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FIGS, Inc. (FIGS)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us and welcome to the FIGS Second 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 second 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 involve risk 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. We do not place undue reliance on forward-looking statements, which speak only as of today, and which we undertake no obligation to update.

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 their 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 today. Big, strong, broad-based momentum continued in Q2, highlighting the sustainability of our success and our truly unique positioning. Net revenues grew 29% to $197 million, beating our outlook and marking our third straight quarter with 25%-plus growth. Notably, this is the strongest sustained stretch of growth we have seen since 2021.

What is most exciting is that our growth is coming from across our business rather than from just one part of it. We are seeing tremendous traction across the board – our channels, product categories, geographies, and customer cohorts – driving a number of record highs for the brand. As examples, we have never sold more scrubwear in a single quarter than we did in Q2, and our three market expansion opportunities, international teams, and community hubs each achieved new highs.

Our strength is seen in the metrics. Active customer growth surged 13% to 3.1 million. AOV hit its own record of $127, and purchase frequency continued to increase. This powerful combination drove net revenues per active customer to an all-time high for the brand of $229, surpassing even our COVID-era peak of $227.

This success is the manifestation of everything we have been outlining in recent quarters and gives us even greater conviction in the growth opportunities that lie ahead. Just as impressive is our progress on profitability. Excluding the prior year portion of tariff refunds, adjusted EBITDA margins surged to 18.6%. Underlying that performance, our strong margin expansion was driven by efforts to increase full-price selling and improve returns, both strong indicators of brand health, as well as overall expense leverage given our incredible top-line momentum.

And finally, we have not only accelerated our share buyback efforts during the quarter, but just announced a new $100 million authorization, demonstrating the confidence we have in our brand, our strategy, and the opportunity in front of us. With this strength, I want to take a moment to reiterate why we believe we are winning, because I think it is an important context for everything that follows. It starts with brand differentiation.

Technically advanced products are non-negotiable for us, and we are extending our premium positioning and bringing even more impact and relevance to our product lineup from scrubs to the full layering system to solve needs of healthcare professionals. And what truly sets FIGS apart is our unique ability to drive connection and be part of the cultural conversation in healthcare in a way no one else is. This combination, product and storytelling, is incredibly powerful and hard to replicate.

Second, we are building a durable foundation for growth, supported by sustained investments across our team, technology, and customer acquisition. We have talked a lot about our growing sophistication of how we bring the brand and product to life, efforts designed for more than driving performance in a single year. They are about building the resiliency and agility to continue delivering elevated performance across top-line, profitability, and shareholder returns over the long run.

And third, we are serving the best industry in the world. Healthcare touches everyone. Those needs are only growing as the demands of the profession are compounded by an aging population and growing focus on wellness. Healthcare and social assistance is projected to have the largest job growth and be the fastest-growing industry over the next decade, and we see this demand in our data. With an average of over 50,000 new jobs coming into the industry each month this year, the broader healthcare industry is serving as a powerful driver of overall job creation in the United States.

These macro tailwinds combined with the strong fundamentals of healthcare apparel make this industry highly attractive. Unlike other apparel companies, we do not sell products that's driven by fad or prevent inventory risk. We sell non-discretionary and replenishment-driven uniforms that do not go out of style and that healthcare professionals need all year round. And because so many of them work in densely packed institutions wearing FIGS as a walking billboard, we benefit from a word-of-mouth dynamic that is very unique.

Before I move on, I want to provide a quick update on our supply chain. I used the word resilience earlier in my remarks and it applies here, too. US Customs and Border Protection recently issued a withhold-release order that currently prevents us from importing products into the United States from our partner in Jordan. Through COVID and the disruption in the Middle East, facing supply chain challenges is not new to us, and we have always been able to manage through them due to the strength and flexibility of the supply chain we've built. That remains true today.

Our team is cross-functionally adapting our planning to mitigate disruption in the second half of the year. This includes leveraging capacity with our other strong existing partners and expediting their production. As a reminder, our high-volume, low-SKU-count footprint is a powerful differentiator that makes us highly attractive to the world's best suppliers. Most importantly, even with this challenge, we are able to raise our top and bottom line targets.

We have not only passed through the upside of our Q2 results, we have also layered and increased expectations for the balance of the year. This is exactly the kind of agility that spotlights the strength of the foundation we have built, and it positions us for long-term execution in delivering great products to our community.

Now, let me share some of the progress we are most excited about across product, brand, and market expansion. Starting with product, we are winning at the intersection of style, color, fabric, and fit. On style, we are evolving choice for healthcare professionals, complementing our successful core styles with modern looks that combine functionality, design, and comfort. Our scrub pants are a great example. Wider leg solutions continue to resonate strongly, and we're continuing to bring newness in this area, including new waistband options that debuted this quarter.

This strategy reflects our unique merchandising flywheel in action. We launched limited-edition options that generate excitement in a quick sell-through, while driving in greater interest in the core that represents the majority of our business.

Color is always important at FIGS. It is woven into the DNA of our brand across both core and limited-edition styles. We are always listening to feedback, analyzing trends, and responding quickly. Espresso is a great example. To say that our community was clamoring for this color was an understatement, and we heard them. So we responded with two separate launch moments this year, including a product drop just last week that sold out quickly. And we have used color to tap into cultural moments, incorporating it into our Star Wars collaboration in Q2 and into our new collaboration with Marvel's Spider-Man, which launched this quarter, timed with the movie's release, and was a huge hit.

On fabrication, we remain focused on delivering across the full spectrum of use cases, complementing our hallmark FIONx with FORMx, and now our new FIBREx. FORMx continues to resonate and grow as a complement to our core offering, and we're super excited to build on the FIBREx story in the weeks ahead.

