



**INVESTOR PRESENTATION**

**05.19** |  **wayfair**<sup>®</sup>

## SAFE HARBOR

This presentation contains forward-looking statements within the meaning of federal and state securities laws. All statements other than statements of historical fact contained in this presentation—including statements regarding our future results of operations and financial position, business strategy and plans, and objectives of management for future operations—are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue,” or the negative of these terms or other similar expressions.

Forward-looking statements are based on current expectations of future events. We cannot guarantee that any forward-looking statement will be accurate, although we believe that we have been reasonable in our expectations and assumptions. Investors should realize that if underlying assumptions prove inaccurate or that known or unknown risks or uncertainties materialize, actual results could vary materially from the Company’s expectations and projections. Investors are therefore cautioned not to place undue reliance on any forward-looking statements. These forward-looking statements speak only as of the date of this presentation and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, or otherwise.

A list and description of risks, uncertainties and other factors that could cause or contribute to differences in our results can be found under Part I, Item 1A, Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and the Company’s subsequent filings with the Securities and Exchange Commission. We qualify all of our forward-looking statements by these cautionary statements.

Market data information, including growth rates and online penetration, used in this presentation are based on management’s knowledge of the industry and their good-faith estimates. Management has relied, to the extent available, upon their review of industry surveys and publications and other publicly available information prepared by a number of third-party sources. The market data information, including indicative market growth and online penetration, provided in this presentation involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such information. Although we believe that these sources are reliable as of their respective dates, we have not verified the accuracy or completeness of this information from independent sources. In addition, this information involves important risks, uncertainties, and other factors, including those discussed above, which could cause results to differ materially.

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. A reconciliation of non-GAAP measures to GAAP measures is contained in the Appendix to this presentation.

# INVESTMENT HIGHLIGHTS

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- ~\$600B total addressable market rapidly moving **from brick and mortar to online**
- Utilizing in-house software development capability to build and **leverage proprietary technology** as key enabler
- Partnering with fragmented and largely **unbranded supplier base** of over 11,000 suppliers
- Solving unique challenges of the category by building a business **customized for home**
- Highly recognized brand with **increasing engagement from repeat** customers
- Investing in **logistics, international markets, and new teams** to continue outsized share-taking
- **Attractive financial profile** with robust growth at scale, proven unit economics, and inventory-light business model
- **Co-founders are largest shareholders**, with focus on sustainable long-term growth, operational discipline, and customer-first orientation

# OVERVIEW

01. Our Business
02. Strategic Priorities
03. KPIs & Financial Metrics
04. Appendix



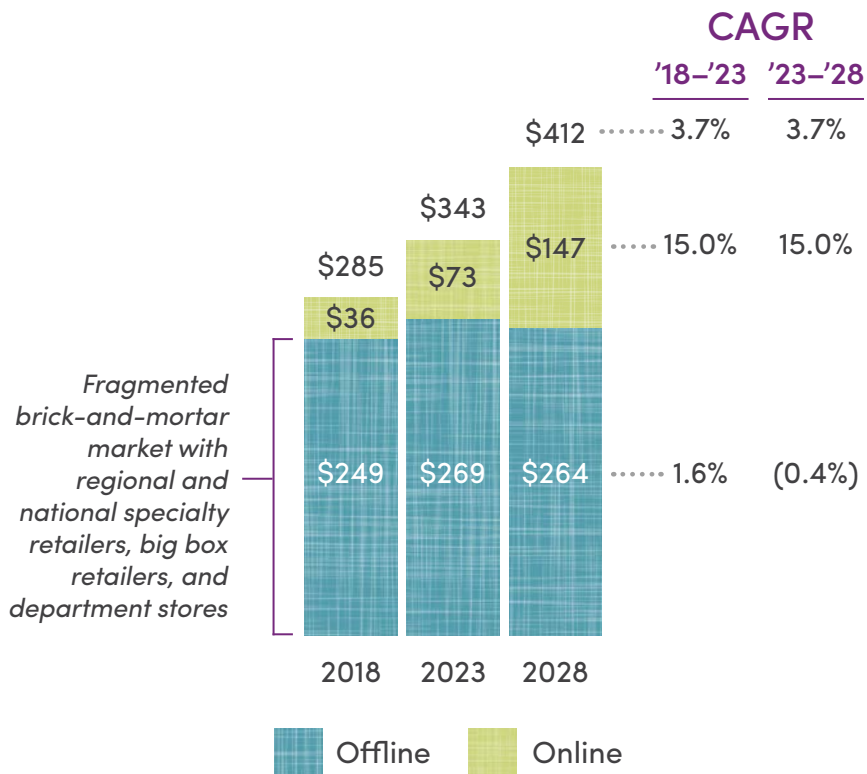
01.

# OUR BUSINESS

# BILLIONS IN REVENUE IS UP FOR GRABS WITH SECULAR SHIFT FROM BRICK AND MORTAR TO ONLINE

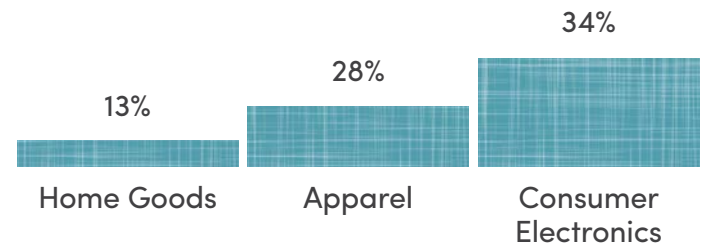
## Large, Addressable Market Transitioning Away from Brick and Mortar...

U.S. Home Market by Channel (\$B)



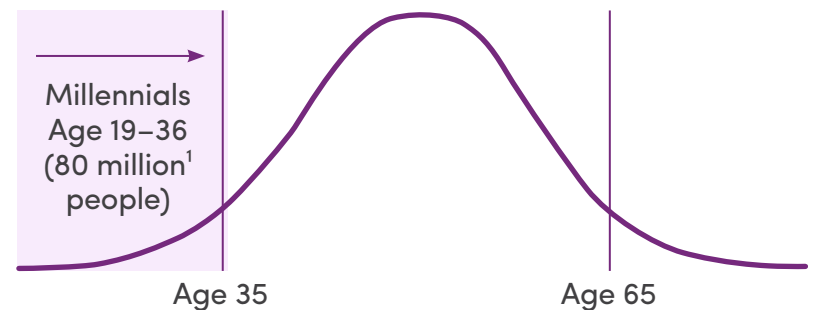
## ...with Further Headroom for Online Penetration...

Estimated U.S. Online Penetration of Selected Verticals



## ...and Tailwind from Millennials Beginning To Enter the Category

Illustrative Distribution of Home Goods Customers by Age



# WE ARE WINNING WITH CUSTOMERS AND TAKING MARKET SHARE

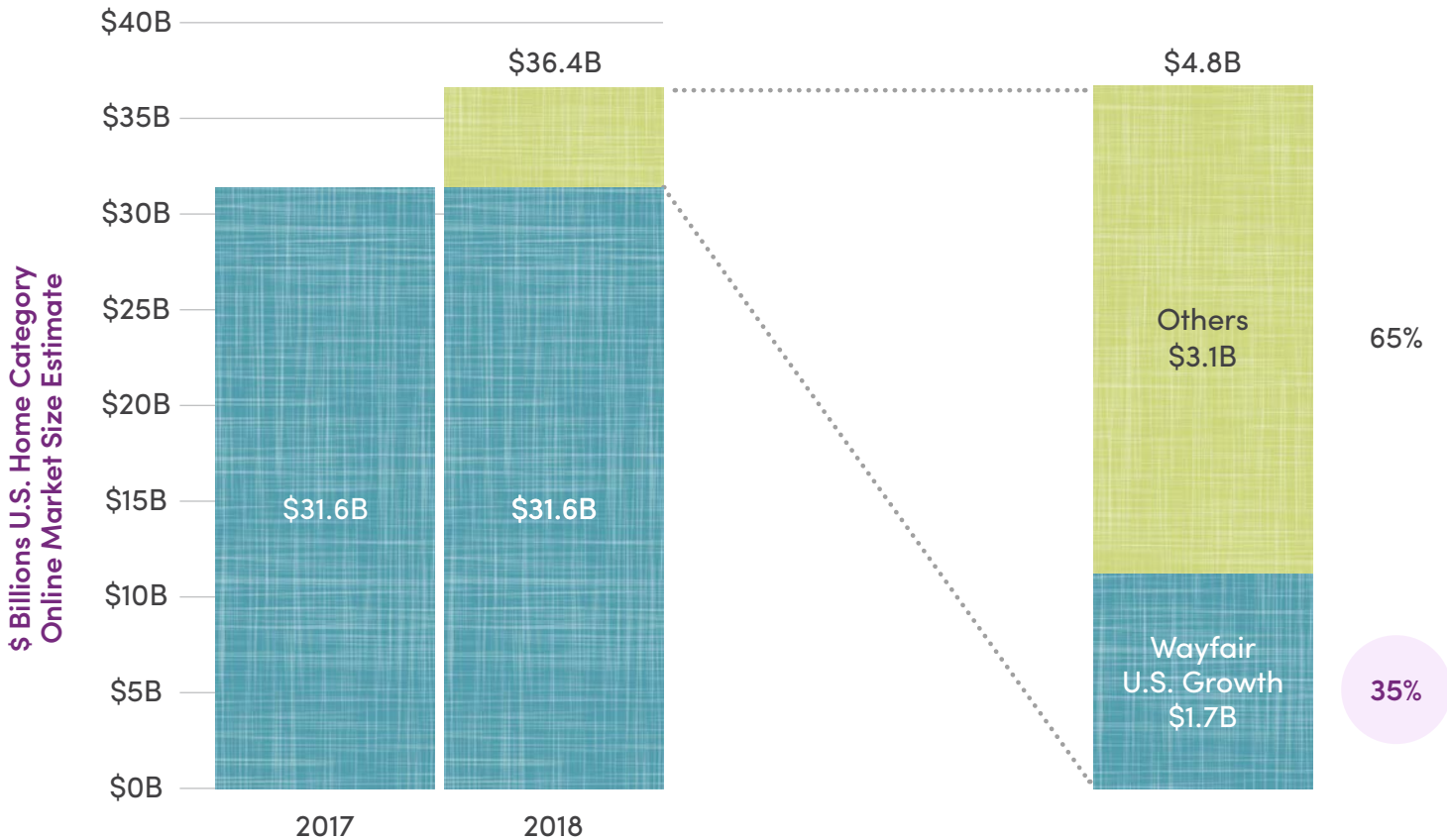
With the Home Category Online Growing by Approximately 15% in the U.S. in 2018...

