



**Q2 2019
Earnings Call**



Forward-Looking Statements

The information presented herein may contain forward-looking statements. Such forward-looking statements include all statements other than statements of historical fact, including forecasts of trends. You should not place undue reliance on any forward-looking statements, which speak only as of the date they were made. We undertake no obligation to update any forward-looking statements as a result of any new information, future developments or otherwise. Forward-looking statements are inherently difficult to predict. Accordingly, actual results could differ materially for a variety of reasons, including, but not limited to, the amount and timing of our capital expenditures, results of our ongoing review of strategic initiatives including any decision regarding whether to sell our e-commerce business, initiatives to improve the performance of our retail business, adverse tax, regulatory or legal developments, competition, and any inability to achieve and/or maintain profitability, generate positive cash flow from operations, raise capital, or borrow funds on acceptable terms. Other risks and uncertainties include, among others, the inherent risks associated with the businesses that Medici Ventures and tZERO are pursuing, including whether tZERO's joint venture with Box Digital Markets, LLC will be able to achieve its objectives, the regulatory, technical, operational and other obstacles tZERO faces in each of its initiatives, the effects of key business personnel moving from our retail business to our Medici Ventures and tZERO businesses or otherwise leaving, our continually evolving business model, difficulties we may have with our infrastructure, our fulfillment partners or our payment processors, including cyber-attacks or data breaches affecting us or any of them, and difficulties we may have with our search engine optimization results. More information about factors that could potentially affect our financial results is included in our Form 10-K for the year ended December 31, 2018, which was filed with the Securities and Exchange Commission on March 18, 2019, in our Form 10-Q for the quarter ended March 31, 2019, which was filed with the Securities and Exchange Commission on May 9, 2019, and in our subsequent filings with the Securities and Exchange Commission. The Form 10-K, and our subsequent filings with the Securities and Exchange Commission identify important factors that could cause our actual results to differ materially from those contained in or contemplated by our projections, estimates and other forward-looking statements.

Agenda

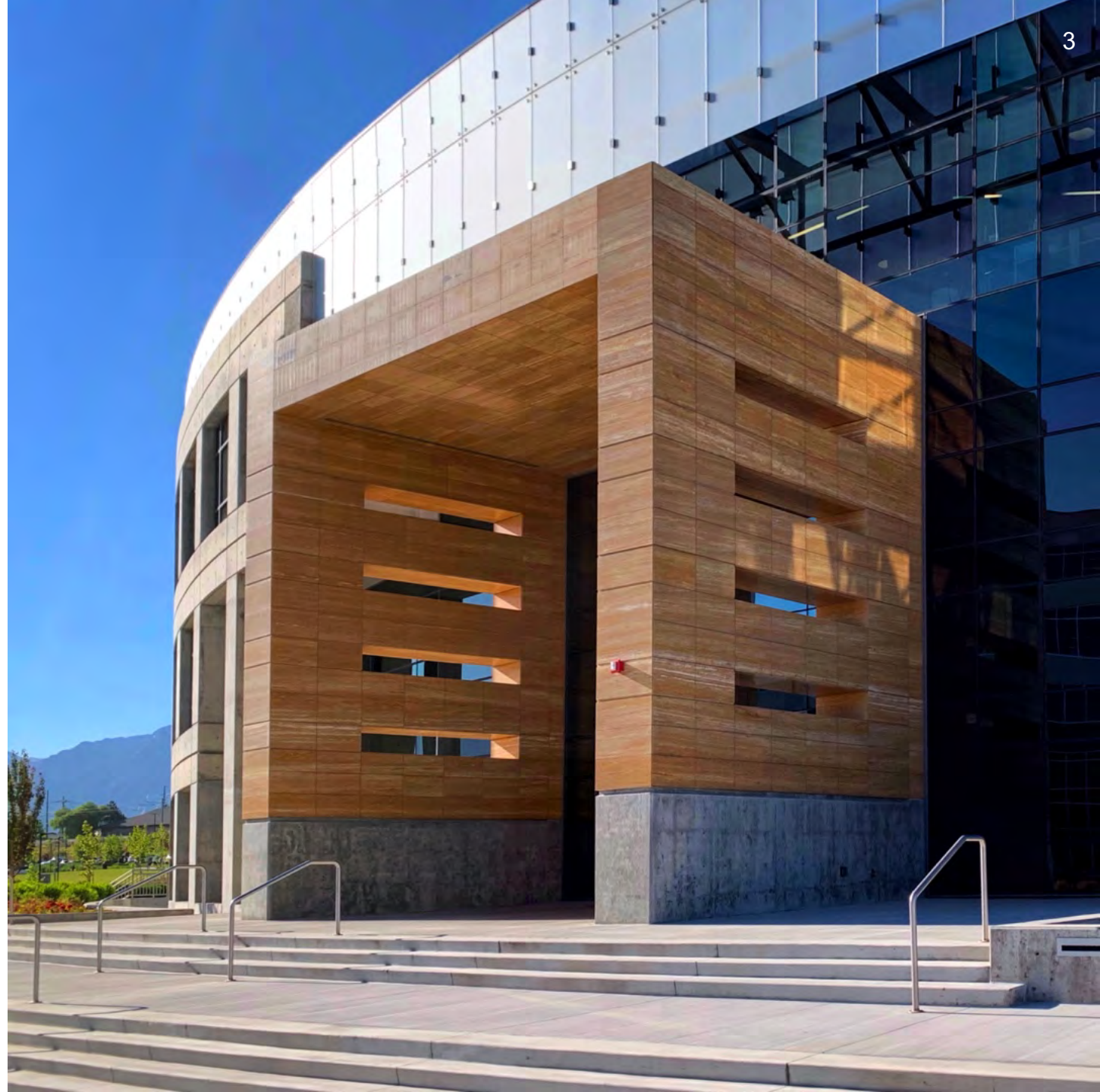
1. Medici Ventures

A. tZERO

B. Other Medici *Keiretsu* Companies

2. Retail

3. Q&A





MEDICI
VENTURES

A Blockchain Technology Stack for Civilization

MEDICI VENTURES

Identity



Land Titling



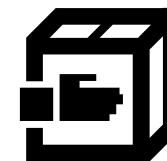
Banking & Currency



Capital Markets



Supply Chain



Voting



MINDS

MEDICI LAND GOVERNANCE

bitt

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FACTOM

SettleMint

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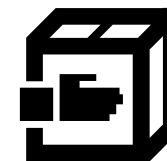
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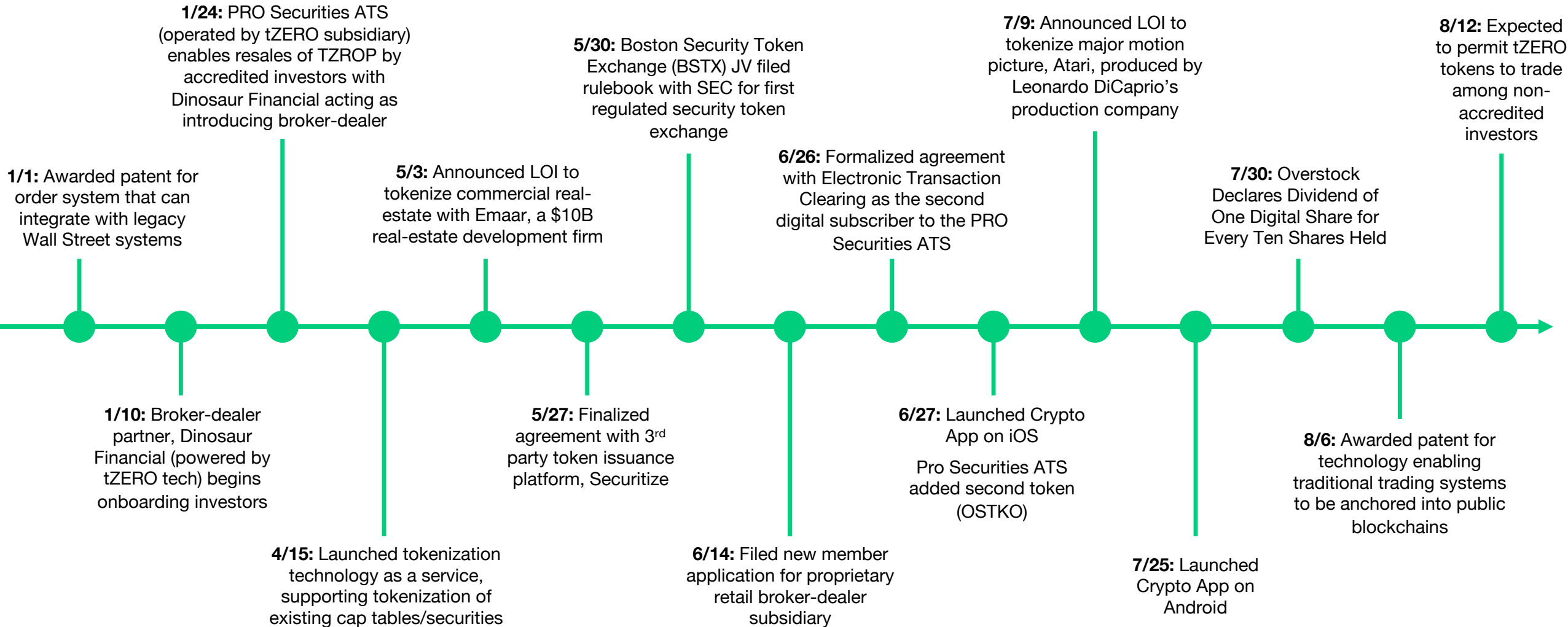
BANKORUS



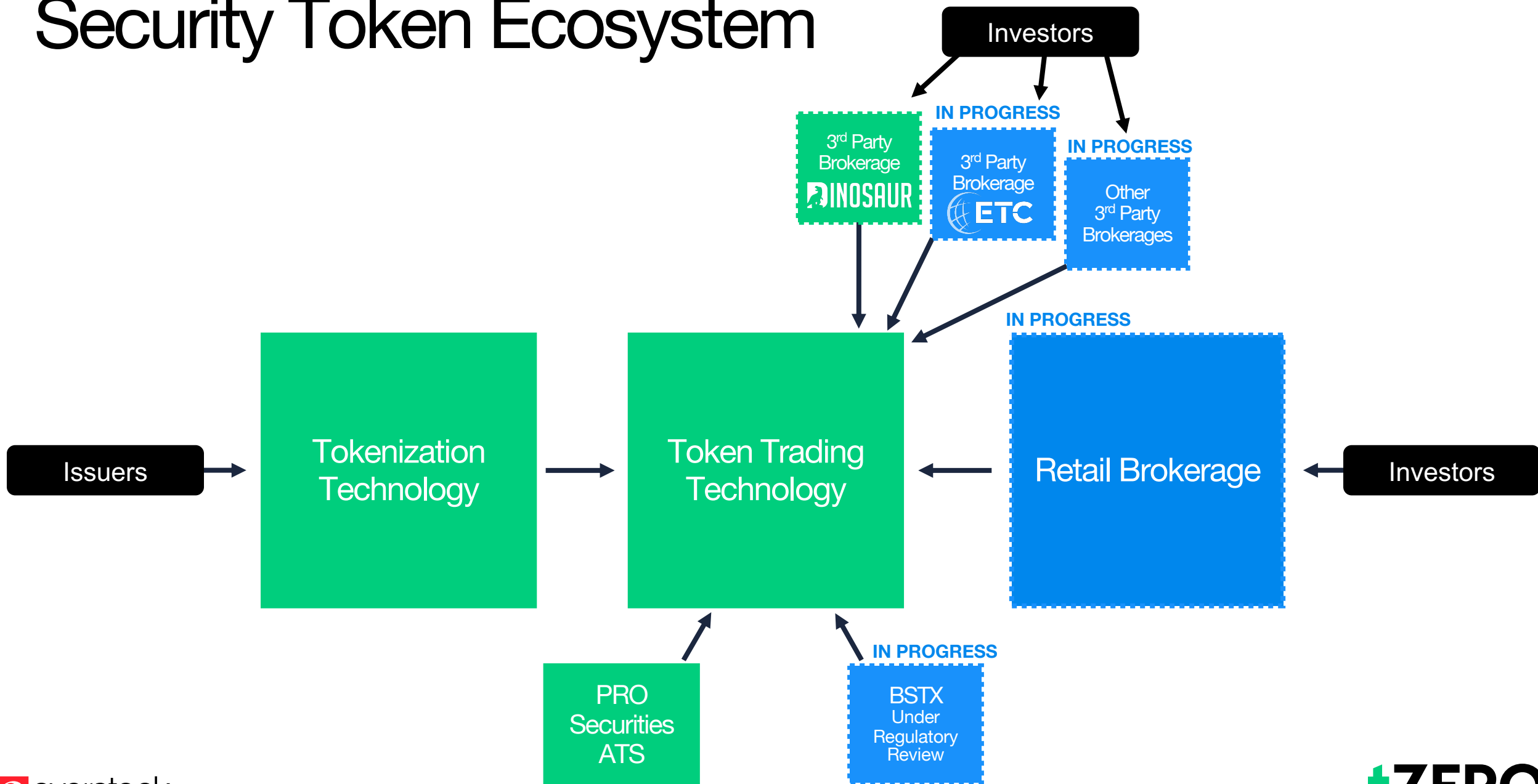
tZERO

The Next Generation of Capital Markets

Key Milestones Achieved in 2019



Security Token Ecosystem



Company Priorities

1. Onboard Quality Tokens
2. Enhance Liquidity
3. DLRs 2.0: Security Lending Solution
4. Boston Security Token Exchange (BSTX)