And wrapping all of this together is fit. All new products are aligned with the fit work we have been driving the past few years, and we continue to be encouraged by the gains we are seeing through lower returns and positive customer feedback. On non-scrubwear, we remain focused on building out our layering system. We are winning here. 40% growth in the quarter was the highest we have seen in nearly four years. Non-scrubwear now represents nearly 20% of our business, and we believe it can mix even higher over time as we build out key areas, including underscrubs, lab coats, outerwear, footwear, medical-grade compression socks, and jewelry.

Healthcare professionals may wear a uniform, but they are looking for ways to personalize and accessorize their look. Which brings me to something we're incredibly excited to announce. As you may have seen from our recent social posts, we have acquired V Coterie. A long-time partner of ours on pins, V Coterie brings a broad range of pins, jewelry, charms, and accessories dedicated to the healthcare community. These are not just any kinds of accessories. V Coterie's founder, Lynna Van Merkey, who we are excited to announce is now part of FIGS, is a former dentist and an incredible entrepreneur who has creatively married jewelry and healthcare in a way no one else has.

While V Coterie is immaterial from a purchase standpoint, our community loves these products, and we believe this positions us to unlock meaningful growth opportunities in this category going forward. Ultimately, this is a great example of how we drive a greater share of wallets and expand consideration for our brand.

Moving on to the brand side, we had a series of powerful moments throughout the quarter, and what I want to highlight most is how we were threading our support of this community across multiple efforts in real, impactful ways. Starting with Nurses Week, we are excited with our financial performance, so the bigger story was how we brought an authentic reflection of the experience of nurses to life. This work highlighted the multitude of challenges they face every day on the job while also celebrating their unwavering commitment to always putting their patients first, something that will never change. That work then carried forward in a profound way two weeks later when we took action against those very challenges at our Healthcare Is Human rally in Washington, D.C. I previewed our plans on the last call, and the actual event surpassed our expectations.

This was our biggest advocacy effort to-date, with hundreds of awesome humans at the rally, more than 30 meetings with key members of Congress, and triple-digit gains across key social measures. Together, we pushed forward on three critical priorities. Passing the FIGS-created Healthcare is Human Act, the first-ever federal tax credit specifically for healthcare professionals.

Funding the Dr. Lorna Breen Act to provide mental health services specifically for healthcare professionals, and introducing the SPEAK FREE Act, protecting healthcare professionals' right to speak up when they have safety concerns for themselves or their patients. Noah Wyle was by our side again, and I could not be prouder of what this community showed up and did together.

We then took these efforts a step further with the return of our FIGS retreat in June. We hosted nearly 80 healthcare professionals, creating a space where they could recharge, care for themselves, connect through shared experiences, and recenter around what matters most. This is a manifestation of our purpose and how we show up for our community, and we're making these important touch points a priority going forward. Our brand momentum has carried into Q3.

We have already had a series of great product moments including our Spider-Man collaboration, the return of Espresso, and the debut of V Coterie on our platform. And yesterday we kicked off our back-to-school campaign with the latest chapter of Never Change, highlighting the lifelong learning journey through the eyes of residents.

Turning to market expansion, each of our three growth drivers delivered record net revenues. International delivered 67% growth, with over 50 points of that growth coming from our existing comp markets. We now operate in 85 international markets, including 27 new markets opened year-to-date. As we become more efficient overall, we are increasing our investments in international brand building.

We are finding more ways to localize and activate in-person moments, including our first Nurses Week event in Toronto. We are in the early innings of recruiting ambassadors and supporting user-generated content in key markets where that has outsized importance. We are ramping new search and social platforms, including LINE in Japan, Kakao in South Korea, and Douyin in China, all highly relevant digital channels to accelerate local reach and impact.

Looking at our TEAMS business, we continue to build momentum as we focus on strengthening relationships with existing institutions, growing our pipeline of future accounts, and executing on our technology roadmap. As an example, we recently onboarded Bupa Dental Care, a division of the British United Provident Association, which is one of the largest private healthcare and insurance companies in the world. Our initial work here will focus on outfitting their nearly 400 dental centers across the UK, demonstrating the type of reach and impact this channel can have both domestically and abroad.

Supporting those efforts on the tech side, we continued to add functionality to our platform in Q2. We have additional work ahead on our roadmap, all designed with the same intention, making it as easy as possible to outfit a diverse range of healthcare workforces and FIGS and create unparalleled value in that experience.

Community Hubs also delivered record results with both strong comp store performance and new store contributions. Our in-store work remains focused on optimizing the assortment, going deeper in core colors and styles to serve the higher mix of new customers coming through the channel. Looking ahead, our team has signed four new leases for openings planned for later this year, including Fashion Square in Scottsdale, Tysons Corner outside of Washington, D.C., Valley Fair near San Jose, and Aventura Mall in Miami, each leveraging strong local healthcare communities. Our team is already hard at work securing locations for 2027 and beyond, and we could not be more excited about where this channel is going.

Before I hand it over to Sarah, I want to share one last but important point about what makes me feel so confident. In the past, I've spoken about what I believe to be the leading indicators that tell us where we are as a brand – search, website traffic, social followers, and more. When these metrics inflected last year, we believed we were starting to turn the corner, and that's exactly what happened in the subsequent quarters with strong momentum across our business.

And what's encouraging to me is that these leading indicators continue to grow, creating a fantastic pipeline for future engagement. And across the entire brand funnel, from awareness to consideration to preference, we are seeing year-to-date improvement. Our brand is increasingly cutting through at a time when many others in the industry are treading water.

