

**GigaCloud Technology (Q2 2025 Earnings)**  
**August 7, 2025**

Corporate Speakers

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

Participants

- Thomas Forte; Maxim Group; Analyst
- Matt Koranda; ROTH Capital Partners; Analyst

**PRESENTATION**

Operator^ Welcome to GigaCloud Technology's Second Quarter 2025 Earnings Conference Call.

Joining us today from GigaCloud are the company's Founder, Chief Executive Officer and Chairman, Larry Wu; its President, Iman Schrock; and its Chief Financial Officer, Erica Wei.

Larry will begin with some opening remarks, Iman will discuss the company's operational progress and Erica will review financial results. After that, we will open the call for questions.

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

Additionally, today, the call will include the discussion of non-GAAP measures within the meaning of 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 as well as on the company's website.

I would now like to turn the call over to Larry. Please go ahead, sir.

Larry Wu^ Thank you, Operator. And welcome, everyone, to our call today.

Let me start by saying what -- the eventful quarter we had between supply chain disruption from tariff hikes, a challenging industry backdrop and the continued execution of our SKU rationalization initiatives.

We have a few curveballs. Yet despite it all, we delivered strong results. Revenue increased by 4% year-over-year, exceeding our own expectations. And more importantly, we drove a greater share of that growth into bottom line performance, which grew 28% year-over-year.

A few highlights on the key events of this quarter before we dive into details.

We started this quarter facing heightened tariff on our key sourcing countries including Vietnam, China and Malaysia. With the rapid changes that followed by -- was followed shortly after the initial announcement. The unprecedented level of uncertainty quickly led to disruptions in the overall ecosystem. A number of our 3P partners halted shipping for several weeks, adopting the wait-and-see approach, and we had to act quickly to ensure our own competitive sourcing.

Despite this challenge, we saw marketplace GMV grow by 31% on a trailing 12-month basis. Rather than a setback, I see this event as a proving ground for the marketplace and the Supplier Fulfilled Retailing or SFR model one designed to bring agility and the efficiency to global trade.

As I said, last quarter, but bears repeating, our marketplace powered by SFR model, is an adaptive channel-agnostic ecosystem purpose built to allow participants to pivot quickly by creating new path forward when old ones become hindered.

In today's environment, where efficiency and flexibility aren't just advantages, but necessities, our value proposition is critical.

Momentum in Europe continued to build with the GMV up 59% year-over-year. To support that demand, we recently opened an additional fulfillment center in Germany, which is quickly becoming a key part of our global network.

We're also seeing growing interest from our 3P suppliers looking to diversify beyond the U.S. market, especially in light of recent trade tariff, a clear sign that Europe is shaping up to become more than just a growth market for us.

Looking internally, our SKU rationalization effort for the Noble House portfolio are advancing as we continue to purposely streamline our product portfolio by phasing out low-margin SKUs by replacing them with high-performing profit driving product offering.

Iman will share more details on this shortly.

As we have communicated before, we have been and always will be focused on -- now I will turn the call over to Iman to provide an update on our key operational goals.

Iman Schrock^ Thank you, Larry. Despite continued market uncertainty, our marketplace once again delivered impressive results.

For the trailing 12 months ending June 30, 2025, GMV increased over 31%, surpassing \$1.4 billion.

As both sellers and buyers of large parcel goods capitalized on the advantages of our flexible SFR model.

Our active 3P seller base continues to expand, standing at 1,162, up about 25% from last year.

GMV from this group rose roughly 32% year-over-year on a trailing 12-month basis to \$758 million.

Our active buyer base maintained strong momentum surpassing 10,000 for the first time to almost 11,000, an increase of approximately 51% year-over-year.

As we continue to welcome a growing number of new buyers to our platform, we see a slight dip in average spend since newcomers typically start small before scaling up their activity over time.

Europe continues to be one of our strongest growth areas. GMV in the region grew 59% year-over-year in the second quarter.

While our 1P sales there remain robust, we are particularly excited about a notable and recent surge in interest from the 3P seller partners to enter this market. Historically, 3P activity has been largely focused on the U.S. domestic market.

But just in the past couple of months, we have seen a meaningful shift with 3P sellers now actively seeking expansion into Europe and other international markets as means to diversify their channels and better navigate evolving trade dynamics.

Our platform and infrastructure empower our partner to scale quickly and efficiently without the burden of heavy capital commitments while remaining agile in a rapidly evolving environment.

We are honored to be the partner they trust to facilitate this expansion and proud to play a role in their growth journey.

This expansion of 3P into Europe is yet another example of GigaCloud's proven playbook, we go first.

We enter new markets first through 1P, validate scalability, profitability and only then do we bring in 3P partners.

