

Michael Hoade - Cricut, Inc. - VP Finance

Thank you, operator, and good afternoon, everyone. Thank you for joining us on Cricut's first quarter 2026 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.

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 a 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, May 5, 2026. 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 - Cricut, Inc. - CEO

Thank you, Michael.

In Q1, we began to see the early benefits of our platform-first strategy with guided onboarding, bundles, guided flows in Design Space, and services working together for a simpler, more compelling user experience. We successfully introduced our newest machines and launched Cricut's first service offering. Both reflect the strength of our platform in delivering a guided experience that helps users make what they want more easily. We are also encouraged by the positive response to the added value in our new machine bundles, which reinforces our strategy. We were pleased to see growth in Active Users YoY. Simplifying the user experience remains a key focus to drive Engagement.

We were pleased with profitability, growth in platform revenue, and growth in global machine sell-out units. However, those gains did not yet translate into total company sales growth, which declined less than 2% year over year in Q1. We are moving with urgency to create a more compelling mass-market experience, accelerate our development cycles, and compete more effectively.

Today, I will discuss what went well in Q1 2026, where we can improve, and our priorities for the year. Kimball will then cover the financial details and our outlook for 2026.

We delivered solid Q1 profitability despite early headwinds. Platform revenue increased nearly 6%, and strong machine sell-out units gave us a solid start to the year. During the quarter, we launched two new cutting machines, Joy 2 and Explore 5, offered exclusively in bundle options designed to improve user onboarding while delivering compelling price points and value. We also launched the next generation of our handheld heat presses, EasyPress SE, in the popular 9x9 and 12x10 sizes. To support these launches, we introduced several new materials and accessories and continued to improve our software platform, including new AI capabilities and easy-to-use guided project flows. We are encouraged by the initial results and user feedback. We are proud to be the recipient of Michael's Best New Product Launch Award. Michaels is the world's largest craft retailer and an important partner for Cricut.

We are also focused on increasing our speed of execution and are accelerating investments in hardware development, materials, and engagement to support future growth. You can already see the early results of those investments in our 2026 launches so far. We plan to maintain a marketing and promotional cadence similar to last year, and we are excited about the roadmap ahead.

We remain focused on acquiring new users and increasing engagement across our platform, which together, drive our monetization flywheel of subscription and accessories and materials.

We believe Cricut is a growth business, and we are intent on proving it. Let me talk about our priorities.

New User Acquisition

At the top of the funnel, our goal is to broaden awareness and bring new consumers into the brand. Our research tells us that to do that successfully, Cricut has to feel relevant and approachable. Put simply, we need more consumers to believe that "Cricut is for someone like me." That is a core objective of our influencer strategy today, and it will also be a central message in the broader marketing campaign we are preparing to launch this summer.

As consumers move from awareness into consideration, we see two barriers that matter most. They need to believe that Cricut is easy to use and affordable. Our strategy is designed to address both. We are continuing to invest in onboarding, guided flows, software and platform

improvements, and bundle-only offerings. Together, these efforts help simplify the learning curve, improve affordability and perceived value, and make it easier for new users to get started and succeed early in their journey with Cricut.

We saw encouraging signs of progress in Q1. We continued to invest in marketing to expand our audience and deepen engagement with the brand. We gained momentum across key channels, driven in part by strong results from our influencer activations, along with continued improvement in overall digital marketing performance. These efforts were further supported by the halo effect of our late-Q4 campaigns and promotional activity. Altogether, that contributed to strength in connected machine sell-out in Q1, with particularly strong consumer demand early in the quarter. While we did not grow Products revenue in Q1, we did continue to see global machine sell-out increase year over year, and quarter-to-date trends remain positive.

At the same time, we are building the experience in a way that supports stronger adoption over the long term. In 2026, we are leaning into our bundle-only consumer experience as we launch the next generation of our cutting machines. These new bundles combine the machine, tools, and materials with tightly integrated guided software flows to create a more cohesive out-of-box experience and help users succeed from their very first project. In Q1, we began to see early benefits from this approach, which I will speak to more when I get to engagement.

