GigaCloud Technology (Q2 2026 Earnings)
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Corporate Speakers:

- Lei Wu; GigaCloud Technology; Founder and Chief Executive Officer
- Iman Schrock; GigaCloud Technology; President
- Erica Wei; GigaCloud Technology; Chief Financial Officer

Participants:

- Thomas Forte; Maxim Group; Analyst
- Matt Koranda; ROTH Capital; Analyst
- William Dezellem; Tieton Capital Management; Analyst
- Rommel Dionisio; Aegis Capital; Analyst

PRESENTATION

Operator^ Good morning. Welcome to the GigaCloud Technologies' Second Quarter 2026 Earnings Conference Call.

With us today are GigaCloud's Founder and Chief Executive Officer, Larry Wu; its President, Iman Schrock; and its Chief Financial Officer, Erica Wei.

Larry will give opening remarks, Iman will discuss the company's operational progress and Erica will review the financial results. After that, we will open the call to questions from the audience.

As a reminder, this conference contains statements about future events and expectations that are forward-looking in nature, and actual results may differ materially.

Additionally, today's call will include a discussion of non-GAAP measures with the meaning of the SEC Regulation G.

When required, a reconciliation of all non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP can be found in the press release issued today by GigaCloud, which is posted on the company's website.

Now I will turn the call over to Larry. Please go ahead, sir.

Lei Wu^ Thank you, Operator. Thank you all for joining us.

Our second quarter demonstrated GigaCloud's resilience and adaptability. Despite ongoing pressure from across the broader furniture landscape, we delivered 28% revenue growth and the record earnings per share, underscoring our commitment to profitable growth.

We are actively shaping the company's future by expanding our marketplace, growing our international presence and making strategic investments that create multiple growth opportunities.

Europe is a strong example of this strategy in action. The momentum we're building overseas is driving meaningful growth and demonstrating our model can scale and succeed across borders.

Through disciplined execution, long-term investment and local expertise, we are replicating our success globally. Beyond organic marketplace expansion, we are leveraging our strong balance sheet and cash flow generation to set the foundation for steady long-term growth. New Classic is a prime example. Building on experience gained with Noble House, we are executing a proven integration strategy that is squarely on track. The acquisition extends our reach, broadens our offerings and strengthens our ability to serve a larger portion of the industry.

We're not simply industry participants. We're shaping its future by building the industry's digital infrastructure for large parcel B2B transactions.

By seamlessly connecting buyers and sellers across channels and geographies, we have created an ecosystem that meets today's demand while positioning GigaCloud for future growth. This quarter reinforces that our strategy is working. Even in a challenging environment, we continue to gain share, expand our capabilities and deliver profitable growth.

With a scalable platform, disciplined execution and -- execution and long-term focus, we believe GigaCloud remains well positioned to create meaningful value in the years ahead.

Now I will turn the call to Iman for discussion of our ongoing continued progress.

Iman Schrock^ Thank you, Larry, and hello, everyone.

Our marketplace remains GigaCloud's core engine, delivering another strong quarter. Trailing 12-month GMV grew 21% year-over-year to $1.7 billion as of June 30, 2026, demonstrating the continued value buyers and sellers find in our platform even in today's challenging environment. Marketplace fundamentals remain healthy. Active third-party sellers increased to 26% to 1,465, while active buyers grew 17% to 12,823.

These gains reinforce the network effect at the heart of our platform. More sellers attract more buyers, and more buyers create greater opportunities for sellers, strengthening the marketplace over time.

Despite declines in the U.S. furniture industry, domestic GMV increased 9% during this quarter, significantly outperforming the broader market. We continue to gain market share, reflecting the strength of our marketplace and the value of our supplier fulfilled retailing model.

Our platform serves suppliers and retailers through an integrated ecosystem designed to make large parcel B2B commerce more efficient. By providing greater flexibility, efficiency and risk management capabilities, we help customers navigate challenging market conditions while supporting long-term growth.

We remain focused on disciplined execution and operational efficiency. GigaCloud was built to perform across market cycles, and our adaptability is a key competitive advantage. Tools such as dynamic pricing allow us to respond quickly to changing conditions while remaining focused on our long-term strategy.

