that are unfavorable. If global economic and financial market conditions deteriorate, or remain weak, for an extended period of time, the following factors, among others, could have a material adverse effect on our business and financial results: • Changes in foreign currency exchange rates relative to the USD could have a material impact on our reported financial results. See the risk factor " Changes in foreign exchange rates, most significantly but not limited to the Euro ~~and~~ **,** South Korean Won, **and Chinese Yuan** or other global currencies could have a material adverse effect on our business and financial results " for more information. • Slower consumer spending may result in our inability to maintain or increase our sales to new and existing customers and cause reduced product orders or product order delays or cancellations from wholesale accounts that are directly impacted by fluctuations in the broader economy, difficulties managing inventories, higher discounts, and lower product margins. • If consumer demand for our products declines, we may not be able to profitably operate existing retail stores, due to higher fixed costs of the retail business. • A decrease in credit available to our wholesale or distributor customers, product suppliers, and other service providers, or financial institutions that are counterparties to our Revolving Facility (as defined herein) or derivative instruments may result in credit pressures, other financial difficulties, or insolvency for these parties, with a potential adverse impact on our business, our financial results, or our ability to obtain future financing. • If our wholesale customers experience diminished liquidity, we may experience a reduction in product orders, an increase in customer order cancellations, and / or the need to extend customer payment terms, which could lead to larger balances and delayed collection of our accounts receivable, reduced cash flows, greater expenses for collection efforts, and increased risk of nonpayment of our accounts receivable. • If our manufacturers or other parties in our supply chain experience diminished liquidity, and as a result are unable to fulfill their obligations to us, we may be unable to provide our customers with our products in a timely manner, resulting in lost sales opportunities or a deterioration in our customer relationships. • If we are unable to mitigate the impact of supply chain constraints and inflationary pressure through price increases or other measures, our results of operations and financial condition could be negatively impacted. Furthermore, even if we are able to raise the prices of our products, consumers might react negatively to such price increases, which could have a material adverse effect on, among other things, our brands, reputation, and sales. The Federal Reserve recently raised interest rates multiple times in response to concerns about inflation and it may raise them again. Higher interest rates, coupled with reduced government spending and volatility in financial markets may also increase economic uncertainty and negatively affect consumer spending. Similarly, the ongoing war between ~~Russia~~ **Israel** and ~~Ukraine~~ **Hamas** has created extreme volatility in the global capital markets and is expected to continue to have further global economic consequences, including disruptions of the global supply chain and energy markets. See " ~~The ongoing~~ **Ongoing** ~~war~~ **wars** ~~between Russia and Ukraine~~ could cause further disruptions in the global economy as well as a negative impact on our business, financial condition and results of operations. " Any such volatility and disruptions may adversely affect our business or the third parties on whom we rely. If the equity and credit markets deteriorate, including as a result of political unrest or war, it may make any necessary debt or equity financing more difficult to obtain in a timely manner or on favorable terms, more costly or more dilutive. Increased inflation rates have already, and may continue to, adversely affect us by increasing our costs, including labor and employee benefit costs. In addition, higher inflation and macro turmoil and uncertainty could also adversely affect our customers, which could reduce demand for our products. ~~The ongoing~~ **Ongoing** ~~war~~ **wars** ~~between Russia and Ukraine~~ could cause further disruptions in the global economy as well as a negative impact on our business, financial condition, and results of operations. The ongoing war between ~~Russia~~ **Israel** and ~~Ukraine~~ **Hamas** ~~has~~ - **as well** ~~adversely affected the global economy, resulted in heightened economic sanctions against Russia from the United States, the United Kingdom, the European Union, and the international community, and has~~ - **as** ~~resulted in geopolitical instability. As a result of~~ the ongoing war between Russia and Ukraine ~~, we stopped DTC business operations~~ **have adversely affected the global economy and have resulted** in **geopolitical instability** ~~Russia in early 2022~~ . ~~Even though~~ **While we derived immaterial** revenues from **markets** ~~Russia represented less than 3 % of our consolidated revenues~~ in **and around** ~~2021, the year prior to the war' s commencement, the impact of~~ these ~~government sanctions~~ **conflict zones in 2023** , ~~as well as retaliatory actions taken by Russia and~~ the **instability** ~~United States and foreign government bodies have negatively impacted the global economy. This has driven increases to the cost of transportation, energy, and supplies and macro financial impacts~~ resulting from ~~the~~ **these wars could cause** ~~exclusion of Russian financial institutions from the global banking system, which have had, and~~ - **an** ~~could continue to have, a material~~ adverse effect on our business, financial condition, results of operations, supply chain, intellectual property, partners, customers **,** or employees **should tensions escalate** ~~and may expose us to adverse legal proceedings in Russia in the future~~ . Further escalation of geopolitical tensions ~~related to the war between Russia and Ukraine, including increased trade barriers or restrictions on global trade,~~ could **also** result in, among other things, broader impacts that expand into other markets, cyberattacks, supply chain and logistics disruptions, lower consumer demand, and changes to foreign exchange rates and financial markets, any of which may adversely affect our business and supply chain. **A pandemic,epidemic,or** ~~We depend solely on third- party manufacturers located outside the~~ **other** ~~U.S."~~ **public health emergency has had** ~~and~~ - **an** ~~" Risks Related to Our Supply Chain — Our~~ **adverse impact,and may have a future material adverse impact,on our business,** operations **,liquidity,financial condition,** ~~are dependent on the global supply chain~~ and ~~impacts of supply chain constraints and inflationary pressure could adversely impact our operating~~ results **of operations** ~~" for more information~~ . **Pandemics** ~~In addition~~ , **including** the COVID- 19 pandemic ~~has~~ **,and other public health emergencies have** ,among other things,caused global macroeconomic uncertainty,disrupted consumer spending and supply chains,contributed to various global shipping delays and port congestions,and created significant volatility and disruption of financial markets.Global supply chain disruptions during ~~the~~

fiscal ~~year~~ **years 2021 and** ~~ended December 31,~~ 2022 negatively impacted our gross margins and net income and could continue to do so in **the future** ~~2023 and beyond~~ ,which could have a material adverse effect on the business,financial condition,and results of operations.The effects of ~~COVID- 19~~ **a pandemic,epidemic,or other public health emergency** could affect our ability to successfully operate in many ways,including,but not limited to,the following factors:• the impact of the pandemic on the economies and financial markets of the countries and regions in which we operate;• the impact on our supply chain,including,but not limited to,staffing shortages,cost inflation,and shipping delays;and • operational risk,including,but not limited to,cybersecurity risks as a result of extended remote work arrangements and restrictions on employee travel. ~~The rapid development~~ **Risks Related to Our Supply Chain** Supply chain disruptions could interrupt product manufacturing and global logistics and increase product costs. We rely on third- party manufacturers outside of the U. S. ~~to produce our products. Global industry- wide logistics challenges negatively impacted us during the year ended December 31, 2022, during which some of our third- party factories in Vietnam and China were closed for several weeks due to COVID- 19 outbreaks. Closures and factory disruptions may recur if additional COVID- 19 break- outs occur in countries where we rely on third- party manufacturers~~ to produce our products. See the risk factor under " We depend solely on third- party manufacturers located outside the U. S. " for more information. We also rely on international shipping to transport our products to their various geographic markets. During the year ended December 31, 2022, international shipping to the U. S. was disrupted and delayed due to congestion in west coast ports. Continued or additional delays in shipping may cause us to have to use more expensive air freight or other more costly methods to ship our products. ~~The ongoing COVID- 19 pandemic and related governmental and port facility actions have caused delays in shipments of our products.~~ During the year ended ~~December 31,~~ 2022, our third- party manufacturers, distribution centers, where we manage our inventory, and our third- party partners experienced disruptions that impacted our supply chain and increased global lead- time for our products, including port congestion, temporary closures, and worker shortages. Additionally, as a consequence of the COVID- 19 pandemic, reductions in the number of ocean carrier voyages and capacity ~~have~~ delayed the arrival of imports and increased ocean transport costs globally. Ongoing ocean carrier consolidations, reduced capacity, congestion at major international gateways, and other economic factors are currently making ocean transportation increasingly difficult and unpredictable. Further, in the U. S., trucking costs have risen dramatically due to driver shortages, increased labor costs, and safety, environmental, and labor regulations. As supply chain disruptions continue and we manage product availability, the timing of sales to our wholesale partners and consumers may continue to be impacted, and we face increased risk of order cancellations. In addition, global inflation has contributed to already higher incremental freight costs and such inflation may continue to result in higher freight costs. Failure to adequately produce and timely ship our products to customers could lead to lost potential revenue, failure to meet customer demand, strained relationships with customers, including wholesalers, and diminished brand loyalty. Despite our actions to mitigate these impacts, we were negatively impacted by global logistics challenges in 2022 ~~and still expect to be negatively impacted by these challenges in 2023~~ . For example, during the year ended December 31, 2022, we expended $ 67 million on an air freight program initiated as a result of partial COVID- 19- related factory closures in Vietnam at the end of 2021. ~~However, our inventory in transit at December 31, 2022 was significantly higher than our inventory in transit at the year ended December 31, 2021, and these pressures have negatively impacted our gross margin and net income and may continue to do so in future periods. At December 31, 2022, our inventories balance was $ 471. 