Ultimately, we believe we are positioned to expand our leadership position in the industry and change the game for healthcare professionals in ways that no one else can, just as we have been doing for the past 14 years. In the near term, we see this through our strong outlook on both top and bottom lines. And in the long term, we know we're just getting started as there's so much additional opportunity and so much impact we can still have across the healthcare community.

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

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

Thanks, Trina. Our second quarter results were outstanding from top to bottom, building off a great Q1 with across-the-board wins and setting us up for a stronger second half of the year than our implied prior guide. FIGS is building a powerful ecosystem for the entire healthcare community, something that extends well beyond transactions. And this community in turn is instrumental in feeding back to the brand, giving what we believe is a very special and unique story in the broader consumer space.

Let me first start with a recap of our incredible Q2 performance, which included a number of key records and multi-year highs that Trina outlined upfront. I'll then provide an update on our increased full year guidance, including our current assessment of tariff-related impacts and our readiness to achieve our raised second half expectations.

On to the numbers, for Q2, net revenues increased 29% year-over-year to $196.6 million, outpacing our outlook, calling for growth in the low 20% range. Virtually all parts of our business are growing at strong rates as we look across categories, geographies, and channels. We saw highly productive launch events and promotions during the period and continue to be incredibly encouraged by how we are performing during those business-as-usual selling days without specific brand activations.

Active customer growth accelerated again to 13% year-over-year to reach 3.1 million, led by particular strength with customers coming back to the brand. Average order value increased 9% to $127, led by higher average unit retail due to early 2026 pricing actions and also driven by improved quality of sales that were supported by lower discount and return rates. Complementing these drivers, we are seeing improved purchase frequency.

Together, these factors drove our trailing 12-month measure for net revenues per active customer, 10% higher to a FIGS record $229. By category, scrubwear grew 27%, representing 82% of net revenues for the period. We continue to be pleased with the range of performance here, with strong growth coming across both core franchises and limited-edition offerings. Color in particular was impactful, with improved sequencing and newness also supporting core productivity.

Non-scrubwear surged 40%, representing 18% of net revenues. Growth was broad-based, highlighted by underscrubs, where we saw an improved assortment across styles and fabrications, as well as outerwear, which was driven by core product family extensions. We are positioned to add even more excitement and differentiation around both of these areas in the upcoming quarters. Accessories are another emerging opportunity, with strength registered across diverse areas, such as hair accessories, our bags assortment, and compression socks. We are excited to unlock further growth the full addition of the V Coterie jewelry assortment, which has already been a very productive part of our assortment.

The overall cohesiveness of our product strategy across color, technically advanced scrubwear, expanded head-to-toe extensions, and great storytelling is creating a powerful ecosystem and a real competitive advantage for FIGS. By geography, US net revenues increased 22% to $158.7 million, while international net revenues increased 67% to $37.9 million. In the US, I would reiterate some of the leading indicators that Trina pointed out, both as key drivers of our Q2 business and also as bullish signs of what's to come.

Strong gains registered across search and traffic are great starts, and we then see the added stickiness through ongoing traction across our social following, email sign-ups, and engagement rates. We also saw great signs across both new and returning customers. New customers are increasingly coming in at high values and holding that value in subsequent periods. Returning customer strength reflects high purchase frequency and customers moving into higher spending thresholds.

International growth continues to reflect the strong balance between new and returning customers. For Q2, this included exceptional growth in Europe, Latin America, and Mexico, as well as meaningfully better performance in Canada, Australia, and the Middle East.

As we urn to margins, let me first provide some details on tariff refunds. Last quarter, we indicated that we had taken action to recover approximately $20.5 million paid under the IEEPA tariff. Based on initial receipts of $4.5 million in Q2, we assessed that the recovery of the remaining claims was probable and included the full benefit in our GAAP results. This resulted in a $15.4 million reduction to cost of goods sold, which related to tariffs expensed since the IEEPA tariffs were implemented in February 2025, including $7.9 million expensed in fiscal 2025 and $7.5 million expensed in the first half of fiscal 2026.

In addition, we recognized an approximate $5.1 million reduction in the carrying value of our inventory balance for tariffs previously capitalized, which will be realized on the P&L as those goods are sold in future periods. Subsequently, we have received the full amount of these refund in Q3, which we expect will be recorded in cash with our future results. I'll further detail each of these impacts to results and our outlook in my commentary ahead.

Looking at Q2 gross margin, we experienced an 820 basis point improvement to 75.2%. This includes the 780 basis point cumulative impact from the $15.4 million tariff refund. This core improvement excluded the refunds was primarily driven by the positive impacts from pricing and ongoing efficiency efforts, including product costing as well as better-than-expected performance from higher full-price selling and lower return rates. These gains more than offset the impact of higher non-IEEPA tariffs.

Our selling expense for Q2 was $43.7 million, representing 22.2% of net revenues compared to 22.6% last year. The lower expense rate was driven by favorable outbound shipping rates as well as net revenue leverage. Partially offsetting these efficiencies, we had the impact of supply chain investments and international mix. Marketing expense for Q2 was $28.5 million, representing 14.5% of net revenues, down from 15.2% last year. Following the higher planned marketing rate in Q1, our Q2 performance reflected the impacts of net revenue leverage as well as digital cap efficiencies. At the same time, we continue to opportunistically invest across our business, including brand awareness initiatives internationally, our FIGS retreat activations and through expanded brand partnerships.

