

# BRILLIANT EARTH<sup>®</sup>

Fourth Quarter and Full Year 2023 Financial Results

March 14, 2024



### **Forward-Looking Statements**

This Presentation and statements to be made on the earnings conference call (collectively, the "Presentation"), contain forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Presentation may be forward-looking statements. Statements regarding our future results of operations and financial position, business strategy, plans and objectives of management for future operations, including, among others, statements regarding expected growth, introduction of new products, future capital expenditures, and debt service obligations, are forward-looking statements. In some cases, you can identify forward-looking statements by terms, such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "evolve," "expect," "intend," "may," "plan," "potential," "predict," "seek," "should," "strategy," "target," "will," or "would," or the negative of these terms or other similar expressions. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, and uncertainties that are difficult to predict. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short term and long-term business operations and objectives, and financial needs. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including, but not limited to: risks related to our rapid growth in recent years and limited operating experience; our ability to manage growth effectively; risks related to increases in costs of diamonds, other gemstones and precious metals; lead times, and supply shortages and supply changes; our ability to maintain a low cost of production and distribution; fluctuations in the pricing and supply of diamonds, other gemstones, and precious metals, particularly responsibly sourced natural and lab-grown diamonds and recycled precious metals such as gold, increases in labor costs for manufacturing such as wage rate increases, as well as inflation, and energy prices; our ability to cost-effectively turn existing customers into repeat customers or to acquire new customers; our expansion plans in the U.S.; risks related to an overall decline in the health of the economy and other factors impacting consumer spending, such as recessionary conditions, governmental instability, war or the threat of war, and natural disasters; our history of losses, and our ability to sustain profitability; our ability to compete in the fine jewelry retail industry; our ability to manage our inventory balances and inventory shrinkage; a decline in sales of Create Your Own rings; our ability to maintain and enhance our brand; the effectiveness of our marketing efforts; the impact of environmental, social, and governance matters on our business and reputation; our e-commerce and omnichannel business; our ability to effectively anticipate and respond to changes in consumer preferences and shopping patterns; our ability to predict future performance due to quarterly and annual fluctuations of our results of operations and operating cash flow; our dependence on distributions from Brilliant Earth, LLC to pay our taxes and expenses; our obligations under our Tax Receivable Agreement and our organizational structure; and the other risks, uncertainties and the factors described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the Securities and Exchange Commission on March 21, 2023. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Presentation. Except as required by applicable law, we undertake no obligation to update or revise any forward-looking statements contained in this Presentation, whether as a result of any new information, future events or otherwise.

### **Disclosure Regarding Non-GAAP Financial Measures and Key Metrics**

This Presentation contains certain financial measures not presented in accordance with US Generally Accepted Accounting Principles ("GAAP"). These non-GAAP financial measures provide users of our financial information with useful information in evaluating our operating performance and exclude certain items from net income that may vary substantially in frequency and magnitude from period to period. Please refer to the section of this presentation entitled "Non-GAAP Metrics and Reconciliations" for a reconciliation of GAAP to non-GAAP financial information. This Presentation also contains certain key business metrics which are used to evaluate our business and growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts, and assess operational efficiencies. We define total orders as the total number of customer orders delivered less total orders returned in a given period (excluding those repair, resize, and other orders which have no revenue). We view total orders as a key indicator of the velocity of our business and an indication of the desirability of our products to our customers. Total orders, together with AOV, is an indicator of the net sales we expect to recognize in a given period. Total orders may fluctuate based on the number of visitors to our website and showrooms, and our ability to convert these visitors to customers. We believe that total orders is a measure that is useful to investors and management in understanding our ongoing operations and in an analysis of ongoing operating trends. We define average order value, or AOV, as net sales in a given period divided by total orders in that period. We believe that AOV is a measure that is useful to investors and management in understanding our ongoing operations and in an analysis of ongoing operating trends. AOV varies depending on the product type and number of items per order. AOV may also fluctuate as we expand into and increase our presence in additional product categories and price points, and open additional showrooms.

### **Industry and Market Data**

We include in this Presentation statements regarding factors that have impacted our industry. Such statements are statements of belief and are based on industry data and forecasts that we have obtained from internal company surveys, publicly available information, industry publications and surveys and third-party studies. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. Certain market, ranking and industry data included in the Presentation, including the size of certain markets and our size or position and the positions of our competitors within these markets, including our services relative to our competitors, are based on estimates of our management. These estimates have been derived from our management's knowledge and experience in the market in which we operate, as well as information obtained from internal company surveys, industry publications and surveys, third-party studies and other publicly available information related to the market in which we operate. Unless otherwise noted, all of our market share and market position information presented in this Presentation is an approximation based on management's knowledge. In addition, while we believe that the industry information included herein is generally reliable, such information is inherently imprecise. While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors.

### **Trademarks**

This Presentation includes our trademarks and trade names which are protected under applicable intellectual property laws and are our property.



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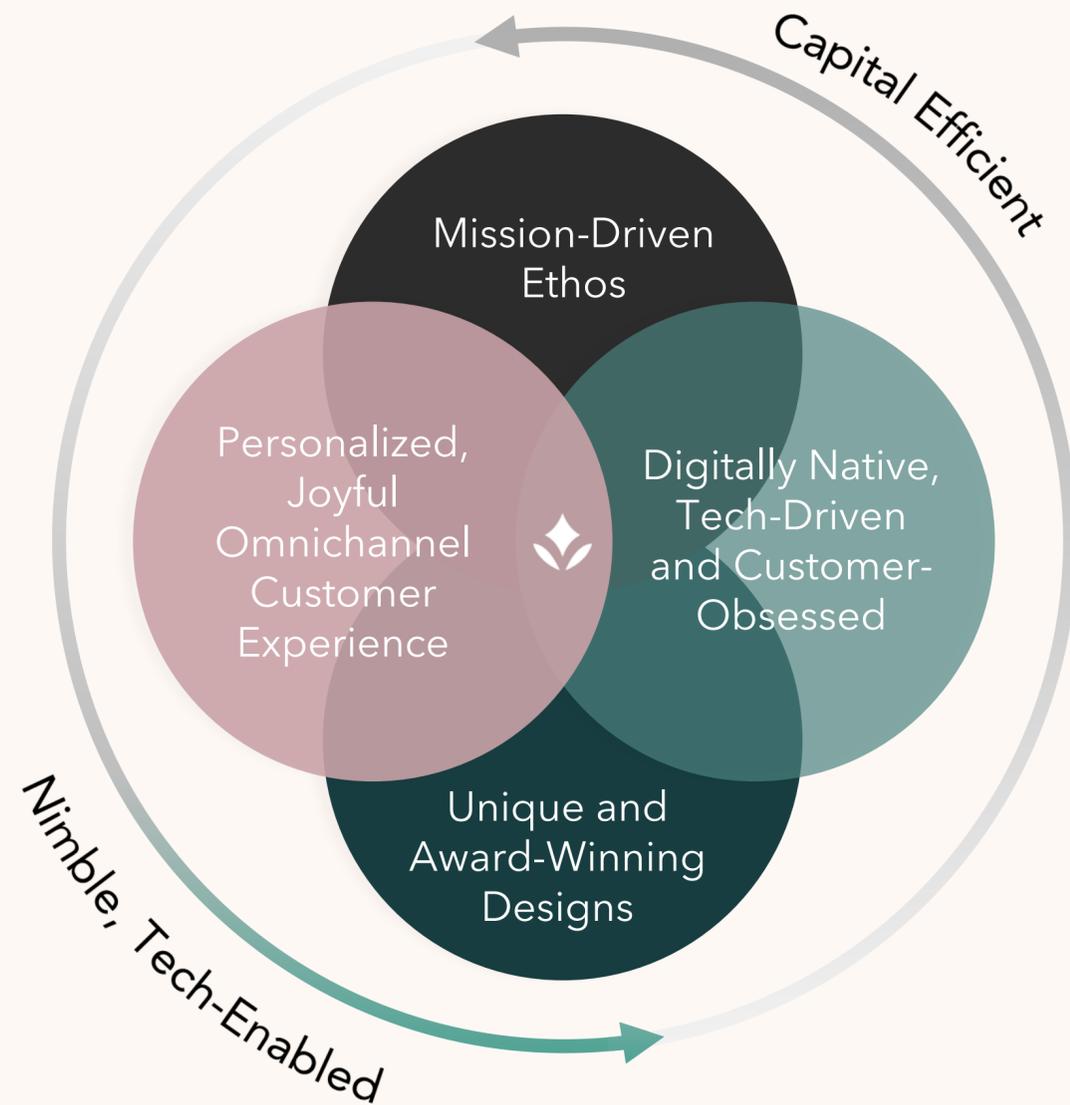
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# Company Overview



