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Torrid Holdings, Inc. (CURV)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to Torrid Holdings Third Quarter Fiscal 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded. I will now turn the conference over to Chinwe Abaelu, Chief Accounting Officer and Senior Vice President. Thank you. You may begin.

Chinwe Abaelu

Chief Accounting Officer & Senior Vice President, Torrid Holdings, Inc.

Good afternoon, everyone, and thank you for joining Torrid's call today to discuss our financial results for the third quarter of fiscal 2025, which we released this afternoon and can be found on our website at investors.torrid.com. With me on the call today are Lisa Harper, Chief Executive Officer of Torrid; and Paula Dempsey, the Chief Financial Officer; Ashlee Wheeler, Our Chief Strategy and Planning Officer is also present and will be participating in the Q&A session.

Before we get started, I would like to remind you of the company's Safe Harbor language, which I'm sure you're familiar with. Management may make forward-looking statements, including guidance and underlying assumptions. Forward-looking statements may include, but are not limited to, statements containing the word expect, believe, plan, anticipate, will, may, should, estimate, and other words and terms of similar meaning. All forward-looking statements are based on current expectations and assumptions as of today, December 3, 2025. These statements are subject to risks and uncertainties that could cause actual results to differ materially. For further discussion of risks related to our business, see our filings with the SEC.

With that, I'll turn it over to Lisa.

Lisa M. Harper

Chief Executive Officer & Director, Torrid Holdings, Inc.

Thank you, Chinwe. Hello, everyone, and thank you for joining us today. I'll review our third quarter performance and provide an update on our strategic initiatives, including the enhancement of our product assortment, our commitment to the growth of our sub-brand, the expansion of opening price point strategy, and execution on our store optimization plan. Then I'll turn the call over to Paula to discuss the financials.

We are clearly disappointed with our overall performance this quarter. Despite some areas of strength, it was more than offset by missteps in our overall assortment mix that we are addressing head on with decisive corrective actions. And I'll discuss that shortly.

For the quarter, while sales came in at the low end of our guidance, profitability was dampened by deeper promotional activity than we had planned impacting our adjusted EBITDA. We delivered third quarter sales of \$235 million and adjusted EBITDA of \$9.8 million. I want to be clear, these results largely reflected execution issues that are within our control. Let me walk you through the factors that influenced our results. This quarter delivered strong performance in several key categories with denim, non-denim, dresses and intimates, meeting our expectations, all generating positive comparable growth.

However, this improvement was more than offset by missteps in our tops and jackets category. Tops represented approximately half of the year-over-year sales missed this quarter. Specifically, we shifted too heavily towards fashion forward designs at the expense of our core assortments in established franchises. While innovation is important, the shift moved us too far from the functional replenishable item.

Our customer feedback has been invaluable in guiding our course correction. We are successfully attracting and reactivating consumers who embrace our elevated fashion and lifestyle offerings across our sub-brand. However, our loyal, long-standing customers continue to rely on us for their core wardrobe essential and their solution-oriented products and trusted fabrics with evolutionary rather than revolutionary style updates.

Our denim category exemplifies the balanced approach we're implementing going forward. In Q3, we successfully integrated fashion elements while preserving our core franchise DNA, delivering mid-single-digit growth on top of last year's double-digit performance. This demonstrates our ability to innovate within our customers' expectations, and we're applying those learnings across all categories moving forward. We are taking decisive action to address these challenges with clear timelines and measurable outcomes.

First, we've strengthened our merchandising foundation by implementing enhanced guardrails in our merchandising process and building a more robust assortment planning function. I'm personally overseeing both initiatives to ensure rapid execution and accountability.

Secondly, we're actively addressing near-term assortment gaps. We've initiated chase orders for our key franchises, focusing on the core fabrications and silhouettes our customers expect in both knits and woven tops. These products will begin arriving in January, positioning us to see sequential improvement in knit and woven performance by the end of Q4 with accelerating momentum into Q1 2026.

