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Torrid Holdings, Inc. (CURV)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the Torrid Holdings, Inc. First Quarter Fiscal 2026 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] . As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Chinwe Abaelu. Thank you. You may begin.

Chinwe Abaelu

Chief Accounting Officer, Torrid Holdings, Inc.

Good afternoon, everyone, and thank you for joining Torrid's call today to discuss our financial results for the first quarter of fiscal 2026 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; Ashlee Wheeler, our Chief Commercial Officer; and Paula Dempsey, the Chief Financial Officer.

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 words 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, June 4, 2026. 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. Good afternoon, everyone, and thank you for joining us today as we discuss Torrid's financial results for the first quarter of fiscal 2026. With me on today's call are Paula Dempsey, our Chief Financial Officer;

and Ashlee Wheeler, who was recently appointed Chief Commercial Officer. Prior to this appointment, Ashlee served as our Chief Planning and Strategy Officer. She joined the company in 2011, and has spent the better part of 15 years building expertise across many dimensions of the business. In her expanded role, Ashlee now unifies performance marketing, e-commerce, pricing and promotional strategies and commercial analytics under a single leadership mandate, connecting the functions most critical to our growth agenda. She also continues to oversee merchandise planning and allocations. Congratulations, Ashlee.

On today's call, I will open with a review of our first quarter performance and speak to the continued progress we're making against the strategic transformation initiatives we outlined in 2025, channel optimization and assortment and pricing architecture. With these platforms established, I'll turn to our primary focus for 2026, customer file growth through acquisition, reactivation and retention. Ashlee will then share a detailed update on our marketing initiatives, and Paula will close with the financials and our outlook for the remainder of the year.

For the first quarter, we reported net sales of $245.8 million, slightly above our guidance, and adjusted EBITDA of $17.6 million, at the high-end of our guidance range. These results reflect disciplined execution across our strategic initiatives, and importantly, signal progress in positioning us for comparable sales growth in the back half of the year and beyond. Total company comparable sales declined 1.7% in Q1. Excluding footwear, Q1 comparable sales would have been plus 1.2%.

As we communicated on the Q4 call, our fundamentally restructured footwear sourcing strategy and assortment mix is creating the first half comp headwind that we expect to resolve and turn positive in the second half of the year. Early reads on the reintroduced footwear assortments are encouraging. From a category standpoint, knit tops, bottoms and TRU, our activewear concept, were standouts in the first quarter. These categories delivered year-over-year volume growth despite operating fewer stores. This success reflects the broader product work we've done to sharpen our assortment and better serve our customer.

Shifting to our portfolio of sub-brands, they're off to a good start in the new fiscal year, with a first quarter growth of 75% over last year. We continue to plan sub-brand growth at approximately 60% for the full year, reaching roughly $110 million, up from $70 million in 2025, and expanding from approximately 7% of total net sales to 12%. We entered 2026 with our sub-brand platform established and built to scale. Q1 is validation that our data informed approach to chasing winners and refining our assortment mix is working.

We are pleased with the performance of our opening price point strategy, which has proven to be both a conversion driver and a basket building lever. Scaled in Q1, OPP delivers a clear, consistent, everyday value message across all channels, one that has resonated well with value-oriented customers. As a reminder, we are balancing our customer demand for accessible price points with two non-negotiables; margin discipline and product quality. Maintaining our quality standards, while delivering accessible value remains imperative. The program represented approximately 30% of apparel sales in the quarter at healthy product margins, supported by cost engineered sourcing model. Opening price points are strategically present across all major apparel categories and contributed directly to the outsized performance in dresses, knit tops and non-denim bottoms.

Turning to our store optimization initiative, in Q1, we substantially completed our store optimization program with an additional 20 closures of structurally unproductive locations, bringing the total to 171 closures since we initiated the program. That work is now largely behind us. We have strategically rightsized our store fleet to one that is more productive, aligned and better positioned to serve our customer where and how she prefers to shop with us. Customer retention through this transition has remained strong, with our marketing efforts successfully redirecting traffic both online and to nearby stores. Equally important, the cost savings generated by the closure program are being reinvested directly and strategically into the initiatives designed to reignite growth in our customer file.

Every strategic decision we have made over the past 18 months has served a single objective, positioning Torrid to grow. In 2026, that objective has a specific and measurable form, strengthening our customer file through targeted retention, reactivation and acquisition strategy. The foundation is set, the investments are aligned and the work is underway. We've built a strong foundation for 2026 and our strategy is well-aligned with today's consumer mindset. Our customer is shopping with intention, making deliberate choices about where she invests her dollars. The good news is she continues to choose Torrid with engagement and loyalty from our core customers remaining strong. We've designed our business model specifically for this environment. Our opening price point strategy delivers the accessible values she's looking for. Our assortment architecture gives her choices at every price level, and our targeted marketing reaches her with the right message at the right time. In short, we're positioned where we expected to be.

