

TheRealReal



Q4 2023
EARNINGS
PRESENTATION

Safe Harbor/Disclosure Statement

These materials contain 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," "target," "contemplate," "project," "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, uncertainty surrounding macroeconomic trends, disruptions in the financial industry, inflation, our ability to achieve anticipated savings in connection with the savings plan we implemented in February 2023, our ability to efficiently drive growth in consignors and buyers through our marketing and advertising activity, our ability to successfully implement our growth strategies and their capacity to help us achieve profitability or generate sustainable revenue and profit, the debt exchange, and our financial guidance, timeline to profitability, and anticipated growth in 2024 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, public health emergencies on our operations and our business environment, inflation, macroeconomic uncertainty, disruptions in the financial industry, geopolitical instability, including the conflict between Russia and Ukraine and the Israel-Hamas war, 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 RealReal'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, 2022 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 presentation, which are based on information available to the company on the date hereof. The company assumes no obligation to update such statements.

These materials and the accompanying oral presentations 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.

In addition to financial information presented in accordance with U.S. generally accepted accounting principles ("GAAP"), this presentation includes the non-GAAP financial measures of Adjusted EBITDA and Adjusted EBITDA Margin (Adjusted EBITDA as a percentage of revenue). These non-GAAP measures are presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP. These non-GAAP measures have limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of other GAAP financial measures. Reconciliations of these measures to the most directly comparable GAAP measures are included at the end of this presentation. We have not reconciled forward-looking Adjusted EBITDA to the most directly comparable GAAP measures of Net Income (Loss) 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).

Strong Progress with Core Consignment Re-focus



In Q4'23, consignment revenue +3% Y/Y and direct revenue -52% Y/Y, which resulted in gross margin of 74.0% (+1300 bpts Y/Y)

Q4'23 positive Adjusted EBITDA exceeded the high-end of our Q4 guidance range; GMV and Total Revenue exceeded the mid-point of our Q4 guidance range



\$191 million of cash and cash equivalents and restricted cash¹ on the balance sheet at quarter end; net inventory of \$22 million, down \$21 million vs. year-end 2022

Average Order Value increased 10% Y/Y and at \$545, driven by higher average selling prices (ASP) Y/Y and partially offset by decrease in units per transactions (UPT) Y/Y



¹We did not renew our \$50 million revolver with PacWest. Starting in the second quarter of 2023, \$15 million in letter of credit collateral for office leases previously backed by the PacWest revolver is now secured by cash and classified as restricted cash on the balance sheet.

Business Highlights and Key Takeaways

- **Positive Adjusted EBITDA in Q4 2023**
 - Q4 GMV -9% and revenue -10% Y/Y
 - Consignment revenue +3% Y/Y and direct revenue -52% Y/Y
 - Q4 Gross margins increased +1300 basis points Y/Y
 - First quarter of positive Adjusted EBITDA since IPO in 2019
- **Progress on Key Focus Areas Driving More Potential Upside**
 - Strategic refocus on core consignment business
 - Refined growth model with emphasis on profitable supply
 - Driving efficiencies in key areas through tech and process upgrades
- **Reworking of Capital Structure**
 - Entered into debt exchange transactions with certain holders of convertible senior notes due 2025 and 2028
 - Creates substantial runway and capital structure flexibility
- **Provided Guidance**
 - Provided Q1 and FY 2024 guidance for GMV, Total Revenue and Adjusted EBITDA



Adjusted EBITDA Improves; Balance Sheet Remains Solid

Profit and Loss Statement: Q4 2023 Results

- GMV of \$451 million, a decrease of 9% year-over-year
- Total Revenue of \$143 million, a decrease of 10% year-over-year
- Gross Margin of 74.0% compared to 60.5% in Q4 2022
- Adjusted EBITDA of \$1.4 million, or +1.0% of Total Revenue compared to \$(20.2) million, or (12.6)% in Q4 2022

Profit and Loss Statement: FY 2023 Results

- GMV of \$1.73 billion, a decrease of 5% year-over-year
- Total Revenue of \$549 million, a decrease of 9% year-over-year
- Gross Margin of 68.5% compared to 57.8% in FY 2022
- Adjusted EBITDA of \$(55) million, or (10.0)% of Total Revenue compared to \$(112) million, or (18.6)% in FY 2022

