

IBTA Earnings Call Transcript

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Quarter: 2

Operator: Good afternoon, and welcome to Ibotta's Q2 2025 Earnings Conference Call. With us today are Bryan Leach, Founder and CEO; and Valerie Shepphard, Interim CFO. Today's press release and this call may contain forward-looking statements. Forward-looking statements include statements about our future operating results, our guidance for Q3 2025, our ability to grow our revenue, factors contributing to our potential revenue growth and the capabilities of our offerings and technology, all of which are subject to inherent risks, uncertainties and changes. These statements reflect our current expectations and are based on the information currently available to us, and our actual results could differ materially. For more information, please refer to the risk factors in our recent SEC filings. In addition, our discussion today will include references to certain supplemental non-GAAP financial measures and should be considered in addition to and not as a substitute for our GAAP results. Reconciliations to the most comparable GAAP measures are available in today's earnings press release and our 10-Q, which are available on our Investor Relations website at investors.ibada.com. Also, during the call today, we'll be referring to the slide deck posted on our website. Unless otherwise noted, revenue and adjusted EBITDA comparisons to prior periods are provided on a year-over-year basis. With that, I'll turn it over to Bryan.

Bryan W. Leach: Thanks, Sean, and good afternoon, everyone. Thank you for joining us to discuss our second quarter results. I'm pleased to welcome our new Chief Financial Officer, Matt Puckett. Matt most recently served as CFO of VF Corporation, a multibillion-dollar public company that is a global leader in apparel and footwear. Over his 23-year tenure at VF, Matt held multiple operating CFO roles, led a global finance team of over 1,000 professionals and oversaw Investor Relations, capital allocation, M&A; and strategic planning. He brings deep expertise in stakeholder management, Board and Investor Relations and aligning financial strategy with business objectives. Matt will officially start with Ibotta on August 25. I'd also like to take this opportunity to thank our Interim CFO and Board member, Valerie Sheppard. Valerie stepped in earlier this year when we needed her, and she's done a terrific job leading our finance team during a time of transition. We're grateful that she will be returning to the positions of Lead Independent Director and Chair of our Audit Committee. Turning to our most recent financial performance. We reported revenue below the guidance range we provided on our first quarter earnings call, while adjusted EBITDA was in the lower half of the range. We are also guiding to third quarter results that are significantly below our prior expectations. These disappointing results can be explained by short-term headwinds, but I think it's important to first pan back and provide context on the broader transformation we are undertaking. At the end of the day, those short-term headwinds are almost all related to that transformation. At Ibotta, we face a classic innovator's dilemma. Should we focus on preserving our status as a leader in the CPG promotions industry by making relatively small refinements to our product offerings and going to market in largely the same way, even though that might limit our long-term upside as a business? Or should we instead implement a bold new strategy designed to capture a significantly greater portion of the total addressable market for CPG marketing spend and potentially deliver a much higher return for our shareholders over the medium to long term, even if that means introducing temporary disruptions to our business. We chose the second path and committed ourselves to a broader business transformation. We did this because we believe it's the best and fastest way for us to break out of the promotions category and tap into much larger media budgets.