6 million. While the majority of the total increase in inventories of 120. 8 % over December 31, 2021 was due to the addition of the HEYDUDE Brand in the first quarter of 2022, inventories for the Crocs Brand were also up 41. 9 % compared to the prior year. Throughout 2021 and into the first half of 2022, inventories were historically lean across the footwear industry as a result of factory closures and other supply chain delays, as described above. However, in recent months, elevated inventory levels have caused the industry, including us, to become more promotional, which has impacted gross margins on the impacted products. This is particularly true in North America. We expect these challenges to remain fluid as macroeconomic and inflationary pressures continue and foreign exchange rates fluctuate.~~ We depend solely on third- party manufacturers located outside of the U. S. All of our footwear products are manufactured by third- party manufacturers, the majority of which are located in Vietnam, **China, and** Indonesia ~~, and China~~ . We depend on the ability of these manufacturers to finance the production of goods ordered, maintain adequate manufacturing capacity, and meet our quality standards. We compete with other companies for the production capacity of our third- party manufacturers, and we do not exert direct control over the manufacturers' operations. As such, from time to time we have experienced delays or inabilities to fulfill customer demand and orders. During the years ended December 31, **2023,** 2022, **and** 2021, ~~and 2020,~~ approximately **56 %,** 53 %, **and** 56 ~~%, and 75~~ %, respectively, of our Crocs Brand production was in Vietnam. Our largest third- party manufacturer for the Crocs Brand, with the vast majority of operations in Vietnam and China, produced approximately **47 %,** 42 %, **and** 34 ~~%, and 46~~ % of our production during the years ended December 31, **2023,** 2022, **and** 2021 ~~, and 2020~~ , respectively, and our second largest third- party manufacturer for the Crocs Brand, primarily operating in both Vietnam and China, produced approximately **26 %,** 27 %, **and** 30 ~~%, and 22~~ % of our production during the years ended December 31, **2023,** 2022, **and** 2021, ~~and 2020,~~ respectively **. During the year ended December 31, 2023, approximately 83 % of our HEYDUDE Brand production was in China** . During the Partial Period **(as defined below)** , the majority of production was in China for the HEYDUDE Brand. Furthermore, because our third- party manufacturers are concentrated in Asia, we may be subject to an increased risk of supply chain disruption, particularly in the event of a natural disaster, pandemic, such as the COVID- 19 pandemic, epidemic, geopolitical tension, or other event impacting the region outside of our control. We cannot guarantee that any third- party manufacturer will have sufficient production capacity, meet our production deadlines, or meet our quality standards. Furthermore, due to the relative concentration of our third- party manufacturers, disruption at the facilities of our third- party manufacturing partners as a result of COVID- 19 or otherwise, including through the effects of facility closures, reductions in operating hours and labor shortages had an adverse effect on our supply chain in 2021 and 2022 and may have a material adverse effect in the future. For example, at the end of 2021 and into the first quarter of 2022, many of our third- party manufacturing facilities in Vietnam were closed or not operating at full capacity due to local COVID- 19 outbreaks and safety protocols, which negatively impacted our financial results. See the risk factor under " Supply chain disruptions could interrupt product manufacturing and global logistics and increase product costs " and " Our operations are dependent on the global supply chain and impacts of supply chain constraints and inflationary pressure could adversely impact our operating results. " Foreign manufacturing is subject to additional risks, including transportation delays and interruptions, including those caused by the COVID- 19 pandemic, work stoppages, political instability, including the ongoing war between ~~Russia~~ **Israel** and ~~Ukraine~~ **Hamas** , expropriation, nationalization, foreign currency fluctuations, changing economic conditions, cost inflation, changes in governmental policies or laws, and the imposition of tariffs, import and export controls, and other barriers. Because we do not manufacture products internally, we cannot offset any interruption or decrease in supply of our products by increasing production in internal manufacturing facilities, and we may not be able to substitute suitable alternative third- party manufacturers in a timely manner or at acceptable prices. Any disruption in the supply of products from our third- party manufacturers may harm our business and could result in a loss of sales and an increase in production costs, which would adversely affect our results of operations. In addition, manufacturing delays or unexpected demand for our products may require us to use faster, more expensive transportation methods, such as aircraft, which could adversely affect our profit margins. For example, during the year ended December 31, 2022, we incurred approximately $ 67 million on an air freight program initiated as a result of partial COVID- 19- related factory closures in Vietnam at the end of 2021. The cost of fuel is a significant component in transportation costs. Increases in the price of petroleum products can increase our transportation costs and adversely affect our product margins. In addition, because our footwear products are manufactured outside the U. S., the possibility of adverse changes in trade or political relations between the U. S. and other countries, political instability, changes in legislation and policies, increases in labor costs, changes in international trade agreements and tariffs, adverse weather conditions, or public health issues, such as the COVID- 19 pandemic, could significantly interfere with the production and shipment of our products, which would have a material adverse effect on our operations and financial results. We, similar to many other companies with overseas operations, import and sell products in other countries that could be impacted by changes to the trade policies of the U. S. and foreign countries (including governmental action related to tariffs, international trade agreements, or economic sanctions). Such changes have the potential to adversely impact our industry and the global demand for our products, and as a result, could have a material adverse effect on our business, financial condition, and results of operations. See the risk factor under " Risks Related to International Operations — We conduct significant business activity outside the U. S., which exposes us to risks of international commerce. " Our operations have been, and may continue to be, impacted by supply chain constraints and raw material shortages, resulting in increased material costs, longer lead times, port congestion, and increased freight costs caused, in part, by the COVID- 19 pandemic, the uncertain economic environment, and macroeconomic trends. In addition, current or future governmental policies may increase the risk of inflation, which could further increase the costs of raw materials and components for our business. Similarly, if costs of goods continue to increase, our suppliers may seek price increases from us. If we are unable to mitigate the impact of supply chain constraints and inflationary pressure through price increases or other measures, our results of operations and financial condition could be negatively impacted. Even if we are able to raise the prices of our products, consumers might react negatively to such price increases, which could have a material adverse effect on, among other things, our brands, reputation, and sales. If our competitors substantially lower their prices, we may lose customers and mark down prices. Our profitability may be impacted by lower prices, which may negatively impact gross margins. Even though we are working to alleviate supply chain constraints through various measures, we are unable to predict the impact of these constraints on the timing of revenue and operating costs of our business in the near future. Raw material supply shortages and supply chain constraints, including cost inflation, have impacted and could continue to negatively impact our ability to meet increased demand, which in turn could impact our net sales revenues and market share. In addition, COVID- 19 ~~-~~related closures negatively impacted our supply chain in Vietnam in the first quarter of 2022 and in China in the second quarter of 2022. We expect the situation to remain fluid as COVID- 19 break- out rates, including any deterioration in circumstances related to COVID- 19 variants, and foreign exchange rates fluctuate, and inflationary pressure continues. See the risk factor under " Supply chain disruptions could interrupt product manufacturing and global logistics and increase product costs. " If we do not accurately forecast consumer demand, we may have excess inventory to liquidate or have greater difficulty filling our customers' orders, either of which could adversely affect our business. The footwear industry is subject to cyclical variations, consolidation, contraction and closings, as well as fashion trends, rapid changes in consumer preferences, the effects of weather, general economic conditions, and other factors affecting consumer demand. In addition, purchase orders from our wholesale customers are generally subject to rights of cancellation and rescheduling by the wholesaler. These factors make it difficult to forecast consumer demand. If we overestimate demand for our products, we may be forced to liquidate excess inventories at discounted prices resulting in losses or lower gross margins. Conversely, if we underestimate consumer demand, we could have inventory shortages, which can result in lower sales, delays in shipments to customers, and expedited shipping costs, and adversely affect our relationships with our customers and diminish brand loyalty. Excess inventory, or any failure on our part to satisfy increased demand for our products, could adversely affect our business and financial results. Our third- party manufacturing operations must comply with labor, trade, and other laws. Failure to do so may adversely affect us. We require our third- party manufacturers to meet our quality control standards and footwear industry standards for working conditions and other matters, including compliance with applicable labor, environmental, and other laws; however, we do not control our third- party manufacturers or their respective labor practices. A failure by any of our third- party manufacturers to adhere to quality standards or labor, environmental, and other laws could cause us to incur additional costs for our products, generate negative publicity, damage our reputation and the value of our brands, and discourage customers from buying our products. We also require our third- party manufacturers to meet certain product safety standards. A failure by any of our third- party manufacturers to adhere to such product safety standards could lead to a product recall, which could result in critical media coverage; harm our business, brands, and reputation; and cause us to incur additional costs. In addition, if we or our third- party manufacturers violate U. S. or foreign trade laws or regulations, we may be subject to extra duties, significant monetary penalties, the seizure and the forfeiture of the products we are