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FIGS, Inc. (FIGS)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us and welcome to the FIGS Third Quarter Fiscal 2026 Earnings Conference Call. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions]

I will now hand the conference over to Tom Shaw, Senior Vice President of Investor Relations. Please go ahead.

Tom Shaw

Senior Vice President-Investor Relations, FIGS, Inc.

Good afternoon, and thank you for joining us to discuss FIGS third quarter 2026 results, which we released this afternoon. It can be found in our earnings press release and in the shareholder presentation posted to our Investor Relations website at ir.wearfigs.com.

Presenting on today's call are Trina Spear, our Co-Founder and Chief Executive Officer; and Sarah Oughtred, our Chief Financial Officer. As a reminder, remarks on this call that do not concern past events are forward-looking statements. These may include predictions, expectations or estimates, including about future financial performance, market opportunity or business plans. Forward-looking statements include risks and uncertainties and actual results could differ materially. These and other risks are discussed in our SEC filings, including in the 10-Q we filed today. Do not place undue reliance on forward-looking statements which speak only as of today, and which we undertake no obligation to update.

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Finally, we will discuss certain non-GAAP metrics and key performance indicators which we believe are useful supplemental measures for understanding our business. Definitions and reconciliations of these non-GAAP measures to the most comparable GAAP measures are included in our shareholder presentation.

And now, I would like to turn the call over to Trina.

Trina Spear

Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

Thanks, Tom. Good afternoon, everyone, and thank you for joining us.

FIGS delivered another remarkable quarter, exceeding expectations on both the top and bottom line. Net revenues grew 26% to approximately $191 million, well ahead of our 20% outlook and marking our fourth straight quarter of greater than 25% growth. Strength was once again broad-based across categories, channels and geographies. Our customer data was highlighted by an acceleration in year-over-year growth across three key measures. This included active customer growth of 14% to nearly 3.2 million, average order value growth of 11% to $126 and net revenues per active customer growth of 13% to another FIGS record of $236. In addition to our top line success, we also delivered increased profitability despite the elevated overall cost environment.

Our adjusted EBITDA margin expanded to 16.5%, up 410 basis points year-over-year, surpassing our outlook of approximately 14%. Gross margin remained incredibly strong at over 69%, and we saw greater than planned SG&A leverage, which again highlights the power of our model as we scale. And we continue to put capital to work, as we repurchased approximately $14 million of our shares during the period following the additional $100 million buyback authorization announced in August. We have now delivered four amazing quarters in a row, over this time the consistent question we have received has been how do we drive this sharp inflection in the business? The simple answer is that it has been through the combined efforts of great products, marketing campaigns that resonate deeply, a community that we're incredibly connected with and strong industry fundamentals.

But that simplicity understates the reality. Executing on all of this was not easy. It required a step change across a range of areas where we had always been successful, but where we knew we had to get even better. At the heart of this work is the amazing team we have assembled over the past several years with strong leaders and support fortifying our efforts across products, marketing, supply chain, finance, international, TEAMS and Community Hubs. Their contributions and energy have been pivotal in unlocking this powerful story that has been there all along.

On the product side, we have always had category defining core offerings. What has changed is the sophistication we have added to every part of our go-to-market approach, which really began to take hold in the second half of 2025. We are now more aligned than ever in how we understand and dictate style, deliver impactful color, improve fit, diversify our fabrics, enhance our merchandising and invest in inventory across both core and limited edition.

On the brand side, we renewed our focus on the top of the funnel, anchored by last year's Where Do You Wear FIGS campaign and extending this year with Never Change. We leveraged key viral moments from the Olympics to Noah Wyle at the Emmys, magnified our community support through expanded advocacy and built greater sophistication across the full funnel. This collective impact is real and differentiated and we powered these efforts in product and brand to serve an industry that has become increasingly rare in today's landscape.

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In addition to the replenishment driven and essential nature of healthcare apparel, the job backdrop is strong, with healthcare related jobs powering the economy. And this is predicted to remain true going far into the future. Indeed, even amid fears of AI disruption, the Bureau of Labor Statistics projects the sector will add the most jobs over the next decade, about 37% of all new jobs. This is a fundamentally human profession and we are proud to have built an authentic community around it.

Just as we know this industry is incredibly strong, being successful depends on creating strong human connection to the healthcare professionals who power it, we've seen a number of longstanding players in the industry fall on hard times, at the same time, we've accelerated and we believe it's our ability to drive product innovation, impact and community connection that puts us on a different path. Even with this run of strong performance, we are focused on what's next, sustaining our momentum and driving growth over the long run.

Importantly, we see our recent efforts and success as foundational. They were never designed to simply be one-time wins, but rather sustainable building blocks that drive enduring impact for healthcare professionals. Great foundations enable further progress and we are setting our sights across a multitude of opportunities to raise the high bar we have set again.

For instance, in product, our enhanced design capabilities are just now starting to have a meaningful impact. Our inventory positioning and depth is set to improve and be optimized and we are accelerating our head to toe category expansion, thereby creating TAM. As we think about our brand's reach, we are far from the finish line as we look to serve more of the 100 million plus global healthcare community. Domestically we still have relatively low brand awareness, a digital experience that can become more personalized and engaging and omni-channel connectivity that is untapped. Internationally, we are still under 20% of our total mix with a number of key growth markets still in early stages. Physical in-person access to our brand remains highly limited, with just a nine Community Hubs open by the end of the year, and the TEAM's B2B opportunity to unlock institutional healthcare needs remains ahead of us.

Additionally, on impact, our efforts to serve those who serve others are constant. This is a true brand differentiator and something our community deserves and we are laser focused on how we can scale this impact across our growing channels and geographies. Combining our momentum with these opportunities, we are optimistic about where we are going and how we can extend this unique growth story.

