BIRD Q4 2022 Earnings Call Prepared Remarks

Operator
Good afternoon, ladies and gentlemen, and welcome to the Allbirds fourth quarter 2022 conference call. All participants have been placed in a listen-only mode. After management's prepared remarks, there will be a question and answer session, at which time instructions will follow. Now I would like to turn the call over to Katina Metzidakis, VP of Investor Relations & Business Development at Allbirds.

Katina Metzidakis
Good afternoon, everyone and thank you for joining us. With me on the call today are Joey Zwillinger and Tim Brown, Allbirds's co-founders and Co-CEOs, and Mike Bufano, Allbirds's Chief Financial Officer.

Before we start, I'd like to remind you that we will make certain statements today that are forward-looking within the meaning of the federal securities laws, including statements about our financial outlook, including cash flow and adjusted EBITDA expectations, Q1 guidance targets, impact and duration of external headwinds, simplification initiatives, strategic transformation plan and related planned efforts, go-to-market strategy, expected profitability and cost savings, product plans and expectations, and other matters referenced in our earnings release issued today.

These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially. Please also note that these forward-looking statements reflect our opinions only as of the date of this call, and we undertake no obligation to revise any statements to reflect changes -that occur after this call. Please refer to our SEC filings, including our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, for a more detailed description of the risk factors that may affect our results.

Also, during this call, we will discuss non-GAAP financial measures that adjust our GAAP results to eliminate the impact of certain items. These non-GAAP items should be used in addition to and not as a substitute for any GAAP results. You will find additional information regarding these non-GAAP financial measures, and a reconciliation of these non-GAAP measures to their most directly comparable GAAP measures to the extent reasonably available, in today's earnings release. [During today's call we will also be referring to our Active Customers. Active Customers are defined as the total number of unique customers who have made at least one purchase in the preceding 12-month period, measured from the last date of such period.] A supplemental slide presentation is also available in the "Investors" section of Allbirds' website.

Now, I'll turn the call over to Joey to begin the formal remarks.

Joey Zwillinger
Thanks Katina and good afternoon everyone.

2022 came to a challenging close as we ended the year below our guidance range, ending the year with nearly $300 million in net revenue, representing 7% YOY growth or 10% excluding an $8 million impact related to FX. Our adjusted EBITDA for the year was negative $60 million which includes a $17 million impact primarily associated with the previously announced discontinuation of certain first generation apparel. Like the industry, we were impacted by weakened consumer demand – but we also made some strategic and executional missteps that impacted results.

The most important thing we want you to hear from us today is that we know we need to improve performance, in particular, our path towards elevated and sustained operating margins – and the set of actions we will outline today strive to do just that. We're announcing new transformation initiatives designed to get the business back on track with an emphasis on profitable growth. But before we talk about where we're going, let's talk about how we got here.

In our first full year as a public company, we made important progress. We launched new materials innovations such as swift foam and plant leather, built third party selling relationships with Nordstrom, REI, Scheels and Dick's Sporting Goods, executed on our Simplification Initiatives, and added key leadership at the management and Board level. And we did all of this while remaining true to the sustainability principles upon which we were founded. These achievements will be important to our future success.

However, in this journey, we also made some missteps:

1) We overemphasized products that extended beyond our core DNA, and as a result, some products and colors have had narrower appeal than expected.
2) Because we were spending significant time and resources on these new products that did not resonate well, we under-invested in our core consumers' favorite products.
3) Finally we did not increase our brand awareness to the level that we anticipated.

In essence, over the past couple years we shifted our focus away from our core consumer, and we must refocus sharply on this large and attractive group.

Taking a look at Q4 specifically, this dynamic was exacerbated by the fact that the final weeks of December were exceptionally promotional, and we did not sufficiently promote to meet consumers' expectations. As a result, Q4 was the first quarter of negative growth in our history. We are disappointed with these results, and we know that as we look ahead, the status quo is not enough.

