



Q4 & FY 2020  
Earnings Call



# Forward-Looking Statements

The information presented herein may contain forward-looking statements within the meaning of the federal securities laws. Such forward-looking statements include all statements other than statements of historical fact, including forecasts of trends, market conditions, and other factors that will impact our results of operations. You should not place undue reliance on any forward-looking statements, which speak only as of the date they were made. We undertake no obligation to update any forward-looking statements as a result of any new information, future developments, or otherwise. Forward-looking statements are inherently difficult to predict. Accordingly, actual results could differ materially for a variety of reasons, including but not limited to the effects of the novel coronavirus (COVID-19) and corresponding vaccines on market volatility, the world economy, government regulation, and our supply chain, including supply and demand for the products and services we offer, the ability of our third-party partners and carriers to provide products and services without interruption and at a reasonable cost, and customer comfort levels with purchasing from brick and mortar stores. Actual results could also differ materially for a number of reasons, including, but not limited to initiatives to improve or maintain the performance of our business, adverse tax, regulatory or legal developments, competition, and any inability to maintain profitability, continue to generate positive cash flow from operations, raise capital, or borrow funds on acceptable terms, difficulties we may have with our infrastructure, our fulfillment partners or our payment processors, including cyber-attacks or data breaches affecting us or any of them, any inability to protect our intellectual property, and difficulties we may experience with increasing or maintaining our search engine optimization results, converting web traffic to sales, or ensuring we maintain our new customer base. Other risks and uncertainties include, among others, whether our previously-announced arrangements with Pelion Venture Partners will be consummated, whether our partnership with Pelion will be able to achieve its objectives and the timing for doing such, the inherent risks associated with the businesses that Medici Ventures and tZERO are pursuing, including the effect of COVID-19 on capital markets, trading volatility, investor confidence, and willingness to invest in blockchain technologies, whether tZERO's initiatives with Box Digital Markets, LLC and tZERO Markets, LLC will be able to achieve their objectives and the timing for doing such, and the regulatory, technical, operational, and other obstacles tZERO faces in each of its initiatives. More information about factors that could potentially affect our financial results are included in our Form 10-K for the year ended December 31, 2019, which was filed with the SEC on March 13, 2020, in our Form 10-Q for the quarter ended March 31, 2020, which was filed with SEC on May 7, 2020, in our Form 10-Q for the quarter ended June 30, 2020, which was filed with the SEC on August 6, 2020, in our Form 10-Q for the quarter ended September 30, 2020, which was filed with SEC on November 5, 2020, and in our subsequent filings with the SEC. The Form 10-K, Form 10-Q's, and our subsequent filings with the SEC identify important factors that could cause our actual results to differ materially from those contained in or contemplated by our projections, estimates, and other forward-looking statements.



# Agenda

1. CEO Remarks
2. Financial Results
3. Business Updates
4. Summary and Q&A



# Corporate Update

- Partnership with Pelion Venture Partners
  - Limited Partnership Agreement announced in January
- Cash dividend declared on Series A-1 and Series B preferred shares
  - \$0.16 per share paid in December, fourth annual preferred dividend
- Regulatory update
  - New subpoena received in January
- Continue to operate well during COVID-19 pandemic
  - Working remote-first, monitoring vaccines, stimulus, and supply chain conditions

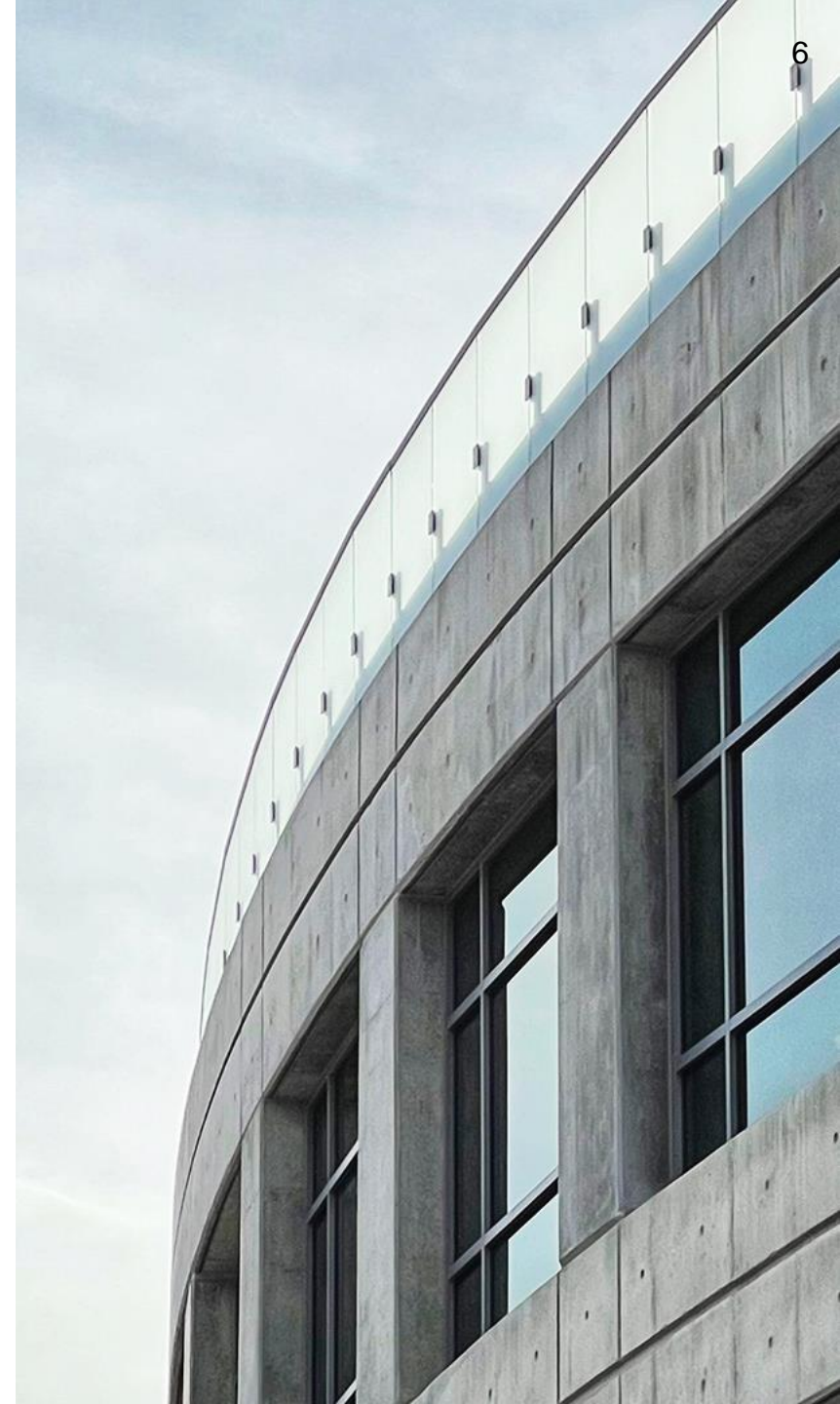
# Appointment of New CMO



**Elizabeth Solomon**  
Chief Marketing Officer

- Formerly Head of Marketing for Amazon's Global Private Brands portfolio
- Extensive marketing leadership experience growing Fortune 100 companies
- Proven track record in growing, building, and repositioning brands through multi-channel and integrated marketing strategies
- Previously with Samsung, Walmart, Cadbury, and Nestle
- Joins team in late March

# Financial Results



# Q4 2020 Financial Results: Overstock.com, Inc.

Revenue  
**\$684.0 Million**  
 +84% vs. Q4'19

Gross Profit  
**\$153.0 Million**  
 +100% vs. Q4'19

G&A % of Revenue  
**4.9%**  
 -410bps vs. Q4'19

Adjusted EBITDA<sup>1</sup>  
**\$22.9 Million**  
 +\$41.9M / +221% vs. Q4'19

Diluted EPS  
**\$0.26**  
 +\$0.99 vs. Q4'19

Ending Cash  
**\$516.5 Million**  
 +\$404.2M vs. Q4'19



# FY 2020 Financial Results: Overstock.com, Inc.

Gross Merchandise Sales

**\$3.2 Billion**

+74% vs. FY'19

Revenue

**\$2.5 Billion**

+75% vs. FY'19

Gross Profit

**\$579.5 Million**

+98% vs. FY'19

G&A % of Revenue

**5.0%**

-447bps vs. FY'19

Adjusted EBITDA<sup>1</sup>

**\$88.3 Million**

+\$162M / +220% vs. FY'19

Diluted EPS

**\$1.24**

+\$4.70 vs. FY'19



# Q4 2020 Financial Results: Overstock Retail

Revenue  
**\$669.7 Million**  
 +84% vs. Q4'19

Gross Margin  
**22.5%**  
 +182bps vs. Q4'19

OpEx as % of Revenue  
**18.5%**  
 -563bps vs. Q4'19

Adjusted EBITDA<sup>1</sup>  
**\$34.2 Million**  
 +\$36.4M vs. Q4'19

## Dynamics

- Business model scaled
  - +94% new customer growth YoY
- Gross margin expanded
  - Structural improvements coupled with unique items
- Operating leverage generated
  - Revenue grew by 84% while operating expense grew by 41%
- Profitability delivered
  - Margin profile remains consistent with long-term targets

