UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 28, 2024

OR

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

For the transition period from to

Commission file number: 001-41040

FOSSIL GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**75-2018505**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

901 S. Central Expressway, Richardson,	**Texas**	**75080**
(Address of principal executive offices)		(Zip Code)

(972) 234-2525
(Registrant's telephone number, including area code)

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

Title of each class	Ticker Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	FOSL	The Nasdaq Stock Market LLC
7.00% Senior Notes due 2026	FOSLL	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act o

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

The number of shares of the registrant’s common stock outstanding as of October 29, 2024: 53,193,974

FOSSIL GROUP, INC.
FORM 10-Q
FOR THE FISCAL QUARTER ENDED SEPTEMBER 28, 2024
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Trademarks, service marks, trade names and copyrights

We use our FOSSIL, MICHELE, RELIC, SKAGEN and ZODIAC trademarks, as well as other trademarks, on watches, our FOSSIL and SKAGEN trademarks on jewelry, and our FOSSIL trademark on leather goods and other fashion accessories in the U.S. and in a significant number of foreign countries. We also use FOSSIL, SKAGEN, WATCH STATION INTERNATIONAL and WSI as trademarks on retail stores and FOSSIL, SKAGEN, WATCH STATION INTERNATIONAL, WSI, ZODIAC and MICHELE as trademarks on online e-commerce sites. This filing may also contain other trademarks, service marks, trade names and copyrights of ours or of other companies with whom we have, for example, licensing agreements to produce, market and distribute products. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to or incorporated by reference into this report may be listed without the TM, SM, © and ® symbols, as applicable, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors, if any, to these trademarks, service marks, trade names and copyrights.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

FOSSIL GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED
IN THOUSANDS

	September 28, 2024	December 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 106,308	$ 117,197
Accounts receivable - net of allowances for doubtful accounts of $ 15,602 and $ 12,616 , respectively	173,700	187,942
Inventories	226,389	252,834
Prepaid expenses and other current assets	69,460	152,717
Total current assets	575,857	710,690
Property, plant and equipment - net of accumulated depreciation of $ 362,279 and $ 384,688 , respectively	45,215	57,244
Operating lease right-of-use assets	135,506	151,000
Intangible and other assets-net	55,830	59,096
Total long-term assets	236,551	267,340
Total assets	$ 812,408	$ 978,030
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 159,002	$ 147,161
Short-term debt	2,254	480
Accrued expenses:		
Current operating lease liabilities	40,434	43,565
Compensation	36,855	44,789
Royalties	15,229	15,880
Customer liabilities	24,816	37,584
Transaction taxes	7,179	10,412
Other	22,220	27,811
Income taxes payable	9,534	14,795
Total current liabilities	317,523	342,477
Long-term income taxes payable	19,786	20,409
Deferred income tax liabilities	719	698
Long-term debt	173,444	206,983
Long-term operating lease liabilities	120,648	137,644
Other long-term liabilities	18,380	18,081
Total long-term liabilities	332,977	383,815
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock, 53,154 and 52,487 shares issued and outstanding at September 28, 2024 and December 30, 2023, respectively	532	525
Additional paid-in capital	314,133	311,709
Retained (deficit) earnings	(76,709)	18,403
Accumulated other comprehensive income (loss)	(73,579)	(76,405)
Total Fossil Group, Inc. stockholders' equity	164,377	254,232
Noncontrolling interests	(2,469)	(2,494)
Total stockholders' equity	161,908	251,738
Total liabilities and stockholders' equity	$ 812,408	$ 978,030

See notes to the unaudited condensed consolidated financial statements.

FOSSIL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
UNAUDITED
IN THOUSANDS, EXCEPT PER SHARE DATA

	For the 13 Weeks Ended September 28, 2024	For the 13 Weeks Ended September 30, 2023	For the 39 Weeks Ended September 28, 2024	For the 39 Weeks Ended September 30, 2023
Net sales	$ 287,819	$ 344,121	$ 802,693	$ 991,123
Cost of sales	145,587	182,458	390,119	512,076
Gross profit	142,232	161,663	412,574	479,047
Operating expenses:				
Selling, general and administrative expenses	160,858	191,433	466,733	569,493
Other long-lived asset impairments	985	622	1,935	838
Restructuring expenses	4,849	16,003	31,575	27,732
Total operating expenses	166,692	208,058	500,243	598,063
Operating income (loss)	(24,460)	(46,395)	(87,669)	(119,016)
Interest expense	4,922	5,760	14,116	16,110
Other income (expense) - net	3,617	(3,093)	8,955	6,813
Income (loss) before income taxes	(25,765)	(55,248)	(92,830)	(128,313)
Provision (benefit) for income taxes	6,165	5,561	2,257	(34)
Net income (loss)	(31,930)	(60,809)	(95,087)	(128,279)
Less: Net income (loss) attributable to noncontrolling interests	101	253	25	574
Net income (loss) attributable to Fossil Group, Inc.	$ (32,031)	$ (61,062)	$ (95,112)	$ (128,853)
Other comprehensive income (loss), net of taxes:				
Currency translation adjustment	$ 7,065	$ (3,801)	$ 2,948	$ (1,994)
Cash flow hedges - net change	(856)	4,623	(103)	1,646
Pension plan activity	—	—	(19)	—
Total other comprehensive income (loss)	6,209	822	2,826	(348)
Total comprehensive income (loss)	(25,721)	(59,987)	(92,261)	(128,627)
Less: Comprehensive income (loss) attributable to noncontrolling interests	101	253	25	574
Comprehensive income (loss) attributable to Fossil Group, Inc.	$ (25,822)	$ (60,240)	$ (92,286)	$ (129,201)
Earnings (loss) per share:				
Basic	$ (0.60)	$ (1.16)	$ (1.80)	$ (2.47)
Diluted	$ (0.60)	$ (1.16)	$ (1.80)	$ (2.47)
Weighted average common shares outstanding:				
Basic	53,171	52,466	52,863	52,219
Diluted	53,171	52,466	52,863	52,219

See notes to the unaudited condensed consolidated financial statements.

FOSSIL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
UNAUDITED
IN THOUSANDS

For the 13 Weeks Ended September 28, 2024

	Common stock								
	Shares	Par value	Additional paid-in capital	Treasury stock	Retained (deficit) earnings	Accumulated other comprehensive income (loss)	Stockholders' equity attributable to Fossil Group, Inc.	Noncontrolling interest	Total stockholders' equity
Balance, June 29, 2024	53,099	$ 531	$ 313,581	$ —	$ (44,678)	$ (79,788)	$ 189,646	$ (2,570)	$ 187,076
Common stock issued upon exercise of stock options, stock appreciation rights and restricted stock units	55	1	(1)	—	—	—	—	—	—
Stock-based compensation	—	—	553	—	—	—	553	—	553
Net income (loss)	—	—	—	—	(32,031)	—	(32,031)	101	(31,930)
Other comprehensive income (loss)	—	—	—	—	—	6,209	6,209	—	6,209
Balance, September 28, 2024	53,154	$ 532	$ 314,133	$ —	$ (76,709)	$ (73,579)	$ 164,377	$ (2,469)	$ 161,908

For the 13 Weeks Ended September 30, 2023

	Common stock								
	Shares	Par value	Additional paid-in capital	Treasury stock	Retained (deficit) earnings	Accumulated other comprehensive income (loss)	Stockholders' equity attributable to Fossil Group, Inc.	Noncontrolling interest	Total stockholders' equity
Balance, July 1, 2023	52,446	$ 524	$ 308,768	$ —	$ 107,700	$ (77,488)	$ 339,504	$ (2,602)	$ 336,902
Common stock issued upon exercise of stock options, stock appreciation rights and restricted stock units	31	1	—	—	—	—	1	—	1
Acquisition of common stock for employee tax withholding	—	—	—	(14)	—	—	(14)	—	(14)
Retirement of common stock	(5)	—	(14)	14	—	—	—	—	—
Stock-based compensation	—	—	1,849	—	—	—	1,849	—	1,849
Net income (loss)	—	—	—	—	(61,062)	—	(61,062)	253	(60,809)
Other comprehensive income (loss)	—	—	—	—	—	822	822	—	822
Balance, September 30, 2023	52,472	$ 525	$ 310,603	$ —	$ 46,638	$ (76,666)	$ 281,100	$ (2,349)	$ 278,751

For the 39 Weeks Ended September 28, 2024

	Common stock								
	Shares	Par value	Additional paid-in capital	Treasury stock	Retained (deficit) earnings	Accumulated other comprehensive income (loss)	Stockholders' equity attributable to Fossil Group, Inc.	Noncontrolling interest	Total stockholders' equity
Balance, December 30, 2023	52,487	$ 525	$ 311,709	$ —	$ 18,403	$ (76,405)	$ 254,232	$ (2,494)	$ 251,738
Common stock issued upon exercise of stock options, stock appreciation rights and restricted stock units	792	8	(8)	—	—	—	—	—	—
Acquisition of common stock for employee tax withholding	—	—	—	(111)	—	—	(111)	—	(111)
Retirement of common stock	(125)	(1)	(110)	111	—	—	—	—	—
Stock-based compensation	—	—	2,542	—	—	—	2,542	—	2,542
Net income (loss)	—	—	—	—	(95,112)	—	(95,112)	25	(95,087)
Other comprehensive income (loss)	—	—	—	—	—	2,826	2,826		2,826
Balance, September 28, 2024	53,154	$ 532	$ 314,133	$ —	$ (76,709)	$ (73,579)	$ 164,377	$ (2,469)	$ 161,908

For the 39 Weeks Ended September 30, 2023

	Common stock		Additional paid-in capital	Treasury stock	Retained (deficit) earnings	Accumulated other comprehensive income (loss)	Stockholders' equity attributable to Fossil Group, Inc.	Noncontrolling interest	Total stockholders' equity
	Shares	Par value							
Balance, December 31, 2022	51,836	$ 518	$ 306,241	$ —	$ 175,491	$ (76,318)	$ 405,932	$ (2,923)	$ 403,009
Common stock issued upon exercise of stock options, stock appreciation rights and restricted stock units	800	8	(8)	—	—	—	—	—	—
Acquisition of common stock	—	—	—	(529)	—	—	(529)	—	(529)
Retirement of common stock	(164)	(1)	(528)	529	—	—	—	—	—
Stock-based compensation	—	—	4,898	—	—	—	4,898	—	4,898
Net income (loss)	—	—	—	—	(128,853)	—	(128,853)	574	(128,279)
Other comprehensive income (loss)	—	—	—	—	—	(348)	(348)	—	(348)
Balance, September 30, 2023	52,472	$ 525	$ 310,603	$ —	$ 46,638	$ (76,666)	$ 281,100	$ (2,349)	$ 278,751

See notes to the unaudited condensed consolidated financial statements.

FOSSIL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
IN THOUSANDS

	For the 39 Weeks Ended September 28, 2024	For the 39 Weeks Ended September 30, 2023
Operating Activities:		
Net income (loss)	$ (95,087)	$ (128,279)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and accretion	12,241	14,487
Non-cash lease expense	49,158	56,515
Stock-based compensation	2,178	4,580
Decrease in allowance for returns and markdowns	(6,932)	(231)
Net gain on disposal of assets	(4,182)	(3,258)
Property, plant and equipment and other long-lived asset impairment losses	1,935	838
Non-cash restructuring charges	501	5,048
Bad debt expense	5,518	2,986
Other non-cash items	2,497	1,385
Changes in operating assets and liabilities:		
Accounts receivable	8,248	11,228
Inventories	26,602	45,879
Prepaid expenses and other current assets	79,620	16,490
Accounts payable	13,279	(31,124)
Accrued expenses	(17,773)	(23,732)
Income taxes	(6,162)	(15,535)
Operating lease liabilities	(55,470)	(65,239)
Net cash provided by (used in) operating activities	16,171	(107,962)
Investing Activities:		
Additions to property, plant and equipment	(4,724)	(7,172)
Decrease (increase) in intangible and other assets	1,048	(1,247)
Proceeds from the sale of property, plant and equipment	7,822	23
Net cash provided by (used in) investing activities	4,146	(8,396)
Financing Activities:		
Acquisition of common stock	(111)	(529)
Debt borrowings	69,708	162,615
Debt payments	(102,981)	(124,013)
Payment for shares of Fossil Accessories South Africa Pty. Ltd.	(422)	(2,316)
Net cash (used in) provided by financing activities	(33,806)	35,757
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	2,643	(2,751)
Net decrease in cash, cash equivalents, and restricted cash	(10,846)	(83,352)
Cash, cash equivalents, and restricted cash:		
Beginning of period	121,583	204,075
End of period	$ 110,737	$ 120,723

See notes to the unaudited condensed consolidated financial statements.

FOSSIL GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

1. FINANCIAL STATEMENT POLICIES

Basis of Presentation. The condensed consolidated financial statements include the accounts of Fossil Group, Inc., a Delaware corporation, and its wholly and majority-owned subsidiaries (the “Company”).

The information presented herein includes the thirteen-week period ended September 28, 2024 (“Third Quarter”) as compared to the thirteen-week period ended September 30, 2023 (“Prior Year Quarter”), and the thirty-nine week period ended September 28, 2024 ("Year To Date Period") as compared to the thirty-nine week period ended September 30, 2023 ("Prior Year YTD Period"). The condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present a fair statement of the Company’s financial position as of September 28, 2024, and the results of operations for the Third Quarter, Prior Year Quarter, Year To Date Period and Prior Year YTD Period. All adjustments are of a normal, recurring nature.

These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Annual Report on Form 10-K filed by the Company pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), for the fiscal year ended December 30, 2023, as amended (the “2023 Form 10-K”). Operating results for the Third Quarter are not necessarily indicative of the results to be achieved for the full fiscal year.

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the periods reported. We base our estimates on the information available at the time and various other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates. The Company has not made any changes in its significant accounting policies from those disclosed in the 2023 Form 10-K.

Business. The Company is a global design, marketing and distribution company that specializes in consumer fashion accessories. Its principal offerings include an extensive line of men's and women's fashion watches and jewelry, handbags, small leather goods, belts and sunglasses. In the watch and jewelry product categories, the Company has a diverse portfolio of globally recognized owned and licensed brand names under which its products are marketed. The Company's products are distributed globally through various distribution channels, including wholesale in countries where it has a physical presence, direct to the consumer through its retail stores and commercial websites and through third-party distributors in countries where the Company does not maintain a physical presence. The Company's products are offered at varying price points to meet the needs of its customers, whether they are value-conscious or luxury oriented. Based on its extensive range of accessory products, brands, distribution channels and price points, the Company is able to target style-conscious consumers across a wide age spectrum on a global basis.

Operating Expenses. Operating expenses include selling, general and administrative ("SG&A"), other long-lived asset impairments and restructuring charges. SG&A expenses include selling and distribution expenses primarily consisting of sales and distribution labor costs, sales distribution center and warehouse facility costs, depreciation expense related to sales distribution and warehouse facilities, the four-wall operating costs of the Company's retail stores, point-of-sale expenses, advertising expenses and art, and design and product development labor costs. SG&A also includes general and administrative expenses primarily consisting of administrative support labor and support costs such as treasury, legal, information services, accounting, internal audit, human resources, executive management costs and costs associated with stock-based compensation. Restructuring charges include costs to reduce and optimize the Company’s infrastructure and store closures. See Note 16— Restructuring for additional information on the Company’s restructuring plan.

Earnings (Loss) Per Share (“EPS”). Basic EPS is based on the weighted average number of common shares outstanding during each period. Diluted EPS adjusts basic EPS for the effects of dilutive common stock equivalents outstanding during each period using the treasury stock method.