attempting to import, or the loss of our import privileges. Possible violations of U. S. or foreign laws or regulations could include inadequate record keeping of our imported products, misstatements or errors as to the origin, quota category, classification, marketing or valuation of our imported products, and fraudulent visas or labor violations. The effects of these factors could render our conduct of business in a particular country undesirable or impractical and have a negative impact on our operating results. We cannot predict whether additional U. S. or foreign customs quotas, duties, taxes other charges, or restrictions will be imposed upon the importation of foreign produced products in the future or what effect such actions could have on our business or results. See the risk factor under " We depend solely on third- party manufacturers located outside the U. S. " for more information. For example, China' s Xinjiang Uyghur Autonomous Region (the " XUAR ") is the source of large amounts of cotton and textiles for the global apparel and footwear supply chain. The United States Treasury Department placed sanctions on China' s Xinjiang Production and Construction Corporation (" XPCC ") for serious human rights abuses against ethnic minorities in XUAR. Additionally, the Uyghur Forced Labor Prevention Act (" UFLPA "), empowers the U. S. Customs and Border Protection Agency (the " U. S. CBP ") to withhold release of items produced in whole or in part in the XUAR, or produced by companies included on a government- created UFLPA entity list, creating a presumption that such goods were produced using forced labor. XPCC controls many of the cotton farms and much of the textile industry in the region, and many large factories in XUAR produce fabrics and yarn for apparel and footwear. Although we do not believe that our suppliers source materials from such area of China for the products they sell to us or use to manufacture our products, we have no known involvement with XPCC or its subsidiaries and affiliates, and we prohibit our suppliers from doing business with XPCC or using forced labor, we do not have the ability to completely map our supply chain, and we could be subject to penalties, fines or sanctions if any of the suppliers from which we purchase goods is found to have dealings, directly or indirectly, with XPCC or entities it controls. Additionally, our products or materials (including potentially non- cotton materials) could be held or delayed by the U. S. CBP, which would cause delays and unexpectedly and negatively affect our inventory levels. Even if we were not subject to penalties, fines or sanctions, if products we source are linked in any way to XPCC, the XUAR, or an entity on the UFLPA entity list, our reputation could be damaged. In addition, the UFLPA has induced greater supply chain compliance costs and delays to us and to our suppliers. Compliance with the UFLPA could continue to affect the global supply chain, the price and scarcity of traceable cotton in the marketplace and could lead to an increase in our cost of goods sold, which may have an adverse effect on our profitability. We depend on a number of suppliers for key production materials, and any disruption in the supply of such materials could interrupt product manufacturing and increase product costs. We depend on a number of sources for the primary materials used to make our footwear. We source the elastomer resins that constitute the primary raw materials used in compounding our Croslite ™ and LiteRide ™ formulations, which we use to produce our various footwear products, from multiple suppliers. If the suppliers we rely on for elastomer resins were to cease production of these materials, we may not be able to obtain suitable substitute materials in time to avoid interruption of our production schedules. We are also subject to market conditions related to supply and demand for our raw materials and any resulting shortages in supply, as well as impacts of any global shipping or logistics delays. We may have to pay substantially higher prices in the future for the elastomer resins or any substitute materials we use, which would increase our production costs and could have an adverse impact on our product margins. If we are unable to obtain suitable elastomer resins, or if we are unable to procure sufficient quantities of the materials that go into the Croslite ™ and LiteRide ™ formulations, we may not be able to meet our production requirements in a timely manner or may need to modify our product characteristics, which could result in less favorable market acceptance, lost potential sales, delays in shipments to customers, strained relationships with customers, and diminished brand loyalty. Changes in foreign exchange rates, most significantly but not limited to the Euro ~~and~~ **,** South Korean Won, **and Chinese Yuan** or other global currencies could have a material adverse effect on our business and financial results. As a global company, we have significant revenues and costs denominated in currencies other than the USD. We are exposed to the risk of losses resulting from changes in exchange rates on monetary assets and liabilities within our international subsidiaries that are denominated in currencies other than the subsidiaries' functional currencies. Likewise, our U. S. companies are also exposed to the risk of losses resulting from changes in exchange rates on monetary assets and liabilities that are denominated in a currency other than the USD. We have experienced, and will continue to experience, changes in exchange rates, impacting both our statements of operations and the value of our assets and liabilities denominated in foreign currencies. In accordance with our operating practices, we hedge a significant portion of our foreign currency transaction exposures arising in the ordinary course of business to reduce risks in our cash flows and earnings. We use cash flow hedges to minimize the variability in cash flows caused by fluctuations in foreign currency exchange rates related to our external sales and external purchases of inventory. Currency forward agreements involve fixing the exchange rates for delivery of a specified amount of foreign currency on a specified date. The currency forward agreements are typically settled in USD for their fair value at or close to their settlement date. We may also use currency option contracts under which we will pay a premium for the right to sell a specified amount of a foreign currency prior to the maturity date of the option. Our hedging strategy may not be effective in reducing all risks, and no hedging strategy can completely insulate us from foreign exchange risk. Further, our use of derivative financial instruments may expose us to counterparty risks. Although we only enter into hedging contracts with counterparties having investment grade credit ratings, it is possible that the credit quality of a counterparty could be downgraded or a counterparty could default on its obligations, which could have a material adverse impact on our financial condition, results of operations, and cash flows. Further, our ability to sell our products in foreign markets and the USD value of the sales made in foreign currencies can be significantly influenced by changes in exchange rates. A decrease in the value of foreign currencies relative to the USD could result in lower revenues, gross margin compression, and increased losses from currency exchange rates. Foreign exchange rate volatility could also disrupt the business of the third- party manufacturers that produce our products by making their purchases of raw materials more expensive and more difficult to finance. For the Crocs Brand, we pay the majority of our third- party manufacturers, located primarily in Vietnam and China, in USD. In ~~2022~~ **2023** , we experienced decreases of approximately $ ~~2~~ **18** . ~~6~~ **3** million in our ~~North America~~ **Crocs Brand** segment revenues, primarily as a result of decreases in the value of the **Chinese Yuan** ~~Canadian Dollar relative to the USD~~ , **Argentine Peso** ~~approximately $ 41. 0 million in our Asia Pacific segment revenues as a result of decreases in the value of Asian currencies~~ , ~~primarily the South Korean Won, relative to the USD,~~ and **Japanese Yen** ~~approximately $ 60. 1 million in our EMEALA revenues, primarily as a result of decreases in the Euro~~ relative to the USD. Strengthening of the USD against Asian and European currencies, and various other global currencies, adversely impacts our USD reported results due to the impact on foreign currency translation. While we enter into foreign currency exchange forward contracts to reduce our exposure to changes in exchange rates on monetary assets and liabilities, the volatility of foreign currency exchange rates is dependent on many factors that cannot be forecasted with reliable accuracy and, as a result, our forward contracts may not prove effective in reducing our exposures. A significant portion of our revenues is generated from foreign sales. Our ability to maintain the current level of operations in our existing international markets is subject to risks associated with international sales operations. We operate retail stores and sell our products to retailers outside of the U. S. and utilize foreign- based third- party manufacturers. Foreign manufacturing and sales activities are subject to numerous risks, including: • tariffs, anti- dumping fines, import and export controls, and other non- tariff barriers such as quotas and local content rules; • delays associated with the manufacture, transportation, and delivery of products, including related to global port backlog or congestion; • increased transportation costs due to distance, energy prices, inflation, or other factors; • delays in the transportation and delivery of goods due to increased security concerns; • restrictions on the transfer of funds; • restrictions and potential penalties due to privacy laws on the handling and transfer of consumer and other personal information; • changes in governmental policies and regulations; • political unrest, such as the ongoing war between ~~Russia~~ **Israel** and ~~Ukraine~~ **Hamas** , changes in law, terrorism, natural disasters, public health issues like the COVID- 19 pandemic, or war, any of which can interrupt commerce; • potential violations of U. S. and foreign anti- corruption and anti- bribery laws by our employees, business partners or agents, despite our policies and procedures relating to compliance with these laws; • expropriation and nationalization; • difficulties in managing foreign operations effectively and efficiently from the U. S.; • difficulties in understanding and complying with local laws, regulations, and customs in foreign jurisdictions; • longer accounts receivable payment terms and difficulties in collecting foreign accounts receivables; • difficulties in enforcing contractual and intellectual property rights; • greater risk that our business partners do not comply with our policies and procedures relating to labor, health, and safety; • UFLPA detentions by U. S. Customs resulting in revenue loss and adverse media exposure; and • increased accounting and internal control costs. In addition, we are subject to customs laws and regulations with respect to our export and import activity, which are complex and vary within legal jurisdictions in which we operate. We cannot ensure there will not be a control failure around customs enforcement despite the precautions we take. We are currently subject to audits by customs authorities. Any failure to comply with customs laws and regulations could be discovered during a U. S. or foreign government customs audit, or customs authorities may disagree with our tariff treatments, and such actions