



**Investor Presentation | Q1 2020**

# 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, 2019 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. We calculate forward-looking non-GAAP Adjusted EBITDA based on internal forecasts that omit certain amounts that would be included in forward-looking GAAP net loss. We do not attempt to provide a reconciliation of forward-looking non-GAAP Adjusted EBITDA guidance to forward looking GAAP net loss because forecasting the timing or amount of items that have not yet occurred and are out of the Company’s control is inherently uncertain and unavailable without unreasonable efforts. Further, we believe that such reconciliations would imply a degree of precision and certainty that could be confusing to investors. Such items could have a substantial impact on GAAP measures of financial performance.

# A Brief History of Wayfair

csn | stores  
shop easy

CSN Stores  
founded

2002

wayfair

CSN Stores rebrands  
to **Wayfair**, exceeding  
**\$600M** in net revenue  
in its first year

2011

NYSE: W

Wayfair IPO

2014

CastleGate

**Logistics**  
network test  
and launch

2015

wayfair.ca

Concentrated efforts in  
**International** segment;  
Canada launch

2016

MYWAY

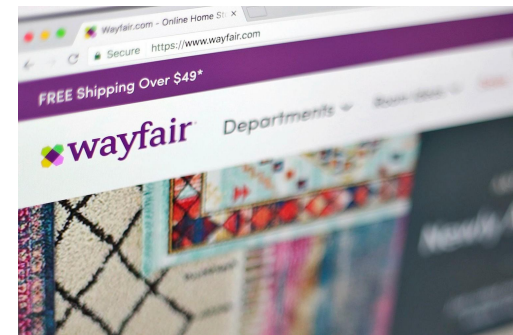
New initiatives  
staffed up and  
supplier value-added  
services tested and  
launched

2018



Over **\$9Bn** in  
net revenue,  
with annual  
growth of 35%

2019





# Investment Highlights

- ~\$600B+ total addressable market rapidly moving from **brick and mortar to online**
- Utilizing in-house software development capability to build and **leverage proprietary technology**
- Partnering with fragmented and largely **unbranded supplier base** of over 12,000 suppliers
- Solving unique challenges of the category by building a business **purpose-built for Home**
- Highly recognized brand in North America and Europe with **increasing engagement from repeat** customers
- Investing in **specialized logistics network, international markets, and existing teams** to continue outsized share-taking
- Balancing a **return to profitability** with aggressively investing for the future
- **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

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

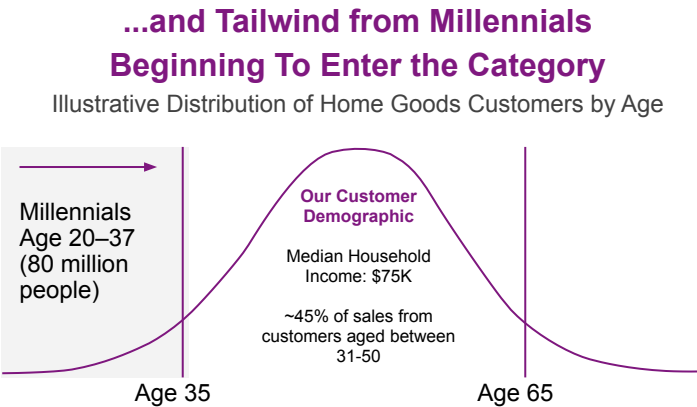
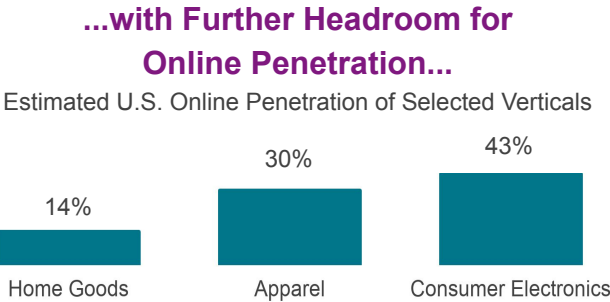
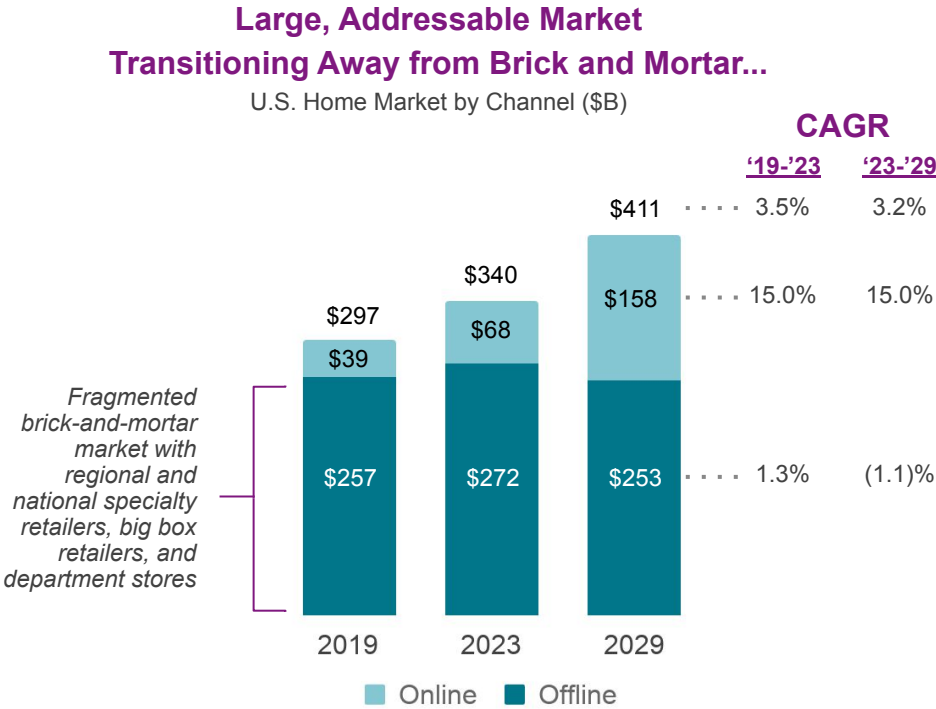






# 01. OUR BUSINESS

# Billions in Revenue Is Up For Grabs with Secular Shift from Brick-and-Mortar to Online

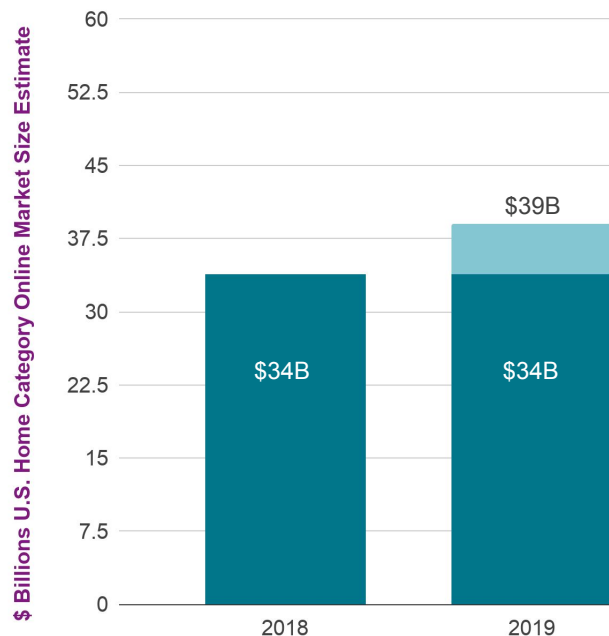




## We Are Winning with Customers and Taking Market Share

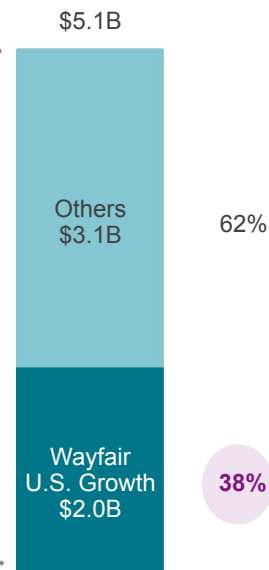
**With the Home Category Online Growing by Approximately 15% in the U.S. in 2019...**

