



1stDibs Reports Fourth Quarter and Full Year 2023 Financial Results

February 28, 2024

NEW YORK, Feb. 28, 2024 (GLOBE NEWSWIRE) -- 1stdibs.com, Inc. (NASDAQ: DIBS), a leading online marketplace for luxury design products ("1stDibs" or the "Company"), today reported financial results for its fourth quarter and year ended December 31, 2023.

Fourth Quarter 2023 Financial Highlights

- Net revenue was \$20.9 million, a decrease of 9% year-over-year.
- Gross profit was \$15.0 million, a decrease of 8% year-over-year.
- Gross margin was 71.5%, compared to 70.5% in the fourth quarter 2022.
- GAAP net loss was \$2.9 million compared to a net loss of \$6.9 million in the fourth quarter 2022.
- Non-GAAP Adjusted EBITDA and Adjusted EBITDA Margin was \$(1.7) million and (8.1)%, respectively, compared to \$(4.5) million and (19.5)%, respectively, in the fourth quarter 2022.
- Cash, cash equivalents and short-term investments totaled \$139.3 million as of December 31, 2023.

Full Year 2023 Financial Highlights

- Net revenue was \$84.7 million, a decrease of 13% year-over-year.
- Gross profit was \$59.6 million, a decrease of 11% year-over-year.
- Gross margin was 70.3%, compared to 69.4% in the year ended December 31, 2022.
- GAAP net loss was \$22.7 million, compared to \$22.5 million in the year ended December 31, 2022.
- Non-GAAP Adjusted EBITDA and Adjusted EBITDA Margin was \$(13.3) million and (15.8)%, respectively, compared to \$(20.7) million and (21.3)%, respectively, in the year ended December 31, 2022.

"Throughout 2023, we laid the groundwork for future success," said David Rosenblatt, 1stDibs Chief Executive Officer. "Over the past year we have reduced our cost structure, accelerated the path to profitability, focused our roadmap on the highest-ROI projects and begun returning capital to shareholders. Our efforts are producing tangible results, including a return to conversion growth."

Tom Etergino, Chief Financial Officer of 1stDibs, said, "The benefits of the actions we have taken to streamline our business and re-engineer our cost structure over the past two years are on display this quarter, with operating expenses down 19% and adjusted EBITDA margins improved meaningfully. We have made significant strides toward bettering our financial health, positioning ourselves for sustainable growth and driving operating leverage going forward."

Other Recent Business Highlights and Fourth Quarter Key Operating Metrics

- In November 2023, we entered into a lease agreement, as the lessee, for approximately 13,000 square feet for our new corporate headquarters in New York City, which commenced during the first quarter of 2024, with a five-year term and an initial seven-month rent abatement period.
- GMV was \$86.4 million, a decrease of 17% year-over-year.
- Number of Orders was approximately 34K, a decrease of 11% year-over-year.
- Active Buyers was approximately 61K, a decrease of 10% year-over-year.

Financial Guidance and Outlook

The Company's first quarter 2024 guidance is below.

GMV
Net revenue
Adjusted EBITDA margin (non-GAAP)

Q1 2024 Guidance

\$83 million - \$90 million
\$20.6 million - \$21.9 million
(13%) - (8%)

Actual results may differ materially from our Financial Guidance and Outlook as a result of, among other things, the factors described under “Forward-Looking Statements” below.

A GAAP reconciliation to our non-GAAP guidance measure (adjusted EBITDA) is not available on a forward-looking basis without unreasonable effort due to the uncertainty regarding, and the potential variability of, expenses that may be incurred in the future. Stock-based compensation expense is impacted by the timing of employee stock transactions, the future fair market value of our common stock, and our future hiring and retention needs, all of which are difficult to predict and subject to change. We have provided a reconciliation of GAAP to non-GAAP financial measures in the financial statement tables for our historical non-GAAP financial results included in this press release.

Webcast Information

1stDibs will host a webcast to discuss its fourth quarter and full year 2023 financial results today at 8:00 a.m. Eastern Time. Investors and participants can access the webcast at the 1stDibs Investor Relations website (investors.1stdibs.com). A replay of the webcast will be available through the same link following the webcast, for one year thereafter.

Disclosure Information

In compliance with disclosure obligations under Regulation FD, 1stDibs announces material information to the public through a variety of means, including filings with the Securities and Exchange Commission, press releases, company blog posts, public conference calls and webcasts, as well as the investor relations website.

