CROCS inc

Investor Presentation 2025

Forward Looking Statement

This presentation includes estimates, projections, and statements relating to our business plans, commitments, objectives, and expected operating results that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

These statements include, but are not limited to, statements regarding our financial condition, brand and liquidity outlook, and expectations regarding our future financial results, share repurchases, our strategy, plans, objectives, expectations (financial or otherwise) and intentions, future financial results and growth potential, statements regarding future financial outlook and future profitability, cash flows, and brand strength, anticipated product portfolio and our ability to deliver sustained, highly profitable growth and create significant shareholder value. These statements involve known and unknown risks, uncertainties, and other factors, which may cause our actual results, performance, or achievements to be materially different from any future results, performances, or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include the factors described in our most recent Annual Report on Form 10-K under the heading "Risk Factors" and our subsequent filings with the Securities and Exchange Commission. Readers are encouraged to review that section and all other disclosures appearing in our filings with the Securities and Exchange Commission.

All information in this document speaks only as of February 12, 2026. We do not undertake any obligation to update publicly any forward-looking statements, whether as a result of the receipt of new information, future events, or otherwise, except as required by applicable law.

Crocs, Inc. Reports Fourth Quarter and Full-Year Results

"We ended 2025 on a strong note with a better-than-expected Holiday quarter. For the year, revenue exceeded $4 billion, led by low-double digit international growth for the Crocs Brand. At the same time, we accelerated our strategic actions to strengthen the long-term health of both the Crocs and HEYDUDE brands. Our powerful value creation model drove operating cash flow of approximately $700 million which enabled us to return shareholder value as we repurchased approximately 10% of our shares outstanding, and paid down $128 million of debt.

We enter 2026 with greater confidence around our growth engines which are diversified across channels, geographies, brands, and product categories. We have identified and actioned $100 million of cost savings in 2026 aimed at driving greater efficiency while providing the flexibility to continue to invest behind our brands and deepen our connection with consumers."

Andrew Rees, Chief Executive Officer

Investment Thesis

Investment Thesis

1

Global **leader in casual footwear** with **two iconic brands** and a **$280B+ TAM**[1]

2

Diversified sources of **growth** across **brands**, **categories**, **channels**, and **regions**

3

Compelling value with assortments <$100 appealing to a **democratic consumer**

4

Durable, **profitable growth** with **best-in-class margins** and **cash flow** generation

5

Track record of **delivering healthy TSR** over time **supported by experienced management** team

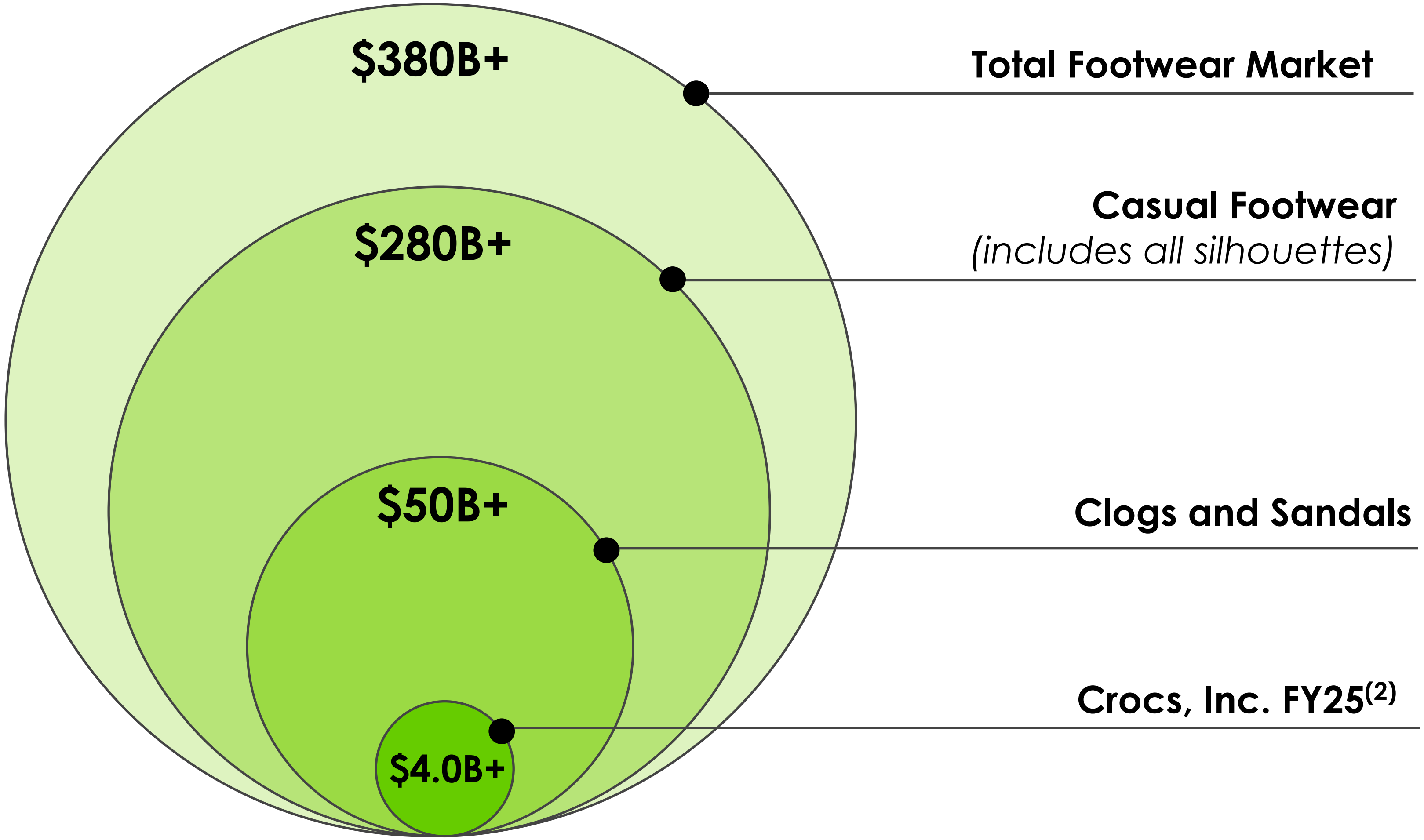
[1] Based on management estimates.

1

Crocs, Inc. At The Nexus Of Consumer Mega Trends

1 We Play In Large and Growing Addressable Markets[1]

Estimated Global Total Footwear Market (2025)
Millions USD



*Our brands **play in a large market and serve a broad, diverse consumer base** across age, gender, and mindset*

[1] Total addressable market (TAM) sizes based on management estimates; not to scale
[2] Represents Crocs, Inc reported revenue for full-year 2025

