**Wish (NASDAQ: WISH)**
Second Quarter 2022
Earnings Call Prepared Remarks
Tuesday, August 9, 2022

Hi, everyone, and welcome to Wish's Second Quarter 2022 Earnings Conference Call. I am Randy Scherago, VP of Investor Relations, and joining me today are our CEO Vijay Talwar and our CFO and COO Vivian Liu.

Today's prepared remarks have been pre-recorded. There is also a slide deck that has been posted to our IR website which is available for your reference. Once we are finished with Vijay and Vivian's remarks, we will hold a live Q&A session. The remarks made today include forward-looking statements that are related to, among other things, our financial expectations, business and turnaround plans, the turnaround timeline, consumer experience and engagement, expectations regarding merchant relationships and strategic partnerships; the potential impact of our strategic, marketing and product initiatives, including ad spending and the rebrand; and the anticipated return on our investments and their ability to drive future growth. Our actual results may differ materially from the results implied by these forward-looking statements if certain risks materialize or assumptions prove incorrect.

Forward-looking statements involve risks and uncertainties which are described in today's earnings release and our periodic reports filed with the SEC. Any forward-looking statements that we make on this call are based on our beliefs and assumptions today, and we disclaim any obligation to update them.

Also during the call, we will present both GAAP and non-GAAP financial numbers and metrics. A reconciliation of non-GAAP to GAAP results is included in today's earnings release, which you can find on our investor relations website and which is also filed with the SEC. A replay of this call will be posted to our investor relations website.

I'll now turn the call over to Wish's CEO, Vijay Talwar.

**Vijay Talwar, Chief Executive Officer**

Thank you, Randy. I would like to thank everyone for joining our Second Quarter 2022 Earnings call.

I will start the call by providing a high-level overview of our corporate rebrand, then I will share some progress highlights around two of our three foundational business pillars: improving the consumer experience and deepening our merchant relationships. After my comments, Vivian Liu, our CFO and newly appointed COO, will discuss our third foundational pillar, achieving operational efficiencies. She will then share our second-quarter numbers in more detail, and provide our third-quarter financial forecast. I will then provide some closing remarks before opening up the call to your questions.

An important part of my role as Wish's CEO has been to focus on our turnaround and rebuild a strong foundation for the company. This has entailed improving and fixing many operational aspects of the company.  But another very important part of my role has been to focus on transforming Wish’s corporate culture to one that embraces innovation, challenges the status quo and enables us to consider where we can take this company over the next three years.

Today, **I would like to start by discussing the rebranding of Wish, part of our first pillar of Improving Customer Experience,** which is beginning in earnest this month**.** The rebranding will highlight many of the fundamental changes that we have made at Wish in recent months, including the new consumer experiences, our enhanced customer service, faster delivery, better on time delivery rates, our new pricing strategy, and the overall increased consistency of the new Wish Marketplace. We will begin rolling out our rebrand in stages - starting in August - incorporating a new logo, design, and imagery. The rebrand will be supported with a multi-channel advertising campaign that is planned to run in our largest markets beginning in mid August and running throughout the holiday season.

In recognition of all the changes underway at Wish, we have also taken the opportunity to reevaluate our mission as a business. **Our new mission statement is, ‘Bargains Made Fun, Discovery Made Easy’,** which more accurately reflects our renewed focus on helping value-oriented consumers discover listings for new products while having fun in a frictionless and convenient way. Once we are successful in making discovery easy and bargain shopping fun, we believe it will, in turn, create positive word-of-mouth among consumers, ultimately resulting in higher sales growth.

Our investments in the consumer experience have resulted in a continued improvement in our Net Promoter Scores from March through June. Further, we've seen impressive gains in our consumer feedback scores gathered by one of our larger advertising partners. They provide a score on a scale of 0-5, with 5 being the highest, based on the feedback they’ve received from people who have likely made a purchase from ads. They have observed our consumer score improving from below 2 in 2021 to a high of 4.7 in 2022. This effectively moves us from among the lowest performing merchants to among the highest in less than a year.

Our marketing team has been diligently testing for additional consumer marketing channels. Our plan is to diversify our marketing spend to balance our traditional media outlets, such as TV & radio, with newer platforms like TikTok and Snapchat. This will have much greater appeal among our target GenZ and Millennial consumer base.

As we continue on our path to improve the consumer experience, I’m excited to announce that we completed a soft launch on Android of our revamped Women’s Fashion offerings. The new experience balances function and inspiration by introducing filters, style feeds, and much more. We are happy to report that early fashion buying trends were better than we anticipated. We saw the number of transactions and GMV increase for fashion, and our transactions amongst Generation Z consumers increased by double digits.