About 1stDibs

1stDibs is a leading online marketplace for connecting design lovers with highly coveted sellers and makers of vintage, antique, and contemporary furniture, home décor, art, jewelry, watches and fashion.

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Forward-Looking Statements

This press release contains "forward-looking statements" and "forward-looking information" within the meaning of applicable federal and state securities laws (collectively, "forward-looking statements"). All statements in this press release other than statements of historical fact may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terms such as: "accelerate," "anticipate," "believe," "can," "contemplate," "continue," "could," "demand," "estimate," "expand," "expect," "focus," "intend," "may," "might," "objective," "ongoing," "opportunity," "outlook," "plan," "potential," "predict," "progress," "project," "should," "target," "will," "would," or the negative of these terms, or other comparable terminology or similar expressions intended to identify statements about the future.

These forward-looking statements include, but are not limited to, statements regarding the following: (1) our continued efforts to lay the foundation for future growth; (2) our focus on efficiency and steps to align our expenses to current demand and the impact thereof; (3) our progress towards reaccelerating sustainable growth, reducing our cost, increasing operating leverage, and re-engineering our cost base; and (4) our future results of operations and financial position, including our financial guidance and outlook. We cannot guarantee that any forward-looking statement will be accurate. Forward-looking statements are based on current expectations of future events and if these prove to be inaccurate, actual results could vary materially from our expectations and projections. Investors are therefore cautioned not to place undue reliance on any forward-looking statements. These forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to vary materially from those discussed or implied in the forward-looking statements. These risks and uncertainties include but are not limited to the following: (1) our ability to execute our business plan and strategies to achieve our strategic initiatives; (2) our ability to achieve future growth; (3) our ability to enhance GMV growth and shareholder value; (4) our ability to effectively manage costs; (5) our ability to execute our stock repurchase program; (6) our ability to reduce operating costs and realign investment priorities following our workforce reduction; and (7) macroeconomic conditions or geopolitical events or similar risks, as well as other risks, uncertainties, and other factors discussed in our filings with the Securities and Exchange Commission (the "SEC"), including our Form 10-K for the year ended December 31, 2022 and other periodic reports and filings we make with the SEC. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this press release and we undertake no obligation to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, or otherwise, except as required by law.

Key Operating Metrics Definitions

Gross Merchandise Value

We define GMV as the total dollar value from items sold by our sellers through 1stDibs in a given month, minus cancellations within that month, and excluding shipping and sales taxes. GMV includes all sales reported to us by our sellers, whether transacted through the 1stDibs marketplace or reported as an offline sale. We view GMV as a measure of the total economic activity generated by our online marketplace, and as an indicator of the scale and growth of our online marketplace and the health of our ecosystem. Our historical performance for GMV may not be indicative of future performance in GMV.

Number of Orders

We define Number of Orders as the total number of orders placed or reported through the 1stDibs marketplace in a given month, minus cancellations within that month. Our historical performance for Number of Orders may not be indicative of future performance in Number of Orders.

Active Buyers

We define Active Buyers as buyers who have made at least one purchase through our online marketplace during the 12 months ended on the last day of the period presented, net of cancellations. A buyer is identified by a unique email address; thus an Active Buyer could have more than one account if they were to use a separate unique email address to set up each account. We believe this metric reflects scale, engagement and brand awareness, and our ability to convert user activity on our online marketplace into transactions. Our historical performance for Active Buyers may not be indicative of future performance in new Active Buyers.

