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Boot Barn Holdings, Inc. (BOOT)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to the Boot Barn Holdings, Inc. Fourth Quarter 2025 Earnings Conference Call. As a reminder, this call is being recorded.

Now, I would like to turn the conference over to your host, Mr. Mark Dedovesh, Senior Vice President of Investor Relations and Finance. Please go ahead, sir.

Mark Dedovesh

Senior Vice President, Investor Relations & Finance, Boot Barn Holdings, Inc.

Thank you. Good afternoon, everyone. Thank you for joining us today to discuss Boot Barn's fourth quarter and fiscal 2025 earnings results. With me on today's call are John Hazen, Chief Executive Officer; and Jim Watkins, Chief Financial Officer.

A copy of today's press release, along with a supplemental financial presentation, is available on the Investor Relations section of Boot Barn's website at bootbarn.com. Shortly, after we end this call, a recording of the call will be available as a replay for 30 days on the Investor Relations section of the company's website.

I would like to remind you that certain statements we will make during this call are forward-looking statements. These forward-looking statements reflect Boot Barn's judgment and analysis only as of today, and actual results may differ materially from current expectations based on a number of factors affecting Boot Barn's business. Accordingly, you should not place undue reliance on these forward-looking statements.

For a more thorough discussion of the risks and uncertainties associated with the forward-looking statements to be made during this conference call and webcast, we refer you to the disclaimer regarding forward-looking statements that is included in our fourth quarter and fiscal 2025 earnings release, as well as our filings with the SEC referenced in that disclaimer. We do not undertake any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

I will now turn the call over to John Hazen, Boot Barn's Chief Executive Officer. John?

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Thank you, Mark, and good afternoon. Thank you, everyone, for joining us. On this call, I will review our fourth quarter and fiscal 2025 results to discuss the progress we have made across each of our four strategic initiatives and provide an update on current business. Following my remarks, Jim Watkins will review our financial performance in more detail, and then we will open the call for questions.

We are very pleased with fiscal 2025's results across all metrics. Our full-year fiscal 2025 revenue increased to a record level of \$1.9 billion, which equates to \$1 billion of sales growth over the last four fiscal years, driven by the 186 stores opened during that period and our strong same-store sales growth.

During fiscal 2025, we opened 60 new stores across all geographies and we expanded our footprint into four new states. During the year, merchandise margin expanded 130 basis points, representing 500 basis points of growth compared to four years ago. For the year, we grew earnings per diluted share by 23% to \$5.88, an increase of

\$1.08 over the prior year. I am very proud of the team's accomplishments over the past year and their ability to execute at a high level.

Turning to our fourth quarter results, total revenue increased 17% and we opened a record 21 new stores. Consolidated same-store sales increased 6%. Same-store sales in both the stores and e-commerce channel were strong, with stores increasing 5.5% and e-commerce increasing 9.8%.

From a margin perspective, fourth quarter merchandise margin expanded 210 basis points. The strength in sales and margin combined with solid expense control resulted in earnings per diluted share of \$1.22 during the quarter, which was within our guidance range and compares to \$0.96 of earnings per diluted share in the prior year period.

Turning to current business, we are now six weeks into the first quarter of fiscal 2026 and we have continued to see broad-based growth as consolidated same-store sales have increased 9%, driven by increased transactions and full price selling. While we are pleased to see the strong trend of the business continue into fiscal 2026, we recognize the ongoing uncertainty with respect to tariffs. I am confident that our team is well prepared to navigate this uncertainty and I believe the team's strong background and institutional knowledge will be a distinct advantage within our industry.

Slide 16 of the Supplemental Investor Presentation that we released today explains our tariff mitigation strategy in detail.

In terms of our third-party vendor strategy, we are approaching this with a mix of discipline and agility. While we are prepared to work through the uncertainty with our third-party vendors, we also see a chance to be opportunistic, both in terms of market share gains and deeper penetration of our exclusive brands. Many of our third-party vendors have notified us of price increases, which will go into effect this summer. We currently expect to raise retail prices at the same level to maintain merchandise margin rates.

For exclusive brands, we have been partnering with our factories to manage pricing by reducing costs and resourcing production to countries with lower tariffs. We have been reviewing each individual style by cost, making decisions line by line to determine whether or not we should cancel an order, order more, hold pricing or raise pricing, all in an effort to maintain the momentum of our exclusive brands.

While our goal is to maintain merchandise margin rate on exclusive brand products, we do expect to hold price on certain items, giving up some margin rate in order to maintain or gain market share. As our inventory turns less than two times per year, and we had accelerated some receipts ahead of tariffs, we expect the incremental costs of the tariffs to be approximately \$8 million and the impact to the second half of fiscal 2026, which is explained on slide 17 of our supplemental presentation.

Looking at our exclusive brand sourcing, over the last several years, the team has been focused on reducing risk across our supply chain by diversifying our countries of production. Over five years ago, Chinese factories produced more than half of our exclusive brand product. Thanks to our team's ongoing diversification efforts, as of fiscal 2025, this number was reduced to 24%. We have accelerated these efforts even further in fiscal 2026, resulting in an estimated 12% penetration of goods produced in China for the year. And we are estimating that China will only produce approximately 5% of exclusive brand goods in the second half of fiscal 2026 and in fiscal 2027. I am confident that our team is equipped to navigate the current challenges facing the retail industry, and I believe the company's foundation is solid and we are structured for future growth.

I will now spend some time discussing each of our four strategic initiatives. Let's begin with new store growth. Fiscal 2025 marks the third consecutive year that we have opened up 15% new units and our new store engine continues to meet our sales, earnings and payback expectations across all geographies. We opened 60 new stores in fiscal 2025 and ended the year with 459 stores. The new stores opened in fiscal 2025 are projected to generate \$3.2 million of revenue and payback in less than two years.

We expanded our national footprint into four new states in fiscal 2025, ending the fiscal year with a physical presence in 49 states. We believe our new stores not only generate tremendous returns, but also increase brand awareness as we expand our footprint across the country and elevate Boot Barn to a household name.

Looking forward to fiscal 2026, we are planning to open 15% new units, which equates to 65 to 70 new stores, we expect to open these stores in both legacy and new markets. Given the consistent performance of our new store openings across all geographies, we believe that we have the market potential to double our store count in the US alone over the next several years.

Moving to our second initiative, same-store sales. Fourth quarter consolidated same-store sales grew 6% with brick and mortar same-store sales increasing 5.5%. Store comp growth was driven by a 6% increase in transactions and an approximately flat basket.