We plan to build on this success with a much broader ramp-up of Women's Fashion from mid-August to mid-November. We plan to eventually have over 2,000 fashion merchants onboarded and over 150,000 fashion SKUs available for consumers to choose from.

**Our second pillar is Deepening our Merchant Relationships.** During the second quarter, we continued with the “Invite Only” process for onboarding new merchants, while also raising greater awareness around our Wish Standards program. The program has already started to have a positive impact on the business, leading to a reduction in customer refund rates. We continue to be diligent in our removal of merchants who violate our policies or do not consistently deliver a good customer experience.

Starting in Q2, we rolled out a new commission structure to bring greater clarity and more competitive commission rates to our merchants. This change was first implemented for European markets in Q2, and will be deployed to the Rest of the World, including U.S., in Q3.

In the second quarter of this year, we began a monthly survey of our merchants to better understand their needs and garner their overall sentiment towards Wish. The initial findings of our Merchant NPS survey indicate that merchants value the ease of onboarding, our global customer traffic, and logistics support. We will continue to survey our merchants to learn more about how to make Wish an even better marketplace for their businesses.

At this time I would like to turn the discussion over to our CFO and COO, Vivian Liu, to discuss our third pillar as well as financials.

**Vivian Liu, Chief Financial Officer and Chief Operating Officer**

Thank you Vijay.

Before discussing the financials, I'd like to share updates on **our Third Pillar, which is Achieving Operational Excellence**.

Recognizing the importance of timely delivery to our buyers, we have invested in our Logistics and Shipping services. As a result, we were able to register an on-time delivery rate of around 94% this Q2, an 18% improvement year over year.

In early 2021, our Time To Door (TTD) was, on average, three weeks, which put us at a disadvantage among our peers. Improving our TTD has been a strategic priority of our new management team. Over the past twelve months our efforts have led to a double digit improvement in TTD. Our goal is to roll out a 15-day TTD initiative in all major markets for Wish in 2023.

I would also like to take a moment to discuss our business development efforts to globalize our merchant base outside of China. We believe that, over the long term, it is important to diversify sources of products from other countries in Asia, North America, Europe and South America. As such, we are accelerating our investment in select countries to expand our sourcing capabilities and shorten the distance between merchants and buyers. Through new merchants we are adding variety and depth to the core categories on our platform such as electronics, fashion, home decor and hobby products.

I would now like to discuss the financial results for the Second Quarter of 2022. I will also provide Adjusted EBITDA guidance for the third quarter and additional information on the revenue trend through the month of July.

Our Q2 Adjusted EBITDA[1] was a loss of ($58) million, an improvement over a loss of ($67) million from Q2 2021. The EBITDA result compares favorably to the loss of ($90 million to $100 million) that we had previously forecast for Q2.

The more favorable EBITDA outcome was mainly driven by lower than expected ad spend, employee related expenses, and outside services. In addition, certain operating expenses were delayed as we continue to evaluate our spend plan for the second half of 2022.

We maintained a reduced level of ad spend through much of Q2, but began to ramp up in the month of June. The relatively low level of ad spend in Q2 continued to impact our user metrics and financial performance. We had 23 million MAUs[3] and 20 million LTM Active Buyers in Q2, a 74% and 62% decline respectively year-over-year.

Total revenues were $134 million, a decline of 80% year-over-year. This revenue decline was across Core Marketplace, ProductBoost, and Logistics. It is important to call out two major drivers for the revenue decline.

First, the low ad spend. Ad spend in Q2 was just 11% of that in Q2 of last year, which was the main reason for the revenue decline. Second, we continued to simplify prices for our buyers throughout Q2. While the price changes reduce our GMV and revenues in the near term, we are confident that they bring our practices more in line with industry standards, improve user experiences, accelerate order volume and revenues over time.

Q2 gross profit was $42 million, a decline of 89% year-over-year. Gross margin was 31% vs 59% in Q2 2021. Gross margin performance was driven by a decline in marketplace profitability mainly due to the rollout of the aforementioned price changes to all geographies, as well as the lower margin logistics business contributing a higher percentage of the total revenues.

Total operating expenses were $133 million in Q2 2022, a reduction of 73% year-over-year. Operating expenses were 99% of revenues for Q2 2022 compared with 76% of revenues in Q2 2021. Lower ad spend, outside services and reduced employee headcount accounted for a majority of the reduction of operating expenses year-over-year. We will continue to focus on operational efficiencies to drive EBITDA and cash flow upsides.

Our Q2 Free Cash Flow[2] was negative $67 million, a significant improvement from a negative free cash flow of $205 million in Q2 2021. As compared to Q1, we also saw a $79 million improvement in cash used in operating activities due to cost efficiencies and favorable changes in working capital.

