

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2020
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 001-36666

Wayfair Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization) 4 Copley Place (Address of principal executive offices)	Boston MA	36-4791999 (I.R.S. Employer Identification Number) 02116 (Zip Code)
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(617) 532-6100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.001 par value per share	W	The New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Class	Outstanding at October 27, 2020
Class A Common Stock, \$0.001 par value per share	72,811,806
Class B Common Stock, \$0.001 par value per share	26,636,234

WAYFAIR INC.
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For the Quarterly Period Ended September 30, 2020

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PART I
FINANCIAL INFORMATION

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact contained in this Quarterly Report on Form 10-Q, including statements regarding our investment plans and anticipated returns on those investments, our future customer growth, our future results of operations and financial position, available liquidity and access to financing sources, our business strategy, plans and objectives of management for future operations, consumer activity and behaviors, developments in our technology and systems and anticipated results of those developments and the impact of the novel coronavirus (COVID-19) pandemic and our response to it, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions.

Forward-looking statements are based on current expectations of future events. We cannot guarantee that any forward-looking statement will be accurate, although we believe that we have been reasonable in our expectations and assumptions. Investors should realize that if underlying assumptions prove inaccurate or that known or unknown risks or uncertainties materialize, actual results could vary materially from the Company's expectations and projections. Investors are therefore cautioned not to place undue reliance on any forward-looking statements. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events or otherwise.

Factors that could cause or contribute to differences in our future results include, without limitation, the following:

- our ability to acquire new customers and sustain and/or manage our growth;
- our ability to increase our net revenue per active customer;
- our ability to build and maintain strong brands;
- our ability to manage our global growth and expansion;
- our ability to compete successfully;
- the rate of growth of the Internet and e-commerce;
- economic factors, such as interest rates, the housing market, currency exchange fluctuations and changes in customer spending;
- disruptions or inefficiencies in our supply chain or logistics network, including any impact of the COVID-19 outbreak on our suppliers and third party carriers and delivery agents;
- potential impacts of the COVID-19 outbreak on our business, financial condition, and results of operations;
- world events (such as the 2020 U.S. presidential election), natural disasters, public health emergencies (such as the COVID-19 outbreak), civil disturbances, and terrorist attacks; and
- developments in, and the outcome of, legal and regulatory proceedings and investigations to which we are a party or are subject, and the liabilities, obligations and expenses, if any, that we may incur in connection therewith.

A further list and description of risks, uncertainties and other factors that could cause or contribute to differences in our future results include the cautionary statements herein and in our other filings with the Securities and Exchange Commission, including those set forth under Part II, Item 1A, *Risk Factors* of this Quarterly Report on Form 10-Q and under Part I, Item 1A, *Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2019. We qualify all of our forward-looking statements by these cautionary statements.

WAYFAIR INC.
CONSOLIDATED AND CONDENSED BALANCE SHEETS
(Unaudited)

	September 30, 2020	December 31, 2019
	(in thousands, except share and per share data)	
Assets:		
Current assets		
Cash and cash equivalents	\$ 2,442,939	\$ 582,753
Short-term investments	113,985	404,252
Accounts receivable, net of allowance for credit losses of \$26,884 and \$22,774 at September 30, 2020 and December 31, 2019, respectively	109,652	99,720
Inventories	54,241	61,692
Prepaid expenses and other current assets	322,649	228,721
Total current assets	3,043,466	1,377,138
Operating lease right-of-use assets	802,369	763,400
Property and equipment, net	682,057	624,544
Goodwill and intangible assets, net	17,605	18,809
Long-term investments	—	155,690
Other noncurrent assets	12,943	13,467
Total assets	\$ 4,558,440	\$ 2,953,048
Liabilities and Stockholders' Deficit:		
Current liabilities		
Accounts payable	\$ 1,236,895	\$ 908,097
Accrued expenses	328,694	298,918
Unearned revenue	318,175	167,641
Other current liabilities	333,589	236,863
Total current liabilities	2,217,353	1,611,519
Long-term debt	2,862,135	1,456,195
Operating lease liabilities	867,711	822,602
Other liabilities	70,827	6,940
Total liabilities	6,018,026	3,897,256
Commitments and contingencies (Note 8)		
Stockholders' deficit:		
Undesignated preferred stock, \$0.001 par value per share: 10,000,000 shares authorized and none issued at September 30, 2020 and December 31, 2019	—	—
Class A common stock, par value \$0.001 per share: 500,000,000 shares authorized, 68,959,957 and 66,642,611 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	69	67
Class B common stock, par value \$0.001 per share: 164,000,000 shares authorized, 26,636,721 and 26,957,815 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	27	27
Additional paid-in capital	452,111	1,122,548
Accumulated deficit	(1,909,768)	(2,065,423)
Accumulated other comprehensive loss	(2,025)	(1,427)
Total stockholders' deficit	(1,459,586)	(944,208)
Total liabilities and stockholders' deficit	\$ 4,558,440	\$ 2,953,048

