

## LightInTheBox Reports Second Quarter 2017 Financial Results

September 18, 2017 6:00 AM ET

### Net Revenues Increase 19.6% Year-over-Year Conference Call to be Held at 8:00AM ET on September 18, 2017

BEIJING, Sept. 18, 2017 /PRNewswire/ -- LightInTheBox Holding Co., Ltd. (NYSE: LITB) ("LightInTheBox" or the "Company"), a global online retail company that delivers products directly to consumers around the world, today announced its unaudited financial results for the second quarter of 2017.

#### Financial Highlights

- Net revenues increased 19.6% year-over-year to \$78.5 million, in line with the Company's guidance.
- Non-GAAP net income was \$0.3 million, compared with non-GAAP net loss of \$1.0 million during the same quarter last year.
- For the third quarter of 2017, the Company expects net revenues to be in the range of \$75.0 to \$78.0 million, representing an increase of 16.5% to 21.2% year-over-year.

Mr. Alan Guo, Chairman and CEO of LightInTheBox, commented, "We are happy to report a strong jump in second quarter net revenues which increased 19.6% year-over-year and non-GAAP net income of \$0.3 million. This is our third consecutive quarter of revenue growth on a year-over-year basis and the highest year-over-year growth rate in the last two years. These strong results are directly attributable to the persistent execution of our strategy to strengthen supply chain management, improve customer satisfaction, leverage big data enabled product merchandising, expand into new markets with more localized products and focus on mobile internet opportunities."

#### Second Quarter 2017 Financial Results

**Net revenues** increased 19.6% year-over-year to \$78.5 million from \$65.6 million in the same quarter of 2016. Net revenues from product sales were \$73.7 million, compared with \$59.4 million in the same quarter of 2016. Net revenues from service and others were \$4.8 million, compared with \$6.2 million in the same quarter of 2016. As a percentage of net revenues, service and others accounted for 6.2% during the second quarter of 2017.

Total orders of product sales were 1.7 million for the second quarter of 2017, compared with 1.4 million in the same quarter of 2016. Total number of product sales customers was 1.4 million for the second quarter of 2017, compared with 1.2 million in the same quarter of 2016.

Product sales in the apparel category were \$27.0 million for the second quarter of 2017, compared with \$24.1 million in the same quarter of 2016. As a percentage of product sales, apparel revenues accounted for 36.6% for the second quarter of 2017, compared with 40.6% in the same quarter of 2016. Product sales from other general merchandise were \$46.7 million for the second quarter of 2017.

Product sales from Europe were \$37.4 million for the second quarter of 2017, compared with \$32.9 million in the same quarter of 2016, representing 50.7% of total product sales for the second quarter of 2017. Product sales from North America were \$19.2 million, compared with \$19.0 million in the same quarter of 2016, representing 26.1% of total product sales for the second quarter of 2017, while product sales from other countries were \$17.1 million, representing 23.2% of total product sales for the same quarter.

Total cost of revenues was \$50.9 million in the second quarter of 2017, compared with \$41.2 million in the same period of 2016. Cost for product sales was \$46.2 million in the second quarter of 2017, compared with \$35.4 million in the same period of 2016. Cost for service and others was \$4.7 million in the second quarter of 2017, compared with \$5.8 million in the same period of 2016.

**Gross profit** for the second quarter of 2017 was \$27.6 million, compared with \$24.4 million in the same period of 2016. Gross margin was 35.2% in the second quarter of 2017, compared with 37.2% in the same quarter of 2016.

**Total operating expenses** in the second quarter of 2017 were \$29.6 million, compared with \$26.5 million in the same quarter of 2016.

