

GigaCloud Technology (Q1 2026 Earnings)
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Corporate Speakers

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

Participants

- Thomas Forte; Maxim Group; Managing Director, Senior Research Analyst
- Ryan Meyers; Lake Street Capital Markets; Analyst
- Unidentified Participant; Unknown; Unknown
- Rommel Dionisio; Aegis Capital; Head of Research

PRESENTATION

Operator^ Good day, everyone, and welcome to GigaCloud Technology's First Quarter 2026 earnings conference call.

Joining 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 provide opening remarks, Iman will discuss the company's operation progress, and Erica will review financial results.

After that, we will open the call to 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's call will include a discussion of non-GAAP measures within meaning of SEC Regulation G.

When required, a reconciliation of all non-GAAP financial measures to the most direct 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.

Larry Lei Wu^ Thank you, Operator, and hello, everyone.

Our first quarter results highlight the resilience of our business model and the effectiveness of our strategy. During the quarter, industry conditions remain under pressure with the U.S. furniture industry estimated to be down single digit year over year. While the U.S. remains a critically important market for us, our performance reflects the power of diversification. Driven by the disciplined execution across multiple fronts, we've delivered more than 30% year-over-

year revenue growth and more than 50% EPS growth, proof of a sound strategy and consistent disciplined execution, all guided by a long-term view of where we're headed.

The long-term view is our compass, and it keeps us focused on what works, building multiple growth factors while staying agile and responsive as conditions evolve. That approach continues to deliver across both what's driving us now and what we are building for the future. And the future we're building is clear, a truly channel-agnostic marketplace that serves every corner of the big and bulky industry, whether online or offline, domestic or international, spanning categories and borders, wherever our customers choose to do business. Europe continues to be a powerful proof point, delivering growth today and demonstrating our model scales.

What works here works abroad. Our success in Europe is a strong validation of our strategy, reflecting the value of long-term strategic positioning, thoughtful investment, and the ability to effectively localize. At the same time, we're building for the future.

The acquisition of new classics adds a new and promising growth vector to our platform. While integration is on track and the new classics have already deepened our capabilities by broadening our offering, its full contribution lies ahead. We're approaching it deliberately, confident that with time and the disciplined execution, these new capabilities position us to better serve more corners of the industry in the long run.

We remain optimistic about the future. Our strategy is clear. Our platform is stronger than ever.

Our team is executing with discipline, speed, and purpose. That optimism comes from knowing exactly where we're headed and we're building towards that goal every day through organic expansion and strategic M&A, creating a stronger, more diversified ecosystem without losing agility. Now I will turn the call to Iman for discussion of our ongoing operational progress.

Iman Schrock^ Thank you, Larry, and hello everyone. Our marketplace delivered another quarter of strong growth, further reinforcing its expanding relevance and increasing scale. GMV rose 17% year-over-year on a trailing 12-month basis ended March 31st, 2026 to \$1.7 billion, reflecting both higher transaction activity and expanding buyer engagement. Our marketplace ecosystem continues to strengthen with active third-party sellers growing 19% to 1377, broadening product assortment for our buyers, while active buyers increased 25% to 12,473, reinforcing the platform's value proposition.

These results reflect a healthy, well-balanced marketplace with strong momentum. Our open-ended ecosystem and tech-enabled supply chain drive efficiency and help manage risk, especially in uncertain conditions. We remain focused on execution, operating lean, moving quickly, and maintaining discipline to support long-term growth. Although the U.S. market remains highly volatile due to industry-wide headwinds and ongoing policy uncertainty, we delivered 12% U.S. marketplace GMV growth on a quarterly basis.

This performance was not driven by sector growth. It came from continued market share gains enabled by our SFR trading model and disciplined execution. Moving beyond the U.S., Europe continues to emerge as a powerful growth sector and a clear example of our scalable, execution-

driven model. Overall, marketplace GMV in Europe grew 83% on a quarterly basis, driven by the same disciplined approach we successfully applied domestically here in the U.S. As we've shared before, our [playbook] for new markets remains consistent. Lead with 1P to establish the market and attract buyers. Then, layer in 3P by leveraging buyer demand, creating scale efficiencies, and reinforcing the value inherent in our strategy.

Europe is still early in that journey, with volume today primarily driven by 1P. However, 3P momentum is building rapidly, with quarterly GMV growth of more than 500% year-over-year. That's the power of scaling a proven model. And we are complementing that organic growth with deliberate strategic initiatives, such as our recent acquisition of New Classic, to deepen our reach within the industry and strengthen our presence across a broader range of channels.