The strength of our platform and operating model gives us confidence in our ability to continue creating value, gaining share and advancing our growth objective. Europe remains one of our most exciting growth opportunities. Quarterly GMV increased 66% year-over-year, making the region both a meaningful growth vector and an important source of diversification.

We are seeing the same strategy that fueled our U.S. success gain traction internationally. Building a strong supply foundation with 1P, attracting buyers and creating a flywheel that drives 3P seller participation, product selection, transaction volume and efficiency. That flywheel is gaining momentum.

We are now seeing meaningful 3P participation in response to marketplace buying demand. 3P sellers in Europe increased more than 400% year-over-year and now represent over 15% of Europe marketplace GMV compared to 6% just a year ago, reinforcing our belief that we are still in the early stages of a significant opportunity.

Turning to New Classic. The integration remains on track for completion by mid-next year and continues to be an important strategic priority.

Our teams are aligning systems, processes and operations while identifying opportunities to introduce new product offerings, improve efficiency, capture synergies and leverage the scale of our platform.

As we had shared during the last call the New Classic portfolio saw an approximately 20% year-over-year decline in Q1 immediately following the close of the acquisition.

The decline was due to both challenges faced by traditional wholesalers in the industry and by initial disruptions following the change in ownership. Encouragingly, that decline improved to 8% in the second quarter, reflecting stabilization and early progress from our integration efforts.

We believe the larger opportunity still lies ahead. New Classic brings a strong brand, established customer relationships and a meaningful brick-and-mortar distribution that complement our existing strengths. These channels create new opportunities for growth, and we are already introducing additional products and offerings to this customer base.

While we are pleased with the progress made so far, we are even more excited about the opportunity ahead.

We believe New Classic is well positioned to benefit from the scale, resources and capabilities of the GigaCloud platform, creating long-term value for customers, partners and shareholders.

Now I'll turn the call over to Erica for a discussion of our second quarter financial results.

Erica Wei^ Thank you, Iman. Thank you all for joining us today.

As a quick reminder, all figures covered today are rounded and unless otherwise noted, comparisons are against the same period last year.

Now let's get into it. Despite continued market uncertainty, we delivered record revenue and record quarterly EPS through disciplined execution and a focus on profitable growth. Revenue increased 28% year-over-year to $412 million including 23% organic growth and a 5% inorganic contribution from New Classic. EPS rose 28% to $1.16 per share, a testament to our team's strong execution and the enduring strength of our business model.

Now let's break it down further, starting with service revenue.

Strong marketplace activity drove service revenue growth of 25% to $121 million. Service revenue growth was supported by higher demand for ocean freight, warehousing and last mile services as well as increased commission revenue from higher transaction volumes. Service gross margin improved 3.2% sequentially to 11.7%, driven by ongoing carrier optimization, responsive pricing for our service offerings and favorable ocean freight dynamics. Because much of our ocean freight capacity is secured through long-term contracts, our service margins benefited as spot rates moved higher during the quarter.

Moving on to product revenue. Product revenue increased 29% year-over-year to $291 million with growth across all regions. In the U.S., product revenue grew 17% despite continued softness in the broader furniture market.

We benefited from a strong outdoor furniture season in Q2, and our ability to deliver was driven by capabilities gained from acquiring Noble House, an asset that has become an ongoing and growing contributor to our revenue and earnings. That success gives us a proven playbook as we turn to our newest addition, New Classic.

New Classic generated $16.3 million of revenue during the quarter. While sales declined 8% year-over-year, performance improved significantly from the first quarter as we stabilized operations and advanced integration efforts.

We believe New Classic is following a similar path to Noble House, where operational improvements and disciplined execution unlock meaningful value over time. Europe remained a standout performer with product revenue increasing 54% year-over-year to $109 million.

Growth was driven by continued marketplace expansion, increasing buyer and seller participation and stronger relationships with international partners. Europe continues to validate the scalability of our model outside the U.S. It has become a meaningful contributor, an important source of diversification and a powerful growth vector that we believe can remain a significant opportunity for years to come.

Product gross margin was 31.4%, in line with the previous quarter. On a combined basis, total company gross margin was 25.6%, a sequential increase of 1.7% from prior quarter.

