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: June 29, 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

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 ☐

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 July 30, 2024: 53,134,303

FOSSIL GROUP, INC.
FORM 10-Q
FOR THE FISCAL QUARTER ENDED JUNE 29, 2024
INDEX

		Page
	PART I	
Item 1.	Financial Statements	5
	Condensed Consolidated Balance Sheets	5
	Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)	6
	Condensed Consolidated Statements of Stockholders' Equity	7
	Condensed Consolidated Statements of Cash Flows	9
	Notes to Condensed Consolidated Financial Statements	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	31
	Results of Operations	33
	Liquidity and Capital Resources	44
	Forward-Looking Statements	46
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	47
Item 4.	Controls and Procedures	47
	PART II	
Item 1.	Legal Proceedings	48
Item 1A.	Risk Factors	48
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	48
Item 5.	Other Information	48
Item 6.	Exhibits	49
	SIGNATURES	50

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

	June 29, 2024	December 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 104,906	$ 117,197
Accounts receivable - net of allowances for doubtful accounts of $15,241 and $12,616, respectively	133,076	187,942
Inventories	202,128	252,834
Prepaid expenses and other current assets	102,299	152,717
Total current assets	542,409	710,690
Property, plant and equipment - net of accumulated depreciation of $368,016 and $384,688, respectively	47,216	57,244
Operating lease right-of-use assets	140,168	151,000
Intangible and other assets-net	55,889	59,096
Total long-term assets	243,273	267,340
Total assets	$ 785,682	$ 978,030
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 132,535	$ 147,161
Short-term debt	2,556	480
Accrued expenses:		
Current operating lease liabilities	39,689	43,565
Compensation	37,573	44,789
Royalties	7,572	15,880
Customer liabilities	24,782	37,584
Transaction taxes	6,673	10,412
Other	20,630	27,811
Income taxes payable	7,660	14,795
Total current liabilities	279,670	342,477
Long-term income taxes payable	19,491	20,409
Deferred income tax liabilities	686	698
Long-term debt	156,535	206,983
Long-term operating lease liabilities	125,360	137,644
Other long-term liabilities	16,864	18,081
Total long-term liabilities	318,936	383,815
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock, 53,099 and 52,487 shares issued and outstanding at June 29, 2024 and December 30, 2023, respectively	531	525
Additional paid-in capital	313,581	311,709
Retained (deficit) earnings	(44,678)	18,403
Accumulated other comprehensive income (loss)	(79,788)	(76,405)
Total Fossil Group, Inc. stockholders' equity	189,646	254,232
Noncontrolling interests	(2,570)	(2,494)
Total stockholders' equity	187,076	251,738
Total liabilities and stockholders' equity	$ 785,682	$ 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 June 29, 2024	For the 13 Weeks Ended July 1, 2023	For the 26 Weeks Ended June 29, 2024	For the 26 Weeks Ended July 1, 2023
Net sales	$ 259,991	$ 321,966	$ 514,874	$ 647,002
Cost of sales	123,140	165,299	244,531	329,618
Gross profit	136,851	156,667	270,343	317,384
Operating expenses:				
Selling, general and administrative expenses	153,604	187,187	305,876	378,060
Other long-lived asset impairments	577	161	950	216
Restructuring expenses	16,673	4,632	26,726	11,729
Total operating expenses	170,854	191,980	333,552	390,005
Operating income (loss)	(34,003)	(35,313)	(63,209)	(72,621)
Interest expense	4,082	5,345	9,194	10,350
Other income (expense) - net	1,450	7,172	5,338	9,906
Income (loss) before income taxes	(36,635)	(33,486)	(67,065)	(73,065)
Provision (benefit) for income taxes	2,208	(7,198)	(3,908)	(5,595)
Net income (loss)	(38,843)	(26,288)	(63,157)	(67,470)
Less: Net income (loss) attributable to noncontrolling interests	(58)	241	(76)	321
Net income (loss) attributable to Fossil Group, Inc.	$ (38,785)	$ (26,529)	$ (63,081)	$ (67,791)
Other comprehensive income (loss), net of taxes:				
Currency translation adjustment	$ (1,631)	$ (4,090)	$ (4,117)	$ 1,807
Cash flow hedges - net change	107	(191)	753	(2,977)
Pension plan activity	—	—	(19)	—
Total other comprehensive income (loss)	(1,524)	(4,281)	(3,383)	(1,170)
Total comprehensive income (loss)	(40,367)	(30,569)	(66,540)	(68,640)
Less: Comprehensive income (loss) attributable to noncontrolling interests	(58)	241	(76)	321
Comprehensive income (loss) attributable to Fossil Group, Inc.	$ (40,309)	$ (30,810)	$ (66,464)	$ (68,961)
Earnings (loss) per share:				
Basic	$ (0.73)	$ (0.51)	$ (1.20)	$ (1.30)
Diluted	$ (0.73)	$ (0.51)	$ (1.20)	$ (1.30)
Weighted average common shares outstanding:				
Basic	52,927	52,349	52,709	52,095
Diluted	52,927	52,349	52,709	52,095

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 June 29, 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, March 30, 2024	52,492	$ 525	$ 312,717	$ —	$ (5,893)	$ (78,264)	$ 229,085	$ (2,512)	$ 226,573
Common stock issued upon exercise of stock options, stock appreciation rights and restricted stock units	730	7	(7)	—	—	—	—	—	—
Acquisition of common stock for employee tax withholding	—	—	—	(108)	—	—	(108)	—	(108)
Retirement of common stock	(123)	(1)	(107)	108	—	—	—	—	—
Stock-based compensation	—	—	978	—	—	—	978	—	978
Net income (loss)	—	—	—	—	(38,785)	—	(38,785)	(58)	(38,843)
Other comprehensive income (loss)	—	—	—	—	—	(1,524)	(1,524)	—	(1,524)
Balance, June 29, 2024	53,099	$ 531	$ 313,581	$ —	$ (44,678)	$ (79,788)	$ 189,646	$ (2,570)	$ 187,076

For the 13 Weeks Ended July 1, 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, April 1, 2023	51,841	$ 518	$ 307,592	$ —	$ 134,229	$ (73,207)	$ 369,132	$ (2,843)	$ 366,289
Common stock issued upon exercise of stock options, stock appreciation rights and restricted stock units	762	8	(8)	—	—	—	—	—	—
Acquisition of common stock for employee tax withholding	—	—	—	(504)	—	—	(504)	—	(504)
Retirement of common stock	(157)	(2)	(502)	504	—	—	—	—	—
Stock-based compensation	—	—	1,686	—	—	—	1,686	—	1,686
Net income (loss)	—	—	—	—	(26,529)	—	(26,529)	241	(26,288)
Other comprehensive income (loss)	—	—	—	—	—	(4,281)	(4,281)	—	(4,281)
Balance, July 1, 2023	52,446	$ 524	$ 308,768	$ —	$ 107,700	$ (77,488)	$ 339,504	$ (2,602)	$ 336,902

For the 26 Weeks Ended June 29, 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	737	7	(7)	—	—	—	—	—	—
Acquisition of common stock for employee tax withholding	—	—	—	(111)	—	—	(111)	—	(111)
Retirement of common stock	(125)	(1)	(110)	111	—	—	—	—	—
Stock-based compensation	—	—	1,989	—	—	—	1,989	—	1,989
Net income (loss)	—	—	—	—	(63,081)	—	(63,081)	(76)	(63,157)
Other comprehensive income (loss)	—	—	—	—	—	(3,383)	(3,383)		(3,383)
Balance, June 29, 2024	53,099	$ 531	$ 313,581	$ —	$ (44,678)	$ (79,788)	$ 189,646	$ (2,570)	$ 187,076

For the 26 Weeks Ended July 1, 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	768	8	(8)	—	—	—	—	—	—
Acquisition of common stock	—	—	—	(516)	—	—	(516)	—	(516)
Retirement of common stock	(158)	(2)	(514)	516	—	—	—	—	—
Stock-based compensation	—	—	3,049	—	—	—	3,049	—	3,049
Net income (loss)	—	—	—	—	(67,791)	—	(67,791)	321	(67,470)
Other comprehensive income (loss)	—	—	—	—	—	(1,170)	(1,170)	—	(1,170)
Balance, July 1, 2023	52,446	$ 524	$ 308,768	$ —	$ 107,700	$ (77,488)	$ 339,504	$ (2,602)	$ 336,902

See notes to the unaudited condensed consolidated financial statements.

