

REAL – Prepared Remarks – Q3'25

REAL CEO Remarks – Q3'25

Thank you, Caitlin. Good afternoon, everyone, and welcome to The RealReal's third quarter earnings conference call.

Our strong third quarter results, and our full year outlook for GMV of over \$2 billion, are a testament to our long-term strategy, which has solidified our position as the market leader in luxury resale. We are changing the way people shop - making resale a primary option.

58% of shoppers prefer the secondary market outright, and 47% of shoppers now consider resale value before buying something new. Resale is no longer reacting to the fashion industry, but driving it.

In fact, Vogue used "search on The RealReal" as a key metric for brand heat in their coverage of the new creative director debuts during the fall fashion shows.

Our proprietary data allows us to identify and respond to what buyers want ahead of the cycles. Insights from our recent Resale Report, which analyzes shopping and consignment behaviors across our community of over 40 million members, include the following:

- Fine Jewelry has been our fastest growing category.
- First-time watch buyers increased 46% with heritage brands leading the way.
- Customers are turning to us for major life milestones, evidenced by search volume up 247% for wedding dresses.
- In handbags, shoppers are embracing the "lived-in" look, with searches for "fair condition handbags" up 32%.
- And finally, rising acceptance of luxury resale is fueling the adoption of secondhand in holiday gifting.

Turning to Q3 results, we delivered accelerating growth and expanded margins. We set a new record on quarterly GMV with third quarter GMV of \$520 million dollars, up 20% versus Q3 of last year. And - we delivered Adjusted EBITDA of \$9.3 million dollars or 5.4% of Total Revenue, up 380 basis points year-over-year.

Let's discuss how our three strategic pillars— growth playbook, operational efficiency, and obsess over service—are fueling these strong results.

Diving into the growth playbook - Our sales team is unlocking high-quality supply through data, and deep consignor relationships. Q3 2025 was the first full quarter with our new compensation plan rolled out to the entire sales team. The plan's design focuses on value over unit volume.

In addition, tools like Smart Sales, are enabling our sales team to unlock supply using AI and data. Productivity increased with supply value per existing luxury manager up 12% year-over-year. Sales team tenure reached an all-time high in Q3 with more than half of the sales team in place for over 2 years, and we added top talent to the ranks of our sales team, laying the foundation for deeper relationships with our sellers.

With a total addressable market of over \$200 billion dollars of untapped supply in US closets, we see a long runway ahead to drive top-line growth. Through sales, REAL partners – our affiliate program, REAL Friends which is our referral program, and the continued expansion of drop-ship, we will continue to unlock supply in the coming years.

Turning to Marketing: our efforts are focused on scaling our active consignor base and reinforcing our brand authority. In Q3, we grew new and repeat consignors double-digits year-over-year. Trailing twelve month active buyers increased to reach an all-time high of over 1 million. And, New Buyer LTV is trending higher, with Average Order Value and 12-month Lifetime Value expanding.

From a strategic perspective, we're focused on attracting flywheelers, or customers who participate on both sides of our marketplace. These flywheelers are 2-3 times more valuable and transact with us more frequently, accelerating the network effects of our platform.

Looking forward to 2026, we are seeing green shoots in our marketing efforts. Our focus is on pursuing an AI-fueled smart engine to increase our LTV. Our Smart Prospecting engine aims to enhance targeting of new consignors. Building on our success in social, we are developing a 360-degree presence that combines organic and paid social media to propel brand relevance and digital performance. Early test results are positive.

Our retail stores and high-value events work in concert with our marketing and sales team, generating desirable supply and new consignors.

In fact, 25% of all new consignors come from our stores. Consignors can interact with our in-store experts—Gemologists, Horologists, and Handbag Experts—who provide specialized valuations that build trust with prospective sellers.

We are seeing success with introducing high-value experiential events in our retail stores. Q3 set new records: Newport Beach and Tyson's Corner unlocked \$2.6 million dollars of supply, over just a couple of days. We currently have 18 brick and mortar locations and we plan to add 1-3 new stores per year, giving us a 10-year runway of growth from new stores.

Moving to our next strategic pillar – driving operational efficiency.

Athena, our proprietary AI-enabled product intake process, is delivering efficiency and reducing costs while improving speed and accuracy. As of the end of Q3, the Athena intake process touched 27% of all items, and we are on track for 30-40% by year-end.

Our future vision is to achieve full listing automation and reduce our processing time from 14 days to our goal of 7 days. In the next phase of Athena, we plan to expand into mid- and high-value items, with the opportunity to save millions of dollars while delivering superior service and speed for our sellers.

Turning to the third strategic pillar...

Obsessing over service is the secret sauce that reinforces our deep customer loyalty. In Q3, our customer Trust metric increased 8 points year-over-year. The customer is evolving rapidly and we are listening.

When I think about our strategic vision, I think of us as an advisor to our customers, a real partnership built on trust, transparency and personalized communication. By helping our customer manage the luxury assets in their closet, this partnership is not just transactional, but is defined by a deep understanding of our customer's financial motivations, fashion sense, and individual style. We look to accompany them on their journey through the primary and secondary market.

Last quarter, we introduced the concept of My Closet through Reconsign, which allows our consignors to re-sell items they've purchased on The RealReal in one click.

