



Q3 2020  
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 effects of the novel coronavirus (COVID-19) on market volatility, the world economy, government regulation, and our supply chain, including supply and demand for the products and services we offer and the ability of our third-party partners and carriers to provide products and services without interruption and at a reasonable cost. Actual results could also differ materially for reasons, including, but not limited to initiatives to improve or maintain the performance of our business, adverse tax, regulatory or legal developments, competition, and any inability to maintain profitability, continue to generate positive cash flow from operations, raise capital, or borrow funds on acceptable terms, 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, any inability to protect our intellectual property, and difficulties we may experience with increasing or maintaining our search engine optimization results, converting web traffic to sales, or ensuring we maintain our new customer base. Other risks and uncertainties include, among others, the inherent risks associated with the businesses that Medici Ventures and tZERO are pursuing, including the effect of COVID-19 on capital markets, trading volatility, investor confidence and willingness to invest in blockchain technologies, whether tZERO's initiatives with Box Digital Markets, LLC and tZERO Markets, LLC will be able to achieve their objectives and the timing for doing such, and the regulatory, technical, operational and other obstacles tZERO faces in each of its initiatives. More information about factors that could potentially affect our financial results are included in our Form 10-K for the year ended December 31, 2019, which was filed with the SEC on March 13, 2020, in our Form 10-Q for the quarter ended March 31, 2020, which was filed with SEC on May 7, 2020, in our Form 10-Q for the quarter ended June 30, 2020, which was filed with the SEC on August 6, 2020, and in our subsequent filings with the SEC. The Form 10-K, Form 10-Q's, and our subsequent filings with the SEC 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. CEO Remarks
2. Financial Results
3. Business Updates
  - a. Overstock Retail
  - b. tZERO
  - c. Medici Ventures
4. Summary and Q&A



# Overstock Overview

- 20+ years of innovation and technical expertise in ecommerce sector
- New management team is disciplined and focused
- Strategic positioning within competitive landscape
- Total addressable market is large and attractive
- Operational improvements supported recent sector tailwinds
- Highly scalable business model with low capital requirements
- Highly efficient and effective partner supplier drop-ship model

# Addition to Overstock Board of Directors



**Barbara Messing**  
Independent Director

- Appointed August 2020
- Strategic addition to our Board
  - Chief Marketing and Employee Experience Officer at Roblox
  - Known for implementing data-driven innovations and leading profitable growth in complex and growth-focused organizations
  - Two decades of experience in well-known global retail and ecommerce companies
  - Previously CMO at Walmart U.S. and TripAdvisor

 overstock. Board of Directors



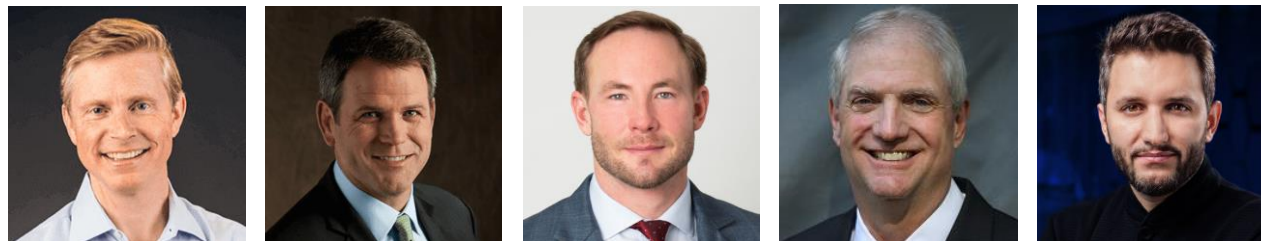
# Addition to tZERO Board of Directors



**John Jacobs**  
Independent Director

- Appointed September 2020
- Strong capital markets background
  - Served as Senior Advisor and Principal Consultant to Nasdaq CEO
  - Former Executive Vice President and CMO at Nasdaq
  - Brings valuable experience leading transformative capital markets projects
  - Will play an important role in providing strategic guidance on tZERO's growth strategy

## tZERO Board of Directors

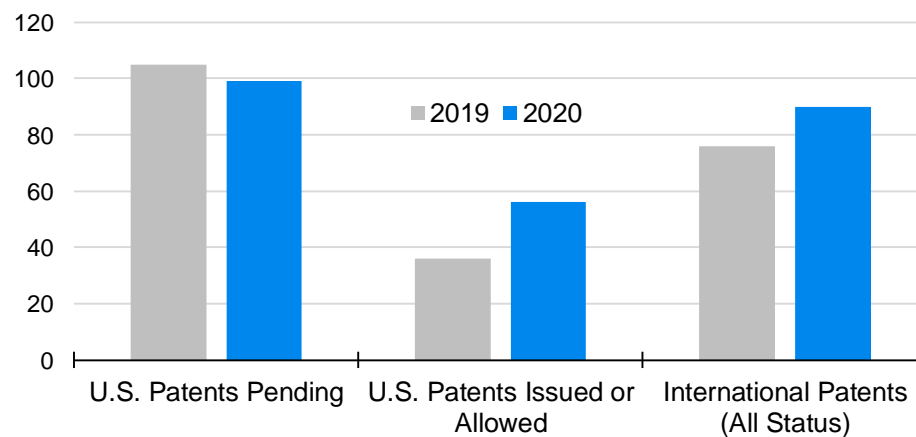


# COVID-19 Update

- Overstock continues to operate well
  - Productively working “remote-first”
  - Opportunistically hiring top talent in the market
- Overstock Retail remains optimally positioned
  - Q3 Retail sales +111% YoY
  - Q3 Retail new customers +141% YoY
  - Online-only platform and drop-ship model ideally suited to current environment
- Challenges remain
  - Customer care, fulfillment, and inventory levels are recovering
  - Carrier capacity constraints continue to cause lagging delivery
  - Anticipating and preparing for early holiday season

# Corporate Update

- Raised equity capital in August 2020
  - Upsized offering and fully exercised overallotment option
  - Issued 2.4M shares at \$84.50 for net proceeds of \$193M
  - Proceeds will be used to support continued growth trajectory
- No regulatory updates
- Patent activity progressing organization-wide<sup>1</sup>:





# Financial Results



# Overstock Corporate Structure

Overstock.com, Inc.

 overstock™  
Retail

 **MEDICI**  
VENTURES

 **tZERO**

# Q3 2020 Financial Results: Overstock.com, Inc.

Revenue  
**\$731.7 Million**  
 +111% vs. Q3'19

Gross Profit  
**\$170.8 Million**  
 +146% vs. Q3'19

G&A % of Revenue  
**4.7%**  
 -474bps vs. Q3'19

Adjusted EBITDA<sup>1</sup>  
**\$40.1 Million**  
 +\$58.0M / +323% vs. Q3'19

Diluted EPS  
**\$0.50**  
 +\$1.39 vs. Q3'19

Ending Cash  
**\$529.7 Million**  
 +\$211.1M vs. Q2'20

# Q3 2020 Financial Results: Overstock Retail

Revenue  
**\$717.7 Million**  
 +111% vs. Q3'19

Gross Margin  
**23.5%**  
 +348bps vs. Q3'19

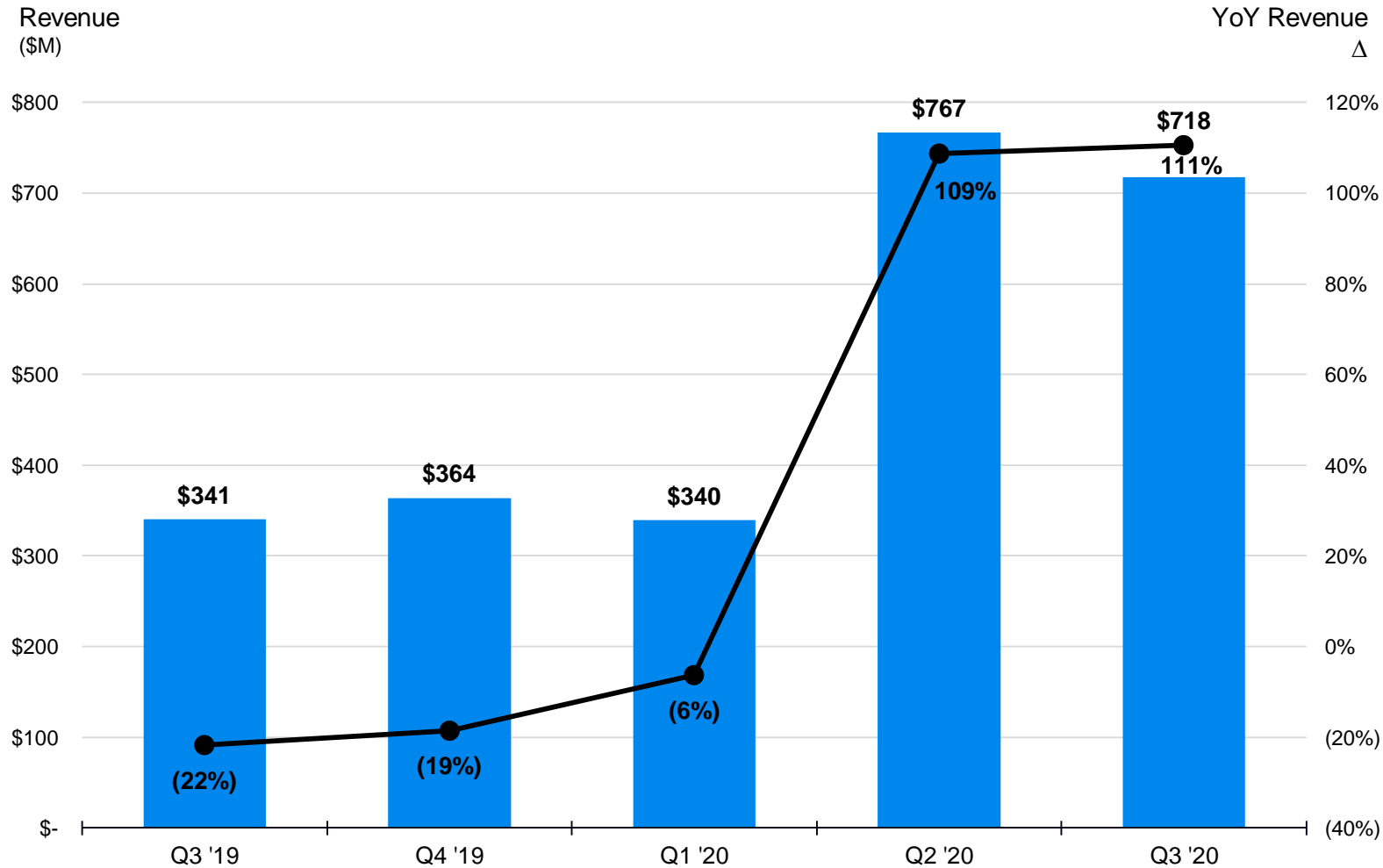
OpEx as % of Revenue  
**17.5%**  
 -530bps vs. Q3'19

