

Fossil Group (FOSL)

Stock Price: \$3.69 (As of 12/19/2025)

Zacks Recommendation: Outperform

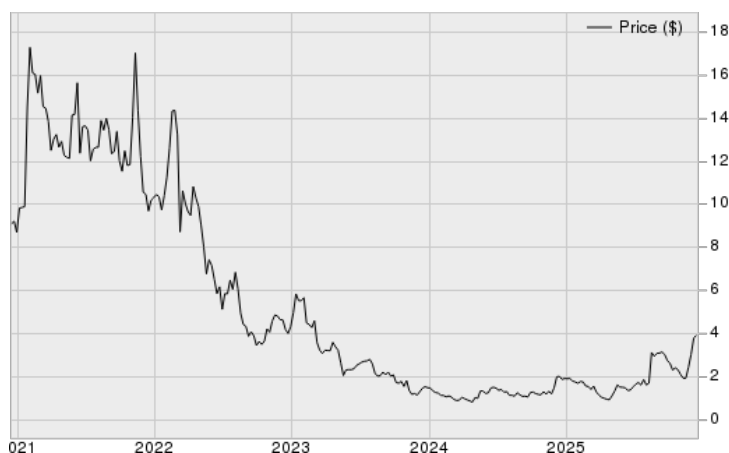
(Since: 07/17/2025)

Prior Recommendation: Neutral

Summary

Fossil has strengthened its balance sheet via a \$150 million revolver due 2030 and debt exchange extending maturities to 2029, reducing refinancing risk and enhancing liquidity. Despite a 16% sales decline in Q2 2025, gross margins rose to 57.5% and adjusted operating income reached \$4 million, reflecting cost discipline, reduced promotions and channel optimization. Management guides for further margin gains as SG&A savings and licensing efficiencies take hold. Digital-first strategies — including influencer-led campaigns and full-price e-commerce — are boosting traffic and profitability. The turnaround plan targets \$30 million in FY25 savings through supply chain, pricing and vendor initiatives. However, revenue contraction, weak demand in Europe/China, tariff headwinds and intense competition pose risks. Valuation remains compelling at 0.16X EV/sales and 0.84X P/B against industry/sector multiples.

Stock Price History



Source: Zacks Investment Research

Data Overview

52 Wk High-Low	\$4.13 - \$0.86
20-Day Average Volume (Shares)	819,758
20-Day Average Trading Value	\$3.02M
Market Cap	\$201.63M
Year-To-Date Price Change	120.96%
Beta	1.58
Cash	\$79.22M
Debt	\$169.06M
FCF TTM	\$-23.05M

Valuation

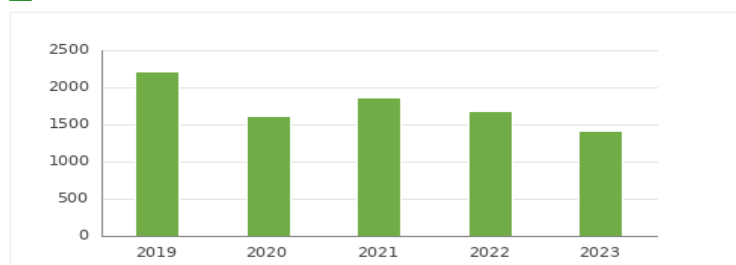
P/E TTM	NA
EV/EBITDA	-3.51
EV/SALES	0.27
P/BV	2.07

Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Top 25% (61 out of 243)
Expected Report Date	03/11/2026

Last Reported Quarter

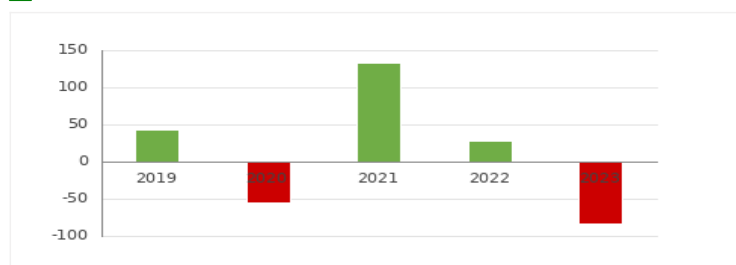
Sales Growth YOY	-6.12%
EPS Growth	-23.53%
EBITDA Growth	NA
FCF Growth	NA

Sales TTM (millions of \$)



