

BUXTON HELMSLEY

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VIA U.S. REGISTERED MAIL & ELECTRONIC MAIL

September 15, 2023

Board of Directors – All Members
Fossil Group, Inc.
901 South Central Expressway
Dallas, TX 75080

Mr. Randy Hyne
Vice President, General Counsel and Secretary
Fossil Group, Inc.
901 South Central Expressway
Dallas, TX 75080
randyh@fossil.com

Re: Notice of Substantial Ownership and Initial Inquiry – Fossil Group Inc. (the “Company” or “Fossil”)

Dear Fossil Board of Directors (the “Board”):

The Buxton Helmsley Group, Inc. (“BHG” or “we”), a registered investment advisory firm, has begun accumulating a substantial interest in the common stock of the Company through certain of its managed investment accounts. Shortly, and at the appropriate time, BHG intends to begin its filing of public disclosures with the U.S. Securities and Exchange Commission (the “Commission”) our interests in the Company, pursuant to the obligations under Section 13(d) of the Securities and Exchange Act of 1934.

If the Company is not already aware, it should note BHG’s involvement leading up to the bankruptcy filings of Endo International Plc. (formerly, NASDAQ: ENDP) and Mallinckrodt plc. (NYSE: MNK), specifically, leading up to Mallinckrodt’s second bankruptcy filing (very recently) on August 28, 2023. In both instances, the companies filed for bankruptcy protection just over a quarter after BHG had gone public with specifically identified apparent violations of applicable accounting standards and securities laws by these companies. Due to conflicting accounting and financial statements made by the companies, between statements made as part of and outside of filings with the U.S. Securities and Exchange Commission, BHG determined that the companies had implicated themselves in apparent accounting and securities fraud schemes. Indeed, the day after BHG went public with its analysis of apparent material misstatements of financials at Mallinckrodt, class-action securities fraud investigations were announced, and certain class-action lawsuits are now pending. In the case of Endo International, within five days of BHG going public concerning Endo’s apparent accounting discrepancies and refusal to answer BHG’s questions, the Wall Street Journal

reported that the company was under siege by first-lien creditors. BHG was forced to take that public action after Endo's management backed out of its own proposed conference call with BHG. Thus, BHG has a well-established track record of uncovering, identifying and successfully arguing apparent accounting standard and securities law violations. When BHG is forced to speak publicly (when companies refuse to give us answers), there are consequences. While at previous companies that BHG and certain of its investors held a financial interest in (including Endo and Mallinckrodt), we were forced to initiate public campaigns and discuss serious alleged violations of applicable accounting and securities regulations, we do not believe that will be required in the case of this Company and sincerely hope that belief will remain intact.

Given our financial interest in the Company, and prior to accelerating our accumulation of the Company's common stock, we have a few questions we would like answered. We request an initial response to this letter within ten (10) business days of the date of this letter (by September 29, 2023). Many of these questions should not be difficult to answer. Accordingly, we encourage the Company to be forthright in its answers. We hope the Company will agree with us that investors deserve direct answers.

