LOVESAC®

Designed for Life™ Furniture Co.

Investor Presentation

September 2020

Safe Harbor Statement

LOVESAC

This presentation by The Lovesac Company (the “Company,” “we,” “us,” and “our”) includes “forward-looking statements” with the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Exchange Act of 1934, as amended. All forward-looking statements are subject to a number of risks, uncertainties and assumptions, and you should not rely upon forward-looking statements as predictions of future events. You can identify forward-looking statements by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “would,” “will,” “target,” “contemplates,” “continue” or the negative of those words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. These statements are based on management’s current expectations and/or beliefs and assumptions about future events and trends that management considers reasonable, which assumptions may or may not prove correct. We may not actually achieve the plans, carry out the intentions or meet the expectations disclosed in the forward-looking statements and you should not place undue reliance on these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements. Actual results and performance could differ materially from those projected in the forward-looking statements as a result of many factors. Some of the keyfactors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements include, but are not limited to, the effect and consequences of the novel coronavirus (“COVID 19”) public health crisis on matters including U.S. and local economies, our business operations and continuity, the availability of corporate and consumer financing, the health and productivity of our associates, the ability of third-party providers to continue uninterrupted service, and the regulatory environment in which we operate; our ability to sustain recent growth rates; our ability to sustain the recent increase in our Internet sales; our ability to manage the growth of our operations over time; our ability to maintain, grow and enforce our brand and trademark rights; our ability to improve our products and develop new products; our ability to obtain, grow and enforce intellectual property related to our business and avoid infringement or other violation of the intellectual property rights of others; our ability to successfully open and operate new showrooms; and our ability to compete and succeed in a highly competitive and evolving industry, as well as those risks and uncertainties disclosed under the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission, and similar disclosures in subsequent reports filed with the SEC, which are available on our investor relations website at investor.lovesac.com and on the SEC website at www.sec.gov. The forward-looking statements made in this presentation relate only to events as of the date on which the statements are made. We undertake no obligations to update any forward-looking statements made in this presentation to reflect events or circumstances after the date of this presentation or to reflect new information or the occurrence of unanticipated events, except as required by law.

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Use of Non-GAAP Information

This presentation includes certain non-GAAP financial measures that are supplemental measures of financial performance not required by, or presented in accordance with, GAAP, including Adjusted EBITDA. We define “Adjusted EBITDA” as earnings before interest, taxes, depreciation and amortization, adjusted for the impact of certain non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include management fees, equity-based compensation expense, write-offs of property and equipment, deferred rent, financing expenses and certain other charges and gains that we do not believe reflect our underlying business performance. We have reconciled this non-GAAP financial measure with the most directly comparable GAAP financial on slides 36, 37, 42 and 43.

We have also presented herein certain forward-looking statements about the Company’s future financial performance that include non-GAAP (or “as-adjusted”) financial measures, including Adjusted EBITDA. This non–GAAP financial measure is derived by excluding certain amounts, expenses or income, from the corresponding financial measures determined in accordance with GAAP. The determination of the amounts that are excluded from this non-GAAP financial measure is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period. We are unable to present a quantitative reconciliation of the aforementioned forward-looking non-GAAP financial measure to its most directly comparable forward-looking GAAP financial measures because management cannot reliably predict all of the necessary components of such GAAP measures, which could be significant in amount.

We believe that these non-GAAP financial measures not only provide its management with comparable financial data for internal financial analysis but also provide meaningful supplemental information to investors. However, other companies in our industry may calculate these items differently than we do. These non-GAAP measures should not be considered as a substitute for the most directly comparable financial measures prepared in accordance with GAAP, such as net income (loss) or net income (loss) per share as a measure of financial performance, cash flows from operating activities as a measure of liquidity, or any other performance measure derived in accordance with GAAP.

LOVE’s Unique Product Philosophy: Designed For Life

LOVESAC

*“Lovesac **Designed for Life** products are **built to last a lifetime** & **designed to evolve** so that they never go out of style or become obsolete. New technologies & additions are **reverse-compatible**, and even consumable parts are replaceable and **upgradeable**. This is **true sustainability**.”*

We intend to become one of the biggest, ***the* most innovative**, and ***the* most beloved furniture brands** in the world.

Changeable	Maintainable	Moveable	Rearrangeable	Upgradable	Waste-less

LOVE Management Team

LOVESAC

Shawn Nelson
Founder & CEO

20+ Years at LOVE

LOVESAC

Jack Krause
President & COO

4+ Years at LOVE

VITAMIN WORLD
FOSSIL GROUP
sunglass hut
Bath & Body Works

Donna Dellomo
EVP & CFO

3+ Years at LOVE

PERFUMANIA
CYBEX

LOVE at a Glance

LOVESAC

SACTIONALS®
The World's Most Adaptable Couch.™

FY 2020 Key Financial Metrics

REVENUE
$233.4 million
(80.7% of Revenue = Sactionals)

REVENUE GROWTH
40.7%

GROSS PROFIT
$116.7 million

GROSS MARGIN
50%

ADJ. EBITDA[1]
$(3.7) million

BALANCE SHEET
$48.5 million cash

GEOGRAPHIC PRESENCE
91 Branded Showrooms in 35 states in U.S.[2]

CUSTOMER-LIFETIME VALUE[3]
$1,835

COST OF ACQUISITION
$390

NEW CUSTOMERS
79k in FY20

REPEAT CUSTOMERS
35% of all transactions

[1] Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA Reconciliation can be found on page 36.
[2] Represents Showroom metrics as of Q4 FY 2020.
[3] Represents average value for FY 2020 cohort.(actual purchases, not projected)

Key Business Highlights

LOVESAC

- Disruptive home furniture lifestyle retail/DTC brand with heritage of innovation across growing product portfolio and 39 issued patents
- Proven omni-channel advantage; strong ecommerce performance, improving showroom economics and marketing ROIs, combined with select channel partner presence
- Mid-luxury positioning; target customer is 25 to 45 year-old “young parent want-it-alls” with our key customer between ages of 35 to 39 years old
- Sustainable products utilizing yarn spun from 100% recycled plastic water bottles, in sactionals upholstery fabric & REPREVE recycled yarn in many decorative covers
- Attractive financial profile with ~50% gross margin for FY20
- As of August 2, 2020, debt-free balance sheet with strong liquidity including $54.8 million in net cash

Recent Developments

COVID-19 Navigation and Pivot

LOVESAC

- Health and safety of our associates, customers and communities remains our **#1 priority**
  - On March 18, 2020, we closed all showrooms while e-commerce platform was fully operational
  - Began phased reopening starting May 11, 2020 through a three phased approach
  - As of August 2, 2020, all of our showrooms were open in some format with many still virtual or appointment-only and 5 of 7 Macy's and Best Buy shop-in-shops were open. The reduction in Costco in–store pop-up shops to 19 versus 209 in Q2 last year reflects higher financial expectations from partner channels given learnings on growing ability to drive brand awareness on an organic basis.
- Implemented actions to significantly reduce expenses, working capital and capital expenditures
- Rapidly pivoted to web-only model for duration of showroom closures
  - Full-time showroom associates became trade area representatives by leveraging technology to guide customers through the buying process from remote locations at home
  - Increased communication focus on the Lovesac value-added services including free shipping returns, risk-free trial period and increased availability of swatches to increase customer comfort in furniture purchase
  - Deployed DTC tactics and shifted spend in response to surge in overall social media use as a result of COVID-19

Strong Balance Sheet and Liquidity

LOVESAC

- As of August 2, 2020:
  - Net cash position of $54.8 million
  - No debt outstanding with credit facility availability of $9.9 million.

