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Earnings Call

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Call Participants

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Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to BARK's Third Quarter Fiscal Year 2025 Earnings Call. [Operator Instructions] I will now hand today's call over to Mike Mougias, VP of IR. Please go ahead, sir.

Michael K. Mougias

Vice President of Investor Relations

Good afternoon, everyone, and welcome to BARK's Third Quarter Fiscal Year 2025 Earnings Call. Joining me today are Matt Meeker, Co-Founder and Chief Executive Officer; and Zahir Ibrahim, Chief Financial Officer.

Today's conference call is being webcast in its entirety on our website, and a replay of the webcast will be made available shortly after the call. Additionally, a press release covering the company's financial results was issued this afternoon and can be found on our Investor Relations website. Before I pass it over to Matt, I want to remind you of the following information regarding forward-looking statements.

The statements made on today's call are based on management's current expectations and are subject to risks and uncertainties that could cause actual future results and outcomes to differ. Please refer to our SEC filings for more information on some of the factors that could affect our future results and outcomes. We will also discuss certain non-GAAP financial measures on today's call. Reconciliation of our non-GAAP financial measures is contained in this afternoon's press release. And with that, let me now pass it over to Matt.

Matt Meeker

Co-Founder, CEO & Executive Chairman

Thanks, Mike. We closed calendar 2024 on a strong note, surpassing the high end of our revenue expectations and delivering a \$4.9 million year-over-year improvement in adjusted EBITDA, our 10th consecutive year-over-year improvement.

Over the past year, we focused on building a leadership team capable of driving transformative results. Only 2 or 3 quarters in, the team's efforts are gaining traction, and we're seeing momentum across our key business segments.

In our direct-to-consumer segment, we achieved our highest quarter for new subscriptions in 3 years, up 11% year-over-year at a lower acquisition cost. In our Commerce segment, revenue grew by an impressive 43% as we introduced new partners and expanded shelf space. Also, BARK Air delivered \$2 million in revenue last quarter and is generating positive gross profit just 7 months after its launch. These are encouraging trends, and we believe it's just the beginning.

These achievements, coupled with ongoing improvements in G&A have resulted in positive adjusted EBITDA through the first 3 quarters of fiscal 2025. We are on track to deliver our first EBITDA positive year in BARK's history, a critical milestone and a huge turnaround from just a few years ago.

With this strong foundation and the right team in place, BARK is positioned for a sustainable long-term profitable growth. With that backdrop, let's look ahead. In late October, we transitioned all paid media traffic to our new Shopify platform. This is a big deal. While transitions of this nature inherently carry some uncertainty, I'm pleased to report that the early results have been encouraging.

New subscriptions grew 11% year-over-year, and we achieved this at a lower customer acquisition cost. Another encouraging data point is that 43% of the checkouts on the Shopify platform last quarter were via Shop Pay. Shop Pay and Apple Pay are features that didn't exist on our legacy platforms.

The new platform modernizes the customer experience, which we expect to continue to drive increased conversion over time. We plan to migrate our remaining active subscriber cohorts from our legacy sites to the Shopify platform this quarter.

While we continue to refine and optimize our approach, the initial performance on the new platform reinforces our confidence in this transition. We are also evolving our marketing strategy by moving further up the funnel. This means shifting focus away from promotional and direct purchase advertising and investing more in brand building efforts.

As we look to the year ahead, we see significant opportunities to connect with prospective customers in new and engaging ways, which we believe will enhance our long-term D2C performance.

Over the past 18 months, our progress has been challenged not only by industry headwinds, but also by the limitations of outdated customer solutions. With these changes, we're addressing those gaps and positioning ourselves for growth with a lot of room for upside.

As highlighted earlier, the additions we made to our leadership team this fiscal year are driving immediate and meaningful results. Last quarter, our Commerce segment delivered over \$20 million in revenue, a 43% year-over-year increase. Year-to-date, our Commerce segment is up over 25%. This is fantastic progress, and we are confident this is accelerating. Growth in this segment is being fueled by adding new partners and increasing shelf space with existing partners.