From a merchandising perspective, we saw broad-based growth across most merchandise categories in the fourth quarter, led by the combined ladies western boots and apparel businesses, which comped positive mid-teens. This was followed by the combined men's western boots and apparel businesses, which comped positive high single digits. Our denim business, which is included in the figures just mentioned, comped positive mid-teens. Our work boots business comped low single digit negative and our work apparel business comped high single digit positive. We are extremely pleased to see the widespread growth across categories continue into the fourth quarter.

Our customer loyalty database grew 14% year-over-year, reaching 9.6 million total active customers as of the end of fiscal 2025. This growth represents more than 1 million customers being added to the program each year for the past four fiscal years. We continue to harness the power of this information to assist with planning our media spending, tailoring our customer communications, and modifying our merchandise assortment by store based on local demographics.

From a store operations perspective, I am very proud of our field organization's performance throughout the fourth quarter. Visiting more than 40 stores over the last six months, I have seen the team's dedication firsthand and I have been consistently impressed by their enthusiasm and dedication to our customers and to Boot Barn. Witnessing their hard work and connection to the customer is truly an inspiration to me and I am confident we will continue to grow the brand by following their examples.

We will continue to be a store's first organization and we will invest in the store experience for our customers. This includes investments in remodels, design and technology. One of the initiatives that I am especially excited about is the introduction of traffic counters to our stores. We believe the addition of traffic counters will allow us to focus more on converting traffic into sales and providing the best customer service in the industry.

Moving to our third initiative, omni channel. E-commerce comp sales grew 9.8% in the fourth quarter, and the online business had positive comps in all four quarters of fiscal 2025. Our digital flagship bootbarn.com makes up approximately 75% of our online sales and comped low double digit positive for the fiscal year. We believe this is a reflection of the strength of our brand as we continue to increase our national awareness through marketing and

new store openings. We also believe the online business benefits from our store growth as we see online demand increase almost immediately when a new store opens in the market.

Now to our fourth strategic initiative, merchandise margin expansion and exclusive brands. During the fourth quarter, merchandise margin increased 210 basis points compared to the prior year period and for the full year, fiscal 2025 merchandise margin increased 130 basis points compared to the prior year period.

Over the last four fiscal years, merchandise margin has increased 500 basis points with approximately one-third of that growth driven by exclusive brands and the remaining two-thirds due to increased full price selling, buying economies of scale and supply chain efficiencies.

Exclusive brand penetration increased 190 points in the fourth quarter and 90 basis points for the full-year. Fiscal 2025 exclusive brand penetration of 38.6% equates to 1500 basis points of exclusive brand growth over the last four fiscal years. I am pleased with the team's ability to balance expanding exclusive brands, while driving growth within our third-party partners.

For fiscal 2026, we expect to grow exclusive brand penetration 100 basis points and we expect merchandise margin rate to be flat. Given the uncertain tariff environment, we have attempted to reflect the appropriate impact on the first and second half of fiscal 2026. We expect merchandise margin growth in the first half of the year as we sell through un-tariffed goods in stores and online. As we move to the second half of fiscal 2026, we expect to see merchandise margin pressure as we begin to sell tariffed goods.

Our strategy is to maintain merchandise margin rate, but we may not raise prices on certain items, give up some margin rate in order to maintain or gain market share. We are confident in the team's ability to design and develop compelling product assortments to drive the business forward and we believe we can expand merchandise margin in the future through multiple growth levers.

I would like to now turn the call over to Jim.

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

Thank you, John. In the fourth quarter, net sales increased 16.8% to \$454 million. The increase in net sales was the result of the incremental sales from new stores and the increase in consolidated same-store sales. The 6% increase in same-store sales is comprised of a 5.5% increase in retail store same-store sales and a 9.8% increase in e-commerce same-store sales.

Gross profit increased 21% to \$169 million, compared to gross profit of \$139 million in the prior year period. Gross profit rate increased 130 basis points to 37.1% when compared to the prior year period as a result of a 210 basis point increase in merchandise margin rate, partially offset by 80 basis points of deleverage in buying, occupancy, and distribution center costs. The increase in merchandise margin rate was primarily the result of supply chain efficiencies, lower shrink expense, better buying economies of scale and growth in exclusive brand penetration, while the deleverage in buying, occupancy, and distribution center costs was driven by the occupancy cost of new stores.

Selling, general and administrative expenses for the quarter were \$119 million, or 26.2% of sales, compared to \$101 million or 26.1% of sales in the prior year period. SG&A expense as a percentage of net sales deleveraged by 10 basis points, primarily as a result of higher legal expenses and store payroll, partially offset by lower marketing expenses.

Income from operations was \$50 million or 11% of sales in the quarter, compared to \$38 million or 9.8% of sales in the prior year period. Net income per diluted share was \$1.22 compared to \$0.96 per diluted share in the prior year period.

Turning to the balance sheet. On a consolidated basis, inventory increased 25% over the prior year period to \$747 million and increased approximately 5.7% on a same-store basis. Total inventory increased as a result of adding 15% new stores, growth in exclusive brands, and the proactive pull forward of shipments in anticipation of tariffs. We feel good about the health of our inventory and our markdowns as a percentage of inventory are below last year and below historical levels. We finished the quarter with \$70 million in cash and zero drawn on our \$250 million revolving line of credit.

Turning to our outlook for fiscal 2026. Due to the continued uncertainty around tariffs and the resulting impact on consumer spend, we are providing guidance with wider ranges than we have historically. The supplemental financial presentation we released today lays out the low and high end of our guidance ranges for both the full year and first quarter. Both the low and high end scenarios of our fiscal 2026 guidance contemplate increased tariffs, resulting in price increases this summer, which we believe could lead to softer consumer demand.

Also included is a merchandise margin decline in the second half of the fiscal year due to unmitigated tariff costs. The difference between the low and high end scenarios reflects varying degrees of both softer consumer demand and merchandise margin decline in the second half of the fiscal year. Both scenarios also contemplate a 30% tariff on China, 10% global tariff rate, and 0% tariff on goods from Mexico for the balance of this fiscal year.

For the full-year, at the high end of our guidance range, we expect total sales to be \$2.15 billion, representing growth of 13% over fiscal 2025. We expect same-store sales to increase 2% with a retail store same-store sales increase of 1.5% and e-commerce same-store sales growth of 7.5%. We expect merchandise margin to be \$1.08 billion or approximately 50.1% of sales, which would be flat to the prior year period and includes exclusive brand penetration growth of 100 basis points.

We expect gross profit to be \$793 million, or approximately 36.9% of sales. We anticipate 60 basis points of deleverage in buying, occupancy, and distribution center costs due to the occupancy of new stores and 50 basis points of leverage in SG&A. Our income from operations is expected to be \$266 million or 12.4% of sales. We expect net income for fiscal 2026 to be \$197 million and earnings per diluted share to be \$6.40.

