

RH Earnings Call Transcript

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Quarter: 3

Allison Malkin: Good day, everyone, and welcome to the RH Third Quarter 2025 Earnings Call. As a reminder, this call is being recorded. I would now like to hand the call over to Ms. Allison Malkin. Please go ahead, ma'am. Thank you. Good afternoon, everyone. Thank you for joining us for our third quarter fiscal 2025 earnings call. Joining me today are Gary Friedman, Chairman and Chief Executive Officer, and Jack Preston, Chief Financial Officer. Before we start, I would like to remind you of our legal disclaimer. We will make certain statements today that are forward-looking within the meaning of the federal securities laws, including statements about the outlook of our business and other matters referenced in our press release issued today. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially. Please refer to our SEC filings as well as our press release issued today for a more detailed description of the risk factors that may affect our results. Please also note that these forward-looking statements reflect our opinions only as of the date of this call, and we undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements in light of new information or future events. Also, during this call, we may discuss non-GAAP financial measures, which adjust our GAAP results to eliminate the impact of certain items. You will find additional information regarding these non-GAAP financial measures and a reconciliation of these non-GAAP to GAAP measures in today's financial results press release. A live broadcast of this call is also available on the Investor Relations section of our website at ir.rh.com. With that, I will now turn the call over to Gary.

Gary Friedman: Great. Thank you, Allison. Good evening to those of you on the East Coast, and good afternoon on the West Coast. To our people, partners, and shareholders, we continue to generate industry-leading growth with revenue increasing 9% in the third quarter and up 18% on a two-year basis, demonstrating the disruptive nature of our brand, despite the worst housing market in almost fifty years and the polarizing impact of tariffs. Adjusted operating margin of 11.6% was below the 12.5% midpoint of our guidance due to higher than forecasted tariff expense on prior period special order and backorder sales delivered in the quarter and higher than expected tariffs opening expenses. Adjusted EBITDA was 17.6%, and we generated \$83 million of free cash flow in Q3. Year-to-date free cash flow reached \$198 million, and we are on track to achieve our outlook range of \$250 to \$300 million for the year. Net debt at the end of the quarter was \$2.427 billion, down \$85 million from Q2. We ended Q3 with real estate assets that we believe have an estimated equity value of approximately \$500 million and that we plan to monetize opportunistically as market conditions warrant. Additionally, we are making progress on our goal of reducing the inventory estimated at \$300 million, with inventory down 11% versus last year and down \$82 million versus the second quarter. While a meaningful portion of our market share gains are coming from the fragmented to the trade design, showrooms, regional high-end furniture stores, and local independent boutiques, we are also gaining share from the better furniture base national brands, as you can see from the table below. I would point out that our share gains on a two-year basis range from a low of 12 points to a high of 28 points. We find it fascinating that the market chooses to reward companies that set remarkably low expectations and slightly beat them versus setting high expectations as we do and at times miss them while still meaningfully outperforming our industry. Let me turn to our outlook. We are providing the following updated financial outlook reflecting our year-to-date performance and our current trends. For the fourth quarter, revenue growth

of 7% to 8%, adjusted operating margin of 12.5% to 13.5%, adjusted EBITDA margin of 18.7% to 19.6%. The above outlook includes an approximate negative 200 basis point operating margin impact from investments and startup costs to support our international expansion and a 170 basis point impact from tariffs net of mitigations. Fiscal year 2025. Our current outlook now is revenue growth of 9% to 9.2%, adjusted operating margin of 11.6% to 11.9%, adjusted EBITDA margin of 17.6% to 18%, and free cash flow of \$250 million to \$300 million. The above outlook includes an approximately negative 210 basis point operating margin impact from investments to startup costs to support our international expansion and a 90 basis point impact from tariffs net of mitigations. In the short run, the market is a voting machine, but in the long run, it is a weighing machine. Benjamin Graham. We are a company that is playing the long game, historically innovating and investing during uncertain times. We also believe post this high investment cycle in a historically low housing market, the weighing machine, as it has done over our twenty-five-year history, will accurately reward us with a truly unique high-performance brand we are building. On the other hand, there is no denying what an unusual time it is in our industry, and we also believe it's not a time to underestimate risk. We're in the third year of the worst housing market in almost fifty years. In 1978, there were 4.09 million existing homes sold in the US when the US had a population of 223 million people. We were on track to average 4.07 million existing homes sold over the three years from 2023 to 2025, with a population of 341 million, or 53% higher than 1978. This is a market we've never seen before. Not a time to underestimate risk. Tariffs are disrupting supply chains and driving higher prices. There have been 16 different tariff announcements over the past ten months that have resulted in significant resourcing product delays, out of stocks, and driven multiple rounds of price negotiations and increases. Despite the chaos, we continue to demonstrate our ability to gain meaningful market share while aggressively investing in strategies that we believe will create long-term strategic separation. While not a time to underestimate risk, it's also not a time to run from it. It's important to separate the signal from the noise. And remember, necessity is the mother of invention. Our most important innovations were birthed during the most challenging and uncertain times. Our strategic separation is a result of innovating and investing during those uncertain times, and this time is no different. Launching the most prolific product transformation in the history of our industry and believe the launch of our new concept in the spring of next year will reaccelerate our growth and create another step change in our business. We're building an iconic global selling platform that will likely never be duplicated in our lifetimes. Construction costs post-COVID had doubled across the industry, making it very difficult to emulate our immersive platform. At the same time, we have created new equally immersive physical experiences that are massively more capital efficient that we plan to unveil on our next call next quarter. We just opened what might be the most beautiful and talked about retail experience in the world, and arguably the most important city in the world, especially if your vision is to build a global luxury brand. You know which one I'm talking about. RH Paris, you have to see it to believe it. Developing a global hot business that generates significant brand awareness, traffic, and cash flow. We have built a powerful restaurant company that is seamlessly integrated into our core business that will generate operating income that represents, on average, 65% of the average aggregate galleries rent they reside in. The RH Ocean Grill at RH Newport Beach is our first \$20 million plus restaurant that we believe will reach the mid-twenties in its second full year, and its cash flow next year might cover the rent for the entire 90,000 square foot gallery. We're establishing a global interior design that is moving the brand beyond presenting and selling products to conceptualizing and selling spaces. We opened our first freestanding interior design office in Palm Desert, California, with no product except for two small sitting areas in front of our designers' offices. There's four offices in the building and a workspace with clients. It's a real freestanding customer-facing design firm. Really don't exist in the world. You think about it. It's like finding a dentist. You know? You move to a new area. You buy a new home. You need a dentist. What do you do? You Google it. You ask a friend. Like, where do you find an interior designer? I mean, you can go online. You know? I don't know how that's gonna really help, Yeah. But if you think about it, the world of interior design is not a customer-facing business. And, you know, we opened our first freestanding interior design office in Palm Desert with no product. You know? It's a real freestanding customer-facing design firm. And it's generating a million dollars a month in design business. In 3,000 square feet. Rent of \$200,000 a year. You can do the math. All of which is resulting in building a brand

with no peer while generating industry-leading growth with high teens adjusted EBITDA margin. Imagine what our performance will look like in a robust housing market as we cycle and leverage these investments. Never underestimate the power of the few people who don't know what can't be done. Especially these people. Operator, we'll now open the call to questions. Thank you.