U.S. Home Online Market Size Forecast



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

2019 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 in a primarily unbranded category. 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

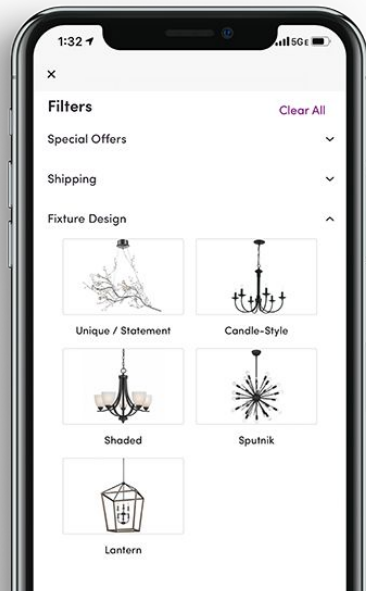
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We have purpose-built our business to solve these issues and transform how customers shop for the home, from their home.

# We Have Built an Experience that Enables Customers to Confidently Shop for Their Home Online

## 1 Confidence To Buy: Inspires Confidence in the Purchase

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



This is exactly what I was hoping for. It's well made, good quality fabric and comfortable, being a bit on the firm side, which I prefer. The color is accurate as well. The delivery was clean, quick and effortless.

– Customer from Brooklyn, NY



OUR BUSINESS: BUILT FOR THE HOME CATEGORY

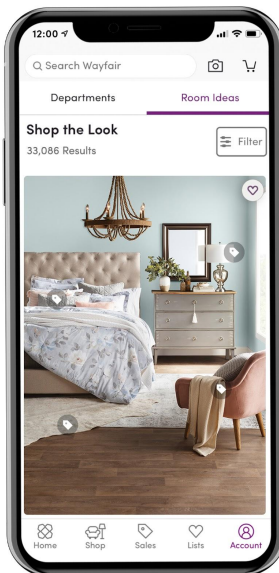
# We Help Shoppers Visualize Their Purchase Through Technology

## 2 Visualizing Products: Customers “See” Before They Buy

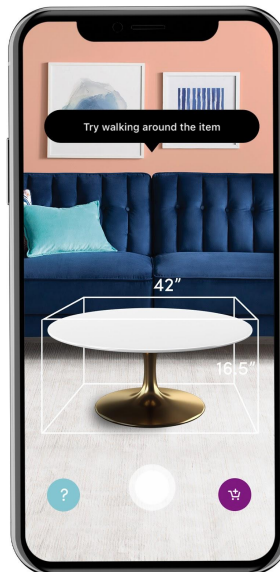
- 3D View in Room
- Room Ideas
- “Shop the Look” offerings
- Search with Photo
- Customer-uploaded product photos
- Plus more...



Shop Directly from  
Looks You Love



See It in Your Space  
Before You Buy



Plan Your Perfect Room in  
3D with To-Scale Furniture



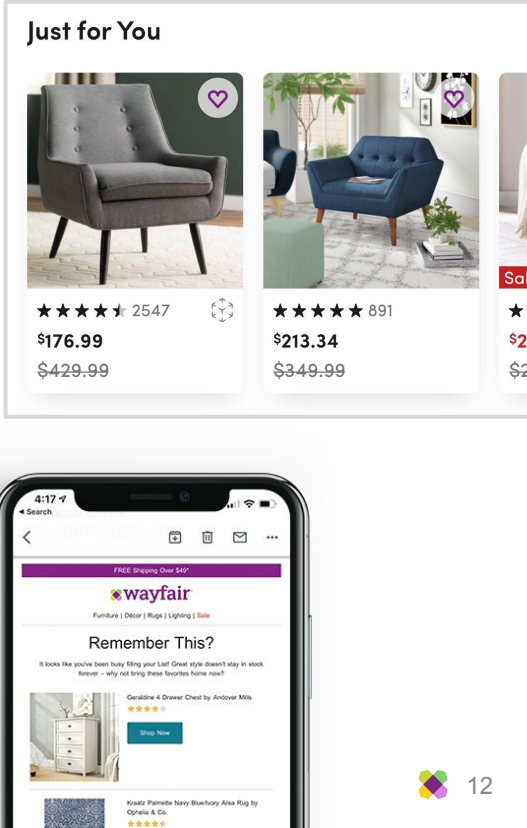
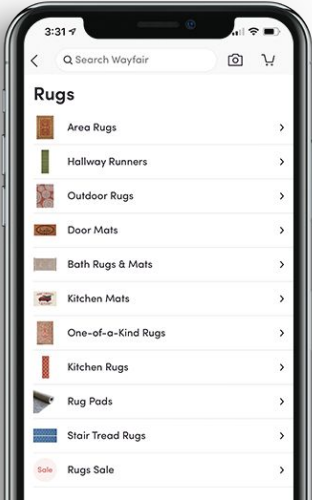
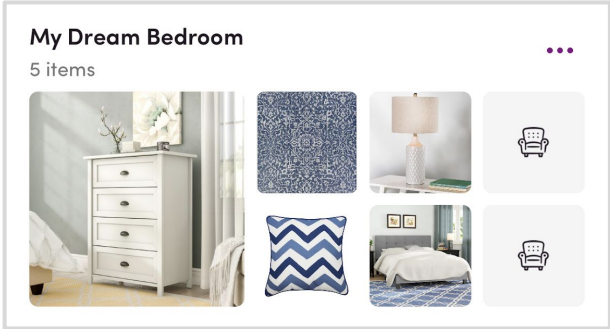
OUR BUSINESS: BUILT FOR THE HOME CATEGORY

# 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...



OUR BUSINESS: BUILT FOR THE HOME CATEGORY

## Flagship Brands Across Styles and Price Points Help Customers Find Products They Like

### 3 Inspiration and Product Discovery:

Curated brand experience, with increasingly exclusive products, enabling customers to more easily discover the items they love from our range of more than 18 million products.



Hashtag  
HOME

On trend, low price point



mercury row

Contemporary, mid price point



GREYLEIGH

Luxury, high price point

### Benefits of Curation

- 11x higher visits per SKU than non-Flagship SKUs
- 8 out of 10 top searched brands on Wayfair.com are Flagship brands
- 13x higher revenue per SKU than non-Flagship SKUs
- 5x higher repeat rate than non-Flagship Brand SKUs





OUR BUSINESS: BUILT FOR THE HOME CATEGORY

## Customer Service is a Competitive Differentiator



### 4 Customer Service and Delivery:

In-house customer service team of over 3,400 people in the U.S. and Europe.

NPS incentivized compensation structure, making customer experience our top priority.

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

Our WDN is specially designed for seamless large parcel delivery.



"The customer service department has a team that is very friendly, knowledgeable, and helpful, always listening to the customer's needs and find the right solutions immediately."



"Customer service is the greatest ever, kind, understanding and very professional."



"I bought two chairs and they were delivered on time and the product in good condition. The Wayfair app is awesome!"



OUR BUSINESS: BRANDS AND CUSTOMERS

## Wayfair is our Central Brand and the Driver of our Business

### Our Marquee Brand



1.

87% U.S. aided brand awareness since Wayfair.com launch in 2011<sup>1</sup>.

