



# LOVESAC<sup>®</sup>

Designed for Life<sup>™</sup> Furniture Co.

**Investor Presentation**  
**January 2024**

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other legal authority. Forward-looking statements can be identified by words such as “may,” “continue(s),” “believe,” “anticipate,” “could,” “should,” “intend,” “plan,” “will,” “aim(s),” “can,” “would,” “expect(s),” “expectation(s),” “estimate(s),” “project(s),” “forecast(s),” “positioned,” “approximately,” “potential,” “goal,” “pro forma,” “strategy,” “outlook” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. All statements, other than statements of historical facts, included in this press release under the heading “Outlook” and all statements regarding strategy, future operations, the pace and success of new products, future financial position or projections, future revenue, projected expenses, sustainability goals, prospects, plans and objectives of management are forward-looking statements. These statements are based on management’s current expectations, beliefs and assumptions concerning the future of our business, anticipated events and trends, the economy and other future conditions. 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 rely on these forward-looking statements. Actual results and performance could differ materially from those projected in the forward-looking statements as a result of many factors. Among the key factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements include: business disruptions or other consequences of economic instability, political instability, civil unrest, armed hostilities, natural and man-made disasters, pandemics or other public health crises, or other catastrophic events; the impact of changes or declines in consumer spending and increases in interest rates and inflation on our business, sales, results of operations and financial condition; our ability to manage and sustain our growth and profitability effectively, including in our ecommerce business, forecast our operating results, and manage inventory levels; our ability to improve our products and develop new products; our ability to successfully open and operate new showrooms; our ability to advance, implement or achieve the goals set forth in our ESG Report; our ability to realize the expected benefits of investments in our supply chain and infrastructure; disruption in our supply chain and dependence on foreign manufacturing and imports for our products; our ability to acquire new customers and engage existing customers; reputational risk associated with increased use of social media; our ability to attract, develop and retain highly skilled associates and employees; system interruption or failures in our technology infrastructure needed to service our customers, process transactions and fulfill orders; any inability to implement and maintain effective internal control over financial reporting or inability to remediate any internal controls deemed ineffective; the impact of the restatement of our previously issued audited financial statements as of and for the year ended January 29, 2023 and our unaudited condensed financial statements for the quarterly periods ended April 30, 2023, October 30, 2022, July 31, 2022 and May 1, 2022; unauthorized disclosure of sensitive or confidential information through breach of our computer system; unauthorized disclosure of sensitive or confidential information through breach of our computer system; the ability of third-party providers to continue uninterrupted service; the impact of tariffs, and the countermeasures and tariff mitigation initiatives; the regulatory environment in which we operate, our ability to maintain, grow and enforce our brand and intellectual property rights and avoid infringement or violation of the intellectual property rights of others; 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 Amendment No. 2 to Form 10-K/A, Amendment No. 2 to Form 10-Q/A, and in our Form 10-Qs 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](http://investor.lovesac.com) and on the SEC website at [www.sec.gov](http://www.sec.gov). Any forward-looking statement made by us in this press release speaks only as of the date on which we make it. We disclaim any intent or obligation to update these forward-looking statements to reflect events or circumstances that exist after the date on which they were made.

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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 slide 41.

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.



*Changeable*



*Maintainable*



*Moveable*



*Rearrangeable*



*Upgradable*



*Waste-less*



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

# LOVESAC's Senior Executive Management Team

# LOVESAC



**Shawn Nelson**  
Founder & CEO  
25+ Years at Lovesac

**Mary Fox**  
President & COO  
2+ Years at Lovesac

**Keith Siegner**  
EVP & CFO  
Under 1 Year at Lovesac

**Todd Duran**  
CIO  
1+ Years at Lovesac

**John Legg**  
Chief Supply  
Chain Officer  
1+ Years at Lovesac

**Carly Kawaja**  
Chief People Officer  
Under 1 Year at Lovesac

LOVESAC

**BIC** L'ORÉAL  
Walmart

**UBS** Yum!  
**INDEX** CREDIT SUISSE

sleep number **MATTEL**  
**LOWE'S** Kellogg's

GLOBAL BRANDS GROUP ZALE CORPORATION  
**purple**

**OLD NAVY**  
Gap Inc. STITCH FIX

# Lovesac at a Glance

## SACTIONALS<sup>®</sup>

The World's Most Adaptable Couch.<sup>™</sup>



## FY2023 Key Financial Metrics

- **NET SALES**  
**\$651.2 million**  
*(89.8% of Net Sales = Sactionals)*
- **NET SALES GROWTH**  
**30.7%**  
*(5 YEAR CAGR of 31.46%)*
- **GROSS PROFIT**  
**\$343.7 million**
- **GROSS MARGIN**  
**52.8%**
- **ADJ. EBITDA<sup>1</sup>**  
**\$58.3 million**
- **BALANCE SHEET**  
**\$43.5 million cash and cash equivalents**



**GEOGRAPHIC PRESENCE**  
**195 Retail Locations in 40 states in U.S.<sup>2</sup>**



**CUSTOMER LTV<sup>3</sup>**  
**\$3,309**



**CUSTOMER ACQUISITION COST**  
**\$628**



**NEW CUSTOMERS<sup>4</sup>**  
**134K in FY2023**



**REPEAT CUSTOMERS**  
**45.6% of Transactions in FY2023**

<sup>1</sup> Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA Reconciliation can be found on page 42.

<sup>2</sup> Represents Retail metrics as of FY 2023 to include 180 Lovesac branded showrooms, 2 mobile concierge and 13 kiosks.

<sup>3</sup> Represents year one average value for FY 2023 new cohort (actual purchases, not projected).

<sup>4</sup> Represents new customers as of FY 2023.

**Mid-luxury positioning** target customer is 25 to 45 year-old “young parent want-it-all” with our key customer between ages of 35 to 39 years old

**Disruptive home furniture lifestyle retail/DTC brand** with heritage of innovation across growing product portfolio and **74 issued patents**<sup>1</sup>

Concentrated SKU count combined with redundant manufacturing spread across multiple geographies, allows for **delivery of customers’ orders within days**

Proven **omni-channel advantage** with strong ecommerce performance, highly productive showrooms and touchpoints, expanding marketing ROIs and strong channel partnerships

Focus on sustainability, having **repurposed more than 150 million plastic water bottles**

Attractive financial profile with **53.1%** reported gross margin for FY2023 compared to 54.9% reported gross margin for FY2022 due to increased total freight including tariff expense and warehousing costs



# Recent Developments

## **Product Innovation**

- Expanded distribution of angle side, which is now available across Showrooms and our E-commerce platform
- Partnered with Swarovski Crystal offering a luxurious gift for the holiday season exclusively at Nordstrom's

## **Omni Channel Experience and Brand**

- Opened 10 new showrooms and 16 Best Buy Shop-In-Shops while closing 1 showroom and 2 kiosks
- E-commerce channel grew +20.1%
- Customer satisfaction scores continue to improve
- Began deploying new marketing tactics and leveraging prime and linear TV buys to continue to drive reach and to strengthen our brand love