With New Classic, we have the opportunity to meaningfully deepen our penetration in servicing brick-and-mortar retailers, a massive segment of the furniture industry with significant runway for growth. All of this is in service to our long-term goal of building the foundational infrastructure that powers the industry, wherever business happens. As Larry shared in his year-end letter to the shareholders, this vision of becoming the industry's infrastructure is exactly where we're headed, and with every move, we'll get closer.

Integration of New Classic is underway and proceeding as planned. We're approaching it with the same discipline and patience that has served us well in the past, because we know that getting this right matters more than getting it fast. Right now, our teams are focused on the foundational work, aligning processes, integrating systems, building relationships with New Classic clients to ensure a smooth transition, and developing new product assortments that are better tailored to the channels New Classic opens up for us.

Consistent with our approach to previous acquisitions, we do not intend to run New Classic as a standalone company. Instead, we will fully integrate New Classic into our platform and manage it as a part of our broader portfolio, unlocking greater efficiency through scale and shared resources. The full value will take time to unfold, but we're confident the long-term payoff, deeper market reach, and more complete offering will be significant.

As we've shared many times before, our focus is on profitable revenue. Unprofitable revenue is simply not our model. One of our core strengths is the ability to pivot quickly when conditions change.

We don't chase revenue for the sake of revenue. So, when tariffs reshaped the landscape in 2025, we moved decisively. We made an intentional decision to exit certain lower-margin product categories in the domestic market, such as steel furniture, where the economics no longer made sense.

That decision put near-term pressure on U.S. revenue, but it was the right call to protect our bottom-line integrity. Now with New Classic, we have a clear path to recapture and grow from there. Through New Classic's strong brick-and-mortar relationships, we expect to drive margin and creative revenue in the U.S. market over time, reinforcing our long-term profitability while

staying disciplined on what we're willing to chase. That's how we grow, not just for the quarter, but for the long run.

Now it is my pleasure to turn the call over to Erica for a discussion of our first quarter financials.

Erica Wei^ Thank you, and hello, everybody. A quick reminder before we get into our financial results. All figures I cover today are rounded, and unless otherwise noted, comparisons are against the same period last year.

First quarter, we drove sustained profitable growth, a challenging backdrop. Revenue grew 32% to \$359 million from last quarter, while earnings per share grew 53% to \$1.04. Breaking our results down further, service revenue increased 24% to \$117 million, as more industry participants turned to our marketplace. Last quarter, packaging, warehousing, and other services revenues hit double digits, partially offset by lower ocean service revenue due to reduced ocean spot rates in Q1 of 2026 compared with that of Q1 2020 -- and reduced ocean volume for the year after tariff changes that occurred in April 2025.

From a margin perspective, service gross margins increased 250 basis points sequentially to [20%]. Primary removal of holiday season surcharges in the first quarter. On a year-over-year basis, service margins declined by 7.3%, mainly driven by lowered ocean spot rates, and also impacted by higher delivery and [risk].

Turning to the product side, product revenue rose 7% to \$243 million, as we saw growth across all regional regions. In the U.S., product revenue totaled \$126 million, up 15% from last year's first quarter, even against a challenging backdrop. Within that 15%, 2% of the increase represented organic growth, while 13%, approximately \$14 million, was attributable to inorganic growth by the acquisition.

That said, on a stand-alone portfolio basis, meaning New Classic's performance to the same quarter last year, before we acquired it on January 1. New Classic was down approximately 20% year-over-year. This (technical difficulty) factors. The difficult U.S. industry environment we've been navigating, and some near-term disruption as we integrate New Classic's operations into our own. This pattern is familiar to us. We saw the same thing with our last acquisition, Noble House, which experienced a similar short-term decline before we streamlined operations, removed redundancies, and applied our platform efficiencies. Once the situation settled, Noble House not only recovered top-line-wise, but also delivered improved margins and stronger profitability.

That's long-term view in action. Patience through the noise, conviction outcomes. Trajectory with New Classic. Short-term followed by long-term margin accretive growth.

In Europe, product revenue grew 80% year-over-year to \$103 million, as we continue to observe strong demand. Product margins were 31.3% this quarter, up 3.8% year-over-year, driven primarily by price increases, as we capitalized on strong demand and benefited from lower ocean shipping costs. As previously shared, while service margins tend to decline during periods of low ocean shipping rates, product margins generally benefited from such lower ocean shipping

rates, with the two having an offsetting. On a sequential basis, product margins declined 80 points due to expected seasonality, with the first quarter generally being our softest. Total company gross margin grew to 23.9% for Q1 of 2026, from 23.4% last year quarter.

