On Holding (ONON) / 13 May 25 / 2025 Q1 Earnings call transcript

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Operator

Hello, and thank you for standing by. My name is Tiffany, and I will be your conference operator today. At this time, I would like to welcome everyone to the On Holding AG Q1 2025 Results Conference Call. [Operator Instructions]

I would now like to turn the call over to Jerrit Peter, Head of Investor Relations. Please go ahead.

Jerrit Peter

Good afternoon, and good morning to our investor community. Thank you for joining On's 2025 First Quarter Earnings Conference Call and Webcast.

With me today on the call are On's Executive Co-Chairman and Co-Founder, Caspar Coppetti; and CFO and Co-CEO, Martin Hoffmann.

Before we begin, I will briefly remind everyone that today's call will contain forward-looking statements within the meaning of the federal securities laws. These forward-looking statements reflect our current expectations and beliefs only and are subject to certain risks and uncertainties that could cause actual results to differ materially.

Please refer to our 20-F filed with the SEC on March 4 for a detailed discussion of such risks and uncertainties.

We will further reference certain non-IFRS financial measures such as adjusted EBITDA and adjusted EBITDA margin. These measures are not intended to be considered in isolation or as a substitute for the financial information presented in accordance with IFRS. Please refer to today's release for a reconciliation to the most comparable IFRS measures.

We will begin with Caspar, followed by Martin leading through today's prepared remarks, after which we are looking forward to opening the call for a Q&A session.

Before I hand it over, allow me to close the introduction on a personal note. I'm very excited to announce that I will be taking on a new role within On following this quarterly cycle and, therefore, today will mark my last earnings call in this capacity. It has been an incredible privilege and honor to represent On to our research and investor community over the past years, and I hope many of our paths cross again in the future.

Thank you so much for all your trust and support.

Caspar Coppetti

Thank you, and welcome, everyone, to our first quarter 2025 earnings call. We're excited to have kicked off the year with continued exceptional brand momentum, clearly reflected in the numbers we're presenting today. Net sales exceeded CHF 725 million, reflecting a year-over-year growth of 40% on a constant currency basis. The strength of our direct-to-consumer business and its increased share resulted in an increased gross profit margin of 59.9%.

We are proud to see our focus on premium execution and operational efficiency result in an even higher margin expansion on the adjusted EBITDA line, reaching 16.5% in the quarter. The results speak for themselves. Demand for On remains incredibly strong.

Our brand promise to ignite the human spirit through movement along with On's positioning as the most premium global sportswear brand in the marketplace are resonating with our fans, allowing us to capture market share and drive On's success.

We are committed to this premium brand and product promise and see it as a differentiator in our space. And we are confident that it provides us with the tools to navigate the uncertainty that comes with operating a global business and supply chain in the current environment and beyond. Martin will elaborate further on this later on this call.

You can rest assured that all decisions we are taking are, first and foremost, a reflection of our long-term strategy and brand position, setting ourselves up for continued success in the future as the most premium global sportswear brand.

Beyond our financial results in the first quarter, we have seen this vision come to life over recent months. We're rapidly expanding brand awareness and reaching new audiences through innovative products, strategic partnerships and cultural moments that resonate deeply. Early in the quarter, the concept of Soft Wins took center stage with Elmo and Roger Federer generating significant buzz around the On brand and ripple effect across social and traditional media alike. This momentum continued into a larger Soft Wins running campaign with the new Cloudsurfer 2 at the forefront.

The second generation of one of our most beloved models has already gained strong global traction, cementing its position as a key running franchise in our portfolio. Among other new launches in the quarter, a true highlight for me personally was certainly the launch of the Cloud 6.

As On's largest product launch ever, we're thrilled to see the Cloud once again tying us closer with existing customers while also reaching new audiences who are discovering it for the first time.

After a few years of focus on diversifying our product portfolio, the whole On team has been patiently waiting for this opportunity to ignite our icon with renewed energy and, once again, share the story of the Cloud with the world. The Cloud also serves as a strong example of how we continuously refine and elevate new launches to deliver more premium product. Introduced at a price point above its predecessor, the Cloud 6 reflects how our premium positioning enables pricing power without compromising consumer demand.

Beyond consistent and continuous product innovations, authentic partnerships are key to growing On's cultural relevance. In April, we introduced our latest move in lifestyle campaign with Zendaya. The fictional film trailer set in space reflects On's continued commitment to pushing the boundaries of visual storytelling and cultural connection. The campaign highlights key products from our spring/summer collection, including On's sleek new low-profile model, the Cloudzone, designed for consumers seeking a refined lifestyle look.

