

# VITL Earnings Call Transcript

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**Quarter: 3**

Operator: Good day, and thank you for standing by. Welcome to Vital Farms Third Quarter 2025 Earnings Conference Call and Webcast. [Operator Instructions] Please be advised that today's conference is being recorded. I would now like to hand it over to your host, Brian Shipman, Vice President of Investor Relations. Please go ahead.

Brian S. Shipman: Good morning, and welcome to Vital Farms Third Quarter 2025 Earnings Conference Call and Webcast. Joining me today are Russell Diez-Canseco, Vital Farms' President and Chief Executive Officer; and Thilo Wrede, the company's Chief Financial Officer. By now, everyone should have access to the company's third quarter 2025 earnings press release issued this morning. During today's call, management may make forward-looking statements within the meaning of the federal securities laws. These statements are based on management's current expectations and beliefs and do involve risks and uncertainties that could cause actual results to differ materially from those described in these forward-looking statements. Please refer to today's press release, the company's quarterly report on Form 10-Q for the fiscal quarter ended September 28, 2025, that was filed with the SEC today as well as the company's other SEC filings for a detailed discussion of the risks that could cause actual results to differ materially from those expressed or implied in any forward-looking statements made today. Note that on today's call, management will refer to certain non-GAAP financial measures. Please refer to the appendix in today's press release [indiscernible] presentation for a reconciliation of our non-GAAP measures to the most directly comparable GAAP measures. That presentation and today's press release are both available on the Investor Relations section of our website. After our prepared remarks, we'll open the line for questions. [Operator Instructions] Now I'll turn the call over to Russell.

Russell Diez-Canseco: Thank you, Brian, and good morning, everyone. Before we get into results, I want to officially welcome you as our new Vice President of Investor Relations. We're excited to have you on the team. For those of you joining us today, I know you will all enjoy working with Brian. I'd also like to thank the entire Vital Farms crew. Over the past 3 months, we've delivered a very strong quarter with record financial results, advanced our supply chain and set the company up for continued growth in 2026 and beyond. All of these great accomplishments took every one of our crew to make happen from the team at Egg Central Station in Springfield to our farm support and remote workforce. I just came back from an all-hands meeting with our remote crew and the energy and commitment in that room was truly inspirational. Our crew is energized to drive strong growth into the future in service of our purpose to improve the lives of people, animals and the planet through food. And I'm honored to have the opportunity to lead this great organization. As we entered the back half of 2025, we told you our focus would be on rebuilding supply, meeting strong retail demand and positioning the business for sustainable growth into 2026. We've delivered on all 3. Let's start with this quarter's results. Net revenue was \$198.9 million, a new record for any quarter and was up 37.2% from the prior-year period on the back of the incredible ramp-up in the supply of eggs our crew has been able to deliver. Gross margin came in at 37.7%, which remains above our long-term target of 35%. And adjusted EBITDA was \$27.4 million, and increased 81.3% compared to the prior-year period as we benefited from price mix and scale efficiencies. Next, we made meaningful progress expanding supply, adding processing capacity at Egg Central Station and completing a major systems upgrade. We added approximately 75

