

WARBY PARKER

# FIRST QUARTER 2022 EARNINGS REPORT

Speakers:

DAVE GILBOA | Co-Founder & Co-CEO

NEIL BLUMENTHAL | Co-Founder & Co-CEO

STEVE MILLER | SVP & Chief Financial Officer

## FORWARD-LOOKING STATEMENTS / NON-GAAP FINANCIAL MEASURES

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This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may relate to, but are not limited to, expectations of future operating results or financial performance, including expectations regarding achieving profitability and our GAAP and non-GAAP guidance for the quarter ending June 30, 2022, and the year ending December 31, 2022; expectations regarding the number of new store openings during the year ending December 31, 2022; management’s plans, priorities, initiatives, and strategies; and expectations regarding growth of our business. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “toward,” “will,” or “would,” or the negative of these words or other similar terms or expressions. You should not put undue reliance on any forward-looking statements. Forward-looking statements are based on information available at the time those statements are made and are based on current expectations, estimates, forecasts, and projections as well as the beliefs and assumptions of management as of that time with respect to future events. These statements are subject to risks and uncertainties, many of which involve factors or circumstances that are beyond our control, that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Additional information regarding these and other risks and uncertainties is included in our Annual Report on Form 10-K for the year ended December 31, 2021. Forward-looking statements should not be read as a guarantee of future performance or results. Except as required by law, we do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments, or otherwise.

In addition, this presentation contains certain “non-GAAP financial terms.” The non-GAAP measures are presented for supplemental informational purposes only. Reconciliations to the most directly comparable financial measure calculated and presented in accordance with GAAP are provided in the appendix to this presentation. Although we provide forecasts for certain non-GAAP financial measures, we are not able to forecast the most directly comparable measures calculated and presented in accordance with GAAP without unreasonable efforts due to the uncertainty and potential variability of the reconciling items.

SINCE OUR  
FOUNDING, WE'VE  
PIONEERED IDEAS,  
DESIGNED PRODUCTS,  
AND DEVELOPED  
TECHNOLOGIES THAT  
**HELP PEOPLE SEE.**



# COMPANY OVERVIEW

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1. Our sales represent just 1% of the \$44 billion U.S. eyewear market
2. We maintain a best-in-class NPS of 80+, with low unaided brand awareness of less than 15%
3. We helped pioneer the vertically integrated, direct-to-consumer model
4. Warby Parker has 169 stores out of 41,000 optical shops in the U.S.
5. We are evolving from a glasses-only product offering into a holistic vision care company
6. Our ultimate objective is vision for all, which is why for every pair of glasses or sunglasses sold, a pair of glasses is distributed to someone in need



## FIRST QUARTER 2022: FINANCIAL HIGHLIGHTS

.....

**\$153M**

NET REVENUE

**10.3%**

NET REVENUE  
GROWTH

**2.23M**

ACTIVE CUSTOMERS

**\$249**

AVERAGE REVENUE  
PER CUSTOMER<sup>(1)</sup>

**80+**

NET PROMOTER  
SCORE

**169**

STORES

**\$0.8M**

ADJUSTED EBITDA<sup>(2)</sup>

**0.5%**

ADJUSTED EBITDA  
MARGIN<sup>(2)</sup>

<sup>(1)</sup> Defined as net revenue for the trailing twelve-month period divided by the number of Active Customers as of the end of that same period.

<sup>(2)</sup> Non-GAAP financial term. See appendix for reconciliation of non-GAAP measures.





Lehigh Valley (Whitehall, PA)

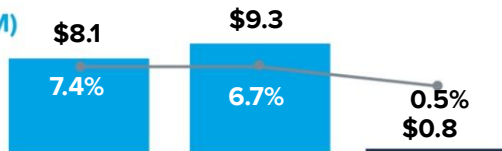
## NET REVENUE AND ADJUSTED EBITDA MARGIN PERFORMANCE

### Q1 Net Revenue (\$M)



	Q1'20	Q1'21	Q1'22
Revenue Growth %	17%	27%	10%
3-year CAGR %	28%	27%	18%
Active Customers (M)	1.80	1.89	2.23
Avg. Revenue per Customer (LTM)	\$214	\$223	\$249
Store Count	119	134	169