# The Next Generation Fine Jeweler for Today's Consumer

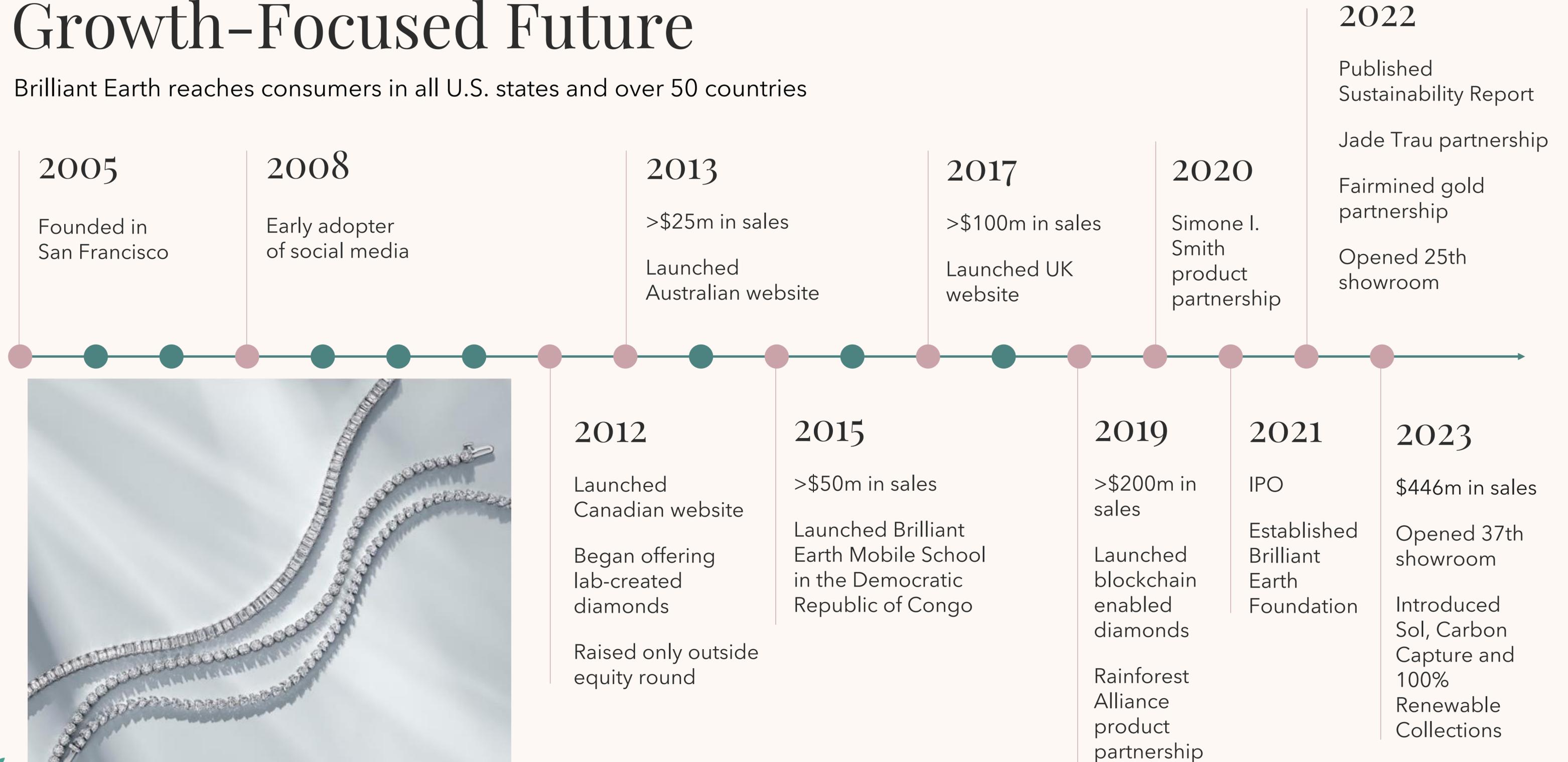


Brilliant Earth is a global leader in fine jewelry. We are successfully executing our strategy to transform and modernize the jewelry industry.



# Industry Transforming History and Growth-Focused Future

Brilliant Earth reaches consumers in all U.S. states and over 50 countries



# Brilliant Earth's Competitive Advantages



1 VAST INDUSTRY THAT IS RIPE FOR DISRUPTION

2 AGILE BUSINESS MODEL THAT CAN SWIFTLY ADAPT

3 USING DATA TO INFORM DECISION-MAKING  
ASSET LIGHT MODEL NOT BURDENED  
BY HOLDING EXCESS INVENTORY

4 OMNICHANNEL MODEL PROVIDES A JOYFUL,  
SEAMLESS SHOPPING EXPERIENCE

5 OUR VALUES STRONGLY RESONATE WITH  
OUR CUSTOMERS



Q4 and  
Full Year  
2023 Results



# 2023 Highlights and Key Achievements

- ✦ 1.5% 2023 net sales growth year-over-year and 122% four-year stack growth, **exceeding industry growth rate by an estimated 750 bps** in 2023\*
- ✦ **28% Q4 y/y growth in product bookings\*\*** excluding engagement rings
- ✦ **17% y/y order growth**
- ✦ **22% y/y order growth** from repeat customers
- ✦ **Record high gross margin of 57.6%**, 430 basis point expansion y/y
- ✦ **4 consecutive years** of positive Adjusted EBITDA
- ✦ **Inventory down** since year-end 2022, even with new showrooms and fine jewelry growth
- ✦ **Inventory turns significantly higher than industry average**
- ✦ **Positive free cash flow**

