

REVOLVE

Q1 2023 Financial Highlights
May 3, 2023



Image from REVOLVE's AI-generated billboard campaign to celebrate its 20th anniversary -- [link to announcement](#)

Note on Forward-Looking Statements

This presentation contains forward-looking statements as defined within the meaning of U.S. federal securities laws. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would,” or similar expressions and the negatives of those terms.

Forward-looking statements are based on information available at the time those statements are made and on our current expectations and projections about future events, and are subject to risks and uncertainties. If any of these risks or uncertainties materialize or if any assumptions prove incorrect, actual performance or results may differ materially from those expressed in or suggested by the forward-looking statements. These risks and uncertainties include, without limitation, risks related to changing economic conditions and their impact on consumer demand and our business, operating results and financial condition; the impact of the COVID-19 pandemic and other health crises on our business, operations and financial results; demand for our products; supply chain challenges; inflation; Russia’s war against Ukraine; our fluctuating operating results; seasonality in our business; our ability to acquire products on reasonable terms; our e-commerce business model; our ability to attract customers in a cost effective manner; the strength of our brand; competition; fraud; system interruptions; our ability to fulfill orders; and other risks and uncertainties included under the caption “Risk Factors” and elsewhere in our filings with the Securities and Exchange Commission, or SEC, including, without limitation, our Annual Report on Form 10-K for the year ended December 31, 2022 and our subsequent Quarterly Reports on Form 10-Q, including for the quarter ended March 31, 2023, which we expect to file with the SEC on May 3, 2023.

We undertake no obligation to update any forward-looking statements made in this presentation to reflect events or circumstances after the date of this presentation or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements.

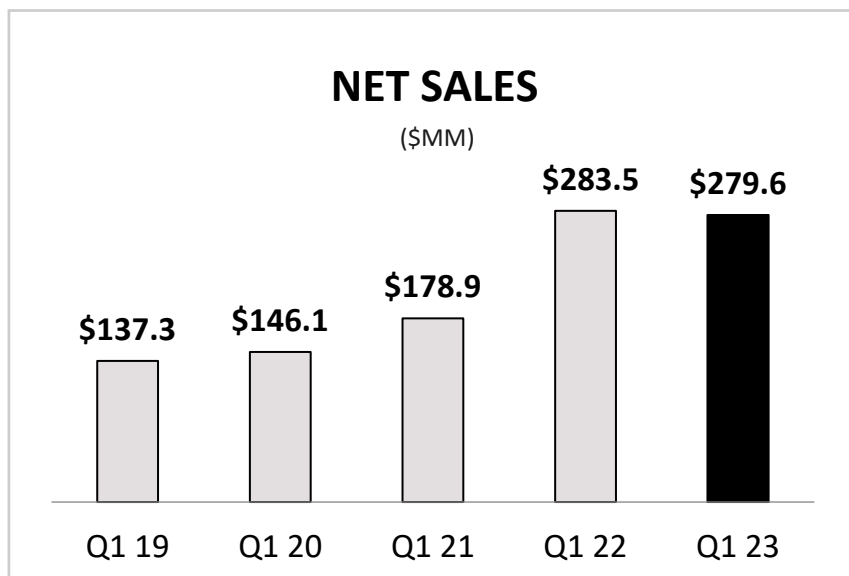
Unless otherwise indicated, all references in this presentation to “we,” “our,” “us,” or similar terms refer to Revolve Group, Inc. and its subsidiaries.

Use of Non-GAAP Financial Measures

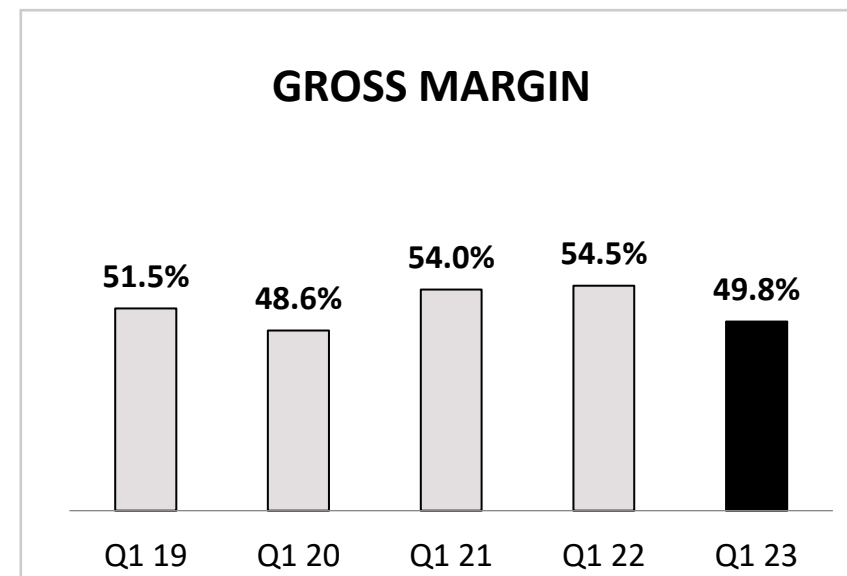
In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures, including Adjusted EBITDA, Adjusted EBITDA margin, and free cash flow. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. The non-GAAP financial measures used by us may differ from the non-GAAP financial measures used by other companies. We use these non-GAAP financial measures to evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses that may not be indicative of our ongoing core operating performance. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance, when analyzing historical performance and liquidity and when planning, forecasting, and analyzing future periods.

For a reconciliation of these non-GAAP financial measures to GAAP measures, please refer to the Appendix.