new family farms during the last quarter, bringing our total to 575 family farms. That's approximately 150 new farms year-to-date. We now have more than 10 million hens under contract, which is a reflection of the trust and partnership we've built with farmers in the pasture belt. Our third production line at Egg Central Station in Springfield came online in October, expanding capacity to about \$1.2 billion in annual egg revenue and positioning us to meet growing consumer demand. Our Seymour facility remains on track to open in early 2027. With 2 production lines, we estimate the Seymour facility will add \$900 million in annual revenue capacity. Also, at the beginning of the fourth quarter, we went live with our digital transformation project, a critical milestone that enhances our operational capabilities and underpins our ability to scale efficiently. More on that from Thilo in a few minutes. Finally, we continue building our trusted brand and making progress on our long-term aspiration to grow Vital Farms into America's most trusted food company. This increases our confidence that we have positioned the business well for long-term growth. We added another 2 percentage points of aided brand awareness, which now stands at 33%. Brand awareness is now up 8 percentage points since the third quarter of last year, demonstrating that our message is clearly winning with consumers. Through compelling authentic work like our Good Eggs. No Shortcuts brand campaign and our ads that aired alongside FX's award-winning series, The Bear, our stories continue to attract strong interest from the media and the public. We also launched limited edition dog treats made with Vital Farms eggs in August. This fun brand moment was featured in top-tier media outlets like Good Morning America and generated over 550 million impressions across press, paid media and social media. In summary, this was another great quarter for Vital Farms. We're executing well in the near term while laying the foundation for long-term growth. The investments we're making will continue to set Vital Farms up for long-term success. Given the strong execution across our operations, our farm network and our brand, we're raising full year guidance for fiscal 2025, which Thilo will cover in detail. Thilo, over to you.

Thilo Wrede: Thanks, Russell, and hello, everyone. I'll review our third quarter financial results and then discuss our updated full year outlook. Let me start, though, by also welcoming Brian to Vital Farms. Brian, it's great to have you here, and I'm excited about what you are bringing to the company. Now for the results. Net revenue for the third quarter of 2025 rose to \$198.9 million, an increase of more than 37% compared to the prior-year period. Revenue growth was driven by continued volume growth and favorable price mix. Gross profit rose to \$75.0 million or 37.7% of net revenue from \$53.5 million or 36.9% of net revenue last year. The increase in gross profit dollars was primarily driven by revenue growth from higher volume and increased pricing across our shell egg portfolio and favorable mix benefits. Gross profit margin increased year-over-year primarily due to favorable price mix, partially offset by increased overhead costs. SG&A; increased to \$44.4 million or 22.3% of net revenue compared with \$36.1 million or 24.9% of net revenue last year. Shipping and distribution expenses were \$9.2 million or 4.6% of net revenue compared to \$8.1 million or 5.6% of net revenue last year. The dollar increase was driven by higher ship volume. Net income for the third quarter of 2025 increased 121% to \$16.4 million or \$0.36 per diluted share compared to \$7.4 million or \$0.16 per diluted share for the third quarter of 2024. The increase in net income was driven by operating profit growth, partially offset by year-over-year increases in tax provisions. Adjusted EBITDA for the third quarter of 2025 was \$27.4 million or 13.8% of net revenue compared to \$15.2 million or 10.5% of net revenue for the third quarter of 2024. Turning now to our balance sheet. As of September 28, 2025, we had total cash, cash equivalents and marketable securities of \$145.1 million with no debt outstanding. The sequential decline in cash, cash equivalents and marketable securities reflects ongoing growth investments, including the new ERP system, the third production line at ECS in Springfield, Missouri, the construction of our new egg processing facility in Seymour, Indiana and our investment in accelerator farms. This was partially offset by strong operating cash flow of \$27.9 million for the quarter. Our balance sheet remains strong and provides significant flexibility as we execute our growth investments. Before discussing guidance, I'll provide a brief update on our internal control remediation. We continue to make good progress addressing the material weakness in our revenue recognition process identified in our 2024 annual report. Importantly, this was a design efficiency only with no impact on our financial statements, and we remain on track to complete remediation by year-end, subject to the ongoing enhancements of controls in the recently implemented ERP system. On to guidance. Given our strong performance in the third quarter, we are raising our full year 2025 net revenue guidance to at least \$775

