### 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): March 9, 2020

# STITCH FIX, INC.

(Exact name of Registrant as Specified in Its Charter)

Commission file number: 001-38291

Delaware (State or other jurisdiction of incorporation or organization)

1 Montgomery Street

California

(Address of Principal Executive Offices)

San Francisco

linces)

Suite 1500

(415) 882-7765 (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	Name of Each Exchange on Which Registered
Class A common stock, par value \$0.00002 per share	SFIX	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  $\Box$ 

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.

27-5026540 (I.R.S. Employer Identification No.)

> 94104 (Zip Code)

### Item 2.02 Results of Operations and Financial Condition.

On March 9, 2020, Stitch Fix, Inc. (the "Company") announced its financial results for the second quarter of fiscal year 2020 ended February 1, 2020, by issuing a Letter to Shareholders (the "Letter") and a press release. In the Letter and the press release, the Company also announced that it would be holding a conference call on March 9, 2020, at 2 p.m. Pacific Time to discuss its financial results for the second quarter of fiscal year 2020 ended February 1, 2020. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K (this "Current Report") and incorporated by reference herein. A copy of the Letter is furnished as Exhibit 99.2 to this Current Report and incorporated by reference herein.

The information included in Item 2.02 of this Current Report and the exhibits attached hereto are 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 into any other filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in any such filing.

### Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	Description
99.1	Earnings Press Release dated March 9, 2020
99.2	Letter to Shareholders dated March 9, 2020
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Stitch Fix, Inc.

Dated: March 9, 2020

By: /s/ Michael Smith

Michael Smith President, Chief Operating Officer, and Interim Chief Financial Officer



### Stitch Fix Announces Second Quarter Fiscal Year 2020 Financial Results

SAN FRANCISCO, March 9, 2020 (GLOBE NEWSWIRE) -- Stitch Fix, Inc. (NASDAQ:SFIX), the leading online personal styling service, has released its financial results for the second quarter of fiscal year 2020 ended February 1, 2020, and posted a letter to its shareholders on its investor relations website.

### Second quarter highlights

- Active clients of 3.5 million, an increase of 17% year over year
- Net revenue per active client of \$501, an increase of 8% year over year
- Net revenue of \$451.8 million, an increase of 22% year over year
- Net income of \$11.4 million
- Adjusted EBITDA of \$14.3 million and adjusted EBITDA excluding stock-based compensation expense of \$30.1 million
- Diluted earnings per share of \$0.11

"We are pleased to deliver another strong quarter in Q2," said Stitch Fix founder and CEO Katrina Lake. "Net revenue was \$452 million, representing 22% year-over-year growth, in line with our guidance. We grew active clients to 3.5 million, an increase of 17% year over year, and grew net revenue per active client by 8% year over year, our seventh consecutive quarter of growth and a reflection of our unique personalization capabilities."

Lake added, "This quarter, we are excited to expand our new direct buy offerings to even more clients. As we continue to evolve our personalization capabilities we're confident in our ability to capture additional market share, and deliver on our mission to transform the way people find what they love."

Please visit the Stitch Fix investor relations website at <a href="https://investors.stitchfix.com">https://investors.stitchfix.com</a> to view the financial results included in the letter to shareholders. The Company intends to continue to make future announcements of material financial and other information through its investor relations website. The Company will also, from time to time, disclose this information through press releases, filings with the Securities and Exchange Commission, conference calls, or webcasts, as required by applicable law.

### **Conference Call and Webcast Information**

Katrina Lake, Founder and Chief Executive Officer of Stitch Fix, and Mike Smith, President, Chief Operating Officer, and interim Chief Financial Officer of Stitch Fix, will host a conference call at 2:00 p.m. Pacific Time today to discuss the Company's financial results and outlook. A live webcast will be accessible on Stitch Fix's investor relations website at investors.stitchfix.com. Interested parties can also access the call by dialing (888) 394-8218 in the U.S. or (786) 789-4776 internationally, and entering conference code 8951047.

A telephonic replay will be available through Monday, March 16, 2020, at (888) 203-1112 or (719) 457-0820, passcode 8951047. An archive of the webcast conference call will be available shortly after the call ends at <a href="https://investors.stitchfix.com">https://investors.stitchfix.com</a>.

### About Stitch Fix, Inc.

Stitch Fix is an online personal styling service that is reinventing the shopping experience by delivering one-to-one personalization to our clients through the combination of data science and human judgment. Stitch Fix was founded in 2011 by CEO Katrina Lake. Since then, we've helped millions of women, men, and kids discover and buy what they love through personalized selections of apparel, shoes, and accessories, curated by Stitch Fix stylists and algorithms. For more information about Stitch Fix, please visit <a href="https://www.stitchfix.com">https://www.stitchfix.com</a>.

### Forward-Looking Statements

This press release and related conference call and webcast contain 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 November 2, 2019. 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 press release to reflect events or circumstances after the date of this press release 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.

### Stitch Fix, Inc. Condensed Consolidated Balance Sheets (Unaudited)

(In thousands, except share and per share amounts)

	Feb	ruary 1, 2020	Auş	gust 3, 2019
Assets				
Current assets:				
Cash and cash equivalents	\$	165,989	\$	170,932
Short-term investments		134,592		143,276
Inventory, net		147,236		118,216
Prepaid expenses and other current assets		38,513		49,980
Total current assets		486,330		482,404
Long-term investments		96,657		53,372
Property and equipment, net		63,158		54,888
Operating lease right-of-use assets		123,490		_
Deferred tax assets		27,047		22,175
Other long-term assets		3,046		3,227
Total assets	\$	799,728	\$	616,066
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	\$	86,092	\$	90,883
Operating lease liabilities		23,475		_
Accrued liabilities		84,904		69,734
Gift card liability		10,393		7,233
Deferred revenue		11,273		11,997
Other current liabilities		3,934		2,784
Total current liabilities		220,071		182,631
Operating lease liabilities, net of current portion		125,925		_
Deferred rent, net of current portion		_		24,439
Other long-term liabilities		14,822		12,996
Total liabilities		360,818		220,066
Stockholders' equity:				
Class A common stock, \$0.00002 par value		1		1
Class B common stock, \$0.00002 par value		1		1
Additional paid-in capital		308,687		279,511
Accumulated other comprehensive income (loss)		2,294		(187)
Retained earnings		127,927		116,674
Total stockholders' equity		438,910		396,000
Total liabilities and stockholders' equity	\$	799,728	\$	616,066

# Stitch Fix, Inc. Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited) (In thousands, except share and per share amounts)

	-	-	-							
		For the Three Months Ended			For the Six Months Ended					
		February 1, 2020		January 26, 2019		February 1, 2020		January 26, 2019		
Revenue, net	\$	451,784	\$	370,280	\$	896,599	\$	736,516		
Cost of goods sold		249,597		207,131	_	493,110		408,199		
Gross profit		202,187		163,149		403,489		328,317		
Selling, general, and administrative expenses		193,689		147,738		394,831		302,009		
Operating income		8,498		15,411		8,658		26,308		
Interest (income) expense		(1,477)		(1,170)		(3,130)		(2,569)		
Other (income) expense, net		28		(453)		862		(573)		
Income before income taxes		9,947		17,034		10,926		29,450		
Provision (benefit) for income taxes		(1,484)		5,058		(327)		6,796		
Net income (loss)	\$	11,431	\$	11,976	\$	11,253	\$	22,654		
Other comprehensive income (loss):										
Change in unrealized gain (loss) on available-for-sale securities, net of tax		247		104		75		22		
Foreign currency translation		651		93		2,406		119		
Total other comprehensive income (loss), net of tax		898		197		2,481		141		
Comprehensive income	\$	12,329	\$	12,173	\$	13,734	\$	22,795		
Net income (loss) attributable to common stockholders:										
Basic	\$	11,431	\$	11,968	\$	11,253	\$	22,632		
Diluted	\$	11,431	\$	11,968	\$	11,253	\$	22,633		
Earnings (loss) per share attributable to common stockholders:										
Basic	\$	0.11	\$	0.12	\$	0.11	\$	0.23		
Diluted	\$	0.11	\$	0.12	\$	0.11	\$	0.22		
Weighted-average shares used to compute earnings (loss) per share attributable to common stockholders:										
Basic	_	102,045,087		99,590,187		101,801,666		99,278,599		
Diluted	_	104,637,548		102,817,838	_	104,018,782	_	103,597,316		
	-		-		-		_			