could result in substantial fines and penalties, which could have an adverse effect on our business and financial results. In addition, changes to U. S. trade laws may adversely impact our operations. These changes and any changes to the trade laws of other countries may add additional compliance costs and obligations and subject us to significant fines and penalties for non- compliance. Compliance with these and other foreign legal regimes may have a material adverse impact on our business and results of operations. For example, on December 23, 2021, the UFPLA, which effectively prohibits imports of any goods made either wholly or in part in a certain area of China, was signed into law, which generally prohibits importing goods made with forced labor into the U. S., subject to certain exceptions. While we do not currently expect that this law will directly affect our supply chain, since we do not believe that our suppliers source materials from such area of China for the products they sell to us or use to manufacture our products, other companies' attempts to shift suppliers in response to this law or other policy developments could result in, among other things, shortages, delays, and / or price increases that could disrupt our own supply chain or cause our suppliers to renegotiate existing arrangements with us or fail to perform on such obligations. In addition, the ongoing war between ~~Russia~~ **Israel** and ~~Ukraine~~ **Hamas** has adversely affected the global economy ~~, resulted in heightened economic sanctions against Russia from the United States, the United Kingdom, the European Union, and the international community, and has resulted in geopolitical instability~~ . For more information, please see the risk factors under " Risks Related to the Economy — ~~The ongoing~~ **Ongoing** ~~war~~ **wars** ~~between Russia and Ukraine~~ could cause further disruptions in the global economy as well as a negative impact on our business, financial condition, and results of operations, " " Risks Related to Our Supply Chain — We depend solely on third- party manufacturers located outside the U. S., " " Risks Related to our Supply Chain — Our third- party manufacturing operations must comply with labor, trade, and other laws. Failure to do so may adversely affect us, " and " Risks Specific to Our Company and Strategy — Our business relies significantly on the use of information technology. A significant disruption to our operational technology or those of our business partners, a privacy law violation, or a data security breach could harm our reputation and / or our ability to effectively operate our business, and our financial results **.** " Furthermore, as a global company, we are subject to foreign and U. S. laws and regulations designed to combat governmental corruption, including the U. S. Foreign Corrupt Practices Act and the U. K. Bribery Act. Violations of these laws and regulations could result in fines and penalties; criminal sanctions against us, our officers, or our employees; prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries; and a materially negative effect on our brands and our operating results. Although we have implemented policies and procedures designed to ensure compliance with these foreign and U. S. laws and regulations, including the U. S. Foreign Corrupt Practices Act and the U. K. Bribery Act, there can be no assurance that our employees, business partners, or agents will not violate our policies. We may be unable to successfully execute our long- term growth strategy, maintain or grow our current revenue and profit levels, or accurately forecast demand

and supply for our products. Our ability to maintain our revenue and profit levels or to grow in the future depends on, among other things, the continued success of our efforts to maintain our brands’ image, our ability to bring compelling and profit enhancing footwear offerings to market, our ability to effectively manage or reduce expenses and our ability to expand within our current distribution channels and increase sales of our products into new locations internationally. We are focusing on our core casual footwear heritage by narrowing our product line with an emphasis on higher margin products, as well as developing innovative new casual lifestyle footwear platforms. Our ability to realize the benefits from the Acquisition is substantially dependent on our ability to continue to grow and integrate HEYDUDE. If we are unsuccessful at, among other things, building HEYDUDE’ s brand awareness, enhancing its digital capabilities, leveraging our wholesale relationships to enhance distribution, investing in HEYDUDE’ s infrastructure as well as sales and business operations, integrating employees into our company culture, leveraging our distribution for global growth and / or investing to scale our supply chain and gain efficiencies, our sales could be adversely affected, and our business could suffer. In addition, HEYDUDE’ s product sales may not meet our expectations. See the risk under “ ~~HEYDUDE Acquisition Risks~~ — Our ability to realize the benefits from the Acquisition is substantially dependent on our ability to continue to grow HEYDUDE. ” Successfully executing our long- term growth and profitability strategy will depend on many factors, including our ability to • strengthen and maintain our brands; • focus on relevant geographies and markets, product innovation, and profitable growth, while maintaining demand for our current offerings; • effectively manage our company- operated retail stores to meet operational and financial targets at the retail store level; • accurately forecast the global demand for our products, consolidate our distribution and supply chain network to leverage resources, simplify our fulfillment process, and deliver product around the globe efficiently; • use and protect the Crocs and HEYDUDE brands and our other intellectual property in new and existing markets and territories; • achieve and maintain a strong competitive position in new and existing markets; • attract and retain qualified wholesalers and distributors, including partner store operators; • maintain and enhance our digital marketing capabilities and digital commerce capabilities; and • execute multi- channel advertising, marketing, collaboration, and social media campaigns to effectively communicate our message directly to our consumers and employees. While these strategies, along with other steps to be taken, are intended to improve and grow our business, there can be no assurance this will be the case or that additional steps or accrual of additional material expenses or accounting charges will not be required. If additional steps are required, there can be no assurance that they will be properly implemented or will be successful. Our **ability to realize the benefits from the Acquisition is substantially dependent on our ability to grow HEYDUDE. Our ability to realize the benefits from the Acquisition is substantially dependent on our ability to continue to grow HEYDUDE. Combining with Crocs, Inc. may not accelerate the growth and success of HEYDUDE, and the HEYDUDE** business ~~relies significantly~~ **may not perform as expected. If we are unsuccessful at, among other things, building HEYDUDE’ s brand awareness, enhancing its digital capabilities, leveraging our wholesale relationships to enhance distribution, investing in HEYDUDE’ s infrastructure as well as sales and business operations, leveraging our distribution for global growth and / or investing to scale our supply chain and gain efficiencies, our sales could be adversely affected, and our business could suffer. In addition, HEYDUDE’ s product sales may not meet our expectations. Moreover, HEYDUDE depends** on ~~the use~~ **a limited number** of ~~information technology~~ **third- party manufacturers that are concentrated in China to produce its products** . ~~A significant~~ **Due to the relative concentration of HEYDUDE’ s third- party manufacturers,** disruption **at** ~~to our operational technology or those~~ -- **the facilities** of ~~our business~~ **such third- party manufacturing** partners ~~,~~ **as** a ~~privacy law violation,~~ **result of COVID- 19** or **otherwise, including through the effects of facility closures, reductions in operating hours and labor shortages may have** a ~~data security breach~~ **material adverse effect in the future. See the risk factors under “ Risks Related to Our Supply Chain — Supply chain disruptions** could ~~harm our reputation~~ **interrupt product manufacturing** and ~~/~~ **global logistics and increase product costs, ” “ Risks Related to Our Supply Chain — Our operations are dependent on the global supply chain and impacts of supply chain constraints and inflationary pressure could adversely impact** ~~or~~ **our** ~~our ability to effectively operate~~ **operating** ~~our business, and our financial~~ results **, ” and “ Risks Related to Our Supply Chain — We depend solely on third- party manufacturers located outside of the U** . **S. ”** We rely heavily on the use of information technology systems and networks across all business functions, as do our business partners. The future success and growth of our business depend on streamlined processes made available through information systems, global communications, internet activity, and other network processes. We **also** rely on third- party information services providers worldwide for many of our information technology functions including network, hardware, and software configuration. Additionally, we rely on internal networks and information systems and other technology, including the internet and third- party hosted services, to support a variety of business processes and activities, including procurement and supply chain, manufacturing, distribution, invoicing, and collection of payments. ~~We~~ **In addition, we** use information systems for certain human resource activities and to process our employee benefits, as well as to process financial information for internal and external reporting purposes and to comply with various reporting, legal, and tax requirements. We also have outsourced a significant portion of work associated with our finance and accounting, human resources, customer service, and other information technology functions to third- party service providers. **In addition, we continuously assess and implement upgrades to improve our information technology systems globally. The expansion of our systems and infrastructure has required, and will continue to require, us to commit substantial financial, operational and technical resources. The development and implementation of new systems and any other future upgrades to our systems and information technology may require significant costs and divert our management’ s attention and other resources from our core business. There are also no assurances these new systems and upgrades will provide us with the anticipated benefits and efficiencies. Similarly, the time and resources that management will need to devote to operations and upgrades, any delays due to the installation of any upgrade (and customer issues therewith), any resulting service outages, or the impact on the reliability of our data from any upgrade or any legacy system, may have a material adverse effect on our business, financial condition, control environment or**

