

## **Jim Suva, SVP Finance, Treasurer, and Investor Relations**

Thank you, operator, and good afternoon, everyone. Thank you for joining us on Cricut's third quarter 2025 earnings call. Please note that today's call is being webcast and recorded on the Investor Relations section of the company's website. A replay of the webcast will also be available following today's call. For your reference, accompanying slides used on today's call, along with a supplemental data sheet, have been posted to the investor relations section of the company's website, [investor.cricut.com](https://investor.cricut.com).

Joining me on the call today are Ashish Arora, Chief Executive Officer, and Kimball Shill, Chief Financial Officer. Today's prepared remarks have been recorded after which Ashish and Kimball will host live Q&A.

Before we begin, we would like to remind everyone that our prepared remarks contain forward-looking statements and management may make additional forward-looking statements, including statements regarding our strategies, business, expenses, tariffs, capital allocation, and results of operations, in response to your questions. These statements do not guarantee future performance, and therefore, undue reliance should not be placed upon them. These statements are based on current expectations of the company's management and involve inherent risks and uncertainties, including those identified in the Risk Factors section of Cricut's most-recently filed Form 10-K or Form 10-Q that we have filed with the Securities and Exchange Commission ("SEC"). Actual events or results could differ materially. This call also contains time-sensitive information that is accurate only as of the date of this broadcast, November 4, 2025. Cricut assumes no obligation to update any forward-looking projection that may be made in today's release or call.

I will now turn the call over to Ashish.

## Ashish Arora, Chief Executive Officer

Thank you, Jim.

We posted solid results in Q3. Sales grew 2%, operating income grew 114%, EPS grew 100%, and paid subscribers grew 6% YoY.

While we are proud of our Q3 results, which represented our second consecutive quarter of positive YoY sales growth, we have more work to do, especially on Engagement, International sales, and Accessories and Materials.

As I mentioned previously, we are relentlessly focused on increasing our speed of execution and are accelerating investments that will help drive future revenue growth. We are continuing to lean into these investments even as we navigate the uncertainty introduced by tariffs and their potential impact on consumer discretionary spending. These accelerated investments include hardware product development, materials, engagement, and marketing, including increased awareness in our international markets. Thus far in 2025, we have launched two new cutting machines, more Cricut Value materials, and several improved engagement experiences, which also include AI.

We need to continue growing our top line to satisfy the expectations of our team and our shareholders. We have conviction in what we need to do to return to sustainable growth. We are focused on attracting more new users to buy our connected machines by addressing affordability and ease of use, while also increasing marketing and awareness. We must ultimately reverse weakening engagement trends and re-inject enthusiasm among our users by enhancing and simplifying the making process. We are committed to taking back our share in accessories and materials.

I will now talk about four priorities: New user acquisition, User engagement, Subscriptions, and Accessories & Materials.

### **New User Acquisition**

We continue to focus on new user acquisition and engagement growth on our platform, which ultimately drives our monetization flywheel.

In Q3, we made two adjustments to our marketing strategy that are yielding good results.

First Target Expansion. We strategically broadened our target audience to reach users with greater disposable income and time, two of our major purchase barriers. We are seeing a significantly higher engagement rate with our ads from this new, expanded group.

Second Increased Marketing Investment. We directed increased spend into the channels that consistently deliver high engagement and high ROI for the brand, and we are seeing a more than 20% increase in overall marketing engagement year-over-year. These efforts are leading to an increase in searches for “What is Cricut” on Google, which we have historically watched as a leading indicator. Our sell-out units continue to be encouraging, with sell-out units up in North America and globally in Q3 and YTD. Sell-out units were also up YoY in the recent October Amazon Prime Day.

## **User Engagement**

Engagement erosion continues to moderate as we held active users about flat for the year. In Q3, we ended with just under 5.9 million Active Users, about flat compared to Q3 2024. 90-Day Engaged Users, who cut during the quarter, declined 3% YoY.

We are on track to meet our goal of dramatically simplifying the user experience by the end of 2025 for our most popular project types—or “use cases.” The use cases we are developing this year cover a large portion of project types cut each year. For each use case, we guide users by first having them choose what they want to make, for example, an iron-on T-shirt. Our platform uses AI image selection, templates, and guided, step-by-step flows. The simplified interface exposes only relevant tools and automates complex manual decisions, such as image sizing and placement on a youth medium T-shirt.

In July, we launched in beta guided flows for Vinyl decals and Iron-On t-shirts, two of our most popular use cases. We have since released them into production during Q3 and their reception has been positive.