1. Onboard Quality Tokens

- a. OSTKO as Second Security Token Trading on Platform – 6/27 ✓
- b. Announced Plans to Tokenize Major Motion Picture (Atari) – 7/9 ✓
- c. Ongoing Discussions with Potential New Issuers – In Progress

2. Enhance Liquidity

- a. Filed for tZERO Retail Broker-Dealer – 6/14 ✓
- b. Launched tZERO Crypto App – 6/27 ✓
- c. Announced OSTKO Dividend – 7/30 ✓
- d. TZROP Freely Tradable by Non-Accredited Investors – 8/12
- e. Integrating Additional Broker-Dealers – Ongoing

3 & 4. Other Initiatives

3. DLRs 2.0: Security Lending Solution
 - a. Launch Market Data Feed – 8/2 ✓
 - b. Integrate Order Management System – October
4. Boston Security Token Exchange (BSTX) – 2019

New Additions to Leadership



Brooke Navarro

Head of Issuance

- 10+ years of experience
- MBA, Columbia Business School
- BS, The George Washington University



Mike Mougias

Head of Investor Relations

- 10+ years of experience
- BA, Sacred Heart University



Alex Sotiropoulos

Head of Communications

- 5+ years of experience
- BA, Kenyon College

Strategic Investments

- Makara
- GSR

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Identity



Land Titling



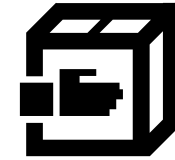
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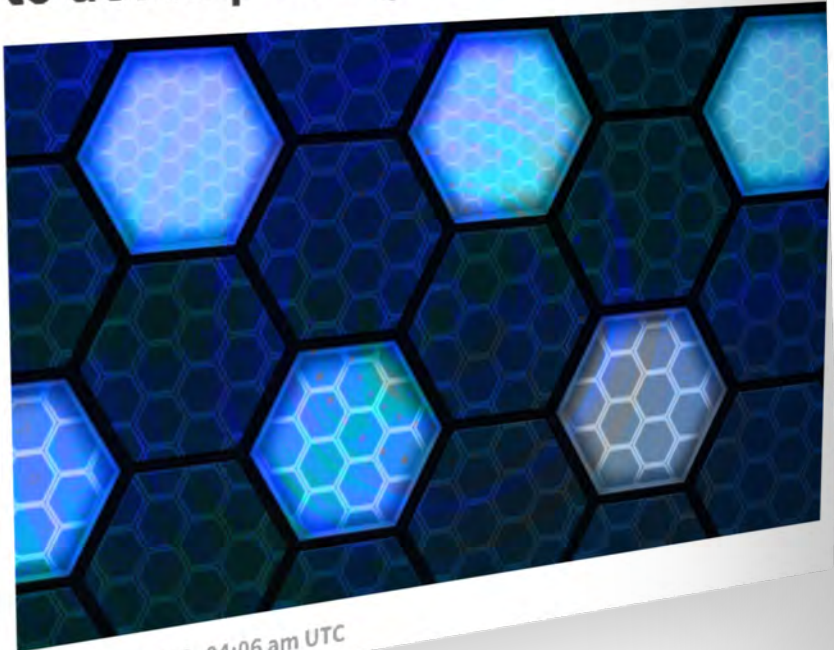
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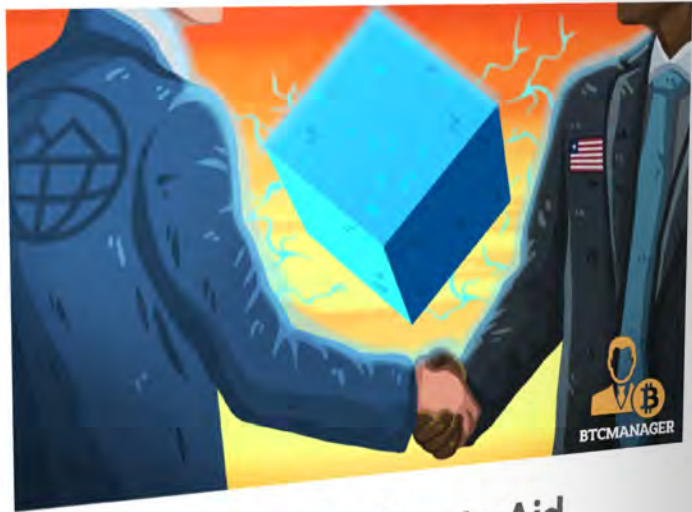
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SettleMint

Overstock.com's blockchain subsidiary signs MOU with Lusaka city to develop land governance platform



Fri, 24 May 2019, 04:06 am UTC



Overstock Subsidiary to Aid Liberia with Blockchain Development

Reading Time: 2 minutes by [Anastasiya Liwan](#) on June 11, 2019 [Blockchain](#)
 In a [press release](#) issued on June 10, 2019, Overstock.com announced that its blockchain subsidiary, Medici Land Governance (MLG) had inked a Memorandum of Understanding (MoU) with [Liberia's Ministry of Finance and Development Planning](#).



BLOCKCHAIN June 17, 2019 • [Daily Hodl Staff](#)

Overstock Reports First Blockchain-Registered Land in the US in Wyoming

Wyoming's Teton County is the first in the US to register land titles on a blockchain-based platform, according to an announcement from Overstock.com. The e-commerce retailer says its blockchain subsidiary Medici Land Governance (MLG) has recorded land records that include warranty deeds, mortgages, release of liens, and other similar documents on its blockchain-based platform.

Blockchain Fintech Firm Bitt Digital Finally Gets Approval from Barbados Central Bank

By Lillian Peter - July 16, 2019 Cryptocurrency News - Legal & Regulation



After an 8-month long review, **Bitt** Digital Inc. has finally exited the rigorous Regulatory Sandbox of the Central Bank of Barbados and the Financial Services Commission. The process was successfully completed on July 5, 2019, making the company the first to achieve this almost insurmountable feat.

Bitt Digital, Part of Overstock's Medici Ventures, Becomes First Company to Exit Central Bank of Barbados Sandbox

July 15, 2019 @ 10:42 am By [JD Alois](#)

Bitt Digital Inc., a portfolio company of Overstock's (NASDAQ:OSTK) Medici Ventures, has become the first company to successfully complete the regulatory sandbox by the Central Bank of Barbados and the Financial Services Commission.

Medici Ventures invested \$4 million in Bitt in early 2016. The investment came shortly after Bitt's launch of a digitized Barbadian Dollar.



COMPUTERWORLD UNITED STATES INSIDER   

NEWS ANALYSIS

Utah County to pilot blockchain-based mobile voting

A large Utah county is testing mobile absentee voting for military members and dependents living overseas, but some experts say online voting endangers the very democracy the U.S. military is supposed to protect.

 **By Lucas Mearian**
Senior Reporter, Computerworld | 23 JULY 2019 10:46 PT



coindesk Blockchain 101 Technology Markets Business Data & Research Events



Utah County to Offer Blockchain Voting App in Municipal Elections

 Daniel Palmer    NEWS

Jul 23, 2019 at 11:00 UTC # Updated Jul 23, 2019 at 11:09 UTC

Utah County is to pilot the mobile voting app from Voatz in its municipal primary election in August.

According to a press release on Tuesday, the county will offer the blockchain-based voting service to active-duty military, their eligible dependents and overseas voters. The pilot is a collaboration between the Utah County Elections Division, Voatz, Tusk Philanthropies and the National Cybersecurity Center.

MEDICI VENTURES

Identity



Land Titling



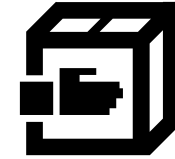
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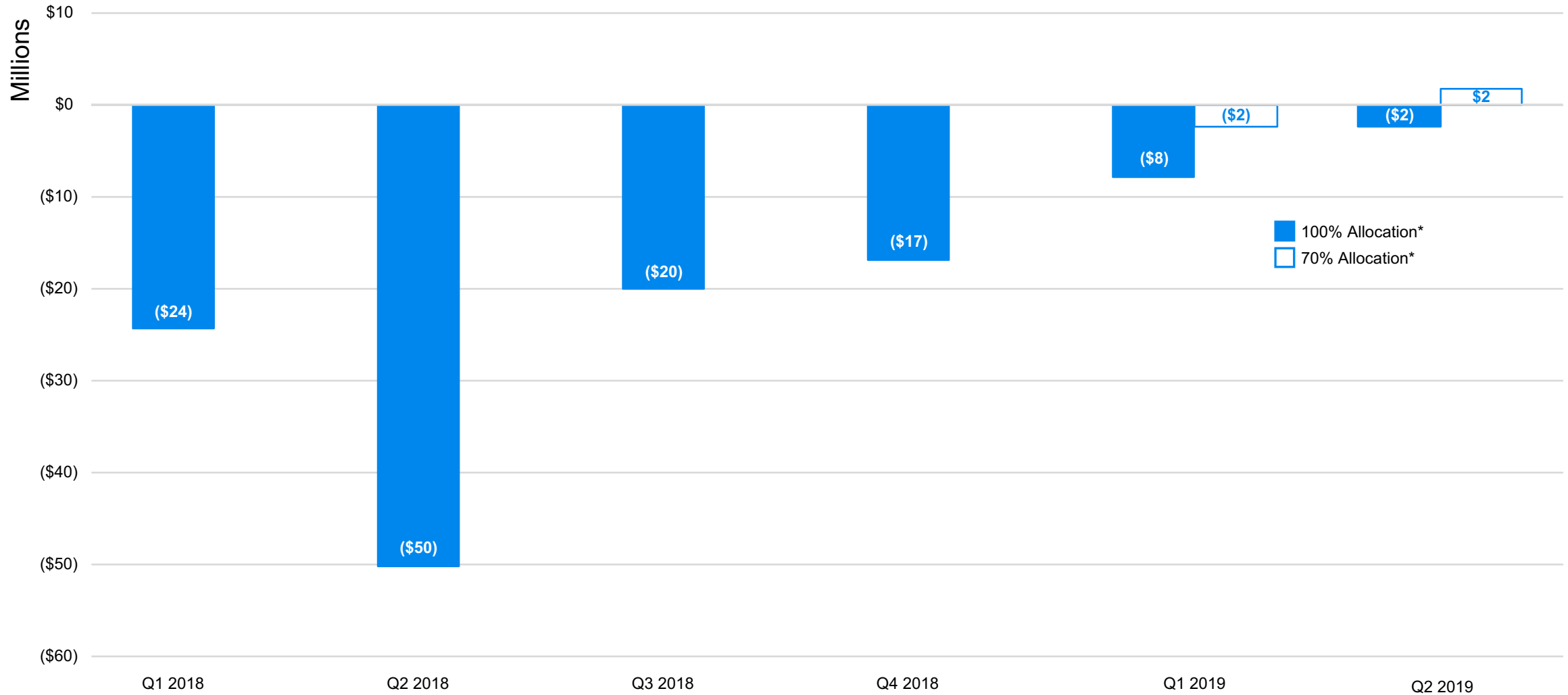
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Retail