For example, we launched 30 SKUs with Chewy in June. Today, we have over 150 SKUs and growth in that channel is accelerating. Similarly, we are expanding our presence on Amazon, where we've historically been underrepresented. Amazon has become a key focus, and we expect our revenue from this channel to grow over 70% this year with further expansion ahead.

Additionally, I'm pleased to share that BARK is now available on Amazon Europe, marking another important milestone. Overall, we anticipate expanding our offerings across both toys and consumables with partners, including Target, Walmart, Costco, T.J. Maxx and many more.

We expect this segment to grow approximately 30% this year over last year with even faster growth expected in fiscal year 2026. Moving on, BARK Air has exceeded expectations. Our first flight took off in May and just 2 quarters later, the business delivered \$2 million in revenue with a positive gross margin as a result of our high utilization rates.

When we initially introduced BARK Air, we acknowledge that the cost of air travel for dogs was prohibitive for many pet parents. However, we emphasized our long-term goal of making air travel accessible to all dogs, not just those with wealthy owners. Overall, we are thrilled with the speed and efficiency with which the team has grown this business. These early successes lay a strong foundation for the future of BARK Air.

On that note, let's turn to profitability, an area we have delivered consistent improvements for the past 2 years. Last quarter, we delivered a 63% consolidated gross margin, an improvement of 90 basis points compared to last year. As I said before, profitability drives revenue. These margin gains empower us to invest more efficiently and effectively in driving top line growth, and we are now at an inflection point in that journey.

In addition to gross margin improvements, we've continued to drive down G&A costs, including savings in both shipping and fulfillment as well as reductions related to headcount. These efforts enabled us to achieve our 10th consecutive quarter of year-over-year adjusted EBITDA improvement.

Most importantly, we are on track to reach our first full year of adjusted EBITDA profitability in 2 months' time. This is a critical milestone, and we intend to expand the bottom line further in the years ahead. Looking beyond fiscal year 2025, we anticipate our top line returning to growth in fiscal year 2026 with mid- to high single-digit gains. This growth will be built on a far more profitable foundation.

Beyond that, we expect both revenue and EBITDA margin to improve steadily with each passing year. As I reflect on the past 3 years back as CEO, it's clear that BARK has made meaningful strides, delivering substantial improvements in profitability, building an impressive leadership team, executing key growth initiatives and laying a strong foundation for the future.

We believe in our progress and future so much that we've invested around \$17 million to repurchase over 11 million shares to date, and we'll continue to repurchase shares for as long as we believe the company is significantly undervalued as we feel it is today given this progress.

The investments we've made to strengthen our platform, streamline operations and elevate our brand are setting the stage for a return to revenue growth in FY '26 and beyond. With a more sustainable cost base and exciting opportunities on the horizon, we are confident that BARK's best days are yet to come. And with that, I will turn the call over to Zahir.

Zahir M. Ibrahim
Chief Financial Officer

Thanks, Matt, and good afternoon, everyone. Our results last quarter demonstrate our consistent progress executing the road map we outlined at the start of fiscal '25.

With oversight from our new leadership team, we're beginning to see early momentum on the top line while maintaining a sharp focus on profitability. We delivered our 10th consecutive quarter of year-over-year adjusted EBITDA improvement last quarter, and we're on track to achieve our first full year of adjusted EBITDA profitability at the end of March.

Looking beyond fiscal '25, we expect to build on this foundation with stronger top line growth and sustained profitability improvements. With that, let's dive into our fiscal third quarter results in more detail.

Total revenue for the quarter was \$126.4 million, a 1% increase year-over-year. And while our long-term growth ambitions are far greater, this marked our second consecutive quarter of year-over-year revenue growth following 8 quarters of year-over-year declines.

These are important first steps, and much of the team's efforts are just beginning to be reflected in our top line results, particularly within our Commerce segment. Breaking it down by segment, D2C contributed \$106.1 million in revenue, which includes \$2 million of BARK Air.

