

Company Name: BARK, Inc. (BARK)
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<<Maria Ripps, Analyst, Canaccord Genuity>>

All right, we are going to get started. Good afternoon everyone and thank you all for joining us today. I'm Maria Ripps, Internet analyst at Canaccord Genuity and it's my pleasure to introduce Matt Meeker, BARK's Founder and CEO; and Zahir Ibrahim, CFO. Gentlemen, thank you so much for being here with us today.

<<Zahir Ibrahim, Chief Financial Officer>>

Yes, thank you for having us.

<<Maria Ripps, Analyst, Canaccord Genuity>>

So in the face of a challenging macro backdrop last year in 2024, your company demonstrated solid execution against core strategic initiatives such as scaling your emerging commerce business and improving profitability. So with that in mind, what are some of the top strategic priorities for the management team over the next few years?

<<Matt Meeker, Co-Founder, Executive Chairman, and Chief Executive Officer>>

As you said, we're really happy with where we are in terms of straightening out the middle part of our P&L. So we're knocking on wood all day. But one more quarter to go to delivering our first year ever, first full year profitability EBITDA positive. So we feel really good about that. We'll keep that going and keep making those improvements. But on top of that then it's growth and it's growth in our commerce or wholesale channel includes taking more shelf space in our 40,000 retail doors, some expansion into international markets where we've got a little bit of a start, but there's a lot more opportunity there. There's growth opportunity in our e-commerce. So selling on Amazon and Chewy where Chewy we were nothing a year ago or even six months ago and now that's a fast accelerating part of the business. They've been a fantastic partner. Amazon accelerating very quickly.

You've got the direct-to-consumer side where we've done a consolidation or a unification of all of our different web properties under one URL and onto a Shopify platform which enables a lot more cross-selling. Customers get visibility of the products and better, much better conversion as we learned this last quarter, so acceleration there. And then finally like most brands, we have an airline that's growing so – and we've got good growth opportunity there. So the word for the year ahead is grow.

<<Maria Ripps, Analyst, Canaccord Genuity>>

And we'll touch on that later in the discussion. But this morning you reported preliminary fiscal Q3 results. Your total revenue was above the midpoint of guidance. Your profitability came in within the expected range. Maybe just talk about sort of what happened in the quarter just. And I know you wanted to mention the headline on Bloomberg that back at the start of the day. So...

<<Zahir Ibrahim, Chief Financial Officer>>

Yes, sure. So, we released our results this morning, preliminary results for Q3, revenue at \$126.4 million. That's above the guidance range. So we put a guidance range out there of \$123 million to \$126 million. So it was great to beat that number. In terms of profit, we came in right in the middle of the guidance range at \$1.6 million loss for the quarter, but that's where we expect expected to land. So we were really pleased with a strong holiday quarter. And then unfortunately Bloomberg, when they announced the results this morning, they were comparing our full year guidance reiteration, which was \$490 million to \$500 million in revenue versus analysts full year forecast for fiscal 2026, which is next year, a number of \$540 odd million. So that was a headline that went out there.

So I think the algorithms went into play and that impacted the trading and impacted our share price earlier on in the day. It's recovered since then and back pretty much where we were at the start of the day. But from our perspective, not really a reflection of the strong results that we posted for the quarter. At this point, Bloomberg hasn't gone back and recorrected it or stated that they need to correct it. So once that kicks in, hopefully we'll get a truer reflection of the quarter's performance.

<<Maria Ripps, Analyst, Canaccord Genuity>>

That was an opportunity for savvy investors. So let's talk about your DTC business and let's start with toys. So revenue there sort of recovered nicely, but still a little bit under pressure. Maybe talk about sort of some recent sort of developments in that segment, in that vertical. And is it largely a function of operating improvements or sort of a broad improvement in the category?

<<Matt Meeker, Co-Founder, Executive Chairman, and Chief Executive Officer>>

On the D2C side as we were talking about, we moved, we make a substantial investment in marketing and spending in the holiday quarter. And to be frank about it, we started this quarter with all that spending going towards our legacy platforms and performing pretty poorly, our conversion was very poor, our cost of acquisition high and so we made a decision to make that transition and move that substantial investment over to our new platform in late October.

And we kind of crossed our fingers and hoped the data we were seeing was correct. And it was. And so what we got in the last two months was really strong performance, great conversion, very efficient.