- **Fulfillment expenses** in the second quarter of 2017 were \$4.3 million, compared with \$4.1 million in the same quarter of 2016. As a percentage of total net revenues, fulfillment expenses were 5.5% for the second quarter of 2017, compared to 6.2% in the same quarter of 2016 and 5.2% in the first quarter of 2017.
- **Selling and marketing expenses** in the second quarter of 2017 were \$18.1 million, compared with \$14.1 million in the same quarter of 2016. As a percentage of total net revenues, selling and marketing expenses were 23.1% for the second quarter of 2017, compared to 21.4% in the same quarter of 2016 and 20.9% in the first quarter of 2017.
- **General and administrative (G&A) expenses** in the second quarter of 2017 were \$7.2 million, compared with \$8.3 million in the same quarter of 2016. As a percentage of total net revenues, G&A expenses were 9.1% for the second quarter of 2017, compared with 12.7% in the same quarter of 2016 and 10.8% in the first quarter of 2017. G&A expenses in the second quarter of 2017 included \$2.7 million in technology investments, compared with \$3.1 million in the same quarter of 2016.

**Loss from operations** was \$2.0 million in the second quarter of 2017, compared with a loss from operations of \$2.0 million in the same quarter of 2016.

**Net loss** was \$1.8 million in the second quarter of 2017, compared with a net loss of \$1.9 million in the same quarter of 2016.

**Net loss per American Depository Share ("ADS")** was \$0.03 in the second quarter of 2017, compared with net loss per ADS of \$0.03 in the same quarter of 2016. Each ADS represents two ordinary shares.

**Non-GAAP net income** was \$0.3 million in the second quarter of 2017, compared with non-GAAP net loss of \$1.0 million in the same quarter of 2016.

**Non-GAAP net income per ADS** was \$0.00 in the second quarter of 2017, compared with non-GAAP net loss per ADS of \$0.01 in the same quarter of 2016.

For the second quarter of 2017, the Company's weighted average number of ADSs used in computing the loss per ADS was 68,858,814.

As of June 30, 2017, the Company had **cash and cash equivalents and restricted cash** of \$79.9 million, compared with \$85.1 million as of March 31, 2017.

### **Share Repurchase Program Extension**

On June 15, 2017, the Company announced the extension of its existing share repurchase program for an additional twelve month period from June 15, 2017 through June 14, 2018 to continue to repurchase up to the remaining balance of the \$10 million of its American Depository Shares ("ADSs"). As of June 30, 2017, the Company had repurchased a total of \$1.4 million of its ADSs.

### **Business Outlook**

For the third quarter of 2017, based on current information available to the Company and business seasonality, the Company expects net revenues to be between \$75.0 million and \$78.0 million, which represents an increase of 16.5% to 21.2% year-over-year. These forecasts reflect the Company's current and preliminary views on the market and operational conditions, which are subject to change.

## Conference Call

The Company will hold a conference call at 8:00 a.m. Eastern Time on Monday, September 18, 2017 to discuss its financial results and operating performance for the second quarter 2017. To participate in the call, please dial the following numbers:

US Toll Free:	1-866-519-4004
Hong Kong Toll Free:	800-906-601
China:	400-620-8038
International:	+65-6713-5090
Passcode:	84256833

A telephone replay will be available two hours after the conclusion of the conference call through September 25, 2017.

The dial-in details are:

US:	+1-646-254-3697
Hong Kong:	+852-3051-2780
International:	+61-2-8199-0299
Passcode:	84256833

A live and archived webcast of the conference call will be available on the Investor Relations section of LightInTheBox's website at <http://ir.lightinthebox.com>.

## About LightInTheBox Holding Co., Ltd.

LightInTheBox is a global online retail company that delivers products directly to consumers around the world. The Company offers customers a convenient way to shop for a wide selection of products at attractive prices through its [www.lightinthebox.com](http://www.lightinthebox.com), [www.miniinthebox.com](http://www.miniinthebox.com) and other websites and mobile applications, which are available in 23 major languages and cover more than 80% of global Internet users.

For more information, please visit [www.lightinthebox.com](http://www.lightinthebox.com).

