

Revolve

Lowering estimates as weak sales hurt margins

Reiterate Rating: UNDERPERFORM | PO: 14.00 USD | Price: 18.39 USD

Demand remains challenged and product returns are costly

We reiterate our Underperform rating given continued sales weakness and high costs of shipping & fulfillment in the face of higher return rates. Inventories were -2% exiting 2Q, with Revolve better positioned than FWRD (its higher end brand) as the US luxury consumer pulls back. Management has ordered inventories leaner for the year, but pulled back disproportionately on owned brand product (higher margins) to do so. Management announced a \$100mn (7% of market cap) share repurchase authorization, which we have now included in our model. We are lowering our F23/24 EPS estimates by 3%/22% to \$0.52/\$0.58 on a more challenged sales outlook, and our PO to \$14, still 12x our F24 EV/EBITDA on lower estimates.

QTD trends in July down MSD; US weaker than int'l

2Q EPS of \$0.10 beat our/Visible Alpha consensus estimates of \$0.08/\$0.09 respectively on gross margin. Sales decreased 6% compared to our -4% expectation; sales were -4% at Revolve and -15% at FWRD. QTD trends through July were down MSD. These trends are weaker than we or management had expected. Domestic continues to be weaker than international. We are modeling 3Q sales down 6% as 2Q trends continue, with improvement by 4Q for total sales -2% in F23.

High return rates biggest incremental pressure on margin

Return rates were 60% in 2Q, reflective of recent consumer shopping behavior for DTC retailers (this compares to RVLV's typical 45-50% & typical DTC peer avg of 30-40%). Elevated return rate continues to be the biggest incremental headwind to margins, though management has multiple initiatives in place to optimize costs. We expect return rates to remain elevated but for sequential improvement in cost optimization of shipping rates to partly offset, and model selling and distribution cost +100bp y/y to 18.3%, in line with guidance.

Key metrics moderating, LA pop up helps engagement

AOV declined 1% y/y to \$301. L12M active customers grew 14% y/y to 2.5mn, but we expect moderation in this metric going forward. Its FWRD pop up (June-mid-Aug) has helped drive traffic and conversion locally, and management is strategically open to physical presence in the future.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.38	0.79	0.52	0.58	0.69
GAAP EPS	1.38	0.79	0.52	0.58	0.69
EPS Change (YoY)	66.3%	-42.8%	-34.2%	11.5%	19.0%
Consensus EPS (Bloomberg)			0.57	0.78	1.10
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	13.3x	23.3x	35.4x	31.7x	26.7x
GAAP P/E	13.3x	23.3x	35.4x	31.7x	26.7x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	9.3x	13.2x	22.0x	17.9x	15.1x
Free Cash Flow Yield*	4.4%	1.3%	3.8%	1.3%	1.9%

* For full definitions of *IQmethod*SM measures, see page 8.

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Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	17.00	14.00
2023E Rev (m)	1,110.8	1,080.7
2024E Rev (m)	1,223.6	1,150.3
2025E Rev (m)	1,338.0	1,257.0
2023E EPS	0.54	0.52
2024E EPS	0.74	0.58
2025E EPS	0.86	0.69

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Stock Data

Price	18.39 USD
Price Objective	14.00 USD
Date Established	2-Aug-2023
Investment Opinion	C-3-9
52-Week Range	14.95 USD - 32.59 USD
Mkt Val (mn) / Shares Out (mn)	1,376 USD / 74.8
Average Daily Value (mn)	26.43 USD
BofA Ticker / Exchange	RVLV / NYS
Bloomberg / Reuters	RVLV US / RVLV.N
ROE (2023E)	9.7%
Net Dbt to Eqty (Dec-2022A)	-61.8%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

AOV: average order value

DTC: direct to consumer

FWRD: FORWARD segment (its higher end brand)