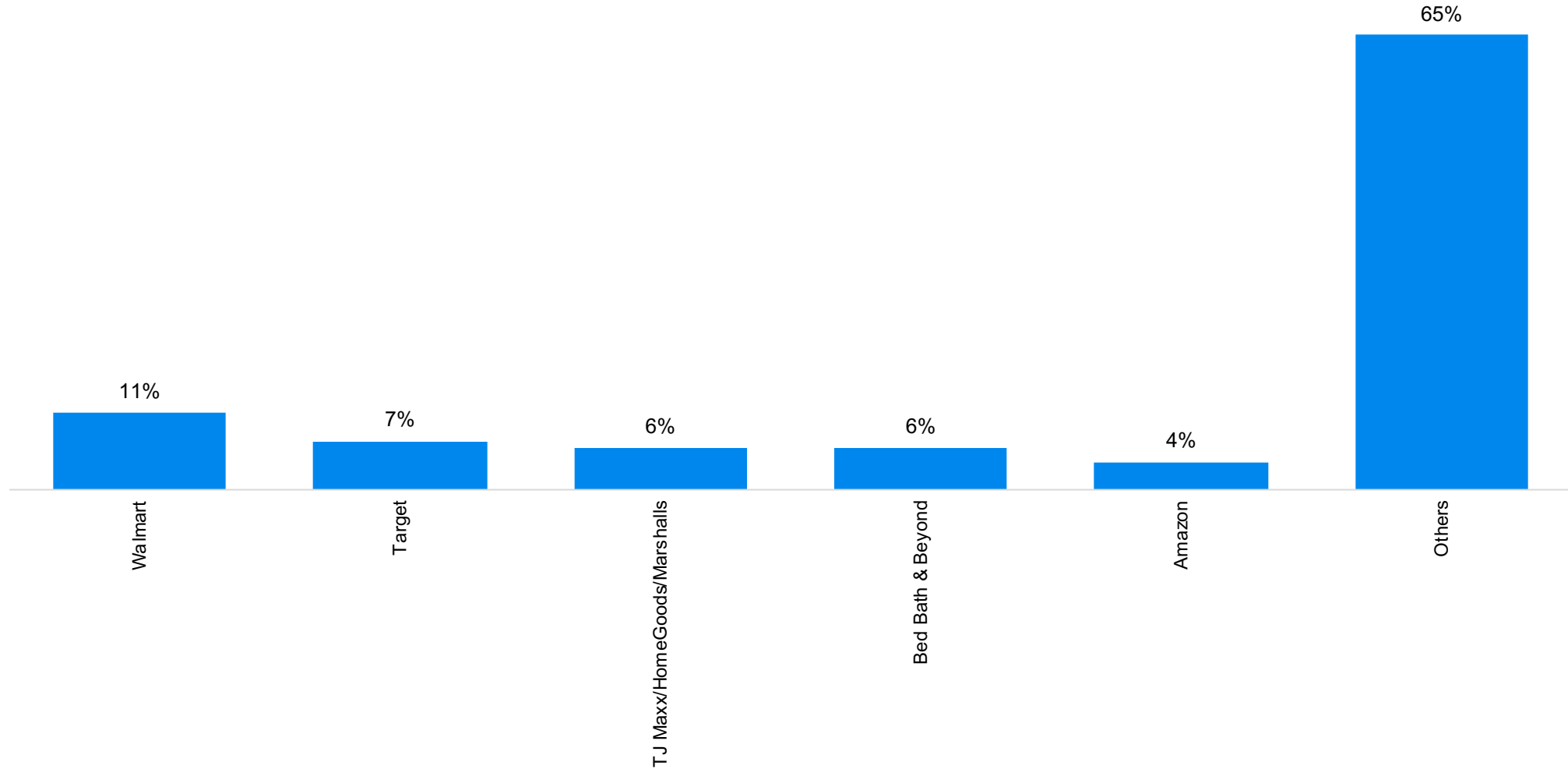
Quarterly Retail Adjusted EBITDA



* Refers to the allocation of Shared Service costs (Finance, Legal, HR, Administration, etc.). Prior periods reflect a 100% allocation to Retail.
Retail Adjusted EBITDA is a non-GAAP financial measure. See *Reconciliation in Appendix*

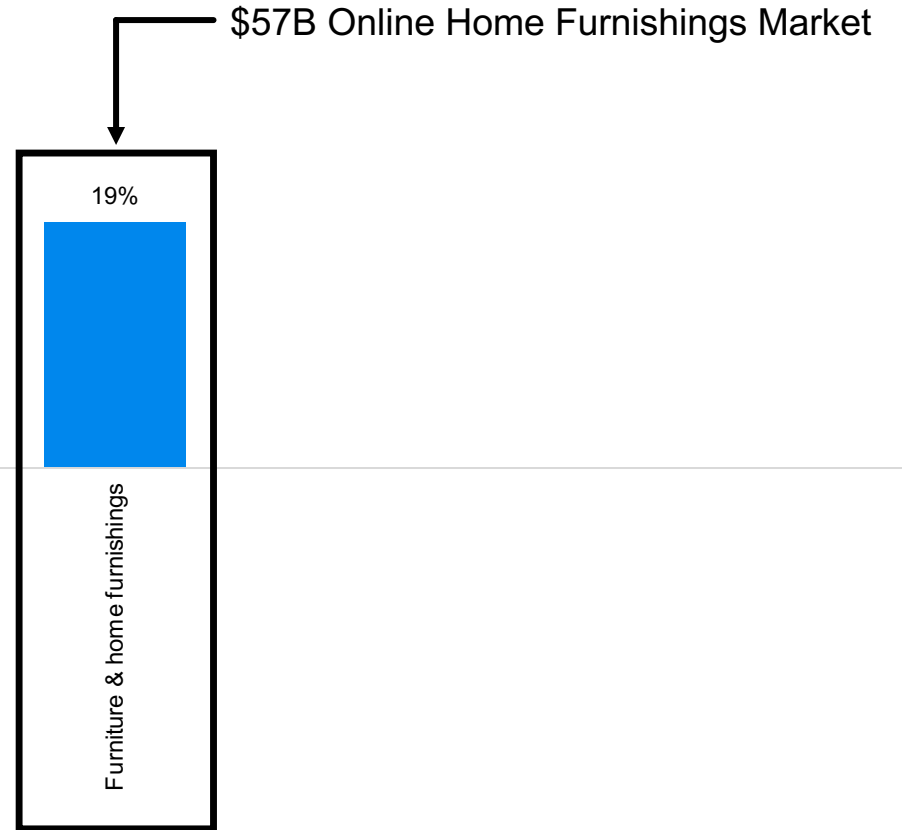
Home Furnishings: A \$301B Fragmented Market