Now, let me pass it to Ashlee for an update on the comprehensive work she is leading.

Ashlee Wheeler

Chief Commercial Officer, Torrid Holdings, Inc.

Thank you, Lisa. I'm thrilled to step into this role at such a pivotal moment. As Lisa mentioned, the work of optimizing our channels, product assortments, and pricing architecture is set and that foundation is solid. What you'll hear from me today is about what comes next. A deliberate, full funnel shift into growth. Our mandate is clear, acquire new customers, reactivate those who have stepped away, and deepen the loyalty and purchase frequency of existing customers.

Here's what that looks like in practice. This is not about spending more, but being more efficient with our marketing dollars and building on the community we have built. We've reinvigorated our CRM strategy with a sharper emphasis on segmentation and personalization. In paid media, we have a renewed focus on ROAS efficiency, scaling the highest performing channels while maintaining disciplined spend across all paid channels. We relaunched direct mail in February as a reactivation engine. We've reoriented organic social to be a genuine community platform focused on engagement, not just impressions. And we've engaged a PR partner to amplify our earned media presence, positioning toward epicenter of cultural conversation in women's plus size fashion. We grew paid media revenue on less spend in Q1, driving significant ROAS, a proof point that efficiency and growth are complementary, not competing. We're managing our agency partnerships with greater rigor and building internal data science capabilities that will give us a stronger foundation for media mix investment decisions going forward.

In our CRM channels, we've implemented AI capabilities to power smarter segmentation, personalization and optimization across email and SMS. This work is moving quickly and I'm encouraged by early results. Direct mail, we launched in February and programmed throughout the year, is proving to be a productive reactivation and retention lever and an essential touch point for our most loyal customers. We've seen a substantive, incremental lift in retained and reactivated customers attributable to direct mail. Beyond the numbers, it gives us a powerful vehicle to reintroduce Torrid to lapsed audiences, to show them how our product assortment has evolved, and introduce our sub-brands. We will continue to scale this channel deliberately and productively throughout the year.

We are working systematically through the marketing funnel, optimizing for efficiency, deploying capital where it drives positive ROAS, and making every investment accountable to file growth and customer lifetime value. There is meaningful work still ahead, but the early indicators give me confidence in our strategy. Beyond the discipline of traditional marketing metrics, there's something equally important and perhaps more defining, which makes Torrid unique. It is the depth of connection this brand has with its community, with a loyalty program that captures over 90% of our customer base and a product advantage that goes far beyond fit, it changes the way she feels about herself.

To scale that connection, we are relaunching an expanded, reconceived Casting Call in July. Not as a seasonal campaign, but as a year-round platform purpose built to drive acquisition, reactivation and retention. Casting Call is more than a model search, it is a mechanism for identifying and elevating customer brand ambassadors. In 2024, Casting Call drove 10,000 new customers, reactivated over 14,000, and produced a 9 percentage point increase in unaided brand awareness. This year, we're thinking bigger. A Times Square activation is planned for August, followed by four mall-based casting events and more than 30 in-store casting parties throughout Q3, culminating in the announcement of our 2026 winner in November. This is a five-month engagement arc by design.

Mall events and in-store casting parties are, by every measure, our highest converting new customer acquisition moments. They are fitting room experiences at scale, the place where a woman who has never worn Torrid discovers that it was made for her. For a lapsed customer, an invitation to a Casting Call event is a fundamentally different reactivation signal than a promotional offer. And for the women who are deeply loyal already, amplifying their voices only deepens that loyalty, driving increased lifetime value.

Casting Call is one of the most powerful content engines we have. It inverts the traditional influencer model entirely by investing in the women who have already chosen this brand at the highest level and let their stories do the work. Real customers, real sizes, real fit moments and testimonials. That content flows into our marketing channels year-round with an authenticity that paid media cannot replicate. This is community ambassadorship at scale, and it is one of Torrid's most durable competitive advantages.

To summarize, we entered this year with a clear view of the work required and we are executing against it with focus and conviction. The marketing foundation has been reset, channel efficiency is improving, own channels are smarter and more personalized, direct mail is reactivating customers, and Casting Call is being reimagined as a platform. We are executing against a fully integrated marketing strategy. Every channel, every investment, every activation is pointed at the same outcome, growing the file, deepening loyalty, and making Torrid more commercially powerful than it has ever been.

With that, I'll turn the call over to Paula.

Paula Dempsey

Chief Financial Officer, Torrid Holdings, Inc.

