

# The RealReal

## INVESTOR PRESENTATION

August 2019



# Safe Harbor

This presentation and the accompanying oral presentation contain forward-looking statements. These statements may relate to, but are not limited to, expectations of future results of operations or financial performance of The RealReal, certain of our key financial and operating metrics, capital expenditures, plans for growth and future operations, and technological capabilities, as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. 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,” “would,” “continue,” “ongoing” or the negative of these terms or other comparable terminology. You should not put undue reliance on any forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved, if at all.

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# The RealReal

## 2Q Highlights

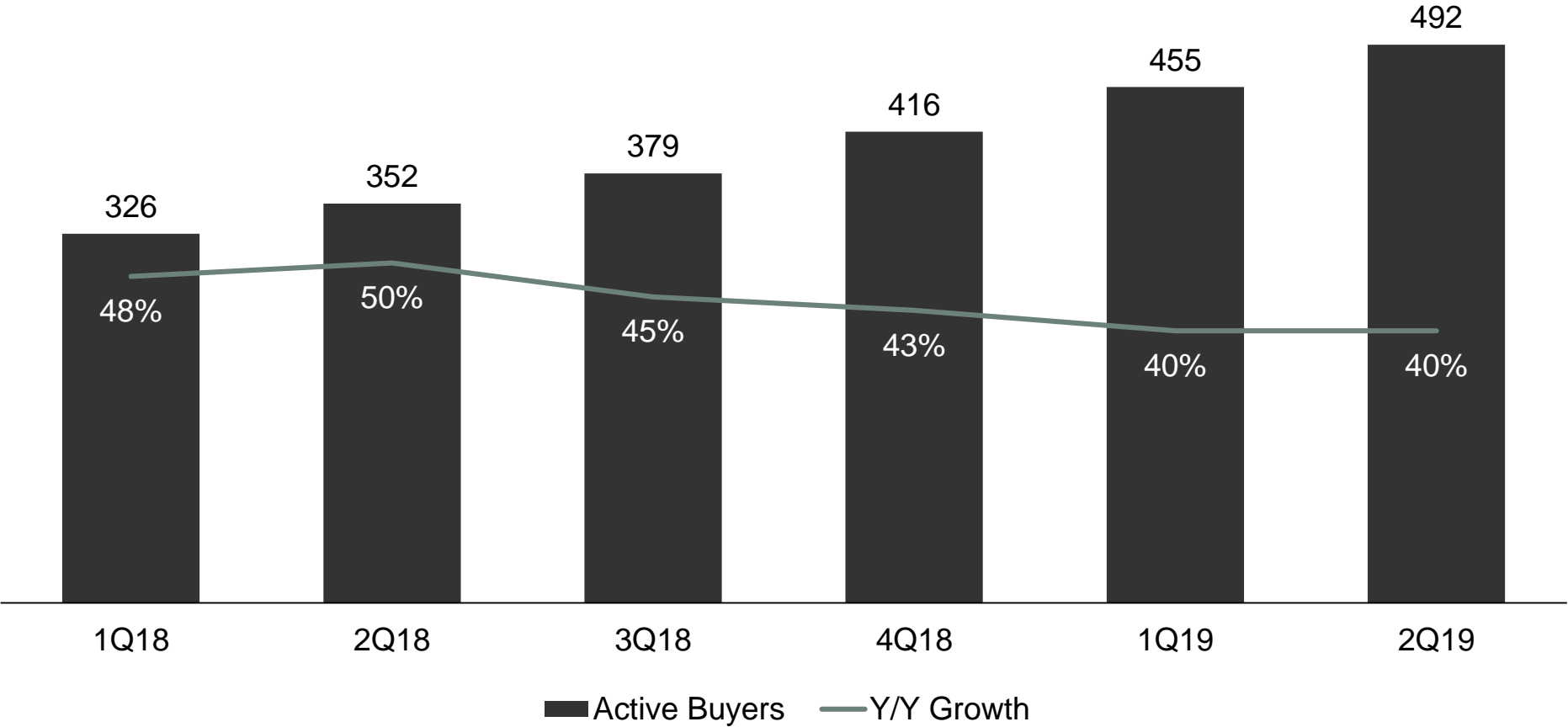


## 2Q Highlights

- 2Q Revenue of \$71.0 million, +51% Y/Y
- 51% Y/Y revenue growth with 330bps Y/Y marketing leverage
- 2Q GMV of \$228.5 million, +40% Y/Y
- Automation increasing; Exited 2Q automating pricing for 52% of units
- Launched Perth Amboy, which doubles our fulfillment capacity
- Opened third store in NYC
- IPO raised ~\$321 million in net proceeds; fully funds current business

# Active Buyer Growth Remains Healthy

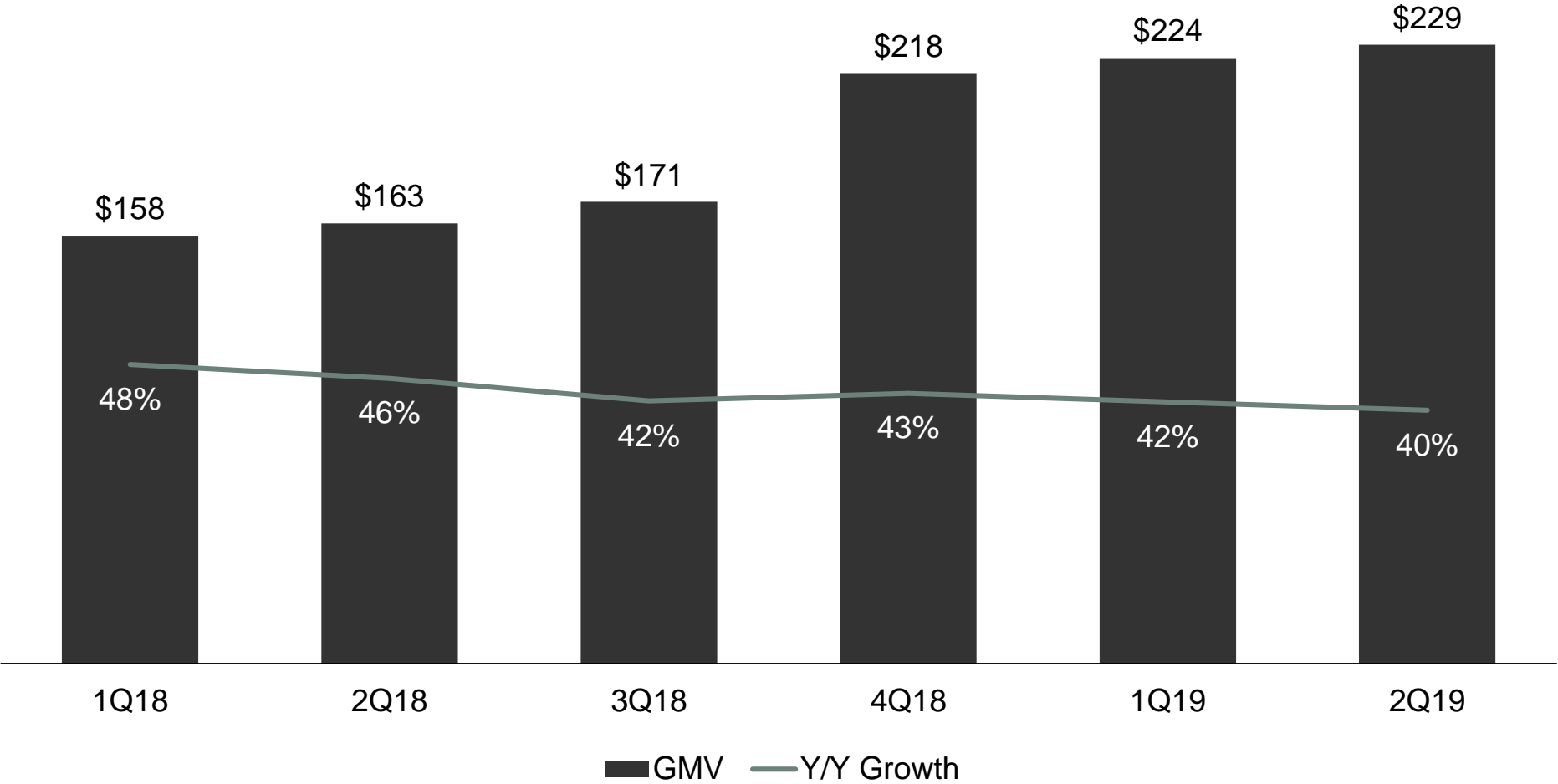
(in thousands)