U.S. Market Share of Home Furnishings Retail

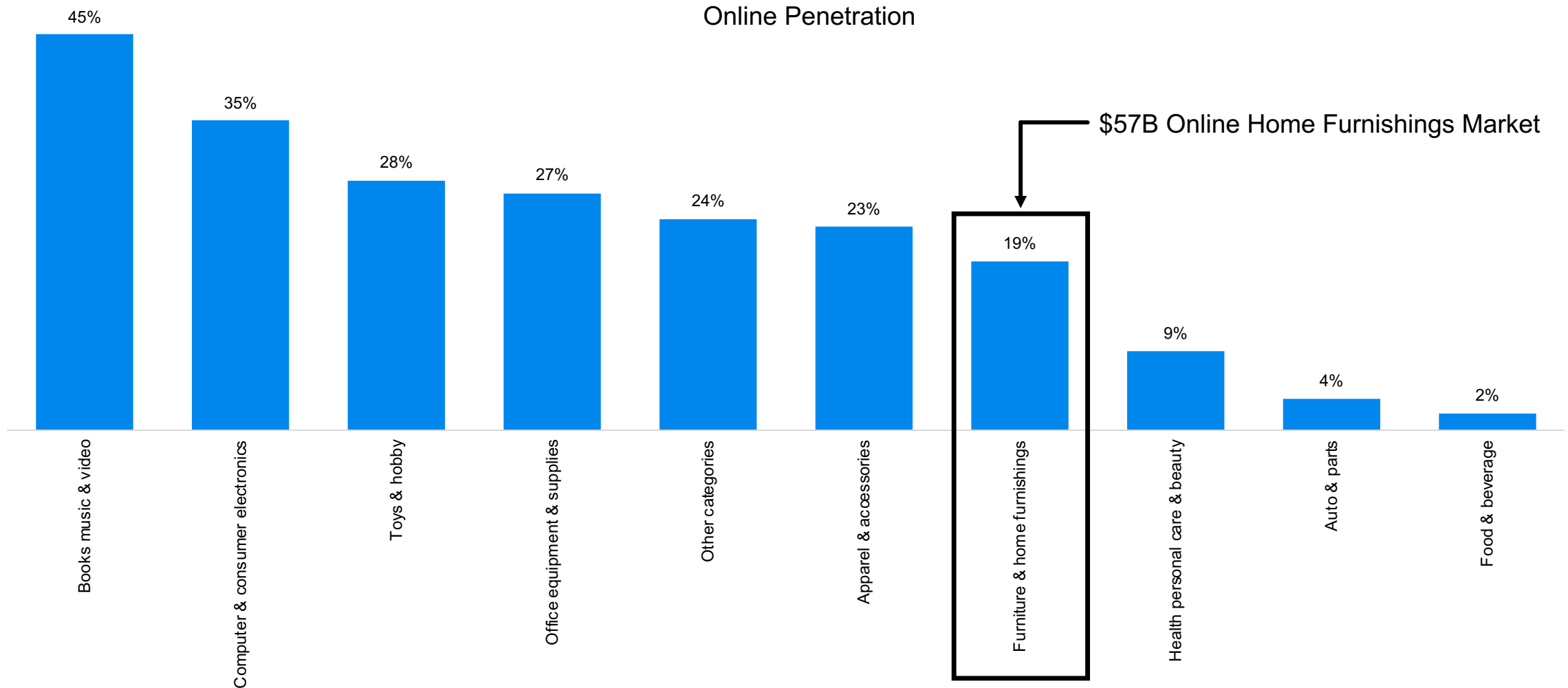


Home Furnishings: A \$301B Fragmented Market

Online Penetration

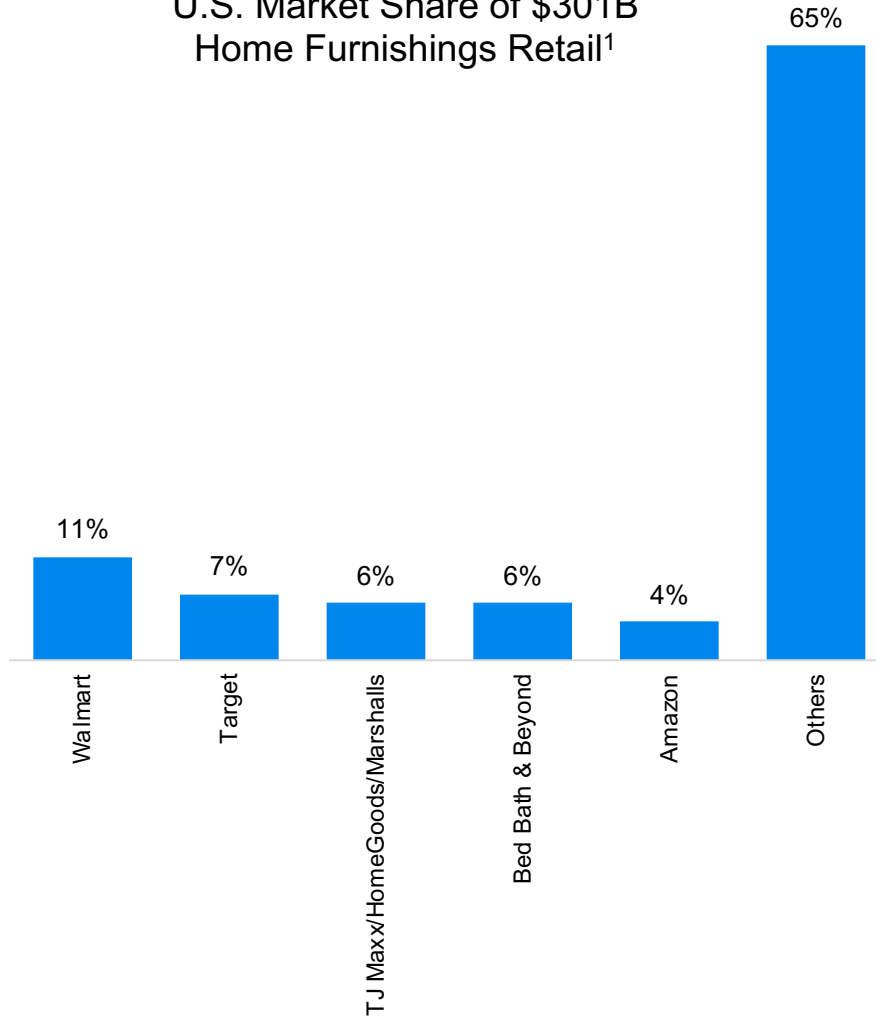


Home Furnishings: A \$301B Fragmented Market

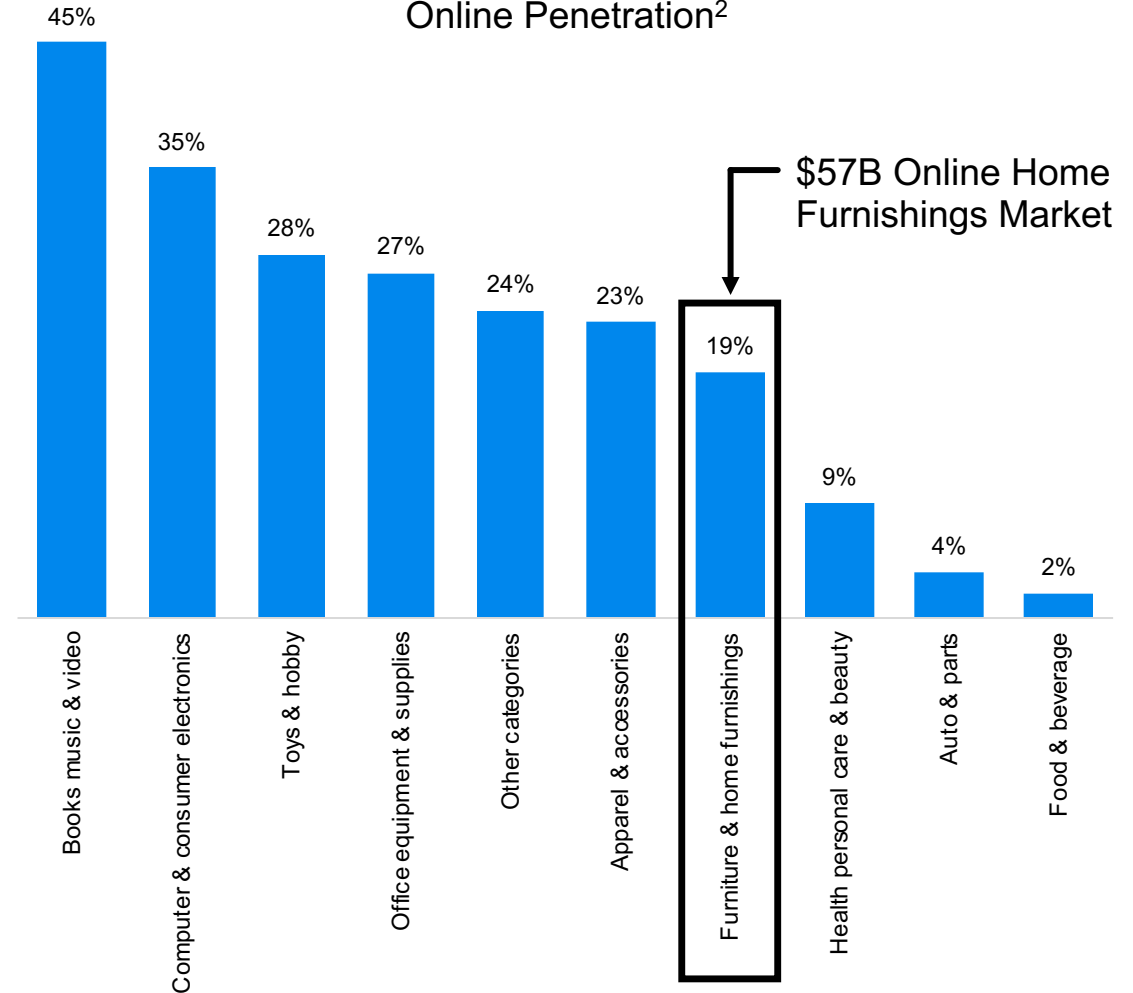


Home Furnishings: A \$301B Fragmented Market

U.S. Market Share of \$301B
Home Furnishings Retail¹



Online Penetration²



Sources:

1) At Home. "Sales Share of Homewares and Home Furnishings Stores in The United States in 2017." *Statista*, Statista Inc., 27 Mar 2019

2) eMarketer, Inc., 2018

Playing to Our Strengths



overstock



Savvy Shoppers



Reluctant Refreshers



Home Retail Market Segmentation

- Produced Six Major Customer Segments
- Segmented on:
 - Shopping Behaviors
 - Decorating and Shopping Attitudes
 - Demographics
 - Spending

Focusing Where Overstock Has the Right to Win

- Combined Market Spend of 40%
- Deal Driven & Low Hassle
- Over-Indexed Shopping at Overstock

Playing to Our Strengths



Shared Characteristics of Savvy Shoppers / Reluctant Refreshers

- Want a Great Deal on Quality Items
- Seek Balance in Function, Style, Ease, and Price
- Want a Beautiful, Comfortable Home
- Delight in Achieving their Decorating Vision

Expanding Our Advantage

Dream Homes for All

Build a Personal Relationship with Each Customer

- World-Class Data Platform and CRM
- Industry-Leading Content
- Dynamic Templating
- Machine Learning

Create 'Smart' Value for our Customers

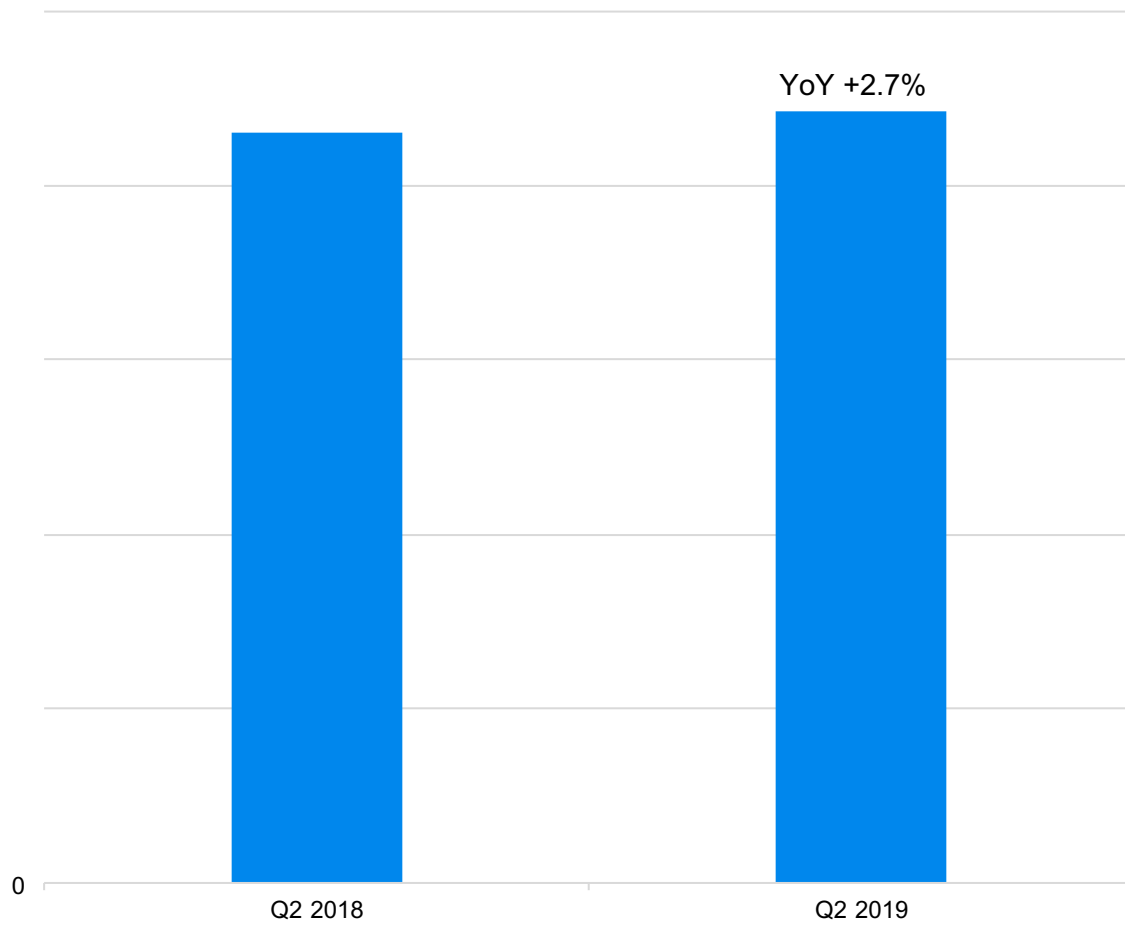
- Quality Assortment and On-Site Experience
- Build Confidence in Value
- Streamlining Promotions

