

WARBY PARKER

# THIRD QUARTER 2024 EARNINGS REPORT

Speakers:

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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, delivering stakeholder value, growing market share, and our GAAP and non-GAAP guidance for the quarter 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. We've helped pioneer the vertically integrated, direct-to-consumer model while evolving from a glasses-only business into a holistic vision care company that also offers contacts and eye exams.
3. Our sales represent approximately 1% of the \$66 billion U.S. eyewear market.
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 269 stores<sup>(1)</sup> out of ~45,000 optical shops in the U.S.
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. Over 15 million pairs have now been distributed through our Buy a Pair, Give a Pair program.



## Q3 2024: FINANCIAL HIGHLIGHTS

.....

**\$192M**

NET REVENUE

**13.3%**

NET REVENUE  
GROWTH

**5.6%**

TTM ACTIVE  
CUSTOMER GROWTH<sup>(1)</sup>

**\$305**

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

**54.6%**

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

**\$17.3M**

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

**9.0%**

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

**\$13.1M**

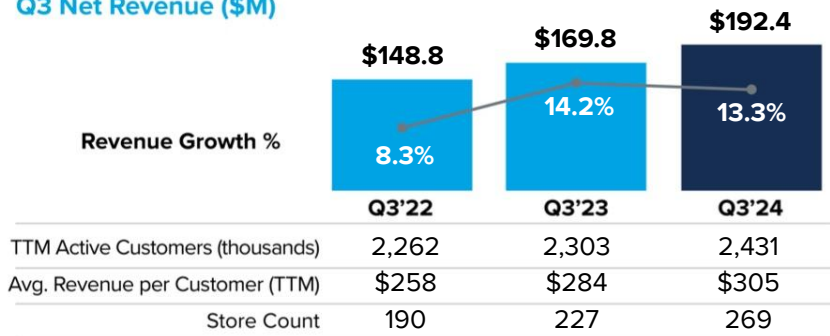
FREE CASH FLOW<sup>(2)</sup>

<sup>(1)</sup> Key operating metric. See definition in appendix.

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

## NET REVENUE PERFORMANCE

### Q3 Net Revenue (\$M)

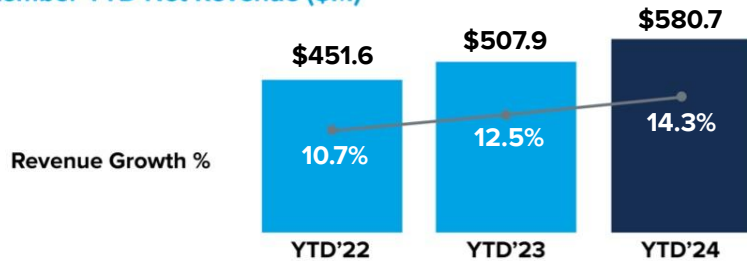


### Key Takeaways

#### Q3 2024 Highlights

- Q3'24 net revenue growth of 13.3% vs. Q3'23
- TTM Active Customers up 5.6% vs. Q3'23
- Average Revenue per Customer up 7.5% to \$305
- Opened 13 net new stores in Q3'24, ending with 269 stores