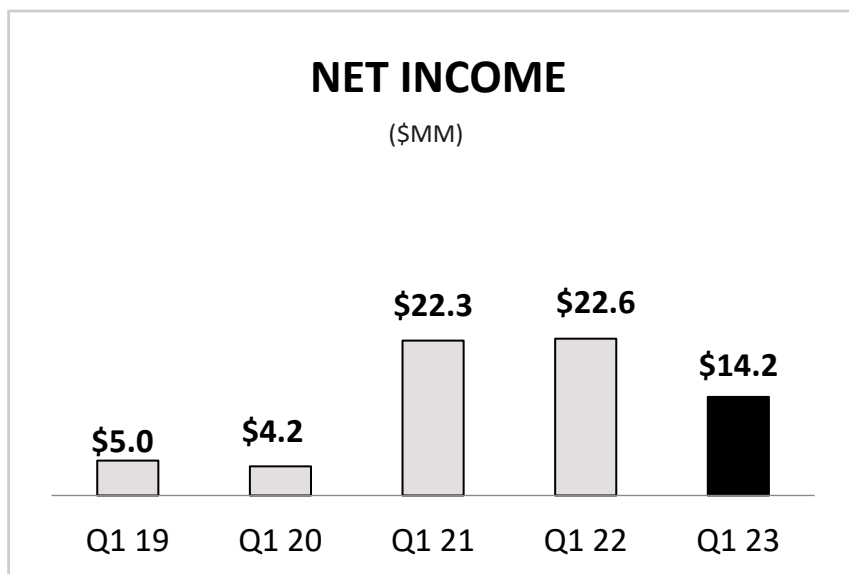
Q1 2023 SUMMARY



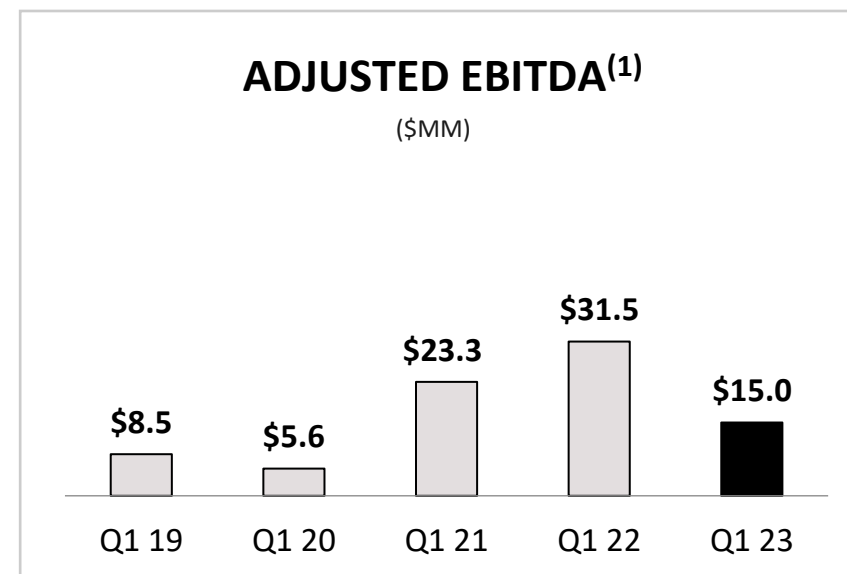
(1%) YoY
19% 4-Year CAGR



(468) BPs YoY
(173) BPs Vs. Q1 2019



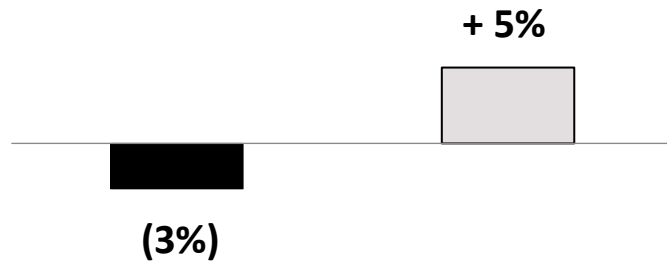
(37%) YoY
30% 4-Year CAGR



(52%) YoY
15% 4-Year CAGR

NET SALES BY SEGMENT AND GEOGRAPHY

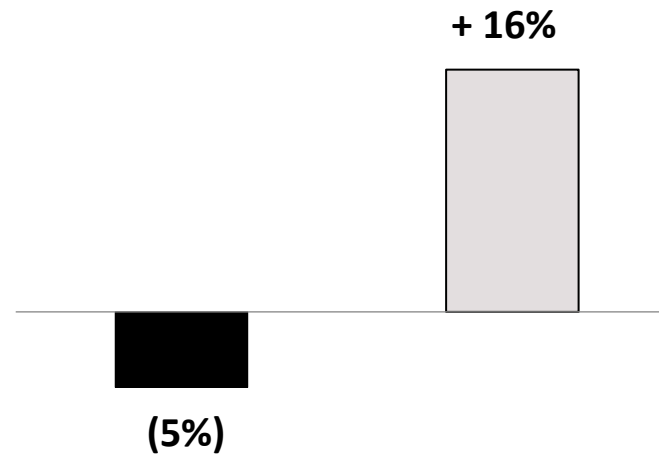
YoY GROWTH IN Q1 2023 NET SALES BY SEGMENT



REVOLVE

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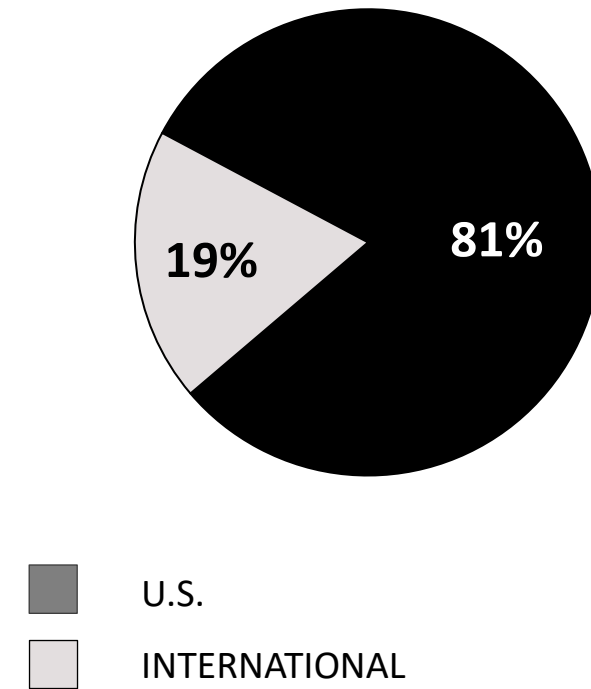
YoY GROWTH IN Q1 2023 NET SALES BY GEOGRAPHY



U.S.