The following table reconciles the numerators and denominators used in the computations of both basic and diluted EPS (in thousands, except per share data):

	For the 13 Weeks Ended September 28, 2024	For the 13 Weeks Ended September 30, 2023	For the 39 Weeks Ended September 28, 2024	For the 39 Weeks Ended September 30, 2023
Numerator:				
Net income (loss) attributable to Fossil Group, Inc.	$ (32,031)	$ (61,062)	$ (95,112)	$ (128,853)
Denominator:				
Basic EPS computation:				
Basic weighted average common shares outstanding	53,171	52,466	52,863	52,219
Basic EPS	$ (0.60)	$ (1.16)	$ (1.80)	$ (2.47)
Diluted EPS computation:				
Diluted weighted average common shares outstanding	53,171	52,466	52,863	52,219
Diluted EPS	$ (0.60)	$ (1.16)	$ (1.80)	$ (2.47)

At the end of the Third Quarter and Year To Date Period, approximately 1.4 million and 1.6 million weighted average shares issuable under stock-based awards, respectively, were not included in the diluted EPS calculation because they were antidilutive. The total antidilutive weighted average shares included 0.1 million and 0.2 million weighted average performance-based shares at the end of the Third Quarter and Year To Date Period, respectively.

At the end of the Prior Year Quarter and Prior Year YTD Period, approximately 2.2 million and 2.1 million weighted average shares issuable under stock-based awards, respectively, were not included in the diluted EPS calculation because they were antidilutive. The total antidilutive weighted average shares included 0.3 million and 0.3 million weighted average performance-based shares at the end of the Prior Year Quarter and Prior Year YTD Period, respectively.

Cash, Cash Equivalents and Restricted Cash. Restricted cash included in intangible and other-assets net was comprised primarily of pledged collateral to secure bank guarantees for the purpose of obtaining retail space. The following table provides a reconciliation of the cash, cash equivalents, and restricted cash balances as of September 28, 2024 and September 30, 2023 that are presented in the condensed consolidated statement of cash flows (in thousands):

	September 28, 2024	September 30, 2023
Cash and cash equivalents	$ 106,308	$ 116,132
Restricted cash included in prepaid expenses and other current assets	1,413	106
Restricted cash included in intangible and other assets-net	3,016	4,485
Cash, cash equivalents and restricted cash	$ 110,737	$ 120,723

Recently Issued and Adopted Accounting Standards

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), to enhance the transparency and decision usefulness of income tax disclosures through changes to the rate reconciliation and income taxes paid information. This guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company plans to adopt ASU 2023-09 in the first quarter of 2025 on a prospective basis and expects the adoption of the updated guidance to result in the additional disaggregation of certain tax information within the Company's income tax footnote disclosure.

In November 2023, FASB issued ASU 2023-07, *Improvements to Reportable Segment Disclosures (Topic 280),* to improve reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses. The amendments in this update will require public entities to disclose significant segment expenses that are regularly provided to the Company's chief operating decision maker and included within segment profit and loss, an amount and description of its composition for other segment items, and expanded interim disclosures. This guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. Adoption of the ASU should be applied retrospectively to all prior periods presented in the financial statements.

Adoption of ASU 2023-07 will result in additional segment-related footnote disclosures within the notes to the consolidated financial statements.

In October 2023, FASB issued ASU 2023-06, *Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative* ("ASU 2023-06"). The amendments in ASU 2023-06 modify the disclosure or presentation requirements of a variety of topics in the FASB Accounting Standards Codification (the "Codification"), with the intention of clarifying or improving them and to align the requirements in the Codification with the regulations of the U.S. Securities and Exchange Commission (the "SEC"). The effective date for ASU 2023-06 varies and is determined for each individual disclosure based on the effective date of the SEC's removal of the related disclosure. ASU 2023-06 will not have an impact on the Company's financial position or results of operations.

The Organization for Economic Cooperation and Development ("OECD") and over 140 countries have agreed to enact a two-pillar solution to reform the international tax rules to address the challenges arising from the globalization and digitalization of the economy. "The Pillar Two Global Anti-Base Erosion (GloBE) Rules" provide a coordinated system to ensure that multinational enterprises with revenues above 750 million euro pay a minimum effective tax rate of 15% tax on the income arising in each of the jurisdictions in which they operate. Many aspects of Pillar Two will be effective for tax years beginning in January 2024, with certain remaining impacts to be effective in 2025. Each country must enact its own legislation to apply the Pillar Two rules. The Company does not expect Pillar Two to have a material impact on its financial results, including its annual estimated effective tax rate or liquidity for 2024, but will continue to monitor future developments.

2. REVENUE

Disaggregation of Revenue. The Company's revenue disaggregated by major product category and timing of revenue recognition was as follows (in thousands):

	For the 13 Weeks Ended September 28, 2024				
	Americas	**Europe**	**Asia**	**Corporate**	**Total**
Product type					
Watches:					
Traditional watches	$ 93,935	$ 74,162	$ 55,151	$ —	$ 223,248
Smartwatches	3,997	(265)	236	—	3,968
Total watches	$ 97,932	$ 73,897	$ 55,387	$ —	$ 227,216
Leathers	14,186	3,561	6,199	—	23,946
Jewelry	7,273	17,528	6,658	—	31,459
Other	1,942	2,067	734	455	5,198
Consolidated	$ 121,333	$ 97,053	$ 68,978	$ 455	$ 287,819
Timing of revenue recognition					
Revenue recognized at a point in time	$ 121,243	$ 96,912	$ 68,861	$ 455	$ 287,471
Revenue recognized over time	90	141	117	—	348
Consolidated	$ 121,333	$ 97,053	$ 68,978	$ 455	$ 287,819

	For the 13 Weeks Ended September 30, 2023				
	Americas	Europe	Asia	Corporate	Total
Product type					
Watches:					
Traditional watches	$ 113,611	$ 72,941	$ 66,103	$ 28	$ 252,683
Smartwatches	7,352	5,927	4,034	—	17,313
Total watches	$ 120,963	$ 78,868	$ 70,137	$ 28	$ 269,996
Leathers	20,815	6,201	5,993	—	33,009
Jewelry	8,797	19,892	5,928	—	34,617
Other	2,034	2,705	995	765	6,499
Consolidated	$ 152,609	$ 107,666	$ 83,053	$ 793	$ 344,121
Timing of revenue recognition					
Revenue recognized at a point in time	$ 152,469	$ 107,479	$ 82,936	$ 518	$ 343,402
Revenue recognized over time	140	187	117	275	719
Consolidated	$ 152,609	$ 107,666	$ 83,053	$ 793	$ 344,121

	For the 39 Weeks Ended September 28, 2024				
	Americas	Europe	Asia	Corporate	Total
Product type					
Watches:					
Traditional watches	$ 260,586	$ 186,918	$ 156,393	$ —	$ 603,897
Smartwatches	14,677	1,834	4,726	—	21,237
Total watches	$ 275,263	$ 188,752	$ 161,119	$ —	$ 625,134
Leathers	49,857	11,703	17,135	—	78,695
Jewelry	19,418	43,218	19,286	—	81,922
Other	6,397	6,952	2,173	1,420	16,942
Consolidated	$ 350,935	$ 250,625	$ 199,713	$ 1,420	$ 802,693
Timing of revenue recognition					
Revenue recognized at a point in time	$ 350,637	$ 250,174	$ 199,370	$ 1,420	$ 801,601
Revenue recognized over time	298	451	343	—	1,092
Consolidated	$ 350,935	$ 250,625	$ 199,713	$ 1,420	$ 802,693

	For the 39 Weeks Ended September 30, 2023				
	Americas	Europe	Asia	Corporate	Total
Product type					
Watches:					
Traditional watches	$ 313,842	$ 204,156	$ 194,259	$ 1,955	$ 714,212
Smartwatches	28,285	17,812	13,395	—	59,492
Total watches	$ 342,127	$ 221,968	$ 207,654	$ 1,955	$ 773,704
Leathers	68,889	17,959	19,746	—	106,594
Jewelry	20,439	53,773	16,808	—	91,020
Other	5,736	7,918	3,104	3,047	19,805
Consolidated	$ 437,191	$ 301,618	$ 247,312	$ 5,002	$ 991,123
Timing of revenue recognition					
Revenue recognized at a point in time	$ 436,727	$ 301,047	$ 246,971	$ 4,177	$ 988,922
Revenue recognized over time	464	571	341	825	2,201
Consolidated	$ 437,191	$ 301,618	$ 247,312	$ 5,002	$ 991,123

Contract Balances. As of September 28, 2024, the Company had no material contract assets on the Company's condensed consolidated balance sheets and no deferred contract costs. The Company had (i) no contract liabilities as of September 28, 2024 and December 30, 2023, respectively, related to remaining performance obligations on licensing income, (ii) $ 0.9 million and $ 1.7 million as of September 28, 2024 and December 30, 2023, respectively, primarily related to remaining performance obligations on wearable technology products and (iii) $ 2.2 million and $ 2.7 million as of September 28, 2024 and December 30, 2023, respectively, related to gift cards issued.

3. INVENTORIES

Inventories consisted of the following (in thousands):

	September 28, 2024	December 30, 2023
Components and parts	$ 14,415	$ 18,931
Work-in-process	185	—
Finished goods	211,789	233,903
Inventories	$ 226,389	$ 252,834

4. WARRANTY LIABILITIES

The Company’s warranty liability is recorded in accrued expenses-other in the Company’s condensed consolidated balance sheets. Warranty liability activity consisted of the following (in thousands):

	For the 39 Weeks Ended September 28, 2024	For the 39 Weeks Ended September 30, 2023
Beginning balance	$ 10,122	$ 13,623
Settlements in cash or kind	(3,795)	(5,266)
Warranties issued and adjustments to preexisting warranties [1]	382	1,879
Ending balance	$ 6,709	$ 10,236

[1] Changes in cost estimates related to preexisting warranties are aggregated with accruals for new standard warranties issued and foreign currency changes.

5. INCOME TAXES

The Company’s income tax (benefit) expense and related effective rates were as follows (in thousands, except percentage data):

	For the 13 Weeks Ended September 28, 2024	For the 13 Weeks Ended September 30, 2023	For the 39 Weeks Ended September 28, 2024	For the 39 Weeks Ended September 30, 2023
Income tax (benefit) expense	$ 6,165	$ 5,561	$ 2,257	$ (34)
Effective tax rate	(23.9)%	(10.1)%	(2.4)%	— %

The effective tax rate in the Third Quarter differed from the Prior Year Quarter primarily due to a change in the Company’s global mix of earnings. In addition, income taxes were accrued on certain income in foreign jurisdictions and no tax benefit has been accrued on the U.S. tax losses and on certain losses in other foreign jurisdictions due to valuation allowances previously recorded. The effective tax rate can also vary from quarter-to-quarter due to changes in the resolution of income tax audits, changes in uncertain tax positions, and changes in tax law.

As of September 28, 2024, the Company's total amount of unrecognized tax benefits, excluding interest and penalties, was $ 17.1 million, of which $ 17.1 million would favorably impact the effective tax rate in future periods, if recognized. The Company filed amended U.S. income tax returns for 2014-2017 under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) which included a provision for the carryback of U.S. NOLs. The IRS reviewed the Company’s 2019 and 2020 U.S. tax returns and resulting net operating losses, as well as, the tax returns for 2014-2017; which are the carryback years. The Company has received the income tax refund for the 2019 U.S. tax NOL carryback. On March 27, 2024, The Company was informed that its 2019, 2020, and NOL carryback claims were approved by the IRS and Joint Committee on Taxation. The Company received a $ 57.3 million refund in April 2024. The Company released corresponding uncertain tax positions of $ 8.8 million in the first quarter of 2024. It is reasonably expected that certain uncertain tax positions will be resolved within the next 12 month period, and if resolved favorably, it would impact the tax rate by a benefit of approximately $ 13.9 million (including interest), excluding the $ 0.9 million which was recognized in the second quarter of fiscal year 2024.

The Company is also subject to examinations in various state and foreign jurisdictions for its 2013-2023 tax years, none of which the Company believes are significant, individually or in the aggregate. Tax audit outcomes and timing of tax audit settlements are subject to significant uncertainty.

The Company has classified uncertain tax positions as long-term income taxes payable, unless such amounts are expected to be settled within twelve months of the condensed consolidated balance sheet date. As of September 28, 2024, the Company has not recorded any new unrecognized tax benefits, excluding interest and penalties, for positions that are expected to be settled within the next twelve months. Consistent with its past practice, the Company recognizes interest and/or penalties related to income tax overpayments and income tax underpayments in income tax expense and income taxes receivable/payable. At September 28, 2024, the total amount of accrued income tax-related interest expense, net included in the condensed consolidated balance sheets was $ 6.6 million. There were no accrued tax-related penalties.

6. STOCKHOLDERS’ EQUITY

Common and Preferred Stock. The Company has 100,000,000 shares of common stock, par value $ 0.01 per share, authorized, with 53,154,308 and 52,487,020 shares issued and outstanding at September 28, 2024 and December 30, 2023, respectively. The Company has 1,000,000 shares of preferred stock, par value $ 0.01 per share, authorized, with none issued or outstanding at September 28, 2024 or December 30, 2023. Rights, preferences and other terms of preferred stock will be determined by the Board of Directors at the time of issuance.

Common Stock Repurchase Programs. Purchases of the Company’s common stock are made from time to time pursuant to its repurchase programs, subject to market conditions and at prevailing market prices, through the open market. Repurchased shares of common stock are recorded at cost and become authorized but unissued shares which may be issued in the future for general corporate or other purposes. The Company may terminate or limit its stock repurchase program at any time. In the event the repurchased shares are cancelled, the Company accounts for retirements by allocating the repurchase price to common stock, additional paid-in capital and retained (deficit) earnings. The repurchase price allocation is based upon the equity contribution associated with historical issuances. The repurchase programs are conducted pursuant to Rule 10b-18 of the Exchange Act.

At September 28, 2024 and December 30, 2023, all treasury stock had been effectively retired. As of September 28, 2024, the Company had $ 20.0 million of repurchase authorizations remaining under its repurchase program. The Company did not repurchase any common stock under its authorized stock repurchase plans during the Third Quarter, Prior Year Quarter, Year To Date Period or Prior Year YTD Period.

7. EMPLOYEE BENEFIT PLANS

Stock-Based Compensation Plans. There was no activity related to stock appreciation rights during the Third Quarter, and there were no stock appreciation rights outstanding as of September 28, 2024

Restricted Stock Units and Performance Restricted Stock Units. The following table summarizes restricted stock unit and performance restricted stock unit activity during the Third Quarter:

Restricted Stock Units and Performance Restricted Stock Units	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
	(in Thousands)	
Nonvested at June 29, 2024	1,350	$ 3.17
Granted	1,675	1.11
Forfeited	(160)	2.98
Nonvested at September 28, 2024	2,865	$ 2.97

No restricted stock units vested during the Third Quarter. Vesting of performance restricted stock units is based on achievement of adjusted operating profit and adjusted operating margin targets.

Long-Term Incentive Plans. On the date of the Company's annual stockholders meeting, each non-employee director shall be eligible to receive a grant of restricted stock units in an amount determined by the board of directors but not to exceed more than the number of shares having a fair market value of $ 130,000 . These shares vest 100 % on the earlier of one year from the date of grant or the date of the Company's next annual stockholders meeting, provided such director is providing services to the Company or a subsidiary of the Company on that date. Beginning with the grant in fiscal year 2021, non-employee directors may elect to defer receipt of all or a portion of the restricted stock units settled in common stock of the Company upon the vesting date. In addition, beginning in fiscal year 2021, non-employee directors may defer the cash portion of their annual fees. Each participant may also elect to have the cash portion of his or her annual fees for each calendar year treated as if invested in units of common stock of the Company.

Inducement Grant. In connection with the hiring of the Company's Chief Executive Officer on September 18, 2024, the Board of Directors approved an inducement grant of 1,500,000 restricted stock units of the Company's common stock.

