REVOLVE

REVOLVE GROUP INC. (NYSE: RVLV) Q1 2023 CONFERENCE CALL

PREPARED REMARKS ON MAY 3, 2023

ERIK RANDERSON, VP INVESTOR RELATIONS

Good afternoon, everyone, and thanks for joining us to discuss REVOLVE's first quarter 2023 results.

Before we begin, I would like to mention that we have posted a presentation containing Q1 financial highlights to our Investor Relations website located at investors.revolve.com.

I would also like to remind you that this conference call will include forward-looking statements, including statements related to various business, operations and marketing initiatives and investments; our inventory balance and management; economic conditions and their impact on consumer demand; the impact of our new fulfillment centers; our future growth and profitability; market opportunities; macroeconomic and industry trends; and our outlook for net sales, gross margin, operating expenses and effective tax rate.

These statements are subject to various risks, uncertainties and assumptions that could cause our actual results to differ materially from these statements, including the risks mentioned in this afternoon's press release as well as other risks and uncertainties disclosed under the caption "Risk Factors" and elsewhere in our filings with the Securities and Exchange Commission, including, without limitation, our Annual Report on Form 10-K for the year ended December 31, 2022 and our subsequent Quarterly Reports on Form 10-Q, all of which can be found on our website at investors.revolve.com. We undertake no obligation to revise or update any forward-looking statements or information except as required by law.

During our call today, we will also reference certain non-GAAP financial information, including Adjusted EBITDA and Free Cash Flow. We use non-GAAP measures in some of our financial discussions, as we believe they provide valuable insights on our operational performance and underlying operating results. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and our non-GAAP measures may be different from non-GAAP measures used by other companies. Reconciliations of non-GAAP measures to GAAP measures, as well as the definitions of each measure, their limitations and our rationale for using them, can be found in this afternoon’s press release and in our SEC filings.

Joining me on the call today are our co-founders and co-CEOs, Mike Karanikolas and Michael Mente, as well as Jesse Timmermans, our CFO. Following our prepared remarks, we'll open the call for your questions.

With that, I'll turn it over to Mike.

MIKE KARANIKOLAS, CO-FOUNDER AND CO-CEO

Hello everyone and thanks for joining us today.

We reported mixed results for the first quarter of 2023 amidst an increasingly uncertain macroenvironment and against a very difficult prior-year comparison.

After a better-than-expected start to the first quarter of 2023 that we discussed in February on our fourth quarter earnings call, consumer demand decelerated for the remainder of the first quarter, consistent with the U.S Department of Commerce data showing a meaningful deceleration in consumer spending from January to March. This led to a 1% year-over-year decrease in net sales for the first quarter.

On very positive fronts, however, we are making great progress on several key initiatives, we continue to make investments in the brand that we believe will benefit us over the long term and, despite the macro challenges, we made excellent progress on rebalancing our inventory position and generated exceptional free cash flow during the first quarter – further strengthening our balance sheet.

With that as an introduction, there are three key messages I want to focus your attention on today.

- **First, despite a macro-environment that became more challenging as the first quarter progressed, we achieved excellent progress towards recalibrating our inventory** and we believe we are on track with our objective of re-balancing our inventory position by the end of the second quarter of 2023. The spread between our inventory growth year-over-year and our net sales decline year-over-year decreased by more than 50% in the first quarter on a sequential basis compared to the fourth quarter of 2022. These favorable dynamics give us confidence in our outlook for gross margins improving from the pressured levels we reported in the first quarter of 2023.

- **Second, our significantly improved inventory dynamics helped us generate $49 million in cash flow from operating activities in the first quarter, more than double our cash flow generation for the full year of 2022**. Our strong profitability and cash flow generation truly stands out within the fashion e-commerce sector, and coupled with our $283 million in cash on the balance sheet at the end of the first quarter, we are in a position of strength to invest in our large market opportunity ahead of us, at a time when many industry peers are forced to play defense. Challenging economic times like the current environment create opportunities for financially strong companies to prudently invest and further separate from the competition.

- **And, third, we are executing on several important growth, brand building and efficiency initiatives** that we believe will further strengthen our foundation for profitable growth over the long term -- particularly when the wind is at our backs once again. Michael and I will share our progress on several key initiatives throughout the organization including technology, operations, marketing and international. In such a dynamic period, I am pleased that our teams have remained laser focused on the operational priorities I discussed on last quarter's conference call.