### Q1 Adjusted EBITDA (\$M)

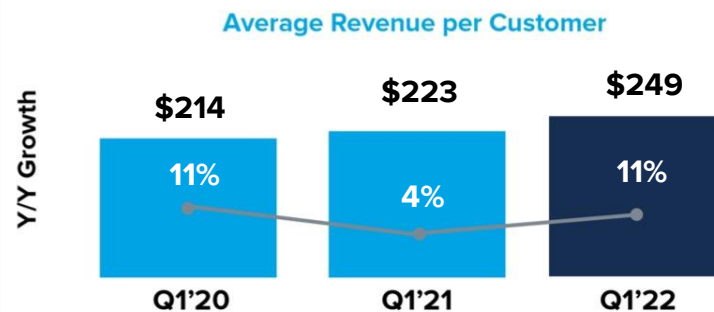
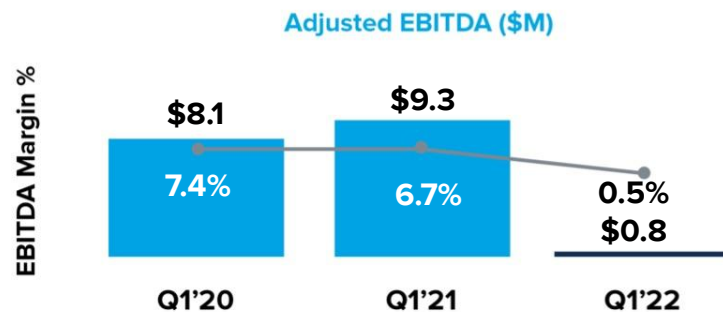
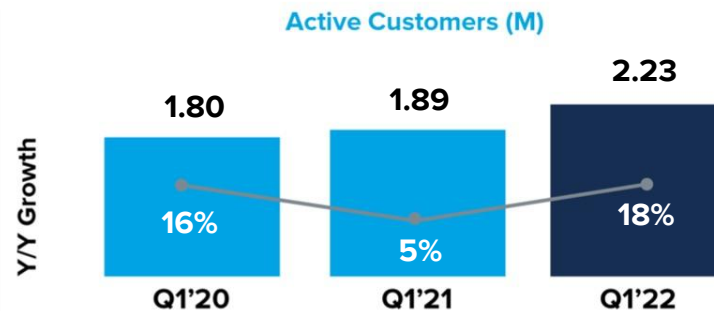
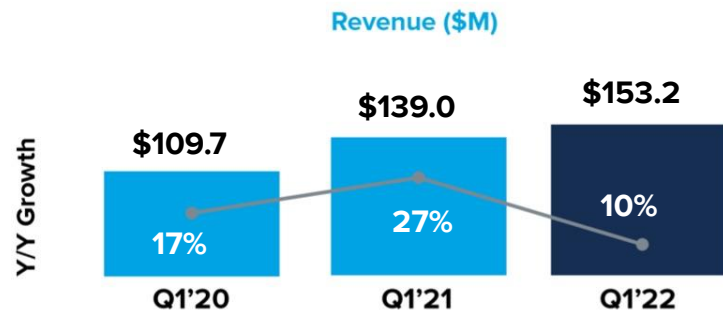


% of Revenue	Q1'20	Q1'21	Q1'22
Adj. Gross Margin % <sup>(1)</sup>	60.7%	60.3%	58.7%
Adj. SG&A % <sup>(1)</sup>	57.4%	57.0%	62.8%

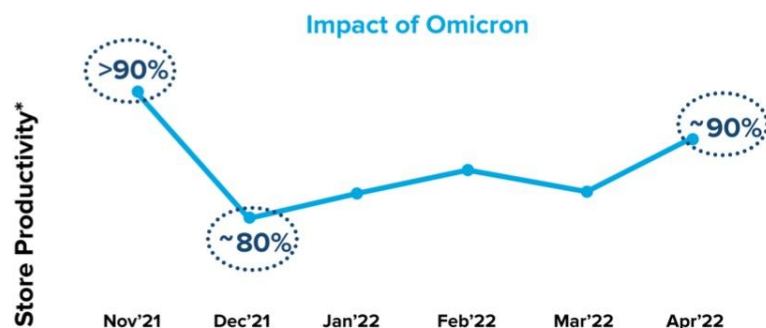
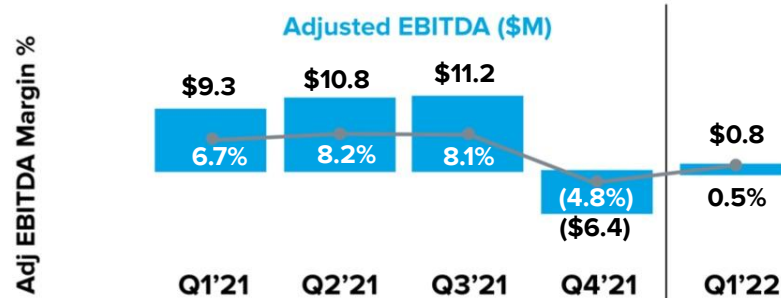
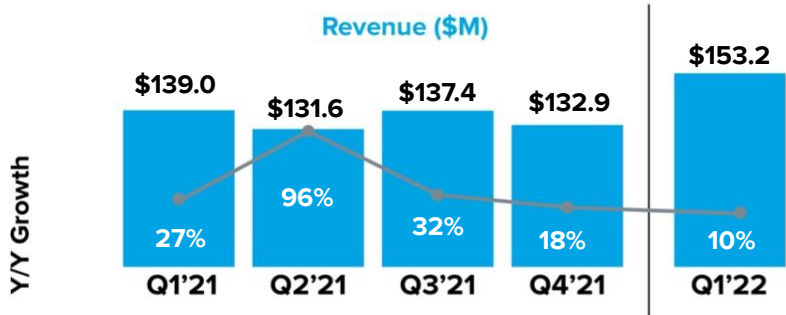
### Key Takeaways

