

Rent the Runway, Inc. Announces Fiscal Third Quarter Results

- Active Subscribers up 78% year-over-year, at 87% of pre-COVID active subscriber count**
- Revenue grew 66% year-over-year and 26% quarter-over-quarter**
- Gross Profit margin of 34%, up significantly from 7% in Q3 2020**
- Majority of rental product acquisition continues through capital-light strategies**
- Paid down approximately one-third of pre-IPO debt balance**

New York (Dec. 8, 2021) - Rent the Runway, Inc. ("Rent the Runway") (NASDAQ: RENT), the world's first and largest shared designer closet platform, today reported financial results for the fiscal third quarter ended October 31, 2021.

"We are excited to share our strong third quarter 2021 results and report for the first time as a public company," said Jennifer Hyman, CEO and Co-Founder of Rent the Runway. "We delivered significant growth across subscribers and revenue and improved our gross margins. As a leader in clothing subscription and rental with a differentiated operating platform and deep competitive advantages, we believe these metrics are clear indicators of our ongoing business re-acceleration. We are incredibly energized about the opportunity for our Closet in the Cloud and are focused on execution, growing our subscriber base and capitalizing on the major secular trends in our favor including access over ownership, the sustainability of the secondhand economy and financial value."

Fiscal Third Quarter 2021 Key Metrics and Financial Highlights

- 116,833 ending Active Subscribers (excluding paused subscribers), representing an increase of 78% year-over-year from 65,545 at the end of the third quarter of 2020, and representing 87% of Active Subscribers at the end of fiscal year 2019.
- 150,075 ending total subscribers, representing an increase of 45% year-over-year from 103,708 at the end of the third quarter of 2020.
- Revenue was \$59.0 million, a 66% increase year-over-year from \$35.5 million in the third quarter of 2020.
- Gross Profit was \$19.9 million which increased from \$2.4 million in the third quarter of 2020. Gross margin was 33.7% in the third quarter of 2021, as compared to 6.8% in the third quarter of 2020.
- Net Loss was \$(87.8) million, as compared to \$(44.3) million in the third quarter of 2020. Net Loss as a percentage of revenue was (148.8)%, as compared to (124.8)% in the third quarter of 2020. Net Loss included a non-recurring \$(17.4) million non-cash loss on the revaluation of warrants that were exercised or reclassified at IPO, as well as a \$(12.2) million non-recurring, primarily non-cash loss on the extinguishment of debt paid down concurrently with the IPO. It also included a \$(14.4) million one-time, non-cash charge associated with the satisfaction of the liquidity based vesting conditions for certain RSUs upon the effectiveness of our IPO.
- Adjusted EBITDA was \$(5.6) million, as compared to \$(5.4) million in the third quarter of 2020. Adjusted EBITDA margin was (9.5)%, as compared to (15.2)% in the third quarter of 2020.

- Net cash used in operating activities plus net cash used in investing activities was \$(32.9) million for the nine months ended October 31, 2021, as compared to \$(87.2) million for the nine months ended October 31, 2020.
- Net cash used in operating activities plus net cash used in investing activities as a percentage of revenue was (23.6)% for the nine months ended October 31, 2021, as compared to (70.3)% for the nine months ended October 31, 2020.
- As of October 31, 2021, cash and cash equivalents were \$278.7 million, after paydown of \$140.7 million of debt and accrued interest (approximately one-third of the company's pre-IPO debt balance) with a portion of the IPO proceeds.

Fiscal Third Quarter Business Highlights

- Strong subscriber engagement: 24% of subscribers added one or more paid additional items into their subscription program.
- All major U.S. metros back to approximately 90% of pre-COVID subscriber count except New York, Washington, D.C., and San Francisco; Markets in South Atlantic, South and Mountain regions significantly higher than pre-COVID.
- Continued to diversify geographic distribution of subscriber base with subscribers outside Top 20 markets now comprising 29% of base, up from 23% in fiscal year 2019, with subscriber use cases at 50% casual occasions, up from 32% in fiscal year 2019.
- Onboarded 30 new brands including Altuzarra, LaQuan Smith, Rachel Antonoff and Rotate.
- Launched fit algorithm enhancement, driving meaningful improvement in fit rate, which increases customer loyalty.
- Conducted a brand awareness campaign that drove a more than 10% lift in traffic during the campaign.
- Launched at-home pickup in five major metros resulting in lower shipping costs and an easier way for customers to return orders; over one-third of customers in initial markets have adopted the offering.
- Majority of rental product acquisition continues through capital-efficient channels, Exclusive Designs and Share by RTR.