Operator: And do ask that you limit yourself to one question and one follow-up. Our first question comes from Steven Forbes from Guggenheim Securities.

Steven Forbes: Good afternoon, Gary, Jack. Gary, you obviously mentioned RH Paris, but curious if you can maybe give us some color on how the demand book is building. Noting it's early. And the reason I asked is just curious if you can maybe help inform us how RH Paris has influenced your pro forma expectations ahead of RH Milan and RH London?

Gary Friedman: Sure. Well, you know, RH first is one, it's really quite different. What we did open our first gallery, with hospitality, it was really you know, we're two hours out of London at RH England. You know, there's not a lot of traffic out there. It's known how our business is developed. We kinda talked about it last quarter. But, you know, many of the other galleries, as I've spoken about, we didn't open in particularly the way we believe we should open. You know, to acquire the RH Paris and RH London, which we think are one-of-a-kind locations, you know, we had to take a kind of a portfolio of galleries and open some of those before we wanted to. That's why we opened London. I've already seen, like, excuse me, to, you know, to open something that kinda set a tone. You know, I think people know and in Europe, you know, Americans aren't really known for building luxury brands. We're not really looked upon by the Europeans that have a great taste or style. And, you know, all the really, all the luxury brands are you know, from Paris or Italy. The UK has a couple, you can argue that we have a couple, you know, argue that Ralph Lauren's a luxury brand that get very small part of Ralph Lauren's business. It's luxury. Yep. The biggest part of the business is you know, is it more of a department store based you know, higher-end business and not luxury and a giant outlet business? And that's not to say anything bad about Ralph Lauren. It's, like, the incredible company, incredible brand. It's just not a real you know, focused luxury brand. And you can argue that the only one we really had pure luxury brand in many ways was Tiffany, and now the French own it. Right? So again, the road we're on, the path we're on, it's a tricky one. Yeah. It's a tricky one to travel. Yeah. We the metaphor of climbing the luxury mountain and Eric coined the phrase, you know, if you get higher and higher in the mountain, it's where the air gets thin and the odds get slim. Know, no one's really made this climb. Know? And from especially from the level we started at twenty-five years ago. I and so, you know, we're again, the next few moves we're making are really important moves. You know, I'd I got heard several years ago that someone asked, yes, probably the most famous guy in the luxury world, and I I don't I didn't hear him say this, so I'm not gonna say who said it, but you can you can imagine, you know, only a couple people have built really the best luxury platforms in the world. But I I heard this someone asked the question, how do you build a luxury brand in China? And the response was, you build great stores. In Paris, London, and New York. And I heard that years ago, I've always thought about that as thought about our Asian and yes. How do we unveil this brand? And we yeah, we built RH New York, and and we opened it in 2018. And we said that was our bridge to Europe. So we we did it a little backwards, and and as we think about it for our business, it's it's really probably Paris, London, Milan, and New York. Because Milan is really the know, one of the design capitals of the world. Not only you know, for for design, but also also for fashion. Yeah. But it's where the biggest design show in the world is Saloni, where 500,000 people go once a year. Yeah. And, yeah. And, it's and it's also the time we're gonna open RH Milan. But but Paris, we pushed ourselves to another level. And it's not a particularly large gallery, but it's very unique, and I can describe it on the last call. And if you haven't seen it, we've, you know, we've had a video is the video is the video on the website or no? Like, yeah. You know, it's a video. We're also making a kind of a documentary video. Like, we have some of our other iconic buildings, and you'll see that come out probably the next couple of weeks. But you know, I kinda sad. Like, you know, you know, we're bragging about it, but it it might be one of the most beautiful and aspirational and inspiring retail stores that are was ever created. And and it gives a lot of natural things that were were we loved about it. One, it's the only building on the Champs Elysees, that doesn't have an an entrance. On the Champs Elysees. You can't enter the building. You enter through you know, 22 foot gold leaf gates and go down yeah, a 195 steps to the front door. And, you know, we built a

freestanding interior design office. There. We're able to get a building approved, and there's, you know, so many elements of it. You know, it's where we built the first world of our age. Which is a you know, it's it's immersive experience, that brings to life all our all the places and spaces that we've built around the world. And and, you know, it's we think it's an important part of communicating who we are and connecting with consumers. We you know, while we only totally, I think, in hot coffee, have about a 150, a 155 seats, so it's really like a normal restaurant, but it's really two. Because it's in two smaller spaces. One's on a terrace. It's a slavery restaurant. You know, with and we invented some very new dishes there that we're gonna be rolling out in The US because they're so good. And and, and and also Lipozene, which is on the on the on the Top Floor on the rooftop. And the rooftop yeah. You get and then so so happy we figured out how to you know, work with faucets and partners, and they you know, we we we saw the building, we, know, went up this five stair ladder thing to get on the rooftop. We couldn't believe we could see the Eiffel Tower and the Grand Palais and the Louvre and, you know, and and everything. We've got, like, there anyone who uses rooftop, and there's no way to get to the rooftop? Like, yeah, you said you'd you'd have to build an elevator, but you'll never get an elevator approved because it could block people's views of the eye Tower. And Foster and Partners. This is why you know, wanna work with the best people. Is they said, well, maybe we can design a rooftop I I could design an elevator that that, you know, a hatch opens and the in the roof and the the glass elevator pops up and then it disappears. And I said, well, ever done that before? Said no. But like, we love to do things that haven't been done before. But, you know, like, once you see once you see the rooftop, you know, you couldn't unsee it. Once you're up there, you're saying we've gotta figure out how to activate this. And yeah, and what's interesting with about 40 seats, I think, on the rooftop, and unfortunately, right now, the rooftop's closed because weather in Paris gets you know, pretty grim in the in the winters, you know, we can't evacuate the roof if it's if it starts to rain and and The not not enough seats to relocate everybody to the level below. But the rooftop when it was open, you know, the first few months we were open, it is the highest grossing part of the, the restaurant operation in the in the two restaurants We're we're doing more there. For per seat than than anywhere else. So you know, just, again, learning about creating incredible spaces that is made us rethink some of the work in Milan and some of the work in London and and some find some some tweaks there. And then we found out that you know, we we're building this world of our age, and we had this you know, space for the building to our facts and and we thought, like, that will I don't know what if we put a bar in here. And, you know, it's like, try to make it a lounge, and so we put a we put a bar in there, then we feel like, well, we found out you couldn't you couldn't you couldn't have a bar in Paris unless you had food. And you couldn't just have nuts and snacks. So you had to have, like, a small menu. So we had a small menu The day we opened, we served our first meal. In a place that, in our mind, wasn't even a restaurant. And on opening night, you know, it's one of these places that has passed. And and now, you know, we we actually had a kinda retrofit it and put real tables in there that were big enough and now we're serve serving most of the menu. Are we tasty? Yeah. Yeah. And and and it's a it's a great offset as we've lost, you know, the the seats on the roof. But, this has been so many lessons and, you know, so much we're learning about the customer and who knows us and who doesn't know us and how. How truly international the business in Paris is. I mean, I wish I had the list in front of me right now. Like, of all the design jobs we have and you know, Majorca and Morocco and, like, you you name it. Like, The Middle East and we're, like, the design jobs that the team worked It's, like, truly a a global store, and the the clientele is incredible. But so many people don't know us. And and, you know, team's walking people up to the world of RH, and walking people through and peep people I think, are kinda shocked by our body of work because they you know, many still don't know us, and and so just know, just the the thought of of you know, how important that world of our age is and what a tool that is for our teams to kind of not just try to explain who we are, try to pull it up on the website, but walk people into a really immersive experience that, you know, brings our spaces and places to life. And and know, speaks to our our authority and architecture interior design and landscape architecture because, you know, all of our know, buildings are representatives of those of those kind of core competencies. And yeah, we put at the last minute, we decided the entry with this small little entry, we we we'd stand to think it was communicating enough about our truth. And so we you know, we'll what? I don't know. We hit four weeks ago or six weeks ago. Decided to build a architecture and design library, like, in Orange

