INITIATION OF COVERAGE

Crocs, Inc. (NASDAQ: CROX)

International Growth, Limited Upside

RECOMMENDATION	SHARE PRICE	12-MONTH TARGET	CAPITAL UPSIDE	FORECAST DIVIDEND YIELD	EXPECTED 12-MONTH TSR
Hold	**US$151.86**	**US$157.00**	**3.4%**	**0.0%**	**3.4%**

INTENDED FOR US READERS ONLY

US$ millions unless otherwise stated

Investment View

Crocs, Inc. has built one of footwear's most profitable businesses around a shoe that still splits opinion. The Classic Clog has outlasted its novelty phase, helped by comfort, personalisation, and a loyal following among younger shoppers. Yet North America is no longer the growth engine it once was.

The next stage of growth for the Crocs brand will come largely from overseas. China, India, and Japan offer room to reach new customers, while an established network of partners should allow the business to expand without bearing the full cost of every new store. We see the opportunity as substantial, though success will depend on converting brand recognition into repeat purchases and profitable sales.

HEYDUDE is the weaker part of the story. Its established distribution has yet to deliver a convincing recovery in consumer demand, and we are assuming only gradual growth. The group's strong cash generation gives it room to repay debt while continuing to invest in the Crocs brand.

At US$151.86, we think those strengths are largely reflected in the share price. Our US$157 price target offers 3.4% expected total shareholder return, supporting a Hold recommendation.

At a glance

US$m except EPS	FY25A	FY26E	FY31E
Revenue	4,041	4,176	5,074
Adjusted operating profit	901	945	1,174
Adjusted diluted EPS (US$)	12.51	14.55	20.09
Free cash flow	659	780	975

FY2025 actuals include adjusted earnings measures. FY2026 and FY2031 are Evermore Research forecasts.

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Company data

Exchange	Nasdaq
Ticker	CROX
Basic shares	45.725m
Market cap	US$6.94bn
Free float	96.8%
52-week range	US$73.21–161.88

Company profile

Crocs, Inc. sells casual footwear through its Crocs and HEYDUDE brands. The Crocs range includes the Classic Clog, sandals and slides.

HEYDUDE, acquired in 2022, sells lightweight casual footwear. Both brands sell through wholesale partners and directly to consumers.

Share price versus 12-month target



Expected 12-month TSR of 3.4%, including 0.0% forecast dividend yield.

1. Company Overview and Business Model

Crocs, Inc. owns two comfort-footwear brands, although the Crocs brand accounts for most of the group's revenue and an even greater share of its profits. HEYDUDE, acquired in 2022, has built a sizeable business in the US casual footwear market, but its contribution to earnings remains much smaller.

The Classic Clog is still the Crocs brand's best-known product, although the range has expanded to include sandals, slides, sneakers, and other casual footwear. Jibbitz charms allow customers to personalise their shoes, giving the brand an additional source of revenue beyond footwear sales.

The simplicity of the products is central to their profitability. Many are made using proprietary Croslite material and moulded construction, with fewer components and assembly steps than conventional athletic footwear. Manufacturing is also largely outsourced, reducing the capital tied up in production facilities. Combined with the brand's pricing power, this helps explain its unusually strong margins.

HEYDUDE has a different offering. Its Wally and Wendy ranges are lightweight slip-on shoes designed for everyday comfort, with products for both men and women. The business remains heavily concentrated in the United States, where it generated most of its approximately US$715 million in FY2025 revenue.

Revenue and profitability

FY2025	Crocs brand	HEYDUDE
Revenue	US$3,326m	US$715m
Share of group revenue	82.3%	17.7%
Gross margin	61.3%	44.8%
Segment operating profit*	US$1,112m	US$68m
Segment operating margin*	33.4%	9.5%
Share of combined segment operating profit*	94.2%	5.8%

*Segment operating profit excludes the US$737 million HEYDUDE impairment charge and is presented before unallocated corporate costs.

HEYDUDE accounted for almost one-fifth of group revenue in FY2025, but less than 6% of combined segment operating profit before impairments. Its substantially lower margins mean that the Crocs brand remains responsible for the overwhelming majority of earnings generated by the two businesses.

How the group sells its products

Both brands sell through wholesale and direct-to-consumer channels, although the balance differs between them.

Wholesale customers include major footwear chains, independent retailers, distributors, and partners operating branded stores. They purchase products from the group and take responsibility for selling them to consumers. Crocs, Inc. receives the wholesale price, while its retail partners generally bear the costs of operating their stores.

Direct-to-consumer sales come through company-operated stores, outlets, and websites. These sales bring in the full retail price and give the group greater control over how its products are presented. However, they also come with additional expenses, including rent, staffing, marketing, and fulfilment. The higher selling price does not necessarily mean a higher operating margin.

The Crocs brand has an extensive international network combining company-operated stores with retail partners. HEYDUDE is more concentrated in the United States, where established footwear retailers play a larger role in its distribution.

The distinction between these channels is important when assessing sales performance. A greater proportion of direct sales can increase reported revenue per pair, even if the number of shoes reaching consumers remains unchanged. A shift towards wholesale has the opposite effect, meaning changes in revenue do not always reflect equivalent changes in consumer demand.

2. Investment Thesis

Crocs, Inc. has little left to prove about whether people will wear its signature shoe. The Crocs brand has established a loyal following and profitability that most footwear companies would envy. The challenge now is to maintain those strengths as growth shifts away from North America. HEYDUDE complicates the picture, but the group's ability to generate cash gives it room to manage a slower recovery.

The Crocs brand has staying power

The Classic Clog no longer needs to be fashionable every season to sell. Comfort and practicality give people reasons to wear it, while its unmistakable appearance and opportunities for personalisation help set it apart. Jibbitz charms, collaborations, and an expanding footwear range also give existing customers reasons to return.

