REAL – Prepared Remarks – Q2'26

REAL CEO Remarks – Q2'26

Good afternoon, and thank you for joining us. Q2 was another standout quarter for our business. We delivered GMV of $617 million, an all-time high for TRR, up 22% year over year and marking our fourth consecutive quarter of GMV growth above 20%.

Revenue grew 17% to $193 million and trailing-12 month active buyers accelerated for the fourth consecutive quarter, up 11% year over year. Along with strong topline growth, we also delivered meaningful margin expansion. Adjusted EBITDA margin of 7% was up nearly 300 basis points versus last year.

These results reflect the disciplined execution of our strategy. Quarter after quarter we're upleveling the customer experience, deepening trust and compounding our advantage. Our buyers are higher quality, our sellers are more engaged, and the platform connecting them gets smarter every quarter. Given the strength of what we're seeing, we are confidently raising our full-year outlook.

The RealReal is a marketplace deliberately designed for the luxury consumer and the way they want to be served. We've developed deep expertise across the full range of luxury - establishing the trust that comes from handling our members' most valued possessions. Every part of our platform, from sourcing and authentication to pricing and merchandising, is built to deliver an unparalleled service, and it will continue to evolve as they do.

As the resale market grows, trust is what separates leaders from the rest. We take possession of every item, we authenticate it, and we stand behind our work - a standard most marketplaces structurally can not match. That's what brought a consignor to us in Q2 with a $2.5 million FP Journe watch, and it's the same standard that serves a member discovering luxury for the first time.

That full-service has enabled us to build the largest authenticated luxury dataset in the world, and AI is unlocking the power of that data across pricing, search, authentication, and the tools our members use to manage the value of what they own.

We see where luxury demand is moving in real time. When demand moves, we're positioned to secure the supply, and have the data and pricing intelligence to meet it.

Let's discuss the progress we're making against our strategic pillars, starting with our growth playbook:

Our sales team sets us apart: we don't wait for supply to come to us - our people go out and source it, which means our assortment is curated, not accumulated. Year-to-date supply per sales rep is up 15% versus last year, and the relationships they build deepen over time, with consignors coming back and bringing more of their closet with them.

The same relationships and trust that bring consignors back also brings us new ones through referrals. Our Real Partners program connects us with high-value supply through professionals, like stylists and real estate agents, who already have the trust of luxury consumers. Sellers referred through our Real Partners program consign four times the value of our average new consignor. The program demonstrates the network effects in our business, and we see meaningful runway ahead.

As we discussed last quarter, we're building an asset-light international supply network. In the second quarter, we onboarded two large Japanese vendors onto our dropship program. The success of our sales team, partnerships, and our newer supply initiatives, is bringing more high-quality supply every quarter.

On the marketing side, we are acquiring higher-quality buyers. New buyers, up double digits in the second quarter, are showing stronger lifetime value and are more likely to turn into consignors - becoming RealRealers and reinforcing our flywheel.

In Q2, we launched our “Be a RealRealer” campaign, putting flywheel messaging at the center of our brand marketing. We're investing in marketing with a healthy balance across brand building and performance channels. We see real opportunity as resale adoption accelerates and younger generations discover luxury through our platform.

We are also enriching the product data we share with paid channels, helping search platforms match the right buyer to the right item. These new buyers are spending more on their first purchase. That same depth of data is why we lead when consumers turn to AI to look for pre-owned luxury.

Our stores deepen consignor relationships, deliver high-quality supply, and build trust in the communities we serve. We are expanding our store footprint strategically in 2026. We look forward to opening our first Boston-area store this fall and an additional neighborhood store in the LA market, one of our largest and fastest growing regions. These new stores, along with our San Francisco location which opened earlier this year, brings our total store count to 20. Going forward, we'll continue to target one to three new stores per year.

Turning to our second pillar, Obsess Over Service.

On the buyer side, we recently started testing an AI-powered conversational shopping agent in partnership with Google. We have over one million one-of-a-kind listings and more than 40 million members, so we are always finding ways to make product discovery more intuitive. For example, if you're looking for a dress for a fall wedding in Upstate New York, our agent will deliver a specific and personalized set of results .

We're also using AI and our proprietary data to automatically add richer detail to every listing, information like occasion, collection, and trend data that used to require manual input. This means items are more discoverable, both on and off-platform.

On the seller side, More than two-thirds of our consignors tell us they prefer a full-service experience. They are looking for a trusted partner who handles everything. This is what our full-service model delivers - you hand us the item and we do the rest. Every day we work to make our experience even better: faster, and more transparent, as well as being easier to engage with.

First, our price estimator tool is now built on a centralized AI-powered pricing architecture that gives our sales team and our consignors consistent, real-time visibility into the current market value of their items. Our sales team is actively using the tool, and we've launched it in a test for 20% of consignors. We're also redesigning our digital onboarding for new consignors, removing friction from the seller funnel and making it more conversational from the first interaction. And - we continue to build the feature set for MyCloset, the product manifestation of our vision to become the personal advisor of the closet. We're building the system of record for our customers' luxury assets, and expect to begin rolling out the broader consumer-facing experience in the coming quarters.

Turning to operational excellence…

Athena, our AI-enabled intake system, continues to scale, and we remain on track for our year-end target of nearly 50% of items flowing fully through it. We're also starting to process higher-value items that previously required manual handling and attribution.

