

Q4 2025 Coupang Earnings Call Script
New York: Tue. 2/26/2026, 5:30 PM

Mike Parker:

Thanks, operator. Welcome, everyone, to Coupang's fourth quarter 2025 earnings conference call. I'm pleased to be joined on the call today by our Founder and CEO, Bom Kim, our CFO, Gaurav Anand, and HL Rogers, our General Counsel and Chief Administrative Officer, and the interim CEO of our Korean subsidiary.

The following discussion, including responses to your questions, reflects management's views as of today's date only. We do not undertake any obligation to update or revise this information, except as required by law.

Certain statements made on today's call may include forward-looking statements. Actual results may differ materially. Additional information about factors that could potentially impact our financial results is included in today's press release and in our filings with the SEC, including our most recent annual report on Form 10-K and subsequent filings.

As we share our fourth quarter 2025 results on today's call, the comparisons we make to prior periods will be on a year-over-year basis, unless otherwise noted. We may also present both GAAP and non-GAAP financial measures. Additional disclosures regarding these non-GAAP measures, including reconciliations of these measures to the most comparable GAAP measures, are included in our earnings release, our slides accompanying this webcast and our SEC filings, which are posted on the company's Investor Relations website.

And now, I'll turn the call over to Bom.

Bom Kim:

Thanks, everyone, for joining us today. Before we discuss our fourth quarter results in detail, I want to address the data incident that we communicated late last year.

Let me start with our customers. First, I want to apologize again for the concern and inconvenience this has caused. Everything we've built at Coupang has been driven by a single focus: wowing our customers. Our customers are the only reason we exist, and earning their trust is something we strive to do every single day. There is nothing more serious at Coupang than failing to live up to our customers' expectations. We know we have to do better, and we will.

Now I'd like to turn things over to HL Rogers, our General Counsel and the interim head of our Korean subsidiary, to provide an update on where things stand.

HL Rogers:

Thank you, Bom. As we previously shared, last year a former employee illegally accessed data from over 33 million user accounts and retained data from approximately 3,000 user accounts in Korea and one user account in Taiwan.

Since the incident was first disclosed, Coupang has retained world-class security firms, including Mandiant and Palo Alto Networks, to conduct a comprehensive, third-party forensic investigation. The investigation has found that the information accessed was limited to basic contact and order information: names, emails, phone numbers, delivery addresses, and limited order history. Building lobby codes were accessed for 2,609 user accounts in Korea.

Third-party forensics and cybersecurity experts, including Mandiant, have confirmed that no highly sensitive data was ever accessed. No financial data, no passwords, and no government-issued IDs were compromised.

All of the former employee's devices known to have been used in the attack have been recovered. Mandiant has also found that the forensic evidence is consistent with the conclusion that the former employee retained data from approximately 3,000 user accounts in Korea and one user account in Taiwan—and later deleted the data.

Importantly, there is no evidence that any of that data was ever viewed by anyone else. This is also supported by the fact that there have been zero confirmed instances of any of this customer data being exploited. We have retained the services of multiple outside experts to monitor, among other places, the dark web and deep web, including CNSecurity. To date, there has been no detection of the misuse of customer data attributable to the incident, nor is there evidence that any Coupang user data attributable to the incident exists in those sources. The Korean National Police Agency and the government's investigative organization, the JIT, have also indicated that they have found no evidence of any misuse of customer data or any secondary harm resulting from this incident to-date.

Palo Alto Networks, one of the world's foremost cybersecurity firms, concluded from their investigation that, "Coupang's security controls are aligned with industry standards. The recent incident was not caused by a systemic failure of security measures, but was the result of a targeted attack, executed by a malicious former employee who leveraged inside knowledge of systems and exploited a valid software development process."

This was a crime committed by a former employee against Coupang and against our customers. We have called for him to be brought to justice and prosecuted to the fullest extent of the law. When individuals abuse positions of trust to commit crimes against the people they were meant to serve, we believe such criminals must face consequences for their actions, for the sake of justice and to deter others who might consider exploiting similar positions of trust in the future.

The method by which the former employee was able to access the system was closed and remediated in November 2025 and no longer poses any risk to customer data.

