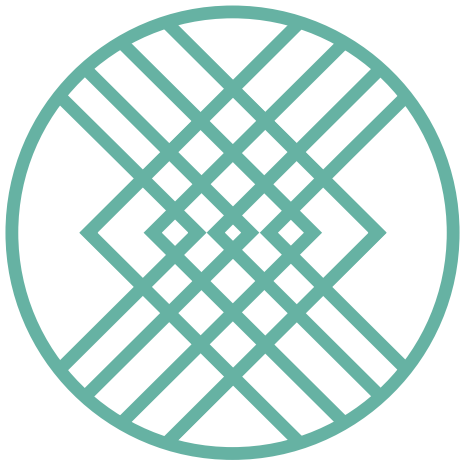


# STITCH FIX

March 2020

# SAFE HARBOR STATEMENT

This presentation is provided for informational purposes only and should not be construed as an offer, commitment, promise or obligation on behalf of Stitch Fix, Inc. ("Stitch Fix" or the "Company") to sell securities or deliver any products, services, functionalities or other features. This presentation contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact could be deemed forward looking, including but not limited to statements regarding our future financial performance, including our guidance on financial results for the third quarter and full year of fiscal 2020; market trends, growth, and opportunity; profitability; competition; the timing and success of expansions to our offering and penetration of our target markets, such as the launch of our offering in the United Kingdom and the expansion of Shop New Colors and Shop Your Looks; the success of our direct-buy functionality; our ability to leverage our engineering and data science capabilities to drive efficiencies in our business and enhance our ability to personalize; our plans to continue to roll out new features to extend our personalization platform and drive an even stronger personalized eCommerce model; our plans related to client acquisition, engagement, and retention, including any impact on our costs and margins and our ability to determine optimal marketing and advertising methods; and the search for a new CFO. These statements involve substantial risks and uncertainties, including risks and uncertainties related to our ability to generate sufficient net revenue to offset our costs; the growth of our market and consumer behavior; our ability to acquire, engage, and retain clients; our ability to provide offerings and services that achieve market acceptance; our data science and technology, stylists, operations, marketing initiatives, and other key strategic areas; risks related to international operations; and other risks described in the filings we make with the Securities and Exchange Commission ("SEC"). Further information on these and other factors that could cause our financial results, performance, and achievements to differ materially from any results, performance, or achievements anticipated, expressed, or implied by these forward-looking statements is included in filings we make with the SEC from time to time, including in the section titled "Risk Factors" in our Quarterly Report on Form 10-Q for the fiscal quarter ended February 1, 2020. These documents are available on the SEC Filings section of the Investor Relations section of our website at: https://investors.stitchfix.com. 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. The achievement or success of the matters covered by such forward-looking statements involves known and unknown risks, uncertainties, and assumptions. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, our results could differ materially from the results expressed or implied by the forward-looking statements we make. You should not rely upon forward-looking statements as predictions of future events. Forward-looking statements represent our management's beliefs and assumptions only as of the date such statements are made.

In addition to financial information presented in accordance with GAAP, this presentation includes certain non-GAAP financial measures. The non-GAAP financial measures have limitations as analytical tools and you should not consider them in isolation or as a substitute for the most directly comparable financial measures prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. We urge you to review the reconciliation of Stitch Fix's non-GAAP financial measures to the most directly comparable GAAP financial measures set forth in the Appendix to this presentation, and not to rely on any single financial measure to evaluate Stitch Fix's business.

This presentation contains statistical data, estimates, and forecasts that are based on independent industry publications, or other publicly available information, as well as other information based on the Company's internal sources. Information on the U.S. and/or U.K. apparel, footwear and apparel accessories market is from independent market research carried out by Euromonitor International Limited but should not be relied upon in making, or refraining from making, any investment decision. This information involves many assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and other publicly available information. Accordingly, Stitch Fix makes no representations as to the accuracy or completeness of that data .

The information contained in this presentation speaks as of the date on the first page of this presentation, and we undertake no obligation to update this information.

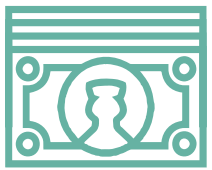
Founded in 2011
HQ in San Francisco

125 data scientists
5,100+ employee stylists

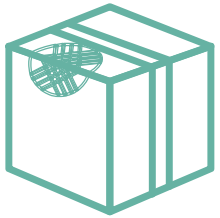
Culture of teamwork,
creativity, data and diversity

# Transforming the way people find what they love

3.5M active clients[1]