### Stitch Fix, Inc. Condensed Consolidated Statements of Cash Flow (Unaudited) (In thousands)

February 1, 2009         James 28, 2019           Net income (hos)         \$         1.233         \$         2,2451           Adjustments for snockle art income (bos) to arc ab provided by operating activities:         (4.859)         (2,250)           Instance and transmission (bos) to arc ab provided by operating activities:         (4.859)         (2,226)           Instance and transmission (bos) to arc ab provided by operating activities:         (4.850)         (2,226)           Instance and transmission (bos) to arc ab provided by operating activities:         (4.850)         (2,230)           District and instance and liabilities:         7,7         -           Inversion y and are asses         (31,650)         (2,230)           Operating lases and liabilities:         (41,67)         (2,230)           Inversion y adule asses: and liabilities:         141         -           Accrement liabilities         (41,67)         (2,230)           Operating lases and liabilities:         13,169         (2,230)           Deferend aroname         (31,68)         (31,68)         (31,68)           Deferend aroname         (31,68)         (31,68)         (31,68)         (31,68)           Deferend aroname         (31,68)         (31,68)         (31,68)         (31,68)         (31,68)         (31,68)		For the Six Months Ended				
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Investory serves	Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Sock-based compensation expense27.8027.80Depreciation, amorization, and accretion10.3476.666Other7.1-Changin operating asses and labilities:5.1636.20.2000Prepaid expenses and other asses5.1671.548Operating tense inglus-for asses and labilities:5.1677.002Accounts payable6.1037.002Accounts payable1.5247.002Accounts payable1.5247.002Accounts payable3.0403.512Other insibilities3.0427.002Account payable3.0427.002Account payable3.0427.002Account payable3.0427.002Other insibilities3.0427.002Account payable3.0427.002Account payable3.0427.002Account payable3.0427.002Account payable3.0427.002Account payable3.0427.002Account payable3.0427.002Account payable3.0427.002Account payable3.0427.002Account payable1.01621.002Account payable1.01621.002Account payable1.01621.002Account payable1.01621.002Account payable1.01621.002Account payable1.01621.002Account payable1.01621.002Account payable1.01621.0162Acto payable <td>Deferred income taxes</td> <td>(4,865)</td> <td></td> <td>(2,288)</td>	Deferred income taxes	(4,865)		(2,288)		
Dependenciation, and accretion10.476.456Other7.1–Change in operating assets and liabilities:10.187(22.328)Prepide depenses and other assets5.1671.548Operating lease right-of-aue assets and liabilities1.14–Accound loadilities1.543(17.89)Operating lease right-of-aue assets and liabilities1.543(17.89)Accound labilities1.524(17.89)Defenced evenue0.7923.822Ciff card lability3.1003.512Other labilities3.1003.512Other labilities3.1003.512Other labilities3.1023.522Other labilities3.0245.762Ne card provide log operating activities3.0425.762Detracks from Investing Activities1.0451.053Purchases of grouperty and equipment(11.49)1.053Ne cards provide log operating activities1.0559.050Ne cards provide savilable-for-sale1.0579.050Ne cards provide log operating activities1.0579.050Ne cards provide log operating activities6.5811.051Decede from Francing Activities1.0521.052Decede from the exercic of stock options, net1.0521.052Ne cards provide log operating activities5.881.0581.052Decede from the exercic of stock options, net1.0521.0521.052Decede from the exercic of stock options, net1.0521.052 </td <td>Inventory reserves</td> <td>2,831</td> <td></td> <td>4,853</td>	Inventory reserves	2,831		4,853		
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Change in operating assets and liabilities         (1,500)         (2,220)           Inventory         (1,500)         (2,220)           Prepaid expenses and other assets         5,107         1,546           Operating lease right-of-use assets and liabilities         (4,67)         (7,07)           Accounts payable         (4,67)         (7,07)           Accounts payable         (4,67)         (7,07)           Defered revenue         (1,60)         (3,10)         (3,512)           Other liabilities         (4,67)         (3,02)         (3,02)           Not cash provided by operating activities         (1,400)         (1,010)         (1,140)         (1,100)           Precises fore furthies available for-sale         (1,67,59)         (1,67,59)         (1,67,59)         (1,67,59)           Not cash provide sy operating activities         (1,61,60)         (1,67,59)	Depreciation, amortization, and accretion	10,347		6,456		
Inventory(1)1380(22,020)Proprial dependences and induities5,1071,144Operating lesse right of use assets and liabilities1,14-Accounds payable(4,870)7,022Accound failaities1,1531,780Deferred revenue1,0203,822Gift card liability3,1003,512Other liabilities4,1673,000Stard provided by operating activities3,0003,512Other liability3,0003,5225,7665Cash Flows from Investing Activities(11,440)(11,403)Purchase of spectry and equipment(11,440)(11,403)Purchase of securities available-for-sale1,000(107,200)Stels of securities available-for-sale1,000(107,200)Net cash used in investing activities1,000(107,200)Net cash used in investing activities5,6581,031Marnities of securities available-for-sale5,6581,031Marnities of securities available-for-sale4,020(107,200)Net cash used in investing activities5,6581,031Marnities of securities available-for-sale4,020(102,000)Net cash provided by (used in) financing activities5,6581,033Martine descrities available-for-sale4,020(102,000)Net cash provided by (used in) financing activities6,250(12,201)Net cash provided by (used in) financing activities5,6581,033Net cash provided by (used in) financing activities3,	Other	71		_		
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Operating lesse right of use assets and liabilities141-Accounds payable(4570)7,012Accounds liabilities(4570)7,012Deferred revenue(279)3,822Offer red liability3,1213,121Other liabilities4,187502Tok task provided by operating activities4,187502Accound liability4,187502Cash Flows from Investing Activities(11,440)(11,003)Parchases of property and equipment(11,440)(11,003)Parchases of accounties available-for-sale(11,440)(11,003)Sale of secunities available-for-sale(11,245)(162,203)Sale of secunities available-for-sale(11,245)(162,203)Parchases of property and equipment(11,245)(162,203)Net cash used in investing activities(11,253)(162,203)Parchases of secunities available-for-sale(11,253)(12,213)Parchases of sock options, net5,558(12,313)Provenets for activities available-for-sale(12,213)(12,213)Net cash used in infrancing activities(12,553)(12,213)Net cash used in infrancing activities(12,553)(12,213)Net cash equivalents, and restricted cash and or period(12,553)(12,553)Cash, cash equivalents, and restricted cash and or period(12,553)(12,553)Cash acts equivalents, and restricted cash and or period(12,553)(12,553)Cash acts equivalents, and restricted cash and or period(12,553) <td>Inventory</td> <td>(31,586)</td> <td></td> <td>(22,928)</td>	Inventory	(31,586)		(22,928)		
Accounts payable(4.870)7.012Account labilities11.2.347.7.860Defered reveue7.7.933.8.222Gift card lability3.1.023.5.12Other labilities4.0.073.5.12Other labilities3.0.2.247.5.7.67Net cash provided by operating activities3.0.2.247.5.7.67Parchases of property and equipment(11.4.66)(11.5.9.9.60)Purchases of securities available-for-sale(12.9.2.5)(18.5.9.4.9.9.9.9.9.9.9.9.9.9.9.9.9.9.9.9.9	Prepaid expenses and other assets	5,167		1,546		
Accured liabilities15,25417,689Deferred revenue77933,222Gift card liability3,1603,512Other liabilities4,187592Nc tash provided by openting activities3,2257,657Cash Flows Form Investing Activities11,446(11,503)Purchases of property and equipment(11,446)(11,503)Purchases of securities available-for-sale(11,446)(11,503)Purchases of securities available-for-sale(11,445)(11,633)Stell of securities available-for-sale(11,445)(11,633)Mattridis of securities available-for-sale81,6753,500Net cash used in investing activities81,6753,500Net cash used in investing activities(11,446)(11,503)Payments for tas withholding related to vesting of restricted stock units81,6753,500Net cash provided by (used in financing activities(65,266)(2,231)Portores (decrease) in cash, cash equivalents, and restricted cash(65,267)(12,3917)Effect of exchange rate changes on cash(65,267)(12,3917)Effect of exchange rate changes on cash(11,932)310,304Cash, cash equivalents, and restricted cash(11,932)310,304 <td>Operating lease right-of-use assets and liabilities</td> <td>141</td> <td></td> <td>_</td>	Operating lease right-of-use assets and liabilities	141		_		
Deferred revenue(729)3.822Gift card lability3.1603.512Other labilitys38.24257.667Extra provided by operating activities38.24257.667Cash Provided by operating activities(11.00)(11.00)Purchase of property and equipment(12.925)(18.599)Sales of securities available-for-sale(12.925)(18.599)Sales of securities available-for-sale(18.75)(18.75)Purchase of property and equipment include di accounts pavallable-for-sale(18.75)(18.75)Net cab used in investing activities(18.75)(18.75)(18.75)Proceeds from the exercise of stock options, net(18.75)(12.91)(19.75)Proceeds from the exercise of stock options, net(19.75)(12.91)(19.75)Net cab provide by (used in financing activities(40.27)(19.91)(19.91)Net cab provide by (used in financing activities(40.27)(19.91)(19.91)Proceeds from the exercise of stock options, net(19.91)(19.91)(19.91)Proceeds from the exercise of stock options, net(19.91)(19.91)(19.91)Cash, cash equivalents, and restricted cash at engining of period(19.92)(19.91)(19.91)Cash, cash equivalents, and restricted cash at engining of period(19.91)(19.91)(19.92)Cash cash equivalents, and restricted cash at engining of period(19.91)(19.92)(19.91)Cash cash equivalents, and restricted cash at engining of period(19.91)(19.91)<	Accounts payable	(4,870)		7,012		
