



LOVESAC[®]

Designed for Life[™] 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,” “future,” “vision,” “intend,” “may,” “plan,” “planned,” “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 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. Refer to the Appendix for a reconciliation of this non-GAAP financial measure with the most directly comparable GAAP financial measure.

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[®]

The World's Most Adaptable Couch.[™]



FY2023 YTD Q3 Key Financial Metrics

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

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

¹ Adjusted EBITDA is a non-GAAP measure. Refer to the Appendix for a reconciliation.

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 EBITDA¹ margin to increase ~325 bps** versus same quarter LY

¹ Adjusted EBITDA is a non-GAAP measure. Refer to the Appendix for a reconciliation.

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







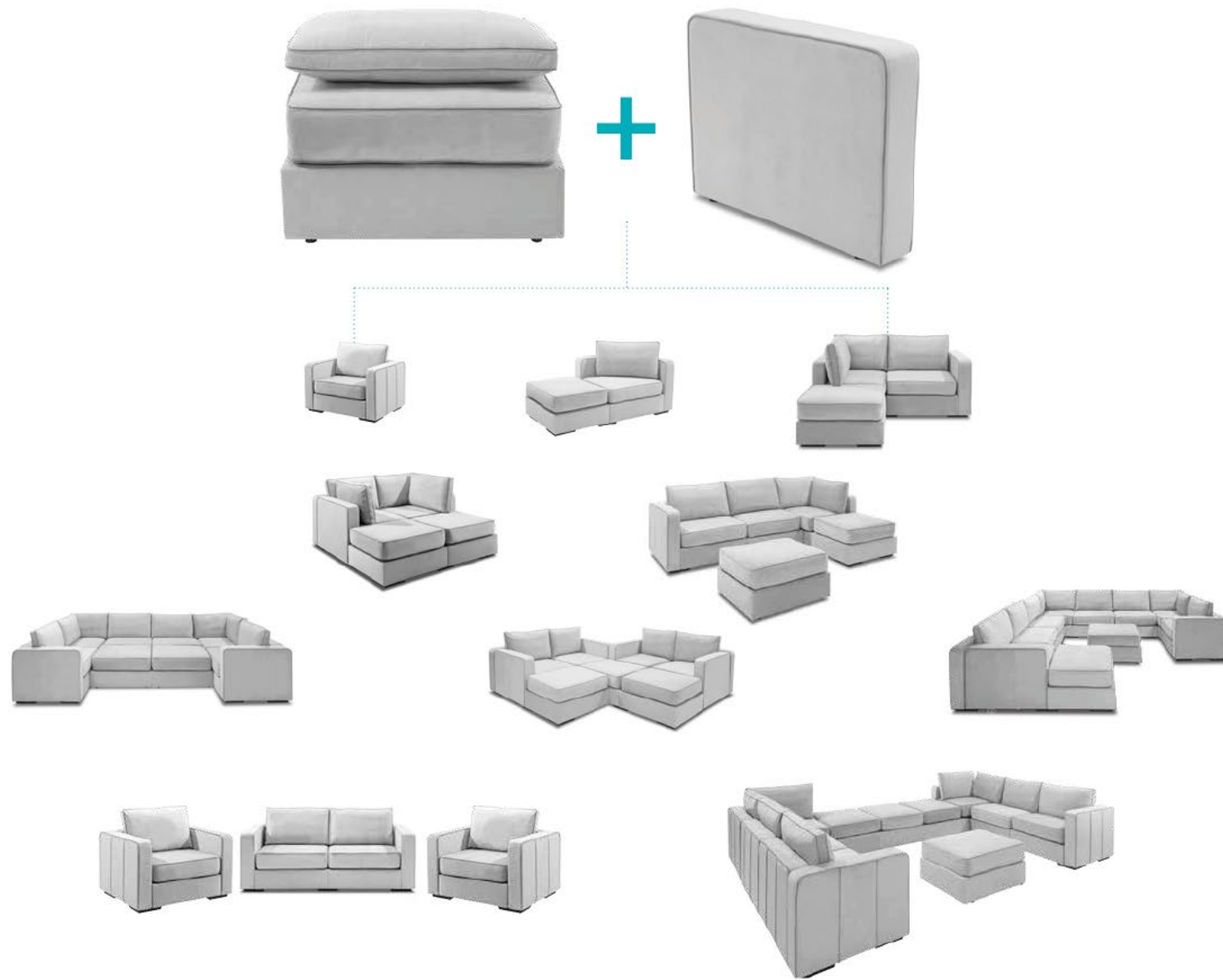




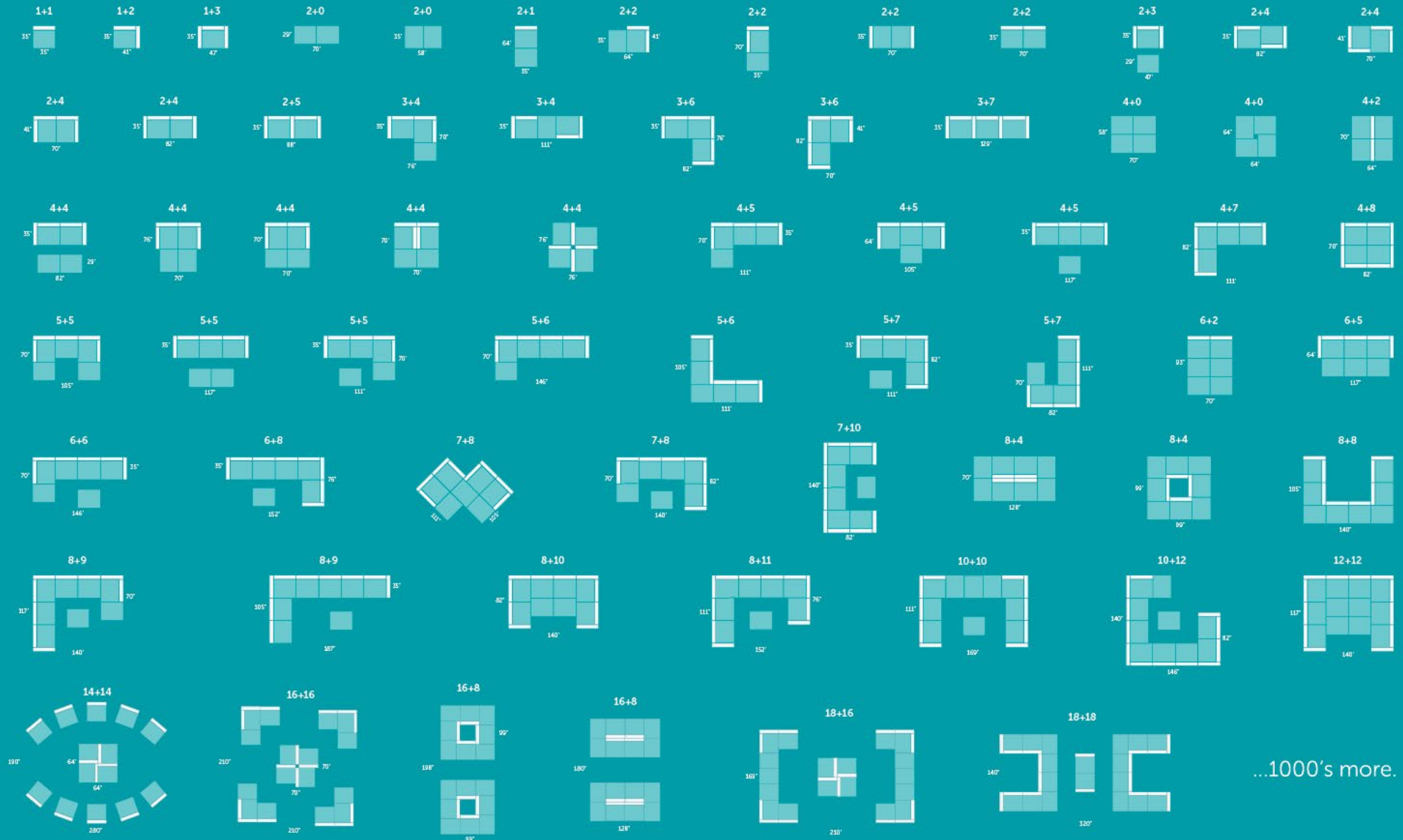




Sactionals[®] only from LOVESAC



Sactionals® 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































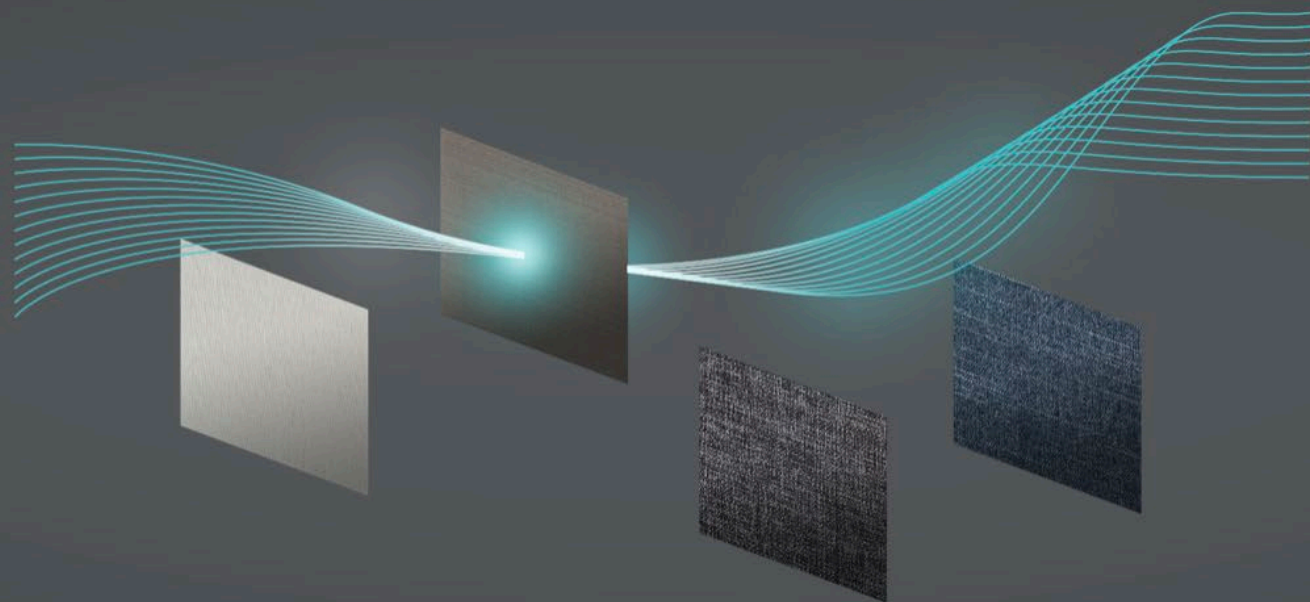
LOVESAC STEALTHTECH



SPEAKER PROXIMITY

SOUND BY
harman/kardon

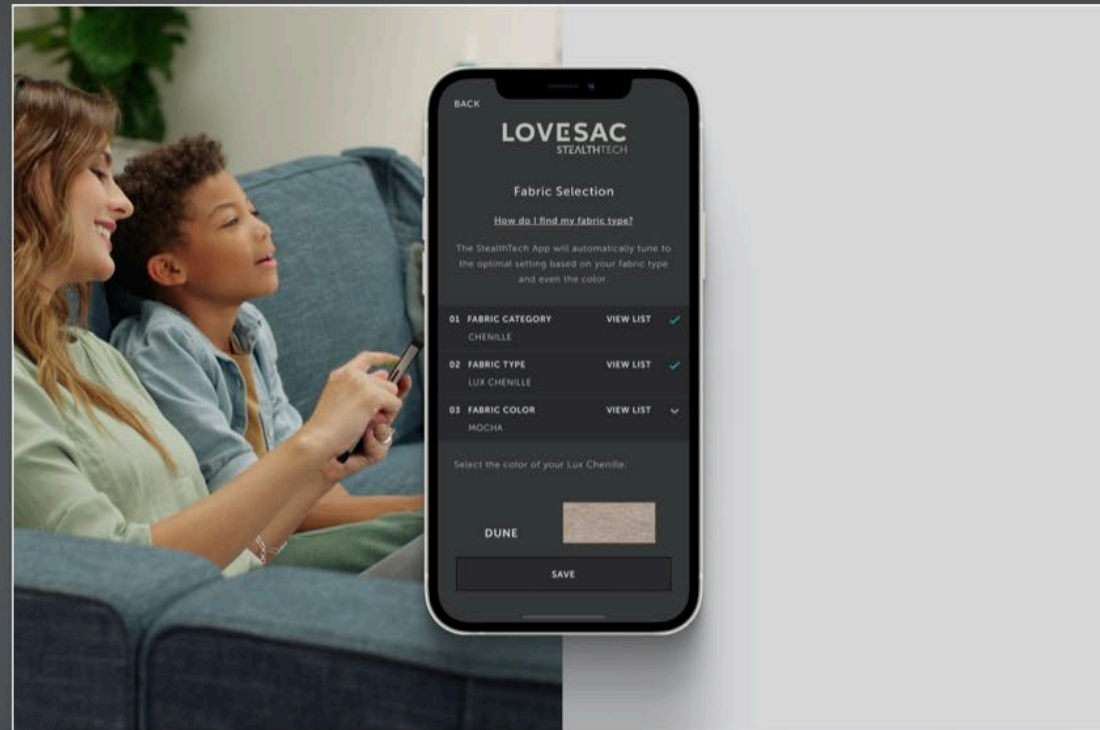
LOVESAC STEALTHTECH