The first step has been changing how promotions are measured and purchased to more closely resemble other forms of digital performance media, where advertisers turn on campaigns and leave them on as long as they're delivering positive incremental returns on investment. We are in the process of bringing our clients a powerful new set of tools that we believe will allow them to buy and measure their promotions like never before. Simultaneously, we are rethinking how we can make our service more client-friendly. We're streamlining and automating internal operations to allow our sellers to spend more time selling. Finally, we're continuing to bring in new talent and training our current team to help us improve overall execution. Thus far, I'm pleased with our progress on these fronts. We've seen clear signs that our new value proposition is resonating in a very different way with clients, and we believe this will cause them to really lean into our service. In recent months, we've gained access to higher-level decision-makers within several key clients. And in those cases, we are talking about future investments on a much larger scale. Based on these responses and the early results we've been delivering in our pilots, we are confident that we're on the right track. Transformation on this scale is never easy, especially in the public markets. Even though we're receiving stronger and more enthusiastic buying signals, our clients still need time to find budgets for pilots, review their results and make sure they have the resources allocated in upcoming budget cycles. It can be difficult to predict the precise time lines for when these things will happen and to what degree. Now that I provided that context, let me turn to the quarter itself. There are 2 key factors that explain our lower-than-anticipated performance and our guidance for the current quarter. Both of these are related to the broader transformation in our business. First, our 2 initial pilot partners for our new performance marketing model decided not to run additional campaigns in the second half of the second quarter, contrary to our expectations. Had this not happened, we believe our results would have come in above consensus. As of now, neither client has reactivated their campaigns in Q3. Based on our most recent conversations, we believe both are happy with our initial results and planning to resume their programming. That said, given our experience in Q2, the Q3 guidance we're giving today does not assume any participation in our latest performance marketing model from either client. With our first partner, they chose to hold off on further programming until they had a chance to review third-party validation of our Q1 results. Given the magnitude of the investment we are now proposing, we understand why they want to ensure that our new measurement methodology is corroborated by independent sources. We've been working on obtaining third-party validation for several months, but the process has taken longer than expected. Formalizing partnership agreements, setting up the pipes and getting the data to these third parties has taken time. I'm happy to report that recently, we've received third-party validation from a leading media measurement company. Their study shows that our campaign results are better than the data we reported using our own more conservative methodology. Based on these initial results, we are in active dialogue with our client about resuming and expanding their programming on the Ibotta performance network. We believe that having the ability to offer these periodic sales lift studies will build trust and help us more quickly drive alignment with other large CPGs in the future. I want to underscore that our strategic partnership with this first client has continued to deepen even as we work through this temporary obstacle together. They continue to run non-CPID-related programming with us and cooperate with us on national marketing campaigns relating to those offers. With our second client, the challenges have been more administrative. They agree that our results have been strong across the board but have needed more time to align all the necessary stakeholders and unlock additional budgets. Getting their attention has been particularly challenging in this political and economic environment, which is causing them to proceed with more caution when it comes to any net new expenditure, no matter how promising the ROI. The bottom line is this, progressing from initial enthusiasm about a pilot to rolling campaigns on a much larger scale requires navigating complex matrix organizations that can't always move as quickly as we would like. Chris Reidy and his team are doing everything possible to get this back up and running as soon as we can. To summarize, as I discussed during our Q1 earnings call, we delivered attractive cost per incremental dollar or CPIDs, and incremental sales for both clients that were broadly in line with the results we had projected. The clients have been pleased with our performance, and they have already demonstrated a willingness to ramp up their investments on our network. As we went to take the next steps, we encountered process obstacles that postponed our efforts to turn on rolling campaigns with these clients. This is the reality of

trying to shift a decades old paradigm and launch a new product that is designed to provide capabilities that we do not believe exist within the CPG industry today. It takes time to become accepted as a new performance marketing channel and to tap into new and larger budgets even with senior executive support. The good news is that what we are providing has received very positive reactions across the industry, and we believe it's only a matter of time until that begins to flow through to our financial performance. The second key factor affecting our short-term performance has been our ongoing commitment to improving sales execution and strengthening our go-to-market motion. In Q3, we're implementing our reorganization of the sales department. We shifted from a territory-based model to one grouped by industry subvertical, which is more akin to how sales teams operate in other areas of digital media. In addition, we have meaningfully reduced the account load for our enterprise sellers. We believe these changes will enable a much more consultative and client-centric sales motion. We are now organized into 2 channels, enterprise and emerging, each of which has a leader. Enterprise is subdivided into 4 industry verticals: food, beverage, health and beauty and household and general merchandise. The roles of our outside and inside sales teams have been clarified, and our quota system has been refined and improved. Chris Reidy has assumed responsibility for our B2B marketing function, which previously reported up to our CMO, Rich Donahue. David Parisi joined as SVP of Enterprise Sales in June, bringing with him valuable experience in the promotions industry as well as experience at Twitter. Christopher Boyd joined us as SVP of Business Marketing from Seeker in April, leading all of our sales enablement and training. Andrew Altman joined us as SVP of Sales Operations from LinkedIn in August, leading our revenue operations function, something that we did not previously have at Ibotta. What these new leaders all share in common is that they've all seen excellent sales execution at scale and operated successfully in the digital media industry. They are helping us raise the bar across the board. At the same time, we are continuing to learn each day about both the product capabilities and go-to-market processes we need to make this business transformation successful. Each top-to-top meeting yields new learnings, which we are continuously incorporating into our road map and pitch materials. These kinds of organizational changes can be disruptive in the short term and have resulted in turnover. Our new employees are coming up to speed and ramping to be in a position to maximize revenue from their clients. In addition, our reorg has caused us to transition a significant number of accounts from one seller to another. Many of our top 50 clients have or are anticipated to have a new client partner rep by the start of the fourth quarter. Over the past year, accounts which have had a rep handoff have generated a change in revenue that is 16% lower than accounts which have not had a sales rep change. As our new structure takes hold, we expect to see much greater continuity here, reducing disruption in sales execution. Despite the revenue challenges we faced over the last 2 quarters, the top-to-top conversations we've had since we last reported earnings have only strengthened our conviction that Ibotta is on a very exciting trajectory. We have held approximately 20 top-to-top meetings over the last few months with some of our largest clients, while at the same time reaching out to about 100 of our smallest emerging clients. Out of those 20 conversations, we've signed pilot agreements with 6 clients and another 11 are moving toward a pilot in 2H. Our outreach on the emerging side has been much more light touch, but our progress there has been similar in terms of the number of clients that have agreed to pilots and those that are moving toward one. Now that we have third-party validation from an industry-leading measurement provider, we're able to provide timely lift studies for pilots. We believe this will be a big unlock with our existing clients and new clients. In some cases, we believe that even just knowing that a third-party measurement tool is available will help move our conversations down the funnel faster. On the publisher side of our business, we rolled out our offers to a majority of DoorDash customers during the second quarter. We are also working more effectively with existing publishers like Walmart to drive greater program awareness and increase adoption of digital manufacturer offers amongst in-store shoppers. Examples of how we've done this in the last quarter include Walmart rolling out the ability to self-ID using a phone number at checkout in Walmart stores all across the U.S. and a stronger call out of manufacturer offers and Walmart Cash on all self-checkout screens. In summary, we're excited to begin rolling out our new capabilities more widely. But as I said on the last call, a paradigm shift like this takes time. We're working to reshape entrenched habits and change the minds of clients who are accustomed to measuring promotions with very imprecise tools. So far, those we have approached have been very receptive to our new