G&A for Q2 was $40.4 million, representing 20.5% of net revenues compared to 22.8% last year. The lower G&A rate was primarily due to net revenue leverage and lower stock-based compensation expense, partially offset by investments in our team. Inclusive of the tariff refund benefit, our operating margin for Q2 was 17.9% compared to 6.5% last year. Net income for the quarter totaled $28.4 million or diluted EPS of $0.15 compared to net income of $7.1 million last year or diluted EPS of $0.04.

Measuring adjusted EBITDA for the period, we have excluded the $7.9 million benefit of IEEPA tariff refunds that pertain to tariffs on goods sold in fiscal 2025. This resulted in adjusted EBITDA margin of 18.6% as compared to

12.9% in the same period last year. While Q2 adjusted EBITDA does include the benefit of the portion of the tariff refund attributable to goods sold in the year-to-date period, which contributed to our stronger performance, it aligns with how our forward-looking performance will be accounted for as impacted inventory is sold.

On our balance sheet, we finished the quarter with net cash, cash equivalents, and short-term investments of $296.3 million. Inventory decreased 12% year-over-year to $119.6 million inclusive of the $5.1 million IEEPA-related inventory adjustment. Outside of these developments, we continue to drive greater efficiency here as we balance strategic buying with more proactive inventory management.

We expect Q3 inventory will remain down double digits year-over-year given our supplier transitions, though remain confident in delivering our stronger top-line outlook. On the capital allocation side, share repurchases during the quarter under our ongoing repurchase program totaled approximately $24 million at a weighted average price of $11.94 per share. We have now repurchased approximately $81 million cumulatively since initiating the program nearly two years ago. Additionally, our board of directors authorized an additional increase of $100 million to our ongoing share repurchase program, bringing our total share repurchase capacity to $119 million.

Finally, capital expenditures for the quarter were $2.6 million, continuing to reflect software capitalization and leasehold improvements with larger community hub-related outlays still planned later in the year.

Now turning to our updated outlook, our full-year 2026 net revenues are now expected to grow approximately 20% ahead of our prior outlook of 14% to 16% growth. This includes both our stronger first half momentum as well as higher expectations for the back half of the year. Embedded in this outlook, we are planning for Q3 net revenue growth of approximately 20% year-over-year and Q4 net revenue growth of approximately 10% year-over-year. This incorporates our comparison against improving performance as we move through the second half of fiscal 2025, including our 33% growth acceleration achieved last Q4.

On to gross margin, we now expect our full-year GAAP gross margin to approximate 69.5%, inclusive of the tariff refund during the quarter and the expected benefit as impacted goods in inventory are sold during the second half of the year. The underlying gross margin expectation is unchanged from our prior guide, which called for modest year-over-year full-year improvement from 66.5% in fiscal 2025. On the positive side, we see both our Q2 operating performance coupled with the modest improvement relative to our prior expectations given the Section 301 tariffs that were implemented as of July 24.

This new rate assumption of 12.5% compares to our prior global tariff assumption of 15%, though with average costing and the timing of shipments, the benefit is minimal for the fiscal year. Largely offsetting these positives, we plan to use air freight to expedite certain products. It is important to remind you of the gross margin comparisons in the back half of the year. We continue to expect a year-over-year decline in Q3, followed by a large year-over-year improvement in Q4. While our Q4 gross margin rate is planned to be the lowest of the year, it is still expected to remain well above the prior year, in part due to the large inventory write-off comparison.

Shifting over to SG&A, we expect better net revenue leverage will play the largest factor overall, benefiting Q3 relative to Q4. We expect this to mean expense leverage across selling, marketing, and G&A in the third quarter, though only on the marketing line during the fourth quarter. Overall, we have increased our full-year operating margin outlook from between 7.8% and 8% to approximately 10.8% inclusive of refunds.

We have also increased our full-year adjusted EBITDA margin outlook from between 13% and 13.2% to between 14.8% and 15% inclusive of refunds associated with our first half performance and sell-through expectations in the second half. This includes an expected Q3 adjusted EBITDA margin of approximately 14%, up from the 12.4% level in the prior year period.

In summary, the FIGS brand is resonating more than ever, and we are executing against this opportunity exceptionally well in a dynamic operating environment. Our net revenue growth guidance is nearly double our original outlook, while our profitability continues to inflect. We believe this demonstrates the growing resonance of our brand, the incredible execution of our team, and the unique opportunity we have ahead to continue redefining expectations with the healthcare community.

We are now happy to take your questions. Operator?

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. Please limit yourself to one question and one follow up. [Operator Instructions] Your first 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, and congratulations on another stellar result.

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

A

Thanks, Bob. Appreciate it.

Robert Scott Drbul
Analyst, BTIG LLC

Q

You got it. I guess the biggest question that I would love to just start with is when you look at new customer growth, returning customer growth, can you just talk us through what you think is working so well right now with the customer situation?

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

A

Sure. I mean, I think it goes back to our two North Stars, which is product and marketing. We have continued to deliver the best product that meets every need of a healthcare professional, and we're doing that head to toe across our layering system. We've continued to make steady improvements on our fit, on our function, bringing comfort, durability, and style to our community. And I think on the second piece, which I know you know, Bob, is around marketing. We continue to roll out incredible campaigns that are really resonating and going viral regularly within our community, and you've seen that throughout the year with our Never Change campaign this year.

And so, I think that's driving new customers to the brand. I think the beautiful thing about our business is that so much is still driven by word of mouth. Every FIGS customer is a walking billboard acquiring that next customer for us, and that's truly a unique dynamic given the densely populated environment that healthcare professionals work in.

