

Earnings Presentation Q4 and FY 2021

February 23, 2022

The RealReal



Safe Harbor/Disclaimers

This presentation 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 the COVID-19 pandemic, and our financial guidance, timeline to profitability, 2025 vision and long-range financial 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, 2020 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. 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.

In addition to financial information presented in accordance with U.S. generally accepted accounting principles (“GAAP”), this presentation includes the non-GAAP financial measure of Adjusted EBITDA. This non-GAAP measure is presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP. This non-GAAP measure has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of other GAAP financial measures. A reconciliation of this measure to the most directly comparable GAAP measure is included at the end of this presentation. 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).

This presentation and the accompanying oral presentation also contain statistical data, estimates and forecasts that are based on independent industry publications or other publicly available information, as well as other information based on our internal sources. This information involves many assumptions and limitations, and you are cautioned not to give undue weight to such information. We have not independently verified the accuracy or completeness of the information contained in the industry publications and other publicly available information. Accordingly, we make no representations as to the accuracy or completeness of that information nor do we undertake to update such information after the date of this presentation.

Business Highlights and Key Takeaways

- **Solid Results for Q4 and FY 2021**
 - Continued strong top-line growth and significant operating expense leverage
- **Continued Technology Advancements**
 - Continued to expand our use of technology in our operations in 2021
 - Our proprietary technology is enabling improved unit economics, scaling of our business and higher ASPs
- **Guidance for Q1 and FY 2022**
 - Provided financial targets for the first quarter and full year 2022
 - Despite processing delays due to short-term operations staffing challenges in late December 2021 and early January 2022 related to COVID-19 cases, supply coming in remains healthy
- **Timeline to Profitability**
 - Adjusted EBITDA profitability targeted for full year 2024
 - Assumptions include continued growth, increased variable cost productivity, controlling fixed costs
- **Upcoming investor day**
 - March 22, 2022 at REAL's authentication center in Phoenix
 - Share our Vision 2025 at Investor Day

Strong Top-line Growth with Operating Expense Leverage

Q4 2021 Results

- GMV of \$437 million, an increase of 45% year-over-year
- Total Revenue of \$145 million, an increase of 67% year-over-year
- Gross Profit of \$81 million, an increase of 51% year-over-year
- Adjusted EBITDA of \$(27) million, a \$9 million improvement compared to Q4 2020

Full Year 2021 Results

- GMV of \$1,482 million, an increase of 50% year-over-year
- Total Revenue of \$468 million, an increase of 56% year-over-year
- Gross Profit of \$273 million, an increase of 46% year-over-year
- Adjusted EBITDA of \$(127) million, a \$1 million improvement compared to FY 2020

Balance Sheet

- Ended 2021 with the following:
 - \$418 million of cash on-hand
 - \$71 million of inventory

2022 Financial Guidance

Q1 2022

Full Year 2022

**GROSS MERCHANDISE VALUE
(GMV)**

\$410 - \$425 million

\$2,000 - \$2,100 million

TOTAL REVENUE

\$130 - \$140 million

\$635 - \$665 million

ADJUSTED EBITDA

\$(39) - \$(35) million

\$(100) - \$(80) million

Target Adjusted EBITDA Profitability in 2024 – Key Assumptions

<p>30+% Annual top-line growth</p>	<p>Variable Costs Continuous improvement and operational excellence</p>	<p>Fixed Costs Remain relatively flat (~grow with inflation)</p>	<p>Full Year 2024 Positive Adj. EBITDA</p>
			

Key Messages | Investment Thesis

POSITIONED FOR CONTINUED GROWTH

- World's largest online luxury resale marketplace with potential for even greater market penetration
- Large TAM expected to grow due to macroeconomic tailwinds, including sustainability and circular economy

DEEP COMPETITIVE MOAT

- Expert authentication for buyers
- Full-service for consignors
- Proprietary technology drives operational efficiencies
- Over 25 million members with high engagement
- Powerful flywheel drives retention and reduces BAC

PATH TO PROFITABILITY

- Continued revenue growth, operational excellence, improved unit economics, fixed cost controls, and leveraging prior investments
- Targeting Adjusted EBITDA profitability in 2024



Building a Strong ESG Foundation

Environmental sustainability through saving water and avoiding carbon emissions, pioneering and enabling the circular economy, and extending the lifecycle of luxury products

Social through rigorous diversity and inclusion (D&I) targets, employee safety, human capital management, data privacy, and The RealReal Foundation (closing the education gap through scholarships)