In response to these challenges, today we are outlining four areas of focus as part of a strategic transformation designed to drive growth, expand gross margins, and transition to an asset- and opex-light model that will enable us to reconnect with our core consumers and meet new consumers, in a capital efficient manner. To support this effort, we hired a Chief Transformation Officer named Jared Fix at the end of last year; Jared brings significant experience driving operational improvement across organizations in consumer-facing industries.

Importantly, the initiatives we are announcing today represent the first step, and will continue to evolve as we chart the path forward. There are four key areas of focus:

1) Reignite product and brand – with a more focused product strategy that will enable us to reconnect with our core consumer and better appeal to new consumers;
2) Slow the pace of Allbirds store openings in the U.S., and continue to partner with third party customers to enhance brand awareness and drive sales;
3) Evaluate a transition of our go-to-market strategy in certain international markets to a distributor model to reduce opex and overall complexity, while enhancing focus on our core North America market; and,
4) Enhance gross and operating margins by building upon, and further accelerating the cost and cash optimization work we began in mid-2022.

I'll now dive into each.

The first initiative centers on reconnecting with our core consumer, and driving brand momentum through product and marketing. Just 6 years ago we created an amazing brand which achieved an incredible level of commercial success due to our unique value proposition: thoughtfully designed, naturally derived, comfortable athleisure footwear. Roughly 2 years ago, and after a period of considerable growth, we made a decision to diversify our product beyond the core DNA of what has made us one of the most beloved brands in footwear in an effort to reach a younger, fashion-forward and performance-oriented consumer. We over-invested in seasonal trend colors and new silhouettes, like the Pacer and the Flyer, and while we created a number of breakthrough material innovations, we have yet to commercialize them effectively. And while these products *did* succeed in attracting new consumers to our brand, they had lower conversion and sell-through than our classic styles across channels. Ultimately, we have come to recognize that our over-investment on newness came at the expense of focus on consumers who are loyal to our brand and on nurturing our core franchises such as the Runner and the Dasher.

We recently conducted a deep consumer study, which confirmed some key insights about our core consumer *and* found that the fundamentals of the Allbirds brand are very strong. For context, our target consumers are fairly evenly split by gender though our core consumer actually skews female relative to industry peers, and are between the ages of 30 to 40. One key takeaway from this study is that we have an opportunity to improve conversion with female consumers, through a dedicated product offering focused on meeting her needs. This is a substantial growth opportunity as we address *her* needs better moving forward. Overall, our consumers lead an active lifestyle, are adventurous, and travel the world. They care about the environment and making a positive impact. They tend to be affluent, and are partial to premium products and brands, and are well-weighted to the general population in terms of geography. Importantly, our Net Promoter Score was the second highest in our peer group. We continue to have a strong level of brand loyalty and satisfaction, with 96% of our shoppers in the past year in the survey stating they would consider purchasing from Allbirds again. Quality, comfort and design are the three key reasons why our consumers recommend our brand. In fact, the primary reason consumers did not make another purchase was that products they wanted were not available - which we believe is a byproduct of our assortment expansion, at the expense of core franchise development. Again, this represents a huge opportunity.

However, this doesn't mean that newness is irrelevant. Yet, while we update classic styles in the near-term, thoughtful innovation and new product introductions beyond our core with more measured buys and marketing investment will remain key to unlocking our full growth potential. One final insight I will share from the study is how we fit into our consumers' lives, and the whitespace in the market that we will target; specifically, we found that products we have categorized as performance can be more effectively positioned by promoting an active lifestyle, as opposed to a technical performance offering.

We have already begun to recalibrate our assortment to increase focus on core franchise management, embracing our Super Natural northstar, and deliberately connecting this to the consumer who we have frankly paid too little attention to over the last two years. We expect to make significant strides by offering a more curated seasonal color offering utilizing a gender-specific color segmentation. We will also leverage our various materials platforms to create embellishments across core franchises. In total, we believe these actions will offer the freshness our consumer wants while increasing SKU productivity. However, during this transition, we do expect to face margin pressure as we utilize markdowns to ensure we recalibrate the line, and move into 2024 with a cleaner inventory position.

