

# BIRK Earnings Call Transcript

**Date: 2025-12-18**

**Quarter: 4**

Operator: Good morning, and thank you for standing by. Welcome to the Birkenstock Fourth Quarter and Fiscal 2025 Earnings Conference Call. [Operator Instructions] I would like to remind everyone that this conference call is being recorded. I now turn the call over to Megan Kulick, Director of Investor Relations.

Megan Kulick: Hello, and thank you, everyone, for joining us today. On the call are Oliver Reichert, Director of Birkenstock Holding plc and Chief Executive Officer of the Birkenstock Group; and Ivica Krolo, Chief Financial Officer of the Birkenstock Group. Nico Bouyakhf, President of EMEA; Klaus Baumann, Chief Sales Officer; and Alexander Hoff, Vice President of Global Finance, will join us for the Q&A.; Today, we are reporting the results for our fiscal fourth quarter and full year ended September 30, 2025. You may find the press release and supplemental presentation connected to today's discussion on our Investor Relations website at [birkenstock-holding.com](http://birkenstock-holding.com). The company's annual report for the year ended 30 September 2025 on Form 20-F has been filed with the United States Securities and Exchange Commission and has also been posted to our website. We would like to remind you that some of the information provided during today's call is forward-looking and accordingly is subject to the safe harbor provisions of federal securities laws. These statements are subject to various risks, uncertainties and assumptions, which could cause our actual results to differ materially from these statements. These risks, uncertainties and assumptions are detailed in this morning's press release as well as in our filings with the SEC, which can be found on our website at [birkenstock-holding.com](http://birkenstock-holding.com). We undertake no obligation to revise or update any forward-looking statements or information, except as required by law. We will reference certain non-IFRS financial information. We use non-IFRS measures as we believe they represent the operational performance and underlying results of our business more accurately. The presentation of this non-IFRS financial information is not intended to be considered by itself or as a substitute for the financial information prepared and presented in accordance with IFRS. Reconciliations of IFRS to non-IFRS measures can be found in this morning's press release and in our SEC filings. With that, I'm going to turn it over to Oliver.

Oliver Reichert: Good morning, everybody, and thank you for joining us today. As we enter year 3 as a public company, I would like to spend a few moments to highlight our accomplishments since our IPO in 2023. We have delivered strong double-digit top line growth in constant currency and generated a consistent 30% plus EBITDA margin without compromising on our disciplined engineered distribution. We made significant progress in unlocking our white space potential. We deepened our retail footprint and doubled our own store fleet to 97 stores. We have grown our APAC business at an average rate of 36% per year. And we have significantly increased close to our share of business by 10 percentage points to 38%. We generated significant cash flow, allowing us to delever from 3.3x to 1.5x while investing over EUR 150 million into our production capacity and buying back \$200 million in shares. We achieved all this in an environment faced by fundamental changes in global tariffs and international trade, a war in the Ukraine, and energy crisis and a significant decline in the U.S. dollar. Even for a brand like ours with a history spanning 2.5 centuries, these are unusual times. As our results show, we have navigated them consistently and successfully. Our brand delivers growth since 250 years. Our performance during these unusual times proved the resilience of our beloved brand. Our healthy brand momentum continued in the fourth quarter. We are very proud to report strong results for our fiscal year

2025, which came in ahead of our guidance. We delivered full year revenue growth of 18% in constant currency, above the 15% to 17% range we provided at the beginning of the year. We reached EUR 2.1 billion in revenue, the best year in our history. We grew double digits in every segment and channel, and we improved profitability. Gross margin was up 30 basis points to 59.1%. Adjusted EBITDA margin was up 100 basis points to 31.8%, meeting the high end of our target. Most importantly, we accomplished this in the face of significant tariff and currency pressures. Demand for our brand remains very strong across all segments, categories and channels. We sold over 38 million pairs in fiscal '25, up over 12%. ASP was up 5% in constant currency, supported by targeted price actions and the higher share of premium products such as closed-toe shoes and leather executions. We are winning in both B2B and D2C, gaining shelf space and taking share. Birkenstock had a very strong back-to-school season with retail sales at our top 10 partners increasing over 20% year-over-year. Importantly, we see a continuation of this momentum during the important holiday season and over 90% of the growth in B2B came from within existing doors. We remain committed to maintaining relative scarcity and managing tightly our distribution growth. Full price realization, the ultimate indicator for brand health and demand remains over 90%. This shows incredible brand strength in a market faced with significant discounting by others. We delivered as promised in fiscal 2025 in our white space growth opportunities. In owned retail, we added 30 new stores, ending the year with 97 stores and more than doubling our own store fleet since the IPO. The new stores are performing ahead of our expectations in terms of productivity and return of CapEx. We plan to open about 40 new stores in 2026, putting us well on track to reach our 150 store target ahead of schedule. This will allow us to capture more in-person shopping demand and younger shoppers within our own D2C business and allows us to showcase the full range of our collection. Closed-toe share of revenue increased by 500 basis points year-over-year to reach 38% for the year, supporting continued ASP growth. 10 of our top 20 silhouettes in '25 were closed toe. The Boston, a category-defining hero silhouette, which turns 50 years in '26, continues to lead the clog category, a category like sandals we believe we own. At the same time, non-Boston closed-toe silhouettes grew over 30%. Finally, our third white space, APAC, grew 34% in constant currency, approximately double the pace of the more mature markets. APAC increased to 11% share of global revenue and the APAC segment has the highest ASP. We expect to continue to steer APAC growth at double the speed of the other segments. Our growth is only limited by our production capacity and disciplined distribution. We, as many other brands did, saw a continued shift towards in-person shopping, especially in the important Gen Z group. This consumer most often shops in a multi-brand curated retail environment, which is supported by our B2B channel. We are a consumer-centric brand in its core meaning. Our desire is to be where the customer is, reach first-time users who need to touch and feel the product and transform them into brand fans for a lifetime. This strong wholesale growth driven by the younger demographic, which we expect to continue, requires us to produce more pairs in a situation where we are already capacity constrained. At the same time, the strongest demand we see is for our premium executions, which require even more production minutes. The combination of more wholesale and more premium execution is creating additional pressure on our vertically integrated supply chain. We need to manage growth in our production responsibly. This is why we are steering towards a mid-teens pace of growth for fiscal '26. I will now turn it over to Ivica to discuss our financial results and outlook for '26 in more detail.