Even more importantly, the campaign reinforces our focus to build On from the feet up by introducing our fans to On's apparel and accessories at every touch point. Ahead of any impact from On's most recent campaign, we have continued to observe the meaningful acceleration within our apparel business with net sales almost doubling during the first 3 months of the year.

While our product franchises continue to fuel strong commercial momentum, we believe transformational innovations like LightSpray will truly allow On to provide a differentiated offering and define the future of sportswear.

2025 will be a key year for testing and optimizing this technology as we lay the foundation for global scalability in the future. At the same time, pop-ups in key global locations such as Boston during Marathon Week are already bringing this innovation closer to runners and fans of the On brand. We hope some of you had the chance to try the Cloudboom Strike LightSpray at our Boston pop-up.

Looking ahead to later in the year, we're continuing our global tour to further connect innovation with our core communities, engaging directly with runners in cities like Berlin, Zurich and Tokyo during the World Athletics Championships.

LightSpray represents a radical shift in materials, automation, supply chain and production as well as steps towards circularity. And we're incredibly honored to have been recognized by Fast Company as the #1 most innovative company in the design category with this groundbreaking technology.

We are now laser-focused on unlocking its full potential. That's why we're actively building a future-facing team, hiring computational engineers, robotic specialists and plant engineers to support this next phase.

I've had the privilege to personally visit some of the production sites that we are currently exploring, and it became apparent that what we are setting up is quite literally the future: clean, efficient and fully automated manufacturing combined with high site flexibility. A step change for the industry. And for On, a major leap toward a more resilient and locally diverse supply chain.

While LightSpray is undoubtedly a key part of the future, our relentless focus on innovation and excellence across our operations and supply chain remains central to our vision.

The numbers that we are sharing today reflect 12 to 18 months of focused execution, driven by improved capabilities in planning, production, supply chain and order management.

We have also added strength in key leadership roles and deepened in-house capabilities to support long-term scalability. Together, these efforts are enabling us to do a much better job at having the right product at the right place at the right time.

Finally, I want to take a moment to reflect on the recent leadership evolution we announced a few weeks ago. On behalf of the Board, I want to sincerely thank Marc for his incredible leadership over the past 12 years. Marc, your dedication, vision and passion have left an unforgettable mark on On, and we're all better for having walked or precisely for having run this path with you. Marc will continue as Co-CEO through the end of June and then transition into an advisory role to the Board.

Looking ahead, we're fortunate to have Martin stepping into the role of sole Chief Executive Officer from July 1. The Board has full confidence in Martin's ability to serve as CEO and lead On together with us founders as the incredible On team. Together, we will continue to deliver On strategy of sustained growth and profitability while continuing to foster a strong culture that makes every On office such a unique and inspiring place to step in every day.

On a separate note, we're looking forward to next week's Annual Shareholder Meeting where Helena Helmersson is standing for election to our Board. Helena brings extensive experience from her leadership at H&M and her expertise in operations and retail will be incredibly valuable as we scale. We appreciate your support for her and the other proposal put forward by the Board.

With that, over to you, Martin.

Martin Hoffmann

Thank you, Caspar, and hello, everyone. It goes without saying that having had the opportunity to share the CEO role with one of my closest friends over the past years has been the experience of a lifetime. Marc, thank you for making this the most unforgettable journey, and thank you for the countless, exciting, challenging, fun and inspiring moments throughout the years.

For us and for On, it marks the end of an amazing chapter. And it marks the beginning of a new one, one that I'm incredibly excited and grateful for.

I'm extremely honored to take on the next chapter of this journey together with my partners and the rest of the On team. A few weeks ago, our full team came together to celebrate On's 15-year anniversary at our Global Summit. It was one of the most powerful moments I have ever experienced at On. The Global Summit isn't just our key annual commercial event. It's where our future takes flight. It's where we ignite the collective ambition of our global teams and partners for 2026, aligning us on a shared strategic vision and bringing the soul of our brand and the innovation of our products to life.

Here, we don't just preview future assortments. We provide our markets with the inspiration and tools to execute with unparalleled excellence, building the commercial energy that propels us forward.

Beyond the business, the summit is a powerful testament to our team. Celebrating On's 15th anniversary reminded us that these moments of connection are at the heart of our success. It's in these vibrant gatherings that our unique culture shines brightest, fueling our inspiration and celebrating the various sense of On.

This shared energy and profound connection to our mission to ignite the human spirit through movement is the unwavering force that guides us as we continue to evolve and reach new heights. Thank you, team for making this a once-in-a-lifetime moment.

As Caspar highlighted, 2025 is off to an incredible exciting start. We've launched the year with a powerful wave of new products and brand campaigns across running, lifestyle and tennis, not to mention our full apparel line, which is continuing its impressive climb in market share across all regions and channels.

