

# STITCH FIX

March 2019

# SAFE HARBOR STATEMENT

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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



100+ data scientists  
3,900+ employee stylists



Culture of teamwork,  
creativity, data and diversity

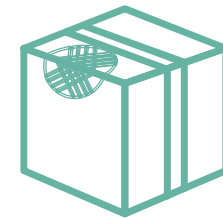
Transforming the way  
people find what they love



3.0M active clients<sup>1</sup>



LTM Revenue<sup>2</sup>: \$1.4B  
LTM Adj. EBITDA<sup>3</sup>: \$57M



\$356M+ cash and  
investments<sup>4</sup>

Note: FYE July; Figures as of January 26, 2019.

(1) Defined as a client who checked out a Fix in the preceding 12-month period, measured as of the last date 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.

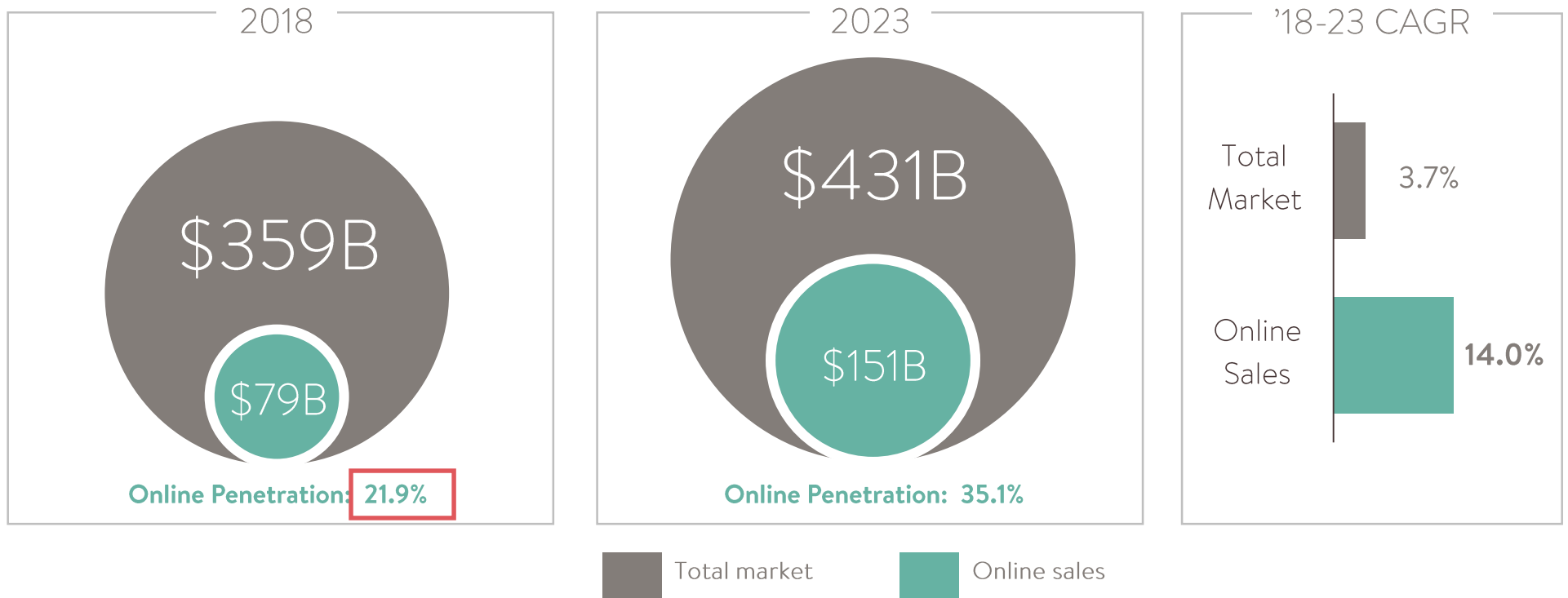
(2) Discounts, sales tax and estimated refunds are deducted from revenue to arrive at net revenue, which the Company refers to as "revenue". LTM means last 12 months.

(3) We define adjusted EBITDA as net income excluding interest income, other income, net, provision for income taxes, depreciation and amortization, and, when present, the remeasurement of preferred stock warrant liability.

(4) Cash and investments includes cash and cash equivalents, restricted cash, and highly rated securities.

