

Owlet, Inc. NYSE:OWLT

FQ3 2025 Earnings Call Transcripts

Thursday, November 13, 2025 9:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2025-			-FQ4 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.19)	-	NM	(0.22)	(2.51)	(0.47)
Revenue (mm)	26.82	32.00	▲19.31	25.33	99.32	120.92

Currency: USD
Consensus as of Oct-23-2025 4:30 PM GMT

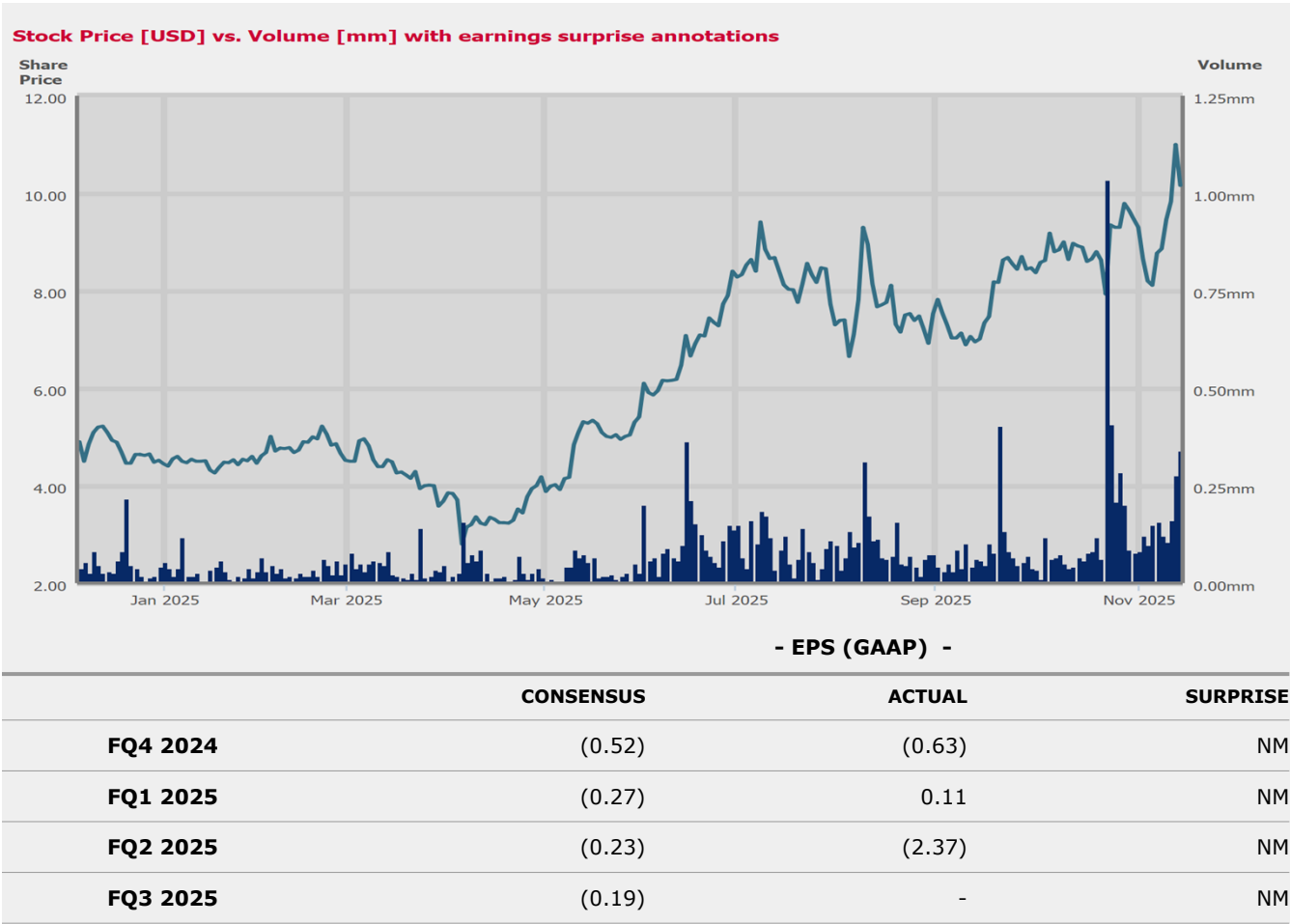


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Call Participants

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Chief Financial Officer

Jay Gentzkow
*Vice President of Investor
Relations*

Jonathan Harris
CEO & President

ANALYSTS

Lucas Cole Romanski
TD Cowen, Research Division

Owen Ray Rickert
*Northland Capital Markets,
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Presentation

