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BARK, Inc. NYSE:BARK

Earnings Call

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Call Participants

EXECUTIVES

Brian Dostie
Interim CFO, Principal Financial Officer, Controller, VP of Accounting & Controller

Christina Donnelly

Matt Meeker
Co-Founder, CEO & Executive Chairman

ANALYSTS

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

Presentation

Operator

Thank you for standing by. And welcome to the BARK First Quarter Fiscal Year 2027 Earnings Conference Call. [Operator Instructions] I would now like to turn the call over to Christina Donnelly, General Counsel. Please go ahead.

Christina Donnelly

Good afternoon, everyone, and welcome to BARK's fiscal first quarter 2027 earnings call. Joining me today are Matt Meeker, Co-Founder and Chief Executive Officer, and Brian Dostie, Interim 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 pass it over to Matt.

Matt Meeker
Co-Founder, CEO & Executive Chairman

Thanks, Christina, and good afternoon, everyone. We are off to a good start in fiscal 2027, building on the progress we outlined last quarter. Our first quarter results reflect continued profitability alongside underlying momentum in the parts of the business we are most focused on growing, and they give us early confidence that the plan we described in June is working. After one quarter, we remain confident in our ability to build our top line sequentially and deliver a meaningful gain in adjusted EBITDA profitability. This quarter, we delivered $78.8 million of revenue, at the high end of our $77 million to $79 million guidance range. This was powered by strong subscriber retention, better-than-expected sales in the retail channel, and BARK Air flights filling up.

Specifically in DTC, net revenue landed at $66.7 million for the quarter. While this is down from last year, due to a much lower entry point into the year, the forward-looking indicators of the business are strong. Our subscriber retention rate improved by over 170 basis points compared to the same quarter last year. In addition, our average order value grew by $0.45 per unit versus last year. The lifetime value of a BarkBox subscriber is near its highest level for us as a public company.

Turning to Commerce, we delivered $12.1 million in revenue this quarter, and we continue to expand with both new and existing retail partners across wholesale and marketplaces. We are winning market share and growing this business with discipline, building a larger and more durable growth engine for BARK. We expect Commerce revenues to increase meaningfully from here as we head towards the holiday season and prepare to launch with the Girl Scout Cookie Program this winter. We couldn't be more excited about what's ahead.

Finally, looking at BARK Air, we posted $3.2 million in revenue this quarter, a 37% increase from the same quarter last year. This is despite challenges such as Europe to U.S. routes and fuel surcharges stemming from broader geopolitical conditions. We're happy to report that well over 90% of seats have already been sold for the second quarter. The demand for the BARK Air business is as strong as ever. And that strong revenue performance came with strong normalized consolidated gross margin of 63.4%. On a reported basis, gross margin was 72.7%. The difference reflects a one-time FY '26 tariff refund, recognized entirely in this quarter, that is excluded from our normalized gross margin. This refund does not recur. And while included in our net income, its benefit is excluded from adjusted EBITDA. This strength is driven by our

DTC gross margin, which has expanded steadily over the past several years, adding hundreds of basis points during that time. I'm proud of our team for delivering this result.

Carrying all that through, adjusted EBITDA for the quarter landed at $600,000. Again, within our $0 to $1 million guidance range and up from $0.1 million in positive adjusted EBITDA in the same quarter last year.

Finally, we ended the quarter with $16.1 million in cash and a debt-free balance sheet. The decline from $19 million at year-end reflects both a normal seasonal build in working capital and continued share repurchases under our $40 million buyback program. We remain committed to balancing continued investment in the business with returning capital to shareholders.

Looking ahead, I'm excited about our product pipeline and what's coming out in the next few months. There are three products I'd like to discuss today. First is a new enrichment toy and treat combination product called Licksters. This is a major push into the enrichment category, which is the fastest-growing segment of dog toys. Licksters solves two huge problems within the enrichment category for dogs and their people. It designs a durable toy that is easily refillable and cleanable for the human, while still being effective at keeping dogs challenged and engaged for more than 40 minutes, which we believe is more than double the time claimed by the current market leader. Our design team has been working on this for over a year and has developed a three-year innovation pipeline for the Licksters platform that we believe will be very on-brand and disruptive to the category.

