

REVOLVE

REVOLVE GROUP INC. (NYSE: RVLV) Q3 2025 CONFERENCE CALL

PREPARED REMARKS ON NOVEMBER 4, 2025

ERIK RANDERSON, SVP INVESTOR RELATIONS

Good afternoon, everyone, and thanks for joining us to discuss REVOLVE's third quarter 2025 results.

Before we begin, I would like to mention that we have posted a presentation containing Q3 2025 financial highlights to our Investor Relations website located at investors.revolve.com.

I would also like to remind you that this conference call will include forward-looking statements, including statements related to our future growth; our inventory balance; our key priorities and business initiatives; industry trends; the impact of tariffs and our mitigation efforts; our marketing events and their expected impact; our physical retail stores; and our outlook for net sales, gross margin, operating expenses, and effective tax rate.

These statements are subject to various risks, uncertainties and assumptions that could cause our actual results to differ materially from these statements, including the risks mentioned in this afternoon's press release as well as other risks and uncertainties disclosed under the caption "Risk Factors" and elsewhere in our filings with the Securities and Exchange Commission, including, without limitation, our Annual Report on Form 10-K for the year ended December 31, 2024, and our subsequent Quarterly Reports on Form 10-Q, all of which can be found on our website at investors.revolve.com. We undertake no obligation to revise or update any forward-looking statements or information except as required by law.

During our call today, we will also reference certain non-GAAP financial information, including Adjusted EBITDA and free cash flow. We use non-GAAP measures in some of our financial discussions, as we believe they provide valuable insights on our operational performance and underlying operating results. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information presented and prepared in accordance with GAAP, and our non-GAAP measures may be different from non-GAAP measures used by other companies. Reconciliations of non-GAAP measures to the most directly comparable GAAP measures, as well as the definitions of each measure, their limitations and our rationale for using them, can be found in this afternoon's press release and in our SEC filings.

Joining me on the call today are our co-founders and co-CEOs, Mike Karanikolas and Michael Mente, as well as Jesse Timmermans, our CFO. Following our prepared remarks, we'll open the call for your questions.

With that, I'll turn it over to Mike.

MIKE KARANIKOLAS, CO-FOUNDER AND CO-CEO

Hello everyone and thanks for joining us today.

We had a very solid third quarter, highlighted by exceptional gross margin performance that led to a 45% increase year-over-year in Adjusted EBITDA to \$25 million, our highest ever for a third quarter.

Particularly in the current tariff environment, I am extremely pleased by our nearly 350 basis point increase in gross margin in Q3 that puts us on track to expand our gross margin and Adjusted EBITDA margin in the full year 2025 for the second straight year.

On the other hand, we delivered net sales growth of only 4% in the third quarter, which is lower than the recent trendline and certainly lower than the growth rate we believe we are capable of achieving on an ongoing basis.

It is important to note that in comparison to the third quarter of 2024, this year we pulled back meaningfully on certain promotions. While the shift in our approach added to an already tough net sales comparison in Q3, it also contributed to our gross profit dollars increasing by nearly three times the rate of net sales growth in the third quarter.

Beyond the numbers, I am thrilled by our progress in developing our longer-term investments that we believe create a strong foundation for profitable growth for years to come, including Owned Brand expansion that was a key contributor to our Q3 results.

With that as an introduction.... I will step back and provide a brief recap of our Q3 results, before reviewing the progress on our longer-term initiatives.

Starting with Q3 results.... Net sales increased 4% year-over-year, driven by **domestic and international** net sales increases of 4% and 6% year-over-year, respectively.

By segment, REVOLVE net sales increased 5% and FWRD net sales increased 3% year-over-year.

To illustrate the tougher comparison we faced in the third quarter, our revenue growth rate on a two-year stacked basis in Q3 was the highest we have achieved in more than two years.

Our outstanding **gross margin** performance was the most powerful driver of upside in the third quarter – and mostly flowed through to the bottom line. Despite meaningful tariff pressures, we delivered a consolidated gross margin of 54.6%, an increase of nearly three and half points year-over-year – significantly outperforming our guidance.

Our ability to meaningfully expand our gross margin and operating margin year-over-year, in the face of these tariff headwinds and broad-based input cost pressures, demonstrates our team's agility, execution and operating excellence.

Shifting to our bottom-line results.... Our operating discipline enabled us to achieve a 45% increase in Adjusted EBITDA year-over-year, handily outpacing our net sales growth.