Before diving deeper into product, brand and market expansion, I want to update you on our supply chain following the Jordan developments we updated you on last quarter. While the WRO is still in effect, our own efforts are progressing. Our team and I recently traveled to Southeast Asia both to support our existing Vietnamese supplier relationships and to further our diversification efforts. We have secured additional capacity in Vietnam. Production is ramping. Goods are being expedited and inventory is improving real-time.

And in Q4, we are leveraging our existing partners to start our first production lines at facilities in Indonesia, which we expect will support a more meaningful mix of our business by the end of 2027. We are happy with our near-term progress, even as overall strength of demand extends some of our inventory replenishment efforts into Q1. Overall, this has been a complete team effort, particularly considering where our supplier base was positioned just 12 months ago.

Now let's turn to some of our product stories and where we are driving impact. Our ongoing inflection in the business continues to showcase the growing sophistication in how we bring product and head to toe solutions to market. At the same time, our team is demonstrating the resilience needed to make impactful near-term changes to our calendar to mitigate supplier disruption. We delivered a range of impactful color collections throughout Q3,

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driving particular excitement on launch days. Success was broad based and included our Spider-Man collaboration, back-to-school, a limited espresso drop, breast cancer awareness and more. Our new durable FIBREx fabrication exceeded expectations with highly positive social sentiment and customers specifically calling out our streetwear styling, our durable structured silhouette and our overall design.

And speaking of design, we continue to differentiate our scrub pant offering with new waistband solutions across several of our best-selling styles. With our recent acquisition of V Coterie, we've broadened our non-scrubber opportunity with a dedicated collection of jewelry, pins, charms and accessories designed specifically for healthcare professionals. This product officially debuted in August under what we're calling the CHARxMACY, creating a natural extension of the uniform by combining emotional engagement, personalization and collectability.

As we previously indicated, much of the original launch sold out and we amassed a waiting list of nearly 10,000 healthcare professionals as we work to rebuild the assortment ahead of the holidays. For Q4, we are off to a fast start with our fall drop featuring a full return of our most requested color, espresso. The launch also showcased our unparalleled innovation flywheel, where we brought new fabric and style as part of our Bouclé outerwear assortment.

Over the last few weeks, we have also started to get healthier from an inventory perspective, including in our core Rafaela and Kade styles, a process that will continue in the months ahead as we build supply and chase strong demand. And we are excited to bring more newness across our FIBREx and FORMx fabrications as well as our popular bag lines. The reach of our brand has never been broader and more impactful. Impact trips are always a hallmark of our efforts to change healthcare. Through these trips, we traveled the world with our FIGS ambassadors to extend support across a diverse range of healthcare needs. In July, we partnered with Operation Walk Los Angeles and St. Elizabeth Hospital to send a team to the Philippines to provide over 40 free joint replacements.

And we just recently continued our work in Kenya at the FIGS Operating Theatre, the state-of-the-art hospital center we built in 2024. To date, this incredible facility has supported more than 2,500 surgeries that otherwise would not have been possible for this community of 500,000 Kenyans. From advocacy to education, last month, we launched a dedicated FIGS moment with OOG Health, the AI-powered, multi-disciplinary education platform for healthcare professionals that is focused on redefining a broken continuing education industry and process. We made an investment in OOG two years ago as we saw this opportunity align with our overall mission and significantly expand the ways that we can serve healthcare professionals. We've also now entered into a collaboration agreement with OOG that provides FIGS with a range of benefits, including on marketing, data and AI.

On top of all these uniquely FIGS efforts, we have our big brand moments and we are going big this week with the final chapter of our yearlong Never Change campaign. This powerful bookend to our 2026 effort is designed to show all the good that lives within healthcare and it is another example of what will never change across the community we are so proud to serve. And finally, I would be remiss not to mention our brand partner and friend, Noah Wyle, who People Magazine just named as the Sexiest Man Alive for 2026. To recognize our community, we partner with people to show that sexy people save lives, putting a fun spotlight on six of our FIGS ambassadors as part of the overall feature.

Turning to market expansion, starting with international. Third quarter net revenue growth surged 51% as our international mix approaches 20% of our total business. Our broad-based strength was particularly notable across Latin America, Mexico, the Middle East and Europe, where we are seeing the benefits from our increased

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localization and community building efforts. Overall, we are excited to see both strong traffic gains and incredible growth in our baseline days internationally, which we believe is another healthy sign of sustainable demand.

In TEAMS, we are showcasing our strategy to build a pipeline of larger opportunities. As examples, we are rolling out our recent partnerships with Bupa Dental Care with nearly 400 dental centers in the UK, and European Wax Center, with just over 1,000 aesthetic locations across the US. We believe these partnerships serve as blueprints for how to serve larger businesses in higher education, particularly as we continue to build solutions that simplify order complexity for a broader range of institutions.

On the Community Hubs side, we saw another quarter of double-digit comp store growth and non-comp performance exceeding our expectations. All four of our 2026 openings are slated later this year: Tyson's Corner in the Washington, D.C. area, Fashion Square in Scottsdale, Aventura Mall in Miami, and Valley Fair near San Jose. We continue to progress with our real estate pipeline and expect a larger, more balanced store opening cadence in 2027. And importantly, the proof points remain compelling, a higher mix of new customers, a payback well under our two-year target and accretive margins.

