

REAL – Prepared Remarks – Q1'26

REAL CEO Remarks – Q1'26

Good afternoon and thank you for joining us on today's call.

Q1 demonstrated the strength of our platform as our financial and operating results exceeded expectations. I'm very proud of the team's execution during the quarter. Q1 was our 4th consecutive quarter of double-digit topline growth and our 3rd consecutive quarter of growth exceeding 20%. We also expanded Adjusted EBITDA margin by over 400 basis points year-over-year. Trailing 12-month active buyers grew double-digits year-over-year, which reflects higher levels of trust, and an acceleration in engagement with our platform.

I want to take a step back to provide perspective on where we've been, where we are, and where we're headed.

2024 was about stabilization. We defined our strategic direction and got to work executing against it. We stabilized operations, improved unit economics, and validated our transformation.

2025 was about optimization. Last year, we articulated our growth playbook and go-to-market engine to unlock supply and drive profitable growth. The results validated our approach: we surpassed \$2 billion in GMV, accelerated topline, and delivered positive adjusted EBITDA in every quarter.

2026 - and beyond - is about compounding. We've laid a solid foundation and the mechanics are working. Now, our customer relationships, our data, our brand, and our scale are reinforcing each other, each one making the next stronger - compounding our advantages.

We've become the barometer of the luxury industry. We capture luxury demand in real-time. The categories, brands, and looks trending on our platform are often the earliest signal of where the market is moving. Our customers come to us first - to see what's trending, what their items are worth, and where fashion is heading. A customer's relationship with TRR begins before the transaction and continues long after it.

When you consider that about 50% of our customer base is Gen Z and Millennial, it's clear that resale is not a passing trend – it's a core component of the future of luxury. And with 47% of luxury consumers considering resale value when purchasing in the primary market, we're changing how people shop.

Our business helped to drive this shift. We've created a full-service, managed marketplace with the authentication, logistics, and trust luxury requires. By modernizing how consumers think about fashion and the value of their closet, we're cementing the operating system for luxury ownership.

We are leaning into this vision through three strategic pillars:

- First, our Growth Playbook, which is how we unlock supply and drive flywheel behavior as we become the default luxury resale destination.
- Second, Obsessing over Service, which informs our mindset in every customer interaction and turns transactions into relationships.

- And third, Operational Excellence, which is how we use AI, automation, and data to improve unit economics and enable scale.

Our first pillar is our Growth Playbook and the mechanics are working.

Our Sales team remains a key competitive asset. We are actively deepening our moat, empowering our sales team to act as trusted advisors helping to manage our consignors' closet. Our algorithmic pricing tools equip our Sales team with data-driven earnings estimates, giving consignors clarity and confidence. In a brand-forward marketplace, this trust deepens engagement and loyalty, which keeps consignors coming back.

We're also extending the reach of our sales team through our referral programs. With the Real Partners program, we're building a network of stylists, closet organizers, and real estate agents; the professionals closest to luxury closets, who refer their clients to TRR and earn commission. It's an efficient way to reach high-value consignors and we see significant long-term potential to expand our partner base.

Turning to stores: our stores continue to deepen the consignor relationship and we're excited about the new markets we're adding for 2026 in San Francisco and Boston. Stores play an important role in generating supply; sellers who engage with a store deliver 40% more value.

In terms of newer supply channels: our drop-ship and vendor channels are expanding. We're building an asset-light international supply network and starting to develop a partner base in places like Italy, France, and Japan. Building on our success with drop-ship in the US, we see significant runway to grow this channel over the medium-term.

These supply strategies are successfully driving the compounding mechanics of our platform and accelerating our network effects. As buyers become consignors, our flywheel spins. These flywheelers, whom we affectionately refer to as RealRealers, spend 50% more time with us than the average customer, and the flywheel accelerates.

The next strategic pillar, Obsessing Over Service, propels the growth playbook forward. Service and data insights, for both sellers and buyers, helps turn a one-time transaction into a relationship.

The full My Closet suite is the product manifestation of our vision to become the personal advisor to the closet, creating the system-of-record for our customers' luxury assets. My Closet will provide real-time estimated value, price tracking, and trend intelligence. This further removes friction for the seller and engages customers beyond the transaction.

On the buyer experience, our product roadmap includes AI recommendations in the near-term, followed by enhancements in search and discovery. Every item on our platform is unique, which makes agentic and conversational search powerful and we're excited to continue rolling out features in 2026.

Through our growth playbook and obsessing over service, we are building the infrastructure layer for luxury and efficiently connecting buyers to consignors.

Our third pillar, Operational Excellence, drives profitability and scalability.

Our AI-enabled intake system, Athena, is automating the repetitive, data-driven parts of intake, freeing up our experts to focus on the valuable work that requires specialized expertise and judgment. We're targeting to end 2026 with nearly 50% of items fully flowing through Athena, improving processing times, speed-to-site, and our unit economics.