## **Disciplined Infrastructure Investments**

- Operated business with a strong focus on growth with an ROI driven investment discipline; this year investments for growth have been in the areas of technology and R&D to continue fueling flywheel
- Implemented a national rollout of our new POS system in all touchpoints
- Investments in Supply Chain are projected to drive inventory productivity improvements of 20%

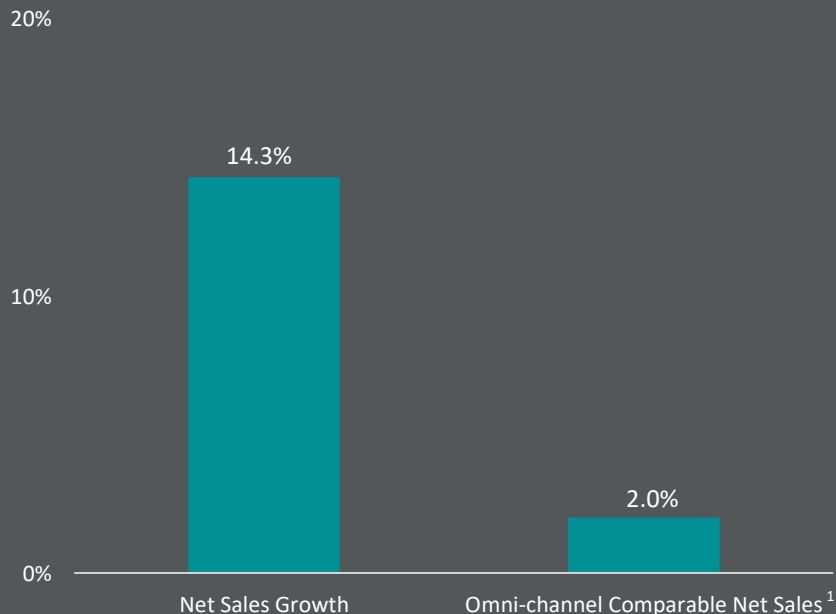
## **Published our 2023 ESG report**

- Highlighting Lovesac's priorities and initiatives on environmental stewardship, social commitments, corporate governance, and community service



# Q3 FY 2024 Results

## Y/Y Growth



- Revenue increased 14.3%
- Total Omni-channel Comparable Net Sales increased 2.0%
- Showroom net sales increased 18.9%
- Internet channel net sales increased 20.1%
- “Other” channel net sales decreased 17.1% primary due to a reduction in open box inventory transactions
- 36.3% increase in gross margin dollars; 920 basis point increase in gross margin % primarily due to lower total distribution and tariff expenses partially offset by an increase in promotional discounting
- Adjusted EBITDA<sup>2</sup> income of \$2.5M
- \$37.7M in cash and cash equivalents and \$116.6M in merchandise inventories at the end of Q3

1. Omni-channel comparable net sales is a measure that highlights the performance of our existing locations and websites by measuring the change in net sales for a period over the comparable prior-period of equivalent length. Comparable net sales includes sales at all retail locations and online, open greater than 12 months (including remodels and relocations) and excludes closed stores. Comparable net sales is intended only as supplemental information and is not a substitute for net sales presented in accordance with GAAP. We have updated how we calculate comparable sales to better reflect our business, store growth and omni-channel sales approach.

2. Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA Reconciliation can be found on page 42.

## Touchpoints

- In FY24 Q3, opened 10 showrooms, 3 closures (1 showroom and 2 kiosks) and no remodels
- Targeting to open approximately 45 new showrooms in FY24



- Operated 3 temporary online pop-up-shops and 147 physical pop-up roadshows in Q3
- In FY25, will continue to pursue opportunities with other partners



- Opened 16 Best Buy shop-in-shops bringing total count to 41 locations
- Look forward to continued expansion of this partnership



# Disruptive Model

## Traditional Model

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 next day

**Patented**, inventive, Designed For Life products

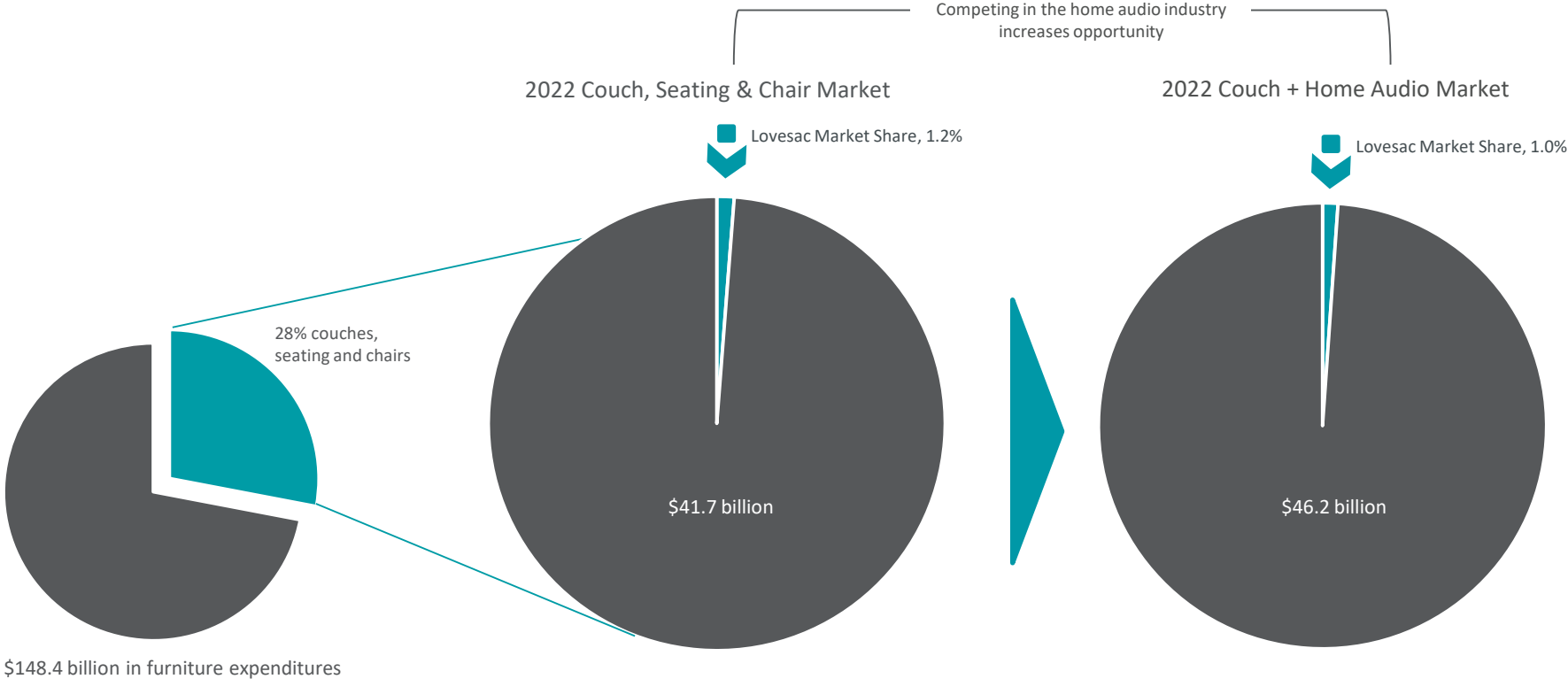
**Highly engaged** brand advocates

Productive, **inventory light**, small showrooms

Focused product categories, product **platforms**

# Massive, Untapped Addressable Market

Furniture expenditures are expected to grow 4.96% per year through 2025 from \$148.4 billion to \$189 billion and the home audio segment is expected to reach \$4.9 billion by 2025. Lovesac captures a small portion of this \$46+ billion, representing a greenfield of opportunity in the space.



