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# Wayfair, Inc. (W)

Q1 2025 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Thank you for standing by. My name is Kayla and I will be your conference operator today. At this time, I would like to welcome everyone to the Wayfair First Quarter 2025 Earnings Release and Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

I would now like to turn the call over to Ryan Barney, Head of Investor Relations. You may begin.

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**Ryan Barney**

*Head of Investor Relations, Wayfair, Inc.*

Good morning, and thank you for joining us. Today, we will review our first quarter 2025 results. With me are Niraj Shah, Co-Founder, Chief Executive Officer and Co-Chairman; Steve Conine, Co-Founder and Co-Chairman; and Kate Gulliver, Chief Financial Officer and Chief Administrative Officer. We will all be available for Q&A following today's prepared remarks.

I'd like to remind you that our call today will consist of forward-looking statements, including, but not limited to, those regarding our future prospects, business strategies, industry trends and our financial performance, including guidance for the second quarter of 2025. All forward-looking statements made on today's call are based on information available to us as of today's date. We cannot guarantee that any forward-looking statements will be accurate, although we believe that we have been reasonable on our expectations and assumptions.

Our 10-K for 2024, our 10-Q for this quarter and our subsequent SEC filings identify certain factors that could cause the company's actual results to differ materially from those projected in any forward-looking statements made today. Except as required by law, we undertake no obligation to publicly update or revise any of these statements, whether as a result of any new information, future events or otherwise.

Also, please note that during this call, we will discuss certain non-GAAP financial measures as we review the company's performance, including adjusted EBITDA, adjusted EBITDA margin and free cash flow. These non-GAAP financial measures should not be considered replacements for and should be read together with GAAP results.

Please refer to the Investor Relations section of our website to obtain a copy of our earnings release and investor presentation, which contain descriptions of our non-GAAP financial measures and reconciliation of non-GAAP measures to the nearest comparable GAAP measures. This call is being recorded and a webcast will be available for replay on our IR website.

I would now like to turn the call over to Niraj.

### Niraj S. Shah

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

Thanks, Ryan, and good morning, everyone. We're pleased to be here today to discuss our first quarter results with you. Despite persistent category volatility that showed a fourth consecutive year beginning with contraction, we were able to once again outperform our peers and take healthy market share while driving meaningful improvements in profitability.

Year-over-year growth, excluding the impact of Germany, came in nicely positive at 1%, driven by the US business up 1.6% against the category that we estimate was down over the same timeframe. Tariffs are clearly top of mind for everyone. While there is a lot of uncertainty in the broader economy, we have a clear line of sight and strong conviction on what we need to do for both our customers and our suppliers.

I want to spend the bulk of our time this morning laying that out. So let's take a moment to take stock of where we stand, what we're seeing and how we think about the go-forward.

As a reminder, tariffs are not a new phenomenon in our category. Going back to the early 2000s, a number of Chinese producers were hit with anti-dumping duties on wood furniture products, some of which were over 50%, which began a migration of production out of China. In 2019, a 25% duty was implemented more broadly on home furnishings products and that never went away.

It's worth dialing the clock back to walk through how we navigated these headwinds as many of the same forces stand to benefit us today. At the most basic, we operate a platform that connects over 20,000 suppliers to our more than 20 million customers. Our retail platform delivers for the customer by facilitating marketplace dynamics, where a supplier competes with other suppliers to win each order, and they do that by offering the best value. Value can come in many dimensions in this category, breadth of assortment, quality, speed of delivery and price being a few.

Like other retail channels, our platform allows our suppliers to choose the wholesale price they want to charge us and we layer a take rate on top of that for our retail price. Suppliers who offer a more competitive wholesale price often succeed on the storefront because that translates directly into more competitive retail prices for customers.

So when an incremental cost, like a tariff, enters the system, suppliers have to make a decision on how much they want to pass through versus bearing themselves. This is where the marketplace like forces on our platform work most in our favor. The category we operate in is largely unbranded and highly substitutable. On top of that, we have thousands of partners selling through Wayfair, which means that there's intense competition amongst our suppliers to win each order.

Just as we're seeing now, back then, there was a lot of speculation about how much tariffs would ultimately increase retail prices. It's important to remember that the tariff is applied to the value of the goods at the time of import, which is a fraction of our wholesale price. There are multiple companies who participate in the value chain and the burden of the tariff can be shared across that group.

In 2019, we saw this playing out in real time. Suppliers that found a way to keep wholesale costs low were the most successful. They can often make up the margin difference with the volume gains by taking share from their peers that chose to pass the cost burden through. This creates a very clear incentive structure for suppliers to offer their best prices at all times. That incentive has only grown more powerful in the years since as we have grown the global base of suppliers, and we have provided them with increasingly powerful tools to manage their business. All of this, combined with the prolonged contraction in category demand, has only served to further elevate competition amongst suppliers for each customer order.

We're frequently asked by investors what the mix of sourcing by country looks like. Our platform has considerable diversity and sourcing can shift in a very dynamic fashion, based on which suppliers have the most compelling offering to consumers at any one point in time. This is an important facet not all investors appreciate. When suppliers in one region raise prices, we may see consumer demand quickly shift to suppliers in another region if they have a more competitive offering.

Many of our largest suppliers have manufacturing capabilities spread across multiple countries and can pivot production lines as the cost equation shifts. Our scale gives us a durable competitive advantage here. We can drive healthy competition across our thousands of suppliers in a category that, as I mentioned a moment ago, has vast assortment and high substitute ability.

We have suppliers that manufacture in over 100 countries across the world, including a substantial base of production that is done domestically. Across dozens of our top classes, such as area rugs, beds, dining chairs and tables and more, we have thousands of items made in the US. These products come from the thousands of our suppliers that manufacture here in the States. Overall, our wide breadth of products and supply base from around the globe continues to offer us a healthy degree of insulation against tariff headwinds.

Our team has been interfacing with suppliers nonstop to make sure they have both up-to-the-minute information on the latest developments and a thoughtful partner in planning how to navigate ahead. The broad feedback we're hearing from suppliers is clear. They understand the dynamics of our platform and are not keen to raise prices, as they want to continue to take share and win.