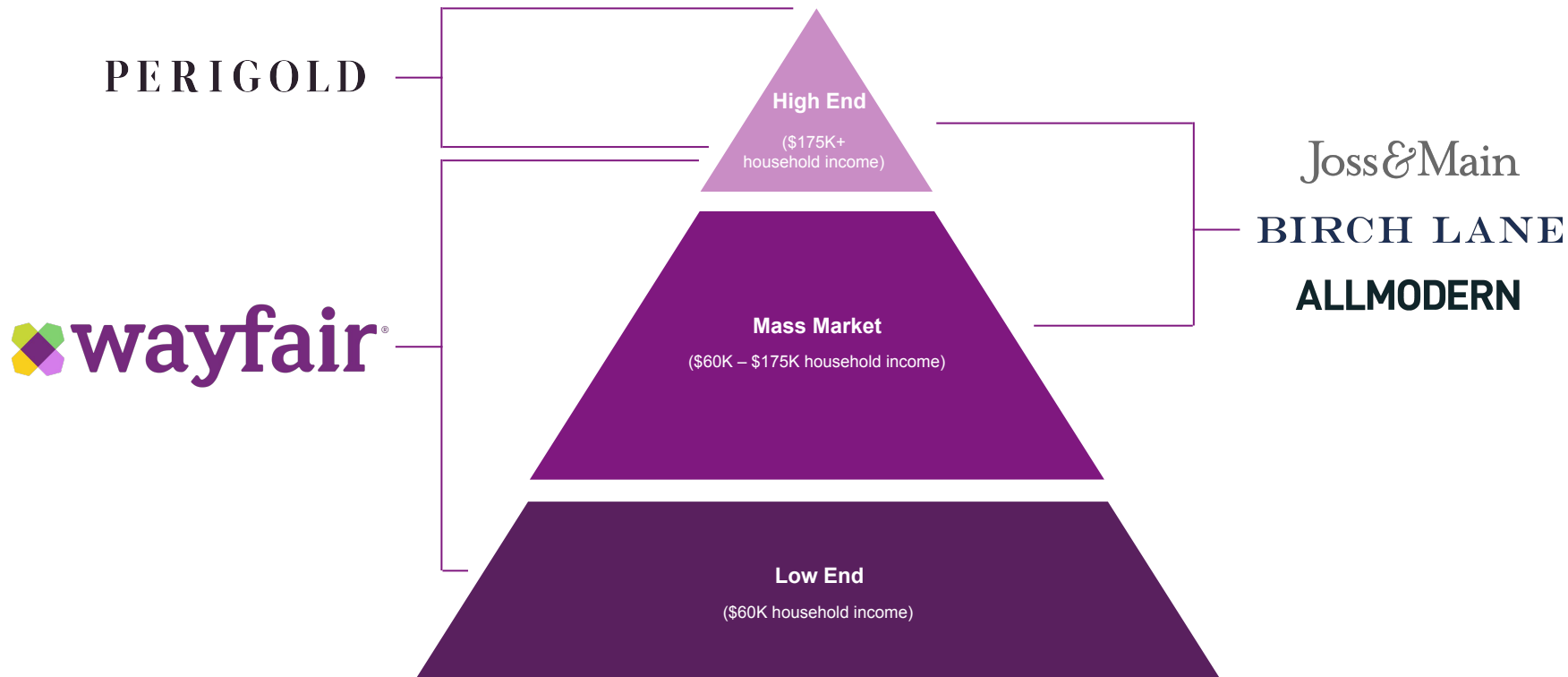
2.

In every country where we operate, Wayfair has one of the highest NPS scores among purchasers versus competitors, typically coming in at either 1st or 2nd as the most recommended brand<sup>1</sup>.

3.

In the U.S. and Canada, Wayfair is the #1 place consumers think to shop for their home online<sup>1</sup>.

## Wayfair Brand Focuses on the Mass Market Customer; Our Lifestyle Brands Serve Specific Customer Styles and Segments





OUR BUSINESS: BRANDS AND CUSTOMERS

## Our Four Distinct Home Sites Each Have a Unique Identity



**ALLMODERN**

Est. 2006

The best of modern,  
priced for real life.



**Joss & Main**

Est. 2011

Stylish designs to  
discover daily.



**BIRCH LANE**

Est. 2014

Classic home.  
Comfortable cost.



**PERIGOLD**

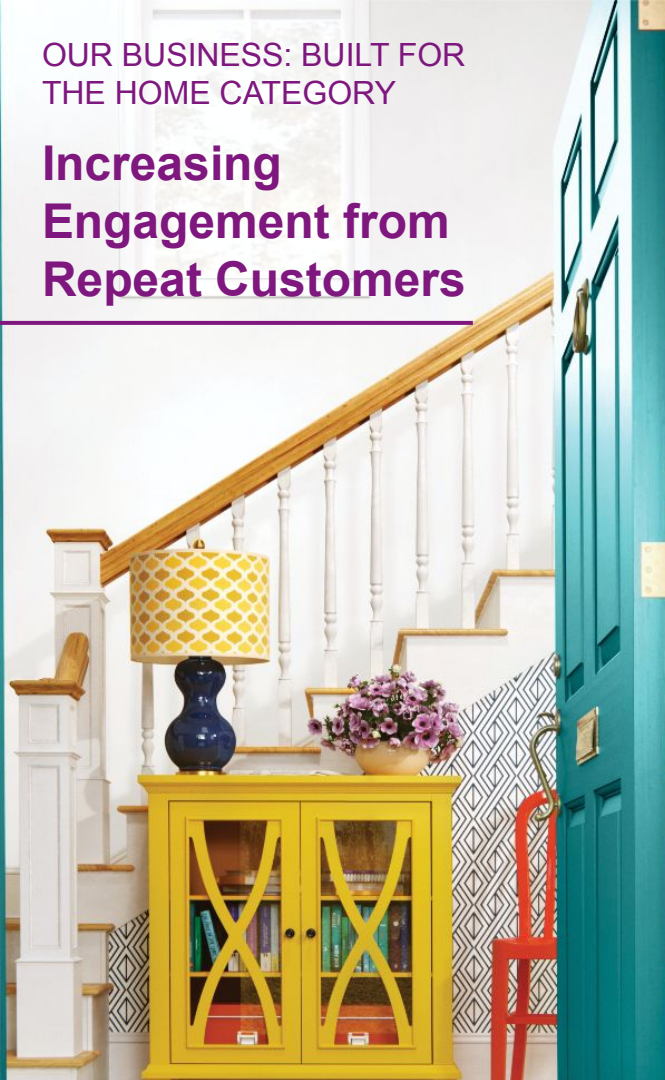
Est. 2017

The widest-ever selection of  
luxury home furnishings.



OUR BUSINESS: BUILT FOR  
THE HOME CATEGORY

## Increasing Engagement from Repeat Customers



## Loyalty is Growing

- Our base of loyal customers is growing
- In 2019, 53% of Wayfair.com orders came from customers who had made 3 or more lifetime purchases; in 2015, this figure was ~30%
- On average, repeat customers with 4 or more orders visited the site 45 times in 2019



More repeat customers assist in driving higher marketing efficiency as free channels such as email and app alerts are unlocked

## OUR BUSINESS: BRANDS AND CUSTOMERS

# Marketing to Customers Via Paid and Free Channels

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

### Brand Integrations

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



### Online Paid

Reaching shoppers through display, social, and transactional ad channels



### 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



## Suppliers are Our Partners

We view suppliers as our partners and create value-added services to propel their businesses with Wayfair

### 1 Logistics

- Consolidate different suppliers' products in Asia, and then sort and transport them to our CastleGate warehouses
- Route optimize to solve for the lowest ship cost, shortest distance traveled, and optimal positioning across our network
- Provide storage in our CastleGate warehouses and end-to-end order fulfillment through our Wayfair Delivery Network



### 2 Services & Events

- Sponsored Products to highlight priority SKUs via premium real estate on browse and product pages
- 3D asset creation to build rich lifestyle imagery and easier visualization, leading to higher conversion
- Regular supplier events to collaborate and share best practices

growth@wayfair

### 3 Technology

- Predictive algorithms to aid in demand forecasting
- Dedicated support teams and real time monitoring and insights through Wayfair Partner Home
- Full supply chain visibility to prevent out-of-stocks and manage inventory



## 02. STRATEGIC PRIORITIES

A black clawfoot bathtub is the central focus, set in a rustic bathroom. The tub has ornate black cast-iron feet and a white interior. A white textured shower curtain hangs over the right side. On the left edge of the tub, a striped towel with fringed ends is draped. A wooden tray sits on the tub's rim, holding a glass of red wine and an open book. The background features a light-colored brick wall and a large round mirror. To the left is a wooden door with vertical planks and a black metal handle. A large green plant is in the foreground on the left, and another large green plant is on the right. A chrome shower faucet and handheld showerhead stand to the right of the tub. The floor is made of grey stone tiles.