Operator

Good afternoon. Thank you for attending the Owlet Q3 '25 Earnings Conference Call. My name is Matt, and I'll be your moderator for today's call. [Operator Instructions].

I'd now like to pass the conference over to our host, Jay Gentzkow, Investor Relations. Jay, please go ahead.

Jay Gentzkow

Vice President of Investor Relations

Good afternoon, everyone, and thank you for joining us. Earlier today, Owlet released financial results for the third quarter ended September 30, 2025. I'm pleased to be joined today by Jonathan Harris, Owlet's President and CEO; and Amanda Twede Crawford, our CFO.

Before we begin, please note that our financial results press release and presentation slides referred to on this call are available under the Events & Presentations section of our Investor Relations website at investors.allletcare.com. This call is also being webcast live with a link at the same website. The webcast and accompanying slides will be available for replay for 12 months following this call. The content of today's call is the property of Owlet. It cannot be reproduced or transcribed without our prior consent.

Before we begin, I'd like to refer you to our safe harbor disclaimer on Slide 3 of the presentation. Today's discussion will contain forward-looking statements based on the company's current views and expectations as of today's date. These statements are only predictions and are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. These risks and uncertainties include, but are not limited to, those described in our most recent filings with the SEC and in the Risk Factors section of our annual report on Form 10-K as updated in the company's quarterly reports on Form 10-Q and other filings with the SEC. Please note that the company assumes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

With that, it's my pleasure to turn the call over to Jonathan Harris, Owlet's President and CEO.

Jonathan Harris

CEO & President

Thanks, Jay, and good afternoon, everyone. Thank you for joining Owlet's Third Quarter 2025 Financial Results Call. As you saw from our results, Q3 was another exceptional quarter, the best in Owlet history across key metrics. We are firing on all cylinders as a business.

Let's get right to the financial highlights and updates. I'll start with the third quarter results at the top of Slide 5. We drove broad-based growth in Q3, setting company records across the business. Q3 revenue was a record for Owlet at \$32 million, increasing 45% versus Q3 2024. Revenue outperformance was driven by the launch of our new Dream Sight camera and ongoing momentum in the core business.

Q3 gross profit of \$16.2 million was a record, resulting in Q3 gross margins of 50.6% as top line strength was able to offset tariff impacts.

Q3 adjusted EBITDA of \$1.6 million was also a record for Owlet and our sixth consecutive quarter of adjusted EBITDA profitability. And we're proud to announce Q3 operating income of \$1.2 million, our first quarterly operating profit in company history.

Before highlighting some key developments in our strategic growth areas, I would like to comment on the FDA's recent safety communication on September 16 regarding unauthorized infant monitors as a critical moment of market clarification and how this can translate into a strong validation of Owlet's strategy. The FDA's warning clearly cautions consumers and caregivers against over-the-counter infant monitors that

have not been reviewed for safety and effectiveness and make unsubstantiated claims. This action creates a firm demarcation in the market.

On one side, unreviewed unauthorized devices the FDA is actively cautioning against. On the other side, Owlet's Dream Sock. We are proud to stand alone as the first FDA-cleared over-the-counter infant monitoring device and the only one on the market today. This clearance confirms the Dream Sock has met the FDA's rigorous standards for safety and accuracy in providing live pulse rate and oxygen saturation readings. For both parents and our retail healthcare partners, this regulatory clarity can help to increase the value proposition of our regulated products, reinforces our market leadership and creates a significant competitive advantage.

We are strategically positioned to capitalize on this heightened consumer awareness to drive market share gains and greater brand trust as we move into the crucial holiday and Q4 period. The progress in the third quarter on all key fronts has been outstanding as we continue to stack wins across the business, both financially and operationally. I'm incredibly proud of this team as we leverage our leadership in the category and ongoing momentum to deliver key results.