I've personally spoken with a broad range of suppliers in the past month. They're pragmatic and resilient. Many of these are businesses that have operated for decades through both booms and busts. Each conversation turns to how Wayfair can help support our partners, as we have for many years.

The first pillar of support we can offer is data, which is how we ground these conversations. Our ability to track spending propensity in real time gives suppliers a clear view of how they can optimize their pricing to maximize their own economics. From there, we get into how they can take advantage of some of the value-added services

we offer to drive better unit economics, such as leaning deeper into CastleGate to offer faster delivery and lower fulfillment costs, which is directly reflected in lower retail pricing.

Another increasingly important lever we've been helping suppliers activate is advertising. We know supplier advertising has been a key area of focus for investors for some time. And so we want to spend a few minutes today giving you an update on that arm of our business. When we last discussed supplier ads as part of our Investor Day in 2023, this business was roughly 100 basis points of revenue penetration. We saw that grow by more than 50% in 2024 to end the year north of 150 basis points.

For 2023 and much of 2024, our work in growing this adoption has centered around education. This has been a key point of distinction between our supplier advertising business and that of our peers. Many of our suppliers are newer to digital advertising than large consumer brands. For multiple years, our team has been investing time and energy to bring them up to speed on all the ways that Wayfair Advertising can drive profitable growth to their businesses.

To augment this effort, we've developed an in-house service where suppliers can have internal experts at Wayfair run their advertising campaigns. Our team lends their expertise to define which products will benefit the most from incremental ad spend based on the supplier's competitive positioning on site today and manage the campaigns to ensure that they'll hit the supplier's financial return target.

The traction we've built on this front has been considerable. And as a result, we've seen significant interest from suppliers to participate over the past several quarters. We've ramped the number of suppliers spending at least 100 basis points of their revenue on advertising by more than 40% over the past 12 months.

We're thrilled with the response and have been taking a thoughtful approach to unlocking advertising inventory in a deliberate and controlled manner to ensure that we're preserving the integrity of the shopping journey that our customers enjoy so much on Wayfair. We're constantly running tests to measure the impacts of higher ad load on conversion, ensuring that we can continue to grow our footprint while also driving incrementality. The roadmap gives us a clear line to our goal of reaching 300 to 400 basis points of revenue penetration.

Our team is driving innovation at all levels of the experience. For example, one of the products we're in the process of developing is co-bidding for offsite advertising. Wayfair has been an industry leader in digital advertising for decades and offsite advertising will open the door for us to share that directly with our suppliers. It's still very early in our journey here. And this is just one of several initiatives we have underway to drive further adoption among our supplier base.

All of our work in this space comes back to a simple principle, when our suppliers delight customers, Wayfair succeeds. That alignment is especially important in today's environment. Our teams are in daily conversations with suppliers, helping them understand how services like advertising can become a critical lever to ensure they're driving enough volume to optimize production flows or getting a new product launch from a new location off to a smooth start.

In a period where margin pressure is high, whether from tariffs or other factors, advertising becomes a way for suppliers to actively manage demand levels. That's the power of Wayfair Advertising. It allows our partners to target and capture incremental volume in a way that supports their broader business health. We see tremendous opportunity ahead and we're moving quickly to deliver the strongest offering to our supplier community at a pivotal time.

Before I hand it over to Kate, I want to zoom out for a moment and close with a few important steps we've taken over the past several months to further strengthen the foundation of our business. We began the year with the announcement of the closure of our German business. We determined that continuing to invest in that business was unlikely to provide us with the highest long-term financial return. And so we made the decision to reallocate those dollars towards higher ROI areas.

In early March, we followed that up with the announcement of a size reduction across our technology team, as we achieved milestones in our major re-platforming work. We had an opportunity to reorganize our team, which remains strong at approximately 2,500 people, while also having more resources focused on new product development, which we expect to pay meaningful growth dividends over time.

The third action we took was the issuance of our second high-yield bond and simultaneous refinancing of our revolving credit facility in mid-March. Prior to this, we had roughly \$1 billion of convertible maturities coming due over 2025 and 2026. While we had the capacity to handle those with our balance sheet alone, we've always taken a conservative view on maintaining a healthy cushion of cash as we run the business. Given the trading dynamics in the market, we were able to issue \$700 million of high-yield bonds at a competitive rate and used the majority of the proceeds to repurchase our 2026 convertible notes at a roughly 5% discount, opportunistically putting cash to work at yields nicely in excess of treasuries and consistently showing progress on our stated goal of deleveraging.

We now find ourselves in the strongest capital structure position in many years, with just under \$400 million of maturities coming due in the next two years, which we can easily handle with our balance sheet. In tandem, we have a renewed \$500 million revolving credit facility that extends to 2030. We've always treated our revolver as an additional safety net that we do not draw on for the day-to-day purposes of running the business, but having this now extended through the remainder of the decade gives us one less point of risk. These steps all enhance our resilience, sharpen our focus and position us to play offense in a market where many are increasingly playing defense.

As we look ahead, our strategy remains clear, continue gaining share through disciplined execution, deepen our partnership with suppliers and invest judiciously in high ROI growth initiatives. You've heard us discuss several of those in recent quarters. Areas like Wayfair Rewards, our Verified program and our physical retail efforts, where we recently announced our second Wayfair store, launching early next year in Atlanta, and have our first two Perigold stores opening later this year in Houston and West Palm Beach.

Periods of disruption have historically been moments where Wayfair pulls ahead and today is no different. We've deliberately built a platform that thrives in dynamic conditions, flexible, resilient and efficient. With strong momentum, a healthy balance sheet and a sharpened operating model, we're confident in our ability to navigate what's ahead and emerge even stronger.

Thank you. And now let me turn it over to Kate to walk through our financials.

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### **Kate S. Gulliver**

*Chief Financial Officer & Chief Administrative Officer, Wayfair, Inc.*

Thanks, Niraj, and good morning, everyone. Let's dive into our results for the first quarter. Beginning with the top line, we saw net revenue flat year-over-year for the quarter. This was weighed by the exit of our German business, which led to a 10.9% decline in the international segment, but was offset by robust performance from our US business, which posted a positive 1.6% growth compared to the first quarter of last year. We saw ramping

customer activity as we got through March and proactively leaned in to drive our own outperformance against the category.

