WARBY PARKER

FIRST QUARTER 2024 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

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, delivering stakeholder value, growing market share, and our GAAP and non-GAAP guidance for the quarter ending June 30, 2024, and year ending December 31, 2024; expectations regarding the number of new store openings during the year ending December 31, 2024; 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 SEC filings, including our Annual Report on Form 10-K for the year ended December 31, 2023, and our Quarterly Reports on Form 10-Q. 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. Definitions and 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

1. Since 2010, we've offered high-quality prescription eyewear—designed in-house—starting at $95 and delivered industry-leading customer experiences
2. Our sales represent approximately 1% of the $66 billion U.S. eyewear market
3. We helped pioneer the vertically integrated, direct-to-consumer model
4. We've developed groundbreaking in-house technologies, such as Virtual Vision Test and Virtual Try-On, that leverage artificial intelligence and make it easy to find your perfect-fitting frame or renew your prescription from home
5. Warby Parker has 245 stores[(1)] out of ~45,000 optical shops in the U.S.
6. We've evolved from a glasses-only business into a holistic vision care company that also offers contacts and eye exams
7. 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. Over 15 million pairs have now been distributed through our Buy a Pair, Give a Pair program.

(1) As of 3/31/2024. This includes 5 stores in Canada.

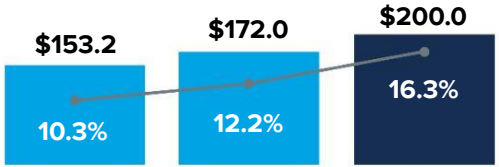
Q1 2024: FINANCIAL HIGHLIGHTS

$200M NET REVENUE	**16.3%** NET REVENUE GROWTH	**2.36M** ACTIVE CUSTOMERS[1]	**$296** AVERAGE REVENUE PER CUSTOMER[1]
245 STORES	**$22.4M** ADJUSTED EBITDA[2]	**11.2%** ADJUSTED EBITDA MARGIN[2]	**$5.5M** FREE CASH FLOW[2]

[1] Key operating metric. See definition in appendix.
[2] Non-GAAP financial term. See appendix for definitions and reconciliations of non-GAAP measures.

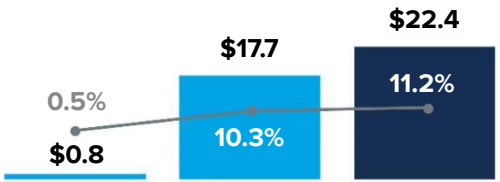
NET REVENUE AND ADJUSTED EBITDA MARGIN PERFORMANCE

Q1 Net Revenue ($M)



	Q1'22	Q1'23	Q1'24
Active Customers (thousands)	2,232	2,287	2,361
Avg. Revenue per Customer (TTM)	$249	$270	$296
Store Count	169	204	245

Q1 Adjusted EBITDA ($M)



	Q1'22	Q1'23	Q1'24
Adj. Gross Margin % [1]	58.7%	55.2%	56.9%
Adj. SG&A %[1]	62.8%	50.7%	51.7%

