

STITCH FIX

Q3 2026 MANAGEMENT PREPARED REMARKS

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Cherryl Valenzuela, Head of IR

Good afternoon, and thank you for joining us today for the Stitch Fix Third Quarter Fiscal 2026 earnings call. With me on the call are Matt Baer, Chief Executive Officer; and David Aufderhaar, Chief Financial Officer. We have posted complete third quarter 2026 financial results in a press release on the Quarterly Results section of our website, investors.stitchfix.com.

We would like to remind everyone that we will be making forward-looking statements on this call, which involve risks and uncertainties. Actual results could differ materially from those contemplated by our forward-looking statements. Reported results should not be considered as an indication of future performance. Please review our filings with the SEC for a discussion of the factors that could cause the results to differ, in particular our press release issued and filed today, as well as our quarterly report on Form 10-Q for the second quarter of fiscal 2026 and subsequent periodic reports filed with the SEC. Also, note that the forward-looking statements on this call are based on information available to us as of today's date. We disclaim any obligation to update any forward-looking statements except as required by law.

Please note that fiscal 2024 was a 53-week year due to an extra week in the fourth quarter. As such, references to consecutive quarters of year-over-year revenue growth rates on this call are based on an adjusted 52-week basis, removing the impact of the extra week to provide a comparison we believe more accurately reflects our performance.

During this call, we will discuss certain non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are provided in the press release on our Investor Relations website. These non-GAAP measures are not intended to be a substitute for our GAAP results.

Finally, this call in its entirety is being webcast on our Investor Relations website and a replay of this call will be available on the website shortly. And now let me turn the call over to Matt.

Matt Baer, CEO

Thanks, Cheryl, and good afternoon, everyone.

Revenue in the quarter grew 4.7% to \$340.3 million, marking our fifth consecutive quarter of year over year revenue growth. Active clients were 2.3 million and increased 21,000 sequentially – a significant milestone in our transformation journey. Revenue per active client (or RPAC) reached \$578 in Q3 – now the highest level we have reported, slightly exceeding the record we set just last quarter. These results demonstrate how we are strengthening our position as our clients' retailer of choice for apparel, footwear and accessories.

As we scale, we maintain our focus on operating with financial discipline, resulting in healthy profit margins. Gross margin in Q3 was 43.7% and contribution margin remained above 30% for the ninth consecutive quarter. Our adjusted EBITDA was \$13.2 million and our adjusted EBITDA margin was 3.9% – both also better than expected.

Our revenue outperformance in Q3 was driven by strength in our Fix channel. Fix average order value, or AOV, increased year over year for the eleventh straight quarter, primarily due to higher items per Fix as a result of expanded adoption of our Larger Fix offering. Growth in average unit retail, or AUR, also contributed meaningfully to the overall AOV upside, reflecting the benefits of our ongoing assortment improvements.

Over the last several years, we have significantly enhanced the breadth and depth of our assortment to more fully meet client needs and capture more wallet share. Our strategy has been anchored on optimizing our portfolio of market brands, investing in our own private brands, and expanding into new categories to better offer head-to-toe outfitting.

We are seeing the results of this work. Both our Women's and Men's businesses saw top-line gains in Q3:

- Within our **Women's** business, we saw robust demand for activewear and athleisure, which grew a combined 50% year over year. We also had a successful seasonal transition, with strength in sandals, skirts, and sneakers. Some of the brands that posted the strongest growth were our private brands, namely Montgomery Post, 41 Hawthorn, and Market & Spruce.
- **Men's** grew double-digits year over year for the fourth straight quarter, with standout performance in warm weather categories such as shorts, short sleeve woven tops, and casual shoes, which each grew more than 30%. Some of the brands that posted the strongest growth were our private brand Alesbury as well as Travis Mathew, Vuori, and Bonobos.

With regards to expanding into new categories, we've previously shared our belief that growing our relevance in activewear and athleisure, footwear, and accessories can unlock approximately \$1 billion in incremental revenue if we achieve our fair share with our existing client base, and we are actively pursuing this opportunity by expanding our offerings in these key categories.

As an example, we recently launched Women's Sunglasses, introducing brands like Le Specs, Aire, and Quay, and we are strengthening our footwear assortment with new brands like Frye, while seeing growth in established brands such as adidas and New Balance.