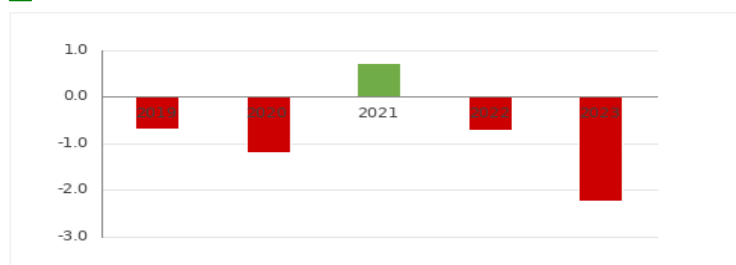
Source: Zacks Investment Research

EBITDA TTM (millions of \$)



Source: Zacks Investment Research

EPS TTM (\$/share)



Source: Zacks Investment Research

The charts and tables reflect data as of 12/19/2025, while the textual content of the report is as of 10/30/2025

Overview

Fossil Group, Inc., headquartered in Richardson, TX, was founded in 1991. The company specializes in the design, innovation, and distribution of consumer fashion accessories, including watches, jewelry, handbags, small leather goods, belts, and sunglasses. Fossil operates under its owned brands, such as FOSSIL, SKAGEN, MICHELE, RELIC, and ZODIAC, as well as licensed brands like ARMANI EXCHANGE, DIESEL, EMPORIO ARMANI, KATE SPADE NEW YORK, MICHAEL KORS, SKECHERS, and TORY BURCH. This diverse portfolio allows Fossil to target style-conscious consumers globally.

Fossil Group reports its operations primarily through three geographic segments: Americas, Europe, and Asia. For the fiscal year ending December 28, 2024, the Americas segment generated \$515.2 million, contributing 45% to total revenue. The Europe segment accounted for \$357.6 million, representing 31.2% of total revenue, while the Asia segment contributed \$270.1 million, or 23.6% of total revenue. Overall, Fossil's total net sales for the fiscal year were \$1.145 billion, reflecting an 18.9% decline from the previous year.

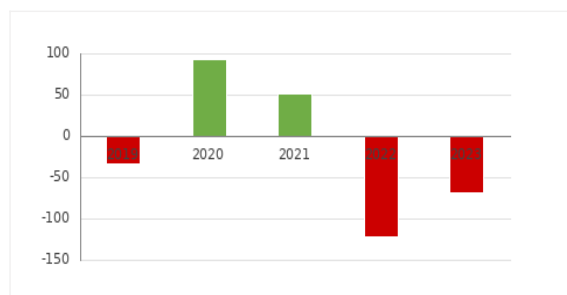
The company has initiated a comprehensive Transform and Grow plan to optimize its operations, focusing on improving gross margins and reducing operating expenses. This includes initiatives in sourcing, pricing, inventory management, and logistics. Additionally, Fossil is pursuing strategies to strengthen its balance sheet by monetizing non-core assets and enhancing liquidity.

Fossil's competitive landscape includes established manufacturers and distributors in the watch and accessory markets, such as Citizen, LVMH Group, and Timex. The company has also faced competition from technology brands in the smartwatch category, prompting a strategic exit from that segment to concentrate on traditional watch offerings.

As of Dec. 28, 2024, Fossil had a total liquidity of \$53.4 million available under its revolving credit facility, with \$150 million in senior notes due in 2026. The company is actively exploring additional financing options to address upcoming debt maturities and enhance its capital structure.

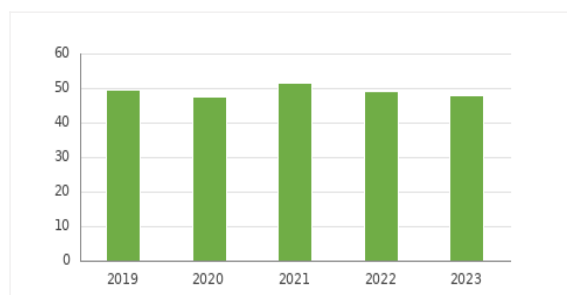
The data and facts mentioned in this section are as of 12/28/2024.