Source: Mintel Group Ltd. - Online Shopping for the Home, US, April 2021; Home Furnishings Market Size  
Source: Mintel Group Ltd. - Furniture Retailing, US, August 2018; Couches, Seating & Chairs Category Size  
Source: CTA U.S. Consumer Technology Five-Year Industry Forecast, 2020-2025 (January 2022); Home Audio Market Size

Next-gen premium modular couch with **two simple pieces – seats and sides**

**Patented modular system** makes it easy to assemble & change over time

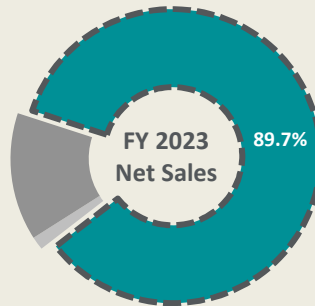
Enables endless **permutations of a sectional couch**

Over **200** customizable, machine washable removable **covers that fit like upholstery**

Introduced the new **Sactionals StealthTech Sound + Charge** product line in October 2021

**Designed for Life: Built to last a lifetime, designed to evolve**

Introduced the new **Sactionals Angled Side** product line in May 2023



## Comfort



Drink Holder



Seat Table



Footsac Blanket

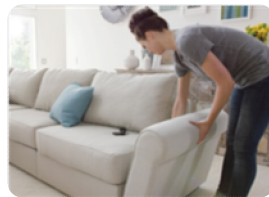


Coaster & Couch Bowl

## Decor



Custom Covers & Dec Pillows



Roll Arm

## Function/Upgrade



Sactionals StealthTech Sound + Charge



Power Hub

## Platform Extension



Outdoor Sactionals



**45.6% of Lovesac transactions are from repeat customers<sup>1</sup>**

<sup>1</sup> % Transactions that are repeat is calculated by dividing transactions dollars from existing customers over total transactions dollars for FY2023. We based this on our internal data relating to customers purchasing in fiscal 2023.



- 28 quick-ship covers constitute more than 94% of all covers sales<sup>1</sup>
- Approximately 200 custom covers offer broad choice with lean inventory



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



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

<sup>1</sup> Quick ship sectional covers demand sales as a % to total sectional cover as of YTD Q4 FY2023



## LOVESAC STEALTHTECH

- StealthTech is an ingredient brand under the Lovesac trademark
- Enhances user experience of Lovesac products by embedding premium technology that addresses key consumer use cases for activities on or around our respective product platforms
- Enables technology embedded inside Lovesac products to be completely hidden from view, eliminating the trade off between function and style



## SACTIONALS STEALTHTECH SOUND + CHARGE

- LOVE holds patents that are key to making Sactionals StealthTech Sound + Charge truly innovative
- Proprietary technology tunes system to unique layout of customer's Sactionals, providing optimal sound quality from every seat
- Developed optimization of sound properties to precise characteristics, density, and color of customer's Sactionals Covers, allowing sound to pass through fabric and upholstery with superior quality and immaculate clarity; Adapts to virtually any configuration and cover selection for personalized experience



StealthTech® comes w/ core bundle and can be augmented for any configuration

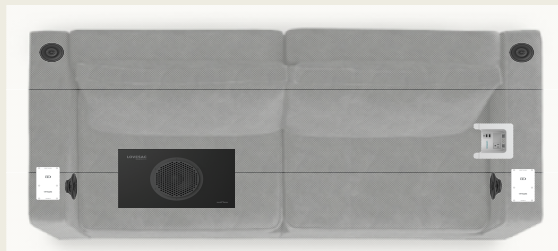
LOVESAC

6 Speaker Immersive Sound + Charge System



MSRP \$3,700

*\*Pricing includes cost of the Side inserts. Net increase to customer is \$3,250 at MSRP.*



Add-On Enhancement

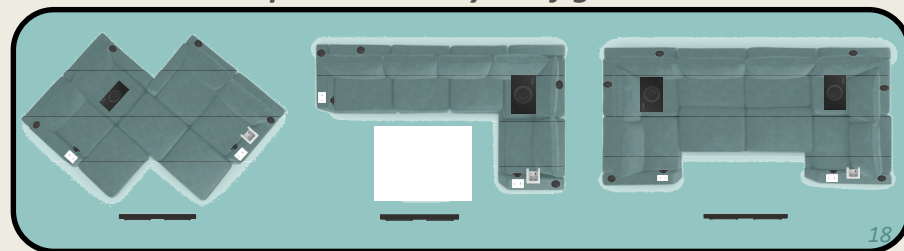
Satellite Sound Side



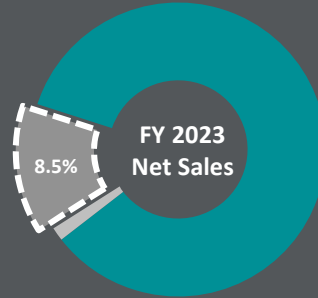
MSRP: \$500

Up to 4 Satellite Sound Sides can be purchased

Optimize To Any Configuration



- Category leader in oversized beanbags
- Product line offers **6 different sizes ranging from 25lbs to 95lbs**
- Capacity to seat 3+ people on the larger model Sacs



- Durafoam® filling
- Sacs shrink to **1/8 original volume for shipping**
- Multiple shapes, sizes with washable, changeable covers