That is an enviable position in an industry where enthusiasm for individual styles can fade quickly. L.E.K. Consulting's 2026 Brand Heat Index ranked the Crocs brand first among Gen Z men and second among Gen Z women in US casual footwear.[1] That is a strong showing for a product introduced more than two decades ago.

Fashion trends will inevitably change, but the brand appears to have established a place in everyday footwear that extends beyond its original novelty. We expect North America to remain profitable, even if the exceptional growth of earlier years proves difficult to repeat.

International markets offer the next stage of growth

North America helped establish the Crocs brand, but overseas markets are increasingly important to its future. China, India, and Japan offer opportunities to reach new customers and build the kind of familiarity the brand already enjoys in its home market.

The economics of that expansion are also appealing. Local retail partners allow the brand to broaden its reach without the investment required to operate every new store. The trade-off is that wholesale sales generate less revenue per pair than selling directly to consumers, making the strength of underlying demand important.

Opening more locations is relatively straightforward. Building a loyal customer base that keeps buying is harder. We believe the brand has the recognition and product appeal to achieve both, supporting international growth well ahead of North America over the coming years.

HEYDUDE still has something to prove

HEYDUDE faces a different challenge. Its shoes are already widely available through US retailers, but that distribution has not translated into consistently stronger sales. Orders from wholesalers have picked up, but retailer restocking does not necessarily signal a lasting recovery in consumer demand.

The brand still has a substantial following, but its popularity varies considerably across generations. L.E.K. Consulting's 2026 Brand Heat Index ranked HEYDUDE first among Gen X men and women, as well as millennial women. Its appeal among younger men is weaker, ranking sixth among millennial men and seventh among Gen Z men, compared with first and third, respectively, among women of the same generations.[1]

These findings suggest HEYDUDE has an established customer base to build upon, although attracting a broader audience may prove more difficult. Combined with the lack of a convincing recovery in consumer demand, this supports our expectation of annual revenue growth below 2% through FY2031. A stronger recovery would be welcome, but our investment case does not depend on one.

Strong cash generation, but limited upside

One of the group's greatest strengths is how much cash it can generate without substantial capital investment. The profitability of the Crocs brand should allow it to reduce debt while continuing to fund growth, even with relatively little support from HEYDUDE.

We see debt reduction as a sensible priority. Further share buybacks remain an option, but strengthening the balance sheet would put the group in a better position to manage weaker trading conditions or pursue opportunities as they arise.

The shares look inexpensive against current earnings, although the headline multiple tells only part of the story. Debt, the outstanding tax obligation, and uncertainty around HEYDUDE all need to be considered alongside the strength of the Crocs brand.

We see plenty to like about the underlying business, but the current share price offers insufficient upside to justify a Buy. Our US$157 price target supports a Hold recommendation.

3. Crocs Brand: Competitive Position and Consumer Appeal

The Classic Clog is both the Crocs brand's greatest strength and its most obvious risk. Customers can recognise it at a glance, and its comfort gives them a reason to keep wearing it long after the novelty has faded. But the brand is also closely associated with a design that some consumers will never like. Crocs has to preserve the appeal of its signature product while finding ways to grow beyond it.

There are good reasons to believe it can. The Classic Clog has survived several changes in fashion, helped by its distinctive appearance, relatively accessible pricing, and practical appeal. Jibbitz charms and collaborations have also given customers ways to make the product their own, keeping it interesting without fundamentally changing its design.

The challenge is maintaining that enthusiasm without becoming dependent on the next collaboration or limited-edition release. These initiatives can generate publicity and encourage additional purchases, but lasting profitability depends on customers continuing to buy the core products at attractive prices.

What does the consumer research tell us?

The independent surveys point to a durable position in casual footwear, while also suggesting that the brand's popularity among younger shoppers may be losing some momentum.

L.E.K. Consulting's 2026 Brand Heat Index, which surveyed approximately 6,000 US consumers aged 14–55, ranked the Crocs brand third overall in both men's and women's casual footwear. Its strongest results came from Generation Z, suggesting the brand continues to resonate with younger consumers.[1]

YouGov's 2026 US fashion rankings reinforce that positive picture. Crocs placed ninth among Generation Z adults for purchase consideration, with 26.4% saying they would consider buying from the brand. Unlike L.E.K., the YouGov survey covered clothing, footwear, accessories, and luggage brands. We see this as further evidence that Crocs has moved well beyond its original status as a novelty product and established itself among recognised fashion names.[2]

Piper Sandler's autumn 2026 survey of 8,934 American teenagers presents a less favourable picture. Crocs slipped from ninth to tenth among preferred footwear brands, with just 1% naming it their first choice. The brand also dropped out of the top ten among teenage girls.[3]

We would not dismiss these findings, but neither do we see them as evidence of a brand in decline. Piper Sandler measures teenagers' favourite footwear brands across the entire market, including athletic shoes, while L.E.K. focuses on casual footwear. A consumer may happily own several pairs of Crocs without considering them their favourite shoes.

Nevertheless, we think the weaker teenage rankings warrant attention. Younger consumers have played an important role in the brand's resurgence, and maintaining their interest will be important as existing customers grow older. We do not expect Crocs to remain equally fashionable with every generation, but we believe its combination of comfort, recognisable design, and personalisation gives it a better chance of retaining customers than brands whose appeal rests almost entirely on changing trends.

There are also limits to what these surveys can tell us. Popularity and purchase consideration do not necessarily translate into repeat purchases or sustained pricing power. Taken together, the findings support our confidence in the brand's durability, but offer little reason to expect another surge in North American sales.

Expanding beyond the Classic Clog

The Classic Clog will remain central to the brand, but there is an opportunity to increase sales by offering customers more reasons to choose Crocs.