# WE ADDRESS A MASSIVE OPPORTUNITY IN THE U.S. ALONE

## U.S. Apparel, Footwear and Apparel Accessories Market<sup>1</sup>



(1) Source: Euromonitor



# THE CLIENT JOURNEY

INTRODUCE  
YOURSELF



**90+**

meaningful data points  
collected through the initial  
style profile

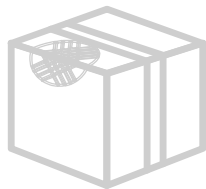
GET MATCHED



**3,900+**

stylists are algorithmically  
matched to our clients

RECEIVE  
YOUR FIX



**3 day**

return window and  
algorithmically driven buying  
drives rapid inventory turns

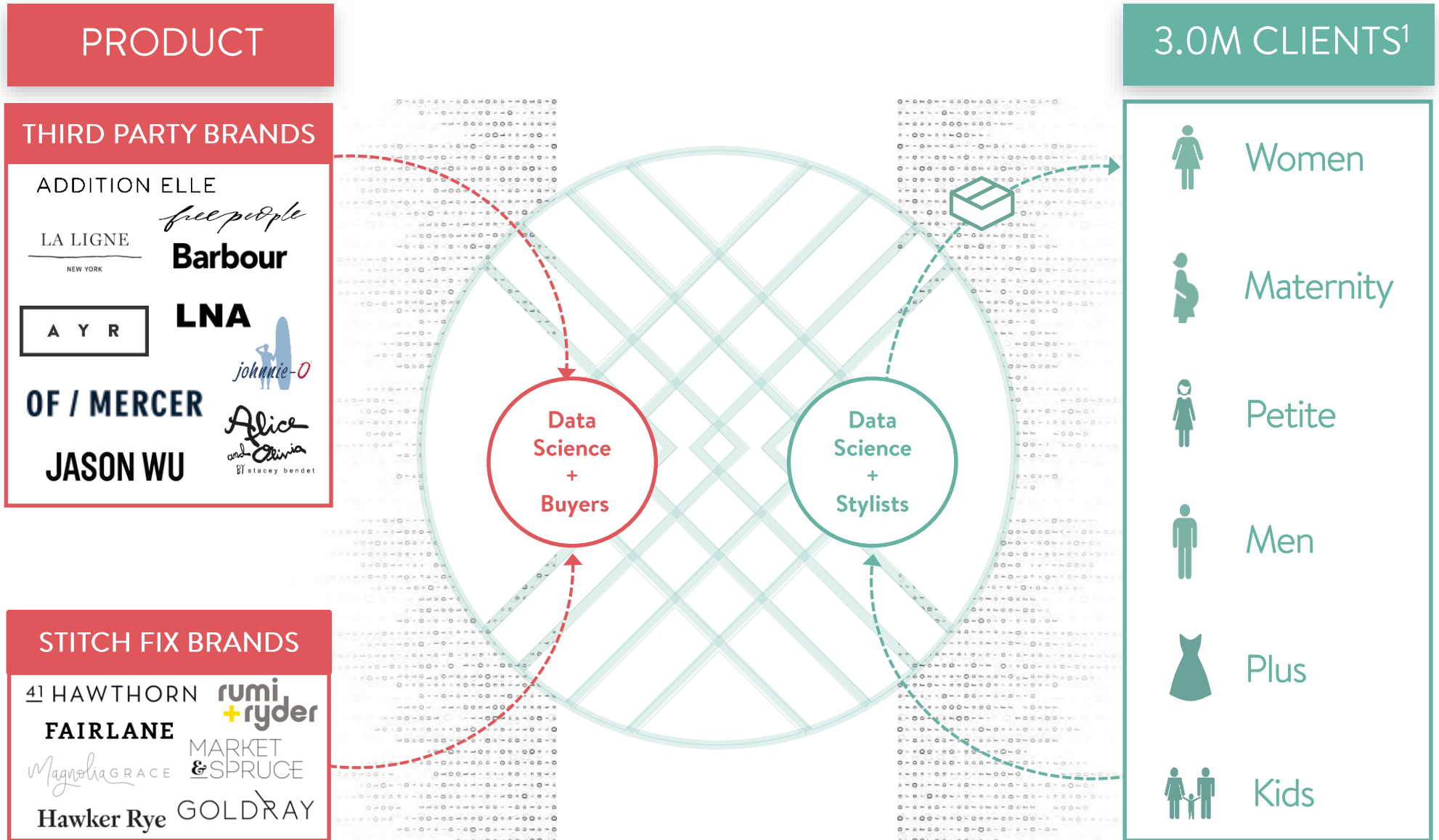
A PARTNER  
FOR LIFE



**85%**

of shipments resulting in direct  
client feedback and drive  
network effects

# OUR PERSONALIZATION MODEL



(1) As of January 26, 2019.

# WE HAVE RICH, MEANINGFUL AND HIGHLY ACTIONABLE DATA

## CLIENT DATA



Fort Worth, Texas

Pays \$50-75 for button-up shirts

Daniel  
Age: 32

Body type: Slim

Wears business formal 1-2 times per week

Pant legs often too tight

## MERCHANDISE DATA



Brand

Price

Button height

Color


Pattern

Sleeve opening

Style

Length

## FEEDBACK DATA



Comments

Return

Keep

Style

Size

**\$72** | **KNOWLEDGE COTTON...**  
Gregory Textured Tee

RETURN

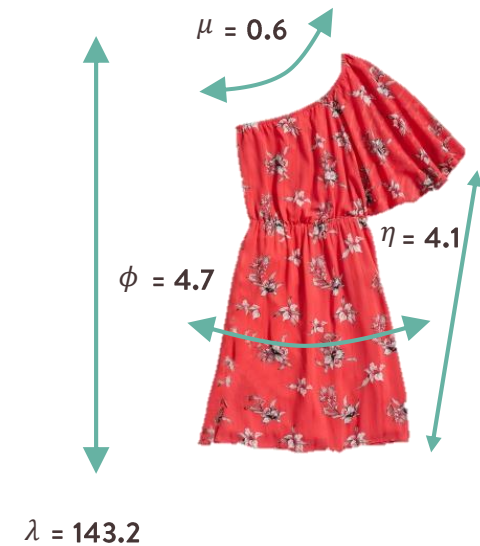
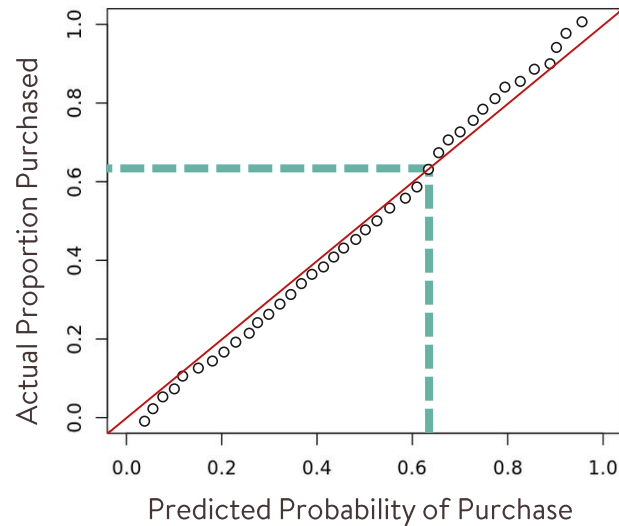
KEEP

