

Wish Reports Third-Quarter 2022 Financial Results

SAN FRANCISCO—(BUSINESS WIRE)—November 9, 2022—ContextLogic Inc. (d/b/a Wish) (Nasdaq: WISH), one of the largest mobile ecommerce platforms, today reported its financial results for the quarter ended September 30, 2022.

Third-Quarter Fiscal 2022 Financial Highlights

- *Revenues:* Revenues were \$125 million, a decrease of 66% YoY
 - Core Marketplace revenues were \$40 million, down 78% YoY
 - ProductBoost revenues were \$11 million, down 70% YoY
 - Logistics revenues were \$74 million, down 50% YoY
- *Net Loss:* Net Loss was \$124 million, compared to a net loss of \$64 million in the third quarter of fiscal 2021
 - Net Loss per share was \$0.18, compared to a loss of \$0.10 per share in the third quarter of fiscal 2021
- *Adjusted EBITDA:* Adjusted EBITDA was a loss of \$95 million, compared to a loss of \$30 million in the third quarter of fiscal 2021
- *Cash Flow:* Cash flows from operating activities were negative \$100 million
 - Free Cash Flow was negative \$100 million, compared to negative \$344 million in the third quarter of fiscal 2021

“The entire Wish team continued to execute on our foundational pillars during the third quarter. With our business transformation underway, we are beginning to see positive operational results, including a sequential quarterly increase in order volume, declines in refund rates and customer order cancellations, and on-time delivery rate of approximately 92%,” said Joe Yan, Wish Interim CEO.

"As one of the largest global ecommerce platforms, our goal is to focus on becoming a leader in discovery-driven shopping for high value-for-cost products as well as being a trusted go-to app for our shoppers in seeking both everyday purchases and fun products. Looking ahead, we are committed to leveraging our strengths in data science and predictive capabilities to extensively personalize to shoppers' preference, serving buyers with access to affordable and high value-for-cost goods from an expanding global merchant base, optimizing our logistics capabilities, and building much stronger operational performance across various teams at Wish. I would also like to thank our employees for their hard work, dedication and all the tough decisions over the last year to make sure we are building a stronger foundation for the next stage of the turnaround."

Fourth Quarter Fiscal 2022 Financial Guidance

- *Adjusted EBITDA:* Adjusted EBITDA is expected to be a loss in the range of \$90 million to \$110 million.

Third Quarter Fiscal 2022 Consolidated Financials

The following tables include unaudited GAAP and non-GAAP financial highlights for the periods presented:

Revenue

(in millions, except percentages; unaudited)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	YoY%	2022	2021	YoY%
Core marketplace revenue	\$ 40	\$ 183	(78)%	\$ 184	\$ 1,038	(82)%
ProductBoost revenue	11	37	(70)%	36	137	(74)%
Marketplace revenue	51	220	(77)%	220	1,175	(81)%
Logistics revenue	74	148	(50)%	228	621	(63)%
Revenue	\$ 125	\$ 368	(66)%	\$ 448	\$ 1,796	(75)%

Other Financial Data

(in millions, except percentages; unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	\$ (124)	\$ (64)	\$ (274)	\$ (303)
% of Revenue	(99)%	(17)%	(61)%	(17)%
Adjusted EBITDA*	\$ (95)	\$ (30)	\$ (193)	\$ (176)
% of Revenue	(76)%	(8)%	(43)%	(10)%

*Indicates non-GAAP metric. See below for more information regarding our presentation of non-GAAP metrics in the section titled: "Use of Non-GAAP Financial Measures."

Forward Looking Guidance - Fourth Quarter Fiscal 2022

(in millions, except percentages, unaudited)

We expect the following financial results for Adjusted EBITDA in the period presented below:

	Three Months Ended December 31, 2022	
Adjusted EBITDA*	\$ (90) to \$ (110)	
% YoY	(291)% (378)%	

*Wish has not provided a quantitative reconciliation of forecasted Adjusted EBITDA to forecasted GAAP net income (loss) for total Adjusted EBITDA or to forecasted GAAP income (loss) before income taxes for segment Adjusted EBITDA within this earnings release because the company is unable, without making unreasonable efforts, to calculate certain reconciling items with confidence. These items include, but are not limited to: stock-based compensation and income taxes which are directly impacted by unpredictable fluctuations in the market price of the company's Class A common stock.