A year in, Athena has shown us there's even more opportunity. We've begun experimenting with the next iteration, extending AI and automation into parts of intake that weren't in the initial phase and removing more manual steps.

Ultimately, Athena and our broader technology investments are helping to remove multiple dollars per unit from our processing costs, increasing speed to sell, and allowing us to scale with minimal incremental headcount investment. We're delivering growth while continuing to drive operating leverage across the business.

Entering the year, we said 2026 would be the year our advantages begin to compound. That statement is starting to become reality: each part of our platform, from authentication and pricing to supply and member experience, makes the others stronger.

Looking at the broader landscape - We're leading a meaningful shift in how luxury consumers shop. In a recent survey of our customers, over 70% of respondents said that The RealReal elevates their personal style - allowing them to better express who they are. They're prioritizing quality, individuality, and lasting value over trend cycles. The RealReal is more than a marketplace - with access to decades of fashion across thousands of designers, we help our customers discover, shop with confidence, and maximize the value of their closets.

Before I turn the call over to Ajay, I want to thank our team for delivering an exceptional quarter in Q2. Results like this require execution across every part of the business, and I'm incredibly proud of our team. Your dedication continues to raise the bar for how we show up for our consignors and buyers, and reinforces my conviction in where we're headed.

REAL CFO Remarks – Q2'26

Thank you, Rati. Good afternoon, everyone. I am pleased to review our second quarter results, which demonstrate in the financials what Rati just described: our strategy is delivering results and we're beginning to see the compounding effects we've been investing toward. You can see it in the durability of our growth and the operating leverage in our model.

Q2 GMV of $617 million increased 22% year over year, and accelerated to 37% on a two-year stacked basis. We delivered adjusted EBITDA of $13.5 million, or 7.0% of revenue, expanding 290 basis points year over year. Orders increased 8% and average order value grew 13% to $659.

Q2 revenue of $193 million increased 17%, with consignment revenue up 15% and direct revenue up 26% supported by strong supply through the quarter, with strength across our sales team, stores and direct channels.

Beyond the top line, we saw deeper engagement across the platform. Trailing twelve-month active buyers grew 11%, surpassing 1.1 million. We also saw more of our buyers become consignors. In the second quarter, 44% of our new consignors came from our active buyer base, up from 40% just two quarters ago. This highlights the strong network effects in our model and is a meaningful driver of long-term growth and profitability.

Our second quarter take rate was 35.9%, down 200 basis points year over year. As we have discussed, this movement is driven by a favorable shift in product mix. In the first half of 2026, sales of items above $1000 increased 36% versus last year as buyers increasingly trust us with higher-value items. These items carry a lower take rate percentage but generate more profit dollars per transaction and stronger unit economics.

Gross margin expanded 10 basis points to 74.4%. Gross profit of $143 million, was up 17%, versus last year.

Total operating expenses leveraged approximately 470 basis points year over year. Excluding stock-based compensation, opex leveraged 370 basis points, primarily driven by operations and technology leverage. This reflects the tangible impact of automation and our Athena initiative - as more items flow through our AI-enabled intake system, we're processing more volume with less incremental labor. Excluding stock-based compensation, SG&A also leveraged approximately 110 basis points, reflecting improved productivity and fixed cost discipline as we scale.

In the second quarter we made strategic investments, increasing our spend in both brand and performance marketing. As the leader in an attractive and growing market we see opportunities to acquire high-quality buyers and consignors, and build more awareness as resale adoption accelerates. We expect to continue with a similar level of investment in the third quarter.

Together, this brought adjusted EBITDA above our prior guidance to $13.5 million, or 7% of revenue, expanding 290 basis points versus last year.

We ended the quarter with $134 million in cash, cash equivalents, and restricted cash. Capital expenditures on property and equipment for the quarter were $4.0 million.

We continue to anticipate full-year capital expenditures on PP&E to remain within 2 to 3% of total revenue. 2026 investments are concentrated in our operations infrastructure, including our Automated Storage and Retrieval System, which is expected to go live in Q4, and will expand capacity at our Perth Amboy authentication center by 35%.

In Q2, we generated $2M in Operating Cash Flow, an improvement of $5 million year over year. Free cash flow improved $9 million versus last year.

Looking ahead, we expect to generate strong positive free cash flow in both the third and fourth quarters. Similar to last year, we expect free cash flow to outpace Adjusted EBITDA in the second half, demonstrating the favorable cash dynamics of our business model as we scale.

Turning to guidance. With the first half complete - continued strength in our supply trends, and greater visibility into the balance of the year, we are confidently raising our full year outlook.

For the third quarter, we expect GMV of $610 to $620 million, representing 17% to 19% growth year over year, revenue of $194 to $198 million, or 12% to 14% growth, and adjusted EBITDA of $13.5 to $14.5 million.

For the full year, we now expect GMV in the range of $2.535 to $2.565 billion, representing 19% to 20% growth year over year. Revenue is expected to be between $788 and $797 million, translating to 14% to 15% growth. And - Adjusted EBITDA is expected in the range of $66 to $69 million, which represents an 8.5% margin at the midpoint. This is an improvement of approximately 240 basis points versus 2025 and we remain on track to reach our target of 15 to 20% adjusted EBITDA margins over the medium-term.

In closing, Q2 demonstrates what we've been building toward: durable growth, expanding margins, and a flywheel gaining real momentum. We enter the second half from a position of strength. That is a direct result of our team's outstanding execution across the business, and I want to thank them for an excellent quarter.