DATA THAT MATTERS



# PREDICTIVE ALGORITHMS HELP STYLISTS SUCCESSFULLY SERVE CLIENTS

63% MATCH SCORE<sup>1</sup>



(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

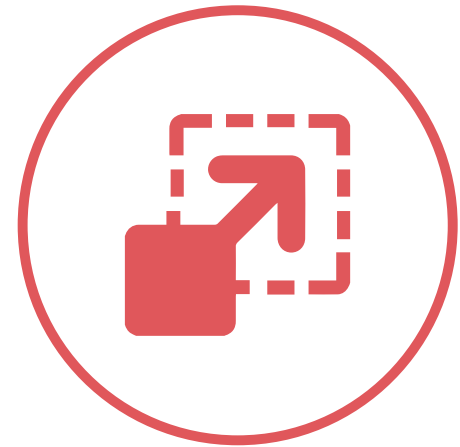
# OUR GROWTH STRATEGY IS INFORMED BY KEY DATA LEARNINGS



SHARE  
OF WALLET

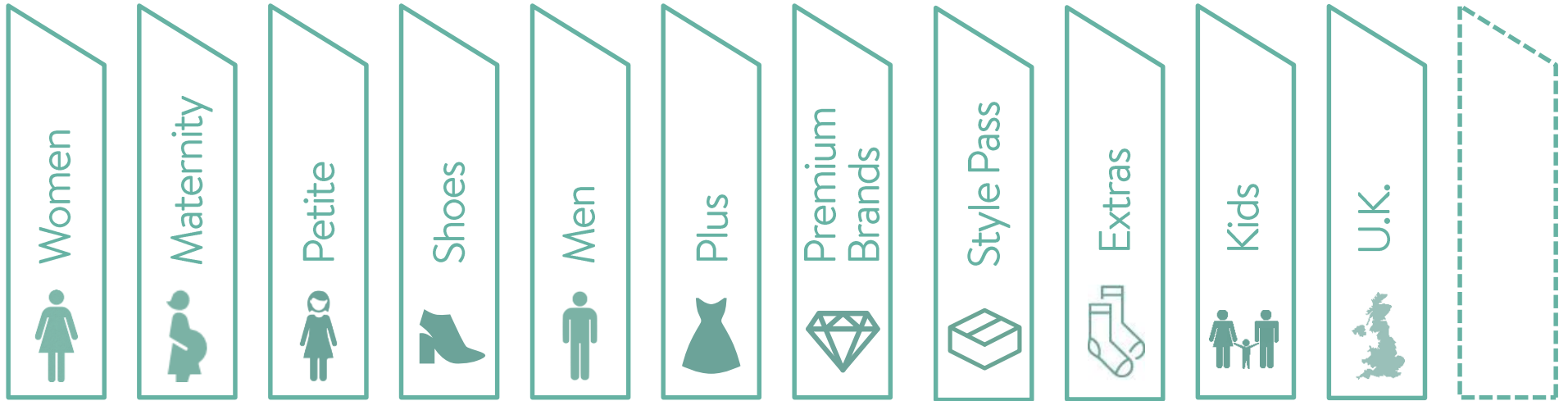


NEW  
CLIENTS



ADDRESSABLE  
MARKET

# ACTIONABLE CLIENT DATA ENABLES SUCCESSFUL NEW OFFERINGS

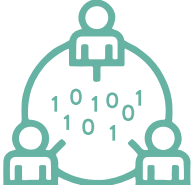


HUMAN JUDGMENT

RICH DATA PLATFORM

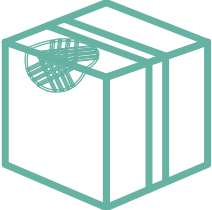
# A POWERFUL AND DIFFERENTIATED MODEL

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

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Significant revenue growth at scale

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Strong client retention drives recurring demand and visibility

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Strategically investing for long-term growth and brand building

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Capital-efficient model with high inventory turnover

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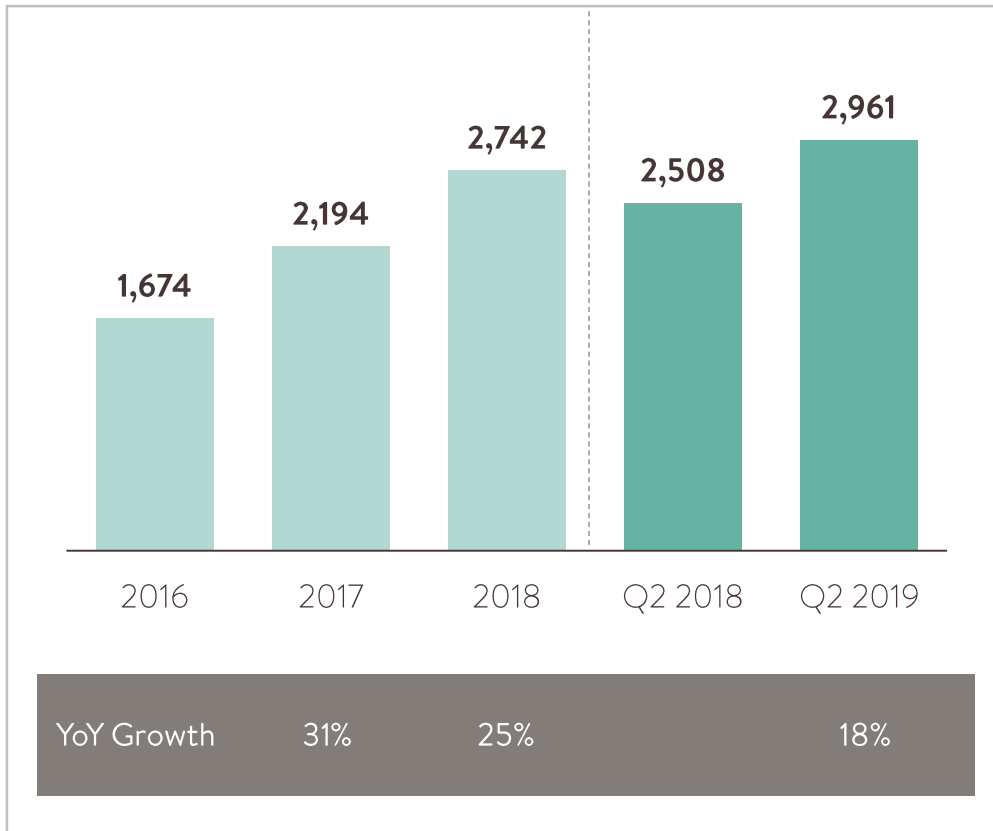
Demonstrated operating leverage enables further profitability upside



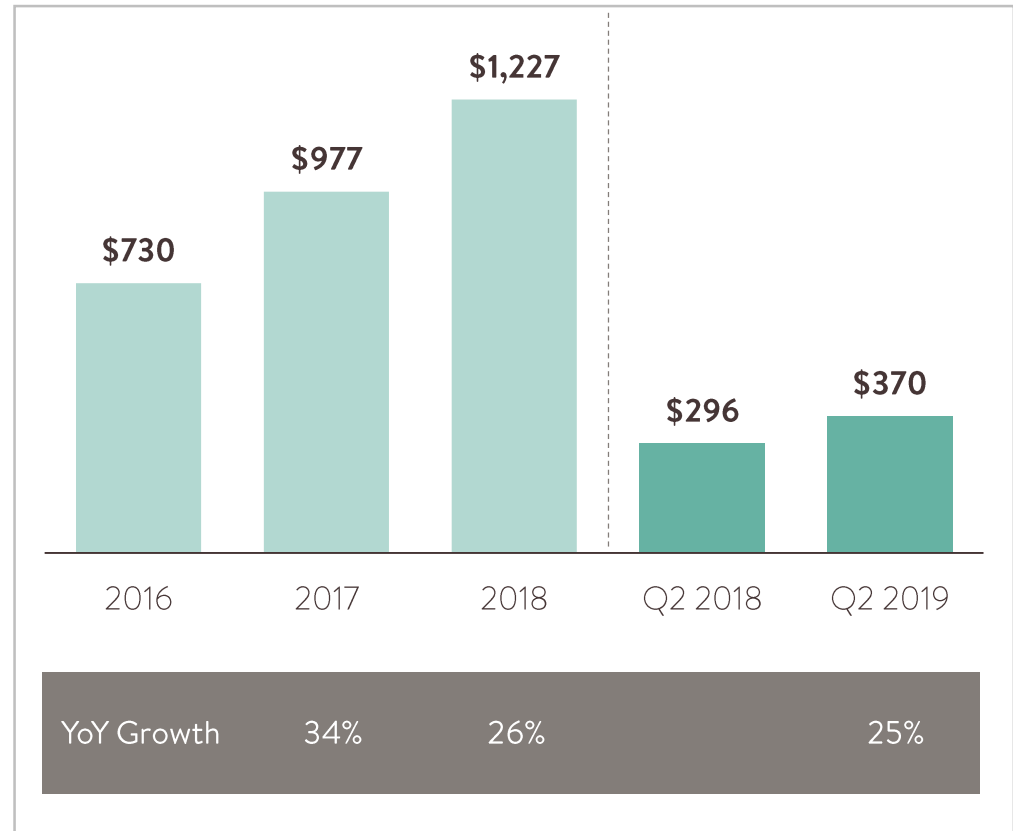
# FINANCIAL MODEL COMBINES SCALE AND GROWTH

## FYE JULY

### ACTIVE CLIENTS, as of period end<sup>1</sup> (000's)



### REVENUE<sup>2</sup> (\$M)



Note: Fiscal year ends on the Saturday that is closest to July 31 of that year.

