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: July 4, 2026

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

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 August 5, 2026: 59,138,052

FOSSIL GROUP, INC.
FORM 10-Q
FOR THE FISCAL QUARTER ENDED JULY 4, 2026
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Trademarks, service marks, trade names and copyrights

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

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

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

	July 4, 2026	January 3, 2026
Assets		
Current assets:		
Cash and cash equivalents	$ 78,950	$ 95,842
Accounts receivable - net of allowances for doubtful accounts of $10,024 and $12,991, respectively	111,182	144,569
Inventories	177,910	151,796
Prepaid expenses and other current assets	69,695	75,623
Total current assets	437,737	467,830
Property, plant and equipment - net of accumulated depreciation of $295,733 and $309,285, respectively	30,841	34,126
Operating lease right-of-use assets	120,493	118,302
Intangible and other assets-net	64,069	68,996
Total long-term assets	215,403	221,424
Total assets	$ 653,140	$ 689,254
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 124,164	$ 132,514
Short-term debt	13	3,985
Accrued expenses:		
Current operating lease liabilities	32,056	34,768
Compensation	28,318	48,695
Royalties	10,372	17,909
Customer liabilities	20,772	29,186
Transaction taxes	3,947	5,109
Other	16,093	17,310
Income taxes payable	12,695	12,287
Total current liabilities	248,430	301,763
Long-term income taxes payable	5,987	5,481
Deferred income tax liabilities	548	607
Long-term debt	203,006	173,847
Long-term operating lease liabilities	106,868	104,442
Other long-term liabilities	14,307	16,338
Total long-term liabilities	330,716	300,715
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock, 59,107 and 58,354 shares issued and outstanding at July 4, 2026 and January 3, 2026, respectively	591	584
Treasury stock, at cost, 2,500 shares at July 4, 2026 and January 3, 2026	(4,525)	(4,525)
Additional paid-in capital	330,491	329,232
Retained (deficit) earnings	(174,005)	(162,567)
Accumulated other comprehensive income (loss)	(62,665)	(59,889)
Total Fossil Group, Inc. stockholders' equity	89,887	102,835
Noncontrolling interests	(15,893)	(16,059)
Total stockholders' equity	73,994	86,776
Total liabilities and stockholders' equity	$ 653,140	$ 689,254

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 July 4, 2026	For the 13 Weeks Ended July 5, 2025	For the 26 Weeks Ended July 4, 2026	For the 27 Weeks Ended July 5, 2025
Net sales	$ 209,688	$ 220,388	$ 434,449	$ 453,681
Cost of sales	78,894	93,659	168,951	183,960
Gross profit	130,794	126,729	265,498	269,721
Operating expenses:				
Selling, general and administrative expenses	123,472	110,946	244,032	244,784
Other long-lived asset impairments	682	—	743	79
Restructuring expenses	3,440	7,295	5,474	23,116
Total operating expenses	127,594	118,241	250,249	267,979
Operating income (loss)	3,200	8,488	15,249	1,742
Interest expense	8,330	4,321	16,781	8,788
Other income (expense) - net	(1,742)	(38)	(586)	(3,307)
Income (loss) before income taxes	(6,872)	4,129	(2,118)	(10,353)
Provision (benefit) for income taxes	3,723	6,230	9,154	9,598
Net income (loss)	(10,595)	(2,101)	(11,272)	(19,951)
Less: Net income (loss) attributable to noncontrolling interests	33	193	166	(81)
Net income (loss) attributable to Fossil Group, Inc.	$ (10,628)	$ (2,294)	$ (11,438)	$ (19,870)
Other comprehensive income (loss), net of taxes:				
Currency translation adjustment	$ 840	$ 11,511	$ (2,776)	$ 20,802
Cash flow hedges - net change	—	—	—	(474)
Total other comprehensive income (loss)	840	11,511	(2,776)	20,328
Total comprehensive income (loss)	(9,755)	9,410	(14,048)	377
Less: Comprehensive income (loss) attributable to noncontrolling interests	33	193	166	(81)
Comprehensive income (loss) attributable to Fossil Group, Inc.	$ (9,788)	$ 9,217	$ (14,214)	$ 458
Earnings (loss) per share:				
Basic	$ (0.18)	$ (0.04)	$ (0.19)	$ (0.37)
Diluted	$ (0.18)	$ (0.04)	$ (0.19)	$ (0.37)
Weighted average common shares outstanding:				
Basic	59,036	53,624	58,705	53,435
Diluted	59,036	53,624	58,705	53,435

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 July 4, 2026

	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, April 4, 2026	58,404	$ 584	$ 329,916	$ (4,525)	$ (163,377)	$ (63,505)	$ 99,093	$ (15,926)	$ 83,167
Common stock issued upon exercise of restricted stock units	898	9	(9)	—	—	—	—	—	—
Acquisition of common stock	—	—	—	(1,067)	—	—	(1,067)	—	(1,067)
Retirement of common stock	(197)	(2)	(1,065)	1,067	—	—	—	—	—
Issuance of pre-funded warrants	2	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	1,649	—	—	—	1,649	—	1,649
Net income (loss)	—	—	—	—	(10,628)	—	(10,628)	33	(10,595)
Other comprehensive income (loss)	—	—	—	—	—	840	840	—	840
Balance, July 4, 2026	59,107	$ 591	$ 330,491	$ (4,525)	$ (174,005)	$ (62,665)	$ 89,887	$ (15,893)	$ 73,994

For the 13 Weeks Ended July 5, 2025

	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, April 5, 2025	53,271	$ 533	$ 315,680	$ —	$ (101,844)	$ (73,787)	$ 140,582	$ (16,173)	$ 124,409
Common stock issued upon exercise of restricted stock units	647	6	(6)	—	—	—	—	—	—
Acquisition of common stock for employee tax withholding	—	—	—	(129)	—	—	(129)	—	(129)
Retirement of common stock	(133)	(1)	(128)	129	—	—	—	—	—
Stock-based compensation	—	—	600	—	—	—	600	—	600
Net income (loss)	—	—	—	—	(2,294)	—	(2,294)	193	(2,101)
Other comprehensive income (loss)	—	—	—	—	—	11,511	11,511	—	11,511
Distribution of noncontrolling interest earnings	—	—	—	—	—	—	—	(379)	(379)
Balance, July 5, 2025	53,785	$ 538	$ 316,146	$ —	$ (104,138)	$ (62,276)	$ 150,270	$ (16,359)	$ 133,911

For the 26 Weeks Ended July 4, 2026

	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, January 3, 2026	58,354	$ 584	$ 329,232	$ (4,525)	$ (162,567)	$ (59,889)	$ 102,835	$ (16,059)	$ 86,776
Common stock issued upon exercise of restricted stock units	948	9	(9)	—	—	—	—	—	—
Acquisition of common stock	—	—	—	(1,067)	—	—	(1,067)	—	(1,067)
Retirement of common stock	(197)	(2)	(1,065)	1,067	—	—	—	—	—
Issuance of pre-funded warrants	2	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	2,333	—	—	—	2,333	—	2,333
Net income (loss)	—	—	—	—	(11,438)	—	(11,438)	166	(11,272)
Other comprehensive income (loss)	—	—	—	—	—	(2,776)	(2,776)		(2,776)
Balance, July 4, 2026	59,107	$ 591	$ 330,491	$ (4,525)	$ (174,005)	$ (62,665)	$ 89,887	$ (15,893)	$ 73,994

For the 27 Weeks Ended July 5, 2025

	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 28, 2024	53,254	$ 533	$ 315,042	$ —	$ (84,268)	$ (82,604)	$ 148,703	$ (11,979)	$ 136,724
Common stock issued upon exercise of restricted stock units	666	6	(6)	—	—	—	—	—	—
Acquisition of common stock	—	—	—	(133)	—	—	(133)	—	(133)
Retirement of common stock	(135)	(1)	(132)	133	—	—	—	—	—
Stock-based compensation	—	—	1,242	—	—	—	1,242	—	1,242
Net income (loss)	—	—	—	—	(19,870)	—	(19,870)	(81)	(19,951)
Other comprehensive income (loss)	—	—	—	—	—	20,328	20,328	—	20,328
Distribution of noncontrolling interest earnings	—	—	—	—	—	—	—	(4,299)	(4,299)
Balance, July 5, 2025	53,785	$ 538	$ 316,146	$ —	$ (104,138)	$ (62,276)	$ 150,270	$ (16,359)	$ 133,911

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 July 4, 2026	For the 27 Weeks Ended July 5, 2025
Operating Activities:		
Net income (loss)	$ (11,272)	$ (19,951)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation, amortization and accretion	4,785	6,412
Non-cash lease expense	27,731	28,656
Stock-based compensation	2,333	1,193
Decrease in allowance for returns and markdowns	(7,193)	(6,489)
Net gain on disposal of assets	(1,067)	(12,502)
Gain on sale of subsidiary	(752)	—
Property, plant and equipment and other long-lived asset impairment losses	743	79
Other non-cash items	6,383	565
Changes in operating assets and liabilities:		
Accounts receivable	31,690	47,676
Inventories	(29,232)	9,132
Prepaid expenses and other current assets	5,762	(959)
Accounts payable	(78)	(38,543)
Accrued expenses	(31,063)	(35,412)
Income taxes	1,081	4,479
Operating lease liabilities	(30,808)	(35,269)
Net cash (used in) provided by operating activities	(30,957)	(50,933)
Investing Activities:		
Additions to property, plant and equipment	(1,818)	(1,089)
Decrease in intangible and other assets	715	610
Proceeds from the sale of property, plant and equipment	738	21,416
Net proceeds from the sale of subsidiary	2,321	—
Net cash provided by investing activities	1,956	20,937
Financing Activities:		
Acquisition of common stock	(1,067)	(132)
Distribution of noncontrolling interest earnings	—	(4,299)
Debt borrowings	36,128	75,816
Debt payments	(14,905)	(62,676)
Debt issuance costs	(7,411)	—
Net cash provided by financing activities	12,745	8,709
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1,463	8,084
Net decrease in cash, cash equivalents, and restricted cash	(14,793)	(13,203)
Cash, cash equivalents, and restricted cash:		
Beginning of period	99,426	126,592
End of period	$ 84,633	$ 113,389

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 Company's fiscal year periodically results in a 53-week year instead of a normal 52-week year. The prior fiscal year ended January 3, 2026 was a 53-week year, with the additional week being included in the first quarter. Accordingly, the information presented herein includes the thirteen-week period ended July 4, 2026 ("Second Quarter") as compared to the thirteen-week period ended July 5, 2025 ("Prior Year Quarter"), and the twenty-six week period ended July 4, 2026 ("Year To Date Period") as compared to the twenty-seven week period ended July 5, 2025 ("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 July 4, 2026, 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 January 3, 2026, as amended (the "2025 Form 10-K"). Operating results for the Second Quarter are not necessarily indicative of the results to be achieved for the full fiscal year.

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the periods reported. We base our estimates on the information available at the time and various other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates. The Company has not made any changes in its significant accounting policies from those disclosed in the 2025 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 July 4, 2026	For the 13 Weeks Ended July 5, 2025	For the 26 Weeks Ended July 4, 2026	For the 27 Weeks Ended July 5, 2025
Numerator:				
Net income (loss) attributable to Fossil Group, Inc.	$ (10,628)	$ (2,294)	$ (11,438)	$ (19,870)
Denominator:				
Basic EPS computation:				
Basic weighted average common shares outstanding	59,036	53,624	58,705	53,435
Basic EPS	$ (0.18)	$ (0.04)	$ (0.19)	$ (0.37)
Diluted EPS computation:				
Diluted weighted average common shares outstanding	59,036	53,624	58,705	53,435
Diluted EPS	$ (0.18)	$ (0.04)	$ (0.19)	$ (0.37)

Weighted average shares issuable under stock-based awards that were not included in the diluted EPS calculation because they were antidilutive were approximately 4.7 million and 3.9 million at the end of the Second Quarter and Year To Date Period, respectively. The total antidilutive weighted average shares included 2.8 million and 2.0 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 4.0 million and 3.4 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 1.2 million and 0.6 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 July 4, 2026 and July 5, 2025 that are presented in the condensed consolidated statement of cash flows (in thousands):

	July 4, 2026	July 5, 2025
Cash and cash equivalents	$ 78,950	$ 109,862
Restricted cash included in prepaid expenses and other current assets	3,904	1,267
Restricted cash included in intangible and other assets-net	1,779	2,260
Cash, cash equivalents and restricted cash	$ 84,633	$ 113,389

Recently Issued Accounting Standards

In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), 2024-03, *Income Statement—Reporting Comprehensive Income —Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which requires entities to disclose additional information about specific expense categories in the notes to the financial statements at interim and annual reporting periods. This guidance is effective for fiscal years beginning after December 15, 2026, with early adoption permitted. The adoption of this standard will result in additional disclosure in the notes to the financial statements.