The accompanying notes are an integral part of these Unaudited Consolidated and Condensed Financial Statements.

WAYFAIR INC.
CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(in thousands, except per share data)			
Net revenue	\$ 3,839,570	\$ 2,305,487	\$ 10,474,305	\$ 6,593,567
Cost of goods sold	2,692,142	1,765,566	7,426,724	5,023,590
Gross profit	1,147,428	539,921	3,047,581	1,569,977
Operating expenses:				
Customer service and merchant fees	139,589	91,255	372,825	256,230
Advertising	344,025	281,846	1,037,562	784,981
Selling, operations, technology, general and administrative	441,960	426,529	1,377,410	1,153,286
Total operating expenses	925,574	799,630	2,787,797	2,194,497
Income (loss) from operations	221,854	(259,709)	259,784	(624,520)
Interest (expense), net	(36,315)	(14,432)	(87,472)	(33,922)
Other (expense) income, net	(13,584)	2,182	(10,720)	5,582
Income (loss) before income taxes	171,955	(271,959)	161,592	(652,860)
(Benefit) provision for income taxes, net	(1,211)	76	414	1,502
Net income (loss)	\$ 173,166	\$ (272,035)	\$ 161,178	\$ (654,362)
Basic earnings (loss) per share	\$ 1.82	\$ (2.94)	\$ 1.70	\$ (7.13)
Diluted earnings (loss) per share	\$ 1.67	\$ (2.94)	\$ 1.64	\$ (7.13)
Weighted-average number of shares of common stock outstanding used in computing per share amounts:				
Basic	95,373	92,540	94,767	91,820
Diluted	109,200	92,540	98,021	91,820

The accompanying notes are an integral part of these Unaudited Consolidated and Condensed Financial Statements.

WAYFAIR INC.
CONSOLIDATED AND CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Net income (loss)	\$ 173,166	\$ (272,035)	\$ 161,178	\$ (654,362)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(895)	(75)	(665)	129
Net unrealized (loss) gain on available-for-sale investments	(606)	(5)	67	195
Comprehensive income (loss)	<u>\$ 171,665</u>	<u>\$ (272,115)</u>	<u>\$ 160,580</u>	<u>\$ (654,038)</u>

The accompanying notes are an integral part of these Unaudited Consolidated and Condensed Financial Statements.

WAYFAIR INC.
CONSOLIDATED AND CONDENSED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)