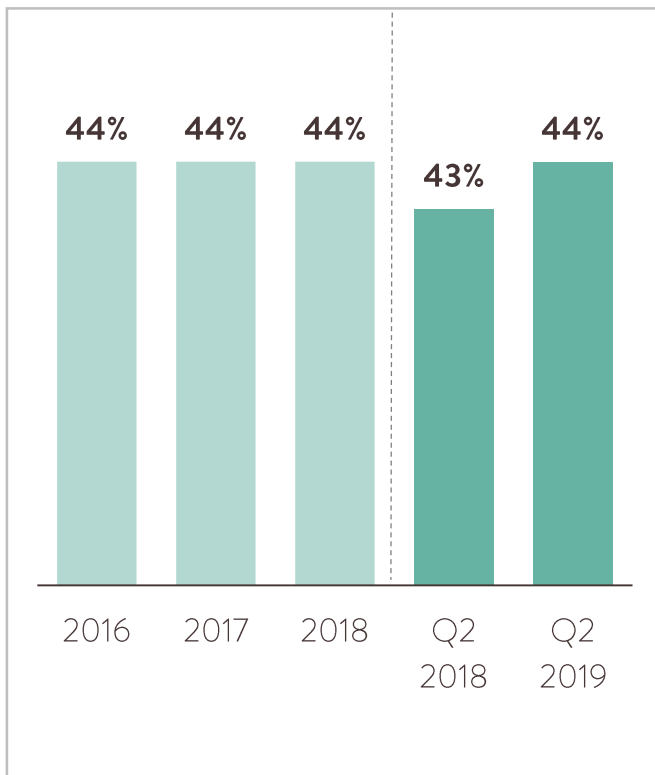
(1) Defined as clients who checked out a Fix in the preceding 12-month period, measured as of the last date of that period. A client checks out a Fix when he or she indicates which items he or she is keeping through our mobile app or website. We consider each Men's, Women's or Kids account as a client, 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".

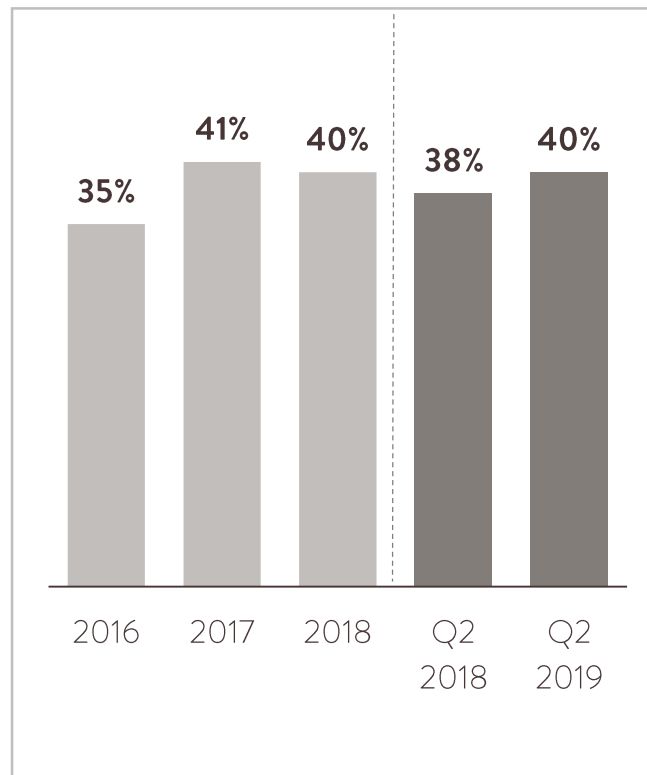
# INVESTING FOR LONG-TERM GROWTH

FYE JULY | % OF NET REVENUE

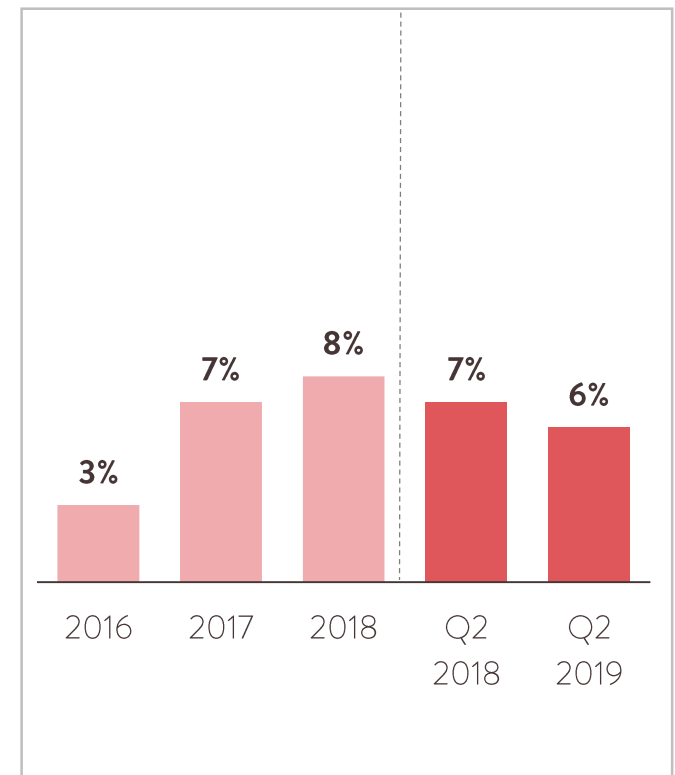
## GROSS MARGIN



## SG&A



## ADVERTISING<sup>1</sup>



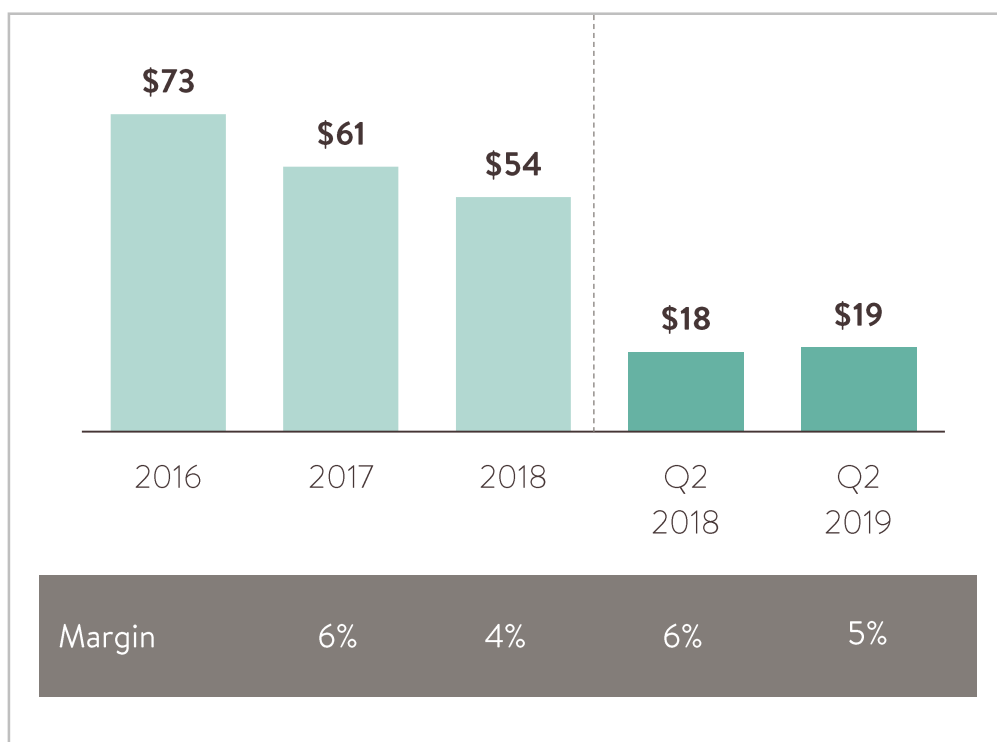
Note: Fiscal year ends on the Saturday that is closest to July 31 of that year.