L12M: last 12 months

MSD: mid single digit

QTD: quarter to date

iQprofileSM Revolve

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	37.8%	16.0%	7.8%	9.6%	11.1%
Return on Equity	39.9%	16.9%	9.7%	10.1%	11.6%
Operating Margin	12.2%	6.6%	3.8%	4.5%	4.8%
Free Cash Flow	60	18	53	18	26

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	0.6x	0.4x	1.6x	0.7x	0.8x
Asset Replacement Ratio	0.5x	1.1x	1.3x	1.5x	1.3x
Tax Rate	4.5%	23.4%	24.9%	25.0%	25.0%
Net Debt-to-Equity Ratio	-68.9%	-61.8%	-67.2%	-62.2%	-60.3%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	891	1,101	1,081	1,150	1,257
% Change	53.5%	23.6%	-1.9%	6.4%	9.3%
Gross Profit	490	592	563	605	667
% Change	60.5%	20.9%	-5.0%	7.5%	10.3%
EBITDA	119	84	50	62	73
% Change	63.7%	-29.5%	-40.0%	23.2%	18.1%
Net Interest & Other Income	(1)	3	10	2	2
Net Income (Adjusted)	103	59	38	40	47
% Change	71.7%	-43.1%	-35.3%	5.8%	17.5%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	100	59	34	32	38
Depreciation & Amortization	5	5	5	6	8
Change in Working Capital	(42)	(40)	15	(16)	(14)
Deferred Taxation Charge	(5)	(6)	0	0	0
Other Adjustments, Net	5	6	5	4	4
Capital Expenditure	(2)	(5)	(6)	(9)	(10)
Free Cash Flow	60	18	53	18	26
% Change	-15.9%	-69.6%	188.8%	-66.8%	48.7%

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	218	235	269	247	253
Trade Receivables	5	5	5	4	4
Other Current Assets	217	278	270	295	324
Property, Plant & Equipment	9	9	10	13	15
Other Non-Current Assets	25	29	30	30	30
Total Assets	474	556	584	589	626
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	156	175	180	189	203
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	NA	NA	NA	NA	NA
Total Liabilities	156	175	180	189	203
Total Equity	317	380	401	397	420
Total Equity & Liabilities	473	555	581	586	623

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Internet/e-Commerce

Company Description

REVOLVE Group, Inc. is an eCommerce fashion retailer focused on Millennial and Generation Z consumers. The Company mainly markets and sells women's designer apparel, footwear, accessories and beauty styles through two differentiated segments, REVOLVE and FORWARD. The company generates high relative average order values (AOVs) versus peers, with close to 80% of its total net sales in the US.

Investment Rationale

Our rating on REVOLVE is Underperform. We continue to view it as a long-term structural winner, but we now expect near-term macro factors to pressure sales. The multiple has compressed from 2021 highs but remains expensive versus peers, and we do not expect it to maintain this multiple if estimates decline. We see downward estimate revision risk to consensus.

Stock Data

Average Daily Volume 1,437,264

Quarterly Earnings Estimates

	2022	2023
Q1	0.30A	0.19A
Q2	0.22A	0.10A
Q3	0.16A	0.10E
Q4	0.11A	0.13E



Exhibit 1: RVLV Income Statement

We are lowering our F23/24 EPS estimates by 3%/22% to \$0.52/\$0.78 on the more challenged sales outlook