Looking ahead, we've completed a comprehensive review of our spring-summer 2026 buying strategy. We're rebalancing our investments to deliver the right mix across categories, fits, fabrics and end uses, ensuring we meet our customers where they are while maintaining our innovative edge. These actions reflect our commitment to operational excellence and customer centricity. We have clear visibility into the path forward and confidence in our ability to return these categories to growth.

Shifting to footwear, our strategic decision to pause the [ph] footwear (00:17:33) category in response to tariff-driven cost pressures was sound. But we underestimated the attachment rate impact. The loss of this anchor category resulted in lower overall basket sizes and transaction frequency, leading to what we estimate as an approximate \$12.5 million in lost sales this quarter, of which \$10 million was contemplated. The timing amplified the impact as October represents our peak boot selling season, which historically drives some of our highest attachment rates of the year. We've taken decisive action to quickly course correct. We reintroduced the carefully curated footwear assortment in mid-November, and early performance has been encouraging.

We've restructured our sourcing and SKU mix to mitigate tariff exposure while maintaining the category's ability to drive attachment. Based on what we're seeing, we expect to scale footwear back to historical sale level of approximately \$40 million in 2026, but importantly, an improved profitability given our more disciplined approach to the category. This positions us to recapture both the direct footwear revenue and the attachment driven sales we lost during the temporary pause.

Now, turning to our strategic initiatives. We are focused on enhancing our product offering by expanding sub-brand and strategically introducing an opening price point strategy designed to increase market share through customer acquisition and increased frequency among our loyal customers. Our sub-brand strategy is working and is on track to deliver approximately \$80 million in sales this year, attracting new, reactivating lapsed, increasing spend among our high-value customers. These lifestyle concepts offer unique collections that provide newness and excitement while broadening our customer base.

Importantly, sub-brands create a halo effect driving attachment rates to core categories and supporting customer reactivation through targeted community and influencer marketing. Looking ahead to 2026, we're implementing a more strategically balanced assortment architecture. Approximately 30% of our assortment offering will be opening price points, developed in close partnership with our merchandising design and product development teams to ensure we maintain our quality standards while delivering accessible value to customers.

We are excited about momentum in our intimates business with three new bra launches planned for 2026, our first substantive bra introductions since 2019 representing significant innovation in this important category. Bras as a category drives strong customer acquisition and loyalty engagement, and we believe there is significant runway in this business.

On the marketing front, we are committed to a balanced approach with emphasis on both mid and upper funnel awareness and acquisition, as well as lower funnel conversion and retention. This includes increased digital media investment, a robust influencer strategy and several in-person activations.

In 2026, you will see even greater expansion of these community and brand building engagement effort. Our popular model search campaign ran from September to November this year and was done through our digital channels supporting the broader reach. We have incredible response again this year, so much so that we selected five top models, one from each age demographic ranging from 18 to 50-plus showcasing the range and relevance of our brand and community.

Additionally, we have improved the value proposition of our loyalty program and our private label credit card, which drives significant expansion in customer lifetime value. We remain committed to our store optimization strategy. And I'm pleased to report, we're executing exceptionally well against our plan. As consumer preferences continue to shift toward digital channel, we're proactively rightsizing our physical footprint to deploy capital more efficiently and enhance shareholder return.

Our execution remains on track. We closed 15 stores in Q3, bringing our year-to-date total to 74 stores, and we continue to expect approximately 180 closures for the full year. Importantly, we're seeing strong retention metrics aligned with our expectations that validate our approach. Customer retention from this year's closures is running in line with our expectations. Demonstrating the strength of our omnichannel ecosystem. The success of our enhanced retention strategies, including multi-touch communication plan and our ability to successfully migrate customers to nearby locations and digital channel.

With 95% of customers engaged in our loyalty program, we remain well-positioned to effectively migrate customers to nearby stores and digital channel. The financial benefits are substantial and will accelerate as we move through this optimization. These closures are expected to contribute significant adjusted EBITDA margin benefit in 2026, while also generating significant free cash flow improvement that will provide increased flexibility for future strategic investments.