LAYOUT & FABRIC TUNING TECHNOLOGY

SOUND BY
harman/kardon

LOVESAC STEALTHTECH



CONTROLLABLE

SOUND BY
harman/kardon







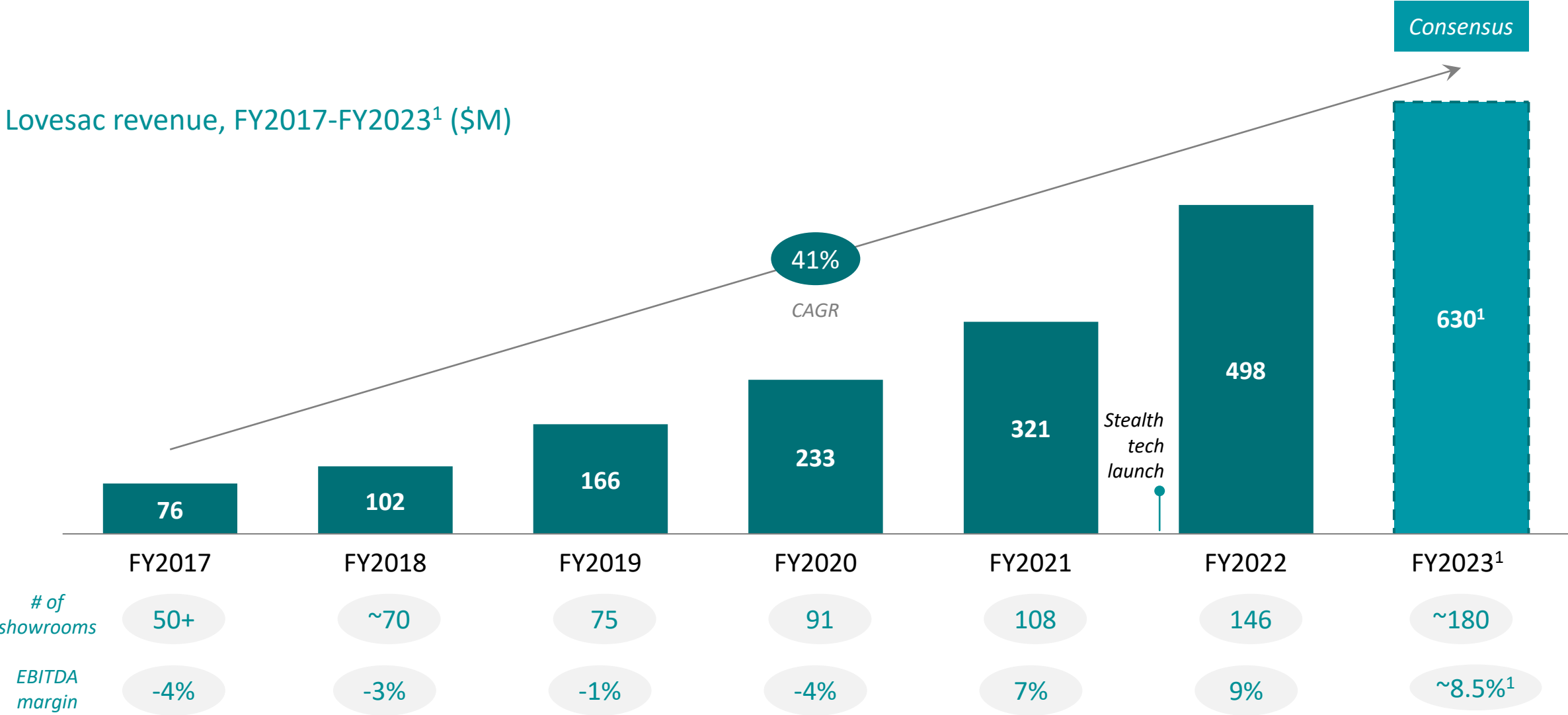




Don't Just Hear it. Feel it.

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

Lovesac revenue, FY2017-FY2023¹ (\$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 HHI¹

2

Growth **from ~\$80M to ~\$630M² in 6 years** (+41% CAGR FY17-FY23¹), 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%³**)