Git carl liability3,103,10Other liability3,103,10Net cash provided by operating activities3,8,225,80Cash Flows from Investing Activities(1,149)(1,103)Purchase of socurities available-for-sale(1,29,23)(1,35)Sales of socurities available-for-sale(1,29,23)(1,35)Maturities of socurities available-for-sale(1,29,23)(1,35)Net cash used in investing activities(1,69,33)(1,67,23)Process from the exercise of stock options, net(1,69,33)(1,69,33)Process from the exercise of stock options, net(1,69,33)(1,69,33)Process from the exercise of stock options, net(1,69,33)(1,69,33)Net cash used to vesting of retricted stock units(1,69,33)(1,69,33)Net cash used to vesting of retricted stock units(1,69,33)(1,69,33)Net cash used an entricted cash at eng of period(1,09,32)(1,69,33)Cash, cash equivalents, and restricted cash at eng of period(1,69,33)(1,69,33)Cash and cash equivalents, and restricted cash at eng of period(1,69,33)(1,69,33)Cash and cash equivalents, and restricted cash at eng of period(1,69,33)(1,69,33)Cash and cash equivalents, and restricted cash at eng of period(1,69,33)(1,69,33)Cash and cash equivalents, and restricted cash at eng of period(1,69,33)(1,69,33)Cash and cash equivalents, and restricted cash at eng of period(1,69,33)(1,69,33)Cash and equivalents, and restricted cash at eng of period </td <td>Accrued liabilities</td> <td>15,254</td> <td></td> <td>17,689</td>	Accrued liabilities	15,254		17,689		
Other liabilities         4.187         922           Net cash provided by operating activities         38.24         57.667           Cash Flows from Investing Activities         (11.44)         (11.93)           Purchases of securities available-for-sale         (12.925)         (15.994)           Sales of securities available-for-sale         (11.44)         (11.93)           Net cash used in investing activities         (11.64)         (11.73)           Net cash used in investing activities         (11.64)         (11.73)           Proceeds from Financing Activities         (45.00)         (18.72)           Proceeds from the exercise of stock options, net         (45.00)         (18.72)           Proceeds from the exercise of stock options, net         (5.58)         (19.31)           Net cash provided by (used in) financing activities         (5.59)         (2.281)           Net cash equivalents, and restricted cash equivalents, and restricted cash         (19.32)         (19.33)           Effect of exchange rate changes on cash         (19.33)         (19.33)           Cash cash equivalents, and restricted cash a togeting of period         (19.33)         (19.33)           Cash cash equivalents, and restricted cash         (19.33)         (19.33)         (19.33)           Cash cash equivalents, and restricted cash	Deferred revenue	(729)		3,822		
Net cash provided by operating activities         38,242         57,667           Cash Plows from Investing Activities	Gift card liability	3,160		3,512		
Cash Flows from Investing Activities <ul> <li>(11,40)</li> <li>(11,20)</li> <li>(11,20)</li> <li>(11,20)</li> <li>(12,922)</li> <li>(18,594)</li> <li>(14,095)</li> <li>(14,095)</li> <li>(14,095)</li> <li>(14,095)</li> <li>(14,095)</li> <li>(14,095)</li> <li>(16,72,34)</li> <li>(16,73,14)</li> <li>(16,73,14)</li> <li>(16,73,14)</li> <li>(16,73,14)</li> <li>(16,73,14)</li> <li>(16,73,14)</li> <li>(12,91,11)</li> <li>(12,91,11</li></ul>	Other liabilities	4,187		592		
Purchases of speptry and equipment(11,446)(11,030)Purchases of securities available-for-sale(129,925)(185,949)Sales of securities available-for-sale14,0955,500Naturities of securities available-for-sale(18,727)(187,234)Attainities of securities available-for-sale(18,727)(187,234)Cash text of investing activities5,5681,931Proceeds from Financing Activities5,5681,931Proceeds from the accruice of stock options, net5,5681,931Paynents for tax withbolding retricted stock units(129,927)(129,937)Net cash provided by (used in) financing activities402(350)Net cash cash equivalents, and restricted cash2,014(1033)Cash, cash equivalents, and restricted cash2,014(1033)Cash, cash equivalents, and restricted cash at beginning of period107,932310,366Cash, cash equivalents, and restricted cash1,052(129,917)Cash cash equivalents, and restricted cash1,0521,030Cash, cash equivalents, and restricted cash1,0321,030Cash, cash equivalents, and restricted cash1,0521,030Cash cash equivalents, and restricted cash1,0521,0509Cash cash equiv	Net cash provided by operating activities	38,242		57,667		
Purchases of securities available-for-sale(129,292)(185,994)Sales of securities available-for-sale14,0951,163Maturities of securities available-for-sale81,6759,500Net cash used in investing activities(45,000)(187,234)Cash Flows from Financing Activities5,5581,931Payments for tax withholding related to vesting of restricted stock units6,559(2,281)Net cash provided by (used in financing activities)402(3030)Net cash provided by (used in financing activities)402(3030)Self cash cash equivalents, and restricted cash10,032(310,366)Cash, cash equivalents, and restricted cash10,032310,366Cash, cash equivalents, and restricted cash10,032310,366Cash, cash equivalents, and restricted cash10,032310,366Cash cash equivalents, and restricted cash10,032310,366 <td>Cash Flows from Investing Activities</td> <td></td> <td></td> <td></td>	Cash Flows from Investing Activities					
Sales of securities available-for-sale       14,095       1,163         Maturities of securities available-for-sale       81,675       9,500         Net cash used in investing activities       (45,001)       (45,021)         Cash Flows from Financing Activities       5,658       1,931         Porceeds from the exercise of stock options, net       5,658       1,931         Payments for tax withholding related to vesting of restricted stock units       (5,256)       (2,281)         Net cash provided by (used in) financing activities       (6,957)       (129,917)         Net increase (accrease) in cash, cash equivalents, and restricted cash       (6,057)       (129,917)         Cash cash equivalents, and restricted cash at beginning of period       2014       (103)         Cash, cash equivalents, and restricted Cash at of period       170,932       310,366         Cash act act act act as at end of period       2       165,989       5       167,906         Cash act act act act act as at end of period       -       250       200	Purchases of property and equipment	(11,446)		(11,903)		
Matrities of securities available-for-sale         81.675         9,500           Net cash used in investing activities         (45,601)         (187,234)           Cash Pows from Financing Activities         5,658         1,931           Proceeds from the exercise of stock options, net         5,658         1,931           Payments for tax withholding related to vesting of restricted stock units         5,658         1,231           Net cash provided by (used in financing activities         402         (350)           Net increase (decrease) in cash, cash equivalents, and restricted cash         (6,957)         (129,917)           Effect of exchange rate changes on cash         2,014         (103)           Cash, cash equivalents, and restricted cash at end of period         5         155,989         5         180,346           Components of Cash, Cash Equivalents, and restricted Cash          -         250           Restricted cash - current portion         -         2500         2         180,346           Supplemental Disclosure         -         12,600         3         180,346           Supplemental Disclosure of Non-Cash Investing and Francing Activities         -         12,600           Supplemental Disclosure of Non-Cash Investing and Francing Activities         -         12,600           Supplemental Dis	Purchases of securities available-for-sale	(129,925)		(185,994)		
Net cash used in investing activities         (45,601)         (187,234)           Cash Flows from Financing Activities   <	Sales of securities available-for-sale	14,095		1,163		
Cash Flows from Financing Activities       5.658       1.931         Proceeds from the exercise of stock options, net       5.658       1.931         Payments for tax withholding related to vesting of restricted stock units       (5.250)       (2.281)         Nct cash provided by (used in financing activities       402       (350)         Net increase (decrease) in cash, cash equivalents, and restricted cash       (6.957)       (129.917)         Effect of exchange rate changes on cash       2.014       (103)         Cash, cash equivalents, and restricted cash at beginning of period       170.932       310.366         Cash, cash equivalents, and restricted Cash       \$       165.989       \$       180.346         Components of Cash, Cash Equivalents, and Restricted Cash       \$       167.946       180.346         Cash and cash equivalents, and restricted Cash       \$       167.946       180.346         Cash and cash equivalents       \$       165.989       \$       180.346         Cash and cash equivalents       \$       165.989       \$       180.346         Restricted Cash – Long-term portion       -       2.000       180.346       180.346         Supplemental Disclosure       -       12.000       180.346       180.346       180.346       180.346       180.346 <t< td=""><td>Maturities of securities available-for-sale</td><td>81,675</td><td></td><td>9,500</td></t<>	Maturities of securities available-for-sale	81,675		9,500		
Proceeds from the exercise of stock options, net       5,658       1,931         Payments for tax withholding related to vesting of restricted stock units       (5,256)       (2,281)         Net cash provided by (used in financing activities       402       (350)         Net increase (decrease) in cash, cash equivalents, and restricted cash       (6,957)       (129,917)         Cash, cash equivalents, and restricted cash at beginning of period       2,014       (103)         Cash, cash equivalents, and restricted cash at edi of period       100,32       310,366         Cash, cash equivalents, and restricted Cash       \$       165,989       \$       180,346         Components of Cash, Cash Equivalents, and Restricted Cash       -       120,00       107,496       107,496       100,302       100,366       165,989       \$       167,496       167,496       167,496       167,496       167,496       167,496       167,496       167,496       167,496       167,496       167,496       167,496       167,496       167,496       167,496       167,496       167,496       162,001       170,496       167,496       162,001       170,001       170,001       170,001       170,001       170,001       170,001       170,001       170,001       170,001       170,001       170,001       170,001       170,001	Net cash used in investing activities	(45,601)		(187,234)		