million, representing growth of at least 28% versus 2024. I would like to point out that we did see a small amount of revenue pull forward into the third quarter from the fourth quarter ahead of our planned ERP go-live date. We had announced the go-live date to the trade so that they could plan ahead for it. We're also raising our adjusted EBITDA guidance to at least \$115 million for the full year 2025, an increase from our previous guidance of at least \$110 million. As we move into the fourth quarter and have good visibility for the remainder of the year, we now expect a bit less margin pressure in the second half of the year from tariffs and promotion. While the tariff situation remains fluid, we are seeing more modest impacts than we had originally expected. Additionally, our increased promotional activity is going as planned now that supply constraints have largely been resolved. Finally, we now expect fiscal 2025 capital expenditures of \$80 million to \$100 million. We continue to construct both production lines at our Seymour facility simultaneously, along with on-site cold storage. The \$10 million reduction versus previous guidance reflects some timing updates for the Seymour facility and some postponed projects at ECS in Springfield in order to focus on the digital transformation go-live. As previously indicated, we will have elevated CapEx spend in 2025 and 2026 because of construction of our new facility in Seymour, Indiana, the newly installed production line at ECS, Springfield, the construction of accelerator farms and our digital transformation project. We expect to fund our current plans with existing cash and operating cash flow and continue to project that every dollar of CapEx investment in the Seymour facility will generate \$5 of annual revenue capacity. Let me also touch a bit more on the ERP implementation. We turned on our new ERP system at the beginning of the fourth quarter on September 29. As planned, the new system is working very well. We put a great internal team in place at a realistic time line with multiple test iterations and partner with the right implementation vendor. As is common with any system implementation of this complexity, we are now in a planned hypercare period in the fourth quarter. During this hypercare period, we budgeted additional resources to support operations at ECS and address any issues as they arise. That said, given that ECS had to learn to operate using new processes and software tools, the ERP start-up slowed down production for the first 2 weeks of the fourth quarter, but that was always part of our plan and therefore, has had no impact on our guidance for the full year. However, you can see the impact in the most recent scanner data. Following this expected temporary slowdown, the business has quickly bounced back, and we are now operating at pre-go-live shipment levels. Before I hand the call back to Russell, I would like to mention that we will hold an Investor Day on December 16 in Springfield, Missouri. In addition to an update from management, we will tour ECS, including the third production line and showcase the new cold storage facility. We hope that you can join us. And if you're interested in attending, please reach out to Brian Shipman. Now let me turn the call back to Russell.

Russell Diez-Canseco: Thank you, Thilo. With strong fundamentals, a resilient supply chain and expanding brand reach, we're confident in our trajectory into 2026. As I mentioned at the start of the call, I just returned from an all-hands meeting, and I'm always so energized by being with the entire crew in person. The organization's values are as strong as ever, and our crew continues to raise the standards for the Vital Farms brand and to drive the organization forward. Looking ahead, we believe we remain structurally advantaged with significant long-term opportunity. Our brand of eggs still represent a small fraction of the total egg market, giving us substantial runway for growth. Consumer awareness of animal welfare and food sourcing continues to increase, and Vital Farms has established itself as the trusted leader in this space. The capacity investments we're making, the operational excellence we're demonstrating and the brand strength we're building create a powerful combination. We're building a durable, scalable business model that can deliver consistent results for the long term. Every decision we make and every investment we prioritize is in service of our mission to become America's most trusted food company. The progress we're making in 2025 represents meaningful steps toward that goal. Once again, we thank you for your time and your interest in Vital Farms and for the confidence you've placed in us with your investment. We look forward to seeing many of you at our Investor Day in December. With that, we're happy to take your questions.

Operator: [Operator Instructions] Your first question comes from the line of Robert Moskow from TD Cowen.

Robert Moskow: Welcome to Brian. I wanted to know if you could get -- dive a little deeper, Thilo, into the volume in the quarter, up 19%. How much of that is from like filling up inventory at customers? And

how much of that would you consider like sustainable demand growth from a consumer standpoint? And then also on the price/mix, which was a lot higher than I thought. Is there a mix component to that, that's unusual that you might want to dig into?

