



# LOVESAC<sup>®</sup>

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

**Investor Presentation**  
**January 2023**

# Safe Harbor Statement

LOVESAC

This presentation by The Lovesac Company (the “Company,” “we,” “us,” and “our”) includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities 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 key factors 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 COVID-19 on our business, sales, results of operations and financial condition; changes in consumer spending and shopping preferences, and economic conditions; our ability to achieve or sustain profitability; our ability to manage and sustain our growth effectively, including our ecommerce business, forecast our operating results, and manage inventory levels; our ability to advance, implement or achieve our sustainability, growth and profitability goals through leveraging our Designed for Life philosophy or Circle to Consumer business model; 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; 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; 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; our ability to improve our products and develop and launch new products; 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 (“SEC”), 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). 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 41 and 42.

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.

# Lovesac has a unique, highly differentiated model

LOVESAC

## Products are...



Changeable



Maintainable



Moveable



Rearrangeable



Upgradable



Waste-less



### Traditional model

Long lead times with heavy delivery

**Non-engaged** commodity shoppers

Numerous, unproductive, **large stores**

Broad merchandising & seasonal **assortments**

### Lovesac model

**Omni-channel** direct with next day ship option

**Highly engaged** brand advocates

Productive, **inventory light** showrooms

Focused product categories; evergreen inventory



# Lovesac at a Glance

## SACTIONALS<sup>®</sup>

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



### FY2023 YTD Q3 Key Financial Metrics

➤ NET SALES <b>\$412.7 million</b> <i>(89.9% of Net Sales = Sactionals)</i>	➤ NET SALES GROWTH <b>36.6%</b> <i>(first 39 weeks of FY 23/22)</i>
➤ GROSS PROFIT <b>\$210.6 million</b>	➤ GROSS MARGIN <b>51.0%</b>
➤ ADJ. EBITDA <sup>1</sup> <b>\$12.1 million</b>	➤ ADJ. EBITDA <sup>1</sup> MARGIN <b>2.9%</b>

Strong performance in challenging environment driven by  
**Designed for Life** philosophy and **Circle-to-Consumer** vision

<sup>1</sup> Adjusted EBITDA is a non-GAAP measure  
Source: Lovesac FY23 3Q 10-Q



## Q3 year-over-year highlights

**+16%**

Net sales growth

**+9%**

Comparable sales growth

**+22%**

Demand growth

**+19%**

Showroom net sales growth

**+9%**

Gross margin \$

## Outlook: FY23 Q4 guidance

- Expect net sales growth in the high single digits to mid-teens
- **Gross margin expected to be up ~115 bps from prior year**
- Anticipate **adjusted EBITDA<sup>1</sup> margin to increase ~325 bps** versus same quarter LY

<sup>1</sup> Adjusted EBITDA is a non-GAAP measure.

# Unique omnichannel business model with flywheel unlike anyone else



1. Based on calculations done in Q4 FY 23, revenue based on showroom total contribution including demand sales, etc. 2. Customers who purchase additional inserts / sides after already having a Sactional within 7 years  
Source: Lovesac Internal documents; BCG analysis