(1) Advertising expenses included in SG&A.

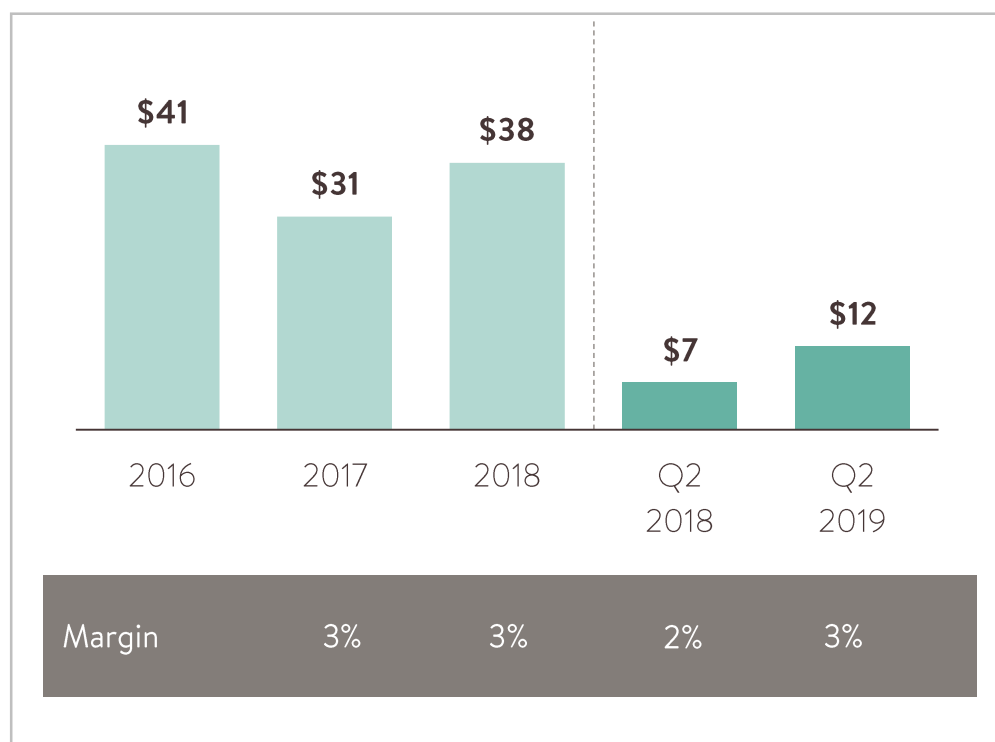
# FINANCIAL MODEL HAS PROVEN NON-GAAP PROFITABILITY

FYE JULY

## ADJUSTED EBITDA<sup>1</sup> (\$M)



## NON-GAAP NET INCOME<sup>2</sup> (\$M)

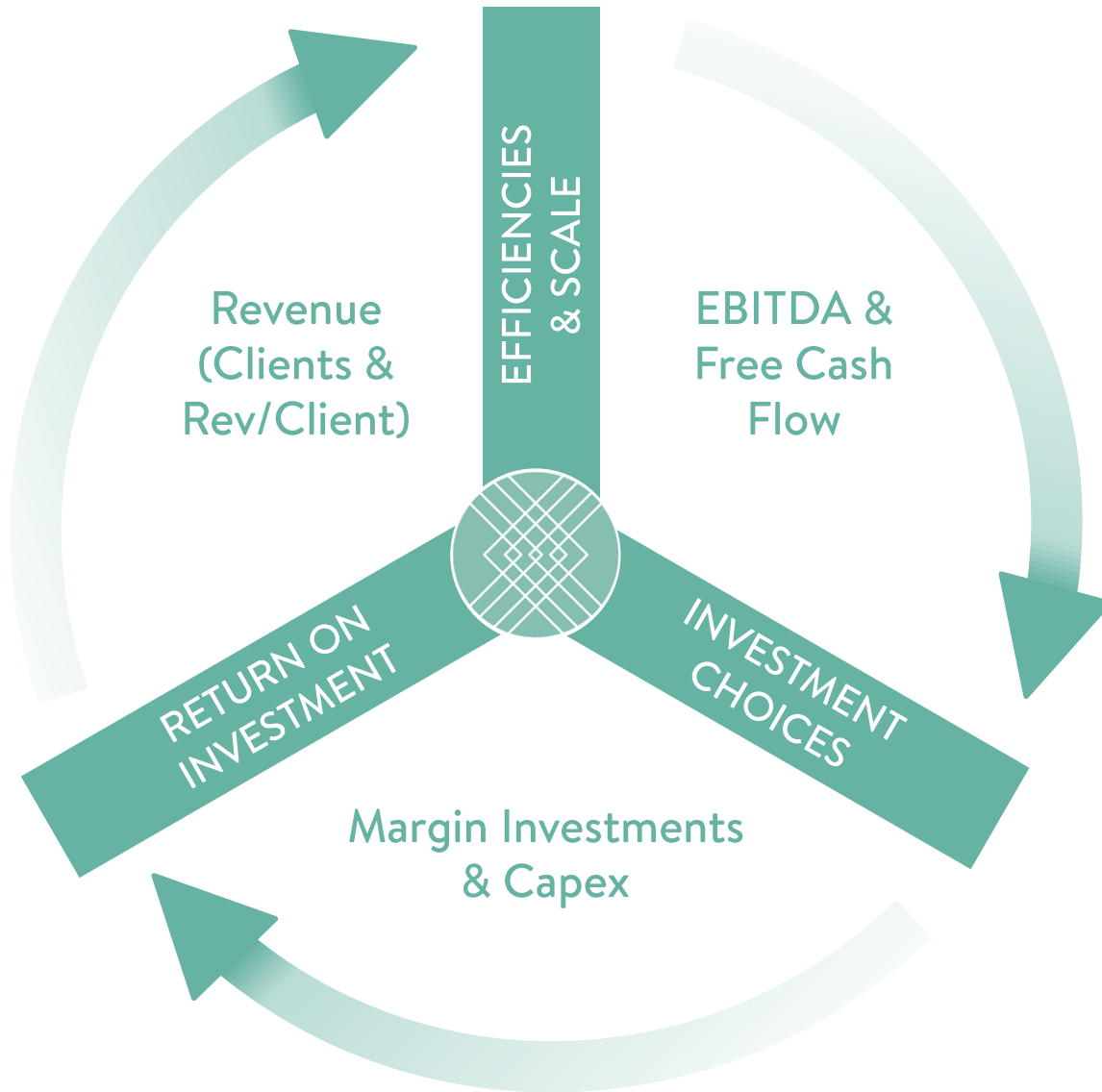


Note: Fiscal year ends on the Saturday that is closest to July 31 of that year.