And then in terms of the returning customer piece, this is a replenishment-driven industry. Healthcare professionals need their uniforms to go to work and do their job, and they're coming back over and over again for their Catarina top and Isabel wide-leg pants, right? They're coming back for their underscrubs and their scrub jackets and their compression socks and kind of all of these different pieces and different parts of their uniform that they need to go and do their job. So it's been exciting to see the results for the quarter, but we really do feel like we're just getting started. And so more to say, but definitely excited by what we're seeing in the business and what we're going to continue to execute on.

Robert Scott Drbul
Analyst, BTIG LLC

Q

Great. Thank you very much. Good luck.

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 afternoon. So I, too, would like to add my congratulations. Spectacular quarter here. Congrats.

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

A

Thank you.

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Thanks, Brian.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Q

Sarah, I just want to follow up maybe a bit on Bob's question. If we look at that – the customer growth and really the overall sales here, in the past, I think you talked about last customers and maybe that being a point of weakness, it seems like it's a point of strength now. So what do you see with that customer base [indiscernible] (34:08) would maybe shop at FIGS before, went away, are they coming back now? Is that becoming an incremental significant driver?

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

We're really driving the customer growth across several components. So customer growth is being driven from new customers. It's being by those last customers that are coming back and also through just the frequency of our returning customer. And so all three of those have really been working for us now for several quarters. When we look at those last customers, they are coming back at a good clip that has been pretty consistent for us. And we feel like we are providing the right product assortment, the right opportunity for them to continue to come back and be engaged in the brand. And so we believe that the growth going forward will continue to come across all of those components.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Q

That's helpful, Sarah. My follow-up question just with regard to the tariff refund. So a lot of consumer companies now are starting to discuss this topic. But clearly a boost here, we're talking at least in the GAAP results. But I guess the question I want to ask is strategically, does this get – receiving these refunds, does it change how you think about sort of, say, doing business over the – in the coming quarters?

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Yeah, so we did get back $20.5 million. And we are in a very significant cash position. So we're not earmarking it for anything specific. What we do every day is about improving the lives of healthcare workers, finding solutions to their problems. So we are going to continue to do that as we have been doing, which is investing back into our business to fuel our efforts towards that mandate. And we're also going to continue to deliver returns for our shareholders. You would have seen that with us buying back. So I don't think for us it changes anything. It just helps continue to deploy that cash in a really efficient way to drive future growth.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Q

Thank you, and congrats again.

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Thanks, Brian.

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

A

Thanks, Brian.

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, I'm curious if you can talk a little bit more about the strategic expansion of your business as you look to do this expansion into V Coterie and jewelry. What does this mean for your category and your TAM overall as you look to build upon all aspects of wardrobing the healthcare professional?

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

A

Thank you so much, Brooke, for the question. We couldn't be more excited about the acquisition of V Coterie. V Coterie was founded by an incredible entrepreneur named Lynna who now is a part of FIGS. She's our head of pins, charms, and jewelry, and she's somebody that we've known for quite some time. Heather and I have known Lynna for about, I would say, over seven years. She actually was a FIGS ambassador and also has built this incredible company.

And to your point, it's really about helping healthcare professionals personalize their uniforms and tell something about who they are and what they do. And also charms and jewelry and pins, it's a really personal thing, and it creates this very deep emotional connection between us and our community. And we're really looking to help healthcare professionals celebrate milestones like graduating nursing school, earning certifications, working in an ICU. And so this is, like, a really exciting thing that's going to help us build even more emotional loyalty with our community. And then to your point I've always said that [ph] lazy (38:11) companies sell into TAM and innovative companies create TAM. And this is a TAM creation opportunity. We are inventing TAM where this wasn't really part of the industry, right?

And so having these jewelry and charms and pins, this is a massive industry that wasn't part of our industry. And so building that in and making it fun and cool has been really exciting. We're seeing such – even in the first month, we're seeing such a strong response. We've sold out of a number of key styles across our assortment already. We're moving fast to get back into that, to get that back into stock. And so I would say overall, like, healthcare is hard. And as you know, Brooke, we bring the fun, which is just so, so important. And that's what we're going to continue to do as we continue to drive this connection with our community.

Brooke Roach
Analyst, Goldman Sachs & Co. LLC

Q

And Sarah, maybe just a follow-up for you. With adjusted EBITDA margins now guided at about 15%, do you think that this is a new base from which you can grow as you move into 2027, especially as you cycle some of these tariff refunds and work through some elevated raw material and oil costs?

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Yeah, so I would say just to ground in that 15%, it does include the benefits – tariffs that were previously spent in Q1 and Q2. And so that is a benefit that needs to be considered. I would say offsetting that, we do have some additional air freight that we're bringing in. And I think it is a fairly clean base for us to continue to build off of into the upcoming years. And so many different puts and takes, but that 15% does represent how we would be reporting our results for any future years as well.

Brooke Roach
Analyst, Goldman Sachs & Co. LLC

Q

Great. Thanks so much. I'll pass it on.

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

Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

Hey, guys. Great job. I guess I'll ask one on AOVs. They really took a step up in the second quarter. Just wanted to see if you could maybe unpack some of the drivers there in terms of pricing. Are consumers building bigger baskets or are we getting a better mix around the outerwear assortment and some of the higher ASP items there?

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Hi, Matt. So our AOV did increase by 9% in the quarter, consistent with the growth that we saw in Q1. A portion of that is really being driven by the pricing that we took in Q1. In addition, we're seeing the added benefit of lower discounts and improved returns. So that's really been great to see as well. And so, yeah, we're happy with how that's trending. It isn't necessarily coming through UPT at this point, but we did expect that just given the higher AURs with pricing. So overall those expectations are still beyond what we had originally thought when we had taken pricing and really happy that there's other factors, as I mentioned, outside of pricing that are really driving that higher quality growth within our AOV.