We also made important progress on innovation during the quarter. We introduced two next-generation cutting machines built on all-new architectures: Cricut Joy 2 and Cricut Explore 5. We launched our Direct-to-Film service, Cricut's first service offering, which is another strong example of how we are reducing complexity for consumers. It combines the power of our creative platform with the simplicity of guided flows, enabling users to create vibrant, full-color designs that are delivered directly to their doors.

We believe this is the beginning of a new era for Cricut—one where we expand the top of the funnel, remove barriers to adoption, and deliver a more seamless end-to-end experience that helps more users create with confidence from day one.

User Engagement

We continue to make progress stabilizing engagement trends, ending the quarter with Active Users up 1% and 90-day Engaged Users down 1%, representing improvements YoY and sequentially. We are encouraged by the early response to the initiatives we launched in late Q4 and into Q1, including guided flows for full-color stickers and insert cards, expanded vinyl decal use cases, our AI-assisted Project Designer tool, and improved project preview visualization. We now have six guided flows, which cover our most popular use cases and dramatically simplify the user experience. In addition, we began rolling out AI Project Designer, which allows users to

design and make a project through a conversational interface. Taken together, these launches reflect how our platform is evolving to become simpler, more intuitive, and more compelling for a broader set of consumers.

A key leading indicator of future growth is how effectively we engage new users. In Q1, cut intensity among our 2026 onboarding cohort in their first few weeks, reached its highest level for a Q1 in the past two years. Users onboarding with our newly launched Joy 2 and Explore 5 machines are now guided through a broader range of projects that utilize the full set of materials included in their bundles.

We also introduced additional improvements late in the quarter to further reduce friction and drive repeat engagement. These include enhanced educational content within guided flows, improved accuracy of our AI assistant chatbot, and gamification designed to encourage exploration of machine capabilities and repeat visits.

Among returning members, we are seeing early signs of progress as well. Members who joined in recent years and returned to create projects in Q1 demonstrated higher cut intensity compared to prior year. At the same time, as the large 2020 and 2021 cohorts continue to decline as a percentage of our active user base, we are seeing a moderation in overall engagement erosion.

Our engagement marketing efforts, which focus on bringing users back into our platform, are also becoming more effective and efficient. For example, using AI to generate and personalize lifecycle campaign messaging has consistently improved click-through rates.

The product improvements experienced by returning users in Design Space are positively impacting perception among both members and independent influencers. Looking ahead, we are excited about our upcoming platform innovations, which we believe will continue to make the creative experience faster, more intuitive, and more delightful.

Subscriptions

In Q1, paid subscribers increased 104K or over 3% YoY to almost 3.08 million as we saw Platform revenue increase nearly 6% to almost \$84.8 million YoY. We did see a drop of 13k subscribers sequentially from Q4 2025, reflecting lower promotional activity in Q1 as we emphasized revenue growth in the quarter. As discussed in earlier calls, there is some natural subscriber attrition; so, subscriber growth may be challenging until we increase the pace of machine sales and new user acquisition. We saw some of this pressure manifest in Q1. That said, we continue to see healthy sign-up rates from our new members and are achieving a higher revenue growth rate.

Additionally, at the end of Q1, we started testing new subscription plans and pricing tiers on new sign-ups, using AI credits and shop benefits as differentiators. Early conversion signals and

higher-tier adoption are encouraging, but it is still early. We will continue to test new plans and price points as we add more value and benefits for our subscribers.

Earlier, we also rolled out a price increase on new subscribers through the IOS app store, while simultaneously offering alternative payment options to purchase via Cricut at the lower, legacy price. We have been watching this test and have seen positive results in shifting users to the Cricut payment options or a higher price purchase via the app store, without significant impact to overall expected signups.

We have a rich roadmap to continually increase the value proposition for subscribers. Our goal is to make it incredibly compelling to be a subscriber to leverage our content, software tools, and services.

Accessories & Materials

This remains a highly competitive category, particularly in material types with low barriers to entry, where we continue to see pressure from private-label offerings at retail as well as new entrants across online marketplaces and store shelves. We are not satisfied with our position in parts of this category, and we are moving aggressively to refresh the portfolio, improve value, and sharpen our channel execution.

Those efforts produced mixed results in Q1, but there were encouraging signs. We saw double-digit growth in value materials online, and we made share gains in iron-on, vinyl, and cutting mats. At the same time, share in heat presses was pressured as we moved through product line transitions. Overall, our view is clear: when we bring the right combination of innovation, quality, and affordability to market, we can improve our share position while enhancing the making experience for our users.