Financial Outlook

For the fiscal fourth quarter 2021, Rent the Runway expects:

- Ending Active Subscribers of 121K to 122K
- Revenue in the range of \$62.8 million to \$63.3 million
- Adjusted EBITDA margin of (8)%

For the full fiscal year 2021, Rent the Runway expects:

- Ending Active Subscribers of 121K to 122K
- Revenue in the range of \$202.0 million to \$202.5 million
- Adjusted EBITDA margin of (9)%

Earnings Presentation, Conference Call and Webcast

The Q3 2021 Earnings Presentation is now accessible through the Investor Relations section of Rent the Runway's website at <https://investors.renttherunway.com/> under the "Presentations" section.

Rent the Runway will host a conference call and webcast to discuss its third quarter 2021 financial results and provide a business update today at 5:00 pm EST.

The financial results and live webcast will be accessible through the Investor Relations section of Rent the Runway's website at <https://investors.renttherunway.com/> under the "Events" section. To access the call through a conference line, dial 1-877-407-3982 (in the U.S.) or 1-201-493-6780 (international callers).

A replay of the conference call will be posted shortly after the call and will be available for at least fourteen days. To access the replay, dial 1-844-512-2921 (in the U.S.) or 1-412-317-6671 (international callers). The access code for the replay is 13724983.

About Rent the Runway, Inc.

Founded in 2009, Rent the Runway is disrupting the trillion-dollar fashion industry and changing the way women get dressed through the Closet in the Cloud, the world's first and largest shared designer closet. RTR's mission has remained the same since its founding: powering women to feel their best every day. Through RTR, customers can subscribe, rent items a-la-carte and shop resale from over 780 designer brands. The Closet in the Cloud offers a wide assortment of millions of items for every occasion, from evening wear and accessories to ready-to-wear, workwear, denim, casual, maternity, outerwear, blouses, knitwear, loungewear, jewelry, handbags, activewear, ski wear, home goods and kidswear. RTR has built a two-sided discovery engine, which connects deeply engaged customers and differentiated brand partners on a powerful platform built around its brand, data, logistics and technology. Under CEO and Co-Founder Jennifer Hyman's leadership, RTR has been named to CNBC's "Disruptor 50" five times in ten years, and has been placed on Fast Company's Most Innovative Companies list four times, while Hyman herself has been named to the "TIME 100: Most Influential People in the World" and as one of People Magazine's "Women Changing the World."

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements. These statements include, but are not limited to, statements regarding our future results of operations, financial position, and revenue, business objectives, subscriber trends and impacts from the COVID-19 pandemic, plans to expand into new products and offerings, and total addressable market. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "toward," "will," or "would," or the negative of these words or other similar

terms or expressions. You should not put undue reliance on any forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved, if at all.

Forward-looking statements are based on information available at the time those statements are made and were based on current expectations, estimates, forecasts, and projections as well as the beliefs and assumptions of management as of that time with respect to future events. These statements are subject to risks and uncertainties, many of which involve factors or circumstances that are beyond our control, that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this press release may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. These risks and uncertainties include our ability to manage our growth effectively; risks related to the COVID-19 pandemic; the highly competitive and rapidly changing nature of the global fashion industry; our ability to cost-effectively grow our customer base; any failure to retain customers; our ability to accurately forecast customer demand, manage our offerings effectively and plan for future expenses; risks related to shipping, logistics and our supply chain; our reliance on the effective operation of proprietary technology systems and software as well as those of third-party vendors and service providers; our ability to remediate our material weaknesses in our internal control over financial reporting; laws and regulations applicable to our business; failure to adequately maintain and protect our intellectual property and proprietary rights; compliance with data privacy, data security, data protection and consumer protection laws and industry standards; risks associated with our brand partners; reliance on third parties for elements of the payment processing infrastructure underlying our business; dependence on online sources to attract consumers and promote our business which may be affected by third-party interference or cause our customer acquisition costs to rise; failure by us, our brand partners, or third party manufacturers to comply with our vendor code of conduct or other laws; and risks related to our Class A capital stock and ownership structure. Additional information regarding these and other risks and uncertainties that could cause actual results to differ materially from the Company's expectations is included in our final prospectus dated October 26, 2021. Except as required by law, we do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments, or otherwise.

Key Business and Financial Metrics

Active Subscribers is defined as the number of subscribers with an active membership as of the last day of any given period and excludes paused subscribers.