We've introduced successful updates that bring fresh energy to some of our most important franchises, including the Cloudsurfer 2 and the Cloud 6 and, of course, the entirely new Cloudzone. In the coming months, we are excited to deliver even more newness to the running community, highlighted by pinnacle innovation in our Cloudboom franchise and renewed energy and focus with launches in the high-performance trail running segment.

While staying true to our vision to be the most premium global sportswear brand, we understand that our growing scale demands meticulous attention to detail and a strong commitment to elevating the premium experience across every touch point. From product and merchandising to retail, customer service and operations, every area plays a vital role in how we bring that vision to life globally.

Over the last months, we have focused our energy on elevating our processes and capabilities across all touch points, and we are very happy with the progress we have made.

These efforts have laid the foundation for what we share here today and power us to dream even bigger as we look beyond 2025.

We have reached net sales of CHF 726.6 million in the first quarter, growing 43% year-over-year on a reported basis and 40% on a constant currency basis. This marks the highest quarterly net sales in the history of the company and is the result of the continued strong demand that we are seeing across all our channels.

Our D2C channel has again fueled our growth, increasing by 45.3% year-over-year on a reported basis and 42.4% on a constant currency basis, reaching net sales of CHF 276.9 million. This growth ahead of our expectations has further resulted in an increased D2C share of 38.1% in Q1 '25, up from 37.5% in Q1 '24. Both e-com and retail are contributing strongly to this result, and we are clearly seeing the synergies across the two. In e-com, we remain very pleased with the global momentum and continued full price execution across our own website and online marketplaces.

From a smaller base, retail continues to showcase exceptional momentum from both new store openings and meaningful increases in existing store productivity. The store rollout and strong growth of this channel is visible across all regions. But if I had to pick 1 highlight this quarter, it would be the continued strength of our Tokyo store, which even surpassed our Regent Street store in London in terms of net sales. Across both e-com and retail, we continue to invest in our tech capabilities to elevate the experience for our customers and to drive additional operational efficiencies.

Wholesale grew by 41.5% year-over-year, reaching CHF 449.7 million in the first quarter. On a constant currency basis, the growth was 38.6%. The demand for our brand is fully reflected in strong sell-out numbers of our wholesale partners globally. This allows us to drive high same-store growth rates while maintaining a very controlled speed in expanding our store network. Retailer demand for the new Cloud 6 franchise has been exceptionally strong worldwide, and we're excited to see it once again contributing strongly to our growth.

Now let me dive into the development by region. Starting with Europe, Middle East and Africa, which grew by 33.6% on a reported basis in the quarter and reached CHF 168.6 million. On a constant currency basis, growth was 33% with strong growth rates across all channels. We're excited to see increasing contributions and brand heat from less established markets like Spain, Belgium and the Netherlands as well as our Scandinavian markets. In France, we maintained the brand heat post-Olympics, establishing France amongst the top markets in Europe in terms of net sales.

Moving on to the Americas. Net sales in the region grew by 32.7% year-over-year to CHF 437.4 million with a constant currency growth at 28.6%.

We continue to see strong performance across our key strategic retail partners in the U.S. with regions like the Southeast and West Coast outpacing the broader market. Reflecting this momentum, our own retail stores in Miami and Abbot Kinney are delivering standout results.

We are also excited to open our second California store in Q1 located in Newport Beach, which recorded the highest apparel share among all U.S. stores during the quarter.

In the Asia Pacific region, the incredible momentum continued into Q1. Net sales grew by 130.1% on a reported basis to CHF 120.6 million in Q1. On a constant currency basis, growth was 128.9% year-over-year. In March, I had the pleasure to visit our team in Shanghai, and I already look forward to experiencing the incredible energy around the World Championships in Tokyo later this year.

As we have previously spoken about, growth continues to be very broad across the region. China, Japan, Australia, Korea and our distribution markets in Southeast Asia more than doubled in net sales. Momentum in China continues to accelerate, achieving the strongest growth across the region. Impactful campaigns like Soft Wins have elevated brand awareness, while more targeted Tmall initiatives such as HeyBox and New Fashion Week have driven a notable increase in market share on the platform.

Just 2 weeks ago, we opened our first flagship store in China in Chengdu's super Premium Taikoo Li.

Turning to our performance by product category. Net sales from shoes grew by 40.5% to CHF 680.9 million in the first quarter.

Our strategic focus on building key franchises is paying off.

With the Cloudsurfer 2 launch, the continued strength of the Cloudmonster, the Cloudrunner and our new race product, our running franchises achieved some of the strongest growth rates. The brand building campaign around the Cloudsurfer 2 has created a clear halo across the entire Cloudsurfer franchise.