Let me now continue to walk down the P&L. Please note that the remaining financials include depreciation and amortization, but exclude equity-based compensation, related taxes and other adjustments. I'll use the same basis when discussing our outlook as well.

Gross margin for the quarter came in at 30.7% of net revenue. There were several moving pieces in Q1, particularly in the back half of the quarter. So let's walk through what drove those.

As we've discussed in prior calls, we have ongoing matters with the Canada Border Services Agency that have driven non-operational drag on the gross margin line. This quarter, one of those matters resulted in non-operational tailwinds, as we were able to recognize a refund related to valuation for duty calculations during 2022, 2023 and partial year 2024. We were able to proactively reinvest some portion of this back into the customer experience, which we believe was a profitable investment.

In addition to our deliberate areas of investment, we also saw some temporary impact from CastleGate. Many of our suppliers accelerated inventory imports as tariff considerations rose in the back half of the quarter. As Niraj mentioned, we've been working with our supplier partners for months to help them strategize and plan for the incremental cost from tariffs.

CastleGate has been one of our best solutions. Our CastleGate network can help suppliers meaningfully bring down fulfillment costs and offer more competitive retail prices to consumers through forward positioning and other efficiencies.

We saw many suppliers lean into CastleGate as we closed out the quarter, keen to bring in inventory ahead of increased duties. This accelerated adoption increased upfront cost for us, which weighed on gross margin in Q1, but it will pay dividends in the future as we both collect CastleGate fees from the shipment of the increased inventory and have more availability and more competitive pricing for our customers in the months ahead.

Altogether, Q1 gross margin reflects both the benefit from CBSA and the disciplined investments we made to drive healthy growth in a category that remains under pressure. We feel great about the tradeoffs we made in the quarter and remain confident in our long-term gross profit dollar trajectory.

Turning now to customer service and merchant fees. These came in at 3.8% of net revenue for the quarter. Advertising was 12.6%. This was down quite a bit from Q4 as we had previously communicated.

You'll recall that last quarter, we talked about the incremental spending investment we made into more nascent channels, the type of spend that is needed to learn and build into our systems, but by its very nature has a longer-term payback and a startup testing cost. With that surge of experimental spending behind us, we can scale those channels as we build them to full efficiency, which will ultimately get us back down to the advertising margin levels we were at earlier in 2024 and eventually even lower.

Selling, operations, technology, general and administrative expenses were \$366 million in the first quarter. This was down by roughly \$50 million compared to the first quarter of last year, a reflection of the considerable cost efficiency we've brought to bear across the organization, as we have regained our focus on strong execution in tandem with profitable growth over the past several years.

In total, we generated \$106 million of adjusted EBITDA in the first quarter for a 3.9% margin on net revenue, including a 3.9% adjusted EBITDA margin in our US segment. Our international segment had an adjusted EBITDA margin of 3.7%, bolstered by the Canada Border Services Agency tailwind, as I mentioned a moment ago.

We ended the quarter with \$1.4 billion of cash, cash equivalents and short-term investments, and \$1.8 billion of total liquidity. Cash from operations was negative \$96 million, which was a notable improvement from the year prior, despite revenue being largely unchanged year-over-year.

Capital expenditures came in at \$43 million, a bit lower than our guidance range, due in part to timing as well as the reduced head count driving lower capitalized labor. Free cash flow for Q1 was a negative \$139 million, again, very typical for the first quarter of the year, given the working capital seasonality and a nice improvement of almost \$60 million compared to the first quarter of 2024.

Now, we're going to take a slightly different approach to guidance this quarter. Our quarter-to-date performance is warped by the timing of Easter and Way Day this year relative to 2024, making the comparison not meaningful. Additionally, there is, of course, a fair bit of uncertainty around the macro, making it challenging to give a traditional top-line guide for the quarter in totality.

Instead, we'll walk through the P&L and highlight where you should expect each cost item to fall if revenue ends the full quarter flat year-over-year, which would equate to sequential growth right in line with what we saw in the second quarter of last year. Obviously, this is not our standard approach. And while we feel good about the performance to date, we think this is prudent given the uncertainty in our current operating environment.

We would guide gross margin to be in the range of 30% to 31% of net revenue, likely at the lower end of the range, in keeping with where gross margin was in the back half of last year. Customer service and merchant fees should be just below 4%, while advertising should be in the 12% to 13% range, likely towards the midpoint of the range.

Finally, SOTG&A is expected to be \$360 million to \$370 million for the second quarter, again, show a nice compression year-over-year from our ongoing cost takeout. Following this guidance down in the context of a flat assumption on net revenue, we would expect adjusted EBITDA margin to be in the 4% to 5% range.

Now, let me touch on a few housekeeping items. We expect equity-based compensation and related taxes of roughly \$70 million to \$90 million, depreciation and amortization of approximately \$75 million to \$80 million, net interest expense of approximately \$30 million, weighted average shares outstanding of approximately \$128 million and CapEx in a \$60 million to \$70 million range.

To wrap up, I want to echo the sentiment Niraj expressed earlier. Moments of disruption, whether from macroeconomic volatility, shifting consumer behavior or tariff-related headwinds, tend to highlight the advantages of our model. We're continuing to lean into areas where we see a clear path to gain share, while simultaneously growing adjusted EBITDA dollars and free cash flow in 2025.

With a streamlined cost base, a solid balance sheet position, highly competitive supplier ecosystem and a disciplined approach to investment with numerous exciting initiatives underway, we believe we're set up not just to withstand macro volatility, but to lean in and gain ground while others are retrenching.

Thank you. And now, Niraj, Steve and I will take your questions.

## QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] Our first question comes from the line of Christopher Horvers with JPMorgan. Your line is open.

**Christopher Horvers**

*Analyst, JPMorgan Securities LLC*

Q

Thanks and good morning. So my first question is on the top line, understanding that the Easter shift creates, I think, some benefit here in the April month, was – can you parse out how much Easter was maybe a headwind? As we thought about the first quarter, how much exactly was the leap day headwind?

