

SKECHERS USA INC
Form 10-K
February 26, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-14429

SKECHERS U.S.A., INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of

95-4376145
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

228 Manhattan Beach Blvd., Manhattan Beach, California
(Address of Principal Executive Offices)

90266
(Zip Code)

Registrant's telephone number, including area code: (310) 318-3100

Securities registered pursuant to Section 12(b) of the Act:

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Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, \$0.001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2015, the aggregate market value of the voting and non-voting Class A and Class B Common Stock held by non-affiliates of the Registrant was approximately \$4.56 billion based upon the closing price of \$36.60 of the Class A Common Stock on the New York Stock Exchange on such date.

The number of shares of Class A Common Stock outstanding as of February 15, 2016: 130,675,283.

The number of shares of Class B Common Stock outstanding as of February 15, 2016: 25,652,991.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement issued in connection with the 2016 Annual Meeting of the Stockholders of the Registrant are incorporated by reference into Part III.

Skechers U.S.A., INC. and subsidiaries

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for the year ended december 31, 2015

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This annual report includes our trademarks, including Skechers[®], Skechers Performance[™], Skechers GOrun[®], Skechers GOwalk[®], [®], [®], [®], Skechers Cali[™], Relaxed Fit[®], Skechers Memory Foam[™], Skech-Air[®], BOBS[®], Hot Lights[®], Twinkle Toes[®], each of which is our property. This report contains additional trademarks of other companies. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

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PART I

ITEM 1. BUSINESS

We were incorporated in California in 1992 and reincorporated in Delaware in 1999. Throughout this annual report, we refer to Skechers U.S.A., Inc., a Delaware corporation, its consolidated subsidiaries and certain variable interest entities (“VIE’s”) of which it is the primary beneficiary, as “we,” “us,” “our,” “our Company” and “Skechers” unless otherwise indicated. Our internet address is www.skechers.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Form 3’s, 4’s and 5’s filed on behalf of directors, officers and 10% stockholders, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge on our corporate website, www.skx.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission (“SEC”). You can learn more about us by reviewing such filings at www.skx.com or at the SEC’s website at www.sec.gov.

GENERAL

We design and market Skechers-branded lifestyle footwear for men, women and children, and performance footwear for men and women under the Skechers GO brand name. Our footwear reflects a combination of style, comfort, quality and value that appeals to a broad range of consumers. Our brands are sold through department and specialty stores, athletic and independent retailers, boutiques and internet retailers. In addition to wholesale distribution, our footwear is available at our e-commerce websites and our own retail stores. As of February 15, 2016, we owned and operated 119 concept stores, 155 factory outlet stores and 117 warehouse outlet stores in the United States, and 82 concept stores, 41 factory outlet stores, and five warehouse outlet stores internationally. Our objective is to profitably grow our operations worldwide while leveraging our recognizable Skechers brand through our strong product lines, innovative advertising and diversified distribution channels.

We seek to offer consumers a vast array of stylish and comfortable footwear that satisfies their active, casual, dress casual and athletic footwear needs. Our core consumers are style-conscious men and women attracted to our youthful brand image and fashion-forward designs, as well as athletes and fitness enthusiasts attracted to our performance footwear. Many of our best-selling and core styles are also developed for children with colors and materials that reflect a playful image appropriate for this demographic.

We believe that brand recognition is an important element for success in the footwear business. We have aggressively marketed our brands through comprehensive marketing campaigns for men, women and children. During 2015, our Skechers brand was supported by print, television, digital and outdoor campaigns for men and women; animated and live action kids’ television campaigns featuring our own action heroes and characters; marathons and other events for our Skechers Performance Division; donation events surrounding our BOBS from Skechers charitable footwear program; and print, television, online and outdoor campaigns featuring our Skechers Performance and Skechers lifestyle endorsees. These endorsees included globally known recording artists Demi Lovato and Ringo Starr; sports legends Sugar Ray Leonard, Pete Rose, Joe Montana, Joe Namath and Mariano Rivera; and television personalities and actresses Brooke Burke-Charvet and Kelly Brook. For the Skechers Performance Division, we also had Olympians Meb Keflezighi and Kara Goucher; and professional golfers Matt Kuchar, Belen Mozo, Billy Andrade and Colin Montgomerie.

Since 1992, when we introduced our first line, Skechers USA Sport Utility Footwear, we have expanded our product offering and grown our net sales while substantially increasing the breadth and penetration of our account base. Our men’s, women’s and children’s Skechers-branded product lines benefit from the Skechers reputation for styling, quality, comfort, innovation and affordability. Our Performance lines benefit from our marketing, product development and manufacturing support, and management expertise. To promote innovation and brand relevance, we manage our product lines separately by utilizing dedicated sales and design teams. Our product lines share back office services in

order to limit our operating expenses and fully utilize our management's vast experience in the footwear industry.

SKECHERS LINES

We offer a wide array of Skechers-branded product lines for men, women and children. Within these product lines, we also have numerous categories, many of which have developed into well-known names. Most of these categories are marketed and packaged with unique shoe boxes, hangtags and in-store support. Management evaluates segment performance based primarily on net sales and gross margins; however, sales and costs are not allocated to specific product lines.

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Lifestyle Brands

Skechers USA. Our Skechers USA category for men and women includes: (i) Relaxed Fit from Skechers, (ii) Dress Casuals/Modern Comfort, (iii) Casuals, (iv) Casual Fusion, and (v) seasonal sandals and boots. This category is generally sold through mid-tier retailers, department stores and some footwear specialty shops.

- Relaxed Fit from Skechers is a line of trend-right casuals with a wider toe box for men and women who want all-day comfort without compromising style. Characteristics of the product line include comfortable outsoles, Skechers Memory Foam insoles and quality leather uppers. We market and package Relaxed Fit from Skechers styles in a unique shoe box that is distinct from other categories in the Skechers USA line of footwear.
- The Dress Casuals category for men is comprised of basic “black and brown” men’s shoes that feature shiny leathers and dress details, but may utilize traditional or lugged outsoles as well as value-oriented materials. The Dress Casual line—also referred to as the Modern Comfort collection—for women is comprised of trend-influenced, stylized boots and shoes, which may include leather uppers, shearling or faux fur lining or trim, and water-resistant materials.
- The Casuals line for men and women is defined by lugged outsoles and utilizes value-oriented and leather materials in the uppers. For men, the Casuals category includes “black and brown” boots, shoes and sandals that generally have a rugged urban design—some with industrial-inspired fashion features. For women, the Casuals category includes basic “black and brown” oxfords and slip-ons, lug outsole and fashion boots, and casual sandals. We design and price both the men’s and women’s categories to appeal primarily to younger consumers with broad acceptance across age groups.
- Our Casual Fusion line is comprised of low-profile, sport-influenced casuals targeted to trend-conscious young men and women. The outsoles are primarily rubber and adopted from our men’s Sport and women’s Active lines. This collection features leather or nubuck uppers, but may also include mesh.
- Our seasonal sandals and boots for men and women are designed with many of our existing and proven outsoles for our Dress Casuals, Casuals and Casual Fusion lines, stylized with basic or core uppers as well as fresh looks. These styles are generally made with quality leather uppers, but may also be in canvas or fabric for sandals, and water-resistant materials, faux fur and sherpa linings for boots.

Skechers Sport. Our Skechers Sport footwear collection for men and women includes: (i) lightweight sport athletic lifestyle products, (ii) classic athletic-inspired styles and (iii) sport sandals and boots. Many Skechers Sport styles are enhanced with comfort features such as high-volume Skechers Memory Foam insoles, lightweight designs, flexible outsoles and soft uppers such as bio-engineered mesh, soft knit fabrics and stretchable woven materials. Known for bright, multi-colored and solid basic-colored uppers, Skechers Sport is distinguished by its technical performance-inspired looks; however, we generally do not promote the technical performance features of these shoes. Skechers Sport is typically sold through specialty shoe stores, department stores and athletic footwear retailers. In addition to the standard Skechers Sport lines, a collection of licensed Star WarsTM Skechers footwear for men features characters and designs inspired by the popular film saga. This collection was packaged in a unique box separate from the Skechers Sport collection.

- Our lightweight sport athletic-inspired product is designed with comfort and flexibility in mind. Careful attention is devoted to the cushioning, weight, materials, design and construction of the outsoles. Designed as a versatile, trend-right athletic shoe suitable for all-day wear, the product line features leather and nubuck uppers in both bright and classic athletic colors.
- Classic Skechers styles are core-proven looks that continue to be strong performers. With all-day comfort and durable rubber tread, these shoes are intended to be a mainstay of any footwear collection. Many of the designs are in white, black and natural shades, with some athletic accents. The uppers are designed in leather, suede and nubuck.
- Our sport sandals and boots are primarily designed from existing Skechers Sport outsoles and may include many of the same sport features as our sneakers with the addition of new technologies geared toward making a comfortable sport sandal. Sport sandals and boots are designed as seasonal footwear for the consumer who already wears our Skechers Sport sneakers.

Skechers Active and Skechers Sport Active. A natural companion to Skechers Sport, Skechers Active and Skechers Sport Active have grown from a casual everyday line into two complete lines of sneakers and casual sneakers for active females of all ages. The Skechers Active line, with lace-ups, Mary Janes, sandals and open back styles, is available in a multitude of colors as well as solid white or black, in fabrics, leathers and meshes, and with various closures — traditional laces, zig-zag and cross straps, among others. The Skechers Sport Active line includes low-profile, lightweight, flexible and sporty styles, many of which have Skechers Memory Foam. Skechers Active and Skechers Sport Active shoes are typically available through specialty casual shoe stores and department stores.

BOBS from Skechers. The BOBS from Skechers line has grown into a year-round product offering with the addition of vulcanized looks and an “At Home” line. Primarily designed for women, the BOBS collection is also available for girls. BOBS are available at department stores, specialty shoe stores and online retailers.

- The BOBS classic espadrille collection is designed in basic colors with canvas, tweed, crochet and boiled wool uppers, suede and patterned fabrics. Many styles now include Skechers Memory Foam.
- BOBS vulcanized looks have a very youthful and California lifestyle appeal. Primarily designed with canvas uppers but also jersey fabrics, the line features both classic retro looks and fresh colors and materials for a relevant style. Many styles now include Skechers Memory Foam.
- The BOBS at Home collection for women is designed with our flexible rubber Keepsakes outsole, and features faux fur linings for the ultimate dorm or winter shoe. The uppers are primarily designed with tweeds, knits or suede.

When consumers purchase BOBS, Skechers donates funds to help save dogs’ and cats’ lives, and new shoes for children in need. In 2015, Skechers announced that up to three million dollars will be donated to help support Best Friends Animal Society®, an organization focused on stopping the euthanizing of nearly four million pets annually in shelters across America. For children, more than 13 million pairs of new shoes have been donated primarily to charity partners SolesforSouls and Fashion Delivers since the program’s launch. The organizations donate the shoes to various reputable charity organizations in the United States and around the world.

Mark Nason. The Mark Nason Collection includes a wide range of on-trend casual, dress and active styles for style-conscious men: Mark Nason Skechers, a low-profile collection of casuals for everyday wear; Mark Nason Los Angeles Collection, casual sneakers for the active male; and the Mark Nason Dress Collection, dress shoes crafted with high-quality leathers and exquisite detailing. Many styles feature Premium Relaxed Fit construction and Memory Foam Lux insoles for enhanced comfort. The offering is available at Skechers retail stores and www.skechers.com.

Performance Brands

Skechers Performance. Skechers Performance is a collection of technical footwear designed with a focus on a specific activity to maximize performance and promote natural motion. Developed by the Skechers Performance Design Team, the footwear utilizes the latest advancements in materials and innovative design, including an ultra-lightweight Resalyte compound for the midsole and GOimpulse sensors for responsive feedback. Limited edition packs with Skechers GODri all-weather protection or Skechers Nite Owl glow-in-the-dark technology are featured across multiple product lines. The footwear is available at athletic footwear retailers, department stores and specialty running stores.

- Skechers GOrun. Skechers GOrun 4 and Skechers GOrun 3 are the latest in a collection of lightweight, flexible running shoes that features a midfoot strike design for efficient running. Skechers GOrun Ride 4 and Skechers GOrun Ride 3 feature similar designs to their GOrun counterparts, with enhanced cushioning for elevated comfort and support. Skechers GOrun Ultra offers maximum cushioning with the most support, making it perfect for distance or recovery runs. Skechers GOrun Speed 3 is the high-performance racing shoe worn by elite marathon runner Meb. These flagship lines as well as other Skechers GOrun products are marketed to serious runners and recreational runners alike.
- Skechers GOwalk. Skechers GOwalk is designed for walking and casual wear, and offers performance features in a comfortable casual slip-on. The product line features a lightweight and flexible design to promote natural foot movement when walking. Skechers GOwalk 2 offers a unique V-Stride outsole and the latest Skechers GOwalk 3 collection incorporates more advanced performance technologies including a high-rebound Goga Mat insole, adaptive GO Pillars on the outsole and Memory Form Fit for a custom-fit experience. Skechers GO FLEX Walk features a unique articulated, segmented flexible outsole that is designed to move with you. Skechers on-the-GO footwear fuses iconic designs and premium materials with Skechers Performance technologies for comfort and style.
- Skechers GOtrain. Skechers GOtrain is designed for the gym and features a wider forefoot and extended outriggers for maximum stability and control at lateral and medial strike points. This shoe is an all-encompassing trainer that

meets the need of intense and rigorous workouts.

·Skechers GO GOLF. Skechers GO GOLF is designed for the golf course and offers a zero heel drop design, which keeps feet in a neutral position that is low to the ground to promote a solid foundation while playing golf. A Resagrip outsole helps with traction control and a soft Resamax cushioned insole delivers comfort. Skechers GO GOLF Pro, the official shoe of PGA golfer Matt Kuchar, also offers H2GO Shield waterproof protection and features replaceable softspikes on the outsole.

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Skechers Kids

The Skechers Kids line includes: (i) Skechers Kids, which is a range of infants', toddlers', boys' and girls' boots, shoes and sneakers, (ii) Skechers Lightweight Sport, (iii) Skech-Air by Skechers, (iv) Twinkle Toes and Twinkle Wishes by Skechers, (v) Skechers Cali for Girls, (vi) Airators by Skechers, (vii) Skechers Super Z-Strap, (viii) Elastika by Skechers, (ix) Skechers GOrun and Skechers GOwalk, (x) S-Lights, Hot Lights by Skechers and Luminators by Skechers, (xi) Mega Flex, (xii) Air-Mazing by Skechers, (xiii) Foamies by Skechers and (xiv) Game Kicks.