England. And and now you can't unsee it. It's so incredible. You walk in. You you know, you look through the main doors, and if you've seen pictures of the gallery, you've seen the Vitruvian man under the artist's design ethos, you know, that you you have to interact with it. Yeah. You I think most people stop and read it and take pictures in front of it. And then left and right, we have these these fountains, beautiful fountains, and you know, above the fountain, we, you know, we came up with this line. Actually, my wife came up with the line. I I thought I wrote a really great letter to Paris and she read it, and she said, give me a day. And I said, what what do you mean? She's like, you don't like it? Said, yeah. Got him secure and and then she wrote that last night, level last line, a few you know, if any of you got the invite to our party, we, you know, use the letters you know, an invite with music and so on and so forth and use it for these opening of our video, and and it and it says in Paris, the measure is eternity. This we know. And have built accordingly. And you walk into that entry, and you can't help but read that. As as you go left and right around the design And then then you you then you're going to this you know, this immersive architecture and design library. Yet there's no product. You see a Steven Forbes: yet.

Gary Friedman: Just, like, doesn't look like a furniture store at all to anybody. Right? You you actually, yeah, see yeah. We've now own two copies of the architectura. You know, they're the 10 books on architecture, where the, you know, first modern printing were in 1521, and we've got a one in in French. And we have three iconic French architects, Delorem, Hausman, and Lucie the third. And and then we've got Vitruvius, da Vinci, and, Ladio. You know, displayed with bust and historic books and so on and so forth. And it's something you've never seen anywhere. Like, know, I've never even really seen one. But we built our first one in because there was a library there, and it came up with the idea, and and we created something, I think, really meaningful. And I remember telling the team, you know, the night before we opened, I yeah. We were in in the in the architecture design library. I said, this might be the most important work we did here. And, you know, because it really communicates our truth, and why we do this and what we believe in. And you know, so now that we've went back and we've we've now you're gonna walk into the entry of Milan, which kinda looks like a lobby of the building. Yeah. It look beautiful, but we didn't know what to do, like, a couple couches and a couple chandeliers. And I didn't really like, you you might have, like, interact with the first person and go, oh, excuse me, but I don't like, you know, is this a condominium building? Is this the the you know, because it it doesn't look like a store. If you walk in and you immediately look through it's kinda loggia into a backyard and yeah, and you have to kinda go up and left left and right. It doesn't have the branch staircase, except for that goes down underground. If we did our first underground restaurant. Like, everybody's gonna go, oh, we have a rooftop restaurant on this side. So that's not something we you know, Now we have a restaurant that's underground. It's got a, you know, skylight in the middle middle of the park, but we're putting you know, a architecture design library now in the entry, and all of a sudden, you you're gonna kinda go, like, who are these people? Like, look at this. Vitruvius and Da Vinci and, you know, Palladio and Scamozzi and Alberti and, you know, all the Italian iconic architects that, know, shaped the way that that the world was designed and built, you know, very early on. You know, that's gonna come to life there. We're gonna have a world of our age in Milan on the pop in a in a place in a space that we probably wouldn't have done anything with. It's kind of like a I don't know, an attic. You know? But the team reconcepted it as this incredible lounge, and and I think it's gonna be an iconic place that'll you know, help people understand who we are and what we believe in and and and also, these are great spaces that we can rent out and do events in that bring the right people into our galleries. And, you know, we're we're trying to test the event business because we've got these incredible spaces and you know, I've said no for I don't know how many years now. Fifteen, twenty I said my my line is always you know, our our galleries are our homes, and we don't rent our homes. You know? I I turned down Oscar parties and Grammy's parties, you know, like, top artists and and everything. And and I thought, we finally did an event. We did, you know, I go to a lot of Warriors games, and I'm friends with Joe Lakup and Nicole Lakup. You know, and Peter Goover, you know, the artist of the warriors. And you know, they they hosted the end NBA All Stars, and and they wanted to use our San Francisco. To do the owners, you know, the owners party, the opening party for the NBA star weekend, and we did it. And and we just got tremendous know, response and all the right people there. You know, it made us think like well, maybe we should, you know, for the right you know, to track