I would now like to provide some guidance around estimated leverage points. With flat merchandise margin rate at the high end of our guidance range, we expect to leverage EBIT at 3% consolidated same-store sales growth. We expect to leverage buying, occupancy, and distribution center costs in fiscal 2026 with a 7% comp increase and we expect to leverage SG&A with a flat comp.

Turning to the low end of our guidance range for the full-year. The low end of our guidance range assumes softer consumer demand than the high end, resulting in total sales volume of \$2.07 billion, representing growth of 8% over fiscal 2025 and a full-year same-store sales decline of 2%. The low end also assumes 30 basis points of merchandise margin decline, 140 basis points of gross profit deleverage, and 10 basis points of SG&A deleverage compared to the prior year period.

These assumptions result in income from operations of \$228 million, or 11% of sales and earnings per diluted share of \$5.50. In both the low and high end scenarios, we plan to grow new units by 15%, adding between 65 and 70 new stores during fiscal 2026. We expect our capital expenditures to be between \$115 million to \$120

million, which is net of estimated tenant allowances of \$35 million. And for the year, we expect our effective tax rate to be 26%.

As we look to the first quarter of fiscal 2026, we expect total sales at the high end of our guidance range to be \$491 million, and a consolidated same-store sales increase of 6%. We expect the merchandise margin to be \$254 million, or approximately 51.7% of sales, a 140 basis point increase over the prior year period, which includes a 190 basis point increase in exclusive brand penetration. We expect gross profit to be \$188 million, or approximately 38.2% of sales, which includes 20 basis points of deleverage in buying, occupancy, and distribution center costs. Our income from operations is expected to be \$64 million or 13% of sales. We expect earnings per diluted share to be \$1.52.

Turning to our share repurchase program. As announced in our earnings release, the board of directors has authorized a share repurchase program to buy up to \$200 million of our common stock. We plan to execute a quarter of the total authorization this fiscal year with the spend roughly consistent by a quarter, which has been factored into our guidance.

With our fiscal 2026 outlook, we expect to generate cash from operations that is more than sufficient to fund new store growth, other capital expenditures, and buyback shares. Today's announcement reflects confidence in our strong cash flow generation and allows us the opportunity to deliver additional value to our shareholders.

Now, I would like to turn the call back to John for closing remarks.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Thank you, Jim. We are very pleased with fiscal 2025's results, and the entire team's effort resulted in strong results across the board and further strengthened the brand and customer loyalty. I am grateful to the entire organization for their commitment, and I look forward to the opportunity to grow the business in fiscal 2026 and beyond.

Now, I would like to open the call for questions. Operator?

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] At this time, we will pause momentarily to assemble our roster. The first question comes from Matthew Boss with JPMorgan. Please go ahead.

Amanda Kristen Douglas

Analyst, JPMorgan Securities LLC

Great. Thanks. It's Amanda Douglas on for Matt and congrats on the role, John.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Thank you.

Amanda Kristen Douglas

Analyst, JPMorgan Securities LLC

So maybe to start, John, can you elaborate on April and May same-store sales and what do you think is driving the acceleration despite tougher comparisons? And given the no slowing to date, what are you embedding to change in your initial comp guidance for this year?

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Thanks, Amanda, for the question. Yeah, if we look at – so if we look at all of Q1 at the high end of the guidance, we're guiding a plus 6%, which is in line with Q4, which was also, of course, a plus 6%. So we're not contemplating a guidance for the entire quarter or an acceleration for the entire quarter, but you're absolutely right.

In the first six weeks, we've seen a strong sales trend as we moved into that first quarter and that momentum has been consistent across all major merchandise categories, across geographies, both men's and women's footwear, both men's and women's apparel. So, it really, I think, shows the health of our customer and business overall.

We feel good about sustaining positive comp growth, especially in the first half of the year, as we've contemplated in the guide of a plus 6%, a plus 3% for that first half. And we do expect, given what we know today, and we know the situation with tariffs is very fluid, that we expect comps to flatten in the second half as price increases start to weigh on consumer demand.

Amanda Kristen Douglas

Analyst, JPMorgan Securities LLC

That's helpful. And Jim, can you elaborate on pricing power you see for the Boot Barn brand today, maybe looking back relative to 2018 or 2019? And then can you quantify the tariff headwind to margins or earnings in the outlook and any mitigation efforts that you've already included?

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Yeah, I'll start with the second part of the question or the second question. If you turn to slide 16 and then further on 17, we've quantified the tariff impact on the year to be around \$8 million. And I would remind you that tariffs are fluid and our goal is to give you our best thinking today on how we're mitigating those, but we've really separated this into an exclusive brand strategy, which we've quantified here at \$8 million, and then the third-party product that we're purchasing is not included in the \$8 million, but is embedded in the price increases that we're anticipating to come in the summer, or that we've been notified will come in this summer. And those price increases are around that mid-single digit increase.

And so, back to now your first question on pricing power of Boot Barn and what we've seen over the years. We've seen pretty good pricing power. Normally, we'll have price increases that are 2% or 3% company-wide, and our customers have been able to absorb those okay, as price increases that are in that 5% range, we expect to see some elasticity of demand and some softening of demand, and that's what we've embedded in with the flat comp in the third quarter and the fourth quarter.

The one other thing I would add, just so everyone's clear, the way we've guided this year has been very consistent with what we've done in the past. We used the last four months of sales volume and projected sales using the historical seasonality of the business. What we did after that is we adjusted the sales down in the second half of the year to factor in some of that pricing power not being there to the full extent. So that's really a reflection in the second half of the year.

Amanda Kristen Douglas

Analyst, JPMorgan Securities LLC

Q

Great. Thank you.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

Thanks, Amanda.

Operator: The next question comes from Peter Keith with Piper Sandler. Please go ahead. Excuse me, Mr. Keith, your line is open. Please go ahead with your question.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Sorry about that, guys. Good afternoon, everyone. John, congrats on the CEO role. Well deserved. There's been...

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

Thank you.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

...some concern about product coming out of China that there could be some product shortages. And I'm wondering if that is a possibility that maybe certain suppliers choose not to pull in product. Is that a scenario? And maybe even is that something you could capitalize on with some of your buying power?

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

There might be an opportunity there, Peter. It's a great question. As we look at what we've already bought from an EB standpoint for fiscal 2026, the second half, as you see on slide 16 in the Investor Presentation, is we're only going to have 5% on order from China, and we move much of that product to other countries such as Cambodia, India, Vietnam.

So if something really opportunistic comes up in China, not to say that we wouldn't look at it, but we're comfortable that our China exclusive brand product is roughly \$2.3 million of tariffable product for the remainder of fiscal 2026. It's 5% of on order, and we think we can take that number down, that is the fully loaded number, and we haven't finished negotiating with our factory, so it's going to be some number less than that.