INTERNATIONAL

NET SALES BY GEOGRAPHY IN Q1 2023



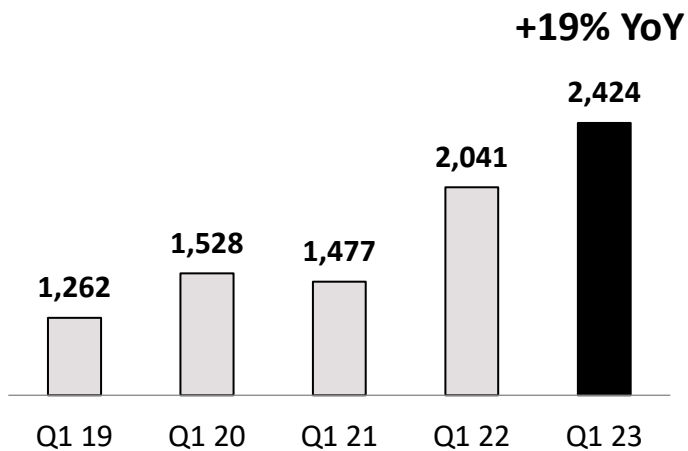
■ U.S.

■ INTERNATIONAL

OPERATING METRICS HIGHLIGHTS

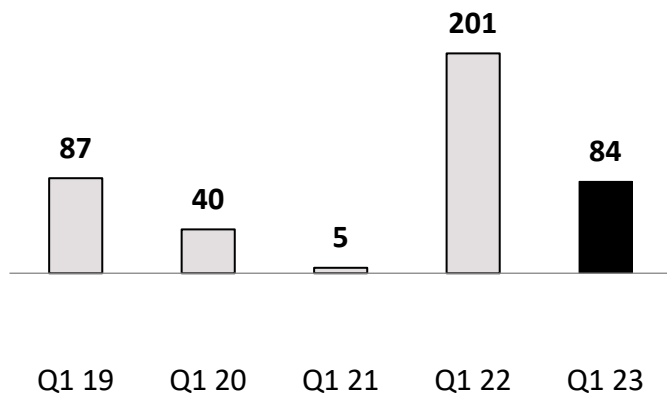
ACTIVE CUSTOMERS⁽¹⁾

(TRAILING 12 MONTHS, in 000s)



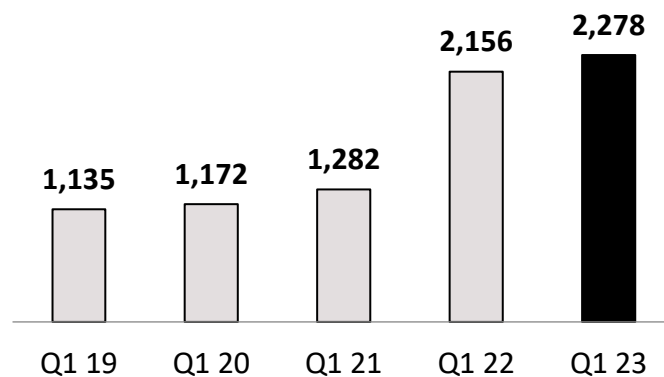
QoQ GROWTH

(000s)

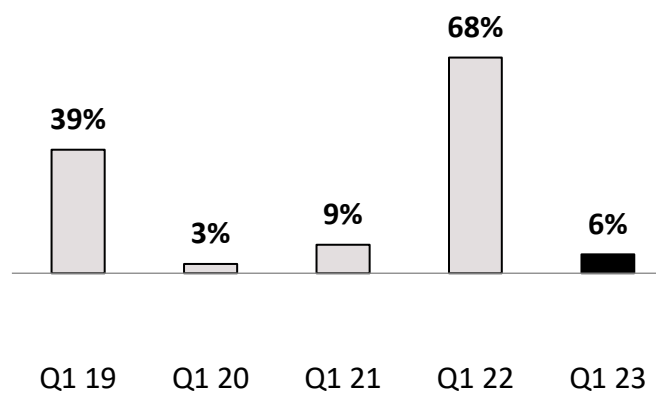


TOTAL ORDERS PLACED⁽¹⁾

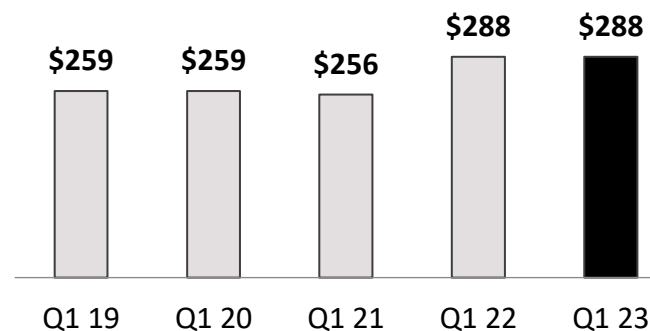
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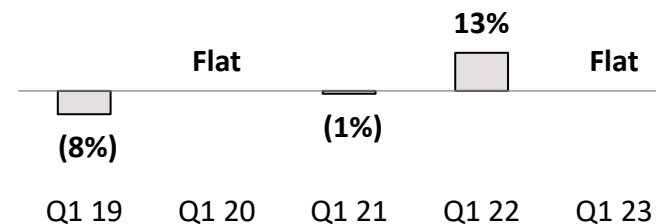
YoY GROWTH TREND