Thilo Wrede: Yes. Rob, thanks for the question. So on the volume, I would argue this is all sustainable volume growth. This is not about filling retailer inventory. There might have been maybe a bit at the beginning of the quarter. But keep in mind that first half of the year, our volume growth was constrained just by our limited supply of eggs. And the demand was always there. Now we are in a much better position to fill the demand. And the way we've talked about growth progression sequentially throughout the year that every quarter, we would have higher growth in the previous quarter, higher volume than the previous quarter. We continue to see that. And so with that, this is all sustainable growth and driven by demand and not filling retailer channels. On the price/mix question, yes, it was slightly better than what we had initially planned for the quarter. It was really a function of channel mix, SKU mix for us. We dialed back promotions a bit in September. We didn't want to have a lot of promotions out in the market as we went into the ERP implementation at the end of September. We knew ECS would start up slowly afterwards. And so we were dialing back promotions that helped a bit. And so for -- looking forward next quarter, price/mix should probably play a slightly smaller role than it did this quarter, but volume growth will continue to improve.

Robert Moskow: Okay. But just to clarify, volume up 19%. The retail tracking data doesn't show it quite so high. So as we look forward to 2026, is -- that's the reason I'm asking is like is high teens volume growth still conceivable in '26 based on what you see?

Thilo Wrede: Yes. I don't want to get into guiding '26 already. But the growth algorithm that we have built for ourselves, it assumes continued healthy volume growth. Keep in mind, we are less than 3% of the volume of the entire egg industry in the U.S. I think we have plenty of room to continue to grow. We are putting the capacity in place. Russell talked about the number of farms that we recruited in the quarter, approximately 75 farms that we added. And so with that, we're putting all the pieces in place to continue volume growth at a very healthy level. I don't want to commit yet to a number, but I would argue third quarter was not an outlier.

Operator: Your next question comes from the line of Jon Andersen, William Blair.

Jon Andersen: Congratulations and welcome, Brian. I guess I wanted to ask about the additions in the -- farmer additions in the quarter. You kind of stepped up farmer adds sequentially through the year from 25 to 50 last quarter to 75. And I'm just trying to kind of get a sense for to what extent that is just kind of serendipity in terms of farmer availability versus deliberate as you kind of now have the third line installed in ECS and are looking to kind of enter '26 with increased supply capabilities?

Russell Diez-Canseco: Jon, great question. So yes, we had a really strong quarter in terms of adding new farmers. And I think it speaks to the success that our network of farmers is having working with us, the strong reputation we have in the marketplace. And as we described earlier this year, sort of our increased capacity to vet and add great new farmers. The number is going to -- the number of farms we add each quarter will see some fluctuation quarter-to-quarter based on timing, various inputs to timing. But in general, we continue to scale over a long period of time relative to the growth that we anticipate in the months and years to come.

Jon Andersen: Okay. And as a follow-up, we noticed that your TDP growth distribution growth picked up nicely in the September quarter. I'm assuming there are multiple factors, obviously, that go into that, your supply situation, ability to sell in more items to your retail customers. But it still looks like there's a long way for you to go to, let's say, establish an assortment at your big retail customers that's maybe comparable to some other brands in the category. Could you just talk a little bit about your selling efforts, what you experienced with resets this fall and how you're thinking about distribution opportunities in '26 as well given the better supply situation?

Russell Diez-Canseco: Thanks, Jon. Yes, I think very consistent with our approach to so many things, we're really intentional and transparent in our relationship with our retail partners. And so as you mentioned, we have, for the last year or so, planned on this expanded level of egg production and processing capacity that we're now seeing come to fruition. And so that's enabled us to work with our retail partners about expanding distribution where it makes sense for them based on our increased availability of the products that they want for their sets. So it is gratifying to see that show up in

expanding points of distribution. And we'll continue to be, I think, very measured in our approach so that we continue to do our best to match growing supply with growing placements and growing velocities. And as we continue to invest in the brand, there's strong pull-through, as you can see in our velocities, which continues to ensure that this is an important part of a retail exit.