Now, I'll turn the call over to Paula to discuss the financials.

Paula Dempsey

Chief Financial Officer, Torrid Holdings, Inc.

Thank you, Lisa. Good afternoon, everyone, and thank you for joining us today. I'll begin with a review of our third quarter financial performance and then provide our outlook for the remainder of fiscal 2025.

While sales landed at the low end of our guidance, softer demand in our digital channel required higher than planned promotional activity, which pressured our adjusted EBITDA. At the same time, we continue to realize meaningful benefits from our store optimization initiative, resulting in a 11.5% year-over-year reduction in SG&A. We remain committed to disciplined inventory management and ended the quarter with inventory down 6.8% compared to last year.

Net sales for the third quarter were \$235.2 million, compared to \$263.8 million in the prior year. Comparable sales declined 8.3%, and our tariff-related pause in the shoe category drove approximately 400 basis points to this overall decline as we temporarily scaled back while navigating elevated import costs in the category. Gross profit was \$82.2 million versus \$95.2 million last year. Gross margin was 34.9%, compared to 36.1% in the prior year, reflecting higher promotions and deleverage on the lower sales base. SG&A expenses continued to reflect the disciplined cost structure we're building across the enterprise. SG&A was favorable by \$8.6 million, resulting in \$66.3 million for the quarter compared to \$74.9 million a year ago. As a percentage of net sales, SG&A leverage 30 basis points to 28.2%.

This year-over-year improvement is a direct result of our multiyear transformation to structurally reduce operating expenses. Benefits from our store optimization initiative and our focused approach to organizational prioritization are enabling us to reduce fixed costs. These gains reflect more than store closures alone. They represent a broader shift toward a more efficient, more variable cost structure designed to flex with demand, strengthened margin resilience, and enhance free cash flow. As store optimization progresses, we expect further SG&A leverage and incremental liquidity benefits in fiscal 2026.

Marketing investment increased by \$2.7 million to \$15.7 million as we leaned intentionally into customer acquisition and brand visibility during the quarter. These investments support our long-term plan to strengthen top-of-the-funnel, improve brand relevance and drive traffic. We continue to refine our marketing mix toward higher return channels with more personalized targeting and improved attribution.

The timing shift of our model search event from Q2 to Q3 also drove this increase. This event continues to deliver high engagement and long-term customer loyalty. Net loss for the quarter was \$6.4 million or \$0.06 per share, compared to net loss of \$1.2 million or \$0.01 per share last year. Adjusted EBITDA was \$9.8 million, representing a 4.2% margin versus \$19.6 million and a 7.4% margin a year ago. We ended the quarter with \$17.2 million in cash compared to \$44.0 million last year.

As of November 1, we had \$14.9 million drawn – on our revolving credit facility with approximately \$86.2 million of remaining availability. Inventory totaled \$128.8 million, down 6.8% from last year, reflecting both lower receipts and our reduced store base. Turning to store optimization, which remains a cornerstone of our multiyear transformation. During the quarter, we closed 15 stores and remain on track to close up to 180 stores in fiscal 2025. Customer retention from these closures continue to perform consistently with historical levels. The stores we're exiting are structurally unproductive and closures are aligned with natural lease expirations minimizing exit costs.

On a Q3 year-to-date basis, we have realized approximately \$18 million in lower operating expenses from closing 74 stores this year and 35 total stores in the prior year. And these savings are already reflected in our performance. As we move through Q4 and complete the planned closures for fiscal 2025, we expect even greater savings in fiscal 2026, which will enhance our liquidity position. This initiative as both a structure realignment reflecting where our customers increasingly choose to shop with about 70% of demand originating [ph] online (00:28:32) and a proactive liquidity strategy designed to protect the business, strengthen our balance sheet, and enhance the resilience of our operating model. Overall, we believe store optimization will deliver substantial adjusted EBITDA margin expansion in fiscal 2026.