In summary, our ongoing outperformance puts us on pace for our fastest full-year growth since our hyper growth performance of 2021, and we are just about half the size we are today. It has been a landmark year for FIGS and I'm extremely proud of our ongoing execution and improving performance, even amid the noise of the macro, global uncertainty and trade disruptions. As we focus on stepping into the new future, we are set up to grow Q4 in the mid-teens range on top of our blockbuster 33% growth in Q4 last year, accelerating our two-year stacked performance to nearly 50%. That is a powerful statement to exit the year.

Along with top line, we are firmly focused on driving our adjusted EBITDA margin even higher. While we will not sacrifice investments to support the long-term aspirations of our brand, we do expect our discipline around profitability to continue in 2027. Healthcare professionals are at the center of all we do. The needs they serve will not change and neither will our commitment to showing up for them.

With that, I will turn it over to Sarah to walk through our financial results and outlook.

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

Thanks, Trina. FIGS' strong Q3 continued an incredible four-quarter run of elevated growth, stronger profitability and a bolstered balance sheet. I'll start off with the details of our broad-based Q3 performance and then walk through our growing conviction in carrying this momentum into Q4 with our raised full-year outlook.

Looking at the details of Q3, net revenues increased 26% year-over-year to $190.7 million, outpacing our outlook, calling for growth of approximately 20%. The breadth of our strength continue to stand out across scrubwear and non-scrubwear, domestically and abroad and spanning our sales channels. Color launches were particularly impactful during the period, complemented by the ongoing success of our business-as-usual selling days without specific brand or product activations.

As anticipated, the back half of the quarter experienced some stock-outs related to our Jordan supplier transition. Active customer growth accelerated for the fourth straight quarter, increasing 14% year-over-year to approach 3.2 million and supported by a healthy balance of new and returning customers.

Average order value increased 11% to $126, with balanced contributions from higher average unit retail and improved quality of sales. AUR gains were driven by both our early 2026 pricing action and product mix, while

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quality of sales was supported by lower discount and return rates. We were also encouraged by the continued trend in a reduction of days between purchases from our returning customers. Together, these factors drove our trailing 12-month measure for net revenues per active customer up 13% to another FIGS record $236.

By category, scrubwear grew 24%, representing 83% of net revenues for the period. Core styles remained strong, powering demand throughout the quarter, while the breadth and impact of limited edition colors and expanded FIBREx styles drove robust sell-through and excitement. Non-scrubwear gained 35%, representing 17% of net revenues. The theme of broad-based growth was echoed here across categories.

Underscrubs was supported by momentum in our core franchises and demand for new limited edition offerings. Outerwear was led by core scrub jackets and fleece, supporting our category optimism ahead of expansion efforts here in Q4. Footwear strength reflected strong color coordination and new styles. And accessories included the initial jewelry assortment from The CHARxMACY, representing another incredible option to build and customize the uniform from head to toe.

By geography, US net revenues increased 21% to $153.9 million, while international net revenues increased 51% to $36.8 million. In the US, we came into the quarter with strong momentum and bullish leading indicators and have exited the period with the same favorable setup. This includes strong ongoing gains across site traffic, social followers, search trends and email and SMS subscribes.

Relative to historical cohorts, new customers are coming in with higher AOVs, above and beyond the impact of pricing, and sustaining this relative strength as they come back to the brand. Across returning customer cohorts, order frequency and spend are also improving.

We believe these signs of increasing customer quality across our active customers are powerful building blocks for future growth. International growth continues to reflect the strong balance between new and returning customers. Trina highlighted the pronounced growth in Latin America, Mexico, the Middle East and Europe but we were also pleased with strong growth across the rest of the world. And while we have added 27 markets this year to reach 85 in total, we still generated nearly 90% of total international growth in Q3 from our existing comp markets.

Gross margin for Q3 contracted 60 basis points to 69.3%. Though ahead of our expectations, they're remaining quite strong. As a reminder, last year's comparable period was favorably impacted by our work to improve returns processing, which contributed to outsized performance for the period. While higher inventory reserves were also a headwind, we continued to see the positive impacts from pricing and efficiency efforts, which included costing, higher full price selling and lower return rates.

Our selling expense for Q3 was $44.4 million, representing 23.3% of net revenues compared to 23.6% last year. The lower expense rate was primarily driven by net revenue leverage. Our successful ongoing work around outbound carrier optimization and fulfillment efficiencies has also helped offset ongoing fuel pressures, our supplier transitions and international mix impact.

Marketing expense for Q3 was $25.5 million, representing 13.4% of net revenues, down from 15.5% last year. Our Q3 performance reflected the impacts of net revenue leverage as well as digital marketing efficiencies. These gains continue to fuel great support in driving international brand awareness and other brand enhancing partnerships.

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G&A for Q3 was $40 million, representing 21% of net revenues compared to 24.5% last year. The lower G&A rate was primarily due to net revenue leverage, partially offset by investments in our team.

Our Q3 operating margin jumped 520 basis points to 11.6% compared to 6.4% last year, while our adjusted EBITDA margin improved 410 basis points to 16.5% compared to 12.4% last year. As a reminder, our Q3 and year-to-date adjusted EBITDA margin only includes the portion of tariff refunds attributable to goods sold in those corresponding periods, excluding any benefits pertaining to fiscal 2025. Net income for the quarter totaled $19.3 million, or diluted EPS of $0.10, compared to net income of $8.7 million last year, or diluted EPS of $0.05.

On our balance sheet, we finished the quarter with record cash, cash equivalents and short-term investments of $331.2 million, approximately 10% higher than our prior peak in Q4 of 2025. This was a 37% increase year-over-year, even as we allocated approximately $60 million during the nine-month period for share repurchases and shifted to net share settlement of employee equity awards.

Inventory decreased 20% year-over-year to $121.3 million, largely given the combined impact of our supplier transitions, strong sales performance and ongoing optimization efforts. We expect inventory levels to remain down year-over-year for Q4 before beginning to rebuild in 2027.