Payments for tax withholding related to vesting of restricted stock units(5,256)(2,281)Net cash provided by (used in) financing activities402(330)Net increase (decrease) in cash, cash equivalents, and restricted cash(6,957)(129,917)Effect of exchange rate changes on cash2,014(103)Cash, cash equivalents, and restricted cash at beginning of period170,932310,366Cash, cash equivalents, and restricted cash at end of period\$180,346Components of Cash, Cash Equivalents, and restricted Cash\$180,346Cash an cash equivalents, and restricted Cash\$180,346Restricted cash - current portion250Restricted cash - long-term portion250Total cash, cash equivalents, and restricted cash\$180,346Supplemental Disclosure\$9\$Purchases of property and equipment included in accounts payable and accrued liabilities\$9\$Supplemental Disclosure of Non-Cash Investing and Financing Activities:	Cash Flows from Financing Activities					
Net cash provided by (used in) financing activities402(330)Net increase (decrease) in cash, cash equivalents, and restricted cash(6,957)(129,917)Effect of exchange rate changes on cash2,014(103)Cash, cash equivalents, and restricted cash at beginning of period170,932310,366Cash, cash equivalents, and restricted cash at end of period\$165,989\$Cash, cash equivalents, and restricted Cash***Cash and cash equivalents, and Restricted Cash***Cash and cash equivalents\$165,989\$167,496Restricted cash - current portion-250**Tota cash, cash equivalents, and restricted cash\$165,989\$180,346Supplemental Disclosure-250**12,600Cash paid for income taxes\$90\$191*Supplemental Disclosure of Non-Cash Investing and Financing Activities:**4,741Purchases of property and equipment included in accounts payable and accrued liabilities\$8812Vesting of early exercised options\$90\$8812	Proceeds from the exercise of stock options, net	5,658		1,931		
Net increase (decrease) in cash, cash equivalents, and restricted cash(6,957)(129,917)Effect of exchange rate changes on cash2,014(103)Cash, cash equivalents, and restricted cash at beginning of period170,932310,366Cash, cash equivalents, and restricted cash at end of period\$165,989\$180,346Components of Cash, Cash Equivalents, and Restricted Cash\$165,989\$167,496Cash and cash equivalents\$165,989\$167,496Restricted cash - current portion	Payments for tax withholding related to vesting of restricted stock units	(5,256)		(2,281)		
Effect of exchange rate changes on cash       2.014       (103)         Cash, cash equivalents, and restricted cash at beginning of period       170,932       310,366         Cash, cash equivalents, and restricted cash at end of period       \$       165,989       \$       180,346         Components of Cash, Cash Equivalents, and Restricted Cash       \$       165,989       \$       180,346         Cash and cash equivalents       \$       165,989       \$       180,346         Restricted cash - current portion       -       -       250         Restricted cash - long-term portion       -       -       260         Total cash, cash equivalents, and restricted cash       \$       165,989       \$       180,346         Supplemental Disclosure       -       -       250 </td <td>Net cash provided by (used in) financing activities</td> <td>402</td> <td></td> <td>(350)</td>	Net cash provided by (used in) financing activities	402		(350)		
Cash, cash equivalents, and restricted cash at beginning of period       170,932       310,366         Cash, cash equivalents, and restricted cash at end of period       \$       165,989       \$       180,346         Components of Cash, Cash Equivalents, and Restricted Cash       \$       165,989       \$       167,496         Cash and cash equivalents       \$       165,989       \$       167,496         Restricted cash - current portion	Net increase (decrease) in cash, cash equivalents, and restricted cash	(6,957)		(129,917)		
Cash, cash equivalents, and restricted cash at end of period       \$       165,989       \$       180,346         Components of Cash, Cash Equivalents, and Restricted Cash       \$       165,989       \$       167,496         Cash and cash equivalents       \$       165,989       \$       167,496         Restricted cash - current portion	Effect of exchange rate changes on cash	2,014		(103)		
Components of Cash, Cash Equivalents, and Restricted Cash         Image: Component of Cash, Cash Equivalents, and Restricted Cash           Cash and cash equivalents         \$         165,989         \$         167,496           Restricted cash - current portion         -         -         250           Restricted cash - long-term portion         -         -         12,600           Total cash, cash equivalents, and restricted cash         \$         165,989         \$         180,346           Supplemental Disclosure         -         -         12,600         -         -         12,600         -         -         12,600         -         -         180,346         -         -         180,346         -         -         -         12,600         -         -         -         12,600         -         -         -         180,346         -         -         -         180,346         -         180,346         -         -         -         191         -         -         -         -         -         - <td>Cash, cash equivalents, and restricted cash at beginning of period</td> <td>170,932</td> <td></td> <td>310,366</td>	Cash, cash equivalents, and restricted cash at beginning of period	170,932		310,366		
S       165,989       S       167,496         Restricted cash – current portion       —       —       250         Restricted cash – long-term portion       —       —       12,600         Total cash quivalents, and restricted cash       S       165,989       S       180,346         Supplemental Disclosure       S       105,989       S       191         Cash paid for income taxes       S       90       S       191         Supplemental Disclosure of Non-Cash Investing and Financing Activities:       —       —       —         Purchases of property and equipment included in accounts payable and accrued liabilities       S       4.474       S       4.741         Capitalized stock-based compensation       S       893       S       812         Vesting of early exercised options       S       —       \$       178	Cash, cash equivalents, and restricted cash at end of period	\$ 165,989	\$	180,346		
Restricted cash - current portion       –       250         Restricted cash - long-term portion       –       12,600         Total cash, cash equivalents, and restricted cash       \$       165,989       \$       180,346         Supplemental Disclosure       –       5       90       \$       191         Cash paid for income taxes       5       90       \$       191         Supplemental Disclosure of Non-Cash Investing and Financing Activities:       –       –       7         Purchases of property and equipment included in accounts payable and accrued liabilities       \$       4.474       \$       4.741         Capitalized stock-based compensation       \$       893       \$       812         Vesting of early exercised options       \$       –       \$       178	Components of Cash, Cash Equivalents, and Restricted Cash					
Restricted cash - long-tern portion12,600Total cash, cash equivalents, and restricted cash\$165,989\$180,346Supplemental Disclosure\$90\$191Cash paid for income taxes\$90\$191Supplemental Disclosure of Non-Cash Investing and Financing Activities: $*$ 4.474\$4.741Purchases of property and equipment included in accounts payable and accrued liabilities\$4.474\$4.741Capitalized stock-based compensation\$893\$812Vesting of early exercised options\$ $-$ \$178	Cash and cash equivalents	\$ 165,989	\$	167,496		
Total cash, cash equivalents, and restricted cash\$165,989\$180,346Supplemental Disclosure\$90\$191Cash paid for income taxes\$90\$191Supplemental Disclosure of Non-Cash Investing and Financing Activities:\$4,474\$4,741Purchases of property and equipment included in accounts payable and accrued liabilities\$4,474\$4,741Capitalized stock-based compensation\$893\$812Vesting of early exercised options\$\$178	Restricted cash – current portion	—		250		
Supplemental Disclosure       \$       90       \$       191         Cash paid for income taxes       \$       90       \$       191         Supplemental Disclosure of Non-Cash Investing and Financing Activities:       *       4.474       \$       4.741         Purchases of property and equipment included in accounts payable and accrued liabilities       \$       4.93       \$       8.12         Capitalized stock-based compensation       \$       \$       -       \$       178	Restricted cash – long-term portion	—		12,600		
Cash paid for income taxes\$90\$191Supplemental Disclosure of Non-Cash Investing and Financing Activities:Purchases of property and equipment included in accounts payable and accrued liabilities\$4,474\$4,741Capitalized stock-based compensation\$893\$812Vesting of early exercised options\$\$178	Total cash, cash equivalents, and restricted cash	\$ 165,989	\$	180,346		
Supplemental Disclosure of Non-Cash Investing and Financing Activities:       Supplemental Disclosure of Non-Cash Investing and Financing Activities:         Purchases of property and equipment included in accounts payable and accrued liabilities       \$ 4,474       \$ 4,741         Capitalized stock-based compensation       \$ 893       \$ 812         Vesting of early exercised options       \$       \$ 178	Supplemental Disclosure					
Purchases of property and equipment included in accounts payable and accrued liabilities\$4,474\$4,741Capitalized stock-based compensation\$893\$812Vesting of early exercised options\$-\$178	Cash paid for income taxes	\$ 90	\$	191		
Capitalized stock-based compensation     \$     893     \$     812       Vesting of early exercised options     \$     -     \$     178	Supplemental Disclosure of Non-Cash Investing and Financing Activities:					
Vesting of early exercised options \$ - \$ 178	Purchases of property and equipment included in accounts payable and accrued liabilities	\$ 4,474	\$	4,741		
	Capitalized stock-based compensation	\$ 893	\$	812		
Leasehold improvements paid by landlord \$ 7,406 \$ —	Vesting of early exercised options	\$ —	\$	178		
	Leasehold improvements paid by landlord	\$ 7,406	\$	_		