From a standpoint, sales and marketing costs for Q1 were \$31 million, or 9% of total revenue, compared to 10% last year. The increase was primarily higher channel commission spend and staffing costs associated with our expansion. General and administrative costs totaled \$10 million, or 3% of total revenue, down from 5% from last year's first quarter, reflecting increased warehouse utilization rates and lower professional and administrative expenses. This brings net income to 10.6%, with net income of \$38, up percent year-over-year.

On a per share basis, EPS was up 53% year-over-year, driven by increased net income and amplified by a reduction in average weighted shares due to buybacks. We used \$22 million in operating cash flows in the first quarter, as we built up more inventory for the summer selling season in the second quarter. Total liquidity inclusive of equivalents, restricted cash, and short-term investments totaled \$364 million.

Importantly, we remain debt-free, with a disciplined capital allocation strategy. This strategy includes for capital to shareholders, through continued buybacks and strategic acquisitions that support long-term growth objectives. As of date, our cumulative share buybacks across all plans totaled approximately \$114 million.

We have completed 38% of our latest \$111 million plan, announced in August of 2025, with \$68 million in remaining authorizations for future buybacks.

Before we wrap up, a note on the second quarter. The flooding that took place in Vietnam towards the end of 2025, the worst in decades, resulted in some delays and short-term supply chain disruptions for our outdoor season inventory.

Looking ahead, we remain confident in our ability to manage through these temporary disruptions and expect revenue in the \$365 million to \$390 million range.

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

QUESTIONS AND ANSWERS

Operator^ Thank you. The floor is now open for questions. (Operator Instructions)

And our first question comes from Thomas Forte from Maxim Group. Sir, your line is live.

Thomas Forte^ Great. Thanks. So, one question and one follow-up. And first off, congratulations on another strong quarter.

So, Larry, as you scale the business, how should we think about your strategic M&A efforts and your interest in acquiring larger assets as the business gets bigger?

Larry Lei Wu^ Yes. Thank you for the question. Yes, so we are continuously looking for the opportunity that could potentially help us build a broader product line or any opportunities to help us to really improve our technology capability to better service the customer. Yes, we are definitely looking.

Thomas Forte^ Excellent. And for my follow-up, how should we think about how rising oil prices affect your business?

Larry Lei Wu^ Yes. Right now I think -- okay.

Erica Wei^ Go ahead, Larry.

Larry Lei Wu^ Yes, you can go ahead.

Erica Wei^ Thanks for the question, Tom. So, I think rising oil prices definitely has an impact in terms of the immediate impact would be to delivery cost, both on the ocean and ground front, right? And then there's obviously the general indirect impact to both the consumer, the earlier parts or the manufacturing stage of the supply chain.

However, it's not fundamentally different from many of the disruptions we've seen in the past. Simply a form of cost increase, it could be -- it could be logistics, it could be [care]. Ultimately, we do try to stay very, very [priced]. So, we're quite confident in terms of navigating such increases.

Thomas Forte^ Great. Thanks for taking my questions. Thanks, Larry. Thanks, Erica.

Erica Wei^ Thank you.

Operator^ Thank you. And our next question comes from Ryan Meyers. Sir, your line is open.

Ryan Meyers^ Hey, guys. Thanks for taking my questions. First one for me, the business is obviously accelerating and performing very well despite what you guys consider a difficult macro environment.

The question is, what do you think is really just driving your guys' ability to consistently outperform sort of the broader furniture and large parcel market right now?

Erica Wei^ Good question, Ryan. I think it ultimately comes down to the marketplace. So, the marketplace that's driven by the SFR model, which is a little bit different from maybe what most folks are used to in the industry, it does truly give participants a little more flexibility, a little more efficiency, and tries to help folks manage risk, especially inventory risk, a little better.

So, as we gain more recognition, a little more exposure, we see more and more joining the marketplace looking for those benefits. And you can see this through our GMV numbers.

Ryan Meyers^ Okay. Got it. And then just briefly a question on inventory and operating cash flow. It was obviously down for the year, and it looks like you guys had a big inventory build. What should we be aware of in terms of that inventory build and the purpose of that?

Erica Wei^ Yes. So, the majority of that was in preparation for the Q2 season. So, I'm sure you're well aware of that. Q2 is a pretty [even] season for us because of our outdoors. So, that was for the inventory buildup.

On top of that, there was also a little bit of increased spend due to the acquisition. New Classic has slightly -- the terms of buying are not as favorable as GigaCloud right out the gate, but obviously that will change with time.

Ryan Meyers^ Okay. Got it. Thanks for taking my question.

Erica Wei^ Of course. Thank you.

Operator^ Thank you. And our next question comes from Matt Koranda from Roth Capital Partners. Matt, your line is open.

Unidentified Participant^ Good morning. It's [Joseph] on for Matt. I just wanted to see if you guys could talk about a little bit here on gross margin profitability, kind of piggybacking on Tom's initial question.