Balance Sheet: As of End of FY 2023

- \$191 million of cash and cash equivalents, and restricted cash
- \$22 million of inventory, net, a decrease of \$21 million compared to YE 2022



Q1 and Full Year 2024 Financial Guidance

	Q1 2024	FY 2024
GROSS MERCHANDISE VALUE (GMV)	\$415 - \$445 million	\$1.80 - \$1.88 billion
TOTAL REVENUE	\$135 - \$145 million	\$580 - \$605 million
ADJUSTED EBITDA	\$(8) - \$(4) million	\$(8) - \$8 million

The RealReal's Investment Highlights

Large Total Addressable Market (TAM)

- Billions of dollars worth of luxury goods trapped in U.S. homes
- TAM expected to grow due to consumer demand for sustainability
- REAL's unique Sales team + brick & mortar footprint unlock supply

Leader in Nascent Industry with Highly Coveted Product

- World's largest online luxury resale platform primed for growth
- Unique and highly-coveted luxury products at a value
- Consignors become buyers and buyers become consignors, reducing our Buyer Acquisition Cost (BAC) over time

Marketplace Benefitting from Tech Investment

- 35+ million members with high engagement
- Full-service consignment
- Expert authentication
- Data- and technology-driven operations
- Breadth of categories

Appendix

Non-GAAP Reconciliation

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Adjusted EBITDA Reconciliation:				
Net loss	\$ (21,693)	\$ (38,610)	\$ (168,472)	\$ (196,445)
Net loss (% of revenue)	15.1 %	24.2 %	30.7 %	32.6 %
Depreciation and amortization	8,165	7,414	31,695	27,669
Interest income	(2,088)	(1,831)	(8,805)	(3,191)
Interest expense	2,683	2,458	10,701	10,472
Provision (benefit) for income taxes	36	76	283	172
EBITDA	(12,897)	(30,493)	(134,598)	(161,323)
Stock-based compensation ⁽¹⁾	7,980	9,118	34,273	46,138
CEO separation benefits ⁽²⁾	—	46	—	948
CEO transition costs ⁽³⁾	—	533	159	1,551
Payroll tax expense on employee stock transactions	53	39	195	451
Legal fees reimbursement benefit ⁽⁴⁾	—	—	—	(1,400)
Legal settlements ⁽⁵⁾	240	—	1,340	456
Restructuring charges ⁽⁶⁾	6,066	621	43,462	896
Other (income) expense, net	—	(38)	—	(171)
Adjusted EBITDA	\$ 1,442	\$ (20,174)	\$ (55,169)	\$ (112,454)
Adjusted EBITDA (% of revenue)	1.0 %	12.6 %	10.0 %	18.6 %

(1) The stock-based compensation expense for the year ended December 31, 2022 includes a one-time charge of \$1.0 million related to the modification of certain equity awards pursuant to the terms of the transition and separation agreement entered into with our founder, Julie Wainwright, in connection with her resignation as Chief Executive Officer ("CEO") on June 6, 2022 (the "Separation Agreement").

(2) The CEO separation benefit charges for the year ended December 31, 2022 consist of base salary, bonus and benefits for the 2022 fiscal year, as well as an additional twelve months of base salary and benefits payable to Julie Wainwright pursuant to the Separation Agreement.

(3) The CEO transition charges for the year ended December 31, 2022 consist of general and administrative fees, including legal and recruiting expenses, as well as retention bonuses for certain executives incurred in connection with our founder's resignation on June 6, 2022. The CEO transition charges for the year ended December 31, 2023 consists of retention bonuses for certain executives incurred in connection with our founder's resignation in 2022.

(4) During the year ended December 31, 2022, we received insurance reimbursement of \$1.4 million related to a legal settlement expense.

(5) The legal settlement charges for the year ended December 31, 2023 reflect legal settlement expenses arising from the settlement of two former employees' individual claims and California Private Attorney General Actions initiated against the Company on behalf of such former employees and those similarly situated.

(6) Restructuring for the year ended December 31, 2023 consists of impairment of right-of-use assets and property and equipment, employee severance charges, gain on lease terminations, and other charges, including legal and transportation expenses. Restructuring for the year ended December 31, 2022 consists of employee severance payments and benefits.

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