### **Non-GAAP Financial Measures**

We report our financial results in accordance with generally accepted accounting principles in the United States ("GAAP"). However, management believes that certain non-GAAP financial measures provide users of our financial information with additional useful information in evaluating our performance. We believe that adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, and that this supplemental measure facilitates comparisons between companies. We also provide adjusted EBITDA excluding the impact of stock-based compensation expense ("ex. SBC"), which management believes provides useful information to investors and others in understanding our operating performance and facilitates comparisons between companies. We believe free cash flow is an important metric because it represents a measure of how much cash from operations we have available for discretionary and non-discretionary items after the deduction of capital expenditures. These non-GAAP financial measures may be different than similarly titled measures used by other companies.

Our non-GAAP financial measures should not be considered in isolation from, or as substitutes for, financial information prepared in accordance with GAAP. There are several limitations related to the use of our non-GAAP financial measures as compared to the closest comparable GAAP measures. Some of these limitations include:

- adjusted EBITDA ex. SBC excludes the non-cash expense of stock-based compensation, which has been, and will continue to be for the foreseeable future, an important part of how we
  attract and retain our employees and a significant recurring expense in our business;
- adjusted EBITDA and adjusted EBITDA ex. SBC excludes the recurring, non-cash expenses of depreciation and amortization of property and equipment and, although these are non-cash expenses, the assets being depreciated and amortized may have to be replaced in the future;
- adjusted EBITDA and adjusted EBITDA ex. SBC does not reflect our tax provision, which reduces cash available to us;
- adjusted EBITDA and adjusted EBITDA ex. SBC excludes interest (income) expense and other (income) expense, net, as these items are not components of our core business; and
- · free cash flow does not represent the total residual cash flow available for discretionary purposes and does not reflect our future contractual commitments.

### Adjusted EBITDA and Adjusted EBITDA ex. SBC

We define adjusted EBITDA as net income (loss) excluding interest (income) expense, provision (benefit) for income taxes, other (income) expense, net, and depreciation and amortization. We define adjusted EBITDA ex. SBC as adjusted EBITDA excluding stock-based compensation expense. The following table presents a reconciliation of net income (loss), the most comparable GAAP financial measure, to adjusted EBITDA and adjusted EBITDA ex. SBC for each of the periods presented:

	For the Three Months Ended			For the Six Months Ended			
(in thousands)	February 1, 2020		January 26, 2019		February 1, 2020		January 26, 2019
Adjusted EBITDA ex. SBC reconciliation:							
Net income (loss)	\$ 11,431	\$	11,976	\$	11,253	\$	22,654
Add (deduct):							
Interest (income) expense	(1,477)		(1,170)		(3,130)		(2,569)
Provision (benefit) for income taxes	(1,484)		5,058		(327)		6,796
Other (income) expense, net	28		(453)		862		(573)
Depreciation and amortization	 5,804		3,790		10,770		7,184
Adjusted EBITDA	 14,302		19,201		19,428		33,492
Add (deduct):							
Stock-based compensation expense	15,755		8,110		27,881		14,747
Adjusted EBITDA ex. SBC	\$ 30,057	\$	27,311	\$	47,309	\$	48,239

### Free Cash Flow

We define free cash flow as cash flows provided by operating activities reduced by purchases of property and equipment that are included in cash flows used in investing activities. The following table presents a reconciliation of cash flows provided by operating activities, the most comparable GAAP financial measure, to free cash flow for each of the periods presented:

			For the Six <b>N</b>	For the Six Months Ended		
(in thousands)		Februa	ary 1, 2020	Ja	nuary 26, 2019	
Free cash flow reconciliation:						
Cash flows provided by operating activities	2	\$	38,242	\$	57,667	
Deduct:						
Purchases of property and equipment			(11,446)		(11,903)	
Free cash flow	3	\$	26,796	\$	45,764	
Cash flows used in investing activities	-	\$	(45,601)	\$	(187,234)	
Cash flows provided by financing activities	:	\$	402	\$	(350)	

### **Operating Metrics**

	February 1, 202	0	November 2, 2019	August 3, 2019	April 27, 2019	January 26, 2019
Active clients (in thousands)	3,4	465	3,416	 3,236	3,133	 2,961
Net revenue per active client <sup>(1)</sup>	\$ 5	501	\$ 485	\$ 488	\$ 467	\$ 463

(1) Fiscal year 2019 was a 53-week year, with the extra week occurring in the quarter ended August 3, 2019. Net revenue per active client calculations including the fourth quarter of fiscal year 2019 include 53 weeks of revenue. The 53rd week of fiscal 2019 contributed approximately 2.0% of the increase to net revenue per active client as of February 1, 2020.

#### Active Clients

We define an active client 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 she indicates what items she is keeping through our mobile application or on our website. We consider each Men's, Women's, or Kids account as a client, even if they share the same household.

### Net Revenue per Active Client

We calculate net revenue per active client 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.

### **IR Contact:**

**PR Contact:** 

David Pearce ir@stitchfix.com Suzy Sammons media@stitchfix.com



# Q2 Fiscal 2020 Letter to Shareholders

MARCH 9, 2020

# Q2 Fiscal 2020 Highlights:

- We delivered \$451.8 million in net revenue, representing 22.0% year-over-year growth, \$11.4 million in net income, \$14.3 million in adjusted EBITDA<sup>1</sup> and \$30.1 million in adjusted EBITDA excluding stock-based compensation expense (ex. SBC)<sup>2</sup> in Q2'20.
- We grew our active client count to 3.5 million as of February 1, 2020, an increase of 504,000 or 17.0% year over year.
- We continued to leverage the strong cash flows of our Women's category to fuel growth and margin expansion in Men's, which we believe is still in its early stages of growth and profitability.
- · We improved our direct buy offering and rolled it out to all U.S. Women's and Men's clients.
- · We drove styling efficiency and stronger client outcomes through our new adaptive styling platform.

# **Dear Shareholder:**

We are pleased to share our results for Q2 fiscal 2020, which ended February 1, 2020. We reached 3.5 million active clients, a 17.0% increase year over year, and grew net revenue to \$451.8 million, a 22.0% increase year over year.

During the quarter, we generated net income of \$11.4 million and diluted earnings per share of \$0.11. We also delivered adjusted EBITDA of \$14.3 million and adjusted EBITDA ex. SBC of \$30.1 million.

As we look back on our second quarter, we highlight our strengths in key categories, advancements in our newer initiatives, and ongoing improvements we've made through our data science capabilities.

### Q2'20 Highlights

ACTIVE CLIENTS **3.5 million** 17.0% YoY growth

NET REVENUE

\$451.8 million 22.0% YoY growth

**GROSS PROFIT** 

\$202.2 million

44.8% of net revenue

NET INCOME

\$11.4 million

2.5% of net revenue

ADJUSTED EBITDA<sup>1</sup>

\$14.3 million

3.2% of net revenue

ADJUSTED EBITDA ex. SBC<sup>2</sup>

\$30.1 million 6.7% of net revenue

<sup>&</sup>lt;sup>1</sup> We define adjusted EBITDA as net income (loss) excluding interest (income) expense, provision for income taxes, other (income) expense, net, depreciation and amortization.

<sup>&</sup>lt;sup>2</sup> We define adjusted EBITDA ex. SBC as adjusted EBITDA excluding stock-based compensation expense. For more information regarding adjusted EBITDA and adjusted EBITDA ex. SBC and the other non-GAAP financial measures discussed in this letter, please see the reconciliations of our non-GAAP measurements to their most directly comparable GAAP-based financial measurements included at the

measurements to their most directly comparable GAAP-based financial measurements included at the end of this letter.