- The Skechers Kids line includes embellishments or adornments such as fresh colors and fabrics from our Skechers adult shoes. Some of these styles are also adapted for toddlers with softer, more pliable outsoles and for infants with soft, leather-sole crib shoes.
- Skechers Lightweight Sport styles with Skechers Memory Foam are sneakers designed with many of the same meshes, knits and weaves as the adult Skechers Sport styles in bright colors and patterns. The collection is designed to appeal both to younger kids as well as tweens transitioning to adult shoes.
- Skech-Air by Skechers for boys and girls are athletic sneakers with a unique visible air-cushioned outsole and a gel-infused memory foam insole.
- Twinkle Toes by Skechers is a line of girls' sneakers and boots that feature bejeweled toe caps and brightly designed uppers. Some styles also include lights. The product line is marketed with the character, Twinkle Toes. Twinkle Wishes adds a magical light and sound feature that is activated when the toes are tapped together.
- Skechers Cali for Girls is a line of sandals inspired by our women's line of the same name with bright colors, textiles and adornments.
- Airators by Skechers is a line of boys' sneakers with a foot-cooling system designed to pump air from the heel through to the toes. The product line is marketed with the character, Kewl Breeze.
- Skechers Super Z-Strap is a line of athletic-styled sneakers with an easy "z"-shaped closure system. The product line is marketed with the character, Z-Strap.
- Elastika by Skechers is a line of girls' sneakers with bungee closures. The product line is marketed with the character, Elastika.
- Skechers GOrun and Skechers GOwalk for boys and girls are casual adaptations of our popular Skechers Performance styles for the kids' market, designed in bright and bold colors for daily play. The collection is designed to appeal both to younger kids as well as tweens transitioning to adult shoes.
- S-Lights, Hot Lights by Skechers and Luminators by Skechers are lighted sneakers and sandals for boys and girls. The S-Lights combine patterns of lights on the outsoles and sides of the shoes while Hot Lights feature lights on the front of the toe to simulate headlights as well as on other areas of the shoes. Luminators by Skechers feature glowing green lights and a marketing campaign with the Luminators character.
- Mega Flex is a line of athletic sneakers for boys based on a robot character. Styles include fun embellishments like heel springs or an articulated bladed outsole in the Mega Blades collection.
- Air-Mazing by Skechers is a lightweight line of colorful sneakers designed for older boys. The product line is marketed with the character, Air-Mazing Kid, who performs air tricks in his sneakers.
- Foamies by Skechers is a colorful line of lightweight, flexible boys' and girls' sneakers constructed with Skechers Memory Foam that can easily be washed in a washing machine.
- Game Kicks for boys and girls are innovative sneakers with a built-in interactive sound and light memory game that kids can play any time they're wearing the shoes.

Skechers Kids lines are comprised primarily of shoes that are designed as "takedowns" of their adult counterparts, allowing the younger consumers the opportunity to wear the same popular styles as their older siblings and schoolmates. This "takedown" strategy maintains the product's integrity by offering premium leathers, hardware and outsoles without the costs involved in designing and developing new products. In addition, we adapt current fashions from our men's and women's lines by modifying designs and choosing colors and materials that are more suitable for the playful image that we have established in the children's footwear market. Each Skechers Kids line is marketed and packaged separately with a distinct shoe box. Skechers Kids shoes are available at department stores and specialty and

athletic retailers. In addition to the standard Skechers Kids' lines, a collection of licensed Star WarsSM Skechers footwear for boys features characters and designs inspired by the popular film saga. This collection was packaged in a unique box separate from the Skechers Kids collection.

Skechers Work

Skechers Work offers a complete line of men's and women's casuals such as field boots, hikers and athletic shoes, many of which may also include Skechers Memory Foam. The Skechers Work line includes athletic-inspired, casual safety toe and non-slip safety toe categories that may feature lightweight aluminum safety toe, electrical hazard and slip-resistant technologies, as well as breathable, seam-sealed waterproof membranes. Designed for men and women working in jobs with certain safety requirements, these durable styles are constructed on high-abrasion, long-wearing soles, and feature breathable lining, oil- and abrasion-resistant outsoles offering all-day comfort and prolonged durability. The Skechers Work line incorporates design elements from other Skechers men's and women's lines. The uppers are comprised of high-quality leather, nubuck, trubuck and durabuck. Our safety toe athletic sneakers, boots, hikers and casuals are ideal for environments requiring safety footwear, and offer comfort and safety in dry or wet conditions. Our slip-resistant boots, hikers, athletics, casuals, clogs and comfortable Shape-ups are ideal for the service industry. Our safety toe products have been independently tested and certified to meet ASTM standards, and our slip-resistant soles have been tested pursuant to the Mark II testing method for slip-resistance. Skechers Work is typically sold through department stores, athletic footwear retailers and specialty shoe stores, and is marketed directly to consumers through business-to-business channels.

PRODUCT DESIGN AND DEVELOPMENT

Our principal goal in product design is to generate fresh and innovative on-trend and classic footwear in all of our product lines. Targeted to the active, youthful and style-savvy, we design our lifestyle line to be fashionable and marketable to the 12- to 24-year-old consumer, while substantially all of our lines appeal to the broader range of 5- to 50-year olds, with an exclusive selection for infants and toddlers. Designed by the Skechers Performance Division, our performance products are for professional and recreational athletes who want a technical fitness shoe.

We believe that our products' success is related to our ability to recognize trends in the footwear markets and to design products that anticipate and accommodate consumers' ever-evolving preferences. We are able to quickly translate the latest fashion trends into stylish, quality footwear at a reasonable price by analyzing and interpreting current and emerging lifestyle trends. Lifestyle trend information is compiled and analyzed by our designers in various ways, including reviewing and analyzing pop culture, clothing, and trend-setting media; traveling to domestic and international fashion markets to identify and confirm current trends; consulting with our retail and e-commerce customers for information on current retail selling trends; participating in major footwear trade shows to stay abreast of popular brands, fashions and styles; and subscribing to various fashion and color information services. In addition, a key component of our design philosophy is to continually reinterpret and develop our successful styles in our brands' images.

The footwear design process typically begins about nine months before the start of a season. Our products are designed and developed primarily by our in-house design staff. To promote innovation and brand relevance, we utilize dedicated design teams, who report to our senior design executives and focus on each of the men's, women's and children's categories. In addition, we utilize outside design firms on an item-specific basis to supplement our internal design efforts. The design process is extremely collaborative, as members of the design staff frequently meet with the heads of retail, merchandising, sales, production and sourcing to further refine our products to meet the particular needs of the target market.

After a design team arrives at a consensus regarding the fashion themes for the coming season, the designers then translate these themes into our products. These interpretations include variations in product color, material structure and embellishments, which are arrived at after close consultation with our production department. Prototype blueprints and specifications are created and forwarded to our manufacturers for design prototypes. The design prototypes are then sent back to our design teams. Our major retail customers may also review these new design

concepts. Customer input not only allows us to measure consumer reaction to the latest designs, but also affords us an opportunity to foster deeper and more collaborative relationships with our customers. We also occasionally order limited production runs that may initially be tested in our concept stores. By working closely with store personnel, we obtain customer feedback that often influences product design and development. Our design teams can easily and quickly modify and refine a design based on customer input. Generally, the production process can take six to nine months from design concept to commercialization.

For disclosure of product design and development costs during the last three fiscal years, see Note 1-The Company and Summary of Significant Accounting Policies in the consolidated financial statements included in this annual report.

SOURCING

Factories. Our products are produced by independent contract manufacturers located primarily in China and Vietnam. We do not own or operate any manufacturing facilities. We believe that the use of independent manufacturers substantially increases our production flexibility and capacity, while reducing capital expenditures and avoiding the costs of managing a large production work force. For disclosure of information regarding the risks associated with having our manufacturing operations abroad and relying on independent contract manufacturers, see the relevant risk factors under Item 1A of this annual report.

When possible, we seek to use manufacturers that have previously produced our footwear, which we believe enhances continuity and quality while controlling production costs. We source product for styles that account for a significant percentage of our net sales from at least five different manufacturers. During 2015, five of our contract manufacturers accounted for approximately 56.5% of total purchases. One manufacturer accounted for 31.5%, and another accounted for 9.1% of our total purchases. To date, we have not experienced difficulty in obtaining manufacturing services or with the availability of raw materials.

We finance our production activities in part through the use of interest-bearing open purchase arrangements with certain of our Asian manufacturers. These facilities currently bear interest at a rate between 0.3% and 0.5% for 30- to 60-day financing, depending on the factory. We believe that the use of these arrangements affords us additional liquidity and flexibility. We do not have any long-term contracts with any of our manufacturers. However, we have long-standing relationships with many of our manufacturers and believe our relationships to be good.

We closely monitor sales activity after initial introduction of a product in our concept stores to determine whether there is substantial demand for a style, thereby aiding us in our sourcing decisions. Styles that have substantial consumer appeal are highlighted in upcoming collections or offered as part of our periodic style offerings, while less popular styles can be discontinued after a limited production run. We believe that sales in our concept stores can also help forecast sales in national retail stores, and we share this sales information with our wholesale customers. Sales, merchandising, production and allocations management analyze historical and current sales, and market data from our wholesale account base and our own retail stores to develop an internal product quantity forecast that allows us to better manage our future production and inventory levels. For those styles with high sell-through percentages, we maintain an in-stock position to minimize the time necessary to fill customer orders by placing orders with our manufacturers prior to the time we receive customers' orders for such footwear.

Production Oversight. To safeguard product quality and consistency, we oversee the key aspects of production from initial prototype manufacture, through initial production runs, to final manufacture. Monitoring of all production is performed in the United States by our in-house production department, and in Asia through an approximately 320-person staff working from our offices in China and Vietnam. We believe that our Asian presence allows us to negotiate supplier and manufacturer arrangements more effectively, decrease product turnaround time, and ensure timely delivery of finished footwear. In addition, we require our manufacturers to certify that neither convicted, forced nor indentured labor (as defined under U.S. law), nor child labor (as defined by law in the manufacturer's country) is used in the production process, that compensation will be paid according to local law, and that the factory is in compliance with local safety regulations.

Quality Control. We believe that quality control is an important and effective means of maintaining the quality and reputation of our products. Our quality control program is designed to ensure that not only finished goods meet our established design specifications, but also that all goods bearing our trademarks meet our standards for quality. Our quality control personnel located in China and Vietnam perform an array of inspection procedures at various stages of the production process, including examination and testing of prototypes of key raw materials prior to manufacture, samples and materials at various stages of production and final products prior to shipment. Our employees are on-site at each of our major manufacturers to oversee production. For some of our lower volume manufacturers, our staff is on-site during significant production runs, or we will perform unannounced visits to their manufacturing sites to further monitor compliance with our manufacturing specifications.

ADVERTISING AND MARKETING

With a marketing philosophy of "Unseen, Untold, Unsold," we take a targeted approach to marketing to drive traffic, build brand recognition and properly position our diverse lines within the marketplace. Senior management is directly involved in shaping our image and the conception, development and implementation of our advertising and marketing

activities. Our marketing plan has a multi-pronged approach: traditional print and television advertising, supported by online, outdoor, trend-influenced marketing, public relations, social media, promotions, events and in-store. In addition, we utilize celebrity endorsers in some of our advertisements. We also believe our websites and trade shows are effective marketing tools to both consumers and wholesale accounts. We have historically budgeted advertising as a percentage of projected net sales.

The majority of our advertising is conceptualized by our in-house design team. We believe that our advertising strategies, methods and creative campaigns are directly related to our success. Through our lifestyle, performance-inspired and image-driven advertising, we generally seek to build and increase brand awareness by linking the Skechers brand to youthful attitudes for our lifestyle lines, and technology with runners and athletes for our performance lines. Our campaigns are designed to provide merchandise flexibility and to facilitate the brand's direction.

To further build brand awareness and influence consumer spending, we have selectively signed endorsement agreements with celebrities whom we believe will reach new markets. Our Skechers lifestyle endorsees include Demi Lovato, Brooke Burke-Charvet, Kelly Brook, Joe Montana, Joe Namath, and Pete Rose. We also signed Ringo Starr, Sugar Ray Leonard and Mariano Riviera, all of

whom appeared in campaigns in 2015. Our Skechers Performance Division endorsees are elite runner and Olympic medalist Meb and elite runner Kara Goucher, who both appeared in marketing campaigns during 2015. To support our Skechers GO GOLF line, we launched a campaign with professional golfer Matt Kuchar, and signed Belen Mozo, Billy Andrade and Colin Montgomerie to appear in campaigns in 2016. Additionally, we signed pop superstar Meghan Trainor to a global agreement in 2015, with her campaign launching in 2016. From time to time, we may sign other celebrities to endorse our brand name and image in order to strategically market our products among specific consumer groups in the future.

With a targeted approach, our print ads appear regularly in popular fashion, lifestyle and pop culture publications, including Runner's World, Shape, Seventeen, Men's Fitness, People, Us Weekly, and OK!, among others. Our advertisements also appear in international magazines around the world.

Our television commercials are produced both in-house and through producers that we have utilized in the past who are familiar with our brands. In 2015, we developed commercials for men, women and children for our Skechers brands, including our animated spots for kids featuring our own action heroes, as well as live action commercials that appeal to older kids and tweens. We also have many commercials for our performance lines that feature elite athletes, and for our lifestyle lines that feature retired athletes, musicians and actors. We have found these to be cost-effective ways to advertise on key national and cable programming during high-selling seasons. In 2015, many of our television commercials were translated into multiple languages and aired in Brazil, Canada, the United Kingdom, France, Mexico, Germany, Spain, Italy, Chile, Japan, Austria, Switzerland, the Philippines and across the Middle East, among other countries and regions.

Outdoor. In an effort to reach consumers where they shop and in high-traffic areas as they travel to and from work, we continued our outdoor campaign that included mall and telephone kiosks, billboards, and transportation systems in the Americas, Asia, the Middle East and across Europe. In addition, we advertised on perimeter boards at soccer matches and professional sporting events in several European countries, Canada and Mexico. We believe these are effective and efficient ways to reach a broad range of consumers and leave a lasting impression for our brands.

Public Relations/Trend-Influenced Marketing. Our public relations objectives are to accurately position Skechers as a leading footwear brand within the business, general news and trade publications as well as to secure product placement in key fashion and lifestyle magazines and television shows, and place our footwear on the feet of trend-setting celebrities and their children. We have been featured on leading business shows with interviews of our executives discussing the Company's business strategy and position within the footwear market. We have amassed an array of prominent product placements in leading fashion, lifestyle, sports and pop culture magazines and websites, and seeded our footwear to celebrities and influencers who have appeared in magazines, online sites and social media pages in our footwear.

Social Media. With the goal of engaging with consumers, showcasing our product in relatable settings and relaying the latest news, we have built communities on Facebook, Twitter, Instagram, Pinterest and Snapchat in the United States and countries around the world where our product is sold. The social platforms are divided into Skechers and Skechers Performance sites, as well as a BOBS page to feature our charitable footwear line. The online communities also connect consumers around the world, allowing an easy glimpse into trends and events in other countries. Additionally, many countries also utilize platforms specific to their market, such as Weibo in China.