LTM Revenue[2]: $1.7B
LTM Adj. EBITDA[3]: $26M
LTM Adj. EBITDA ex. SBC[4]: $74M

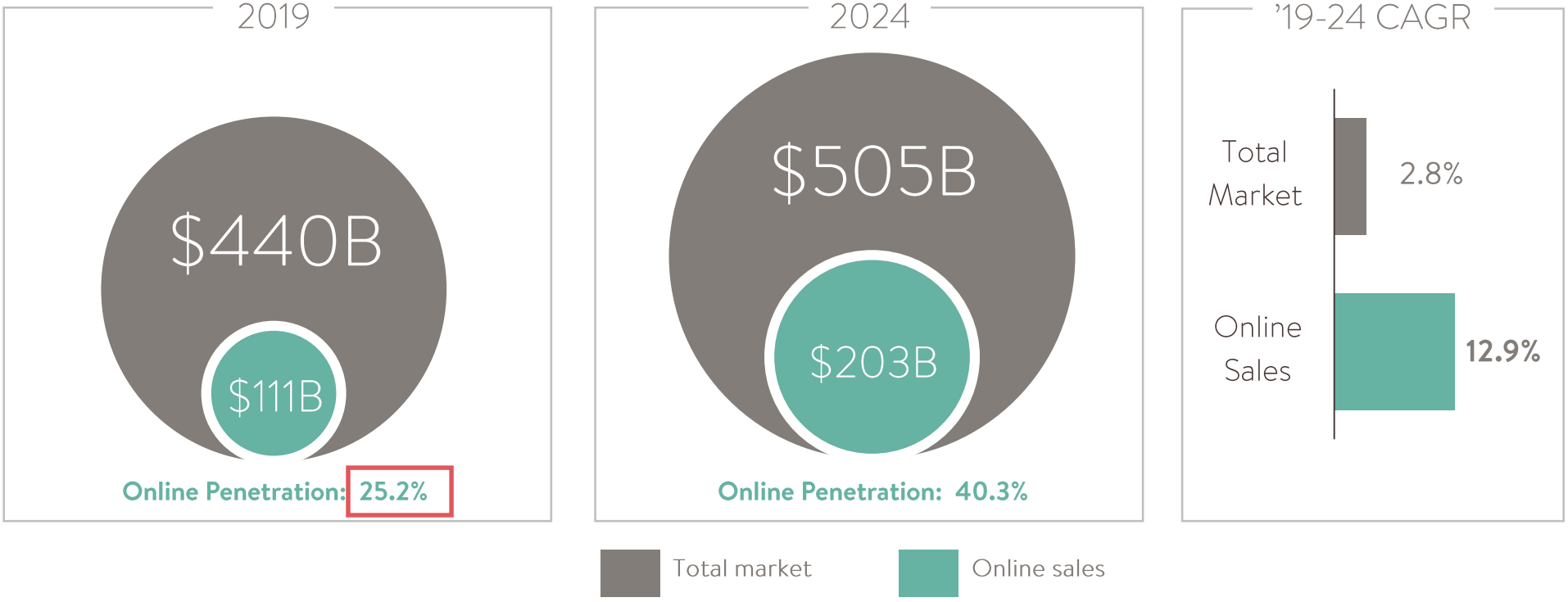


$397M cash and
investments[5]

*Note: FYE July; Figures as of February 1, 2020*
*(1) Defined as a client who checked out a Fix or was shipped an item using our direct-buy functionality in the preceding 52 weeks, measured as of the last day of that period. A client checks out a Fix when he or she indicates which items he or she is keeping through our mobile app or website. We consider each Men's, Women's, or Kids account as a client, even if they share the same household.*
*(2) Discounts, sales tax and estimated refunds are deducted from revenue to arrive at net revenue, which the Company refers to as "revenue". LTM means last 12 months.*
*(3) We define adjusted EBITDA as net income (loss) excluding interest (income) expense, provision (benefit) for income taxes, other (income) expense, net, depreciation and amortization.*
*(4) We define adjusted EBITDA ex. SBC as adjusted EBITDA excluding stock-based compensation expense.*
*(5) Cash and investments includes cash and cash equivalents, restricted cash, and highly rated securities.*