# 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.





## STRATEGIC PRIORITIES

# Home Category Characterized by Heavy, Bulky, and Damage-Prone Items



### Average Wayfair Small Parcel Item

30 pounds | 3 cubic feet

Shipped using common carriers from CastleGate and supplier warehouses  
Accounts for ~70% of Revenue  
31% of U.S. sales originate from CastleGate warehouses

Shipped using Wayfair Delivery Network (WDN): ~90% through WDN middle mile; ~70% through WDN last mile  
Accounts for ~30% of Revenue  
21% of U.S. sales originate from CastleGate warehouses

### Average Wayfair Large Parcel Item

80 pounds | 22 cubic feet

## 1 Logistics: Benefits in Lifetime Value and Customer Satisfaction

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 scale allows us to invest in building a proprietary logistics network. Over time, this enables us to speed up deliveries, decrease our reliance on third parties and undertake efforts to reduce damage. Simultaneously we are able to increase convenience for customers and suppliers, resulting in a greater experience on both ends.





## STRATEGIC PRIORITIES

# Investing in CastleGate and Supply Chain Services

### 1 Logistics: CastleGate

CastleGate warehouses forward-position supplier inventory to create fast delivery for small parcel (1+ days) and large parcel (3+ days).

We have built our strategic network of warehouses in North America and Europe, and are now building utilization and efficiency across that footprint. Future square footage additions are expected to support ongoing volume growth where we are capacity constrained.

Suppliers are increasingly adopting our logistics services, with approximately 80% of the inbound volume into U.S. CastleGate facilities being container-direct at the end of 2019.

Our end-to-end, fully integrated supply chain services include freight, drayage, and ocean services. This includes product consolidation in Asia, where most suppliers' manufacturing facilities are based. To glean the benefits of scale, we consolidate product on full container loads and optimally position it within our network.

We take a much more strategic approach than a third-party logistics company, reducing costs for suppliers, customers, and Wayfair, while improving our visibility of supply.



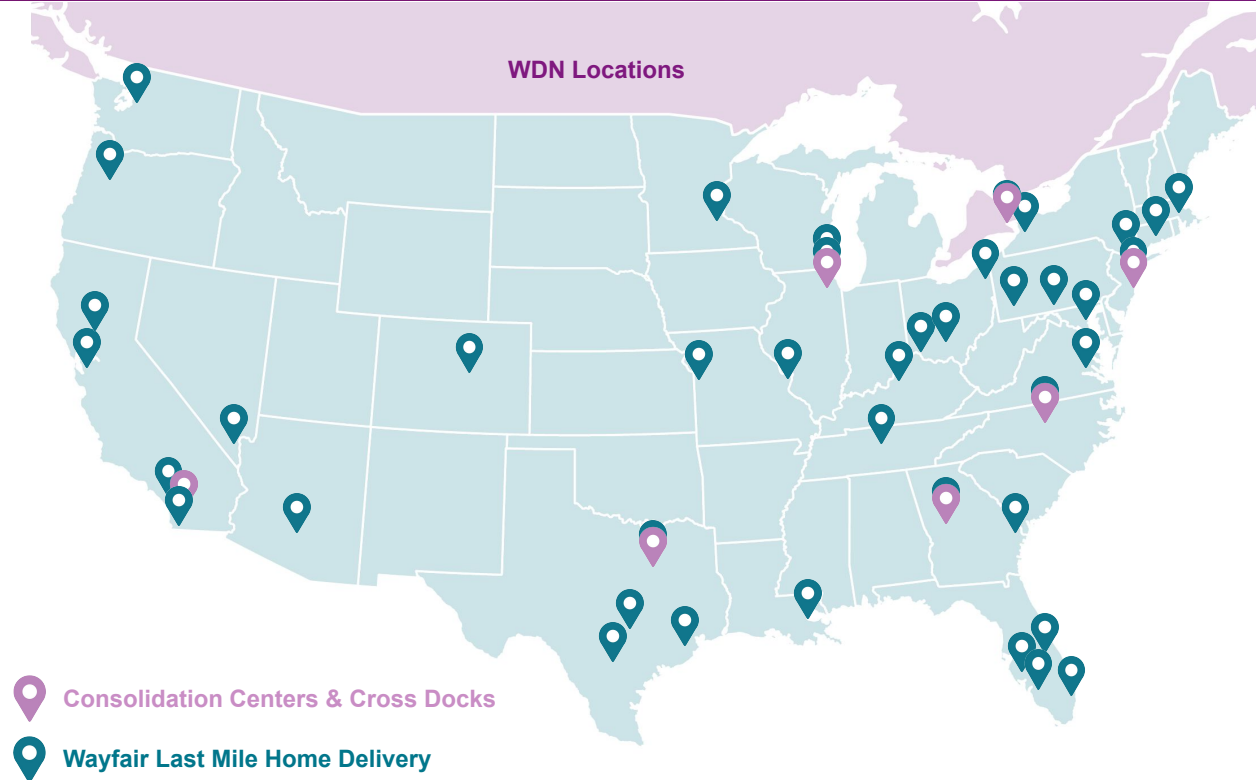
# Taking Control of Large Parcel Transportation and Delivery with the Wayfair Delivery Network

### 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 70% 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. Our network reduces ship costs and will continue to improve as we increase utilization of the network.

Recent investments have allowed us to take greater control of middle and last mile delivery, both in the U.S. and internationally.



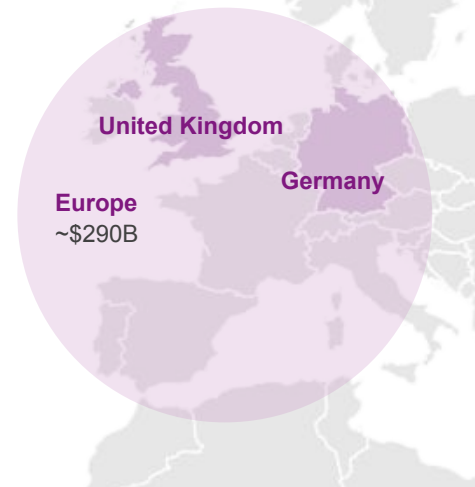
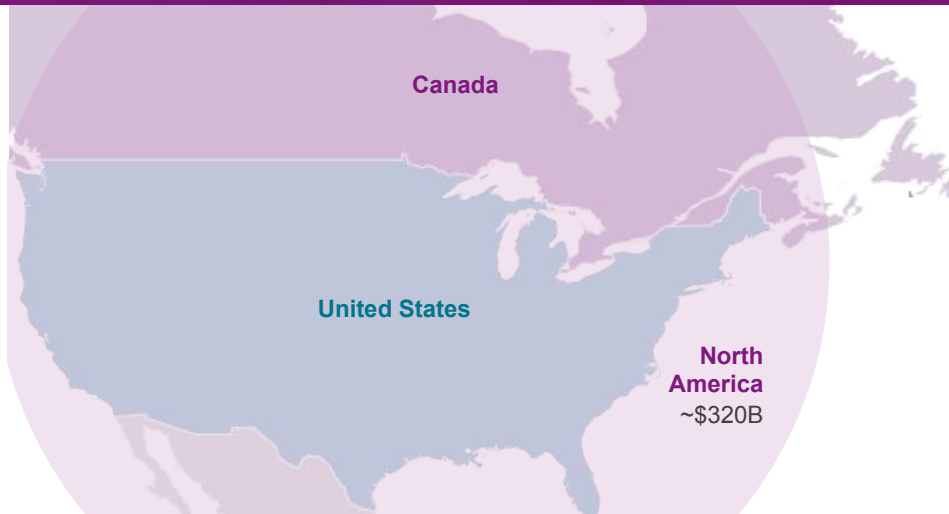


## STRATEGIC PRIORITIES

# Scaling our Business in Canada, the UK, and Germany

## 2 International

The 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 established playbook, refined for regional nuances, positions us well to be the winner.



