
**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 8, 2022

STITCH FIX, INC.

(Exact name of Registrant as Specified in Its Charter)

Commission file number: 001-38291

Delaware

27-5026540

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1 Montgomery Street, Suite 1500

San Francisco, California 94104

(Address of principal executive offices and zip code)

(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

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.

Item 2.02 Results of Operations and Financial Condition.

On March 8, 2022, Stitch Fix, Inc. (the “Company”) announced its financial results for the second quarter of fiscal year 2022 ended January 29, 2022, by issuing a press release. In the press release, the Company also announced that it is lowering the full year net revenue outlook and withdrawing the full year Adjusted EBITDA outlook it previously issued on December 7, 2021. The Company further announced that it would be holding a conference call on March 8, 2022, at 2:00 p.m Pacific Time to discuss its financial results for the second quarter of fiscal year 2022 ended January 29, 2022. 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.

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> | <u>Description</u> |
|---------------------------|---|
| 99.1 | Earnings Press Release dated March 8, 2022 |
| 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.

Dated: March 8, 2022

Stitch Fix, Inc.

By: /s/ Dan Jedda
Dan Jedda
Chief Financial Officer



STITCH FIX™

Stitch Fix Announces Second Quarter Fiscal Year 2022 Financial Results

SAN FRANCISCO, March 8, 2022 (GLOBE NEWSWIRE) -- Stitch Fix, Inc. (NASDAQ:SFIX), the leading online personal shopping and styling service, has released its financial results for the second quarter of fiscal year 2022 ended January 29, 2022.

“In Q2, we delivered \$517 million in net revenue, reflecting 3% year-over-year growth. Our revenue per active client topped \$500 for the third quarter in a row, reaching a record \$549, an increase of 18% from the same time last year as a result of higher average order values in our Fix business and the incrementality Freestyle provides to our existing clients,” said Elizabeth Spaulding, CEO of Stitch Fix. “While Freestyle revenue grew 29% year on year in the second quarter, we continue to experience challenges with onboarding and conversion of clients, which are not where we want them to be. We remain confident in our long-term strategy, and are resolutely focused on building and enhancing the overall client experience for Fix and Freestyle with an emphasis on growing active clients.”

Second Quarter Key Metrics and Financial Highlights

- Net revenue of \$516.7 million, an increase of 3% year over year
- Active clients of 4,019,000, an increase of 146,000 or 4% year over year
- Net revenue per active client (RPAC) of \$549, an increase of 18% year over year
- Net loss of \$30.9 million and diluted loss per share of \$0.28
- Adjusted EBITDA of \$10.1 million

Business Performance

- Delivered the quarter we largely expected, with modest growth in revenue, as well as ongoing strength in gross margin and adjusted EBITDA
- Observed positive trends in client engagement with RPAC reaching a record high for the third quarter in a row, up 18% from a year ago – a result of higher average order values in our Fix business and the incrementality that Freestyle provides to our existing client base
- While Freestyle revenue grew 29% year-over-year, we are observing challenges with onboarding and conversion of clients and are beginning to direct new clients to a clear and easy Fix onboarding path

Financial Outlook

Our financial outlook for the third quarter of fiscal 2022, which ends on April 30, 2022 is as follows:

| | Q3'22 | |
|-----------------|---------------------------------|--------------------------|
| Net Revenue | \$485 million - \$500 million | (10)% - (7)% YoY decline |
| Adjusted EBITDA | \$(30) million - \$(25) million | (6)% - (5)% margin |

Given softness in the number of active clients in the first half of fiscal 2022 and uncertainty in the timing of improvements in conversion, we are lowering the prior full year revenue outlook that we shared on our December 7, 2021 earnings call. For the full fiscal year 2022, which ends on July 30, 2022, we now expect revenue to be flat to slightly down year-over-year. This full year outlook assumes that the number of active clients is flat through the end of the fiscal year. We are actively evaluating our marketing spend as we manage improvements to onboarding and conversion, and therefore, we are withdrawing our previously provided full year adjusted EBITDA outlook at this time.

Conference Call and Webcast Information

Elizabeth Spaulding, Chief Executive Officer of Stitch Fix, and Dan Jedda, 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 800-458-4121 in the U.S. or 720-543-0206 internationally, and entering conference code 9251085.

A telephonic replay will be available through Tuesday, March 15, 2022, at 888-203-1112 or 719-457-0820, passcode 9251085. An archive of the webcast conference call will be available shortly after the call ends at <https://investors.stitchfix.com>.

About Stitch Fix, Inc.

Stitch Fix is the world's leading online personalized shopping experience. Our unique business model combines the human touch of expert stylists with the precision of advanced data science. Since our founding in 2011, we've served as a trusted style partner to millions of people, helping adults and kids get dressed every day feeling like their best selves. The Stitch Fix team is building a transformative and inclusive ecommerce model, an ecosystem of shopping experiences based on convenience and guided discovery that makes it radically simple and delightful for customers to discover and buy what they love. For more, visit <https://www.stitchfix.com>.