Promotions and Events. By applying creative sales techniques via a broad spectrum of media, our marketing team seeks to build brand recognition and drive traffic to Skechers retail stores, websites and our retail partners' locations. Skechers' promotional strategies have encompassed in-store specials, charity events, product tie-ins and giveaways and collaborations with national retailers and radio stations. In 2015, we appeared at walks and at numerous marathons in Boston, New York, London, Paris, Santiago and other cities with Skechers Performance-branded booths to allow

runners the ability to try on and often buy our products. In 2015, the Skechers Performance Division was the footwear and apparel sponsor for the Houston Marathon, and became the title sponsor of The Skechers Performance Los Angeles Marathon, which saw the first Skechers-branded event in 2016. Our products were made available to consumers directly or through key accounts at many of these events. In addition, we partnered with many key accounts for BOBS donation events in cities throughout the United States, Puerto Rico and Spain, building both our relationships with these accounts, as well as with the community as we donated footwear to children in need.

Visual Merchandising. Our in-house visual merchandising department supports wholesale customers, distributors and our retail stores by developing displays that effectively leverage our products at the point of sale. Our point-of-purchase display items include signage, graphics, displays, counter cards, banners and other merchandising items for each of our brands. These materials mirror the look and feel of each brand and reinforce the image, and draw consumers into stores.

Our visual merchandising coordinators (“VMC’s”) work with our sales force and directly with our customers to ensure better sell-through at the retail level by generating greater consumer awareness through Skechers brand displays. Our VMC’s communicate

with and visit our wholesale customers on a regular basis to aid in proper display of our merchandise. They also run in-store promotions to enhance the sale of Skechers footwear and create excitement surrounding the Skechers brand. We believe that these efforts help stimulate impulse sales and repeat purchases.

Trade Shows. To better showcase our diverse products to footwear buyers in the United States and Europe and to distributors around the world, we regularly exhibit at leading trade shows. Along with specialty trade shows, we exhibit at FFANY, Platform, The Licensing Show and Outdoor Retailer in the United States; GDS, MICAM, and ISPO in Europe; and many other international shows. Our dynamic, state-of-the-art trade show exhibits showcase our latest product offerings in a setting reflective of each of our brands. By investing in innovative displays and individual rooms showcasing each line, our sales force can present a sales plan for each line and buyers are able to truly understand the breadth and depth of our offerings, thereby optimizing commitments and sales at the retail level.

Internet. We promote and sell our brands through our domestic website, www.skechers.com, as well as our foreign e-commerce sites in Chile, Germany and the United Kingdom, among other countries. This enables consumers to shop, browse, find store locations, socially interact, post a shoe review, photo, video or question, and immerse themselves in our brands. Our website is a venue for dialog and feedback from customers about our products which enhances the Skechers brand experience while driving sales through all our retail channels. In addition, in 2015 we launched the Skechers shopping mobile app.

PRODUCT DISTRIBUTION CHANNELS

We have three reportable segments: domestic wholesale sales, international wholesale sales, and retail sales, which includes e-commerce sales. In the United States, our products are available through a network of wholesale customers comprised of department, athletic and specialty stores and online retailers. Internationally, our products are available through wholesale customers in more than 160 countries and territories via our global network of distributors, in addition to our subsidiaries in Asia, Europe, Canada, Central America and South America. Skechers owns and operates retail stores both domestically and internationally through three integrated retail formats—concept, factory outlet and warehouse outlet stores. Each of these channels serves an integral function in the global distribution of our products. In addition, twenty distributors and 16 licensees have opened and operate 413 distributor-owned or -licensed Skechers retail stores and 250 licensee-owned Skechers retail stores, respectively, in over 60 countries as of December 31, 2015.

Domestic Wholesale. We distribute our footwear through the following domestic wholesale distribution channels: department stores, specialty stores, athletic specialty shoe stores and independent retailers, and internet retailers. While department stores and specialty retailers are the largest distribution channels, we believe that we appeal to a variety of wholesale customers, many of whom may operate stores within the same retail location due to our distinct product lines, variety of styles and the price criteria of their specific customers. Management has a clearly defined growth strategy for each of our channels of distribution. An integral component of our strategy is to offer our accounts the highest level of customer service so that our products will be fully represented in existing and new customer retail locations.

In an effort to provide knowledgeable and personalized service to our wholesale customers, the sales force is segregated by product line, each of which is headed by a vice president or national sales manager. Reporting to each sales manager are knowledgeable account executives and territory managers. The vice presidents and national sales managers report to our senior vice president of sales. All of our vice presidents and national sales managers are compensated on a salary basis, while our account executives and territory managers are compensated on a commission basis. None of our domestic sales personnel sells competing products.

We believe that we have developed a loyal customer base through exceptional customer service. We believe that our close relationships with these accounts help us to maximize their retail sell-throughs. Our marketing teams work with our wholesale customers to ensure that our merchandise and marketing materials are properly presented. Sales executives and merchandise personnel work closely with accounts to ensure that appropriate styles are purchased for specific accounts and for specific stores within those accounts, as well as to ensure that appropriate inventory levels are carried at each store. Such information is then utilized to help develop sales projections and determine the product needs of our wholesale customers. The value-added services we provide our wholesale customers help us maintain strong relationships with our existing wholesale customers and attract potential new wholesale customers.

Retail stores and e-commerce. We pursue our retail store strategy through our three integrated retail formats: the concept store, the factory outlet store and the warehouse outlet store. Our domestic website, www.skechers.com, as well as our foreign e-commerce sites, are virtual storefronts that promote the Skechers brands. Our websites are designed to provide a positive shopping and brand experience, showcasing our products in an easy-to-navigate format, allowing consumers to browse our selections and purchase our footwear. These virtual stores provide a convenient, alternative shopping environment and brand experience. These websites are an

additional efficient and effective retail distribution channel, which has improved our customer service. Our three store formats enable us to promote the full Skechers product offering in an attractive environment that appeals to a broad group of consumers. In addition, most of our retail stores are profitable and have a positive effect on our operating results. In 2015, we upgraded the technologies in many of our stores, providing visibility to our merchandise in other stores and at our distribution center in order to better serve our customers with an omni-channel approach to sales. We periodically review all of our stores for impairment. We prepare a summary of cash flows for each of our retail stores to assess potential impairment of the fixed assets and leasehold improvements. If the assets are considered to be impaired, the impairment we recognize is the amount by which the carrying value of the assets exceeds the fair value of the assets. In addition, we base the useful lives and related amortization or depreciation expense on our estimate of the period that the assets will generate revenues or otherwise be used by us. As of February 15, 2016, we owned and operated 119 concept stores, 155 factory outlet stores and 117 warehouse outlet stores in the United States, and 82 concept stores, 41 factory outlet stores, and five warehouse outlet stores internationally. During 2015, we took over the operations of 15 international concept stores and two international outlet stores from our distributor in Panama. During 2016, we plan to open 55 to 65 new stores.

· Concept Stores

Our concept stores are located at marquee street locations, major tourist areas or in key shopping malls in metropolitan cities. Our concept stores have a threefold purpose in our operating strategy. First, concept stores serve as a showcase for a wide range of our product offering for the current season, as we estimate that our average wholesale customer carries no more than 5% of the complete Skechers line in any one location. Our concept stores showcase our products in an attractive, easy-to-shop open-floor setting, providing the customer with the complete Skechers story. Second, retail locations are generally chosen to generate maximum marketing value for the Skechers brand name through signage, store front presentation and interior design. Domestic locations include concept stores at Times Square (with a second location opened in 2015), 5th Avenue, Union Square, Roosevelt Field Mall, and 34th Street in New York, Powell Street in San Francisco, Hollywood and Highland in Hollywood, Santa Monica's Third Street Promenade, Ala Moana Center in Hawaii and Las Vegas' Grand Canal Shoppes at the Venetian and Fashion Show Mall. International locations include Westfield London and Westfield Stratford in London, Buchanan Street in Glasgow, Princes Street in Edinburgh, Toronto's Eaton Centre, Vancouver's Pacific Centre, the Shinsaibashi shopping district of Osaka and Kalverstraat Street in Amsterdam. The stores are typically designed to create a distinctive Skechers look and feel, and enhance customer association of the Skechers brand name with current youthful lifestyle trends and styles. Third, the concept stores serve as marketing and product testing venues. We believe that product sell-through information and rapid customer feedback derived from our concept stores enables our design, sales, merchandising and production staff to respond to market changes and new product introductions. Such responses serve to augment sales and limit our inventory markdowns and customer returns and allowances.

The typical Skechers concept store is approximately 2,400 square feet, although in certain markets we have opened concept stores as large as 7,800 square feet or as small as 1,500 square feet. When deciding where to open concept stores, we identify top geographic markets in the larger metropolitan cities in North America, Europe, Central America, South America and Asia. When selecting a specific site, we evaluate the proposed sites' traffic pattern, co-tenancies, sales volume of neighboring concept stores, lease economics and other factors considered important within the specific location. If we are considering opening a concept store in a shopping mall, our strategy is to obtain space as centrally located as possible in the mall, where we expect foot traffic to be most concentrated. We believe that the strength of the Skechers brand name has enabled us to negotiate more favorable terms with shopping malls that want us to open up concept stores to attract customer traffic to their venues.

· Factory Outlet Stores

Our factory outlet stores are generally located in manufacturers' direct outlet centers throughout the United States. In addition, we have 41 international factory outlet stores – nine in England, eight in Canada, four each in Chile and Spain, three in Japan, two each in Austria, Germany and Italy, and one each in Colombia, the Netherlands, Panama,

Poland, Portugal, Scotland and Wales. Our factory outlet stores provide opportunities for us to sell discontinued and excess merchandise, thereby reducing the need to sell such merchandise to discounters at excessively low prices and potentially compromise the Skechers brand image. Skechers' factory outlet stores range in size from approximately 1,000 to 9,000 square feet. Unlike our warehouse outlet stores, inventory in these stores is supplemented by certain first-line styles sold at full retail price points.

· Warehouse Outlet Stores

Our free-standing and inline warehouse outlet stores, which are primarily located throughout the United States and Canada, enable us to liquidate excess merchandise, discontinued lines and odd-size inventory in a cost-efficient manner. Skechers' warehouse outlet stores are typically larger than our factory outlet stores and typically range in size from approximately 4,400 to 30,000 square feet. Our warehouse outlet stores enable us to sell discontinued and excess merchandise that would otherwise typically be sold to discounters at excessively low prices, which could otherwise compromise the Skechers

brand image. We seek to open our warehouse outlet stores in areas that are in close proximity to our concept stores to facilitate the timely transfer of inventory that we want to liquidate as soon as practicable.

Store count, openings and closings for our domestic, international and consolidated joint venture stores are as follows:

	Number of Store		Number of Store	
	Locations December 31, 2014	Opened during 2015	Closed during 2015	Locations December 31, 2015
Domestic stores				
Concept	120	5	(6)	119
Factory Outlet	145	11	(1)	155
Warehouse Outlet	97	19	—	116
Domestic stores total	362	35	(7)	390
International stores				
Concept	51	31	(1)	81
Factory Outlet	33	8	—	41
Warehouse Outlet	3	2	—	5
International stores total	87	41	(1)	127
Joint venture stores				
China Concept	24	10	(2)	32
China Factory Outlet	18	5	(3)	20
Hong Kong Concept	24	5	—	29
Hong Kong Outlet	—	—	—	—
South East Asia Concept	18	4	(1)	21
South East Asia Outlet	—	—	—	—
India Concept	18	12	(1)	29
India Outlet	2	—	(1)	1
Joint venture stores total	104	36	(8)	132
Total domestic, international and joint				
venture stores	553	112	(16)	649

International Wholesale. Our products are sold in more than 160 countries and territories throughout the world. We generate revenues from outside the United States from three principal sources: (i) direct sales to department stores and specialty retail stores through our joint ventures in Asia, as well as through our subsidiaries in Central America, Europe, Japan, North America and South America; (ii) sales to foreign distributors who distribute our footwear to department stores and specialty retail stores in select countries and territories across Asia, South America, Africa, the Middle East and Australia; and (iii) to a lesser extent, royalties from licensees who manufacture and distribute our non-footwear products outside the United States.

We believe that international distribution of our products represents a significant opportunity to increase net sales and profits. We intend to further increase our share of the international footwear market by heightening our marketing in those countries in which we currently have a presence through our international advertising campaigns, which are designed to establish Skechers as a global brand synonymous with trend-right casual shoes.

· International Subsidiaries
Europe

We currently merchandise, market and distribute product in most of Europe through the following subsidiaries: Skechers USA Ltd., with its offices and showrooms in London, England; Skechers S.a.r.l., with its offices in Lausanne, Switzerland; Skechers USA France S.A.S., with its offices and showrooms in Paris, France; Skechers USA Deutschland GmbH, with its offices and showrooms in Dietzenbach, Germany; Skechers USA Iberia, S.L., with its offices and showrooms in Madrid, Spain; Skechers USA Benelux B.V., with its offices and showrooms in Waalwijk, the Netherlands; Skechers USA Italia S.r.l., with its offices and showrooms in Milan, Italy; Skechers CEE, Kft. with its offices and showrooms in Budapest, Hungary as well as regional showrooms in Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, Slovakia and Slovenia. Skechers-owned retail stores in Europe include 15 concept stores and 24 factory outlet stores located in 12 countries.

To accommodate our European subsidiaries' operations, we operate an approximately 780,000 square-foot distribution center in Liege, Belgium. During 2015, we completed the third phase of automation upgrades of our European Distribution Center equipment, allowing us to more efficiently receive and ship product to our subsidiaries and retail stores throughout Europe. In 2016, we plan to complete the fourth expansion phase, bringing our European facility to one million square-feet. The additional space that we added in 2015 will consolidate off-site storage facilities into a single on-site location that will further increase efficiencies and offer storage capacity of up to four million pairs of shoes.

Canada

We currently merchandise, market and distribute product in Canada through Skechers USA Canada, Inc. with its offices and showrooms outside Toronto in Mississauga, Ontario. Product sold in Canada is primarily sourced from our U.S. distribution center in Rancho Belago, California. We have 15 concept stores, eight factory outlet stores, and five warehouse outlet stores.

South America and Central America

We currently merchandise, market and distribute product in South America and Central America through the following subsidiaries: Skechers Do Brasil Calçados LTDA, with its offices and showrooms located in Sao Paulo, Brazil; Comercializadora Skechers Chile Limitada, with its offices and showrooms located in Santiago, Chile; Skechers Latin America LLC, with its offices and showrooms in Panama City, Panama as well as regional showrooms in Panama, Peru, Colombia and Costa Rica also distributes products in the Caribbean, Ecuador, Guatemala, El Salvador, Honduras and Nicaragua. Product sold in South America and Central America is primarily shipped directly from our contract manufacturers' factories in China and Vietnam.

Japan

We currently merchandise, market and distribute product in Japan through our wholly-owned subsidiary, Skechers Japan GK, with its offices and showrooms located in Tokyo, Japan. Product sold in Japan is primarily shipped directly from our contract manufacturers' factories in China. Our retail stores are in key locations in Osaka, Tokyo, and other cities.

China and Hong Kong

We have a 50% interest in a joint venture in China and a minority interest in a joint venture in Hong Kong that generate net sales in those countries. Under the joint venture agreements, the joint venture partners contribute capital in proportion to their respective ownership interests. Our retail stores are in key locations in Shanghai, Beijing, Guangzhou, Hong Kong, Macau and other cities. These joint ventures are consolidated in our financial statements.