Adjusted EBITDA<sup>1</sup>  
**\$50.2 Million**  
 +\$50.8M vs. Q3'19

## Dynamics

- Business model scaled
  - >140% new customer growth YoY
- Gross margin expanded
  - Structural improvements coupled with continuing unique items
- Operating leverage generated
  - Scalability inherent in pure-play ecommerce model
- Profitability delivered
  - Margin profile remains consistent with long-term targets

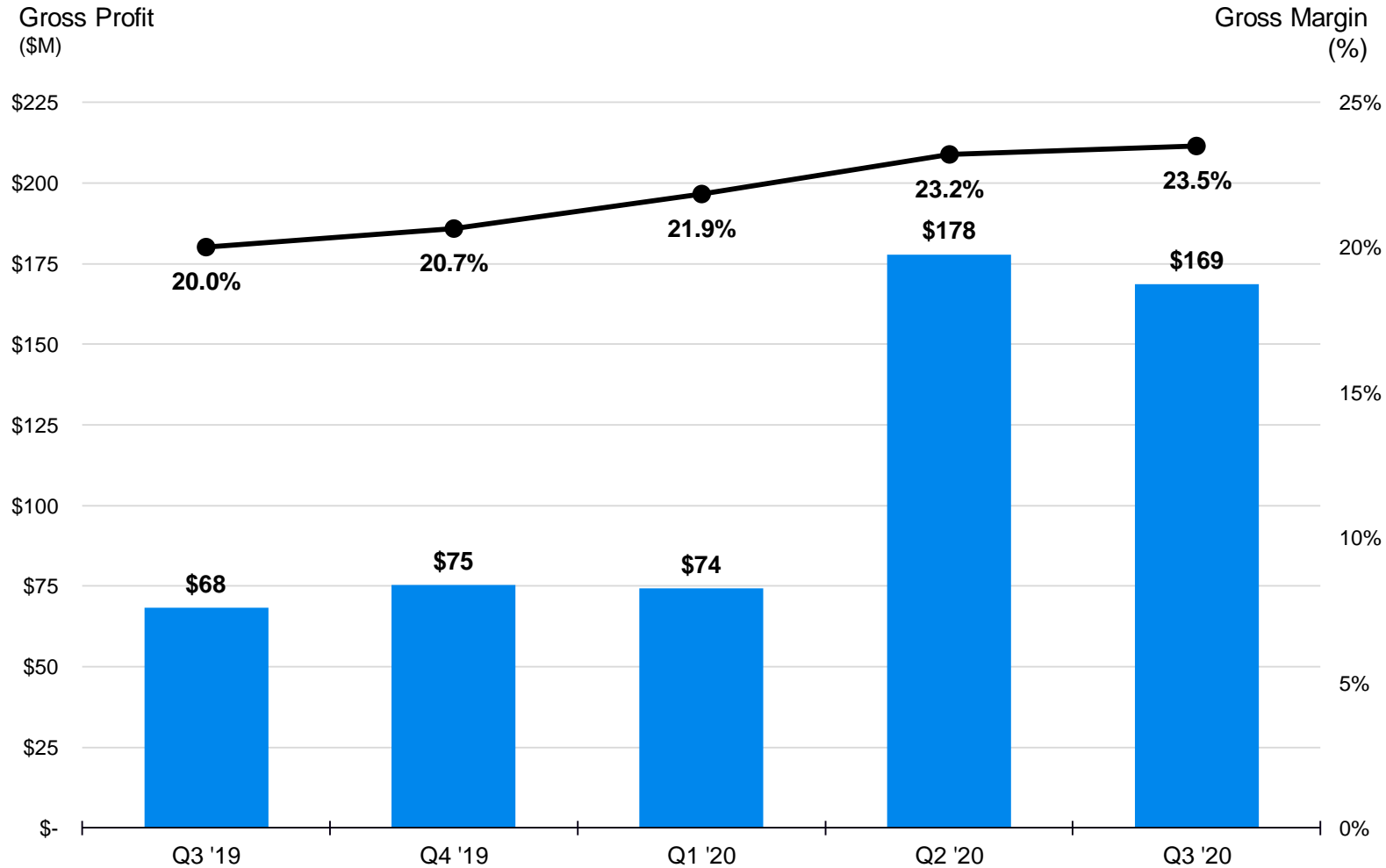
# Retail Revenue: +111% YoY



## Dynamics

- Revenue of \$718M
  - +\$377M YoY
  - +111% YoY
  - Historically consistent seasonality in sequential sales trend
- New customer growth >140% YoY

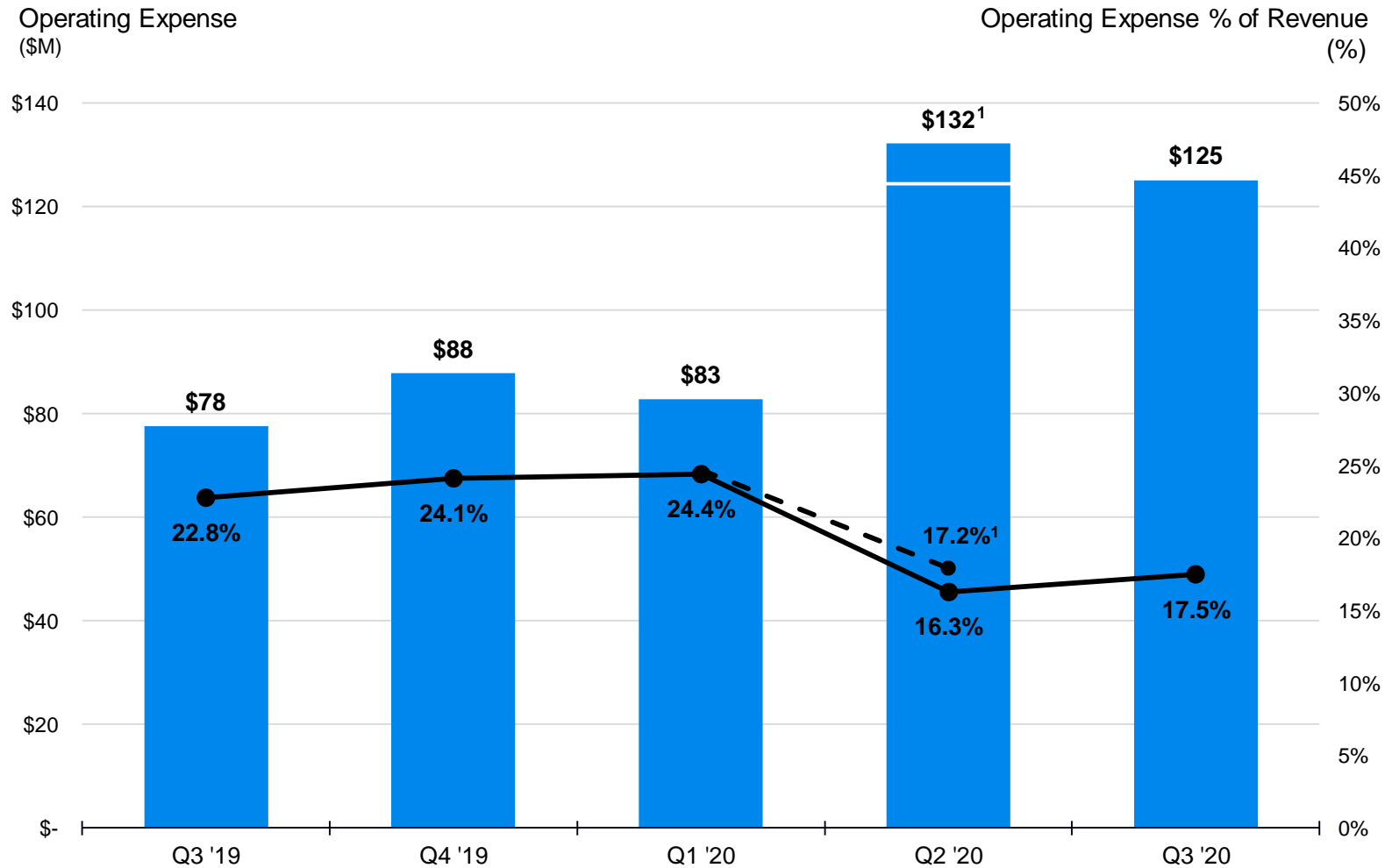
# Retail Gross Margin: +348bps YoY



## Dynamics

- Gross margin of 23.5%
  - +348bps YoY
- Gross margin impacted by operational efficiencies and continuing unique items
  - Reduced discounting influenced by inventory levels and customer acquisition strategy
  - SLA-related fulfillment charges to protect customer experience
  - Leverage in fixed warehouse cost infrastructure

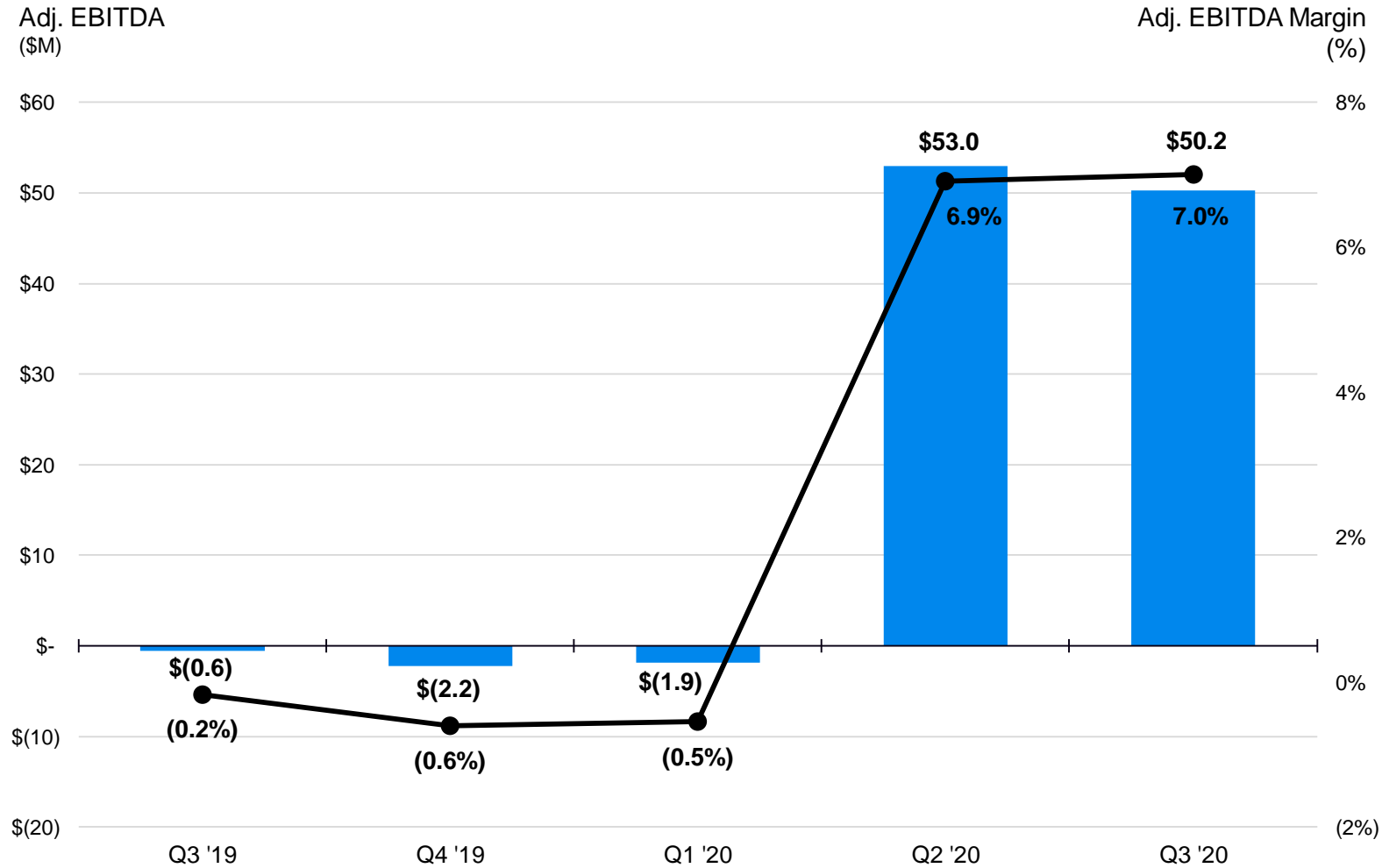
# Retail OpEx as % of Revenue: -530bps YoY