## Q2'20 Business Highlights:

# We continued to leverage the strong cash flows of our Women's category to fuel growth and margin expansion in Men's, which we believe is still in its early stages of growth and profitability.

We've generated positive adjusted EBITDA every fiscal year since 2015, which has allowed us to reinvest in our business and in new category growth. Our strategy is to drive leverage across our existing offerings while using cash from those offerings to invest in newer categories. Over the years, we've demonstrated our ability to expand into new categories, geographies, price points, and even form factors, enabling us to better serve the needs of clients across our large addressable market. To illustrate this reinvestment strategy, we provide more detail around both our Women's category and the progress we've made with Men's as of the end of Q2'20.

### Women's

Women's currently makes up a large majority of our business. Not only do we serve millions of active clients in this category, we've also delivered year-over-year growth in both Women's active clients and revenue every quarter on record. In addition, we've demonstrated yearover-year growth in Women's net revenue per active client in each of the last seven consecutive quarters. When paired with our strong inventory management capabilities, we saw that in the first two quarters of fiscal 2020, our U.S. Women's offering surpassed our long-term gross margin target of 45-46% while consistently delivering positive cash flows. In past years, we've reinvested these dollars to fund our Men's category and today, these cash flows fuel the growth of newer offerings such as Kids, U.K., and direct buy.

We continue to see opportunities to drive further growth in Women's over time. One area in particular is Plus, which comprised less than 10% of our U.S. Women's revenue in fiscal 2019 but which we believe represents a total U.S. market opportunity of approximately \$20 billion. Specifically, we see potential to better serve Plus clients by expanding our assortment across end uses and price points, create additional avenues for engagement through more relevant marketing campaigns, and leverage our data feedback loops with clients and vendors to better address clients' fit needs.

This balance of growth and profitability in our Women's category reflects the type of profile we seek to build for each of our offerings.

### Men's

At just over three years old, we believe that our Men's category is still in the early stages of growth, but it has already achieved significant margin scale in a short period. With new categories, we use a "launch and learn" approach, making smaller early inventory buys, concentrating inventory at fewer warehouses, and taking risks and experimenting to learn quickly about client preferences. Over time, we apply our learnings to make smarter, larger buys, extend inventory to multiple warehouses, and strengthen our personalization.



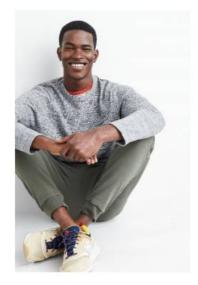
While Men's is still maturing, we're pleased with the progress we've made in executing on this strategy thus far. We've now expanded our Men's assortment from two warehouses to four, resulting in more than 300 basis points of shipping leverage in fiscal 2019. We also continue to strengthen our Exclusive Brands portfolio, which is approaching half of Men's revenue, driving higher margins.

All together, our strategy has resulted in Men's revenue quadrupling and gross margins increasing by more than 1,500 basis points from fiscal 2017 to fiscal 2019. Despite the strides we've made in Men's, we believe there is still room for additional scale.

On a consolidated basis, in fiscal 2020 we expect our gross margin to remain relatively stable, with strength in Women's and Men's margins enabling us to support our seedling Kids and U.K. categories.

### Kids

On Kids, we continue to be pleased with performance in this category. In Q2'20, we introduced Shop New Colors to approximately one third of Kids clients, giving parents an opportunity to not only stock up on more of the items their kids love, but also find previously purchased items in new sizes as kids grow. While we're excited about the opportunity to continue growing and extending the offering in new ways, Kids is still a young category and we remain in "launch and learn" mode, so we see plenty of headroom to scale the offering over time.



# We improved our direct buy offering and rolled it out to all U.S. Women's and Men's clients.

We believe our direct buy platform, which we launched in Q4'19, is highly complementary to our Fix offering and will play a key role in unlocking additional market opportunity as we seek to attract new clients and drive stronger relationships with current clients. As a reminder, our integrated direct buy platform allows clients to shop and select the items they love based on our hyper-personalized recommendations and understanding of the pieces they have already purchased from us.

Style Shuffle data in particular has been valuable in achieving this early direct buy momentum, specifically in how it informs our personalized outfit generating algorithm. As of the end of Q2'20, we've collected over four billion Style Shuffle ratings with well over 80% of our active clients providing detailed feedback. This rich data informs our styling recommendations and we plan to continue leveraging it across our direct buy platform and Fix offering to deliver enhanced client outcomes and experiences.

In Q2'20, we also began collecting client feedback data on shipped items, which will enable us to further strengthen our personalized recommendations. In addition, we enhanced our algorithms to further diversify the looks we present to clients, resulting in increased conversion and items sold per client.



We've also observed the incrementality of direct buy in terms of both client spend and unit economics. During our Shop Your Looks beta test, which ran from October to January, we found that clients in the beta spent more money with Stitch Fix overall than clients without access and we saw, in the aggregate, no reduction in the number of Fixes they ordered as they engaged with our new Shop offerings.

Looking at unit economics, the direct buy margin profile is already comparable to the Fix profile even though currently, each direct buy item is shipped separately. We're able to deliver these strong unit economics through the combination of very low return rates and variable savings tied to direct buy's recommendations being algorithmically driven. As we grow direct buy, we see opportunities to continue to drive even stronger margins and client outcomes.

In line with our plans to introduce Shop Your Looks more broadly in fiscal 2020, we rolled out the functionality to all U.S. Women's and Men's clients in Q3'20. While we're excited to continue growing adoption as we expand direct buy, it's still early days and we continue to take a "launch and learn" approach with this offering. As a result, we plan to make ongoing improvements to direct buy as we build on our learnings and seek to unlock more opportunities for clients to engage with us over time.

# We drove styling efficiency and stronger client outcomes through our new adaptive styling platform.

In Q2'20, we introduced a new styling platform in which our algorithms pre-populate 10 personalized items from which stylists choose pieces for their client. Once a stylist begins to select items for a client, our algorithm then adapts based on those selections and proposes additional complementary items to complete the Fix. With this dynamic platform, we're able to establish a constant feedback loop between our stylists and algorithms, which has led to better client outcomes.

We began testing this algorithm in May 2019, with initial results demonstrating higher keep rates, client spend, and client satisfaction compared to our prior platform, where stylists were shown many more algorithmically-suggested items. The new algorithm also reduced average styling time with stylists reporting that the new approach created a great starting point for Fix curation, especially when styling first-time clients. Based on these strong results, in November 2019, we rolled out the platform for use in styling all U.S. Women's and Men's clients.



# Q2'20 Financial Highlights:

Our Q2'20 results reflect our ability to drive continued strength in our Women's and Men's categories while investing in new strategic initiatives that will drive long term growth.

### **Active Clients**

We grew our active client count to 3.5 million as of February 1, 2020, an increase of 504,000 or 17.0% year over year. We define an active client 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.

### **Net Revenue**

We grew our net revenue to \$451.8 million in Q2'20, compared to \$370.3 million in Q2'19, an increase of 22.0% year over year, driven by growth in both active clients and net revenue per active client.

Net revenue per active client for the period ended February 1, 2020 was \$501, an increase of 8.3% compared to the prior year. This represented the seventh consecutive quarter of net revenue per active client growth, resulting from continued strength in our Women's category and our ongoing strategic initiatives to drive increased wallet share and client engagement and satisfaction. We saw this growth in net revenue per active client despite lower average order values in Q2'20 as we discuss further in the guidance section. As a reminder, the net revenue per active client calculation is based on the last four fiscal quarters and benefits from the extra week in Q4'19, while active clients is measured over 52 weeks, as described above. The 53rd week contributed approximately 2% to net revenue per active client.

### **Gross Margin**

Q2'20 gross margin was 44.8%, compared to 44.1% in Q2'19, an increase of 70 basis points. This was driven by improvements in merchandise costs and operational efficiencies, partially offset by an increase in shipping costs.





NET REVENUE (\$M)<sup>3</sup>



**GROSS MARGIN (%)** 



<sup>&</sup>lt;sup>3</sup> Discounts, sales tax, and estimated refunds are deducted from revenue to arrive at net revenue.

### Selling, General & Administrative Expenses

Q2'20 SG&A was \$193.7 million, or 42.9% of net revenue, compared to Q2'19 SG&A of \$147.7 million, or 39.9% of net revenue, an increase of 300 basis points. This increase was driven by our investments in talent and advertising to support the growth of our business.

Advertising. We continue to make strategic and measured marketing investments. Q2'20 advertising expense included investments in both performance and brand marketing, totaling \$35.6 million, or 7.9% of net revenue.<sup>4</sup> This includes \$3.2 million related to our integrated brand campaign. In Q2'19, our advertising expense was \$23.9 million or 6.5% of net revenue.