At the end of Q3, we launched our next two most popular use cases of Folded Cards and Cardstock cut-outs for beta testing.

We continued our AI investments in Q3 by moving the Create AI feature from beta to production for Cricut Access subscribers, with positive early results. A major advantage of this feature is that the generated images are ready to cut, which is not necessarily the

case with images sourced elsewhere. Thus, dramatically improving the likelihood of user success.

Finally, we brought in more visitors to Design Space via our Engagement marketing campaign in Q3 than in any prior quarter.

Despite the continued pressure on our Engagement metrics, we are confident in our efforts to simplify our design experience by assisting users based on their project intent; continuing to grow the number of images, fonts and editable templates available to users, most notably for Cricut Access subscribers; and improving our capabilities to bring users back to the platform to start or resume a project.

## **Subscriptions**

In Q3, our paid subscribers increased 6% YoY to just over 3.0 million.

Paid subscribers continue to be a big positive for us and increased 166,000 YoY in Q3. We are also seeing positive trends on win-backs, where our promotional offers are driving increased sign-ups from prior subscribers.

We have a rich roadmap to continually increase the value proposition for subscribers. As I previously mentioned, we launched Create AI for our Cricut Access Subscribers, and we will continue to introduce more AI-driven features. Our goal is to make it incredibly compelling to become and remain a subscriber to leverage our content and software tools.

## **Accessories & Materials**

Accessories and Materials sales decreased 17% YoY in Q3.

Over the last several years, we have lost ground to competition in material types where there are low barriers to entry. We continue to see this competitive pressure increase, manifesting in white-label brands in retailers, as well as new entrants in online marketplaces and in retail. We have embraced the challenge of providing refreshed and cost-competitive materials and accessories offerings. As these offerings continue to roll

out over the coming months, we intend to reclaim market share and, by doing so, enhance the making experience of our users. We are focused on having the right product configurations in the appropriate channels, so Cricut materials are the obvious choice when users want to make.

In Q3, we launched several new project materials including printable temporary tattoos and magnet sheets. In addition to printables, we also added new finishes and types of iron-on including Flocked, Color Pop, 3D and Puff.

We also continue in our relentless focus to drive costs out of this business, including optimizing country of origin by material type. While we have diversified most of our finished goods supply base largely outside of China over the last several years, we continue to manufacture in several countries in Asia. We believe we have a competitive advantage in the diversity of our supply chain configuration relative to the competition. We remain nimble as we navigate unprecedented tariff uncertainty.

Recall in 1H 2024, we launched the Cricut Value line of materials. We continue to accelerate this business, launching additional SKUs and material types. We continue to be optimistic about this product line as we see it perform well, but it is still a small portion of our portfolio. We have additional innovation, products, and cost reductions coming in the quarters ahead.

Our teams did a great job executing during the October Amazon Prime Day where we saw positive YoY growth for accessories and materials.

Consistent with prior comments, we will continue our promotional cadence in this category to remain price competitive for consumers with a focus on winning share.

We are intensely focused on the overall customer experience. It's our fundamental belief that when we give people more reasons and inspiration to make things easily and affordably, we will see a lift in materials consumption. We are driven to continue to innovate while exhibiting both long-term focus and current discipline.

With that I will turn the call over to Kimball.

## Kimball Shill, Chief Financial Officer

Thank you, Ashish, and welcome everyone. In the third quarter, we delivered revenue of \$170.4 million, a 2% increase compared to the prior year. We generated \$20.5 million in net income or 12.0% of total sales in Q3.

Breaking revenue down further, Q3 2025 revenue from Platform was \$82.8 million, up 7% YoY. We ended Q3 with just over 3.0 million paid subscribers, up 6% YoY. We continue to expect paid subscribers to be up in Q4 and for the full year. Platform revenue growth was primarily driven by higher paid subscribers YoY. ARPU increased 4% to \$54.96 from \$52.86 a year ago.

Q3 Revenue from Products was \$87.7 million, down 3% YoY. Connected machines revenue increased 12%, due to both higher machine unit sales and higher average selling prices, helped by our newer machine launches and fewer legacy machines. As Ashish mentioned, machine sell-out units in North America and globally were up in Q3 and continue to be positive year to date. We don't have perfect coverage for sell-out data in all channels, so treat this as directional. Accessories and materials revenue decreased 17% YoY. Recall, last quarter we had the opportunity to accelerate shipments of accessories and materials, resulting in 12% YoY revenue growth in Q2. If you average these, normalized accessories and materials revenue continued to decline.