There is somewhat of a razor/razor blade model with the Licksters platform. As we seed the Licksters toys into the market, we expect good attachment rates and recurring revenue of the treat refills. This is currently being introduced to our subscribers in their monthly boxes, and will roll out in Target, PetSmart, Walmart, Amazon, and Chewy this fall.

Second, say hello to Crocs again this fall. After the successful debut of Crocs for Dogs last year, our partnership is expanding in October 2026 with new product categories including toys, beds, and accessories, along with additional colorways of our Crocs Dog shoes. Our Crocs Dog shoes have been our most successful TikTok product launch to date, and we're excited to build on that momentum this fall.

Finally, we have a new partnership with Liquid Death that will also launch in the fall. This is a robust, audacious partnership we've been working on for a while. As part of Liquid Death's first-ever collaboration in the pet space, BARK will be introducing a new line of toys and accessories, co-designed together with the Liquid Death team. We are excited for our consumers to get a hold of these products. There's so much ahead of us to be excited about and to drive our growth. And our excitement and enthusiasm leads us to guidance.

So now turning to that guidance, for the second quarter of fiscal 2027, we expect total revenue of $83 million to $85 million and adjusted EBITDA of $1 million to $3 million. For the full year, we are reiterating our guidance on both the top and bottom lines, reflecting our confidence in the trajectory of the business. We are pleased with this start to the year, entering fiscal 2027 debt-free. The quarter reflects continued discipline on the bottom line, strengthening growth throughout the business, and steady execution against the strategy we laid out last quarter. There's still more work ahead, but we believe we are building from a stronger foundation and remain optimistic in our ability to deliver meaningful progress and improve profitability for our shareholders.

With that, I'll turn the call over to Brian.

Brian Dostie
Interim CFO, Principal Financial Officer, Controller, VP of Accounting & Controller

Thanks, Matt. Good afternoon, everyone. I'll review our financial results for the fiscal first quarter of 2027, and then update you on how we're tracking against the full year framework we laid out in June. First quarter revenue was $78.8 million compared to $102.9 million in the prior year period. As Matt noted, this reflects a smaller subscriber base we entered the year with as we instilled greater discipline on marketing and promotional spending during our fiscal year '26. And we are seeing green shoots in our underlying DTC metrics now.

Turning to the segments, total DTC revenue was $66.7 million. Within that, BARK Air contributed $3.2 million, up 37% year-over-year, and continues to perform well. Excluding BARK Air, DTC revenue was $63.5 million versus $86.8 million last year. The composition of that decline is the part I'd point you to. DTC orders were down about 28% year-over-year, while average order value increased $0.45. The revenue decline is a volume story tied to the smaller base, and the per order economics continue to improve. That is the exact trade we said we were making.

Commerce revenue was $12.1 million, down 11% versus the prior year period. We continue to see Commerce as a long-term growth driver and expect to exceed our results from last year as we go forward. Reported consolidated gross margin was 72.7%. That figure includes approximately $7.4 million of IEEPA tariff recoveries related to fiscal 2026 costs of revenue, which became eligible for submission and were recorded in the quarter. Excluding that recovery, first quarter gross margin was 63.4% compared to 63.8% in the prior year period, also on a normalized tariff-adjusted basis.

The $7.4 million recovery relates to costs we incurred last fiscal year. It is excluded from adjusted EBITDA, and it is not a recurring benefit to our margin structure. First quarter marketing spend was $9.5 million, down more than $5.6 million or 37% year-over-year. We continue to hold this discipline while remaining prepared to reinvest when efficient customer acquisition opportunities present themselves.