Conference Call & Webcast Information

Information about Wish's financial results, including a link to the live webcast and replay will be made available on the company's investor relations website at <https://ir.wish.com>. The live conference call may be accessed by registering using this [online form](#). Upon registration, all telephone participants will receive the dial-in number along with a unique PIN number that can be used to access the call.

About Wish

Wish brings an affordable and entertaining shopping experience to millions of consumers around the world. Since our founding in San Francisco in 2010, we have become one of the largest global ecommerce platforms, connecting millions of value-conscious consumers to hundreds of thousands of merchants globally. Wish combines technology and data science capabilities and an innovative discovery-based mobile shopping experience to create a highly-visual, entertaining, and personalized shopping experience for its users. For more information about the company or to download the [Wish mobile app](#), visit www.wish.com or follow @Wish on [Facebook](#), [Instagram](#) and [TikTok](#) or @WishShopping on [Twitter](#) and [YouTube](#).

Use of Non-GAAP Financial Measures

We provide Adjusted EBITDA, a non-GAAP financial measure that represents our net income (loss) adjusted to exclude: interest and other income (expense), net (which includes foreign exchange gain or loss, foreign exchange forward contracts gain or loss and gain or loss on one-time non-operating transactions); provision or benefit for income taxes; depreciation and amortization; stock-based compensation expense and related payroll taxes; lease impairment related expenses; and other items. Additionally, in this news release, we present Adjusted EBITDA Margin, a non-GAAP financial measure that represents Adjusted EBITDA divided by revenue. The reconciliation between historical GAAP and non-GAAP results of operations is provided below. Our management uses Adjusted EBITDA in conjunction with GAAP and other operating performance measures as part of its overall assessment of the company's performance for planning purposes, including the preparation of its annual operating budget, to evaluate the effectiveness of its business strategies and to communicate with its board of directors concerning its financial performance. Adjusted EBITDA should not be considered as an alternative financial measure to net loss, which is the most directly comparable financial measure calculated in accordance with GAAP, or any other measure of financial performance calculated in accordance with GAAP. We also provide Free Cash Flow, a non-U.S. GAAP financial measure that represents net cash used in operating activities less purchases of property and equipment. We believe that Free Cash Flow is an important measure since we use third parties to host our services and therefore we do not incur significant capital expenditures to support revenue generating activities. The reconciliation between net cash used in operating activities and Free Cash Flow is provided below. Free Cash Flow has limitations as an analytical measure, and you should not consider it in isolation or as a substitute for analysis of our net cash used in operating activities, which is the most directly comparable financial measure calculated in accordance with GAAP, or any other measure of financial performance calculated in accordance with GAAP.