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 July 4, 2026				
	Americas	Europe	Asia	Corporate	Total
Product type					
Watches:					
Traditional watches	$ 82,248	$ 44,496	$ 49,002	$ —	$ 175,746
Smartwatches	1,226	57	105	—	1,388
Total watches	$ 83,474	$ 44,553	$ 49,107	$ —	$ 177,134
Leathers	7,224	1,370	3,085	—	11,679
Jewelry	4,589	8,528	4,103	—	17,220
Other	1,419	1,353	541	342	3,655
Consolidated	$ 96,706	$ 55,804	$ 56,836	$ 342	$ 209,688
Timing of revenue recognition					
Revenue recognized at a point in time	$ 96,701	$ 55,797	$ 56,823	$ 342	$ 209,663
Revenue recognized over time	5	7	13	—	25
Consolidated	$ 96,706	$ 55,804	$ 56,836	$ 342	$ 209,688

	For the 13 Weeks Ended July 5, 2025				
	Americas	Europe	Asia	Corporate	Total
Product type					
Watches:					
Traditional watches	$ 77,183	$ 52,630	$ 48,633	$ —	$ 178,446
Smartwatches	1,716	159	(475)	—	1,400
Total watches	$ 78,899	$ 52,789	$ 48,158	$ —	$ 179,846
Leathers	10,727	2,110	4,110	—	16,947
Jewelry	4,456	10,425	4,509	—	19,390
Other	1,669	1,845	638	53	4,205
Consolidated	$ 95,751	$ 67,169	$ 57,415	$ 53	$ 220,388
Timing of revenue recognition					
Revenue recognized at a point in time	$ 95,703	$ 67,092	$ 57,357	$ 53	$ 220,205
Revenue recognized over time	48	77	58	—	183
Consolidated	$ 95,751	$ 67,169	$ 57,415	$ 53	$ 220,388

	For the 26 Weeks Ended July 4, 2026				
	Americas	Europe	Asia	Corporate	Total
Product type					
Watches:					
Traditional watches	$ 166,218	$ 102,121	$ 96,138	$ —	$ 364,477
Smartwatches	2,836	(37)	319	—	3,118
Total watches	$ 169,054	$ 102,084	$ 96,457	$ —	$ 367,595
Leathers	13,216	2,966	6,138	—	22,320
Jewelry	8,381	19,841	9,139	—	37,361
Other	2,829	2,420	1,125	799	7,173
Consolidated	$ 193,480	$ 127,311	$ 112,859	$ 799	$ 434,449
Timing of revenue recognition					
Revenue recognized at a point in time	$ 193,466	$ 127,291	$ 112,833	$ 799	$ 434,389
Revenue recognized over time	14	20	26	—	60
Consolidated	$ 193,480	$ 127,311	$ 112,859	$ 799	$ 434,449

	For the 27 Weeks Ended July 5, 2025				
	Americas	Europe	Asia	Corporate	Total
Product type					
Watches:					
Traditional watches	$ 155,178	$ 112,823	$ 95,075	$ —	$ 363,076
Smartwatches	4,655	992	(201)	—	5,446
Total watches	$ 159,833	$ 113,815	$ 94,874	$ —	$ 368,522
Leathers	20,469	4,336	9,322	—	34,127
Jewelry	9,808	22,628	9,216	—	41,652
Other	3,370	3,723	1,348	939	9,380
Consolidated	$ 193,480	$ 144,502	$ 114,760	$ 939	$ 453,681
Timing of revenue recognition					
Revenue recognized at a point in time	$ 193,372	$ 144,340	$ 114,626	$ 939	$ 453,277
Revenue recognized over time	108	162	134	—	404
Consolidated	$ 193,480	$ 144,502	$ 114,760	$ 939	$ 453,681

Contract Balances. As of July 4, 2026, 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 July 4, 2026 and January 3, 2026 related to remaining performance obligations on licensing income, (ii) $0.1 million and $0.1 million as of July 4, 2026 and January 3, 2026, respectively, primarily related to remaining performance obligations on wearable technology products and (iii) $1.3 million and $1.7 million as of July 4, 2026 and January 3, 2026, respectively, related to gift cards issued.

3. INVENTORIES

Inventories consisted of the following (in thousands):

	July 4, 2026	January 3, 2026
Components and parts	$ 15,636	$ 15,575
Finished goods	162,274	136,221
Inventories	$ 177,910	$ 151,796

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 July 4, 2026	For the 27 Weeks Ended July 5, 2025
Beginning balance	$ 4,343	$ 6,113
Settlements in cash or kind	(1,305)	(2,066)
Warranties issued and adjustments to preexisting warranties [1]	452	867
Ending balance	$ 3,490	$ 4,914

[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 July 4, 2026	For the 13 Weeks Ended July 5, 2025	For the 26 Weeks Ended July 4, 2026	For the 27 Weeks Ended July 5, 2025
Income tax (benefit) expense	$ 3,723	$ 6,230	$ 9,154	$ 9,598
Effective tax rate	(54.2)%	150.9 %	(432.2)%	(92.7)%

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 July 4, 2026, the Company's total amount of unrecognized tax benefits, excluding interest and penalties, was $7.2 million, all of which would favorably impact the effective tax rate in future periods, if recognized. 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 $3.1 million, including interest.

The Company is also subject to examinations in various state and foreign jurisdictions for its 2013-2024 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 July 4, 2026, 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 July 4, 2026, the total amount of accrued income tax-related interest expense, net included in the condensed consolidated balance sheets was $1.9 million. There were no accrued tax-related penalties.

6. STOCKHOLDERS' EQUITY

Common and Preferred Stock. The Company has 100,000,000 shares of common stock, par value $0.01 per share, authorized, with 59,106,531 and 58,354,014 shares issued and outstanding at July 4, 2026 and January 3, 2026, respectively. The Company has 1,000,000 shares of preferred stock, par value $0.01 per share, authorized, with none issued or outstanding at July 4, 2026 or January 3, 2026. 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.

As of July 4, 2026, the Company had $15.5 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 or Prior Year Quarter.

Warrant Agreements. On August 13, 2025, the Company entered into a securities exchange agreement with certain institutional stockholders (the "Exchanging Stockholders"), pursuant to which the Company agreed to exchange an aggregate of 2.5 million shares of the Company's common stock, par value $0.01 per share (the "Surrendered Shares"), owned by the Exchanging Stockholders for pre-funded warrants (the "Exchange Warrants") to purchase an aggregate of 2.5 million shares of common stock with an exercise price of $0.01 per share. The Exchange Warrants will not expire prior to exercise. The Company also agreed to pay the Exchanging Stockholders an amount of $0.01 per share for the Surrendered Shares. The Exchange Warrants are exercisable at any time, except that the Exchange Warrants cannot be exercised by the Exchanging Stockholders if, after giving effect thereto, the Exchanging Stockholders would beneficially own more than 9.99% of the Company's common stock, subject to certain exceptions. The Exchange Warrants were determined to be equity classified in accordance with ASC 815 and have been included in the weighted-average number of shares of common stock used to calculate basic and diluted EPS because the shares may be issued for nominal consideration. As of July 4, 2026, 2.5 million Exchange Warrants were outstanding.

7. EMPLOYEE BENEFIT PLANS

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 April 4, 2026	3,088	$ 1.31
Granted	2,881	5.40
Vested	(898)	1.31
Forfeited	(307)	3.12
Nonvested at July 4, 2026	4,764	$ 3.60

The total fair value of restricted stock units vested was $4.7 million during the Second Quarter. Vesting of performance restricted stock units is based on the Company's stock market performance.

Long-Term Incentive Plans. On April 29, 2024, the Company's Board of Directors adopted the 2024 Long-Term Incentive Plan ("2024 Plan"), which was approved by the Company's stockholders at the Company's Annual Shareholder Meeting on June 21, 2024. The 2024 Plan replaces and supersedes the previously adopted 2016 Long-Term Incentive Plan. An aggregate of 7,000,000 shares of the Company's common stock were reserved for issuance pursuant to the Company's 2024 Plan.

Under the 2024 Plan, designated employees of the Company, including officers, certain contractors, and non-employee directors of the Company, are eligible to receive (i) stock options, (ii) stock appreciation rights, (iii) restricted or non-restricted stock awards, (iv) restricted stock units, (v) performance awards, (vi) cash awards, or (vii) any combination of the foregoing. The 2024 Plan is administered by The Compensation and Talent Management Committee (the "Compensation Committee"). Each award issued under the 2024 Plan terminates at the time designated by the Compensation Committee, not to exceed ten years from the date of grant. The current outstanding restricted stock units and performance restricted stock units issued under the 2024 Plan predominantly have original vesting periods of three years. Time-based or performance-based stock appreciation rights and restricted stock units are predominately settled in shares of the Company's common stock. On the date of the Company's annual stockholders meeting, each non-employee director is eligible to receive a grant of restricted stock units, in an amount determined by the Board, in its sole discretion, provided that the grant shall not exceed more than the number of shares of common stock having an aggregate fair market value of $130,000. Any such grant shall 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.

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 July 4, 2026			
	Currency Translation Adjustments	Cash Flow Hedges: Forward Contracts	Pension Plan	Total
Beginning balance	$ (68,647)	$ 1,338	$ 3,804	$ (63,505)
Other comprehensive income (loss) before reclassifications	840	—	—	840
Total other comprehensive income (loss)	840	—	—	840
Ending balance	$ (67,807)	$ 1,338	$ 3,804	$ (62,665)

	For the 13 Weeks Ended July 5, 2025			
	Currency Translation Adjustments	Cash Flow Hedges: Forward Contracts	Pension Plan	Total
Beginning balance	$ (79,393)	$ 1,338	$ 4,268	$ (73,787)
Other comprehensive income (loss) before reclassifications	11,511	—	—	11,511
Total other comprehensive income (loss)	11,511	—	—	11,511
Ending balance	$ (67,882)	$ 1,338	$ 4,268	$ (62,276)

	For the 26 Weeks Ended July 4, 2026			
	Currency Translation Adjustments	Cash Flow Hedges: Forward Contracts	Pension Plan	Total
Beginning balance	$ (65,031)	$ 1,338	$ 3,804	$ (59,889)
Other comprehensive income (loss) before reclassifications	(2,776)	—	—	(2,776)
Total other comprehensive income (loss)	(2,776)	—	—	(2,776)
Ending balance	$ (67,807)	$ 1,338	$ 3,804	$ (62,665)

	For the 27 Weeks Ended July 5, 2025			
	Currency Translation Adjustments	Cash Flow Hedges: Forward Contracts	Pension Plan	Total
Beginning balance	$ (88,684)	$ 1,812	$ 4,268	$ (82,604)
Other comprehensive income (loss) before reclassifications	20,802	140	—	20,942
Amounts reclassed from accumulated other comprehensive income (loss)	—	614	—	614
Total other comprehensive income (loss)	20,802	(474)	—	20,328
Ending balance	$ (67,882)	$ 1,338	$ 4,268	$ (62,276)

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, specifically its chief operating decision maker ("CODM") for making decisions and assessing performance as the source of the Company's reportable segments. The Company's CODM is its Chief Executive Officer.

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.

The CODM uses net sales and operating income (loss) for each segment predominantly in the annual budget and forecasting process. The CODM considers budget-to-actual variances on a quarterly basis for both performance measures when making decisions about the allocation of operating and capital resources to each segment. The CODM also uses segment gross profit for evaluating pricing strategy and segment operating income (loss) to assess the performance of each segment by comparing the results of each segment with one another. The CODM does not review disaggregated assets by segment, therefore it is not presented below.

