



REVOLVE

POSITION: LONG RVLV

PRICE TARGET: \$75.25 (+43%)

TEAM: BHAVYA, IOANA, IRIKA, KELLY
UT AUSTIN

A LEADING INNOVATOR...

REVOLVE is the next-generation fashion retailer for Millennial and Gen Z Consumers

BUSINESS OVERVIEW

REVOLVE

88% of net sales

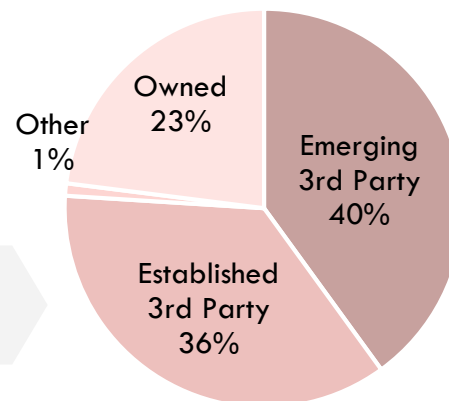
Highly curated assortment of **premium** apparel and footwear, accessories, and beauty products

FORWARD

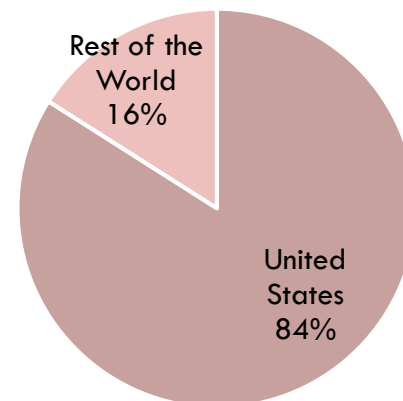
12% of net sales

Full assortment of iconic and emerging **luxury** brands

Revenue by Segment



Revenue by Geography



KEY METRICS

Market Cap 3.42B

Founded 2003

Revenue 580.6M

HQ CA

Brands > 500

Followers 4.5M

The Brand - Influencers & Events

Brand marketing campaigns and influencer events complement the REVOLVE brand. #REVOLVEfestival #REVOLVEaroundtheworld #REVOLVEsummer



Source: 2020 10-K

REVOLVE

...IN AN ATTRACTIVE SPACE

A unique investment to gain exposure to social media-driven ecommerce

COMPETITORS

Traditional Department Stores

- Operate at premium price points
- Ex: Nordstrom and Macy's-owned Bloomingdale's
- RVLV more focused on millennial/Gen Z demographic

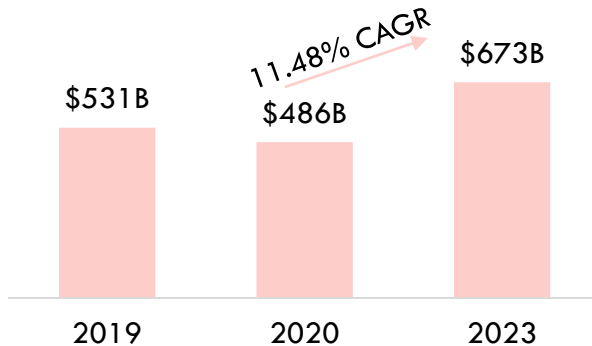
Digitally Enabled Companies

- Newer players who connect to consumers through social media & digital channels
- Boohoo, PrettyLittleThing, ASOS, and Fashion Nova
- RVLV has a higher AOV

RVLV competes with department stores, specialty retailers, independent retail stores, the online offerings of these traditional retail competitors, and e-commerce companies that market merchandise similar to RVLV's.

GROWING GLOBAL FASHION ECOMMERCE MARKET

Global Fashion E-Commerce Market Projections



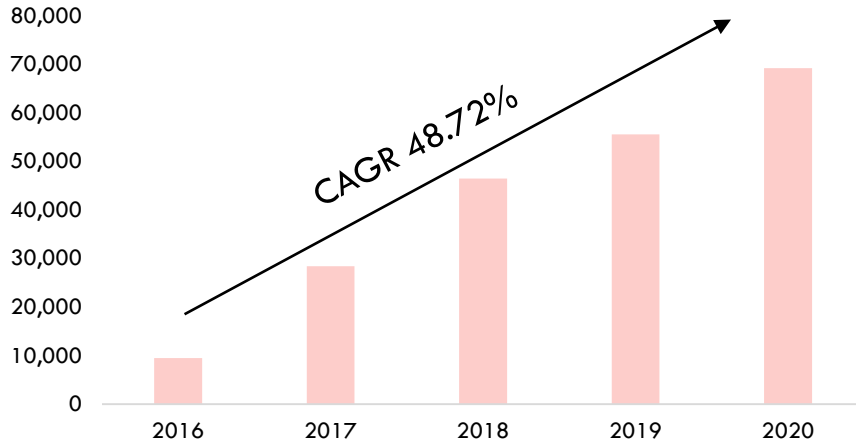
Source: CAGR projections from globalnewswire

- Fashion e-commerce market: sales of fashion goods and related services through online channels
- NA was largest region in fashion e-commerce market in 2019
- Asia is expected to be fastest-growing region going forward
- Increasing smartphone and internet adoption is expected to boost demand for fashion e-commerce

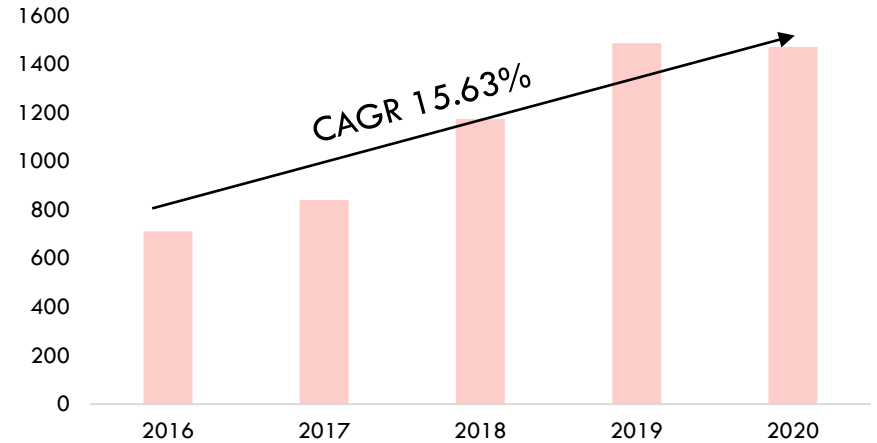
REVOLVE

A high-growth company with exceptional fundamentals

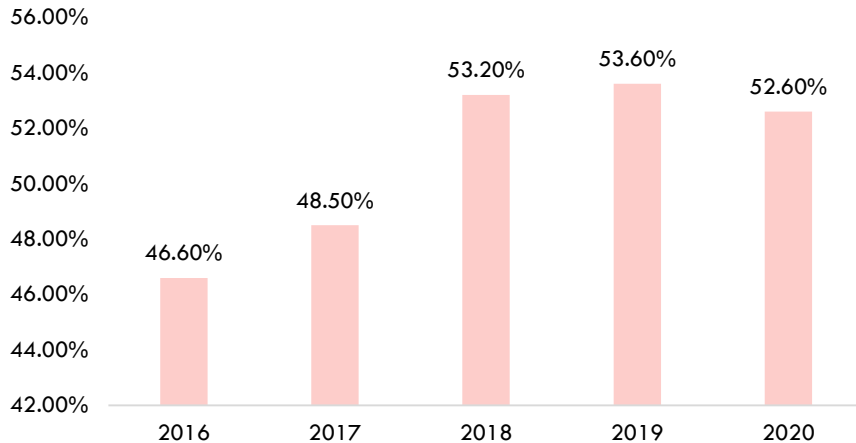
Adjusted EBITDA



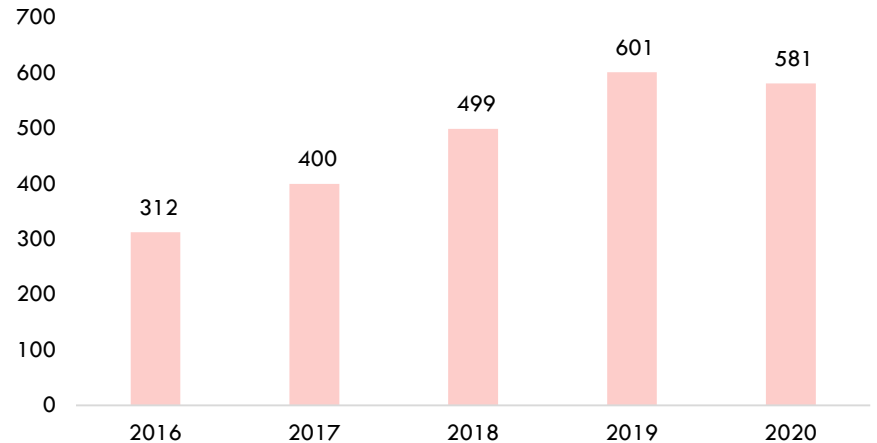
Active Customers (1000s)



Gross Margin



Revenue (1000s)

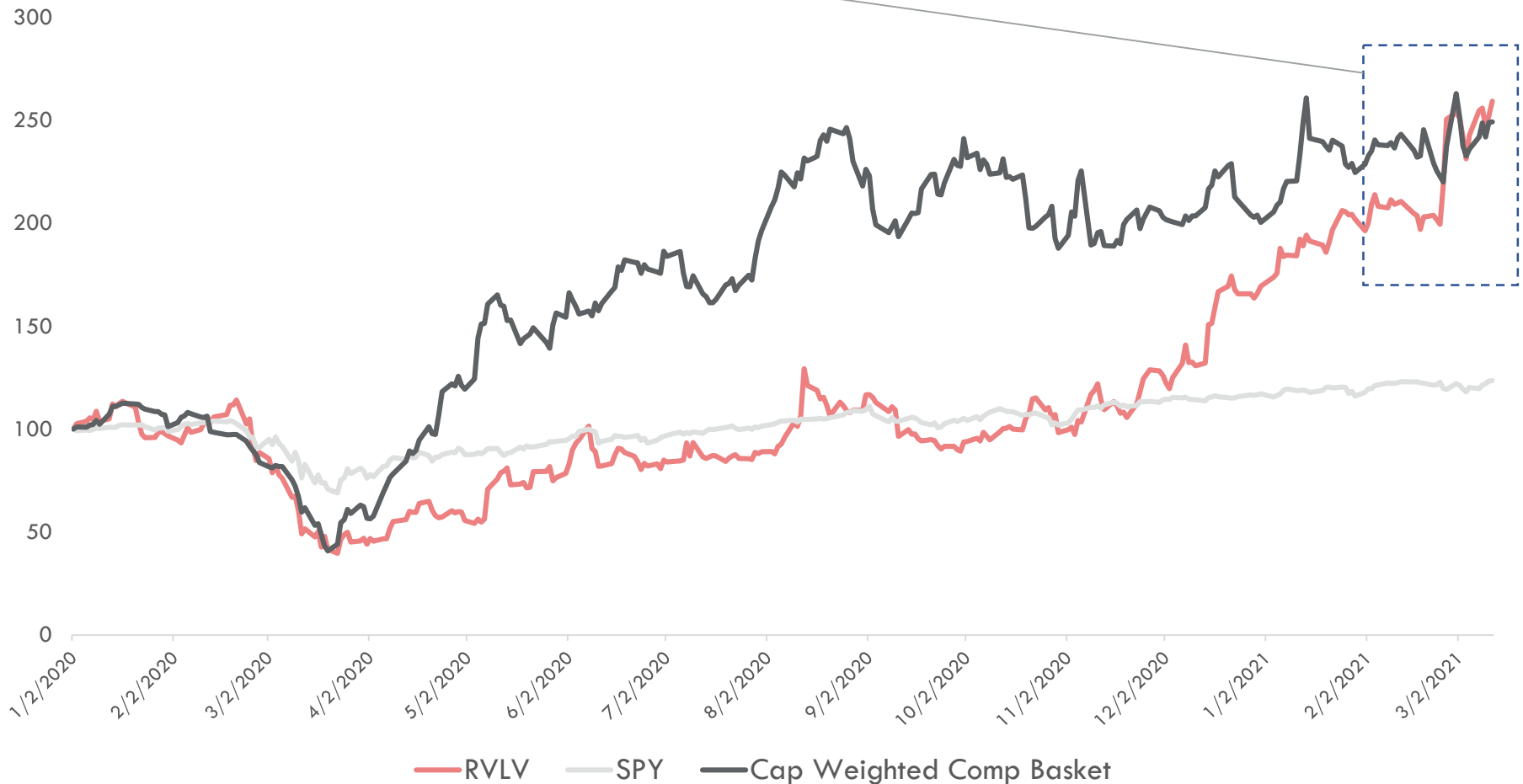


Source: 2020 10-K

INVESTOR SENTIMENT

The market is starting to recognize RVLV's potential

Market starting to recognize RVLV's potential, but **STOCK HAS RUNWAY AS MARKET RECOGNIZES COMPANY'S ADVANTAGES AGAINST COMPETITORS.**





THESIS |

INVESTMENT THESIS

RVLV is an attractive long-term hold with near-term catalysts

1

The Social Commerce Boom and Influencer Economy

REVOLVE is uniquely positioned as the **dominant player in experiential marketing** with the addition of digital-only programming, a lucrative influencer network, and increased engagement & acquisition of high spending consumers.

2

Best-in-Class Inventory Management & High-Margin Growth Initiatives

RVLV **leverages data analytics to create optimized product offerings** that cater to the latest trends (current adoption of beauty, intimates, & loungewear) and drive higher-margin sales mix with a long-term focus on **owned brand development**.

3

Expansion Towards International Markets

RVLV is well-positioned to capitalize on post-COVID **demand spikes within its international markets**, most notably China & Australia. Roll-out of in-person events catalyzes top-line growth and unlocks potential for significant market penetration.

INNOVATIVE MARKETING STRATEGY

RVLV stands out as the partner of choice for the influencer economy despite pandemic headwinds

Experiential Marketing

Exclusive In-Person Events

A premium brand that **connects with millions** through large-scale events with top influencers to promote the REVOLVE brand & merchandise



Brand Campaigns & Broadcasting



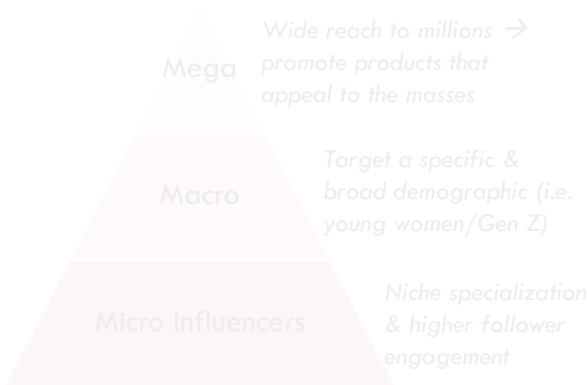
DTC Reach

Influencer Partnerships



CURATED 4,500 PARTNERS
DRIVES 70% OF SALES CONTENT

Diversified Influencer Network

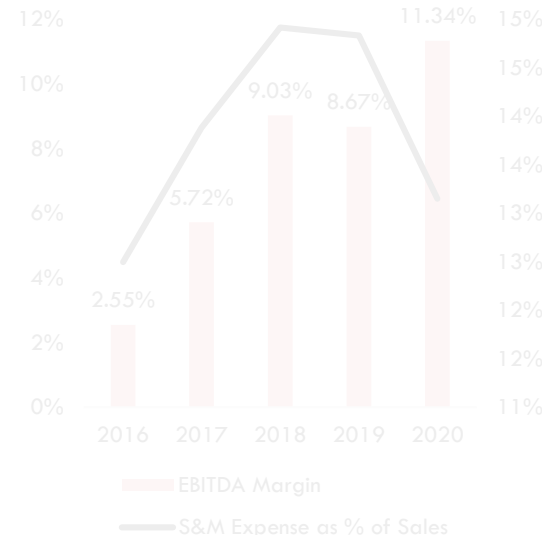


Digital-only Programming

Stay-at-Home Content Creation

🗨️ We generated a combined **58 million views** in the second half of 2020 [via accelerated expansion to emerging channels such as IGTV, TikTok, and Reels] 🗨️

Lower S&M Expense Boosts Margins via Shift to Virtual Format



Source: 2020 10-K, Q4 2020 Earnings, Company website, Company Applications, News/Partner Brand Websites (BusinessInsider, instyle), Management Commentary

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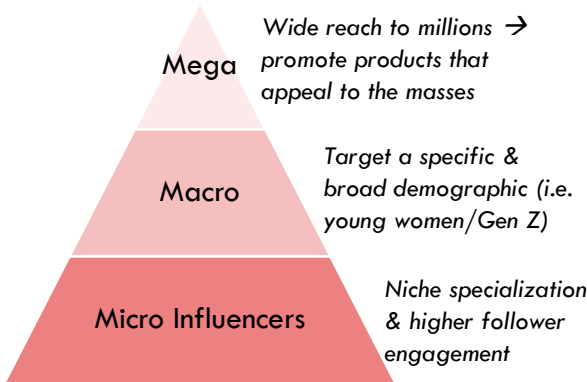
Influencer Partnerships