1 Crocs Inc. Growth Priorities

Ignite Our Icons at Both Crocs and HEYDUDE

through driving awareness and global relevance for new and existing consumers

Gain Tier 1 Market Share

through strategic investment in talent, marketing, and DTC

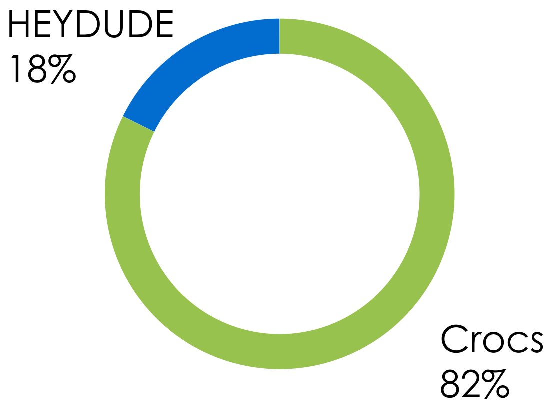
Acquire New Consumers

through thoughtfully diversifying our product range and usage occasions

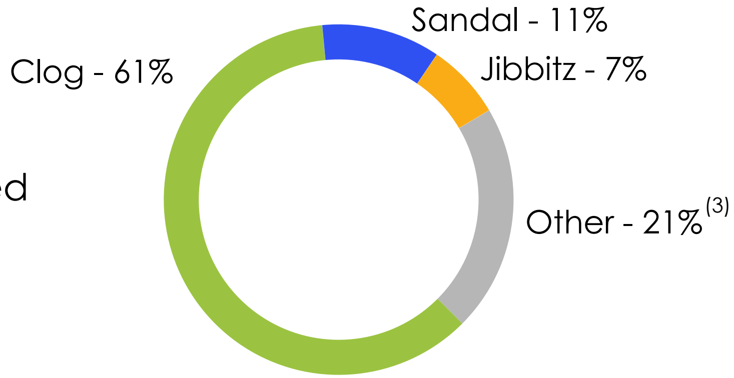
2 Diversified Enterprise Growth[1]

We have **diversified our revenue streams** across multiple pillars...

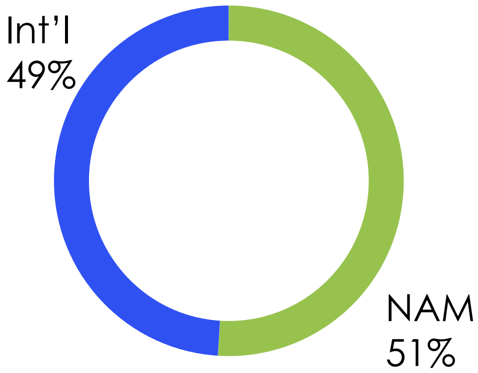
We are diversified by **Brand**...



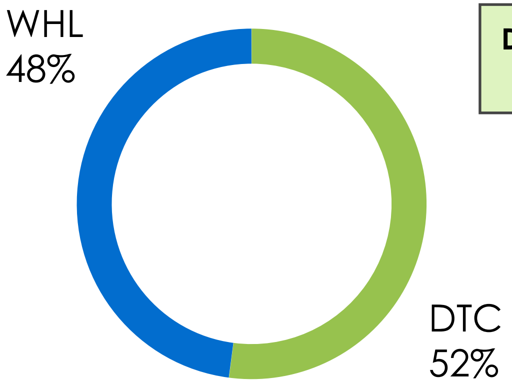
We are diversified by **Product**[2]...



We are diversified by **Geography**[4]...



We are diversified by **Channel**...



Digital = 38% of revenue

[1] Metrics represent Full-Year 2025 actuals
[2] Clogs and Jibbitz = Crocs Brand only; Sandals = Enterprise
[3] Other = All other Enterprise footwear including Slip-On's (e.g. Wally and Wendy), Sneakers, Boots, and other Lifestyle silhouettes, non-Jibbitz accessories and apparel
[5] Crocs Brand only

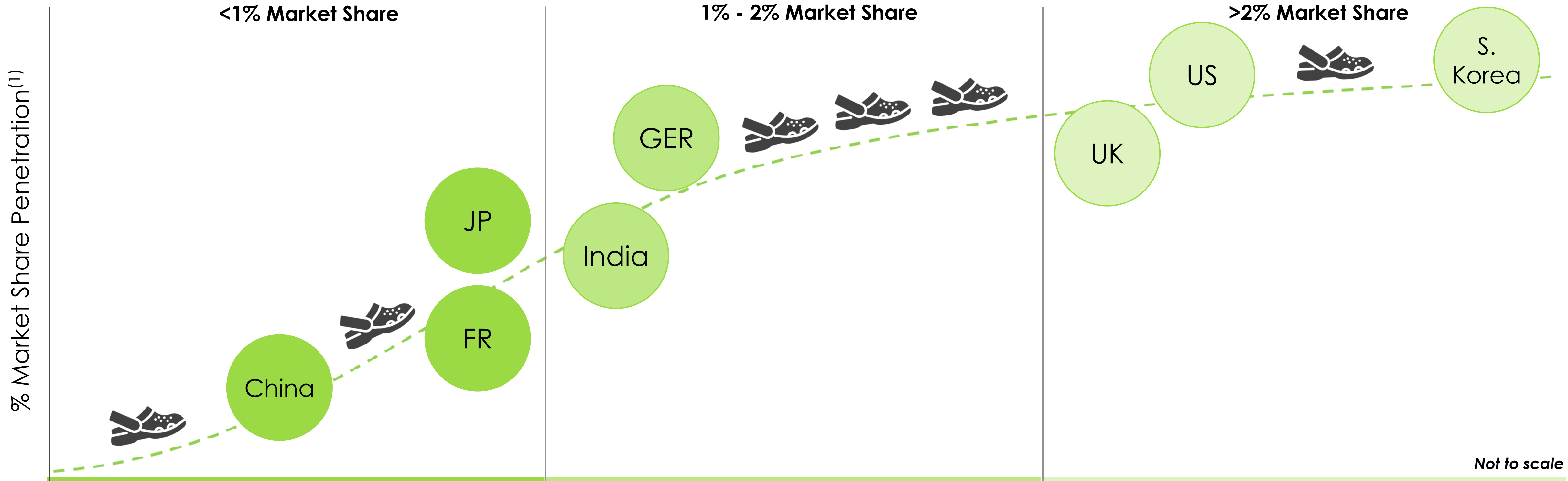
2 Crocs Brand: Five-Pillar Growth Strategy

1. Drive Brand Relevance Through Icon Iterations
2. Diversify Outside of Clogs Through New Category Expansion
3. Fuel Consumer Engagement With Disruptive Digital and Social Marketing
4. Create Compelling Consumer Experiences Across Channels
5. Gain Share in Large Addressable Markets Around the World

2 HEYDUDE Brand: Three-Pillar Growth Strategy

1. Ignite Our Community Through HEYDUDE Country
2. Build the Core, and Thoughtfully Add More
3. Stabilize Then Accelerate North America, While Planting Seeds Internationally

2 Capitalize On Share Opportunity In Markets Around The World



	Growing	Emerging	Established
Product Strategy	Lead with Icon, Icon Iterations, and Personalization	Scale Icon, Icon Iterations, and Personalization While Growing Sandals	Drive Icon Iterations and New Category Expansion

Increasing Awareness

[1] 2025 Crocs Brand Only Market Share

2 Driving Product Through Icon Iterations and New Categories

Clogs
74% of business[1]

Sandals
13% of business[1]

Jibbitz
8% of business[1]

Other
5% of business[1]

(1) 2025 Percent Mix of Crocs Brand FY25 Sales

2 Leading With The Core and Thoughtfully Adding More

Core...