In particular, the Cloudsurfer Next has seen a notable lift in momentum following the launch. In July, we look forward to expanding the franchise further, building on the energy with the introduction of the Cloudsurfer Max. Outside of running, the new Cloud 6, the Cloudtilt, Cloudnova, the ROGER, and the new Cloudzone drove significant growth.

Moving on to apparel. Net sales reached CHF 38.1 million for the quarter, the highest quarterly net sales in history, increasing by 93.1% year-on-year.

While this growth rate is partly attributable to the prior year base, we are highly energized by the success and feedback for our product lineup. At our Global Summit, the team staged a full-scale fashion show, unveiling our complete head-to-toe offering for Spring/Summer '26. The energy and anticipation in the room were undeniable, and the Q1 numbers tell the same story.

Apparel momentum is off to a strong start in 2025, powered by standout launches in running, movement and tennis.

Our trending campaign with FKA twigs launched earlier this year drove significant gains in the apparel share across key e-commerce regions. Meanwhile, other formats such as shop-in-shops with strategic retail partners delivered outstanding results. At our Selfridges pop-up in London, which opened earlier in the quarter, nearly every second item purchased was either apparel or an accessory.

Moving down the P&L.

Our gross profit margin increased to 59.9%, up from 59.7% in Q1 '24, which reflects the increased D2C share versus the prior year period as well as the power of the premium position of the brand. SG&A expenses, excluding share-based compensation, accounted for 47.3% of net sales in Q1, down from 48.8% in the same period last year.

We continue investing in all parts of the business while driving operational efficiencies, most reflected in the distribution expense line.

While we currently continue to fulfill higher order volumes through our L.A. warehouse, we remain highly focused on progressing with our new automated Atlanta facility. The resulting adjusted EBITDA margin for Q1 is 16.5%, up from 15.2% in the first quarter of 2024.

We are pleased to report that our net income reached CHF 56.7 million, even after considering the sizable unrealized FX loss due to the lower U.S. dollar at the end of the quarter.

Moving on to our balance sheet. Capital expenditure were CHF 12.1 million in Q1 '25, representing 1.7% of net sales, broadly in line with the 1.8% recorded in Q1 '24. Inventory also remained relatively stable compared to year-end levels, standing at CHF 399.3 million at the end of the quarter.

Our cash position was CHF 871.8 million at the end of Q1, down from CHF 924.3 million at the end of '24. The decrease was primarily driven by the higher net working capital, a consequence of the strong growth and larger wholesale quarter, which resulted in a temporary increase in accounts receivable.

With that, I would like to look ahead.

We are approaching the remainder of the year with an exciting and highly performance-driven product pipeline with strong brand momentum, with high levels of energy across our team, with the right inventory and a strong cash position. Entering Q2, we continue to observe strong consumer demand for our products across all global markets and channels.

Our pipeline of new product launches in the second half of the year includes running products like the Cloudsurfer Max, the Cloudflow 5; and the Cloudboom Max, our first super shoe for the everyday runner as well as newness in our tennis and training verticals.

Strong preorders for the second half of the year from our wholesale partners already reflect the strength of our products.

Our strong foundation for sustained growth is further supported by the elevated brand awareness as a result of the successful brand campaigns that we have executed in the latter half of 2024 and the first quarter of 2025.

While we ended the remainder of the year with a lot of tailwind, the ongoing discussions and pending decisions surrounding potential incremental tariffs in the United States introduced a considerable degree of uncertainty into our planning and may create a dynamic market environment.

This includes more volatile foreign exchange rates with nearly all our key operating currencies significantly depreciating in value relative to the Swiss franc in recent weeks. Within this, it's paramount that we are focused on what we can control and continue to build our company towards our vision to be the most premium global sportswear brand. This means delivering on our brand promises to our fans while ensuring we continuously invest into what differentiates us in the long term. Highest quality standards, cutting-edge innovation, premium customer experiences and service, sustainability and social impact.

In line with this ambition, we continuously assess our global pricing strategy within the movements of the industry and take actions where appropriate to maintain our premium position. At the same time, we will continue to drive operational efficiencies across the P&L to give us as much flexibility as possible while investing in growth in this uncertain environment.

On the back of our strong performance in Q1, the sustained high demand of our products across the globe as well as our premium position and premium offering, we are increasing our constant currency growth rate outlook for 2025 to at least 28%.

Based on the latest spot rates, reported net sales are projected to reach at least CHF 2.86 billion. This updated outlook implies a constant currency net sales growth rate of close to 25% for the remaining 9 months of the year. Based on the strength of our order book for the last weeks of the Spring/Summer '25 season and the upcoming Fall/Winter '25 season, we see opportunities to accelerate beyond these numbers in a continued favorable consumer environment.

