



# The RealReal

Investor Presentation

May 2020

# Safe Harbor

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 results, including the amounts of our operating expense and capital expenditure reductions and our strategies, plans, commitments, objectives and goals, in particular in the context of the impacts of the COVID-19 pandemic. 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, 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 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 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](http://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 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 it 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.

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.





# The RealReal

Q1 Highlights

# Q1 Highlights

- Q1 results negatively impacted by COVID-19 starting in mid-March
- Constrained by limited staffing in our facilities once shelter-in-place directives implemented
- GMV of \$257.6 million, +15% Y/Y
- 84.4% of GMV from repeat buyers
- Revenue of \$78.2 million, +11% Y/Y
- Direct revenue of \$12.9 million, down 14% Y/Y
- Gross Profit of \$49.2 million, +16% Y/Y
- Well capitalized with \$303 million in cash, short term investments and cash equivalents

# COVID-19 Safety Response

- Health and safety of our team, consignors and buyers is paramount
  - Temporarily closed stores and Luxury Consignment Offices;
  - Suspended all in-person White Glove consignment appointments;
  - Social distancing in our e-commerce centers, including staggered shifts, reduced staff onsite, taped off six-foot boundaries, training, signage, etc. enforced by our safety officers;
  - Cleaning and sanitizing during every hour of every shift and dedicating equipment to individual use;
  - Providing personal protective equipment (PPE), including daily kits for every onsite employee with gloves and a mask;
  - Ensuring sick employees stay home by providing additional PTO and performing daily wellness checks before shifts, including taking employee temperatures
  - Providing a transportation allowance for private transportation to work;
  - Cleaning items received for consignment and consulting directly with a third-party medical expert to validate

# COVID-19 Financial Response: \$70 million Expense Reduction Plan

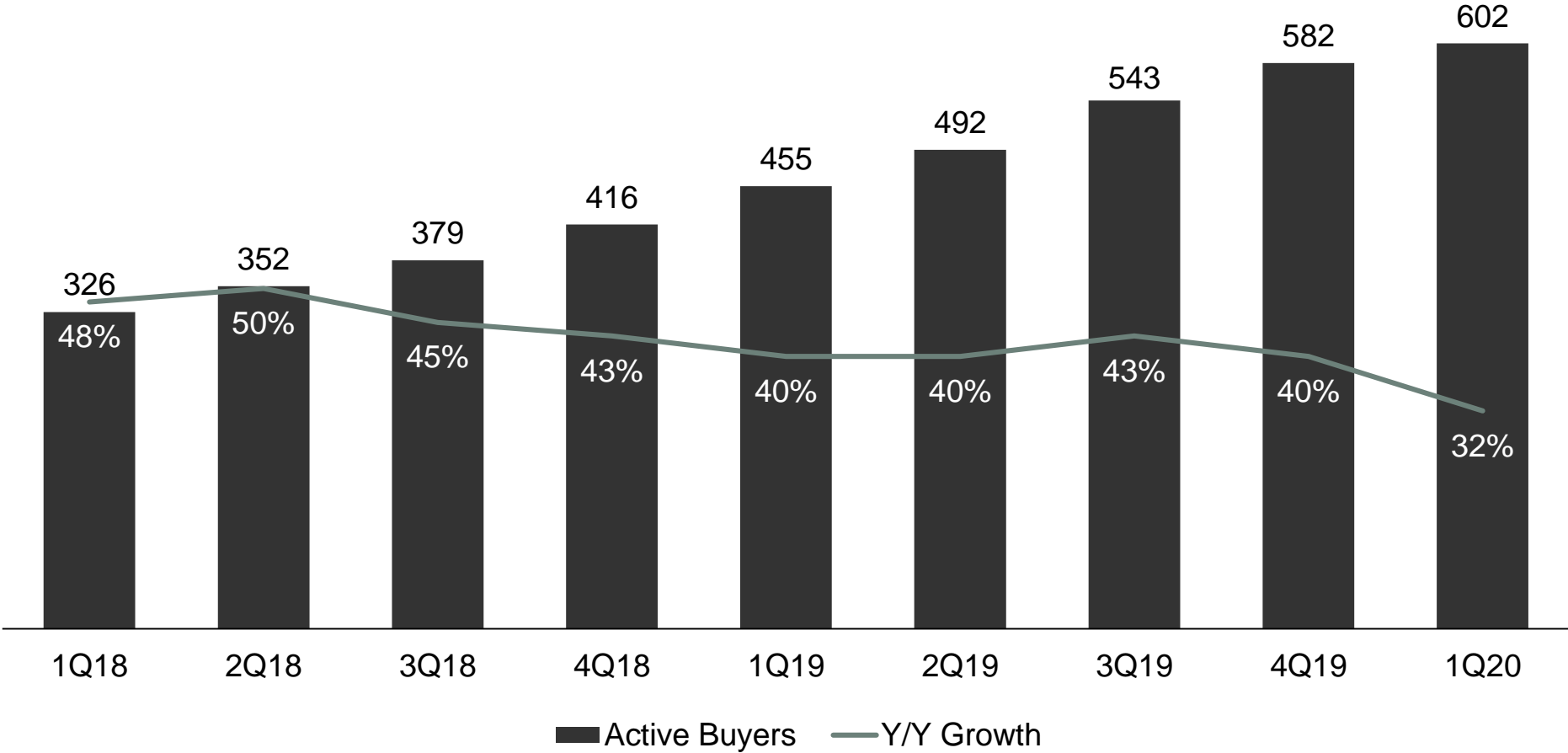
- Implemented a comprehensive expense reduction plan to preserve liquidity
  - Actions intended to result in operating expense reductions of more than \$70 million and cap ex reductions of approximately \$15 million in 2020 compared to previously planned levels
  - Significantly reduced marketing spend
  - Reduced overall headcount by approximately 10% and annual company payroll related expenses by approximately 15%, excluding the impact of furloughs;
  - Furloughed approximately 15% of total headcount
  - Delayed Chicago store opening, renegotiated certain vendor contracts, deferred capital investments, and reduced executive salaries

# Green Shoots in the Business

- Interest in consignment remains strong; completed thousands of virtual appointments since launch
- Expect supply to ramp once the op environment improves & people seek to monetize luxury goods
- Optimistic that virtual appointments, self-scheduling and van pick-up can unlock supply
- The RealReal B2B vendor performance remains resilient; vendor channel interest is up 10x
- Traffic trends up year over year in April despite a two-thirds reduction in advertising spend
- 4 day sales sell-through rate has rebounded to pre-COVID levels; new supply continues to sell quickly
- Expect value orientation to position us to emerge from the pandemic with a meaningful tailwind
- Believe the online/offline retail landscape will be transformed over the next 12 months to our benefit

# Q1 TTM Active Buyer Growth 32% Y/Y

(in thousands)

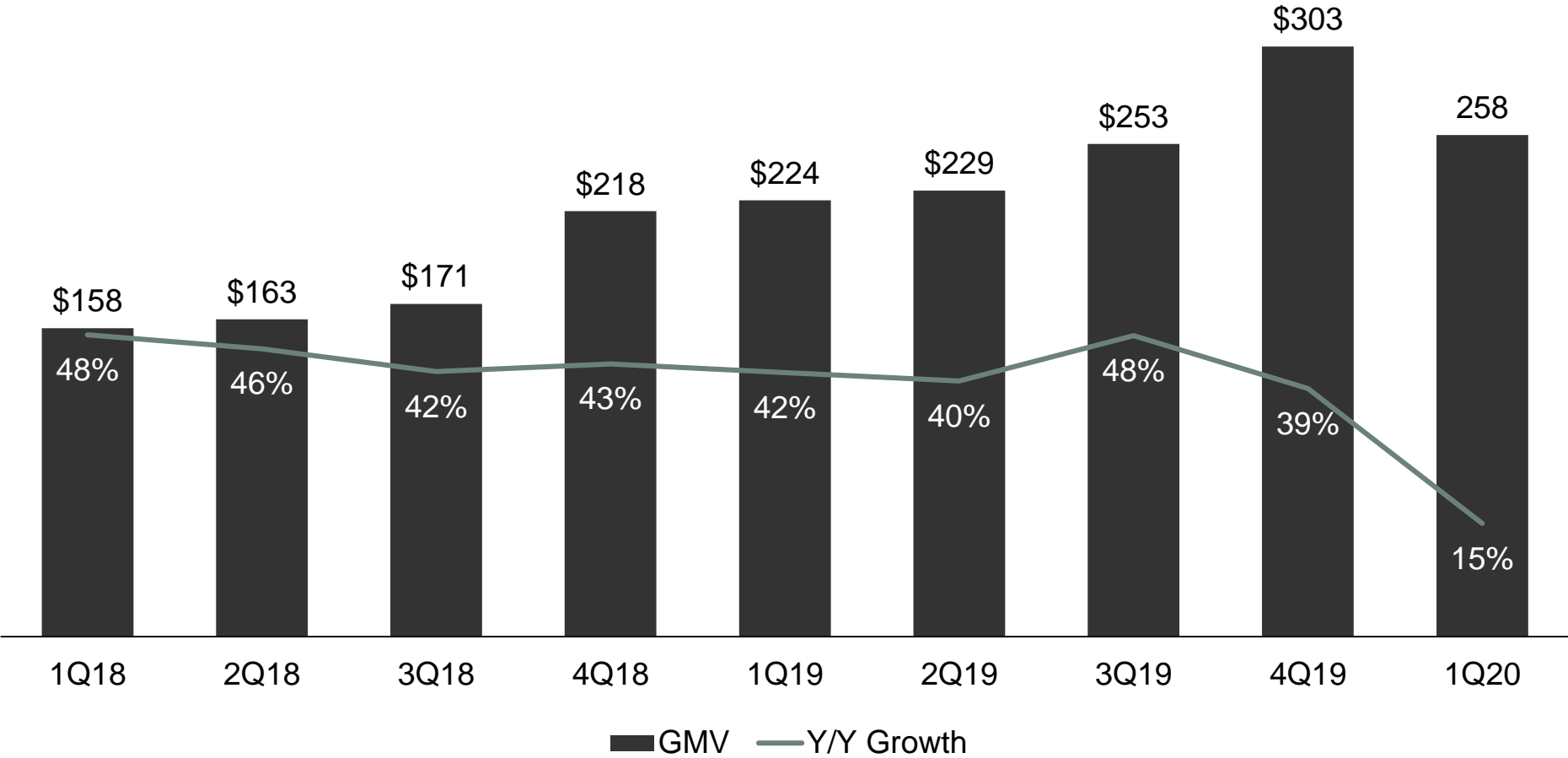


**TTM Active buyer growth increased 32% Y/Y; Added 20K active buyers in Q1 with TV the largest source of active buyer growth**



# Q1 GMV Growth 15% Y/Y

(\$MM)