Our focused product strategy will be complemented by increased investments into mid-funnel brand marketing, embracing our disruptor position, and differentiated brand purpose that is beloved by our target consumer. We will create values-aligned product and brand partnerships to better integrate our marketing investments, increase awareness growth, and drive sales. And, we will focus a majority of these marketing efforts against core franchises. We estimate Allbirds still has less than 15% aided brand awareness in the US, which gives us an incredible opportunity, reinforced by our consumer insights work. While we are excited about these efforts across product and brand, these initiatives will take time to materialize given the long development lead times in our industry.

Our second initiative is focused on distribution in the US as we work to make stores a more strategic and effective lever to grow our brand. After a year in which we opened 19 new stores in the US, we are significantly slowing the pace of new openings in 2023. This year, we plan to open 3 stores in the US against leases signed in early 2022, and rebalance our focus from opening new stores towards driving profitability and new customer acquisition from our existing fleet, including the roughly half of our US stores that have been open for less than a year.

We continue to view stores – both owned by Allbirds and leveraged through third party partnerships – as critical to reaching new consumers and increasing penetration of valuable omni channel consumers. Our insights work over the past months has demonstrated that the shoppers in our stores are less price resistant and continue to drive the omni-channel shopping behavior, our most profitable consumer journey. However, we must drive more foot traffic to our stores, and increase engagement once shoppers enter our four walls. We plan to drive traffic through an increased store marketing investment, including omni-channel opportunities focused on our most engaged consumers. Additionally, we intend to increase conversion through region-specific merchandising, improved store navigation, and enhanced associate training so that every consumer entering our stores enjoys an experience matched to their high intent.

To support this effort, we have appointed a new Head of Stores for North America with over 15 years of retail experience working with brands such as Athleta and Under Armour. She is already making steady progress against our most significant areas of opportunity.

Like our direct store channel, we believe our third-party strategy helps us achieve similar objectives, including increasing brand awareness and adding new consumers to our ecosystem. We are encouraged by early activations in REI, Dick's Sporting Goods, Nordstrom, and Scheels, which have demonstrated solid sell throughs on core franchises. Looking ahead, we plan to continue our measured expansion within our current partners, and will evaluate expanding to new premium partners in the future. Though still in early days, we feel good about the progress in this channel and the relationships we are building with our partners and consumers.

Our third initiative encompasses an evaluation of our international go-to-market strategy, and could be the most significant shift of our four key focus areas. To be clear, international growth remains vital to achieving our long-term goals, but we believe a pivot in how we go to market may be necessary to reduce complexity and grow our international business with efficient use of opex and capex, creating greater flow-through to the bottom line. In many of the markets in which we operate, we have excellent brand positioning and solid growth, yet remain subscale. Japan is a great example of the strong brand position where we have seen more than 50% organic growth thus far in Q1. We believe that potentially transitioning the go-to-market strategy in certain markets to partnerships with distributors could unlock profitability and inventory efficiency in these regions, while also reducing complexity in our US headquarters. Said another way, we are ultimately seeking higher quality revenues, even if that impacts sales growth in the short-term. As we evaluate this go-to-market shift, we will speak to distributors with a long track record of embracing the core DNA of partner brands, while effectively localizing into their markets. Even in regions where we may shift the distribution strategy, we will work to maintain the option to reclaim direct operations over time.

The fourth, and final initiative targets cost savings and capital efficiency. This builds upon and further accelerates the cost and cash optimization work we started in the middle of 2022. To highlight a few of these changes, we plan to fully transition footwear production to our new manufacturing partner in Vietnam by Q4 this year, and are already seeing higher quality products with materially lower costs coming off the line. We have also enhanced our strategic sourcing program to drive increased profitability through optimized materials costs. As we enhance SKU productivity with our sharpened focus on products that celebrate our core brand DNA, we expect additional cost benefit from downstream logistics. We have identified several additional areas for SG&A savings and cash optimization opportunities, which Mike will walk through in a moment.

