REAL – Prepared Remarks – Q4’25

REAL CEO Remarks – Q4’25

Thank you, Caitlin and good afternoon, everyone. Thanks for joining us as we discuss our 4th quarter and full year results.

2025 was a transformative year for The RealReal. We accelerated top-line growth throughout the year, culminating in exceptional fourth quarter performance. We delivered $616 million in GMV for the quarter, representing 22% growth, while achieving an Adjusted EBITDA margin of 11%. During the fourth quarter, we surpassed the $2B mark in GMV for the year, a milestone for The RealReal that gives us further confidence in our growth trajectory and our market leadership position.

For the full year, we delivered $2.1 billion in GMV and our first year of positive Adjusted EBITDA in every quarter, demonstrating our ability to scale profitably while maintaining strong momentum.

Before Ajay walks you through our detailed results in a moment, but first, let me provide some context. Our performance in 2025 is the result of years of laying the groundwork for the luxury resale market and refining our business model. We’ve built a durable and hard-to-replicate foundation that uniquely positions us to lead and create long-term value.

We are leading a fundamental shift in the luxury consumer’s mindset - our customers have begun to view their closets as a portfolio of assets to be tracked, actively managed, and eventually monetized. With 47% of all consumers considering resale value when making a purchase in the primary market, we are influencing the luxury consumer’s behavior in a meaningful way.

I see us becoming the personal advisor of the closet, providing tools, access to information, and curated insights. Today, we are blending uniqueness, quality, and depth with the commercial scale and accessibility that only The RealReal can offer.

We are leaning into this vision through disciplined execution of our three strategic pillars:

- First, our Growth Playbook, which is how we unlock supply through meeting the customer where they are.
- Second, Operational Excellence, which is how we drive profitability.
- And third, Obsess over Service: where we uplevel our experience

These efforts are underpinned by a foundational culture of trust with our community of over 40 million members.

Diving into our growth playbook…

Our sales team, which we've built over the last 15 years, is a competitive differentiator that anchors our growth playbook. Our model combines art and science – deep personal relationships our team cultivates with consignors, accelerated by data and insights.

Last year, we rolled out Smart Sales, our AI-enabled tool that automates lead scoring, ensuring our sales team is mobilized toward the highest-value supply opportunities.

In Q4, we launched a new tool for our sales team, which leverages our vast data and AI-led pricing algorithms to provide real-time valuation estimates. It allows for a more precise dialogue with consignors about their expected earnings and strengthens our position as a trusted advisor.

Sales team tenure reached an all-time high in Q4, with 54% of our team at TRR for two years or longer. The longer a sales associate is with TRR, the more productive they become. On average, an experienced sales rep delivered approximately 20% more value than a first year sales professional.

Our marketing engine drives our sales execution. Active buyer growth accelerated in Q4 to 9% on a trailing 12-month basis. We aren't just finding shoppers – we are identifying future consignors. Our Q4 results highlight this flywheel in action – 40% of new consignors come from our existing buyer base.

By turning buyers into sellers, we're acquiring supply more cost effectively while deepening the loyalty of our community. We accelerated new buyer growth in Q4 and we believe it's a positive catalyst for future supply.

Through leveraging social channels and high-impact creative like our holiday influencer campaigns, we've energized our existing customers and attracted a new generation of luxury shoppers.

Our second pillar, Operational Excellence, is centered on scaling our unique technology and operational advantages.

Our current industry-leading authentication approach is the result of years of strategic development. To date, we've received 12 patents, formally recognizing our innovations in luxury resale, and positioning us to capitalize on AI as an enablement tool in authentication and pricing.

We continue to lean into our authentication expertise through Athena, our proprietary AI-enabled intake process. Athena is designed to optimize the blend of human expertise and technology. By automating the repetitive, data-driven tasks - we are reducing costs and increasing speed to site.

A core advantage of our model involves physical possession. When our experts have an item in-hand, we verify details that cannot be captured digitally–like the weight of a gemstone or the texture of a fabric.

The success of our approach is showing up in our results: we met our goal of exiting 2025 with 35% of all units fully flowing through Athena, a key contributor to the strong leverage we delivered in the quarter.

Looking to the future, we are focused on further automation around listings and fulfillment to continue our progress on operational speed, accuracy and efficiency.

Our third pillar is Obsessing Over Service, which is focused on upleveling the experience for our customers.

As you may recall, we introduced MyCloset last year. The first phase was "reconsign," which provides a one-click consignment experience for items purchased on TRR's platform. The next step in the evolution of MyCloset is customer tools to track and capitalize on the value of their closet. We're evolving our consignor interaction to make it less transactional and more relational and enduring; we are the trusted advisor for our customers as they journey through the primary and secondary luxury markets. Currently, we're testing app features that allow consignors to get on-demand valuation and earnings estimates and look forward to expanding MyCloset as we move through 2026.

We are obsessing over service in other ways, including leveraging Gen-AI to transform how our members discover items on our platform. We've launched a new natural language search experience to make discovery more intuitive and are seeing encouraging results. The new search experience drove a notable improvement in new customer conversion during our test period.

As we look out through 2026, we will expand these capabilities further, starting with AI recommendations in the near-term, followed by Visual and Agentic Conversational search, to further create a hyper-personalized, high-end shopping experience.

In closing, we've proven that our growth playbook is working. By integrating our team's deep expertise with our industry-leading technology, we're building an engine that is designed to scale, win, and deliver lasting value.

I want to thank our team across the country and our more than 40 million members. The trust you place in us is our most valuable asset.

Looking forward, we're excited to continue driving results together and delivering on our mission to be the definitive authority in luxury resale.