results of operations. During these implementation periods, we also face a heightened risk of system interruptions and deficiencies or failures in our internal controls involving our information systems and processes. As a result, we could be adversely affected by system or network disruptions if new or upgraded information technology systems are defective, not installed properly or not properly integrated into our operations. Accordingly, system modification or integration failures could have a material adverse effect on our business, financial position, and results of operations. Furthermore, ~~Despite~~ **despite** our current security and cybersecurity measures, our systems and those of our third- party service providers may be vulnerable to information security breaches, acts of vandalism, computer viruses, credit card fraud, phishing, ransomware attacks, and interruption or loss of valuable business data, and we have been subject to, and will continue to be subject to, various third- party attacks and phishing scams. Any disruption to these systems or networks could result in product fulfillment delays, key personnel being unable to perform duties or communicate throughout the organization, loss of sales, significant costs for data restoration, the inability to interpret data timely to enhance operations, and other adverse impacts on our business and reputation. Denial of service attacks could also materially adversely affect our business. We routinely possess sensitive customer and employee information. Hackers and data thieves are increasingly sophisticated and operate large- scale and complex automated attacks on a daily basis. Any breach of our network may result in the loss of valuable business data, misappropriation of our consumers' or employees' personal information, including credit card information, or a disruption of our business. Despite our existing cybersecurity procedures and controls, if our network is breached, it could give rise to unwanted media attention, materially damage our customer relationships, or harm our business, our reputation, and our financial results, which could result in fines or lawsuits. The costs we incur to protect against such information security breaches may materially increase, including increased investment in technology, the costs of compliance with consumer protection laws, and costs resulting from consumer fraud. Our business partners in our supply chain and customer base also rely significantly on information technology. Despite their existing cybersecurity procedures and controls, if their information systems become compromised, it could, among other things, cause delays in our product fulfillment or reduce our sales, which could harm our business. In addition, the European Union' s General Data Protection Regulation, the California Consumer Privacy Act, and other similar evolving privacy laws impose additional obligations on companies regarding the handling of personal data and provide certain individual privacy rights to persons whose data is stored. These regulations may harm or alter the operations of our e- commerce business, add additional compliance costs and obligations, and subject us to significant fines and penalties for non- compliance. Compliance with these and other foreign legal regimes and the associated costs may have a material adverse impact on our business and results of operations. **Finally, the SEC has adopted new rules that require us to provide greater disclosures around cybersecurity risk management, strategy and governance, as well as disclose the occurrence of material cybersecurity incidents. We cannot predict or estimate the amount of additional costs we will incur in order to comply with these rules or the timing of such costs. These rules and regulations may also require us to report a cybersecurity incident before we have been able to fully assess its impact or remediate the underlying issue. Efforts to comply with such reporting requirements could divert management' s attention from our incident response and could potentially reveal system vulnerabilities to threat actors. Failure to timely report incidents under these or other similar rules could also result in monetary fines, sanctions, or subject us to other forms of liability. This regulatory environment is increasingly challenging and may present material obligations and risks to our business, including significantly expanded compliance burdens, costs and enforcement risks. Artificial intelligence presents risks and challenges that can impact our business including by posing security risks to our confidential information, proprietary information, and personal data. Issues in the development and use of artificial intelligence, combined with an uncertain regulatory environment, may result in reputational harm, liability, or other adverse consequences to our business operations. As with many technological innovations, artificial intelligence presents risks and challenges that could impact our business. We may adopt and integrate generative artificial intelligence tools into our systems for specific use cases reviewed by legal and information security. Our vendors may incorporate generative artificial intelligence tools into their offerings without disclosing this use to us, and the providers of these generative artificial intelligence tools may not meet existing or rapidly evolving regulatory or industry standards with respect to privacy and data protection and may inhibit our or our vendors' ability to maintain an adequate level of service and experience. If we, our vendors, or our third- party partners experience an actual or perceived breach of privacy or security incident because of the use of generative artificial intelligence, we may lose valuable intellectual property and confidential information and our reputation and the public perception of the effectiveness of our security measures could be harmed. Further, bad actors around the world use increasingly sophisticated methods, including the use of artificial intelligence, to engage in illegal activities involving the theft and misuse of personal information, confidential information, and intellectual property. Any of these outcomes could damage our reputation, result in the loss of valuable property and information, and adversely impact our business.** If our online e- commerce sites, or those of our customers, do not function effectively, our business and financial results could be materially adversely affected. An increasing amount of our products are sold on our e- commerce sites and third- party e- commerce sites **. Consumers are also increasingly using mobile- based applications to engage with us and our competitors through digital experiences that are offered on mobile platforms, and we are increasingly using social media to interact with our consumers as a means to enhance their shopping experience** . Any failure on our part or on the part of third parties to provide effective, reliable, user- friendly e- commerce platforms that offer a wide assortment of our products **and that continually meet the evolving expectations of online shoppers or any failure to provide attractive digital experiences** could place us at a competitive disadvantage, result in the loss of sales, and could have a material adverse impact on our business and financial results. Our e- commerce business may be particularly vulnerable to cyber threats including unauthorized access and denial of service attacks. Sales in our e- commerce channel may also divert sales from our retail and wholesale channels. Our financial success depends in part on the strength of our relationships with, and the success of, our wholesale and distributor customers. Our financial success is related to the willingness of our current and prospective wholesale and distributor customers to carry our products. We do not have long- term contracts with most wholesale customers, and sales to these customers are generally on an order- by- order basis and subject to cancellation and rescheduling. Our contracts with distributors typically have terms of one to five years and can be terminated or renegotiated if minimum requirements or other terms are not met. If we cannot fill orders in a timely manner, the sales of our products and our relationships may suffer. Alternatively, if our wholesalers or distributors experience diminished liquidity or other financial issues, we may experience a reduction in product orders, an increase in order cancellations and / or the need to extend payment terms, which could lead to larger outstanding balances, delays in collections of accounts receivable, increased expenses associated with collection efforts, increases in bad debt expenses, and reduced cash flows if our collection efforts are unsuccessful. We have recorded material allowances for doubtful accounts in the past and could do so again in the future. Future problems with customers may have a material adverse effect on our product sales, financial condition, results of operations, and our ability to grow our product line. Operating company- operated retail stores incurs substantial fixed costs. If we are unable to generate sales, operate our retail stores profitably, or otherwise fail to meet expectations, we may be unable to reduce such fixed costs and avoid losses or negative cash flows. Opening and operating company- operated retail stores requires substantial financial commitments, including fixed costs, and are subject to numerous risks including consumer preferences, location, and other factors that we do not control. Declines in revenue and operating performance of our company- operated retail stores could cause us to record impairment charges and have a material adverse effect on our business and financial results. During ~~2022~~ **2023** , we opened ~~22~~ **29** and closed ~~50~~ **11** retail stores, and we operated ~~345~~ **363** retail stores at December 31, ~~2022~~ **2023** . Many of our company- operated retail stores are located in shopping malls and outlet malls, and our success depends in part on obtaining prominent locations and the overall ability of the malls to successfully generate and maintain customer traffic. We cannot control the success of individual malls or store closures by other retailers, which may lead to mall vacancies and reduced customer foot- traffic. In addition, consumer spending and shopping preferences have shifted, and may continue to further shift, away from brick- and- mortar retail to e- commerce channels, both prior to, and as a result of, the COVID- 19 pandemic, which may contribute to declining foot- traffic in company- operated retail locations. Continued reduced customer foot- traffic could reduce sales at our company- operated retail stores, including kiosks and store- in- store locations, or hinder our ability to open retail stores in new markets, which could in turn negatively affect our business and financial results. In addition, some of our company- operated retail stores occupy street locations that are heavily dependent on customer traffic generated by tourism. Any substantial decrease in tourism, resulting from an economic slowdown, political, terrorism, social, or military events, natural disasters, public health issues like the COVID- 19 pandemic, or otherwise, is likely to adversely affect sales in our existing stores. Our financial results may be adversely affected if substantial investments in businesses and operations fail to produce expected returns. From time to time, we may invest in business infrastructure, expansion of existing businesses or operations, and acquisitions of new businesses, such as HEYDUDE, which require substantial cash investment and management attention. We believe cost effective investments are essential to business growth and profitability; however, significant investments are subject to risks and uncertainties. The failure of any significant investment to provide the returns or profitability we expect, or implementation issues, or the failure to integrate newly acquired businesses could have a material adverse effect on our financial results and divert management attention from more profitable business operations. Specifically, over the last several years, we