Primary driver of revenue and brand scale, powered by the 'Stretch' material platform

Wally & Wendy Franchises

...And More

Diversifying growth by expanding consumer reach and wearing occasions

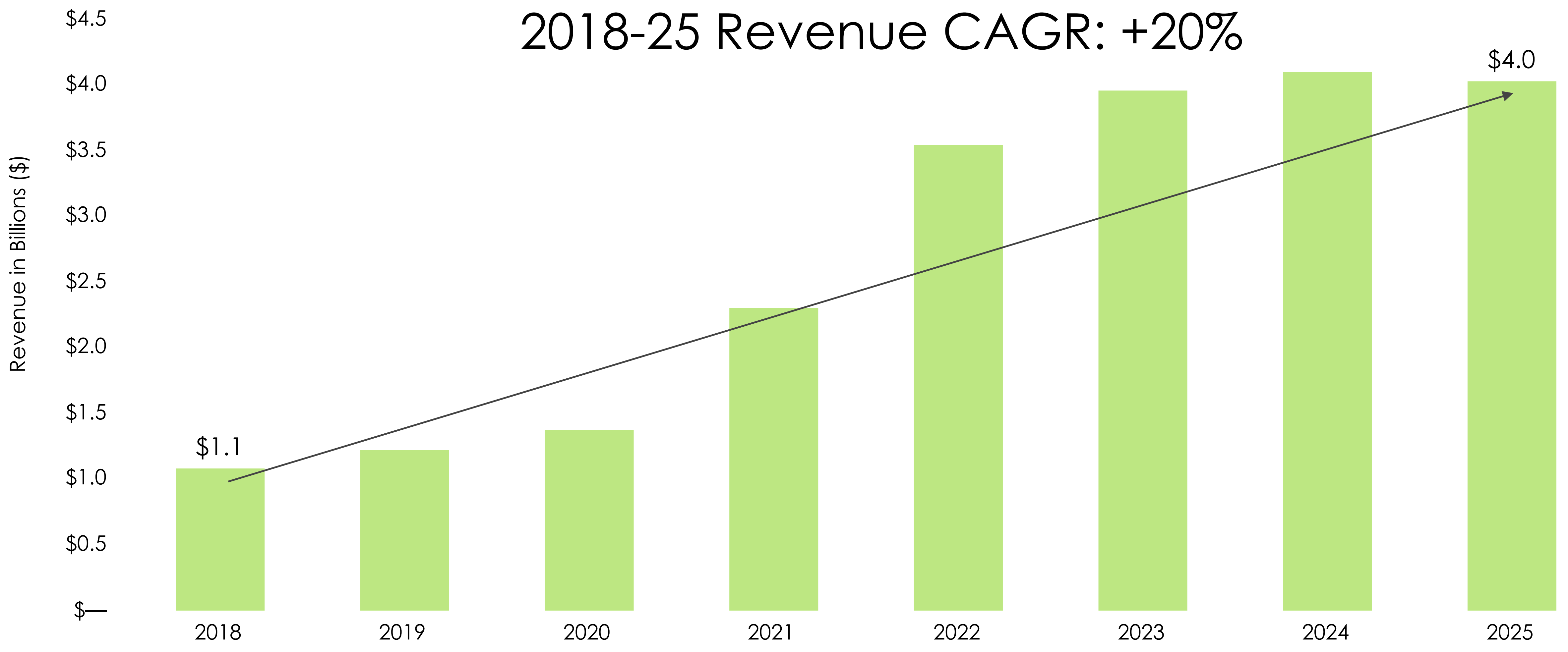
New Categories, Franchises & Icon Extensions

3 Strong Value Proposition With Accessible Price Points

- *Icons Under $100*
- *All Day Comfort*
- *On-Trend Styles*

4

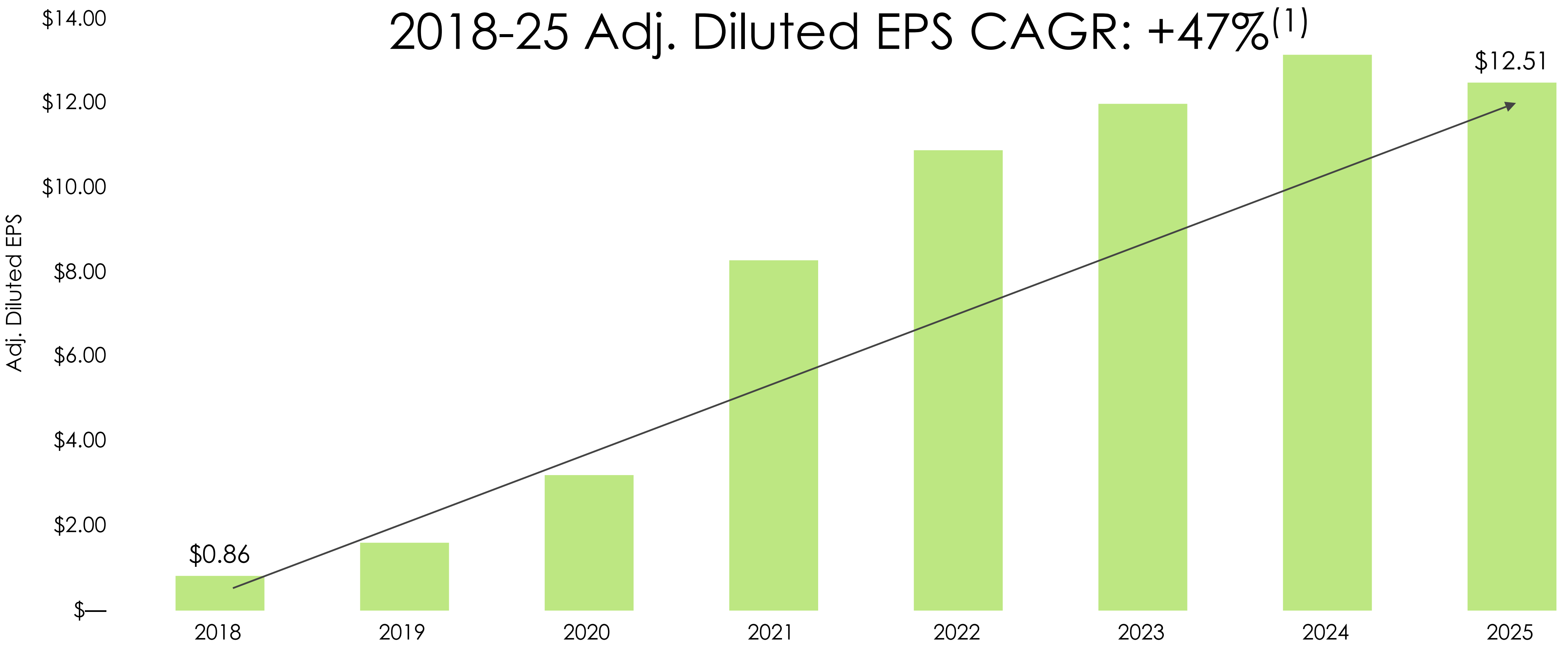
History of Durable, Profitable Growth



CROCS inc

Note: We acquired HEYDUDE on February 17, 2022 (the "Acquisition Date") and, as a result, added the HEYDUDE Brand as a new reportable operating segment. Therefore, the amounts shown above only include the HEYDUDE Brand for the periods of time following the Acquisition Date. Please reference historical Crocs, Inc financial filings for previously reported sales figures.

4 History of Durable, Profitable Growth



Note: We acquired HEYDUDE on February 17, 2022 (the "Acquisition Date") and, as a result, added the HEYDUDE Brand as a new reportable operating segment. Therefore, the amounts shown above only include the HEYDUDE Brand for the periods of time following the Acquisition Date. Please reference historical Crocs, Inc financial filings for previously reported sales figures.