In total, the segment declined 4% compared to last year. As we have discussed in prior quarters, we have been migrating customer cohorts to our new Shopify-based platform throughout the year. And in October, we also moved all of our paid media over. As Matt mentioned, there is always a degree of uncertainty when moving to a new platform.

However, the early results are encouraging. For instance, last quarter was our strongest new subscription quarter in 3 years. At the same time, we're also moving up the funnel, prioritizing customers who engage with BARK because of the value they see in our brand, in our products and the unique experiences we bring into their households rather than those driven primarily by discounts.

Building and maintaining an engaged customer base is critical. And under Michael Parness' leadership, we have some exciting initiatives in the pipeline. The DTC segment has seen headwinds, some driven by industry factors and others reflecting areas we need to execute more effectively. However, we expect this segment to stabilize in fiscal '26 as we continue to enhance the customer experience on Shopify and implement targeted measures to address the challenges that have impacted this segment in the past year.

For example, revamping our D2C supply chain network in fiscal '25 caused shipment delays for some customers, which impacted retention. The team has been focused on tackling these challenges, and we're beginning to see progress with further advancements expected as we go into fiscal '26.

On the commerce side of the business and under the leadership of Michael Black, we're seeing substantial top line acceleration with much of the new team's efforts only just beginning to flow through the P&L.

Last quarter, our Commerce segment delivered \$20.3 million in revenue, representing a 43% increase year-over-year and up 27% year-to-date. This growth has been driven by the addition of promising new partners like Chewy and growing shelf space and SKU count with existing partners.

We're also seeing strong encouraging growth with previously underserved partners such as Amazon and T.J. Maxx. Additionally, we're in the early stages of expanding our international footprint. For example, following international wins with Fressnapf in Europe and Pets at Home in the U.K., we recently launched on Amazon Europe. The lion's share of the commerce growth we see today is concentrated in the toy category.

As we head into fiscal 2026, we anticipate further expansion of our consumable products, unlocking additional growth opportunities in categories with much bigger TAMs. While it's too early to provide formal guidance, we expect this segment to grow approximately 30% this year with an even higher growth rate next year as we continue to take market share both domestically and internationally.

Moving on. Consolidated gross margin was 62.7%, up 90 basis points versus last year. We have grown gross margin percentage by over 400 basis points over the last couple of years. Looking ahead, we see opportunities for further margin improvements, which we will balance with investments to help fuel top line growth.

Overall, we're pleased with our progress over the past few years and expect relatively stable gross margins in both the DTC and commerce segments moving forward. As a reminder, as commerce becomes a larger part of our revenue mix, it will naturally weigh on consolidated gross margin. However, the contribution margins are comparable across both segments, supporting our long-term profitability goals.

Turning to operating expenses. Shipping and fulfillment expenses were \$36.7 million in the quarter, up 3.4% versus last year. Included in this quarter's shipping and fulfillment expense is \$2.4 million of warehouse restructuring costs relating to our network transition.

Excluding this expense, shipping and fulfillment costs were down \$1 million versus last year, reflecting more favorable shipping terms from a new partner. As I mentioned earlier, there are opportunities to improve our supply chain through further network optimization, which will be a focus area for us in fiscal '26.

Other G&A expenses, which primarily consist of headcount and overhead costs, totaled \$27.5 million for the quarter, a \$3.2 million improvement year-over-year. This reduction reflects lower headcount costs as we continue to align our organization structure with the evolving needs of the business.

Marketing expenses were \$27.4 million for the quarter, up \$2.3 million year-over-year. This increase reflects strategic investments to acquire new customers at attractive acquisition costs, which we expect will benefit the business in the months ahead.

Looking forward, this is a line we can flex up or down depending on the returns we are seeing from these investments. Lastly, adjusted EBITDA for the quarter was negative \$1.6 million, an improvement of \$4.9 million compared to last year, driven by the improvements in our gross margin percentage, shipping and fulfillment costs and other G&A costs.

Free cash flow for the quarter was negative \$2 million and negative \$1.2 million year-to-date. For the full year, we expect to be in the ZIP code of breakeven from a free cash flow perspective.