Operator: Your next question comes from the line of Megan Clapp at Morgan Stanley.

Megan Christine Alexander: I wanted to follow up on Rob's question on the fourth quarter. So based on the guide and your comments, it does seem to imply that you're expecting just a bit of an underlying acceleration in volumes if we account for that pull forward, Thilo, you mentioned and your comments that price/mix maybe decelerate a bit. Obviously, the scanner data was helpful commentary in terms of what we've seen more recently. But could you just help us frame your expectations for volumes and what's driving that underlying acceleration implied in the fourth quarter?

Thilo Wrede: Yes. Fair question, Megan. It really is a function of what Russell just talked about, right, great [indiscernible], great partnership with retailers, continued strong demand from consumers. And then on top of that, we just have better supply, the farm recruiting that we did last year at the beginning of this year that is now -- those eggs are now available to us to sell. The third line that came online at the beginning of October that increases the capacity that we have at ECS. And so we are now getting to a point where we have the egg supply, we have the processing capacity and the demand is there. So now we can fulfill more of that demand. And those are the conversations that we have with our retail partners that we see demand out there that we want to fulfill that demand, and that allows us to then have very constructive conversations about selling.

Megan Christine Alexander: Awesome. Helpful. And then just a follow-up on pricing. I wondered if you could comment on what you're seeing in terms of price gaps and elasticity. I think last quarter, you said that price gaps had widened, but were within an acceptable range. It does seem like there's been some reports of avian flu, though it seems more contained and maybe gaps are widening a bit as that's kind of playing out. But as we look at the scanner data, your volume share gains are also accelerating. So just wondered if you could just talk about the dynamic and kind of what it's telling you about elasticity and consumer behavior.

Thilo Wrede: Yes. We keep watching price gaps and this answer won't be very different from what we've said in the past, right? We keep watching price gaps. We want to make sure that we know where other players in the industry are. But ultimately, consumers who buy our products, they probably don't make much of a price decision. It's about the values that the brand stands for and that those consumers identify with. And so price gaps, yes, they have widened a bit probably even since we last talked a quarter ago. Yes, we are seeing signs of avian flu, especially in the northern parts of the country. I don't think so far, it has really impacted retail prices. We'll keep watching them. But ultimately, what drives our growth is not price gaps, but it is -- I think a big part of it is like the tailwinds with consumers caring more where their food comes from and how it's being produced. And that ultimately is a tailwind that benefits us, and it's not really driven by price gaps widening or narrowing.

Operator: Your next question comes from the line of Scott Marks from Jefferies.

Scott Marks: Congrats on a nice quarter. I wanted to just come back to the question of distribution that's been discussed already. I know in the past, you've talked about how the business is already in so many doors and you kind of see more of the growth from here coming from getting that extra item, that extra SKU on shelf. So just wondering if you can give us an update on how you're thinking about that as we head into '26 in terms of the split between new doors versus new items on shelf.

Russell Diez-Canseco: Thanks. Great to be with you today. I think our stance is very consistent with where we've been throughout the year, which is we are in about 24,000 doors and are largely in some of the highest-performing retailers in the U.S. And our path to growing is largely with them, partnering with them and continuing to help them meet their goals for their consumers and for their brands. And you're right, there's still a lot of room to continue to add products to their doors, which we do at a judicious pace based on our expectations for the ability to service that business. So I wouldn't expect new doors to be the primary driver. I think it's additional items in each door that will be our growth opportunity as well as just general pull-through, the velocity from existing items.

Scott Marks: Appreciate that. And then next question would be your shipping and distribution expense, although it came in a little bit higher year-over-year, I think still came in below what some folks were

looking for. So just wondering if you can help us understand maybe what was the driver of that and how we should be thinking about that expense item moving forward?