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

	For the 13 Weeks Ended July 4, 2026				
	Americas	Europe	Asia	Corporate	Total
Net sales	$ 96,706	$ 55,804	$ 56,836	$ 342	$ 209,688
Cost of sales	35,247	19,931	19,644	4,072	78,894
Gross profit	$ 61,459	$ 35,873	$ 37,192	$ (3,730)	$ 130,794
Marketing	5,812	3,915	3,923	1,394	15,044
Compensation and benefits	14,813	16,537	6,848	24,577	62,775
Depreciation and amortization	478	508	349	919	2,254
Other segment items [1]	13,013	7,432	6,433	20,643	47,521
Operating income (loss)	$ 27,343	$ 7,481	$ 19,639	$ (51,263)	$ 3,200

	For the 13 Weeks Ended July 5, 2025				
	Americas	Europe	Asia	Corporate	Total
Net sales	$ 95,751	$ 67,169	$ 57,415	$ 53	$ 220,388
Cost of sales	44,955	25,887	22,831	(14)	93,659
Gross profit	$ 50,796	$ 41,282	$ 34,584	$ 67	$ 126,729
Marketing	4,143	3,170	3,210	507	11,030
Compensation and benefits	14,507	18,833	8,394	26,603	68,337
Depreciation and amortization	689	671	386	1,148	2,894
Other segment items [1]	12,525	(4,817)	7,893	20,379	35,980
Operating income (loss)	$ 18,932	$ 23,425	$ 14,701	$ (48,570)	$ 8,488

	For the 26 Weeks Ended July 4, 2026				
	Americas	Europe	Asia	Corporate	Total
Net sales	$ 193,480	$ 127,311	$ 112,859	$ 799	$ 434,449
Cost of sales	73,672	46,284	42,446	6,549	168,951
Gross profit	$ 119,808	$ 81,027	$ 70,413	$ (5,750)	$ 265,498
Marketing	10,288	8,590	7,576	2,994	29,448
Compensation and benefits	28,593	32,096	13,829	46,061	120,579
Depreciation and amortization	992	1,067	710	1,896	4,665
Other segment items [1]	24,809	15,706	13,058	41,984	95,557
Operating income (loss)	$ 55,126	$ 23,568	$ 35,240	$ (98,685)	$ 15,249

	For the 27 Weeks Ended July 5, 2025				
	Americas	Europe	Asia	Corporate	Total
Net sales	$ 193,480	$ 144,502	$ 114,760	$ 939	$ 453,681
Cost of sales	85,975	55,089	42,739	157	183,960
Gross profit	$ 107,505	$ 89,413	$ 72,021	$ 782	$ 269,721
Marketing	8,189	6,920	7,252	1,915	24,276
Compensation and benefits	30,059	36,708	17,118	58,144	142,029
Depreciation and amortization	1,419	1,488	1,001	2,355	6,263
Other segment items [1]	24,676	4,118	16,690	49,927	95,411
Operating income (loss)	$ 43,162	$ 40,179	$ 29,960	$ (111,559)	$ 1,742

[1] Other segment items for each reportable segment include long-lived asset impairments, restructuring charges, facility costs, overhead expenses, fixed asset disposals and other operating costs.

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 July 4, 2026		For the 13 Weeks Ended July 5, 2025	
	Net Sales	Percentage of Total	Net Sales	Percentage of Total
Watches:				
Traditional watches	$ 175,746	83.8 %	$ 178,446	81.0 %
Smartwatches	1,388	0.7	1,400	0.6
Total watches	$ 177,134	84.5 %	$ 179,846	81.6 %
Leathers	11,679	5.6	16,947	7.7
Jewelry	17,220	8.2	19,390	8.8
Other	3,655	1.7	4,205	1.9
Total	$ 209,688	100.0 %	$ 220,388	100.0 %

	For the 26 Weeks Ended July 4, 2026		For the 27 Weeks Ended July 5, 2025	
	Net Sales	Percentage of Total	Net Sales	Percentage of Total
Watches:				
Traditional watches	$ 364,477	83.9 %	$ 363,076	80.0 %
Smartwatches	3,118	0.7	5,446	1.2
Total watches	$ 367,595	84.6 %	$ 368,522	81.2 %
Leathers	22,320	5.1	34,127	7.5
Jewelry	37,361	8.6	41,652	9.2
Other	7,173	1.7	9,380	2.1
Total	$ 434,449	100.0 %	$ 453,681	100.0 %

10. DERIVATIVES AND RISK MANAGEMENT

Derivative Instruments. 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. The Company also uses derivative instruments to manage fluctuations in global currencies that will be used for the settlement of intercompany loans denominated in U.S. dollars. The Company's derivative financial instruments consist of foreign currency forward contracts. The Company's policy is to enter into forward contracts for an agreed-upon exchange rate with terms that coincide with the underlying exposure being hedged for a period of up to 12 months. 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 were expected to offset these fluctuations to the extent the cash flows were 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. For derivative instruments that are not designated as hedges, any changes in fair value are recognized in earnings when they occur.

As of July 4, 2026, the fair value amount on a gross basis for the Company's non designated derivative instruments as separate asset and liability values was $0.6 million included in prepaid expenses and other current assets and $38 thousand in accrued expenses - other in the condensed consolidated balance sheets.

As of July 4, 2026, the Company had the following outstanding non-designated forward contracts that were entered into to hedge future payments of inventory transactions and intercompany loan settlements (in millions):

Functional Currency		Contract Currency	
Type	Amount	Type	Amount
Euro	17.5	U.S. dollar	20.3
Canadian dollar	15.0	U.S. dollar	11.0
Mexican peso	166.6	U.S. dollar	9.4

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 27 Weeks Ended July 5, 2025
Cash flow hedges:	
Forward contracts	$ 140
Total gain (loss) recognized in other comprehensive income (loss), net of taxes	$ 140

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 July 4, 2026	For the 13 Weeks Ended July 2025
Forward contracts not designated as hedging instruments	Other income (expense)-net	Total gain (loss) recognized in income	$ (130)	$

Derivative Instruments	Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) Location	Effect of Derivative Instruments	For the 26 Weeks Ended July 4, 2026	For the 27 Weeks Ended July 5, 2025
Forward contracts designated as cash flow hedging instruments	Other income (expense)-net	Total gain (loss) reclassified from accumulated other comprehensive income (loss)	$ —	$ 614
Forward contracts not designated as hedging instruments	Other income (expense)-net	Total gain (loss) recognized in income	$ 302	$ 19

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 July 4, 2026		For the 13 Weeks Ended July 5, 2025	
	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	$ 78,894	$ (1,742)	$ 93,659	$ (38)
Gain (loss) on cash flow hedging relationships:				
Forward contracts not designated as hedging instruments:				
Total gain (loss) recognized in income	$ —	$ (130)	$ —	$ 1

	Effect of Derivative Instruments			
	For the 26 Weeks Ended July 4, 2026		For the 27 Weeks Ended July 5, 2025	
	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	$ 168,951	$ (586)	$ 183,960	$ (3,307)
Gain (loss) on cash flow hedging relationships:				
Forward contracts designated as cash flow hedging instruments:				
Total gain (loss) reclassified from other comprehensive income (loss)	$ —	$ —	$ —	$ 614
Forward contracts not designated as hedging instruments:				
Total gain (loss) recognized in income	$ —	$ 302	$ —	$ 19

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 July 4, 2026 (in thousands):

	Fair Value at July 4, 2026			
	Level 1	Level 2	Level 3	Total
Assets:				
Forward contracts	$ —	$ 572	$ —	$ 572
Total	$ —	$ 572	$ —	$ 572
Liabilities:				
Forward contracts	$ —	$ 38	$ —	$ 38
Total	$ —	$ 38	$ —	$ 38

The Company did not have any assets or liabilities measured at fair value on a recurring basis as of January 3, 2026.

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

As of July 4, 2026, the Company's First-Out Notes and Second-Out Notes (as defined in Note 15— Debt Activity), excluding unamortized debt issuance costs and original issue discount, were recorded at cost and had a carrying value of $185.1 million and their fair value approximated their carrying value. The Company's Revolving Credit Facility (as defined in Note 15—Debt Activity) was recorded at cost and had a carrying value of $41.0 million and its fair value approximated its carrying value. The fair value of each of the Company's First-Out Notes, Second-Out Notes and Revolving Credit Facility was based on Level 3 inputs.

During the Year to Date Period, operating lease right-of-use ("ROU") assets with a carrying amount of $2.2 million and property, plant and equipment-net with a carrying value of $0.3 million were written down to a fair value of $1.6 million and $0.2 million, respectively, resulting in impairment charges of $0.7 million. During the Prior Year YTD Period, ROU assets with a carrying amount of $0.2 million were written down to a fair value of $0.1 million, resulting in impairment charges of $0.1 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 $0.7 million impairment expense in the Year to Date Period, $0.7 million was recorded in other long-lived asset impairments in the Americas segment. Of the $0.1 million impairment expense in the Prior Year YTD Period, $0.1 million was recorded in other long-lived asset impairments in the Americas segment.

12. INTANGIBLE AND OTHER ASSETS

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

	Useful Lives	July 4, 2026 Gross Amount	July 4, 2026 Accumulated Amortization	January 3, 2026 Gross Amount	January 3, 2026 Accumulated Amortization
Intangibles-subject to amortization:					
Trademarks	10 yrs.	$ 3,978	$ 3,509	$ 3,978	$ 3,461
Patents	3 - 20 yrs.	850	605	850	594
Trade name	6 yrs.	4,502	4,502	4,502	4,502
Other	7 - 20 yrs.	278	262	278	252
Total intangibles-subject to amortization		9,608	8,878	9,608	8,809
Intangibles-not subject to amortization:					
Trade names		8,433		8,433	
Other assets:					
Deposits		13,543		14,246	
Deferred tax asset-net		17,967		18,123	
Restricted cash		1,779		2,352	
Debt issuance costs		19,472		22,538	
Other		2,145		2,505	
Total other assets		54,906		59,764	
Total intangible and other assets		$ 72,947	$ 8,878	$ 77,805	$ 8,809
Total intangible and other assets-net			$ 64,069		$ 68,996

Amortization expense for intangible assets was $0.1 million and $0.1 million for the Second Quarter and the Prior Year Quarter, respectively, and $0.1 million and $0.1 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
2026 (remaining)	$ 68
2027	$ 120
2028	$ 114
2029	$ 83
2030	$ 72
Thereafter	$ 273

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 July 4, 2026	For the 13 Weeks Ended July 5, 2025	For the 26 Weeks Ended July 4, 2026	For the 27 Weeks Ended July 5, 2025
Operating lease cost[1]	SG&A	$ 13,603	$ 13,046	$ 27,120	$ 27,751
Short-term lease cost	SG&A	$ 70	$ 108	$ 125	$ 274
Variable lease cost	SG&A	$ 3,535	$ 5,162	$ 7,392	$ 8,963

[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	July 4, 2026	January 3, 2026
Assets			
Operating	Operating lease ROU assets	$ 120,493	$ 118,302
Liabilities			
Current:			
Operating	Current operating lease liabilities	$ 32,056	$ 34,768
Noncurrent:			
Operating	Long-term operating lease liabilities	$ 106,868	$ 104,442

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	July 4, 2026	January 3, 2026
Weighted-average remaining lease term:		
Operating leases	6.1 years	6.1 years
Weighted-average discount rate:		
Operating leases	15.3 %	15.2 %

Future minimum lease payments by year as of July 4, 2026 were as follows (in thousands):

Fiscal Year	Operating Leases
2026 (remaining)	$ 28,316
2027	44,881
2028	31,516
2029	27,411
2030	21,596
Thereafter	64,847
Total lease payments	$ 218,567
Less: Interest	79,643
Total lease obligations	$ 138,924

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

	For the 26 Weeks Ended July 4, 2026	For the 27 Weeks Ended July 5, 2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 30,808	$ 35,269
Leased assets obtained in exchange for new operating lease liabilities	21,602	11,989

As of July 4, 2026, the Company did not have any material operating or finance leases that have been signed but not commenced.

15. DEBT ACTIVITY

Revolving Credit Facility: On August 13, 2025, the Company and certain of its subsidiaries identified therein as guarantors entered into a Credit Agreement, dated as of August 13, 2025 (the "Credit Agreement"), with the lenders from time to time party thereto (the "Lenders"), ACF FINCO I LP, as administrative agent on behalf of the Lenders (the "Administrative Agent"), and the Company as a borrower to refinance the Company's prior revolving facility (the "Prior Revolving Facility"). Pursuant to the Credit Agreement, the Lenders have provided new financing commitments to the Company under a new senior secured asset-based revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of $150 million.

Borrowings under the Revolving Credit Facility bear interest at a rate of 5.00% plus the Adjusted Term SOFR Rate (as defined in the Credit Agreement) for term SOFR borrowings and 4.00% plus the Alternate Base Rate (as defined in the Credit Agreement), payable monthly in arrears. The Lenders received an upfront commitment fee equal to 2.00% of the aggregate commitments under the Revolving Credit Facility. The Company's obligations under the Revolving Credit Facility are guaranteed by the guarantors, and those obligations and the guarantees are secured by substantially all of the assets of the Company and the guarantors. The Credit Agreement includes customary representations and warranties, covenants and events of default, in each case, applicable to the Company. The Credit Agreement also requires that Availability (as defined in the Credit Agreement) may at no time be less than the greater of 10% of the Line Cap (as defined in the Credit Agreement) and $12.5 million. If an event of default under the Credit Agreement occurs, the Required Lenders (as defined in the Credit Agreement) may, among other things, terminate the commitments and declare the outstanding obligations under the Credit Agreement to be immediately due and payable.