Now, I'll shift gears to discuss highlights of our first quarter in more detail.

Recall that during our Q4 2022 earnings call in February, we shared that our net sales in the first seven weeks of the first quarter of 2023 had increased year-over-year by a mid-single digit percentage compared to the same period in 2022.

Trends decelerated later in the quarter, particularly in March, leading to our 1% year-over-year decrease in net sales for the first quarter of 2023. The monthly slope of our first quarter was consistent with decelerating monthly apparel retail sales data from the U.S. Department of Commerce, which further supports our view that our core young customer demographic is under more pressure today than she was just a few months ago.

It is also important to keep in mind our difficult prior-year comparison. Stepping back, our net sales have increased at a compound annual growth rate of 19% since the first quarter of 2019, the year of our IPO.

By region, net sales in the U.S. decreased 5% year-over-year while **international net sales** increased 16% year-over-year in the first quarter. Bear in mind that our U.S. net sales growth in the first quarter of 2022 was exceptionally strong, creating a more difficult comparison. I am very pleased by the healthy international results, considering the continued currency headwinds in some of our larger markets, such as Australia and the UK.

Positive contributors to international growth in the first quarter included China, which is benefitting from the reopening of the Chinese economy as well as an easier year-over-year comparison from China lockdowns that began in the first quarter of 2022; the Middle East; and emerging markets, such as Mexico and India.

I am particularly excited about Mexico, a market enjoying exceptional growth with net sales almost doubling year over year – and now ranking as one of our top 5 international markets. We have a series of marketing activities planned to drive even greater awareness in Mexico, where we already have the second largest social media following among our international markets.

Net income for the first quarter was $14 million, or $0.19 per diluted share, and **Adjusted EBITDA** was $15 million. Our profitability was significantly lower than our performance in last year's first quarter, primarily due to the nearly 5-point decrease in our gross margin year-over-year.

And while the macro environment remains uncertain, some of the pressure points on our P&L in recent periods should begin to ease in the coming quarters. The cost of air freight to import our Owned Brands products from China has decreased significantly, shifting from a headwind in recent years to a tailwind in 2023 as we look forward. And our top line contributions from China have also shifted from a headwind into a tailwind after the COVID restrictions were eased earlier this year. Lastly, it appears that we are now past the worst of the headwinds from variable fuel surcharges applied by major carriers to our customer shipments, since the peak in jet fuel prices in the second quarter of 2022.

Now, as mentioned earlier, I'll provide brief updates on key operating priorities that build on our foundation of growth and operating efficiency and further enhance our already best-in-class customer experience.

- **First and foremost, we are extremely focused on driving cost efficiencies within our global shipping and logistics operations** to help offset cost pressures, including the impact from a higher return rate year-over-year. Our team has already delivered early wins in optimizing customer shipping costs to some international regions, and we are pursuing a much larger scope of cost saving initiatives that we believe have potential to be impactful later this year. Jesse will talk more about this important effort in his remarks.

- **We are continuing to raise the bar on service levels for customers**, even while we focus intently on driving cost efficiencies. Our new Pennsylvania fulfillment center enables us to more quickly ship packages to east coast customers, and we are also extending our best-in-class time frame for shipping orders the same day we receive them. For years, our service promise has been to process and ship orders on the same day if we receive them before 3 pm Eastern time, and we are now extending that same-day fulfillment window to even later in the afternoon.

- **We continue to expand the use of AI and machine learning across several key areas of our operations and customer experience**, including fraud detection, personalized product recommendations, image recognition and product attribute tagging. As an exciting update on our progress, Michael will talk about how we leveraged AI technology to develop an innovative marketing campaign featuring outdoor billboards for our flagship REVOLVE Festival event held last month. And, using these same AI designs, we created a limited edition Owned Brand product capsule.

- **We also leveraged our technology stack to enhance the product search results on our sites**, elevating the user experience and conversion opportunities by enabling customers to more efficiently find what they are looking for among our curated assortment. We are also leveraging AI to develop even further enhancements to our search capabilities, and we are excited by internal demonstrations of the further application of AI technology that have shown a great deal of potential to drive impactful results in the future.

- **We have advanced our efforts to cross sell the FWRD assortment to the much larger base of REVOLVE customers**. Recently launched navigation enhancements on our REVOLVE website provide increased visibility to the FWRD assortment and have shown promising early results. We have also leveraged our technology foundation to increasingly enable REVOLVE and FWRD to share inventory for key brands that offer products for sale on both sites, enabling more efficient inventory management and improved product availability.