Sandals and slides are natural extensions of its comfort-focused identity. They allow the brand to compete for purchases that might otherwise go to another footwear company, while drawing on the design and manufacturing expertise it already possesses.

Moving further into conventional footwear is less straightforward. In categories such as sneakers, Crocs faces established competitors whose products may be more familiar to consumers. The brand also risks losing some of the distinctiveness that helps its clogs stand apart.

We believe the stronger opportunity lies in extending the product range selectively rather than attempting to compete across every footwear category. The Classic Clog has given Crocs a recognisable identity and an unusually profitable business. Protecting those qualities while building demand for complementary products offers a more credible path to lasting growth than trying to recreate the excitement of its earlier resurgence.

4. International Growth Opportunity

The Crocs brand's international expansion is beginning to deliver the growth that has become harder to achieve in North America. During the first nine months of 2026, international revenue increased 8.8% to US$1.40 billion, while North American sales declined 2.4% to US$1.24 billion.

We see considerable scope for that divergence to continue. The brand is well established in its home market, but its presence across Asia and Europe is still developing. Importantly, the opportunities are not identical. China is gaining recognition among consumers, India offers room to reach customers beyond its largest cities, and digital commerce is opening additional avenues for growth in markets such as Japan.

China: Building a stronger consumer franchise

China is one of the more promising markets for the Crocs brand. Its distinctive products and emphasis on personalisation appear well suited to consumers who increasingly use footwear to express their individual style.

The group has also made a concerted effort to establish a local identity rather than relying entirely on the brand's international reputation. Its recent Echo 2.0 campaign, featuring Chinese Olympic table tennis champion Fan Zhendong, is one example of how it is adapting its marketing to local consumers.

The Crocs brand entered the top 50 of Peking University's China Online Consumer Brand Index for the first time in the second quarter of 2026, ranking 37th across consumer brands. The index considers online sales, pricing, search activity, and customer reviews, giving us a broader indication of consumer engagement than brand awareness alone.[4]

We regard that as a meaningful achievement in such a competitive market. However, the ranking coincided with summer shopping activity and major online promotions, both of which favour seasonal products. Sustained demand outside these periods would provide stronger evidence that the Crocs brand is becoming an established part of Chinese consumers' footwear purchases.

We believe China can make a substantial contribution to international growth, although the pace will depend on continued product relevance and the group's ability to turn growing recognition into repeat purchases.

India: An opportunity beyond the major cities

India offers a different opportunity. The Crocs brand already has a sizeable retail presence, but there is room to reach consumers in smaller cities where international lifestyle brands are gaining popularity.

By October 2026, the brand had approximately 320 retail locations across India. Local partner Metro Brands operated 232 Crocs-exclusive stores across 100 cities at the end of March 2026, illustrating how extensively the network has developed.[5]

We see this established distribution base as an advantage. Local partners understand their markets, have existing retail infrastructure, and can help the brand expand without requiring Crocs, Inc. to fund every new location.

The opportunity is not limited to opening more stores. As the brand becomes more familiar to consumers outside India's largest metropolitan areas, there should be scope to build repeat demand and increase sales through existing locations.

This is where we would place greater emphasis. An expanding network shows how far the brand can reach; higher sales per store would tell us whether that reach is translating into sustained demand.

Japan and Western Europe: Different ways to reach consumers

Japan offers opportunities through established online marketplaces, social commerce, and selective retail expansion. The group's digital capabilities are becoming an increasingly important part of how it reaches customers, and management reported that the Crocs brand held the leading footwear position on TikTok Shop in Japan during the September quarter.

That result speaks to the brand's digital reach, although leadership on one platform does not imply leadership across the wider footwear market. We see digital commerce as a way to introduce the brand to new customers and encourage repeat purchases without relying entirely on a larger physical store network.

Western Europe also offers growth potential. The group has established wholesale relationships across the region, while its own stores and digital channels provide opportunities to strengthen its presence in markets including Germany, France, and the United Kingdom.

We expect these markets to make a growing contribution, although their established footwear competitors and differing consumer preferences mean progress is unlikely to follow exactly the same pattern as in Asia.

Turning international demand into profitable growth

The difference between international sales channels is worth examining. During the first nine months of 2026, direct-to-consumer revenue increased 25.3%, while wholesale revenue was broadly unchanged.

The strength in direct sales suggests the brand is gaining momentum through its own stores and digital platforms, where it has greater control over the customer experience and captures the full retail selling price.

Flat wholesale revenue does not concern us in isolation, given the influence of retailer ordering patterns and distribution changes. What we want to establish is whether growing international revenue reflects sustained consumer demand rather than simply a shift in where customers buy their shoes.

There is also a profitability consideration. Direct sales generate more revenue per pair, but they carry additional operating expenses. We would like to see the stronger revenue performance translate into operating profit rather than simply a larger retail cost base.

We believe the Crocs brand has plenty of room to grow internationally, particularly in China and India. Its progress so far gives us confidence that overseas markets can become an increasingly important source of earnings, rather than simply offsetting slower sales in North America.

5. North America: A Mature but Profitable Market

North America helped make the Crocs brand what it is today, but it is also where much of the easy growth has already been captured. The shoes are familiar, distribution is extensive, and the exceptional sales momentum of earlier years has faded. We believe the brand can remain successful in this market, although further growth will depend more on repeat purchases and maintaining customer loyalty than reaching people who have never heard of Crocs.

Recent results show why a more measured outlook is appropriate. North American Crocs brand revenue declined 2.4% to US$1.24 billion during the first nine months of 2026. Wholesale sales fell 11.1%, while direct-to-consumer revenue increased 2.9%.

Those figures suggest that trading conditions have become more challenging, although changes to the group's distribution arrangements are beginning to complicate the picture.

