



LOVESAC®

Designed for Life™ Furniture Co.

2019 Investor Presentation

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Use of Non-GAAP Information

This presentation contains numbers that are not required by, or presented in accordance with U.S. generally accepted accounting principals (GAAP), including EBITDA and Adjusted EBITDA (collectively, our “Non-GAAP Measures”). Our Non-GAAP Measures are not GAAP measures of our financial performance or liquidity and should not be considered as alternatives to 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. They should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, our Non-GAAP Measures are not intended to be measures of free cash flow for management’s discretionary use, as they do not consider certain cash requirements such as tax payments and debt service requirements and certain other cash costs that may recur in the future. Our Non-GAAP Measures contain certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized. In addition, our Non-GAAP Measures exclude certain non-recurring and other charges.

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SACTIONALS[®]

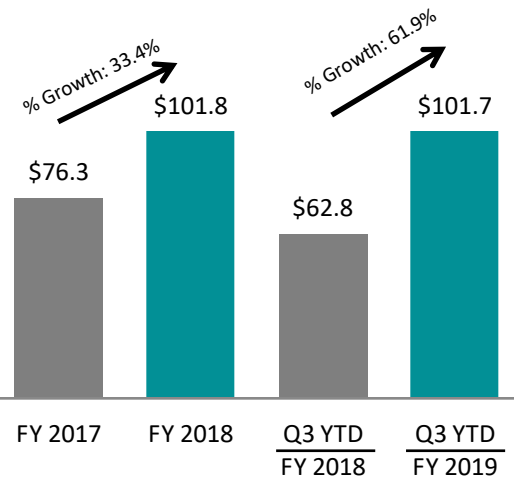
The World's Most Adaptable Couch.™



- **Attractive Financial Profile**
- **Omni-Channel Approach**
- **Favorable Industry Trends**
- **History of Innovation with Patented Features**
- **Loyal Customer Base**
- **Seasoned Management Team**
- **A Founder's Philosophy that Drives a Focused & Cohesive Strategy**

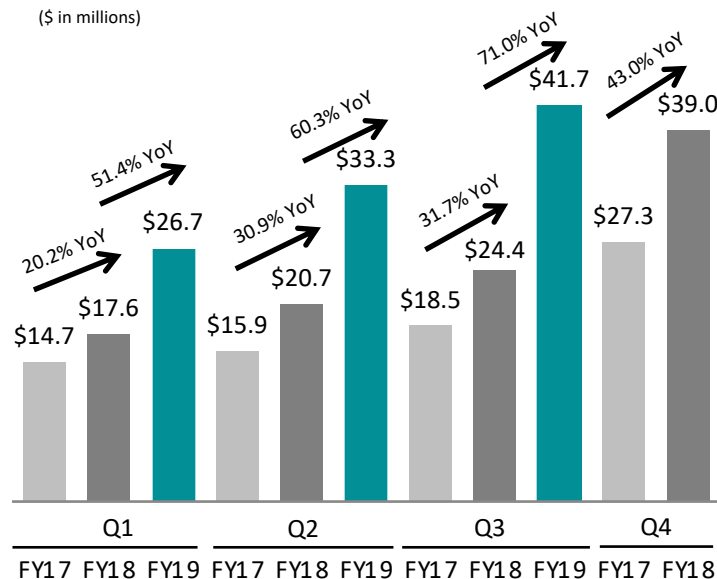
Net Sales

(\$ in millions)



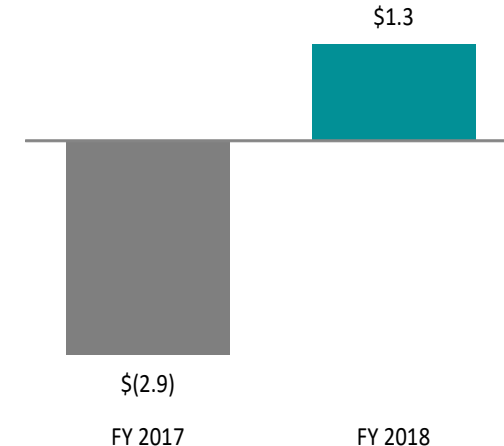
Quarterly Net Sales

(\$ in millions)



Adjusted EBITDA¹

(\$ in millions)



¹ Adjusted EBITDA Reconciliations can be found on page 29.

Traditional Model

- In-store stocking / long lead time, inventory & personnel heavy delivery
- Low excitement and mundane products
- Non-engaged customer base
- Numerous, large and unproductive stores
- Broad merchandising assortment

POTTERY
BARN

★macy's

Crate&Barrel



Disruptive / Omni-Channel Model

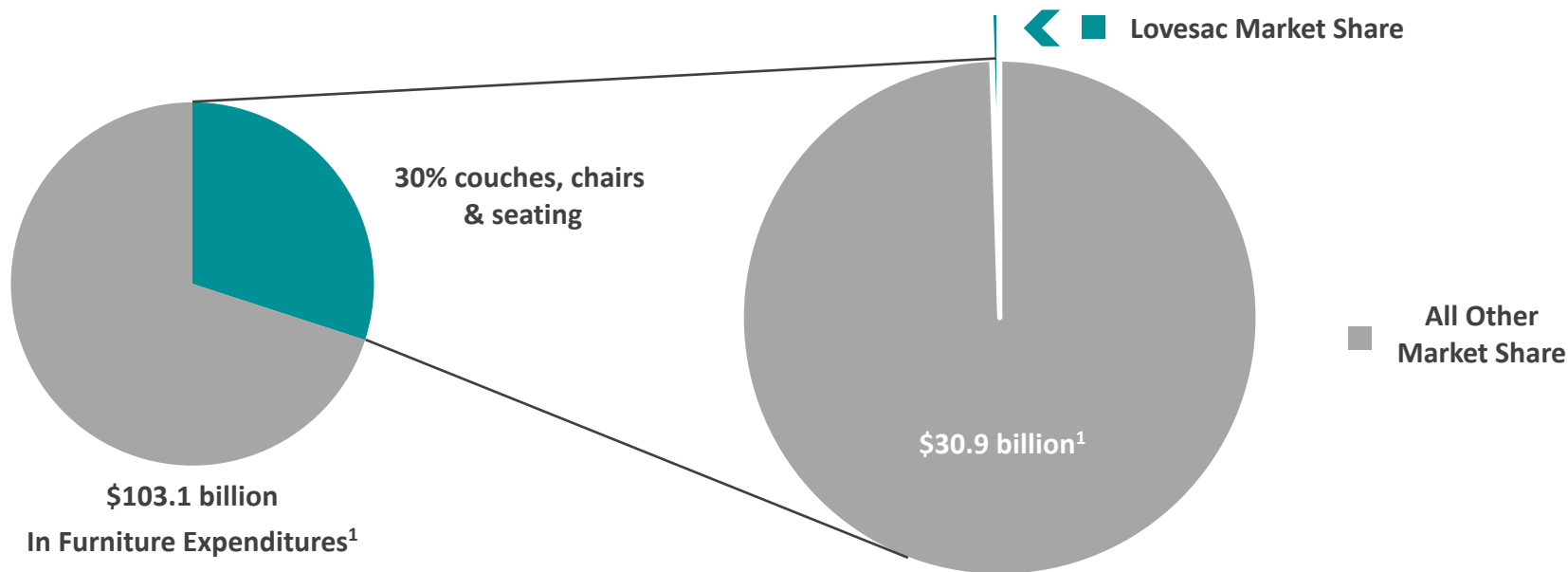
- Direct to your door, short lead time, efficient shipping
- Unique and advantaged products
- Highly engaged customers
- Limited and productive showrooms
- Focused product category approach