We are updating our outlook for the remainder of the year to reflect third quarter performance and current trends. We now expect full year net sales in the range of \$995 million to \$1.002 billion and adjusted EBITDA in the range of \$59 million to \$62 million for the full year. Capital expenditure is expected in the range of \$13 million to \$15 million.

In closing, we're executing a disciplined and deliberate transformation of our retail footprint. By taking advantage of natural lease expirations to rightsize our store fleet, we're structurally improving our cost base and strengthening the long-term health of the business. The combination of lower fixed costs, enhanced digital capabilities, and a more productive store base is expected to drive sustainable margin expansion and generate meaningful incremental liquidity as we move into fiscal 2026.

Now, we will open the call to your questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Our first question comes from Janine Stichter with BTIG. You may proceed with your question.

Janine Stichter

Analyst, BTIG LLC

Q

Hi. Good afternoon. Thanks for taking my question. Can you elaborate a bit on some of the product missteps that you talked about? What cues are you getting from the consumer to tell you that this is where the challenges and this what needs – this is what needs to be fixed? And then you talked about the promotions being higher on the digital channel, maybe elaborate on why that is or why you think that is and what you saw in the stores during the period. Thank you.

Lisa M. Harper

Chief Executive Officer & Director, Torrid Holdings, Inc.

A

Thanks, Janine. Hi, it's Lisa. The merchandising missteps, we're very focused on tops, as we mentioned. So tops were about half of the total revenue miss for the quarter, shoes were about 40%, and then jackets because of their seasonal importance were about 10% for the quarter. So, it was pretty – we've talked through the shoe situation, which is a pause based on the tariffs. We reintroduced shoes and boots recently are having a great response to them. We'll continue to build that business back up and recapture that revenue as we move into 2026. But for the quarter, the biggest miss and the biggest action was really focused around the tops category.

What I would say from a merchandising miss perspective was the abdication of a couple of our core fabrications and core kind of entry point solution-based products for the customer. And so, we've been able to chase that product very quickly. It's longer tops, more tunics, brushed waffle, super soft knits and challis in the woven category. So, it's very focused on a few fabrications, very focused on a few end uses. And because we are able to platform that fabric, we're being – we're back into some of those businesses in the fifth week of December and throughout January and February in terms of receipts. So we expect to see improvement in those categories as we move into early first quarter as well have, I think, chase the bulk of what we feel is missing in the assortment right now.

So what we've done to avoid that in the future is really enhance, although we have pretty substantive guardrails to this, this was a merchandising miss that was obviously very disappointing and frustrating for the organization for the quarter. And so, we put enhanced guardrails around the process. We've put in a robust assortment planning multi-functional approach to the categories particularly, and we've – just increasing oversight and I'm involved in every step of that. I would say that, as an organization, they were able to effectively kind of innovate and balance product assortments and all areas except for tops. So, I would say that and I would – all areas except for tops and jackets.

The benefits of those – that innovation and expansion to the core products is present in denim, non-denim dresses and intimates. And so, those areas were able to positive comp. As we mentioned in the prepared remarks, they weren't able offset the detriment of the tops miss. So, if you think about the total miss for the quarter, I'll restate it. It's about 50% tops, it's about 40% shoes and related transactions with shoes and then about 10% in jackets for the quarter.

Now, I'll turn it over to Ashlee to answer the promotional conversation.

Ashlee Wheeler

Chief Strategy & Planning Officer, Torrid Holdings, Inc.

A

Hi, Janine. I'd say that the accelerated promotional activity was in large part correlated to the miss in the tops space. So, as Lisa noted, in the absence of some of those core franchises, entry price point solution-based items, and a swing into more highly novel or more fashion-oriented assortment, it put a little more pressure on promotional activity, AUR, for example, in the absence of those entry price point categories.

That said, I think we've done a really nice job, making sure that we're coming out of the season clean. So there are no inventory issues to speak of related to some of these missteps in assortment.

