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# Wayfair, Inc. (W)

Q4 2025 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Hello, everyone. Thank you for joining us, and welcome to the Wayfair Q4 2025 Earnings Release and Conference Call. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions]

I will now hand the call over to Ryan Barney, Investor Relations. Please go ahead.

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**Ryan Barney**

*Head-Investor Relations, Wayfair, Inc.*

Good morning, and thank you for joining us. Today, we will review our fourth 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 would 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 first quarter of 2026. 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 in our expectations and assumptions. Our 10-K for 2025 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 contribution profit, contribution margin, adjusted EBITDA, adjusted EBITDA margin, and free cash flow. These non-GAAP financial measures should not be considered replacement 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 like to now turn the call over to Niraj.

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## Niraj S. Shah

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

Thanks, Ryan, and good morning, everyone. We're pleased to talk with you this morning to discuss our fourth quarter results. Q4 capped off a tremendous year for Wayfair, with revenue growing 7.8% year-over-year, excluding the impact of Germany. This growth was evenly split between order growth and AOV expansion, both of which grew more than 3%. We had our third consecutive quarter of new customer growth on top of healthy growth in repeat orders, all in the face of a category that contracted in the low-single digits for the final quarter of the year.

2025 was a year where we returned to growth and accelerated throughout the year through a number of organic business strategies that can compound for years to come. Numerically, this was characterized by two important themes: our share-taking and top line growth overwhelming the drag of the macro and the substantial flow-through of that growth to the bottom line. We expect our top line growth and flow-through to adjusted EBITDA to be the bedrock of our story for years to come.

The opportunity in front of us is considerable. We're playing in a category that is nearly \$0.5 trillion in the US, Canada, and the UK. The space is highly fragmented, filled with either large retailers that don't focus on home goods, or pure-play competitors that cannot match our scale and the benefits we bring to both our customers and our suppliers.

Our company was built around the idea that we could leverage technology to build a large business in an underserved retail category by being innovative in how we serve customers and by continually making our customer experience better. Through our history, this simple, though hard-to-execute strategy worked, and as a result, we saw it lead to rapid organic growth and an ever-larger business through the wonders of compounding.

Earlier today, we published our annual shareholder letter, where Steve and I explore the three core levers of our growth in 2026 and beyond: one, improving our core recipe of selection, price, availability, and speed of delivery; two, inventing and scaling new business initiatives, which can meaningfully contribute; and three, leveraging technology to improve how we operate, how our suppliers build their business on our platform, and how customers engage with us.

We're focusing on activating the true power of our technology organization and the AI-driven enhancements we plan to bring to the shopping experience customers have at Wayfair. We talked about that at length on our third quarter call with our CTO, Fiona Tan. So, I'd encourage anyone that didn't have the chance to go back and listen to that.

Technology underpins everything we do and is the key enabler as we scale some of our newest growth drivers. I'd like to spend time talking about two of these today: our physical retail portfolio and our loyalty program, Wayfair

Rewards. 2026 will mark a major milestone in our evolution with the launch of our next set of Wayfair stores. You've heard us talk at length about the major points of success we've had in our store just outside of Chicago for nearly two years now. More than half the customers that have come through the store have been entirely new to file, and we've seen continued post-store visit lift on sales in the surrounding area.

That journey will continue with the launch of our next store in Atlanta early this year, followed by our stores in Columbus and Denver. These will carry over many of the core design themes that have resonated so well with customers in Chicago. Atlanta and Denver will be in the 150,000 square foot range, while Columbus will be a smaller format, roughly 70,000 square feet. Each store will showcase the true breadth of our catalog in a variety of special ways, and you'll find some of the favorites from Chicago, like the Dream Center and Shower Wall, appearing in our Atlanta store as well.

This is a hallmark example of our ability to drive cost-effective execution at scale. We already have years of investment across the most significant areas a retailer needs to be successful: our brand, our fulfillment and delivery capabilities, our supplier relationships, and our curated offerings. The incremental cost here is simply the cost of the stores themselves. These stores are all located in relatively close proximity to one of our fulfillment centers, so when customers purchase large parcel items, those products can show up on their doorstep in a matter of days rather than weeks. And, of course, there's a vast selection of cash-and-carry items in the stores themselves.

Many investors have asked about the working capital needs to fill the stores, and that is another area where our unique platform model shines. The products in the stores are largely owned by our suppliers, exactly like items stored in CastleGate. In many ways, the store functions as a new form of consumer marketing, with the product offering and inventory provided by our suppliers who've been very keen to put their items on our shelves.

From the beginning, one of our objectives with physical retail has been growing share of wallet among our shoppers across all categories, and also notably when it comes to frequency items. Today, customers are, on average, spending roughly \$600 per year on Wayfair across two shopping occasions, out of the roughly \$3,000 they spend on their homes in total each year. Part of the story is one of awareness. Walking through a physical store gives every shopper a broad view of the breadth of our categories and the depth of our assortment, often inspiring purchases they didn't know they could get through Wayfair.

We're seeing this work in real time. In the Chicago DMA, we've seen a nearly 30% spread in the performance of our frequency categories. Items such as bedding, decor, kitchen, and tabletop is a few examples compared to similar DMAs. In tandem with our physical retail efforts, one of our other big initiatives is to drive share of wallet expansion via our loyalty program, and soon shoppers will actually be able to sign up as they're checking out from any of our stores.

We've heard many investor questions about the loyalty program as we hit the one-year mark, and so I want to spend a few minutes running through some of the highlights of what we've achieved and what's coming next.

We launched Wayfair Rewards in the fall of 2024 with the goal of deepening customer loyalty. The program offers terrific value for shoppers with free shipping, access to members-only sales and events, and 5% in rewards. Priced at \$29 per year, our membership is intentionally designed to be effectively breakeven for that average customer spending \$600 per year on Wayfair. The response we've seen from shoppers over the first year of the program has been terrific, with over 1 million members today. As we expected, many of our existing customers see clear value in the program, and early signups were weighted towards recurring Wayfair shoppers.

As the program matured, we were really pleased to see a nice diversification in the mix of subscribers, as we increasingly drew in non-active customers. In fact, our recent cohorts have shown more than half of new paid members are non-active customers. What's been most exciting are the spending patterns we're seeing among rewards members. As we exited 2025, we're seeing members driving more than 15% of Wayfair US revenue. The average rewards shopper is purchasing on Wayfair across more than three shopping occasions over the first year of the program, and spending multiples more than non-members.