U.S. Home Online Market Size Forecast



...We Are Taking a Significant Share of Dollars as They Shift Online

2018 Online Growth Breakdown, \$B and % of Total



OUR BUSINESS: BUILT FOR THE HOME CATEGORY

## HOME CATEGORY HAS SPECIFIC CHALLENGES WHEN SHOPPED ONLINE



### Problem

#### 1 Confidence To Buy:

In the absence of being able to touch and feel a product, customers typically require greater comfort and advice on the item they are buying.

#### 2 Visualizing Products:

Understanding how a sofa or dining room table will look in a shopper's home is central to the purchase decision.

#### 3 Inspiration and Product Discovery:

Home is browsed and not searched, as it is difficult for consumers to describe what they are looking for and brands are not known. Additionally, home shoppers desire uniqueness.

#### 4 Customer Service and Delivery:

Home is characterized by heavy, bulky, and damage-prone items. Delivery speed can be slow and customers have limited visibility on order timing. Third parties typically play a large part in the transportation and delivery process, resulting in a customer experience that can be poor relative to other categories.

### Solution

We have purpose-built our business to solve these issues and transform how customers shop for the home, from their home.



OUR BUSINESS: BUILT FOR THE HOME CATEGORY

# WE HAVE BUILT AN EXPERIENCE THAT ENABLES CUSTOMERS TO CONFIDENTLY SHOP FOR THEIR HOME ONLINE

## 1 Confidence To Buy:

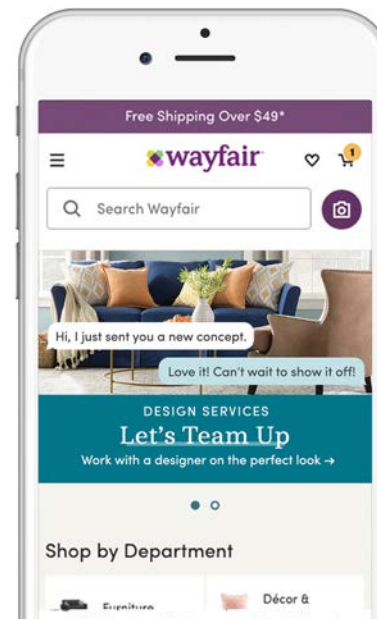
Inspires Confidence in the Purchase

- Customer reviews
- Design Services
- Specialized sales team
- Swatches and samples
- In-depth product information & specifications
- Customer Q&A
- Plus more...



I was pleased by the wrapping of the product in the package. And again pleased by the quick assembly, I was able to do it alone in 5 minutes. It fits perfect in my small living room.

– Customer from Bradenton, FL

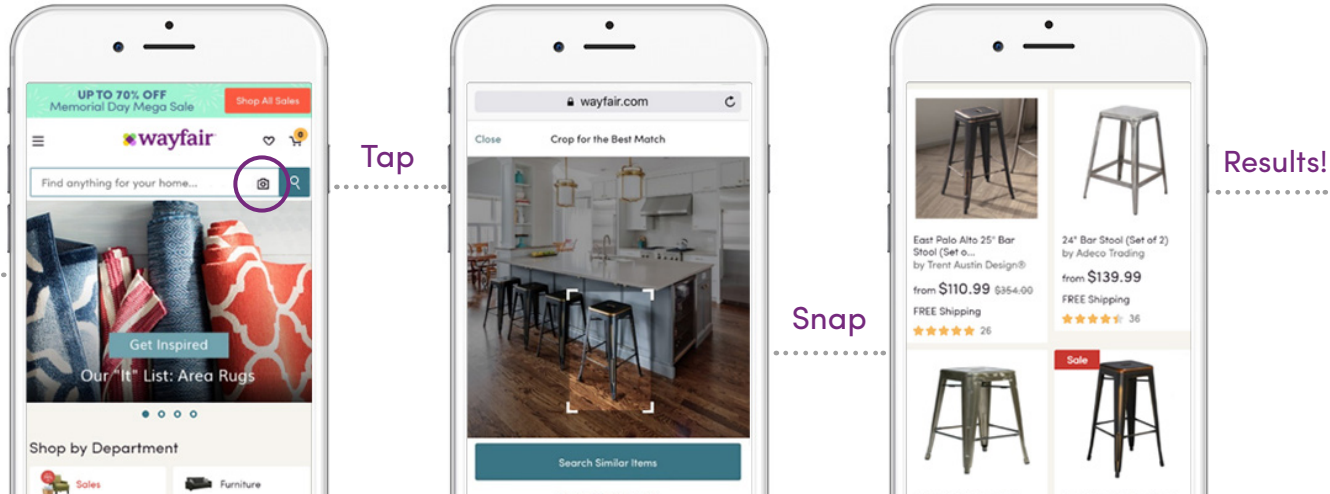
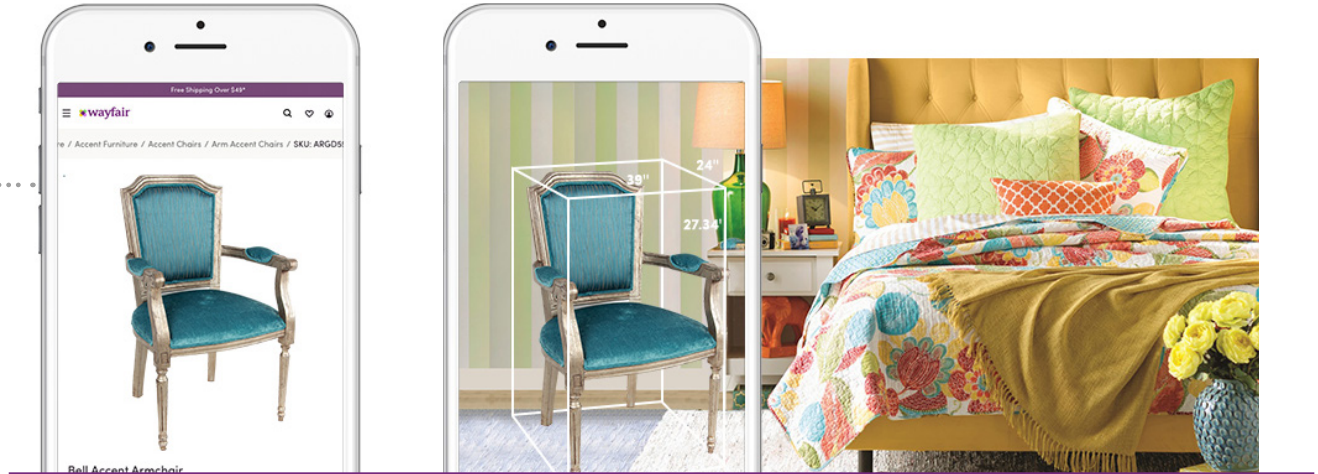


# OUR BUSINESS: BUILT FOR THE HOME CATEGORY

## WE HELP SHOPPERS VISUALIZE THEIR PURCHASE THROUGH THE USE OF TECHNOLOGY

### 2 Visualizing Products: Customers "See" Before They Buy

- 3D View in Room
- Room Planner
- Room Ideas
- Search with Photo
- Customer-uploaded product photos
- Plus more...

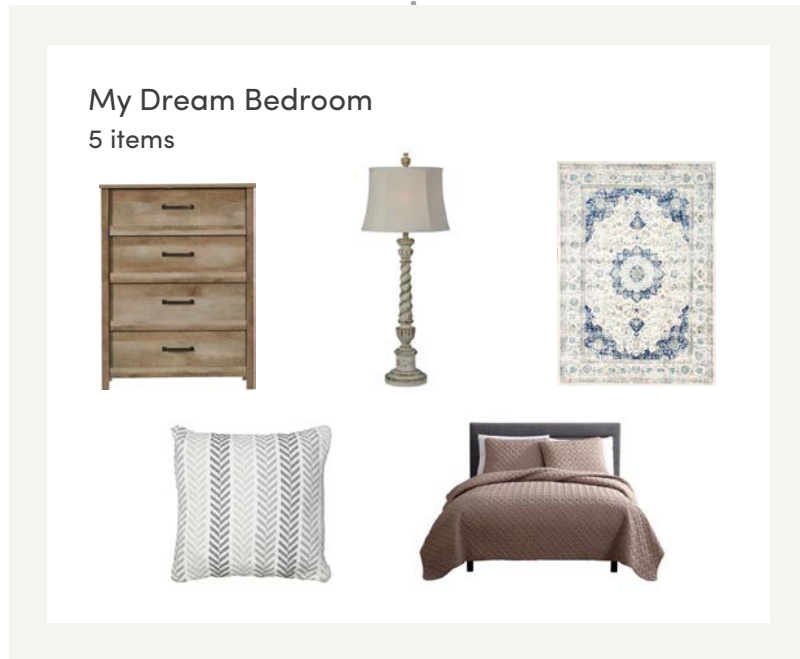


# OUR BUSINESS: BUILT FOR THE HOME CATEGORY WE HELP INSPIRE SHOPPERS AND EQUIP THEM TO PLAN THEIR PERFECT ROOM...

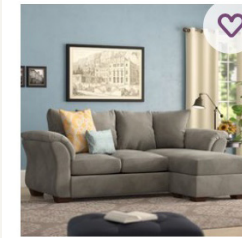
## 3 Inspiration and Product Discovery:

### Find the Right Product Faster

- Product recommendations .....
- Personalization .....
- Visual filters .....
- Idea Boards .....
- Plus more...



### Recommended for You

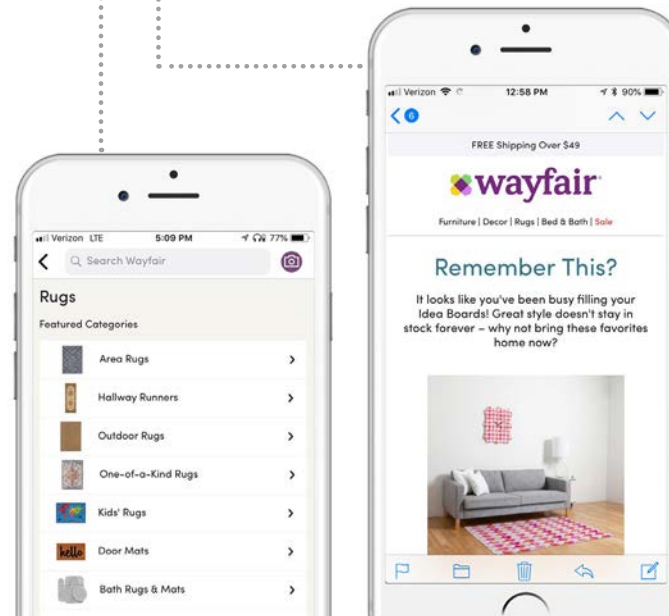


Huntsville Sectional  
by Alcott Hill

**\$473.08** ~~\$598.99~~

★★★★☆ 1413

FREE Shipping



OUR BUSINESS: BUILT FOR THE HOME CATEGORY

# ...INCLUDING 80+ PROPRIETARY HOUSE BRANDS ACROSS STYLES AND PRICE POINTS TO HELP CUSTOMERS FIND PRODUCTS THEY LIKE

## 3 Inspiration and Product Discovery:

Curated brand experience, enabling customers to more easily discover the items they love from our range of more than 14 million products.