Now turning to our strategic focus areas for growth. We've continued to make outstanding progress on driving continued global adoption of Dream Sock; two, transitioning Owlet into a service through the Owlet360 subscription, supporting parents from infancy into the toddler years and increasing customer lifetime value; and lastly, expanding health care channels to offer an insurance reimbursed monitor.

Kicking off with our core business, Dream Sock continues to drive adoption, demonstrating what we believe is the most differentiated product in the nursery ecosystem. Dream Sock demand remains robust in the U.S. In Q3, domestic sell-through grew 42% versus prior year. The strong performance was driven by ongoing adoption for Dream Sock as well as a record-setting Amazon Prime Day in July, where total sell-through units were up 72% versus prior year.

Another valuable leading indicator on the momentum of our core business is registry data. Across the registries we track, including Amazon, Babylist and Target, total Dream Sock additions remained strong with 30% year-over-year growth in Q3.

We also continue to solidify our position as the market-leading pediatric health brand. According to Circana customer research and our own data, Owlet increased our share of total dollars spent on baby monitors to 40% in the third quarter of 2025, a record high for market share since we started tracking Circana data. Brand health also remains in a very good position with Dream Sock's recent NPS at 77 at the end of the third quarter and overall blended product NPS at 71. With the differentiation our FDA clearance provides and in light of FDA's recent warning statement, we're confident with our position in the market and ability to drive further share gains.

In September, we launched the new Dream Sight camera, our third-generation video baby monitor. Dream Sight represents an important next step in the category for Owlet with this new camera offering the latest and advanced technologies while also delivering greater reliability, deeper security and a price point that makes sense. Importantly, Dream Sight is future-ready, including onboard AI capabilities to support our rollout of camera-specific subscription features and future build-outs.

Paired with Dream Sock, it can create a connected monitoring experience that gives parents a holistic view of the health and wellness of their children. We're thrilled at the feedback we've received since launch and are excited about Dream Sight's potential in the category and as a key part of our platform.

Turning to international. Dream Sock momentum is surging globally as we drive growth in our current geographies and open up new global sales channels. In the third quarter of 2025, international revenue growth was up 171% year-over-year. International strength in the quarter was in part driven by the September 9 launch of our new Dream Sight video monitor and the associated timing of our load-in to our distributors as well as ongoing momentum globally.

As we recently announced, the Central Drug Standard Control Organization approved Dream Sock for distribution in India, opening up a new global sales channel starting in early 2026. This marks an

important milestone as Owlet becomes one of the few infant health technology companies to meet India's stringent medical device requirements.

In addition to our 2 FDA clearances, we now have 6 international regulatory clearances for Dream Sock, including Europe, United Kingdom, Australia, New Zealand, South Africa and now India as we look to capture adoption globally and continue to drive the substantial international opportunity.

Shifting to Owlet360 subscription. Total paying subscribers has continued to grow, recently surpassing 85,000. The strong trends and overall feedback have been outstanding with another quarter of sequential growth in monthly reoccurring revenue, attach rate and improved retention. What's particularly exciting is that we're still just getting started. Owlet360 only launched at the end of January and has so far been available exclusively in the U.S. With more than 650,000 active Owlet device users globally, we see tremendous runway ahead to expand our subscriber base.

We're beginning to roll out subscriptions in the first international markets in Q4, starting with the U.K., Ireland, Australia, New Zealand and South Africa with plans to expand our subscription offering to all existing and new markets in 2026. Subscription attach rate for Dream Sock passed 25% as of the end of the third quarter as the value of our subscription offering to parents continues to grow. We also see major growth opportunity for the new Dream Sight camera. To date, our subscription adoption has primarily come from Dream Sock users, but the new Dream Sight and Dream Duo opens an entirely new segment of opportunity.

In 2026, we plan to introduce camera-based subscription features that take advantage of the new cameras, advanced capabilities and onboard AI chipset, combining the best of our biometric data from the Sock with computer vision technology from the camera to create a uniquely integrated experience that no one else in the market can deliver.