We ended Q2 with a solid position of $947 million in cash, cash equivalents and marketable securities.

Now turning to our outlook for Q3 2022. We expect Adjusted EBITDA[5] to be a loss in the range of ($110) million to ($130) million for Q3 2022.

Q3 EBITDA loss is expected to be higher than that in Q2 for three reasons. First, we plan to increase our ad spend in Q3 to coincide with the holiday selling season. Second, we will be investing more to drive Wish's global rebranding. The rebranding efforts will ramp up throughout Q3 and Q4. Third, the changes to simplify prices for users are now implemented globally. Higher ad spend, rebranding investment and price changes all drive long-term benefits in buyer acquisition and retention but lower EBITDA for the quarter when the initiatives are first implemented.

As a reference point, our estimated revenues in July 2022, the first month of Q3, were down approximately 14% relative to our revenues in April 2022, which was the first month of Q2. However, this decline does not necessarily represent the expected revenue performance for the entire quarter. July was the first month after the full implementation of price changes, and therefore the revenue decline in July relative to April was anticipated. But I am very excited to share that our order volume in July increased over that in April. We expect our total order volume to improve in Q3 vs Q2. We are cautiously optimistic that we are starting to see the success of turnaround reflected in more operational metrics such as higher order volume and reduced refund rates, after we have observed improvements in our NPS score since last Q3.

Finally I would like to remind everyone of two notes–

First, our ad spend has been kept at a much reduced level since July last year. The headwinds in the economy plus our price changes also created downward pressure on our topline performance during the first half of 2022. Our financial focus this year to date has been EBITDA and cash flows, both registering material improvements year over year.

Second, for the 2nd half of 2022, we expect to restart the flywheel with continued operational improvements, higher ad spend and strategic initiatives such as relaunch of the fashion category. Once the flywheel restarts, higher transaction volume should result in increased merchant and vendor payables, creating favorable operating cash flows through the change in working capital. We are cautiously optimistic that we may start to experience such benefits in Q3.

Now, I will hand over the call to Vijay for his closing remarks.

**Vijay Talwar, Chief Executive Officer**

Thank you, Vivian, and congratulations to your recent promotion as well.

While we have made many fundamental changes to the operations of Wish during this year, we cannot ignore the global macro environment which has changed dramatically in the past six months. Governments around the world are tightening the money supply and raising interest rates to tamp down inflation. As a global e-commerce marketplace, we are not immune to the changes in consumer spending habits, particularly among the lower income households that shop on our marketplace.

There has been a slowing of consumer discretionary spend, due to higher energy prices, increased food costs and the emerging recessionary environment. While these macro forces are at play, we remain committed to increasing our spending plans and deploying the fundamental changes that we have made to our pricing strategy. These elements will impact our growth plans for the second half of 2022. As I shared in March, this is an 18 to 24 month turnaround effort and we continue to make progress towards that timeline.

While we cannot ignore, nor can we influence these global macro forces, we remain laser focused on improving and fixing the many operational aspects of our business and reaffirm our commitment to successfully executing on our turnaround plans.

Before I wrap up our call with some closing remarks I would like to note some corporate governance changes that occurred today.

- Piotr Szulczewski, the founder of Wish, has resigned from the Company's Board of Directors. Piotr served as Chief Executive Officer from the Company’s inception in July 2010 through February 2022. Since inception, he served as Chairman until April 2021, and then as a director until now. Without Piotr’s vision and legacy we would not be here today. Under his leadership Wish grew from a small challenger brand into a leading global marketplace. On behalf of the entire Board and Wish's management team, I thank Piotr for his contributions and dedicated service to the Company.

- Piotr has converted all of his high voting Class B shares into Wish Class A shares. As a result, we now have a single class structure with voting rights parity for all Wish shareholders.
- In conjunction with Piotr's resignation, the Board of Directors has elected Larry Kutscher, as an independent director to Wish's Board. Larry is the CEO of A Place for Mom, a healthcare service company. Larry has more than 20 years of experience driving transformation and growth with data and technology companies. I'm very excited about Larry joining the Board.

Here at Wish, I want to acknowledge a number of employees that have been recently promoted internally into new and expanded leadership roles.

- Vivian Liu, our CFO, will also serve as Chief Operating Officer. As part of her new COO role she will lead our global logistics and merchant operations.
- Devang Shah has become our new Chief Administrative Officer, in this role he will lead both our Legal and HR teams including recruiting which is a big focus for us right now.
- Tarun Jain has been given an expanded role as both our Chief Product Officer and Chief Customer Officer with clear accountability for customer service and NPS.
- Jerry Louis has been promoted into a new role as our interim CTO, where he will lead our technology and engineering teams.
- Mauricio Monico has been promoted to a new role as our Chief Merchant Officer. Mauricio will lead our merchant and logistics product strategy.