- Q1'22 net revenue growth of 10% vs. Q1'21 and up 18% on a 3-year CAGR basis vs. Q1'19
- Active Customers as of Q1'22 at 2.23M, an increase of 340K active customers, or 18%, y/y vs. Q1'21
- Opened 8 new stores in Q1'22, ending the quarter with 169 stores
- Adjusted EBITDA margin<sup>(1)</sup> of 0.5%, down 6.2 pts from Q1'21
- Adjusted Gross margin<sup>(1)</sup> was 58.7% compared to 60.3% in Q1'21, primarily driven by increased penetration of contacts reflecting strategy to grow contact lens offering
- Adjusted SG&A<sup>(1)</sup> increased by 5.8 pts vs. Q1'21 to 62.8% of revenue driven by headcount growth and investments in corporate overhead to support initiatives and operating as a public company

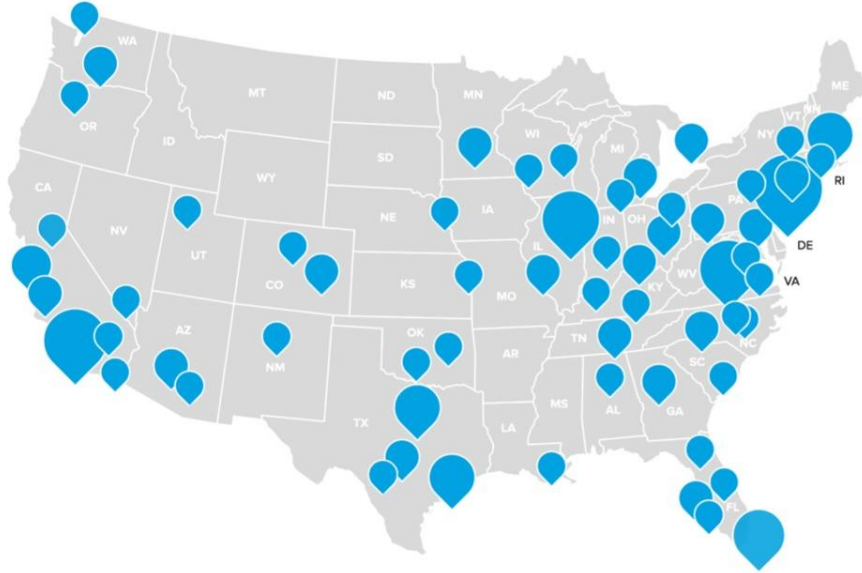
## FIRST QUARTER FINANCIAL DETAILS



## QUARTERLY FINANCIAL DETAILS



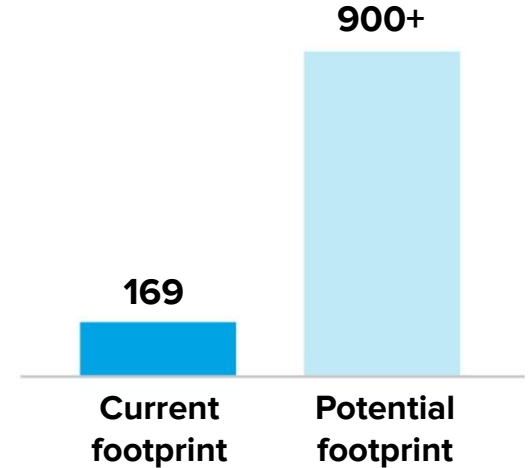
## EXPANDING RETAIL FOOTPRINT WITH SIGNIFICANT WHITE SPACE FOR NEW STORES



- 169 open retail stores
- 166 U.S. and 3 Canada
- 64 markets
- 38 states/provinces
- 118 cities
- 40 target new retail stores in 2022

