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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): August 6, 2024

The RealReal, Inc.
(Exact name of Registrant as Specified in Its Charter)

Delaware	001-38953	45-1234222
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

55 Francisco Street Suite 150
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)

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. ☐

Item 2.02 Results of Operations and Financial Condition.

On August 6, 2024, The RealReal, Inc. ("The RealReal") issued a press release announcing its financial results for the quarter ended June 30, 2024. 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 August 6, 2024, 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

Exhibit Number	Description
99.1	Press Release dated August 6, 2024
99.2	Stockholder Letter dated August 6, 2024
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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: August 6, 2024

By: /s/ Ajay Madan Gopal

Ajay Madan Gopal
Chief Financial Officer

Exhibit 99.1

THE REALREAL ANNOUNCES SECOND QUARTER 2024 RESULTS
Q2 2024 Revenue of $145 million, up $14 million or 11% Year-Over-Year
Q2 2024 Net Loss of $(17) million, or (11.5%) of Total Revenue, an improvement of $25 million Year-Over-Year
Q2 2024 Adjusted EBITDA of $(1.8) million or (1.2)% of Total Revenue, up $21 million Year-Over-Year

SAN FRANCISCO, August 6, 2024 — The RealReal (Nasdaq: REAL)—the world's largest online marketplace for authenticated, resale luxury goods—today reported financial results for its second quarter ended June 30, 2024. Second quarter 2024 gross merchandise value (GMV) and total revenue increased 4% and 11% respectively, compared to the second quarter of 2023. During the quarter, consignment revenue grew 17% compared to the same period in 2023. Second quarter Adjusted EBITDA improved $21 million compared to the second quarter of 2023.

"We continue to build on our progress and momentum," said John Koryl, Chief Executive Officer of The RealReal. "In the second quarter, we delivered accelerated year-over-year growth and delivered double-digit revenue growth. In the first half of 2024 we grew revenue by $16 million, improved net loss by $76 million and improved Adjusted EBITDA by $46 million compared to the prior year period. We believe this demonstrates the success of the changes we've made and highlights the resilience of our go-forward business model."

Koryl continued, "As the leading e-commerce marketplace for authenticated luxury goods, we are playing to our strengths and growing with the large market for circular fashion. Due to our extensive and rich dataset of luxury items and transactions, we believe we are well positioned to benefit from the recent advancements in generative AI. Looking ahead, we remain focused on achieving operational excellence, delivering exceptional service to our highly-engaged community, and expanding margins toward a sustainably profitable business."

Second Quarter Highlights

- GMV was $441 million, an increase of 4% compared to the same period in 2023
- Total Revenue was $145 million, an increase of 11% compared to the same period in 2023
- Gross Profit was $107 million, an increase of $21 million compared to the same period in 2023
- Gross Margin was 74.1%, an increase of over 800 basis points compared to the same period in 2023
- Net Loss was $(17.0) million or (11.5)% of total revenue, compared to $(41.3) million or (31.6)% of total revenue in the same period in 2023
- Adjusted EBITDA was $(1.8) million or (1.2)% of total revenue compared to $(22.3) million or (17.1)% of total revenue in the same period in 2023
- GAAP basic net loss per share was $(0.16) compared to $(0.41) in the prior year period and GAAP diluted net loss per share was $(0.20) compared to $(0.41) in the prior year period
- Non-GAAP basic and diluted net loss attributable to common shareholders per share was $(0.13) compared to $(0.30) in the prior year period
- *Top-line-related Metrics*
    - Trailing three months active buyers was 381,000, an increase of 9% compared to the same period in 2023
    - Orders were 820,000, an increase of 4% compared to the same period in 2023
    - Average order value (AOV) was $538, which is consistent with the same period in 2023
    - AOV was driven by a year-over-year increase in units per transaction offset by lower average selling prices

Q3 and Full Year 2024 Guidance

Based on market conditions as of August 6, 2024, we are updating our full year guidance and providing guidance for third quarter 2024 GMV, total revenue and Adjusted EBITDA, which is a Non-GAAP financial measure.

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).

	Q3 2024	**Full Year 2024**
GMV	$410 - $430 million	$1.79 - $1.82 billion
Total Revenue	$135 - $142 million	$580 - $595 million
Adjusted EBITDA	$(2) - $1 million	$0 - $6 million

Webcast and Conference Call

The RealReal will post a shareholder letter on its investor relations website at 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 results. Investors and analysts can access the call at https://register.vevent.com/register/BI7e473afdc4f6494aa3d4037bcc8c536f. The call will also be available via live webcast at 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.