### U.S.

- \$297B TAM
- CastleGate opened 2014
- Wayfair.com aided brand awareness of 87% as of Q4 2019
- Net revenue \$7.8B in 2019

### Canada

- ~\$20B TAM
- CastleGate opened Q2 2018
- Aided awareness 82% as of Q4 2019

### UK

- \$49B TAM
- CastleGate opened 2016
- London office with ~100 employees
- Aided awareness 70% as of Q4 2019

### Germany

- \$83B TAM
- CastleGate opened Q1 2018
- Berlin office (EU HQ) with ~1,000 employees
- Brand TV launched in H2 2018

## STRATEGIC PRIORITIES

# Invested in Dozens of Product Categories and Services to Further 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.

Over the past two years we have hired new people to expand or create new dedicated cross-functional teams including merchandising, marketing, and engineering as well as specialized customer service staff.

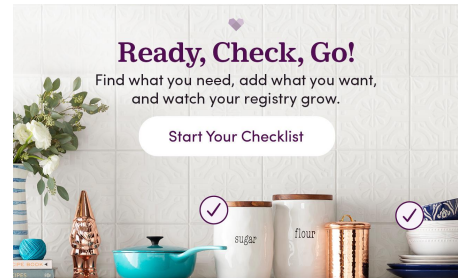
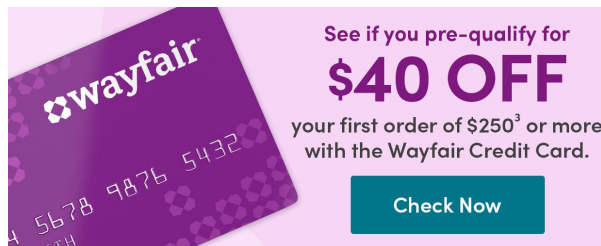
Implemented this expansion with a proven playbook and a clearly defined ROI.