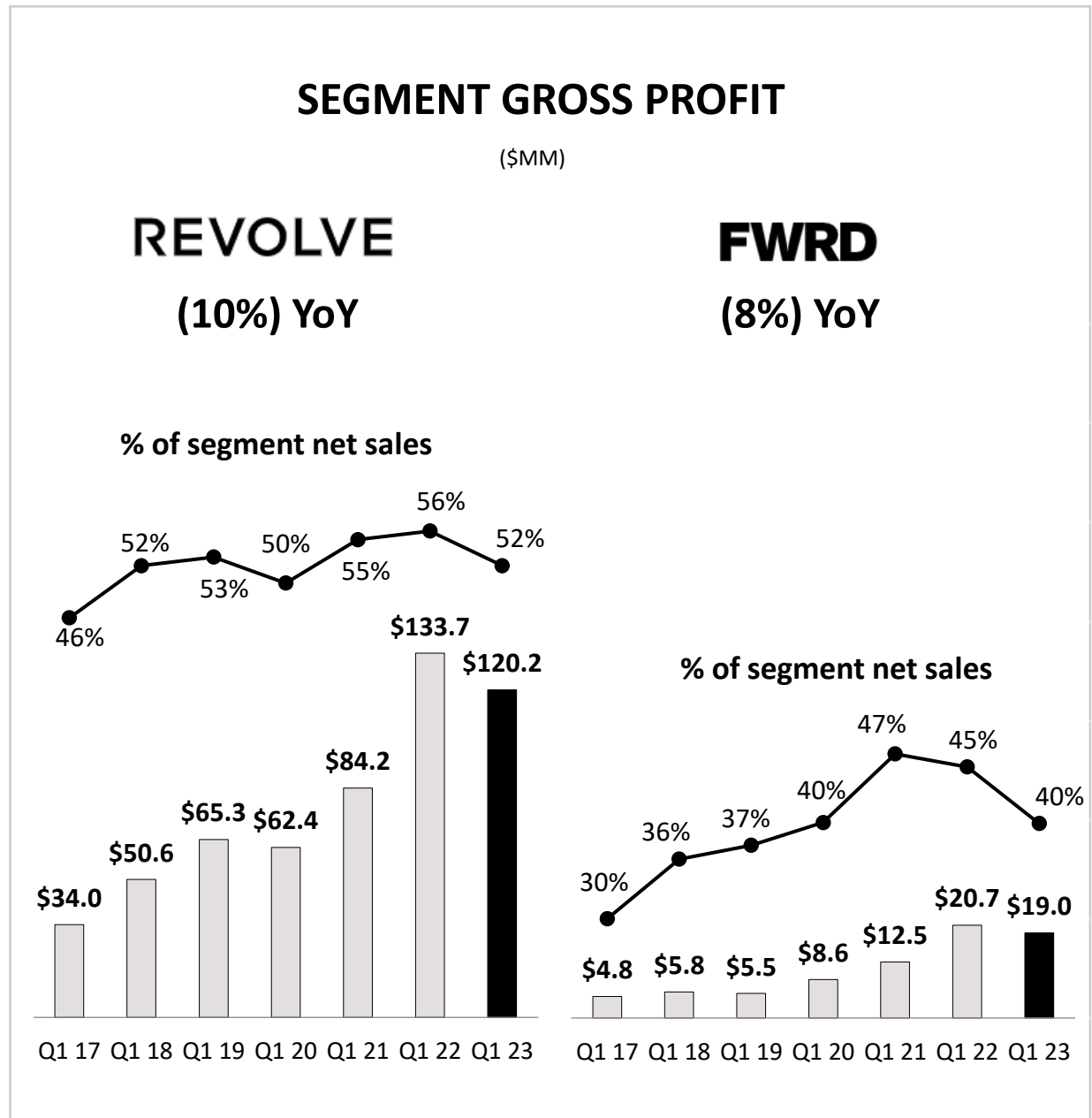
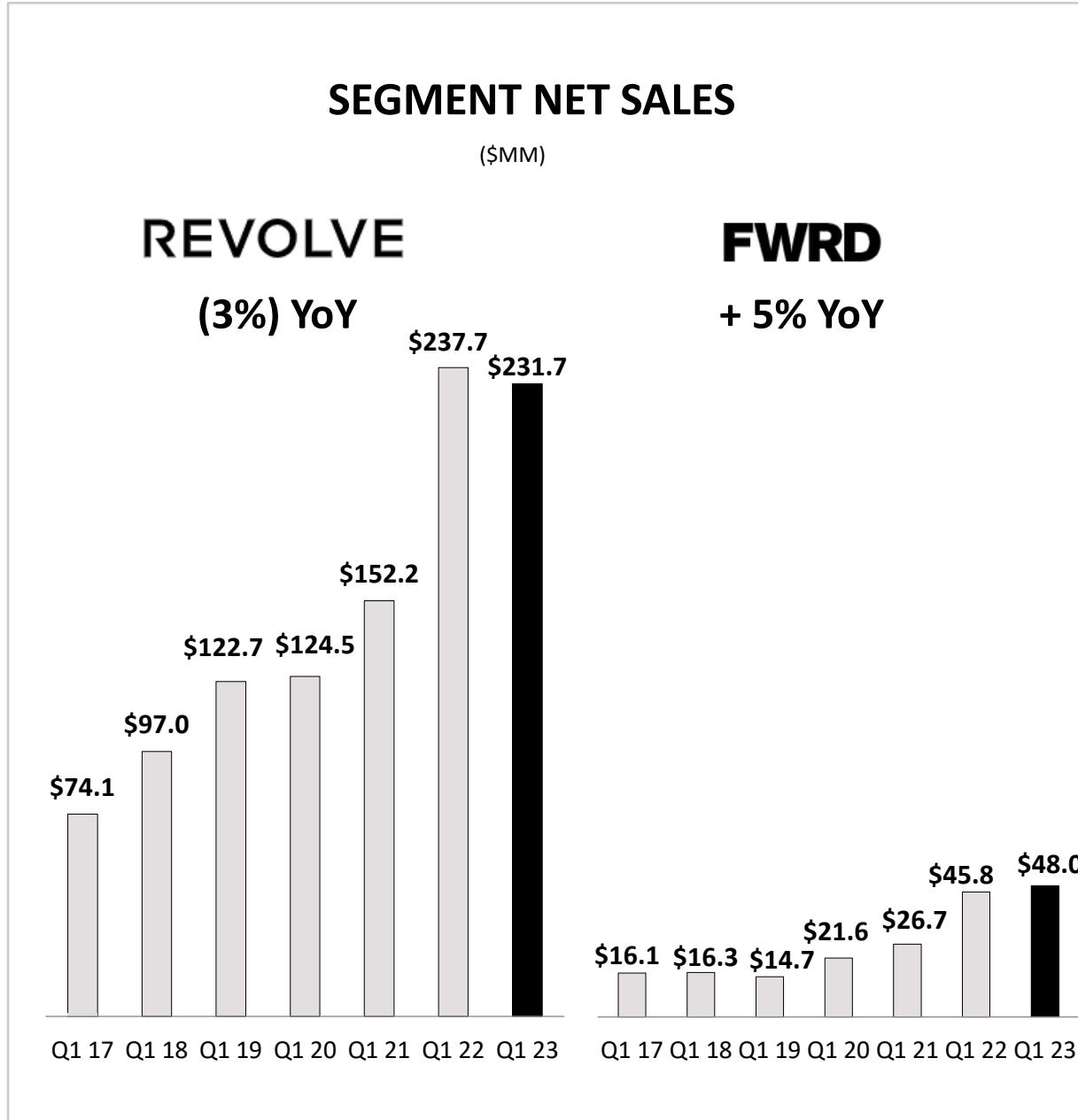
AVERAGE ORDER VALUE⁽¹⁾