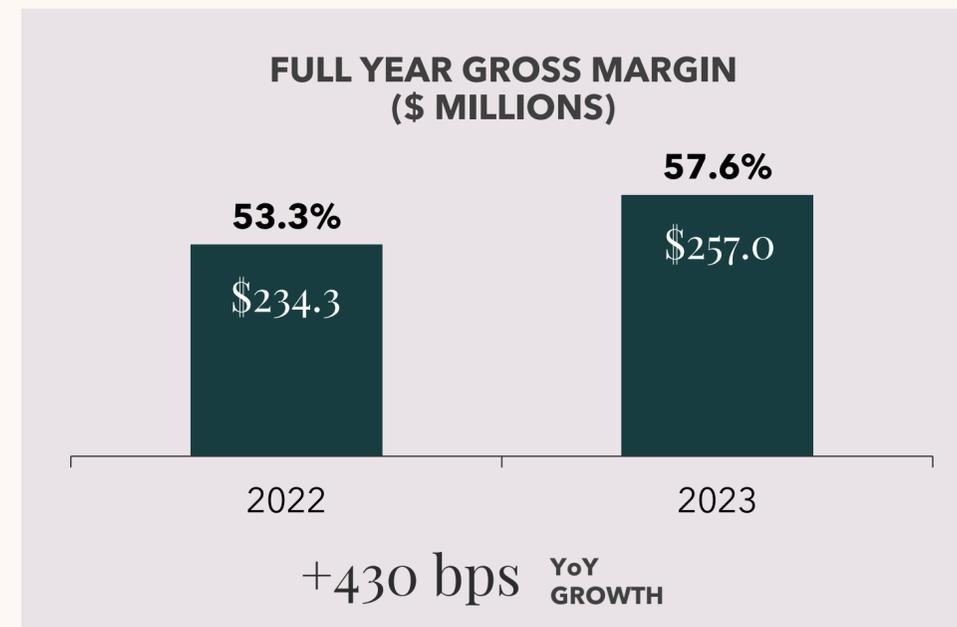
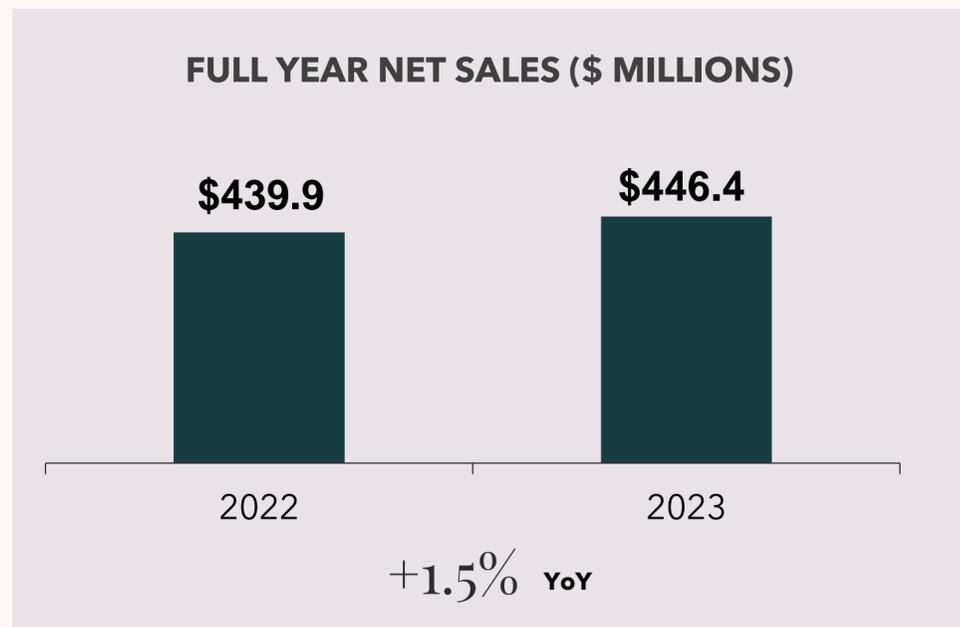
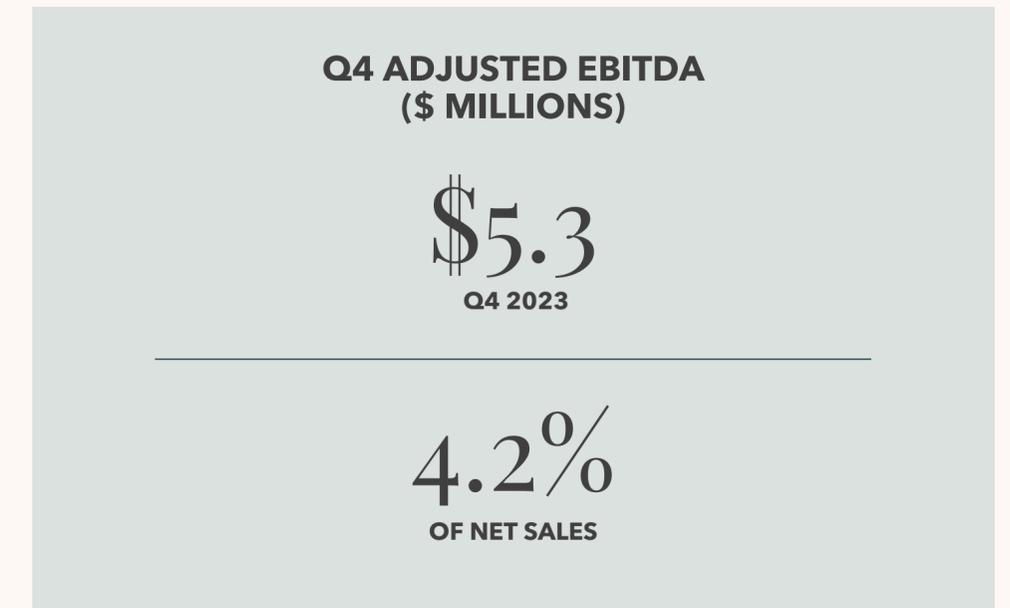
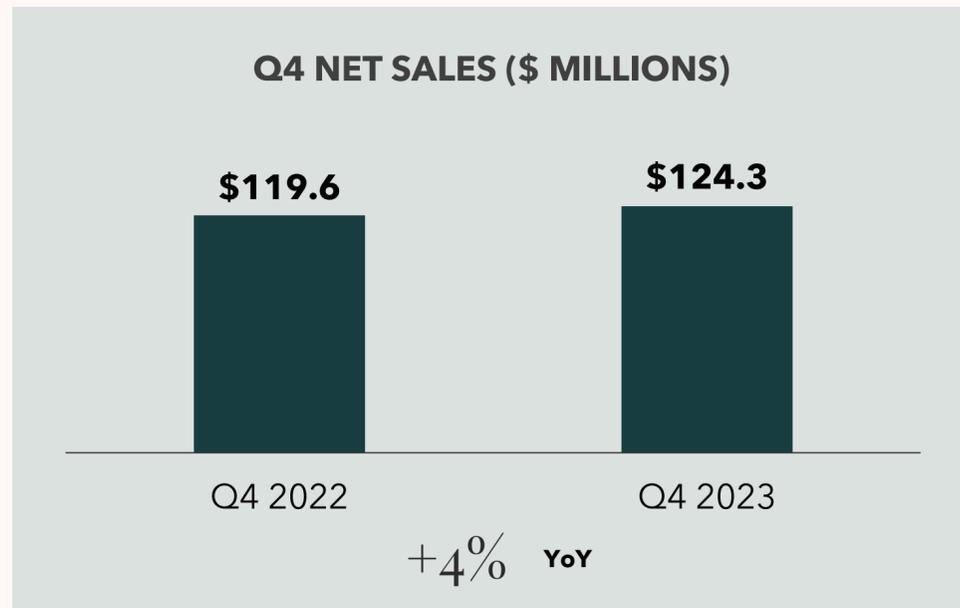


\*Based on industry reports and Brilliant Earth's internal analysis.

\*\*Bookings are confirmed orders, measured as of the date of order placement.

