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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): May 10, 2022**

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**The RealReal, Inc.**

(Exact name of Registrant as Specified in Its Charter)

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**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**001-38953**  
(Commission File Number)

**45-1234222**  
(IRS Employer  
Identification No.)

**55 Francisco Street Suite 600  
San Francisco, CA 94133**

**(855) 435-5893**

(Registrant's Telephone Number, Including Area Code)

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.00001 par value	REAL	The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 2.02 Results of Operations and Financial Condition.**

On May 10, 2022, The RealReal, Inc. (“The RealReal”) issued a press release announcing its financial results for the quarter ended March 31, 2022. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

**Item 7.01 Regulation FD Disclosure**

On May 10, 2022, The RealReal posted a stockholder letter on its investor.therealreal.com website. A copy of the stockholder letter is furnished as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated by reference herein.

The information in this current report on Form 8-K and the exhibits attached hereto is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<b>Exhibit Number</b>	<b>Description</b>
99.1	<a href="#">Press Release dated May 10, 2022</a>
99.2	<a href="#">Stockholder Letter dated May 10, 2022</a>

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The RealReal, Inc.

Date: May 10, 2022

By: \_\_\_\_\_  
/s/ Robert Julian  
**Robert Julian**  
**Chief Financial Officer**

## THE REALREAL ANNOUNCES FIRST QUARTER 2022 RESULTS

Q1 2022 Gross Merchandise Value Increased 31% Year-Over-Year

Q1 2022 Total Revenue Increased 48% Year-Over-Year

**SAN FRANCISCO, May 10, 2022** — The RealReal (Nasdaq: REAL)—the world’s largest online marketplace for authenticated, resale luxury goods—today reported financial results for its first quarter ended March 31, 2022. The company reported solid top-line growth and significant operating expense leverage. First quarter 2022 gross merchandise value (GMV) increased 31%, compared to the same period in 2021.

“We are pleased with our financial results for the first quarter of 2022, which exceeded our expectations on both the top- and bottom-line. The strong growth is particularly noteworthy given the COVID-related staff absences in our Authentication Centers early in the year, which negatively impacted the time for processing and launching items on our website. During the first quarter, we also continued to deliver significant operating expense leverage on both our fixed and variable expenses,” said Julie Wainwright, founder and CEO of The RealReal.

Wainwright added, “We continue to see strong demand in our business despite recent geopolitical events and uncertainty surrounding macroeconomic trends. In fact, as inflation has ramped and prices have increased in the primary (i.e. new goods) luxury market, we believe The RealReal is a demonstrated value option offering unique and highly coveted items in our online marketplace. We believe we are well positioned for a strong year.”

Robert Julian, CFO of The RealReal, stated, “Based on our strong first quarter results, we are pleased to confirm our full year 2022 guidance that was provided previously. Additionally, we are on track to achieve the financial targets in our Vision 2025 based on the key assumptions of continued top-line growth of at least 30% annually, variable cost productivity and fixed cost leverage.”

### **First Quarter Financial Highlights**

- GMV was \$428 million, an increase of 31% compared to the same period in 2021
- Total Revenue was \$147 million, an increase of 48% compared to the same period in 2021
- Net Loss was \$57 million compared to \$56 million in the same period in 2021
- Adjusted EBITDA was \$(35.3) million or (24.1)% of total revenue compared to \$(35.6) million or (36.1)% of total revenue in the first quarter of 2021
- GAAP basic and diluted net loss per share was \$(0.61) compared to \$(0.62) in the prior year period
- Non-GAAP basic and diluted net loss per share was \$(0.47) compared to \$(0.49) in the prior year period
- *Top-line-related Metrics*
  - Trailing 12 months (TTM) active buyers reached 828,000, an increase of 21% compared to the same period in 2021
  - Orders reached 878,000, an increase of 27% compared to the same period in 2021
  - Average order value (AOV) was \$487, an increase of 3% compared to the same period in 2021
  - Higher AOV was driven by a year-over-year increase in units per transaction (UPT), partially offset by decreased average selling prices (ASPs) driven by a normalization of category mix coming out of COVID-19 (i.e. more demand for ready-to-wear)
  - GMV from repeat buyers was 85% compared to 84% in the first quarter of 2021

### **Q2 and Full Year 2022 Guidance**

Based on market conditions as of May 10, 2022, we are providing guidance for the second quarter of 2022 GMV, total revenue and Adjusted EBITDA, which is a Non-GAAP financial measure. Additionally, please note that we are confirming (and restating below) our full year 2022 guidance.