Parents' biggest challenges continue to center around sleep patterns and routines. They lose an average of 3 hours of sleep each night and 61% report feeling exhausted. Our upcoming Dream Sight subscription features are designed specifically to help parents better understand and improve their baby sleep through actionable insights, intelligent guidance and a smart nursery ecosystem that sees, senses and responds, taking the guesswork out of parenting.

Looking ahead, we're also investing in next-generation AI experiences built on Owlet's proprietary pediatric data set. In early 2026, we plan to pilot a new generative AI insights feature that will provide parents with personalized sleep coaching and tips tailored to their baby's unique patterns. This is just the beginning. We'll continue to experiment with and integrate AI capabilities to deliver even more meaningful support for parents and caregivers throughout their journey.

Also, we began piloting our telehealth platform, which we are calling Owlet OnCall. We're still early here and want to get the experience right before we launch in 2026 and are excited about this opportunity to begin testing a more personalized, actionable remote care and begin to commercialize and scale this opportunity next year. The momentum we're seeing from Owlet360 subscription continues to be exciting as this serves as the cornerstone of our transition to a pediatric health platform with data and digital service enabled by our hardware.

And finally, turning to our third strategic growth area. We've continued to make steady progress expanding the medical and health care channels to provide insurance reimbursed monitoring for infants who need it the most. We officially launched our new consignment agreement with the Children's Hospital of the King's Daughters or CHKD on November 7, enabling certain babies to be sit at home with BabySat to monitor their oxygen levels and/or heart rate. This is an important milestone for our health care opportunity as this is a first for Owlet, providers prescribing Owlet devices in the hospital, patients being able to obtain insurance prior authorization, prior to hospital discharge and taking home our medical-grade infant monitoring devices.

We are also rounding out our RPM integration with Owlet Connect as we finalize infrastructure integration with Rhapsody Health, our digital health platform partner. Owlet Connect will also go live this week with our first customer and we'll be able to very quickly connect to future hospitals with RPM programs.

We continue to have more and more conversations with potential additional hospital partnerships similar to CHKD. The official launch and successful implementation of Owlet Connect are important milestones, and we look forward to updating you on that progress in the coming quarters as this has become an important strategy towards unlocking the large health care opportunity for BabySat. It's an exciting time to be part of Owlet as we're executing across our strategic growth areas, and that progress is translating into strong results.

Now I'd like to turn the call over to Amanda to discuss those results for Q3 and provide an update on our 2025 outlook.

Amanda Twede Crawford

Chief Financial Officer

Thanks, Jonathan, and good afternoon, everyone. I'll begin on Slide 9. Unless noted otherwise, I will be comparing third quarter 2025 results to the third quarter of 2024. Q3 was another very strong quarter, setting records across the business. As Jonathan referenced, the best in Owlet history.

Third quarter 2025 revenue was \$32 million, an increase of 44.6% compared to prior year. Revenue strength was driven by the launch of our next-generation camera, Dream Sight, with load-in from our domestic and international retail partners as well as ongoing momentum in Dream Sock and Owlet360 subscription.

Q3 gross profit of \$16.2 million was a record for the business, resulting in Q3 gross margin of 50.6% as top line strength was able to offset tariff impacts. Reminder that in Q3, tariff cost impacts included a blend of the previously announced 10% tariffs on Thailand and Vietnam and newly increased tariffs of 19% and 20% on Thailand and Vietnam, respectively. In Q3, tariff costs negatively impacted our gross margin by 280 basis points.

Total operating expenses in the third quarter were \$15 million versus \$16.4 million in the same period last year. It is important to note 2 specific items that impact year-over-year comparability. First, this quarter includes a \$1.2 million insurance recovery related to the shareholder litigation we discussed in Q4 2024. Second, the prior year quarter included a \$1.9 million noncash impairment charge associated with our internally developed software. As a percentage of revenue, Q3 operating expenses were 47% compared to 74% in Q3 2024 as we continue to drive strong operating leverage as we scale the business.

Q3 operating income was a record for Owlet at \$1.2 million, the first quarter of positive operating profit in company history.