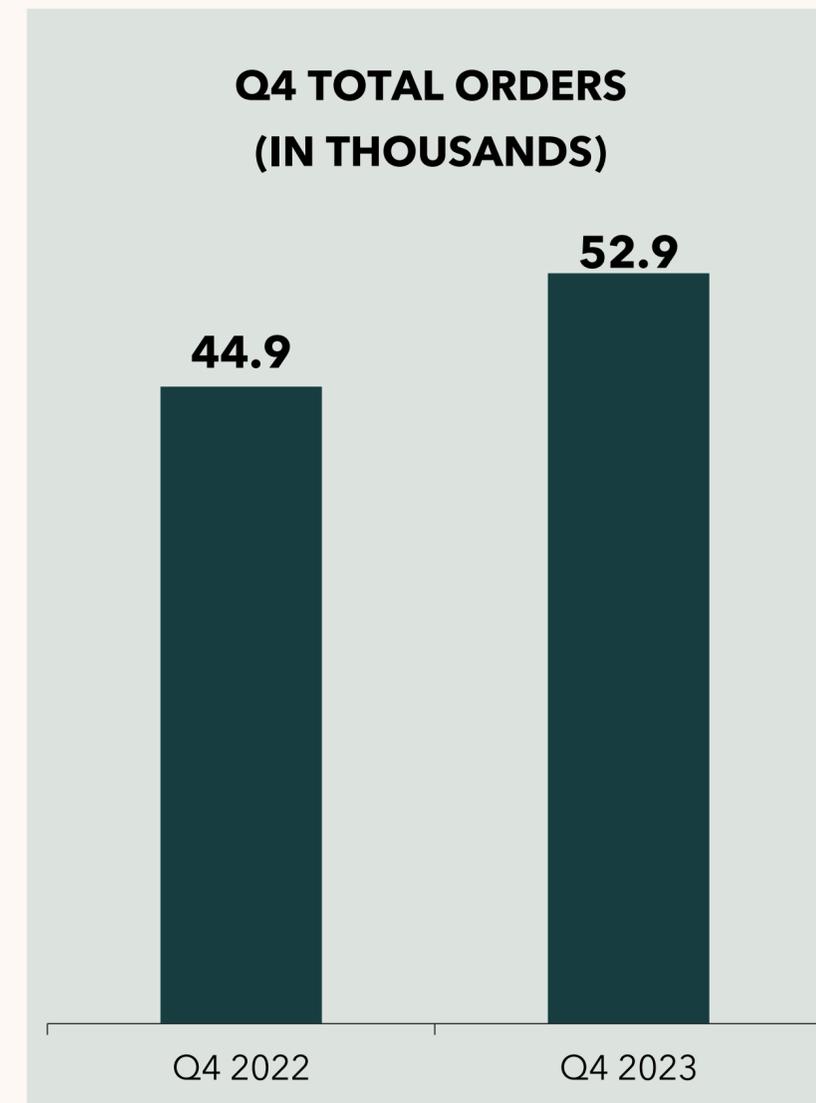
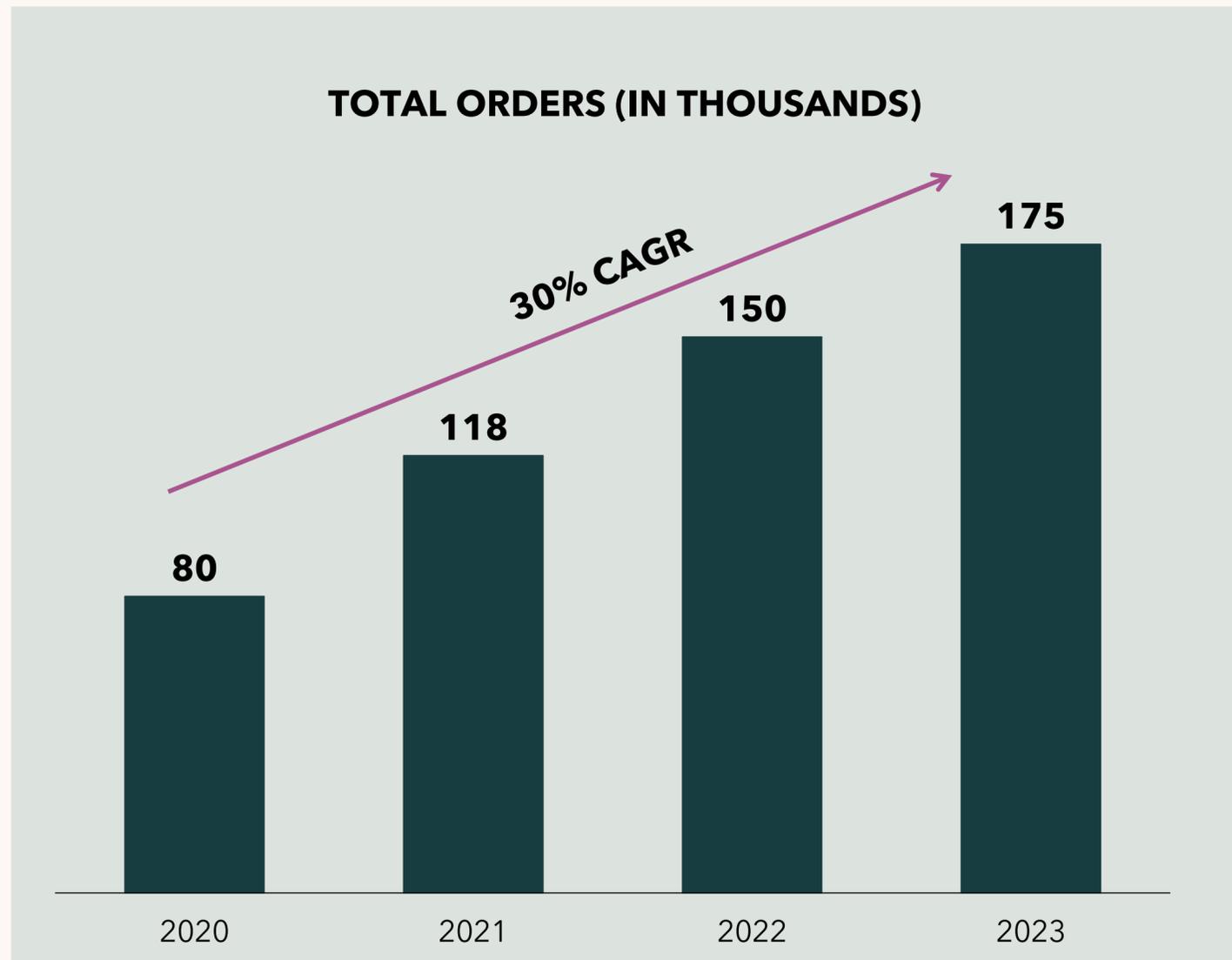


# Fourth Quarter & Full Year 2023 Financial Summary



See Appendix for a reconciliation from Net Income and Net Income Margin to Adjusted EBITDA and Adjusted EBITDA Margin