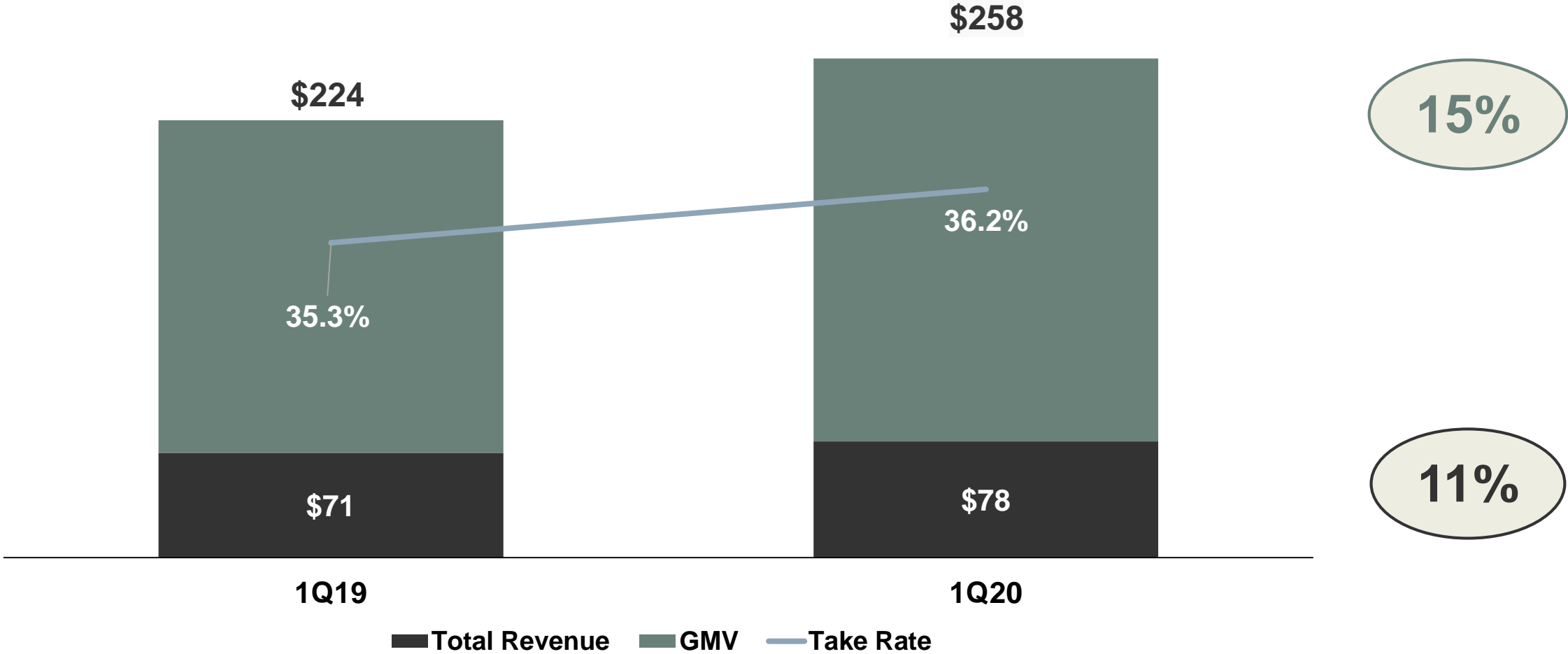


GMV growth increased 15% Y/Y; GMV negatively impacted driven by COVID-19 headwinds that started in mid-March when shelter-in-place directives were implemented

# Q1 Take Rate Increased 90bps Y/Y

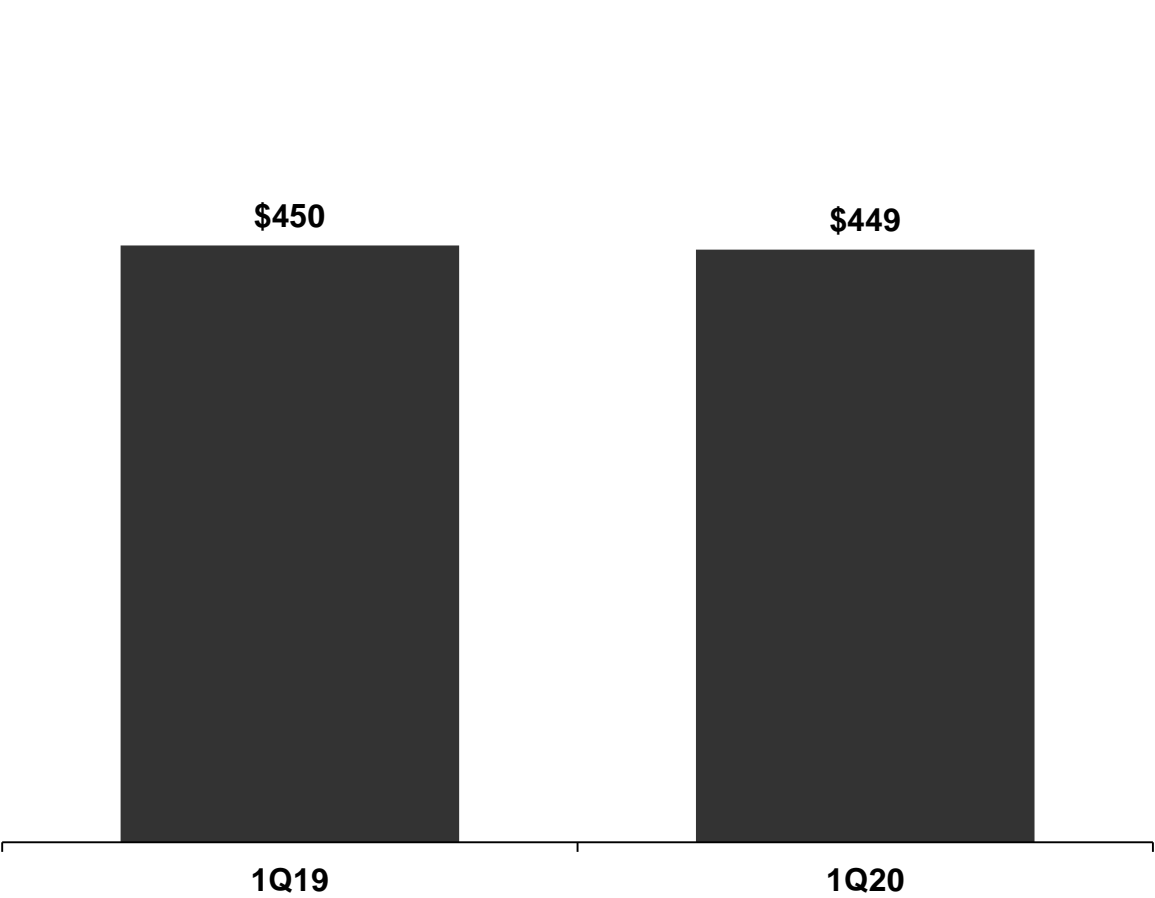
(\$ in millions)

GROWTH

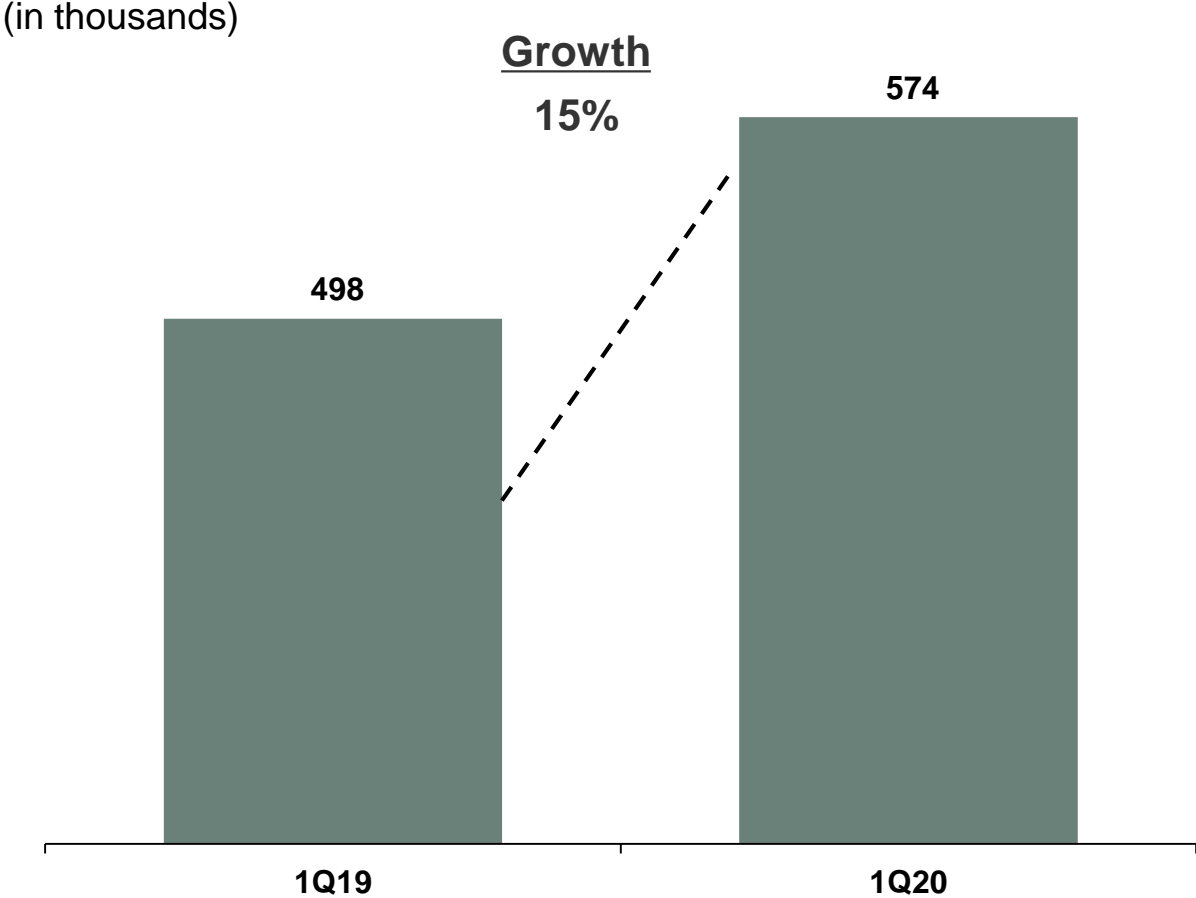


# GMV Growth Driven By Order Growth

Average order value (AOV)