Revolve	1Q 22	2Q 22	3Q 22	4Q 22	FY 2022	1Q 23	2Q 23	3Q 23E	4Q 23E	FY 2023E	1Q 24E	2Q 24E	3Q 24E	4Q 24E	FY 2024E
Income Statement (\$ Thousands except AOV)	Mar	Jun	Sep	Dec		Mar	Jun	Sep	Dec		Mar	Jun	Sep	Dec	
Revolve Revenue	237,740	244,729	222,069	217,138	921,676	231,653	235,149	213,972	233,789	914,563	246,483	255,220	234,299	255,863	991,866
Forward Revenue	45,758	45,325	46,642	42,015	179,740	47,956	38,580	39,567	40,054	166,157	45,434	36,398	38,255	38,359	158,446
Net Sales	283,498	290,054	268,711	259,153	1,101,416	279,609	273,729	253,539	273,843	1,080,720	291,917	291,619	272,555	294,221	1,150,312
Cost of Sales	129,087	127,812	126,329	125,865	509,093	140,389	126,031	120,551	131,142	518,113	145,155	132,830	128,208	139,426	545,618
Gross Profit	154,411	162,242	142,382	133,288	592,323	139,220	147,698	132,988	142,700	562,606	146,762	158,789	144,347	154,796	604,694
Fulfillment	7,290	7,910	8,072	8,532	31,804	9,071	9,401	8,377	8,468	35,317	8,886	9,432	8,460	9,098	35,877
Selling and Distribution	46,586	51,967	46,477	45,389	190,419	51,458	50,893	46,477	48,566	197,394	54,031	51,911	48,801	50,995	205,737
Marketing	45,250	51,921	44,584	39,893	181,648	38,343	51,497	40,126	43,882	173,848	40,644	54,587	42,533	46,515	184,279
General and Administrative	26,835	31,164	28,498	28,815	115,312	28,092	28,552	29,073	29,740	115,457	32,056	31,101	31,655	32,422	127,235
Operating Income	28,450	19,280	14,751	10,659	73,140	12,256	7,355	8,936	12,044	40,590	11,145	11,758	12,897	15,766	51,566
Other expenses (income), net	(516)	(1,813)	(1,440)	293	(3,476)	(6,585)	(2,381)	(500)	(500)	(9,966)	(500)	(500)	(500)	(500)	(2,000)
Pre-tax Income	28,966	21,093	16,191	10,366	76,616	18,841	9,736	9,436	12,544	50,556	11,645	12,258	13,397	16,266	53,566
Taxes	6,398	4,820	4,203	2,498	17,919	4,669	2,433	2,359	3,136	12,597	2,911	3,065	3,349	4,066	13,392
Tax Rate	22.1%	22.9%	26.0%	24.1%	23.4%	24.8%	25.0%	25.0%	25.0%	24.9%	25.0%	25.0%	25.0%	25.0%	25.0%
Net Income	22,568	16,273	11,988	7,868	58,697	14,172	7,303	7,077	9,408	37,960	8,734	9,194	10,048	12,199	40,175
Earnings per Share	\$0.30	\$0.22	\$0.16	\$0.11	\$0.79	\$0.19	\$0.10	\$0.10	\$0.13	\$0.52	\$0.12	\$0.13	\$0.14	\$0.17	\$0.58