performance marketing solutions. We're encouraged by this early traction and believe the transformation we're undertaking will create value for our shareholders, clients, publishers and consumers. I'll now turn it over to Valerie to review our Q2 results and Q3 guidance in more detail. Valerie?

Valarie L. Sheppard: Thank you, Bryan, and good afternoon, everyone. I would also like to welcome Matt Puckett to our team. In summary, we delivered revenue and adjusted EBITDA that were 4% and 8% below the midpoint of the guidance range we provided on our first quarter earnings call. Redemption revenue underperformed our expectations, while operating expenses were slightly lower than forecasted. Let's break down our revenue results in more detail. Revenue in the second quarter was \$86 million, a decline of 2% year-over-year. Within that, redemption revenue was \$73.2 million, down 1% year-over-year. Third-party publisher redemption revenue was \$48.6 million, up 17% year-over-year, while D2C redemption revenue was \$24.7 million, down 24% year-over-year. Ad and other revenues, which now represents 15% of our revenue, were \$12.8 million, down 8% year-over-year. Turning to our key performance metrics. Total redeemers were 17.3 million in the quarter, up 27% year-over-year. We saw healthy growth in third-party redeemers across the IPN on a year-over-year basis, highlighting the continued strength of the demand side of our network. Growth was driven by the launch of Instacart during the fourth quarter of 2024, the launch of offers to the majority of DoorDash customers in the second quarter and like-for-like growth at our existing publishers. Redemptions per redeemer were 4.6, down 21% year-over-year, driven by the quantity and quality of offers available to each redeemer as well as the growth in third-party redeemers, which have a lower redemption frequency as compared to our D2C redeemers. Redemptions per redeemer on our third-party publishers were down 15% year-over-year in comparison. Redemption revenue per redemption was \$0.91, down 1% year-over-year, primarily reflecting a mix shift toward third-party redemptions. On our third-party publishers, this metric was up 4% by comparison. As a reminder, redemption revenue per redemption can vary quarter-to-quarter based on seasonal patterns and variations in offer mix. Now let's turn to the cost side of our business. Non-GAAP cost of revenue was up \$5.4 million versus a year ago, driven by an increase in publisher-related costs, higher amortization of capitalized software and increased variable technology costs. This resulted in Q2 non-GAAP gross margin of 80%, down nearly 660 basis points year-over-year. Non-GAAP operating expenses as a percent of revenue were 61%, an increase of approximately 180 basis points year-over-year. Within that, non-GAAP sales and marketing expenses increased by 1%. Non-GAAP research and development expenses decreased by 9%. Lastly, non-GAAP general and administrative expenses increased by 10% or \$1.5 million. We delivered Q2 adjusted EBITDA of \$17.9 million, representing an adjusted EBITDA margin of 21%. We delivered adjusted net income of \$14.9 million and adjusted diluted net income per share of \$0.49. Our adjusted net income excludes \$13.6 million in stock-based compensation, \$0.6 million in restructuring charges and includes a \$1.8 million adjustment for income taxes. We ended the quarter with \$250.5 million of cash and cash equivalents. In Q2, we spent approximately \$67.5 million, repurchasing approximately 1.4 million shares of our stock at an average price of \$46.59. We had 29.9 million fully diluted shares outstanding at the end of the quarter. In June, our Board authorized a \$100 million increase to our share repurchase program. As a result, at the end of the quarter, we had \$128.6 million remaining under our current authorization. Turning to our Q3 guidance. We currently expect revenue in the range of \$79 million to \$84 million, representing a 17% revenue decline at the midpoint. We expect Q3 adjusted EBITDA in the range of \$9.5 million to \$13.5 million, representing about a 14% adjusted EBITDA margin at the midpoint and a 7% decrease in the adjusted EBITDA margin relative to the second quarter. I'd like to provide you a little more color on our Q3 outlook. Combined with the short-term challenges in scaling up our new performance marketing clients as well as the disruption caused by the sales reorg that Bryan discussed, we are guiding to a year-over-year decline in revenue in the third quarter. We continue to make improvements to our performance marketing platform with regards to product, go-to-market and measurement, but we are still in the early days and thus are not building in any performance marketing campaigns into our guidance that are not already in flight. A few other housekeeping items to mention. We anticipate that operating expenses in the fourth quarter will increase sequentially by several million dollars, driven by our investment in our sales organization and seasonal marketing expenses. We are now anticipating de

