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FIGS, Inc. (FIGS)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for joining us and welcome to FIGS First 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' first 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. Do not place undue reliance on forward-looking statements which speak only as of today, 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 the most comparable GAAP measures are included in the 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. FIGS is off to an incredible start to the year, sustaining last year's strong momentum with broad-based strength across all aspects of our business. Net revenues exceeded expectations, growing 28% year-over-year, driven by accelerating active customer growth. We surpassed 3 million active customers for the first time in our history, an important milestone that reflects the growing resonance of our brand within the healthcare community. Strength was apparent across categories, styles, and color, supporting success across all selling occasions during the quarter, including our business as usual days, new product launches, and promotional events.

Importantly, this performance was driven by continued strength in our core US e-commerce business even as our market expansion drivers of International, Community Hubs, and TEAMS continue to scale. Taken together, we believe this is a strong indication that our efforts are not only working, but are sustainable. Bottom line results were also strong, demonstrating the power and resilience of our model. During the quarter, we were able to absorb unplanned fuel surcharges, continue to opportunistically invest across the business, and still exceed our adjusted EBITDA margin expectations by 170 basis points. As we step back and look at the broader picture, we see our business thriving at the intersection of three powerful dynamics.

First, our brand is differentiated and continues to gain strength through expansive product solutions, even more impactful marketing, and a deeper level of connection with the healthcare community. This is what brand leadership looks like and we are continuing to raise the bar.

Second, we have built a more durable foundation for growth through operational excellence. Throughout 2025, we demonstrated greater discipline and efficiency across the organization, supporting our ability to react to market conditions and deliver top and bottom line upside. And we continue to see the benefits of that work coming through clearly while also layering in new initiatives that are enabling early success in 2026.

And third, we are leveraging structural industry tailwinds that reinforce our long-term opportunity. Healthcare remains one of the most essential and resilient sectors of our economy, with strong long-term demand driven by population trends and workforce needs. While advancements like AI have the potential to improve many of the administrative burdens that healthcare professionals face, the industry remains inherently hands-on and human. That dynamic continues to support the replenishment-driven nature of our category and the long-term opportunity for FIGS. Together, these dynamics are reinforcing our leadership position and giving us confidence in both near-term momentum and long-term opportunity.

Let me spend some time on our year-to-date efforts and what to expect in the quarters ahead. Starting with product, which remains one of the most important ways we create and sustain our competitive moat, our strong performance starts with the incredible momentum in our core scrubwear category, and we are highly focused on extending our leadership position by developing impactful new franchises across silhouette, fabrication, and overall design.

For example, we continue to lead the adoption of differentiated pant silhouettes. These trends have resonated broadly within apparel, and we have translated them authentically into our category. Importantly, we are delivering thoughtful head to toe coordination as these looks evolve, providing more complete and versatile solutions for healthcare professionals.

At the same time, we are driving broader use cases through our fabrication strategy. Our FORMx fabric continues to gain traction with the fabric mix nearly doubling year-over-year and supported by strong demand across our ongoing expansion of color options. We are also excited about the continued rollout of our highly durable FIBREx fabrication, which we plan to spotlight more meaningfully in the second half of the year.

Beyond scrubwear, we saw our strongest non-scrubwear growth in the past three years. This reflects our ongoing focus on building a true layering system and are expanding our presence across the full range of needs for healthcare professionals. From underscrubs to outerwear to lab coats, we are approaching each category with clear strategies designed to solve real world problems and elevate the experience.

Collectively, these efforts are expanding the role FIGS plays in the daily lives of healthcare professionals and extending our leadership position. And these efforts are continuing in Q2 as we deliver a new wave of product excitement to the market. This starts with color, always a powerful driver for the brand. We are increasingly coordinated and intentional in how we approach it. Our spring-colored drop in April performed exceptionally well and we are particularly excited to then bring back espresso, the color that our community has been clear they're dying for. This demonstrates continued operational excellence as we are improving our ability to read trends and react quickly. This includes evolved supplier partnerships and new inventory planning tools that allow us to act more predictably and efficiently based on real-time demand signals.

Beyond color, we introduced new maternity styles for the first time in three years, supported by a campaign featuring expecting healthcare professionals from our community. And finally, we continue to create excitement through unique collaboration. Ahead of May 4 and building excitement ahead of the next movie in the franchise, we introduced our latest Star Wars collection, building on our tradition of partnering with iconic cultural brands that resonate within our community.

Turning to brand, we're continuing to set new standards in storytelling, connection, and impact. Following our efforts at the Winter Olympics, we were excited to celebrate International Women's Month and debut our new Never Change campaign. This yearlong anthem continues our important efforts to tell rich human stories that reflect the resilience, compassion, and dedication of healthcare professionals. This platform builds on the success of last year's Where Do You Wear FIGS campaign, which set a high bar for authentic storytelling and community engagement.

And we're seeing a powerful response here with the first chapter more than doubling last year's levels across impressions and engagement. We are also continuing to blend impactful digital storytelling with meaningful in real life moments across key events in the healthcare community.

Match Day in March is one of the most important milestones for medical students where they learn the residency placement, a defining step in their healthcare journey. We are proud to expand our on-campus presence this year, including celebrations at Howard University, the University of Houston, and McGill University in Toronto. These impactful moments serve to create authentic, long-term brand relationships at the very start of healthcare careers.

