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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-40825

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### Warby Parker Inc.

(Exact name of registrant as specified in its charter)

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Delaware

80-0423634

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification Number)

233 Spring Street, 6th Floor East

New York, New York 10013

(646) 847-7215

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value per share	WRBY	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes  No

As of May 6, 2024, there were approximately 99,128,202 shares of the registrant's Class A common stock, and 19,734,125 shares of the registrant's Class B common stock outstanding.

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## Special Note Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which statements involve substantial risk and uncertainties. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will," or "would" or the negative of these words or other similar terms or expressions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about our future results of operations and financial position, industry and business trends, general macroeconomic and market trends, business strategy, plans, market growth and our objectives for future operations.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors. These risks and uncertainties include our ability to manage our future growth effectively; our expectations regarding cost of goods sold, gross margin, channel mix, customer mix, and selling, general, and administrative expenses; increases in component and shipping costs and changes in supply chain; our reliance on our information technology systems and enterprise resource planning systems for our business to effectively operate and safeguard confidential information; our ability to engage our existing customers and obtain new customers; planned new retail stores in 2024 and going forward; an overall decline in the health of the economy and other factors impacting consumer spending, such as recessionary conditions, inflation, government instability, and geopolitical unrest; our ability to compete successfully; our ability to manage our inventory balances and shrinkage; the growth of our brand awareness; our ability to recruit and retain optometrists, opticians, and other vision care professionals; the spread of new infectious diseases; the effects of seasonal trends on our results of operations; our ability to stay in compliance with extensive laws and regulations that apply to our business and operations; our ability to adequately maintain and protect our intellectual property and proprietary rights; our reliance on third parties for our products, operations and infrastructure; our duties related to being a public benefit corporation; the ability of our Co-Founders and Co-CEOs to exercise significant influence over all matters submitted to stockholders for approval; the volatility in the trading price of our Class A common stock; the effect of our multi-class structure on the trading price of our Class A common stock; the increased expenses associated with being a public company; and the other factors described in the section titled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the Securities and Exchange Commission on February 29, 2024. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements such as "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that such information provides a reasonable basis for these statements, that information may be limited or incomplete. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments.

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**Part I. Financial Information**

**Item 1. Financial Statements**

**Warby Parker Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets (Unaudited)**  
*(Amounts in thousands, except share data)*

	March 31, 2024	December 31, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 220,384	\$ 216,894
Accounts receivable, net	1,167	1,779
Inventory	56,450	62,234
Prepaid expenses and other current assets	18,116	17,712
Total current assets	<u>296,117</u>	<u>298,619</u>
Property and equipment, net	156,722	152,332
Right-of-use lease assets	129,561	122,305
Other assets	10,492	7,056
Total assets	<u><u>\$ 592,892</u></u>	<u><u>\$ 580,312</u></u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 26,699	\$ 22,456
Accrued expenses	43,200	46,320
Deferred revenue	21,240	31,617
Current lease liabilities	24,462	24,286
Other current liabilities	2,939	2,411
Total current liabilities	<u>118,540</u>	<u>127,090</u>
Non-current lease liabilities	156,988	150,171
Other liabilities	1,177	1,264
Total liabilities	<u>276,705</u>	<u>278,525</u>
Commitments and contingencies (see Note 9)		
Stockholders' equity:		
Common stock, \$0.0001 par value; Class A: 750,000,000 shares authorized at March 31, 2024 and December 31, 2023, 99,005,197 and 98,368,239 issued and outstanding at March 31, 2024 and December 31, 2023, respectively; Class B: 150,000,000 shares authorized at March 31, 2024 and December 31, 2023, 19,734,125 and 19,788,682 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively, convertible to Class A on a one-to-one basis	12	12
Additional paid-in capital	987,305	970,135
Accumulated deficit	(669,510)	(666,831)
Accumulated other comprehensive loss	(1,620)	(1,529)
Total stockholders' equity	<u>316,187</u>	<u>301,787</u>
Total liabilities and stockholders' equity	<u><u>\$ 592,892</u></u>	<u><u>\$ 580,312</u></u>

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**Warby Parker Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)**  
(Amounts in thousands, except share and per share data)

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Net revenue	\$ 200,003	\$ 171,968
Cost of goods sold	86,544	77,177
Gross profit	113,459	94,791
 Selling, general, and administrative expenses	 118,586	 107,221
Loss from operations	(5,127)	(12,430)
 Interest and other income, net	 2,556	 1,879
Loss before income taxes	(2,571)	(10,551)
Provision for income taxes	108	261
Net loss	\$ (2,679)	\$ (10,812)
 Net loss per share attributable to common stockholders, basic and diluted	 \$ (0.02)	 \$ (0.09)
Weighted average shares used in computing net loss per share attributable to common stockholders, basic and diluted	119,143,534	116,159,428
 Other comprehensive loss		
Foreign currency translation adjustment	\$ (91)	\$ (683)
Total comprehensive loss	\$ (2,770)	\$ (11,495)

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**Warby Parker Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)**  
*(Amounts in thousands)*

	Three Months Ended March 31, 2024						
	Class A and Class B		Accumulated				
	Common Stock		Additional	Other	Comprehensive	Accumulated	Total
	Shares	Amount	Paid-In Capital	Income (Loss)	Deficit		Stockholders' Equity
Balance as of December 31, 2023	117,849	\$ 12	\$ 970,135	\$ (1,529)	\$ (666,831)	\$ 301,787	
Stock option exercises	67	—	905	—	—	—	905
Restricted stock unit releases	563	—	—	—	—	—	—
Stock-based compensation	—	—	16,265	—	—	—	16,265
Other comprehensive loss	—	—	—	(91)	—	—	(91)
Net loss	—	—	—	—	(2,679)	—	(2,679)
Balance as of March 31, 2024	<u>118,479</u>	<u>\$ 12</u>	<u>\$ 987,305</u>	<u>\$ (1,620)</u>	<u>\$ (669,510)</u>	<u>\$ 316,187</u>	

	Three Months Ended March 31, 2023						
	Class A and Class B		Accumulated				
	Common Stock		Additional	Other	Comprehensive	Accumulated	Total
	Shares	Amount	Paid-In Capital	Income (Loss)	Deficit		Stockholders' Equity
Balance as of December 31, 2022	115,339	12	\$ 890,915	\$ (647)	\$ (603,634)	\$ 286,646	
Stock option exercises	109	—	1,415	—	—	—	1,415
Restricted stock unit releases	153	—	—	—	—	—	—
Stock-based compensation	—	—	19,780	—	—	—	19,780
Other comprehensive income	—	—	—	(683)	—	—	(683)
Net loss	—	—	—	—	(10,812)	—	(10,812)
Balance as of March 31, 2023	<u>115,601</u>	<u>\$ 12</u>	<u>\$ 912,110</u>	<u>\$ (1,330)</u>	<u>\$ (614,446)</u>	<u>\$ 296,346</u>	

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**Warby Parker Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
*(Amounts in thousands)*

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (2,679)	\$ (10,812)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	10,583	9,140
Stock-based compensation	14,048	19,780
Asset impairment charges	399	395
Amortization of cloud-based software implementation costs	1,073	363
Change in operating assets and liabilities:		
Accounts receivable, net	612	473
Inventory	5,784	4,442
Prepaid expenses and other assets	(2,913)	(657)
Accounts payable	3,327	(921)
Accrued expenses	(108)	(7,826)
Deferred revenue	(10,377)	(6,744)
Other current liabilities	528	119
Right-of-use lease assets and current and non-current lease liabilities	(263)	988
Other liabilities	(87)	(97)
Net cash provided by operating activities	<u>19,927</u>	<u>8,643</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(14,437)	(12,385)
Investment in optical equipment company	(2,000)	—
Net cash used in investing activities	<u>(16,437)</u>	<u>(12,385)</u>
<b>Cash flows from financing activities</b>		
Proceeds from stock option exercises	91	81
Net cash provided by financing activities	<u>91</u>	<u>81</u>
Effect of exchange rates on cash	(91)	(662)
Net change in cash and cash equivalents	<u>3,490</u>	<u>(4,323)</u>
Cash and cash equivalents, beginning of period	<u>216,894</u>	<u>208,585</u>
Cash and cash equivalents, end of period	<u>\$ 220,384</u>	<u>\$ 204,262</u>
<b>Supplemental disclosures</b>		
Cash paid for income taxes	\$ 69	\$ 97
Cash paid for interest	76	50
Cash paid for amounts included in the measurement of lease liabilities	10,400	10,849
<b>Non-cash investing and financing activities:</b>		
Purchases of property and equipment included in accounts payable and accrued expenses	\$ 4,582	\$ 2,957

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**Warby Parker Inc. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**  
*(Amounts in thousands, except share data)*

## **1. Description of Business**

Warby Parker Inc., a public benefit corporation founded in 2010 (together with its wholly owned subsidiaries, the "Company"), is a founder-led, mission-driven lifestyle brand that sits at the intersection of technology, design, healthcare, and social enterprise. The Company offers holistic vision care by selling eyewear products and providing optical services directly to consumers through its retail stores and e-commerce platform. For every pair of glasses or sunglasses sold, the Company helps distribute a pair of glasses to someone in need through its Buy a Pair, Give a Pair program. The Company is headquartered in New York, New York.