### September YTD Net Revenue (\$M)

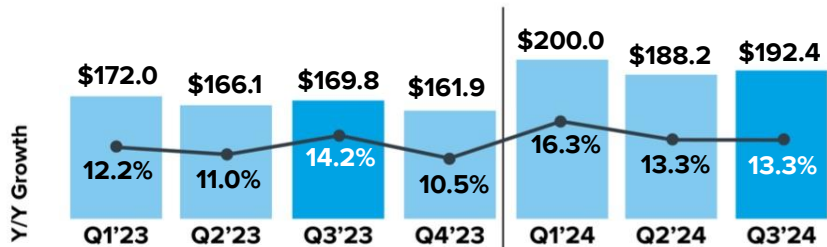


#### September YTD 2024 Highlights

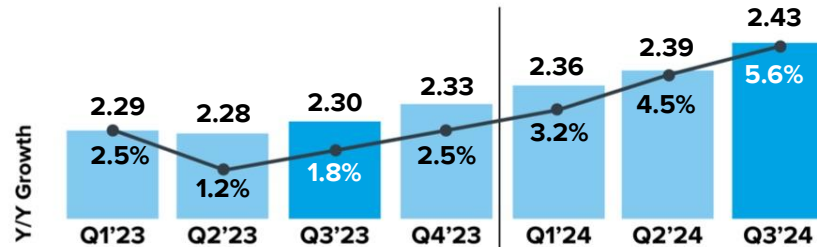
- September YTD 2024 net revenue growth of 14.3% vs. September YTD 2023
- Opened 32 net new stores through September 2024, ending with 269 stores

## QUARTERLY BUSINESS HIGHLIGHTS

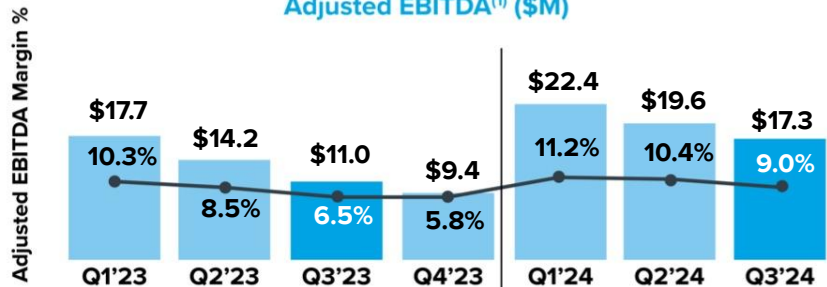
### Net Revenue (\$M)



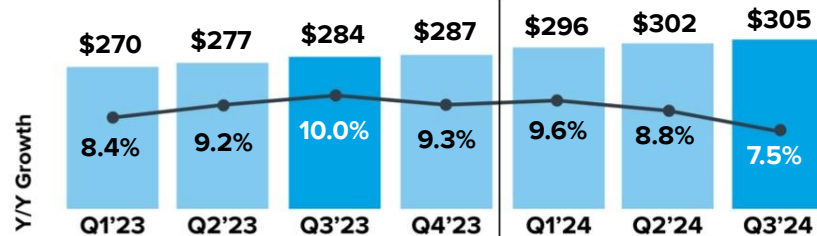
### TTM Active Customers (M)