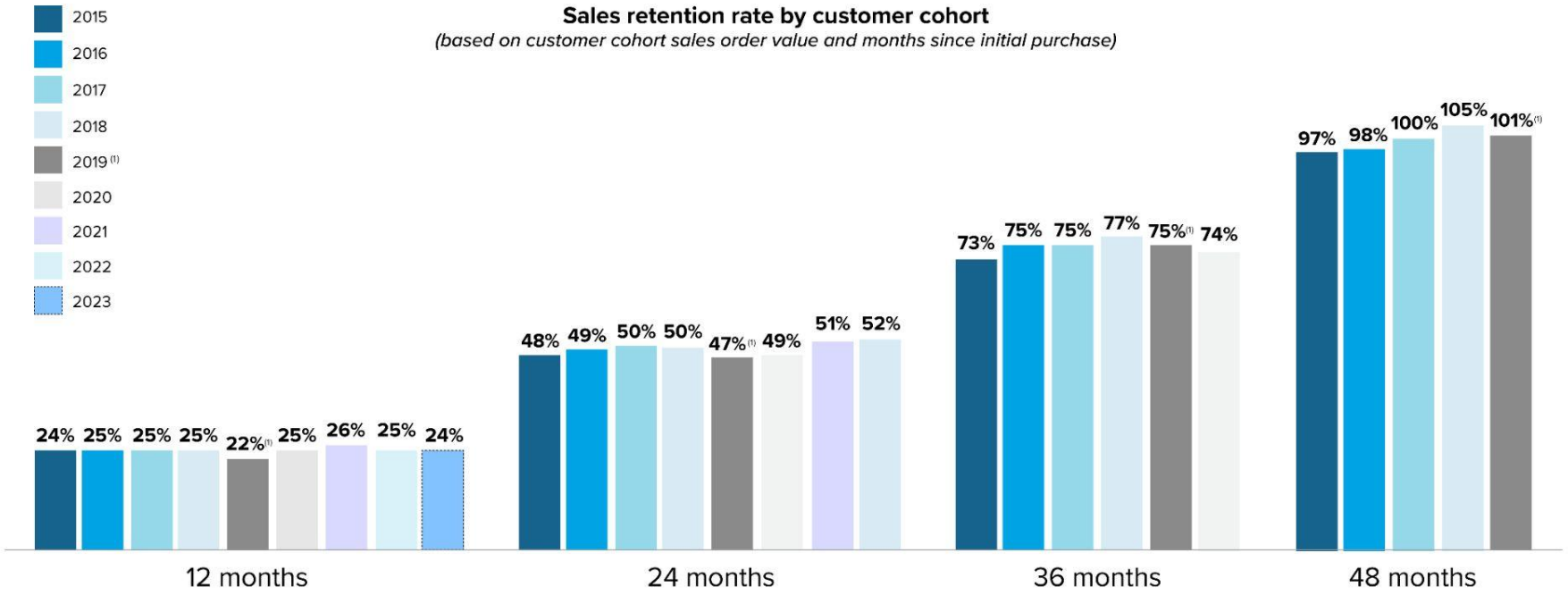
Key Takeaways

- Q1'24 net revenue growth of 16.3% vs. Q1'23
- Average revenue per customer up 9.6% to $296
- Opened 8 net new stores in Q1'24, ending the quarter with 245 stores

- Adjusted EBITDA margin[1] of 11.2%, up 0.9 pts from Q1'23
- Adjusted Gross Margin[1] of 56.9% in Q1'24 increased 1.7 pts from 55.2% in Q1'23
- Adjusted SG&A[1] as a percent of revenue of 51.7% increased by 1.0 pts compared to 50.7% in Q1'23

(1) Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Margin, and Adjusted SG&A are non-GAAP measures. See the appendix for definitions and reconciliations to the nearest GAAP measures.

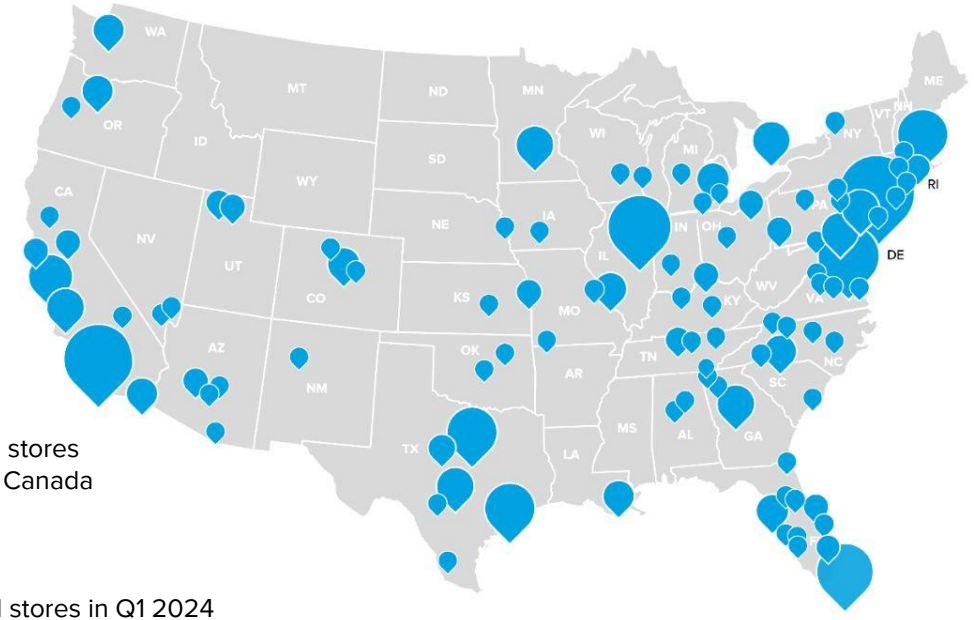
COMPELLING AND CONSISTENT SALES RETENTION RATES



Source: Company data
Note: Sales retention based on customer cohort sales order value and months since initial purchase. Only cohorts with a full period of data available as of 3/31/2024 are presented.
(1) 2019 cohort was impacted by onset and continuation of COVID pandemic in 2020 and 2021, which is reflected in that cohort's retention rate after 12, 24, 36, and 48 months.