# SACTIONALS

The World's Most Adaptable Couch





















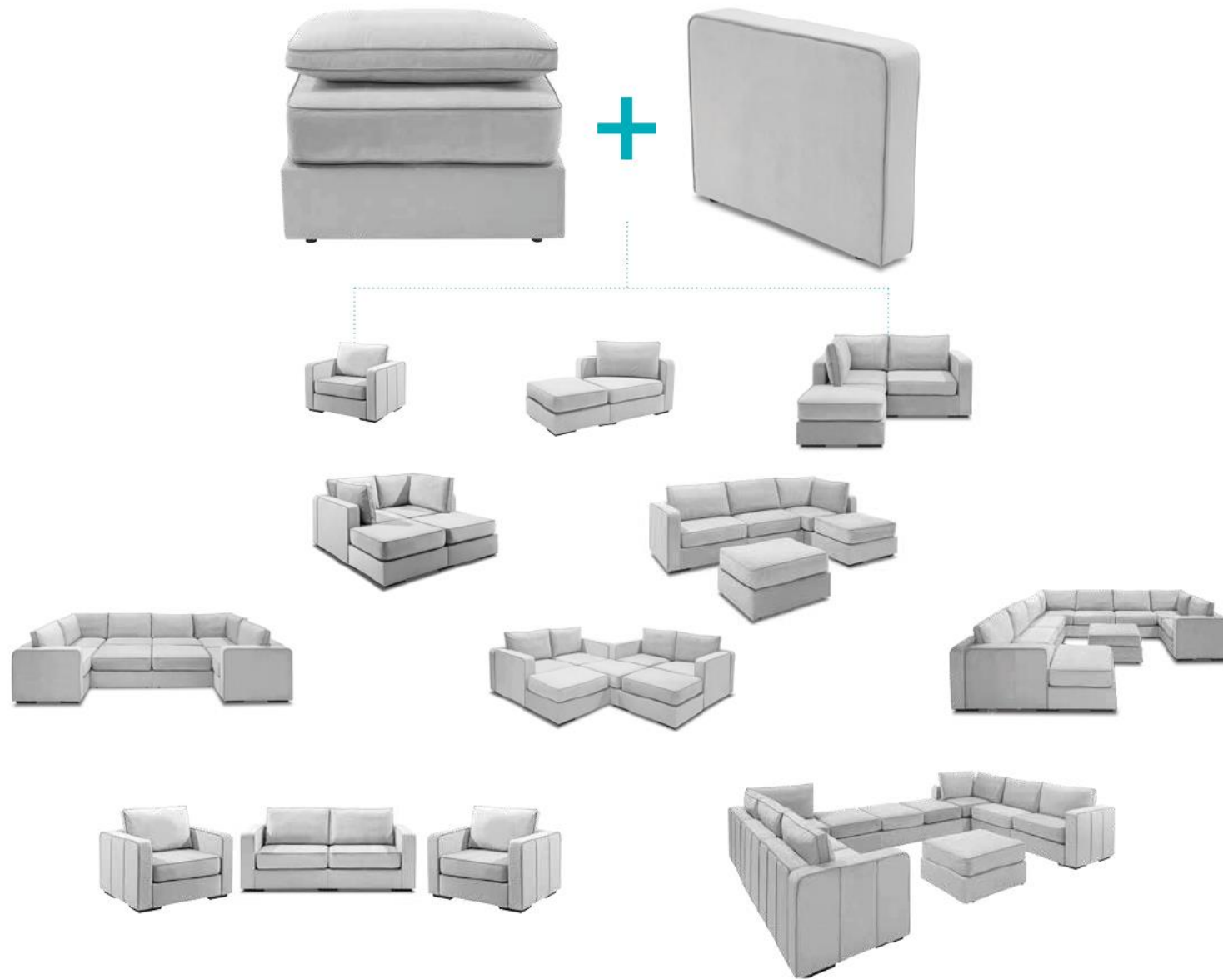




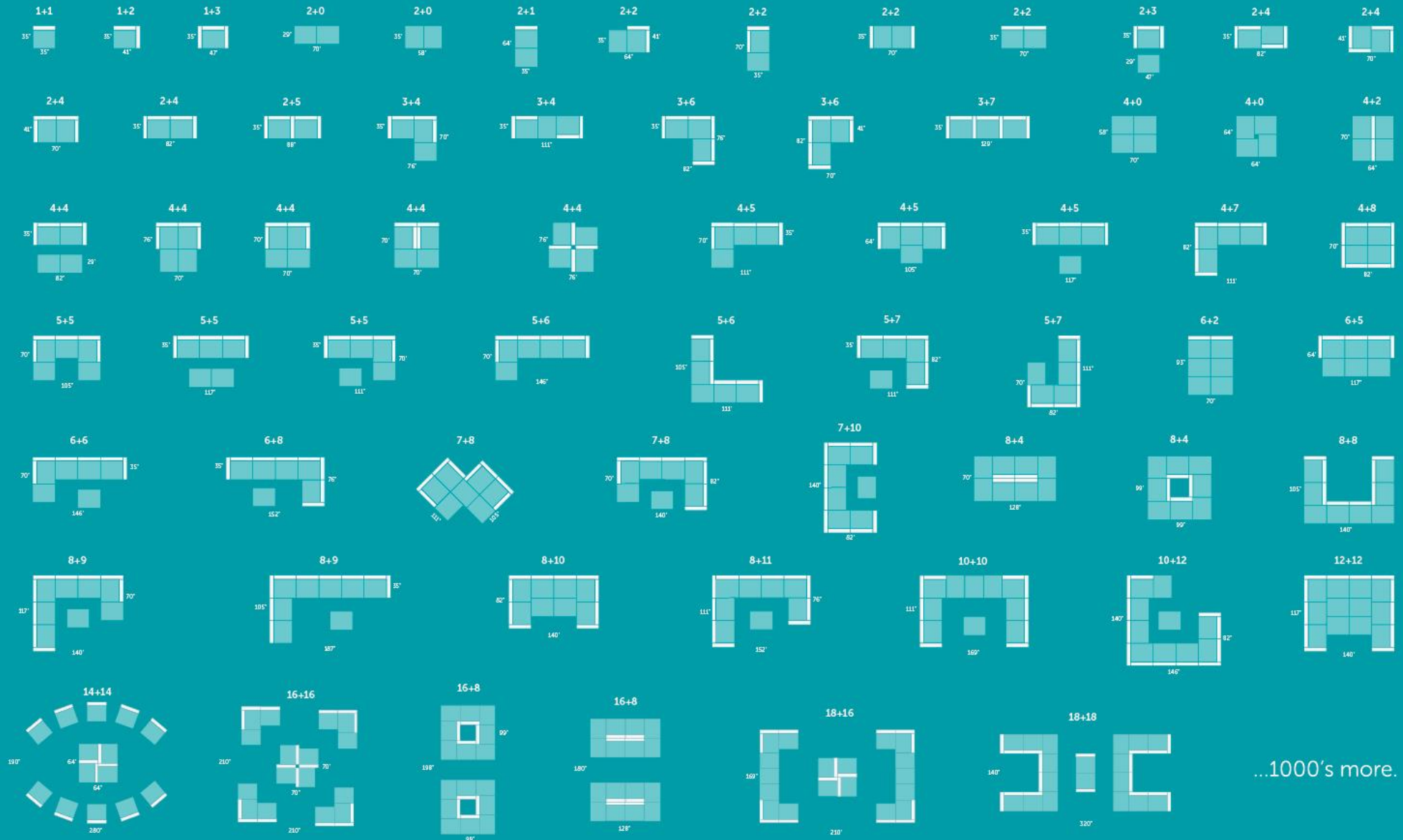




# Sactionals<sup>®</sup> only from LOVESAC



# Sactionals<sup>®</sup> only from **LOVESAC**



...1000's more.





# “Designed For Life” Driven By Sustainable Inputs

LOVESAC

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



From May 2018 to April 2021, Lovesac repurposed more than  
**100 million plastic water bottles** to make Sactionals











