Ivica Krolo: Thanks, Oliver. I'm happy to share with you Birkenstock's performance for the fourth quarter and the fiscal year 2025, which exceeded our targets. We achieved this in the face of significant headwind from FX on our reported numbers. We closed the year with a strong fourth quarter with revenues of EUR 526 million, growth of 20% in constant currency. Reported revenue growth was over 15% due to the historically strong depreciation of the U.S. dollar compared to the fourth quarter of '24, which caused a 420 basis points drag to revenue growth in the quarter. This brought the full year revenues to EUR 2.1 billion, up 18% in constant currency, exceeding the high end of our guidance of 15% to 17%. We saw strong growth across all segments in fiscal 2025. The Americas segment was up 18% in constant currency. EMEA was up 14%, and APAC up 34% in constant currency. By channel for the year, B2B was up 21% and D2C up 12% in constant currency. As Oliver mentioned, we see sustained strength in our B2B channel. Share of business in the B2B channel was about 62%, up from 60% in fiscal 2024. Gross profit margin for the fourth quarter was 58.1%, down 90 basis points

year-over-year. Like-for-like margins, excluding 120 basis points of pressure from FX and 100 basis points of pressure from incremental U.S. tariffs were up 130 basis points to 60.3%. For the fiscal year, gross margin improved 30 basis points to 59.1%. Like-for-like margin, excluding FX and tariff impacts, was up 90 basis points to 59.7%, close to our long-term target of 60%. Selling and distribution expenses were EUR 156 million in the fourth quarter, representing 29.7% of revenue. This was down 130 basis points from the prior year. For the full year, selling and distribution expenses totaled EUR 564 million or 26.9% of revenue, down from 28% in fiscal 2024, mainly due to a higher B2B share year-over-year and the reclassification of some expenses into G&A; previously recorded in S&D.; Adjusted general and administration expenses were EUR 35 million or 6.7% of revenue in the quarter, down 30 basis points versus prior year. Full year adjusted G&A; totaled EUR 123 million or 5.9% of revenue, up 30 basis points from fiscal 2024, mainly due to reclassification. Adjusted EBITDA in the fourth quarter of EUR 147 million was up 17% year-over-year. Adjusted EBITDA margin of 27.8% was up 40 basis points year-over-year. Excluding FX and tariff impacts, adjusted EBITDA margin was up 280 basis points to 30.2%. For the full year 2025, adjusted EBITDA was EUR 667 million, up 20% year-over-year. Full year margin of 31.8% was up 100 basis points year-over-year and hit the high end of our targeted range, which we increased after the second quarter. Adjusted EBITDA margin for fiscal '25, excluding FX and tariff impacts, was 32.5%, up 170 basis points. Adjusted net profit of EUR 94 million in the fourth quarter was up 71% year-over-year. Adjusted EPS for the fourth quarter was EUR 0.51, up 76% from EUR 0.29 a year ago. For the fiscal year, adjusted net profit of EUR 346 million was up 44% and EPS of EUR 1.85 were up 45% from fiscal '24, driven by strong operational performance, lower interest payments and a lower effective tax rate. Cash flows from operating activities remained strong at EUR 384 million for the fiscal year, down 12% from fiscal 2024, mainly due to the timing of tax payments. We ended the year with cash and cash equivalents of EUR 329 million after the repurchase of 3.9 million shares totaling EUR 176 million and the partial early repayment of the U.S. dollar term loan of USD 50 million in September. Our inventory to sales ratio declined to 34% for the year from 35% in the fiscal year 2024. Our DSO for the year were healthy 28 days, up from 23 days in 2024, primarily due to the higher B2B mix. During the fiscal year, we spent approximately EUR 85 million in CapEx, adding to our production capacity in Arouca, Goerlitz and Pasewalk and continuing our investments in retail and IT. Even with the share buyback we executed in May, our net leverage was 1.5x at the end of fiscal 2025, down from 1.8x at the end of fiscal 2024. Without the buyback, the net leverage would have been at 1.2x. Our capital allocation priorities continue to be: number one, invest in our business; number two, reduce debt; and number three, opportunistic share buybacks. Now turning to our outlook for fiscal 2026. We are expecting significant headwinds from FX and tariffs in fiscal year 2026. Regarding FX, we will see an especially strong headwind in the first half of the year, impacting the quarter-over-quarter comparison. At today's euro-U.S. dollar exchange rate of 1.17, we expect approximately 600 to 650 basis points of headwind to revenue growth in both the first and the second quarter and around 300 to 350 basis points for the full year. The margin impact to gross profit and adjusted EBITDA will be 150 to 200 basis points in each of the first 2 quarters and about 100 basis points for the full year. As a reminder, nearly all of our COGS are in euro and the majority of SG&A; is as well. As such, the absolute euro impact of movements in FX to revenue flows through about 90% to gross profit and about 67% to adjusted EBITDA. Our guidance for fiscal 2026 assumes today exchange rates will remain the same throughout the remainder of the year. Regarding tariffs, we were able to offset most of the 2025 impact with targeted price increases, including the July U.S. price increase. We also benefited from the fact that the majority of our goods for 2025 were already shipped prior to the increase in tariffs. This will not be the case in 2026, where we expect to see more impact from tariffs in COGS than we did in 2025. This will result in about a 100 basis point decline in both gross margin and EBITDA margin for 2026. With that explanation behind us, now on to the guidance. For 2026, we are targeting constant currency revenue growth of 13% to 15%, which, as Oliver mentioned, is a slower pace than we saw in 2025. The FX headwind should be about 300 to 350 basis points for the full year, resulting in reported revenue growth of 10% to 12% to EUR 2.3 billion to EUR 2.35 billion. This goal is based on our capacity constraints and the demand in our B2B channel, especially in the emerging youth segment. We target unit growth of approximately 10% per year, a manageable pace of growth when we consider our supply chain, access to specialized labor and equipment and our desire to