And then more broadly on the sales side, you had a big bump in average order value. Is that prices going up or is that people buying higher-priced items on a pull forward basis given tariff uncertainty?

**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

A

Yeah. Sure, Chris. Thanks for your question. So let me share some thoughts on those two different questions. So, first, on the top line, what I'd say is there's definitely a bunch of timing mismatches this year to last year. You mentioned Easter moving. Way Day, for example, just happened this year, but last year, it's going to happen this coming weekend, the one that's coming up next. The leap year, as you mentioned, and again, leap you lose a day, right, so it's at about 1% in the quarter or something like that that you're going to lose because our demand is kind of like fairly spread out.

And so the timing is what makes it difficult. So like, obviously, we didn't give a quarter-to-date number. And the reason we didn't is we could have shared it, it would be a very big number. It would be up a tremendous amount, but it's a hard number to do anything with because Way Day is coming up, right? And so the timing mismatches make things a little harder, but what I'd say is we're seeing demand actually stay pretty strong. There's a big divergence between what we're actually seeing in actual demand and what you're reading in the headlines about the consumer sentiment. Now, the consumer sentiment stuff is talking about forward expectations. We haven't hit the forward period yet, obviously, but we're seeing demand actually, demand be pretty good.

On AOV, no, we have not seen suppliers raise prices. And to be honest, when we've been talking with our suppliers, because we have a large team that work with our suppliers to create joint plans, make sure the inventory in best sellers stays in stock, talks about pricing, what we're seeing on the platform, what we're actually seeing suppliers are very wary to raise prices because they know they're competing with one another. They know the way our platform works is that they need to compete with each other to impress the customer or they don't get the sales.

Because it's been a prolonged downturn in this category, a multiyear downturn, they know that it's hard to get volume and they need volume to be efficient. And so what we've seen is that their interest is really the opposite. It's not in trying to raise price quickly. It's actually trying to not raise price or to defer it as long as possible and do the minimum that they would need to do.

So there's a lot of conversations about what they think that could be, but, basically, we've not seen prices go up on the platform. I don't know, Kate, is there anything you want to add?

**Kate S. Gulliver**

*Chief Financial Officer & Chief Administrative Officer, Wayfair, Inc.*

A

Yeah. I'll just touch on the AOV, Chris, because if you look at actually what's been happening with AOV, you can see that AOV year-over-year was starting to go up in Q3 of last year. This is pretty normal, right? So, AOV has a lot of moving components to it. One that you referenced is unit price, one is items per order, but another one is mix. So, as we mix in different brands that have continued to do well, like our specialty retail brands, or Perigold or high-end brand, those obviously come in at higher AOVs.

I think more relevant to think about sort of what's happening with AOV is to look at the sequential. And if you look at the sequential, they're very consistent to what they were last year. So pretty normalized.

And then just you packed in a question around Q1 and a question around quarter-to-date. I think we addressed the quarter-to-date. On the Q1, obviously, yes, some puts and takes there. We feel quite pleased with our revenue performance because, of course, there is the drag from the lack of the day from the leap year and also we have a roughly 100 bps drag from the German business, right? So to be flat and then up 1.6% in the US is very good.

**Christopher Horvers**

*Analyst, JPMorgan Securities LLC*

Q

And then the follow-up is just, is there an indication of pull-forward demand? I'm not sure how you would measure that. It seems like the consumer is just reflecting back to maybe the supply chain crisis and stuff that – products that maybe they had to wait for in the furnishings category, the electronics category. Are you seeing or – and can you comment on or measure how much of this could be pull forward?

**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

A

Yeah. Thanks, Chris. So we know what we see in our data, we know what we see in credit card data and we know what we hear from some other companies in the space. And so we don't believe we've really seen pull forward. The only one subcategory we have where we've seen pull forward was in large appliances. So large appliances clearly had some pull forward. It lasted a fairly short period of time. And because of the size of that, that category is very large overall, but we are a relatively new player in it. It's a relatively small category for us. So the amount of pull forward we directly benefited from is actually very small. It's de minimis for us. So, overall, we haven't really benefited from pull forward and we don't think the category has had much.

**Christopher Horvers**

*Analyst, JPMorgan Securities LLC*

Q

Great. Thank you very much. Have a great rest of spring.

**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

A

Thank you. You too.

**Kate S. Gulliver**

*Chief Financial Officer & Chief Administrative Officer, Wayfair, Inc.*

A

Thanks, Chris

**Operator:** And your next question comes from the line of Jonathan Matuszewski with Jefferies. Your line is open.

**Jonathan Matuszewski**

*Analyst, Jefferies LLC*

Q

Great. Good morning and thanks for taking my questions. My first one was a follow-up on pricing. It sounds like not a lot of suppliers are raising price on your marketplace. Is there any indication, maybe from your conversations with vendors that they're choosing to raise prices on other platforms first, maybe as a test, before doing so on Wayfair? Any thoughts there would be great.

**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

A

Yeah. What I would say is, generally, what we've heard from them is they're generally wary to raise prices anywhere. And so I don't know exactly – like, we've been – I haven't heard that, right? So I haven't heard of them being aggressive in raising prices anywhere yet. What I've generally heard is that they're trying to be very thoughtful about how to optimize their business. They know that it's a challenged demand environment in general. And they know that raising prices, if their competitors don't, it's going to hurt them substantially. So they want to make sure that they remain competitive.

I think a number of places that they sell they have a similar dynamic to us. Like, we have a very big benefit because we're as a platform versus being a traditional retailer, we have a lot of suppliers on that platform that are competing with each other, and to some degree, their goods are substitutable. So the dynamic is such that by raising your price, not so much that you're negotiating with a buyer in a zero-sum and it's not necessarily directly correlated to the retail. Here, you're actually able to do whatever you want, however, you're directly changing the retail. So you have to worry about the end effect. And because of that, we haven't – we've seen they don't want to raise on our platform.

Now, with regards to what they may want to do selling to traditional retailers, I think that could be a different setup, but we're less – that's not our model. We have a little less insight into how aggressive they're being there. But we've definitely heard that a lot of folks are saying that they can't – that they have to – they can't eat the cost. The traditional retailer, if they're doing direct import, they have to basically carry the cost.