Turning to the balance sheet. We ended the quarter with \$115 million in cash, consistent with the prior quarter. This reflects \$2.8 million spent in the quarter to repurchase 1.7 million shares at an average price of \$1.69. Since initiating the buyback program in August 2023, we have invested approximately \$17 million, repurchasing 11 million shares at an average price of \$1.53.

We currently have approximately \$6 million remaining under our existing authorization and plan to continue to opportunistically repurchase shares at these levels, especially given our excitement for fiscal '26.

Overall, we're closing out fiscal '25 on a solid foundation and with a large runway ahead. With that in mind, let me turn to guidance for the fiscal fourth quarter and full year. For the full year, we are reaffirming the original guidance provided on our Q4 call. Specifically, we expect total revenue to be between \$490 million and \$500 million, reflecting year-over-year growth of flat to 2%.

This implies fourth quarter revenue in the range of \$121.2 million to \$131.2 million. While we recognize this is a wide range with less than 2 months left in the fiscal year, it reflects the inherent timing variability in our Commerce segment.

Many shelf resets occur in the March, April time frame and the exact timing of retailer shipments, whether a week earlier or later, can have a meaningful impact on the quarter. Furthermore, given the strong growth we're seeing in this segment, this dynamic is amplified.

On the adjusted EBITDA side, we also reaffirm our original guidance of \$1 million to \$5 million for the full year. At the midpoint, this represents an approximately \$14 million improvement compared to last year and would mark the first positive adjusted EBITDA year in BARK's history.

This implies a range of \$0.9 million to \$4.9 million for the fourth quarter, with the midpoint reflecting a \$1.1 million improvement versus last year. Looking ahead to fiscal '26, while we are still finalizing our operating plan, we are confident in achieving mid- to high single-digit top line growth.

Formal guidance will be provided on our fourth quarter call in June, but directionally, we believe this is a reasonable and achievable range. Talking of fiscal '26, I want to share a brief perspective regarding tariffs. We are confident in our ability to navigate the current round of tariffs while continuing to drive growth.

First, 1/3 of our volumes come from consumables, which are almost entirely sourced domestically and are unaffected by the latest tariffs. For the remaining 2/3, we have been proactively working with our key suppliers in China to implement productivity improvements that dampen the impact of the latest 10% tariffs. And as one of the largest dog toy companies in the U.S., our scale, coupled with our strong gross margins, provide flexibility to address these costs.

As a result, we believe we have the opportunity to capture shelf space, particularly from competitors who don't have the same leverage. While we will remain vigilant and adaptable in this dynamic environment, we do not anticipate any material impact on our gross margins.

In closing, we are proud of the significant progress we've made over the past 2 years. While there is still work to be done, we are entering fiscal '26 with momentum, a clear strategic path and a leadership team laser-focused on driving the business forward.

We remain confident in our ability to deliver long-term value for our customers, partners and shareholders. With that, I'll turn the call over to our operator for Q&A.

Question and Answer

Operator

Our first question comes from the line of Maria Ripps with Canaccord.

Maria Ripps

Canaccord Genuity Corp., Research Division

First, on your DTC segment, given all the progress with migrating to the Shopify platform and marketing efficiencies that you've been seeing there, how should we think about sort of the trajectory of revenue returning to growth for that segment? And I think you mentioned sort of stabilization in 2026. I guess any color you can share on your DTC segment in the context of your outlook for mid- to high single-digit growth next year?

Matt Meeker

Co-Founder, CEO & Executive Chairman

Sure. Thanks, Maria. And you took the words out of my mouth there when you said stabilization in fiscal year 2026, that's -- you couldn't have said it -- I couldn't have said it better myself. So you got that just right. And that means stabilizing. Therefore, when we're saying like the high single-digit growth on the overall enterprise, then most of it is coming across the commerce channel, which we've stated in the past is a goal for us to have that take more and more of the revenue share.

