RH

Restoration Hardware Holdings, Inc.

Illustrative Table of Potential Dilutive Impact of Convertible Senior Notes due 2023 and Call Spread
UNAUDITED

In Q2 2018, we issued $335 million aggregate principal amount of 0.00% convertible senior notes due 2023 (the "Notes"). The initial conversion rate applicable to the Notes is 5.1640 shares of common stock per $1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately $193.65 per share. These Notes have a dilutive effect on GAAP EPS while the Notes are outstanding, but once converted or settled, there is anticipated to be no actual dilution as we entered into a bond hedge in June 2018 that is intended to offset the actual dilution related to these Notes. The bond hedge is not included in the calculation of diluted GAAP EPS as it is anti-dilutive.

In Q2 2018, we also sold warrants for 1,729,940 shares of our common stock, which represents the number of shares of our common stock underlying the Notes. The warrants had a strike price of $309.84. These warrants could separately have a dilutive effect on GAAP EPS to the extent that the market price per share of our common stock exceeds the strike price and could cause actual dilution.

The following table illustrates the potential dilutive shares that would be included in the calculation of our future reported GAAP EPS assuming various hypothetical quarterly average market prices of our common stock (NYSE: RH). The potential dilutive shares are calculated using the treasury stock method. As mentioned above, total actual dilution at maturity is reduced by the effect of our bond hedge.

Shares in Millions

Hypothetical Quarterly Average Share Price [1]	Net Shares from Notes	Net Shares from Warrants	Total Dilutive Potential Shares for EPS Purposes [2]	Net Shares from Bond Hedge [3]	Total Expected Dilution at Maturity of Notes [4]
$190.00	-	-	-	-	-
$200.00	0.055	-	0.055	(0.055)	-
$210.00	0.135	-	0.135	(0.135)	-
$220.00	0.207	-	0.207	(0.207)	-
$230.00	0.273	-	0.273	(0.273)	-
$240.00	0.334	-	0.334	(0.334)	-
$250.00	0.390	-	0.390	(0.390)	-
$260.00	0.441	-	0.441	(0.441)	-
$270.00	0.489	-	0.489	(0.489)	-
$280.00	0.534	-	0.534	(0.534)	-
$290.00	0.575	-	0.575	(0.575)	-
$300.00	0.613	-	0.613	(0.613)	-
$310.00	0.649	0.001	0.650	(0.649)	0.001
$320.00	0.683	0.055	0.738	(0.683)	0.055
$330.00	0.715	0.106	0.820	(0.715)	0.106
$340.00	0.745	0.153	0.898	(0.745)	0.153
$350.00	0.773	0.198	0.971	(0.773)	0.198
$360.00	0.799	0.241	1.040	(0.799)	0.241
$370.00	0.825	0.281	1.106	(0.825)	0.281
$380.00	0.848	0.319	1.168	(0.848)	0.319
$390.00	0.871	0.356	1.227	(0.871)	0.356
$400.00	0.892	0.390	1.282	(0.892)	0.390

The table above is for illustrative purposes and does not represent our forecast of future stock performance.

Note 1 - The prices listed in the table are illustrative. Although dilution continues beyond $400 per share, we have not presented further data.

Note 2 - These are the number of shares to be used for calculating diluted EPS, pursuant to GAAP.

Note 3 - The bond hedge only offsets the actual dilution from the Notes at maturity.

Note 4 - These are the number of shares that represent the actual dilution from the Notes at maturity.

This document contains forward-looking statements regarding the total potential dilutive shares that would be included in the calculation of GAAP EPS. Actual results may differ materially from those contained in the forward-looking statements. Please refer to the Current Reports on Form 8-K filed on June 14, 2018, June 19, 2018 and June 28, 2018 which include information regarding the convertible senior notes and call spread documents, and other filings made by RH with the Securities and Exchange Commission, including RH's most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. These documents contain and identify important factors that could cause actual results to differ materially from those contained in our forward-looking statements.