Net income was also positive in the third quarter at \$4.1 million versus \$5.6 million net loss in the same period last year. Q3 net income includes a positive \$4.3 million common stock warrant liability adjustment.

Q3 adjusted EBITDA was \$1.6 million, another quarterly record for the business, improving \$1 million compared to the same period last year. Strong revenue growth despite tariff costs drove the increase, our sixth consecutive quarter of adjusted EBITDA profitability.

Cash and cash equivalents as of quarter end September 30, 2025, were \$23.8 million versus \$21.8 million at the end of second quarter 2025. In the quarter, we drew down on our line of credit, increasing to \$18.6 million at the end of Q3 versus \$14.9 million at the end of Q2. The principal balance on our term loan was \$7.5 million at the end of Q3 and Q2. Repayment of the term loan begins in November, and we expect it to be paid off by January 2028.

In October, we completed 2 important critical capital markets milestones to strengthen our business and support Owlet's long-term growth opportunity. First, we completed the warrant exchange announced on our second quarter earnings call. We received shareholder approval at our Annual Meeting on October 8, and the transaction was completed on October 10 with over 96% of Series A warrants and all of the Series B warrants converting into 5.4 million in shares of our common stock. We're pleased to be able to complete the exchange and be able to simplify our capital structure and improve the attractiveness of our stock for current and potential investors.

In addition, we successfully completed a follow-on equity offering on October 23, raising net proceeds of approximately \$32 million. After giving effect of the warrant exchange and equity offering, as of November 10, 2025, we had approximately 27.6 million shares of common stock outstanding. The strategic raise bolsters our balance sheet, furthers a bridge to cash flow independence and provides financial flexibility to opportunistically invest for growth.

We have some near-term R&D investments that we will begin prioritizing in this current fourth quarter as well as into 2026. But to be clear, despite the capital raise, we intend to maintain the financial discipline we have instilled over the past few years and aim for long-term consistent profitable growth.

Now turning to an update on our financial outlook. Given our performance in the third quarter and expectations for the fourth quarter, we are updating our 2025 guidance. For the full year 2025, we are raising revenue expectations to the range of \$103 million to \$106 million or 32% to 36% growth year-over-year. The momentum of the business remains strong despite a macro backdrop that includes uncertainty around the consumer environment, government shutdown after effects and tariff policies that could impact our important Q4 holiday sales period.

We are narrowing our 2025 expectation range for gross margin to 48% to 50%. This updated guidance includes Q4 as the first full quarter of increased tariff cost impacts of 20% on imports from Vietnam and 19% on imports from Thailand or approximately 500 basis points to our margin in the quarter.

And finally, for the full year 2025, we expect adjusted EBITDA to be in the range of \$1.25 million to \$2 million, representing a \$3.1 million to \$3.8 million improvement versus 2024 and our first full year of adjusted EBITDA profitability.

As we look ahead to 2026, we're expecting ongoing momentum as we drive further growth in our core business, subscription platform and the health care opportunity. We look forward to discussing 2026 expectations in more detail on our fourth quarter earnings call. With that, we will now take your questions.

Question and Answer

Operator

[Operator Instructions] First question is from the line of Charles Rhyee with TD Cowen.

Lucas Cole Romanski

TD Cowen, Research Division

This is Lucas on for Charles, and congrats on the quarter. I want to ask about your guys' opportunity to partner with health systems. I would love to hear some incremental color on the early experience that you guys have had with the Children's Hospital the King's Daughters in Virginia. I guess just how the partnership has gone so far? And then obviously, I understand it's early days, but would be curious to see if you've seen other health systems reach out seeking to form similar partnerships.

Jonathan Harris

CEO & President

Yes. Thank you very much. Great question. As you know, we're super early with the CHKD partnership, and we just went live with our integration with them on the RPM. So far, the integration is very successful. They're happy. We're happy. And we are leveraging the CHKD relationship and partnership as a pilot for other healthcare systems. who are already in conversations with both us and looking at the CHKD integration. So we don't have anything to share today, but look for something very soon, and we're very opportunistic on this as we get down the road.

