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Earnings Call

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Matt Meeker

Co-Founder, CEO & Executive Chairman

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ANALYSTS

Kontji Seerawong Thanawatti

Presentation

Operator

Hello, and thank you for standing by. My name is Tiffany, and I will be your conference operator today. At this time, I would like to welcome everyone to the BARK Fiscal Fourth Quarter and Full Year 2026 Earnings Conference Call. [Operator Instructions] I would now like to turn the call over to Mike Mougias, Vice President of Investor Relations. Mike, please go ahead.

Michael K. Mougias

Vice President of Investor Relations

Good afternoon to everyone, and welcome to BARK's Fiscal Fourth Quarter and Full Year 2026 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 now pass it over to Matt.

Matt Meeker

Co-Founder, CEO & Executive Chairman

Thanks, Mike, and good afternoon, everyone. We set out to do 2 things in fiscal 2026, sustain adjusted EBITDA profitability despite tariff and macro volatility and accelerate the diversification of our revenue to build a more resilient business while laying out a strategy for the way forward. We believe we have delivered on each. Adjusted EBITDA was positive \$0.2 million for the year, marking our second consecutive year of positive adjusted EBITDA and meeting our goal of ending the year on the positive side. This builds on the progress we made in fiscal 2025 when we achieved our first full year of positive adjusted EBITDA, an improvement from a \$58 million loss just 3 years earlier.

Additionally, Commerce and Air represented 21% of total revenue, up from 15% last year, reducing our reliance on any single channel and improving the durability of the model. With sufficient cash, a debt-free balance sheet and a leaner cost structure, we are well positioned to build on this foundation in fiscal 2027 and beyond as we pursue renewed growth.

Before I discuss the year ahead, let me walk through some of our key highlights from the past year. I will stick to our full year figures, and Brian will go into more detail on the quarter and full year. Starting at the top, total revenue was \$395 million. This reflects a deliberate decision to pull back on marketing and promotions to prioritize bottom line durability in the face of historic tariffs and a volatile macro environment. We reduced our total marketing investment by over \$24 million year-over-year, choosing to protect our margins rather than chase inefficient growth. While this approach means we are entering fiscal 2027 with a smaller D2C subscriber base, we believe the underlying quality of that base is stronger as evidenced by our steadily improving retention rates and growing average order values.

Our Commerce segment delivered \$70 million in revenue, a \$1.5 million increase over last year. Notably, while this segment remains a growth engine, the first half of the year was marked by caution among our retail partners as tariff uncertainty weighed on the market. With greater clarity following the Supreme Court's recent ruling, we believe the environment is becoming more manageable. With these headwinds

behind us, we expect strong momentum for Commerce in fiscal 2027 with accelerating expansion across wholesale and marketplaces.

BARK Air revenue more than doubled this year to over \$12 million. With utilization rates averaging 90% and consistent 5-star reviews, the business has demonstrated a clear demand and a differentiated customer experience. However, in line with our focus on profitability and cash conversion, a priority for BARK Air in fiscal 2027 is the bottom line. We are focused on improving unit economics over top line expansion and as a result, we do not expect significant revenue growth in BARK Air over the next year.

Moving on, we delivered a very healthy consolidated gross margin of 61% for the year, consistent with the prior year-over-year despite Commerce and Air representing a larger share of total revenue. On that note, our D2C gross margin was 68%, up over 200 basis points year-over-year. We also reduced year-over-year costs by \$55 million across G&A, shipping and fulfillment and marketing. While we expect these efficiencies to benefit the company in the year ahead, we will remain flexible adjusting our marketing spend up or down based on the returns we see.

On that note, let's turn to our focus for fiscal 2027 and our strategy more broadly. I want to start by spending a few minutes talking about the opportunity for the business and why I'm confident in the way forward. Over the past several months, I spent considerable time listening to our customers, talking with our team and analyzing the data behind our business. I dealt with some hard truth, company moving at the pace we've been moving doesn't always give itself permission to sit there. At our core, BARK is a business with generally exceptional foundations despite the headline results. More than 1.5 million households have invited us into their homes. We've built an exceptional supply chain over the past decade. We have direct customer relationships that few consumer companies of our scale can claim. These are real durable advantages. But to this point, we haven't fully leveraged them.