The Revolving Credit Facility has a stated maturity date of August 13, 2030, but includes a springing maturity feature (the "Springing Maturity Feature") that will cause the stated maturity date to spring ahead to the date that is 91 days prior to the maturity date of material indebtedness (defined as $15.0 million or more of indebtedness) if such material indebtedness remains outstanding on such 91st day.

The maturity date of the First-Out Notes is January 1, 2029. If more than $15.0 million of First-Out Notes and other indebtedness (other than under the Credit Agreement) is outstanding on October 2, 2028, the maturity date of the Revolving Credit Facility will be October 2, 2028. The maturity date of the Second-Out Notes is June 30, 2029. If more than $15.0 million of Second-Out Notes and other indebtedness (other than under the Credit Agreement) is outstanding on March 31, 2029, the maturity date of the Revolving Credit Facility will be March 31, 2029.

Prior Notes: In November 2021, the Company sold $150.0 million aggregate principal amount of 7.00% senior notes due November 2026 (the "Prior Notes").

On November 13, 2025, as a result of the Restructuring Plan (as defined herein), all $150.0 million aggregate principal amount of the Prior Notes were cancelled.

Notes: On August 13, 2025, the Company, Fossil (UK) Global Services Ltd. ("Fossil UK"), and certain direct and indirect subsidiaries of the Company identified therein (collectively, the "Company Parties") entered into a Transaction Support Agreement (the "Transaction Support Agreement") with certain holders (the "Consenting Noteholders"), representing approximately 59% of the aggregate principal of the Prior Notes.

On November 13, 2025, the Company consummated the previously announced offer to exchange (the "Exchange Offer") with respect to the Prior Notes and the concurrent rights offering (the "Rights Offering") pursuant to a restructuring plan under Part 26A of the UK Companies Act 2006 (as amended) (the "Restructuring Plan" and together with the Exchange Offer and the Rights Offering, the "Transactions") for First-Out Notes and Second-Out Notes (as defined herein, collectively the "Notes"). In connection with the consummation of the Transactions:

- Noteholders that participated in the Rights Offering and Exchange Offer (the "New Money Participants") (i) provided an aggregate of $32.5 million of incremental, new money financing in exchange for (x) $32.5 million aggregate principal amount of 9.500% First-Out First Lien Secured Senior Notes due 2029 (the "First-Out Notes") and (y) 954,070 shares of common stock, (ii) exchanged $120.2 million aggregate principal amount of Prior Notes on a dollar-for-dollar basis for $120.2 million aggregate principal amount of First-Out Notes, and (iii) received $0.9 million aggregate principal amount of First-Out Notes as a consent premium pursuant to the terms of the Transactions (the "Consent Premium").

- Noteholders that did not participate in the Rights Offering (the "Non-New Money Participants") (i) received $29.8 million aggregate principal amount of 7.500% Second-Out Second Lien Secured Senior Notes due 2029 (the "Second-Out Notes") on a dollar-for-dollar basis for $29.8 million Prior Notes held by such Non-New Money Participants, and (ii) received $53,858 aggregate principal amount of Second-Out Notes as a Consent Premium. Only Non-New Money Participants that tendered their Prior Notes in the Exchange Offer and consented to the Restructuring Plan received the Consent Premium.

The Consenting Noteholders participated in the Transactions on a private placement basis. In accordance with the terms of the Transaction Support Agreement, the Consenting Noteholders received $1.6 million aggregate principal amount of First-Out Notes as a backstop premium as consideration for providing a backstop commitment for the Rights Offering.

The Notes are, respectively, subject to certain covenants (subject to certain exceptions and thresholds), including, without limitation, restrictions on the Company and the guarantors' thereunder ability to:

- incur, assume or guarantee additional debt, or issue disqualified stock or preferred stock;
- pay dividends, make other distributions or repurchase equity;
- make certain investments and other restricted payments;
- enter into transactions with affiliates;
- create, incur, assume or suffer to exist liens;
- sell or otherwise dispose of certain assets to third parties;
- consolidate, merge or sell all or substantially all of their assets; and
- create restrictions on the ability of certain subsidiaries to pay dividends and make other payments to the Company or the guarantors.

The Notes are, respectively, subject to certain events of default (subject to certain exceptions and thresholds), including, without limitation:

- default in the payment of interest, principal or premium thereunder;
- breach of covenants or other agreements under the Notes;
- default under any mortgage, indenture or instrument securing indebtedness for borrowed money and such indebtedness is in the aggregate principal amount of at least $10.0 million;
- judgments exceeding $15.0 million;
- entry into bankruptcy or insolvency proceedings;
- nullification of certain guarantees;
- invalidity of a lien with respect to collateral with a fair market value exceeding $10.0 million; and
- solely with respect to the First-Out Notes, an event of default under the Credit Agreement or the invalidity of an intercreditor agreement.

The Company had net borrowings of $8.0 million and $25.0 million under the Revolving Credit Facility during the Second Quarter and Year to Date Period, respectively. As of July 4, 2026, the Company had available borrowing capacity of $17.6 million under the Revolving Credit Facility. Such amount is less than the $150 million total revolving commitments under the Revolving Credit Facility due to a reduction of borrowing capacity pursuant to the borrowing base. As of July 4, 2026, the Company had unamortized debt issuance costs of $15.6 million and original issue discount of $7.5 million recorded in long-term debt, and unamortized debt issuance costs of $19.5 million recorded in intangible and other assets-net on the Company's consolidated balance sheets. The Company incurred approximately $4.3 million and $8.6 million of interest expense related to the Notes during the Second Quarter and Year to Date Period, respectively. The Company incurred approximately $0.8 million and $1.1 million of interest expense related to the Revolving Credit Facility during the Second Quarter and Year to Date Period, respectively. The Company incurred approximately $3.5 million and $7.0 million of interest expense related to the amortization of debt issuance costs and original issue discount during the Second Quarter and Year to Date Period, respectively. At July 4, 2026, the Company was in compliance with all debt covenants related to its credit facilities. The First-Out Notes bear interest at a rate of 9.50% per annum. Interest on the First-Out Notes is payable quarterly in arrears on March 15, June 15, September 15, and December 15 of each year. The First-Out Notes mature on January 1, 2029. The Second-Out Notes bear interest at a rate of 7.50% per annum. Interest on the Second-Out Notes is payable quarterly in arrears on March 15, June 15, September 15, and December 15 of each year. The Second-Out Notes mature on June 30, 2029.

The Company may redeem the First-Out Notes at any time at a redemption price of 107.500%. The Company may redeem the Second-Out Notes at any time at a redemption price of 100.000%.

16. RESTRUCTURING

In fiscal 2024, the Company announced a plan to return to profitable growth (the "Turnaround Plan"). The Turnaround Plan is centered on three key areas: (i) refocusing on the core, (ii) rightsizing the cost structure, and (iii) strengthening the balance sheet. The Company achieved selling, general and administrative ("SG&A") cost savings of approximately $100 million in fiscal 2025 as compared to fiscal 2024 through a series of initiatives including a strategic reduction in force which occurred in February 2025, the reduction in costs associated with the transition of smaller international markets to a distributor model, and the closing of 49 FOSSIL retail stores during fiscal 2025. Beginning in fiscal year 2026, the Company moved forward to a new chapter in its Turnaround Plan, with a focus on three new strategic pillars: (i) driving profitable growth, (ii) optimizing our operating model, and (iii) building shareholder value. The Company incurred $41 million and $7 million in charges under the Turnaround Plan in fiscal years 2025 and 2024, respectively, and expects to incur approximately $15 million in charges in fiscal year 2026 as it completes the plan.

The following table shows a summary of Turnaround Plan charges (in thousands):

	For the 13 Weeks Ended July 4, 2026	For the 13 Weeks Ended July 5, 2025	For the 26 Weeks Ended July 4, 2026	For the 27 Weeks Ended July 5, 2025
Restructuring expenses	$ 3,440	$ 7,295	$ 5,474	$ 23,116
Consolidated	$ 3,440	$ 7,295	$ 5,474	$ 23,116

Turnaround Plan restructuring charges by operating segment were as follows (in thousands):

	For the 13 Weeks Ended July 4, 2026	For the 13 Weeks Ended July 5, 2025	For the 26 Weeks Ended July 4, 2026	For the 27 Weeks Ended July 5, 2025
Americas	$ 140	$ 394	$ 678	$ 992
Europe	616	1,634	740	3,645
Asia	266	643	90	1,085
Corporate	2,418	4,624	3,966	17,394
Consolidated	$ 3,440	$ 7,295	$ 5,474	$ 23,116

The following table shows a rollforward of the accrued liability related to the Company’s Turnaround Plan (in thousands):

	For the 13 Weeks Ended July 4, 2026				
	Liabilities April 4, 2026	Charges	Cash Payments	Non-cash Items	Liabilities July 4, 2026
Professional services	4,539	2,271	1,644	—	5,166
Severance and employee-related benefits	2,633	1,169	1,828	—	1,974
Total	$ 7,172	$ 3,440	$ 3,472	$ —	$ 7,140

	For the 13 Weeks Ended July 5, 2025			
	Liabilities April 5, 2025	Charges	Cash Payments	Liabilities July 5, 2025
Professional services	5,340	4,556	3,920	5,976
Severance and employee-related benefits	7,343	2,739	4,003	6,079
Total	$ 12,683	$ 7,295	$ 7,923	$ 12,055

	For the 26 Weeks Ended July 4, 2026				
	Liabilities January 3, 2026	Charges	Cash Payments	Non-cash Items	Liabilities July 4, 2026
Store closures	$ —	$ 16	$ —	$ 16	$ —
Professional services	5,561	3,040	3,435	—	5,166
Severance and employee-related benefits	6,268	2,418	6,712	—	1,974
Total	$ 11,829	$ 5,474	$ 10,147	$ 16	$ 7,140

	For the 27 Weeks Ended July 5, 2025				
	Liabilities December 28, 2024	Charges	Cash Payments	Non-cash Items	Liabilities July 5, 2025
Store closures	$ —	$ 10	$ —	$ 10	$ —
Professional services	—	11,042	5,066	—	5,976
Severance and employee-related benefits	—	12,064	5,936	49	6,079
Total	$ —	$ 23,116	$ 11,002	$ 59	$ 12,055

In fiscal year 2024, the Company concluded its Transform and Grow plan ("TAG") as it transitioned to initiatives under the Turnaround Plan. TAG was launched in early 2023 to reduce operating costs, improve operating margins, and advance the Company's commitment to profitable growth. The Company had expanded the scope and duration of TAG to focus on a more comprehensive review of its global business operations. The expansion of TAG put greater emphasis on initiatives aimed at restructuring or optimizing operations, exiting or minimizing certain product offerings, brands and distribution channels, strengthening gross margins through improvements in sourcing and improving working capital efficiency. Under the expanded TAG plan, the Company achieved annualized operating income benefits of $280 million over the two-year period.