Importantly, we have now delivered strong bottom line performance for nearly two years, making great progress improving our margins. For the first nine months of 2025, our Adjusted EBITDA has increased 32% year-over-year, building on our huge gains in the full year 2024 when our Adjusted EBITDA increased 60% year-over-year.

And our business continues to generate meaningful cash flow, reinforcing our track record of delivering consistent profitability and cash flow. During the first nine months of 2025, our free cash flows have more than tripled, increasing our cash position by \$63 million, or 25%, year-over-year. Our strong balance sheet and cash flow create a key competitive advantage within a fashion e-commerce landscape marked by frequent bankruptcies and other failures in recent years.

Now, I'll conclude by recapping our progress on key priorities and growth drivers that we are very excited about. We continue to invest in and build on several promising initiatives that we believe will play a key role in shareholder value creation over the long term.

- **First, we continue to invest in marketing efforts to expand our brand awareness, grow our customer base and strengthen our connection with the next-generation consumer.** We had an active and impactful third quarter for our brand building, featuring marketing activations at fashion weeks in Paris, New York and Aspen, the experiential pop-up experiences we hosted in Nashville and Soho, and more that Michael will talk about in his remarks. Longer term, we are also excited about the potential for physical retail to meaningfully expand our brand awareness and serve as an efficient new channel for customer acquisition.
- **Second, we continue to successfully expand our international penetration.** The Middle East and Europe were standouts in the third quarter, partially offset by continued challenges in certain Asian regions. The momentum of our REVOLVE segment business in Mainland China remains very strong, however, with net sales increasing more than 50% year-over-year. We are particularly excited about the launch of our first-ever Owned Brand collaboration made specifically for customers in the China market. The launch was supported by a livestream event attended by over 40,000 viewers, creating local demand for the collection that outperformed some of our most successful owned brand collaborations from the U.S. This innovation further illustrates our exciting potential for international growth over the long term.

- **Third, we have continued to expand our assortment to attract new customers and gain a greater share of consumer spending among our loyal existing customers.** On a combined basis, sales of Beauty, Men's and Home products increased by a healthy double-digit percentage year-over-year in the third quarter. Notable brand additions in recent quarters have elevated our merchandise assortments in key areas outside of our historical core, further broadening consumer awareness and interest. As just one example, we expect net sales of our highly sought after beauty advent calendar to increase approximately 40% year-over-year in the 2025 holiday season, as our incredible offering and powerful marketing engine have created viral excitement on social media and in press outlets including Vogue, ELLE, Cosmopolitan, Marie Claire, Allure and more.
- **Finally, we are also continuing to leverage AI technology to drive growth and efficiency initiatives across the company,** touching nearly every facet of our operations. One innovative use case that is already driving results is deploying AI technology within our Owned Brands design process to deliver cost efficiencies and shorten development cycles. We are increasingly leveraging AI in the creative design process to produce renderings of Owned Brand products with a variety of different materials, finishes, colors, and silhouettes. This is a huge advance because the AI imagery instantly allows our design and buying teams to visualize how products will look in different configurations before they commit to building the product and without having to produce multiple physical samples – thereby accelerating the timeframe between the initial design concept and ultimately going live on the site.
- **We are also leveraging AI to automate back-office functions to drive efficiency.** For instance, we are in the process of transitioning our accounts payable workflow from a historically manual and cumbersome process to an intelligent and primarily automated AI-driven system. Developed internally by our data science team, our AI technology now automatically ingests payment invoices for routine bill processing, significantly increasing efficiency and elevating the productivity of our team members.

To wrap up, I want to take a moment to thank my REVOLVE colleagues for your focus and execution that enabled us to deliver very solid results in the third quarter, while simultaneously moving the ball forward on exciting longer-term initiatives. Our leadership team is energized by the many opportunities ahead that we believe will accelerate our market share gains.

We are successfully navigating ongoing macro uncertainty from a position of strength, bolstered by our data-driven mindset and culture, operational excellence, powerful brands, and very strong financial foundation. The building momentum in our key growth and efficiency initiatives reinforces my confidence in our ability to drive profitable growth in the years ahead.

Now, over to Michael.

MICHAEL MENTE, CO-FOUNDER AND CO-CEO

Hello everyone.

I am very pleased with our financial performance this quarter, particularly our strong bottom-line performance. Despite delivering only 4% top-line growth, we were able to deliver record Adjusted EBITDA for any third quarter. Through the first nine months of 2025, Adjusted EBITDA increased 32% and our free cash flow has more than tripled year-over-year. Most impressive are the drivers of our gross margin expansion. Despite facing significant tariff exposure, gross margin has meaningfully outperformed our expectations, validating the competitive advantages of our data-driven merchandising that is at the center of everything we do.