Added 37K active buyers in 2Q with TV the largest source of active buyers

# Strong GMV Growth

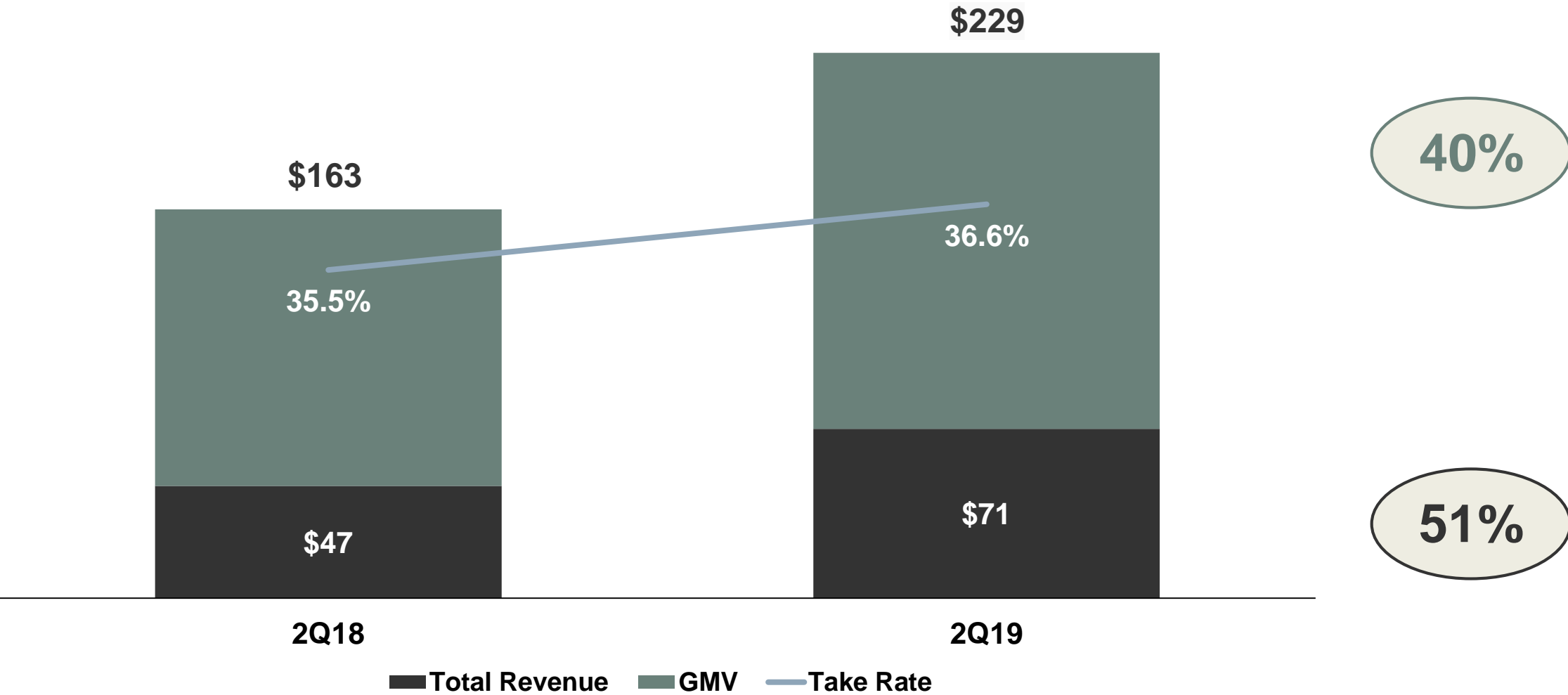
(\$MM)



Growth has remained consistent for the last 6 quarters at ~40% y/y

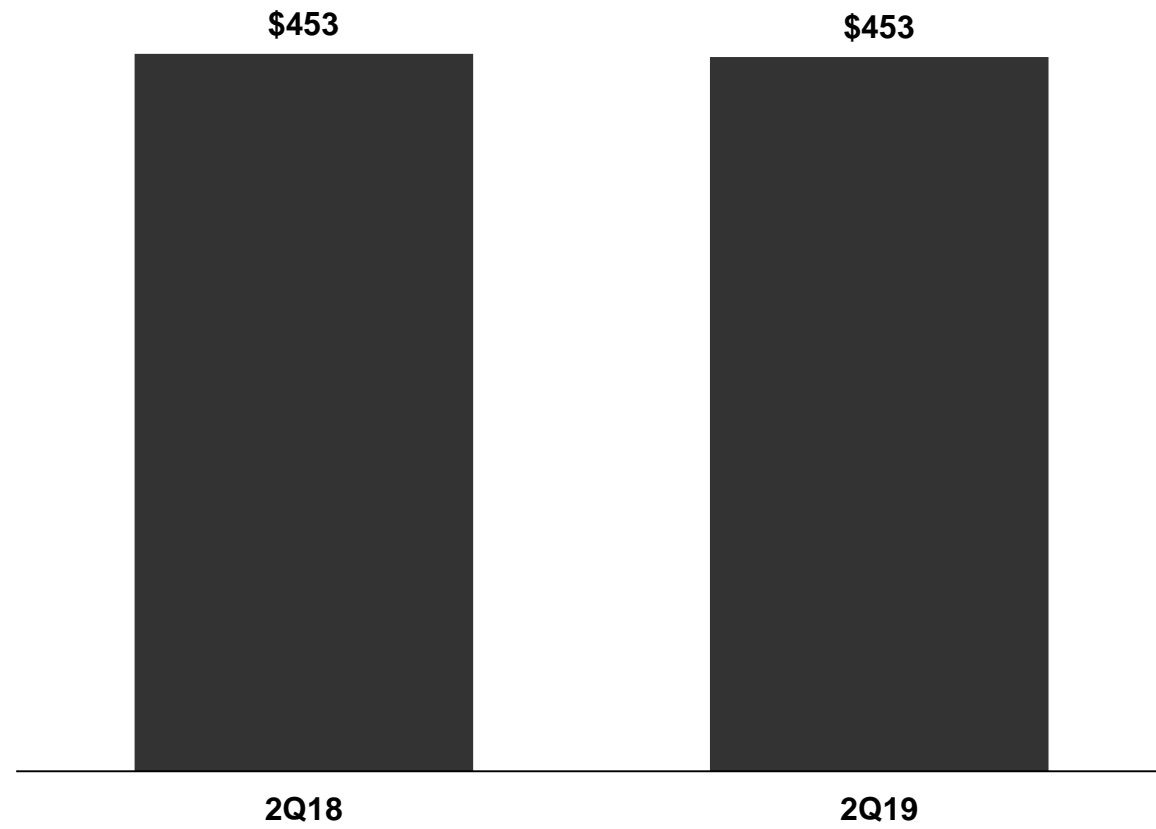
# Increasing Take Rate Drove 51% Revenue Growth vs. 40% GMV Growth

(\$ in millions)



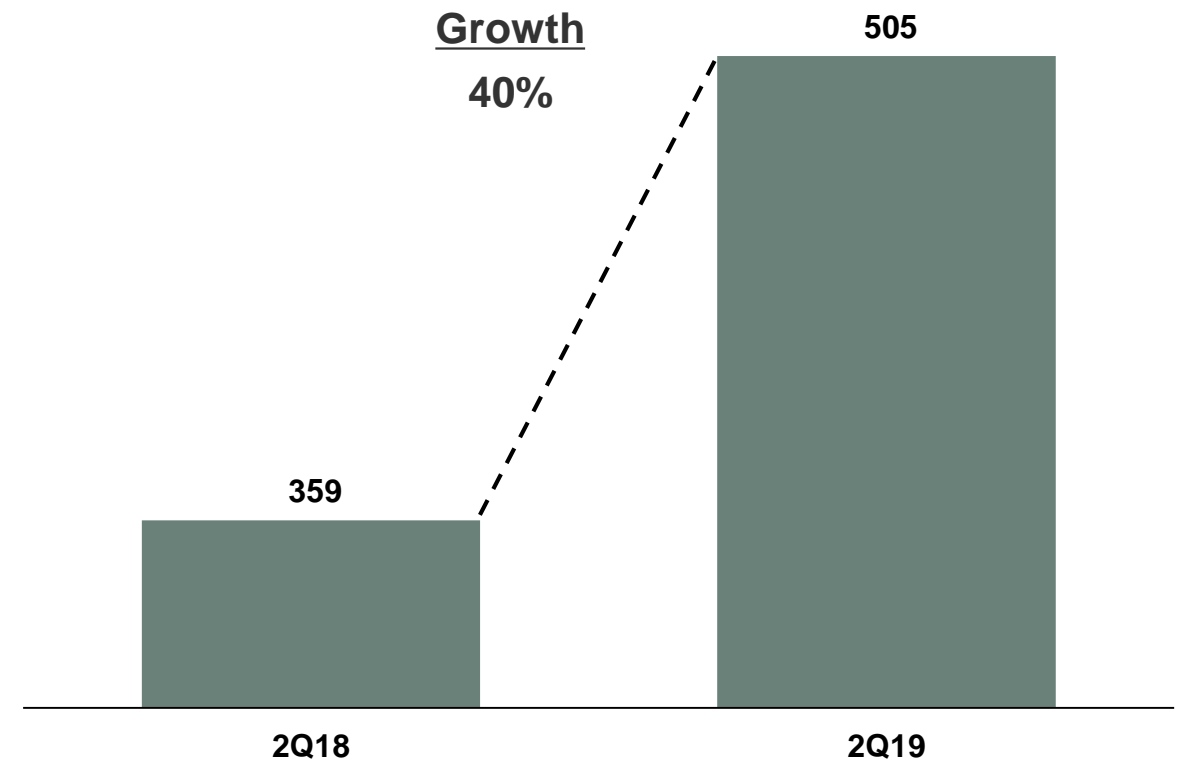
# Driving GMV Growth

Average order value (AOV)