Changes to distribution make sales harder to interpret

During the September quarter, Crocs, Inc. began transferring some North American sales from its own direct-to-consumer operations to wholesale partners.

Moving sales to wholesale partners changes the economics of each transaction. The group receives a lower selling price than it would through its own stores or websites, but also avoids some of the costs of selling directly. Reported revenue could therefore decline even if consumer demand remains unchanged, without necessarily producing a corresponding fall in profit.

Management estimated that the transition reduced North American direct-to-consumer revenue growth by 2.7 percentage points during the September quarter. Without that effect, the channel would have grown by approximately 2%, rather than declining 0.7%. Management expects the effect to increase to around 7–8 percentage points in quarterly comparisons until the transition reaches its first anniversary in the September quarter of 2027.

We see a reasonable commercial argument for the change. Allowing retail partners to handle more sales could reduce operating costs and improve efficiency, even if reported revenue suffers. Whether it ultimately improves profitability will depend on how much the group saves relative to the revenue it gives up.

However, we would be careful not to attribute all of North America's weakness to the transition. Wholesale orders were already under pressure, with retailers taking a cautious approach to inventory amid uncertainty about consumer spending. Moving sales between channels does not solve a lack of demand.

Protecting profitability as growth slows

The more important challenge is maintaining the Crocs brand's profitability in a market where consumers already have plenty of opportunities to buy its products.

New clog designs, sandals, and other styles can encourage additional purchases, but not every successful launch will generate entirely new sales. Some customers may simply choose a newer design instead of a product they would otherwise have bought.

We see pricing discipline as especially important. The Crocs brand has built an attractive business around relatively simple products that command strong margins. That advantage could weaken if slower sales lead to heavier discounting or excess inventory.

We would put greater weight on healthy full-price sales and repeat purchases than on short-lived improvements driven by promotions.

We expect the Crocs brand to maintain its position in North America, although there is little reason to anticipate another period of rapid growth. Revenue is forecast to rise from US$1.68 billion in FY2026 to US$1.78 billion by FY2031, an increase of just over 1% annually.

We expect North America to remain a substantial source of earnings for the group. Maintaining that profitability will depend on the Crocs brand keeping customers engaged and protecting its pricing power as sales growth slows.

6. HEYDUDE: Rebuilding Demand and Profitability

HEYDUDE has struggled to sustain the momentum that made it an appealing acquisition in 2022. Revenue reached US$949 million in FY2023 before falling to US$715 million in FY2025, a decline that ultimately contributed to US$737 million in goodwill and trademark impairments. Those charges were non-cash, but they reflect how sharply expectations for the business have changed.

We believe HEYDUDE can return to consistent profitability, although restoring growth will take time. Its established products and extensive retail network provide a solid foundation for recovery. The challenge is rebuilding consumer demand after several years of disappointing sales.

HEYDUDE's appeal varies across generations

Independent consumer research offers insight into where HEYDUDE's appeal is strongest. L.E.K. Consulting's 2026 Brand Heat Index found that HEYDUDE performed strongly among Generation X consumers and millennial women, while its appeal among younger men was considerably weaker.[1]

We believe HEYDUDE has a loyal customer base to build upon, particularly among older consumers. Broadening its appeal among younger shoppers would strengthen its longer-term growth prospects.

YouGov's 2026 US fashion rankings also offer a positive signal. HEYDUDE's purchase consideration increased from 6.6% to 7.3% between the survey's 2024 and 2025 tracking periods, placing it among the ten most-improved brands.[2] The increase is small, but noteworthy after several years of declining sales.

We believe the brand retains enough consumer appeal to support a recovery. Converting that interest into more frequent purchases, preferably at full price, will determine how successful it becomes.

Getting more from existing distribution

HEYDUDE already has considerable access to US consumers through major footwear chains, sporting-goods retailers, independent stores, and online platforms. It also operated 78 company-owned stores at the end of September 2026, predominantly outlets.

That gives the brand a substantial network through which to rebuild sales. We see greater potential in improving sales through existing retailers than pursuing another aggressive round of distribution expansion.

Retailers ultimately care about how quickly products sell and the returns they earn from the space allocated to them. If HEYDUDE can generate stronger consumer demand, it should be able to secure larger orders and improve its presence within established stores. Continued weak sales would make retailers more cautious, potentially increasing promotional pressure.

For us, healthier full-price sales, steadier inventory levels, and repeat orders from retailers would provide convincing evidence that the recovery is gaining traction.

Signs of progress in the September quarter

The September 2026 quarter brought a welcome improvement. HEYDUDE revenue rose 6.1% to approximately US$170 million, its first return to growth following a difficult period. Wholesale sales increased 14.0%, while direct-to-consumer revenue was essentially unchanged.

Some of the increase in retailer orders may reflect inventory replenishment after earlier weakness. Revenue for the first nine months of 2026 remained 4.3% below the previous year, leaving considerable ground to recover.

Profitability improved more substantially. Segment operating profit reached US$38 million during the quarter, compared with approximately US$7 million a year earlier. Gross margin increased to 55.1%, helped significantly by tariff refunds and lower duties, while operating expenses declined following cost reductions.

Lower operating expenses helped, although tariff refunds also provided a substantial one-off benefit. The coming quarters should give us a clearer picture of how much profitability has genuinely improved.

Management expects revenue to be approximately flat for FY2026, including growth of 10–12% in the December quarter. Stronger consumer purchases over the following quarters would make the recovery far more convincing.

A gradual recovery remains achievable

We expect HEYDUDE revenue to increase from approximately US$713 million in FY2026 to US$781 million by FY2031, representing annual growth of less than 2%. We believe the brand can achieve this through stronger sales across its existing retail network, with improving demand and cost discipline supporting a gradual recovery in profitability.