Even more exciting is that with our strong financial foundation, we are investing in growth initiatives that we believe will be impactful drivers in further strengthening our brands and accelerating our overall growth potential.

With that as an introduction, **I will focus my remarks on some of the strategic areas we are investing in** and where we see a great deal of opportunity:

- Brand investments
- Opportunities in the dynamic luxury industry
- Expansion of Owned Brands
- And physical retail development

First, Brand Building....

The quarter got off to an exciting start with REVOLVE Summer in the Hamptons, followed by an incredible experience in Ibiza that inspired our engaged community on social media. In September, we turned up the brand heat with trips to Nashville to launch a limited-time pop-up retail experience in partnership with Cotton Inc., and to New York, Paris and Aspen for experiential fashion week events that excited and delighted our high value clients with preferred access. Our engagement metrics in the third quarter illustrate the impact of our brand building investments. We generated a triple-digit increase year-over-year in consumer views on our TikTok and YouTube channels, while delivering increased marketing efficiency year-over-year in the third quarter.

As a company with deep Los Angeles roots, I couldn't be more excited about the multi-year **partnership we recently announced with the Los Angeles Lakers**. The cultural intersection of professional sports and fashion influence is more powerful than ever, creating authentic opportunities for us to engage with the huge audience following this storied Lakers franchise – in real life and on social channels.

As a pioneer in embracing social media to drive favorable brand awareness, it is exciting to consider that the Los Angeles Lakers have one of the largest social media following and the highest social media engagement per post in all of U.S. professional sports teams.

With the NBA tipping off its season recently, our collaboration has already come to life through immersive experiences, in-arena signage, engagement with VIPs and influencers, and co-branded content across the Lakers social media channels.

Second, FWRD and the competitive environment in luxury....

The operating environment in luxury continues to be extremely dynamic, creating opportunity for our FWRD business. In fact, the challenges facing our competitors accelerated in the third quarter, highlighted by two large luxury ecommerce retailers filing for bankruptcy protection, or the international equivalent, in August. Adding to the industry malaise, luxury brands large and small have been frustrated by extended payment terms from a prominent luxury department store chain in the U.S., which has been reducing investment amidst declining sales and significant debt obligations.

We continue to view these challenges within the luxury sector as an exciting opportunity for REVOLVE and FWRD to remain on offense and invest in market share capture, supported by our consistent profitability and cash flow generation that sets us apart.

Not only are we excited about the opportunity, our FWRD segment results demonstrate that our investments are working — as evidenced by continued top line growth and a 37% year-over-year increase in gross profit dollars in the third quarter, an expansion of more than 11 points of gross margin. It was our best FWRD segment gross margin since the post-COVID boom more than three years ago.

And luxury brands are increasingly recognizing FWRD as a clear winner in the space for the long term. On the heels of the impactful brand wins discussed last quarter, we were thrilled to launch the iconic luxury brand Dries Van Noten on FWRD in late September. The Dries fall collection has performed incredibly well in the early going. The FWRD team is having many productive discussions with brands, including receiving initial inventory commitments from a coveted brand that we have been courting for over a decade.

Third, Owned Brands, where our momentum has continued to build. In fact, our Owned Brand penetration of REVOLVE segment net sales increased year-over-year for the third consecutive quarter in Q3. These gains contributed to our much higher-than-expected gross margin, as our Owned Brands generate considerably higher gross margins than third-party brands.

Even while navigating the highly uncertain tariff landscape with agility, our team has done an amazing job in delivering Owned Brand styles that resonate with our customers, resulting in continued improvement in underlying performance metrics year-over-year.

Building on our future opportunities, we are very excited to launch the **SRG brand with fashion icon Sofia Richie Grainge**, exclusively on REVOLVE and FWRD. Sofia's timeless and sophisticated signature style creates a strategic expansion of our Owned Brand portfolio that has driven a ton of favorable awareness in press and social channels, truly resonating with her vast audience of 11 million Instagram followers. In fact, in its first week, the SRG collection achieved the highest sales volume for any owned brand collaboration launch in our history. Sofia shared that REVOLVE was the perfect partner to fulfill her lifelong dream of launching her own brand, citing the strength of our platform, our community engagement and expertise in helping bring her product vision to life, reaching a wide audience of engaged consumers.

And there is more to come. We have been investing in an incredible pipeline of new Owned Brand initiatives on tap to launch in the months ahead. Our strong Owned Brand metrics in recent quarters gives us increased confidence in these investments.