Basic shares outstanding (wtd. Avg)	73,264	73,312	73,328	73,349	73,349	73,370	73,442	73,442	73,442	73,442	73,442	73,442	73,442	73,442	73,442
Diluted shares outstanding (wtd. Avg)	74,803	74,635	74,354	74,286	74,286	74,379	74,081	73,367	72,652	72,652	71,938	71,224	70,510	69,795	69,795
EBITDA (adj)	31,543.0	26,878.0	17,676.0	13,383.0	83,793	15,010.0	10,377.0	11,154.5	14,035.9	50,261	13,392.4	14,605.7	15,667.1	18,252.1	61,917
EBITDA margin	11.1%	9.3%	6.6%	5.2%	7.6%	5.4%	3.8%	4.4%	5.1%	4.7%	4.6%	5.0%	5.7%	6.2%	5.4%
Margins															
Gross profit margin	54.5%	55.9%	53.0%	51.4%	53.8%	49.8%	54.0%	52.5%	52.1%	52.1%	50.3%	54.5%	53.0%	52.6%	52.6%
bp change y/y	44	29	(211)	(339)	(117)	(468)	(198)	(53)	68	(172)	48	49	51	50	51
Operating Expenses (Total)	44.4%	49.3%	47.5%	47.3%	47.4%	45.4%	51.3%	48.9%	47.7%	48.3%	46.5%	50.4%	48.2%	47.3%	47.6%
bp change y/y	280	906	27	582	461	98	198	143	39	91	105	(85)	(70)	(46)	(69)
Fulfillment (as % of revenue)	2.6%	2.7%	3.0%	3.3%	2.9%	3.2%	3.4%	3.3%	3.1%	3.3%	3.0%	3.2%	3.1%	3.1%	3.1%
bp change y/y	13	40	64	84	50	67	71	30	(20)	38	(20)	(20)	(20)	0	(15)
Selling and Distribution (as % of revenue)	16.4%	17.9%	17.3%	17.5%	17.3%	18.4%	18.6%	18.3%	17.7%	18.3%	18.5%	17.8%	17.9%	17.3%	17.9%
bp change y/y	247	386	158	165	231	197	68	104	22	98	11	(79)	(43)	(40)	(38)
% change y/y	18%	27%	10%	10%	15%	12%	4%	0%	7%	6%	5%	2%	5%	5%	-2%
Marketing (as % of revenue)	16.0%	17.9%	16.6%	15.4%	16.5%	13.7%	18.8%	15.8%	16.0%	16.1%	13.9%	18.7%	15.6%	15.8%	16.0%
bp change y/y	130	265	(265)	191	74	(225)	91	(77)	63	(41)	21	(9)	(22)	(22)	(7)
% change y/y	9%	17%	-14%	14%	5%	-14%	5%	-10%	10%	-2%	6%	6%	6%	6%	0%
General and Administrative (as % of revenue)	9.5%	10.7%	10.6%	11.1%	10.7%	10.0%	10.4%	11.5%	10.9%	10.7%	11.0%	10.7%	11.6%	11.0%	10.6%
Operating income (adjusted)	10.0%	6.6%	5.5%	4.1%	6.6%	4.4%	2.7%	3.5%	4.4%	3.8%	3.8%	4.0%	4.7%	5.4%	4.5%
bp change y/y	(237)	(878)	(238)	(920)	(554)	(565)	(396)	(197)	28	(288)	(57)	135	121	96	73
% change y/y															
Sales	58%	27%	10%	8%	24%	-1%	-6%	-6%	6%	-2%	4%	7%	8%	7%	6%
EBIT	28%	-45%	-23%	-67%	-33%	-57%	-62%	-39%	13%	-45%	-9%	60%	44%	31%	27%
EPS	-5%	-52%	-28%	-73%	-43%	-37%	-55%	-40%	22%	-34%	-36%	31%	48%	35%	10%