4 Our Strong Margins and Robust Cash Flow Engine...

58.3%

FY25 Enterprise Adj. Gross Margin[1,2]

22.3%

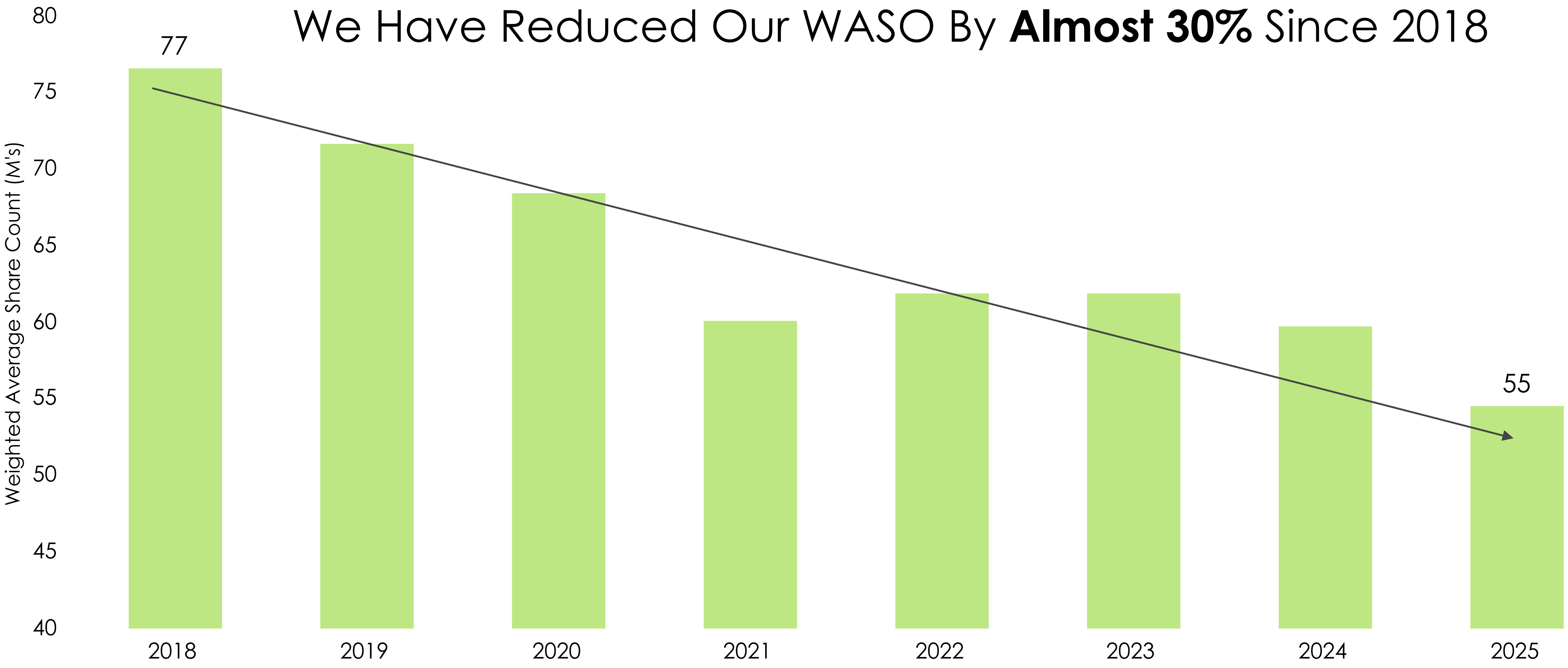
FY25 Enterprise Adj. Operating Margin[1,2]

~$800M

FY23-FY25 Average Free Cash Flow[1]

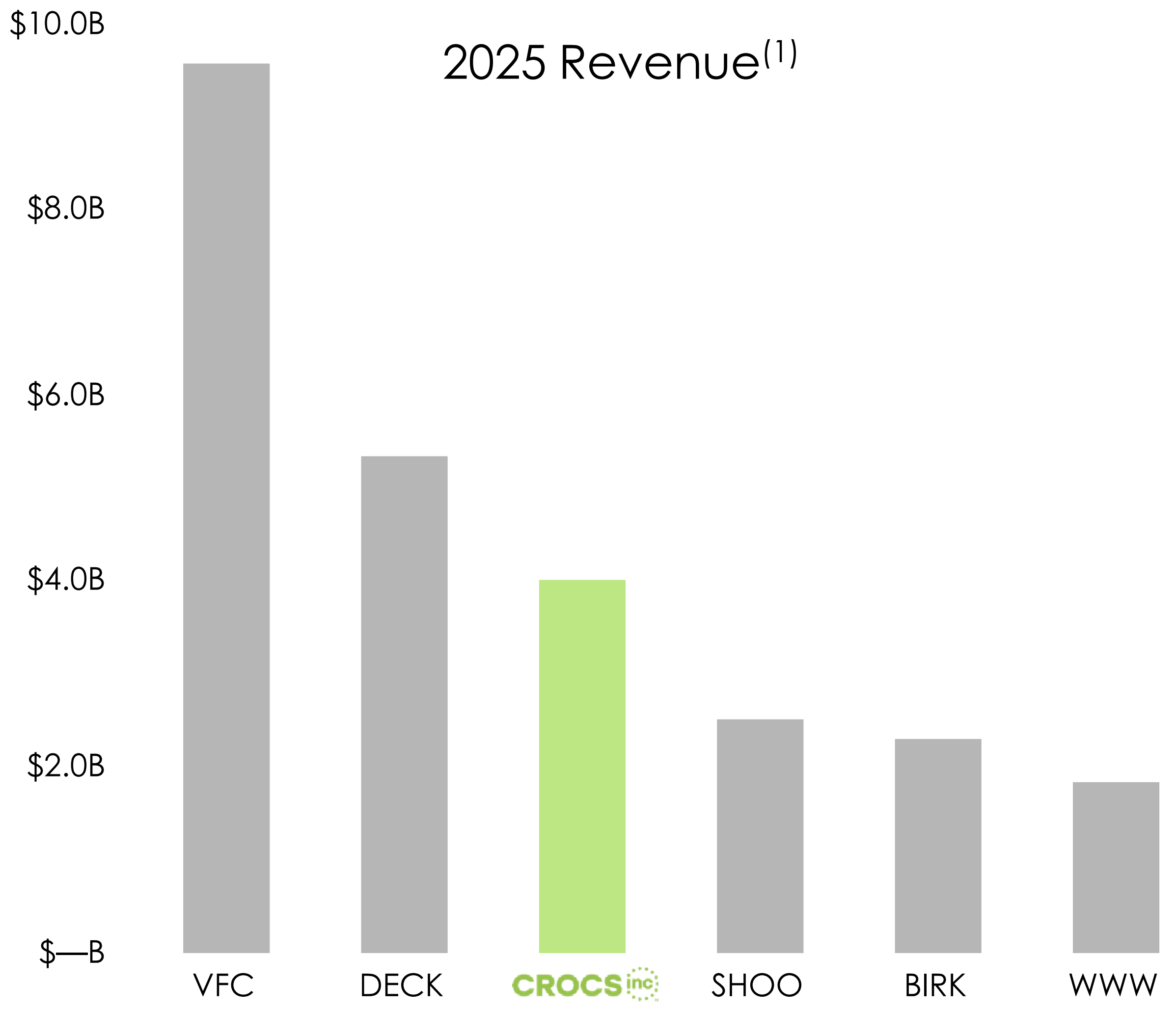
[1] See reconciliation to GAAP equivalents in Appendix.
[2] Includes an approximate 130 basis points impact from incremental tariffs during the fiscal year 2025.

