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REAL BUY

The RealReal, Inc.
Sector: Specialty Retail

3Q25 Earnings Review

Share Price	$14.28
Price Target	$18.59

'25 Qtr.	2QA	3QA	4QE
Rev ($M)	$165.2	$173.6	$193.2
Gross Mgn	74.3%	74.3%	76.5%
Adj. EBITDA ($M)	$6.8	$9.3	$19.3
Adj. EBITDA Mgn	4.1%	5.4%	10.1%
FCF	$7.9	$15.3	$17.1
Dil. EPS	($0.10)	($0.47)	($0.02)

Market Data & Valuation Measures

52-Week Range	$3.84 - $16.24

November 13, 2025

REAL – Strong Results Driven by Re-Accelerating GMV, Expanding Margins, and Improved Supply Trends; Maintaining BUY at $18.59 PT

REAL delivered a strong 3Q with results that highlight the company's transition out of the turnaround phase and into a period of healthier, more consistent growth. GMV increased 20% year-over-year to $520 million, a record for the platform, and revenue grew 17% year-over-year to $174 million. Growth remained balanced between units and pricing, supported by improved demand trends, stronger consignor activity, and continued mix shift toward higher-value categories. Trailing twelve-month active buyers increased 7% to more than one million, and average order value rose 12% year-over-year to $584, reflecting ongoing strength in fine jewelry, watches, and luxury accessories.

Profitability stepped up notably in the quarter. Adjusted EBITDA came in at $9.3 million, representing a 5.4% margin and a 434-basis-point improvement compared to last year, driven by better gross profit, improved direct margins, and leverage across operations and SG&A. Free cash flow approximately doubled from the previous quarter to $15.3 million in 3Q, underscoring REAL's transition to self-funded growth. The company has also reduced total debt by approximately $86 million since early 2024 and is now positioned to self-fund growth with modest capex requirements.

Management raised both fourth-quarter and full-year 2025 guidance. REAL now expects 4Q GMV of $585–$595 million (approximately 17% year-over-year growth) and adjusted EBITDA of $17.5–$18.5 million, implying an EBITDA margin of roughly 9.5% at the midpoint. Full-year 2025 adjusted EBITDA guidance increased to $37.7–$38.7 million, reflecting a 434-basis-point margin expansion versus 2024. Management reiterated its medium-term outlook of high-single-digit to low-double-digit GMV growth with continued margin progress, and commentary suggests that 1H26 will track near the upper end of that range.

Our forward model incorporates improving supply depth, stronger category mix, and scaling efficiencies from Athena and reflects full-year FY25 revenue of approximately $692 million, increasing to $784 million in FY26 and $902 million in FY27. These forecasts assume continued momentum in consignment volumes, ongoing strength in higher-value categories, and incremental cost efficiencies as Athena expands into mid- and high-value items.

Based on our forecast framework and valuation approach, our target EV/Sales multiple of 3.1x (vs. a peer median of 2.8x) reflects REAL's improving margin trajectory and strengthening free-cash-flow profile. Applying this multiple to our FY26 revenue forecast results in a target enterprise value of approximately $2.17 billion. Adjusting for net debt of roughly $248 million and 116.8 million diluted shares outstanding yields a fair value estimate of $18.59 per share, representing ~30% upside from the current price of $14.28.

Overall, we believe REAL is positioned for sustained improvement in growth and profitability. Strengthening supply trends, improving unit economics, and tangible operating leverage support our outlook for continued EBITDA expansion into 2026, and we view the risk-reward as increasingly favorable as the company executes against its multi-quarter margin and growth agenda.

We maintain our BUY rating and $18.59 price target based on strong execution, accelerating GMV growth, visible margin expansion, and improving free-cash-flow trajectory.