minimis cash taxes driven primarily by our expectation for lower full year performance as well as due to impacts from the new tax legislation. With that, operator, let's please open it up for Q&A.;

Operator: [Operator Instructions] Our first question will come from Ron Josey with Citi.

Ronald Victor Josey: Bryan, I wanted to understand maybe a little bit more on just the rollout of CPID and I would love to hear the better results of the third-party data provider suggested were coming in better than your results. Talk to us more about what they were seeing and sort of what this means going forward. And then on the 6 new pilots that I think you mentioned are coming on here in the back half, how do they compare to the pilots that you were seeing earlier on in the year as CPID continues to evolve?

Bryan W. Leach: Thanks, Ron. I appreciate those questions. Let me quickly address them. On the rollout of CPID and the results that we've seen, the big breakthrough here is the ability to measure statistically the difference between an exposed and an unexposed audience in the same time period. That's been the gold standard for media measurement for years. It's never been provided in the promotions industry, and it's also never been provided in near real time. That is -- so what we've done is gone to these third-party companies that do the media list studies and said, we'd like to replicate that approach with digital promotions. And they've used their own data, their entirely independent panel of data. They have used their own methodology with their own statisticians. And what they're doing is saying there is a statistically significant lift. And therefore, we can say that the promotions are causing a significant amount of incremental sales. They then break that out by net new households gained, buy rate increases, basket size increases. And again, totally independent of the analysis that we're providing, they can then calculate a total incremental sales and a CPI. And what we're seeing when you look at that is that those are more favorable, thus suggesting that Ibotta is conservative. And we've seen that now consistently across a number of studies with this provider that I alluded to. On the question of the 6 new pilots and how they compare, I would say that we have a mix of smaller emerging, faster-moving companies and some of the largest CPG companies in the world, which is new from the last time we spoke. And the conversations that we've had, particularly with the larger companies are now breaking out of conversations with the promotions team. And for the first time ever, we are talking to the people who manage multibillion-dollar sales organizations and the P&L.; They're simply unfamiliar with Ibotta entirely. And when we presented our new capabilities to them, it's been met with real enthusiasm leading to pilots that are slated to go out. So I think that we'll have to see how those perform. And keep in mind, we have 2,200 brands and hundreds of almost 1,000 clients, 800 or so clients. So we have a long way to go to roll this out more broadly, but we continue to choose partners we think we can gain the most valuable feedback and where the size of the prize is material.

Operator: Our next question will come from Eric Sheridan with Goldman Sachs.

Eric James Sheridan: When -- maybe it's a 2-partner. When you think towards the remainder of this year, how should we be thinking about the pieces of this strategy that still need to be put in place to execute as you move out of 2025 and into 2026, sort of paraphrase as the things inside your control? And then second, when you think about that timing or duration narrative of the things inside your control, how much are they aligned against budget decisions that tend to be very lumpy and concentrated around the November to February time frame when people are sort of setting 1-year forward budget priorities, just so we can align up the typical cadence of marketing spend with the things inside your control on the strategic side?

Bryan W. Leach: Thanks, Eric. The remainder of the year, what needs to be done, I think you can group this into 3 broad categories. First, we need to consolidate the benefits of our sales execution, including our reorganization. We've completed the reorganization, but there are still unfilled positions that need to be filled. People need to be trained in these new go-to-market approaches and new products. That remains, I think, something that's within our control and can be done by the end of this year. Second, you have the implementation of the new go-to-market. And that is something that we need to broaden the aperture beyond the small number of clients that have been pitched on this new capability. And to do that, we're going to gain learnings. And honestly, it's unclear how long it's going to take for us to dial that. It could be that, that goes very smoothly, and we're able to be in a position at the end of the year where that is largely how we're going to continue to go to market in 2026 or maybe that we gain learnings and need to modify that, but that's largely within our control. And then there are some product

