

# XpresSpa Group

**INVESTOR PRESENTATION**

Sidoti & Company Spring 2018 Conference

**NASDAQ: XSPA**

# Disclaimers

## Safe Harbor Statement

This presentation includes forward-looking statements, which may be identified by words such as “believes,” “expects,” “anticipates,” “estimates,” “projects,” “intends,” “should,” “seeks,” “future,” “continue,” or the negative of such terms, or other comparable terminology. Forward-looking statements relating to expectations about future results or events are based upon information available to XpresSpa Group as of today's date, and are not guarantees of the future performance of the company, and actual results may vary materially from the results and expectations discussed. Additional information concerning these and other risks is contained in XpresSpa Group's most recently filed Annual Report on Form 10-K, Quarterly Report on Form 10-Q, recent Current Reports on Form 8-K and other SEC filings. All subsequent written and oral forward-looking statements concerning XpresSpa Group, or other matters and attributable to XpresSpa Group or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above. XpresSpa Group does not undertake any obligation to publicly update any of these forward-looking statements to reflect events or circumstances that may arise after the date hereof.

## Trademark Usage

XpresSpa Group the XpresSpa Group logo, and other XpresSpa Group trademarks, service marks, and designs are registered or unregistered trademarks of XpresSpa Group Inc. and its subsidiaries in the United States and in foreign countries. This presentation contains trade names, trademarks and service marks of other companies. All such trade names, trademarks and service marks of other companies are property of their respective owners. XpresSpa Group Inc. does not intend its use or display of other parties' trade names, trademarks and service marks to imply a relationship with, or endorsement or sponsorship of or by, such other parties.

## Use of Non-GAAP Financial Measures

XpresSpa uses GAAP and non-GAAP measurements to assess the trends in its business. Items XpresSpa reviews on an ongoing basis are revenues, Comp Store Sales (which it defines as sales from stores opened longer than a year compared to the same period sales of those stores a year ago), store contribution margins, and number of transactions (which is a way to measure traffic in spas). In addition, XpresSpa monitors stores' performance compared to its model store metrics to ensure that it is consistently opening spas that have the same or similar return dynamics as historical stores. XpresSpa believes the trends exhibited by its business are strong and substantiate its continued investment in additional locations and infrastructure.

Please note that XpresSpa Group's consolidated Statement of Operations includes XpresSpa results from December 23, 2016 onwards. During the full year of 2016, XpresSpa generated \$43.4 million of revenue.

# Wellness On The Go

We are the **leader** in fast-spa services, providing premier wellness solutions in 30 minutes or less.

Dedicated to keeping people looking and feeling their best **on the go**.

Our cutting-edge services and products are designed to **move with you**.

We are **XpresSpa** Group

# Investment Considerations

- **Large and Growing** wellness marketplace supported by favorable demographics and spending trends
- **Dominant Branded** position in growing category
  - Transition to **Pure Play Health and Wellness** company nearly complete
  - Partnerships with health and experience economy leaders **Elevating Awareness**
- Vast **Expansion Potential** in both airport and off-airport locations
- Approaching **Inflection Point** to Adjusted EBITDA Profitability
  - Attractive **Unit Economics** with compelling ROI
  - Technology-based process improvements expanding operating leverage
  - Existing net operating loss carryforwards

# The Experience Economy & Wellness Industry

- The global wellness industry is a \$3.7 trillion market. <sup>1</sup>
- Millennials Spend Nearly 25% of Disposable Income on Health and Wellness. <sup>2</sup>
- Consumer Spending patterns are shifting to experience-based spending. 72% of millennials would rather spend money on experiences than on material goods. <sup>3</sup>
- Nearly 1 million XpresSpa customers in 2017
- XpresSpa services are "not-Amazonable"

<sup>1</sup> Global Wellness Institute, 2016

<sup>2</sup> Market Wired, 2017

<sup>3</sup> Forbes, 2017

In 2018, air travel is projected to grow by 6%.<sup>1</sup>

**Average wait time is 137 minutes.<sup>2</sup>**

<sup>1</sup> IATA, 2017

<sup>2</sup> Aviation Pros, 2017



# XpresSpa is the answer to growing traveler demands

## **Increased travelers, security and wait times have driven innovation and growth in airport retail**

Travelers at large hub airports typically spend  
~137 minutes in the airport after going through security.<sup>1</sup>