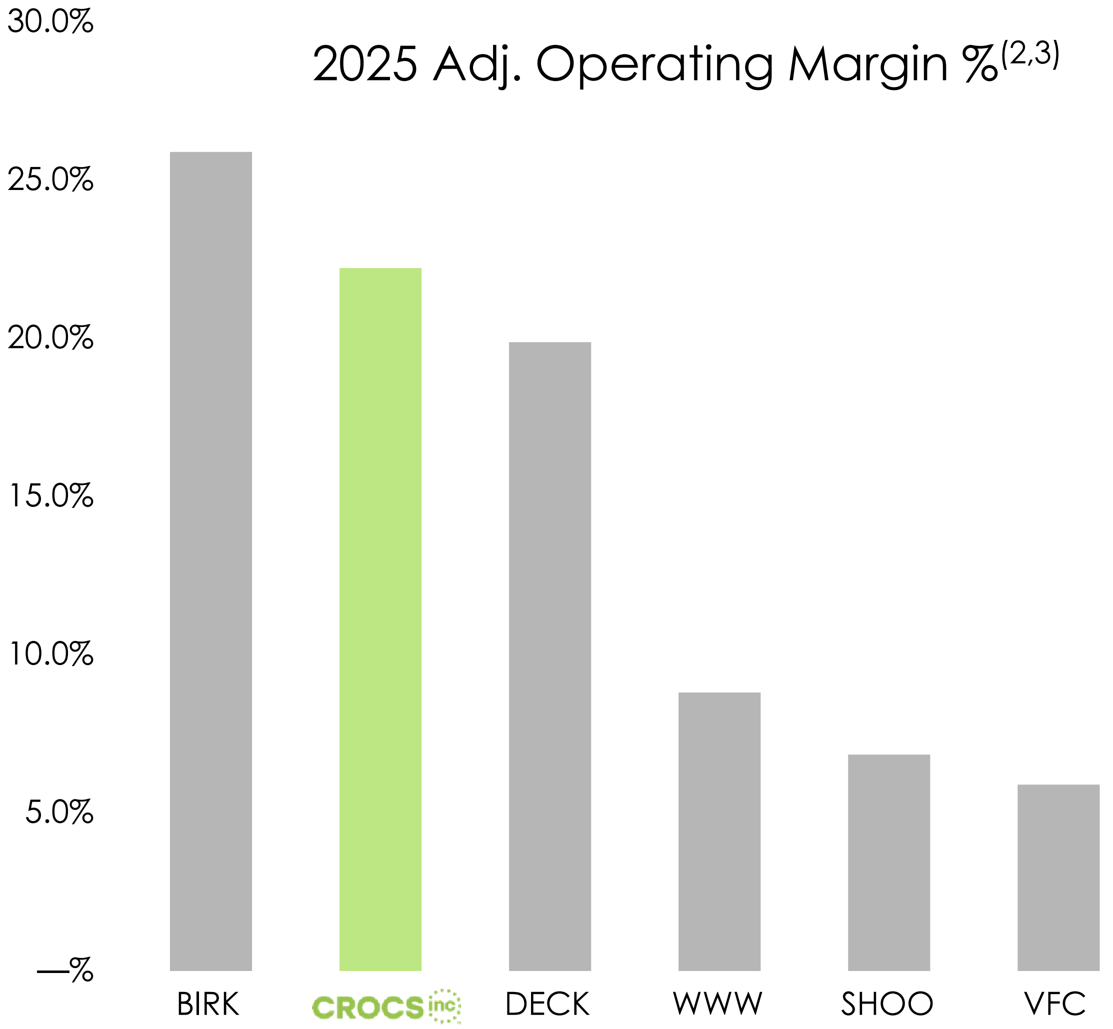
4 ...Have Allowed Us To Return Value To Shareholders



[(1)] Non-GAAP weighted average diluted common shares outstanding as of the end of each respective fiscal year. Please reference historical Crocs, Inc press releases for previously reported Non-GAAP weighted average diluted common shares outstanding figures.

4 Industry Leading Scale and Top-Tier Margins





(1) Crocs Inc., VF Corporation, Birkenstock, and Deckers revenue figures reflect reported revenue for the calendar year 2025, based on quarterly and annual reports in press releases or on Form 10-Q and 10-K filed with the SEC; FactSet consensus estimates for remaining peers upcoming calendar year end, as of 2/11/2026.

(2) Crocs Inc., VF Corporation, Birkenstock, and Deckers adjusted operating margin figures reflect reported adjusted operating income divided by reported revenue for the calendar year 2025, based on quarterly and annual reports in press releases or on Form 10-Q and 10-K filed with the SEC; FactSet consensus estimates for remaining peers upcoming calendar year end, as of 2/11/2026. The calculation of adjusted operating margin may vary from company to company. As a result, our calculation of this metric may not be comparable to similarly titled metrics used by other companies

(3) See reconciliation to GAAP equivalents in Appendix for Crocs, Inc. adjusted operating margin.