**Jonathan Matuszewski**

*Analyst, Jefferies LLC*

Q

Understood. And my follow-up is on CastleGate. Kate, is there a way to understand the magnitude of the 1Q gross margin headwind from the CastleGate rush? And how we should think about maybe the magnitude of the tailwind from increased CastleGate fees in the quarters ahead? Thanks so much.

**Kate S. Gulliver**

*Chief Financial Officer & Chief Administrative Officer, Wayfair, Inc.*

A

Yeah. Great question. So, sort of taking a step back and thinking through the benefit that this provides us, right, what we want to partner with our suppliers on, as Niraj mentioned it as a reference, is price, but I'll say more broadly, we really want to help our suppliers understand where can they be advantaged here and how can they be productive, given the sort of uncertainty ahead. And part of that is bringing product into the country in advance in Q1. And as we talked about on the call, we were quite successful with that with our suppliers.

You will see a benefit of that manifest in a few different ways in the quarters ahead. So one of those ways is price and availability for the customer, right? So that allows us to maintain really efficient prices for her, that allows us to have good availability. And so that helps support the top line.

On the gross margin line, obviously, products that ship out of CastleGate versus somewhere else are cost advantaged. On top of that, there's a benefit, of course, when we charge the supplier for the pick-pack fee when that product ships out. So that manifests in the subsequent quarters. But I think it's important to keep in mind that the benefit is twofold, right? It's both on the top line of having that product here and available and the pricing there, and it's on the gross margin line over time.

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**Jonathan Matuszewski**

*Analyst, Jefferies LLC*

Understood. Best of luck.

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**Kate S. Gulliver**

*Chief Financial Officer & Chief Administrative Officer, Wayfair, Inc.*

Thank you.

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**Operator:** And your next question comes from the line of Brian Nagel with Oppenheimer. Your line is open.

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**Brian Nagel**

*Analyst, Oppenheimer & Co., Inc.*

Good morning. Thanks for taking my question – questions, I guess. So, look, my first question, and surprise, surprise, want to talk about tariffs. And, I mean, I appreciate all the commentary you outlined. So, I guess, if we just step back, the question I have is, as you were watching this tariff dynamic unfold, and if I'm hearing you correctly, it sounds like, from a Wayfair perspective, I mean, most of the burden is – really lies with your suppliers. And so I guess that's just to make sure I heard that correctly.

But the second question I have or the question I have is, are there – as this is unfolding, are there levers that Wayfair is internally pulling to kind of help through the – to help through this dynamic, improve the business through the dynamic?

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**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

Yeah. I'd say there's two things we really directly help suppliers with. So one is we share a lot of data and what we're seeing happen on the platform because suppliers realize, look, they may need to raise prices at some point, but, again, they don't want to raise them earlier or larger than competitors do. So they want to know kind of what's happening on the landscape so that they can try their best to stay very competitive. So we basically do try to provide them with some direction and guidance and share the landscape with them.

And the second thing we can help them with is, when you think about CastleGate, I think often you think about CastleGate Fulfillment, so the kind of warehouses we have, the fulfillment centers and the fact that we do – with the WGN, we do the last-mile delivery for large bulky items. And through the combination of the two, we can provide a high-quality of service on deliveries. We can offer faster delivery. But what we actually offer goes all the way back to moving the goods via ocean freight, forward positioning the goods using consolidation centers that are close to the point of origin. And then, obviously, then they make it to the fulfillment centers and they do everything we just described.

And then we have fulfillment centers, not just in the US, but also in Canada and the UK. So in Canada, we have two, one in Vancouver and one in Toronto. And in the UK, we have a large facility at Lutterworth. And so they have an ability to directly bring goods into the country versus in the case of like Canada, for example, transiting through the US, which could prove to be much more expensive.

So, the second way we help them is with kind of custom logistics solutions, taking advantage of all the assets and the network we have that allow them to optimize and lower their cost, which then allows them to save money and keep retail sharp. And so, perhaps that something cost them more money and something lets them save some money. And these are benefits that they want to make sure that they're optimizing.

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**Brian Nagel**

*Analyst, Oppenheimer & Co., Inc.*

That's helpful, Niraj. And again, just to follow up because I know we're all having these type of conversations with a lot of different companies. But, I mean, to be clear that from a Wayfair perspective, as you're looking at your business, you're not really having to determine what impact to Wayfair's margins could happen or from a sales perspective. This is all really on the part of your suppliers, correct?

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**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

Well, what I would say is, like, so we have a platform, right? So the platform solves for making sure customers get the best value by suppliers needing to compete with one another. And because we have such a large base of suppliers and the goods are – these are largely non-branded, differentiated categories, there's a lot of substitution that can happen. So these dynamics line up for suppliers to really want to make sure the customer is getting a great value.

That said, of course, there's elasticity, there's supply and demand, there's how price affects demand. And here, we have a category that's been out of favor for multiple years. So it's already at a low demand level. And so that might be part of why we haven't really seen as much demand destruction as maybe some other discretionary categories have commented on. But we obviously do think about different scenarios of what could happen depending on different trajectories, different series of events.

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**Brian Nagel**

*Analyst, Oppenheimer & Co., Inc.*

Yeah. I appreciate all the color. Thank you. No, go ahead. Sorry.

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**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

Go ahead, Brian.

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**Brian Nagel**

*Analyst, Oppenheimer & Co., Inc.*

No, I was just – if Kate want to add something, that would be great.

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**Kate S. Gulliver**

*Chief Financial Officer & Chief Administrative Officer, Wayfair, Inc.*

No, I would echo what Niraj said. We think our model and our platform serves us quite well here and we think that helps us be positioned to outperform in this kind of environment. That's quite sort of diligent partnership though with our suppliers on helping them understand the dynamics and the impact and the opportunity for sort of share gain in an environment like this.

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**Brian Nagel***Analyst, Oppenheimer & Co., Inc.*

I appreciate all the color. Thank you.

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**Operator:** And your next question comes from the line of Ygal Arounian with Citi. Your line is open.