FCF TTM (millions of \$)



Source: Zacks Investment Research

Gross Margin % TTM



Source: Zacks Investment Research

Reasons To Buy

- ▲ **Strengthened Balance Sheet and Debt Restructuring:** Fossil has materially reinforced its financial stability through refinancing and debt restructuring. The company secured a new \$150 million revolving credit facility maturing in 2030 while arranging a debt exchange for its 7% senior notes due 2026 into longer-dated secured notes maturing in 2029. This reduces near-term refinancing risk and significantly improves liquidity flexibility. By extending maturities and enhancing access to capital, Fossil gains valuable breathing room to continue its turnaround strategy, fund brand initiatives and navigate retail volatility without undue balance sheet pressure.
- ▲ **Gross Margin Expansion and Cost Discipline:** In Q2 2025, Fossil generated adjusted operating income of \$4 million, driven by improved gross margins of 57.5%, up from 52.6% a year earlier. The margin expansion came despite a 16% revenue decline, reflecting success in reducing promotional intensity, optimizing channel profitability and driving efficiencies in sourcing. Management remains confident about sequential margin gains through Q3 and Q4, especially as licensing-related royalty reductions and tighter expense controls take effect. These factors highlight operational discipline, providing a clear path to sustainable profitability even amid top-line headwinds.
- ▲ **E-Commerce Acceleration and Market Tailwinds:** Fossil is accelerating digital initiatives in line with the structural expansion of global e-commerce, a market expected to grow. The company has shifted its e-commerce approach toward full-price selling, supported by influencer campaigns, experiential activations and improved in-person brand engagement. These efforts have already driven traffic and profitability improvements in online channels. By leaning into digital-first strategies, Fossil is positioning itself to capture durable growth opportunities while boosting margins through direct-to-consumer sales.
- ▲ **Brand Momentum and Distribution Expansion:** Marketing investments are re-energizing Fossil's brand visibility, including a high-profile Q3 2025 global campaign featuring Nick Jonas. The launch is supported by events, retail takeovers and exclusive activations designed to strengthen consumer engagement across channels. Fossil is also expanding traction with European distributors and traditional watch retailers, with particularly strong momentum in the Americas and India. Alongside its brand, Fossil benefits from its diversified licensed portfolio — covering Michael Kors, Armani, Diesel, and others — which provides resilience and opportunity for incremental market share capture.
- ▲ **Strategic Turnaround Execution and Operational Reset:** Since late 2024, Fossil has advanced a turnaround plan centered on cost realignment, balance sheet repair and brand revitalization. Initiatives include supply-chain optimization, strategic pricing and vendor collaborations that mitigate inflationary pressures. The company is targeting \$30 million in SG&A savings for FY25 while redirecting resources toward digital and marketing investments. Execution has already delivered margin gains, and management expects benefits to accelerate into late 2025 and 2026. The combination of structural efficiency and growth reinvestment positions Fossil for a return to consistent cash generation.

Fossil is benefiting from e-commerce acceleration, gross margin expansion, disciplined cost controls, brand revitalization, stronger distributor traction and ongoing operational turnaround initiatives supporting profitability.

Risks

- **Declining Revenue Base:** Fossil's Q2 2025 net sales dropped 16% YoY to \$219 million, continuing a trend of contraction across multiple regions. This decline highlights broad demand weakness and raises concerns about the brand's ability to stabilize sales momentum. A shrinking top line not only reduces economies of scale but also weakens supplier leverage and amplifies fixed-cost burdens. Unless the company demonstrates consistent revenue recovery within the next two to three quarters, investor skepticism about its turnaround strategy could intensify, putting sustained pressure on the stock.
- **Consumer Demand Uncertainty in Key Regions:** Performance in India and the Americas showed resilience, but weaker results in Europe and China underline the unevenness of Fossil's geographic base. With discretionary spending under pressure globally, regional softness exposes Fossil to macro volatility, including inflation, currency swings and geopolitical uncertainty. Market data highlight negative consumer sentiment as a lasting headwind. If underperformance in China and Europe persists, smaller growth markets may not offset declines, creating an uneven revenue mix that threatens near-term stability and long-term growth visibility.
- **Tariff Exposure and Trade Policy Volatility:** Fossil remains highly dependent on overseas sourcing, with a substantial share of its products imported from China. The U.S. administration's new tariff measures in early 2025 negatively impacted the gross margin by 80 basis points in Q2. Further escalation of trade disputes or retaliatory tariffs could increase costs, disrupt supply chains and pressure pricing flexibility. While mitigation strategies such as price adjustments and sourcing shifts are underway, execution timelines remain uncertain. Sustained tariff volatility may continue to erode margins, fueling investor concern over long-term profitability resilience.
- **Industry-Level Competitive Pressures:** The global e-commerce market is projected to grow, creating opportunities but also intensifying competition. Fossil competes with better-capitalized players that can invest heavily in digital capabilities, personalization and brand marketing. Lacking scale advantages, Fossil risks being squeezed by both luxury incumbents and agile mid-market rivals. This competitive backdrop could force the company to increase promotional spending or absorb higher digital costs, diluting profitability. Without clear differentiation, Fossil may struggle to defend market share, creating persistent downside risk.