Janine Stichter

Analyst, BTIG LLC

Q

Perfect. And then maybe just one more for me. And the full year guidance implies I think a mid-teens revenue decline in Q4. Anything you can share about where you are tracking quarter-to-date versus that guidance?

Lisa M. Harper

Chief Executive Officer & Director, Torrid Holdings, Inc.

A

Obviously, we are able to incorporate current performance into that guidance. We don't anticipate recovery – substantive recovery in either tops or shoes for the balance of this quarter. We'll start to see some improvement in tops in first quarter will still be – have a drag in shoes as we go through the fourth quarter in the first half of next year. So, contemplate – all of that is contemplated into that guidance.

Janine Stichter

Analyst, BTIG LLC

Q

All right. Thank you very much.

Lisa M. Harper

Chief Executive Officer & Director, Torrid Holdings, Inc.

A

Thanks.

Operator: Our next question comes from Brooke Roach with Goldman Sachs. You may proceed with your question.

Brooke Roach

Analyst, Goldman Sachs & Co. LLC

Q

Good afternoon and thank you for taking our question. Lisa, for a couple of years now the balance of fashion versus basics and opening price point versus stretch product has been something that the business has been chasing. What's changing in the processes to ensure that you have both those opening price point and balance items in your assortment and planning architectures? And other than oversight, how do we ensure that this is something that's more systematic on a go-forward basis as we look into 2026 and beyond?

Lisa M. Harper

Chief Executive Officer & Director, Torrid Holdings, Inc.

A

Thanks, Roach – Brooke. I just called you by your last name. I apologize. Thanks, Brooke. So, I would say that the issue – the overall issue and opportunity in this business was – is about innovation and remaining relevant

and commercial that is balanced against the need of the customer. And then, of course, of the customer focus of the customer on price point. And so, as we go into first quarter of next year, we will be, in terms of opening price point, close to 30% of sales and assortment associated with those categories of businesses that service customer in terms of core products, solution oriented, high quality at a price that she has shown us that she reacts to and values. That is built into the architecture – the assortment architecture as we move forward, it is something that we are – have embedded in that process. Both sides of this are important.

First of all, we have to move forward and remain relevant. I think that we've been able to do that with sub-brand. We've been able to do that in the categories that I mentioned before: denim, non-denim, dresses and intimates. And the miss, really, is in the tops area, which had abdicated and exited through merchandising direction to many of the core programs. Those core programs are bought and will be – already had been planned to receive as we get into January receipts going into 2026 sales, and it's part of the assortment architecture.

So the need for the business to move forward and innovate with product was important as our customer feedback had been that our style – our styling was not keeping up with their demands. We've balanced that, I think, in every area except for the misstep in tops where we will be going into first quarter with a much stronger opening price point strategy across the board. But primarily the highest level of opening price point will be in tops as we move forward. It's built into the assortment architecture of the business.

Ashlee, do you want to add anything?

Ashlee Wheeler

Chief Strategy & Planning Officer, Torrid Holdings, Inc.

A

Brooke, I might add, if we take a look at the categories where we executed well in the third quarter, so denim as a proxy, is a place where we stayed committed to the franchises that the customer knows us for, the Bombshell franchise, for example, we stayed very committed, but we expanded upon that, gave her more innovation through leg shape, wash treatment, finish, and that system has worked very, very well. It's worked well for us in dresses where we've stayed committed to end use covering every aspect of her life. And then very focused on multi end use. It's worked well.

Tops where we misstepped in the third quarter, we did not do that and we walked away from very critical end use and in solutions. We have to get back and stay focused on the same balance that we applied in denim and in dresses to our tops category, which is the largest category of the business.

Brooke Roach

Analyst, Goldman Sachs & Co. LLC

Q

That's really helpful. As a follow-up, have you seen any larger or outsized shifts in engagement among any specific income demographic or age cohort of your consumer? Maybe said another way, are you seeing any changes in the demographic makeup of your business of which customers are engaging with you the best?

Ashlee Wheeler

Chief Strategy & Planning Officer, Torrid Holdings, Inc.