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

	For the 26 Weeks Ended June 29, 2024	For the 26 Weeks Ended July 1, 2023
Operating Activities:		
Net income (loss)	$ (63,157)	$ (67,470)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and accretion	8,407	9,868
Non-cash lease expense	33,154	37,848
Stock-based compensation	1,625	3,049
Decrease in allowance for returns and markdowns	(8,867)	(11,017)
Property, plant and equipment and other long-lived asset impairment losses	950	215
Non-cash restructuring charges	501	—
Bad debt expense	4,404	(19)
Other non-cash items	753	(3,473)
Changes in operating assets and liabilities:		
Accounts receivable	48,846	48,337
Inventories	45,825	52,814
Prepaid expenses and other current assets	50,514	(17,854)
Accounts payable	(12,543)	(49,890)
Accrued expenses	(24,330)	(23,960)
Income taxes	(8,278)	(17,722)
Operating lease liabilities	(38,818)	(43,774)
Net cash provided by (used in) operating activities	38,986	(83,048)
Investing Activities:		
Additions to property, plant and equipment and other	(3,423)	(4,569)
Decrease (increase) in intangible and other assets	335	(176)
Net cash used in investing activities	(3,088)	(4,745)
Financing Activities:		
Acquisition of common stock	(111)	(516)
Debt borrowings	33,781	75,142
Debt payments	(82,724)	(49,008)
Payment for shares of Fossil Accessories South Africa Pty. Ltd.	(422)	(2,316)
Net cash (used in) provided by financing activities	(49,476)	23,302
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1,076	(2,648)
Net decrease in cash, cash equivalents, and restricted cash	(12,502)	(67,139)
Cash, cash equivalents, and restricted cash:		
Beginning of period	121,583	204,075
End of period	$ 109,081	$ 136,936

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 June 29, 2024 ("Second Quarter") as compared to the thirteen-week period ended July 1, 2023 ("Prior Year Quarter"), and the twenty-six week period ended June 29, 2024 ("Year To Date Period") as compared to the twenty-six week period ended July 1, 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 June 29, 2024, and the results of operations for the Second 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 Second Quarter are not necessarily indicative of the results to be achieved for the full fiscal year.

Effective during the third quarter of fiscal year 2023, the Company made a change to the presentation of its available borrowing capacity under its Revolving Facility (as defined in Note 15 - Debt Activity) to exclude available borrowings that would trigger a contingent covenant. The Company's historical disclosures have been recast to be consistent with its current presentation.

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 June 29, 2024	For the 13 Weeks Ended July 1, 2023	For the 26 Weeks Ended June 29, 2024	For the 26 Weeks Ended July 1, 2023
Numerator:				
Net income (loss) attributable to Fossil Group, Inc.	$ (38,785)	$ (26,529)	$ (63,081)	$ (67,791)
Denominator:				
Basic EPS computation:				
Basic weighted average common shares outstanding	52,927	52,349	52,709	52,095
Basic EPS	$ (0.73)	$ (0.51)	$ (1.20)	$ (1.30)
Diluted EPS computation:				
Diluted weighted average common shares outstanding	52,927	52,349	52,709	52,095
Diluted EPS	$ (0.73)	$ (0.51)	$ (1.20)	$ (1.30)

At the end of the Second Quarter and Year To Date Period, approximately 1.6 million and 1.7 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 0.2 million and 0.2 million weighted average performance-based shares at the end of the Second 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 0.4 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 June 29, 2024 and July 1, 2023 that are presented in the condensed consolidated statement of cash flows (in thousands):

	June 29, 2024	July 1, 2023
Cash and cash equivalents	$ 104,906	$ 132,107
Restricted cash included in prepaid expenses and other current assets	625	107
Restricted cash included in intangible and other assets-net	3,550	4,722
Cash, cash equivalents and restricted cash	$ 109,081	$ 136,936

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*, 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 is evaluating the impact of adopting this guidance on its financial statement disclosures.

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. The Company is evaluating the impact of adopting this guidance on its financial statement disclosures.

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 June 29, 2024				
	Americas	**Europe**	**Asia**	**Corporate**	**Total**
Product type					
Watches:					
Traditional watches	$ 87,945	$ 55,624	$ 50,519	$ —	$ 194,088
Smartwatches	5,526	538	2,328	—	8,392
Total watches	93,471	56,162	52,847	—	202,480
Leathers	18,151	3,738	5,277	—	27,166
Jewelry	5,526	12,211	6,462	—	24,199
Other	2,436	2,741	613	356	6,146
Consolidated	$ 119,584	$ 74,852	$ 65,199	$ 356	$ 259,991
Timing of revenue recognition					
Revenue recognized at a point in time	$ 119,484	$ 74,703	$ 65,087	$ 356	$ 259,630
Revenue recognized over time	100	149	112	—	361
Consolidated	$ 119,584	$ 74,852	$ 65,199	$ 356	$ 259,991

	For the 13 Weeks Ended July 1, 2023				
	Americas	Europe	Asia	Corporate	Total
Product type					
Watches:					
Traditional watches	$ 108,875	$ 59,411	$ 65,889	$ 1,927	$ 236,102
Smartwatches	8,443	5,263	4,073	—	17,779
Total watches	$ 117,318	$ 64,674	$ 69,962	$ 1,927	$ 253,881
Leathers	20,963	4,986	7,373	—	33,322
Jewelry	6,223	15,380	5,755	—	27,358
Other	2,147	3,239	1,033	986	7,405
Consolidated	$ 146,651	$ 88,279	$ 84,123	$ 2,913	$ 321,966
Timing of revenue recognition					
Revenue recognized at a point in time	$ 146,496	$ 88,084	$ 84,009	$ 2,638	$ 321,227
Revenue recognized over time	155	195	114	275	739
Consolidated	$ 146,651	$ 88,279	$ 84,123	$ 2,913	$ 321,966

	For the 26 Weeks Ended June 29, 2024				
	Americas	Europe	Asia	Corporate	Total
Product type					
Watches:					
Traditional watches	$ 166,650	$ 112,757	$ 101,242	$ —	$ 380,649
Smartwatches	10,680	2,099	4,490	—	17,269
Total watches	$ 177,330	$ 114,856	$ 105,732	$ —	$ 397,918
Leathers	35,670	8,143	10,936	—	54,749
Jewelry	12,146	25,689	12,628	—	50,463
Other	4,455	4,884	1,440	965	11,744
Consolidated	$ 229,601	$ 153,572	$ 130,736	$ 965	$ 514,874
Timing of revenue recognition					
Revenue recognized at a point in time	$ 229,393	$ 153,263	$ 130,511	$ 965	$ 514,132
Revenue recognized over time	208	309	225	—	742
Consolidated	$ 229,601	$ 153,572	$ 130,736	$ 965	$ 514,874

	For the 26 Weeks Ended July 1, 2023				
	Americas	Europe	Asia	Corporate	Total
Product type					
Watches:					
Traditional watches	$ 200,231	$ 131,215	$ 128,155	$ 1,927	$ 461,528
Smartwatches	20,933	11,885	9,361	—	42,179
Total watches	$ 221,164	$ 143,100	$ 137,516	$ 1,927	$ 503,707
Leathers	48,074	11,758	13,753	—	73,585
Jewelry	11,642	33,880	10,880	—	56,402
Other	3,703	5,214	2,110	2,281	13,308
Consolidated	$ 284,583	$ 193,952	$ 164,259	$ 4,208	$ 647,002
Timing of revenue recognition					
Revenue recognized at a point in time	$ 284,259	$ 193,568	$ 164,036	$ 3,658	$ 645,521
Revenue recognized over time	324	384	223	550	1,481
Consolidated	$ 284,583	$ 193,952	$ 164,259	$ 4,208	$ 647,002

Contract Balances. As of June 29, 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 June 29, 2024 and December 30, 2023, respectively, related to remaining performance obligations on licensing income, (ii) $1.2 million and $1.7 million as of June 29, 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 June 29, 2024 and December 30, 2023, respectively, related to gift cards issued.