So, there may be additional opportunities, but where we sit today, 5% of remaining fiscal 2026 for exclusive brands coming out of China, tariffs at 30% and negotiations still ongoing, we feel like we're already in a pretty good spot.

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

And I would just add to that, Peter, the team has done a nice job anticipating tariffs, and so they were purchasing product even before we got to the end of the fiscal year, pre-tariffs, and we have about \$20 million, more or less, that was brought in advance of the end of last fiscal year, so end of March to try to beat the tariffs included in there is some product from China. Even over the last couple of weeks, the team, I think, has done a nice job of getting ahead of the curve and keeping orders fluid and coming. So, I think we'll have a little bit of an advantage, just a first mover advantage in some of the things we've done already.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Okay. Very good. And I just want to clarify some of the price increases, but just on kind of the tariff impact items, where you're going to see a mid-single digit price increase. And then, I guess, does guidance imply that demand goes down by more than mid-single digit on those items?

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

Yeah. So, as you know, Peter, we don't pay tariffs on products, we buy from third-party vendors. There are just price increases that we started receive probably two, three weeks ago at this point. Those price increases were when the China tariffs were at 145%, and I have to say, I'd be disappointed if some of those price increases don't come down a little bit. They were mid-single digits.

That being said, we have great partners, very, very good partners we've worked with for many years. Every year, they have price increases of low single digits and our strategy always has been to preserve margin. These mid-5%, 6% price increases from those vendors that then have to carry through to preserve rate at retail, along with larger price increases outside of our strategy, outside of Boot Barn and more at a macro level, we think is going to

soften consumer demand overall in that second half. So, it's really a combination of those mid-single-digit price increases from third-party vendors and what's happening externally.

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

And just to help quantify the haircut that we took on the second half of the year, have we not been experiencing the tariff and the expected softening of demand in the second half as price increases come into effect. We would have been at a consolidated plus, 3% in Q3 and Q4, more or less. And so, it really was shaping up to be kind of that algorithm year with a low to mid-single-digit same-store sales growth, merchandise margin in the, you know, up 40 basis point range, and we're not for the price increases that we're foreseeing because of tariffs has kind of brought that guidance down.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Very helpful. Appreciate the detail. Thank you.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

Thanks, Peter.

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Thanks, Peter.

Operator: The next question comes from Steven Zaccone with Citi. Please go ahead.

Steven Zaccone

Analyst, Citigroup Global Markets, Inc.

Q

Great. Good afternoon. Thanks very much for taking my question. I'll add my congrats as well, John, on the CEO role. I'm going to stick on the second half guidance because it seems like it's conservative in the sense of, you know, if these price increases in the past, you've been able to kind of pass it on to the consumer.

And then from a standpoint of the momentum in the business network transactions, I think up 6% in the fourth quarter. I guess, you know, when you think about the ability to pass on price, can you just talk a bit more about the strategy, because it seems like there's some opportunity here where you can take a little bit of this price up, and if it's passed on to the consumer and you hold margin rate, that would be potential upside versus how you're thinking about the second half. Is that a correct assumption?

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Yeah, I think that's a fair assumption. I would just reiterate, this is a very fluid situation. And so as we receive the price increases or the cost increases wholesale, we're looking product by product, style by style, and we will test and learn and do different things to see kind of where the consumer is.

The goal would be to keep our pricing increases as low as we can, but if we are receiving those price increases from our vendors, we will raise the pricing. So, it's fluid, Steve. I wish we had all the answers, but it's going to be

something that does have some potential upside to the guide in the second half, back to your question. But we will have to wait and see. So, I think what we've put out there is a guidance that is barring tariffs and the price increases related to those and elasticity of demand, then it would seem conservative.

Steven Zaccone

Analyst, Citigroup Global Markets, Inc.

Yeah. Okay. Appreciate it.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

The one...

Steven Zaccone

Analyst, Citigroup Global Markets, Inc.

Thank you. Yeah. Go ahead, John. Sorry.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

No worries. The one or two pieces I think I would add to it is, Jim said it correctly. I've been spending a lot of time with the omni-channel team exploring ways we can test that price elasticity and optimize pricing on our exclusive brands.

But when it comes to third-party products, there's a complicating factor with their MAP pricing, their minimized advertised pricing. One of the things where I'm quite proud of that we've done here at Boot Barn is bootbarn.com, as our digital flagship, always matches the price in Boot Barn stores, and that becomes difficult if we try to be opportunistic in pricing and then not preserve margin, which has always been our strategy on those third-party brands. So I think our strategy does differ quite a bit between how we're approaching the third-party brands versus being more opportunistic with exclusive brands.

Steven Zaccone

Analyst, Citigroup Global Markets, Inc.

Okay. Understood. And then my second question was just, merchandise margin was very strong in the fourth quarter, kind of outpaced expectations. Can you just talk a little bit more about that in detail and maybe how you feel about the run rate of the business from a full price selling perspective?

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

Yeah, you're talking about in the fourth quarter, our merch margin being higher than expectations?

Steven Zaccone

Analyst, Citigroup Global Markets, Inc.

Correct. Yes.

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

Yeah. It was primarily due to the supply chain efficiencies that we've been seeing all of last year. We did see some good news on shrink when we did our annual physical inventory. That was better than what we had anticipated, continued to see these better buying economies of scale, volume discounts, and that sort of thing, and a little bit of exclusive brand penetration growth.

And so what I would say is, as we look to fiscal 2026, the margin does continue to be strong. It's not going to be what we saw this last year, just to give you some color on the halves of the year. The merchandise margin rate in the first half of the year, we expect to be very strong, nearly 100 basis points of expansion in the first half of the year, driven by continued – buying economies of scale, a little bit of freight improvement in the first quarter and some exclusive brand penetration growth as we're selling un-tariffed product through the system.

As we get to the second half, that's when we expect the tariff expenses will put some pressure on the margin as we don't raise prices on all of our products to maintain the margin rate. So, I think the underlying environment around margins continues to be very strong at the company.

Steven Zaccone

Analyst, Citigroup Global Markets, Inc.

Okay. Appreciate all the detail. Thanks.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Thanks, Steve.

Operator: The next question comes from Jay Sole with UBS. Please go ahead.

Jay Sole

Analyst, UBS Securities LLC

Great. Thank you so much. Two questions for me. Number one, can you talk a little bit more about SG&A? I think within the fiscal 2026 guidance that you gave, it looks like you're going to be able to leverage SG&A on a flat comp. Maybe just tell us a little bit around the mechanics about that, how you're going to achieve that, because that's a nice target.