# WE ADDRESS A MASSIVE OPPORTUNITY ACROSS THE U.S. AND U.K.

## U.S. and U.K. Apparel, Footwear and Apparel Accessories Market[1]




*(1) Source: Euromonitor International Limited 2020 © All rights reserved*

# THE CLIENT JOURNEY

## INTRODUCE YOURSELF



**90+**

**meaningful data points collected through the initial style profile**

## GET MATCHED



**5,100+**

**stylists are algorithmically matched to our clients**

## RECEIVE YOUR FIX



**3 day**

**check-out window and algorithmically powered buying drives rapid inventory turns**

## A PARTNER FOR LIFE



**85%**

**of shipments resulting in direct client feedback and drive network effects**

# OUR PERSONALIZATION MODEL

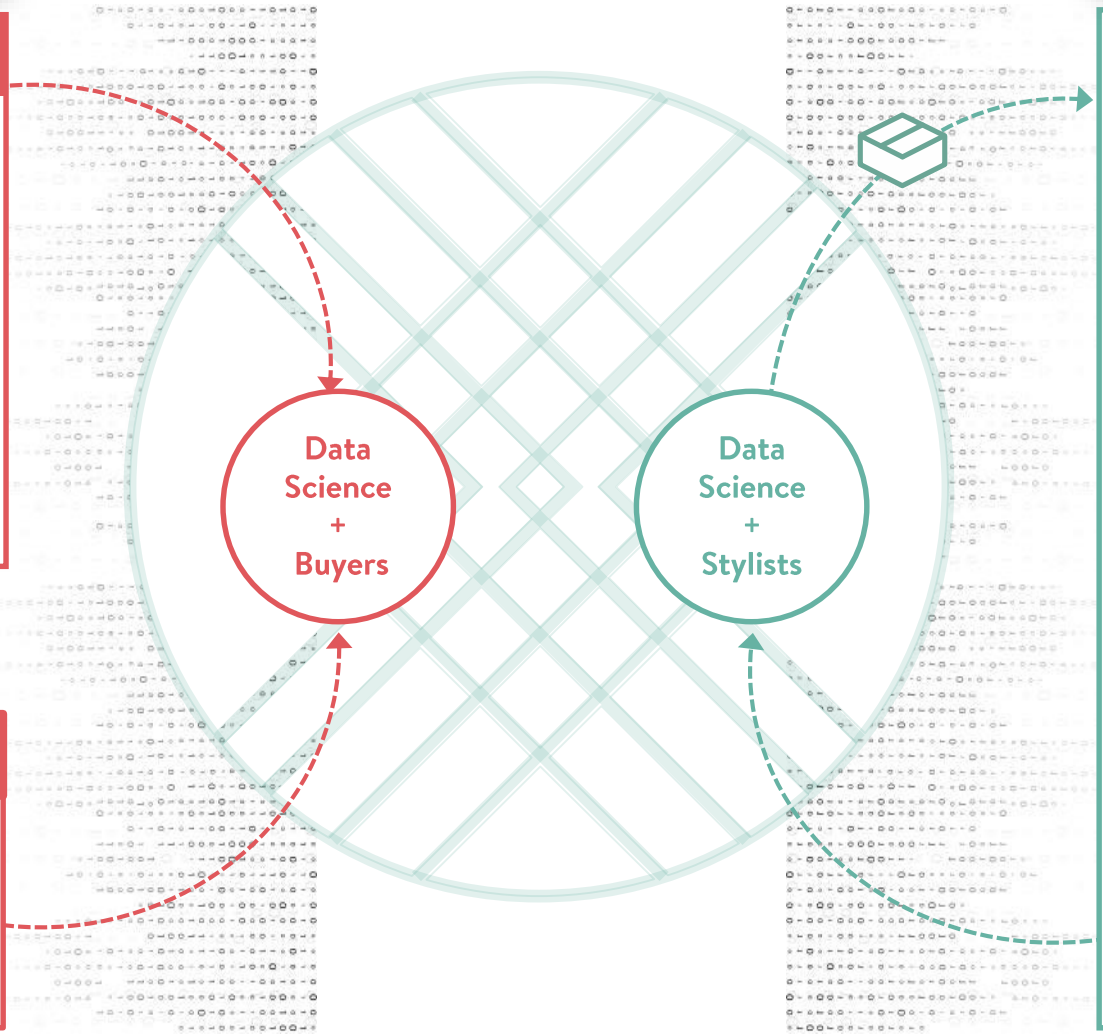
## PRODUCT

### THIRD PARTY BRANDS

ADDITION ELLE
free people
JASON WU
johnnie-O
LNA
Madewell
mavi
MICHAEL KORS
OF / MERCER
REBECCA TAYLOR

### STITCH FIX BRANDS

41 HAWTHORN
rumi + ryder
FAIRLANE
MARKET & SPRUCE
Magnolia GRACE
Hawker Rye
GOLDRAY



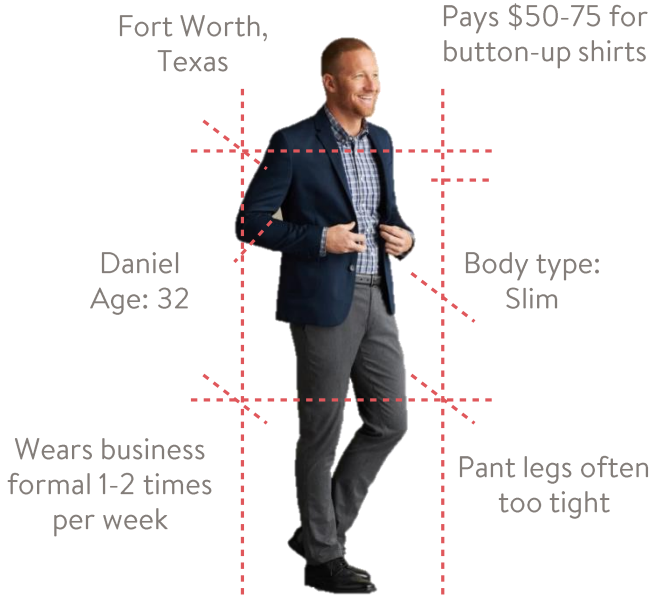

## 3.5M CLIENTS[1]

- Women
- Maternity
- Petite
- Men
- Plus
- Kids

(1) As of February 1, 2020.

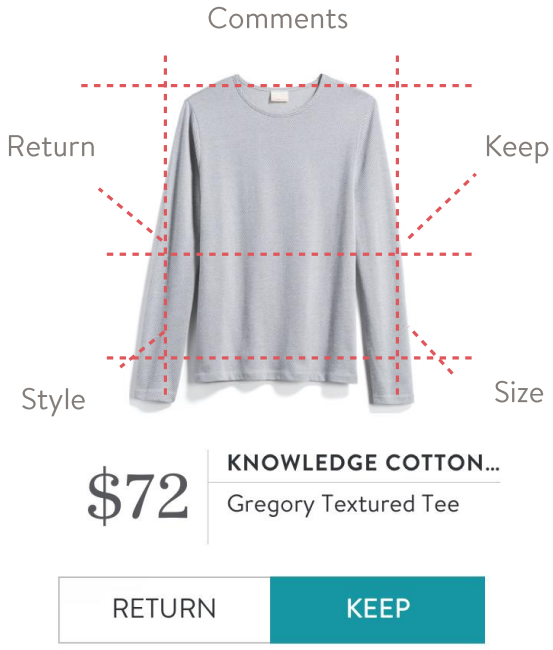
# WE HAVE RICH, MEANINGFUL AND HIGHLY ACTIONABLE DATA