# FY 2020 Financial Results: Overstock Retail

Gross Merchandise Sales

**\$3.2 Billion**

+74% vs. FY'19

Gross Margin

**22.9%**

+280bps vs. FY'19

OpEx as % of Revenue

**18.3%**

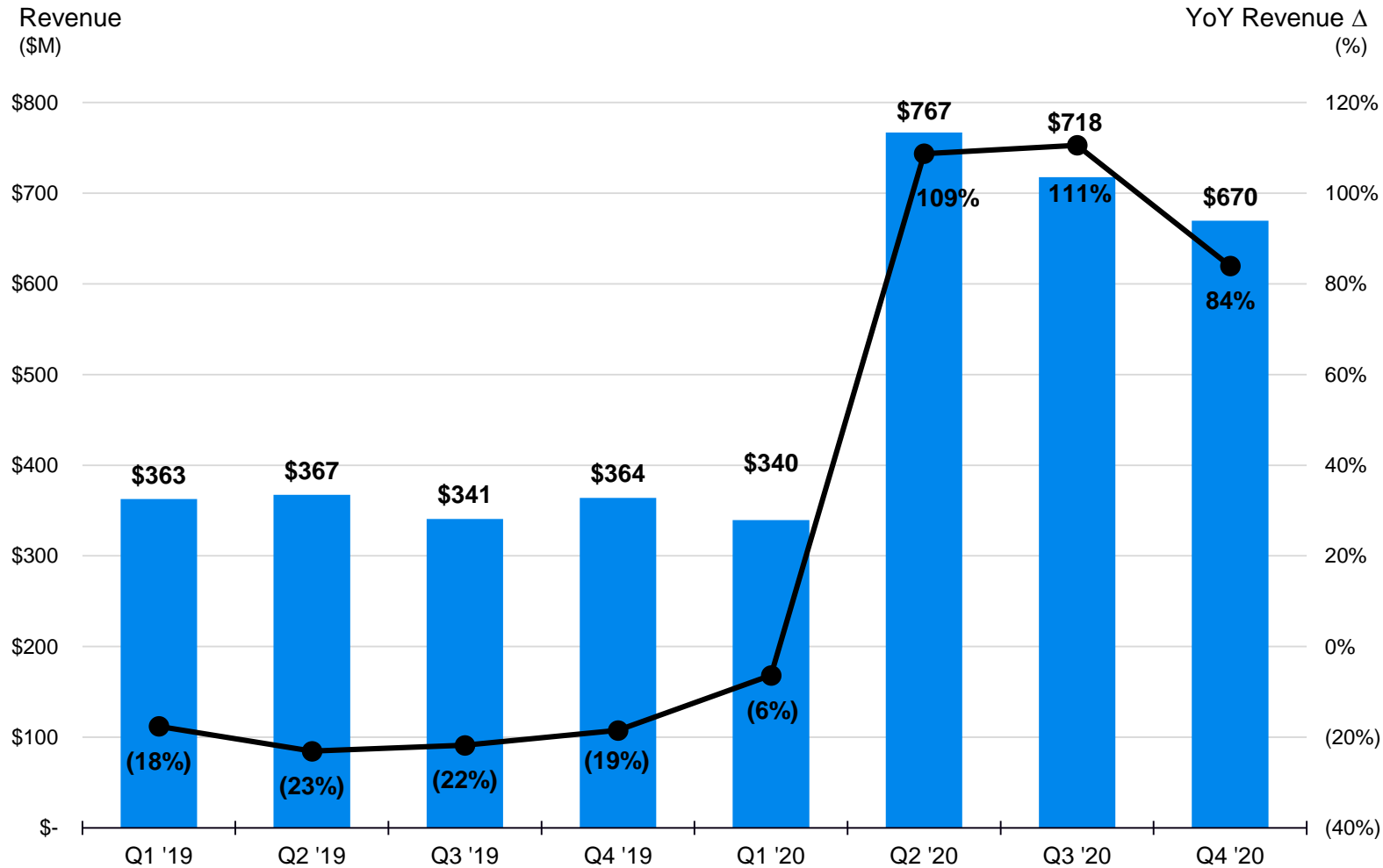
-483bps vs. FY'19

Adjusted EBITDA<sup>1</sup>

**\$135.6 Million**

+\$139.3M vs. FY'19

# Retail Revenue



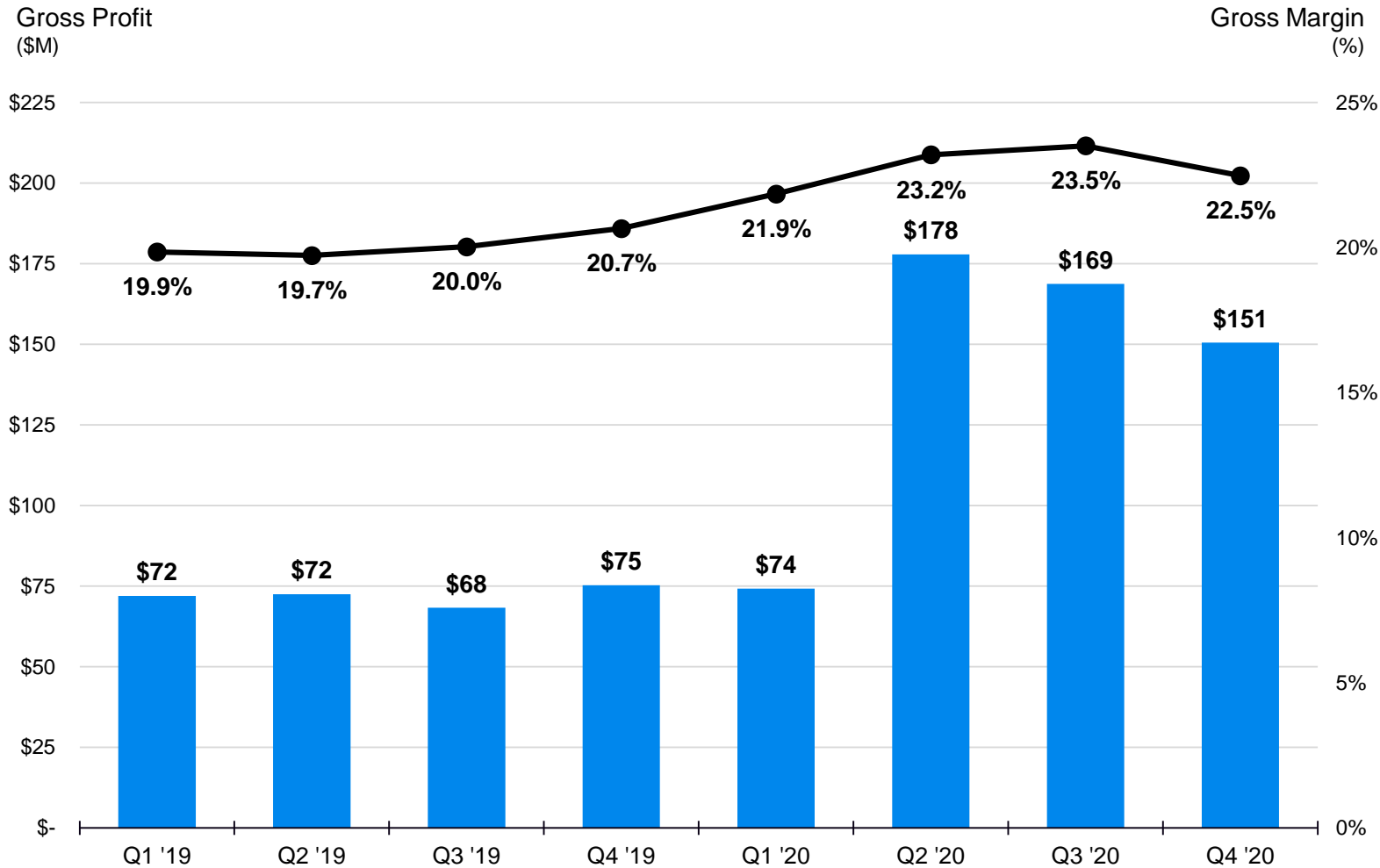
## Q4 Dynamics

- Revenue of \$670M
  - +\$306M YoY
  - +84% YoY
- New customer growth +94% YoY
  - New customer repeat rate +6% YoY
  - ~2/3 of new customers in target segments