And as we speak, we are in the midst of Nurses Week, a hallmark moment for our community that sits at the heart of all we do. Nurses show up day after day the way they always have with an unmatched ability to connect with people and provide the assistance they need. It is only fitting to celebrate their impact through our next chapter of our Never Change campaign.

In addition, we are supporting the occasion with a strong product lineup and a range of activations during the week ahead, including an unforgettable branded experience in Chicago and our first drinkware collaboration with Owala. Beyond storytelling and engagement, our brand is deeply rooted in advocacy and the impact we aspire to have on the healthcare community. This is not a separate initiative. It's embedded in everything we do. Our close connection with healthcare professionals gives us unique insight into the challenges they face, and we are committed to using our platform to drive meaningful change.

We recently announced the Awesome Humans Foundation, the first non-profit dedicated to directly supporting healthcare professionals across the challenges that shape their careers. This initiative allows us to scale our efforts, accept outside contributions, and provide grants directly to healthcare professionals who most need them. In Q1, we announced the Healthcare is Human Act, the first federal bill developed from the ground up by FIGS. Only half of healthcare professionals feel fairly compensated, the lowest score of any industry, which perpetuates dangerous understaffing across the workforce. Our bill directly addresses this challenge by providing a federal tax credit of up to \$6,000 per year to help address financial strain across the healthcare workforce.

We were also encouraged to see the reauthorization of the Dr. Lorna Breen Act in Q1, an effort we helped drive over the last two years to strengthen mental health and well-being support for healthcare professionals. These are positive steps, but we know there's much more work to be done. In a few weeks, we are organizing our largest effort ever on Capitol Hill. As part of our new long-term partnership with Noah Wyle, we are excited to have him once again join us in DC to help move the needle on the policies that are most needed to transform the experience of being a healthcare professional.

Noah has devoted his extraordinary career to shaping the real stories of healthcare professionals and make them feel seen and we could not be more excited to keep partnering with him in the years ahead. This is how we show up for our community, not just through product and storytelling, but through action that has real impact on the lives of healthcare professionals.

Turning to our market expansion, we continue to see strong momentum and significant opportunity. In our International markets, strong execution and demand supported double-digit growth across every region, and drove overall International net revenue up 50% year-over-year.

Our Go Deep efforts continue to generate strong results in key markets like France and Germany where localized storytelling and targeted investments are resonating with healthcare professionals. At the same time, our Go Broad strategy remains a highly efficient way to expand our global footprint.

In March, we opened 15 new markets across Europe followed by an additional 12 markets in Asia Pacific in April. While these markets are small financially in the near-term, they represent an important long-term opportunity to bring FIGS to more healthcare professionals around the world. As a result of these efforts, we are now present in 85 international markets, a significant increase from just 32 markets at the end of 2024.

Community Hubs also continued to exceed our expectations and play an important role in our ecosystem. All five locations are performing well with our two comp stores in LA and Philly up significantly. In the near-term, our focus is on optimizing our existing fleet, particularly the three locations that opened at the end of last year. This

includes refining our product assortment, going deeper in core styles and sizes, and enhancing the in-store experience. These efforts reinforce our belief that a physical presence serves as a powerful complement to our digital-first model.

At the same time, we are investing in the talent and processes needed to support our next phase of growth. We remain on track to open four new Community Hubs in the back half of the year, doubling down on all the early wins across the channel while also applying key lessons to optimally serve the needs of our customers. We see a clear opportunity to increase our pace of expansion in the years ahead and are excited to continue scaling this channel.

Finally, turning to TEAMS, we continue to make important progress in building this business for the long run. Our focus has been on strengthening relationships with existing accounts while also building a pipeline of higher impact opportunities. And we saw encouraging traction on both fronts during Q1. Building deeper relationships means we are evolving beyond just the transaction and taking a more proactive and collaborative approach to servicing needs. Feedback has been positive with these efforts, which we believe will be a key to driving strong long-term partnerships.

At the same time, our pipeline of new accounts is building with strong interest across a wide range of institutions. We also took an important step forward with the launch of our TEAMS store in March. Integrated into our e-commerce platform, this solution provides a more seamless and flexible ordering experience, helping to reduce friction for our customers. This is an important milestone, but just the beginning. We plan to continue enhancing the platform throughout the year with more robust features that will unlock a broader range of solutions and better serve the diverse needs of healthcare organizations. We are driving solid overall TEAMS growth today, but more importantly, we are positioning ourselves to unlock a significantly larger opportunity over time.

In closing, we are incredibly encouraged by how we started the year. We are executing at a high level, our brand continues to strengthen, and the structural dynamics of our industry remain highly favorable. Our focus in serving the healthcare community is resolute, and we are thoughtfully investing across the organization to extend our efforts, build even more impact, and continue to define and lead the category. This is driving our increased confidence in our performance this year and will be instrumental in supporting top and bottom line momentum over time.

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

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

Thanks, Trina. Our better than planned first quarter results continues the powerful narrative coming out of 2025 where we strengthened the foundation of our business and advanced our work to scale our strategic pillars across product innovation, community engagement, and market expansion. We believe these efforts are sustainable, unlocking growth opportunities and profitability over time and we are excited to see our ongoing execution across these measures to start the year.