Q2 Performance

LOVESAC

- Operational pivot to focus on digital channels while showrooms were closed or operating in a limited fashion, combined with efficient marketing efforts, was very effective
  - Q2 included a very strong Heroes campaign that attracted new customers while driving over half of our sales during the period in which it ran from April 3, 2020, to May 31, 2020, with redemption lingering into early June 2020.
  - Pleased to see strength in the business even post the end of this campaign.
- Successfully positioned ourselves to capitalize on strong demand tailwinds resulting in Q2 **sales growth of 28.7% and comparable sales growth of 72.4%** versus the prior year period
- Successfully managed both top and bottom line driving a **27.9% increase in gross profit dollars and positive Adjusted EBITDA* of $2.2 million**
- Will continue to be disciplined and flexible as we navigate a dynamic marketplace while remaining focused on advancing the initiatives that underpin our long-term growth strategy

*Adjusted EBITDA is a non-GAAP measure. See Reconciliation of Non-GAAP Financial Measures included on slide 37

Q3 and FY21 Outlook Commentary

LOVESAC

- Coming off a very strong Labor Day, we feel positive about our ability to deliver overall sales growth in Q3 that is in line with Q2 growth rates. No Costco in-store pop-up shop revenue being assumed for remainder of fiscal 2021
- For FY21, we expect to drive positive Adjusted EBITDA, coming entirely in Q4 as Q3 will be pressured by expense shifts and significant marketing increases that are in large part due to COVID-19-driven deferrals from Q2
- Gross margins are expected to be down approximately 200 basis points year-over-year in Q3 due to impact of infrastructure investments, freight costs and tariff headwinds.
- Given the aforementioned expense shifts, we expect an Adjusted EBITDA* loss of $10 million to $11 million in Q3.
- Reinstating expenses and making investments that were deferred as part of pandemic response management. We will continue to be nimble and flexible and will remain disciplined in our approach to running the business as we head into the seasonally high volume period of the year

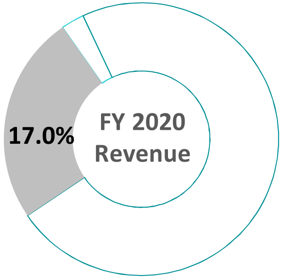
*Adjusted EBITDA is a non-GAAP measure.

“Designed for Life” Platform

LOVESAC

SACS

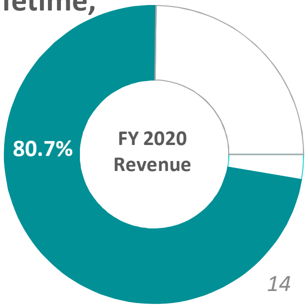
- Category leader in oversized beanbags
- Product line offers 6 different sizes ranging from 22lbs to 95lbs
- Capacity to seat 3+ people on the larger model Sacs
- Durafoam™ filling
- Sacs shrink to 1/8 original volume
- Multiple shapes & sizes
- Wash & change covers



Sactionals Overview

SACTIONALS

- Next-gen premium modular couch with two simple pieces – seats and sides
- Patented modular system makes it easy to assemble & changeable over time
- Create endless permutations of a sectional couch with just two standardized pieces, “Seats” and “Sides”
- Over 250 customizable, machine washable removable covers that fit like upholstery
- Designed for Life: Built to last a lifetime, designed to evolve



Beautiful, Changeable, Washable & Comfortable

LOVESAC

- 19 quick-ship covers constitute more than 85% of all covers sales
- 250+ custom covers offer broad choice with lean inventory

- Fabrics manufactured for washability
- Fabrics engineered & tested for durability
- Changeable covers

- Hardwood frames + sinuous springs enable proper sit
- 3 cushion-types: standard, down-fill, & down-alternative
- “Total Comfort”

Sactionals is a Platform…Not a Product

LOVESAC

Comfort

Drink Holder

Seat Table

Footsac Blanket

Coaster & Couch Bowl

Decor

Custom Covers & Dec Pillows

Roll Arm

Function / Upgrade

Power Hub

Guest Rest Bedding Kit

Platform Extension

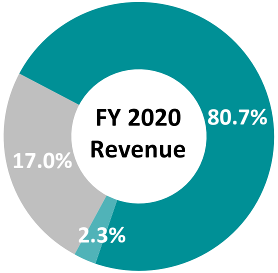
Outdoor Sectionals

35% of Lovesac transactions are from repeat customers[1]

[1] % Transactions that are repeat is calculated by dividing transactions from existing customers over total transactions for FY2020. We based this on our internal data relating to customers purchasing in fiscal 2020.

Our Innovative Product Portfolio Continues to Expand

SACS



SACTIONALS

ACCESSORIES

Footsac Blanket

Drink Holder

Seat Table

Custom Covers &
Dec Pillows

Designed For Life = Sustainable Inputs Too

LOVESAC

Sactionals Use Upholstery Fabric made from **100% Repurposed Plastic Bottles**

REPREVE®

Plastic bottles are converted into Repreve recycled yarn

→

REPREVE® 82

82 Plastic Bottles go into a standard Sactionals Seat

+

REPREVE® 31

31 Plastic Bottles go into a standard Sactionals Side

→

REPREVE® 966

966 Plastic Bottles go into a standard Sactionals Pit Configuration

Last year alone, Lovesac repurposed more than **20 million plastic water bottles** to make Sactionals

Disruptive Model

Disrupting a Stale Category

LOVESAC

Traditional Model

- In-store **stocking** / long lead time, inventory & personnel heavy delivery
- Low excitement and **mundane** products
- **Non-engaged** commodity shoppers
- Numerous, unproductive, **large stores**
- Broad merchandising & seasonal **assortments**

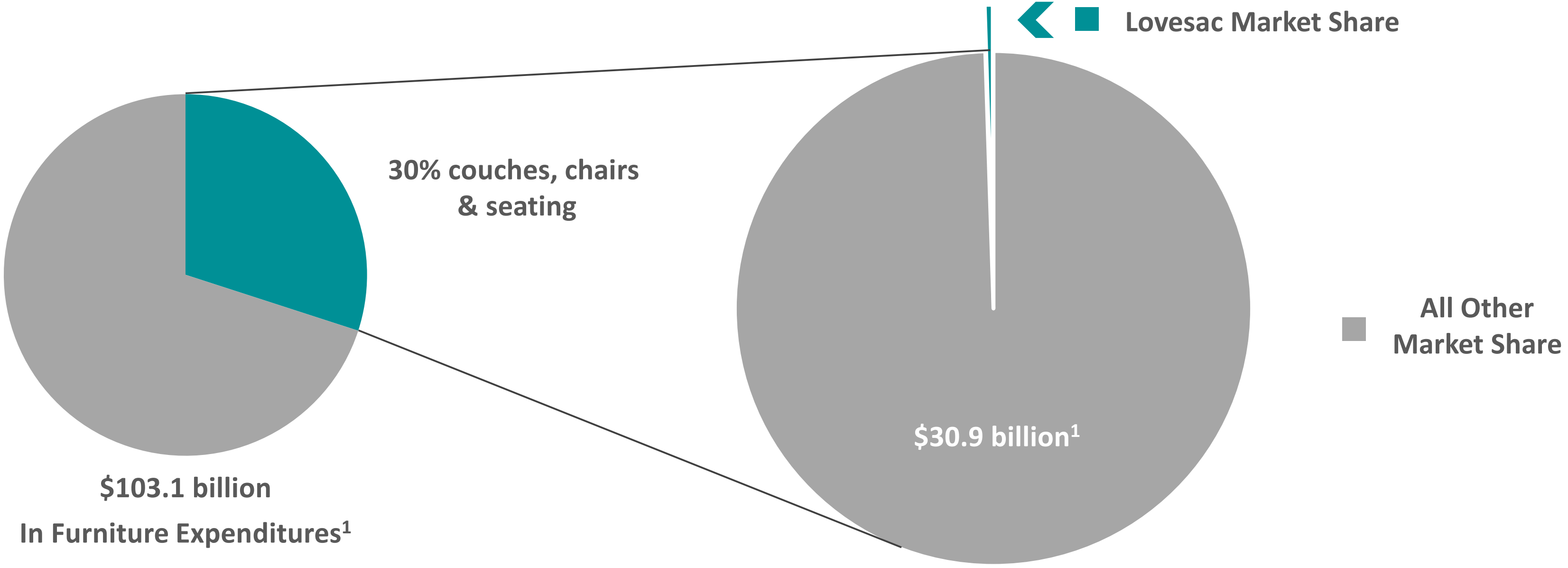
LOVESAC

- **Direct** to consumer with ability to ship most product next day
- **Patented**, inventive, Designed For Life products
- **Highly engaged** brand advocates
- Limited, productive, **small showrooms**
- Focused product categories, product **platforms**