Malaysia and Singapore

We have a 50% interest in a joint venture in Malaysia and Singapore that generates net sales in those countries. Under the joint venture agreement, the joint venture partners contribute capital in proportion to their respective ownership interests. Our retail stores are in key locations in Singapore, Kuala Lumpur, Petaling Jaya and other cities. These joint ventures are consolidated in our financial statements.

India

We have a 51% interest in Skechers South Asia Private Limited and a 49% interest in Skechers Retail India Private Limited, which are both joint ventures, that generate net sales in India. Under the joint venture agreements, the joint venture partners contribute capital in proportion to their respective ownership interests. Our retail stores are in key locations in Bangalore, Mumbai, New Delhi and other cities. These joint ventures are consolidated in our financial statements.

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·Distributors and Licensees

Where we do not sell directly through our international subsidiaries and joint ventures, our footwear is distributed through an extensive network of more than 25 distributors who sell our products to department, athletic and specialty stores in more than 75 countries around the world. As of December 31, 2015, we also had agreements with 19 of these distributors and 17 licensees regarding 413 distributor-owned or -licensed Skechers retail stores and 250 licensee-owned Skechers retail stores, respectively, that are open in over 65 countries. Our distributors and licensees own and operate the following retail stores:

	Number of Store		Number of Store	
	Locations December 31, 2014	Opened during 2015	Closed during 2015	Locations December 31, 2015
Distributor and licensee stores				
North America Concept	46	7	—	53
North America Factory Outlet	12	2	—	14
Central America Concept	8	2	(7)	3
Central America Factory Outlet	1	1	(2)	—
South America Concept	26	7	(13)	20
South America Factory Outlet	1	—	(1)	—
Africa Concept	26	5	—	31
Asia Concept	193	98	(22)	269
Asia Factory Outlet	18	55	(2)	71
Australia/New Zealand Concept	20	10	—	30
Australia/New Zealand Factory Outlet	11	—	—	11
Europe Concept	63	36	(5)	94
Europe Factory Outlet	4	1	—	5
Middle East Concept	43	17	(1)	59
Middle East Factory Outlet	2	1	—	3
Total distributor and licensee stores	474	242	(53)	663

Distributors and licensees are responsible for their respective stores' operations, have ownership of their respective stores' assets, and select the broad collection of our products to sell to consumers in their regions. In order to maintain a globally consistent image, we provide architectural, graphic and visual guidance and materials for the design of the stores, and we train the local staff on our products and corporate culture. We intend to expand our international presence and global recognition of the Skechers brand name by continuing to sell our footwear to foreign distributors and by opening flagship retail stores with distributors that have local market expertise.

For disclosure of financial information about geographic areas and segment information for our three reportable segments—domestic wholesale sales, international wholesale sales, and retail sales, see Note 17 – Segment Information in the consolidated financial statements included in this annual report.

LICENSING

We believe that selective licensing of the Skechers brand name and our product line names to manufacturers may broaden and enhance the individual brands without requiring significant capital investments or additional incremental

operating expenses. Our multiple product lines plus additional subcategories present many potential licensing opportunities on terms with licensees that we believe will provide more effective manufacturing, distribution or marketing of non-footwear products. We also believe that the reputation of Skechers and its history in launching brands has also enabled us to partner with reputable non-footwear brands to design and market their footwear.

As of February 15, 2016, we had 25 active domestic and international licensing agreements in which we are the licensor. These include Skechers-branded bags, backpacks and lunch boxes, belts, wallets and headwear, socks, eyewear, fitness, yoga and running accessories, work accessories and watches, Skechers Sport apparel, BOBS from Skechers apparel, and Twinkle Toes dolls, toys backpacks, lunchboxes, do-it-yourself fashion kits and fashion accessories. We have international licensing agreements for the design and distribution of men's, women's and kids' apparel in Chile, Israel, the Philippines, the United Kingdom and South Korea; socks in France; apparel, socks, bags, backpacks and luggage in Mexico; bags, backpacks, apparel, watches and accessories in Latin America; and watches in the Philippines.

DISTRIBUTION FACILITIES AND OPERATIONS

We believe that strong distribution support is a critical factor in our operations. Once manufactured, our products are packaged in shoe boxes bearing bar codes that are shipped either: (i) to our approximate 1.8 million square-foot distribution center located in Rancho Belago, California, (ii) to our approximate 780,000 square-foot European Distribution Center (“EDC”) located in Liege, Belgium, (iii) to our company-operated distribution centers or third-party distribution centers in Central American, South America and Asia or (vi) directly from third-party manufacturers to our other international customers and other international third-party distribution centers. Upon receipt at either of the distribution centers, merchandise is inspected and recorded in our management information system and packaged according to customers’ orders for delivery. Merchandise is shipped to customers by whatever means each customer requests, which is usually by common carrier. The distribution centers have multi-access docks, enabling us to receive and ship simultaneously, and to pack separate trailers for shipments to different customers at the same time. We have an electronic data interchange system (“EDI system”) which is linked to some of our larger customers. This system allows these customers to automatically place orders with us, thereby eliminating the time involved in transmitting and inputting orders, and it includes direct billing and shipping information.

BACKLOG

As of December 31, 2015 our backlog was \$1.08 billion, compared to \$988.7 million as of December 31, 2014. Backlog orders are subject to cancellation by customers, as evidenced by order cancellations that we have experienced in the past, due to the weakened U.S. economy and shifting footwear trends. For a variety of reasons, including changes in the economy, customer demand for our products, the timing of shipments, product mix of customer orders, the amount of in-season orders and a shift towards tighter shipment lead times, our backlog may not be a reliable measure of future sales for any succeeding period.

INTELLECTUAL PROPERTY RIGHTS

We own and utilize a variety of trademarks, including the Skechers trademark. We have a significant number of both registrations and pending applications for our trademarks in the United States. In addition, we have trademark registrations and trademark applications in approximately 128 foreign countries. We also have design patents and pending design and utility patent applications in both the United States and approximately 21 foreign countries. We continuously look to increase the number of our patents and trademarks both domestically and internationally, where necessary to protect valuable intellectual property. We regard our trademarks and other intellectual property as valuable assets, and believe that they have significant value in marketing our products. We vigorously protect our trademarks against infringement, including through the use of cease and desist letters, administrative proceedings and lawsuits.

We rely on trademark, patent, copyright and trade secret protection, non-disclosure agreements and licensing arrangements to establish, protect and enforce intellectual property rights in our logos, trade names and in the design of our products. In particular, we believe that our future success will largely depend on our ability to maintain and protect the Skechers trademark and other key trademarks. Despite our efforts to safeguard and maintain our intellectual property rights, we cannot be certain that we will be successful in this regard. Furthermore, we cannot be certain that our trademarks, products and promotional materials or other intellectual property rights do not, or will not, violate the intellectual property rights of others, that our intellectual property would be upheld if challenged, or that we would, in such an event, not be prevented from using our trademarks or other intellectual property rights. Such claims, if proven, could materially and adversely affect our business, financial condition and results of operations. In addition, although any such claims may ultimately prove to be without merit, the necessary management attention and associated legal costs with litigation or other resolution of future claims concerning trademarks and other intellectual property rights could materially and adversely affect our business, financial condition and results of operations. We

have sued and have been sued by third parties for infringement of intellectual property. It is our opinion that none of these claims has materially impaired our ability to utilize our intellectual property rights.

The laws of certain foreign countries do not protect intellectual property rights to the same extent, or in the same manner, as do the laws of the United States. Although we continue to implement protective measures and intend to defend our intellectual property rights vigorously, these efforts may not be successful, or the costs associated with protecting our rights in certain jurisdictions may be prohibitive. From time to time, we discover products in the marketplace that are counterfeit reproductions of our products or that otherwise infringe upon intellectual property rights held by us. Actions taken by us to establish and protect our trademarks and other intellectual property rights may not be adequate to prevent imitation of our products by others, or to prevent others from seeking to block sales of our products as violating trademarks and intellectual property rights. If we are unsuccessful in challenging a third party's products on the basis of infringement of our intellectual property rights, continued sales of such products by that or any other third party could adversely impact the Skechers brand, result in the shift of consumer preferences away from our products, and generally have a material adverse effect on our business, financial condition and results of operations.

COMPETITION

The footwear industry is a competitive business. Although we believe that we do not compete directly with any single company with respect to its entire range of products, our products compete with other branded products within their product category as well as with private label products sold by retailers, including some of our customers. Our casual shoes and utility footwear compete with footwear offered by companies such as Columbia Sportswear Company, Converse by Nike, Inc., Deckers Outdoor Corporation, Kenneth Cole Productions Inc., Steven Madden, Ltd., The Timberland Company, V.F. Corporation and Wolverine World Wide, Inc. Our athletic lifestyle and performance shoes compete with footwear offered by companies such as Nike, Inc., adidas AG, Reebok International Ltd., Puma SE, ASICS America Corporation, New Balance Athletic Shoe, Inc. and Under Armour, Inc. The intense competition among these companies and the rapid changes in technology and consumer preferences in the markets for performance footwear, including the walking fitness category, constitute significant risk factors in our operations. Our children's shoes compete with footwear offered by these companies and others including, Payless Holdings, and with other brands such as Stride Rite by Wolverine World Wide, Inc. In varying degrees, depending on the product category involved, we compete on the basis of style, price, quality, comfort and brand name prestige and recognition, among other factors. These and other competitors pose challenges to our market share in our major domestic markets, and may make it more difficult to establish our products in Europe, Asia and other international regions. We also compete with numerous manufacturers, importers and distributors of footwear for the limited shelf space available for displaying such products to the consumer. Moreover, the general availability of contract manufacturing capacity allows ease of access by new market entrants. Many of our competitors are larger, have been in existence for a longer period of time, have achieved greater recognition for their brand names, have captured greater market share and/or have substantially greater financial, distribution, marketing and other resources than we do. We cannot be certain that we will be able to compete successfully against present or future competitors, or that competitive pressures will not have a material adverse effect on our business, financial condition and results of operations.

EMPLOYEES

As of January 31, 2016, we employed approximately 9,200 persons, of whom approximately 3,600 were employed on a full-time basis and approximately 5,600 were employed on a part-time basis, primarily in our retail stores. None of our employees are subject to a collective bargaining agreement. We believe that our relations with our employees are satisfactory.

Item 1A. RISK FACTORS

In addition to the other information in this annual report, the following factors should be considered in evaluating us and our business.

Our Future Success Depends On Our Ability To Maintain Our Brand Name And Image With Consumers.

Our success to date has in large part been due to the strength of the Skechers brand. Maintaining, promoting and growing our brand name and image depends on sustained effort and commitment to, and significant investment in, both the successful development of high-quality, innovative, fashion forward products, and fresh and relevant marketing and advertising campaigns. Even if we are able to timely and appropriately respond to changing consumer preferences and trends with new high-quality products, our marketing and advertising campaigns may not resonate with consumers, or consumers may consider our brand to be outdated or associated with footwear styles that are no longer popular or relevant. Our brand name and image with consumers could also be negatively impacted if we or any

of our products were to receive negative publicity, whether related to our products or otherwise. If we are unable to maintain, promote and grow our brand image, then our business, financial condition and results of operations could be materially and adversely affected.

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Our Future Success Also Depends On Our Ability To Respond To Changing Consumer Preferences, Identify And Interpret Consumer Trends, And Successfully Market New Products.

The footwear industry is subject to rapidly changing consumer preferences. The continued popularity of our footwear and the development of new lines and styles of footwear with widespread consumer appeal, including consumer acceptance of our performance footwear, requires us to accurately identify and interpret changing consumer trends and preferences, and to effectively respond in a timely manner. Continuing demand and market acceptance for both existing and new products are uncertain and depend on the following factors:

- substantial investment in product innovation, design and development;
- commitment to product quality; and
- significant and sustained marketing efforts and expenditures, including with respect to the monitoring of consumer trends in footwear specifically, and in fashion and lifestyle categories generally.

In assessing our response to anticipated changing consumer preferences and trends, we frequently must make decisions about product designs and marketing expenditures several months in advance of the time when actual consumer acceptance can be determined. As a result, we may not be successful in responding to shifting consumer preferences and trends with new products that achieve market acceptance. Because of the ever-changing nature of consumer preferences and market trends, a number of companies in the footwear industry, including ours, experience periods of both rapid growth, followed by declines, in revenue and earnings. If we fail to identify and interpret changing consumer preferences and trends, or are not successful in responding to these changes with the timely development of products that achieve market acceptance, we could experience excess inventories, higher than normal markdowns, returns, order cancellations or an inability to profitably sell our products, and our business, financial condition and results of operations could be materially and adversely affected.

Our Business Could Be Harmed If We Fail To Maintain Proper Inventory Levels.

We place orders with our manufacturers for some of our products prior to the time we receive all of our customers' orders. We do this to minimize purchasing costs, the time necessary to fill customer orders and the risk of non-delivery. We also maintain an inventory of certain products that we anticipate will be in greater demand. Any unanticipated decline in the popularity of Skechers footwear or other unforeseen circumstances may make it difficult for us and our customers to accurately forecast product demand trends, and we may be unable to sell the products we have ordered in advance from manufacturers or that we have in our inventory. Inventory levels in excess of customer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could significantly impair our brand image and have a material adverse effect on our operating results and financial condition. Conversely, if we underestimate consumer demand for our products or if our manufacturers fail to supply the quality products that we require at the time we need them, we may experience inventory shortages. Inventory shortages might delay shipments to customers, negatively impact retailer and distributor relationships, and diminish brand loyalty.

We Face Intense Competition, Including Competition From Companies In The Performance Footwear Market and Those With Significantly Greater Resources Than Ours, And If We Are Unable To Compete Effectively With These Companies, Our Market Share May Decline And Our Business Could Be Harmed.

We face intense competition from other established companies in the footwear industry. Our competitors' product offerings, pricing, costs of production, and advertising and marketing expenditures are highly competitive areas in our business. If we do not adequately and timely anticipate and respond to our competitors, consumer demand for our products may decline significantly. A number of our competitors have significantly greater financial, technological, engineering, manufacturing, marketing and distribution resources than we do. Their greater capabilities in these areas may enable them to better withstand periodic downturns in the footwear industry, compete more effectively on the

basis of price and production, keep up with rapid changes in footwear technology, and more quickly develop new products. New companies may also enter the markets in which we compete, further increasing competition in the footwear industry. In addition, negative consumer perceptions of our performance features due to our historical reputation as a fashion and lifestyle footwear company may place us at a competitive disadvantage in the performance footwear market. We may not be able to compete successfully in the future, and increased competition may result in price reductions, cost increases, reduced profit margins, loss of market share and an inability to generate cash flows that are sufficient to maintain or expand our development and marketing of new products, which would materially adversely impact our business, results of operations and financial condition.

Our Operating Results Could Be Negatively Impacted If Our Sales Are Concentrated In Any One Style Or Group Of Styles.