We brought our cost of acquisition down year-over-year by 5% while we had a record quarter of new subscribers breaking over 300,000 for the first time. That new platform is on Shopify and you saw something that didn't exist before on our old platform. We saw 43% of the checkouts

through Shop Pay. So I'm not saying those customers wouldn't have converted in another way. But that really made it easier and we as a result had a very strong quarter in terms of new subscriber ads.

Still work to be done. You got to see through and make sure you've got strong retention, and average order value, and a tech migration is never easy, but we're on track to finish that this quarter as planned.

<<Maria Ripps, Analyst, Canaccord Genuity>>

And so let's talk about your consumables business which has been a little bit of pressure last couple of quarters. What are you – I guess what are you seeing now with your new sort of unified platform? Is that segment sort of showing some improvements as well?

<<Zahir Ibrahim, Chief Financial Officer>>

On the consumables?

<<Maria Ripps, Analyst, Canaccord Genuity>>

Yeah, your D2C business.

<<Zahir Ibrahim, Chief Financial Officer>>

Yeah. Yeah, so on the D2C business, just to give people a sense, 90% of our revenue is our subscription boxes. If you're a subscriber and hopefully there are some people in the room that are subscribers, you'll know you'll get a box every month you get two toys, two treats and a fifth item which is a surprise and delight. When you look at our overall breakdown of revenue from the boxes, 70% of that is attributable to toys, 30% to consumables.

Outside of the boxes, over the past three or four years we've been expanding through innovation, our portfolio of offerings. So we've gone into dental products, food toppers, kibble as well as different types of treats as well, which we're also now selling in retail and I can talk about that shortly.

So the performance there has been good for us. I think overall we feel the DC business is going to be helped by the transition to Shopify. Shopify is a modern day platform relative to a legacy platform that we've had for like 13 years that we built internally. The look and feel of that site is completely different and all the things that Matt talked about, you're driving traffic there conversions higher in time, the ability to add more products to your basket is going to improve AOV as well. And that's going to come through toys and consumables.

<<Maria Ripps, Analyst, Canaccord Genuity>>

Got it. So it sounds like you sort of redirected a lot of your spend to this sort of to drive customers to this unified platform. So, is there anything else you're doing on the marketing side that's driving this more efficient customer acquisition sort of strategy?

<<Matt Meeker, Co-Founder, Executive Chairman, and Chief Executive Officer>>

Sure. Quite a few things that we – what we've talked about before. One is there is a big push and a path that we're on to move to more full-funnel marketing. We've historically been very bottom of funnel direct response almost exclusively at the detriment of the full funnel approach. We started to move dollars in effort throughout. We've still got a lot more work to do there, but we've certainly seen the payoff where we spend a little bit of money and we get outsized gains as a result of it. That's one thing.

Another is we've invested in AI-driven creative and what that's doing for us is essentially when you're making an ad, putting it out there, no one knows before the ad is out if it's going to perform or not. And so really what we're trying to do is bring the effective cost of producing each ad as close to zero as possible and get the velocity as fast as possible.

Humans can maybe make, let's say 100 ads in a month and we get to test those and hopefully one or two of those hit, we follow the winner. With AI, we can produce 1,000 or 10,000 variations of ads every month, test them and we get just many more ad bats and more chances for breakaway velocity and winning. So those are a couple of things we're doing.

<<Maria Ripps, Analyst, Canaccord Genuity>>

Great. So let's move on to BARK's commerce business, which has been strategic focus for the company over the past several quarters. So could you maybe just level set for the audience sort of the number of stores that sort of you currently in, what retailers you sort of formed partnerships more recently and sort of what type of sort of integrations with some of the 3P platforms do you have?

<<Zahir Ibrahim, Chief Financial Officer>>

Yeah. So if you look at our revenue mix for fiscal 2024 D2C was about 90%, 89% of our revenue. Commerce was 11%. As we're progressing this year, the mix will grow in commerce. We've had a strong year in commerce. We're up 25% year-to-date. We were up 43% in Q3. We expect the full year to be up around 30% and we expect that momentum to continue next year and accelerate.

In terms of the channels, we're largely domestic. We have some presence internationally and I'll talk to that in a moment. In terms of domestic, we're in 40,000 doors in bricks and mortar. We're in all the channels. In terms of our indexation within bricks and mortar, we have stronger presence in customers such as Target and PetSmart. But we have a lot of runway in terms of getting our fair share customers like Walmart. We've recently gone into T.J.Maxx and that channel has a lot of growth opportunities.