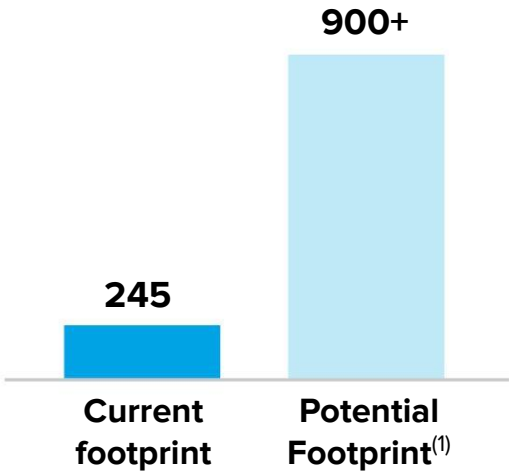
EXPANDING RETAIL FOOTPRINT WITH SIGNIFICANT WHITE SPACE FOR NEW STORES



245 open retail stores
240 U.S. and **5** Canada
83 markets
39 states
182 cities
8 net new retail stores in Q1 2024
Store presence in **47** of the **50** most populous markets in the U.S.
Location types: ~31% street, ~44% outdoor center, ~25% indoor center

WARBY PARKER

Number of Store Locations



As of 3/31/2024

Note: Data above is as of 3/31/2024. Markets defined as CBSAs (core-based statistical areas).
(1) Based on an analysis conducted with a third-party research firm



Station Park (Farmington, UT)



Shoppes at Webb Ginn (Snellville, GA)



FY 2024 OUTLOOK

$753–761M
NET REVENUE

$70.0M
ADJUSTED EBITDA(1)

~12.5–13.5%
NET REVENUE GROWTH

~9.2%
ADJUSTED EBITDA MARGIN(1)

Q2 2024 OUTLOOK

$185–187M
NET REVENUE

$17.0M
ADJUSTED EBITDA(1)

~11.5–12.5%
NET REVENUE GROWTH

~9.1%
ADJUSTED EBITDA MARGIN(1)

(1) At the midpoint of our range. Non-GAAP financial term. See appendix for definition of non-GAAP measures and the note at the beginning of the presentation regarding reconciliation of non-GAAP measures in guidance.