- Nearly 20% of flights were delayed in 2017.<sup>2</sup>

## **Premium concepts like XpresSpa are suited for typical traveler demographic**

- Frequent fliers (18% of travelers) have a HHI > \$100,000.<sup>3</sup>
- 70% of purchases occur on impulse because these affluent customers are bored, rushed, and stressed.<sup>4</sup>

## **Airport infrastructure spending is increasing**

- \$1.2-1.5 trillion is expected to be spent on global airport infrastructure development up to 2030.<sup>5</sup>

<sup>1</sup>Aviation Pros, 2017

<sup>2</sup>TRANSTATS, 2017

<sup>3</sup> Airport World Magazine, 2016

<sup>4</sup> Airport Revenue News

<sup>5</sup> New Market Research & Micro Market Monitor



We offer  
busy people a  
moment  
to relax  
and renew  
on the go

The XpresSpa logo is displayed in a large, white, sans-serif font. A registered trademark symbol (®) is located at the top right of the word 'Spa'. The background of the slide features a warm, orange-to-yellow gradient with a faint, stylized image of palm tree fronds on the right side.

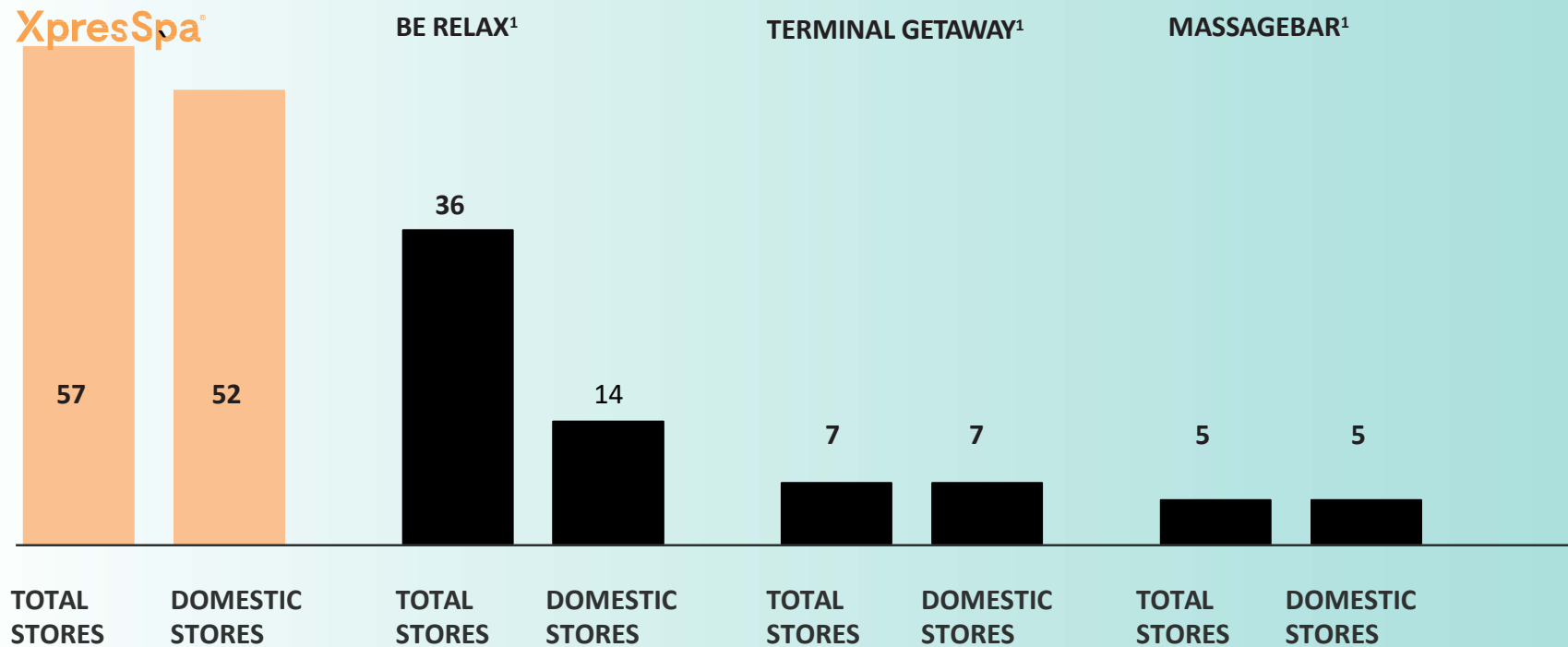
# XpresSpa®

The leading  
airport spa  
company in  
the world

Over 50%  
market share  
in the U.S.

- Perfected the fast-spa format
- Win approximately 80% of RFPs we participate in
- 57 locations in 23 airports globally

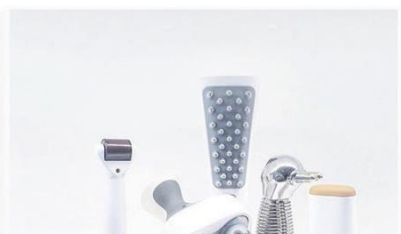
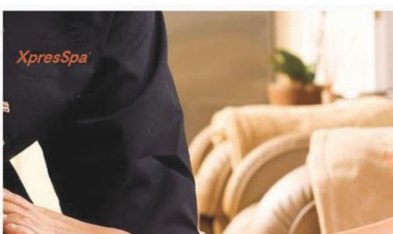
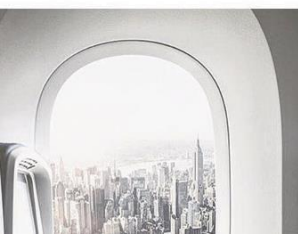
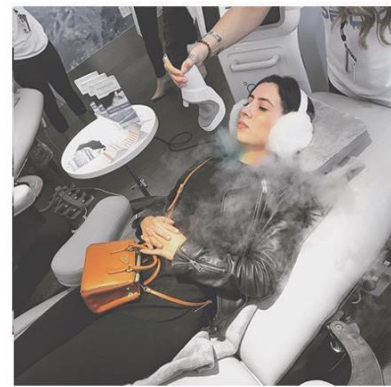
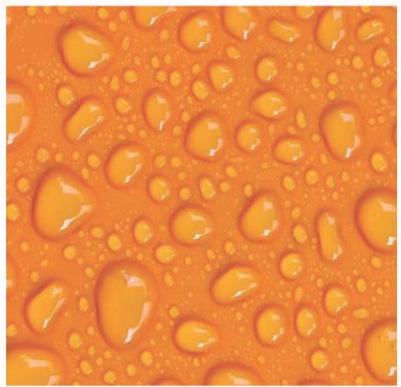
# Dominant Market Share Position