## 2020 Dynamics

- Revenue of \$2.5B
  - +\$1.1B YoY
  - +74% YoY

# Retail Gross Margin



## Q4 Dynamics

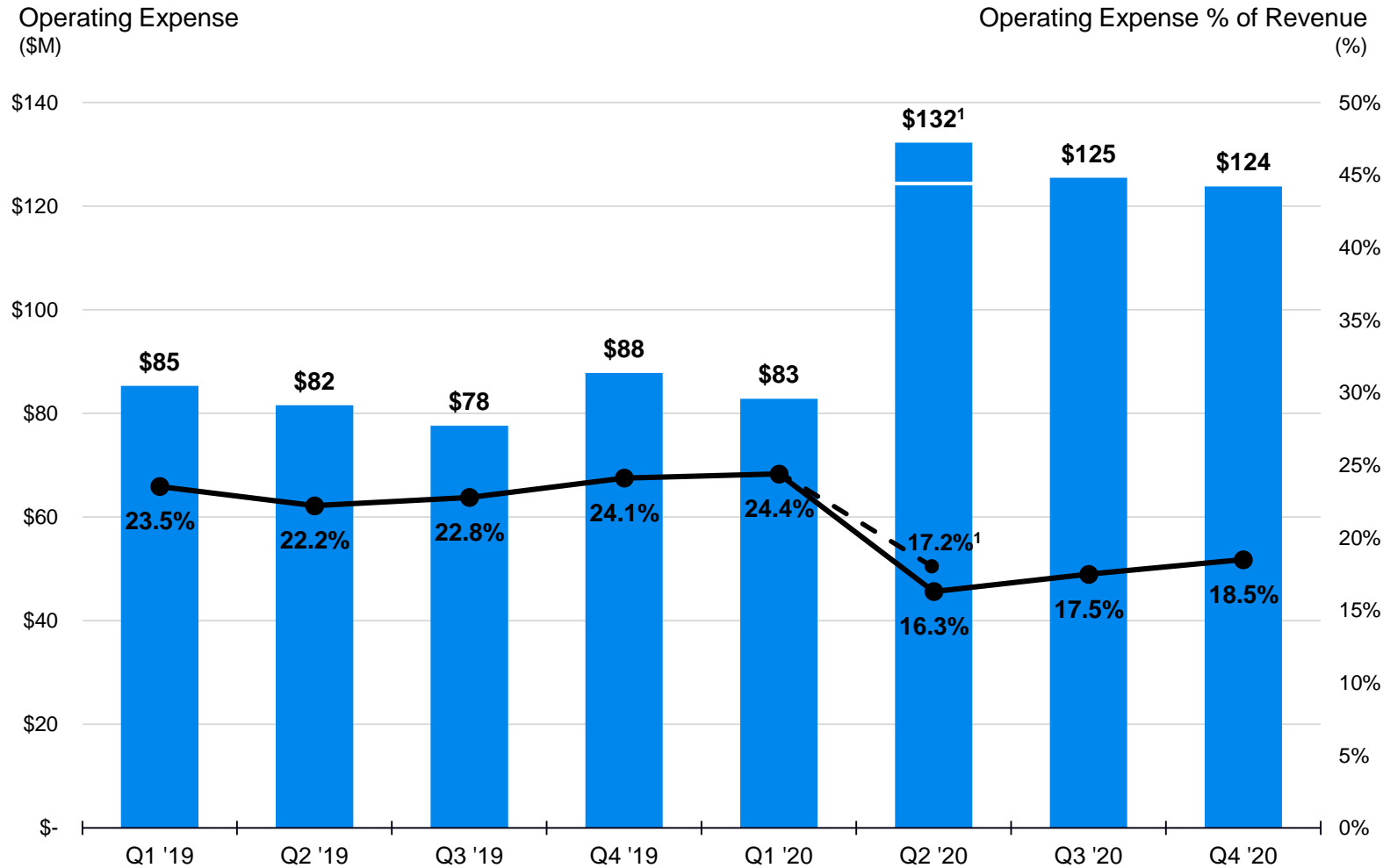
- Gross margin of 22.5%
  - +182bps YoY
- Gross margin impacted by operational efficiencies

## 2020 Dynamics

- Gross profit of \$571M
  - +\$283M YoY
- Gross margin of 22.9%
  - +280bps YoY



# Retail OpEx as % of Revenue



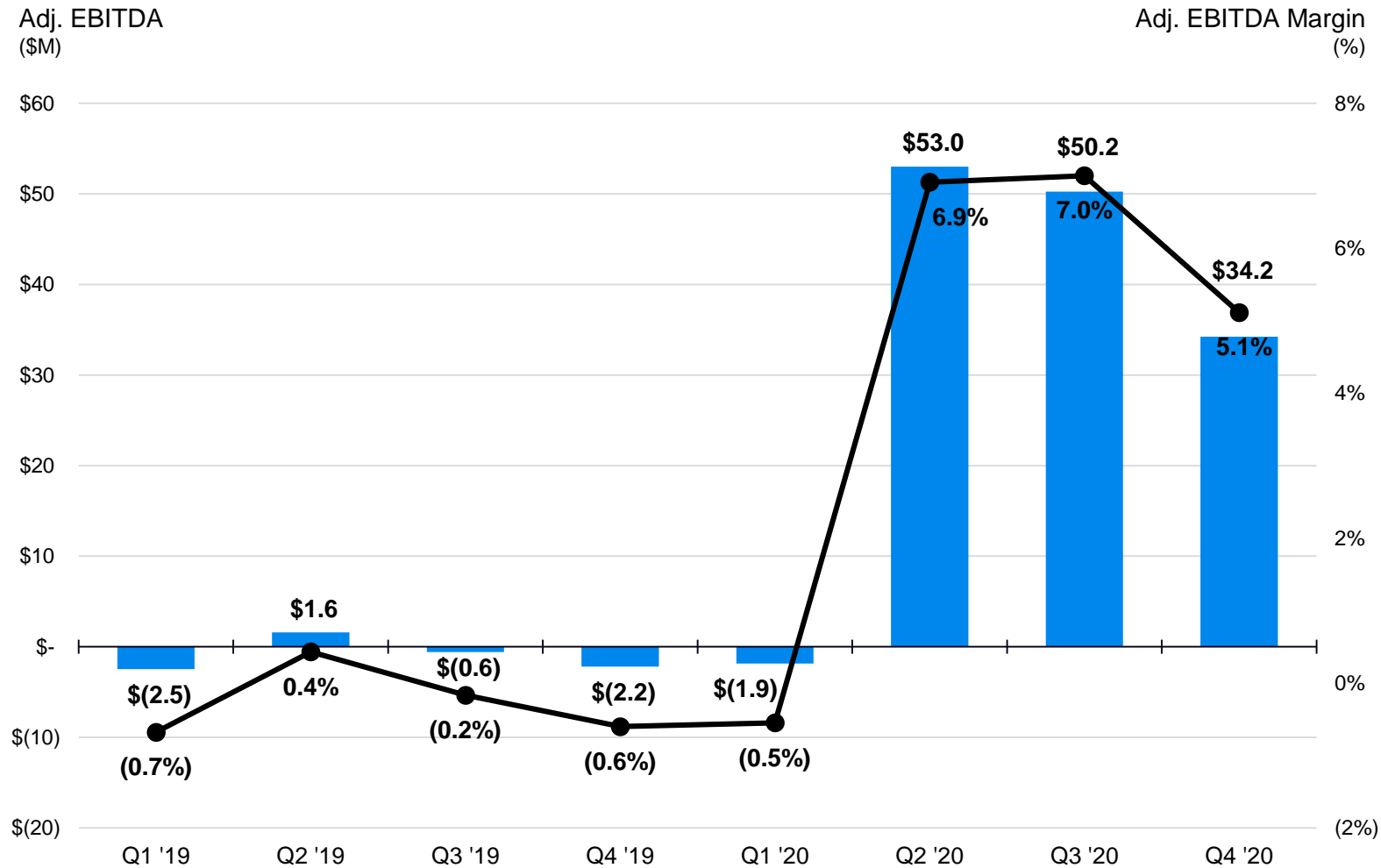
## Q4 Dynamics

- OpEx +41% YoY vs. net revenue growth of 84%
- OpEx % of revenue of 18.5%
  - 56bps YoY