LOVESAC

Casper

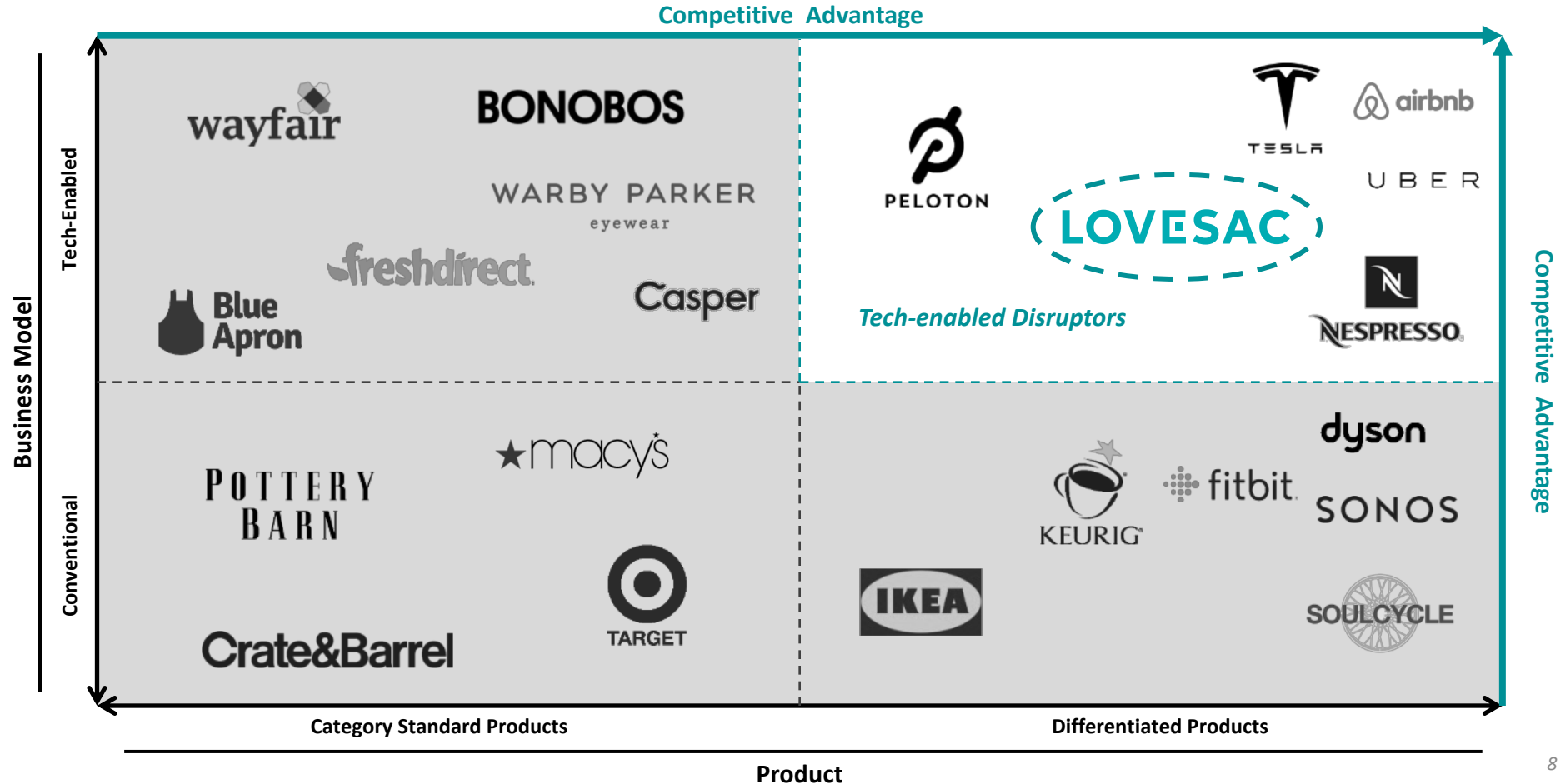


Furniture expenditures are expected to grow 3.4% per year through 2021, while online furniture expenditures are expected to grow from \$36.0 billion in 2017 to \$62.4 billion in 2021



Unique Business Model + Product = Competitive Advantage

LOVESAC





Company Highlights

SACS



- 26.4% of FY 2018 Sales
- 21.3% of Q3 YTD FY 2019 Sales
- Sacs shrink to 1/8 original volume
- Multiple shapes & sizes
- Wash & change covers
- Durafoam™ filling