By taking the lead, we ensure our partners step into a proven framework for success without the time investment risk or the risk associated with trial and error. Europe is emerging not only as a growth region, but as a strategic pillar of our global expansion. To support these demands, in July, we opened an additional fulfillment center in Germany, our sixth in the country, bringing our global footprint to approximately 11.2 million square feet.

Germany is now a vital hub for fulfillment across Europe.

With more sellers looking to expand beyond the U.S., we are scaling thoughtfully.

Over time we see Europe as having the potential of becoming a business of comparable scale and significance to our domestic U.S. operations in the years ahead.

Turning our attention to recent SKU rationalization efforts, as we shared in our previous earnings, the legacy Noble House operations have now been fully integrated into GigaCloud with everyone working as one team.

Once operational processes have been successfully streamlined, we turned our attention to the product portfolio. When we first acquired Noble House out of bankruptcy, we inherited a portfolio of over 8,000 SKUs that have been stalled for more than a year, posing a significant challenge to profitability.

Since then, our team has worked diligently to develop new SKUs that align with today's market demands.

I am proud to share that as of today, we have retired 3,800 outdated SKUs, introduced approximately 1,200 new ones and continue to carry around 3,000 original SKUs with plans to expand further throughout the year.

In addition to new product offerings, we've also gained significant efficiencies by embracing the marketplace with this portfolio and benefiting from the differentiating advantages brought to us by the SFR business model. The strengthened SKU lineup, coupled with lean execution enabled by our marketplace has significantly improved the margin profile of Noble House portfolio, now just three points behind legacy GigaCloud.

We remain focused on disciplined execution. And by next summer, we expect portfolio to settle into a more stable rhythm, shifting from a full overhaul to a balanced ongoing cadence of SKU refreshes and retirements as is typical for any healthy product portfolio.

Now I'd like to turn things over to Erica for a discussion of our second quarter financial results.

Erica Wei^ Thank you, Iman, and hello, everybody. A quick note before we dive in. All figures I cover today are rounded, and unless otherwise noted, comparisons are against the same period last year.

With that, let's take a look at this quarter's results. Total revenues grew 4% to \$323 million as a result of increased market recognition and scale of our GigaCloud marketplace.

We will now break this down across our product and service revenue streams.

Starting with products. Total product revenue grew by approximately 5% year-over-year to \$226 million, largely outpacing our expectations.

Our main growth contributor this quarter was international momentum, once again led by Europe's impressive 59% year-over-year revenue growth.

With this performance, Europe now represents roughly 1/4 of our global revenue, underscoring its critical role in our diversified growth strategy. The strong growth seen in Europe was partially offset by 11% decline in U.S. domestic product sales.

Of this decline, approximately 5% was attributable to our proactive SKU rationalization efforts and 6% was due to broader industry headwinds felt in the U.S. Notably, our outperformance was largely due to the legacy Noble House portfolio.

While we had initially modeled a larger year-over-year decline of revenue as we went through SKU rationalization, performance for this portfolio pleasantly surprised us and contributed a little under 25% to our global product sales. Product margin improved by 174 basis points sequentially to 29.2%. The main driver of this improvement was our recent efforts for the legacy Noble House portfolio.

Over the last 12 months, we have focused on introducing new products and SKUs that better align with customer demand while simultaneously benefiting from the efficiencies brought by the marketplace and our large network of suppliers. These efforts are now paying dividends, and we expect further benefits as we refine execution.

Moving on to services.

Service revenue grew modestly year-over-year at approximately 1%, reaching \$97 million for the second quarter of 2025, driven by strong 3P GMV growth. Growth brought by overall volume increase was offset by lower ocean freight revenue as we saw market spot rates decline compared to prior periods, and ocean shipping volume declined due to temporary disruptions in April and May as many of our 3P suppliers halted shipments while waiting for policy clarity.

Service margin came in at 11.4%, down sequentially by 4.5%, largely reflecting the impact of lowered ocean spot rates and lower warehousing utilization during the quarter due to the temporary April and May supply chain disruptions discussed earlier. After the temporary slowdown in shipping demand driven by tariff-related uncertainty we have since seen volume largely return to their normal levels.

On a company-wide basis, gross margin was 23.9% for the second quarter a 50 basis point sequential expansion from the first quarter of 2025. Total operating expenses were 13% of total revenue, roughly in line with the first quarter but substantially lower than 16% from prior year quarter. The year-over-year decrease was mainly a result of lower stock-based compensation in the current year.

As you may recall stock-based compensation is provided to most employees once a year and vests upon grant.

As such, expense amount directly correlates with share price at the time of grant, which was lower than that of prior year.

This year, we also adjusted our annual bonus structure by shifting from 100% stock-based bonus payments to a 50% stock and 50% cash bonus. This change was designed to reduce sell pressure from team members due to taxes while still aligning incentives with company long-term performance.

Net income grew to \$35 million for the second quarter with net margin of 10.7%.