OLIVIA CULPO AIMEE SONG RACHEL LINDSAY

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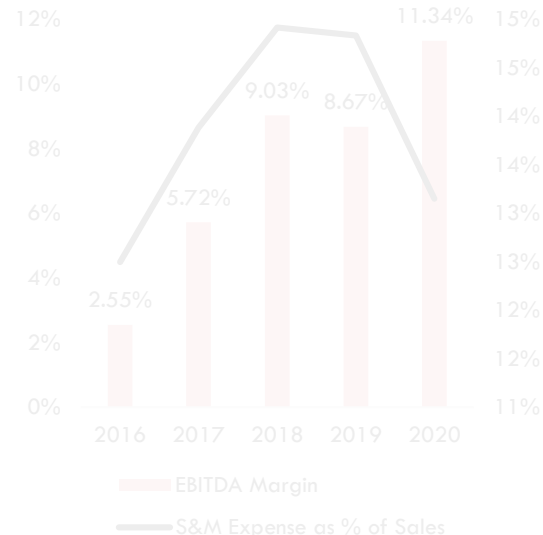


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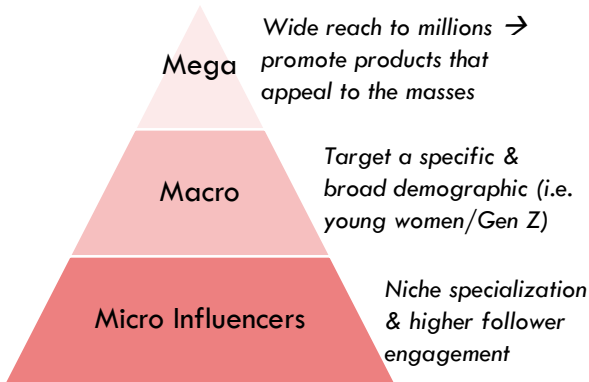
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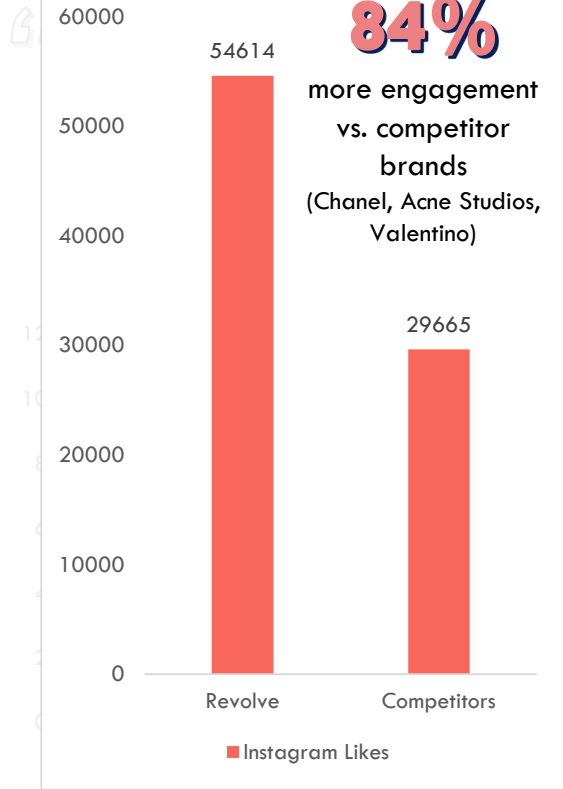
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Diversified Influencer Network



Digital-only Programming

Aimee Song Ambassador Engagement



EBITDA Margin
S&M Expense as % of Sales

Source: 2020 10-K, Q4 2020 Earnings, Company website, Company Applications, News/Partner Brand Websites (BusinessInsider, instyle), Management Commentary

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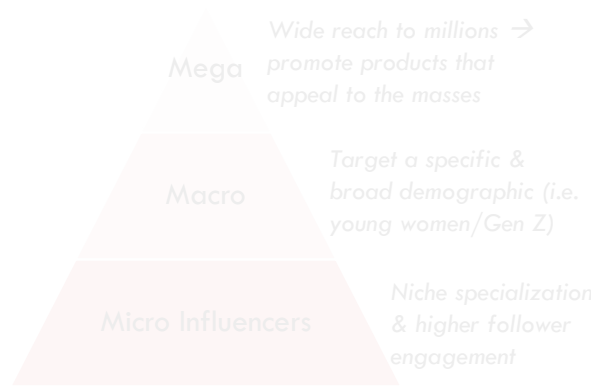
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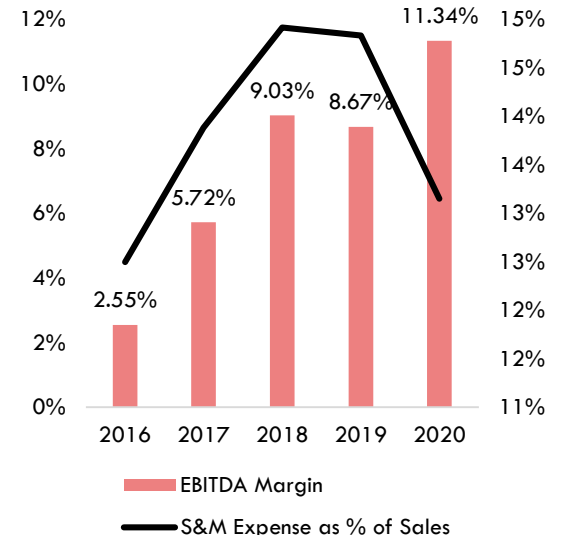


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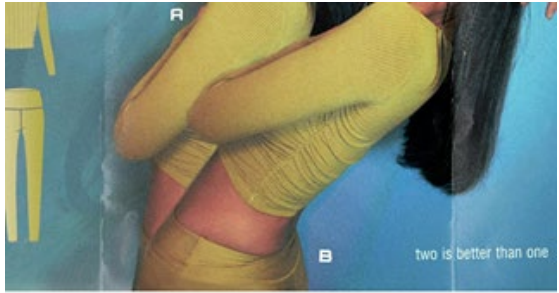
Source: 2020 10-K, Q4 2020 Earnings, Company website, Company Applications, News/Partner Brand Websites (BusinessInsider, instyle), Management Commentary

INNOVATIVE MARKETING STRATEGY

Higher engagement increases acquisition of customers that purchase more often



Liked by [redacted] and 607,538 others
wolfiecindy photo dump from camp last month
@revolve #camprevolve



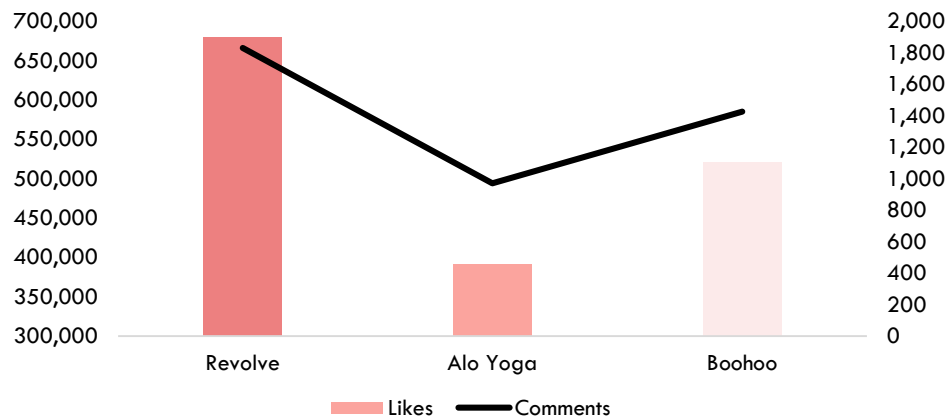
Liked by [redacted] and 315,226 others
wolfiecindy new @aloyoga



Liked [redacted] and 493,134 others
wolfiecindy blonde for the day
@boohoo cyber Monday

51%
MORE engagement
on **Revolve sponsored posts**
than other brands

WolfieCindy Ambassador Engagement



Source: Original primary data taken from Instagram influencer accounts

THE SOCIAL COMMERCE BOOM

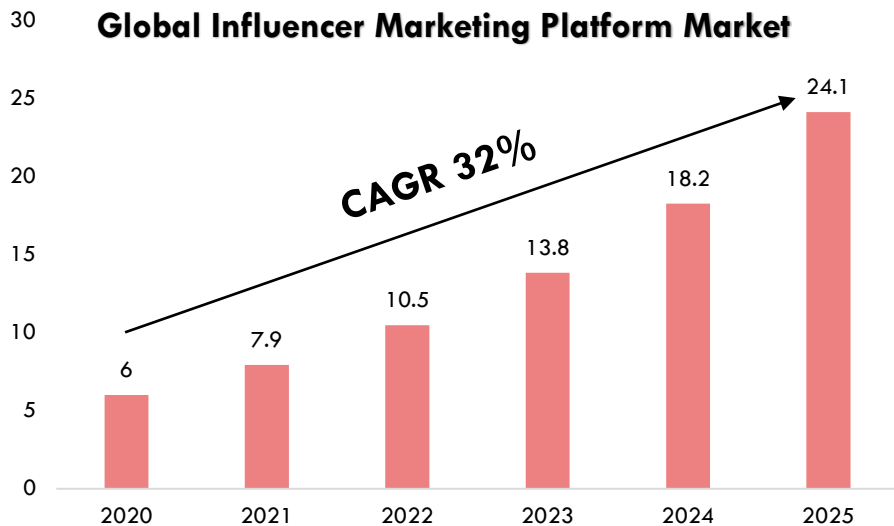
COVID-19 is just the beginning of growth in online retail and RVLV is here for it

Instant In-App Purchases

51% of website traffic is driven by low-cost methods

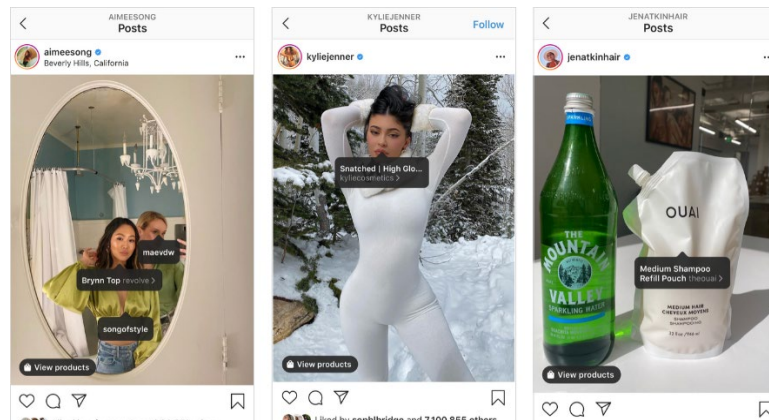


Global Influencer Marketing Platform Market



Source: Facebook Proprietary Survey, CAGR projections from businesswire

Rollout of Instagram Checkout



WHY IS THIS SO ATTRACTIVE?

Accelerated Lead Conversions

1 Frictionless commerce facilitates a 2-tap transaction process that converts Instagram followers to new customers

Massive Exposure to a Global Audience

2 "Shop" tab allows checkout-enabled brands to highlight curated product offerings

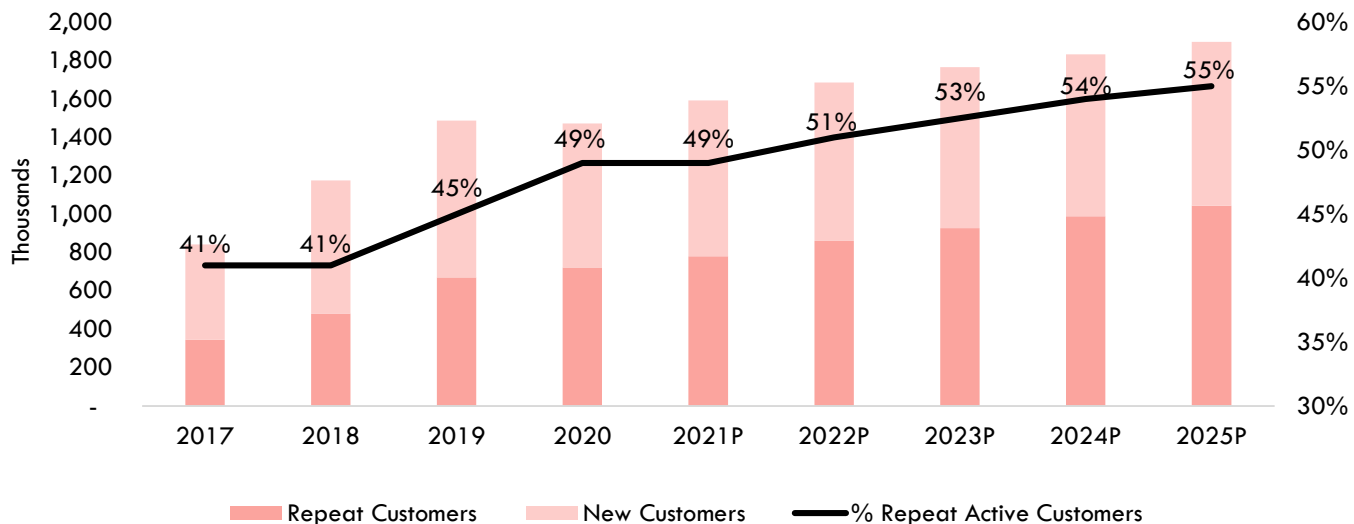
An Improved User Experience

3 Able to better serve customers by providing a seamless, elevated shopping experience

THE SOCIAL COMMERCE BOOM

A two-sided argument: Revolve is a dominant player in an expanding market

Increased Retention of High Spending Customers



INFLUENCER MARKETING DRIVES CUSTOMER RETENTION & LOYALTY

10%

industry average of repeat customers for fashion e-commerce

49%

of 2020 total Revolve customers are existing customers

4 - 5

purchases made annually vs. ~1.5 annual purchases by new customers

Source: 2020 10-K + DigitalCommerce360

INVENTORY MANAGEMENT

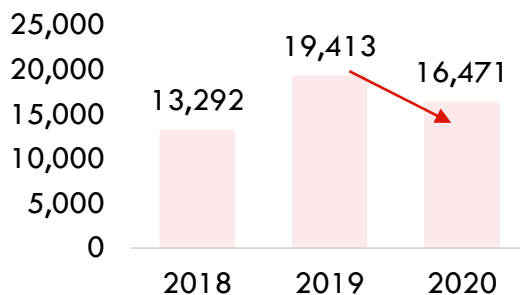
Scalable Infrastructure Automates Inventory and Order Allocation

Internally-developed tech platform using proprietary algorithms and 17 years of data

Proprietary System

The system "utilizes data from thousands of styles, up to 60 attributes per style, and millions of customer interactions, creating a strategic asset of hundreds of millions of data points."
- Revolve, 2020

Fulfillment Expense



- **18% YoY fulfillment cost decrease in response to COVID headwinds**
- **Warehouse consolidation & increased automation efforts**

92%
of consumers
browse the site at
least once/month

1/2
of consumers
browse the site
make purchases

Attractive
Products

Repeat
Engagement

74%
of total orders
come from
repeat customers

76%
of 2020 net sales
from repeat
customers

INVENTORY MANAGEMENT

Data-driven "Read & React" Model Identifies Emerging Trends to Optimize Product Offerings

THE STRATEGY

THE IMPACT

01

Buy Shallow Initial Inventory

Broad range of styles

02

Identify & Re-Order Strong Sellers

Adapts to customer demand

03

Facilitates Newness & Desirability

1,000+ new styles weekly

**This mitigated inventory risk during COVID-19*

164 bps

Increase in gross margin due to focus on up-trending product segments in beauty & accessories (2020)

29% decrease

Decrease in inventory due to increased turnover and increased product sales (2020)



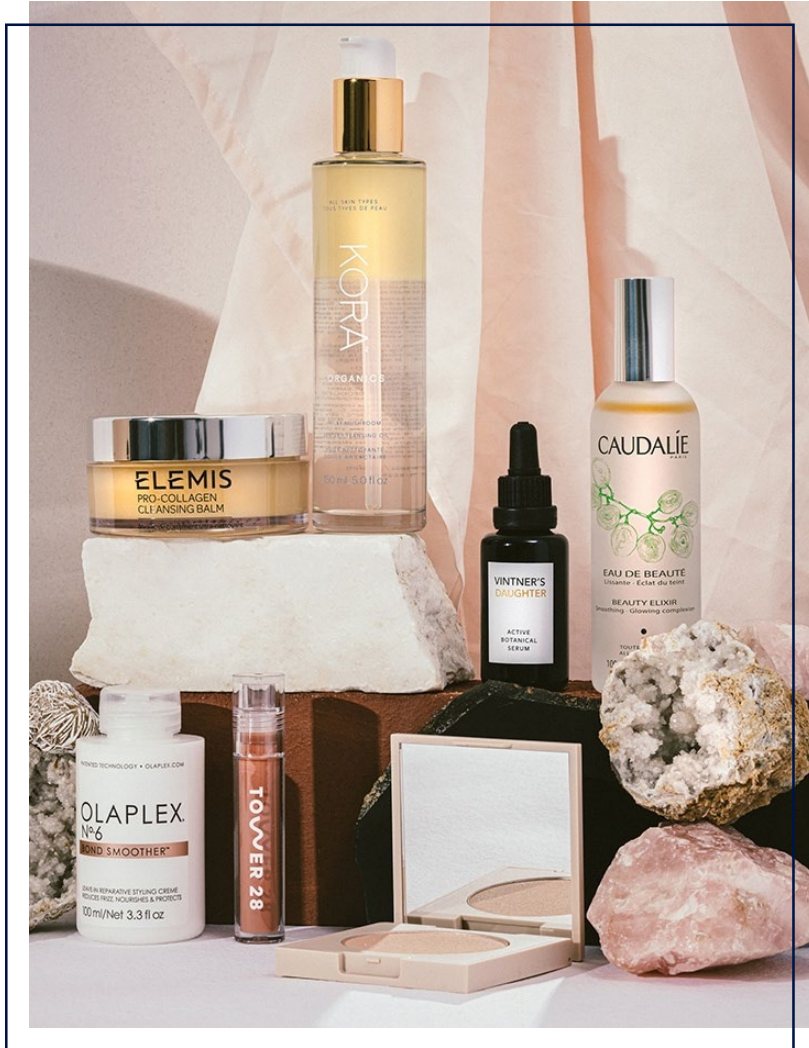
Diverse products that match consumer demand position RVLV to gain **more market share** compared to other competitors (e.g., department stores)



Inventory levels that are better aligned with consumer spending shifts will further **gross margin expansion**.