Gross Profit is defined as total revenue less fulfillment expense, revenue share and rental product depreciation. We depreciate owned apparel assets over three years and owned accessory assets over two years net of 20% and 30% salvage values, respectively, and recognize the depreciation and remaining cost of items when sold or retired on our statement of operations. Rental product depreciation expense is time-based and reflects all items we own. We use Gross Profit and Gross Profit as a percentage of revenue, or Gross Margin to measure the continued efficiency of our business after the total cost of our products are included.

Non-GAAP Financial Measures

This press release and the accompanying tables contain the non-GAAP financial measures of Adjusted EBITDA and Adjusted EBITDA margin. In addition to our results determined in accordance with GAAP, we believe that Adjusted EBITDA and Adjusted EBITDA margin are useful in evaluating our performance. Adjusted EBITDA is a key performance measure used by management to assess our operating performance and the operating leverage of our business prior to capital expenditures. These non-GAAP financial metrics are not meant to be considered as an indicator of our financial performance in isolation from or as a substitute for our financial information prepared in accordance with GAAP and should be read only in conjunction with financial information presented on a GAAP basis. There are limitations to the use of the non-GAAP financial metrics presented in this press release. For example, our non-GAAP financial metrics may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial metrics differently than we do, limiting the usefulness of those measures for comparative purposes.

We define Adjusted EBITDA as net loss, adjusted to exclude interest expense, rental product depreciation, other depreciation and amortization, stock-based compensation expense, write-off of liquidated assets, certain non-recurring, one-time, costs (see below footnotes to reconciliation table), income taxes, other income and expense, and other gains / losses. Adjusted EBITDA margin is defined as Adjusted EBITDA calculated as a percentage of revenue.

Reconciliations of the non-GAAP financial metric to its most directly comparable GAAP financial measure are presented below. We encourage you to review the reconciliations in conjunction with the presentation of the non-GAAP financial metrics for each of the periods presented. In future periods, we may exclude similar items, may incur income and expenses similar to these excluded items, and may include other expenses, costs and non-recurring items. With respect to our expectations under "Financial Outlook" above, reconciliation of Adjusted EBITDA and Adjusted EBITDA margin guidance to the closest corresponding GAAP measure is not available without unreasonable efforts on a forward-looking basis due to the high variability, complexity, and low visibility with respect to the charges excluded from these non-GAAP measures, in particular, stock-based compensation expense and non-recurring expenses which can have unpredictable fluctuations based on unforeseen activity that is out of our control and/or cannot reasonably be predicted.

Investor Contact

investors@renttherunway.com

Media Contact

Alison Rappaport

press@renttherunway.com

Rent the Runway, Inc.
Condensed Consolidated Balance Sheets
(in millions)
(unaudited)

	October 31,	January 31,
	2021	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 278.7	\$ 95.3
Restricted cash, current	5.6	3.4
Prepaid expenses and other current assets	5.4	4.7
Total current assets	289.7	103.4
Restricted cash	7.7	10.5
Rental product, net	79.9	97.6
Fixed assets, net	57.5	64.7
Intangible assets, net	6.8	7.8
Operating lease right-of-use assets	32.4	34.9
Other assets	4.4	1.8
Total assets	\$ 478.4	\$ 320.7
Liabilities, Redeemable Preferred Stock and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 22.0	\$ 7.2
Accrued expenses and other current liabilities	23.7	14.1
Deferred revenue	11.0	5.6
Customer credit liabilities	6.7	7.0
Operating lease liabilities	6.0	6.7
Total current liabilities	69.4	40.6
Long-term debt, net	256.4	355.1
Operating lease liabilities	47.3	51.5
Warrant liability	—	11.8
Other liabilities	0.4	0.3
Total liabilities	373.5	459.3
Redeemable preferred stock	—	388.1
Stockholders' equity		
Common stock	—	—
Class A common stock	0.1	—
Class B common stock	—	—
Preferred stock	—	—
Additional paid-in capital	866.7	62.7
Accumulated deficit	(761.9)	(589.4)
Total stockholders' equity (deficit)	104.9	(526.7)
Total liabilities, redeemable preferred stock and stockholders' equity (deficit)	\$ 478.4	\$ 320.7

