

# STITCH FIX

September 2020

# SAFE HARBOR STATEMENT

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

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

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



Founded in 2011  
HQ in San Francisco



145 data scientists  
4,700+ employee stylists



Culture of teamwork,  
creativity, data and diversity

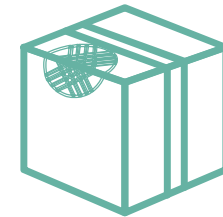
Transforming the way  
people find what they love



3.5M active clients<sup>1</sup>



LTM Revenue<sup>2</sup>: \$1.7B  
LTM Adj. EBITDA<sup>3</sup>: \$(29)M  
LTM Adj. EBITDA ex. SBC<sup>4</sup>: \$38M



\$382M cash and  
investments<sup>5</sup>

Note: FYE July; Figures as of August 1, 2020

(1) Defined as a client who checked out a Fix or was shipped an item using our direct-buy functionality in the preceding 52 weeks, measured as of the last day of that period. A client checks out a Fix when he or she indicates which items he or she is keeping through our mobile app or website. We consider each Men's, Women's, or Kids account as a client, even if they share the same household.

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

(3) We define adjusted EBITDA as net income (loss) excluding interest (income) expense, provision (benefit) for income taxes, other (income) expense, net, depreciation and amortization.

(4) We define adjusted EBITDA ex. SBC as adjusted EBITDA excluding stock-based compensation expense.