Large and Growing Addressable Market

LOVESAC

Furniture expenditures are expected to grow 3.4% per year through 2021, while online furniture expenditures are expected to grow from $36.0 billion in 2017 to $62.4 billion in 2021



Source: Mintel Group Ltd: Furniture Retailing, US, July 2016.
Source: Home Furnishing Stores and Digital Commerce, eMarketer, US, February 2018.
[1] Expenditures in 2015.

R.O.A.S. is High, and Expected to be Amplified Each Year By....

LOVESAC

Additional Showrooms

New Product Innovation

More Shop In Shop Partners

+?

(Eventual) International Expansion

Our sunk costs investments in national advertising are increasingly amplified by the above Initiatives, driving ROI's up

Awareness* Marketing

National TV and Digital Marketing

Focused around major buying holidays; driving positive ROI's across both showroom and non-showroom markets.
*Awareness unaided is currently < 2% nationally
FY20 CLV to CAC ratio of 4.7X vs. 5.0X in FY19

Conversion Marketing

Social and Search

Focused around tent pole events to drive awareness or capitalize on heightened demand due to TV campaign, with room to continue to scale ROI + spend in FY 2021

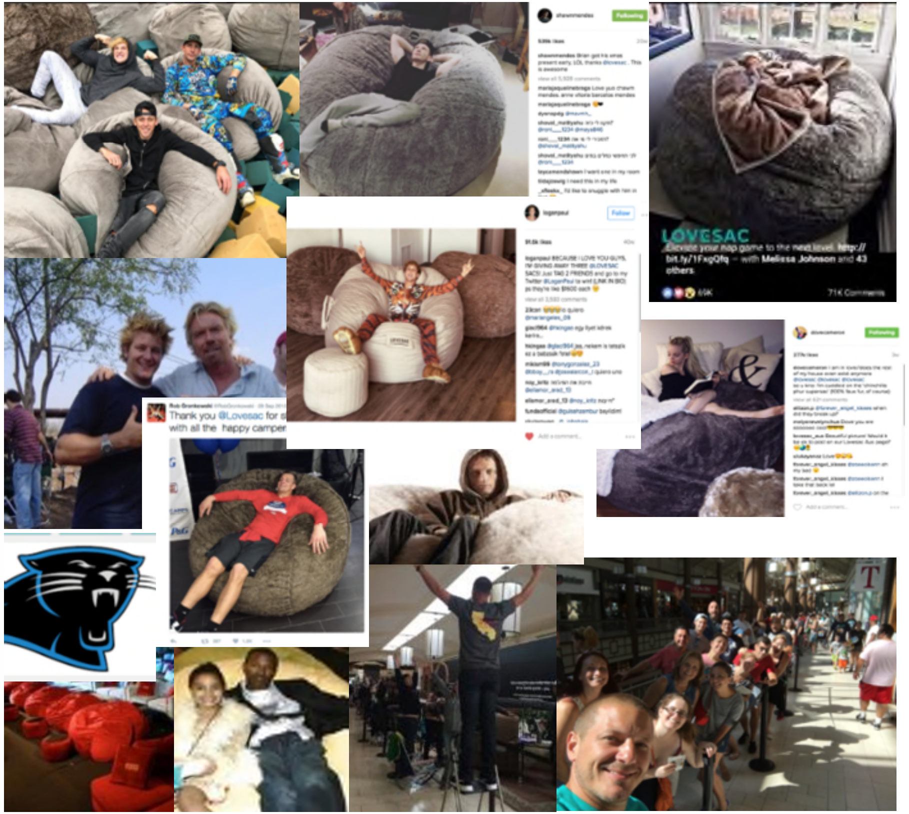
Large and Growing Social Media Presence

LOVESAC

Social Engagement Metrics

		FY2020 vs. Prior Year
facebook	839,000 active followers	+ 13%
Instagram	443,000 followers	+ 26%
YouTube	42+ million views in 24 hours[1] & 202 million views in total	

- Unsolicited celebrity endorsements and promotion
- Lovesac's founder has a strong online following
- One of the most viewed viral videos in the first 24 hours after posting involves a Sac[1]

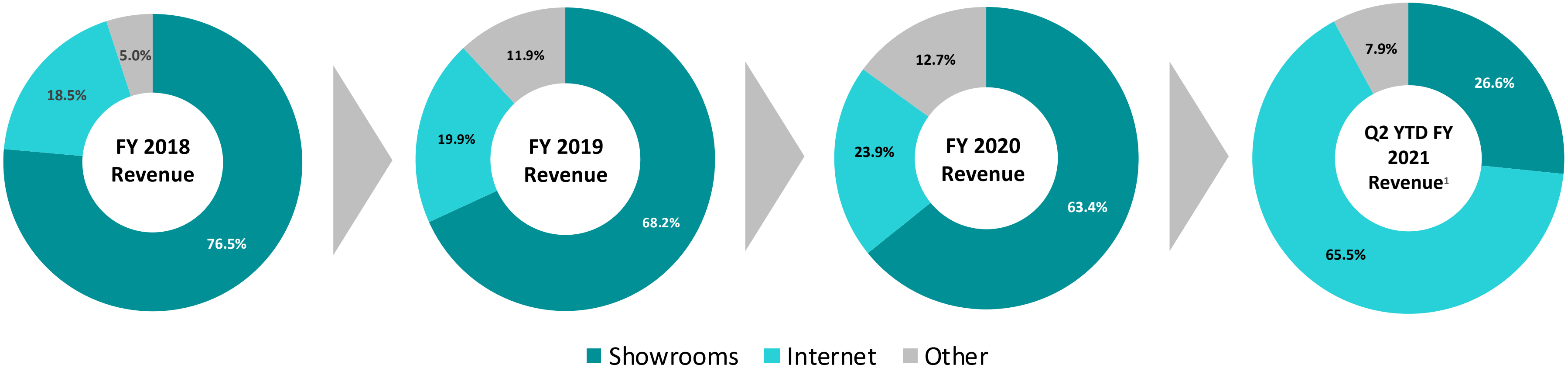


[1] Source: Wikipedia. *List of most viewed online videos in first 24 hours.*

Balanced Omni-Channel Strategy

LOVESAC

Diversifying Channel Mix



Showrooms

- Small-footprint retail locations in high-end malls to create an environment where consumers can touch, feel, read and understand the products

Pop-up shops ("Other")

- Pop-up shops provide lower cost retail footprint that enables the Company to extend brand reach
- 756 operated in FY 2020 and 553 Costco pop-ups in FY 2019
- Q2 FY21 operated only 19 vs. 209 in Q2 FY20

Internet

- Mobile and eCommerce channel drives deeper brand engagement and loyalty

[1]Significant channel mix shift a result of an increase in Internet sales and decrease in Showroom sales due to the impact of showroom closures related to COVID-19.