8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables disclose changes in the balances of each component of accumulated other comprehensive income (loss), net of taxes (in thousands):

	For the 13 Weeks Ended September 28, 2024			
		Cash Flow Hedges		
	Currency Translation Adjustments	Forward Contracts	Pension Plan	Total
Beginning balance	$ (88,023)	$ 2,441	$ 5,794	$ (79,788)
Other comprehensive income (loss) before reclassifications	7,065	(646)	—	6,419
Tax (expense) benefit	—	(2)	—	(2)
Amounts reclassed from accumulated other comprehensive income (loss)	—	192	—	192
Tax (expense) benefit	—	16	—	16
Total other comprehensive income (loss)	7,065	(856)	—	6,209
Ending balance	$ (80,958)	$ 1,585	$ 5,794	$ (73,579)

	For the 13 Weeks Ended September 30, 2023			
		Cash Flow Hedges		
	Currency Translation Adjustments	Forward Contracts	Pension Plan	Total
Beginning balance	$ (88,874)	$ (580)	$ 11,966	$ (77,488)
Other comprehensive income (loss) before reclassifications	(3,801)	3,881	—	80
Tax (expense) benefit	—	59	—	59
Amounts reclassed from accumulated other comprehensive income (loss)	—	(882)	—	(882)
Tax (expense) benefit	—	199	—	199
Total other comprehensive income (loss)	(3,801)	4,623	—	822
Ending balance	$ (92,675)	$ 4,043	$ 11,966	$ (76,666)

	For the 39 Weeks Ended September 28, 2024			
		Cash Flow Hedges		
	Currency Translation Adjustments	Forward Contracts	Pension Plan	Total
Beginning balance	$ (83,906)	$ 1,688	$ 5,813	$ (76,405)
Other comprehensive income (loss) before reclassifications	2,948	404	(19)	3,333
Tax (expense) benefit	—	68	—	68
Amounts reclassed from accumulated other comprehensive income	—	424	—	424
Tax (expense) benefit	—	151	—	151
Total other comprehensive income (loss)	2,948	(103)	(19)	2,826
Ending balance	$ (80,958)	$ 1,585	$ 5,794	$ (73,579)

	For the 39 Weeks Ended September 30, 2023			
		Cash Flow Hedges		
	Currency Translation Adjustments	Forward Contracts	Pension Plan	Total
Beginning balance	$ (90,681)	$ 2,397	$ 11,966	$ (76,318)
Other comprehensive income (loss) before reclassifications	(1,994)	130	—	(1,864)
Tax (expense) benefit	—	687	—	687
Amounts reclassed from accumulated other comprehensive income (loss)	—	(1,568)	—	(1,568)
Tax (expense) benefit	—	739	—	739
Total other comprehensive income (loss)	(1,994)	1,646	—	(348)
Ending balance	$ (92,675)	$ 4,043	$ 11,966	$ (76,666)

See Note—10 Derivatives and Risk Management for additional disclosures about the Company’s use of derivatives.

9. SEGMENT INFORMATION

The Company reports segment information based on the “management approach.” The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company’s reportable segments.

The Company manages its business primarily on a geographic basis. The Company’s reportable operating segments are comprised of (i) Americas, (ii) Europe and (iii) Asia. Each reportable operating segment includes sales to wholesale and distributor customers, and sales through Company-owned retail stores and e-commerce activities based on the location of the selling entity. The Americas segment primarily includes sales to customers based in Canada, Latin America and the United States. The Europe segment primarily includes sales to customers based in European countries, the Middle East and Africa. The

Asia segment primarily includes sales to customers based in Australia, greater China (including mainland China, Hong Kong, Macau and Taiwan), India, Indonesia, Japan, Malaysia, New Zealand, Singapore, South Korea and Thailand. Each reportable operating segment provides similar products and services.

The Company evaluates the performance of its reportable segments based on net sales and operating income (loss). Net sales for geographic segments are based on the location of the selling entity. Operating income (loss) for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. Corporate includes peripheral revenue generating activities from factories and intellectual property and general corporate expenses, including certain administrative, legal, accounting, technology support costs, equity compensation costs, payroll costs attributable to executive management, brand management, product development, art, creative/product design, marketing, strategy, compliance and back office supply chain expenses that are not allocated to the various segments because they are managed at the corporate level internally. The Company does not include intercompany transfers between segments for management reporting purposes.

Summary information by operating segment was as follows (in thousands):

	For the 13 Weeks Ended September 28, 2024		For the 13 Weeks Ended September 30, 2023	
	Net Sales	**Operating Income (Loss)**	**Net Sales**	**Operating Income (Loss)**
Americas	$ 121,333	$ 21,926	$ 152,609	$ 25,818
Europe	97,053	23,359	107,666	13,290
Asia	68,978	16,376	83,053	15,951
Corporate	455	(86,121)	793	(101,454)
Consolidated	$ 287,819	$ (24,460)	$ 344,121	$ (46,395)

	For the 39 Weeks Ended September 28, 2024		For the 39 Weeks Ended September 30, 2023	
	Net Sales	**Operating Income (Loss)**	**Net Sales**	**Operating Income (Loss)**
Americas	$ 350,935	$ 45,284	$ 437,191	$ 61,817
Europe	250,625	40,711	301,618	19,572
Asia	199,713	28,202	247,312	30,555
Corporate	1,420	(201,866)	5,002	(230,960)
Consolidated	$ 802,693	$ (87,669)	$ 991,123	$ (119,016)

The following table reflects net sales for each class of similar products in the periods presented (in thousands, except percentage data):

	For the 13 Weeks Ended September 28, 2024		For the 13 Weeks Ended September 30, 2023	
	Net Sales	Percentage of Total	Net Sales	Percentage of Total
Watches:				
Traditional watches	$ 223,248	77.6 %	$ 252,683	73.4 %
Smartwatches	3,968	1.4	17,313	5.0
Total watches	$ 227,216	79.0 %	$ 269,996	78.4 %
Leathers	23,946	8.3	33,009	9.6
Jewelry	31,459	10.9	34,617	10.1
Other	5,198	1.8	6,499	1.9
Total	$ 287,819	100.0 %	$ 344,121	100.0 %

	For the 39 Weeks Ended September 28, 2024		For the 39 Weeks Ended September 30, 2023	
	Net Sales	Percentage of Total	Net Sales	Percentage of Total
Watches:				
Traditional watches	$ 603,897	75.2 %	$ 714,212	72.1 %
Smartwatches	21,237	2.6	59,492	6.0
Total watches	625,134	77.8 %	$ 773,704	78.1 %
Leathers	78,695	9.8	106,594	10.8
Jewelry	81,922	10.2	91,020	9.2
Other	16,942	2.2	19,805	1.9
Total	$ 802,693	100.0 %	$ 991,123	100.0 %

10. DERIVATIVES AND RISK MANAGEMENT

Cash Flow Hedges. The primary risks managed by using derivative instruments are the fluctuations in global currencies that will ultimately be used by non-U.S. dollar functional currency subsidiaries to settle future payments of intercompany inventory transactions denominated in U.S. dollars. Specifically, the Company projects future intercompany purchases by its non-U.S. dollar functional currency subsidiaries generally over a period of up to 24 months. The Company enters into forward contracts, generally for up to 85 % of the forecasted purchases, to manage fluctuations in global currencies that will ultimately be used to settle such U.S. dollar denominated inventory purchases. Additionally, the Company enters into forward contracts to manage fluctuations in Japanese yen exchange rates that will be used to settle future third-party inventory component purchases by a U.S. dollar functional currency subsidiary. Forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon settlement date and exchange rate. These forward contracts are designated as single cash flow hedges. Fluctuations in exchange rates will either increase or decrease the Company’s U.S. dollar equivalent cash flows from these inventory transactions, which will affect the Company’s U.S. dollar earnings. Gains or losses on the forward contracts are expected to offset these fluctuations to the extent the cash flows are hedged by the forward contracts.

For a derivative instrument that is designated and qualifies as a cash flow hedge, the gain or loss on the derivative is reported as a component of accumulated other comprehensive income (loss), net of taxes and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

As of September 28, 2024, the Company had the following outstanding forward contracts designated as cash flow hedges that were entered into to hedge future payments of inventory transactions (in millions):

Functional Currency		Contract Currency	
Type	**Amount**	**Type**	**Amount**
Euro	12.8	U.S. dollar	14.4
Canadian dollar	6.1	U.S. dollar	4.6
British pound	1.2	U.S. dollar	1.5
Japanese yen	78.8	U.S. dollar	0.6

Non-designated Hedges. The Company also periodically enters into forward contracts to manage exchange rate risks associated with certain intercompany transactions and for which the Company does not elect hedge accounting treatment. As of September 28, 2024, the Company had non-designated forward contracts of $ 0.2 million on 3.6 million rand associated with a South African rand-denominated foreign subsidiary. Changes in the fair value of derivatives not designated as hedging instruments are recognized in earnings when they occur.

The gains and losses on cash flow hedges that were recognized in other comprehensive income (loss), net of taxes are set forth below (in thousands):

	For the 13 Weeks Ended September 28, 2024	For the 13 Weeks Ended September 30, 2023
Cash flow hedges:		
Forward contracts	$ (648)	$ 3,940
Total gain (loss) recognized in other comprehensive income (loss), net of taxes	$ (648)	$ 3,940

	For the 39 Weeks Ended September 28, 2024	For the 39 Weeks Ended September 30, 2023
Cash flow hedges:		
Forward contracts	$ 472	$ 817
Total gain (loss) recognized in other comprehensive income (loss), net of taxes	$ 472	$ 817

The following tables disclose the gains and losses on derivative instruments recorded in accumulated other comprehensive income (loss), net of taxes during the term of the hedging relationship and reclassified into earnings, and gains and losses on derivatives not designated as hedging instruments recorded directly to earnings (in thousands):

Derivative Instruments	Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) Location	Effect of Derivative Instruments	For the 13 Weeks Ended September 28, 2024	For the 13 Weeks Ended September 30, 20
Forward contracts designated as cash flow hedging instruments	Cost of sales	Total gain (loss) reclassified from accumulated other comprehensive income (loss)	$ 159	$ (1,3
Forward contracts designated as cash flow hedging instruments	Other income (expense)-net	Total gain (loss) reclassified from accumulated other comprehensive income (loss)	$ 49	$ 68
Forward contracts not designated as hedging instruments	Other income (expense)-net	Total gain (loss) recognized in income	$ (20)	$ 2

Derivative Instruments	Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) Location	Effect of Derivative Instruments	For the 39 Weeks Ended September 28, 2024	For the 39 Weeks Ended September 30, 2023
Forward contracts designated as cash flow hedging instruments	Cost of sales	Total gain (loss) reclassified from accumulated other comprehensive income (loss)	$ 153	$ (1,387)
Forward contracts designated as cash flow hedging instruments	Other income (expense)-net	Total gain (loss) reclassified from accumulated other comprehensive income (loss)	$ 422	$ 558
Forward contracts not designated as hedging instruments	Other income (expense)-net	Total gain (loss) recognized in income	$ (5)	$ 92

The following table discloses the fair value amounts for the Company’s derivative instruments as separate asset and liability values, presents the fair value of derivative instruments on a gross basis, and identifies the line items in the condensed consolidated balance sheets in which the fair value amounts for these categories of derivative instruments are included (in thousands):

	Asset Derivatives				Liability Derivatives			
	September 28, 2024		December 30, 2023		September 28, 2024		December 30, 2023	
Derivative Instruments	Condensed Consolidated Balance Sheets Location	Fair Value	Condensed Consolidated Balance Sheets Location	Fair Value	Condensed Consolidated Balance Sheets Location	Fair Value	Condensed Consolidated Balance Sheets Location	Fair Value
Forward contracts designated as cash flow hedging instruments	Prepaid expenses and other current assets	$ 145	Prepaid expenses and other current assets	$ 339	Accrued expenses-other	$ 80	Accrued expenses-other	$ 1,044
Forward contracts not designated as cash flow hedging instruments	Prepaid expenses and other current assets	—	Prepaid expenses and other current assets	—	Accrued expenses-other	7	Accrued expenses-other	7
Forward contracts designated as cash flow hedging instruments	Intangible and other assets-net	—	Intangible and other assets-net	20	Other long-term liabilities	—	Other long-term liabilities	28
Total		$ 145		$ 359		$ 87		$ 1,079

The following tables summarize the effects of the Company's derivative instruments on earnings (in thousands):

	Effect of Derivative Instruments			
	For the 13 Weeks Ended September 28, 2024		For the 13 Weeks Ended September 30, 2023	
	Cost of Sales	Other Income (Expense)-net	Cost of Sales	Other Income (Expense)-net
Total amounts of income and expense line items presented in the condensed consolidated statements of income (loss) and comprehensive income (loss) in which the effects of cash flow hedges are recorded	$145,587	$ 3,617	$182,458	$ (3,093)
Gain (loss) on cash flow hedging relationships:				
Forward contracts designated as cash flow hedging instruments:				
Total gain (loss) reclassified from other comprehensive income (loss)	$ 159	$ 49	$ (1,368)	$ 685
Forward contracts not designated as hedging instruments:				
Total gain (loss) recognized in income	$ —	$ (20)	$ —	$ 29

	Effect of Derivative Instruments			
	For the 39 Weeks Ended September 28, 2024		For the 39 Weeks Ended September 30, 2023	
	Cost of Sales	Other Income (Expense)-net	Cost of Sales	Other Income (Expense)-net
Total amounts of income and expense line items presented in the condensed consolidated statements of income (loss) and comprehensive income (loss) in which the effects of cash flow hedges are recorded	$390,119	$ 8,955	$512,076	$ 6,813
Gain (loss) on cash flow hedging relationships:				
Forward contracts designated as cash flow hedging instruments:				
Total gain (loss) reclassified from other comprehensive income (loss)	$ 153	$ 422	$ (1,387)	$ 558
Forward contracts not designated as hedging instruments:				
Total gain (loss) recognized in income	$ —	$ (5)	$ —	$ 92

At the end of the Third Quarter, the Company had forward contracts designated as cash flow hedges with maturities extending through March 2025. As of September 28, 2024, a $ 0.1 million gain is expected to be reclassified into earnings within the next twelve months at prevailing foreign currency exchange rates.

11. FAIR VALUE MEASUREMENTS

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

ASC 820, *Fair Value Measurement and Disclosures* (“ASC 820”), establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.

- Level 2 — Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 — Unobservable inputs based on the Company's assumptions.

ASC 820 requires the use of observable market data if such data is available without undue cost and effort.

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 28, 2024 (in thousands):

	Fair Value at September 28, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Forward contracts	$ —	$ 145	$ —	$ 145
Total	$ —	$ 145	$ —	$ 145
Liabilities:				
Forward contracts	—	87	—	87
Total	$ —	$ 87	$ —	$ 87

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 30, 2023 (in thousands):

	Fair Value at December 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Forward contracts	$ —	$ 359	$ —	$ 359
Total	$ —	$ 359	$ —	$ 359
Liabilities:				
Contingent consideration	$ —	$ —	$ 586	$ 586
Forward contracts	—	1,079	—	1,079
Total	$ —	$ 1,079	$ 586	$ 1,665

The fair values of the Company's forward contracts are based on published quotations of spot currency rates and forward points, which are converted into implied forward currency rates. See Note 10—Derivatives and Risk Management, for additional disclosures about the forward contracts.

As of September 28, 2024, the Company's Notes (as defined in Note 15— Debt Activity), excluding unamortized debt issuance costs, were recorded at cost and had a carrying value of $ 150.0 million and had a fair value of approximately $ 83.7 million. The fair value of the Company's Notes was based on Level 1 inputs. The Company's Revolving Facility (as defined in Note 15—Debt Activity) was recorded at cost and had a carrying value of $ 27.2 million and a fair value of approximately $ 19.7 million. The fair value of the Company's Revolving Facility was based on Level 2 inputs.