1. Within the Company's recent Form 10-K filing on March 9, 2023, it is stated that part of the Company's accounting policy is that "an impairment loss is recognized for the amount that the asset's book value exceeds its fair value." **Has this accounting policy been complied with in all periodic filings of the Company with the Commission?**
2. The Company is subject to Regulation S-X of the U.S. Securities Act of 1933, as amended ("**Regulation S-X**"). Pursuant to Regulation S-X § 210.5-02(14), the Company is bound to disclose all accumulated depreciation of property, plant, and equipment assets in its periodic filings with the Commission. **Has the Company disclosed all material accumulated depreciation of such assets within its historical periodic filings with the Commission (to ensure that the "property, plant, and equipment – net of accumulated depreciation" line item on the Company's balance sheet is truly "net" of depreciation, representative of the *present* fair value of those assets, and not an unrealistic excess amount of the *historical* cost basis)?**
3. **Does the Company agree that it has charged off any material excess carrying values of assets (any carrying values exceeding the true, fair value of assets)?** The answer to this question should be an unqualified "Yes" (given the Company's obligations under GAAP ASC 350/360 and Regulation S-X).
4. **Does the Company, under any circumstances, believe that the open market's valuation of the Company's issued securities gives way to a more reliable measure of the fair value of asset value securing those capital structure interests than what the Company's leadership has already disclosed and certified within its Commission-filed balance sheets?**
5. **Does the Company believe it has any material contingent liability risk?** If there are any disclosures which will assist in answering this question within the Company's recent filings with the Commission, please point out the specific disclosures within any such filings.
6. **Does the Company disagree, under any circumstances, that the fair value of an asset is what a potential acquirer is willing to give for financial consideration for the acquisition of that asset (even in the event of a reorganization, where the reorganization value is based on the same fair value of assets in an orderly (post-reorganization) market, as set forth under GAAP ASC 852-10-05-10)? More specifically, does the Company**

agree that the value of its assets carried on the books of the Company now (outside of a reorganization setting) represents what the value of those assets would be in the event of a reorganization?

7. GAAP ASC 350/360 does not provide a basis for a delay in the accrual of asset value impairment (with Regulation S-X independently reinforcing the requirement of immediate disclosure of asset value impairment/depreciation). However, where an asset's carrying value (on the books of a company) exceeds its fair value, such an asset's value carried on the books of the Company – in accordance with GAAP – may not be marked up (to report a market value gain) where the asset's fair value may be observed to have risen above the carrying value (e.g., the fair value of a physical building/structure carried on the books of the Company may actually have a higher fair/market value than the asset's value carried on the books of the Company). **Does the Company believe the fair value of any material property, plant, and equipment assets to be materially higher than the carrying value of those assets on the books of the Company (those carrying values reported in periodic filings with the Commission)?**
8. Liquidity is understandably a concern for investors at all times (at even the healthiest and most thriving enterprises), but proactive liquidity management is imperative to long-term success and investor confidence (and therefore, valuations assigned to a company's traded securities). The Company's present credit facility is tied to only certain balances of the Company's assets. **Is there any reason the Company has not entered into a secured revolving credit facility tied to the overall debt-to-capitalization ratio of the Company (whether in addition to the existing credit facility or to replace the existing credit facility and unlock further liquidity)?** We note that, if the Company were to engage a revolving credit facility based on an 85-90% debt-to-capitalization covenant, the Company would unlock an additional \$200+ million in available borrowing (based on the Company's latest Commission-filed balance sheet). If the Company is disclosing all accumulated depreciation of non-current assets (as it is obligated to under GAAP and Regulation S-X), the Company appears to have excess liquidity not being proactively unlocked. Open market valuations of a Company's securities are inevitably affected by a lack of proactive liquidity management, so we hope the Company will appropriately respond and timely act upon this item.
9. The Company's preferred equity securities (maturing 11/30/2026) are trading at a material discount to their face value. **Under what circumstances does the Company see itself as unable/unwilling to repurchase those securities, to strategically deleverage for the benefit of common stockholders? Is there any reason that the Company would not be willing to enter into a trading arrangement under Rule 10(b)5-12 for the purpose of continuously repurchasing those preferred equity securities (that is, while those securities continue to trade materially enough below par value)?** As a side note, through the prior-mentioned implementation of a secondary revolving credit facility (based on the Company's debt-to-capitalization ratio), the Company could also strategically deleverage and (immediately) unlock further borrowing availability by repurchasing its preferred equity securities trading at a discount to their face value (in other words, at the same time of repurchasing preferred equity securities at a discount, and thereby adding asset equity value to the Company's balance sheet through such strategic deleveraging at a discount, the Company would then immediately/simultaneously benefit from that added borrowing power under the proposed credit facility tied to the Company's overall debt-to-capitalization ratio, rather than the existing credit facility that merely leverages the value of only certain of the Company's assets).

