Allbirds
Q3 2025 Earnings Call Prepared Remarks
Thursday, November 6, 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 June 30,2025, for a more detailed description of the risk factors that may affect our results. These forward-looking statements are based on information as of November 6, 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.

In the third quarter, we demonstrated continued progress and delivered results consistent with our expectations.

We believe that great product is the foundation for revitalizing the brand and rebuilding Allbirds' place in the hearts and minds of consumers. Allbirds holds a truly distinctive position in the market — one we are uniquely positioned to serve through our core principles of Comfort, Style, and Sustainability. It is through this lens that we are laser-focused on returning the brand to growth and driving the business toward profitability.

Since we last spoke in August, we've delivered a steady stream of compelling products that consumers are clearly responding to. Enthusiasm for our new styles continues to build, and I'll share a few examples in a moment. While the majority of the new products are elevating the brand and performing well, some of our foundational franchises, such as the Original Runner, have been slower to rebuild. This underscores that rebuilding our brand perception is a process that will require sustained execution across multiple product cycles. Importantly, the positive momentum we're seeing for new product affirms that we're on the right path.

It's undeniable that the products we've introduced over the past several quarters are the strongest we've delivered since the early days of the brand. The team has done an outstanding job creating a line that will serve as the foundation for years to come.

One of our most successful launches this quarter has been the debut of the Wool Cruiser in September - a court-inspired silhouette introduced in a spectrum of 19 colors. To mark the moment, we teamed up with the Pantone Color Institute to launch five exclusive shades celebrating self-expression. What's interesting is that the most vibrant colors are selling out first. Normally, our natural tones lead in sales, but with the Cruiser, it's shades like Blossom and Citron that are leading the pack. These distinctive colors are becoming a form of branding in their own right, instantly signaling Allbirds. Paired with a comfortable, easy-to-wear silhouette and the right price point, the Wool Cruiser is clearly hitting the mark and is poised to become a key franchise for the future.

Later in September, we launched our first 100% Waterproof collection in three silhouettes, and it has quickly become another standout performer. This collection is redefining what waterproof can be, comfortable and stylish while still delivering true performance. In its first month on the market, it is exceeding expectations and proving that Allbirds can offer full waterproof functionality without sacrificing the comfort, style and sustainability people have come to expect from us.

In our new Relaxed category, designed for life in and around the house, we introduced a Slipper Collection that is a top seller today. To round out the season, we introduced the Kiwi Collection this week: indoor/outdoor styles including a mule, a clog and a low boot. They're cozy, easy to slip on and intentionally casual — exactly how people are dressing today. This is an additive collection that builds on our core and shows how much opportunity there is for future growth in this new category for us.

In the back half of the year, we aligned our marketing efforts to directly support our evolving product engine. We shifted to a steady rhythm of mid and lower funnel marketing – focused not just on driving traffic and conversion, but also on building long-term brand equity.

Our program centers on three priorities: partnering with the right influencers and collaborators to spark awareness, highlighting product utility to drive conversion, and increasing both the volume and variety of content to accelerate growth. We are deploying a deliberate mix of traditional media, performance marketing, PR moments, and brand activations, each reinforcing the other. Notable examples this quarter include our Wool Cruiser launch event with Pantone, a significant increase in influencer activations and strategic celebrity seeding, all helping to create cultural relevance and expand our organic reach.

As we deliver on our product and marketing workstreams, we are also focused on creating a standout experience for our customers both online and in-store. We continue to deliver fresh new floorsets to our retail stores - and importantly, we relaunched our website in July, which transformed the look and feel of the site.

Our goal is to refine the customer experience at every moment of the shopping and purchasing journey – from richer storytelling on the home and landing pages to more utility and clarity on our PDPs. We are also redesigning every communication and touch point in the post-purchase experience to ensure it feels thoughtful, seamless and brand-centric. We are delivering a clearer expression of our values and a greater sense of care with every interaction. In short - we're making it easier and more enjoyable for customers to discover products and complete their purchases.

With our product flywheel in motion we are now positioned to begin executing against a renewed wholesale strategy. For Spring 2026, we anticipate the brand will be available in approximately 150 specialty retail stores across the US And just last month we hosted our sales meeting for the Fall 2026 season, welcoming both our international distributors and US sales agencies to experience the new line firsthand. The collection was very well received, reinforcing confidence that both domestic and international channels will contribute to growth as we move into next year. We see this expanded presence in specialty retail as a powerful tool for increasing overall brand awareness and setting the stage for long-term growth.