	<b>Q2 2022</b>	<b>Full Year 2022</b>
<b>GMV</b>	\$450 - \$470 million	\$2,000 - \$2,100 million
<b>Total Revenue</b>	\$150 - \$160 million	\$635 - \$665 million
<b>Adjusted EBITDA</b>	\$(33) - \$(29) million	\$(100) - \$(80) million

We have not reconciled forward-looking Adjusted EBITDA to net income (loss), the most directly comparable GAAP measure, because we cannot predict with reasonable certainty the ultimate outcome of certain components of such reconciliations including payroll tax expense on employee stock transactions that are not within our control, or other components that may arise, without unreasonable effort. For these reasons, we are unable to assess the probable significance of the unavailable information, which could materially impact the amount of future net income (loss).

### **Webcast and Conference Call**

The RealReal will post a stockholder letter on its investor relations website at [investor.therealreal.com/financial-information/quarterly-results](https://investor.therealreal.com/financial-information/quarterly-results) and host a conference call at 2:00 p.m. Pacific Time (5:00 p.m. Eastern Time) to answer questions regarding its first quarter 2022 results. Investors and analysts can access the call by dialing (866) 996-5385 in the U.S. or (270) 215-9574 internationally. The passcode for the call is 1299713. The call will also be available via live webcast at [investor.therealreal.com](https://investor.therealreal.com) along with the stockholder letter and supporting slides.

An archive of the webcast conference call will be available shortly after the call ends at [investor.therealreal.com](https://investor.therealreal.com).

### **About The RealReal, Inc.**

The RealReal is the world's largest online marketplace for authenticated, resale luxury goods, with more than 27 million members. With a rigorous authentication process overseen by experts, The RealReal provides a safe and reliable platform for consumers to buy and sell their luxury items. We have hundreds of in-house gemologists, horologists and brand authenticators who inspect thousands of items each day. As a sustainable company, we give new life to pieces by thousands of brands across numerous categories—including women's and men's fashion, fine jewelry and watches, art and home—in support of the circular economy. We make selling effortless with free virtual appointments, in-home pickup, drop-off and direct shipping. We do all of the work for consignors, including authenticating, using AI and machine learning to determine optimal pricing, photographing and listing their items, as well as handling shipping and customer service. At our 19 retail locations, including our 16 shoppable stores, customers can sell, meet with our experts and receive free valuations.

### **Investor Relations Contact:**

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### **Forward Looking Statements**

This press release contains forward-looking statements relating to, among other things, the future performance of The RealReal that are based on the company's current expectations, forecasts and assumptions and involve risks and uncertainties. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “intend,” “potential,” “continue,” “ongoing” or the negative of these terms or other comparable terminology. These statements include, but are not limited to, statements about future operating and financial results, including our strategies, plans, commitments,

objectives and goals, in particular in the context of the impacts of recent geopolitical events and uncertainty surrounding macro-economic trends, inflation and the COVID-19 pandemic, and our financial guidance, timeline to profitability, 2025 vision and long-range financial targets and projections. Actual results could differ materially from those predicted or implied and reported results should not be considered as an indication of future performance. Other factors that could cause or contribute to such differences include, but are not limited to, the impact of the COVID-19 pandemic on our operations and our business environment, any failure to generate a supply of consigned goods, pricing pressure on the consignment market resulting from discounting in the market for new goods, failure to efficiently and effectively operate our merchandising and fulfillment operations, labor shortages and other reasons.