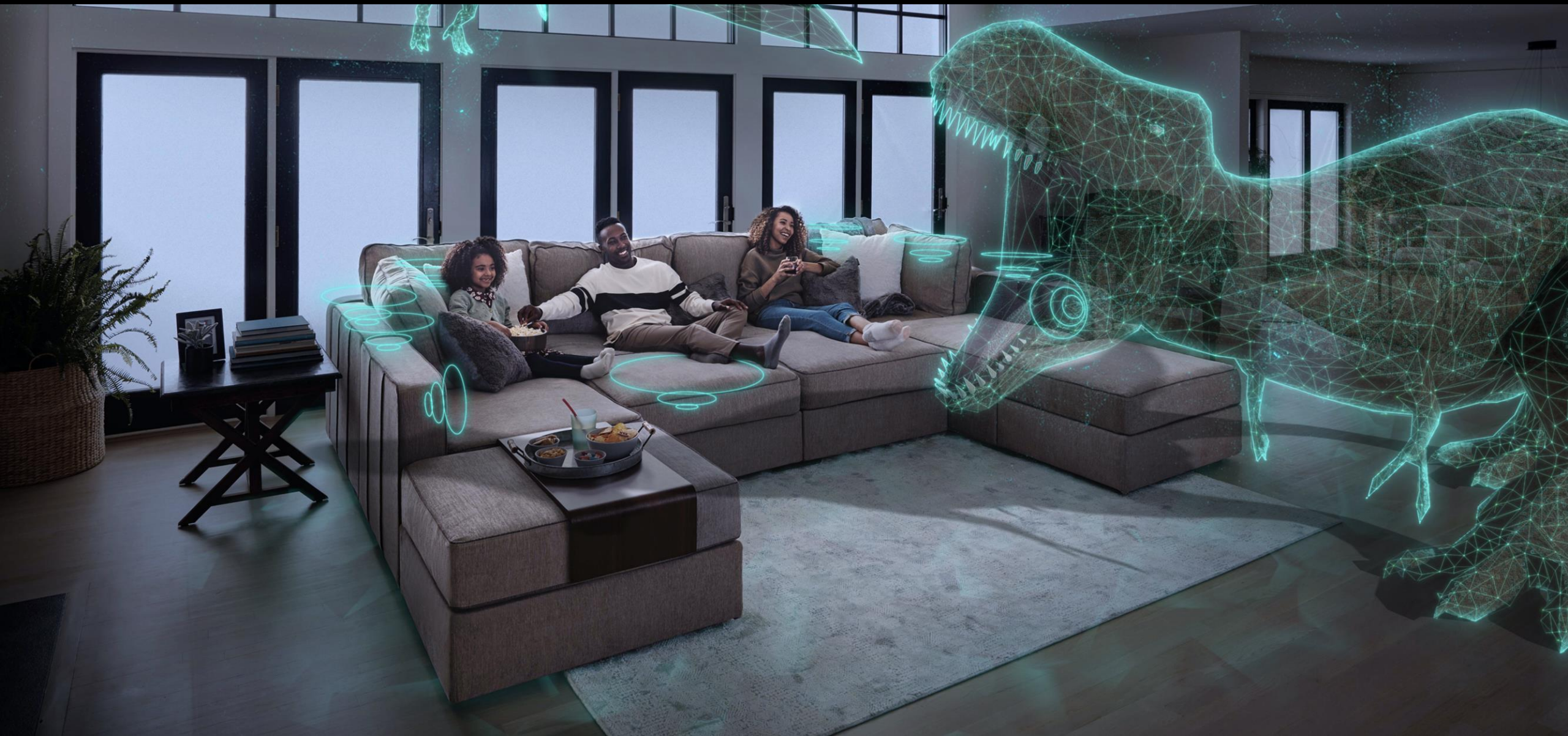














# LOVESAC STEALTHTECH

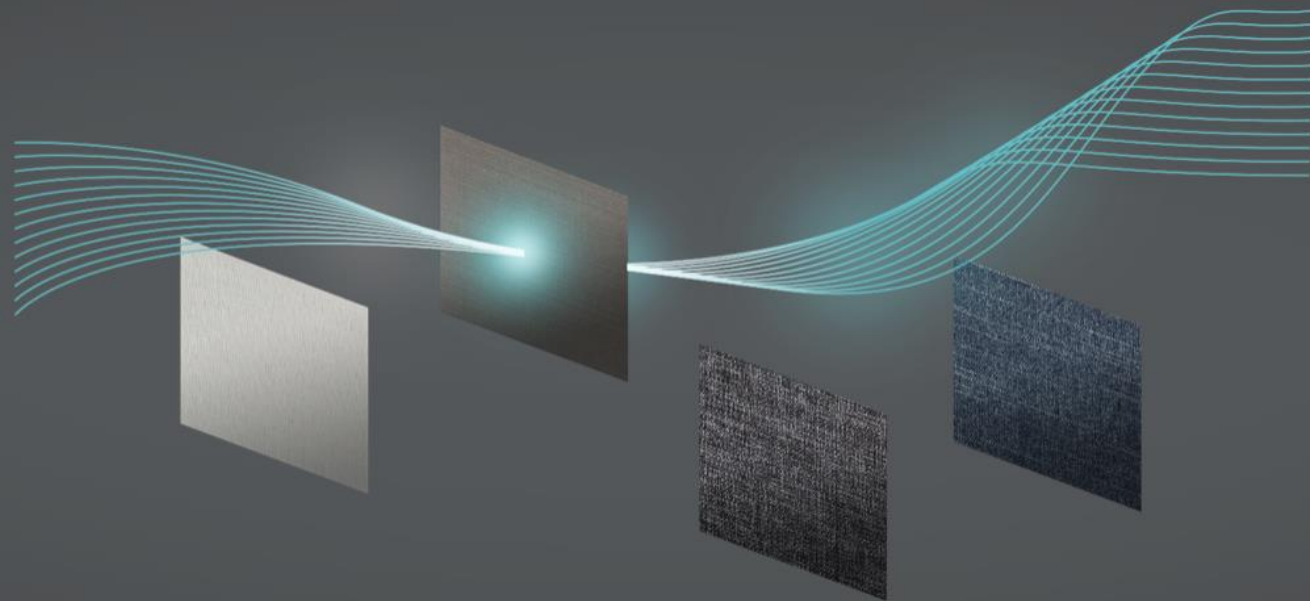


SPEAKER PROXIMITY

SOUND BY  
**harman/kardon**



# LOVESAC STEALTHTECH

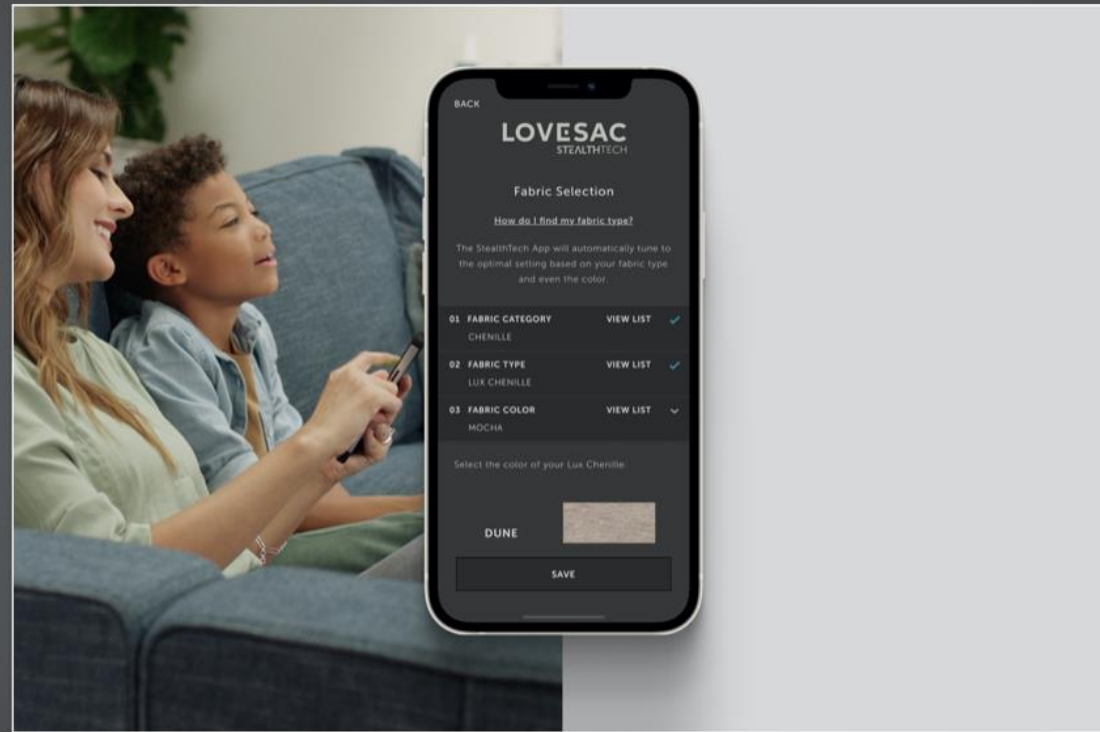


LAYOUT & FABRIC TUNING TECHNOLOGY

— SOUND BY —  
**harman/kardon**



# LOVESAC STEALTHTECH



## CONTROLLABLE

SOUND BY  
harman/kardon



















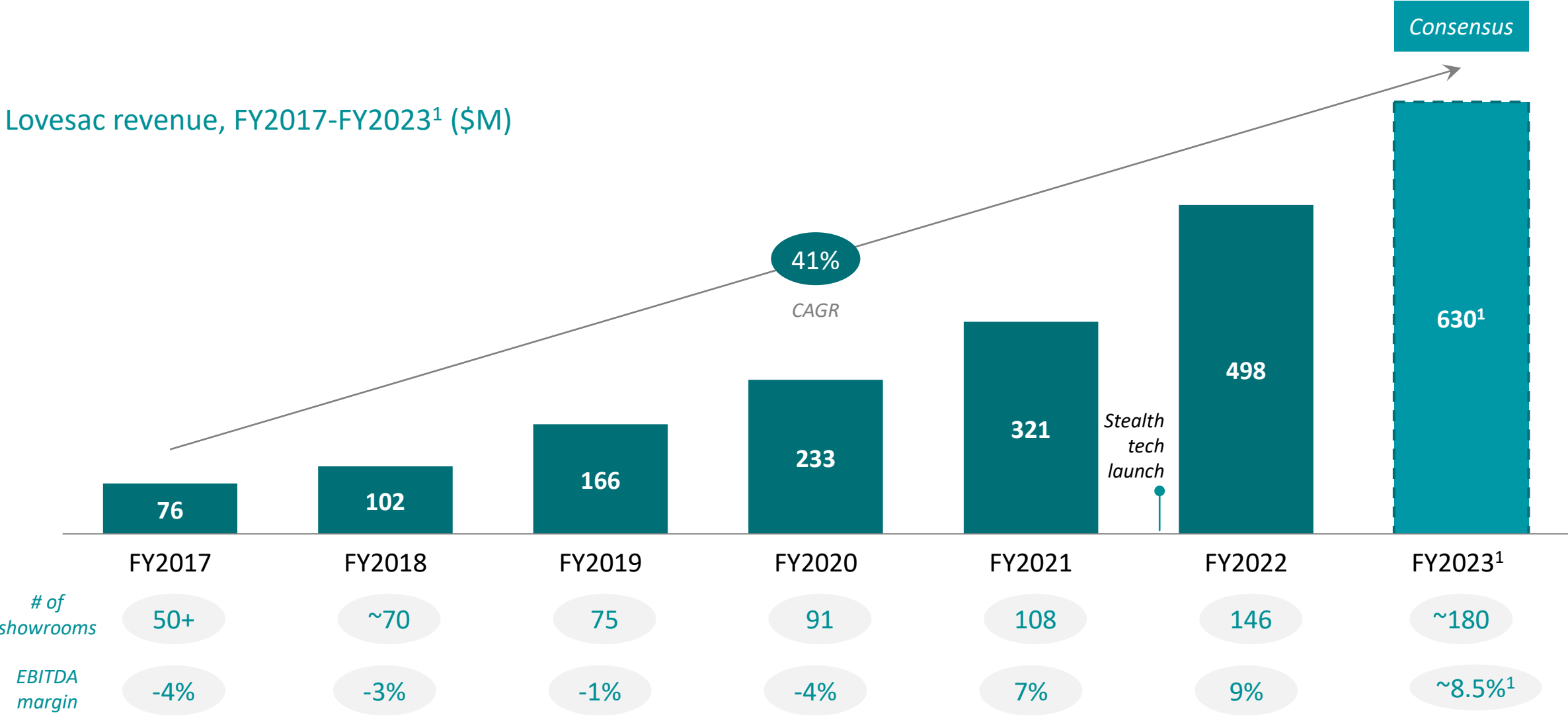


Don't Just Hear it. Feel it.



# Revenue has grown at 41% CAGR vs. market 4%

Lovesac revenue, FY2017-FY2023<sup>1</sup> (\$M)



1. FY23 consensus estimates current as of 1/5/2023  
Source: Lovesac financial statements; Company data; Press release; Euromonitor sitting furniture market data; S&P Capital IQ



# Key investment highlights

1

Large **\$46B seating and home audio market in the U.S.**, where **48%** of households have income over \$75,000

**48%**

U.S. households > \$75k HHI<sup>1</sup>

2

Growth **from ~\$80M to ~\$630M<sup>2</sup> in 6 years** (+41% CAGR FY17-FY23<sup>1</sup>), outpacing the broader market by **~37 percentage points**, while achieving EBITDA positive margins in recent years

**+41%**

6-year Lovesac CAGR

3

Outpaced category sales demand this year even during market deceleration in FY23 (**34% vs -17%<sup>3</sup>**)

**+34%**

YTD demand growth<sup>3</sup>

4

Unique omnichannel ESG model with 2040 goals of zero waste and zero emissions with distorted results: **showrooms ~5x more productive** than competition and runway to grow to a potential of **400+ locations** in 5 years