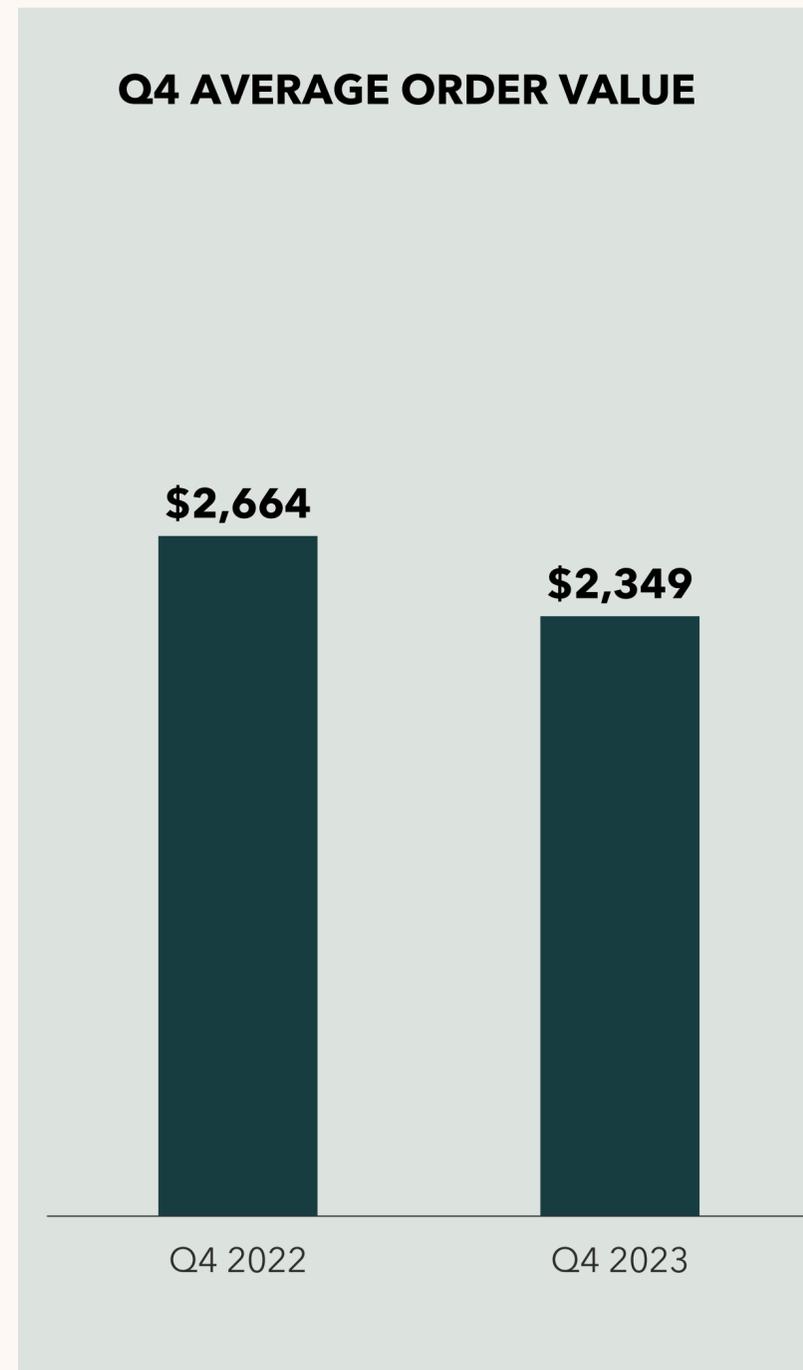
# Strong Order Growth Demonstrates Brand Resonance and Customer Engagement



**+18%** **ORDER GROWTH**



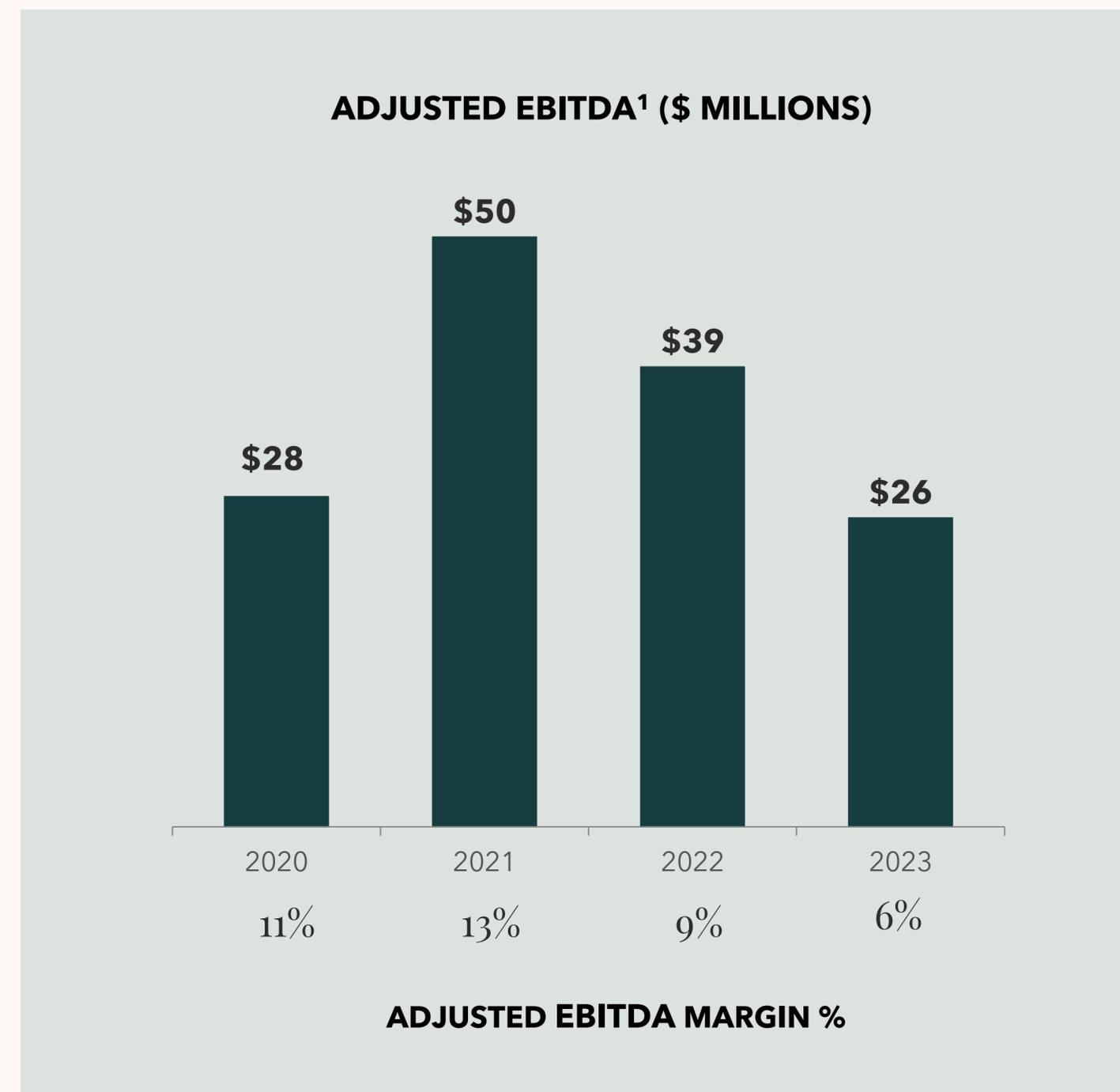
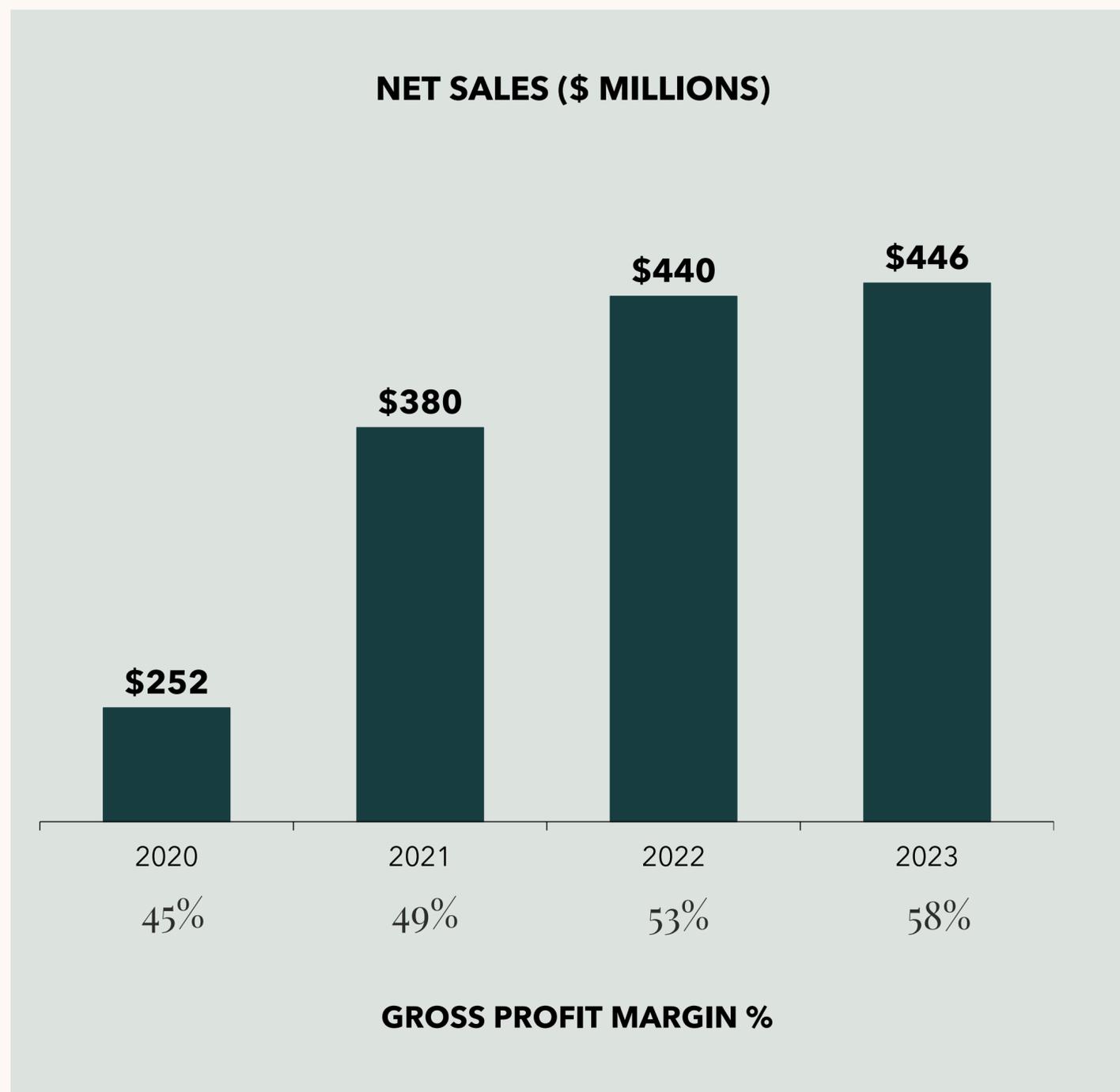
# Fourth Quarter and Full Year 2023 Financial Results