Starting with the details of our Q1 performance, net revenues increased 28% year-over-year to \$159.9 million and outpaced our outlook calling for growth in the low 20% range. Similar to last quarter, our performance was broad-based across categories, colors, geographies, and channels. We were also pleased with the continued strength we are seeing across selling occasions, including business as usual days and promotional events, both of which contributed upside to our plan during the period. We believe these are great indicators of the underlying strength in our business right now.

As Trina highlighted, active customer growth accelerated to 12% year-over-year, surpassing 3 million total for the first time. This is supported by the ongoing strength we are seeing in both acquiring new customers and bringing customers back to the brand. Average order value increased 4% to \$124, primarily driven by higher average unit retail due to pricing actions early in Q1 and favorable product mix. Notably, we saw less price elasticity than planned, which we believe underscores the ongoing value and relevance of our assortment.

In addition to strong AOV, we think it is also important to note strong purchase frequency as customers are coming back and transacting more often. Growth across customers, order per customer frequency, and AOV are a powerful combination and supports gains in our trailing 12-month measure for net revenues per active customer. This measure strengthened again during the period, posting 6% growth to \$220, which is the highest level recorded since Q4 2022. By category, scrubwear grew 27%, representing 79% of net revenues for the period. The theme of balanced growth was prevalent across the categories, with success across both core and limited edition styles and colors.

Growth was also supported by strategic inventory investments as we have sharpened our buys to ensure deeper positioning in core styles and to drive higher in stocks. Wider leg pant options continue to be a great story and we are driving depth across core and new options. FORMx has steadily gained traction as a great low-impact fabric solution and expanded color options sold [ph] through (00:31:53) quickly at the beginning of the quarter and our durable FIBREx fabrication debuted as part of the Winter Olympics collection, expanding our range of solutions for healthcare professionals.

Non-scrubwear increased 31%, representing 21% of net revenues and posting the strongest growth in three years. Underscrubs and outerwear continue to drive strong growth as customers increasingly look to build head to toe wardrobes. We are also excited with how healthcare professionals are responding to our expanded range of accessories, including limited edition styles for events like Lunar New Year and the Olympics as well as expanded collections in bags and loungewear.

We are excited to increase our focus and coordination across all these areas as we move forward. By geography, US net revenues increased 24% to \$131.6 million while international net revenues increased 50% to \$28.3 million. In the US, we are driving strong traffic and conversion to our business as we deliver a combination of great products and highly impactful brand moments.

We are also sharpening how and where we deliver these stories to better engage healthcare professionals and drive marketing efficiency. At the same time, we are planning more functionality and resources to our digital platforms to reduce friction and drive confidence in buying decisions. International growth was equally strong across both new and returning customers, underscoring our success in driving awareness, localizing the brand, and scaling the opportunity.

Notably, the overall growth contribution from our most recent Go Broad market expansion was minimal for the period, highlighting the strong performance across our more established markets. Considering geopolitical factors, growth rebounded strongly in Canada following last year's sentiment-driven softness, though did see sequentially slower yet still strong growth in the Middle East given the ongoing conflicts in the region.

Gross margin for Q1 expanded modestly, up 10 basis points to 67.7%, and in line with our outlook. We experienced sequentially higher tariff pressure during the period as expected as well as less favorable product mix. These headwinds were offset by positive impacts from pricing and our ongoing efficiency efforts. Our selling expense for Q1 was \$36.4 million, representing 22.8% of net revenues compared to 26.2% last year. We continue

to make significant progress, optimizing our fulfillment center since the Q3 2024 opening and Q1 results demonstrate both meaningful, fixed, and variable cost leverage. Additionally, our outbound carrier diversification strategy continued to yield year-over-year savings despite recent parcel surcharges.

Marketing expense for Q1 was \$29.5 million, representing 18.4% of net revenues, up from 14.5% last year. As planned, the higher marketing rate largely reflects costs associated with our Winter Olympics campaign. Additionally, we opportunistically invested in several incremental areas, including the establishment of a formal partnership with Noah Wyle. Partially offsetting these investments and driving upside to plan, we experienced greater net revenue leverage and digital [ph] pack (00:35:14) efficiencies.

G&A for Q1 was \$37.9 million, representing 23.7% of net revenues compared to 27.1% last year. The lower G&A rate was primarily due to net revenue leverage and lower stock-based compensation expense. Relative to plan, we did incur accelerated depreciation related to the earlier than planned timing of our headquarter move as we consolidate our location within our existing property.

In total, our operating margin for Q1 was 2.8% compared to a loss of 0.2% last year while our adjusted EBITDA for the period was 8.7% compared to 7.3% last year. Net income for the quarter totaled \$6.3 million or diluted EPS of \$0.03 compared to a net loss of \$100,000 last year or breakeven diluted EPS.

On our balance sheet, we finished the quarter with net cash, cash equivalents and short-term investments of \$277 million. Inventory increased 6% year-over-year to \$139.4 million. Improved supply and demand processes and discipline along with top line upside continues to support overall inventory efficiency even as we continue our focus on strategic buys across core goods. We remain on track with our target of reducing inventory days to approximately 200 by year-end.

On the capital allocation side, share repurchases during the quarter under our ongoing repurchase program totaled approximately \$8.8 million at a weighted average price of \$15.38 per share, with approximately \$43 million available for future repurchases under the program. Capital expenditures for the quarter were \$2.4 million primarily related to software capitalization and leasehold improvements with larger Community Hub-related outlays planned later in the year.