Immersive Experience

LOVESAC

See It

Social Media

Advertising

Touch It

Showrooms / SiS /
Pop-up Shops

Friend / Neighbor

Buy It

Lovesac.com

Showrooms / SiS /
Pop-up Shops

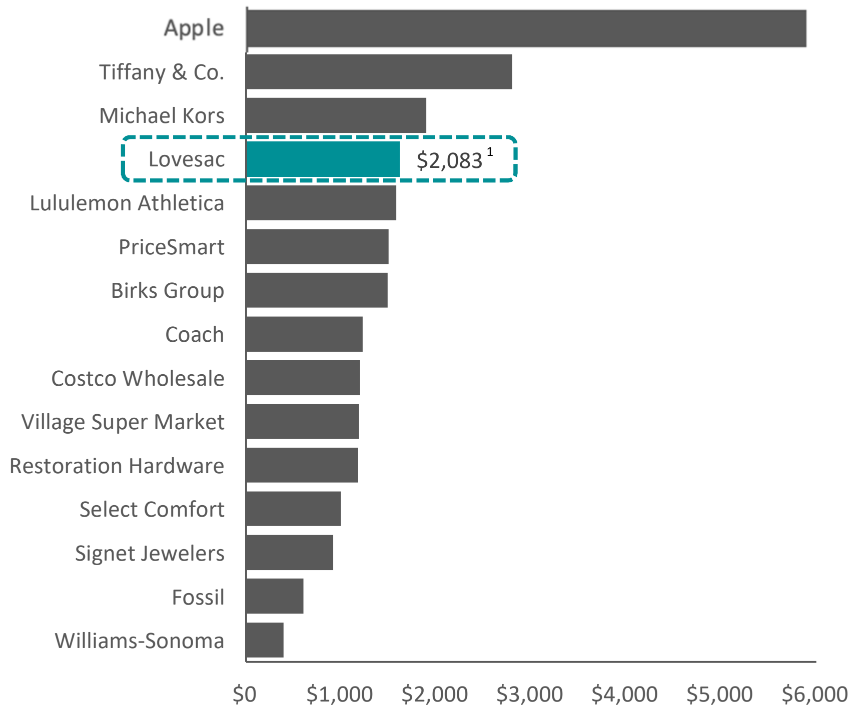
Physical retail locations and other direct marketing efforts drive conversion

Superior Showroom Strategy & Productivity

LOVESAC

- Opened 18 new showrooms and closed 2 showrooms in fiscal 2020
- Completed 5 showroom remodels (2 Full, 3 Partial) in fiscal 2020
- Collaborated with leading design firm, Prophet NYC, for re-branding effort
- Turns product inside-out to reveal construction & technology
- Minimal merchandising, aesthetic, seasonality and inventory risk
- New showroom net investment of approximately $350,000 and average pay back period of < 2 years

Showroom Sales Per Sq. Foot



Source: External retailer data from companies' latest available Annual Report on Form 10K and eMarketer.com, Store Productivity for latest available fiscal year.
Source: Lovesac $/sqft data from our internal data.
[1] For the fiscal year ended February 2, 2020.

Attractive New Showroom Model

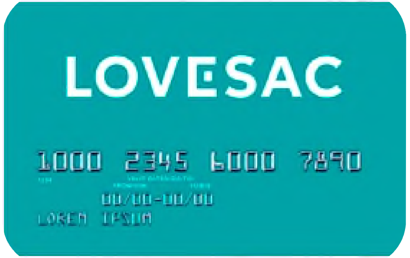
LOVESAC

- **Opened 18 new showrooms in FY20 or 21% year-over-year growth**
- **Economics of new showroom model are favorable with strong returns on investment:**
  - Target net sales of $1.5 to $1.6 million in the first year
  - Net Investments – incl. floor model inventory, Capex and preopening expenses = $365K
  - The average payback of our showroom investments is under two years*
- **For FY21, given COVID-19 pandemic, working with landlords to minimize cash outlay for any showrooms we might still choose to open this year.**
- **The range of potential new showrooms in FY21 will be between 15 and 18 as we have been working with landlords to adjust and continue to expand our footprint.**
- **We expect learnings about our ability to reach customers while they're researching our products will lead to some new approaches around our go forward touchpoint strategy that should make customer acquisition even more effective.**

*Payback period defined as, for given showroom, starting with the first day it is open, the date on which cumulative four wall Adjusted EBITDA before start up expense for the showroom equals total net investment cost for that showroom

Superior Customer Experience: In Showrooms & Online

LOVESAC



Easy to Purchase

- Mobile & Lovesac App purchases are easy
- In-showroom checkout via iPad technology—never leave the couch
- 35.2% of sales through in-house financing facilitated by a leading third party consumer financing company[1]; Drives larger purchases
- 23.9% of revenue through e-Commerce channel[1]

Easy to Ship

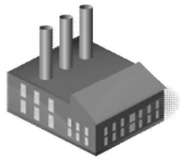
- Can be delivered within 2 days using standard delivery carriers
- Enables deep stock positions in few core SKUs
  - Broad assortment enabled by made-to-order custom covers
  - Stock products made overseas; custom covers made in USA

Satisfies the "instant gratification" expectations of today's consumer

[1] As of fiscal year ended February 2, 2020.

Infrastructure: Built For Scale & Efficiency

LOVESAC

Showroom Technology	• Large format motion screens and interactive touchpads to enhance CX	
Data Warehouse-CRM	• Scalable foundation for ERP and CRM	
Logistics Optimization	• Concentrated inventory without shelf-life, at high carry to facilitate growth and flex	
Supply Chain	• Easily scalable with existing suppliers, and to other countries, due to uniformity and flexibility of the 2 core SKUs	
Shipping	• One of the most advantaged shipping solutions for mid-high-end upholstery in the market; Fast & Free, or paid white glove delivery set-up available	

Strategic Priorities

Our Fiscal 2021 Strategic Priorities

LOVESAC

Product

- One major product launch each fall – FY21 launch shift to Q1 FY22
- Two key platform innovations per year
- Drive appeal to new & repeat business
- Aggressive supply chain diversification

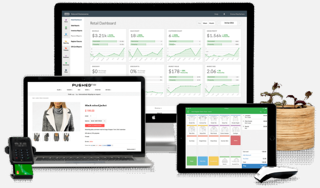
Marketing

- Drive ongoing growth spending ~10-12% of sales on marketing annually
- Test & learn to drive efficiency & volume
- New TV creative
- Two key collabs per year with celebs & aspirational brands
- Expand influencer & social media reach

Omni-channel Distribution

- 15-18 net new showrooms in FY21
- New S.I.S. partners in next 12 months
- Lay groundwork for multiple distribution channels – speed
- Showroom 2.0, utilizing AR/VR/tech

Supply Chain/ Infrastructure



- Diversifying Supply Chain
- Upgrade current CRM to leverage data warehouse
- Re-platform website to improve online & mobile experience
- Leverage warehouse management soft-ware for efficiency & CSAT improvements

Sustainability

- Formalize promotion of our Designed For Life ethos & strategy for communications
- Tout our leadership in plastic recycling on the new site, et al
- Continued evolution of the supply chain

Summary

LOVESAC

- **Large TAM:** Significant opportunity to disrupt a huge, and transitioning home furnishing market
- **Increasing Marketing Effectiveness:** Still low brand awareness + strong marketing ROIs = Leaning into traditional, digital and social marketing strategies
- **Disruptive Omni-channel Approach:** Multi-channel distribution through e-commerce, showrooms, shop-in-shops, pop-up shops, expands brand reach and drives customer engagement. Will leverage learnings generated in COVID-19 driven closed-showroom environment
- **Growing Product Relevancy and Innovation:** Brand and portfolio of products increasingly relevant in current environment; new product introductions centered around innovation
- **Expanding Portfolio of Unique, Sustainable, Patent Differentiated Product**: Products are shippable, durable, washable and easily changeable with a focus on sustainability, given our Designed For Life philosophy, and differentiated by patents