If any single style or group of similar styles of our footwear were to represent a substantial portion of our net sales, we could be exposed to risk should consumer demand for such style or group of styles decrease in subsequent periods. We attempt to mitigate this

risk by offering a broad range of products, and no style comprised over 5% of our gross wholesale sales during 2015 or 2014. However, this may change in the future, and fluctuations in sales of any style representing a significant portion of our future net sales could have a negative impact on our operating results.

The Uncertainty Of Global Market Conditions May Continue To Have A Negative Impact On Our Business, Results Of Operations Or Financial Condition.

While global economic conditions have recently improved slightly, their uncertain state continues to negatively impact our business, which depends on the general economic environment and levels of consumers' discretionary spending that affect not only the ultimate consumer, but also retailers, who are our primary direct customers. If the current economic situation does not improve or if it weakens, we may not be able to maintain or increase our sales to existing customers, make sales to new customers, open and operate new retail stores, maintain sales levels at our existing stores, maintain or increase our international operations on a profitable basis, or maintain or improve our earnings from operations as a percentage of net sales. Additionally, if there is an unexpected decline in sales, our results of operations will depend on our ability to implement a corresponding and timely reduction in our costs and manage other aspects of our operations. These challenges include (i) managing our infrastructure, (ii) hiring and maintaining, as required, the appropriate number of qualified employees, (iii) managing inventory levels and (iv) controlling other expenses. If the uncertain global market conditions continue for a significant period of time or worsen, our results of operations, financial condition, and cash flows could be materially adversely affected.

Our Business Could Be Adversely Affected By Changes In The Business Or Financial Condition Of Significant Customers Due To Global Economic Conditions.

The global financial crisis affected the banking system and financial markets and resulted in a tightening in the credit markets, more stringent lending standards and terms, and higher volatility in fixed income, credit, currency and equity markets. There could be a number of follow-on effects from the credit crisis on our business, including insolvency of certain of our key distributors, which could impair our distribution channels, or our significant customers, including our distributors, may experience diminished liquidity or an inability to obtain credit to finance purchases of our product. Our customers may also experience weak demand for our products or other difficulties in their businesses. If conditions in the global financial markets deteriorate in the future, demand may be lower than forecasted and insufficient to achieve our anticipated financial results. Any of these events would likely harm our business, results of operations and financial condition.

We Depend Upon A Relatively Small Group Of Customers For A Large Portion Of Our Sales.

During 2015, 2014 and 2013, our net sales to our five largest customers accounted for approximately 14.6%, 15.7% and 18.1% of total net sales, respectively. No customer accounted for more than 10.0% of our net sales during 2015, 2014 and 2013. As of December 31, 2015, one customer accounted for 10.6% of trade receivables. No other customer accounted for more than 10.0% of trade receivables at December 31, 2015 and 2014. Although we have long-term relationships with many of our customers, our customers do not have a contractual obligation to purchase our products and we cannot be certain that we will be able to retain our existing major customers. Furthermore, the retail industry regularly experiences consolidation, contractions and closings which may result in our loss of customers or our inability to collect accounts receivable of major customers. If we lose a major customer, experience a significant decrease in sales to a major customer or are unable to collect the accounts receivable of a major customer, our business could be harmed.

Our Quarterly Revenues And Operating Results Fluctuate As A Result Of A Variety Of Factors, Including Seasonal Fluctuations In Demand For Footwear, Delivery Date Delays And Potential Fluctuations In Our Estimated Annualized Tax Rate, Which May Result In Volatility Of Our Stock Price.

Our quarterly revenues and operating results have varied significantly in the past and can be expected to fluctuate in the future due to a number of factors, many of which are beyond our control. Our major customers have no obligation to purchase forecasted amounts, may and have canceled orders, and may change delivery schedules or change the mix of products ordered with minimal notice and without penalty. As a result, we may not be able to accurately predict our quarterly sales. In addition, sales of footwear products have historically been somewhat seasonal in nature, with the strongest sales generally occurring in our second and third quarters for the back-to-school selling season.

Back-to-school sales typically ship in June, July and August, and delays in the timing, cancellation, or rescheduling of these customer orders and shipments by our wholesale customers could negatively impact our net sales and results of operations for our second or third quarters. More specifically, the timing of when products are shipped is determined by the delivery schedules set by our wholesale customers, which could cause sales to shift between our second and third quarters. Because our expense levels are partially based on our expectations of future net sales, our expenses may be disproportionately large relative to our revenues, and we may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shifts, which could have a material adverse effect on our operating results.

Our annualized tax rate is based on projections of our domestic and international operating results for the year, which we review and revise as necessary at the end of each quarter, and it is highly sensitive to fluctuations in projected international earnings. Any quarterly fluctuations in our annualized tax rate that may occur could have a material impact on our quarterly operating results. As a result of these specific and other general factors, our operating results will likely vary from quarter to quarter, and the results for any particular quarter may not be necessarily indicative of results for the full year. Any shortfall in revenues or net earnings from levels expected by securities analysts and investors could cause a decrease in the trading price of our Class A Common Stock.

Our International Sales And Manufacturing Operations Are Subject To The Risks Of Doing Business Abroad, Particularly In China, Which Could Affect Our Ability To Sell Or Manufacture Our Products In International Markets, Obtain Products From Foreign Suppliers Or Control The Costs Of Our Products.

Substantially all of our net sales during the year ended December 31, 2015 were derived from sales of footwear manufactured in foreign countries, with most manufactured in China and Vietnam. We also sell our footwear in several foreign countries and plan to increase our international sales efforts as part of our growth strategy. Foreign manufacturing and sales are subject to a number of risks, including the following: political and social unrest, including terrorism; changing economic conditions, including higher labor costs; increased costs of raw materials; currency exchange rate fluctuations; labor shortages and work stoppages; electrical shortages; transportation delays; loss or damage to products in transit; expropriation; nationalization; the adjustment, elimination or imposition of domestic and international duties, tariffs, quotas, import and export controls and other non-tariff barriers; exposure to different legal standards (particularly with respect to intellectual property); compliance with foreign laws; and changes in domestic and foreign governmental policies. We have not, to date, been materially affected by any such risks, but we cannot predict the likelihood of such developments occurring or the resulting long-term adverse impact on our business, results of operations or financial condition.

In particular, because most of our products are manufactured in China, the possibility of adverse changes in trade or political relations with China, political instability in China, increases in labor costs, the occurrence of prolonged adverse weather conditions or a natural disaster such as an earthquake or typhoon in China, or the outbreak of a pandemic disease in China could severely interfere with the manufacturing and/or shipment of our products and would have a material adverse effect on our operations. In addition, electrical shortages, labor shortages or work stoppages may extend the production time necessary to produce our orders, and there may be circumstances in the future where we may have to incur premium freight charges to expedite the delivery of product to our customers. If we incur a significant amount of premium charges to airfreight product for our customers, our gross profit will be negatively affected if we are unable to collect those charges.

The Potential Imposition Of Additional Duties, Quotas, Tariffs And Other Trade Restrictions Could Have An Adverse Impact On Our Sales And Profitability.

All of our products manufactured overseas and imported into the United States, the European Union (“EU”) and other countries are subject to customs duties collected by customs authorities. Customs information submitted by us is routinely subject to review by customs authorities. We are unable to predict whether additional customs duties, quotas, tariffs, anti-dumping duties, safeguard measures, cargo restrictions to prevent terrorism or other trade restrictions may be imposed on the importation of our products in the future. Such actions could result in increases in the cost of our products generally and might adversely affect the sales and profitability of Skechers and the imported footwear industry as a whole.

Many Of Our Retail Stores Depend Heavily On The Customer Traffic Generated By Shopping And Factory Outlet Malls Or By Tourism.

Many of our concept stores are located in shopping malls, and some of our factory outlet stores are located in manufacturers' outlet malls where we depend on obtaining prominent locations and the overall success of the malls to generate customer traffic. We cannot control the success of individual malls, and an increase in store closures by other retailers may lead to mall vacancies and reduced foot traffic. Some of our concept stores occupy street locations that are heavily dependent on customer traffic generated by tourism. Any substantial decrease in tourism resulting from an economic slowdown, political, social or military events or otherwise, is likely to adversely affect sales in our existing stores, particularly those with street locations. The effects of these factors could reduce sales of particular existing stores or hinder our ability to open retail stores in new markets, which could negatively affect our operating results.

We Rely On Independent Contract Manufacturers And, As A Result, Are Exposed To Potential Disruptions In Product Supply.

Our footwear products are currently manufactured by independent contract manufacturers. During 2015 and 2014, the top five manufacturers of our products produced approximately 56.5% and 58.9% of our total purchases, respectively. One manufacturer accounted for 31.5% and 37.5% of total purchases during 2015 and 2014, respectively. Another manufacturer accounted for 9.1% and

6.1% of our total purchases during 2015 and 2014, respectively. We do not have long-term contracts with manufacturers, and we compete with other footwear companies for production facilities. We could experience difficulties with these manufacturers, including reductions in the availability of production capacity, failure to meet our quality control standards, failure to meet production deadlines, or increased manufacturing costs. This could result in our customers canceling orders, refusing to accept deliveries, or demanding reductions in purchase prices, any of which could have a negative impact on our cash flow and harm our business.

If our current manufacturers cease doing business with us, we could experience an interruption in the manufacture of our products. Although we believe that we could find alternative manufacturers, we may be unable to establish relationships with alternative manufacturers that will be as favorable as the relationships we have now. For example, new manufacturers may have higher prices, less favorable payment terms, lower manufacturing capacity, lower quality standards, or higher lead times for delivery. If we are unable to provide products consistent with our standards, or the manufacture of our footwear is delayed or becomes more expensive, our business would be harmed.

Our Business Could Be Harmed If Our Contract Manufacturers, Suppliers Or Licensees Violate Labor, Trade Or Other Laws.

We require our independent contract manufacturers, suppliers and licensees to operate in compliance with applicable laws and regulations. Manufacturers are required to certify that neither convicted, forced or indentured labor (as defined under United States law) nor child labor (as defined by law in the manufacturer's country) is used in the production process, that compensation is paid in accordance with local law and that their factories are in compliance with local safety regulations. Although we promote ethical business practices and our sourcing personnel periodically visit and monitor the operations of our independent contract manufacturers, suppliers and licensees, we do not control them or their labor practices. If one of our independent contract manufacturers, suppliers or licensees violates labor or other laws or diverges from those labor practices generally accepted as ethical in the United States, it could result in adverse publicity for us, damage our reputation in the United States, or render our conduct of business in a particular foreign country undesirable or impractical, any of which could harm our business.

In addition, if we, or our foreign manufacturers, violate United States or foreign trade laws or regulations, we may be subject to extra duties, significant monetary penalties, the seizure and the forfeiture of the products we are attempting to import, or the loss of our import privileges. Possible violations of United States or foreign laws or regulations could include inadequate record-keeping of our imported products, misstatements or errors as to the origin, quota category, classification, marketing or valuation of our imported products, fraudulent visas, or labor violations. The effects of these factors could render our conduct of business in a particular country undesirable or impractical, and have a negative impact on our operating results.

The Toning Footwear Category Has Come Under Public And Regulatory Scrutiny That May Have A Material Negative Impact On Our Business And Results Of Operations.

Since 2010, the toning footwear product category, including our Shape-ups products, has come under significant public scrutiny, such as highly publicized negative professional opinions, negative publicity and media attention, personal injury lawsuits and attorneys publicly marketing their services to consumers allegedly injured by toning products, including Shape-ups. In addition, we have been responding to inquiries by state, federal, and foreign governmental and quasi-governmental regulators regarding the claims, advertising, and safety of our toning products, and are engaged as defendants in civil lawsuits that involve similar claims. This public and regulatory scrutiny has included the questioning of our advertising, promotional claims, and the overall safety of these products, as well as allegations of personal injuries. We believe that Shape-ups and our other toning products are safe, but the negative publicity from this public and regulatory scrutiny appears to have had a negative impact on sales of toning footwear generally and our Shape-ups products in particular. We are not able to predict whether such negative publicity,

regulatory review and related litigation will continue or what the continued effect will be on the sales of our Shape-up products, our business, and our results of operations beyond that included in this annual report. Further details regarding these legal and regulatory matters are discussed in greater detail under “Legal Proceedings” in Part I, Item 3 of this annual report.

It Is Difficult To Predict The Effect Of Regulatory Inquiries About Advertising And Promotional Claims Related To Our Toning Shoe Products.

The toning footwear market is dominated by a handful of competitors who design, market and advertise their products to promote fitness benefits associated with wearing the footwear. Advertising that promotes fitness benefits associated with the toning footwear market has come under review from state, federal, and foreign governmental and quasi-governmental regulators. As discussed in greater detail under “Legal Proceedings” in Part I, Item 3 of this annual report, we announced on May 16, 2012 that we had settled all domestic legal proceedings relating to advertising claims made in connection with the marketing of our toning shoe products. Under the terms of the global settlement—without admitting any fault or liability, with no findings being made that our company had violated any law, and with no fines or penalties being imposed—we made payments in the aggregate amount of \$50

million to settle all domestic advertising class action lawsuits and related claims brought by the FTC and the SAGs. On November 8, 2012, we were served with a Grand Jury Subpoena (“Subpoena”) that was issued by a grand jury of the United States District Court for the Northern District of Ohio, in Cleveland, Ohio for documents and information relating to past advertising claims for our toning footwear, including Shape-ups and Resistance Runners. The Subpoena, which seeks documents and information related to outside studies conducted on our toning footwear, appears related to the FTC’s inquiry into our claims and advertising for Shape-ups and our other toning shoe products. In December 2015, the Assistant United States Attorney informed us that the grand jury had concluded its review of this matter and that no legal action would be taken against our company, any of our employees or any other individuals. Although the grand jury’s inquiry was concluded without having a material adverse impact on our results of operations or financial position, it is still too early to predict if there will be any additional government inquiries either in the United States or abroad and whether the final resolution of these matters could have a material adverse impact on our advertising, promotional claims, business, results of operations and financial position.

Our Strategies Involve A Number Of Risks That Could Prevent Or Delay The Successful Opening Of New Stores As Well As Negatively Impact The Performance Of Our Existing Stores.

Our ability to successfully open and operate new stores depends on many factors, including, among others, our ability to identify suitable store locations, the availability of which is outside of our control; negotiate acceptable lease terms, including desired tenant improvement allowances; source sufficient levels of inventory to meet the needs of new stores; hire, train and retain store personnel; successfully integrate new stores into our existing operations; and satisfy the fashion preferences in new geographic areas.

In addition, some or a substantial number of new stores could be opened in regions of the United States in which we currently have few or no stores. Any expansion into new markets may present competitive, merchandising and distribution challenges that are different from those currently encountered in our existing markets. Any of these challenges could adversely affect our business and results of operations. In addition, to the extent that any new store openings are in existing markets, we may experience reduced net sales volumes in existing stores in those markets.

We Depend On Key Personnel To Manage Our Business Effectively In A Rapidly Changing Market, And If We Are Unable To Retain Existing Personnel, Our Business Could Be Harmed.