## **2. Summary of Significant Accounting Policies**

### ***Basis of Presentation***

The Company's unaudited condensed consolidated financial statements have been prepared and are presented in accordance with United States generally accepted accounting principles ("U.S. GAAP"). Certain information and disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the applicable rules and regulations of the Securities and Exchange Commission. Accordingly, these condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023 and the related notes. The December 31, 2023 condensed consolidated balance sheet was derived from the Company's audited consolidated financial statements as of that date. The unaudited interim condensed consolidated financial statements include, in the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the condensed consolidated financial statements. There have been no significant changes in accounting policies during the three months ended March 31, 2024 from those disclosed in the audited consolidated financial statements for the year ended December 31, 2023 and the related notes.

### ***Principles of Consolidation***

The condensed consolidated financial statements include the financial statements of Warby Parker Inc., and its wholly owned subsidiaries. The Company has consolidated certain entities meeting the definition of a variable interest entity as the Company concluded that it is the primary beneficiary of the entities. The inclusion of these entities does not have a material impact on its condensed consolidated financial statements. Intercompany balances and transactions have been eliminated in consolidation.

### ***Use of Estimates***

The Company prepares its condensed consolidated financial statements in conformity with U.S. GAAP. These principles require management to make certain estimates and assumptions during the preparation of its condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Management's estimates are based on historical experience and on various other market-specific and relevant assumptions that management believes to be reasonable under the circumstances. Significant estimates underlying the accompanying condensed consolidated financial statements include, but are not limited to (i) the valuation of inventory, including the determination of the net realizable value, (ii) the useful lives and recoverability of long-lived assets, (iii) the determination of deferred income taxes, including related valuation allowances, and (iv) assumptions related to the valuation of common stock and determination of stock-based compensation.

### ***Segment Information***

Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker ("CODM"), who makes decisions about allocating resources and assessing performance. The Company defines its CODM as its co-Chief Executive Officers. The Company has identified one operating segment. When evaluating the Company's performance and allocating resources, the CODM relies on financial information prepared on a consolidated basis.

**Warby Parker Inc. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**  
*(Amounts in thousands, except share data)*

**Concentration of Credit Risk and Major Suppliers**

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents. The Company maintains its cash and cash equivalents in various accounts, which, at times, may exceed the limits insured by the Federal Deposit Insurance Corporation of \$250 thousand per institution and the Canada Deposit Insurance Corporation of \$100 thousand Canadian dollars. At March 31, 2024 and December 31, 2023, uninsured cash balances were approximately \$219.1 million and \$215.6 million, respectively. The Company has not experienced any concentration losses related to its cash and cash equivalents to date. The Company seeks to minimize its credit risk by maintaining its cash and cash equivalents with high-quality financial institutions and monitoring the credit standing of such institutions.

The Company's top five inventory suppliers accounted for approximately 17% and 19% of cost of goods sold for the three months ended March 31, 2024 and 2023, respectively.

**Cash and Cash Equivalents**

The Company considers all highly liquid short-term investments with an original maturity of three months or less to be a cash equivalent. Cash and cash equivalents include deposits with banks and financial institutions, money market funds, and receivables from credit card issuers, which are typically converted into cash within two to four days of capture. As such, these receivables are recorded as a deposit in transit as a component of cash and cash equivalents on the condensed consolidated balance sheets. At March 31, 2024 and December 31, 2023, the balance of receivables from credit card issuers included within cash and cash equivalents was \$7.8 million and \$15.0 million, respectively.

**Inventory**

Inventory consists of approximately \$11.9 million and \$13.3 million of finished goods, including ready-to-wear sun frames, contact lenses, and eyeglass cases, as of March 31, 2024 and December 31, 2023, respectively, and approximately \$44.6 million and \$48.9 million of component parts, including optical frames and prescription optical lenses, as of March 31, 2024 and December 31, 2023, respectively. Inventory is stated at the lower of cost or net realizable value, with cost determined on a weighted average cost basis.

The Company continuously evaluates the composition of its inventory and makes adjustments when the cost of inventory is not expected to be fully recoverable. The estimated net realizable value of inventory is determined based on an analysis of historical sales trends, the impact of market trends and economic conditions, a forecast of future demand, and the estimated timing of product retirements. Adjustments for damaged inventory are recorded primarily based on actual damaged inventory. Adjustments for inventory shrink, representing the physical loss of inventory, include estimates based on historical experience, and are adjusted based upon physical inventory counts. However, unforeseen adverse future economic and market conditions could result in actual results differing materially from estimates.

**Investments**

In August 2023, the Company invested \$1.0 million in a private optical equipment company, and made an additional \$2.0 million investment in March 2024. As part of these investments, the Company will automatically receive shares of the entity or cash based on a conversion price dependent upon an ultimate conversion event. The investments are recorded within other assets on the condensed consolidated balance sheet and are measured at cost less impairment, if any. No impairment has been recorded for the three months ended March 31, 2024.

**Cloud-Based Software Implementation Costs**

The Company has entered into cloud-based software hosting arrangements for which it incurs implementation costs. Certain costs incurred during the application development stage are capitalized and included within prepaid expenses and other current assets or other assets, depending on the long or short-term nature of such costs, in line with the Company's policy on the accounting for prepaid software hosting arrangements. Costs incurred during the preliminary project stage and post-implementation stage are expensed as incurred. Capitalized cloud-based software implementation costs are amortized, beginning on the date the related software or module is ready for its intended use, on a straight-line basis over the remaining term of the hosting arrangement as a component of selling, general, and administrative expenses, the same line item as the expense for the associated hosting arrangement.

As of March 31, 2024, the Company had \$14.9 million of gross capitalized cloud-based software implementation costs and \$1.2 million of related accumulated amortization, for a net balance of \$10.7 million, made up of \$3.4 million recorded within prepaid expenses and other current assets and \$7.3 million recorded within other assets on the condensed consolidated balance sheet.

**Warby Parker Inc. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**  
*(Amounts in thousands, except share data)*

As of December 31, 2023, the Company had \$13.1 million of gross capitalized cloud-based software implementation costs and \$3.1 million of related accumulated amortization, for a net balance of \$10.0 million, made up of \$4.0 million recorded within prepaid expenses and other current assets and \$6.0 million recorded within other assets on the condensed consolidated balance sheet.

During the three months ended March 31, 2024 and 2023, the Company incurred \$1.1 million and \$0.4 million of amortization of capitalized cloud-based software implementation costs, respectively.

**Leases**

The Company records a lease liability and corresponding right-of-use ("ROU") asset at lease commencement. The lease liability is measured at the present value of non-cancellable future lease payments over the lease term, minus expected tenant improvement allowances ("TIAs") determined to be lease incentives. The ROU asset is measured at the lease liability amount, adjusted for prepaid lease payments, TIAs expected to be received, and any initial direct costs.

When calculating the present value of future lease payments, the Company utilizes an incremental borrowing rate, which incorporates several factors including the lease term, U.S. Treasury bond rates, financial ratios related to earnings and cash flows, and other comparisons with similarly sized companies.

Many of the Company's leases contain TIA provisions, which represent contractual amounts receivable from a lessor for improvements to the leased property made by the Company which are determined to represent lease incentives. The Company considers the collection of TIAs to be reasonably certain, and includes them in the present value calculation when determining the lease liabilities for new leases. The benefit from a TIA is amortized through rent expense over the term of the related lease.

The recognition of rent expense for an operating lease commences on the date at which control and possession of the property is obtained. Rent expense is calculated by recognizing total fixed minimum rental payments, net of any TIAs or other rental concessions, on a straight-line basis over the lease term. Some of the Company's retail leases contain percent of sales rent or similar provisions, which is recognized as incurred as variable rent. Retail, optical laboratory, and distribution center rent expense is recognized as a component of cost of goods sold and all other rent expense is recognized as a component of selling, general, and administrative expenses.

**Asset Impairment**

Long-lived assets, such as property and equipment, ROU assets, and capitalized cloud-based software implementation costs, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of asset groups to be held and used is evaluated by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as a component of selling, general, and administrative expenses in the amount by which the carrying amount exceeds the fair value of the asset group. The Company considers each store location to be its own asset group when evaluating for impairment.

Asset impairment charges were \$0.4 million for both the three months ended March 31, 2024 and 2023, and are recorded as a component of selling, general, and administrative expenses. Asset impairment charges primarily related to the write-off of assets in connection with retail stores and the write-off of capitalized software no longer being used.

**Revenue Recognition**

The Company primarily derives revenue from the sales of eyewear products, optical services and accessories. The Company sells products and services through its stores, website, and mobile apps. Revenue generated from eyewear products includes the sales of prescription and non-prescription optical glasses and sunglasses and contact lenses. Revenue generated from services and other consists of in-person eye exams and prescriptions issued through the Virtual Vision Test app, eyewear accessories, and customer charges for optional expedited shipping. All revenue is reported net of sales taxes collected from customers on behalf of taxing authorities and variable consideration, including returns and discounts.

Revenue is recognized when performance obligations are satisfied through either the transfer of control of promised goods or the rendering of services to the Company's customers. Control transfers once a customer has the ability to direct the use of, and obtain substantially all of the benefits from, the product, which is generally determined to be the

**Warby Parker Inc. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**  
*(Amounts in thousands, except share data)*

point of delivery or upon rendering of the service in the case of eye exams. This includes the transfer of legal title, physical possession, the risks and rewards of ownership, and customer acceptance. In the normal course of business, payment may be collected from the customer prior to recognizing revenue and such cash receipts are included in deferred revenue until the order is delivered to the customer. Substantially all of the deferred revenue included on the balance sheet at December 31, 2023 was recognized as revenue in the first quarter of 2024 and the Company expects substantially all of the deferred revenue at March 31, 2024 to be recognized as revenue in the second quarter of 2024.