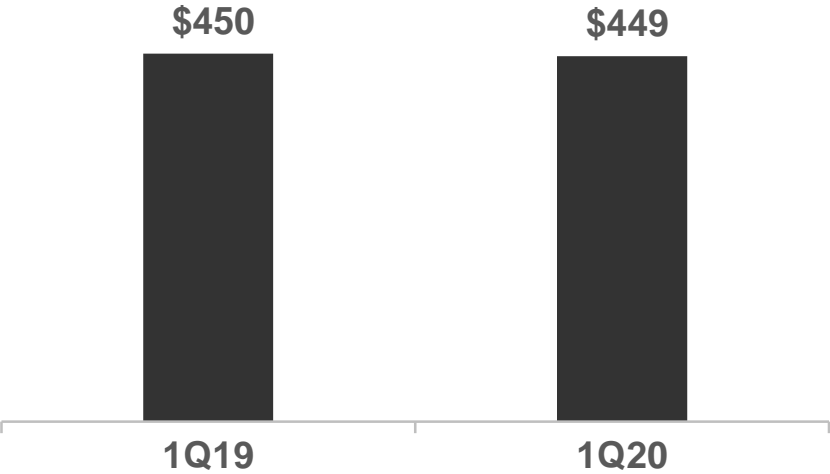


Number of orders

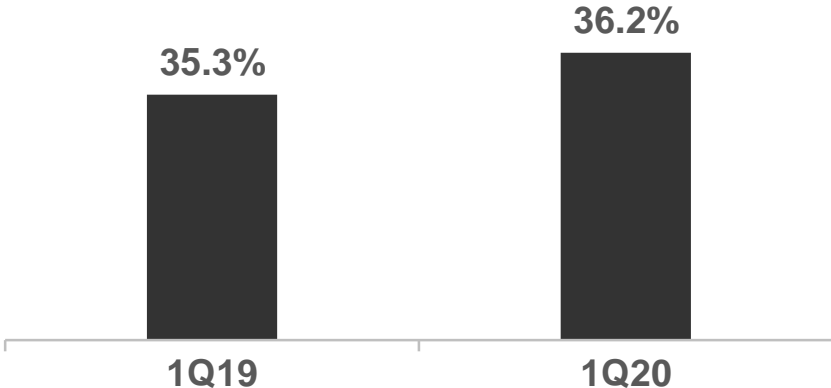


# Top Line Leverage

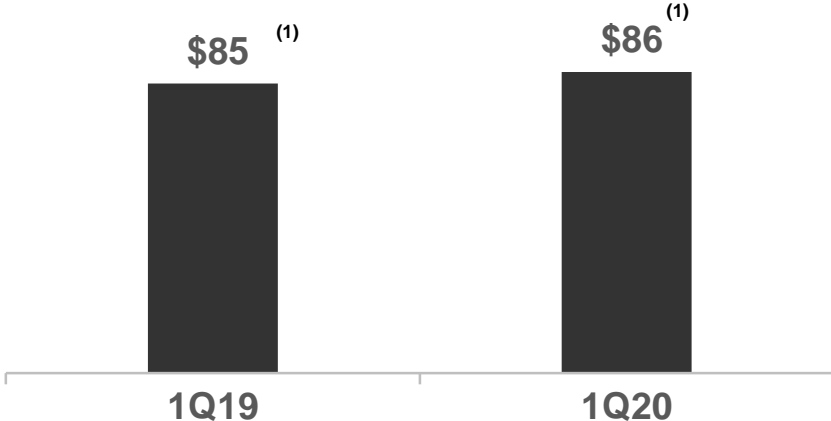
## Leverage drivers



**AOV**  
 AOV essentially flat Y/Y; AOV negatively impacted by units per order



**Take Rate**  
 Up 90bps Y/Y; Increase driven by Take Rate changes implemented in February 2019



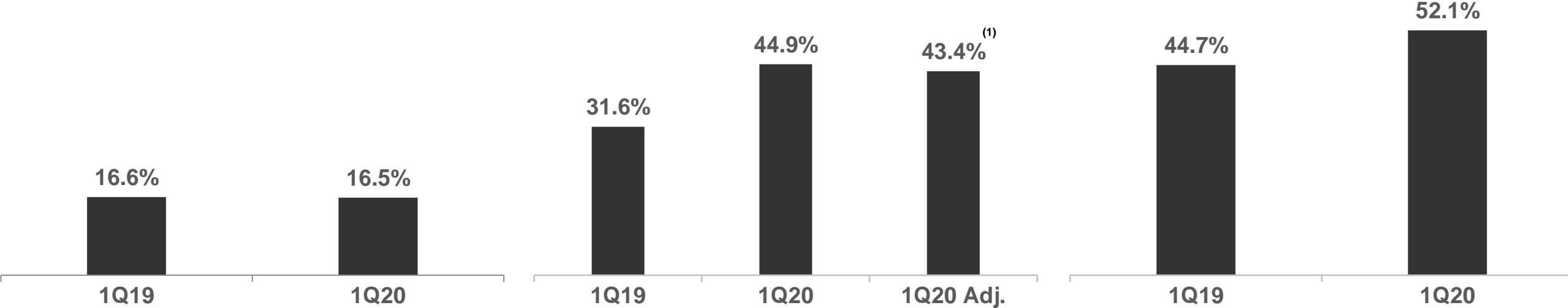
**Gross Profit Per Order**  
 Up 1% Y/Y; Increase driven by shipping leverage

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



# Operating Leverage Controls

**Operating Expenses (% of Revenue) Negatively Impacted by COVID-19 GMV Headwinds in Late March and Lower Direct Revenue Mix in 1Q20 (Recognized on Gross Basis)**



**Marketing**  
Healthy retention trends

**SG&A**  
Deleverage driven by investments in public company costs, sales headcount and a \$1.1 million in legal settlements

**Ops & Tech**  
Deleverage driven by COVID-19 headwinds as we continued to pay warehouse and store employees despite shelter-in-place directives

(1) Excluding the \$1.1 million in Legal Settlements, SG&A as a percent of revenue was 43.4% in 4Q19.

## 2Q and Full Year 2020 Outlook

- Withdrew our 2020 outlook on March 17<sup>th</sup>
- Not providing a 2Q or updated 2020 outlook at this time given limited near-term visibility

# 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

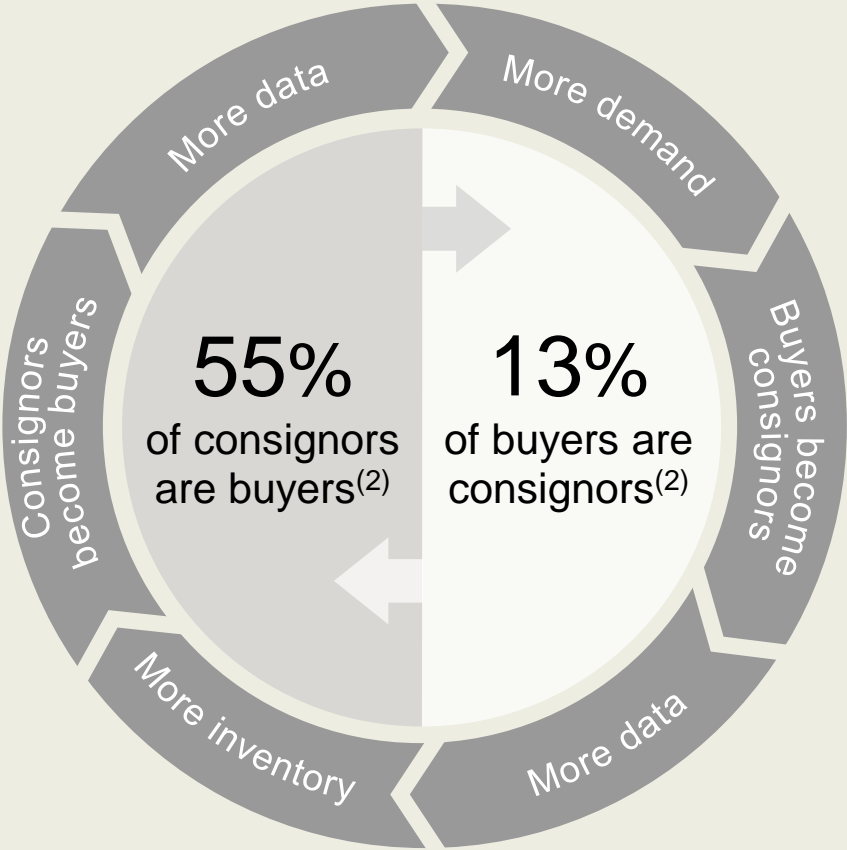
# Largest Online Marketplace for Authenticated, Consigned Luxury Goods with Powerful Flywheel Driving Growth

**\$1.0 billion**  
GMV<sup>(1)</sup>

**\$318 million**  
Total Revenue<sup>(1)</sup>

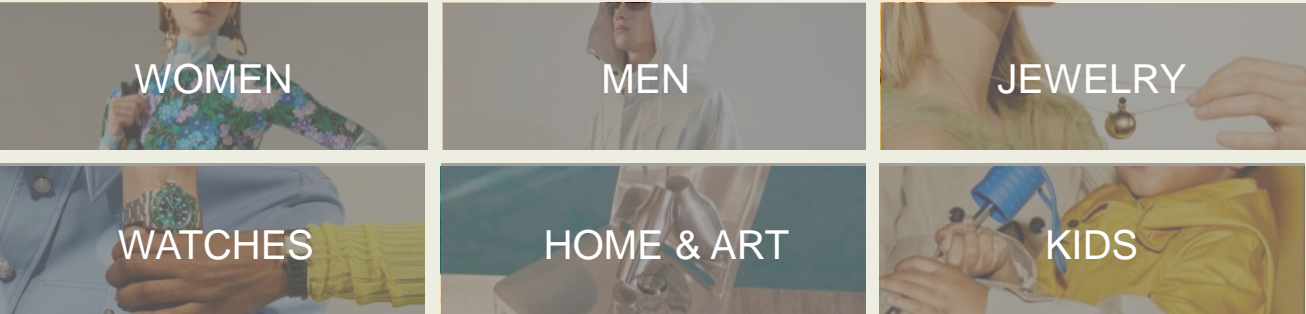
**602K**  
TTM Active  
Buyers<sup>(2)</sup>

**\$455**  
AOV<sup>(1)</sup>



**81%**  
of 2019 GMV from  
repeat consignors

**83%**  
of 2019 GMV from  
repeat buyers



Note: Average Order Value (AOV).  
 (1) Represents 2019 result.  
 (2) As of March 31, 2020.



# Luxury Market is Enormous and Propelled by Strong Tailwinds

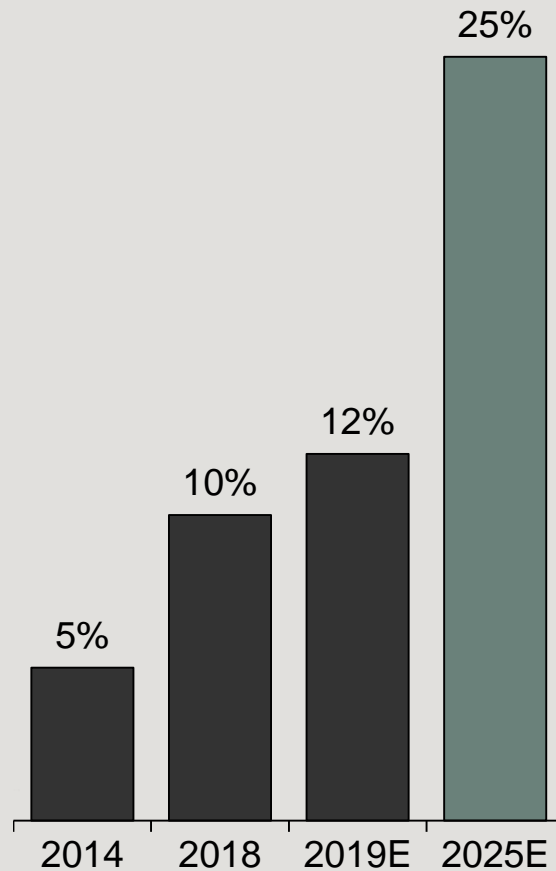
**\$309 billion**

2019 Estimate  
global personal  
luxury goods market<sup>(1)</sup>

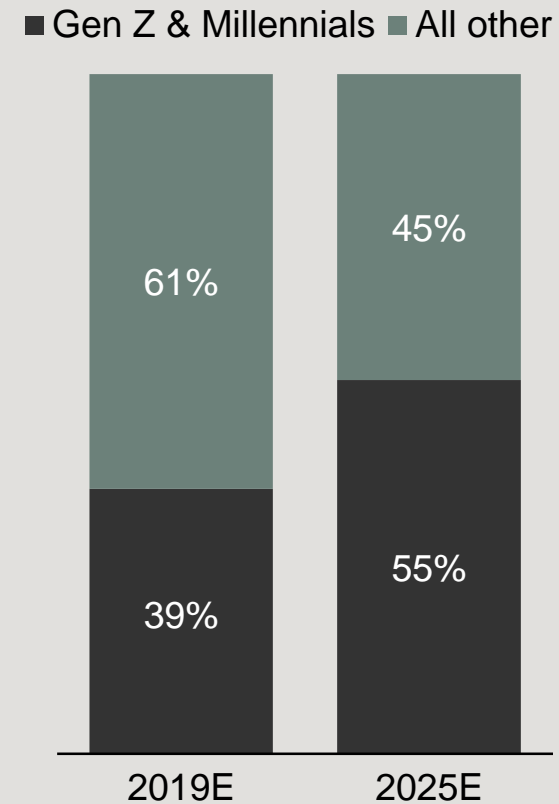
- > 6% '96 –'19  
Estimated CAGR
- > Resilient to  
economic cycles