(1) We define adjusted EBITDA as net income excluding interest income, other income, net, provision for income taxes, depreciation and amortization, and, when present, the remeasurement of preferred stock warrant liability.

(2) We define non-GAAP net income as net income excluding, when present, the remeasurement of preferred stock warrant liability and the remeasurement of our net deferred tax assets in relation to the adoption of the Tax Act.

# HIGHLY CAPITAL-EFFICIENT MODEL



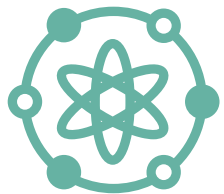
# LONG-TERM TARGET MODEL

FYE JULY

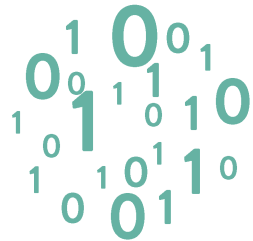
	2015	2016	2017	2018	LT Target
Gross Profit (% Margin)	42%	44%	44%	44%	45-46%
Advertising Expenses (% of Revenue)	NA	3%	7%	8%	9-11%
Other SG&A (% of Revenue) <sup>1</sup>	32%	32%	34%	32%	24-26%
Operating Profit (% of Revenue)	11%	9%	3%	4%	10-12%
Adjusted EBITDA (% of Revenue)	12%	10%	6%	4%	11-13%

(1) 2015 figures include advertising expenses; 2016, 2017, and 2018 figures exclude advertising expense. All years presented include 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



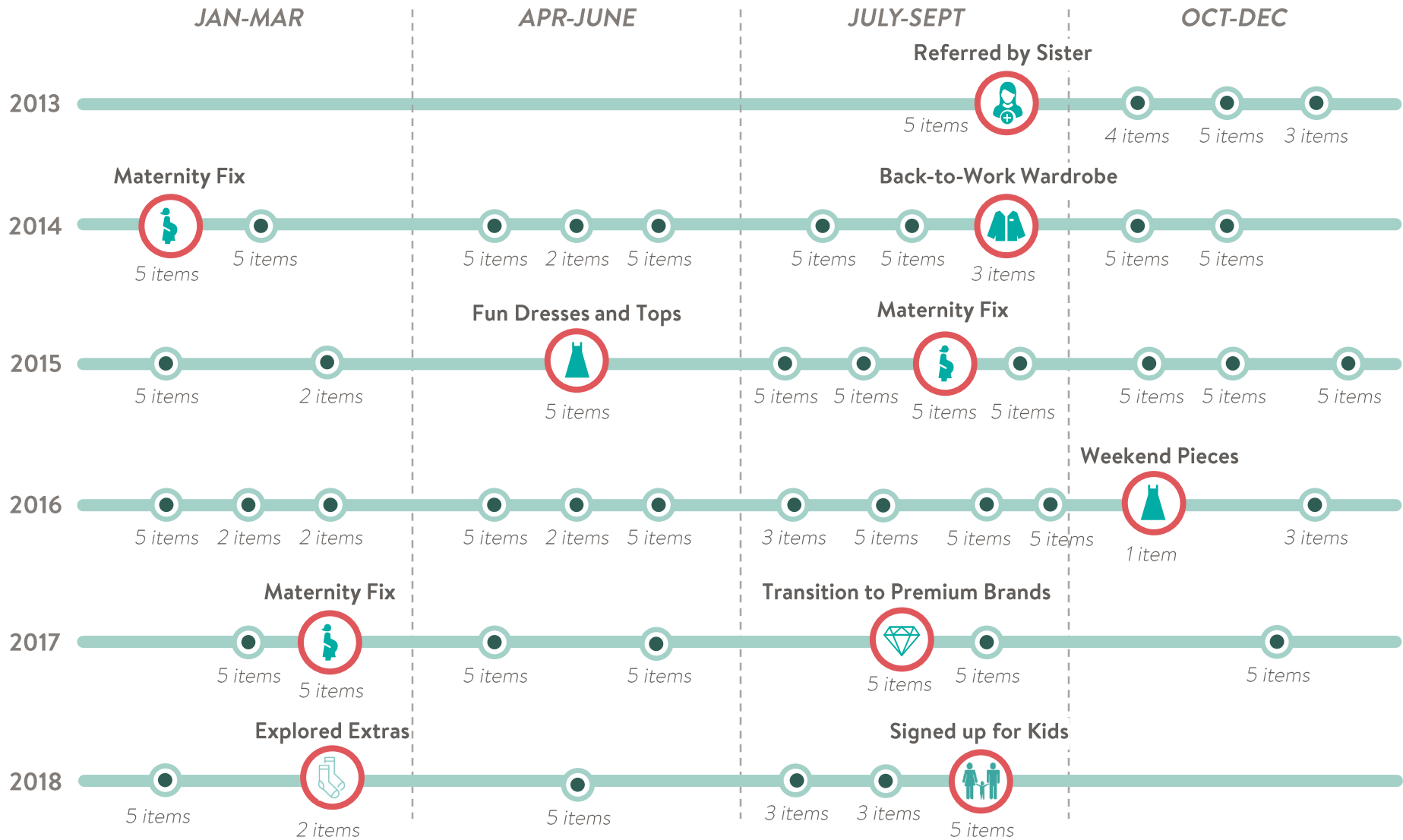
APPENDIX



# LAURA, 37 YEARS OLD

Doctor, Indiana

Note: This client journey represents a real client's spend, Fix frequency, and requests / events through calendar year 2018; the client name has been changed.



Styled through three pregnancies and recently signed up her children for our Kids offering

