Commerce's Second Quarter 2025 Earnings Call: prepared remarks

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Tyler Duncan – VP, Finance and Investor Relations

Good morning, and welcome to Commerce's, formerly BigCommerce's, second quarter 2025 earnings call. We will be discussing the results announced in our press release issued before today's market open. With me are Commerce's Chief Executive Officer, Travis Hess; and Chief Financial Officer, Daniel Lentz. Today's call will contain certain forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements include statements concerning financial and business trends, as well as our expected future business and financial performance, financial condition, and our guidance for both the third quarter of 2025 and the full-year 2025. These statements can be identified by words such as expect, anticipate, intend, plan, believe, seek, committed, will or similar words. These statements reflect our views as of today only and should not be relied upon as representing our views at any subsequent date, and we do not undertake any duty to update these statements. Forward-looking statements, by their nature, address matters that are subject to risks and uncertainties that could cause actual results to differ materially from expectations.

For a discussion of the material risks and other important factors that could affect our actual results, please refer to the risks and other disclosures contained in our filings with the Securities and Exchange Commission. During the call, we will also discuss certain non-GAAP financial measures, which are not prepared in accordance with generally accepted accounting principles. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures, as well as how we define these metrics and other metrics is included in our earnings press release, which has been furnished to the SEC and is also available on our website at investors.bigcommerce.com.

With that, let me turn the call over to Travis.

Travis Hess – Chief Executive Officer

Thanks, Tyler, and good morning, everyone.

I'll open my remarks today by providing a quick update on our second quarter results, and then I'll transition into some details behind the company branding and name change we announced this morning. Given the announced changes, we are going to have a number of partners and industry analysts on our call today as well, so there will be some unavoidable technical jargon we will cover related to changes in our industry.

First, let's start with a quick overview on the quarter. Q2 represented solid progress for the business in a number of areas.

We delivered non-GAAP operating income of nearly $4.8 million, a 335 basis point margin improvement year over year. Annual revenue run-rate (or "ARR") reached nearly $355 million, a year-over-year improvement of 3%. Revenue reached $84.4 million in the quarter, growing 3% year-over-year, and operating cash flow came in at approximately $13.6 million - an improvement of nearly $2 million year-over-year. Both revenue and non-GAAP operating income exceeded the high side of our guidance range.

While these results are encouraging in a number of areas, the business is capable of much more. I will spend the majority of my remarks today discussing where we are taking the business and why the changes we announced today will help us get there.

eCommerce as we know it today is about to undergo a radical change. The advent and rise of Answer Engines and Generative AI is driving an unprecedented evolution in consumer behavior, shifting search and browse to conversational queries that surface contextual shopping intent. Answer Engines like Perplexity, ChatGPT, Gemini, and Copilot are profoundly reshaping how we search, get things done, and how we shop.

This significant shift is redefining how consumers discover and engage with businesses of all kinds, but most especially the brands, retailers, and B2B companies out there competing for traffic, customers, and conversions everyday. Merchants of all sizes and across all industries must rethink how they show up in the era of AI-driven, Agentic Commerce. To remain competitive in this new paradigm, merchants must leverage partners who can help them harness their data for enhanced visibility, relevance, and performance across AI-driven channels. We are uniquely suited to serve the market through this transformation.

Q2 was a defining period - the strategy, product, and go-to-market engine we have built over the past year came together behind a singular focus: powering an AI-driven commerce ecosystem at scale. Our transformation phase is over. We have moved fully into execution and growth, and we are proud to reintroduce our company as Commerce.

This rebrand as Commerce marks the culmination of a year spent rebuilding the company for where the commerce industry is going - for the Agentic future. Digital commerce is no longer organized around a single search box or a closed ecosystem. Shopping will be orchestrated by answer engines and other evolving AI-driven experiences that favor an open, composable approach to support these new buyer behaviors. In this new world, it is structured data such as title, description, size, and color, and unstructured data such as size guides, brand guidelines, spec sheets, video content, reviews, customer service transcripts, and articles - synthesized, optimized and orchestrated across owned and third-party channels - that will help businesses adapt and succeed in this dynamic landscape. We have spent the last year deliberately rebuilding the company around this future.