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



Younger generations are  
driving growth<sup>(1)</sup>



Focus on  
sustainability

**~50%**

of our overall consignor base  
cite environmental impact or  
extending the lifecycle of luxury  
as key motivators for  
consigning<sup>(2)</sup>

Note: EUR converted to USD at an exchange rate of USD1.1013 / EUR as of the date of the release of the Bain & Company study on November 28, 2019.  
 (1) Global online personal luxury goods market share according to Bain & Company, Inc., Worldwide Luxury Market Monitor, November 2019 and November 2018.  
 (2) 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

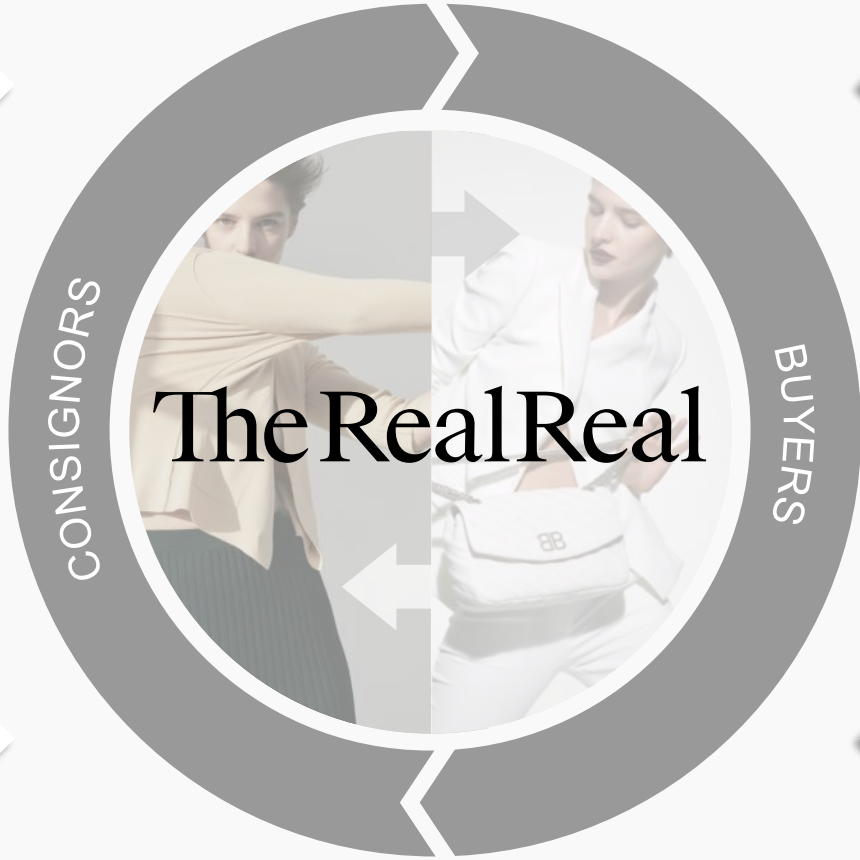
Curated, exclusive selection

Optimal pricing

Value

High commissions

Luxury service



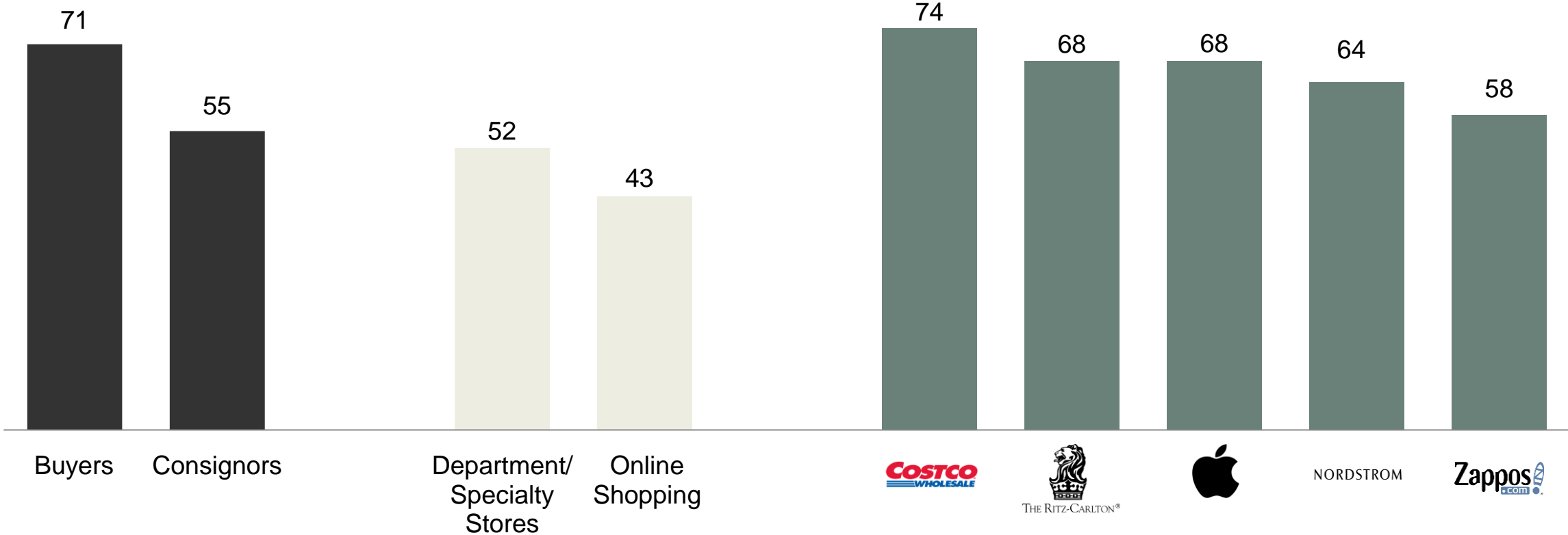
# Our NPS Compares Favorably with Best-in-Class Consumer Companies

The RealReal has a high Net Promoter Score (NPS)<sup>(1)</sup>

## The RealReal

### Industry Averages

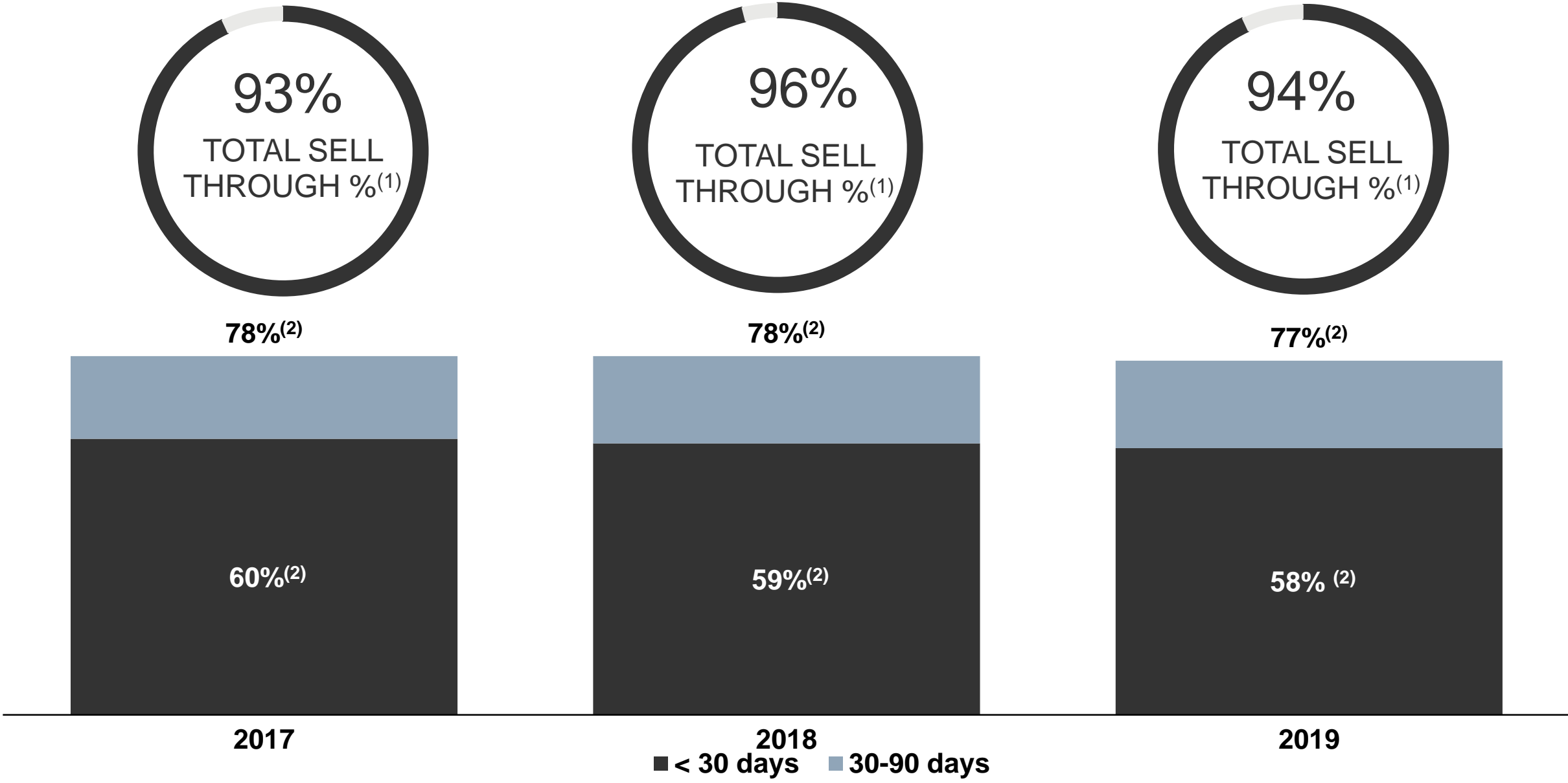
### Best-in-Class



(1) Reflects TRR 2019 NPS scores and NICE Satmetrix U.S. Consumer 2018 and 2019 data