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

	For the 13 Weeks Ended July 5, 2025		
	Liabilities April 5, 2025	Cash Payments	Liabilities July 5, 2025
Professional services	$ 2,972	$ 2,972	$ —
Severance and employee-related benefits	629	629	—
Charges related to exits of certain product offerings	300	175	125
Total	$ 3,901	$ 3,776	$ 125

	For the 27 Weeks Ended July 5, 2025		
	Liabilities December 28, 2024	Cash Payments	Liabilities July 5, 2025
Store closures	$ 1	$ 1	$ —
Professional services	9,501	9,501	—
Severance and employee-related benefits	7,341	7,341	—
Charges related to exits of certain product offerings	300	175	125
Total	$ 17,143	$ 17,018	$ 125

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 July 4, 2026 (the "Second Quarter") and July 5, 2025 (the "Prior Year Quarter"), and the twenty-six week period ended July 4, 2026 (the "Year To Date Period") and the twenty-seven week period ended July 5, 2025 (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:

Tariffs Exposure: Most of our products are assembled or manufactured overseas, with the substantial majority of our products imported from China during fiscal year 2025. In fiscal 2025, we generated 32.6% of our net sales within the U.S. In early 2025, the current U.S. presidential administration announced significant new tariffs on foreign imports into the U.S., including from China. Throughout 2025, U.S. trade policies experienced rapid changes and significant volatility, including tariff increases imposed under multiple legal authorities and retaliatory actions by foreign countries. In February 2026, the Supreme Court of the United States held that the President of the United States is not authorized to impose tariffs under the International Economic Emergency Powers Act ("IEEPA"), resulting in the elimination of certain higher tariff rates against most major trading partners, including China. Following that ruling, the U.S. Court of International Trade ("CIT") issued an order directing U.S. Customs and Border Protection ("CBP") to process refunds of the IEEPA tariffs. CBP is proceeding with a phased rollout of refunds. Any potential recovery of IEEPA tariffs through this established process represents a loss recovery. During the Year To Date Period, we received refund claims under Phase I of the IEEPA refund process in the amount of $4.9 million and have recorded a receivable for an additional $1.0 million. Of the $5.9 million in total claims recorded, $4.9 million and $1.0 million were recorded as reductions of cost of sales and SG&A, respectively, during the Year To Date Period. $3.6 million in total claims recorded in the Year To Date period relate to tariffs incurred in the prior year and have been adjusted out of Adjusted EBITDA, Adjusted Operating Income (Loss), Constant Currency Adjusted Operating Income (Loss), Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share. As of July 4, 2026, the Company has not recognized any receivable or loss recovery related to additional refunds of IEEPA tariffs because the realization of any recovery is dependent on future events, and the Company cannot conclude that recovery is probable as of the date of this quarterly report; however, it is reasonably possible that additional potential refunds of IEEPA tariffs could be material.

Additionally, after the Supreme Court ruling in February, the U.S. administration almost immediately instituted new tariffs against most major trading partners and has previewed future actions that could restore or exceed the level of the IEEPA tariffs. Future adverse effects on our financial results will likely continue if tariff levels persist, continue to rise, or remain volatile, especially for goods imported from China. We are currently developing and implementing mitigation strategies and determining future implementation timelines.

Economic Environment Impacting Consumer Spending Ability and Preferences: We continue to monitor macroeconomic trends and uncertainties and changes in international trade relations and trade policy, including those related to tariffs. As a result of the U.S. tariff announcements, potential tariff increases or other adverse modifications or the imposition of retaliatory tariffs by other countries, we anticipate increased supply chain challenges, economic uncertainty, and economic pressures on customers and consumers as a result of the challenges of high inflation combined with the effects of increased tariffs and possible recessionary conditions in the U.S. and global economy.

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 historically across our key categories to reduce inventory carrying risk. We will 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 of ongoing and emerging military conflicts, including the conflict between Russia and Ukraine, as well as military actions in the Middle East, which began with U.S. and Israeli hostilities with Iran and subsequent retaliatory actions by Iran, and has subsequently expanded to include neighboring countries. We have no operations in Russia or Iran, and limited operations in Ukraine, Israel and the broader Middle East, all of which are primarily conducted through third-party distributors. While our direct exposure in these regions is limited, new conflicts, the continuation of the current military conflicts or an escalation of the conflicts beyond their current scope may have a number of impacts, including, but not limited to, higher fuel prices, a weakening of the global economy and negative consumer confidence, and could also result in additional inflationary pressures and supply chain constraints. We will continue to monitor developments and assess any material impacts on our business, operations, or financial results.

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 (including AI-enabled or AI-driven 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. We operate in a very challenging business environment for our product offerings, which is complicated by the dynamic global trade environment as a result of frequently shifting U.S. tariffs and trade policies.

In September 2024, we appointed Franco Fogliato Chief Executive Officer and a member of the Board and moved quickly to implement change and create a plan to return the Company to profitable growth (the "Turnaround Plan"). Our Turnaround Plan was originally centered on three key areas: (i) refocusing on our core, (ii) rightsizing our cost structure, and (iii) strengthening our balance sheet. For 2026 and beyond, we are progressing our Turnaround Plan, with a focus on three new strategic pillars: (i) driving profitable growth, (ii) optimizing our operating model, and (iii) building shareholder value. Over the next three years, this evolution of our strategic turnaround pillars is expected to generate a return to top line growth, and improved operating margins and free cash flows.

As part of our driving profitable growth initiative, we plan to further leverage the FOSSIL brand platform to propel innovation, deepen consumer engagement through storytelling, and drive the traditional watch business with focus on icons and collaborations, as well as developing premium products. Driving profitable growth initiatives will also include modernizing point of sale expression, focusing on top customers in key markets, stabilizing our e-commerce business through investments in search and navigation, and reducing the pace of store closures.

Our second strategic pillar, optimizing our operating model, is focused on (i) sharpening our go-to-market execution to elevate point of sale engagement, reduce complexity and improve business agility, (ii) strengthening our digital and technology infrastructure, (iii) delivering best-in-class supply chain performance and (iv) establishing an emerging brands organization to institutionalize entrepreneurship and build the next scalable growth brand in our portfolio.

Under our third strategic pillar, building shareholder value, we plan to generate improved free cash flow from operations, strategically deploy capital toward investing for growth and reducing debt, and deliver strong returns on invested capital.

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 January 3, 2026 (the "2025 Form 10-K").

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 our channels, 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 90 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 our channels, 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 35 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 SAR, Macau SAR 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 our channels, 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 51 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.

Adjusted EBITDA, Adjusted Operating Income (Loss), Constant Currency Adjusted Operating Income (Loss), Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share: Adjusted EBITDA, Adjusted operating income (loss), Constant currency 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 the gain on sale of our subsidiary, gains on asset divestitures, IEEPA refund claims for tariffs incurred in the prior year, and interest income. We define Adjusted operating income (loss) as operating income (loss) before impairment expense, restructuring, gains on asset divestitures and IEEPA refund claims for tariffs incurred in the prior year. We define Constant currency adjusted operating income (loss) as operating income (loss) before impairment expense, restructuring expense, gains on asset divestitures and IEEPA refund claims for tariffs incurred in the prior year and excluding the effects of foreign currency exchange rate fluctuations. 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, restructuring expense, the gain on sale of our subsidiary, gains on asset divestitures and IEEPA refund claims for tariffs incurred in the prior year. We have included Adjusted EBITDA, Adjusted operating income (loss), Constant currency 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), Constant currency 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), Constant currency 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.

The non-GAAP 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 non-GAAP financial information and the most directly comparable GAAP measure are included where applicable.

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 were adjusted to normalize the 27-week Prior Year YTD Period with the 26-week Year To Date Period. Comparable retail sales also exclude the effects of foreign currency fluctuations.

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

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 are accounted for as reductions to revenue and cost of sales and an increase to customer liabilities and other current assets to the extent the returned product is 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 (net of any applicable refunds), 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 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. 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 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 Turnaround Plan.

Results of Operations

Quarterly Periods Ended July 4, 2026 and July 5, 2025

Consolidated Net Sales. Net sales decreased by $10.7 million, or 4.9% (4.4% in constant currency), for the Second Quarter compared to the Prior Year Quarter. The sales decrease was driven by the direct to consumer channel, with our store rationalization initiatives comprising approximately 220 basis points of the sales decline. Sales decreases were primarily in our Europe segment as the region is increasingly unfavorably impacted by the geopolitical climate in the Middle East. Wholesale sales increased by 0.1% (0.9% in constant currency). Direct to consumer sales declined by 14.6% (same in constant currency), due to a smaller store base and declines in our comparable retail sales. We have reduced our store footprint by 17.8% since the end of the Prior Year Quarter, including stores converted to franchises with the sale of our South Africa subsidiary. Global comparable retail sales decreased by 8.0%, primarily due to our full price selling model. From a category perspective, traditional watch sales decreased by 1.5% (0.9% in constant currency). Net sales in smartwatches were no longer significant, as we exited the category. The leathers category decreased by 30.8% (31.4% in constant currency) compared to the Prior Year Quarter, and jewelry sales decreased by 11.3% (11.3% in constant currency). From a brand perspective, the most significant sales declines were in the EMPORIO ARMANI and FOSSIL brands.

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

	For the 13 Weeks Ended July 4, 2026		For the 13 Weeks Ended July 5, 2025		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Americas	$ 96.7	46.1 %	$ 95.7	43.4 %	$ 1.0	1.0 %	0.2 %
Europe	55.8	26.6	67.2	30.5	(11.4)	(17.0)	(18.2)
Asia	56.8	27.1	57.4	26.0	(0.6)	(1.0)	3.7
Corporate	0.4	0.2	0.1	0.1	0.3	300.0	200.0
Total	$ 209.7	100.0 %	$ 220.4	100.0 %	$ (10.7)	(4.9) %	(4.4) %

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

	For the 13 Weeks Ended July 4, 2026		For the 13 Weeks Ended July 5, 2025		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 175.7	83.8 %	$ 178.4	80.9 %	$ (2.7)	(1.5) %	(0.9) %
Smartwatches	1.4	0.7	1.4	0.6	—	—	(0.2)
Total watches	$ 177.1	84.5 %	$ 179.8	81.5 %	$ (2.7)	(1.5)	(0.8)
Leathers	11.7	5.6	16.9	7.7	(5.2)	(30.8)	(31.4)
Jewelry	17.2	8.2	19.4	8.8	(2.2)	(11.3)	(11.3)
Other	3.7	1.7	4.3	2.0	(0.6)	(14.0)	(16.3)
Total	$ 209.7	100.0 %	$ 220.4	100.0 %	$ (10.7)	(4.9) %	(4.4) %

In the Second Quarter, the translation of foreign-based net sales into U.S. dollars decreased net sales by $1.0 million, with unfavorable impacts of $2.7 million in Asia partially offset by favorable impacts of $0.8 million in both of our Americas and Europe segments, as compared to the Prior Year Quarter.

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

	July 5, 2025	Opened	Closed	Converted to Franchise	July 4, 2026
Americas	101	0	11	0	90
Europe	52	0	6	11	35
Asia	61	1	11	0	51
Total stores	214	1	28	11	176

Americas Net Sales. Americas net sales increased by $1.0 million, or 1.0% (0.2% in constant currency), during the Second Quarter compared to the Prior Year Quarter. The largest sales increases were in the MICHAEL KORS and TORY BURCH brands. Sales increased in the wholesale channel and decreased in the store and e-commerce channels. Comparable retail sales decreased moderately 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 July 4, 2026		For the 13 Weeks Ended July 5, 2025		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 82.2	85.0 %	$ 77.2	80.7 %	$ 5.0	6.5 %	5.4 %
Smartwatches	1.3	1.3	1.7	1.8	(0.4)	(23.5)	(29.4)
Total watches	$ 83.5	86.3 %	$ 78.9	82.5 %	$ 4.6	5.8	4.7
Leathers	7.2	7.4	10.7	11.2	(3.5)	(32.7)	(32.7)
Jewelry	4.6	4.8	4.5	4.7	0.1	2.2	2.2
Other	1.4	1.5	1.6	1.6	(0.2)	(12.5)	(6.3)
Total	$ 96.7	100.0 %	$ 95.7	100.0 %	$ 1.0	1.0 %	0.2 %

Europe Net Sales. Europe net sales decreased by $11.4 million, or 17.0% (18.2% in constant currency), during the Second Quarter compared to the Prior Year Quarter. Our sales decreased across much of the Eurozone and in all major distribution channels, primarily due to the increasingly challenging geopolitical environment in the Middle East. The largest sales decreases were in the FOSSIL brand. Comparable retail sales decreased sharply 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 July 4, 2026		For the 13 Weeks Ended July 5, 2025		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 44.5	79.7 %	$ 52.6	78.3 %	$ (8.1)	(15.4) %	(16.5) %
Smartwatches	0.1	0.2	0.2	0.3	(0.1)	(50.0)	(50.0)
Total watches	$ 44.6	79.9 %	$ 52.8	78.6 %	$ (8.2)	(15.5)	(16.9)
Leathers	1.4	2.5	2.1	3.1	(0.7)	(33.3)	(38.1)
Jewelry	8.5	15.2	10.4	15.5	(1.9)	(18.3)	(19.2)
Other	1.3	2.4	1.9	2.8	(0.6)	(31.6)	(26.3)
Total	$ 55.8	100.0 %	$ 67.2	100.0 %	$ (11.4)	(17.0) %	(18.2) %

Asia Net Sales. Net sales in Asia decreased 1.0% (increased 3.7% in constant currency) during the Second Quarter compared to the Prior Year Quarter. Sales increases in India were more than offset by sales decreases in Greater China and unfavorable currency impacts. Constant currency sales growth in FOSSIL, MICHAEL KORS and DIESEL was partially offset by sales decreases in EMPORIO ARMANI. Sales decreased in our direct channels and were partially offset by sales increases in wholesale. Comparable retail sales increased moderately during the Second Quarter with sales growth in our stores partially offset by declines in our 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 Asia segment (dollars in millions):

	For the 13 Weeks Ended July 4, 2026		For the 13 Weeks Ended July 5, 2025		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 49.0	86.3 %	$ 48.6	84.7 %	$ 0.4	0.8 %	6.2 %
Smartwatches	0.1	0.2	(0.5)	(0.9)	0.6	(120.0)	(120.0)
Total watches	$ 49.1	86.5 %	$ 48.1	83.8 %	$ 1.0	2.1	7.5
Leathers	3.1	5.5	4.1	7.1	(1.0)	(24.4)	(26.8)
Jewelry	4.1	7.2	4.5	7.8	(0.4)	(8.9)	(4.4)
Other	0.5	0.8	0.7	1.3	(0.2)	(28.6)	(28.6)
Total	$ 56.8	100.0 %	$ 57.4	100.0 %	$ (0.6)	(1.0) %	3.7 %

Gross Profit. Gross profit of $130.8 million in the Second Quarter increased by 3.2% compared to $126.7 million in the Prior Year Quarter. Our gross profit margin rate increased to 62.4% in the Second Quarter compared to 57.5% in the Prior Year Quarter. The year-over-year increase primarily reflecting improved product margins in our core categories driven by benefits from our full price selling model, sourcing initiatives and reduced tariffs. This increase was partially offset by the accelerated timing of licensed brand minimum royalty recognition as compared to the Prior Year Quarter.