and tools challenges that we need to resolve. So it's one thing to be able to create these calculations, predicted incremental sales and CPIs. It's another to be able to do that at the full scale of our entire business in an automated fashion so that you don't need manual calculations that take time so that they are able to be done in flight so that all of the reporting can be automated, so our sellers aren't spending time and our client analytics team isn't spending time doing that instead of selling and mastering the businesses of our clients. So there are productionization, if you will, and the scaling up of this does require some things that we hope will be -- we will have made significant progress by the end of this year, but it being a product, we have to wait and see how much of it we get done. I think we've identified what all those are and have a clear sense of what needs to be done. And of course, products meet the real world and are also refined. But I think that is on our racket, broadly speaking. The question of how that lines up with budget allocation and you sort of November to February time frame, You're right, there are a variety of different fiscal calendars across all of our partners. Many of them are actually midyear to midyear, June to July, et cetera, rather than calendar year. But we are finding that the companies that we're pitching this to right now say, this is a good time to be talking about this. We're starting to think about our annual operating plan for 2026. The reality is, though, we will probably not be able to get this out to all of our clients before their next annual cycle. And what we've seen is that it has taken anywhere between 9 to 12 months so far. And we'll see if passes prologue. But with these first 2 major companies, we began this effort in October of last year, and we're coming up on 9 months, and we're not live with them right now. So that is just a matter of socializing the opportunity, running a pilot, having them interpret the results, perhaps get a third-party study, advocate for allocation of resources internally, and that might be interim resources or it might be part of the budget allocation process. But I do think that, that is why I would say each client may take the arc of closer to a year to scale to something materially larger than what they've done in the past. And I think we're not going out to all the clients today. So it will be staggered. But I do believe that some of the clients that have heard this story are quite a bit further along in that process, which gives me hope that we'll have something to show for it before a year plus from now.

Operator: Our next question will come from Mark Mahaney with Evercore.

Mark Stephen F. Mahaney: Okay. Let's see here. Hopefully, you can hear me. I want to go back to some of the original relationships you had, particularly Walmart and just give us a sense of how those -- the retention you've had with those, the rollouts you've had in terms of the loyalty programs with them and just some of the core things that we looked at when we first looked at Ibotta how those are faring.

Bryan W. Leach: Thanks, Mark. The publisher side of our business is a real bright spot, especially with our existing publishers, we've picked up steam and gained momentum in terms of the tightness of our collaboration and the efforts they're making to increase awareness and decrease friction in terms of using the programs that feature our digital manufacturer offers. With Walmart, for example, we've been collaborating ever more closely across the board, ranging from how they communicate with their customers at every touch point digitally and in the store beyond just search results. You'll now see that there are certain display ads that have a reference to a relevant digital manufacturer offer that wasn't true before. They're badging other forms of digital media with something that indicates that there's a digital manufacturer offer. We're collaborating with them on routine communications that can notify people of personalized savings, decreasing friction in using the phone number instead of the app, putting it on the self-checkout, thinking through how we can be helpful with other strategic priorities of theirs, which will make these bubble up much more in the store. That's been a real commitment that's been noticeable from Walmart. I think we've hit a major milestone in how much Walmart cash has been earned. I think it's clearly helping them drive loyalty online and in-store, and they're leaning into it more. So I'm very pleased with how that's going. I think with regard to the adoption of it, it continues to grow very nicely and be cited as a bright spot in the shopping experience at Walmart. With regard to other publishers, we continue to see those roll out and grow and contribute to the redeemer base. Broadly, the third-party redeemers are growing nicely. Of course, D2C is not growing as much. And that is, we think, purely a function of the low number of redemptions per redeemer. And when that inventory of offers increases again, we've seen that be very resilient. But I think the pipeline of publishers is also strong. I have nothing to announce right now, except to say that we have terrific momentum, we believe, internally. And that is not our problem right now. We feel like the scale of our network is unparalleled.

There is not another tool that you can use to drive more incremental sales if you were a CPG brand manager full stop. We are out in front and widening that lead. What we need to do is unlock offer supply. And I think that's why the focus of my remarks was there. But it is true that this has been a bright spot.

Operator: Our next question will come from Ken Gawrelski with Wells Fargo.

Kenneth James Gawrelski: Maybe kind of following up on a couple of these questions. Could you just talk about the environment more broadly away from the CBIT side, but more of the traditional IPN, -- what are you hearing from the supply side, not the publisher side, but the supply side on promotions? Can you talk a little bit about the environment? Are you seeing reticence among some of those to increase supply? My understanding is over the past years, there have been times where you would see new budgets come in for the back half at a midyear point. I'd just be curious as to see about that. And then the second thing is maybe back -- and this kind of circles around to your investment levels and the marketing. How do you think about the right level of investment? How should we think about the right level of investment over the next, say, 12 to 18 months to get the -- to get everything you need to kind of validate the CBIT approach and really drive market adoption there?