Matt Koranda
Analyst, ROTH Capital Partners LLC
Q

Okay, helpful. And then just going forward, I guess, what are you thinking in terms of what's embedded in the sales growth outlook from an active customer standpoint? I guess what I'm asking is engagement trends have just been very strong for the last couple quarters, and I would assume you kind of pulled those forward. But how should we think about, I guess, higher engagement with existing customers versus new customers that are driving the growth for the remainder of the year?

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.
A

Sure. Yeah. So, I mean, as I said before, the growth in total revenue is coming from growth in our active customers, growth in our orders per customer, and growth in our net AOV. We would expect that that active customer growth will continue to be at a strong rate for the rest of the year. We also think that AOV will continue because, again, a lot of that is really from pricing, so that will continue for the rest of the year until it annualizes in Q1 of 2027. And then I think it's the orders per customer that we've seen really good frequency come. We're not planning for that same degree of frequency growth, but that could be an opportunity if customers continue to engage in the way that they have been engaging with us.

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

And I'll just add. I think that the [ph] age (43:29) between purchase is coming down, right? So, people are coming back to us more because of our products, because of our brands, and then also the normalization of the industry, right, where people need their uniforms, our healthcare community needs their uniforms over and over again. And so, we're seeing really – real success across the board, across new, across repeat, across AOV, and it's really not one thing driving the success.

Matt Koranda
Analyst, ROTH Capital Partners LLC
Q

Awesome to hear. Thanks, Trina. Thanks, Sarah.

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

Thanks.

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

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

Hey, thank you. Good afternoon, guys, and congrats on the strong results.

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

Hey.

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

I was hoping you could provide additional color around increasing frequency. So, has the primary driver been customers coming back for core products, like core scrubs, or are they buying into the adjacent categories? Given your offerings are expanding with new scrub fabrication and a widening non-scrub assortment, I'd love to better understand what the primary driver of frequency is and just your expectations going forward in terms of where you're most optimistic.

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

Yeah, sure. So, I think the repeat dynamics is what makes this industry so attractive. And I think what we've done is not just given the healthcare community what they need, but also what they want. And so, that's really a big driver of the replenishment-driven dynamics of what we do. Coming out of the COVID overhang that we've discussed, that's only accelerated where frequency has accelerated.

And you're seeing that in our scrubwear, up 27% for the quarter. You're also seeing it in non-scrubwear, up 40% in the quarter. And so if you think about the trajectory or the journey of a healthcare professional, they kind of come in on the core scrubs, and then they maybe are getting an underscrub, and then they're replenishing their scrubwear again. They're trying out a limited edition style drop. And then they're coming back and buying an outerwear piece, for instance. And then maybe they're coming back and getting their favorite Catarina top and Isabel pant in new color or two new colors based on the latest drop.

And so as you come back more to the brand and after your second, third, fourth, fifth purchase, you actually end up buying even more over time and buying more non-scrubwear over time. And so, this is what's so phenomenal about our business. This is the beauty of FIGS, is that we're not paying for people to come back. And as they come back to us more, they get more and more loyal. And so that's – and it's our job to continue to drive that and make – and help them be more and more engaged with the brand. We are maniacally obsessed with healthcare professionals, and they are just as obsessed with us and that it will – and we're going to continue to have that dialogue, share their stories, show them new products, drive engagement, and convert them to being a lifelong FIGS lover.

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

Can you also talk about your promotional strategy in the back half? Given the strong demand you're seeing on business as usual days, do you see room to pull back on discounts or do you think last year's calendar is a good proxy for what to expect this year?

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

We're always monitoring that. We're continuing to see the outperformance in our business as usual days, which does give us the flexibility to pull back on promo if it makes sense. I think for now our plan reflects a similar cadence to last year. And as I said, we're nimble, we're agile, we're continuing to monitor the consumer and what levers we need to pull. But for now, we will plan according to the promos that we did in 2H last year. So that includes our back-to-school event that is happening right now. And we always have had an exciting Black Friday, Cyber Monday. So we'll continue with those standard promos.

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

Q

Great. Thanks very much.

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Thank you.

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

Hi. Congratulations, everyone, on the terrific results. So nice to see.

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

A

Thank you, Dana.

Dana Lauren Telsey
Analyst, Telsey Advisory Group LLC

Q

Trina, as you think about the activation and the engagement, whether it's the Spider-Man movie or I think the Emmys Talk slot you had last year, how do you think about the go forward? Are there new activations coming? How does it relate to product? On your website, I see some of the accessories and some of the jewelry on the website also. And should we see even more of this non- scrubwear going forward and how does it impact the margins? And just lastly, Sarah, on Jordan and what's happening with [ph] CAP (48:43) getting product and freight expenses, how do you think of the arrival of product? Is there another region that replaces Jordan or where does that fit into the receipt of goods? Thank you.

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

A

Thank you, Dana. So, yeah, it's been incredible to see just a lot of these collaborations and activations really resonate with our community. Really see that with our continued collaboration with Star Wars. And then we had a newer collaboration with [ph] Owala that crushed (49:15). I think we sold out in like, I don't know, less than a day. And then Spider-Man, which, I mean, it's the number one Marvel franchise, which I wasn't even aware of. It's so killer and definitely exceeded even my expectations of what that would have done.