Our future success depends upon the continued services of Robert Greenberg, Chairman of the Board and Chief Executive Officer; Michael Greenberg, President and a member of our Board of Directors; and David Weinberg, Executive Vice President, Chief Operating Officer, Chief Financial Officer and a member of our Board of Directors. The loss of the services of any of these individuals or any other key employee could harm us. Our future success also depends on our ability to identify, attract and retain additional qualified personnel. Competition for employees in our industry is intense, and we may not be successful in attracting and retaining such personnel.

The Disruption, Expense And Potential Liability Associated With Existing And Unanticipated Future Litigation Against Us Could Have A Material Adverse Effect On Our Business, Results Of Operations And Financial Condition.

In addition to the legal matters included in our reserve for loss contingencies, we occasionally become involved in litigation arising from the normal course of business, and we are unable to determine the extent of any liability that may arise from any such unanticipated future litigation. We have no reason to believe that there is a reasonable possibility or a probability our company may incur a material loss, or a material loss in excess of a recorded accrual, with respect to any other such loss contingencies. However, the outcome of litigation is inherently uncertain and assessments and decisions on defense and settlement can change significantly in a short period of time. Therefore, although we consider the likelihood of such an outcome to be remote with respect to those matters for which we have not reserved an amount for loss contingencies, if one or more of these legal matters were resolved against us in the

same reporting period for amounts in excess of our expectations, our consolidated financial statements of a particular reporting period could be materially adversely affected. Further, any unanticipated litigation in the future, regardless of its merits, could also significantly divert management's attention from our operations and result in substantial legal fees being incurred. Such disruptions, legal fees and any losses resulting from these unanticipated future claims could have a material adverse effect on our business, consolidated financial statements and financial condition.

For a discussion of risks related to regulatory inquiries, see the risks discussed on page 19 under "It Is Difficult To Predict The Effect Of Regulatory Inquiries About Advertising And Promotional Claims Related To Our Toning Shoe Products."

Our Ability To Compete Could Be Jeopardized If We Are Unable To Protect Our Intellectual Property Rights Or If We Are Sued For Intellectual Property Infringement.

We believe that our trademarks, design patents and other proprietary rights are important to our success and our competitive position. We use trademarks on nearly all of our products and believe that having distinctive marks that are readily identifiable is an important factor in creating a market for our goods, in identifying us and in distinguishing our goods from the goods of others. We consider our Skechers[®], Skechers Performance[™], Skechers GOrun[®], Skechers GOwalk[®], [®], [®], [®], Skechers Cali[™], Relaxed Fit[®], Skechers Memory Foam[™], Skech-Air[®], BOBS[®], Hot Lights[®], Twinkle Toes[®] trademarks to be among our most valuable assets, and we have registered these trademarks in many countries. In addition, we own many other trademarks that we utilize in marketing our products. We also have a number of design patents and a limited number of utility patents covering components and features used in various shoes. We believe that our patents and trademarks are generally sufficient to permit us to carry on our business as presently conducted. While we vigorously protect our trademarks against infringement, we cannot guarantee that we will be able to secure patents or trademark protection for our intellectual property in the future or that protection will be adequate for future products. Further, we have been sued in the past for patent and trademark infringement and cannot be sure that our activities do not and will not infringe on the intellectual property rights of others. If we are compelled to prosecute infringing parties, defend our intellectual property or defend ourselves from intellectual property claims made by others, we may face significant expenses and liability as well as the diversion of management's attention from our business, each of which could negatively impact our business or financial condition.

In addition, the laws of foreign countries where we source and distribute our products may not protect intellectual property rights to the same extent as do the laws of the United States. We cannot assure you that the actions we have taken to establish and protect our trademarks and other intellectual property rights outside the United States will be adequate to prevent imitation of our products by others or, if necessary, successfully challenge another party's counterfeit products or products that otherwise infringe on our intellectual property rights on the basis of trademark or patent infringement. Continued sales of these products could adversely affect our sales and our brand and result in the shift of consumer preference away from our products. We may face significant expenses and liability in connection with the protection of our intellectual property rights outside the United States, and if we are unable to successfully protect our rights or resolve intellectual property conflicts with others, our business or financial condition could be adversely affected.

Breaches Or Compromises Of Our Information Security Systems, Information Technology Systems And Our Infrastructure To Support Our Business Could Result In Exposure Of Private Information, Disruption Of Our Business And Damage To Our Reputation, Which Could Harm Our Business, Results Of Operation And Financial Condition.

We utilize information security and information technology systems and websites that allow for the secure storage and transmission of proprietary or private information regarding our customers, employees, and others, including credit card information and personal identification information. A security breach may expose us to a risk of loss or misuse of this information, litigation and potential liability. We may not have the resources or technical sophistication to anticipate or prevent rapidly-evolving types of cyber-attacks. Attacks may be targeted at us, our customers, or others who have entrusted us with information. Actual or anticipated attacks may cause us to incur costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Advances in computer capabilities, new technological discoveries, or other developments may result in the technology used by us to protect against transaction or other data being breached or compromised. In addition, data and security breaches can also occur as a result of non-technical issues, including breach by us or by persons with whom we have commercial relationships that result in the unauthorized release of personal or confidential information. Any compromise or breach of our cyber security systems could result in private information exposure and a violation of applicable privacy and other laws, significant potential liability including legal and financial costs,

and loss of confidence in our security measures by customers, which could have an adverse effect on our business, financial condition and reputation.

Natural Disasters Or A Decline In Economic Conditions In California Could Increase Our Operating Expenses Or Adversely Affect Our Sales Revenue.

As of December 31, 2015, a substantial portion of our operations are located in California, including 87 of our retail stores, our headquarters in Manhattan Beach, and our domestic distribution center in Rancho Belago. Because a significant portion of our net sales is derived from sales in California, a decline in the economic conditions in California, whether or not such decline spreads beyond California, could materially adversely affect our business. Furthermore, a natural disaster or other catastrophic event, such as an earthquake or wild fire affecting California, could significantly disrupt our business including the operation of our only domestic distribution center. We may be more susceptible to these issues than our competitors whose operations are not as concentrated in California.

Two Principal Stockholders Are Able Exert Significant Influence Over All Matters Requiring A Vote Of Our Stockholders, And Their Interests May Differ From The Interests Of Our Other Stockholders.

As of December 31, 2015, our Chairman of the Board and Chief Executive Officer, Robert Greenberg, beneficially owned 45.0% of our outstanding Class B common shares, members of Mr. Greenberg's immediate family beneficially owned an additional 15.7% of our outstanding Class B common shares, and Gil Schwartzberg, trustee of several trusts formed by Mr. Greenberg and his wife for estate planning purposes, beneficially owned 38.7% of our outstanding Class B common shares. The holders of Class A common shares and Class B common shares have identical rights except that holders of Class A common shares are entitled to one vote per share while holders of Class B common shares are entitled to ten votes per share on all matters submitted to a vote of our stockholders. As a result, as of December 31, 2015, Mr. Greenberg beneficially owned 30.2% of the aggregate number of votes eligible to be cast by our stockholders, and together with shares beneficially owned by other members of his immediate family, Mr. Greenberg and his immediate family beneficially owned 41.2% of the aggregate number of votes eligible to be cast by our stockholders, and Mr. Schwartzberg beneficially owned 25.9% of the aggregate number of votes eligible to be cast by our stockholders. Therefore, Messrs. Greenberg and Schwartzberg are each able to exert significant influence over all matters requiring approval by our stockholders. Matters that require the approval of our stockholders include the election of directors and the approval of mergers or other business combination transactions. Mr. Greenberg also has significant influence over our management and operations. As a result of such influence, certain transactions are not likely without the approval of Messrs. Greenberg and Schwartzberg, including proxy contests, tender offers, open market purchase programs, or other transactions that can give our stockholders the opportunity to realize a premium over the then-prevailing market prices for their shares of our Class A common shares. Because Messrs. Greenberg's and Schwartzberg's interests may differ from the interests of the other stockholders, their ability to significantly influence or substantially control, respectively, actions requiring stockholder approval may result in our company taking action that is not in the interests of all stockholders. The differential in the voting rights may also adversely affect the value of our Class A common shares to the extent that investors or any potential future purchaser view the superior voting rights of our Class B common shares to have value.

Our Charter Documents And Delaware Law May Inhibit A Takeover, Which May Adversely Affect The Value Of Our Stock.

Provisions of Delaware law, our certificate of incorporation or our bylaws could make it more difficult for a third party to acquire us, even if closing such a transaction would be beneficial to our stockholders. Mr. Greenberg's substantial beneficial ownership position, together with the authorization of Preferred Stock, the disparate voting rights between our Class A Common Stock and Class B Common Stock, the classification of our Board of Directors and the lack of cumulative voting in our certificate of incorporation and bylaws, may have the effect of delaying, deferring or preventing a change in control, may discourage bids for our Class A Common Stock at a premium over the market price of the Class A Common Stock and may adversely affect the market price of our Class A Common Stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located at several properties in Manhattan Beach, California, which consist of an aggregate of approximately 145,000 square feet. We own and lease portions of our corporate headquarters.

Our U.S. distribution center is a 1.8 million square-foot facility located on approximately 110 acres in Rancho Belago, California. We are leasing the distribution center from a joint venture, HF Logistics-SKX (the “JV”), that we formed with HF Logistics I, LLC (“HF”) in January 2010 for the purpose of building and operating the facility. The lease for this facility expires in 2031, with a base rent of \$940,695 per month, or approximately \$11.3 million per year. The JV is consolidated in our financial statements.

Our European Distribution Center occupies approximately 780,000 square feet in Liege, Belgium under four operating leases, with base rent of approximately \$4.1 million per year. Each lease provides for an original term of 15 years, commencing on January 1, 2016 (except for one lease that is not expected to commence until April 1, 2016), subject to automatic extensions for recurring periods of five years unless we or the landlord terminates the lease in writing 12 months prior to the expiration of the original lease term or 12 months prior to the end of the then applicable five-year extension.

All of our domestic retail stores and showrooms are leased with terms expiring between March 2016 and May 2032. The leases provide for rent escalations tied to either increases in the lessor’s operating expenses, fluctuations in the consumer price index in the

relevant geographical area, or a percentage of the store's gross sales in excess of the base annual rent. Total base rent expense related to our domestic retail stores and showrooms was \$63.3 million for the year ended December 31, 2015.

We also lease all of our international administrative offices, retail stores, showrooms and distribution facilities located in Asia, Central America, Europe, North America and South America. The property leases expire at various dates between March 2016 and November 2027. Total base rent for the leased properties aggregated approximately \$46.4 million for the year ended December 31, 2015.

ITEM 3. LEGAL PROCEEDINGS

Our claims and advertising for our toning products including for our Shape-ups are subject to the requirements of, and routinely come under review by regulators including the U.S. Federal Trade Commission ("FTC"), states' Attorneys General and government and quasi-government regulators in foreign countries. We have responded to requests for information regarding our claims and advertising from regulatory and quasi-regulatory agencies in several countries and fully cooperated with such requests. While we believe that our claims and advertising with respect to our core toning products are supported by scientific tests, expert opinions and other relevant data, and while we have been successful in defending our claims and advertising in several different countries, we have discontinued using certain test results and we periodically review and update our claims and advertising. The regulatory inquiries may conclude in a variety of outcomes, including the closing of the inquiry with no further regulatory action, settlement of any issues through changes in its claims and advertising, settlement of any issues through payment to the regulatory entity, or litigation.

As we disclosed in previous periodic SEC filings, the FTC and Attorneys General for 44 states and the District of Columbia ("SAGs") had been reviewing the claims and advertising for Shape-ups and our other toning shoe products. We also disclosed that we had been named as a defendant in multiple consumer class actions challenging our claims and advertising for our toning shoe products, including Shape-ups. On May 16, 2012, we announced that we had settled all domestic legal proceedings relating to advertising claims made in connection with the marketing of our toning shoe products. Under the terms of the global settlement—without admitting any fault or liability, with no findings being made that our company had violated any law, and with no fines or penalties being imposed—we made payments in the aggregate amount of \$50 million to settle and finally resolve the domestic advertising class action lawsuits and related claims brought by the FTC and the SAGs. The FTC Stipulated Final Judgment was approved by the United States District Court for the Northern District of Ohio on July 12, 2012. Consent judgments in the 45 SAG actions were approved and entered by courts in those jurisdictions. On May 13, 2013, the United States District Court for the Western District of Kentucky entered an order finally approving the nationwide consumer class action settlement, and the time for any appeals from that final approval order has expired.

On November 8, 2012, we were served with a Grand Jury Subpoena ("Subpoena") for documents and information relating to our past advertising claims for our toning footwear, including Shape-ups and Resistance Runners. The Subpoena was issued by a Grand Jury of the United States District Court for the Northern District of Ohio, in Cleveland, Ohio. The Subpoena sought documents and information related to outside studies conducted on our toning footwear and appeared to grow out of the FTC's inquiry into our claims and advertising for Shape-ups and our other toning shoe products, which we settled with the FTC, SAGs and consumer class as part of a global settlement, as set forth above. In December 2015, after reviewing materials provided in response to the Subpoena, the Assistant United States Attorney informed us that the Grand Jury had concluded its review of this matter and that no legal action would be taken against our company, any of our employees or any other individuals.

The toning footwear category, including our Shape-ups products, has also been the subject of some media attention arising from a number of consumer complaints and lawsuits alleging injury while wearing Shape-ups. We believe our products are safe and are defending ourselves from these media stories and injury lawsuits. It is too early to predict the outcome of any case or inquiry, whether there will be future personal injury cases filed, whether adverse results in any single case or in the aggregate would have a material adverse impact on our results of operations, financial position, or result in a material loss in excess of a recorded accrual and whether insurance coverage will be adequate to cover any losses.

Personal Injury Lawsuits Involving Shape-ups — As previously reported, on February 20, 2011, Skechers U.S.A., Inc., Skechers U.S.A., Inc. II and Skechers Fitness Group were named as defendants in a lawsuit that alleged, among other things, that Shape-ups are defective and unreasonably dangerous, negligently designed and/or manufactured, and do not conform to representations made by our company, and that we failed to provide adequate warnings of alleged risks associated with Shape-ups. In total, we are named as a defendant in 1,141 currently pending cases (some on behalf of multiple plaintiffs) filed in various courts that assert further varying injuries but employ similar legal theories and assert similar claims to the first case, as well as claims for breach of express and implied warranties, loss of consortium, and fraud. Although there are some variations in the relief sought, the plaintiffs generally seek compensatory and/or economic damages, exemplary and/or punitive damages, and attorneys' fees and costs.