### BREAKWATER BAY

Nautical,  
low price point



mercury 

Contemporary,  
mid price point

### THREEPOSTS

American  
Traditional,  
mid price point



TRENT  AUSTIN  
*design*

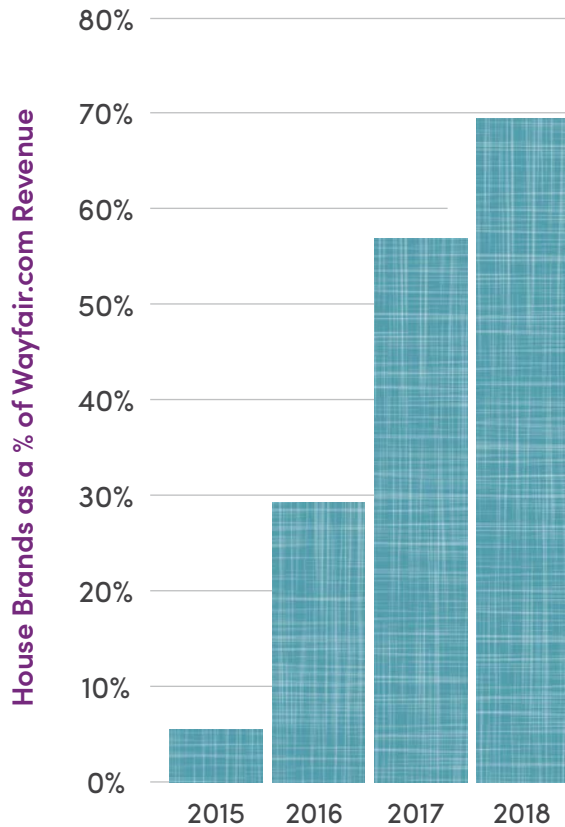
Industrial,  
high price point

# HOUSE BRANDS ARE RESONATING WITH SHOPPERS

### 3 Inspiration and Product Discovery:

House Brands Account for the Majority of Wayfair.com Revenue

House brands have grown from 6% of Wayfair.com revenue to 69% in three years.



OUR BUSINESS: BUILT FOR THE HOME CATEGORY

## CUSTOMER SERVICE BUILT TO BE A COMPETITIVE DIFFERENTIATOR



### 4 Customer Service and Delivery:

In-house customer service team of over 3,000 people in the U.S. and Europe.

Support for customers throughout their shopping and delivery experience.

Specialized customer service staff with deep expertise in specific product categories.

Additionally, approximately 75% of our U.S. large parcel deliveries now go through Wayfair last mile delivery facilities.



“Dealing with the customer service at Wayfair has been fantastic! I’ve never had anything better.”



“You guys are so quick and easy to deal with.”



“Prompt delivery, quality products and wonderful customer service are the reasons Wayfair gets top marks from me.”

OUR BUSINESS: BRANDS AND CUSTOMERS

# WAYFAIR IS OUR CENTRAL BRAND AND THE DRIVER OF OUR BUSINESS

Our Marquis Brand



1.

89% US aided brand awareness since Wayfair.com launch in 2011<sup>1</sup>.

2.

Customers attribute Wayfair to 'the rewarding feeling of turning my house into a home' twice as often as the next highest brand<sup>2</sup>.

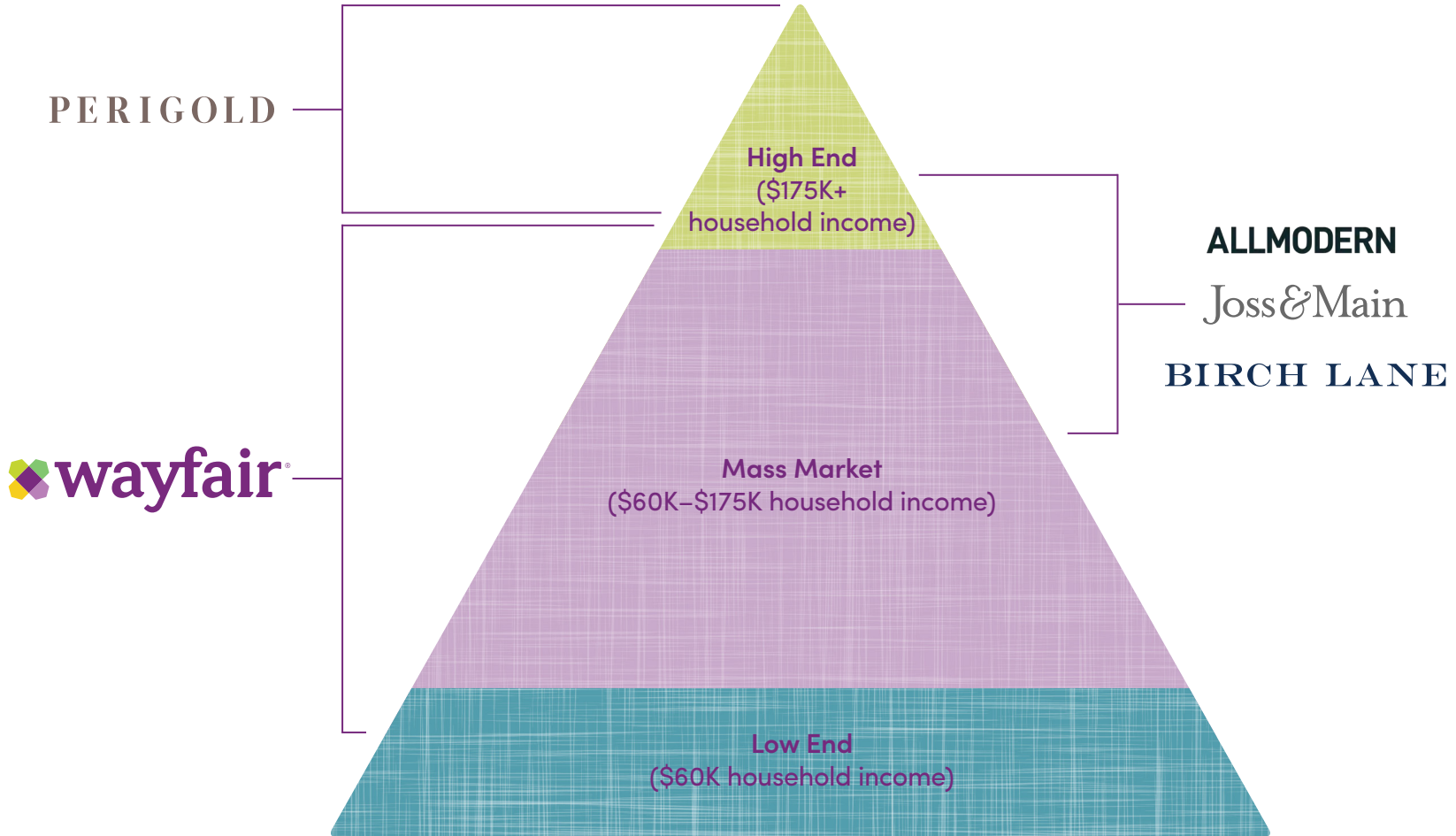
3.

Unparalleled selection of over 14 million products across styles and price points appealing to the mass market customer.



<sup>1</sup> Source: Qualtrics and Hanover Research. <sup>2</sup> Source: Wayfair customer survey

# WAYFAIR FOCUSES ON THE MASS MARKET CUSTOMER; ADDITIONALLY OUR LIFESTYLE BRANDS SERVE SPECIFIC CUSTOMER STYLES AND SEGMENTS





OUR BUSINESS: BRANDS AND CUSTOMERS

## OUR FOUR DISTINCT HOME SITES EACH HAVE A UNIQUE IDENTITY

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### Joss & Main

Stylish designs to discover daily.



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### BIRCH LANE

Classic home.  
Comfortable cost.

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### ALLMODERN

The best of modern, priced for real life.



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### PERIGOLD

The widest-ever selection of luxury home furnishings.

# INCREASING ENGAGEMENT FROM REPEAT CUSTOMERS

## Repeating Customers

Our knowledge of returning customers is higher than that for new visitors, which means that we can target our marketing more efficiently and utilize free channels such as email and app alerts. This drives lower overall ad spend for repeat.

*As the % of orders coming from repeat customers grows, our total advertising cost as a % of total revenue averages down*



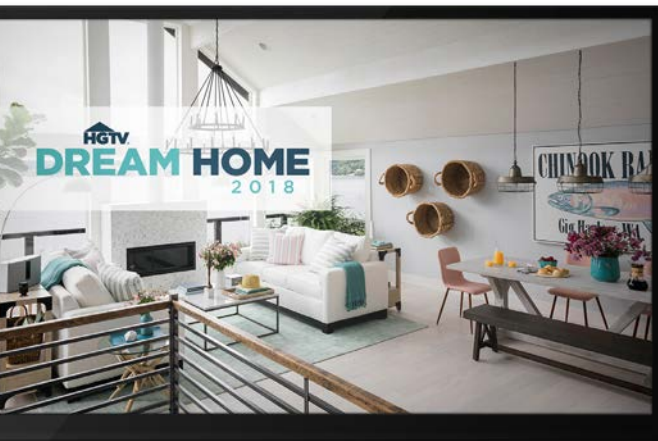
## Loyalty Is Growing

- Our base of loyal customers is growing.
- In December 2017, 31% of Wayfair.com orders came from customers who already purchased at least two other times in the prior 12 months.
- In December 2013, this figure was 13%.