**210**  
Items Purchased

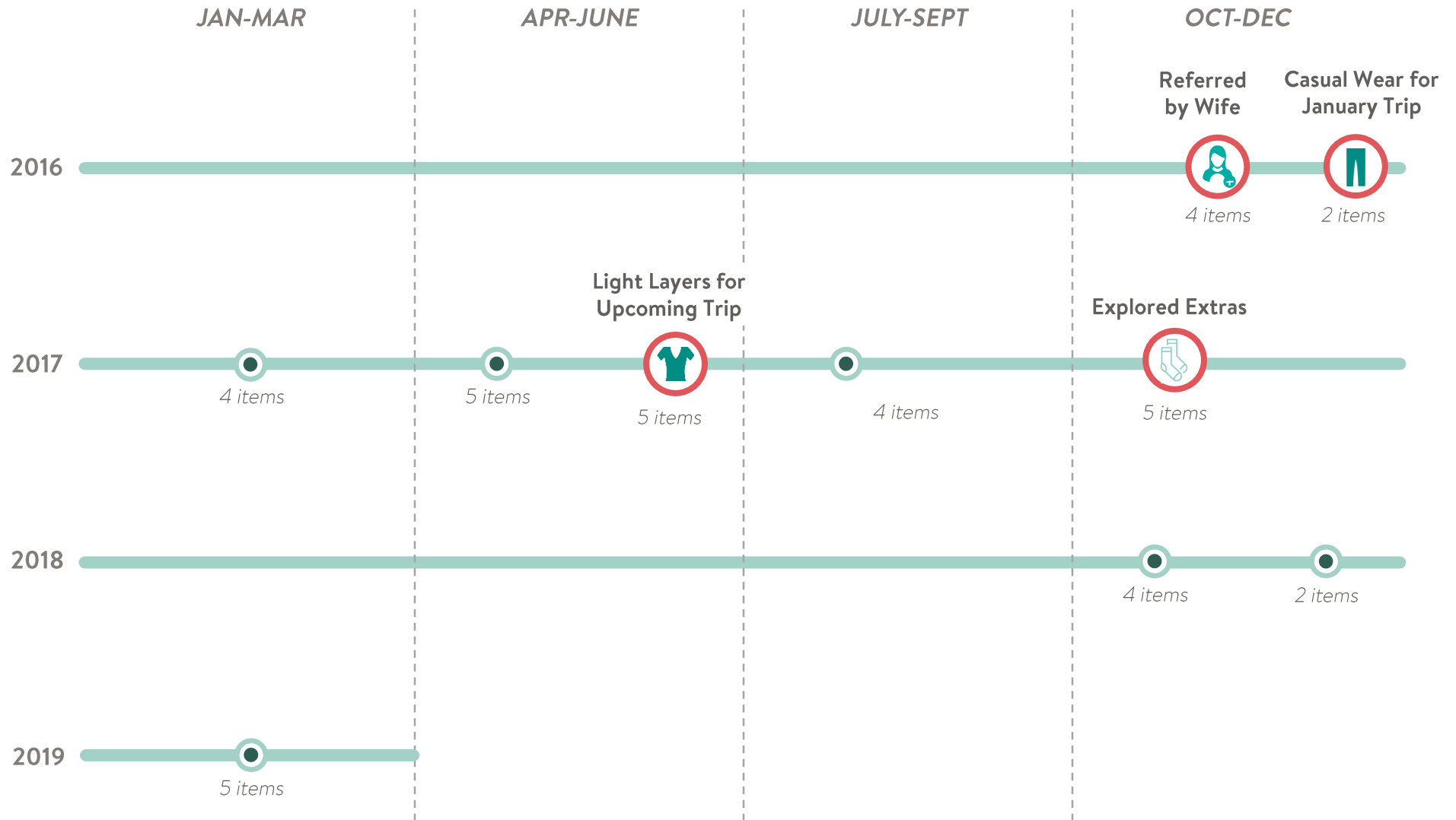
**49**  
Fixes

**\$12,345**  
Total Spent

# ANDREW, 59 YEARS OLD

Hospitality, Ohio

Note: This client journey represents a real client's spend, Fix frequency, and requests / events through calendar year 2019 to-date; the client name has been changed.



Big & tall client who re-engaged after one year of inactivity; frequent traveler who uses Fixes to refresh wardrobe ahead of trips