More information about factors that could affect the company's operating results is included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the company's most recent Annual Report on Form 10-K for the year ended December 31, 2021 and subsequent Quarterly Reports on Form 10-Q, copies of which may be obtained by visiting the company's Investor Relations website at <https://investor.therealreal.com> or the SEC's website at [www.sec.gov](http://www.sec.gov). Undue reliance should not be placed on the forward-looking statements in this press release, which are based on information available to the company on the date hereof. The company assumes no obligation to update such statements.

### **Non-GAAP Financial Measures**

To supplement our unaudited and condensed financial statements presented in accordance with generally accepted accounting principles ("GAAP"), this earnings release and the accompanying tables and the related earnings conference call contain certain non-GAAP financial measures, including Adjusted EBITDA, Adjusted EBITDA as a percentage of total net revenue ("Adjusted EBITDA Margin"), free cash flow, non-GAAP net loss attributable to common stockholders, and non-GAAP net loss per share attributable to common stockholders, basic and diluted. We have provided a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures in this earnings release.

We do not, nor do we suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors should also note that non-GAAP financial measures we use may not be the same non-GAAP financial measures, and may not be calculated in the same manner, as that of other companies, including other companies in our industry.

**Adjusted EBITDA** is a key performance measure that our management uses to assess our operating performance. Because Adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we use this measure as an overall assessment of our performance, to evaluate the effectiveness of our business strategies and for business planning purposes. Adjusted EBITDA may not be comparable to similarly titled metrics of other companies.

We calculate **Adjusted EBITDA** as net loss before interest income, interest expense, other (income) expense net, provision (benefit) for income taxes, depreciation and amortization, further adjusted to exclude stock-based compensation, employer payroll tax on employee stock transactions, and certain one-time expenses. The employer payroll tax expense related to employee stock transactions are tied to the vesting or exercise of underlying equity awards and the price of our common stock at the time of vesting, which may vary from period to period independent of the operating performance of our business. Adjusted EBITDA has certain limitations as the measure excludes the impact of certain expenses that are included in our statements of operations that are necessary to run our business and should not be considered as an alternative to net loss or any other measure of financial performance calculated and presented in accordance with GAAP.

In particular, the exclusion of certain expenses in calculating Adjusted EBITDA and Adjusted EBITDA Margin facilitates operating performance comparisons on a period-to-period basis and, in the case of exclusion of the impact of stock-based compensation and the related employer payroll tax on employee stock transactions, excludes an item that we do not consider to be indicative of our core operating performance. Investors should, however, understand that stock-based compensation and the related employer payroll tax will be a significant recurring expense in our

business and an important part of the compensation provided to our employees. Accordingly, we believe that Adjusted EBITDA and Adjusted EBITDA Margin provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

**Free cash flow** is a non-GAAP financial measure that is calculated as net cash (used in) provided by operating activities less net cash used to purchase property and equipment and capitalized proprietary software development costs. We believe free cash flow is an important indicator of our business performance, as it measures the amount of cash we generate. Accordingly, we believe that free cash flow provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management.

**Non-GAAP net loss per share attributable to common stockholders, basic and diluted** is a non-GAAP financial measure that is calculated as GAAP net loss plus stock-based compensation expense, provision (benefit) for income taxes, and non-recurring items divided by weighted average shares outstanding. We believe that adding back stock-based compensation expense and related payroll tax, provision (benefit) for income taxes, and non-recurring items as adjustments to our GAAP net loss, before calculating per share amounts for all periods presented provides a more meaningful comparison between our operating results from period to period.

