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**Crocs, Inc.**  
**CROX - \$9.95 – NasdaqGS**

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**Recommendation: Close Out Short Position****Reasons For Closing Out Short Sale**1<sup>st</sup> Sell Short Recommendation: June 17, 2015 @ \$15.552<sup>nd</sup> Sell Short Recommendation: August 13, 2015 @ \$15.12**Average Short Price: \$15.34**

Close Out Short: November 5, 2015 @ \$9.95 4 months.

**Profit: + \$5.39, +35.14%**

**We are recommending our clients close out their short positions in CROX. We have a 35% profit in four months, and three months on our two short recommendations. The stock has gone below our price target of \$10-\$11.**

**From our original short recommendation: June 17, 2015****Reasons For Sale Recommendation**

- Stock price up almost 50% on no improvement in business in last 3 months.
- Recurring, non-recurring charges.
- Management departures.
- No growth.
- Returning to old fad beach sandals.
- Closing stores, not expanding.
- Most trends still downward, revenue, earnings.

**Stock up 50%**

CROX stock price has rallied 50 percent since February 2015. We see no catalysts or events that warrant this 50% increase in three months. Accordingly we are recommending selling this stock. Earnings estimates for 2015 are \$0.26, down from \$0.58 in 2014. And these estimates exclude all the charges that CROX takes every quarter. With the charges, CROX loses money. Our price target is \$10-\$11 within 12 months.

**CROCS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**  
**(\$ thousands, except per share data)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Revenues	<b>\$ 274,088</b>	<b>\$ 302,401</b>	\$ 881,952	\$ 991,750
Cost of sales	153,267	146,801	443,891	475,323
Restructuring charges	--	583	--	2,612
Gross profit	120,821	155,017	438,061	513,815
Selling, general and administrative expenses	135,110	143,719	429,815	434,244
Restructuring charges	981	7,585	7,454	13,895
Asset impairment charges	5,460	2,600	7,535	5,830
Income (loss) from operations	(20,730)	1,113	(6,743)	59,846
Foreign currency transaction gain (loss), net	(2,908)	(1,290)	(2,631)	(4,278)
Interest income	268	424	752	1,304
Interest expense	(171)	(366)	(650)	(685)
Other income (loss), net	405	217	(6)	388
Income (loss) before income taxes	(23,136)	98	(9,278)	56,575
Income tax benefit (expense)	(888)	15,669	(3,745)	(8,407)
Net income (loss)	<b>\$ (24,024)</b>	<b>\$ 15,767</b>	\$ (13,023)	\$ 48,168
Dividends on Series A convertible preferred stock	(3,000)	(3,067)	(8,833)	(8,233)
Dividend equivalents on Series A convertible preferred shares related to redemption value accretion and beneficial conversion feature	(752)	(691)	(2,209)	(2,030)
Net income (loss) attributable to common stockholders	\$ (27,776)	\$ 12,009	\$ (24,065)	\$ 37,905
Net income per common share:				
Basic	\$ (0.37)	\$ 0.12	\$ (0.32)	\$ 0.38
Diluted	<b>\$ (0.37)</b>	<b>\$ 0.12</b>	\$ (0.32)	\$ 0.37

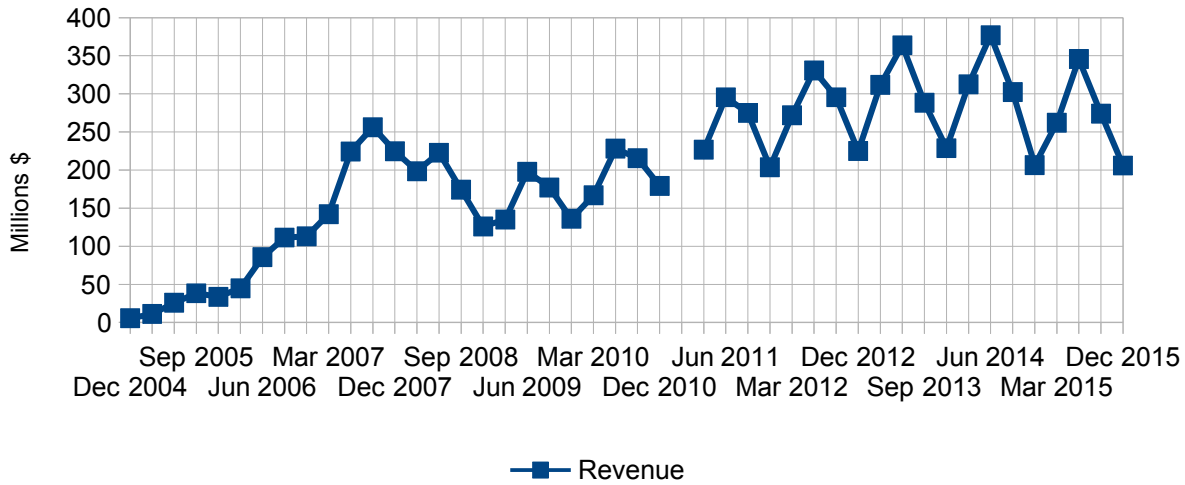
CROX reported 2015 third quarter revenue of \$274 million, \$12 million below our estimate of \$286 million. Earnings per share is **-\$0.37**, far below our \$0.13 estimate. Sales were weak across the board.