3. INVENTORIES

Inventories consisted of the following (in thousands):

	June 29, 2024	December 30, 2023
Components and parts	$ 17,817	$ 18,931
Work-in-process	261	—
Finished goods	184,050	233,903
Inventories	$ 202,128	$ 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 26 Weeks Ended June 29, 2024	For the 26 Weeks Ended July 1, 2023
Beginning balance	$ 10,122	$ 13,623
Settlements in cash or kind	(2,390)	(3,766)
Warranties issued and adjustments to preexisting warranties [1]	35	2,403
Ending balance	$ 7,767	$ 12,260

[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 June 29, 2024	For the 13 Weeks Ended July 1, 2023	For the 26 Weeks Ended June 29, 2024	For the 26 Weeks Ended July 1, 2023
Income tax (benefit) expense	$ 2,208	$ (7,198)	$ (3,908)	$ (5,595)
Effective tax rate	(6.0)%	21.5 %	5.8 %	7.7 %

The effective tax rate in the Second 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 June 29, 2024, the Company's total amount of unrecognized tax benefits, excluding interest and penalties, was $17.5 million, of which $17.5 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 $14.5 million (including interest), of which $0.9 million was recognized in the second quarter.

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 June 29, 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 June 29, 2024, the total amount of accrued income tax-related interest expense, net included in the condensed consolidated balance sheets was $2.0 million, consisting of $6.6 million of accrued interest expense and $4.6 million of accrued interest income. 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 53,099,052 and 52,487,020 shares issued and outstanding at June 29, 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 June 29, 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 June 29, 2024 and December 30, 2023, all treasury stock had been effectively retired. As of June 29, 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 Second 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 Second Quarter, and there were no stock appreciation rights outstanding as of June 29, 2024

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

Restricted Stock Units and Performance Restricted Stock Units	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
	(in Thousands)	
Nonvested at March 30, 2024	1,834	$ 6.09
Granted	700	0.88
Vested	(817)	6.35
Forfeited	(367)	6.08
Nonvested at June 29, 2024	1,350	$ 3.17

The total fair value of restricted stock units vested was $0.8 million during the Second Quarter. Vesting of performance restricted stock units is based on achievement of 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.

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 June 29, 2024			
		Cash Flow Hedges		
	Currency Translation Adjustments	Forward Contracts	Pension Plan	Total
Beginning balance	$ (86,392)	$ 2,334	$ 5,794	$ (78,264)
Other comprehensive income (loss) before reclassifications	(1,631)	376	—	(1,255)
Tax (expense) benefit	—	(6)	—	(6)
Amounts reclassed from accumulated other comprehensive income (loss)	—	202	—	202
Tax (expense) benefit	—	61	—	61
Total other comprehensive income (loss)	(1,631)	107	—	(1,524)
Ending balance	$ (88,023)	$ 2,441	$ 5,794	$ (79,788)

	For the 13 Weeks Ended July 1, 2023			
	Currency Translation Adjustments	Cash Flow Hedges Forward Contracts	Pension Plan	Total
Beginning balance	$ (84,784)	$ (389)	$ 11,966	$ (73,207)
Other comprehensive income (loss) before reclassifications	(4,090)	(625)	—	(4,715)
Tax (expense) benefit	—	183	—	183
Amounts reclassed from accumulated other comprehensive income (loss)	—	(510)	—	(510)
Tax (expense) benefit	—	259	—	259
Total other comprehensive income (loss)	(4,090)	(191)	—	(4,281)
Ending balance	$ (88,874)	$ (580)	$ 11,966	$ (77,488)

	For the 26 Weeks Ended June 29, 2024			
	Currency Translation Adjustments	Cash Flow Hedges Forward Contracts	Pension Plan	Total
Beginning balance	$ (83,906)	$ 1,688	$ 5,813	$ (76,405)
Other comprehensive income (loss) before reclassifications	(4,117)	1,050	(19)	(3,086)
Tax (expense) benefit	—	70	—	70
Amounts reclassed from accumulated other comprehensive income	—	232	—	232
Tax (expense) benefit	—	135	—	135
Total other comprehensive income (loss)	(4,117)	753	(19)	(3,383)
Ending balance	$ (88,023)	$ 2,441	$ 5,794	$ (79,788)

	For the 26 Weeks Ended July 1, 2023			
	Currency Translation Adjustments	Cash Flow Hedges Forward Contracts	Pension Plan	Total
Beginning balance	$ (90,681)	$ 2,397	$ 11,966	$ (76,318)
Other comprehensive income (loss) before reclassifications	1,807	(3,751)	—	(1,944)
Tax (expense) benefit	—	628	—	628
Amounts reclassed from accumulated other comprehensive income (loss)	—	(685)	—	(685)
Tax (expense) benefit	—	539	—	539
Total other comprehensive income (loss)	1,807	(2,977)	—	(1,170)
Ending balance	$ (88,874)	$ (580)	$ 11,966	$ (77,488)

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 June 29, 2024		For the 13 Weeks Ended July 1, 2023	
	Net Sales	Operating Income (Loss)	Net Sales	Operating Income (Loss)
Americas	$ 119,584	$ 14,604	$ 146,651	$ 23,444
Europe	74,852	9,958	88,279	(688)
Asia	65,199	6,024	84,123	7,404
Corporate	356	(64,589)	2,913	(65,473)
Consolidated	$ 259,991	$ (34,003)	$ 321,966	$ (35,313)

	For the 26 Weeks Ended June 29, 2024		For the 26 Weeks Ended July 1, 2023	
	Net Sales	Operating Income (Loss)	Net Sales	Operating Income (Loss)
Americas	$ 229,601	$ 23,359	$ 284,583	$ 36,000
Europe	153,572	17,352	193,952	6,282
Asia	130,736	11,826	164,259	14,604
Corporate	965	(115,746)	4,208	(129,507)
Consolidated	$ 514,874	$ (63,209)	$ 647,002	$ (72,621)

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 June 29, 2024		For the 13 Weeks Ended July 1, 2023	
	Net Sales	Percentage of Total	Net Sales	Percentage of Total
Watches:				
Traditional watches	$ 194,088	74.7 %	$ 236,102	73.4 %
Smartwatches	8,392	3.2	17,779	5.5
Total watches	$ 202,480	77.9 %	$ 253,881	78.9 %
Leathers	27,166	10.4	33,322	10.3
Jewelry	24,199	9.3	27,358	8.5
Other	6,146	2.4	7,405	2.3
Total	$ 259,991	100.0 %	$ 321,966	100.0 %