1STDIBS.COM, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share amounts)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,395	\$ 153,209
Short-term investments	101,926	—
Restricted cash, current	—	1,500
Accounts receivable, net of allowance for doubtful accounts of \$188 and \$113 at December 31, 2023 and December 31, 2022, respectively	643	972
Prepaid expenses	3,032	3,506
Receivables from payment processors	2,670	2,476
Other current assets	2,214	800
Total current assets	<u>147,880</u>	<u>162,463</u>
Restricted cash, non-current	3,580	3,334
Property and equipment, net	3,384	3,685
Operating lease right-of-use assets	19,655	21,990
Goodwill	4,116	4,075
Other assets	2,200	249
Total assets	<u>\$ 180,815</u>	<u>\$ 195,796</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,580	\$ 2,905
Payables due to sellers	6,521	7,185
Accrued expenses	10,883	10,761
Operating lease liabilities, current	3,107	2,770
Other current liabilities	3,618	2,429
Total current liabilities	<u>27,709</u>	<u>26,050</u>
Operating lease liabilities, non-current	18,812	21,678
Other liabilities	6	46
Total liabilities	<u>46,527</u>	<u>47,774</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized as of December 31, 2023 and December 31, 2022; zero shares issued and outstanding as of December 31, 2023 and December 31, 2022	—	—
Common stock, \$0.01 par value; 400,000,000 shares authorized as of December 31, 2023 and December 31, 2022; 40,738,619 and 39,260,193 shares issued as of December 31, 2023 and December 31, 2022, respectively; and 39,915,136 and 39,260,193 outstanding as of December 31, 2023 and December 31, 2022, respectively	407	393
Treasury stock, at cost; 823,483 and zero shares as of December 31, 2023 and December 31, 2022, respectively	(3,496)	—
Additional paid-in capital	451,282	439,005
Accumulated deficit	(313,719)	(291,020)
Accumulated other comprehensive loss	(186)	(356)
Total stockholders' equity	<u>134,288</u>	<u>148,022</u>
Total liabilities and stockholders' equity	<u>\$ 180,815</u>	<u>\$ 195,796</u>

CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share amounts)

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Net revenue	\$ 20,922	\$ 22,957	\$ 84,684	\$ 96,849
Cost of revenue	5,967	6,762	25,111	29,670
Gross profit	14,955	16,195	59,573	67,179
Operating expenses:				
Sales and marketing	8,633	10,637	36,640	44,776
Technology development	4,445	5,726	21,644	24,437
General and administrative	6,264	6,959	28,587	27,594
Provision for transaction losses	789	1,501	3,729	5,933
Gain on sale of Design Manager	—	—	—	(9,684)
Total operating expenses	20,131	24,823	90,600	93,056
Loss from operations	(5,176)	(8,628)	(31,027)	(25,877)
Other income, net:				
Interest income	1,706	860	6,639	1,606
Interest expense	—	—	—	(11)
Other, net	543	944	1,703	1,781
Total other income, net	2,249	1,804	8,342	3,376
Net loss before income taxes	(2,927)	(6,824)	(22,685)	(22,501)
Provision for income taxes	(14)	(37)	(14)	(37)
Net loss	(2,941)	(6,861)	(22,699)	(22,538)
Net loss per share—basic and diluted	\$ (0.07)	\$ (0.18)	\$ (0.57)	\$ (0.59)
Weighted average common shares outstanding—basic and diluted	39,953,131	39,035,706	39,724,697	38,479,437

1STDIBS.COM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Year Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (22,699)	\$ (22,538)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,278	2,710
Stock-based compensation expense	12,363	11,214
Provision for transaction losses, returns and refunds	875	781
Amortization of costs to obtain revenue contracts	326	310
Amortization of operating lease right-of-use assets	2,596	2,541
Gain on sale of Design Manager	—	(9,684)
Accretion of discounts and amortization of premiums on marketable securities, net	(3,390)	—
Other, net	(318)	195
Changes in operating assets and liabilities:		
Accounts receivable	59	(497)
Prepaid expenses and other current assets	(1,469)	31
Receivables from payment processors	(194)	(323)
Other assets	(2,136)	(615)
Accounts payable and accrued expenses	578	(5,206)
Payables due to sellers	(662)	(3,041)
Operating lease liabilities	(2,790)	(2,735)
Other current liabilities and other liabilities	1,027	(1,057)
Net cash used in operating activities	(13,556)	(27,914)
Cash flows from investing activities:		
Purchases of short-term investments	(191,093)	—
Maturities of short-term investments	92,653	—
Development of internal-use software	(1,706)	(1,871)

Purchases of property and equipment	(88)	(93)
Proceeds from sale of Design Manager	—	14,611
Other, net	2	(6)
Net cash (used in) provided by investing activities	(100,232)	12,641
Cash flows from financing activities:		
Proceeds from exercise of stock options	353	2,035
Payments for repurchase of common stock	(3,374)	—
Payments for taxes related to net share settlement of stock-based compensation awards	(608)	—
Net cash (used in) provided by financing activities	(3,629)	2,035
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	349	(278)
Net decrease in cash, cash equivalents, and restricted cash	(117,068)	(13,516)
Cash, cash equivalents, and restricted cash at beginning of the period	158,043	171,559
Cash, cash equivalents, and restricted cash at end of the period	\$ 40,975	\$ 158,043

Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDA Margin

In this press release, we provide Adjusted EBITDA, a non-GAAP financial measure that represents our net loss adjusted to exclude: (1) depreciation and amortization; (2) stock-based compensation expense; (3) other income, net; (4) provision for income taxes; (5) gain on sale of business; and (6) strategic alternative expenses. We also provide Adjusted EBITDA Margin, a non-GAAP financial measure that presents Adjusted EBITDA divided by net revenue. Below is a reconciliation of net loss, the most directly comparable GAAP financial measure, to Adjusted EBITDA.