**THE REALREAL, INC.**  
**Statements of Operations**  
(In thousands, except share and per share data)  
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Revenue:		
Consignment and service revenue	\$ 97,877	\$ 75,082
Direct revenue	48,823	23,735
Total revenue	<u>146,700</u>	<u>98,817</u>
Cost of revenue:		
Cost of consignment and service revenue	28,049	20,114
Cost of direct revenue	40,034	20,365
Total cost of revenue	<u>68,083</u>	<u>40,479</u>
Gross profit	<u>78,617</u>	<u>58,338</u>
Operating expenses:		
Marketing	17,961	15,561
Operations and technology	67,101	51,934
Selling, general and administrative	48,262	43,616
Total operating expenses <sup>(1)</sup>	<u>133,324</u>	<u>111,111</u>
Loss from operations	<u>(54,707)</u>	<u>(52,773)</u>
Interest income	98	87
Interest expense	(2,664)	(3,296)
Other income (expense), net	(139)	17
Loss before provision for income taxes	<u>(57,412)</u>	<u>(55,965)</u>
Provision for income taxes	—	28
Net loss attributable to common stockholders	<u>\$ (57,412)</u>	<u>\$ (55,993)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.61)</u>	<u>\$ (0.62)</u>
Weighted average shares used to compute net loss per share attributable to common stockholders, basic and diluted	<u>93,476,106</u>	<u>90,044,082</u>
<sup>(1)</sup> Includes stock-based compensation as follows:		
Marketing	\$ 593	\$ 736
Operating and technology	5,249	4,696
Selling, general and administrative	6,672	5,487
Total	<u>\$ 12,514</u>	<u>\$ 10,919</u>



**THE REALREAL, INC.**  
**Condensed Balance Sheets**  
(In thousands, except share and per share data)  
(Unaudited)

	March 31, 2022	December 31, 2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 361,007	\$ 418,171
Accounts receivable, net	8,176	7,767
Inventory, net	73,698	71,015
Prepaid expenses and other current assets	21,379	20,859
Total current assets	464,260	517,812
Property and equipment, net	90,419	89,286
Operating lease right-of-use assets	140,489	145,311
Other assets	3,266	2,535
Total assets	<u>\$ 698,434</u>	<u>\$ 754,944</u>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current liabilities		
Accounts payable	\$ 6,292	\$ 4,503
Accrued consignor payable	68,653	71,042
Operating lease liabilities, current portion	19,518	18,253
Other accrued and current liabilities	85,322	94,188
Total current liabilities	179,785	187,986
Operating lease liabilities, net of current portion	138,214	143,159
Convertible senior notes, net	447,653	348,380
Other noncurrent liabilities	2,099	2,291
Total liabilities	767,751	681,816
Stockholders' equity (deficit):		
Common stock, \$0.00001 par value; 500,000,000 shares authorized as of March 31, 2022, and December 31, 2021; 94,300,104 and 92,960,066 shares issued and outstanding as of March 31, 2022, and December 31, 2021, respectively	1	1
Additional paid-in capital	742,802	841,255
Accumulated deficit	(812,120)	(768,128)
Total stockholders' equity (deficit)	<u>(69,317)</u>	<u>73,128</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 698,434</u>	<u>\$ 754,944</u>

**THE REALREAL, INC.**  
**Condensed Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (57,412)	\$ (55,993)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	6,364	5,435
Stock-based compensation expense	12,514	10,919
Reduction of operating lease right-of-use assets	4,797	4,755
Bad debt expense	193	—
Accrued interest on convertible notes	575	1,469
Accretion of debt discounts and issuance costs	641	1,815
Loss on disposal/sale of property and equipment and impairment of capitalized proprietary software	175	—
Other adjustments	—	5
Changes in operating assets and liabilities:		
Accounts receivable, net	(602)	1,219
Inventory, net	(2,683)	(7,181)
Prepaid expenses and other current assets	(426)	1,769
Other assets	(779)	(106)
Operating lease liability	(3,655)	(3,983)
Accounts payable	2,030	(5,072)
Accrued consignor payable	(2,389)	(2,569)
Other accrued and current liabilities	(8,627)	(547)
Other noncurrent liabilities	(70)	257
Net cash used in operating activities	<u>(49,354)</u>	<u>(47,808)</u>
<b>Cash flow from investing activities:</b>		
Proceeds from maturities of short-term investments	—	4,000
Capitalized proprietary software development costs	(3,304)	(2,405)
Purchases of property and equipment	(5,143)	(5,925)
Net cash used in investing activities	<u>(8,447)</u>	<u>(4,330)</u>
<b>Cash flow from financing activities:</b>		
Proceeds from issuance of 2028 convertible senior notes, net of issuance costs	—	278,844
Purchase of capped calls in conjunction with the issuance of the 2028 convertible senior notes	—	(33,666)
Proceeds from exercise of stock options	637	3,973
Net cash provided by financing activities	<u>637</u>	<u>249,151</u>
Net increase (decrease) in cash and cash equivalents	<u>(57,164)</u>	<u>197,013</u>
<b>Cash and cash equivalents</b>		
Beginning of period	418,171	350,846
End of period	<u>\$ 361,007</u>	<u>\$ 547,859</u>