Finally, Physical Retail:

We continue to be very excited about the opportunity in physical retail. Over the last 20 years, we have built a very powerful brand with meaningful scale that we can now leverage into the very significant physical retail market that is largely untapped by our brands. The physical retail market is not only significant in size, representing more than 60% of global retail spend on apparel and footwear, but is also very synergistic with our owned brands and has the ingredients to be even more profitable than our core online business.

One of the key drivers of REVOLVE's growth opportunity is the expansion of our active customer base. Our strong brands, differentiated merchandising, and incredible service proposition have created attractive customer loyalty online, that we believe can translate to physical retail. We believe giving consumers the opportunity to engage with us online and in store further enhances our value proposition, particularly among the younger demographic of customers who embrace the opportunity to touch and feel products during in-person shopping experiences as well as shopping through online channels.

Finally, we are very excited about the opportunity for our Owned Brands within physical retail over the long term. In our Aspen store, great work by our store merchandising team has increased the Owned Brand mix of REVOLVE segment net sales to levels that are now significantly higher than our Owned Brand penetration for ecommerce sales.

The physical retail opportunity, our powerful brands and our entrepreneurial culture have enabled us to attract talent with deep industry experience in recent months to further strengthen our retail muscle and go-to-market strategy. Our team is guiding our investments in systems and processes to ensure that we are positioned for success, particularly headed into the upcoming opening of our Los Angeles store at the Grove.

Concurrent with putting the finishing touches on our magnificent retail destination in Los Angeles, we are engaging in opportunistic discussions with tier one landlords in key markets on our short list. We are laying the groundwork now to ensure we will be in a position to move quickly if and when a compelling opportunity should arise in the geographic areas we are most focused on pursuing for the next phase.

Wrapping up, at a time when the dynamic operating environment has forced key competitors to dial back investment, our strong financial foundation gives us an opportunity to aggressively invest in the many exciting initiatives that we believe will continue to drive profitable growth for many years to come.

Now, I will turn it over to Jesse for a discussion of the financials.

JESSE TIMMERMANS, CFO

Thanks, Michael, and hello everyone.

I am pleased with our third quarter results, particularly on the bottom line, highlighted by the record Adjusted EBITDA for any third quarter that drove more than two points of expansion in our Adjusted EBITDA margin year-over-year.

I'll start by recapping our third quarter results and then close with updates on recent trends in the business and guidance for the balance of the year.

Starting with the third quarter results...

Net sales were \$296 million, a year-over-year increase of 4%.

REVOLVE Segment net sales increased 5% and **FWRD Segment net sales** increased 3% year-over-year in the third quarter.

By territory, **domestic net sales** increased 4% and **international net sales** increased 6% year-over-year.

Active customers, a trailing 12-month measure, increased 5% year-over-year.

Total orders placed were 2.3 million, an increase of 5% year-over-year.

Average order value was \$306, an increase of 1% year-over-year, an improvement from the modest decline reported in the first half of 2025.

Partially offsetting the increase in orders placed and AOV was a slight increase in our return rate year-over-year.

Consolidated gross margin was 54.6%, an increase of 347 basis points year-over-year, an exceptional result that materially exceeded our guidance range. Key contributors to our margin upside were much shallower markdowns on our markdown product that benefitted from our data-driven innovations within our markdown algorithms, a higher percentage of full-price sales and higher margins on these sales, and continuing growth in the mix of our Owned Brands as a percentage of REVOLVE segment net sales. We are also very pleased with our tariff mitigation thus far, which illustrates our team's agility, execution and operating excellence.

Now moving on to operating expenses....

Fulfillment costs were 3.3% of net sales, an increase of 5 basis points year-over-year, that primarily reflects the slight increase in our return rate.

Selling and distribution cost efficiency was 17.5% of net sales, in line with our guidance. The increase of 56 basis points year-over-year was driven by higher shipping costs and the higher return rate.

Our **marketing investment** represented 13.7% of net sales, a decrease of 28 basis points year-over-year, driven by efficiency in our marketing investments across both digital performance and brand marketing.

General and administrative costs were \$38.6 million, an increase of 107 basis points year-over-year as a percentage of net sales. The decreased efficiency year-over-year as a percentage of net sales primarily reflects our increased investment in strategic growth initiatives and a \$1 million increase in non-routine costs year-over-year.

The increase in net sales, combined with the significant expansion of our gross margin, helped us to achieve outstanding growth in operating profitability. Our **GAAP Income from Operations** increased 47% year-over-year in the third quarter.