Source: BofA Global Research estimates, company filings

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**Exhibit 2: RVLV Balance Sheet**

Inventories were down 2% exiting the quarter

Balance Sheet (\$ thousands except AOV)	1Q 22	2Q 22	3Q 22	4Q 22	FY 2022	1Q 23	2Q 23	3Q 23E	4Q 23E	FY 2023E	1Q 24E	2Q 24E	3Q 24E	4Q 24E	FY 2024E
Assets															
Current Assets															
Cash	270,607	237,856	244,046	234,724	234,724	283,321	269,329	292,013	269,484	269,484	314,022	284,557	271,802	246,986	246,986
Accounts receivable	11,386	7,814	6,720	5,421	5,421	8,080	11,198	6,028	4,719	4,719	7,440	10,889	5,762	4,384	4,384
Inventories	179,245	208,503	213,328	215,224	215,224	190,152	205,313	202,662	204,463	204,463	171,137	184,782	222,928	224,909	224,909
Income Taxes Receivable	466	6,820	4,133	2,974	2,974	978	6,096	6,010	6,093	6,093	6,163	6,264	6,371	6,486	6,486
<u>Prepaid expenses and other current Assets</u>	<u>58,127</u>	<u>57,019</u>	<u>59,103</u>	<u>59,874</u>	<u>59,874</u>	<u>64,799</u>	<u>59,385</u>	<u>58,552</u>	<u>59,359</u>	<u>59,359</u>	<u>60,035</u>	<u>61,017</u>	<u>62,062</u>	<u>63,181</u>	<u>63,181</u>
Total current assets	519,831	518,012	527,330	518,217	518,217	547,330	551,321	565,265	544,117	544,117	558,796	547,508	568,924	545,945	545,945
Property and equipment, net	8,867	9,048	9,158	8,934	8,934	8,768	8,404	9,305	10,203	10,203	11,147	11,903	12,486	13,106	13,106
Right of use lease assets	16,618	15,783	24,646	22,964	22,964	41,559	39,654	39,654	39,654	39,654	39,654	39,654	39,654	39,654	39,654
Intangible assets	1,259	1,321	1,385	1,600	1,600	1,696	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791
Goodwill	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042
Other non-current assets	3,107	3,256	3,095	807	807	1,249	1,236	1,236	1,236	1,236	1,236	1,236	1,236	1,236	1,236
<u>Deferred income taxes</u>	<u>19,059</u>	<u>19,059</u>	<u>19,059</u>	<u>24,754</u>	<u>24,754</u>	<u>24,754</u>	<u>24,754</u>	<u>24,754</u>	<u>24,754</u>	<u>24,754</u>	<u>24,754</u>	<u>24,754</u>	<u>24,754</u>	<u>24,754</u>	<u>24,754</u>
Total Assets	570,783	568,521	586,715	579,318	579,318	627,398	629,202	644,046	623,797	623,797	639,420	628,888	650,887	628,527	628,527
Liabilities and Equity															
Current Liabilities:															
Accounts payable	75,126	60,087	53,189	50,789	50,789	49,099	46,007	58,696	60,221	60,221	54,289	51,539	61,500	63,418	63,418
Income taxes payable	2,761	96	439	229	229	2,597	1,143	439	229	229	2,597	1,143	439	229	229
Accrued expenses	40,622	43,019	44,491	38,266	38,266	35,519	35,980	45,964	35,386	35,386	40,839	36,969	50,979	35,364	35,364
Returns Reserve	69,626	69,793	72,311	63,381	63,381	73,925	66,350	71,239	62,190	62,190	73,622	68,174	75,510	66,195	66,195
Current lease liabilities	3,829	3,962	5,769	5,844	5,844	4,434	5,456	5,456	5,456	5,456	5,456	5,456	5,456	5,456	5,456
Other current liabilities	25,207	22,829	23,140	22,577	22,577	26,687	30,797	22,797	22,153	22,153	26,578	31,643	24,164	23,579	23,579
<u>Other non-current lease liabilities</u>	<u>13,114</u>	<u>12,522</u>	<u>20,079</u>	<u>18,659</u>	<u>18,659</u>	<u>39,198</u>	<u>37,427</u>	<u>37,427</u>	<u>37,427</u>	<u>37,427</u>	<u>37,427</u>	<u>37,427</u>	<u>37,427</u>	<u>37,427</u>	<u>37,427</u>
Total Liabilities	230,285	212,308	219,418	199,745	199,745	231,459	223,160	242,018	223,062	223,062	240,807	232,351	255,474	231,668	231,668
Total Shareholders' Equity	340,498	356,213	367,297	379,573	379,573	395,939	406,042	402,028	400,736	400,736	398,613	396,537	395,412	396,860	396,860
TOTAL LIABILITIES AND EQUITY	570,783	568,521	586,715	579,318	579,318	627,398	629,202	644,046	623,797	623,797	639,420	628,888	650,887	628,527	628,527