## Sacs



## Sactionals



## Accessories



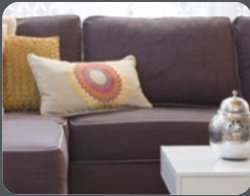
Footsac Blanket



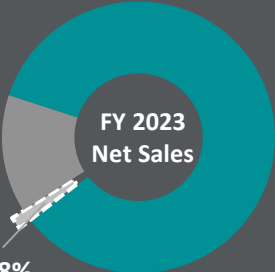
Drink Holder



Seat Table



Custom Covers & Decorative Pillows

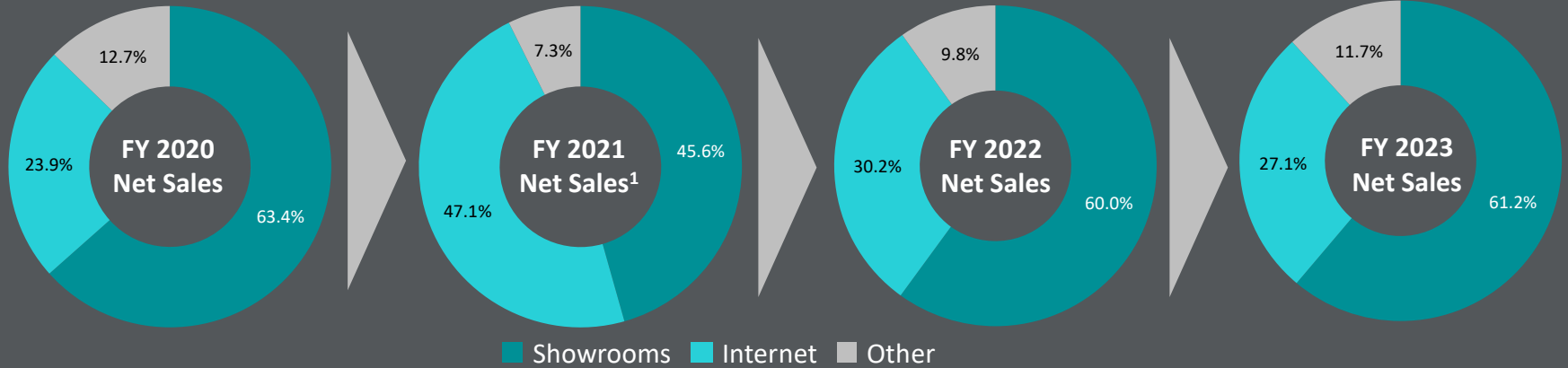


1.8%



# Balanced Omni-Channel Strategy

## Diversifying Channel Mix



### Showrooms and Touchpoints

- Small-footprint retail locations in high-end malls create an environment where consumers can see, touch, and understand the products
- Other physical touchpoints includes mobile concierges and kiosks

### Internet

- eCommerce channel drives deeper brand engagement and loyalty

### Other

- In store pop-up shops provide lower cost retail footprint that enables the Company to extend brand reach
- Expanded the use of shop-in-shops into Best Buy and online at Best Buy.com
- Hosted 9 online pop-up-shops on Costco.com in FY2023

<sup>1</sup> 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.

38

28 new showrooms, 8 kiosks, and 2 mobile concierges opened in FY2022

49

Net addition of 44 showrooms and 5 kiosks in FY2023

## Lovesac Showroom Features

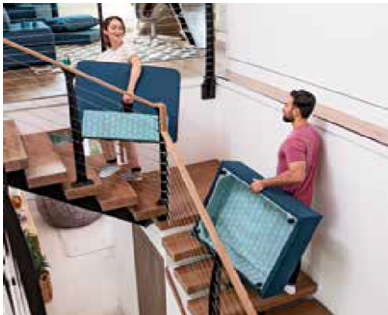
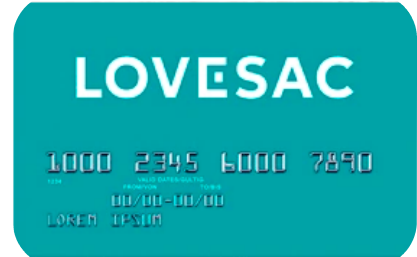
- Turns product inside-out to reveal technology
- Low merchandising, aesthetic, seasonality and inventory risk
- FY2023 showroom sales per square foot increased to \$2,771
- FY2022 showroom sales per square foot increased to \$2,742 vs \$1,675 in FY2021 and \$2,083 in FY2020.
- Due to COVID-19 driven temporary closures, FY2021 showroom sales per square foot was \$1,675

## Economics of Showroom Model

- Target net sales of \$1.5 to \$1.6 million in the first year
- Net investments including floor model inventory, capital expenditures and preopening expenses totals \$425K
- Average payback of < 2 years\*

## Easy to Purchase

- Mobile purchases are easy
- In-showroom checkout via iPad technology—never leave the couch
- 34.5% of sales through in-house financing facilitated by a leading third-party consumer financing company<sup>1</sup>



## 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*

<sup>1</sup> Represents % of only Showroom and Web Point of Sales Transactions as of the fiscal year ended January 29, 2023.



## See It



Social Media

## Touch It



Showrooms / Shop-in-shops  
/ Kiosks / Costco pop-ups

## Buy It



Lovesac.com / BestBuy.com /  
Costco.com online pop-ups



Advertising



Mobile Concierge



Showrooms / Best Buy  
Shop-in-shops / Kiosks /  
Costco Pop-ups

Physical retail locations and other direct marketing efforts drive conversion

# Return on Advertising Spend is High and Ready to Grow

LOVESAC



Additional Showrooms



New Product Innovation



More Shop-in-Shop Partners



(Eventual) International Expansion

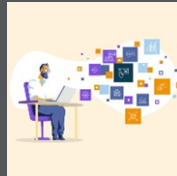
*Our investments in national advertising are increasingly amplified by the above Initiatives, driving ROI's up*

## Awareness\* Marketing



### National TV and Digital Marketing

Focused on major buying holidays; driving positive ROI's across both showroom and non-showroom markets.  
FY 2023 CLV:CAC ratio of 5.3X