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



# THE CLIENT JOURNEY

INTRODUCE  
YOURSELF



**90+**

meaningful data points  
collected through the initial  
style profile

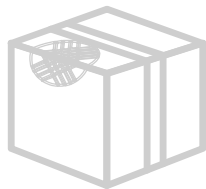
GET MATCHED



**4,700+**

stylists are algorithmically  
matched to our clients

RECEIVE  
YOUR FIX



**3 day**

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

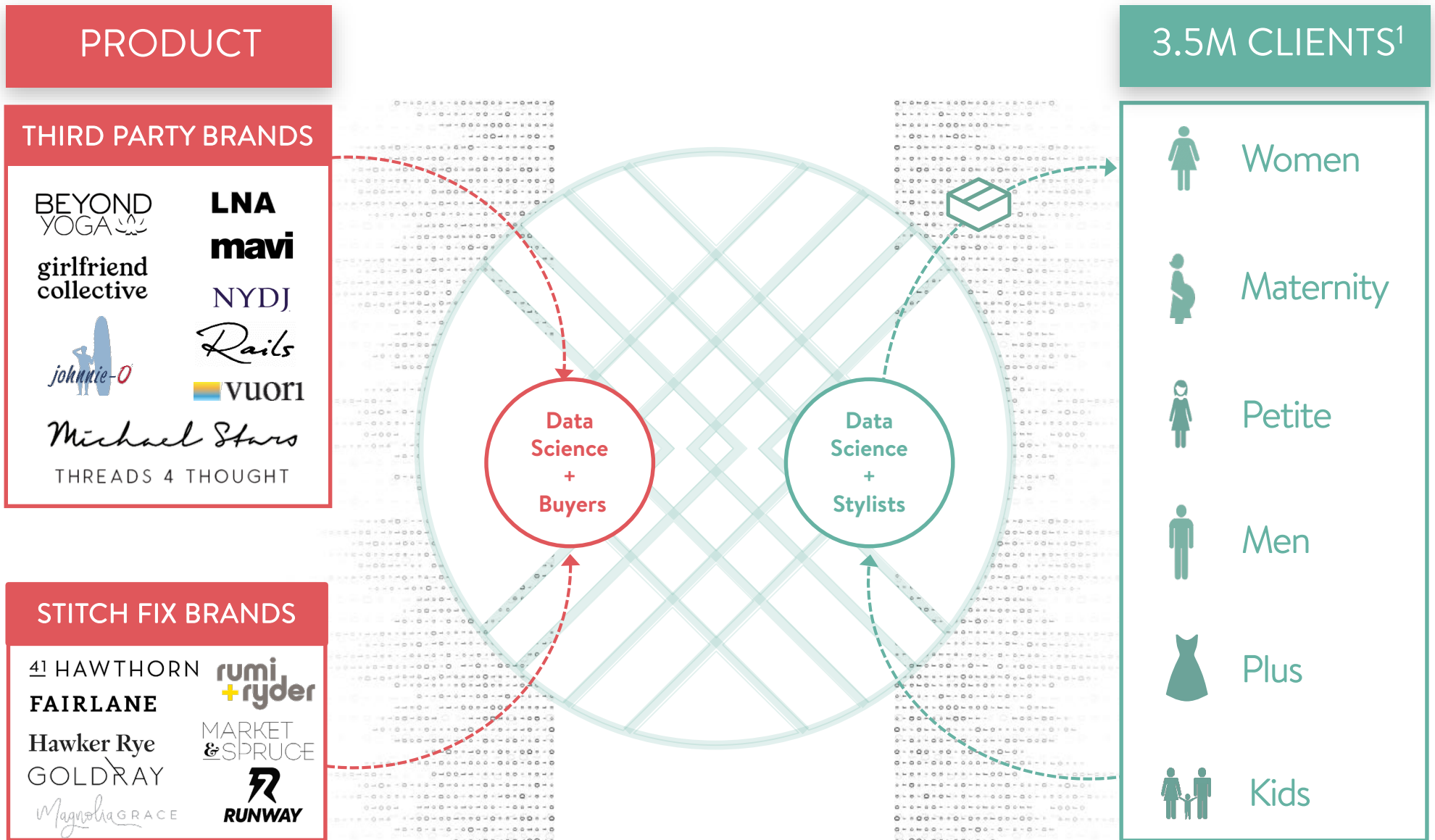
A PARTNER  
FOR LIFE



**80%+**

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

# OUR PERSONALIZATION MODEL



(1) As of August 1, 2020.

# WE HAVE RICH, MEANINGFUL AND HIGHLY ACTIONABLE DATA

## CLIENT DATA



Fort Worth, Texas

Pays \$50-75 for button-up shirts

Daniel  
Age: 32

Body type: Slim

Wears business formal 1-2 times per week

Pant legs often too tight

## MERCHANDISE DATA



Brand

Price

Button height

Color


Pattern

Sleeve opening

Style

Length

## FEEDBACK DATA



Comments

Return

Keep

Style

Size

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

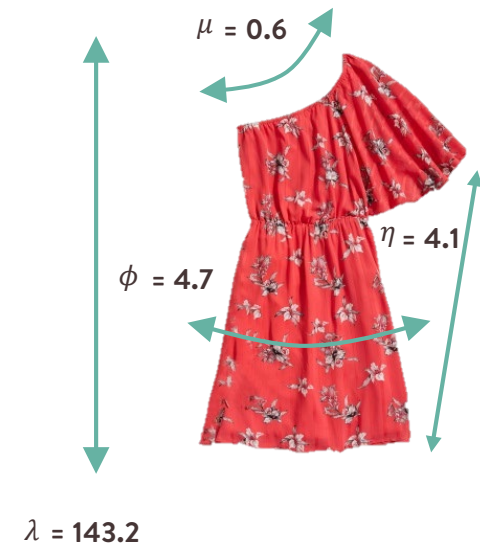
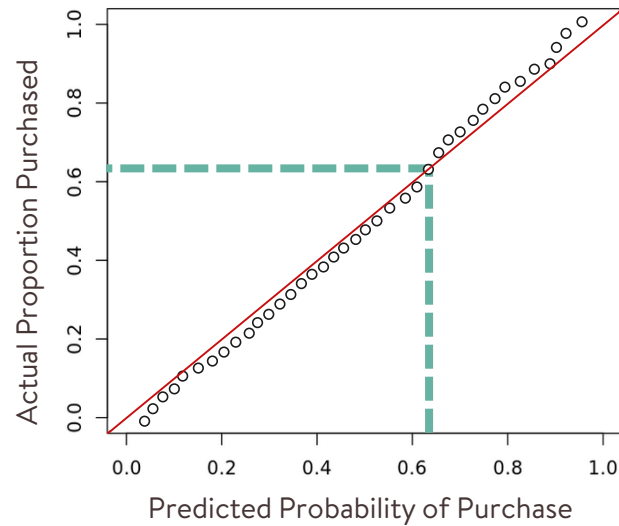
RETURN

KEEP

DATA THAT MATTERS

# PREDICTIVE ALGORITHMS HELP STYLISTS SUCCESSFULLY SERVE CLIENTS

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



<sup>(1)</sup> Representative example of an estimated probability that a specific client will buy a specific item.

# PREDICTIVE ALGORITHMS HELP STYLISTS SUCCESSFULLY SERVE CLIENTS



## PROPRIETARY STYLING COCKPIT

Client Profile

Historical  
Interactions

Merchandise  
Data

Recommendation  
Algorithms

CURATE  
PERSONALIZED  
ITEMS

BUILD DEEP CLIENT  
RELATIONSHIPS

ADD VALUABLE  
CONTEXT



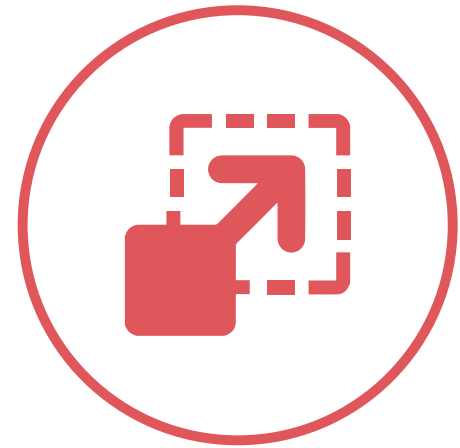
# OUR GROWTH STRATEGY IS INFORMED BY KEY DATA LEARNINGS