## CLIENT DATA




## MERCHANDISE DATA

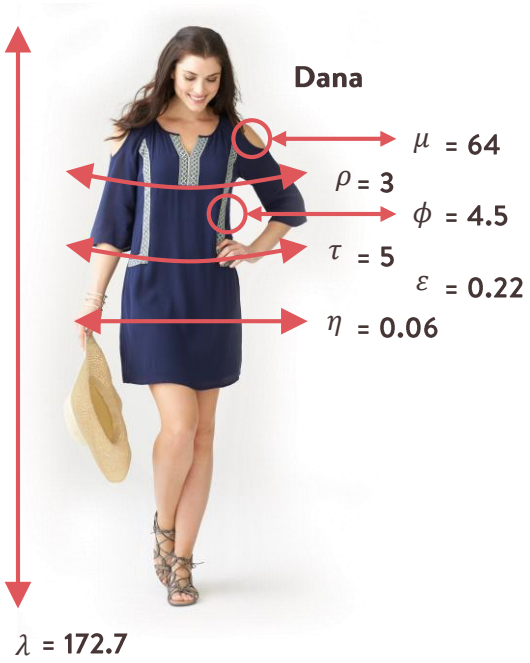
## FEEDBACK DATA

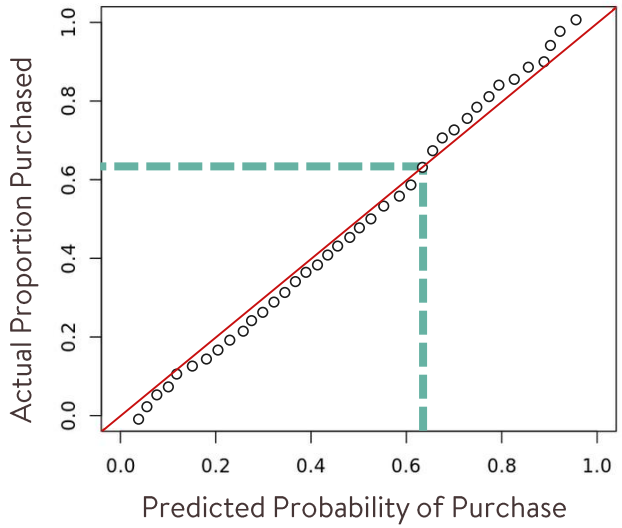


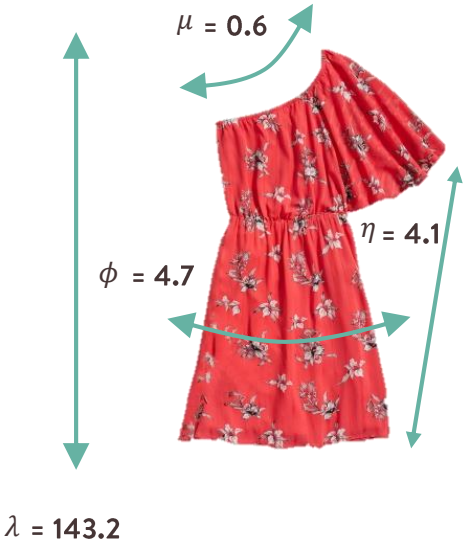

## DATA THAT MATTERS

# PREDICTIVE ALGORITHMS HELP STYLISTS SUCCESSFULLY SERVE CLIENTS

**63%** MATCH SCORE[1]




*(1) Representative example of an estimated probability that a specific client will buy a specific item.*

# PREDICTIVE ALGORITHMS HELP STYLISTS SUCCESSFULLY SERVE CLIENTS

PROPRIETARY STYLING COCKPIT

- Client Profile
- Historical Interactions
- Merchandise Data
- Recommendation Algorithms

CURATE PERSONALIZED ITEMS

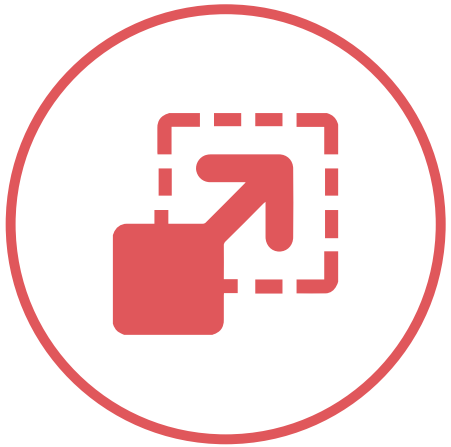
BUILD DEEP CLIENT RELATIONSHIPS

ADD VALUABLE CONTEXT

# OUR GROWTH STRATEGY IS INFORMED BY KEY DATA LEARNINGS

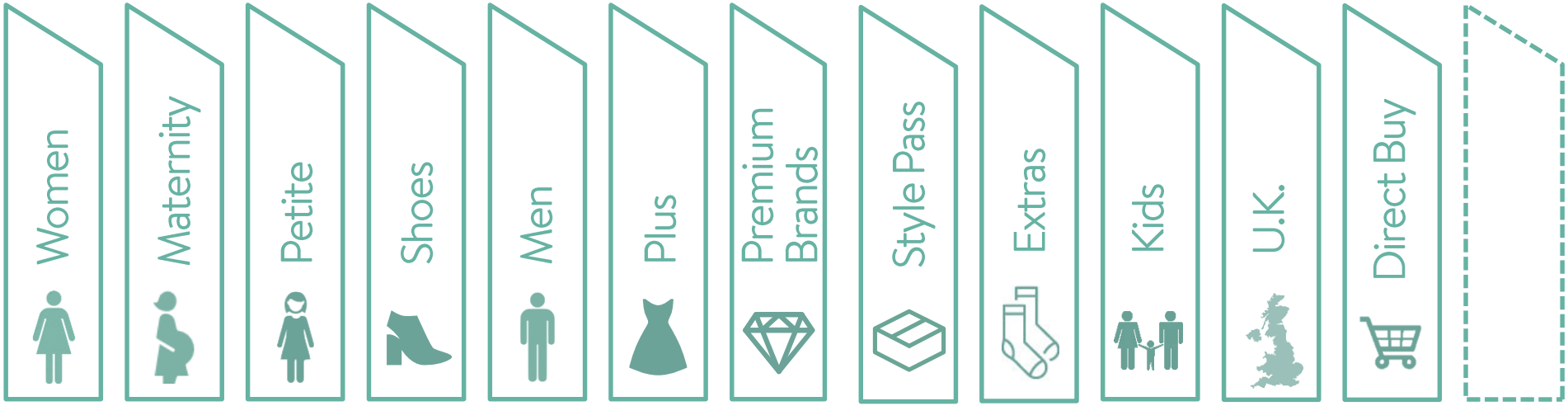
SHARE OF WALLET

NEW CLIENTS



ADDRESSABLE MARKET

# ACTIONABLE CLIENT DATA ENABLES SUCCESSFUL NEW OFFERINGS




HUMAN JUDGMENT

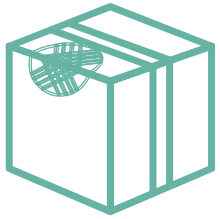
RICH DATA PLATFORM

# A POWERFUL AND DIFFERENTIATED MODEL

Highly Scalable

Predictive & Accurate

Flexible Offering



Capabilities that Extend

# FINANCIAL OVERVIEW

# OUR GUIDING PRINCIPLES FOR MANAGING THE BUSINESS

- ✓ Enable a great client experience
- ✓ Maintain long-term mindset
- ✓ Drive sustainable and profitable growth
- ✓ Be data driven and ROI-focused in our decisions