- ✦ Changes in Q4 AOV year over year principally driven by growth in fine jewelry
- ✦ As fine jewelry continues to become a larger part of the product mix, AOV is expected to moderate
- ✦ Average selling price for engagement rings increased 4% year over year in Q4
- ✦ Average selling price for fine jewelry increased 3% year over year in Q4

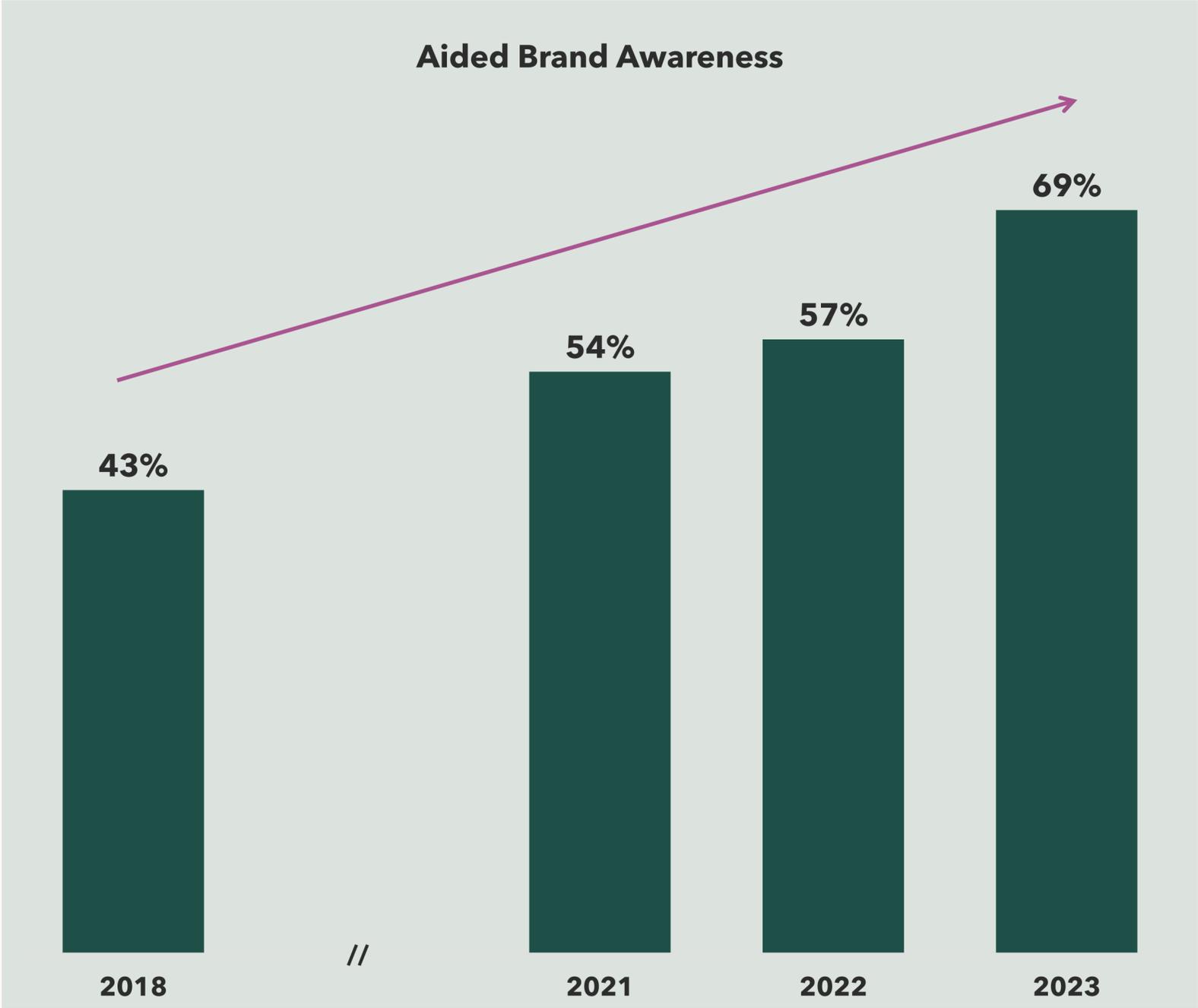


# Proven Ability to Deliver Profitable Growth



<sup>1</sup> See Appendix for a reconciliation from Net Income and Net Income Margin to Adjusted EBITDA and Adjusted EBITDA Margin