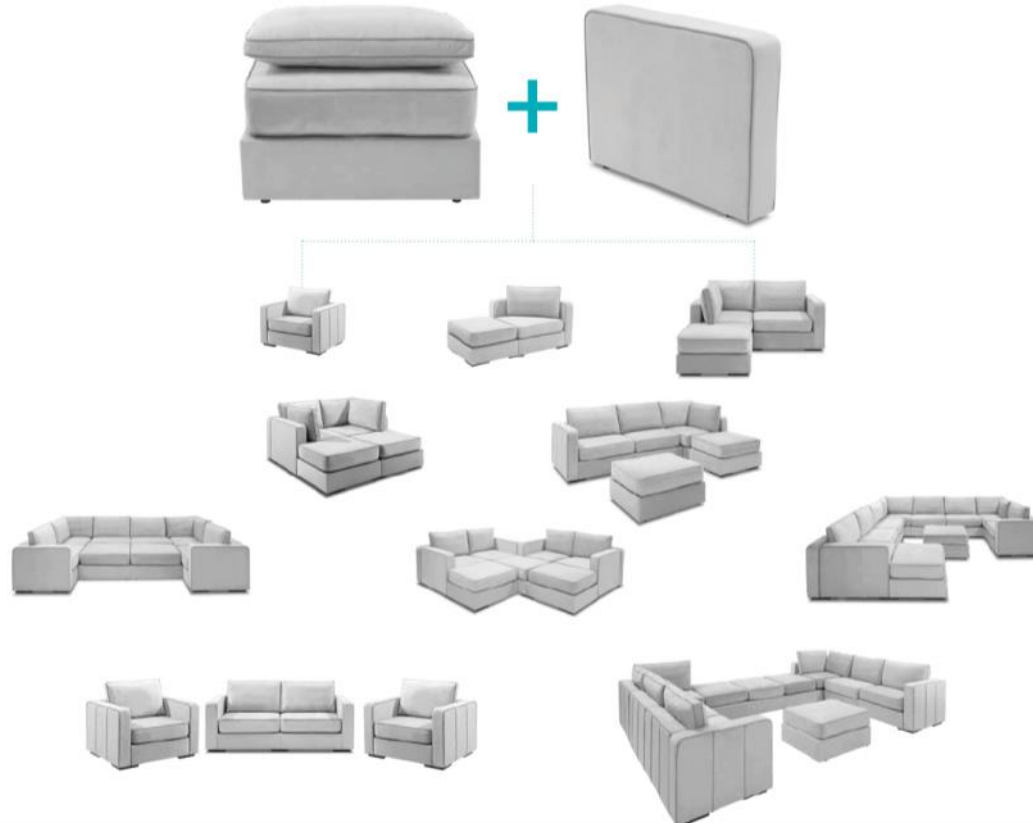
SCTIONALS



- 71.3% of FY 2018 Sales
- 76.0% of Q3 YTD FY 2019 Sales
- Modular couch
- Designed for life
- Customizable layouts and styles
- Washable covers
- Patented features

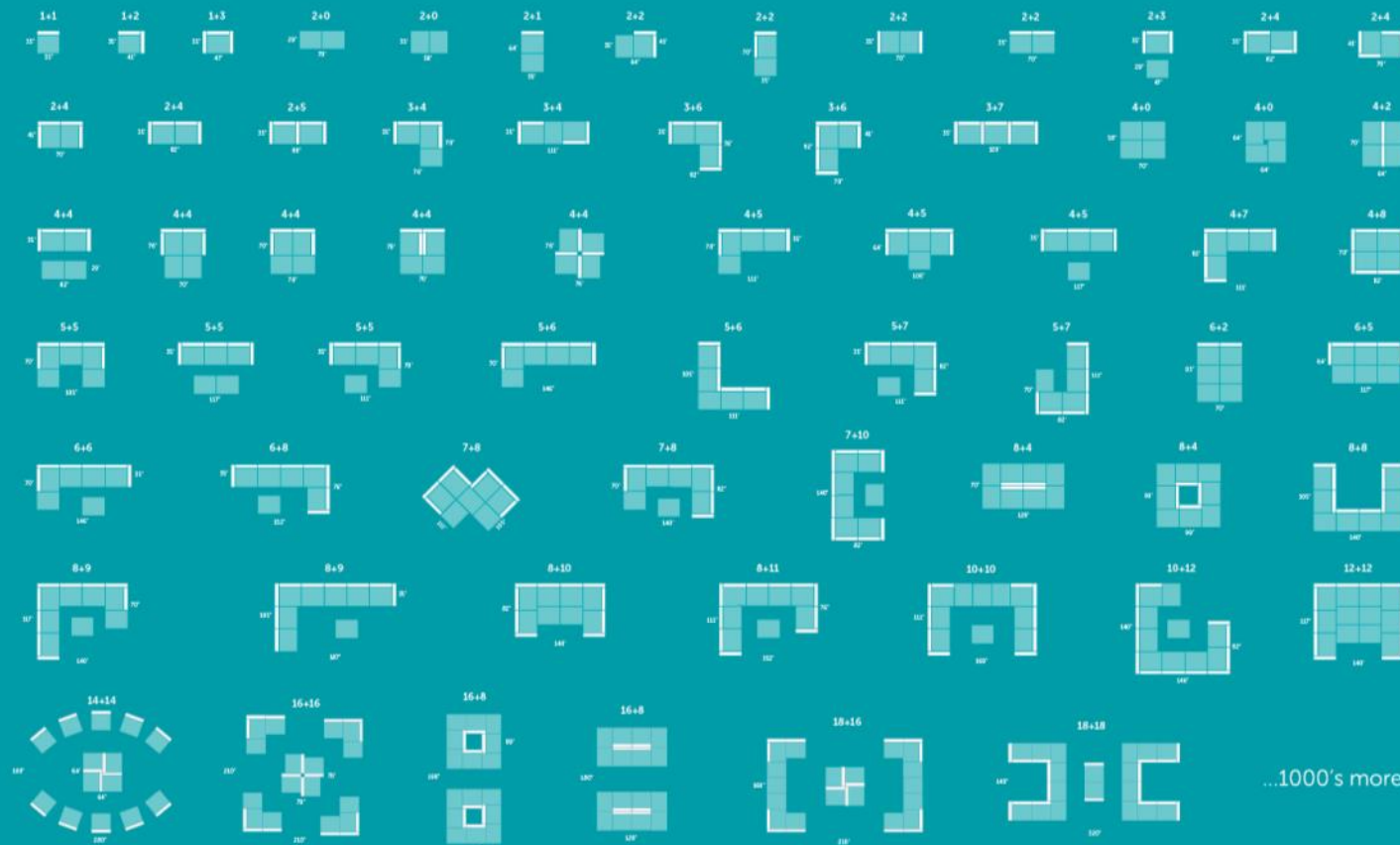
2 Simple Pieces – Seats and Sides

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Thousands of Arrangements

LOVESAC



...1000's more.



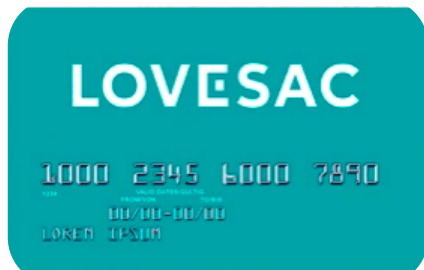
- 17 quick-ship covers constitute more than 85% of all covers sales
- 300+ custom covers offer broad choice with zero inventory



- 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”



- **Easy to Purchase**

- Financing for products through a leading third party consumer financing company
- 39.3% of sales include third party financing¹
- Facilitates larger purchases for some customers

- **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 “instant gratification” expectations of today’s consumer



¹ Fiscal year ended February 4, 2018.