Sales and marketing expense was $36 million or 9% of total revenue compared with 8% a year ago, primarily due to higher channel commissions and spend supporting our European expansion. General and administrative expense was $19 million or 5% of revenue compared to 4% in prior year quarter.

As we previously discussed, our annual stock-based compensation is granted in the second quarter each year with a substantial portion vesting immediately upon grant. Consequently, the resulting expense is directly tied to our share price on the grant date, meaning the higher share price this year resulted in an increased total SBC expense. As a result, share-based comp was $11 million in the second quarter of 2026 compared to $3 million in the second quarter of 2025.

Dilutive effects from our 2026 SBC grants have already been offset by buybacks executed in the second quarter, which we will go into more details on shortly.

We generated record quarterly net income of $42 million or 10.3% of revenue, up 22% year-over-year. Supported by share repurchases, diluted GAAP EPS increased 28% to $1.16 per share.

Operating cash flow was $48 million during the quarter. We remain debt-free as of quarter end and ended the quarter with $379 million of total liquidity which includes cash, cash equivalents, restricted cash and short-term investments.

We continue to execute on our share buyback plan. As we had previously communicated, we retained the flexibility to execute our share repurchase plan opportunistically during periods of market volatility.

As our share prices experienced a downward dislocation during the second quarter, we leaned into that approach and accelerated our share -- our repurchases, executing approximately $30 million in buybacks at a weighted average price of $39.55 per share. All repurchased shares as of June 30, 2026, have been retired.

Subsequent to June 30, 2026, we further executed another $18 million in buybacks at a weighted average price of $36 per share. This brings our total execution under our $111 million authorized plan to $81 million as of today. This leaves us with $30 million remaining under our previous authorization and two years still left on that plan.

In our view, that level of capacity is insufficient to act decisively when opportunities arise. As a result, our Board has approved the cancellation of our existing plan and authorized a new buyback plan of $120 million, effective immediately with a duration of three years.

Regarding M&A, our near-term priority remains the successful integration of New Classic. Once that progress is further along, we expect to become more active in pursuing additional acquisition opportunities that support our long-term growth strategy.

Looking ahead, we expect third quarter revenue to be in the range of $375 million to $400 million.

Operator, we are now ready to begin the Q&A session.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) The first question comes from Thomas Forte from Maxim Group.

Thomas Forte^ Larry, Iman, Erica, a congratulations on the very strong results.

I have three questions. I'll go one at a time.

So Erica, I didn't hear two words in your prepared remarks.

So I'd appreciate if you could comment on tariffs, refunds, and if it's something that you have an opportunity to do given that a lot of other companies are talking about it this quarter.

Erica Wei^ Yes, Tom.

So we have been applying for tariff refunds just like everyone else has, and we have already received a portion of them.

So far, the amounts received are not terribly material to date.

In the grand scheme of things, given the acquisition situation with New Classic and customers that had previously received price increases because of purchasing containers, I think we -- in the net of things, I don't think it will be a meaningful effect for GigaCloud as a whole in the long run since we may not be able to retain all of the economic benefits.

Thomas Forte^ Then the second question I had is, during the quarter, Amazon launched Supply Chain as a Service.

So I'd appreciate you explaining to the market why you think it is or is not a competitor. If it is a competitor, why you believe you're better situated to succeed in your efforts?

Iman Schrock^ Tom, we continuously monitor developments across the logistics landscape. Amazon's logistics network is broad, but our value proposition extends beyond transportation.

Our strength lies in the combination of our B2B marketplace and integrated logistics solutions that we provide for large parcel products.

We are purpose-built for large parcel and are completely channel agnostic, enabling customers to fulfill orders across multiple sales channels through a neutral platform.

We believe this flexibility combined with our marketplace continues to differentiate our offering.

Thomas Forte^ Excellent. Third and final question.

So as you get bigger, M&A activity also needs to get bigger to move the needle.

So what's your appetite for larger scale acquisitions?

Erica Wei^ So it really is a target -- sorry, I'm hearing a little bit of feedback. It really is target specific.

So I think there is appetite for perhaps something a little bigger as we grow once we are past the initial stages of integrating New Classic.