The following table reflects the reconciliation of net loss to Adjusted EBITDA for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2022	2021
<b>Adjusted EBITDA Reconciliation:</b>		
Net loss	\$ (57,412)	\$ (55,993)
Depreciation and amortization	6,364	5,435
Stock-based compensation	12,514	10,919
Payroll taxes expense on employee stock transactions	205	506
Legal settlement	304	288
Interest income	(98)	(87)
Interest expense	2,664	3,296
Other (income) expense, net	139	(17)
Provision for income taxes	—	28
<b>Adjusted EBITDA</b>	<b>\$ (35,320)</b>	<b>\$ (35,625)</b>

A reconciliation of GAAP net loss to non-GAAP net loss attributable to common stockholders, the most directly comparable GAAP financial measure, in order to calculate non-GAAP net loss attributable to common stockholders per share, basic and diluted, is as follows (in thousands, except share and per share data):

	Three Months Ended March 31,	
	2022	2021
Net loss	\$ (57,412)	\$ (55,993)
Stock-based compensation	12,514	10,919
Payroll tax expense on employee stock transactions	205	506
Legal settlement	304	288
Provision for income taxes	—	28
Non-GAAP net loss attributable to common stockholders	\$ (44,389)	\$ (44,252)
Weighted-average common shares outstanding used to calculate Non-GAAP net loss attributable to common stockholders per share, basic and diluted	93,476,106	90,044,082
Non-GAAP net loss attributable to common stockholders per share, basic and diluted	\$ (0.47)	\$ (0.49)

The following table presents a reconciliation of net cash used in operating activities to free cash flow for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2022	2021
Net cash used in operating activities	\$ (49,354)	\$ (47,808)
Purchase of property and equipment and capitalized proprietary software development costs	(8,447)	(8,330)
Free Cash Flow	\$ (57,801)	\$ (56,138)

Key Financial and Operating Metrics:

	March 31, 2020	June 30, 2020	September 30 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022
(in thousands, except for AOV and percentages)									
GMV	\$ 257,606	\$ 182,771	\$ 245,355	\$ 301,219	\$ 327,327	\$ 350,001	\$ 367,925	\$ 437,179	\$ 428,206
NMV	\$ 184,625	\$ 139,797	\$ 189,059	\$ 223,390	\$ 244,162	\$ 256,509	\$ 273,417	\$ 318,265	\$ 310,511
Consignment and Service Revenue	\$ 65,086	\$ 46,768	\$ 64,152	\$ 71,320	\$ 75,082	\$ 82,452	\$ 89,451	\$ 99,863	\$ 97,877
Direct Revenue	\$ 12,942	\$ 10,523	\$ 13,645	\$ 15,512	\$ 23,735	\$ 22,460	\$ 29,387	\$ 45,262	\$ 48,823
Number of Orders	574	438	550	671	690	673	757	861	878
Take Rate	36.2 %	36.0 %	35.4 %	35.7 %	34.3 %	34.5 %	34.9 %	35.0 %	35.7 %
Active Buyers	602	612	617	649	687	730	772	797	828
AOV	\$ 449	\$ 417	\$ 446	\$ 449	\$ 474	\$ 520	\$ 486	\$ 508	\$ 487
% of GMV from Repeat Buyers	84.4 %	82.3 %	82.9 %	82.4 %	83.6 %	84.5 %	84.1 %	83.8 %	85.0 %