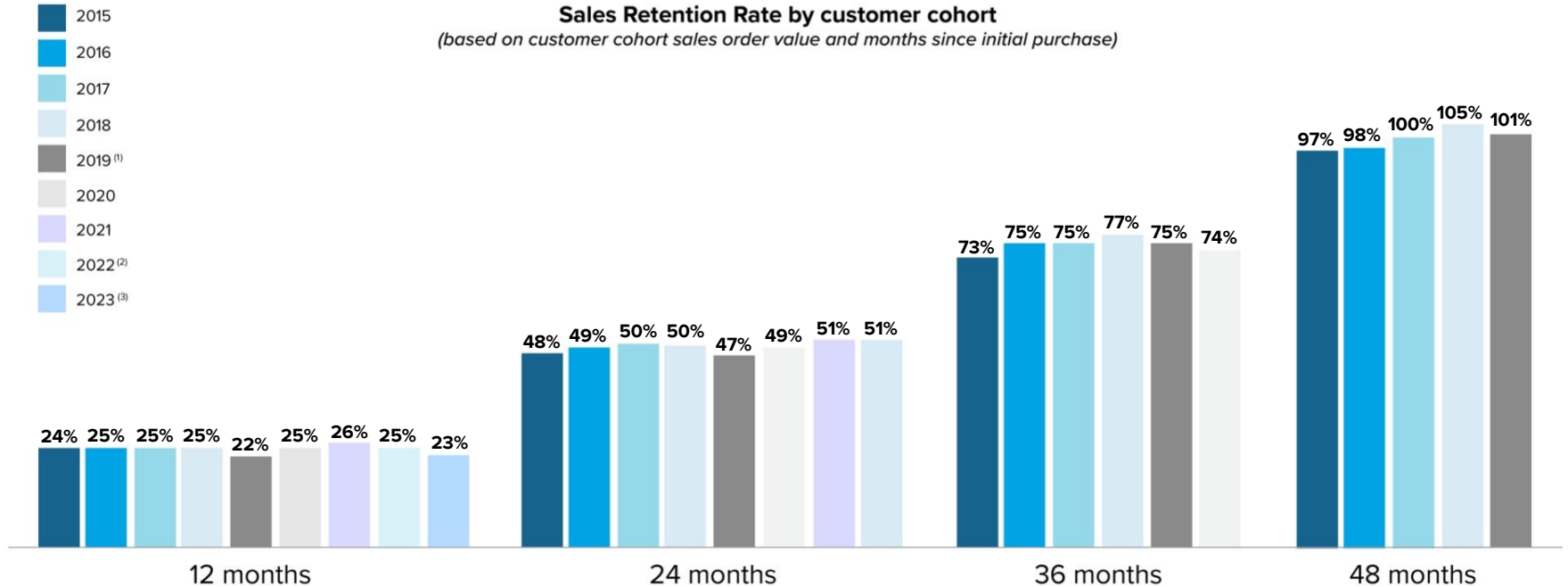
### Adjusted EBITDA<sup>(1)</sup> (\$M)



### Average Revenue per Customer



## COMPELLING AND CONSISTENT SALES RETENTION RATES



Source: Company data

Note: Sales Retention Rate based on customer cohort sales order value and months since initial purchase. Only cohorts with a full period of data available as of 9/30/2024 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.

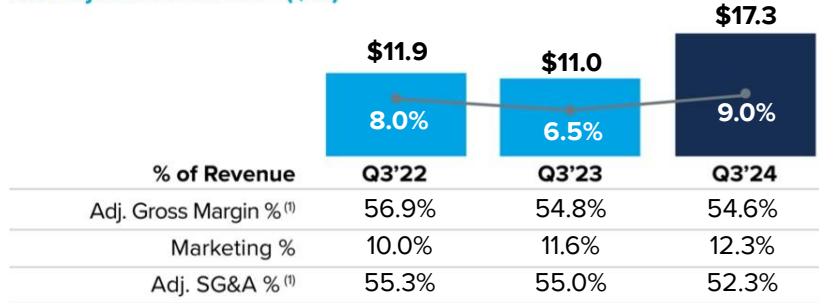
(2) 24 month retention rate for the 2022 cohort reflects the Q1, Q2, and Q3 2022 new customer cohorts only, as these were the only cohorts from 2022 with a full 24 months of retention data available as of 9/30/2024.

(3) 2023 cohort reflects the Q1, Q2, and Q3 2023 new customer cohorts only, as these were the only cohorts from 2023 with a full 12 months of retention data available as of 9/30/2024.