And then secondly, you're talking about the \$8 million in expense because of the tariff impact, and that sounds like it's for the second half of fiscal 2026, but just a peek into fiscal 2027 for a second. Would you expect, essentially another \$8 million cost for the first half of fiscal 2027? And does that \$8 million in the second half of 2026 continue in the second half of 2027? Or do you think there's some progress, so eventually you sort of can either find a way to minimize those costs or at least raise price, so you get back to the regular merchandise margins that you're used to over time? Thanks so much.

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

Yeah, great questions, Jay. I'll start with the \$8 million expense one. It's a little early to guide fiscal 2027, and I know we're the ones who put a fiscal 2027 country of origin slide in there. So, you're right, we will have some of that expense carry with us into the next year. We would expect if the \$8 million of tariff expense that we're seeing in fiscal 2026 is really flowing through the P&L primarily from the second half of the year in a continued tariff environment, the tariff expense that we'll pay will likely be more than the \$8 million because we'll have a full year

of tariffs into next fiscal year. Week to week, it's a little tricky to tell what the tariff rates are going to be. I think it's probably really early to tell for fiscal 2027, but I think that is a correct assumption that those will continue with us.

We'll look at tariff mitigation strategies over the next year as we plan fiscal 2027 and start buying inventory and placing orders for fiscal 2027, but I don't think that, that goes away. And then there's a question of pricing around that, that we'll have to work through.

As far as SG&A for fiscal 2026, we expect to see some nice leverage on store payroll. And really as we look at the last year SG&A expense, we're planning on a more normalized incentive-based compensation, more normalized legal expenses. We had a handful of things that pushed our legal expenses up in this last year, so we don't expect those to continue so that'll be a nice driver there.

And the team's continuing to work really hard to keep expenses low and run lean as we add new stores that generate positive EBITDA, that helps cover some of the fixed costs that we have in SG&A. And so we're really starting to see the benefit of having more stores come into the chain. And just a reminder that this also assumes us absorbing some of the incentive-based comp reversal that we had last year. And so despite that, we're still planning on some nice SG&A leverage.

Jay Sole

Analyst, UBS Securities LLC

Got it. Okay. Thank you so much.

Q

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Thanks, Jay.

A

Operator: The next question comes from Max Rakhlenko with TD Cowen. Please go ahead.

Max Rakhlenko

Analyst, TD Securities (USA) LLC

Hey, thanks a lot, guys, and congrats on the nice start to the quarter. So first, how are you thinking about what products or categories on the EB side where you'll either increase, decrease, or maintain prices? Because it sounds like you're leaving all three options on the table for now.

Q

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Yeah, this is John. I'll take that one. We're looking at it from a psychological price barrier standpoint. So we're looking at it product by product. It's not at the category level. I'll give you one specific example. We've got, one of our top selling women's western boots is a Shyanne boot. It sells for \$199.99. We'd likely leave a boot such as that at its current price, given it would obviously go into the \$200s. So, it's going to be based on styles that we're deep in, styles that are hitting psychological breakpoints from a pricing standpoint, categories where we think we can grow exclusive brand penetration and be opportunistic.

A

So, I think the consumer is going to vote on what they're willing to digest from a price increase standpoint. But at the same time, if those price increases continue to be mid-single digits or a bit higher, we've seen opportunities to increase our exclusive brand penetration and allow more consumers to find our exclusive brands as they're shopping for their next western or work boot.

Max Rakhlenko

Analyst, TD Securities (USA) LLC

Got it. So, it's not necessarily purely just on the elasticity of sort of products or categories, there's more that goes into that.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

No, absolutely.

Max Rakhlenko

Analyst, TD Securities (USA) LLC

Got it. Okay. And then as a follow-up, can you speak to what you're seeing in the competitive set? Is it behaving rationally? Do you sense that their health is deteriorating as you do mostly compete against the mom and pops? And they're probably starting to feel more distressed?

And then ultimately, as we think about the other side of this, whenever that may be, are you thinking and positioning the business to come out with potentially, a step change in your market share?

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

We haven't seen anything as of late. Again, the price increases have just started to come across our proverbial desk in the last couple of weeks. I'm sure most other retailers in the space are seeing the same thing. Their ability to preserve rate versus, deal with a slowdown in consumer demand at the mom and pop level may be very different. The promotional cadence among our larger competitors who are all very rational and always have been very rational in the space, we haven't seen anything that would suggest that is shifting today. But if these price increases stick, and regardless of tariffs coming down from 145% to 30% in China, I could see some challenges for the mom and pops. But again, the situation is very fluid. We have not seen anything to that effect as of yet, and the larger competitors all seem still very rational.

Max Rakhlenko

Analyst, TD Securities (USA) LLC

Great. Thanks a lot, guys. Best regards.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Thanks Max.

Operator: The next question comes from Janine Stichter with BTIG. Please go ahead.

Janine Stichter

Analyst, BTIG LLC

Hi. Thanks for taking my question. I was hoping you could talk a bit about the new markets versus legacy markets, how they're performing. Any difference in split this year with the 65 to 70 new stores?

And then I think this is the first time I've heard you speak to increase in online demand with a new store opening, kind of that halo effect that we sometimes see to the e-commerce business. Can you elaborate a little bit on that, how much that is, and how you typically see it evolve? Thank you.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

Yeah, absolutely. As we look at the new store openings for this year, it's going to be across legacy markets and new markets. We've opened stores in Rhode Island. We've opened stores in Alaska. We have eight stores in Alaska. We've opened a store in Vermont this past year. And again, Alaska and Vermont are very small markets, but we would see that e-commerce business jump quite a bit. I think the most notable example of e-commerce increasing nicely as we open stores is the State of New York. I think we're up to 12 stores in the State of New York now.

And we have a report in the e-commerce group that looks at sales by state for e-commerce, and I've been watching it for years, and New York continues to climb that list. And I don't think that would be happening, if we were not opening stores in New York.

I don't have the numbers in front of me of exactly. I mean, you know, you use Alaska, Vermont, the online business quintuples, right, the second we open those stores. But again very, very small markets. The New York and New Jersey numbers that I've had to take a closer look at, but we've been watching them continue to move up our list of top states year after year as we've increased the number of stores in Pennsylvania, New York, New Jersey.

Janine Stichter

Analyst, BTIG LLC

Q

Great. Thanks so much for the color.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

Thank you.

Operator: The next question comes from Jonathan Komp with Baird. Please go ahead.

Jonathan R. Komp

Analyst, Robert W. Baird & Co., Inc.

Q

Yeah, hi. Good afternoon. I want to ask first, your same-store sales, when you look on a two-year basis, really have accelerated here the last few months, just – as you step back and look at the trend, anything stand out in terms of what's driving the recent performance here?

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

I think one category that I have to call out is denim. We saw a real shift in our men's and women's denim performance as we got into holiday last year, and we were in stock much more than we had been. And we've seen nice increases in women's western boots, men's western boots. Work apparel is doing nicely, cowboy hats, but if I looked at one place where we have seen a real shift, more so than the others, it is that denim business.