## Dynamics

- OpEx +62% YoY vs. net revenue growth of 111%
- OpEx as % of revenue declined 530bps YoY

# Retail Adjusted EBITDA: +\$51M YoY



## Dynamics

- Retail Adj. EBITDA of \$50M
  - +\$51M YoY
- Adj. EBITDA margin of 7.0%
  - +717bps YoY
- Gross profit impacted by continuing unique items



# Business Updates





Retail

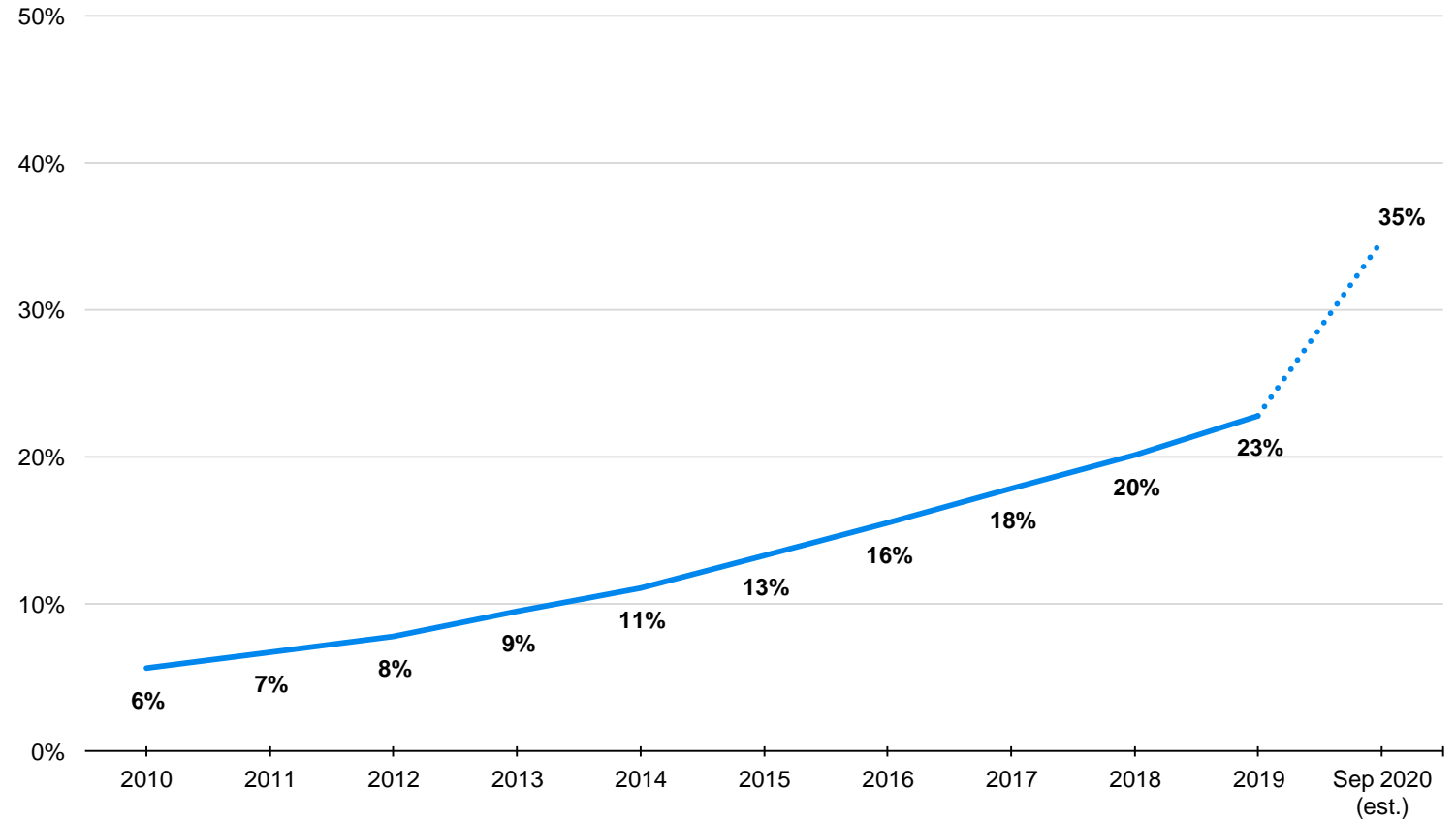


# Top 5 Brand in a Growing Market

Top U.S. Home Furnishings Online Brands<sup>1,2</sup>  
(ranked by online revenue)

1. Amazon
2. Wayfair
3. Walmart
4. Target
5.  overstock™

Furniture & Home Furnishings U.S. Online Penetration<sup>3,4</sup>



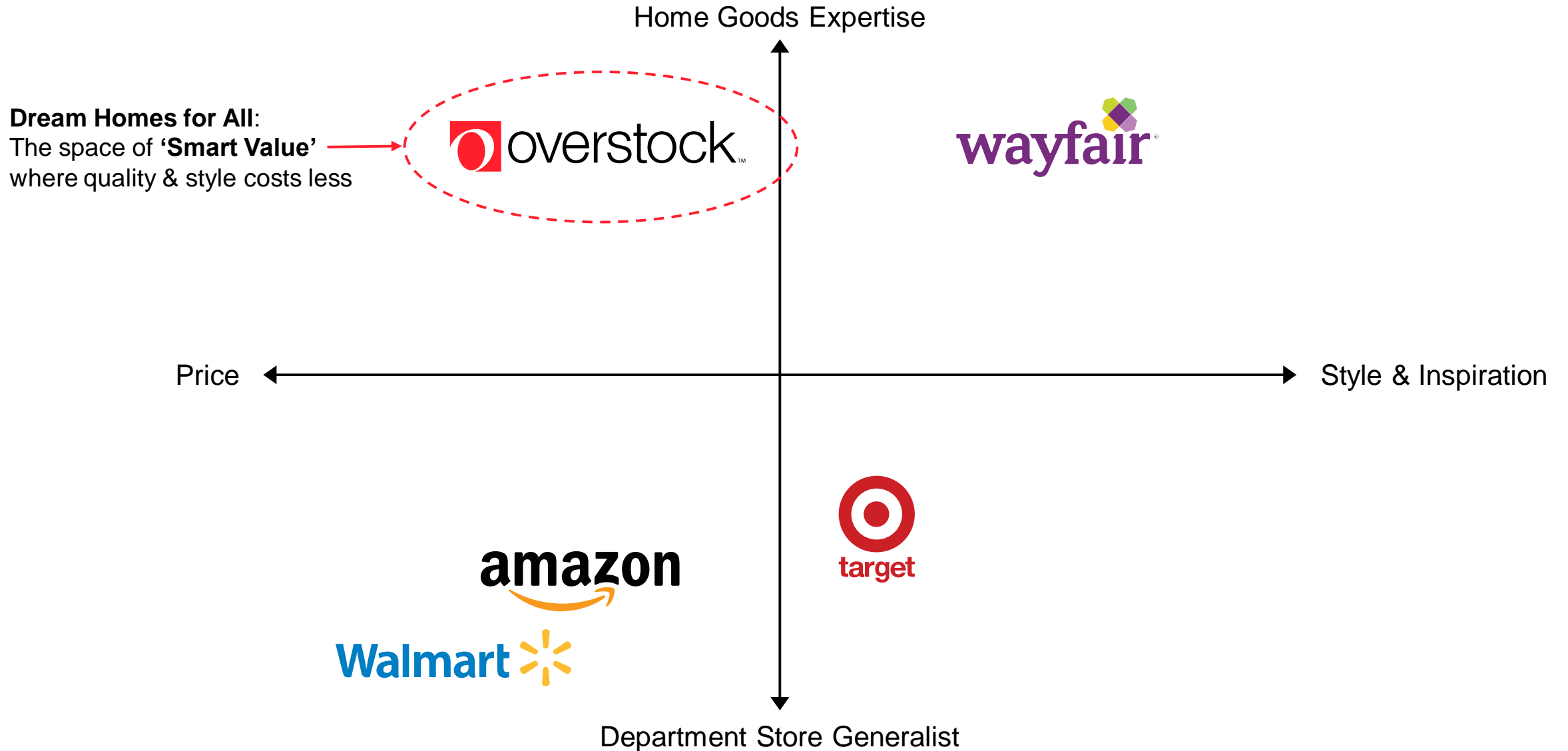
<sup>1</sup> Source: Statista 2019 publication of Jumpshot 2018 online furniture sales.

<sup>2</sup> Source: Overstock market sizing of public and third-party data with category definition including mattresses, outdoor furniture & décor, small appliances & electronics, furniture storage & organization products, kitchen & bath products, decorative lighting & lamps, and home accessories & décor items.

<sup>3</sup> Source: Combined data from eMarketer, NRF, and NPD.

<sup>4</sup> Estimate based on combined data from NPD US eCommerce estimates and Signifyd Weekly Global Home Goods eCommerce estimates; and Overstock internal sales data.