maintain scarcity. We expect adjusted gross margin of 57% to 57.5%, inclusive of the 100 basis points of pressure from FX and 100 basis points from incremental U.S. tariffs. We expect adjusted EBITDA of at least EUR 700 million for the year, implying an adjusted EBITDA margin of 30% to 30.5%, inclusive of the pressure from FX and tariffs totaling 200 basis points. Excluding the impact of these external factors, forecasted adjusted EBITDA margin would be at 32% to 32.5%. Our expected tax rate should be in the range of 26% to 28%. Adjusted EPS is expected to be EUR 1.90 to EUR 2.05, including approximately EUR 0.15 to EUR 0.20 of pressure from FX. This is not including the impact of any additional share repurchases. We intend to repurchase share for a total consideration of \$200 million during fiscal 2026, subject to market conditions. Capital expenditures should be in the range of EUR 110 million to EUR 130 million. Net leverage target for the end of fiscal 2026 of 1.3 to 1.4x, excluding the impact of any additional share repurchases. Finally, we expect to open about 40 new retail doors globally over the course of the year. Before I turn back to Oliver to close, I'm excited to announce our plans for a Capital Markets Day at the end of January in New York City. Details on venue and timing will be forthcoming and will be posted on our Investor Relations website. We are now in year 3 of our life as a public company, and we are looking forward to providing you a detailed look into the world of Birkenstock and our vision for growth for the next 3 years. We hope you can join us for a deep dive into all areas of our unique and dynamic business model.

Oliver Reichert: Thanks, Ivica. 2025 was the strongest year in the over 250-year history of Birkenstock. I am extremely proud of the team and how well and disciplined we steal our business in an overall very challenging context. We remain very optimistic about our future. '26 is off to a great start with Birkenstock at the top of gifting list this holiday season. Demand for the footbed remains robust and unconstrained. The main constraints we face is in our own production capacity and our desire to maintain scarcity. As we look ahead to the rest of this fiscal year and beyond, we see opportunity. The opportunity to continue to take share globally, especially in the fast-growing APAC market, adding to our own retail store fleet, building on our closed-toe momentum and doubling down on our engineered distribution to maximize profitability. We look forward to seeing you all in New York in January to discuss the next few years of this incredible brand journey. We will dig deeper into our growth drivers, including investments in manufacturing, innovation, new usage occasions, retail and the APAC segment. I would now kindly ask the operator to open our Q&A session. Thank you.

Operator: [Operator Instructions] Your first question comes from the line of Matthew Boss with JPMorgan.

Matthew Boss: So Oliver, maybe relative to the 20% constant currency revenue growth in the fourth quarter and 18% for the year, which both exceeded your plan, you're targeting 13% to 15% constant currency growth for fiscal '26. What's driving the more conservative view for '26? Have you seen any slowdown in demand so far in the first quarter? And how should we think about this more moderate pace of growth within your long-term algorithm?

Oliver Reichert: Matt, thank you for your question. First of all, we see very strong demand for our brand all over the world. During the holiday season, in the U.S. in specific, some of our big wholesale partners grew over 30%. So our full price realization is still north of 90%. So since nearly 2 years, we see a change in consumer journey in the Western Hemisphere. A lot of brands, including us seeing more traffic and demand coming from multi-brand environment and in-person shopping at wholesale, especially Gen Z customer -- consumers. Wholesale partners play successfully the full range of Piano marketing activities online, offline and social. They are very attractive partners. This is good news. We have the highest percentage in EBITDA margin in wholesale and Brand Rookies need to have a physical touch point with our products. They will return to us for their second, third, fourth and so on pair. These young customers buying into more expensive and more complex executions. Don't worry, we continue to manage scarcity and execute very tight inventory management door by door. But one of our most successful category in Gen Z, the Clog, Boston, Naples, we own the Clog category. But from a production perspective, a Clog takes more than twice as many production minutes per pair than sandals. So the Clog business puts even more pressure on our production minutes and ultimately, our production capacity, which is the biggest limitation to our growth. So we will produce more than 5 million pairs more in '26. These are the main reasons for our growth algo outlook. The demand is not limiting our growth. The capacity does. On your question about the long-term algo, we expect top line

growth over the next 3 to 5 years to be in the mid-teens range. We assured we are investing heavily in our preproduction capacity in Portugal, ramping up stitching and preforming capacities, especially for our Clog styles and more complex and more expensive products. Our new purchased facility in [indiscernible], near Dresden will further increase our cork/latex footbed capacity and our final assembly lines where we currently face the biggest bottlenecks is the factory will be operational in '27. I believe our Investor Day end of January in New York City will help us a lot to further explain and address this topic in more detail.