YoY GROWTH TREND

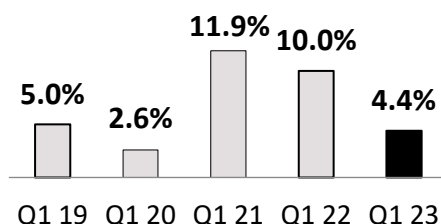


SEGMENT RESULTS

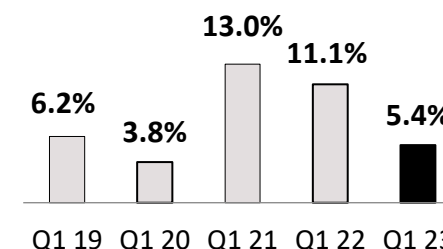


COST AND MARGIN STRUCTURE

GAAP OPERATING INCOME MARGIN



ADJUSTED EBITDA MARGIN⁽¹⁾



AS A % OF NET SALES	Q1 23	Q1 22	CHANGE	OBSERVATIONS
Gross Profit	49.8%	54.5%	(468) BPs	Primarily reflects a lower mix of net sales at full price year-over-year, consistent with our outlook commentary on recent investor conference calls.
Fulfillment	(3.2%)	(2.6%)	+67 BPs	Primarily reflects the higher return rate year-over-year, costs related to expansion of our fulfillment center footprint and increased compensation costs for fulfillment staff.
Selling and Distribution	(18.4%)	(16.4%)	+197 BPs	Primarily reflects increasing shipping costs resulting from the higher return rate year-over-year and higher shipping rates, partially driven by increased variable fuel surcharges.
Marketing	(13.7%)	(16.0%)	(225) BPs	Primarily reflects reduced investment in brand marketing activations driven by fewer large-scale events and performance marketing efficiencies year-over-year.
General and Administrative	(10.0%)	(9.5%)	+58 BPs	Primarily reflects the 5% year-over-year increase in G&A expense compared to the slight year-over-year decline in net sales.
GAAP Operating Income Margin ⁽²⁾	4.4%	10.0%	(566) BPs	

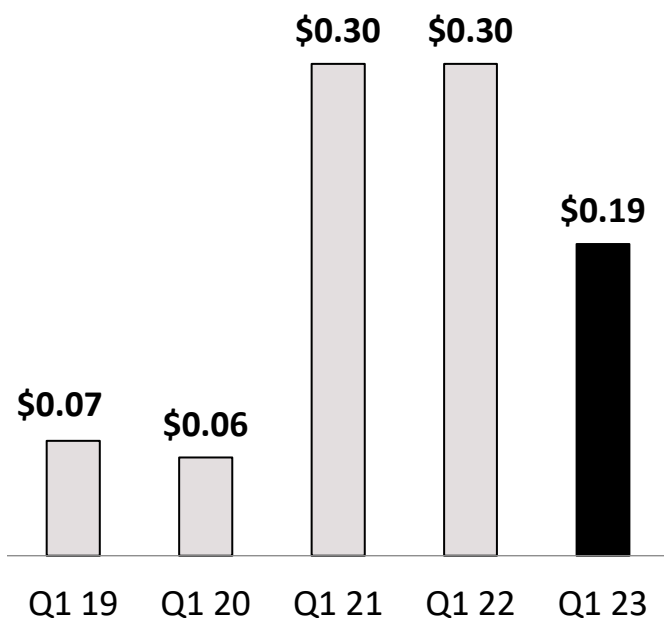
Notes:

1. See the Appendix for a definition of Adjusted EBITDA margin and reconciliations to its corresponding GAAP financial measure.
2. Due to rounding, some numbers presented may not add up precisely to the totals provided.

EARNINGS PER SHARE

THE EPS MATH

Q1 DILUTED EPS



(000s, except per share figures and percentages)	Q1 23	Q1 22	YoY
Income before income taxes	\$18,841	\$28,996	(35%)
Provision for income taxes	(4,669)	(6,398)	(27%)
Effective tax rate	(25%)	(22%)	3 PTs
Net income (GAAP)	\$14,172	\$22,568	(37%)
Weighted average basic shares	73,370	73,264	—
+ Effect of dilutive stock options and RSUs	1,009	1,539	(34%)
Weighted average diluted shares	74,379	74,803	(1%)
Diluted EPS (GAAP)	\$0.19	\$0.30	(37%)

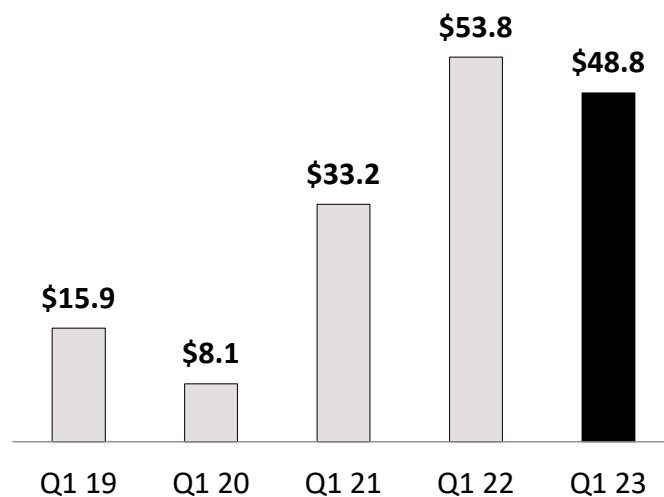
CASH FLOW AND BALANCE SHEET HIGHLIGHTS

NET CASH PROVIDED BY OPERATING ACTIVITIES

(\$MM)