**400+**

Showrooms in 5 years

5

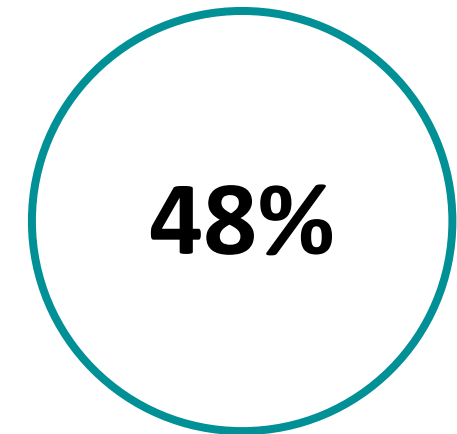
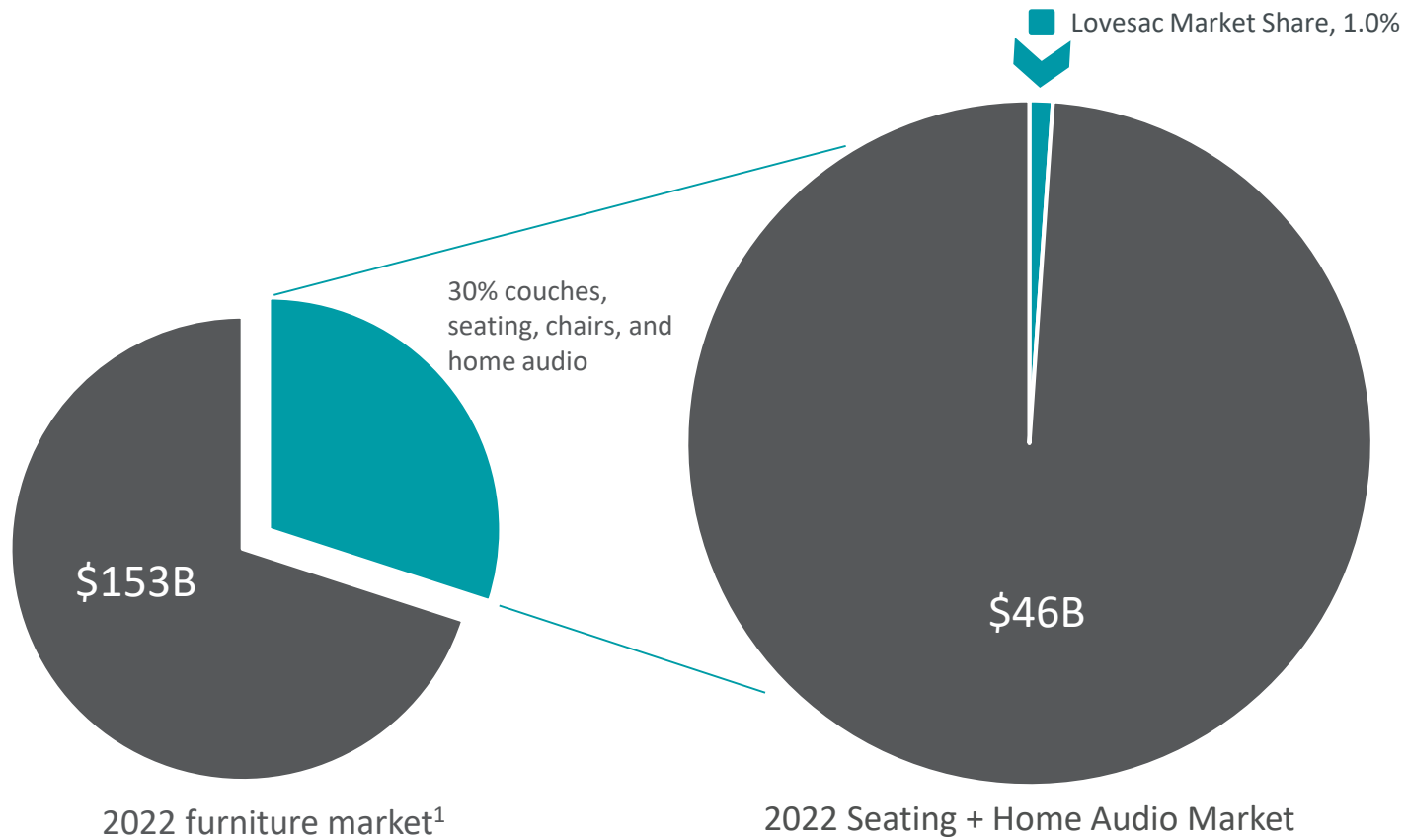
Robust product pipeline atop **core \$500M+ Sactional platform** with \$100M+ stealth tech potential and 8+ future innovation launches in next 2-3 years

**8+**

Future launches in 2-3 years



# Significant runway



U.S. households > \$75k HHI

1. Includes home audio

Source: Mintel; CTA U.S. Consumer Technology Five-Year Industry Forecast 2020-2025 (January 2022); U.S. Census Data 2021



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Future launches in 2-3 years



# Outperforming decelerating market by ~50 percentage points

Q3 YTD Sales Demand Growth<sup>1</sup>

U.S. furniture market

-17%

+51pp

LOVESAC

+34%

Note: YoY growth from YTD FY22 Q3 to YTD FY23 Q3  
Source: Lovesac; Earnest sales demand data for furniture market



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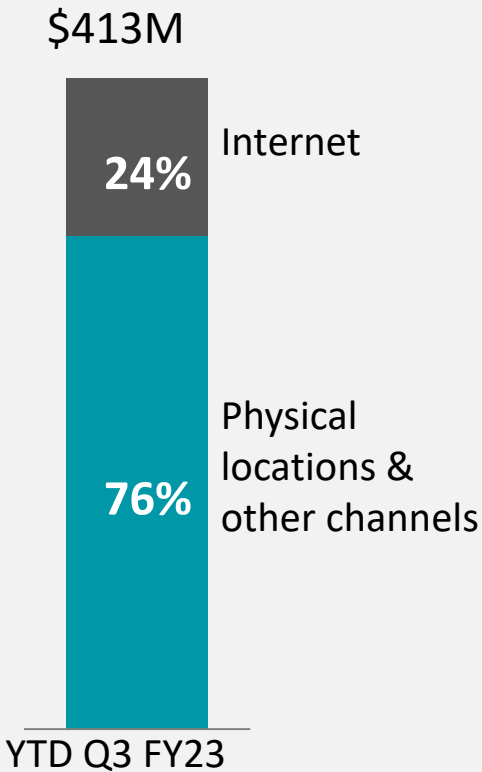
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## Well balanced omni-channel strategy