	Three Months Ended					
	Class A and Class B Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	(in thousands)					
Balance at June 30, 2019	92,098	\$ 93	\$ 859,092	\$ (1,463,166)	\$ (1,376)	\$ (605,357)
Net loss	—	—	—	(272,035)	—	(272,035)
Other comprehensive loss	—	—	—	—	(80)	(80)
Exercise of options to purchase common stock	3	—	10	—	—	10
Issuance of common stock upon vesting of RSUs	781	—	—	—	—	—
Shares withheld related to net settlement of RSUs	(8)	—	(1,086)	—	—	(1,086)
Equity-based compensation expense	—	—	65,553	—	—	65,553
Equity component of issuance of convertible notes, net of premium paid on capped calls (Note 15)	—	—	130,566	—	—	130,566
Balance at September 30, 2019	92,874	93	1,054,135	(1,735,201)	(1,456)	\$ (682,429)
Balance at June 30, 2020	95,065	\$ 95	\$ 1,295,971	\$ (2,082,934)	\$ (524)	\$ (787,392)
Net income	—	—	—	173,166	—	173,166
Other comprehensive loss	—	—	—	—	(1,501)	(1,501)
Exercise of options to purchase common stock	6	—	161	—	—	161
Issuance of common stock upon vesting of RSUs	787	1	—	—	—	1
Equity-based compensation expense	—	—	74,425	—	—	74,425
Repurchase of common stock	(844)	(1)	(280,235)	—	—	(280,236)
Shares issued upon conversion of convertible notes (Note 15)	583	1	151,419	—	—	151,420
Reacquisition of equity component from repurchases and conversions of convertible notes, net of taxes (Note 15)	—	—	(829,004)	—	—	(829,004)
Equity component of issuance of convertible notes, net of premium paid on capped calls (Note 15)	—	—	39,374	—	—	39,374
Balance at September 30, 2020	95,597	\$ 96	\$ 452,111	\$ (1,909,768)	\$ (2,025)	\$ (1,459,586)

The accompanying notes are an integral part of these Unaudited Consolidated and Condensed Financial Statements.

WAYFAIR INC.
CONSOLIDATED AND CONDENSED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)

	Nine Months Ended					
	Class A and Class B Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	(in thousands)					
Balance at December 31, 2018	90,748	\$ 91	\$ 753,657	\$ (1,082,689)	\$ (1,780)	\$ (330,721)
Net loss	—	—	—	(654,362)	—	(654,362)
Other comprehensive income	—	—	—	—	324	324
Exercise of options to purchase common stock	28	—	90	—	—	90
Issuance of common stock upon vesting of RSUs	2,109	2	—	—	—	2
Shares withheld related to net settlement of RSUs	(11)	—	(1,510)	—	—	(1,510)
Equity-based compensation expense	—	—	171,332	—	—	171,332
Equity component of issuance of convertible notes, net of premium paid on capped calls (Note 15)	—	—	130,566	—	—	130,566
Adoption of ASU No. 2016-02	—	—	—	1,850	—	1,850
Balance at September 30, 2019	92,874	\$ 93	\$ 1,054,135	\$ (1,735,201)	\$ (1,456)	\$ (682,429)
Balance at December 31, 2019	93,600	\$ 94	\$ 1,122,548	\$ (2,065,423)	\$ (1,427)	\$ (944,208)
Net income	—	—	—	161,178	—	161,178
Other comprehensive loss	—	—	—	—	(598)	(598)
Exercise of options to purchase common stock	24	—	380	—	—	380
Issuance of common stock upon vesting of RSUs	2,234	2	—	—	—	2
Equity-based compensation expense	—	—	208,740	—	—	208,740
Repurchase of common stock	(844)	(1)	(280,235)	—	—	(280,236)
Shares issued upon conversion of convertible notes (Note 15)	583	1	151,419	—	—	151,420
Reacquisition of equity component from repurchases and conversions of convertible notes, net of taxes (Note 15)	—	—	(829,004)	—	—	(829,004)
Equity component of issuance of convertible notes, net of premium paid on capped calls (Note 15)	—	—	78,263	—	—	78,263
Adoption of ASU No. 2016-13	—	—	—	(5,523)	—	(5,523)
Balance at September 30, 2020	95,597	\$ 96	\$ 452,111	\$ (1,909,768)	\$ (2,025)	\$ (1,459,586)

The accompanying notes are an integral part of these Unaudited Consolidated and Condensed Financial Statements.