# Marketing Investment Driving Growing Brand Awareness



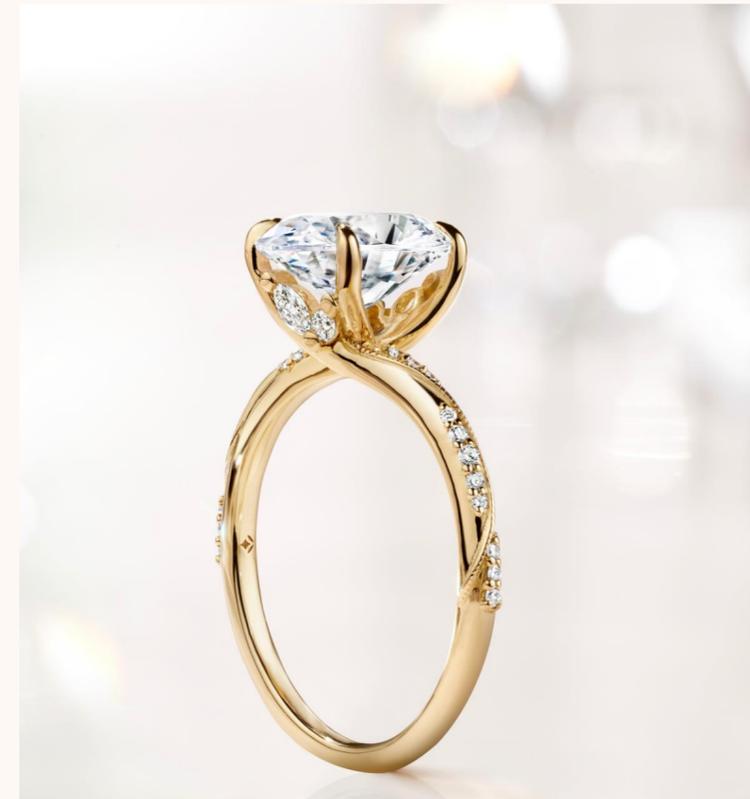
- ✦ Over 2 billion media impressions in 2023
- ✦ Partnership with Camila Morrone earned recognition as one of Us Weekly Magazine’s “Best Celebrity Brand Partnerships of 2023”
- ✦ Celebrity and influencer partnerships drive awareness and engagement
- ✦ Unaided brand awareness among our target demographic more than doubled from May 2022 to September 2023<sup>1</sup>



<sup>1</sup>Measured by Brilliant Earth’s September 2023 consumer survey. Aided brand awareness from Brilliant Earth surveys.

# Beautifully Designed, Trend-Leading, Distinctive, Personalized Products

- ✦ Fine Jewelry reached an all-time high at 21% of bookings in December and posted its biggest quarter ever in Q4
- ✦ Customers whose first Brilliant Earth purchase is fine jewelry increased 46% year over year in 2023
- ✦ Strong estimated bridal market share gains in 2023
- ✦ Strong double digit % growth in wedding bands in Q4

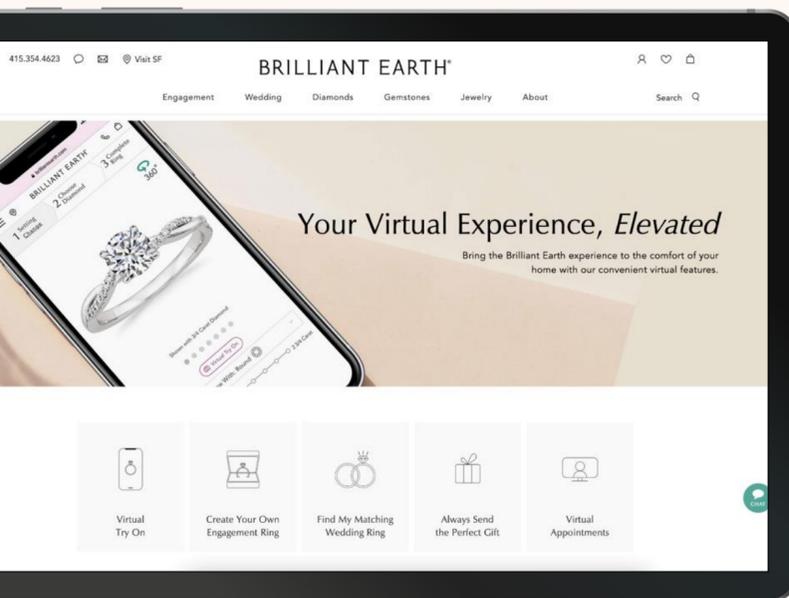


**The Sol Collection**



# Business Model Drives Inventory Turns and Negative Working Capital<sup>1</sup>

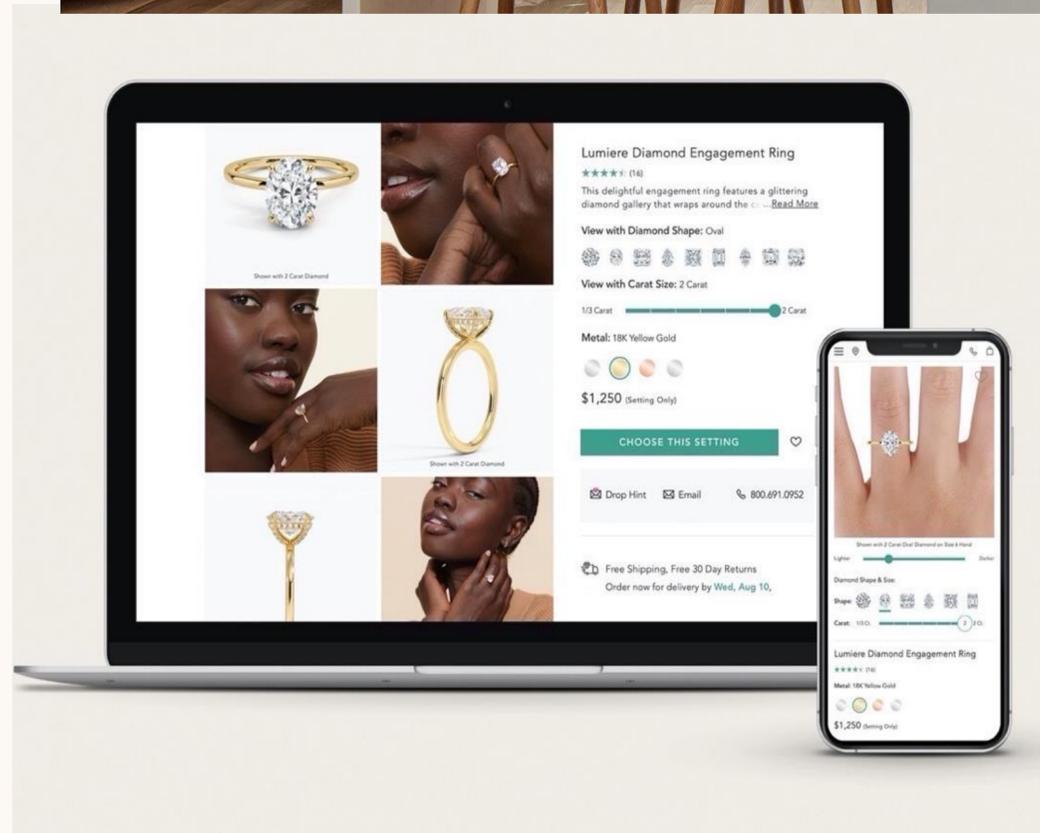
- ✦ Design Your Own model and virtual inventory of hundreds of thousands of natural & lab-grown diamonds offers broad range of options for customers, while keeping balance sheet inventory low
- ✦ Inventory turns significantly higher than industry average
- ✦ Inventory ended \$1.5m lower year over year even with 12 new showrooms and growth of fine jewelry
- ✦ YE cash of \$156m was higher year over year even after expanding showroom footprint and reducing debt principal balance