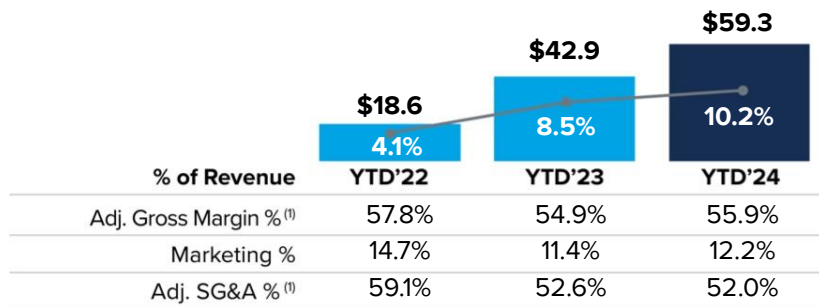


## ADJUSTED EBITDA PERFORMANCE<sup>(1)</sup>

### Q3 Adjusted EBITDA<sup>(1)</sup> (\$M)



### September YTD Adjusted EBITDA<sup>(1)</sup> (\$M)



### Key Takeaways

#### Q3 2024 Highlights

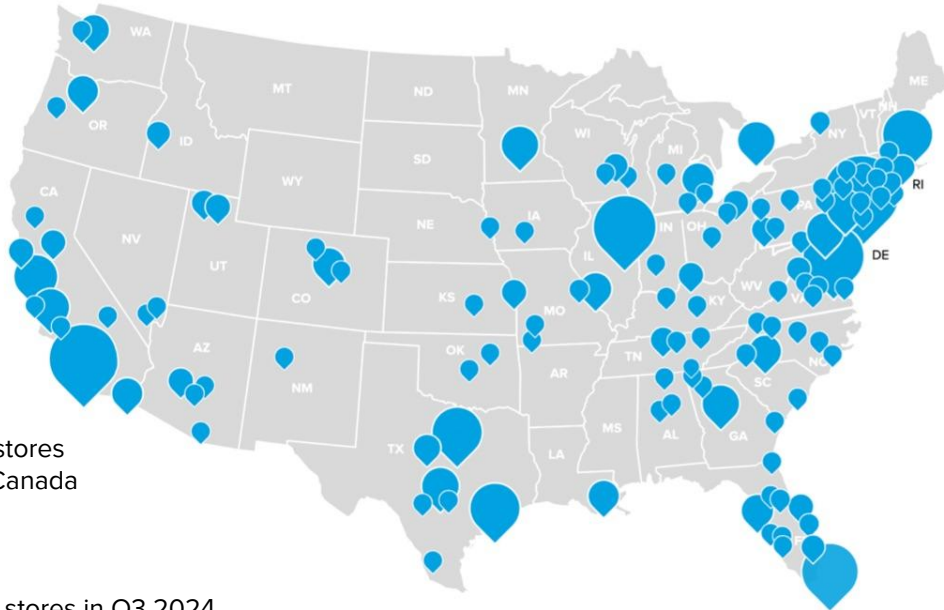
- Adjusted EBITDA Margin<sup>(1)</sup> of 9.0%, up 2.5 pts from Q3'23
- Adjusted Gross Margin<sup>(1)</sup> of 54.6% in Q3'24 decreased 0.2 pts from 54.8% in Q3'23
- Marketing as a percent of revenue of 12.3%, up 0.7 pts from Q3'23
- Adjusted SG&A<sup>(1)</sup> as a percent of revenue of 52.3%, down 2.7 points compared to Q3'23

#### September YTD 2024 Highlights

- Adjusted EBITDA Margin<sup>(1)</sup> of 10.2%, up 1.7 pts from September YTD 2023
- Adjusted Gross Margin<sup>(1)</sup> of 55.9% increased 1.0 pts from 54.9% in September YTD 2023
- Marketing as a percent of revenue of 12.2%, up 0.8 pts from Q3'23
- Adjusted SG&A<sup>(1)</sup> as a percent of revenue of 52.0% decreased by 0.6 pts compared to 52.6% in September YTD 2023



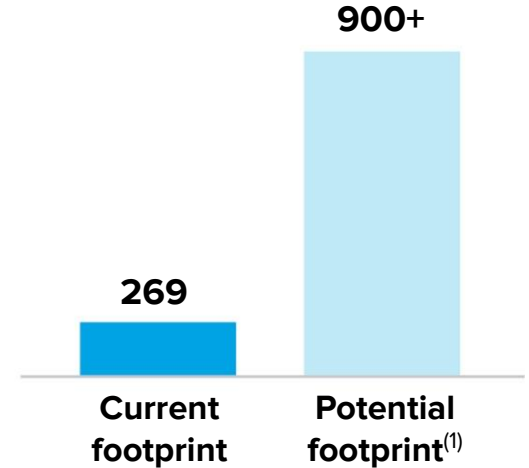
## EXPANDING RETAIL FOOTPRINT WITH SIGNIFICANT WHITE SPACE FOR NEW STORES



**269** open retail stores  
**264** U.S. and **5** Canada  
**91** markets  
**40** states  
**202** cities  
**13** net new retail stores in Q3 2024