Deliver an Easy, Seamless Shopping Journey

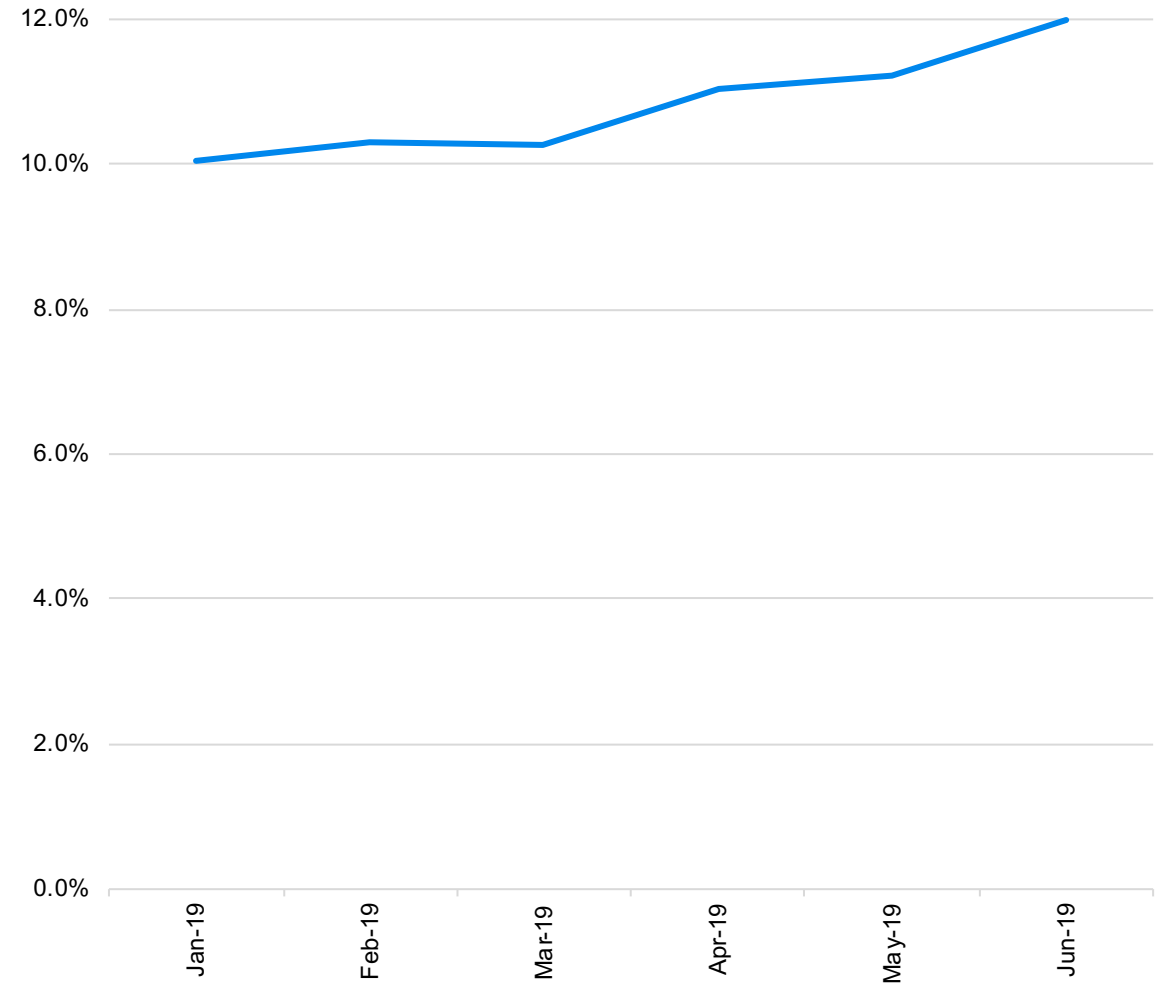
- Hassle-Free Shipping
- Easy Returns
- Simplified Product Discovery

Build a Personal Relationship with Each Customer

28 Day Repeat Customer % Average

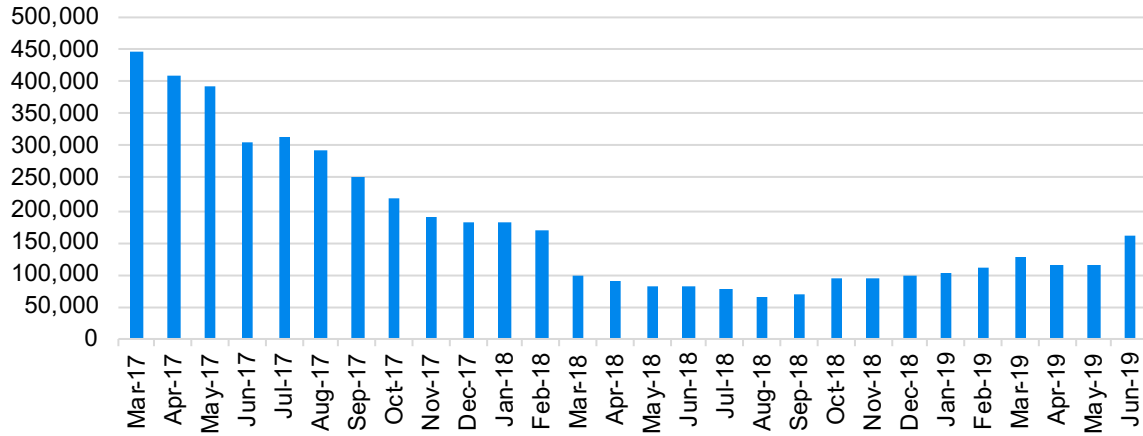


Private Label GMS % of Total



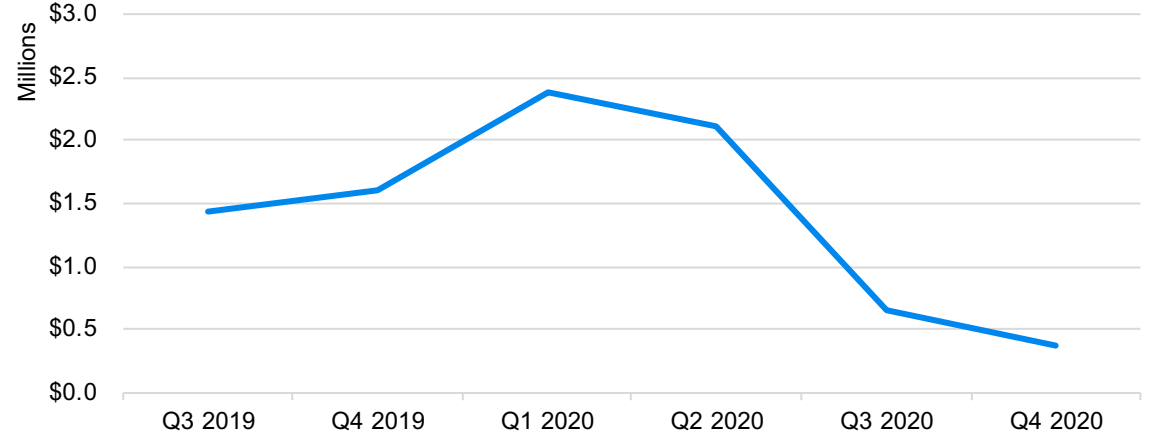
Create 'Smart' Value for Our Customers

SEO Top 3 Keywords (All Categories)

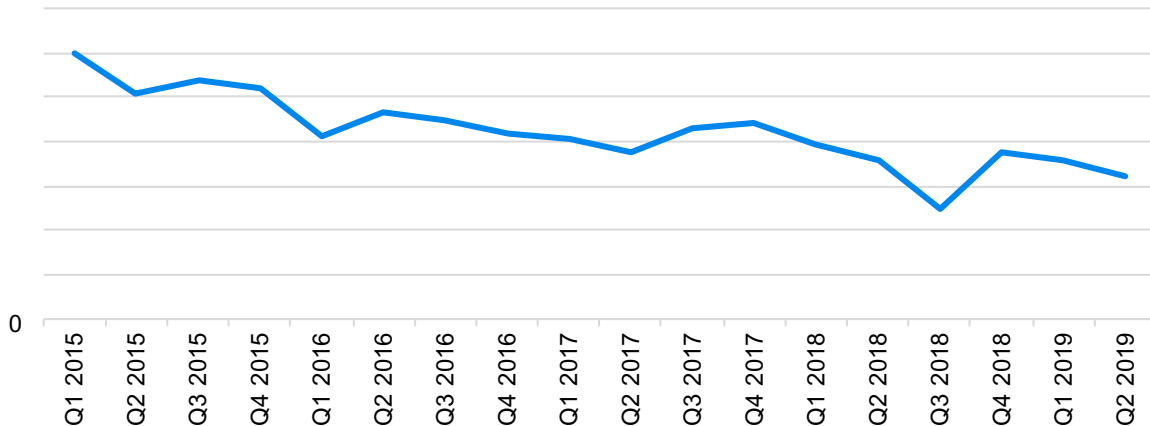


Source: SEMrush

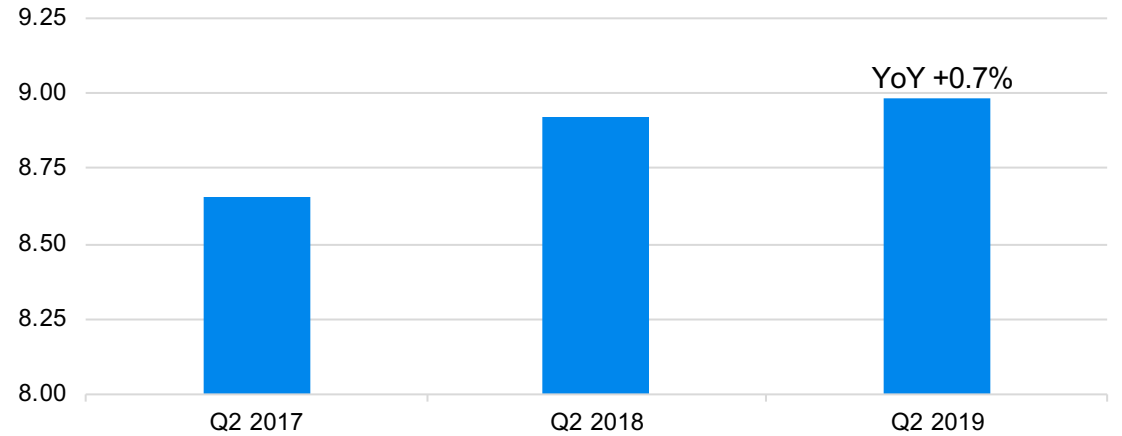
Projected Quarterly Outbound Cost Savings



Net Returns Cost %



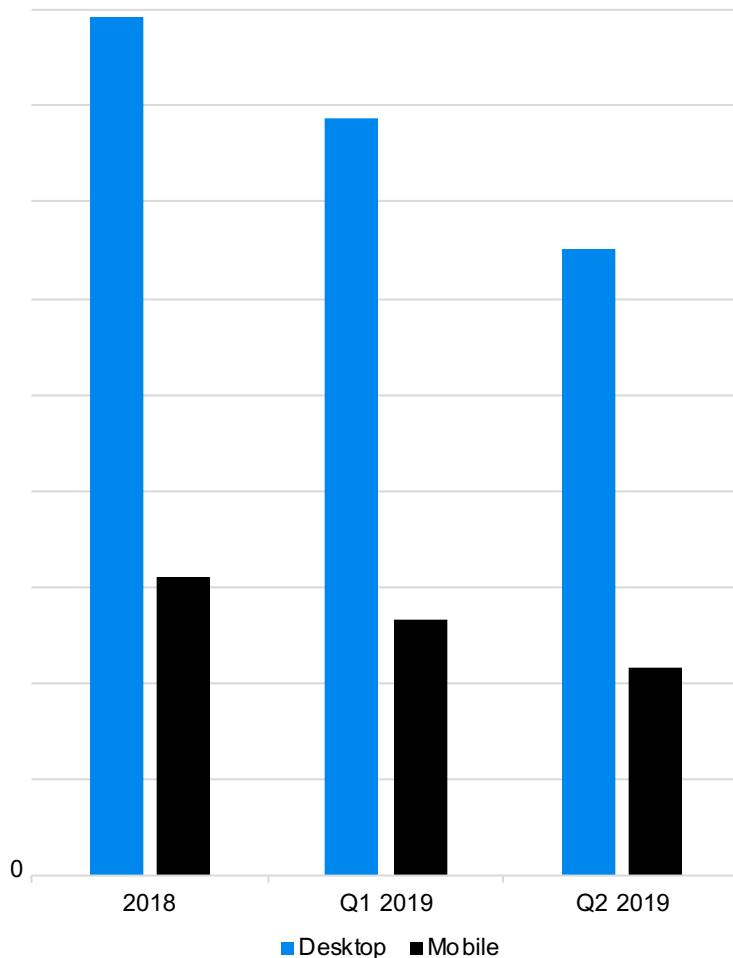
Customer Perceived Price Advantage vs. Other Retailers