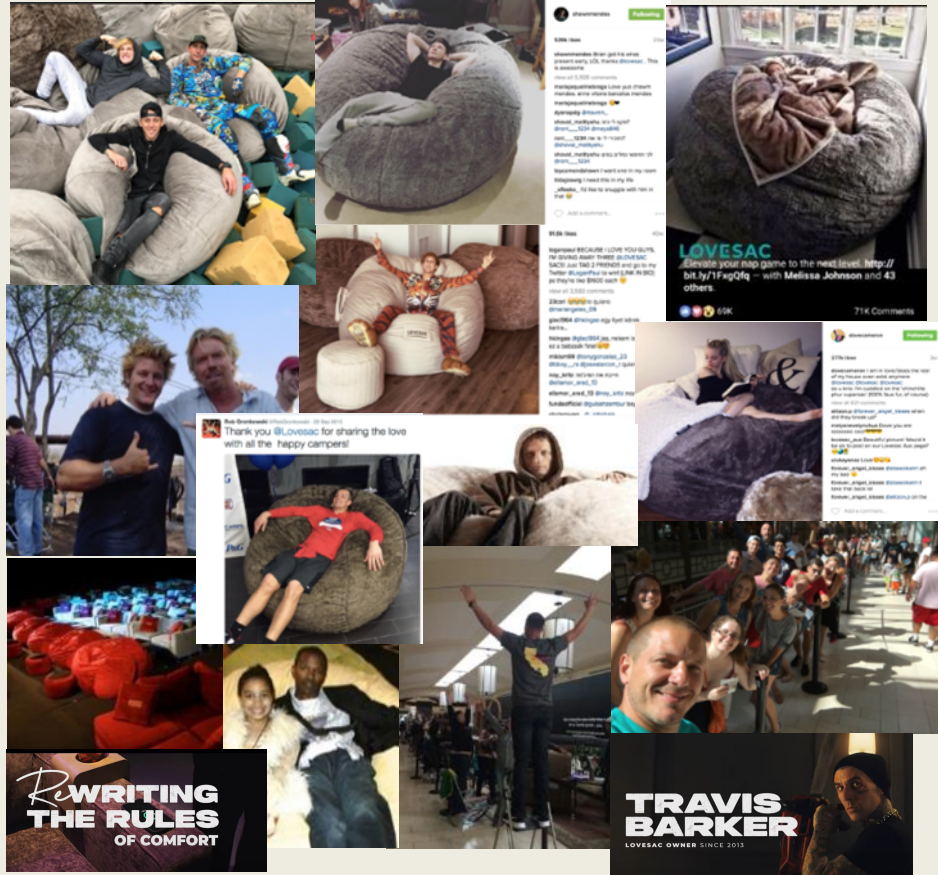
## Conversion Marketing



### Social and Search

Focused on 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 2024

\* Awareness unaided is currently < 2% nationally



## Social Engagement Metrics FY 2023

facebook

863K followers

Instagram

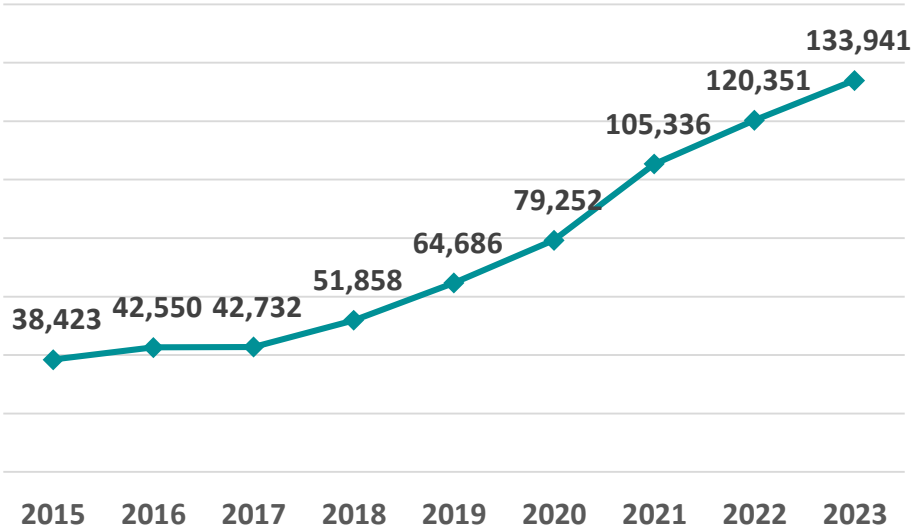
555K followers

YouTube

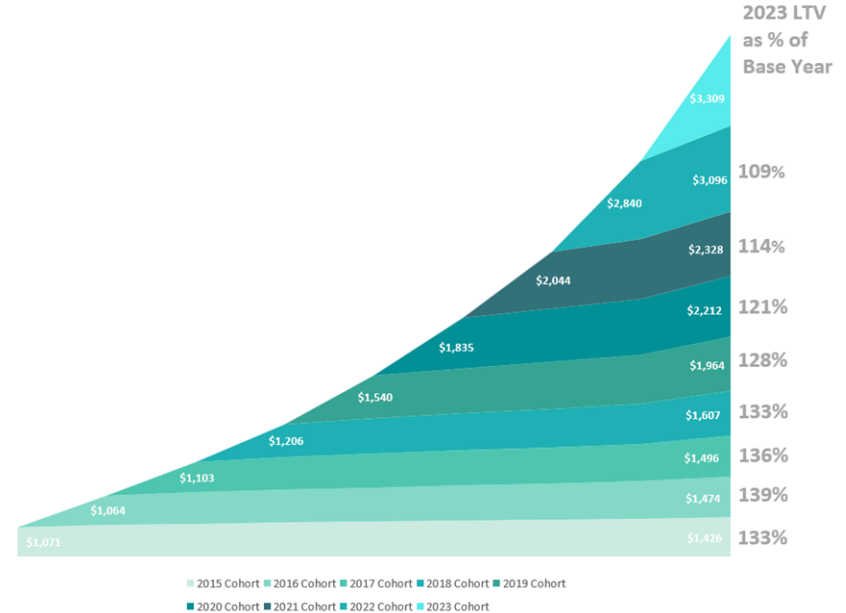
Lifetime views apx. 49MM

- Unsolicited celebrity endorsements and promotion
- Lovesac's founder has a strong online following

## New Customer Count



## Lifetime Value of Customers



- **89.8%** of revenues now driven by Sactionals sales, which are priced higher and **induce repeat and supplemental purchases**
- Sactionals are modular, customizable, interchangeable and machine washable
- New technologies & additions are reverse-compatible
- This **extends duration** and allows for **evolution** through owner's life

Source: Company Internal Transactional data through January 29, 2023.

Note: Represents all customers (positive sales only), excluding business development and Costco; represents fiscal year ends

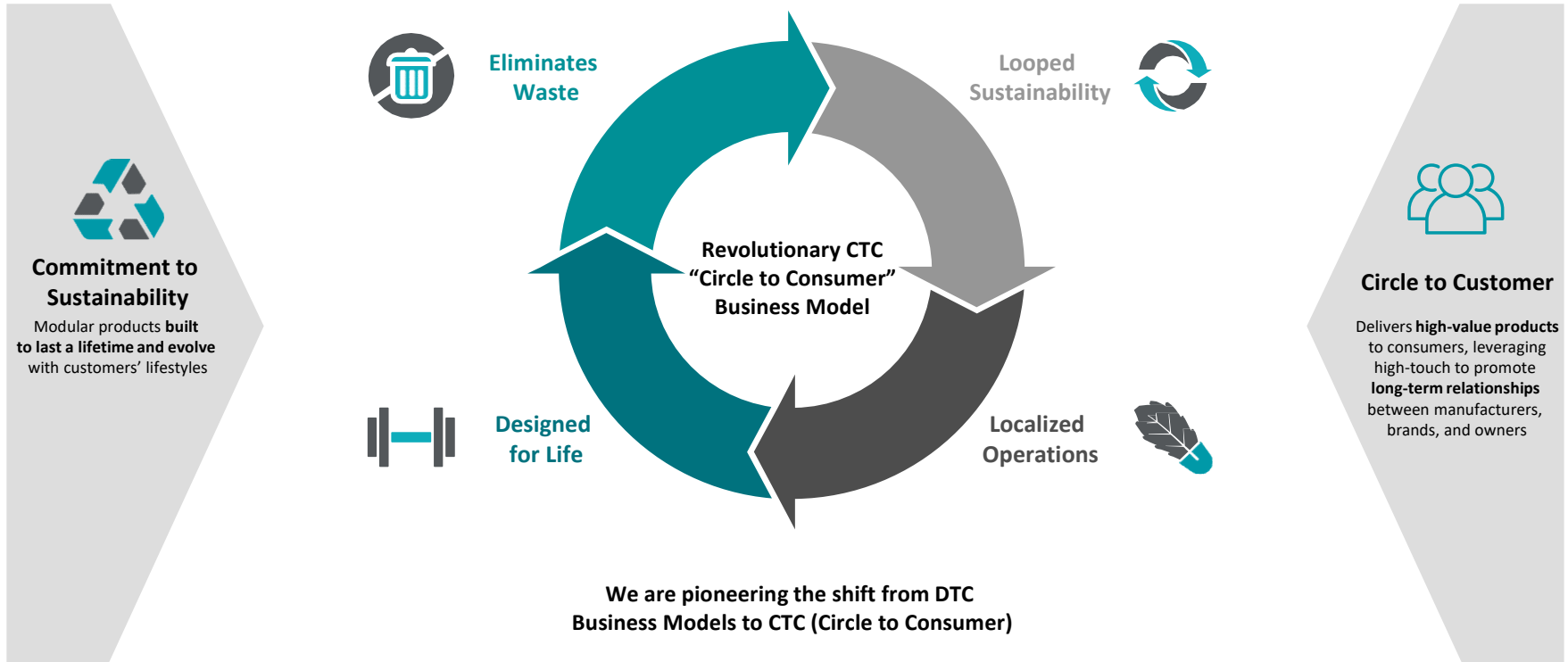


**“Designed for  
Life” Platform**

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



From April 2018 to January 2023, Lovesac repurposed more than **150 million plastic water bottles** to make Sactionals