Source: BofA Global Research estimates, company filings

BofA GLOBAL RESEARCH

Exhibit 3: RVLV Cash Flow Statement

Management announced a \$100mn share buyback program

Cash Flow Statement (\$ thousands except AOV)	1Q 22	2Q 22	3Q 22	4Q 22	FY 2022	1Q 23	2Q 23	3Q 23E	4Q 23E	FY 2023E	1Q 24E	2Q 24E	3Q 24E	4Q 24E	FY 2024E
Cash from Operations															
Net Income	22,568	16,273	11,988	7,868	58,697	14,172	7,303	4,895	8,008	34,378	7,021	6,654	7,702	10,695	32,073
Depreciation and amortization	1,102	1,203	1,214	1,272	4,791	1,218	1,241	1,128	1,292	4,879	1,391	1,578	1,597	1,734	6,300
Equity based compensation	1,491	1,395	1,524	1,452	5,862	1,278	1,723	1,091	700	4,792	856	1,270	1,173	752	4,051
Deferred income taxes	0	0	0	(5,695)	(5,695)	0	0	0	0	0	0	0	0	0	0
Changes in operating assets and liabilities:															
Accounts receivable	(6,747)	3,572	1,094	1,299	(782)	(2,659)	(3,118)	5,170	1,309	702	(2,721)	(3,449)	5,127	1,378	335
Inventory	(7,986)	(29,258)	(4,825)	(1,896)	(43,965)	25,072	(15,161)	2,651	(1,801)	10,761	33,326	(13,645)	(38,146)	(1,981)	(20,446)
Income Taxes receivable	2,909	(6,354)	2,687	1,159	401	1,996	(5,118)	86	(83)	(3,119)	(69)	(101)	(107)	(115)	(392)
Prepaid and Other assets	(16,013)	1,108	(2,084)	(771)	(17,760)	(4,925)	5,414	833	(807)	515	(676)	(983)	(1,044)	(1,119)	(3,822)
Other Assets	(361)	(149)	161	2,288	1,939	(442)	13.0	0.0	0.0	(429)	0.0	0.0	0.0	0.0	0
Accounts payable	20,781	(15,039)	(6,898)	(2,400)	(3,556)	(1,690)	(3,092.0)	12,689.3	1,525.0	9,432	(5,932.2)	(2,750.3)	9,961.5	1,917.9	3,197
Income Taxes Payable	2,761	(2,665)	343	(210)	229	2,368	(1,454)	-704	-210	0	2,368	-1,454	-704	-210	0
Accrued expenses	6,723	2,397	1,472	(6,225)	4,367	(2,747)	461.0	9,983.6	(10,578.1)	(2,880)	5,453.0	(3,869.7)	14,009.9	(15,615.3)	(22)
Returns reserve	20,330	167	2,518	(8,930)	14,085	10,544	(7,575.0)	4,889.2	(9,049.2)	(1,191)	11,431.9	(5,448.4)	7,336.1	(9,314.9)	4,005
Other liabilities	6,239	(2,002)	812	(226)	4,823	4,644	5,266.0	(8,000.0)	(644.3)	1,266	4,424.8	5,065.8	(7,479.8)	(584.3)	1,427
Net cash provided by Operating activities	53,797.0	(29,352.0)	10,006.0	(11,015.0)	23,436.0	48,829.0	(14,097.0)	34,711.9	(10,338.0)	59,105.9	56,873.8	(17,132.0)	(575.0)	(12,462.4)	26,704.4
Cash from Investing Activities															