Bryan W. Leach: Yes, those are the right questions for sure, Ken. Thank you. I think on the first one, the environment, I didn't spend much time on that in my remarks, but it's true that the macro is not helping us right now. There are a few of our larger clients who have taken an approach of pausing on promotional spend in the back half, taking a wait-and-see approach, having to do with the economic climate, the tariffs, the political climate, in some cases, sort of food regulation on the horizon. I think that they also face just difficult growth trajectories, a lot of these CPG companies, and there have been efforts to be really careful on the bottom line of their business by cutting and pausing costs. And I think traditionally, promotions have been seen as a discretionary cost. We hope to convince them, and we are convincing them that, in fact, we are one of the best ways to inflect top and bottom line growth and that they should lean in now more than ever into our platform. But at a time when they are pulling back on discretionary spending, they're demanding more rigor and more credibility and measurement and clear ROI. And so I think that we started this journey late last summer, and I think it's good that we did because we're now kind of closing in on a year of real aggressive R&D, and we find ourselves being able to respond to all the things that we're hearing on the supply side with direct new fresh products that address those concerns. So typically, when someone says, I can't give you a multiple of what I've given you in the past, their explanation is that they don't believe that the promotion is delivering profitable revenue growth, may fear that it might be subsidizing people who already would have bought the product. And they have not seen a credible form of measurement that is graded by a third party ever in the past. And so when we go in and hear that complaint or valid criticism rather, we say that's exactly right. And that's why we spent the last year innovating and bringing you something that can give you control. So it's not a binary question. It's not are promotions profitable? It's how profitable would you like them to be? The more profitable they are, the lower the scale they can deliver in terms of top line revenue, the less efficient and less profitable, they are going to deliver more top line revenue. And so educating them on that has been very helpful. I think being able to show them, hey, this is how many dollars of incremental sales you can come get from us at this cost. Do you want to buy that bundle of incremental sales really reframes the conversation. And without overpromising because we truly don't know how this will roll out across our entire client base, I can tell you that the tenor of these conversations, Ken, is categorically different than anything I've seen in my last 14 years. And that is because we are starting by thinking about what their problems are and bringing a solution that is much more credible and saying, don't take our word for it, you can measure it. And those things are really landing and resonating. And I think we're just going to have to wait to see that flow through. With regard to investment levels over the next 12 to 18 months, I think we are investing very, very heavily in R&D; I mean we are spending the overwhelming majority of our time on the technology side of our business, thinking about what's next at BA and this whole new paradigm and building tools and building systems that allow our sellers to be more efficient, internal go-to-market systems, things that also are client-facing tools that are client-facing. And I feel like the rate-limiting step on innovation at this point is not the number of dollars or the number of people working on that at BA, but just the amount of noncompressible time it takes to incorporate learnings in an iterative product cycle. And we're moving

very fast. I think I described this as feeling like we're on a vertical learning curve last quarter. It continues to feel like that. And I think that's exciting, and we're getting more and more and more proof points. The one place we may look to continue to augment is in the analytics, client analytics function. As we automate some of the processes we have, we should be able to get our people focused more on truly client-facing analytical assignments rather than sales support functions. This is just an example of where resolving tech debt pays off later. And so we're taking this pain right now in the short term, I think it will really begin to bear fruit.

Operator: Our next question will come from Chris Kuntarich with UBS.

Christopher Louis Kuntarich: I just want to touch on general merchandise here for a second. Anything that you're seeing here that would indicate that this part of the client base is reacting differently to the current environment versus your CPG brands? And same question, just as it relates to the CPI offering, are they requiring a similar amount of pilot period and third-party testing? That would be it for me.

Bryan W. Leach: Thanks, Chris. I think that's one where the impact of tariffs has been more pronounced, where there's more exposure to international supply chains than you would see in the American food fast-moving consumer goods brands. And so if anything, those -- some of those trends I alluded to creating some broader reticence about discretionary spend are a little bit more pronounced. That said, we have taken this CPDI, what we call now the performance marketing product. We've taken the performance marketing product out to a number of general merchandise brands and had a very positive reception to that. What we need to go and further validate is how that will perform when they run a larger number of pilots. There are many categories where we haven't run pilots yet. You have to have a certain amount of data in order to make the CPID real-time measurement work and be statistically significant. And the more purchase cycles there are, the more you have the opportunity to benefit from a follow-on purchase that is not on offer. So for instance, if you're doing an offer on a Barbie Dreamhouse, you can't count on someone coming and buying necessarily another Barbie Dreamhouse, but do they come back and buy other Barbie products that aren't on sale and how much does that contribute to the overall value of the program relative to the cost and so forth. So there are some real unknowns there in terms of how this model is going to map on to different formats. I would say, broadly speaking, though, we continue to be excited about general merchandise. This is an industry that has never really had promotions at all, digital promotions. And so to bring them something that's this innovative as their first exposure to the category is just creating even more excitement about giving it a try. And I think one of the things that's increasing our credibility is no longer are we sending a recap deck afterwards where they find out weeks after the campaign, whether it worked or not, they can see on a regular basis how it's going, just the way they would if they were buying on -- the Trade Desk or Facebook or Twitter, and they can make changes and optimizations while that's happening. And that has been a source of, I think, significant excitement as well from both general merchandise and more broadly.