We see meaningful opportunities ahead. New collections like Kiwi and standout style introductions like the Cruiser are expanding our product footprint, while utility-driven offerings, such as waterproof styles, help us meet more of our customers' everyday needs.

In the near term, we believe we are well positioned to drive improved topline trends in the fourth quarter. The updated guidance we're providing today reflects sales ranging from flat to high-single-digit growth versus prior year. This outlook takes into account current business trends, an uncertain macro backdrop and our expectation for a highly competitive holiday shopping period. Throughout the season, we plan to participate in key promotional moments while delivering creative, attention-grabbing messaging to engage consumers and keep Allbirds top-of-mind.

Our teams are working with urgency and discipline to accelerate progress on the turnaround in the quarters ahead. In parallel, we are taking steps to reduce costs and recognize the need to enhance liquidity, which could include raising capital. We will consider all opportunities to maximize shareholder value.

We deeply appreciate the dedication and commitment our employees have shown throughout our transformation. Thank you for the important work you're doing to reignite the Allbirds brand. We are also grateful for the continued support of our shareholders. We remain focused on value creation and look forward to keeping you updated on our progress as we move forward.

Now I'll ask Annie to review the financials and discuss our guidance.

Annie Mitchell, CFO:

Thank you Joe and good afternoon everyone. We delivered strong third quarter performance, with bottom line results just ahead of our expectations.

Third quarter net revenue totaled $33 million, coming in at the low end of our guidance range. The results reflect strong customer response to many of our new product introductions such as the Wool Cruiser and Waterproof collections, as well as mixed performance from our original icons – all against the backdrop of a challenging macro environment.

Gross margin in Q3 came in at 43.2% compared to 44.4% in Q3 of 2024. The year over year decline primarily reflects a higher mix of digital and international distributor sales, as well as increased duties in our US business, which partially offset higher average selling prices. For the full year, we anticipate that channel mix and tariff impacts will result in a full-year margin profile similar to Q3, in the low-40s.

Looking at expenses, we continued to demonstrate exceptional cost management during the quarter. Q3 SG&A totaled $22 million - down $9 million or 30% on a year-over-year basis. This improvement was primarily driven by lower personnel expenses, occupancy costs, stock-based compensation expenses and depreciation and amortization.

Q3 marketing expense came in at $12 million - up 19% to last year as we invested behind our new product launches. We continue to expect that full year marketing expense on both a dollar basis and as a percentage of sales will increase compared to 2024.

Our strong gross margin profile and strict cost control enabled us to deliver bottom line performance slightly above the high end of our guidance range, despite topline results that came in at the low end of our expectations. Q3 adjusted EBITDA loss totaled $15.7 million compared to a loss of $16.2 million a year ago.

Looking at the balance sheet, we ended the quarter with $24 million of cash and cash equivalents and $12 million of outstanding borrowings under our $50 million dollar asset-backed revolving credit facility. Inventories totaled $43 million at quarter end, down 25% year-over-year. Operating cash use totaled $15.2 million. That’s up sequentially from Q2 as planned, reflecting higher marketing spend to support our new product launches, as well as our seasonal working capital needs. While the financing steps we took mid-year provided us with added flexibility, we are exploring options to improve our liquidity position in the quarters ahead. We are diligently managing costs and taking immediate actions to capture incremental expense savings across areas such as headcount, occupancy and technology.

Moving now to guidance, we are updating our topline outlook and reiterating the midpoint of our full year guidance range on the bottom line.

Full year net revenue is expected to be between $161 and $166 million. This compares to our prior guidance range of $165 to $180 million and includes approximately $23 to $25 million of impact associated with our international distributor transitions and retail store closures. We're also introducing fourth quarter net revenue guidance of $56 to $61 million - flat to up 9% versus a year ago.

Looking at adjusted EBITDA, we are tightening our full year guidance range to negative $63 million to $57 million, which compares to our prior range of $65 million to $55 million. For the fourth quarter, we expect adjusted EBITDA loss to be in the range of $16 million to $10 million - a significant improvement compared to $19 million a year ago.

We appreciate your time this afternoon. Now I'll ask the operator to open the call for Q&A.