**37**  
Items Purchased

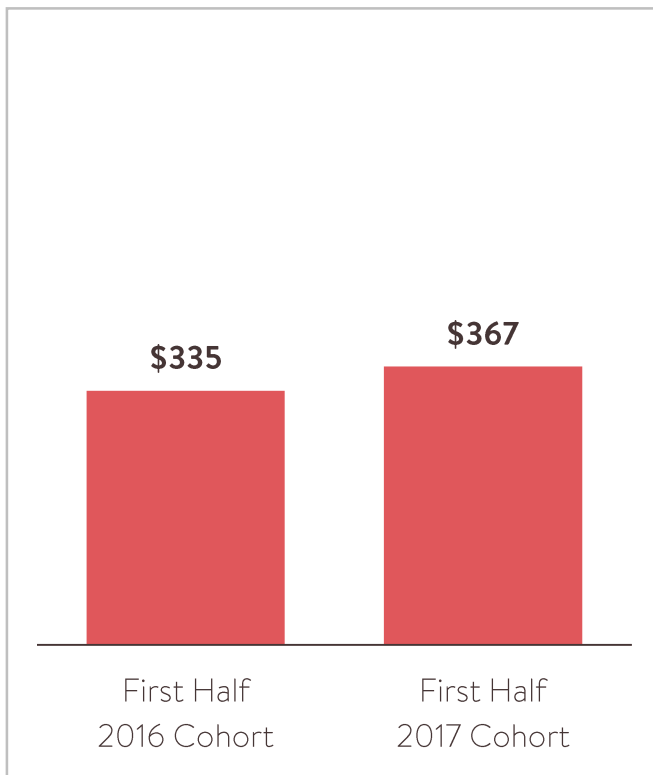
**9**  
Fixes

**\$2,313**  
Total Spent

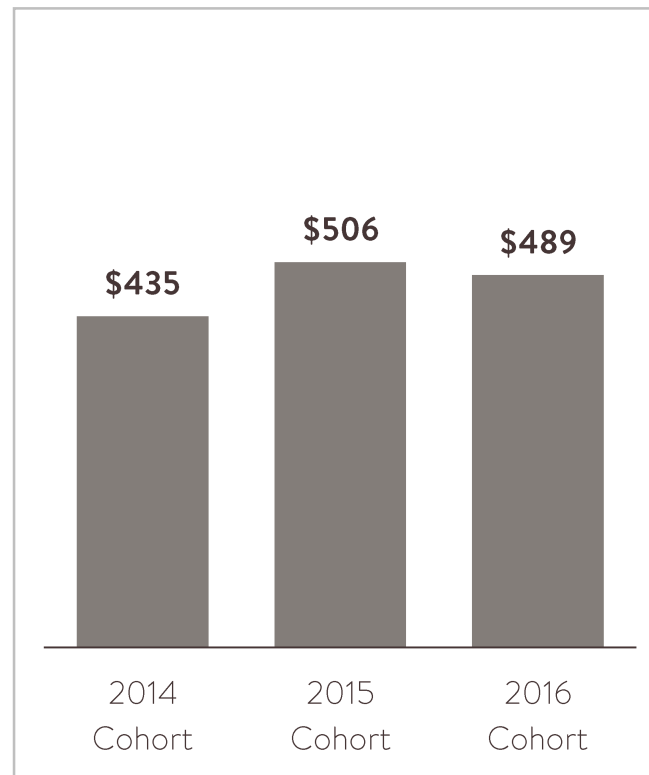
# OUR BUSINESS IS GROUNDED IN VALUABLE LONG-TERM CLIENT RELATIONSHIPS

FYE JULY

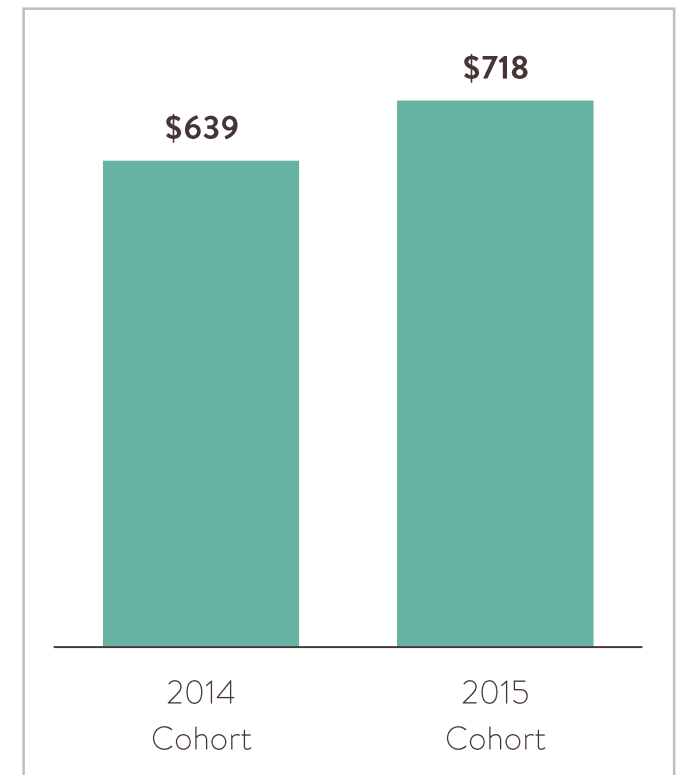
## AVERAGE 26-WEEK REVENUE PER CLIENT<sup>1</sup>



## AVERAGE 52-WEEK REVENUE PER CLIENT<sup>2</sup>



## AVERAGE 104-WEEK REVENUE PER CLIENT<sup>3</sup>



Note: Fiscal year ends on the Saturday that is closest to July 31 of that year. Cohort revenue reflects cash received from clients at checkout which excludes revenue from styling fees, deductions for estimated refunds, gift card redemptions, referral credit adjustments and clearance sales, but includes sales taxes.

(1) Each 26-week cohort represents the total cumulative net revenue from all clients who checked out their first Fix during the corresponding first 26 weeks of 2016 or 2017, measured over a period starting with the calendar week of each client's first Fix and ending 25 full calendar weeks thereafter, divided by the total number of clients in the cohort.

(2) Each 52-week cohort represents the total cumulative net revenue from all clients who checked out their first Fix during the corresponding fiscal year, measured over a period starting with the calendar week of each client's first Fix and ending 51 full calendar weeks thereafter, divided by the total number of clients in the cohort.

(3) Each 104-week cohort represents the total cumulative net revenue from all clients who checked out their first Fix during the identified fiscal year, measured over a period starting with the calendar week of each client's first Fix and ending 103 full calendar weeks thereafter, divided by the total number of clients in the cohort.

# KEY BALANCE SHEET ITEMS

FYE JULY

	2016	2017	2018	Q2 2019
Cash <sup>1</sup>	\$91.5	\$110.6	\$297.5	\$167.5
Working Capital <sup>2</sup>	63.2	63.8	274.8	236.3
Total Assets	191.6	257.2	481.6	557.1
Total Liabilities	99.4	153.1	166.5	203.8

Note: Fiscal year ends on the Saturday that is closest to July 31 of that year. \$ in millions.

(1) Cash balance does not include restricted cash.

(2) Working capital defined as current assets less current liabilities.

# RECONCILIATION OF ADJUSTED EBITDA

## FYE JULY

(in thousands)	2016	2017	2018	LTM	Q2 2018	Q2 2019
<b>Adjusted EBITDA Reconciliation:</b>						
Net Income (Loss)	\$33,181	\$(594)	\$44,900	\$50,425	\$3,641	\$11,976
<b>Add (Deduct):</b>						
Interest Income	(13)	(42)	(904)	(3,438)	(18)	(1,170)
Other Income, net	–	–	(100)	(673)	–	(453)
Provision for Income Taxes	28,041	13,395	9,813	(2,138)	13,603	5,058
Depreciation and Amortization	3,544	7,655	10,542	12,838	2,618	3,790
Re-measurement of Preferred Stock Warrant Liability	3,019	18,881	(10,685)	–	(1,614)	–
Compensation Expense Related to Certain Stock Sales by Current and Former Employees	4,810	21,283	–	–	–	–
<b>Adjusted EBITDA</b>	<b>\$72,582</b>	<b>\$60,578</b>	<b>\$53,566</b>	<b>\$57,014</b>	<b>\$18,230</b>	<b>\$19,201</b>

Note: Fiscal year ends on the Saturday that is closest to July 31 of that year.

# RECONCILIATION OF FREE CASH FLOW

## FYE JULY

(in thousands)

	2016	2017	2018	1H 2018	1H 2019
<b>Free Cash Flow Reconciliation:</b>					
Cash Provided by Operating Activities	\$45,116	\$38,624	\$72,178	\$33,735	\$57,667
<b>(Deduct):</b>					
Purchases of Property and Equipment	\$(15,238)	\$(17,165)	\$(16,565)	\$(8,232)	(11,903)
<b>Free Cash Flow</b>	<b>\$29,878</b>	<b>\$21,459</b>	<b>\$55,613</b>	<b>\$25,503</b>	<b>\$45,764</b>
Cash Used in Investing Activities	\$(15,238)	\$(17,130)	\$(16,565)	\$(8,232)	\$(187,234)
Cash Provided by (Used in) Financing Activities	\$499	\$(3,028)	\$134,795	\$130,013	\$(350)

Note: Fiscal year ends on the Saturday that is closest to July 31 of that year.

# RECONCILIATION OF NON-GAAP NET INCOME

## FYE JULY

(in thousands)	2016	2017	2018	Q2 2018	Q2 2019
<b>Non-GAAP Net Income Reconciliation:</b>					
Net Income (Loss)	\$33,181	\$(594)	\$44,900	\$3,641	\$11,976
<b>Add (Deduct):</b>					
Re-measurement of Preferred Stock Warrant Liability	3,019	18,881	\$(10,685)	\$(1,614)	–
Compensation Expense Related to Certain Stock Sales by Current and Former Employees	4,810	21,283	–	–	–
Tax Impact of Non-GAAP Adjustments	–	(8,890)	–	–	–
Tax Impact of Tax Act <sup>1</sup>	–	–	4,209	4,730	–
<b>Non-GAAP Net Income</b>	<b>\$41,010</b>	<b>\$30,680</b>	<b>\$38,424</b>	<b>\$6,757</b>	<b>\$11,976</b>

Note: Fiscal year ends on the Saturday that is closest to July 31 of that year.

(1) As discussed in Note 10 to the condensed consolidated financial statements included in our Annual Report on Form 10-K for the full fiscal year ended July 28, 2018, filed with the Securities and Exchange Commission on October 3, 2018, the U.S. government enacted comprehensive tax legislation in December 2017. This resulted in a net charge of \$4.2 million for full fiscal year ended July 28, 2018, due to the remeasurement of our net deferred tax assets for the reduction in tax rate from 35% to 21%. The adjustment to non-GAAP net income only includes this transitional impact. It does not include the ongoing impacts of the lower U.S. statutory rate on current year earnings.