On December 19, 2011, the Judicial Panel on Multidistrict Litigation issued an order establishing a multidistrict litigation (“MDL”) proceeding in the United States District Court for the Western District of Kentucky entitled *In re Skechers Toning Shoe Products Liability Litigation*, case no. 11-md-02308-TBR. Since 2011, a total of 1,235 personal injury cases have been filed in or transferred to the MDL proceeding and 414 additional individuals have submitted claims by plaintiff fact sheets. Skechers has resolved 481 personal injury claims in the MDL proceedings, comprised of 90 that were filed as formal actions and 391 that were submitted by plaintiff fact sheets. Skechers has also settled 1,332 claims in principle—1,101 filed cases and 231 claims submitted by plaintiff fact sheets—either directly or pursuant to a global settlement program that has been approved by the claimants’ attorneys (described in greater detail below). Further, 42 cases in the MDL proceeding have been dismissed either voluntarily or on motions by Skechers and 38 unfiled claims submitted by plaintiff fact sheet have been abandoned. Between the consummated settlements and cases subject to the settlement program, all but two personal injury cases pending in the MDL have been or are expected to soon be resolved. On August 6, 2015, the Court entered an order staying all deadlines, including trial, pending further order of the Court.

Skechers U.S.A., Inc., Skechers U.S.A., Inc. II and Skechers Fitness Group also have been named as defendants in a total of 72 personal injury actions filed in various Superior Courts of the State of California that were brought on behalf of 920 individual plaintiffs (360 of whom also submitted MDL court-approved questionnaires for mediation purposes in the MDL proceeding). Of those cases, 68 were originally filed in the Superior Court for the County of Los Angeles (the “LASC cases”). On August 20, 2014, the Judicial Council of California granted a petition by our company to coordinate all personal injury actions filed in California that relate to Shape-ups with the LASC cases (collectively, the “LASC Coordinated Cases”). On October 6, 2014, three cases that had been pending in other counties were transferred to and coordinated with the LASC Coordinated Cases. On April 17, 2015, an additional case was transferred to and coordinated with the LASC Coordinated Cases. Thirty-five actions brought on behalf of a total of 476 plaintiffs, have been settled and dismissed. We have also settled in principle an additional 31 actions brought on behalf of 405 plaintiffs pursuant to a global settlement program that has been approved by the plaintiffs’ attorneys (described in greater detail below). One single-plaintiff lawsuit and the claims of 28 additional plaintiffs in multi-plaintiff lawsuits have been dismissed entirely, either voluntarily or on motion by us. The claims of 21 additional persons have been dismissed in part, either voluntarily or on motions by us. Thus, taking into account both consummated settlements and cases subject to the settlement program, only five lawsuits on behalf of a total of ten plaintiffs are expected to remain in the LASC Coordinated Cases. Discovery is continuing in those five remaining cases. No trial dates have been set.

In other state courts, a total of 12 personal injury actions (some on behalf of numerous plaintiffs) have been filed that have not been removed to federal court and transferred to the MDL. Ten of those actions have been resolved and dismissed. One of the remaining actions that includes the claims of 65 plaintiffs has been settled in principle pursuant to a global settlement program that has been approved by the plaintiffs’ attorneys (described in greater detail below). The last remaining action in a state court other than California was recently filed in Missouri on January 4, 2016 on behalf of a single plaintiff. We have not yet been served in that action.

With respect to the global settlement programs referenced above, the personal injury cases in the MDL and LASC Coordinated Cases and in other state courts were largely solicited and handled by the same plaintiffs law firms. Accordingly, mediations to discuss potential resolution of the various lawsuits brought by these firms were held on May 18, June 18, and July 24, 2015. At the conclusion of those mediations, the parties reached an agreement in principle on a global settlement program that is expected to resolve all or substantially all of the claims by persons represented by those firms. The global settlement program involves complex monetary and non-monetary terms that are in the final stages of being documented. If the group settlements are not finalized and the litigation proceeds, it is too early to predict the outcome of any case, whether adverse results in any single case or in the aggregate would have a material adverse impact on our operations or financial position, and whether insurance coverage will be adequate to cover any losses. The settlements have been reached for business purposes in order to end the distraction of litigation,

and we continue to believe we have meritorious defenses and intend to defend any remaining cases vigorously. In addition, even if the global settlement is finalized, it is too early to predict whether there will be future personal injury cases filed which are not covered by the settlement, whether adverse results in any single case or in the aggregate would have a material adverse impact on our operations or financial position, and whether insurance coverage will be available and/or adequate to cover any losses.

Converse, Inc. v. Skechers U.S.A., Inc. — On October 14, 2014, Converse filed an action against our company in the United States District Court for the Eastern District of New York, Brooklyn Division, Case 1:14-cv-05977-DLI-MDG, alleging trademark infringement, false designation of origin, unfair competition, trademark dilution and deceptive practices arising out of our alleged use of certain design elements on footwear. The complaint seeks, among other things, injunctive relief, profits, actual damages, enhanced damages, punitive damages, costs and attorneys' fees. On October 14, 2014, Converse also filed a complaint naming 27 respondents including our company with the U.S. International Trade Commission (the "ITC" or "Commission"), Federal Register Doc. 2014-24890, alleging violations of federal law in the importation into and the sale within the United States of certain footwear. Converse has requested that the Commission issue a general exclusion order, or in the alternative a limited exclusion order, and cease and desist orders. On December 8, 2014, the District Court stayed the proceedings before it. On December 19, 2014, Skechers responded to the ITC complaint, denying the material allegations and asserting affirmative defenses. A trial before an administrative law judge of the ITC was held in August 2015. On November 15, 2015, the ITC judge issued his interim decision finding that certain discontinued

products (Daddy’s Money and HyDee HyTops) infringed on Converse’s intellectual property, but that other, still active product lines (Twinkle Toes and BOBS Utopia) did not. On February 3, 2016, the ITC decided that it would review in part certain matters that were decided by the ITC judge. While it is too early to predict the outcome of these legal proceedings or whether an adverse result in either or both of them would have a material adverse impact on our operations or financial position, we believe we have meritorious defenses and intend to defend these legal matters vigorously.

Deckers Outdoor Corporation v. Skechers U.S.A., Inc. — On November 20, 2014, Deckers filed an action against our company in the United States District Court for the Central District of California, Case 2:14-cv-08988-SJO-FFM, alleging trademark infringement, patent infringement, trade dress infringement, and unfair competition arising out of our alleged use of certain names and design elements. The complaint seeks, among other things, injunctive relief, an accounting of profits, compensatory damages, statutory, treble and punitive damages, costs and attorneys’ fees. We have finalized a settlement involving both monetary and non-monetary terms, which will not have a material adverse impact on our operations or financial position.

Brian Nicklaus v. Skechers USA, Inc. et al. — On July 27, 2015, a former employee named Brian Nicklaus filed an action against our company in the Superior Court of California, County of Los Angeles, Case No. BC589344, alleging age discrimination, wrongful termination, and retaliation, among other causes of actions, and seeking compensatory damages, punitive and exemplary damages and attorneys’ fees. Skechers believes it has meritorious defenses, vehemently denies the allegations and intends to defend this case vigorously. Notwithstanding, it is too early to predict the outcome of this legal proceeding or whether an adverse result in this case would have a material adverse impact on our operations or financial position.

adidas America, Inc., et. al v. Skechers USA, Inc. — On September 14, 2015, adidas filed an action against our company in the United States District Court for the District of Oregon, Case No. 3:15-cv-1741, alleging that three Skechers shoe styles (Skechers Onix, Skechers Relaxed Fit Cross Court TR, and Skechers Relaxed Fit – Supernova Style) infringe adidas’ trademarks and/or trade dress rights. adidas asserts claims under federal and state law for trademark and trade dress infringement, unfair competition, trademark and trade dress dilution, unfair and deceptive trade practices, and breach of a settlement agreement entered into between the parties in 1995. adidas seeks injunctive relief, disgorgement of Skechers’ profits, damages (including treble, enhanced and punitive damages), and attorneys’ fees. On September 14, 2015, adidas filed a motion for preliminary injunction in which it sought to preliminarily restrain us from manufacturing, distributing, advertising, selling, or offering for sale any footwear (a) that is confusingly similar to adidas’ STAN SMITH Trade Dress, (b) bearing stripes in a manner that is confusingly similar to adidas’ Three-Stripe Mark, or (c) under adidas’ SUPERNOVA Mark. We opposed adidas’ motion. A hearing on adidas’ motion was held on December 15, 2015. On February 12, 2016, the Court issued a preliminary injunction prohibiting us from selling two styles from our vast footwear collection and from using the word “Supernova” in connection with a third style. While it is too early to predict the outcome of this legal proceeding or whether an adverse result in this case would have a material adverse impact on our operations or financial position, we believe we have meritorious defenses and intend to defend this legal matter vigorously.

Nike, Inc., v. Skechers USA, Inc. — On January 4, 2016, Nike filed an action against our company in the United States District Court for the District of Oregon, Case No. 3:16-cv-0007, alleging that certain Skechers shoe designs (Men’s Burst, Women’s Burst, Women’s Flex Appeal, Men’s Flex Advantage, Girls’ Skech Appeal, and Boys’ Flex Advantage) infringe the claims of eight design patents. Nike seeks injunctive relief, damages (including treble damages), pre-judgment and post-judgment interest, attorneys’ fees, and costs. While it is too early to predict the outcome of this legal proceeding or whether an adverse result in this case would have a material adverse impact on our operations or financial position, we believe we have meritorious defenses and intend to defend this legal matter vigorously.

In addition to the matters included in its reserve for loss contingencies, we occasionally become involved in litigation arising from the normal course of business, and we are unable to determine the extent of any liability that may arise from any such unanticipated future litigation. We have no reason to believe that there is a reasonable possibility or a probability that we may incur a material loss, or a material loss in excess of a recorded accrual, with respect to any other such loss contingencies. However, the outcome of litigation is inherently uncertain and assessments and decisions on defense and settlement can change significantly in a short period of time. Therefore, although we consider the likelihood of such an outcome to be remote with respect to those matters for which we have not reserved an amount for loss contingencies, if one or more of these legal matters were resolved against our company in the same reporting period for amounts in excess of our expectations, our consolidated financial statements of a particular reporting period could be materially adversely affected.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
5. ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A Common Stock trades on the New York Stock Exchange under the symbol "SKX." The following table sets forth, for the periods indicated, the high and low sales prices of our Class A Common Stock.

	LOW	HIGH
YEAR ENDED DECEMBER 31, 2015		
First Quarter	\$18.41	\$24.75
Second Quarter	23.33	38.26
Third Quarter	36.53	54.53
Fourth Quarter	24.56	49.28
YEAR ENDED DECEMBER 31, 2014		
First Quarter	\$8.82	\$12.26
Second Quarter	11.05	15.84
Third Quarter	14.82	21.56
Fourth Quarter	15.92	20.78

HOLDERS

As of February 15, 2016, there were 105 holders of record of our Class A Common Stock (including holders who are nominees for an undetermined number of beneficial owners) and 29 holders of record of our Class B Common Stock. These figures do not include beneficial owners who hold shares in nominee name. The Class B Common Stock is not publicly traded, but each share is convertible upon request of the holder into one share of Class A Common Stock.

DIVIDEND POLICY

Earnings have been and will be retained for the foreseeable future in the operations of our business. We have not declared or paid any cash dividends on our Class A Common Stock and do not anticipate paying any cash dividends in the foreseeable future. Our current policy is to retain all of our earnings to finance the growth and development of our business.

EQUITY COMPENSATION PLAN INFORMATION

Our equity compensation plan information is provided as set forth in Part III, Item 12 of this annual report.

PERFORMANCE GRAPH

The following graph demonstrates the total return to stockholders of our company's Class A Common Stock from December 31, 2010 to December 31, 2015, relative to the performance of the Russell 2000 Index, which includes our Class A Common Stock, and the peer group index, which is believed to include companies engaged in businesses similar to ours. The peer group index consists of six companies: Nike, Inc., adidas AG, Steven Madden, Ltd., Wolverine World Wide, Inc., Crocs, Inc., and Deckers Outdoor Corporation.

The graph assumes an investment of \$100 on December 31, 2010 in each of our company's Class A Common Stock and the stocks comprising each of the Russell 2000 Index and the customized peer group index. Each of the indices assumes that all dividends were reinvested. The stock performance of our company's Class A Common Stock shown on the graph is not necessarily indicative of future performance. We will neither make nor endorse any predictions as to our future stock performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

(in dollars)	12/10	12/11	12/12	12/13	12/14	12/15
Skechers U.S.A., Inc.	100.00	60.60	92.50	165.65	276.25	453.15
Russell 2000	100.00	95.82	111.49	154.78	162.35	155.18
Peer Group	100.00	109.30	123.96	188.65	189.57	240.54

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth our company's selected consolidated financial data as of and for each of the years in the five-year period ended December 31, 2015 and should be read in conjunction with our audited consolidated financial statements and notes thereto included under Part II, Item 8 of this annual report.

(In thousands, except net earnings (loss) per share)

STATEMENT OF OPERATIONS DATA:	YEARS ENDED DECEMBER 31,				
	2015	2014	2013	2012	2011
Net sales	\$3,147,323	\$2,377,561	\$1,846,361	\$1,560,321	\$1,606,016
Gross profit	1,424,008	1,071,905	818,792	683,326	623,748
Earnings (loss) from operations	350,824	209,071	93,609	22,319	(133,793)
Earnings (loss) before income taxes (benefit)	333,497	191,380	82,215	10,473	(131,047)
Net earnings (loss) attributable to Skechers					
U.S.A., Inc.	231,912	138,811	54,788	9,512	(67,484)
Net earnings (loss) per share:(1)					
Basic	1.52	0.91	0.36	0.06	(0.46)
Diluted	1.50	0.91	0.36	0.06	(0.46)
Weighted average shares:(1)					
Basic	152,847	151,839	151,090	148,485	145,473
Diluted	154,200	153,079	151,690	149,826	145,473

BALANCE SHEET DATA:	AS OF DECEMBER 31,				
	2015	2014	2013	2012	2011
Working capital	\$993,454	\$779,277	\$704,506	\$647,771	\$578,885
Total assets	2,047,408	1,674,918	1,408,570	1,340,220	1,281,888
Long-term borrowings, excluding current					
installments	68,942	15,081	116,488	128,517	76,531
Skechers U.S.A., Inc. equity	1,327,556	1,075,249	930,322	875,969	852,561

(1) Basic earnings per share represents net earnings (loss) divided by the weighted-average number of common shares outstanding for the period. Diluted earnings (loss) per share, in addition to the weighted average determined for basic earnings (loss) per share, reflects the potential dilution that could occur if options to issue common stock were exercised or converted into common stock. All share and per share information has been retroactively adjusted for the three-for-one stock split that was effective on October 16, 2015.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

We design, market and sell contemporary footwear for men, women and children under the Skechers brand. Our footwear is sold through a wide range of department stores and leading specialty retail stores, mid-tier retailers, boutiques, our own retail stores, distributor and licensee-owned international retail stores and our e-commerce websites. Our objective is to continue to profitably grow our domestic operations while leveraging our brand name to expand internationally.

Our operations are organized along our distribution channels, and we have the following three reportable sales segments: domestic wholesale sales, international wholesale sales, which include international direct subsidiary sales and international distributor sales, and retail sales, which includes our e-commerce sales. We evaluate segment performance based primarily on net sales and gross margins. See detailed segment information in Note 17 – Segment Information in our consolidated financial statements included under Part II, Item 8 of this annual report.