During the Year to Date Period, operating lease right-of-use ("ROU") assets with a carrying amount of $ 3.9 million and property, plant and equipment-net with a carrying value of $ 0.6 million were written down to a fair value of $ 2.6 million and $ 0.3 million, respectively, resulting in impairment charges of $ 1.6 million. During the Prior Year YTD Period, ROU assets with a carrying amount of $ 2.0 million and property, plant and equipment-net with a carrying value of $ 0.3 million were written down to a fair value of $ 1.3 million and $ 0.2 million, respectively, resulting in impairment charges of $ 0.8 million.

The fair values of operating lease ROU assets and fixed assets related to retail stores were determined using Level 3 inputs, including forecasted cash flows and discount rates. Of the $ 1.6 million impairment expense in the Year to Date Period, $ 1.0 million, $ 0.5 million and $ 0.1 million was recorded in other long-lived asset impairments in the Asia, Europe and Americas segments, respectively. Of the $ 0.8 million impairment expense in the Prior Year YTD Period, $ 0.6 million and $ 0.2 million were recorded in other long-lived asset impairments in both the Europe and Americas segments, respectively.

12. INTANGIBLE AND OTHER ASSETS

The following table summarizes intangible and other assets (in thousands):

		September 28, 2024		December 30, 2023	
	Useful Lives	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangibles-subject to amortization:					
Trademarks	10 yrs.	$ 3,978	$ 3,335	$ 3,978	$ 3,256
Patents	3 - 20 yrs.	850	565	850	546
Trade name	6 yrs.	4,502	3,752	4,502	3,189
Other	7 - 20 yrs.	341	265	341	236
Total intangibles-subject to amortization		9,671	7,917	9,671	7,227
Intangibles-not subject to amortization:					
Trade names		8,917		8,919	
Other assets:					
Deposits		15,349		16,168	
Deferred tax asset-net		21,760		21,426	
Restricted cash		3,016		4,309	
Debt issuance costs		2,013		2,490	
Other		3,021		3,340	
Total other assets		45,159		47,733	
Total intangible and other assets		$ 63,747	$ 7,917	$ 66,323	$ 7,227
Total intangible and other assets-net			$ 55,830		$ 59,096

Amortization expense for intangible assets was $ 0.2 million and $ 0.2 million for the Third Quarter and the Prior Year Quarter, respectively, and $ 0.7 million and $ 0.7 million for the Year To Date Period and Prior Year YTD Period, respectively. Estimated aggregate future amortization expense by fiscal year for intangible assets is as follows (in thousands):

Fiscal Year	Amortization Expense
2024 (remaining)	$ 229
2025	$ 726
2026	$ 138
2027	$ 120
2028	$ 114
Thereafter	$ 427

13. COMMITMENTS AND CONTINGENCIES

Litigation. The Company is occasionally subject to litigation or other legal proceedings in the normal course of its business. The Company does not believe that the outcome of any currently pending legal matters, individually or collectively, will have a material effect on the business or financial condition of the Company.

14. LEASES

The Company's leases consist primarily of retail space, offices, warehouses, distribution centers, equipment and vehicles. The Company determines if an agreement contains a lease at inception based on the Company's right to the economic benefits of the leased assets and its right to direct the use of the leased asset. ROU assets represent the Company's right to use an underlying asset, and ROU liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its estimated incremental borrowing rate based on the information available at the commencement date adjusted for the lease term and lease country to determine the present value of the lease payments.

Some leases include one or more options to renew at the Company's discretion, with renewal terms that can extend the lease from approximately one to ten additional years. The renewal options are not included in the measurement of ROU assets and ROU liabilities unless the Company is reasonably certain to exercise the optional renewal periods. Short-term leases are leases having a term of twelve months or less at inception. The Company does not record a related lease asset or liability for short-term leases. The Company has certain leases containing lease and non-lease components which are accounted for as a single lease component. The Company has certain lease agreements where lease payments are based on a percentage of retail sales over contractual levels and others include rental payments adjusted periodically for inflation. The variable portion of these lease payments is not included in the Company's lease liabilities. The Company's lease agreements do not contain any significant restrictions or covenants other than those that are customary in such arrangements.

The components of lease expense were as follows (in thousands):

Lease Cost	Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) Location	For the 13 Weeks Ended September 28, 2024	For the 13 Weeks Ended September 30, 2023	For the 39 Weeks Ended September 28, 2024	For the 39 Weeks Ended September 30, 2023
Operating lease cost[1]	SG&A	$ 15,639	$ 18,108	$ 47,816	$ 54,599
Short-term lease cost	SG&A	$ 257	$ 302	$ 783	$ 812
Variable lease cost	SG&A	$ 5,363	$ 4,684	$ 16,000	$ 16,337

[1] Includes sublease income, which was immaterial.

The following table discloses supplemental balance sheet information for the Company’s leases (in thousands):

Leases	Condensed Consolidated Balance Sheets Location	September 28, 2024	December 30, 2023
Assets			
Operating	Operating lease ROU assets	$ 135,506	$ 151,000
Liabilities			
Current:			
Operating	Current operating lease liabilities	$ 40,434	$ 43,565
Noncurrent:			
Operating	Long-term operating lease liabilities	$ 120,648	$ 137,644

The following table discloses the weighted-average remaining lease term and weighted-average discount rate for the Company's leases:

Lease Term and Discount Rate	September 28, 2024	December 30, 2023
Weighted-average remaining lease term:		
Operating leases	6.3 years	6.4 years
Weighted-average discount rate:		
Operating leases	15.0 %	14.9 %

Future minimum lease payments by year as of September 28, 2024 were as follows (in thousands):

Fiscal Year	Operating Leases
2024 (remaining)	$ 17,887
2025	57,019
2026	42,690
2027	29,969
2028	18,724
Thereafter	88,639
Total lease payments	$ 254,928
Less: Interest	93,846
Total lease obligations	$ 161,082

Supplemental cash flow information related to leases was as follows (in thousands):

	For the 39 Weeks Ended September 28, 2024	For the 39 Weeks Ended September 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 55,470	$ 65,239
Leased assets obtained in exchange for new operating lease liabilities	16,178	35,507

As of September 28, 2024, the Company did not have any material operating or finance leases that have been signed but not commenced.

15. DEBT ACTIVITY

On September 26, 2019, the Company and Fossil Partners L.P., as the U.S. borrowers, and Fossil Group Europe GmbH, Fossil Asia Pacific Limited, Fossil (Europe) GmbH, Fossil (UK) Limited and Fossil Canada Inc., as the non-U.S. borrowers, certain other subsidiaries of the Company from time to time party thereto designated as borrowers, and certain subsidiaries of the Company from time to time party thereto as guarantors, entered into a $ 275.0 million secured asset-based revolving credit agreement (the “Revolving Facility”) with JPMorgan Chase Bank, N.A. as administrative agent (the "ABL Agent"), J.P. Morgan AG, as French collateral agent, JPMorgan Chase Bank, N.A., Citizens Bank, N.A. and Wells Fargo Bank, National Association as joint bookrunners and joint lead arrangers, and Citizens Bank, N.A. and Wells Fargo Bank, National Association, as co-syndication agents and each of the lenders from time to time party thereto (the "ABL Lenders"). On November 8, 2022, the Company entered into Amendment No. 4 (the "Amendment") to the Revolving Facility. The Amendment, among other things, (i) extended the maturity date of the credit facility to November 8, 2027 (provided, that if the Company has any indebtedness in an amount in excess of $ 35 million that matures prior to November 8, 2027, the maturity date of the credit facility shall be the 91st day prior to the maturity date of such other indebtedness) and (ii) changed the calculation methodology of the borrowing base to include the value of certain of the Company’s intellectual property in such methodology and to provide for seasonal increases to certain advance rates.

In November 2021, the Company sold $ 150.0 million aggregate principal amount of 7.00 % senior notes due 2026 (the “Notes”), generating net proceeds of approximately $ 141.7 million. The Notes were issued pursuant to an indenture (the "Base Indenture") and a first supplemental indenture (the "First Supplemental Indenture" and, together with the Base Indenture, the "Indenture") with The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The Notes are general unsecured obligations of the Company and rank equally in right of payment with all of the Company’s existing and future senior unsecured and unsubordinated indebtedness, and will rank senior in right of payment to the Company’s future subordinated indebtedness, if any. The Notes are effectively subordinated to all of the Company’s existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, and the Notes are structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) of the Company’s subsidiaries (excluding any amounts owed by such subsidiaries to the Company). The Notes bear interest at the rate of 7.00 % per annum. Interest on the Notes is payable quarterly in arrears on February 28, May 31, August 31 and November 30 of each year. The Notes mature on November 30, 2026.

The Company may redeem the Notes for cash in whole or in part at any time at its option. On and after November 30, 2023, the Company may redeem the Notes at the following prices: (i) on or after November 30, 2023 and prior to November 30, 2024, at a price equal to $ 25.50 per $ 25.00 principal amount of Notes, (ii) on or after November 30, 2024 and prior to November 30, 2025, at a price equal to $ 25.25 per $ 25.00 principal amount of Notes and (iii) on or after November 30, 2025, at a price equal to $ 25.00 per $ 25.00 principal amount of Notes, plus (in each case noted above) accrued and unpaid interest, if any, to, but excluding, the date of redemption.

The Indenture contains customary events of default and cure provisions. If an event of default (other than an event of default of the type described in the following sentence) occurs and is continuing with respect to the Notes, the Trustee may, and at the direction of the registered holders of at least 25 % in aggregate principal amount of the outstanding debt securities of the Notes shall, declare the principal amount plus accrued and unpaid interest, premium and additional amounts, if any, on the Notes to be due and payable immediately. If an event of default relating to certain events of bankruptcy, insolvency or reorganization of the Company occurs, the principal amount plus accrued and unpaid interest, and premium, if any, on the Notes will become immediately due and payable without any action on the part of the Trustee or any holder of the Notes.

The Revolving Facility provides that the ABL Lenders may extend revolving loans in an aggregate principal amount not to exceed $ 225.0 million at any time outstanding (the “Revolving Credit Commitment”), of which up to $ 125.0 million is available under a U.S. facility, an aggregate of $ 80.0 million is available under a European facility, $ 10.0 million is available under a Hong Kong facility, $ 5.0 million is available under a French facility, and $ 5.0 million is available under a Canadian facility, in each case, subject to the borrowing base availability limitations described below. The Revolving Facility also includes an up to $ 45.0 million subfacility for the issuance of letters of credit (the “Letters of Credit”). The French facility includes a $ 1.0 million subfacility for swingline loans, and the European facility includes a $ 7.0 million subfacility for swingline loans. The Revolving Facility is subject to a line cap equal to the lesser of the total Revolving Credit Commitment and the aggregate borrowing bases under the U.S. facility, the European facility, the Hong Kong facility, the French facility and the Canadian facility. Loans under the Revolving Facility may be made in U.S. dollars, Canadian dollars, euros, Hong Kong dollars or pounds sterling.

The Revolving Facility is an asset-based facility, in which borrowing availability is subject to a borrowing base equal to:(a) with respect to the Company, the sum of (i) the lesser of (x) 90 % of the appraised net orderly liquidation value of eligible U.S. finished goods inventory and (y) 65 % of the lower of cost or market value of eligible U.S. finished goods inventory, plus (ii) 85 % of the eligible U.S. accounts receivable, plus (iii) 90 % of eligible U.S. credit card accounts receivable, plus (iv) the lesser of (x) 40 % of the appraised net orderly liquidation value of eligible U.S. intellectual property and (y) $ 20.0 million, minus (v) the aggregate amount of reserves, if any, established by the ABL Agent; (b) with respect to each non-U.S. borrower (except for the French Borrower), the sum of (i) the lesser of (x) 90 % of the appraised net orderly liquidation value of eligible foreign finished goods inventory of such non-U.S. borrower and (y) 65 % of the lower of cost or market value of eligible foreign finished goods inventory of such non-U.S. borrower, plus (ii) 85 % of the eligible foreign accounts receivable of such non-U.S. borrower, minus (iii) the aggregate amount of reserves, if any, established by the ABL Agent; and (c) with respect to the French Borrower, (i) 85 % of eligible French accounts receivable minus (ii) the aggregate amount of reserves, if any, established by the ABL Agent. Not more than 60 % of the aggregate borrowing base under the Revolving Facility may consist of the non-U.S. borrowing bases. The above advance rates (other than the advance rates with respect to intellectual property) are seasonally increased by 5 % (e.g. from 90 % to 95 %) during the period commencing on the date of delivery of the borrowing base certificate with respect to the second fiscal month of the Company and ending on the last day of the period covered by the borrowing base certificate delivered with respect to the fifth fiscal month of the Company.

The Revolving Facility also includes a commitment fee, payable quarterly in arrears, of 0.250 % or 0.375 % determined by reference to the average daily unused portion of the overall commitment under the Revolving Facility. The ABL Borrowers will pay the ABL Agent, on the account of the issuing ABL Lenders, an issuance fee of 0.125 % for any issued Letters of Credit.

The ABL Borrowers have the right to request an increase to the commitments under the Revolving Facility or any subfacility in an aggregate principal amount not to exceed $ 75.0 million in increments no less than $ 10.0 million, subject to certain terms and conditions as defined in the Revolving Facility.

The Revolving Facility is secured by guarantees by the Company and certain of its domestic subsidiaries. Additionally, the Company and such subsidiaries have granted liens on all or substantially all of their assets in order to secure the obligations under the Revolving Facility. In addition, the Swiss Borrower, the Hong Kong Borrower, the French Borrower, the German Borrower and the Canadian Borrower, and the other non-U.S. borrowers from time to time party to the Revolving Facility are required to enter into security instruments with respect to all or substantially all of their assets that can be pledged under applicable local law, and certain of their respective subsidiaries may guarantee the respective non-U.S. obligations under the Revolving Facility.

The Revolving Facility contains customary affirmative and negative covenants and events of default, such as compliance with annual audited and quarterly unaudited financial statements disclosures. Upon an event of default, the ABL Agent will have the right to declare the revolving loans and other obligations outstanding immediately due and payable and all commitments immediately terminated or reduced, subject to cure periods and grace periods set forth in the Revolving Facility.

As of September 28, 2024, the Company had $ 150.0 million and $ 27.2 million outstanding under the Notes and Revolving Facility, respectively. The Company had net borrowings of $ 16.5 million and net payments of $ 34.8 million under the Revolving Facility during the Third Quarter and Year To Date Period, respectively. Amounts available under the Revolving Facility were reduced by any amounts outstanding under standby Letters of Credit. As of September 28, 2024, the Company had available borrowing capacity of $ 23.8 million under the Revolving Facility. As of September 28, 2024, the Company had unamortized debt issuance costs of $ 3.7 million recorded in long-term debt and $ 2.0 million recorded in intangible and other assets-net on the Company's consolidated balance sheets. The Company incurred $ 2.6 million and $ 7.8 million of interest expense related to the Notes during the Third Quarter and Year To Date Period, respectively. The Company incurred $ 0.4 million and $ 1.8 million of interest expense related to the Revolving Facility during the Third Quarter and Year To Date Period, respectively. The Company incurred $ 0.6 million and $ 1.8 million of interest expense related to the amortization of debt issuance costs during the Third Quarter and Year To Date Period, respectively. At September 28, 2024, the Company was in compliance with all debt covenants related to its credit facilities.

16. RESTRUCTURING

In fiscal year 2023, the Company announced its Transform and Grow strategy ("TAG") designed to reduce operating costs, improve operating margins, and advance the Company's commitment to profitable growth. The Company expanded the scope and duration of TAG to focus on a more comprehensive review of its global business operations. The expansion of TAG will put greater emphasis on initiatives to exit or minimize certain product offerings, brands and distribution, and to strengthen gross margin and increase the level of operating expense efficiencies. TAG is estimated to generate approximately $ 300 million of annualized operating benefits by the end of 2025. The Company estimates approximately $ 100 million to $ 120 million in total charges over the duration of TAG, with approximately $ 40 million in fiscal year 2024.