Now, turning to our outlook, our outperformance in Q1 and the overall momentum across the business are driving greater confidence in our top and bottom line outlook. Importantly, this underscores the strength of our model as we are able to leverage improving demand to absorb unplanned costs, continue investing, and expand profitability. Certain factors like tariff and the extent of oil-related pressures require a flexible planning framework, but we believe we have appropriately factored in these dynamics with our increased guidance.

Our full year 2026 net revenues are now expected to grow 14% to 16%, ahead of our prior outlook of 10% to 12% growth. This includes both our Q1 outperformance and greater confidence for the balance of the year even as we embed prudent caution given some of the pressures and uncertainties consumers are facing. Our confidence is supported by the strong fundamentals of the healthcare industry as well as the trends we are seeing with active customer growth, the breadth of demand, and growing brand engagement.

For the second quarter, we are planning for net revenue growth to be up in the low 20% range year-over-year. This a similar setup as we outlined last quarter where quarter-to-date trends are strong, but we still have an important stretch ahead. For Q2, this includes this week's start to Nurses Week, a significant period for our brand and one where we are taking a more measured promotional approach relative to last year.

Looking at the second half of the year, we would note that comparisons [ph] build (00:38:39) each quarter that we are still focused on driving growth against last year's blockbuster Q4. On to gross margin, where we continue to expect a modest full year improvement from the 66.5% level achieved in fiscal 2025, tariffs remain a dynamic variable to forecast. Our prior outlook assumes 15% global tariffs for the balance of the year following the Supreme Court's ruling in February. However, since we made this assumption, only the Section 122 tariff of 10% has been in effect. Our updated outlook assumes this 10% rate remains in effect through the July 24 deadline while also continuing to reflect our original 15% rate assumption thereafter for the balance of the year. This results in slightly less tariff headwinds than we originally planned for the year. We are also factoring in new gross margin headwinds from higher inbound freight given the surge in oil prices as well as the tariff-related pause in our duty drawback program. These new pressures largely offset the more favorable tariff outlook and keep our gross margin outlook unchanged.

Separately, we have taken the appropriate actions regarding refunds of what was paid under the IEEPA tariff, which equates to approximately \$20 million. However, with our updated outlook, we have not embedded any of this benefit until we gain better clarity on how and when these refunds will be processed. Looking at the quarterly gross margin cadence, we expect Q2 to show a modest year-over-year decline from last year's 67% rate. This largely reflects the growing sequential impact of tariffs, with the impact of average costing more than offsetting slightly lower rate assumptions. Given the comparisons in the second half of the year, we would expect a more meaningful year-over-year decline in Q3 followed by a large year-over-year improvement in Q4, ultimately yielding more consistent gross margin levels throughout the year.

Shifting over to SG&A, we expect better net revenue leverage will be partially offset by several factors. In selling and expenses, we continue to expect the benefit of efficiencies through our fulfillment center as we diversify our outbound carrier network. However, similar to inbound freight pressure, our outbound freight expenses are being negatively impacted by fuel costs.

In marketing, while we expect leverage following the outsized Q1 Olympics investment, we have made strategic investments that were incremental to plan. And in G&A, our estimate for stock-based compensation has increased by nearly \$2 million primarily due to stock price appreciation. Again, this shows the strength of our financial model and how a highly leverageable structure can support both higher expenses and solid margin upside.

Overall, we have increased our full year operating margin outlook from between 7.6% and 7.9% to an updated range of between 7.8% and 8%. We've also increased our full year adjusted EBITDA margin outlook from between 12.7% and 12.9% to between 13% and 13.2%. This includes an expected Q2 adjusted EBITDA margin of approximately 13.5%, up from the 12.9% in the prior year period. Below the operating line, we now expect the effective tax rate to be approximately 20%, down from our original 25% outlook and compared to 27.4% last year. The lower expected rate primarily reflects the excess tax benefit related to the magnitude of our recent stock price appreciation relative to incentive compensation grant prices.

Before we open the call for Q&A, I would like to underscore our strong start to the year. We are well-positioned to deliver against our updated outlook, leveraging top line momentum to support our growth initiatives while navigating a dynamic external environment. We remain focused on executing against our strategic pillars and are increasingly confident in our road map across product innovation, community engagement, and market expansion in the quarters ahead.

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 Brian Nagel with Oppenheimer. Brian, your line is now open.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

Hi. Good afternoon. Nice quarter. Congratulations.

Trina Spear

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

A

Thanks, Brian.

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

A

[indiscernible] (00:43:35).

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

The first question I want to ask, I mean, look, we obviously see the results. But I guess as you look at that, the top line momentum, just how your consumers' behaving here, was there was there anything that shifted from what we saw in the fourth quarter into the first quarter and then what we've seen so far in the second quarter? Is there any underlying dynamics shifting here?

Trina Spear

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

A

I think what you're seeing, Brian, is just an acceleration, a continued acceleration. We are really executing at the highest level. We're pairing creativity, excitement, innovation with operational excellence and to your point, we're seeing that on both the top line and the bottom line. Q1, as you know, up 28%; EBITDA margin, 170 basis points better than the guide, 140 basis points better than last year. And why is that? I think it's really three things, the first being our product. We're continuing to deliver the best product to meet every need of our healthcare professionals head to toe across fabric, fit, and function.