■ Last Earnings Report

FOSL Incurs Narrower Y/Y Loss in Q2, Lifts 2025 Outlook

Fossil incurred a second-quarter 2025 adjusted net loss of 10 cents per share, narrower than a loss of 47 cents per share in the prior-year quarter.

Net sales of \$220.4 million denoted a 15.2% decline from \$260 million in the prior-year period. The drop resulted from ongoing softness across product categories and channels, particularly from the exit of the smartwatch segment and store rationalizations, which accounted for about six percentage points of the decline. Despite weaker top-line results, profitability metrics improved meaningfully.

The gross profit came in at \$126.7 million, down 7.4% year over year. However, the gross margin expanded 490 basis points to 57.5% from 52.6% a year ago.

Operating income reached \$8.5 million, swinging from a \$34 million loss in the second quarter of 2024. On an adjusted basis, operating income was \$3.8 million compared to an adjusted operating loss of \$17 million a year earlier. The net loss narrowed sharply to \$2.3 million from \$38.8 million in the year-ago quarter. The adjusted net loss was \$5.6 million compared to \$25.1 million in the prior year.

Other Key Business Metrics of FOSL

Sales declines were broad-based across regions and categories. On a constant-currency basis, revenues fell 19% in the Americas, 14% in Europe and 12% in Asia. Wholesale sales dropped 6%, while direct-to-consumer revenues sank 30%, with comparable retail sales down 23%. Product-wise, traditional watch sales declined 8%, leather goods plummeted 39%, and jewelry fell 22%.

The company closed 47 stores over the past year, reducing its global store base to 214 from 258. Inventories were down 11.9% year over year to \$178.1 million, reflecting improved working capital management. Liquidity stood at \$110.6 million, including nearly \$110 million in cash.

Fossil: Management Commentary

CEO Franco Fogliato emphasized that the quarter marked the third consecutive period of positive adjusted operating income, underscoring the effectiveness of its turnaround plan. He highlighted cost control, gross margin strength and a newly announced refinancing plan as key achievements. The company also pointed to upcoming brand-building initiatives, including a global campaign featuring celebrity ambassador Nick Jonas.

Fogliato and CFO Randy Greben noted that marketing investments and new product launches in the second half of 2025 are expected to strengthen brand positioning. Executives highlighted traction in traditional watches and improvements in e-commerce profitability, supported by more disciplined promotional activity and cost optimization.

Factors Influencing FOSL's Results

The improvement in margins stemmed largely from sourcing initiatives, reduced freight costs and the exit from the lower-margin smartwatch business. Cost reductions from restructuring programs also played a role, with selling, general and administrative expenses falling nearly 28% year over year. A one-time \$11 million gain from the sale of a European warehouse bolstered results.

Still, consumer demand remained pressured, with softness across categories and geographies. Tariff increases partially offset the margin gains, and management acknowledged persistent challenges in retail traffic and category headwinds.

Guidance by Fossil

Encouraged by year-to-date progress, Fossil raised its full-year 2025 outlook. The company now expects worldwide net sales to decline in the mid-teens compared with the prior guidance of a mid- to high-teens drop. The adjusted operating margin is projected to be breakeven to slightly positive against the earlier view of a negative, low single-digit outcome. Management added that the second half would benefit from product innovation, marketing campaigns and improved cost leverage.

Other Developments at FOSL

Alongside earnings, Fossil announced a comprehensive refinancing plan designed to strengthen liquidity and support its turnaround strategy. The company secured a new \$150 million asset-based revolving credit facility with Ares Management Credit Fund, providing enhanced financial flexibility with a five-year maturity. Additionally, Fossil reached agreements with major bondholders to extend debt maturities into 2029, offering significant runway for restructuring and growth initiatives.

■ Valuation Discussion

Fossil shares are up 25.8% in the year-to-date period but up 65.4% over the past year. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are down 11.8% but up 7.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry has increased 4.4%, while the sector has increased 15%.

The S&P 500 Index is up 18.5% in the year-to-date period and 23% in the past year.

The stock is currently trading at 0.16X trailing 12-month EV/sales value, which compares to 1.86X for the Zacks sub-industry, 1.85X for the Zacks sector and 5.9X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.67X and as low as 0.08X, with a five-year median of 0.16X.