SHARE  
OF WALLET

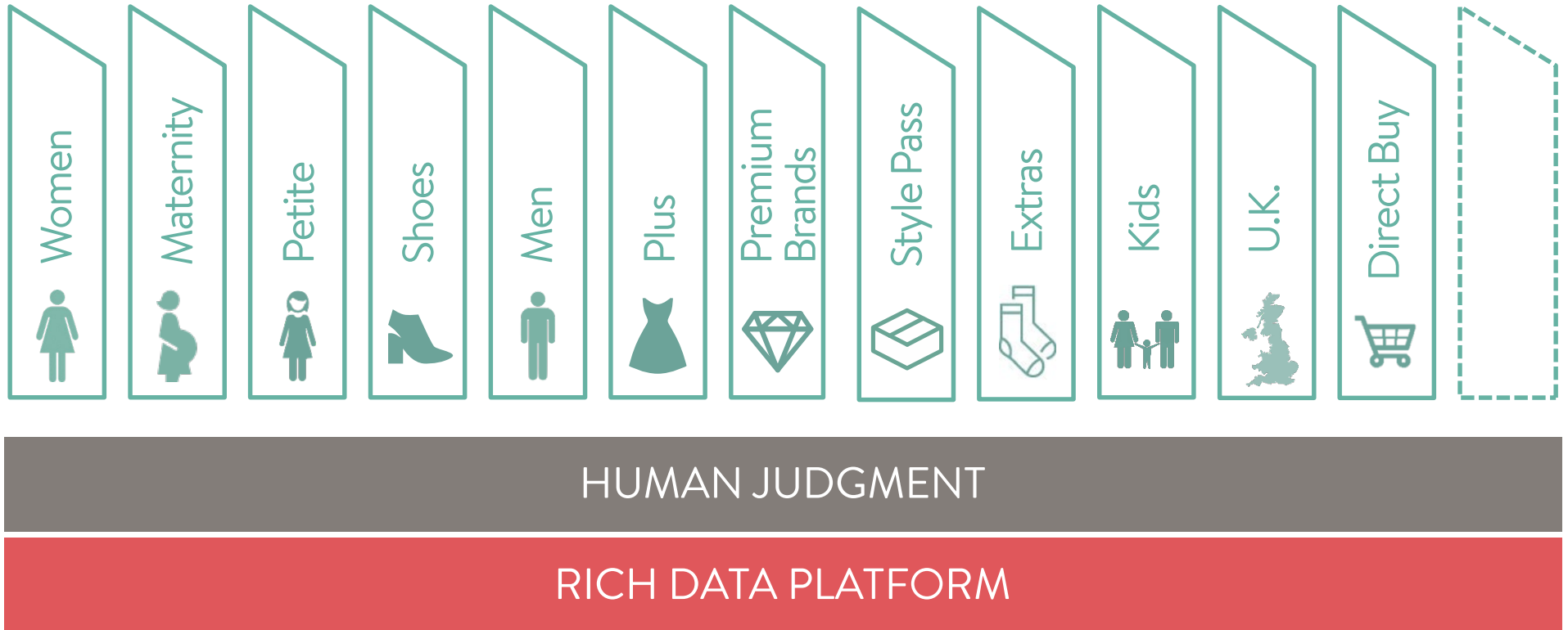


NEW  
CLIENTS



ADDRESSABLE  
MARKET

# ACTIONABLE CLIENT DATA ENABLES SUCCESSFUL NEW OFFERINGS



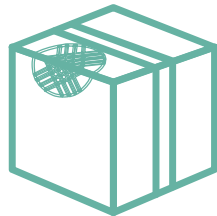
# A POWERFUL AND DIFFERENTIATED MODEL

Highly Scalable



Predictive & Accurate

Flexible Offering



Capabilities that Extend



FINANCIAL OVERVIEW

# OUR GUIDING PRINCIPLES FOR MANAGING THE BUSINESS



Enable a great client experience



Maintain long-term mindset



Drive sustainable and profitable growth



Be data driven and ROI-focused in our decisions

# FINANCIAL HIGHLIGHTS



Powerful, growing client base with millions of active clients

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Significant revenue growth at scale

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Strong client retention drives recurring demand and visibility

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Strategically investing for long-term growth and brand building

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Capital-efficient model with high inventory turnover