have implemented numerous information systems designed to support various areas of our business, including a fully- integrated global accounting, operations, and finance enterprise resource planning system, and warehouse management, order management, and internet point- of- sale systems, as well as various interfaces between these systems and supporting back- office systems. We have also moved to, and subsequently expanded, a new distribution center in Dayton, Ohio to serve our North American businesses for the Crocs Brand, and have moved to a new company- operated distribution center in the Netherlands and a new third- party operated distribution center in Japan to serve our **international** ~~EMEALA and Asia Pacific~~ businesses ~~, respectively,~~ for the Crocs Brand. Additionally, we have expanded our HEYDUDE Brand distribution center in Las Vegas, Nevada, and we ~~are~~ further ~~expanding~~ **expanded** our distribution capabilities of the HEYDUDE Brand by constructing a distribution facility in Nevada **that** ~~set to open~~ **opened** in ~~late~~ 2023. As our business grows, we may also need to make further investments in business systems and distribution capabilities. Issues in implementing or integrating new business operations, such as HEYDUDE, and new systems with our current operations, failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, issues with transitioning to or operating our new distribution centers, cost overruns, or a breach in security of these systems could cause delays in product fulfillment and reduced efficiency of our operations, require significant additional capital investments to remediate, and may have an adverse effect on our business and financial results. We depend on employees across the globe, the loss of whom would harm our business. We rely on executives and senior management to drive the financial and operational performance of our business. Turnover of executives and senior management can adversely impact our stock price, our results of operations, and our client relationships and may make recruiting for future management positions more difficult or may require us to offer more generous compensation packages to attract top executives. Changes in other key management positions may temporarily affect our financial performance and results of operations as new management becomes familiar with our business. When we experience management turnover, we must successfully integrate any newly hired management personnel within our organization in a timely manner in order to achieve our operating objectives. The key initiatives directed by these executives may take time to implement and yield positive results, and there can be no guarantee they will be successful. If our new executives do not perform up to expectations, we may experience declines in our financial performance and / or delays or failures in achieving our long- term growth strategy. Further, our business depends on our ability to source and distribute products in a timely, efficient, and cost- effective manner. Labor disputes impacting our suppliers, manufacturers, transportation carriers, or ports pose significant threats to our business, particularly if such disputes result in work slowdowns, lockouts, strikes or other disruptions during our peak importing, or manufacturing and selling seasons. Any such disruption could result in delayed or canceled orders by customers, unplanned inventory accumulation or shortages, and increased transportation and labor costs, negatively impacting our results of operations and financial position. We are subject to periodic litigation, which could result in unexpected expenditures of time and resources. From time to time, we initiate litigation or are called upon to defend ourselves against lawsuits relating to our business. Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of any such proceedings. For a detailed discussion of our current material legal proceedings, see Note 16 — Commitments and Contingencies in the accompanying notes to the consolidated financial statements included in Part II- Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10- K. An unfavorable outcome in any of these proceedings, or any future legal proceedings, could have an adverse impact on our business and financial results. In addition, any significant litigation in the future, regardless of its merits, could divert management' s attention from our operations and result in substantial legal fees. In the past, securities class action litigation has been brought against us. If our stock price is volatile, we may become involved in this type of litigation in the future. Any litigation could result in substantial costs and a diversion of management' s attention and resources that are needed to successfully run our business. Global climate change, including extreme weather conditions, natural disasters, public health issues, or other events outside of our control, as well as related regulations, could negatively impact our operating results and financial condition. The effects of climate change, natural disasters such as earthquakes, hurricanes, tsunamis, or other adverse weather and climate conditions, and public health issues like the COVID- 19 pandemic, whether occurring in the U. S. or abroad, ~~and~~ **may disrupt our operations or the operations of our vendors,** ~~the~~ **other suppliers, or customers.** ~~consequences~~ **Consequences** ~~and effects thereof,~~ **of these events could** ~~including~~ **include property damage, infrastructure damage leading to the inability of our employees and third- parties to work,** damage to our supply chain, ~~such as availability~~ **unavailability** of raw materials, increased manufacturing costs and disruptions to **the** productivity of our third- party manufacturers, ~~manufacturing~~ **disruptions to** ~~or~~ **our** distribution centers, **disruptions to** ~~or~~ **our** retail stores, changes in consumer preferences or spending priorities, and energy shortages, **which** ~~have in the past and~~ could ~~in the future harm or disrupt our operations or the operations of our vendors, other suppliers, or customers, or~~ result in ~~economic instability that may negatively~~ -- **negative** ~~impact~~ **impacts to** our operating results and financial condition. Additionally, certain catastrophes are not covered by our general insurance policies, which could result in significant unrecoverable losses. Many governmental and other regulatory bodies worldwide are enacting regulations to mitigate the impacts of climate change. If we, our suppliers, or our third- party manufacturers are required to comply with these laws and regulations, or if we choose to take additional voluntary steps to reduce or mitigate our impact on the climate, we may experience increased costs for energy, production, transportation, and raw materials, increased capital expenditures, or increased insurance premiums and deductibles, each of which could adversely impact our operations. In addition, inconsistent regulations among jurisdictions may also affect our cost to comply with such laws and regulations. Any assessment of the potential impact of future climate change legislation, regulations, or industry standards, as well as any international treaties and accords, is uncertain given the wide scope of potential regulatory change in the countries in which we operate. In ~~2021~~ **2022** , we ~~made a~~ **updated our** public **, enterprise- wide** commitment ~~regarding a plan~~ to be Net Zero by ~~2030~~ **2040** . Although we intend to meet these commitments, we may be required to expend significant resources to do so, which could increase our operational costs. Further, there can be no assurance of the extent to which our commitment will be achieved, or that any future investments we make in furtherance of achieving such target and goal will meet investor expectations or legal standards, if any, regarding sustainability performance. As our business context continues to change ~~, such as with the acquisition of HEYDUDE~~ , we will continue to evaluate pathways and feasibility of our carbon reduction journey. Moreover, we may determine that it is in the best interest of our Company and our stockholders to prioritize other business, social, governance or sustainable investments over the achievement of our current commitments based on economic, technological developments, regulatory and social factors, business strategy or pressure from investors, activist groups or other stakeholders. If we are unable to meet these commitments, then we could incur adverse publicity and reaction from investors, activist groups or other stakeholders, which could adversely impact the perception of us and our products and services by current and potential customers, as well as investors, which could in turn adversely impact our results of operations. Our restated certificate of incorporation, amended and restated bylaws, and Delaware law contain provisions that could discourage a third- party from acquiring us and consequently decrease the market value of an investment in our stock. Our restated certificate of incorporation, amended and restated bylaws, and Delaware corporate law each contain provisions that could delay, defer, or prevent a change in control of us or changes in our management. These provisions could discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions, which may prevent a change of control or changes in our management that a stockholder might consider favorable. In addition, Section 203 of the Delaware General Corporation Law may discourage, delay, or prevent a change in control of us. Any delay or prevention of a change of control or change in management that stockholders might otherwise consider to be favorable could cause the market price of our common stock to decline. Increasing scrutiny from investors, regulators, and other key stakeholders with respect to our ~~ESG~~ **environmental, social, and governance** practices may impose additional costs on us or expose us to new or additional risks. Investor advocacy groups, certain institutional investors, investment funds, stockholders, customers **, non- governmental organizations** , consumers and regulators, such as the SEC, are increasingly focused on corporate responsibility, specifically on the ESG practices of companies. These parties have placed increased importance on the implications of the social cost of their investments. From time to time, we communicate certain ESG initiatives and goals to market participants and our customers and business partners. Any corporate responsibility disclosure we make may include our policies, practices, initiatives, and goals on a variety of social and ethical matters, corporate governance, environmental compliance, sustainability, employee health and safety practices, human capital management, product quality, supply chain management, and workforce inclusion and diversity. Although we have undertaken significant efforts to improve and implement our ESG initiatives, it is possible that the aforementioned parties may not be satisfied with such disclosures, our ESG practices, or the speed with which we adopt and / or implement our plans. **The** ~~Moreover, the preparation of sustainability metrics requires management to establish~~ **establishment of ESG** criteria, ~~make determinations~~ as ~~to~~ **well as** the **collection of** ~~relevancy~~ **relevant** ~~of information to~~ **ESG data, can** be ~~included~~ **costly** , **challenging,** and **time consuming and is subject to evolving ESG reporting standards and regulations** ~~make assumptions that affect reported information. The selection by management of different but acceptable measurement techniques could result in materially different amounts or metrics being