Rent the Runway, Inc.
Condensed Consolidated Statements of Operations
(in millions, except share and per share amounts)
(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2021	2020	2021	2020
Revenue:				
Subscription and Reserve rental revenue	\$ 54.3	\$ 30.5	\$ 127.0	\$ 106.8
Other revenue	4.7	5.0	12.2	17.2
Total revenue, net	\$ 59.0	\$ 35.5	\$ 139.2	\$ 124.0
Costs and expenses:				
Fulfillment	19.2	11.0	41.5	43.8
Technology	12.8	9.4	33.0	28.0
Marketing	10.8	1.4	18.2	6.5
General and administrative	35.8	17.9	76.4	59.9
Rental product depreciation and revenue share	19.9	22.1	51.5	69.1
Other depreciation and amortization	4.7	5.7	14.6	17.4
Total costs and expenses	\$ 103.2	\$ 67.5	\$ 235.2	\$ 224.7
Operating loss	(44.2)	(32.0)	(96.0)	(100.7)
Interest income / (expense), net	(14.3)	(11.8)	(43.7)	(32.2)
Gain / (loss) on warrant liability revaluation,	(17.4)	—	(24.9)	—
Gain / (loss) on debt extinguishment, net	(12.2)	(0.6)	(12.2)	(0.6)
Other income / (expense), net	—	0.1	3.9	1.2
Net loss before benefit from income taxes	\$ (88.1)	\$ (44.3)	\$ (172.9)	\$ (132.3)
Income tax benefit / (expense)	0.3	—	0.4	—
Net loss	\$ (87.8)	\$ (44.3)	\$ (172.5)	\$ (132.3)
Net loss per share attributable to common stockholders, basic and diluted	\$ (6.72)	\$ (3.98)	\$ (14.35)	\$ (11.89)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	13,063,034	11,115,005	12,018,879	11,130,102

Rent the Runway, Inc.
Condensed Consolidated Statements of Cash Flow
(in millions)
(unaudited)

	Nine Months Ended October 31,	
	2021	2020
OPERATING ACTIVITIES		
Net loss	\$ (172.5)	\$ (132.3)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Rental product depreciation and write-offs	33.9	43.0
Write-off of rental product sold	3.7	11.8
Other depreciation and amortization	14.6	18.0
Proceeds from rental product sold	(9.0)	(14.4)
(Gain) / loss from liquidation of rental product	(0.8)	0.6
Accrual of paid-in-kind interest	35.4	25.7
Settlement of paid-in-kind interest	(6.3)	—
Amortization of debt discount	4.9	3.0
Loss on debt extinguishment	12.2	0.6
Share-based compensation expense	21.4	6.3
Remeasurement of warrant liability	24.9	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(0.7)	(0.8)
Operating lease right-of-use assets	2.5	(2.1)
Other assets	(2.6)	1.6
Accounts payable, accrued expenses and other current liabilities	13.9	0.3
Deferred revenue and customer credit liabilities	5.1	(6.3)
Operating lease liabilities	(4.9)	11.5
Other liabilities	0.8	(0.4)
Net cash (used in) provided by operating activities	(23.5)	(33.9)
INVESTING ACTIVITIES		
Purchases of rental product	(17.0)	(48.7)
Proceeds from liquidation of rental product	4.8	0.9
Proceeds from sale of rental product	9.0	14.4
Purchases of fixed and intangible assets	(6.2)	(19.9)
Net cash (used in) provided by investing activities	(9.4)	(53.3)
FINANCING ACTIVITIES		
Proceeds from the issuance of common stock upon IPO, net of offering costs	331.5	—
Proceeds from issuance of redeemable preferred stock	21.2	60.4
Proceeds from exercise of stock options under stock incentive plan	3.1	0.4
Proceeds from line of credit	—	15.0
Principal repayments on line of credit	—	(59.0)
Proceeds from long-term debt	—	155.0
Principal repayments on long-term debt	(135.0)	—
Deferred financing costs paid	(0.2)	(3.4)
Debt extinguishment costs	(4.7)	—
Principal payments on financing lease obligations	(0.2)	(0.1)
Net cash (used in) provided by financing activities	215.7	168.3
Net increase in cash and cash equivalents and restricted cash	182.8	81.1
Cash and cash equivalents and restricted cash at beginning of period	109.2	41.9
Cash and cash equivalents and restricted cash at end of period	\$ 292.0	\$ 123.0
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONDENSED CONSOLIDATED BALANCE SHEETS		
Cash and cash equivalents	\$ 278.7	\$ 109.0
Restricted cash, current	5.6	3.5
Restricted cash, noncurrent	7.7	10.5
Total cash and cash equivalents and restricted cash	\$ 292.0	\$ 123.0

Rent the Runway, Inc.
Supplemental Cash Flow Information
(in millions)
(unaudited)