Thank you, Ashlee. Good afternoon, everyone, and thank you for joining us today. I'll begin with a review of our first quarter financial performance, then provide an update on our outlook for fiscal 2026. We're pleased with our performance this quarter as our sales exceeded our expectations and adjusted EBITDA came in at the high-end of our guidance range. Net sales for the quarter were $245.8 million compared to $266 million in the prior year. Comparable sales declined 1.7%. As Lisa highlighted earlier, excluding footwear, first quarter comparable sales were positive 1.2%, reflecting continued strength across the core business.

Gross profit was $86.8 million versus $101.4 million last year, and gross margin was 35.3%, compared to 38.1% in the prior year, reflecting a combination of tariffs and planned targeted promotions. SG&A expenses declined by $6.3 million to $63.7 million compared to $70 million a year ago as we continue to see tangible benefits from our store optimization program. As a percentage of net sales, SG&A leveraged 40 basis points to 25.9%. Marketing investment decreased by $0.8 million to $14.5 million, driven by more effective channel allocation and data-driven targeting, allowing the company to achieve its marketing objectives with lower spend.

Net income for the quarter was $414,000 or $0.00 per share, compared to a net income of $5.9 million or $0.06 per share last year. Adjusted EBITDA was $17.6 million, a 7.2% margin versus $27.1 million and 10.2% a year ago. We ended the quarter with $22.8 million in cash and cash equivalents and $32.8 million drawn on our revolving credit facility. Total liquidity at the end of the quarter, including available borrowing capacity under our revolving credit agreement was $100 million. Inventory totaled $142.6 million, down 4.6% from the first quarter of last year, reflecting both tighter receipt management and the intentional reduction of our store base.

During the first quarter, we closed 20 stores as part of our store optimization program. We expect to close an additional seven to eight stores in the second quarter, at which point the program will be substantially complete. We remain pleased with our customer retention rates, which are in line with the historical level.

Turning to our outlook. We remain on track to deliver approximately $40 million of expense savings in fiscal 2026 through our store optimization initiative. During the first quarter, we realized approximately $11 million of these savings, reinforcing our confidence in achieving the full year target. For the full year, we continue to expect net sales of $940 million to $960 million, and adjusted EBITDA of $65 million to $75 million, representing margin expansion up to 140 basis points compared to fiscal 2025.

We expect marketing expense to be approximately 5.5% of sales, reflecting continued focus on optimizing marketing effectiveness and maximizing return on investment across our customer acquisition and retention initiatives.

Capital expenditures are expected to range from $8 million to $10 million, supported by our disciplined approach to capital allocation. Approximately half of our planned spend is dedicated to maintaining and modernizing the store fleet through selective refreshes, fixture replacements and point of sale and infrastructure upgrades. Importantly, a significant portion of these investments were completed during the first quarter, resulting in a more front-loaded capital profile and positioning us to realize the benefits of these investments throughout the remainder of the year.

For the second quarter, we expect sales of $232 million to $240 million, and adjusted EBITDA of $12 million to $16 million. Our outlook also contemplates continued investment in marketing at levels more consistent with the first quarter's spending, supporting customer file growth initiatives, including the return of Casting Call this summer. Looking to the back half of the year, we anticipate improved performance supported by three key growth drivers; continued momentum in our customer growth initiatives, progress in our opening price point strategy to drive conversion and value perception, and the return of our footwear program to full strength, which has historically enhanced attachment rates and overall customer spend.

Turning to tariffs, as of May, we have received an initial portion of the tariff refund due to us, with an additional recoveries expected as the claims process progresses. We have filed for the first phase of refunds, with an expected recovery in the range of $9 million to $11 million. A second phase of refunds is forthcoming. The submission portals are not yet open, but we anticipate an additional $1.2 million to $2.5 million for that tranche. Neither phase of tariff refunds is contemplated in our current guidance, and we will provide updates as those processes advance.

In terms of our guidance, for the first half of the year, we contemplated tariffs at the current rate of 10%. And for the second half, our assumption steps up to 15%, reflecting the possibility of further escalation later in the summer. It is worth noting that should tariffs remain at 10% for the full year, that outcome would provide an offset against potential freight-related headwinds.

As we close out the first quarter, we're encouraged by the early progress of our strategic initiatives, including store optimization, merchandising enhancements, expanded opening price points to enhance our customer value, growth in our sub-brands and customer growth initiatives, which are beginning to drive improved operating performance. While the consumer environment remains dynamic, we remain focused on disciplined execution, growing and engaging our customer file, enhancing our value proposition, and expanding profitability. We believe these initiatives will continue to support our performance and drive long-term value creation for our shareholders.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] . And our first question comes from the line of Janine Stichter with BTIG. Please proceed with your question.