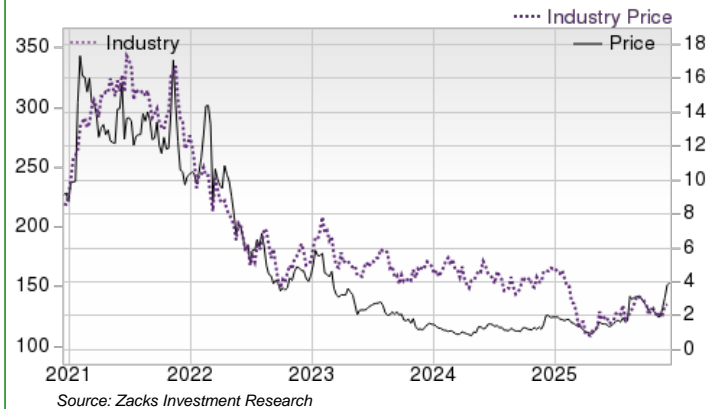
The stock is currently trading at 0.84X trailing 12-month price/book value, which compares to 6.57X for the Zacks sub-industry, 5.51X for the Zacks sector and 9.06X for the S&P 500 index.

Over the past five years, the stock has traded as high as 2.77X and as low as 0.17X, with a five-year median of 0.63X.

Our Outperform recommendation indicates that the stock will perform better than the market.

Industry Analysis

Zacks Industry Rank: Top 25% (61 out of 243)



Top Peers

Company (Ticker)	Recommendation
The Gap, Inc. (GAP)	Neutral
Hennes & Mauritz AB (HNNMY)	Neutral
Industria de Diseno ... (IDEXY)	Neutral
Levi Strauss & Co. (LEVI)	Neutral
Next PLC (NXGPY)	Neutral
Kering SA (PPRUY)	Neutral
Tapestry, Inc. (TPR)	Neutral
Zalando (ZLNDY)	Neutral

Industry Comparison

Industry: Retail - Apparel And Shoes

	FOSL	X Industry	S&P 500	Industry Peers		
				HNNMY	IDEXY	PPRUY
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Market Cap	\$201.63M	\$514.10M	\$38.78B	\$27.57B	\$203.08B	\$0.00M
Dividend Yield	0.00%	0.00%	1.39%	2.19%	1.81%	1.53%
Value Metrics						
Cash/Price	0.37	0.14	0.04	0.08	0.06	NA
EV/EBITDA	-3.51	7.00	14.63	7.84	16.53	NA
Price/Book	2.07	2.78	3.32	6.73	9.25	2.46
Price/Cash Flow	NA	9.38	15.20	8.60	20.79	11.79
Price/Sales	0.19	0.57	3.10	1.22	4.62	NA
Earnings Yield	NA	4.11%	5.07%	4.35%	6.26%	1.98%
Debt/Equity	1.76	0.08	0.57	1.16	0.00	0.69
Cash Flow (\$/share)	-0.60	0.90	8.99	0.45	0.78	3.00
Growth Metrics						
Hist. EPS Growth (3-5 yrs)	NA	1.96%	8.16%	22.75%	27.08%	NA
Curr. Cash Flow Growth	-67.59%	-1.17%	6.75%	7.10%	7.14%	-29.92%
Hist. Cash Flow Growth (3-5 yrs)	NA	6.22%	7.43%	4.39%	6.19%	-6.18%
Current Ratio	1.56	1.45	1.18	1.00	1.30	1.32
Debt/Capital	63.76%	14.29%	38.01%	53.68%	0.00%	40.78%
Net Margin	-6.32%	2.02%	12.78%	4.80%	15.40%	NA
Return on Equity	-18.08%	3.42%	17.00%	26.34%	32.94%	NA
Sales/Assets	1.49	1.32	0.53	1.32	1.12	NA
Momentum Metrics						
Daily Price Chg	4.24%	-0.30%	0.88%	-1.76%	-0.73%	-2.48%
1 Week Price Chg	3.72%	1.35%	-0.96%	3.77%	2.63%	1.22%
4 Week Price Chg	66.97%	7.71%	4.52%	11.71%	20.76%	6.15%
12 Week Price Chg	28.13%	10.59%	3.48%	10.05%	25.89%	11.50%
52 Week Price Chg	108.47%	6.16%	16.49%	46.99%	27.02%	45.94%
20 Day Average Volume	819,758	301,218	2,770,348	62,531	437,756	112,794
20-Day Average Trading Value	\$3.02M	NA	NA	\$244.50K	\$7.13M	\$3.99M

Source: Zacks Investment Research

Zacks Microcap Rating System and Research Methodology

The Zacks Microcap Research effort is focused on small companies that have no coverage from sell-side research analysts.