<sup>1</sup>Defined as current assets less cash minus current liabilities

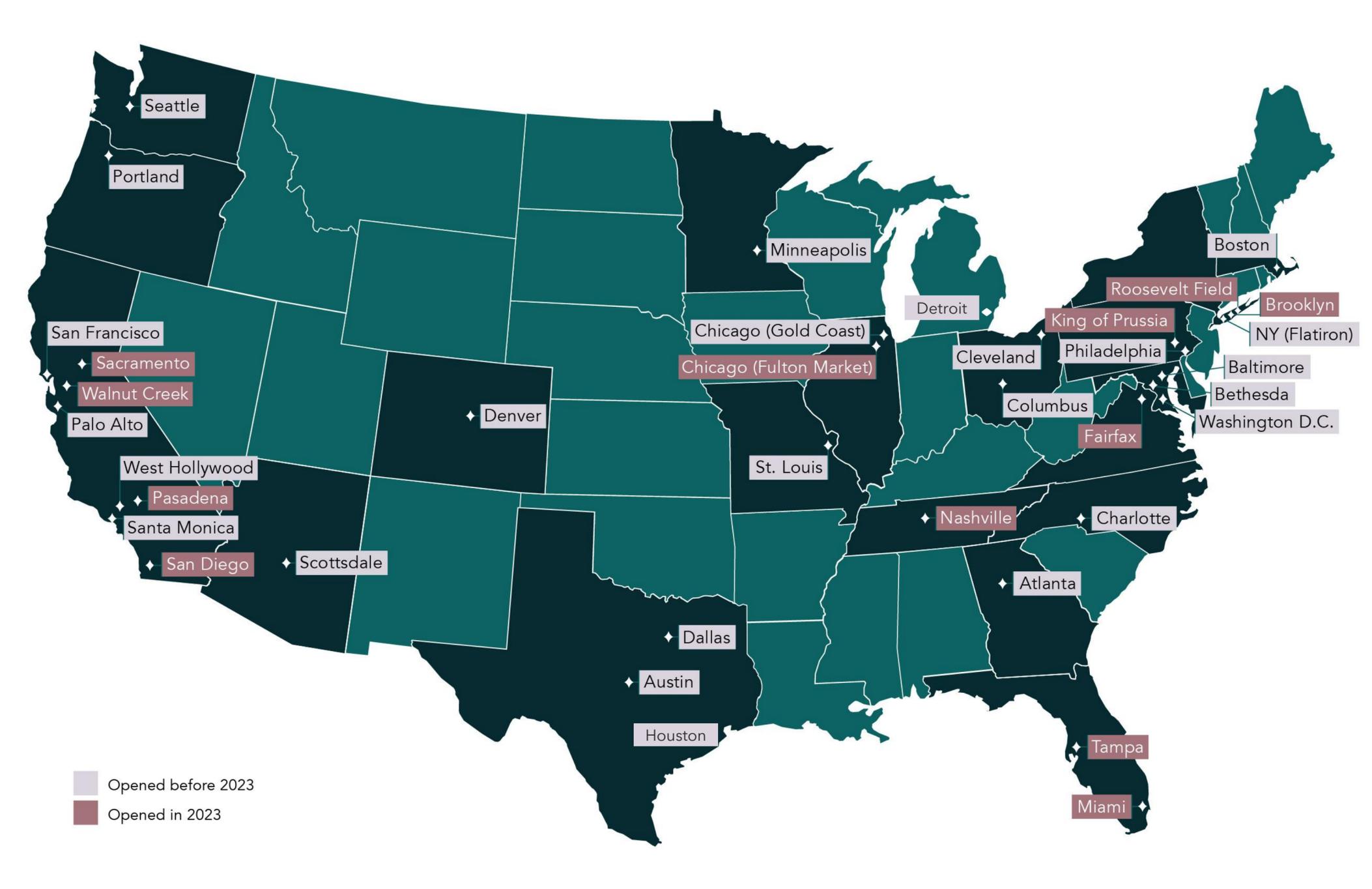
# Power of Our Omnichannel Model

- ✦ Seamless consumer experiences across digitally native and showroom environments
- ✦ Showroom experience and formats that enhance customer engagement
- ✦ Industry-leading features that optimize consumers' experiences online



# Continued Uplift from Showroom Expansion

- + New showrooms open at least 1 year have paid back on average within 16 months
- + Opened 12 new showrooms in 2023
- + Exceeded our 2023 goal with 37 total showrooms now open



2024  
Priorities  
and Outlook



# 2024 Priorities

1 CONTINUE ON OUR PATH TO BECOME THE PREMIER GLOBAL JEWELRY BRAND FOR TODAY'S AND TOMORROW'S CONSUMER

2 EXPAND AND REFINE DISTINCTIVE, HIGH-QUALITY PRODUCT OFFERING

3 EXPAND AND ELEVATE OMNICHANNEL EXPERIENCE

4 INVEST TO DRIVE OPERATIONAL EFFICIENCY AND LONG-TERM SUSTAINABLE GROWTH





# 2024 Outlook

## First Quarter

\$96.5m–\$98.5m

NET SALES

\$1m–\$2.5m

ADJUSTED EBITDA

## Fiscal Year

\$455m–\$469m

NET SALES

\$14m–\$22m

ADJUSTED EBITDA



# Medium-Term Targets

**1** **NET SALES GROWTH RATE:** ACCELERATE TO LOW TEENS GROWTH RATE IN 2027

**2** **GROSS MARGIN:** HIGH 50s % THROUGH 2027

**3** **MARKETING % OF NET SALES:** BEGIN DECREASING IN 2025

**4** **ADJUSTED EBITDA MARGIN:** INCREASE TO DOUBLE DIGIT MARGIN IN 2027



# Appendix



# GAAP to Non-GAAP Reconciliations

## ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

(Unaudited and \$ in 000's)	Three months ended December 31,		Year ended December 31,			
	2023	2022	2023	2022	2021	2020
Net income, as reported	\$1,941	\$6,186	\$4,734	\$19,025	\$26,256	\$21,576
Interest expense	1,320	958	5,128	4,658	7,589	4,942
Income tax benefit	(550)	(557)	(431)	(168)	(316)	-
Depreciation expense	1,204	674	4,200	1,922	860	646
Amortization of cloud-based software implementation costs	175	177	583	263	-	-
Showroom pre-opening expense	199	1,848	4,953	4,450	2,773	242
Equity-based compensation expense	2,498	2,277	9,952	8,840	2,795	46
Loss on extinguishment of debt	-	-	-	617	-	-
Other (income) expense, net <sup>1</sup>	(1,513)	(539)	(4,949)	(805)	6,601	74
Transaction costs & other expense <sup>2</sup>	-	-	2,012	180	3,926	-
Adjusted EBITDA	\$5,274	\$11,024	\$26,182	\$38,982	\$50,484	\$27,526
Net income margin	1.6%	5.2%	1.1%	4.3%	6.9%	8.6%
Adjusted EBITDA margin	4.2%	9.2%	5.9%	8.9%	13.3%	10.9%

1. Other (income) expense, net consists primarily of interest and other miscellaneous income, partially offset by expenses such as losses on exchange rates on consumer payments. For the year ended December 31, 2021, it included the change in fair value of the warrant liability necessary to mark our warrants to fair market value.

2. These expenses are those that we did not incur in the normal course of business. For the years ended December 31, 2023 and 2021, these costs included a \$1 million charitable contribution. For the year ended December 31, 2022 and 2021, these costs also included professional fees in connection with the evaluation and preparation for operations as a public company.