## 2020 Dynamics

- OpEx of \$457M
- OpEx % of revenue of 18.3%
  - 483bps YoY

# Retail Adjusted EBITDA



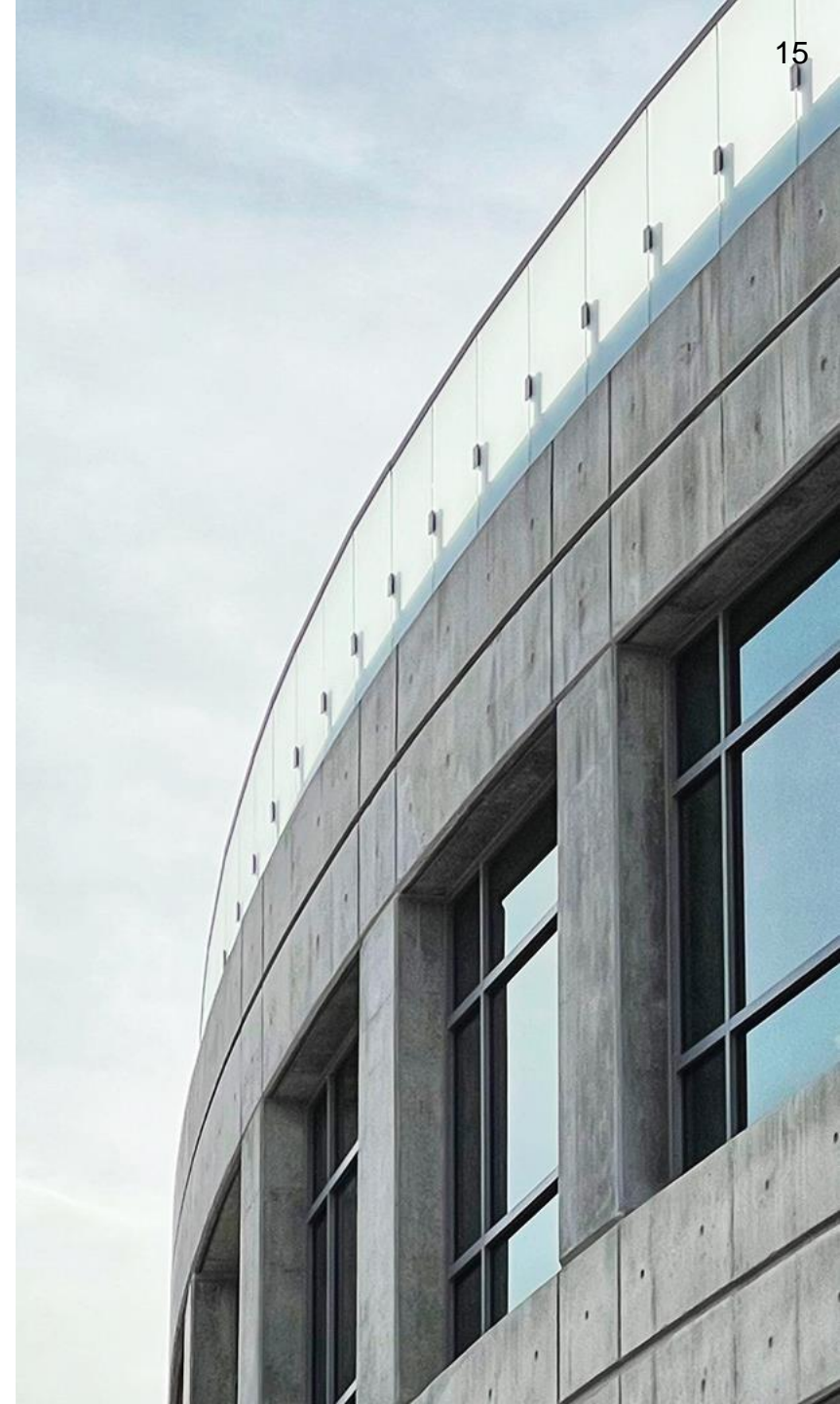
## Q4 Dynamics

- Adj. EBITDA of \$34M
  - +\$36M YoY
- Adj. EBITDA margin of 5.1%
  - +572bps YoY

## 2020 Dynamics

- Adj. EBITDA of \$136M
  - +\$139M YoY
- Adj. EBITDA margin of 5.4%
  - +569bps YoY

# Business Updates






Retail





# Top 5 Brand in a Growing Market

## Top U.S. Home Furnishings Online Brands<sup>1</sup> (ranked by online revenue)

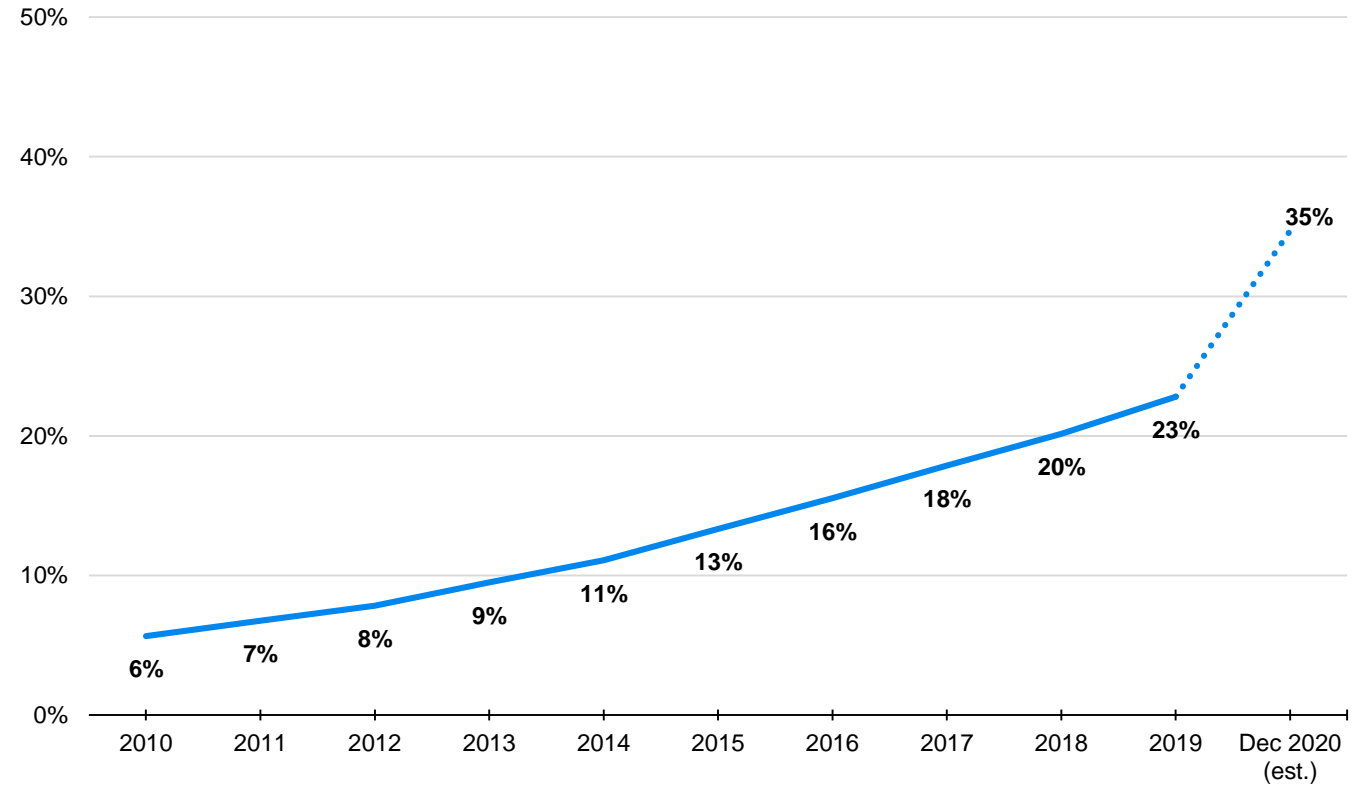
1. Amazon
2. Wayfair
3. Walmart
4. Target
5.  overstock™
6. Pottery Barn
7. IKEA
8. Bed Bath & Beyond
9. West Elm
10. Restoration Hardware

Overstock growth was **2.3x** the U.S. Home Furnishings eCommerce market in Q4

**Home eCommerce<sup>2</sup>**  
+32% YoY

**Overstock**  
+75% YoY

## Furniture & Home Furnishings U.S. Online Penetration<sup>3</sup>



<sup>1</sup> Source: Public and third-party analyses and transactional data based on commonly accepted 'home furnishings and décor' category definitions.

<sup>2</sup> Source: Estimate based on MasterCard SpendingPulse and Rakuten Intelligence, Q4 2020.

<sup>3</sup> Source: Combined data from eMarketer, NRF, NPD, and Earnest transactional data.