Costco as well, we've been expanding our relationship a lot more. So Walmart and Sam's are two big places for us. The independent channel as well in pet specialty is underserved at the moment and so we've got a huge opportunity there. As you think about the e-commerce customers, Amazon and Chewy. So Chewy, we weren't trading with them before this fiscal year. We started trading with them in June this year, we launched with 30 SKUs on their site, a combination of toys and consumables.

They sold through very, very quickly. So in the last few months we've continued to expand our assortment and right now we have over 150 SKUs with Chewy. The sales are growing sequentially with them. The conversations with Chewy are about how we can continue to expand our assortment, even potentially bring our BARK box offering the subscription box onto their site as well.

They're really pleased with the performance so far. We're delighted as well. The collaboration's been really strong with them and we just see that partnership growing. In terms of Amazon, it's been more of a channel that we've just allowed to roll along. It's not been significant for us historically.

Earlier this year, along with hiring a new Chief Revenue Officer to help drive our commerce business, a guy who used to be a pet category buyer at Walmart went on to work for a pet company as their Chief Revenue Officer and CEO. He's come in, brought a lot of strong ideas, partnered with Matt and I with some of the thoughts that we have.

He's brought in a lot of strong capabilities and one of those individuals is leading our efforts with Amazon and Chewy. So on Amazon, we've just looked at our pack price architecture and built the SKUs that make sense to win on that channel. We're using marketing tactics and putting money behind the hero SKUs, which are then driving us up on the review scale and that's just then getting that flywheel moving.

We expect to grow our Amazon business this year by 80% to 100% and we expect that momentum to continue next year. With Amazon internationally, we've also started shipping in Europe in the last quarter as well and we expect huge opportunities there. As you think about the international channel, we've got presence in the UK with Pets at Home, which is the largest pet specialty retailer in the UK with over 400 stores. They have significant assortment over the last nine months that's progressing well.

In mainland Europe, we've launched distribution with FreshSNAP. They've got stores across a number of countries in Europe, I think close to 2,000 stores. And so we've started distribution there. We've got seasonal product going into some major retailers in the UK as well, so starting to expand internationally. Domestically, it's increasing our distribution where we already have a footprint and getting a fairer share of shelf and then expanding in underserved customers. So just a huge runway for us to grow within commerce.

<<Maria Ripps, Analyst, Canaccord Genuity>>

And sort of more broadly, how would you compare sort of productivity of your relationships with retail partners versus e-commerce partners?

<<Zahir Ibrahim, Chief Financial Officer>>

We with the bricks and mortar customers, we've been working with them over the last six or seven years and we've proven to be a strong supplier for them in terms of our performance within the category in toys. And what it's done is it's led to other opportunities for us. So for example, with Target, they came to us, we collaborated on developing specific treats that would go into retail, and they went on shelf. Earlier this year, we put them into Target and also PetSmart on an exclusivity basis, which lapses in a couple of months. But the point is, those introductions have been the top one or two for PetSmart and Target in terms of any new innovations that were introduced into that category. So we feel really good about what we brought to the shelf with those retailers. I think it's early in our relationship with Chewy, but like I've said, we're really growing there in leaps and bounds. And then Amazon, there's just a huge opportunity there that we're starting to address.

<<Maria Ripps, Analyst, Canaccord Genuity>>

That makes sense. So let's switch gears here and let's talk about possibly the most fun topic of the day, which is BARK Air. So for those in the audience who may be sort of less familiar with this offering, could you maybe give us a brief overview of what that is and sort of talk about momentum that you are seeing with this offering?

<<Matt Meeker, Co-Founder, Executive Chairman, and Chief Executive Officer>>

Sure. What it is, is there are – well, there are 65 million households in this country with dogs in their house. And most of those these days feel that the dog is a member of the family and they want them treated like a member of the family. And there still aren't enough opportunities for that across the board. So imagine going on a vacation and saying, I'm not going to bring my children because they're not allowed on the flight. And that's unthinkable to most people. And for a lot of these households, the same idea with their dog, but it's been accepted because it's very difficult to travel. Even worse is I'm moving from the U.S. to Europe and I have to leave my dog behind, because I can't find a way to transport them.

And we've heard all these stories. This has been heard for years and years. And earlier this year we decided, let's try to start a service, where we transport people and dogs. We fly them between New York and Los Angeles, New York and London, and now Paris, and find out if there's demand there or if people just are talking about it or if they are really willing to pay someone to do this. And we had a fantastic reception. The ticket sales have been incredible. Our fill rate on the seats is in the mid-90%.