In the immediate aftermath of the incident, we observed a reaction from some of our customers that included removing saved payment methods, changing passwords, and in some cases deleting their accounts. As the facts became clearer, confirming that no financial data, no login credentials, and no highly sensitive data were ever accessed, we have seen those trends stabilize and begin to recover.

In the weeks since the data incident, we've taken steps to address the impact and help prevent recurrence. At the end of December, we announced a customer compensation program to issue approximately \$1.2 billion in vouchers, which are available to customers who were notified of the data incident to redeem towards future Coupang purchases beginning on January 15.

We've shared the details and findings with the Korean government during the course of its investigations, and we look forward to continuing to work with them to address the incident comprehensively and to resolve any misunderstandings that may exist.

While the investigation by one of the Korean agencies has concluded, others are still ongoing, and additional investigations may be initiated. It's too early to know what may come of these investigations, or to what extent any fines or other actions may follow. We are committed to continue cooperating fully with the government's investigations. And while we took immediate steps and closed this exploited access, we will continue to take the necessary steps to improve our systems, and strengthen our safeguards to help prevent any recurrence.

With that, I'll turn the time back over to Bom.

Bom Kim:

Thank you, HL.

We're committed to working closely with government authorities as a constructive partner.

Our customers' trust is at the heart of everything we do. Since Coupang's inception, customers have come to trust us to provide the best overall experience in retail, through the broadest selection, everyday savings, and an unmatched delivery experience. That experience is the product of billions of dollars of investment and years of innovation that have yielded a unique network, one that today supports the livelihoods of hundreds of thousands of brands and sellers. And behind it are tens of thousands of dedicated employees who are obsessed with one thing: delivering the perfect experience to our customers. That is the foundation we continue to build on.

And we remain as focused as ever on what has always set Coupang apart: thinking long term, investing for the long term, and taking the harder path when necessary to break tradeoffs and wow our customers.

Now, let me turn to our fourth quarter results.

We continue to be focused on building for the future. We're deploying greater levels of innovation and automation across our operations with the goal of improving the customer experience while lowering the cost to serve.

This includes investing in Rocket Delivery, where we see enormous room to grow our selection. We're actively investing to expand our first-party retail selection, which remains far below where we believe it can be. And our FLC merchant offering extends that opportunity even further. There are still hundreds of thousands of small businesses we're unable to serve through direct sourcing alone. FLC opens up Coupang's billions of dollars in technology, logistics, and fulfillment infrastructure to give them access to capabilities they could never build on their own and to reach customers at scale. In turn, customers get the convenience of Rocket Delivery across an ever-expanding catalog. Together, our first-party sourcing and FLC give us a path to tens of millions of products, and we're still in the early innings of that journey.

Turning to Developing Offerings, we're encouraged by the results we're seeing from the disciplined investments we're making across these early-stage initiatives. Most notably, Taiwan continues to experience hyper-growth, with revenues again growing triple digits year-over-year this quarter. That growth is being driven by our increasing selection that began primarily in FMCG but is expanding to more categories, and the improving speed and reliability of our fulfillment and delivery operations.

Much like our retail offering in Korea, the customer experience in Taiwan is built on our obsession with providing the broadest assortment, the lowest prices, and the best delivery experience.

We shared last quarter that we had recently begun building our own last-mile logistics capabilities in Taiwan, with the aim of delivering the same experience that customers in Korea have come to love. That vision is quickly becoming a reality. The team is rapidly building out this service which now covers nearly 70% of the geography in Taiwan. We ended the year with roughly 75% of our volume in December delivered next day through our own last-mile logistics network, with consistent service and no significant increase in variable unit costs. These efforts demonstrate our focus on creating moments of “wow” every day for our customers, which in turn is helping to drive deeper levels of customer engagement and retention.

It's worth noting that growth at this stage won't always follow a linear trajectory. This isn't a pure online marketplace where the only inputs are electrons. We're building a real retail, fulfillment and logistics operation, with direct sourcing, physical inventory, and the people and infrastructure to move it all. Scaling those inputs the right way requires deliberate pacing, which means growth rates can vary quarter to quarter. What gives us great confidence is the underlying customer response fueling that growth, which has been remarkably and consistently strong. We'll continue to invest aggressively to help ensure that we can match that demand without compromising the customer experience or long-term scalability.