Forward-Looking Statements

This news release contains forward-looking statements within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact could be deemed forward-looking, including, but not limited to, statements regarding Wish's outlook including expectations with respect to adjusted EBITDA, expectations regarding new business strategies, and the anticipated return on our investments and their ability to drive future growth and capitalize on related opportunities. In some cases, forward-looking statements can be identified by terms such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "forecasts," "guidance," "intends" "goals," "may," "might," "outlook," "plans," "potential," "predicts," "projects," "seeks," "should," "targets," "will," "would" or similar expressions and the negatives of those terms. These forward-looking statements are subject to risks, uncertainties, and assumptions. If the risks materialize or assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. Risks include, but are not limited to: our ability to attract, retain and monetize users; risks associated with software updates to the platform; the effectiveness of our CEO transition; increasing requirements on collection of sales and value added taxes; the success of our execution on new business strategies; compromises in security; changes by third-parties that restrict our access or ability to identify users; competition; disruption, degradation or interference with the hosting services we use and infrastructure; our financial performance and fluctuations in operating results; pressure and fluctuation in our stock price, including as a result of short selling and short squeezes; challenges in our logistics programs; challenges in growing new initiatives; the effectiveness of our internal controls; the continued services of members of our senior management team; our ability to offer and promote our app on the Apple App Store and the Google Play Store; our ability to promote, maintain, and protect our brand; legal matters; the ongoing COVID-19 pandemic; supply chain issues; the impact of inflation; global conflicts, including the Russian invasion of Ukraine; and economic tension between the United States and China. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Further information on these and additional risks that could affect Wish's results is included in its filings with the Securities and Exchange Commission ("SEC"), including its most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q, and future reports that Wish may file with the SEC from time to time, which could cause actual results to vary from expectations. Any forward-looking statement made by Wish in this news release speaks only as of the day on which Wish makes it. Wish assumes no obligation to, and does not currently intend to, update any such forward-looking statements after the date of this release.

The unaudited financial results in this news release are estimates based on information currently available to Wish. While Wish believes these estimates are meaningful, they could differ from the actual amounts that the company ultimately reports in its Form 10-Q for the quarter ended September 30, 2022. Wish assumes no obligation and does not intend to update these estimates prior to filing its Form 10-Q for the quarter ended September 30, 2022.

A Note About Metrics

The numbers for some of our metrics, including MAUs and LTM Active Buyers, are calculated and tracked with internal tools, which are not independently verified by any third party. We use these metrics to assess the growth and health of our overall business. While these numbers are based on what we believe to be reasonable estimates of our user or merchant base for the applicable period of measurement, there are inherent challenges in measurement as the methodologies used require significant judgment and may be susceptible to algorithm or other technical errors. In addition, we regularly review and adjust our processes for calculating metrics to improve their accuracy, and our estimates may change due to improvements or changes in technology or our methodology.

ContextLogic Inc.
Condensed Consolidated Balance Sheets
(in millions)
(unaudited)

	As of September 30, 2022	As of December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 587	\$ 1,009
Marketable securities	250	150
Funds receivable	13	17
Prepaid expenses and other current assets	40	48
Total current assets	890	1,224
Property and equipment, net	11	17
Right-of-use assets	7	18
Marketable securities	—	17
Other assets	3	7
Total assets	\$ 911	\$ 1,283
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 56	\$ 67
Merchants payable	121	185
Refunds liability	6	23
Accrued liabilities	143	174
Total current liabilities	326	449
Lease liabilities, non-current	11	16
Total liabilities	337	465
Stockholders' equity	574	818
Total liabilities and stockholders' equity	\$ 911	\$ 1,283

ContextLogic Inc.
Condensed Consolidated Statements of Operations
(in millions, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 125	\$ 368	\$ 448	\$ 1,796
Cost of revenue ⁽¹⁾	91	201	308	808
Gross profit	34	167	140	988
Operating expenses:				
Sales and marketing ⁽¹⁾	80	147	181	1,013
Product development ⁽¹⁾	42	54	154	157
General and administrative ⁽¹⁾	40	29	86	121
Total operating expenses	162	230	421	1,291
Loss from operations	(128)	(63)	(281)	(303)
Other income, net:				
Interest and other income, net	6	3	10	11
Loss before provision for income taxes	(122)	(60)	(271)	(292)
Provision for income taxes	2	4	3	11
Net loss	(124)	(64)	(274)	(303)
Net loss per share, basic and diluted	\$ (0.18)	\$ (0.10)	\$ (0.41)	\$ (0.49)
Weighted-average shares used in computing net loss per share, basic and diluted	673	628	667	623

(1) Includes the following stock-based compensation expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	\$ 2	\$ 5	\$ 4	\$ 15
Sales and marketing	2	4	5	10
Product development	13	17	41	46
General and administrative	9	4	3	33
Total stock-based compensation	\$ 26	\$ 30	\$ 53	\$ 104