The following table shows a summary of TAG plan charges (in thousands):

	For the 13 Weeks Ended September 28, 2024	For the 13 Weeks Ended September 30, 2023	For the 39 Weeks Ended September 28, 2024	For the 39 Weeks Ended September 30, 2023
Cost of sales	$ —	$ (1,347)	$ (241)	$ 6,827
Selling, general and administrative expenses	4,849	16,003	31,575	27,732
Consolidated	$ 4,849	$ 14,656	$ 31,334	$ 34,559

The following table shows a rollforward of the accrued liability related to the Company's TAG plan (in thousands):

	For the 13 Weeks Ended September 28, 2024			
	Liabilities June 29, 2024	Charges	Cash Payments	Liabilities September 28, 2024
Professional services	$ 11,319	$ 3,667	$ 11,149	$ 3,837
Severance and employee-related benefits	8,349	1,182	3,656	5,875
Charges related to exits of certain product offerings	300	—	—	300
Total	$ 19,968	$ 4,849	$ 14,805	$ 10,012

	For the 13 Weeks Ended September 30, 2023				
	Liabilities July 1, 2023	Charges	Cash Payments	Non-cash Items	Liabilities September 30, 2023
Stores and facilities closures	$ —	$ 4,730	$ —	$ 4,730	$ —
Professional services	898	3,298	2,268	—	1,928
Severance and employee-related benefits	4,813	7,975	6,424	318	6,046
Charges related to exits of certain product offerings	7,474	(1,347)	—	—	6,127
Total	$ 13,185	$ 14,656	$ 8,692	$ 5,048	$ 14,101

	For the 39 Weeks Ended September 28, 2024				
	Liabilities December 30, 2023	Charges	Cash Payments	Non-cash Items	Liabilities September 28, 2024
Stores and facilities closures	$ —	$ 143	$ 7	$ 136	$ —
Professional services	117	17,719	13,999	—	3,837
Severance and employee-related benefits	8,117	13,713	15,590	365	5,875
Charges related to exits of certain product offerings	3,821	(241)	3,280	—	300
Total	$ 12,055	$ 31,334	$ 32,876	$ 501	$ 10,012

	For the 39 Weeks Ended September 30, 2023				
	Liabilities December 31, 2022	Charges	Cash Payments	Non-cash Items	Liabilities September 30, 2023
Stores and facilities closures	$ —	$ 4,730	$ —	$ 4,730	$ —
Professional services	—	4,300	2,372	—	1,928
Severance and employee-related benefits	—	18,702	12,338	318	6,046
Charges related to exits of certain product offerings	—	6,827	700	—	6,127
Total	$ —	$ 34,559	$ 15,410	5,048	$ 14,101

TAG plan restructuring charges by operating segment were as follows (in thousands):

	For the 13 Weeks Ended September 28, 2024	For the 13 Weeks Ended September 30, 2023	For the 39 Weeks Ended September 28, 2024	For the 39 Weeks Ended September 30, 2023
Americas	$ 652	$ (488)	$ 1,174	$ 4,005
Europe	179	(368)	5,531	6,973
Asia	597	2,556	1,830	8,510
Corporate	3,421	12,956	22,799	15,071
Consolidated	$ 4,849	$ 14,656	$ 31,334	$ 34,559

In fiscal year 2022, the Company completed its New World Fossil 2.0 ("NWF 2.0") restructuring program it launched in 2019. The following table shows a rollforward of the accrued liability related to the Company’s NWF 2.0 restructuring plan (in thousands):

	For the 13 Weeks Ended September 30, 2023		
	Liabilities July 1, 2023	Cash Payments	Liabilities September 30, 2023
Professional services	$ 47	$ 47	$ —
Severance and employee-related benefits	260	124	136
Total	$ 307	$ 171	$ 136

	For the 39 Weeks Ended September 30, 2023		
	Liabilities December 31, 2022	Cash Payments	Liabilities September 30, 2023
Professional services	$ 74	$ 74	$ —
Severance and employee-related benefits	2,821	2,685	136
Total	$ 2,895	$ 2,759	$ 136

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of the financial condition and results of operations of Fossil Group, Inc. and its subsidiaries for the thirteen week periods ended September 28, 2024 (the “Third Quarter”) and September 30, 2023 (the “Prior Year Quarter”), and the thirty-nine week periods ended September 28, 2024 (the "Year To Date Period") and September 30, 2023 (the "Prior Year YTD Period"). This discussion should be read in conjunction with the condensed consolidated financial statements and the related notes thereto.

Overview

We are a global design, marketing and distribution company that specializes in consumer fashion accessories. Our principal offerings include an extensive line of men's and women's fashion watches and jewelry, handbags, small leather goods, belts, and sunglasses. In the watch and jewelry product categories, we have a diverse portfolio of globally recognized owned and licensed brand names under which our products are marketed.

Our products are distributed globally through various distribution channels including wholesale in countries where we have a physical presence, direct to the consumer through our retail stores and commercial websites and through third-party distributors in countries where we do not maintain a physical presence. Our products are offered at varying price points to meet the needs of our customers, whether they are value-conscious or luxury oriented. Based on our range of accessory products, brands, distribution channels and price points, we are able to target style-conscious consumers across a wide age spectrum on a global basis.

Known or Anticipated Trends

Based on our recent operating results and current perspectives on our operating environment, we anticipate the following trends will continue to impact our operating results:

Economic Environment Impacting Consumer Spending Ability and Preferences: Macroeconomic factors, including inflation and increased interest rates, impacted customer behavior in fiscal year 2023. In 2024, macroeconomic headwinds have continued, including persistent inflation and elevated short term interest rates in addition to slowing economic conditions in many of our major markets. While the impact of these macroeconomic factors are difficult to quantify, we expect these conditions to continue to have a negative impact on consumer confidence and consumer demand for discretionary goods in many of our major markets.

Inventory Levels: Slower consumer demand across a wide array of discretionary goods has translated in some cases to excess inventory levels in key accounts and overall cautious buying patterns across our wholesale customers. With the challenging global macro environment, we expect many customers to continue to manage to leaner inventory levels than the prior year across our key categories to reduce inventory carrying risk. We will also continue to proactively manage our inventory purchases to mitigate our cash flow and inventory risks.

World Conflicts: We continuously monitor the direct and indirect impacts from the military conflicts between Russia and Ukraine and in the Middle East. Our operations in Russia and Israel consist of sales through third-party distributors, and sales to these distributors are currently on hold. Our sales in Russia and Israel are not material to our financial results. We have no other operations, including supply chain, in Israel, Palestine, Russia or Ukraine. However, the continuation of the current military conflicts or an escalation of the conflicts beyond their current scope may continue to weaken the global economy, negatively impact consumer confidence, and could result in additional inflationary pressures and supply chain constraints.

Supply Chain: Our business is subject to the risks inherent in global sourcing supply. We rely on domestic and foreign suppliers to provide us with merchandise in a timely manner and at favorable prices. Certain key components in our products come from limited sources of supply, which exposes us to potential supply shortages that could disrupt the manufacture and sale of our products. Any interruption or delay in the supply of key components could significantly harm our ability to meet scheduled product deliveries to our customers and cause us to lose sales.

Among our foreign suppliers, China is the source of a substantial majority of our imports. A material increase in the cost of our products or transportation without any offsetting price increases or a disruption in the flow of finished goods from China may significantly increase our costs.

Data: We depend on information technology systems, the Internet and computer networks for a substantial portion of our retail and e-commerce businesses, including credit card transaction authorization and processing. We also receive and store personal information about our customers and employees, the protection of which is critical to us. In the normal course of our business, we collect, retain, and transmit certain sensitive and confidential customer information, including credit card information, over public networks. Despite the security measures we currently have in place, our facilities and systems and those of our third party service providers have been, and will continue to be, vulnerable to theft of physical information, security breaches, hacking attempts, computer viruses and malware, ransomware, phishing, lost data and programming and/or human errors. To date, none of these risks, intrusions, attacks or human error have resulted in any material liability to us. While we carry insurance policies that would provide liability coverage for certain of these matters, if we experience a significant security incident, we could be subject to liability or other damages that exceed our insurance coverage. In addition, we cannot be certain that such insurance policies will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim.

Business Strategies and Outlook: Our goal is to drive shareholder value and make a positive impact on our people, planet and communities. We continue to operate in a very challenging business environment for our product offerings. In early 2023, we initiated our Transform and Grow plan ("TAG"), which was designed primarily to reduce operating expenses in order to improve operating margins and advance our path to profitable growth. This initial phase of TAG was designed to deliver $100 million in annualized cost savings by the end of fiscal year 2024.

In August 2023, as a result of a more comprehensive review of our business operations, we expanded the scope of TAG to encompass multiple workstreams. Our goal in expanding TAG was to put additional emphasis on initiatives aimed at restructuring or optimizing our operations, exit or minimize certain product offerings, brands and distribution channels, strengthen gross margins through improvements in our sourcing and improve our working capital efficiency. Additionally, the board of directors has established a Special Board Committee to provide primary board oversight of our Transformation Office and drive accountability, timeliness and results in TAG. Approximately half of the TAG workstreams are designed to structurally improve our gross margins. Our 240 basis point gross margin rate improvement in the Third Quarter versus the Prior Year Quarter reflects improved product margins in our core categories and our exit of the smartwatch category. Our TAG workstreams on product sourcing and supply chain are expected to generate incremental year-over-year gross margin improvement in the latter part of fiscal 2024 as well. The remaining TAG workstreams are focused on removing costs from our expense structure with the goal of (i) re-calibrating our operating model for greater efficiency and lower fixed costs, (ii) driving savings in our procurement practices, and (iii) optimizing our direct channel operating costs. In the Third Quarter and Year To Date Period, SG&A expenses have declined 16% and 18%, respectively, as compared to the same prior year periods, reflecting savings across headcount, labor and services. We anticipate that our initiatives will continue to generate year-over-year operating expense savings in the remainder of fiscal 2024.

Under the expanded TAG plan, we increased the estimated economic benefits from the original $100 million in annualized cost savings target to be achieved by the end of fiscal 2024 to $300 million in annualized operating income benefits to be achieved by the end of fiscal 2025. Under the expanded program, we accelerated organizational restructuring, exited the smartwatch category, closed 45 underperforming stores in 2023 and expect to close approximately 55 underperforming stores in fiscal 2024. We have also reduced sku complexity across all categories in our assortment. Additionally, in 2024, we have implemented key elements from our sourcing initiatives under TAG, and expect to continue to realize benefits during the remainder of fiscal 2024. In connection with TAG, we expect to incur charges of approximately $100 million to $120 million over the duration of TAG and estimate approximately $40 million of charges for fiscal year 2024.

As we execute against the entire scope of TAG, we have an opportunity to improve our operating fundamentals, right size our cost structure, and return to sales growth. Aided by these measures, our long-term goal is to achieve gross margins above 50% and adjusted operating margins of approximately 10%(1).

In March 2024, we announced we would undertake a strategic review of our current business model and capital structure. This includes a broader set of efforts to optimize our business model and further reduce structural costs, monetize various assets, and could include additional debt and equity financing options.

In September 2024, Franco Fogliato was appointed Chief Executive Officer and a member of the Board of Directors. Under our new leadership, our short to intermediate term priorities will focus on three key areas: (i) redefining and focusing on the core business, (ii) rightsizing the business, and (iii) strengthening the balance sheet and improving liquidity.

Redefining the core business includes further simplifying the operating model, focusing on key categories, distribution channels, and geographies, making moves to reignite growth in the FOSSIL brand, and stabilizing sales in our major licensed brands. Rightsizing the business involves optimizing the infrastructure for profitability from a smaller, more focused base and will be incremental to our current TAG plan. With our third focus area, strengthening the balance sheet and improving liquidity, we are aggressively pursuing options which may include actions to monetize assets as we redefine our core and simplify our operations.

For a more complete discussion of the risks facing our business, see “Part I, Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 30, 2023.

(1) A reconciliation of adjusted operating margin, a non-GAAP financial measure, to a corresponding GAAP measure is not available on a forward-looking basis without unreasonable efforts due to the high variability and low visibility of certain income and expense items that are excluded in calculating adjusted operating margin.

Operating Segments

We operate our business in three segments which are divided into geographies. Net sales for each geographic segment are based on the location of the selling entity, and each reportable segment provides similar products and services.

Americas: The Americas segment is comprised of sales from our operations in the United States, Canada and Latin America. Sales are generated through diversified distribution channels that include wholesalers, distributors, and direct to consumer. Within each channel, we sell our products through a variety of physical points of sale, distributors and e-commerce channels. In the direct to consumer channel, we had 116 Company-owned stores as of the end of the Third Quarter and an extensive collection of products available through our owned websites.

Europe: The Europe segment is comprised of sales to customers based in European countries, the Middle East and Africa. Sales are generated through diversified distribution channels that include wholesalers, distributors and direct to consumer. Within each channel, we sell our products through a variety of physical points of sale, distributors, and e-commerce channels. In the direct to consumer channel, we had 67 Company-owned stores as of the end of the Third Quarter and an extensive collection of products available through our owned websites.

Asia: The Asia segment is comprised of sales to customers based in Australia, greater China (including mainland China, Hong Kong, Macau and Taiwan), India, Indonesia, Japan, Malaysia, New Zealand, Singapore, South Korea and Thailand. Sales are generated through diversified distribution channels that include wholesalers, distributors and direct to consumer. Within each channel, we sell our products through a variety of physical points of sale, distributors, and e-commerce channels. In the direct to consumer channel, we had 68 Company-owned stores as of the end of the Third Quarter and an extensive collection of products available through our owned websites.

Key Measures of Financial Performance and Key Non-GAAP Financial Measures

Constant Currency Financial Information: As a multinational enterprise, we are exposed to changes in foreign currency exchange rates. The translation of the operations of our foreign-based entities from their local currencies into U.S. dollars is sensitive to changes in foreign currency exchange rates and can have a significant impact on our reported financial results. In general, our overall financial results are affected positively by a weaker U.S. dollar and are affected negatively by a stronger U.S. dollar as compared to the foreign currencies in which we conduct our business.

As a result, in addition to presenting financial measures in accordance with accounting principles generally accepted in the United States of America ("GAAP"), our discussion contains references to constant currency financial information, which is a non-GAAP financial measure. To calculate net sales on a constant currency basis, net sales for the current fiscal year for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the average rates during the comparable period of the prior fiscal year. We present constant currency information to provide investors with a basis to evaluate how our underlying business performed excluding the effects of foreign currency exchange rate fluctuations. The constant currency financial information presented herein should not be considered a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. Reconciliations between constant currency financial information and the most directly comparable GAAP measure are included where applicable.

Adjusted EBITDA, Adjusted Operating Income (Loss), Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share: Adjusted EBITDA, Adjusted operating income (loss), Adjusted net income (loss) and Adjusted earnings (loss) per share are non-GAAP financial measures. We define Adjusted EBITDA as our income (loss) before income taxes, plus interest expense, amortization and depreciation, impairment expense, other non-cash charges, stock-based compensation expense and restructuring expense, minus interest income. We define Adjusted operating income (loss) as operating income (loss) before impairment expense and restructuring expense. We define Adjusted net income (loss) and Adjusted earnings (loss) per share as net income (loss) attributable to Fossil Group, Inc. and diluted earnings (loss) per share, respectively, before impairment expense and restructuring expense. We have included Adjusted EBITDA, Adjusted operating income (loss), Adjusted net income (loss) and Adjusted earnings (loss) per share herein because they are widely used by investors for valuation and for comparing our financial performance with the performance of our competitors. We also use these non-GAAP financial measures to monitor and compare the financial performance of our operations. Our presentation of Adjusted EBITDA, Adjusted operating income (loss), Adjusted net income (loss) and Adjusted earnings (loss) per share may not be comparable to similarly titled measures other companies report. Adjusted EBITDA, Adjusted operating income (loss), Adjusted net income (loss) and

Adjusted earnings (loss) per share are not intended to be used as alternatives to any measure of our performance in accordance with GAAP.