Store presence in **47** of the **50** most populous markets in the U.S.  
 Location types: ~29% street, ~44% outdoor center, ~27% indoor center

### WARBY PARKER Number of Store Locations



As of 9/30/2024



69th & Third (New York, NY)



Battlefield Mall (Springfield, MO)

## FY 2024 OUTLOOK

**\$765–768M**

NET REVENUE

**~14–15%**

NET REVENUE GROWTH

**~\$73M**

ADJUSTED EBITDA<sup>(1)</sup>

**9.5%**

ADJUSTED EBITDA MARGIN<sup>(1)</sup>

## Q4 2024 OUTLOOK

**\$184.3–187.3M**

NET REVENUE

**~14–16%**

NET REVENUE GROWTH

**\$13.6M**

ADJUSTED EBITDA<sup>(1)</sup>

**~7.3%**

ADJUSTED EBITDA MARGIN<sup>(1)</sup>



<sup>(1)</sup> 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.

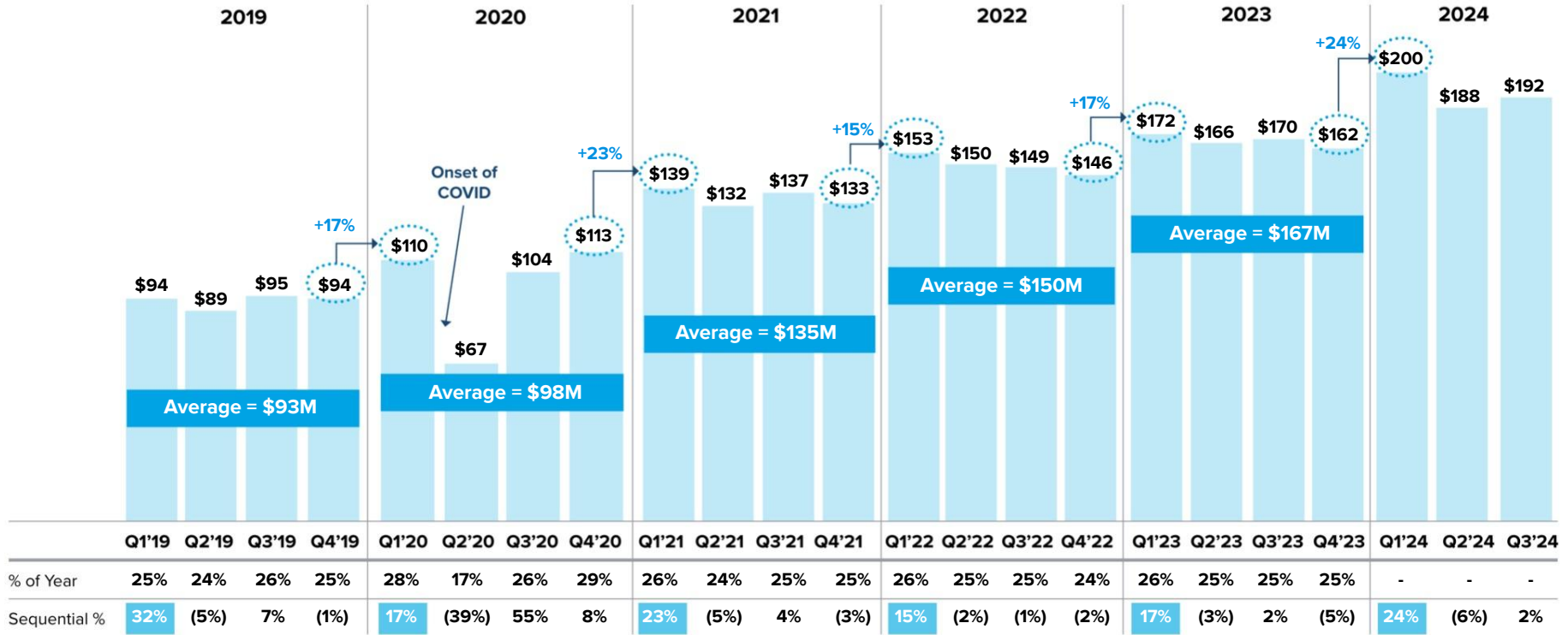




SUPPLEMENTAL  
DETAILS

## NET REVENUE BY QUARTER (2019 – Q3 2024)

Net revenue in bars (\$M)



Onset and continuation of pandemic

Onset of Omicron



# 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, charges for certain legal matters outside the ordinary course of business, and non-recurring costs such as restructuring costs, major system implementation costs, 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, non-cash charitable donations, charges for certain legal matters outside the ordinary course of business, and non-recurring costs such as restructuring costs, major system implementation costs, 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 Orders 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 Orders divided by average store count in the relevant period, as compared to the prior year.

“Sales Orders” represents the dollar value of orders placed by customers in a given period

## RECONCILIATION OF ADJUSTED EBITDA TO NET INCOME

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<i>Unaudited, in thousands</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
Net loss	(\$4,072)	(\$17,413)	(\$13,513)	(\$44,150)