I would like to thank these recently promoted individuals for their hard work and determination that enables our turnaround progress.

To close, I'll leave you with these final thoughts.

- First, our concerted effort to rebrand the company and tell an exciting new story about Wish is the result of our dedicated employees who believe in our turnaround strategy.
- Second, our relaunch of the Women's Fashion category on our marketplace, has begun to attract new customers and drive growth.
- Third, we have continued to make progress in reducing delivery times and removing friction from the customer experience which has resulted in an improvement in NPS, consumer satisfaction, and refund rates.

The entire team at Wish have made great strides to transform the culture of Wish into a more collaborative company that is based on transparency, fairness, truth and a shared mission of "Bargains made Fun, Discovery Made Easy". I am pleased with the progress we are continuing to make as we journey back to profitability. None of this would be possible without the amazing team we have. Thank you all for your hard work and commitment. Vivian and I are happy to field your questions about our progress this past quarter.

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[1] Adjusted EBITDA is a non-GAAP financial measure that represents net income (loss) adjusted to exclude: interest and other income (expense), net (which includes foreign exchange gain or loss, foreign exchange forward contracts gain or loss; and gain or loss on one-time non-operating

transactions); provision or benefit for income taxes; depreciation and amortization; stock-based compensation expense and related payroll taxes; lease impairment related expense; remeasurement of redeemable convertible preferred stock warrant liability; and other items

[2] Free Cash Flow is a non-GAAP financial measure that represents net cash provided by (used in) operating activities less purchases of property and equipment

[3] We define MAUs as the number of unique users that visited the Wish platform, either on the mobile app, mobile web, or on a desktop, during the month

[4] As of the last date of each reported period, the number of unique active buyers is determined by counting the total number of individual users who have placed at least one order on the Wish platform, either on the mobile app, mobile web, or on a desktop, during the preceding 12 months

[5] Wish has not provided a quantitative reconciliation of forecasted Adjusted EBITDA to forecasted GAAP net income (loss) for total Adjusted EBITDA or to forecasted GAAP income (loss) before income taxes for segment Adjusted EBITDA within this earnings release because the company is unable, without making unreasonable efforts, to calculate certain reconciling items with confidence. These items include, but are not limited to: income taxes which are directly impacted by unpredictable fluctuations in the market price of the company's stock.

**Use of Non-GAAP Financial Measures**

We provide Adjusted EBITDA, a non-GAAP financial measure that represents our net income (loss) adjusted to exclude: interest and other income (expense), net (which includes foreign exchange gain or loss, foreign exchange forward contracts gain or loss and gain or loss on one-time non-operating transactions); provision or benefit for income taxes; depreciation and amortization; stock-based compensation expense and related payroll taxes; lease impairment related expenses; remeasurement of redeemable convertible preferred stock warrant liability; and other items. Additionally, in this news release, we present Adjusted EBITDA Margin, a non-GAAP financial measure that represents Adjusted EBITDA divided by revenue. The reconciliation between historical GAAP and non-GAAP results of operations is provided below. Our management uses Adjusted EBITDA in conjunction with GAAP and other operating performance measures as part of its overall assessment of the company's performance for planning purposes, including the preparation of its annual operating budget, to evaluate the effectiveness of its business strategies and to communicate with its board of directors concerning its financial performance. Adjusted EBITDA should not be considered as an alternative financial measure to net loss, which is the most directly comparable financial measure calculated in accordance with GAAP, or any other measure of financial performance calculated in accordance with GAAP. We also provide Free Cash Flow, a non-U.S. GAAP financial measure that represents net cash used in operating activities less purchases of property and equipment. We believe that Free Cash Flow is an important measure since we use third parties to host our services and therefore we do not incur significant capital expenditures to support revenue generating activities. The reconciliation between net cash used in operating activities and Free Cash Flow is provided below. Free Cash Flow has limitations as an analytical measure, and you should not consider it in isolation or as a substitute for analysis of our net cash used in operating activities, which is the most directly comparable financial measure calculated in accordance with GAAP, or any other measure of financial performance calculated in accordance with GAAP.

**A Note About Metrics**

The numbers for some of our metrics, including MAUs, are calculated and tracked with internal tools, which are not independently verified by any third party. We use these metrics to assess the growth and health of our overall business. While these numbers are based on what we believe to be reasonable estimates of our user or merchant base for the applicable period of measurement, there are inherent challenges in measurement as the methodologies used require significant judgment and may be susceptible to algorithm or other technical errors. In addition, we regularly review and adjust our processes for calculating metrics to improve their accuracy, and our estimates may change due to improvements or changes in technology or our methodology.