Source: Bizrate

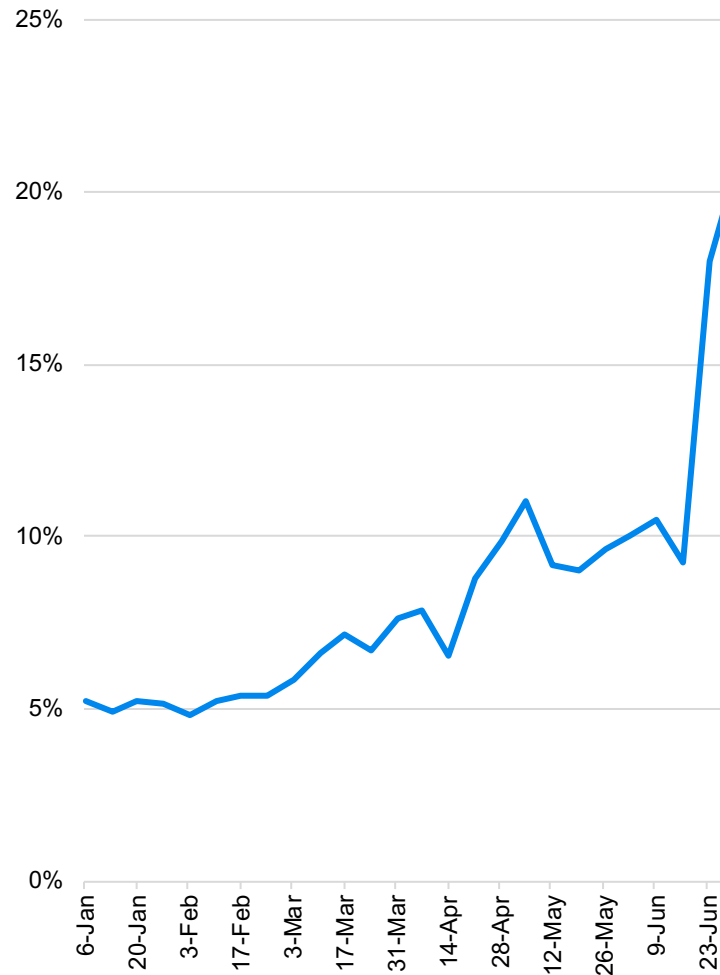
Deliver an Easy, Seamless Shopping Journey

Time to Interactive (TTI) Rendering

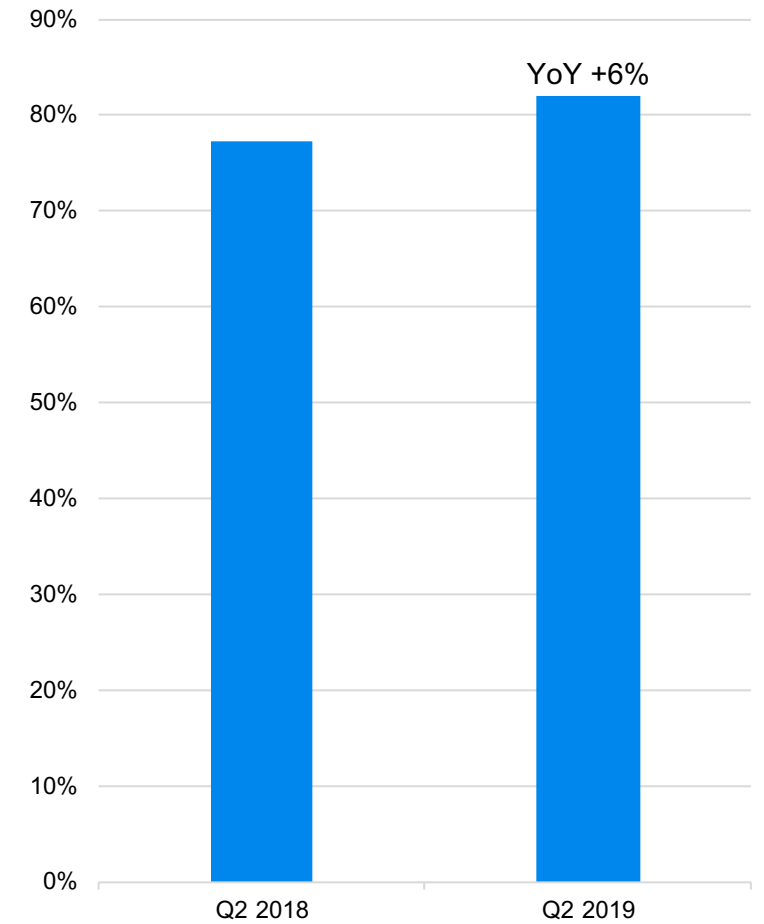


Source: Internal Page Performance Tool

% of Products Viewed with ≤ 2 Days Delivery Messaging



NPS (Point of Sale) %



Source: Bizrate

Q2 2019 Initiatives ✓ COMPLETE

1. Expanded Site Monetization via New AdTech ✓
2. Rebalanced Freight Contracts ✓
3. Machine Learning Integrations Expanded ✓ [≈ 40%]
4. Focus on our Target Audience ✓

Q3 2019 Initiatives

IN PROGRESS

Build a Personal Relationship with Each Customer

- Increase Volume of 3D Content
- Expand Private Label Program
- Integrate CRM Pipeline

Create 'Smart' Value for our Customers

- Reduce Return Friction
- Complete Freight Lane Implementation

Deliver an Easy, Seamless Shopping Journey

- Expand 2-Day Shipping Rate
- Accelerate Growth in our Mobile Apps

Q2 2019 Financial Results: Retail

Revenue
\$367.5 Million

23% decrease vs. Q2 2018

Gross Profit
\$72.5 Million

20% decrease vs. Q2 2018

Gross Margin
19.7%

vs. 18.9% in Q2 2018

Contribution¹
\$38.5 Million

vs. (\$3.3) million in Q2 2018

Contribution Margin¹
10.5%

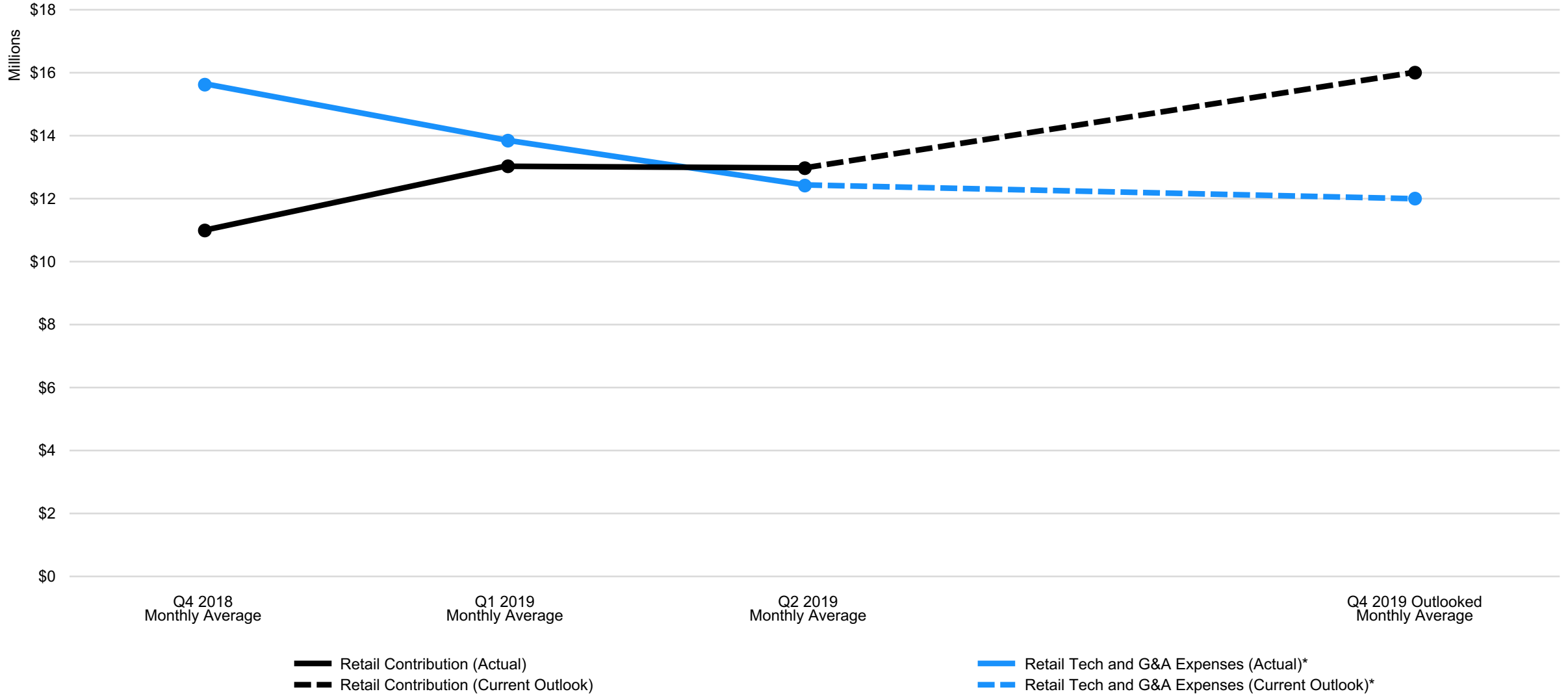
vs. (0.7%) in Q2 2018

Adjusted EBITDA¹
\$1.6 Million

Includes 70% allocation of Shared Service costs

¹ Retail Contribution, Contribution Margin, and Adjusted EBITDA are non-GAAP financial measures.
 See Reconciliations in Appendix