WAYFAIR INC.
CONSOLIDATED AND CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30,	
	2020	2019
	(in thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 161,178	\$ (654,362)
Adjustments used to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization	208,532	134,172
Equity-based compensation	197,199	162,014
Amortization of discount and issuance costs on convertible notes	78,225	40,737
Other non-cash adjustments	12,065	(1,659)
Changes in operating assets and liabilities:		
Accounts receivable, net	(14,891)	(25,309)
Inventories	7,602	(22,716)
Prepaid expenses and other current assets	(93,055)	(29,648)
Accounts payable and accrued expenses	356,215	215,786
Unearned revenue and other liabilities	296,306	22,382
Other assets	612	(1,920)
Net cash provided by (used in) operating activities	1,209,988	(160,523)
Cash flows from investing activities:		
Purchase of short- and long-term investments	(19,994)	—
Sale and maturities of short- and long-term investments	466,310	115,468
Purchase of property and equipment	(146,303)	(183,968)
Site and software development costs	(109,678)	(94,697)
Other investing activities, net	(124)	(15,977)
Net cash provided by (used in) investing activities	190,211	(179,174)
Cash flows from financing activities:		
Proceeds from borrowings	200,000	—
Repayment of borrowings	(200,000)	—
Proceeds from issuance of convertible notes, net of issuance costs	2,027,758	935,146
Premiums paid for capped call confirmations	(255,024)	(145,728)
Payments to extinguish convertible debt	(1,040,349)	—
Repurchase of common stock	(280,236)	—
Other financing activities, net	380	(2,211)
Net cash provided by financing activities	452,529	787,207
Effect of exchange rate changes on cash and cash equivalents	7,458	(1,586)
Net increase in cash and cash equivalents	1,860,186	445,924
Cash and cash equivalents:		
Beginning of period	582,753	849,461
End of period	\$ 2,442,939	\$ 1,295,385
Supplemental cash flow information:		
Cash paid for interest on long-term debt	\$ 14,173	\$ 4,528
Issuance of common stock for conversion of convertible debt, net of taxes	\$ 45,447	\$ —
Purchase of property and equipment included in accounts payable and accrued expenses and in other liabilities	\$ 38,391	\$ 34,028

The accompanying notes are an integral part of these Unaudited Consolidated and Condensed Financial Statements.

Wayfair Inc.
Notes to Consolidated and Condensed Financial Statements
(Unaudited)

1. Description of Business

Wayfair Inc. (the "Company") is one of the world's largest online destinations for the home. Through its e-commerce business model, the Company offers visually inspired browsing, compelling merchandising, easy product discovery and attractive prices for over eighteen million products from over 12,000 suppliers.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited Consolidated and Condensed Financial Statements contained in this Quarterly Report on Form 10-Q are those of the Company and have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and applicable rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the audited financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2019.

The Consolidated and Condensed Balance Sheet as of December 31, 2019 included herein was derived from the audited financial statements as of that date, but does not include all disclosures including notes required by GAAP.

The accompanying unaudited Consolidated and Condensed Financial Statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting of normal recurring adjustments, that are necessary to present fairly the results of the interim periods presented. Interim results are not necessarily indicative of the results for the full year ended December 31, 2020 or future periods.

The Company believes that other than the implementation of Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), there have been no significant changes during the nine months ended September 30, 2020 to the items disclosed in Note 2, *Summary of Significant Accounting Policies*, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Principles of Consolidation

The accompanying unaudited Consolidated and Condensed Financial Statements of Wayfair Inc. include its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of the unaudited Consolidated and Condensed Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of net revenues and expenses during the reporting period. Actual results could differ from those estimates.

Earnings (Loss) per Share

The Company follows the two-class method when computing earnings (loss) per share for its two issued classes of common stock - Class A and Class B. Basic earnings (loss) per share is computed using the weighted-average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is computed using the weighted-average number of shares of common stock outstanding during the period plus, if dilutive, stock awards, including stock options and restricted stock units, as determined under the treasury stock method, and convertible debt instruments, as determined under the if-converted method. In periods when we have a net loss, stock awards and convertible debt instruments are excluded from our calculations of earnings per share as their inclusion would have an antidilutive effect.

Credit Impairment

The Company adopted ASU No. 2016-13 on January 1, 2020 using the modified retrospective transition method. This ASU revises how entities account for credit losses for most financial assets and certain other instruments that are not measured

at fair value through net income. As of January 1, 2020, the adoption of ASU 2016-13 resulted in a \$5.5 million cumulative adjustment to accumulated deficit on our Consolidated and Condensed Balance Sheet. Refer to Note 4, *Credit Losses*, for additional detail.

3. Investments and Fair Value Measurements

Investments

As of September 30, 2020 and December 31, 2019, the Company's investments consisted of corporate bonds and other government obligations priced at fair value. These investments were classified as available-for-sale and their estimated fair values were \$114.0 million and \$559.9 million, respectively.