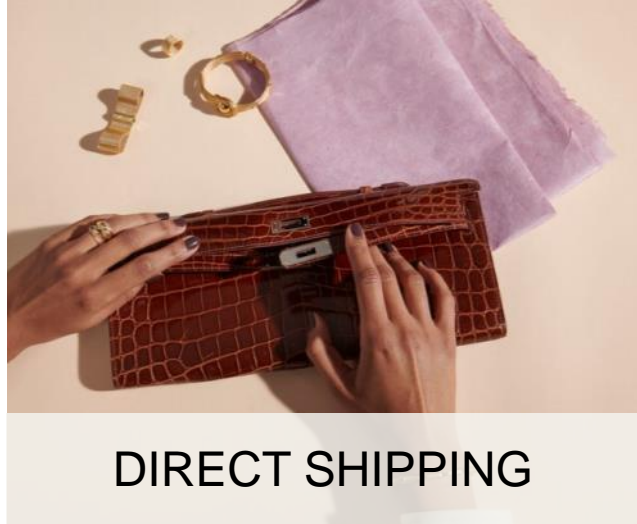
# Supply Drives the Business and Essentially Everything Sells



(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



**~240**  
Luxury managers<sup>(1)</sup>  
**40+**  
Markets<sup>(1)</sup>

**10**  
Luxury  
consignment  
offices<sup>(1)</sup>

**4**  
Retail stores in  
NYC (SoHo and  
Madison Ave), LA and  
San Francisco<sup>(1)</sup>

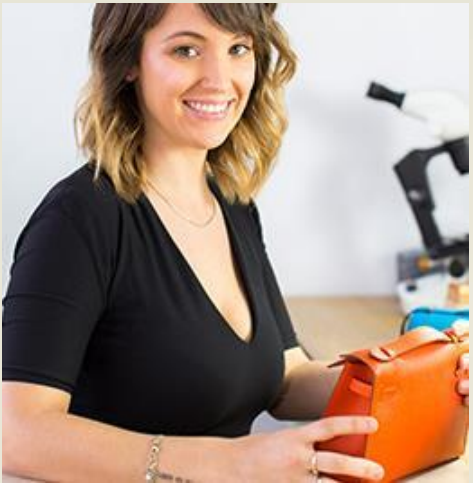
Free shipping label  
Virtual consultations  
Van Pick-up

(1) As of March 31, 2020.

# Trust: We Authenticate Every Item on Our Marketplace

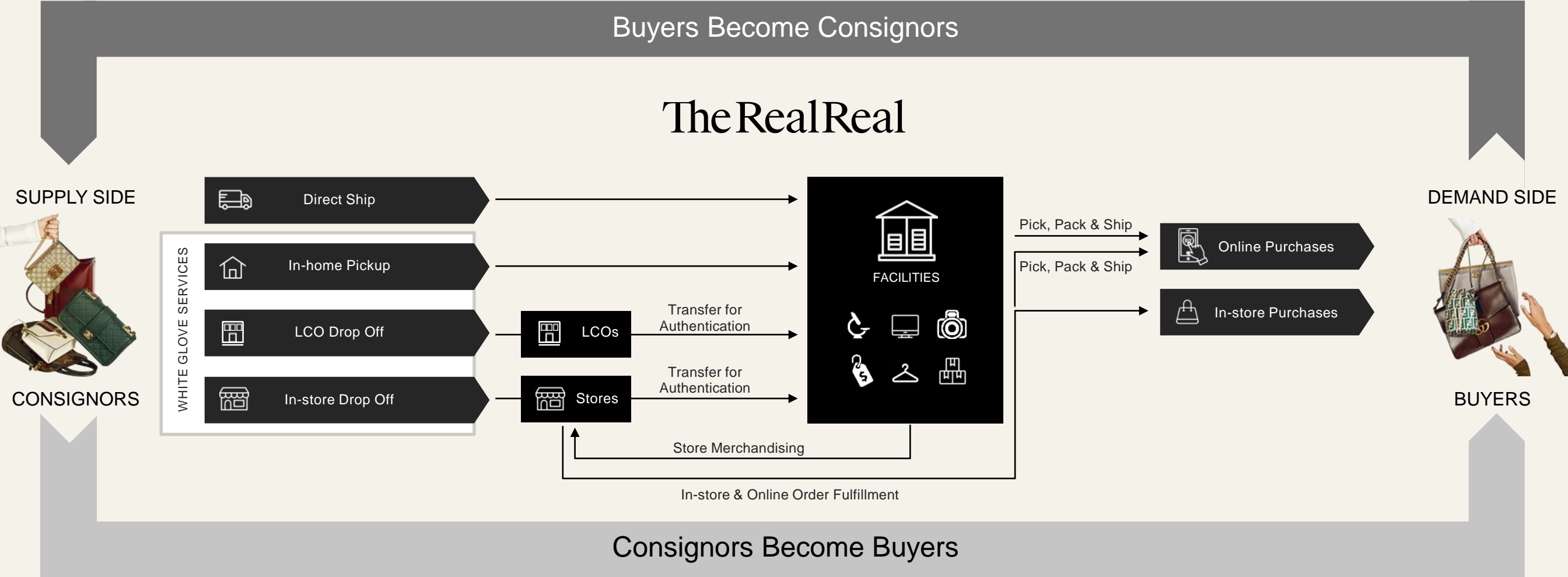
150+

Highly trained brand authenticators, gemologists, horologists and art curators <sup>(1)</sup>



Note: As of December 31, 2019.

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



Note: Luxury Consignment Office (LCO).



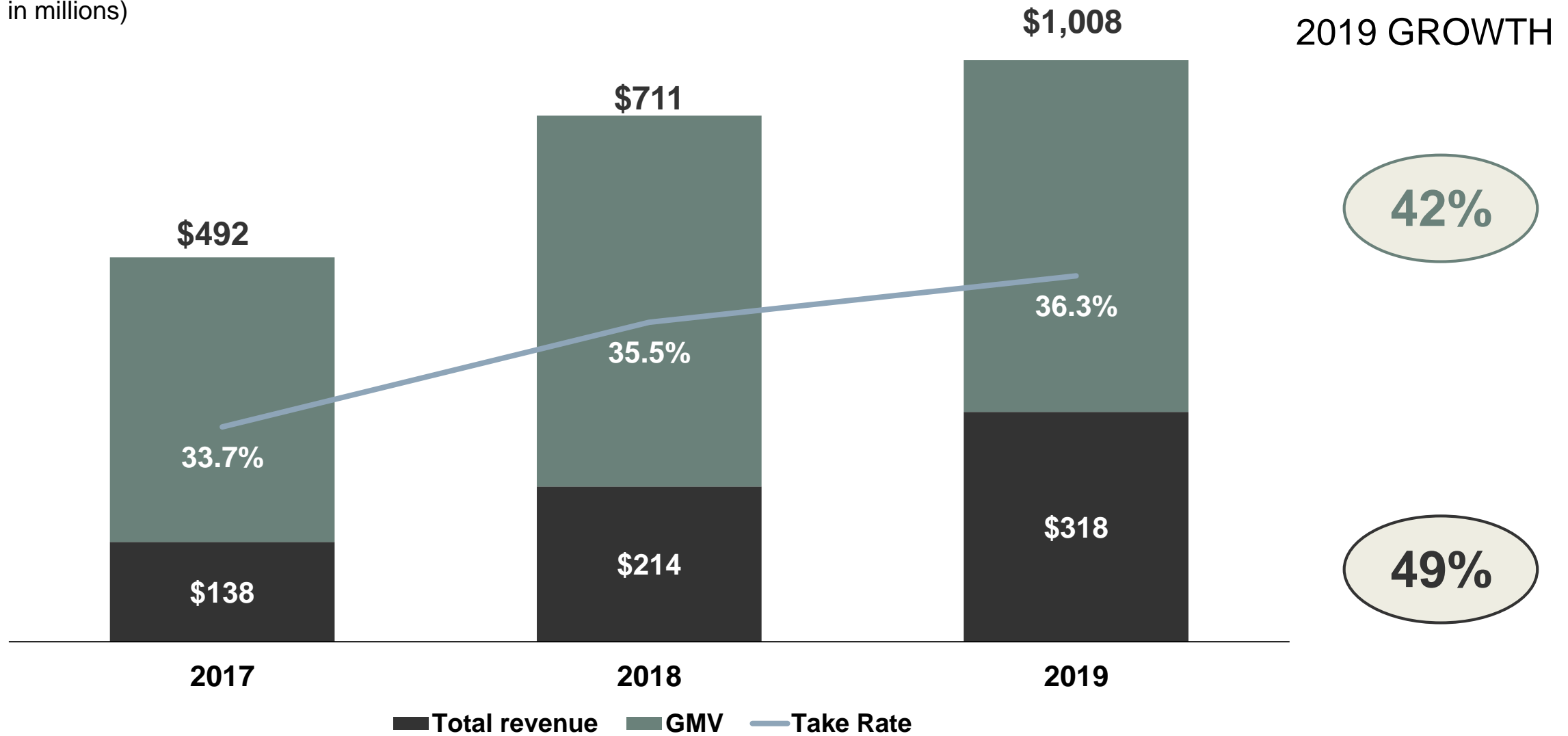
# Massive Proprietary Data Asset and Analytics Capabilities



(1) As of March 31, 2020.  
(2) Represents 2019 Result

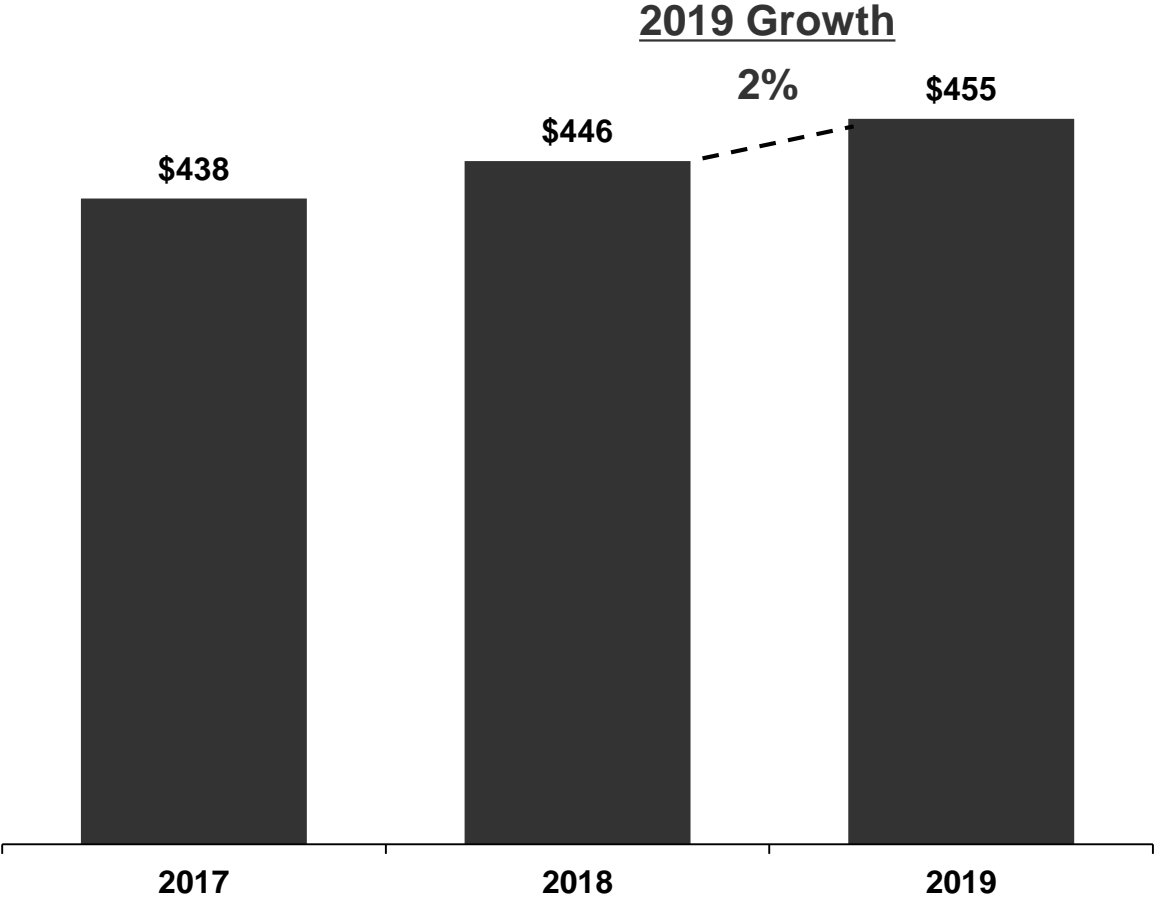
# Strong Revenue Growth Driven By GMV Growth and Take Rate