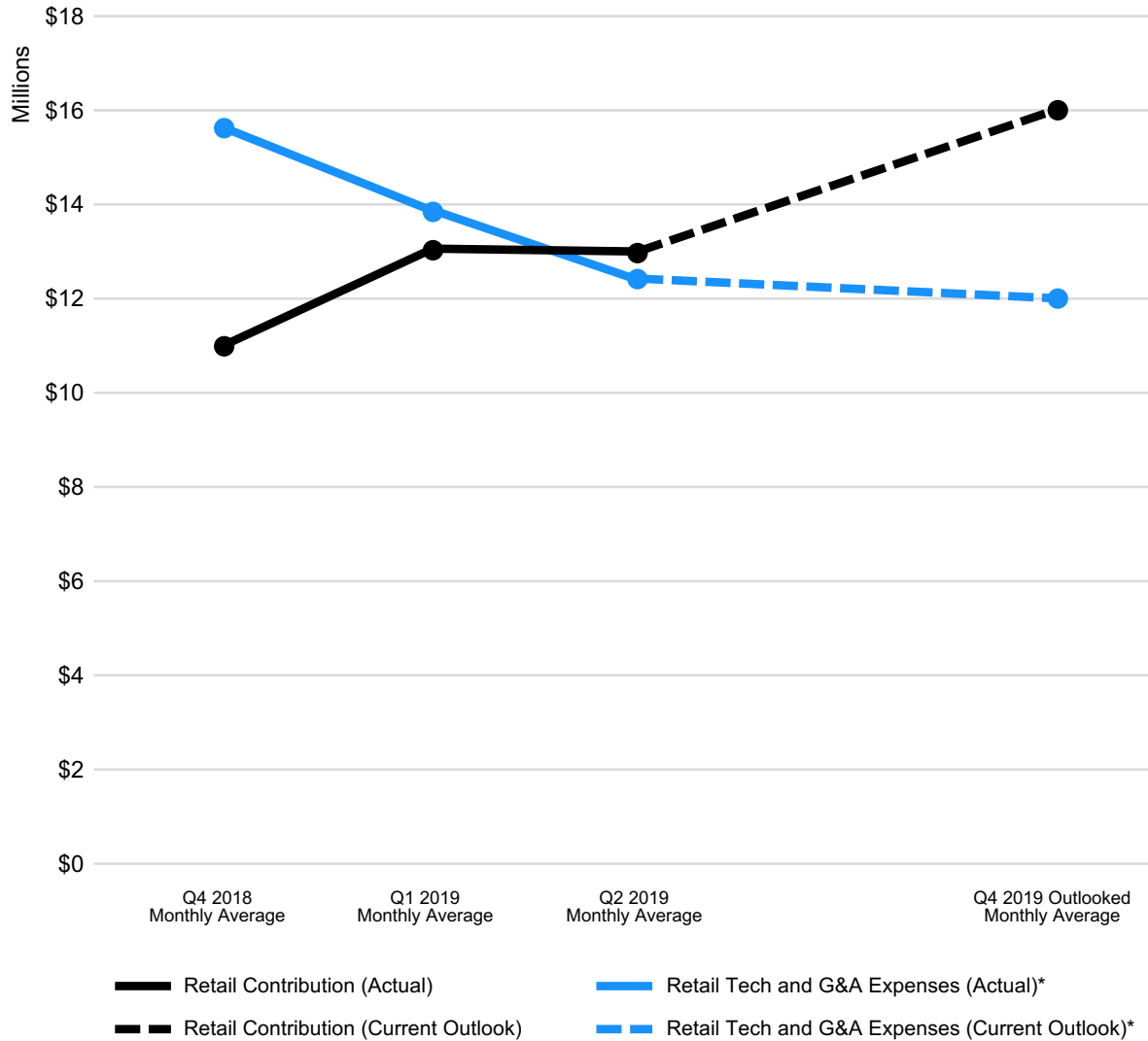
We Continue Through the Transition



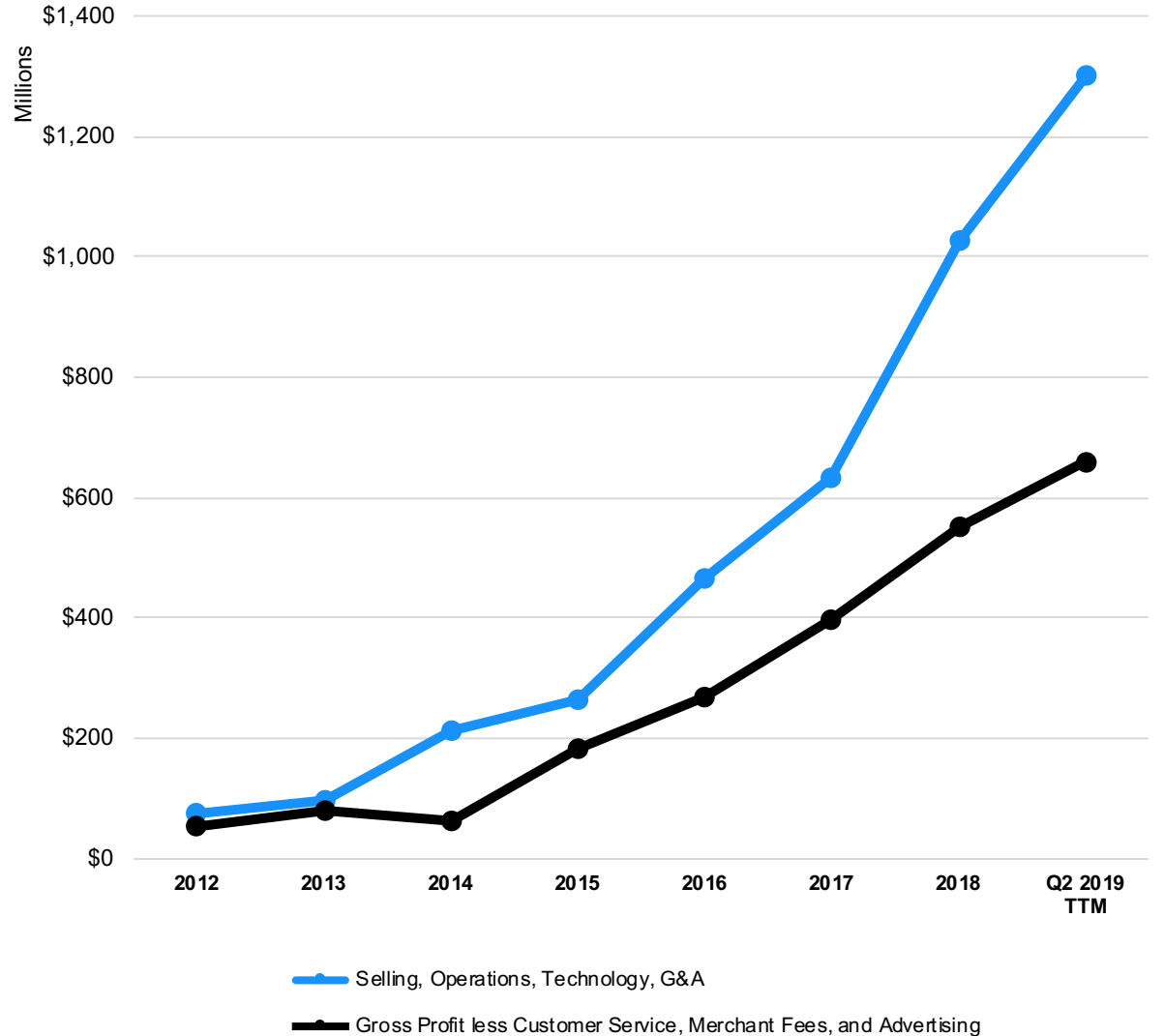
Retail Contribution (Actual)
 Retail Contribution (Current Outlook)

Retail Tech and G&A Expenses (Actual)*
 Retail Tech and G&A Expenses (Current Outlook)*

Overstock

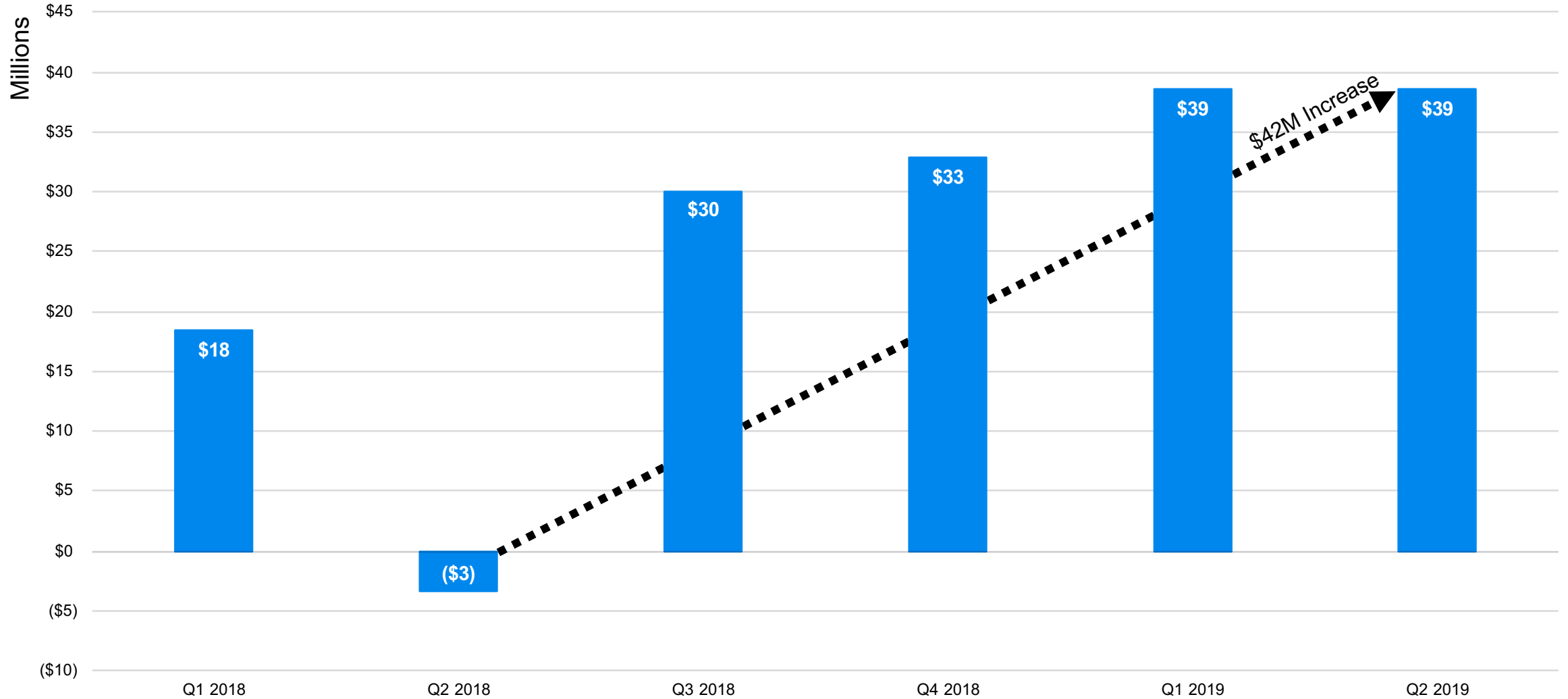


The Competition



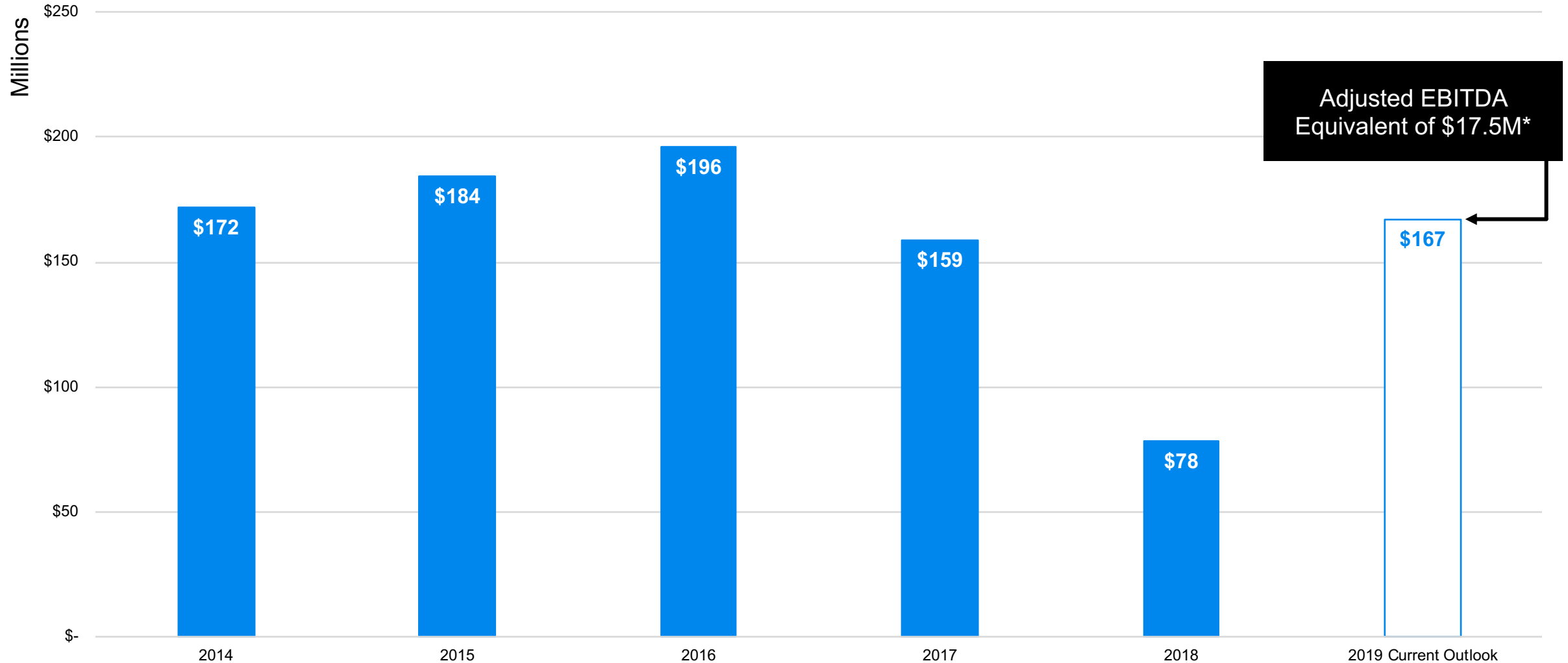
* Retail Tech and G&A Expenses excluding depreciation, amortization, stock compensation, and 30% (Medici/other allocation) of Inc. costs.