Share repurchases during the quarter under our ongoing repurchase program totaled approximately $14 million at a weighted average price of $14.02 per share. Inclusive of the previously announced $100 million increase of our authorization, as of quarter end, we had approximately $105 million available for future repurchases under the program.

Finally, capital expenditures for the quarter were $5.7 million, reflecting software capitalization, leasehold improvements and Community Hub-related outlays for our Q4 openings.

Now turning to our updated outlook. We have increased our Q4 expectations for net revenues and now expect approximately 15% year-over-year growth for the period. Combined with the underlying strength of our Q3 performance, we now expect full year 2026 net revenue growth of approximately 23.5% year-over-year. This is ahead of our prior full-year outlook, calling for approximately 20% growth and roughly double the high end of our original outlook provided on our February 2026 earnings call.

We believe the growth and behavior of our active customer base are powerful indicators of demand, supporting a strong start to the fourth quarter, which included an incredibly successful fall drop in October and early improvements in our core in-stock levels. At the same time, we recognize that a significant share of the quarter remains ahead of us, where we are lapping last year's remarkable strength and execution. And given the incredible demand we have seen year-to-date, we also believe the growth opportunity could have been higher if we were not experiencing limited edition stock-outs over the near term.

Nonetheless, the implied two-year stack for Q4 of nearly 50% is a true testament to the momentum of our business. On the margin side, we now expect our full-year GAAP gross margin to be approximately 69.9%, up from our prior outlook of approximately 69.5%. As disclosed last quarter, this is inclusive of the $15.4 million reduction to cost of goods from the tariff refund recognized during Q2, an additional $1.9 million benefit in Q3 as impacted goods were sold during the period, and our sell-through expectations in Q4 for related inventory.

While these refund-related expectations have not changed, the underlying gross margin expectations have improved with strong full price selling, more favorable product mix and lower airfreight than planned. For Q4, we

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expect a sizable year-over-year improvement, in part due to the large inventory write-off comparison from the year-ago period.

Within SG&A, we would note two factors pertaining to Q4 expectations. First, we expect higher year-over-year selling expense rate, driven by supplier transition costs and ongoing pressure on outbound freight. Second, we expect a lower year-over-year marketing expense rate, driven by our ongoing efficiency efforts and the comparison to last year's ramp in Winter Olympics investments.

Overall, we have increased our full-year operating margin outlook to approximately 12% compared to our prior outlook of approximately 10.8%. We have also increased our full-year adjusted EBITDA margin outlook to approximately 15.8%, up from our prior range of between 14.8% and 15%.

We are set up for a great finish to a great year. Our full year net revenue growth is planned to be the highest since 2021. Our adjusted EBITDA margins are planned to inflect 650 basis points from trough levels in 2024, and our balance sheet has never been stronger. Just as important, we are positioned to sustain both top and bottom line momentum into 2027.

We're now happy to take your questions. Operator?

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Adrienne Yih with Barclays. Your line is open. Please go ahead.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Great. Thank you very much. Congratulations to everyone, the whole team on excellent execution. Trina, I guess, my first question is how we should think about – I mean, you've kind of hit a new watermark, right? So, past four consecutive quarters have been over 25%. As you anniversary a very, very strong fourth quarter last year, you're still calling for 15%. The year is coming to an end and kind of as we look forward to 2027, it sounds like there's so many more vectors of secular growth that are available to you, not the least of which is what you just talked about, which is longstanding healthcare employment. So, can you talk about how we should think about maybe a new algorithm for the company?

And then, secondly, for Sarah, can you talk about sort of the competitive share opportunity, Scrubs & Beyond obviously closing its US brick-and-mortar stores? How large of an opportunity is that? And who else do you see as kind of coming in to fill in that competitive whitespace now other than yourselves? Thank you.

Trina Spear

Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

A

Thank you so much, Adrienne, for the question. I think it's an exciting time at FIGS. I think what you saw in the quarter is – our growth is incredibly broad-based across category, across channel and all of the growth areas we're focused on from our international business, the TEAMS to our Community Hubs and so, just to give you a sense of that, US up 21%, international up 51%. Scrubwear up 24%. Non-scrubwear up 35%. Hubs and TEAMS beating our expectations. And so, we feel really great about where we sit and how we're positioned going into 2027.

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We're firing on all cylinders from our product to we're bringing new fabrications, new functionality to the healthcare community, to our marketing campaigns that are really resonating across the board. And so – and that's with a supply shortage, right? Our demand is far outstripping our supply right now.

And so, we feel really good about how we're set up, especially as we get into even a better inventory position going into 2027. And so, we're ready, we're eager for our growth and we're prepared to continue to scale and ramp and execute at the highest level.

From a competitive standpoint, we really do view our competition as ourselves. We're completely obsessed with the healthcare community and they're obsessed with us. And I think you mentioned one of the legacy players, Scrubs & Beyond shuttering and shutting down more than 100 locations. And so, our – what we're going to do is we're going to continue to capture market share and we're going to continue to create TAM. There's no brand like FIGS in this market and no brand as obsessed and maniacally focused on our customer, the healthcare professional. So, our competition has always been ourselves and will always continue to be.

Adrienne Yih
Analyst, Barclays Capital, Inc.

Q

Great. So, just a couple housekeeping, I guess, not really housekeeping. When should we see the impact of Jordan sort of no longer impacting the ability to kind of capture sales? And then, just remind us, what is the strategy with regard to kind of offsetting share creep with diluted shares kind of over time? Thank you.

Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

A

So, I think Q4 will probably be in – the WRO Jordan situation will be impacting us the most. We'll see some impact going into – all the way through Q2 of next year, but the worst of it is in Q4 and that is built into the guide.