Financials

Q2 FY21 and Q2 YTD FY21 Results

LOVESAC

(Dollars in millions, except per share amounts)

	Quarter Ended August 2, 2020	Quarter Ended August 4, 2019	% Inc (Dec)	First Half Ended August 2, 2020	First Half Ended August 4, 2019	% Inc (Dec)
Net Sales	$61.9	$48.1	28.7%	$116.3	$89.1	30.5%
Gross Profit[1]	$31.1	$24.3	27.9%	$58.3	$45.3	28.8%
Gross Margin[1]	*50.1%*	*50.4%*	*(31) bps*	*50.2%*	*50.8%*	*(66) bps*
Total Operating Expense	$32.1	$29.2	9.8%	$67.8	$59.5	13.8%
SG&A	$23.4	$22.0	6.5%	$49.2	$45.8	7.4%
SG&A as % of Net Sales	*37.7%*	*45.6%*	*(785) bps*	*42.3%*	*51.4%*	*(911) bps*
Advertising & Marketing	$7.2	$6.1	18.1%	$15.4	$11.5	34.1%
Advertising & Marketing as % of Net Sales	*11.6%*	*12.6%*	*(104) bps*	*13.2%*	*12.9%*	*35 bps*
Basic and Diluted EPS Loss	($0.08)	($0.33)	(75.6%)	($0.65)	($0.99)	(34.1%)
Net loss	($1.1)	($4.8)	(76.8%)	($9.5)	($13.9)	(31.8%)
Adjusted EBITDA[2]	$2.2	($3.3)	166.2%	($3.5)	($8.0)	(55.8%)
Cash Provided by (Used in) Operating Activities	$12.6	($14.9)	184.6%	$12.1	($23.0)	152.4%

[1] Estimated gross 25% tariff impact for the second quarter of fiscal 2021 to Gross Profit and Gross Margin was $2.4 million and 387 bps, respectively. Estimated gross 25% tariff impact for the first half of fiscal 2021 to Gross Profit and Gross Margin was $4.8 million and 415 bps, respectively. Estimated gross blended 10% to 25% tariff impact for the second quarter of fiscal 2020 to Gross Profit and Gross Margin was $1.4 million and 295 bps, respectively. Estimated gross blended 10% to 25% tariff impact for the first half of fiscal 2020 to Gross Profit and Gross Margin was $2.4 million and 273 bps, respectively.

[2] Adjusted EBITDA is a non-GAAP measure. See "Non-GAAP Information" and "Reconciliation of Non-GAAP Financial Measure

Q2 FY21 and Q2 YTD FY21 Comparable Sales Metrics

LOVESAC

	Percent Increase (Decrease), except showroom count			
	Quarter Ended August 2, 2020	Quarter Ended August 4, 2019	First Half Ended August 2, 2020	First Half Ended August 4, 2019
Total Comparable Sales [3][4]	72.4%	43.0%	62.1%	43.1%
Comparable Showroom Sales [4]	(45.3%)	34.1%	(39.0%)	33.0%
Internet Sales	387.2%	73.4%	325.0%	78.1%
Ending Showroom Count	97	80	97	80

[3] Total comparable sales include showroom transactions through the point of sale and internet net sales.

[4] Comparable sales reflect transactions through the point of sale and not necessarily product that has shipped to the customer. Product that has shipped to the customer is what is included in Net Sales. Showrooms were closed as required by local and state laws as a result of the COVID-19 pandemic effective March 18, 2020 but have since reopened in some format. We are abiding with federal, state, and local guidelines with respect to the operating status of our showrooms. During the second quarter, we operated our showrooms with limited openings, by appointment only and/or virtual demonstrations.

FY 2020 Adjusted EBITDA Non-GAAP Reconciliation

LOVESAC

(dollars in thousands)	Fiscal year ended February 2, 2020		Fiscal year ended February 3, 2019	
Net income (loss)	$	(15,205)	$	(6,704)
Interest income, net		(647)		(355)
Taxes		43		16
Depreciation and amortization		5,158		3,134
EBITDA		(10,651)		(3,909)
Management fees (a)		633		1,177
Deferred Rent (b)		716		531
Equity-based compensation (c)		5,246		3,310
Loss (gain) on disposal of property and equipment (d)		(167)		255
Other non-recurring expenses (e) (f)		503		2,021
Adjusted EBITDA	$	(3,720)	$	3,385

(a) Represents management fees and expenses charged by our equity sponsors.

(b) Represents the difference between rent expense recorded and the amount paid by the Company. In accordance with generally accepted accounting principles, the Company records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease terms.

(c) Represents expenses associated with stock options and restricted stock units granted to our management and equity sponsors.

(d) Represents the loss (gain) on disposal of fixed assets.

(e) Other non-recurring expenses in the quarter ended February 2, 2020 are made up of ($95) in an adjustment of executive recruitment fees. Other non-recurring expenses in the quarter ended February 3, 2019 are made up of $70 in secondary offering legal and professional fees.

(f) Other non-recurring expenses in fiscal 2020 are made up of: (1) $152 in recruitment fees to build executive management team and Board of Directors; (2) $268 in fees associated with our primary and secondary shares offerings and (3) $83 in financing fees associated with our secondary offering. Other non-recurring expenses in fiscal 2019 are made up of: (1) $380 in fees and costs associated with our fundraising and reorganizing activities including the legal and professional services incurred in connection with such activities; (2) $508 in fees paid for investor relations and public relations relating to the IPO; (3) $140 in executive recruitment fees to build executive management team; (4) $261 in secondary offering legal fees; (5) $84 in travel and logistical costs associated with the offering; (6) $198 in accounting fees related to the offering; and (7) $450 in IPO bonuses paid to executives.

Q2 FY21 and Q2 YTD FY21 Adjusted EBITDA Non-GAAP Reconciliation

LOVESAC

(dollars in thousands)	Thirteen weeks ended August 2, 2020	Thirteen weeks ended August 4, 2019	Twenty-six weeks ended August 2, 2020	Twenty-six weeks ended August 4, 2019
Net loss	$ (1,107)	$ (4,771)	$ (9,455)	$ (13,873)
Interest expense (income), net	35	(169)	(22)	(404)
Taxes	34	(7)	59	6
Depreciation and amortization	1,544	1,206	3,180	2,271
EBITDA	506	(3,741)	(6,238)	(12,000)
Management fees (a)	125	133	250	297
Deferred Rent (b)	872	77	856	89
Equity-based compensation (c)	677	171	1,575	3,394
Net loss (gain) on disposal of property and equipment (d)	5	(214)	5	(167)
Other non-recurring expenses (e)(f)	-	275	36	425
Adjusted EBITDA	$ 2,185	$ (3,299)	$ (3,516)	$ (7,962)

(a) Represents management fees and expenses charged by our equity sponsors.

(b) Represents the difference between rent expense recorded and the amount paid by the Company. In accordance with generally accepted accounting principles, the Company records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease terms.

(c) Represents expenses associated with stock options and restricted stock units granted to our associates and board of directors

(d) Represents the net loss (gain) on disposal of fixed assets.

(e) There were no other non-recurring expenses in the thirteen weeks ended August 2, 2020. Other non-recurring expenses in the thirteen weeks ended August 4, 2019 are made up of (1) $83 in financing fees associated with our secondary offering and (2) $192 in legal and professional fees.

(f) Other non-recurring expenses in the twenty-six weeks ended August 2, 2020 are related to $36 in professional and legal fees related to financing initiatives. Other non-recurring expenses in the twenty-six weeks ended August 4, 2019 are made up of (1) $150 in recruitment fees to build the executive management team and Board of Directors; (2) $83 in fees associated with our secondary offering financing expense and (3) $192 in legal and professional fees.

