

Allbirds
Q2 2025 Earnings Call Prepared Remarks
Thursday, August 7, 2025

Christine Greany, Investor Relations:

Good afternoon, everyone and thank you for joining us. With me on the call today are Joe Vernachio, CEO, and Annie Mitchell, CFO.

During this call, we will be making comments of a forward-looking nature. Actual results may differ materially from those expressed or implied as a result of various risks and uncertainties. For more information about these risks, please review the company's SEC filings, including the section titled Risk Factors in our Report on Form 10-Q for the quarter ending March 31, 2025, for a more detailed description of the risk factors that may affect our results. These forward-looking statements are based on information as of August 7, 2025, and except as required by law, we assume no obligation to publicly update or revise our forward-looking statements.

Additionally, we will be discussing certain non-GAAP financial measures. These non-GAAP financial measures are in addition to and not a substitute for measures of financial performance prepared in accordance with GAAP. A reconciliation of our non-GAAP measures to the most directly comparable GAAP measures can be found, to the extent reasonably available, in today's earnings release.

Now I would like to turn the call over to Joe to begin the formal remarks.

Joe Vernachio, CEO:

Good afternoon everyone, thanks for joining us today.

We're pleased to conclude the first half of the year well positioned for what's ahead. Our operating and financial results reflect strong execution among our teams and continued progress on our path to reignite the Allbirds brand. In the second quarter, we delivered top line results at the high end of our expectations, and adjusted EBITDA exceeded our guidance range.

The pace of change and the progress we've made over the past several quarters is significant and has set the stage for growth. Over the past year, we've been focused on strengthening the foundation of our business – making it leaner, more efficient, and better positioned for long-term success. And most recently, we took actions to enhance our financial position. With that groundwork firmly in place, we've reignited the engine that powers our future: product, marketing, and the customer experience. What's now coming to life is a carefully sequenced strategy to reintroduce Allbirds – starting from our roots and building toward a clear, reimagined future as a modern lifestyle footwear brand. Beginning this month and continuing through the end of the year, we plan to drop new products every month and introduce new marketing content every week. We are confident in what the future holds as we turn the page on a new era

of growth. The current macro environment creates some uncertainty around consumer spending - but it does not change our conviction in the work we have done and the compelling product, marketing and customer experience we're bringing to the market.

The reintroduction of our brand, our products and our new sensibility began in earnest in July. We started with the Tree Runner NZ – an improved version of our best-selling style. Familiar, but better. Alongside it, the Cruiser, brand new, and also crafted from our signature, eucalyptus-derived Tree material. Shoes for people on the move, traveling in the hot weather, chasing summer daylight.

Just this week, we returned to our roots, retelling our origin story through the Wool Runner NZ. As one of our most beloved styles, it continues to be the purest expression of who we are. This relaunch gave the silhouette a fresh perspective, putting Merino wool, breathable, luxurious, and naturally derived, back in the spotlight. With it, we honored both the design and the material that first put Allbirds on the map a decade ago.

Next, we plan to introduce the new Wool Cruiser, in more than 15 colorways. This bold expression of color will come to life through a special collaboration, reinforcing a quality customers have always loved about us—vibrant, joyful color.

As we head into autumn, we expect to launch our first-ever Waterproof Collection. Perfectly timed for cold mornings, wet commutes, and slushy sidewalks. Then in November, we have plans to debut the Kiwi Collection: a slipper, a clog, and a low boot. Footwear designed for life at home and quick trips out...to the mailbox, the market, or a neighbor's doorstep.

Cozy, step-in comfort, and intentionally casual, these styles are made for how people really live during the holidays—not dressed up, but warm, easy, and inviting.

This season, we're introducing a broader range of new styles and materials than ever before -- bringing depth, discovery, and innovation across the line. We're expanding into new textures and finishes -- like velvet, tweed, and sculpted knit patterns -- with new drops expected to arrive every few weeks. In total, we expect to launch 19 new styles this season, a major step forward from a year ago.

Perhaps the most interesting of these is Remix. We're once again highlighting our commitment to making better things in a better way with the launch of Remix -- a step forward in circularity. In partnership with Blumaka, a leader in foam upcycling, and Circ®, a pioneer in textile-to-textile recycling, we're giving manufacturing waste a second life. On the new Runner and Cruiser platforms we will turn foam scraps, textile waste, and polycotton blends -- materials destined for landfill -- into beautiful, comfortable shoes.