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**Ygal Arounian***Analyst, Citigroup Global Markets, Inc.*

Hey. Good morning, guys. Thanks for taking my question. I guess I want to ask about the range of potential outcomes and how you think about it and how you can potentially plan for it. Meaning, we got to pause on the 90-day reciprocals for many of the countries. And I think maybe you could help expand on this a little bit. We've seen some production shift to those countries instead of China. And kind of what happens if those come back at the end of the 90 days or we have higher tariffs in more of the input countries, how you think about that, how you can help your vendors and the ability for vendors to absorb costs in that scenario where there's less of an ability to shift production to other countries?

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**Niraj S. Shah***Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

Yeah. I mean, it's obviously – it's a pretty dynamic environment right now because obviously, there's a 10% base tariff on – so we're talking non-China, there's a 10% base tariff and then there's the varying degrees of reciprocal tariffs. The reciprocal tariffs are what have been paused for 90 days. And then China has a different whole set of things. And so to try to project exactly how this will all net out, because there's been talks of discussions, negotiations underway with India and with South Korea and with Vietnam and with a whole host of countries, and to project exactly how it'll play out, it's difficult.

What I will say is what's happened, if you go back all the way to 2019 and the tariffs that were put on fairly quickly during that period of time, that really spurred a lot of companies who had not yet created a lot of diversification to really work on diversification to multiple places. So we have suppliers who have manufacturing capability in multiple countries.

And then what they do is they flow goods based on, of course, where they have capacity and skills, but, frankly, a lot of it is where does the cost come out the best between the various types of manufacturing operations they have. In some cases, they may have more automation. In some cases, they may have optimization for certain types of degrees of finishes. There's a raw material supply chain. There's a whole bunch of variables that drive that.

So long story short, what I would say is, I don't think suppliers are all in on a specific bet of how things are going to play out, but they have a general trajectory that they believe, and I think they're optimizing for that. And obviously, they're trying to do it in a way that they're creating kind of a multivariate solution so that they can evolve it as needed.

And I think today, we sell goods on our platform that come from – that are made in over 100 countries. So there is a wide amount of diversification that already has taken place. And I think our suppliers have a view on kind of relatively what's – range of what could happen, and they're kind of playing towards that. And in general, we feel like that sets things up pretty well around flexibility and agility for our platform, given our base of suppliers, the large number of them and the dynamics we have. I don't know, Kate, is there anything you'd like to add?

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**Kate S. Gulliver**

*Chief Financial Officer & Chief Administrative Officer, Wayfair, Inc.*

**A**

Yeah. Ygal, I'd say the other piece in this environment, and frankly, it's a reiteration of what we've been saying for many quarters now, given the complexity that this category has been in that we've been navigating through, is our focus is on controlling what we can control. And we think we've done that quite effectively over several years now of cost take-outs. You saw us report an SOTG&A number that was our lowest since 2019, right? That's multiple years of work to get there. So we've kept really tight control of our cost structure. And this allows us to enable to deliver what's best for our customers by partnering with these suppliers.

So we have very good cost controls. We have a wide range of suppliers across a wide range of countries. And overall, that allows us to position the best product, the best opportunity for our customer to buy what she needs, and doing that enables us to gain share. And we're quite confident in our ability to do that going forward.

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**Ygal Arounian**

*Analyst, Citigroup Global Markets, Inc.*

**Q**

Okay. That's really helpful. And maybe to follow up on the opportunity to take share and tying that into the advertising strategy in this environment. Kate, you mentioned leaning in a little bit as things were going better than expected, maybe I'm not characterizing that perfectly. But how do you think about your advertising message? Is there an opportunity to kind of make that message to the consumer where you come to Wayfair, get better value in this type of environment and stepping into that over the course of the year? Thanks.

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**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

**A**

Yeah, sure. I'll share a couple thoughts and then turn it over to Kate. So, on our marketing spend, one thing I do want to just reiterate, we do measure it by the paybacks it creates, and we've tightened up those paybacks and we've now – we continue to hold that degree of tightness.

So we don't like create a budget and then spend it regardless of what we're seeing for signal. We make sure that it's paying back. A portion of it's around brand building and that would be longer paybacks and a portion that's much more transactional and that gets paid back much more quickly. But everything is on a relatively short payback still.

And there are certain channels – we're largely in certain channels that are emerging for us that have grown to be large in the industry that we think there's an opportunity for us to sort of grow in while doing so profitably, right? So, we also think about our whole goal is to grow EBITDA dollars. And so the way we think about it is, like what's the optimal mix of things between whether it's in the cost of goods line or whether it's in the SOTG&A line or the AC&R line that let us maximize the growth of profitable dollars. And that's kind of the way we're managing it. And so we are seeing already the outcomes of that. But, Kate, I don't know if there's anything you want to add.

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**Kate S. Gulliver**

*Chief Financial Officer & Chief Administrative Officer, Wayfair, Inc.*

**A**

I think Niraj framed it well. Our focus is on growing adjusted EBITDA dollars. And again, we've done that for quite some time now and we'll continue to do that.

On the marketing spend, specifically, I think maybe what you're referring to is it did step up in Q4 and that was – as we explained at that time, that was we saw some opportunity where we had actually left dollars on the table, frankly, because there was an opportunity to invest further there. That will manifest on a multi-quarter basis over time.

There was also some of that testing that Niraj spoke about. And you saw it come in quite a bit this quarter relative to Q4, as we had foreshadowed on the Q4 call. We are excited about what we're seeing in testing. We think that there's opportunities and unlocks here that will manifest over time.

**Ygal Arounian**

*Analyst, Citigroup Global Markets, Inc.*

Thank you.

**Operator:** And your next question comes from the line of Michael Lasser with UBS. Your line is open.

**Michael Lasser**

*Analyst, UBS Securities LLC*

Good morning. Thank you so much for taking my question. So it sounds like your message is, listen, we've got a lot of benefits from tariffs, so just there's many more benefits than drawbacks. The big unknown is what's going to happen to the demand environment. So with that being said, is it right for us to continue to use this incremental/decremental margin of mid- to high teens as we try and synthesize what the model looks like over the next couple of quarters?