7. Profitability and Margin Outlook

Few footwear businesses enjoy the profitability of the Crocs brand. Its relatively simple products command attractive selling prices, giving the group considerable room to invest in growth while maintaining strong margins. We see this as one of its greatest strengths, although recent results suggest that expanding the business is becoming more expensive.

In FY2025, the Crocs brand's segment operating margin declined from 36.1% to 33.4%, despite an increase in revenue. Higher distribution, marketing, and other operating expenses absorbed more of the profit generated by each sale. A margin above 33% remains exceptional, but we would like to see the additional spending translate into stronger growth over time.

Investing in international growth

Expanding overseas requires continued investment in marketing, retail operations, and distribution. As the Crocs brand builds its presence in markets such as China, India, and Japan, those costs are likely to remain elevated.

We believe the opportunity justifies the investment. The brand has considerable room to grow internationally, and establishing a stronger presence today could support earnings for many years. However, we also recognise that the economics of expansion will vary considerably between markets.

We would be comfortable with some near-term margin pressure if it produces a larger, more profitable international business. Stronger sales through existing stores would improve those economics by spreading operating costs across a larger revenue base. Continued expansion without improving store productivity would give us greater cause for concern.

Looking beyond the September quarter

The September 2026 quarter produced an impressive reported gross margin of 66.2%. However, that figure benefited from approximately US$64 million in non-recurring tariff refunds. Excluding these and other specified adjustments, gross margin was 60.3%, up from 58.5% a year earlier.

We still see genuine progress in those underlying figures. Lower duties, favourable product costs, and changes in the sales mix contributed to the improvement, while adjusted operating margin increased from 20.8% to 22.3%.

The longer-term picture is more restrained. Adjusted operating margin for the first nine months of 2026 declined from 24.0% to 23.3%, reflecting the pressure that has accompanied slower North American growth and continued investment elsewhere.

Lower product costs and tighter expense management have helped, and some of those benefits could persist if sourcing efficiencies continue. We would like to see several quarters of stronger underlying profitability before becoming more optimistic about the margin outlook.

Our expectations for profitability

We expect revenue growth to do most of the work in lifting earnings over the next five years. Adjusted operating profit is forecast to increase from approximately US$945 million in FY2026 to US$1.17 billion by FY2031, with the group's operating margin rising from 22.6% to 23.1%.

We anticipate some pressure in FY2027, when operating margin is expected to ease to 22.2%, before recovering gradually as international sales grow and HEYDUDE makes a slightly larger contribution.

We believe this is an achievable outcome. The Crocs brand's strong pricing power provides a solid foundation, while higher international revenue should help absorb some of the additional costs associated with expansion.

There are risks to that outlook. Heavier discounting in North America or disappointing productivity across the international store network could erode margins. We will be watching both closely.

We are comfortable with the group sacrificing a little near-term profitability to establish a stronger international business. What we want to see in return is sustained growth and evidence that those investments are delivering attractive returns.

8. Financial Forecasts: FY2026–FY2031

We expect Crocs, Inc. to build earnings steadily over the next five years, with much of the improvement coming after FY2027. International expansion should drive most of the growth, with North America and HEYDUDE contributing relatively little to the increase in revenue. We believe this is a credible outlook for a group that already enjoys exceptional profitability, even as growth in its established markets slows.

A subdued FY2027 before growth improves

FY2027 is likely to be a relatively quiet year for operating earnings. We forecast revenue increasing 3.4% to US$4.32 billion, while adjusted operating profit rises just 1.4% to US$958 million. Continued international investment and changes to North American distribution should keep operating margins under pressure.

We are comfortable with a period of slower earnings growth as the group invests overseas, provided those investments begin generating stronger returns in subsequent years. We expect that improvement to become more apparent from FY2028, with adjusted operating profit growing by approximately 4–6% annually through FY2031.

Interestingly, the slower operating performance will be less obvious in earnings per share. We forecast adjusted EPS increasing 6.3% in FY2027, helped by the full-year effect of share repurchases completed during 2026. Investors should be aware of that contribution when assessing the underlying earnings performance.

International sales carry the growth

We expect group revenue to increase from US$4.18 billion in FY2026 to US$5.07 billion by FY2031, equivalent to approximately 4% annual growth.

The Crocs brand’s international business accounts for roughly 82% of that increase. North American revenue contributes just US$97 million of additional sales over the five years, while HEYDUDE adds approximately US$68 million.

We see this concentration as an important consideration for investors. Our earnings outlook depends heavily on international expansion delivering the growth we anticipate, leaving relatively little support from the group’s established US businesses if overseas demand disappoints.

Nevertheless, we have confidence in the opportunity. The Crocs brand has already established a meaningful international presence, and we expect further growth to support higher operating earnings without requiring substantial margin expansion.

Financial forecast summary

US$ million, unless otherwise indicated

	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Crocs North America	1,681	1,664	1,692	1,720	1,749	1,778
Crocs international	1,782	1,932	2,091	2,238	2,381	2,515
HEYDUDE	713	724	735	750	765	781
Group revenue	4,176	4,320	4,518	4,709	4,895	5,074
Adjusted operating profit	945	958	1,014	1,071	1,125	1,174
Adjusted operating margin	22.6%	22.2%	22.4%	22.8%	23.0%	23.1%
Adjusted diluted EPS (US$)	14.55	15.46	16.84	17.83	19.03	20.09
Free cash flow	780	729	801	860	921	975

Source: Evermore Research forecasts. FY2026 incorporates reported nine-month results and estimates for the December quarter. Individual revenue components may differ from group totals due to rounding.

Earnings and cash generation

We forecast adjusted operating profit reaching US$1.17 billion by FY2031, representing approximately 4.4% annual growth from FY2026. Operating margin is expected to rise from 22.6% to 23.1%, leaving higher revenue responsible for most of the increase in operating profit.