The following tables summarize our total revenue by channel for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30, 2015 2014 (in thousands)		Change		Constant Currency Change (1)	
	\$	%	\$	%	\$	%
<b>Wholesale:</b>						
Americas	\$ 48,880	\$ 53,097	<b>\$ (4,217)</b>	<b>(7.9)%</b>	<b>\$ (1,629)</b>	<b>(3.1)%</b>
Asia Pacific	53,411	63,972	<b>(10,561)</b>	<b>(16.5)</b>	<b>(4,343)</b>	<b>(6.8)</b>
Europe	30,260	33,691	<b>(3,431)</b>	<b>(10.2)</b>	<b>2,442</b>	<b>7.2</b>
Other businesses	418	435	<b>(17)</b>	<b>(3.9)</b>	<b>(31)</b>	<b>-7.1</b>
<b>Total wholesale</b>	<b>132,969</b>	<b>151,195</b>	<b>(18,226)</b>	<b>(12.1)</b>	<b>(3,561)</b>	<b>(2.4)</b>
<b>Consumer-direct:</b>						
<b>Retail:</b>						
Americas	59,468	61,721	<b>(2,253)</b>	<b>(3.7)</b>	<b>(1,455)</b>	<b>(2.4)</b>
Asia Pacific	38,374	44,387	<b>(6,013)</b>	<b>(13.5)</b>	<b>(1,786)</b>	<b>(4.0)</b>
Europe	13,813	19,494	<b>(5,681)</b>	<b>(29.1)</b>	<b>(1,561)</b>	<b>(8.0)</b>
<b>Total retail</b>	<b>111,655</b>	<b>125,602</b>	<b>(13,947)</b>	<b>(11.1)</b>	<b>(4,802)</b>	<b>(3.8)</b>
<b>E-commerce:</b>						
Americas	16,321	12,657	3,664	28.9	3,891	30.7
Asia Pacific	7,094	5,487	1,607	29.3	2,192	39.9
Europe	6,049	7,460	<b>(1,411)</b>	<b>(18.9)</b>	<b>(91)</b>	<b>(1.2)</b>
<b>Total e-commerce</b>	<b>29,464</b>	<b>25,604</b>	<b>3,860</b>	<b>15.1</b>	<b>5,992</b>	<b>23.4</b>
<b>Total revenues</b>	<b>\$ 274,088</b>	<b>\$ 302,401</b>	<b>\$ (28,313)</b>	<b>(9.4)%</b>	<b>\$ (2,371)</b>	<b>(0.8)%</b>
<b>Revenues:</b>						
Americas	\$ 124,669	\$ 127,475	<b>\$ (2,806)</b>	<b>(2.2)%</b>	\$ 807	0.6%
Asia Pacific	98,879	113,846	<b>(14,967)</b>	<b>(13.1)</b>	(3,938)	(3.5)
Europe	50,122	60,645	<b>(10,523)</b>	<b>(17.4)</b>	791	1.3
Total segment revenues	273,670	301,966	<b>(28,296)</b>	<b>(9.4)</b>	(2,340)	(0.8)
Other businesses	418	435	<b>(17)</b>	<b>(3.9)</b>	(31)	(7.1)
Total consolidated revenues	\$ 274,088	\$ 302,401	<b>\$ (28,313)</b>	<b>(9.4)%</b>	<b>\$ (2,371)</b>	<b>(0.8)%</b>