### **Net Income and Earnings Per Share**

Q2'20 net income was \$11.4 million, or 2.5% of net revenue, compared to Q2'19 net income of \$12.0 million, or 3.2% of net revenue, a decrease of 70 basis points. Q2'20 diluted earnings per share was \$0.11. In Q2'19, diluted earnings per share was  $$0.12.^{5}$ 

### Adjusted EBITDA and Adjusted EBITDA ex. SBC

Q2'20 adjusted EBITDA was \$14.3 million, or 3.2% of net revenue, compared to Q2'19 adjusted EBITDA of \$19.2 million, or 5.2% of net revenue, a decline of 200 basis points. This decline in adjusted EBITDA margin was driven by our investments in advertising, talent, and our U.K. expansion. Q2'20 adjusted EBITDA ex. SBC was \$30.1 million, or 6.7% of net revenue.

### **Cash Flow**

In fiscal 2020 year to date, our capital expenditures totaled \$11.4 million, or 1.3% of net revenue, while we generated free cash flow of \$26.8 million.<sup>8</sup>









ADJUSTED EBITDA (\$M)6



### ADJUSTED EBITDA ex. SBC (\$M)7



<sup>&</sup>lt;sup>4</sup> Advertising expenses include the costs associated with the production of advertising, television, radio, and online advertising.

<sup>5</sup> All earnings (loss) per share figures reflect amounts attributable to common stockholders.

<sup>&</sup>lt;sup>6</sup> We define adjusted EBITDA as net income (loss) excluding interest (income) expense, provision for income taxes, other (income) expense, net, depreciation and amortization.

<sup>&</sup>lt;sup>7</sup> We define adjusted EBITDA ex. SBC as adjusted EBITDA excluding stock-based compensation expense.

<sup>&</sup>lt;sup>8</sup> We define free cash flow as cash flows provided by operating activities reduced by purchases of property and equipment that are included in cash flows used in investing activities.

### **Guidance:**

Our financial outlook for Q3'20, which ends on May 2, 2020, and for fiscal 2020, which ends on August 1, 2020, is as follows:

	Q3'20	
Net Revenue	\$465 – \$475 million	14% – 16% YoY growth
Adj. EBITDA	\$(10) – \$(4) million	(2.2)% – (0.8)% margin
Adj. EBITDA ex. SBC	\$13 – \$19 million	2.8% – 4.0% margin

For more information regarding the non-GAAP financial measures discussed in this letter, please see "Non-GAAP Financial Measures," below, including the reconciliations of our non-GAAP measures to their most directly comparable GAAP financial measures included at the end of this letter.

Fiscal Year 2020								
Nat Davianua	ć1 01 - ć1 04 billion	15% – 17% YoY growth vs. 53 weeks						
Net Revenue	\$1.81 – \$1.84 billion	17% – 19% YoY growth vs. 52 weeks						
Adj. EBITDA	\$0 – \$10 million	0.0% – 0.5% margin						
Adj. EBITDA ex. SBC	\$75 – \$85 million	4.1% – 4.6% margin						

Now that we've seen a few company-specific, but also macro themes, play out in Q2'20, we're leaning more conservatively in the back half of 2020 and shifting our full year outlook.

First, in Q2'20 we drove healthy active client growth. However, we believe that in part due to heightened promotional activity across retail, those clients spent less per Fix in the quarter on average, resulting in lower order values than we anticipated. We think it's responsible to reflect this trend in our second half forecast. Our strategy to continue to grow our assortment of lower price products to serve a broader universe of clients also impacts our guidance.

Next, while we expect our customer acquisition cost in the second half of FY'20 to be approximately flat year over year, we've seen costs rise in some key digital channels. We're working on both product innovation as well as experimenting into new and emerging channels to offset this, but we are applying more conservatism in the way we are thinking about our marketing spend in the second half of the year. In addition, we are evolving our product and messaging given direct buy's early success and now plan to redeploy brand marketing dollars in the future once our messaging fully incorporates direct buy, and our offering can appeal to an even larger audience. As a result, we plan to modestly lower our overall marketing spend through the end of fiscal 2020. There are also macro themes that lead us to approach the back half of FY20 with more conservatism.

First, our U.K. revenue has been lower than anticipated as we adapt our offering to the market and because of the macroeconomic climate tied to Brexit, which has sustained longer than we had expected.

In addition, the coronavirus continues to be a fluid situation that we are watching closely. To date, we haven't seen a material impact on our business. That said, we continue to monitor developments and are working closely with our brand and manufacturing partners to mitigate future impacts. We recognize this is a dynamic situation and, while it's too early for us to quantify total potential supply chain or client demand impact at this point, it's reasonable to expect that we'll see some impact. We are evaluating trends as the situation continues to develop, which contributes to our conservatism as we approach second half guidance.

We remain very excited about our future. We believe there is a lot of potential in direct buy to capture a greater share of our addressable market. As a company, we're focused on our mission to help people find what they love, and our capabilities to deliver against that mission have grown stronger.

### Fiscal 2020 Investment Detail

We believe the investments we're making in the U.K. and in stock-based compensation widen our personalization moats and fuel our business. Below we provide more visibility into these self-funded investments, and the impact they have on our adjusted EBITDA.

First, we continue to invest in U.K. merchandise, styling, and operations which we expect to be between \$25 and \$35 million in fiscal 2020, having already deployed \$13 million in the first half of the year. Our track record of scaling successful categories gives us conviction behind this investment and the broader opportunity to internationalize.

Second, we continue to execute against our 2020 plan of investing approximately \$75 million in stock-based compensation to attract and retain technology talent that will enable us to enhance our product and fuel our longer term growth.

In 2020, these self-funded investments across U.K. expansion and SBC will total \$100 to \$110 million. While we are absorbing the impact of these expenses in our full-year adjusted EBITDA guidance of \$0 to \$10 million, we believe they will enable us to fuel further growth and drive meaningful market share gains over time.

As a reminder, fiscal 2019 was a 53-week year, which added approximately 2.5% to revenue growth in fiscal 2019. In fiscal 2020, we returned to a 52-week year. For this reason, revenue growth comparisons between fiscal 2020 (52 weeks) and fiscal 2019 (53 weeks) will be negatively impacted by approximately 2.5% in fiscal 2020. Therefore, on a 52-week basis, our full year guidance range now reflects growth of 17% - 19%.

We have not reconciled our adjusted EBITDA and adjusted EBITDA ex. SBC guidance to GAAP net income (loss) because we do not provide guidance for GAAP net income (loss) due to the uncertainty and potential variability of provision for (benefit from) income taxes, which is a reconciling item between these measures and GAAP net income (loss). Because this item cannot be reasonably predicted, we are unable to provide a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measure. However, this item could have a significant impact on GAAP net income (loss).

### Closing

We will host a conference call and earnings webcast at 2:00pm Pacific time/5:00pm Eastern time today to discuss these results. Interested parties can access the call by dialing 888-394-8218 in the U.S. or 786-789-4776 internationally, using conference code 8951047. A live webcast will also be available on Stitch Fix's investor relations website at investors.stitchfix.com. Thank you for taking the time to read our letter, and we look forward to your questions on our call this afternoon.

Sincerely,

Katrina Lake, Founder and CEO Mike Smith, President, COO and Interim CFO MEDIA CONTACT media@stitchfix.com

INVESTOR RELATIONS CONTACT ir@stitchfix.com

### Stitch Fix, Inc. Condensed Consolidated Balance Sheets (Unaudited) (In thousands, except share and per share amounts)

	Febr	February 1, 2020		August 3, 2019		
Assets						
Current assets:						
Cash and cash equivalents	S	165,989	\$	170,932		
Short-term investments		134,592		143,276		
Inventory, net		147,236		118,216		
Prepaid expenses and other current assets		38,513		49,980		
Total current assets		486,330		482,404		
Long-term investments		96,657		53,372		
Property and equipment, net		63,158		54,888		
Operating lease right-of-use assets		123,490				
Deferred tax assets		27,047		22,175		
Other long-term assets		3,046		3,227		
Total assets	S	799,728	\$	616,066		
Liabilities and Stockholders' Equity Current liabilities:						
Accounts payable	\$	86,092	\$	90,883		
Operating lease liabilities		23,475		-		
Accrued liabilities		84,904		69,734		
Gift card liability		10,393		7,233		
Deferred revenue		11,273		11,997		
Other current liabilities		3,934		2,784		
Total current liabilities		220,071		182,631		
Operating lease liabilities, net of current portion		125,925		-		
Deferred rent, net of current portion				24,439		
Other long-term liabilities		14,822		12,996		
Total liabilities	1.5 	360,818		220,066		
Stockholders' equity:			5515			
Class A common stock, \$0.00002 par value		1		1		
Class B common stock, \$0.00002 par value		1		1		
Additional paid-in capital		308,687		279,511		
Accumulated other comprehensive income (loss)		2,294		(187)		
Retained earnings		127,927		116,674		
Total stockholders' equity		438,910		396,000		
Total liabilities and stockholders' equity	s	799,728	\$	616,066		