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

And Jon, I would just add on that. As you look at our deck on slide 8, the annual same-store sales chart that we've got there, and just the consistent growth that we've seen over the years of a low to mid single digit, it does feel like we're back to that underlying strength in the business, back to that algorithm, maybe even exceeding it a little bit. And then business has been very strong, just on a one-year basis, looking back since August, with the exception of February, where a lot of other retailers had some softness in their business. We've had that nice, strong mid to high single digit growth on a monthly basis, and so we have done the work, we've looked at the current volumes, and we've rolled that forward, and so not to get everyone over their skis, we do feel like the guidance is laid out in the best way possible, given what we're facing around price increases and tariffs and that sort of thing, but the underlying strength is strong.

Jonathan R. Komp

Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. Great. That's really encouraging. And then a bigger-picture question on margin. At the high end of the guidance this year, you're almost assuming holding operating margin. If you step back and think about the headwinds and uncertainties of this year, the time you'll have to help drive mitigation strategies after this year, how do you think about sort of the broader context of getting back to a mid-teens operating margin over time?

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Yeah, we feel great about it. Heading back to that 15%, I think it's still within our sight and within our reach this year. You're right, we are holding that margin roughly flat and it's seen some nice SG&A leverage that's helping offset some of that new store occupancy rate that puts some pressure on the buying and occupancy. But assuming this were a normal year, Jon, and we didn't have the back half pressured at the top line and maybe a little bit in the merchandise margin line, it would be a nice year to build back some of that EBIT rate, 10s of basis points, not 100 basis points. And so, if you look at the next five or six years after we get through this year, I think we're right back and progressing towards that.

Jonathan R. Komp

Analyst, Robert W. Baird & Co., Inc.

Q

That's great. Very helpful. Thanks again.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

Thanks, Jon.

Operator: The next question comes from Chris Nardone with Bank of America. Please go ahead.

Christopher Nardone

Analyst, BofA Securities, Inc.

Q

Thanks, guys. Good afternoon. So, John, now that you're settling into the role on a permanent basis, what changes, if any, can we expect in terms of how you're planning to run the business relative to the prior regime? And then outside of Paris, what portion of this company's strategy are you most focused on today?

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

Yeah. Great question. So, as I've said on the last call, and I'll continue to say, the four strategic initiatives remain unchanged. We've had them for close to 12 years, and any adjustments I will be making will be under those – the current and future four strategic initiatives.

If I could just call out a couple of them that have been my focus, and now that I have the role permanently, continue to be my focus. The first one is sourcing. Our exclusive brand team, as we've just talked about with the tariff situation, has done an incredible job lowering our exposure to China, diversifying which countries we're in from a supply chain standpoint.

And I think the next opportunity within that is to use the size and scale of our exclusive brand business to drive better costing. So, focusing on the margin structure of EB, and to that effect, we've recently hired a new Vice President of Sourcing who just started on Monday, and that will be her area of focus. So, margin structure on exclusive brands is absolutely one of my focuses.

A couple of other ones are exclusive brands and focusing on the big brands, the ones that really resonate deeply with our customer base, Cody James, Shyanne, Idyllwind, having some separate marketing campaigns around those brands themselves, not only around Boot Barn. So, putting more muscle behind our best exclusive brands.

And then the last one is reinvigorating work. So, we know we've been challenged in the work boot business, work apparel doing a little bit better, but work boots have been flattish for the past several quarters. And we're going to put a spotlight and some real marketing dollars behind that work boot business with some major marketing campaigns that cover search, social video, blue collar influencers, really driving on the message that you should be proud of working in the trades, and that will be both Cody and Hawx base.

So, we're going to push hard on the work boot business, both talking to the customer and then talking to our store partners using some of our AI tools, Cassidy, namely to help our store partners better understand how to sell a functional work boot.

Christopher Nardone

Analyst, BofA Securities, Inc.

Q

Great. That was very helpful. Thanks, John. And then just a quick modeling follow up. Just on SG&A, do you think we can see greater leverage if sales do come in better than your base case? Or do you foresee other factors that could temper the potential upside to that line item?

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

No, I think if sales do exceed the high end of the range, we expect to see some leverage on SG&A rate above and beyond what we guided there at 50 basis points.

Christopher Nardone

Analyst, BofA Securities, Inc.

Q

Okay. Very clear. Thank you.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Thanks, Chris.

A

Operator: The next question comes from Jeremy Hamblin with Craig-Hallum Capital Group. Please go ahead.

Jeremy Scott Hamblin

Analyst, Craig-Hallum Capital Group LLC

Thanks. And congrats, John, and the team on the momentum. I wanted to first ask about the e-commerce business, which has been a little bit more volatile, I think for a variety of reasons. If you look at February, softer retail store performance, but solid e-com performance. More recently, some weakness in April, followed by it's only a couple of weeks, but a pretty big bounce back here in May.

Q

Just wanted to get a sense for why you think you might be seeing a bit more volatility in that business. Is that promotional driven, competitive promotion driven, or a little bit more color just on that and kind of your outlook there on building that business back up in terms of a percent of sales?

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Absolutely. Yeah. If we, again, I always focus, of course, on bootbarn.com, it makes up north of 75% of our business, and that business has been double digit comp positive. A little bit of a drag from some of the other businesses, Sheplers, Country Outfitter, and our Amazon business.

A

But February, of course, there was softness across all of retail that from what I've been able to tell and what we heard from others, no one ever really teased out what happened in February. It was a little puzzling and we saw some of that. But that's not really what carried through as you look at April, we had two things going on in April.

One, at the end of our last fiscal year, or two years ago, we had a promotion that carried over into last fiscal year into April that we did not repeat this year. So, we have more full price selling, a healthier e-commerce business from a gross margin dollar or EBIT rate contribution standpoint in April. So that April number is a result of an aggressive promotion that we had the year prior.

The second piece that deserves a call-out is we've got a major third-party vendor that is in the middle of some systems upgrades, and we do some dropship with them, and that makes up more than a couple of points of the e-commerce comp given that dropship inventory was not available to us during that time.

Jeremy Scott Hamblin

Analyst, Craig-Hallum Capital Group LLC

Great color. And then just one other one here on the cadence of store openings on the 65 to 70 stores that you're expecting. I wasn't sure if you actually gave a percentage of openings in legacy markets versus new markets?

Q

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

Yeah. The first quarter will be in that 10 to 12 store range. And then the balance of the year should be spread out pretty well between the three quarters. As far as legacy markets, new markets, we're going to be opening all

A

across the country, filling in existing markets, and opening in some brand new markets. So, it's going to be pretty broad-based across the country.