Comparable Retail Sales: Both stores and e-commerce sites are included in comparable retail sales in the thirteenth month of operation. Stores that experience a gross square footage change of 10% or more due to an expansion and/or relocation are removed from the comparable store sales base, but are included in total sales. These stores are returned to the comparable store sales base in the thirteenth month following the expansion and/or relocation. Comparable retail sales also exclude the effects of foreign currency fluctuations.

Store Counts: While macro economic factors have shifted sales away from traditional brick and mortar stores towards digital channels, store counts continue to provide a key metric for management. Both the size and quality of our store fleet have a direct impact on our sales and profitability. Over time, we have made progress right-sizing our fleet of stores by focusing on closing our least profitable stores.

Total Liquidity: We define total liquidity as cash and cash equivalents plus available borrowings on our revolving credit facility. We monitor and forecast total liquidity to ensure we can meet our financial obligations.

Components of Results of Operations

Revenues from sales of our products, including those that are subject to inventory consignment agreements, are recognized when control of the product is transferred to the customer and in an amount that reflects the consideration we expect to be entitled in exchange for the product. We accept limited returns from customers. We continually monitor returns and maintain a provision for estimated returns based upon historical experience and any specific issues identified. Our product returns provision is accounted for as a reduction to revenue and cost of sales and increases to customer liabilities and other current assets to the extent the returned product is expected to be resalable.

Cost of Sales includes raw material costs, assembly labor, assembly overhead including depreciation expense, assembly warehousing costs and shipping and handling costs related to the movement of finished goods from assembly locations to sales distribution centers and from sales distribution centers to customer locations. Additionally, cost of sales includes customs duties, product packaging cost, royalty cost associated with sales of licensed products, the cost of molding and tooling, inventory shrinkage and damages and restructuring charges.

Gross Profit and gross profit margin are influenced by our diversified business model that includes, but is not limited to: (i) product categories that we distribute; (ii) the multiple brands, including both owned and licensed, we offer within several product categories; (iii) the geographical presence of our businesses; and (iv) the different distribution channels we sell to or through.

The attributes of this diversified business model produce varying ranges of gross profit margin. Generally, on a historical basis, our fashion branded traditional watch and jewelry offerings produce higher gross profit margins than our smartwatches and leather goods offerings. In addition, in most product categories that we offer, brands with higher retail price points generally produce higher gross profit margins compared to those of lower retail priced brands. However, smartwatches carry relatively lower margins than our other major product categories. Gross profit margins related to sales in our Europe and Asia businesses are historically higher than our Americas business, primarily due to the following factors: (i) premiums charged in comparison to retail prices on products sold in the U.S.; (ii) the product sales mix in our international businesses, in comparison to our Americas business, is comprised more predominantly of watches and jewelry that generally produce higher gross profit margins than leather goods; and (iii) the watch sales mix in our Europe and Asia businesses, in comparison to our Americas business, are comprised more predominantly of higher priced licensed brands.

Operating Expenses include selling, general and administrative ("SG&A"), other long-lived asset impairments and restructuring charges. SG&A expenses include selling and distribution expenses primarily consisting of sales and distribution labor costs, sales distribution center and warehouse facility costs, depreciation expense related to sales distribution and warehouse facilities, the four-wall operating costs of our retail stores, point-of-sale expenses, advertising expenses and art, design and product development labor costs. SG&A also includes general and administrative expenses primarily consisting of administrative support labor and support costs such as treasury, legal, information services, accounting, internal audit, human resources, executive management costs and costs associated with stock-based compensation. Restructuring charges include costs to reorganize, refine and optimize our Company’s infrastructure and store closures under our TAG and New World Fossil initiatives.

Results of Operations

Quarterly Periods Ended September 28, 2024 and September 30, 2023

Consolidated Net Sales. Net sales decreased $56.3 million, or 16.4%, for the Third Quarter as compared to the Prior Year Quarter, with sales declines in all three regions. The sales decrease was largely driven by overall category, consumer and channel softness. Our exit of smartwatches and store closures as part of our TAG initiatives negatively impacted sales in the Third Quarter by $23.2 million as compared to the Prior Year Quarter. Wholesale sales declined 12.1% (11.9% in constant currency), reflecting lower purchases by wholesale accounts due to tighter management of inventories and lower end-consumer demand. Direct to consumer sales declined by 23.7% (23.9% in constant currency), due to a smaller store base and declines in our comparable retail sales. We have reduced our store footprint by 52 stores (17%), since the end of the Prior Year Quarter. Global comparable retail sales decreased 12% due to decreases in both stores and our owned e-commerce websites. From a category perspective, traditional watch sales decreased 11.7% (11.6% in constant currency). Net sales in smartwatches decreased 76.9% (77.1% constant currency), as we exited the category. The leathers category decreased 27.6% (27.6% in constant currency) compared to the Prior Year Quarter, and jewelry sales decreased 9.0% (9.5% in constant currency). From a brand perspective, the most predominant sales declines were in FOSSIL, EMPORIO ARMANI and MICHAEL KORS brands.

The following table sets forth consolidated net sales by segment (dollars in millions):

	For the 13 Weeks Ended September 28, 2024		For the 13 Weeks Ended September 30, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Americas	$ 121.3	42.1 %	$ 152.6	44.3 %	$ (31.3)	(20.5) %	(19.7) %
Europe	97.0	33.7	107.7	31.3	(10.7)	(9.9)	(11.2)
Asia	69.0	24.0	83.0	24.1	(14.0)	(16.9)	(16.6)
Corporate	0.5	0.2	0.8	0.3	(0.3)	(37.5)	(37.5)
Total	$ 287.8	100.0 %	$ 344.1	100.0 %	$ (56.3)	(16.4) %	(16.3) %

Net sales information by product category is summarized as follows (dollars in millions):

	For the 13 Weeks Ended September 28, 2024		For the 13 Weeks Ended September 30, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 223.2	77.6 %	$ 252.7	73.4 %	$ (29.5)	(11.7) %	(11.6) %
Smartwatches	4.0	1.4	17.3	5.0	(13.3)	(76.9)	(77.1)
Total watches	$ 227.2	79.0 %	$ 270.0	78.4 %	$ (42.8)	(15.9)	(15.8)
Leathers	23.9	8.3	33.0	9.6	(9.1)	(27.6)	(27.6)
Jewelry	31.5	10.9	34.6	10.1	(3.1)	(9.0)	(9.5)
Other	5.2	1.8	6.5	1.9	(1.3)	(20.0)	(20.0)
Total	$ 287.8	100.0 %	$ 344.1	100.0 %	$ (56.3)	(16.4) %	(16.3) %

In the Third Quarter, the translation of foreign-based net sales into U.S. dollars mostly offset between regions, with favorable impacts of $1.4 million in Europe offset by unfavorable impacts of $1.2 million and $0.2 million and in our Americas and Asia segments, respectively, as compared to the Prior Year Quarter.

Stores. The following table sets forth the number of stores on the dates indicated below:

	September 30, 2023	Opened	Closed	September 28, 2024
Americas	143	2	29	116
Europe	87	0	20	67
Asia	73	2	7	68
Total stores	303	4	56	251

Americas Net Sales. Americas net sales decreased $31.3 million, or 20.5% (19.7% in constant currency), during the Third Quarter in comparison to the Prior Year Quarter. Sales decreases were largely in the FOSSIL and MICHAEL KORS brands. Sales decreased in wholesale, stores and e-commerce channels. Comparable retail sales were moderately negative during the Third Quarter.

The following table sets forth product net sales and the changes in product net sales on both a reported and constant currency basis from period to period for the Americas segment (dollars in millions):

	For the 13 Weeks Ended September 28, 2024		For the 13 Weeks Ended September 30, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 93.9	77.4 %	$ 113.6	74.4 %	$ (19.7)	(17.3) %	(16.4) %
Smartwatches	4.0	3.3	7.4	4.8	(3.4)	(45.9)	(45.9)
Total watches	$ 97.9	80.7 %	$ 121.0	79.3 %	$ (23.1)	(19.1)	(18.2)
Leathers	14.2	11.7	20.8	13.6	(6.6)	(31.7)	(31.3)
Jewelry	7.3	6.0	8.8	5.8	(1.5)	(17.0)	(17.0)
Other	1.9	1.6	2.0	1.3	(0.1)	(5.0)	—
Total	$ 121.3	100.0 %	$ 152.6	100.0 %	$ (31.3)	(20.5) %	(19.7) %

Europe Net Sales**.** Europe net sales decreased $10.7 million, or 9.9% (11.2% in constant currency), during the Third Quarter in comparison to the Prior Year Quarter. Sales decreases were largely in the FOSSIL brand. Our sales decreased across much of the Eurozone and in all major channels. Comparable retail sales decreased moderately during the Third Quarter, with sales declines in our stores and owned e-commerce.

The following table sets forth product net sales and the changes in product net sales on both a reported and constant currency basis from period to period for the Europe segment (dollars in millions)

	For the 13 Weeks Ended September 28, 2024		For the 13 Weeks Ended September 30, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 74.2	76.5 %	$ 72.9	67.7 %	$ 1.3	1.8 %	0.3 %
Smartwatches	(0.3)	(0.3)	5.9	5.5	(6.2)	(105.1)	(105.1)
Total watches	$ 73.9	76.2 %	$ 78.8	73.2 %	$ (4.9)	(6.2)	(7.6)
Leathers	3.6	3.7	6.2	5.8	(2.6)	(41.9)	(43.5)
Jewelry	17.5	18.0	19.9	18.5	(2.4)	(12.1)	(13.1)
Other	2.0	2.1	2.8	2.5	(0.8)	(28.6)	(25.9)
Total	$ 97.0	100.0 %	$ 107.7	100.0 %	$ (10.7)	(9.9) %	(11.2) %

Asia Net Sales. Net sales in Asia decreased $14.0 million, or 16.9% (16.6% in constant currency), during the Third Quarter in comparison to the Prior Year Quarter. The sales decreases were largely driven by mainland China. The largest sales decreases were in the EMPORIO ARMANI and FOSSIL brands. Comparable retail sales decreased slightly during the Third Quarter, driven by our retail stores and partially offset by our owned e-commerce sales increases.

The following table sets forth product net sales and the changes in product net sales on both a reported and constant currency basis from period to period for the Asia segment (dollars in millions):

	For the 13 Weeks Ended September 28, 2024		For the 13 Weeks Ended September 30, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 55.2	80.0 %	$ 66.1	79.6 %	$ (10.9)	(16.5) %	(16.2) %
Smartwatches	0.2	0.3	4.0	4.8	(3.8)	(95.0)	(95.0)
Total watches	$ 55.4	80.3 %	$ 70.1	84.5 %	$ (14.7)	(21.0)	(20.7)
Leathers	6.2	9.0	6.0	7.2	0.2	3.3	1.7
Jewelry	6.7	9.7	5.9	7.1	0.8	13.6	13.6
Other	0.7	1.0	1.0	1.2	(0.3)	(30.0)	(30.0)
Total	$ 69.0	100.0 %	$ 83.0	100.0 %	$ (14.0)	(16.9) %	(16.6) %

Gross Profit. Gross profit of $142.2 million in the Third Quarter decreased 12.0% in comparison to $161.7 million in the Prior Year Quarter. Our gross profit margin rate increased to 49.4% in the Third Quarter compared to 47.0% in the Prior Year Quarter. Our gross profit margin rate increase primarily reflects initiatives under our TAG Plan, including improved product margins in our core categories and our exit from the smartwatch category. These favorable impacts were partially offset by increased licensor minimum royalty costs.

Operating Expenses. Total operating expenses in the Third Quarter decreased by 19.9% to $166.7 million or 57.9% of net sales, in comparison to $208.1 million or 60.5% of net sales in the Prior Year Quarter. SG&A expenses were $160.9 million in the Third Quarter as compared to $191.4 million in the Prior Year Quarter. As a percentage of net sales, SG&A expenses increased to 55.9% in the Third Quarter as compared to 55.6% in the Prior Year Quarter due to decreased sales. Restructuring expenses were $4.8 million in the Third Quarter, compared to $16.0 million in the Prior Year Quarter. We incurred other long-lived asset impairment charges of $1.0 million in the Third Quarter compared to charges of $0.6 million in the Prior Year Quarter. The translation of foreign-denominated expenses during the Third Quarter did not significantly impact operating expenses.

Operating Income (loss). Operating loss in the Third Quarter was $24.5 million as compared to an operating loss of $46.4 million in the Prior Year Quarter. As a percentage of net sales, operating margin was (8.5)% in the Third Quarter compared to

(13.5)% in the Prior Year Quarter. Operating margin rate in the Third Quarter included an unfavorable impact of 30 basis points due to changes in foreign currencies.

Operating income (loss) by segment is summarized as follows (dollars in millions):

	For the 13 Weeks Ended September 28, 2024	For the 13 Weeks Ended September 30, 2023	Change		Operating Margin %	
			Dollars	Percentage	2024	2023
Americas	$ 21.9	$ 25.8	$ (3.9)	(15.1) %	18.1 %	16.9 %
Europe	23.3	13.3	10.0	75.2	24.1	12.3
Asia	16.4	16.0	0.4	2.5	23.7	19.2
Corporate	(86.1)	(101.5)	15.4	15.2		
Total operating income (loss)	$ (24.5)	$ (46.4)	$ 21.9	(47.2) %	(8.5) %	(13.5) %

Interest Expense. Interest expense decreased by $0.8 million during the Third Quarter compared to the Prior Year Quarter, primarily driven by decreased borrowings.

Other Income (Expense)-Net. During the Third Quarter, other income (expense)-net was income of $3.6 million in comparison to expense of $3.1 million in the Prior Year Quarter, reflecting net currency gains in the Third Quarter as compared net currency losses in the Prior Year Quarter.

***Provision for Income Taxes*.** Income tax expense for the Third Quarter was $6.2 million, resulting in an effective income tax rate of (23.9)%. For the Prior Year Quarter, income tax expense was $5.6 million, resulting in an effective income tax rate of (10.1)%. The effective tax rate in the Third Quarter was unfavorable as compared to the Prior Year Quarter due to income tax accrued on certain foreign income and no tax benefit has been accrued on the U.S. tax losses and certain foreign tax losses due to the uncertainty of whether they can be used in the future, ultimately resulting in a negative effective tax rate.

Net Income (Loss) Attributable to Fossil Group, Inc. Third Quarter net income (loss) attributable to Fossil Group, Inc. was a net loss of $32.0 million, or $0.60 per diluted share, in comparison to a net loss of $61.1 million, or $1.16 per diluted share, in the Prior Year Quarter. During the Third Quarter, currencies favorably affected loss per diluted share by approximately $0.07.

Adjusted Net Income (Loss). Adjusted net income (loss) for the Third Quarter was a net loss of $27.4 million with adjusted loss per diluted share of $0.51 compared to adjusted net loss of $49.0 million with adjusted loss per diluted share of $0.93 in the Prior Year Quarter.

Adjusted EBITDA. The following table reconciles Adjusted EBITDA to the most directly comparable GAAP financial measure, which is income (loss) before income taxes. Certain line items presented in the table below, when aggregated, may not foot due to rounding (dollars in millions).