In many ways, we fought the wrong battles. We've been optimizing a model that the world has started to move past. The revenue trajectory you saw in today's results reflects that. What I want to spend the next few minutes on is what we intend to do about it and why I believe the position we're in is more advantageous than the recent numbers suggest.

Let me start with what hasn't changed because I think it gets lost in the noise around our results. There are 71 million households in the United States with dogs, which is more than half of all households domestically. U.S. spending on pets has grown from \$12 billion in 2000 to over \$158 billion today. This is not a market in decline. It is not a category under pressure. If anything, the cultural and demographic tailwinds behind pet ownership has strengthened. Dogs occupy a different place in the American household than they did 20 years ago, and that shift is structural, not cyclical. There's also no dominant leader in this space. No single brand owns a dog. That remains true. The category is enormous, resilient through economic cycles and wide open at the top. We built this company on that belief and that belief remains valid. What we need is a sharper answer to the question of where specifically we intend to win and how.

The subscription box, the model we built and which took us from 0 to over \$0.5 billion in annual revenue was built in a form of personalization that was, at the time, genuinely differentiated. We understood that a large dog and a small dog are not the same customer. That insight was right, it still is. But the world has evolved. What was differentiated has become the floor. Mass personalization that is knowing your dog's size, your dog's age, whether they're a heavy chewer, that's table stakes now. Our customers know it, our retention data reflects it. The opportunity we see and that we are now building toward is a fundamentally deeper level of specificity, not size, not age, not chew style, the actual dog, the specific nature of a specific dog, what that dog needs, how that dog plays, what that dog's health profile looks like, what the community of owners of that same dog cares about. We are not going to do that by adding a few more quiz questions. We are going to do this by rethinking the purpose of our relationship with the customer.

The insight that's guiding our next chapter is this. BarkBox is not a box. It is a relationship between a brand and a dog mediated by a human who loves that dog. The job is not done when the box arrives. The job is done when the dog is happy. That standard changes everything, what goes in the box, how we measure retention, how we handle service, what we sell and most importantly, what we build next. We are

calling this relationship commerce. It has 3 dimensions we're building against depth, how well do we truly understand each customer, density, how many meaningful touch points exist between us and the customer and durability, does the customer give us permission to offer new products and services over time. Those 3 things compounded over millions of customer relationships are what a successful business looks like in this category.

We also believe AI is a competitive advantage that will allow us to adapt and evolve at a rapid scale. We've been studying this carefully. We are not behind the curve on it. We intend to be the ones to get there first and get there right. We have more to share on the specifics of our strategy in the coming quarters. What I can tell you today is that the direction is clear, the team is aligned and the work is underway. The market is huge. The relationship is ours to deepen. And for the first time in a while, I feel like we're asking the right questions.

As we build for the long term, we are consolidating the brands and products we will build around. As part of this, we will sunset products where we have not seen adequate returns, including our Kibble and toppers lines. That decision will allow us to reallocate capital and resources toward higher return categories where we have proven our right to win. This will also simplify the business and help improve overall profitability going forward.

On D2C, we are entering the year with a smaller subscriber base following the deliberate pullback in marketing spend last year. We expect D2C revenue to be down year-over-year in the first half before stabilizing in the second half and returning to growth thereafter. In Commerce, we expect our momentum to remain strong in FY '27 with the segment representing nearly 1/4 of total revenue in FY '27 versus 18% in FY '26 as we continue to expand with both new and existing retail partners.

Additionally, our cookie program with the Girl Scouts is expected to launch late in the fiscal year, providing another incremental revenue growth and brand awareness driver. Despite prioritizing gross margin and profitability over near-term growth on BARK Air, we expect BARK Air and Commerce to collectively represent over \$100 million of revenue, further advancing our diversification strategy.