Operator: Your next question comes from the line of Laurent Vasilescu with BNP.

Laurent Vasilescu: Ivica, I wanted to dig a bit more on the margin outlook for 2026 and the impact from FX and tariffs. Can you walk us through in more detail how FX flows through the P&L? Similarly, you took pricing in July to mitigate the tariff impact. Why are you seeing so much margin pressure for tariffs in 2026? And what more can be done to offset some of this? And then I've got a quick follow-up.

Ivica Krolo: Thanks for the question, Laurent. It's Ivica. So you're right. Fiscal 2026 will be heavily impacted by FX and tariffs, so representing a drag to both gross margin and EBITDA margin of each 100 basis points, which is 200 basis points in total. So excluding these external factors, we do not have under our control, margin would be very consistent with fiscal 2025. So first, regarding FX flow-through and starting with revenue. The 2026 impact will be 300 to 350 basis points drag on top line growth for the full year or about EUR 70 million. And so given that almost all of our COGS are in euro, as you know, we are producing in Europe, this absolute impact flows through to gross profit at about 90% or EUR 63 million hit to gross profit. Pretty much the same picture for adjusted EBITDA. About 2/3 of the top line impact flows through the EBITDA or approximately EUR 47 million on adjusted EBITDA for the full year. So overall, these impacts will be more pronounced in the first half when the dollar was at its strongest level before the decline gain in April this year. On a quarterly basis, we expect revenue growth will be impacted by about 600 to 650 basis points and margin by 150 to 200 basis points in both Q1 and Q2. In our fiscal second half, the pressure will be much less year-over-year. Then with regards to your question on tariffs. So for the full year fiscal 2026, we expect about 100 basis points of margin pressure from incremental tariffs, which is reflected in our forecast. We look at pricing to offset the majority of the incremental tariff impact in absolute terms, which is dollar neutral, however, not margin neutral. So for example, we say we have a \$100 shoe with \$40 COGS and \$60 gross profit. That is a 60% gross margin. Now we add \$10 of tariffs to COGS, we need to add \$10 to price to maintain \$60 gross profit. But the margin is now 54.5%. So that is \$60 over \$110. If we wanted to maintain a 60% margin, we would have to take pricing up \$25 to bring our gross profit to \$75, not \$60. The price increase would have to be 2.5x the tariffs. This is not something we would do to our customers being a democratic brand. And as you know, we review prices every season and make adjustments very surgically on a style-by-style basis. We will continue to mitigate the tariff impact on margin, lowering COGS in other areas. We do this through production efficiencies, improved logistics and better terms with suppliers and vendors along our vertically integrated supply chain, but this naturally does take time. In addition, our growing share of business in APAC will, for the longer term, reduce our exposure to the U.S. dollar and to U.S. tariffs regime.

Laurent Vasilescu: Very helpful detail. And as a follow-up on a finer point on Matt's question. I know you don't guide by quarter, but just because there's a lot of pressure on the stock premarket on this 13% to 15% top line. Any finer point on just like on 1Q, could we assume that top line could be up high teens on that front?

Oliver Reichert: It's Oliver again. Yes, of course. I mean, the guidance is the guidance. We guide mid-teens, especially on the long-term algorithm. But I mean, just remember my first comments on the holiday season, especially in the U.S., the business is going super well. So I understand your worry somehow. But listen, it's really brand is performing super strong. So yes, all good.

Operator: Your next question comes from the line of Randy Konik with Jefferies.

Oliver Reichert: Randy, can you hear us?

Randal Konik: Yes. Can you hear me? Yes. Sorry about that. This unmuted thing. Look, can we talk a little bit about channel mix a little bit more? I think for the full year, B2B was up about 21%, D2C up about 12%. And then in the fourth quarter, the B2B channel was, I think, even stronger, up about 26% in constant currency. How do you think about channel growth in 2026? Do you think B2B will continue

to outpace D2C by such a wide margin as it did? And then what are you trying to do to drive continued faster -- even faster growth in the D2C channel?