Forward-Looking Statements

This press release, the 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 expectations for future financial performance, including our profitability and long-term targets; guidance on financial results and active clients for the third quarter and full fiscal year of 2022; that we are taking the right steps to become the global leader in personalized styling and shopping; that directing stitchfix.com traffic to a Fix onboarding path will boost Fix client conversion over time; that the learning and experimenting we are engaging in can be optimized and will help build a great customer experience; our efforts in Fix and Freestyle will drive improved client conversion; the opportunity related to our Freestyle offering, including that Freestyle will unlock a much larger total addressable market and is an engine for growth; that Freestyle will provide leverage in our overall margin; that we will be able to create the optimal client experience and conversion paths for new clients; that we are taking the right steps for the future of the business; our advertising and marketing plans, including opening up new marketing channels, increasing marketing spend, and whether our marketing investments will pay off in future quarters; that we are well-positioned to execute against our vision; and that the investments we are making now will allow us to unlock a long-term opportunity presented by Freestyle. These statements involve substantial risks and uncertainties, including risks and uncertainties related to the ongoing COVID-19 pandemic, our responses to the pandemic, the responses of our clients, competitors, suppliers, governmental authorities, and public health officials; 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 our inventory; risks related to our supply chain, sourcing of materials and shipping of merchandise; risks related to international operations; and other risks described in the filings we make with the 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 October 30, 2021. 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)

| | January 29, 2022 | July 31, 2021 |
|---|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 193,878 | \$ 129,785 |
| Short-term investments | 73,052 | 101,546 |
| Inventory, net | 183,458 | 212,294 |
| Prepaid expenses and other current assets | 53,440 | 50,512 |
| Income tax receivable | 27,624 | 27,667 |
| Total current assets | 531,452 | 521,804 |
| Long-term investments | 82,182 | 59,035 |
| Income tax receivable, net of current portion | 27,054 | 27,054 |
| Property and equipment, net | 104,557 | 86,959 |
| Operating lease right-of-use assets | 144,836 | 118,565 |
| Other long-term assets | 8,167 | 5,732 |
| Total assets | \$ 898,248 | \$ 819,149 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 124,431 | \$ 73,499 |
| Operating lease liabilities | 26,716 | 25,702 |
| Accrued liabilities | 95,021 | 99,028 |
| Gift card liability | 13,164 | 9,903 |
| Deferred revenue | 14,445 | 18,154 |
| Other current liabilities | 2,864 | 2,027 |
| Total current liabilities | 276,641 | 228,313 |
| Operating lease liabilities, net of current portion | 151,704 | 121,623 |
| Other long-term liabilities | 8,821 | 8,364 |
| Total liabilities | 437,166 | 358,300 |
| 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 | 463,143 | 416,755 |
| Accumulated other comprehensive income | 991 | 3,411 |
| Retained earnings | 7,942 | 40,681 |
| Treasury stock at cost | (10,996) | — |
| Total stockholders' equity | 461,082 | 460,849 |
| Total liabilities and stockholders' equity | \$ 898,248 | \$ 819,149 |

Stitch Fix, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

(In thousands, except share and per share amounts)

| | For the Three Months Ended | | For the Six Months Ended | |
|---|----------------------------|------------------|--------------------------|------------------|
| | January 29, 2022 | January 30, 2021 | January 29, 2022 | January 30, 2021 |
| Revenue, net | \$ 516,724 | \$ 504,087 | \$ 1,097,968 | \$ 994,510 |
| Cost of goods sold | 283,920 | 287,744 | 592,247 | 558,716 |
| Gross profit | 232,804 | 216,343 | 505,721 | 435,794 |
| Selling, general, and administrative expenses | 263,502 | 256,694 | 538,269 | 495,678 |
| Operating loss | (30,698) | (40,351) | (32,548) | (59,884) |
| Interest income | 171 | 642 | 505 | 1,803 |
| Other expense, net | (45) | (107) | (154) | (312) |
| Loss before income taxes | (30,572) | (39,816) | (32,197) | (58,393) |
| Provision (benefit) for income taxes | 340 | (18,777) | 542 | (46,895) |
| Net loss | \$ (30,912) | \$ (21,039) | \$ (32,739) | \$ (11,498) |
| Other comprehensive loss: | | | | |
| Change in unrealized gain (loss) on available-for-sale securities, net of tax | (654) | (388) | (969) | (1,051) |
| Foreign currency translation | (848) | 1,929 | (1,451) | 1,591 |
| Total other comprehensive income, net of tax | (1,502) | 1,541 | (2,420) | 540 |
| Comprehensive loss | \$ (32,414) | \$ (19,498) | \$ (35,159) | \$ (10,958) |
| Net loss attributable to common stockholders: | | | | |
| Basic | \$ (30,912) | \$ (21,039) | \$ (32,739) | \$ (11,498) |
| Diluted | \$ (30,912) | \$ (21,039) | \$ (32,739) | \$ (11,498) |
| Loss per share attributable to common stockholders: | | | | |
| Basic | \$ (0.28) | \$ (0.20) | \$ (0.30) | \$ (0.11) |
| Diluted | \$ (0.28) | \$ (0.20) | \$ (0.30) | \$ (0.11) |
| Weighted-average shares used to compute loss per share attributable to common stockholders: | | | | |
| Basic | 109,178,086 | 105,544,515 | 108,776,998 | 104,840,283 |
| Diluted | 109,178,086 | 105,544,515 | 108,776,998 | 104,840,283 |