reported~~ . If our ESG practices do not meet investor or other stakeholder expectations and standards, which continue to evolve, or if we are perceived or deemed to have not appropriately responded to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage from stakeholders and consumers and our business and financial condition could be materially and adversely affected. We may also incur additional costs or require additional resources to monitor such stakeholder expectations and standards and to meet our targets and commitments. Further, we could fail, or be perceived to fail, to achieve our ESG initiatives or goals, or we could fail to fully and accurately report our progress on such initiatives and goals, which could negatively impact our business. Indebtedness Risks **The** ~~Our senior revolving credit facility agreement (as amended to date, the "~~ Revolving Credit Agreement ~~")~~ , the Term Loan B Credit Agreement, and the Indentures **(each as defined below)** each impose significant operating and financial restrictions on us and certain of our subsidiaries, which may prevent us from capitalizing on business opportunities. A breach of any of those restrictive covenants may cause us to be in default under the Revolving Credit Agreement, the Term Loan B Credit Agreement and / or the Indentures, and our lenders could foreclose on our assets. Our Revolving Credit Agreement requires us to maintain certain financial covenants. A decline in our operating performance could negatively impact our ability to meet these financial covenants. If we breach any of these restrictive covenants, the lenders could either refuse to lend funds to us or accelerate the repayment of any outstanding borrowings under the Revolving Credit Agreement. We may not have sufficient funds to repay such indebtedness upon a default or be unable to receive a waiver of the default from the lenders. If we are unable to repay the indebtedness, the lenders could initiate a bankruptcy proceeding or collection proceedings with respect to our assets, all of which secure our indebtedness under the Revolving Credit Agreement. The foregoing risks also apply to the Term Loan B Credit Agreement. The Revolving Credit Agreement, the Term Loan B Credit Agreement, and the Indentures also contain certain restrictive covenants that limit, and in some circumstances prohibit, our ability to, among other things: incur additional debt or issue preferred stock; sell, lease or transfer our assets; pay dividends on, and make other distributions on, or redeem or repurchase, our common stock; make certain capital expenditures and investments; guarantee debt or obligations; create certain liens; repurchase our common stock; enter into transactions with our affiliates; and enter into certain merger, consolidation, or other reorganizations transactions. These restrictions could limit our ability to obtain future financing, incur or guarantee additional debt, incur certain liens, enter into transactions with affiliates, transfer or sell certain assets, make acquisitions or needed capital expenditures, withstand the current or future downturns in our business, or the economy in general, conduct operations or otherwise take advantage of business opportunities that may arise, any of which could place us at a competitive disadvantage relative to our competitors. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and / or amend the covenants. **In addition, our ability to comply with these negative covenants can be affected by events beyond our control.** Our failure to comply with the restrictive covenants described above as well as other terms of our indebtedness could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms or cannot refinance these borrowings, our results of operations and financial condition could be adversely affected. Our indebtedness **, including the incurrence by us of substantial indebtedness in connection with the financing of the Acquisition,** could adversely affect our business, financial condition, and results of operations, as well as the ability to meet payment obligations under our Revolving Credit Agreement, the Term Loan B Credit Agreement, and the Notes **(as defined below)** . As of December 31, ~~2022~~ **2023** , we had $ ~~2~~ **1** , ~~322~~ **664** . ~~4~~ **3** million in total indebtedness outstanding (net of $ ~~57~~ **49** . 0 million of unamortized issuance costs related to the issuance of the Notes). To finance the Acquisition in part, we entered into an agreement (**as amended prior to the February 2024 Amendment (as defined below),** the " Term Loan B Credit Agreement ") with respect to a new senior secured term loan B facility in an aggregate principal amount equal to $ 2. 0 billion (**as amended prior to the February 2024 Amendment,** the " Term Loan B Facility ") and borrowed $ 50. 0 million under the Revolving Facility **. The use of indebtedness to finance the Acquisition reduced our liquidity and could cause us to place more reliance on cash generated from operations to pay principal and interest on our debt, thereby reducing the availability of our cash flow for working capital and capital expenditure needs or to pursue other potential strategic plans** . Subject to the limits contained in the Revolving Credit Agreement, the Indentures, the Term Loan B Credit Agreement and the applicable agreements governing our other existing indebtedness, we may be able to incur substantial additional debt from time to time. If we do so, the risks related to our level of debt could increase. Specifically, our level of debt could have important consequences, including the following: • making it more difficult for us to meet our obligations with respect to our debt; • reducing the availability of cash flow to fund future working capital, capital expenditures, acquisitions or other general corporate purposes; • limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate purposes; • requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions or other general corporate purposes; • increasing our vulnerability to general adverse economic and industry conditions; • exposing us to the risk of increased interest rates as certain of our borrowings are at variable rates of interest; • placing us at a disadvantage compared to other, less leveraged competitors; • increasing our cost of borrowing; and • limiting our flexibility in planning for changes in our business and reacting to changes in the industry in which we compete. Furthermore, if we are unable to meet our debt service obligations or should we fail to comply with our financial and other negative covenants contained in the agreements governing our indebtedness, we may be required to refinance all or part of our debt, sell important strategic assets at unfavorable prices, incur additional indebtedness or issue common stock or other equity securities. We may not be able to, at any given time, refinance our debt, sell assets, incur additional indebtedness or issue equity securities on terms acceptable to us, in amounts sufficient to meet our needs. If we are able to raise additional funds through the issuance of equity securities, such issuance would also result in dilution to our stockholders. Our inability to service our obligations or refinance our debt could have a material and adverse effect on our business, financial condition or operating results. In addition, our debt obligations may limit our ability to make required investments in capacity, technology, or other areas of our business, which could have a material adverse effect on our business, financial condition, or operating results. Any of these factors could have an adverse effect on our business, financial condition, and results of operations and our ability to meet our debt payment obligations. ~~See also " HEYDUDE Acquisition Risks — The incurrence by us of substantial indebtedness in connection with the financing of the Acquisition may have an adverse impact on our liquidity, limit our flexibility in responding to other business opportunities, and increase our vulnerability to adverse economic and industry conditions. "~~ Despite our current level of indebtedness, we may be able to incur substantially more debt, which could increase the risks to our financial condition described above. We may be able to incur substantial additional indebtedness in the future, such as the debt we incurred to finance the Acquisition in part. Although certain of the agreements governing our existing indebtedness contain restrictions on the incurrence of additional indebtedness and entering into certain types of other transactions, these restrictions are subject to a number of qualifications and exceptions, including compliance with various financial conditions. Additional indebtedness incurred in compliance with our existing debt instruments could be substantial. To the extent new debt is added to our current debt levels, the substantial leverage risks described in the immediately preceding risk factor would increase. As of December 31, ~~2022~~ **2023** , we had approximately $ ~~2~~ **1** , ~~322~~ **664** . ~~4~~ **3** million in total indebtedness outstanding (net of $ ~~57~~ **49** . 0 million of unamortized issuance costs related to the issuance of the Notes), including $ **820** ~~1, 675~~ . 0 million outstanding on the Term Loan B Facility. We had ~~no~~ borrowings outstanding **of $ 190. 0 million** under the Revolving Facility, with total borrowing capacity of approximately $ ~~748~~ **558** . 7 million thereunder (including $ 1. 3 million of letters of credit outstanding as of such date). Financial and Accounting Risks We may be required to record impairments of long- lived assets or incur other charges relating to our company- operated retail operations. Impairment testing of our retail stores' long- lived assets requires us to make estimates about our future performance and cash flows that are inherently uncertain. These estimates can be affected by numerous factors, including changes in economic conditions, our results of operations, and competitive conditions in the industry. Due to the fixed- cost structure associated with our retail operations, negative cash flows, or the closure of a store could result in impairment of leasehold improvements, impairment of right- of- use assets, impairment of other long- lived assets, write- downs of inventory, severance costs, significant lease termination costs or the loss of working capital, which could adversely impact our business and financial results. Impairment charges may increase as we continue to evaluate our retail operations. The recording of additional impairments in the future may have a material adverse impact on our business and financial results. We may incur impairments of the carrying value of our goodwill and other intangible assets, which could have a material adverse effect on our business and financial results. In connection with the Acquisition, we allocated approximately $ ~~713~~ **710** . ~~3~~ **0** million and $ 1, 780. 