We said at least 1/3, and we're on pace with that. We had a good quarter, 43% year-over-year growth in that channel year-over-year and then BARK Air contributing as well. So that's where you get most of the growth when we talk about that mid- to high single-digit number for next year.

Maria Ripps

Canaccord Genuity Corp., Research Division

Got it. That's helpful. And then can you maybe spend a few minutes and talk about sort of your strategic vision for BARK Air? I guess, did you see it developing into a meaningful contributor to your financials over time? And would that impact your sort of capital requirements or profitability of the overall business? And maybe talk about sort of your thoughts on synergies in terms of leveraging your existing customer base and expanding your brand.

Matt Meeker

Co-Founder, CEO & Executive Chairman

Sure. On BARK Air, I would say it's too soon to call it a material driver for us or a material opportunity. Remember, we're 8, 9 months into it right now. So it's been a great 8 or 9 months. The planes are filled. We are gross margin positive last quarter. We did \$2 million of revenue last quarter.

I think everything we've seen in these 8 or 9 months tells us that there's a really good opportunity for it. What we don't know yet is how far does that demand stretch and the path to get there. So you'll see in the year ahead for sure is a lot of experimentation, opening up some new routes to test, different plane formats to test different price points.

As you see next week, we have some flights between New York and Florida that bring the cost down to \$1,000 per ticket from \$6,000 or \$8,000. So hopefully, that opens up a lot of demand. But on the whole, I think it's too early to say just how material it will be. The thing that we're committed to with respect to the capital expenditures or requirements is we're very happy with the model that we run right now, which is an asset-light model.

We partner with those who operate different aviation companies. They do the heavy lifting there. We lease the equipment and the infrastructure from them. We let them do what they do well. We take care of the dogs and the marketing. And that's working out really well. So I don't see a change in that in the foreseeable future. In short, Zahir would like me to say we're not buying a plane anytime soon.

Operator

Your next question is from the line of Ryan Meyers with Lake Street Capital.

Ryan Robert Meyers

Lake Street Capital Markets, LLC, Research Division

First one for me, I just want to make sure I fully understand kind of the commentary on the fourth quarter guidance. So it sounds like there's just a lack of -- a little bit of visibility just due to the stock resets. So is the right way to think about it is that you wouldn't know kind of where the numbers would come in until the very end of the quarter as far as if those shelf resets will happen and just where we're at right now in the quarter, it's just really too hard to tell where those orders will come in at.

Zahir M. Ibrahim
Chief Financial Officer

This is Zahir. Yes, I think you've summed it up well. Shelf resets generally in retail happen in the March, April time frame. And so you'll always get some timing variability as you get confirms on resets, when product is going to ship depending on customer to customer. So some volume can flow out of Q4 into Q1. And so you'll know that nearer to the time. And a lot of it is dependent on the customer supply chain as well in terms of them picking up the product around the quarter end. So that's probably the biggest driver of the variability.

Ryan Robert Meyers
Lake Street Capital Markets, LLC, Research Division

Okay. Makes sense. And then the other question for me, just obviously, the Chewy business is a newer piece of business for you guys. But any commentary there on how that's kind of trend? I know, Matt, you gave some commentary about the kind of SKU expansion that you've been able to see. Maybe if you guys could give the maybe dollar amount contribution that you've seen, that would be helpful. But yes, any commentary there would be great.

Zahir M. Ibrahim
Chief Financial Officer

Sure. I can take that one. So yes, as Matt said in his commentary, we started with Chewy in June with about 30 SKUs. We quickly expanded that to well over 150 SKUs as we speak. They've got most of our assortment on the consumable side as well.

What we're seeing is continued momentum in that customer, so growth in the top line on a week-on-week basis. The conversations we have with Chewy are extremely positive about our performance and a ton of excitement about the potential growth in the future.

When you look at our toys performance, for example, we're already one of the biggest pet toy suppliers on their site. So just a lot of positive sentiment there. And I'll probably take it beyond Chewy, Ryan. We're performing really strongly with Amazon as well. As Matt mentioned, up 70% year-over-year, and similarly in a couple of other major retail customers as well.