Russell Diez-Canseco: Yes. I think the biggest driver there is rates. So as we are all watching the macro environment and backdrop, and we're seeing some slowdown in some parts of the economy, that is creating a surplus of trucking availability, which is working to our benefit at least for the moment.

Thilo Wrede: And Scott, let me just add to that, just a heads up that fourth quarter tends to be the highest unit cost for us for shipping and distribution simply because freight rates go up in the fourth quarter around the holidays. So sequentially, I would assume that there is an increase in distribution expenses. This year might be a bit of an outlier to what I just said that fourth quarter is the highest unit rate because of first quarter volume being unusually low for us. Shipping was a bit less efficient back then. So fourth quarter might come in higher than where we were Q3 on a per unit basis, but still better than what we had first quarter.

Operator: Your next question comes from the line of John Baumgartner from Mizuho Securities.

John Baumgartner: Russ, you noted in the past a very long conceivable runway for growth from the pool of potential new farmers that's out there. And I'm curious, given the volatility and uncertainty in the farming community year-to-date between tariffs, exports, low prices for row crops, I'm curious what you're seeing in terms of these conditions maybe enhancing the interest among farmers or accelerating the adoption of pasture raised production given better visibility into a domestic market, higher returns versus current operations. I mean has that been a factor at all in the year-to-date farmer pickups you're seeing? Or could it be a factor in 2026?

Russell Diez-Canseco: Yes. It's always been important to us that we're creating meaningful economic opportunities for small family farmers in this country. And as you're alluding to, they often lose at the end of the movie. It's not -- it's definitely not easy to work and the economics of farming seem to be getting tougher every year. So we are really, I think, centered on that value proposition. It's really important to us that our farmers win when they work with us and they do their part. It continues to be an important part of the value proposition for them. I can't say that I'm seeing an acceleration of interest. We've talked in past about there being plenty of interest and a strong pipeline of prospective small family farmers, and that continues to be true. And our job is just to make sure that we have a pipeline of really great farmers in the right part of the country who really believe in what we're doing and want to be a part of it, and we continue to see strong interest.

John Baumgartner: And then to follow up on the distribution growth and the velocities. The TDP growth has accelerated nicely throughout the year with the increase in supply. But I think more recently, the volume velocity has inflected positive since maybe like the middle of the summer. And I'm wondering if you could delve into that a bit more, this inflection in velocity. Is that largely reflective of a shift favoring more medium or heavy buyers? Is it more reflective of a change in business mix between retailers and channels? Just any thoughts there.

Russell Diez-Canseco: Yes. The first thing I'd call out is, as we've been discussing, we've been bringing on meaningful expansion of both egg supply from farms and processing capacity at Egg Central Station. In Q3, we didn't just go live with our new ERP system as part of the broader digital transformation effort. We added a significant number of new farms, and we added and brought online the third production line at Egg Central Station. And so a lot of what you're seeing in the data is our increased ability to meet the existing needs of our consumers and retail partners. And that's an exciting place to be.

Operator: Your next question comes from the line of Matt Smith from Stifel.

Matthew Smith: Thilo, the fourth quarter guide or the implied fourth quarter guidance suggests margins still nicely above the 2027 target despite some hypercare spending as you called it. Is the level of promotional support and marketing at appropriate levels as you exit this year? Is there an opportunity to flex that higher as you see strong household penetration and awareness gains? And one other consideration, as you fill the new production line at Springfield, should that be a headwind to margin exiting the year? Or is that going to achieve a throughput that mitigates that?