+34%

YTD demand growth³

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

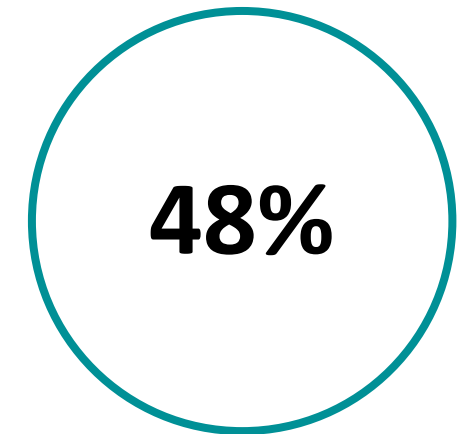
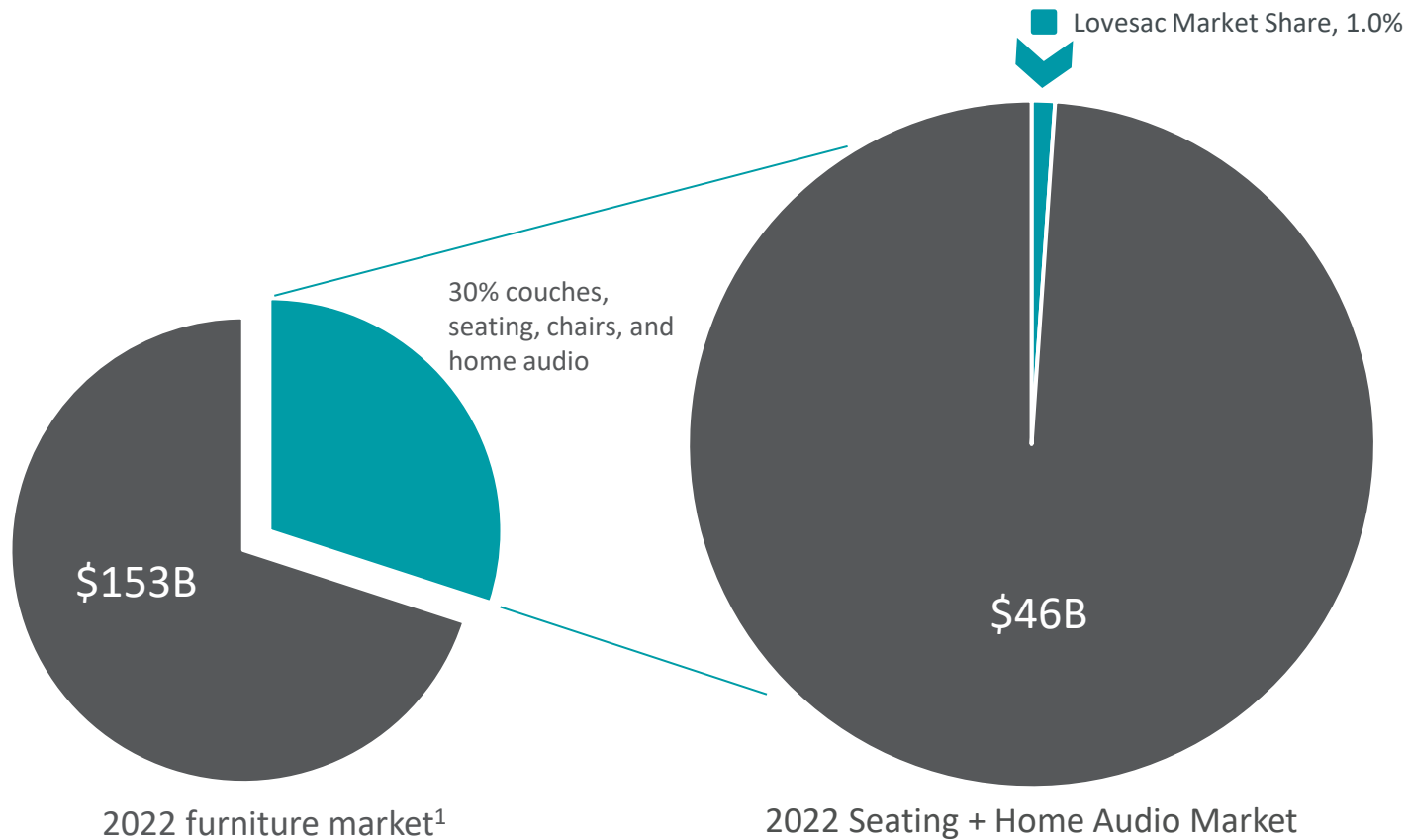
5

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 Growth¹

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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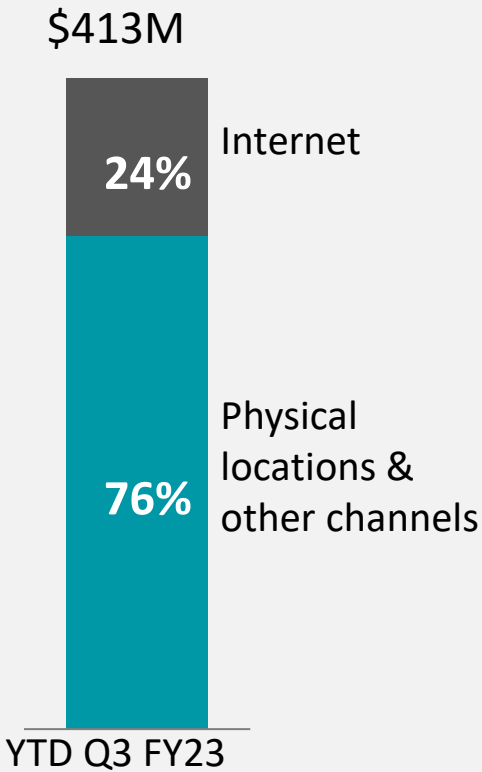
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Future launches in 2-3 years