	For the 26 Weeks Ended June 29, 2024		For the 26 Weeks Ended July 1, 2023	
	Net Sales	Percentage of Total	Net Sales	Percentage of Total
Watches:				
Traditional watches	$ 380,649	73.9 %	$ 461,528	71.3 %
Smartwatches	17,269	3.4	42,179	6.5
Total watches	397,918	77.3 %	$ 503,707	77.8 %
Leathers	54,749	10.6	73,585	11.4
Jewelry	50,463	9.8	56,402	8.7
Other	11,744	2.3	13,308	2.1
Total	$ 514,874	100.0 %	$ 647,002	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 June 29, 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	20.6	U.S. dollar	23.1
Canadian dollar	9.2	U.S. dollar	6.9
British pound	1.9	U.S. dollar	2.4
Japanese yen	119.0	U.S. dollar	0.9
Australian dollar	0.9	U.S. dollar	0.6
U.S. dollar	0.7	Japanese yen	90.0

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 June 29, 2024, the Company had non-designated forward contracts of $0.9 million on 16.6 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 June 29, 2024	For the 13 Weeks Ended July 1, 2023
Cash flow hedges:		
Forward contracts	$ 370	$ (442)
Total gain (loss) recognized in other comprehensive income (loss), net of taxes	$ 370	$ (442)

	For the 26 Weeks Ended June 29, 2024	For the 26 Weeks Ended July 1, 2023
Cash flow hedges:		
Forward contracts	$ 1,120	$ (3,123)
Total gain (loss) recognized in other comprehensive income (loss), net of taxes	$ 1,120	$ (3,123)

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 June 29, 2024	For the 1 Weeks Ended Ju 1, 2023
Forward contracts designated as cash flow hedging instruments	Cost of sales	Total gain (loss) reclassified from accumulated other comprehensive income (loss)	$ 65	$ (4
Forward contracts designated as cash flow hedging instruments	Other income (expense)-net	Total gain (loss) reclassified from accumulated other comprehensive income (loss)	$ 198	$ 2
Forward contracts not designated as hedging instruments	Other income (expense)-net	Total gain (loss) recognized in income	$ 11	$

Derivative Instruments	Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) Location	Effect of Derivative Instruments	For the 26 Weeks Ended June 29, 2024	For the 26 Weeks Ended July 1, 2023
Forward contracts designated as cash flow hedging instruments	Cost of sales	Total gain (loss) reclassified from accumulated other comprehensive income (loss)	$ (6)	$ (19)
Forward contracts designated as cash flow hedging instruments	Other income (expense)-net	Total gain (loss) reclassified from accumulated other comprehensive income (loss)	$ 373	$ (127)
Forward contracts not designated as hedging instruments	Other income (expense)-net	Total gain (loss) recognized in income	$ 16	$ 63

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			
	June 29, 2024		December 30, 2023		June 29, 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	$ 1,231	Prepaid expenses and other current assets	$ 339	Accrued expenses-other	$ 110	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	8	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-termliabilities	—	Other long-termliabilities	28
Total		$ 1,231		$ 359		$ 118		$ 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 June 29, 2024		For the 13 Weeks Ended July 1, 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	$ 123,140	$ 1,450	$ 165,299	$ 7,172
Gain (loss) on cash flow hedging relationships:				
Forward contracts designated as cash flow hedging instruments:				
Total gain (loss) reclassified from other comprehensive income (loss)	$ 65	$ 198	$ (451)	$ 200
Forward contracts not designated as hedging instruments:				
Total gain (loss) recognized in income	$ —	$ 11	$ —	$ 38

	Effect of Derivative Instruments			
	For the 26 Weeks Ended June 29, 2024		For the 26 Weeks Ended July 1, 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	$ 244,531	$ 5,338	$ 329,618	$ 9,906
Gain (loss) on cash flow hedging relationships:				
Forward contracts designated as cash flow hedging instruments:				
Total gain (loss) reclassified from other comprehensive income (loss)	$ (6)	$ 373	$ (19)	$ (127)
Forward contracts not designated as hedging instruments:				
Total gain (loss) recognized in income	$ —	$ 16	$ —	$ 63

At the end of the Second Quarter, the Company had forward contracts designated as cash flow hedges with maturities extending through March 2025. As of June 29, 2024, a $1.1 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 June 29, 2024 (in thousands):

	Fair Value at June 29, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Forward contracts	$ —	$ 1,231	$ —	$ 1,231
Total	$ —	$ 1,231	$ —	$ 1,231
Liabilities:				
Forward contracts	—	118	—	118
Total	$ —	$ 118	$ —	$ 118

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 June 29, 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 $75.0 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 $10.7 million and a fair value of approximately $8.1 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 $2.5 million and property, plant and equipment-net with a carrying value of $0.3 million were written down to a fair value of $1.7 million and $0.1 million, respectively, resulting in impairment charges of $1.0 million. During the Prior Year YTD Period, ROU assets with a carrying amount of $0.8 million were written down to a fair value of $0.6 million, resulting in impairment charges of $0.2 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 $1.0 million impairment expense in the Year to Date Period, $0.8 million and $0.2 million was recorded in other long-lived asset impairments in the Asia and Europe segments, respectively. Of the $0.2 million impairment expense in the Prior Year YTD Period, $0.1 million was recorded in other long-lived asset impairments in both the Americas and Europe segments.

12. INTANGIBLE AND OTHER ASSETS

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

	Useful Lives	June 29, 2024 Gross Amount	June 29, 2024 Accumulated Amortization	December 30, 2023 Gross Amount	December 30, 2023 Accumulated Amortization
Intangibles-subject to amortization:					
Trademarks	10 yrs.	$ 3,978	$ 3,306	$ 3,978	$ 3,256
Patents	3 - 20 yrs.	850	558	850	546
Trade name	6 yrs.	4,502	3,564	4,502	3,189
Other	7 - 20 yrs.	340	256	341	236
Total intangibles-subject to amortization		9,670	7,684	9,671	7,227
Intangibles-not subject to amortization:					
Trade names		8,888		8,919	
Other assets:					
Deposits		15,175		16,168	
Deferred tax asset-net		20,870		21,426	
Restricted cash		3,550		4,309	
Debt issuance costs		2,172		2,490	
Other		3,248		3,340	
Total other assets		45,015		47,733	
Total intangible and other assets		$ 63,573	$ 7,684	$ 66,323	$ 7,227
Total intangible and other assets-net			$ 55,889		$ 59,096

Amortization expense for intangible assets was $0.2 million and $0.2 million for the Second Quarter and the Prior Year Quarter, respectively, and $0.5 million and $0.5 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)	$ 458
2025	$ 726
2026	$ 138
2027	$ 120
2028	$ 114
Thereafter	$ 431

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 June 29, 2024	For the 13 Weeks Ended July 1, 2023	For the 26 Weeks Ended June 29, 2024	For the 26 Weeks Ended July 1, 2023
Operating lease cost[1]	SG&A	$ 15,869	$ 18,614	$ 32,178	$ 36,491
Short-term lease cost	SG&A	$ 240	$ 295	$ 526	$ 510
Variable lease cost	SG&A	$ 5,285	$ 5,534	$ 10,638	$ 11,653

[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	June 29, 2024	December 30, 2023
Assets			
Operating	Operating lease ROU assets	$ 140,168	$ 151,000
Liabilities			
Current:			
Operating	Current operating lease liabilities	$ 39,689	$ 43,565
Noncurrent:			
Operating	Long-term operating lease liabilities	$ 125,360	$ 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	June 29, 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 June 29, 2024 were as follows (in thousands):

Fiscal Year	Operating Leases
2024 (remaining)	$ 34,997
2025	54,544
2026	41,148
2027	29,042
2028	18,375
Thereafter	87,018
Total lease payments	$ 265,124
Less: Interest	100,075
Total lease obligations	$ 165,049