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## Use of Non-GAAP Financial Measures

LightInTheBox uses non-GAAP net income (loss) and non-GAAP net income (loss) per basic and diluted ADS, each of which is a non-GAAP financial measure. Non-GAAP net income (loss) is net income (loss) excluding the foreign exchange impact on net revenues, share-based compensation. Non-GAAP net income (loss) per basic and diluted ADS is non-GAAP net income (loss) divided by weighted average number of basic and diluted ADS, respectively. The Company continuously monitors the impact of currency exchange rates on net revenues given that it is a global company and has exposure to a variety of currencies. Starting in the fourth quarter of 2014, there was a significant impact on net revenues from changes in foreign currency exchange rates against the U.S. dollar. Due to the nature of its business, the Company believes that excluding the impact of such fluctuations more appropriately reflects the Company's results of operations,

and provides investors with a better understanding of the Company's business performance. The Company believes that separate analysis and exclusion of foreign exchange impact on net revenues and the non-cash impact of share-based compensation adds clarity to the constituent parts of its performance. The Company reviews these non-GAAP financial measures together with GAAP financial measures to obtain a better understanding of its operating performance. It uses these non-GAAP financial measures for planning, forecasting and measuring results against the forecast. The Company believes that non-GAAP financial measures are useful supplemental information for investors and analysts to assess its operating performance without the effect of foreign exchange impact on net revenues, non-cash share-based compensation expenses, which have been and will continue to be significant recurring expenses in its business. However, the use of non-GAAP financial measures has material limitations as an analytical tool. One of the limitations of using non-GAAP financial measures is that they do not include all items that impact the Company's net loss for the period. In addition, because non-GAAP financial measures are not measured in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies. In light of the foregoing limitations, you should not consider non-GAAP financial measure in isolation from or as an alternative to the financial measure prepared in accordance with U.S. GAAP. The presentation of these non-GAAP financial measures is not intended to be considered in isolation from, or as a substitute for, the financial information prepared and presented in accordance with U.S. GAAP. For more information on these non-GAAP financial measures, please see the table captioned "Unaudited Reconciliations of GAAP and Non-GAAP Results" at the end of this release.

### Forward-Looking Statements

This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "potential," "continue," "ongoing," "targets" and similar statements. Among other things, statements that are not historical facts, including statements about LightInTheBox's beliefs and expectations, the business outlook and quotations from management in this announcement, as well as LightInTheBox's strategic and operational plans, are or contain forward-looking statements. LightInTheBox may also make written or oral forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the "SEC"), in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: LightInTheBox's goals and strategies; LightInTheBox's future business development, results of operations and financial condition; the expected growth of the global online retail market; LightInTheBox's ability to attract customers and further enhance customer experience and product offerings; LightInTheBox's ability to strengthen its supply chain efficiency and optimize its logistics network; LightInTheBox's expectations regarding demand for and market acceptance of its products; competition; fluctuations in general economic and business conditions and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in LightInTheBox's filings with the SEC. All information provided in this press release and in the attachments is as of the date of this press release, and LightInTheBox does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

**LightInTheBox Holding Co., Ltd.**  
**Unaudited Condensed Consolidated Balance Sheets**  
**(U.S. dollar in thousands)**

	<u>As of December 31,</u> <u>2016</u>	<u>As of June 30,</u> <u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	89,517	78,439
Restricted cash	1,559	1,478

Accounts receivable	2,401	2,089
Inventories, net	10,587	9,723
Prepaid expenses and other current assets	<u>9,674</u>	<u>13,097</u>
Total current assets	<u>113,738</u>	<u>104,826</u>
Property and equipment, net	1,071	927
Acquired intangible assets, net	215	207
Goodwill	690	690
Long-term rental deposit	638	654
Long-term investments	<u>1,849</u>	<u>4,938</u>
TOTAL ASSETS	<u><u>118,201</u></u>	<u><u>112,242</u></u>

#### LIABILITIES

##### Current Liabilities

Accounts payable	22,523	17,202
Advance from customers	8,758	12,755
Accrued expenses and other current liabilities	<u>21,084</u>	<u>20,058</u>
Total current liabilities	<u>52,365</u>	<u>50,015</u>
TOTAL LIABILITIES	<u>52,365</u>	<u>50,015</u>

#### EQUITY

Ordinary shares	10	10
Treasury shares, at cost	(20,806)	(21,386)
Additional paid-in capital	236,949	237,986
Accumulated deficit	(149,738)	(153,938)
Accumulated other comprehensive loss	<u>(579)</u>	<u>(445)</u>
TOTAL EQUITY	<u>65,836</u>	<u>62,227</u>
TOTAL LIABILITIES AND EQUITY	<u><u>118,201</u></u>	<u><u>112,242</u></u>