# Why Overstock Is Outperforming



**+7.5%**  
YoY

Purchase intent among U.S.  
home furnishings shoppers

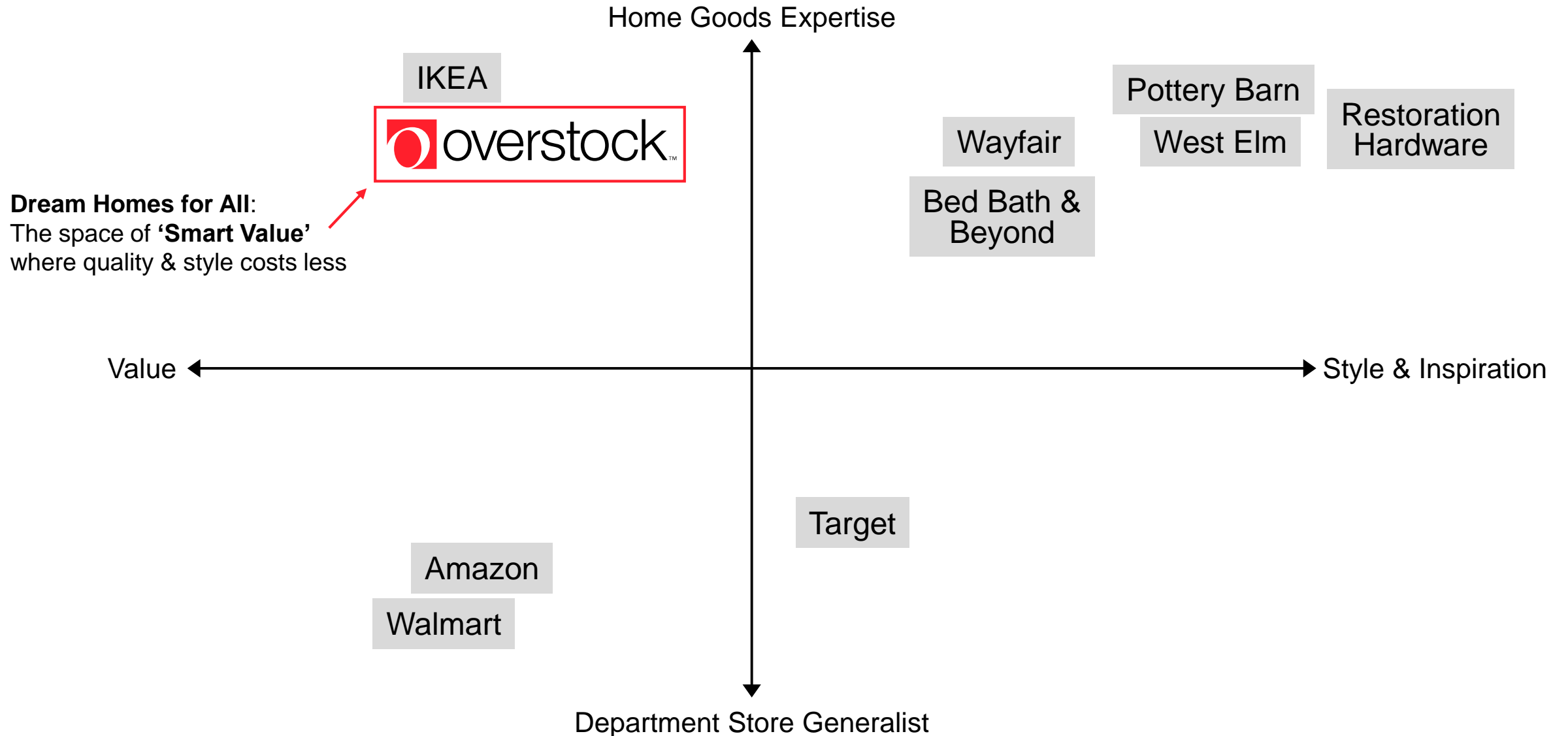
**+20%**  
YoY

Purchase intent among  
“Savvy Shoppers”

## Top Improved Brand Drivers:

- “Makes me feel like a smart shopper”
- “Best quality for the price”
- “Free shipping”

# Establishing Unique Market Positioning



# Playing to Our Strengths



overstock.

Savvy Shoppers

Reluctant Refreshers

**\$120B Market<sup>1,2</sup>**



- Higher propensity to shop at Overstock
- Deal-driven and low-hassle
- Combined market spend is 40% of total market<sup>2</sup>

<sup>1</sup> Source: eMarketer–Total U.S. Retail Sales estimates, 2019.

<sup>2</sup> Source: Overstock customer segmentation research, 2019.

Note: \$300B total market size x 40% customer segments market size = \$120B market.




# Focused Strategy


vision **dream homes for all** making beautiful & comfortable homes accessible by helping customers easily & confidently find just what they want for less

financial goal **sustainable, profitable market share growth**

target customers



primary segment  
**savvy shopper**  
values Overstock for helping them feel smart about finding a great deal from a compelling selection of stylish & quality home products



secondary segment  
**reluctant refresher**  
values Overstock for helping them easily & confidently find just what they want

brand pillars

**product findability**  
get inspired anywhere, but easily find it at Overstock

**smart value**  
quality & style for less

**easy delivery + support**  
fast, free, & predictable delivery, plus low-hassle returns & support

enablers

OKR-driven focus

world-class SEO

data-driven customer relationship and loyalty building

machine learning and algorithms innovation

rapid iteration mindset

2021 initiatives

improve product findability

grow government market share

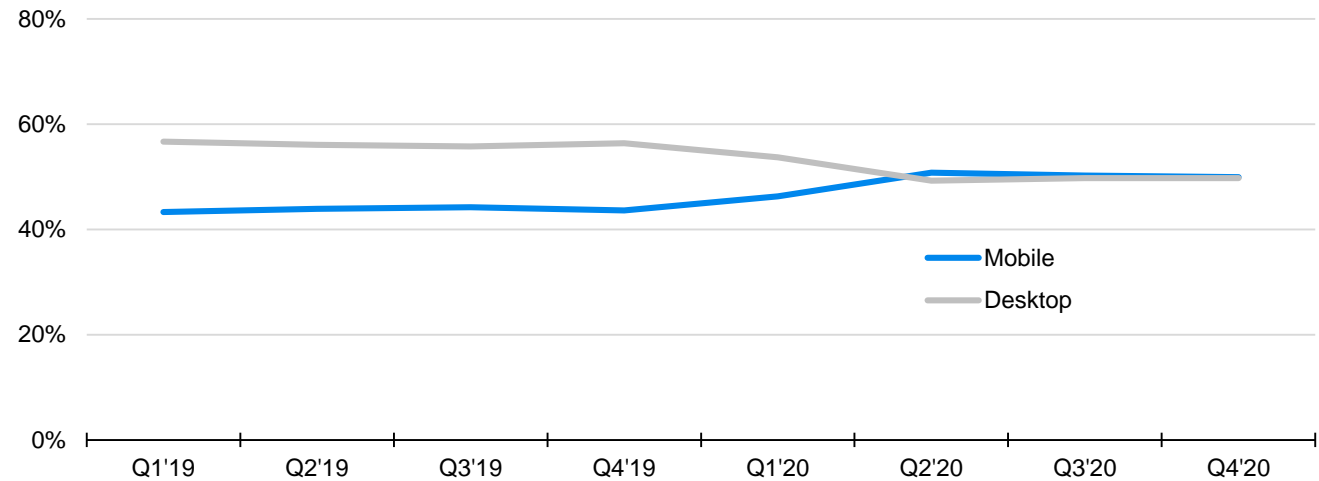
grow Canada market share

improve enterprise platform

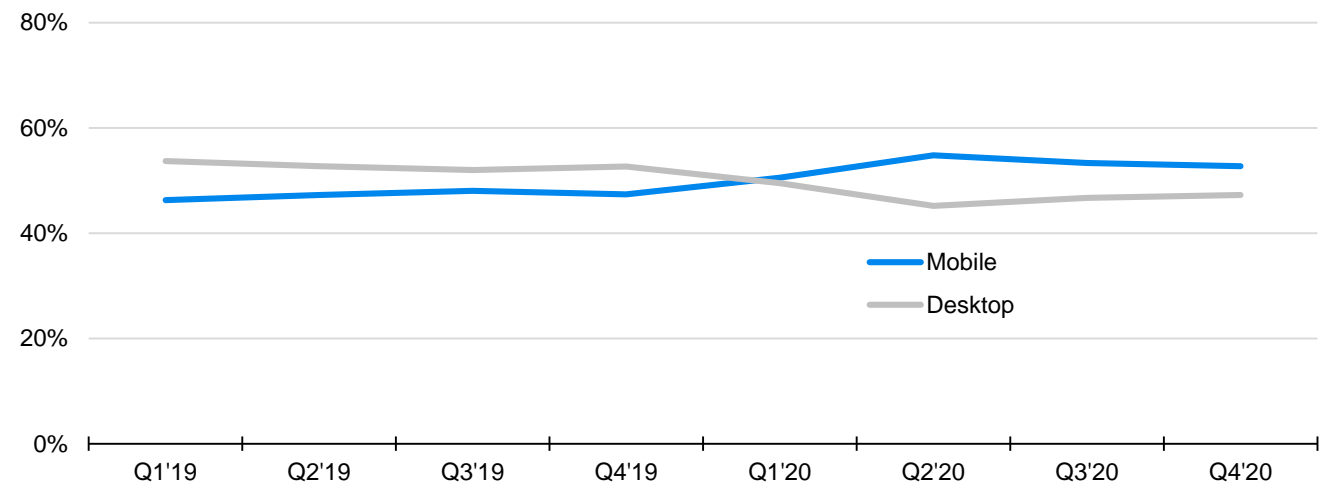
# product findability

- Customers shifting to mobile
- In Q4, mobile:
  - Purchases ~50% of total sales
  - Unique visits +84% YoY
  - Sales +100% YoY
  - Conversion +8% YoY