0 million to goodwill and indefinite- lived intangible assets, respectively. These assets are tested for impairment at least annually, using estimates and assumptions affected by factors such as economic and industry conditions and changes in operating performance. Additionally, in conjunction with the impairment tests, we also reassess the indefinite- life classification. Potential resulting charges from an impairment of goodwill or our indefinite- lived intangible, as well as reclassification of an indefinite- lived to a definite- lived intangible, could have a material adverse effect on our business and results of operations. The testing of our goodwill for impairment is predicated upon our determination of our reporting units. Any change to the conclusion of our reporting units or the aggregation of components within our reporting units could result in a different outcome to our annual impairment test. Although the fair values of our HEYDUDE Brand reporting unit goodwill and indefinite- lived intangible assets are either equal to or in excess of their carrying values, the fair values are sensitive to the aforementioned potential unfavorable changes that could have an adverse impact on future analyses. See Part II- Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations and Note 5 — Goodwill and Intangible Assets, Net in the accompanying notes to the consolidated financial statements included in Part II- Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10- K for more information. Our quarterly revenues and operating results are subject to fluctuation as a result of a variety of factors, which could increase the volatility of the price of our common stock. Quarterly results may also fluctuate as a result of several factors, including new style introductions, general economic conditions, or changes in consumer preferences. Results for any one quarter or year are not necessarily indicative of results to be expected for any other quarter or for any other year. This could lead to results outside of analyst and investor expectations, which could increase volatility of our stock price. The risks of maintaining significant cash abroad could adversely affect our cash flows in the U. S., our business, and financial results. We have substantial cash requirements in the U. S., but a significant portion of our cash is generated and held abroad. We generally consider unremitted earnings of subsidiaries operating outside the U. S. to be indefinitely reinvested, and it is not our current intent to change this position. Cash held outside of the U. S. is primarily used for the ongoing operations of the business in the locations in which the cash is held. Most of the cash held outside of the U. S. could be repatriated to the U. S., and under the U. S. Tax Cuts and Jobs Act, could be repatriated without incurring additional U. S. federal income taxes, although some states will continue to subject cash repatriations to income tax. In some countries, repatriation of certain foreign balances is restricted by local laws and could have adverse tax consequences if we were to move the cash to another country. These limitations may affect our ability to fully utilize our cash resources for needs in the U. S. or other countries and may adversely affect our liquidity. Changes in tax laws and unanticipated tax liabilities and adverse outcomes from tax audits or tax litigation could adversely affect our effective income tax rate and profitability. We are subject to income taxes in the U. S. and numerous foreign jurisdictions. Our effective income tax rate in the future could be adversely affected by a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, and the outcome of income tax audits or tax litigation in various jurisdictions around the world. We are regularly subject to, and are currently undergoing, audits by tax authorities in the U. S. and foreign jurisdictions for prior tax years. Please refer to Note 14 — Income Taxes and Note 16 — Commitments and Contingencies in the accompanying notes to the consolidated financial statements included in Part II- Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10- K for additional details regarding current tax audits. The final outcome of tax audits and related litigation is inherently uncertain and could be materially different than that reflected in our historical income tax provisions and accruals. Moreover, we could be subject to assessments of substantial additional taxes and / or fines or penalties relating to ongoing or future audits, which could have an adverse effect on our financial position and results of operations. Future changes in domestic or international tax laws and regulations could also adversely affect our effective tax rate or result in higher income tax liabilities. ~~Recent developments~~ **In August 2022** , ~~including~~ **the U. S. government enacted** the Inflation Reduction Act **of 2022** , **which included among** ~~the~~ **other provisions, a 15 % minimum** ~~European Commission' s investigations of local country~~ tax ~~authority rulings and whether those rulings comply with European Union rules~~ on ~~state aid~~ **" adjusted financial statement income " and became effective for us beginning January 1** , ~~as well~~ **2023. Recently, intergovernmental organizations such** as the Organization for Economic Co- operation and Development ~~' s project~~ **(" OECD ") and European Union (" EU ") have proposed changes to the existing tax laws of member countries. For example, the OECD has introduced model rules for a new 15 % global minimum tax framework, as well as a proposal** on ~~Base Erosion and~~ **the allocation of** ~~Profit~~ **profit** ~~Shifting~~ **among tax jurisdictions in which companies operate. In December 2022** , ~~continue~~ **the EU member states agreed** to ~~change long~~ **incorporate the 15 % global minimum tax into their respective domestic laws effective for fiscal years beginning on or after December 31, 2023. Additionally, several non** - ~~standing~~ **EU countries, including the United Kingdom, have recently proposed and / or adopted legislation consistent with the OECD global minimum** tax ~~principles~~ **framework. These tax laws and regulations could adversely impact our financial position and results of operations beyond 2024. Continued economic and political pressures to increase tax revenues in jurisdictions in which we operate, or the adoption of new or reformed tax legislation or regulation, may make resolving tax disputes more difficult, and prior decisions by tax authorities regarding treatments and positions of corporate income taxes could be subject to enforcement activities, as well as legislative investigation and inquiry, which could also result in changes in tax policies or prior tax rulings. The final resolution of such tax audits and any related litigation can differ from our historical provisions and accruals, resulting in an adverse effect on our financial performance** . These and any other additional changes could adversely affect our effective tax rate or result in higher cash tax liabilities. We may fail to meet analyst and investor expectations, which could cause the price of our stock to decline. Our common stock is traded publicly, and various securities analysts follow our financial results and frequently issue reports on us which include information about our historical financial results as well as their estimates of our future performance. These estimates are based on their own opinions and are often different from management' s estimates or expectations of our business. If our operating results are below the estimates or expectations of public market analysts and expectations of our investors, our stock price could decline. ~~Our ability to realize the benefits from the Acquisition is substantially dependent on our ability to continue to grow HEYDUDE. Combining with Crocs, Inc. may not accelerate the growth and success of HEYDUDE, and the HEYDUDE business may not perform as expected. If we are unsuccessful at, among other things, building HEYDUDE' s brand awareness, enhancing its digital capabilities, leveraging our wholesale relationships to enhance distribution, investing in HEYDUDE' s infrastructure as well as sales and business operations, leveraging our distribution for global growth and / or investing to scale our supply chain and gain efficiencies, our sales could be adversely affected, and our business could suffer. In addition, HEYDUDE' s product sales may not meet our expectations. Moreover, HEYDUDE depends on a limited number of third- party manufacturers that are concentrated in China to produce its products. Due to the relative concentration of HEYDUDE' s third- party manufacturers, disruption at the facilities of such third- party manufacturing partners as a result of COVID- 19 or otherwise, including through the effects of facility closures, reductions in operating hours and labor shortages may have a material adverse effect in the future. See the risk factors under " Risks Related to Our Supply Chain — Supply chain disruptions could interrupt product manufacturing and global logistics and increase product costs, " " Risks Related to Our Supply Chain — Our operations are dependent on the global supply chain and impacts of supply chain constraints and inflationary pressure could adversely impact our operating results, " and " Risks Related to Our Supply Chain — We depend solely on third- party manufacturers located outside of the U. S. " Further, our ability to realize the benefits from the Acquisition may be dependent on the savings resulting from the timely and effective integration of the operations of the Crocs and HEYDUDE Brands. The process of integrating the operations of the Crocs and HEYDUDE Brands could encounter unexpected costs and delays, which include: the loss of key personnel; the loss of key customers; the loss of key suppliers; and unanticipated issues in integrating sales, marketing, and administrative functions. If we are unable to timely and effectively integrate the operations of the Crocs and HEYDUDE Brands, our costs could be adversely affected, and our business could suffer. The incurrence by us of substantial indebtedness in connection with the financing of the Acquisition may have an adverse impact on our liquidity, limit our flexibility in responding to other business opportunities, and increase our vulnerability to adverse economic and industry conditions. We incurred a significant amount of indebtedness in connection with the financing of the Acquisition, which was funded, in part, using borrowings under the Term Loan B Facility in an aggregate principal amount equal to $ 2. 0 billion. The use of indebtedness to finance the Acquisition reduced our liquidity and could cause us to place more reliance on cash generated from operations to pay principal and interest on our debt, thereby reducing the availability of our cash flow for working capital and capital expenditure needs or to pursue other potential strategic plans. The agreements we entered into with respect to the indebtedness we incurred to finance the Acquisition contain certain restrictive~~

~~covenants that limit, and in some circumstances prohibit, our ability to, among other things: incur additional debt or issue preferred stock; sell, lease or transfer our assets; pay dividends on, and make other distributions on, or redeem or repurchase, our common stock; make certain capital expenditures and investments; guarantee debt or obligations; create certain liens; repurchase our common stock; enter into transactions with our affiliates; and enter into certain merger, consolidation, or other reorganizations transactions. These restrictions could limit our ability to obtain future financing, incur or guarantee additional debt, incur certain liens, enter into transactions with affiliates, transfer or sell certain assets, make acquisitions or needed capital expenditures, withstand the current or future downturns in our business, or the economy in general, conduct operations or otherwise take advantage of business opportunities that may arise, any of which could place us at a competitive disadvantage relative to our competitors. Our ability to comply with these negative covenants can be affected by events beyond our control. In addition, a breach of the negative covenants could result in an event of default with respect to the indebtedness, which, if not cured or waived, could result in the indebtedness becoming immediately due and payable and could have a material adverse effect on our business, financial condition, or operating results.~~