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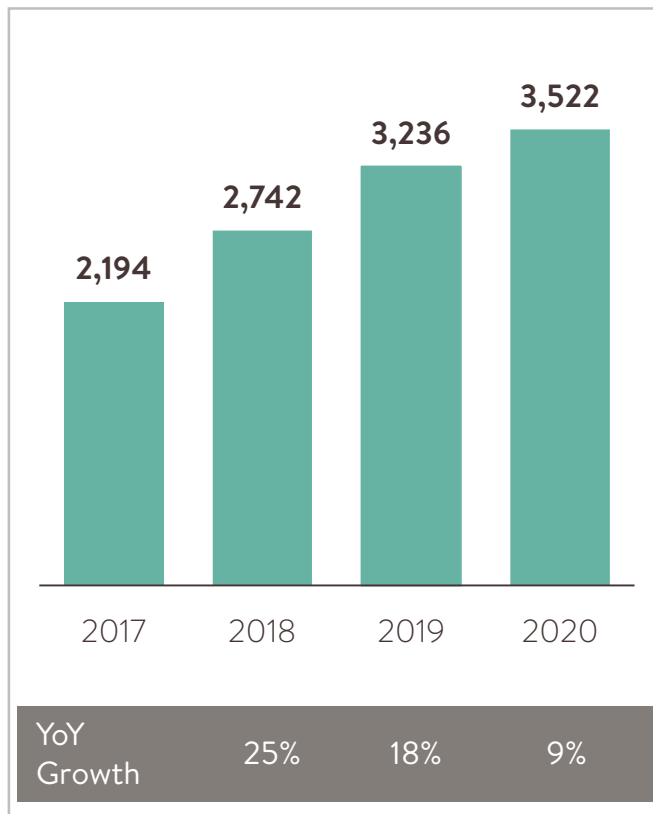


Demonstrated operating leverage enables further profitability upside

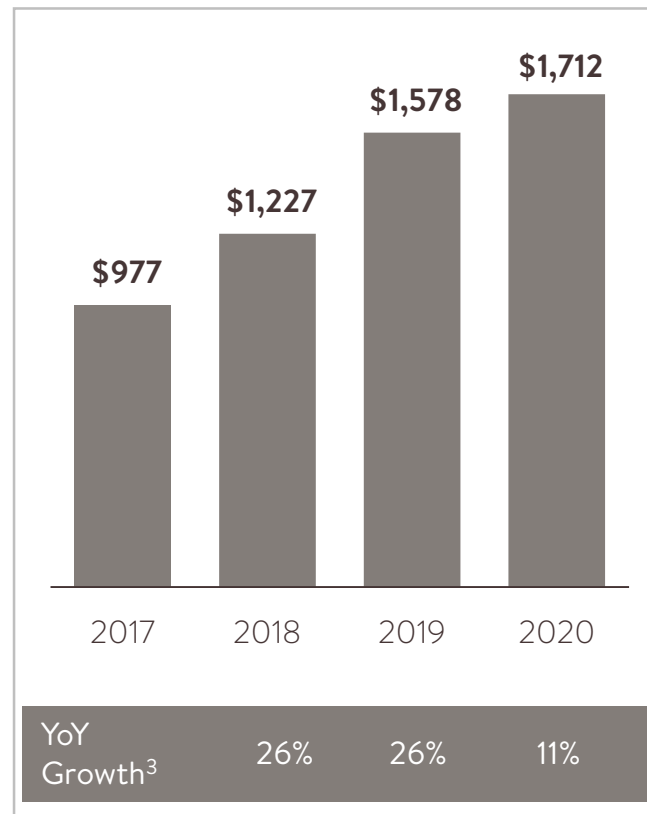
# FINANCIAL MODEL COMBINES SCALE AND GROWTH

FYE JULY <sup>1</sup>

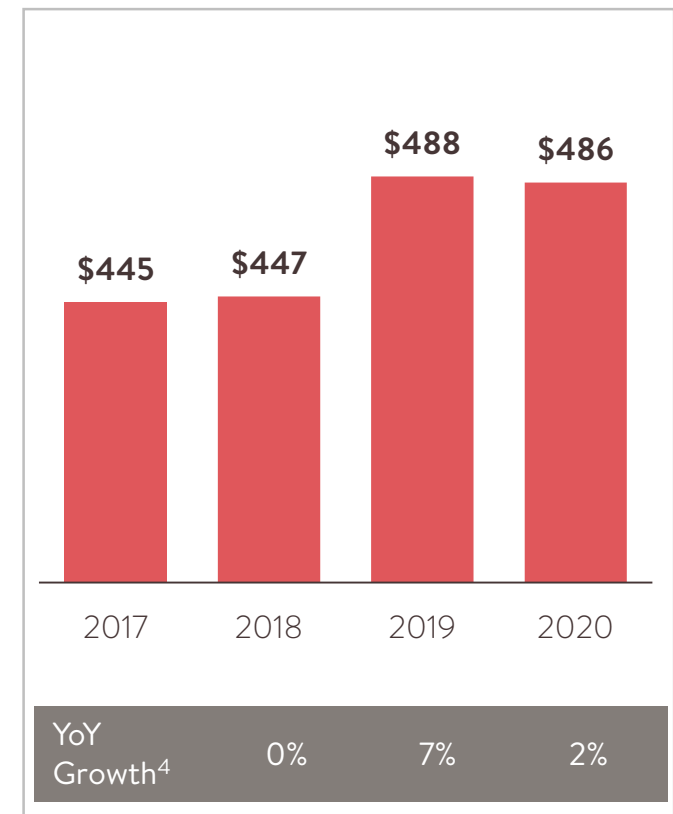
## ACTIVE CLIENTS as of period end <sup>2</sup> (000's)