# The RealReal

## The RealReal First Quarter 2022 Stockholder Letter

May 10, 2022

Dear Stockholders,

We are pleased to report better than anticipated financial results for the first quarter of 2022. Our solid top-line growth is notable given the COVID-related staff absences at our Authentication Centers early in the quarter, which negatively impacted the time for processing and launching products on our website. We have since fully recovered to prior staffing levels in our Authentication Centers, and the increased supply drove strong top-line results. Also, we delivered meaningful operating expense leverage on both fixed and variable costs. Therefore, during the quarter, we met or exceeded all three elements of the financial guidance we provided for first quarter results.

For the first quarter of 2022, we generated gross merchandise value (GMV) of \$428 million, a year-over-year increase of 31%. We experienced the highest GMV growth rates in women's apparel and women's shoes, contrary to some reported industry trends. GMV growth during the quarter was driven by a 27% increase in orders as well as a 3% year-over-year increase in average order value (AOV). While GMV from repeat buyers was 85% (compared to 84% in the first quarter of 2021), total active buyers reached 828,000, increasing 21% year-over-year. The elevated repeat rate helps us to drive down our Buyer Acquisition Cost over time.

Total revenue in the first quarter of 2022 was up 48% year-over-year to \$147 million. Direct revenue contributed more to overall growth due to higher than expected sell-through of company-owned inventory. During the first quarter of 2022, our Adjusted EBITDA was \$(35.3) million, or (24)% of revenue, compared to \$(35.6) million, or (36)% of revenue in the first quarter of 2021.

We ended the first quarter of 2022 with \$361 million of cash on hand. At the end of the first quarter of 2022, our company-owned inventory totaled \$73.7 million, derived from three main sources: company purchases of vendor inventory, out-of-policy returned items, and "get paid now" inventory (consignor goods that are bought up front). We intend to limit the amount of company-owned inventory in the future, focusing more on our consigned business model.

During the first quarter of 2022, we hosted an Investor Day at our Authentication Center in Phoenix, Arizona. The day was a great success, enabling us to showcase our technology innovations in operations and detail our long-range financial targets in Vision 2025. During the management presentation, virtual and in-person Investor Day attendees heard from The RealReal management team as we explained our proprietary machine learning (ML) and artificial intelligence (AI) models that assist our authenticators in predicting item authenticity — which we believe improves efficiency, efficacy and unit economics. We also discussed during Investor Day our proprietary pricing algorithms, which help us to increase average selling prices (ASPs) on like-for-like items. We were pleased with the Investor Day and recommend that you visit our Investor Relations website to watch a replay of the event (available at [investor.therealreal.com/news-events/events](https://investor.therealreal.com/news-events/events)).

Based on market conditions as of May 10, 2022, we are providing guidance for second quarter of 2022 GMV, total revenue and Adjusted EBITDA, which is a non-GAAP financial measure. Additionally, we are pleased to confirm our full year 2022 guidance (restated below for convenience):

	<b>Q2 2022</b>	<b>Full Year 2022</b>
<b>GMV</b>	\$450 - \$470 million	\$2,000 - \$2,100 million
<b>Total Revenue</b>	\$150 - \$160 million	\$635 - \$665 million
<b>Adjusted EBITDA</b>	\$(33) - \$(29) million	\$(100) - \$(80) million

Notably, we continue to project that The RealReal will be profitable on a full year Adjusted EBITDA basis in 2024 and we are on track to attain our Vision 2025 targets. These targets and projections rely on a number of assumptions, including (1) continued top-line growth of at least 30 percent, (2) operational excellence with improved variable cost productivity, and (3) a disciplined approach to fixed cost management. We note that The RealReal delivered on all three of these elements in our first quarter 2022 results.