# OUR BUSINESS: BRANDS AND CUSTOMERS

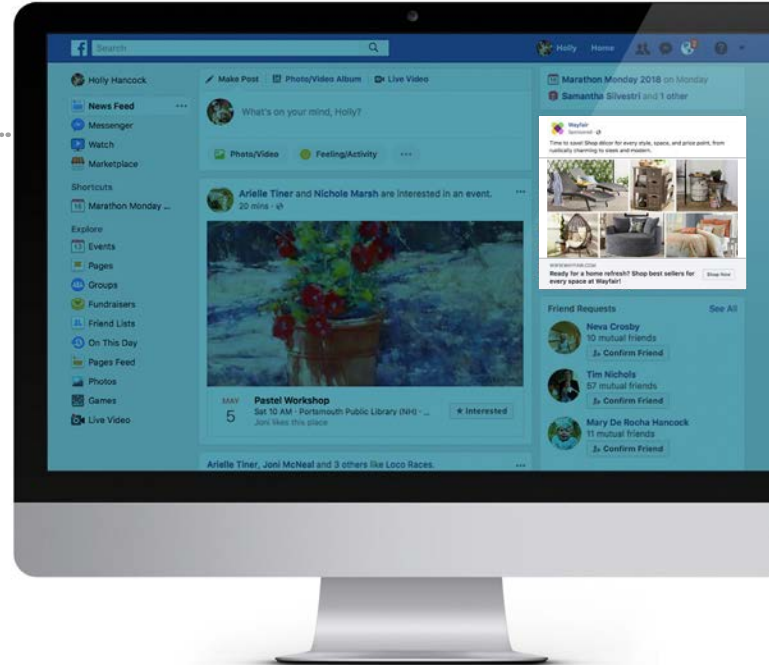
## MARKETING TO CUSTOMERS VIA PAID AND FREE CHANNELS

People are consuming more content than ever, and in different places.



### Online Paid

Reaching shoppers through display, social, and transactional ad channels



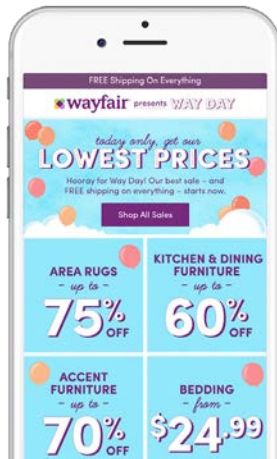
### Brand Integrations

Partnering with Discovery/Scripps and other networks to reach our target customers through TV ads



### Direct Mail

Reaching new and current customers with catalogs and direct mail inserts in the U.S. and internationally



### Major Promotional Campaigns

Emailing our large base of opt-in email subscribers and reaching customers via app notifications



### Organic Engagement

Engaging with millions of brand followers across social media platforms

02.

# STRATEGIC PRIORITIES

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# TAKING A LONG-TERM APPROACH TO GROWTH

We are investing in three main areas of strategic importance:

**1 Logistics**

Scaling our **logistics capabilities** in warehousing, supply services, transportation, and delivery to improve customer experience and drive efficiencies.

**2 International**

Expanding our business in **Canada, the UK, and Germany** by strengthening our customer offering and raising brand awareness.

**3 Further Penetrating the TAM**

Building an ever-strengthening **customer offering** across all home product categories and related services to continually increase share of wallet.



# HOME CATEGORY CHARACTERIZED BY HEAVY, BULKY, AND DAMAGE-PRONE ITEMS



**Average Wayfair  
Small Parcel Item**  
30 pounds | 3 cubic feet

**Average Wayfair  
Large Parcel Item**  
80 pounds | 22 cubic feet

## 1 Logistics: Transportation Challenges

Products in our category are challenging to transport, which can result in the delivery experience being far from satisfying for customers in terms of speed, visibility, and risk of damage.

Our increasing scale has allowed us to invest in building a proprietary logistics network. This is enabling us to speed up deliveries, reduce costs and damage over time, and increase convenience, which is resulting in a better offering for customers and suppliers.

# INVESTING IN CASTLEGATE AND SUPPLY CHAIN SERVICES



## 1 Logistics: CastleGate

CastleGate warehouses forward-position supplier inventory to create fast delivery for small parcel (1–2 days) and large parcel (1 week+).

We have built our strategic footprint of warehouses in the U.S. and are adding space to support ongoing growth in volume.

Suppliers are working increasingly closely with us, with approximately 80% of the inbound volume into U.S. CastleGate facilities being container-direct at the end of 2018.

Penetration of sales via CastleGate has considerable opportunity to grow in small and large parcel. Approximately 26% of U.S. small parcel direct net revenue was shipped from the CastleGate network in Q4 2018, up from 19% in Q4 2017.

CastleGate expansion in Canada and Europe strengthens our offering in those regions and accelerates our flywheel.

We are building end-to-end, fully integrated supply chain services including freight, drayage, and ocean services for our suppliers. We can take a much more strategic approach than a third-party logistics company, reducing costs for suppliers, customers, and Wayfair, and improving our visibility of supply.

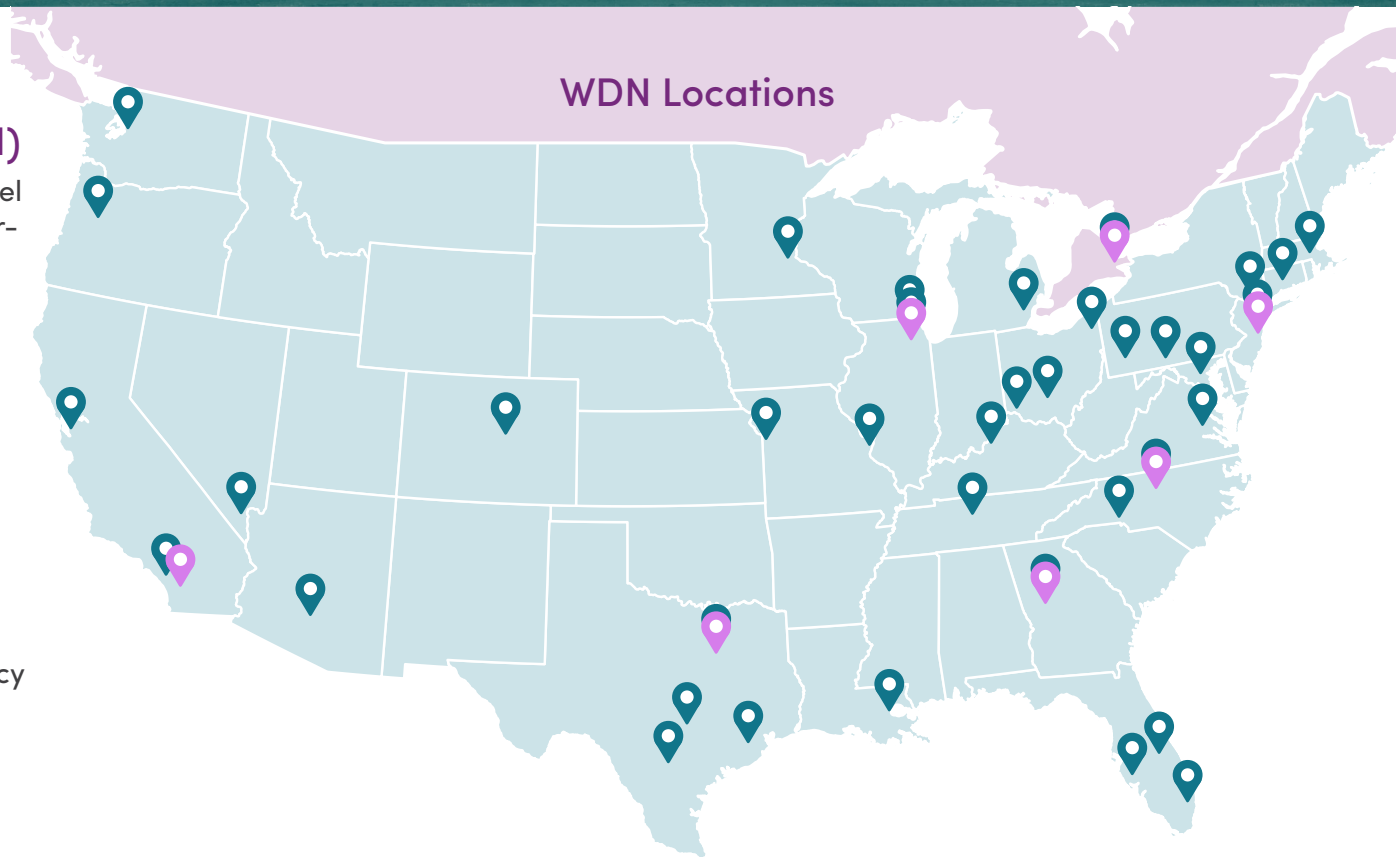
# TAKING CONTROL OF LARGE PARCEL TRANSPORTATION AND DELIVERY WITH THE WAYFAIR DELIVERY NETWORK

## 1 Logistics: Wayfair Delivery Network (WDN)

Over 90% of our U.S. large parcel orders flow through the Wayfair-controlled middle mile network, and today our last mile delivery facilities cover 75% of U.S. large parcel deliveries and just under 40% of Canadian large parcel home deliveries.

Customer satisfaction improvements resulting from control of the last mile are significant, and we expect to drive higher customer lifetime value. We will generate efficiency gains as recently opened last mile delivery facilities operate more effectively over time as volume grows.

We plan to take greater control of middle and last mile delivery with continued investment in new facilities, both in the U.S. and internationally.