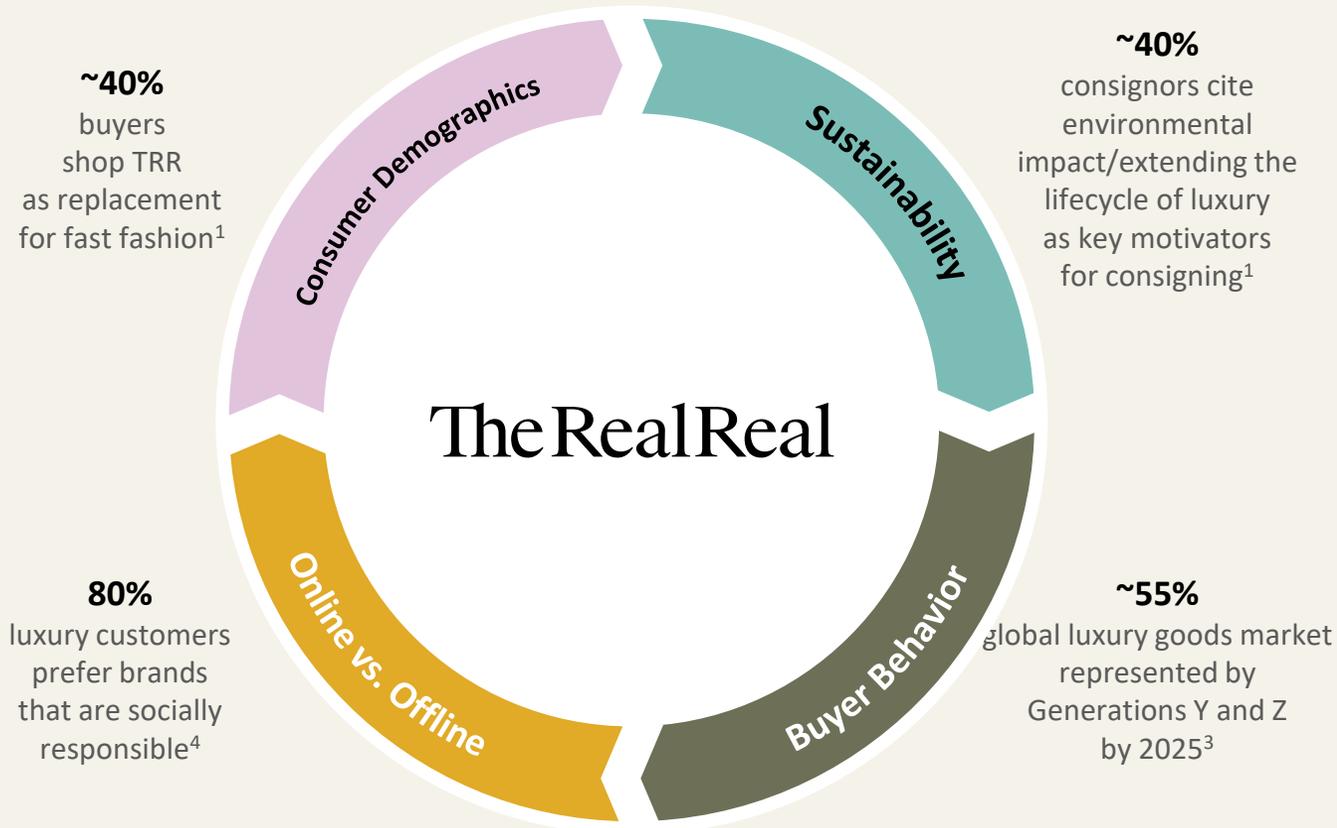
Governance through diverse, majority female Board of Directors with oversight of ESG, D&I, and ethics



The RealReal is Carbon Neutral



TRR SITS AT THE CENTER OF THE CIRCULAR ECONOMY



(1) According to The RealReal customer survey results as of March 31, 2021. (2) As of September 30, 2021. (3) Bain Altagamma Luxury Goods Worldwide Market Study, May 2020. (4) Bain Altagamma Worldwide Luxury Market Monitor, November 2019.

Non-GAAP Reconciliation

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

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Adjusted EBITDA Reconciliation:				
Net loss	\$ (52,195)	\$ (50,779)	\$ (236,107)	\$ (175,832)
Depreciation and amortization	5,691	5,172	23,531	18,845
Stock-based compensation	12,478	7,411	48,802	24,322
Payroll tax expense on employee stock transactions ⁽¹⁾	201	—	1,168	—
Legal fees reimbursement benefit ⁽²⁾	(704)	—	(1,204)	—
Legal settlement ⁽³⁾	1,601	—	13,389	1,110
Restructuring charges ⁽⁴⁾	—	—	2,314	514
Interest income	(116)	(168)	(365)	(2,518)
Interest expense	6,157	2,454	21,531	5,264
Other (income) expense, net	(1)	80	(23)	169
Provision (benefit) for income taxes	(27)	63	56	101
Adjusted EBITDA	\$ (26,915)	\$ (35,767)	\$ (126,908)	\$ (128,025)

(1) We exclude employer payroll tax expense related to employee stock-based transactions because we believe that excluding this item provides meaningful supplemental information regarding our operating results. In particular, this expense is dependent on the price of our common stock at the time of vesting or exercise, which may vary from period to period, and other factors that are beyond our control and do not correlate to the operation of the business. When evaluating the performance of our business and making operating plans, we do not consider these items. Similar charges were not adjusted in 2020 as they were not material.

(2) During the year ended December 31, 2021, we received insurance reimbursement of \$4.3 million related to legal fees for a certain matter, of which \$3.1 million have been applied to the current year's legal expenses.

(3) On November 5, 2021, a stipulation of settlement was filed with the federal court to settle the putative shareholder class action filed against us, our officers and directors, and the underwriters for the Company's initial public offering. The stipulation of settlement is subject to preliminary and final approval by the court. The financial terms of the settlement stipulation provide that the Company will pay \$11.0 million within thirty (30) days of the later of preliminary approval of the settlement or plaintiff's counsel providing payment instructions. Also on November 5, 2021, a stipulation of settlement was filed in the derivative case filed against us as a nominal defendant and our officers and directors as defendants. The stipulation of settlement was finally approved by the court on February 11, 2022. The stipulation of settlement was preliminarily approved on December 8, 2021, and the \$0.5 million was paid within 30 days of preliminary approval, or on January 7, 2022.

(4) The restructuring charges for the year ended December 31, 2021 comprise of the costs to transition operations from the Brisbane warehouse to our new Phoenix warehouse. The restructuring charges for the year ended December 31, 2020 consist of COVID-19 related costs including employee severance.

The RealReal