- **We are investing further to elevate service levels in international markets**, where we see a great deal of opportunity over the long term. We plan to deploy technology this quarter that we expect will accelerate website response time in key international markets, advancing our localization efforts. And in the coming months, we are gearing up to expand our loyalty program to key international markets for the first time. Our loyalty program has been a great success domestically since introducing it three years ago.

Like all companies, we face a myriad of challenges in the current environment and we still have much more work to do. And, yet, we are uniquely positioned with a profitable, capital efficient and highly cash-generative business model that we believe will allow us to continue to prudently invest in our long-term opportunity that we are very excited about.

Before I turn it over to Michael, I would like to once again thank all of our hard-working team members for your agility, resilience and dedication to exceeding our customers' expectations every day.

Now, over to Michael.

MICHAEL MENTE, CO-FOUNDER AND CO-CEO

Thanks, Mike, and hello everyone.

As always, our strategic focus is to create a strong and growing business for the long term. At the center of everything we do is our unwavering focus on serving our customer incredibly well, helping her to live her best life through being her trusted source of fashion inspiration. So, it is gratifying that our active customer base has continued to expand at a healthy rate, building on our future growth potential considering the strong loyalty and retention characteristics of our customer base.

Our trailing 12-month **active customers** grew to 2.4 million in the first quarter, an increase of 4% sequentially and 19% higher than the first quarter of 2022, growing right through the very difficult record growth comparison in the prior year. Moving forward, we believe we have a large opportunity to expand our customer base within our target demographic – both in the U.S. and internationally.

Even more impressive, is that we delivered this healthy growth in active customers while, at the same time, delivering better-than-expected marketing efficiency in the first quarter.

Shifting gears, I would like to discuss our culture of innovation at REVOLVE… A key contributor to our rapid and profitable growth over the past 20 years is our ability to identify important shifts and opportunities, and leverage technology to create competitive moats around us. From our earliest days, our internally developed technology enabled us to embrace data-driven merchandising and drive the business in ways that remain a significant competitive differentiator today.

Years later, we were a pioneer at the forefront of marketing innovation in partnering with influencers to create brand awareness and impact on social media, again leveraging our internally developed technology to create a competitive advantage.

And now today, I am thrilled to acknowledge the pioneering efforts of our Studio, Technology and Marketing teams for creating what we believe was the first **AI-generated billboard campaign**. Entitled "Best Trip", the visually stunning AI campaign celebrates our 20-year anniversary and was designed in partnership with Ai studio MAISON.META. Our AI innovation has generated meaningful buzz on social media and major press outlets such as *Forbes*, *Vogue*, *The New York Post* and *Business of Fashion*, further solidifying REVOLVE as a trailblazer in marketing innovation.

The ‘Best Trip’ AI campaign debuted throughout April on several billboards along the highway headed to Palm Springs, strategically positioned to ensure that it would be seen by hundreds of thousands of festival goers driving to Coachella, Stagecoach and, of course, REVOLVE Festival last month. It was great to see our aspirational lifestyle brand proudly displayed front and center for such a large, targeted and relevant audience.

Also compelling is that we were able to efficiently produce and sell a limited-edition capsule collection from the designs seen in the AI campaign. Our Owned Brands team had already been testing AI design and related technology innovations to drive further efficiency in product development. So, it was really incredible to see our team leverage AI to bring product to life for the first time.

Over time, we believe AI design presents an exciting opportunity to create a more powerful, innovative and streamlined design process. Our conviction and true excitement about the potential for AI technology across the organization led us to help launch the first-ever **AI Fashion Week** last month --- to promote greater experimentation and use of AI in fashion. I encourage you to follow the updates on our social media channels and participate in voting for the more than 400 AI Fashion Week contest submissions through the AI Fashion Week app. Of note, the three winners from the AI Fashion Week contest will have the opportunity to sell their AI capsule collections on REVOLVE. As a company, it’s very important for us to stay at the cutting edge of technology developments, testing and learning how to leverage these new technologies, which is ingrained in our cultural DNA.

Now, let me shift gears and recap our highly successful REVOLVE Festival event held last month at an exceptional new venue. This year was particularly special for Mike and I because the timing of REVOLVE Festival coincided with our 20-year anniversary.