Q2 FY20 and Q2 FY21 Metrics

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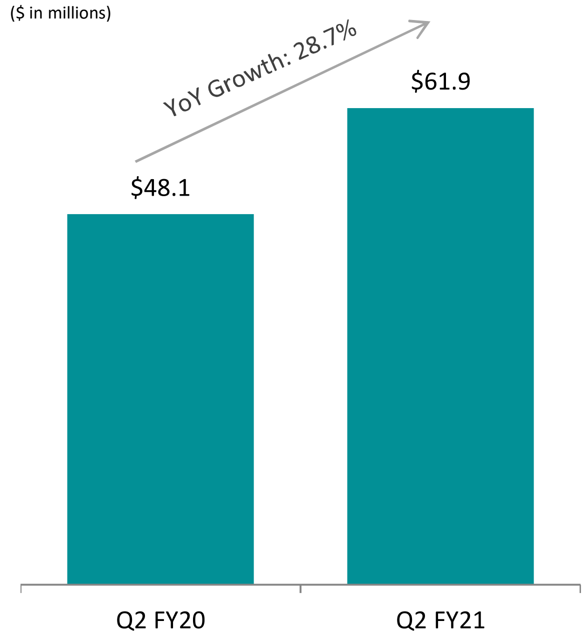
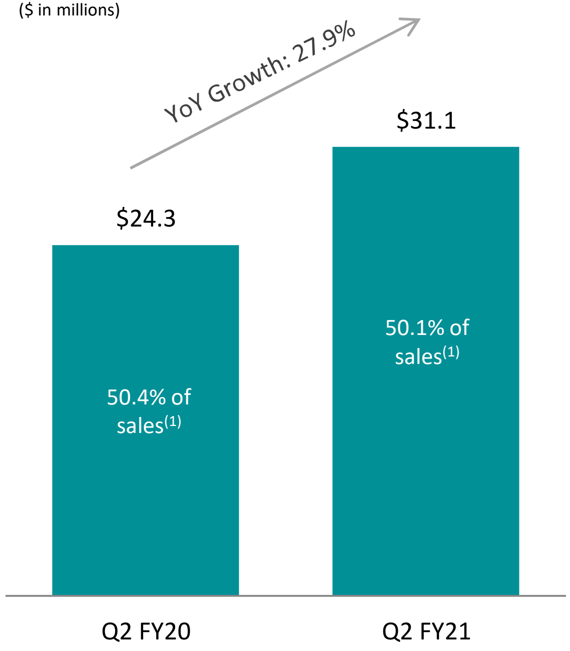
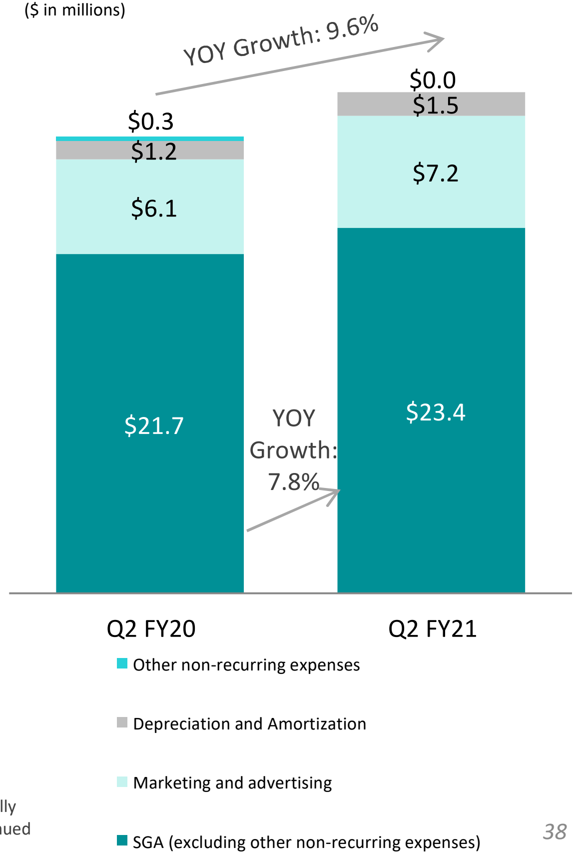
Net Sales



Gross Profit



Operating Expenses

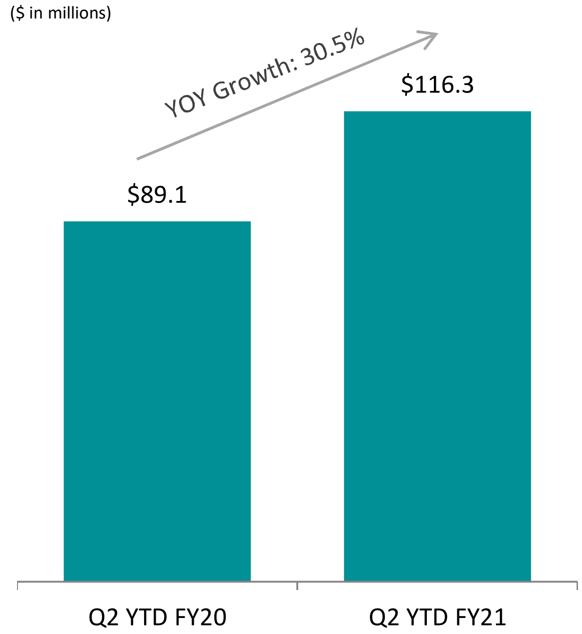


[1] The decrease in gross margin percentage of 31 basis points was driven by an increase of approximately 198 basis points in distribution and tariff related expenses, partially offset by improvements of approximately 167 basis points in reduction in product costs as a result of vendor negotiations to assist with the mitigation of tariffs and continued shift of products from China to Vietnam and Malaysia.