We've often said that to win in this market, you need a relentless flow of compelling product and we're delivering on that.

Our new product launches are now wrapped in a wave of fresh, marketing content. Breaking through today's crowded landscape requires both volume and variety, and we're responding by

dramatically scaling our output. Where we once created 5–10 assets per month, we're now producing over 100. This marks a meaningful shift in our marketing approach, aimed at significantly expanding our reach and impact. These additional assets will significantly fuel our paid media strategies.

Beyond paid media, we're activating the brand through high-impact PR and experiential efforts. For example, we recently placed ads in TSA security trays across all terminals at Seattle Airport -- a strong market for us. We're also hosting PR events and store activations in New York and San Francisco, supported by tactics like wild postings around our store locations. Together, these immersive and intentional efforts are designed to re-engage our existing consumers and invite new ones into the brand.

On the customer experience front we went live with a fully redesigned website in mid-July. The site features modern navigation, richer product detail pages and an updated aesthetic that reflects our brand evolution. We are thrilled with the design and functionality and anticipate this will drive improved dwell times and higher conversion rates.

For our in-store shoppers, we're refreshing our fleet. With relatively modest updates to layout, fixtures, navigation and merchandising, we've significantly improved the in-person experience: enhancing the way people shop and engage with the brand.

After completing refreshes at three locations – San Francisco, New York City and the Stanford Shopping Center – we are seeing measurable increases in average daily sales performance. This gives us confidence in our strategy and we plan to continue refreshing additional locations, with more coming in the next few months.

Looking further ahead into the first half of 2026, our commitment to our three focus areas remains just as strong. On the product innovation front, two key launches help illustrate what's next.

- First, we plan to debut a new material that we have branded Terralux – it's an innovative material designed to provide leather-like aesthetics and performance: it looks and feels and performs like leather, made using plant proteins, biopolymers and recycled material that would otherwise be put in landfill. Terralux will anchor a curated capsule called the Elevated Collection, designed to meet rising consumer demand for comfort in more refined, style-forward moments. We believe this category represents a significant growth opportunity and anticipate bringing it to market in early 2026.
- Also planned to launch next year is our Airy material – a new upper mesh fabric derived from our popular tree fiber and engineered for lightweight breathability and all-day cooling during the hottest months of the year. It's another example of how we're using material innovation to meet consumer demand.

These are just two of many innovations in the pipeline, each one advancing our mission to lead in comfort, style and sustainability. In late May, we held our spring 2026 sales meeting, where we previewed what's coming for our external partners. Over the course of two days, we hosted our distributors from around the world, as well as new sales agents representing the US marketplace. The assortment was very well received – and it was validating to receive such positive feedback from our trusted partners who have a keen sense of the market.

With the product momentum we're building, we believe we're now better positioned to advance our wholesale channel strategy. With the broadest assortment Allbirds has ever had, we're beginning to sell into footwear specialty accounts for spring 2026. We are taking a very deliberate and measured approach to the channel – one that grows over the seasons to come.

Entering the second half of the year, taking into account the global macro environment, we're assuming a more conservative view of the top line. However, what's unchanged is our expectation that the convergence of our initiatives will drive sales growth in the fourth quarter.

We've been talking about this moment for many quarters – and now it's here. Live in the marketplace today is the first wave of our new product, marketing, and customer experience. We invite you to explore the new site, try the new shoes and experience the storytelling. We're proud of this reintroduction of Allbirds and confident that it marks the beginning of a new chapter that will drive growth, build a strong foundation for sustained profitability and create long-term shareholder value.

Before turning the call to Annie, I'd like to thank our teams, who have remained laser focused on our plans. We would not have reached this important juncture without their hard work and strong desire to win.

Annie Mitchell, CFO:

Thanks Joe and good afternoon everyone. We continued to deliver strong execution in Q2, with topline results that were in line with our guidance and Adjusted EBITDA that exceeded our expectations. Our teams continued to demonstrate financial rigor, prioritizing cost discipline, careful inventory management and cash conservation.

Looking at the P&L, net revenue for the quarter totaled \$40 million, at the high end of our guidance range.