(9)% YoY

32% 4-Year CAGR

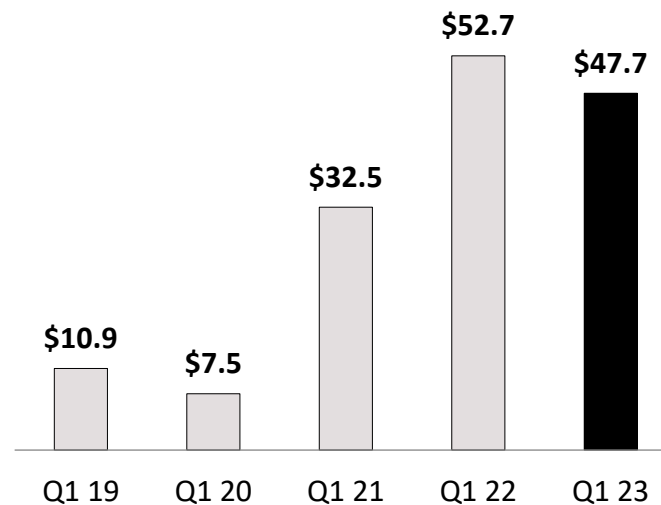


FREE CASH FLOW⁽¹⁾

(\$MM)

(10)% YoY

44% 4-Year CAGR

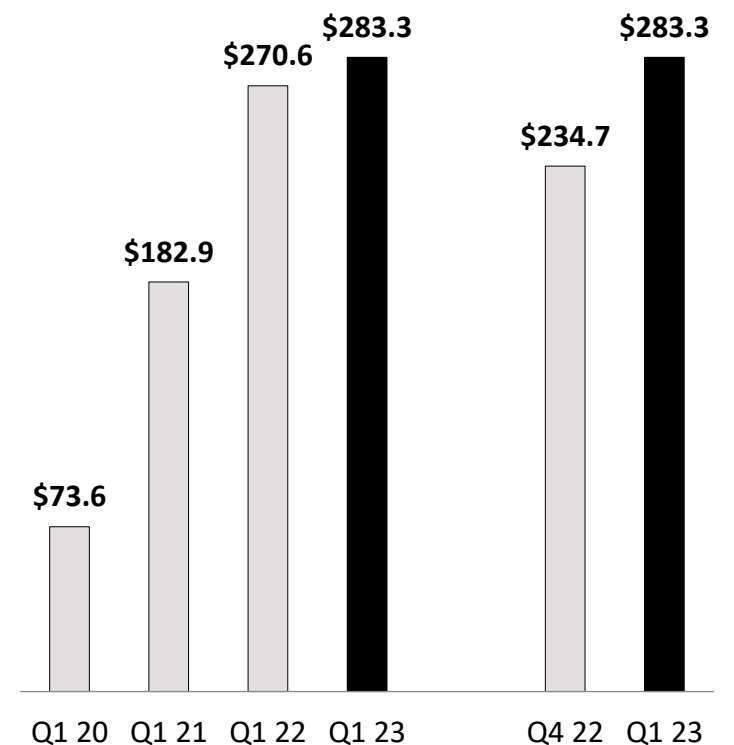


CASH & CASH EQUIVALENTS, NET⁽²⁾

(\$MM)

**+\$13M,
or +5% YoY**

**+\$49M,
or +21% QoQ**



Note:

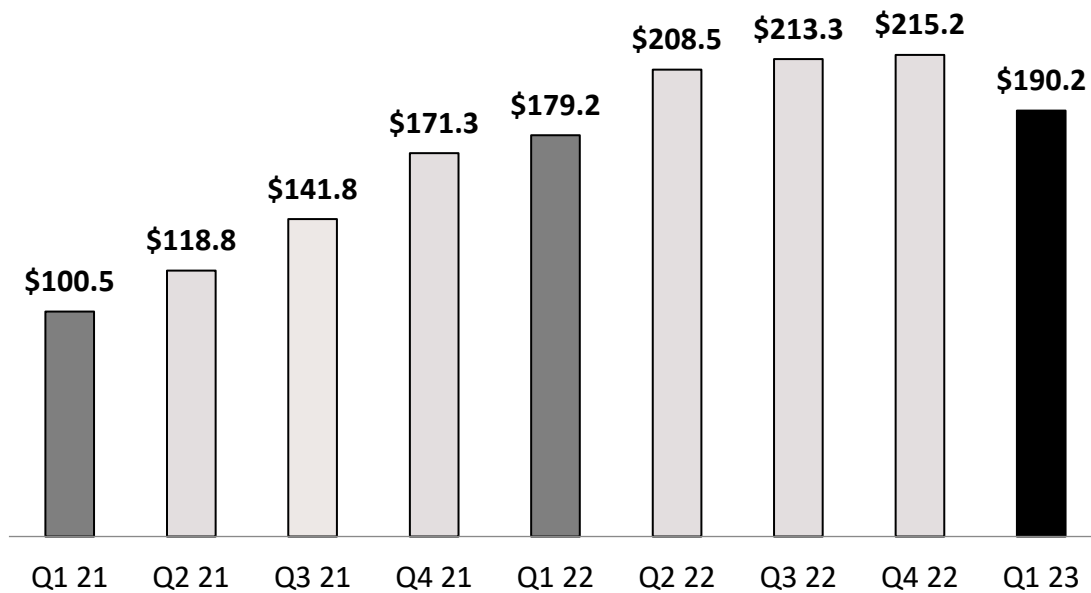
1. See the Appendix for a definition of Free Cash Flow and reconciliations to its corresponding GAAP financial measure.
2. Net of borrowings for the quarter ended March 31, 2020. There were no other borrowings in other periods presented.