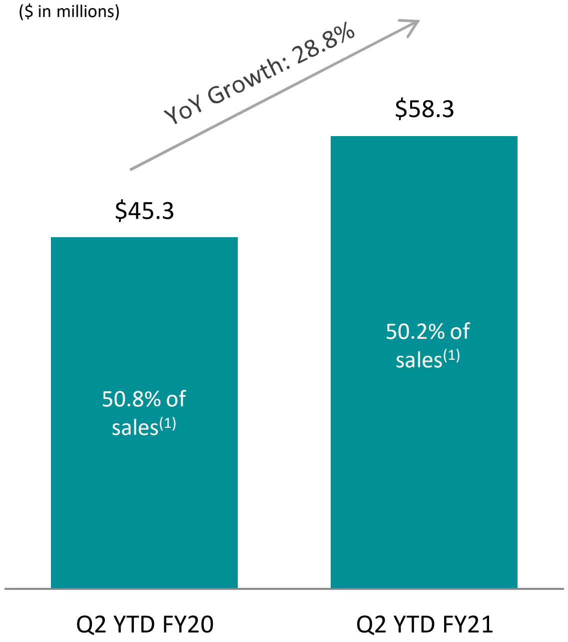
Q2 YTD FY20 and Q2 YTD FY21 Metrics

LOVESAC

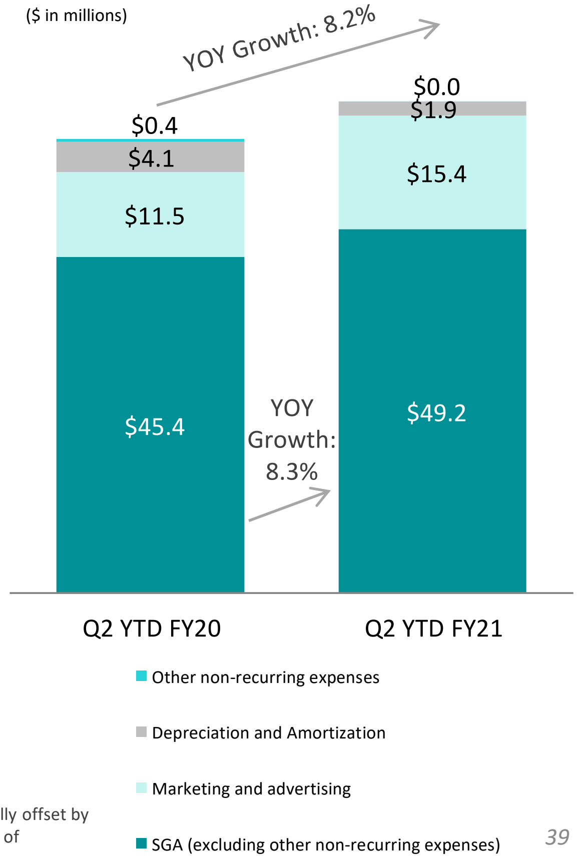
Net Sales



Gross Profit



Operating Expenses

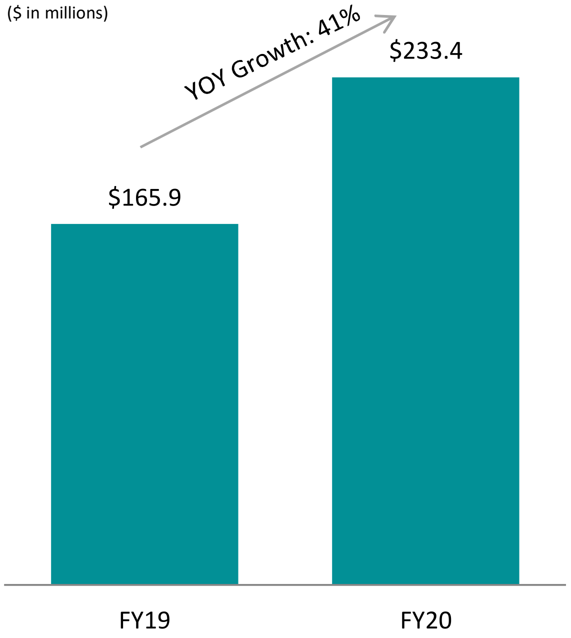


[1] The decrease in gross margin percentage of 66 basis points was driven by an increase of approximately 247 basis points in distribution and tariff related expenses, partially offset by improvements of approximately 181 basis points in reduction in product costs as a result of vendor negotiations to assist with the mitigation of tariffs and continued shift of products from China to Vietnam and Malaysia.

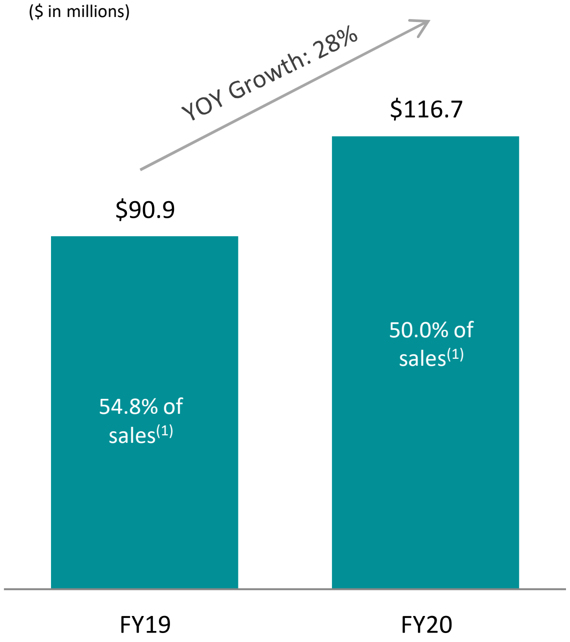
Fiscal 2019 and Fiscal 2020 Metrics

LOVESAC

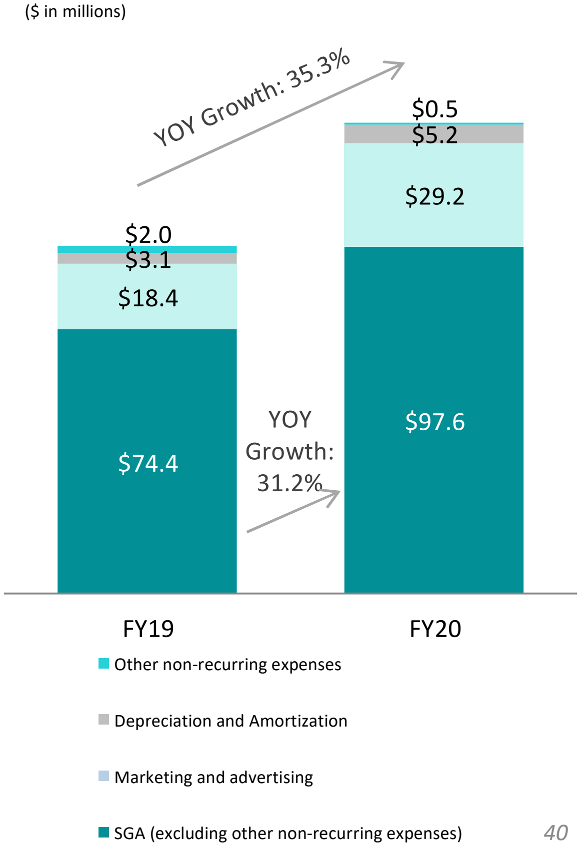
Net Sales



Gross Profit



Operating Expenses



[1] The gross margin change was primarily due to tariff impact and an increase in flash sale promotions.