Number of orders

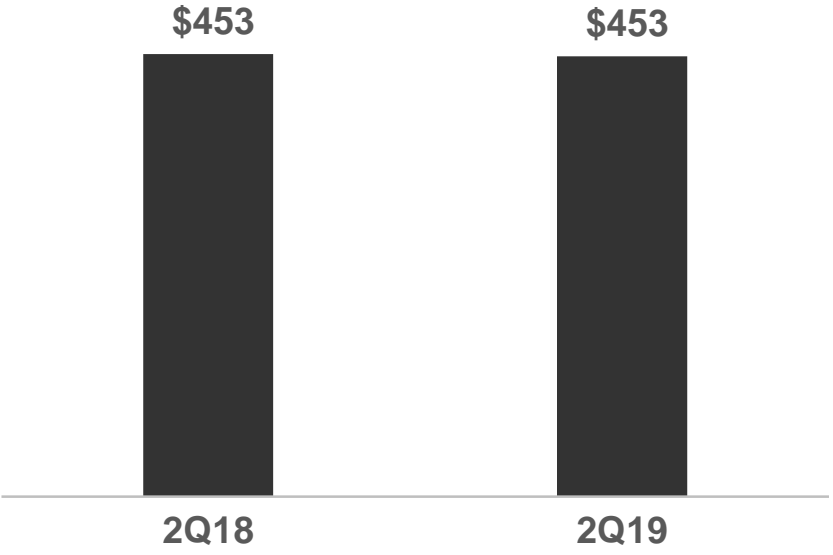
(in thousands)





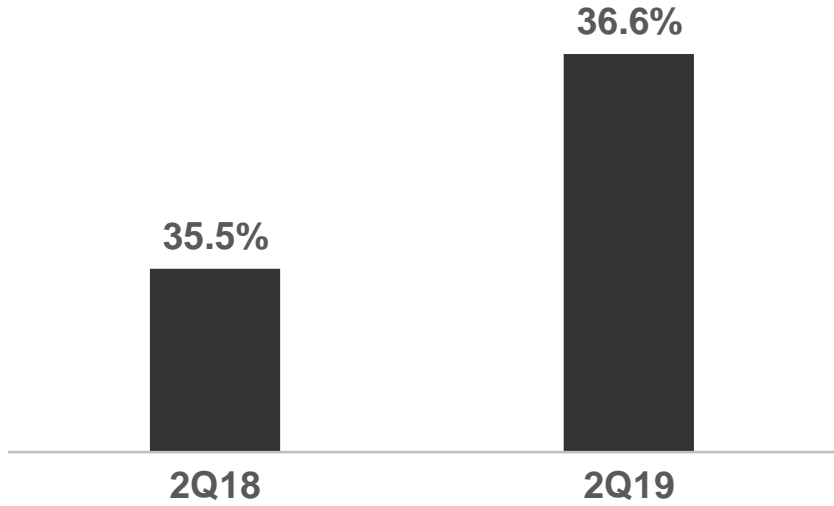
# Top Line Leverage

## Leverage drivers



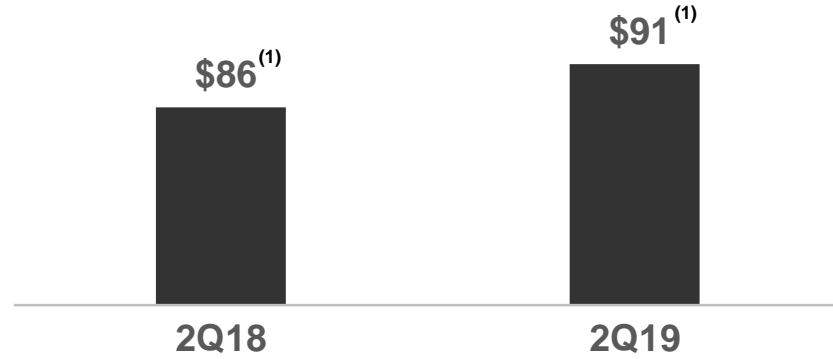
**AOV**

AOV was flat y/y with higher items per order offset by lower average selling prices; 1H AOV was up \$2 y/y



**Take Rate**

Increase driven by Take Rate changes implemented in February



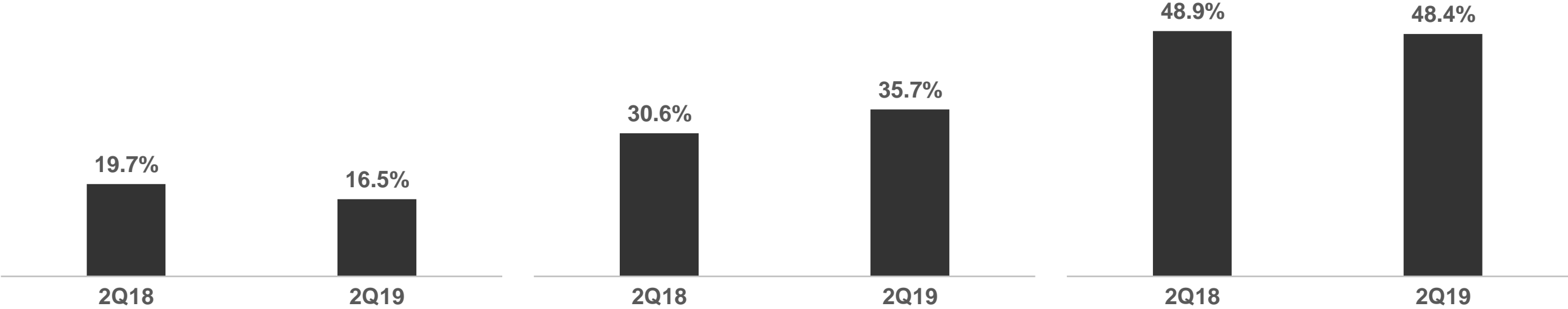
**Gross Profit Per Order**

Increase driven by higher Take Rates and direct gross margins (product margins)

(1) Calculated by dividing Gross Profit by the number of orders for the applicable quarter.

# Operating Leverage Controls

## Operating Expenses (% of Revenue)



**Marketing**  
 Healthy retention trends and declining y/y BAC

**SG&A**  
 Investments in public company costs and headcount

**Ops & Tech**  
 Leverage driven by automation despite incurring expenses in 2Q19 that we did not incur in 2Q18 (Perth Amboy, Weho, etc.)

Note: BAC for a given period is comprised of our total advertising spend divided by the number of buyers acquired in that period.

## 3Q and Full Year 2019 Outlook

- We expect Q3 GMV of \$233 million to \$239 million
- We expect Q3 EBITDA margin loss percent in the range of 28% to 30%
- We expect 2019 GMV of \$974 million to \$988 million
- We expect 2019 EBITDA margin loss percent in the range of 24% to 25%