Beyond intake, our pricing strategy is also getting smarter. Building on our foundation of structured market signals to inform pricing, we've recently introduced AI-powered image embedding. By incorporating image data, our models better account for visual characteristics when determining market value. These visual details give us better comparables to price against and help maximize earnings for our consignors.

Later this year, we're rolling out an Automated Storage and Retrieval System at our Perth Amboy authentication center, adding automation and increasing our capacity by 35%. This lets us efficiently handle growing volume at higher speeds without opening additional warehouses — more throughput in the same footprint.

Together, these three strategic pillars are compounding our advantages and extending our leadership position in the growing luxury resale market.

None of this is possible without our consignors. Over the past 15 years, we've paid out more than \$6 billion to our consignors, who trust us with pieces that carry real meaning and real value.

I also want to sincerely thank our team. None of this happens without you. Together, we've built a strong foundation and I'm excited about where we're headed next. I will now turn the call over to Ajay.

REAL CFO Remarks – Q1'26

Thank you, Rati. Good afternoon, everyone. I am pleased to review our financial results for the first quarter of 2026, which demonstrate a powerful start to the year and the continued, disciplined execution of our strategic pillars.

We are helping customers view their closets as an asset class, and The RealReal is the trusted destination to manage and monetize those assets.

In Q1, we delivered robust topline growth with GMV increasing 24% and Revenue up 19% year-over-year. Beyond the headline numbers, we saw deeper engagement with our platform. In Q1, 43% of our new consignors came from our active buyer base; these Flywheelers, or "RealRealers" as Rati mentioned, enhance our network effects and are an important driver of our long-term growth.

Our approach to unlocking high-quality supply, combined with our focus on operational efficiency is yielding results. In Q1, we achieved Adjusted EBITDA of \$13.1 million, or 6.9% of total revenue and expanded our margins by 430 basis points, which showcases our ability to drive operating leverage.

Now, turning to our detailed first quarter results, beginning with topline...

Q1 GMV of \$606 million increased 24% compared to last year. On a 2-year stacked basis, GMV was up 32%.

Q1 total revenue of \$190 million increased 19% year-over-year. Consignment Revenue grew 18% and Direct Revenue increased 26% compared to Q1 of 2025.

Buyer engagement accelerated with trailing 12-month active buyers up 10% year-over-year. Average Order Value of \$646 increased 15% versus last year. Q1 Take Rate of 36.4% declined 220 basis points year-over-year. This was due to a favorable mix into higher value items. As we've explained before, these items carry a lower percentage take rate, while generating more profit dollars and improved unit economics.

On margins and profitability...

First quarter Gross Profit of \$141 million increased 18% year-over-year. Gross Margin of 74.5% decreased 50 basis points compared to the prior year, driven primarily by the mix of products sold.

First quarter Operating Expenses leveraged 730 basis points year-over-year as a percent of revenue. The improvement was driven by operating efficiencies and volume leverage on fixed costs. As we continue to scale Athena, outbound automation, and other productivity initiatives, we are driving operating leverage.

First quarter Adjusted EBITDA was \$13.1 million, an increase of \$9 million versus the prior year, and 6.9% of total revenue, an increase of 430 basis points year-over-year.

Moving to the balance sheet and cash flow...

We ended the quarter with \$139 million in cash, cash equivalents, and restricted cash.

Our Operating Cash Flow in the first quarter was negative \$(16.6) million, an \$11.7 million improvement year-over-year. As a reminder, our cash flow is influenced by seasonal factors and similar to prior years, we expect our cash flow to be back-half weighted.

Moving to our financial outlook...

Based on our strong performance, we are increasing our full year outlook and providing guidance for the second quarter 2026.

We are raising full year GMV to the range of \$2.42 billion to \$2.47 billion, representing 14% to 16% growth year-over-year. Revenue is expected to be between \$770 million to \$784 million, translating to 11% to 13% growth versus last year.

Adjusted EBITDA is expected in the range of \$59 million to \$67 million, which represents 8.1% margin at the mid-point. This is an improvement of approximately 200 basis points versus 2025, and we remain on track to reach our target of 15-20% AEBITDA margins over the medium-term.

Moving to our outlook for the second quarter...

We expect GMV in the range of \$590 million to \$600 million, representing 17% to 19% growth year-over-year and 32% on a 2-year basis at the midpoint. Revenue is expected to be between \$186 million to \$189 million, representing 13% to 14% growth versus last year.

Second Quarter Adjusted EBITDA is expected to be between \$11M and \$12M, representing 6.1% margin at the mid-point and approximately 200 basis points of margin expansion year-over-year.

In closing...

Our performance is evidence that our strategy is working. We are driving topline growth, while strategic investments in AI and automation are enabling us to expand margins over time.

Each year, over 35 million buyers purchase luxury goods in the US primary market, and resale adoption is growing. We are helping to drive that adoption through our unique approach to unlocking supply, removing friction for our sellers, and accelerating the flywheel.

I want to extend my gratitude to our entire team for their hard work and execution to start the year.

With that, we will move to Q&A. Operator?