the right clientele. Like, our know, we have such incredible spaces. So you know, so we we and and Tara so far, like, it's like, right away, Chanel wanted to take the world of our age, you know, to hold the dinner and we've been contacting out about, like, can so and so do their fashion show here? You know? And take over your gallery for the evening? And yeah. And so I think you know, we're learning about know, this idea of, like, we're these iconic spaces and ability to actually we have these unique you know, unique architectural masterpieces and the ability to bring the right people, you know, because we have the right place. You know, and I think it's even more important. And if everybody thinks, like, everything's moving online, like, I think people are dying for experiences. They're dying for authentic connections, not only with people, but with places, you know, and with history and with beauty and with food and you know, like, I mean, how many nights can you order DoorDash or Grubhub? I mean, I love I love the services when I have no time. I mean, and I, you know, he wanted to have some delivered. But don't know about anybody else on the phone, but I'd much rather go somewhere and you know, see people and feel like I'm somewhere and connected. You know? And and I think you know, that's why people still you know, aggregate and aggregate. And, you know, they may not go to movie theaters so much anymore because you know, that experience is you know, the not as unique and differentiated and, you know, you know, maybe we don't wanna be in a place where it's coughing behind you and so on and so forth. So that that one I I get. But I I just think the places that we're building people like to see, and they like to be there. You know? They they there's not a lot of places that are public like ours that you can get a meal in and experience. So you know, we're we're learning in Paris. You know, we're having all these people coming from off the board going, you know, seeing it and we're we're thinking about it like that. We're out there. We have have more people fluent in more languages. We need to ramp the design teams faster. Our design team in Paris kinda get overwhelmed. Like, we had no idea. That we'd have the traffic we got into Paris. Like, it was just so many people that came in, and we were just overwhelmed. I mean and and you know, even you know, finding out how early you have to hire people because people keep long you know, tenures. They can't just you know, give a two week notice and come to work for you. You know, we we kinda got behind in hiring for the restaurants and, like, we were behind. Had a fly people from America to kinda help you know, run the restaurant and cover the shifts and you know, they didn't speak French and know, that that was important. You know, that yeah. You know, there's just so so many things we're learning, you know, especially bringing hospitality into the high volume space. So but but there's just a little about the build you know, I I just did my own little math, and I was trying to understand, you know, got the try try to isolate the hospitality business because the hospitality business lost you know, 25% of its fees. After the first couple of months. And expect that to be a little off, and it's only a tiny bit off. You know, with all the seats we've launched. And the and the highest productive seats. So but we're thinking that, yes, we we might be able to tint that rooftop and actually do events there. Maybe make bring in, yeah, just as many people, if not more, because they only see 40 like, 44 people max there. But if the know, just about the staffing, design, like, we're we're we're we're learning learning learning a ton. And know, we're way ahead of we've done you know, team sent some incredible recaps and you know, learnings and We're gonna be so much more prepared and so much more efficient But the bills are are really interesting. So the, you know, the math I was looking at know, I kinda looked at the first eight weeks because, well, September was a five week month. We didn't we lost you know, it didn't open the first week, I think, on the fifth, which is you know, you you know, it's kind of a day, and then the next week started. But and I kinda try to isolate this our business. If you when you open cold in a market like this, right, you you're you're not shipping to anyone here. You've got no revenues happening, and yeah, and and it's it's interesting what we're learning all around, but but this one with you know, high volume, high traffic, you know, high traffic iconic location, international people coming from all over the place, And the first eight weeks well, I looked at the first eight weeks, yeah. So I kinda got the four weeks of September that weeks of we're open in the weeks of October. And then looked at it in the next really I've almost six weeks. I had to estimate the last three days. Just to kinda since we haven't had the business. But but when you look at the demand on the core business, and we haven't seen ramps like this. The the six weeks the average per week is 62% higher than the first eight weeks. And the first eight weeks actually had more traffic as we I think we're you know, it's still the you know, like, the fall, and there was a lot of people in Paris. And, yeah, a lot of people coming in. We still had very good

traffic. But you know, you can tell the team's starting to kinda get feet underneath them. We you know, started people are starting to kind of figure out who we are and, you know, I trust them. I kinda buy furniture from them. And we, you know, we have some people that know us because we're you know, they either lived in America or they travel internationally and they know us from America. But I didn't expect, like, the ramp on the core goods that because we open with such such good traffic, I I wouldn't have thought, you know, it'd be a sixty fifty two, 63% ramp weeks. So the other week so when you start to think about that and and how that might build, you know, I think it's gonna take a while to kinda really understand it. And as we, you know, we we gotta get our arms around it. It's divine opportunity. There's I mean, when you look at all the places we're doing work, and you think, oh, man, our designers are gonna have to fly here and fly there, and, you know, and then and our customers pay for that. Like, we've been flying people from America to you know, all the major cities in the world, so many of the major cities. You know, we've had you know, customers flying our people to to Sydney, Australia, to Melbourne, to Shanghai, to, you know, all over Italy. I mean, I I can't say. It's almost every country. But you know Middle East. Yeah. Middle East. You know? Yeah. We did. You know, for the let's see. The prince of Qatar. Right? Four homes on its compound, you know, and like, a \$3,000,000 job or something. Like but we're doing jobs, like, hundreds of thousands into the millions, Like, we just got a famous building in New York. I can't can't talk about it. You know, to disclose it, but we're just we're doing a \$3,000,000 design project in one of the most most famous mansion. In New York City and done another \$1,800,000 project for someone I can't talk about. You know? Very famous. And, you know, just we're and that's why I think I made the point about the know, design firm. And so know, this you know, so much so much that we're learning about Europe and so much we're learning about you know, just the potential of our of our brand if it's evolved. So, you know, long rambling answer that you started with that You know? With the quest I could talk about Paris for a long time. Thank you, Gary. I'll actually pass it on. Thanks so much.

Operator: The next question comes from Max Rakhlenko from TD Cowen.

Max Rakhlenko: Great. Hi, everyone. So, Gary, this is the first time that you guys have taken the pretty outsized price in a while. Can you just talk about how the customer responded in 3Q and the elasticity that you're seeing from the higher price points? What are the learnings, and how are you thinking about the right price points for the brand ahead? And depending on where tariffs go, could we actually see our continue to take prices further?

Gary Friedman: Max, can I just ask clarifying this, Jack? Like, you're saying you you observed Q3 was the first time we raised prices for for a while. Is that what you're saying?

Max Rakhlenko: Not necessarily the first quarter, but you have taken prices just given where tariffs have gone. So just curious what the elasticity looks like, how the customer is responding?

Gary Friedman: Yeah. We're know, we're learning. We've taken a lot of price increases this year. We've got a lot of you know, movement in tariffs and tariffs are set at one level, and they went up. And they yeah. They they're they're moving around, and you know, it takes a while. I mean, everybody, you know, from manufacturers to you know, product designers and everybody who's involved in you know, the development process and you know, it's you know, it's the first time we're we're all to navigate this through the thing. So I don't know if, you know, if it maybe it's gonna stop moving for a while, but know, for a while that we Yeah. Man. We're kinda frozen. And, but but I think you know, so far, as long as it it's fair to everyone, know, I think that there I think that there's, you know, some businesses that that might be kind of violating the rules. I think that there is some yeah, high people that are coming in that that in other countries that are you know, opening up in The US, and they might be making the goods that they know know, they they might not be you know, bringing them in at the right price. You know, they're they're trying to yeah. There I mean, there's there's a lot of things going on. Like, it's set where there's marketplaces and again, you might have manufacturers bringing in goods, they're figuring out how to get around tariffs. You know? We hope that any of those kind of things, you know, get the the if we're gonna let tariffs, like, just make it fair. You know? Don't don't let some poor manufacturer come in here and you know, those are the people you're trying to stop, and there's actually loopholes You know, they're kinda getting product in here. And I think gonna in next to nothing. And those and that might be an advantage for certain people for a certain amount of time, but, you know, I think that stuff's getting to the administration and you know, hopefully, they it'll become a fair playing field for everybody. And then

if it is, you know, it is. You know? And and, you know, the market you know, will kinda conform to the reality. Know? The I mean, the customer is gonna have to conform. Yeah. It's you know, things cost more. That's what happens. Know, we've had inflation forever, you know, in in this country. You know? Many times, much worse than this, So, you know, I think I think we just think about, hey. Just make it a fair game. You know, don't let don't let manufacturers come in and open a US entity and

Max Rakhlenko: you know,

Gary Friedman: their their price is really a thousand dollars for Don't let them bring it in for a \$100 and and pay almost no tariff. Because you're, you know, shipping it to themselves.