(\$ in millions)

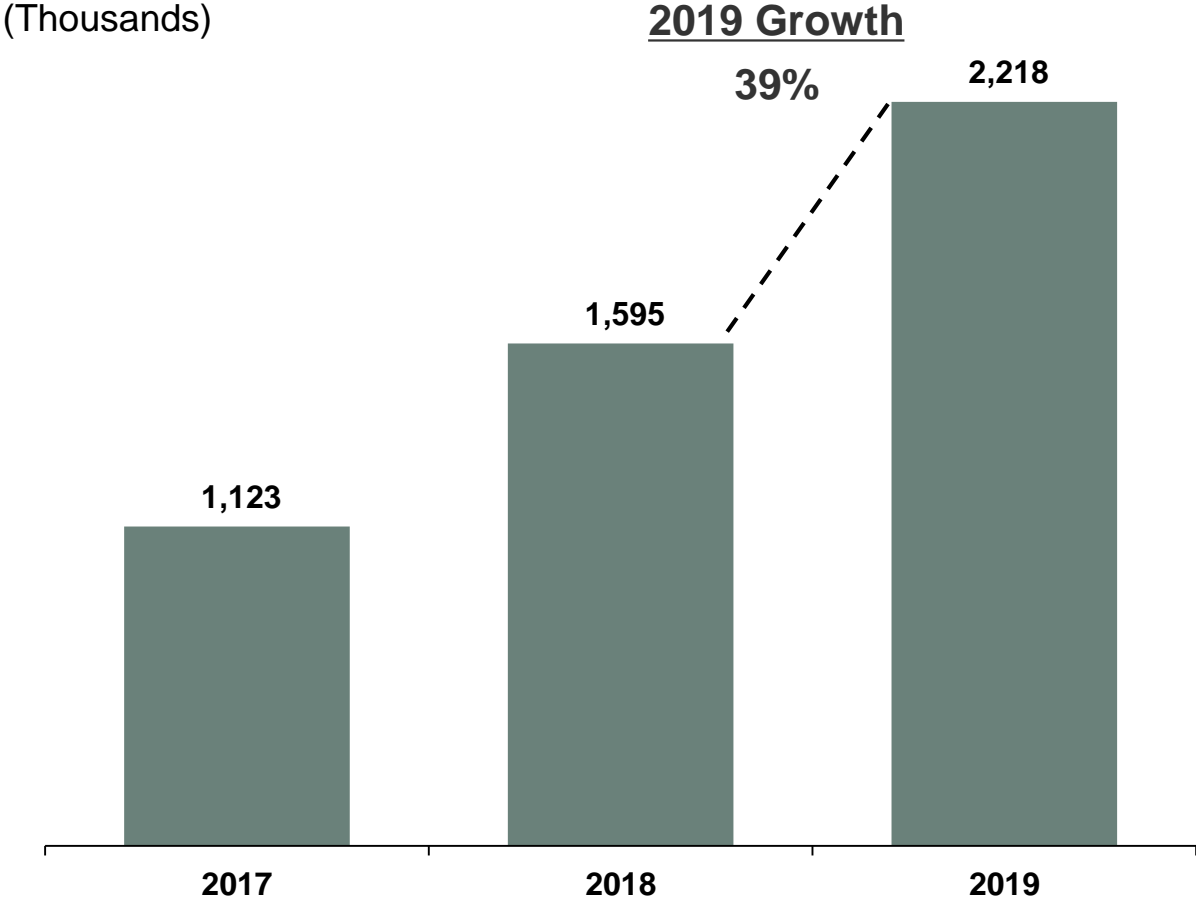


# GMV Growth Driven By Order Growth and Higher AOV

Average order value (AOV)

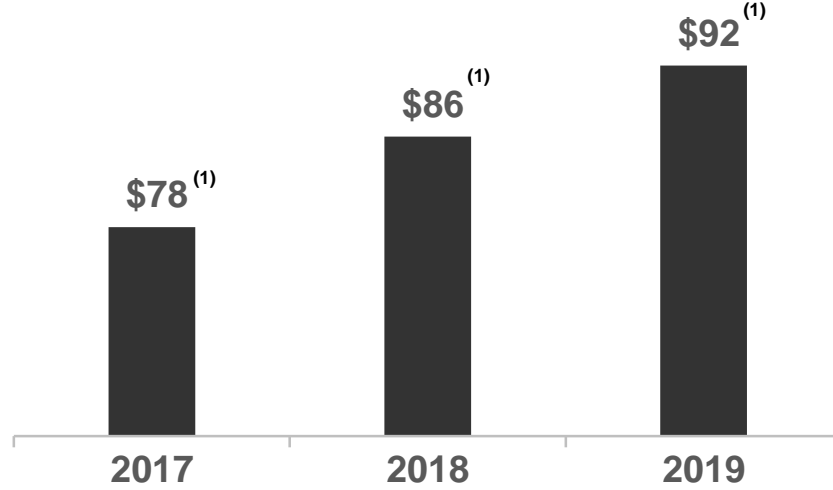
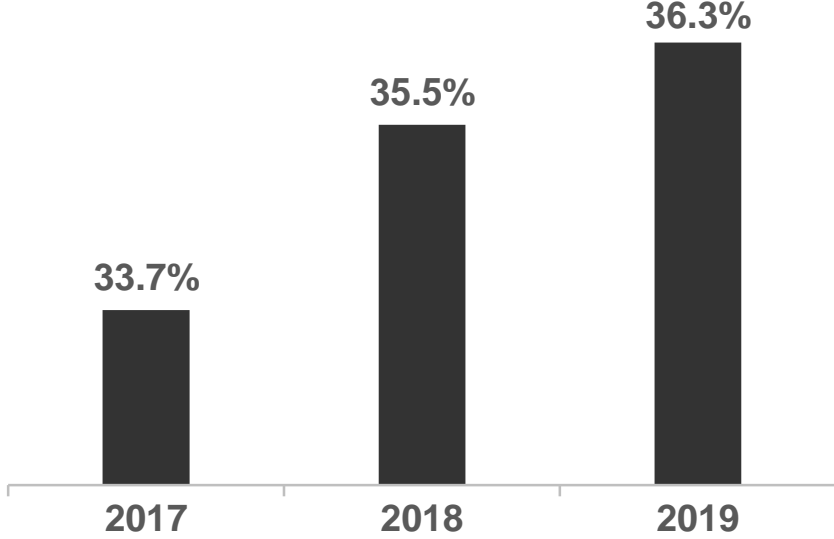
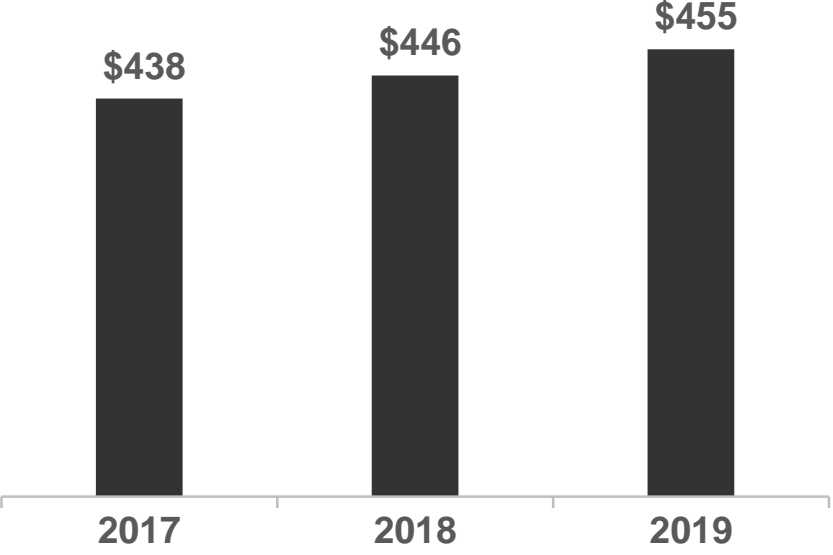


Number of orders



# Top Line Leverage

## Leverage drivers



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

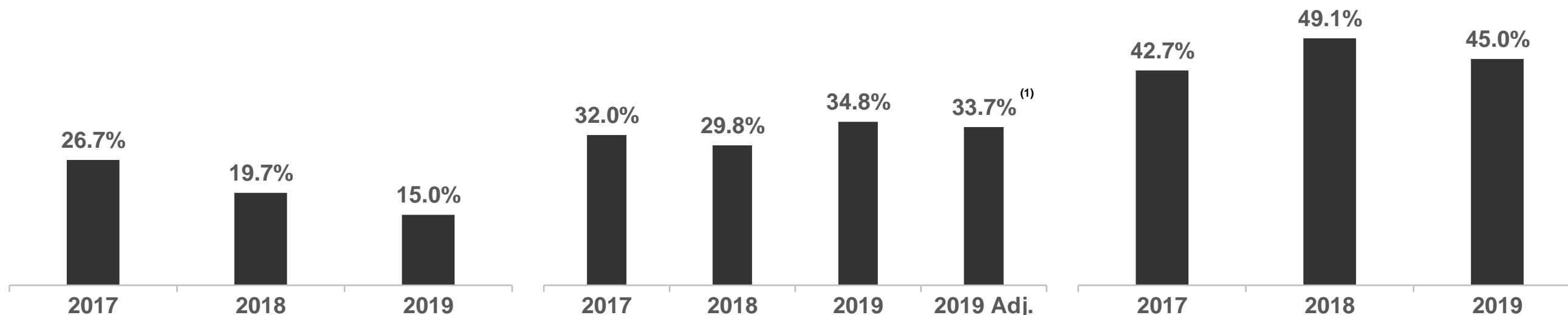
**Take Rate**  
 Up 80bps Y/Y in 2019 Driven by Take Rate changes

**Gross Profit Per Order**  
 Up 7% Y/Y in 2019; Increases due to improvements in Take Rate, AOV, and shipping leverage

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

# Operating Leverage Controls

## Operating Expenses (% of Revenue)



### Marketing

'19 leverage driven by healthy retention trends and a ~20% Y/Y decline in BAC; ~500bps Y/Y leverage in 2019