On the marketing side, we're delivering campaigns that are continuously going viral. You saw that again yesterday with our Nurses Week campaign. I think real-time data, over 7 million views across all platforms, incredibly engaging with nurses, but even broadly with all healthcare professionals. People – our community is feeling seen, feeling heard, feeling understood, and that's what this brand has been all about since day one.

And finally, our industry is incredibly attractive. We're selling replenishment-driven, non-discretionary seasonless products to healthcare professionals that are returning to us over and over again and you're seeing our repeat frequency up considerably. And so, I do think the momentum you're seeing is incredibly sustainable. I was just looking at the healthcare industry stats. The industry is projected to be the largest industry sector with the largest absolute job growth and the fastest growth rate. So, that's really hard, being the largest and the fastest growing at

the same time. That is what's happening with healthcare jobs and you're seeing the headlines that all the employment gains are pretty much coming from healthcare.

So, we have a lot to be excited about. We surpassed 3 million customers at the end of the quarter, scrubwear, and this is like I said, broad-based. Scrubwear up 27%, non-scrubwear up 31%, US up 24%, International up 50%. And so, we're going to keep executing but really excited to see that it's the core business. It's the fundamental underlying nature of this business that's performing in addition to all of our growth levers and that's all really exciting.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

That's very helpful, Trina. I appreciate all that. The follow-up question I have just on the TEAMS business, I guess [indiscernible] (00:46:31) in the context of an answer, but as we think about the TEAMS business and growth here, is it going to be – do you envision just like a grind higher in the size of the business or do you foresee specific nearer term steps with that business could start to step into step function higher?

Trina Spear

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

A

We're making considerable progress in terms of the TEAMS business and we're really focusing that technology in building this TEAMS store to serve every different type of healthcare institutions from universities to concierge clinics to hospitals and really understanding their needs and how we can show up for them and solve that with the technology and then also an incredible sales team that's really not just engaging on that first sale, but also building that relationship over time. And so we've made considerable progress on that front. I think we're a bit away from that, and that's another growth lever to come. The business is growing. We're doing great, but much, much more to come as it relates to TEAMS.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

I appreciate it. Thank you.

Operator: Your next question comes from the line of Rick Patel with Raymond James. Rick, your line is now open.

Rick B. Patel

Analyst, Raymond James & Associates, Inc.

Q

Thanks. Good afternoon and congrats on the strong execution here.

Trina Spear

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

A

Thanks, Rick.

Rick B. Patel

Analyst, Raymond James & Associates, Inc.

Q

I was hoping you can [indiscernible] (00:47:50) the increase in new customers in the US. So, how much of the growth was driven by reactivating lapsed customers and how many are completely new to the brand? And as you look ahead, where do you see the most opportunity?

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

A

Yeah. Thanks. So, within our active customer base growing to – we're surpassing 3 million active customers now, which is awesome and seeing accelerated growth in that to 12%. And when we look across that customer base, this is the second quarter of double-digit new customer acquisition growth. And that growth is coming from both the US and International. We saw an accelerated growth rate in our resurrected customers and we're also seeing improved performance in retention. So, we're seeing growth and acceleration really across all three of those, which is continuing to give us proof points on this growth being sustainable and very broad-based.

Rick B. Patel

Analyst, Raymond James & Associates, Inc.

Q

Very helpful. And then regarding the price increase you took earlier this year, you touched on demand being fairly inelastic, which is nice to hear. Given costs have continued to creep up here with freight, do you see room to expand price increases to more SKUs than you started the year with? And then on the flip side, any thoughts on just the promotional cadence here in 2Q and the back half?

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

A

Great. So, yeah, we did take pricing in January on about a third of our styles. We've continued to track elasticity and we're seeing results that are more favorable than what we had assumed. I think that really speaks to our value proposition, and we've reflected how we're seeing that improvement in sales across our guide for the rest of the year along with the momentum we're seeing in all other factors of our business. We think pricing is something that we took as this one-time and we will continue to evaluate it from a point of view on what is the value proposition of that product and what is the appropriate pricing for it. But I think at this time, that was one big move that we made and nothing of the same extent in the near future.

Rick B. Patel

Analyst, Raymond James & Associates, Inc.

Q

Thanks very much.

Operator: Your next question comes from the line of Adrienne Yih with Barclays. Adrienne, your line is now open.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Great. Thank you very much. Good afternoon, everybody. I guess my first question is can you talk about any potential kind of impacts that you're seeing with your sourcing mostly in Jordan? And then kind of the derivative call on that is as oil has become an issue from your Southeast contract manufacturers, are you seeing any work in process or any of the kind of current invoices that are coming through, are they passing along those costs to you? Because I know that you don't use cotton, right? Most of your product is in that oil-based format.

And my final question is with the marketing that you did, it was obviously top of funnel. Can you talk about the efficacy of that on-brand awareness? Clearly, on customer acquisitions, but how should we think about sort of the kind of steady state customer acquisition costs as we kind of flow off of that? Thank you very much.

Trina Spear

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

A

Thanks, Adrienne. So, as you know, we have great partners in both Jordan and in Vietnam. As we've disclosed, our production was pretty evenly split between these two countries last year, driving the vast majority of our overall global supply. We're now a bit more weighted toward Vietnam with only a bit more than a third of our production coming from Jordan and as tariffs and other geopolitical events have really shocked the macro supply chain system, we managed very well. We've navigated this with limited operational impact within our supply chain and I'm proud to say that we've seen no meaningful disruption to date in terms of our production or timing or cadence of our launches. And so – and to the extent there are short-term disruptions, we are well-positioned to leverage our dual sourcing capabilities to manage them.