So we remain cautious as we look into the second half of the year in the light of the macroeconomic uncertainties we are observing. The recent global trade policy shifts have introduced higher levels of planning uncertainty. This includes the additional tariffs in place during the 90-day pause period, the risk for increased tariffs and freight expenses as well as general volatility within the global supply chain.

We will closely track and manage the broad-based currency effect from the above-mentioned depreciation of all key operating currencies against the Swiss francs for the remainder of the fiscal year, while taking it into consideration within our profitability outlook for the full year.

As a result of these factors, we are embedding this higher degree of uncertainty in our gross profit margin and adjusted EBITDA margin outlook. We now project our gross profit margin to be in the range of 60% to 60.5% for the full year. Despite these uncertainties and given our strong position in the market, we remain committed to ongoing strategic investments in initiatives that will drive long-term sustainable growth, including investments to drive brand awareness and market share gains, impactful initiatives such as light spray, technology enhancement and other key projects that drive innovation and excellence.

Consequently, and given the sizable Swiss franc cost base, we now expect our adjusted EBITDA margin to be in the range of 16.5% to 17.5%. With this clear direction and commitment as well as the strength of our brand, we are convinced that our partners and fans will continue to invest into the most premium offering in the market, setting us up for long-term success from this position of strength. My thank you today goes to all of our partners that are on this journey with us.

We are so grateful to be working together as we navigate these uncertainties and dream on.

With that, Caspar and I would like to open up the session to your questions. But before I hand over to the operator, I would like to say thank you to you, Jerrit, for your amazing work leading Investor Relations since the IPO. It means a lot to me that we will continue to work together as you move into your next chapter at On. And I look forward to welcoming [Liv Reutlinger] in her new role.

Now we are ready to begin the Q&A session.

Operator

[Operator Instructions] Your first question comes from Jonathan Komp with Baird.

Jonathan Komp

I want to follow up and ask about brand awareness. I know in the past, you've shared some pretty positive developments on the increases you're seeing. Could you share a little bit more about what you're seeing across regions after some of the big brand campaigns you've had? And then when you think more specifically about the Americas business, could you maybe just talk through some of the drivers of growth that you see for the balance of the year?

Caspar Coppetti

Thanks for the question, John.

You're spot on. This first quarter, the exceptional results that we've seen are really a result from our brand efforts.

As many of you know, last year, we started shifting more investment into the upper funnel because we realized that in our most important markets, but globally in general, there's still a lot of people that haven't heard of On or have a hard time reading the logo, what have you.

So the initiatives that we've taken are following.

Coming out of the Olympics, of course, but then also we had the Super Bowl ad with Elmo and Roger that went viral. We've continued down this course. We just had the Zendaya campaign. These things are really resonating. And we're also doing very market-specific things, for example, in China and other regions. But it's really these global initiatives that are driving the brand demand. And maybe, Martin, you want to comment a bit more on the U.S. specifically?

Martin Hoffmann

Yes. John, very happy to do that.

So if we look on a global scale, we really see that our momentum doesn't stop at the end of Q1. We actually just had the strongest month in the history of the company in April. And this is true from a global perspective.

So all regions have seen strong growth continued into April.

If you look at the U.S. specifically, I feel the picture that we see globally is the picture of the U.S. as well with all our brand campaigns resonating very strongly.

Our new products had a very strong start driving growth.

For us, it's important to win market share in running with both our run specialty retailers as well as our general sporting goods retailers. And that really allows us to be, at the moment, extremely careful in terms of store expansion in the U.S.

So we're very much on the brakes there on adding more doors. We still do this, but at a very controlled speed.

We have planned a couple of new own retail stores across the U.S. And we see that they are working exceptionally well in the cities that we are in at the moment. The same-store growth that we have seen in Miami, in Abbot Kinney, in New York is really, really strong.

It's just a testament to the brand heat that we have. Then let's not forget that especially in Q2 last year, we had disruptions on the operations side, which especially impacted our D2C business in the U.S. We feel in a much better position now.

And so there's also a base effect. And then we still have a strong product pipeline to drive growth, and this is reflected in the strong preorders going forward.

Operator

Your next question comes from Alex Straton with Morgan Stanley.

Chad Britnell

This is Chad Britnell on for Alex Straton. My first question, kind of touching on John's question, but my first question is on the improved constant currency growth outlook for the full year. It looks like guidance now embeds better 2Q to 4Q growth than prior.

So first, what regions specifically are you planning better versus your previous outlook? And then any updated color on the shape of growth by channel for the remainder of the year would be helpful as well.

Martin Hoffmann

So if we look into the outlook, we said it on the call, we are applying quite a high level of prudence in the outlook. I just mentioned we have seen the strongest months in the history of the company in April.