# FINANCIAL HIGHLIGHTS

Powerful, growing client base with millions of active clients

Significant revenue growth at scale

Strong client retention drives recurring demand and visibility

Strategically investing for long-term growth and brand building

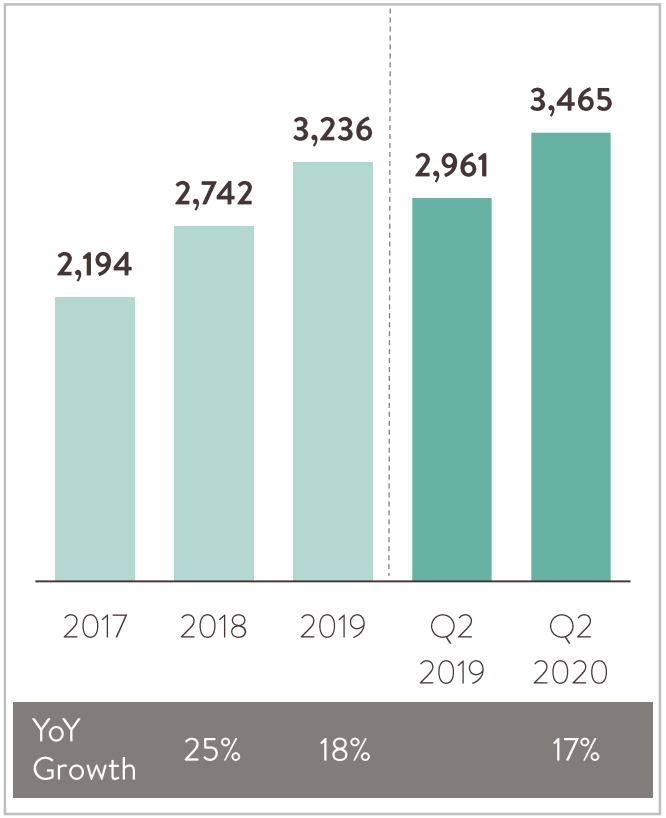
Capital-efficient model with high inventory turnover

Demonstrated operating leverage enables further profitability upside

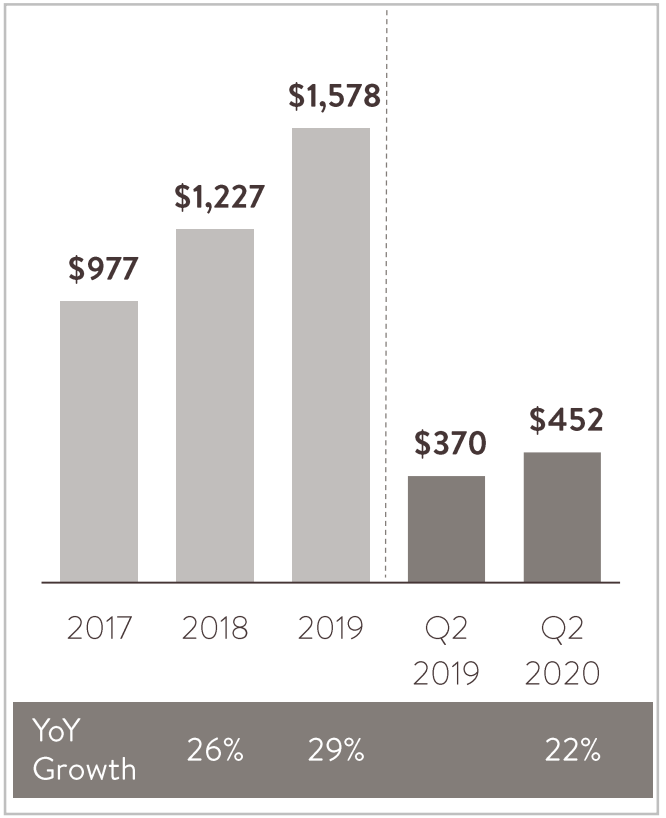
# FINANCIAL MODEL COMBINES SCALE AND GROWTH

## FYE JULY [1]

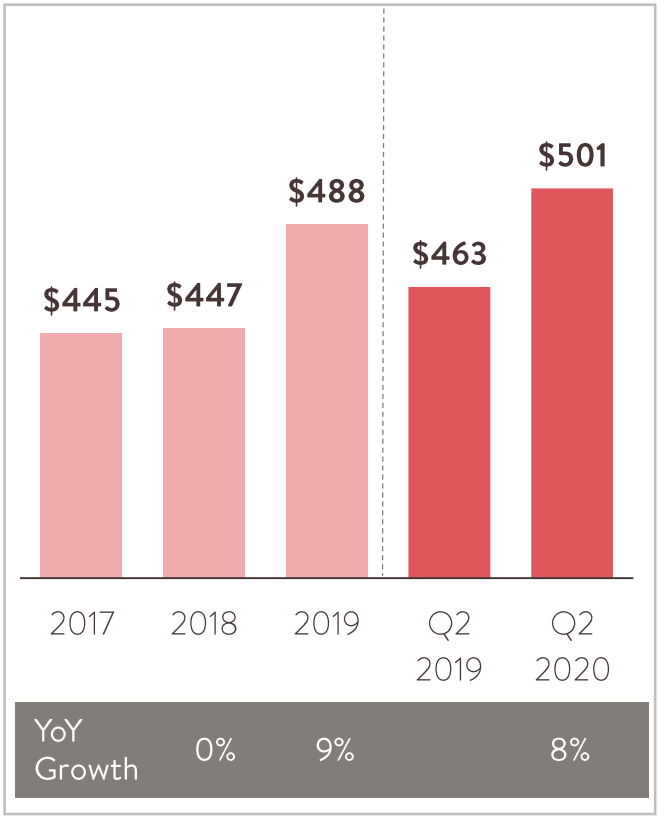
### ACTIVE CLIENTS as of period end [2] (000's)