In terms of raw materials, we've locked in our costing through the end of the year and so you're not going to see any pass-through from an oil perspective in terms of materials. Sarah, in her prepared remarks, talked about the freight impact on that and then in terms of the brand awareness and CAC, I think the best brands in the world are able to continuously see CAC gain because of the word-of-mouth dynamics. And we've talked about the word-of-mouth dynamics in our business.

And so why is it that we can invest so much in our brand? Why is it that we can create these game-changing, viral campaigns that people absolutely love and grow so much affinity towards our brand? It is because we continuously get CAC gains in markets where we are more mature. And we take those gains as we continue to scale and we invest in new markets and we invest in top of funnel. And so we're continuously seeing that dynamic. That is great because that is really a huge leading indicator of not just the next one, two, three quarters. It's really a leading indicator for the next 10 years, right? And what we're seeing in terms of our search traffic, social engagement, impressions were up double, triple digits across the board. And so that gives us just so much confidence that our marketing engine is working and we're going to continue to double down on it.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Great. And then Sarah, a follow-up for you. So, just a little clarification. The order value was up nicely yet the product mix shift actually acted as the gross margin headwind. So, can you just help us marry kind of those two things with the AOV largely from price increases and it was on core scrubs? So, kind of trying to bridge those two items. Thank you.

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

A

Sure. Yeah. So, our AOV was up 4%. We did see the majority of that coming from AUR, which was driven by the price increase. It's also coming from mix shift into some of our higher price point items. That consists of some of our wider leg pant options, our FORMx, which has steadily gained traction as well as FIBREx. Those also have a bit of drag on margins. As we shift more into those items, that does have an impact on to margin and so that's how those two pieces connect together.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Okay, great. Thank you very much. Best of luck and congrats.

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

Thanks.

A

Trina Spear

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

Thanks, Adrienne.

A

Operator: Your next question comes from the line of Ashley Owens with KeyBanc Capital Markets. Ashley, your line is now open.

Ashley Owens

Analyst, KeyBanc Capital Markets, Inc.

Great. Thanks so much for taking my questions and congrats on the 3 million.

Q

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

Thank you.

A

Trina Spear

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

Thanks, Ashley.

A

Ashley Owens

Analyst, KeyBanc Capital Markets, Inc.

So, maybe just to [indiscernible] (00:55:20) on the 2Q cadence, you've called out colors several times that being important for you. Espresso came back, but you're also taking that more measured promotional approach for Nurses Week. Just trying to see how we should be thinking about the puts and takes in that low 20s 2Q framework. Is Nurses Week still that potential source of upside for you, or is the more measured approach a headwind versus last year?

Q

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

Yeah, I would say that the trends that we've seen in Q1 are carrying through into Q2 and at the time of this recording, we're on day two of Nurses Week. We are taking a bit of a more measured approach in terms of our offering, but it is still a very large promo for us and we're excited and pleased with what we've seen for the two days to date. And so, we know that that is a big event. It was ahead of us at the time that we are setting our guidance and we think that the guide is a reflection of where we're at while also keeping in mind that as well as our promo that happens in June is still ahead of us and also being aware of the Middle East impact and the effect on consumers. So, pleased with our trends to date and pleased that we're able to guide in that low 20% range for the quarter.

A

Trina Spear

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

A

And the last thing I'll just say on promotions, we continue to really be mindful of bringing down our promotional rate. If you look across the consumer landscape, we have one of the lowest promotional rates across the industry and we continue to look to bring that down and we look to bring that down year-over-year for this year versus last. So, it's all really exciting to be able to be performing the way we are with the promotional rate that we have.

Ashley Owens

Analyst, KeyBanc Capital Markets, Inc.

Q

Okay. Just two quick follow-ups. Maybe first, on non-scrubwear and the rebound you saw there, I know there were a few different categories called out, but just can you quantify how much of that 31% growth was Olympics-related product that rolls off? And then with International, I know you – there's been a pretty broad rollout even into the first couple months of this year so far, understand that overall growth contribution is going to be minimal for now. But just any context you could provide on a typical revenue ramp for a Go Broad market in its first year or just how long do you expect until these new markets start to become material to the results? Thanks.

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

A

Great. Thanks. So, for – on non-scrubwear, so in the quarter, we did have the launch of our Olympics product, which featured our FIBREx and from a product perspective, that was a small assortment. And really happy with how it performed, but it was very small as intended and lived for a short time over the duration of the event. So, it's not driving any impact really that's meaningful for non-scrubwear. The 31% is a continuation of our efforts to expand within underscrubs, expand within our outerwear, and continue to drive overall outfitting for our HCPs. So, we do expect continued growth within non-scrubwear.

And then to your question on International, yeah, we've been really pleased with our Go Broad and Go Deep strategy. The 50% growth in Q1 after delivering 55% growth in Q4 is really great and we're continuing to see that really the majority of that growth is being driven by our existing market. So, within Q1, we saw good strength and growth continuing to come from Mexico. We're now in our fourth year in Mexico. We saw a really strong growth in Canada. There was some softness there last year. So, great to see the double-digit growth in Canada and then continuing to see great growth in the EU driven by France and Germany. And so while our Go Broad efforts have allowed us to open many new locations quite quickly, these are very small in the interim here, and we're really setting those up to continue to gain momentum and have a bigger impact probably in 2027 and beyond.