	For the 13 Weeks Ended September 28, 2024		For the 13 Weeks Ended September 30, 2023	
	Dollars	% of Net Sales	Dollars	% of Net Sales
Income (loss) before income taxes	$ (25.8)	(9.0)%	$ (55.2)	(16.1) %
Plus:				
Interest expense	4.9		5.8	
Amortization and depreciation	3.8		4.5	
Other long-lived asset impairments	1.0		0.6	
Other non-cash charges	(0.5)		(0.2)	
Stock-based compensation	0.6		1.5	
Restructuring expense	4.8		16.0	
Restructuring cost of sales	—		(1.3)	
Less:				
Interest income	1.1		1.0	
Adjusted EBITDA	$ (12.3)	(4.3) %	$ (29.3)	(8.4) %

Adjusted Operating Income (Loss), Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share. The following tables reconcile Adjusted operating income (loss), Adjusted net income (loss) and Adjusted earnings (loss) per share to the most directly comparable GAAP financial measures, which are operating income (loss), net income (loss) attributable to Fossil Group, Inc. and diluted earnings (loss) per share, respectively. Certain line items presented in the table below, when aggregated, may not foot due to rounding.

	For the 13 Weeks Ended September 28, 2024			
($ in millions, except per share data):	**As Reported**	**Other Long-Lived Asset Impairment**	**Restructuring Expenses**	**As Adjusted**
Operating income (loss)	$ (24.5)	$ 1.0	$ 4.8	$ (18.7)
Operating margin (% of net sales)	(8.5) %			(6.5) %
Interest expense	$ (4.9)	$ —	$ —	$ (4.9)
Other income (expense) - net	3.6	—	—	3.6
Income (loss) before income taxes	(25.8)	1.0	4.8	(20.0)
Provision (benefit) for income taxes	6.2	0.2	1.0	7.4
Less: net income attributable to noncontrolling interest	—	—	—	—
Net income (loss) attributable to Fossil Group, Inc.	$ (32.0)	$ 0.8	$ 3.8	$ (27.4)
Diluted earnings (loss) per share	$ (0.60)	$ 0.02	$ 0.07	$ (0.51)

	For the 13 Weeks Ended September 30, 2023				
($ in millions, except per share data):	**As Reported**	**Restructuring Cost of Sales**	**Other Long-Lived Asset Impairment**	**Restructuring Expenses**	**As Adjusted**
Operating income (loss)	$ (46.4)	$ (1.3)	$ 0.6	$ 16.0	$ (31.1)
Operating margin (% of net sales)	(13.5) %				(9.0) %
Interest expense	$ (5.8)	$ —	$ —	$ —	$ (5.8)
Other income (expense) - net	(3.1)	—	—	—	(3.1)
Income (loss) before income taxes	(55.2)	(1.3)	0.6	16.0	(39.9)
Provision for income taxes	5.6	(0.3)	0.1	3.4	8.8
Less: Net income attributable to noncontrolling interest	(0.3)	—	—	—	(0.3)
Net income (loss) attributable to Fossil Group, Inc.	$ (61.1)	$ (1.0)	$ 0.5	$ 12.6	$ (49.0)
Diluted earnings (loss) per share	$ (1.16)	$ (0.02)	$ 0.01	$ 0.24	$ (0.93)

Fiscal Year To Date Periods Ended September 28, 2024 and September 30, 2023

Consolidated Net Sales. Net sales decreased $188.4 million or 19.0% (18.7% in constant currency) for the Year To Date Period as compared to the Prior Year YTD Period. Sales declined in all three regions and all major channels. Global comparable retail sales decreased 12% due to sales decreases in our retail stores and owned e-commerce websites. Sales of smartwatches declined due to exiting the category. From a brand perspective, sales decreased throughout most of our brand portfolio, with the most predominant declines in FOSSIL, EMPORIO ARMANI and MICHAEL KORS brands.

The following table sets forth consolidated net sales by segment (dollars in millions):

	For the 39 Weeks Ended September 28, 2024		For the 39 Weeks Ended September 30, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Americas	$ 351.0	43.7 %	$ 437.2	44.1 %	$ (86.2)	(19.7) %	(19.7) %
Europe	250.6	31.2	301.6	30.4	(51.0)	(16.9)	(17.5)
Asia	199.7	24.9	247.3	25.0	(47.6)	(19.2)	(17.5)
Corporate	1.4	0.2	5.0	0.5	(3.6)	(72.0)	(72.0)
Total	$ 802.7	100.0 %	$ 991.1	100.0 %	$ (188.4)	(19.0) %	(18.7) %

Net sales information by product category is summarized as follows (dollars in millions):

	For the 39 Weeks Ended September 28, 2024		For the 39 Weeks Ended September 30, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 603.9	75.2 %	$ 714.2	72.1 %	$ (110.3)	(15.4) %	(15.2) %
Smartwatches	21.2	2.6	59.5	6.0	(38.3)	(64.3)	(64.2)
Total watches	$ 625.1	77.8 %	$ 773.7	78.1 %	$ (148.6)	(19.2)	(19.0)
Leathers	78.7	9.8	106.6	10.8	(27.9)	(26.2)	(25.9)
Jewelry	81.9	10.2	91.0	9.2	(9.1)	(10.0)	(9.5)
Other	17.0	2.2	19.8	2.0	(2.8)	(14.1)	(13.6)
Total	$ 802.7	100.0 %	$ 991.1	100.0 %	$ (188.4)	(19.0) %	(18.7) %

In the Year To Date Period, the translation of foreign-based net sales into U.S. dollars decreased reported net sales by $2.7 million, including unfavorable impacts of $4.3 million and $0.3 million in our Asia and Americas segments, respectively, and partially offset by a favorable impact of $1.9 million in our Europe segment, compared to the Prior Year YTD Period.

Americas Net Sales. Americas net sales decreased $86.2 million, or 19.7% (19.7% in constant currency), during the Year To Date Period in comparison to the Prior Year YTD Period. The sales declines were across most brands, but most significantly in the FOSSIL and MICHAEL KORS brands. Sales declined in all major channels. Comparable retail sales decreased moderately during the Year To Date Period.

The following table sets forth product net sales and the changes in product net sales on both a reported and constant currency basis from period to period for the Americas segment (dollars in millions):

	For the 39 Weeks Ended September 28, 2024		For the 39 Weeks Ended September 30, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 260.6	74.2 %	$ 313.8	71.8 %	$ (53.2)	(17.0) %	(16.9) %
Smartwatches	14.7	4.2	28.3	6.5	(13.6)	(48.1)	(48.4)
Total watches	$ 275.3	78.4 %	$ 342.1	78.2 %	$ (66.8)	(19.5)	(19.5)
Leathers	49.9	14.2	68.9	15.8	(19.0)	(27.6)	(27.6)
Jewelry	19.4	5.5	20.4	4.7	(1.0)	(4.9)	(5.9)
Other	6.4	1.9	5.8	1.3	0.6	10.3	15.5
Total	$ 351.0	100.0 %	$ 437.2	100.0 %	$ (86.2)	(19.7) %	(19.7) %

***Europe Net Sales*.** Europe net sales decreased $51.0 million, or 16.9% (17.5% in constant currency), during the Year To Date Period in comparison to the Prior Year YTD Period. Sales decreased across the Eurozone and in the majority of our brands, with the largest declines in FOSSIL, MICHAEL KORS and EMPORIO ARMANI brands. Sales declined in all major channels. Comparable retail sales in the region decreased moderately during the Year To Date Period.

The following table sets forth product net sales and the changes in product net sales on both a reported and constant currency basis from period to period for the Europe segment (dollars in millions):

	For the 39 Weeks Ended September 28, 2024		For the 39 Weeks Ended September 30, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 186.9	74.6 %	$ 204.2	67.7 %	$ (17.3)	(8.5) %	(9.2) %
Smartwatches	1.9	0.8	17.8	5.9	(15.9)	(89.3)	(89.9)
Total watches	$ 188.8	75.4 %	$ 222.0	73.6 %	$ (33.2)	(15.0)	(15.6)
Leathers	11.7	4.7	17.9	6.0	(6.2)	(34.6)	(35.6)
Jewelry	43.2	17.2	53.8	17.8	(10.6)	(19.7)	(20.3)
Other	6.9	2.7	7.9	2.6	(1.0)	(12.7)	(13.9)
Total	$ 250.6	100.0 %	$ 301.6	100.0 %	$ (51.0)	(16.9) %	(17.5) %

Asia Net Sales. Asia net sales decreased $47.6 million, or 19.2% (17.5% in constant currency), during the Year To Date Period in comparison to the Prior Year YTD Period. Net Sales declined across all channels. Sales growth in India and Australia were more than offset by declines in mainland China and the rest of Asia. Sales declines were predominantly in the EMPORIO ARMANI and FOSSIL brands. Comparable retail sales declined moderately for the Year To Date Period.

The following table sets forth product net sales and the changes in product net sales on both a reported and constant currency basis from period to period for the Asia segment (dollars in millions):

	For the 39 Weeks Ended September 28, 2024		For the 39 Weeks Ended September 30, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 156.4	78.3 %	$ 194.3	78.6 %	$ (37.9)	(19.5) %	(18.0) %
Smartwatches	4.7	2.4	13.4	5.4	(8.7)	(64.9)	(63.4)
Total watches	$ 161.1	80.7 %	$ 207.7	84.0 %	$ (46.6)	(22.4)	(20.9)
Leathers	17.1	8.6	19.7	8.0	(2.6)	(13.2)	(11.2)
Jewelry	19.3	9.7	16.8	6.8	2.5	14.9	19.6
Other	2.2	1.0	3.1	1.2	(0.9)	(29.0)	(29.0)
Total	$ 199.7	100.0 %	$ 247.3	100.0 %	$ (47.6)	(19.2) %	(17.5) %

Gross Profit. Gross profit of $412.6 million in the Year To Date Period decreased $66.5 million, or 13.9%, in comparison to $479.0 million in the Prior Year YTD Period. Gross profit margin rate increased to 51.4% in the Year To Date Period compared to 48.3% in the Prior Year YTD Period. Our gross profit margin rate increase primarily reflects initiatives under our TAG Plan, including improved product margins in our core categories and our exit from the smartwatch category. These favorable impacts were partially offset by increased licensor minimum royalty costs.

Operating Expenses. For the Year To Date Period, total operating expenses decreased to $500.2 million compared to $598.1 million in the Prior Year YTD Period. SG&A expenses were $466.7 million in the Year To Date Period in comparison to $569.5 million in the Prior Year YTD Period. As a percentage of net sales, SG&A expenses increased to 58.1% in the Year To Date Period as compared to 57.5% in the Prior Year YTD Period, mainly driven by decreased sales. During the Year To Date Period, we incurred restructuring costs of $31.6 million in comparison to restructuring costs of $27.7 million in the Prior Year YTD Period. We incurred other long-lived asset impairment charges of $1.9 million in the Year To Date Period compared to charges of $0.8 million in the Prior Year YTD Period. The translation of foreign-denominated expenses during the Year To Date Period decreased operating expenses by $1.3 million when compared to the Prior Year YTD Period, as a result of the stronger U.S. dollar.

Operating Income (Loss). Operating income (loss) was a loss of $87.7 million in the Year To Date Period as compared to a loss of $119.0 million in the Prior Year YTD Period. As a percentage of net sales, operating margin was (10.9)% in the Year To Date Period as compared to (12.0)% in the Prior Year YTD Period. Operating income (loss) was not significantly impacted by changes in foreign currencies in the Year To Date Period as compared the Prior Year YTD Period.

Operating income (loss) by segment is summarized as follows (dollars in millions):

	For the 39 Weeks Ended September 28, 2024	For the 39 Weeks Ended September 30, 2023	Change		Operating Margin %	
			Dollars	Percentage	2024	2023
Americas	$ 45.3	$ 61.8	$ (16.5)	(26.7) %	12.8 %	14.0 %
Europe	40.7	19.6	21.1	107.7	16.2	6.5
Asia	28.2	30.6	(2.4)	(7.8)	14.1	12.4
Corporate	(201.9)	(231.0)	29.1	12.6		
Total operating income (loss)	$ (87.7)	$ (119.0)	$ 31.3	26.3 %	(10.9)%	(12.0) %

Interest Expense. Interest expense decreased by $2.0 million during the Year To Date Period, primarily driven by a decreased debt balance compared to the Prior Year YTD Period.

Other Income (Expense)-Net. During the Year To Date Period, other income (expense)-net was income of $9.0 million in comparison to an income of $6.8 million in the Prior Year YTD Period. The change in other income (expense)-net was primarily due to increased net currency gains and interest income in the Year To Date Period as compared to the Prior Year YTD Period.

***Provision for Income Taxes*.** Income tax expense for the Year To Date Period was $2.3 million, resulting in an effective income tax rate of (2.4)%. The Prior Year YTD Period income tax benefit was less than $0.1 million resulting in an effective tax rate of 0.03%. The Year to Date Period effective tax rate was unfavorable to the Prior Year YTD Period due to income tax accrued on certain foreign income and no tax benefit has been accrued on the U.S. tax losses and certain foreign tax losses due to the uncertainty of whether they can be used in the future.

Net Income (Loss) Attributable to Fossil Group, Inc. For the Year To Date Period, net loss was $95.1 million, or $1.80 per diluted share, in comparison to a loss of $128.9 million, or $2.47 per diluted share, in the Prior Year YTD Period. Diluted loss per share in the Year To Date Period, as compared to the Prior Year YTD Period, was positively impacted by $0.02 per diluted share due to the impact of currency.

Adjusted Net Income (Loss). Adjusted net loss for the Year To Date Period was $68.8 million with adjusted loss per diluted share of $1.30 compared to adjusted net loss of $101.0 million with adjusted loss per diluted share of $1.94 in the Prior Year YTD Period.

Adjusted EBITDA. The following table reconciles Adjusted EBITDA to the most directly comparable GAAP financial measure, which is income (loss) before income taxes. Certain line items presented in the table below, when aggregated, may not foot due to rounding (dollars in millions).

	For the 39 Weeks Ended September 28, 2024		For the 39 Weeks Ended September 30, 2023	
	Dollars	% of Net Sales	Dollars	% of Net Sales
Income (loss) before income taxes	$ (92.8)	(11.6)%	$ (128.3)	(12.9) %
Plus:				
Interest expense	14.1		16.1	
Amortization and depreciation	12.2		14.5	
Other long-lived asset impairments	1.9		0.8	
Other non-cash charges	(0.4)		(0.9)	
Stock-based compensation	2.2		4.6	
Restructuring expense	31.6		27.7	
Restructuring cost of sales	(0.2)		6.8	
Less:				
Interest income	3.3		2.3	
Adjusted EBITDA	$ (34.7)	(4.3) %	$ (61.0)	(6.1) %

Adjusted Operating Income (Loss), Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share. The following tables reconcile Adjusted operating income (loss), Adjusted net income (loss) and Adjusted earnings (loss) per share to the most directly comparable GAAP financial measures, which are operating income (loss), net income (loss) attributable to Fossil Group, Inc. and diluted earnings (loss) per share, respectively. Certain line items presented in the table below, when aggregated, may not foot due to rounding.