Adjusted EPS should grow faster, rising from US$14.55 in FY2026 to US$20.09 by FY2031, equivalent to approximately 6.7% annually. Debt repayment will progressively reduce interest expenses, while the accumulation of surplus cash should eventually provide a meaningful contribution from interest income.

We regard these financing benefits as a genuine strength of the business. Strong cash generation allows the group to improve its financial position while continuing to invest in growth. Even so, we place greater weight on the expected improvement in operating earnings when assessing its longer-term prospects.

Free cash flow is expected to ease from US$780 million in FY2026 to US$729 million in FY2027 as capital expenditure increases and operating cash flow temporarily softens. We then expect a steady recovery, with free cash flow reaching approximately US$975 million by FY2031.

9. Cash Generation, Debt, and Capital Allocation

One of Crocs, Inc.'s greatest financial strengths is how little capital it needs to support its operations. In the first nine months of 2026, the group generated approximately US$561 million in operating cash flow while spending just US$54 million on capital expenditure. Free cash flow reached US$508 million, up from US$413 million a year earlier.

We expect capital expenditure to increase as the group invests in stores, digital infrastructure, and distribution. Even with that additional spending, substantial cash should remain available for debt repayment. We see strengthening the balance sheet as the right priority, particularly while HEYDUDE's recovery remains uncertain.

A clear path to lower debt

At the end of September 2026, Crocs, Inc. had approximately US$1.31 billion in outstanding debt principal and US$163 million in cash, leaving net debt of around US$1.15 billion.

The borrowings comprise a US$500 million term loan, US$113 million drawn under a revolving credit facility, and two US$350 million senior notes maturing in 2029 and 2031. The notes carry fixed interest rates of 4.25% and 4.125%, respectively, while the bank facilities have floating rates.

We favour clearing the bank borrowings first. Doing so should lower interest expenses and reduce the group's exposure to changes in market rates. The fixed-rate notes are relatively inexpensive, making repayment at their scheduled maturities a reasonable approach.

We expect the revolving facility and term loan to be repaid during FY2027, leaving US$700 million of senior notes outstanding. These mature in 2029 and 2031, allowing the group to eliminate its remaining financial debt by the end of our forecast period.

We believe this is comfortably achievable given the strength of the group's cash generation. It would also leave the business in a much stronger position to withstand an unexpected deterioration in trading conditions.

What happens to the surplus cash?

Management has demonstrated a willingness to return capital through share repurchases. During the first nine months of 2026, Crocs, Inc. spent approximately US$501 million buying back shares.

We believe repurchases can create considerable value when shares trade below their intrinsic worth. The price paid is critical, however, and we would prefer management to remain selective rather than commit to an aggressive programme regardless of valuation.

Forecast balance sheet

US$ million

	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Gross debt	1,313	700	700	350	350	0
Closing cash	436	552	1,352	1,862	2,783	3,409
Net debt / (net cash)	877	148	(652)	(1,512)	(2,433)	(3,409)

Source: Evermore Research forecasts. Cash balances exclude future discretionary share repurchases, acquisitions, dividends, and settlement of the historical income tax liability.

The improvement in the group's financial position could be striking. We expect Crocs, Inc. to move into a net cash position during FY2028, with cash potentially reaching US$3.4 billion by FY2031. That would be an extraordinary position for a footwear business of this size, especially considering the debt taken on to acquire HEYDUDE just a few years earlier.

There is still a sizeable obligation to consider. Crocs, Inc. reported a US$641.6 million long-term income tax liability at 30 September 2026, which will reduce the funds ultimately available to shareholders when settled.

Capital allocation will become increasingly important

As the debt burden recedes, management's decisions about where to invest the group's cash will carry greater weight. We see opportunities to strengthen the Crocs brand's international presence, while further share repurchases could deliver attractive returns if the shares trade at a substantial discount to their underlying value.

We would be more cautious about another large acquisition. The HEYDUDE experience demonstrates how quickly the economics of a deal can deteriorate when the growth originally anticipated fails to materialise. We would want compelling evidence of both strategic value and financial returns before supporting another sizeable transaction.

Our preference is for disciplined investment in the existing brands, alongside opportunistic capital returns. The group has already demonstrated its ability to generate substantial cash. We want management to show the same discipline when deciding how to spend it.

10. Valuation

At US$151.86, Crocs, Inc. trades at approximately 9.8 times our FY2027 adjusted earnings forecast. That looks inexpensive for a company generating operating margins above 22% and substantial free cash flow. The Crocs brand is an exceptionally profitable business, and we believe its international growth prospects deserve greater recognition.

There are reasons for the discount. HEYDUDE has struggled to regain momentum, North American growth has slowed, and the footwear industry remains vulnerable to changing consumer preferences. We have considered these risks alongside the group's strong cash generation in arriving at our US$157 price target.

Discounted cash flow

Our discounted cash flow (DCF) valuation indicates a value of US$160.89 per share, supported by continued international expansion and the Crocs brand's ability to sustain strong margins.

We expect operating earnings to grow at approximately 4.4% annually through FY2031. This is a fairly restrained outlook given the group's international opportunities, and we see room for a stronger performance if demand in China, India, and other overseas markets develops faster than anticipated.

The valuation uses an 11.06% weighted average cost of capital (WACC) and a perpetual growth rate of 2.5%. We consider that discount rate appropriate for a profitable consumer business whose earnings remain exposed to fashion trends and discretionary spending.

We have also allowed for the US$641.6 million historical income tax liability reported at 30 September 2026. The full amount is deducted from our valuation, reflecting the obligation's potential impact on shareholder value. A more favourable settlement would provide upside, although we are not assuming one.

The DCF is sensitive to the group's longer-term performance. A 10% WACC would increase our valuation to approximately US$188 per share, while a 12% WACC would reduce it to around US$142.