Our new brand also reflects our broader market position: a flexible, open, partner-led ecosystem with infrastructure that powers everything from full-stack commerce to data optimization and syndication - working alongside platforms with whom we sometimes compete to enable those customers to meet challenges we are uniquely positioned to solve. Our ability to operate across the stack and ecosystem - sometimes as the platform, other times agnostically as the data, orchestration, or experience layer - is what makes our position in the market so unique and valuable. We help shape how commerce happens, wherever it takes place and, most importantly, however it best serves merchants and shoppers.

I want to be clear about the intention behind this change. Commerce is more than a parent company rebrand; it's a deliberate signal that we intend to shape the future of commerce. It reflects our current identity and anticipates the market's direction, driven by a wave of AI-powered, agentic transformation.

We recently announced a series of high impact partnerships that reflect our market-leading position in this area, which will help B2B and B2C businesses thrive in the era of AI-powered shopping, or "agentic commerce."

We have launched our partnership with Perplexity, a leading AI answer engine, to deliver optimized product data directly impacting its AI-driven contextual responses. This in turn improves discoverability and visibility for major brands, because their data is providing the foundation for trusted answers. Our expanded relationship with Google Cloud is helping merchants stand out across sales channels with AI-enriched product data. This delivers richer and more seamless experiences for customers and greater discoverability for merchants. This includes innovations leveraging Google Cloud with Gemini within Commerce's data enrichment offerings.

Today, we also announced a new partnership with PROS, a market leader in AI-driven pricing optimization and configure-price-quoting. We will enable merchants to dynamically optimize pricing, automate complex quotes, and deliver real-time pricing offers to customers. This partnership will enable us to support more complex use cases, particularly in B2B, and expand our addressable market.

Many of the world's top brands have selected Commerce to deliver these capabilities today.

Adventure brand Revelyst, the parent company of Bell, Bushnell, CamelBak and Giro, global consumer brand URBN, the parent company of Urban Outfitters, Anthropologie, and many others, and Tapestry, the parent company of fashion brands such as Coach and Kate Spade New York, and Dell Technologies, are already leveraging Commerce's data integrations to improve visibility, protect brand consistency, and boost performance across AI-driven search experiences.

These are all exciting customer wins, partnerships, and product developments. Operationally, we remain focused on the execution of our go-to-market transformation plan. We see clear traction from the changes we began in late 2024. Our pipeline conversion rates are improving as our sales teams are now selling bundled products aligned to specific use cases and verticals across the product portfolio. This is a go-to-market engine that looks very different from a year ago, and it is now structurally aligned to the market for which we have been building. We need to improve the efficiency of our sales and marketing spending, and the changes we have made are focused on that outcome.

Let me finish with a few other quick highlights from Q2.

We were proud to be awarded 24 out of 24 medals in the 2025 Paradigm B2B Combine for the third year in a row, and we also advanced our rankings in five key categories and earned more Gold medals in the Midmarket edition than any other platform. This quarter, we welcomed top B2B brands such as Global Experience Specialists, Spear Education, and Arrow Fastener. In B2C, we saw great wins with LifeWave and Belami. I am encouraged by the progress that I see, and I am confident we can build on our momentum.

Q2 was a pivotal quarter for us, not just in terms of execution, but in how we define and present who we are to the world. Commerce is the culmination of the work we have done to transform our products, go-to-market, leadership, and architecture. It reflects our belief that the future of commerce is intelligent, composable, and AI-driven. And we are uniquely positioned to lead in that future. After a year of bold, foundational change, we are now in execution mode.

With that, I'll turn it over to Daniel to walk through our financials and outlook. Daniel?

Daniel Lentz – Chief Financial Officer

Thanks, Travis.

Our Q2 results demonstrate continued momentum across our key business performance metrics.