 Consolidation Centers & Cross Docks

 Wayfair Last Mile Home Delivery

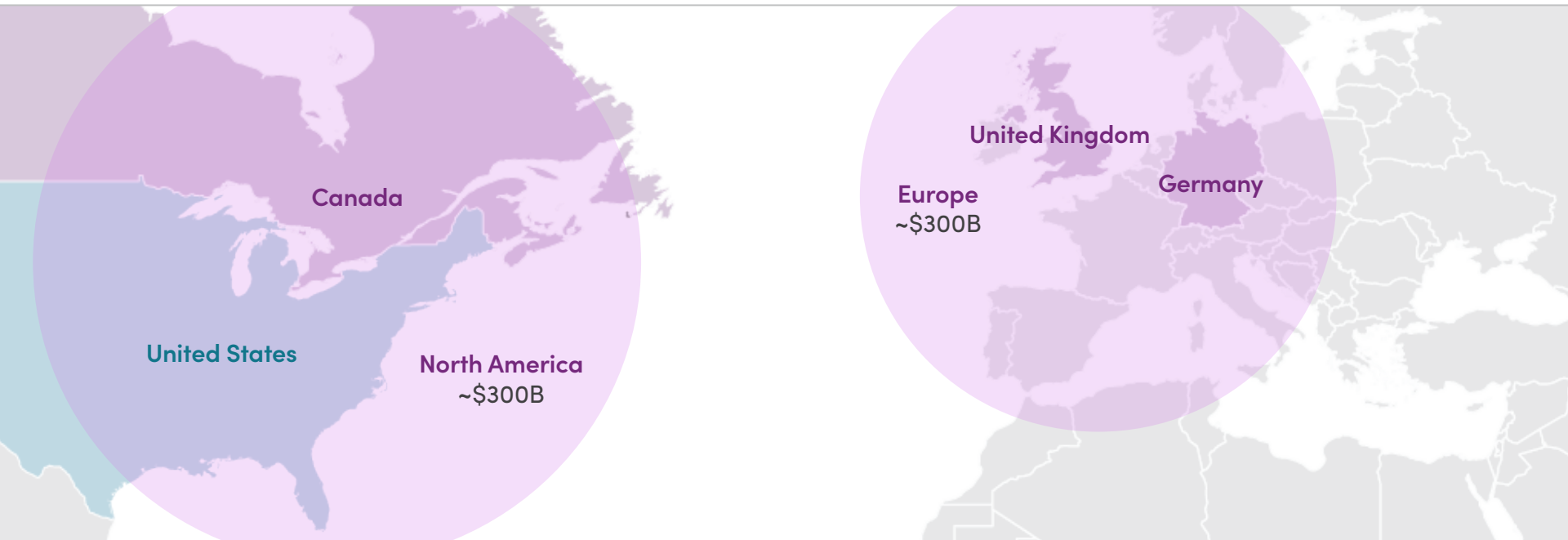
Note: chart does not show third-party delivery agent locations



# SCALING OUR BUSINESS IN CANADA, THE UK, AND GERMANY

## 2 International

International competitive landscape is similar to the U.S., with a fragmented base of brick-and-mortar retailers that is typically regionalized with no dominant online player. Our U.S. playbook positions us well to be the winner.



### U.S.

- \$285B TAM
- CastleGate opened 2014
- Wayfair.com aided brand awareness of 89% as of Q4 2018
- Net revenue \$5.8B in 2018

### Canada

- ~\$20B TAM
- CastleGate opened Q2 2018
- Aided awareness 80% as of Q3 2018

### UK

- ~\$50B TAM
- CastleGate opened 2016
- London office
- Aided awareness 61% as of Q4 2018

### Germany

- ~\$75B TAM
- CastleGate opened Q1 2018
- Berlin office
- Brand TV launched summer 2018

# INVESTING IN DOZENS OF PRODUCT CATEGORIES AND SERVICES TO FULLY PENETRATE OUR TOTAL ADDRESSABLE MARKET

## 3 Further Penetrating the TAM

Growing share of wallet by deepening and broadening our value proposition to customers within the home category.

Hiring new people to expand or create new dedicated cross-functional teams including merchandising, marketing, and engineering as well as specialized customer service staff.

Implementing this expansion with a proven playbook and a clearly defined ROI.



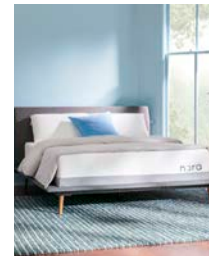
### Services

- Financing
- Loyalty
- Registry
- Design services
- B2B
- Specialized sales
- Gift cards
- Assembly
- Installation services
- Plus more...



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### Product Categories

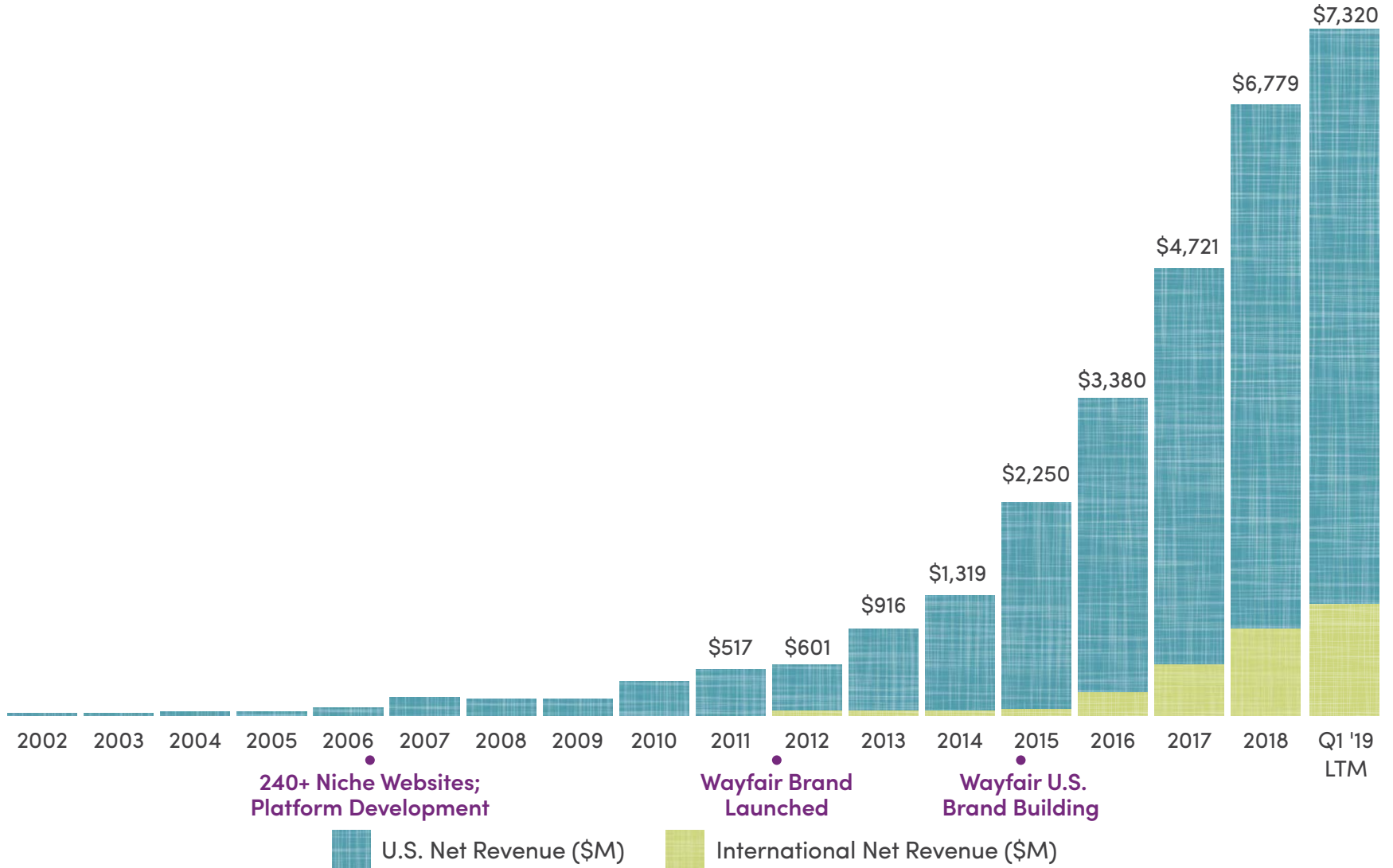
- Window treatments
- Lighting
- Textiles
- Housewares
- Mattresses
- Seasonal decor
- Plumbing
- Decorative accents
- Large appliances
- Flooring and tile
- Outdoor decor
- Storage and organization
- Plus more...