Ivica Krolo: Thanks for the question, Randy. It's Ivica again. So as you know, this is a shift that we've been seeing in the business for over a year. In-person shopping is back, especially within our fastest-growing cohort, which is the youth market, where consumers prefer to shop in a multi-brand retail environment. This is very favorable to our B2B business, where we have over 6,000 high-quality strategic retail partners globally, and they are doing a very good job representing our brand, reaching new consumers through their own advertising and outreach. And this is basically marketing spend that brings consumers to our brand, and it's effectively not spent by us. This is a good thing and supports the very strong margins we are achieving. We are leaning in both channels, but we can't control where consumers choose to interact with our brand. We have learned through the experience of other brands that you can't force consumers into one channel or another. All we can do is make sure that touch points they have with the brand are high quality, educate on the purpose of Birkenstock, strive to maintain scarcity in the channel and support full price realization regardless of channel, and this is what we are doing. And we are thrilled to see the strong demand regardless of where it is. It means more Birkenstock on feed and the opportunity to turn the new consumer into a lifetime brand fan who we firmly believe will come -- will become a D2C consumer at some point in their consumer journey regardless of where they purchase the first or the second pair. So with regards to B2B outpacing D2C, so yes, we do expect this trend of faster B2B growth to continue in 2026 and for the foreseeable future as we continue to reach more and more consumers who are new to the brand, especially in the younger demographics. But both channels are growing double digit. A few points that are very important to this. We are not compromising high-quality distribution and full price realization. We manage inventory in the B2B channel very tightly through engineered distribution model. Full price realization is at over 90%. stock-to-sales ratios in the channel are very healthy, and our order book continues to be very strong. On the last part of your questions on the D2C channel itself, we are very much focused on accelerating our store rollout to promote the high-quality touch points with the brand and to present the full range of our products and, of course, introduce newness. With 97 doors globally, we are not able to capture all in-person demand that we are seeing with our own D2B business. We added 30 stores in 2025, and we should add another 40 in 2026. So additionally, we are working to drive an even stronger connection to our consumers through more targeted membership benefits, a loyalty program, exclusive styles, content and special events.

Randal Konik: And when you -- and just to follow up, when you say -- I think you said you're committing to double-digit growth on both channels. Is that on a constant currency basis? And lastly, do you expect the -- again, the growth rate spread to widen or stay about the same or narrow from a B2B stronger than D2C growth rate in 2026?

Ivica Krolo: With regards to the first part of your question, yes, it's constant currency. And with regards to the second part of your question, so we expect the trend that we are currently seeing to continue.

Operator: Your next question comes from the line of Lorraine Hutchinson with Bank of America.

Lorraine Maikis: The growth in EMEA accelerated nicely. What are you seeing in terms of consumer demand in the EU in particular? And any comments on first quarter trends there?

Mehdi Bouyakhf: Lorraine, this is Nico. Thank you for your question. Indeed, we projected in the last earnings call an acceleration of growth in EMEA and the 17% in Q4 are a significant acceleration versus previous quarter. We saw double-digit growth across B2B and DTC in an overall flat to negative market. So effectively, we continue to be one of the very few chosen brands. And effectively, we take share from many other players. Growth as also part of your question in Q4 was predominantly driven by a strong consumer appetite for product newness and higher price points. We are particularly pleased with our closed-toe performance. This category grew more than 2x our overall business and closed shoes, so lace-up shoes, grew almost 2x our overall business. Looking at the top 20 styles in our sales, 10 styles are closed toe and half of these are closed shoes. Just to name a few, Naples, we're on to something here. That's a new clog silhouette, specifically the wrapped that we bring towards the consumer, and we see great traction. It's growing triple digit and it's really also outgrowing Boston. And then to name a closed shoe silhouette, the Utti, is doing really strong. Again, strong consumer appetite from a female consumer, but also from a male consumer. Your second part of the question was Q1. We

are very pleased to see that we are off to a great start in Q1 and see a continuation of the trends that I just mentioned. So appetite for product newness and higher price points. We are very confident that we again outperformed the market and will take share from many other players and be the brand of choice for our consumers. We project our Q1 in EMEA to be very much in line with our overall guidance. And as shared in the opening remarks, our growth is not impacted by consumer demand, but our manufacturing capacity and distribution-wise, our will to maintain the quality in our distribution.

Lorraine Maikis: And then it sounds like capacity constraints are the key reason for the slower growth in '26. Would you expect to be back in a position to return to mid- to high teens growth in fiscal '27?

Ivica Krolo: Lorraine, it's Ivica speaking. So as you know, we are constantly capacity constrained, we've been for some time. What we are doing is now building up the capacity to close the gap to the demand. Otherwise, we would not be in a position to serve and keep up with the demand that we are seeing in the market. So overall, our goal is to increase our capacity by -- in terms of units by roughly 10% for the foreseeable future, and this will certainly help us to serve the demand going forward.

Operator: Your next question comes from the line of Michael Binetti with Evercore ISI.

Michael Binetti: Can you hear me okay?

Oliver Reichert: Clear.

Michael Binetti: So I guess on the EBITDA margin guidance, could you just help us unpack it a little bit more? You gave us 100 basis points drag from FX, 100 basis points drag from tariffs. So we're trying to bridge to the 130 to 175 basis points in total. I think when we last checked in, you had 75 basis points left to recapture from the factory. How should we think about like-for-like pricing as a good guy offsetting the tariffs? And then it sounds like wholesale grows above D2C. So I think that's positive on the EBITDA margin rate line. Is there any way to help us size a couple of those components?

Ivica Krolo: Yes, sure. Michael, it's Ivica speaking. So we closed fiscal '25 with a gross margin of 59.1% and the external factors, that is tariffs and the drag in currency is representing a drag in total of 200 basis points. So that means 57.1% and we guided 57% to 57.5%. So what are the puts and takes here? A absorption and capacity absorption within our production will contribute roughly 60 basis points. You mentioned correctly, Michael, 75. However, the base for '26 is higher. As such, the positive contribution will be around 60 basis points. The next point is on channel as B2B will outpace D2C growth, there will be a drag in the gross margin from the channel shift. And this is basically around 50 basis points. So overall, this is neutral. And then what is not embedded is like-for-like pricing. And in that respect, the guide of 57% to 57.5% is more conservative.