Sactionals is a Platform...Not a Product

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39% of Lovesac transactions are from repeat customers¹

Comfort



Drink Holder



Seat Table



Footsac Blanket

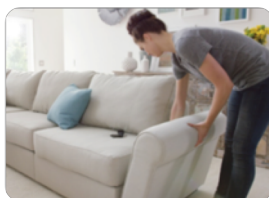


Coaster & Couch Bowl

Decor



Custom Covers & Dec Pillows



Roll Arm

Function / Upgrade



Power Hub²



Guest Rest Bedding Kit

Platform Extension



Outdoor Sactionals



¹ % Transactions that are repeat is calculated by dividing transactions from existing customers over total transactions for FY2018. We based this on our internal data relating to customers purchasing in fiscal 2018.

² Product in development.

See It



Social Media



Advertising

Touch It

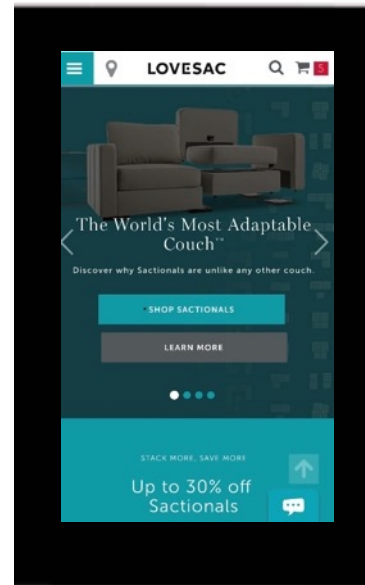


Showroom

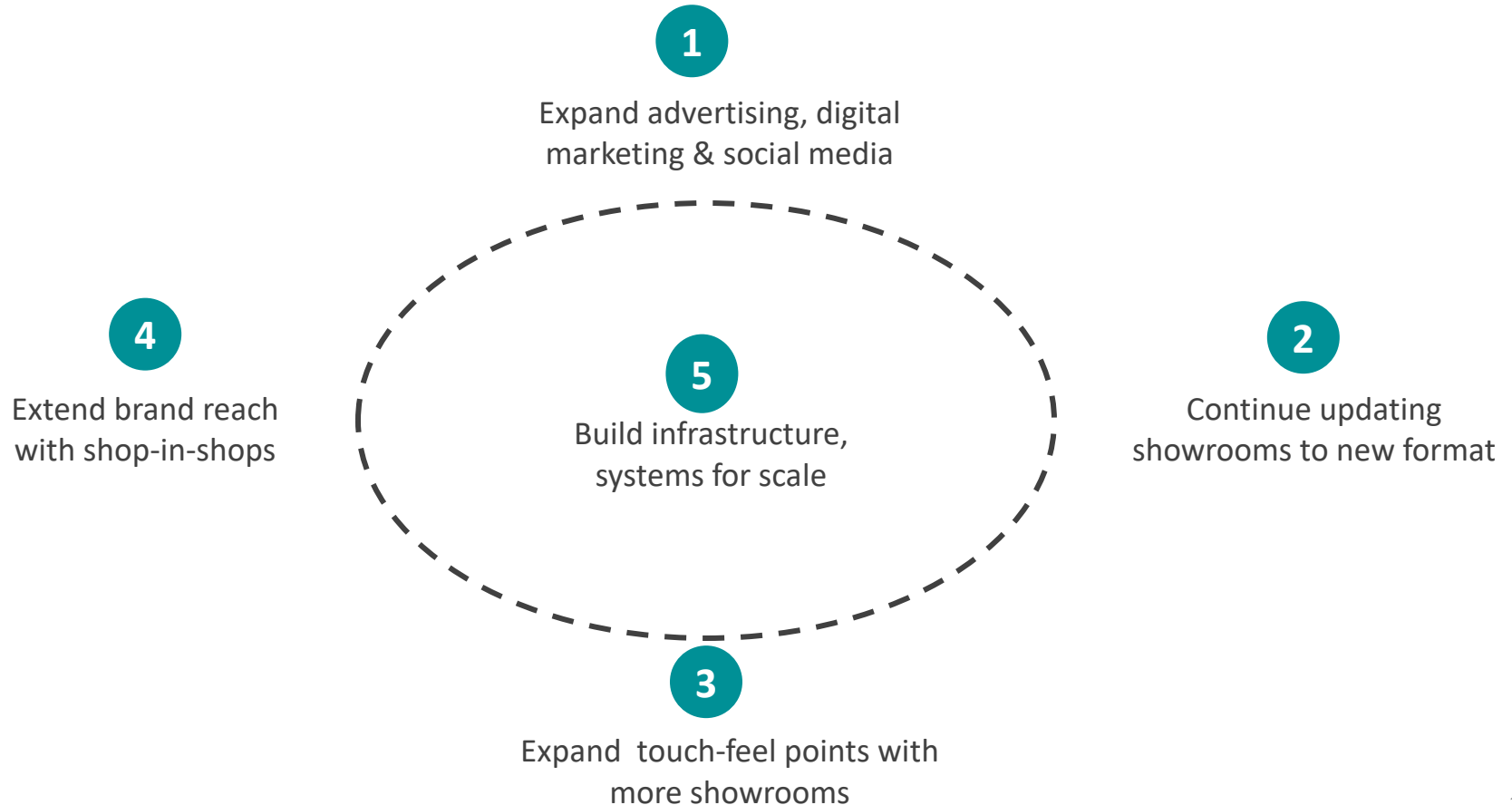


Friend / Neighbor

Buy It



Lovesac.com



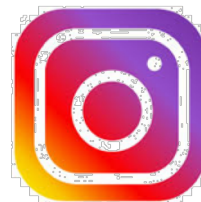
Television Media



National TV

Focused around major buying holidays; driving sales across both showroom and non-showroom markets. TV media has run more efficiently since transition to national buy during Labor Day.

Digital Heavy Up



Social and Search

Focused around tent pole events to drive awareness or capitalize on heightened demand due to TV campaign.