Innovation remains central to that effort. For example, with the launch of Joy 2 and Explore 5, we introduced Omni Pen, our new universal pen system, which has been well received for its performance and compatibility. Across Q1 and Q2, we are expanding the portfolio with more than 200 new SKUs and executing a meaningful retail refresh with key partners.

We are also continuing to invest in core categories such as Smart Iron-On and Vinyl, with new colors, finishes, and a broader assortment. At the same time, we are advancing our full-color strategy through continued innovation in Printables across inkjet and sublimation, along with refreshed tools and accessories.

In heat presses, we are broadening our lineup to address more price points and use cases. EasyPress Mini LT, which we launched in Q4, is helping address affordability, and early results suggest much of that demand has been incremental. In Q1, we also launched EasyPress SE in the

popular 9x9 and 12x10 sizes, which expands our ability to compete more effectively across markets with a professional-quality, easy-to-use heat transfer solution.

We also launched Cricut's first service offering with our Direct-to-Film, or DTF, service, which leverages our creative platform, content and new guided flows. Customers create vibrant, full-color designs that we print and deliver to them, which they can then press onto fabric or other substrates. While still a small experiment, this service is an important example of how we can monetize our creative platform beyond cutting machines. Early response has been encouraging. So far, over 80% of orders are coming from subscribers and around a third of orders have already come from repeat customers. Over time, we believe this can deepen engagement and further increase the value of our subscription offering.

Stepping back, we are moving with urgency on both innovation and cost discipline. We have more product innovation ahead. We are equally focused on execution, improving the end-to-end customer experience, and driving greater efficiency across the business. Our conviction remains the same: when we make it easier and more affordable for people to create, we increase engagement, materials usage, and long-term value creation.

With that, I will turn the call over to Kimball.

Kimball Shill - Cricut, Inc. - CFO

Thank you, Ashish, and welcome everyone. In the first quarter, we delivered revenue of \$159.5 million, a 2% decline compared to the prior year. We generated \$20.3 million in net income or 12.7% of total sales in Q1.

Breaking revenue down further, Q1 2026 revenue from Platform was \$84.8 million, up nearly 6% year over year. ARPU increased 4.8% to \$55.65 from \$53.10 a year ago. Platform revenue was up primarily due to the year-over-year increase in paid subscribers and FX.

As mentioned in our last call, as we shift to our bundle-only strategy, where we will only sell next-generation connected machines bundled with materials, we will no longer provide the supplemental revenue breakdown of Connected Machines and Accessories and Materials in our SEC filings and data sheet. We will continue to report Platform and Products revenues and costs as we currently do in our consolidated statement of operations and comprehensive income.

Q1 Revenue from Products was \$74.7 million, down 9.6% year over year. Product revenue was down primarily due to lower average selling prices from increased promotional activity and mix as we cleared end-of-life inventory in preparation for our Q1 product launches. As Ashish mentioned, global machine sell-out units were positive in Q1 year-over-year. As a reminder, we don't have perfect coverage for sell-out data in all channels, so treat this as directional.

In terms of geographic breakdown, international sales grew over 16% YoY to \$40.9 million. International revenue represented 26% of total revenue in Q1 2026, up from 22% in the prior year, reflecting continued progress in expanding our global footprint. Foreign exchange benefited international sales in Q1 by 10.3%. Our targeted pricing and marketing investments in Europe and Australia drove solid results, delivering year-over-year growth across these regions. We also saw strong momentum in our emerging markets, with our early-stage investments in Asia and LATAM driving strong year-over-year growth. In contrast, we experienced a challenging quarter in our META region, which declined year-over-year, partly due to ongoing geopolitical pressures. Importantly, our exposure to this region remains limited. Looking ahead, we plan to accelerate our investments in international markets, with a focus on increasing brand awareness and driving member acquisition throughout 2026.

As Ashish mentioned, we ended the quarter with just under 3.08 million paid subscribers. We expect to see seasonal pressure on subscription rates in Q2 and Q3, which could result in flat to declining QoQ subscriber growth rates. We remain focused on driving growth for the full year, supported by new product introductions, improved onboarding, ongoing investments in engagement, and promotional support.