Thilo Wrede: Yes. Great questions, Matt. So on promotional and marketing spending, we have said, I think, for a few quarters now that promotional spend, meaning trade spend would be highest in Q4. That continues to be the case. That continues how we plan the year. And it's simply a function of fourth

quarter, we don't worry about the ERP implementation anymore. The third line is online and so on. We have the supply to support promotions. And with that, we're really focusing promotions in Q4. Marketing spend, we're probably year-to-date at a very appropriate level for us. Year-to-date, marketing spend was about 5% of net sales. Maybe Q4 will take it up a little bit. But we have talked about that marketing spend for the full year will be roughly comparable to last year, where it was 5.3% for the full year. So that would imply that maybe marketing spend in Q4 is going to increase a bit compared to the first 3 quarters of the year, but not by any dramatic amount. And then the question on third production line, is it going to put pressure on margins or not? I would argue, Matt, that we have been staffing up for that line throughout Q2 and Q3. We wanted to bring people in early in order to make sure that by the time the line comes online, they're trained and they know what they are doing. So now we have the crew in place and now we can actually get the volume off the line. And so if anything, the third production line should be margin enhancing for us in the fourth quarter compared to what we have seen in the third quarter.

Matthew Smith: And as a follow-up to your comments about incremental items in existing doors. In the past, you've talked about some of these incremental items being a mix tailwind as you get more premium items on the shelf. Is that still the case today? Or has the assortment changed as we think about some of the 6 counts of medium eggs and other items that you've introduced in the past?

Russell Diez-Canseco: Yes. I think the biggest trend that continues to be true is that our organic products are growing faster. And that's, I think, largely driven by the fact that they are a more recent addition and therefore, earlier in the growth curve in so many of our mainstream retail partner shelves. So that's a nice tailwind, I think, from a mix perspective. It also increases our average item price, which is supportive of the revenue capacity from our infrastructure.

Operator: Your next question comes from the line of Eric Des Lauriers from Craig-Hallum.

Eric Des Lauriers: Congrats on another very impressive quarter here. Just one question for me, looking to drill down a bit more into consumer behavior these widening price gaps. So great to see the continued strength in demand. It's clear your existing customers are very loyal. The journey from trial to repeat to heavy user is consistent. But I'm wondering if you're seeing any impact on trial as a result of the widening price gaps?

Russell Diez-Canseco: Thank you. At this point, no, although as we've said, we continue to bring on more capacity and more supply. And so I think that only enables more trial and enables us to kind of catch up to that continued increase in awareness that we're driving with our marketing efforts. But in general, what we've learned is that consumers don't just buy our eggs, they buy into what we stand for. And yes, there's some uncertainty in the broader environment and maybe with price gaps on the shelf, but our business is growing because people want to know where their food comes from and that trust and loyalty has kept our demand incredibly steady.

Thilo Wrede: And Eric, I would add to that, we've always talked about that we use marketing dollars to drive brand awareness, and we have obviously seen some very great results there over the last 12 months with brand awareness improving by 8 points. And then we use promotional dollars to drive trial, right? We like that promotion on the shelf because we get that big yellow sticker on the shelf that then catches the consumer's eye. And that's often when the consumer tries us for the first time. So when I earlier talked about that we will increase promotional spend in the fourth quarter, that is really to drive trial. We now have the supply to Russell's point, we have the brand awareness. And now we want to use promotions to drive trial to get new households into the brand. So if over the next 3 months, you see an increase in our promotional spend, it's not a reaction to price gaps moving one way or the other. It really is a function of us having the supply and now the ability to get new consumers to try the brand for the first time and then turn them into repeat customers.

Operator: Your next question comes from the line of Ben Mayhew from BMO Capital Markets.

Benjamin Mayhew: Welcome, Brian. I guess I'll start with, can you talk about the impact of high competing protein prices? And do you see that driving more demand into eggs, which are relatively more affordable on a per serving basis?

Russell Diez-Canseco: Yes. I think that's an open question, and we've certainly seen some reports that as consumers are looking for -- to stretch their grocery dollar, they're looking at more affordable sources of nutritious food. And eggs have always been a very affordable whole food that's packed with

protein and the things that consumers want. That said, we don't have any unique insights into trade down, and we're not seeing strong evidence of that being an important driver of our growth at this moment.