The Company's sales policy allows customers to return merchandise for any reason within 30 days of receipt, generally for an exchange or refund. An allowance is recorded within other current liabilities on the condensed consolidated balance sheets for expected future customer returns which the Company estimates using historical return patterns and its expectation of future returns. Any difference between the actual return and previous estimates is adjusted in the period in which such returns occur. Historical return estimates have not materially differed from actual returns in any of the periods presented. The allowance for returns was \$2.8 million and \$2.2 million at March 31, 2024 and December 31, 2023, respectively, and is included in other current liabilities on the condensed consolidated balance sheets.

The Company offers non-expiring gift cards to its customers. Proceeds from the sale of gift cards are initially deferred and recognized within deferred revenue on the condensed consolidated balance sheets, and are recognized as revenue when the product is received by the customer after the gift card has been tendered for payment. Based on historical experience, and to the extent there is no requirement to remit unclaimed card balances to government agencies under unclaimed property laws, an estimate of the gift card balances that will never be redeemed is recognized as revenue in proportion to gift cards which have been redeemed. While the Company will continue to honor all gift cards presented for payment, management may determine the likelihood of redemption to be remote for certain card balances due to, among other things, long periods of inactivity. The balance of unredeemed gift cards was \$2.5 million and \$3.1 million as of March 31, 2024 and December 31, 2023, respectively.

The following table disaggregates the Company's revenue by product:

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Eyewear products	\$ 187,620	\$ 162,347
Services and other	12,383	9,621
<b>Total Revenue</b>	<b>\$ 200,003</b>	<b>\$ 171,968</b>

The following table disaggregates the Company's revenue by channel:

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
E-commerce	\$ 62,859	\$ 61,751
Retail	137,144	110,217
<b>Total Revenue</b>	<b>\$ 200,003</b>	<b>\$ 171,968</b>

***Recently Issued Accounting Pronouncements***

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting. The guidance requires additional disclosures of significant segment expense categories and the amount and description of other segment items beyond the significant segment expenses. The ASU also allows for the disclosure of multiple measures of a segment's profit or loss for each reportable segment if the CODM utilizes more than one measure to assess performance and allocate resources. Lastly, the ASU clarifies that all of the disclosures required in the segments guidance, including disclosing a measure of segment profit or loss and reporting significant segment expenses and other segment items, apply to all public entities, including those with a single operating or reportable segment. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods in fiscal years beginning after December 15, 2024. The Company expects the adoption of the standard with the 2024 Form 10-K to result in additional disclosures related to a measure of profit or loss, significant segment expenses, and other segment items for its single reportable segment.

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In December 2023, the FASB issued ASU 2023-09, Income Taxes. The guidance requires public entities to annually disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. The ASU is effective for annual periods beginning after December 15, 2024. The Company expects the adoption of the standard within the 2025 Form 10-K to result in additional disclosures related to the rate reconciliation.

**Recently Adopted Accounting Pronouncements**

There are no recently adopted accounting pronouncements that have a material impact on the Company's condensed consolidated financial statements.

**3. Property and Equipment, Net**

Property and equipment, net consists of the following:

	March 31, 2024	December 31, 2023
Leasehold improvements	\$ 167,084	\$ 161,720
Computers and equipment	38,708	35,738
Furniture and fixtures	31,030	29,405
Capitalized software	25,004	23,750
Construction in process	20,596	17,555
	282,422	268,168
Less: accumulated depreciation and amortization	(125,700)	(115,836)
Property and equipment, net	<u>\$ 156,722</u>	<u>\$ 152,332</u>

Depreciation and amortization expense consists of the following:

	Three Months Ended March 31,	
	2024	2023
Cost of goods sold	\$ 7,101	\$ 6,029
Selling, general, and administrative expenses	3,482	3,111
Total depreciation and amortization expense	<u>\$ 10,583</u>	<u>\$ 9,140</u>

**4. Accrued Expenses**

Accrued expenses consists of the following:

	March 31, 2024	December 31, 2023
Product and fulfillment	\$ 9,854	\$ 8,786
Payroll related	8,143	13,575
Marketing	7,120	6,619
Legal	4,297	1,638
Retail related	3,224	2,800
Charitable contributions	3,193	4,458
Professional services	1,963	2,159
Other	5,406	6,285
Total accrued expenses	<u>\$ 43,200</u>	<u>\$ 46,320</u>

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## 5. Income Taxes

The Company uses the estimated annual effective tax rate approach to determine the provision for income taxes. The estimated annual effective tax rate is based on forecasted annual results and may fluctuate due to differences between the forecasted and actual results, changes in valuation allowances, and any other transactions that result in differing tax treatment.

The Company's income tax expense and effective tax rate were as follows:

	Three Months Ended March 31,	
	2024	2023
Income tax expense	\$ 108	\$ 261
Effective tax rate	(4.2)%	(2.5)%

The Company's estimated annual effective income tax rate for the three months ended March 31, 2024 and 2023 differed from the statutory rate primarily due to the valuation allowance, non-deductible executive compensation, stock-based compensation, differences in tax rates in state and foreign jurisdictions, and other permanent items.

## 6. Stockholders' Equity

### Common Stock

As of March 31, 2024, the Company's Twelfth Amended and Restated Certificate of Incorporation authorizes the issuance of up to 1,050,000,000 shares of common stock, par value of \$0.0001 per share, of which 750,000,000 shares are designated Class A common stock, 150,000,000 shares are designated Class B common stock, and 150,000,000 shares are designated Class C common stock. Class A common stock receives one vote per share, Class B common stock receives ten votes per share, and Class C common stock has no voting rights except as required by Delaware law. Common stock is not redeemable at the option of the holder.

As of March 31, 2024, outstanding shares of common stock as well as shares of common stock attributable to stock options, restricted stock units ("RSUs"), and performance stock units ("PSUs") were as follows:

	Class A	Class B	Class C
Common stock outstanding	98,859,389	19,619,507	—
Employee stock options – outstanding	553,226	1,536,136	—
Restricted stock units – outstanding	3,338,953	1,630,332	—
Performance stock units – outstanding	—	4,397,688	—
Employee stock plans – available	30,392,983	—	—
Shares of Class A common stock issuable upon conversion of all outstanding Class B common stock, options, RSUs, and PSUs	27,183,663	—	—
<b>Total common stock – outstanding or issuable</b>	<b>160,328,214</b>	<b>27,183,663</b>	<b>—</b>
Shares authorized	750,000,000	150,000,000	150,000,000
<b>Common stock authorized and available for future issuance</b>	<b>589,671,786</b>	<b>122,816,337</b>	<b>150,000,000</b>

### Preferred Stock

As of March 31, 2024, 50,000,000 preferred shares were authorized and no shares were outstanding.

## 7. Stock-Based Compensation

### Plans and Awards

The Company's eligible employees participate in various stock-based compensation plans, which are provided by the Company directly.

In August 2021, the board of directors approved the 2021 Incentive Award Plan (the "2021 Plan"), which became effective on September 28, 2021. The Company no longer grants equity awards under its 2010 Equity Incentive Plan,

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2011 Stock Plan, 2012 Milestone Stock Plan, or 2019 Founder Stock Plan (collectively, the "Prior Plans"), and shares available for issuance under the Prior Plans were made available for issuance under the 2021 Plan. The shares authorized under the 2021 Plan will increase annually, beginning on January 1, 2022 and continuing through 2031, by the lesser of (i) 5% of the outstanding common stock (on an as converted basis) as of the last day of the immediately preceding fiscal year, or (ii) a smaller amount as agreed by the board of directors. Awards granted under the 2021 Plan generally vest over four years. In addition, the shares authorized under the 2021 Plan will increase, among other things, to the extent that an award (including an award under the Prior Plans) terminates, expires, or lapses for any reason or an award is settled in cash without the delivery of shares. In February 2024, the board of directors approved an annual increase of 5,892,462 shares to the shares authorized for issuance under the 2021 Plan, and 25,078,433 shares remained available for future issuance pursuant to new awards as of March 31, 2024.

**Employee Stock Purchase Plan**

In August 2021, the board of directors adopted and the stockholders of the Company approved the 2021 Employee Stock Purchase Plan (the "ESPP"). The shares authorized under the ESPP will be increased annually on the first day of each fiscal year beginning in 2022 and ending in 2031, by an amount equal to the lesser of (i) 1% of the shares of the Company's common stock outstanding (on an as converted basis) on the last day of the immediately preceding fiscal year and (ii) such number of shares of common stock as determined by the board of directors; provided, however, no more than 16,614,772 shares of common stock may be issued under the ESPP.

At December 31, 2023, there were 4,136,058 shares available for future issuance pursuant to ESPP purchases. In February 2024, the board of directors approved an annual increase of 1,178,492 shares to the ESPP, and there were 5,314,550 shares available for future issuance pursuant to ESPP purchases as of March 31, 2024.

**Stock-based Compensation Expense**

Stock-based compensation expense consisted of the following:

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Cost of goods sold	\$ 238	\$ 194
Selling, general, and administrative expenses	13,810	19,586
<b>Total stock-based compensation expense</b>	<b>\$ 14,048</b>	<b>\$ 19,780</b>

Stock-based compensation expense for the three months ended March 31, 2024 primarily consists of \$3.3 million related to the 2021 Founders Grant, as described below, and \$5.0 million in connection with RSUs. Stock-based compensation expense for the three months ended March 31, 2023 primarily consists of \$3.8 million related to the 2021 Founders Grant and \$4.6 million in connection with RSUs.

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**Stock Options**

The fair value for stock options granted under the Plans are estimated at the date of grant using the Black-Scholes option-pricing model. No stock options were granted in 2024 or 2023.