# Investment Highlights



Largest Online Marketplace for Authenticated, Consigned Luxury Goods

Large and Attractive TAM

Superior Marketplace Due to Service, Trust, Technology and Data

Powerful Financial Model

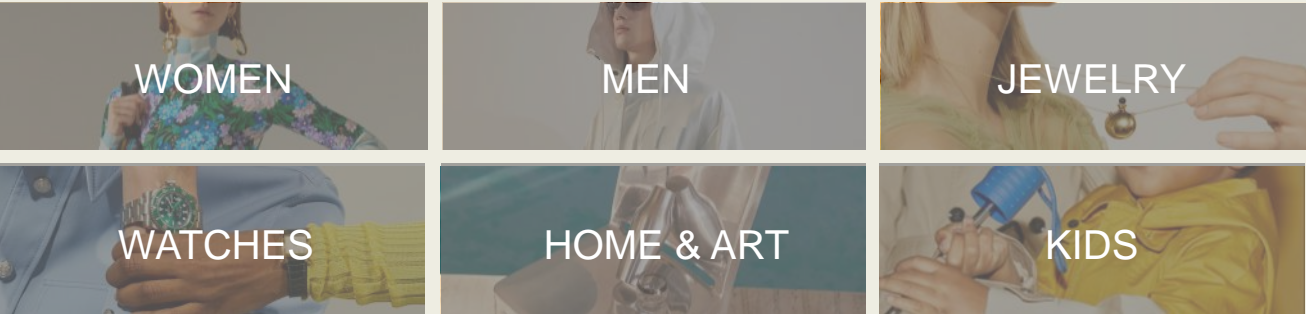
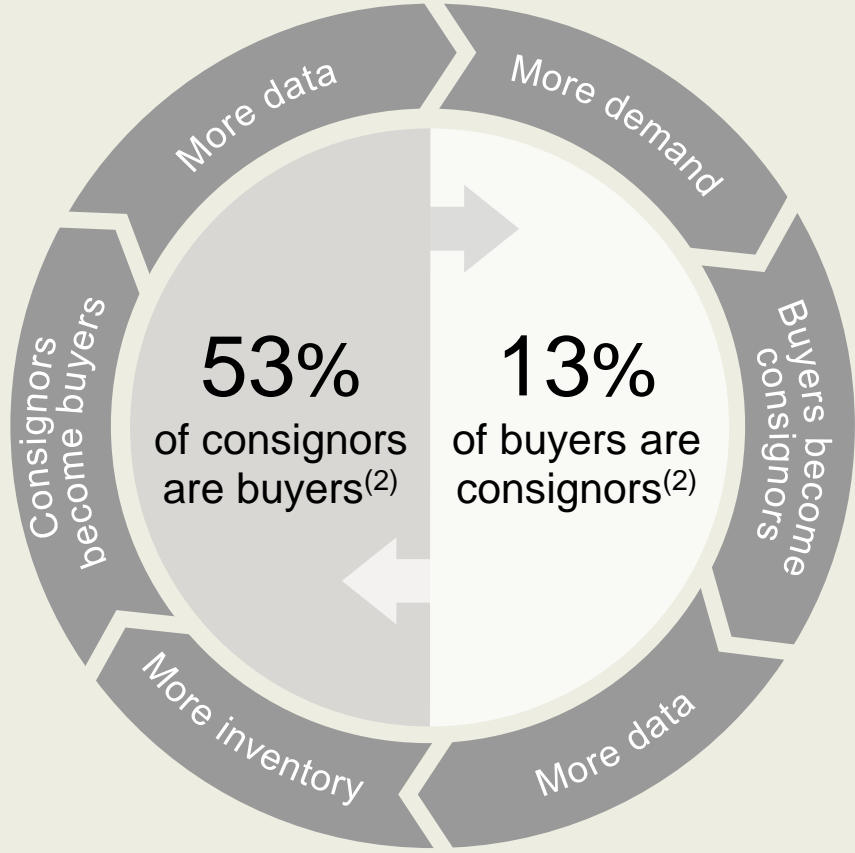
# Largest Online Marketplace for Authenticated, Consigned Luxury Goods with Powerful Flywheel Accelerating Growth

**\$711 million**  
GMV<sup>(1)</sup>

**\$207 million**  
Total Revenue<sup>(1)</sup>

**2.6 million**  
New items added<sup>(1)</sup>

**\$453**  
AOV<sup>(2)</sup>



**80%**  
of 2018 GMV from repeat consignors

**82%**  
of 2018 GMV from repeat buyers

Note: Average Order Value (AOV).  
(1) Represents 2018 result.  
(2) As of June 30, 2019.

# Luxury Market is Enormous and Propelled by Strong Tailwinds

**\$294 billion**

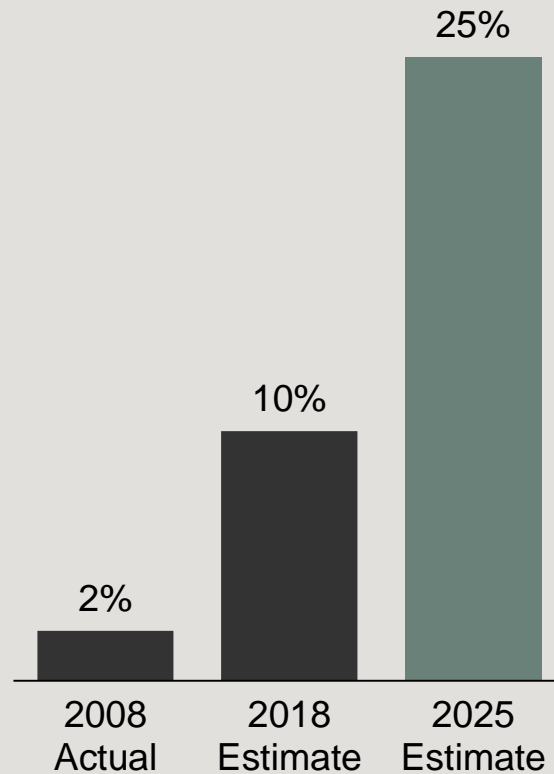
2018 Estimate  
global personal  
luxury goods market

> 6% '96 –'18  
Estimate CAGR

> Resilient to  
economic cycles

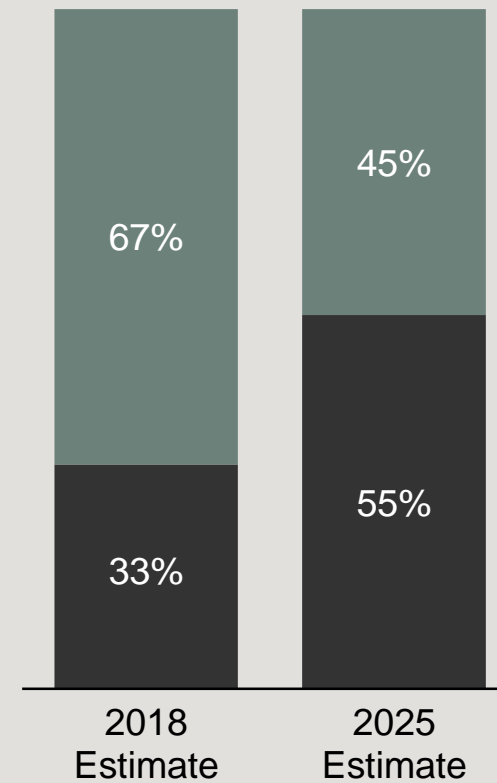


Luxury retail is  
shifting online<sup>(1)</sup>



Younger generations are  
driving growth<sup>(2)</sup>

■ Gen Z & Millennials ■ All other



Focus on  
sustainability

**56%**

of our overall consignor base  
cite environmental impact or  
extending the lifecycle of luxury  
as key motivators for  
consigning<sup>(3)</sup>

Note: EUR converted to USD at an exchange rate of USD1.12991 / EUR as of the date of the release of the Bain & Company study on November 15, 2018.

(1) Global online personal luxury goods market share according to Bain & Company, Inc., Luxury Goods Worldwide Market Study, December 2018.

(2) Global personal luxury goods market size according to Bain & Company, Inc., Luxury Goods Worldwide Market Study, December 2018.

(3) According to The RealReal customer survey results.

# Our TAM is Large and Attractive



# The Real Real

**\$198 billion**

US luxury goods available for resale

**5.3 years**

Average time consumers keep luxury products

**~\$37 billion**

Annual new supply of US luxury goods for resale

Source: Frost & Sullivan Total Addressable Market assessment for the Luxury Resale Market.