BALANCE SHEET HIGHLIGHTS

INVENTORY

(\$MM)

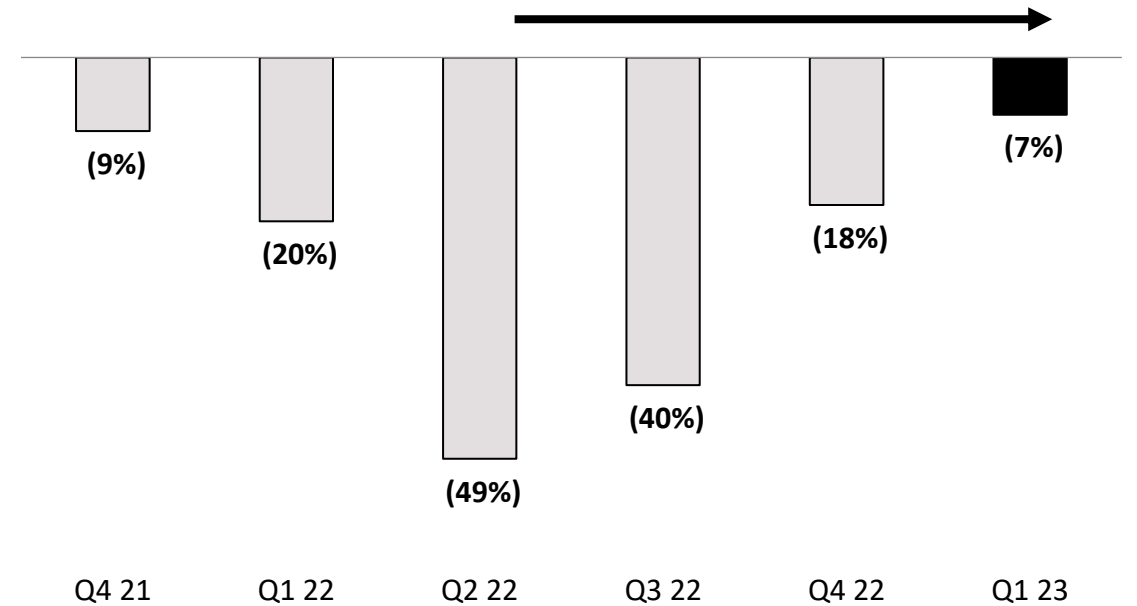
Inventory Declined (12%) QoQ and Increased 6% YoY