We kicked off the week of REVOLVE Festival with an intimate 20th Anniversary Celebration in Los Angeles attended by A-listers, VIPs and brands including key fashion partners who have been with us since the earliest days. In true REVOLVE fashion, the event grabbed headlines – with particular focus on Kendall Jenner’s stunning ensemble -- highlighted by a sheer white, form fitting Alaïa dress from our FWRD assortment that sold out almost immediately after all the favorable press. Once again, illustrating our powerful marketing impact that our brand partners are increasingly excited about.

It was clear from the conversations and toasts at our intimate gathering just how much brand loyalty we have earned with emerging brands and content creator partners over the years from our mutually beneficial relationships. We are truly grateful for the relationships we have built and to see the many businesses that have grown with us in our journey. Through our strong brand, our focus on the customer, our technology and data driven foundation and the support of our partners, we have nearly quadrupled the business from roughly $300 million dollars in revenue in 2016 to $1.1 billion today.

REVOLVE Festival was held over two days in mid-April, and it was an incredible event that the *Wall Street Journal* called “Coachella’s most lavish party” and was “better than a day at Coachella”, according to an article from *Insider*. The aspirational lifestyle event was very successful in elevating our brands and exciting and delighting our community of VIPs, brands, influencers, partners and fans who were fortunate enough to attend the invite-only activation.

This year’s event featured an even more exclusive and intimate setting while delivering a high-energy vibe that was inspired by our outstanding lineup of musical acts. Headline performers included 21 Savage, Don Toliver, City Girls, PinkPantheress, Coi Leray, Zack Bia, Amaarae, Ayra Starr and the trending Ice Spice in her first live performance since releasing a hit single with Nicki Minaj that debuted at number one on the Billboard charts.

An important driver of impact and awareness was incredible event attendance across a diverse range of personalities including musicians, actors, celebrities, designers, athletes, content creators and TikTok stars. *Teen Vogue* wrote that ”it seemed as though every celebrity and influencer on the planet was in attendance.” Notable VIPs at our event included Kendall Jenner, Dixie and Charli D’Amelio, Hailey Bieber, Leonardo DiCaprio, Emma Roberts, Travis Kelce, Lewis Hamilton, Storm Reid, Lori Harvey, Saweetie, Leon Bridges, Camila Morrone, Madison Bailey, Suki Waterhouse, Natalia Bryant, Irina Shayk, Shay Mitchell, Noah Beck, David Dobrik, Christina Milian and Tyga.

To illustrate the scale of favorable impact on our brand, the week of REVOLVE Festival generated approximately 7 billion press impressions, our highest-ever for any campaign or event.

Our investment in REVOLVE Festival and other experiential events over many years has created a truly powerful lifestyle brand, which has resulted in increasing opportunities to partner with top brands and celebrities. For example, global icon Jennifer Lopez and her team were very excited to partner with REVOLVE because of the strength of our brand and strong connection with next-generation consumers. We recently launched an exclusive shoe collection called JLO Jennifer Lopez, and hosted an impactful marketing event with JLO that attracted more press than any launch event in our history. It was all made possible by the combined strength of our brands.

Shifting to an update on FWRD, we have some exciting marketing plans for later this year so stay tuned for details in the coming months. One of the areas that has been a real bright spot is our recently-introduced FWRD Renew, the section of FWRD dedicated to circular luxury shopping where we sell pre-owned handbags from coveted luxury brands. Sales from this early effort grew more than 50% on a sequential basis in the first quarter, from the fourth quarter of 2022, and Renew has attracted many new customers to the FWRD brand.

I am also excited by our efforts to encourage our leading premium beauty brands on REVOLVE to co-list on FWRD this year. Some of our largest beauty brands on REVOLVE are in the queue to make their beauty products available on FWRD as well – expanding our opportunity.

I'll wrap up with an update on Beauty, where our year-over-year growth in the first quarter remained solid in the low double digits.

A major focus of our beauty strategy for the near term is to attract the right selection of beauty brands on the site. I am confident that having the optimal beauty assortment will drive an exciting growth opportunity over the long term simply because our customer loves REVOLVE and we consistently exceed her expectations.

As context, we know that when we launch a major beauty brand, it moves the needle – as a small number of beauty brands currently drive a high share of our beauty volume. We are very excited about the pipeline of high-impact beauty brands that we expect will be onboarded this year.