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



## NET REVENUE PER ACTIVE CLIENT <sup>4</sup>



(1) Fiscal year ends on the Saturday that is closest to July 31 of that year. Fiscal 2019 consists of 53 weeks with an extra week occurring in the fourth quarter, while all other fiscal years consist of 52 weeks.

(2) Defined as clients who checked out a Fix or were shipped an item using our direct-buy functionality in the preceding 52 weeks, measured as of the last day of that period. A client checks out a Fix when he or she indicates which items he or she is keeping through our mobile app or website. We consider each Men's, Women's, or Kids account as a client, even if they share the same household.

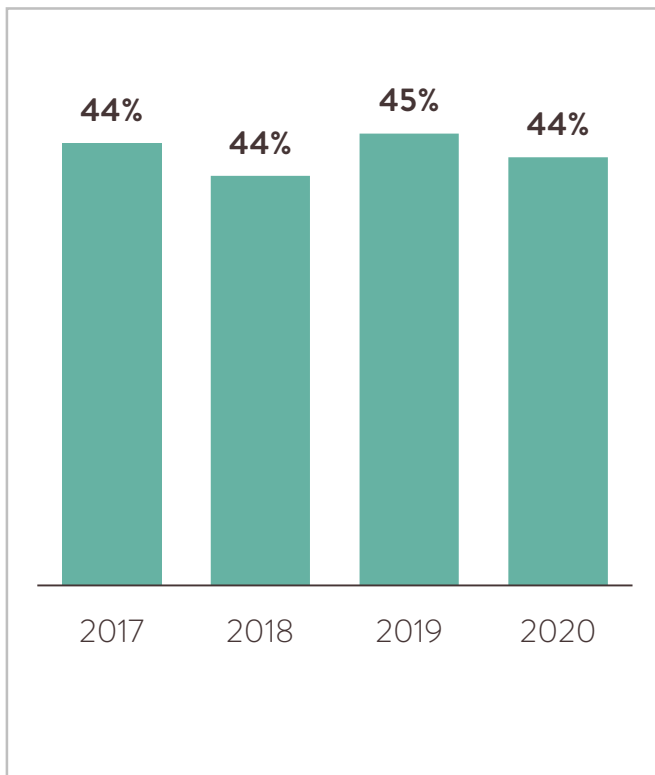
(3) Discounts, sales tax and estimated refunds are deducted from revenue to arrive at net revenue, which the Company refers to as "revenue". YoY growth in fiscal 2019 and 2020 are adjusted for the 53<sup>rd</sup> week in Fiscal 2019. Without adjusting for this extra week, revenue grew 29% and 9% YoY in fiscal 2019 and 2020, respectively.

(4) Calculated based on net revenue over the preceding four fiscal quarters divided by the number of active clients, measured as of the last day of the period. YoY growth in fiscal 2019 and 2020 are adjusted for the 53<sup>rd</sup> week in Fiscal 2019. Without adjusting for this extra week, revenue per active client grew 9% YoY in fiscal 2019 and was approximately flat YoY in fiscal 2020.