So a really good start into that remainder of the year. And at the same time, we factor in the potential for -- that we see a slowdown in consumer demand driven by the uncertainties that are out there. But based on what we observe at the moment internally and in our channels and at our key account partners, we don't see this. We see a very strong brand.

We see our products and our brand awareness driving growth, and this is true across all the different channels.

So nothing much has changed, but we also didn't increase the year-to-go outlook and basically stayed where we were and passed on the beat from the first quarter with the perspective that our order book, our internal outlook show that there's also an opportunity to end up with a higher growth rate. And this is really across all the different channels. We just mentioned e-com remains very strong.

You have seen that our D2C channel has been outperforming the wholesale channel in Q1.

We have done a lot of investments into our capabilities in order to showcase the product in a better way on our app, on our website, on our marketplaces. This is also visible in the strong apparel number, which is very much D2C driven as well.

As I said before, our retail stores are driving significant growth all across the different regions.

And so does our -- do our wholesale partners and our key accounts that continue to see very strong growth.

So for us, this is a global story.

So we spoke about Asia Pacific, where nearly all markets more than doubled the business in the first quarter. Europe, where all the strategic initiatives that we went through last year are really showing a positive effect and driving growth, including some of the younger markets that are really accelerating. And then as I said before, the U.S. is the growth engine of the brand. And yes, it's a very healthy business there.

Operator

Your next question comes from Aneesha Sherman with Bernstein.

Aneesha Sherman

So I'm curious about what mitigation efforts you have already undertaken to minimize the headwinds you're facing from some of these tariffs, if any? And Martin, you referred to pricing strategy in your opening comments. Are there any price increases currently built into your margin guide? And to what extent do you think you're able to pass on some of the impacts of tariffs in terms of consumer pricing?

Martin Hoffmann

Yes.

So it's very important to understand that all the outlook that we presented is under the assumption of the tariffs that are currently in place.

So specifically for Vietnam, the 10% additional tariff during the pause period that we are currently on.

So that's the base for our outlook.

As we said before, I think in those uncertain times, it's super important to focus on what the brand stands for and what the company stands for. And we want to be the most premium performance sportswear brand. And that requires us to have high-quality products to lead with innovation, to provide a customer with a unique customer experience, to invest in sustainability and social impact. And we have done this over the last 1, 2 years more than ever before.

And this has really put us in a strong position to have earned pricing power in the different markets that we are in. And we want to separate ourselves even more from our competitors.

And so we are in the position to increase prices, and we will do this.

So in the normal course of our business, starting with the Fall/Winter season in July, we will initiate a pricing round in the U.S. on selected styles in order to really differentiate our products even more from our competitors on the premium position. And this really puts the brand in a unique position and where we think we can drive even more from a position of strength.

And at the same time, of course, that also helps us to mitigate some of the tariff impacts that we are seeing and that are embedded. And therefore, we also stayed with our gross profit margin guidance very close to where we were before and very close to our long-term aspiration, factoring in the FX impact that we see and that we spoke about. But from a tariff perspective, we will widely mitigate the impacts.

Operator

Your next question comes from Jay Sole with UBS.

Jay Sole

I'd love to ask a little bit more about apparel.

You mentioned your excitement around what you're seeing there. Can you just talk about what has made the current apparel offering so successful and sort of what's changed over the last couple of years to get to the point where your enthusiasm sounds pretty clear?

Caspar Coppetti

Thank you, Jay, for pointing this out. And this is actually my highlight for the quarter that we've had such a tremendous progress on apparel, which, as you know, is a key building block for our future growth. Look, it's a combination of the homework that we've done over the course of '24 in 2 steps, we harmonized sizing.

So our sizing corresponds a little bit better to what consumers are used to from other brands, and that has really helped drive down return rates and increase repeat share on apparel. But then more specifically, we see a lot of success in especially 3 categories: running, training/movement or anything you do at the gym or a class-based activity in the gym, and then tennis.

And so we're building on these 3 pillars. Martin mentioned already in the prepared remarks, we had a really strong campaign with FKA twigs.

We have now just doubled down a couple of weeks ago with Zendaya with the first knit product that we put out there. And we're going to continue on this path.

So you're going to see basically running, training and tennis as the main stories throughout the rest of the year.

Some of our own retail stores are now really pushing high double-digit numbers on apparel share.

Our -- yes, if we do something special, I think Martin mentioned it as well, we can even have a 50% apparel share, which is very encouraging for what we're planning to do in the future.

Jay Sole

Got it. If I can follow up on that. Are you seeing some of that momentum in apparel also affect the wholesale business? And when would you expect the wholesale apparel business to start to accelerate based on the success that wholesalers are seeing in your DTC channel with the apparel?