Adjusted to exclude the following:				
Interest and other income, net	(2,842)	(2,655)	(7,965)	(6,815)
Provision for income taxes	301	301	782	538
Depreciation and amortization expense	11,829	9,760	33,533	28,184
Asset impairment charges	101	757	522	1,407
Stock-based compensation expense <sup>(1)</sup>	10,961	16,466	39,373	54,496
Non-cash charitable donation <sup>(2)</sup>	-	2,591	2,196	3,191
Amortization of cloud-based software implementation costs <sup>(3)</sup>	854	853	2,862	1,679
ERP implementation costs <sup>(4)</sup>	-	371	-	4,413
Other costs <sup>(5)</sup>	176	-	1,479	-
Adjusted EBITDA	\$17,308	\$11,031	\$59,269	\$42,943
Adjusted EBITDA Margin	9.0%	6.5%	10.2%	8.5%

<sup>(1)</sup> 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, as well as the issuance of 48,486 Class A common stock to charitable donor advised funds in February 2024. For both of the three months ended September 30, 2024 and 2023, the amount includes \$0.2 million of employer payroll taxes associated with releases of RSUs and option exercises. For the nine months ended September 30, 2024 and 2023, the amount includes \$0.7 million and \$0.4 million, respectively, of employer payroll taxes associated with releases of RSUs and option exercises.

<sup>(2)</sup> Represents charitable expense recorded in connection with the donation of 178,572 shares of Class A common stock in both May 2024 and August 2023 to the Warby Parker Impact Foundation and 56,938 shares of Class A common stock to charitable donor advised funds in June 2023.

<sup>(3)</sup> Represents the amortization of costs capitalized in connection with the implementation of cloud-based software.

<sup>(4)</sup> Represents internal and external non-capitalized costs related to the implementation of our new Enterprise Resource Planning ("ERP") system.

<sup>(5)</sup> Represents charges for certain legal matters outside the ordinary course of business.