Purchase of property & equipment	(1,070)	(1,446)	(1,388)	(1,263)	(5,167)	(1,148)	(972)	(2,028)	(2,191)	(6,339)	(2,335)	(2,333)	(2,180)	(2,354)	(9,202)
Other investing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net cash provided by investing activities	(1,070.0)	(1,446.0)	(1,388.0)	(1,263.0)	(5,167.0)	(1,148.0)	(972.0)	(2,028.3)	(2,190.7)	(6,339.1)	(2,335.3)	(2,332.9)	(2,180.4)	(2,353.8)	(9,202.5)
Cash from Financing activities															
Repurchase of Common Stock	0	0	0	0	0	0	0.0	(10,000)	(10,000)	(20,000)	(10,000)	(10,000)	(10,000)	(10,000)	(40,000)
Proceeds from exercise of stock options, net	126	242	128	391	887	161	249.0	0.0	0.0	410	0.0	0.0	0.0	0.0	0
Other	0	0	0	0	0	0	0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Net cash provided by financing activities	126.0	242.0	128.0	391.0	887.0	161.0	249.0	(10,000)	(10,000)	(19,590)	(10,000)	(10,000)	(10,000)	(10,000)	(40,000)
<u>Effect of exchange rate changes on cash</u>	<u>(701)</u>	<u>(2,195)</u>	<u>(2,556)</u>	<u>2,565</u>	<u>(2,887)</u>	<u>755</u>	<u>828.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1,583</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0</u>
Change in cash	52,853	(30,556)	8,746	(11,887)	19,156	47,842	-14,820	22,684	-22,529	33,177	44,538	-29,465	-12,755	-24,816	(22,498)
Beginning cash balance	218,455	270,607	237,856	244,046	218,455	234,724	283,321	269,329	292,013	234,724	269,484	314,022	284,557	271,802	269,484
Ending cash balance	270,607	237,856	244,046	234,724	234,724	283,321	269,329	292,013	269,484	269,484	314,022	284,557	271,802	246,986	246,986
Free Cash Flow															
Operating Cash	53,797	-29,352	10,006	-11,015	23,436	48,829	-14,097	34,712	-10,338	59,106	56,874	-17,132	-575	-12,462	26,704
Less Capex	1,070	1,446	1,388	1,263	5,167	1,148	972	2,028	2,191	6,339	2,335	2,333	2,180	2,354	9,202
Free Cash Flow	52,727	-30,798	8,618	-12,278	18,269	47,681	-15,069	32,684	-12,529	52,767	54,538	-19,465	-2,755	-14,816	17,502
<i>Y/Y Change in FCF</i>	<i>62%</i>	<i>-194%</i>	<i>543%</i>	<i>88%</i>	<i>-70%</i>	<i>-10%</i>	<i>-51%</i>	<i>279%</i>	<i>2%</i>	<i>189%</i>	<i>14%</i>	<i>29%</i>	<i>-108%</i>	<i>18%</i>	<i>-67%</i>
TTM Free Cash Flow	80,372	16,744	24,022	18,269	18,269	13,223	28,952	53,018	52,767	52,767	59,624	55,228	19,789	17,502	17,502
FCF per share	\$0.70	(\$0.41)	\$0.12	(\$0.17)	\$0.25	\$0.64	(\$0.20)	\$0.45	(\$0.17)	\$0.73	\$0.76	(\$0.27)	(\$0.04)	(\$0.21)	\$0.25