Lucas Cole Romanski

TD Cowen, Research Division

Okay. Appreciate that. And then just a follow-up. I want to ask about international growth, obviously, strong 171% growth in 3Q as well as adding new regulatory clearance in India. So I would expect this momentum to continue. But can you just help us understand which countries are you seeing the most growth in right now? And I guess, as we think out to 2026, what markets should we think about continuing to drive the growth in adoption in international markets?

Amanda Twede Crawford

Chief Financial Officer

Yes. Overall, international performed very well this quarter. This is one of the things that we hinted at on our Q2 earnings call. If you recall, Q2 was a lighter quarter for international. And the reason for that is that we just launched our third-generation Dream Sight and Dream Duo product with the sell-in to our distributors occurring during Q3. So that's why we saw the Q2 softness. It's really a catch-up year-to-date. But overall, really pleased with the performance internationally. We still have continued momentum. We're seeing sell-through growing in all of our European countries. It's going well. We've also been announcing new clearances, which will give us further opportunity for global expansion.

Operator

Next question is from the line of Owen Rickert with Northland Capital Markets.

Owen Ray Rickert

Northland Capital Markets, Research Division

Congrats on a great quarter. I guess quickly, can you elaborate on how the Rhapsody partnership changes the value proposition of BabySat or your broader clinical platform for these hospitals or potential hospital partners? And then more specifically on that, how does it streamline implementation or improve clinician engagement compared to before the integration?

Jonathan Harris

CEO & President

Yes. Thank you, Owen. Good to hear your voice again. Yes, we're super excited about the Rhapsody integration. This is the RPM integration. This is the engine that drives, which we're calling Owlet Connect. And by driving this, this is giving neonatologists and hospitals real-time access to the Dream Sock -- I'm sorry, the BabySat data as the babies are discharged from the NICU in their home. So the neonatologists can log in through their platforms, leveraging the Rhapsody and the Owlet Connect to get real-time data.

So what's really great about this integration is we've built the structure and now we can very quickly plug this into other hospital systems. So we believe that this is going to give us the opportunity to scale and add new hospital networks and new platforms at a much more rapid pace.

Owen Ray Rickert

Northland Capital Markets, Research Division

Got it. Super helpful. And then secondly for me, in terms of Owlet360, how are those subscriber retention rates trending? And maybe are there any specific features or new features to call out that might be driving some higher engagement or improved LTVs?

Jonathan Harris

CEO & President

Yes. Another great question. We're not sharing any of our subscriber churn numbers today, but we are seeing subscribers stay on our platform for quite a while. As you'll recall, we launched this at the end of January, so we don't have full year results yet. But we are seeing strong engagement from our Owlet360 customers. We are -- we can actually already tell many of the families who are using Oura Ring because we're getting a lot of the same feature sets that Oura is delivering on their platform, and they're asking for that same feature set for their babies on Owlet360. So super excited about that.

And as you'll recall, Owlet360 today is primarily based on Sock features. So look forward to a lot more camera features, especially with the new launch of Dream Sight which is a next-generation platform and has AI capabilities built right in. So we see a lot more camera and Duo features coming to the market as we begin to grow and expand. And as you'll recall, we have as many camera users on our platform every night as Sock. So we really believe that we can scale and grow this opportunity.

Operator

There are currently no further questions registered. [Operator Instructions]

There are no additional questions waiting at this time. So I'll pass the call back to Jonathan Harris for any concluding remarks.

Jonathan Harris

CEO & President

Sorry about that. So as we head into the final months of 2025, I'm incredibly proud of our progress our team has made in strengthening Owlet's foundation and delivering meaningful innovation for every family. This quarter's results demonstrate both resilience and focus, proof that our strategy to expand our products globally and enhance our hero product ecosystem is working.

As we look ahead, we're entering a pivotal phase, scaling our impact, broadening our reach, deepening consumer investor trust and driving sustainable growth through smarter technology and operational excellence. Our mission remains clear, to become the wellness ally for parents by empowering them with peace of mind and valuable health and sleep data. We're excited about what lies ahead as we continue building on this momentum and broaden our relationship with Owlet families across the globe. Again, thank you, and let's soar.

Operator

That concludes the conference call. Thank you for your participation. You may now disconnect your lines.

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