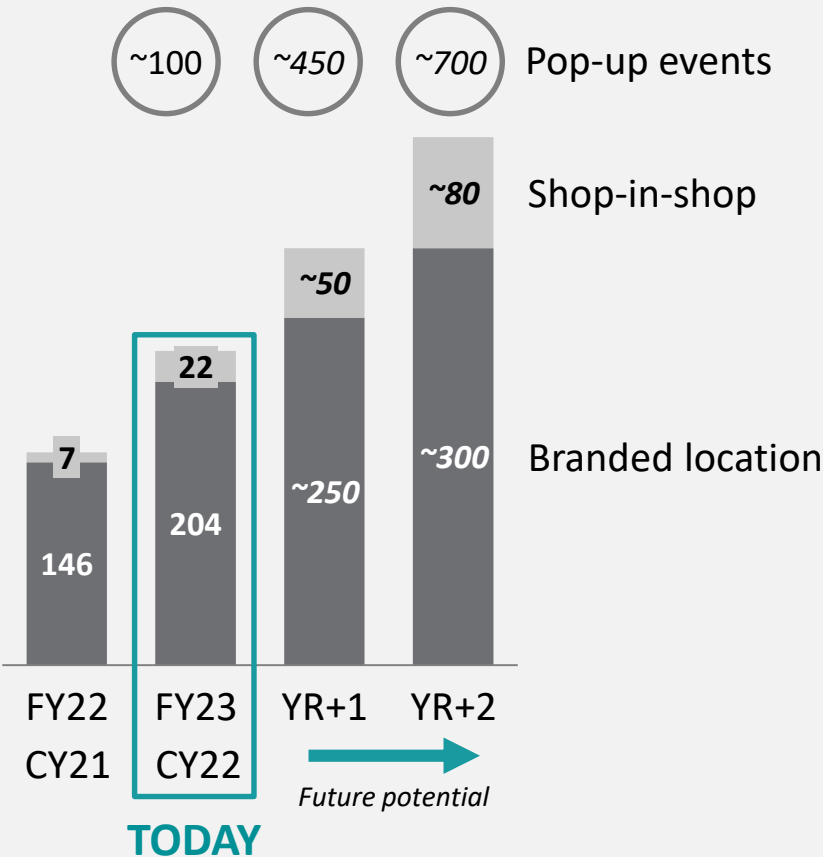


## Unique showroom model drives productivity above peers



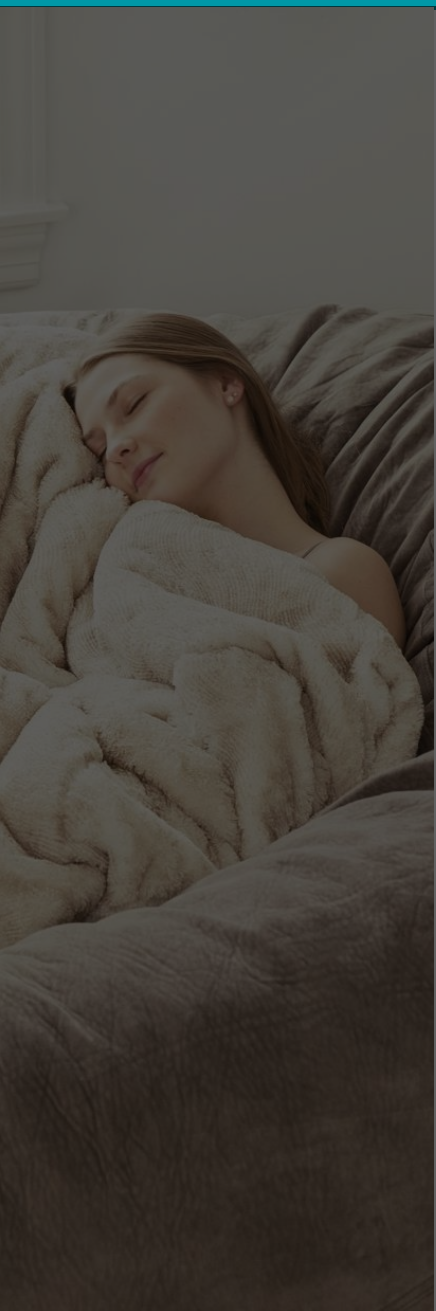
Showroom payback period <1 year<sup>6</sup>

## Growing productivity supports physical location runway potential



1. Sales / physical sq ft of retail space 2. Current as of Q3 FY 23 3. Upper bound estimate (assumes 100% of sales are in showrooms) calculated using total revenue and total retail space (Arhaus FY21) 4. Upper bound estimate (assumes 100% of sales are in stores) calculated using total revenue and total retail space (WSM FY21). 5. Industry publications 6. Based on Q4 FY 23 calculations  
Source: Lovesac internal documents; Public market data; Industry Publications; BCG Analysis

# Key investment highlights



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6-year Lovesac CAGR

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YTD demand growth<sup>3</sup>