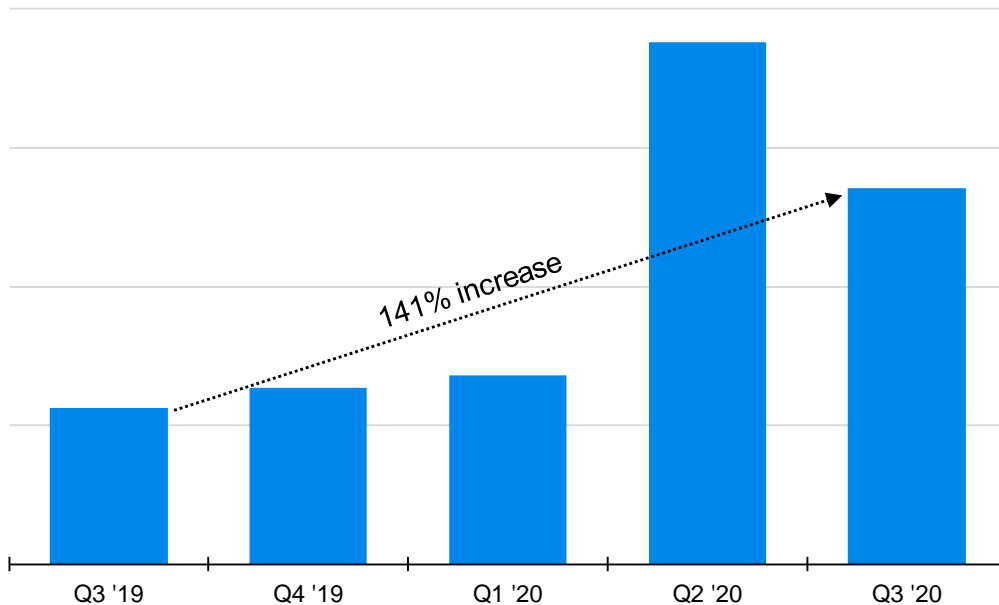
# Our Unique Market Position



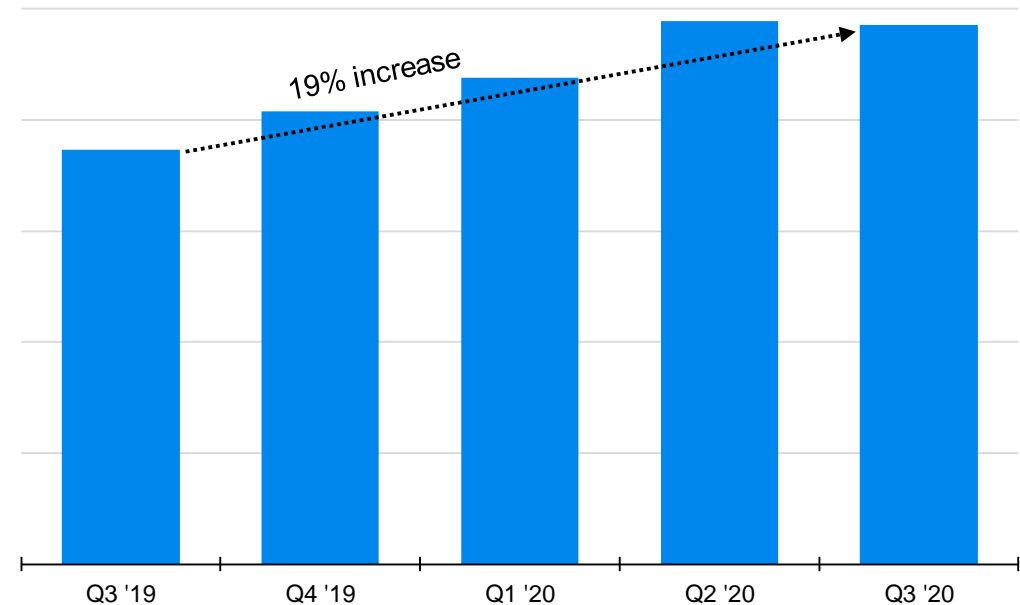
# Continuing to Gain New, Loyal Customers

- +141% YoY new customer growth
- +19% YoY in new customer repeat purchase rate (vs. 16% YoY in Q2)

New Customers



28-Day New Customer Repeat Purchase Rate



# Strong Foundation of Core Competencies

## 59M monthly visits<sup>1</sup>

We know our **customers**, what they want, and how to reach them

- Improved customer self service
- Personalized email program
- Unique Club O loyalty program

## 20 years of technology

We have built efficient and innovative **technology**

- Growing machine learning
- Achieving SEO gains
- Dynamic technology stack

## scalable model

Our business model is highly **scalable**

- Distinct drop-ship model
- Efficient distribution network
- Meaningful assortment of ~8M products
- Recent GSA award

# Focused Retail Strategy

aspiration & positioning

## dream homes for all

making beautiful & comfortable homes accessible by helping customers easily & confidently find just what they want for less

financial goals

## sustainable, profitable growth

as an indicator that our innovation is meeting target customers' needs

target customers



primary segment  
**savvy shopper**  
values Overstock for helping them feel smart about finding a great deal from a compelling selection of stylish & quality home products



secondary segment  
**reluctant refresher**  
values Overstock for helping them easily & confidently find just what they want

brand pillars

**product findability**  
get inspired anywhere, but easily find it at Overstock

**smart value**  
quality & style for less

**easy delivery + support**  
fast, free, & predictable delivery, plus low-hassle returns & support

constitutional principles

world-class SEO

engaging email program

rewarding Club O Loyalty program

### enablers

- OKR-driven focus & collaboration
- world-class ML & algorithm innovation

### initiatives

- intuitive mobile experience
- discounting & pricing experience
- partner-sponsored marketing
- increase real-time data

# Playing to Our Strengths



overstock.

Savvy Shoppers

Reluctant Refreshers

**\$120B Market<sup>1,2</sup>**



- Higher propensity to shop at Overstock
- Deal-driven and low-hassle
- Combined market spend is 40% of total market<sup>2</sup>

<sup>1</sup> Source: eMarketer—Total U.S. Retail Sales estimates, 2019.

<sup>2</sup> Source: Overstock customer segmentation research, 2019.

Note: \$300B total market size x 40% customer segments market size = \$120B market.



# 2020 Initiatives

## product findability

- Enhance mobile web experience
- Refine machine learning model for better site search relevancy
- Improve new product content

## smart value

- Clarify promotional price messaging
- Expand marketing allowance
- Transform promotional model
- Further reduce logistics costs
- Permanently launched free shipping on all items

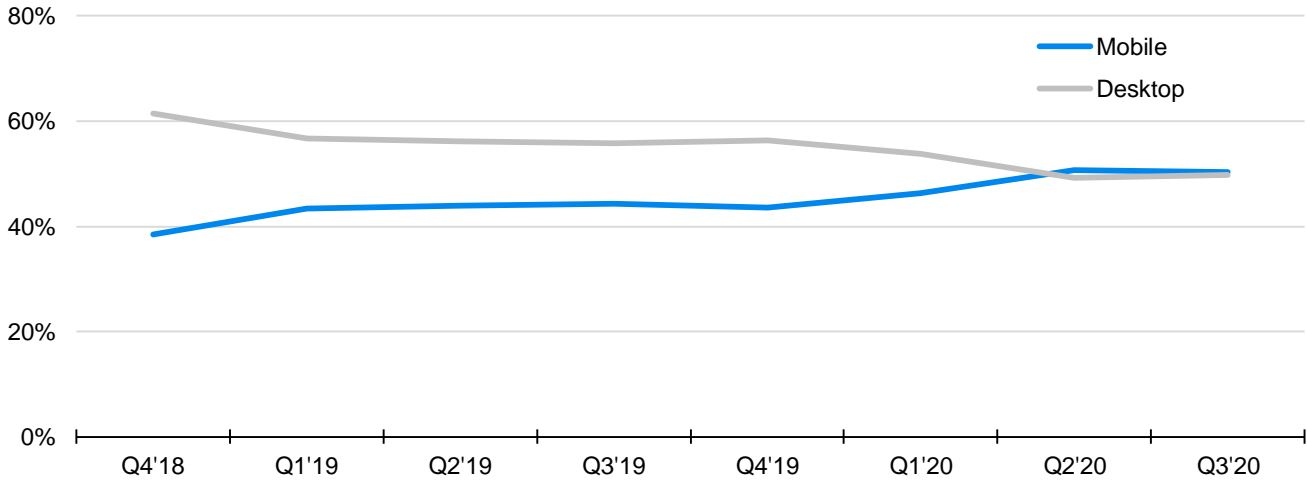
## easy delivery + support

- Optimize machine learning delivery models
- Position inventory for fastest delivery
- Improve customer self-service experience

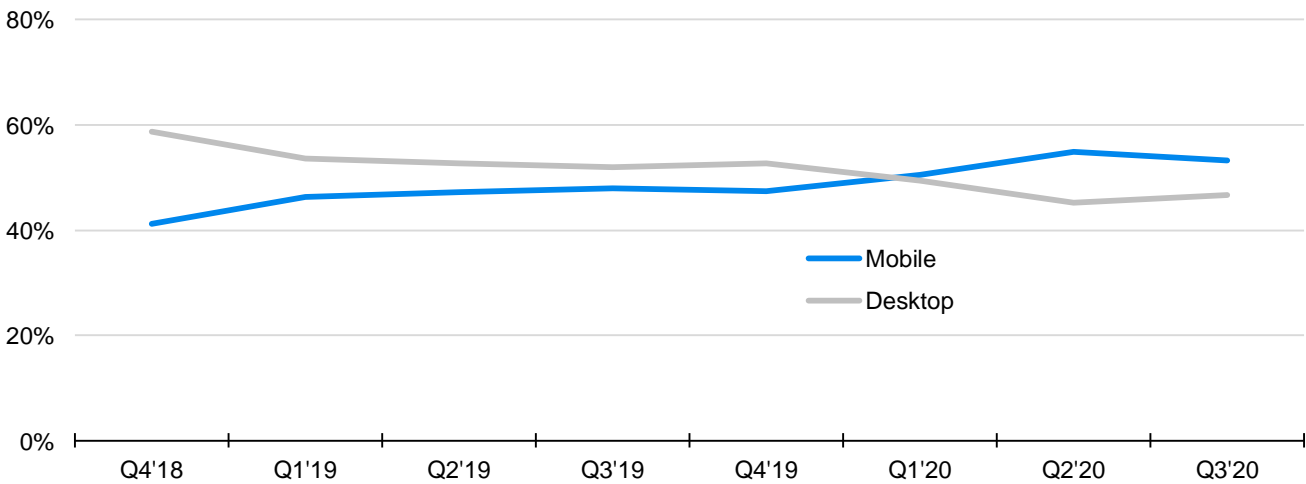
# product findability

- Customers shifting to mobile
- In Q3, mobile:
  - Purchases >50% of total sales
  - Unique visits +108% YoY
  - Sales +137% YoY
  - Conversion +16% YoY