SHIFT TO HIGHER-MARGIN SEGMENTS

Increased investment in beauty, intimates, and loungewear to address consumer demand



01

Revenue Diversification

Shift to *beauty, activewear, and intimates* during COVID earns larger wallet share and drives new customer acquisition

02

Increased Order Volume & Expanded Markets

A more diversified playbook & digitally native presence *accelerates brand discovery by new customers*, driving active customer counts and percentage of full price sell-throughs without risk of cannibalization

LARGER TAM & REVENUE

23% INCREASE IN UNIQUE WEB VISITORS

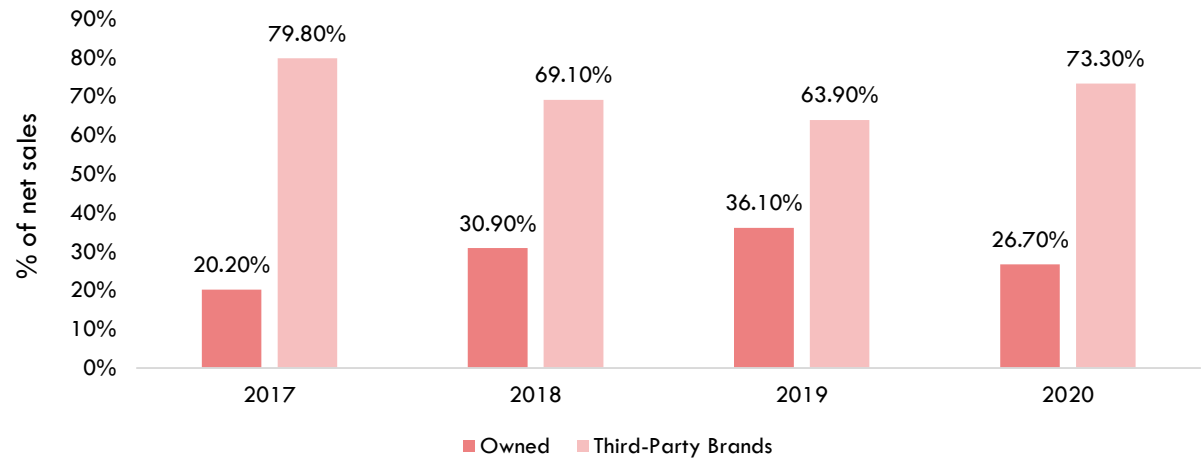
Wider reach sets the stage for *rapid demand recovery* from a larger post-COVID audience

SHIFT TO HIGHER-MARGIN SEGMENTS

COVID-related Advancements Drive Higher-Margin Sales Mix & Cross-Sell Opportunities

Long Growth Runway
Greater *owned brand penetration into beauty* flows directly to bottom line (100% third-party today)

Revolve Segments by Owned vs. Third-Party



GROSS MARGIN

HIGHER MARGIN FOR OWNED BRANDS

16% increase in owned brands over two years with *2019 launch of Superdown*

WHY GREATER MARGIN?



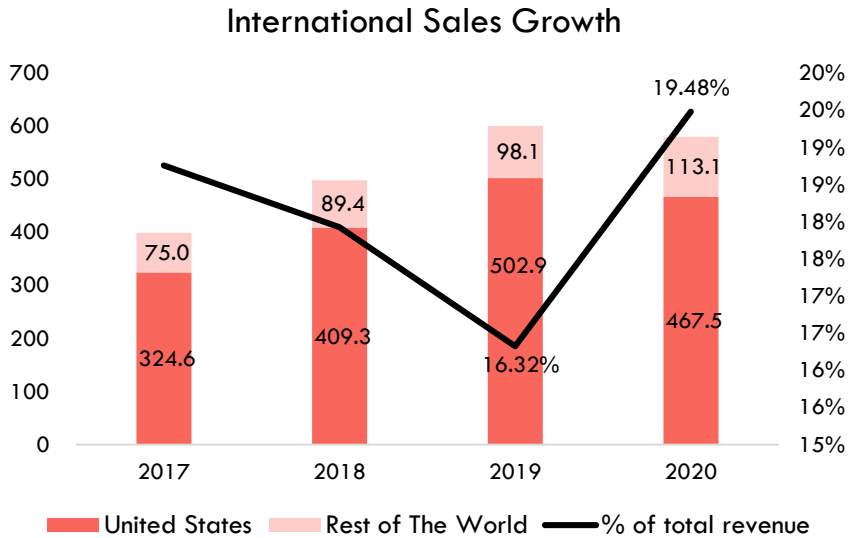
01 Similar Pricing
Unlike traditional generic brands, Revolve charges around the *same price* for brands that it develops using data on consumer



02 Lower Cost
Revolve uses customer data to build out high-turnover inventory and *avoid paying wholesale prices* to 3rd party providers

GROWTH IN INTERNATIONAL MARKETS

Future initiatives target unpenetrated markets to create growth opportunities



- By territory, international net sales increased **15.31%**, meaningfully outperforming COVID-related challenges to demand.
- The international strength was broad based, with Australia, Canada, Greater China and the Middle East as key contributors

*International customers have **demonstrated higher purchase activity and increased retention**, especially as foreign countries reopen.*

Plans to Further Expand

“In addition to expanding our global footprint of influencers, [in 2021] we are gradually increasing our level of investment in international expansion, by continuing to focus on Europe, Australia and Canada as well as Asia Pacific over the long term.”

In Australia ...

30%

Q420 Revenue Growth Y/Y (Q4 earnings)

>50%

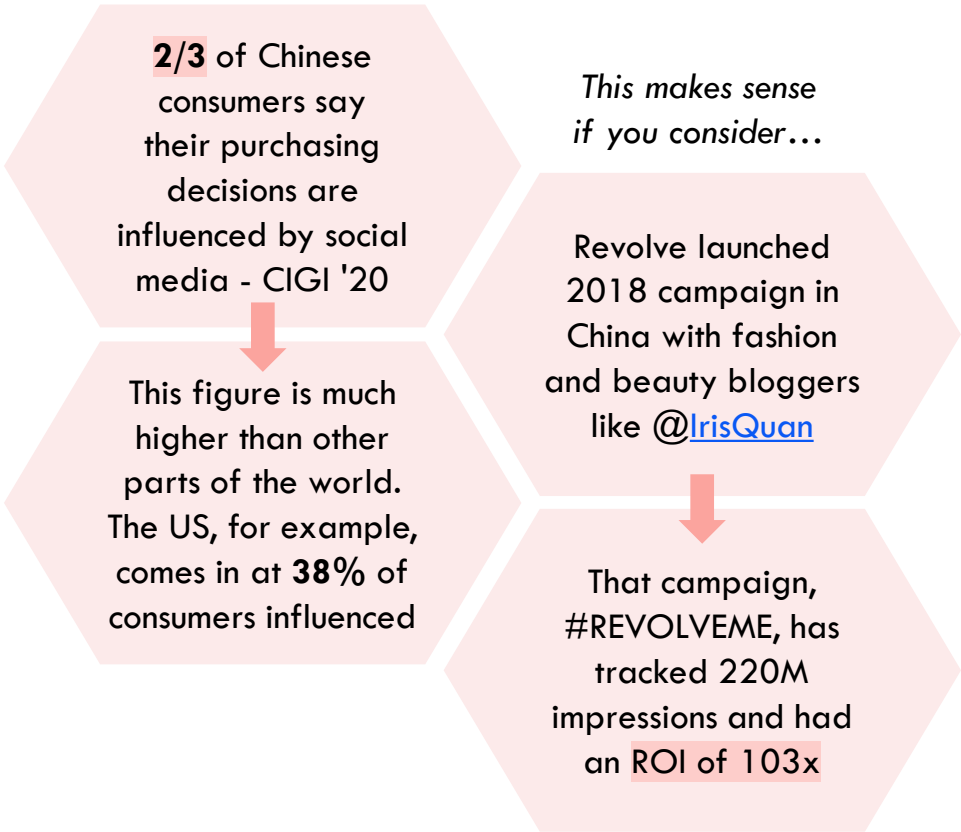
Q120 Revenue Growth Y/Y (to-date)

Source: Q4 2020 Earnings, Management Commentary, 10-K

GROWTH IN INTERNATIONAL MARKETS

The consumer appetite for exclusive luxury goods in China will benefit FORWARD

International markets only make up 20% of sales, presenting a lucrative expansion play



China is on track to become the biggest luxury market by 2025.

"China is a second thing that's a big opportunity for FORWARD. We've had a lot of success in China in recent periods that's continuing to trend well, and we think that's something that we can really build. We've got some exciting marketing initiatives for FORWARD there."

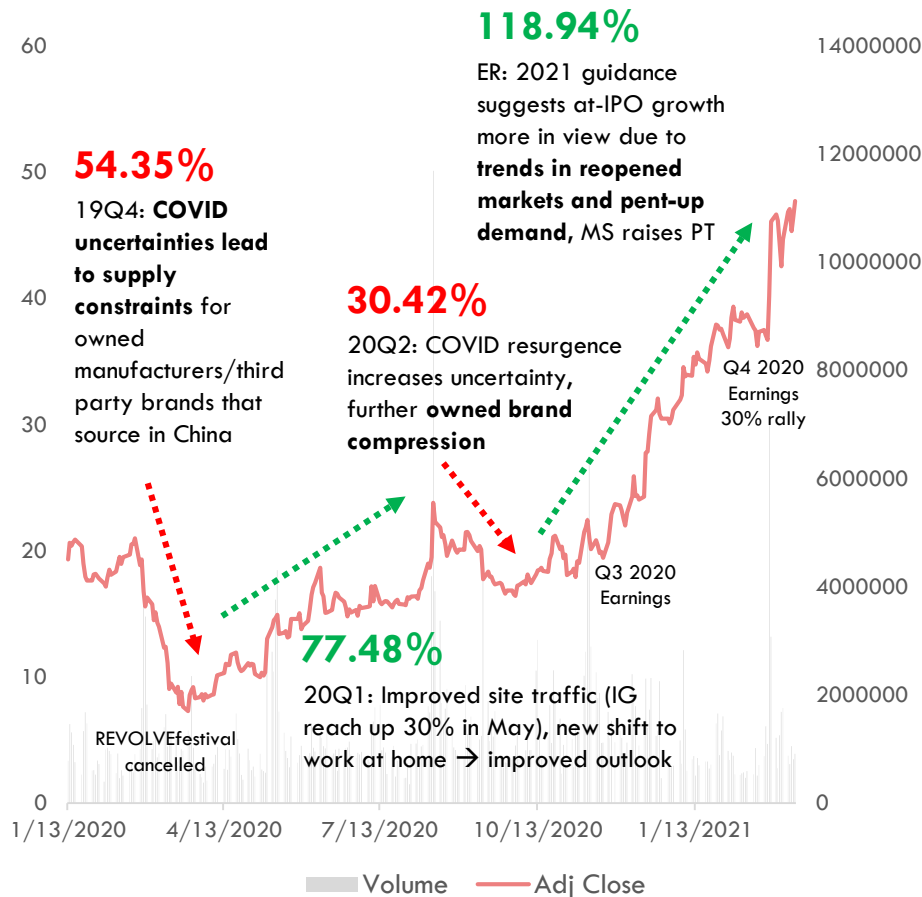
← Revolve's in-house luxury brand

Overall, large consumer appetite for luxury goods combined with an effective influencer system set up Revolve for incredible future growth.

CATALYST TIMELINE

Optimal entry point to ride out COVID recovery as a high conviction growth investment

Past Year's Performance



Why Now?

Despite anticipated **recovery** in consumer demand already **priced in**, there's still room to run driven by **structural and category tailwinds** to generate upside upon...

1. Earnings BEAT from Active Customer Expansion [Q3 – Q4 2021]

RELAUNCH OF IN-PERSON DOMESTIC/INTERNATIONAL EVENTS LEADS TO GROWTH IN SITE TRAFFIC AND PURCHASES PER CUSTOMER

2. Earnings BEAT from Decreasing Return Rates [Q4 2021 into 2022]

ADDITION OF OWNED BEAUTY, INTIMATES, & LOUNGEWEAR LINES BOOST MARGINS AND INCREASES TAM

3. Successful Market Share Capture in Asia and Abroad [2022]

ACQUISITION OF HIGH SPENDING CONSUMERS ABROAD REPRESENTS A KEY DRIVER FOR THE FORWARD LUXURY SEGMENT



VALUATION |

BASE CASE REVENUE PROJECTIONS

Growth driven by AOV and order volume increases post-reopening

Revenue Build	2019A	2020A	2021P	2022P	2023P	2024P	2025P
AOV Build							
Total AOV	275	236	257	275	286	292	296
% change	-1%	-14%	9%	7%	4%	2%	2%
Order Build							
Existing Customers	669,600	721,280	794,880	888,395	980,587	1,060,817	1,125,955
Churned Customers	505,400	766,720	677,120	670,193	695,630	722,069	735,128
New Customers	818,400	750,720	763,708	787,822	802,299	800,266	798,754
Ending Active Customers	1,488,000	1,472,000	1,558,588	1,676,218	1,782,886	1,861,083	1,924,709
% churn	43.0%	51.5%	46.0%	43.0%	41.5%	40.5%	39.5%
% of Repeat Active Customers	45%	49%	51%	53%	55%	57%	59%
Existing Customers % of Orders	71%	74%	74%	75%	77%	78%	79%
Existing Customer Orders	3,347,650	3,329,260	3,974,400	4,486,396	5,000,995	5,463,208	5,854,966
Orders/Existing Customer	5.0	4.6	5.0	5.1	5.1	5.2	5.2
New Customer Orders	1,367,350	1,169,740	1,374,674.82	1,457,471.15	1,524,367.47	1,560,517.82	1,597,508.83
Orders/New Customers	1.7	1.6	1.8	1.9	1.9	2.0	2.0
Orders/Customer	3.17	3.06	3.43	3.55	3.66	3.77	3.87
% change			12%	3%	3%	3%	3%
Total Orders	4,715,000	4,499,000	5,349,075	5,943,867	6,525,362	7,023,726	7,452,475
% growth	27%	-5%	19%	11%	10%	8%	6%
GMV							
	1,297	1,062	1,376	1,636	1,868	2,051	2,209
Less: Discounts and Returns	695.63	481.12	715.52	818.02	896.61	951.57	1,002.72
% of gross sales	54%	45%	52%	50%	48%	46%	45%
Total Revenue	\$ 600.99	\$ 580.65	\$ 660.48	\$ 818.02	\$ 971.32	\$ 1,099.23	\$ 1,205.91
% growth	21%	-3%	14%	24%	19%	13%	10%

BASE CASE UFCF PROJECTIONS

Growth driven by revenue growth and cost cutting

	2019A	2020A	2021P	2022P	2023P	2024P	2025P
Net Sales	600.99	580.65	660.48	818.02	971.32	1,099.23	1,205.91
Less: COGS	(279.04)	(275.37)	(310.42)	(379.56)	(447.78)	(501.25)	(533.01)
Gross Profit	321.95	305.28	350.05	438.46	523.54	597.98	672.90
% margin	53.6%	52.6%	53.0%	53.6%	53.9%	54.4%	55.8%
Less: Marketing	(89.14)	(76.37)	(76.75)	(78.78)	(79.83)	(79.23)	(78.68)
% of sales	14.8%	13.2%	11.6%	9.6%	8.2%	7.2%	6.5%
Less: Selling & Dist.	(87.71)	(80.50)	(91.15)	(111.25)	(130.16)	(145.10)	(156.77)
% of sales	14.6%	13.9%	13.8%	13.6%	13.4%	13.2%	13.0%
Less: General & Admin	(73.64)	(66.05)	(75.95)	(92.44)	(109.08)	(121.46)	(132.65)
% of sales	12.3%	11.4%	11.5%	11.3%	11.2%	11.1%	11.0%
Less: Fulfillment	(19.41)	(16.47)	(18.16)	(22.09)	(25.74)	(28.58)	(30.87)
% of sales	6.0%	2.8%	2.8%	2.7%	2.7%	2.6%	2.6%
Less: Other OPEX	(0.93)	(0.99)	(1.32)	(1.64)	(1.94)	(2.20)	(2.41)
% of sales	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
EBITDA	52.13	65.84	86.72	132.27	176.79	221.41	271.52
% margin	9%	11%	13%	16%	18%	20%	23%
Less: D&A	(3.95)	(4.83)	(6.32)	(6.01)	(6.38)	(6.82)	(7.80)
EBIT	48.27	61.12	80.40	126.25	170.41	214.59	263.72
% margin	8%	11%	12%	15%	18%	20%	22%
Less: Taxes	(11.50)	(3.28)	(17.69)	(27.78)	(37.49)	(47.21)	(58.02)
NOPAT	36.85	57.95	62.71	98.48	132.92	167.38	205.70
Less: CAPEX	(12.46)	(2.32)	(6.10)	(7.56)	(8.97)	(10.15)	(11.14)
Less: Δ NWC	8.13	7.17	27.57	6.81	4.87	4.40	8.44
Add: D&A	3.95	4.83	6.32	6.01	6.38	6.82	7.80
UFCF	36.47	67.62	90.50	103.75	135.20	168.45	210.80
PV Factor			0.91	0.83	0.75	0.69	0.63
PV of UFCF			82.39	85.99	102.02	115.72	131.84