### REVENUE [3] ($M)




### NET REVENUE PER ACTIVE CLIENT [4]

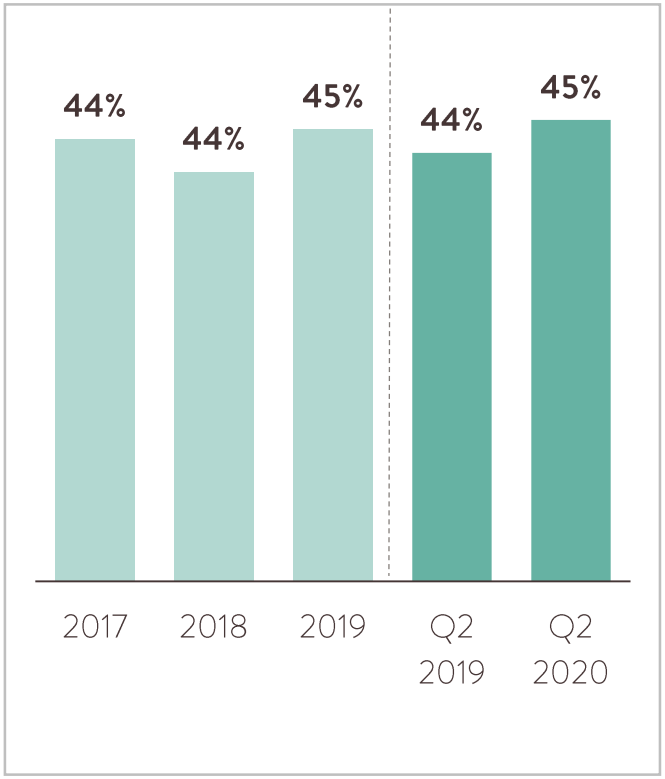



*(1) Fiscal year ends on the Saturday that is closest to July 31 of that year. Fiscal 2019 consists of 53 weeks with an extra week occurring in the fourth quarter, while all other fiscal years consist of 52 weeks.*
*(2) Defined as clients who checked out a Fix or were shipped an item using our direct-buy functionality in the preceding 52 weeks, measured as of the last day of that period. A client checks out a Fix when he or she indicates which items he or she is keeping through our mobile app or website. We consider each Men's, Women's, or Kids account as a client, even if they share the same household.*
*(3) Discounts, sales tax and estimated refunds are deducted from revenue to arrive at net revenue, which the Company refers to as "revenue".*
*(4) Calculated based on net revenue over the preceding four fiscal quarters divided by the number of active clients, measured as of the last day of the period.*