We remain encouraged by the potential we continue to see in our Eats offering in Korea. And with our Rocket Now food delivery offering in Japan, we're gaining a deeper understanding of the market opportunity and what customers value most. It's still very early stages, but the customer retention and engagement trends that we're seeing across customer cohorts are promising.

And at Farfetch, this quarter marks the first quarter since our acquisition where we generated positive year-over-year revenue growth with positive overall economics. We see a real opportunity to create value for luxury customers around the world by combining Farfetch's vast assortment with a white-glove shipping and returns experience.

While this past quarter will stand out as a challenging period for Coupang, our customers, and our business partners, I'm particularly proud of how our teams have responded. They addressed the data incident with a laser focus on serving our customers, while working to strengthen our systems.

I'll now turn the call over to Gaurav to walk through our Q4 financials in more detail.

Gaurav Anand:

Thanks, Bom. I'll start again this quarter by providing an overview of the key operating results for each of our two segments, and then speak to our results on a consolidated basis.

We ended the quarter with Product Commerce segment net revenue of \$7.4 billion, growing 8% or 12% on a constant-currency basis. This growth rate was several points lower than the 18% constant currency growth rate we reported last quarter. This was primarily driven by a slowdown in December that appears related to the data incident, with a smaller impact from the Chuseok holiday falling in a different quarter this year than last, which affects the year-over-year comparison.

Product Commerce active customers for the quarter were 24.6 million, growing 8% year-over-year, but down slightly from 24.7 million active customers reported last quarter. While the quarter-over-quarter decline in active customers also appears related to the data incident, we are seeing stabilization since the end of Q4, with a large number of customers re-activating their accounts and improving trends in customer growth.

Regarding WOW membership, the vast majority of our WOW members retained their membership in Q4, and their fourth quarter spend increased double digits year-over-year. We did see a slight decrease year-over-year in total WOW members this quarter, the result of elevated churn in December that appears to be related to the data incident. More recently, however, we have seen these trends stabilize, with both churn and the new WOW sign-ups returning to historical stable levels.

This quarter we are reporting Product Commerce gross profit of \$2.4 billion, increasing 5% year-over-year or 9% in constant currency. This growth was adversely impacted by the slower revenue growth we experienced in December. Excluding the non-recurring impact of the FC fire insurance gain recorded in Q4 last year, the adjusted gross profit growth rate in constant currency was 15%, several hundred basis points higher than the corresponding revenue growth rate. This was driven by faster growth in our marketplace offering, including FLC, relative to our 1P offering.

Gross profit margin for Product Commerce was 31.9% for the quarter, contracting over 80 basis points versus last year. Adjusting for the fire insurance gain last year, gross profit margins improved 85 basis points over last year, as we continue to generate further operational efficiencies and benefit from growth of our margin accretive categories and offerings. On a quarter-over-quarter basis, we saw a slight decrease in gross profit margin, due primarily to the quarter-over-quarter decrease in revenue growth rates between quarters.

Product Commerce generated segment adjusted EBITDA of \$567 million for the quarter, up 5% year-over-year. This resulted in an adjusted EBITDA margin of 7.7%, an 18 basis point decrease over last year. On a quarter-over-quarter basis, segment adjusted EBITDA margin decreased 118 basis points, primarily due to lower revenue growth this quarter and the related decline in gross profit margin, which was partially offset by improvements in operational efficiency.

Moving now to Developing Offerings, where we reported record segment net revenues of \$1.4 billion for the quarter, growing 32% or 31% in constant currency. The growth in Developing Offerings continues to be led by the triple digit growth rate in Taiwan. While we saw a moderate impact on the pace of growth in Eats following the data incident, we have recently observed a stabilization and improvement in those trends. We expect our Eats offerings in Korea and Japan, which are self-sustaining on a combined basis, to continue their robust growth trajectory.

Developing Offerings generated \$183 million in gross profit for the quarter, down 24% over last year, as we continue to make investments to cultivate these early-stage offerings.