5 Best-in-Class and Seasoned Management

Andrew Rees
Director and Chief Executive Officer

Patraic Reagan
EVP and Chief Financial Officer

Anne Mehlman
EVP and Brand President for Crocs

Rupert Campbell
EVP and Brand President for HEYDUDE

Terence Reilly
EVP and Chief Brand Officer

Sara Hoverstock
SVP and General Counsel

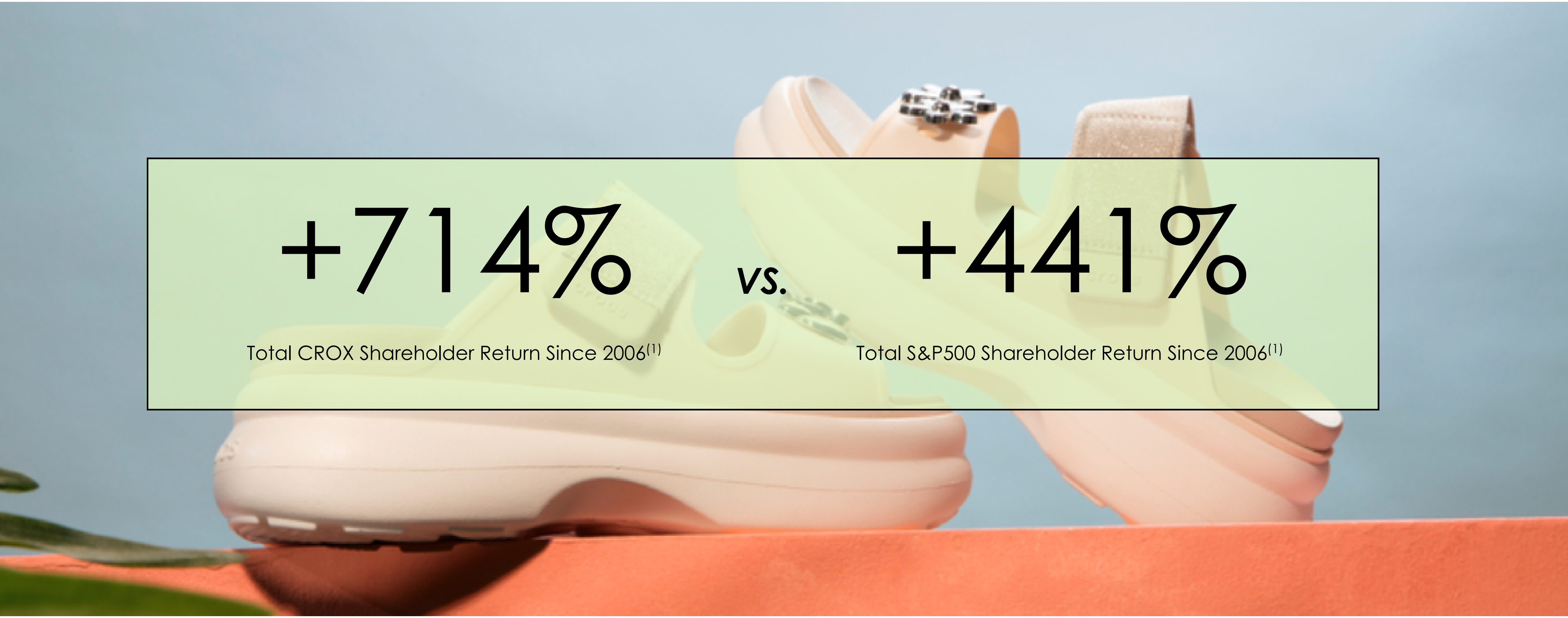
Tom Britt
EVP and Chief Information Officer

Frank Smigelski
EVP and Chief Supply Chain Officer

Jon Weber
EVP and Chief Strategy and Growth Officer

Shannon Sisler
EVP and Chief People Officer

5 20 Years Of Value Creation As A Public Company



+714% vs. +441%

Total CROX Shareholder Return Since 2006[1]

Total S&P500 Shareholder Return Since 2006[1]

[1] Total Shareholder Return defined as share price return from February 8, 2006 to December 31, 2025. CROX IPO price on February 8, 2006 to December 31, 2025 and S&P 500 closing price on February 8, 2006 to December 31, 2025. CROX IPO Price accounts for a 2:1 stock split on June 15, 2007. The S&P 500 total shareholder return does not account for reinvestment of dividends, but does account for splits and spinoffs.

Financial Results

Q4 2025 Financial Results

	Crocs, Inc.	Crocs Brand	HEYDUDE Brand
Revenues[1]	**$958M** *(4%) vs. LY*	**$768M** *Flat vs. LY*	**$189M** *(18%) vs. LY*
Adjusted Gross Margin[2,3]	**54.7%** *(320)bps vs. LY*	**57.8%** *(310)bps vs. LY*	**39.7%** *(800)bps vs. LY*
Adjusted SG&A as % of Revenue[4]	**37.9%** *+20bps vs. LY*		
Adjusted Operating Income[4]	**$161M** *(20%) vs. LY*		
Adjusted Operating Margin[4]	**16.8%** *(340)bps vs. LY*		
Adjusted Diluted EPS[4]	**$2.29** *(9%) vs. LY*		

(1) Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.
(2) For the quarterly period ended December 31, 2025, there were no Non-GAAP adjustments to gross profit.
(3) For the quarterly period ended December 31, 2025, enterprise adjusted gross margin included 300 basis points tariff impact.
(4) See reconciliation to GAAP equivalents in Appendix.

Full-Year 2025 Financial Results

	Crocs, Inc.	Crocs Brand	HEYDUDE Brand
Revenues[1]	**$4,041M** *(2%) vs. LY*	**$3,326M** *+1% vs. LY*	**$715M** *(14%) vs. LY*
Adjusted Gross Margin[2,3]	**58.3%** *(50)bps vs. LY*	**61.3%** *(30)bps vs. LY*	**44.8%** *(290)bps vs. LY*
Adjusted SG&A as % of Revenue[3]	**36.0%** *+280bps vs. LY*		
Adjusted Operating Income[3]	**$901M** *(14%) vs. LY*		
Adjusted Operating Margin[3]	**22.3%** *(330)bps vs. LY*		
Adjusted Diluted EPS[3]	**$12.51** *(5%) vs. LY*		

(1) Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.
(2) For the annual period ended December 31, 2025, enterprise adjusted gross margin included 130 basis points of tariff impact.
(3) See reconciliation to GAAP equivalents in Appendix.

Enterprise Highlights: Full-Year 2025

Appointed **Patraic Reagan** as **EVP and Chief Financial Officer** of Crocs, Inc.

Promoted **Terence Reilly** to **EVP and Chief Brand Officer** for the Crocs and HEYDUDE brands

Generated **free cash flow** of **$659 million**[1]

Repurchased 10% of total shares outstanding, totalling 6.5 million shares

Identified and actioned **$50 million of cost savings** in **2025** and **$100 million of cost savings** for 2026

Leveraged **first-mover advantage in Social Commerce**, becoming the **Top-2 Footwear Brands on TikTok Shop** and scaled **Direct-to-Consumer to over half** of total Enterprise revenue

Ranked on Forbes' **World's Best Employers 2025 list** and **TIME America's Best Midsize Companies** for the second year in a row

[1] See reconciliation to GAAP equivalents in Appendix..

Crocs Brand Highlights: Full-Year 2025[1]

Posted **8th consecutive year of revenue growth,** led by **double-digit international growth**

Ended the year with approximately 2,600 global **mono-branded stores**[2]

Clogs represent 74% of overall mix fueled by strong consumer response to Icon iterations

Scaled existing franchises like **Echo** and introduced new franchises: **Unfurgettable** and **Crafted**

Sandals represent 13% of overall mix with standout growth in North America, **gaining market share**

1st ever fashion brand to livestream 24/7 on TikTok Shop U.S. & owned dot-com for an entire month

Delivered high-impact partnerships including **the NFL, Twilight,** and **Stranger Things**

[1] Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.
[2] Includes kiosks and 439 company-operated stores

HEYDUDE Brand Highlights: Full-Year 2025

Promoted **Rupert Campbell** to **EVP and Brand President** of HEYDUDE

Refreshed **consumer insights** work to sharpen and better understand HEYDUDE core consumer and target key attributes

Launched 'HEYDUDE Country' campaign, leaning into core brand affinities: music, pre-and-post sport, and travel

Built on roster of **HEYDUDE Brand Ambassadors** including Riley Green, Lewis Capaldi, and Jelly Roll

Brand awareness reaches **39%, up 9ppt** from 2024, with an **uptick in purchase intent** among **males**

HEYDUDE reaches the **No. 2 footwear brand** on **TikTok Shop U.S.**

Fortified our core product strategy with the re-platforming of **Stretch Sox** and the creation of **Stretch Jersey,** while driving new wearing occasions with **HEY2O**, **Paul Pro, Work** and **Sandals**

Financial Outlook

Guidance: Q1 and Full-Year 2026[1,2]

	Q1 2026[1,2]	Full-Year 2026[1,2]
Total Revenue % Change[1]	Down (5.5)% to (3.5)%	Down (1)% to Up Slightly
crocs Revenue % Change[1]	Down (LSD%)	Flat to +2%
HEY DUDE Revenue % Change[1]	Down (18)% to (15)%	Down (9)% to (7)%
Adjusted Operating Margin[1,2]	Approx. ~21.5%	>22.3%
Adjusted Effective Tax Rate[1,2]		18.0%
Adjusted Diluted EPS[1,2]	$2.67 to $2.77	$12.88 to $13.35
Capital Expenditures		$70 million to $80 million

(1) Reflects current currency rates as of 2/9/2026.
(2) See reconciliation to GAAP equivalents in Appendix for Q1 2026 and Full-Year 2026 guidance.