About The RealReal, Inc.

The RealReal is the world's largest online marketplace for authenticated, resale luxury goods, with 37 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 handle 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 shipping and customer service.

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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," "target," "contemplate," "project," "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, including the conflict between Russia and Ukraine and the Israel-Hamas war, and uncertainty surrounding macro-economic trends, the debt exchange, financial guidance, anticipated growth in 2024, the anticipated impact of generative AI, 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, inflation, macroeconomic uncertainty, geopolitical instability, 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, 2023 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.

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 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 expense on employee stock transactions, legal settlement charges, restructuring, warehouse fire costs (net), CEO transition costs, gain on extinguishment of debt, change in fair value of warrant liabilities 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 expense 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 expense 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, payroll tax expenses on employee stock transactions, CEO transition costs, restructuring charges, legal settlement charges, warehouse fire costs (net), gain on extinguishment of debt, change in fair value of warrant liabilities and certain one-time expenses divided by weighted average shares outstanding. We exclude the effect of our liability classified warrants to arrive at the weighted average common shares outstanding when their effect is anti-dilutive. We believe that making these adjustments 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue:				
Consignment revenue	$ 112,714	$ 96,577	$ 228,362	$ 199,220
Direct revenue	16,724	20,887	29,433	45,840
Shipping services revenue	15,496	13,391	30,939	27,699
Total revenue	144,934	130,855	288,734	272,759
Cost of revenue:				
Cost of consignment revenue	13,108	14,575	26,388	30,104
Cost of direct revenue	13,760	20,446	26,045	45,476
Cost of shipping services revenue	10,600	9,660	21,556	21,022
Total cost of revenue	37,468	44,681	73,989	96,602
Gross profit	107,466	86,174	214,745	176,157
Operating expenses:				
Marketing	13,759	15,351	29,042	32,869
Operations and technology	65,422	65,575	128,394	133,607
Selling, general and administrative	47,082	44,326	93,852	94,171
Restructuring	—	1,864	196	38,252
Total operating expenses [1]	126,263	127,116	251,484	298,899
Loss from operations	(18,797)	(40,942)	(36,739)	(122,742)
Change in fair value of warrant liability	5,630	—	(9,953)	—
Gain on extinguishment of debt	—	—	4,177	—
Interest income	2,263	2,404	4,332	4,457
Interest expense	(5,769)	(2,678)	(9,520)	(5,345)
Loss before provision for income taxes	(16,673)	(41,216)	(47,703)	(123,630)
Provision for income taxes	35	114	106	200
Net loss attributable to common stockholders	$ (16,708)	$ (41,330)	$ (47,809)	$ (123,830)
Net loss per share attributable to common stockholders				
Basic	$ (0.16)	$ (0.41)	$ (0.45)	$ (1.23)
Diluted	$ (0.20)	$ (0.41)	$ (0.45)	$ (1.23)
Weighted average shares used to compute net loss per share attributable to common stockholders				
Basic	106,882,054	100,973,105	106,047,054	100,294,359
Diluted	111,117,389	100,973,105	106,047,054	100,294,359

[1] Includes stock-based compensation as follows:				
Marketing	$ 72	$ 349	$ 482	$ 799
Operating and technology	2,690	3,301	4,994	6,992
Selling, general and administrative	4,940	5,116	9,346	9,966
Total	$ 7,702	$ 8,766	$ 14,822	$ 17,757