A summary of stock option activity for the three months ended March 31, 2024 is as follows:

	<b>Number of Stock Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted average contractual term (years)</b>	<b>Aggregate intrinsic value</b>
Balance at December 31, 2023	2,156,273	\$ 7.20	4.0	\$ 16,541
Granted	—	—		
Exercised	(66,911)	12.84		155
Forfeited	—	—		
Balance at March 31, 2024	2,089,362	\$ 7.02	3.7	\$ 15,498
Exercisable as of March 31, 2024	2,089,362	\$ 7.02	3.7	\$ 15,498
Vested as of March 31, 2024	1,925,250	5.96		3.4
Unvested as of March 31, 2024	164,112	\$ 19.45		7.5

The total value of unrecognized stock compensation expense related to unvested options granted under the Plans was \$1.7 million as of March 31, 2024, and is expected to be recognized over 0.4 years.

**Restricted Stock Units and Performance Stock Units**

A summary of RSU activity for the three months ended March 31, 2024 is as follows:

	<b>Number of Restricted Stock Units</b>	<b>Weighted Average Grant Date Fair Value</b>
Unvested as of December 31, 2023	3,050,028	\$ 24.05
Granted	1,633,572	13.83
Forfeited	(31,327)	17.57
Released	(562,734)	19.29
Vested and not yet released	(26,742)	31.53
Unvested as of March 31, 2024	<u>4,062,797</u>	<u>\$ 20.60</u>

The total value of unrecognized stock compensation expense related to outstanding RSUs and PSUs granted under the Plans was \$2.7 million and \$10.9 million as of March 31, 2024, respectively, which is expected to be recognized over a weighted-average period of 1.4 years and 0.4 years, respectively. No PSUs were granted, forfeited, released or vested during the three months ended March 31, 2024. As of March 31, 2024 there were 906,488 RSUs that were vested but not yet released, mainly related to the June 2021 grant to the co-CEOs described below.

RSUs granted prior to the Company's direct listing vest upon the satisfaction of both a service and a performance condition, which was satisfied upon the direct listing on September 20, 2021, and the Company recognizes stock-based compensation expense using the accelerated attribution method as the service conditions are met. RSUs issued after the direct listing only contain a service condition and are recognized on a straight line basis over the vesting period.

In June 2021, the Company granted 4,397,688 PSUs and 1,884,724 RSUs to the co-CEOs, in the aggregate, under the 2019 Founder Stock Plan (the "Founders Grant"). The PSUs vest upon two performance conditions, (i) a qualified public offering, which was satisfied upon the Company's direct listing on September 20, 2021 (the "Direct Listing"), and (ii) the price of the Company's Class A common stock reaching stock price hurdles over a period of ten years, as defined by the terms of the award. The PSUs are subject to the co-CEOs' continued employment with the Company through the applicable vesting date. If the PSUs vest, the Company will deliver one share of Class B common stock on the

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settlement date. Unvested PSUs expire in ten years from the date of grant. The terms of the PSUs granted are described further below.

The PSUs are divided into eight substantially equal tranches, each one vesting on the date the 90-day trailing volume-weighted average trading price of the Company's Class A common stock exceeds the stock price hurdle, as set forth in the table below, provided that no PSUs may vest prior to the six month anniversary of the Direct Listing.

Tranche	Number of PSUs	Stock Price Hurdle
1	549,712	\$ 47.75
2	549,710	\$ 55.71
3	549,712	\$ 63.67
4	549,710	\$ 71.63
5	549,712	\$ 79.59
6	549,710	\$ 87.55
7	549,712	\$ 95.50
8	549,710	\$ 103.46

The Company used a Monte Carlo simulation to calculate the grant-date fair value of the PSUs of \$128.8 million. Since the PSUs contain a performance and market condition, the stock-based compensation expense will be recognized when it becomes probable that the performance condition will be met using the accelerated attribution method. Stock-based compensation will be recognized over the period of time the market condition for each tranche is expected to be met (i.e., the derived service period). The performance condition was satisfied at September 29, 2021 by the Direct Listing, and the Company began recording expense at that time.

The Founders Grant RSUs will vest in equal monthly installments over a period of five years, subject to the co-CEOs' continued employment with the Company through the applicable vesting date and conditioned upon the completion of a qualified public offering. The grant-date fair value of the RSUs is \$66.9 million. Since the RSUs contain a performance condition, stock-based compensation expense is recognized using the accelerated attribution method when it becomes probable that the performance condition will be met. The performance condition was satisfied on September 29, 2021 by the Direct Listing, and the Company began recording expense at that time.

Shares underlying vested PSUs and RSUs will be issued to the CEOs on a specified quarterly date following the second anniversary of the vesting date, except for an amount necessary to cover any taxes due in connection with the vesting, which will be withheld or sold to cover, or issued to offset, such taxes. Any RSUs or PSUs subject to the award that have not vested by the tenth anniversary of the grant date will be forfeited.

## 8. Leases

The Company leases retail, office, optical laboratory, and distribution center space under operating leases from third parties. As of March 31, 2024, the total lease terms of the various leases range from 1 to 10 years. The leases generally contain renewal options and rent escalation clauses, and from time to time include contingent rent provisions. Renewal options are exercisable at the Company's sole discretion and are included in the lease term if they are reasonably certain to be exercised. In general it is not reasonably certain that lease renewals will be exercised at lease commencement and as such, lease renewals are not included in the lease term.

The following table details the Company's net lease expense:

	Three Months Ended March 31,	
	2024	2023
Operating lease expense	\$ 8,091	\$ 7,436
Variable lease expense <sup>(1)</sup>	196	743
Net lease expense	<u>8,287</u>	<u>8,179</u>

<sup>(1)</sup> Variable lease expense primarily consists of contingent rent.

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The following table presents the future maturity of lease liabilities:

	<b>Operating Leases<sup>(1)</sup></b>
2024	\$ 25,788
2025	36,724
2026	38,651
2027	35,766
2028	31,030
Thereafter	45,311
Future minimum lease payments	213,270
Impact of discounting	31,820
Present value of lease payments	\$ 181,450

(1) The year 2024 and 2025 include \$8.3 million and \$2.8 million of expected cash inflows from TIAS. Operating lease payments exclude \$12.5 million of legally binding minimum lease payments related to executed leases for which the Company has not yet taken possession of the leased premises.

The following table presents other relevant lease information:

	<b>March 31, 2024</b>
Weighted average remaining lease term (years)	5.6
Weighted average discount rate	5.1 %

## 9. Commitments and Contingencies

### 2022 Credit Facility

In September 2022, the Company and its wholly owned subsidiary, Warby Parker Retail, Inc., (together, the "Borrowers") entered into a Credit Agreement with Comerica Bank and the lenders from time to time party thereto (as amended, the "2022 Credit Facility"). The 2022 Credit Facility consisted of a \$100.0 million five-year revolving credit facility with sublimits of \$15.0 million for letters of credit and \$5.0 million for swing line notes.

### 2024 Credit Facility

In February 2024, the Borrowers entered into a Credit Agreement with JPMorgan Chase Bank, N.A. and the lenders party thereto (the "2024 Credit Facility"), which replaced the 2022 Credit Facility. The 2024 Credit Facility consists of a \$120.0 million five-year revolving credit facility with sublimits of \$15.0 million for letters of credit and \$10.0 million for swingline loans. The 2024 Credit Facility includes an option for the Company to increase the available amount by up to \$5.0 million, for a maximum borrowing capacity of \$175.0 million, subject to the consent of the lenders funding the increase and certain other conditions. Proceeds of the borrowings under the 2024 Credit Facility are expected to be used for working capital and other general corporate purposes in the ordinary course of business. The Company is permitted to repay borrowings under the 2024 Credit Facility at any time, in whole or in part, without penalty.

Under the 2024 Credit Facility, borrowings under the revolving credit facility bear interest on the principal amount outstanding, at the Company's election, at (a) the greater of the prime rate (as defined in the credit agreement) or 2.5%, plus an applicable margin of 0.65% to 0.90% depending on the Company's leverage ratio or (b) adjusted SOFR (as defined in the credit agreement), plus an applicable margin of 1.65% to 1.90% depending on the Company's leverage ratio. The Company is charged an unused commitment fee of 0.20% to 0.25% depending on the Company's leverage ratio. Both interest on principal and commitment fees are included in interest expense on the condensed consolidated statements of operations.

The 2024 Credit Facility contains a financial maintenance covenant which only applies while total borrowings exceed \$30.0 million, which requires the Company to maintain a maximum consolidated senior net leverage ratio of 3:1. The 2024 Credit Facility contains customary affirmative and negative covenants, including limits on indebtedness, liens,

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capital expenditures, asset sales, investments and restricted payments, in each case subject to negotiated exceptions and baskets, as well as customary representations, warranties and event of default provisions. The obligations of the Borrowers under the 2024 Credit Agreement are secured by first-lien security interests in substantially all of the assets of the Borrowers. In addition, the obligations are required to be guaranteed in the future by certain additional domestic subsidiaries of the Company.

Other than letters of credit outstanding of \$4.3 million as of both March 31, 2024 and December 31, 2023 used to secure certain leases in lieu of a cash security deposit, there were no other borrowings outstanding.

***Litigation***

During the normal course of business, the Company may become subject to legal proceedings, claims and litigation. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Accruals for loss contingencies are recorded when a loss is probable, and the amount of such loss can be reasonably estimated.