DISCOUNTED CASH FLOW ANALYSIS

Significant upside despite conservative multiple and discount factor

WACC Calculation	9.84%
% Equity	100%
% Debt	0%
Cost of Equity (CAPM)	9.84%
RFR	1.44%
Beta	1.50
MRP (MRR-RFR)	6%
Tax Rate	22%

Outputs	Bull	Base	Bear
EBITDA Yr 5	\$314.34	\$271.52	\$127.65
EV/EBITDA	31.50x	30.00x	28.50x
EV in Yr 5	9,902	8,146	3,638
Terminal Value in Yr 1	6,193	5,095	2,275
Sum of FCF Yr 1-5	636	518	294
PV of EV	6,829	5,613	2,569
Less: Net Debt	(146)	(146)	(146)
Equity Value	6,975	5,759	2,715
Shares Outstanding	72	72	72
Implied Share Price	\$97.32	\$80.36	\$37.88
Current Share Price	\$52.81	\$52.81	\$52.81
Implied Upside	84%	52%	-28%
Probability	20%	60%	20%
Contribution	\$19.46	\$48.21	\$7.58
Target	\$75.25		
% Upside	43%		
Risk/Reward	1.85x		

2025 EBITDA

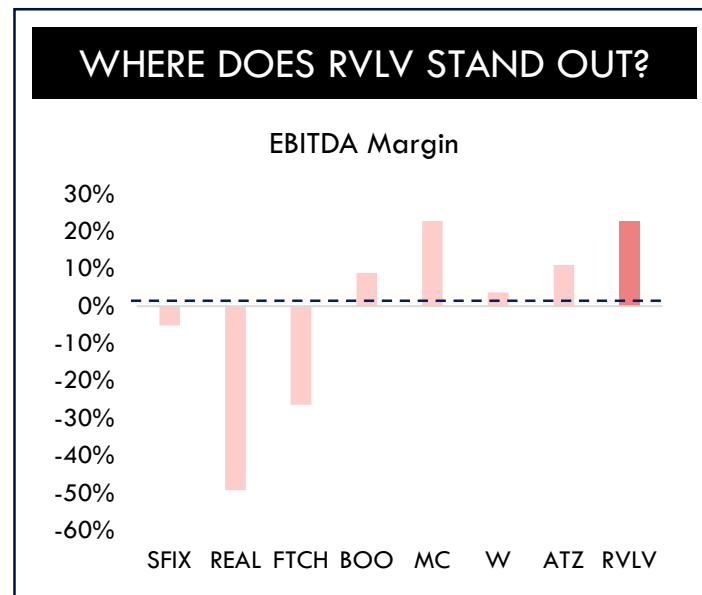
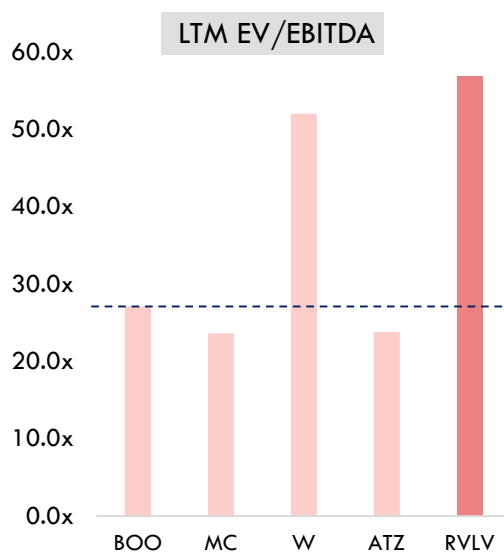
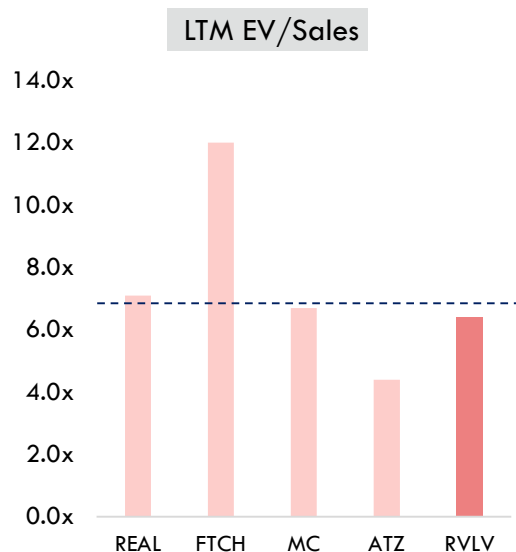
	\$78.46	\$125.00	\$175.00	\$225.00	\$275.00	\$325.00
EV/EBITDA	20.0x	\$30.95	\$39.67	\$48.40	\$57.13	\$65.86
	25.0x	\$36.40	\$47.31	\$58.22	\$69.13	\$80.04
	30.0x	\$41.86	\$54.95	\$68.04	\$81.13	\$94.22
	35.0x	\$47.31	\$62.58	\$77.86	\$93.13	\$108.40
	40.0x	\$52.77	\$70.22	\$87.68	\$105.13	\$122.59

COMPARABLE COMPANY ANALYSIS

RVLV valued for its low-cost structure and EBITDA margin potential

Company	LTM EV/Sales	LTM EV/EBITDA	P/E	ROE	Mkt Cap (USD)	Last Px (USD)	Chg Pct 1M	1 Yr Sales Gr.	1 Yr EPS Gr.
The RealReal, Inc. (REAL)	7.1x	NM	NM	-66.54	2,120.56	23.61	(13.94)	-5%	6%
Farfetch Limited (FTCH)	12.0x	NM	NM	-143.58	20,697.49	58.34	(16.07)	64%	-208%
LVMH Moët Hennessy (MC)	6.7x	23.6x	59.83	13.67	336,125.26	665.91	4.25	-17%	-31%
Aritzia Inc. (ATZ)	4.4x	23.8x	245.73	4.89	2,750.48	25.10	10.70	12%	20%
boohoo group plc (BOO)	2.5x	27.1x	45.99	27.66	5,653.49	4.48	(13.55)	44%	24%
Stitch Fix, Inc. (SFIX)	3.4x	NM	NM	-20.60	5,963.86	56.08	-34.07	9%	NM
Poshmark, Inc. (POSH)	13.4x	134.0x	NM	NM	3,586.79	48.38	(37.95)	28%	-211%
Wayfair Inc. (W)	2.4x	52.0x	220.32	NM	32,927.39	317.89	8.51	55%	NM
Revolve Group, Inc. (RVLV)	6.4x	56.8x	64.68	34.33	3,662.11	51.10	31.91	-3%	NM
Mean	6.5x	52.9x	127.31	(21.45)	45,943.05	138.99	(6.69)	0%	-1%
Median	6.4x	39.6x	64.68	4.89	5,653.49	51.10	(13.55)	0%	0%

----- Median





RISKS |

RISKS & MITIGANTS

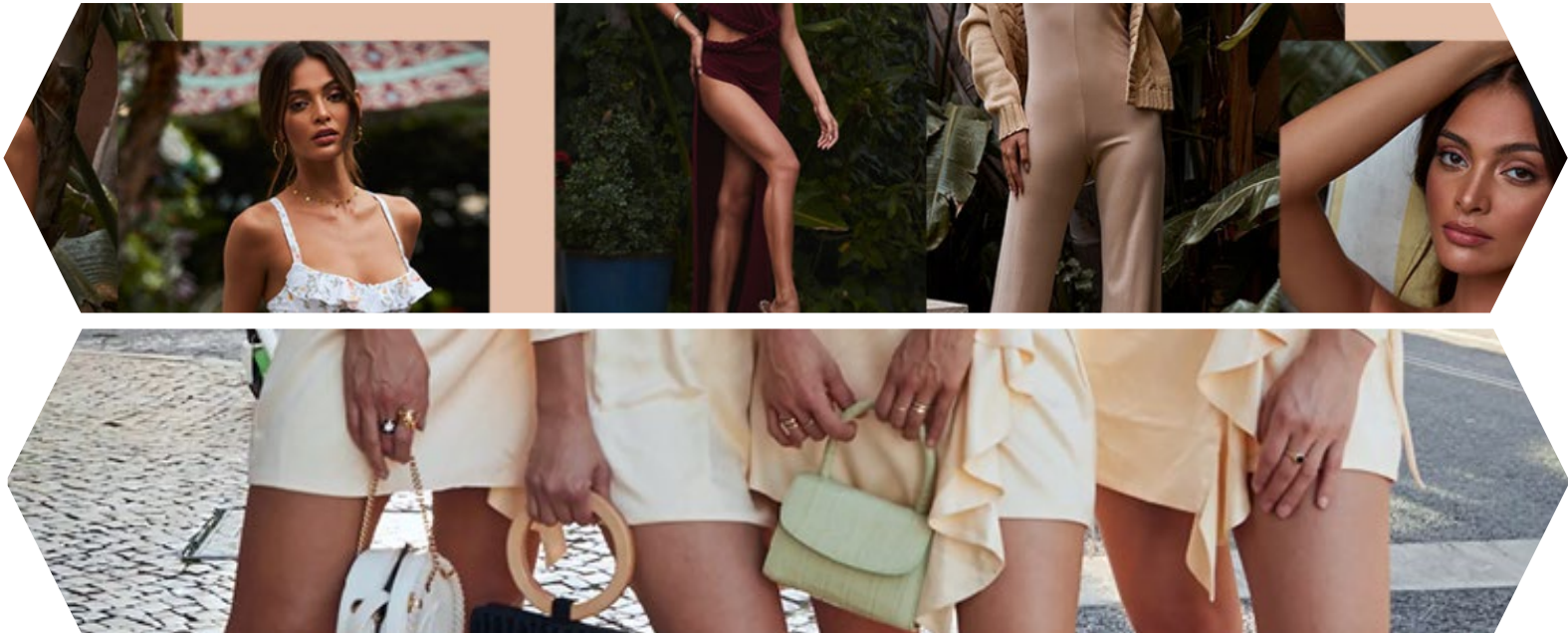
RVLV is isolated from traditional retail and ecommerce threats

Risks

Revolve's marketing model is heavily exposed to potential social media influencer headwinds

Mitigants

RVLV is shifting to digital only content and introducing storytelling to their marketing, increasing engagement rate



RISKS & MITIGANTS

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Revolve's dependence on China as a manufacturing hub could become a liability if more tariffs are imposed

Mitigants

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The Biden Administration seems less willing to continue escalating the trade war, especially in relation to textiles



RISKS & MITIGANTS

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The Biden Administration seems less willing to continue escalating the trade war, especially in relation to textiles

Risk of FORWARD cannibalization with launch of greater owned brands

Revolve targets a completely different demographic AND has invested in owned brands for Forward which we expect to increase

INVESTMENT SUMMARY

Strong fundamentals signal long-term growth opportunity

REVOLVE will **accelerate bottom-line growth** due to its brand and product strength. Market weakness due to **temporary uncertainty presents an entry point** for catalyzing on future benefits of REVOLVE's **Influencer Marketing Strategy, Tech-enabled Inventory Management, & International Growth.**

THESIS RECAP

The Social Commerce Boom and Influencer Economy

1

Influencer partnerships boost global reach and promote operational efficiency

Best-in-Class Inventory Management

2

Data analytics enables dynamic inventory management and optimized product offerings

Expansion Towards International Markets

3

Huge opportunity in unpenetrated international markets due to post-COVID demand spikes





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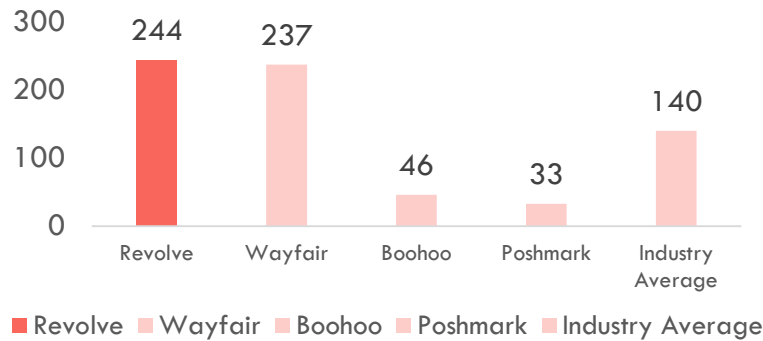
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Thesis

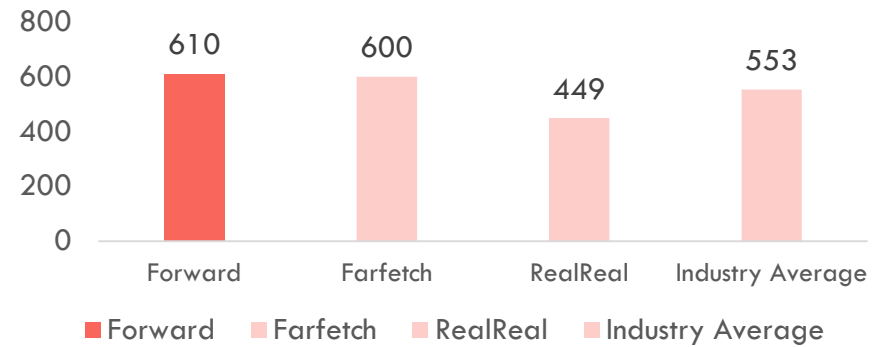
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INDUSTRY AOV VS REVOLVE AOV

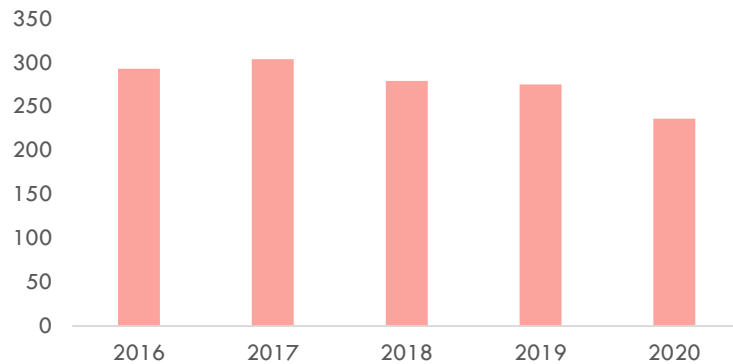
Casual Average Order Value



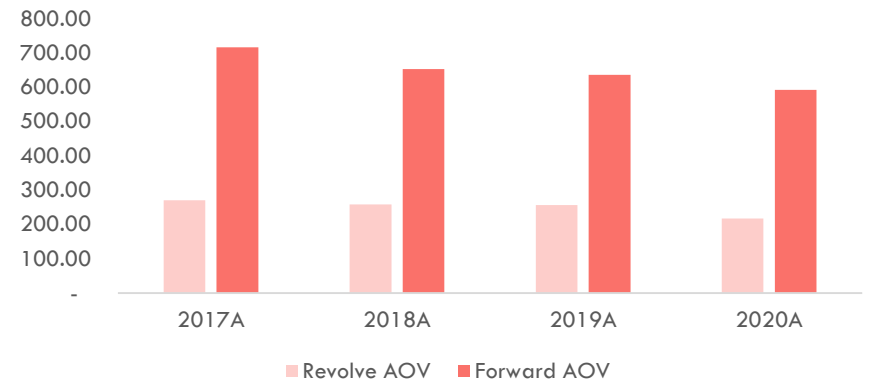
Luxury Average Order Value



Historical Total AOV



Revolve and Forward Historical AOV



P/E RATIO COMPARISON

Ticker	Company	P/E Ratio
\$RVLV	Revolve Group	67.56x
\$W	Wayfair	72.37x
\$LVMUY	LVMH	60.43x
\$BOO	Bohoo Group	74.4x

P/E Ratio Comparison (3/15/21)