Empirical research shows that the “size effect” (i.e. outperformance by smaller companies) can be strengthened if qualitative factors are applied in screening a universe of stocks. Our favored qualitative metric is the Marx ratio, defined as Gross Profit/Total Assets. The legacy Zacks rating system, predicated upon empirical research on the predictive value of EPS estimate revisions, is not applicable to this universe of stocks as they don’t have earnings estimates.

Why Gross Profit? First recall that Gross Profit is defined as Revenue minus Cost of Goods Sold (COGS). Gross Profit is distinct from other profitability metrics (e.g., EPS, Operating income, etc.) for two important reasons. Firstly, revenue contains the “selling price” of the goods and/or services provided. The selling price is market driven; consumers and businesses can accept or reject the given price. Secondly, in the COGS line, these direct expenses e.g., direct labor, raw materials are also predominantly market driven, unlike expense items in SG&A which can be more discretionary, like levels of salary compensation and advertising spend. In our opinion, Gross Profit is the purest profitability metric with the least risk of financial engineering which can distort market valuation.

But the balance sheet also needs to be factored in, hence Total Assets in the denominator. We defer to academic research that prefers the use of Total Assets vs. for instance, Net Assets or Tangible Assets, as the best proxy for the financial state of the business.

The Zacks process starts with a universe of about 2000 companies that have market capitalization of under one billion dollars and have no sell-side research coverage. We eliminate companies headquartered outside of the U.S. or with insufficient trading liquidity. Pre-revenue companies are excluded as well, they have no Gross Profit and an undefined Marx ratio. This results in a “quantitatively” derived list of eligible stocks for rating.

A team of analysts then applies a “qualitative” screening process to assess if specific companies may have a distortedly high ranking because of temporal, anomalous factors like commodity price deflation, market supply shortage induced pricing power, etc.-factors that are unsustainable and not a true reflection of the state of the business. Analysts also perform trend analysis to determine if the business is gaining operational momentum and is on the cusp of more pronounced leverage and scalability. Cash flow, debt usage, valuation, and dilution risk are also considered within a holistic assessment.

A rating of Outperform, Neutral, or Underperform is then assigned. The proportion of the universe assigned Outperform and Underperform ratings is typically comparable, with ratings updated quarterly.

Outperform rankings are based on a number of positive, compelling catalysts. Conversely, Underperforms are based on several negative catalysts. Neutral ratings are generally based on a lack of several convincing catalysts, either to the upside or downside, a kind of indifferent conclusion. A change in rating will be a function of an improvement or deterioration in specific industry conditions, lack of or better than expected business execution, or the macro environment.

A research report is then generated utilizing an AI utility under the guidance of an analyst. The prompt questions have been engineered and standardized in an effort to present information that the analyst believes is highly relevant to the investment thesis and importantly saves the reader time in retrieving. This activity is more along the lines of “vertical thinking”, whereby the AI utility is summarizing and synthesizing information. We have found AI to be quite adept at this function. This frees up the analyst to engage in “deeper” thinking, or contemplation of the factors influencing the rating as well as additional research like industry research.

The “source material” for the AI utility are company filings such as 10K’s, 10Q’s, press releases, earnings call transcripts, and investor presentations. Subsequent updates of the report will also make use of the previously published versions of the Zacks Microcap Research report as a source material. Our research shows that this enclosed ecosystem, which excludes accessing the world wide web, is necessary to prevent possible AI ‘hallucinations’. Thus far we have found little evidence of ‘hallucinations’ because of this contained ecosystem. We have also found only rare instances of hyperbole. All reports are reviewed by a human editor to further safeguard against these conditions and to ensure readability.

The research reports will incorporate key financial data e.g. Sales, EBITDA, FCF, etc. derived from our proprietary database over a five-year period. We believe the presentation of this expansive data will save investors valuable due diligence time and effort. We believe the valuation data for the past five years is especially helpful and valuable.

Lastly, we have deliberately refrained from price targets and financial models. Choosing a valuation method and specific multiple is an inherently subjective practice. We therefore provide multiple valuation metrics including where the stock is currently trading based on historical terms. In time, AI may become adept at financial modeling. Our rating, however, implies some back of the envelope calculations and valuation prognostication.

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