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To the REI Co-op Community,

Each year, ahead of our Annual Member Meeting, I send you, our Members and Employees, a letter reflecting on the last year and sharing our vision for the years ahead. This year, I also want to share my thoughts about this moment in co-op history and a bit more about why I choose to be part of this unique 86-year strong community—and why it's so vital that you are a part of it, too.

I remember first becoming a co-op member at REI's Conshohocken store in 1994. I remember interviewing, almost 20 years later, with REI leaders about the possibility of joining the co-op as an employee. In both cases I felt part of something bigger, part of a community with an enduring purpose to inspire and enable more time outside, for everyone. That feeling and that essential element of what it means to be a co-op is more important to me, and to our shared success, than ever before.

All these years later, I'm here because I continue to believe people achieve more together than they are otherwise able to on their own. I believe in the power of teams. In the power of community. Our 15,000 employees are a team and we're all part of our 24-million-member community.

I'm here and I'm proud to serve the co-op as CEO because I believe we all have a duty to leave the world better than we found it. The world needs more time outside; therefore the world needs a strong REI, pushing our mission and purpose forward.



2023 was a year of both growth and challenges for REI. In many ways last year was a microcosm of the complex and dynamic marketplace and reality the co-op, and each of us, has faced over the last four years. Our team did great work adapting to the challenging business environment, our members engaged deeply across the co-op's offerings, our commitments to positive impact and our partners were as strong as ever—and still, we ultimately fell short of our financial goals for the year.

It's a deeply disappointing result—for me and for our teams. So how did we get here? How is the co-op doing at this moment? And how do we move forward?

Let's begin by centering the conversation on how we define success. We define success through the four dimensions of our quadruple bottom line: better outcomes for our employees, better outcomes for members, the positive impact we have on the communities we serve, all made possible by a growing and profitable business. Of course, the stronger our business is, the more we can do for our employees, co-op members and society.

The past two years we have not made a profit. Why? We made two fundamental choices that reflect our core values. The first: We chose to stay committed and invested in the things that matter most:

- Our hourly employees. We have invested over \$180 million annually above pre-COVID levels in hourly pay and to provide healthcare for all employees—regardless of hours worked. We also distributed \$57 million in employee retirement and incentives. We remain committed to compensation programs and an employee experience amongst the best in retail.
- Our members. We have invested in new member offerings like the expansion of our Re/Supply program which helps more people get outside while reducing our collective environmental impact and by making it easier for members to check and use their rewards on rei.com. We continued to distribute member rewards totaling \$200M in 2023—equivalent to a full 10% back on qualifying member purchases—despite not making an operating profit to distribute.
- Our communities and planet. We have continued our great work to steward public lands, to be a leader in addressing the climate crisis and by staying committed to closing the nature gap and creating equitable and safe access to time outside for everyone. You can read more about the details of all this great work throughout our impact report.

To fund these commitments and keep up the great work and momentum, we must reshape our business model to become more efficient. We have borrowed from our savings, but we cannot do that forever.

Herein lies the second choice. We chose to make changes to our cost structure, including the difficult decision to make reductions to our workforce. We also adjusted our approach to technology updates and our service delivery models to pay for those significant investments. Rather than chasing a quick profit, we chose to return to profitability over multiple years while staying true to our purpose and values. Reshaping the foundation takes time and we are doing so in an overall economic and retail environment that continues to prove highly volatile.

We find ourselves in the middle of a profit recovery journey—so how is it going? Well, for three quarters of 2023 we performed ahead of our financial plans. We, as well as the outdoor industry, then faced a historically warm winter as well as erratic weather patterns across the country throughout the fall and winter. Our underperformance versus our plans in the fourth quarter meant we gave back all the favorability we had delivered through the first three quarters, and we fell well short of our financial plan for the year.

In 2024, we will focus on taking a significant step back towards profitability. Like every business we must be profitable—but unlike many other businesses, that profit must be cooperative.

I'm proud of the dialogue and the spirit with which we're facing these questions at the co-op, and I'm equally proud of what we've already been able to achieve in collaboration with our employees.

I want REI to be the best place to work in America. I want to provide our employees with better tools and resources. I want to continue to provide everyone with the healthcare and benefits they deserve. I want to continue to pay them to spend time outside or participating in public service projects. While we've made incredible progress towards these goals, we still have work to do.

On our path back to profitability, we will continue to fund investment in innovation and technology

to power our business and better serve our members. We will continue to open stores in more communities, enabling even more people to experience the transformative benefits of the natural world.

We will continue our work to build a more equitable co-op and society, while empowering our broader community to raise its voice in support of the issues we care about. And we will continue to grant more philanthropic dollars directly to our communities to close the nature gap and have a positive impact.

We will do all of this because our community deserves nothing less.

The reality is, we can't afford it all, at least not right now. The next year will not be easy, and we'll need to work even harder to return to profitability. Not simply for the sake of achieving a number, but because profit fuels our purpose.

Earlier, I told you why I choose to serve the co-op. I want to be in community with each of you. I want to pursue our common purpose, and I want to ensure REI continues to be a different kind of company. One that chooses to fight for a life outdoors. One where people care about each other as human beings, about making an impact and about doing the right thing.

A co-op where we choose to do the hard work together and make the hard choices because we know it makes the world a better place.

Why do I want you to be a part of it, too? Because I believe we're better—more connected, healthier mentally and physically, more vibrant as a community when we spend more time outside and connected to Mother Earth. Because although the work ahead requires individual commitment, trust and resilience, when we recommit to the work at hand, we become greater than ourselves.

Just look at all we've accomplished in the last year, together. As I reflect on the remarkable results shared in our Impact Report, I am filled with gratitude for the unwavering dedication of our employees and the support of our members, partners, and the entire co-op community. Let's celebrate our shared success and I encourage you to join us as we continue our important work, together, in 2024.

So join me. Join us. Join the co-op.



Eric