Total segment adjusted EBITDA losses for Developing Offerings were \$300 million for the quarter, slightly up over last quarter. This resulted in full-year losses of \$995 million. The primary driver of these investments is the strong customer response we are seeing across our initiatives. Taiwan, in particular, continues to experience hyper growth and accelerating customer engagement.

Now turning to our consolidated results, where this quarter we reported total net revenues of \$8.8 billion, growing 11% on a reported basis and 14% on a constant-currency basis. The decrease in quarter-over-quarter growth rates appears to be driven by the customer impact in December, and to a lesser extent, the timing shift in the Chuseok holiday season in Korea.

We generated consolidated gross profit of \$2.5 billion, increasing 2% year-over-year or 5% in constant currency. Adjusting for the fire insurance gain last year, the adjusted gross profit growth rate in constant currency was 10%. Gross profit margin was 28.8%, down over 100 basis points versus last year, adjusted for the fire insurance gain, and decreasing over 50 basis points versus last quarter. The quarter-over-quarter decrease is primarily related to the short-term change in demand, as well as the increased level of investments in Developing Offerings.

Operating income for the fourth quarter was \$8 million, decreasing \$171 million versus last year, adjusted for the fire insurance proceeds, Farfetch acquisition and restructuring costs last year. The year-over-year decrease was driven by increased levels of investments in Developing Offerings this quarter, as well as the short-term impacts previously discussed.

Net loss attributable to Coupang stockholders was \$26 million, resulting in a diluted loss per share of one cent. In addition to the effect of those items impacting operating income, the change in net income or loss was primarily driven by an elevated effective tax rate from the increasing losses in Developing Offerings, including Taiwan. We ended the year with a full year effective tax rate of 64%, consistent with the range we guided to last quarter. Over the long term, we continue to expect to normalize to an effective tax rate closer to 25%.

We generated consolidated adjusted EBITDA of \$267 million this quarter, a 37% decrease versus last year. Adjusted EBITDA margin was 3%, decreasing over 220 basis points over last year, and over 140 basis points over last quarter. The decreases in adjusted EBITDA

dollars and margin are primarily due to increased level of investments in Developing Offerings and the recent impacts of the data incident previously discussed.

For cash flows for the full year, we reported operating cash flow of \$1.8 billion, and free cash flow of \$527 million. The nearly 50% year-over-year reduction in free cash flow was predominantly due to the data incident impact on working capital in Q4, as well as increased levels of capital expenditures in the current year.

Looking forward to next year, we believe we will continue to see muted trends in growth and profitability over the next few months, with the impacts from the data incident diminishing over the course of the year as we work through this period of transition and continue delivering the experience our customers expect. During this period, we expect there to be some unevenness in our top-line growth rates.

Product Commerce was delivering strong revenue growth rates during the three-month period prior to the data incident, growing 16% in constant currency before the slow-down in December. Adjusting for the difference in the timing of the Lunar New Year holiday this year versus last year, we believe that the Product Commerce constant currency growth rate reached its lowest level in January with an estimated 4% growth, with recent indicators of improving trends beginning in February. For Q1, we anticipate growing consolidated constant currency revenues in the 5-10% range. We expect to provide full-year growth guidance in the coming quarters as we gain greater visibility into the pace of recovery.

We anticipate that our previous trends of delivering annual consolidated EBITDA margin expansion will be disrupted this year, given the dynamic trends in Product Commerce revenue growth, investments to support customers through this transition, and potential costs relating to the data incident. We believe these near-term investments do not represent a structural change.

For Developing Offerings, we expect to incur full year adjusted EBITDA losses in 2026 between \$950 million and \$1 billion. This level of investment reflects our deep conviction in the potential of these initiatives to generate meaningful cash flows over time. As always, our investment in Developing Offerings is anchored by our commitment to rigorous analysis, operational excellence, and disciplined capital allocation.

As we continue to focus on our customers, as well as the growth and profitability of our business, we are encouraged by the strong balance sheet we continue to maintain with over \$6 billion in cash and a strong cash flow generation.

Operator, we are now ready to begin the Q&A.