# We Offer a Superior Marketplace for Consignors and Buyers

Consignor

Buyer

END-TO-END SERVICE

TRUST

Rapid sales velocity

Curated, exclusive selection

Optimal pricing

Value

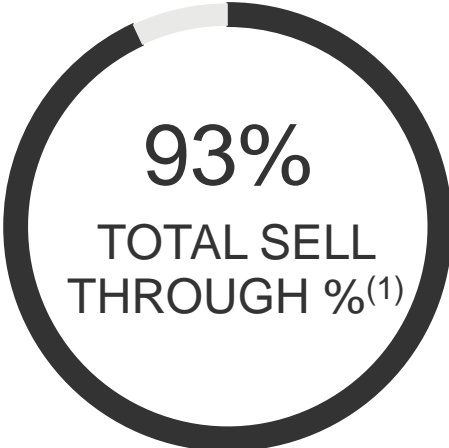
High commissions

Luxury service



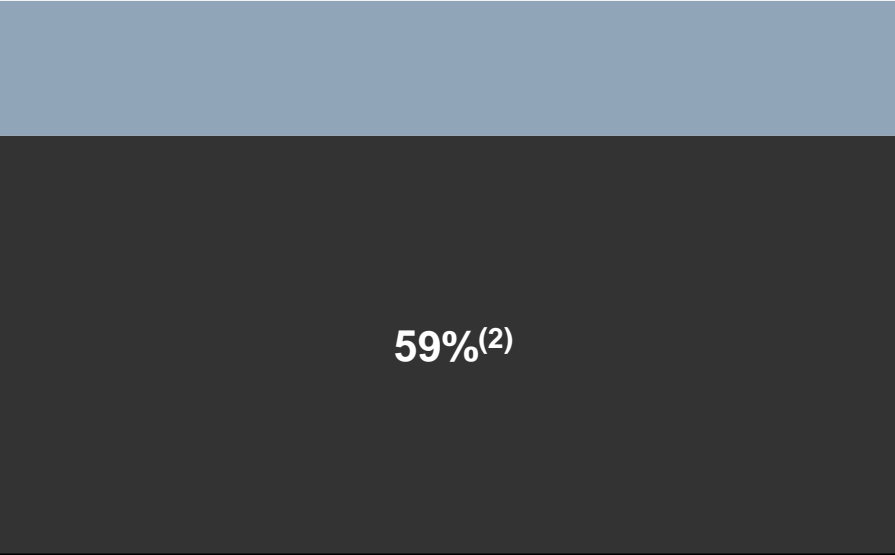
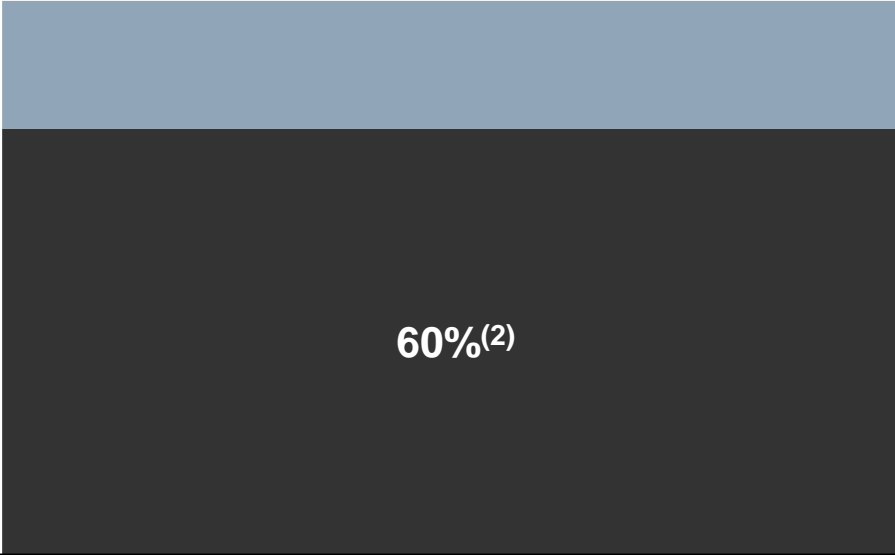


# Supply Drives the Business and Essentially Everything Sells



78%<sup>(2)</sup>

78%<sup>(2)</sup>



2017

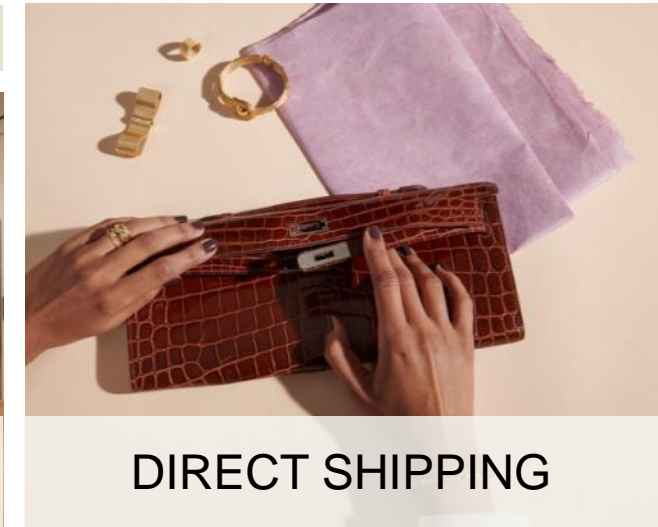
2018

■ < 30 days ■ 30-90 days

(1) Represents ratio of GMV to initial supply value for the specified year.  
 (2) Represents unit sell through rate for the specified period.

# End-to-end Service Model Activates Supply

## WHITE GLOVE



**180+**  
Luxury managers<sup>(1)</sup>

**40+**  
Markets<sup>(1)</sup>

**11**  
Luxury  
consignment  
offices<sup>(2)</sup>

**3**  
Retail stores in  
NYC (SoHo and  
Madison Ave)  
and LA<sup>(2)</sup>

Free shipping label  
Virtual consultations

(1) As of December 31, 2018.

(2) As of June 6, 2019.

# Trust: An Expert Behind Every Item on Our Marketplace

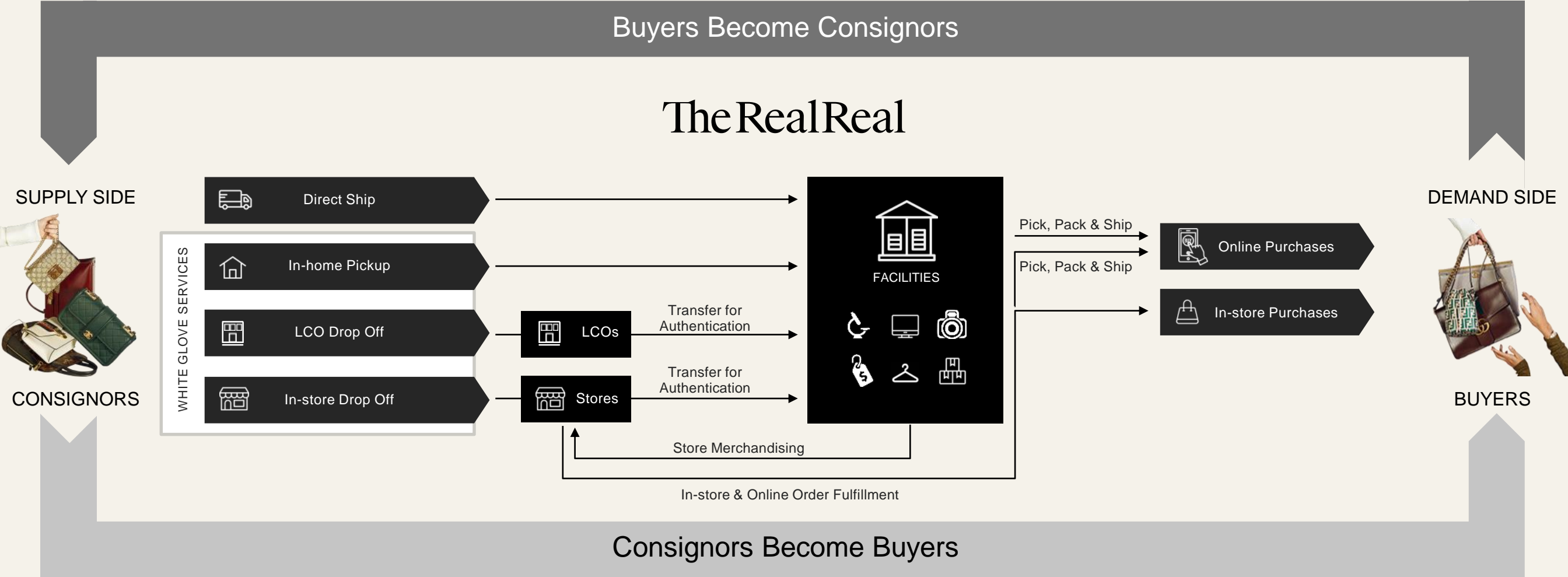
100+

Highly trained brand authenticators, gemologists, horologists and art curators



Note: As of December 31, 2018.

# Our Single-SKU Inventory Management is Both Unique and Very Complex



X  
up to 14,000 unique SKUs processed per day

Note: Luxury Consignment Office (LCO).

# Massive Proprietary Data Asset and Analytics Capabilities



Drives upfront curation

Incentivizes sales team

Educates consignors

Optimizes velocity / pricing

Improves personalization

Increases operational efficiency

9.4 million  
Cumulative item sales<sup>(1)</sup>

400 million  
Item views<sup>(2)</sup>

(1) As of March 31, 2019.  
(2) Represents 2018 result.