We're seeing higher engagement across a wider mix of our categories. Compared to non-members, rewards shoppers have a conversion rate on furniture and decor that's nearly 3 times higher, and a conversion rate on housewares that's more than 3.5 times higher. All of this comes alongside noteworthy benefits on the P&L.

For several quarters, you've heard us talk about our focus on contribution margin as the best metric to measure our variable cost efficiency rather than just gross margin. Our improvements in contribution margin in conjunction with steady fixed costs lead to healthy growth in adjusted EBITDA, which is our core goal. Wayfair Rewards is a perfect example of this in action.

As you can surmise, the program bears incremental gross profit costs as we offer 5% rewards dollars in free shipping on smaller orders, resulting in a headwind to gross margin. However, the gross margin impact is more than offset by our ability to lever advertising spend as these shoppers return to buy from us at much higher rates. And ultimately, drive share capture through increasing order volume. The net impact is this. We improve contribution margin and lever against our fixed costs to drive appreciation in adjusted EBITDA dollars.

While the moving pieces are slightly different, the outcome is similar for physical retail. Stores actually drive a higher gross margin, but bear incremental OpEx costs from the associates. However, when combined with the uplift we see on revenue, the net impact is attractive growth in adjusted EBITDA.

2026 holds even more for us to unlock for Wayfair Rewards. We're excited about new ways we can acquire members through highlighting the rich benefit set they receive. At the same time, we're going to deepen our engagement with our existing members to keep them coming back to Wayfair for even more of their home shopping. You'll see us broaden the aperture of Wayfair Rewards beyond just the core wayfair.com offering. We've only just begun marketing the program on our specialty retail brands and will launch in Wayfair Canada and Wayfair UK in the months ahead.

And finally, later this year, we're going to debut a specialized rewards offering designed specifically for the luxury customer with Perigold. There's even more we're working on behind the scenes to drive value for Rewards members. We're expecting to add even more members in 2026 than we did in 2025 as Rewards provides one of the many pistons powering our engine of growth this year. You're going to hear that metaphor as a recurring theme across 2026.

While the category may still have ways to go before it finds sustained organic growth, we're firmly in the driver's seat as we propel Wayfair forward. We're set up to take share at a pace we haven't seen in many years and drive top line expansion regardless of the macro while continuing to deliver even more flow-through to the bottom line. We couldn't be more excited for what lies ahead.

And with that, 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 financial results for the fourth quarter before we move to guidance for Q1. Starting with the top line, net revenue grew by 6.9% year-over-year on a reported basis and 7.8% year-over-year, excluding the impact from our exit from Germany. This is our last quarter where there will be a meaningful distinction there. We saw solid performance in both of our geographies with the US business up over 7% year-over-year, while the international business grew nearly 4%.

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

Adjusted gross margin for the fourth quarter came in at 30.3% of net revenue. For more than two years now, we've held gross margins steadily at the low end of our 30% to 31% range as we balance the structural benefits we're getting from programs like supplier advertising and CastleGate against areas where we see an incremental opportunity to invest in the customer experience.

While we'll get to formal guidance shortly, this will be the same play-through you'll see in the first quarter. But as we look deeper into the year, we expect there will be opportunities for us to dip gross margins slightly below 30% as we look to capture share at a faster rate and generate more gross profit dollars at a slightly lower margin.

I want to be very clear here. The magnitude of this will be measured in the tens of basis points, not hundreds. Some of this investment is driven by programs like Wayfair Rewards, as Niraj just discussed. Scaling the number of rewards members comes at the expense of gross margin, but drives improvement on advertising expense, allowing us to hold to our contribution margin target of 15%, and most importantly, grow adjusted EBITDA dollars. Ultimately, that is our core focus, and you should expect to see us grow the top line while delivering healthy year-over-year adjusted EBITDA and free cash flow growth in 2026.

Now, looking specifically at Q4, the combination of 30.3% of gross margin with 3.7% of net revenue going to customer service and merchant fees and 11.4% of revenue going to advertising left us with a contribution margin of 15.3% for the quarter. This was 250 basis points better than we delivered in the fourth quarter of 2024, as we lapped a period of investment into newer advertising channels. SOTG&A for the fourth quarter came in at \$358 million, which in combination with contribution margin expansion led to the significant profitability flow-through for the final quarter of the year.

In total, we generated \$224 million of adjusted EBITDA in Q4 for a 6.7% margin. This was more than double the number of adjusted EBITDA dollars we delivered in Q4 of 2024. For the full year 2025, we grew adjusted EBITDA dollars by more than 60% to \$743 million and improved adjusted EBITDA margin by over 200 basis points, a remarkable achievement that is the culmination of many years of work in cost rationalization on top of a noteworthy year of share capture and top line momentum. As Niraj said earlier, this is just the beginning of much more to come.

We ended the quarter with \$1.5 billion of cash on the balance sheet and \$1.9 billion of total liquidity when including availability under our revolving credit facility. Cash from operations was \$202 million, offset by capital expenditures of \$57 million, leaving free cash flow of \$145 million for the fourth quarter, a more than 40% year-over-year improvement.

We issued our third high-yield bond during the quarter, retired the remainder of our 2025 notes, and repurchased just over \$200 million of principal on our 2027 convertible notes. As with our 2028 convertible note repurchases during the summer, these bonds essentially trade as an equity substitute given the trading price of the stock. So,

another way to look at this is that we offset more than 5 million shares of potential dilution through the two sets of convertible note repurchases in the back half of the year.

Our net leverage is now under 2.5 times, down from approximately 4 times exiting 2024 and over 6 times at the end of 2023. We also saw our burn rate come down meaningfully in 2025, from a peak of 11% in 2022 to just 4% this past year. I mentioned this last quarter, but it's worth repeating once more. We're operating with a dual mandate of reducing leverage while also managing dilution, and we'll continue to balance these opportunistically in the future.

Let's now turn to guidance for the first quarter. Beginning with the top line, we will guide to mid-single-digit growth year-over-year for Q1. We're seeing another quarter of robust share capture translate into healthy growth, even in the face of a category that is starting off the year comping negatively.