So, we always have new ideas. We have the best team. We have this world-class team that's always looking around and seeing what really makes sense for our brand, what really aligns with our community and what's going to get people super excited. And V Coterie, to your point, is another excellent example of listening to our community and giving them what they want and delivering beyond their expectations and, once again, bringing the fun. And we just have the best creative team that's always thinking outside the box. And so, really excited about what's to come in the second half of the year, what's to come in 2027, 2028. We never run out of ideas. But I'll pass it over to Sarah to handle the other questions.

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Yeah, so, non-scrubwear does carry a lower margin. Right now, non-scrubwear is still under 20% of our business so we are able to absorb that. We have shared that as we think about margins longer term. Our profit expansion likely won't come from gross margins, just given some of this mix shift that's happening. But we see the opportunity to more than offset that through the opportunities that we see with SG&A to continue to expand that profit margin in the years to come. Non-scrubwear is a great way for us to continue providing that full wardrobe for the healthcare professional. So, we like what it does for engaging with that customer, continuing to drive that top line, and really helping to fortify our position. And so, we can manage the whole economic profile in the out years.

Dana Lauren Telsey
Analyst, Telsey Advisory Group LLC

Q

Thank you.

Operator: Your next question comes from the line of Adrienne Yih with Barclays. Your line is open. Please go ahead.

Adrienne Yih
Analyst, Barclays Capital, Inc.

Q

Hey, good afternoon. I'll add my congratulations. It's really nice to see kind of the acceleration and the inflection on that topic. This is three consecutive quarters north of 20%, 25% revenue growth. You've got the healthcare professional tailwind, you've got the active customer growth, you've got the rev pack kind of growing double digits. Are we at, or I should say, maybe I'll ask it differently. Why should we not think that this is a new level of sort of double-digit top line growth?

And then, can you speak to some of the marketing that you've done or did in the past, the heavy up in the fourth quarter and Q1? What type of marketing is that? Is it brand awareness? And are we seeing some of the halo effect, the latent effect of that kind of flowing through and really starting to resonate? Thanks.

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

A

Yeah. I can start.

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Go ahead.

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

A

On the marketing front, I think we're really focusing on brand awareness and getting more of this community to know about us. Because once you know about FIGS, you love FIGS. And so, I think that's a really interesting dynamic, right? We have 3.1 million active customers. There's 140 million healthcare professionals around the world. And so, we have a relatively low market share overall.

And so, we're really focusing on those top of funnel campaigns. That's what you've seen, I would say, over the last few years now in getting more and more people to know about us and love us. We bring them from awareness to consideration to conversion. And so, we're going to continue to do that.

Sarah, do you want to take that first part?

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

Certainly. We haven't given an outlook for 2027. But we are obviously coming out of Q4 with a 10% exit rate here. So throughout the year, we've continued to see, like, really strong metrics broad-based across all of our drivers that continues to give us quite a bit of conviction. But there's still plenty of growth ahead of us and that we have the strategy to continue to move around that. We did 15% growth in 2025. We are now guiding to 20% growth in 2026. So seeing momentum continue ahead of us with everything that we've been building this year. More opportunities for our growth drivers to contribute to a higher portion of that growth in 2027 and beyond.

Adrienne Yih
Analyst, Barclays Capital, Inc.

Q

Great. And then, can you actually give a comparative metric on the brand awareness that you've built maybe today versus a year ago? And then, Trina, this is sort of a rank order question for you. So, as you think about the next three to five years, there's sort of comp growth, right, based on those 3.1 (sic) [3.1 million] (54:25) active customers that you do have, but there's so many different vectors of non-comp growth, international, non-scrubwear, TEAMS, retail store rollout. Can you sort of rank order where you think the kind of near term to longer term drivers of that additional layer of growth could be? Thanks.

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

So, in terms of our brand awareness, we've seen several point improvements year-to-date in all metrics both in terms of our unaided awareness or awareness or consideration [indiscernible] (55:02) we attribute a lot of that to the amazing work that the brand team is really doing to share about our brand and really have amazing storytelling that really connects with our healthcare professionals. So really pleased with those trends. The levels that we're at, we think there's definitely opportunity to continue to increase all of those. And we've got the right strategy to continue to go after that.

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

A

And then, as it relates to the next three to five years, and I guess what I'm most excited about, it's so hard to rank all my babies, but if I had to, I would say the biggest driver, and you're seeing it in the numbers, is international, right? It increased 67% in the quarter. We're just seeing such incredible opportunity from all of these markets. But to see Mexico perform as it's performing, to see the EU, to see LATAM, to see a resurgence in Canada, Australia, I mean it's just super exciting. And so we're really building for the long run internationally just the way we did in the US and it's working.

If I were to then say I really am excited about our hubs. We only have five stores. I mean, think about some of the largest brands that were at our scale. The Nikes and the Lululemons of the world. And I never like to compare ourselves to anybody. But at our scale, and doing what we're doing, essentially almost all digitally, with only five stores, is unprecedented. And so we just have so much opportunity. We are just getting started. We just talked about the four that are coming in the back half of this year. And that's super exciting. And they're performing. They're performing better than our expectations.

And we've learned so much, and now we're going to step on the gas. And then finally, TEAMS. To see these large institutions like Bupa, like European Wax Center, coming to FIGS and saying we're going to spend hundreds of thousands millions of dollars with you all to outfit our teams and professionalize and standardize our workforce. That's really exciting, too. So if I had to rank, that's how I'd rank. But all early, early stages, all nascent in terms of what these will be for our business, and all super excited when we think about the future.

Adrienne Yih
Analyst, Barclays Capital, Inc.
Q

That's great to hear. Best of luck, and well done.

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

Thank you.