## CROX Revenue

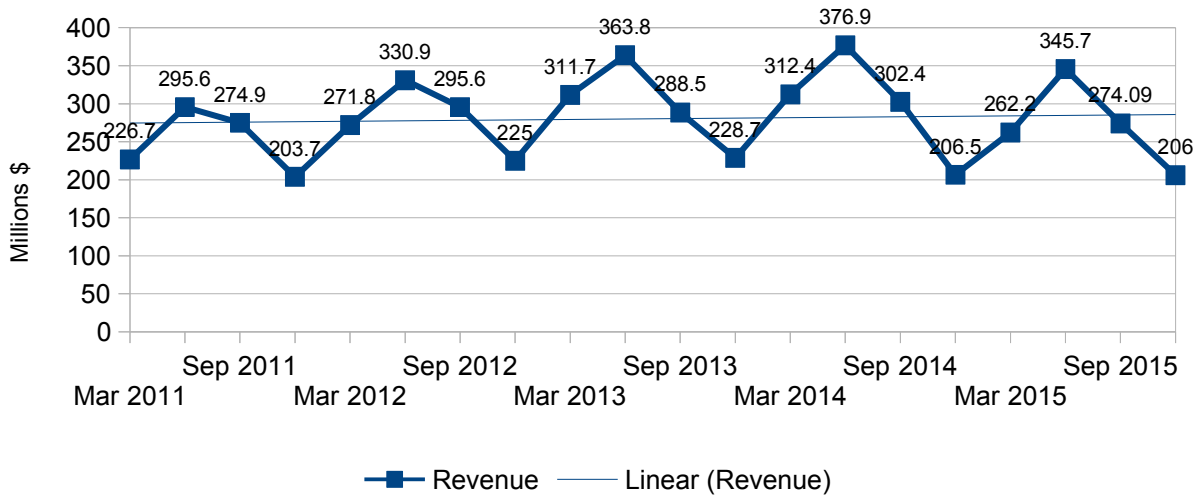
2005 To 2015



**Revenue is back at 2007 levels.**

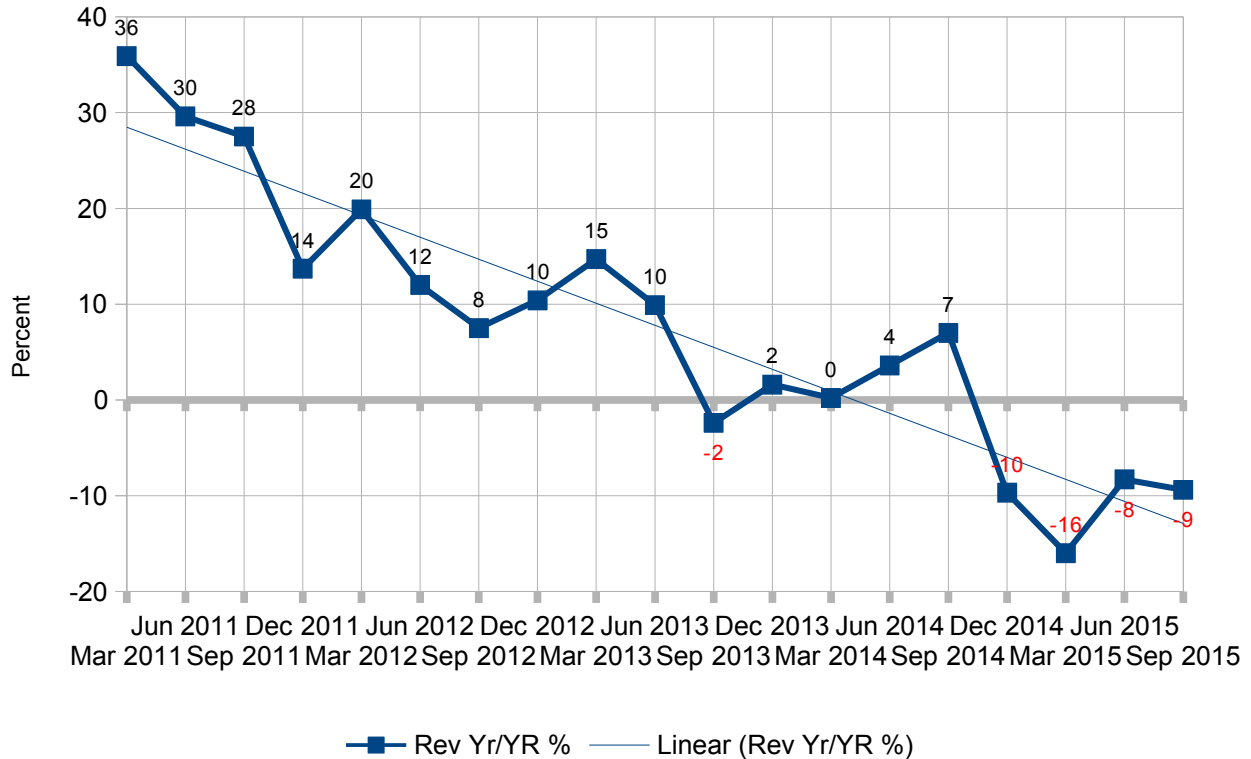
## CROX Revenue

2010 To 2015 Est.



**CROX**

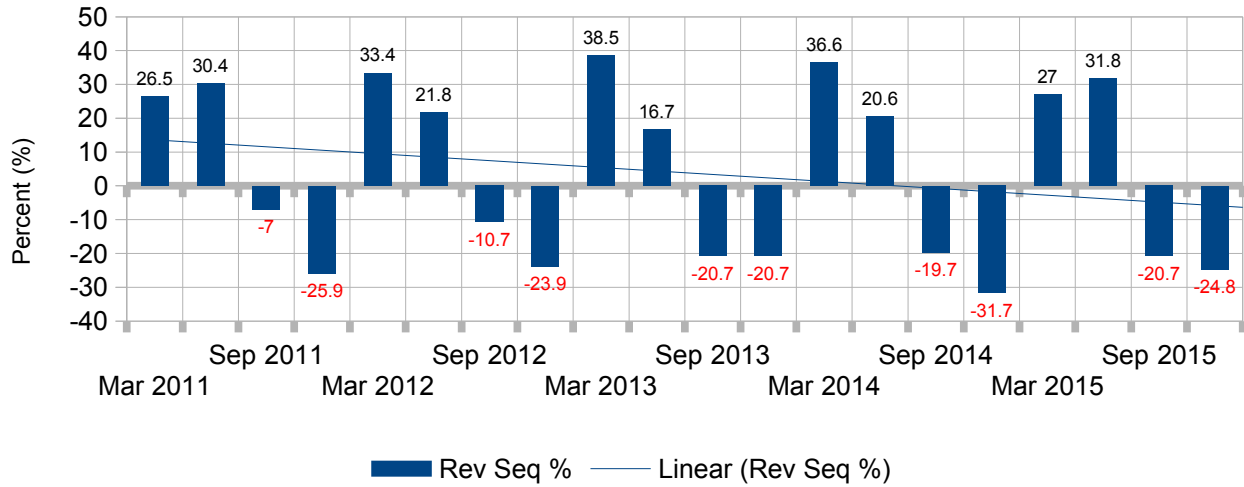
**Year Over Year Revenue Growth**



**Year