ContextLogic Inc.
Condensed Consolidated Statements of Cash Flows
(in millions)
(unaudited)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:				
Net loss	\$ (124)	\$ (64)	\$ (274)	\$ (303)
Adjustments to reconcile net loss to net cash used in operating activities:				
Noncash inventory write downs	—	12	3	12
Depreciation and amortization	1	2	5	7
Noncash lease expense	2	3	5	10
Impairment of lease assets and property and equipment	5	—	11	—
Stock-based compensation expense	26	30	53	104
Other	(2)	(5)	(3)	—
Changes in operating assets and liabilities:				
Funds receivable	(1)	19	4	56
Prepaid expenses, other current and noncurrent assets	—	(3)	2	30
Accounts payable	2	(185)	(10)	(364)
Merchants payable	(12)	(97)	(64)	(238)
Accrued and refund liabilities	6	(45)	(36)	(181)
Lease liabilities	(2)	(4)	(6)	(11)
Other current and noncurrent liabilities	(1)	(7)	(3)	(24)
Net cash used in operating activities	(100)	(344)	(313)	(902)
Cash flows from investing activities:				
Purchases of property and equipment and development of internal-use software	—	—	(2)	(1)
Purchases of marketable securities	(77)	(111)	(303)	(235)
Sales of marketable securities	—	50	—	50
Maturities of marketable securities	81	79	218	202
Other	2	—	2	—
Net cash provided by (used) in investing activities	6	18	(85)	16
Cash flows from financing activities:				
Proceeds from issuance of common stock through employee equity incentive plans	—	—	1	6
Payment of taxes related to RSU settlement	(5)	—	(10)	(5)
Other	—	—	—	(1)
Net cash used in financing activities	(5)	—	(9)	—
Foreign currency effects on cash, cash equivalents and restricted cash	(8)	—	(17)	—
Net decrease in cash, cash equivalents and restricted cash	(107)	(326)	(424)	(886)
Cash, cash equivalents and restricted cash at beginning of period	701	1,405	1,018	1,965
Cash, cash equivalents and restricted cash at end of period	\$ 594	\$ 1,079	\$ 594	\$ 1,079
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets:				
Cash and cash equivalents	\$ 587	\$ 1,072	\$ 587	\$ 1,072
Restricted cash included in prepaid and other current assets in the condensed consolidated balance sheets	7	7	7	7
Total cash, cash equivalents and restricted cash	\$ 594	\$ 1,079	\$ 594	\$ 1,079
Supplemental cash flow disclosures:				
Cash paid for income taxes, net of refunds	\$ —	\$ —	\$ 6	\$ 4

ContextLogic Inc.
Reconciliation of GAAP Net Loss to Non-GAAP Adjusted EBITDA
(in millions, except percentages)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 125	\$ 368	\$ 448	\$ 1,796
Net loss	(124)	(64)	(274)	(303)
Net loss as a percentage of revenue	(99)%	(17)%	(61)%	(17)%
Excluding:				
Interest and other income, net	(6)	(3)	(10)	(11)
Provision for income taxes	2	4	3	11
Depreciation and amortization	1	2	5	7
Stock-based compensation expense and related employer payroll taxes	27	30	55	111
Lease impairment related expenses	—	—	—	6
Restructuring and other discrete items	5	—	29	—
Recurring other items	—	1	(1)	3
Adjusted EBITDA	(95)	(30)	(193)	(176)
Adjusted EBITDA margin	(76)%	(8)%	(43)%	(10)%

ContextLogic Inc.
Reconciliation of GAAP Net Cash Used in Operating Activities to Non-GAAP Free Cash Flow
(in millions)
(unaudited)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net cash used operating activities	\$ (100)	\$ (344)	\$ (313)	\$ (902)
Less:				
Purchases of property and equipment and development of internal-use software	—	—	2	1
Free Cash Flow	\$ (100)	\$ (344)	\$ (315)	\$ (903)

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