03.  
**KPIs & FINANCIAL  
METRICS**

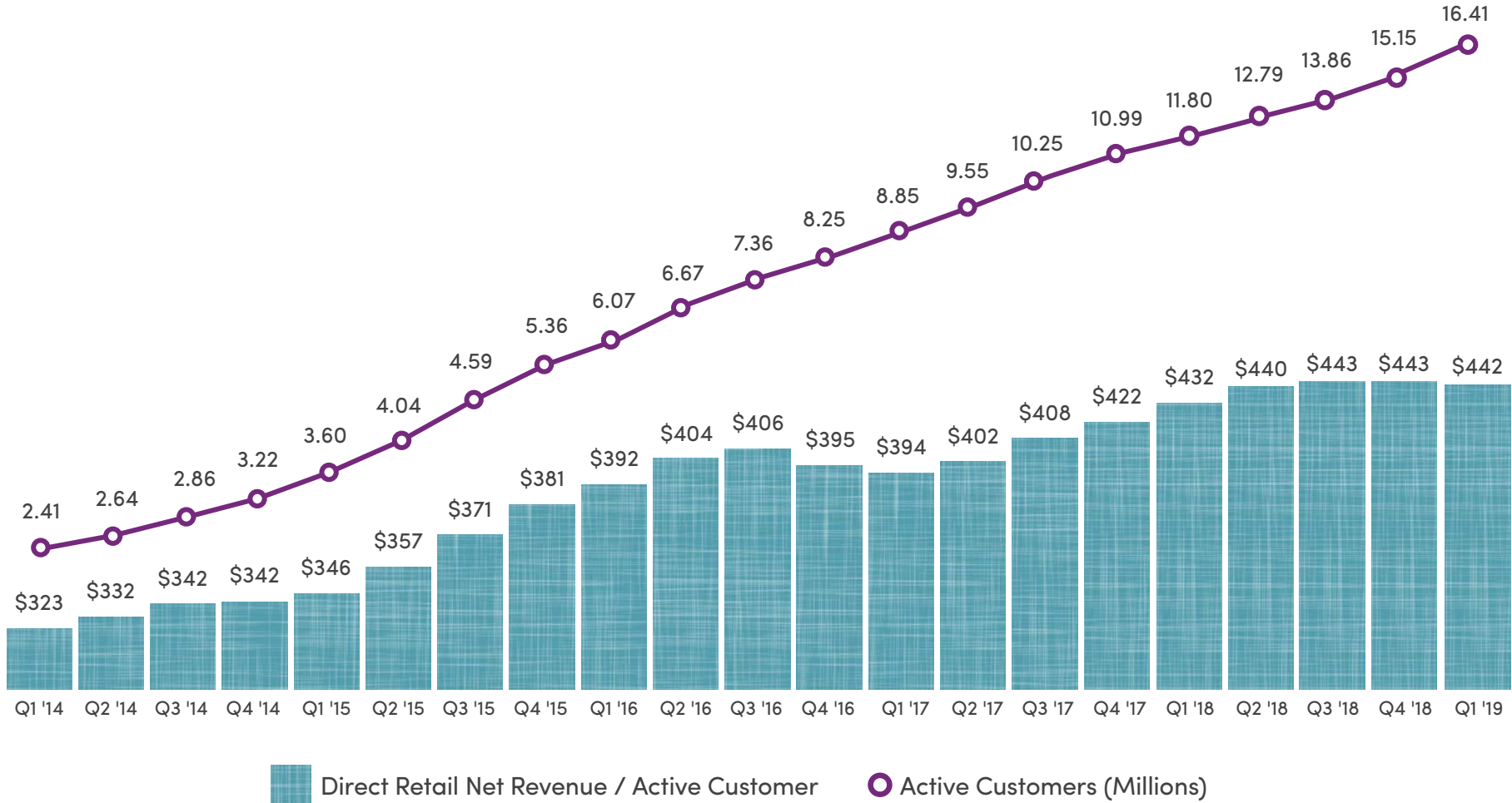
# KPIs & FINANCIAL METRICS

## ROBUST GROWTH AT SCALE

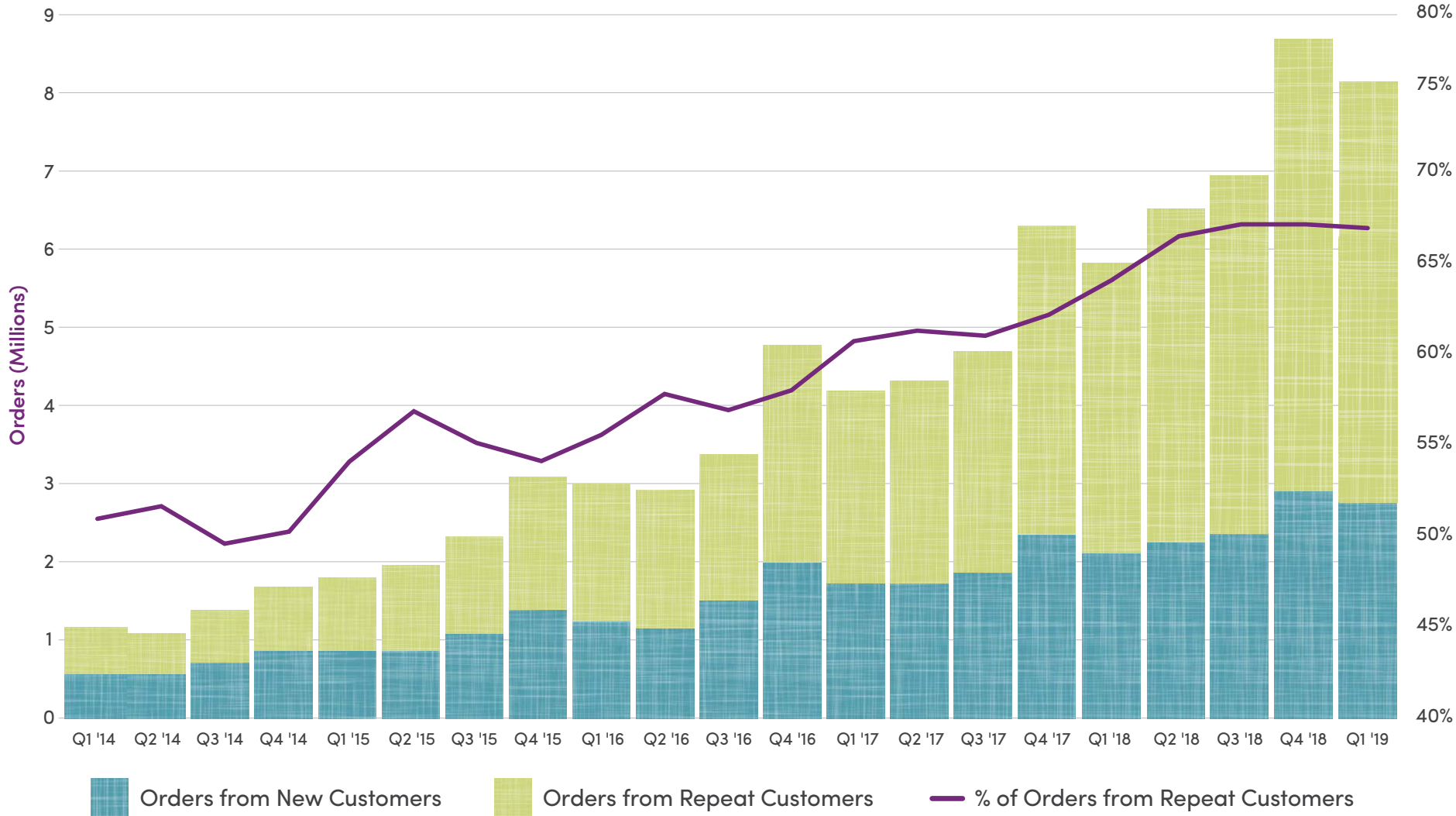


Note: International net revenue not disclosed separately before 2012

# STRONG CUSTOMER ACQUISITION AND GROWING SHARE OF WALLET

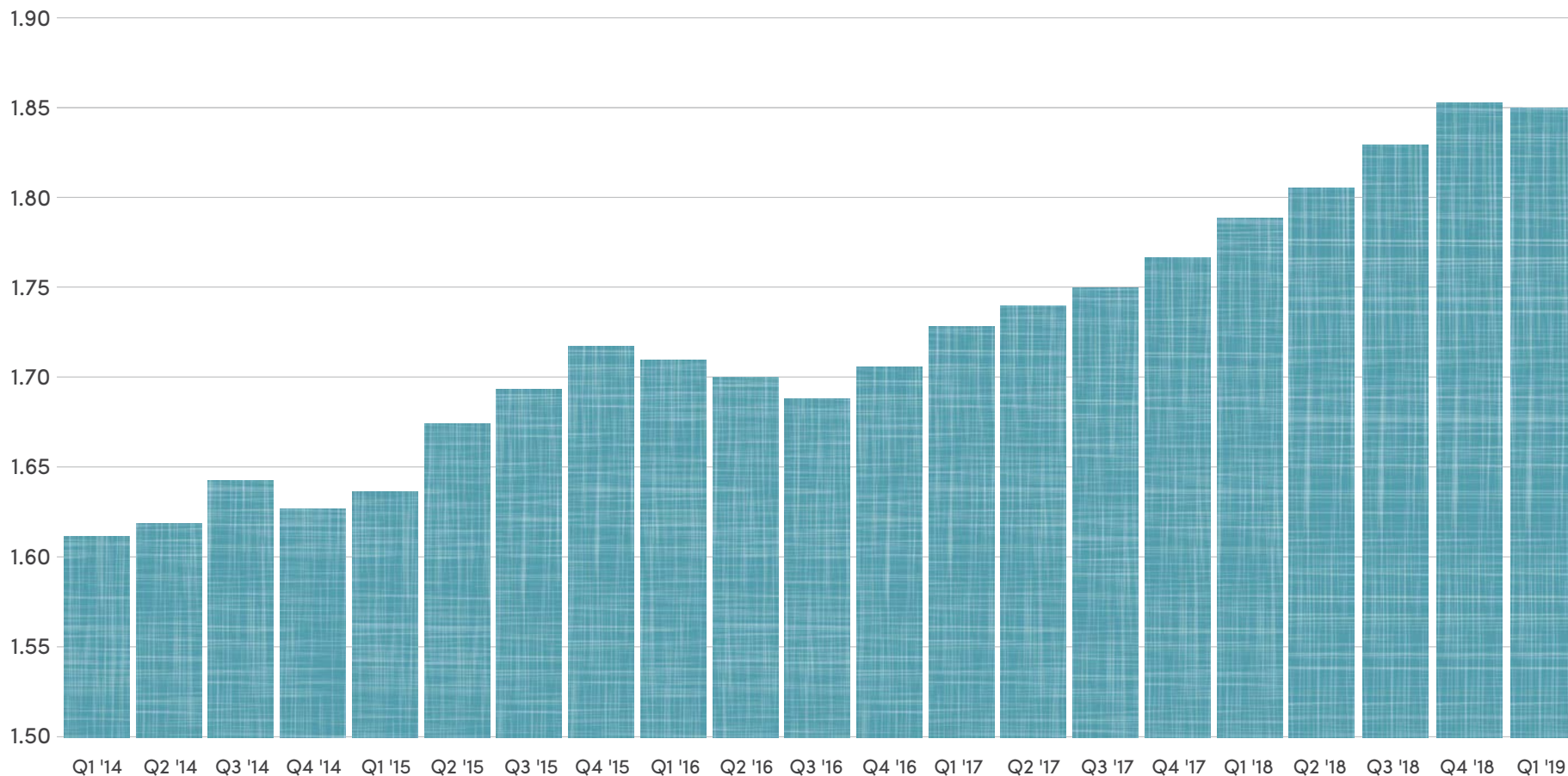


# NEW AND REPEAT ORDERS BOTH GROWING WITH REPEAT TAKING SHARE



# CUSTOMERS ARE ORDERING MORE FREQUENTLY

## LTM Orders per Active Customer



# U.S. HOVERING +/- BREAKEVEN DESPITE SIGNIFICANT INVESTMENT; INTERNATIONAL EARLIER IN ITS LIFECYCLE

	FY 2016	FY 2017	Q1 '18	Q2 '18	Q3 '18	Q4 '18	FY 2018	Q1 '19
U.S. Direct Net Revenue	\$2,993.4	\$4,075.4	\$1,186.2	\$1,397.0	\$1,460.1	\$1,708.7	\$5,752.0	\$1,644.1
<i>Direct Growth</i>	53.9%	36.1%	41.6%	43.0%	41.2%	39.2%	41.1%	38.6%
U.S. Total Net Revenue	3,110.5	4,153.1	1,201.6	1,411.3	1,473.3	1,727.0	5,813.1	1,657.7
<i>Total Growth</i>	45.7%	33.5%	40.0%	41.5%	40.2%	38.5%	40.0%	38.0%
U.S. Adjusted EBITDA	0.2	35.9	(7.9)	7.2	(26.0)	7.7	(19.0)	(27.8)
<i>Margin</i>	0.0%	0.9%	-0.7%	0.5%	-1.8%	0.4%	-0.3%	(1.7%)
International Direct Net Revenue	265.5	567.8	202.7	243.9	232.4	287.1	966.1	287.1
<i>Direct Growth</i>	180.0%	113.9%	97.2%	93.9%	57.5%	49.8%	70.1%	41.7%
International Total Net Revenue	269.9	567.8	202.7	243.9	232.4	287.1	966.1	287.1
<i>Total Growth</i>	136.0%	110.4%	97.2%	93.9%	57.5%	49.8%	70.1%	41.7%
International Adjusted EBITDA	(88.9)	(102.9)	(42.0)	(42.0)	(50.4)	(61.5)	(195.9)	(74.4)
<i>Margin</i>	-32.9%	-18.1%	-20.7%	-17.2%	-21.7%	-21.4%	-20.3%	-25.9%