Benjamin Mayhew: Okay. That's fair. And then on Slide 12 in your deck, your average items sold has once again surpassed your average weekly dollars. Can you explain why this may be an important indicator of your volume-led strategy and ability to manage supply versus demand over time?

Thilo Wrede: Sorry, Ben, I'm processing the question right now. I think the short answer there is we continue to drive distribution at retail by getting more SKUs on the shelf. And as we do that, we continue to increase the velocity of the items on the shelf, right? So we are not at the point yet where we're adding a marginal SKU that dilutes our velocity on the shelf. It's not a linear expansion on those metrics. There -- you'll see some peaks and bumps there. But over time, I think the statement I just made that we're driving both velocity and average items distributed, I think that holds true. So if you look at the chart in the deck, the page you referred to, third quarter average items sold maybe grew a bit faster than dollars per average items sold. But I would chalk that up to just -- as I said, it's not a linear path that we are on. But over time, both metrics grow at the same time. Sometimes one grows faster than the other. But I think the statement of we can grow both at the same time, we are not adding the marginal product yet, I think that holds true.

Russell Diez-Canseco: And what I might add to that is that -- and we've talked about this on prior calls, in many of our retail partners, we are what we would describe as underspaced. We've got terrific high-performing products and often the amount of space we've got in their set is smaller -- we have a smaller share of space than we do share of revenue from their egg set. And so when we add an item, it is also an opportunity to provide more supply and presence of product on the shelf to meet the growing demand for our brand. And there's a lot of runway in that regard.

Operator: Your next question comes from the line of Sarang Vora from Telsey Advisory Group.

Joseph Feldman: It's actually Joe Feldman on for Sarang today. I had a quick question about CapEx. I think, Thilo, you mentioned that there would be a little bit of a -- I guess, because of timing, there would be a little lower this year. And I'm wondering, does that just get made up next year and how you guys are initially thinking about CapEx for 2026?

Thilo Wrede: Yes, Joe, good to have you on the call. Yes, it is just a timing shift from this year into next year. We took the guidance down by \$10 million. And what we talked about was that work in Seymour, there's a bit of groundwork that we have to do that is slowing down the construction phase by a few weeks. And then the other part is there's a project at ECS that we put on hold. We didn't want to overtax ECS with changes around the ERP go-live and the third line coming online. So we wanted to reduce the amount of change that we're doing at a single point of time at ECS. And so with that, we delayed this project at ECS into next year. In other words, the CapEx spend that we have planned over a 2-year period for '25 and '26 is unchanged. We're just moving a little bit more into next year. But it's not any reflection other than that. It's no reflection on how we think about projects or importance of projects.

Joseph Feldman: Got it. That's helpful. And then this might be a little bit more of a technical question. But with the ECS, and I guess we may see it at the analyst event. But I'm just curious, how does the division of the work or the labor happen among the 3 lines? Like is one line dedicated to just, I don't know, regular eggs versus organic eggs? Or like how does -- I guess, how do you run the different lines? And how -- I understand how it increases capacity, but how does that all kind of happen, I guess, is my question?

Russell Diez-Canseco: That's a great question, and we look forward to showing you it live at our Analyst Day. But the thing that's exciting about this third machine, it is a slightly smaller machine than the first 2, which is why our reported revenue capacity doesn't grow by 50%. And what that means is that, that machine is great for a shorter run time product. Essentially, it allows us to dedicate the first 2 machines to longer run time product lines, our main top 4 SKUs. And then we can use the new machine to focus primarily on our specialty SKUs, which have lower volumes. That really increases our efficiency, and we're excited to see that sort of productivity improvement over time as we work our way into having all 3 up and running.

Operator: That concludes the question-and-answer session. I'd now like to turn the call back over to

Brian Shipman for closing remarks.

Brian S. Shipman: Thank you, and thanks again, everyone, for joining us today and for your continued support. Please reach out directly with any follow-ups or if you'd like to attend our Investor Day in December. With that, have a great day.