over year revenue growth has been straight down for four straight years.**

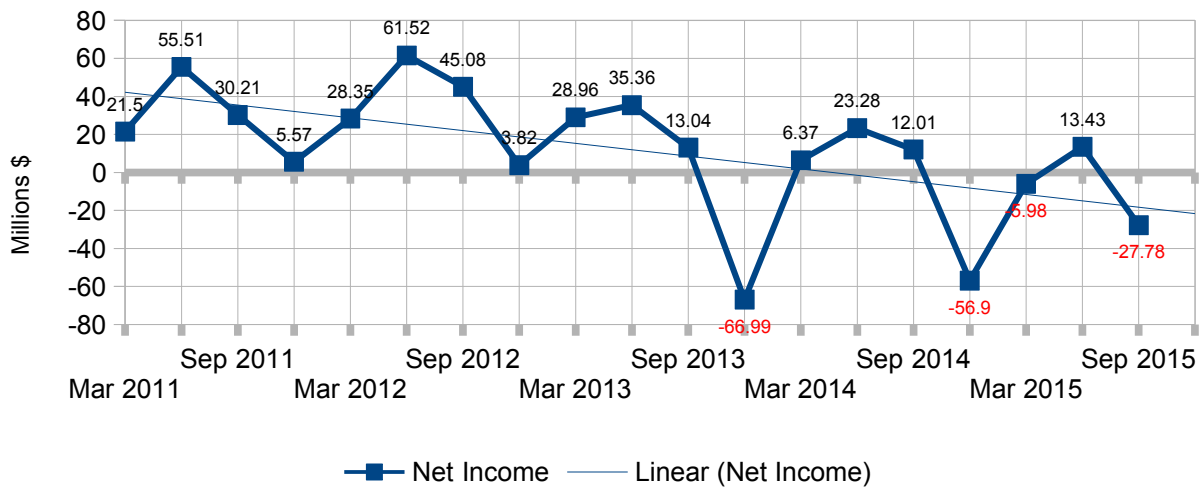
## CROX Sequential Revenue Growth

2011 To 2015



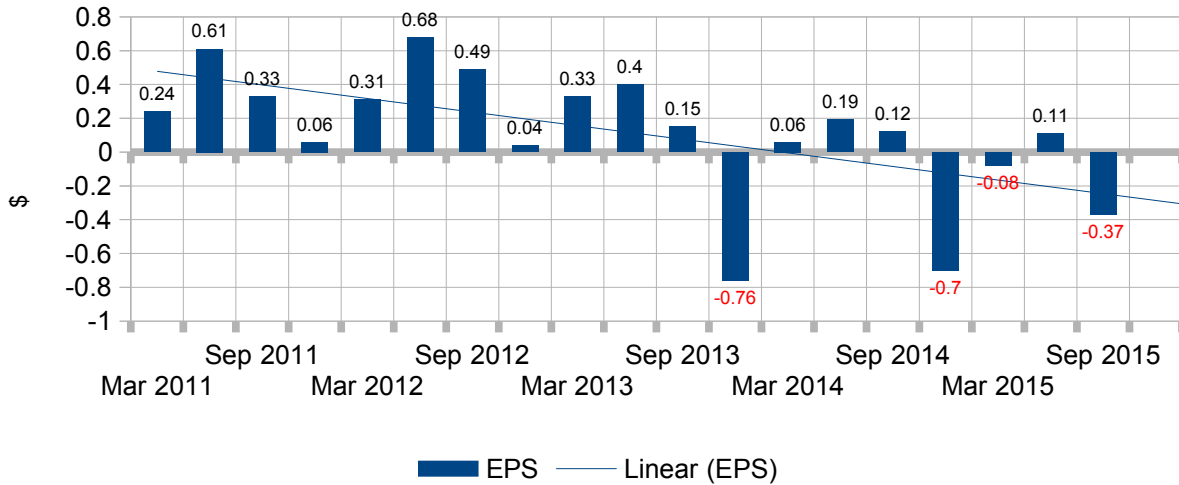
## CROX Net Income

2011 To 2015



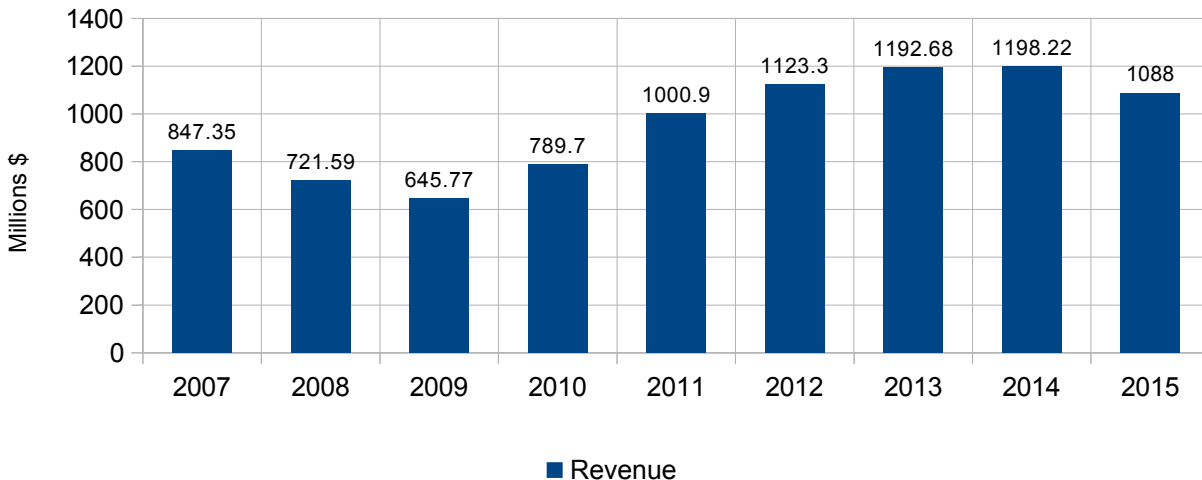