A

In terms of customer demographics or income cohorts, performance has stayed consistent across all of those. What we observed in the third quarter very different from previous quarters as our most loyal, our most engaged customers pulled back and we saw that come through reduced frequency and fewer purchases in the tops department in particular.

Brooke Roach

Analyst, Goldman Sachs & Co. LLC

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

Q

Ashlee Wheeler

Chief Strategy & Planning Officer, Torrid Holdings, Inc.

Thanks Brooke.

A

Operator: Our next question comes from Corey Carlowe (sic) [Tarlowe] (00:41:27) with Jefferies. You may proceed with your question.

Corey Tarlowe

Analyst, Jefferies LLC

Great. Thanks and good afternoon. [indiscernible] (00:41:35), can we just talk a little bit about the sub-brand momentum and any updates there as that's continued to build in the assortment and how you think about this quarter's results may alter or change the approach in the sub-brand strategy. Thanks so much.

Q

Lisa M. Harper

Chief Executive Officer & Director, Torrid Holdings, Inc.

Thanks, Corey. No change in the sub-brand strategy. I think that we have a clear winner in the Festi brand, and think that that will expand. Nightfall and Retro are continuing to perform very, very well. Belle Isle is more – we've identified it more as a first half brand than a back half brand. And so, we'll be adjusting kind of the sales momentum associated with Belle Isle to be probably more 60% first half, 40% back half and then we've introduced [ph] Tru (00:42:31) in active business, which we're very happy with the results there. And Lovesick is still kind of, I would say, in test mode. We don't have a lot of revenue associated with that as we move into next year as we're able to refine that assortment moving forward.

A

I think in, general, very, very pleased with the sub-brand momentum and expect it to continue to grow dramatically as we go into 2026.

Corey Tarlowe

Analyst, Jefferies LLC

Great. That's really helpful. And then just to follow-up, can we talk about the leverage profile and how that changes with all the store closures and what the, perhaps, new leverage profile might be as we think about easier laps in 2026 and what that could mean from a margin perspective. Thanks so much.

Q

Paula Dempsey

Chief Financial Officer, Torrid Holdings, Inc.

Hi Corey. This is Paula. So, as we think about 2026 with the store closures, what's going to happen is our profile will be more flexible from an expenses standpoint. So, of course, less fixed expenses, and we'll have the ability to be more dynamic from that standpoint. I think from a gross margin profile, maybe staying closely the same to where that total enterprise is today. But what you're going to see is a substantial EBITDA margin expansion in 2026 with the store closures. So, currently, we are seeing the store closure optimization work really well. We have delivered over \$18 million of cost reductions this year alone. We expect that number to be much greater in 2026 when we annualize 180 stores. And so that will also strengthen our liquidity substantially for 2026.

A

Corey Tarlowe

Analyst, Jefferies LLC

Q

Great. Thanks so much and best of luck.

Operator: Our next question comes from Alex Straton with Morgan Stanley. You may proceed with your question.

Alex Straton

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thanks so much. Maybe for Paula, I think you said you expect significant EBITDA margin expansion next year. Not sure if I heard that right. But if so, can you just elaborate more on that and what type of level is in reach? And then just on a – as a follow-up to the sales guidance for the fourth quarter, worse pressure than the third quarter is what's implied. So, is that reflecting what you've seen quarter-to-date and what areas is out here getting worse from a quarter-over-quarter perspective? Thanks a lot.

Paula Dempsey

Chief Financial Officer, Torrid Holdings, Inc.

A

So, going to Q4 guidance, we are all in for Q4 guidance. So what you're seeing is essentially accounting for what Lisa had mentioned before, the miss in tops along with shoes. There is also a seasonality impact in our business typically in Q4. So, it goes along with a seasonality impact. As we moved into fiscal 2026 with store closures and EBITDA margin growth, what you're going to see there is, if you recall, a lot of these stores that we're closing, actually, most of them are very highly unproductive stores. So, by closing them or essentially giving money back to the business through reductions in many items in the P&L rates, so such as store payroll or store occupancy, et cetera, et cetera, et cetera. So, we're going to see a greater amount of savings from that standpoint.