Store presence in **47** of the **50** most populous markets in the U.S.  
Location types: ~40% street, ~35% outdoor center, ~25% indoor center

### WARBY PARKER Number of Store Locations



As of 3/31/2022



Crocker Park (Westlake, OH)



*Optical lab in Slootsburg, NY*



Optical lab in Las Vegas, NV

FY 2022 OUTLOOK

**\$650–660M**

NET REVENUE

**20–22%**

NET REVENUE GROWTH

**5.6–6.6%**

ADJUSTED EBITDA MARGIN

Q2 2022 OUTLOOK

**13–15%**

NET REVENUE GROWTH



LONG-TERM OUTLOOK FOR SUSTAINABLE GROWTH

**20%+**

NET REVENUE GROWTH

**58–60%**

GROSS MARGINS

**20%+**

ADJUSTED EBITDA MARGIN

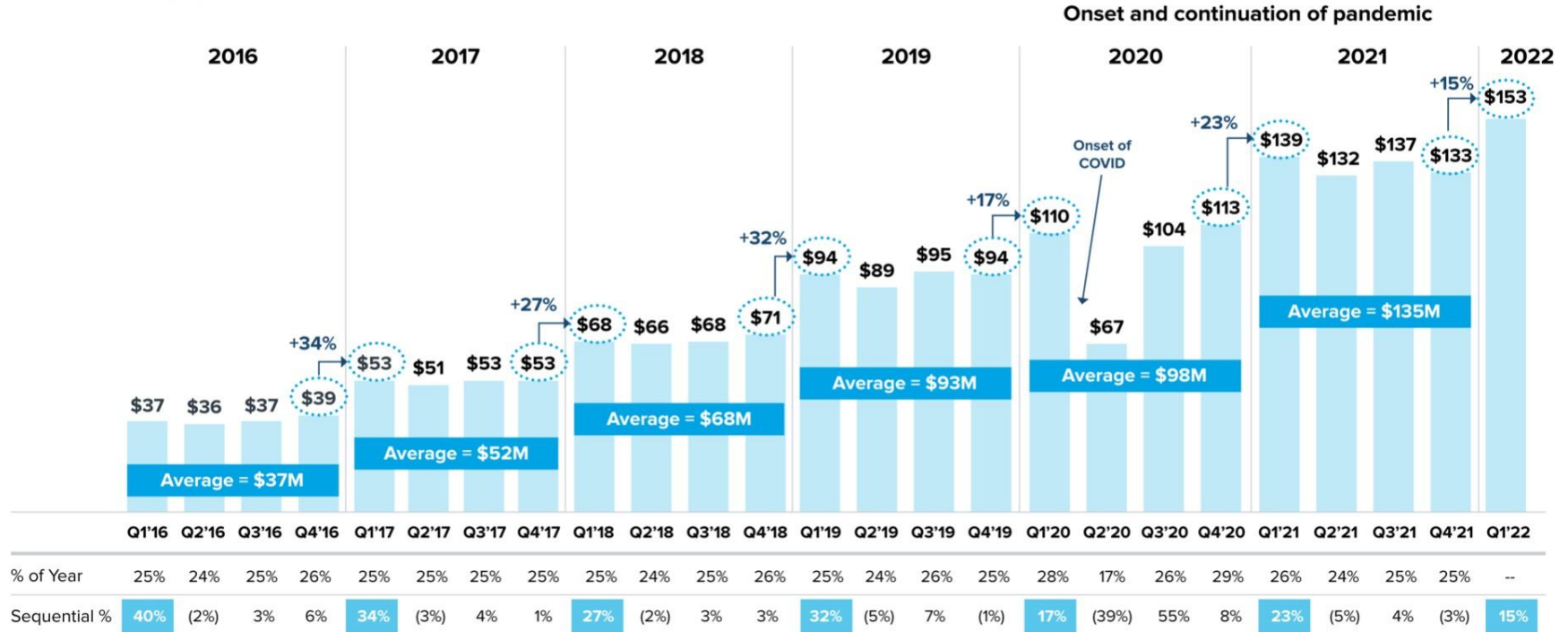




## SUPPLEMENTAL DETAILS

## NET REVENUE BY QUARTER (2016 - Q1 2022)

Net revenue in bars (\$M)