Sales % by Platform



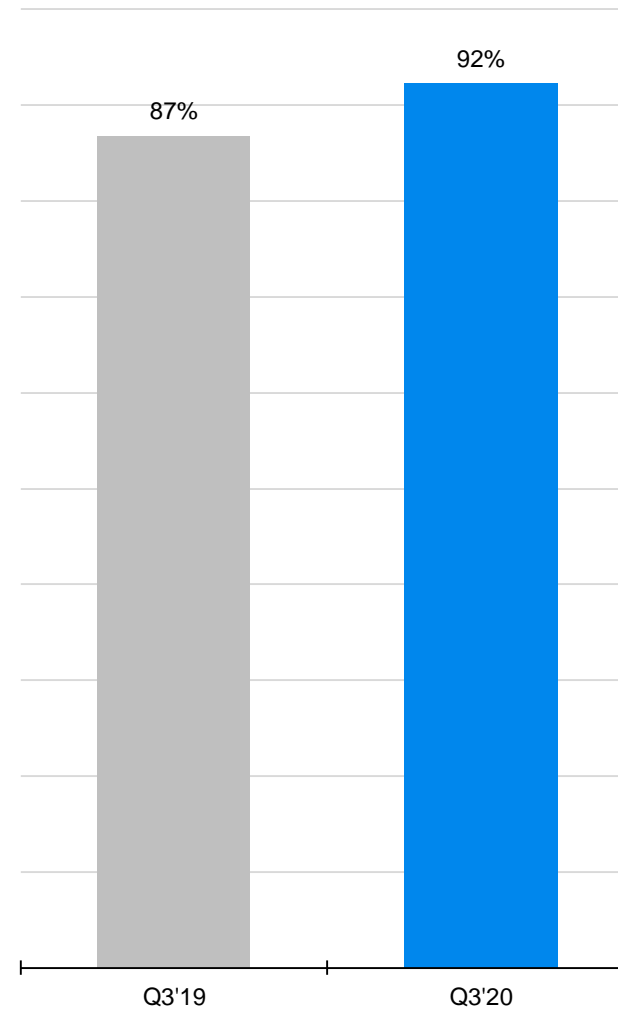
Orders Delivered % by Platform



## product findability

- Home furnishings demand increasing
- Customers are finding what they need
- Home furnishings were >92% of Q3 sales
- Sales mix has normalized

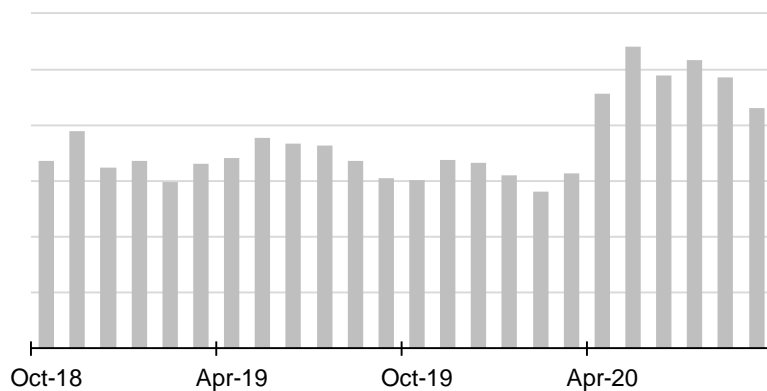
Sales Mix of Home Furnishings



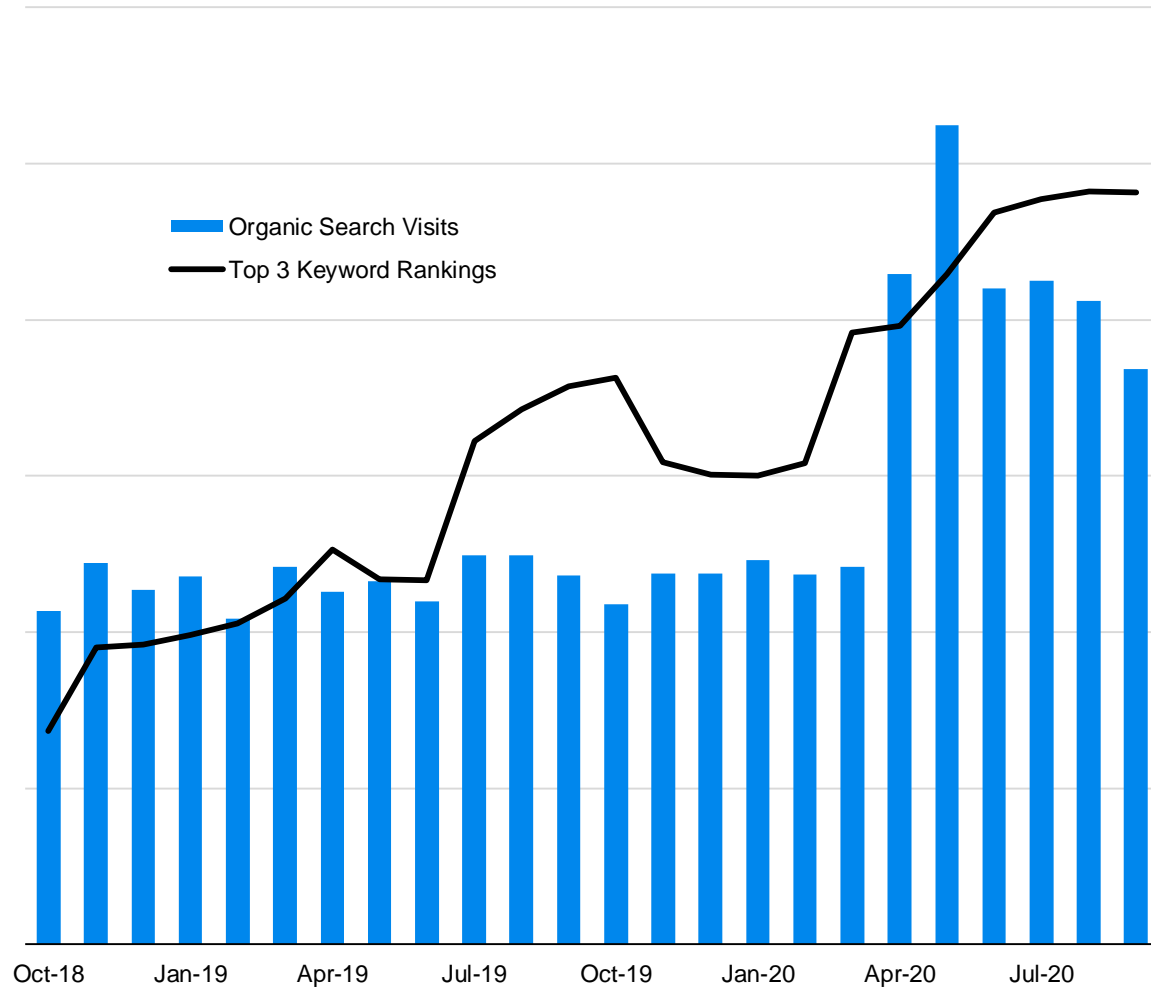
## product findability

- 24 months of continued keyword ranking
  - Focusing on relevant, high-volume keywords
- More customers are finding and buying our core products
- September decline in search mirrors home furnishings industry seasonality

Home & Garden Overall Market-Wide Visits<sup>2</sup>



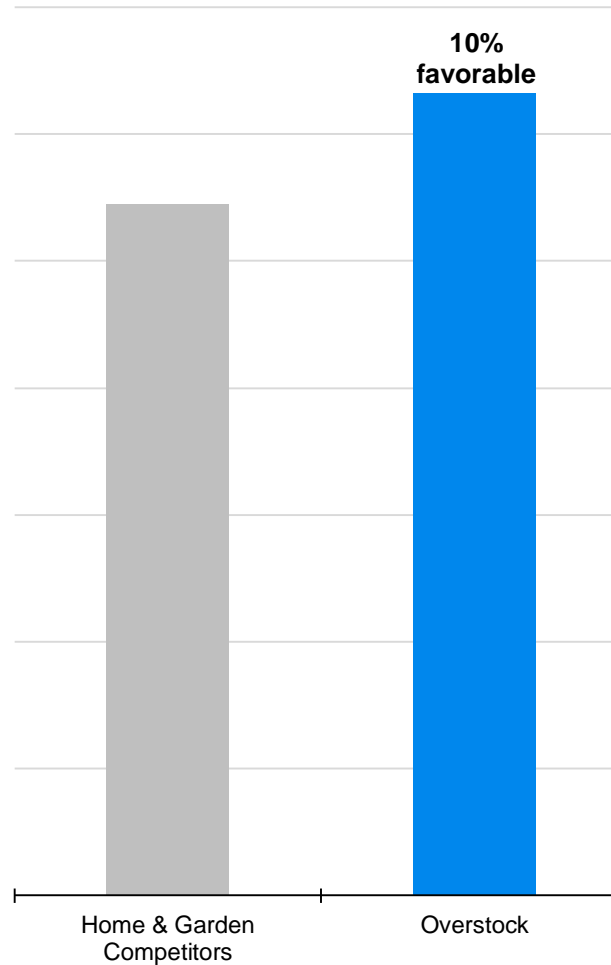
Overstock Organic Search Visits / Top 3 Keyword Rankings<sup>1</sup>



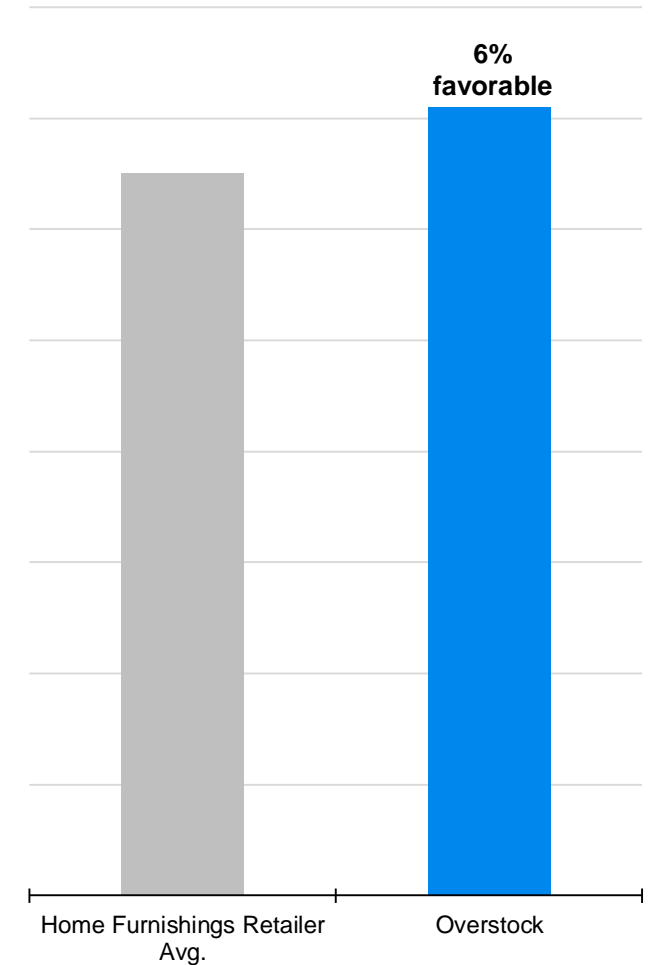
# smart value

- Free shipping is a top purchase driver and component of value
  - Permanently launched free shipping on all items
- Savvy shoppers drawn to low prices
- We are recognized against our peers for **both** smart value differentiators