Room to continue to scale spend with a positive ROI in FYE 2020

Social Engagement Metrics

Q3 FY2019 vs.
Prior Year



600,000 active
followers + 50%

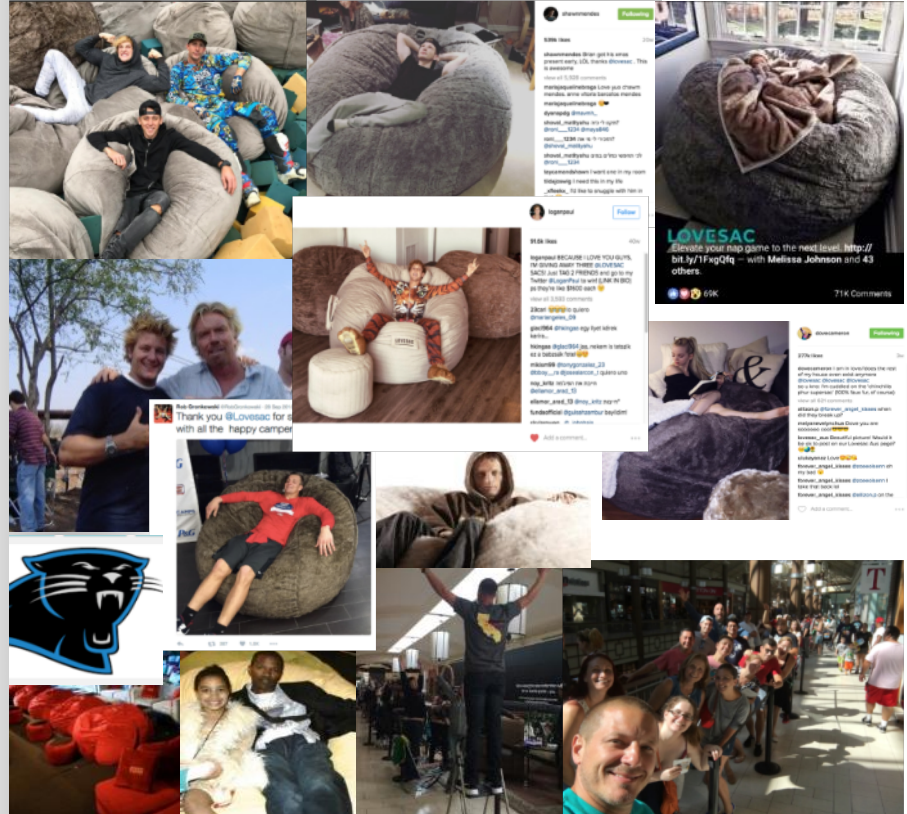


233,000 followers + 90%



42+ million views in 24 hours¹
& 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 Sac¹



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

Continue Updating Showrooms to New Format

LOVESAC

Old Showrooms



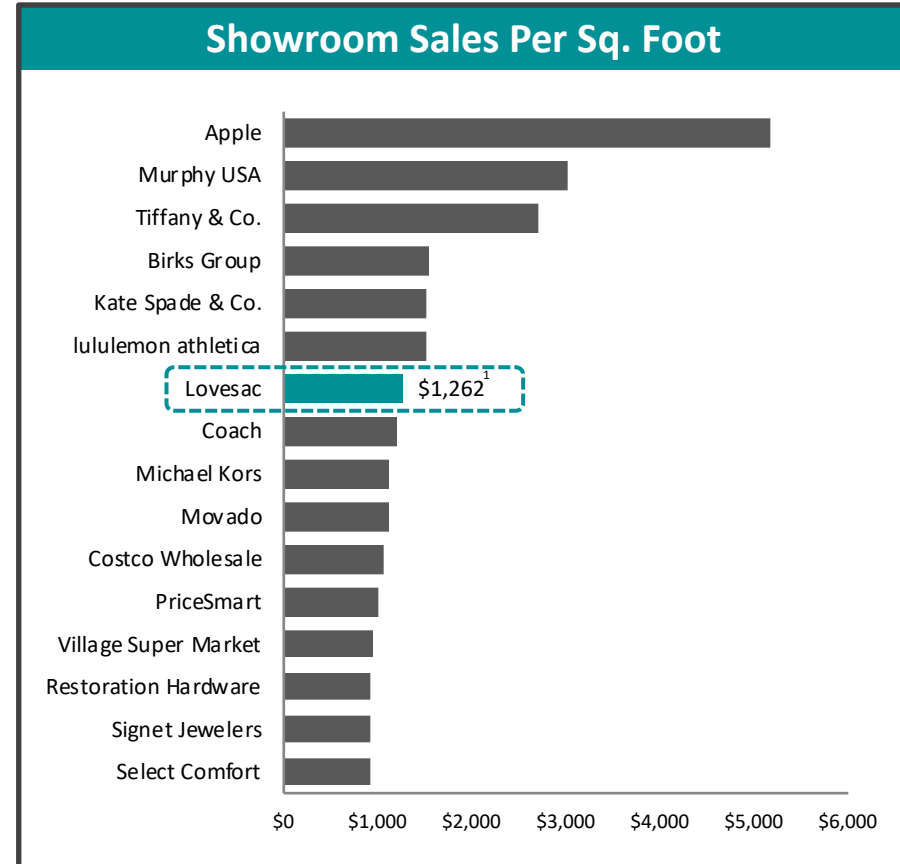
New Showrooms



Continue Updating Showrooms to New Format (cont'd)

LOVESAC

- Opened 13 new showrooms¹
- Planning to remodel 13 showrooms during fiscal 2019
- Collaborated with leading design firm, Prophet NYC, for re-branding effort
- Turns product inside-out
- Minimal merchandising, aesthetic, seasonality and inventory risk



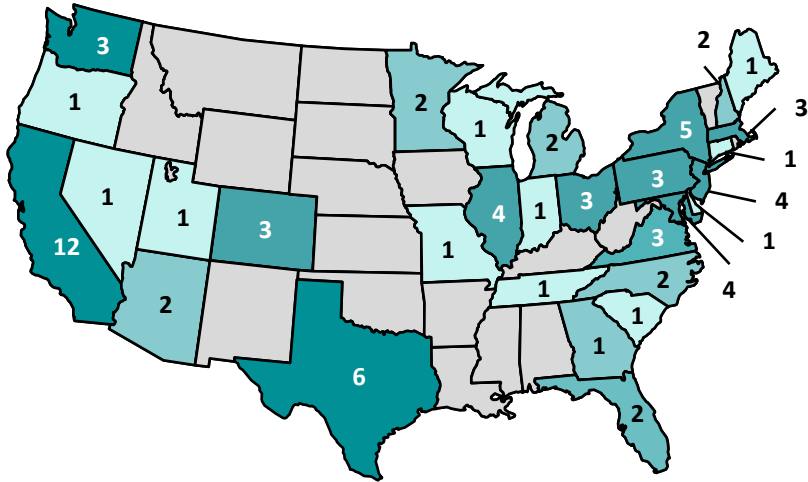
Source: External retailer data from eMarketer.com, Store Productivity for latest fiscal year