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

	For the 26 Weeks Ended June 29, 2024	For the 26 Weeks Ended July 1, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 38,818	$ 43,774
Leased assets obtained in exchange for new operating lease liabilities	12,809	18,570

As of June 29, 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 June 29, 2024, the Company had $150.0 million and $10.7 million outstanding under the Notes and Revolving Facility, respectively. The Company had net payments of $46.8 million and $51.3 million under the Revolving Facility during the Second 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 June 29, 2024, the Company had available borrowing capacity of $50.8 million under the Revolving Facility. As of June 29, 2024, the Company had unamortized debt issuance costs of $4.2 million recorded in long-term debt and $2.2 million recorded in intangible and other assets-net on the Company's consolidated balance sheets. The Company incurred $2.6 million and $5.2 million of interest expense related to the Notes during the Second Quarter and Year To Date Period, respectively. The Company incurred $0.3 million and $1.3 million of interest expense related to the Revolving Facility during the Second Quarter and Year To Date Period, respectively. The Company incurred $0.6 million and $1.2 million of interest expense related to the amortization of debt issuance costs during the Second Quarter and Year To Date Period, respectively. At June 29, 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. Aided by these measures, the Company's long-term goal is to achieve adjusted gross margins in the low to mid 50% range and adjusted operating margins of approximately 10%.

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

	For the 13 Weeks Ended June 29, 2024	For the 13 Weeks Ended July 1, 2023	For the 26 Weeks Ended June 29, 2024	For the 26 Weeks Ended July 1, 2023
Cost of sales	$ —	$ 2,911	$ (241)	$ 8,174
Selling, general and administrative expenses	16,673	4,632	26,726	11,729
Consolidated	$ 16,673	$ 7,543	$ 26,485	$ 19,903

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

	For the 13 Weeks Ended June 29, 2024				
	Liabilities March 30, 2024	Charges	Cash Payments	Non-cash Items	Liabilities June 29, 2024
Stores and facilities closures	$ 1	$ 36	$ 1	$ 36	$ —
Professional services	211	11,568	460	—	11,319
Severance and employee-related benefits	8,479	5,069	4,834	365	8,349
Charges related to exits of certain product offerings	750	—	450	—	300
Total	$ 9,441	$ 16,673	$ 5,745	$ 401	$ 19,968

	For the 13 Weeks Ended July 1, 2023			
	Liabilities April 1, 2023	Charges	Cash Payments	Liabilities July 1, 2023
Professional services	$ 20	$ 967	$ 89	$ 898
Severance and employee-related benefits	4,500	3,666	3,353	4,813
Charges related to exits of certain product offerings	5,264	2,910	700	7,474
Total	9,784	7,543	4,142	13,185

	For the 26 Weeks Ended June 29, 2024				
	Liabilities December 30, 2023	Charges	Cash Payments	Non-cash Items	Liabilities June 29, 2024
Stores and facilities closures	$ —	$ 143	$ 7	$ 136	$ —
Professional services	117	14,052	2,850	—	11,319
Severance and employee-related benefits	8,117	12,531	11,934	365	8,349
Charges related to exits of certain product offerings	3,821	(241)	3,280	—	300
Total	$ 12,055	$ 26,485	$ 18,071	$ 501	$ 19,968

	For the 26 Weeks Ended July 1, 2023			
	Liabilities December 31, 2022	Charges	Cash Payments	Liabilities July 1, 2023
Professional services	$ —	$ 1,002	$ 104	$ 898
Severance and employee-related benefits	—	10,727	5,914	4,813
Charges related to exits of certain product offerings	—	8,174	700	7,474
Total	$ —	$ 19,903	$ 6,718	$ 13,185

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

	For the 13 Weeks Ended June 29, 2024	For the 13 Weeks Ended July 1, 2023	For the 26 Weeks Ended June 29, 2024	For the 26 Weeks Ended July 1, 2023
Americas	$ 262	$ 1,535	$ 626	$ 4,493
Europe	1,869	3,386	5,426	7,342
Asia	93	1,686	1,056	5,953
Corporate	14,449	936	19,377	2,115
Consolidated	$ 16,673	$ 7,543	$ 26,485	$ 19,903

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 July 1, 2023		
	Liabilities April 1, 2023	Cash Payments	Liabilities July 1, 2023
Professional services	$ 60	$ 13	$ 47
Severance and employee-related benefits	587	327	260
Total	$ 647	$ 340	$ 307

	For the 26 Weeks Ended July 1, 2023		
	Liabilities December 31, 2022	Cash Payments	Liabilities July 1, 2023
Professional services	$ 74	$ 27	$ 47
Severance and employee-related benefits	2,821	2,561	260
Total	$ 2,895	$ 2,588	$ 307

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 June 29, 2024 (the "Second Quarter") and July 1, 2023 (the "Prior Year Quarter"), and the twenty-six week periods ended June 29, 2024 (the "Year To Date Period") and July 1, 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 390 basis point gross margin rate improvement in the Second Quarter versus the Prior Year Quarter reflects our exit of the smartwatch category and improved product margins in our core categories. 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 Second Quarter and Year To Date Period, SG&A expenses have declined 18% and 19%, 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 realize benefits in the second half of the year.

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.

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.

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 adjusted gross margins above 50% and adjusted operating margins of approximately 10%.

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.

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 120 Company-owned stores as of the end of the Second 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 69 Company-owned stores as of the end of the Second 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 69 Company-owned stores as of the end of the Second 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 June 29, 2024 and July 1, 2023

Consolidated Net Sales. Net sales decreased $62.0 million, or 19.3%, for the Second 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 Second Quarter by $19.3 million as compared to the Prior Year Quarter. Wholesale sales declined 17.0% (16.3% 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 22.4% (21.6% in constant currency), due to a smaller store base and declines in our comparable retail sales. We have reduced our store footprint by 57 stores (18%), since the end of the Prior Year Quarter. Global comparable retail sales decreased 10% due to decreases in both stores and our owned e-commerce websites. From a category perspective, traditional watch sales decreased 17.8% (17.1% in constant currency). Net sales in smartwatches decreased 52.8% (52.5% in constant currency), as we exited the category. The leathers category decreased 18.3% (17.7% in constant currency) compared to the Prior Year Quarter, and jewelry sales decreased 11.7% (10.2% in constant currency). From a brand perspective, sales decreased throughout most of our brand portfolio, with the most predominant declines in EMPORIO ARMANI, FOSSIL and MICHAEL KORS brands.

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

	For the 13 Weeks Ended June 29, 2024		For the 13 Weeks Ended July 1, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Americas	$ 119.6	46.0 %	$ 146.7	45.6 %	$ (27.1)	(18.5) %	(18.5) %
Europe	74.8	28.8	88.3	27.4	(13.5)	(15.3)	(14.7)
Asia	65.2	25.1	84.1	26.1	(18.9)	(22.5)	(20.2)
Corporate	0.4	0.1	2.9	0.9	(2.5)	(86.2)	(86.2)
Total	$ 260.0	100.0 %	$ 322.0	100.0 %	$ (62.0)	(19.3) %	(18.5) %

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

	For the 13 Weeks Ended June 29, 2024		For the 13 Weeks Ended July 1, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 194.1	74.7 %	$ 236.1	73.4 %	$ (42.0)	(17.8) %	(17.1) %
Smartwatches	8.4	3.2	17.8	5.5	(9.4)	(52.8)	(52.5)
Total watches	$ 202.5	77.9 %	$ 253.9	78.9 %	$ (51.4)	(20.2)	(19.6)
Leathers	27.2	10.4	33.3	10.3	(6.1)	(18.3)	(17.7)
Jewelry	24.2	9.3	27.4	8.5	(3.2)	(11.7)	(10.2)
Other	6.1	2.4	7.4	2.3	(1.3)	(17.6)	(16.2)
Total	$ 260.0	100.0 %	$ 322.0	100.0 %	$ (62.0)	(19.3) %	(18.5) %

In the Second Quarter, the translation of foreign-based net sales into U.S. dollars decreased reported net sales by $2.3 million, including unfavorable impacts of $1.8 million and $0.5 million in our Asia and Europe segments, respectively, as compared to the Prior Year Quarter.