Turning to gross margins, as I mentioned a moment ago, we will guide you to the 30% to 31% range, likely at the low end as we find further value and take rate and customer experience investments in the form of order capture.

You should expect customer service and merchant fees to be just below 4% of net revenue and advertising to be in the range of 11% to 12% of net revenue. The net of this should produce a contribution margin of roughly 15% for the first quarter for a healthy improvement year-over-year.

SOTG&A is expected to stay in the range of \$360 million to \$370 million, likely at the lower end of this range. As we've discussed, the power of our model is our ability to scale top line and contribution profit growth without needing to make further investment in head count. Our team is well-equipped today to facilitate considerable growth in the years ahead, which puts us in a remarkable place to see noteworthy leverage as revenue growth compounds.

Flowing all of that down, we would expect adjusted EBITDA to be in the range of 4.5% to 5.5% of net revenue, again, demonstrating robust year over year improvement. While we don't guide on free cash flow, I do want to remind investors that the first quarter is a cash outflow period for us, given the working capital dynamics of our business, even when revenue shows strong year-over-year growth.

Now, let me touch on a few housekeeping items. We expect equity-based compensation and related taxes of roughly \$70 million to \$90 million. You should expect further rationalization here over 2026, even accounting for the \$20 million impact from the performance award, which is reflected in this quarter's figure.

Depreciation and amortization should be approximately \$67 million to \$73 million, net interest expense of approximately \$37 million, weighted average shares outstanding of approximately 132 million, and CapEx in a \$55 million to \$65 million range.

2026 is poised to be a tremendous year for Wayfair. We are leveraging our tech transformation, loyalty ecosystem, and logistics scale to consolidate share in a highly fragmented market. We're in full control of our destiny, and we are well set up to drive healthy top line growth independent of the macro. And we are turning that growth into more profit dollars than ever before.

Our team is energized by the opportunity ahead of us and eager to turn our ambitions into reality. We're excited to have you along on this journey with us. Thank you.

And with that, Niraj, Steve, and I will take your questions.

## QUESTION AND ANSWER SECTION

**Operator:** We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Eric Sheridan with Goldman Sachs. Your line is open. Please go ahead.

**Eric J. Sheridan**

*Analyst, Goldman Sachs & Co. LLC*

Q

Thanks so much for taking the question. I wanted to ask sort of a multi-parter around AI. When you look at the current landscape, can you talk a little bit deeper about some of your initiatives, both internally that could be aimed at reducing friction in the business and/or driving operating efficiencies from AI? And how you're increasingly thinking about partnering with external parties to bring your brand and your marketplace into external environments like LLM agents as a potential pathway to market? Thanks so much.

**Niraj S. Shah**

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

A

Yeah. Thanks, Eric, for the question and for being on the call. Actually, so one thing I'll just reference, because I'm sure you and folks haven't had a chance yet to see it, but today obviously we released earnings and the refreshed investor deck, but we released our annual shareholder letter. And in the letter, from Steve and I, we actually talk a lot about how we look out to the future, the opportunity we see for the business, the economic opportunity, but specifically what drives it.

And one of the three things that we talk about significantly in it is how technology plays a big role. And there's a meaningfully – not very lengthy, but a page or so about AI. And it basically tries to address exactly what you're asking. So, I'll give like a kind of a summary answer right now, but I think you'll probably find that and others may find that of interest.

And what we talk about there is basically exactly as you posit it, there's significant internal benefits, and the internal benefits have a lot to do with how AI is really an unusual opportunity in that you can improve quality, improve speed, and reduce cost, all at the same time. Whereas usually the truth is when you have a technology that comes along, that's transformative, usually there's an opportunity for quality and/or speed, but it comes at a cost, but the ROI is there. And here, what's tremendous about it is that you can actually do all three at the same time.

So, on the internal operations, you obviously start with everyone using an enterprise LLM, chat product. In our case, everyone had Gemini connected to all our data stores to help them do their work more productively to get answers to questions. But where that fairly quickly led to is how agentic workflows can allow you to automate meaningful pieces of work and do them, again, as I mentioned, faster, at higher quality, at a lower cost.

And the speed of the development of the technology has been tremendous to where we have – we started, let me take a step back, a year ago with some high-level areas, a top-down effort. Like how can we really help our customer service agents do a great job for some of the more simple inquiries? How can we just automate the answers to those? And we're doing that. And we're getting like higher customer sat scores on those. And then our agents are benefiting from where we have the assist – co-assist product for them on the more complicated ones. And we did that in, like, a half-dozen areas, how we maintain the product catalog, information, how we find inaccuracies in the catalog, et cetera.

Where we then went to is now at the individual or at the group level, how do you take workflows and help automate a work in there, getting rid of some of the work that's monotonous and repetitive, and do it in a way that's quick, faster, more accurate, freeing up people's time to work on things that are higher value. And if you think about the efficiency opportunities as you reshape how you allocate resource in the future, there's upside there. So, there's a whole section of activity there.

And then when you think about external parties, there's kind of two big groups of external parties that I'll just touch on really quickly. One is how we help our suppliers succeed on our platform. And that's about giving them tools and taking all the process work of things they need to do with us, and eliminating a lot of the work that's time-consuming and has the same sort of dynamic as you would think about with internal activities, and allow them to then do more to grow their business on our platform.

And part of it also then is giving them analytics and insights that allow them to understand what's happening on the platform in a way that then allows them to know what to do. And so, there's a set of activities there. But then I think where you were going on the external parties has a lot to do with the kind of the agentic surfaces that are out there, the kind of the core AI leaders that are out there.

And I think I would draw an analogy to how, in the early days going back to whether it was Google or Meta, later Pinterest, how we've always been a partner working with those folks on both making sure that we show up very well there, and that's in organic, placements, and how we give them product information, feed data that allows them to represent us in a way that helps them with the consumer experiences they want to create.

But then also as they have paid advertising products and the like, how are we an early partner helping them develop those? Or in the case of commerce transactions, which Google did with Express and Shopping, and Pinterest did with Buyable Pins, how are we an early partner there, helping them with that? Well, that analogy, if you go to today, while using Gemini or ChatGPT are different than using these other products, I think there's an analogous series of activities where you start talking about how do we make sure we optimize how we show up there and represent ourselves well and make sure that the product information is all there, including very nuanced details.