### CROX Earnings Per Share

2011 To 2015



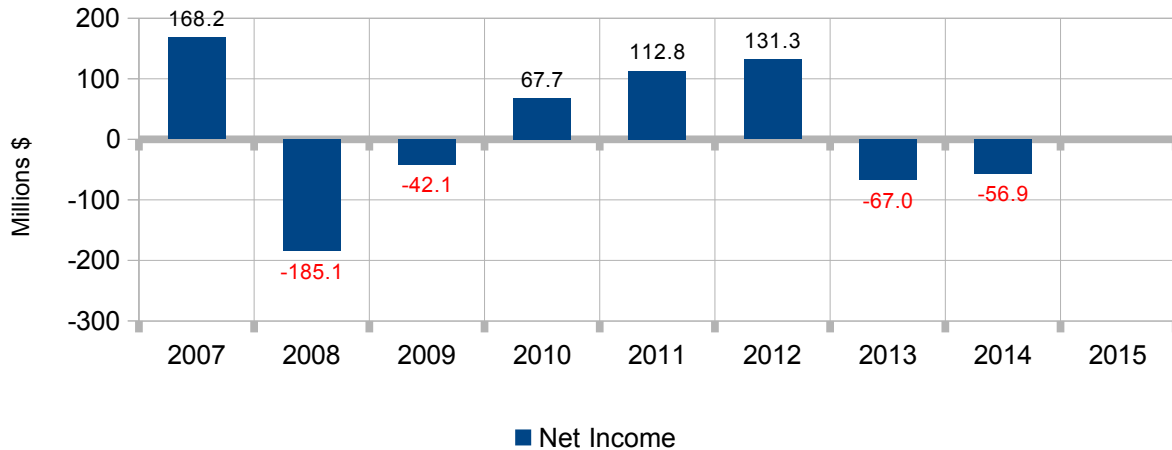
### CROX Revenue

2007 To 2015

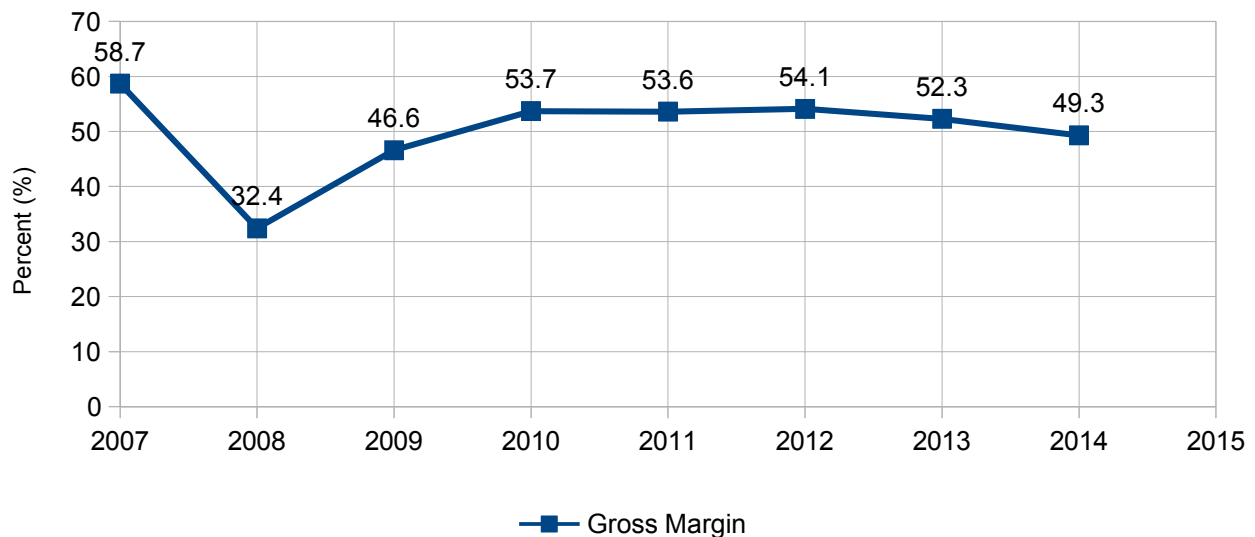


### CROX Net Income

2007 To 2015



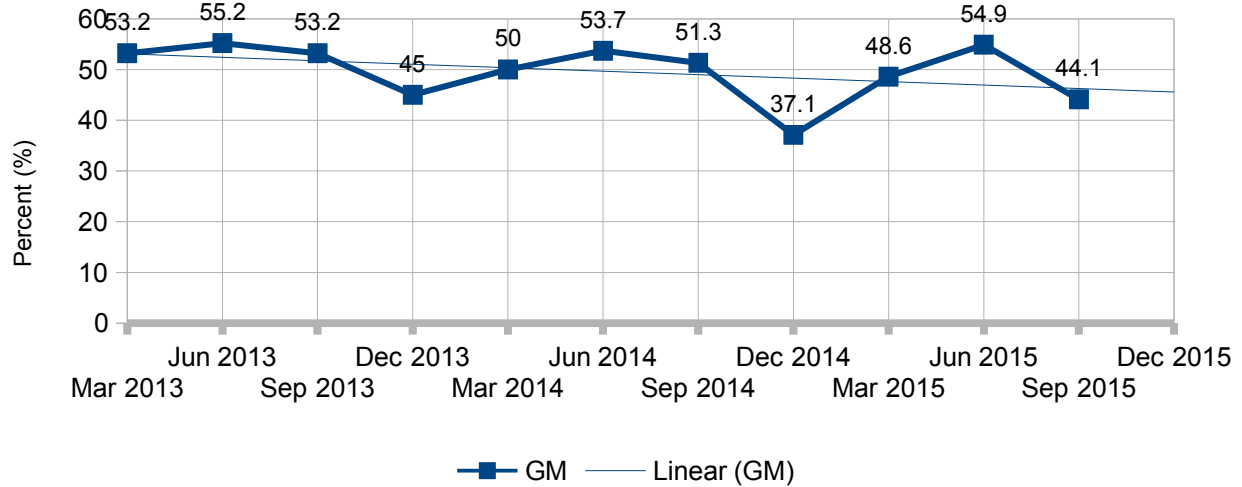
### CROX Gross Margin





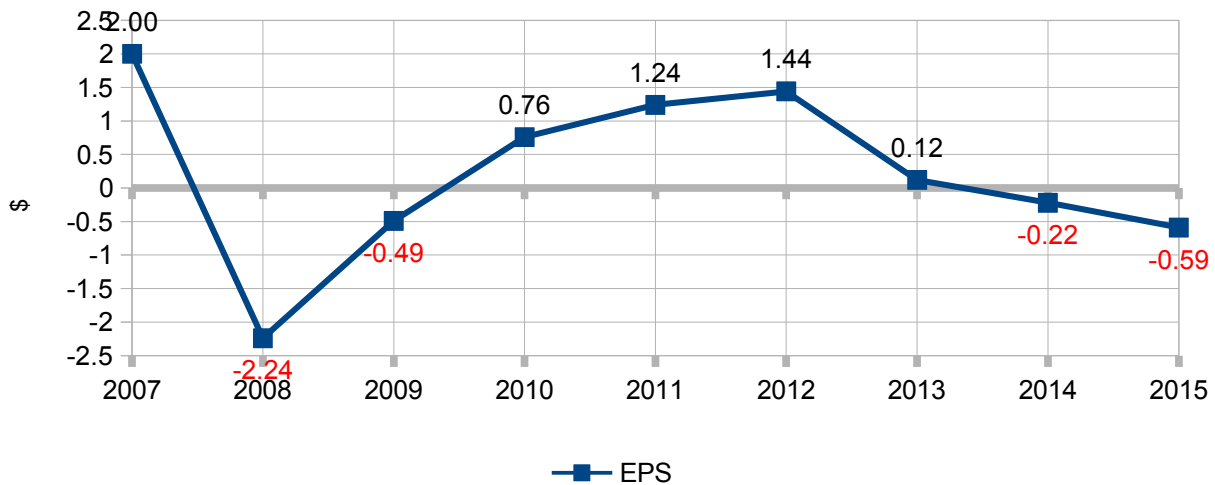