Operator

Your next question is from the line of Kaumil Gajrawala with Jefferies.

Kaumil S. Gajrawala
Jefferies LLC, Research Division

I guess the first thing is you're growing again on DTC or new subs. Can you maybe just talk about if there's a way to sort of parse out, is it the market kind of coming back your way after a few years of working itself out? Or if you're able to maybe parse out how much of that is coming from sort of new media structure and Shopify and such?

Matt Meeker
Co-Founder, CEO & Executive Chairman

Yes. This is Matt, by the way. It's -- I would say it's 99% the latter. Maybe even the market being -- continuing to be a little bit of a headwind. If we go back like a year, I talked a lot about that there were things that we could do as a company to improve our performance.

So it cuts through everything. It's the approach we take to creative, to testing the channels that we're choosing to invest in, and how we're allocating dollars to those channels, how we're expanding them, how we're going more mid and upper funnel with those dollars, because we think they are more efficient and that will pay off over the long time horizon.

And then specifically within this quarter, we made -- we moved all of our ad spending for BarkBox and Super Chewer over to the Shopify platform because we were so encouraged by the conversion results that we were seeing on the platform that we thought we'd perform better on the holiday season over there rather than on our legacy platforms. And that turned out to be true.

So again, we saw that big uplift in new subscribers over last year at a more efficient cost of acquisition, and that was really with only 2 months of the quarter being on there. You saw some other strong indicators that there's just a lot of headroom in it for us.

For example, we obviously, on our legacy platform, we can't offer Shop Pay as a way to check out, when we moved over, 43% of the customers who are checking out are using Shop Pay, that should help us in retention downstream as well.

And now that we're a couple of months into it, but we're finding that we can -- everything that we thought we could do with this platform is turning out to be true that we can move pieces around, we can test faster, we can iterate faster, learn, open up new functionality that wasn't available to us, do that faster because of the plug-ins and the partners that are around the Shopify ecosystem.

So it's still early days there. And obviously, like when you transition to a new platform like that, not everything goes the way you expect it either. It's not all wind at your back. But in those instances, we're usually comping to something that we -- like functionality that we had built on the legacy side and wasn't out of the box from Shopify.

So we have to either plug it in from someone else or hack around it a little bit, but we know how to close those gaps pretty quickly. All in all, it's -- we're exiting this year in terms of customer acquisition and conversion, performing the best we have in a few years and gathering momentum as we do it.

So I think we'll run into this next year really strong with a good plan and pretty excited about it. Sorry, that was really long. Sorry that I just went on and on there.

Kaumil S. Gajrawala
Jefferies LLC, Research Division

No, it's probably because you're excited. I guess, Zahir, if we could just talk about EBITDA. You guys have been nice enough this early to provide an initial sense of fiscal '26 top line. With everything that's changed so far, what would that mean for profits or EBITDA?

Zahir M. Ibrahim
Chief Financial Officer

Kaumil, for fiscal '26, we expect a good year-over-year improvement in EBITDA. And of course, I'll provide more specifics when we get to our call in early June.

I think directionally, as you think about our profit profile over the longer term, we expect steady improvements in our EBITDA margin as we begin to scale the business and drive leverage across a number of areas of the business. So good step-up for '26 versus '25 and then continued improvement driven by leverage and scale.

Operator

Our next question is from the line of Ygal Arounian with Citigroup.

Ygal Arounian
Citigroup Inc., Research Division

A few follow-ups on the segments, just dive a little bit deeper. I guess for direct-to-consumer and the marketing strategy moving further up funnel, did that start this quarter, meaning that increase in 11% of new customers, is that already reflective of this move to higher funnel? And as you do that, that kind of advertising generally has more of a longer payback period. Do you expect that to have an impact? Or does the Shopify platform offset that what that shift would be?

Matt Meeker
Co-Founder, CEO & Executive Chairman

We started it in the summer. And as we weighed into it, we're going pretty cautiously or carefully so we can learn what's working or what's not, not based on a subscriber number or cost of acquisition, but other signals that say the awareness is taking. And so the efforts have scaled up through the year.