But then it goes to they want to develop advertising units. Well, you partner with them on that in a way that allows us to, again, leverage all the data and the technology we have to make sure that we are a beneficiary as well. And then, frankly, with customers engaging there, they foresee a world where on some set of transactions, consumers may want to execute the transaction on their agentic surface. And that might be an agent executing a transaction. If it's a commodity purchase, you're buying paper towels, it might just be replenishment, or maybe the agent's deciding how to solve that for you.

And so, they want to develop commerce protocols. So, we've been a partner, and I think multiple of them have named us as one of their handful of partners that they're developing those with. So, I think you're seeing us be very early there. And then, in our world, we think that what's going to happen, because it's not a commodity good, where you're not going to be just, hey, I need some more of this and some more of that, and whoever can get it to me by Friday at the lowest price is great.

It's going to be something where there's a lot of exploration customers doing the category. There's a whole view as to how that traffic gets handed off mid-funnel to places like Wayfair. And some of that, again, is organic traffic, and some of that could be paid traffic in the form of ad units. So, this is kind of a relatively holistic view we have. So, I think you're going to see us continue to be referenced as an early partner in all these places. I think it's very early in how this will all shape out, but I think we're the same way being technology driven – Steve and I's

background, both as engineers, has been a mainstay of how we've been able to grow the business. You're going to see that continue to be true here.

**Kate S. Gulliver**

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

Thanks, Eric.

A

**Operator:** Your next question comes from the line of Simeon Gutman with Morgan Stanley. Your line is now open. Please go ahead.

**Simeon Ari Gutman**

*Analyst, Morgan Stanley & Co. LLC*

Hey. Good morning, Niraj. Good morning, Kate. I wanted to...

Q

**Kate S. Gulliver**

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

Good morning..

A

**Simeon Ari Gutman**

*Analyst, Morgan Stanley & Co. LLC*

...ask about margins longer term. And if I get a follow-up, I want to ask about holdout tests. On the margins, so you had a really good incremental margin, I think, Q4, a big number, like north of 50%. Q1 looks pretty strong as well, in the 20s. Can you update us on how you see incremental margins evolving, especially if the top line recovery continues over the next few quarters? And then, we've talked about things you've done or that AI can help do on SOTG&A, on your cost base. So, is it a level of revenue growth, or is it a matter of time until you get to your long-term EBITDA margin targets?

Q

**Niraj S. Shah**

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

Yes. Simeon, let me start with some thoughts, and then I'll turn it over to Kate. I think the way to think about it, so just to take your question and kind of flip it around a little bit, what I would start with is, so what you've seen is as we got through the tech replatforming and we got through a bunch of the things we needed to do to get our organization back to being very lean, focused, efficient, executing very well, and that's all the work we did already, 2022, 2023, 2024. The category in those years, comping down negative double digits, we were kind of flattish through most of that period.

A

We entered 2025 sort of flattish, entered it like, call it, 0% revenue growth. By the end of the year, you see us sort of like in a mid- to high-single-digit revenue growth and it kind of ticked up each quarter. And that's while the category continued to comp down. I think the overall TAM was probably down low-single digits. If you index it to the categories we're stronger in, probably down mid- to high-single digits. But you see us pull away.

Well, that's really due to us taking share because you saw profits grow even faster during the time period than revenue grew. And so, we're taking share, we're taking share profitably. Well, how we're doing it through these core initiatives we had, like I talked about stores, for example, and Rewards on the call earlier. Well, there's over a half dozen of those.

So if you kind of look at what we foresee going forward is that these initiatives – a lot of these initiatives are set up to basically kind of continue to scale and compound these wins, because a lot of these will get you new customers. They'll get you new customers and drive loyalty from them. A lot of these initiatives will help customers understand the breadth of the categories we're in and they'll start buying more in categories that we under-index in. So, there's all these things and that customer share wallet grows profits faster than it grows revenue.

So, the way to think about what we're expecting to have happen is we're expecting to see the rate at which we outpace the market continue to expand and through our own initiatives, not through the market recovery. And then we're expecting to see profits grow even faster than that through the combination of leveraging fixed costs and through the economics of these initiatives themselves, through the combination of those two things. And so, that's like the business strategy and the activities that are happening that are driving what you're noticing, which are like the quantitative analysis of the results.

And that's kind of what we foresee happening. So then you say, well, so then what would that create? That would continue to create this outpacing where you see the profits grow faster than the revenue. So from your standpoint of incremental margins, you say, well, the incremental margins look quite strong, right, because the incremental margins are quite accretive. But let me turn it over to Kate for anything...

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**Kate S. Gulliver**

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

A

I actually think Niraj hit on the key point, right, which is that we expect to be able to continue to grow and accelerate EBITDA dollars faster than the top line. And so, you are going to continue to see very nice flow-through there. And just as point of fact on that, midpoint of our guidance range in Q1 is over – the EBITDA margin is over 100 bps higher than the Q1 2025 EBITDA margin, right? So, I think that shows the strength of the flow-through in the model. And as Niraj pointed out, that's been driven by a number of measures internally.

You see our SOTG&A, our SOTG&A, that operating expense down again this quarter, I think that's many quarters in a row. I can't even count how many at this point because it's a few years in a row of that SOTG&A coming in. So, that's providing really nice leverage there. And then that contribution margin around that 15%, again. So, you see this ongoing pattern of driving to that adjusted EBITDA growth. And that's really the North Star that we're driving towards.

And when you think about these initiatives internally, Niraj mentioned Wayfair Rewards on the call and talked through that. The way that we look at them is how can we improve the customer experience with it, but make sure that even if the components of margin move around a bit, that we're again flowing that through at that adjusted EBITDA growth rate.

The second part of your question was that timeline to 10% plus adjusted EBITDA. So, I do want to be clear, we talked about we believe we can actually get over to that 10% adjusted EBITDA. And we're pretty excited about the potential to do that. I think we've shown that even in the down market, we've been able to grow adjusted EBITDA margins significantly throughout the year. And as we look forward, certainly top line momentum obviously helps you on that leverage. And we think a number of our own self-help initiatives can continue to drive those share gains somewhat irrespective of the macro.

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**Simeon Ari Gutman**

*Analyst, Morgan Stanley & Co. LLC*

Q

Great. The holdout test that you're trying, does that shape how you're spending advertising in 2026 or not yet?