Capital Allocation Priorities

Invest in Our Brands

committed to redeploying best-in-class gross margins to accretive investments

Repurchase Shares

opportunistically repurchase shares under remaining $747M buyback authorization

Paydown Debt

maintain our net leverage target range of 1.0x to 1.5x

Appendix

APPENDIX

Non-GAAP Reconciliation

In addition to financial measures presented on the basis of accounting principles generally accepted in the United States of America (“GAAP”), we present "Non-GAAP gross profit," “Non-GAAP gross margin,” “Non-GAAP gross margin by brand,” "Non-GAAP selling, general, and administrative expenses,” “Non-GAAP selling, general and administrative expenses as a percent of revenues,” “Non-GAAP income from operations,” “Non-GAAP operating margin,” “Non-GAAP income before income taxes,” “Non-GAAP income tax expense,” “Non-GAAP effective tax rate,” “Non-GAAP net income,” and “Non-GAAP basic and diluted net income per common share,” which are non-GAAP financial measures. We also present future period guidance for “Non-GAAP operating margin,” “Non-GAAP effective tax rate,” “Non-GAAP diluted earnings per share,” and “Free cash flow.” We also present a long-term target for ‘Net leverage.’ Non-GAAP results exclude the impact of items that management believes affect the comparability or underlying business trends in our condensed consolidated financial statements in the periods presented.

We also present certain information related to our current period results of operations through “constant currency,” which is a non-GAAP financial measure and should be viewed as a supplement to our results of operations and presentation of reportable segments under GAAP. Constant currency represents current period results that have been retranslated using exchange rates used in the prior year comparative period to enhance the visibility of the underlying business trends excluding the impact of foreign currency exchange rate fluctuations.

Management uses non-GAAP results to assist in comparing business trends from period to period on a consistent basis in communications with the board of directors, stockholders, analysts, and investors concerning our financial performance. We believe that these non-GAAP measures, in addition to corresponding GAAP measures, are useful to investors and other users of our condensed consolidated financial statements as an additional tool for evaluating operating performance and trends by providing meaningful information about operations compared to our peers by excluding the impacts of various differences. The calculation of our non-GAAP financial metrics may vary from company to company. As a result, our calculation of these metrics may not be comparable to similarly titled metrics used by other companies.

Management believes Non-GAAP gross profit, Non-GAAP gross margin, and Non-GAAP gross margin by brand are useful performance measures for investors because they provide investors with a means of comparing these measures between periods without the impact of certain expenses that we believe are not indicative of our routine cost of sales. Our routine cost of sales includes core product costs and distribution expenses primarily related to receiving, inspecting, warehousing, and packaging product and transportation costs associated with delivering products from distribution centers. Costs not indicative of our routine cost of sales may or may not be recurring in nature and include costs to expand and transition to new distribution centers.

Management believes Non-GAAP selling, general and administrative expenses and Non-GAAP selling, general and administrative expenses as a percent of revenues are useful performance measures for investors because they provide a more meaningful comparison to prior periods and may be indicative of the level of such expenses to be incurred in future periods. These measures exclude the impact of certain expenses not related to our normal operations that are expected to be non-recurring in nature, such as impairment charges.

Non-GAAP income from operations and Non-GAAP operating margin reflect the impact of Non-GAAP gross profit and Non-GAAP selling, general, and administrative expenses, as discussed above. We believe these are useful performance measures for investors because they provide a basis to compare performance in the period to prior periods.

Non-GAAP income before income taxes reflects the impact of Non-GAAP income from operations, as discussed above. We believe this is a useful performance measure for investors because it provides a basis to compare performance in the period to prior periods.

Management believes Non-GAAP income tax expense is a useful performance measure for investors because it provides a basis to compare our tax rates to historical tax rates, and because the adjustment is necessary in order to calculate Non-GAAP net income.

Management believes Non-GAAP effective tax rate is a useful performance measure for investors because it provides an ongoing effective tax rate that they can use for historical comparisons and forecasting.

Management believes Non-GAAP net income is a useful performance measure for investors because it focuses on underlying operating results and trends and improves the comparability of our results to prior periods. This measure reflects the impact of Non-GAAP gross profit, Non-GAAP selling, general, and administrative expenses, and Non-GAAP income tax expense, as described above.

Management believes Non-GAAP basic and diluted net income per common share are useful performance measures for investors because they focus on underlying operating results and trends and improve the comparability of our results to prior periods. These measures reflect the impact of Non-GAAP gross profit, Non-GAAP selling, general, and administrative expenses, and Non-GAAP income tax expense, as described above.

Management believes Net leverage is a useful performance measure for investors because it provides a measure of our financial strength and liquidity.

Free cash flow is calculated as ‘Cash provided by operating activities’ less ‘Purchases of property, equipment, and software.’ Management believes free cash flow is useful for investors because it provides a clear measure of our ability to generate cash for discretionary uses such as funding growth opportunities, repurchasing shares, and reducing debt.

For the three and twelve months ended December 31, 2025, management believes it is helpful to evaluate our results excluding the impacts of various adjustments relating to special or non-recurring items. Investors should not consider these non-GAAP measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

Non-GAAP Reconciliation

Non-GAAP Gross Profit and Gross Margin Reconciliation:

	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
	(in thousands)			
GAAP revenues	$ 957,640	$ 989,773	$ 4,040,647	$ 4,102,108
GAAP gross profit	$ 523,662	$ 572,926	$ 2,357,055	$ 2,410,258
Distribution centers [1]	—	—	—	3,242
Non-GAAP gross profit	$ 523,662	$ 572,926	$ 2,357,055	$ 2,413,500
GAAP gross margin	54.7 %	57.9 %	58.3%	58.8 %
Non-GAAP gross margin	54.7 %	57.9 %	58.3%	58.8 %

[1] During the twelve months ended December 31, 2024, adjustments primarily relate to costs to transition to our new HEYDUDE distribution center in Las Vegas, Nevada.