### Sales % by Device



### Orders Delivered % by Device

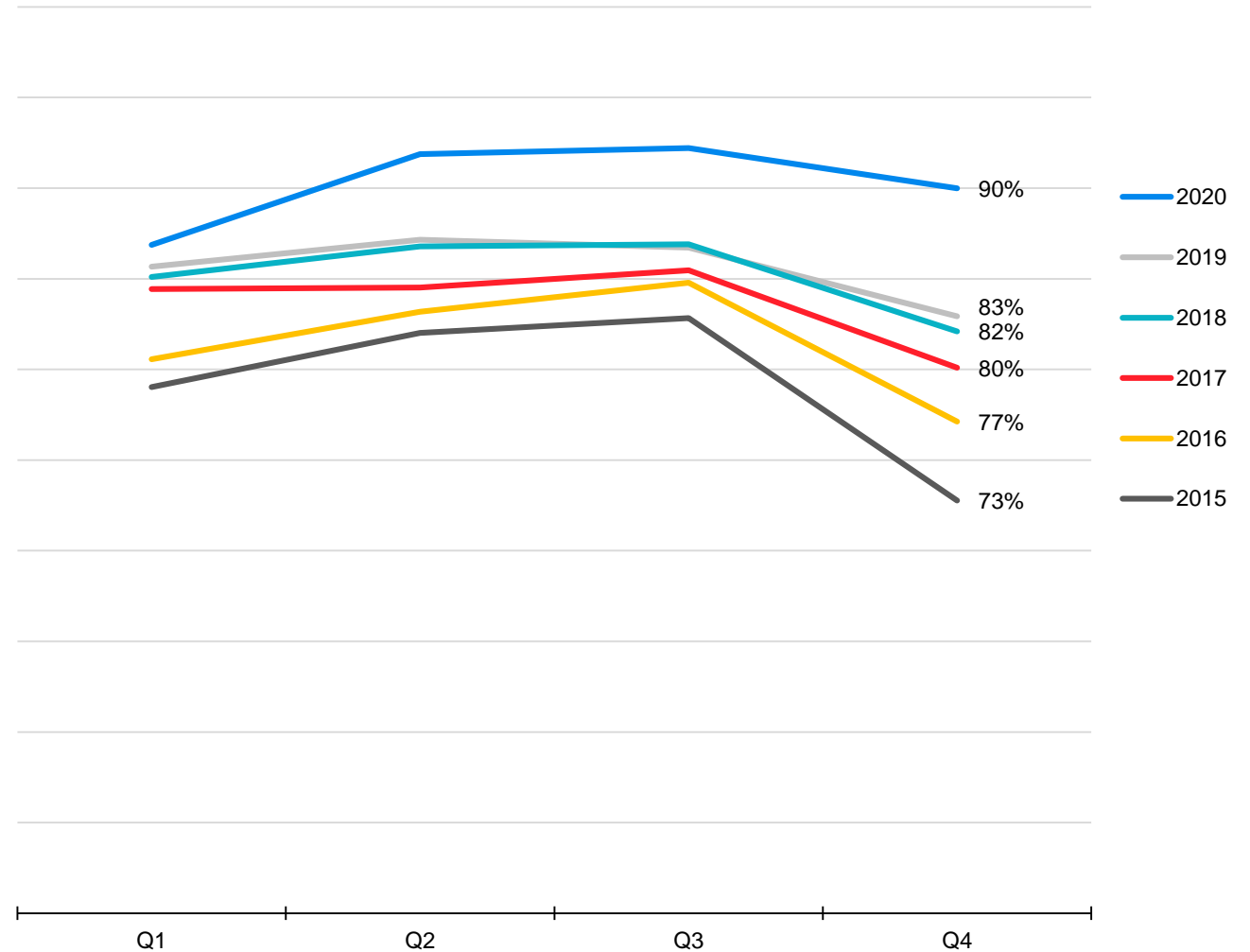


Note: Sales reflects GMS (gross merchandise sales), calculated as the amount paid by customers for products (and shipping), measured at the time of order, before coupons and discounts, without reductions for estimated returns.

## product findability

- Demand for home furnishings continues to increase
  - Home furnishings sales remained above 90% in Q4
  - Highest home furnishings Q4 mix in history
- Opportunity to increase brand association with “Home”
  - **2X higher purchase intent if shopper comes to OSTK for “Home”**
  - Emphasizing Dream Homes for All

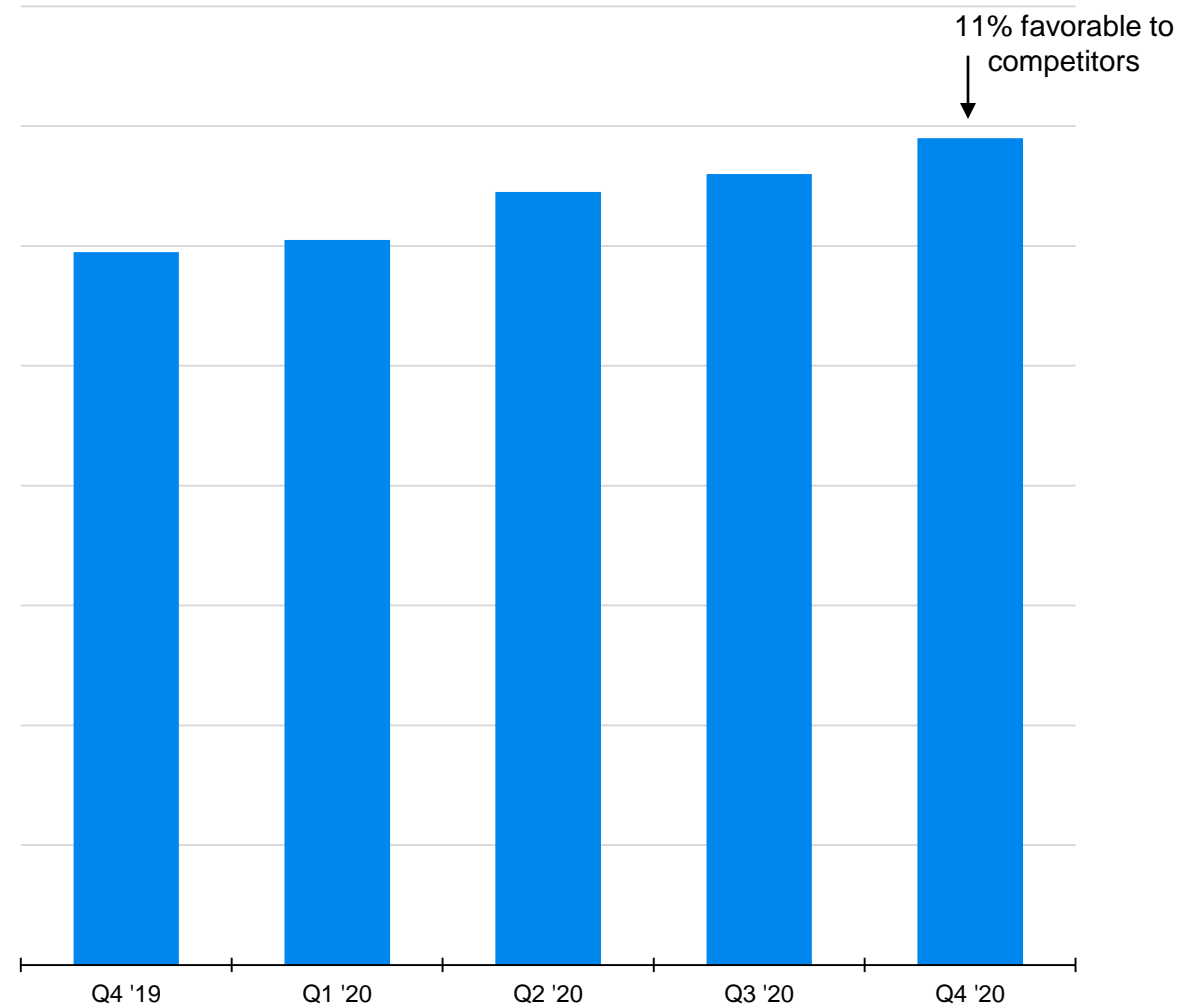
### Sales Mix of Home Furnishings



## smart value

- Free shipping is a top purchase driver and key component of Smart Value
- Launched free shipping on all items in 2020
  - Initially in response to COVID
  - Permanently in late 2020
  - Significant win for our customers