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

	June 30, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 150,746	$ 175,709
Accounts receivable, net	16,450	17,226
Inventory, net	21,119	22,246
Prepaid expenses and other current assets	19,134	20,766
Total current assets	207,449	235,947
Property and equipment, net	96,769	104,087
Operating lease right-of-use assets	82,952	86,348
Restricted cash	14,911	14,914
Other assets	5,342	5,627
Total assets	$ 407,423	$ 446,923
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable	$ 12,650	$ 8,961
Accrued consignor payable	65,465	77,122
Operating lease liabilities, current portion	22,080	20,094
Convertible senior notes, net, current portion	26,550	—
Other accrued and current liabilities	85,059	82,685
Total current liabilities	211,804	188,862
Operating lease liabilities, net of current portion	97,024	104,856
Convertible senior notes, net	276,159	452,421
Non-convertible notes, net	131,278	—
Warrant liability	20,370	—
Other noncurrent liabilities	6,042	4,083
Total liabilities	742,677	750,222
Stockholders' deficit:		
Common stock, $0.00001 par value; 500,000,000 shares authorized as of June 30, 2024, and December 31, 2023; 108,495,705 and 104,670,500 shares issued and outstanding as of June 30, 2024, and December 31, 2023, respectively	1	1
Additional paid-in capital	832,179	816,325
Accumulated deficit	(1,167,434)	(1,119,625)
Total stockholders' deficit	(335,254)	(303,299)
Total liabilities and stockholders' deficit	$ 407,423	$ 446,923

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

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	$ (47,809)	$ (123,830)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	16,536	15,786
Stock-based compensation expense	14,822	17,757
Reduction of operating lease right-of-use assets	7,443	9,168
Bad debt expense	1,246	1,029
Non-cash interest expense	5,701	—
Issuance costs allocated to liability classified warrants	374	—
Accretion of debt discounts and issuance costs	1,045	1,279
Property, plant, equipment, and right-of-use asset impairments	—	33,505
Provision for inventory write-downs and shrinkage	1,840	6,531
Gain on debt extinguishment	(4,177)	—
Change in fair value of warrant liability	9,953	—
Loss related to warehouse fire, net	389	—
Other adjustments	(672)	56
Changes in operating assets and liabilities:		
Accounts receivable, net	(470)	5,184
Inventory, net	(629)	10,532
Prepaid expenses and other current assets	4,796	4,121
Other assets	184	(2,820)
Operating lease liability	(9,893)	(11,437)
Accounts payable	2,813	1,763
Accrued consignor payable	(12,704)	(19,706)
Other accrued and current liabilities	(957)	(9,639)
Other noncurrent liabilities	(52)	(137)
Net cash used in operating activities	(10,221)	(60,858)
Cash flow from investing activities:		
Proceeds from maturities of short-term investments	—	—
Capitalized proprietary software development costs	(5,138)	(7,514)
Purchases of property and equipment	(5,142)	(19,764)
Net cash used in investing activities	(10,280)	(27,278)
Cash flow from financing activities:		
Proceeds from exercise of stock options	112	3
Taxes paid related to restricted stock vesting	(364)	(411)
Proceeds from issuance of stock in connection with the Employee Stock Purchase Program	624	446
Cash received from settlement of capped calls in conjunction with the Note Exchange	396	—
Issuance costs paid related to the Note Exchange	(5,233)	—
Net cash provided by (used in) financing activities	(4,465)	38
Net decrease in cash, cash equivalents and restricted cash	(24,966)	(88,098)
Cash, cash equivalents and restricted cash		
Beginning of period	190,623	293,793
End of period	$ 165,657	$ 205,695

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Adjusted EBITDA Reconciliation:				
Net loss	$ (16,708)	$ (41,330)	$ (47,809)	$ (123,830)
Depreciation and amortization	8,227	7,965	16,536	15,786
Interest income	(2,263)	(2,404)	(4,332)	(4,457)
Interest expense	5,769	2,678	9,520	5,345
Provision for income taxes	35	114	106	200
EBITDA	(4,940)	(32,977)	(25,979)	(106,956)
Stock-based compensation	7,702	8,766	14,822	17,757
Payroll taxes expense on employee stock transactions	118	24	174	68
Legal settlement	600	—	600	1,100
Restructuring charges (1)	—	1,864	196	38,252
Gain on extinguishment of debt (2)	—	—	(4,177)	—
Change in fair value of warrant liability (3)	(5,630)	—	9,953	—
One time expenses (4)	389	—	389	159
Adjusted EBITDA	$ (1,761)	$ (22,323)	$ (4,022)	$ (49,620)

(1) The restructuring charges for the three and six months ended June 30, 2023 consist of impairment of right-of-use assets and property and equipment, employee severance charges, and other charges, including legal and transportation expenses.

(2) The gain on extinguishment of debt for the six months ended June 30, 2024 reflects the difference between the carrying value of the Exchanged Notes and the fair value of the 2029 Notes.

(3) The change in fair value of warrant liability for the three and six months ended June 30, 2024 reflects the remeasurement of the warrants issued by the Company in connection with the Note Exchange in February 2024.