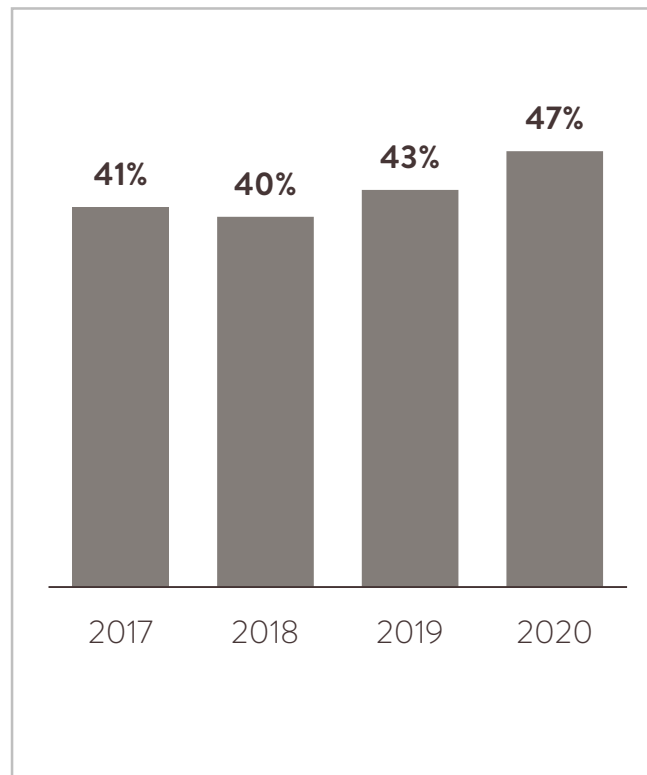
# INVESTING FOR LONG-TERM GROWTH

FYE JULY <sup>1</sup> | % OF NET REVENUE

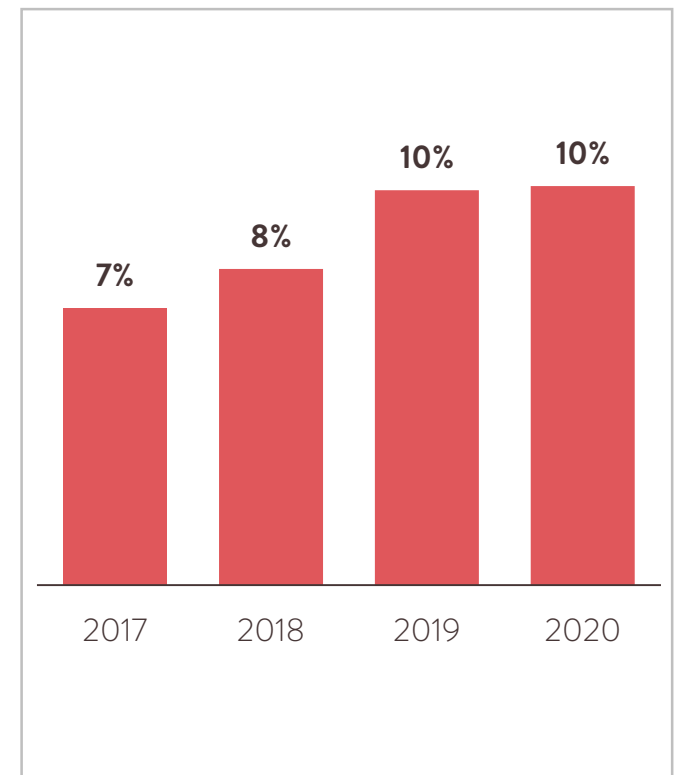
## GROSS MARGIN



## SG&A



## ADVERTISING <sup>2</sup>



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

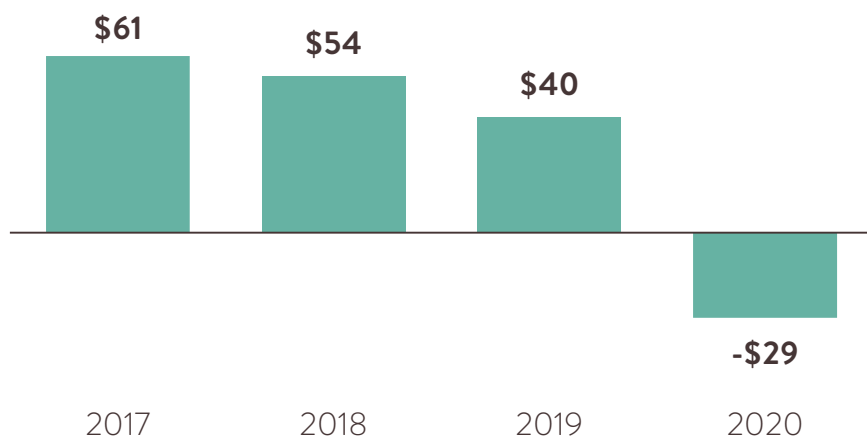
(2) Advertising expenses included in SG&A.