# Proprietary Data, Technology, Processes and Algorithms to Efficiently Scale

Up to 14,000 unique SKUs processed a day in 2018

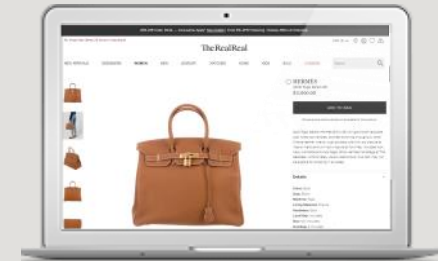
Increasingly automated inbound operations

Real-time single view of consignors, buyers and products across all demand points

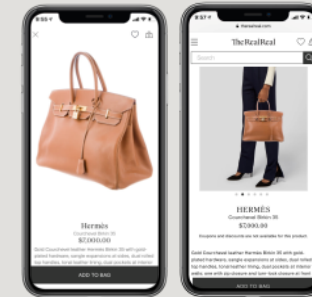


Hermès  
Togo Birkin 30  
\$7,700.00  
Color: Gold  
Size: 45cm  
Material: Togo  
Hardware: Gold  
Lock/Key: Include  
Box: Included

Handle Drop: 5.5"  
Height: 10.5"  
Width: 14"  
Depth: 7.5"



WEBSITE



MOBILE

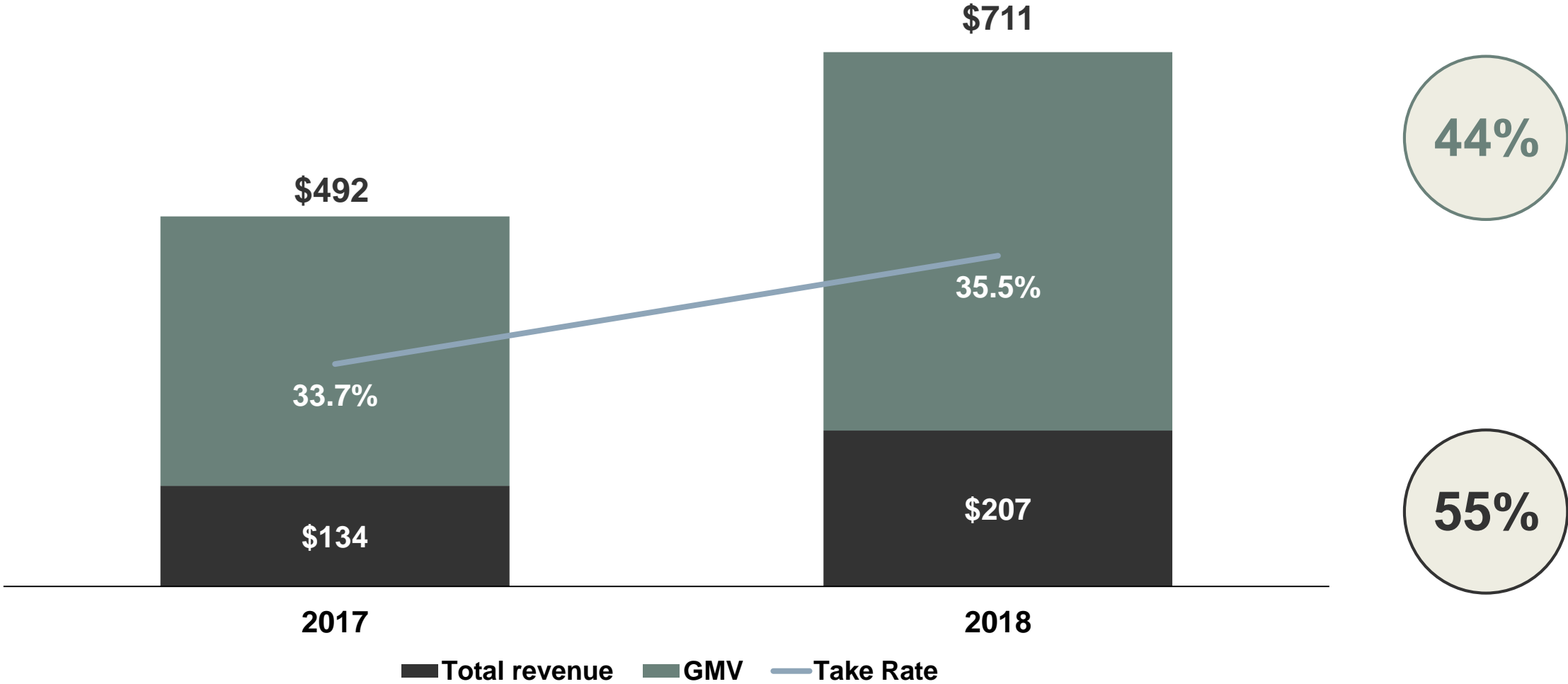


RETAIL STORES

# Strong Top Line Growth

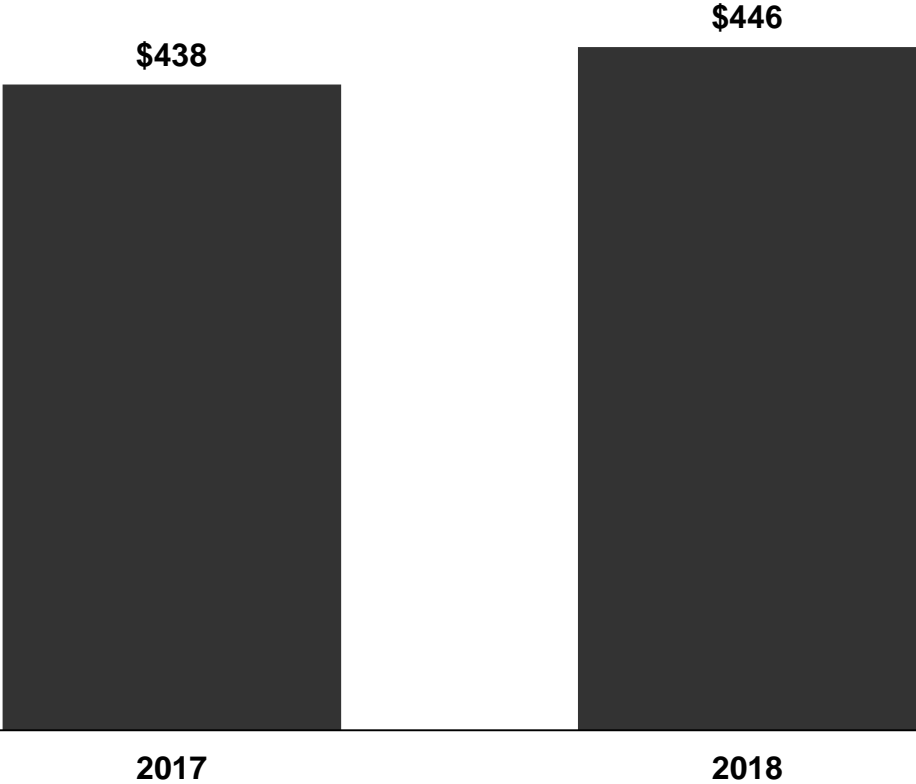
(\$ in millions)

2018 GROWTH



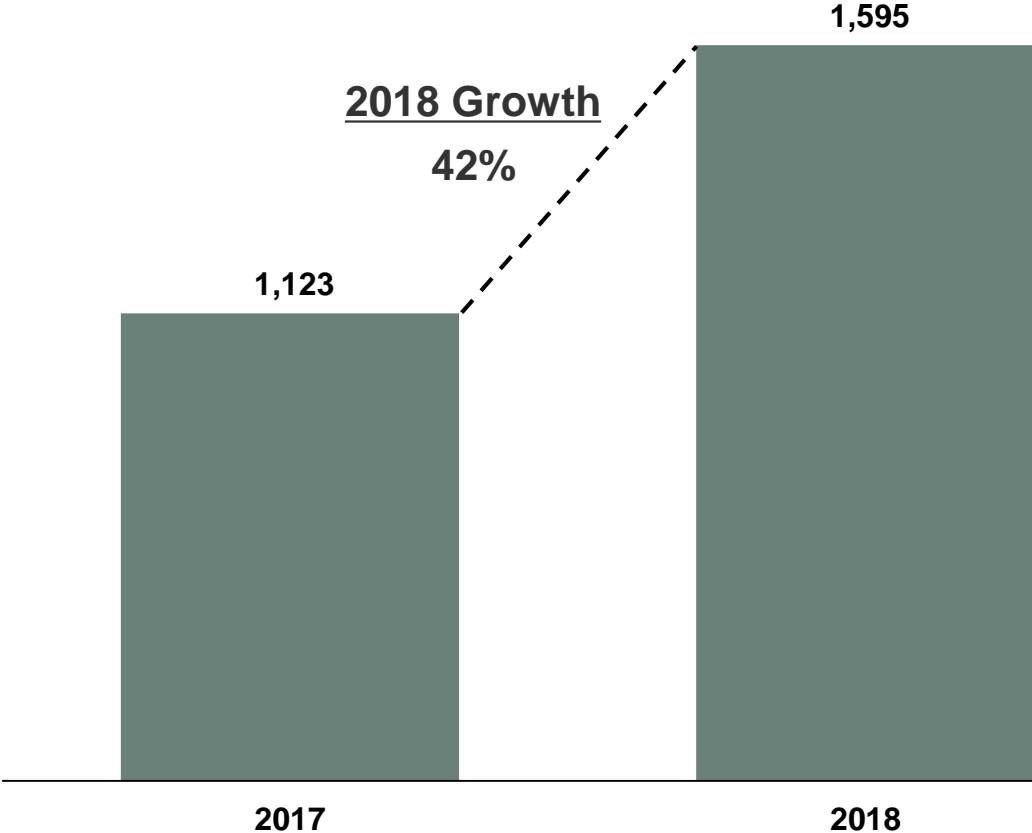
# Driving GMV Growth

Average order value (AOV)