(4) One time expenses for the three and six months ended June 30, 2024 reflects estimated losses related to the fire at one of our New Jersey authentication centers, net of estimated insurance recoveries. See "Note 11 - Commitments and Contingencies" in the notes to the unaudited financial statements for disclosure regarding the event. One time expenses for the six months ended June 30, 2023 consists of retention bonuses for certain executives incurred in connection with our founder's resignation on June 6, 2022.

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	$ (16,708)	$ (41,330)	$ (47,809)	$ (123,830)
Stock-based compensation	7,702	8,766	14,822	17,757
Payroll tax expense on employee stock transactions	118	24	174	68
Legal settlement	600	—	600	1,100
Restructuring charges	—	1,864	196	38,252
Provision for income taxes	35	114	106	200
Gain on extinguishment of debt	—	—	(4,177)	—
Change in fair value of warrant liability	(5,630)	—	9,953	—
One time expenses	389	—	389	159
Non-GAAP net loss attributable to common stockholders	$ (13,494)	$ (30,562)	$ (25,746)	$ (66,294)
Weighted-average common shares outstanding to calculate Non-GAAP net loss attributable to common stockholders per share, basic and diluted	106,882,054	100,973,105	106,047,054	100,294,359
Non-GAAP net loss attributable to common stockholders per share, basic and diluted	$ (0.13)	$ (0.30)	$ (0.24)	$ (0.66)

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net cash used in operating activities	$ (6,754)	$ (30,425)	$ (10,221)	$ (60,858)
Purchase of property and equipment and capitalized proprietary software development costs	(4,959)	(11,358)	(10,280)	(27,278)
Free Cash Flow	$ (11,713)	$ (41,783)	$ (20,501)	$ (88,136)

Key Financial and Operating Metrics:

	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024
GMV	$ 454,163	$ 440,659	$ 492,955	$ 444,366	$ 423,341	$ 407,608	$ 450,668	$ 451,941	$ 440,914
NMV	$ 332,508	$ 325,105	$ 367,382	$ 327,805	$ 303,918	$ 302,912	$ 335,245	$ 334,815	$ 329,422
Consignment Revenue	$ 96,917	$ 93,874	$ 110,199	$ 102,643	$ 96,577	$ 102,852	$ 113,500	$ 115,648	$ 112,714
Direct Revenue	$ 42,646	$ 34,005	$ 33,252	$ 24,953	$ 20,887	$ 17,356	$ 15,964	$ 12,709	$ 16,724
Shipping Services Revenue	$ 14,872	$ 14,824	$ 16,204	$ 14,308	$ 13,391	$ 12,964	$ 13,909	$ 15,443	$ 15,496
Number of Orders	934	952	993	891	789	794	826	840	820
Take Rate	36.1 %	36.0 %	35.7 %	37.4 %	36.7 %	38.1 %	37.7 %	38.4 %	38.5 %
Active Buyers (1)	385	404	430	388	351	364	381	384	381
AOV	$ 486	$ 463	$ 496	$ 499	$ 537	$ 513	$ 545	$ 538	$ 538

(1) During the three months ended June 30, 2024, we updated active buyers to be buyers who purchased goods through our online marketplace during the 3 months ended on the last day of the period presented. Previously we had measured buyers who purchased goods during the 12 months ended on the last day of the period presented. The prior periods have been updated to active buyers during the 3 months ended on the last day of the period presented.

Exhibit 99.2

The RealReal

The RealReal Second Quarter 2024 Shareholder Letter

August 6, 2024

Executive Summary & Key Highlights

- **Consignment Revenue Grew 17% Year-Over-Year**: During the second quarter, consignment revenue grew 17% compared to the prior year period. For the first half of 2024, consignment revenue grew 15% compared to the prior year period.
- **Growth in Q2 Flowed Through to Improved Bottom Line Results**: For the second quarter of 2024, Adjusted EBITDA was $(1.8) million, an improvement of $21 million year-over-year. For the first half of 2024, Adjusted EBITDA was $(4.0) million, an improvement of $46 million compared to the prior year period.
- **Focused on Profitable Growth and Consignor Experience**: We believe sales, marketing and stores will provide the next chapter of our profitable growth. Our approach of continuous improvement and measured technology investments is working.
- **Outlook for the Third Quarter and Full Year 2024**: Today, we provided forward-looking financial guidance for the third quarter, and updated our full year 2024 guidance. We raised our Adjusted EBITDA guidance, which now exceeds breakeven for full year 2024.