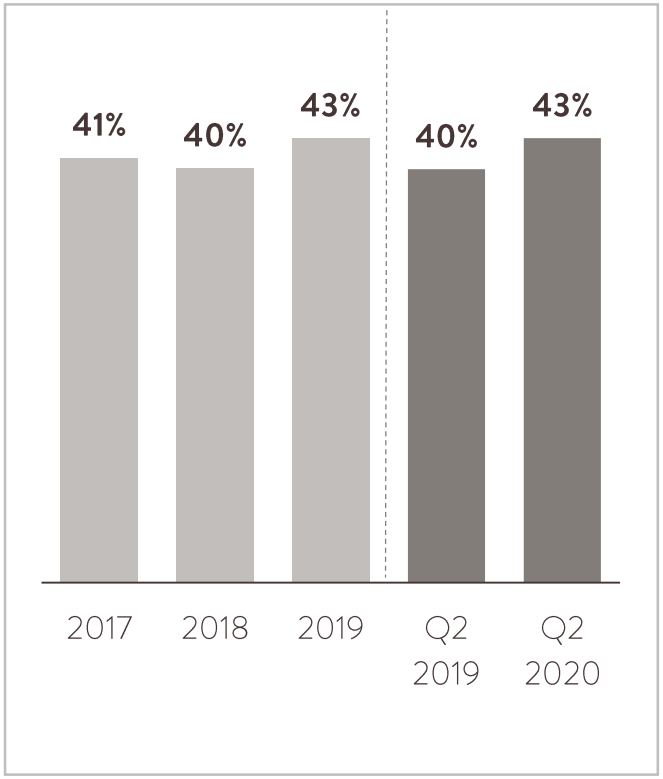
# INVESTING FOR LONG-TERM GROWTH

## FYE JULY [1] | % OF NET REVENUE

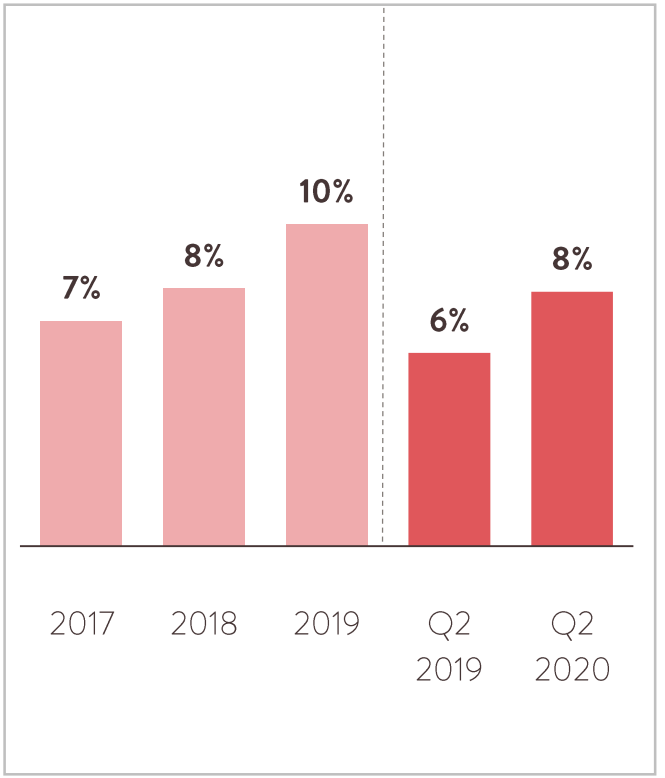
### GROSS MARGIN




### SG&A




### ADVERTISING [2]

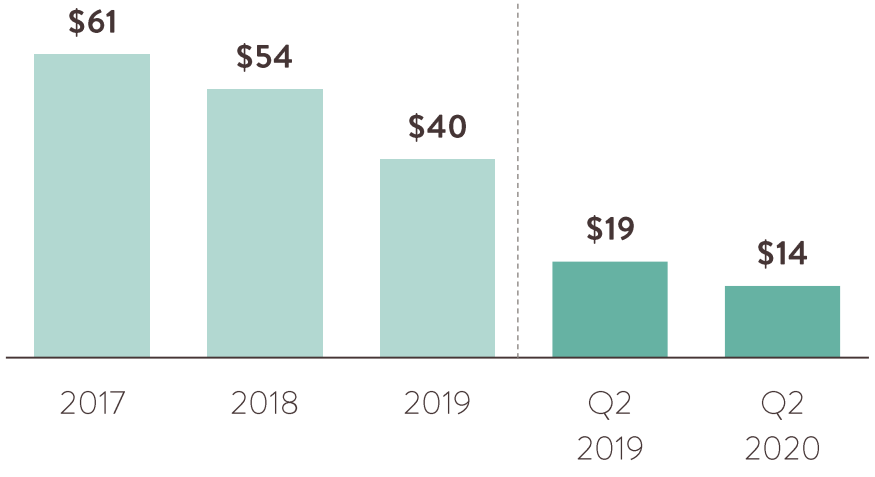



*(1) Fiscal year ends on the Saturday that is closest to July 31 of that year.*
*(2) Advertising expenses included in SG&A.*

# FINANCIAL MODEL HAS PROVEN NON-GAAP PROFITABILITY

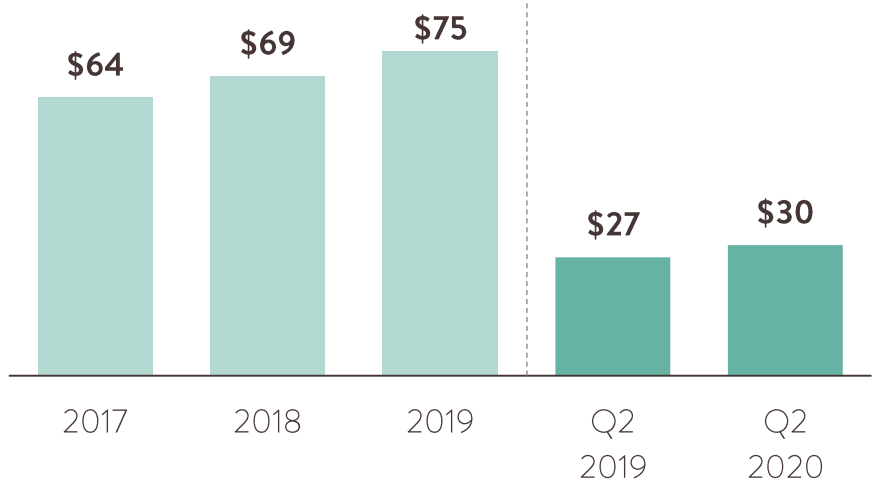
**FYE JULY [1]**

## ADJUSTED EBITDA [2] ($M)




| Margin[4] | 4% | 3% | 5% | 3% |
|---|---|---|---|---|

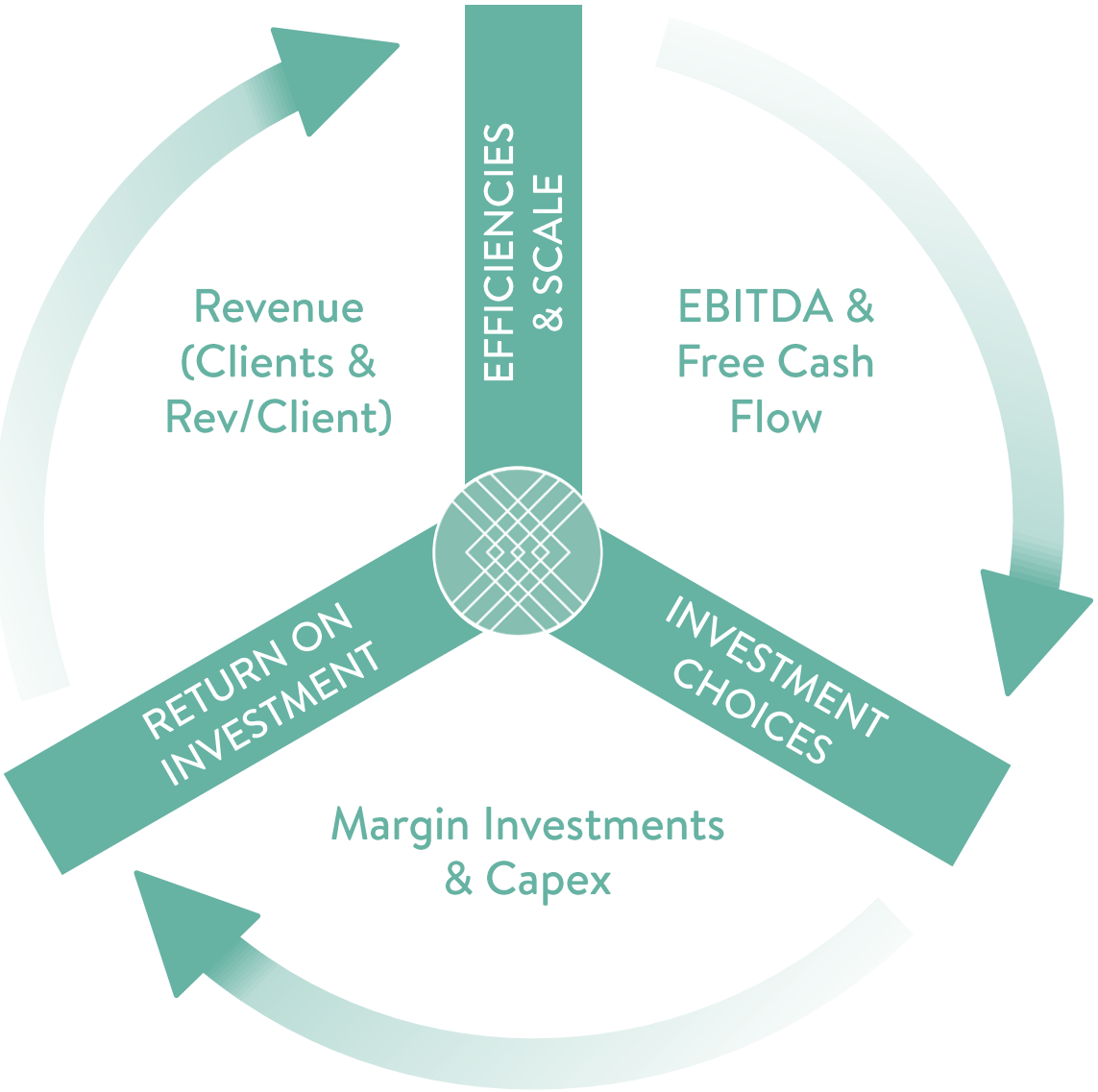
## ADJUSTED EBITDA ex. SBC [3] ($M)