### SG&A

'19 deleverage driven by investments in public company costs, headcount and a \$3.2 million donation to establish the TRR Foundation

### Ops & Tech

'19 leverage driven by automation, improved outbound efficiencies and fixed expense leverage; ~400bps Y/Y leverage in 2019

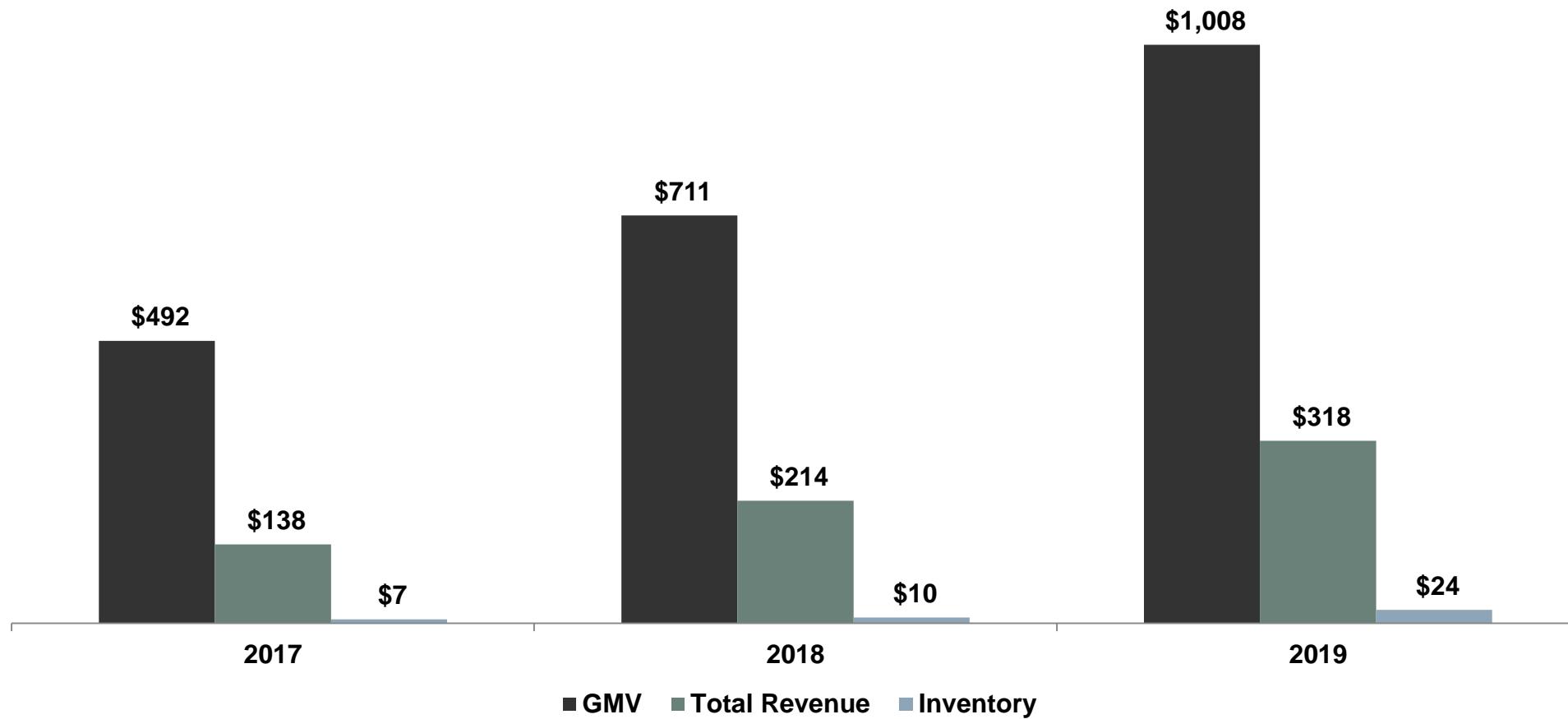
Note: Buyer Acquisition Cost or BAC for a given period is comprised of our total advertising spend divided by the number of buyers acquired in that period.

(1) Excluding the \$3.2 million donation to establish The RealReal Foundation and \$0.3 million in abandoned offering costs, SG&A as a percent of revenue was 33.7% in 2019

# Capital Efficient Marketplace Model

## GMV, Total Revenue and Inventory

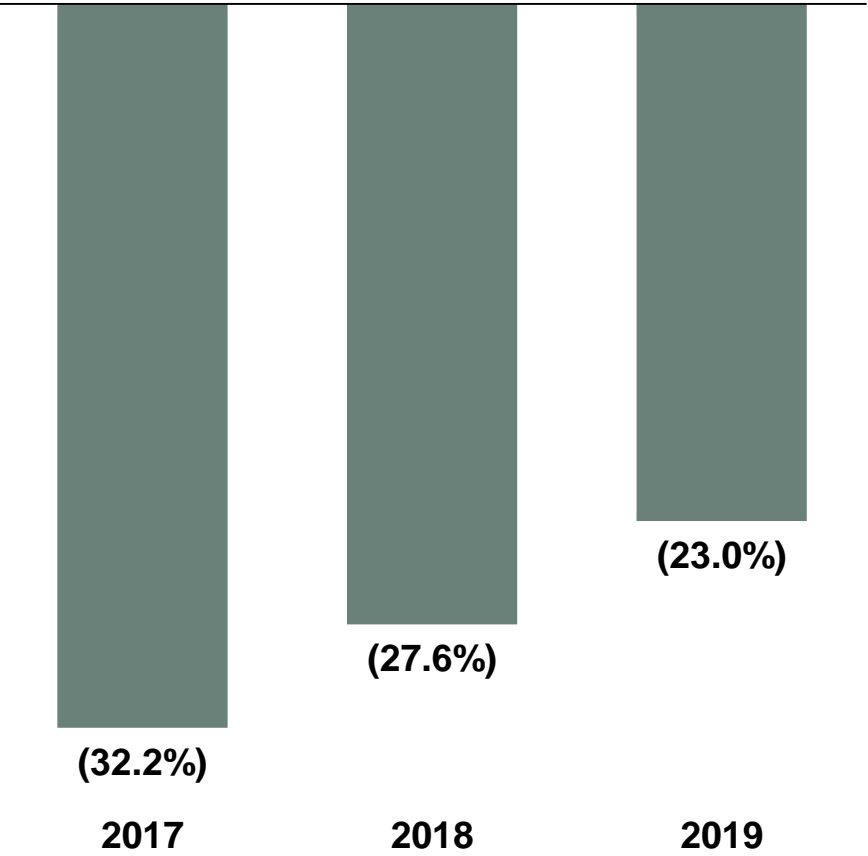
(\$ in millions)





# 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

# 2019 Contribution Profit Per Order

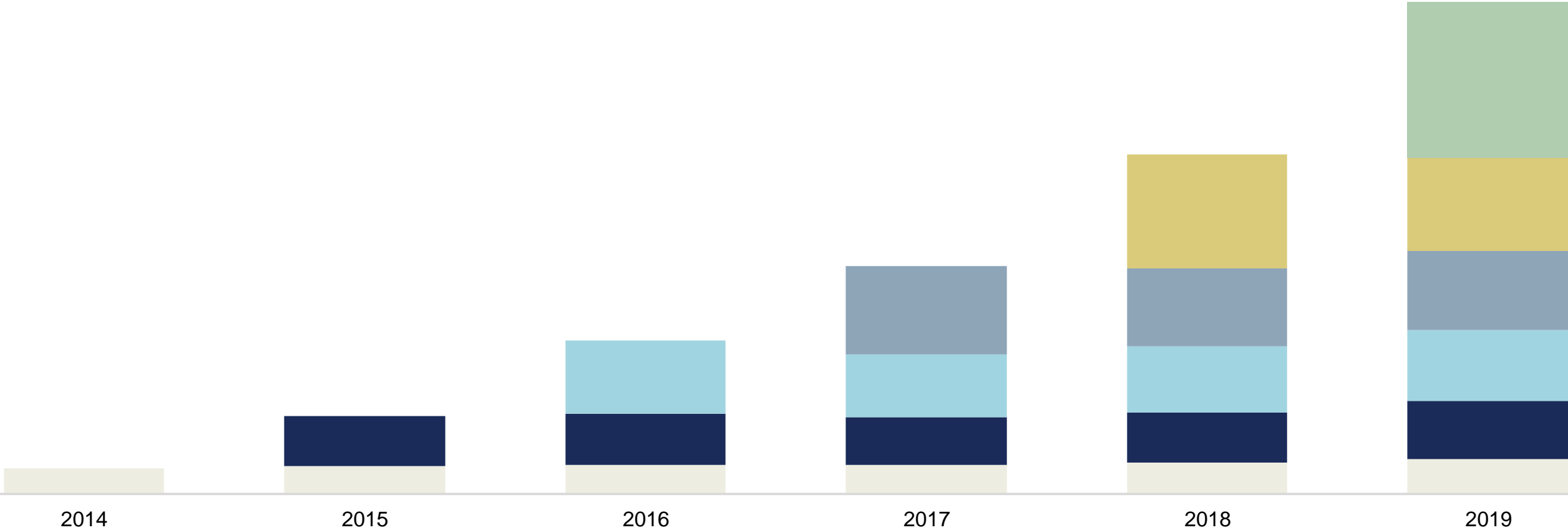
	2019	2018	Y/Y
<b>AOV</b>	\$454.7	\$445.6	+2%
<b>Gross Profit</b>	\$91.6	\$85.8	+6%
<b>Variable Expenses</b>	\$71.9	\$77.1	-7%
<b>Contribution Profit</b>	\$19.7	\$8.7	+126%
<b>Contribution Margin</b>	13.8%	6.7%	+704bps
<b>Fixed Expenses</b>	\$52.6	\$45.6	+15%
<b>EBITDA</b>	(\$32.9)	(\$36.9)	11%

Note: Contribution Profit is a non-GAAP financial measure that is calculated as gross profit per order minus variable expenses including variable marketing, operations, sales and merchandising expenses. Fixed expenses include occupancy, general & administrative, technology, marketing headcount, and certain operations and merchandising headcount costs. .