Customer Rating of Shipping Charges<sup>1</sup>



Promotional Competitiveness<sup>2</sup>



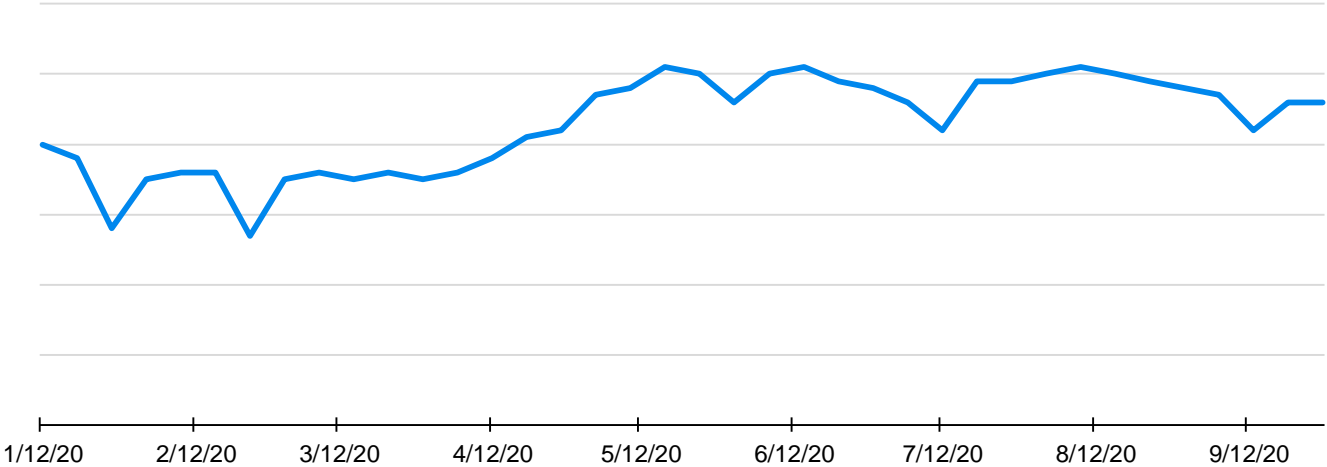
<sup>1</sup> Source: Bizrate point of sale survey, Q3 2020.

<sup>2</sup> Source: Overstock Brand Experience research among top competitive retailers' shoppers over last 12 months, June 2020. Survey conducted every 6 months.

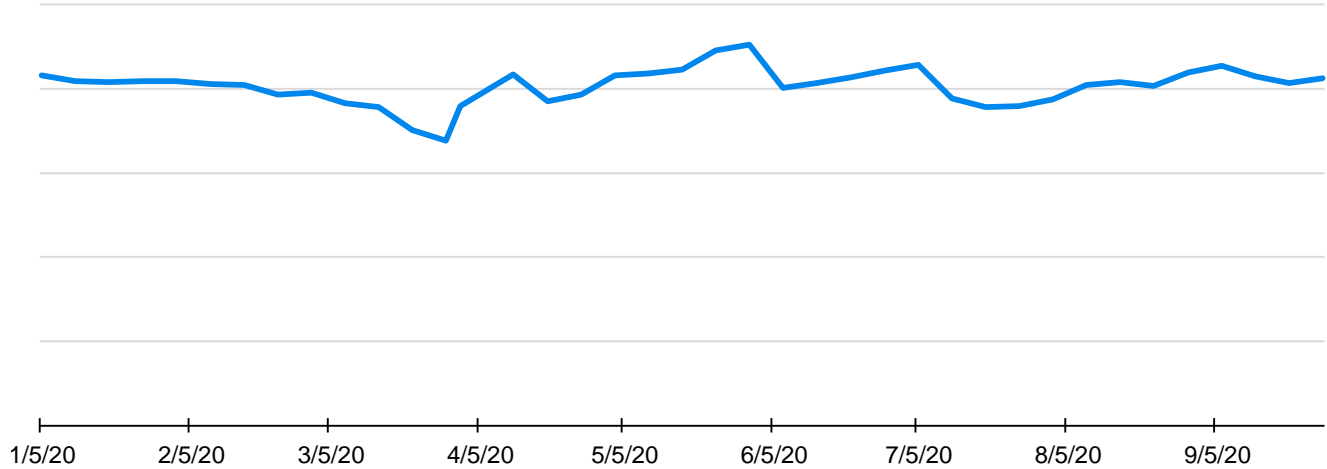
# easy delivery + support

- Delivery speed and on-time accuracy key driver of customer satisfaction
- Capacity constraints caused a slowdown in shipping
- Continue to adjust stated delivery times to meet customer expectations

Click to Delivery (business days)



% Orders Delivered On-Time or Early

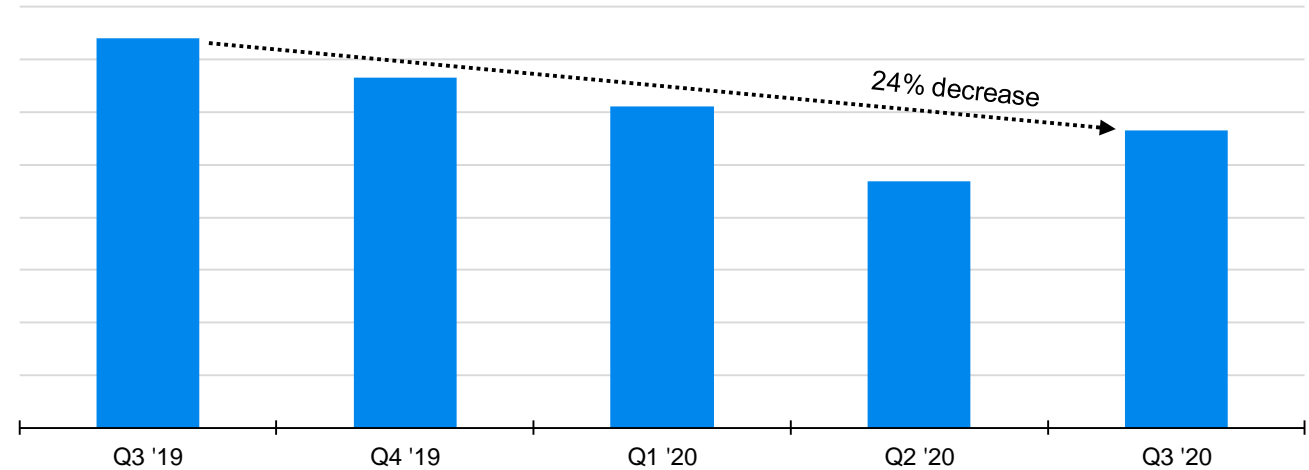


Note: % orders delivered on-time or early refers to small parcels only.

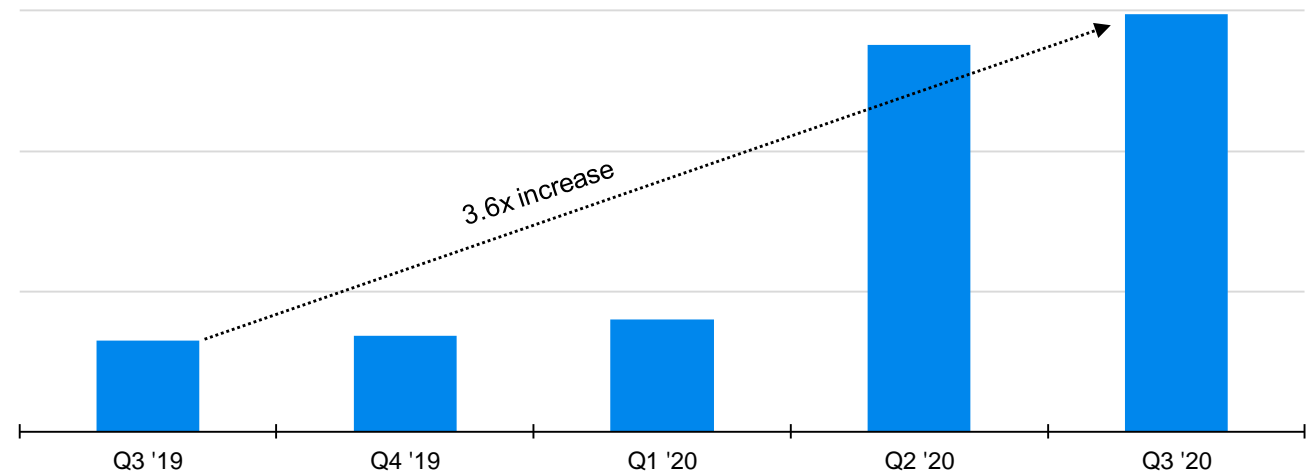
## easy delivery + support

- Contact volume as a percentage of orders decreased 24% YoY
- Continued tech automation and self-service enhancements improve customer satisfaction and reduce costs
- Laser-focused on automated and enhanced delivery communications

### CS Contacts as % of Orders



### Self Service Cases as % of Total



# General Services Administration (GSA) Award

- Overstock Retail awarded GSA contract:
  - Commercial platform for five initial government agencies' micro purchases (<\$10K)
  - Overstock Retail was selected as one of three contracted vendors
  - Three-year, proof-of-concept pilot
  - Initial micro purchases TAM represents \$6B in annual spend
  
- Status update:
  - Platform went live in August
  - Focused on training and onboarding GSA employees
  - Continuing to enhance features to improve the purchasing experience
  - Will provide additional updates as trends emerge



# Well Positioned for Market Share Growth – in 2020 and Beyond

- Revenue growth outpacing industry
  - Driven by technology, customer focus, and business model
- Maintain normalized gross profit margins
- Expenses growing slower than revenue, driving operating leverage
- Adjusted EBITDA margins in the mid-single digits
- Free cash flow positive