# APPENDIX

**SUPPLEMENTAL FINANCIAL INFORMATION**

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<b>AS REPORTED</b>			
<i>Unaudited, in thousands</i>	<b>Q1'22</b>	<b>Q1'21</b>	<b>Q1'22 vs. Q1'21</b>
Net Revenue	\$153,218	\$138,973	10.3%
Gross Profit	\$89,646	\$83,781	7.0%
<i>% of Revenue</i>	58.5%	60.3%	(178 bps)
Total SG&A	\$123,386	\$80,760	52.8%
<i>% of Revenue</i>	80.5%	58.1%	2,242 bps
Net (Loss) Income	(\$34,133)	\$3,011	(1,233.6%)
<i>% of Revenue</i>	(22.3%)	2.2%	(2,444 bps)

<b>ADJUSTED</b>			
<i>Unaudited, in thousands</i>	<b>Q1'22</b>	<b>Q1'21</b>	<b>Q1'22 vs. Q1'21</b>
Net Revenue	\$153,218	\$138,973	10.3%
Adjusted Gross Profit	\$89,881	\$83,781	7.3%
<i>% of Revenue</i>	58.7%	60.3%	(162 bps)
Adjusted SG&A	\$96,244	\$79,221	21.5%
<i>% of Revenue</i>	62.8%	57.0%	581 bps
Adjusted Net (Loss) Income	(\$4,356)	\$3,289	(232.4%)
<i>% of Revenue</i>	(2.8%)	2.4%	(521 bps)
Adjusted EBITDA	\$774	\$9,264	(91.6%)
<i>% of Revenue</i>	0.5%	6.7%	(616 bps)

## SUPPLEMENTAL FINANCIAL INFORMATION

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<i>All numbers in millions, unaudited</i>	REPORTED		ADJUSTED	
	Three Months Ended March 31		Three Months Ended March 31	
	2022	2021	2022	2021
Cost of goods sold	\$63,572	\$55,192	\$63,337	\$55,192
<i>% of Revenue</i>	41.5%	39.7%	41.3%	39.7%
Gross profit	\$89,646	\$83,781	\$89,881	\$83,781
<i>% of Revenue</i>	58.5%	60.3%	58.7%	60.3%
Selling, general, and administrative	\$123,386	\$80,760	\$96,244	\$79,221
<i>% of Revenue</i>	80.5%	58.1%	62.8%	57.0%
Net (loss) income	(\$34,133)	\$3,011	(\$4,356)	\$3,289
<i>% of Revenue</i>	(22.3%)	2.2%	(2.8%)	2.4%

## RECONCILIATION OF ADJUSTED EBITDA TO NET INCOME

.....

<i>All numbers in thousands, unaudited</i>	Three Months Ended March 31	
	2022	2021
Net loss	(\$34,133)	\$3,011
Adjusted to exclude the following:		
Interest and other (loss), net	(146)	(134)
Provision for income taxes	539	144
Depreciation and amortization expense	7,137	4,704
Stock-based compensation expense <sup>(1)</sup>	27,377	1,261
Transaction costs <sup>(2)</sup>	-	278
Adjusted EBITDA	\$774	\$9,264
Adjusted EBITDA margin	0.5%	6.7%

*(1) Represents expenses related to the Company's equity-based compensation programs, which may vary significantly from period to period depending on various factors including the timing, number, and valuation of awards granted, vesting of awards including the satisfaction of performance conditions, and the impact of repurchases of awards from employees. The amount includes \$0.2 million of employer payroll costs associated with the release of RSUs and option exercises for the three months ended March 31, 2022.*

*(2) Represents costs directly attributable to the preparation for our Direct Listing.*