## SUPPLEMENTAL FINANCIAL INFORMATION

<i>Unaudited, in thousands</i>	REPORTED			REPORTED		
	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	2024 vs. 2023	2024	2023	2024 vs. 2023
Net Revenue	\$192,447	\$169,849	13.3%	\$508,672	\$507,910	14.3%
Gross Profit	\$104,867	\$92,732	13.1%	\$323,708	\$278,158	16.4%
<i>% of Revenue</i>	54.5%	54.6%	(11 bps)	55.7%	54.8%	98 bps
Total SG&A	\$111,480	\$112,499	(0.9%)	\$344,404	\$328,585	4.8%
<i>% of Revenue</i>	57.9%	66.2%	(831 bps)	59.3%	64.7%	(538 bps)
Net Loss	(\$4,072)	(\$17,413)	(76.6%)	(\$13,513)	(\$44,150)	(69.4%)
<i>% of Revenue</i>	(2.1%)	(10.3%)	814 bps	(2.3%)	(8.7%)	637 bps

<i>Unaudited, in thousands</i>	ADJUSTED			ADJUSTED		
	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	2024 vs. 2023	2024	2023	2024 vs. 2023
Net Revenue	\$192,447	\$169,849	13.3%	\$580,672	\$507,910	14.3%
Adjusted Gross Profit	\$105,148	\$93,014	13.0%	\$324,518	\$278,934	16.3%
<i>% of Revenue</i>	54.6%	54.8%	(13 bps)	55.9%	54.9%	97 bps
Adjusted SG&A	\$100,624	\$93,353	7.8%	\$302,166	\$267,261	13.1%
<i>% of Revenue</i>	52.3%	55.0%	(268 bps)	52.0%	52.6%	(58 bps)
Adjusted EBITDA	\$17,308	\$11,031	56.9%	\$59,269	\$42,943	38.0%
<i>% of Revenue</i>	9.0%	6.5%	250 bps	10.2%	8.5%	175 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:

<i>Unaudited, in thousands</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
Cost of goods sold	\$87,580	\$77,117	\$256,964	\$229,752
Adjusted to exclude the following:				
Stock-based compensation expense <sup>(1)</sup>	281	282	810	776
Adjusted Cost of Goods Sold	\$87,299	\$76,835	\$256,154	\$228,976
Gross profit	\$104,867	\$92,732	\$323,708	\$278,158
Adjusted to exclude the following:				
Stock-based compensation expense <sup>(1)</sup>	281	282	810	776
Adjusted Gross Profit	\$105,148	\$93,014	\$324,518	\$278,934
Selling, general, and administrative expenses	\$111,480	\$112,499	\$344,404	\$328,585
Adjusted to exclude the following:				
Stock-based compensation expense <sup>(1)</sup>	10,680	16,184	38,563	53,720
Non-cash charitable donation <sup>(2)</sup>	-	2,591	2,196	3,191
ERP implementation costs <sup>(3)</sup>	-	371	-	4,413
Other costs <sup>(4)</sup>	176	-	1,479	-
Adjusted Selling, General, and Administrative Expenses	\$100,624	\$93,353	\$302,166	\$267,261
Net cash provided by operating activities	27,282	19,931	78,832	47,326
Purchases of property and equipment	(14,223)	(15,488)	(46,311)	(40,098)
Free Cash Flow	13,059	4,443	32,521	7,228

<sup>(1)</sup> 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, as well as the issuance of 48,486 Class A common stock to charitable donor advised funds in February 2024. For both of the three months ended September 30, 2024 and 2023, the amount includes \$0.2 million of employer payroll taxes associated with releases of RSUs and option exercises. For the nine months ended September 30, 2024 and 2023, the amount includes \$0.7 million and \$0.4 million, respectively, of employer payroll taxes associated with releases of RSUs and option exercises.

<sup>(2)</sup> Represents charitable expense recorded in connection with the donation of 178,572 shares of Class A common stock in both May 2024 and August 2023 to the Warby Parker Impact Foundation and 56,938 shares of Class A common stock to charitable donor advised funds in June 2023.

<sup>(3)</sup> Represents internal and external non-capitalized costs related to the implementation of our new ERP system.

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THANK YOU