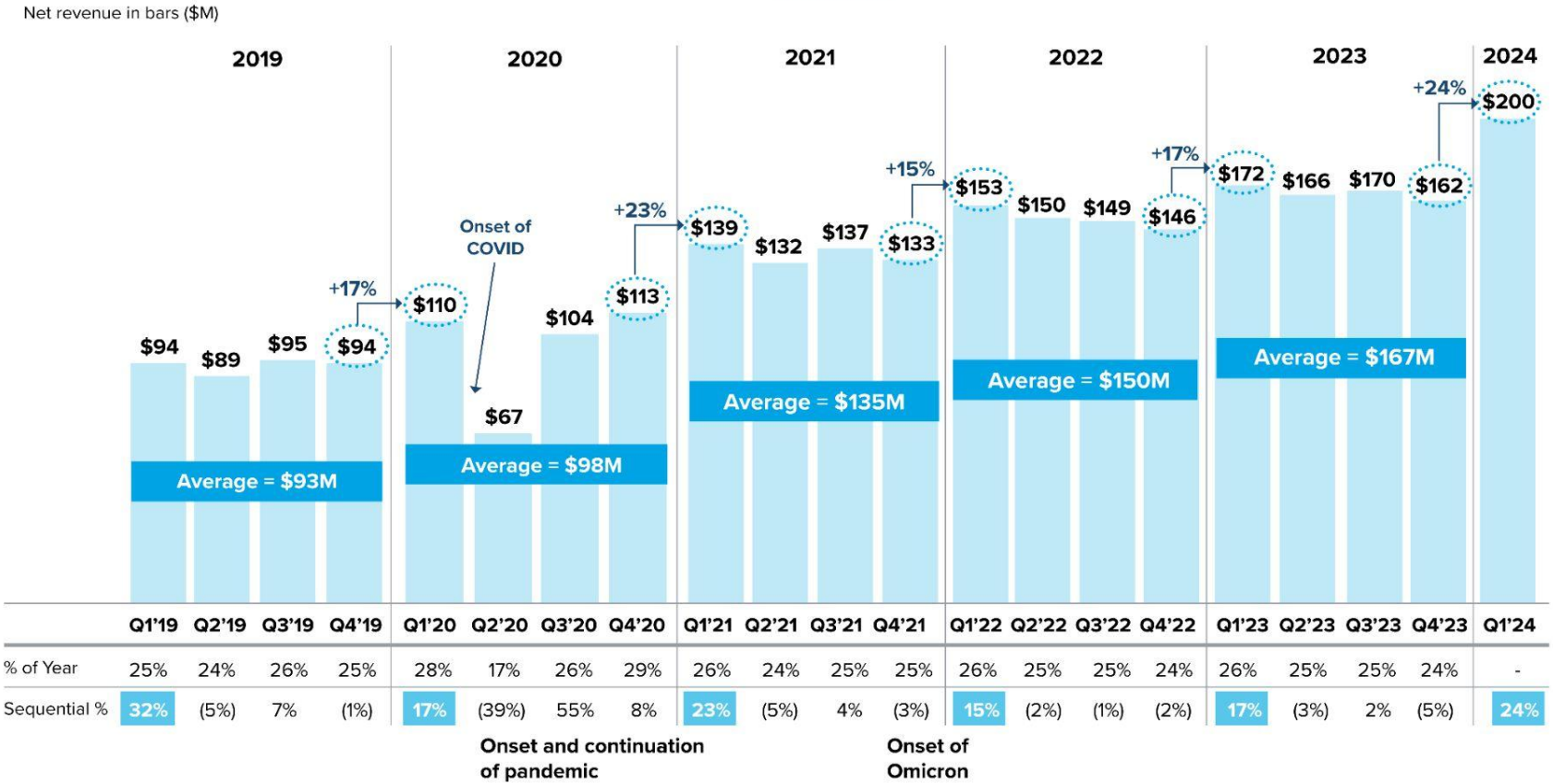






SUPPLEMENTAL DETAILS

NET REVENUE BY QUARTER (2019 – Q1 2024)



APPENDIX

NON-GAAP FINANCIAL MEASURES AND KEY OPERATING METRICS

Included in this presentation are certain financial measures that are not calculated in accordance with U.S. generally accepted accounting principles ("GAAP") and which are designed to supplement, and not substitute, the Company's financial information presented in accordance with GAAP. The non-GAAP measures as defined by the Company may not be comparable to similar non-GAAP measures presented by other companies. The presentation of such measures, which may include adjustments to exclude unusual or non-recurring items, should not be construed as an inference that the Company's future results will be unaffected by other unusual or nonrecurring items. The Company uses "adjusted EBITDA", "adjusted EBITDA margin", "adjusted COGS", "adjusted gross profit", "adjusted gross margin", "adjusted SG&A" and "free cash flow" to provide useful supplemental measures that assist in evaluating its ability to generate earnings, provide consistency and comparability with its past financial performance and facilitate period-to-period comparisons of its core operating results as well as the results of its peer companies.

The Company calculates "adjusted EBITDA" as net income (loss) before interest and other income, taxes, and depreciation and amortization as further adjusted for asset impairment costs, stock-based compensation expense and related employer payroll taxes, amortization of cloud-based software implementation costs, non-cash charitable donations, and non-recurring costs such as restructuring costs, major system implementation costs, charges for certain legal matters, and transaction costs. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by net revenue.

The Company calculates "adjusted COGS" as cost of goods sold adjusted for stock-based compensation expense and related employer payroll taxes. The Company calculates "adjusted gross profit" as net revenue minus adjusted COGS. "Adjusted gross margin" is defined as adjusted gross profit divided by net revenue.

The Company calculates "adjusted SG&A" as SG&A adjusted for stock-based compensation expense and related employer payroll taxes, and non-recurring costs such as restructuring costs, major system implementation costs, charges for certain legal matters, and transaction costs.

The Company calculates "free cash flow" as net cash provided by operating activities minus purchases of property and equipment.

The Company has also included in this presentation the following metrics which are operational and business metrics that are important to understanding Company performance:

Active Customers is defined as unique customer accounts that have made at least one purchase in the preceding 12-month period. The Company calculates Average Revenue Per Customer as the sum of the total net revenues in the preceding 12-month period divided by the current period Active Customers.

Active Individuals is defined as a unique individual that has made at least one purchase in the preceding 12-month period. A unique individual is an estimate derived from information included within a customer account and is determined based on names and prescriptions associated with the account. The Company calculates Average Revenue Per Individual as the sum of the total net revenues in the preceding 12-month period divided by the current period Active Individuals.