Turning to guidance. For the first quarter of fiscal 2027, we expect total revenue of \$77 million to \$79 million and adjusted EBITDA of \$0 to \$1 million. For the full year, we expect total revenue of \$325 million to \$340 million and adjusted EBITDA of \$7 million to \$10 million, a meaningful step up from fiscal 2026 and consistent with our commitment to sustained profitability. I also want to note that our Board has authorized a share repurchase program of up to \$40 million to be funded by ongoing free cash flow. This reflects the Board's conviction in the long-term value of BARK and our belief that the stock represents compelling value at current levels. Our debt-free balance sheet and improving free cash flow profile give us the flexibility to simultaneously invest in the business and return capital to shareholders. We ended the year with a debt-free balance sheet, \$19 million of cash and inventory of \$76 million, a reduction of approximately \$13 million year-over-year. We delivered our second consecutive year of positive adjusted EBITDA and expect to do so again in fiscal 2027 as well as positive free cash flow.

Taken together, these improvements, along with a sharper product focus and a more diversified revenue base, position us to drive sustained value for our customers, partners and shareholders. We still have work ahead, but we are operating from a stronger foundation and a clear path to growth. We needed to fix the underlying business so we could actually pursue the growth strategy I've outlined. With a lot of this difficult work done, we can now start pursuing a growth plan. I'm more excited about this business than I've been in years and I have confidence we're going to do something truly special. With that, I'll turn the call over to Brian.

Brian Dostie

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

Thanks, Matt, and good afternoon, everyone. I'll begin by reviewing our financial results for the fiscal fourth quarter and full year 2026 and then discuss how we're positioning the business for fiscal 2027.

Starting at the top, fourth quarter revenue was \$86.6 million compared to \$115.4 million in the prior year period. For the full year, revenue totaled \$394.8 million versus \$484.2 million in fiscal 2025. As Matt

mentioned, this top line decline reflects our intentional pullback in marketing spend and promotional activity as we prioritized bottom line durability over inefficient growth.

Looking at our segments in more detail, full year D2C revenue was \$324.9 million. This includes \$12.4 million from BARK Air for the full year, of which \$3.1 million was generated in the fourth quarter. Total fourth quarter D2C revenue was \$74 million. While entering fiscal 2027 with smaller subscriber base impact to our near-term top line, the underlying quality of this base is stronger, driven by healthier retention trends and higher average order value.

Turning to Commerce. Full year revenue increased 2% or \$59.9 million. Fourth quarter Commerce was \$12.5 million, down about 18.3% versus the prior year period. The fourth quarter variance was largely driven by timing of retail shipments year-over-year. And we continue to view Commerce as an important long-term growth driver for the business in fiscal 2027 and beyond.

Moving down to P&L. Consolidated gross margin was 61.3% for the full year and 52.7% for the full fourth quarter. Our cost of revenue this quarter reflects \$2.7 million of IEEPA tariff refunds recorded as a loss recovery. We paid an additional \$7.1 million in IEEPA tariff refunds allocable to our cost of revenue in FY '26. This was not yet eligible for submission under the U.S. Customs and Border Protection's new IEEPA tariff refund portal. As a result, we were unable to record this amount as a reduction of cost of revenue in FY '26.

Turning to operating expenses. Fourth quarter marketing spend was \$12.6 million, down roughly \$4.7 million year-over-year. For the full year, total marketing investment was \$59.2 million, down more than \$24 million from fiscal 2025. Moving forward, we intend to maintain this discipline in the near term while remaining flexible to reinvest if customer acquisition dynamics improve. Shipping and fulfillment expenses for the full year were \$119.4 million, down from \$139.1 million last year, primarily driven by lower D2C volume. General and administrative expenses were \$103.4 million for the full year, representing a \$10.8 million drop from fiscal 2025. For the fourth quarter, G&A was \$26.8 million, down \$1.9 million year-over-year, reflecting our ongoing efforts to streamline our cost structure.