Driving sustainable, profitable growth

# MEDICI VENTURES

## Identity



- Vital Chain
- e·eronym
- FinClusive
- MINDS
- NETKI

## Land Titling

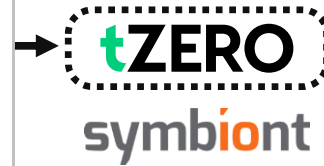


## Banking & Currency



- bitt
- spera
- ripio
- PEERNOVA

## Capital Markets



## Supply Chain



- GRAIN CHAIN
- Vinsent
- FACTOM

## Voting

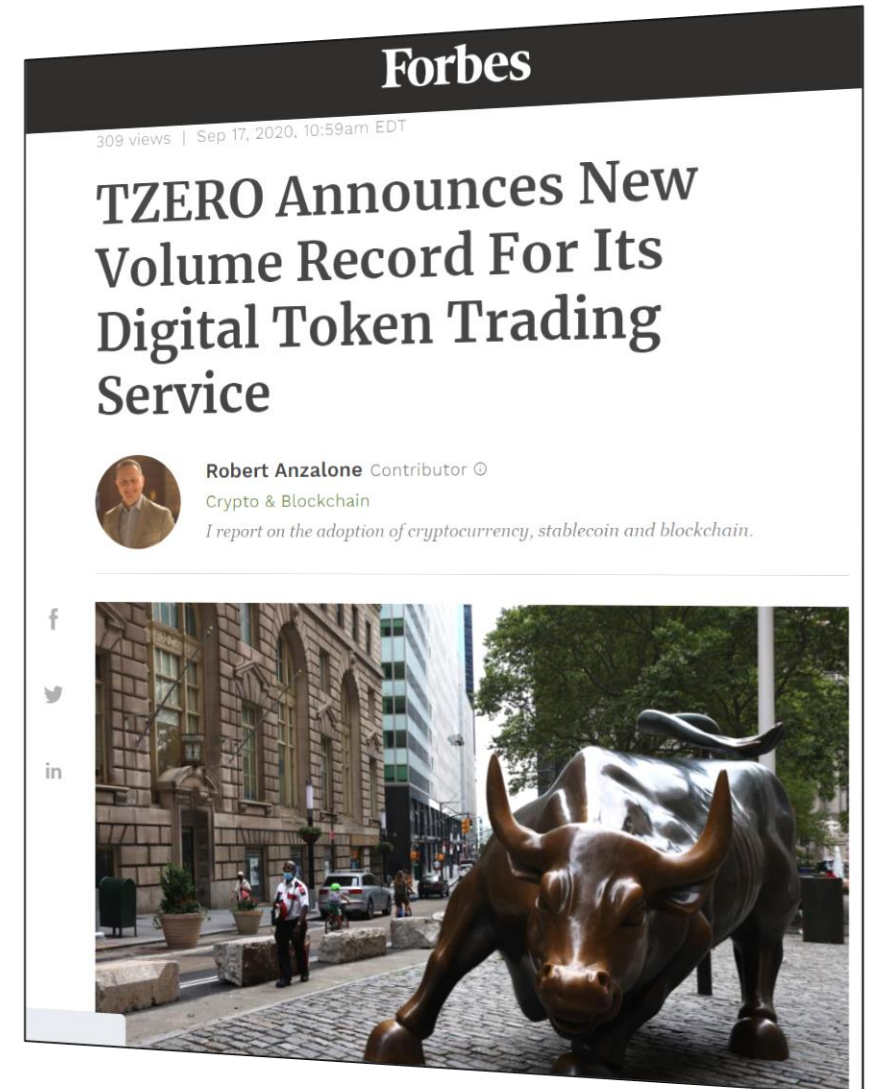


- Voatz
- votem
- SettleMint

**tZERO**

# We Continue to Lead the Digital Security Space

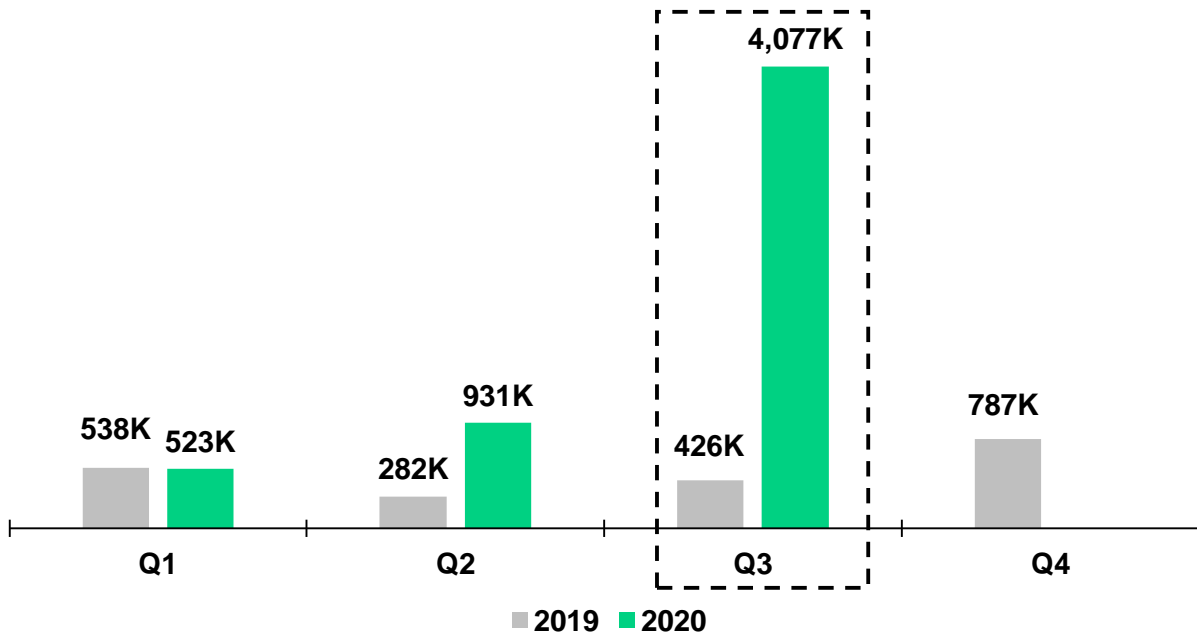
- In Q3 2020, tZERO recorded **\$39M** of security token trade volume, a **20x** increase compared to the \$2M achieved in Q3 2019
- We accounted for roughly **99%** of all security token volume last quarter<sup>1</sup>
- Our digital securities represent **85%** of all security token value<sup>1</sup>



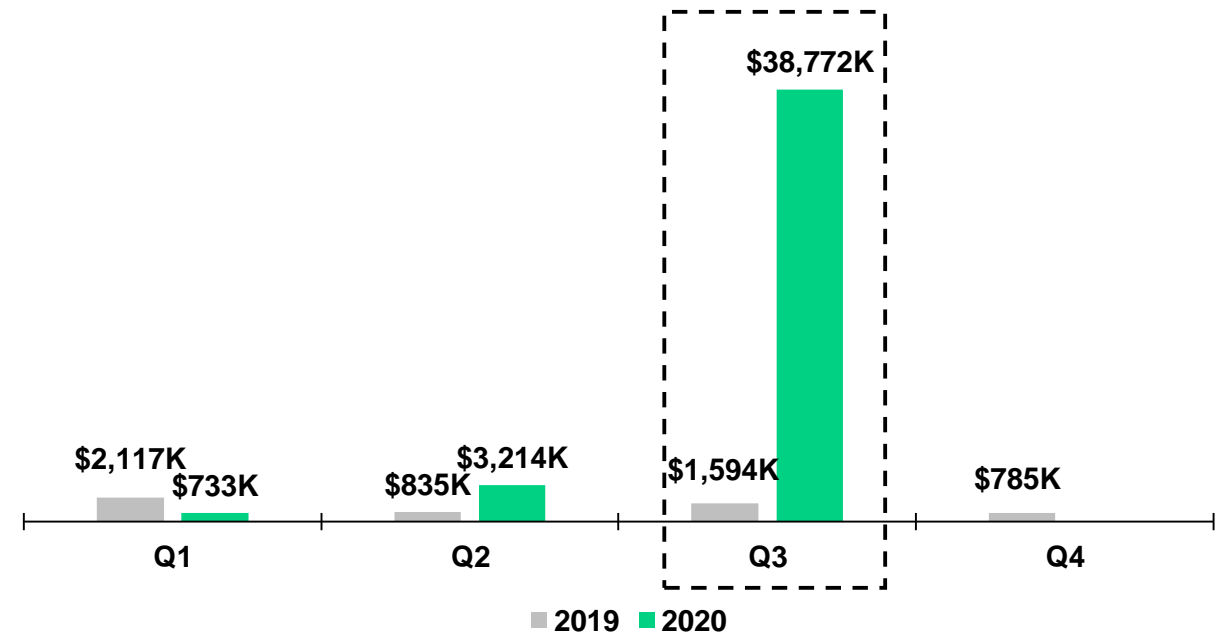
# Delivered Record Trade Volume

The *tZERO* ATS recorded more volume in Q3'20 than in all previous quarters **combined**