Adjusted EBITDA was \$25 million, a year-over-year increase of 45%, and our highest-ever Adjusted EBITDA result for a third quarter.

Adjusted EBITDA margin was 8.6%, an increase of 239 basis points year-over-year, and our highest quarterly margin in more than three years.

Net income also increased meaningfully to \$21 million, or \$0.29 per diluted share, compared to \$0.15 per diluted share, in the third quarter of 2024. The third quarter of 2025 included a gain equivalent to \$0.05 per share from an insurance recovery related to a previously-disclosed shipment theft that occurred in 2024.

Moving on to the balance sheet and cash flow statement...

We again delivered increased **cash flows** that further strengthened our balance sheet. In the third quarter, our operating cash flow and free cash flow increased 31% and 7% year-over-year, respectively.

For the nine months ended September 30, **free cash flow** was \$59 million, a year-over-year increase of \$43 million, or 265%, compared to the nine-month year-to-date period in 2024.

Inventory dynamics remain healthy, as net sales growth year-over-year outpaced inventory growth by 5 points. **Inventory** at September 30, 2025 was \$239 million, a decrease of 1% year-over-year.

As of September 30, 2025, **cash and cash equivalents** were \$315 million, an increase of \$5 million during the quarter and growth of \$63 million, or 25%, year over year. And we continue to have no debt.

Now, a brief update on tariffs. The tariff landscape continues to be very fluid and unpredictable.

Nonetheless, our cross-functional team continues to make excellent progress on tariff mitigation. Through a variety of strategies discussed on previous calls, we mitigated the significant majority of our tariff exposure in the third quarter.

At a time when many companies in our industry are facing significant gross margin pressure, our ability to expand gross margins year-over-year in 2025 further illustrates our competitive advantages of data-driven merchandising and inventory management.

Now, let me update you on some recent trends in the business since the third quarter ended and provide some direction on our cost structure to help in your modeling of the business.

Starting from the top.... Our net sales in the month of October increased by a mid-single digit percentage year-over-year, against a more challenging prior-year comparison than we faced in the third quarter.

Now, before we get into guidance, let me caveat that our outlook is based on the current status of tariffs as of today, November 4, 2025 and our estimate of the impact of potential mitigating activities that are currently underway. Our outlook for gross margin is especially susceptible to variability given the uncertainty surrounding the timing and level of tariffs in effect, as well as the timing and magnitude of our mitigation efforts.

With that, let's discuss our updated guidance for gross margin, which includes our best estimate for the impact of tariffs, net of our mitigation efforts. We expect gross margin in the fourth quarter of 2025 of between 53.1% and 53.6%, which at the midpoint, implies an increase of approximately 80 basis points year-over-year.

For the full year 2025, we now expect gross margin of approximately 53.5%, a meaningful increase from our prior guidance. The new guidance implies a margin increase of roughly 100 basis points year-over-year.

Fulfillment: We expect fulfillment as a percentage of net sales of approximately 3.3% for the fourth quarter of 2025, and approximately 3.2% for the full year 2025, at the high end of our prior guidance range.

Selling and Distribution: We expect Selling and Distribution costs as a percentage of net sales of approximately 17.6% for the fourth quarter of 2025 and approximately 17.3% for the full year 2025.

Embedded in our assumptions is that our return rate in the fourth quarter will remain higher year-over-year, consistent with the third quarter.

Marketing: We expect our marketing investment to be approximately 15.0% of net sales in the fourth quarter of 2025 and approximately 14.6% of net sales for the full year 2025, a slight decrease from our prior guidance. Looking ahead to 2026, we have some exciting marketing investments planned to support the growth initiatives we have been investing in and expect to launch in 2026.

General and Administrative: We expect G&A expense of approximately \$38.7 million in the fourth quarter of 2025 and approximately \$153.5 million for the full year 2025, in the range of our prior full-year guidance.

The implied decrease in G&A costs year-over-year in Q4 is primarily due to the fourth quarter of 2024 including \$2.7 million of non-routine **and** transaction costs that we **do not** expect to reoccur this year.

And lastly, we now expect our **effective tax rate** to be between 25% and 26% in the fourth quarter and 27% to 28% for the full year 2025.

To recap, we delivered very solid third quarter results, further strengthening our financial foundation that truly stands out compared to many in our industry. Even in what continues to be an uncertain environment, our healthy cash flow and rock-solid balance sheet enable us to continue to invest in exciting long-term initiatives such as international expansion, owned brands and physical retail that we believe position us to achieve profitable growth for the years to come.

Now we'll open it up for your questions.