Customer Acquisition Cost is defined as acquisition costs for a given period divided by the number of Active Customers during that same period. Acquisition costs is defined as total media spend plus Home Try-On costs in a given period. Home Try-On costs include customer shipping, consumable, and product fulfillment costs related to the program.

Sales Retention Rate is defined as the sales order value attributable to a given customer cohort as a percentage of the total sales order value attributable to the same customer cohort during the initial measurement period. The initial measurement period represents the initial purchase for each customer in a given customer cohort.

Retail Productivity is defined as average retail sales per store, calculated as total retail sales divided by average store count in the relevant period, as compared to the prior year.

RECONCILIATION OF ADJUSTED EBITDA TO NET INCOME

Unaudited, in thousands	Three Months Ended March 31 2024	2023
Net loss	($2,679)	($10,812)
Adjusted to exclude the following:		
Interest and other income, net	(2,556)	(1,878)
Provision for income taxes	108	261
Depreciation and amortization expense	10,583	9,140
Asset impairment charges	399	395
Stock-based compensation expense[1]	14,315	19,866
Amortization of cloud-based software implementation costs[2]	1,073	363
ERP implementation costs[3]	-	403
Other costs[4]	1,135	-
Adjusted EBITDA	$22,378	$17,738
Adjusted EBITDA margin	11.2%	10.3%

(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 upon various factors including the timing, number, and the valuation of awards granted, and vesting of awards including the satisfaction of performance conditions. For the three months ended March 31, 2024 and 2023, the amount includes $0.3 million and $0.1 million, respectively, of employer payroll taxes associated with releases of RSUs and option exercises.

(2) Represents the amortization of costs capitalized in connection with the implementation of cloud-based software.

(3) Represents internal and external non-capitalized costs related to the implementation of our new Enterprise Resource Planning ("ERP") system.

(4) Represents other non-recurring costs, including charges for certain legal matters.

SUPPLEMENTAL FINANCIAL INFORMATION

	AS REPORTED		
	Three Months Ended March 31		
Unaudited, in thousands	2024	2023	2024 vs. 2023
Net Revenue	$200,003	$171,968	16.3%
Gross Profit	$113,459	$94,791	19.7%
% of Revenue	56.7%	55.1%	161 bps
Total SG&A	$118,586	$107,221	10.6%
% of Revenue	59.3%	62.3%	(306 bps)
Net Loss	($2,679)	($10,812)	(75.2%)
% of Revenue	(1.3%)	(6.3%)	495 bps

	ADJUSTED		
	Three Months Ended March 31		
Unaudited, in thousands	2024	2023	2024 vs. 2023
Net Revenue	$200,003	$171,968	16.3%
Adjusted Gross Profit	$113,703	$94,989	19.7%
% of Revenue	56.9%	55.2%	161 bps
Adjusted SG&A	$103,380	$87,150	18.6%
% of Revenue	51.7%	50.7%	101 bps
Adjusted EBITDA	$22,378	$17,738	26.2%
% of Revenue	11.2%	10.3%	87 bps

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:

	Three Months Ended March 31	
Unaudited, in thousands	2024	2023
Cost of goods sold	$86,544	$77,177
Adjusted to exclude the following:		
Stock-based compensation expense[1]	244	198
Adjusted cost of goods sold	$86,300	$76,979
Gross profit	$113,459	$94,791
Adjusted to exclude the following:		
Stock-based compensation expense[1]	244	198
Adjusted gross profit	$113,703	$94,989
Selling, general, and administrative expenses	$118,586	$107,221
Adjusted to exclude the following:		
Stock-based compensation expense[1]	14,071	19,668
ERP implementation costs[2]	-	403
Other costs[3]	1,135	-
Adjusted selling, general, and administrative expenses	$103,380	$87,150
Net cash provided by operating activities	$19,927	$8,643
Purchases of property and equipment	(14,437)	(12,385)
Free cash flow	$5,490	($3,742)

(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 upon various factors including the timing, number, and the valuation of awards granted, and vesting of awards including the satisfaction of performance conditions. For the three months ended March 31, 2024, and 2023, the amount includes $0.3 million and $0.1 million, respectively, of employer payroll taxes associated with releases of RSUs and option exercises.

(2) Represents internal and external non-capitalized costs related to the implementation of our new ERP system.

(3) Represents other non-recurring costs, including charges for certain legal matters.

THANK YOU