Shipping and fulfillment expenses were $23.8 million, down from $31.8 million, and improved modestly as a percentage of net revenue to 30.2% from 30.9%, reflecting both the lower DTC volume and continued network efficiency work. Other general and administrative expenses were $23.9 million, down $1.6 million or approximately 6% year-over-year. Adjusted EBITDA for the quarter was approximately $600,000 compared to $100,000 in the prior year period. Adjusted EBITDA excludes the IEEPA recovery I described, along with stock-based compensation, depreciation and amortization, legal matters, warehouse restructuring costs, and executive transition costs.

We ended the quarter with $16.1 million in cash compared to $19.3 million at fiscal year-end, and we continue to carry no debt. Accounts receivable was $20.4 million, up [from] $12.3 million at March 31. That increase is substantially the IEEPA tariff recovery I described, which was recorded as a receivable in the quarter and had no cash impact in the period. As of the balance sheet date, we have received $3.2 million of our IEEPA tariff refunds. We expect to collect the majority of the remaining IEEPA receivable balance over the coming quarters. Inventory was $72.4 million, down from $75.5 million at fiscal year-end, and down more than $25 million from $98.1 million a year ago. We expect to drive further inventory efficiency through the balance of fiscal 2027.

We're happy with the solid start to the year to come into fiscal 2027 debt-free, and our priority is driving consistent cash generation over the balance of the year. There's more work to do, and we're focused on delivering on profitability improvement and against the guidance we reiterated today.
And with that, I'll turn the call over to the operator for Q&A.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Ryan Meyers with Lake Street Capital Markets.

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

Nice work on the progress during the quarter. So just thinking about direct-to-consumer and the return to growth in the second half of the year, given what you guys saw in the first quarter, are you more confident now on that timeline? And then maybe what are some of the key metrics that you're watching really to determine whether or not that inflection in fact is happening?

Matt Meeker
Co-Founder, CEO & Executive Chairman

Hey, thanks, Ryan. Yes, I would say we're probably the same level of confidence that we were when we came into the year. We put forward the plan and we did the math, and the math being how many new subscribers are we planning to add and what percent will we retain all of our subscribers? And then, of course, the average order value for each one. What we saw in the first quarter here was really great performance year-over-year on the retention side. As I mentioned, over 170 basis points higher on the retention rate.

And really good performance on the AOV, and so we feel great about those. We feel great about the plan that we came into the year with hitting the inflection point when we said we would. And a really nice thing is as we go further into the year, we're feeling extra confident about the Commerce side of the business, which is nice to have because it allows us to follow the plan and take all the right actions in DTC. So it's going well. It's right on track, and we feel good about the pacing.

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

Got it. And then just that sort of leads me to my next question on the Commerce business. Revenue down during the quarter. Can you just kind of unpack what the main drivers were there? And then just the same thing as I asked with the direct-to-consumer business, what has you excited about Commerce? I know Girl Scouts is going to come in, but what are kind of some other proof points as far as that as the kind of confidence level there in the second half?

Matt Meeker
Co-Founder, CEO & Executive Chairman

Yes. And this is always the slowest quarter of the year for us. And yes, it's a little bit slower than what we saw last year. It's always a lumpy business, and we expect it to be lumpy once again this year. So you've got some timing elements of some things that maybe were split into Q4 and therefore fell out of Q1 here and the other dynamic, but really a lot of things building for Q2 through Q4 of this year.

It also is a long lead time. As we know, there are, of course, ongoing orders every week, but we have really great visibility to where those big lumps are in the road. And we've been winning, as I mentioned in my script, according to Nielsen, we've been winning market share in the toy category on a consistent basis over the last year, the last quarter, the last month. We are building good relationships with our major partners, some of which who I mentioned are taking our new Licksters product here in the fall, that being Walmart, Target, Chewy, Amazon. So, very excited about that. We like the outlook there. And again, that just takes -- it eases up that pressure on the direct-to-consumer side of when you're rebuilding that we don't have to do anything unnatural, that we could just stick to the plan. And it's a nice byproduct that the plan is going well.

Operator

That concludes the question and answer session. Ladies and gentlemen, this concludes the BARK First Quarter Fiscal Year 2027 Earnings Call. Thank you all for joining. You may now disconnect.