BARK, Inc. NYSE:BARK

Earnings Call

Thursday, February 5, 2026 9:30 PM GMT

Call Participants

EXECUTIVES

Matt Meeker
Co-Founder, CEO & Executive Chairman

Michael K. Mougias
Vice President of Investor Relations

Zahir M. Ibrahim
Chief Financial Officer

Presentation

Operator

Ladies and gentlemen, thank you for standing by. My name is Abby, and I'll be your conference operator today. At this time, I would like to welcome everyone to the BARK Third Quarter Fiscal Year 2026 Earnings Conference Call. [Operator Instructions]

I would now like to turn the conference over to Mike Mougias, Vice President of Investor Relations and FP&A. You may begin.

Michael K. Mougias
Vice President of Investor Relations

Good afternoon, everyone, and welcome to BARK's Third Quarter Fiscal Year 2026 Earnings Call. Joining me today are Matt Meeker, Co-Founder and Chief Executive Officer; and Zahir Ibrahim, 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 now pass it over to Matt.

Matt Meeker
Co-Founder, CEO & Executive Chairman

Thanks, Mike, and good afternoon, everyone. Before we dive into the quarter, I want to briefly acknowledge the recent headlines regarding potential strategic proposals you may have seen. Given the nature of those proposals, we are unable to comment on them during today's call. Today's discussion will center on our third quarter results and how we're continuing to drive our business results. With that said, let's jump in.

Our priorities throughout fiscal '26 have remained consistent, strengthening the business by improving profitability and operating with discipline in a volatile macro environment. Entering the second half of the year debt-free with a leaner cost structure and greater financial flexibility has helped us navigate tariffs and broader market uncertainty while continuing to invest thoughtfully in the areas that matter most.

Turning to the quarter. Adjusted EBITDA was negative $1.6 million, within our guidance range and consistent with last year. We also generated $1.6 million of positive free cash flow, driven in part by inventory normalizing following a buildup in the first half as tariff rates came down. We plan to continue to optimize inventory levels to further support cash conversion in the near to midterm. Total revenue of $98.4 million came in below our guidance range, driven in part by a deliberate pullback in marketing spend. Marketing expense was approximately $11 million lower than the third quarter last year, reflecting our continued emphasis on bottom line durability and disciplined capital deployment.

Nonetheless, we delivered a healthy 62.5% consolidated gross margin with both our direct-to-consumer and commerce segments showing year-over-year and sequential improvement. We've been deliberate about where we invest and where we don't, focusing investments on areas with clear returns rather than chasing short-term growth. One of the areas we've consistently emphasized this year is diversification, and we continue to see progress there.

During the quarter, Air and Commerce represented approximately 23% of total revenue, up from 18% last year. Our Commerce segment generated $18.8 million of revenue with a gross margin of 46.4%. BARK Air also delivered $3.4 million of revenue, up 71% year-over-year. Together, these businesses are scaling, becoming a more meaningful part of our overall revenue mix and helping make the business more resilient as we navigate a changing cost and demand environment. In our direct-to-consumer business, we remain disciplined in our marketing investment, pulling back on promotions and reducing customer acquisition costs as evidenced by the 40% year-over-year reduction in marketing expense.

Last quarter, total CAC was down 7% versus prior year and marked our most efficient quarter in nearly 3 years. As part of this approach, we are prioritizing the quality of customers we acquire over sheer volume. This has resulted in our subscriber base shrinking over time and therefore, pressuring D2C revenue, an outcome we are comfortable with as we focus on profitability and cash conversion. We expect this trend to continue in the coming quarters.

Importantly, the customers we are acquiring today are of higher quality with stronger engagement and spending behavior, which we believe will support better retention and higher average order value over time. For example, our average order value reached $31.41 last quarter, our strongest quarter in nearly 2 years as more customers opted for Double Deluxe, extra toys and Add-to-Box options. One additional area of execution worth calling out is shipping. In the second quarter, we transitioned our last mile delivery to Amazon, meaning BARK products now ride on Amazon's Blue trucks. This should reduce shipping costs and get packages to customers quicker.