### Stitch Fix, Inc. Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited) (In thousands, except share and per share amounts)

	For the Three Months Ended			For the Six Months Ended					
		uary 1, 2020	Jan	January 26, 2019		February 1, 2020		January 26, 2019	
Revenue, net	\$	451,784	\$	370,280	s	896,599	s	736,516	
Cost of goods sold		249,597		207,131		493,110		408,199	
Gross profit		202,187		163,149		403,489		328,317	
Selling, general, and administrative expenses		193,689		147,738		394,831		302,009	
Operating income		8,498		15,411		8,658		26,308	
Interest (income) expense		(1,477)		(1,170)		(3,130)		(2,569)	
Other (income) expense, net		28		(453)		862		(573)	
Income before income taxes		9,947		17,034		10,926		29,450	
Provision (benefit) for income taxes	201.000	(1,484)		5,058		(327)		6,796	
Net income (loss)	\$	11,431	\$	11,976	S	11,253	S	22,654	
Other comprehensive income (loss):									
Change in unrealized gain (loss) on available-for-sale securities, net of tax		247		104		75		22	
Foreign currency translation		651		93		2,406		119	
Total other comprehensive income (loss), net of tax		898		197		2,481		141	
Comprehensive income	\$	12,329	\$	12,173	s	13,734	\$	22,795	
Net income (loss) attributable to common stockholders:									
Basic	\$	11,431	\$	11,968	S	11,253	S	22,632	
Diluted	\$	11,431	\$	11,968	S	11,253	S	22,633	
Earnings (loss) per share attributable to common stockholders:									
Basic	\$	0.11	\$	0.12	\$	0.11	S	0.23	
Diluted	\$	0.11	\$	0.12	S	0.11	\$	0.22	
Weighted-average shares used to compute earnings (loss) per share attributable to common stockholders:									
Basic		102,045,087		99,590,187		101,801,666		99,278,599	
Diluted		104,637,548		102,817,838		104,018,782		103,597,316	
			_				_		

### Stitch Fix, Inc. Condensed Consolidated Statements of Cash Flow (Unaudited) (In thousands)

(Unaudited) (In thousands)	For the Six Months Ended					
	February 1, 2020		January 26, 2019			
Cash Flows from Operating Activities						
Net income (loss)	\$	11,253	s	22,654		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Deferred income taxes		(4,865)		(2,288)		
Inventory reserves		2,831		4,853		
Stock-based compensation expense		27,881		14,747		
Depreciation, amortization, and accretion		10,347		6,456		
Other		71		-		
Change in operating assets and liabilities:						
Inventory		(31,586)		(22,928		
Prepaid expenses and other assets		5,167		1,546		
Operating lease right-of-use assets and liabilities		141		<u></u>		
Accounts payable		(4,870)		7,012		
Accrued liabilities		15,254		17,689		
Deferred revenue		(729)		3,822		
Gift card liability		3,160		3,512		
Other liabilities		4,187		592		
Net cash provided by operating activities	8	38,242		57,667		
Cash Flows from Investing Activities						
Purchases of property and equipment		(11,446)		(11,903		
Purchases of securities available-for-sale		(129,925)		(185,994)		
Sales of securities available-for-sale		14,095		1,163		
Maturities of securities available-for-sale		81,675		9,500		
Net cash used in investing activities		(45,601)		(187,234		
Cash Flows from Financing Activities						
Proceeds from the exercise of stock options, net		5,658		1,931		
Payments for tax withholding related to vesting of restricted stock units		(5,256)		(2,281)		
Net cash provided by (used in) financing activities		402		(350		
Net increase (decrease) in cash, cash equivalents, and restricted cash		(6,957)		(129,917		
Effect of exchange rate changes on cash		2,014		(103		
Cash, cash equivalents, and restricted cash at beginning of period		170,932		310,366		
Cash, cash equivalents, and restricted cash at end of period	\$	165,989	\$	180,346		
Components of Cash, Cash Equivalents, and Restricted Cash			3.00			
Cash and cash equivalents	\$	165,989	S	167,496		
Restricted cash – current portion		-		250		
Restricted cash – long-term portion				12,600		
Total cash, cash equivalents, and restricted cash	\$	165,989	s	180,346		
Supplemental Disclosure						
Cash paid for income taxes	\$	90	\$	191		
Supplemental Disclosure of Non-Cash Investing and Financing Activities:	2					
Purchases of property and equipment included in accounts payable and accrued liabilities	\$	4,474	s	4,741		
Capitalized stock-based compensation	\$	893	\$	812		
Vesting of early exercised options	\$	_	s	178		
Leasehold improvements paid by landlord	\$	7,406	s			

### **Non-GAAP Financial Measures**

We report our financial results in accordance with generally accepted accounting principles in the United States ("GAAP"). However, management believes that certain non-GAAP financial measures provide users of our financial information with additional useful information in evaluating our performance. We believe that adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, and that this supplemental measure facilitates comparisons between companies. We also provide adjusted EBITDA excluding the impact of stock-based compensation expense ("ex. SBC"), which management believes provides useful information to investors and others in understanding our operating performance and facilitates comparisons between companies. We believe free cash flow is an important metric because it represents a measure of how much cash from operations we have available for discretionary and non-discretionary items after the deduction of capital expenditures. These non-GAAP financial measures may be different than similarly titled measures used by other companies.

Our non-GAAP financial measures should not be considered in isolation from, or as substitutes for, financial information prepared in accordance with GAAP. There are several limitations related to the use of our non-GAAP financial measures as compared to the closest comparable GAAP measures. Some of these limitations include:

- adjusted EBITDA ex. SBC excludes the non-cash expense of stock-based compensation, which has been, and will continue to be for the foreseeable future, an important part of how we attract and retain our employees and a significant recurring expense in our business;
- adjusted EBITDA and adjusted EBITDA ex. SBC excludes the recurring, non-cash expenses of depreciation and amortization of property and equipment and, although these are non-cash expenses, the assets being depreciated and amortized may have to be replaced in the future;
- adjusted EBITDA and adjusted EBITDA ex. SBC does not reflect our tax provision, which reduces cash available to us;
- adjusted EBITDA and adjusted EBITDA ex. SBC excludes interest (income) expense and other (income) expense, net, as these items are not components of our core business; and
- free cash flow does not represent the total residual cash flow available for discretionary purposes and does not reflect our future contractual commitments.

We define adjusted EBITDA as net income (loss) excluding interest (income) expense, provision (benefit) for income taxes, other (income) expense, net, and depreciation and amortization. We define adjusted EBITDA ex. SBC as adjusted EBITDA excluding stock-based compensation expense. The following table presents a reconciliation of net income (loss), the most comparable GAAP financial measure, to adjusted EBITDA and adjusted EBITDA ex. SBC for each of the periods presented:

(in thousands) Adjusted EBITDA ex. SBC reconciliation:	For the Three Months Ended			For the Six Months Ended				
	February 1, 2020		January 26, 2019		February 1, 2020		January 26, 2019	
Net income (loss)	s	11,431	\$	11,976	\$	11,253	\$	22,654
Add (deduct):								
Interest (income) expense		(1,477)		(1,170)		(3,130)		(2,569)
Provision (benefit) for income taxes		(1,484)		5,058		(327)		6,796
Other (income) expense, net		28		(453)		862		(573)
Depreciation and amortization		5,804	- 22	3,790		10,770		7,184
Adjusted EBITDA		14,302		19,201		19,428		33,492
Add (deduct):								
Stock-based compensation expense	122	15,755	-	8,110	_	27,881		14,747
Adjusted EBITDA ex. SBC	\$	30,057	s	27,311	s	47,309	\$	48,239

We define free cash flow as cash flows provided by operating activities reduced by purchases of property and equipment that are included in cash flows used in investing activities. The following table presents a reconciliation of cash flows provided by operating activities, the most comparable GAAP financial measure, to free cash flow for each of the periods presented:

	For the Six Months Ended					
Febr	February 1, 2020		January 26, 2019			
\$	38,242	\$	57,667			
	(11,446)		(11,903)			
\$	26,796	\$	45,764			
\$	(45,601)	\$	(187,234)			
\$	402	\$	(350)			
	5 <u>5</u> 5	February 1, 2020           \$ 38,242           (11,446)           \$ 26,796           \$ (45,601)	February 1, 2020         January           \$ 38,242         \$           (11,446)         \$           \$ 26,796         \$           \$ (45,601)         \$			

### **Forward-Looking Statements**

This shareholder letter and related conference call and webcast contain 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 November 2, 2019. 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 shareholder letter to reflect events or circumstances after the date of this shareholder letter 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.