Jeremy Scott Hamblin

Analyst, Craig-Hallum Capital Group LLC

Great. Thanks. Good luck, guys.

Q

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Thank you.

A

Operator: The next question comes from Sam Poser with Williams Trading. Please Go ahead.

Sam Poser

Analyst, Williams Trading LLC

Thank you for taking my questions, guys. I guess my first question is, do you think within the recent strength that your consumer is aware of the potential tariffs and the potential price increases and some of what's going on right now, maybe just some pull forward, especially for the work folks that will buy, you know, know what they'll need and when they'll need it?

Q

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Hey, Sam. How are you? It's John. Yeah, we do not see that. So, we have the – it's a great question. We had a similar hypothesis, and we thought that could have been happening. We had our data science team and CRM team go back and look at our customers and look at frequency and see if there was any change in basket size, in number of transactions over the last six months, over the last nine months, especially as we got into the noise, the more recent noise of tariffs and we just can't find any data that would suggest that we are seeing any pull forward of demand or people buying a product ahead of when they need it.

A

Sam Poser

Analyst, Williams Trading LLC

Thank you. And then to follow-up on one of the earlier questions regarding how long – assuming your assumptions are correct, how long the headwind last and by the time we get to the beginning of next year, you'll still have – I mean, you'll actually have more goods with the tariff impact. So, theoretically, you won't clear these headwinds just because of your product mix until we get to the end of Q2 2027. I mean, is that just the way to think about it? Because of – you have so much inventory at the old prices now, that'll start to flow through – that'll slowly flow through by the end of the calendar year or the end of late Q3. At the end of Q3, you'll have mostly all the higher tariff goods, but then that'll just keep on going until you lap it completely...

Q

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

Yeah, yeah.

A

Sam Poser

Analyst, Williams Trading LLC

...a year from September.

Q

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Yeah. I mean, we turn our inventory around two times a year, a little bit less than that. And so you're right, Sam, as we buy the tariffed inventory and the tariffed goods and we work that into the system, it will be into next year, the beginning part of next year before we see everything that's in the system having been purchased with the tariff. So, yeah, you're thinking about that the right way.

Sam Poser

Analyst, Williams Trading LLC

Q

And then lastly, you talked about the breakdown of where you're buying your products from and how that's going to evolve, especially out of China. I'm sort of – I mean, western boots make up what percentage of your total business – of your total exclusive brand business?

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

The western boots for exclusive brands is similar to what it is for the overall company. And so it's roughly 30% of the penetration.

Sam Poser

Analyst, Williams Trading LLC

Q

Of your exclusive – within your exclusive brand? I'm just surprised that Mexico sourcing doesn't go up more within the mix.

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Yeah. So if you think about the Mexico sourcing exclusive brand leather-soled cowboy boots, the majority, almost all of them are made in Mexico today. You're right, there is opportunity to further increase the Mexico production and what we've sourced there in the past have also been some rubber-soled western boots. And so there's opportunity immediately to bring some of that back, and the team's done a nice job of starting to look for ways to bring more of that production back into Mexico, and so you're right.

If you look at the numbers on this piece of paper or on this slide, there isn't much of an increase to Mexico. We have increased already in that – late in our fiscal 2025 number and fiscal 2026 from what we talked about before being in the upper-20s. But there is opportunity for us to do more in Mexico and maybe that number goes up.

Sam Poser

Analyst, Williams Trading LLC

Q

Great. Well, thank you. Continued success.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

Thanks, Sam.

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Thanks, Sam.

Operator: The next question comes from Ashley Owens with KeyBanc Capital Markets. Please go ahead.

Ashley Owens

Analyst, KeyBanc Capital Markets, Inc.

Thanks so much. So, maybe just to start off, since we've been discussing exclusive brands pretty in detail this call, I noticed that you mentioned you're aiming to hold price in certain items within the portfolio. We've talked about the current assortment, but would be curious, does that dynamic create an opportunity to expand exclusive offerings into new styles with what you're seeing with the third-party? Any color you could provide on maybe new styles, categories, or price points to potentially capture some more share from some of those more elastic consumers who maybe aren't willing to pay up with the expected price increases? And just how opportunistic you'd want to be there?

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Yeah, it's a great question. We haven't really explored that as of yet. One of the things we've always been very cautious of is we want to make sure that our exclusive brands have the same quality and build as the third-party brands.

And we don't want too much of an entry level boot, I suppose, is one way I could put it. But we will – there are boots that are, as I'm looking down a list of our best sellers, there are exclusive brand boots that as these price increases go into effect with third parties and that kind of disseminates across all western and work retailers that they will look very attractive from a price point standpoint.

So, maybe not an entry level point, but more attractive most certainly than everybody else. And we've always assorted our exclusive brands, especially from a boot standpoint with good, better, best. So we – and maybe it's not an entry level price point, but a good, better, best. So, there are boots currently today that are competitive from a price standpoint, and they will be even more competitive price-wise as third-party brands raise retail across the rest of the western space.

Ashley Owens

Analyst, KeyBanc Capital Markets, Inc.

Okay. Got it. Super helpful, color. Thank you.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

You're welcome.

Operator: The next question comes from Mitch Kummetz with Seaport Research. Please go ahead.

Mitch Kummetz

Analyst, Seaport Research Partners

Yes. Thanks for taking my questions. I guess, kind of a two-parter on exclusive brands and a follow-up. So, I guess my first question is, you've talked about maybe taking some price, maybe not taking some price. But I'm curious what's embedded in the merch margin guide? You've given us the \$8 million on COGS. You're also giving us a merch margin range? Is any taking of price embedded in that, or does that merch margin all unmitigated on the tariff cost?

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Yeah. So to make sure I'm understanding your question correctly, Mitch, I'll restate a little bit in my answer. So, the merchandise margin rate being flat for the full year embeds us absorbing some of the tariff expense ourselves and not passing price along completely to our customers and where we wouldn't be passing on the price increases would be primarily in the exclusive brands area of the product assortment. Did I understand the question correctly?

Mitch Kummetz

Analyst, Seaport Research Partners

Q

I guess, that's kind of my question, is what's actually embedded in that merch margin rate, some mitigation, no mitigation?

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Yeah, we will have some mitigation. I think if we had full mitigation, our merchandise margin rate for the year would probably be closer to the 40 basis points. And that's us absorbing the entire \$8 million. And we feel really good about the numbers we put out there, Mitch. But I just would remind you, this is a very fluid situation, and we've got 10 months ahead of us to really work through this. But I feel like the team's done a really nice job of capturing this at the product level, but there will be decisions that have not yet been made product by product to get there.