Dear Shareholders,

Earlier today, we provided our financial and operational results for the second quarter. We continue to build on the progress and momentum we delivered in 2023 and into 2024. After returning to overall top-line growth earlier this year, we accelerated growth on both gross merchandise value (“GMV”) and revenue. Our focus on the consignment business resulted in a 17% year-over-year increase in consignment revenue. In addition to top-line growth, the company delivered improved margins year-over-year. For the second quarter of 2024, Adjusted EBITDA was $(1.8) million, an improvement of $21 million year-over-year. For the first half of 2024, Adjusted EBITDA improved $46 million compared to the prior year period.

Consignment Revenue Grew 17% Year-Over-Year

First half 2024 consignment revenue grew 15% compared to the first half of 2023. We believe this demonstrates the success of our strategic initiatives, highlights the resilience of our go-forward business model and positions us to capitalize on the expanding total addressable market for luxury resale.

We ended the second quarter with 381,000 active buyers on a trailing three month basis, up 9% compared to the same period in 2023. We experienced particular strength in new buyers, and members reached 37 million in the second quarter, up double-digits year-over-year, demonstrating our ability to continue growing our community and the luxury resale ecosystem.

On the supply front in Q2, the momentum continued and it fueled strong growth in our consignment revenue. We've refined our approach to sales and marketing and these changes are paying off. We reoriented our sales team's compensation to better align incentives with our strategic focus on profitable supply. Better compensation alignment and recent upgrades to our leadership team have resulted in a significant increase in average tenure among our luxury managers. Additionally in Q2, more targeted marketing spend drove marketing efficiency and progress toward attracting higher life-time value consignors.

During the second quarter, we also opened a new neighborhood store in Chicago adding to our small fleet of The RealReal boutiques. Early indications point to the Chicago store attracting new consignors and bringing more high-value supply. We believe that sales, marketing and stores worked in concert to deliver profitable supply, which in turn drove strong results in the second quarter.

As a market leader in luxury resale, we also see our role as being the category thought leader. In June, we unveiled a provocative installation of fake handbags on Canal Street in New York City. The installation was designed to attract attention to the pervasive counterfeit issue and highlight our expertise in authentication. The installation was featured in The New York Times and Vogue, and drove social media engagement on Instagram and TikTok. Overall, the installation raised our brand awareness, and reinforced our position as thought leaders and a trusted marketplace for luxury goods.

Growth in Q2 Flowed Through to Improved Bottom Line Results

For the second quarter of 2024, we generated GMV of $441 million, a year-over-year increase of 4%, and total revenue of $145 million, a year-over-year increase of 11%. GMV growth was driven by a 4% increase in orders and consistent average order value compared to the same period in 2023. Second quarter gross margin was 74.1%, an improvement of 829 basis points year-over-year.

Our second quarter Adjusted EBITDA was $(1.8) million, or (1.2)% of total revenue, compared to $(22.3) million, or (17.1)% of total revenue in the second quarter of 2023.

We ended the second quarter with $166 million of cash and cash equivalents, and restricted cash. We had $21 million of inventory, net, at the end of the second quarter, a decrease of $1 million compared to fiscal year end 2023.

Focused on Profitable Growth and Consignor Experience

We believe sales, marketing and stores will be the engine powering the next chapter of profitable growth for our core consignment business. When these three areas work effectively in concert, sellers encounter a seamless and frictionless multi-channel experience. We will continue to refine our approach to sales and marketing, as well as identify attractive new markets for opening stores. In addition, we see opportunities to drive incremental growth from new supply channels. For example, we are expanding our reach into professional vendor supply by testing drop-ship capabilities that enable vendors to access our vast buyer community.

As the only full-service luxury consignment reseller at scale, we obsess over service and continue to evolve our offering based on input from our large seller community. As a result, we recently expanded our “fair” condition and debuted “as is,” a new condition category that is our most accessible to date. With the debut of this new category, we believe we have expanded the overall assortment and acknowledged the demand for well-loved luxury items.

In addition to driving growth, we believe we will realize further efficiencies going forward. Across multiple areas of our marketplace, we believe we are well positioned to leverage recent advancements in AI. Our 13 years of data and 40 million items are powerful. This wealth of product and transactional data drives our pricing algorithms. Sellers benefit as we optimize for higher selling prices and rapid sell-through.