**Niraj S. Shah**

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

A

Yeah, I think the way to think about the holdout tests are that that's not a one-time activity. That's like a ongoing set of activities so that the holdout tests don't sort of start and stop, but there's periods where we're running more of them than other periods. But I think what we've been able to do is run – get back into a cadence of running a relatively high amount of tests that have let us really hone how we do a lot of the marketing attribution and make sure that anywhere we're spending advertising costs, we get to really good precision on where we're getting a return and, therefore, spend our money wisely.

And you've seen some of that in the form of the ad cost leverage where we're certainly scaling in a lot of new channels, but we've also been able to become more honed and surgical in where we're spending money. And so, we've been able to drive up our return in a way that we've been pretty happy with. But let me...

**Kate S. Gulliver**

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

A

Yeah, Simeon, I think you may be referring specifically to the Q3 testing of last year. That was a little bit bigger than maybe typical on any given quarter. To Niraj's point – so there's a little bit of quarterly change in that. To Niraj's point on what we've learned, I think, for example, we've seen pockets of influencer spend and other elements there that we actually believe we can spend into and yield the kind of returns that we're expecting and requiring ourselves to get on those lines.

**Simeon Ari Gutman**

*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. Thanks. Good luck.

**Operator:** Your next question comes from the line of Steve Forbes with Guggenheim Securities LLC. Your line is open. Please go ahead.

**Steven Forbes**

*Analyst, Guggenheim Securities LLC*

Q

Good morning, Niraj, Kate. Niraj, maybe just revisiting...

**Kate S. Gulliver**

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

A

Good morning.

**Steven Forbes**

*Analyst, Guggenheim Securities LLC*

Q

Maybe just revisiting your comments on physical retail expansion as we look forward to this next class of stores, I wanted you – I was hoping you maybe could revisit Wilmette and talk about how those DMAs surrounding the store have performed sort of two years in here. Is the outperformance gap versus the company average still as strong as it originally was? In any way, sort of like frame up for us how you're thinking about how those DMAs surrounding those new stores should perform in 2026?

**Niraj S. Shah**

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

A

Yeah, Steve, that's a great question. So, the store in Wilmette opened up quite strongly when we first opened in May of 2024. We could see the lift in that trade area in the state of Illinois very quickly. Now that it's been open over a year, it's been open over a year and a half at this point, what we've been able to say is that we've seen that continue nicely. And in fact, in the refresh investor presentation, we put a slide in and put some updated numbers, and we talk about how the store – one thing that's exciting about the store is that it's attracting new customers. And you're seeing that – our business overall, you're seeing that we have order growth in new customers and in repeat orders. So, repeat orders, which are 80% of our orders growing, new orders, 20% [ph] of orders (00:36:18) growing. So, the store is one small piece of how we're doing that, but the stores help us attract new customers.

But to your point, we also put the CAGR in there and we see that the Illinois over national growth CAGR, you see that it's an over 10% CAGR since the opening. And what's happening is that customers obviously could be loyal to Wayfair from experiencing our online offering, be very happy with that. Then having a store is only going to take those loyal customers and have more use cases and methods to interact with us and grow with us. So, it's going to enable us to get more share of wallet from them.

And then you may have new customers who maybe have heard of Wayfair, but have never really engaged with us, and maybe they're sort of online for the home category is not a comfortable thing for them to think about, or maybe they were habitual and going to other places. [indiscernible] (00:37:03) some of the store, it may dent that curve. They experience Wayfair in a different way. Well, that could lead to not just buying in the store, but that could then lead to them buying online as well. And so, what you see is that the interplay of the store to the overall impact in the trade area is very nice, where the store itself is very economically productive. And we're really changing the customer's behavior.

And so, there's a big strategy, if you think about what we're trying to do, is if the average customer was spending \$600 with us a year out of, call it a \$3,000 or \$4,000 annual spend, how do we, high level over time, get to, call it \$1,500? How do we get to half of their wallet? Or, you know what, pick some number, but meaningfully higher. And the answer is, well, one thing that you look at and you say that is, well, you really need them to buy across the breadth of categories that Wayfair offers, because if they only buy in a small subset of categories, well, you're limiting how much they could really buy with you.

What does that mean? Well, you'd want them to buy small frequency items, candles and pillows from us, as well as we'd want them to do a renovation project with us, where we could do the cabinetry, we could do the large appliances, we could do the flooring and tile, we could do the plumbing. And so, how do you do that? Well, they need to become aware that we're in all these categories. We need to give them an easy way to buy these categories. Some of these categories are easily purchased in-person. Some of these categories require working with a designer, may require financing. Some of these categories, we just may not have the awareness. How do you grow the awareness? Someone running into that in the store is one of the highly economic ways to drive awareness. So, what's happening is stores is one way to dent that.

Then you think about the Wayfair Rewards loyalty program. Well, if you spend \$29, you're getting 5% back in rewards dollars. You're getting access to the members-only customer service line. You're getting access to the members-only sale. Well, once you spend the \$29, you've sunk the \$29, you now want to maximize your benefits. So yes, if you spend \$600, you're breakeven just from the 5%. But the truth is, if you spend the next \$600 with us, in your mind, you just made \$30. Well, that \$600 doesn't need to be incremental to you, just from our standpoint, to be better, it could be incremental to us, and it could just be used diverting that spend.

Particularly, when you start realizing what you're getting in the members-only sales and some of the other benefits, you realize, well, you probably should have been spending that money with us even before, but now you're getting even more juice out of it, and so you should be now. So, there's a bunch of initiatives we have that sort of ladder up to this customer P&L. And this is why we really want to focus on, like, how do we accelerate our revenue growth, taking more and more share, and do it while we grow profits even faster?

Because the lines in between, to our mind, don't really matter in the same way, in the sense that, like, the rewards program, it lowers gross margin, but it grows the profit margin. But it does that because the customers come direct, and there's no – the ad cost is different. Or stores, for example you may say, okay, the gross margin looks great, but, oh, it hurts SOTG&A. Well, why does it hurt SOTG&A? Well, the way accounting works is you got to actually take the store's labor cost and put it into SOTG&A, which doesn't make any sense to me, but that's what you have to do.