#### 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...

#### Services

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

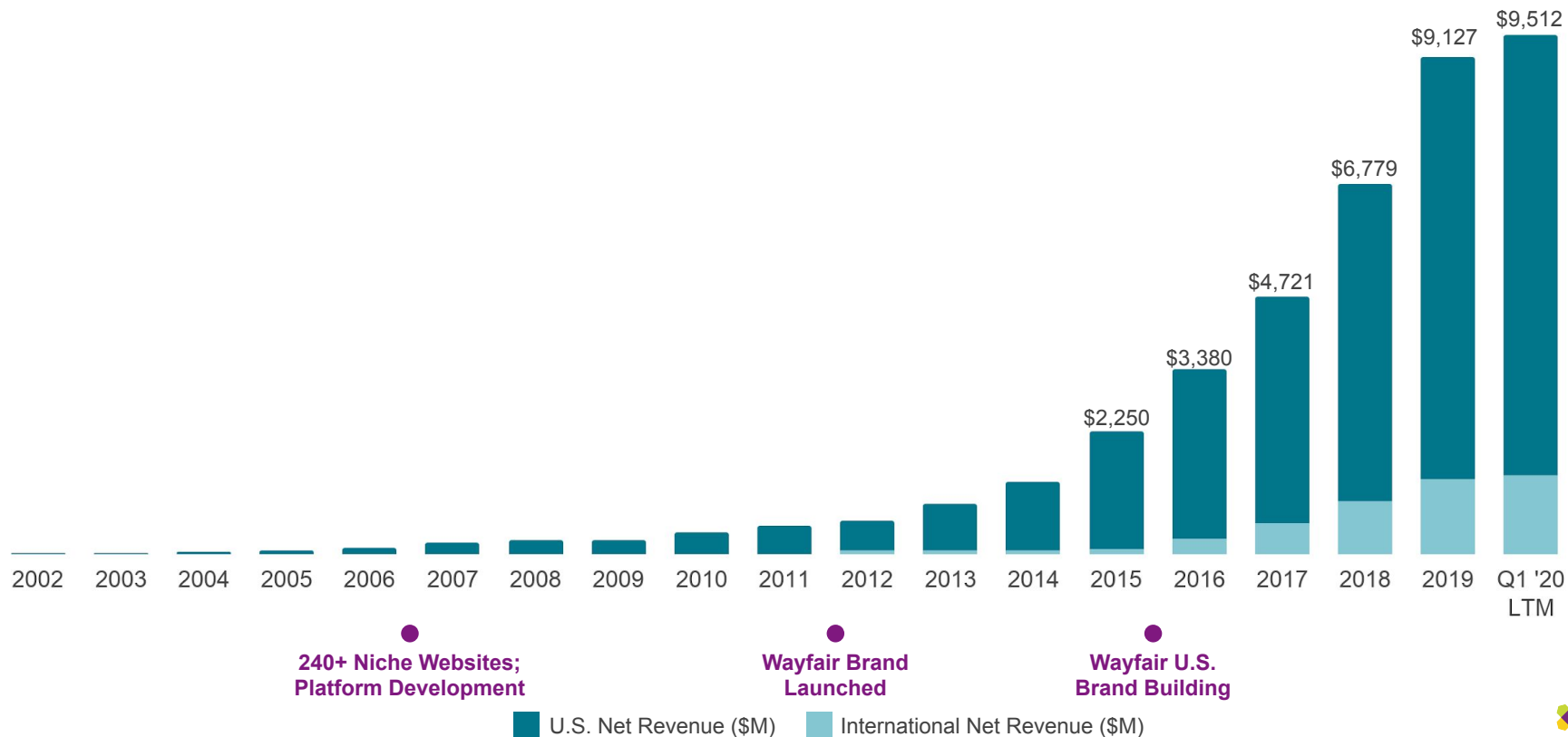




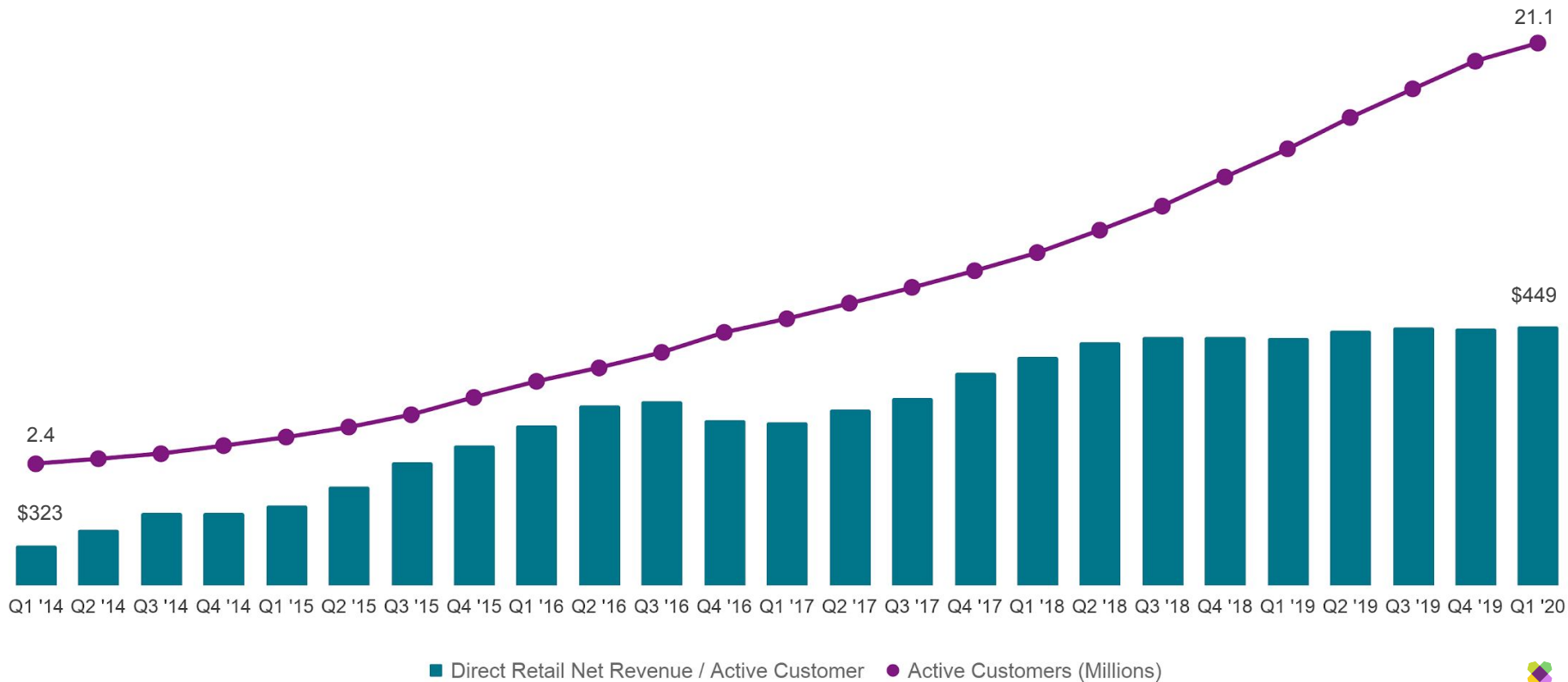
# 03. KPIs & FINANCIAL METRICS



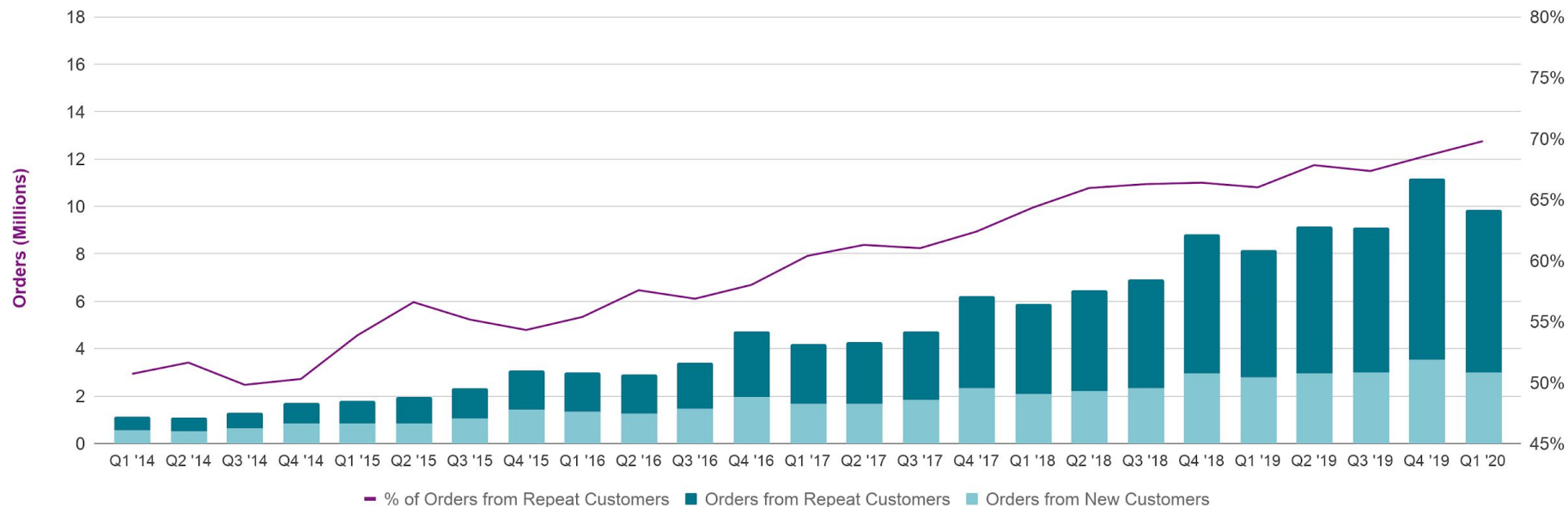
## Robust Growth at Scale



## Strong Customer Acquisition and Growing Share of Wallet

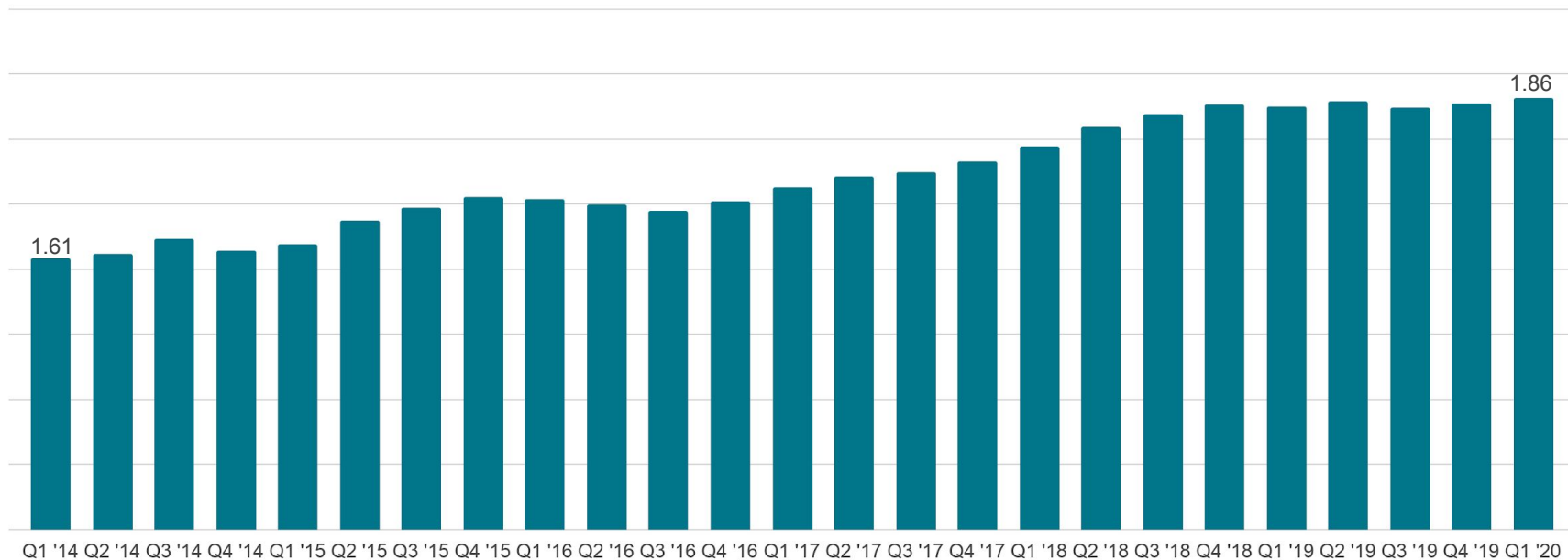


## New and Repeat Orders Both Growing with Repeat Taking Share



## Customers are Ordering More Frequently

LTM Orders per Active Customer





# Long-Term Target Model

	2014 (IPO)	2018	2019	Q1 '20	Long-Term Target	
Net Revenue	100%	100%	100%	100%	100%	<ul style="list-style-type: none"> <li>- Better wholesale economics with increasing scale</li> <li>- Logistics cost efficiency gains</li> <li>- Improved economics as newer categories and regions mature</li> </ul>
Gross Margin	23.6%	23.4%	23.6%	24.9%	25–27%	
Customer Service + Merchant Fees	4.1%	3.7%	3.8%	3.7%	4%	
Advertising	14.5%	11.4%	12.0%	11.8%	6–8%	<ul style="list-style-type: none"> <li>- Ad cost % decreases as size of repeat customer base grows as a % total</li> </ul>
Selling, Operations, Technology, General & Administrative (primarily OpEx headcount)	9.8%	11.7% <sup>1</sup>	13.6%	15.3% <sup>2</sup>	5–7%	<ul style="list-style-type: none"> <li>- Benefits of scale recently offset by investment spending in hiring</li> <li>- Current focus shifting towards driving increased productivity</li> </ul>
Adjusted EBITDA	(4.7%)	(3.2%)	(5.4%)	(5.5%)	8–10%	