Number of orders

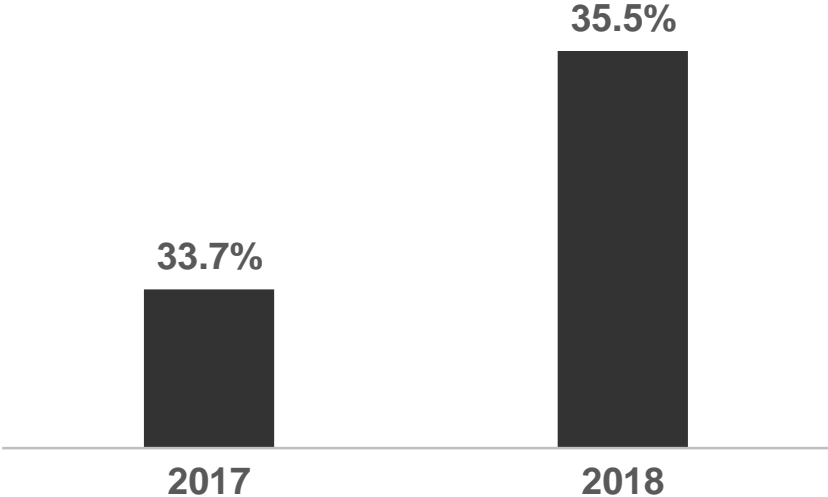
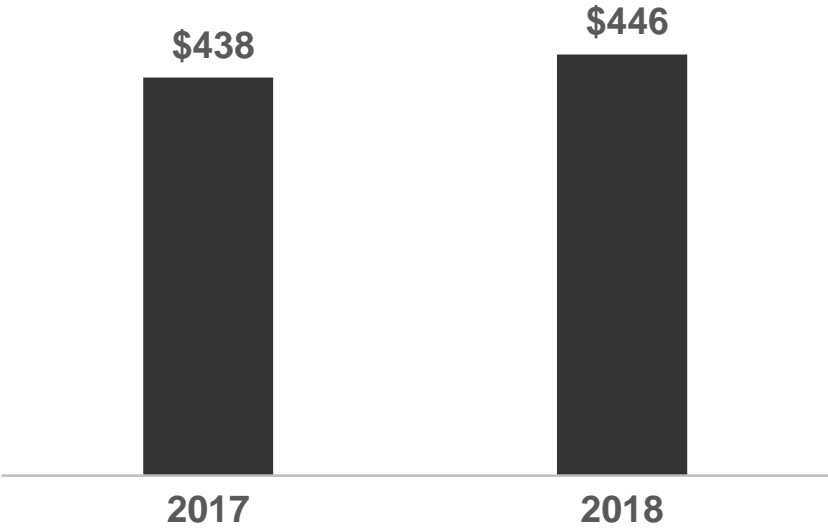
(Thousands)





# Top Line Leverage

## Leverage drivers



**AOV**  
Driven by higher average price of items sold and greater number of items per order

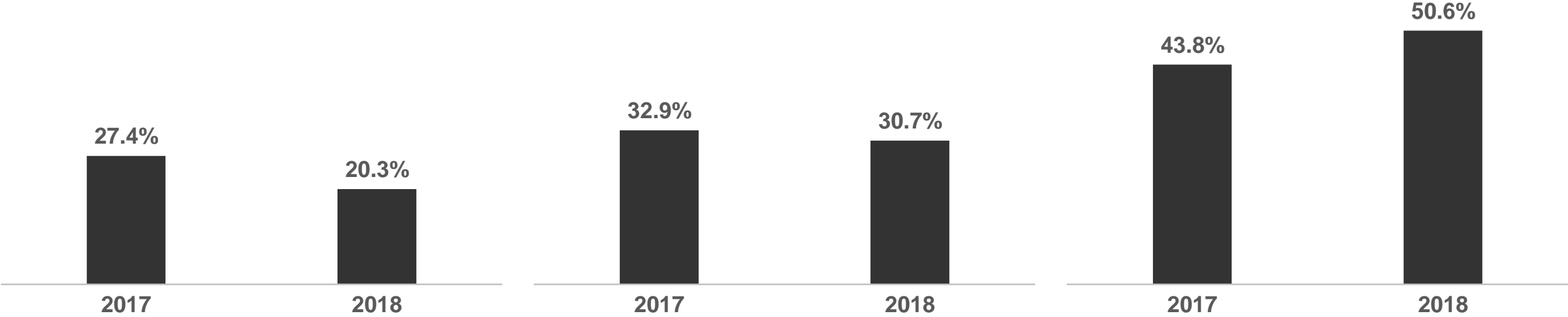
**Take Rate**  
Driven by Take Rate changes

**Gross Profit Per Order**  
Increases primarily due to improvements in AOV, Take Rate and shipping rates

(1) Calculated by dividing Gross Profit by the number of orders for the applicable year.

# Operating Leverage Controls

## Operating Expenses (% of Revenue)



**Marketing**  
Leverage driven by healthy retention trends and declining BAC

**SG&A**  
Leverage driven by scale despite investments in our sales team and public company expenses

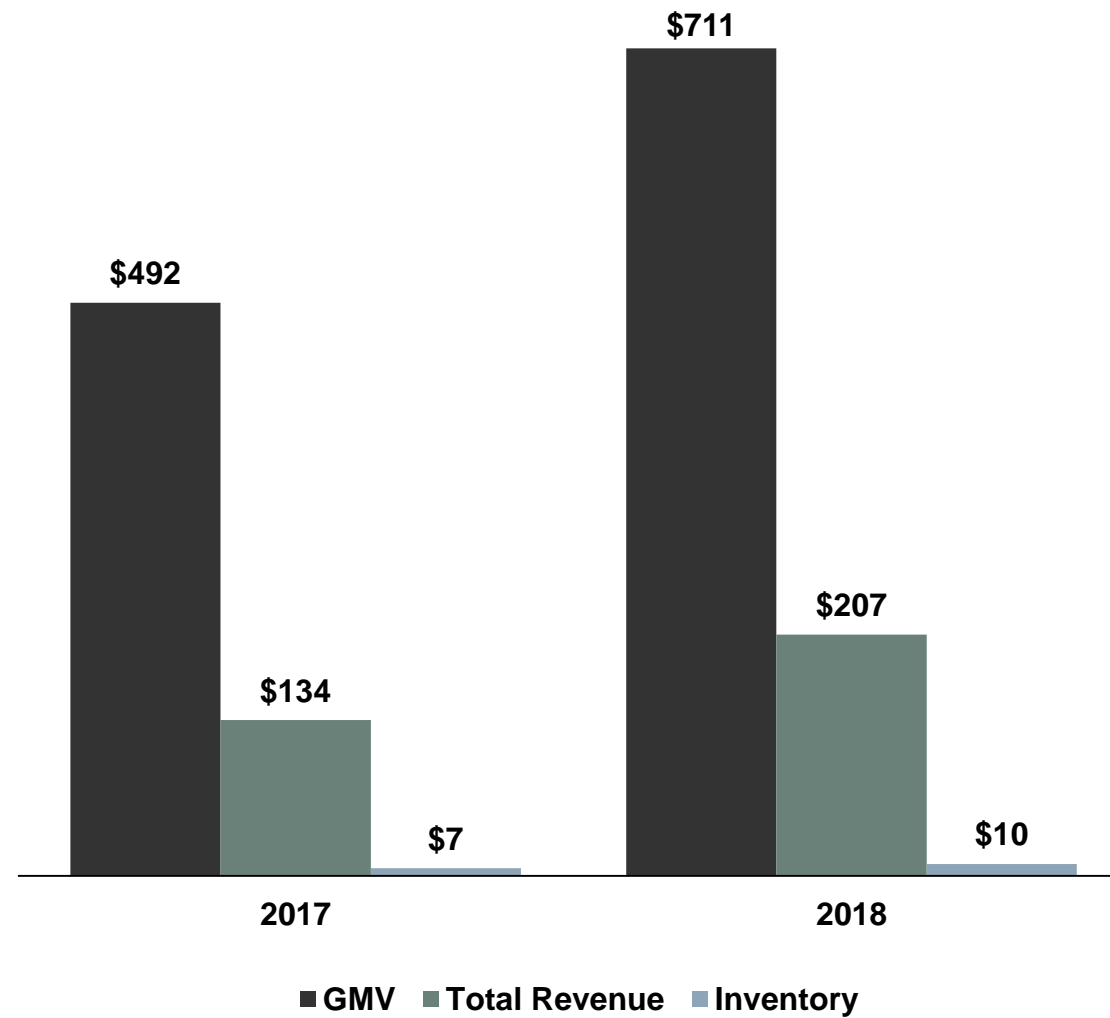
**Ops & Tech**  
Recent investments in technology, new fulfillment capacity, retail stores, and merchandising operations

Note: BAC for a given period is comprised of our total advertising spend divided by the number of buyers acquired in that period.