So, these things don't make any sense, but it doesn't matter, because if you can grow revenue at an accelerating rate and grow profits even faster, that's really the outcome you want, and that's the way to think about these initiatives.

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**Steven Forbes**

*Analyst, Guggenheim Securities LLC*

Q

That's helpful, Niraj. And then just a quick follow-up, multi-channel fulfillment. I don't think you mentioned in your prepared remarks. So just curious if you can comment on how the benefits of this offering are ramping or accruing to Wayfair and any sort of framework for 2026 on that offering in terms of the benefits to P&L.

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**Niraj S. Shah**

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

A

Yeah, I think the key thing to think about is, like, we've built a logistics infrastructure. So, one of the big opportunities we have is that the way the world's playing out is that it's increasingly hard to be a small player and offer the customers the benefits they expect from a retailer today. And why is that? Well, there's three big things that have a tremendous cost in our business. So, one is the cost of technology. We have over 2,500 folks, and we're getting into a world that's so even technology is mattering more and more, not less and less.

The second is, if you look at – think about the marketing reach we have, with spending over \$1 billion in ad spend and having the brand be as strong as it is, it's very hard to do that if you have a very small budget. And the third is the logistics infrastructure with dozens and dozens and dozens of buildings and 20 million or so square feet of buildings and operations. You can now offer fast delivery and higher quality, lower damage, and better customer services and experiences, et cetera. And so, if you're a small retailer, you can't do that. And if you're a big retailer, there's really only a handful who can do this. You really then optimize it for something.

So, we're the only one who optimizes it for home, because we don't particularly worry about building materials, or grocery, or a bunch of categories, we're not in those. So, we really are only in home, and so everything's optimized for home. And so, then you think about the logistics network, because your question was about multi-channel, and you say, well, how do you think about the logistics network? Well, we say, okay, we've got these suppliers all over the world, and they want to put forth the best experience they can for the end customer so they can get share.

And how do they do that? Well, we have scale they don't have, so we can help them with ocean freight. We can help them with fulfillment. We can help them with transportation delivery. Things that they can't optimize, we can. Well, it really only makes sense for us to do that for items that we can then – where customers can buy at enough

volume, where we can then predict the demand, suppliers can put in that quantity, they can turn that inventory, and customers can then benefit from all the benefits that accrue to them. And because it won't work sustainably for the suppliers, they're speculating goods, and goods come in there, and they don't sell.

So, the big benefit of multi-channel is it allows suppliers to put in a broader breadth of products, which then allow us to figure out which ones are really great winners on our platform. And then suppliers can lean in and put a lot more of that product. We can then position it into more and more facilities, faster and faster delivery, lower and lower shipping costs, less and less damage. And so, think of multi-channel as just one of the most recent additions into the logistics suite that enables suppliers to better take advantage of the Wayfair fulfillment operations in a way that allows them to grow their business on our platform, because they're giving customers more benefits, when all of this along the way helps us.

And so, one of the things I talk about in the shareholder letter is a forthcoming delivery offering for consumers called Wayfair Delivery+. And what we're really excited about that is that's going to offer customers a set of services in a very easy and convenient way that no one else offers, specifically tailored for home goods, that takes away a lot of the hassle that's associated with home goods from a customer standpoint, and lets them then just focus on all the benefits they have, because they want that item, but maybe they want it assembled when it's delivered. And maybe they want the old one taken away, or maybe they want multiple items delivered on the same day, because it's just going to be convenient for them, or maybe they're doing a project, or maybe they're setting up their summer home for the – or they're helping their daughter move into her apartment, or – there's all these use cases.

And so, what you're going to keep seeing us add are services that are software-powered and operations-powered services that sit on top of the infrastructure we've built, that allow the customers to benefit from what we've built, that allow suppliers to more easily participate and economically win in it. Multi-channel is one example, but frankly Wayfair Delivery+, which I talked about in the shareholder letters and other, and we're going to keep seeing us do more and more.

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**Steven Forbes**

*Analyst, Guggenheim Securities LLC*

Thank you.

Q

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**Kate S. Gulliver**

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

Thanks, Steve.

A

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**Operator:** Your next question comes from the line of Zachary Fadem with Wells Fargo. Your line is now open. Please go ahead.

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**Zachary Fadem**

*Analyst, Wells Fargo Securities LLC*

Hey. Good morning. Kate, can we walk through the cadence of Q4 in a little bit more detail and any particular standouts in terms of Way Day versus holiday, et cetera? And then, I know you aren't disclosing quarter-to-date anymore, but since you're guiding for a deceleration in Q1, is it fair to say that the Q4 strength continued into Q1, or not?

Q

**Kate S. Gulliver**

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

A

Yeah. So, as you know, we don't give color or guidance on monthlies. But I think when we look at Q4, what we really saw overall was ongoing momentum of the initiatives that we started over a year-plus ago. So, those are things like Wayfair Rewards that Niraj spoke to on the call, Wayfair Verified that we've talked to in the past. One that we think is particularly exciting, changes to the customer experience from the storefront updating, and that really is due to the developer capacity that we have freed up from the tech replatforming, all of those things combine and really compound to deliver a pretty exciting Q4, in our minds.

As we look into Q1, obviously, we're guiding to a mid-single digits. I think that shows pretty healthy ongoing share gain in a category that we think is actually down low-single digits. So when we look at Q4 and sort of into Q1, particularly with some of the complexities of the weather in the beginning of the quarter, we see our share gains really continuing to grow here, and that's what you're seeing in the guide, and I think that's exciting about our ongoing momentum.

**Niraj S. Shah**

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

A

What I would say is I think Kate hit it there really well. And I think the point is, there's no – momentum is actually the same way we started last year at zero, and we ended the year mid- to high-single digits. And we basically expect to see this momentum continue. So, in other words, we're starting the year – it's the turn of the year, but nothing's really changed. So if you draw the line from the beginning of last year, we should just keep taking it up to the right over the course of time, because the initiatives we have are compounding benefit-type initiatives, and there's a lot of gains we're seeing from them.

And so, the market is sort of not really providing the lift, but we don't really expect it to. And so, a lot of – one of the things I talked about in the shareholder letter is how, over time, we can – we think the organic growth rate can be 20% plus. And that's just off the back of how we can take share through the compounding nature of the benefits we have, and we think we can do that while profits grow faster than revenue.