As we think about elevated energy levels, you said in your prior remarks kind of you have some giveback in services gross margins and increased product gross margins as we're thinking about the impact of higher energy levels. But anything else you guys can highlight for us there in terms of the impacts of services in the -- as of the last couple quarters and how should we be thinking about service gross margins as we look into 2026?

Erica Wei^ Thank you for the question. So, for the quarter that just passed, Q1, I think we saw product margins improve year-over-year compared to Q4. That's a result of both us capitalizing on continued demand and pricing appropriately, plus there's also the benefit of spot rates, ocean spot rates particularly going down in 2025.

On the service front, we have the opposite effect. We have decreased service gross margin because of that reduced ocean spot rate. So, there's a bit of a natural hedge going on between the two service -- sorry the two revenue lines.

Moving ahead, assuming spot rates in terms of logistics will be increasing, the two lines might move the other direction, but still in an offsetting manner.

Unidentified Participant^ Got it. Okay. I appreciate the color there.

And then as we kind of integrate new classic is with 1Q being the first consolidated quarter, just any thoughts here on the timeline? Are we expecting the business to kind of slowly ramp just as

we saw Noble House within that 12 to 18-month range? Should we -- should that be accelerated or lagging that timeline?

Just any preliminary thoughts there?

Erica Wei^ Yes. So, I think during our last call, we had communicated roughly six quarters, which is similar to the Noble House case in terms of integration efforts. And we believe that is still the case.

We're on track for that schedule. So, in the beginning, we'll probably see a little bit of disruption similar with Noble House as we are focusing on integrating the foundation and getting the portfolio set up for success in the future. And then once we get through that phase, we'll see things going in the opposite direction and going back to growth.

Unidentified Participant^ Got it. Okay. And then just a final question here.

Could you give us some thoughts on capital allocation? I know the biggest buckets being shared buybacks with you guys having a little bit over \$60 million in shared buybacks left on your authorization and also between international expansion and M&A. Just kind of rough-cut thoughts on how we should be thinking about capital allocation in the near term or longer term?

Erica Wei^ Yes. Thank you. You're absolutely right.

Those are our two main focal points in terms of capital allocation. We've been doing the shared buybacks for a while now. And that's something that will continue to be an important part of our plan.

In terms of strategic acquisitions, that is also something that we have planned for the future. It just won't necessarily be immediately right now since we are focused on integrating new classics along the right way.

Unidentified Participant^ Got it. I appreciate the time. Thank you for answering my questions.

Erica Wei^ Thank you.

Operator^ Thank you. And our last question comes from Rommel -- I'm sorry, Dionisio from Aegis Capital. Go ahead. Your line is open.

Rommel Dionisio^ Good morning. Thank you for taking my question. I wonder if you could provide a little more color, please, on the strength in Europe. Obviously, you're making continued progress in growth in that market.

Could you just talk about it on a regional basis? Is Germany the key driver there or is it some other markets? And also, as you grow so quickly in that market, might that require any infrastructure spend, whether it be warehouses or so forth? Thank you.

Erica Wei^ Yes. Thank you for the question. So, we are doing quite well in Europe.

I think there's a few elements to think about here. First off, the model has been tested and performed well in the U.S., and it's a little, perhaps a little faster when we're scaling things up in Europe as well. On top of that, the difference between the U.S. market and Europe market. Europe is a market that is significantly more fragmented than the United States. More different - more channels, more vendors, more differences in terms of countries, what folks want. As of right now, we are operating out of Germany and the United Kingdom in Europe in terms of warehousing.

However, our product delivery or ultimate sales is not limited to those two regions. Germany is kind of the centralized driver right now, but we are already covering many different countries such as France, Italy, for example, Spain. Moving ahead, given the speed of growth and how much volume, especially the anticipated growth coming from the 3P side, yes, I do think we will be planning for more fulfillment centers in that region.

Rommel Dionisio^ Okay. That's very helpful. Congratulations on the quarter. Thank you.

Erica Wei^ Thank you.

Operator^ Thank you.

Larry Lei Wu^ Yes. This is Larry. There's one call-out I want to add to what Erica already shared about the service margin. Actually, the pressure of the margin is not just coming from ocean shipping, but also comes from the ground service we're providing to our customers.

Just because of the challenge we're seeing from the economy that just because of the redundant capacity that we're seeing, everybody in the shipping industry, that we will see the pressure that we've been seeing will continue probably for the coming few quarters. That's just something I want to add. Thank you.

Operator^ Thank you. This does conclude today's conference. We appreciate your participation. You may disconnect your lines at this time and have a wonderful day.