On March 13, 2023, a former employee, on behalf of herself and a proposed class of California hourly employees, filed a complaint against the Company, alleging violations of various California wage and hour laws, seeking wages, statutory penalties and attorneys' fees. The matter (captioned *Pham v. Warby Parker Inc., et al.*, Case No. 5:23-cv-01884-NC; N.D. Cal.) is currently pending in the United States District Court for the Northern District of California. On June 16, 2023, another former employee filed a related representative action (captioned *Chery v. Warby Parker Inc., et al.*, Case No. 23CV417693; Cal. Super. Ct) in the Santa Clara County Superior Court of California pursuant to California's Private Attorneys General Act, asserting largely overlapping claims, seeking civil penalties on behalf of the state. Since that time, one additional follow on Private Attorneys General Act lawsuit was filed (captioned *Jacobsen, et al. v. Warby Park Inc., et al.*, Case No. 23CV421588; Cal. Super. Ct.). Following a voluntary mediation in April 2024, the Company reached an agreement in principle with the plaintiffs to consolidate and settle the foregoing matters for a total of \$1.95 million. The parties are currently negotiating the terms of a long form settlement agreement, which they expect to be finalized in the second quarter of 2024, after which it will be submitted to the court for preliminary approval. If the parties cannot reach an accord on the terms of the long form agreement, or the court does not approve the settlement, the litigation will continue.

In addition to the matters described above, as of March 31, 2024, the Company is currently involved in other legal proceedings which, in the opinion of the Company's management, will not materially affect the Company's financial position, results of operations, or cash flows should such litigation be resolved unfavorably.

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## 10. Net Loss Per Share Attributable to Common Stockholders

The computation of net loss per share attributable to common stockholders is as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Numerator</b>		
Net loss attributable to common stockholders - basic and diluted	\$ (2,679)	\$ (10,812)
<b>Denominator</b>		
Weighted average shares, basic and diluted	119,143,534	116,159,428
<b>Earnings Per Share</b>		
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.02)	\$ (0.09)

The following potentially dilutive shares were excluded from the computation of diluted net loss per share because including them would have been antidilutive:

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Stock options to purchase common stock	2,089,362	2,856,572
Unvested restricted stock units	4,062,797	4,135,764
Unvested performance stock units	4,397,688	4,397,688
ESPP purchase rights	456,155	376,493

## 11. Related-Party Transactions

As a private company, the Company issued secured promissory notes collateralized by the stock purchased by certain Company executives in relation to the exercise of employee stock options. As the promissory notes are secured by the underlying shares they have been treated as non-recourse notes in the condensed consolidated financial statements. The promissory notes were issued with a term of 8.5 years and an interest rate equal to the minimum applicable federal mid-term rate in the month the loan was issued. The secured promissory notes were recorded as a reduction to equity offsetting the amount in additional paid-in-capital related to the exercised options funded by the notes.

The loans had a balance of \$2.5 million at both March 31, 2024 and December 31, 2023. No loans are outstanding with any of our executive officers, and no new promissory notes were issued during the three months ended March 31, 2024 and 2023. The loans outstanding had a weighted average remaining term of 5.3 years at March 31, 2024.

During both the three months ended March 31, 2024 and 2023, the outstanding loan balance increased by an immaterial amount due to interest.

## 12. Subsequent Events

### **Lease Obligations**

Subsequent to March 31, 2024, the Company entered into 3 operating lease agreements and extended the terms of 6 existing operating lease agreements for retail space in the U.S., with terms ranging from 2 to 7 years. Total commitments under the new agreements are approximately \$3.7 million, payable over the terms of the related agreements.

### **Stock Donation**

In May 2024, the Company issued 178,572 shares of Class A common stock to the Warby Parker Impact Foundation, a 501(c)(3) nonprofit organization. The grant date fair value of the shares was \$2.2 million.

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**Equity Awards**

In April 2024, grants of 119,933 RSUs for Class A common stock were awarded to employees under the 2021 Plan. The total grant date fair value of these awards was \$1.6 million and will be recognized as stock-based compensation, net of forfeitures as incurred, over the vesting period.

## Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission ("SEC") on February 29, 2024 (the "Annual Report"). Data as of and for the three months ended March 31, 2024 and 2023 has been derived from our unaudited condensed consolidated financial statements. Results for any interim period should not be construed as an inference of what our results would be for any full fiscal year or future period. This discussion and other parts of this Quarterly Report on Form 10-Q contain forward-looking statements, such as those relating to our plans, objectives, expectations, intentions, and beliefs, which involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled "Special Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q and in Part I, Item 1A, Risk Factors, in the Annual Report.

### Overview

We are a mission-driven, lifestyle brand that operates at the intersection of design, technology, healthcare, and social enterprise.

Since day one, our focus on delighting customers and doing good has created a foundation for continuous innovation:

- We aim to provide customers with the highest-quality product possible by designing glasses at our headquarters in New York City, using custom materials, and selling direct to the customer. By cutting out the middleman, we are able to sell our products at a lower price than many of our competitors and pass the savings on to our customers. In addition to lower prices, we introduced simple, unified pricing (glasses starting at \$95, including prescription lenses) to the eyewear market.
- We've built a seamless shopping experience that meets customers where and how they want to shop, whether that's on our website, on our mobile app, or in our 245 retail stores as of March 31, 2024.
- We've crafted a holistic vision care offering that extends beyond glasses to include contacts, vision tests and eye exams, vision insurance, and beyond. We leverage leading (and in many cases proprietary) technology to enhance our customers' experiences, whether it's to help them find a better-fitting frame using our Virtual Try-On tool, or to update their prescription from home using Virtual Vision Test, our telehealth app.
- We recruit and retain highly engaged, motivated team members who are driven by our commitment to scaling a large, growing business while making an impact and are excited to connect their daily work back to our mission.
- We are a public benefit corporation focused on positively impacting all stakeholders, and hope to inspire other entrepreneurs and businesses to think along the same lines. Working closely with our nonprofit partners, we have distributed glasses to people in need in more than 80 countries globally and many parts of the United States. Over 15 million more people now have the glasses they need to learn, work, and achieve better economic outcomes through our Buy a Pair, Give a Pair program.

We generate revenue through selling our wide array of prescription and non-prescription eyewear, including glasses, sunglasses, and contact lenses. We also generate revenue from providing eye exams and vision tests, and selling eyewear accessories. We maintain data across the entire customer journey that allows us to develop deep insights, informing our innovation priorities and enabling us to create a highly personalized, brand-enhancing experience for our customers. We have built an integrated, multichannel presence that we believe deepens our relationship with existing customers while broadening reach and accessibility. And while we have the ability to track where our customers transact, we're channel agnostic to where the transaction takes place and find that many of our customers engage with us across both digital and physical channels; for example, many customers who check out online also visit a store throughout their customer journey, while others choose to browse online before visiting one of our stores.

## Financial Highlights

For the three months ended March 31, 2024 and 2023:

- we generated net revenue of \$200.0 million and \$172.0 million, respectively;
- we generated gross profit of \$113.5 million and \$94.8 million, respectively, representing a gross profit margin of 56.7% and 55.1%, respectively;
- we generated net loss of \$2.7 million and \$10.8 million, respectively; and
- we generated adjusted EBITDA of \$22.4 million and \$17.7 million, respectively.

For a definition of adjusted EBITDA, a non-GAAP measure, and a reconciliation to the most directly comparable GAAP measure, see the section titled "Key Business Metrics and Certain Non-GAAP Financial Measures."

## Factors Affecting Our Financial Condition and Results of Operations

We believe that our performance and future success depend on a variety of factors that present significant opportunities for our business but also present risks and challenges that could adversely impact our growth and profitability, including those discussed below and in Part I, Item 1A. "Risk Factors" of the Annual Report.

### Overall economic environment

The nature of our business, which involves the sale of products and services that are a medical necessity for many consumers, provides some insulation from swings in consumer sentiment and general economic conditions. However, our performance and growth are still impacted by these factors. Elevated inflation and interest rates, changing consumer commuting habits, and other negative economic factors may impact consumer spending habits as well as our cost of attracting and our ability to attract new customers. We believe our business model, focused on providing an exceptional value and experience to our customers, will help mitigate the impact of many of these macroeconomic factors, however, the extent of such mitigation and the impact on future results is uncertain. We also continue to diversify and expand our supply chain network, both internationally with our frame manufacturers and domestically with our wholly owned and partner optical laboratories, which we believe has helped to insulate us from supply chain disruption and allowed us to continue to meet growing customer demand over the last several years while maintaining our exceptional quality and customer satisfaction standards.

## Key Business Metrics and Certain Non-GAAP Financial Measures

In addition to the measures presented in our condensed consolidated financial statements, we use the following key business metrics and certain non-GAAP financial measures to evaluate our business, measure our performance, develop financial forecasts, and make strategic decisions. The following table summarizes our key performance indicators and non-GAAP financial measures for each period presented below, which are unaudited.

	Three Months Ended March 31,	
	2024	2023
Active Customers (in thousands)	2,361	2,287
Store Count <sup>(1)</sup>	245	204
Adjusted EBITDA <sup>(2)</sup> (in thousands)	\$ 22,378	\$ 17,738
Adjusted EBITDA margin <sup>(2)</sup>	11.2 %	10.3 %

(1) Store Count number at the end of the period indicated.

(2) Adjusted EBITDA and adjusted EBITDA margin are supplemental measures of our performance that are not required by, or presented in accordance with, GAAP. Adjusted EBITDA and adjusted EBITDA margin are not measurements of our financial performance under GAAP and should not be considered as an alternative to net loss or any other performance measure derived in accordance with GAAP.