# FINANCIAL MODEL HAS PROVEN NON-GAAP PROFITABILITY

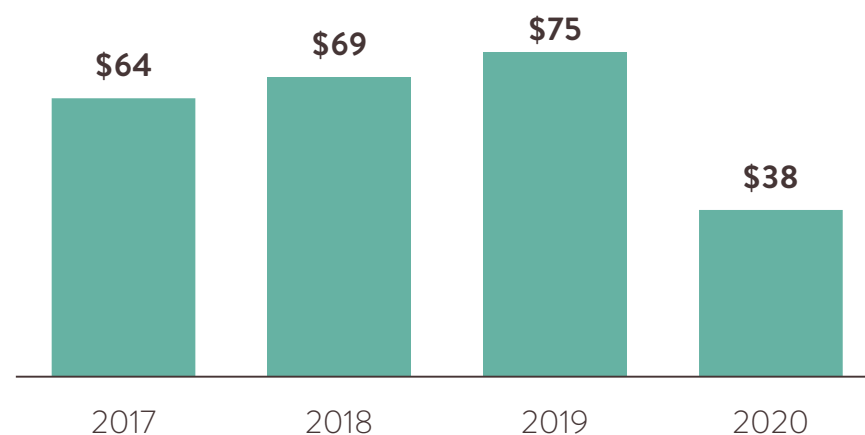
FYE JULY <sup>1</sup>

## ADJUSTED EBITDA <sup>2</sup> (\$M)



Year	Margin <sup>4</sup>
2017	4%
2018	3%
2019	(2)%

## ADJUSTED EBITDA ex. SBC <sup>3</sup> (\$M)



Year	Margin <sup>5</sup>
2017	6%
2018	5%
2019	2%

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

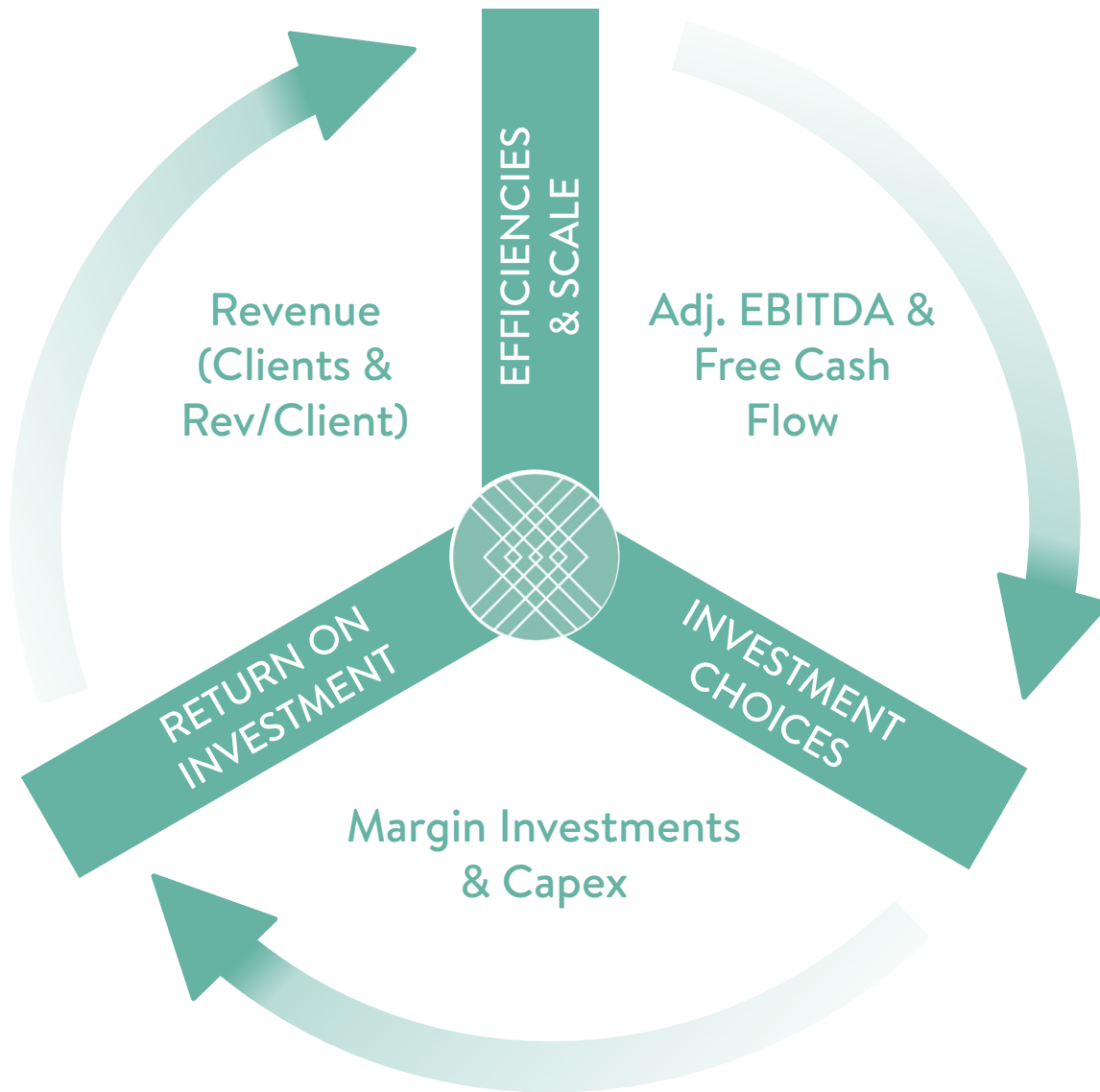
(2) We define adjusted EBITDA as net income (loss) excluding interest (income) expense, provision (benefit) for income taxes, other (income) expense, net, depreciation and amortization.