And just to touch base, again, we're seeing retention – customer retention, sales retention from the store closures to be well-aligned with our historical rates, which is a great sign for us. So, everything is going really well from that standpoint. I would say, as you know, we are on track to closing up to 180 this year and I think that's all we have from the store optimization at this point.

Alex Straton

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you.

Operator: Our next question comes from Dana Telsey with Telsey Advisory Group. You may proceed with your question.

Dana Lauren Telsey

Analyst, Telsey Advisory Group LLC

Q

Hi. Good afternoon, Lisa and everyone. As you think about the current merchandising adjustments that are being made, what are you seeing in the competitive landscape? Do you think of this more as an internal issue that Torrid needs to fix? Or is there changes in the competitive landscape and whether it's product assortment, price point or where your customers going? Thank you.

Lisa M. Harper

Chief Executive Officer & Director, Torrid Holdings, Inc.

A

Thanks, Dana. I do think there's a seasonal aspect to it. I think obviously a lot of this is self-inflicted driven by really advocating core products in the knit and woven top categories. I do think seasonally there are a lot of options that other brands have extended sizes and it's more sweatshirt-oriented, sweater-oriented that are not as fit specific. We certainly didn't see this impact in the tops business in the first half of this year. So, it really did accelerate as we go into third quarter.

I think we have a real opportunity to build back with the opening price point strategies that we discussed and key fabrications that our customer really values. More tunics in the mix, more kind of figure-flattering solution-oriented products in the knit category, and then more wear to work and blouse business, and woven categories. But I do think that in the third quarter, there is an ability to choose tops and among a broader range of retailers because just the seasonal impact of being less fit specific and more oversized. I don't – while we, to that end, we didn't see the degradation in any of our bottoms businesses which are more specific or our dress business, which also we were able to have great representation of end users and fit solutions.

So I feel like it's isolated, very clearly isolated. I do think it could be – could have been, I don't have any data to really support it, but just broadly from a mindset, it could have had a larger impact because of the seasonal nature of the products and the knit and woven categories during the time.

So, again, quickly moved to address it, when I think Ashlee mentioned earlier about our less frequency in terms of tops purchases in the third quarter. Tops really are frequency driver for us so that they don't buy denim as often or dresses as often, but they do buy tops more often. And I think that opportunity to buy tops other places, it might have been enhanced by that timing.

I do think anything that we've seen in terms of surveying with our customers are still very dedicated to Torrid. They're very interested in shopping at Torrid. They're still maintaining their strong relationship in our loyalty program continues to be very highly penetrated. So, we have a lot of opportunity to communicate and connect with this customer and understand exactly what's missing.

And as I mentioned, the one thing that continues to come up is opening price point that I would say we did have fits and starts with over the last several years, but very deeply invested and committed too, based on the analysis and of our previous [ph] OPP (00:51:10) programs and the expansion related to that. So, I think we're going to be able to recapture her tops purchase in addition to maintaining the denim and dress purchase from her. As we introduce these – reintroduce these core businesses at an opening price point.

Did I answer the question, Dana?

Dana Lauren Telsey

Analyst, Telsey Advisory Group LLC

Q

Thank you. Thank you.

Lisa M. Harper

Chief Executive Officer & Director, Torrid Holdings, Inc.

A

Thanks.

Operator: This now concludes our question-and-answer session. I would like to turn the floor back over to Lisa Harper for closing comments.

Lisa M. Harper

Chief Executive Officer & Director, Torrid Holdings, Inc.

Thank you for joining us today. We look forward to sharing the progress on the store optimization program and the remerchandising of our tops area as we join you for the fourth quarter and fiscal 2025 conference call. Thank you.

Operator: Ladies and gentlemen, thank you for your participation. This concludes today's conference. Please disconnect your lines and have a wonderful day.

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