To deliver against these initiatives, we have made a number of changes to our leadership team. We previously announced the expansion of Kate Ridley's role to encompass both Brand and Product. Kate has deep roots in the footwear industry, including more than two decades at Adidas, and we have already seen the impact of her experience as we recalibrate our product portfolio and integrated marketing approach. We have also eliminated our Chief Commercial Officer role and have shifted to a regional focus with an omni-channel North America structure reporting directly to executive management. On our Board of

Directors, we welcomed Ann Freeman back in August, an industry veteran with over 25 years of experience from Nike. And, we recently added Eric Sprunk as a Board advisor, whose leadership and decades in the footwear industry, including his tenure as Nike's COO, are catalyzing positive momentum internally.

Finally, as we announced earlier today, this will be Mike's last earnings call as our CFO – I want to take a moment to thank him for his partnership with Tim and me, the Executive Leadership Team, and the Board throughout the process of becoming a public company just over a year ago. We appreciate all Mike has done in setting up a strong finance organization within the company, and know he'll help ensure a smooth transition. Mike, it has been a pleasure working with you, and we wish you the very best.

As we look ahead to Allbirds' next chapter, we're thrilled to announce that Annie Mitchell will join us as our CFO in late April. Annie is a proven finance executive who is wrapping up her role managing finance and insights for Gymshark, North America, and was previously SVP of Finance and CFO of adidas, North America. Annie's deep functional expertise paired with her industry experience will be vital as we execute against our transformation strategy, and deliver on our performance goals. We have continued to deepen our bench with talented executives who bring extensive footwear industry experience, proven leadership capabilities, and a hunger to drive improvement across our organization.

Many of the changes I've outlined will take time, and 2023 will be a transition year, which should set us up to significantly improve profitability in 2024. Against the backdrop of our transformation work, most notably the timing and implications of potential changes to our international business, coupled with the uncertain macro environment, we are providing only quarterly guidance today.

Year-to-date results have trended similar to Q4, with sales down in the high teens, coupled with gross margin erosion from price action we've taken primarily on end-of-season styles.

Excluding the impact of any potential international transition, over the course of 2023, we are not planning for any improvement in current demand trends. Similarly, we expect gross margin pressure to continue as we use markdowns at a more elevated level than is typical in order to enter 2024 with a healthy mix and size of inventory.

Overall, the strength of the Allbirds brand, coupled with our experienced and deeply committed team, gives us confidence in our ability to reaccelerate growth beginning in 2024. In the short-term, we are laser-focused on managing cash and getting to profitability, and expect the actions we're taking to help us capitalize on significant revenue and margin expansion opportunities in 2024. As we look further down the line, we expect to achieve cash flow profitability and positive adjusted-EBITDA in 2025.

We want you to know that management is fully aligned and energized by the opportunities to transform and reinvigorate our brand. As we work to achieve our goals, the members of our executive leadership team will not receive a 2022 performance-based bonus, and we have all reduced our 2023 base salaries. In addition, our company-wide 2023 incentive structure has been revised to closely align with the four initiatives I described.

Transformations like this take tremendous discipline and focus, and I want to specifically recognize the incredible members of the Allbirds Flock for supporting this effort. Since day one, Allbirds has had an incredible culture rooted in a deeply held commitment to our business, our consumers, and our products. As we've grown and evolved over the years, our goal to prove that comfort, great design, and sustainability don't have to be mutually exclusive, has remained at the center of everything we do. I know that will continue in the months and years ahead.

With that I'll turn it over to Mike to give additional details on Q4 and our plans for the year.

Mike Bufano

Thanks, Joey, both for the kind words and for your partnership over the last two years. Allbirds is a special company with a unique mission, so this was not an easy decision on my part. I appreciate how you, Tim, and the Board have been working closely with me in a highly collaborative way to facilitate a seamless transition.

Before walking through the P&L, I would like to highlight that we have added both a restructuring and an impairment line to the income statement. In 2022, in restructuring, we are capturing costs associated with our previously announced Simplification Initiatives. In impairment, we are reflecting a charge related to store assets in China that were impacted by COVID-related closures. Going forward, we plan to use the restructuring and impairment lines in the income statement to reflect costs associated with our strategic transformation.