Well balanced omni-channel strategy

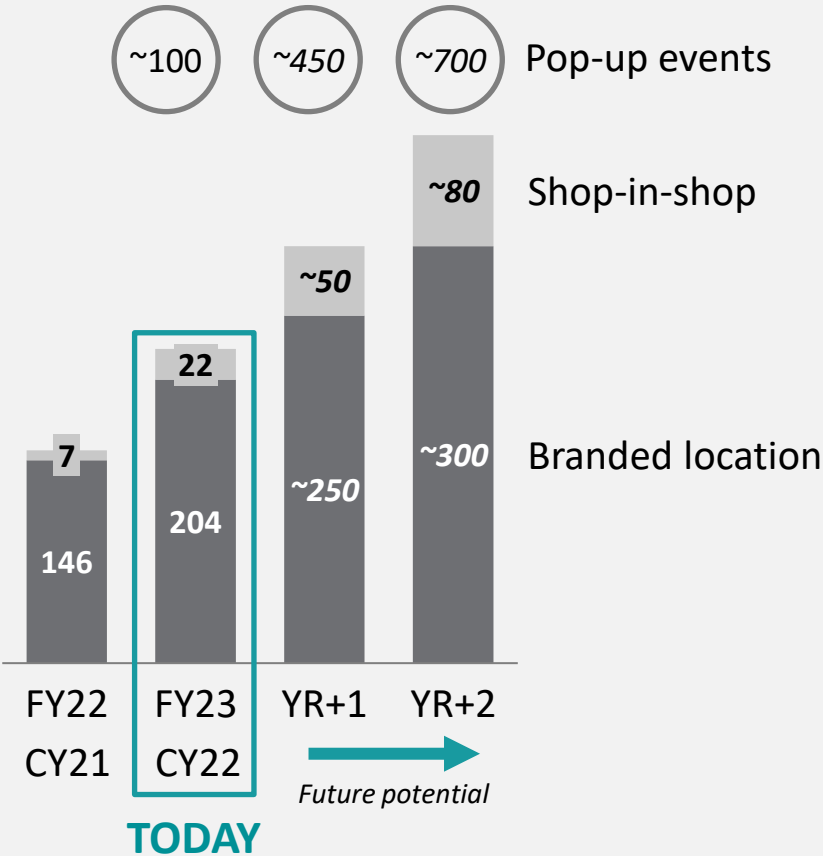


Unique showroom model drives productivity above peers



Showroom payback period <1 year⁶

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

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8+

Future launches in 2-3 years

Robust innovation pipeline yields unparalleled productivity

\$500M+ growing platform

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Sactional platform continues strong growth