An exciting development was the launch of Kourtney Kardashian's wellness brand, Lemme, on REVOLVE in February – months before distribution through any major beauty retailers. The launch on REVOLVE has done very well in the early going, helped by Kourtney really leaning into marketing on her social channels. This example reinforces the powerful REVOLVE brand, community and trusted relationships we have built with tastemakers.

In closing, it is clear to me that we remain in a highly uncertain operating environment, as Mike alluded to. Not surprisingly, consumers are dealing with persistent inflation pressures, which has led to some reduction in our customers' propensity to spend, evident in our average spending per active customer. Despite the challenging macro environment, we are continuing to play offense, building on our already solid foundation that will support our future growth when the environment improves and her spending returns.

I'm super energized by the energy and level of innovation throughout the company. We continue to push the boundaries, leveraging new technologies and marketing techniques. Our entrepreneurial team culture is in full force as we pursue our goal of being THE fashion destination for the next generation consumer.

Now, I will turn it over to Jesse for a discussion of the financials.

JESSE TIMMERMANS, CFO

Thanks, Michael, and hello everyone.

We encountered our share of challenges in the first quarter, on top of a very difficult prior-year comparison.

In such a dynamic environment, I am pleased that our operating discipline enabled us to achieve significant progress in recalibrating our inventory position while generating exceptional cash flow, further strengthening our already pristine balance sheet.

I'll start by recapping our first quarter results.

Net sales were $280 million, a year-over-year decrease of 1%. As shared on our earnings conference call for the fourth quarter of 2022, the first quarter of 2023 began on a high note with year-over-year net sales growth in the mid-single digits through the first seven weeks. However, our net sales trajectory decelerated in the last 6 weeks of the first quarter of 2023, consistent with a variety of public data sources reporting softer consumer spending on discretionary items during February and particularly during March.

Looking at our first quarter of 2023 results over a longer time horizon, our net sales have increased at a four-year compound annual growth rate of 19% when compared to the first quarter of 2019.

REVOLVE Segment net sales decreased 3% and **FWRD Segment net sales** increased 5% year-over-year in the first quarter.

By territory, domestic net sales decreased 5% and **international net sales** increased 16% year-over-year. The U.S. faced a much harder comparison as the U.S. grew more than twice as fast as our international business in the first quarter of 2022.

Active Customers, which is a trailing 12-month measure, increased by a healthy 84,000 customers during the first quarter. This growth expanded our active customer count to 2.4 million, an increase of 19% year-over-year.

Our customers placed 2.3 million **orders** in the first quarter, an increase of 6% year-over-year.

Average order value was $288, flat year-over-year.

Shifting to gross profit… **Consolidated gross margin** was 49.8%, at the high end of our guidance range, and a decrease of 468 basis points year-over-year primarily due to a lower mix of net sales at full price compared to the first quarter of 2022. We exited the first quarter with a more balanced inventory position, which gives us confidence in the improving gross margin outlook in future quarters.

Moving on to operating expenses….

Fulfillment costs deleveraged by 67 basis points year-over-year, directionally consistent with our outlook commentary, primarily due to a year-over-year increase in our return rate as well as increased labor costs and investments made to expand our fulfillment network. The softer revenue trend was also a headwind for fulfillment efficiency year-on-year, due to decreased utilization of our expanded fulfillment center capacity.

Selling and distribution costs deleveraged 2 points year-over-year and were higher than expected, primarily due to elevated costs for customer shipments caused by a higher return rate year-over-year and continued year-over-year growth in variable fuel surcharges. We are very focused on reducing the significant negative impact on our profitability from these increased shipping costs with several initiatives in place and more being developed and tested.

Marketing was more efficient than the outlook we provided on last quarter's conference call. Our marketing investments represented 13.7% of net sales in the first quarter, an improvement of 225 basis points year-over-year.

General and administrative costs were $28 million, slightly lower than our outlook provided last quarter.

Our **effective tax rate** was 25%, 3 points higher than in the first quarter of 2022.

Net income was $14.2 million, or 19 cents per diluted share, a decrease of 37% year-over-year that was impacted by the lower gross margin and growth in operating expenses, partially offset by an increase in other income due primarily to an insurance reimbursement.

Adjusted EBITDA was $15 million, a decrease of 52% year-over-year.