Collectively, these structural cost improvements protected our bottom line and resulted in our second consecutive year of positive adjusted EBITDA. For the full year, adjusted EBITDA was \$200,000, including the fourth quarter where we generated \$3.2 million. While macro factors compressed our absolute margins for the year, hitting our full year profitability goal demonstrates the resilience of our leaner operating model.

Turning to the balance sheet. We ended the year with a healthy cash balance of \$19 million. Our accounts receivable balance as of March 31, 2026, includes \$3.3 million of IEEPA tariff refunds, \$2.9 million of which we subsequently received. I previously mentioned that not all IEEPA tariffs paid by the company were eligible for submission under the Cape portal. We currently expect an additional \$12.1 million of IEEPA tariffs, of which \$7.1 million relates to cost of revenue in FY '26 and \$5 million relates to current inventory or cost of revenue for FY '27 that we will be able to recognize upon eligibility of submission. We closed the year with \$75.5 million in inventory, down nearly \$13 million year-over-year, and we expect to drive further inefficiencies throughout fiscal 2027. This disciplined working capital management, combined with our full year free cash flow expectations should result in a strong liquidity position.

In summary, the actions we took throughout fiscal 2026 delivered meaningful operational and financial improvement. All those decisions resulted in smaller subscriber base entering fiscal 2027, the underlying quality of the subscriber is higher, reflecting the healthier cohorts and improved retention. Combined with a leaner cost structure and continued focus on profitability, we believe we're well positioned to further improve adjusted EBITDA and generate positive free cash flow in fiscal 2027. 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 Kontji Seerawong Thanawatti with Jefferies.

Kontji Seerawong Thanawatti

This is Koungy filling in for [indiscernible] at Jefferies. Can you provide the building blocks to your \$7 million to \$10 million adjusted EBITDA guidance? You're operating from a lower revenue base compared to years past, given the focus on a smaller base of DTC customers. Just curious what the levers are? And then I'll have a follow-up.

Matt Meeker

Co-Founder, CEO & Executive Chairman

Sure. Koungy, this is Matt. The levers are, as Brian was saying that throughout the year, we've improved our unit economics pretty well across the board. The average order value of a subscriber is higher. The costs have come down. And then when you -- last year's product costs were certainly burdened by tariffs, and we don't see that burden nearly to the same extent going forward. So that's very helpful.

But more efficiency throughout the P&L, stronger retention leading to those stronger cohorts. So the quality of the customer is one aspect of that. Another is the cost reduction efforts that we've taken earlier this year -- earlier in the calendar year that is downsizing the team, really leaning in quite a bit on AI and automation across the team, replacing more expensive SaaS software contracts, things like that. So across the board, just a leaner -- more lean operation with much better unit economics all the way through. And that sets us up for being able to invest in growth once we get the new playbook that we have in mind in place for that.

Kontji Seerawong Thanawatti

So on top of that, can you kind of just remind me or us in terms of -- is the situation -- like if I recall correctly, you're mainly relying for the most part on one specific country like from a production perspective. Does that still stand true? Or are you doing something quite different on a go-forward basis?

Matt Meeker

Co-Founder, CEO & Executive Chairman

It's not entirely true. Now coming into fiscal '26, we almost entirely on the toy side of things, or non-consumable side, we're almost entirely reliant on China. Once we came into the year and faced the tariff headwinds that the whole world faced, we quickly got to building diversification throughout our supply chain. So we're now -- not including the consumables in the U.S. or any other U.S.-based products, we're now -- we at least have the option of bringing products in from a handful of Southeast Asia countries and South America as well. So there's a bit of mixing and matching based on the overall cost, including any cost of tariffs, quality. So we've got much more diversification and flexibility there. And theoretically, if a large tariff pops up somehow in China, it's a pretty quick operation for us to fail over or move over to another country.

Kontji Seerawong Thanawatti

Got you. And I apologize for misspeaking earlier, yes, specifically for toys and you answered that question.

Operator

That concludes our question-and-answer session. Ladies and gentlemen, this concludes today's call. Thank you all for joining. You may now disconnect.

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