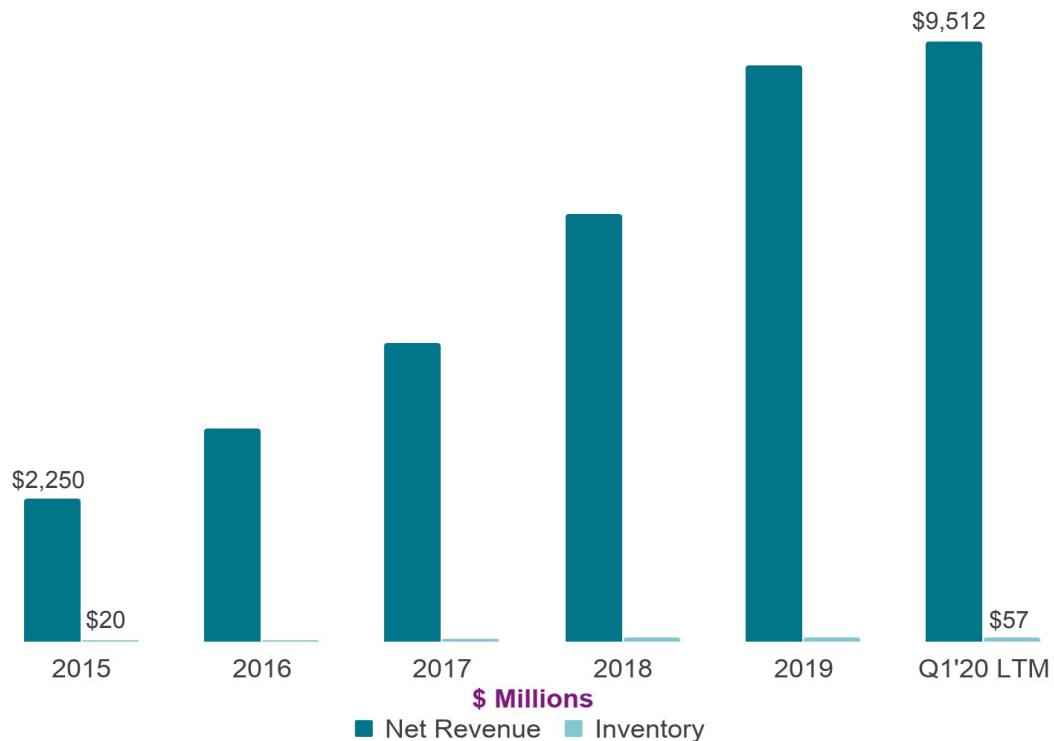
Note: Gross margin excludes equity-based compensation; SOTG&A excludes equity-based compensation and related taxes, depreciation and amortization.

<sup>1</sup>Excludes \$1.7mm gain related to the difference between expected termination costs recorded in 2017 for the Ogden warehouse lease termination and actual costs incurred.

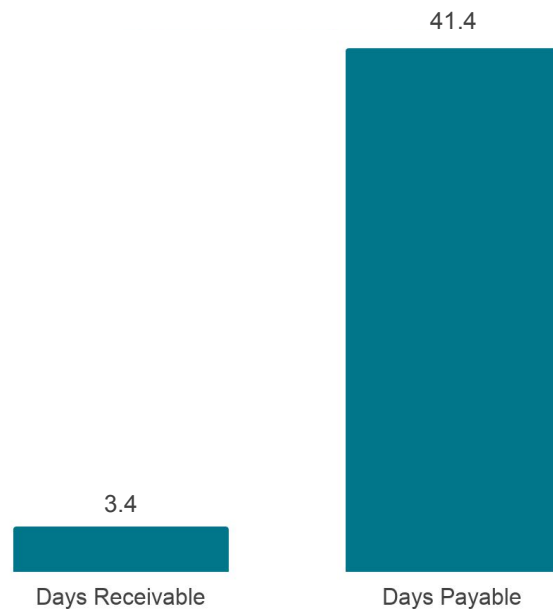
<sup>2</sup>Excludes \$4.0mm in severance charges related to February 2020 reduction in force.

## Capital-Efficient Business Model

Net Revenue and Inventory



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



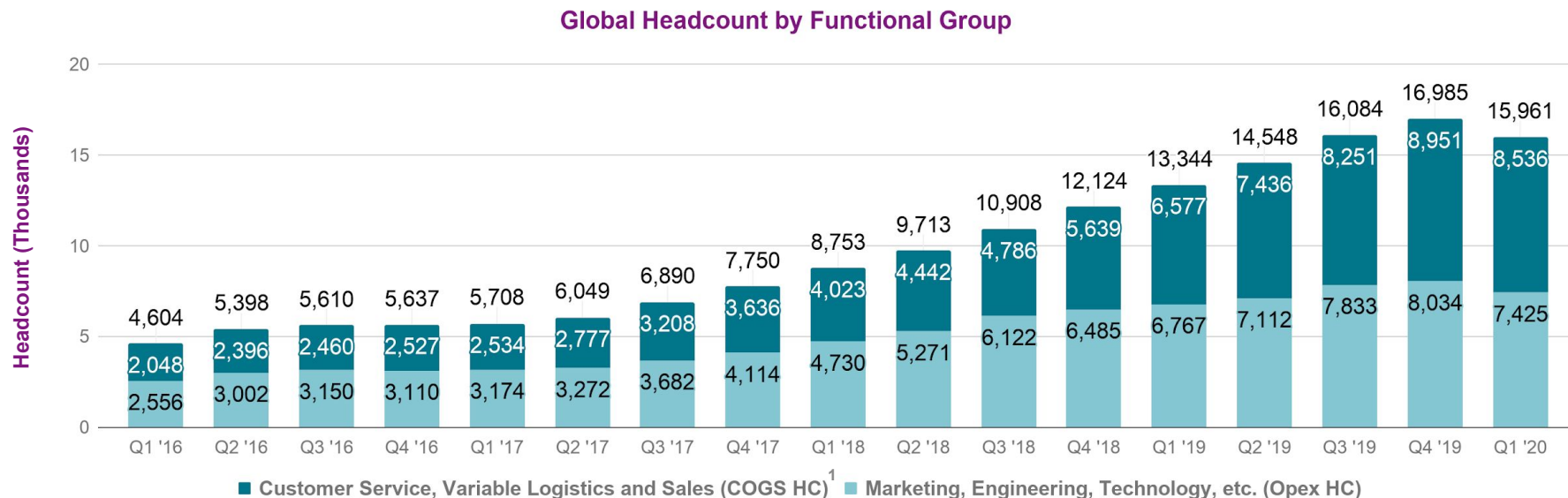
<sup>1</sup> Average of last four quarters