Michael Binetti: Okay. And then I'm just curious a quick follow -- a quick couple of follow-ups. So you said -- I think you said the units grow about 10%, and that's based on some capacity constraints and your desire to control scarcity. What is the unit growth capacity if you weren't trying to control scarcity? Like what could you produce given where the facilities are at right now? And then Ivica, just to clarify, how much the Australia roll-up adds to revenues this year?

Oliver Reichert: Michael, I'm taking the first part. This is Oliver. It is not really easy to comment this because it's like a really diverse picture on what kind of article are we talking about. That's why I mentioned this from a production capacity perspective that a clog, as an example, will digest double the time in minutes and production minutes than an average sandal. So in total, somehow the multiple is if you sell one pair in online. It equals more or less 2.5 -- 2.4 pairs in wholesale to reach the same financial impact. So this alone is a big shift from a unit perspective. That is also what you can see in our unit versus ASP comparison, and that's why we have this 2/3 units and 1/3 ASP situation. So the more we grow in wholesale, the more we are capacity restricted. So that's why we are constantly managing these channels as well and try to maneuver us through their article mix and our production minutes. And we're constantly capacity constrained. So that is the big jigsaw pass at the moment, we are deep diving in. And I'm pretty confident that we can explain it really very transparent and answer all questions in our Investor Day end of January in New York because then you will really understand that -- and it's -- I know it's pretty unique and it sounds super weird from outside, but our growth algorithm is not designed by demand, it's designed by our production capacity. And if people decide to switch to wholesale channels to buy our products. And if they decide to buy into more expensive price groups and more complex price groups, the overall capacity in millions in units are declining because we cannot deliver simply more of the same thing. Makes sense to you or...

Michael Binetti: Yes, completely. And just -- yes, the Australia part, please.

Ivica Krolo: Sure, Michael, it's Ivica again on the Australia part. So we expect overall an immaterial impact on the Australia acquisition for the 2026 P&L.; The benefit of this acquisition over the next few years is we cut out the middleman and take Australia to its full potential in D2C and capture the full value directly in our P&L; basically. In a way, Australia was a unique situation in that we had a long-time partner who was looking for retirement. And basically, this was driving the decision to directly enter this market.

Operator: Your next question comes from the line of Dana Telsey with Telsey Advisory Group.

Dana Telsey: As you think about the DTC channel, was there any difference in performance between e-com and the physical stores? And then with your opening of stores in 2026, where are those stores going to be located regionally? How do you think about it? And is there any difference in store size and where you're going? And then just lastly, for 2026 price increases, any particular way we should think about it or how you're thinking about pricing, whether it's on closed toe or clogs or open toe for '26?

Mehdi Bouyakhf: Dana, this is Nico. I'm going to take the first part of your question. So as you know, retail is a very important growth pillar for us. We are currently at 97 doors, adding 30 net new stores. And thus, we are actually holding our promise. So we promised to come closer to 100. We're now at close -- very close to 100. What we also did is we actually accelerated the pace of our openings in the second half, adding 20 in the second half versus 10 in the first half. So really getting much more experienced in driving this expansion. Amongst others, we opened Milan, Mumbai and Singapore, so really key cities and key connection points for our consumers. For next year, we have plans to add 40 more. So that will bring us to 140, and that will bring us very well set up to reach a total goal that we stated of 150 stores by 2027. Whenever we open a store, they perform really well. So we are very, very disciplined with our openings and store locations selection. We will continue to find stores in the format of 100 square meters, 150 square meters, not AAA locations. We go right next to the AAA locations, and that is really driving the very healthy economics of each store. The new stores will continue to outperform the longer-standing ones. We achieved higher average transaction value driven by higher ASP and more units per transaction. And all this, while the same-store sales are up high single digit. So you see that retail is the strongest growing channel and will also outpace in growth our digital channel. With regards to digital, we do continue to see very, very strong growth opportunities in 3 areas: markets. So there are some underdeveloped markets, if you will, underpenetrated markets with regards to our digital, specifically in Asia and Middle East, where we launched later than in the more mature markets. With regards to consumers, we heard that young consumers, young demographics are underpenetrated by us. And so does -- that accounts the same for our digital business. And then on the product side, our expansionary categories like shoes, closed toe, EVA, professional are trending much, much better in our digital business. So this will also enable us to catch more demand and drive the business in our digital channel. So we'll see retail outpacing digital, while we also see substantial growth coming in, in our digital channel.

Ivica Krolo: Dana, it's Ivica, on the pricing part. So as you know, we are reviewing pricing on a season-by-season and style-by-style basis and are very surgical to increase prices throughout the product portfolio. And why we're doing that, again, it comes back to the fact that we are a manufacturing company. So we know what our input costs are. We know what labor does cost. We know what raw materials do cost. And this is very much a bottom-up exercise that we continue to do as we have done in the past to pass through inflationary pressures, while at the same time, maintaining our globally aligned pricing structure.

Dana Telsey: And any update on the Americas?

Oliver Reichert: Very strong holiday season, Dana. It's Oliver speaking. Very, very strong holiday season. I mean do your check in wholesale doors, do the check in New York in the store. It's one of the must-have gifting items. We are very, very confident and very, very successful holiday season in the U.S.

Operator: Your next question comes from the line of Simeon Siegel with Guggenheim Partners.