Expenses. Total operating expenses in the Second Quarter increased by 7.9% to $127.6 million, or 60.8% of net sales, compared to $118.2 million, or 53.7% of net sales, in the Prior Year Quarter. Operating expenses in the Prior Year Quarter were favorably impacted by an $11 million gain on the sale of our European warehouse. SG&A expenses were $123.5 million in the Second Quarter compared to $110.9 million in the Prior Year Quarter. As a percentage of net sales, SG&A expenses increased to 58.9% in the Second Quarter compared to 50.3% in the Prior Year Quarter, primarily due to the $11.0 million gain on the sale of our European warehouse included in the Prior Year Quarter. Restructuring expenses were $3.4 million in the Second Quarter, compared to $7.3 million in the Prior Year Quarter.

Operating Income (loss). Operating income in the Second Quarter was $3.2 million as compared to operating income of $8.5 million in the Prior Year Quarter. As a percentage of net sales, operating margin was 1.5% in the Second Quarter compared to 3.9% in the Prior Year Quarter. The operating margin rate in the Second Quarter included an unfavorable impact of 60 basis points due to changes in foreign currencies.

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

	For the 13 Weeks Ended July 4, 2026	For the 13 Weeks Ended July 5, 2025	Change		Operating Margin %	
			Dollars	Percentage	2026	2025
Americas	$ 27.4	$ 18.9	$ 8.5	45.0 %	28.3 %	19.8 %
Europe	7.5	23.4	(15.9)	(67.9)	13.4	34.9
Asia	19.6	14.7	4.9	33.3	34.6	25.6
Corporate	(51.3)	(48.5)	(2.8)	(5.8)		
Total operating income (loss)	$ 3.2	$ 8.5	$ (5.3)	(62.4) %	1.5 %	3.9 %

Interest Expense. Interest expense was $8.3 million in the Second Quarter compared to $4.3 million the Prior Year Quarter due to increased debt issuance cost amortization, higher debt balances and increased interest rates.

Other Income (Expense)-Net. During the Second Quarter, other income (expense)-net was an expense of $1.7 million, compared to an expense of $38,000 in the Prior Year Quarter, primarily reflecting increased currency losses in the Second Quarter as compared to the Prior Year Quarter, and partially offset by a $0.8 million gain on the sale of a subsidiary in the Second Quarter.

Provision for Income Taxes. Income tax expense for the Second Quarter was $3.7 million, resulting in an effective income tax rate of (54.2)%. For the Prior Year Quarter, income tax expense was $6.2 million, resulting in an effective income tax rate of 150.9%. The effective tax rate changed favorably from 150.9% in the Prior-Year Quarter to (54.2%) in the Second Quarter, primarily due to lower tax expense accrued on foreign earnings. The Company did not recognize a tax benefit on U.S. losses in either period. Although the Company reported a pre-tax loss with positive tax expense, the reduction in foreign tax expense resulted in a less unfavorable effective tax rate compared with the Prior Year Quarter.

Net Income (Loss) Attributable to Fossil Group, Inc. Second Quarter net income (loss) attributable to Fossil Group, Inc. was a net loss of $10.6 million, or $0.18 per diluted share, compared to a net loss of $2.3 million, or $0.04 per diluted share, in the Prior Year Quarter. The translation of foreign currencies negatively impacted diluted loss per share by $0.05 in the Second 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 July 4, 2026		For the 13 Weeks Ended July 5, 2025	
	Dollars	% of Net Sales	Dollars	% of Net Sales
Income (loss) before income taxes	$ (6.9)	(3.3) %	$ 4.1	1.9 %
Plus:				
Interest expense	8.3		4.3	
Amortization and depreciation	3.0		3.0	
Other long-lived asset impairments	0.7		—	
Other non-cash charges	(0.6)		(0.5)	
Stock-based compensation	1.6		0.6	
Restructuring expense	3.4		7.3	
Less:				
Gain on sale of subsidiary[1]	0.8		—	
Gains on asset divestitures[2]	—		11.5	
Interest income	0.1		0.3	
Adjusted EBITDA	$ 8.6	4.1 %	$ 7.0	3.2 %

(1) Includes the gain on sale of our South Africa subsidiary
(2) Includes the gains on sale of our European distribution center and equipment from a Swiss manufacturing facility

Adjusted Operating Income (Loss), Constant Currency Adjusted Operating Income (Loss), Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share. The following tables reconcile both Adjusted operating income (loss) and Constant currency 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 July 4, 2026						
($ in millions, except per share data):	**As Reported**	**Other Long-Lived Asset Impairment**	**Restructuring Expenses**	**Gain on sale of subsidiary[1]**	**As Adjusted**	**Impact of Foreign Currency Exchange Rates**	**Constant Currency as Adjusted**
Operating income (loss)	$ 3.2	$ 0.7	$ 3.4	$ —	$ 7.3	$ 1.3	$ 8.6
Operating margin (% of net sales)	1.5 %				3.5 %		4.1 %
Interest expense	$ (8.3)	$ —	$ —	$ —	$ (8.3)		
Other income (expense) - net	(1.7)	—	—	(0.8)	(2.5)		
Income (loss) before income taxes	(6.9)	0.7	3.4	(0.8)	(3.6)		
Provision (benefit) for income taxes	3.7	0.1	0.7	(0.2)	4.3		
Net income (loss) attributable to Fossil Group, Inc.	$ (10.6)	$ 0.6	$ 2.7	$ (0.6)	$ (7.9)		
Diluted earnings (loss) per share	$ (0.18)	$ 0.01	$ 0.05	$ (0.01)	$ (0.13)		

(1) Includes the gain on sale of our South Africa subsidiary

	For the 13 Weeks Ended July 5, 2025			
($ in millions, except per share data):	**As Reported**	**Restructuring Expenses**	**Gains on Asset Divestitures[1]**	**As Adjusted**
Operating income (loss)	$ 8.5	$ 7.3	$ (11.5)	$ 4.3
Operating margin (% of net sales)	3.9 %			2.0 %
Interest expense	$ (4.3)	$ —	$ —	$ (4.3)
Other income (expense) - net	—	—	—	—
Income (loss) before income taxes	4.1	7.3	(11.5)	(0.1)
Provision for income taxes	6.2	1.5	(2.4)	5.3
Less: Net income attributable to noncontrolling interest	(0.2)	—	—	(0.2)
Net income (loss) attributable to Fossil Group, Inc.	$ (2.3)	$ 5.8	$ (9.1)	$ (5.6)
Diluted earnings (loss) per share	$ (0.04)	$ 0.11	$ (0.17)	$ (0.10)

(1) Includes the gains on sale of our European distribution center and equipment from a Swiss manufacturing facility

Fiscal Year To Date Periods Ended July 4, 2026 and July 5, 2025

Consolidated Net Sales. Net sales decreased by $19.3 million, or 4.3% (5.5% in constant currency), for the Year To Date Period compared to the Prior Year YTD Period, with declines primarily in our Europe segment as the region is increasingly impacted by the geopolitical climate in the Middle East. Net sales in the Americas and Asia segments were approximately flat. Our store rationalization initiatives comprised approximately 230 basis points of the sales decline in the Year To Date Period compared to the Prior Year YTD Period. Wholesale sales increased 4.1% (3.2% in constant currency). Direct to consumer sales declined by 20.7% (22.5% in constant currency). We have reduced our store footprint by 38 stores (17.8%), since the end of the Prior Year Quarter, including stores converted to franchises with the sale of our South Africa subsidiary. Global comparable retail sales decreased 11.2%, primarily due to our full price selling model. From a category perspective, traditional watch sales increased 0.4% (decreased 0.7% in constant currency). Net sales in smartwatches decreased 42.6% (42.5% in constant currency), as we exited the category. The leathers category decreased 34.6% (36.1% in constant currency), and jewelry sales decreased 10.3% (12.9% in constant currency). From a brand perspective, our biggest sales declines were in the FOSSIL and EMPORIO ARMANI brands.

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

	For the 26 Weeks Ended July 4, 2026		For the 27 Weeks Ended July 5, 2025		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Americas	$ 193.5	44.5 %	$ 193.5	42.6 %	$ —	— %	(1.3) %
Europe	127.3	29.3	144.5	31.8	(17.2)	(11.9)	(16.2)
Asia	112.8	26.0	114.8	25.3	(2.0)	(1.7)	1.1
Corporate	0.8	0.2	0.9	0.3	(0.1)	(11.1)	(11.1)
Total	$ 434.4	100.0 %	$ 453.7	100.0 %	$ (19.3)	(4.3) %	(5.5) %

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

	For the 26 Weeks Ended July 4, 2026		For the 27 Weeks Ended July 5, 2025		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 364.5	83.9 %	$ 363.1	80.0 %	$ 1.4	0.4 %	(0.7) %
Smartwatches	3.1	0.7	5.4	1.2	(2.3)	(42.6)	(42.5)
Total watches	$ 367.6	84.6 %	$ 368.5	81.2 %	$ (0.9)	(0.2)	(1.3)
Leathers	22.3	5.1	34.1	7.5	(11.8)	(34.6)	(36.1)
Jewelry	37.4	8.6	41.7	9.2	(4.3)	(10.3)	(12.9)
Other	7.1	1.7	9.4	2.1	(2.3)	(24.5)	(24.5)
Total	$ 434.4	100.0 %	$ 453.7	100.0 %	$ (19.3)	(4.3) %	(5.5) %

During the Year To Date Period, the translation of foreign-based net sales into U.S. dollars increased reported net sales by $5.5 million, including favorable impacts of $6.2 million and $2.6 million in our Europe and Americas segments, respectively, partially offset by an unfavorable impact of $3.3 million in our Asia segment compared to the Prior Year YTD Period.