We ended the second quarter with liquidity of nearly \$304 million which includes cash, cash equivalents, restricted cash and short-term investments. To date, in 2025, we generated operating cash flows of \$48 million, executed \$46 million in share buybacks and made net purchases of liquid investments consisting of treasuries and deposits of approximately \$20 million. And even with all that capital deployment, our liquidity position has remained largely steady compared to end of last year, which speaks to the strength of our cash generation and disciplined approach.

We will be coming up on our three-year anniversary as a public company soon on August 18.

I would like to take this as an opportunity to reflect on how we have deployed capital over the last three years.

We received gross proceeds of \$41 million from our IPO in 2022. Since then, we have executed \$71 million in share buybacks and \$87 million in strategic acquisitions to create value.

We remain focused on this disciplined approach to support long-term growth strategies and returning shareholder value.

Turning to our outlook for the third quarter.

Total revenue is expected to be between \$295 million and \$310 million.

I would like to take a moment to discuss how recent tariff developments may impact the coming quarters.

As we all know April saw a short-lived but sharp spike in tariffs. While these tariffs have since stabilized, this resulted in cost increases for products procured during that period, which as discussed last quarter, will largely cycle through our Q3 sales. As a result, we expect an around 2.5% gross margin headwind in the coming quarter.

While we anticipate offsetting these cost pressures through targeted price increases, the supply chain will require some time to fully absorb and adjust to these changes.

As a result, we may still see temporary near-term impact before normalization occurs.

Thank you all for your time and attention today.

With that, I will turn it over to the operator for Q&A.

## QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Your first question comes from Tom Forte with Maxim Group.

Thomas Forte^ So one question and one follow-up. So congratulations on the quarter.

Can you give a little more details on Noble House's performance in the June quarter and then where you stand on your SKU rationalization efforts as we enter the second half of 2025 as it pertains to Noble House?

Erica Wei^ Thank you, Tom.

So I think we've made pretty good progress with the SKU rationalization efforts overall. Like Iman talked about earlier, we've since introduced 1,200 new SKUs and also trimmed down the overall portfolio to kind of remove a lot of the older ones that weren't contributing positively.

So the results of these efforts, combined with kind of working that in with the marketplace and leveraging the efficiencies have really, I think, performed quite well in Q2.

And overall, I think our project is a little bit ahead of schedule, and it's kind of contributing meaningful margins a little earlier than we expected during the peak season of outdoors in Q2. Moving ahead, the SKU rationalization efforts will be continued. And hopefully, by next Q2, which is the coming -- the next peak sales season for outdoors, is when we expect the portfolio to reach kind of a stabilized stage where there's just a normal stable amount of SKUs being retired and introduced rather than an entire overhaul.

Thomas Forte^ And my follow-up, we're hearing from suppliers that with the dynamic tariff environment, sometimes you're seeing things, for example, go from China to Southeast Asia, so - and then successfully capture a lower tariff rate but then face a higher build cost.

So as it pertains to the where your items are sourced from? How should we think about not just the tariff impact inside and outside China, but the relative sourcing costs.

Erica Wei^ So I think the key here is really flexibility, especially during times where things seem to change quite rapidly. And even though things are a little calmer now there still is a decent amount of uncertainty. This is kind of what we have always focused on and one of the things we do best is maintaining strong relationships with a very, very large network of suppliers and having a dynamic portfolio that allows us to react quickly based on what the current policies are and where we need to be sourcing from.

Operator^ Your next question comes from Matt Koranda with ROTH Capital.

Matt Koranda^ Just on the second quarter, curious where like sort of the upside to your initial guidance came from. Maybe do you want to discuss sort of how things progress through the quarter and what surprised you to the upside that drove the strong execution in the second quarter?

Erica Wei^ Yes. Thank you, Matt.

So the big surprise for us was Noble House. Originally, when we gave Q1 guidance, we were modeling in a larger year-over-year decline because of the SKU rationalization. We might have been a little bit conservative in our estimate, given this is the first outdoor seasons that we've had the opportunity to try out all of our new SKUs and the performance was better than expected.

Matt Koranda^ Okay. And then the tariff impact that you mentioned towards the end of the prepared remarks, 2.5%, I assume that's gross margin headwind. Is that unmitigated so that you have essentially levers at your disposal to pull to offset some of that 2.5%. So 2.5% is as bad as it will get? Maybe just talk a little bit about the mitigation efforts.

Erica Wei^ Yes. That's right. That's unmitigated. So the strategy is to moving down the line, have targeted price increases on certain products where market allows. But naturally, this isn't something that I think is the entirety of the supply chain just adjust to and digest overnight. It will likely take a bit of time. And we don't know if the levers will allow us to absorb the 2.5% estimated headwind right away 100%.

Operator^ There are no further questions at this time and that does conclude our conference for today. Thank you for participating. You may now disconnect.