And then longer-term, does Wayfair need to make any adjustments to the extent that this tariff regime stays in place such that its margins would be permanently impacted, or is that not realistic given that the benefit of time would provide more flexibility to make any changes and adjust accordingly? Thank you very much.

**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

Yeah. Thanks. Let me mention – let me try to clarify that comment on benefit and then I'll turn it over to Kate to answer your question. Just to be clear, I'm not saying that we benefit from tariffs. What I'm saying actually is that in a scenario where there are these tariffs, our business model of being – having a platform, having a very large number of suppliers, allowing suppliers to have a dynamic where they control their destiny by competing with one another and focusing – our business is focused on these substitutable categories. This creates a much more beneficial scenario than if we were a traditional retailer where we had merchants, where we bought goods from a narrow set of factories in a long-dated way. And now – and we're the importer of record. And now we've got all of a sudden these tariffs, and our plans for the next 12 or 18 months have been locked and we're in a tricky situation. So it's more a relative thing versus saying that tariffs are beneficial for us as a direct point. But, Kate, let me turn it over to you to answer.

**Kate S. Gulliver**

*Chief Financial Officer & Chief Administrative Officer, Wayfair, Inc.*

Yeah. So, Michael, we remain quite focused on flow-through and continuing to drive growth in adjusted EBITDA dollars, as we actually just referenced a minute ago. And you saw that pan out quite nicely this quarter, right? And

so there's a few different moving pieces on that. You've seen us continue to take in that SOTG&A line and get real structural efficiency there that has been enduring now for quite some time. And that's allowed us to invest in areas like the marketing spend and still grow adjusted EBITDA dollars. And in fact, that panned out quite nicely, as I said, in the first quarter of this year, and we believe will continue to going forward.

So our focus remains on growing those adjusted EBITDA dollars, growing that concept of owners' earnings that we've talked about. And that continues to be our long-term focus.

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**Michael Lasser**

*Analyst, UBS Securities LLC*

Q

Okay. My follow-up question is, Niraj, your stock has been adversely impacted by this tariff situation. There's probably a lot of misunderstanding, given what's been helpfully presented today. Is there enough capacity in other markets outside of China to absorb the demand for the production of home furnishings to make it a relatively seamless transition as this potential situation continues such that there wouldn't be a lot of disruptions for Wayfair as your platform shift to wherever the demand or supply, I should say, goes?

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**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

A

Sure. Yeah. So I would share your observation that the stock certainly has not been great and that I do think folks misunderstand some of our relative strengths and how well things are going. But to answer your specific question on capacity outside of China, well, I'd say there's actually a large amount of capacity outside of China, and I kind of said this a few times, but the demand in the category has been weak for a number of years in a row. And so the amount of capacity that exists is the operating level of it right now is far below the capacity that is available. Obviously, folks source and bring in goods from wherever kind of the best price value for them is.

And so think of tariffs as something that changes the landscape of price value from various different, in this case, countries around the world, that will change the math for folks. And there's a lot of capacity that can – where things can move.

In terms of disruption, I wouldn't claim that that makes it then just a light switch and super smooth. But this is again where our platform helps us because we have this logistics capability that's fully integrated that actually operates in all of these places already. And so that gives us a significant benefit over others. We already work with this large base of suppliers from all over the world, whether that be other countries in Asia, whether that be folks who have multiple manufacturing locations, whether that be countries that have been emerging and scaling like Turkey, India, Brazil, whether that be different countries in Europe, Eastern Europe that are considering becoming larger exporters.

So we're quite advantaged in this environment because of how we're set up.

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**Michael Lasser**

*Analyst, UBS Securities LLC*

Q

Understood. Thank you so much and good luck.

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**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

A

Thank you.

**Operator:** And your next question comes from the line of Simeon Gutman with Morgan Stanley. Your line is open.

**Simeon Ari Gutman**

*Analyst, Morgan Stanley & Co. LLC*

Q

Good morning, everyone. My first question, I wanted to ask, the last time we had some tariffs, we saw some price increases. And I think your margins were just fine to all the points on the take rate. There was a little sticker shock in initial couple of quarters and sales slowed a little. It doesn't sound like that's happening, but thinking about if that happens, where you see some sticker shock from pricing, how do you think about managing it, given that you've made a lot of positive changes now to the P&L? What's the contingency plan? Are there offsets to be able to manage with potential deleverage?

**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

A

Yeah. Let me answer a little bit of that question and then turn it over to Kate to further answer it. I think when you think about what's changed from 2019 to now, I think there's a couple of things. So, one, when I talk about the dynamic on the platform and I talk about basically the breadth and depth we have of suppliers from all over the world, that has certainly increased substantially since 2019. I think we have doubled the number of suppliers. And then if you look at their geographic distribution, that would be – it'd probably change even more than that.

And then the other thing would be our logistics capabilities. So, when I talk about the consolidation operations we have, number of locations abroad, the number of freight lanes, ocean freight lanes that we operate our ocean brokerage on, when I talk about the forward-positioning capabilities we have, both from a technology and a physical logistics standpoint, that's much, much more enhanced. So, there's quite a lot that's advanced on the logistics side, which ends up being material to how you think about this, because that is – it's one thing to say like I'm going to figure out how to buy goods in other countries, another thing to say, oh, I have suppliers who actually operate there and they want to scale up and we have the logistics capability they can just use. So they just need to do their end of it and then they can leverage us for these other things.

So I think we're pretty advantaged there. The other thing I would say is one of the things that we embarked on around that timeframe was a large tech re-platforming of our large tech stack. And that project ended up taking a number of years, but we're now substantially through that. We're very far into it. And so, this is the first time in a few years where we're now turning tech capacity back towards building feature function, which is historically a big way that we've driven our growth.

So when we talk about these levers we have to take market share and accelerate our rate of taking market share and grow profitably, things like growing our loyalty program, Rewards, or scaling up Wayfair Verified, our editorial program, or what we're doing with our B2B sales force or enhancements we can make to customer service, what happens is we actually now can dedicate technology resources to those for the first time in a number of years. And that I think is actually a pretty big lever for us to actually drive growth in our business, which I think could be pretty exciting, because even if it's a tough macro, it's still a very large category and there's a lot of share to be had. Kate?