APPENDIX

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Selling, General and Administrative Reconciliation:

	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
	(in thousands)			
GAAP revenues	$ 957,640	$ 989,773	$ 4,040,647	$ 4,102,108
GAAP selling, general and administrative expenses	$ 377,265	$ 373,011	$ 2,207,540	$ 1,388,347
Impairment of indefinite-lived trademark [1]	—	—	(430,000)	—
Impairment of goodwill [2]	—	—	(307,000)	—
Impairment related to information technology systems [3]	—	—	—	(18,172)
Severance costs [4]	(13,420)		(13,420)	
Impairment related to distribution centers [5]	—	—	—	(6,933)
Other	(732)	—	(732)	—
Total adjustments	(14,152)	—	(751,152)	(25,105)
Non-GAAP selling, general and administrative expenses [6]	$ 363,113	$ 373,011	$ 1,456,388	$ 1,363,242
GAAP selling, general and administrative expenses as a percent of revenues	39.4 %	37.7 %	54.6 %	33.8 %
Non-GAAP selling, general and administrative expenses as a percent of revenues	37.9 %	37.7 %	36.0 %	33.2 %

[1] Represents an impairment of the HEYDUDE indefinite-lived trademark.
[2] Represents an impairment of the HEYDUDE Brand reporting unit goodwill.
[3] Represents an impairment of information technology systems related to the HEYDUDE integration.
[4] Represents operational workforce reduction charges incurred in connection with cost savings initiatives.
[5] Primarily represents an impairment of the right-of-use assets for our former HEYDUDE Brand warehouses in Las Vegas, Nevada, associated with our move to our new distribution center and an impairment of the right-of-use asset for our former Crocs Brand warehouse in Oudenbosch, the Netherlands.
[6] Non-GAAP selling, general and administrative expenses are presented gross of tax.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Income From Operations and Operating Margin Reconciliation:

	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
	(in thousands)			
GAAP revenues	$ 957,640	$ 989,773	$ 4,040,647	$ 4,102,108
GAAP income from operations	$ 146,397	$ 199,915	$ 149,515	$ 1,021,911
Non-GAAP gross profit adjustments [1]	—	—	—	3,242
Non-GAAP selling, general and administrative expenses adjustments [2]	14,152	—	751,152	25,105
Non-GAAP income from operations	$ 160,549	$ 199,915	$ 900,667	$ 1,050,258
GAAP operating margin	15.3 %	20.2 %	3.7 %	24.9 %
Non-GAAP operating margin	16.8 %	20.2 %	22.3 %	25.6 %

[1] See 'Non-GAAP gross profit and gross margin reconciliation' above for more details.
[2] See 'Non-GAAP selling, general and administrative expenses and selling, general and administrative expenses as a percent of revenues reconciliation' above for more details.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Income Tax Expense (Benefit) and Effective Tax Rate Reconciliation:

	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
	(in thousands)			
GAAP income from operations	$ 146,397	$ 199,915	$ 149,515	$ 1,021,911
GAAP income before income taxes	127,218	175,234	72,978	910,585
Non-GAAP income from operations [1]	$ 160,549	$ 199,915	$ 900,667	$ 1,050,258
GAAP non-operating income (expenses):				
Foreign currency gains (losses), net	1,579	(2,849)	9,843	(6,777)
Interest income	609	576	1,844	3,484
Interest expense	(21,287)	(23,337)	(88,287)	(109,264)
Other income (expense), net	(80)	929	63	1,231
Non-GAAP income before income taxes	$ 141,370	$ 175,234	$ 824,130	$ 938,932
GAAP income tax expense	$ 22,053	$ (193,675)	$ 154,176	$ (39,486)
Tax effect of non-GAAP operating adjustments	3,484	(211)	33,426	6,929
Impact of intra-entity IP transactions [2]	(2,452)	222,117	(46,352)	182,785
Non-GAAP income tax expense	$ 23,085	$ 28,231	$ 141,250	$ 150,228
GAAP effective income tax rate	17.3 %	(110.5)%	211.3 %	(4.3)%
Non-GAAP effective income tax rate	16.3 %	16.1 %	17.1 %	16.0 %

[1] See 'Non-GAAP income from operations and operating margin reconciliation' above for more details.
[2] In the fourth quarter of 2024, and previously in 2023, 2021, and 2020, we made changes to our international legal structure, including an intra-entity transaction related to certain intellectual property rights, primarily to align with current and future international operations. The transactions resulted in a step-up in the tax basis of intellectual property rights and correlated increases in foreign deferred tax assets based on the fair value of the transferred intellectual property rights. This adjustment represents the current period impact of these transactions.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Net Income Per Share Reconciliation:

	Three Months Ended December 31, 2025	Three Months Ended December 31, 2024	Year Ended December 31, 2025	Year Ended December 31, 2024
	(in thousands, except per share data)			
Numerator:				
GAAP net income (loss)	$ 105,165	$ 368,909	$ (81,198)	$ 950,071
Non-GAAP gross profit adjustments [1]	—	—	—	3,242
Non-GAAP selling, general and administrative expenses adjustments [2]	14,152	—	751,152	25,105
Non-GAAP other income adjustment	—	(842)	—	(842)
Tax effect of non-GAAP adjustments [3]	(1,032)	(221,906)	12,926	(189,714)
Non-GAAP net income	$ 118,285	$ 146,161	$ 682,880	$ 787,862
Denominator:				
GAAP weighted average common shares outstanding - basic	51,356	57,615	54,208	59,381
Plus: GAAP dilutive effect of stock options and unvested restricted stock units	380	412	—	451
GAAP weighted average common shares outstanding - diluted	51,736	58,027	54,208	59,832
GAAP weighted average common shares outstanding - basic			54,208	
Plus: dilutive effect of stock options and unvested restricted stock units			371	
Non-GAAP weighted average common shares outstanding - diluted			54,579	
GAAP net income (loss) per common share:				
Basic	$ 2.05	$ 6.40	$ (1.50)	$ 16.00
Diluted	$ 2.03	$ 6.36	$ (1.50)	$ 15.88
Non-GAAP net income per common share:				
Basic	$ 2.30	$ 2.54	$ 12.60	$ 13.27
Diluted	$ 2.29	$ 2.52	$ 12.51	$ 13.17

[1] See 'Non-GAAP gross profit and gross margin reconciliation' above for more information.
[2] See 'Non-GAAP selling, general and administrative expenses and selling, general and administrative expenses as a percent of revenues reconciliation' above for more information.
[3] See 'Non-GAAP income tax expense (benefit) and effective tax rate reconciliation' above for more information.

APPENDIX

Non-GAAP Reconciliation (Cont'd)

Free Cash Flow Reconciliation:

	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
	(in thousands)			
Cash provided by operating activities	$ 252,530	$ 321,937	$ 710,431	$ 992,486
Purchases of property, equipment, and software	(6,111)	(18,490)	(51,231)	(69,347)
Free cash flow	$ 246,419	$ 303,447	$ 659,200	$ 923,139

Non-GAAP Reconciliation (Cont'd)

Full-Year 2026 Guidance Reconciliation:

Full-Year 2026:

	Approximately:
Non-GAAP operating margin reconciliation:	
GAAP operating margin	>21.7%
Non-GAAP adjustments [1]	0.6%
Non-GAAP operating margin	>22.3%
Non-GAAP effective tax rate reconciliation:	
GAAP effective tax rate	23%
Non-GAAP adjustments [2]	(5)%
Non-GAAP effective tax rate	18%
Non-GAAP diluted earnings per share reconciliation:	
GAAP diluted earnings per share	$11.71 to $12.18
Non-GAAP adjustments [1][2]	$1.17
Non-GAAP diluted earnings per share	$12.88 to $13.35

(1) During 2026, we expect to incur approximately $25 million of non-GAAP adjustments, primarily associated with supply chain optimization and other cost savings efficiencies.
(2) In the fourth quarter of 2024, and previously in 2023, 2021, and 2020, we made changes to our international legal structure, including an intra-entity transaction related to certain intellectual property rights, primarily to align with current and future international operations. The transactions resulted in a step-up in the tax basis of intellectual property rights and correlated increases in foreign deferred tax assets based on the fair value of the transferred intellectual property rights. This adjustment represents the full-year 2026 impact of these transactions.

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