Despite the uncertainty surrounding recent geopolitical events and macroeconomic trends, we continue to see strong demand in our business. As inflation has ramped and prices have increased in the primary (i.e. new goods) luxury market, we believe The RealReal is a demonstrated value option offering unique and highly-coveted products within the luxury goods space. We believe we are positioned for a strong 2022 and to achieve our Vision 2025 targets due to multiple factors including the following: (1) a large total addressable market propelled by consumer demand for sustainability; (2) our position as the leader in a nascent industry; and (3) our deep competitive moat as a full-service, technology-driven marketplace with more than 27 million highly engaged members. We believe these factors, many of which differentiate us from our peers, provide a long runway for profitable growth at The RealReal.

### **Executive Summary & Key Takeaways**

- **Results for First Quarter of 2022 Better Than Anticipated:** Today, we reported strong financial results for the first quarter of 2022. We are encouraged by the solid top-line growth despite COVID-related operational disruptions early in the first quarter, and pleased with the operating expense leverage on both fixed and variable costs.
- **Completed a Successful Investor Day:** During the first quarter, we hosted our Investor Day at our Authentication Center in Phoenix. During the event we demonstrated and explained our expanded use of technology in operations, including in authentication and dynamic pricing, and detailed our long-range financial targets for Vision 2025.
- **Guidance for Second Quarter of 2022:** Today, we confirmed our full-year 2022 guidance and provided forward-looking financial guidance for the second quarter of 2022, evidencing a strong outlook for the balance of 2022.
- **Timeline to Profitability and Vision 2025 Targets:** We believe we are on track to achieve Adjusted EBITDA profitability on a full year basis in 2024 and our Vision 2025 targets. To accomplish these goals, we expect to continue to grow revenue, improve our variable cost structure, and control our fixed costs.

### **Environment, Social and Governance (ESG) Update**

ESG plays a critical role in our business and our culture at The RealReal. As a result, we continue to enhance our internal processes and external reporting with oversight from our Board of Directors in this crucial area.

On the sustainability front, we are proud of our broader social impact through our mission to extend the life of luxury and create a more sustainable future. In addition to being a thought leader and advocate, we are proud to enable the circular economy. We firmly believe that The RealReal can deliver on our commitment to be a responsible steward to the environment, to our employees and to our communities. We are proactively educating consumers about how they can reduce their environmental footprint by participating in the circular economy and measure the positive impact that the recirculation of luxury goods has on the environment. Additionally, since our last stockholder letter, the Sustainability Task Force presented to the Corporate Governance and Nominating Committee of the Board of Directors at The RealReal.

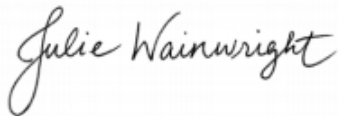
We encourage you to learn more about our ESG efforts by visiting the Social Impact section of our Investor Relations site at [investor.therealreal.com/social-impact](https://investor.therealreal.com/social-impact) and our diversity and inclusion website at [therealreal.com/trr/diversity](https://therealreal.com/trr/diversity).

In closing, we want to thank our entire team at The RealReal for their hard work in delivering a strong start to 2022. We look forward to continuing on our path of growth and progress toward profitability throughout the balance of 2022.

Importantly, we want to thank our more than 27 million members as they join us on our mission to extend the life of luxury and make fashion more sustainable.

Sincerely,

Julie Wainwright

A handwritten signature in black ink that reads "Julie Wainwright". The signature is written in a cursive, flowing style.

Robert Julian

A handwritten signature in black ink that reads "Robert Julian". The signature is written in a cursive, flowing style.

# The RealReal

## **Forward Looking Statements**

This stockholder letter contains forward-looking statements relating to, among other things, the future performance of The RealReal that are based on the company's current expectations, forecasts and assumptions and involve risks and uncertainties. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "intend," "potential," "continue," "ongoing" or the negative of these terms or other comparable terminology. These statements include, but are not limited to, statements about future operating and financial results, including our strategies, plans, commitments, objectives and goals, in particular in the context of the impacts of recent geopolitical events and uncertainty surrounding macro-economic trends, inflation and the COVID-19 pandemic, and our financial guidance, timeline to profitability, 2025 vision and long-range financial targets and projections. Actual results could differ materially from those predicted or implied and reported results should not be considered as an indication of future performance. Other factors that could cause or contribute to such differences include, but are not limited to, the impact of the COVID-19 pandemic on our operations and our business environment, any failure to generate a supply of consigned goods, pricing pressure on the consignment market resulting from discounting in the market for new goods, failure to efficiently and effectively operate our merchandising and fulfillment operations, labor shortages and other reasons.