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

	July 1, 2023	Opened	Closed	June 29, 2024
Americas	146	2	28	120
Europe	92	1	24	69
Asia	77	2	10	69
Total stores	315	5	62	258

Americas Net Sales. Americas net sales decreased $27.1 million, or 18.5% (18.5% in constant currency), during the Second 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 Second 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 June 29, 2024		For the 13 Weeks Ended July 1, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 87.9	73.5 %	$ 108.9	74.2 %	$ (21.0)	(19.3) %	(19.3) %
Smartwatches	5.5	4.6	8.4	5.7	(2.9)	(34.5)	(34.5)
Total watches	$ 93.4	78.1 %	$ 117.3	79.9 %	$ (23.9)	(20.4)	(20.4)
Leathers	18.2	15.2	21.0	14.3	(2.8)	(13.3)	(13.3)
Jewelry	5.5	4.6	6.2	4.2	(0.7)	(11.3)	(11.3)
Other	2.5	2.1	2.2	1.6	0.3	13.6	9.1
Total	$ 119.6	100.0 %	$ 146.7	100.0 %	$ (27.1)	(18.5) %	(18.5) %

Europe Net Sales. Europe net sales decreased $13.5 million, or 15.3% (14.7% in constant currency), during the Second Quarter in comparison to the Prior Year Quarter. Sales decreases were largely in the MICHAEL KORS, FOSSIL and EMPORIO ARMANI brands. Our sales decreased across much of the Eurozone and in all major channels. Comparable retail sales decreased moderately during the Second 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 June 29, 2024		For the 13 Weeks Ended July 1, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 55.6	74.3 %	$ 59.4	67.3 %	$ (3.8)	(6.4) %	(5.7) %
Smartwatches	0.5	0.7	5.3	6.0	(4.8)	(90.6)	(90.6)
Total watches	$ 56.1	75.0 %	$ 64.7	73.3 %	$ (8.6)	(13.3)	(12.7)
Leathers	3.7	4.9	5.0	5.7	(1.3)	(26.0)	(24.0)
Jewelry	12.2	16.3	15.4	17.4	(3.2)	(20.8)	(20.1)
Other	2.8	3.8	3.2	3.6	(0.4)	(12.5)	(15.6)
Total	$ 74.8	100.0 %	$ 88.3	100.0 %	$ (13.5)	(15.3) %	(14.7) %

Asia Net Sales. Net sales in Asia decreased $18.9 million, or 22.5% (20.2% in constant currency), during the Second Quarter in comparison to the Prior Year Quarter. The sales decreases were largely driven by mainland China and partially offset by sales increases in India. The largest sales decreases were in the EMPORIO ARMANI brand. Comparable retail sales decreased moderately during the Second 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 June 29, 2024		For the 13 Weeks Ended July 1, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 50.5	77.5 %	$ 65.9	78.4 %	$ (15.4)	(23.4) %	(21.4) %
Smartwatches	2.3	3.5	4.1	4.9	(1.8)	(43.9)	(41.5)
Total watches	$ 52.8	81.0 %	$ 70.0	83.3 %	$ (17.2)	(24.6)	(22.6)
Leathers	5.3	8.1	7.4	8.8	(2.1)	(28.4)	(27.0)
Jewelry	6.5	10.0	5.8	6.9	0.7	12.1	17.2
Other	0.6	0.9	0.9	1.0	(0.3)	(33.3)	(33.3)
Total	$ 65.2	100.0 %	$ 84.1	100.0 %	$ (18.9)	(22.5) %	(20.2) %

Gross Profit. Gross profit of $136.9 million in the Second Quarter decreased 12.6% in comparison to $156.7 million in the Prior Year Quarter. Our gross profit margin rate increased to 52.6% in the Second Quarter compared to 48.7% in the Prior Year Quarter. Our gross profit margin rate increase primarily reflects exiting the smartwatch category as part of our TAG plan and improved product margins in our core categories.

Operating Expenses. Total operating expenses in the Second Quarter decreased by 11.0% to $170.9 million or 65.7% of net sales, in comparison to $192.0 million or 59.6% of net sales in the Prior Year Quarter. SG&A expenses were $153.6 million in the Second Quarter as compared to $187.2 million in the Prior Year Quarter. As a percentage of net sales, SG&A expenses increased to 59.1% in the Second Quarter as compared to 58.1% in the Prior Year Quarter due to decreased sales. Restructuring expenses were $16.7 million in the Second Quarter, compared to $4.6 million in the Prior Year Quarter. The translation of foreign-denominated expenses during the Second Quarter decreased operating expenses by $1.1 million as a result of the stronger U.S. dollar.

Operating Income (loss). Operating loss in the Second Quarter was $34.0 million as compared to an operating loss of $35.3 million in the Prior Year Quarter. As a percentage of net sales, operating margin was (13.1)% in the Second Quarter compared to (11.0)% in the Prior Year Quarter. Operating margin rate in the Second Quarter included an unfavorable impact of 20 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 June 29, 2024	For the 13 Weeks Ended July 1, 2023	Change		Operating Margin %	
			Dollars	Percentage	2024	2023
Americas	$ 14.6	$ 23.4	$ (8.8)	(37.6)%	12.2 %	16.0 %
Europe	10.0	(0.7)	10.7	(1,528.6)	13.3	(0.8)
Asia	6.0	7.4	(1.4)	(18.9)	9.2	8.8
Corporate	(64.6)	(65.4)	0.8	1.2		
Total operating income (loss)	$ (34.0)	$ (35.3)	$ 1.3	(3.7)%	(13.1)%	(11.0) %

Interest Expense. Interest expense decreased by $1.3 million during the Second Quarter compared to the Prior Year Quarter, primarily driven by decreased borrowings.

Other Income (Expense)-Net. During the Second Quarter, other income (expense)-net was income of $1.5 million in comparison to income of $7.2 million in the Prior Year Quarter, reflecting decreased net currency gains in the Second Quarter as compared to the Prior Year Quarter.

Provision for Income Taxes. Income tax expense for the Second Quarter was $2.2 million, resulting in an effective income tax rate of (6.0)%. For the Prior Year Quarter, income tax benefit was $(7.2) million, resulting in an effective income tax rate of 21.5%. The effective tax rate in the Second 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. Second Quarter net income (loss) attributable to Fossil Group, Inc. was a net loss of $38.8 million, or $0.73 per diluted share, in comparison to a net loss of $26.5 million, or $0.51 per diluted share, in the Prior Year Quarter. During the Second Quarter, currencies unfavorably affected loss per diluted share by approximately $0.08.