Mitch Kummetz

Analyst, Seaport Research Partners

Q

And then the EB penetration at the 100 basis points for the year, how does that break out, first half, second half? If I heard correctly, I think you said that the penetration would be up like 180 bps in 1Q, it would stand to reason that maybe the penetration could be even higher in the back half. Just given that the EB might look more compelling to the consumer if you don't take price, can you kind of break that out a little bit?

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Yeah, it's a great question and a fair assumption. The first quarter, we have 190 basis points of EB, exclusive brand penetration growth. The second quarter is also above the 100 basis points, and then the second half, it gets a little bit lower. So, there is opportunity to the extent that customers gravitate towards our exclusive brands, whether that's via price or style or high quality, there is opportunity for that to grow further.

Mitch Kummetz

Analyst, Seaport Research Partners

Q

Okay. And then I guess lastly on the SG&A leverage, Jim, I think you said the leverage point is flat. I want to say previously that was at 2%...

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

[ph] Yeah, maybe about that (01:06:17).

Mitch Kummetz

Analyst, Seaport Research Partners

Q

...or maybe I'm wrong, but if that has changed, what has sort of changed in maybe the overhead structure to kind of bring it down a couple 100 basis points?

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Yeah, I would remind you that's a fiscal 2026 number. I would anticipate as we get into the next year, maybe that goes up, probably not back up to a 2%. And really for the current year, it's some of the high costs that we had last year that we're not expecting to repeat, maybe some more one-off type items.

And then the second piece of that is we opened the number of stores, 60 stores this year, and they're generating nice cash flow, and EBITDA, we're able to cover more of the fixed costs company-wide by more sales volume and that helps bring that leverage point down just a little bit.

Mitch Kummetz

Analyst, Seaport Research Partners

Q

Okay. That's helpful. Thanks.

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Thanks, Mitch.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

Thanks, Mitch.

Operator: The next question comes from Jeff Lick with Stephens, Inc. Please go ahead.

Jeff Lick

Analyst, Stephens, Inc.

Q

Good evening. Thanks for running the call a little later and taking my question. Congrats, John.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

No problem.

Jeff Lick

Analyst, Stephens, Inc.

Q

Jim, I was just wondering, you know, you did a good job of educating everybody, you know, at the ICR Conference about just the kind of shift in year two and year three vintage stores and how that influences the comp. I wonder if you could just maybe comment on how that's progressing, because it does look like, you know, you'll have a greater composition of, you know, year two and year three stores in the comp base?

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Yeah. Thank you, Jeff. You're right. The new store waterfall continues to look nicely. Just a reminder that the first year a store goes comp, it comes roughly in line with the chain average and that second year comp is where we're really seeing some nice outperformance in the chain average. Third year, it's still a little too early to tell, it depends a little bit by class of stores, you know sometimes it's a nice tailwind, sometimes it's less. So, what I would say is that we did do some work, and we looked at the average annual sales volume for the most recent year, fiscal 2025 that we just finished up. And stores that opened in fiscal 2021, averaged higher volumes than those opened in 2022, and those in fiscal 2022 performed better than those in 2023. And in 2023 better than 2024. So, we are seeing a nice result with how those stores are continuing to add volume as the years progress.

Jeff Lick

Analyst, Stephens, Inc.

Q

Maybe just a quick follow-up. You know, as you guys look at the summer calendar this year, any call-outs in terms of, you know, headwinds or tailwinds? And then maybe even if you could comment on, you know, any new acts, I know you've been, you know, kind of getting some great traction with Carin León anyone new to call out there?

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

The concert lineup this summer looks decent. It doesn't look spectacular, it doesn't look bad in any way. It looks like a summer of probably less stadium tours than last year, but more festivals. We actually have a festival this weekend in Gulf Shores, Alabama, with Morgan Wallen, the Sand in My Boots Festival. We're going to have a stage. We're going to be – the main stage is the Boot Barn stage. The secondary stage is going to be the Cody James stage, which is something new that we haven't done before. We're going to continue to sponsor close to 1,000 rodeos this year, so the rodeo sponsorship market still looks great. And the celebrity tie-ins there, Riley Green, has been the big one right now, and we spent some time with Riley at the ACMs just the other day. And we're continuing to kind of not buy the upfronts, as I call them, when it comes to these music sponsorships and wait for some of the remnant opportunities, which has worked well for us in the past.

Jeff Lick

Analyst, Stephens, Inc.

Q

Awesome. Well, congrats on the next quarter and look forward to catching up soon.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

Thank you.

Operator: The next question comes from Corey Tarlowe with Jefferies. Please go ahead.

Corey Tarlowe

Analyst, Jefferies LLC

Q

Great. Thanks. Jim, I was just wondering if you could talk a little bit about the comp guide and maybe just unpack for us how you think about the drivers of that. What's traffic? What's ticket? How much promotion is embedded? How much tariff is embedded in there in terms of price? And then what does that shape look like throughout the year?

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Yeah. So great question. We expect, let me just back up, the nice comp growth that we've seen over the last few quarters has been driven by an increase in transactions with the basket being roughly flat. As we are looking at Q1 and Q2, we expect to continue to see that driven by increase in transactions. As we get into the second half of the year, we would expect to see the price increases impacting the transactions, and as transactions come down, AUR coming up, and so that being – those two kind of offsetting a little bit in the second half of the year.

Corey Tarlowe

Analyst, Jefferies LLC

Q

Okay. Got it. That's really helpful. And then just on your overall capital allocation strategy, I saw the repurchase announcement of \$200 million. I would just be curious in terms of kind of what you view as the best approach for capital allocation, returning excess cash to shareholders and how you prioritize and rank the different levers that you have to pull for that?

James M. Watkins

Chief Financial Officer & Secretary, Boot Barn Holdings, Inc.

A

Sure. So I think our number one focus is to generate cash, fund new stores that have a tremendous payback, and then this new piece of it is we've continued to generate more cash than necessary to operate those stores and we've paid off our debt. We have a nice capacity on our line of credit is to give some back to the shareholders. And really, our thought around this is for it to be a very methodical repurchase program. Maybe there'd be an occasional opportunistic buyback, but to really just every quarter buy back a certain level of shares and it's not a huge amount, if we did roughly \$50 million a year, we're not committing to that on this call. We've authorized \$200 million, but to have something where it's really methodical every quarter, and we have the flexibility to increase or decrease that depending on what's going on with the business.

Corey Tarlowe

Analyst, Jefferies LLC

Q

Okay. Great. Thank you so much.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

A

Thanks, Corey.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to John Hazen for any closing remarks.

John Hazen

Chief Executive Officer & Director, Boot Barn Holdings, Inc.

Thank you, everyone, for joining the call today. We look forward to speaking with you all on our first quarter earnings call. Take care.

Operator: The conference has now concluded. Thank you for attending today's presentation.

You may now disconnect.

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