### Customer Rating of Shipping Charges

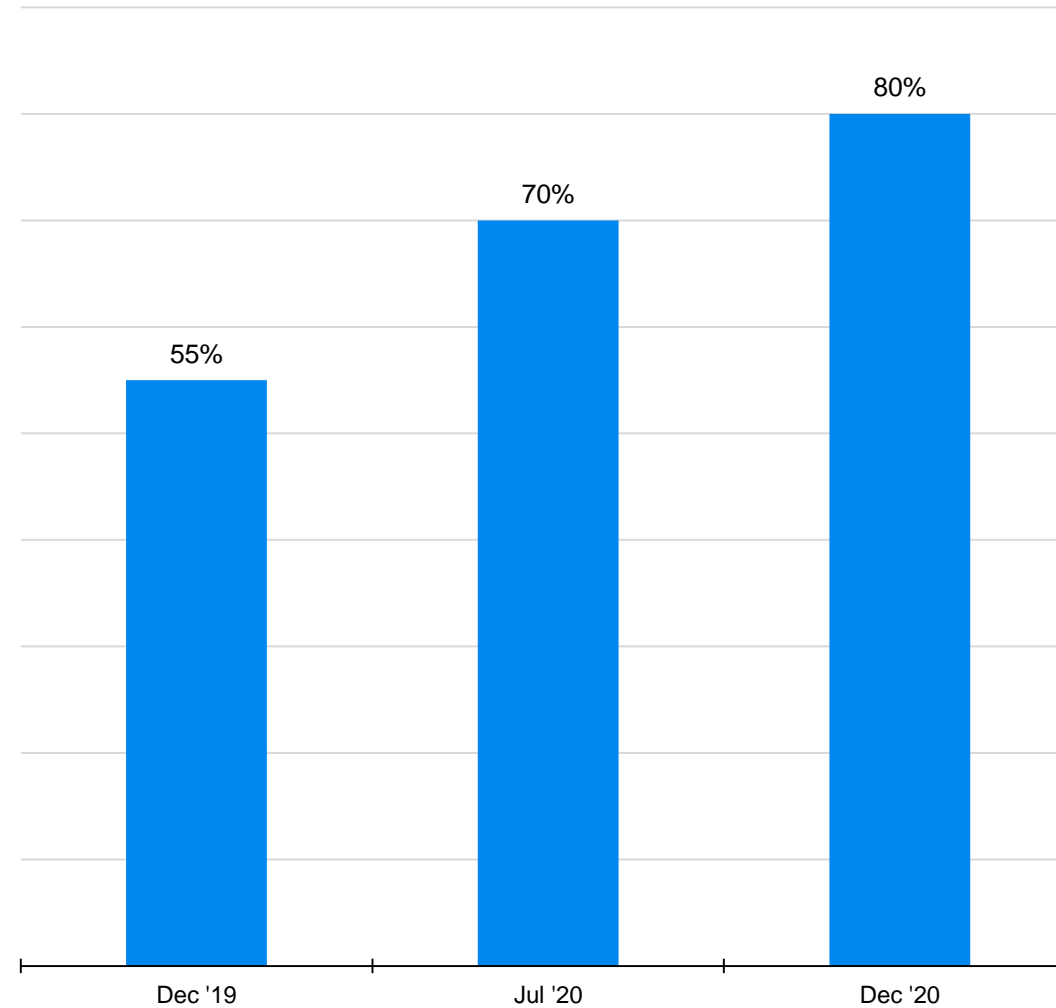




## smart value

- Savvy Shoppers expect value
  - Want to feel like they are getting “best quality for the price”
- Progress evident in continued refinement of pricing model
- Pricing is another key component of Smart Value

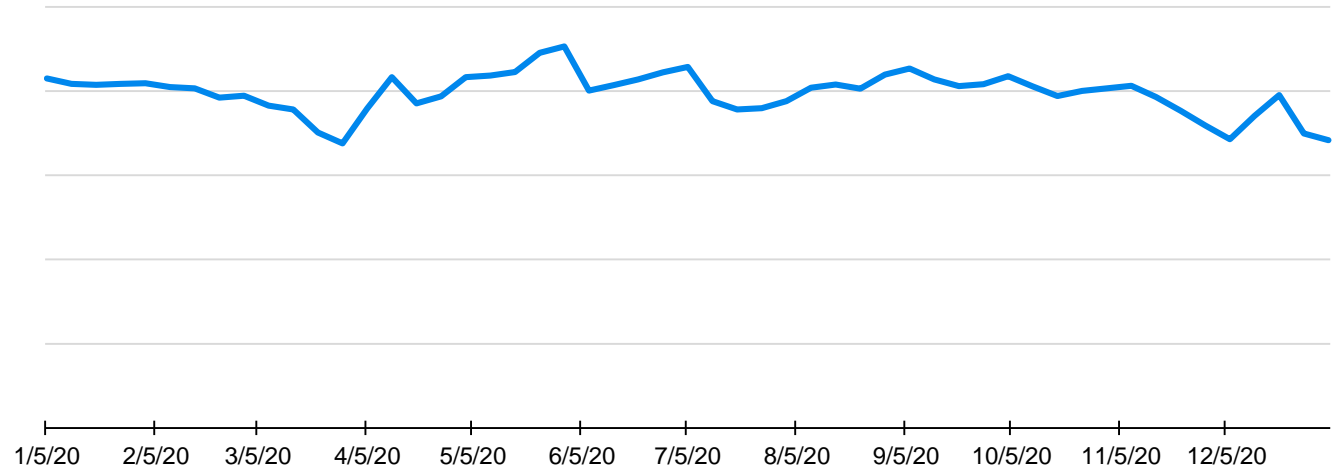
### Competitively Priced SKUs



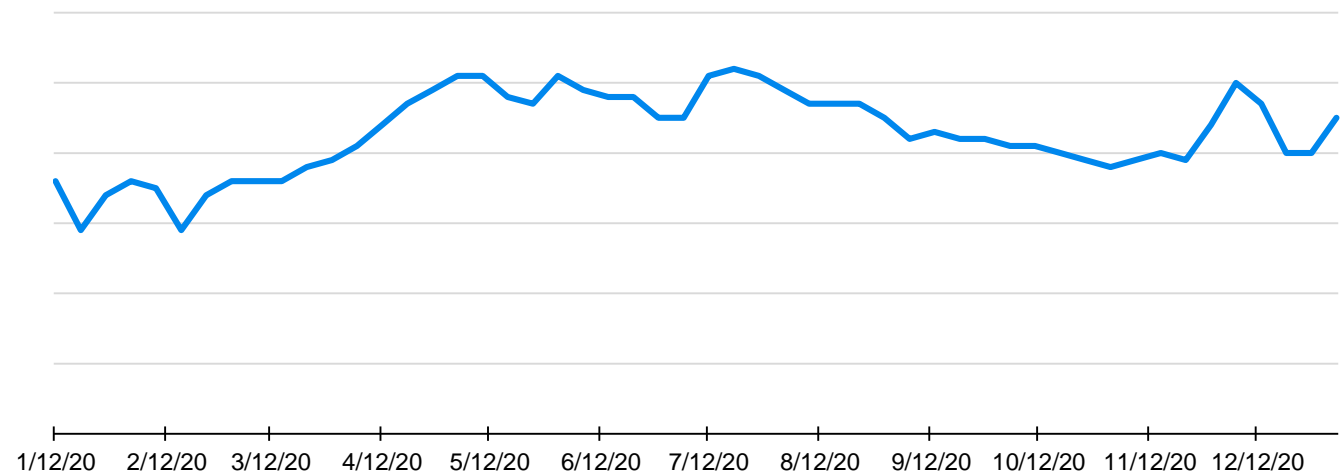
## easy delivery + support

- 'Shipageddon' was less impactful due to rigorous carrier planning in Q4
- Delivery speed and on-time accuracy key drivers of customer satisfaction

### % Orders Delivered On-Time or Early



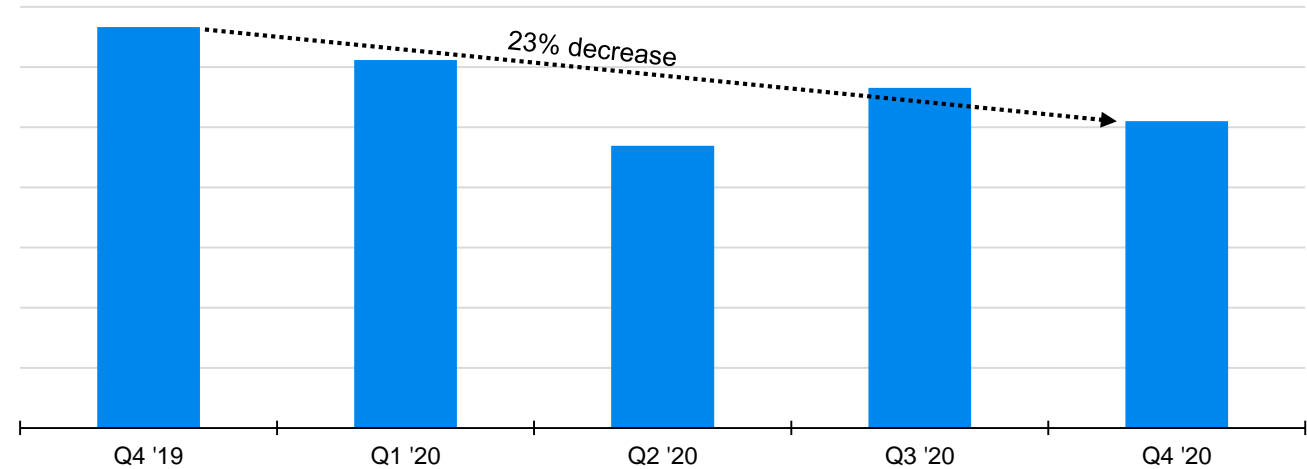
### Click to Delivery (business days)



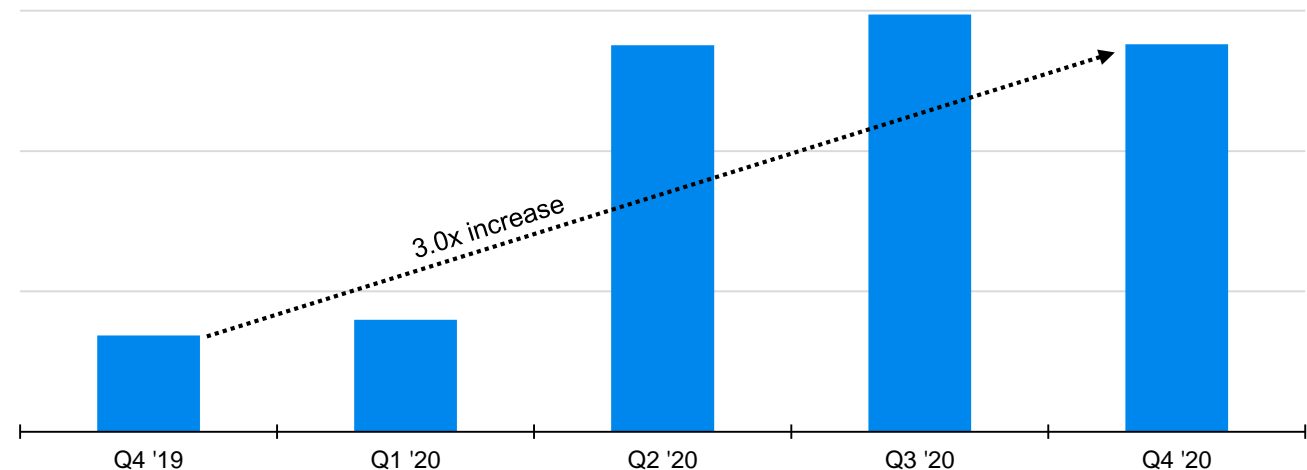
## easy delivery + support

- Contact volume as a percentage of orders decreased 23% YoY
- Automation and self-service enhancements improve customer satisfaction and reduce costs
- Continued focus on automated delivery communications