# KPIs & FINANCIAL METRICS

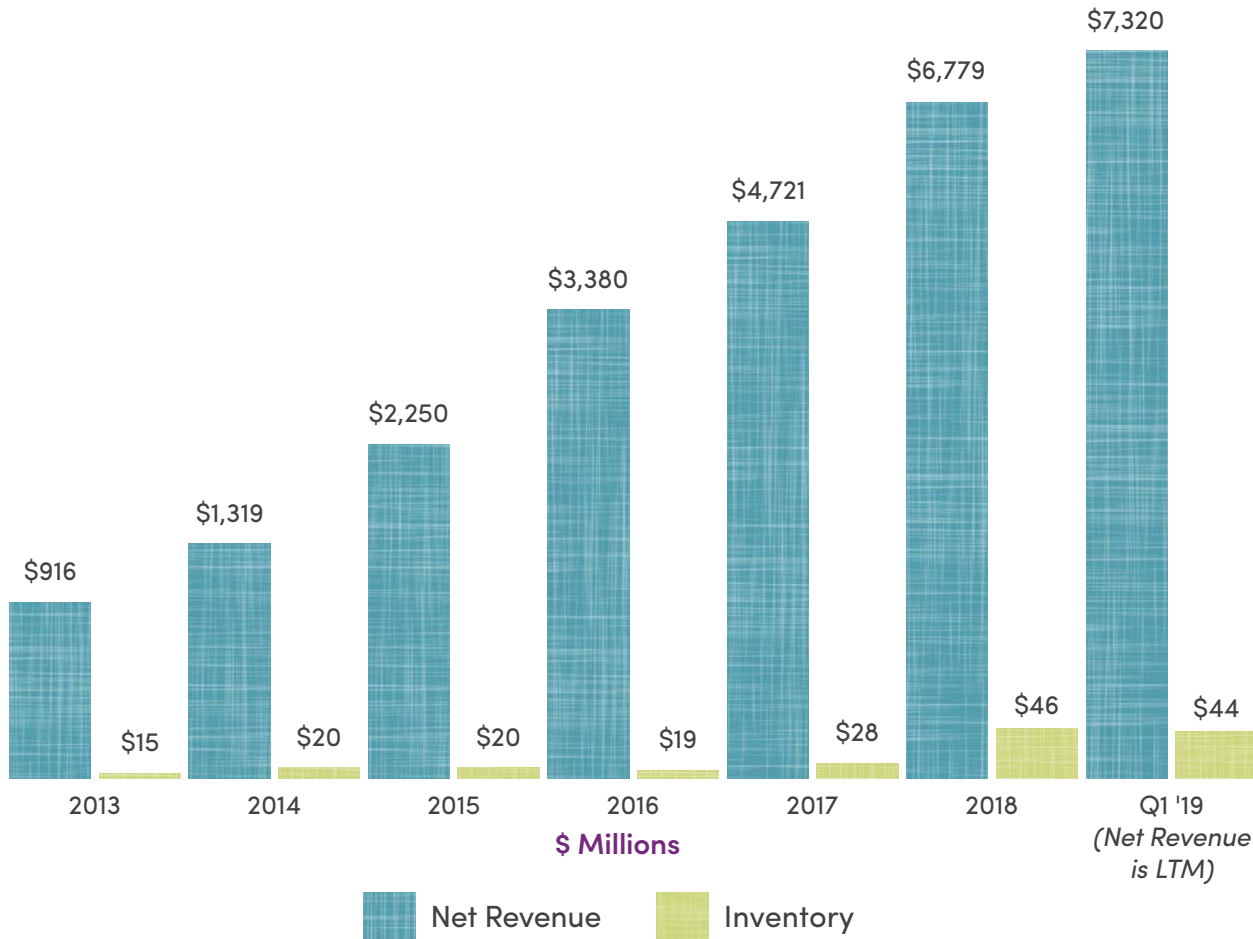
## LONG-TERM TARGET MODEL

	2015	2016	2017	2018	Q1 2019	Long-Term Target	
Net Revenue	100%	100%	100%	100%	100%	100%	
Gross Margin	24.0%	24.0%	23.9%	23.7%	24.6%	25–27%	<ul style="list-style-type: none"> <li>Better wholesale economics with increasing scale</li> <li>Logistics cost efficiency gains</li> <li>Scale in international regions</li> </ul>
Customer Service + Merchant Fees	3.6%	3.7%	3.5%	3.7%	3.8%	4%	
Advertising	12.4%	12.1%	11.6%	11.4%	12.5%	6–8%	<ul style="list-style-type: none"> <li>Ad cost % decreases as size of repeat customer base grows as a % of total</li> </ul>
Selling, Operations, Technology, General & Administrative (primarily OpEx headcount)	8.8%	10.9%	10.2%	11.7%	13.5%	5–7%	<ul style="list-style-type: none"> <li>Gains leverage with scale but offset by current investment in hiring</li> </ul>
Total Operating Expenses	24.8%	26.6%	25.3%	26.9%	29.8%	15–19%	
Adjusted EBITDA	(0.7%)	(2.6%)	(1.4%)	(3.2%)	(5.3%)	8–10%	

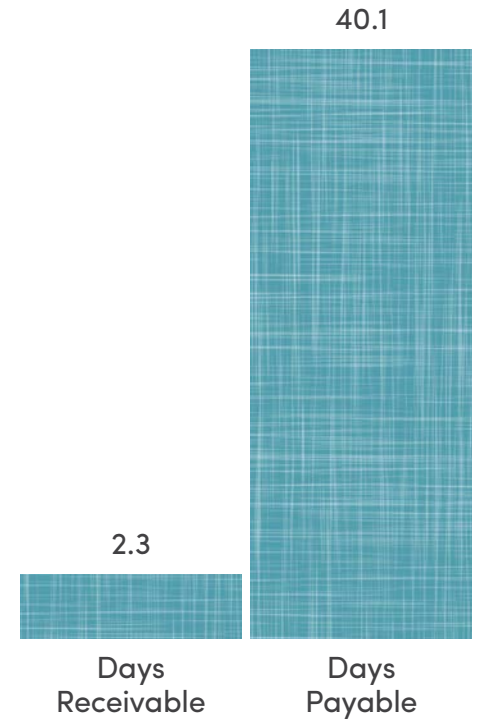
Note: All expense line items exclude equity-based compensation, related taxes, depreciation, and amortization

KPIs & FINANCIAL METRICS  
**CAPITAL-EFFICIENT BUSINESS MODEL**

**Net Revenue and Inventory**



**Receivable and Payable Days<sup>1</sup>**



<sup>1</sup>Average of last four quarters



04.

# APPENDIX

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## ILLUSTRATIVE CUSTOMER ACQUISITION COST

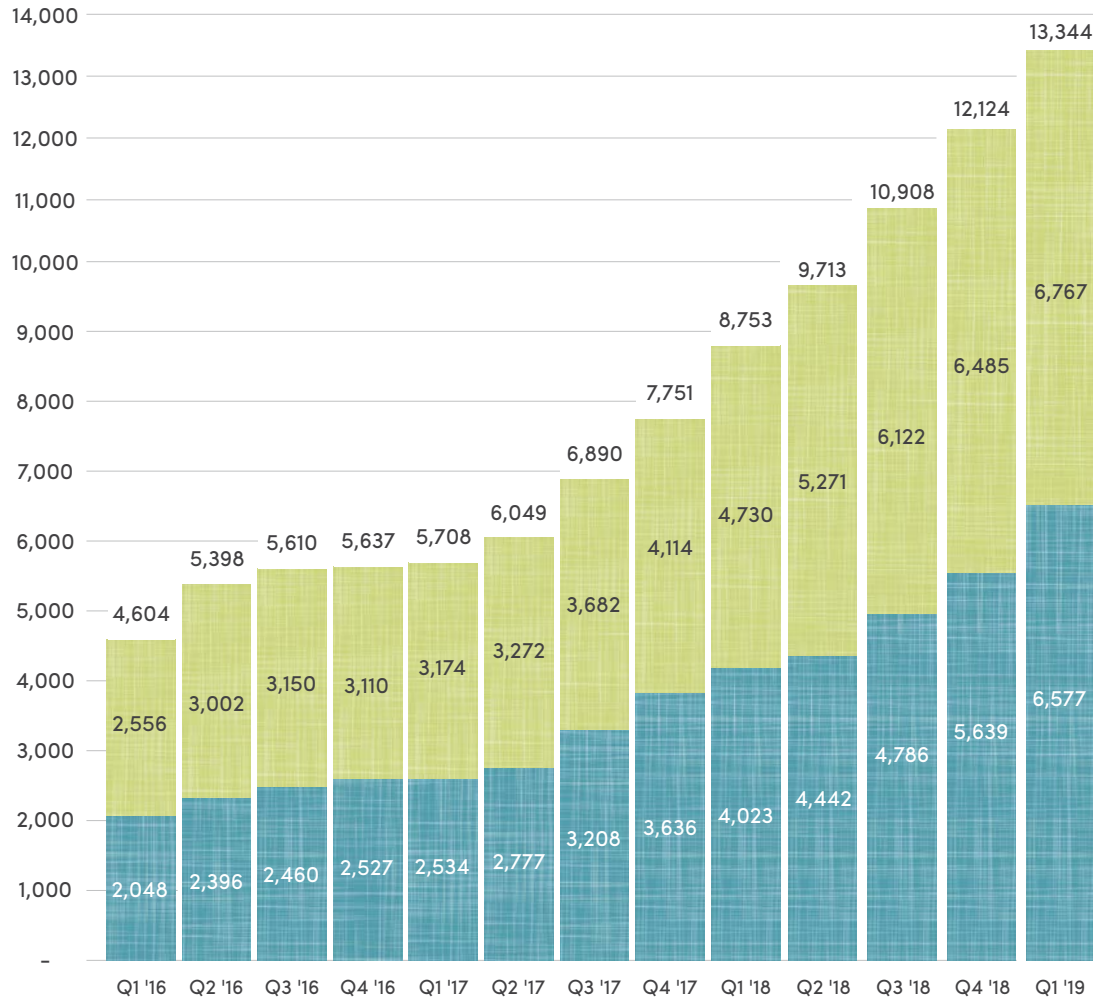
(All units in millions, except per-customer figures) **2018**