**LightInTheBox Holding Co., Ltd.**  
**Unaudited Condensed Consolidated Statements of Operations**  
**(U.S. dollar in thousands, except share data and per share data)**

	Three-month Period Ended		Six-month Period Ended	
	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
Net revenues				
Product sales	59,401	73,652	121,323	138,428
Services and others	<u>6,246</u>	<u>4,840</u>	<u>11,622</u>	<u>12,765</u>
Total net revenues	<u>65,647</u>	<u>78,492</u>	<u>132,945</u>	<u>151,193</u>
Cost of revenues				
Product sales	(35,356)	(46,173)	(72,973)	(87,205)
Services and others	<u>(5,848)</u>	<u>(4,699)</u>	<u>(10,758)</u>	<u>(12,157)</u>
Total cost of revenues	<u>(41,204)</u>	<u>(50,872)</u>	<u>(83,731)</u>	<u>(99,362)</u>
Gross profit	<u>24,443</u>	<u>27,620</u>	<u>49,214</u>	<u>51,831</u>
Operating expenses				
Fulfillment	(4,062)	(4,347)	(8,595)	(8,095)
Selling and marketing	(14,081)	(18,091)	(28,286)	(33,296)

General and administrative	<u>(8,343)</u>	<u>(7,180)</u>	<u>(16,599)</u>	<u>(15,014)</u>
Total operating expenses	<u>(26,486)</u>	<u>(29,618)</u>	<u>(53,480)</u>	<u>(56,405)</u>
Loss from operations	(2,043)	(1,998)	(4,266)	(4,574)
Exchange (loss) gain on offshore bank accounts	(3)	(22)	65	(34)
Interest income	<u>187</u>	<u>190</u>	<u>203</u>	<u>335</u>
Loss before income taxes	(1,859)	(1,830)	(3,998)	(4,273)
Income taxes expenses	(28)	(13)	(42)	(21)
(Loss) gain from equity method investments	<u>(10)</u>	<u>38</u>	<u>2</u>	<u>94</u>
Net loss	<u><u>(1,897)</u></u>	<u><u>(1,805)</u></u>	<u><u>(4,038)</u></u>	<u><u>(4,200)</u></u>

Weighted average numbers of shares used in calculating loss per ordinary share

—Basic	137,360,894	137,717,629	116,383,085	137,736,836
—Diluted	137,360,894	137,717,629	116,383,085	137,736,836

Net loss per ordinary share

—Basic	(0.01)	(0.01)	(0.03)	(0.03)
—Diluted	(0.01)	(0.01)	(0.03)	(0.03)

Net loss per ADS (2 ordinary shares equal to 1 ADS)

—Basic	(0.03)	(0.03)	(0.07)	(0.06)
—Diluted	(0.03)	(0.03)	(0.07)	(0.06)

**LightInTheBox Holding Co., Ltd.**  
**Unaudited Reconciliations of GAAP and Non-GAAP Results**  
**(U.S. dollar in thousands, except share data and per share data)**

	Three-month Period Ended		Six-month Period Ended	
	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
Net revenues	65,647	78,492	132,945	151,193
Foreign exchange impact on net revenues*	<u>174</u>	<u>1,609</u>	<u>2,698</u>	<u>2,687</u>
Non-GAAP net revenues	<u><u>65,821</u></u>	<u><u>80,101</u></u>	<u><u>135,643</u></u>	<u><u>153,880</u></u>
Gross profit	24,443	27,620	49,214	51,831
Foreign exchange impact on net revenues*	<u>174</u>	<u>1,609</u>	<u>2,698</u>	<u>2,687</u>
Non-GAAP gross profit	<u><u>24,617</u></u>	<u><u>29,229</u></u>	<u><u>51,912</u></u>	<u><u>54,518</u></u>
Loss from operations	(2,043)	(1,998)	(4,266)	(4,574)
Foreign exchange impact on net revenues*	174	1,609	2,698	2,687
Share-based compensation expenses	<u>748</u>	<u>515</u>	<u>1,282</u>	<u>1,013</u>
Non-GAAP income (loss) from operations	<u><u>(1,121)</u></u>	<u><u>126</u></u>	<u><u>(286)</u></u>	<u><u>(874)</u></u>
Net loss	(1,897)	(1,805)	(4,038)	(4,200)
Foreign exchange impact on net revenues*	174	1,609	2,698	2,687
Share-based compensation expenses	<u>748</u>	<u>515</u>	<u>1,282</u>	<u>1,013</u>
Non-GAAP net income (loss)	<u><u>(975)</u></u>	<u><u>319</u></u>	<u><u>(58)</u></u>	<u><u>(500)</u></u>