Also, in light of the strategic transformation, and in order to align with views expressed by members of the staff of the SEC following the receipt of a routine comment letter in December, we are no longer excluding from our Non-GAAP measures the revenue and cost of revenue associated with the previously announced discontinuation of our first generation apparel business. Our guidance targets for Q4 net revenue and Adjusted EBITDA loss did exclude these items. The impact of this change compared to our guidance targets was an increase to Q4 Revenue of $1.5M, a decrease to Q4 gross profit of $3.5M, and an increase to Q4 Adjusted EBITDA loss of $3.5M. After factoring in the impact of this change, Q4 adjusted EBITDA was only slightly below guidance, on an apples to apples basis.

And that's a good transition to Q4, where the headline is that sales were disappointing, but we were able to offset most of that decline in the middle of the P&L, thanks to the positive impact of our Simplification Initiatives and tight cost management.

When we last spoke with you in early November, we identified potential headwinds and tailwinds as we headed into our peak season. At that time, Q4-to-date sales had been trending negatively but we believed that we would get back to flat as consumer spending patterns shifted to a more normalized holiday cadence and as our holiday marketing campaign, product news, and promotions kicked into gear.

After achieving strong results during Black Friday Cyber Monday week, sales growth turned negative again over the last few weeks of the year. Joey outlined the drivers earlier, but I would like to provide more color on markdowns. As a young and premium brand, we chose not to chase to the bottom with markdowns in Q4. Inclusive of elevated discounting in Q4, our full price sell through was approximately 85% for the year, in line with our expectation for 80-85% full price sell through and well above the industry average.

Looking at Q4 Sales through a customer lens, we experienced weaker than expected new customer acquisition and repeat purchase behavior which resulted in an (11)% decrease in active customers. From a geographic and channel lens, the US business was weak, down (14)%, driven by digital softness which fully offset the positive impact of retail, which grew 8% in the quarter and Third Party, which was a mid-single digit percent of our sales mix in Q4.

Again, we were able to make up most of the sales miss thanks to the positive impact of our Simplification Initiatives and tight cost management. Going a little deeper:

- Gross Margin was down vs Q4 2021, driven by the previously announced discontinuation of certain first generation apparel, as well as increased promotions, and was partially offset by COGS savings related to our Simplification Initiatives. Indeed, since Q2 2022 when we announced our Simplification Initiatives, on a per unit basis, we have begun to see a mid-teens % decrease in US warehousing costs and a nearly 40% decrease in US returns processing costs.
- In addition, the transition to our new manufacturing partner remains on track. The first few products have been transitioned and we are seeing the expected savings in product cost out of the factory. We expect the savings to start showing up in the P&L in 2023 before fully flowing through in 2024.
- Moving down the P&L, we chose to reduce marketing spend year over year in Q4, given the highly promotional holiday environment.
- Finally, as sales trended negative, we significantly reduced discretionary SG&A spend, which helped the quarter.
- Looking at 2022 as a whole, the corporate SG&A component of the Simplification Initiatives reduced run rate spend by approximately $5M in 2022, in line with our expectations. We are on track to deliver the previously communicated target of $13M - $15M of annualized savings in 2023.

Moving to our balance sheet, inventory was down (8)% sequentially from Q3, but up 9% YoY as a result of the slower sell through of new products and colors launched in H2. That said, I do want to highlight that YOY inventory growth slowed every quarter this year.

Cash burn was $13.6M in the quarter, continuing the quarter over quarter trend of a slowing rate of cash burn. I'll share more about cash and inventory management in a moment as I walk through the financial impact of our strategic transformation.

Turning quickly to our Q1 guidance targets, we are targeting: total company net revenue between $45M and $50M, a decrease of (20)% to (28)% year over year, and down (9)% to flat on a two year basis, and we are targeting an adjusted EBITDA loss of negative $(29)M to negative $(26)M.