Adjusted Net Income (Loss). Adjusted net income (loss) for the Second Quarter was a net loss of $25.1 million with adjusted loss per diluted share of $0.47 compared to adjusted net loss of $20.4 million with adjusted loss per diluted share of $0.40 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 June 29, 2024		For the 13 Weeks Ended July 1, 2023	
	Dollars	% of Net Sales	Dollars	% of Net Sales
Income (loss) before income taxes	$ (36.6)	(14.1)%	$ (33.5)	(10.4) %
Plus:				
Interest expense	4.1		5.3	
Amortization and depreciation	3.9		4.8	
Other long-lived asset impairments	0.6		0.2	
Other non-cash charges	0.1		(0.5)	
Stock-based compensation	0.6		1.6	
Restructuring expense	16.7		4.6	
Restructuring cost of sales	—		2.9	
Less:				
Interest income	1.1		0.8	
Adjusted EBITDA	$ (11.7)	(4.5) %	$ (15.4)	(4.8) %

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 June 29, 2024							
($ in millions, except per share data):	**As Reported**		**Other Long-Lived Asset Impairment**		**Restructuring Expenses**		**As Adjusted**	
Operating income (loss)	$ (34.0)		$ 0.6		$ 16.7		$ (16.7)	
Operating margin (% of net sales)	(13.1)	%					(6.4)	%
Interest expense	$ (4.1)		$ —		$ —		$ (4.1)	
Other income (expense) - net	1.5		—		—		1.5	
Income (loss) before income taxes	(36.6)		0.6		16.7		(19.3)	
Provision (benefit) for income taxes	2.2		0.1		3.5		5.8	
Less: net income attributable to noncontrolling interest	0.1		—		—		0.1	
Net income (loss) attributable to Fossil Group, Inc.	$ (38.8)		$ 0.5		$ 13.2		$ (25.1)	
Diluted earnings (loss) per share	$ (0.73)		$ 0.01		$ 0.25		$ (0.47)	

	For the 13 Weeks Ended July 1, 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)	$ (35.3)		$ 2.9		$ 0.2		$ 4.6		$ (27.6)	
Operating margin (% of net sales)	(11.0)	%							(8.6)	%
Interest expense	$ (5.3)		$ —		$ —		$ —		$ (5.3)	
Other income (expense) - net	7.2		—		—		—		7.2	
Income (loss) before income taxes	(33.5)		2.9		0.2		4.6		(25.8)	
Provision for income taxes	(7.2)		0.6		—		1.0		(5.6)	
Less: Net income attributable to noncontrolling interest	(0.2)		—		—		—		(0.2)	
Net income (loss) attributable to Fossil Group, Inc.	$ (26.5)		$ 2.3		$ 0.2		$ 3.6		$ (20.4)	
Diluted earnings (loss) per share	$ (0.51)		$ 0.04		$ —		$ 0.07		$ (0.40)	

Fiscal Year To Date Periods Ended June 29, 2024 and July 1, 2023

Consolidated Net Sales. Net sales decreased $132.1 million or 20.4% (20.0% 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 26 Weeks Ended June 29, 2024		For the 26 Weeks Ended July 1, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Americas	$ 229.6	44.6 %	$ 284.6	44.0 %	$ (55.0)	(19.3) %	(19.6) %
Europe	153.6	29.8	194.0	30.0	(40.4)	(20.8)	(21.1)
Asia	130.7	25.4	164.2	25.4	(33.5)	(20.4)	(18.0)
Corporate	1.0	0.2	4.2	0.6	(3.2)	(76.2)	(77.2)
Total	$ 514.9	100.0 %	$ 647.0	100.0 %	$ (132.1)	(20.4) %	(20.0) %

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

	For the 26 Weeks Ended June 29, 2024		For the 26 Weeks Ended July 1, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 380.6	73.9 %	$ 461.5	71.3 %	$ (80.9)	(17.5) %	(17.2) %
Smartwatches	17.3	3.4	42.2	6.5	(24.9)	(59.0)	(58.9)
Total watches	$ 397.9	77.3 %	$ 503.7	77.8 %	$ (105.8)	(21.0)	(20.7)
Leathers	54.7	10.6	73.6	11.4	(18.9)	(25.7)	(25.0)
Jewelry	50.5	9.8	56.4	8.7	(5.9)	(10.5)	(9.4)
Other	11.8	2.3	13.3	2.1	(1.5)	(11.3)	(11.3)
Total	$ 514.9	100.0 %	$ 647.0	100.0 %	$ (132.1)	(20.4) %	(20.0) %

In the Year To Date Period, the translation of foreign-based net sales into U.S. dollars decreased reported net sales by $2.6 million, including unfavorable impacts of $4.0 million in Asia and favorable impacts of $0.9 million and $0.5 million in our Americas and Europe segments, respectively, compared to the Prior Year YTD Period.

Americas Net Sales. Americas net sales decreased $55.0 million, or 19.3% (19.6% 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 26 Weeks Ended June 29, 2024		For the 26 Weeks Ended July 1, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 166.7	72.6 %	$ 200.2	70.4 %	$ (33.5)	(16.7) %	(17.2) %
Smartwatches	10.7	4.7	21.0	7.3	(10.3)	(49.0)	(49.3)
Total watches	$ 177.4	77.3 %	$ 221.2	77.7 %	$ (43.8)	(19.8)	(20.2)
Leathers	35.7	15.5	48.1	16.9	(12.4)	(25.8)	(25.8)
Jewelry	12.1	5.3	11.6	4.1	0.5	4.3	4.3
Other	4.4	1.9	3.7	1.3	0.7	18.9	18.4
Total	$ 229.6	100.0 %	$ 284.6	100.0 %	$ (55.0)	(19.3) %	(19.6) %

Europe Net Sales. Europe net sales decreased $40.4 million, or 20.8% (21.1% 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 MICHAEL KORS and FOSSIL. Sales declined in all major channels. Comparable retail sales in the region also 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 26 Weeks Ended June 29, 2024		For the 26 Weeks Ended July 1, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 112.8	73.4 %	$ 131.2	67.7 %	$ (18.4)	(14.0) %	(14.3) %
Smartwatches	2.1	1.4	11.9	6.1	(9.8)	(82.4)	(82.4)
Total watches	$ 114.9	74.8 %	$ 143.1	73.8 %	$ (28.2)	(19.7)	(20.0)
Leathers	8.1	5.3	11.8	6.1	(3.7)	(31.4)	(31.4)
Jewelry	25.7	16.7	33.9	17.5	(8.2)	(24.2)	(24.5)
Other	4.9	3.2	5.2	2.6	(0.3)	(5.8)	(5.9)
Total	$ 153.6	100.0 %	$ 194.0	100.0 %	$ (40.4)	(20.8) %	(21.1) %

Asia Net Sales. Asia net sales decreased $33.5 million, or 20.4% (18.0% 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 brand. 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 26 Weeks Ended June 29, 2024		For the 26 Weeks Ended July 1, 2023		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 101.2	77.4 %	$ 128.1	78.0 %	$ (26.9)	(21.0) %	(19.0) %
Smartwatches	4.5	3.5	9.4	5.7	(4.9)	(52.1)	(51.1)
Total watches	$ 105.7	80.9 %	$ 137.5	83.7 %	$ (31.8)	(23.1)	(21.1)
Leathers	10.9	8.3	13.8	8.4	(2.9)	(21.0)	(17.4)
Jewelry	12.6	9.6	10.9	6.6	1.7	15.6	22.0
Other	1.5	1.2	2.0	1.3	(0.5)	(25.0)	(25.0)
Total	$ 130.7	100.0 %	$ 164.2	100.0 %	$ (33.5)	(20.4) %	(18.0) %

Gross Profit. Gross profit of $270.3 million in the Year To Date Period decreased $47.0 million, or 14.8%, in comparison to $317.4 million in the Prior Year YTD Period. Gross profit margin rate increased to 52.5% in the Year To Date Period compared to 49.1% in the Prior Year YTD Period. The gross margin rate increase primarily reflects exiting the smartwatch category as part of our TAG plan and improved product margins in our core categories.