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

| | For the Six Months Ended | |
|--|---------------------------------|-------------------------|
| | January 29, 2022 | January 30, 2021 |
| Cash Flows from Operating Activities | | |
| Net loss | \$ (32,739) | \$ (11,498) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Change in inventory reserves | 445 | 4,619 |
| Stock-based compensation expense | 64,713 | 44,684 |
| Depreciation, amortization, and accretion | 17,374 | 14,206 |
| Other | 7 | 214 |
| Change in operating assets and liabilities: | | |
| Inventory | 28,100 | (62,024) |
| Prepaid expenses and other assets | (5,755) | 2,524 |
| Income tax receivables | 43 | (44,154) |
| Operating lease right-of-use assets and liabilities | 4,855 | (793) |
| Accounts payable | 51,296 | 11,261 |
| Accrued liabilities | (4,267) | 38,763 |
| Deferred revenue | (3,699) | 1,884 |
| Gift card liability | 3,261 | 3,669 |
| Other liabilities | 1,298 | 2,311 |
| Net cash provided by operating activities | 124,932 | 5,666 |
| Cash Flows from Investing Activities | | |
| Purchases of property and equipment | (30,900) | (13,894) |
| Purchases of securities available-for-sale | (77,532) | (112,646) |
| Sales of securities available-for-sale | 4,690 | 29,317 |
| Maturities of securities available-for-sale | 76,109 | 90,439 |
| Net cash used in investing activities | (27,633) | (6,784) |
| Cash Flows from Financing Activities | | |
| Proceeds from the exercise of stock options, net | 1,365 | 20,539 |
| Payments for tax withholdings related to vesting of restricted stock units | (23,372) | (24,116) |
| Repurchase of common stock | (9,996) | — |
| Net cash used in financing activities | (32,003) | (3,577) |
| Net increase (decrease) in cash and cash equivalents | 65,296 | (4,695) |
| Effect of exchange rate changes on cash | (1,203) | 1,271 |
| Cash and cash equivalents at beginning of period | 129,785 | 143,455 |
| Cash and cash equivalents at end of period | \$ 193,878 | \$ 140,031 |
| Supplemental Disclosure | | |
| Cash paid for income taxes | \$ 389 | \$ 227 |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities: | | |
| Purchases of property and equipment included in accounts payable and accrued liabilities | \$ 3,040 | \$ 5,530 |
| Capitalized stock-based compensation | \$ 3,682 | \$ 2,348 |
| Repurchase of common stock included in accrued liabilities | \$ 1,000 | \$ — |

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 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 excludes interest income and other expense, net, as these items are not components of our core business;
- adjusted EBITDA does not reflect our tax provision (benefit), which may increase or decrease cash available to us;
- adjusted EBITDA 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 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; 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

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

| (in thousands) | For the Three Months Ended | | For the Six Months Ended | |
|--------------------------------------|----------------------------|-------------------|--------------------------|-------------------|
| | January 29, 2022 | January 30, 2021 | January 29, 2022 | January 30, 2021 |
| Net loss | \$ (30,912) | \$ (21,039) | \$ (32,739) | \$ (11,498) |
| Add (deduct): | | | | |
| Interest income | (171) | (642) | (505) | (1,803) |
| Other expense, net | 45 | 107 | 154 | 312 |
| Provision (benefit) for income taxes | 340 | (18,777) | 542 | (46,895) |
| Depreciation and amortization | 8,439 | 6,664 | 16,179 | 13,123 |
| Stock-based compensation expense | 32,390 | 24,759 | 64,713 | 44,684 |
| Adjusted EBITDA | \$ 10,131 | \$ (8,928) | \$ 48,344 | \$ (2,077) |

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 provided by (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:

| (in thousands) | For the Six Months Ended | |
|---|--------------------------|-------------------|
| | January 29, 2022 | January 30, 2021 |
| Free cash flow reconciliation: | | |
| Cash flows provided by operating activities | \$ 124,932 | \$ 5,666 |
| Deduct: | | |
| Purchases of property and equipment | (30,900) | (13,894) |
| Free cash flow | \$ 94,032 | \$ (8,228) |
| Cash flows used in investing activities | \$ (27,633) | \$ (6,784) |
| Cash flows used in financing activities | \$ (32,003) | \$ (3,577) |

Operating Metrics

| | January 29, 2022 | October 30, 2021 | July 31, 2021 | May 1, 2021 | January 30, 2021 |
|-------------------------------|------------------|------------------|---------------|-------------|------------------|
| Active clients (in thousands) | 4,019 | 4,180 | 4,165 | 4,107 | 3,873 |
| Net revenue per active client | \$ 549 | \$ 524 | \$ 505 | \$ 481 | \$ 467 |

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, "Freestyle," 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.

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