February 2020

To our shareholders:

Thank you for your continued interest in Wayfair.

As we take stock of the decade behind us and look forward to the next, we are struck by the huge amount of progress we have made as a company. Even more importantly, we are both humbled and incredibly excited by the immense opportunity still ahead.

Every successful business contends with challenges both big and small, and internal and external during its journey. We believe the qualities that differentiate the companies that emerge even stronger from such moments are: clarity of focus on the customer, true long-term orientation, and a consistent, high bar for talent – that is, exceptional professionals who share the same outlook, and act with speed, agility, and accountability.

The great strides we have made as a company over the last 10 years are a testament to the power of this operating philosophy. Our strategy is unchanged as we look forward, and we believe we are uniquely positioned to win in a vast and underserved market. As we look to scale in the decade ahead, we are focused on nurturing the ambitious, entrepreneurial, and data-oriented mindset that has been the hallmark of our success thus far, while also taking advantage of our size to drive efficiency and leverage in our business. Though the opportunity to take advantage of our scale in an economic sense is something we have long understood, we believe we are now at an inflection point to begin to capitalize upon it. To us, this is a natural evolution, and we think the next few years will be particularly exciting to our shareholders.

10 Years Back and 10 Years Forward

Let us first spend a minute to consider how far we have come. As the decade closed in 2009:

- We had roughly $250 million in annual net revenue, and were profitable (as we had been every year since the business began in 2002);
- We had not yet made the decision to migrate the 200+ CSN Stores microsites into the Wayfair brand;
- We had approximately 500 employees;
- We worked with about 1,000 supplier partners;
- We had no proprietary logistics network;
- We had not used any institutional capital;
- We had just survived the Great Recession, which pressured brick-and-mortar retailers as never before. The count of home furnishings stores in the United States dropped from approximately 60,000 to fewer than 50,000 within three years, with no subsequent rebound. This period also highlighted the inherent advantage of our online model as we grew through the downturn.

Against that backdrop, we thought the future was bright and ripe with opportunity. We believed that we were just getting started. With the benefit of hindsight, the scope and scale of the opportunity would not become fully apparent to us until 2014-2015, when we proved out the recipe in building a household brand, began to grow and invest in our business in Europe with real commitment, and began the buildout of our proprietary logistics network.

From 2010 to 2019:

- We built Wayfair into a well-recognized household brand in three countries, and are well on our way to doing so in a fourth. All four of these countries (the U.S., Canada, the UK, and Germany) are in the top 10 countries in the world as measured by GDP;
- We defined our family of distinct home retail sites, expanded across key home goods categories, and developed style- and function-specific house brands to help customers navigate our massive selection of 18+ million SKUs;
- We grew our team to ~17,000 people, including close to 2,000 in Europe;
- We built and scaled our logistics operations across three continents and seven countries, and to 16 million square feet and over 60 buildings including bespoke operations for consolidation, fulfillment, cross-dock, and delivery operations;
- We partnered with more than 12,000 suppliers to bring consumers unparalleled access to product (including more than doubling our selection in Europe in 2019 alone);
- We became a public company in 2014 and brought in additional outside capital to help fuel our investment plans;
- We captured more than one-third of every home goods dollar moving online, eclipsing competitors across our fragmented industry.

Despite whatever near-term challenges we faced along the way, we took a longer view to investing in Wayfair's success and closed the decade with more than $9 billion of net revenue and a clear and ambitious agenda. All of this is to say: we *still* think the future is bright and ripe with opportunity… and we are just getting started!

The Vast Opportunity

Even though Wayfair has grown exponentially, we are just scratching the surface as the inexorable shift of offline to online shopping continues. Our category is still underpenetrated online, and our total addressable market remains vast at an estimated $300 billion in North America and $300 billion in Europe. This is primarily B2C, and would measure even larger once one adds in the addressable B2B portion. Growing at a compounded annual rate of ~2.5%, we estimate this total market will approach ~$1 trillion in a decade.

Home is an attractive but complex category. The home is universally important and emotionally significant for consumers. Yet shopping for the home comes with distinct challenges and logistical hurdles. Our strong customer orientation, willingness to invent non-traditional solutions to solve for customer desires, and long-term operating philosophy position us to uniquely address these issues while garnering economies of scale. We believe that over the coming years, and well inside of the next decade, we will emerge as the undisputed industry leader while widening the competitive moat around us.

In meeting with numerous supplier partners at several trade shows early this year, we were once again struck by how significant a force Wayfair has become in the home goods industry. Ten years ago, we were (sometimes not-so-politely) asked to leave supplier showrooms as we tried to broach a conversation about partnering online. In fact, Steve probably holds the industry record for getting thrown out of showrooms(!) given that he handled getting new suppliers on board (Niraj handled growing already-established suppliers). These days, many of the same suppliers are truly strategic partners with whom we work closely on a wide range of initiatives. Often these commercial relationships have grown to where we are in suppliers' top customer ranks, if not already their #1 customer. Services such as CastleGate and Sponsored Products (Media/Advertising Services) are just two visible, win-win solutions where we see strong supplier adoption, and suppliers enjoy compelling returns by participating. We expect this list will grow meaningfully over the next couple of years as we prove out and begin to scale some of the new solutions currently in tests and pilots.