Ashley Owens

Analyst, KeyBanc Capital Markets, Inc.

Q

Great. Understood. Thanks so much.

Operator: Your next question comes from the line of Matt Koranda with ROTH Capital Partners. Matt, your line is now open.

Q

Good afternoon and this is [ph] Joseph (01:00:25) on for Matt. Just wanted to see if you guys can talk about store expansion plans. I believe in your prepared remarks you cited about four stores opening – or four Community Hubs opening in the back half of 2026. I guess kind of what do your recent openings inform you about the expansion as we look out maybe one to two years and obviously in the back half of this year? Just any thoughts and anything we should be aware of as you guys are ramping up into more Community Hubs?

Trina Spear

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

A

Yeah. Thank you so much for the question. I am just so excited about Community Hubs and I'm so excited about the four that we're going to be opening later this year. As you know, it's an incredible opportunity to be with our community, right, where they are, where they work, where they live. They come in, they feel and touch and experience our product. They learn about our fabrications. They figure out their fits. They talk to our associates and are educated about the brand. Still, about 40% of people who walk in the door are new to the brand. So, it's a really incredible way to bring new healthcare professionals into the fold.

It's also a place where our healthcare professionals are learning about our layering system and learning and really deepening their love for us and our love for them. And that relationship is so important. So, what are some of the learnings? I think we need bigger stores. I said last quarter, champagne problems, still champagne problems. If you have a 45-minute wait for a fitting room, that's not ideal. So, we need more fitting rooms. We need larger spaces. We're looking at 2,500 to 3,000-ish square feet. We're optimizing the flow. We're often optimizing the set wall. We're thinking through the branding elements and really making it the best experience for our community.

And so a lot of learnings from Century City, Rittenhouse, and our three latest openings from last year, Houston, Upper East Side, and the [indiscernible] (01:02:20) Chicago. Actually, we're doing a really cool event in Chicago for those of you who are there right now, the ANTI-PIZZA PIZZA PARTY check it out. So, just really, really great excitement. So many learnings that we're able to take and continue to build and the economics from the five that we have are exceeding all expectations. So, really, really exciting on all fronts.

Q

Got it. Thank you for that. And then just as my follow-up, you guys mentioned healthcare being the biggest industry growing the fastest. Just anything you can unpack, I guess, as we're looking from March into April? Any changes of behavior within that cohort? And then your thoughts on the resilience of this customer cohort that you guys are seeing in 1Q.

Trina Spear

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

A

Yeah, I mean, healthcare professionals, they are incredibly resilient. They're the most resilient people on the planet, but I know you mentioned in a different way, but I just want to say that. They are the most amazing people and what I think what we're doing is something that we've always done is shown up for them with our products, with our marketing, right? How are we connecting with them in a deep way?

And so, there's still challenges in the industry. It's why we have such an incredible advocacy platform. It's why we built or built a foundation. It's why we're going to DC and having this incredible experience. And for those of you who are in DC on May, oh my god, Todd's going to get so mad at me. I keep inviting people to our rally, so I won't talk about that yet, but that's exciting. It's called Awesome Humans on the Hill. We've done that for a number of years now, and so there's still challenges in the industry. There's staffing shortages. There's stress in the system, but how do we continue to show up for our community that really this industry has just structural advantages on a whole host of fronts. You need your uniform to go to work. You need to replenish your uniform. It's a non-seasonal industry and so all of these dynamics are really fueling what we do in terms of our product and our marketing.

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

A

I can add on some of the slices across the business in terms of how we look at the consumer. So, when we look at our occupational data, we're seeing strong growth year-over-year across all of the occupations, but particularly encouraged by the growth that we're seeing in nurses and students. When we look across our spend quintiles, we're seeing stronger growth with our higher spend quintiles, which makes up the majority of spending. And this is our most engaged customer, really showing that our brand efforts to deepen brand love and engagement is working. And then I think something else that's relevant is when we look across the income cohorts, we've not seen a meaningful change across each of the different income slices we look at and actually seeing slightly higher growth – sorry. We're seeing some growth at the lower incomes and I think this really speaks to the ongoing value proposition and strength of our brand.

Q

Got it. Thank you.

Operator: Your next question comes from the line of Bob Drbul with BTIG. Bob, your line is now open.

Robert Scott Drbul

Analyst, BTIG LLC

Q

Hi. Good evening and thanks for taking the questions. Congratulations.

Trina Spear

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

A

Thanks, Bob.

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

A

Thank you.

Robert Scott Drbul

Analyst, BTIG LLC

Q

I guess two questions that I have is can you just give us an update on your – the sizing initiative, sizing and fit, how that's going. And I'd be curious in terms of like any metrics you could share on in-stocks, out-of-stocks, like the progress that you're making. Those would be helpful. Thanks.