Operator: Your next 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

Great. Thanks so much. And I'll add my congrats as well here. Maybe just to start digging in on Jordan, because that's been a big source of production for you guys in the past. So just trying to size a few things here. I guess first how many weeks or months of the Jordan Source core product do you already have sitting in the US distribution center? And then second, what's the realistic timeline to fully resource some of that volume to other countries, such as Vietnam? And how confident are you that you can keep those core styles in stock to support some of these strong demand trends that you have seen?

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

Sure. So, sorry, can you just ask the question one more time? It cut out for a sec.

Ashley Owens
Analyst, KeyBanc Capital Markets, Inc.
Q

Oh, yeah, sorry. First, how many weeks or months of the Jordan Source core product are in the US? And then second, timeline to fully resource that volume and confidence in that you can keep the core styles in stock to support the demand that you've been seeing?

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

A

Yeah. No, I think it's a great question. And I think the challenge that we faced on this isn't new to us. Through COVID and the disruption in the Middle East, we've faced a wide range of challenges. And what you're referring to really is the strength and flexibility of the supply chain that we've built over the past 14 years that has allowed us to thrive regardless.

So in terms of mitigation, right, and ensuring that our core styles are in stock, we've really worked cross-functionally and adapted to mitigate the disruption from this WRO. This includes leveraging capacity with many of our other strong partners that we have that are expediting their production to meet our needs. We're in a really strong position to manage this because we were already in the process of de-risking certain products and launches, given the Middle East conflict, which you saw in the changes that we disclosed last quarter. So I'll say that we're in a good position and we've mitigated the vast, vast majority of the challenge.

And so, and just a reminder, I think I've talked about this, but we really are a supplier's dream. We have this really high-volume, low-SKU-count business. We have a replenishment-driven business that allows us to really be a great partner to our manufacturers. And so that's paying off now, right? Where we are able to be nimble, we are able to move and get the capacity we need to meet the needs of our community. And I'll just say, because this is really important, even with this, we're still raising our top and bottom line outlook.

We're not just passing through our Q2 results. We're layering even more increased expectations beyond that. And to be clear, even if we would be in an even better position if it wasn't for this challenge, but we're highly confident in executing to both a second half and full-year plan that is above what we communicated three months ago.

Ashley Owens
Analyst, KeyBanc Capital Markets, Inc.

Q

Understood. Maybe just a follow-up with that. Because you are air freighting a little bit, is that air freight cost effectively the full offset to the tariff benefit and expectations, or are there expectations embedded that this persists through the second half?

And then maybe just lastly to throw in a question on TEAMS here with the Bupa Dental Care win. But I guess to you, does this signal that TEAMS is starting to hit an inflection? And then I would be curious as to what the ramp and reorder cadence would be for an account of this size. Thanks.

Sarah Oughtred
Chief Financial Officer, FIGS, Inc.

A

So I think the way that I could map it out best really is our new adjusted EBITDA guide relative to our old guide. So we're picking up the refund related to the first half, and our second half picks up the portion of refund that was in inventory that will be realized in the second half. So that's over 100 basis points of improvement there.

We are flowing through the benefit of Q2. We've then raised the back half of the year, and we're flowing that through. And then we have, yeah, some offset the air freight as well as opportunity to reinvest that flow through back into the business for opportunities where we see the ability to continue to drive growth. So we're being – we are definitely passing through, and we are continuing to reinvest back in the business. And so many puts and takes, but we are flowing through.

Operator: Your last 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

Hey, everyone. Thanks for taking the question, and my congrats as well. Really, really phenomenal results here. I just want to dig in a little bit on the international marketing strategy that you're deploying. Interested to hear, as you've seen such rapid scaling in that business, as you try to increase the absolute dollar gains there, how are you thinking about the balance between more global marketing and getting the brand halo from the US versus building awareness and then down to building consideration in individual markets? And are you staffing up more localized teams to be able to do that more effectively? Thank you.

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

A

Hi, Nathan. Thanks so much for the question. I think it really goes back to our go broad and go deep strategy, and that's really working. And so, as a reminder, in our go deep markets, which are Canada, Australia, UK, and Mexico, we're doing full funnel marketing, right? And we're really localizing our brand for that market and really bringing fun and engaging activations to these markets. We are – that awareness and campaigning – campaigns are driving interest in our brand, and it's bringing a lot of lower funnel efficiency as well. And so, that's great to see.

On the go broad side, which is a larger number of countries, obviously, we're testing, right? We are really focused on more of the lower funnel. We're building out our ambassador community in these markets, and that strategy is working. And as those markets gain scale, they earn the right, if you will, to become a part of our go deep strategy where we're investing more dollars behind that. And I would say what we've learned a bit is a bit in these what we'll call high potential markets.

China, Japan, South Korea, France, Germany, these are markets where we're seeing – we're investing in more upper funnel to drive that brand awareness because we are seeing the impact. And so, they're getting more of that marketing and we're localizing as they scale. And so, it's really amazing to see how these upper funnel efforts and our storytelling and our creative, which is really our secret sauce, right? It's why we have such a connection with our community globally, how that is working on a local level around the world. And as we continue to go here, we're going to continue to execute on this. And we're profitable in almost every market that we're in. And so, we're really seeing these efforts pay off.

Nathan Feather
Analyst, Morgan Stanley & Co. LLC

Q

Very helpful. Thank you.

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

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

Thank you so much. I just want to say, fun fact, there are now more searches for figs than there are for scrubs. And that's when you know that you are on your way to owning a category like Kleenex, like Band-Aid, like Jacuzzi.

That is where we're headed. So, we're going to continue to execute at the highest level. And thank you so much for joining us.

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