CTC Framework

Targeting

Long-term

Localized

Looped

Operations

Long-term Sustainable Growth

Higher Customer Life-time Value

Accelerated Ability to Deliver Value to the Customer

New Revenue Streams & Ecosystem Development

Inherently Efficient and ESG-Centric Operations

## Next Steps



### FY 2023 / 2024 Milestones

- Product Lifecycle Management (PLM) & identify opportunities for operational efficiencies
- Identify consumer needs and requirements for CTC-related programs and services
- FY 2024 CTC roadmap learning agenda solidified along with KPIs to drive future growth

### FY 2025 Milestones

- Open box inventory resale operational by FY 2025



E

## 0 waste, 0 emissions by 2040

We intend to demonstrate our sustainable commitments through measurable actions. This is why we've developed a *Zero Emissions* and *Zero Waste* roadmap to guide us to our goals. Our planetary impact is integral to our highest business priorities and strategy planning, anchoring ESG management through the top levels of our leadership.

S

## Supplier Relationships

We celebrate the longevity of our supplier partnerships and the level of trust we have established with those partners. Thus, the ethical and fair treatment of individuals in our supply chain is imperative. Lovesac has a zero-tolerance policy for any evidence of bribery and corruption, forced labor, human trafficking, and child labor, all of which have no place in the life cycle of our products.

G

## Board Diversity

Our Board of Directors values diversity in achieving our objectives and maintaining sound governance practices as it brings together individuals with different perspectives and ideas, from varying backgrounds and experiences, to create balanced and thoughtful decision-making that best serves our stockholders.

## FY23 ESG Report Published



Lovesac published its FY23 ESG Report in December of 2023. This is our third annual report covering ESG strategies, activities, progress, and metrics. The document is available to read on our investor relations webpage.

## SASB & UN SDGs



The ESG strategy aligns with the Sustainability Accounting Standards Board's (SASB) reporting framework. Targets and programs also contribute to select United Nations Sustainable Development Goals.

## Formalizing ESG



We have expanded our reporting metrics, which include additional targets to guide future progress and programs. We also established an internal ESG Committee to oversee program development.



# Strategic Priorities



- Opened 44 net showrooms and 5 kiosks, and remodeled 4 showrooms in fiscal 2023
- Opened a total of 22 new Best Buy shop-in-shops in addition to online pop-up-shops with Costco
- Continued to gain share with Stealthtech sound-plus-charge product in partnership with Harman Kardon delivering increasing attachment rates as adoption continues to grow
- Maintained industry leading in-stock positions, which continued to serve as a competitive advantage
- Increased our customer satisfaction scores driven in by strategic investments in resources and technology in our customer service capabilities, supply chain and our digital experience
- Made critical investments across the business to support growth including infrastructure and supply chain, while remaining disciplined on the cost side
- Maintained strong focus on ESG priorities publishing second annual ESG report in December 2022

## Product



- Continue to increase Sactionals StealthTech Sound + Charge awareness
- Drive appeal to new & repeat business
- Aggressive supply chain diversification

## Marketing



- Drive growth spending ~13% of net sales on marketing annually
- Test & learn to drive efficiency & volume
- New TV creative
- Key collabs with celebs & aspirational brands
- Expand influencer & social media reach

## Omni-channel Distribution



- Continue partnership with Best Buy
- Expand kiosk touchpoints
- Lay groundwork for multiple distribution channels

## Supply Chain/ Infrastructure



- Leverage diversified supply chain and resulting strong in-stock positions
- Implement new customer relationship management software
- Leverage warehouse management software for efficiency

## Sustainability



- Designed For Life ethos & strategy
- Intend to pioneer Circle to Consumer business model - reaching targets of zero waste and zero emissions by 2040
- Tout leadership in plastic recycling on the new site, et al
- Continued evolution of supply chain

## 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

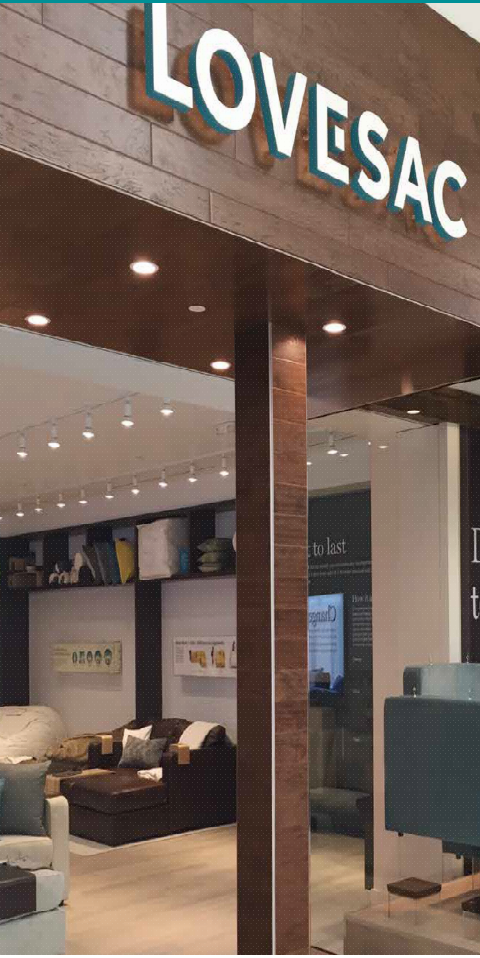


Easily scalable with existing diverse suppliers, and to other countries, due to uniformity and flexibility of the 2 core SKUs

## 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



- **Large Addressable Market:** 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, kiosks, mobile concierges, shop-in-shops, pop-up shops and online pop-ups which expands brand reach and drives customer engagement.
- **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

## Key Measures for the Third Quarter of Fiscal 2024 Ending October 29, 2023:

(Dollars in millions, except per share amounts. Dollar and percentage changes may not recalculate due to rounding.)

	Q3 FY 2024	Q3 FY 2023	Δ
Net sales	\$154.0	\$134.8	14.3%
Gross profit	\$88.4	\$64.9	36.3%
Gross margin	\$0.6	\$0.5	9.2%
Total operating expenses	\$92.1	\$75.0	22.7%
SG&A	\$67.6	\$53.5	26.4%
SG&A as a % of Net Sales	43.9%	39.7%	4.2%
Advertising and marketing	\$21.1	\$19.1	10.8%
Advertising & marketing as a % of Net Sales	13.7%	14.1%	-0.4%
Net (loss) income	-\$2.3	-\$7.4	68.2%
Basic net (loss) income per common share	-\$0.15	-\$0.48	68.8%
Diluted net (loss) income per common share	-\$0.2	-\$0.5	68.8%
Adjusted EBITDA <sup>1</sup>	\$2.5	-\$6.9	136.4%
Net cash (used in) provided by operating activities	-\$7.2	-\$5.5	-31.4%

1. Adjusted EBITDA is a non-GAAP measure. See “Non-GAAP Information” and “Reconciliation of Non-GAAP Financial Measures” included on slide 42.