And maybe as you're suggesting that they are longer lead and you're getting -- maybe we got some of that benefit in the last quarter. But what we're trying to do is continue to learn, continue to expand our spend in those directions, while not overinvesting and blowing out our CAC for a quarter or two.

So internally, we call it our glide path into what would be the optimal state for us. So far, so good. We're learning a lot. And then what we're seeing with Shopify is giving us some leeway to move that a little faster and make mistakes a little bit faster.

Ygal Arounian

Citigroup Inc., Research Division

Okay. Is there more efficiency in CAC from the Shopify transition? Or do you think it's mostly captured now? I know you still have to move some customers over, but largely in the numbers or there's more?

Matt Meeker

Co-Founder, CEO & Executive Chairman

I'm sorry. I thought I understood the question until right at the end there. I'm sorry.

Ygal Arounian

Citigroup Inc., Research Division

Just like -- so the transition to Shopify is driving that incremental efficiency on the CAC. Is there more on the Shopify transition? Or it's kind of you realized already.

Matt Meeker

Co-Founder, CEO & Executive Chairman

Yes. There is, and it's definitely driving that efficiency largely through conversion. And then what we're doing is taking those efficiency gains and largely pushing them back into exploring new channels that are upper and mid-funnel, more awareness building that don't pay off immediately.

So if we just ran the same playbook that was all bottom of funnel and moved over to Shopify, we'd have even greater efficiency gains. What we're doing is reinvesting that to learn faster into the permanent model.

Ygal Arounian

Citigroup Inc., Research Division

Okay. Great. That's very helpful. And then on the commerce side, I know it's early, but can you talk about what you think the ultimate opportunity is internationally there? How big it can get? And then in the commentary of next year growing faster in commerce than this year, I know you laid out the -- you laid out the specific drivers, including international, but can you kind of break out what each component drives or how much the largest contributors are?

Zahir M. Ibrahim

Chief Financial Officer

Sure. Look, I think it's a combination of several factors. Matt called it out in his part of the call earlier on, bringing on a new leadership team and their expertise, their relationships with our customers, their vision has really been an accelerator for us overall.

So talent infusion has been a major driver for us as you look at the results for this year. Part of what's driving the growth is we're focusing a lot more on going where the customer shops. So new customers like Chewy, expanding with others that we've really been underserving in the past, such as Amazon and T.J. Maxx, they're driving major opportunities and major white space opportunity for us.

So plenty of runway for growth there. As it relates to Amazon, that's both domestically and in Europe. So we've just literally in the last month or so launched in Europe, and there's a huge runway there as far as the international market is concerned.

Other things that I look at from a commerce perspective is growing in the partnerships area. We've been investing in that space for some time. This year, we had a real strong initial launch with Crocs, which was a sellout in Q2 from the products that we're offering.

And then probably larger than that by some way is our relationship that we're building with Girl Scouts. So we launched a pilot program with them a year ago, with one SKU that ran in the fall, worked really well. This year, we ran a similar program with a number of SKUs, growing revenue this year. And that's a program that we're going to continue to work on as far as an online program is with Girl Scouts.

But bigger than that, we will be launching with a national program with them in fiscal '27. So we're really working out scale, size, the number of SKUs, assortment and things like that. But for fiscal '27, we would launch a national cookie program, which would be a significant revenue opportunity, both for us and for Girl Scouts.

Internationally, you asked, we've already launched some product into Fressnapf, which is one of the bigger bricks-and-mortar retailers in Europe. We've got distribution in the U.K., one of the biggest pet specialty suppliers, which is Pets at Home.

A lot of the bigger retailers in the U.K. will have seasonal programs with us in the coming months, and that will lead to a bigger relationship with those guys, along with what I said about Amazon Europe. So across domestically and internationally, there's a ton of white space here. That's both in toys and consumables.

Operator

Thank you. This does conclude today's call. Thank you for joining. You may now disconnect your lines.

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