Regarding engagement, in our published data sheet, Q3 and Q4 2025 Active Users, 90-day Engaged Users, and Platform ARPU were updated post earnings to reflect immaterial corrections.

Moving to gross margin. Total gross margin in Q1 was 58.1%, which was down 2.4% year on year.

Breaking gross margin down further, gross margin from Platform in Q1 was 89%, a decrease compared to 89.2% a year ago. As we've mentioned previously, we are excited about our AI investments, and there may be some gross margin pressure as we continue to ramp AI features.

Gross margin from Products was 23.1%, compared to 32.7% in Q1 a year ago. The decrease in gross margin for Q1 was primarily driven by inventory write-downs from end-of-life programs, lower monetization of previously reserved inventory, tariffs, and increased promotional activity.

Total operating expenses for the quarter were \$69.8 million and included \$6.3 million in stock-based compensation. Total operating expenses increased just over 1% from \$69 million in Q1 2025. As Ashish mentioned, we are focused on increasing our speed of execution and are accelerating investments that will help drive future revenue growth for hardware product development, materials, engagement, and marketing, so we expect to see greater increases in year-on-year operating expenses.

Operating income for the quarter was \$22.9 million, or 14.4% of revenue, compared to \$29.3 million, or 18.0% of revenue in Q1 last year.

The Q1 2026 tax rate declined to 19% from 26.7% last year, primarily due to higher R&D tax credits from increased investment.

For the quarter, net income was \$20.3 million, or \$0.10 per diluted share, compared to \$23.9 million, or \$0.11 per diluted share in Q1 2025.

Turning now to balance sheet and cash flow. We continue to generate healthy cash flow on an annual basis, which funds our inventory needs and investments for long-term growth. In Q1 2026, we generated \$26.9 million in cash from operations, compared to \$61.2 million in Q1 2025. We ended Q1 2026 with cash and cash equivalents of \$256 million. We remain debt free. Inventory decreased by \$8 million year-over-year to \$106 million, reflecting improved inventory management and normalization as we exited end-of-life machines. As discussed on prior calls, inventory is now at levels that generally support the business, with normal fluctuations as products transition. Accordingly, we typically use cash in the first half and into Q3 to build holiday inventory, then generate cash in Q4.

During Q1, we used \$12.2 million of cash to repurchase 2.8 million shares of our stock. As a result, \$29.1 million remain in our approved \$50 million stock repurchase program. During the quarter, we paid approximately \$21 million for the declared \$0.10 per share, semiannual dividend on January 20, 2026. The Board also approved our recurring semi-annual dividend of \$0.10 per share, supported primarily by our profitable operations. The dividend will be payable on July 21, 2026, to shareholders of record as of July 7, 2026.

Outlook

Recall we do not give detailed quarterly or annual guidance, but we do want to offer some color on our outlook for 2026.

We are focused on bringing excitement to our category. We are doing this by accelerating our investments in R&D, new product launches, and marketing, including international markets, and continuing our promotional strategy to drive affordability.

We remain optimistic about the year overall, despite a more challenging first half. In Q2, we do not expect total company revenue to grow year over year, primarily due to a difficult comparison against Q2 2025, which benefited from revenue pulled forward amid tariff-related supply chain uncertainty. That said, we expect platform revenue to grow each quarter, while subscriber trends follow their typical seasonal pattern, with softness in Q2 and Q3. With a strong roadmap ahead, we remain confident for growth in the second half.

Previously, we talked about the headwinds that tariffs presented to our business. Given the recent Supreme Court ruling overturning IEEPA tariffs and associated dynamics, we are not providing any guidance on margin impact.

We expect to be profitable each quarter and generate cash flow from operations for full year 2026. We also expect to continue to be active with our authorized \$50 million stock repurchase program, which has \$29.1 million remaining, and the board approved our recurring semi-annual dividend of \$0.10 per share, payable on July 21, 2026 to shareholders of record July 7.

While tariff uncertainty remains a reality, we are also navigating broader cost pressures, including input costs, supply chain dynamics, and a more cautious consumer environment in certain markets. Our team continues to operate proactively and with discipline, adjusting where needed while maintaining our focus on strategic investments to position the company for growth.

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