Operator: Our next question will come from Bernie McTernan with Needham.

Bernard Jerome McTernan: Two for me. Maybe just to start, Bryan, just interested if you had any knee-jerk reactions on Amazon moving to free same-day delivery on perishable items for grocery, what it means for the category more broadly and impacts on Ibotta potentially? And then second, also in your prepared remarks, Bryan, you mentioned how you would have beat consensus in the quarter had it not been those 2 accounts that stopped spending in the second half of the second quarter. I mean does that imply that the CI clients were on track to spend like a high single-digit millions of dollars in the quarter?

Bryan W. Leach: Thanks, Bernie. Never any flies on you. I appreciate those questions. With regard to the first one, yes, look, I think the whole industry regards same-day delivery and speedy delivery as kind of table stakes at this point. I know Walmart has made great strides in the number of products that you can get within 20 minutes. It's pretty remarkable. I think that we are a totally omnichannel solution. And so we don't -- we're actually excited as the industry moves more toward e-commerce and sort of buy ahead, pick up in store, we're integrated into those user experiences. So I think that's broadly positive for us. And as we get more marketplaces that do that kind of same-day delivery, like DoorDash and Instacart, we think that perhaps the other ones that are out there will see the benefit of what we offer and will be a big part of the consumer adoption of things like free same-day delivery. On the

second question, yes, we missed by a low single-digits percentage. I said we would have been ahead of consensus. You can do the math on that. And what I can tell you is that we wouldn't have provided that in our guidance unless we had an extremely high degree of conviction that it was going to be in there. And sometimes after you provide guidance, the circumstances change in ways that are really hard to anticipate. And that sounds extremely lame and unimpressive, but that is what happened. And so having learned our lesson on that and feeling chagrined about that, we're going to take a more conservative approach with regard to the current quarter and the fourth quarter.

Operator: Our next question will come from Andrew Boone with JMP Securities.

Andrew M. Boone: I wanted to go back to your answer for Ron's question and really double-click in terms of measurement and automating processes with third parties. Can you help us specifically understand what you need to do there to unlock incrementality measurement that's more automated? And then what kind of time line should we expect before that really gets mature and fully implemented across your guys' processes? And then, Bryan, just going back to some of your comments earlier, it sounds like there may be a 6, 9, maybe even a year-long lag in terms of kind of the comfort of a CPG brand. If I kind of extrapolate that across the model and kind of this transition, should we not expect growth to really start to reaccelerate for this to get going until 2027? Is that fair? Or is it sooner than that?

Bryan W. Leach: Yes. That's great. Thanks, Andrew. Let's start with your first cluster of questions regarding measurement automation. I want to distinguish between 2 topics: the measurement that we provide through Ibotta's tools, which is allowing you to have essentially a free rolling lift study. That is something that is very far along the path. We are providing that to several clients now on a regular basis with sort of a color coded, how is it going and optimization opportunities. But to do that at the scale of all of our clients will require us to continue to develop some things on our road map in the back half of this year. We're hopeful that we can offer that to all of our clients heading into 2026. With regard to what I think you're asking about is sort of the third-party measurement side and how can we speed that up or automate that. A lot of that is very front-loaded effort, reaching out to them, explaining that the promotions industry has never been treated as media, has never had a third-party lift study, describing the financial opportunity that might exist, making sure they understand the data assets we have, going through a process that allows them to basically tailor what they do and what's industry standard. They can apply it in their unique approach and data sets to the circumstance of Ibotta. That has taken time, a business development time line. Once that's in place, you do a few studies, you work out some kinks and then it should be something that is a matter of weeks to generate a study. Obviously, we would ultimately like to get that down to where somebody could generate a study in a day or even mid-campaign rather than having to wait until after the campaign to generate a study. That is not typical in the media industry. But I think what's really important here is that we think outside the box because we have this powerful tool in terms of optimizing this price lever that's really, really valuable, right? And so the sooner you can get that read, the more you can kind of build models that can solve for the CPI or the incremental sales. That's what's so cool about the Ibotta offering, right, is it's sort of acting as the only real-time signal of sales lift in the CPG industry. And I just want to underscore that this is like the last industry where this concept has not landed, right? Virtually every other industry, digital sales industry, in particular, you have basically instantaneous knowledge of whether or not an ad resulted in a conversion. And in those industries and all those forms of media, open web, social media, walled garden, doesn't matter, that has become a very bankable place where people invest, and they know exactly how to invest and they do so on a rolling basis. Here you have this industry, \$1point-some trillion industry, \$200 billion being spent on marketing and trade with annual planning and annual measurement or half annual measurement with MMM models where there is no capacity for performance marketing. So we believe we're following a playbook that is pretty well trodden or well played, I guess. So we're really excited about that. And it's -- I think speeding up the process of third-party measurement is not at the top of the list of demands from our clients. So I don't think that's a huge short-term priority, but it's more of a gut check periodically. To your second question, I think it's -- that's really the operative question. And I think it's difficult when you're in the middle of a paradigm shift to say with any credibility, I know exactly how long it's going to take until there's a step function increase in our revenue. And so we're resisting the temptation to speculate on that. But I do think it is noteworthy