And the reason is, as I was kind of addressing a couple of minutes ago, is these initiatives drive quite profitable growth, but the growth they drive does compound because it's really about how customer behavior changes in terms of customers understanding the breadth of categories we're in, becoming more loyal, coming back more often, us also getting in front of new customers, drawing them in, and then them going through that same experience curve.

One thing – there's a whole series of efforts that get there. So, I talked about rewards and stores on the call today, but we could talk about what we're doing in our Wayfair Professional B2B program with the account managers, the recently released project shopping tool, and the like. We could be talking about the Wayfair app and how that continues to take share and some of the planned product enhancements this year.

One of the things I will highlight is, now that we're really – the tech replatforming project was a very large project, multiple-year project, but now that we're on the backside of that, the amount of technology resource we can put into product-led growth is substantial. And so, we sort of have the best of the both worlds right now, because we both have a tremendous amount of tech resource coming back available to drive the business forward. I mentioned the app is one thing, but there's a long list of things we're going after. And these things are pretty meaningful. If you just look at the app roadmap, you'd be pretty excited.

But also, you have a new set of technologies available with what Gen AI allows. So, you're sort of at an interesting time where you'd wish you had tech resources you could put against it. In our case, we think we have an amazing team, and we actually do have resources to put against it. We're, in fact, if anything, at the best point in the cycle we could be because we're working off very new platforms that really allow for tremendous amounts of developer productivity and actually solves for one of the challenges in the Gen AI world, which is that the more clean and modern your systems are, the faster it is to use some of the developer productivity tools that are out there as well.

**Zachary Fadem**

*Analyst, Wells Fargo Securities LLC*

Q

Got it. That's helpful. And then, following up on Wayfair Rewards, is there a way to quantify what the drag was on the gross margin line in 2025? And should we think about that rolling off in 2026, or would you expect the impact to persist as you grow new members? And then, I suspect the net impact is positive when you offset that with advertising. But if you could walk through that in a little more detail, that'd be great.

**Niraj S. Shah**

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

A

Yeah, I mean, look, so if things go as we plan, actually the drag should become an increasing drag on the gross margin line, because the number of members and the amount of revenue – of the total revenue that are coming from rewards members actually is growing at a very nice rate. And you'd be fantastic – that would be fantastic. That'd be an amazing outcome, because the profits that you're getting from those customers actually are higher. So, this is why I think, like, the gross margin line or the SOTG&A, like, these lines don't really tell you very much, because if these initiatives are successful, what you should really see is that the revenue line continues to accelerate, the profit line, the EBITDA line, what have you, accelerates even faster. And that's the dynamic you would get, whereas you'd see these lines in between move at a faster divergences. But let me turn it over to Kate.

**Kate S. Gulliver**

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

A

Yeah, Zach, I think Niraj hit it well, which is, as we described on the call, we think it's an appropriate – reward's an appropriate investment to make in the consumer. Obviously, that does impact the gross margin line, but on the other end, for example, those customers are coming direct, right? So, you're not spending the money on the ad spend to get them to the site. And therefore, it flows through quite efficiently to adjusted EBITDA margin and adjusted EBITDA dollars. And that's ultimately the goal. And you actually – when we talked about sort of some of the gross margin dynamics going forward, that contemplates something like Wayfair Rewards continuing to grow. We think it has enormous potential, and we're seeing really strong benefit from the consumers in this program. So, certainly, our focus is on how we can continue to expand it, again, knowing that you get a trade-off on the gross margin line to the ACNR line, and that's ultimately flowing through to adjusted EBITDA growth.

**Zachary Fadem**

*Analyst, Wells Fargo Securities LLC*

Q

Makes sense. Appreciate the time.

**Operator:** Your next question comes from the line of John Blackledge with TD Cowen. Your line is open. Please go ahead.

**John Blackledge**

*Analyst, TD Cowen*

Q

Great.

**Kate S. Gulliver**

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

Hey, John.

A

**John Blackledge**

*Analyst, TD Cowen*

Thank you. Two questions. Hi. First, just any color on the potential for a rebound in the home category as we get through the year. And then, second question on agentic commerce. There have been questions around risk to advertising revenue streams for e-commerce marketplaces as agentic commerce ramps up. Just curious how you guys are thinking about that. Thank you.

Q

**Niraj S. Shah**

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

Thanks, John. Yeah, rebound in – it's very hard to predict how housing will play out. My general view is what we've been seeing, which is that for the housing market to recover, it's a little bit of a slow burn, and you're seeing, like, every quarter that goes by, the percentage of mortgages that get refinanced at the current rates keeps ticking up, but it's a relatively slow process. And that's basically – not having a crystal ball, we basically underwrite something like that. So, our whole plan is not really premised on how the market turns, because I think that's a very hard thing to predict. And frankly, there's a very good chance it's just a slow burn, and it kind of works itself out over a longer period of time.

A

But it's really about it's a pretty dynamic market. There's really not very many folks who can offer customers the experience that they really want today. There's a lot of folks who are still operating off a model that's really not what customers are really looking for as you go forward. And so, there's a lot of market share in what's still quite a big category that can move around. And so if you go back to thinking about our particular initiatives and how would those impact a customer and allow for market share to move, I think that's the way you could think about our strategy. And so, you saw it last year allow us to kind of pull away from the market and at an increasing rate, and we expect that to continue.

And so, our whole plan that we've discussed and the numbers we talk about are basically what we can make happen sort of without the housing market turning around. And I think it will. It's a cyclical category. It's just the time horizon for when there's a next big kind of upcycle tied to housing is just very hard to predict. And so, it's not something that we're putting into how we think about the market, time horizon and our initiatives. I don't know, Kate, any thoughts on that?

**Kate S. Gulliver**

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

Yeah. I think you hit it well, which is our focus is on our own measures and how those are gaining share. And you've seen that share spread actually expand throughout the course of 2025, and we feel really good about the momentum going into 2026. I think you had a second question around supplier ads and the impact of agentic shopping on supplier ads.

A

**Niraj S. Shah**

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

A

Yeah, Kate, why don't I just comment on that? You can feel free to add. I think it goes back to the type of goods. So in other words, if you want to think about these agentic surfaces, I think the way you would say, hey, supplier ads could get impacted, it would mean that the traffic is not moving downstream to the apps or the sites operated by those commerce players, and the transactions are happening upstream on the agentic surfaces.