Non-GAAP weighted average numbers of shares used in calculating net income (loss) per ordinary share

—Basic	137,360,894	137,717,629	116,383,085	137,736,836
—Diluted	137,360,894	137,997,288	116,383,085	137,736,836

Non-GAAP net income (loss) per ordinary share

—Basic	(0.01)	0.00	(0.00)	(0.00)
—Diluted	(0.01)	0.00	(0.00)	(0.00)

Non-GAAP net income (loss) per ADS (2 ordinary shares equal to 1 ADS)

—Basic	(0.01)	0.00	(0.00)	(0.01)
—Diluted	(0.01)	0.00	(0.00)	(0.01)

\* The foreign exchange impact on net revenue includes all net revenues received in currencies other than USD in the calculation and the exchange rate in the calculation of the foreign exchange impact on the net revenue is using the comparable period exchange rate. For example, the foreign exchange impact on the net revenue of June 2017 will be calculated by the average of the daily exchange rates in June 2016 times the respective original foreign currency net revenues in June 2017.

**LightInTheBox Holding Co., Ltd.**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
**(U.S. dollar in thousands)**

	<u>Three-month Period Ended</u>		<u>Six-month Period Ended</u>	
	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2017</u>
Net loss	(1,897)	(1,805)	(4,038)	(4,200)
Adjustments to reconcile net loss to net cash used in operating activities				
Depreciation and amortization	361	194	862	425
Share-based compensation	748	515	1,282	1,013
Inventory write-down	760	568	2,247	906
Exchange loss (gain) on offshore bank accounts	3	22	(65)	34
Loss (gain) from equity method investments	10	(38)	(2)	(94)
Changes in operating assets and liabilities				
Accounts receivable	(415)	115	(1,279)	357
Inventories	(106)	(692)	1,655	(34)
Prepaid expenses and other current assets	236	(1,644)	753	(3,409)
Accounts payable	(5,427)	(387)	(14,711)	(5,325)
Advance from customers	(855)	738	1,930	3,998
Accrued expense and other current liabilities	730	541	765	(1,192)
Long-term rental deposit	(3)	2	(3)	(9)
Net cash used in operating activities	<u>(5,855)</u>	<u>(1,871)</u>	<u>(10,604)</u>	<u>(7,530)</u>
Cash flows from investing activities				
Payment for long-term investment	-	(2,950)	-	(2,950)
Purchase of property and equipment	(62)	(140)	(75)	(251)
Withdraw (deposit) in restricted cash	170	(189)	402	80
Net cash provided by (used in) investing activities	<u>108</u>	<u>(3,279)</u>	<u>327</u>	<u>(3,121)</u>
Cash flows from financing activities				
Issuance of ordinary shares upon private placement	-	-	76,499	-

Payment of private placement offering expenses	(735)	-	(735)	-
Proceeds from exercise of share options	17	23	23	23
Repurchase of ordinary shares	<u>(153)</u>	<u>(344)</u>	<u>(153)</u>	<u>(580)</u>
Net cash provided by (used in) financing activities	<u>(871)</u>	<u>(321)</u>	<u>75,634</u>	<u>(557)</u>
Effect of exchange rate changes on cash and cash equivalents	(219)	113	(129)	130
Cash and cash equivalents at beginning of period	<u>102,966</u>	<u>83,797</u>	<u>30,901</u>	<u>89,517</u>
Cash and cash equivalents at end of period	<u><u>96,129</u></u>	<u><u>78,439</u></u>	<u><u>96,129</u></u>	<u><u>78,439</u></u>

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