<sup>1</sup>based on company websites as of 3/8/18



Spa Xpre  
XpresSpa  
Spa Xpre



# Strong Unit Level Economics

**80% Service Revenue**  
**20% Retail Revenue**

AVERAGE BOX SIZE **1,225**

AUV / SALES **\$985,615**

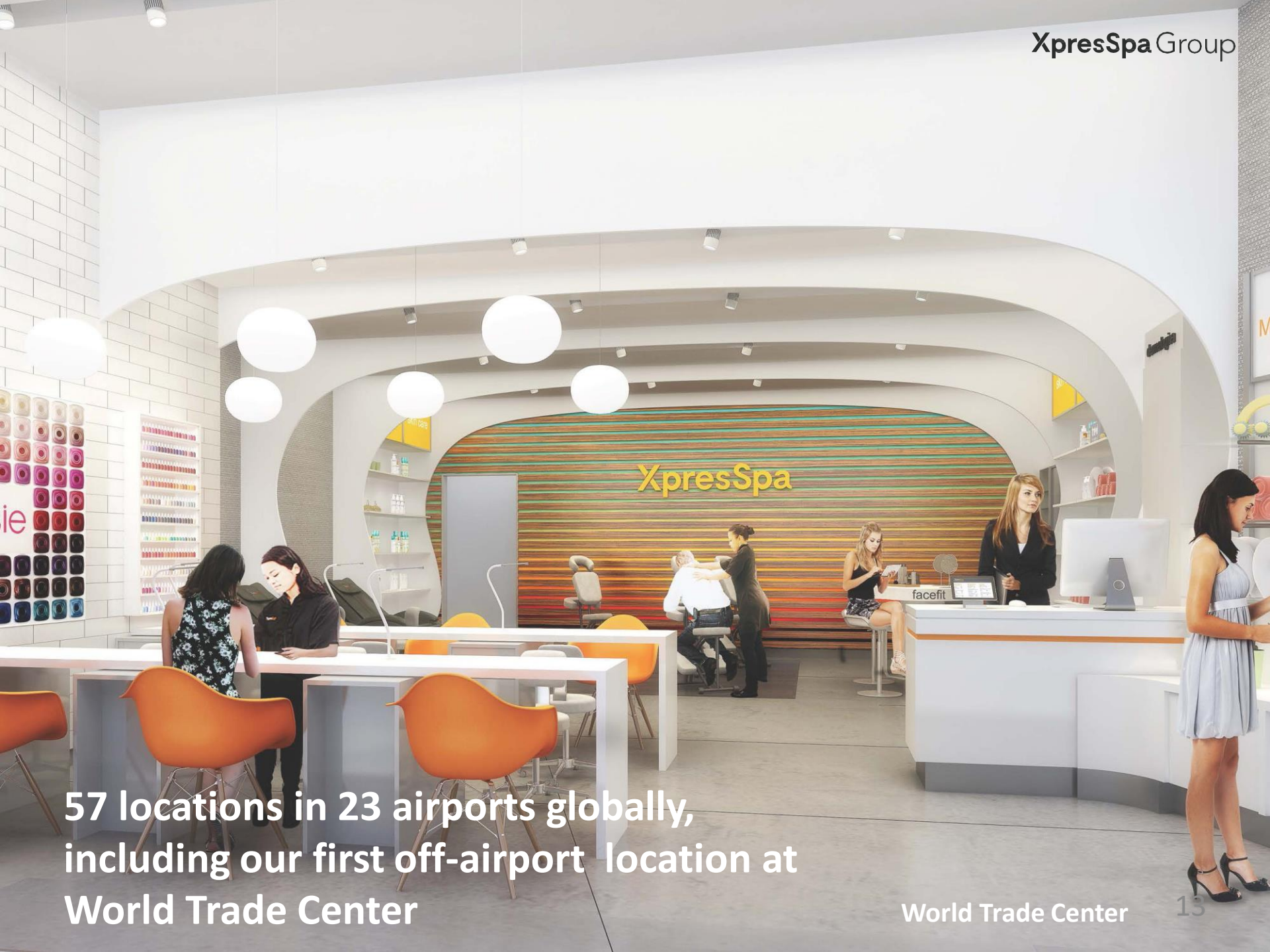
SALES PER SQ. FT. **\$786**

STORE PROFIT / EBITDA **19.6%**

2018 PROJECTED AVERAGE **\$400,000**  
INVESTMENT COST PER NEW  
LOCATION

PAYBACK PERIOD **2.1 years**

CASH-ON-CASH RETURN **48%**



57 locations in 23 airports globally,  
including our first off-airport location at  
World Trade Center

XpresSpa

Xpres  
Spa X  
presSp  
a Xpre

(re)new



# Accelerating Growth Under New Management

## 2017

### Accomplishments

- Opened 9 Locations
- Same store sales growth
- Recruited top talent for corporate and field teams
- Improved technology in stores
- Major rebrand completed
- Introduced retail partnerships with Dermalogica and Essie
- Created innovate partnership for XpresSpa branded product with Capelli

# Established Airport Presence

Over 10 new locations already scheduled to open in 2018



## XpresSpa Airport Market Opportunity

1<sup>st</sup> tier airports: 170  
 2<sup>nd</sup> tier airports: 100  
 Int'l airports: 170-200

# XpresRecover

## Brand Extension

XpresRecover launched first location in first half of 2018.