In our operations, we aim to further drive efficiencies and reduce processing times. Our continuous improvement approach and measured technology investments are in the early stages of delivering productivity. We see opportunities in our proprietary technology like Vision and Shield to accelerate the inbound processing of items, including adding more automation in authentication. Overall, we believe we are positioned to benefit from AI advancements as we profitably scale our business.

Q3 and Full Year 2024 Outlook

Based on market conditions as of August 6, 2024, we are providing guidance for the third quarter and full year 2024 for GMV, revenue and Adjusted EBITDA, which is a non-GAAP financial measure:

	Q3 2024	**Full Year 2024**
GMV	$410 - $430 million	$1.79 - $1.82 billion
Revenue	$135 - $142 million	$580 - $595 million
Adjusted EBITDA	$(2) - $1 million	$0 - $6 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).

As the leading e-commerce marketplace for authenticated luxury goods, we are playing to our strengths and growing with the large market for circular fashion. We remain focused on achieving operational excellence, delivering exceptional service to our highly-engaged community, and expanding margins toward a sustainably profitable business.

In closing, I want to thank our entire team at The RealReal for their efforts to fulfill our mission, promote the circular economy, and deliver world-class service. I also want to thank our entire The RealReal community of 37 million members as they join us on our mission to extend the life of luxury and make fashion more sustainable.

Sincerely,

John E. Koryl
CEO of The RealReal

The RealReal

Forward Looking Statements

This shareholder 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,” “target,” “contemplate,” “project,” “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, including the conflict between Russia and Ukraine and the Israel-Hamas war, and uncertainty surrounding macro-economic trends, the debt exchange, financial guidance, anticipated growth in 2024, the anticipated impact of generative AI 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, inflation, macroeconomic uncertainty, geopolitical instability, 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, 2023 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 shareholder letter, 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 and Adjusted EBITDA as a percentage of total net revenue (“Adjusted EBITDA Margin”). 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 expense on employee stock transactions, legal settlement charges, restructuring, warehouse fire costs (net), CEO transition costs, gain on extinguishment of debt, change in fair value of warrant liabilities 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 expense 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 expense 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Total revenue	$ 144,934	$ 130,855	$ 288,734	$ 272,759
Adjusted EBITDA Reconciliation:				
Net loss	$ (16,708)	$ (41,330)	$ (47,809)	$ (123,830)
Depreciation and amortization	8,227	7,965	16,536	15,786
Interest income	(2,263)	(2,404)	(4,332)	(4,457)
Interest expense	5,769	2,678	9,520	5,345
Provision for income taxes	35	114	106	200
EBITDA	(4,940)	(32,977)	(25,979)	(106,956)
Stock-based compensation	7,702	8,766	14,822	17,757
Payroll taxes expense on employee stock transactions	118	24	174	68
Legal settlement	600	—	600	1,100
Restructuring charges (1)	—	1,864	196	38,252
Gain on extinguishment of debt (2)	—	—	(4,177)	—
Change in fair value of warrant liability (3)	(5,630)	—	9,953	—
One time expenses (4)	389	—	389	159
Adjusted EBITDA	$ (1,761)	$ (22,323)	$ (4,022)	$ (49,620)
Adjusted EBITDA (% of revenue)	(1.2)%	(17.1)%	(1.4)%	(18.2)%

(1) The restructuring charges for the three and six months ended June 30, 2023 consist of impairment of right-of-use assets and property and equipment, employee severance charges, and other charges, including legal and transportation expenses.

(2) The gain on extinguishment of debt for the six months ended June 30, 2024 reflects the difference between the carrying value of the Exchanged Notes and the fair value of the 2029 Notes.

(3) The change in fair value of warrant liability for the three and six months ended June 30, 2024 reflects the remeasurement of the warrants issued by the Company in connection with the Note Exchange in February 2024.

(4) One time expenses for the three and six months ended June 30, 2024 reflects estimated losses related to the fire at one of our New Jersey authentication centers, net of estimated insurance recoveries. See "Note 11 - Commitments and Contingencies" in the notes to the unaudited financial statements for disclosure regarding the event. One time expenses for the six months ended June 30, 2023 consists of retention bonuses for certain executives incurred in connection with our founder's resignation on June 6, 2022.