Americas Net Sales. Americas net sales were roughly flat (a decrease of 1.3% in constant currency), during the Year To Date Period compared to the Prior Year YTD Period. Declines in our stores and e-commerce channels were offset by sales growth in our wholesale channel. Sales declines in FOSSIL leathers and jewelry were offset by sales increases in FOSSIL watches and slight growth in most other brands. Comparable retail sales declined 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 for the Americas segment (dollars in millions):

	For the 26 Weeks Ended July 4, 2026		For the 27 Weeks Ended July 5, 2025		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 166.2	85.9 %	$ 155.2	80.2 %	$ 11.0	7.1 %	5.5 %
Smartwatches	2.9	1.5	4.7	2.4	(1.8)	(38.3)	(40.4)
Total watches	$ 169.1	87.4 %	$ 159.9	82.6 %	$ 9.2	5.8	4.3
Leathers	13.2	6.8	20.5	10.6	(7.3)	(35.6)	(36.1)
Jewelry	8.4	4.3	9.8	5.1	(1.4)	(14.3)	(15.3)
Other	2.8	1.5	3.3	1.7	(0.5)	(15.2)	(12.1)
Total	$ 193.5	100.0 %	$ 193.5	100.0 %	$ —	— %	(1.3) %

Europe Net Sales. Europe net sales decreased by $17.2 million, or 11.9% (16.2% in constant currency), during the Year To Date Period compared to the Prior Year YTD Period. Our sales decreased across much of the Eurozone and in all major distribution channels, primarily due to the increasingly challenging geopolitical environment in the Middle East. The largest sales decreases were in the FOSSIL brand. Comparable retail sales decreased sharply during the Year To Date Period, 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 for the Europe segment (dollars in millions):

	For the 26 Weeks Ended July 4, 2026		For the 27 Weeks Ended July 5, 2025		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 102.1	80.2 %	$ 112.8	78.1 %	$ (10.7)	(9.5) %	(13.7) %
Smartwatches	—	—	1.0	0.7	(1.0)	(100.0)	(100.0)
Total watches	$ 102.1	80.2 %	$ 113.8	78.8 %	$ (11.7)	(10.3)	(14.5)
Leathers	3.0	2.4	4.3	3.0	(1.3)	(30.2)	(34.9)
Jewelry	19.8	15.6	22.6	15.6	(2.8)	(12.4)	(17.3)
Other	2.4	1.8	3.8	2.6	(1.4)	(36.8)	(39.5)
Total	$ 127.3	100.0 %	$ 144.5	100.0 %	$ (17.2)	(11.9) %	(16.2) %

Asia Net Sales. Asia net sales decreased by $2.0 million, or 1.7% (increased 1.1% in constant currency), during the Year To Date Period compared to the Prior Year YTD Period. Net sales increases in our wholesale channel were more than offset by decreases in our stores and e-commerce channels. Sales growth in India was more than offset by declines in Greater China and the rest of Asia. Sales declines were predominantly in the EMPORIO ARMANI brand and were partially offset by smaller increases in MICHAEL KORS, DIESEL, ARMANI EXCHANGE and FOSSIL. Comparable retail sales increased slightly for the Year To Date Period with growth in our stores partially offset by declines in 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 for the Asia segment (dollars in millions):

	For the 26 Weeks Ended July 4, 2026		For the 27 Weeks Ended July 5, 2025		Growth (Decline)		
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage As Reported	Percentage Constant Currency
Watches:							
Traditional watches	$ 96.1	85.2 %	$ 95.1	82.8 %	$ 1.0	1.1 %	4.6 %
Smartwatches	0.4	0.4	(0.2)	(0.2)	0.6	(300.0)	(250.0)
Total watches	$ 96.5	85.6 %	$ 94.9	82.6 %	$ 1.6	1.7	5.2
Leathers	6.1	5.4	9.3	8.1	(3.2)	(34.4)	(37.6)
Jewelry	9.1	8.1	9.2	8.0	(0.1)	(1.1)	1.1
Other	1.1	0.9	1.4	1.3	(0.3)	(21.4)	(14.3)
Total	$ 112.8	100.0 %	$ 114.8	100.0 %	$ (2.0)	(1.7) %	1.1 %

Gross Profit. Gross profit of $265.5 million in the Year To Date Period decreased by $4.2 million, or 1.6%, compared to $269.7 million in the Prior Year YTD Period. The gross profit margin rate increased to 61.1% in the Year To Date Period compared to 59.5% in the Prior Year YTD Period. The year-over-year increase primarily reflects improved product margins in our core categories driven by benefits from our full price selling model, sourcing initiatives and reduced tariffs. This increase was partially offset by the accelerated timing of licensed brand minimum royalty recognition as compared to the prior year. Changes in foreign currencies resulted in a 10 basis point positive impact.

Operating Expenses. For the Year To Date Period, total operating expenses decreased to $250.2 million compared to $268.0 million in the Prior Year YTD Period. SG&A expenses were $244.0 million in the Year To Date Period compared to $244.8 million in the Prior Year YTD Period. As a percentage of net sales, SG&A expenses increased to 56.2% in the Year To Date Period, compared to 54.0% in the Prior Year YTD Period, primarily as a result of an $11.0 million gain on the sale of our European warehouse during the Prior Year YTD Period. During the Year To Date Period, we incurred restructuring costs of $5.5 million, compared to restructuring costs of $23.1 million in the Prior Year YTD Period. We incurred other long-lived asset impairment charges of $0.7 million in the Year To Date Period compared to charges of $0.1 million in the Prior Year YTD Period. The translation of foreign-denominated expenses during the Year To Date Period increased operating expenses by $4.0 million when compared to the Prior Year YTD Period, as a result of the weaker U.S. dollar.

Operating Income (Loss). Operating income (loss) was income of $15.2 million in the Year To Date Period as compared to income of $1.7 million in the Prior Year YTD Period. As a percentage of net sales, operating margin was 3.5% in the Year To Date Period as compared to 0.4% in the Prior Year YTD Period. Changes in foreign currencies resulted in a 10 basis point negative impact.

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

	For the 26 Weeks Ended July 4, 2026	For the 27 Weeks Ended July 5, 2025	Change		Operating Margin %	
			Dollars	Percentage	2026	2025
Americas	$ 55.1	$ 43.2	$ 11.9	27.5 %	28.5 %	22.3 %
Europe	23.6	40.2	(16.6)	(41.3)	18.5	27.8
Asia	35.2	30.0	5.2	17.3	31.2	26.1
Corporate	(98.7)	(111.7)	13.0	11.6		
Total operating income (loss)	$ 15.2	$ 1.7	$ 13.5	(794.1) %	3.5 %	0.4 %

Interest Expense. Interest expense was $16.8 million during the Year To Date Period compared to $8.8 million in the Prior Year YTD Period due to increased debt issuance cost amortization, higher debt balances and increased interest rates in the Year To Date Period.

Other Income (Expense)-Net. During the Year To Date Period, other income (expense)-net was expense of $0.6 million in comparison to expense of $3.3 million in the Prior Year YTD Period. The change in other income (expense)-net was primarily due to less net currency losses in the Year To Date Period compared to the Prior Year YTD Period.

Provision for Income Taxes. Income tax expense for the Year To Date Period was $9.2 million, resulting in an effective income tax rate of (432.2)%. The Prior Year YTD Period income tax expense was $9.6 million, resulting in an effective income tax rate of (92.7)%. The effective tax rate for the Year To Date Period unfavorably changed from the Prior Year YTD Period, primarily due to a change in the global mix of earnings. In both the current and prior year periods, tax expense was recognized on foreign earnings with no corresponding tax benefit recognized on U.S. losses. The Company's pre-tax loss, combined with positive tax expense, resulted in a significantly more negative effective tax rate in the Year To Date Period as compared to the Prior Year YTD Period.

Net Income (Loss) Attributable to Fossil Group, Inc. For the Year To Date Period, net loss was $11.4 million, or $0.19 per diluted share, in comparison to a loss of $19.9 million, or $0.37 per diluted share, in the Prior Year YTD Period. Diluted loss per share in the Year To Date Period, as compared to the Prior Year YTD Period, was positively impacted by $0.05 per diluted share due to the impact of currency.

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 July 4, 2026		For the 27 Weeks Ended July 5, 2025	
	Dollars	% of Net Sales	Dollars	% of Net Sales
Income (loss) before income taxes	$ (2.1)	(0.5) %	$ (10.4)	(2.3) %
Plus:				
Interest expense	16.8		8.8	
Amortization and depreciation	4.8		6.4	
Other long-lived asset impairments	0.7		0.1	
Other non-cash charges	(0.3)		(0.3)	
Stock-based compensation	2.3		1.2	
Restructuring expense	5.5		23.1	
Less:				
Gain on sale of subsidiary [1]	0.8		—	
Gains on asset divestiture [2]	—		11.5	
IEEPA tariff refund claims	3.6		—	
Interest income	0.2		1.2	
Adjusted EBITDA	$ 23.1	5.3 %	$ 16.2	3.6 %

[1] Includes the gain on sale of our South Africa subsidiary
[2] Includes the gains on sale of our European distribution center and equipment from a Swiss manufacturing facility

Adjusted Operating Income (Loss), Constant Currency Adjusted Operating Income (Loss), Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share. The following tables reconcile both Adjusted operating income (loss) and Constant currency 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 July 4, 2026																			
($ in millions, except per share data):	As Reported		Other Long-Lived Asset Impairment		Restructuring Expenses		IEEPA Tariff Refund Claims		Gain on Sale of Subsidiary[1]		As Adjusted		Impact of Foreign Currency Exchange Rates		As Adjusted Constant Currency	
Operating income (loss)	$	15.2	$	0.7	$	5.5	$	(3.6)	$	—	$	17.8	$	0.3	$	18.1		
Operating margin (% of net sales)		3.5	%									4.1	%			4.2	%	
Interest expense	$	(16.8)	$	—	$	—	$	—	$	—	$	(16.8)						
Other income (expense) - net		(0.6)		—		—		—		(0.8)		(1.4)						
Income (loss) before income taxes		(2.1)		0.7		5.5		(3.6)		(0.8)		(0.3)						
Provision for income taxes		9.2		0.1		1.2		(0.8)		(0.2)		9.5						
Less: net income attributable to noncontrolling interest		(0.2)		—		—		—		—		(0.2)						
Net income (loss) attributable to Fossil Group, Inc.	$	(11.4)	$	0.6	$	4.3	$	(2.8)	$	(0.6)	$	(9.9)						
Diluted earnings (loss) per share	$	(0.19)	$	0.01	$	0.07	$	(0.05)	$	(0.01)	$	(0.17)						

[1] Includes the gain on sale of our South Africa subsidiary

	For the 27 Weeks Ended July 5, 2025										
($ in millions, except per share data):	As Reported		Other Long-Lived Asset Impairment		Restructuring Expenses		Gains on Asset Divestitures[1]		As Adjusted		
Operating income (loss)	$	1.7	$	0.1	$	23.1	$	(11.5)	$	13.4	
Operating margin (% of net sales)		0.4	%							3.0	%
Interest expense	$	(8.8)	$	—	$	—	$	—	$	(8.8)	
Other income (expense) - net		(3.3)		—		—		—		(3.3)	
Income (loss) before income taxes		(10.4)		0.1		23.1		(11.5)		1.3	
Provision for income taxes		9.6		—		4.9		(2.4)		12.1	
Less: Net income attributable to noncontrolling interest		0.1		—		—		—		0.1	
Net income (loss) attributable to Fossil Group, Inc.	$	(19.9)	$	0.1	$	18.2	$	(9.1)	$	(10.7)	
Diluted earnings (loss) per share	$	(0.37)	$	—	$	0.34	$	(0.17)	$	(0.20)	

[1] Includes the gains on sale of our European distribution center and equipment from a Swiss manufacturing facility

Liquidity and Capital Resources

Our cash and cash equivalents balance at the end of the Second Quarter was $79.0 million, including $69.6 million held by foreign subsidiaries, in comparison to cash and cash equivalents of $109.9 million at the end of the Prior Year Quarter and $95.8 million at the end of fiscal year 2025. 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 charges and capital expenditures.

At the end of the Second Quarter, we had net working capital of $189.3 million compared to net working capital of $223.8 million at the end of the Prior Year Quarter. At the end of the Second Quarter, we had $13,000 of short-term borrowings and $203.0 million in long-term debt including unamortized issuance costs compared to $13.4 million of short-term borrowings and $165.6 million in long-term debt including unamortized issuance costs at the end of the Prior Year Quarter.

We may, from time to time, seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. We continuously monitor the capital markets and our capital structure, and may, from time to time, seek to refinance, amend or otherwise restructure our outstanding debt on an opportunistic basis. Such repurchases, refinancings, amendments, restructurings or exchanges, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, the availability of authorized share capital, contractual restrictions and other factors. The amounts involved may be material and, to the extent equity is used, dilutive.

Operating Activities. Cash used in operating activities is net income (loss) adjusted for certain non-cash items and changes in assets and liabilities. Cash used in operating activities was $31.0 million in the Year To Date Period as compared to cash used in operating activities of $50.9 million in the Prior Year YTD Period.

Investing Activities. Cash provided by investing cash flows decreased $19.0 million in the Year To Date Period compared to the Prior Year YTD Period, primarily due to the sale of our European distribution center in the Prior Year Quarter.

Financing Activities. Financing cash flows primarily consist of borrowings and repayments of debt. The $4.0 million increase in financing cash flows year-over-year was primarily due to $21.2 million of net borrowings during the Year To Date Period compared to $13.1 million of net borrowings in the Prior Year YTD Period.

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 Consolidated Financial Statements); (2) debt repayments (see Note 15—Debt Activity within the 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 Consolidated Financial Statements) and other matters.

For fiscal year 2026, we expect total capital expenditures to be approximately $9.0 million. Our capital expenditure budget is an estimate and is subject to change.

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 at least the next twelve months. Although we believe we have adequate sources of liquidity, we continue to assess our liquidity position and potential sources of supplemental liquidity in light of our operating performance, the timing of the expected benefits of our Turnaround Plan and other relevant considerations, including macroeconomic events, recessionary risks and tariffs. In the event our liquidity is insufficient, we may be required to limit our spending or sell assets.