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

In terms of our share repurchase program, I mean, we've done a really great job deploying cash towards that this year. So, we've done over $40 million of buyback and have also deployed cash towards net settling, so $60 million for the year-to-date. Year-to-date, we've already bought back and covered all of the dilution, and so that's our goal going forward is to continue to manage dilution through that buyback. We also have an extremely strong balance sheet, that will allow us to be – continue to be opportunistic and finding the right opportunities to return value to shareholders and manage share count.

Adrienne Yih
Analyst, Barclays Capital, Inc.

Q

Great. Thank you. Great job.

Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

A

Thanks, Adrienne.

Operator: Your next question comes from the line of Matt Koranda with ROTH Capital Partners. Your line is open. Please go ahead.

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Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

Hi, everyone. Awesome job. I guess, I wanted to hear a little bit more about the new customer cohorts that you referenced in the prepared remarks. Sounds like they're starting out at higher average order values. Just wanted to hear you unpack sort of what you think is driving that. Is it a different customer profile in the healthcare space? Is it sort of new marketing channels? Is it just an expanded sort of assortment that you have that's available to them now? Like, maybe just unpack that a little bit for us.

Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

A

Sure. I think in terms of the healthcare professionals and customers that we've acquired, every cohort that's come on has been at a higher value and stronger than the previous cohorts, and that's a great sign, right? That's a great leading indicator of what's to come and how we're going to sustain the momentum that we're seeing – that we saw in the third quarter, that we're seeing in the fourth quarter. And so, we're really excited.

I think a part of it is due to the industry backdrop and coming out of this COVID overhang and the industry normalizing. But what I'll say is that we're not even back to pre-COVID levels in terms of repeat frequency. And so, we're really encouraged by what we're seeing in the cohort data. But we believe there's much more we can do, not just because of the industry, but also what we're doing across our layering system, how we're engaging our community, not just within our scrubwear, but with across categories, from our underscrubs, our outerwear, our compression socks, our footwear collab with New Balance. So, much, much more to do and much more to come. But definitely seeing incredible data in the cohorts.

Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

Okay. And then, for my follow-up, I was curious, do you guys – did you provide or could you provide any sense for the headwind that you experienced from stock-outs? I know it's been a little tough to get supply in recent months. And so, maybe any way to quantify what growth could have been if you had a more normal flow of supply? And then maybe for Sarah, like how does inventory build back up and what's kind of a more normalized level we should be thinking about for next year?

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Sure. So, we finished the quarter at $190 million in revenue with 26% growth. That was ahead of our expectations. We guided to 20% knowing that this inventory supply would be an issue for us. But we did outperform, which was great, but we still feel like we could have done more had we been in a more optimal position. Really hard to perfectly quantify that, but I think you could assume that we would be closer in revenue volume and growth levels to what we saw in Q2. And so, that will be a tailwind for us as we think about growth opportunities for 2027.

We have done quite a bit to try and have that inventory supply be – come in faster. So, we have airfreight that we've invested in the P&L to help improve that. We have been seeing improvements in core in the quarter-to-date. But what's happened is with the outperformance in Q3 that was really driven by limited edition, that has constrained our supply of limited edition into Q4. All of that is reflected in the guide for Q4.

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But we do feel like we are continuing to improve that position each and every day. We think there will be some impact into Q1, but we're working as quickly as possible to improve that inventory supply so that we can keep up with the amazing demand that we're seeing.

Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

A

And Matt, one other data point on this, like, our site traffic is up mid-30s, and so you can take that and compare that to the sales that we saw in Q3 and what we guided to for Q4.

Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

Okay. Very helpful. I'll leave it there. Thanks.

Operator: Your next question comes from the line of Brooke Roach with Goldman Sachs. Your line is open. Please go ahead.

Brooke Roach
Analyst, Goldman Sachs & Co. LLC

Q

Good afternoon and thank you for taking our question. Trina, the business has been delivering some very strong over 20% growth rates in the domestic channel for the last several quarters. As you start to turn the year into 2027 and beyond, how are you thinking about a more normalized run rate or a sustainable run rate of growth demand in the US business? And how are you thinking about that from new versus existing customers relative to other growth initiatives such as Community Hubs and the TEAMS business?

Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

A

Thanks, Brooke. I mean, the US is really what's driving the business today and what will continue to drive the business. We've now had four straight quarters of 20% plus growth in the United States. And so, it's largely coming from our core e-commerce channel and that's why it was so exciting, because we see that as a continued growth lever. But much, much more to come as we – in our Hubs business, as you know, opening up four more this quarter. And TEAMS is really outperforming our expectations as well.

And so, we're really excited about seeing the success, seeing the momentum. Then going into 2027, if you think about the leading indicators, we've talked about this, but search up considerably, double digits year-over-year, outpacing – FIGS is outpacing searches for scrubs continually, traffic up, like I said, mid-30s, social following up nearly 40% year-over-year with even better engagement in interest, email lists, subscriber lists, SMS up, email and SMS up 30% plus. So, all of these leading indicators give us a lot of confidence as we go into 2027 that we're going to continue to engage our community.

And healthcare jobs, over the next 10 years, I think we said this in the prepared remarks, 37% of new jobs over the next 10 years will be healthcare jobs. So – and over the past year, there have been more healthcare jobs created than in the overall economy. So, we have a tailwind from the backdrop of healthcare and then really seeing these leading indicators give us a lot of confidence in where we're going and couldn't be more excited about how we're positioned and how we're going to continue to execute.