Commerce currently serves over 5,800 enterprise accounts and tens of thousands of small businesses. ARR reached nearly $355 million at quarter-end, a 3% increase year-over-year, while average revenue per enterprise account rose to $46,403, a 9% increase year-over-year.

We delivered $84.4 million in revenue in the quarter, up over 3% year-over-year, and non-GAAP operating income of $4.8 million.

Profitability metrics strengthened significantly. Non-GAAP gross margin strengthened to 80%, up 280 basis points year-over-year, while non-GAAP operating income margin finished Q2 at 6%, improving 335 basis points from Q2 2024 and 1,013 basis points from Q2 2023. We closed Q2 2025 with a solid balance sheet, including $136 million in cash, cash equivalents, and marketable securities.

Our operating efficiency gains also continue to improve, with quarterly operating cash flow reaching approximately $14 million, up $2 million from Q2 2024. We have reduced our net debt position to $18 million, a 73% decrease year-over-year. Our debt maturity profile remains manageable with approximately $4 million due in 2026 and $150 million due in 2028. For the three months ended June 30, 2025 , we had approximately 80 million common shares outstanding and 81 million fully diluted shares outstanding.

Let me provide a brief update on the progress of our other core growth initiatives from our investor day.

We are on track to release an integrated, self-serve version of Feedonomics within the BigCommerce control panel by this holiday season. Our self-serve version of Makeswift within the BigCommerce platform and our branded payments solution are also on track to be released in the front half of 2026. These releases will improve customers' core commerce platform capabilities while also creating new revenue growth opportunities for the business.

Our partner bundling strategy is progressing well. This strategy enables additional revenue and profit opportunity through reselling core partner products, and it also creates an opportunity to increase distribution of our products through select partners without the burden of associated go-to-market costs on our side. We anticipate the inclusion of Noibu's leading error monitoring platform in our go-to-market teams' sellable product portfolio later this year. Our partnership with PROS will enable them to offer a combined solution to the verticals in which they have deep expertise, while also enabling Commerce to offer PROS to our core customers as well. We are also excited to partner with Accenture to create and scale joint Commerce and Accenture solutions for customers, particularly focused on AI and agentic commerce.

Before moving to guidance, I'd like to explain how the shift to AI-driven commerce will help accelerate our revenue model.

Commerce generates revenue in three ways:

1. BigCommerce platform subscription revenue, tied to merchant order volume.
2. Feedonomics subscription revenue, based on product SKU volume going through our data feed optimization models.
3. Partner and services revenue, including certain implementation services and technology partner revenue-share.

What's important to understand is that all three of these revenue streams benefit from AI's acceleration of change in the commerce industry.

For us at Commerce, the growth of answer engines and agentic shopping is the equivalent of a new channel or a new buyer, driving order growth and technology partner revenue share. It also makes data optimization more important to customers than before, as answer engines and AI-powered shopping require even more sophisticated product data than existing search engines. This, in turn, leads to more account opportunities and SKU volume growth to our data feed optimization models - and the associated pricing and revenue growth.

Agentic Search is also a monetizable channel offering and represents a direct revenue opportunity in its own right. As demand increases for product data conditioned specifically for agentic surfaces, we intend to offer paid AI features as well. As AI reshapes how consumers discover and buy, we intend to meet that change head on with value for our merchants and monetization for Commerce.

In AI-powered shopping, data is the new storefront. Our ability to structure and syndicate product catalog data into answer engines is increasingly mission critical for merchant success. As AI agents become the front door to product discovery, merchants who deliver clean, enriched product data will appear more frequently, earlier in the buyer journey, and with greater contextual relevance. This drives higher quality traffic, better conversion rates, and increased GMV. And as that GMV scales, ultimately so does our revenue.

Now, let me close with guidance.

For Q3, we expect revenue between $85 million and $87 million and non-GAAP operating income between $2.3 million and $3.3 million. For the full year 2025, we expect revenue between $339.6 million and $346.6 million and non-GAAP operating income between $19 million and $25 million.

Travis and I will now take your questions. Operator?