### Featuring:

- **cryotherapy**
- **compression therapy**
- **salt chambers**
- **healthy grab & go**

# Additional Growth Opportunities

## XpresSpa Franchise

- Franchise disclosure documents approved January 2018
- Built pipeline of 800 interested franchisees since XpresSpa inception
- Marketing to potential partners at airport conferences
- Initial focus: tier 2 airports

## Off-Airport

- Major property/mall owners courting EXPERIENCE retailers
- XpresSpa in high demand
- First location: WTC “Oculus”
- Carefully evaluating opportunity

Leveraging and scaling XpresSpa to build a preeminent **pure play** health and wellness services company.

**2017**

## Fixed Stores, Culture

- Team in place
- Branded focus on Health and Wellness
- New POS

**2018**

## Efficiency and Growth

- POS and CRM technology / Airport traffic analysis
- Leverage unique airport EXPERIENCE offering with partners
- Launch Franchising
- New XpresSpa openings, including XpresRecover

**2019**

## Acceleration

- Extensions of Health and Wellness branding
- International partnership
- New XpresSpa openings

**2020**

## Dominance

- Potential M&A
- Expand globally
- Become dominant player in on-the-go wellness experience

# Team in Place to Execute Growth Strategy



**ANDREW PERLMAN**  
CEO & Director XpresSpa Group

- ▶ Former CEO of FORM Holdings
- ▶ Former Head of Digital, Classic Media
- ▶ Former Vice President of Global Digital Business Development, EMI Music
- ▶ George Washington University, B.A.



**KERRY DUCHI**  
Visual, Merchandising and Marketing Manager

- ▶ Former Retail Merchandising & Analytics Manager, Godiva
- ▶ Former Merchandise Planner, Calvin Klein Jeans
- ▶ Former Merchandiser, Polo Ralph Lauren
- ▶ Northwood University, B.A.



**ED JANKOWSKI**  
President of XpresSpa

- ▶ Former Vice President, Luxottica
- ▶ Former Senior Vice President, Godiva
- ▶ Former Chief Operating Officer, Safilo Group
- ▶ Former President, World Duty Free Group
- ▶ Former Vice President, Liz Claiborne



**IGA WYRZYKOWSKI**  
Construction Project Manager

- ▶ Former Project Architect, Gensler
- ▶ Former Project Manager for Drybar, Heitler Houstoun Architects
- ▶ Wentworth Institute of Technology, BSA & M.Arch



**ANASTASIA NYRKOVSKAYA**  
CPA, CFO & Treasurer

- ▶ Former Vice President and Assistant Global Controller, NBC Universal Media, LLC
- ▶ Former Auditor, KPMG LLP
- ▶ Moscow State University of Publishing and Printing Arts



**ANGELIA YAUN**  
Senior Director of Spas XpresSpa, North America

- ▶ Former Senior Director of Stores, Luxottica Luxury
- ▶ Former Regional Director, Godiva
- ▶ Former Regional Manager Safilo/Solstice

# Capitalization Table<sup>1</sup>

FULLY DILUTED SHARES		38,324,415
COMMON STOCK		26,540,689
PREFERRED STOCK (AS CONVERTED BASIS AT \$6.00 PER SHARE)		3,364,429
WARRANTS OUTSTANDING <sup>3</sup>	\$5.00 STRIKE, EXPIRE APRIL 2021	50,000
	\$3.00 STRIKE, EXPIRE MAY 2020	537,500
	\$3.00 STRIKE, EXPIRE OCTOBER 2021	2,500,000
EMPLOYEE INCENTIVE PLAN OUTSTANDING		5,331,797

<sup>2</sup> \$20 million face value, matures December 2023, payable at maturity in either cash or stock at then-current market price

<sup>3</sup> Warrants convertible into 343,377 shares of common stock with a strike price of \$17.60 expired on July 19, 2017

<sup>1</sup> as of September 18, 2017

# Opportunity

- Growth of wellness market
- Powerful brand
- Store operating model
- Expansion of existing model
- Extensive ways to leverage the brand experience to partner and expand

# XpresSpa Group

780 3rd Avenue, 12th Floor New  
York, NY 10017

212-309-7549

[IR@XpresSpaGroup.com](mailto:IR@XpresSpaGroup.com)