Around two-thirds of the estimated enterprise value comes from cash flows beyond FY2031. We have confidence in the Crocs brand's durability, although predicting its profitability that far into the future carries unavoidable uncertainty. This makes comparisons with other footwear companies an important part of our assessment.

Relative valuation

Crocs, Inc. also looks reasonably priced against established footwear businesses.

At our original valuation cut-off, Deckers traded at approximately 10.6 times forward earnings, Birkenstock at 12.3 times, and On Holding at 16.4 times. We consider Deckers and Birkenstock the more relevant comparisons, given their established brands, international operations, and profitability.

We believe an 11x forward P/E multiple is appropriate for Crocs, Inc. Its flagship brand generates exceptional margins, and the group should be able to reduce debt substantially over the coming years. Those strengths justify a valuation above the multiples at which Crocs has frequently traded during periods of weaker growth expectations.

We also recognise that adjusted EPS is likely to grow faster than the underlying business, helped by lower interest expenses and larger cash balances. HEYDUDE's uncertain recovery is another reason to remain measured in our valuation.

Applying 11x our FY2027 adjusted earnings estimate of US$15.46 per share gives an implied value of approximately US$170 before allowing for the historical tax liability. After that adjustment, our P/E valuation is US$156.36 per share.

We have also considered enterprise value relative to EBITDA. Deckers and Birkenstock traded at approximately 6.7x and 7.1x forward EBITDA, respectively, at our original valuation cut-off.

We assign Crocs, Inc. an 8.0x multiple, recognising the group's strong profitability and cash generation. After accounting for its financial obligations, this produces a valuation of US$141.97 per share.

That lower result reinforces our caution. The shares may appear inexpensive on an earnings basis, but the valuation becomes less compelling when viewed against the value of the operating business and its outstanding obligations.

Price target and recommendation

We place the greatest weight on our DCF, which we believe best captures the group's long-term earnings potential. The relative valuations provide a useful comparison with what investors currently pay for other footwear businesses.

Valuation method	Value per share	Weight
Discounted cash flow	US$160.89	60%
Forward P/E (11.0x)	US$156.36	25%
EV/EBITDA (8.0x)	US$141.97	15%
Blended valuation	US$156.92	100%
Rounded price target	US$157.00	

Source: Evermore Research estimates. Peer multiples reflect the 30 October 2026 valuation cut-off. The recognised historical tax liability is included in all three valuation methods.

We see several opportunities for Crocs, Inc. to exceed our expectations. Stronger international demand, a sustained recovery at HEYDUDE, and further improvements in profitability could all support a higher valuation.

For now, our US$157 price target implies just 3.4% upside from the US$151.86 closing price on 6 November 2026. With no dividend expected, the prospective total shareholder return is also 3.4%.

We remain positive about the underlying business, particularly the Crocs brand's profitability and international prospects. However, the potential return at the current share price is insufficient to justify a Buy recommendation. We initiate coverage with a Hold rating.

11. Investment Risks and Catalysts

We see two risks that could put meaningful pressure on our valuation: weaker demand for the Crocs brand in North America and international growth that comes at an increasingly high cost. Both could threaten the strong margins that underpin the group’s profitability. HEYDUDE’s uncertain recovery and management’s future capital allocation decisions add further considerations for investors.

Brand relevance and North American demand

The Crocs brand has established a loyal following, but maintaining that position will require continued investment in products, marketing, and customer engagement. With distribution already extensive across North America, we expect future sales to depend increasingly on repeat purchases.

We see discounting as one of the clearest warning signs. The brand’s pricing power has been central to its profitability, and a sustained increase in promotional activity could quickly erode that advantage. Weakening full-price sales, rising retailer inventories, or greater reliance on discounts would cause us to question the durability of demand.

Changes to North American distribution will also complicate reported sales comparisons through 2027. We intend to pay close attention to underlying consumer demand and pricing trends as the transition progresses.

International expansion and profitability

Our growth expectations depend heavily on continued international expansion, particularly in China, India, and Japan. We believe the Crocs brand has considerable potential in these markets, although the returns achieved from further investment will ultimately determine how much value that growth creates.

New stores can take time to establish themselves, while marketing, staffing, and distribution costs can rise ahead of revenue. We would become concerned if existing stores struggled to increase sales or if expansion required increasingly aggressive promotions.

Currency movements, tariffs, and changes in sourcing costs could add further pressure. We have confidence in the group's ability to manage these challenges, but sustained margin deterioration would weaken our earnings outlook and could justify a lower valuation.

HEYDUDE's recovery

HEYDUDE remains a source of uncertainty. Wholesale orders have improved, although consumer demand has yet to demonstrate a convincing recovery.

We expect the brand to rebuild sales gradually through its established retail network. Further weakness in consumer demand, rising promotional activity, or renewed pressure on retailer inventories could delay that recovery and reduce its contribution to group earnings.

We would become more optimistic if stronger retail sales were accompanied by improving margins and healthier inventory levels over several quarters.

Financial obligations and capital allocation

Crocs, Inc. has the cash-generating ability to reduce its debt substantially, although the US$641.6 million historical income tax liability remains a sizeable obligation. We have incorporated the recognised liability into our valuation, while the timing and eventual settlement terms remain uncertain.

Capital allocation will become increasingly important as the balance sheet strengthens. We would welcome disciplined investment in the existing brands and selective share repurchases when valuations are attractive.

Another large acquisition would warrant closer scrutiny. The HEYDUDE experience has made us more cautious about the price management might pay for future growth opportunities. We would want a compelling case for the expected returns before supporting another sizeable transaction.

What could change our view?

Stronger international earnings would provide the clearest reason to revisit our valuation. That would require sustained growth through established overseas stores, improving retail productivity, and evidence that expansion is delivering attractive returns.