Simeon Siegel: [Technical Difficulty]

Oliver Reichert: Simeon, we can barely hear you. You have digital dropouts. You dialed in on the land

line or...

Operator: Your next question comes from the line of Adrien Duverger with Goldman Sachs.

Adrien Duverger: So I have one, could you please comment on the performance of the newer products and the opportunity for continued increase of the price mix as well as the appetite for customers on these new products? And I have a quick follow-up on that, which is on the share of sales from the closed-toe shoes. I think you're now at 38%. What are your expectations for the long-term share of sales from these?

Mehdi Bouyakhf: Adrien, this is Nico again. Thank you for your question. Great question indeed. So what we definitely see is that our diversification of product offering is really paying off. Particularly, we are very pleased to see consumers adopting newer closed-toe silhouettes. So closed toe is not just the Boston anymore. Non-Boston silhouettes are growing at the same pace as Boston. So we are truly diversifying our Clog business. And we don't just own the sandals category. We now own the sandals and the clogs category. So you'll continue to see closed toe outperforming open toe while open toe is still growing. And that is also something that we've actively -- that we will actively drive forward. So we'll bring back open-toe silhouettes. We'll rejuvenate open-toe silhouettes such as the Madrid, such as fine-strap sandals, the Florida, the Miami. So we'll give them more investment in product and give them more oxygen and daylight to let them flourish further. So where does closed-toe grow forward? Where does it go? You see that we have a very strong growth trajectory until now. We once said it will grow over 30%. We are now coming to 40% and even above. And we'll definitely continue to see this growing further. Closed shoes as a market is a huge market for us. Again, we see new silhouettes being adopted by our consumers very fast, like the Utti, Highwood, and we're also further diversifying that business into different platforms. Boots are performing very strong during the winter season, high price points. Consumers are not shying away from these products. And again, particularly in our DTC, you'll see these categories trending very well.

Adrien Duverger: And maybe just on what I have you. What's the opportunity that you see from further price mix? So I think you mentioned you expect about 10% volume growth over the next few years. So should we assume that there is between like the 3% to 5% remaining is from price list and price mix? Is that how we should think about it?

Ivica Krolo: Adrien, it's Ivica. Happy to take your question. So it's certainly a combination of both. So looking back to 2025, if you disaggregate growth, it's a mix of 2/3 with regards to units and 1/3 with regards to ASP, but certainly a positive contributor to higher ASP is definitely the mix shift that we are seeing. So consumers are choosing intentionally higher quality and premium execution, including closed-toe, as Nico mentioned. And clearly, this will be driving ASP besides, of course, that we will continue to take targeted like-for-like pricing.

Operator: Your next question comes from the line of Mark Altschwager with Baird.

Mark Altschwager: Can you hear me?

Oliver Reichert: Yes, loud and clear.

Mark Altschwager: Wonderful. With respect to sustaining the mid-teens growth over the next 3 to 5 years, can you talk a bit more about what's giving you the confidence that you can continue to add capacity at a fast enough rate to support that growth as the base gets larger, especially as it relates to both labor and component suppliers? And then as a follow-up, you talked about new capacity expansion for the core product and demand is skewing towards the higher-end product. Can you give us a sense of how EVA is trending and how the capacity that you've added in Pasewalk is playing into the growth algorithm?

Oliver Reichert: Thank you for your question. As I said in the previous answer to the first question from Matt Boss, we are heavily increasing our preproduction facility in Portugal, which is really a key thing for us to speed up the processes and speed up the go-to-market sequence from our products. And just keep in mind that in the near future, we will probably have a half finished goods warehouse where we simply collect all the uppers and then finally push them into final assembly when needed. And then we -- the reaction time of this company to be in the market with the right article at the right door is very, very significant faster than today. The acquisition of [indiscernible] near Dresden, the factory we bought like 80,000 square meters for EUR 18 million. This will be ready in '27, more or less. And then they can fill the gap of final assembly lines because that's the bottleneck at the moment, as I said, and cork/latex

footbed baking. Last but not least, I think you were in Pasewalk with us. The same space in Pasewalk next to us is about to be converted into a construction area. And there will be another 80,000 square meters of production space. And we will definitely keep a very high flexibility within these spaces to react on the different perspective of the markets. And you mentioned the EVA in Pasewalk. We are very happy with the EVA development, especially in the what we call elevated EVA. One example is just the Big Buckle EVA that's performing very well. But keep in mind, globally, we keep our EVA around maximum 20% share of business here. So it's a very planned high scarcity executed model from the EVA perspective. And in Asia, the growth is very strong, highest ASP in Asia. That's a very important message, I would say, because that's very rare that you create as a brand the highest ASP in the APAC region. That's what we're doing. And they are ready for this PU products, direct injected in molds, textile uppers, leather uppers, you name it. And all this will definitely come from Pasewalk.

Operator: Your next question comes from the line of Sam Poser with Williams Trading.

Samuel Poser: Can you all hear me?

Ivica Krolo: Yes, we can hear you, Sam.

Samuel Poser: So I guess we have 14 days or 13 days left in Q1. Can you give us like an update on what Q1 looks like in more specifics? I mean the quarter is over pretty much. So I just wonder, I know you said business is very good and so on. But could you give us some details on what the quarter looks like, please, is number one, in more specifics?

Oliver Reichert: Sam, can I quickly jump in and give you the first answer? It's Oliver.

Samuel Poser: Yes.