## Total Shares Traded



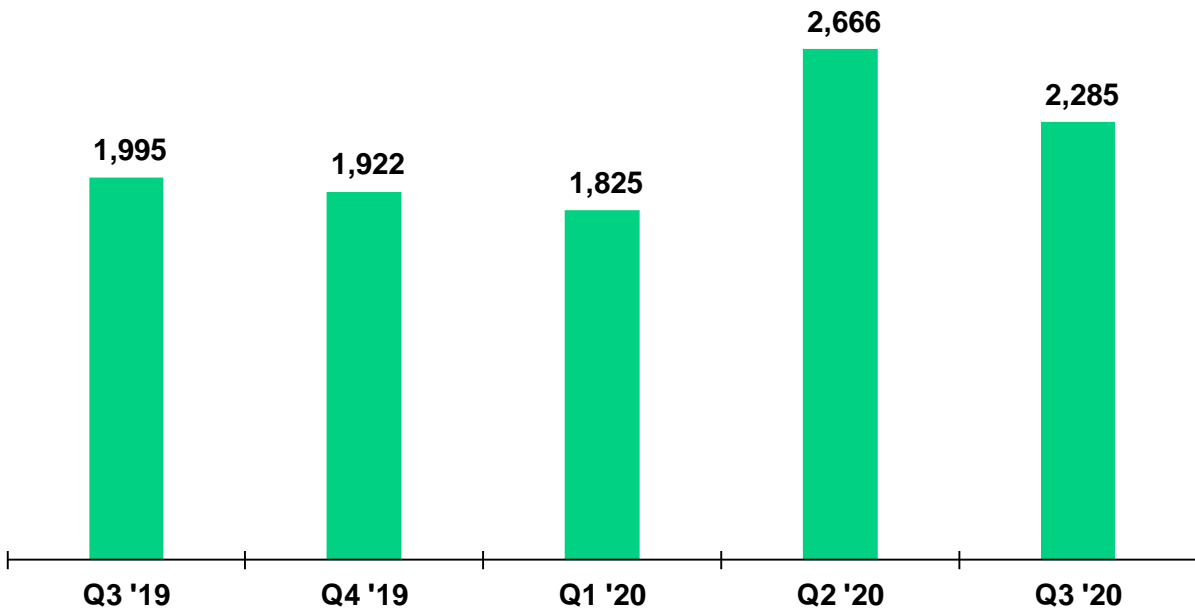
## Total Value Traded



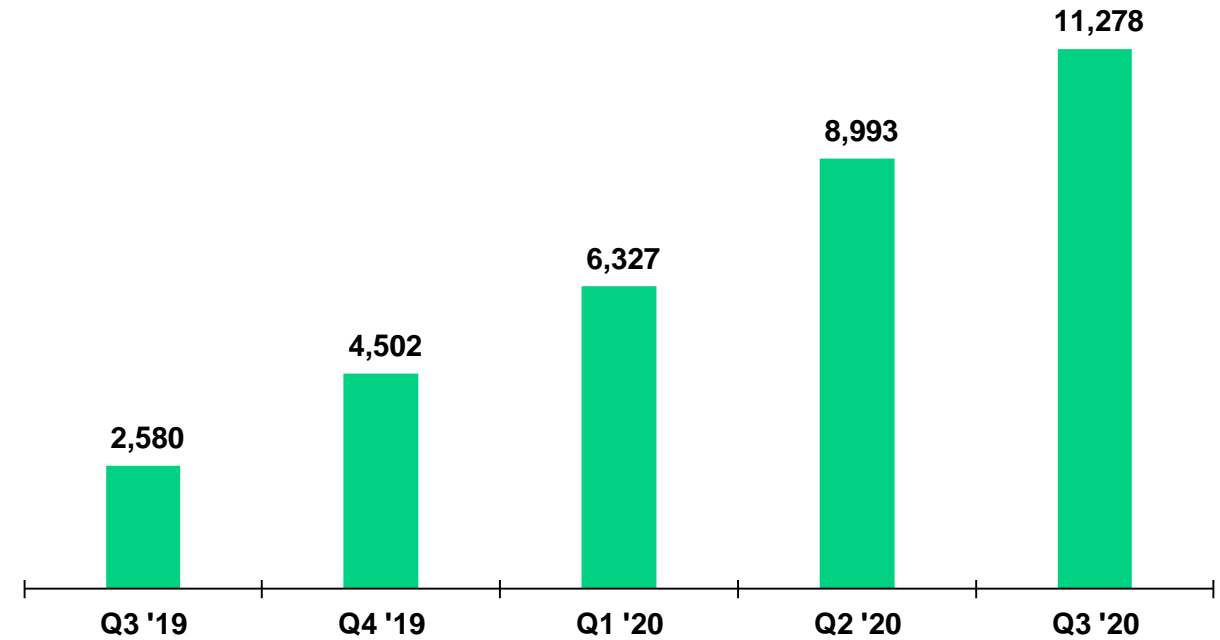
# Strong User Growth on Our Crypto App

*With recent approval of tZERO Markets, our goal is to migrate these users to our broker-dealer*

## Quarterly User Growth



## Crypto App Users as of Quarter End



# Recent Wins

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1. tZERO Markets goes live – **10/21**
2. Two additional broker-dealers go live on tZERO ATS – **10/8**
3. tZERO signs tokenization agreement with investment fund Tynton Capital – **9/23**
4. tZERO appoints former Nasdaq EVP John Jacobs to board of directors – **9/21**
5. Additional subscriber agreement signed with new broker-dealer – **9/18**
6. tZERO achieves record monthly volume and Crypto App growth in August – **9/1**
7. St. Regis Aspen commences trading on tZERO ATS – **8/24**

# Product Roadmap

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## Assets

1. Tokenize Existing Cap Tables
2. Tokenize New Offerings

## Liquidity

1. Grow tZERO Markets Users
2. Integrate More Broker-Dealers

## Experience

1. Streamline Markets Trading UX
2. UX for Trading All Digital Assets



# MEDICI VENTURES

Identity



- Vital Chain
- e•ernym
- FinClusive
- MINDS
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Land Titling



- bitt
- spera
- ripio
- PEERNOVA

Banking & Currency



Capital Markets



- tZERO
- symbiont

Supply Chain



- GRAIN CHAIN
- Vinsent
- FACTOM

Voting



- Voatz
- votem
- SettleMint

# bitt



## Advancing Central Bank Digital Currency

- Medici Ventures purchased \$8 million of additional equity in Bitt in October 2020
- Enables Bitt to pursue market opportunities that accelerate adoption of Central Bank Digital Currency
- Demonstrates Medici Ventures' commitment to Bitt and results in a controlling interest
- Bitt will remain based in Barbados; President Brian Popelka will assume CEO role



## Safe & Secure Mobile Voting

- Became first blockchain-based remote voting platform to be used in a presidential election<sup>1</sup>
- Used at the Wyoming Independent National Convention
- Selected for a mobile voting pilot in Brazil in November
- Successfully conducted 70 elections across five U.S. states



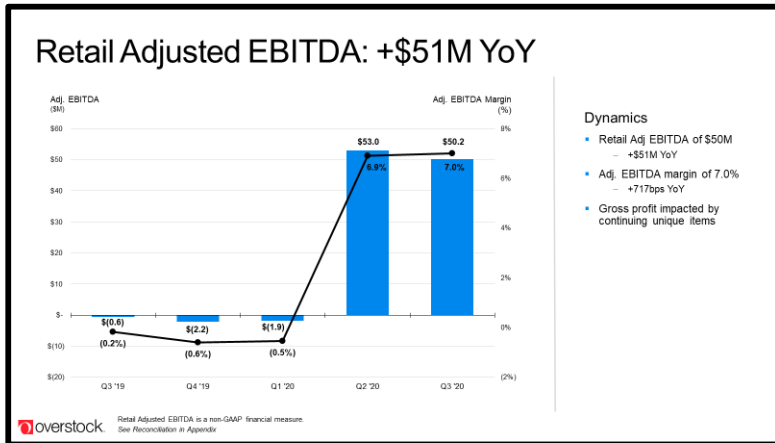
# Summary and Q&A



# Summary and Q&A – Focused Execution

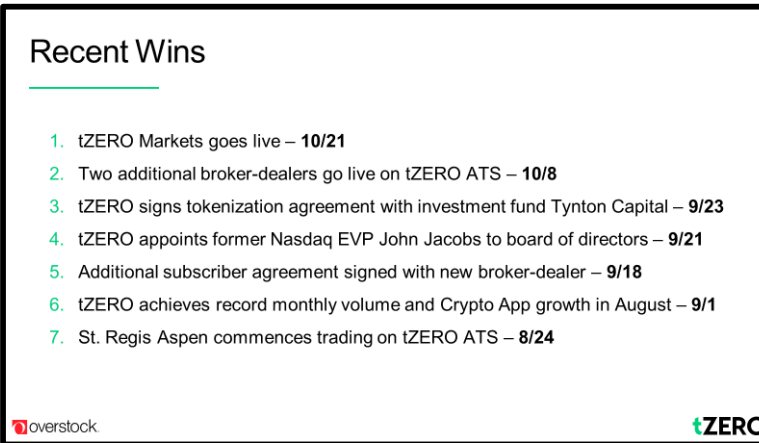
## Overstock Retail

- Sustainable, profitable growth
- Relentless focus on initiatives



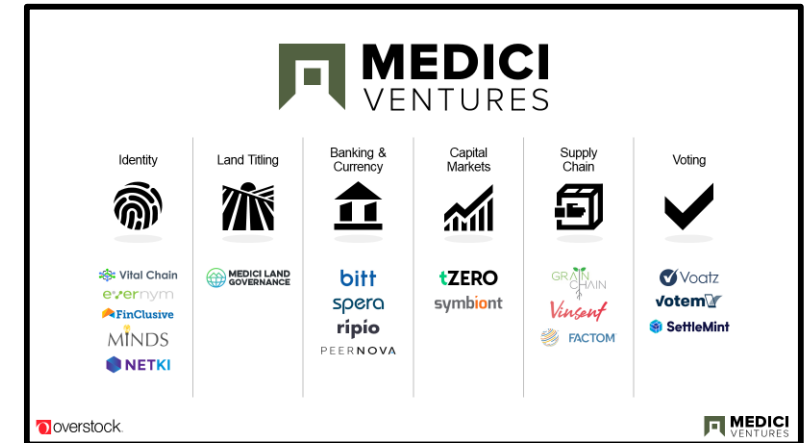
## tZERO

- Driving adoption
- Onboarding tokens & investors



## Medici Ventures

- Products in production
- Seeking third-party investors



To ask questions:

**Dial-in: (877) 673-5346**  
Conference ID: 4293477

-or-

**Email: [ir@overstock.com](mailto:ir@overstock.com)**

# Appendix

# Adjusted EBITDA Reconciliation

	Three months ended				
	Sep-2019	Dec-2019	Mar-2020	Jun-2020	Sep-2020
<b>Net Loss</b>	\$ (34,542)	\$ (29,660)	\$ (19,565)	\$ 34,381	\$ 21,226
Depreciation and amortization	7,518	7,998	7,569	7,548	7,592
Stock-based compensation	4,467	4,606	3,268	2,465	2,623
Interest income, net	(392)	(262)	(72)	(26)	177
Other (income) expense, net	4,781	(1,547)	(6,683)	4,171	7,526
Provision (benefit) for income taxes	23	(94)	176	517	620
Special items (see table below)	185	-	(1,103)	(7,272)	288
<b>Adjusted EBITDA</b>	<b>\$ (17,960)</b>	<b>\$ (18,959)</b>	<b>\$ (16,410)</b>	<b>\$ 41,784</b>	<b>\$ 40,052</b>
<b>Segment Adjusted EBITDA</b>					
Retail	\$ (575)	\$ (2,194)	\$ (1,865)	\$ 53,011	\$ 50,249
tZERO	(11,233)	(10,628)	(8,250)	(7,052)	(5,675)
MVI	(2,691)	(2,695)	(2,498)	(2,085)	(2,470)
Other	(3,461)	(3,442)	(3,797)	(2,090)	(2,052)
<b>Adjusted EBITDA</b>	<b>\$ (17,960)</b>	<b>\$ (18,959)</b>	<b>\$ (16,410)</b>	<b>\$ 41,784</b>	<b>\$ 40,052</b>
<b>Special items:</b>					
Special legal charges (1)	\$ (1,221)	\$ -	\$ (2,501)	\$ (7,272)	\$ -
Severance	-	-	1,398	-	\$ 288
Impairments on intangible assets	1,406	-	-	-	-
<b>Total Special items</b>	<b>\$ 185</b>	<b>\$ -</b>	<b>\$ (1,103)</b>	<b>\$ (7,272)</b>	<b>\$ 288</b>

<sup>1</sup> Special legal charges include amounts associated with the resolution for and adjustments to various legal contingencies 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. Review our financial statements and publicly-filed reports in their entirety and do not rely on any single financial measure.