So if you go to the site now and you look to buy tickets for, let's say, the next few months, you're going to see a lot of sold out signs on those and we have wait lists and then we fill those planes too. And that's in spite of the ticket prices being really high. So one way between New York and Los Angeles is \$6,000, over to Europe is either \$8,000 or \$9,000. And we're still

filling those seats. We started by flying Gulfstream Vs. We still fly those. But now we've made our way into different types of aircraft that welcome more customers run by a commercial airline partner. We're not out there buying planes.

My CFO wants everyone to know that. We've bought zero planes so far. But now we've effectively on a route between New York and Miami starting next month have brought the ticket price down to \$1,000. So now if you want to take a winter vacation from New York, come to Miami for the sun with your dog. It's \$1,000 instead of \$6,000 or \$8,000. And we'll keep going. We'll keep trying to lower that cost. But the consumer reaction has been terrific. And we see just a lot of growth potential in it. But we're going to take it step by step and do it responsibly.

<<Zahir Ibrahim, Chief Financial Officer>>

And we generated \$2 million of revenue this past quarter. We were gross profit positive as well, which is great. But early in our journey with this and the partnership that Matt's talking about with Air Wisconsin, we shared that on our site a few weeks ago. They're going to be bigger planes with up to 50 seats. So that gives you a different ability with the initial offerings that we're absolutely still running, which are Gulfstream chartered planes, right. So it's – but it'll still have the same service levels and taking all the learnings that we have had from the first six months of operating as an airline.

<<Maria Ripps, Analyst, Canaccord Genuity>>

Is there a certain level of bookings that would sort of allow you to offer even lower prices or how should investors think about it?

<<Matt Meeker, Co-Founder, Executive Chairman, and Chief Executive Officer>>

Yeah. There are different steps. So what allows us to offer the lower price on these test flights is the cost of the infrastructure, if you will, the planes, the pilots and our partner here, Air Wisconsin, they have that infrastructure and given that route, there's just a cost to it for them to operate. So we back into it and we say at that what kind of ticket price can we hit and still make money, \$1,000 is where that is. And the way you get further into it is we make a greater commitment to them.

So instead of on this one, we have to fly out a flight crew from Milwaukee to New York. We have to put them up. If that flight crew was based in New York and flying to multiple cities and was working four days a week and you had a plane base there and you started to build gates there, your cost keeps coming down, your unit cost comes down. I'm not suggesting we do it, let me be clear. But the way you lower the cost of the plane is you buy the plane, you own it, you don't lease it to someone with a margin. And so when you get real confidence that you can fill the plane every week like clockwork between New York and Los Angeles and you've got an opportunity to buy a plane that somebody's going to let go in a distressed situation, you snap it up.

But we're a long way from there. So there are ways to lower the cost and it always revolves around the plane and the number of seats and the configuration and just getting the right opportunity, like there's one more opportunity we have of flying, think of the JetBlue style plane and what they would fly cross country, that seating layout. There's a – there's some charter partner we work with who all of a sudden has a bunch of those available. And so their cost comes way down. They have them available because they were being used by political campaigns up until November. Now they got a bunch of inventory. So costs come way down. That's an opportunity for us to come in, test some things and have some forgiveness in the cost structure.

<<Maria Ripps, Analyst, Canaccord Genuity>>

That makes sense. So I think we have just literally a minute or so left. Maybe we'll wrap up with a question on financials. So this morning you reiterated your fiscal 2025 revenue guidance that cost for low single digit growth. How should we think about sort of maybe some sort of acceleration next year as some of these growth initiatives sort of mature?

<<Zahir Ibrahim, Chief Financial Officer>>

Yeah. We feel good about progress made on commerce and that flywheel starting to move and continue next year and momentum there feel really good about the transition across of our DTC business from the Legacy platform to the Shopify platform as well. That's going to be a good enabler for next year. And then obviously the airlines are still nascent and there's just a lot more that we can do there to grow that business as well. So overall from a revenue perspective, it's still early in the process. We're still in the planning stages. But directly from our perspective, we see a mid-single to high-single digit growth next year for the fiscal year 2026.

<<Maria Ripps, Analyst, Canaccord Genuity>>

Well, I think with that, we are out of time. Matt, Zahir, thank you so much for joining us.

<<Matt Meeker, Co-Founder, Executive Chairman, and Chief Executive Officer>>

Thank you.

<<Maria Ripps, Analyst, Canaccord Genuity>>

And thank you all for coming.

<<Zahir Ibrahim, Chief Financial Officer>>

Thank you.