Source: Lovesac \$/sqft data from our internal data

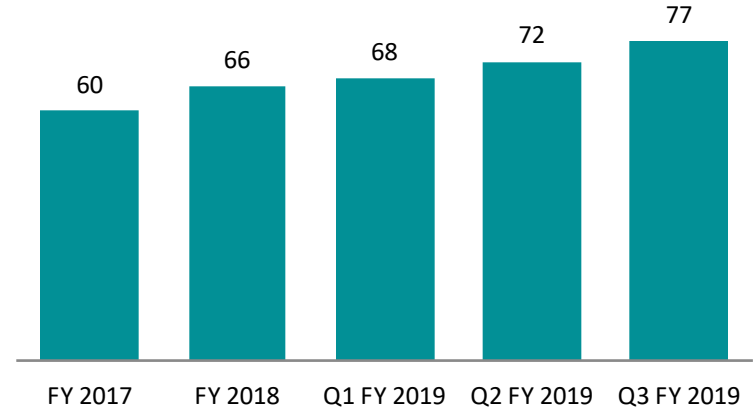
¹ For thirty-nine weeks ended November 4th, 2018.

Lovesac currently sells its products through showrooms at top tier malls, lifestyle centers and street locations in 30 states in the U.S.

Showroom Locations¹

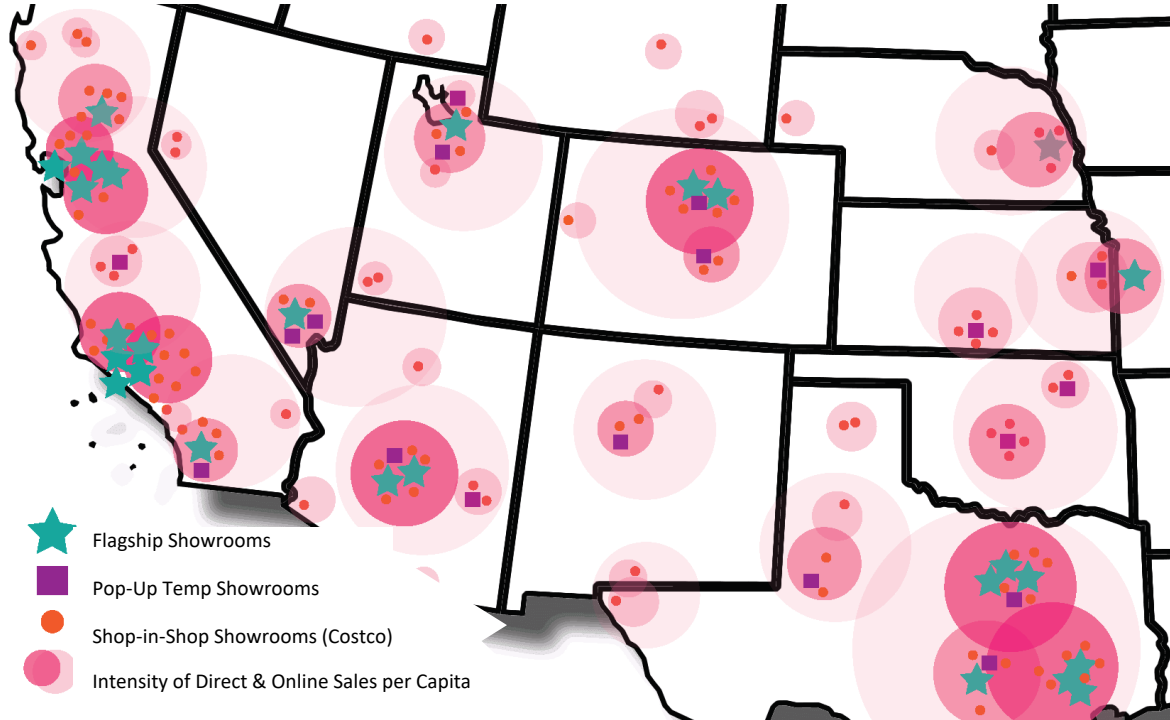


Showrooms



¹ As of November 4th, 2018

Direct to consumer marketing combined with temporary shop-in-shops takes the brand to the majority of the population



- Strategy: Manage growth by total sales in a trade area
- 100+ shop in shops in FY 2018
- Costco roadshows averaged sales of \$3,800 per day in FY 2018



- Pre-purchase experience drives sales and reduce returns



- Showroom technology
- Data warehouse-CRM
- ERP improvements
- Supply chain optimization
- Delivery speed and communication