In terms of geographic breakdown, international revenue for the quarter was \$40.5 million, an increase of 5%, compared to Q3 2024, and included about 4% of FX benefit, with platform up and products down, similar to last quarter. As a percentage of total revenue, international revenue was 24% for Q3 2025, compared with 23% of total revenue in Q3 2024. We see positive momentum in our UK and Western European businesses where we continue to invest in sales and marketing, which sets us up well for peak Holiday season. We are also starting to see green shoots in our nascent India and Japan regions with expanding distribution and demand. We are also pleased that Australia is stabilizing in the second half of the year through increased promotions and demand generation. We are increasing sales and marketing resources to further fuel momentum in our international markets.

We ended the quarter with over 3 million paid subscribers, up 6% or 166,000 from Q3 2024, and down 6,000 or less than 1% sequentially, partially due to seasonality and the

introduction of a new pause feature where we don't count paid subscribers in the metric. Recall we have highlighted previously that Q3 paid subscribers could be flat to down. Platform continues to be a bright spot for us, and Ashish detailed our efforts that are gaining traction in this area.

Moving to gross margin. Total gross margin in Q3 was 55.2%, an increase from 46.1% in Q3 2024. The improvement reflects higher product gross margins and a higher amount of subscription revenue as a percentage of total revenue with higher platform margins.

Breaking gross margin down further, gross margin from Platform in Q3 was 89.2% compared to 87.1% a year ago. The increase in Platform gross margin for the quarter was primarily related to lower amortization of software development costs.

Gross margin from Products was 23.1%, compared to 10.7% in Q3 a year ago. The increase in gross margin for the quarter was primarily due to less reserves compared to last year, the selling of previously reserved excess and obsolete products, and a more favorable mix shift toward newer products. The uplift from these items more than offset our promotional activities.

Total operating expenses for the quarter were \$71.4 million and included \$7.1 million in stock-based compensation. Total operating expenses increased 7% from \$66.8 million in Q3 2024. Recall, we increased our marketing efforts during 2024 by \$20 million and continued at a similar rate through Q3. We will continue to be data-driven in our future marketing spend and expect to lean in through the holiday season, even as we navigate the uncertainty from tariffs and potential impact on consumer spending. We will continue our physical products and platform investments to drive future growth as we manage our business through a long-term lens.

Operating income for the quarter was \$22.7 million, or 13.3% of revenue, compared to \$10.6 million, or 6.3% of revenue in Q3 last year and benefited from the mix of higher sales from Platform and higher Product margins, which we previously mentioned.

The tax rate in Q3 2025 of 20.0% was slightly higher than the 18.9% in Q3 2024 primarily due to the difference from a decrease in stock-based compensation attributable to a lower stock price upon vesting.

For the quarter, net income was \$20.5 million, or \$0.10 per diluted share, compared to \$11.5 million, or \$0.05 per diluted share in Q3 2024.

Turning now to balance sheet and cash flow. We continue to generate healthy cash flow on an annual basis, which funds inventory needs and investments for long-term growth. In Q3, we generated \$20 million of cash from operations compared to \$70 million a year ago. We ended Q3 with cash and cash equivalents of \$207 million and remain debt free.

During Q3, we used \$2.3 million of cash to repurchase 441,000 shares of our stock, resulting in \$46.9 million remaining on our \$50 million authorized stock repurchase program, which the board replenished in May. In July, we paid approximately \$181 million in dividends for the special dividend of \$0.75 per share, plus our recurring semi-annual dividend of \$0.10 per share.

The Board of Directors recently authorized our recurring semi-annual dividend of \$0.10 per share for shareholders of record on January 6, 2026, and payable on January 20, 2026.

## Outlook

Now on to our outlook. Recall we do not give detailed quarterly or annual guidance, but we do want to offer some color on our outlook.

We continue to expect Platform sales to increase sequentially, YoY in Q4, and for the full year on paid subscriber growth.

In Q4, higher tariff costs will have a negative impact on margins and this headwind will accelerate in 2026. Also, recall Q4 is our most promotional quarter of the year.

We expect to be profitable in Q4 and generate significant positive cash flow for the year.

While tariffs are the reality of today's world, our teams continue to be proactive and nimble with how we execute our strategy, as we continue our investments to position the company for growth.

With that, I'll turn the call over to the operator for questions.