**400+**

Showrooms in 5 years

**8+**

Future launches in 2-3 years



# Robust innovation pipeline yields unparalleled productivity

**\$500M+** growing platform

**SACTIONALS**  
The World's Most Adaptable Couch.™



Sactional platform continues strong growth



**\$100M+** future potential

**LOVESAC**  
STEALTHTECH



Recent innovation with strong launch



Unlocking future runway for next 10 years and beyond

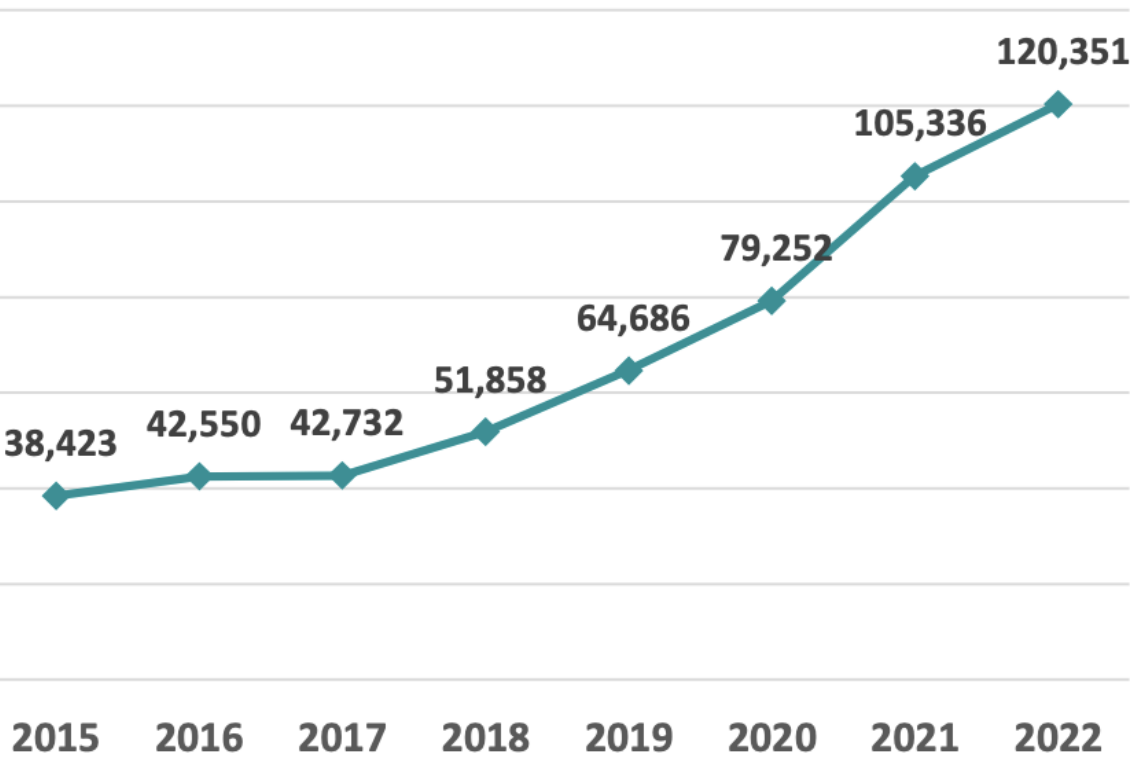
**Product innovation**



Future launches in the next 2-3 years

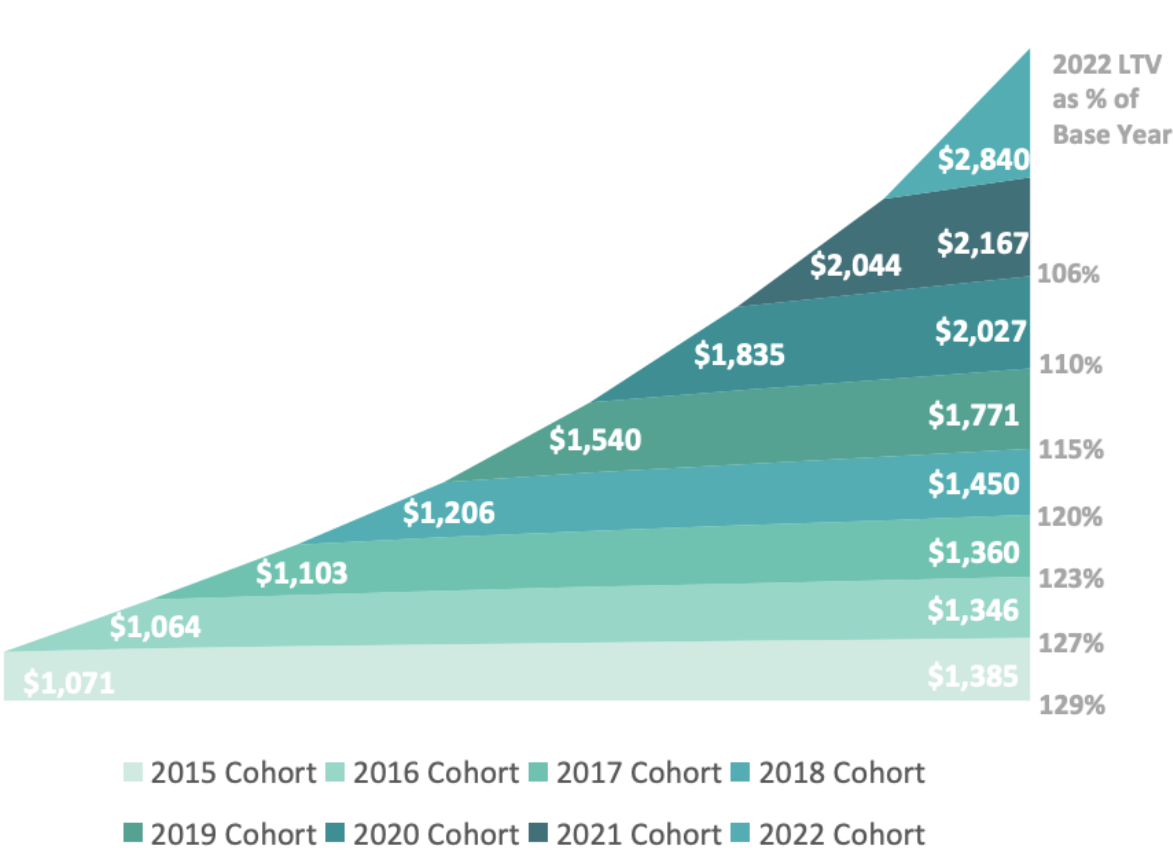
Disruptive DFL innovations planned for next 10 years

New Customer Count



- **87.6%** 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

Lifetime Value of Customers



Source: Company Internal Transactional data through 1/30/2022.  
Note: Represents all customers (positive sales only), excluding business development and Costco; represents fiscal year ends



# Near-in certainty and longer-term opportunity

## *Proven near-term growth levers*



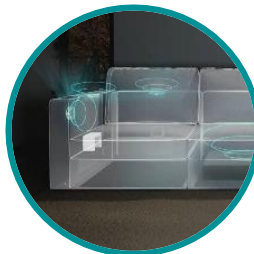
## *Further growth runway in the future*