# Capital Efficient Marketplace Model

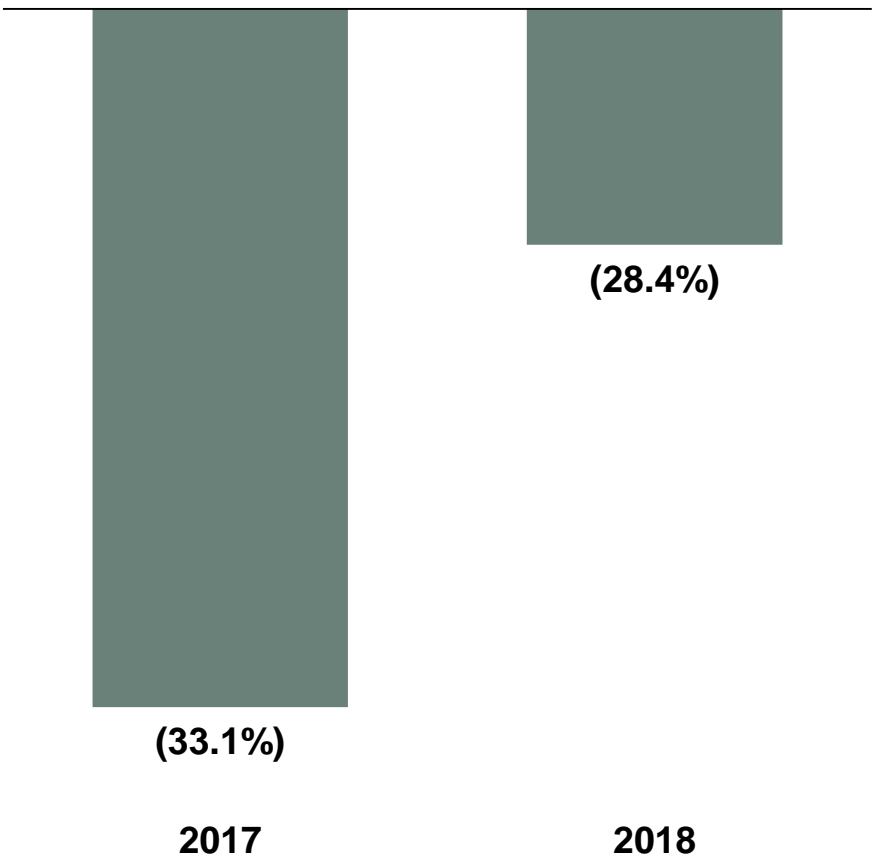
## GMV, Total Revenue and Inventory

(\$ in millions)



# We Are Driving Toward Profitability

## Adjusted EBITDA (% of Revenue)



## Drivers of operating leverage

Revenue Drivers	Strong Retention	Consignment Take Rate	AOV
Gross Margin Drivers	Shipping Expense	Consignment Take Rate	Direct Sales Mix
Variable Expense Leverage	Marketing Improving BAC	Ops & Tech Process automation	SG&A Sales team productivity
Fixed Expense Leverage	Ops & Tech Rent and headcount	SG&A Headcount and public company expenses	Marketing Headcount

# Innovative and Experienced Team



**Julie Wainwright**  
*Founder, President  
and Chief Executive Officer*



**Matt Gustke**  
*Chief Financial Officer*



**Rati Sahi Levesque**  
*Chief Operating Officer*



**Len Eschweiler**  
*Chief Revenue Officer*



**Fredrik Björk**  
*Chief Technology Officer*



**Zaina Orbai**  
*Chief People Officer*



**Josh Mahoney**  
*Chief Product Officer  
SVP, Product Management*



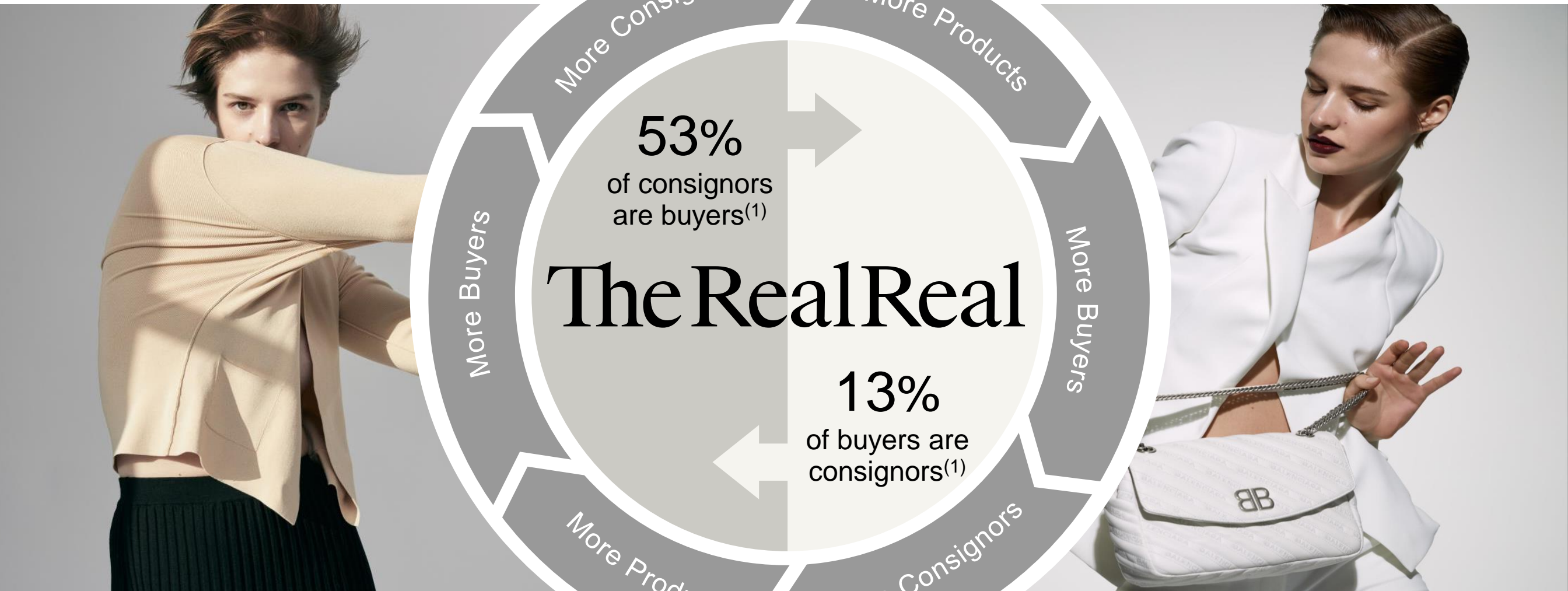
**Marc Viale**  
*SVP, Strategy and Growth*



**Dana Dufrane**  
*General Counsel*



**Paul Bieber**  
*Head of Investor Relations*



More Buyers

More Consignors

More Products

More Buyers

# The RealReal

53%  
of consignors  
are buyers<sup>(1)</sup>

13%  
of buyers are  
consignors<sup>(1)</sup>

More Products

More Consignors

(1) As of June 30, 2019.

# The RealReal

## Appendix



# We are a Differentiated Online Marketplace

- ✓ High AOV
- ✓ Coveted Goods
- ✓ Resilient Demand



- ✓ Consignment
- ✓ Authentication / Trust
- ✓ End-to-end Service Model
- ✓ High Take Rate



# Reconciliation to Adjusted EBITDA

(\$ in millions)

FYE December 31

	2017	2018
<b>Net loss</b>	<b>(\$52.3)</b>	<b>(\$75.8)</b>
Depreciation and amortization	5.6	9.3
Stock-based compensation expense	1.9	2.9
Compensation expense related to stock sales by current and former employees	–	0.8
Vendor service settlement	–	2.0
Interest income	(0.4)	(1.0)
Interest expense	0.8	1.2
Other expense, net	0.1	1.7
Provision for income taxes	0.1	0.1
<b>Adjusted EBITDA</b>	<b>(\$44.3)</b>	<b>(\$58.9)</b>

# Reconciliation to Adjusted EBITDA

(\$ in millions)

FYE December 31

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
<b>Net loss</b>	<b>(\$14.1)</b>	<b>(\$17.6)</b>	<b>(\$21.9)</b>	<b>(\$22.2)</b>	<b>(\$23.2)</b>	<b>(\$26.6)</b>
Depreciation and amortization	2.0	2.1	2.4	2.8	2.8	3.2
Stock-based compensation expense	0.5	0.7	0.7	0.9	1.1	1.3
Compensation expense related to stock sales by current and former employees	–	–	0.8	–	0.8	–
Vendor service settlement	–	–	2.0	–	–	–
Interest income	(0.1)	(0.1)	(0.4)	(0.4)	(0.4)	(0.6)
Interest expense	0.2	0.5	0.2	0.2	0.1	0.1
Other expense, net	0.1	1.3	0.2	0.1	0.3	1.7
Provision for income taxes	–	–	0.0	0.1	–	0.1
<b>Adjusted EBITDA</b>	<b>(\$11.3)</b>	<b>(\$13.1)</b>	<b>(\$15.9)</b>	<b>(\$18.5)</b>	<b>(\$18.5)</b>	<b>(\$20.9)</b>

The RealReal