Caspar Coppetti

Absolutely. Look, also like the business has become more complex.

And so we've been doing our homework to just get operationally better. In apparel, it's very, very important to have the right selection, enough color choice and so on in those retail partners.

So this has been a bit of a learning curve where our also wholesale partners have really helped us get sharper, and that's now in effect, and it's really yielding results. Apparel generally needs space to be presented in footwear, you have -- you put a couple of styles on the wall and you're there. With this apparel, you need to present in another way.

So our own retail experience has helped us also serve our wholesale partners better.

Operator

Your next question comes from Aubrey Tianello with BNP Paribas.

Aubrey Tianello

I wanted to follow up on the store rollout. And I know it's still early, but over the past year or so, you really started opening up flagships and larger stores outside of China. Any color you can provide us on how they're performing in terms of revenue productivity or margin profile? And how would you say you're currently tracking relative to the long-term target of getting to 10% revenue share from stores?

Martin Hoffmann

Yes, very happy to do this, Aubrey.

So at the moment, we have 53 stores open globally, around 30 are in China and 20 are outside of China. If we look at the 20 outside of China, then 18 of the 20 have exceeded the expectations that we had. And there are a couple of stores that by far exceeded the expectations, which gives us a lot of confidence into that channel. And this is both true on top line as well as on bottom line.

So the stores really become powerhouses for the brand to experience the customer, and it's really our opportunity to showcase the full breadth of the brand.

In China, our stores are smaller on average, but we just opened, as I said in the remarks, our first flagship store in Chengdu.

So this is really elevating the experience now in China as well.

So if we look at the success of retail and if we think into the future, then it becomes very clear that own retail will play a very important part in the strategy to make the brand even more premium. It will be a super important pillar for our [pal] strategy, and it will also allow us to bring even more premium product to the market.

While at the same time, we are fully committed to our omnichannel sales model and our commitment to our retail partners is fully there.

So we are on track to open 20 to 25 stores on an annual basis. And with that, we are on track to the 10%. I wouldn't be surprised if we are actually exceeding the 10% because of the strength and also the continued same-store growth that we are seeing. And what is really good to see and with retail, we have some very clear test markets like in France, like in Italy, where we didn't have a strong presence before.

It's really good to see the spillover from own retail into e-com and that really both channels drive the growth to each other. And this is also how we build the tech capabilities at the moment.

So we really invest into omnichannel capabilities, understanding the customer in both channels.

And so we are extremely happy with that journey of expanding on retail.

Operator

Your next question comes from Anna Andreeva with Piper Sandler.

Anna Andreeva

Great. And best of luck to Jerrit and Marc, and also congrats to Martin. We wanted to ask about Cloud 6.

You mentioned it's resonating with both new and existing customers, can you talk about the demo of the new On consumer that you're seeing with that and if that's different by geography? And then just a quick follow-up.

You mentioned April was the best month in company history globally. Is -- should we think that similar momentum from 1Q is continuing quarter-to-date? Or just any quantification on that would be great.

Caspar Coppetti

Thanks a lot. I can take the question on Cloud 6.

So Cloud is now about 9 years old, and it's been a key driver for the business.

So we've taken a conscious decision over the last 2 years to take the foot off the gas a bit on the cloud. And now with Cloud 6, we're relaunching it as an icon. And it really goes across demographics. Definitely a strong uptake by a younger consumer.

You may have seen also the photography and campaign around it. It's resonating well in the sneaker channels in the U.S., in Europe, especially in Asia. And it looks like the demos are all finding their own variant of the Cloud that they are most into.

We have tremendous success with the Cloud Waterproof in many regions.

We have younger versions like Cloud Coast. And you're also going to see a couple of very sharp collaborations where we're bringing cultural relevance to this icon.

So we couldn't be happier with how the launch has gone. And maybe also for everybody that is thinking about price increases, we have launched the Cloud 6 at $10 higher in the base model, and then we've also taken the variance up even higher. And we have not seen any price sensitivity on the demand side for that.

In fact, it's been our most successful launch ever.

Martin Hoffmann

And then just on Q1, Q2.

So we are not guiding on the quarter.

I think the message on April is really to show that the strength of the brand is there. The demand continues to be strong.

Let's remember, last year, we had a very strong launch with the Cloudrunner in the second quarter versus this year with the Cloud and the Surfer and much more in Q1.

So we need to factor that in.

On the other side, we had the operational impacts last year, which we don't foresee this year. It's more looking at the long-term outlook and also looking into '26.

Really, the message is we were projecting to double the business over the course of 2 years, which embedded a 26% CAGR.

We have grown 33% last year. We had a 40% growth in Q1.

Our outlook is on 28% plus for the full year.