AOV & P/E CALCULATIONS

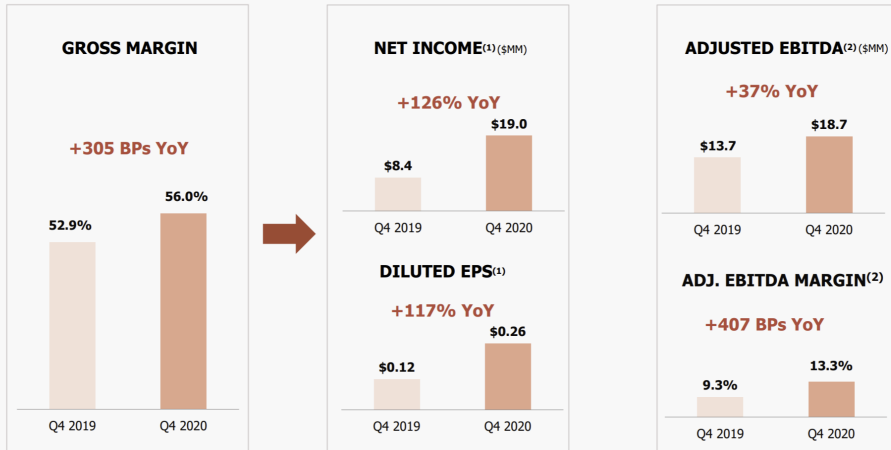
EQY_FUND_CRNCY	REL_INDEX								
Regular Comps									
Ticker	Name	2016 AOV	2017 AOV	2018 AOV	2019 AOV	2020 AOV	Average AOV		
RVLV US Equity	REVOLVE GROUP INC			258	256	217	243.67		
SFIX US Equity	STITCH FIX INC-CLASS A							couldn't find AOVs	
W US Equity	WAYFAIR INC- CLASS A			239	241	232	237.33		
MC FP Equity	LVMH MOET HENNESSY LOUIS VUI							couldn't find AOVs	
BOO LN Equity	BOOHOO GROUP PLC	40.00	44	47	49	51	46.20		
ATZ CN Equity	ARITZIA INC-SUBORDINATE VOTI							couldn't find AOVs	
POSH US Equity	POSHMARK INC-CLASS A				33		33.00		
						Industry Average	140		
Luxury Comps									
Ticker	Name	2016 AOV	2017 AOV	2018 AOV	2019 AOV	2020 AOV	Average AOV		
Forward RVLV	Forward - Revolve Group			653	636	592	610		
FTCH US Equity	FARFETCH LTD-CLASS A	584.00	620	619	608	568	600		
REAL US Equity	REALREAL INC/THE			446	455	442	448		
						Industry Average	552		

P/E Ratios		
Ticker	Name	P/E Ratio
RVLV	REVOLVE GROUP INC	67.56
W	WAYFAIR INC- CLASS A	72.37X
MC FP Equity	LVMH MOET HENNESSY LOUIS VUI	60.43
BOO LN Equity	BOOHOO GROUP PLC	74.7
Internet Commerce P/E	50.40X	

Q4 RESULTS

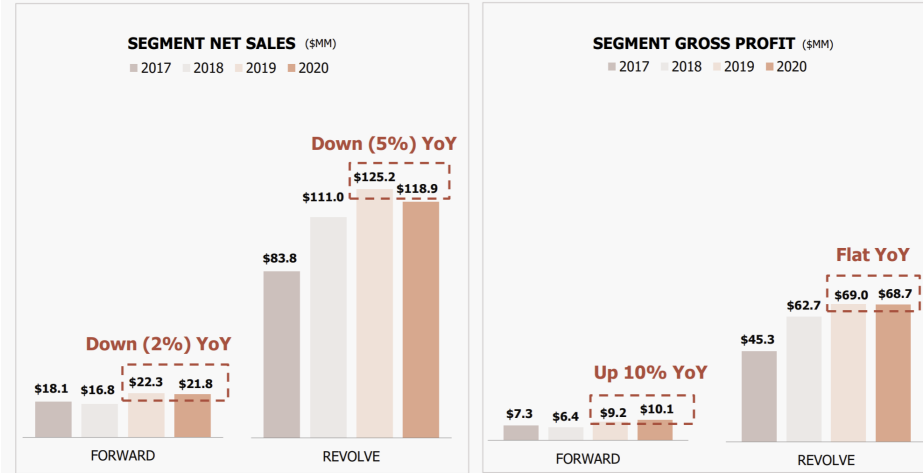
Q4 2020 HIGHLIGHTS: P&L

(YoY comparisons skewed by COVID-19 impact in 2020)



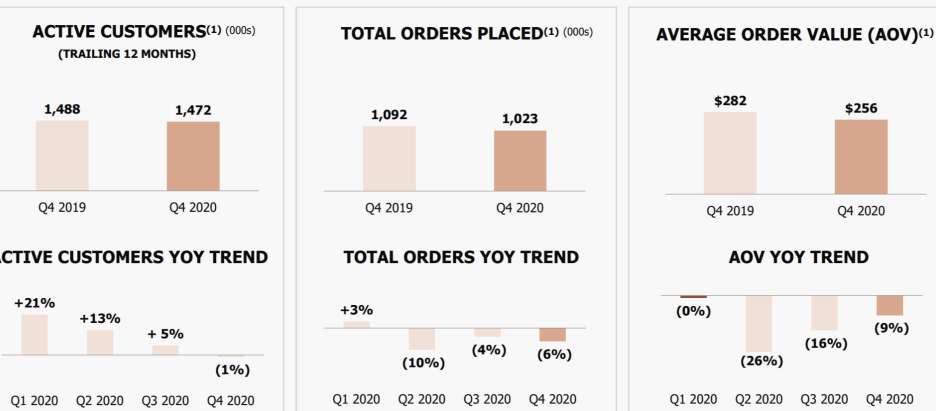
Q4 2020 SEGMENT RESULTS

(YoY Comparisons Skewed by COVID-19 Impact in 2020)



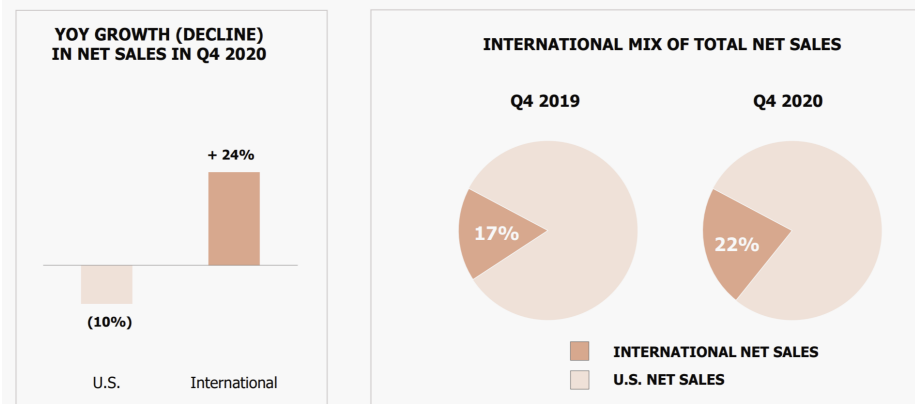
Q4 2020 OPERATING METRICS HIGHLIGHTS

(YoY comparisons skewed by COVID-19 impact in 2020)



Q4 2020 HIGHLIGHTS: NET SALES BY GEOGRAPHY

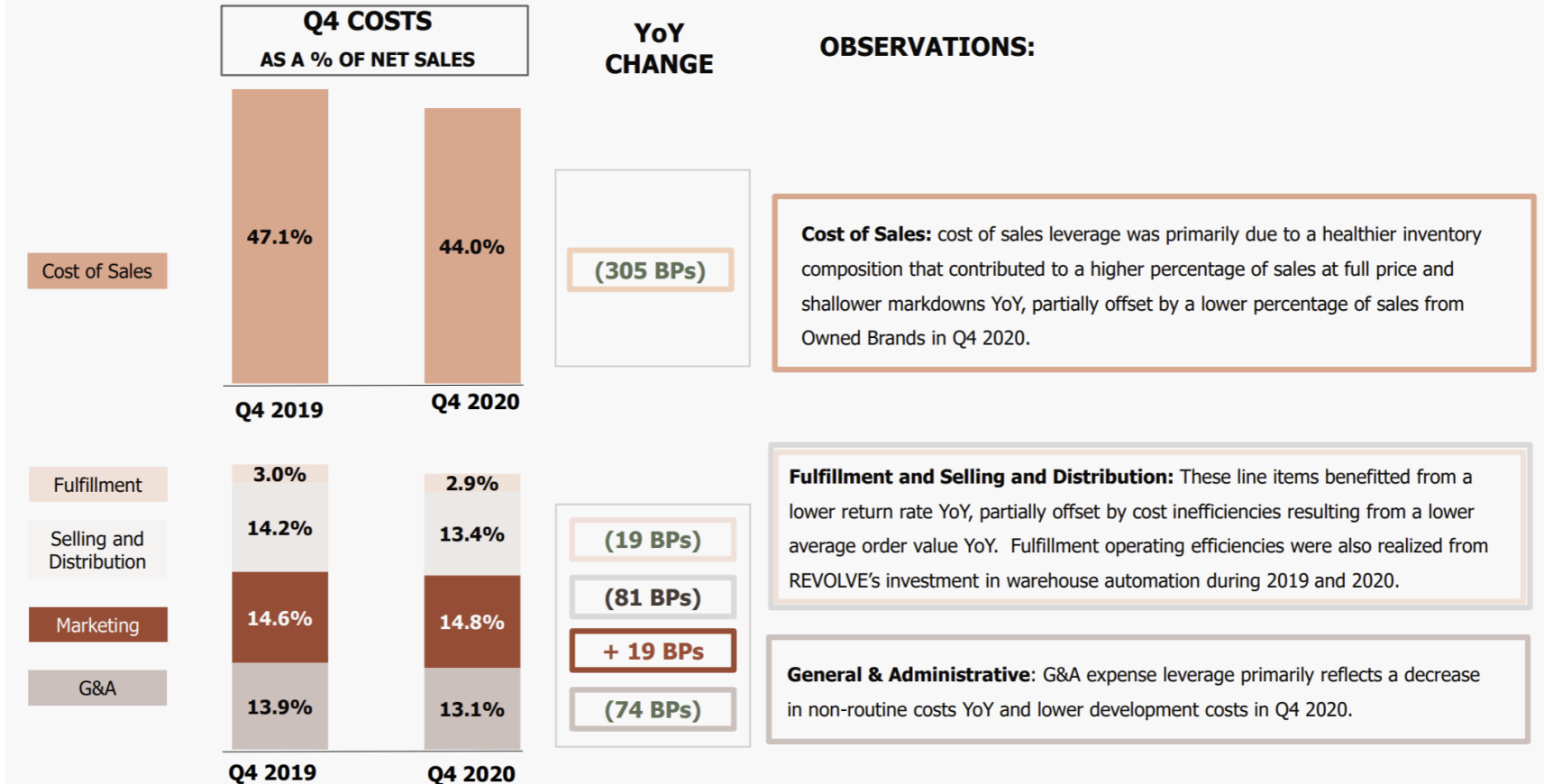
(YoY comparisons skewed by COVID-19 impact in 2020)



Q4 COST STRUCTURE

Q4 2020 GAAP COST STRUCTURE

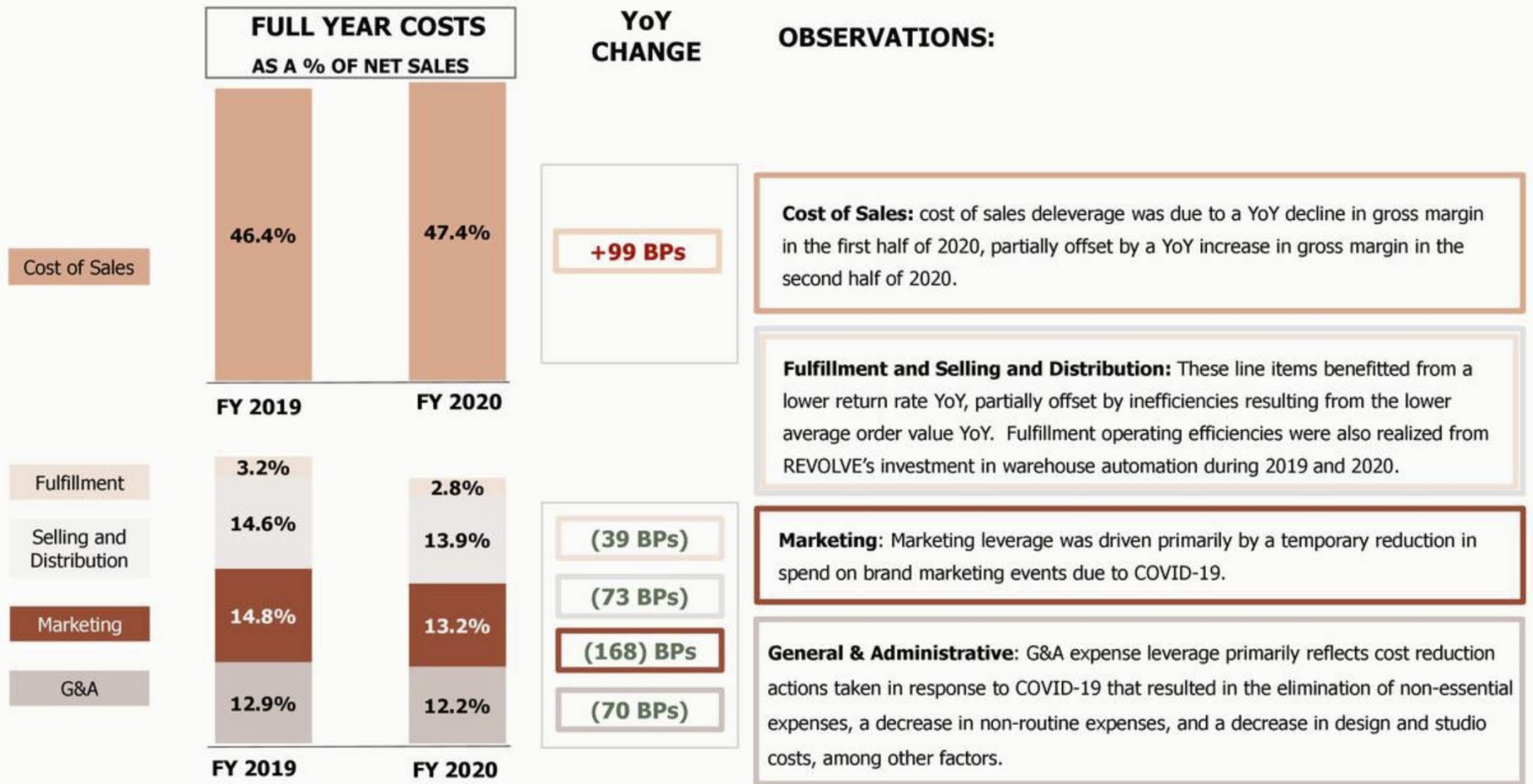
(YoY comparisons skewed by COVID-19 impact in 2020)



2020 COST STRUCTURE

FULL YEAR 2020 GAAP COST STRUCTURE

(YoY comparisons skewed by COVID-19 impact in 2020)



2020 HIGHLIGHTS

Stock Chart

Investment Calculator

Analyst Coverage

INVESTMENT HIGHLIGHTS

\$580.6 M

IN NET SALES REPORTED IN 2020

\$56.8 M

IN NET INCOME IN 2020

\$73.8 M

IN NET CASH PROVIDED BY OPERATING
ACTIVITIES IN 2020

\$236

AVERAGE ORDER VALUE IN 2020

77%

OF NET SALES AT FULL PRICE IN 2020

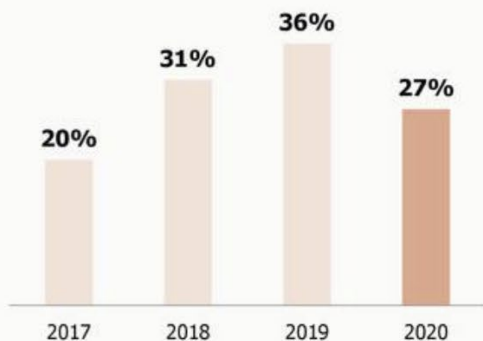
52.6%

GROSS MARGIN IN 2020

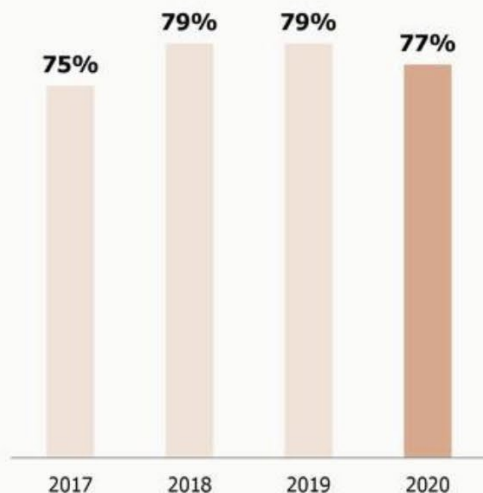
KEY OPERATING METRICS

OWNED BRAND NET SALES AS % OF REVOLVE SEGMENT NET SALES

YoY decrease partially reflects intentional shift in merchandise buys in response to COVID-19

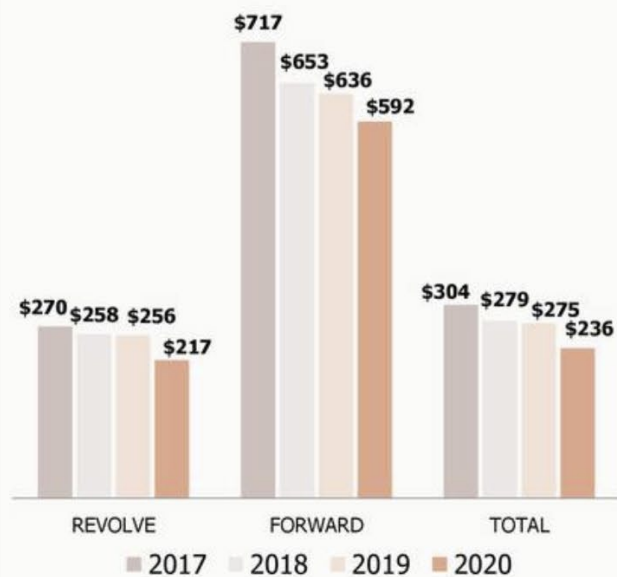


NET SALES AT FULL PRICE⁽²⁾



AVERAGE ORDER VALUE (AOV)⁽³⁾

YoY decrease in AOV in 2020 was primarily due to a COVID-19 driven shift in product mix and lower units per order, and has been partially offset by a lower return rate YoY.