Total Advertising Spend	\$774.2
Partner Ad Spend	\$5.5
<b>Direct Retail Ad Spend</b>	<b>\$768.7</b>
Active Customers	15.15
Total Orders	28.08
% of Orders from Repeat Customers	65.8%
<b>Implied New Customers</b>	<b>9.60</b>
Implied Orders from Repeat Customers	18.49
AOV	\$239.2
Assumed Revenue from Repeat Customers	\$4,423
Assume 7% Direct Retail Ad Spend on Repeat Revenue	\$309.6
Implied Direct Retail Ad Spend for New Customers	\$459.1
<b>Customer Acquisition Cost adjusted for Repeat Ad Spend</b>	<b>\$48</b>
Annual Direct Retail Revenue per Customer	\$443
Annual Contribution per Customer	\$86.75
<i>Contribution Margin</i>	19.6%



# WE ARE ADDING VARIABLE HEADCOUNT TO KEEP UP WITH GROWTH & INVESTING IN OPEX HEADCOUNT TO STAFF OUR STRATEGIC INVESTMENTS

## Global Headcount by Functional Group

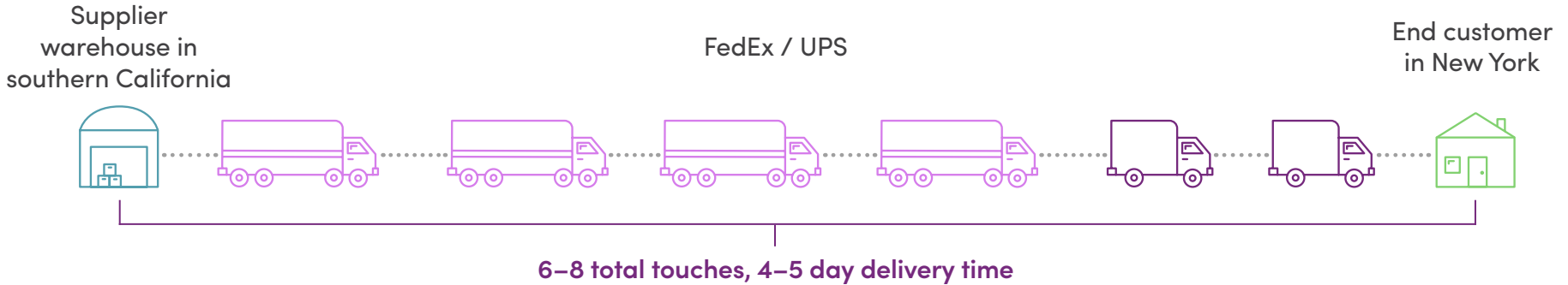


■ Customer Service, Variable Logistics and Sales<sup>1</sup>
■ Marketing, Engineering, Technology, etc.

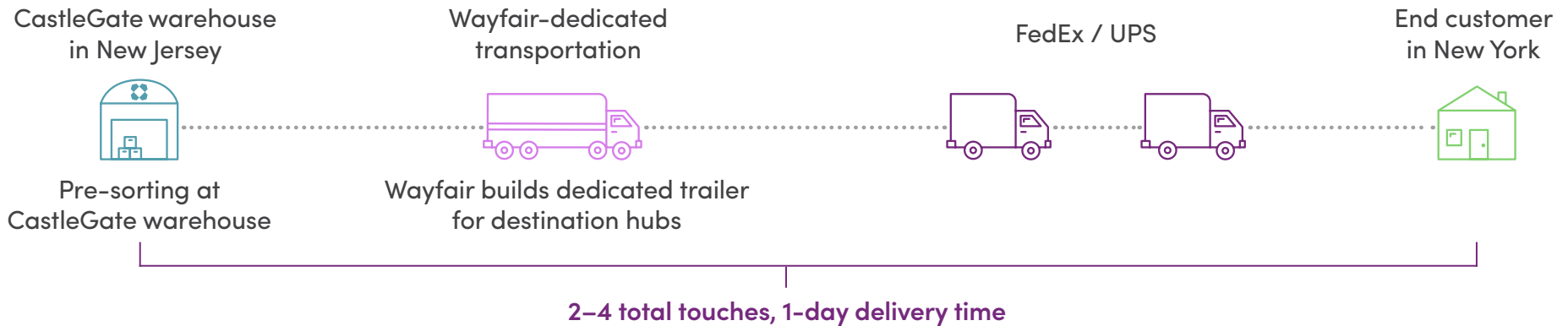
<sup>1</sup>These figures include interns and co-ops

# CASTLEGATE WAREHOUSES ENABLE NEXT-DAY AND 2-DAY DELIVERY FOR SMALL PARCEL<sup>1</sup>

## Traditional Drop Ship Model for Small Parcel Example



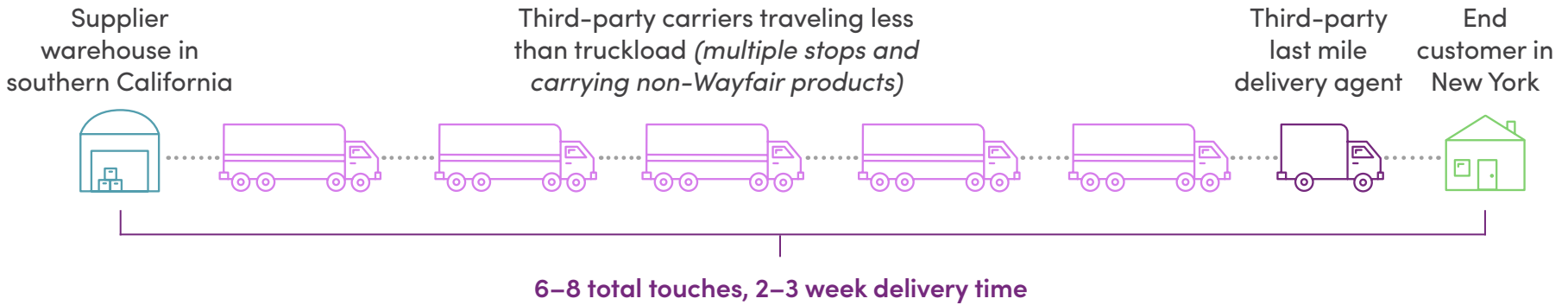
## CastleGate for Small Parcel Example<sup>1</sup>



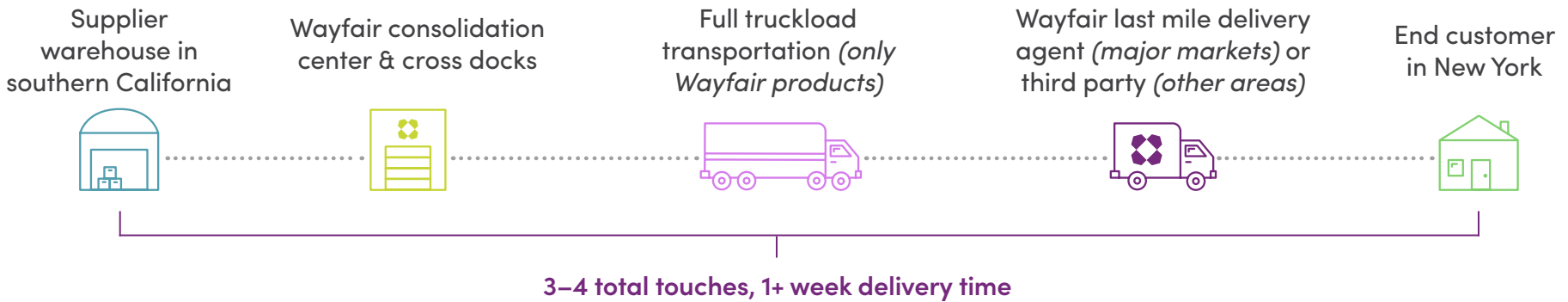
<sup>1</sup> Large parcel shipments can also go out of CastleGate but would use WDN instead of FedEx / UPS for last mile

# WAYFAIR DELIVERY NETWORK (WDN) FOR LARGE PARCEL DELIVERIES

## Traditional Drop Ship Model for Large Parcel Example



## WDN Example



## APPENDIX

## RECONCILIATION OF ADJUSTED EBITDA (\$ IN MILLIONS)

	2014	2015	2016	2017	2018	Q1 2018	Q1 2019
Net Income	(\$148.1)	(\$77.4)	(\$194.4)	(\$244.6)	(\$504.1)	(\$107.8)	(\$200.4)
Depreciation and Amortization <sup>1</sup>	\$22.0	\$32.4	\$55.6	\$87.0	\$123.5	\$26.0	\$39.6
Equity-Based Compensation <sup>2</sup>	\$63.2	\$33.0	\$52.0	\$72.6	\$136.4	\$27.1	\$51.8
Interest (Income) Expense, Net	(\$0.4)	(\$1.3)	(\$0.7)	\$9.4	\$28.6	\$5.4	\$9.2
Other Expense (Income), Net	\$0.5	(\$2.7)	(\$1.8)	(\$0.7)	\$0.2	(\$0.9)	(\$3.1)
Taxes	\$0.2	\$0.1	\$0.6	\$0.5	\$2.0	\$0.2	\$0.6
Other <sup>1</sup>	--	--	--	\$8.8	(\$1.7)	--	--
Adjusted EBITDA	(\$62.5)	(\$15.9)	(\$88.7)	(\$67.0)	(\$215.0)	(\$50.0)	(\$102.2)

<sup>1</sup> Includes one-time charges related to terminating use of our warehouse in Ogden, Utah, in July 2017

<sup>2</sup> Includes related taxes



## APPENDIX

## RECONCILIATION OF FREE CASH FLOW (\$ IN MILLIONS)

	2014	2015	2016	2017	2018	Q1 '18	Q1 '19
Net Cash Provided by Operating Activities	\$4.1	\$135.1	\$62.8	\$33.6	\$84.9	(\$13.1)	(\$81.3)
Purchase of Property and Equipment	(\$31.9)	(\$44.6)	(\$96.7)	(\$100.4)	(\$159.2)	(\$21.4)	(\$60.6)
Site and Software Development Costs	(\$14.1)	(\$17.5)	(\$31.4)	(\$46.4)	(\$62.8)	(\$13.2)	(\$24.8)
Free Cash Flow	(\$41.9)	\$72.9	(\$65.3)	(\$113.2)	(\$137.1)	(\$47.6)	(\$166.8)