Q2 gross margin came in at 40.7% compared to 50.5% a year ago. This is roughly in line with our anticipated cadence for the year and reflects a particularly tough comparison to last year. The year-over-year decline is attributable to the following:

- Planned promotional activity;
- Inventory adjustments associated with the transition of the European market;
- A shift in channel mix from our distributor transitions and store closures; and
- Increased per unit freight and duty costs.

While the tariff landscape continues to evolve, we remain confident in our ability to deliver full year gross margins in the mid-40s. We are prepared to mitigate the 20% Vietnam tariff that takes effect this month. There are a couple of key factors enabling us to offset tariff impacts this year. In the second half, we will have a higher mix of new products that have been designed and developed at lower cost. Additionally, beginning in Q4, we expect to go to market with modestly higher prices on select new products. For context, we plan to do this on a scale that still conveys value to the consumer and allows us to stay within our planned pricing architecture.

Turning now to Q2 expenses, we brought down SG&A by 28% versus prior year. The improvement primarily reflects lower payroll and occupancy costs, driven by our distributor transitions and fewer retail stores. During Q2 we took advantage of opportunities to exit an additional four retail doors. This brings us to nine store closures year-to-date and a current US store count of 21. We also announced two new distributor agreements in the quarter, furthering our expansion into new international regions. These new deals cover multiple countries across Central and South America and Southern Europe. Subsequent to quarter end we announced three additional agreements for multiple countries throughout Eurasia. Many of these new distributors are ramping up their Allbirds business starting in the second half of this year.

Looking at marketing expense, the second quarter came in at \$9 million or 21% of revenue. That's down to last year when we were investing behind the launch of our Tree Runner Go. In Q2, we started investing in middle funnel and performance marketing initiatives in anticipation of our fall product introductions, which - as Joe noted - are just beginning to hit the market. On a full year basis, we anticipate marketing expense on both a dollar basis and as a percentage of sales will increase compared to 2024.

From a bottom line perspective, Q2 Adjusted EBITDA loss improved to \$13 million. This exceeded the high end of our guidance range by over \$3 million dollars, reflecting our commitment to cost control - and driving a healthy, efficient cost structure that will support long-term profitable growth.

Moving to the balance sheet, we ended the quarter with \$33 million of cash and cash equivalents and inventories down 21% versus a year ago. We narrowed our operating cash use to \$9 million in Q2. That's down on a sequential basis, reflecting the seasonal cadence of working capital, as well as the upper funnel marketing investments we made in Q1. As planned, we will be ramping up our marketing investments going into the second half of the year to support our new products. This increased spend, as well as normal working capital fluctuations, will result in higher operating cash use in the third quarter relative to Q2.

Looking at the capital structure, we are pleased to have completed a comprehensive financing package, including a new revolving credit facility. This added flexibility will help support our growth plans.

Turning to guidance. As noted in today's press release, we're adjusting our full year revenue outlook and reiterating our Adjusted EBITDA guidance.

Let me provide some context, starting with the top line. We're updating our full year outlook for net revenue to a range of \$165 to \$180 million, which includes approximately \$20 to \$25 million of impact associated with our distributor transitions and store closures. This is \$2 million higher than our previous estimate and reflects the incremental door closures in Q2. Stripping out the impact of those structural changes, net revenue is expected to grow approximately 3% at the midpoint of our updated guidance range. We're also introducing third quarter net revenue guidance of \$33 to \$38 million. Our revised full year outlook primarily reflects the uncertain macro environment, as well as our decision to close additional stores in Q2. We're pleased with the way our initiatives are coming together, giving us confidence in our Q4 outlook, which includes an implied top line growth rate of 17% at the mid-point.

Despite the revision to our sales outlook, we are reiterating our full year Adjusted EBITDA guidance as we continue to manage the business with financial rigor and discipline. Our full year Adjusted EBITDA guidance range remains at negative \$65 to \$55 million, and includes an expected third quarter Adjusted EBITDA loss in the range of \$20 million to \$16 million. Approaching the balance of the year, our key initiatives are in flight and we feel good about our positioning from both an operational and financial perspective. We look forward to keeping you updated on our progress as we continue to focus on building toward long-term profitable growth and shareholder value.

We appreciate your time this afternoon and will now ask the operator to open the call to questions.