### Active Customers

The number of Active Customers is a key performance measure that we use to assess the reach of our physical retail stores and digital platform as well as our brand awareness. We define an Active Customer as a unique customer that has made at least one purchase in the preceding 12-month period. We determine our number of Active Customers by counting the total number of customers who have made at least one purchase in the preceding 12-month period, measured from the last date of such period. Given our definition of a customer is a unique customer that has made at

least one purchase, it can include either an individual person or a household of more than one person utilizing a single account.

**Store Count**

Store Count is a key performance measure that we use to reach consumers and generate incremental demand for our products. We define Store Count as the total number of retail stores open at the end of a given period. We believe our retail stores embody our brand, drive brand awareness, and serve as efficient customer acquisition vehicles. Our results of operations have been and will continue to be affected by the timing and number of retail stores that we operate.

As of March 31, 2024, 204 out of our 245 retail stores offered in-person eye exams.

**Adjusted EBITDA and Adjusted EBITDA Margin**

We define adjusted EBITDA as net income (loss) before interest and other income, taxes, and depreciation and amortization as further adjusted for asset impairment costs, stock-based compensation expense and related employer payroll taxes, amortization of cloud-based software implementation costs, non-cash charitable donations, and non-recurring costs such as restructuring costs, major system implementation costs, charges for certain legal matters, and transaction costs. We define adjusted EBITDA margin as adjusted EBITDA divided by net revenue. We caution investors that amounts presented in accordance with our definitions of adjusted EBITDA and adjusted EBITDA margin may not be comparable to similar measures disclosed by our competitors, because not all companies and analysts calculate adjusted EBITDA and adjusted EBITDA margin in the same manner. We present adjusted EBITDA and adjusted EBITDA margin because we consider these metrics to be important supplemental measures of our performance and believe they are frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. Management believes that investors' understanding of our performance is enhanced by including these non-GAAP financial measures as a reasonable basis for comparing our ongoing results of operations.

Management uses adjusted EBITDA and adjusted EBITDA margin:

- as a measurement of operating performance because they assist us in evaluating the operating performance of our business on a consistent basis, as they remove the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal annual operating budget and financial projections;
- to evaluate the performance and effectiveness of our operational strategies; and
- to evaluate our capacity to expand our business.

By providing these non-GAAP financial measures, together with a reconciliation to the most directly comparable GAAP measure, we believe we are enhancing investors' understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing our strategic initiatives. Adjusted EBITDA and adjusted EBITDA margin have limitations as analytical tools, and should not be considered in isolation, or as an alternative to, or a substitute for net loss or other financial statement data presented in our condensed consolidated financial statements as indicators of financial performance. Some of the limitations are:

- such measures do not reflect our cash expenditures, or future requirements for capital expenditures, or contractual commitments;
- such measures do not reflect changes in, or cash requirements for, our working capital needs;
- such measures do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- such measures do not reflect our tax expense or the cash requirements to pay our taxes;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and such measures do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate such measures differently than we do, limiting their usefulness as comparative measures.

Due to these limitations, adjusted EBITDA and adjusted EBITDA margin should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by

relying primarily on our GAAP results and using these non-GAAP measures only supplementally. Each of the adjustments and other adjustments described in this paragraph and in the reconciliation table below help management with a measure of our core operating performance over time by removing items that are not related to day-to-day operations.

The following table reconciles adjusted EBITDA and adjusted EBITDA margin to the most directly comparable GAAP measure, which is net loss:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Net loss	\$ (2,679)	(10,812)
Adjusted to exclude the following:		
Interest and other income, net	(2,556)	(1,878)
Provision for income taxes	108	261
Depreciation and amortization expense	10,583	9,140
Asset impairment charges	399	395
Stock-based compensation expense <sup>(1)</sup>	14,315	19,866
Amortization of cloud-based software implementation costs <sup>(2)</sup>	1,073	363
ERP implementation costs <sup>(3)</sup>	—	403
Other costs <sup>(4)</sup>	1,135	—
Adjusted EBITDA	\$ 22,378	17,738
Adjusted EBITDA margin	11.26	10.9%

(1) Represents expenses related to the Company's equity-based compensation programs and related employer payroll taxes, which may vary significantly from period to period depending upon various factors including the timing, number, and the valuation of awards granted, and vesting of awards including the satisfaction of performance conditions. For the three months ended March 31, 2024 and 2023, the amount includes \$0.3 million and \$0.1 million, respectively, of employer payroll taxes associated with releases of RSUs and option exercises.

(2) Represents the amortization of costs capitalized in connection with the implementation of cloud-based software.

(3) Represents internal and external non-capitalized costs related to the implementation of our new Enterprise Resource Planning ("ERP") system.

(4) Represents other non-recurring costs, including charges for certain legal matters.

## Results of Operations

The results of operations presented below should be reviewed in conjunction with the condensed consolidated financial statements and notes included elsewhere in this Quarterly Report on Form 10-Q. The following tables set forth our results of operations for the periods presented in dollars and as a percentage of net revenue:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Net revenue	\$ 200,003	\$ 171,968
Cost of goods sold	86,544	77,177
Gross profit	113,459	94,791
Selling, general, and administrative expenses	118,586	107,221
Loss from operations	(5,127)	(12,430)
Interest and other income, net	2,556	1,879
Loss before income taxes	(2,571)	(10,551)
Provision for income taxes	108	261
Net loss	(2,679)	(10,812)

	Three Months Ended March 31,	
	2024	2023
		% of Net Revenue
Net revenue	100.0 %	100.0 %
Cost of goods sold	43.3 %	44.9 %
Gross profit	56.7 %	55.1 %
Selling, general, and administrative expenses	59.3 %	62.3 %
Loss from operations	(2.6)%	(7.2)%
Interest and other income, net	1.3 %	1.1 %
Loss before income taxes	(1.3)%	(6.1)%
Provision for income taxes	— %	0.2 %
Net loss	(1.3)%	(6.3)%

## Components of Results of Operations

### **Net Revenue**

We primarily derive revenue from the sales of eyewear products, optical services, and accessories. We sell products and services through our retail stores, website, and mobile apps. Revenue generated from eyewear products includes the sales of prescription and non-prescription optical glasses and sunglasses and contact lenses. Revenue is recognized when the customer takes possession of the product, either at the point of delivery or in-store pickup, and is recorded net of returns and discounts. Revenue generated from services and other consists of in-person eye exams and prescriptions issued through the Virtual Vision Test app, eyewear accessories, and customer charges for optional expedited shipping. Revenue is recognized when the service is rendered and is recorded net of discounts.

### **Cost of Goods Sold**

Cost of goods sold includes the costs incurred to acquire materials, assemble, and sell our finished products. Such costs include (i) product costs held at the lesser of cost and net realizable value, (ii) freight and import costs, (iii) optical laboratory costs, (iv) customer shipping, (v) occupancy and depreciation costs of retail stores, and (vi) employee-related costs associated with eye exams and optical laboratories, which includes salaries, benefits, bonuses, and stock-based compensation. We expect our cost of goods sold to fluctuate as a percentage of net revenue primarily due to product mix, customer preferences and resulting demand, the cost and management of inventory, shipping costs, laboratory utilization, and the scaling of our eye exam and contacts businesses. Cost of goods sold also may change as we open or close retail stores because of the resulting change in related occupancy and depreciation costs.

### **Gross Profit and Gross Margin**

We define gross profit as net revenues less cost of goods sold. Gross margin is gross profit expressed as a percentage of net revenues. Our gross margin has remained steady historically, but may fluctuate in the future based on a number of factors, including the cost at which we can obtain, transport, and assemble our inventory, the rate at which we open new retail stores, the mix of products we sell, and how effective we can be at controlling costs, in any given period.

### **Selling, General, and Administrative Expenses**

Selling, general, and administrative expenses, or SG&A, primarily consist of employee-related costs including salaries, benefits, bonuses, and stock-based compensation for our corporate and retail employees, marketing, information technology, credit card processing fees, donations in connection with our Buy a Pair, Give a Pair program, facilities, legal, and other administrative costs associated with operating the business. Marketing costs, which consist of both online and offline advertising, include sponsored search, online advertising, marketing and retail events, and other initiatives. SG&A also includes costs associated with our Home Try-On program, which provides customers the opportunity to sample eyewear at home prior to purchase. We expect SG&A to increase in absolute dollars over time and to fluctuate as a percentage of revenue due to the anticipated growth of our business, intentional investments in marketing, and changing prices of goods and services caused by inflation and other macroeconomic factors. SG&A is expensed in the period in which it is incurred.

**Interest and Other Income, Net**

Interest and other income, net, consists primarily of interest generated from our cash and cash equivalents balances net of interest incurred on borrowings and fees on our undrawn line of credit, and are recognized as incurred. We expect our interest and other income costs to fluctuate based on our future bank balances, credit line utilization, and the interest rate environment.

**Provision for Income Taxes**

Provision for income taxes consists of income taxes related to foreign and domestic federal and state jurisdictions in which we conduct business, adjusted for allowable credits, deductions, and valuation allowance against deferred tax assets.

**Comparison of the Three Months Ended March 31, 2024 and 2023****Net Revenue**

	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
	(in thousands)			
Net revenue	\$ 200,003	\$ 171,968	\$ 28,035	16.3 %

Net revenue increased \$28.0 million, or 16.3%, for the three months ended March 31, 2024 compared to the same period in 2023, primarily due an increase in average revenue per customer, to \$296 from \$270 in the prior year period, as well as a 3.2% increase in active customers. Average revenue per customer growth was primarily driven by strong adoption of precision progressives, our highest priced lens option which launched in April 2023, and an increase in units per order as customers took advantage of our bundling promotions and also purchased contacts or eye exams along with glasses in the same transaction.