Max Rakhlenko: Yeah. So got it. Yeah. No. That's that's helpful. And then, Gary, just any more color on the new, collection that you're looking to roll out next year? Just how are you thinking about the timing And just what could it look like as we think about some of the building blocks for next year?

Gary Friedman: Yeah. We we just got back from the trip that yeah. We worked exclusively on that thing. I I don't think we've ever been more excited about anything. That we we've worked on. I mean, it's and I think we worked any harder, not because we had to, just because we wanted to. Like, it's, like, it's I I think you know, Arie, Lisa, and, you know, anybody who's put us on the trip would you know, that has any perspective of the big moves that we've made over the years, I think this is gonna be the biggest incremental move we've ever made. And, and I think it's gonna be like a you know, a ten year thing. You know? Like, it's it's not only is it a part of our assortment that we're way underpenetrated in. It's if you look at the architecture, that it's targeting and the the homes is targeting, it's targeting the the biggest architectural block, you know, an aesthetic block. Especially at the high end. Yep. I mean, some of our data says you know, 60% of homes 5,000,000 and above represent this kind of architecture. And it's where we used to be strong And, you know, when the launch of Modern and contemporary and really the you know, the the modern book. You know, it's the modern book and modern is modern. Interiors kinda became contemporary. That's why I consolidated it altogether. And then, you know, the kind of the

Max Rakhlenko: you know, the

Gary Friedman: the major look, you know, that that saying too much, you know, is the and where we kinda built, you know, built the company on, you know, more classic It's not only it's not only big, it's the next trend. So, and what we're doing is is our best work. And our partner's best work. And, I mean, everybody is excited about it, especially after this last trip. And so our our target is to

Max Rakhlenko: launch it at Solone.

Gary Friedman: In Milan. The biggest design show in the world. You know, when we have probably the biggest opening parties than anybody's had. In Celanese and you know, and have the world come see it and talk about it and and, yeah, try to get it into as many dollars we can as quickly as we can. It's it's what our interior designers and teams you know, are getting to ask ask the most about their what they're most excited about.

Max Rakhlenko: Know,

Gary Friedman: don't really represent it. Very well. So and the work we're doing is, I think, just incredible work. And I I think we can't wait to jump back on a plane and you know, gotta do some like, we just it can be so big. So I think it's I I kinda look at it, and I say, it's worth a few billion dollars over the next several years, you know, And it's five years or ten years, know, but it's it's gonna if it could be the biggest part of the brand. It should be. Especially with the trend that's gonna be powering it over the next and that and that trend should go fifteen to twenty years. You know, when you look at cycles. And this is the first time we're gonna actually kinda lead a cycle. Like, you know, we usually I used to say, you know, like, don't go too early on the way of being, a surfer. You get a false negative, the wave will go underneath you. Wait until the wave breaks. Let a few people ride that, you know, wave. Learn from it. And then go own the wave. But this one, you know, it's it's actually the first cycle I I actually was a consumer. You know, I, like, bought my first house. You know, my my wife is a high end interior designer, and it which actually first we did another shoe, so interior designer It the first place I ever bought a a, you know, small condo in San Francisco. And know, I was the consumer for for that

Max Rakhlenko: look and

Gary Friedman: I have some Belvedere for for stuff I built, you know, and we did that house. And that was the look. So you know, so I kinda know this one. I actually was like, wow. I'm old enough. To live

through the cycle here. That's that's good and a bad thing. Right?

Max Rakhlenko: But

Gary Friedman: you know, why we think we announced, like, we bought we don't even we didn't even announce that stuff yet.

Max Rakhlenko: Yeah. Yeah. I can't yeah. I gotta I gotta get off stage. It came out of business. It came out. Yeah. This is a bomb.

Gary Friedman: I think I'm in business. Oh, okay. Yeah. So if you guys know, we bought Michael Taylor, you know, Michael Taylor designs that was you know, Michael Taylor was the godfather of the California look in you know, one of the most famous interior designers at the time in the eighties and he did the Albert Just Soleil and his famous, diamond tables in the lobby of the Abbeir du Soleil. So we and I I have the dining table in my Belvedere house. You know, it's it's you know, I've had the Michael Taylor dining chairs and, you know, the snacks that really very cool iconic features. So we bought the Michael Taylor brand. We own all the IP, and, you know, you'll see a fresh only thing coming. So given given the competition a little little heads up. I I better shut up. Why didn't you anything in on the earnings calls? I'm just kinda do this thing, and I thought, like, no way. You know, in the world of AI, if it goes down,

Max Rakhlenko: straight copy, but

Gary Friedman: yeah, we bought another company, besides that, and and so we, you know, We're well on our way. It's gonna be a big deal.

Max Rakhlenko: Awesome.

Gary Friedman: Thanks a lot, guys. Best of luck.

Operator: Up next, we'll take a question from Michael Lasser. UBS. Cleaning.

Michael Lasser: You so much for taking my question. Gary, you you wrote in a letter that the way you offer your guidance is you have very high ambitions, and at times,

Gary Friedman: you may fall short of that. Would it make sense to slow the pace of all the initiatives and aim for a little bit more predictability in light of this very dynamic environment And in that case, profitability might come a little higher as a result? Or is the is your theory

Michael Lasser: at this point that we're gonna drive top line growth at all costs and the profitability will eventually come.

Gary Friedman: I I guess if I

Michael Lasser: if I thought that, I would've wrote that. Right? I mean, that's what I wrote.

Gary Friedman: You know? I I just think that

Michael Lasser: you know, Wall Street's a funny thing. A lot of people said to me throughout my career, hey. You know, I hate being a public company and you know, you gotta report quarterly earnings and it gets you to think small and

Gary Friedman: I and I said I have a I, you know, I think that's a choice.