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Brooke Roach
Analyst, Goldman Sachs & Co. LLC

Q

Great. And then, just one follow up for Sarah. Can you frame the most important levers of continued operating profit margin expansion beyond the 12% rate that you're set to achieve this year? Do you see a near- or medium-term ceiling to that level? And how should we be thinking about the upside?

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Sure. So, we have seen both the impacts of our higher revenue that has delivered a lot of leverage that has flowed through to the bottom line. In addition to that, we have done a lot of work around finding efficiencies within the P&L, and you're seeing that continue to produce excellent results as well. So as we think about some of those opportunities, it's in the higher quality of sales that we're delivering lower discounts, improvements in returns, returns are actually the lowest they've ever been historically for the company. So, that's been really great to see.

As we look in our selling costs, we've continued to work on various different strategies to optimize cost per orders while also improving that customer experience. We're seeing great efficiency within marketing from the efforts we've been doing to invest in the upper funnel and we're really seeing traction from all of our investments there. So we continue to see that there will be opportunity into the future from both of those. So we still have work to do to continue to improve those efficiencies with the growth that we are expecting. We will have that produce higher results for operating margin not only into next year, but over the next several years as well.

Brooke Roach
Analyst, Goldman Sachs & Co. LLC

Q

Thanks so much. I'll pass it on.

Operator: Your next question comes from the line of Brian Nagel with Oppenheimer. Your line is open. Please go ahead.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Q

Hi. Good evening. Very nice quarter. Congratulations.

Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

A

Thanks, Brian.

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Thanks, Brian.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Q

So, I guess, the question I want to ask is, I guess more directed towards Sarah. Just I think you talked about this a little bit in your prepared comments, but I kind of wanted to dive deeper. I mean, it's – great performance, clearly momentum behind the business. But what gives you the confidence? You lifted a bit here, the fourth quarter sales

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guidance you have that difficult comparison, as you look at the business now, what gives you the confidence in knowing that – achieving that type of sales growth on top of – the sales growth you've outlined here on top of that really difficult comparison?

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.
A

Sure. Yeah. I mean, we're really off to a great start in Q4, but we also recognize that Q4 is heavily back weighted. So we're being prudent. But we're entering the quarter with really strong growth in our active customer base, right. And so, we've been seeing that active customer base continue to accelerate in growth and that's really going to help us with the momentum into Q4 as well as into 2027.

We've seen that our AOV has continued to improve and we're seeing nice trends in frequency. Add to that, what we're seeing in terms of all of the leading indicators that we continue to monitor that includes our Google search interest or our email subscribes or our SMS subscribes and what we're tracking in terms of our brand awareness. And those are all showing really great signs. So, we do have confidence in continuing to be able to deliver despite some of the inventory challenges that we currently have.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.
Q

That's helpful. And then, also on the fourth quarter, sorry I apologize for staying so near-term here, but I think what you said you took your – you're actually taking your gross margin guidance for the fourth quarter up a bit, did I hear that right? And then B, kind of what was the basis for that?

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.
A

Sure. Yeah. So what we saw in Q3, Q3 gross margin did outperform our expectations and that was really from favorable product mix and our improvements in discounts as well. And so we are carrying forward that expectation to a higher Q4 outlook for gross margin as well.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.
Q

Got it. I appreciate it. Congrats again. Thank you.

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.
A

Thank you.

Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.
A

Thanks, Brian.

Operator: Your next question comes from the line of Dana Telsey with Telsey Advisory Group. Your line is open. Please go ahead.

Dana Lauren Telsey
Analyst, Telsey Advisory Group LLC
Q

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Hi, guys. Congratulations on the continued momentum. It's very exciting. Two things. One thing on the top line and the strength of the active customers. I think the other thing that you're doing also is adding categories like I love the name, the CHARxMACY and what you've added there. How do you see the ability to continue to develop the top line through continued either product extensions or new categories? And lastly, just fine tuning a little bit on the gross margin, I think you mentioned an improvement in returns processing. How much did that contribute to the gross margin and is there more opportunity go forward. Thank you.

Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

A

Yeah. I mean, I can start. Thank you so much, Dana. I think, we're really looking to continue the momentum across the business, across all categories. We're super excited about the CHARxMACY. So thanks for bringing that up, it's really giving our community a way to personalize their uniforms and it's super fun and it's across pins and jewelry and charms and just so exciting about what that's going to be. Our team is just full of ideas and innovation around that and we have so much in store. In addition, we're relaunching FIGSPRO next year. We have a number of collaborations that we're working on that are super exciting, similar to what we just did with Spider-Man. And so – and we have new fabrications and new functionality across the layering system that is really going to serve more and more of our healthcare professional needs. Sarah, do you want to take the other part?

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Sure. So, on returns processing, this is something that we've been working on for over the last year and seeing really great results. And that is helping to improve our top line and it is contributing to favorability within gross margin. And so there is numerous things that we have been working on, but I think one of the most important things is really our fit. That was something that we had feedback on and really worked on all throughout last year and we're seeing much lower return rates in our new fit.

So, it tells us that it's working and that our customer is happier with our fit and what we're able to provide. There's also other items that we've been working on just in terms of the ease of the customer journey for doing returns and exchanges and there's still more work that we can do. So yes, it has been a benefit and we do see that continuing to be an opportunity into Q4 and also into 2027.

Dana Lauren Telsey
Analyst, Telsey Advisory Group LLC

Q

Thank you.

Operator: Your next question comes from the line of Bob Drbul with BTIG. Your line is open. Please go ahead.

Robert Scott Drbul
Analyst, BTIG LLC

Q

Hi. Good afternoon. Couple of questions, if I could. The first one is, so when you look at the success of your marketing campaigns, I guess, how can you top what you're doing? And as you think about the opportunities there with the money and the investments that you've made? I guess the second question would just be on the international markets with some of the newer markets that you've entered, can you talk to them and what you've learned and where you see the opportunity today? Thanks.