I'll now provide an overview of the financial implications of our strategic transformation. As Joey said earlier, we intend to significantly reduce operating complexity and costs, in addition to focusing on higher quality revenues. I'll take a few minutes to discuss the financial implications of each of our four key focus areas.

Regarding the first initiative, centered on product and brand, there are three implications:

- One, we plan to spend additional US marketing dollars on a year over year basis in 2023 to support our brand, including additional spend for store marketing.
- Two, over time, our sharpened focus on products that celebrate our core brand DNA should help improve SKU productivity.
- Three, given the time it will take to recalibrate our product line, in 2023, we anticipate that gross margin will be negatively impacted by significant discounting of the slow-moving products and colors we launched in H2 2022, including the potential for modestly above-cost liquidation. We are committed to bringing down inventory through 2023 as part of this reset.
- We plan to measure the success of this initiative by tracking our aided brand awareness in the US and the percent of our sales coming from core franchises and expect to provide periodic updates on how these metrics are trending.

Turning to the second initiative, we continue to believe that increased store-based distribution in the US will allow us to grow brand awareness and acquire new customers in a way that leverages our marketing spend.

- Over the next two years, we plan to continue to grow our third party business, and over the next 12 to 18 months, significantly slow the pace of new openings of Allbirds stores. Taken together, we expect this approach will likely be gross margin dilutive, adjusted EBITDA margin accretive, and more capital- and SG&A-efficient.
- At the same time, we are focused on increasing productivity within our current store footprint as Joey outlined earlier.
- In 2023, we expect this channel mix shift to be a drag on year over year Gross Margin.
- In 2023 and 2024, with fewer planned Allbirds store openings, we also anticipate lower capex spend and less SG&A drag from pre-opening and ramp up expenses.
- We plan to measure the success of this second initiative by tracking owned store operating metrics, as well as our number of third-party doors.

Shifting gears to our third initiative, we believe that a potential change in our international go-to-market strategy could have the biggest impact on our financial profile.

- Although we are evaluating different scenarios, a switch to a partnership model with distributors for certain markets would lead to less revenue on our P&L on an apples-to-apples basis, but it will be higher quality revenue with greater flow-through to the bottom line.
- If we switch to a partnership model with distributors in certain markets, gross margins in those markets are expected to be lower, but we believe that will be more than offset by reduced market-specific marketing expenses and SG&A expenses, as well as reduced SG&A at HQ.
- Lastly, we believe a potential change in international go-to-market will improve our balance sheet, as we will carry less inventory and will require very little capex to support future International growth.

- It is still early on in our evaluation process for a potential shift in our international go-to-market strategy, and we expect to provide updates on our discussions with potential partners.

That brings us to our fourth and final initiative, delivering profitable growth by building upon the cost and cash optimization actions started as part of our Simplification Initiatives. We made notable progress in these areas in 2022, which gives us confidence that we can accelerate cost savings across several areas going forward:

- First, we expect to continue to reduce COGS through our previously announced manufacturing transition. In addition, as part of our transformation plan, we are enhancing our strategic sourcing program, as well as optimizing the use of materials across products.
- Second, we expect our sharpened focus on product and brand marketing that celebrates our core DNA will unlock supply chain and logistics savings through improved assortment productivity.
- Third, we will continue to leverage savings in warehousing and logistics generated by the Simplification Initiatives.
- Fourth, we expect to make additional SG&A reductions of $15M-20M through the actions we are taking across the other three initiatives.
- And, fifth, we anticipate that operating cash flow will continue to improve through these first four actions, as well as our enhanced cash management activities, particularly tight inventory management.
- We plan to measure the success of this initiative by tracking our landed product margin out of the factories as a % of product MSRP, as well as Direct Business Gross Margin, and SG&A as a % of sales and expect to provide periodic updates on how those metrics are trending.
- To summarize the cost savings actions, while there is still much work to do, we are targeting savings of $35M - $45M over the next three years, made up of Cost of Goods savings of $20M - $25M and SG&A savings of $15M - $20M.

Going a little deeper on cash, I'd like to discuss the implications of these changes for our cash position and how we have best positioned ourselves to have no additional need for capital in the foreseeable future.