Michael Lasser: I actually like the discipline

Gary Friedman: of being a public company. I actually like

Michael Lasser: that we have to you know, report earnings once a quarter. Right? You know, report numbers and, you know, it makes us stop and think, you know, assess and prioritize and, yeah, and so on and so forth. And and I I like that we have you know, quarterly board meetings, and I like that we, you know, have to you know, go through that process and distill things down and simplify and you know, assess everything

Gary Friedman: So

Michael Lasser: yes, I I don't mind it. I said the thing I I've learned, and I've observed, I think so many people you know, they get so focused you know, like, on quarterly result.

Gary Friedman: That

Michael Lasser: you know, that becomes their whole mission. As a CEO, you know, or a leadership team is, how do we make the quarter? And they do a lot of stupid things. To make a quarter that aren't brand building or

Gary Friedman: you know,

Michael Lasser: business model building or anything. You know? And and I I just yeah.

Gary Friedman: I I

Michael Lasser: think it's not a smart way to build something great, you know, and and you know, we one of our board members, you know, grew up in Silicon Valley, and she's, you know,

Gary Friedman: you know,

Michael Lasser: early Facebook, know, team member and everything. Yeah, she always says, like, we're we're like a Silicon Valley startup, you know, Yep. Like, we're you know, semi mature public company. And and I think that's a good thing to be. You know, it creates energy. It attracts great people. You know, great people wanna come in and just, oh, how are we gonna make the next quarter? Oh, let's lower our expectations. Let's make sure we make it. Know, that's like a downward spiral a lot of times. Yeah. I mean,

Gary Friedman: we, you know, we

Michael Lasser: we wanna do something great. We wanna do the best in the world at what we do. And you know, that's not for the faint of heart. It's not for everyone. You know? But we don't need everyone to buy the stock, and you know, we don't you know, our our our strategy is really simple here. Yeah. From a business point of view, I'd say it's it's we do what we love with people that we love For people that love what we do. We're doing focus groups. We don't do stuff like that. We, you know, we we it's just very personal business to us. And

Gary Friedman: you know, probably you know,

Michael Lasser: reflect the same way shareholders. You know, we have some people who've been with us forever, some people are out of stock and that's okay. They love us sometimes. Some of don't love us. You know, it's a free world. But I don't know. Like, I

Gary Friedman: I I you know, it's like

Michael Lasser: sometimes, you know, like, in good markets, you know, we're eating quarters and making quarters. In a market like this, This is the time to you know, make moves and take market share and you know, create real strategic separation on the other side of it. Ready for the

Gary Friedman: for the turn

Michael Lasser: And I don't think anybody's gonna be more ready than we are. I didn't like, look out when the housing market comes back. We're gonna see you think we're greatest? You you look at our two year numbers?

Gary Friedman: You know, like,

Michael Lasser: Just

Gary Friedman: a handful. Like, you know, it's not that many publicly reported people, but, you know, if you look at furniture based retailers and, you know, a lot of those people, again, even on the list, they sell a lot of accessories and other things. You know, there's not too many just focused on furniture that are even that I every they've been in a store, so they said, like, they'll put this company there. We'll are they even in California? Like, why would we think about them, you know, competitor? Like, you know, they they don't sell anything like that. You know, not they're not at our price points or anything, but yeah, we you know, we took know, kind of national you know, public players and and, you know, have a, you know, at least like, 50% furniture or 80% furniture.

Michael Lasser: And so we're gonna be

Gary Friedman: more cyclical because of the furniture content, but furniture is the biggest part of the business. And

Michael Lasser: Yeah.

Gary Friedman: So you know, should we lower our ambition? Like, no. I don't think so. I mean,

Michael Lasser: My question was not on be more

Gary Friedman: stable? I don't know. Like, are are we not stable?

Michael Lasser: I don't know. Like, I No. No. My my work

Operator: we're gonna make IT teams EBITDA.

Michael Lasser: Yeah.

Gary Friedman: My my question wasn't on the the investment. It was more of the

Michael Lasser: pay for that.

Gary Friedman: It was more about the pace of initiatives than slowing down to eventually speed up. But and and you you're not gonna love my

Michael Lasser: follow-up question in light of that, so I apologize in advance. But you Yeah.

Gary Friedman: You know, like, I like you, Michael. You ask good questions. I it makes me think. Oh, thank you.

Michael Lasser: Uh-huh. My my my second question is in light of the guidance

Gary Friedman: that call for the fourth quarter that's called for a slowdown in the top line as well as some absorption

Michael Lasser: of the tariffs. Is this a signal that you're running into

Gary Friedman: limitations on being able to manage the tariffs with with price and and we should consider that as we factor our models for next year. Not only is that put a little bit of a drag

Michael Lasser: on the top line,

Gary Friedman: but also we should consider that may have to absorb some more tariffs into next year. Thank you.

Michael Lasser: You wanna take that, Jack? Yeah.

Gary Friedman: I'm I'm thinking, Michael. You know, the tariff piece, I don't you know, we didn't materially change the impact from a basis point perspective. Obviously, that's just representative cost alone. You know, the other piece that's not calculated on that is is the price increase. You know, Gary called out in the letter one of the Q3 items was just the the the tariffs on the back order and special order goods. Well, some of that was timing. Right? Because we experienced an increase in expect you know, have expected increase in tariffs We do our mitigation efforts. We do our resourcing efforts, but we you know, concurrently also change prices but you're never perfect. You know, you have some delays in in the effectiveness of those But, you know, you're not gonna call your customers back and say, oh, by the way, the thing you just bought we're gonna be importing it at a 20% tariff. So can you give us more money? So you know, as as we read that needle and get all that, you know, dialed in, that was, some of the some of the things that Surprised us in Q3, and it'll flow a little bit in Q4. But you know, I I don't know that we're ready to to to to say that, you know, make make a statement like you're you're like you're describing. You know, it's it's dynamic situation. Not to mention looking at competitors. What do competitors do? You know, we don't lose sight of that. So

Michael Lasser: you know, as far as what 2026 looks like, you know,

Gary Friedman: we're a little early for that. I I understand the question and the desire to know. We'll we'll talk about that at the March. But I think, you know, I think we we're proud of how we've been navigating the tariff situation. You know, with with with price, you know, with with mitigation, with resource with with vendor partnerships, with with price increases, everything. Everything that you would expect us to do. So Yeah. I mean, I plus, we probably had the most you know, difficult situation from based on, you know, where we were where we were sourcing from and what we did and yeah, we we you know, read it wrong. We we thought, you know, the president was gonna like you know, moving goods to Vietnam, and Vietnam is you know, a smart place for us to, you know, move goods into and and I'll send Vietnam back here with a 47 per for 46¢ tariff. And we're like, uh-oh.