Now when it comes to a topic of specific size, it really depends on who the target is and how well they fit in with GigaCloud's long-term objectives strategic-wise rather than a fixed specific range we are trying to hit. Does that answer your question?

Thomas Forte^ Yes. So congrats again on a very strong quarter.

Operator^ The next question comes from Matt Koranda from ROTH Capital.

Matt Koranda^ I just wanted to hear a little bit more about the third quarter growth outlook, the 17% growth that you've incorporated into the outlook. How is New Classic factored into that just given some of the headwinds you mentioned on New Classic's products?

Erica Wei^ Matt, so our current guidance incorporates -- it's inclusive of the inorganic contribution we should be seeing from New Classic.

As we go further down with our integration efforts, we should continue to see New Classic stabilizing more operational-wise and continue to see improvement when it comes to performance.

Matt Koranda^ Okay. Maybe you could just unpack some of the drivers of the improvements at New Classic that you're making. I just want to hear a little bit more about the integration there.

Erica Wei^ Yes. So the first two quarters of our integration efforts have mostly surrounded integrating the teams, the processes, the operations.

So what that means exactly, as you know, we -- when we make an acquisition, we tend to integrate the two teams together right away with the intention of running just one big organization, one big team rather than having the acquired targets operate as a standalone company.

So there's a lot of initial work surrounding simply having the right systems talk to each other, the right folks working together and having an improved processes that considers the differences in the acquired business and what GigaCloud already has.

That takes a good amount of time to straighten out, and that's where most of our energy has been going to in the first two quarters.

Once we get past that initial stage of smoothing things out and having everyone operate as one, then we enter the stage of introducing, on a more significant scale, new products that reflect the capabilities of the original GigaCloud and the acquired company and that better suit our customers' needs.

Matt Koranda^ Okay. Those new products should be rolling out within the next quarter or so or like, I guess you're two quarters into the integration.

So just where are we in terms of that -- the process you laid out?

Erica Wei^ We have already began introducing a little bit of new products, just not at a very significant scale. I think over the next several quarters, we should be seeing more of a pickup.

If you think back about our timeline with Noble House, it usually takes about three to four quarters before we see that pick up more because think about day one when we start the integration to being past the original system integration and the timing that is needed, the amount of time simply needed to develop new product, have it ordered, have it shipped and then have it sold.

That alone takes several quarters.

Matt Koranda^ Okay. Got it.

Then just on the service margin improvement, I guess now that you've locked in ocean freight contracts for the year and maybe have a little bit of visibility into the trajectory of spot rates, is it safe to say that gross margins should expand next quarter and maybe even for the remainder of the year?

Maybe just speak to the service gross margin improvement and the trajectory there.

Erica Wei^ Yes. So what we do have visibility into is our cost. But the other end that we can't necessarily have long visibility into is the market pricing. That's the price part of our equation, right?

So Ocean specifically has been quite volatile in the past few months because of everything that's going on in the world these days. And unfortunately, I don't know we're going to be able to predict where the world is in another three to six months.

But cost-wise, I do think we are in a very good position.

Matt Koranda^ Okay. Got it.

I guess the inverse of that is you guys have always said or for the past couple of quarters, you've said that, I guess the service and the product businesses act as a natural hedge.

So if we do have, I guess firmer Ocean spot, does that eventually weigh on product gross margins?

I mean I noticed they've been going up despite that, but maybe just a little bit on the product gross margin side of the business as well.

Erica Wei^ Yes. Great question.

So you're right, they do hedge each other a little bit naturally. For Ocean specifically, on the pure service front, it is both a revenue and a cost to us.

On the product side, it is simply a cost. Naturally, we treat it like any other cost increase if there are fluctuations. We bake it into the product price and try to capture the margins there when there is a cost increase in the form of a product price increase.

So there will be additional pressure on the product margins when Ocean spot rates go up, and there is margin support on the service side when Ocean goes up.

Operator^ The next question comes from Bill Dezellem from Tieton Capital Management.

William Dezellem^ That's Tieton Capital Management. Tying into your discussion about your next acquisition.

As you think about the capabilities that you will be looking for with that acquisition and -- or maybe the strategy that you will have for it, would you walk us through how you're thinking about that, please?