	Q3 FY 2024	Q3 FY 2023
Omni-channel Comparable Net Sales <sup>(1)(2)</sup>	2.0%	-5.6%
Internet Sales	20.1%	-6.3%
Ending Showroom Count	230	189

*Note: Percent increase (decrease) except showroom count*

1. Omni-channel Comparable Net Sales includes sales at all retail locations and online, open greater than 12 months (including remodels and relocations) and excludes closed stores.
2. Comparable showroom 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 included in Net Sales.

# Q3 FY 2024 Adjusted EBITDA Non-GAAP Reconciliation

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<i>(amounts in thousands)</i>	Q3 FY 2024	Q3 FY 2023
Net (loss) income	\$ (2,341)	\$ (7,362)
Interest (income) expense, net	(269)	69
Income tax (benefit) expense	(999)	(2,832)
Depreciation and amortization	3,311	2,459
<b>EBITDA</b>	<b>(298)</b>	<b>(7,666)</b>
Equity-based compensation <sup>(1)</sup>	1,098	739
Loss on disposal of assets <sup>(2)</sup>	17	41
Other non-recurring expenses <sup>(3)</sup>	1,687	—
<b>Adjusted EBITDA</b>	<b>\$ 2,504</b>	<b>\$ (6,886)</b>

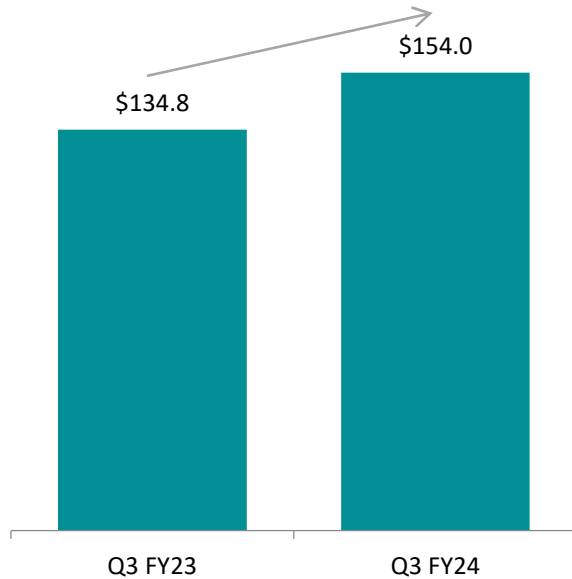
1. Represents expenses, such as compensation expense and employer taxes related to RSU equity vesting and exercises associated with stock options and restricted stock units granted to our associates and board of directors. Employer taxes are included as part of selling, general and administrative expenses on the Statements of Operations.
2. Represents loss on disposal of property and equipment.
3. Other non-recurring expenses in the thirteen and thirty-nine weeks ended October 29, 2023 represents professional fees related to the restatement of previously issued financial statements. Other non-recurring benefit in the thirty-nine weeks ended October 29, 2023 also includes business loss proceeds received from an insurance settlement. Other non-recurring benefit in the thirty-nine weeks ended October 30, 2022 represents a legal settlement. There were no other non-recurring expenses in the thirteen weeks ended October 30, 2022.

# Q3 FY 2023 and Q3 FY 2024 Metrics

## Net Sales

(\$ in millions)

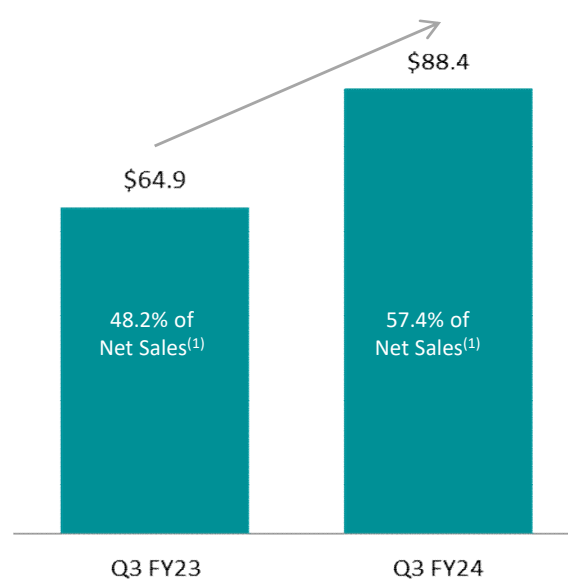
YoY Growth: 14.3%



## Gross Profit

(\$ in millions)

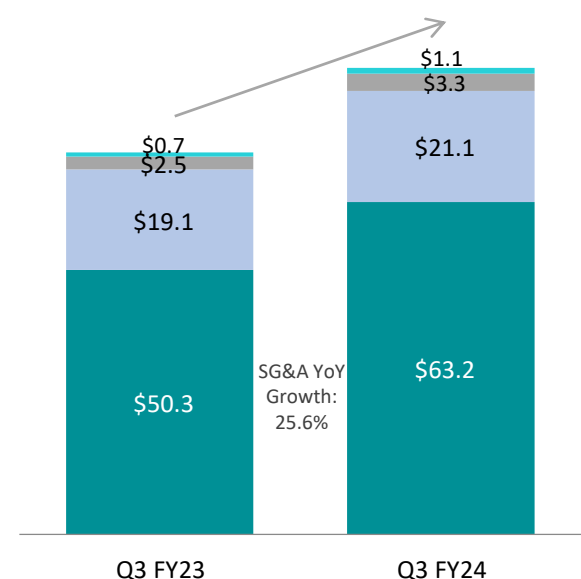
YoY Growth: 36.3%



## Operating Expenses

(\$ in millions)

YoY Growth: 22.2%



- Other non-recurring expenses
- Depreciation and Amortization
- Marketing and advertising
- SG&A

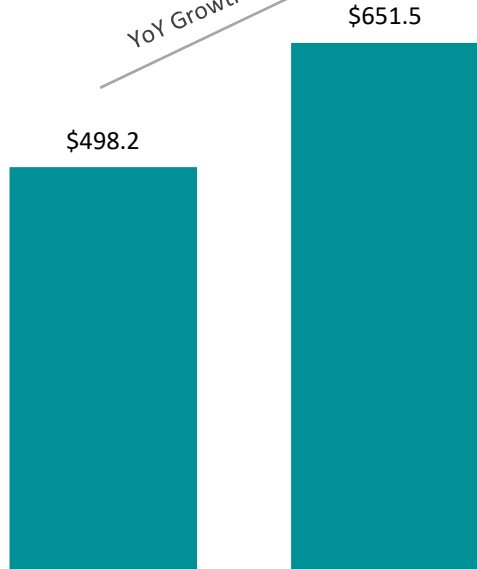
<sup>1</sup> The increase in gross margin percentage of 920 basis points was primarily driven by a decrease of approximately 1,070 basis points in total distribution and related tariff expense, partially offset by a decrease of 150 basis points in product margin driven by higher promotional discounting. The decrease in total distribution and related tariff expenses over prior year is principally related to the positive impact of the 1,160 basis points decrease in inbound transportation costs partially offset by 90 basis points in higher outbound transportation and warehousing costs.