Michael Lasser: That was

Gary Friedman: possibly to move it to Vietnam, and it was, you know, a lot of work and a lot of yeah, effort and we were just getting ramped up, and then okay. Now where we're gonna put it? And then, you know, China's going from one tariff to another, and you know,

Michael Lasser: and

Gary Friedman: you know, there's other places we're moving goods to and moving it to The US and you know, like, it's it's a bit chaotic right now. Like, I don't know. I again, I I kinda look at it all in context, and I say, everything that we're investing in, you know, we're you know, we're building a restaurant company you know,

Michael Lasser: I don't know. Name somebody who's

Gary Friedman: ever done restaurants of our quality integrated into a retail experience especially a furniture store. Now you'll say, well, you know, I hear something, they sell meatballs or something. Right? And you know? But and actually, you know, we're, you know, we're generating cash. We're paying 65 It's an offset 55% of the rent for the buildings that on average, you know, some are higher, some are lower. And you know, we I think we're one of what is one of seven global luxury hospitality

companies that own and operate their own.

Michael Lasser: Business. A lot of people go, like, who's your chef?

Gary Friedman: Know, what hospitality company runs your restaurants? We run them. Where are they? We're the chefs. And, you know, we have yeah. We've obviously have culinary leaders and chefs and all get together and collaborate. But they're, you know, they're a reflection of you know, what we love and what we do and we we're getting good at it. We're getting better and better. And like, I have an interesting point for a case when what was our our average ticket? \$38. \$38 and 19 In 2019? Yeah. So, I mean, here's the interesting in fact, we we we just had our ten year anniversary in October being in the restaurant business. We opened you know, in Chicago and that restaurant did get, like, you know, the partner we've you know, that we did it with is a great guy. He's still a good friend, and

Michael Lasser: know, and

Gary Friedman: super successful It's you know, a lot of times, like, if if you really wanna do something, you you know, someone's full time and doing this and, you know, we we just realized most

Michael Lasser: of the chefs you know, driven businesses that are doing hospitality for other people, it's

Gary Friedman: you know, kind of a license to name thing. They're not there. I mean, we had a a deal with Brendan, and he he was you know, we had half his time for a while, but then he you know, he had so many other opportunities. And, we realized you know, this is you know, turning into a real thing for us. We we need to make it a core for competency. So we we've invested now for many years, and, you know, it's like but that restaurant in Chicago that we opened at 5,000,000, it's first year. I mean, the the estimate was gonna do about a million bucks for here, and it did 5. It does. 9 or 10,000,000 now. Case. Yeah. And just just shy of 10. Just shy of 10,000,000 and we opened a second restaurant, a second gallery, you know, in a suburb not too far from that. That's doing 11,000,000. You know? So you think it would've been cannibalized more. And, you know, and we're yeah. Our team is growing and maturing and, you know, collaborating, we're getting better and better. And you know, but if someone would have said, ten years ago that hey. How many people wanna wake up in the morning and go to a furniture store for dinner? You know, or for lunch? Like, I don't think anybody would've. You know? So think about that one. Like, I don't know. Should we not have done it? Because you could have said, like, Gary, that was, like, really hard. Why didn't you do that? Well, we do hard things. You know? And we do things that are unique and differentiated and you know, I think because we know, we're more ambitious than others, we think more deeply than others, and we're we're not just managers. Of something. You know? Managers arrange and organize the status quo. We're we're leaders. And, you know, leaders are leading people somewhere they've never been doing things they've never done. You know? And leaders have to be comfortable making others uncomfortable. You know, because that's what leaders do. Because you know? And and starting with the leader, the leaders may be somewhat uncomfortable. So, you know, I'm gonna I'm Sorry if I'm making you uncomfortable.

Michael Lasser: Know, it's just what I do.

Gary Friedman: And that's how I know I'm leading. That's how you know you're on the right path. But you know, if you if you can build things that other people haven't built and if you can lead you can create a lot of value.

Michael Lasser: And

Gary Friedman: we believe we're gonna create a lot of value. Like, maybe not at this moment. You know? Like, we look really risky, I guess, because we have debt, and You know, but we said, you know, we we're comfortable with paying down the debt. There's lots of lots of things we can do. You know? Heck, we've done more zero convertible notes than anybody in history, I think. And if we did four,

Michael Lasser: I don't think anybody's done four. I mean, there were

Gary Friedman: Yahoo had done two. Know, and at some point, you know, we might tap the convert market. Some point, we may refinance some of the debt with some point, you know, like, who knows? We got we you know, we've got a lot of real estate. When we think we can monetize that over time and and you know, our inventory has been high. We're you know, turning inventory into cash, you know, but we're I'm pretty comfortable. Like, hell, I lived down the edge of bankruptcy my first ten years. This is nothing. Yeah. Like Nope.

Michael Lasser: Thank you for all the insight, and I wish you all a very

Gary Friedman: holiday season. Thank you. Great. Happy holidays to you, Michael.

Operator: The next question comes from Simeon Gutman from Morgan Stanley.

Simeon Gutman: Hey, Gary. Hey, Jack. Maybe one question, maybe let's talk furniture. You talk about the backdrop? I know it's been a tough overall market. Can you just talk about how the quarter how the customer changed, the demand for furniture, how your current lines are resonating? And then barring anything in the backdrop getting worse, can we assume that free cash flow stays positive from here on out? Thank you. Bye. You know, I don't know if if this is the time to assume anything

Gary Friedman: We'll

Simeon Gutman: you know, be a certain way. Right? We just we just had China and Russia fly bombers over Japan. You know, flights hello. Was anybody expecting that? You know? And, you know, then we rallied bombers with Japan or fighter jets whatever. Like, who knows what's gonna happen in this world right now? I mean, there's a lot of discord, and there's a lot of noise. And you know, so I mean, we expect free cash flow to remain positive.

Gary Friedman: But

Simeon Gutman: you know, did did we expect at any time early in the year that we were gonna have all the tariff announcements, you know,

Gary Friedman: such a

Simeon Gutman: unpredictable, chaotic way and and have to delay our our interiors booked by eight weeks. Did we think we were gonna launch a stage this year? Yeah. We did. And, yeah, I said the name of that. Okay. This Sorry about that. But

Gary Friedman: we, you know, we it's it's it's a really unusual time. And

Simeon Gutman: you know, we're not trying to be flat or up three right now. Like, if we're trying to be flat or up three, would we be more predictable? We might. I know. Would that be really good? For the long term? I don't think so. I love what we're doing right now. I love that moves we're making right now. I think nobody's even gonna I think people are gonna be shocked I think competition gonna go, now what? I love, you know, our strategy in Europe. But is it more expensive than we thought? Yeah. It is. Like, know, we build these things during and post COVID, and they're way more expensive. And, you know, it's putting pressure on short term Yeah. You know, cash flow and things. Yeah. Sure. But wait till you see what we invented And, you know, again, necessity is the mother of invention. Put us into a corner, make things tough for us, we'll invent our way out of it. We've designed I think, some of the most exciting retail concepts coming, you know, like, versions of our age. That I think are mind blowing, and they cost half as much. And we have other ones that are equally creative that