Erica Wei^ Yes. So first off, I want to be clear, right now the priority is New Classic.

We don't want to overload the team until we're ready for our next move. But to answer your question, generally, it's all going to be about our strategic growth initiatives and how well a certain target might fit in with those objectives.

So there's right now generally three types of targets that we would consider.

First one is a product distribution-oriented target, meaning someone, for example, similar to New Classic who is a more in lines of a traditional wholesaler or distributor that connects already with a lot of brick-and-mortar type retailers. That is a very advantageous merge with what our platform already has in terms of customer reach and giving us the ability to serve more corners of the market for the industry.

The second type would be a technology add that helps us better serve our customers.

So a good example of this would be the Wondersign acquisition that we made in 2023. It's a technology company that gives us a tool or the capabilities to better serve our retailer clients, brick-and-mortar retailers.

So that is something we would also be open to down the line.

Then third, last but not least, for Europe, we would also be open to considering targets that give us more of a boost on the logistics front.

So Europe, as you know has been growing incredibly well for us. We've seen a tremendous amount of addition from new sellers and buyers and overall transaction volume. That volume needs to be supported by good and efficient infrastructure for us to capture all of the value there.

So we have been growing that infrastructure organically with our own team. However, the growth is quite fast, and it certainly wouldn't hurt if there were external forces that we could leverage to accelerate. Does that answer your question?

William Dezellem^ It does. I really appreciate the thorough response.

To be clear, not trying to get ahead of New Classic being fully integrated and you being ready, but let me take that a step -- twist that a bit.

If you were to find a Category 3, the addition that would boost European logistics, is that something that you would be open to doing now since that would be geographically separate from New Classic?

Or am I getting ahead of myself at this point?

Erica Wei^ Great question. It would really depend on the specific case, meaning it's -- or said simply, it's a weighing of the advantages and the cost. How much do we think we can gain from this acquisition versus how much integration efforts and cost of purchasing we see from doing the deal?

It's I guess it's really a case-by-case scenario depending on what the target or who the target is rather than a predetermined hard-line equation that we are trying to hit, if that makes sense.

William Dezellem^ Congratulations on a terrific quarter.

Operator^ (Operator Instructions) The next question comes from Rommel Dionisio from Aegis Capital.

Rommel Dionisio^ I wonder if you could provide just a little more granularity on the real strength in Europe. Obviously really impressive performance there on the top line.

Which particular regions are doing well for you?

I think you mentioned Germany in the past. And also, could you refresh our memory on what's the margin profile there?

Is it approaching margins or reaching or exceeding margins from your core U.S. revenues?

Erica Wei^ Yes. I heard a little bit of echo, but I think the question was what are the biggest region contributors and what are the -- what's the margin performance?

Is that right?

Rommel Dionisio^ That's right. Yes.

Erica Wei^ Perfect. Yes.

So the fastest-growing region for us is Europe. Europe as a whole has been performing quite well. We've seen a tremendous amount of new seller addition and a lot of buyer activity.

In the previous few quarters, Europe growth has been mainly driven by our product numbers or said simply, our 1P activity which is a common approach for us when we enter a new market. We leverage our 1P as the initial product supply to ensure the market is properly seeded with good product, which draws in buyers.

When there is sufficient buying power, that is usually when we tend to see 3P start doing more. Once that happens, 3P a lot of times enters a fast-track growing stage. And right now we're seeing three-digit growth come out of Europe because of that.

So we're at that phase, 3P is really starting to pick up.

On a combined basis, we're seeing high double-digit growth come out of Europe. So that's our strongest growing region.

In terms of margin, so we only report on one segment, and we don't disclose region-specific margins. But Europe as a whole, especially on the product front is a very strong margin contributor, where it is lagging slightly compared to the U.S. is the service front or logistics because logistics naturally is a game of density, a game of scale. And comparing Europe to the United States, size-wise, the time of duration-wise, it's still not where the U.S. market is.

But over time as we continue to grow that market, build up more infrastructure, build deeper relationships with our vendors, I do expect that margin gap to close over time.

Operator^ This concludes the question-and-answer session, and the conference has now concluded.

Thank you for attending today's presentation. You may now disconnect.