10. The Company's common stock is also trading at a considerable discount to its certified floor for net asset value ("shareholder's equity") on the books of the Company, beyond the Company's preferred equity securities. **Along with repurchases of the Company's preferred equity securities, would the Board be opposed to the engagement of a simultaneous repurchase (material, but sensible, and not to the extent of the proposed preferred equity repurchases) of the Company's common equity securities (holding those repurchased securities in treasury reserve, for later possible at-the-market re-sale, if seen as prudent and advantageous based on later possible overvaluations in the open market for those securities)? If opposed, why?** It should also be noted, prior to your answer to this numbered item, that the market capitalization for the Company's common stock securities is sitting at *just over* the mere forecasted operating margin optimization (as disclosed on August 9, 2023, approximately \$100mm) as part of the Company's just-announced "Transform and Grow" initiative. In essence, purchases of common stock at this level give virtually no consideration to any forward earnings beyond the mere profit enhancement over the next year (given the Company has stated it believes most of the operating margin enhancement will come to fruition by the end of 2024); that is, while the Company's current stock price also fails to reflect over \$200mm in certified net asset value.
11. We note that the Company's Board has an active, already-approved common stock repurchase program, though no shares have been repurchased under that program over the past twelve months, even as the Company's stock is now trading at a considerable discount to its certified book value. **Why should public investors be confident enough to purchase the Company's stock at such a discount, if the Company itself is unwilling to – on any level – purchase its shares at such a discount to the certified value of equity?** (Again, we assume the Company is disclosing all accumulated depreciation of assets, as it is obligated to do under GAAP and Regulation S-X – the Company already has affirmed that it writes off the carrying values of assets in excess of the actual fair value, as cited earlier.) This suggestion should not be taken (nor, should anything within items 9 and 10) to be recommending reckless capital allocation and balance sheet management decisions. We specifically note that item 9 should take priority over item 10 (that is, to incrementally deleverage the balance sheet for the benefit of long-term shareholders). Each of points 9 and 10 have a spectrum of increments in which they can be engaged. Any capital allocation of an investor too far into the spectrum would, indeed, be reckless. Though, again, why should an investor purchase a company's securities trading at such an attractive discount to book value, if even the company itself is not willing to put a dollar behind those shares. The confidence of investors (especially, when it comes to the strength of a company's balance sheet) depends – to a large degree – on a company's actions, and how much the company, and its insiders, "put their money where their mouth is", when it comes to what they are publicly disclosing to investors (including, as part of the Company's Commission-filed balance sheets). A company should also be operating under the investing ideal of "buy low, sell high", and it becomes puzzling when a Company appears not to be interested in its own securities – on any level (again, the Company has not made a single share repurchase over the past twelve months) – at such a steep discount.
12. The Company's insiders (including this Board) have made no open market purchases of the Company's common stock over the past 3 years. **Why should public investors be confident enough to purchase the Company's stock, if its own insiders do not have the confidence to invest even a nickel of their personal funds in the Company's stock?** (The stock of insiders retained as a result of grants does not illustrate the same level of confidence in the integrity of the Company's Commission-filed balance sheets as those stock

holdings resulting from an insider's open market purchases with their own funds.) We suggest that the Company's Board definitively illustrate their confidence in the Company's balance sheet (and ability to execute its recently-announced "Transform and Grow" initiative) over the next weeks/months, leading up to the next annual meeting of the shareholders; that is, with the members of this Board purchasing a material amount of the Company's securities with their own funds. It is concerning that BHG has a beneficial interest in this Company's stock more than every member of this Board, apart from Mr. Kartsotis (though, upon even our initial Schedule 13(d) filing, that will likely change).