## CROX Gross Margin

2013 To 2015



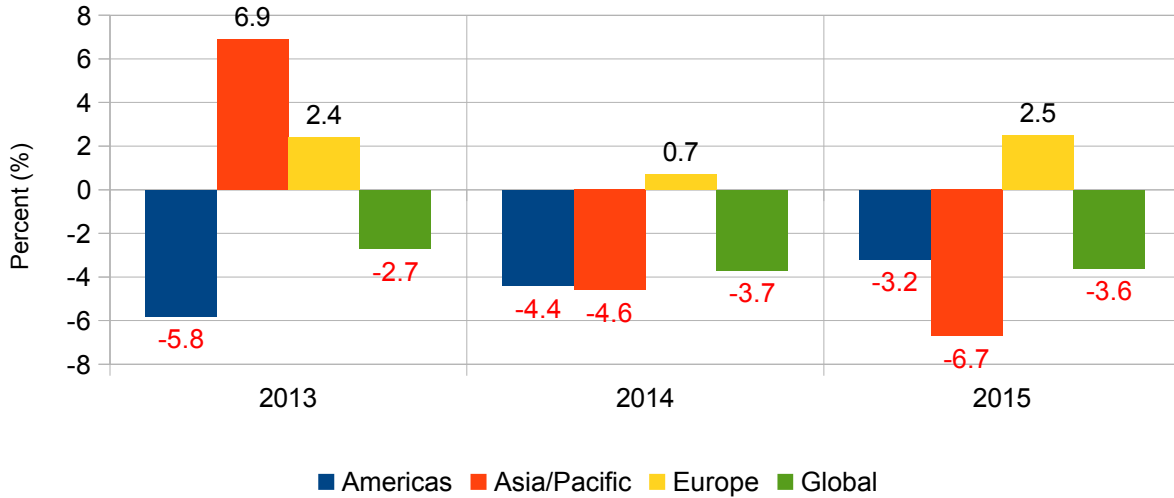
## CROX Earnings Per Share

2007 To 2015



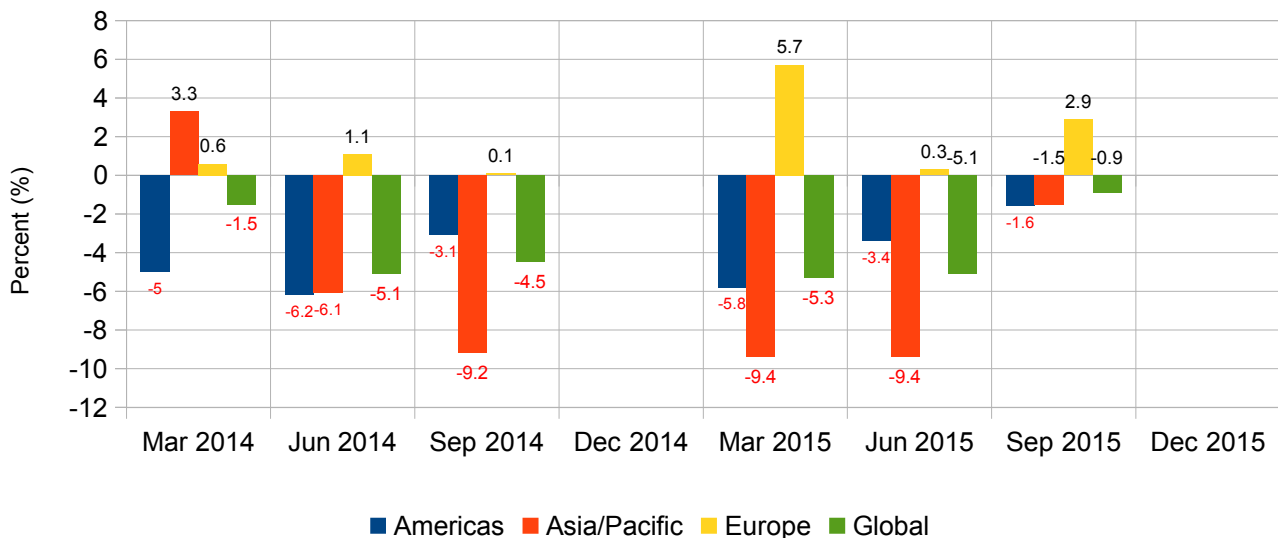
### CROX Same Store Sales

Constant Currency



### CROX Same Store Sales

Constant Currency



## Conclusion

CROX has award winning technology. Their shoes are extremely comfortable, non-bacterial and don't smell. However, various managements have not been able to produce a popular shoe since their fad clog shoe from year ago. We believe that for CROX to be successful, they need to license their technology to another shoe company such as NIKE or Under Armour.

Deciding to return to their previous fad clog shoe was a major miscalculation. It is very hard to revive a fashion fad. CROX hit two of our "F" short metrics: Fad and Fashion.

Fads.

Fashion.

Financials.

Frauds.