\$100M+ future potential

LOVESAC
STEALTHTECH



Recent innovation with strong launch



Unlocking future runway for next 10 years and beyond

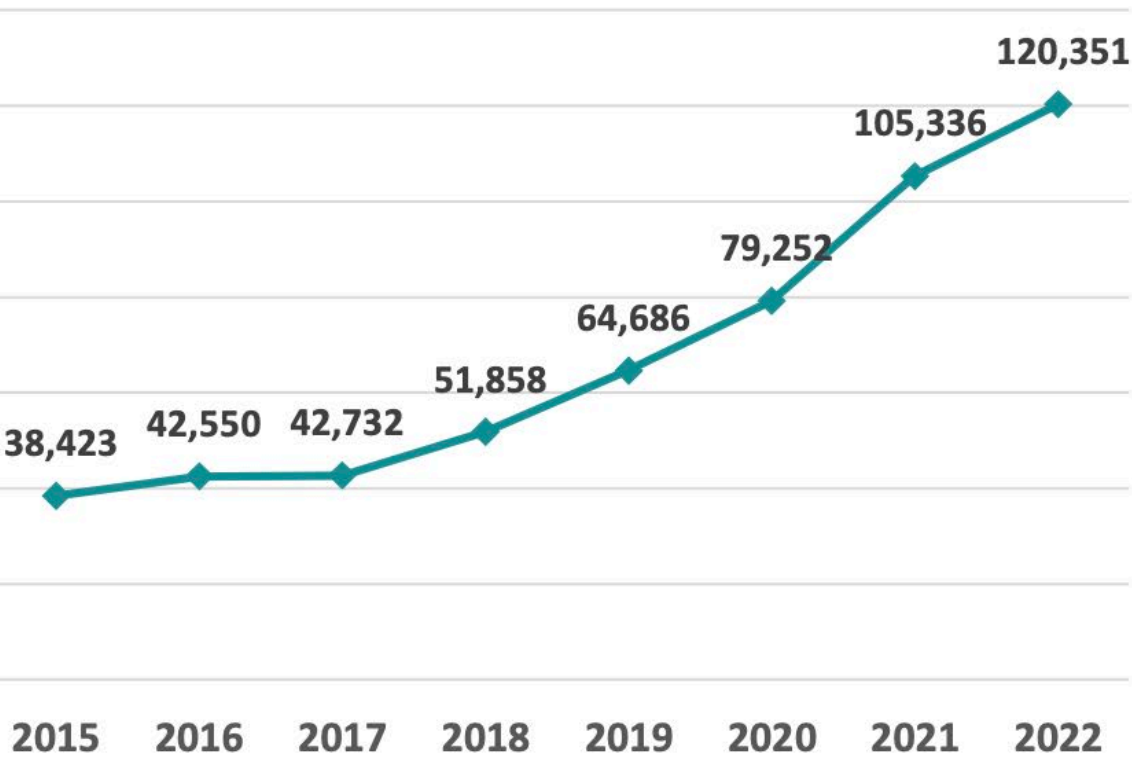
Product innovation



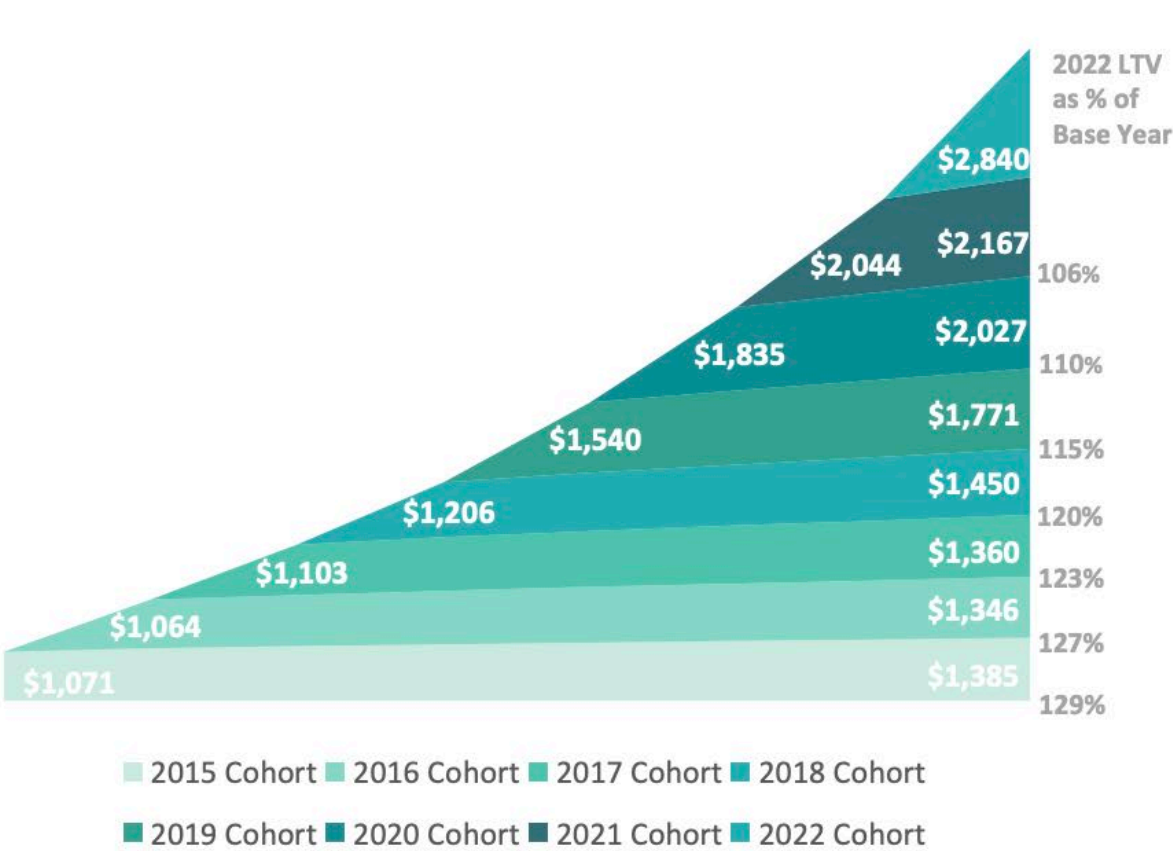
Future launches in the next 2-3 years

Disruptive DFL innovations planned for next 10 years

New Customer Count



Lifetime Value of Customers



- **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

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



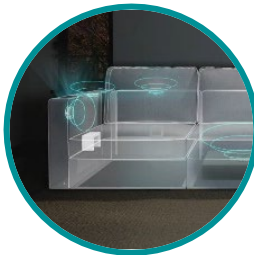
Further growth runway in the future



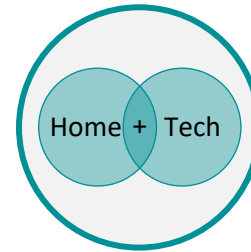
Showroom expansion



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[®]