Moving to the balance sheet and cash flow statement… Our cash flow in the first quarter was exceptional and benefitted from favorable working capital dynamics. **Net cash provided by operating activities** was $49 million and **free cash flow** was $48 million, which was our second highest for any first quarter, yet declined compared to the first quarter of 2022 primarily due to lower net income year-over-year. In just the first quarter of 2023, we have already generated more than twice the amount of operating cash flow than all of 2022.

The strong cash flow generation has further strengthened our balance sheet and liquidity. **Cash and cash equivalents** as of March 31, 2023 were $283 million, an increase of $49 million, or 21%, from year end 2022 and an increase of $13 million, or 5%, year over year. Our balance sheet as of March 31, 2023 remains debt free.

Inventory at March 31, 2023 was $190 million, a sequential quarter decrease of $25 million from year end 2022. As a result of this significant inventory reduction in the first quarter, our inventory moderated to a 6% year-over-year increase, narrowing the unfavorable spread between our year-over-year inventory growth and year-over-year net sales growth to only 7 points. We remain confident that we are on track to rebalance our inventory by the end of the second quarter.

Now, let me update you on some recent trends in the business since the first quarter ended and provide some direction on our cost structure to help in your modeling of the business.

Starting from the top…. The top line pressure we experienced late in the first quarter has continued, as net sales for the month of April 2023 decreased by approximately 7% year-over-year. We believe the uncertain macroenvironment is increasingly weighing on our customer's purchasing behavior.

Shifting to gross margin… We expect gross margin in the second quarter of 2023 of between 53% and 53.5%, up from the first quarter of 2023 gross margin reported today, yet lower year-over-year as we expect a reduced mix of net sales at full price this year. Importantly, the year-over-year decline in gross margin implied by our outlook for the second quarter of 2023 is about two points lower than the year-over-year decline in gross margin reported for the first quarter announced today.

For the full year 2023, we continue to expect gross margin of between 52% and 53%.

Fulfillment: Primarily as a result of the increased top line uncertainty, we are taking a slightly more conservative view of fulfillment efficiency. We now expect fulfillment as a percentage of net sales to be around 3.2% for the second quarter of 2023. We continue to expect slight sequential improvement on fulfillment efficiency in the second half of the year, resulting in fulfillment as a percentage of net sales of approximately 3.1% for the full year 2023.

Selling and Distribution: We expect Selling and Distribution costs to represent around 18.7% of net sales for the second quarter of 2023 and 18.0% of net sales for the full year 2023. The increase from our prior full-year guidance primarily reflects a higher-than expected return rate that we believe is influenced by the challenging macroenvironment. As a result, we are now assuming a higher return rate in 2023 than was embedded in our prior guidance.

Importantly, our outlook for the full year implies sequential improvement in the back half of the year.

There are three key drivers of the sequential improvement we expect in the back half of the year for Selling and Distribution. First, we expect variable fuel surcharges to decline year-over-year starting in the second quarter after several quarters of significant growth. Second, we expect to begin to realize efficiencies from our new Pennsylvania fulfillment center as its volume scales. And, third, we expect to begin to realize early efficiencies resulting from a variety of other shipping and logistics efficiency measures we are pursuing.

However, we are factoring in an elevated return rate in the near term, which will partially offset some of our efficiency measures and contribute to continued pressure on shipping costs.

Marketing: Our marketing efficiency in the first quarter of 2023 was partially due to a reduction in brand marketing events this year, compared to the very active events calendar in the first quarter of 2022. By comparison, we expect the second quarter of 2023 to include a larger investment in brand building events year-over-year when compared to the second quarter of 2022.

As a result, and consistent with our commentary from last quarter, we expect our marketing investment to be the highest of the year in the second quarter of 2023 and to represent approximately 18.5% of net sales. For the full year 2023, we expect marketing to be within the range previously communicated, of 16.0% to 16.5% of net sales.

General and Administrative: We expect G&A expense of approximately $29 million in the second quarter of 2023 and between $113 to $115 million for the full year 2023, unchanged from our prior full year outlook.

And lastly, touching on our **tax rate**. We continue to expect our effective tax rate to be around 24% to 26%, consistent with the past several quarters.

To recap, while the current environment is challenging, led by Mike and Michael's long-term mindset, our leadership team is energized behind a wide range of exciting initiatives that we believe will benefit REVOLVE for years to come. After delivering exceptional growth in the past two years, our key focus is our active evaluation of how we can leverage our technology, data-driven approach and operating excellence to take advantage of our increased global scale in driving further operating efficiencies across the organization.

Now we'll open it up for your questions.