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Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

A

Thanks, Bob. No, I think, we're just getting started and there's always more to do from a marketing standpoint. What you've seen over the past few years is that we've brought to life just incredibly powerful campaigns and experiences and viral moments that have brought the healthcare community together and ensure that they know that we get them and we got their back and we understand them at a deep level. And so that that work is never ending, right. That work to truly understand this community and they're always evolving, they're always changing, right. And so, we need to be there lockstep with them, understanding them at a deep level to continue to show what their experience is like and what they're made of.

And so, we have incredible team that is constantly bringing creativity and passion and truly inspired by this community so that we can continue to do that. But healthcare – the healthcare community is pretty incredible and they inspire us every day. And that's what really keeps us going. I think from a digital standpoint, we have really become just so much more sophisticated across the funnel and really investing more and more top line. Only the best brands in the world can do that, right, is take the gains that you see on the bottom of the funnel, take those tax gains and reinvest top of the funnel. You're seeing that in our billboards in Times Square, right. That's the true type of top of funnel marketing that we love to do.

We're really taking a more integrated approach and an integrated planning across our products, our marketing, our e-commerce, bringing products and stories to life in more differentiated and more coordinated ways and that's really, really exciting. And then, on the bottom of the funnel just getting a lot stronger, or across funnel, a lot stronger in terms of measurement, in terms of execution and so much, much more to do. But I do think we've built a really strong engine and have a lot of – it's really – it's part of our secret sauce, which is awesome. In terms of new markets, I think I'm really excited about what we're doing in Asia and specifically in Japan and in Korea and in China.

We're just at the early stages of how we're going to continue to get to more and more healthcare professionals around the world. But Asia is incredibly untapped, and we have a lot to do in terms of localizing in these markets, not just from a marketing standpoint, but also from a product standpoint and really understanding their needs deeply and showcasing on a personalized level what makes sense for them in a variety of use cases. And so, I'll say that because people get excited about new markets, I'll say that still 90% of the growth in the quarter came from our existing markets. That's just to show that this isn't just adding, adding that's driving this growth. But in terms of the future and what a lot of these markets will do, the sky is the limit and we couldn't be more excited.

Robert Scott Drbul
Analyst, BTIG LLC

Q

Great. Thank you very much. Congratulations. Good luck.

Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

A

Thanks, Bob.

Operator: Your next question comes from the line of Rick Patel with Raymond James. Your line is open. Please go ahead.

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Rick B. Patel
Analyst, Raymond James & Associates, Inc.

Q

Hey, good afternoon and congrats on the strong progress. I had a question on the TEAMS business. So, you're making a lot of progress with institutional customers. Can you update us on how big you see this business reaching by the end of the year? And given the investments you've made here, how big this can eventually become as we think about international markets and other areas?

Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

A

Yeah, the TEAMS business is really exciting. I think we've made a lot of progress in terms of our technology, our new TEAM store is off to the races and we really created a platform that's much more seamless and it's much more self-serve. And so, we debuted our new TEAM store in March, and we've steadily iterated and brought more and more functionality throughout this year and we're also working with bigger institutions that they use some of the self-serve, but they also want some handholding and concierge support and we have that as well. And so, managing these large institutions that some of the largest we've ever had in our history, they have multiple locations, they have different departments and there's just more complexity. And I think we're learning a lot and we're really looking to serve them in more and more ways. And so, it's an exciting time.

We talked about Bupa. We talked about European Wax Center. These are very large institutions that are turning to FIGS to help them standardize and professionalize and brand their institution. That's a great sign of how we're going to be able to partner with concierge clinics, with private practice, and more types of healthcare institutions. Healthcare is everywhere, longevity, wellness, aesthetics. It's becoming just a part of our lives in more and more ways and becoming more and more consumerized, and we are at the center of supporting this evolution of what healthcare will be today, tomorrow and long into the future. And so, we have a lot more impactful partnerships that we're going to be sharing with you soon. We can't share them yet, but really, really exciting.

Rick B. Patel
Analyst, Raymond James & Associates, Inc.

Q

Great. And also I had a question on non-scrubs. How much of your customer base that buy scrubs today is currently buying non-scrubs? Because we have the revenue figures, but curious about the attachment rate and whether this is a concentrated business and to what extent engaging more existing customers can be an opportunity going forward.

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

So, our attachment rate is, I mean, it differs each quarter a little bit with seasonality, but we're in that mid-20s on attachment rate and we are seeing that penetration increase year-over-year, given our efforts to expand and offer some really exciting things within non-scrubwear. We do know that as each customer makes more purchases, more cumulative purchases with FIGS, that's where they start to add on more for non-scrubwear. So, we really like the dynamics that we're seeing. We think there is still quite a bit of runway there as we continue to expand our outerwear assortment, add new fabrications within our underscrubs continue to have the color work that's been successful with our footwear.

We've, as you know, recently added on this year the compression socks and CHARxMACY is the next exciting thing that will really add some of those elements that with your uniform, you want these non-scrubwear components to really help personalize your look. And so, we do see that as an opportunity and I think we'll be really excited about all the things that will continue to add to that attachment rate as we go forward.

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Rick B. Patel
Analyst, Raymond James & Associates, Inc.

Q

Thanks very much.

Operator: Your next question comes from the line of Nathan Feather with Morgan Stanley. Your line is open. Please go ahead.