A Team Prepared For Growth

LOVESAC

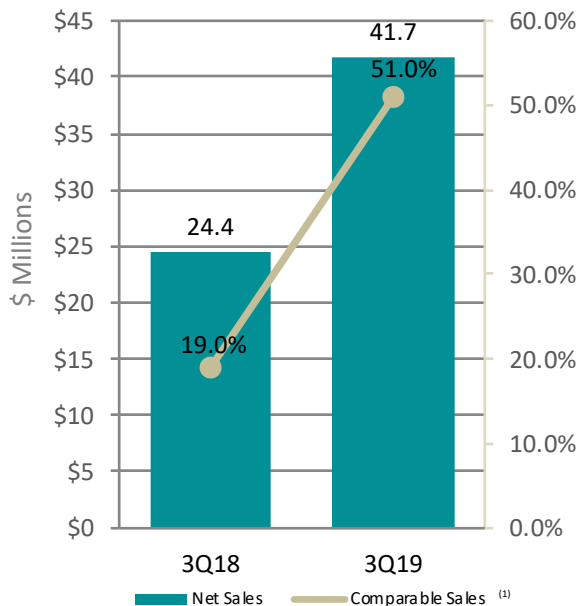
Team Member	Years at Lovesac	Biography
Shawn Nelson Founder & CEO	20years	<ul style="list-style-type: none"> Founded Lovesac in 1998; lead designer for all of the Lovesac's patented products Fluent in Mandarin; leads sourcing, creative, design, PR, investor relations and culture PR magnate online & TV; won Richard Branson's "The Rebel Billionaire" on Fox in 2005; ongoing TV appearances MS in Strategic Design and Management; graduate-level instructor at Parsons School for Design in New York
Jack Krause President & COO	3 years	<ul style="list-style-type: none"> 20 years of executive experience in specialty retail & DTC President of Vitamin World, a division of NBTY; SVP at Fossil for Watch Station Global Retail, and Skagen; GM at Sunglass Hut North America for Luxottica; SVP Brand Development and VP of Merchandising at Bath and Body works 10 years in CPG brand management at Jergens and Marion Merrell Dow Consumer Products
Donna Dellomo EVP and CFO	2 years	<ul style="list-style-type: none"> 19 years as VP & CFO of Perfumania Holdings, a publicly traded company with over 290 retail locations Progressive positions as Internal Audit Manager, Accounting Manager and Corporate Controller at Cybex International, a publicly traded company that manufactured and distributed fitness, rehabilitative and health care equipment CPA with initial focus on audit and tax Member of Board of Trustees of Molloy College
Pat Santangelo VP Brand Marketing	4 years	<ul style="list-style-type: none"> 6 years brand management at PepsiCo, driving growth of two brands, Mountain Dew and Lipton Iced Tea 2 years at Luxottica managing the luxury portfolio for their wholesale business in North America MBA from Rice University
Sue Beckett VP Digital & Direct Marketing	21 months	<ul style="list-style-type: none"> VP of Global Customer Intelligence at Ralph Lauren, specializing in CRM and data analytics 8 years multichannel VP of Marketing at Redcats USA (now Full Beauty Brands) Worked with brands including L'Oréal, Ann Taylor & Conde Nast
Chad Best VP Retail Ops.	6 years	<ul style="list-style-type: none"> 2 decades of retail background with brands like Roche Bobois, Victoria's Secret, Arhaus Furniture, The Container Store and Williams Sonoma Specialties include retail operations, merchandising, multi-unit management and driving revenue
David Jensen CIO CTO	17 months	<ul style="list-style-type: none"> 30 years experience in retail including J. Jill, Ann Taylor, Macy's, Citi Trends and Howland-Steinbach Experienced technology leader in development methodologies and compliance Extensive business process optimization in retail distribution and direct-to-consumer fulfillment MBA from Bellarmine University
Doreen Corrigan VP Administration	10 years	<ul style="list-style-type: none"> 10 years at Lovesac including responsibilities for manufacturing, importing, warehousing, distribution, real estate portfolio consolidation and strategic alignment 15+ years of experience in lease negotiation and administration, operational management and efficiency in multi-unit/multi-state environments
Tony Arella VP Logistics	7 months	<ul style="list-style-type: none"> 25 years experience in logistics & supply chain – holding leadership roles in Kraft Foods, Estée Lauder, Sleepy's, and Fresh Direct companies. Expertise in expanding company operations, starting up Ecommerce fulfillment and optimizing end-to-end retail supply chains for direct to consumer businesses. BS Applied Math and Statistics from Brook University
Dora Thagouras VP People	5 months	<ul style="list-style-type: none"> 20 years of increasingly responsible Human Resource and Business/Sales Operations experience in the retail industry 4 years at Saint Laurent (YSL) as Americas VP of Human Resources 11 years at The Jones Direct Group/Nine West as District Sales Manager/Regional Director overseeing multiple locations in visible high-volume markets



Financials

- Net Sales Increased 70.9% to \$41.7 million
- Comparable Sales, Including Showroom and Internet Sales, Increased 51.0%
 - Comparable showroom sales increased 40.5%
 - Internet sales increased 93.9%
- Adjusted EBITDA of (\$0.4) million vs. (\$0.8) million in Prior Year Period

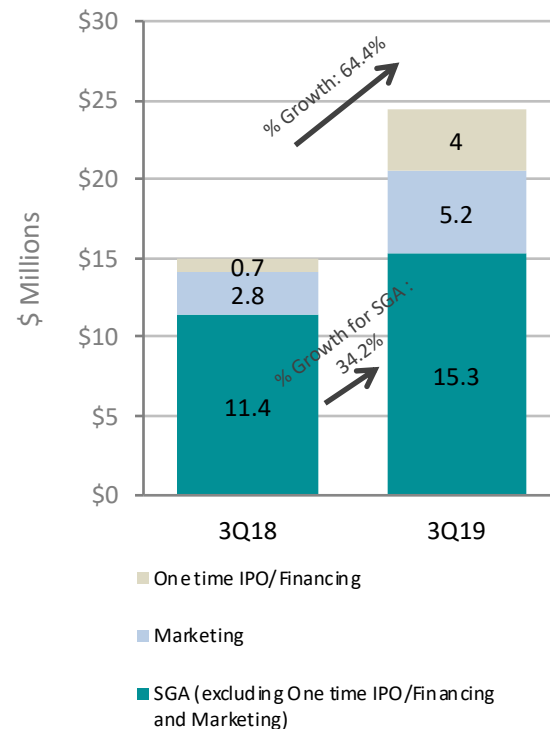
Net Sales



Gross Profit



Selling, General & Admin Expenses



¹ Comparable sales include showroom and Internet sales.

² The gross margin change was primarily due to channel mix shift toward shop-in-shop locations and growth in Sactional products, which carry a slightly lower margin than Sacs. Although shop-in-shops carry a lower gross margin, they generate positive operating margin.