Appendix

FY 19/20 Income Statement & Non-GAAP Reconciliation

LOVESAC

($ in 000's)	Q1 FY 2019	Q1 FY 2020	Q2 FY 2019	Q2 FY 2020	Q3 FY 2019	Q3 FY 2020	Q4 FY 2019	Q4 FY 2020	FY FY 2019	FY FY 2020
Net Sales										
Showrooms	$ 18,549	$ 26,925	$ 23,023	$ 31,262	$ 28,043	$ 32,474	$ 43,490	$ 57,343	$ 113,105	$ 148,004
Internet	4,566	8,459	5,515	9,456	7,729	11,416	15,214	26,450	33,024	55,781
Other	3,653	5,574	4,710	7,428	5,914	8,208	5,475	8,382	19,752	29,592
Total Net Sales	$ 26,769	$ 40,958	$ 33,249	$ 48,146	$ 41,686	$ 52,097	$ 64,178	$ 92,175	$ 165,881	$ 233,377
% growth	*51.8%*	*53.0%*	*60.3%*	*44.8%*	*70.9%*	*25.0%*	*64.4%*	*43.6%*	*62.9%*	*40.7%*
Cost of merchandise sold	$ 12,122	$ 19,966	$ 15,410	$ 23,861	$ 18,799	$ 25,844	$ 28,669	$ 47,016	$ 75,000	$ 116,687
Gross Profit	$ 14,647	$ 20,992	$ 17,839	$ 24,285	$ 22,887	$ 26,254	$ 35,508	$ 45,159	$ 90,881	$ 116,690
% margin	*54.7%*	*51.3%*	*53.7%*	*50.4%*	*54.9%*	*50.4%*	*55.3%*	*49.0%*	*54.8%*	*50.0%*
Selling, general and administrative expenses	$ 15,195	$ 23,862	$ 20,454	$ 21,956	$ 19,329	$ 24,485	$ 21,449	$ 27,844	$ 76,427	$ 98,147
Advertising and marketing	4,408	$ 5,389	3,595	$ 6,070	5,165	$ 7,258	$ 5,196	$ 10,476	18,363	$ 29,194
Depreciation and amortization	670	$ 1,066	759	$ 1,206	1,084	$ 1,378	$ 621	$ 1,509	3,134	$ 5,158
Operating Loss	$ (5,625)	$ (9,325)	$ (6,969)	$ (4,947)	$ (2,691)	$ (6,867)	$ 8,243	$ 5,329	$ (7,043)	$ (15,809)
% margin	*-21.0%*	*-22.8%*	*-21.0%*	*-10.3%*	*-6.5%*	*-13.2%*	*12.8%*	*5.8%*	*-4.2%*	*-6.8%*
Other Income (Expense)										
Interest (Expense) Income	(58)	235	(1)	169	201	134	213	109	355	647
Income taxes	-	(12)	-	7	-	(16)	(16)	(22)	(16)	(43)
Net Loss	$ (5,683)	$ (9,102)	$ (6,970)	$ (4,771)	$ (2,490)	$ (6,748)	$ 8,439	$ 5,416	$ (6,704)	$ (15,205)
% margin	*-21.2%*	*-22.2%*	*-21.0%*	*-9.9%*	*-6.0%*	*-13.0%*	*13.1%*	*5.9%*	*-4.0%*	*-6.5%*
Net Loss per common share (basic and diluted)	$ (1.25)	$ (0.67)	$ (3.71)	$ (0.33)	$ (0.22)	$ (0.46)	$ 0.62	$ 0.37	$ (3.28)	$ (1.07)
Adjusted EBITDA Reconciliation:										
Net Loss	$ (5,683)	$ (9,102)	$ (6,970)	$ (4,771)	$ (2,490)	$ (6,748)	$ 8,439	$ 5,416	$ (6,704)	$ (15,205)
Interest expense	58	(235)	-	(169)	(201)	(134)	(213)	(109)	(355)	(647)
Taxes	-	12	-	(7)	-	16	16	22	16	43
Depreciation and Amortization	670	1,066	759	1,206	1,084	1,378	621	1,509	3,134	5,158
EBITDA	$ (4,955)	$ (8,259)	$ (6,211)	$ (3,741)	$ (1,607)	$ (5,488)	$ 8,863	$ 6,837	$ (3,909)	$ (10,651)
Sponsor fees	$ 125	$ 164	$ 742	$ 133	$ 125	$ 141	185	195	$ 1,177	$ 633
Equity-based compensation expense	295	3,223	2,039	171	516	628	460	1,225	3,310	5,246
Write-off of property and equipment	6	47	-	(214)	-	-	249	-	255	(167)
Deferred rent	124	12	128	77	131	816	148	(188)	531	716
Other expenses	216	150	1,292	275	444	174	70	(95)	2,021	503
Adjusted EBITDA	$ (4,189)	$ (4,663)	$ (2,010)	$ (3,299)	$ (391)	$ (3,729)	$ 9,975	$ 7,974	$ 3,385	$ (3,721)
% margin	*-15.6%*	*-11.4%*	*-6.0%*	*-6.9%*	*-0.9%*	*-7.2%*	*15.5%*	*8.7%*	*2.0%*	*-1.6%*

Q2 FY 21/20 Income Statement & Non-GAAP Reconciliation

LOVESAC

	Q1		Q2		Q2 YTD	
($ in 000's)	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021
Net Sales						
Showrooms	$ 26,925	$ 18,118	$ 31,262	$ 12,850	$ 58,187	$ 30,969
Internet	8,459	30,064	9,456	46,074	17,915	76,138
Other	5,574	6,190	7,428	3,021	13,003	9,211
Total Net Sales	$ 40,958	$ 54,372	$ 48,146	$ 61,945	$ 89,105	$ 116,318
% growth	*53.0%*	*32.8%*	*44.8%*	*28.7%*	*48.5%*	*30.5%*
Cost of merchandise sold	$ 19,966	$ 27,089	$ 23,861	$ 30,890	$ 43,827	$ 57,979
Gross Profit	$ 20,992	$ 27,284	$ 24,285	$ 31,055	$ 45,278	$ 58,339
% margin	*51.3%*	*50.2%*	*50.4%*	*50.1%*	*50.8%*	*50.2%*
Selling, general and administrative expenses	$ 23,862	$ 25,831	$ 21,956	$ 23,383	$ 45,818	$ 49,215
Advertising and marketing	$ 5,389	$ 8,196	$ 6,070	$ 7,166	$ 11,460	$ 15,362
Depreciation and amortization	$ 1,066	$ 1,636	$ 1,206	$ 1,544	$ 2,271	$ 3,180
Operating Loss	$ (9,325)	$ (8,379)	$ (4,947)	$ (1,038)	$ (14,271)	$ (9,418)
% margin	*-22.8%*	*-15.4%*	*-10.3%*	*-1.7%*	*-16.0%*	*-8.1%*
Other Income (Expense)						
Interest (Expense) Income	235	56	169	(35)	404	22
Income taxes	(12)	(25)	7	(34)	(6)	(59)
Net Loss	$ (9,102)	$ (8,348)	$ (4,771)	$ (1,107)	$ (13,873)	$ (9,455)
% margin	*-22.2%*	*-15.4%*	*-9.9%*	*-1.8%*	*-15.6%*	*-8.1%*
Net Loss per common share (basic and diluted)	$ (0.67)	$ (0.58)	$ (0.33)	$ (0.08)	$ (0.99)	$ (0.65)
Adjusted EBITDA Reconciliation:						
Net Loss	$ (9,102)	$ (8,348)	$ (4,771)	$ (1,107)	$ (13,873)	$ (9,455)
Interest expense	(235)	(56)	(169)	35	(404)	(22)
Taxes	12	25	(7)	34	6	59
Depreciation and Amortization	1,066	1,636	1,206	1,544	2,271	3,180
EBITDA	$ (8,259)	$ (6,743)	$ (3,741)	$ 506	$ (12,000)	$ (6,238)
Sponsor fees	$ 164	$ 125	$ 133	$ 125	$ 297	$ 250
Equity-based compensation expense	3,223	898	171	677	3,394	1,575
Write-off of property and equipment	47	-	(214)	5	(167)	5
Deferred rent	12	(8)	77	872	89	856
Other expenses	150	36	275	-	425	36
Adjusted EBITDA	$ (4,663)	$ (5,692)	$ (3,299)	$ 2,185	$ (7,962)	$ (3,516)
% margin	*-11.4%*	*-10.5%*	*-6.9%*	*3.5%*	*-8.9%*	*-3.0%*

Balance Sheet

LOVESAC

	As of August 2, 2020	As of February 2, 2020
Current Assets		
Cash and cash equivalents	$ 54,835,258	$ 48,538,827
Trade accounts receivable	6,227,521	7,188,925
Merchandise inventories	41,014,621	36,399,862
Prepaid expenses and other current asssets	5,692,646	8,050,122
Total Current Assets	107,770,046	100,177,736
Property and Equipment, Net	25,741,024	23,844,261
Other Assets		
Goodwill	143,562	143,562
Intangible assets, net	1,541,754	1,352,161
Deferred financing costs, net	136,006	146,047
Total Other Assets	1,821,322	1,641,770
Total Assets	$ 135,332,392	$ 125,663,767
Current Liabilities		
Accounts payable	$ 24,482,861	$ 19,887,611
Accrued expenses	11,068,235	8,567,580
Payroll payable	2,539,602	887,415
Customer deposits	9,095,033	1,653,597
Sales taxes payable	858,688	1,404,792
Total Current Liabilities	48,044,419	32,400,995
Deferred Rent	5,468,358	3,108,245
Line of Credit	-	-
Total Liabilties	53,512,777	35,509,240
Stockholders' Equity		
Preferred Stock	-	-
Common Stock	145	145
Accumulated paid-in capital	169,436,973	168,317,210
Accumulated deficit	(87,617,503)	(78,162,828)
Total Stockholders' Equity	81,819,615	90,154,527
Total Liabilties and shareholders' Equity	$ 135,332,392	$ 125,663,767