	Nine Months Ended October 31,	
	2021	2020
Cash payments (receipts) for:		
Fixed operating leases payments (reimbursements), net	\$ 12.0	\$ (0.7)
Fixed assets received in the prior period	0.5	2.1
Rental product received in the prior period	3.6	3.7
Non-cash financing and investing activities:		
Financing leases right-of-use asset amortization	\$ 0.2	\$ 0.1
ROU assets obtained in exchange for lease liabilities	0.7	—
Adjustments to ROU assets or lease liabilities due to modification or other reassessment events	0.1	5.2
Purchases of fixed assets not yet settled	0.7	0.5
Purchases of rental product not yet settled	10.4	6.8
IPO offering costs not yet settled	4.4	—

Rent the Runway, Inc.
Reconciliation of GAAP to Non-GAAP Financial Measures
(in millions)
(unaudited)

The following table presents a reconciliation of net loss, the most comparable GAAP financial measure, to Adjusted EBITDA for the periods presented:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2021	2020	2021	2020
	(in millions)			
Net loss	\$ (87.8)	\$ (44.3)	\$ (172.5)	\$ (132.3)
Interest (income) / expense, net ⁽¹⁾	14.3	11.8	43.7	32.2
Rental product depreciation	13.7	16.8	37.6	54.8
Other depreciation and amortization ⁽²⁾	4.7	5.7	14.6	17.4
Stock compensation ⁽³⁾	17.1	2.5	21.4	6.3
Write-off of liquidated assets ⁽⁴⁾	1.2	0.7	4.0	1.6
Non-recurring adjustments ⁽⁵⁾	1.8	0.7	4.6	3.9
Benefit from income taxes	(0.3)	—	(0.4)	—
(Gain) / loss on warrant liability revaluation, net ⁽⁶⁾	17.4	—	24.9	—
(Gain) / loss on debt extinguishment, net ⁽⁷⁾	12.2	0.6	12.2	0.6
Other (income) / expense, net ⁽⁸⁾	—	(0.1)	(3.9)	(1.2)
Other (gains) / losses ⁽⁹⁾	0.1	0.2	0.1	0.7
Adjusted EBITDA	\$ (5.6)	\$ (5.4)	\$ (13.7)	\$ (16.0)
Adjusted EBITDA Margin ⁽¹⁰⁾	(9.5)%	(15.2)%	(9.8)%	(12.9)%

⁽¹⁾ Includes debt discount amortization of \$1.0 million in the three months ended October 31, 2021 and \$1.0 million in the three months ended October 31, 2020 and \$4.9 million in the nine months ended October 31, 2021 and \$3.0 million in the nine months ended October 31, 2020.

⁽²⁾ Includes non-rental product depreciation and capitalized software amortization.

⁽³⁾ Reflects the non-cash expense for stock-based compensation. The three and nine months ended October 31, 2021 includes \$14.4 million related to the one-time satisfaction of the liquidity based vesting conditions for certain RSUs previously outstanding and certain RSUs which were granted upon the effectiveness of our IPO in October 2021.

⁽⁴⁾ Reflects the write-off of the remaining book value of liquidated products that had previously been held for sale.

⁽⁵⁾ Non-recurring adjustments for the three months ended October 31, 2021 includes \$1.8 million of costs related to public readiness preparation costs and for the three months ended October 31, 2020 includes \$0.5 million of shipping carrier transition costs and \$0.2 million of COVID related matters. Non-recurring adjustments for the nine months ended October 31, 2021 includes \$4.5 million of public readiness preparation costs and for the nine months ended October 31, 2020 includes \$3.2 million of costs related to COVID-19 related matters including severance, furlough benefits, one-time bonuses, and related legal fees and \$0.5 million of shipping carrier transition costs.

⁽⁶⁾ Includes the expense associated with revaluing liability classified prior lender warrants to the respective fair value at period end, or prior to conversion. As of October 31, 2021 all outstanding warrants are equity classified and therefore do not require remeasurement going forward.

⁽⁷⁾ Includes debt extinguishment costs related to debt paydown in the periods presented.

⁽⁸⁾ Primarily \$4.0 million of insurance claim proceeds for the nine months ended October 31, 2021 and \$1.3 million of proceeds from monetizing tax credits for the nine months ended October 31, 2020.

⁽⁹⁾ Includes costs associated with the write-off of asset disposals, operating lease termination and foreign exchange.

⁽¹⁰⁾ Adjusted EBITDA Margin calculated as Adjusted EBITDA as a percentage of revenue.