that we're learning that it's taking 9 to 12 months to get from what we believe will -- and we're not all the way there yet with these 2 clients, like I said, -- but assuming we get them back as we expect to, and let's say that takes about a year from hearing about it to testing it, validating it and really going big on it, you then have to factor that in. And the question becomes how impactful are those early adopters in their level of investment? And does that really lift the growth of the business significantly? Or do we need to wait until we're kind of in the middle of the bell curve and we've crossed further into that chasm in the business sense that is, until we can see a really significant benefit in terms of growth. But I think that we'll have to play it by ear. I think the most I can say is just that we are prioritizing this and investing in this because we think that this ultimately results in a real step function change in the level of investment. And whether it's quarter X or quarter Y, there will come a time where we show a very material change as a result of these investments.

Operator: Our last question will come from Andrew Marok with Raymond James.

Andrew Jordan Marok: On the CPI framework, so with some of these budgets that you might have had maybe being a little bit knock loose in the transition, do you have a sense of where they're going? Are CPGs maybe allocating them to other performance channels requiring a win back at some point? Or are they just kind of being parked in the meantime?

Bryan W. Leach: Thanks, Andrew. I think it's a combination. There are certainly situations where these budgets are being parked. And we're being told, listen, it's not you, it's us. we have a freeze on all discretionary spend for the near term. And sometimes they'll unfreeze that, and we'll see significant investment. This third quarter last year, we had some quite exceptional heavy investments that created a very hard comp for us. So if you look at -- we had these chicken wars that happened in the third quarter of last year, where the leading providers of chicken products decided to really invest millions of dollars in that quarter. We had another one of our top 5 clients spend about 50% more than they typically would in a quarter. So there is lumpiness and sometimes that benefits you. You'll recall last third quarter last year, we guided down and then beat by like \$7 million or \$8 million because in the second half of the third quarter, that happened. So one of the reasons why we're transitioning our business model is to address the desire for much greater predictability and forecastability the more people are investing on a rolling basis, the more we have a really clear understanding of what we can expect in a given -- in a future quarter. There are, though, I don't want to shy away from and own the fact that there are situations where we could have won business and did not because we didn't have a person manning the account. We didn't have our best foot forward in an RFP. And look, a lot of this happened in November, December, and we didn't really realize until now the effect that might have on the knock-on effect of that of getting the up for grabs dollars that how we've been building those relationships from October, November, December, January, February and people mastering those businesses, continuity we would have been able to win that business. There are plenty of accounts that have grown in spite of that level of discontinuity. But just yesterday, I was with a partner of ours that told me they've had multiple Ibotta client reps and that it's frustrating to continue to explain their business to Ibotta, and yet they've spent more year-on-year with us and are excited to spend even more. So I think it's a mixture of those things, but I think we have to own the fact that we have to settle down and have continuity with our people, our process, our product, our message, and we have to get much more client obsessed and really understand how to speak their language, how to provide what they're looking for in that moment, how to be proactive and just break out of the notion that we're a sort of vendor that they can turn to for very specific narrow purposes and reframe ourselves as, hey, we are the answer to your prayers. You need more top and bottom line growth right now. We can get it for you, and we can allow you to be very nimble. So I think we're going to find -- we'll see, but I think we're going to find that while that's the party line with our current position, we will be able to get beyond that party line when we reposition the way they think about our value proposition.

Operator: This concludes the Q&A; section of the call. I would now like to turn the call back to Bryan Leach for closing remarks.

Bryan W. Leach: Thank you very much to everybody for participating on today's call. We'll continue to be as transparent as we possibly can regarding the transformation of our business. We're super excited about the future of Ibotta. We have a lot of conviction that we're on the right track. I'm incredibly proud of our team that has had the courage to lean into this paradigm shift. And I think that is ultimately what's

going to separate our company from the other companies that have not had success breaking out of this category. The things we're doing and trying now and bringing to market have never been done and tried and brought to market before. The responses are really clear and consistent. And as an entrepreneur and founder who's been doing this for now nearly 13.5, 14 years, I believe that we're seeing something that is going to be a much more strategically valuable asset and tool and partner for America's leading CPG brands and emerging brands. Thank you very much, and we appreciate your time and attention.

Operator: Thank you for joining today's session. The call has now concluded.