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

	July 4, 2026	July 5, 2025
Cash and cash equivalents	$ 79.0	$ 109.9
Revolving Credit Facility availability	17.6	0.7
Total liquidity	$ 96.6	$ 110.6

Prior Notes: In November 2021, we sold $150.0 million aggregate principal amount of our 7.00% senior notes due 2026 (the "Prior Notes"). See "Notes Exchange" below for information regarding the restructuring of the Prior Notes. On November 13, 2025, as a result of the Restructuring Plan, all $150.0 million aggregate principal amount of the Prior Notes were cancelled.

Notes Exchange: On August 13, 2025, we, Fossil (UK) Global Services Ltd. ("Fossil UK"), and certain direct and indirect subsidiaries of ours identified therein (collectively, the "Parties") entered into a Transaction Support Agreement (the "Transaction Support Agreement") with certain holders (the "Consenting Noteholders"), representing approximately 59% of the aggregate principal of the Prior Notes.

On November 13, 2025, we consummated the previously announced offer to exchange (the "Exchange Offer") with respect to the Prior Notes and the concurrent rights offering (the "Rights Offering") pursuant to a restructuring plan under Part 26A of the UK Companies Act 2006 (as amended) (the "Restructuring Plan") and together with the Exchange Offer and the Rights Offering, the "Transactions"). In connection with the consummation of the Transactions:

- Noteholders that participated in the Rights Offering and Exchange Offer (the "New Money Participants") (i) provided an aggregate of $32.5 million of incremental, new money financing in exchange for (x) $32.5 million aggregate principal amount of 9.500% First-Out First Lien Secured Senior Notes due 2029 (the "First-Out Notes") and (y) 954,070 shares of common stock, par value $0.01 ("Common Stock"), (ii) exchanged $120.2 million aggregate principal amount of Prior Notes on a dollar-for-dollar basis for $120.2 million aggregate principal amount of First-Out Notes, and (iii) received $0.9 million aggregate principal amount of First-Out Notes as a consent premium pursuant to the terms of the Transactions (the "Consent Premium").

- Noteholders that did not participate in the Rights Offering (the "Non-New Money Participants") (i) received $29.8 million aggregate principal amount of 7.500% Second-Out Second Lien Secured Senior Notes due 2029 (the "Second-Out Notes" and together with the First-Out Notes, the "Notes") on a dollar-for-dollar basis for $29.8 million aggregate principal amount of Prior Notes held by such Non-New Money Participants, and (ii) received $53,858 aggregate principal amount of Second-Out Notes as a Consent Premium. Only Non-New Money Participants that tendered their Prior Notes in the Exchange Offer and consented to the Restructuring Plan received the Consent Premium.

- Noteholders also received an aggregate total of approximately 3,000,000 warrants (the "Warrants"), entitling the holders thereof to purchase either (i) one share of Common Stock for each Warrant held, or (ii) one pre-funded warrant (each, a "Pre-Funded Warrant") for each Warrant held, each such Pre-Funded Warrant entitling the holder thereof to purchase one share of Common Stock. The Warrants were exercisable at any time prior to 5:00 p.m., New York City time, on December 15, 2025. The number of Warrants exercised as of January 3, 2026 was 2.6 million with the remainder of the 3.0 million Warrants forfeited.

The Consenting Noteholders participated in the Transactions on a private placement basis. In accordance with the terms of the Transaction Support Agreement, the Consenting Noteholders received $1.6 million aggregate principal amount of First-Out Notes as a backstop premium as consideration for providing a backstop commitment for the Rights Offering.

Revolving Credit Facility: On August 13, 2025, we and certain of our subsidiaries identified therein as guarantors entered into the Credit Agreement with the Lenders, the Administrative Agent and the Company as a borrower (the "Credit Agreement") to refinance the Company's prior revolving facility. Pursuant to the Credit Agreement, the Lenders have provided new financing commitments to the Company under a new senior secured asset-based revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of $150 million.

Contemporaneously with entering into the Revolving Credit Facility, the proceeds of the Revolving Credit Facility were used to pay off in full the $15.0 million outstanding under the Company's prior revolving facility.

Borrowings under the Revolving Credit Facility bear interest at a rate of 5.00% plus the Adjusted Term SOFR Rate (as defined in the Credit Agreement) for term SOFR borrowings and 4.00% plus the Alternate Base Rate (as defined in the Credit Agreement) for base rate borrowings, payable monthly in arrears. The Lenders received an upfront commitment fee equal to 2.00% of the aggregate commitments under the Revolving Credit Facility. The Company's obligations under the Revolving Credit Facility are guaranteed by the guarantors, and those obligations and the guarantees are secured by substantially all of the assets of the Company and the guarantors. The Credit Agreement includes customary representations and warranties, covenants and events of default, in each case, applicable to the Company. The Credit Agreement also requires that Availability (as defined in the Credit Agreement) may at no time be less than the greater of 10% of the Line Cap (as defined in the Credit Agreement) and $12.5 million. If an event of default under the Credit Agreement occurs, the Required Lenders (as defined in the Credit Agreement) may, among other things, terminate the commitments and declare the outstanding obligations under the Credit Agreement to be immediately due and payable.

The maximum amount that we are permitted to borrow at any time under the Revolving Credit Facility is limited by a borrowing base that is recalculated monthly or, in some circumstances, more frequently. The borrowing base is a function of, among other things, our eligible accounts receivable, inventory and certain intellectual property. The Credit Agreement provides the administrative agent with considerable discretion to impose reserves and to determine that certain assets are not

eligible for inclusion in our borrowing base.

The Revolving Credit Facility has a stated maturity date of August 13, 2030, but includes a springing maturity feature (the "Springing Maturity Feature") that will cause the stated maturity date to spring ahead to the date that is 91 days prior to the maturity date of material indebtedness (defined as $15.0 million or more of indebtedness) if such material indebtedness remains outstanding on such 91st day.

The maturity date of the First-Out Notes is January 1, 2029. If more than $15.0 million of First-Out Notes and other indebtedness (other than under the Credit Agreement) is outstanding on October 2, 2028, the maturity date of the Revolving Credit Facility will be October 2, 2028. The maturity date of the Second-Out Notes is June 30, 2029. If more than $15.0 million of Second-Out Notes and other indebtedness (other than under the Credit Agreement) is outstanding on March 31, 2029, the maturity date of the Revolving Credit Facility will be March 31, 2029.

Year To Date 2026 Activity: We had net borrowings of $25.0 million under the Revolving Facility during the Year To Date Period at an average interest rate of 9.0%. As of July 4, 2026, we had $185.1 million outstanding under the Notes and $41.0 million outstanding under the Revolving Credit Facility. We also had unamortized debt issuance costs of $15.6 million and original issue discount of $7.5 million recorded in long-term debt and $19.5 million recorded in intangible and other assets-net on the condensed consolidated balance sheets. As of July 4, 2026, we had available borrowing capacity of $17.6 million under the Revolving Credit Facility. At July 4, 2026, we were in compliance with all debt covenants related to our credit facilities.

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 2025 Form 10-K.

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, financial outlook, Turnaround Plan, future events and known or anticipated trends 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; acts of war, military actions or acts of terrorism; the effect of worldwide economic conditions; 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; government regulation and tariffs; risks related to the success of our Turnaround Plan and goals; significant changes in consumer spending patterns or preferences; interruptions or delays in the supply of key components or products; the termination or non-renewal of significant license agreements; loss or shut down 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; compliance with debt covenants and other contractual provisions and meeting debt service obligations; risks related to the success of our business strategy; impact of any minimum royalty commitments in excess of royalties payable on actual sales; risks related to foreign operations and manufacturing; the effect of any pandemic; changes in the costs of materials and labor; 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 2025 Form 10-K. 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 Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). 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 CEO and CFO have concluded that our Disclosure Controls were effective as of July 4, 2026.

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 are 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 2025 Form 10-K and in other documents we file with the Securities and Exchange Commission, in evaluating the Company and its business. Except as set forth below, there have been no material changes to the risk factors set forth in our 2025 Form 10-K.

Operational Risks

Tariffs or other restrictions placed on imports from China and any retaliatory trade measures taken by China could materially harm our revenue and results of operations.

Beginning in July 2018, certain of our products have been subject to additional ad valorem duties imposed by the U.S. government on products of China under Section 301 of the Trade Act of 1974 ("Section 301") and the International Economic Emergency Powers Act ("IEEPA").

The Section 301 tariffs were imposed via four successive "Lists" and were first the result of an April 2018 determination by the Office of the U.S. Trade Representative ("USTR") that China's acts, practices, and policies with respect to technology transfer, intellectual property, and innovation are unreasonable or discriminatory and burden or restrict U.S. commerce. Certain of our packaging and handbag products have been subject to an additional 25% ad valorem tariff since July 2018 ("List 1"). Certain of our handbag and wallet products were subject to an additional 10% ad valorem tariff beginning in September 2018, a rate that was then raised to 25% ad valorem from June 2019 to present ("List 3"). Finally, smartwatches, certain jewelry products, and several of our traditional watch products were subject to an additional 15% ad valorem tariff beginning in September 2019, a rate that was lowered to 7.5% ad valorem from February 2020 to present ("List 4A").

The IEEPA tariffs on China were originally imposed in two executive actions beginning in February and April 2025, with varying rates over the course of 2025. On February 20, 2026, the Supreme Court of the United States held that all tariffs imposed based on IEEPA were unlawful, including the two IEEPA actions that resulted in higher rates on products of China. As a result, these higher IEEPA rates were terminated as of February 24, 2026. The Company is participating in the administrative refund process established by CBP in response to court orders to recover these funds.

From February 24, 2026 through July 24, 2026, the U.S. administration imposed a 10% ad valorem import duty on products of all countries, including China, pursuant to Section 122 of the Trade Act of 1974. On July 24, 2026, the U.S. administration imposed new Section 301 tariffs of 10% or 12.5% ad valorem on imports from 60 economies, including China. The administration has signaled that it may impose additional tariff actions in the short term that may lead to further increased rates.

We continue to monitor tariff developments that pose potential risks. In this fast-paced international trade environment, we also monitor developments for any negotiated resolutions to offset some of the tariff exposure.

If the tariffs continue or increase, we may be required to take further mitigation actions, which could result in increased supply chain costs and disruptions and/or increased prices, which may harm our operating performance. Even if the U.S. further modifies tariffs under current or future actions, it is always possible that new products we introduce could be impacted by the changes, or that our business will be impacted by retaliatory trade measures taken by China or other countries in response to existing or future tariffs, causing us to raise prices or make changes to our operations, any of which could materially harm our revenue or operating results.

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

Rule 10b5-1 Trading Arrangements

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 July 4, 2026.

2026 Annual Meeting of Stockholders; Revised Deadlines for Stockholder Proposals and Director Nominations

On July 20, 2026, the Board of Directors of Fossil Group, Inc. set the date of the Company's 2026 Annual Meeting of Stockholders (the "2026 Annual Meeting") for October 2, 2026 at 9:00 a.m. Central Time. The Board also established August 3, 2026 as the record date for the determination of stockholders entitled to notice of, and to vote at, the 2026 Annual Meeting and any adjournment or postponement thereof. The location of the 2026 Annual Meeting will be as set forth in the Company's proxy statement for the 2026 Annual Meeting.

Pursuant to the Company's Sixth Amended and Restated Bylaws (the "Bylaws"), the Company previously provided its stockholders with the deadlines for stockholder proposals and director nominations for the 2026 Annual Meeting. As previously disclosed, the deadlines for submitting stockholder proposals and director nominations pursuant to the Bylaws, as set forth in the Company's proxy statement for the 2025 Annual Meeting of Stockholders, filed with the Securities and Exchange Commission on November 21, 2025, no longer apply.

Stockholders submitting proposals or director nominations under the Bylaws must have provided written notice to the Company's Secretary at its principal executive offices at 901 S. Central Expressway, Richardson, Texas 75080, no later than the close of business on July 30, 2026, which was the 10th day after the date of the Company's public announcement of the date of the 2026 Annual Meeting and which the Company determined, for purposes of Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to be a reasonable time before it begins to print and mail its proxy materials. In addition, stockholders must otherwise comply with the applicable provisions of the Bylaws and the Exchange Act.

The foregoing information was previously reported in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 20, 2026.

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).
31.1(1)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2(1)	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1(2)	Certification of Chief 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 Chief 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.

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 13, 2026

/S/ RANDY GREBEN

Randy Greben

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