## RECONCILIATION OF ADJUSTED EBITDA TO NET INCOME

<i>Unaudited, in thousands</i>	Three Months Ended																
	3/31/2018	6/30/2018	9/30/2018	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022
Net income (loss)	(\$15,865)	\$2,141	(\$253)	(\$8,900)	\$6,425	\$4,050	\$1,383	(\$11,856)	\$2,778	(\$12,786)	(\$41,612)	(\$4,301)	\$3,011	(\$10,307)	(\$91,073)	(\$45,902)	(\$34,133)
Adjusted to exclude the following:																	
Interest and other (loss), net	(79)	(329)	(536)	(429)	(613)	(889)	(58)	(379)	49	496	81	(529)	(134)	440	146	(105)	(146)
Provision for income taxes	59	59	59	62	998	410	154	(1,288)	189	93	196	(287)	144	1,059	(1,052)	112	539
Depreciation and amortization expense	2,595	2,701	2,855	3,596	3,187	3,539	4,261	4,043	4,418	4,558	4,395	5,007	4,704	5,118	5,587	6,550	7,137
Stock-based compensation expense <sup>(1)</sup>	18,762	950	386	801	2,604	862	615	4,418	649	723	42,377	1,164	1,261	10,409	65,928	32,946	27,377
Non-cash charitable donation <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,757	-	-
Transaction costs <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	278	4,091	23,893	-	-
Adjusted EBITDA	\$5,472	\$5,522	\$2,511	(\$4,870)	\$12,601	\$7,972	\$6,355	(\$5,062)	\$8,083	(\$6,916)	\$5,437	\$1,054	\$9,264	\$10,810	\$11,186	(\$6,399)	\$774
Adjusted EBITDA margin	8.1%	8.3%	3.7%	(6.9%)	13.5%	9.0%	6.7%	(5.4%)	7.4%	(10.3%)	5.2%	0.9%	6.7%	8.2%	8.1%	(4.8%)	0.5%

(1) Represents expenses related to the Company's equity-based compensation programs and related employer payroll taxes, which may vary significantly from period to period depending on various factors including the timing, number, and valuation of awards granted, vesting of awards including the satisfaction of performance conditions, and the impact of repurchases of awards from employees.

(2) Represents charitable expense recorded in connection with the donation of 178,572 shares of Series A common stock to the Warby Parker Impact Foundation in August 2021.

(3) Represents costs directly attributable to the preparation for our Direct Listing.

## RECONCILIATION OF NON-GAAP MEASURES

The following table reflects a reconciliation of each non-GAAP, or adjusted, financial measure to its most directly comparable financial measure prepared in accordance with GAAP:

<i>Unaudited, in thousands</i>	Three Months Ended March 31		
	2022	2021	2020
Cost of goods sold	\$63,572	\$55,192	\$43,067
Adjusted to exclude the following:			
Stock-based compensation expense <sup>(1)</sup>	235	-	1
Adjusted cost of goods sold	\$63,337	\$55,192	\$43,066
Gross profit	\$89,646	\$83,781	\$66,590
Adjusted to exclude the following:			
Stock-based compensation expense <sup>(1)</sup>	235	-	1
Adjusted gross profit	\$89,881	\$83,781	\$66,591
Selling, general, and administrative expenses	\$123,386	\$80,760	\$63,574
Adjusted to exclude the following:			
Stock-based compensation expense <sup>(1)</sup>	27,142	1,261	648
Transaction costs <sup>(2)</sup>	-	278	-
Adjusted selling, general, and administrative expenses	\$96,244	\$79,221	\$62,926
Net (loss) income	(\$34,133)	\$3,011	\$2,778
Provision for income taxes	539	144	189
(Loss) income before income taxes	(33,594)	3,155	2,967
Adjusted to exclude the following:			
Stock-based compensation expense <sup>(1)</sup>	27,377	1,261	649
Transaction costs <sup>(2)</sup>	-	278	-
Adjusted provision for income taxes <sup>(3)</sup>	1,861	(1,405)	(1,083)
Adjusted net (loss) income	(\$4,356)	\$3,289	\$2,533
Less: undistributed adjusted net income attributable to participating securities	-	(4,613)	-
Adjusted net (loss) income attributable to common stock	(\$4,356)	(\$1,324)	\$2,533
Adjusted weighted average shares - diluted	114,103,766	53,946,980	101,610,936
Adjusted diluted earnings per share	(\$0.04)	(\$0.02)	\$0.02

<sup>(1)</sup> Represents expenses related to the Company's equity-based compensation programs, which may vary significantly from period to period depending on various factors including the timing, number, and valuation of awards granted, vesting of awards including the satisfaction of performance conditions, and the impact of repurchases of awards from employees. The amount includes \$0.2 million of employer payroll costs associated with the release of RSUs and option exercises for the three months ended March 31, 2022.

<sup>(2)</sup> Represents costs directly attributable to the preparation for our Direct Listing.

<sup>(3)</sup> The adjusted provision for income taxes is based on long-term estimated annual effective tax rates of 29.94%. The Company may adjust its adjusted tax rate as additional information becomes available or our business outlook.

THANK YOU