Ethan Saghi
Analyst, BTIG LLC

Q

Hey, you've got Ethan on for Janine. Thanks for taking our questions. Just want to start, you mentioned promotions and the Q1 gross margin. Just how did promotions play out in the quarter compared to your prior expectations? And what are you expecting for the rest of the year?

Ashlee Wheeler
Chief Commercial Officer, Torrid Holdings, Inc.

A

Hey, Ethan. This is Ashlee. So promotional activity in the first quarter was planned and actualized according to plan. In terms of forward view, we expect very much the same. So, a certain level of promotions embedded within our guidance and consistent with prior years. That said, opening price point has allowed us to be less dependent on promotion to drive behavior or acceleration in product. So, in terms of elevated levels of promotion, not in excess of plan or what we've seen previously.

Ethan Saghi
Analyst, BTIG LLC

Q

Got it. That's very helpful. And then, could you just give some more color on overall tops performance in Q1 and quarter-to-date, so far? Thanks.

Lisa M. Harper
Chief Executive Officer & Director, Torrid Holdings, Inc.

A

Overall, tops, first of all, the knit top business, as we mentioned in our comments, positive revenue comp, as well as margin expansion driven by the OPP product, as well as the entire knits complex has done very, very well and had a dramatic turnaround and is continuing to perform and exceeding our expectations. Our graphics business specifically is back on track in terms of margin performance. So an outsized margin expansion there, a little bit less top line, but that was purposeful. Our sweater business has been good in the first quarter and our woven tops business we think is a customer shift out of [indiscernible] (00:38:40) and so, in general, we're happy with the progress that we've seen in the tops complex, primarily driven by OPP and knits.

Ethan Saghi
Analyst, BTIG LLC

Q

Got it. That's very helpful. I'll pass it on.

Operator: Thank you. And we have reached the end of the question-and-answer session.

Chinwe Abaelu
Chief Accounting Officer, Torrid Holdings, Inc.

A

[indiscernible] (00:39:06).

Operator: And therefore, I do see one question is – I do have – we have one question from the line of Brooke Roach with Goldman Sachs. Please proceed with your question.

Q

Good afternoon. This is [indiscernible] (00:39:26) on for Brooke Roach. Thank you for taking our question. You guided to comparable sales growth in the back half of the year, can you speak to the drivers of your confidence in the stronger comp delivery in the second half? And as a follow-up, how is the current macro environment affecting your customer spending behavior? Are you seeing any trade down within your assortment? Thank you.

Ashlee Wheeler
Chief Commercial Officer, Torrid Holdings, Inc.

A

We are guiding to a positive comp in the back half of the year. If you recall, the footwear business, which has historically been upwards of a $50 million business annually with a pretty strong attachment rate, we paused that in order to resource and restructure it in an elevated tariff environment. That business remains a headwind for us throughout the first half of this year, which we've shared previously. In the back half of the year, it becomes a tailwind for us and it provides sizable comp benefit to the back half of the year. In addition to that, the Casting Call expansion that I spoke about, we do expect to start seeing growth in the customer file attributable to the reignited marketing focus, as well as the Casting Call.

And then, as far as trends in the business, we are on plan for the second quarter within our guidance as communicated. In terms of customer behavior, I can tell you that in the first quarter from a KPI standpoint, we're very pleased with the conversion metrics we're seeing. We saw double-digit growth in conversion, as well as low single-digit growth in our units per transaction. So both of those KPIs strong indicators of product acceptance and the customer's resilience.

Q

Perfect. Thank you. [ph] I'll pass it (00:41:26).

Operator: Thank you. And our next question comes from the line of Lorraine Hutchinson with Bank of America. Please proceed with your question.

Q

[indiscernible] (00:41:41) for Lorraine. Was wondering a little bit if you could talk about what you're seeing in terms of freight pressure and the impact to margins? Thanks.

Paula Dempsey
Chief Financial Officer, Torrid Holdings, Inc.

A

[indiscernible] (00:41:55). This is Paula. So currently, we're able to mitigate any pressure that we're seeing right now and our guidance does contemplate that impact. But I would tell you that at this point it's nothing substantial to the business.

Ashlee Wheeler
Chief Commercial Officer, Torrid Holdings, Inc.

A

It's also worth noting that from a sourcing base we're 70% GDP, so we have fully negotiated costs for 70% of our goods for the balance of the year. So we are protected from any type of variability on the freight side for at least 70% of the goods on order.

Q

Thank you.

Operator: Thank you. And it looks like we have now reached the end of the question-and-answer session. And therefore, I'd like to turn the floor back to CEO Lisa Harper for closing comments.

Lisa M. Harper
Chief Executive Officer & Director, Torrid Holdings, Inc.

Thanks so much for joining us today. We look forward to sharing the second quarter results at our next call.

Operator: Thank you. And this concludes today's conference, and you may disconnect your line at this time. We thank you for your participation.