# Consistent Retention Across Buyer Cohorts

Annual GMV by Buyer Cohort Year  
(\$ in millions)

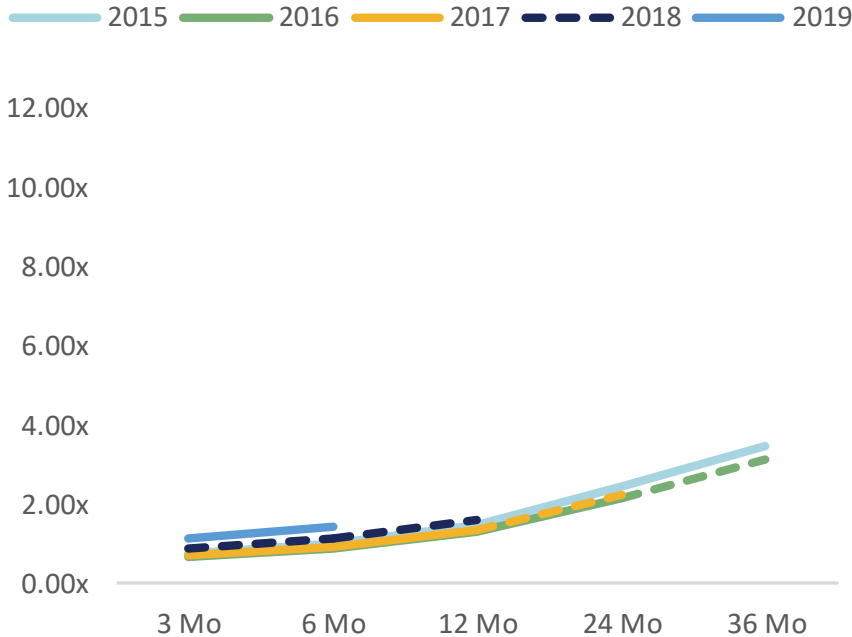
2014 2015 2016 2017 2018 2019



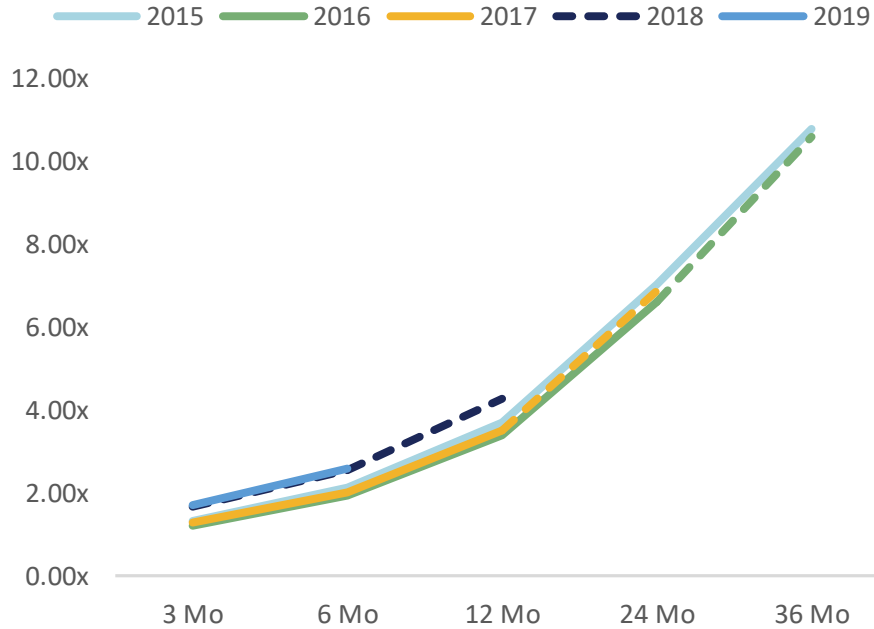
Note: Each cohort represents all buyers that first purchased across our online marketplace in the designated year and the aggregate GMV purchased by such cohort for the initial year and each year thereafter.

# 2019 Buyer LTV : BAC Payback Less Than 3 Months With Flywheel Enhancing The Network Effect of Our Marketplace

**Buyer LTV : BAC – All Buyers**



**BLTV : BAC – Buyers who are also consignors**



**2019 BAC payback in less than 3 months**

	Months				
	3 Mo	6 Mo	12 Mo	24 Mo	36 Mo
<b>2015</b>	0.73x	0.99x	1.48x	2.44x	3.48x
<b>2016</b>	0.67x	0.89x	1.29x	2.14x	3.14x
<b>2017</b>	0.71x	0.93x	1.34x	2.22x	-
<b>2018</b>	0.88x	1.12x	1.59x	-	-
<b>2019</b>	1.12x	1.42x	-	-	-

**Further acceleration of BAC payback**

	Months				
	3 Mo	6 Mo	12 Mo	24 Mo	36 Mo
<b>2015</b>	1.34x	2.13x	3.68x	7.02x	10.77x
<b>2016</b>	1.21x	1.95x	3.38x	6.60x	10.61x
<b>2017</b>	1.29x	2.00x	3.51x	6.86x	-
<b>2018</b>	1.67x	2.54x	4.29x	-	-
<b>2019</b>	1.70x	2.58x	-	-	-

Note: BLTV refers to cumulative gross profit attributable to purchases by buyers in a given period. BAC for a given period is comprised of our total advertising spend divided by the number of buyers acquired in that period. BLTV in the graph on the right includes only gross profit attributable to transactions in which the members participated as buyers and does not include gross profit attributable to transactions in which the member participated as a consignor.

# Innovative and Experienced Team



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



**Matt Gustke**  
*Chief Financial Officer*



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



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



**Fredrik Björk**  
*Chief Technology Officer*



**Zaina Orbai**  
*Chief People Officer*



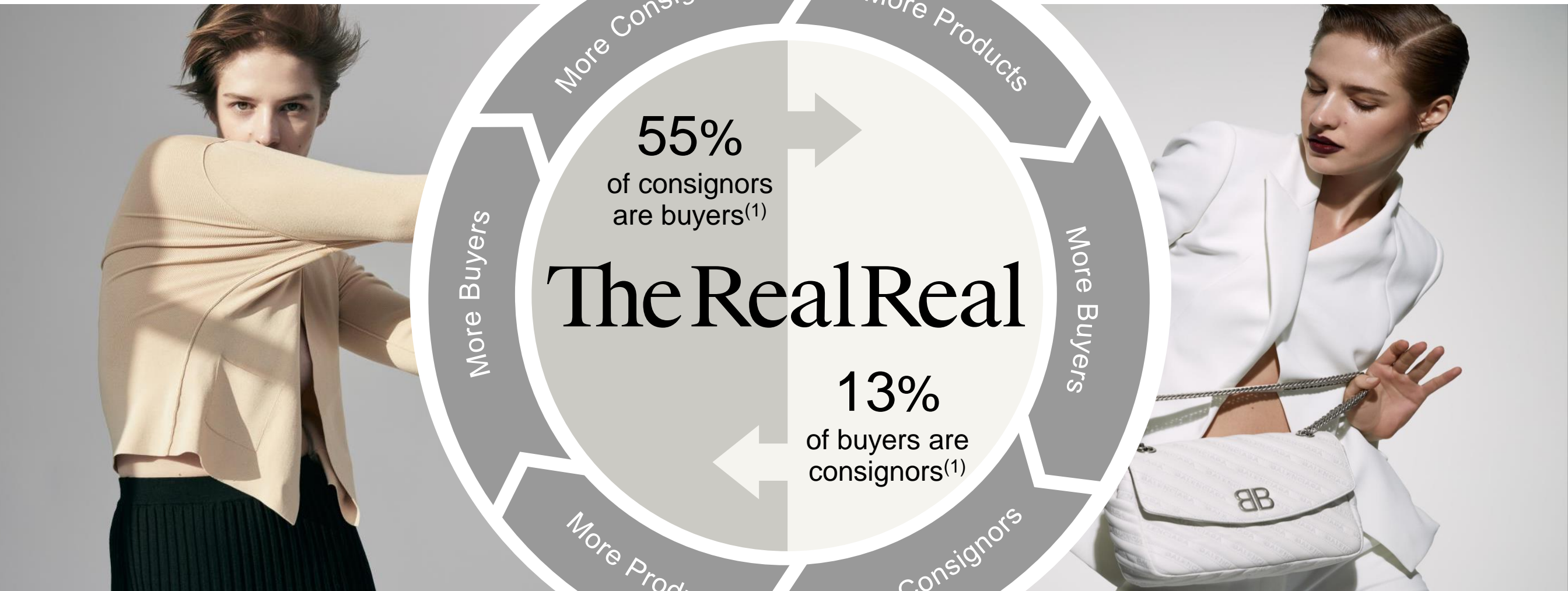
**Josh Mahoney**  
*Chief Product Officer  
SVP, Product  
Management*



**Todd Suko**  
*Chief Legal Officer*



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



More Consignors

More Products

55%  
of consignors  
are buyers<sup>(1)</sup>

# The RealReal

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

More Buyers

More Buyers

More Products

More Consignors

(1) As of March 31, 2020.



# The RealReal

## Appendix



# Reconciliation to Adjusted EBITDA

(\$ in millions)

FYE December 31

	2017	2018	2019
<b>Net loss</b>	<b>(\$52.3)</b>	<b>(\$75.8)</b>	<b>(\$96.6)</b>
Depreciation and amortization	5.6	9.3	13.4
Stock-based compensation expense	1.9	2.9	7.7
Compensation expense related to stock sales by current and former employees	–	0.8	0.8
Abandoned Offering Costs	–	–	0.3
Donation to TRR Foundation	–	–	3.2
Vendor service settlement	–	2.0	–
Interest income	(0.4)	(1.0)	(4.6)
Interest expense	0.8	1.2	0.6
Other expense, net	0.1	1.7	2.1
Provision for income taxes	0.1	0.1	0.1
<b>Adjusted EBITDA</b>	<b>(\$44.3)</b>	<b>(\$58.9)</b>	<b>(\$73.0)</b>

# Reconciliation to Adjusted EBITDA

(\$ in millions)

FYE December 31	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
<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>	<b>(\$25.3)</b>	<b>(\$21.3)</b>	<b>(\$38.3)</b>
Depreciation and amortization	2.0	2.1	2.4	2.8	2.8	3.2	3.5	3.9	4.1
Stock-based compensation expense	0.5	0.7	0.7	0.9	1.1	1.3	2.5	2.8	3.4
Compensation expense related to stock sales by current and former employees	–	–	0.8	–	0.8	–	–	–	–
Legal Settlement	–	–	–	–	–	–	–	–	1.1
Abandoned Offering Costs	–	–	–	–	–	–	–	0.3	–
Donation to TRR Foundation	–	–	–	–	–	–	–	3.2	–
Vendor service settlement	–	–	2.0	–	–	–	–	–	–
Interest income	(0.1)	(0.1)	(0.4)	(0.4)	(0.4)	(0.6)	(1.9)	(1.7)	(1.3)
Interest expense	0.2	0.5	0.2	0.2	0.1	0.1	0.1	0.0	0.0
Other expense, net	0.1	1.3	0.2	0.1	0.3	1.7	0.1	(0.0)	(0.0)
Provision for income taxes	–	–	0.0	0.1	–	0.1	0.0	0.0	0.0
<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>	<b>(\$20.9)</b>	<b>(\$12.7)</b>	<b>(\$30.9)</b>

# Quarterly Revenue, Cost of Revenue and Gross Profit

(\$ in millions) FYE December 31	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Revenue:									
Consignment and Services Revenue	40.3	41.4	45.0	53.9	55.6	60.1	69.2	82.5	65.3
Direct Revenue	7.4	7.0	8.3	10.4	15.0	12.1	12.3	11.2	12.9
Total Revenue	47.7	48.4	53.2	64.3	70.6	72.2	81.5	93.7	78.2
Cost of Revenue									
Cost of Consignment and Services Revenue	11.6	12.3	13.2	13.8	15.9	17.2	19.4	21.0	18.1
Cost of Direct Revenue	5.5	5.3	6.7	8.4	12.3	9.0	9.8	10.2	11.0
Total Cost of Revenue	17.1	17.7	19.9	22.1	28.2	26.2	29.3	31.2	29.0
<b>Gross Profit:</b>	<b>\$30.6</b>	<b>\$30.8</b>	<b>\$33.3</b>	<b>\$42.2</b>	<b>\$42.4</b>	<b>\$46.1</b>	<b>\$52.2</b>	<b>\$62.5</b>	<b>\$49.2</b>

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