REVOLVE

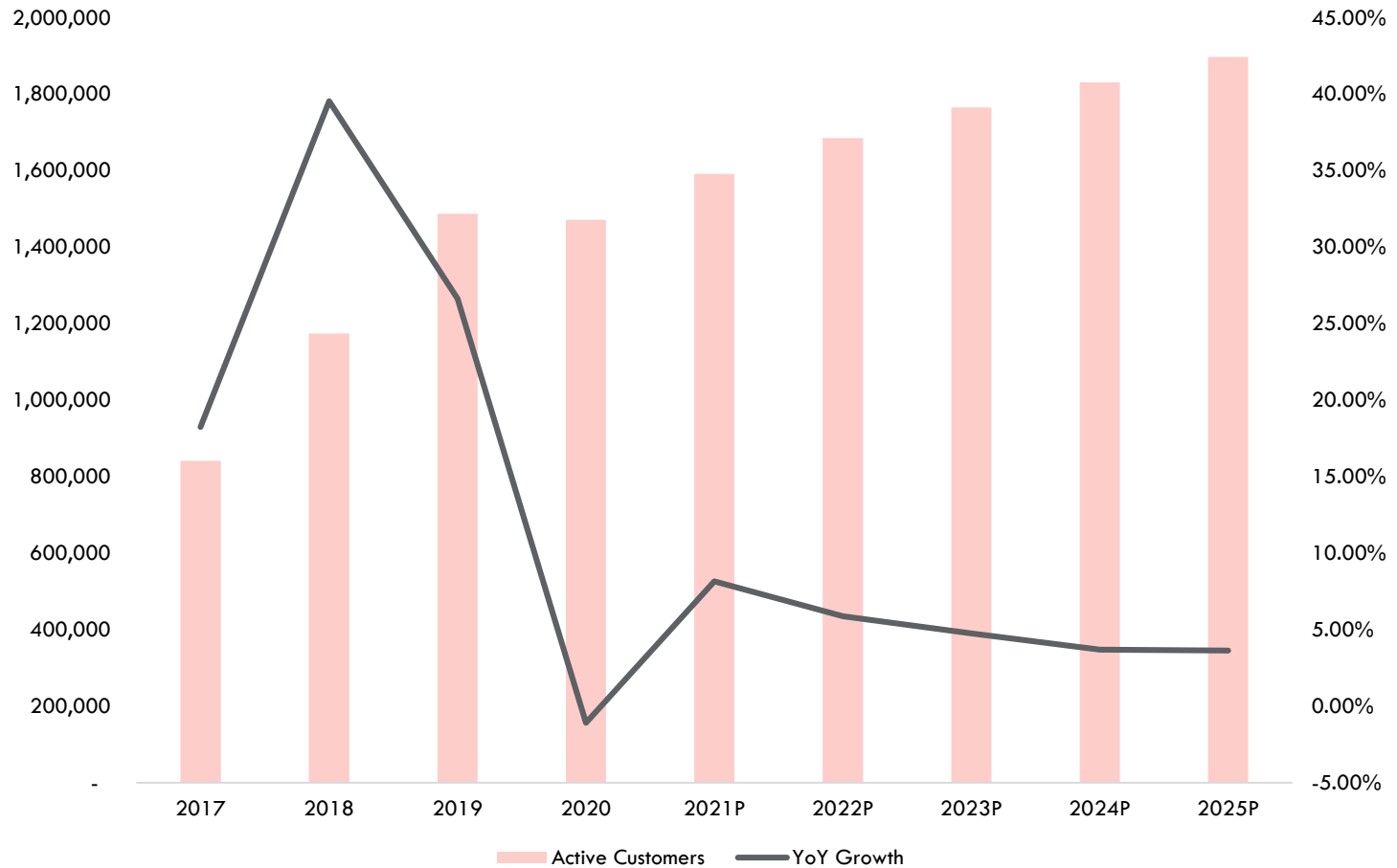
Notes:

- (1) We disclose Owned Brand Net Sales as % of REVOLVE Segment Net Sales, % of Net Sales at Full Price and Segment AOV metrics annually (not quarterly).
- (2) We define Net Sales at Full Price as sales with a price of not less than 95% of the full retail price.
- (3) See slide 17 for a definition of Average Order Value (AOV).

REVOLVE AND FORWARD AOV (\$)



ACTIVE CUSTOMER GROWTH



RETURN RATES

“

This was part of our value proposition to customers from day one. We encourage customers to take risks and try items on in their own home. And we have really the margin profile and the ASPs that readily support very healthy kind of try-on rates or return rates.

”

“

As you may recall, we had previously launched this same functionality for our mobile website. We also continue to create solutions to drive deep relationships with and an even better experience for our customers. Earlier this week, we launched what we call the Revolve Fitting Room, enabling our core Revolve customers to do home try-ons of an extra size at no additional cost. – Q3 2019 earnings

”

“

We do think there is some exciting opportunities in the future and then exciting ones such as Happy Returns that we just launched. And Happy Returns is a great example of the kind of opportunity we are focused on: win-win solutions where the customer wins and we also win as a Company. So much more convenient for customers to do those returns. They get an immediate credit at the Happy Returns kiosk versus having to wait. But then for us, it actually improves the return economics because we are able to get some shipping costs out of the consolidation that comes from Happy Returns. So a number of things that we are focused on. We think long term it's a big opportunity and point of leverage for us.

”

“

I'm personally very excited about this initiative as it provides a great experience for customers and since our experience has proven that customers who order more than one size of a style have a materially higher 'Keep Rate' than customers who order just one size of a style.

”

REVENUE ASSUMPTIONS

Revenue Assumptions	2021P	2022P	2023P	2024P	2025P
AOV Growth					
Bull	14.0%	5.0%	4.0%	3.0%	2.0%
Base	9.0%	7.0%	4.0%	2.0%	1.5%
Bear	6.0%	3.0%	1.0%	0.5%	-1.0%
Active	9%	7%	4%	2%	2%
Churn					
Bull	44%	42%	41%	40%	39%
Base	46%	43%	42%	41%	40%
Bear	47%	46%	45%	44%	43%
Active	46%	43%	42%	41%	40%
% of Repeat Active Customers					
Bull	53%	55%	57%	59%	61%
Base	51%	53%	55%	57%	59%
Bear	49%	51%	53%	54%	55%
Active	51%	53%	55%	57%	59%

REVENUE ASSUMPTIONS

Revenue Assumptions	2021P	2022P	2023P	2024P	2025P
Orders/Existing Customer					
Bull	5.10	5.20	5.30	5.40	5.50
Base	5.00	5.05	5.10	5.15	5.20
Bear	4.60	4.70	4.80	4.90	4.90
Active	5.00	5.05	5.10	5.15	5.20
Orders/New Customer					
Bull	1.9	2	2.1	2.2	2.3
Base	1.80	1.85	1.90	1.95	2.00
Bear	1.6	1.65	1.7	1.7	1.7
Active	1.80	1.85	1.90	1.95	2.00
Return Rate					
Bull	50%	48%	46%	45%	44%
Base	52%	50%	48%	46%	45%
Bear	53%	54%	52%	51%	50%
Active	52%	50%	48%	46%	45%

COST ASSUMPTIONS

Cost Assumptions	2021P	2022P	2023P	2024P	2025P
Gross Margin					
Bull	53.5%	54.3%	54.9%	55.4%	55.9%
Base	53.0%	53.6%	53.9%	54.4%	55.8%
Bear	52.7%	52.9%	53.2%	53.5%	53.8%
Active	53.0%	53.6%	53.9%	54.4%	55.8%
Gross CAC					
Bull	100.5	100	99	98	97
Base	101	100.5	99.7	99	98.5
Bear	101.2	101.2	101.2	101.2	101.2
Active	101	100.5	99.7	99	98.5
S&D % of Sales					
Bull	13.6%	13.4%	13.1%	13.0%	12.8%
Base	13.8%	13.6%	13.4%	13.2%	13.0%
Bear	14.0%	14.0%	14.0%	14.0%	14.0%
Active	13.8%	13.6%	13.4%	13.2%	13.0%

COST ASSUMPTIONS

Cost Assumptions	2021P	2022P	2023P	2024P	2025P
G&A % of Sales					
Bull	11.4%	11.1%	10.9%	10.8%	10.7%
Base	11.5%	11.3%	11.2%	11.1%	11.0%
Bear	11.5%	11.5%	11.5%	11.5%	11.5%
Active	11.5%	11.3%	11.2%	11.1%	11.0%
Fulfillment					
Bull	2.7%	2.6%	2.5%	2.4%	2.3%
Base	2.8%	2.7%	2.7%	2.6%	2.6%
Bear	2.9%	2.9%	2.9%	2.9%	2.9%
Active	2.8%	2.7%	2.7%	2.6%	2.6%
Other OPEX % of Sales					
Bull	0.18%	0.18%	0.18%	0.18%	0.18%
Base	0.2%	0.2%	0.2%	0.2%	0.2%
Bear	0.22%	0.22%	0.22%	0.22%	0.22%
Active	0.2%	0.2%	0.2%	0.2%	0.2%

HISTORICAL UFCF

	2016A	2017A	2018A	2019A	2020A
Net Sales	312.08	399.60	498.74	600.99	580.65
Less: COGS	(166.71)	(205.91)	(233.43)	(279.04)	(275.37)
Gross Profit	145.38	193.69	265.31	321.95	305.28
<i>% margin</i>	46.6%	48.5%	53.2%	53.6%	52.6%
Less: Marketing	(39.00)	(55.48)	(74.39)	(89.14)	(76.37)
<i>% of sales</i>	12.5%	13.9%	14.9%	14.8%	13.2%
Less: Selling & Dist.	(42.11)	(50.77)	(70.62)	(87.71)	(80.50)
<i>% of sales</i>	13.5%	12.7%	14.2%	14.6%	13.9%
Less: General & Admin	(47.74)	(54.62)	(62.33)	(73.64)	(66.05)
<i>% of sales</i>	15.3%	13.7%	12.5%	12.3%	11.4%
Less: Fulfillment	(8.62)	(9.46)	(13.29)	(19.41)	(16.47)
<i>% of sales</i>	5.9%	4.9%	5.0%	6.0%	2.8%
Less: Other OPEX	(0.90)	(1.43)	(0.63)	(0.93)	(0.99)
<i>% of sales</i>	0.3%	0.4%	0.1%	0.2%	0.2%
EBITDA	7.95	22.88	45.03	52.13	65.84
<i>% margin</i>	3%	6%	9%	9%	11%
Less: D&A	(2.37)	(2.85)	(2.87)	(3.95)	(4.83)
EBIT	5.61	20.08	42.26	48.27	61.12
<i>% margin</i>	2%	5%	8%	8%	11%
Less: Taxes	(2.45)	(14.09)	(10.53)	(11.50)	(3.28)
NOPAT	3.18	6.04	31.81	36.85	57.95
Less: CAPEX	(3.03)	(2.26)	(3.05)	(12.46)	(2.32)
Less: Δ NWC	0.00	(10.88)	(21.59)	8.13	7.17
Add: D&A	2.37	2.85	2.87	3.95	4.83
UFCF		(4.25)	10.05	36.47	67.62

BULL CASE REVENUE BUILD

Revenue Build	2019A	2020A	2021P	2022P	2023P	2024P	2025P
AOV Build							
Total AOV	275	236	269	282	294	303	309
% change	-1%	-14%	14%	5%	4%	3%	2%
Order Build							
Existing Customers	669,600	721,280	824,320	902,086	967,692	1,018,623	1,053,153
Churned Customers	505,400	766,720	647,680	653,235	672,464	679,082	673,327
New Customers	818,400	750,720	731,001	738,070	730,013	707,857	673,327
Ending Active Customers	1,488,000	1,472,000	1,555,321	1,640,156	1,697,706	1,726,480	1,726,480
% churn	43.0%	51.5%	44.0%	42.0%	41.0%	40.0%	39.0%
% of Repeat Active Customers	45%	49%	53%	55%	57%	59%	61%
Existing Customers % of Orders	71%	74%	75%	76%	77%	78%	79%
Existing Customer Orders	3,347,650	3,329,260	4,204,032	4,690,847	5,128,769	5,500,567	5,792,342
Orders/Existing Customer	5.0	4.6	5.1	5.2	5.3	5.4	5.5
New Customer Orders	1,367,350	1,169,740	1,388,901.43	1,476,140.79	1,533,028.32	1,557,285.37	1,548,652.97
Orders/New Customers	1.7	1.6	1.9	2.0	2.1	2.2	2.3
Orders/Customer	3.17	3.06	3.60	3.76	3.92	4.09	4.25
% change			18%	5%	4%	4%	4%
Total Orders	4,715,000	4,499,000	5,592,933	6,166,988	6,661,797	7,057,852	7,340,995
% growth	27%	-5%	24%	10%	8%	6%	4%
GMV	1,297	1,062	1,505	1,742	1,957	2,136	2,266
Less: Discounts and Returns	695.63	481.12	752.36	836.22	900.30	961.08	996.98
% of gross sales	54%	45%	50%	48%	46%	45%	44%
Total Revenue	\$ 600.99	\$ 580.65	\$ 752.36	\$ 905.90	\$ 1,056.88	\$ 1,174.66	\$ 1,268.88
% growth	21%	-3%	30%	20%	17%	11%	8%

BULL CASE UFCF PROJECTIONS

	2019A	2020A	2021P	2022P	2023P	2024P	2025P
Net Sales	600.99	580.65	752.36	905.90	1,056.88	1,174.66	1,268.88
Less: COGS	(279.04)	(275.37)	(349.85)	(414.00)	(476.65)	(523.90)	(559.58)
Gross Profit	321.95	305.28	402.51	491.91	580.23	650.76	709.30
% margin	53.6%	52.6%	53.5%	54.3%	54.9%	55.4%	55.9%
Less: Marketing	(89.14)	(76.37)	(73.47)	(73.81)	(72.27)	(69.37)	(65.31)
% of sales	14.8%	13.2%	9.8%	8.1%	6.8%	5.9%	5.1%
Less: Selling & Dist.	(87.71)	(80.50)	(102.32)	(121.39)	(138.45)	(152.71)	(162.42)
% of sales	14.6%	13.9%	13.6%	13.4%	13.1%	13.0%	12.8%
Less: General & Admin	(73.64)	(66.05)	(85.77)	(100.56)	(115.20)	(126.86)	(135.77)
% of sales	12.3%	11.4%	11.4%	11.1%	10.9%	10.8%	10.7%
Less: Fulfillment	(19.41)	(16.47)	(20.31)	(23.55)	(26.42)	(28.19)	(29.18)
% of sales	6.0%	2.8%	2.7%	2.6%	2.5%	2.4%	2.3%
Less: Other OPEX	(0.93)	(0.99)	(1.35)	(1.63)	(1.90)	(2.11)	(2.28)
% of sales	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
EBITDA	52.13	65.84	119.29	170.97	225.98	271.52	314.34
% margin	9%	11%	16%	19%	21%	23%	25%
Less: D&A	(3.95)	(4.83)	(6.32)	(6.21)	(6.73)	(7.26)	(8.31)
EBIT	48.27	61.12	112.97	164.76	219.25	264.26	306.02
% margin	8%	11%	15%	18%	21%	22%	24%
Less: Taxes	(11.50)	(3.28)	(24.85)	(36.25)	(48.24)	(58.14)	(67.32)
NOPAT	36.85	57.95	88.12	128.51	171.02	206.12	238.70
Less: CAPEX	(12.46)	(2.32)	(6.95)	(8.37)	(9.76)	(10.85)	(11.72)
Less: Δ NWC	8.13	7.17	24.10	7.86	4.91	4.62	4.52
Add: D&A	3.95	4.83	6.32	6.21	6.73	7.26	8.31
UFCF	36.47	67.62	111.58	134.21	172.89	207.15	239.80
PV Factor			0.91	0.83	0.75	0.69	0.63
PV of UFCF			101.59	111.24	130.46	142.31	149.99