So we are well ahead of our growth aspiration. We talked about some of the strategic initiatives that are in there with China, with retail, with apparel. They are all proven to be working. And I think this is the important message that we are confident in what we are doing, and we will further scale those elements of growth.

Operator

Your next question comes from Tom Nikic with Needham & Company.

Tom Nikic

I want to ask about the wholesale channel.

Some brands that -- I wouldn't say you compete with them, but some footwear brands out there have said that wholesale partners have taken a more cautious view towards the second half of the year and that we should expect some more cautious ordering patterns from them. Have you seen anything like that? Or is your brand momentum just so strong that your wholesale order book is pretty much as you would expect?

Caspar Coppetti

Thanks. We're not seeing any of that. We're not seeing any cancellations in the order book.

We also have to keep in mind that we have always been very diligent in planning our wholesale business.

And so this is a very close exchange between us as partners. And we see their sell-through. We share what we have, what we can offer them at this point and what goes into other channels.

And so no, there's no change in behavior that we're observing at this time.

Operator

Your next question comes from Cristina Fernández with Telsey Advisory Group.

Cristina Fernandez

Congratulations on the strong momentum. I also wanted to ask on wholesale, but a different way. Earlier in the year, you had talked about 5% to 6% growth in wholesale doors for the year. Today, if I heard you correctly, you mentioned you were pausing some door growth in the U.S.

So has that outlook changed? And if so, what's the door count growth for the year? And what are the key drivers?

Martin Hoffmann

Cristina, no, that outlook hasn't changed.

So we still see the growth in the mid-single digits.

As I said before, if the demand for the brand is strong, you can be much more on the brakes by expanding your wholesale network because we want to grow in the long term, and we want to grow within the corridor that we set ourselves. And that's what we are doing. At the same time, as Caspar said, we put a lot of emphasis on making sure that the channel inventory is very clear and clean. And at the same time, yes, we continue to expand, but in a controlled way, we continue to open doors with our wholesale partners.

We have some of the younger markets, of course, where we have more opportunities for door openings. But as said, it's a very much controlled path, and we are very much in control of how much inventory we ship into the channel to make sure that they continue to drive a high share of full price business, which is super important for them, for us. We spoke about this. It also helped both channels during the holiday season to be set up in the right way.

So that's our goal, and that's our core focus, and it all comes out of the perspective that we want to be the most premium brand.

Operator

Your final question comes from the line of John Kernan with TD Cowen.

John Kernan

Martin, how have your responsibilities or how are they going to evolve now with -- given Marc's departure? And is there any change in strategy as you -- going forward?

Martin Hoffmann

You already see, I need to answer twice as many questions than before.

I think the most important is we're looking for a CFO.

So really need someone on my side to lead the finance perspective.

We have a super strong internal team.

We are deep in the evaluation at the moment of internal and external candidates for the CFO role. Marc and I shared basically a lot of things in the past.

So we had a lot of insights into each other's businesses and parts of the business.

So there are not many blind spots for myself where I need to find my way in.

And at the same time, we are very clear on the strategy. Nothing is changing there. The whole team is very clear and where we want to go for the next years.

So I think this is a smooth transition from the 2 to the 1. And at the same time, it's not 2 to 1, but we were a group of 5, and now we are a group of 4 to lead the company. And Caspar, David, Olivier are very, very much involved on the product side, on the brand side, which, of course, is a super important part of the business.

And so we have a lot of exchange in that group.

So yes, it's going to be more lonely, but I think in terms of the actual transition, this will be very smooth.

John Kernan

Helpful. If I could just sneak one more question in.

Just any update on the automation projects as we get into the back half of the year and then the scalability of LightSpray going forward? Can you talk to initiatives there and what you see long term for that business?

Caspar Coppetti

Yes, happy to take that on LightSpray. Look, Light spray is a revolution in material, in automation, in sustainability and in producing closer to consumers. And we're laser-focused in making it happen. We can't share a time line yet. What we can share is that a month ago, we made the first Cloudboom LightSprays that were actually produced here in Zurich available to consumers through our most premium running specialty stores. There are more launches planned of LightSpray products throughout the year as we're starting to build these production capabilities. But I don't want to use too much thunder. Launches are coming, and you'll know about them first.

Martin Hoffmann

And then just a quick note on the automation project in our Atlanta warehouse. It's progressing well.

We are still in the live testing phase. Majority of our D2C volume is already processed in an automated way. At the same time, still try to keep the load low and manageable for B2B.

And so a lot of that still comes out of L.A. And over the next months, that load will increase.

And so we will test that installation under basically full load. But so far, the lights are on green.

Operator

Ladies and gentlemen, this concludes today's call. Thank you all for joining.

You may now disconnect.