# 04. APPENDIX



# We Doubled Headcount in the Last Two Years, and are now Optimizing for Efficiency

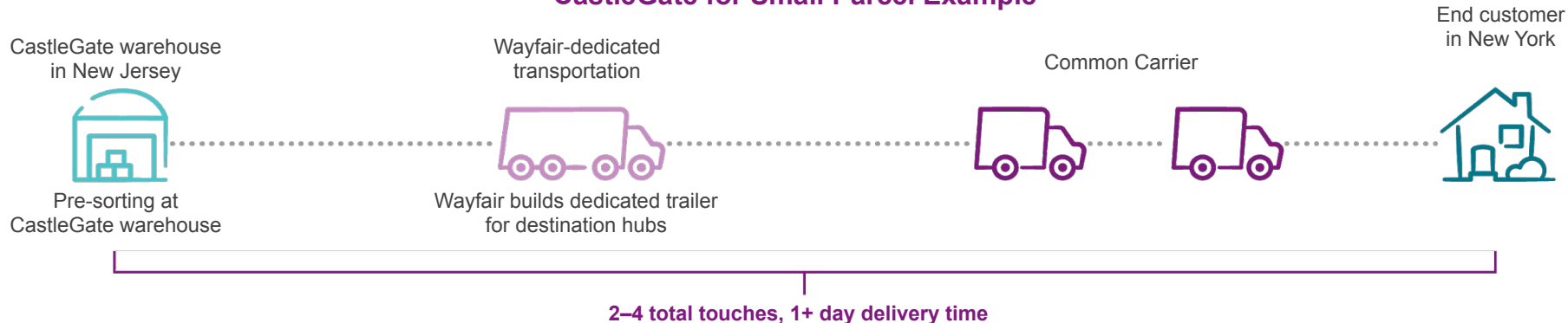


<sup>1</sup>These figures include interns and co-ops

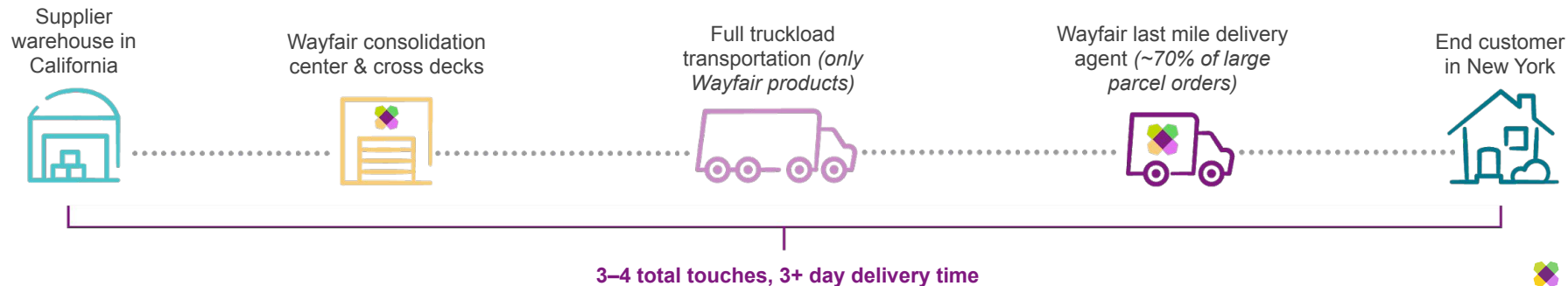
## APPENDIX

# CastleGate & Wayfair Delivery Network (WDN) for Small Parcel & Large Parcel Deliveries

### CastleGate for Small Parcel Example



### WDN Large Parcel Example



## APPENDIX

# Net Revenue and Adjusted Profitability by Segment (\$ in Millions)

	Q1 '18	Q2 '18	Q3 '18	Q4 '18	FY 2018	Q1 '19	Q2 '19	Q3 '19	Q4 '19	FY 2019	Q1 '20
U.S. Total Net Revenue	1,201.6	1,411.3	1,473.3	1,726.9	5,813.1	1,657.7	2,000.5	1,966.7	2,140.0	7,764.8	1,975.0
<i>Total Growth</i>	40.0%	41.5%	40.2%	38.5%	40.0%	38.0%	41.7%	33.5%	23.9%	33.6%	19.1%
U.S. Adjusted EBITDA	(7.9)	7.2	(26.0)	7.7	(19.0)	(27.8)	(0.3)	(62.9)	(88.0)	(179.0)	(45.1)
<i>Margin</i>	-0.7%	0.5%	-1.8%	0.4%	-0.3%	-1.7%	0.0%	-3.2%	-4.1%	-2.3%	-2.3%
International Total Net Revenue	202.7	243.9	232.4	287.1	966.1	287.1	342.7	338.8	393.5	1,362.2	355.1
<i>Total Growth</i>	97.2%	93.9%	57.5%	49.8%	70.1%	41.7%	40.5%	45.8%	37.1%	41.0%	23.7%
International Adjusted EBITDA	(42.0)	(42.0)	(50.4)	(61.5)	(195.9)	(74.4)	(69.6)	(81.3)	(92.2)	(317.5)	(82.2)
<i>Margin</i>	-20.7%	-17.2%	-21.7%	-21.4%	-20.3%	-25.9%	-20.3%	-24.0%	-23.4%	-23.3%	-23.1%



## APPENDIX

# Reconciliation of Adjusted EBITDA (\$ in Millions)

	2015	2016	2017	2018	2019	Q1 2019	Q1 2020
Net Loss	(\$77.4)	(\$194.4)	(\$244.6)	(\$504.1)	(\$984.6)	(\$200.4)	(\$285.9)
Depreciation and Amortization	\$32.4	\$55.6	\$87.0	\$123.5	\$192.4	\$39.6	\$66.8
Equity-Based Compensation <sup>1</sup>	\$33.0	\$52.0	\$72.6	\$136.4	\$241.0	\$51.8	\$64.0
Interest (Income) Expense, Net	(\$1.3)	(\$0.7)	\$9.4	\$28.6	\$54.5	\$9.2	\$22.2
Other Expense (Income), Net	(\$2.7)	(\$1.8)	(\$0.7)	\$0.2	(\$2.9)	(\$3.1)	\$0.2
Taxes	\$0.1	\$0.6	\$0.5	\$2.0	\$3.0	\$0.6	\$1.3
Other	--	--	\$8.8	(\$1.7)	--	--	\$4.0
<b>Adjusted EBITDA</b>	<b>(\$15.9)</b>	<b>(\$88.7)</b>	<b>(\$67.0)</b>	<b>(\$215.0)</b>	<b>(\$496.5)</b>	<b>(\$102.2)</b>	<b>(\$127.3)</b>

<sup>1</sup>Includes related taxes

## APPENDIX

# Reconciliation of Free Cash Flow (\$ in Millions)

	2015	2016	2017	2018	2019	Q1'19	Q1'20
Net Cash Provided by (Used in) Operating Activities	\$135.1	\$62.8	\$33.6	\$84.9	(\$196.8)	(\$81.3)	(\$256.3)
Purchase of Property and Equipment	(\$44.6)	(\$96.7)	(\$100.4)	(\$159.2)	(\$271.7)	(\$60.6)	(\$60.0)
Site and Software Development Costs	(\$17.5)	(\$31.4)	(\$46.4)	(\$62.8)	(\$129.1)	(\$24.8)	(\$38.4)
Free Cash Flow	\$73.0	(\$65.3)	(\$113.2)	(\$137.1)	(\$597.7)	(\$166.8)	(\$354.6)
Cash and Cash Equivalents <sup>1,2</sup>	\$466.0	\$379.6	\$641.6	\$970.3	\$1,142.7	\$805.7	\$891.0

<sup>1</sup>Includes cash & cash equivalents, short-term investments, and highly liquid long-term investments. Convertible note financing contributed to the balance in 2017, 2018, and 2019.  
<sup>2</sup>As of 5/5/20, Wayfair's cash and cash equivalents balance totaled approximately \$1.5 billion. This includes the proceeds from the April 2020 convertible financing.