And so, I think if you're selling paper towels and dish soap and Chips Ahoy! cookies, and that could be fulfilled by any number of folks, and you don't particularly care whose corrugated box shows up at your door, or whose plastic bag show up at your door, then yes, that traffic may never make it to the retailer. The transaction may take place upstream. The traffic by not making it to the retailer, then there's no opportunity for the retailer to show the variety of products and the ad units, and that could be a big factor.

If customers are coming direct to the retailer or if customers are still making it to the retailer through these agentic surfaces, because there's more product understanding and exploration involved, then the advertising, I think, still gets seen. And frankly, the less of a commodity it is, therefore, the more browsing and the more curiosity the customer has about the offerings, the more ad units become relevant. And so, we tend to think that our product roadmap on ads, which in some ways is similar to some others, but in some ways, it's quite different, is a very good fit for what customers want to experience at home.

And we think home is inherently more browsable and requires more sort of – it has more of a customer curiosity and customer desire to understand what's out there than some other categories. I would liken it more to fashion, and in that scenario, that presents you, as the retailer operating a platform, an opportunity to let other suppliers get their products seen, and that's effectively what these ad units do. And if you think about something like video, well, certain products lend themselves to video telling a much better story than others, right? And so, I think home is a great one. Fashion would be a great one. Well, if I'm selling Chips Ahoy! cookies, like, the value of the video could be very high, but you could say, well, that could easily get replaced, too.

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**Kate S. Gulliver**

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

Thanks, John.

A

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**John Blackledge**

*Analyst, TD Cowen*

Thank you.

Q

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**Operator:** Your next question comes from the line of Brian Nagel with Oppenheimer. Your line is open. Please go ahead.

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**Brian Nagel**

*Analyst, Oppenheimer & Co., Inc.*

Hi, good morning. Nice quarter. Congrats.

Q

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**Kate S. Gulliver**

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

Thank you.

A

**Brian Nagel**

*Analyst, Oppenheimer & Co., Inc.*



So, the question I want to ask, I think it's probably longer term in nature, but today's results and the results lately have shown this nice market share. Wayfair is definitely consistently now capturing market share. So as you look at all your data, is there anything we can call out of that market share? Do you see new customer cohorts coming to Wayfair? Are you taking more share in different income cohorts? Anything that – anything, as this market share dynamic has persisted, is there something – is there anything new that can kind of speak to, like, the broadening reach of the Wayfair brand?

**Niraj S. Shah**

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



Well, I think a few thoughts there. So, one, we're definitely seeing that whole K-shaped economy thing is real. So when you do talk about higher income cohorts, the highest income cohort place that we offer is our Perigold platform, the luxury platform, and that's growing at a very fast rate. You really don't see any economic strain there. Our specialty retail brands would be the second highest level after Perigold, AllModern, Birch Lane, Joss & Main, you see nice growth there. And then we go to Wayfair, you see nice growth there. But then if you cut it by income cohort, you definitely see more strain as you go down the income segments. And our data is not any different than the market data you're going to see broadly. But you do see it, and that's the case.

But then what happens as you go down the cohorts, the truth is, there's still customers buying products, because life goes on and they may need something. And so then the question becomes, are you providing value? Do you make it easy for them to figure out which item provides them with the best price/value? Are you in a position to offer items that are a better value than maybe a competitor? This goes back to how our logistics operate and the fact that we have so many suppliers on our platform, and so the ones who can really optimize something can offer the better value. So, we do think we're benefiting through that, but, I don't know, Kate, anything...

**Kate S. Gulliver**

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



Yeah, I would just add that, Brian, that there's not one particular cohort that's outperforming. I mean, to Niraj's point, customer segmentation, certainly higher income, higher net worth customers have, over the last year or so, done better. But our cohorts perform pretty consistently. And I think what's unique about the platform, frankly, versus maybe other retailers in this space, is we cover the full spectrum. So, we cover opening price point, all the way up to luxury. We cover decorative accessories to furniture, right? So, we have the full breadth. And we're seeing share gains really across the full catalog.

So, we look at the share gains, it's not coming from any one retailer, it's not coming from any one profile type. I do think it's the compounding effect of all of these different initiatives. And I think that makes them more durable over time, and that's what's really exciting when you get into 2026.

**Brian Nagel**

*Analyst, Oppenheimer & Co., Inc.*



That's very helpful. Then, my quick follow-up. So, again, nice job here on the ongoing delevering of the balance sheet. But Kate, have you indicated just for some kind of parameter, like, a target debt ratio or kind of what you're working towards?

**Kate S. Gulliver**

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

A

Yeah. What we've said, Brian, is we really have a dual mandate that we're operating against right now, which is managing that ongoing net leverage down and continuing to also manage dilution. And I think you've seen us take some really nice steps in that direction. It's really been an evolution of our capital structure over the last few years, where we moved from a position where we said, hey, what we want to try to do here is create optionality for us, and we'll do that by improving the P&L to open up, improving free cash flow, to open up new sort of vectors for us. And you saw us improve the P&L considerably. Free cash flow went up from – this year from \$83 million in 2024 to \$329 million in 2025.

And that's allowed us to then move into a position where we can be more proactive from a capital structure perspective, and you've seen us do that. So in Q4 alone, you saw us bring net leverage down. You saw us, in effect, sort of buy back some shares with the work that we did against the 2027 notes. And the 2028 combined, that's about 5 million of shares that we were able to manage there. And you also have seen us throughout 2025 manage our dilution effectively, our burn rate has come down considerably to around 4%. So, I think you're seeing all of those pieces in place to manage that net leverage and to manage that dilution. And that's the ongoing goal.

**Brian Nagel**

*Analyst, Oppenheimer & Co., Inc.*

Q

Thank you. I appreciate it.

**Kate S. Gulliver**

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

A

Thanks so much.

**Niraj S. Shah**

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

A

Thank you.

**Operator:** This concludes today's question-and-answer session. I will now turn the call back to the Wayfair team for closing remarks.

**Niraj S. Shah**

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

Just want to say thanks to everybody for your interest in Wayfair. And just put in one more plug to encourage you to read the shareholder letter we posted today. And we look forward to chatting with you next quarter. Thank you.

**Operator:** This concludes today's call. Thank you for attending. You may now disconnect.

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