Oliver Reichert: Okay. So you should expect -- I mean, Q1 is our smallest quarter, but it will be well above our guidance, okay? So easy.

Samuel Poser: From a margin and from a revenue growth perspective or in what respect?

Ivica Krolo: Sam, this is Ivica speaking. Oliver is referring to top line. And in terms of margin, we're not preannouncing margin for Q1 yet.

Samuel Poser: Okay. Do you anticipate doing that prior to ICR or at ICR?

Ivica Krolo: No, we're not going to do that. We will give more detail, Sam, though, at our Capital Markets Day end of January.

Samuel Poser: And then secondly, I just want to focus on the factories. There's been lots of conversations about that. Within Pasewalk, Goerlitz and Portugal, how the existing framework of your production, you had currently -- you had recently said that, I believe, going into Q3 '26, you expect those production facilities to be pretty much optimized given all the changes. Now it's not to say you're not doing other things, expanding Pasewalk and the new factory near Dresden. But within that framework, is that still the same expectation? And should we expect production capacity to increase going into the back half of fiscal '26?

Oliver Reichert: Sam, this is Oliver speaking. There will be no big impact other than optimization within our existing structure. But within '26, all the machines are ordered. So we're waiting for the machines to come and then we have to implement them and then we have to roll them out, find the workforce. So it is a constant optimization, of course, and we're constantly on the edge of the capacity, as you know, blowing every single horn that's available, but it is really tough at the moment. And the big capacity push will come once [indiscernible] is on the net to deliver output from a cork/latex standpoint and very urgently needed from a final assembly standpoint. The construction site in Pasewalk will be a longer game because that's simply grass land at the moment. So we have to build the building first. So that's on a midterm perspective. And Portugal is ongoing. And Portugal will double or triple their capacity from preproduction manufacturing standpoint, which is a huge amount, okay? But this is also in the ramp-up scenario. We need to order lines, machines and stuff. It's all done. But ramping up workforce, especially in this very complicated stuff like stitching, shilling and all this, it's not that quick.

Operator: Your next question comes from the line of Paul Lejuez with Citi.

Paul Lejuez: You can hear me now, hopefully.

Oliver Reichert: Paul, we can hear you loud and clear.

Paul Lejuez: Sorry about that. Curious about your regional plans for F '26. I think you talked about pairs being up 10%. Curious how that looks by region, how you're thinking about the 3 big regions. And also curious if -- given your capacity constraints, if you're having to restrict your distribution in certain

regions, I think you had to do that once with APMA. Curious if you're facing that again now.

Oliver Reichert: Thank you for your question, Paul. You're completely right. I mean this is the basement of our distribution strategy. It's engineered distribution. So with the light of margin perspective on the different regions, Americas, Europe and APAC. And I said it before, the highest ASP is coming from the APAC region. Yes, we definitely will shift more product into this region to further develop the strength of the brand. They're growing very nicely, best-in-class quality. That's an important thing. And I know you guys heard a lot of success stories in Asia, but they are always margin dilutive. There are always low ASPs, and they're always mass driven. So it's the opposite we're executing in APAC, and this is now relatively low-hanging fruit for us to shift also capacity into Asia and making sure these territories are well developed over time. And keep in mind, what we said at pre-IPO, our ideal world, not midterm, but long term will be 1/3 business share Americas, 1/3 business share Europe and 1/3 APAC. And right now, in APAC, we are at 11%. So yes, there's a lot of things we can do, and we should continue doing. And it's very encouraging what we see in this region. Impacts of tariffs and FX is not that bad in this region. So yes, it's the right direction, and you're completely right.

Paul Lejuez: Any color you can give around the different growth rates by region just tied to your guidance, full year guidance for the year?

Oliver Reichert: APAC is twice the speed of -- compared to the rest of the world. But that's steered. It could be quicker, but that's what we're doing. That's how we -- it's also -- the steering is coming from our capacity restrictions because, honestly speaking, if I have 10 million pairs of clogs available right now, I can send them over to Asia and they are gone in a week. So this is not the issue. I know it sounds super weird. But Paul, believe me, we are not demand constrained. It's all about the capacity. We don't have enough product, we cannot deliver anything.

Operator: We have time for one last question, and that comes from the line of Janine Stichter with BTIG.

Janine Hoffman Stichter: Yes, I want to ask a bit more about the B2B expansion. I think in the past, you pointed to the long-term opportunity to add about 5,000 doors on a base of around 12,000. What would the time line look like on this, especially given the capacity constraints? And how should we think about that as a near-term driver of B2B growth? Just wondering if there's any change to what we've seen recently with 90% of B2B growth coming from existing doors.

Mehdi Bouyakhf: This is Nico. Thank you for your question. Yes, we said there is an opportunity for us when we select the right doors that are 5,000 that are underpenetrated by now. So far, we've been very, very disciplined in our distribution, our B2B. So since IPO, we didn't add any major number of partners at all. So growth is really coming from within through a broader assortment, through a deeper assortment that our partners are enjoying while maintaining a full price realization of above 90%. And we're going to stay very close to that discipline, while we also unlock new areas of distribution, particularly in sport as a recovery opportunity for our footbed, but also in the outdoors area. So that is something that will bring us a small amount of doors, again, very carefully selected that we will increase in fiscal '26 in those 2 areas. But rest assured, we will look at full price realization, we look at stock-to-sales ratio, and we'll not put too much pressure out there with regards to our own DTC.

Operator: This does conclude today's call. Thank you for attending. You may now disconnect.