Operating Expenses. For the Year To Date Period, total operating expenses decreased to $333.6 million compared to $390.0 million in the Prior Year YTD Period. SG&A expenses were $305.9 million in the Year To Date Period in comparison to $378.1 million in the Prior Year YTD Period. As a percentage of net sales, SG&A expenses increased to 59.4% in the Year To Date Period as compared to 58.4% in the Prior Year YTD Period, mainly driven by decreased sales. During the Year To Date Period, we incurred restructuring costs of $26.7 million in comparison to restructuring costs of $11.7 million in the Prior Year YTD Period. We incurred other long-lived asset impairment charges of $1.0 million in the Year To Date Period compared to charges of $0.2 million in the Prior Year YTD Period. The translation of foreign-denominated expenses during the Year To

Date Period decreased operating expenses by $1.2 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 $63.2 million in the Year To Date Period as compared to a loss of $72.6 million in the Prior Year YTD Period. As a percentage of net sales, operating margin was (12.3)% in the Year To Date Period as compared to (11.2)% in the Prior Year YTD Period and was positively impacted by approximately 20 basis points due to changes in foreign currencies.

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

	For the 26 Weeks Ended June 29, 2024	For the 26 Weeks Ended July 1, 2023	Change		Operating Margin %	
			Dollars	Percentage	2024	2023
Americas	$ 23.4	$ 36.0	$ (12.6)	(35.0) %	10.1 %	12.6 %
Europe	17.4	6.3	11.1	176.2	11.3	3.2
Asia	11.8	14.6	(2.8)	(19.2)	9.0	8.9
Corporate	(115.8)	(129.5)	13.7	10.6		
Total operating income (loss)	$ (63.2)	$ (72.6)	$ 9.4	12.9 %	(12.3)%	(11.2) %

Interest Expense. Interest expense decreased by $1.2 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 $5.3 million in comparison to an income of $9.9 million in the Prior Year YTD Period. The change in other income (expense)-net was primarily due to lower net currency gains in the Year To Date Period as compared to the Prior Year YTD Period.

Provision for Income Taxes. Income tax benefit for the Year To Date Period was $(3.9) million, resulting in an effective income tax rate of 5.8%. The Prior Year YTD Period income tax benefit was $(5.6) million resulting in an effective tax rate of 7.7%. 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, we had a net loss of $63.1 million, or $1.20 per diluted share, in comparison to a loss of $67.8 million, or $1.30 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 negatively impacted by $0.05 per diluted share due to the currency impact of a stronger U.S. dollar.

Adjusted Net Income (Loss). Adjusted net loss for the Year To Date Period was $41.4 million with adjusted loss per diluted share of $0.78 compared to adjusted net loss of $51.9 million with adjusted loss per diluted share of $1.00 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 26 Weeks Ended June 29, 2024		For the 26 Weeks Ended July 1, 2023	
	Dollars	% of Net Sales	Dollars	% of Net Sales
Income (loss) before income taxes	$ (67.1)	(13.0)%	$ (73.1)	(11.3) %
Plus:				
Interest expense	9.2		10.4	
Amortization and depreciation	8.4		9.9	
Other long-lived asset impairments	1.0		0.2	
Other non-cash charges	0.2		(0.7)	
Stock-based compensation	1.6		3.0	
Restructuring expense	26.7		11.7	
Restructuring cost of sales	(0.2)		8.2	
Less:				
Interest income	2.2		1.4	
Adjusted EBITDA	$ (22.4)	(4.4) %	$ (31.8)	(4.9) %

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 26 Weeks Ended June 29, 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)	$ (63.2)	$ (0.2)	$ 1.0	$ 26.7	$ (35.7)
Operating margin (% of net sales)	(12.3) %				(6.9) %
Interest expense	$ (9.2)	$ —	$ —	$ —	$ (9.2)
Other income (expense) - net	5.3	—	—	—	5.3
Income (loss) before income taxes	(67.1)	(0.2)	1.0	26.7	(39.6)
Provision for income taxes	(3.9)	—	0.2	5.6	1.9
Less: net income attributable to noncontrolling interest	0.1	—	—	—	0.1
Net income (loss) attributable to Fossil Group, Inc.	$ (63.1)	$ (0.2)	$ 0.8	$ 21.1	$ (41.4)
Diluted earnings (loss) per share	$ (1.20)	$ —	$ 0.02	$ 0.40	$ (0.78)

($ in millions, except per share data):	For the 26 Weeks Ended July 1, 2023				
	As Reported	Restructuring Cost of Sales	Other Long-Lived Asset Impairment	Restructuring Expenses	As Adjusted
Operating income (loss)	$ (72.6)	$ 8.2	$ 0.2	$ 11.7	$ (52.5)
Operating margin (% of net sales)	(11.2) %				(8.1) %
Interest expense	$ (10.4)	$ —	$ —	$ —	$ (10.4)
Other income (expense) - net	9.9	—	—	—	9.9
Income (loss) before income taxes	(73.1)	8.2	0.2	11.7	(53.0)
Provision for income taxes	(5.6)	1.7	—	2.5	(1.4)
Less: Net income attributable to noncontrolling interest	(0.3)	—	—	—	(0.3)
Net income (loss) attributable to Fossil Group, Inc.	$ (67.8)	$ 6.5	$ 0.2	$ 9.2	$ (51.9)
Diluted earnings (loss) per share	$ (1.30)	$ 0.12	$ —	$ 0.18	$ (1.00)

Liquidity and Capital Resources

Our cash and cash equivalents balance at the end of the Second Quarter was $104.9 million, including $93.5 million held in banks outside the U.S., in comparison to cash and cash equivalents of $132.1 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 Second Quarter, we had net working capital of $262.7 million compared to net working capital of $476.0 million at the end of the Prior Year Quarter. At the end of the Second Quarter, we had $2.6 million of short-term borrowings and $156.5 million in long-term debt including unamortized issuance costs compared to $0.4 million of short-term borrowings and $243.0 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 $39.0 million in the Year To Date Period improved as compared to cash used in operating activities of $83 million from the Prior Year YTD Period, primarily due to proactively managing our inventory levels down in the Year To Date Period.

Investing Activities. Investing cash flows consist of capital expenditures and changes in intangible and other assets.

Financing Activities. Financing cash flows primarily consist of borrowings and repayments of debt. The $72.8 million decrease in financing cash flows year-over-year was primarily due to less net borrowings during the Year To Date Period compared to 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):

	June 29, 2024	July 1, 2023	
Cash and cash equivalents	$ 104.9	$ 132.1	
Revolver availability	50.8	45.5	[1]
Total liquidity	$ 155.7	$ 177.6	

[1] The revolver availability as of July 1, 2023 has been recast to conform with the current presentation, which excludes $27 million in 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 $51.3 million under the Revolving Facility during the Year To Date Period at an average interest rate of 6.5%. As of June 29, 2024, we had $150.0 million outstanding under the Notes and $10.7 million outstanding under the Revolving Facility. We also had unamortized debt issuance costs of $4.2 million recorded in long-term debt and $2.2 million recorded in intangible and other assets-net on the condensed consolidated balance sheets. In addition, we had $5.2 million of outstanding standby letters of credit as of June 29, 2024. Amounts available under the Revolving Facility are reduced by any amounts outstanding under standby letters of credit. As of June 29, 2024, we had available borrowing capacity of $50.8 million under the Revolving Facility. At June 29, 2024, we were in compliance with all debt covenants related to our credit facilities. During the Second Quarter, 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 pandemic; risks related to the success of our restructuring program; the impact of any activist shareholders; 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; 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 June 29, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the Second 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 Second 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 June 29, 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	Fossil Group, Inc. 2024 Long-Term Incentive Plan.
10.2(1)(3)	Restricted Stock Unit Award for Outside Directors under the Fossil Group, Inc. 2024 Long-Term Incentive Plan.
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.

August 8, 2024

/S/ JEFFREY N. BOYER

Jeffrey N. Boyer

Interim Chief Executive Officer (Principal financial and accounting officer duly authorized to sign on behalf of the Registrant)