We have included Adjusted EBITDA and Adjusted EBITDA Margin, which are non-GAAP financial measures, because they are key measures used by our management team to help us to assess our operating performance and the operating leverage in our business. We also use these measures to analyze our financial results, establish budgets and operational goals for managing our business, and make strategic decisions. We believe that Adjusted EBITDA and Adjusted EBITDA Margin help identify underlying trends in our business that could otherwise be masked by the effect of the income and expenses that we exclude from Adjusted EBITDA and Adjusted EBITDA Margin. Accordingly, we believe that these metrics provide useful information to investors and others in understanding and evaluating our results of operations, enhances the overall understanding of our past performance and future prospects, and allows for greater transparency with respect to key financial metrics used by our management in their financial and operational decision-making. We also believe that the presentation of these non-GAAP financial measures provides an additional tool for investors to use in comparing our core business and results of operations over multiple periods with other companies in our industry, many of which present similar non-GAAP financial measures to investors, and to analyze our cash performance.

The non-GAAP financial measures presented may not be comparable to similarly titled measures reported by other companies due to differences in the way that these measures are calculated. The non-GAAP financial measures presented should not be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, comparable financial measures calculated in accordance with GAAP. Further, these non-GAAP financial measures have certain limitations in that they do not include the impact of certain expenses that are reflected in our condensed consolidated statements of operations. Accordingly, these non-GAAP financial measures should be considered as supplemental in nature, and are not intended, and should not be construed, as a substitute for the related financial information calculated in accordance with GAAP. These limitations of Adjusted EBITDA and Adjusted EBITDA Margin include the following:

- The exclusion of certain recurring, non-cash charges, such as depreciation of property and equipment and amortization of intangible assets. While these are non-cash charges, we may need to replace the assets being depreciated and amortized in the future and Adjusted EBITDA does not reflect cash requirements for these replacements or new capital expenditure requirements;
- The exclusion of stock-based compensation expense, which has been a significant recurring expense and will continue to constitute a significant recurring expense for the foreseeable future, as equity awards are expected to continue to be an important component of our compensation strategy;
- The exclusion of other income, net, which includes interest income related to our cash, cash equivalents and short-term investments, interest expense, and realized and unrealized gains and losses on foreign currency exchange;
- The exclusion of gain on sale of Design Manager, which is a one-time sale of our wholly owned subsidiary; and
- The exclusion of strategic alternative expenses in connection with capital return strategies, buy- and sell-side mergers, acquisitions and partnerships, sale of a business or subsidiary, business optimization costs related to revisions of operational objectives and priorities, cost saving initiatives related to restructuring charges and integration costs, in all cases outside the ordinary course.

Because of these limitations, you should consider Adjusted EBITDA and Adjusted EBITDA Margin alongside other financial performance measures, including net loss and our other GAAP results. The information in the tables below sets forth the non-GAAP financial measures along with the most directly comparable GAAP financial measures.

Reconciliation of Net Loss to Adjusted EBITDA
(Amounts in thousands)
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Net loss	\$ (2,941)	\$ (6,861)	\$ (22,699)	\$ (22,538)
Excluding:				
Depreciation and amortization	463	521	2,278	2,710
Stock-based compensation expense	3,023	3,552	12,363	11,214
Other income, net	(2,249)	(1,804)	(8,342)	(3,376)
Provision for income taxes	14	37	14	37
Gain on sale of Design Manager	—	—	—	(9,684)
Strategic alternative expenses	(15)	80	3,046	967
Adjusted EBITDA (non-GAAP)	<u>\$ (1,705)</u>	<u>\$ (4,475)</u>	<u>\$ (13,340)</u>	<u>\$ (20,670)</u>
Divided by:				
Net revenue	<u>\$ 20,922</u>	<u>\$ 22,957</u>	<u>\$ 84,684</u>	<u>\$ 96,849</u>
Adjusted EBITDA Margin (non-GAAP)	<u>(8.1)%</u>	<u>(19.5)%</u>	<u>(15.8)%</u>	<u>(21.3)%</u>