Thank you. With that, I'll turn the call over to Ajay.

REAL CFO Remarks – Q4'25

Thank you, Rati, and good afternoon, everyone.

I am pleased to review our financial results for the fourth quarter and full year 2025, a year of transformation and accelerating momentum.

In Q4, we delivered double-digit top line growth in both GMV and total revenue, driven by healthy supply and strong buyer engagement. Our disciplined execution against our three strategic pillars - the Growth Playbook, Operational Excellence, and Obsessing Over Service – continued to pay off. We delivered 450 basis points of Adjusted EBITDA margin expansion, demonstrating the operating leverage in our business model. We also generated free cash flow of $43M in Q4, up $23M year-over-year.

Turning to our detailed fourth quarter results, beginning with the top line…

Q4 GMV of $616M increased 22% compared to last year. Growth was driven roughly evenly by unit volume and higher average selling prices. Q4 total revenue of $194M increased 18% with consignment Revenue up 16% year-over-year. Direct Revenue increased 39% compared to Q4 of 2024.

In Q4: Active Buyers, Orders, and Average Order Value all increased year-over-year. On a trailing twelve month basis, Active Buyer growth accelerated to 9% year-over-year. Orders were up 10% and Average Order value increased 11% versus last year. This growth reflects our success in unlocking supply, particularly in high-value categories like Fine Jewelry and Watches.

Q4 Take Rate of 36.5% declined 120 basis points year-over-year. This was driven by a favorable mix shift into higher value items and categories. These items carry a lower percentage take rate, while generating more profit dollars and improved unit economics.

On margins and profitability…

Fourth quarter Gross Profit of $145M increased 19% year-over-year. Gross Margin of 74.8% in Q4 increased 40 basis points compared to the prior year period.

Breaking this down by channel: consignment gross margin was 89.6% in the fourth quarter, an improvement of 60 basis points year-over-year, reflecting our continued focus on operational efficiency. Direct gross margin was 26% in the fourth quarter, an increase of more than 1200 basis points year over year driven by favorable mix of products sold.

Fourth quarter Operating Expenses of $139M leveraged 600 basis points year-over-year as a percent of revenue. Excluding stock-based compensation, operating expenses leveraged by 550 basis points. These improvements were driven through increased use of AI and automation in our operations, sales team productivity, and leverage on fixed costs.

Fourth quarter Adjusted EBITDA of $22M, or 11.3% of Total Revenue, increased $11M versus prior year. Adjusted EBITDA margins increased 450 basis points year-over-year.

On cash flow and the balance sheet…

We ended the quarter with $166 million in cash, cash equivalents, and restricted cash. Our Operating Cash Flow in the fourth quarter was $49 million, a $21 million improvement year-over-year. Free Cash Flow was $43 million in the fourth quarter, a $23 million improvement year over year, demonstrating our business model's favorable cash dynamics as we grow.

Moving to our Full Year 2025 results…

Full Year GMV of $2.13B increased 16% versus prior year. Revenue of $693M was up 15% versus the prior year driven by strong execution of our growth playbook and our strategic focus on unlocking supply.

Full Year Gross Profit of $517M grew 15% year-over-year. Gross Margin of 74.6% increased 10 basis points versus full year 2024.

Operating Expenses of $541M leveraged 600 basis points in 2025. This improvement was driven through increased use of AI and automation, sales and retail team productivity, and leverage on fixed costs.

We delivered Adjusted EBITDA of $42 million for full year 2025 or 6.1% of total revenue, an increase of 450 basis points year-over-year. This improvement in profitability translated to $37M in Operating Cash Flow and Free Cash Flow of $5 million.

Over the past two years, we have reduced our total indebtedness by over $80 million, demonstrating our commitment to strengthening the balance sheet while delivering profitable growth.

Looking back on 2025, we made significant progress across our strategic priorities. We unlocked supply at scale through our growth playbook, expanded Adjusted EBITDA margins, generated positive free cash flow and strengthened our balance sheet.

These results give us confidence in our momentum as we look to 2026. Now turning to our full year outlook….

We are projecting full year GMV growth in the range of 12% to 15%. Revenue growth is expected to be between 10% and 13%.

For the full year, we expect gross margin to remain relatively consistent with 2025.

Adjusted EBITDA is expected to be in the range of $57 to $65M. This represents approximately 8% margin at the mid-point, an expansion of nearly 200 basis points versus 2025, which is aligned to our target of 15-20% AEBITDA margins over the medium term.

We continue to expect Capital Expenditures on property, plant and equipment to remain between 2 and 3% of total revenue for the full year. Regarding cash flow timing: similar to 2025, we expect operating cash flow and free cash flow to benefit from our favorable working capital dynamics in the second half of the year.

Moving to our outlook for the first quarter…

GMV growth is expected in the range of 19%-22% versus prior year. First quarter Revenue growth is expected in the range of 16%-18%. We expect direct revenue to be in the range of 12-15% of total revenue.

First Quarter Adjusted EBITDA is expected to be between $11M and $13M, representing approximately 6%-7% of total revenue and 340-430 basis points of margin expansion year-over-year.

In closing, our fourth quarter and full year 2025 performance underscores the financial power of our model. By scaling our Growth Playbook while leveraging AI-driven efficiencies, we have improved our unit economics and delivered meaningful margin expansion.

Our progress on de-levering, combined with our ability to translate gains in Adjusted EBITDA into free cash flow strengthens our financial foundation. As we enter 2026, we are focused on continuing to drive operating leverage as we scale.

Thank you to the entire RealReal team for your dedication and for driving these outstanding results.

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