BEAR CASE REVENUE BUILD

Revenue Build	2019A	2020A	2021P	2022P	2023P	2024P	2025P
AOV Build							
Total AOV	275	236	250	258	260	262	259
% change	-1%	-14%	6%	3%	1%	1%	-1%
Order Build							
Existing Customers	669,600	721,280	780,160	859,768	927,201	989,014	1,043,960
Churned Customers	505,400	766,720	691,840	732,395	758,619	777,083	787,548
New Customers	818,400	750,720	812,003	826,052	838,896	842,494	854,149
Ending Active Customers	1,488,000	1,472,000	1,592,163	1,685,820	1,766,097	1,831,508	1,898,108
% churn	43.0%	51.5%	47.0%	46.0%	45.0%	44.0%	43.0%
% of Repeat Active Customers	45%	49%	49%	51%	53%	54%	55%
Existing Customers % of Orders	71%	74%	73%	75%	76%	77%	78%
Existing Customer Orders	3,347,650	3,329,260	3,588,736	4,040,910	4,450,565	4,846,170	5,115,402
Orders/Existing Customer	5.0	4.6	4.6	4.7	4.8	4.9	4.9
New Customer Orders	1,367,350	1,169,740	1,299,205.22	1,362,985.41	1,426,123.38	1,432,239.31	1,452,052.90
Orders/New Customers	1.7	1.6	1.6	1.7	1.7	1.7	1.7
Orders/Customer	3.17	3.06	3.07	3.21	3.33	3.43	3.46
% change			0%	4%	4%	3%	1%
Total Orders	4,715,000	4,499,000	4,887,941	5,403,896	5,876,688	6,278,410	6,567,455
% growth	27%	-5%	9%	11%	9%	7%	5%
GMV	1,297	1,062	1,223	1,392	1,529	1,642	1,700
Less: Discounts and Returns	695.63	481.12	641.95	744.93	795.27	837.46	850.25
% of gross sales	54%	45%	53%	54%	52%	51%	50%
Total Revenue	\$ 600.99	\$ 580.65	\$ 580.81	\$ 647.46	\$ 734.09	\$ 804.62	\$ 850.25
% growth	21%	-3%	0%	11%	13%	10%	6%

BEAR CASE UFCF PROJECTIONS

	2019A	2020A	2021P	2022P	2023P	2024P	2025P
Net Sales	600.99	580.65	580.81	647.46	734.09	804.62	850.25
Less: COGS	(279.04)	(275.37)	(274.73)	(304.96)	(343.55)	(374.15)	(392.81)
Gross Profit	321.95	305.28	306.09	342.51	390.54	430.47	457.43
% margin	53.6%	52.6%	52.7%	52.9%	53.2%	53.5%	53.8%
Less: Marketing	(89.14)	(76.37)	(82.17)	(83.60)	(84.90)	(85.26)	(86.44)
% of sales	14.8%	13.2%	14.1%	12.9%	11.6%	10.6%	10.2%
Less: Selling & Dist.	(87.71)	(80.50)	(81.31)	(90.64)	(102.77)	(112.65)	(119.03)
% of sales	14.6%	13.9%	14.0%	14.0%	14.0%	14.0%	14.0%
Less: General & Admin	(73.64)	(66.05)	(66.79)	(74.46)	(84.42)	(92.53)	(97.78)
% of sales	12.3%	11.4%	11.5%	11.5%	11.5%	11.5%	11.5%
Less: Fulfillment	(19.41)	(16.47)	(16.84)	(18.78)	(21.29)	(23.33)	(24.66)
% of sales	6.0%	2.8%	2.9%	2.9%	2.9%	2.9%	2.9%
Less: Other OPEX	(0.93)	(0.99)	(1.28)	(1.42)	(1.62)	(1.77)	(1.87)
% of sales	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
EBITDA	52.13	65.84	57.69	73.61	95.54	114.93	127.65
% margin	9%	11%	10%	11%	13%	14%	15%
Less: D&A	(3.95)	(4.83)	(6.32)	(5.84)	(5.88)	(5.95)	(6.47)
EBIT	48.27	61.12	51.37	67.77	89.66	108.98	121.19
% margin	8%	11%	9%	10%	12%	14%	14%
Less: Taxes	(11.50)	(3.28)	(11.30)	(14.91)	(19.73)	(23.98)	(26.66)
NOPAT	36.85	57.95	40.07	52.86	69.94	85.01	94.53
Less: CAPEX	(12.46)	(2.32)	(5.37)	(5.98)	(6.78)	(7.43)	(7.85)
Less: Δ NWC	8.13	7.17	31.74	7.26	5.06	4.35	4.98
Add: D&A	3.95	4.83	6.32	5.84	5.88	5.95	6.47
UFCF	36.47	67.62	72.76	59.98	74.10	87.87	98.12
PV Factor			0.91	0.83	0.75	0.69	0.63
PV of UFCF			66.24	49.71	55.91	60.36	61.37

WORKING CAPITAL SCHEDULE

Working Capital Schedule	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024A	2025A
Revenue	312	400	499	601	581	581	647	734	805	850
COGS	167	206	233	279	275	275	305	344	374	393
Opex	140	174	224	274	245	254	274	300	321	336
Current Assets	82	95	123	134	131	116	120	130	137	140
A/R	7	9	5	6	15	11	11	12	14	16
Inventory	73	81	109	109	100	90	92	99	103	102
Prepaid Exp.	1	1	2	3	2	2	3	3	3	3
Other Current Assets	2	3	7	17	13	13	14	16	18	19
Current Liabilities	74	76	82	102	106	123	134	149	161	169
A/P	17	18	20	30	39	35	39	44	48	51
Accrued Expenses	7	13	18	19	25	26	28	30	32	34
Unearned Revenue	1	8	11	12	12	12	14	15	17	18
Other Current Liabilities	49	38	32	40	29	50	54	59	63	66
Net Working Capital	8	19	41	32	25	(7)	(14)	(19)	(23)	(28)
Change in NWC		11	22	(8)	(7)	(32)	(7)	(5)	(4)	(5)
Assumptions										
Days Sales Outstanding	7.63	8.59	3.91	3.35	9.62	6.62	6.42	5.98	6.40	7.01
Days Inventory Held	158.8	143.9	170.3	142.4	133.2	120.00	110.00	105.00	100.00	95.00
Prepaid Exp. % of Opex	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Other Current Assets as % of Revenue	0%	1%	1%	3%	2%	2.2%	2.2%	2.2%	2.2%	2.2%
Days Payable Outstanding	20.00	16.31	14.80	18.11	24.73	22.00	22.00	22.00	22.00	22.00
Accrued Expesne as % of Opex	5%	7%	8%	7%	10%	10.1%	10.1%	10.1%	10.1%	10.1%
Unearned Revenue as % of Revenue	0.3%	1.9%	2.3%	2.0%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Other Current Liab. As % of Opex	35.3%	21.6%	14.4%	14.6%	12.0%	19.5%	19.5%	19.5%	19.5%	19.5%

D & A + CAPEX SCHEDULE

D&A Schedule	2016A	2017A	2018A	2019A	2020A	2021P	2022P	2023P	2024P	2025P
Capex	3.03	2.26	3.05	12.46	2.32	5.37	5.98	6.78	7.43	7.85
<i>CapEx % of Sales</i>	1.0%	0.6%	0.6%	2.1%	0.4%	0.9%	0.9%	0.9%	0.9%	0.9%
Depreciation Expense	2.37	2.85	2.87	3.95	4.83	6.32	5.84	5.88	5.95	6.47
<i>Depr Exp as % of PPE</i>		28.4%	23.3%	25.8%	20.3%	24%	23%	23%	23%	24%
Beginning PP&E		10.05	12.31	15.35	23.79	25.86	24.91	25.05	25.95	27.44
Add: CapEx						5.37	5.98	6.78	7.43	7.85
Less: DepEx						(6.32)	(5.84)	(5.88)	(5.95)	(6.47)
Ending PP&E	10.05	12.31	15.35	23.79	25.86	24.91	25.05	25.95	27.44	28.83

1-YEAR PRICE TARGET (P/E)

Outputs	Bull	Base	Bear
2021 Net Income	\$88.12	\$62.71	\$40.07
Shares Outstanding	71.67	71.67	71.67
EPS	1.23	0.88	0.56
P/E Multiple	78.00x	77.00x	76.00x
Implied Share Price	\$95.91	\$67.38	\$42.49
Current Share Price	\$52.81	\$52.81	\$52.81
Implied Upside	82%	28%	-20%
Probability	20%	60%	20%
Contribution	\$19.18	\$40.43	\$8.50
Target	\$68.11		
% Upside	29%		
Risk/Reward	1.41x		

EV / SALES VALUATION

Outputs	Bull	Base	Bear
Revenue Yr 5	\$1,268.88	\$1,205.91	\$850.25
EV/Sales	7.00x	6.50x	6.00x
EV in Yr 5	8,882	7,838	5,102
Terminal Value in Yr 1	5,555	4,903	3,191
Sum of FCF Yr 1-5	636	518	294
PV of EV	6,191	5,421	3,484
Less: Net Debt	(146)	(146)	(146)
Equity Value	6,337	5,567	3,630
Shares Outstanding	72	72	72
Implied Share Price	\$88.42	\$77.67	\$50.66
Current Share Price	\$52.81	\$52.81	\$52.81
Implied Upside	67%	47%	-4%
Probability	20%	60%	20%
Contribution	\$17.68	\$46.60	\$10.13
Target	\$74.42		
% Upside	41%		
Risk/Reward	11.55x		

2025 Sales

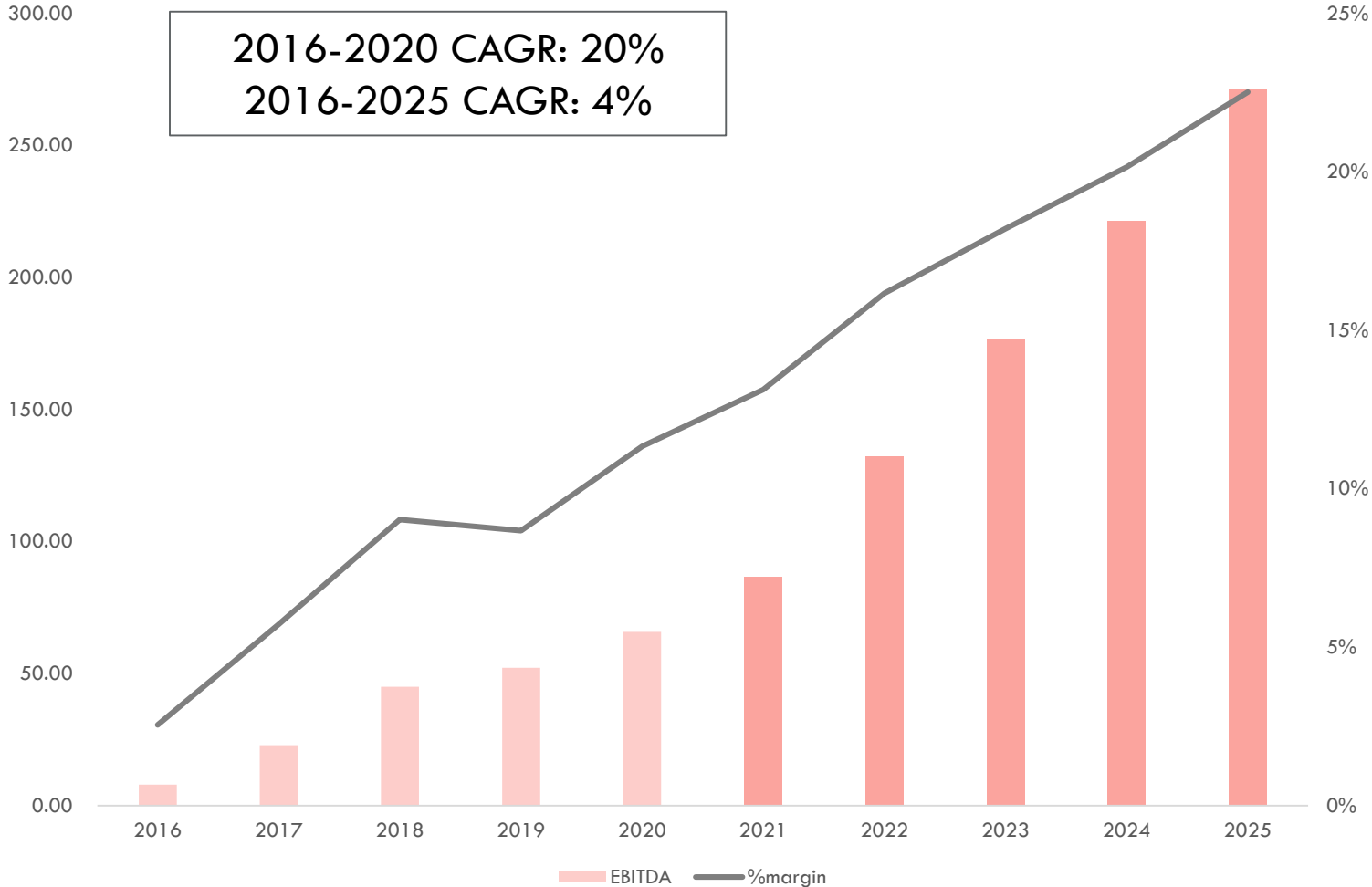
	\$72.29	\$850.00	\$1,000.00	\$1,150.00	\$1,300.00	\$1,450.00
5.0x	\$40.97	\$47.51	\$54.06	\$60.61	\$67.15	
6.0x	\$48.39	\$56.24	\$64.10	\$71.95	\$79.81	
7.0x	\$55.81	\$64.97	\$74.13	\$83.30	\$92.46	
8.0x	\$63.22	\$73.70	\$84.17	\$94.64	\$105.12	
9.0x	\$70.64	\$82.42	\$94.21	\$105.99	\$117.77	

FORWARD MULTIPLES

Company	EV/Fwd Sales	EV/Fwd EBITDA	Fwd P/E
Stitch Fix, Inc. (SFIX)	2.8x	NM	NM
Poshmark, Inc. (POSH)	10.9x	NM	NM
The RealReal, Inc. (REAL)	4.9x	NM	NM
Farfetch Limited (FTCH)	9.1x	NM	NM
boohoo group plc (BOO)	1.9x	19.7x	33.37
LVMH Moët Hennessy (MC)	5.3x	18.4x	36.01
Wayfair Inc. (W)	2.2x	47.1x	122.42
Aritzia Inc. (ATZ)	3.5x	13.7x	36.45
Revolve Group, Inc. (RVLV)	5.5x	49.0x	76.92
Mean	5.12	29.56	61.03
Median	4.93	19.67	36.45

EBITDA + MARGIN GROWTH

Incl. historical and projected values.



SUPPLIER NETWORK

- Revolve relies on a network of 176 suppliers and manufacturers, mostly in China, to churn out fast fashion for its apparel site, including the higher-end Forward by Elyse Walker and a lower-price point apparel site called superdown.
- Revolve's brands account for about a third of its sales. The company says shoppers on its websites spend an average of \$279 per order.



“ We also incurred incremental costs associated with our investment in the new expanded and consolidated warehouse and distribution center that Mike discussed earlier. The new warehouse is 281,000 square feet and geographically close to our previous and existing facilities in Cerritos, California. We expect the new facility will provide us capacity beyond 2021 and will also provide both near-term and long-term opportunities for operational efficiencies.

--Q2 2019 earnings

”

FORWARD SUCCESS

“

As mentioned earlier, we also launched our first Owned Brand collection on FORWARD in the fourth quarter, Reve Riche. The early success of the brand is leading us to develop additional Reve Riche styles for the upcoming season.

I am also encouraged by the early success of our cross-marketing programs between REVOLVE and FORWARD.

”

UNLIKE TRADITIONAL RETAIL

“

*We continue to operate in a **highly capital-efficient** manner. During the quarter, we generated \$6.8 million of cash from operations as compared to \$13.5 million in the prior year, with the year-over-year decrease largely driven by changes in working capital and timing, primarily related to the timing of tax payments.*

*The **fulfillment center expansion and automation** has been a meaningful undertaking for us. And even with this investment, we remain **very capital efficient** with CapEx at approximately 3% of net sales for the year to date.*

”

TOP PARTNERSHIP HIGHLIGHTS

“

*In May, we leveraged our brand marketing engine with our unique owned brand platform to **launch the Song of Style collection** in Portugal with **Aimee Song**, a New York Times best-selling author with an Instagram following of 5.3 million followers. Two weeks after the execution of our IPO in June, we were in Brazil **launching the Camila Coelho collection** with Camila, who was named a Forbes 30 Under 30 and has graced the cover of numerous magazines and has an Instagram following of 8.1 million followers.*

*The combination of **unique and distinctive marketing** activations, great products, and Aimee and Camila's collective following of over 13 million Instagram followers resulted in our **strongest two brand launches to date.***

”

ABILITY TO PAY IN INSTALLMENTS

afterpay

“

Shopping at Revolve has never been easier and more budget friendly. Afterpay is an interest-free payment option that allows you to shop now, enjoy now, and pay it off in four fortnightly instalments with Revolve.

How to shop online with Revolve using Afterpay

- Select Afterpay at checkout as your payment method
- If you already have an Afterpay account, log in and complete your checkout in seconds
- If you are new to Afterpay, you can sign up while you checkout with Revolve by following the prompts. No long forms and you'll know you've been approved within seconds.
- Orders ship as they would with any other form of payment, as quickly as you choose. Enjoy your purchase straight away and pay over 4 fortnightly installments.

Are there any fees?