In North America, resilient full-price demand and stable margins would strengthen our confidence in the Crocs brand's earnings durability. A sustained HEYDUDE recovery could provide additional upside, especially if improving consumer demand translates into higher profitability.

We would reassess our expectations if international expansion began to weigh persistently on margins, North American discounting increased, or HEYDUDE experienced another significant setback.

12. Financial Appendix and Disclosures

Financial forecasts

The following tables present Crocs, Inc.'s FY2025 revenue and adjusted earnings, alongside Evermore Research forecasts through FY2031. FY2026 incorporates nine months of reported performance and estimates for the December quarter.

Unless otherwise indicated, figures are in US$ millions, and financial years end on 31 December.

Exhibit 12A: Revenue by brand and region

US$m	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Crocs North America	1,710	1,681	1,664	1,692	1,720	1,749	1,778
Crocs international	1,616	1,782	1,932	2,091	2,238	2,381	2,515
Crocs brand total	3,326	3,463	3,596	3,783	3,958	4,129	4,293
HEYDUDE	715	713	724	735	750	765	781
Group revenue	4,041	4,176	4,320	4,518	4,709	4,895	5,074

Exhibit 12B: Adjusted earnings and profitability

	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Adjusted operating profit (US$m)	901	945	958	1,014	1,071	1,125	1,174
Adjusted operating margin	22.3%	22.6%	22.2%	22.4%	22.8%	23.0%	23.1%
Adjusted EBITDA (US$m)	980	1,028	1,044	1,104	1,166	1,228	1,280
Adjusted net profit (US$m)	683	709	726	798	853	919	979
Diluted shares (m)	54.6	48.7	46.9	47.4	47.8	48.3	48.7
Adjusted diluted EPS (US$)	12.51	14.55	15.46	16.84	17.83	19.03	20.09

Operating profit, operating margin, EBITDA, and net profit are adjusted measures. Adjusted earnings exclude specified items and differ from reported US GAAP results. Diluted shares represent weighted-average shares for each financial year.

Exhibit 12C: Cash generation and financial position

US$m	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Operating cash flow	855	819	901	970	1,046	1,110
Capital expenditure	(75)	(90)	(100)	(110)	(125)	(135)
Free cash flow	780	729	801	860	921	975
Closing gross debt	1,313	700	700	350	350	0
Closing cash	436	552	1,352	1,862	2,783	3,409
Net debt / (net cash)	877	148	(652)	(1,512)	(2,433)	(3,409)

Free cash flow represents operating cash flow less capital expenditure. The debt forecasts reflect repayment of bank facilities during FY2027 and senior notes at their scheduled maturities. Closing cash excludes future discretionary share repurchases, acquisitions, dividends, and settlement of the historical tax liability. It illustrates the group's potential financial capacity rather than a cash balance targeted by management.

Valuation summary

Our price target combines discounted cash flow, forward P/E, and EV/EBITDA valuations. The DCF uses unlevered free cash flow, an 11.06% weighted average cost of capital, a 2.5% perpetual growth rate, and a normalised 23% cash tax rate.

The relative valuations apply an 11.0x multiple to FY2027 adjusted diluted EPS and an 8.0x multiple to FY2027 adjusted EBITDA.

Exhibit 12D: Valuation and price target

Method	Assumption	Weight	Value/share
Discounted cash flow	11.06% WACC, 2.5% perpetual growth	60%	US$160.89
Forward P/E	11.0x FY2027 adjusted EPS	25%	US$156.36
EV/EBITDA	8.0x FY2027 adjusted EBITDA	15%	US$141.97
Blended valuation		100%	US$156.92
Rounded price target			US$157.00

The US$641.6 million historical income tax liability reported at 30 September 2026 is deducted from equity value in each valuation method. The calculation does not include an additional cash settlement in forecast free cash flow or an upfront credit for deferred tax assets.

At the US$151.86 closing price on 6 November 2026, our US$157 price target implies 3.4% capital upside. With no dividend forecast, expected 12-month total shareholder return is also 3.4%.

Sources and conventions

Historical financial figures reflect Crocs, Inc.'s FY2025 disclosures and results for the nine months ended September 2026. Financial forecasts and valuations are independent Evermore Research estimates.

Peer valuation inputs reflect market information available at the original 30 October 2026 valuation cut-off. Independent consumer research and external industry evidence are attributed in the relevant sections of this report.

Differences in financial year-ends, lease accounting, and adjusted earnings definitions can affect peer comparisons. Figures may differ from the sum of their components due to rounding.

Cover market data use the 6 November 2026 closing share price. Basic shares (45.725 million as at 22 October 2026) are from Crocs, Inc.'s Form 10-Q for the quarter ended 30 September 2026. Free float (96.8%) and the 52-week share price range (US$73.21–US$161.88) are from Financial Times market data at 6 November 2026; free float is a third-party estimate.

Research disclosures

Analyst: James Mickleboro.

Investment interests: Neither Evermore Research nor the analyst holds shares in Crocs, Inc. There are no conflicts of interest to disclose.

Research opinions: The recommendations, forecasts, and valuations in this report represent the independent investment opinions of Evermore Research. They reflect information available at the report date and may change as new information becomes available.

Forward-looking information: Forecasts and valuations involve assumptions about future business performance, economic conditions, and financial outcomes. Actual results may differ materially from those presented. The price target is an estimate and does not guarantee a future share price.

General information: This report is provided for general information and does not take account of any investor's objectives, financial circumstances, or needs. It does not constitute personal financial advice or an offer or solicitation to buy or sell securities. Past performance is not a reliable indicator of future results.

Recommendation framework

Buy: expected 12-month total shareholder return of at least 15%. Hold: expected return above −10% and below 15%. Sell: expected return of −10% or less. Total shareholder return includes forecast dividends.

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