



Retail ELEVATOR PITCH

Presented by Hedgeye Retail Sector

Revolve Group, Inc

Ticker	RVLV		2022A	2023E	2024E	2025E	2026E
Price	\$14	Hedgeye EPS	\$ 0.79	\$ 0.36	\$ 0.42	\$ 0.53	\$ 0.66
Market Cap	.99 bn	Street EPS		\$ 0.49	\$ 0.63	\$ 0.88	
Enterprise Value	.73 bn	Variance		-27%	-33%	-40%	
Short Interest	25.8%	P/E		37.7x	31.9x	25.4x	20.6x
Net Debt/EBITDA		Target P/E		23.0x	20.0x	18.0x	18.0x
Sell Side Target	\$18	Implied Price		\$8	\$8	\$10	\$12
Return to SS Tgt	36%	Price Variance %		-39%	-37%	-29%	-12%

HEDGEYE EDGE | EXPENSIVE, AND RUNNING OUT OF TAM

What started as an influencer-led online model with heavily curated limited runs of exclusive product that sold out quickly and profitably to a fashion-forward customer has now evolved far past its TAM and has MASSIVELY over-assorted its merchandise offering, and like SFIX, is becoming an online version of a department store. Just check out the number of SKUs on the site - the numbers are staggering. No longer are the fashions exclusive, limited in supply, nor make the consumer 'have to buy' so they don't miss out on the on-trend outfits. Customer count is slowing rapidly, and while cyclical factors are at work, we think it's more of a secular issue. Knowing what we know today, we'd cover closer to \$8 -- stock now at \$12. We're getting close (we shorted it at \$50).

NEAR-TERM (TREND) | KPIs MOVING IN THE WRONG DIRECTION

KPIs aren't looking good here; active customers (on a TTM basis) decelerated for the fifth quarter in a row. AOV decelerated from -1% to -7% this Q. We like to keep an eye on the unit trends of the sale and final sale products at RVLV, and sale and final sale items listed on the Revolve website have been getting sequentially worse the last month or so, based on our RVLV 'discounts tracker'. The company called out October as down MSD, and November and December having harder compares than October; the remainder of the year will not be improving.

KEY RISKS TO THE CALL | NOT AN UNPROFITABLE MODEL, FWRD POTENTIAL

Despite the rough past quarter at FWRD, if the brand returns to accelerated growth, the margin story here could actually play out; with FWRD selling higher priced goods improving the company margin. If RVLV is able to attract new customers through the FWRD brand and expansion of the men's, beauty, and home offering the KPIs could turn things around for the company.

COMPANY DESCRIPTION

RVLV is an online based retailer targeting millennial and generation Z consumers. The two segments are Revolve and Forward (FWRD). The Revolve brand offers constant newness and on trend apparel, footwear, accessories, and beauty. The FWRD brand offers high-end iconic and emerging luxury brands.

KEY MODELING ASSUMPTIONS

	2022A	2023E	2024E	2025E	2026E
Revenue	\$ 1,101	\$ 1,069	\$ 1,269	\$ 1,418	\$ 1,542
YY % Change		-3.0%	18.7%	11.8%	8.7%
Gross Margin %	53.8%	51.7%	51.5%	51.0%	51.0%
EBIT Margin %	6.6%	2.0%	3.1%	3.5%	4.0%
EBITDA	\$ 84	\$ 32	\$ 49	\$ 60	\$ 72
Net Debt	\$ (235)	\$ (281)	\$ (276)	\$ (289)	\$ (317)
Net Debt/EBITDA					
FCF/Share	\$ 0.25	\$ 0.79	\$ (0.08)	\$ 0.18	\$ 0.38