**Cost of Goods Sold, Gross Profit, and Gross Margin**

	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
	(in thousands)			
Cost of goods sold	\$ 86,544	\$ 77,177	\$ 9,367	12.1 %
Gross profit	113,459	94,791	18,668	19.7 %
Gross margin	56.7 %	55.1 %		1.6 %

Cost of goods sold increased by \$9.4 million, or 12.1%, for the three months ended March 31, 2024 compared to the same period in 2023, and decreased as a percentage of revenue over the same period by 160 basis points, from 44.9% of revenue to 43.3% of revenue. The increase in cost of goods sold was primarily driven by increased product and fulfillment costs associated with our sales growth, particularly related to the growth in our contact lens offering, as well as increases in prescription services, store occupancy, and store depreciation due to new retail stores opened in 2023 and the first quarter of 2024.

Gross profit, calculated as net revenue less cost of goods sold, increased by \$18.7 million, or 19.7%, for the three months ended March 31, 2024 compared to the same period in 2023, primarily due to the increase in net revenue over the same period.

Gross margin, expressed as a percentage and calculated as gross profit divided by net revenue, increased by 160 basis points for the three months ended March 31, 2024 compared to the same period in 2023. The increase in gross margin was primarily driven by faster growth in our glasses business which is our highest margin product category, increased efficiencies in our owned optical laboratories and lower outbound customer shipping costs as a percent of revenue. These impacts were partially offset by increased doctor salaries, as the number of stores offering eye exams grew from 155 at March 31, 2023 to 204 at March 31, 2024, and sales growth of contact lenses which are sold at a lower margin than our other eyewear.

**Selling, General, and Administrative Expenses**

	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
	(in thousands)			
Selling, general, and administrative expenses	\$ 118,586	\$ 107,221	\$ 11,365	10.6 %
As a percentage of net revenue	59.3 %	62.3 %		(3.0)%

Selling, general, and administrative expenses increased \$11.4 million, or 10.6%, for the three months ended March 31, 2024 compared to the same period in 2023. This increase was primarily driven by higher payroll-related costs, primarily from growth in our retail workforce, increased marketing expenses and increased technology costs, partially offset by a \$5.8 million decrease in stock-based compensation, mostly related to the Founders Grant (which is described in Note 7 to our condensed consolidated financial statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q).

**Interest and Other Income, Net**

	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
	(in thousands)			
Interest and other income, net	\$ 2,556	\$ 1,879	\$ 677	36.0 %
As a percentage of net revenue	1.3 %	1.1 %		0.2 %

Interest and other income, net increased \$0.7 million, or 36.0%, for the three months ended March 31, 2024 compared to the same period in 2023 primarily due to higher interest rates on our increased cash and cash equivalents balance.

**Provision for Income Taxes**

	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
	(in thousands)			
Provision for income taxes	\$ 108	\$ 261	\$ (153)	(58.6)%
As a percentage of net revenue	— %	0.2 %		(0.2)%

Provision for income taxes decreased \$0.2 million, or 58.6%, for the three months ended March 31, 2024 compared to the same period in 2023 primarily due to the change in foreign pre-tax income in addition to the tax effects of stock-based compensation expense and depreciation expense.

**Seasonality**

Historically, we have observed moderately higher seasonal demand during the month of December due in part to customer usage of health and flexible spending benefits in the final week of the year. Consistent with our policy to recognize revenue upon order delivery, any orders placed at the end of December are recognized as revenue upon delivery, which may occur in the following year, and as such we typically see revenue increase sequentially from the fourth quarter to the first quarter of the following year.

Our business has historically experienced a higher proportion of costs in each subsequent quarter as a year progresses due to the overall growth of the business and operating costs to support that growth, including costs related to the opening of new retail stores and employee-related compensation to support growth. The fourth quarter, in particular, has historically experienced the highest amount of costs in a year to support the business demand in the quarter, even though a portion of the net revenue from that demand is not recognized until January of the following year, as discussed above. In the future, seasonal trends may cause fluctuations in our quarterly results, which may impact the predictability of our business and operating results.

## **Liquidity and Capital Resources**

Since inception, we have financed our operations primarily from net proceeds from the sale of redeemable convertible preferred stock and cash flows from operating activities. As of March 31, 2024, we had cash and cash equivalents of \$220.4 million, which was primarily held for working capital purposes, and an accumulated deficit of \$669.5 million. As of December 31, 2023, we had cash and cash equivalents of \$216.9 million, which was primarily held for working capital purposes, and an accumulated deficit of \$666.8 million.

We expect that operating losses could continue in the foreseeable future as we continue to invest in the expansion of our business. We believe our existing cash and cash equivalents, funds available under our existing credit facility, and cash flows from operating activities will be sufficient to fund our operations for at least the next 12 months.

However, our future capital requirements will depend on many factors, including, but not limited to, growth in the number of retail stores, the needs of our optical laboratories and distribution network, expansion of our product offerings or service capabilities, and the timing of investments in technology and personnel to support the overall growth in our business. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity would result in dilution to our stockholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for additional operating and financing covenants that would restrict our operations. There can be no assurances that we will be able to raise additional capital. In the event that additional financing is required from outside sources, we may not be able to negotiate terms acceptable to us or at all. In particular, rising interest and inflation rates, geopolitical unrest, and other macroeconomic factors have caused disruption in the global financial markets, which could reduce our ability to access capital and negatively affect our liquidity in the future. If we are unable to raise additional capital when required, or if we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, results of operations, financial condition, and cash flows would be adversely affected.

### ***Credit Facility***

#### ***2022 Credit Facility***

In September 2022, the Company and its wholly owned subsidiary, Warby Parker Retail, Inc., (together, the "Borrowers") entered into a Credit Agreement with Comerica Bank and the lenders from time to time party thereto (as amended, the "2022 Credit Facility"). The 2022 Credit Facility consisted of a \$100.0 million five-year revolving credit facility with sublimits of \$15.0 million for letters of credit and \$5.0 million for swing line notes.

#### ***2024 Credit Facility***

In February 2024, the Borrowers entered into a Credit Agreement with JPMorgan Chase Bank, N.A. and the lenders party thereto (the "2024 Credit Facility"), which replaced the 2022 Credit Facility. The 2024 Credit Facility consists of a \$120.0 million five-year revolving credit facility with sublimits of \$15.0 million for letters of credit and \$10.0 million for swingline loans. The 2024 Credit Facility includes an option for the Company to increase the available amount by up to \$55.0 million, for a maximum borrowing capacity of \$175.0 million, subject to the consent of the lenders funding the increase and certain other conditions. Proceeds of the borrowings under the 2024 Credit Facility are expected to be used for working capital and other general corporate purposes in the ordinary course of business. The Company is permitted to repay borrowings under the 2024 Credit Facility at any time, in whole or in part, without penalty.

Under the 2024 Credit Facility, borrowings under the revolving credit facility bear interest on the principal amount outstanding, at the Company's election, at (a) the greater of the prime rate (as defined in the credit agreement) or 2.5%, plus an applicable margin of 0.65% to 0.90% depending on the Company's leverage ratio or (b) adjusted SOFR (as defined in the credit agreement), plus an applicable margin of 1.65% to 1.90% depending on the Company's leverage ratio. The Company is charged an unused commitment fee of 0.20% to 0.25% depending on the Company's leverage ratio. Both interest on principal and commitment fees are included in interest expense on the condensed consolidated statements of operations.

The 2024 Credit Facility contains a financial maintenance covenant which only applies while total borrowings exceed \$30.0 million, which requires the Company to maintain a maximum consolidated senior net leverage ratio of 3:1. The 2024 Credit Facility contains customary affirmative and negative covenants, including limits on indebtedness, liens, capital expenditures, asset sales, investments and restricted payments, in each case subject to negotiated exceptions and baskets, as well as customary representations, warranties and event of default provisions. The obligations of the

Borrowers under the 2024 Credit Agreement are secured by first-lien security interests in substantially all of the assets of the Borrowers. In addition, the obligations are required to be guaranteed in the future by certain additional domestic subsidiaries of the Company.

Other than letters of credit outstanding of \$4.3 million as of both March 31, 2024 and December 31, 2023, used to secure certain leases in lieu of a cash security deposit, there were no other borrowings outstanding.

#### **Cash Flows**

The following table summarizes our cash flows for the periods presented:

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(in thousands)</b>	
Net cash provided by operating activities	\$ 19,927	\$ 8,643
Net cash used in investing activities	(16,437)	(12,385)
Net cash provided by financing activities	91	81
Effect of exchange rates on cash	(91)	(662)
Net increase (decrease) in cash and cash equivalents	\$ 3,490	\$ (4,323)

#### *Cash Flows from Operating Activities*

Net cash provided by operating activities was \$19.9 million for the three months ended March 31, 2024, consisting of a net loss of \$2.7 million adjusted for \$26.1 million of non-cash expenses and \$3.5 million of net cash used as a result of changes in operating assets and liabilities. The non-cash charges included \$14.0 million of stock-based compensation, \$10.6 million of depreciation and amortization, \$1.1 million of amortization of cloud-based software implementation costs, and \$0.4 million of asset impairment charges. The changes in operating assets and liabilities were primarily driven by a decrease in deferred revenue and increased prepaid expenses and other assets, partially offset by a decrease in inventory and increase in accounts payable.