More information about factors that could affect the company's operating results is included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the company's most recent Annual Report on Form 10-K for the year ended December 31, 2021 and subsequent Quarterly Reports on Form 10-Q, copies of which may be obtained by visiting the company's Investor Relations website at <https://investor.therealreal.com> or the SEC's website at [www.sec.gov](http://www.sec.gov). Undue reliance should not be placed on the forward-looking statements in this press release, which are based on information available to the company on the date hereof. The company assumes no obligation to update such statements.

## **Non-GAAP Financial Measures**

To supplement our unaudited and condensed financial statements presented in accordance with generally accepted accounting principles ("GAAP"), this stockholder letter and the accompanying tables and the related earnings conference call contain certain non-GAAP financial measures, including Adjusted EBITDA, Adjusted EBITDA as a percentage of total net revenue ("Adjusted EBITDA Margin"), free cash flow, non-GAAP net loss attributable to common stockholders, non-GAAP net loss per share attributable to common stockholders, basic and diluted. We have provided a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures in this earnings release.

We do not, nor do we suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors should also note that non-GAAP financial measures we use may not be the same non-GAAP financial measures, and may not be calculated in the same manner, as that of other companies, including other companies in our industry.

**Adjusted EBITDA** is a key performance measure that our management uses to assess our operating performance. Because Adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we use this measure as an overall assessment of our performance, to evaluate the effectiveness of our business strategies and for business planning purposes. Adjusted EBITDA may not be comparable to similarly titled metrics of other companies.

We calculate **Adjusted EBITDA** as net loss before interest income, interest expense, other (income) expense net, provision (benefit) for income taxes, depreciation and amortization, further adjusted to exclude stock-based compensation, employer payroll tax on employee stock transactions, and certain one-time expenses. The employer payroll tax expense related to employee stock transactions are tied to the vesting or exercise of underlying equity awards and the price of our common stock at the time of vesting, which may vary from period to period independent



of the operating performance of our business. Adjusted EBITDA has certain limitations as the measure excludes the impact of certain expenses that are included in our statements of operations that are necessary to run our business and should not be considered as an alternative to net loss or any other measure of financial performance calculated and presented in accordance with GAAP.

In particular, the exclusion of certain expenses in calculating Adjusted EBITDA and Adjusted EBITDA Margin facilitates operating performance comparisons on a period-to-period basis and, in the case of exclusion of the impact of stock-based compensation and the related employer payroll tax on employee stock transactions, excludes an item that we do not consider to be indicative of our core operating performance. Investors should, however, understand that stock-based compensation and the related employer payroll tax will be a significant recurring expense in our business and an important part of the compensation provided to our employees. Accordingly, we believe that Adjusted EBITDA and Adjusted EBITDA Margin provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

The following table reflects the reconciliation of net loss to Adjusted EBITDA and Adjusted EBITDA as a percentage of total revenue for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2022	2021
Total revenue	\$ 146,700	\$ 98,817
<b>Adjusted EBITDA Reconciliation:</b>		
Net loss	\$ (57,412)	\$ (55,993)
Depreciation and amortization	6,364	5,435
Stock-based compensation	12,514	10,919
Payroll taxes expense on employee stock transactions	205	506
Legal settlement	304	288
Interest income	(98)	(87)
Interest expense	2,664	3,296
Other (income) expense, net	139	(17)
Provision for income taxes	—	28
<b>Adjusted EBITDA</b>	<b>\$ (35,320)</b>	<b>\$ (35,625)</b>
Adjusted EBITDA (% of revenue)	(24.1)%	(36.1)%