Gary Friedman: will take probably less than half the time

Simeon Gutman: it costs less. You know? And, you know, we've got design ecosystems. We have design compounds. We have you know, at at you know, interior design office. Yeah. We we just got a lot a lot of things and and that's and they're all making a ton of sense. And yeah, so we're I think we're pretty responsive strategically We just don't like to get stuck in the weeds, and not see the bigger picture and you know, yeah, but but we're, yeah, we're really excited about where we are. We're super positive. But can you say things are gonna be super predictable in this what we've just seen in the last six to twelve months, I'd say it's gonna be predictably unpredictable. Like, just what we've all had to navigate and deal with, and, I mean, there's still changes. Like, you know, who knows? There could be a whole new round of tariffs. I mean, the the you know, Supreme Court could say, hey. This is illegal. And then all of a sudden, it's gonna be you if you read the news, gonna be these things happen. They should happen. Those things happen. This changes that. Like,

Gary Friedman: well, you know,

Simeon Gutman: we'll improvise, adapt, and overcome. That's what we do. Hey. Send me send me in on the free cash flow just so you know, like, talked about the 300,000,000 of of inventory coming down so that this year is a kind of a 200,000,000 figure we talked about. So there's still that element to come. There's we talked about reduction in cap cap capital spending, you know, last

Gary Friedman: call.

Simeon Gutman: A little bit here. So just there's building blocks to maintain positive cash flow going forward, but, obviously, know, there's a lot of unknowns and a lot of uncertainty. So we'll we'll be talking a lot about that and try try to drive that result as well.

Gary Friedman: No exit over the Thank you.

Operator: Lifeline? Up next, we'll take a question from Jonathan Matuszewski from Jefferies.

Jonathan Matuszewski: Oh, great. Good evening, and and thanks for the time. Appreciate the, the color on market share, Gary. And it's easy for us to track the public players you outlined in the table, but less easy for us to assess, you know, the health of the the fragmented design showrooms. You know, those regional high end stores, some of the local independent boutiques.

Gary Friedman: Curious if you could give us a sense of what you're seeing from a dislocation standpoint with majority of your share gains coming from, you know, those channels? Thanks so much. Yeah. I mean, you know, harder for any of us to measure, but, yes, I mean, the feedback we get

Jonathan Matuszewski: from

Gary Friedman: you know, some of the people that we've acquired and you know, that we know that know, believe we've been the biggest disruptive force the high end of the business over the last you know, ten years. Not more. And so, especially with what we've done, you know, with the new galleries and with the assortment and moving up market and taking the you know, the quality up and the level of design up and you know, so

Jonathan Matuszewski: you know,

Gary Friedman: I think you could I mean, we used to track how many independent high end boutique there were. Right? There used to be 32 between Yes. Sausalito and Santa Rosa, you know, county in Healdsburg and Sappa Napa and and we always said, you know, that that they all exist because you know, our age had a 6,000 square foot gallery, in Corda Madera, and you know, most of those boutiques were I don't know, 3,000 to 15,000 square feet. You know? All the majority of them kind of

Jonathan Matuszewski: close to the size we are.

Gary Friedman: And, yeah, it wasn't obvious the assortment. You know? If you didn't get our book, you know, you didn't know how big our assortment was. If you didn't go to our website, you know, you didn't know. And we all said, like, when we have the assortment, in physical marketplace, there will be a lot less than that. You know, you're making me wanna go do the latest math. I mean, we know you know, that it went from, like, 32 to about 18 or 20. You know, over x number of years, and she got do the math again. You know? But I mean, I think, you know, we went from 300,000,000 to three and a half billion, and yeah, some of it's hospitality and, you know, it's yeah. Contract business, and we own waterworks and but yeah, we we we believe most of the share came from the higher end and came from the like, it came from the showrooms, and they came from the independents, and they came from the regional furniture stores, and they came from you know, the Ethan Allens of the world or people like that. And I sticking Ethan Allen or anything, but

Jonathan Matuszewski: I mean, Ethan Allen when I

Gary Friedman: said our age earlier days, were, like, 1,200,000,000 or something. And, you know, they we we looked up to them and I think they I don't know if they do today five or 600,000,000 or 700,000,000.

Jonathan Matuszewski: Yeah. So

Gary Friedman: you know, there's always gonna be those shifting dynamics You know, they're sometimes hard to measure. But

Jonathan Matuszewski: you know, we

Gary Friedman: we like how our business has been performing from a market share point of view, and there's enough data to say you know, we're one of the leading share gainers right now at a know, at a certain size. You know, especially furniture based. Right? Again, know, there's other people that have a big tabletop business, so they have big accessories business. So they're in seasonal businesses like Halloween and Easter and this and Christmas, and we're not in any of those businesses anymore. You know? So yeah, you gotta compare us to the right kind of people. And you know, so we we don't have some of those other businesses that might make us a little less cyclical. You know, there's some of the businesses I think we exited too far. You know, we probably have some more home accessories or you know, some layer, you know, designers you know, that would like to have more things to complete a home. And so, you know, we're considering those things. We used to have a book called The Object of curiosity, and we may read relaunch that at some point. And you might see us I don't know. I wouldn't

even rule out would we be in the tabletop business. But just in our own way. You know? And and, don't think I would be in the chase, the holiday businesses know, but it doesn't mean we can't have you know, beautiful candles that are you know, that are like, our branded stuff. You know? We and then we can't have, like, our our maids blanket or things like that. You know? And they're really high end and aspirational and you know, would be great gifts and know, things you'd really wanna in your home to identify, you know, that

Jonathan Matuszewski: identify

Gary Friedman: your status and where you are in life. So we think we built the brand correctly know, there's gonna be other opportunities like that. But

Jonathan Matuszewski: you know, but I yeah.

Gary Friedman: Yeah. Hard to it's it's that fragmented. Right? It's, like, not easy to exactly know.

Jonathan Matuszewski: Helpful. Thank you, Gary.

Operator: And that does conclude our question and answer session. I'll hand the conference back over to Mr. Gary Friedman for any additional or closing remarks.

Gary Friedman: Great. Thank you, operator. Thank you, everyone, for your interest. Wanna thank our our teams, you know, that bring our brand to life. Each and every day, you know, throughout our galleries or hospitality or distribution centers or you know, every aspect of the company. You know, everybody in you know, every location around the world, and everybody who's all of our partners around the world that, you know, work so hard to you know, bring these beautiful products to life. You know, we we appreciate everyone and and your efforts and your collaboration. And we wish everyone a wonderful holiday. We look forward to talking to in the next year.

Operator: Thank you.

Operator: Once again, everyone, that does conclude today's conference. We would like to thank you all for your participation today. You may now disconnect.