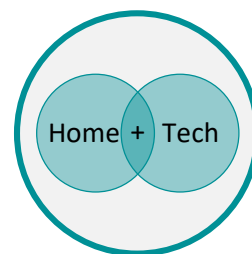
Showroom expansion



Other touchpoint expansion



Product innovation



New product categories



Services to drive accelerated / recurring revenue



International markets

# Lovesac team has delivered and will drive next era of growth



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



**Mary Fox**  
President & COO  
1+ Years at Lovesac  
(Previous Lovesac Board Member)



**Jack Krause**  
Chief Strategy Officer  
6+ Years at Lovesac  
(New Board Member)



**Donna Dellomo**  
EVP & CFO  
5+ Years at Lovesac



**Todd Duran**  
CIO  
Under 1 Year at Lovesac



**John Legg**  
Chief Supply Chain Officer  
Under 1 Year at Lovesac



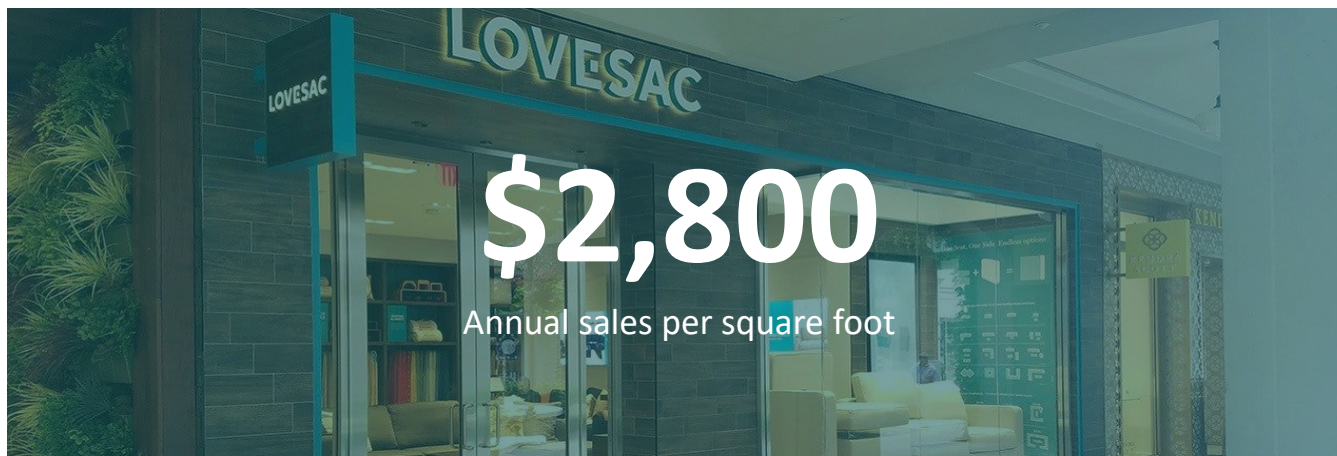




# Appendix

## LOVESAC

Compact showrooms with industry-leading productivity



**~800**

Avg. sq ft

**180+**

Total showrooms

- Compact, inventory-light showrooms only require a few sample configurations
- Stacked inventory available for immediate sale
- Stand-out in-person experience and products drive traffic and sales

## ARHAUS<sup>®</sup>

Traditional model



**~16,000**

Avg. sq ft

**79**

Total showrooms

- Broad merchandising
- More bloated onsite inventory
- Traditional, less distinctive products

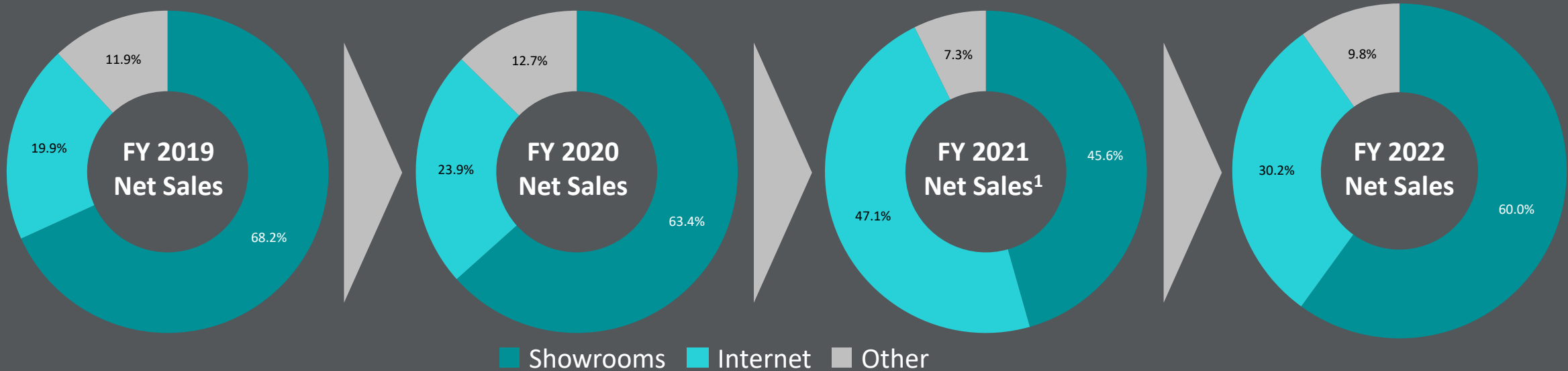
1. Upper bound estimated (assumes 100% of sales are in showrooms) calculated using total revenue and total retail space (FY21)  
Source: Lovesac; Arhaus Annual Reports



# Lovesac has developed a balanced omni-channel strategy

LOVESAC

## 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 8 online pop-up-shops on Costco.com in FY2022

<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.

# 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.  
FY2022 CLV:CAC ratio of 5.2X

## 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 FY2023

\* Awareness unaided is currently < 2% nationally



# Lovesac is a sustainability leader beyond traditional ESG

LOVESAC

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



From April 2018 to January 2022, Lovesac repurposed more than **100 million plastic water bottles** to make Sactionals

# StealthTech™ is key differentiator and growth opportunity

LOVESAC

## 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

**LOVESAC**  
Designed for Life Furniture Co.



**LOVESAC**  
STEALTHTECH



INVISIBLE FUNCTIONALITY

## 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



Enhanced  
Functionality  
With No  
Impact to Style



# Lovesac has built scalable infrastructure and capabilities

LOVESAC

## Showroom Technology



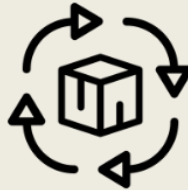
Large format motion screens and interactive touchpads to enhance CX

## Data Warehouse & CRM



Scalable foundation for ERP and CRM

## Logistics Optimization



Concentrated evergreen 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