- We continue to tighten new inventory buys. Coupled with the actions we're taking to move through the inventory of H2 2022 launches, we expect to leave 2023 with lower inventory on hand.
- With fewer new Allbirds store openings, our 2023 capex is expected to come down to between $10M - $15M.
- On the cash management front, we have updated our investment policy and have kicked off working capital improvement initiatives.
- Finally, we have just put in place an LOI with JP Morgan to extend and upsize our undrawn revolver, which when amended, would extend the maturity through 2026 and provide us with access to up to $50 million of committed liquidity and the option to request an upsize to $100 million.
- When combined with the approximately $167M we had in cash on hand at the end of Q4, this new facility puts us in a strong total liquidity position.

Bringing the financial implications of the strategic transformation together, in 2024, we expect to begin to see the P&L benefits and a new financial profile for Allbirds to emerge, one which requires less capex and

SG&A to grow, and with better flow through from top line to bottom line, especially as revenue re-accelerates.

Finally, I want to wrap up with some personal remarks, as my decision to leave Allbirds was not an easy one.

- First, it has been a pleasure to work with our investors and analysts. You have all provided great perspective on the business and I value the relationships we've built.
- Second, Allbirds is a unique company, with a Flock dedicated to the company's important mission and to making and selling great products that customers love. That is especially true of the great team I've built and led over the past two years.
- Third, I welcome Annie to the Flock and look forward to supporting her as she comes on board. This moment of transformation for the business provides a natural transition point, which factored into the timing of my decision. I believe Annie will hit the ground running and be successful in the role given her industry experience, the great team she will now lead, and the work we've done around the cost savings initiatives and the company's capital structure.
- Finally, I continue to believe the company has great opportunities ahead and look forward to following the company's success. As I turn the call over to Tim, I would also like to thank Tim for inspiration and friendship the last couple years and the rest of the executive team for their partnership in our time working together.

Tim Brown

Thanks Mike, and thank you for your partnership and contributions to Allbirds.

You've heard us share today a clear plan for reigniting growth across our company. We are an innovative organization and, in many ways, this effort is not dissimilar to how we think about innovation itself. Innovation is the search for new solutions. Sometimes these solutions are unique, other times they're a reconstitution of things that we already know, but in all cases they require taking a step back and looking at things differently. And that's what we're doing as we launch Allbirds' strategic transformation plan.

This plan is about taking a fresh look at how we deliver on our commitment to develop premium, differentiated, and sustainably-built products, so that we can better connect with our core consumer and reignite growth.

A key role I am playing in this work is getting back to my roots evangelizing our brand. We have always believed that serving as a force for good for the planet is not only the right thing to do, but it also makes Allbirds a more enduring business for the long-term. As we enter this next chapter, I am deeply passionate about helping to define the future of our approach to sustainable innovation in footwear and raising the standards for others across the retail industry.

I am equally focused on building a thriving culture at Allbirds. As you all know, Joey and I founded this company with a mission to create better products in a better way – and we did that by bringing a group of incredibly talented and passionate people together. Our shared commitment to our values has unified our team as we've grown and evolved the business over the years, and will continue to serve as our north star as we work to refine our operations and strategy.

We've learned a lot over the last year, and are confident that the initiatives we announced today are the right ones to get Allbirds back on track. We are still in the early innings of our journey, but I firmly believe that the core foundation of this 100 year brand is as strong as it has ever been, and our mission has never been more relevant. I know that the Strategy outlined today is the right one for us and I am thankful that our team has embraced this pivotal moment with such enthusiasm.

With that, I'll hand it back to the operator for Q&A.

****** Q&A*******

Joey Zwillinger

Thank you for joining us today. Our team is energized and aligned by where we need to go and how to get there. The changes we announced today are substantial, and much of the work will take time, but we are committed to getting this right to create value for our shareholders. On behalf of the entire Allbirds team, I want to thank the investors and the analyst community who believe in the foundation of this brand. We look forward to updating you on our progress in future quarters.