Source: BofA Global Research estimates, company filings

BofA GLOBAL RESEARCH



Price objective basis & risk

Revolve (RVLV)

Our \$14 price objective is based on 12x F24E EV/EBITDA, which is in line with Revolve's multiple in the six months before the pandemic.

Upside risks: Results could hold up better in the near term than other retailers given its primarily fashion offering (versus casual) and higher-end demographic focus, estimate cuts could be greeted with a surge in the stock as the worst is behind, or the macro climate could fare better than we expect, paving the way for better sales growth than we are modeling.

Downside risks: the consumer could pull back faster than we expect due to inflation, pandemic-recovery margin gains may unwind through higher promotional activity, execution on the ramp of owned brand penetration, and shifts in the broader consumer trends away from products in categories Revolve offers.

Analyst Certification

I, Lorraine Hutchinson, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Softline Retailing and Dept Stores Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	a.k.a. Brands	AKA	AKA US	Alice Xiao
	Allbirds	BIRD	BIRD US	Lorraine Hutchinson, CFA
	Bath & Body Works Inc	BBWI	BBWI US	Lorraine Hutchinson, CFA
	Burlington Stores	BURL	BURL US	Lorraine Hutchinson, CFA
	Deckers Outdoor Corp	DECK	DECK US	Christopher Nardone
	European Wax Center	EW CZ	EW CZ US	Lorraine Hutchinson, CFA
	lululemon athletica Inc	LULU	LULU US	Lorraine Hutchinson, CFA
	PVH Corp	PVH	PVH US	Christopher Nardone
	Ralph Lauren	RL	RL US	Christopher Nardone
	Ross Stores Inc	ROST	ROST US	Lorraine Hutchinson, CFA
	Tapestry Inc.	TPR	TPR US	Lorraine Hutchinson, CFA
	TJX Companies	TJX	TJX US	Lorraine Hutchinson, CFA
	Torrid Inc.	CURV	CURV US	Alice Xiao
	Urban Outfitters	URBN	URBN US	Lorraine Hutchinson, CFA
	Victoria's Secret & Co	VSCO	VSCO US	Lorraine Hutchinson, CFA
NEUTRAL				
	Capri Holdings Ltd	CPRI	CPRI US	Lorraine Hutchinson, CFA
	FIGS, Inc.	FIGS	FIGS US	Alice Xiao
	Foot Locker	FL	FL US	Lorraine Hutchinson, CFA
	Levi Strauss & Co.	LEVI	LEVI US	Christopher Nardone
	Lulu's Fashion Lounge	LVLU	LVLU US	Alice Xiao
	Nike	NKE	NKE US	Lorraine Hutchinson, CFA
	Signet Jewelers	SIG	SIG US	Lorraine Hutchinson, CFA
	Ulta Beauty	ULTA	ULTA US	Lorraine Hutchinson, CFA
	Under Armour Inc	UAA	UAA US	Lorraine Hutchinson, CFA
UNDERPERFORM				
	American Eagle	AEO	AEO US	Christopher Nardone
	Aritzia	YATZ	ATZ CN	Alice Xiao



US - Softline Retailing and Dept Stores Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Aritzia	ATZAF	ATZAF US	Alice Xiao
	Carter's Inc	CRI	CRI US	Christopher Nardone
	Gap Inc.	GPS	GPS US	Lorraine Hutchinson, CFA
	Kohl's	KSS	KSS US	Lorraine Hutchinson, CFA
	Macy's	M	M US	Lorraine Hutchinson, CFA
	Nordstrom	JWN	JWN US	Lorraine Hutchinson, CFA
	Revolve	RVLV	RVLV US	Lorraine Hutchinson, CFA
	V F Corp	VFC	VFC US	Lorraine Hutchinson, CFA

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Return On Equity

Net Income

Operating Margin

Operating Profit

Earnings Growth

Expected 5 Year CAGR From Latest Actual

Free Cash Flow

Cash Flow From Operations – Total Capex

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Numerator

Cash Flow From Operations

Denominator

Net Income

Asset Replacement Ratio

Capex

Depreciation

Tax Rate

Tax Charge

Pre-Tax Income

Net Debt-To-Equity Ratio

Net Debt = Total Debt – Cash & Equivalents

Total Equity

Interest Cover

EBIT

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Numerator

Current Share Price

Denominator

Diluted Earnings Per Share (Basis As Specified)

Price / Book Value

Current Share Price

Shareholders' Equity / Current Basic Shares

Dividend Yield

Annualised Declared Cash Dividend

Current Share Price

Free Cash Flow Yield

Cash Flow From Operations – Total Capex

Market Cap = Current Share Price × Current Basic Shares

Enterprise Value / Sales

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Sales

Other LT Liabilities

EV / EBITDA

Enterprise Value

Basic EBIT + Depreciation + Amortization

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Important Disclosures

Revolve (RVLV) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	212	53.13%	Buy	103	48.58%
Hold	89	22.31%	Hold	45	50.56%
Sell	98	24.56%	Sell	30	30.61%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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