Trina Spear

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

A

Thanks, Bob. Yeah, I mean, I think we've made incredible progress on our FIT initiative. We are on the other side of that where when you come to FIGS across the layering system, if you are a particular size, that will fit you in a similar way across our product line, which is really exciting. And so I'm really excited to be on the other side of that. In terms

of in-stock, our goal is to have all of our core product. We have about 15 core styles. That core products needs to be in-stock all year round so that you can get your uniform at any time and then we drop – as you know, we drop

new styles and drop new colors and that's actually aimed to sell out in a relatively short period of time. You want the latest color, the latest style, and that's what kind of drives you back.

And so, we have two parts of our merchandising strategy, the core always in-stock and the drops kind of meant to kind of come and go. And so that's how we think about it, but great question, Bob.

Robert Scott Drbul

Analyst, BTIG LLC

Q

Great. Thank you very much. Good luck.

Operator: Your next question comes from the line of Dana Telsey with Telsey Group. Dana, your line is now open.

Dana Lauren Telsey

Analyst, Telsey Advisory Group LLC

Q

Hi. Good afternoon, everyone, and nice to see the progress. Trina, as you think about the product innovation and the newness that's driving demand, any callouts of what we should be looking for for the balance of the year? And is World Cup at all an activator for you? And then lastly, Sarah, on the puts and takes of the margins as we go through the balance of the year, anything on comparability that we should be watching for and the cadence? Thank you.

Trina Spear

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

A

Thank you so much, Dana. In terms of the innovation and newness, we're continuing to bring just new silhouettes and new fabrications that are really resonating. You saw that. You're seeing that with our FORMx fabric. We launched FIBREx as part of our Olympics drop. We're bringing that back. It's an incredibly durable but lightweight fabrication that really has resonated with the community and then you're seeing just a variety of silhouette and seeing that we really understand their needs not just from a fabrication standpoint, although that's super important, but also from a like really understanding where are they putting their tools, what types of pockets are needed and the placement of those pockets and understanding at a very detailed level the needs enables us to bring true innovation to our community.

And so – and then in terms of the World Cup, that's something that we're looking at. No product planned as part of that, but obviously an exciting time in the world and something that we always look to align ourselves with important cultural moments. So, you'll see something from us on that front.

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

A

And then for your question on margin, gross margin, so we expect full year gross margin to be up modestly year-over-year from the 66.5% level that we had in fiscal 2025 and many puts and takes. So, we have to continue the tariff pressure. We have also picked up added pressure on inbound freight due to rising fuel prices and also needed to take a pause in our duty drawback program. And then we have the impact of our pricing as well as cost mitigations and some of our operational efficiency efforts that help to offset some of those pressures. So, we did see Q1 up 10 basis points year-over-year. We've guided for Q2 to be down modestly year-over-year and that's really due to the continued step-up of tariff pressure into the quarter. And then as we look at our other quarters, so for Q3 last year, the rate was quite high due to some favorability of our returns processing. And so we do expect a normalization of that. So, we expect to see a decline in gross margin rate in Q3 and then recall in Q4 last year, we

had the one-time inventory write-off and so we will be comping against that. So, expect a larger year-over-year improvement in Q4, ultimately yielding more consistent gross margin levels throughout the year.

Dana Lauren Telsey

Analyst, Telsey Advisory Group LLC

Q

Thank you.

Operator: Our last question comes from the line of Nathan Feather with Morgan Stanley. Nathan, your line is now open.

Nathan Feather

Analyst, Morgan Stanley & Co. LLC

Q

Hey, everyone. Thanks for taking the question and congrats on the strong quarter. Two on my end. First, have you seen any difference in how consumers across income brackets are responding to kind of the increase in gas prices we've seen over the past few months? And then second, on your fabrication strategy, encouraging to see the traction you've had here. I guess as you think over the next two, three, four years, what's kind of the right number of fabrication? How much do you think about those as being incorporated into the core skew count versus driven more for some of that kind of limited time exclusivity? Thank you.

Sarah Oughtred

Chief Financial Officer, FIGS, Inc.

A

Great. So, in terms of the impact on our consumer, I mean, at this point, we've continued to see continued strength across all slices of how we look at our consumer, really small, probably noticed a bit of a pullback in our APAC region. They are more sensitive and seeing larger impact from the increase in fuel prices, but that does not have a meaningful impact on our overall performance. So, we remain really resilient and that is in the near-term. So, we have really thought about what could be a longer term impact and that informs partially how our guide is positioned for the rest of the year just knowing that that can be a pressure on spending for the consumer into the back half of the year.

Trina Spear

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

A

Yeah. And in terms of I think your question is around how we think about the future state of our assortments and fabric and what's core, what's limited edition, I think at the core of what we do, we're always innovating. And we have this incredible feedback loop with our community to understand what they want, when they want it. And so that informs how we create, how we create product for them. And it's a balance. It's a balance of the arts and the science. We're reacting to trends a bit, but it's more we're a uniform company, right? We're a function company, not a fashion company. And so we're able to really test and learn and understand them and deliver what they need and then build a strategy and assortment around that that go to fabrics, silhouettes, color, all aspects of what we do and then across the layering system. And so, I do believe that we've never been better positioned, right? We're leading this industry by a mile and so it's ours to continue to execute on. It's ours to continue to show up for this community and really define what this industry can be in the future. And that's we're going to do.

Nathan Feather

Analyst, Morgan Stanley & Co. LLC

Q

Very helpful. Thank you.

Operator: There are no further questions at this time. I will now turn the call back to Trina Spear for closing remarks.

Trina Spear

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

Thank you all for joining us. We'll see you soon.

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

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