Income Statement

LOVESAC

	FY		Q1		Q2		Q3		Q3 YTD	
	FY 2017	FY 2018	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019
(\$ in 000's)										
Net Sales										
Showrooms	\$ 62,277	\$ 77,837	\$ 13,993	\$ 18,549	\$ 16,242	\$ 23,023	\$ 19,042	\$ 28,043	\$ 49,277	\$ 69,616
Internet	12,270	18,859	3,051	4,566	3,221	5,515	3,986	7,729	10,259	17,811
Other Assets	1,796	5,114	588	3,653	1,282	4,710	1,363	5,914	3,233	14,277
Total Net Sales	\$ 76,343	\$ 101,810	\$ 17,632	\$ 26,768	\$ 20,745	\$ 33,249	\$ 24,391	\$ 41,686	\$ 62,769	\$ 101,704
% growth		33.4%		51.8%		60.3%		70.9%		62.0%
Cost of merchandise sold	\$ 34,646	\$ 44,593	\$ 8,544	\$ 12,122	\$ 9,214	\$ 15,410	\$ 10,724	\$ 18,799	\$ 28,482	\$ 46,331
Gross Profit	\$ 41,697	\$ 57,217	\$ 9,088	\$ 14,646	\$ 11,531	\$ 17,839	\$ 13,667	\$ 22,887	\$ 34,287	\$ 55,373
% margin	54.6%	56.2%	51.5%	54.7%	55.6%	53.7%	56.0%	54.9%	54.6%	54.4%
Selling, general and administrative expenses	\$ 47,868	\$ 62,255	\$ 12,275	\$ 20,272	\$ 13,866	\$ 24,659	\$ 15,729	\$ 25,578	\$ 41,870	\$ 70,658
Operating loss	\$ (6,171)	\$ (5,038)	\$ (3,187)	\$ (5,626)	\$ (2,335)	\$ (6,820)	\$ (2,062)	\$ (2,691)	\$ (7,583)	\$ (15,285)
% margin	-8.1%	-4.9%	-18.1%	-21.0%	-11.3%	-20.5%	-8.5%	-6.5%	-12.1%	-15.0%
Other Assets										
Other expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-
Interest expense	(565)	(438)	(150)	(58)	(79)	-	(115)	201	(344)	143
Income taxes	(138)	(26)	-	-	-	(150)	-	-	-	(150)
Net Loss	\$ (6,874)	\$ (5,502)	\$ (3,337)	\$ (5,684)	\$ (2,414)	\$ (6,970)	\$ (2,177)	\$ (2,490)	\$ (7,928)	\$ (15,143)
% margin	-9.0%	-5.4%	-18.9%	-21.2%	-11.6%	-21.0%	-8.9%	-6.0%	-12.6%	-14.9%
Net Loss per common share (basic and diluted)	\$ (1.20)	\$ (1.11)	\$ (0.56)	\$ (1.25)	\$ (0.45)	\$ (3.71)	\$ (0.43)	\$ (0.22)	\$ (1.43)	\$ (4.51)
Adjusted net loss per common share	\$ (0.58)	\$ (0.55)	\$ (0.28)	\$ (1.76)	\$ (0.16)	\$ (0.27)	\$ (0.13)	\$ (0.03)	\$ (0.52)	\$ (0.70)
Adjusted EBITDA Reconciliation:										
Net Loss	\$ (6,874)	\$ (5,502)	\$ (3,337)	\$ (5,683)	\$ (2,414)	\$ (6,970)	\$ (2,177)	\$ (2,490)	\$ (7,929)	\$ (15,143)
Interest expense	565	438	150	58	79	-	115	(201)	344	142
Taxes	138	26	-	-	-	150	-	-	-	-
Depreciation and Amortization	2,180	2,359	347	670	339	759	836	1,084	1,522	2,513
EBITDA	\$ (3,991)	\$ (2,679)	\$ (2,840)	\$ (4,955)	\$ (1,996)	\$ (6,061)	\$ (1,226)	\$ (1,607)	\$ (6,063)	\$ (12,488)
Sponsor fees	\$ 400	\$ 484	\$ 108	\$ 125	\$ 125	\$ 742	\$ 125	\$ 125	\$ 358	\$ 992
Equity-based compensation expense	26	951	-	295	-	2,039	15	516	15	2,850
Write-off of property and equipment	77	197	-	6	-	-	-	-	-	6
Deferred rent	217	360	67	124	72	128	103	131	242	383
Other expenses	410	1,959	249	216	239	1,292	205	444	693	1,982
Adjusted EBITDA	\$ (2,861)	\$ 1,272	\$ (2,416)	\$ (4,189)	\$ (1,560)	\$ (1,860)	\$ (778)	\$ (391)	\$ (4,755)	\$ (6,275)
% margin	-3.7%	1.2%	-13.7%	-15.6%	-7.5%	-5.6%	-3.2%	-0.9%	-7.6%	-6.2%

	As of November 4th, 2018
Current Assets	
Cash and cash equivalents	\$ 44,683,851
Trade accounts receivable	2,913,322
Merchandise inventories	24,618,738
Prepaid expenses and other current assets	6,253,866
Total Current Assets	78,469,777
Property and Equipment, Net	17,092,936
Other Assets	
Goodwill	143,562
Intangible assets, net	828,289
Deferred financing costs, net	237,327
Total Other Assets	1,209,178
Total Assets	\$ 96,771,891
Current Liabilities	
Accounts payable	\$ 16,869,229
Accrued expenses	2,864,069
Payroll payable	2,151,332
Customer deposits	2,525,034
Sales taxes payable	663,021
Line of credit	-
Total Current Liabilities	25,072,685
Deferred Rent	1,445,825
Total Liabilities	26,518,510
Stockholders' Equity	
Preferred Stock	-
Common Stock	135
Accumulated paid-in capital	141,650,165
Accumulated deficit	(71,369,919)
Total Stockholders' Equity	70,253,381
Total Liabilities and shareholders' Equity	\$ 96,771,891

Recent Events

- On June 26, 2018, the Company completed its initial public offering ("IPO"), at an offering price to the public of \$16.00 per share. The Company sold 4,025,000 shares of its common stock in the IPO, including the additional 525,000 shares purchased by the underwriters in the exercise of their overallotment option, resulting in total net proceeds of \$59.2 million after deducting underwriters' discounts, commissions and expenses as well as the Company's IPO legal expenses.
- Immediately following the IPO, the Company paid down the balance on its asset-based loan in the amount of \$4.7 million. The Company intends to use the remaining net proceeds from the IPO for additional IPO related expenses, opening or remodeling showrooms, marketing investments, product development, working capital and other general corporate purposes.
- October 29, 2018, secondary offering, by certain stockholders of the Company, of 2,000,000 shares of the Company's outstanding stock.

Net Sales

- Continued healthy growth in net sales
- Internet sales to increase as a percentage of total sales

+

Gross Profit

- Fiscal 2019 gross profit margin slightly, but not materially, lower than fiscal 2018 gross profit margin related to the shift in channel and product mix
- Little or no effect of the tariffs on fiscal 2019 gross margin.

+

Selling, General & Admin Expenses

- Increased normal operating, selling, general and administrative expenses
- Continued SG&A leverage

+

Marketing Expenses

- Maintain marketing investments at 10%-12% on an annual basis.

Leads
to

Positive Adjusted EBITDA in Fiscal 2019 despite increased marketing investments

Implied Q4 Expectations:

- Gross margin contraction of approximately 200 bps as compared to Q4 prior year due to product and channel mix shift to lower margin Sactionals and shop-in-shops and a reduction in the annual estimate of vendor rebates
- Continued marketing investments in Q4 with annual investment averaging between 10% and 12% of sales
- Given the business' seasonality, expect the most significant SG&A leverage of FY19 to be generated in Q4

As we look to FY20, we are projecting healthy sales growth, continued investments in the business to support growth and a slight improvement in adjusted EBITDA dollars