We are also building on our momentum in activewear and athleisure. We recently added Outdoor Voices, Malbon Golf, Spiritual Gangster, and Cotopaxi, as well as deepened our penetration with client favorites like Varley, Rhone, and our private label brand WeWander. We are also seeing strength in Men's and Kids swimwear with the addition of brands like Fair Harbor.

The improvements to our assortment are bolstering our position in the market and translating into further market share gains. According to the latest Circana data, Stitch Fix again meaningfully outperformed the total U.S. apparel, footwear, and accessories market in the most recent quarter, with our year over year revenue growth rate more than four times the growth of the total market.

We also remain focused on the quality and durability of our client base. A central focus of our transformation has been acquiring and retaining high-lifetime value (or LTV) clients who value our service and whom we are uniquely positioned to serve exceptionally well. As I noted earlier, we reached an important milestone in this work as we successfully grew our client base. We also hit our eighth consecutive quarter of year over year growth rate improvement in active clients and remain encouraged by this steady progress:.

- Starting with new clients. They grew for the third consecutive quarter, up more than 10% year over year in Q3. As our marketing becomes more targeted and precise, we are seeing that rigor show up in the quality of new client cohorts. New client LTVs increased year over year for the eleventh consecutive quarter and were nearly double what they were three years ago, reinforcing our belief that we are building a healthier and more durable client base.
 - That momentum is being reinforced by the sustained adoption of Family Accounts, which is creating an additional organic pathway for client acquisition. As more clients adopt the feature, Family Accounts have become

an efficient way for us to add high-intent clients while also expanding family wallet share.

- We are also focused on re-engaging former clients. Our targeted campaigns are bringing clients back to Stitch Fix and as they return, we are focused on deepening engagement through a more personalized and flexible experience.
- At the same time, retention rates continue to strengthen, with steady improvement over seven straight quarters. Q3 surpassed the mark we set last quarter for our highest retention rate in four years.
- Engagement also remains healthy. Total active clients on recurring shipments continued to grow year over year. New clients on recurring shipments grew even faster. This is an important signal of the value clients are seeing in their Fixes and the strength of the ongoing relationship we are building with them.

Taken together, these trends reinforce that we are methodically building a stronger client base – and our goal remains to return to year-over-year active client growth in FY27.

We attribute both our progress in active clients, as well as our revenue growth, in large part to the advancements we've made to our client experience over the past two years. These improvements have been grounded in delivering on our core promise – to offer the most-client centric and personalized shopping experience.

We're best positioned to do this because of the uniqueness of our model which starts with the power of our data. We know more about our clients before their first transaction with us than most retailers know over a lifetime relationship. We have billions of data points on their fit, style and budget preferences, as well as nuanced insights on our merchandise assortment. It is the interplay of that data, our innovative and AI-driven technology platform, and the human connections that our Stylists build with clients every day that enable us to deliver what we believe is a superior way to shop for apparel, footwear and accessories.

Our AI-powered style visualization platform, Stitch Fix Vision, plays an important role in offering this better way to shop. As a reminder, Vision provides clients with personalized imagery of their likeness in an array of shoppable outfits tailored to their style profiles and current trends.

Since launching it in October, we've been pleased with our clients' response. Notably, we continue to see over a 100% lift in Freestyle spend over a 90-day period for clients who used Vision. Now, we are integrating Vision further within the client experience and are beginning

to give clients more control over how they discover and visualize styles by enabling them to generate their own Vision images around a look of their choosing.

This is exactly the type of innovation we believe can deepen client engagement over time and reflects the broader strides we are taking to strengthen the Stitch Fix experience and the business overall.

Beyond embedding AI into the client experience through features like Vision, we are applying AI across the enterprise. We are increasingly using these capabilities to optimize efficiency and sharpen our retail advantage in areas including inventory management, intelligent pricing, and creative marketing execution. In private brand product development we're using AI to fundamentally transform the process and we can now design a full assortment for an individual private brand in about one week, compared to the traditional multi-month design cycle.

To close, Q3 was another clear step forward for Stitch Fix. We delivered revenue and adjusted EBITDA above our outlook, achieved sequential active client growth, and continued to execute with the discipline that has been central to our transformation. This is increasingly showing up in our bottom line as we drive towards net income profitability.

Importantly, this performance reflects the deliberate choices we have made over the last several years to strengthen the foundation of the business, enhance how we serve clients, sharpen our focus on higher-quality growth, and more fully deliver the client-centric, highly personalized shopping experience that sets Stitch Fix apart.