Overall, I'm pleased with how the team has continued to execute in a dynamic operating environment. Despite ongoing tariff uncertainty, changes across our shipping partners and broader macro volatility, we've remained focused on protecting profitability and running the business with discipline. We are debt-free following the repayment of our $45 million convertible note in November, and we're beginning to see improvements in free cash flow conversion as we reduce inventory and continue to make the organization leaner and more efficient.

Taken together, our recent results reflect our running the business with intention, balancing profitability, operational discipline and diversification while continuing to improve the underlying quality of our revenue. The actions we've taken throughout the year position us to exit fiscal 2026 on a strong foot and better equipped to navigate uncertainty while continuing to invest thoughtfully in the long-term growth of the brand.

And with that, I will turn the call over to Zahir.

Zahir M. Ibrahim
Chief Financial Officer

Thanks, Matt, and good afternoon, everyone. Let me provide some additional color on our third quarter results. Starting at the top. Total revenue for the quarter was $98.4 million. As Matt discussed, revenue came in below expectations, driven primarily by a measured pullback in marketing spend as we prioritize profitability and cash generation during the quarter.

That said, we are seeing promising trends in our DTC business around the quality of customers we're acquiring. This includes higher AOV and improved efficiency across acquisition channels. Additionally, retention remains stable and the customers we're bringing in today are of a higher value than those acquired through more promotionally driven strategies of the past. This is encouraging given the challenging macro backdrop. Commerce delivered $18.8 million of revenue in the quarter, roughly $1.5 million below last year, partially driven by timing shifts.

Overall, our Commerce segment remains a key part of the business from both a growth and a margin perspective, and we expect it to remain an important contributor to our overall revenue mix as we add new partners, introduce additional SKUs and expand distribution within existing retailers. Turning to gross margin. Consolidated gross margin was 62.5% for the quarter. From a segment standpoint, D2C gross margin, which includes Air, was 66.4%, 10 basis points above last year.

Commerce gross margin was 46.3%, up 240 basis points year-over-year. The margin improvements we saw across the business last quarter not only reflect the quality of revenue, but also the important work the team has done mitigating tariff impacts through a variety of tactics, including alternative sourcing, packaging and in Commerce instituting a price increase.

Turning to operating expenses. Total marketing spend was $16.1 million, down $11.3 million versus last year as we continue to prioritize premium customers CAC efficiency and profit performance. Shipping and fulfillment expense was $29.1 million, down nearly $8 million year-over-year, driven largely by lower volume in our D2C segment. G&A expense was $25.4 million, down $2.1 million versus last year, reflecting lower headcount and ongoing cost management initiatives. We remain focused on building a leaner organization while maintaining the capabilities needed to support future growth, and we continue to see opportunities to drive additional operating leverage and cash generation over time.

As one example, we recently downsized our office footprint, moving from 120 Broadway to a more appropriately sized space in Brooklyn and generating more than $2 million in annualized savings. Looking ahead, we expect to realize further efficiencies through continued process improvements infrastructure optimization and disciplined cost management. Overall, while total revenue was lower year-over-year, we operated with greater efficiency with adjusted EBITDA of negative $1.6 million, in line with third quarter last year. We also generated $1.6 million of positive free cash flow during the quarter. Profitability remains our key focus, and we're pleased by our recent results given the challenging macro backdrop.

Turning to the balance sheet. We ended the quarter with approximately $22 million of cash following the repayment of our $45 million of convertible notes in November. Inventory was $91 million, roughly $10 million down on the prior quarter. We expect inventory levels to continue to decline in the fourth quarter as we sell through the build accumulated earlier in the fiscal year.

In summary, while revenue was impacted by deliberate decisions to prioritize profitability and cash flow, the underlying financial profile of the business continues to improve. We're seeing progress across margins, operating efficiency and diversification. And we believe these actions position us to exit fiscal 2026 in a stronger and more resilient position.

Thank you for joining us today, and we look forward to providing additional updates in the future.

Operator
And ladies and gentlemen, this concludes today's call, and we thank you for your participation. You may now disconnect.