	For the 39 Weeks Ended September 28, 2024				
($ in millions, except per share data):	As Reported	Restructuring Cost of Sales	Other Long-Lived Asset Impairment	Restructuring Expenses	As Adjusted
Operating income (loss)	$ (87.7)	$ (0.2)	$ 1.9	$ 31.6	$ (54.4)
Operating margin (% of net sales)	(10.9) %				(6.8) %
Interest expense	$ (14.1)	$ —	$ —	$ —	$ (14.1)
Other income (expense) - net	9.0	—	—	—	9.0
Income (loss) before income taxes	(92.8)	(0.2)	1.9	31.6	(59.5)
Provision for income taxes	2.3	—	0.4	6.6	9.3
Less: net income attributable to noncontrolling interest	—	—	—	—	—
Net income (loss) attributable to Fossil Group, Inc.	$ (95.1)	$ (0.2)	$ 1.5	$ 25.0	$ (68.8)
Diluted earnings (loss) per share	$ (1.80)	$ —	$ 0.03	$ 0.47	$ (1.30)

($ in millions, except per share data):	For the 39 Weeks Ended September 30, 2023 As Reported		Restructuring Cost of Sales	Other Long-Lived Asset Impairment	Restructuring Expenses	As Adjusted	
Operating income (loss)	$ (119.0)		$ 6.8	$ 0.8	$ 27.7	$ (83.7)	
Operating margin (% of net sales)	(12.0)	%				(8.4)	%
Interest expense	$ (16.1)		$ —	$ —	$ —	$ (16.1)	
Other income (expense) - net	6.8		—	—	—	6.8	
Income (loss) before income taxes	(128.3)		6.8	0.8	27.7	(93.0)	
Provision for income taxes	—		1.4	0.2	5.8	7.4	
Less: Net income attributable to noncontrolling interest	(0.6)		—	—	—	(0.6)	
Net income (loss) attributable to Fossil Group, Inc.	$ (128.9)		$ 5.4	$ 0.6	$ 21.9	$ (101.0)	
Diluted earnings (loss) per share	$ (2.47)		$ 0.10	$ 0.01	$ 0.42	$ (1.94)	

Liquidity and Capital Resources

Our cash and cash equivalents balance at the end of the Third Quarter was $106.3 million, including $93.1 million held in banks outside the U.S., in comparison to cash and cash equivalents of $116.1 million at the end of the Prior Year Quarter and $117.2 million at the end of fiscal year 2023. Generally, starting in the third quarter, our cash needs begin to increase, typically reaching a peak in the September-November time frame as we increase inventory levels in advance of the holiday season. Our quarterly cash requirements are also impacted by debt repayments, restructuring expenditures and capital expenditures.

At the end of the Third Quarter, we had net working capital of $258.3 million compared to net working capital of $436.4 million at the end of the Prior Year Quarter. At the end of the Third Quarter, we had $2.3 million of short-term borrowings and $173.4 million in long-term debt including unamortized issuance costs compared to $0.5 million of short-term borrowings and $255.9 million in long-term debt including unamortized issuance costs at the end of the Prior Year Quarter.

Operating Activities. Cash from operating activities is net income (loss) adjusted for certain non-cash items and changes in assets and liabilities. Cash provided by operating activities of $16.2 million in the Year To Date Period improved as compared to cash used in operating activities of $108.0 million from the Prior Year YTD Period, primarily due to the receipt of a U.S. tax refund of $57.3 million during the Year To Date Period and reduced inventory purchases.

Investing Activities. Investing cash flows increased in the Year To Date Period compared to the Prior Year YTD Period due to the sale of our building in France during the Third Quarter, which generated approximately $7.8 million in net proceeds.

Financing Activities. Financing cash flows primarily consist of borrowings and repayments of debt. The $69.6 million decrease in financing cash flows year-over-year was primarily due to net payments during the Year To Date Period compared to net borrowings in the Prior Year YTD Period under the Revolving Facility.

Material Cash Requirements. We have various payment obligations as part of our ordinary course of business. Our material cash requirements include: (1) operating lease obligations (see Note—14 Leases within the Condensed Consolidated Financial Statements); (2) debt repayments (see Note 15—Debt Activity within the Condensed Consolidated Financial Statements); (3) non-cancellable purchase obligations; (4) minimum royalty payments; and (5) employee wages, benefits, and incentives. The expected timing of payments of our obligations is estimated based on current information. Timing of payments and actual amounts paid may be different, depending on the timing of receipt of goods or services, or changes to agreed-upon amounts for some obligations. In addition, some of our purchasing requirements are not current obligations and are therefore not included above. For example, some of these requirements are not handled through binding contracts or are fulfilled by vendors on a purchase order basis within short time horizons. Moreover, we may be subject to additional material cash requirements that are contingent upon the occurrence of certain events, e.g., legal contingencies, uncertain tax positions (see Note 5—Income Taxes within the Condensed Consolidated Financial Statements) and other matters.

For fiscal year 2024, we expect total capital expenditures to be approximately $10 million to $15 million.

Sources of Liquidity. We believe cash flows from operations, combined with existing cash on hand and amounts available under our credit facilities will be sufficient to fund our cash needs for the foreseeable future, not including the maturities of long term debt. Although we believe we have adequate sources of liquidity in the short-term and long-term, the success of our operations, in light of the market volatility and uncertainty, among other factors, could impact our business and liquidity. In the event our liquidity is insufficient, we may be required to limit our spending or sell assets or equity or debt securities.

The following table shows our sources of liquidity (in millions):

	September 28, 2024		September 30, 2023	
Cash and cash equivalents	$	106.3	$	116.1
Revolver availability[1]		23.8		23.4
Total liquidity	$	130.1	$	139.5

(1) The revolver availability excludes available borrowings that would trigger a contingent covenant.

Notes: In November 2021, we sold $150.0 million aggregate principal amount of our 7.00% senior notes due 2026 (the "Notes"), generating net proceeds of approximately $141.7 million. The Notes are our general unsecured obligations. The Notes bear interest at the rate of 7.00% per annum. Interest on the Notes is payable quarterly in arrears on February 28, May 31, August 31 and November 30 of each year. The Notes mature on November 30, 2026. We may redeem the Notes for cash in whole or in part at any time at our option at the following prices: (i) on or after November 30, 2023 and prior to November 30, 2024, at a price equal to $25.50 per $25.00 principal amount of Notes, (ii) on or after November 30, 2024 and prior to November 30, 2025, at a price equal to $25.25 per $25.00 principal amount of Notes and (iii) on or after November 30, 2025, at a price equal to $25.00 per $25.00 principal amount of Notes, plus (in each case noted above) accrued and unpaid interest, if any, to, but excluding, the date of redemption.

Revolving Facility: On September 26, 2019, we and Fossil Partners L.P., as the U.S. borrowers, and Fossil Group Europe GmbH, Fossil Asia Pacific Limited, Fossil (Europe) GmbH, Fossil (UK) Limited and Fossil Canada Inc., as the non-U.S. borrowers, certain other of our subsidiaries from time to time party thereto designated as borrowers, and certain of our subsidiaries from time to time party thereto as guarantors, entered into a secured asset-based revolving credit agreement (as amended from time to time, the “Revolving Facility”) with JPMorgan Chase Bank, N.A. as administrative agent (the "ABL Agent"), J.P. Morgan AG, as French collateral agent, JPMorgan Chase Bank, N.A., Citizens Bank, N.A. and Wells Fargo Bank, National Association as joint bookrunners and joint lead arrangers, and Citizens Bank, N.A. and Wells Fargo Bank, National Association, as co-syndication agents and each of the lenders from time to time party thereto (the "ABL Lenders"). On November 8, 2022, we entered into Amendment No. 4 (the "Amendment”) to the Revolving Facility. The Amendment, among other things, (i) extended the maturity date of the credit facility to November 8, 2027 (provided, that if we have any indebtedness in an amount in excess of $35 million that matures prior to November 8, 2027, the maturity date of the credit facility shall be the 91st day prior to the maturity date of such other indebtedness) and (ii) changed the calculation methodology of the borrowing base to include the value of certain of our intellectual property in such methodology and to provide for seasonal increases to certain advance rates.

The Revolving Facility provides that the ABL Lenders may extend revolving loans in an aggregate principal amount not to exceed $225.0 million at any time outstanding (the “Revolving Credit Commitment”), of which up to $125.0 million is available under a U.S. facility, an aggregate of $80.0 million is available under a European facility, $10.0 million is available under a Hong Kong facility, $5.0 million is available under a French facility, and $5.0 million is available under a Canadian facility, in each case, subject to the borrowing base availability limitations described below. The Revolving Facility also includes an up to $45.0 million subfacility for the issuance of letters of credit (the “Letters of Credit”). The French facility includes a $1.0 million subfacility for swingline loans, and the European facility includes a $7.0 million subfacility for swingline loans. The Revolving Facility is subject to a line cap (the "Line Cap") equal to the lesser of the total Revolving Credit Commitment and the aggregate borrowing bases under the U.S. facility, the European facility, the Hong Kong facility, the French facility and the Canadian facility. Loans under the Revolving Facility may be made in U.S. dollars, Canadian dollars, euros, Hong Kong dollars or pounds sterling.

The Revolving Facility is an asset-based facility, in which borrowing availability is subject to a borrowing base equal to:(a) with respect to us, the sum of (i) the lesser of (x) 90% of the appraised net orderly liquidation value of eligible U.S. finished goods inventory and (y) 65% of the lower of cost or market value of eligible U.S. finished goods inventory, plus(ii) 85% of the eligible U.S. accounts receivable, plus (iii) 90% of eligible U.S. credit card accounts receivable, plus (iv) the lesser of (x) 40% of the appraised net orderly liquidation value of eligible U.S. intellectual property and (y) $20.0 million, minus (v) the aggregate amount of reserves, if any, established by the ABL Agent; (b) with respect to each non-U.S. borrower (except for the French Borrower), the sum of (i) the lesser of (x) 90% of the appraised net orderly liquidation value of eligible foreign finished goods inventory of such non-U.S. borrower and (y) 65% of the lower of cost or market value of eligible foreign finished goods inventory of such non-U.S. borrower, plus (ii) 85% of the eligible foreign accounts receivable of such non-U.S. borrower, minus (iii) the aggregate amount of reserves, if any, established by the ABL Agent; and (c) with respect to the French Borrower, (i) 85% of eligible French accounts receivable minus (ii) the aggregate amount of reserves, if any, established by the

ABL Agent. Not more than 60% of the aggregate borrowing base under the Revolving Facility may consist of the non-U.S. borrowing bases.

The above advance rates (other than the advance rate with respect to intellectual property) are seasonally increased by 5% (e.g. from 90% to 95%) during the period commencing on the date of delivery of the borrowing base certificate with respect to the second fiscal month of the Company and ending on the last day of the period covered by the borrowing base certificate delivered with respect to the fifth fiscal month of the Company.

Year To Date 2024 Activity: We had net payments of $34.8 million under the Revolving Facility during the Year To Date Period at an average interest rate of 6.4%. As of September 28, 2024, we had $150.0 million outstanding under the Notes and $27.2 million outstanding under the Revolving Facility. We also had unamortized debt issuance costs of $3.7 million recorded in long-term debt and $2.0 million recorded in intangible and other assets-net on the condensed consolidated balance sheets. In addition, we had $5.3 million of outstanding standby letters of credit as of September 28, 2024. Amounts available under the Revolving Facility are reduced by any amounts outstanding under standby letters of credit. As of September 28, 2024, we had available borrowing capacity of $23.8 million under the Revolving Facility. At September 28, 2024, we were in compliance with all debt covenants related to our credit facilities. During the Year To Date Period, we received U.S. tax refunds of $57.3 million.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the periods reported. On an on-going basis, we evaluate our estimates and judgments, including those related to product returns, inventories, long-lived asset impairment, impairment of trade names, income taxes and warranty costs. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. Our estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no changes to the critical accounting policies and estimates disclosed in “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the fiscal year ended December 30, 2023.

Forward-Looking Statements

The statements contained in this Quarterly Report on Form10-Q that are not historical facts, including, but not limited to, statements regarding our expected financial position, results of operations, liquidity, business, TAG plan, strategic review and financing plans found in this "Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations," constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and involve a number of risks and uncertainties. The words "may," "believes," "will," "should," "seek," "forecast," "outlook," "estimate," "continue," "anticipate," "intend," "could," "would," "project," "predict," "potential," "plan," "expect" or the negative or plural of these words or similar expressions identify forward-looking statements. The actual results of the future events described in such forward-looking statements could differ materially from those stated in such forward-looking statements. Among the factors that could cause actual results to differ materially are: increased political uncertainty; the effect of worldwide economic conditions; the effect of any pandemics; risks related to the success of our restructuring program; the failure to meet the continued listing requirements of Nasdaq; significant changes in consumer spending patterns or preferences; interruptions or delays in the supply of key components or products; acts of war or acts of terrorism; loss of key facilities; a data security or privacy breach or information systems disruptions; changes in foreign currency valuations in relation to the U.S. dollar; lower levels of consumer spending resulting from inflation; a general economic downturn or generally reduced shopping activity caused by public safety or consumer confidence concerns; the performance of our products within the prevailing retail environment; customer acceptance of both new designs and newly introduced product lines; changes in the mix of product sales; the effects of vigorous competition in the markets in which we operate; compliance with debt covenants and other contractual provisions and meeting debt service obligations; risks related to the success of our business strategy; the termination or non-renewal of material licenses; any impact of minimum royalty commitments in excess of royalties payable on actual sales; risks related to foreign operations and manufacturing; changes in the costs of materials and labor; government regulation and tariffs; our ability to secure and protect trademarks and other intellectual property rights; levels of traffic to and management of our retail stores; loss of key personnel or failure to attract and retain key employees and the outcome of current and possible future litigation.

In addition to the factors listed above, our actual results may differ materially due to the other risks and uncertainties discussed in our Quarterly Reports on Form 10-Q and the risks and uncertainties set forth in our Annual Report on Form 10-K for the fiscal year ended December 30, 2023. Accordingly, readers of this Quarterly Report on Form 10-Q should consider these facts in evaluating the information and are cautioned not to place undue reliance on the forward-looking statements contained herein. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of our “disclosure controls and procedures” (“Disclosure Controls”), as defined by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 as of the end of the period covered by this Quarterly Report on Form 10-Q. The Disclosure Controls evaluation was done under the supervision and with the participation of management, including our principal executive officer and principal financial officer. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon this evaluation, our principal executive officer and principal financial officer have concluded that our Disclosure Controls were effective as of September 28, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the Third Quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

There are no legal proceedings to which we are a party or to which our properties are subject, other than routine matters incidental to our business that is not material to our consolidated financial condition, results of operations or cash flows.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors contained in Item 1A. “Risk Factors” in Part I of our Annual Report on Form 10-K for the fiscal year ended December 30, 2023 and in other documents we file with the Securities and Exchange Commission, in evaluating the Company and its business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no shares of common stock repurchased under our repurchase program during the Third Quarter.

Item 5. Other Information

None of the Company’s directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company’s quarter ended September 28, 2024.

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Document Description
3.1	Third Amended and Restated Certificate of Incorporation of Fossil, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on May 25, 2010).
3.2	Certificate of Amendment of the Third Amended and Restated Certificate of Incorporation of Fossil, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 28, 2013).
3.3	Sixth Amended and Restated Bylaws of Fossil Group, Inc. (incorporated by reference to Exhibit 3.4 of the Company's Quarterly Report on Form 10-Q filed on November 9, 2023).
10.1(3)	Offer Letter, dated August 10, 2024, by and between Franco Fogliato and the Company.
31.1(1)	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2(1)	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1(2)	Certification of Principal Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2(2)	Certification of Principal Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(1) Filed herewith.

(2) Furnished herewith.

(3) Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FOSSIL GROUP, INC.

November 7, 2024	/S/ ANDREW SKOBE
	Andrew Skobe
	Interim Chief Financial Officer (Principal financial and accounting officer duly authorized to sign on behalf of the Registrant)

Exhibit 31.1

CERTIFICATION

I, Franco Fogliato, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fossil Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2024	/s/ FRANCO FOGLIATO
	Franco Fogliato
	Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Andrew Skobe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fossil Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

November 7, 2024	/S/ ANDREW SKOBE
	Andrew Skobe
	Interim Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Franco Fogliato, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, the Quarterly Report of Fossil Group, Inc. on Form 10-Q for the quarter ended September 28, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Fossil Group, Inc.

Dated: November 7, 2024	By:	/s/ FRANCO FOGLIATO
	Name:	Franco Fogliato
	Title:	Chief Executive Officer

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew Skobe, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, the Quarterly Report of Fossil Group, Inc. on Form 10-Q for the quarter ended September 28, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Fossil Group, Inc.

Dated: November 7, 2024	By:	/S/ ANDREW SKOBE
	Name:	Andrew Skobe
	Title:	Interim Chief Financial Officer

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.