**Kate S. Gulliver**

*Chief Financial Officer & Chief Administrative Officer, Wayfair, Inc.*

A

Yeah. Simeon, you asked us sort of about, based on the cost changes, how might this pan out differently for us than 2019 and I think you actually somewhat answered it in your question, which is we're in a very different cost

position. We are much more efficient on the P&L than we were in 2019. We've proven that out now over actually multiple years at this point.

And so our ability to find the appropriate opportunities to lean in with the consumer on a focus on adjusted EBITDA dollars growth, right, and free cash flow growth is quite different now than it was then because of the structural changes that we've made. And that's why we're confident in saying we're committed to growing adjusted EBITDA dollars and free cash flow growth in 2025, and we feel good about that path forward.

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**Simeon Ari Gutman**

*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. My one follow-up, just thinking about the vendor community. Niraj, you talked a bit about this. And thinking about China-based vendors, have you seen a lot of movements already? And we think about some of the makers of product, if you're a single-source origin, Wayfair should be no worse off. If a certain table with some modifications appears on many different platforms of your competitors and you, that price in theory goes up. But is there a situation in which some platform, a vendor moves production and a price can be lower? Like, how do you think about that? Like, the risk that someone else moves a vendor quicker and someone else's platform has a lower price, why shouldn't Wayfair be disadvantaged in that situation?

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**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

A

Yeah. So again, there's two types of competitors. So there's competitors who are also platforms. There, I would talk about the scale of our team, the size of our team that directly works with suppliers versus them solely having to work with us through the technology we offer them. And that's a real advantage we have there. And then there's kind of what we've built for logistics that's bespoke for home goods. So there's some advantages we have there.

I would say, by and large, with the biggest platforms out there, we work with a very large breadth of suppliers. And so I'm not sure that they have a substantial advantage over us when you think about the number of the other platforms. And I think we have an advantage over a number of them. So it's a balancing act. We're one of the strongest for sure on that side.

Then, if you talk about traditional retailers, I think there, you have them sourcing from a very specific company and they generally have sourcing offices in one, two, three, whatever numbers of countries. They focus on certain regions and then they are directly sourcing from these factories. You could say, okay, well, they'll stop sourcing from one, they'll start sourcing from another. That then becomes a question as to do you really know what factories they want to do that from, have they been working with them already or not? If not, that start-up period, it could take a while, but they would have the ability to directly write a purchase order to that company. But I don't think that that's a very fast thing.

So then the question is like which model is faster. I would argue that the platform model where you're already working with folks, particularly where you could provide the logistics, would be generally faster.

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**Simeon Ari Gutman**

*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. Thank you. Good luck.

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**Operator:** And your next question comes from the line of Peter Keith with Piper Sandler. Your line is open.

**Peter Jacob Keith**

*Analyst, Piper Sandler & Co.*

Q

Hey. Thanks. Good morning, everyone. Just focusing on, when prices go up, I think we can all agree that they will go up at some point on your platform, is the intent that you want to hold the product margin or hold gross profit dollars, or would you even absorb some of those price increases just for price competition?

**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

A

Yeah. So, the way to think about that is, like we're always running different pricing tests to make sure that our take rates, our margin rates by the various subcategories that we vary the margin rates by that they're optimized to maximize our profit dollars. So we will always do that. But generally, the way to think about it is, when a supplier changes the input cost, whether that be the wholesale price they want to charge us or the logistics setup, that flows through into a retail within a matter of minutes.

And so, there's the kind of long-term data science approach where we're constantly testing different cohorts to find the optimal margin rates and those changes continue to flow through the system. And then there's sort of a given supplier's activity. And so those two I'd encourage you to kind of think about them separately. They're both optimized to create the best outcomes for the customer and us together. And that's why we talk a lot about growing profit dollars because that's the optimization function that we're focused on.

**Peter Jacob Keith**

*Analyst, Piper Sandler & Co.*

Q

Okay. That's helpful. And then, it sounds great on CastleGate that you've gotten a lot of inventory that's flowed through and sounds like some nice margin benefit in the near-term. But I was also thinking back to what seems to be in the back half of the year will be sort of COVID-like inventory shortages that we saw in 2021, 2022. And that was a period where you guys did see gross margin pressure and there was less utilization of CastleGate. So I'm wondering if we just go forward a couple of quarters, tariffs stay in place on China, is that a risk that CastleGate inventory could actually start to come down as suppliers just basically hoard inventory in their own DCs?

**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

A

Yeah. So, it's not clear that there's going to be inventory shortages, based on the conversations we've been having with folks. I think the 2021, 2022 period was different, in that you had a combination of – due to COVID restrictions, there was very limited ocean freight capacity and different countries had different periods of production shutdowns mandated by the government. So there's an artificially low amount of supply driven by governmental regulations, while at the same time, due to stimulation of the economy and federal spending and checks, there was a high level of demand. So you had a kind of high market demand and a government suppressed low amount of supply. So that created these shortages.

This time, when you talk to suppliers, the reality is that there is no – we think the equilibrium will be held, supply and demand. We see suppliers not thinking about, hey, I'm just going to sit tight and happy to not sell things. It's like, oh, well, I got to figure out how to react. And this is an opportunity for me to take share. And again, it's been a tough category for a few years. So, you actually see the stronger ones wanting to take advantage of the opportunity, don't let a crisis go to waste type thinking.

And so I think the scenario this time is actually quite different. Kate, I don't know anything you want to add.

**Kate S. Gulliver**

*Chief Financial Officer & Chief Administrative Officer, Wayfair, Inc.*

No, I think that's well covered.

**Peter Jacob Keith**

*Analyst, Piper Sandler & Co.*

I would agree. Thank you so much.

**Kate S. Gulliver**

*Chief Financial Officer & Chief Administrative Officer, Wayfair, Inc.*

Thanks, Peter.

**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

Thanks, Peter.

**Operator:** And I will now turn the call back over to the Wayfair team.

**Niraj S. Shah**

*Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.*

All right. Thanks, everybody, for joining. And we hope you have a good spring and start of the summer.

**Operator:** And this concludes today's conference call. You may now disconnect.

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