Technology and innovation has been at the core of Stitch Fix's business since day one and, as we look ahead, we will continue to capitalize on this leadership. This will enable us to build on our progress, even in a more challenging retail environment. Our model is resilient, differentiated, and uniquely equipped to navigate macroeconomic uncertainty and a more dynamic consumer backdrop. We are confident in our ability to capture further market and wallet share, and to keep building steadily toward long-term, sustainable, profitable growth.

I want to thank the entire Stitch Fix team. The results we are seeing are a direct reflection of your focus, dedication, and commitment to our clients. Thank you for the work you do every day.

With that, I'll turn it over to David to discuss our financial results and outlook.

David Aufderhaar, CFO

Thanks, Matt, and good afternoon, everyone.

As Matt highlighted, our strategic initiatives are driving clear momentum across our top-line and client metrics. From a financial perspective, I'm equally pleased with how those gains translated to our bottom line. Our third quarter results demonstrate our ongoing commitment to operational efficiency, which allowed us to exceed our adjusted EBITDA outlook and generate positive cash flow. We are maintaining strong financial discipline to ensure our transformation scales profitably.

Now let's turn to the numbers.

Revenue was \$340.3 million, up 4.7% year over year, exceeding our outlook. Fix AOV grew 6.4%, better than expected, and was the primary reason for the outperformance. This was driven by more items per Fix and higher AUR, reflecting strong demand for Larger Fixes and our improved assortment.

We ended Q3 with 2.3 million active clients, up 21,000, or nearly 1% sequentially. Both Women's and Men's active clients were up sequentially. And Men's active clients were up year over year for the second consecutive quarter.

Net revenue per active client, or RPAC, was \$578, up 6.6% year over year, marking the ninth consecutive quarter of year over year growth. We view the continued growth in RPAC as an important indicator of improving engagement and spend among our clients. It reflects the impact of the work we are doing across assortment, personalization, Fix flexibility, and the overall client experience, and reinforces the opportunity we see to grow share of wallet over time as we build the active client base.

We continue to deliver strong margins. Gross margin was 43.7%, again above the midpoint of our FY26 range of 43-44%, while contribution margins remain robust and north of 30% for the ninth straight quarter.

Advertising was 10.2% of revenue in Q3, in line with our expectations.

Q3 adjusted EBITDA came in at \$13.2 million, or 3.9% margin. We exceeded our guidance due to stronger than expected revenue and disciplined expense management.

We ended Q3 with \$229.4 million in cash and investments and no debt, AND we generated \$6.5 million of free cash flow in the quarter.

Our strong balance sheet and stable cash flows give us the flexibility to sustain our investments in the growth of the business while also returning capital to shareholders when we believe it represents an attractive use of cash. During the quarter, we bought back 4.5 million shares for \$15.1 million under our previously authorized share repurchase program, which leaves \$104.9 million in that program. Our decision to repurchase shares reflects our confidence in the progress we are making, the durability of our financial position, and our commitment to strategic capital allocation.

Inventory at the end of Q3 was \$132.2 million, up 15.6% year over year, reflecting investments in our client experience and increased demand for Larger Fixes.

Turning to our outlook for Q4 and FY26.

For Q4:

- We expect total revenue to be between \$322 and \$327 million
- We expect Q4 adjusted EBITDA to be between \$7 and \$10 million

As a result, for full year FY26, we are tightening our ranges and raising the midpoints for both revenue and adjusted EBITDA to reflect the resilience we're seeing in existing client engagement despite an increasingly challenged consumer environment:

- We now expect total revenue to be between \$1.346 and \$1.351 billion
- We now expect total adjusted EBITDA for the year to be between \$49 and \$52 million
- And we continue to expect to be free cash flow positive for the full year.

We still expect full-year gross margin to be between 43% to 44% and full-year advertising costs to be between 9% to 10% of revenue.

As we close out FY26, we are encouraged by the meaningful progress we are making across the business. Active client trends are improving, AOV growth remains healthy, and we expect continued market share gains. Our financial model continues to demonstrate strong margins, disciplined expense management, positive free cash flow, and progress towards net income profitability. That performance gives us the flexibility to keep investing in the areas we believe can drive durable growth, such as strengthening the client experience, thoughtfully rebuilding our active client base, and advancing the innovation that differentiates Stitch Fix.

We are confident in the path ahead, encouraged by the traction we are building, and committed to delivering further progress in the quarters to come.

With that, Operator, we can open the line for Q&A.