Our Priorities

As we look ahead, our guiding principles will not change. We will be guided first and foremost by our customer. Building on those insights, we will enrich her home shopping experience through a close partnership with our suppliers. That means continuing to empower our suppliers with a deep understanding of their business dynamics in real time and arming them with tools to control their own destiny on our platform. We will continue to operate with a long-term mindset and an appetite for calculated risk, realized by a talented, data-driven, and ambitious team.

Our investment initiatives, such as our logistics buildout and our European expansion, embody this approach; they could only have been made possible with a healthy tolerance for risk and a long-term focus. These large investments are bearing fruit and position us to garner increasingly strong yields over the next decade. This approach of customer orientation, with a bias to creative solutions, while moving quickly and partnering with our suppliers, is how we win. We particularly like solutions where the value created compounds over time – these are the ones to which we allocate more resources.

In reinforcing the foundation for the next 10 years, we are focused on making sure that we retain our culture and entrepreneurial nature, while also putting in place measures that allow us to scale in a controlled and efficient manner. To that end, we want to share some key tenets we have on how we plan to operate:

1. To scale effectively, we must primarily do so with technology platforms rather than simply with people. Why? Though scaling through people is very common, we believe it is rarely the best long-term approach in today's world. Technology platforms allow you to offer low cost and high quality consistently. Establishing a common, scalable infrastructure may be more difficult initially, but it will allow Wayfair to move and innovate faster over time.

   Given the exceptional combination of our scale and growth rates, we must continuously challenge ourselves to stay lean even as we move quickly. Doing so will sharpen our focus on the things that truly matter for our customer. It should also serve to both enhance our unit economics while freeing up capital better used as additional fuel for growth.

2. While we think in long-term time frames, we will continue to measure our progress, prioritize, and course-correct as necessary, in real time. Our short-term tactics will be measurable (to drive accountability and facilitate course-correction). We have always acted this way, but as we have grown we have found that it is important to have a structured method to review our progress and prioritize investments.

   Put simply, a long time frame allows for very large investments that unlock even larger value. But, to ensure we get the returns we are after, we will continue to translate long-term aspirations into tactical plans with quantitative markers and strategic goalposts to mark our progress. By doing this, we expect to get the best of both worlds: huge gains over time with strong day-to-day execution and measurable results that de-risk our journey along the way.

3. We will maintain a very high bar for talent. This is easier said than done. We believe our talent management process is exceptionally rigorous, with bi-annual 360° reviews, cross-functional calibrations for every level, and mid-cycle development discussions to set our people up for success. Our recruiting engine is similarly disciplined. We recognize that these processes are time-intensive and ask a lot of our leadership and our Talent organization. But we do these and numerous other things in our company to make sure that we have the best people in the world, and the caliber of talent that we are attracting to Wayfair clearly speaks to this.

   In the end, a company is simply a collection of people, organized against some service or product, with an aim to satisfy customers. The caliber and culture of the people are really what make one organization quite different from another. We believe Wayfair will win because we will have the strongest culture powered by the most skilled and ambitious people, working collaboratively towards a common goal.

The path ahead will not be a straight line. We will continue to judge Wayfair's success in years, not quarters, just as we have done over our entire operating history. With five years of history as a public company, we think Wayfair is proving Benjamin Graham's tenet that "in the short run, the market is a voting machine but in the long run, it is a weighing machine."

Of the many important mile markers ahead that we are focused on reaching, two that we are particularly excited about (and which should also be meaningful to you) are:

- Achieving consistent and growing adjusted EBITDA* profitability in the U.S., which should lead to total company adjusted EBITDA* profitability and positive free cash flow* over time (even as the International business continues to scale);

- Developing a truly world-class global logistics network that should provide great benefits to our business, and can serve as one of only a few globally scaled, e-commerce-optimized logistics networks that exist in the world.

There are many more, and we are pursuing these opportunities with energy and enthusiasm. We look forward to continuing a robust dialogue with you, our fellow shareholders, along the way, and to enjoying the journey together.

We appreciate your support. Thank you for taking the time to read our letter.

Sincerely,

NIRAJ

Niraj Shah
Co-Founder, Co-Chairman & CEO

Steve

Steve Conine
Co-Founder & Co-Chairman

**Non-GAAP financial measure; non-GAAP financial measures should not be considered replacements for, and should be read together with, the most comparable GAAP financial measures. For full financial data and non-GAAP reconciliations, please refer to Wayfair's earnings release issued on February 28, 2020, available at* [*https://investor.wayfair.com/events-and-presentations/default.aspx*](https://investor.wayfair.com/events-and-presentations/default.aspx)

Caution Concerning Forward-Looking Statements: This letter contains forward-looking statements within the meaning of federal and state securities laws. All statements other than statements of historical fact contained in this letter, including statements regarding the strength of our customer offering, the progress of our international business, the expansion of our logistics network, our future results of operations and financial position, our business strategy and our plans and objectives of management for future operations, are forward-looking statements. You are cautioned not to rely on these forward-looking statements, which are based on current expectations of future events. For important information about the risks and uncertainties that could cause actual results to vary materially from the assumptions, expectations, and projections expressed in any forward-looking statements, please review the "Forward-Looking Statements" section of the Wayfair earnings release issued on February 28, 2020 as well as the most recently filed Wayfair Reports on Forms 10-K and 10-Q. Wayfair does not undertake to update any forward-looking statement as a result of new information or future events or developments.