(3) We define adjusted EBITDA ex. SBC as adjusted EBITDA excluding stock-based compensation expense.

(4) We define adjusted EBITDA margin as adjusted EBITDA (\$M) divided by net revenue for the period.

(5) We define adjusted EBITDA ex. SBC margin as adjusted EBITDA ex. SBC (\$M) divided by net revenue for the period.

# HIGHLY CAPITAL-EFFICIENT MODEL



# LONG-TERM TARGET MODEL

FYE JULY <sup>1</sup>

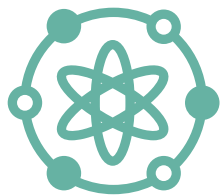
	2017	2018	2019	2020	LT Target
Gross Profit (% Margin)	44%	44%	45%	44%	45-46%
Advertising Expenses (% of Net Revenue)	7%	8%	10%	10%	9-11%
Other SG&A (% of Net Revenue) <sup>2</sup>	34%	32%	33%	37%	24-26%
Operating Profit (% of Net Revenue)	3%	4%	1%	(3)%	10-12%
Adjusted EBITDA (% of Net Revenue) <sup>3</sup>	6%	4%	3%	(2)%	11-13%

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

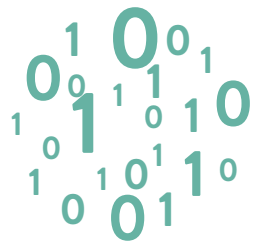
(2) Excludes advertising expenses.

(3) Includes stock-based compensation.

# KEY HIGHLIGHTS



Data science at the core of everything we do



Highly actionable client, merchandise and feedback data



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



Proven, scaled financial model with headroom for growth



APPENDIX

# KEY BALANCE SHEET ITEMS

FYE JULY <sup>1</sup>

	2017	2018	2019	2020
Cash <sup>2</sup>	\$110.6	\$297.5	\$170.9	\$143.4
Working Capital <sup>3</sup>	63.8	274.8	299.8	254.2
Total Assets	257.2	481.6	616.1	769.4
Total Liabilities	153.1	166.5	220.1	368.4

(1) Fiscal year ends on the Saturday that is closest to July 31 of that year. \$ in millions.

(2) Cash balance does not include restricted cash.

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

# RECONCILIATION OF ADJUSTED EBITDA ex. SBC

## FYE JULY <sup>1</sup>

(in thousands)	2017	2018	2019	2020
<b>Adjusted EBITDA ex. SBC Reconciliation:</b>				
Net Income (Loss)	\$(594)	\$44,900	\$36,881	\$(67,117)
<b>Add (Deduct):</b>				
Interest (Income) Expense	(42)	(904)	(5,791)	(5,535)
Other (Income) Expense, net	–	(100)	(1,535)	1,593
Provision (benefit) for Income Taxes	13,395	9,813	(6,060)	19,395
Depreciation and Amortization	7,655	10,542	16,095	22,562
Re-measurement of Preferred Stock Warrant Liability	18,881	(10,685)	–	–
Compensation Expense Related to Certain Stock Sales by Current and Former Employees	21,283	–	–	–
<b>Adjusted EBITDA</b>	<b>\$60,578</b>	<b>\$53,566</b>	<b>\$39,590</b>	<b>\$(29,102)</b>
Stock-based Compensation Expense	\$3,545	\$15,403	\$35,256	\$67,530
<b>Adjusted EBITDA ex. SBC</b>	<b>\$64,123</b>	<b>\$68,969</b>	<b>\$74,846</b>	<b>\$38,428</b>

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

# RECONCILIATION OF FREE CASH FLOW

## FYE JULY <sup>1</sup>

(in thousands)	2017	2018	2019	2020
<b>Free Cash Flow Reconciliation:</b>				
Cash Provided by (Used in) Operating Activities	\$38,624	\$72,178	\$78,594	\$42,877
<b>(Deduct):</b>				
Purchases of Property and Equipment	\$(17,130)	\$(16,565)	(30,825)	(30,207)
<b>Free Cash Flow</b>	<b>\$21,494</b>	<b>\$55,613</b>	<b>\$47,769</b>	<b>\$12,670</b>
Cash Used in Investing Activities	\$(17,130)	\$(16,565)	\$(225,184)	\$(70,461)
Cash Provided by (Used in) Financing Activities	\$(3,028)	\$134,795	\$6,945	\$(1,435)

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