FINANCIAL OVERVIEW

Our net sales for 2015 increased \$769.8 million, or 32.4%, to \$3.147 billion, compared to net sales of \$2.378 billion in 2014. The increase in net sales was broad based across our domestic wholesale, international wholesale and retail segments, with the largest increases across our Women's Go, Women's Active, Men's and Women's Sport, and Men's USA divisions during 2015. Net earnings attributable to Skechers U.S.A., Inc. were \$231.9 million for 2015, an increase of \$93.1 million, or 67.1%, compared to net earnings of \$138.8 million in 2014. Diluted earnings per share for 2015 was \$1.50, which reflected a 65.9% increase from the \$0.91 diluted earnings per share reported in the prior year. The increase in net earnings attributable to Skechers U.S.A., Inc. for 2015 was primarily the result of increased sales in our domestic wholesale, international wholesale and retail segments following the introduction of new products with increased margins in our domestic wholesale and domestic retail segments. Our working capital was \$993.5 million at December 31, 2015, which was an increase of \$214.2 million from working capital of \$779.3 million at December 31, 2014. Our cash and cash equivalents increased \$41.3 million to \$508.0 million at December 31, 2015 from \$466.7 million at December 31, 2014. This increase in cash of \$41.3 million was primarily the result of our increased net earnings and increased payables, which were partially offset by increased inventories and increased accounts receivables.

2015 OVERVIEW

In 2015, we focused on product development, building a strong team of global brand ambassadors, domestic and international growth, development of our global infrastructure, and balance sheet and expense management.

New product design and delivery. Our success depends on our ability to design and deliver comfortable, stylish, affordable product to consumers across a broad range of demographics. In 2015, we focused on innovation and comfort across all of our core and existing styles, added fresh looks to our product lines, and developed new product lines that included lifestyle and performance footwear. This included the addition of Skech-Air for men, women and kids, Skechers Modern Comfort, Skechers GOwalk Flex, and Game Kicks and Twinkle Wishes for kids.

Grow our domestic business. In 2015, our focus was on maintaining our core Skechers business in our domestic wholesale accounts, while finding new opportunities to add shelf space and expand into new locations with new Skechers categories. We became the second largest footwear brand in the United States, as well as the number one walking brand and number one work brand. We also focused on expanding our domestic retail distribution channel by opening 35 additional company-owned domestic stores, including our second store in Times Square.

Further develop our international businesses. During 2015, we continued to focus on improving our international operations by increasing our customer base within our existing subsidiary business and increasing our product offering to accounts within each country. As part of our ongoing efforts to maximize our growth in key markets, we expanded our direct distribution base with the transition of the business of several distributors to a wholly-owned Central Eastern European subsidiary that encompasses 14 countries, including Hungary, the Czech Republic, Croatia and Serbia. We also transitioned our distributor's business in Panama to a wholly-owned subsidiary in Latin America that will oversee 30 countries in the region, including the key markets of Peru, Colombia, Costa Rica and Panama. With strong growth across numerous international markets, we also focused in on some key growth countries, including China, who achieved triple-digit sales growth in 2015. In our international retail distribution channel, we expanded by opening 41 additional company-owned international stores, which included taking over the operations of 15 international concept stores and two international outlet stores from our distributor in Panama. Additionally, we expanded our franchise retail base with more Skechers branded stores in countries where we directly handle the distribution of our product.

Develop our global infrastructure. In 2015, we completed the second and third phases of the automation upgrade and expansion of our European Distribution Center, increasing our capacity to 780,000 square feet, and completed an additional equipment upgrade in our Rancho Belago distribution center, further increasing our efficiencies. We continue to upgrade our distribution facilities to increase our capacity and efficiency and to better manage our growth worldwide.

Balance sheet and expense management. During 2015, we continued to focus on managing our inventory levels and bringing our marketing expenses and general and administrative expenses in line with expected sales.

OUTLOOK FOR 2016

During 2016, we will continue to innovate our lifestyle and performance product lines by developing new styles and expanding into new categories. The global footwear market is competitive; however, because our products are marketed at affordable prices, we believe that our styles resonate with consumers worldwide, which translates into a brand that is in demand globally. With a growing team of brand ambassadors—including legends Sugar Ray Leonard and Ringo Starr for men; pop superstars Demi Lovato and Meghan Trainor for young women; and elite athletes Meb, Kara Goucher and Matt Kuchar for our Skechers Performance division, we believe our appeal is broad and demand for our product will continue. We will continue to broaden the targeted demographic profile of our consumer base, increase our shelf space and open 55 to 65 company-owned retail locations, predominantly in the United States, without detracting from existing business. In addition, we will complete the last phase of expansion at our European Distribution Center by the end of the second quarter of 2016, which will increase the capacity to one million square feet, which will continue to increase our product distribution efficiencies and support expected future growth.

DEFINITIONS

Comparable sales

As part of our discussion of our results of operations, we disclose comparable store sales, which exclude the impact of e-commerce sales. With respect to any reporting period, we define comparable store sales as sales for stores that are owned and operated for at least thirteen full calendar months as of the last day of any calendar month within the current reporting period, and include only those sales for each of the comparable full calendar months that the store is open within each period. When a store closes at the end of a lease during a reporting period, we include in comparable store sales the sales for the number of comparable full calendar months that the store was open within the reporting period. We include new stores in comparable store sales commencing with the fourteenth month of operations because we believe it provides a more meaningful comparison of operating results of months with stabilized operations, and excludes a new store's first full calendar month of operations when operating results may not be representative for a variety of reasons.

Definitions and calculations of comparable store sales differ among companies in the retail industry, and therefore comparable store sales disclosed by us may not be comparable to the metrics disclosed by other companies.

Cost of sales or Gross margins

Our cost of sales includes the cost of footwear purchased from our manufacturers, duties, quota costs, inbound freight (including ocean, air and freight from the dock to our distribution centers), broker fees and storage costs. Because we include expenses related to our distribution network in general and administrative expenses, while some of our competitors may include expenses of this type in cost of sales, our gross margins may not be comparable and we may report higher gross margins than some of our competitors in part for this reason.

Selling expenses

Selling expenses consist primarily of the following: sales representative sample costs, sales commissions, trade shows, advertising and promotional costs, which may include television and ad production costs, and point-of-purchase costs.

General and administrative expenses

General and administrative expenses consist primarily of the following: salaries, wages and related taxes, various overhead costs associated with our corporate staff, stock-based compensation, domestic and international retail operations, non-selling related costs of our international operations, costs and expenses related to our distribution network for our Rancho Belago, European and other foreign distribution centers, professional fees related to both legal and accounting services, insurance, depreciation and amortization, asset impairment and legal settlements, among other expenses. Our distribution network-related costs are included in general and administrative expenses and are not allocated to specific segments.

YEAR ENDED DECEMBER 31, 2015 COMPARED TO THE YEAR ENDED DECEMBER 31, 2014

Net sales

Net sales for 2015 were \$3.147 billion, which was an increase of \$769.8 million, or 32.4%, compared to net sales of \$2.378 billion for 2014. The increase in net sales was broad-based and attributable to higher sales in our domestic wholesale segment, international wholesale segment and our retail segment primarily due to the introduction of new styles and lines of footwear.

Our domestic wholesale net sales increased \$221.8 million, or 22.2%, to \$1.220 billion for 2015 compared to \$998.0 million for 2014. The increase in our domestic wholesale segment's net sales resulted from a 15.3% unit sales volume increase to 51.8 million pairs in 2015 from 44.9 million pairs in 2014. This increase was attributable to strong sales and significant growth in several key divisions including our Women's Go, Women's Active, Men's and Women's Sport, and Men's USA divisions during 2015. The average selling price per pair within the domestic wholesale segment also increased 6.0%, to \$23.53 per pair for 2015 from \$22.20 for 2014, which was primarily the result of increased selling prices for our Women's GO, Women's Active and Men's Sport divisions.

Our international wholesale segment net sales increased \$405.2 million, or 58.8%, to \$1.094 billion for 2015 compared to sales of \$689.2 million for 2014. Our international wholesale sales consist of direct sales by our foreign subsidiaries – those sales we make to department stores and specialty retailers – and sales to our distributors, who in turn sell to retailers in various international regions where we do not sell directly. Direct sales by our foreign subsidiaries increased \$271.0 million, or 54.5%, to \$768.2 million for 2015 compared to sales of \$497.2 million for 2014. The largest sales increases during the year came from our subsidiaries in the United Kingdom, Germany and Spain, and our joint ventures in China and Hong Kong. The increases are primarily attributable to sales of our Women's and Men's Go, Women's Active and Men's and Women's Sport lines. Our distributor sales increased \$134.2 million, or 69.9%, to \$326.2 million for 2015, compared to sales of \$192.0 million for 2014. This was primarily attributable to increased sales to our distributors in Australia and New Zealand, South Korea, Turkey and the United Arab Emirates (“UAE”).

Our retail segment sales increased \$142.8 million to \$833.1 million for the year ended December 31, 2015, a 20.7% increase over sales of \$690.4 million for 2014. The increase in retail sales was primarily attributable to increased comparable sales of 10.5%, which included increased sales within our Women's Go, Women's Active, Men's and Women's Sport, and Men's USA divisions and a net increase of 28 domestic and 40 international stores compared to 2014. For the year ended December 31, 2015, our domestic retail sales increased 17.2% compared to 2014, which was attributable to positive comparable domestic store sales of 10.0% and increased domestic store count, and our international retail store sales increased 35.8% compared to 2014, which was attributable to increased international store count and positive comparable international store sales of 12.5%.

We believe that we have established our presence in most major domestic retail markets. We had 391 domestic stores and 128 international retail stores as of February 15, 2016, and we currently plan to open approximately 55 to 65 stores in 2016. During 2015, we opened five new domestic concept stores, 11 domestic factory outlet stores, 19 domestic warehouse outlet stores, 16 international concept stores, six international factory outlet stores and two international warehouse outlet stores, which included taking over the operations of 15 international concept stores and two international outlet stores from our distributor in Panama. During 2015, we closed six domestic concept stores, one domestic outlet store and one international concept store. We periodically review all of our stores for impairment. During 2015 and 2014, we did not record an impairment charge. Further, we carefully review our under-performing stores and may consider the non-renewal of leases upon completion of the current term of the applicable lease.

Gross profit

Gross profit for 2015 increased \$352.1 million to \$1.424 billion from \$1.072 billion for 2014. Gross profit as a percentage of net sales, or gross margin, increased slightly to 45.2% in 2015 from 45.1% for 2014. Our domestic wholesale segment gross profit increased \$103.1 million, or 28.0%, to \$471.1 million for 2015 from \$368.0 million for 2014, which was attributable to increased sales volumes and selling prices. Domestic wholesale margins increased to 38.6% for 2015 from 36.9% for 2014. The increase in domestic wholesale margins was primarily attributable to higher margins in our Women's GO, Women's Active, Women's Sport and Men's USA lines.

Gross profit for our international wholesale segment increased \$162.0 million, or 55.3%, to \$454.7 million for 2015 compared to \$292.7 million for 2014. Gross margins for the international wholesale segment were 41.5% for 2015 compared to 42.5% for 2014. Gross margins for our international direct subsidiary sales were 47.2% for 2015 as compared to 48.6% for 2014. The decrease in gross margins for our international wholesale segment and international direct subsidiary sales were primarily attributable to foreign currency fluctuations. Gross margins for our international distributor sales were 28.1% for 2015 as compared to 26.5% for 2014.

Gross profit for our retail segment increased \$87.0 million, or 21.2%, to \$498.2 million for 2015 as compared to \$411.2 million for 2014. Gross margins for all stores were 59.8% for 2015 compared to 59.6% for 2014. Gross margins for our domestic stores were 61.5% for 2015 as compared to 60.1% for 2014. Gross margins for our international stores were 53.4% for 2015 as compared to 57.2% for 2014. The increases in domestic and overall retail margins were primarily attributable to increased domestic sales of our newer products at higher margins.

Selling expenses

Selling expenses increased by \$54.6 million, or 30.1%, to \$235.6 million for 2015 from \$181.0 million for 2014. As a percentage of net sales, selling expenses were 7.5% and 7.6% for 2015 and 2014, respectively. The increase in selling expenses was primarily the result of increased sales commissions of \$7.7 million due to increased revenues and \$43.8 million in higher advertising expenses, which slightly increased as a percentage of net sales to 5.4% in 2015 from 5.3% in 2014.

General and administrative expenses

General and administrative expenses increased by \$158.4 million, or 22.9%, to \$849.3 million for 2015 from \$690.9 million for 2014. As a percentage of sales, general and administrative expenses were 27.0% and 29.1% for 2015 and 2014, respectively. The increase in general and administrative expenses was primarily attributable to \$68.0 million related to supporting our growing international operations, increased store operating costs of \$42.7 million primarily attributable to an additional 68 stores, which includes 17 stores that were transitioned from our distributor in Panama to our wholly-owned subsidiary, increased salaries and wages of \$22.9 million, including incentive compensation, and \$17.9 million in professional fees. In addition, expenses related to our distribution network, including the functions of purchasing, receiving, inspecting, allocating, warehousing and packaging of our products increased \$35.4 million, due to increased shipments, to \$170.2 million from \$134.8 million for 2015 and 2014, respectively.

Other income (expense)

Interest income was \$0.7 million for 2015 compared to \$0.8 million for 2014. Interest expense for 2015 decreased \$1.8 million to \$10.7 million compared to \$12.5 million in 2014. The decrease was primarily due to decreased interest expense of \$1.3 million attributable to reduced interest paid on loans for our domestic distribution center and domestic distribution center equipment. Loss on foreign currency transactions for 2015 increased \$1.2 million to \$6.6 million compared to \$5.4 million in 2014. This increased foreign currency exchange loss was primarily attributable to the impact of a stronger U.S. dollar on our intercompany balances in our foreign subsidiaries. Loss on disposal of assets for 2015 decreased \$0.2 million to a loss of \$0.7 million as compared to a loss of \$0.9 million in 2014.

Income taxes

Our provision for income tax expense and our effective income tax rate are significantly impacted by the mix of our domestic and foreign earnings (loss) before income taxes. In the non-U.S. jurisdictions in which we have operations, the applicable statutory rates are generally significantly lower than in the U.S., ranging from 0% to 34%. Our provision for income tax expense was calculated using the applicable statutory income tax rate for each jurisdiction applied to our pre-tax earnings (loss) in each jurisdiction, while our effective tax rate is calculated by dividing income tax expense by earnings (loss) before income taxes.

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Our earnings (loss) before income taxes and income tax expense for 2015, 2014 and 2013 are as follows (in thousands):

	Years Ended December 31,					
	2015		2014		2013	
	Earnings (loss)		Earnings (loss)		Earnings (loss)	
	before income tax		before income tax		before income tax	
Income tax jurisdiction	taxes	expense	taxes	expense	taxes	expense
United States	\$ 136,726	\$ 52,173	\$ 82,778	\$ 32,500	\$ 38,705	\$ 12,807
Canada	4,228	1,024	6,241	1,572	4,091	1,187
Chile	2,983	572	629	138	9,622	1,920
Peoples Republic of China (“China”)	49,027	11,084				