YoY SALES GROWTH % MINUS YoY INVENTORY GROWTH %

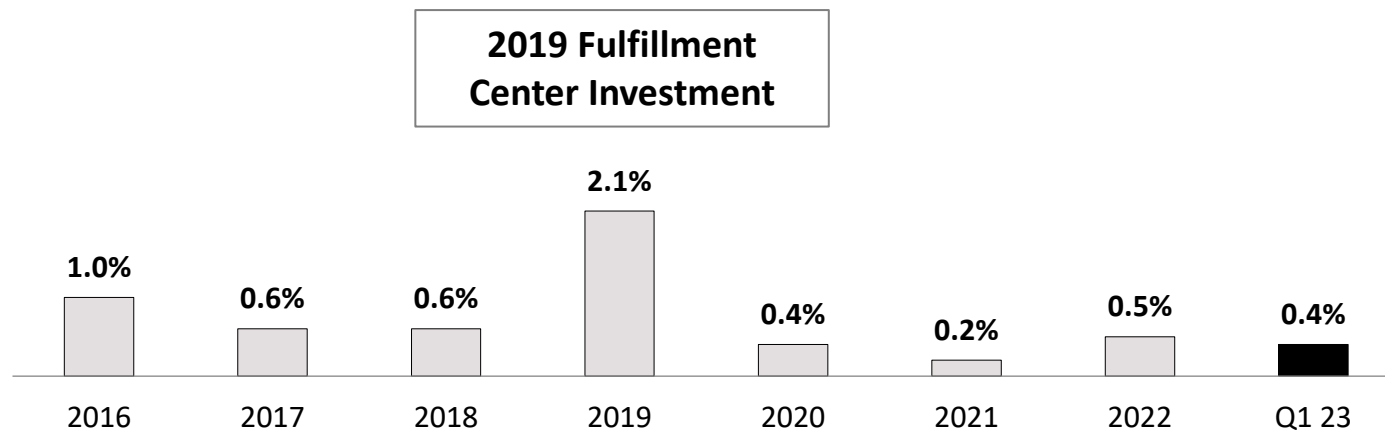
Progress towards balancing inventory

Spread reduced 42 pts in 3 quarters

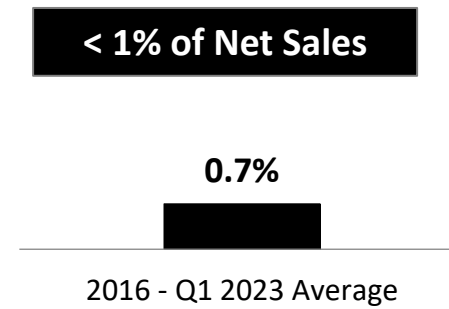


CAPITAL EFFICIENCY: A KEY DRIVER OF CASH FLOW GENERATION

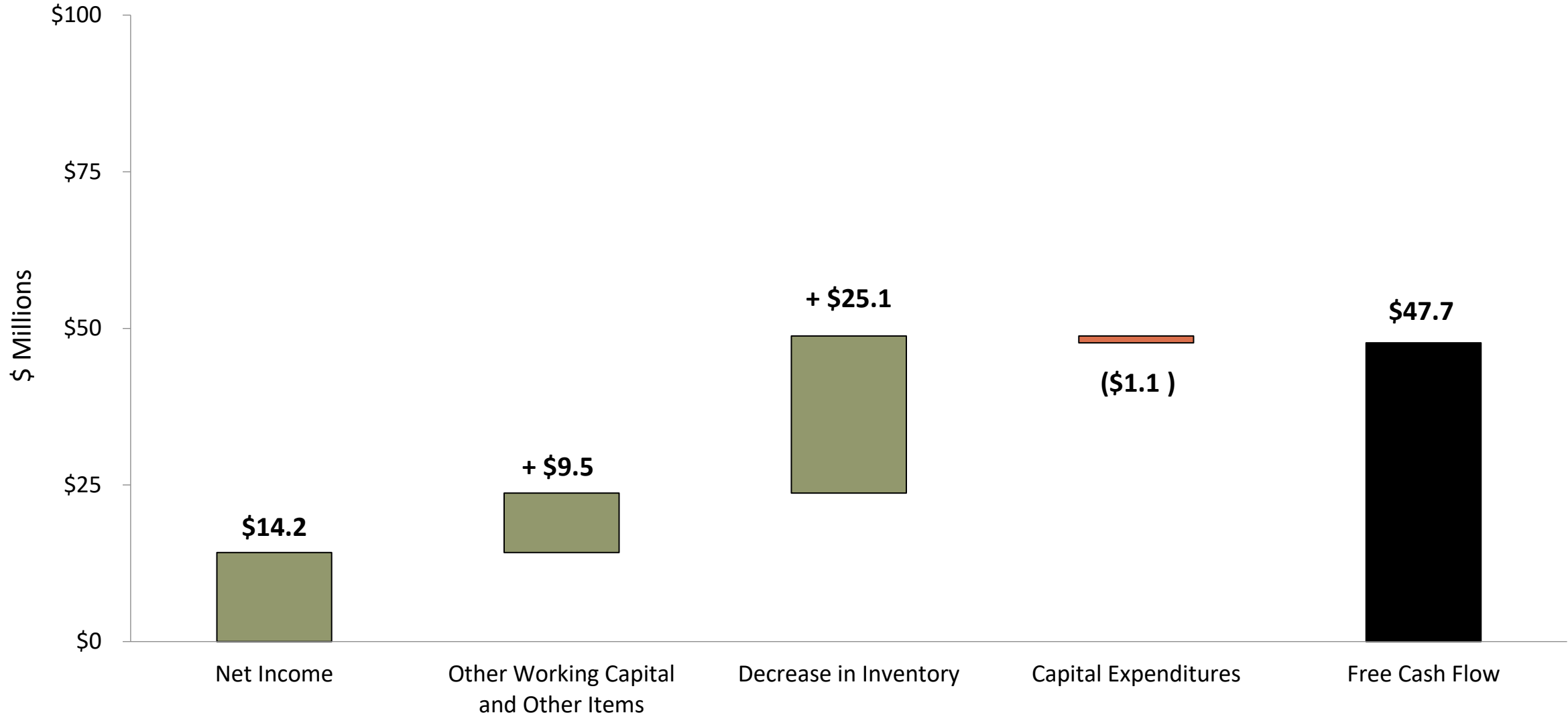
CAPITAL EXPENDITURES (CAPEX) % OF NET SALES



AVERAGE CAPEX % OF NET SALES SINCE 2016



BUILD UP OF FREE CASH FLOW IN Q1 2023



REVOLVE

APPENDIX: DEFINITIONS AND RECONCILIATIONS



UPCOMING INVESTOR CONFERENCES

NEEDHAM TECHNOLOGY & MEDIA CONFERENCE

- **MAY 18, 2023**

COWEN FUTURE OF THE CONSUMER CONFERENCE

- **JUNE 6, 2023**

WILLIAM BLAIR GROWTH STOCK CONFERENCE

- **JUNE 7, 2023**

GAAP TO NON-GAAP RECONCILIATION

ADJUSTED EBITDA (\$MM) ⁽¹⁾	Q1 2019	Q1 2020	Q1 2021	Q1 2022	Q1 2023
NET INCOME	\$5.0	\$4.2	\$22.3	\$22.6	\$14.2
(+) OTHER EXPENSE (INCOME), NET	0.2	(0.1)	0.2	(0.5)	(6.6)
(+) PROVISION FOR (BENEFIT FROM) INCOME TAXES	1.7	(0.2)	(1.3)	6.4	4.7
(+) DEPRECIATION AND AMORTIZATION	0.7	1.2	1.1	1.1	1.2
(+) EQUITY-BASED COMPENSATION	0.5	0.6	1.0	1.5	1.3
(+) NON-ROUTINE ITEMS ⁽²⁾	0.4	--	--	0.5	0.3
ADJUSTED EBITDA	\$8.5	\$5.6	\$23.3	\$31.5	\$15.0
NET INCOME MARGIN	3.6%	2.8%	12.4%	8.0%	5.1%
ADJUSTED EBITDA MARGIN	6.2%	3.8%	13.0%	11.1%	5.4%
FREE CASH FLOW (\$MM) ⁽¹⁾	Q1 2019	Q1 2020	Q1 2021	Q1 2022	Q1 2023
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$15.9	\$8.1	\$33.2	\$53.8	\$48.8
PURCHASES OF PROPERTY AND EQUIPMENT	(5.0)	(0.6)	(0.7)	(1.1)	(1.1)
FREE CASH FLOW	\$10.9	\$7.5	\$32.5	\$52.7	\$47.7

Notes:

1. Due to rounding, some numbers presented may not add up precisely to the totals provided.
2. Non-routine items for 2022 and 2023 relate to an accrual for a legal matter. Non-routine items in 2019 related to legal settlements.

METRICS DEFINITIONS

Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP financial measure that we calculate as net income before other (income) expense, net; taxes; and depreciation and amortization; adjusted to exclude the effects of equity-based compensation expense and certain non-routine items. Adjusted EBITDA is a key measure used by management to evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis and, in the case of exclusion of the impact of equity-based compensation, excludes an item that we do not consider to be indicative of our core operating performance.

Adjusted EBITDA Margin is a non-GAAP financial measure that we calculate as Adjusted EBITDA divided by net sales.

Free Cash Flow is a non-GAAP financial measure that we calculate as net cash provided by operating activities less cash used in purchases of property and equipment. We view free cash flow as an important indicator of our liquidity because it measures the amount of cash we generate. Free cash flow also reflects changes in working capital.

Operating Metrics

We define an **Active Customer** as a unique customer account from which a purchase was made across our platform at least once in the preceding 12-month period. In any particular period, we determine our number of active customers by counting the total number of customers who have made at least one purchase in the preceding 12-month period, measured from the last date of such period. We view the number of active customers as a key indicator of our growth, the reach of our sites, the value proposition and consumer awareness of our brand, the continued use of our sites by our customers and their desire to purchase our products.

We define **Average Order Value** as the sum of the total gross sales from our sites in a given period, prior to product returns, divided by the total orders placed in that period. We believe our high average order value demonstrates the premium nature of our product assortment. Average order value varies depending on the site through which we sell merchandise, the mix of product categories sold, the number of units in each order, the percentage of sales at full price, and for sales at less than full price, the level of markdowns.

We define **Total Orders Placed** as the total number of orders placed by our customers, prior to product returns, across our platform in any given period. We view total orders placed as a key indicator of the velocity of our business and an indication of the desirability of our products and sites to our customers. Total orders placed, together with average order value, is an indicator of the net sales we expect to recognize in a given period.