Net cash provided in operating activities was \$8.6 million for the three months ended March 31, 2023, consisting of a net loss of \$10.8 million, adjusted for \$29.7 million of non-cash expenses and \$10.3 million of net cash used as a result of changes in operating assets and liabilities. The non-cash charges included \$19.8 million of stock-based compensation, \$9.1 million of depreciation and amortization, \$0.4 million of asset impairment charges, and \$0.4 million of amortization of cloud-based software implementation costs. The changes in operating assets and liabilities were primarily driven by a decrease in accrued expenses and deferred revenue, partially offset by decreases in inventory and prepaid expenses and other current assets.

#### *Cash Flows from Investing Activities*

For the three months ended March 31, 2024, net cash used in investing activities was \$16.4 million related to purchases of property and equipment to support our growth, primarily related to the build-out of new retail stores and investments in capitalized software development costs, and an investment in a private optical equipment company.

For the three months ended March 31, 2023, net cash used in investing activities was \$12.4 million related to purchases of property and equipment to support our growth, primarily related to the build-out of new retail stores, as well as investments in capitalized software development costs.

#### *Cash Flows from Financing Activities*

For the three months ended March 31, 2024, net cash provided by financing activities was \$0.1 million, which was primarily related to proceeds from stock option exercises.

For the three months ended March 31, 2023, net cash provided by financing activities was \$0.1 million, which was primarily related to proceeds from stock option exercises.

#### **Contractual Obligations and Commitments**

There have been no material changes to our contractual obligations from those described in the Annual Report.

## **Critical Accounting Policies and Estimates**

Our condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP. The preparation of condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from our estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

Our critical accounting policies are described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in the Annual Report and the notes to the audited consolidated financial statements appearing elsewhere in the Annual Report, and in Note 2 to our condensed consolidated financial statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q. There were no significant changes to our critical accounting policies and estimates as reported in the Annual Report.

## **Recent Accounting Pronouncements**

See Note 2 to our condensed consolidated financial statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q for more information regarding recent accounting pronouncements.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position because of adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure resulting from potential changes in currency rates, interest rates, or inflation.

### ***Foreign Exchange Risk***

We are exposed to changes in foreign currency rates as a result of our foreign operations and international suppliers from whom we purchase in Japanese yen and euros. Revenue and income generated by our operations in Canada and our cost of goods sold will increase or decrease compared to prior periods as a result of changes in foreign currency exchange rates. We do not believe that foreign exchange rates have a material effect on our business, financial condition or results of operations.

### ***Interest Rate Risk***

Our cash and cash equivalents as of March 31, 2024 consisted of \$220.4 million in cash and money-market funds. Such interest-earning instruments carry a degree of interest rate risk. The goals of our investment policy are liquidity and capital preservation. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate exposure. We believe that we do not have any material exposure to changes in the fair value of these assets as a result of changes in interest rates due to the short-term nature of our cash and cash equivalents.

### ***Inflation Risk***

We believe that inflation, including from geopolitical unrest and other macroeconomic factors, has had a limited impact on our business, financial condition, and results of operations. Inflation may, however, have an impact on raw materials, transportation, labor, construction, rent, and other costs which materially impact operations. If our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs with increased revenue. Our inability or failure to do so could harm our business, financial condition, and results of operations.

## Item 4. Controls and Procedures

### ***Limitations on Effectiveness of Controls and Procedures***

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

### ***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our co-principal executive officers and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, and as a result of the material weaknesses described below, our co-principal executive officers and principal financial officer concluded that, as of March 31, 2024, our disclosure controls and procedures were not effective at the reasonable assurance level.

### ***Material Weaknesses***

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual and interim financial statements will not be detected or prevented on a timely basis.

Management identified two material weaknesses related to (i) information technology general controls over our key accounting, reporting, and proprietary systems and (ii) certain process, application and management review controls within our financial reporting processes to enforce segregation of duties, validate completeness and accuracy of data and information used to reconcile and analyze certain key accounts, and perform the review of manual journal entries. We have concluded that these material weaknesses arose because we did not have the necessary business processes, systems, personnel, and related internal controls necessary to satisfy our accounting and financial reporting requirements.

### ***Remediation Measures***

In order to remediate these material weaknesses, we have invested significantly in our IT environment and added critical resources to our team. We have made progress in the following areas, among others, since the identification of the material weaknesses:

- designed and implemented IT general controls to manage access and program changes across our key systems and improve IT-dependent and application controls within our proprietary systems;
- implemented the general ledger, supply chain, and inventory management components of a market leading ERP system, which will help prevent and detect errors, enforce segregation of duties, permit controls around the review of manual journal entries, and reduce our reliance on proprietary systems;
- engaged expert SOX consultants to assist in the coordination, development, and testing of our control environment and deficiency remediation efforts;
- conducted trainings for control owners covering proper control design, execution and review documentation, and source data validation;
- improved review controls and processes, documentation of the completeness and accuracy of source data, and timeliness of account reconciliations; and
- continued hiring of additional qualified accounting and financial reporting personnel with public company SOX experience.

Despite this progress, we will not be able to fully remediate these material weaknesses until all of these steps have been completed and have been operating effectively for a sufficient period of time. We have incurred significant costs in connection with these remediation efforts, and expect these efforts to require significant additional time, expense, and demands on our financial and operational resources. At this time, we cannot provide an estimate of the total costs expected to be incurred in connection with these remediation efforts.

Furthermore, we cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the control deficiencies that led to our material weaknesses in our internal control over

financial reporting or that they will prevent or avoid potential future material weaknesses. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods.

***Changes in Internal Control Over Financial Reporting***

Other than the remediation measures described in "Remediation Measures" above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Part II. Other Information

### Item 1. Legal Proceedings

The information contained under the heading "Litigation" in Note 9 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q is incorporated by reference into this Item.

### Item 1A. Risk Factors

There have been no material changes to the risk factors affecting our business, financial condition, or future results from those set forth in Part I, Item 1A *Risk Factors*, in the Annual Report. However, you should carefully consider the factors discussed in the Annual Report and in this Quarterly Report on Form 10-Q, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### **Recent Sales of Unregistered Securities**

In February 2024, the Company approved the issuance of 48,486 shares of Class A common stock for no consideration to third-party charitable donor advised funds. The shares were issued in April 2024 in reliance on the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933, as amended, for transactions not involving a public offering.

#### **Use of Proceeds**

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

#### **(a)**

None.

#### **(b)**

None.

#### **(c) Securities Trading Arrangements of Directors and Section 16 Officers**

On March 14, 2024, Teresa Briggs, a member of our board of directors, adopted a Rule 10b5-1 trading arrangement intended to satisfy the affirmative defense of Rule 10b5-1(c). The trading arrangement provides for the sale of 50% of the number of shares of our Class A common stock to be received as fully vested RSUs following our 2024 annual meeting of stockholders pursuant to our Director Compensation Program. The aggregate number of shares sold under the trading arrangement will depend on the average closing trading price of our Class A common stock over the 30-day period ending the day prior to the date of such annual meeting. The trading arrangement will expire on December 31, 2024 or earlier if all transactions under the trading arrangement are completed.

**Item 6. Exhibits**

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed / Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	<a href="#">Twelfth Amended and Restated Certificate of Incorporation of Warby Parker Inc.</a>	S-8	333-259704	4.2	9/22/2021	*
3.2	<a href="#">Amended and Restated Bylaws of Warby Parker Inc.</a>	S-8	333-259704	4.3	9/22/2021	*
4.1	<a href="#">Specimen Class A common stock certificate of Warby Parker Inc.</a>	S-1	333-259035	4.1	8/24/2021	*
4.2	<a href="#">Specimen Class B common stock certificate of Warby Parker Inc.</a>	10-Q	001-40825	4.2	5/16/2022	*
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).</a>					*
31.2	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).</a>					*
31.3	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).</a>					*
32.1	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.</a>					**
32.2	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.</a>					**
32.3	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.</a>					**
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).					*

\* Filed herewith.

\*\* Furnished herewith.

## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 9, 2024

**WARBY PARKER INC.**

By: /s/ Neil Blumenthal

Neil Blumenthal  
Co-Chief Executive Officer

By: /s/ Dave Gilboa

Dave Gilboa  
Co-Chief Executive Officer

By: /s/ Steve Miller

Steve Miller  
Chief Financial Officer

**CERTIFICATION**

I, Neil Blumenthal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Warby Parker Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

By: \_\_\_\_\_ */s/ Neil Blumenthal*  
Neil Blumenthal  
Co-Chief Executive Officer  
(Co-Principal Executive Officer)

**CERTIFICATION**

I, Dave Gilboa, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Warby Parker Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

By: \_\_\_\_\_ */s/ Dave Gilboa*  
 Dave Gilboa  
 Co-Chief Executive Officer  
 (Co-Principal Executive Officer)

**CERTIFICATION**

I, Steve Miller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Warby Parker Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

By: \_\_\_\_\_ */s/ Steve Miller*  
 Steve Miller  
 Chief Financial Officer  
 (Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q of Warby Parker Inc. (the "Company") for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024

By: \_\_\_\_\_

/s/ Neil Blumenthal

Neil Blumenthal

Co-Chief Executive Officer  
(Co-Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q of Warby Parker Inc. (the "Company") for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024

By: \_\_\_\_\_

*/s/* Dave Gilboa

Dave Gilboa

Co-Chief Executive Officer  
(Co-Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q of Warby Parker Inc. (the "Company") for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024

By: \_\_\_\_\_

/s/ Steve Miller

Steve Miller

Chief Financial Officer  
(Principal Financial Officer)