We trust you to make your payments and will support you by sending regular reminder notifications. You will only be charged a 'late fee' if you miss payments. To learn more please see our terms and conditions

”

INVENTORY MANAGEMENT

Aritzia Inventory Management

We analyze sales data in order to make inventory adjustments and to respond to the latest trends. By actively monitoring **sell-through rates** and managing the mix of product categories in our boutiques, we are able to respond to emerging trends in a timely manner, minimize our dependence on any particular category, style or fabrication and preserve a balanced, coordinated presentation of merchandise within each boutique while being able to offer our client the entire assortment online. We believe that our disciplined merchandise planning strategy allows us to maintain modest inventory levels, maximize full-price sales and achieve markdown levels that are below industry averages.

ISSUES WITH INFLUENCER ECONOMY

“

While an incredible 86% of companies use influencer marketing, the engagement rate for such sponsored posts on Instagram dropped from 4 percent in Q1 2016 to 2.4 percent in Q1 2019. Facebook's and Twitter's numbers are even worse at 0.37 percent and 0.05 percent respectively.

The harsh reality is that it is increasingly hard to excite and inspire audiences who are overwhelmed and overstimulated. Going forward, a static image displaying a product with a model or influencer will no longer cut it. Industry executives believe that the top trend shaping the fashion industry within the next 12 months will be a rise in the importance of “storytelling” and marketing strategies that resemble media productions.

”

McKinsey 2020 Report

SUPERDOWN FOR GEN Z

“

*To target this emerging customer, we supplemented our already successful lower price point brands with the **launch of the Superdown brand** on the REVOLVE site in early Q1. In Q2, we launched superdown.com as a dedicated lower price point site that features our lower price point brands as well as a select range of third-party brands.*

*We chose to launch a dedicated site and social media presence so that we could **speak to this customer in a way that is more direct and relevant to them**. It's too early to talk about the specific results here, but we are excited about the launch and opportunity and we will keep you up-to-date on progress here.*

”

CO-FOUNDER LED MANAGEMENT



Michael Mente



Mike Karanikolas

“

Mike and I launched REVOLVE in 2003 in the aftermath of a recession that took place after the dot com crash and later we successfully navigated through the great financial crisis at a time when we still hadn't taken outside capital. Through this all, we remain the two largest shareholders even after going public. In fact, we increased our ownership stake in recent months.

”

Co-CEOs intend to stick with the company until the end. To weather through COVID, reduced annual salaries to \$1 and remain reliable and committed to seeing long-term investments through

REOPENING IN AUSTRALIA

RESTARTING IN-PERSON EVENTS

“We are hosting foreign person events in Australia ... The events are attended by Australia-based influencers. Australia has had a very effective COVID response. So it is further ahead on the reopening path than other parts of the world.”

- Q4 2020 Earnings (2/23/2021)

FINANCIAL RESULTS

30%

Q420 Revenue Growth Y/Y
(Q4 earnings)

>50%

Q120 Revenue Growth Y/Y
(to-date)

CHINESE MARKET EXPANSION

Significant Room for Expansion

Chinese influencer industry predicted to be worth **\$15 billion** in 2021
- Business Insider

Key Opinion Leader (KOL) incubators in China only select ~**1.25%** of wannabe influencers for their programs

Varied Platforms

- Influencers come in all shapes and sizes
- Sina Weibo is a platform for microbloggers. It is the one of the biggest social media platforms in China, with over 445 million monthly active users as of Q3 2018.
- [Toutiao](#) is a news distribution app that focuses on providing all kinds of information using complex algorithms. The company has over 4,000 partners producing content daily.
- Xiaohongshu (also known as RED is a social media and e-commerce platform) where influencers can share content

Big Success with Chinese Influencers So Far

- 2018 campaign with fashion and beauty bloggers like [@IrisQuan](#), [@himiko](#), and [@阿蕾Lena](#) had an **ROI of 103x**
- Hashtag **#REVOLVEME#** has tracked 220M impressions and 37K discussions

INDUSTRY REPEAT CUSTOMER AVG

3 Must-Know Benchmark Metrics for Fashion e-Commerce Brands

By: Ralph Tkatchuk

Repeat buyers pivotal to any business, and fashion e-commerce is no exception. According to the data, between 9.7% and 11.6% of fashion e-commerce customers come back for more, regardless of the store's order volume.

These figures are notably lower than automation platform **Ometria's findings**, which show fashion sellers receiving **repeat** orders from some 10% to 20% of their customers.

Source: <https://www.digitalcommerce360.com/2017/02/07/3-must-know-benchmark-metrics-fashion-e-commerce-brands/>

CHALLENGES TO CHINA EXPANSION

Significant Room for Expansion

Regulations

Beginning next week, the Cyberspace Administration of China will require bloggers and influencers to have a government-approved credential before they can publish related to political and military affairs, health, economics, education and judicial matters. New rules also mean more enforcement. – 2/17/21

Access

Agencies are often used by KOLs as professional agents often also serving as incubators. This has become a much more common model as of lately. Advertisers can enter into an agreement with the agencies directly. Many popular influencers are contracted out by her/his agency exclusively. Therefore, the brand/advertiser must reach to the agency to negotiate the details of the cooperation of the relevant KOL.

Trade

"Although Biden's cabinet candidates have talked tough on China, we believe his strategy would be more consensual and less disruptive to financial markets." – Jeffries, 2/21

"China uses joint venture requirements, foreign investment restrictions, and administrative review and licensing processes to require or pressure technology transfer from U.S. companies." → complaints from [US-China Economic and Trade Agreement](#)

Essentially, this issue still revolved around technology. Textiles will not be the first nor most affected industry.

CAP WEIGHTED COMP BASKET METHOD

Market Caps Weighted by Size

Weights	RVLV	REAL	W	ATZ	FTCH	BOO
Market Cap	3,785,000,000	2,177,000,000	32,524,000,000	2,703,200,000	21,000,000,000	5,817,150,000
Conversion	1	1	1	0.8	1	1.39
Weight	0.06	0.03	0.48	0.04	0.31	0.09

Original Close Price (USD)

Date	RVLV	REAL	W	ATZ	FTCH	BOO
1/2/2020	18.39	17.87	93.14	15.25	11.11	415.75
1/3/2020	18.89	18.44	94.04	15.38	11.30	420.75
1/6/2020	19.09	17.86	94.67	15.53	10.92	417.00
1/7/2020	19.41	18.11	95.70	15.94	11.18	420.06
1/8/2020	19.24	17.36	95.17	16.42	10.93	426.73
1/9/2020	20.00	18.17	96.75	19.21	10.87	436.60

Cap-Weighted Close Price

Date	RVLV	REAL	W	ATZ	FTCH	BOO
1/2/2020	1.02	0.57	44.54	0.61	3.43	35.56
1/3/2020	1.05	0.59	44.97	0.61	3.49	35.99
1/6/2020	1.06	0.57	45.28	0.62	3.37	35.67
1/7/2020	1.08	0.58	45.77	0.63	3.45	35.93
1/8/2020	1.07	0.56	45.51	0.65	3.38	36.50
1/9/2020	1.11	0.58	46.27	0.76	3.36	37.35

Standardized to 100

Date	Sum	Return	Standardized
1/2/2020	85.74		100.00
1/3/2020	86.71	1.13%	101.13
1/6/2020	86.57	-0.16%	100.97
1/7/2020	87.45	1.01%	101.99
1/8/2020	87.67	0.26%	102.25
1/9/2020	89.43	2.01%	104.31

LOYALTY PROGRAM

1

Tier system: **Insider, Star, VIP, and Elite** – allow members to advance to higher levels of loyalty

2

Membership also provides customers with earlier access to sales, stylists and potential involvement in influencer events.

3

Customers can engage with us in 10 languages, use one of 20 payment methods and pay in up to 130 currencies.

While we do not extend credit to our customers, we do offer third-party payment alternatives that allow our customers to make installment payments. We also offer a loyalty program for REVOLVE customers. The loyalty program affords participating customers additional benefits such as early access to new styles, early access to items on sale and invitations to exclusive events. The FORWARD preferred customer program enables clients to receive products specifically curated for them by our stylists.

PERKS AND BENEFITS

As a valued REVOLVE customer, you've been selected to join the exclusive REVOLVE LOYALTY CLUB. REVOLVE LOYALTY CLUB is a new, free, pilot program that rewards you for doing what you do best - shopping with us.

Earn points redeemable for REVOLVE REWARDS when you shop on REVOLVE. Enrollment and participation is only available to select customers during the pilot program.*



ENROLL

The REVOLVE LOYALTY CLUB is free to join! No membership fees, and no credit cards you have to sign up for.



SHOP

Earn points for every dollar you spend at REVOLVE. Earn even more by shopping bonus products.



GET REWARDED

For every 2,000 points, you get a \$20 REVOLVE REWARD to spend on anything within 3 months.

INDUSTRY RETURN RATE

E-commerce Product Return Rate – Statistics and Trends [Infographic]

By: Khalid Saleh

Did you know at least 30% of all products ordered online are returned as compared to 8.89% in brick-and-mortar stores. 92% of consumers surveyed said that they will buy again if product return process is easy whereas 79% of consumers want free return shipping. Check out our new infographic for latest

Around 49% of retailers offer free return shipping now whereas 67% of shoppers check the returns page before making a purchase. 62% of shoppers are more likely to shop online if they can return an item in-store. Whereas, 58% of consumers want a hassle-free “no questions asked” return policy, and 47% want an easy-to-print return label.

27% of consumers would purchase an item online that costs more than \$1,000 if offered free return shipping as compared to 10% who will purchase it otherwise.

Source: <https://www.invespcro.com/blog/ecommerce-product-return-rate-statistics/#:~:text=Did%20you%20know%20at%20least,consumers%20want%20free%20return%20shipping.>

Buy: Revolve Group, Inc. (NYSE: RVLV)

Bhavya Kethireddipalli, Irika Nalla, Ioana Nechiti, Kelly Zhou

16 MARCH 2021 | WILLIAM AND MARY WOMEN'S STOCK PITCH COMPETITION

Company Overview

Founded in 2003, Revolve Group, Inc. is an online, high-end clothing, accessories, and beauty retailer based in California. The company reports in two segments: REVOLVE and FORWARD. REVOLVE offers a highly curated assortment of premium apparel and footwear, accessories, and beauty products, constituting 86% of net sales in 2020, while FORWARD offers a full assortment of iconic and emerging luxury brands, making up 14% of net sales in 2020. As one of the top brands pursuing an influencer-marketing strategy, Revolve is a leader in driving social-media engagement with its brand. After its IPO in 2019, the company's stock price fell considerably until March 2020, and prior to its Q4 2020 earnings call, the stock price reached IPO levels. Since the earnings call, the stock price has increased by 30%, now sitting at \$52.81.

Industry Overview

The global fashion e-commerce market is worth \$486 billion in 2020 and is expected to grow at a CAGR of 11.48% to \$673 billion by 2023. RVLV competes with department stores, specialty retailers, independent retail stores, the online offerings of traditional retail competitors, and e-commerce companies with similar merchandise. RVLV sets itself apart from department stores as its business model is better tailored to a specific demographic – millennial/Gen Z – with its product offering curated to match younger tastes. Revolve has an advantage over other millennial/Gen Z-focused e-commerce competitors, such as Boohoo and PrettyLittleThing, due to its significantly higher average order value, which is enabled by its focus on more expensive occasion and fashion-driven products.

Investment Thesis

- 1. Revolve is uniquely-positioned as a first mover in an expanding influencer economy to attract high spending consumers at lower acquisition costs.** Revolve was one of the first companies to effectively build a network of influencers with high engagement to reach new audiences. In 2019, 88% of customers made a purchase based on an influencer. Prior to COVID-19, the company paid influencers to attend their extravagant brand trips to exciting locations. The company has since been able to shift to digital-only marketing due to health concerns associated with travel, enabling the company to drive similar engagement levels at a lower cost. As a result, in 2020, marketing expense decreased both as a percentage of sales (14.8% in 2019 to 13.2% in 2020) and on a gross basis (\$89.14M in 2019 to \$76.37M in 2020). Chief Brand Officer Raissa Gerona has commented that this low-cost engagement strategy is here to stay.
- 2. The management team uses its best-in-class data analytics platform to effectively manage inventory and drive down costs.** As customer purchasing habits changed due to the pandemic, the co-CEOs quickly adjusted inventory purchases and delivered higher turnover rates. Because of the company's large database of customer information, inventory mix shifted to beauty/skincare, at-home, and lounge products, which were in high demand due to COVID. While they temporarily shifted more inventory purchases to 3rd-party inventory to make shallower initial inventory buys across styles, we expect "reopening demand" to enable a greater mix of higher-margin company-owned brand sales, evidenced by Q4 results. Additionally, management plans to develop Revolve-owned brands for beauty, intimates, and loungewear, posing a long-term opportunity for margin expansion.
- 3. The company's plans to expand internationally pose significant opportunities to expand the FORWARD brand while attracting additional demand from high-spending customers.** This past year, international net sales increased 24%, meaningfully outperforming the decline in net sales in the US. The international strength across Australia, Canada, Greater China and the Middle East not only indicates the presence of demand abroad, but it also indicates promising levels of global demand as the world reopens. Moreover, in markets like China, where luxury goods are in extremely high demand, Revolve's FORWARD brand offers a significant long-term opportunity for market penetration.

Revolve Group, Inc.

Internet Retail | Cerritos, CA

Recommendation: Buy

Price Target: \$75.25 (+43%)

Base Price: \$80.36 (+52%)

Bull Price: \$97.32 (+84%)

Bear Price: \$37.88 (-28%)

Last Close: \$52.81

Market Capitalization: \$3.42B

52-Week Range: \$7.17 - \$54.28

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Catalysts

We see RVLV as the quintessential recovery story heading into 2021 and 2022 boosted by structural and category tailwinds. As the world reopens and the economy improves, we expect young people to spend more on discretionary goods, but we also expand demand for occasion-driven merchandise to increase sales in RVLV's core product segments: dresses and party-oriented fashion. Although the heavily anticipated uptick in retail consumer spending recovery has already been priced in (50% surge during last earnings), there's still room to generate massive upside at a proposed investment timeline of 16-18 months with the following catalysts.

1. First, we expect **earnings beats** over the next two quarters primarily driven by the **relaunch of in-person marketing events at the domestic and international level**. Not only will RVLV experience growth in unique website visitors, but also in active customers which flows directly to their top-line. Greater access to Instagram Checkout and rollout of new features within the app will further contribute towards streamlining the consumer purchasing process and expanding conversion rates.
2. Next, the permanent addition of beauty, intimates, and loungewear categories presents opportunity for the **future development of owned brands** within these product categories. Revolve has not only increased their TAM by including lower-priced products, but they've also opened another channel of growth for owned brands which we expect to see as a result of decreasing return rates and higher sales mix in the owned category.
3. Finally, news of **successful entrance into Asian markets** will be a key catalyst for growth in AOV and further declines in return rates as RVLV targets higher spending consumer markets.

Valuation

Outputs	Bull	Base	Bear
EBITDA Yr 5	\$314.34	\$271.52	\$127.65
EV/EBITDA	31.50x	30.00x	28.50x
EV in Yr 5	9,902	8,146	3,638
Terminal Value in Yr 1	6,193	5,095	2,275
Sum of FCF Yr 1-5	636	518	294
PV of EV	6,829	5,613	2,569
Less: Net Debt	(146)	(146)	(146)
Equity Value	6,975	5,759	2,715
Shares Outstanding	72	72	72
Implied Share Price	\$97.32	\$80.36	\$37.88
Current Share Price	\$52.81	\$52.81	\$52.81
Implied Upside	84%	52%	-28%
Probability	20%	60%	20%
Contribution	\$19.46	\$48.21	\$7.58
Target	\$75.25		
% Upside	43%		
Risk/Reward	1.85x		

WACC Calculation	9.84%
% Equity	100%
% Debt	0%
Cost of Equity (CAPM)	9.84%
RFR	1.44%
Beta	1.50
MRP (MRR-RFR)	6%
Tax Rate	22%

	2025 EBITDA					
EV/EBITDA	\$80.36	\$125.00	\$175.00	\$225.00	\$275.00	\$325.00
20.0x	\$31.08	\$39.81	\$48.54	\$57.27	\$65.99	
25.0x	\$36.54	\$47.45	\$58.36	\$69.27	\$80.18	
30.0x	\$41.99	\$55.08	\$68.18	\$81.27	\$94.36	
35.0x	\$47.45	\$62.72	\$77.99	\$93.27	\$108.54	
40.0x	\$52.90	\$70.36	\$87.81	\$105.27	\$122.72	

Risks & Mitigants

1. **Revolve's marketing model is heavily exposed to potential social media influencer headwinds such as influencer's getting canceled or losing their online following.** This risk is mitigated by Revolve's diversified network of influencers which limits the impact of a single influencer's actions. Additionally, shifting to digital only content and introducing storytelling to their marketing, increases engagement rate and consumer loyalty.
2. **Revolve's dependence on China as a manufacturing hub could become a liability if more tariffs are imposed.** However, the Biden Administration seems less willing to continue escalating the trade war, especially in relation to textiles.
3. **Revolve also may risk FORWARD cannibalization with the launch of more owned brands.** Because Revolve targets a completely different demographic AND has invested in owned brands for Forward, which we expect to increase, this risk is also mitigated.