Quarterly Retail Contribution



Retail Contribution is a non-GAAP financial measure.
See Reconciliation in Appendix

Annual Retail Contribution



* Adjusted EBITDA includes \$42M allocation of Shared Service costs (Finance, Legal, HR, Administration, etc.).

Retail Contribution is a non-GAAP financial measure.

See Reconciliations in Appendix

Summary and Q&A – Technological Disruption

tZERO

- Executing against strategic roadmap
- OSTKO dividend driving adoption for tZERO platform

Medici

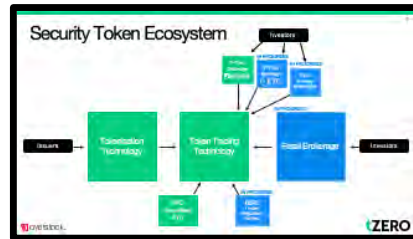
- *Keiretsu* companies focused on getting product in production
- Medici Ventures focused on GaaS product

Retail

- First positive adjusted EBITDA since Q2 2017
- Adjusted EBITDA to accelerate in 2H 2019



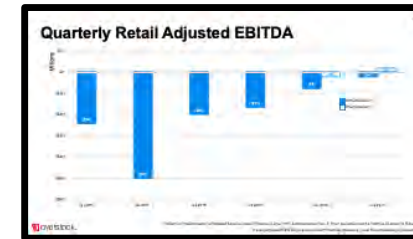
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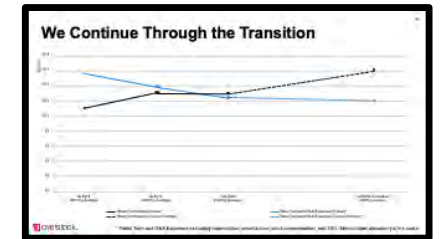
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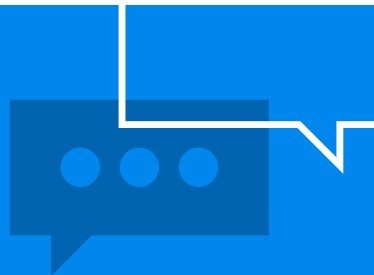
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Submit questions to
ir@overstock.com

Appendix

Q2 2019 Financial Results: OSTK Total

Revenue

\$373.7 Million

23% decrease vs. Q2 2018

Gross Profit

\$73.9 Million

19% decrease vs. Q2 2018

Adjusted EBITDA¹

(\$13.1) Million

vs. (\$62.8) million in Q2 2018

Sales & Marketing Expense

\$34.6 Million

63% decrease vs. Q2 2018

Contribution¹

\$39.3 Million

vs. (\$2.7) million in Q2 2018

Ending Cash

\$121.3 Million

vs. \$119.6 million at March 31, 2019

¹ Adjusted EBITDA and Contribution are non-GAAP financial measures.
See Reconciliations in Appendix

Adjusted EBITDA Reconciliation

| | Three months ended | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Jun-2019 | Mar-2019 | Dec-2018 | Sep-2018 | Jun-2018 | Mar-2018 |
| Adjusted EBITDA | | | | | | |
| Retail | \$ 1,581 | \$ (2,460) | \$ (16,856) | \$ (20,160) | \$ (50,149) | \$ (24,372) |
| tZERO | (8,729) | (13,207) | (7,256) | (4,056) | (9,577) | (4,382) |
| Other | (5,995) | (7,995) | (3,401) | (2,588) | (3,118) | (1,836) |
| Adjusted EBITDA | (13,143) | (23,662) | (27,513) | (26,804) | (62,844) | (30,590) |
| Less: Special items (see table below) | - | 1,757 | 9,565 | 10,783 | (6,816) | 9,870 |
| Less: Depreciation and amortization | 7,464 | 6,614 | 8,664 | 7,999 | 7,535 | 7,499 |
| Less: Stock-based compensation | 5,171 | 3,985 | 2,702 | 2,246 | 2,973 | 6,435 |
| Less: Interest (income) expense, net | (525) | (276) | (563) | (282) | (225) | 330 |
| Less: Other (income) expense, net | 2,995 | 6,272 | 1,999 | 1,848 | (368) | 9 |
| Less: Provision (benefit) for income taxes | (622) | 878 | (1,939) | (141) | (27) | (277) |
| Net loss | \$ (27,626) | \$ (42,892) | \$ (47,941) | \$ (49,257) | \$ (65,916) | \$ (54,456) |
| Special items: | | | | | | |
| Impairments on intangible assets | \$ - | \$ - | \$ 6,000 | \$ - | \$ - | \$ - |
| Loss on disposal of business | - | - | 3,565 | - | - | - |
| Cryptocurrency impairments and gains on sale, net | - | - | - | - | (6,816) | 7,259 |
| Severance | - | 1,757 | - | - | - | 1,600 |
| Special legal expenses* | - | - | - | 10,783 | - | 1,011 |
| Total Special Items | \$ - | \$ 1,757 | \$ 9,565 | \$ 10,783 | \$ (6,816) | \$ 9,870 |

*Special legal expenses include charges associated with our Delaware gift card escheatment matter and legal fees associated with pursuing our strategic alternatives.

Adjusted EBITDA is a non-GAAP financial measure used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. You should review our financial statements and publicly-filed reports in their entirety and not rely on any single financial measure.

Annual Contribution Reconciliation

| | Year ended, December 31 | | | | | | | | |
|--|-------------------------|-----------------|------------------|-------------------|-----------------|-------------------|-------------------|-----------------|-------------------|
| | 2018 | | | 2017 | | | 2016 | | |
| | Retail | tZERO & Other | Total | Retail | tZERO & Other | Total | Retail | tZERO & Other | Total |
| Total net revenue | \$ 1,800,187 | \$ 21,405 | \$ 1,821,592 | \$ 1,728,104 | \$ 16,652 | \$ 1,744,756 | \$ 1,784,782 | \$ 15,181 | \$ 1,799,963 |
| Cost of goods sold | 1,452,195 | 15,489 | 1,467,684 | 1,392,558 | 11,647 | 1,404,205 | 1,458,411 | 10,203 | 1,468,614 |
| Gross profit | 347,992 | 5,916 | 353,908 | 335,546 | 5,005 | 340,551 | 326,371 | 4,978 | 331,349 |
| Less: Sales and marketing expense | 269,987 | 4,492 | 274,479 | 179,549 | 1,040 | 180,589 | 147,368 | 528 | 147,896 |
| Plus: Club O Rewards and gift card breakage (included in Other expense, net)* | - | - | - | 2,742 | - | 2,742 | 16,808 | - | 16,808 |
| Contribution | \$ 78,005 | \$ 1,424 | \$ 79,429 | \$ 158,739 | \$ 3,965 | \$ 162,704 | \$ 195,811 | \$ 4,450 | \$ 200,261 |
| Contribution margin | 4.3% | 6.7% | 4.4% | 9.2% | 23.8% | 9.3% | 11.0% | 29.3% | 11.1% |

| | Year ended, December 31 | | | | | |
|---|-------------------------|-----------------|-------------------|-------------------|---------------|-------------------|
| | 2015 | | | 2014 | | |
| | Retail | tZERO & Other | Total | Retail | tZERO & Other | Total |
| Total net revenue | \$ 1,655,908 | \$ 1,930 | \$ 1,657,838 | \$ 1,497,103 | \$ - | \$ 1,497,103 |
| Cost of goods sold | 1,353,184 | - | 1,353,184 | 1,218,044 | - | 1,218,044 |
| Gross profit | 302,724 | 1,930 | 304,654 | 279,059 | - | 279,059 |
| Less: Sales and marketing expense | 124,218 | 250 | 124,468 | 109,461 | - | 109,461 |
| Plus: Club O Rewards and gift card breakage (included in Other expense, net) | 5,911 | - | 5,911 | 2,439 | - | 2,439 |
| Contribution | \$ 184,417 | \$ 1,680 | \$ 186,097 | \$ 172,037 | \$ - | \$ 172,037 |
| Contribution margin | 11.1% | 87.0% | 11.2% | 11.5% | | 11.5% |

*Effective January 1, 2018, we made a change in accounting principle to present Club O Rewards and gift card breakage in Partner and other revenue instead of Other expense, net on our consolidated statements of operations. This change impacts the presentation of Total net revenue, Gross profit and Other expense, net, but does not impact the calculation of contribution.

Contribution and contribution margin are non-GAAP financial measures used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. You should review our financial statements and publicly-filed reports in their entirety and not rely on any single financial measure.

Quarterly Contribution Reconciliation

| | Three months ended | | | | | | | | |
|-----------------------------------|--------------------|---------------|------------------|------------------|---------------|------------------|------------------|-----------------|------------------|
| | Jun-19 | | | Mar-19 | | | Dec-18 | | |
| | Retail | tZERO & Other | Total | Retail | tZERO & Other | Total | Retail | tZERO & Other | Total |
| Total net revenue | \$ 367,475 | \$ 6,234 | \$ 373,709 | \$ 362,625 | \$ 5,104 | \$ 367,729 | \$ 446,733 | \$ 5,815 | \$ 452,548 |
| Cost of goods sold | 294,984 | 4,826 | 299,810 | 290,640 | 3,965 | 294,605 | 366,712 | 4,256 | 370,968 |
| Gross profit | 72,491 | 1,408 | 73,899 | 71,985 | 1,139 | 73,124 | 80,021 | 1,559 | 81,580 |
| Less: Sales and marketing expense | 33,947 | 613 | 34,560 | 32,933 | 544 | 33,477 | 47,142 | 395 | 47,537 |
| Contribution | \$ 38,544 | \$ 795 | \$ 39,339 | \$ 39,052 | \$ 595 | \$ 39,647 | \$ 32,879 | \$ 1,164 | \$ 34,043 |
| Contribution margin | 10.5% | 12.8% | 10.5% | 10.8% | 11.7% | 10.8% | 7.4% | 20.0% | 7.5% |

| | Three months ended | | | | | | | | |
|-----------------------------------|--------------------|-----------------|------------------|-------------------|---------------|-------------------|------------------|-------------------|------------------|
| | Sep-18 | | | Jun-18 | | | Mar-18 | | |
| | Retail | tZERO & Other | Total | Retail | tZERO & Other | Total | Retail | tZERO & Other | Total |
| Total net revenue | \$ 435,775 | \$ 4,805 | \$ 440,580 | \$ 477,683 | \$ 5,450 | \$ 483,133 | \$ 439,996 | \$ 5,335 | \$ 445,331 |
| Cost of goods sold | 350,651 | 3,213 | 353,864 | 387,252 | 4,138 | 391,390 | 347,580 | 3,882 | 351,462 |
| Gross profit | 85,124 | 1,592 | 86,716 | 90,431 | 1,312 | 91,743 | 92,416 | 1,453 | 93,869 |
| Less: Sales and marketing expense | 55,182 | 130 | 55,312 | 93,747 | 669 | 94,416 | 73,917 | 3,297 | 77,214 |
| Contribution | \$ 29,942 | \$ 1,462 | \$ 31,404 | \$ (3,316) | \$ 643 | \$ (2,673) | \$ 18,499 | \$ (1,844) | \$ 16,655 |
| Contribution margin | 6.9% | 30.4% | 7.1% | (0.7%) | 11.8% | (0.6%) | 4.2% | (34.6%) | 3.7% |

Contribution and contribution margin are non-GAAP financial measures used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. You should review our financial statements and publicly-filed reports in their entirety and not rely on any single financial measure.