Nathan Feather
Analyst, Morgan Stanley & Co. LLC

Q

Hi, everyone. Really exciting to see the traction across the business. I just want to follow up on that TEAMS question. As you started to get into some larger partners here, what have been the key gating factors? You're going to the meetings for people that aren't converting today. What are the things you still need to build or add to better serve those? And then now you've had a little bit more data, how should we think about kind of the sales timeline and cycle for that business, especially for kind of the larger versus smaller clients?

Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

A

Thanks, Nathan. Yeah, I mean, I think we are on our way. There's nothing that's stopping us from continue to scale that business and continue to bring on very, very large healthcare institutions. What I'll say is that this year, we're excited to see that the TEAMS growth is inflecting higher and it's outpacing total revenues. It's a huge opportunity as the healthcare world, like I said, is becoming more consumerized to engage in super meaningful ways.

I do think that the foundation we've built from a technology standpoint has enabled us to scale much faster and really view institutions into two buckets: really, are you looking to self-serve, are you looking to have each individual or each employee within your institution order on their own because you have a variety of locations or you want everyone to get their own uniform. And so, that's been a huge unlock from the TEAMS perspective.

And then, from a concierge, larger institution perspective, we've really built a lot of technology that enable us to serve them as well and have stipend functionality, for instance. So, if you want to have an institution spend $400 per employee a year and you want to be able to have that in their account, we now have that functionality as an example. And so I really think that there's much, much more to come here. Like I said, a lot in the work, a lot in the pipeline to your point, the sales cycle is longer.

But I think with the process that we've created, with the team that we brought on, with an incredible sales team, we've been able to take that sales cycle down to a number of months from potentially even in some cases a year or so. So really exciting time to utilize technology, utilize capabilities, utilize a team that's passionate and excited about the community to drive incredible relationships that will pay dividends over the long run. Given the retention rate that these institutions have with us much higher than e-com and it's a really great business and we're just getting started.

Nathan Feather
Analyst, Morgan Stanley & Co. LLC

Q

Very exciting. Thank you.

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Operator: Your last question comes from the line of Ashley Owens with KeyBanc Capital Markets. Your line is open. Please go ahead.

Ashley Owens
Analyst, KeyBanc Capital Markets, Inc.

Q

Hey, great. Thanks for taking our questions. Maybe first, just to circle back on international and that comment on the 90% growth in existing markets. I know you've talked in the past about some of those markets reaching a tipping point where greater awareness and word of mouth can bring down that acquisition cost pretty meaningfully. So I would just be curious if you're starting to see more of your markets reach that point and is that beginning to show up in the profitability of those markets as well?

Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

A

I mean, I think that our strategy around our international markets, around going deep versus going broad has really enabled us to invest appropriately given the size and scale of each market, right. And so we're profitable in every market, right. And why is that is because we've really been strategic in terms of how we're investing across the funnel, how we're localizing market by market in terms of our brand activations and in terms of our e-commerce experience, in terms of what channels we have. And so, we really see incredible momentum across, especially the markets like Mexico, Latin America, the Middle East and Europe. And like I said, really excited, earlier days in APAC, but really excited about what that's going to do in the future.

We are focused on not just growing for growth's sake you know that, we are really looking to do it in a disciplined way and focused on CAC and focused on what those investments will return over time. And so really feel good about where we sit today and how we're going to continue to drive engagement awareness. I mean, we still have such low brand awareness in all of these countries. And so, we really need to have people know who FIGS is because if you're a healthcare professional, there's 140 million healthcare professionals around the world and we have 3 million, 3.2 million. So that's about 137 million healthcare professionals that don't yet know about us. So, much, much more to do.

Ashley Owens
Analyst, KeyBanc Capital Markets, Inc.

Q

Okay, understood. Maybe just last for me, looking ahead here to 2027 on some of the product costs, I'd just be curious, as you're starting to place buys for next year, what you're seeing or hearing from the vendor base in terms of the underlying product costs. And then when you put that together with some things like tariffs and then obviously freight is the sourcing environment becoming more or less favorable, do you think heading into next year? Thanks.

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Sure. So many puts and takes around margin and how we think about how 2027 will play out. I mean, if we start with the largest one being the tariff refund, so we did receive $15.4 million. That was a benefit to gross margin in Q2. And then the remainder of that refund was a reduction to inventory. So as that inventory is sold in Q3 and Q4, we're seeing additional benefit there.

So, we did see an additional $1.9 million in benefit in Q3 and expect to see more in Q4. So the benefit to gross margin for all of 2026 is about 250 basis points of benefit. And so that will be a headwind on gross margin from a year-over-year perspective, just given that sales tariff refunds were one-time in nature. The other component

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impacting us is also our transition from Jordan into Vietnam. So we have a slightly different duty structure and we are seeing some slightly higher cost just at the onset with some of our fabrications that we can continue to work on over time.

Freight has impacted our P&L, both in terms of inbound freight, which would hit our gross margin as well as outbound freight for our packages going out. For now we are continuing to monitor, we're not necessarily planning for any reductions at this point. But if we do see a notable reduction, that could be a benefit into next year. So, I would say that, as we think about gross margin I think the normalized rate this year would be in that 67.5-ish and I think we'll kind of be in that range for next year given some of the puts and takes.

Ashley Owens
Analyst, KeyBanc Capital Markets, Inc.

Q

Awesome. Appreciate the color. Thanks and best of luck.

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Thanks.

Operator: We have reached the end of the Q&A session. I'll now turn the call back to Trina Spear, CEO for closing remarks.

Trina Spear
Chief Executive Officer, Co-Founder & Director, FIGS, Inc.

Thank you, everybody. Just wanted to say one final thing, don't forget to buy FIGS for all your doctors, your nurses, your veterinarians, your dentists, all the healthcare workers in your life. Hope you have a wonderful holiday season. We'll see you next call.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.

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