### CS Contacts as % of Orders



### Self Service Cases as % of Total



# 2021 Strategic Initiatives

- 1** Improve onsite search and taxonomy
- 2** Expand into Canada
- 3** Establish government business
- 4** Improve the enterprise platform

# Well Positioned for Market Share Growth – in 2021 and Beyond

- Revenue growth outpacing industry
  - Driven by technology, customer focus, and drop-ship model
- Maintain normalized gross profit margins
- Expenses growing slower than revenue, driving operating leverage
- Adjusted EBITDA margins in the mid-single digits
- Free cash flow positive



Driving sustainable, profitable market share growth

# Overstock & Pelion Venture Partners Transaction





# Summary of Deal Terms

<b>Deal Type</b>	Partnership between Overstock and Pelion Venture Partners
<b>General Partner</b>	A Pelion Venture Partners entity
<b>Limited Partner</b>	Overstock
<b>Partnership Term</b>	8 years
<b>Capital Commitment</b>	\$45 million (with Overstock option to increase by \$30 million)
<b>Fee Structure</b>	Annual fees of \$2.5 million, combined with success fees paid according to performance
<b>Anticipated Closing</b>	3-6 months, pending regulatory approvals
<b>Deal Rationale</b>	Maximize shareholder value through partnering with a highly experienced venture firm

# Overview of Pelion Venture Partners



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## Experienced Investors

Over 90 years of combined investment experience, currently on Fund VII

## Trusted Advisors

Reputation of being trusted and active board members

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## Proven Tech Investing Strategy

Expertise in and focus on early-stage tech investing: Seed and Series A+

## Fundraising Track Record

Utah and SoCal local advantage with strong network in the Bay and coast-to-coast reach

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## Skilled Operators

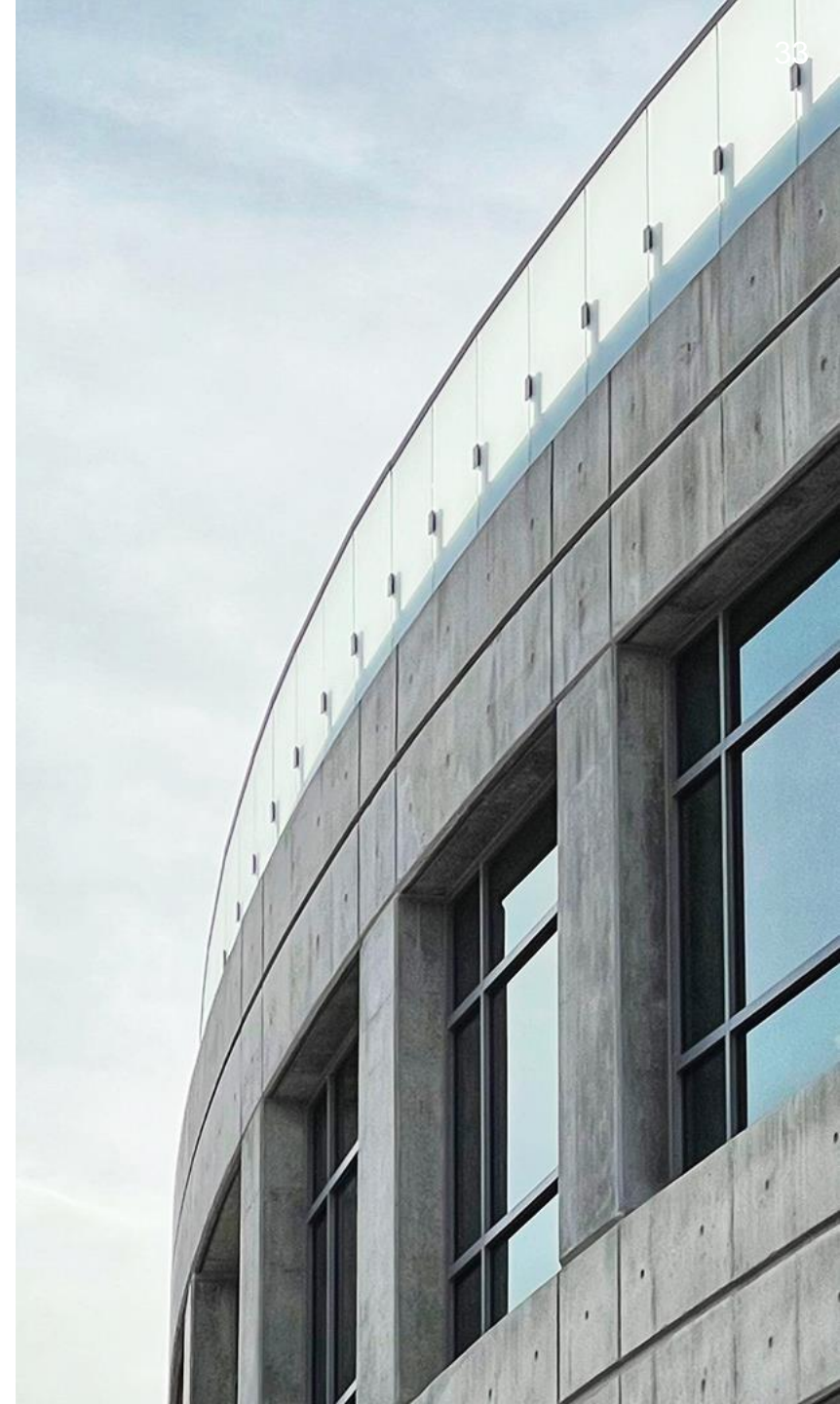
Experienced operators with deep knowledge and networks that enable growth

## Culture of Innovation

Investing in new technologies that disrupt industries

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# Summary and Q&A



# 2020 Year in Review

- Notable changes to the executive team (Chief Financial/Product/Tech Officers)
- Appointments to the board (3 independent directors)
- Execution of focused, strategic Retail initiatives
- GSA proof-of-concept pilot award
- Opportunistic equity capital raise (~\$200M)
- Strategic partnership with Pelion Venture Partners
- Record sales and profitability

# Questions?

To ask questions:

- Dial-in: (877) 673-5346  
Conference ID: 9437865
- Email: [ir@overstock.com](mailto:ir@overstock.com)



# Appendix



# Adjusted EBITDA Reconciliation

	Three months ended				
	Dec-2019	Mar-2020	Jun-2020	Sep-2020	Dec-2020
<b>Net loss</b>	\$ (29,660)	\$ (19,565)	\$ 34,381	\$ 21,226	\$ 10,129
Depreciation and amortization	7,998	7,569	7,548	7,592	8,107
Stock-based compensation	4,606	3,268	2,465	2,623	4,574
Interest income, net	(262)	(72)	(26)	177	159
Other (income) expense, net	(1,547)	(6,683)	4,171	7,526	(186)
Provision (benefit) for income taxes	(94)	176	517	620	(324)
Special items (see table below)	-	(1,103)	(7,272)	288	433
<b>Adjusted EBITDA</b>	<b>\$ (18,959)</b>	<b>\$ (16,410)</b>	<b>\$ 41,784</b>	<b>\$ 40,052</b>	<b>\$ 22,892</b>
<b>Segment Adjusted EBITDA</b>					
Retail	\$ (2,194)	\$ (1,865)	\$ 53,011	\$ 50,249	\$ 34,247
tZERO	(10,628)	(8,250)	(7,052)	(5,675)	(5,800)
MVI	(2,695)	(2,498)	(2,085)	(2,470)	(2,653)
Other	(3,442)	(3,797)	(2,090)	(2,052)	(2,902)
<b>Adjusted EBITDA</b>	<b>\$ (18,959)</b>	<b>\$ (16,410)</b>	<b>\$ 41,784</b>	<b>\$ 40,052</b>	<b>\$ 22,892</b>
<b>Special items:</b>					
Special legal charges <sup>1</sup>	\$ -	\$ (2,501)	\$ (7,272)	\$ -	\$ 433
Severance	-	1,398	-	288	\$ -
Impairments on intangible assets	-	-	-	-	-
<b>Total Special items</b>	<b>\$ -</b>	<b>\$ (1,103)</b>	<b>\$ (7,272)</b>	<b>\$ 288</b>	<b>\$ 433</b>

<sup>1</sup> Special legal charges include amounts associated with the resolution for and adjustments to various legal contingencies and legal fees associated with pursuing our strategic alternatives.

Adjusted EBITDA is a non-GAAP financial measure used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Review our financial statements and publicly-filed reports in their entirety and do not rely on any single financial measure.