# FY 2022 and FY 2023 Metrics

## Net Sales

(\$ in millions)

YoY Growth: 30.8%



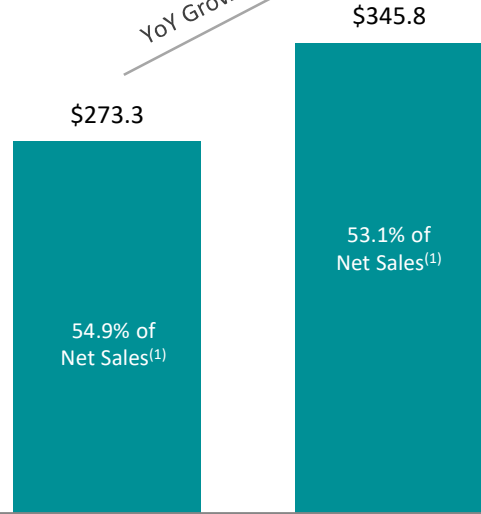
Fiscal 2022

Fiscal 2023

## Gross Profit

(\$ in millions)

YoY Growth: 26.5%



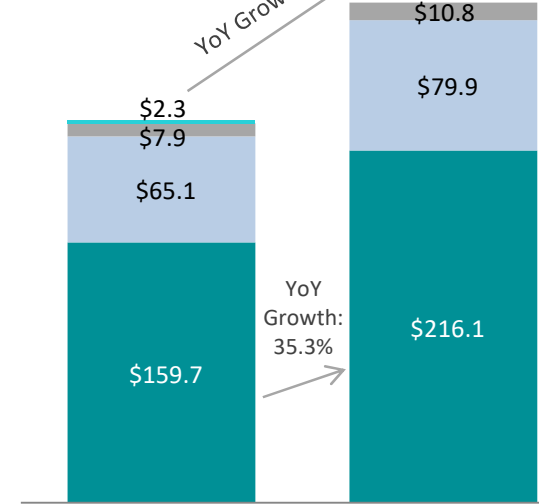
Fiscal 2022

Fiscal 2023

## Operating Expenses

(\$ in millions)

YoY Growth: 30.6%



Fiscal 2022

Fiscal 2023

- Other non-recurring expenses
- Depreciation and Amortization
- Marketing and advertising
- SG&A

<sup>1</sup> The decrease in gross margin percentage of 180 basis points was primarily driven by an increase of 160 basis points in total freight including tariff expenses and warehousing costs and a decrease of 20 basis points in product margin. The increase in total freight including tariffs and warehousing costs over the prior year period is related to 90 basis points deleverage in warehousing and outbound freight costs and the increase of 70 basis points in inbound container freight costs. The product margin decrease is driven by higher promotional discounting, partially offset by a benefit from continuing vendor negotiations to assist with the mitigation of tariffs and additional one-time US dollar denominated rebates related to currency impact.



# Appendix

# Q3 FY 2024 Balance Sheet (Unaudited)

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(amounts in thousands, except share and per share amounts)	October 29, 2023	January 29, 2023
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 37,738	\$ 43,533
Trade accounts receivable	\$ 13,013	\$ 9,103
Merchandise inventories, net	\$ 116,625	\$ 119,627
Prepaid expenses and other current assets	\$ 16,936	\$ 15,452
<b>Total Current Assets</b>	<b>184,312</b>	<b>187,715</b>
Property and equipment, net	67,727	52,904
Operating lease right-of-use assets	144,607	135,411
<b>Other Assets</b>		
Goodwill	144	144
Intangible assets, net	1,502	1,411
Deferred tax asset	11,029	8,677
Other assets	26,944	22,364
<b>Total Other Assets</b>	<b>39,619</b>	<b>32,596</b>
<b>Total Assets</b>	<b>\$ 436,265</b>	<b>\$ 408,626</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 37,176	\$ 24,576
Accrued expenses	31,139	25,417
Payroll payable	7,100	6,783
Customer deposits	9,689	6,760
Current operating lease liabilities	16,966	13,075
Sales taxes payable	3,835	5,430
<b>Total Current Liabilities</b>	<b>105,905</b>	<b>82,041</b>
<b>Operating Lease Liability, long-term</b>	<b>144,856</b>	<b>133,491</b>
<b>Line of Credit</b>	<b>—</b>	<b>—</b>
<b>Total Liabilities</b>	<b>250,761</b>	<b>215,532</b>
<b>Stockholders' Equity</b>		
Preferred Stock	—	—
Common Stock	—	—
Additional paid-in capital	182,055	182,554
Accumulated earnings	3,449	10,540
<b>Stockholders' Equity</b>	<b>185,504</b>	<b>193,094</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 436,265</b>	<b>\$ 408,626</b>

# Q3 FY 2024 Statement of Cash Flows (Unaudited)

LOVESAC

	Thirty-nine weeks ended	
	October 29, 2023	October 30, 2022
(amounts in thousands)		
<b>Cash Flows from Operating Activities</b>		
Net (loss) income	\$ (7,091)	\$ 273
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	8,820	7,911
Amortization of other intangible assets	327	285
Amortization of deferred financing fees	120	117
Net loss on disposal of property and equipment	162	41
Equity based compensation	3,127	2,929
Non-cash operating lease cost	16,567	13,582
Deferred income taxes	(2,352)	38
Change in operating assets and liabilities:		
Trade accounts receivable	(3,910)	(6,810)
Merchandise inventories	3,002	(45,988)
Prepaid expenses and other current assets	(1,552)	(17,701)
Other assets	(4,580)	7
Accounts payable and accrued expenses	15,061	1,208
Operating lease liabilities	(10,507)	(16,823)
Customer deposits	2,929	(7,455)
<b>Net cash provided by (used in) operating activities</b>	<b>20,123</b>	<b>(68,386)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(21,949)	(18,115)
Payments for patents and trademarks	(291)	(200)
<b>Net cash used in investing activities</b>	<b>(22,240)</b>	<b>(18,315)</b>
<b>Cash Flows from Financing Activities</b>		
Taxes paid for net share settlement of equity awards	(3,626)	(1,583)
Payment of deferred financing costs	(52)	(276)
<b>Net cash used in financing activities</b>	<b>(3,678)</b>	<b>(1,859)</b>
<b>Net change in cash and cash equivalents</b>	<b>(5,795)</b>	<b>(88,560)</b>
Cash and cash equivalents - Beginning	43,533	92,392
Cash and cash equivalents - Ending	\$ 37,738	\$ 3,832
<b>Supplemental Cash Flow Data:</b>		
Cash paid for taxes	\$ 1,234	\$ 9,811
Cash paid for interest	\$ 76	\$ 65
Non-cash investing activities:		
Asset acquisitions not yet paid for at period end	\$ 1,983	\$ 3,244