Traditional model

\$620¹

Annual sales per square foot

~16,000

Avg. sq ft

79

Total showrooms

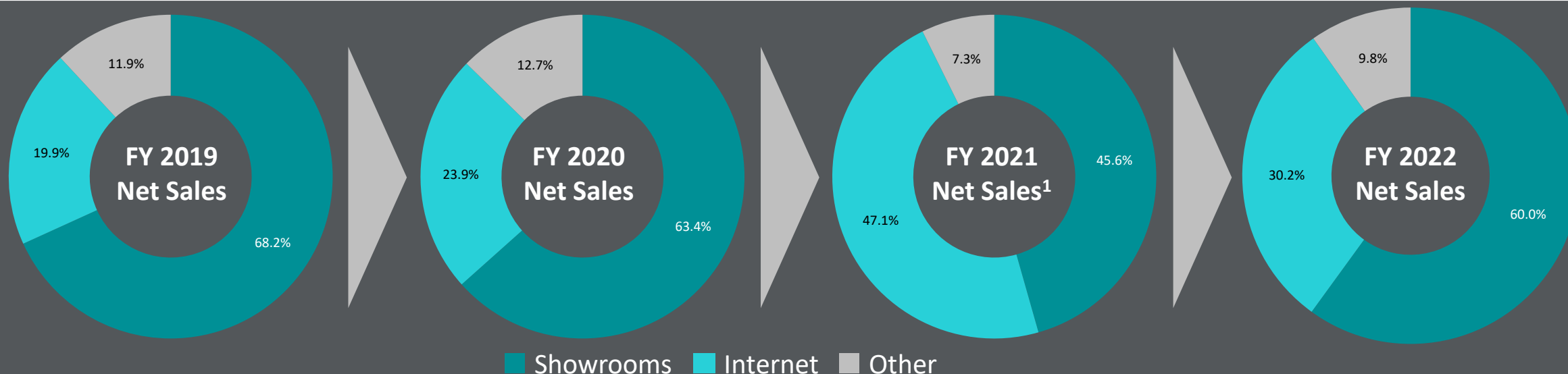
- Broad merchandising
- More bloated onsite inventory
- Traditional, less distinctive products

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

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.

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



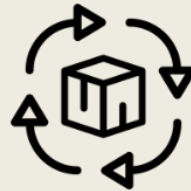
Large format motion screens and interactive touchpads to enhance CX

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

Fiscal 2023 Q3 and Q3 YTD Adjusted EBITDA Non-GAAP Reconciliation

(amounts in thousands)	Thirteen weeks ended October 30, 2022	Thirteen weeks ended October 31, 2021	Thirty-nine weeks ended October 30, 2022	Thirty-nine weeks ended October 31, 2021
Net (loss) income	\$ (8,419)	\$ 2,752	\$ 598	\$ 13,260
Interest expense, net	69	45	101	135
(Benefit) provision for income taxes	(3,245)	174	247	842
Depreciation and amortization	2,459	1,726	8,196	5,748
EBITDA	(9,136)	4,697	9,142	19,985
Equity-based compensation (a)	739	1,121	3,034	3,014
Loss on disposal of property and equipment (b)	41	—	41	—
Other non-recurring expenses (c)	—	—	(105)	—
Impairment of right of use lease asset (d)	—	—	—	554
Adjusted EBITDA	<u>\$ (8,356)</u>	<u>\$ 5,818</u>	<u>\$ 12,112</u>	<u>\$ 23,553</u>

(a) Represents expenses, such as stock compensation expense related to the amortization of restricted stock units and stock option awards granted to our associates and our board of directors in addition to the employer taxes related to the vesting and exercise of this equity.

(b) Represents the loss on disposal of fixed assets related to showroom remodels.

(c) There were no other non-recurring expenses in the thirteen weeks ended October 30, 2022 and October 31, 2021, respectively. Other non-recurring expenses in the thirty-nine weeks ended October 30, 2022 represent costs related to a legal settlement. There were no other non-recurring expenses in the thirty-nine weeks ended October 31, 2021.

(d) Represents the impairment of the right of use lease asset for one showroom.