Looking to the future, My Closet is creating additional customer tools to help catalog closet inventory, enhance access to product insights, and provide personalized advising. We see flywheel behavior becoming the norm as our service moves past simply buying and selling, offering ways to optimize and manage the contents of the fashion portfolio.

In closing - Q3 was a strong quarter. Our performance across all key metrics and the trends we are seeing in the business give us confidence to raise our full-year guidance.

I reflect on the last year – four quarters of progress since I stepped into the CEO role—I am incredibly proud of the RealReal team and the significant transformation we've achieved. We believe we have proven that our Growth Playbook works, our model is scalable, and superior service drives our powerful flywheel.

I want to thank the entire RealReal team for their unwavering commitment to our customers, and for executing with excellence this quarter. I couldn't be more excited about where The RealReal is headed. We've built a strong foundation, we're seeing great momentum, and I believe the best is yet to come.

I will now turn the call over to Ajay for a more detailed review of our financial performance.

REAL CFO Remarks – Q3'25

Thank you, Rati. Good afternoon, everyone.

I am pleased to review our financial results for the third quarter, which highlight a period of decisive acceleration and strong execution against our strategic priorities. We delivered robust topline growth with GMV increasing 20% and Revenue up 17% year-over-year. Our approach to unlocking supply and driving efficiency is paying off, with Adjusted EBITDA of \$9.3 million or 5.4% of total revenue, expanding 380 basis points, and Free Cash Flow of \$14 million for the quarter. Now, turning to our detailed third quarter results, beginning with the topline...

Q3 GMV of \$520M increased 20% compared to last year. Growth was driven roughly evenly by unit volume and higher average selling prices. Q3 revenue of \$174M increased 17% with consignment Revenue up 15% year-over-year. Direct Revenue increased 47% compared to Q3 of 2024 and represented 13% of total revenue in the quarter. Average Order value of \$584 increased 12% versus last year. Q3 Take Rate of 37.9% declined 70 basis points year over year due to a mix into higher value items and categories. Our active buyer base accelerated sequentially. On a trailing 12-month basis, it increased 7% year-over-year to more than a million active buyers, marking a new all-time high.

Continuing with our third quarter results...

Third quarter Gross Profit of \$129M increased 16% year-over-year. Gross Margin was 74.3% in Q3, which was consistent with Q2 of this year, and down 60 basis points compared to the prior year period due to a higher mix of direct revenue this year. In the third quarter, consignment gross margin was 89.3%, an improvement of

70 basis points year-over-year. Direct gross margin was 20.9% in the third quarter, an increase of 370 basis points versus prior year.

Third quarter Operating Expenses of \$136M leveraged 620 basis points year-over-year as a percent of revenue. Excluding stock-based compensation, operating expenses leveraged by 470 basis points driven by our focus on operating efficiencies, continued gains from AI and automation, and leverage on fixed costs.

Third quarter Adjusted EBITDA of \$9.3M, or 5.4% of Total Revenue, increased \$7M versus prior year. Adjusted EBITDA margins increased 380 basis points year-over-year.

We ended the quarter with \$123 million in cash, cash equivalents, and restricted cash. Our Operating Cash Flow in the third quarter was \$19 million, a \$10 million improvement year-over-year. Free Cash Flow was \$14 million in the third quarter, a \$12 million improvement year over year, demonstrating our business model's favorable cash dynamics as we grow.

As a reminder, we reduced our debt by \$6M through the strategic debt exchange transaction we announced in August. Since the beginning of 2024, we have reduced our total indebtedness by over \$86 million while extending our debt maturity profile, reinforcing our commitment to de-levering and strengthening our balance sheet.

Capital Expenditures on property, plant, and equipment for the third quarter were \$6 million and we continue to anticipate full-year Cap Ex PP&E to remain within 2-3% of total revenue.

Turning to our P&L outlook for the fourth quarter and full year...

We sustained healthy supply trends throughout the third quarter and into the fourth, and are raising our outlook for 2025. Fourth quarter GMV is expected in the range of \$585M to \$595M which represents 17% growth compared to the prior year period at the midpoint of our guidance range. Fourth quarter Revenue is expected in the range of \$188 to \$191M. This reflects 16% growth compared to last year at the midpoint of our guidance range. Fourth quarter Adjusted EBITDA is expected to be between \$17.5 and \$18.5M, approximately 9.5% of total revenue and over 275 basis points of margin expansion year-over-year at the midpoint of our range.

Moving to our outlook for the full year...

We now expect full year GMV in the range of \$2.10 to \$2.11 billion, up 15% at the midpoint of our guidance range. We expect Revenue in the range of \$687M to \$690M, up 15% at the midpoint of our guidance. And - We now expect Adjusted EBITDA in the range of \$37.7 to \$38.7M, with an Adjusted EBITDA margin of 5.5% reflecting 400 basis points of improvement versus 2024.

In closing, we believe our third quarter performance provides compelling evidence that our Growth Playbook is working to unlock high-quality supply, and our progress on AI initiatives and automation is driving strong unit economics. The momentum we are building is clear. As the premier authority in luxury resale, we believe

we are poised for sustained, profitable growth and consistent cash flow generation. Thank you to the entire RealReal team for your dedication and for driving strong third quarter results.

With that, I will now turn the call back over to the operator for Q&A.