| Margin[5] | 6% | 5% | 7% | 7% |
|---|---|---|---|---|

*(1) Fiscal year ends on the Saturday that is closest to July 31 of that year.*
*(2) We define adjusted EBITDA as net income (loss) excluding interest (income) expense, provision (benefit) for income taxes, other (income) expense, net, depreciation and amortization.*
*(3) We define adjusted EBITDA ex. SBC as adjusted EBITDA excluding stock-based compensation expense.*
*(4) We define adjusted EBITDA margin as adjusted EBITDA ($M) divided by net revenue for the period.*
*(5) We define adjusted EBITDA ex. SBC margin as adjusted EBITDA ex. SBC ($M) divided by net revenue for the period.*

# HIGHLY CAPITAL-EFFICIENT MODEL



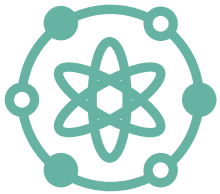
# LONG-TERM TARGET MODEL

**FYE JULY [1]**

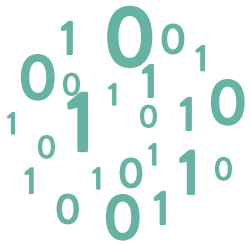
| | 2016 | 2017 | 2018 | 2019 | LT Target |
|---|---|---|---|---|---|
| Gross Profit (% Margin) | 44% | 44% | 44% | 45% | 45-46% |
| Advertising Expenses (% of Net Revenue) | 3% | 7% | 8% | 10% | 9-11% |
| Other SG&A (% of Net Revenue) [2] | 32% | 34% | 32% | 33% | 24-26% |
| Operating Profit (% of Net Revenue) | 9% | 3% | 4% | 1% | 10-12% |
| Adjusted EBITDA (% of Net Revenue) [3] | 10% | 6% | 4% | 3% | 11-13% |

*(1) Fiscal year ends on the Saturday that is closest to July 31 of that year.*
*(2) Excludes advertising expenses.*
*(3) Includes stock-based compensation.*

# KEY HIGHLIGHTS



Data science at the core of everything we do



Highly actionable client, merchandise and feedback data

Deep understanding of our category and a business model tailored to serve it

Proven, scaled financial model with headroom for growth

# APPENDIX

# KEY BALANCE SHEET ITEMS

**FYE JULY [1]**

| | 2017 | 2018 | 2019 | Q2 2020 |
|---|---|---|---|---|
| **Cash [2]** | $110.6 | $297.5 | $170.9 | $166.0 |
| **Working Capital [3]** | 63.8 | 274.8 | 299.8 | 266.3 |
| **Total Assets** | 257.2 | 481.6 | 616.1 | 799.7 |
| **Total Liabilities** | 153.1 | 166.5 | 220.0 | 360.8 |

*(1) Fiscal year ends on the Saturday that is closest to July 31 of that year. $ in millions.*
*(2) Cash balance does not include restricted cash.*
*(3) Working capital defined as current assets less current liabilities.*

# RECONCILIATION OF ADJUSTED EBITDA ex. SBC

**FYE JULY [1]**

| (in thousands) | 2017 | 2018 | 2019 | Q2 2019 | Q2 2020 |
|---|---|---|---|---|---|
| Adjusted EBITDA ex. SBC Reconciliation: | | | | | |
| Net Income (Loss) | $(594) | $44,900 | $36,881 | $11,976 | $11,431 |
| Add (Deduct): | | | | | |
| Interest (Income) Expense | (42) | (904) | (5,791) | (1,170) | (1,477) |
| Other (Income) Expense, net | – | (100) | (1,535) | (453) | 28 |
| Provision (benefit) for Income Taxes | 13,395 | 9,813 | (6,060) | 5,058 | (1,484) |
| Depreciation and Amortization | 7,655 | 10,542 | 16,095 | 3,790 | 5,804 |
| Re-measurement of Preferred Stock Warrant Liability | 18,881 | (10,685) | – | – | – |
| Compensation Expense Related to Certain Stock Sales by Current and Former Employees | 21,283 | – | – | – | – |
| Adjusted EBITDA | $60,578 | $53,566 | $39,590 | $19,201 | $14,302 |
| Stock-based Compensation Expense | $3,545 | $15,403 | $35,256 | 8,110 | 15,755 |
| Adjusted EBITDA ex. SBC | $64,123 | $68,969 | $74,846 | $27,311 | $30,057 |

*(1) Fiscal year ends on the Saturday that is closest to July 31 of that year.*

# RECONCILIATION OF FREE CASH FLOW

## FYE JULY [1]

| (in thousands) | 2017 | 2018 | 2019 | 1H 2019 | 1H 2020 |
|---|---|---|---|---|---|
| Free Cash Flow Reconciliation: | | | | | |
| Cash Provided by Operating Activities | $38,624 | $72,178 | $78,594 | $57,667 | $38,242 |
| (Deduct): | | | | | |
| Purchases of Property and Equipment | $(17,165) | $(16,565) | (30,825) | (11,903) | (11,446) |
| Free Cash Flow | $21,459 | $55,613 | $47,769 | $45,764 | $26,796 |
| Cash Used in Investing Activities | $(17,130) | $(16,565) | $(225,184) | $(187,234) | $(45,601) |
| Cash Provided by (Used in) Financing Activities | $(3,028) | $134,795 | $6,945 | $(350) | $402 |

*(1) Fiscal year ends on the Saturday that is closest to July 31 of that year.*