13. As you know, the Company underwent an internal restructuring beginning in 2016. **As a result of that restructuring, what percentage of Fossil retail locations (locations open as of the last quarter) have produced a net profit over the trailing twelve-month period preceding this letter? Are those stores unprofitable enough to be shuttered as part of the recently-announced "Transform and Grow" initiative?** We note that the Company recently announced basic details of its transformation initiative/plans, so we are looking for any additional possible color the Company may be able to provide here.
14. **Is the Board open to (and willing to publicly commit to, as a firm indication of dedication to shareholder interests) proactively fielding interest in a possible acquisition of the Company by entities with clear possible synergies?** To name just one entity with possible synergies and customer overlap which would allow for strategic cross-selling, EssilorLuxottica (or, sometimes referred to as "Luxottica"). Further, it is possible certain customers that have licensing agreements with the Company could be interested in acquiring the Fossil product line and its timepiece manufacturing facilities (for enhanced profit, given the ability to circumvent such a brands' existing licensing agreement). We believe the Board will agree that interest in the Company should be proactively explored, at a time of uncertainty in the financial markets, to protect the Company's shareholders from possible future incremental dissipation of leverage in such a potential transaction. We believe the Board will agree that the Company should consider fielding any possible interest only after proactively unlocking further borrowing power over its asset equity value (and engaging in sensible, but material repurchases of the Company's securities), to maximize the valuations of the Company's common stock prior to such a possible solicitation of interest in the Company.

We lastly point out that the Company, within its most recent periodic filing with the Commission, stated:

"We believe cash flows from operations, combined with existing cash on hand and amounts available under our credit facilities will be sufficient to fund our cash needs for the foreseeable future, not including the maturities of long-term debt."

What steps is the Company taking to assure long-term shareholder value, to proactively address its long-term indebtedness and maximize its free cash flow (including the steps proposed within the numbered items above)? With respect to the periodic filing quote above, we agree with that assessment of capital and liquidity adequacy, and expect the Company will not cease its upholding of obligations related to long-term debt until (a) such maturities are imminent; (b) the Company has reached out to investors, including BHG; (c) the Company has exhausted the financial resources available via its shareholders, including BHG; and (d) the Company has taken the steps its shareholders expect to make full good-faith efforts to preserve/maximize value throughout the entirety of the capital structure (including an attempt to sell the Company's equity). This said, the Company has more than enough time – leading up

to its nearest-maturing indebtedness (November 2026) – to proactively address those “long-term debt maturities”, in the midst of such “sufficient ... cash needs for the foreseeable future”.

* * *

It is not the intent of BHG, but instead its mere realistic understanding, that the answers to these questions may require broader disclosure than a private letter response, given the provisions of Regulation FD (specifically codified at 17 C.F.R. § 243). Given our interest in continued accumulation of the Company’s common equity securities, we are of the general position that we would like to avoid the private exchange of any information that would restrict our trading in the Company’s securities. We, therefore, understand if the Company decides to file this letter and the Company’s response as part of a Form 8-K filing with the Commission. That all said, we remain open to discussion if the Board should possibly want to avoid broad disclosure and to enter into an agreement with BHG, in the best interest of the Company and its shareholders.

Given that some of these questions should be easily answered (merely affirming compliance with accounting standards and securities laws, largely), we – again – expect an initial response to this letter within ten (10) business days. If certain questions require further time to respond to, we request that the Company’s responses be delivered to BHG on a rolling basis.

For the avoidance of doubt, we have not (as of this letter) found any compelling reason to seek any representation on the Board, or to displace/replace any members of this Board (though, the Company’s manner of response – or lack thereof – to this letter could change that). We sincerely hope the Board will ensure that the Company responds in a way its shareholders would expect, and hope that the Board will choose to voluntarily carry out clearly advantageous initiatives to protect and maximize long-term shareholder interests. We have no doubt our fellow shareholders would deem the propositions herein just that.

We look forward to the Company’s response, with appreciation of your time and attention.

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'AEP', followed by a long horizontal flourish.

Alexander E. Parker
Senior Managing Director
The Buxton Helmsley Group, Inc.

Fossil Group, Inc., et. al.

September 15, 2023

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CC: Mr. Kosta N. Kartsotis
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