To the extent the amortized cost basis of the available-for-sale debt securities exceeds the fair value, management assesses the debt securities for credit loss, however management considers the risk of credit loss to be minimized by the Company's policy of investing in financial instruments issued by highly-rated financial institutions. When assessing the risk of credit loss, management considers factors such as the severity and the reason of the decline in value (i.e., any changes to the rating of the security by a rating agency or other adverse conditions specifically related to the security) and management's intended holding period and time horizon for selling. During the three and nine months ended September 30, 2020 and 2019, the Company did not recognize any credit losses related to its available-for-sale debt securities. Further, as of September 30, 2020 and December 31, 2019, the Company did not record an allowance for credit losses related to its available-for-sale debt securities. During the nine months ended September 30, 2020, the Company collected \$161.3 million of proceeds from the sale of long-term investments and recognized a realized gain of \$0.8 million. The Company did not recognize any realized gains or losses during the three months ended September 30, 2020 or during the three and nine months ended September 30, 2019.

The following tables present details of the Company's investments as of September 30, 2020 and December 31, 2019:

September 30, 2020				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(in thousands)				
Short-term:				
Investment securities	\$ 113,886	\$ 99	\$ —	\$ 113,985
Total	<u>\$ 113,886</u>	<u>\$ 99</u>	<u>\$ —</u>	<u>\$ 113,985</u>
December 31, 2019				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(in thousands)				
Short-term:				
Investment securities	\$ 404,294	\$ 20	\$ (62)	\$ 404,252
Long-term:				
Investment securities	155,616	92	(18)	155,690
Total	<u>\$ 559,910</u>	<u>\$ 112</u>	<u>\$ (80)</u>	<u>\$ 559,942</u>

Fair Value Measurements

The Company's financial assets and liabilities are measured at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The three levels of inputs used to measure fair value are as follows:

- Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2—Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable or can be corroborated by observable market data for substantially the full-term of the asset or liability
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. The Company measures its cash equivalents and short- and long-term investments at fair value. The Company classifies its cash equivalents and certificates of deposits within Level 1 because the Company values these investments using quoted market prices. The fair value of the Company's Level 1 financial assets is based on quoted market prices of the identical underlying security. The Company classifies short- and long-term investments within Level 2 because unadjusted quoted prices for identical or similar assets in markets are not active.

The following tables set forth the fair value of the Company's financial assets measured at fair value on a recurring basis as of September 30, 2020 and December 31, 2019 based on the three-tier value hierarchy:

September 30, 2020				
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash and cash equivalents:				
Cash	\$ 538,767	\$ —	\$ —	\$ 538,767
Cash equivalents	1,904,172	—	—	1,904,172
Total cash and cash equivalents	2,442,939	—	—	2,442,939
Short-term investments:				
Investment securities	—	113,985	—	113,985
Other non-current assets:				
Certificate of deposit	5,200	—	—	5,200
Total	<u>\$ 2,448,139</u>	<u>\$ 113,985</u>	<u>\$ —</u>	<u>\$ 2,562,124</u>
December 31, 2019				
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash and cash equivalents:				
Cash	\$ 308,521	\$ —	\$ —	\$ 308,521
Cash equivalents	274,232	—	—	274,232
Total cash and cash equivalents	582,753	—	—	582,753
Short-term investments:				
Investment securities	—	404,252	—	404,252
Other non-current assets:				
Certificate of deposit	5,076	—	—	5,076
Long-term investments:				
Investment securities	—	155,690	—	155,690
Total	<u>\$ 587,829</u>	<u>\$ 559,942</u>	<u>\$ —</u>	<u>\$ 1,147,771</u>

4. Credit Losses

Accounts receivable are stated net of the allowance for credit losses, which are recorded based on historical losses as well as management's expectation of future collections. Uncollectible amounts are written off against the allowance after all collection efforts have been exhausted. The Company's exposure to credit loss is minimized through fraud assessments performed prior to customer checkout and the Company's policy of monitoring the creditworthiness of its customers to which it grants credit terms in the normal course of business. Further, management notes credit risk is mitigated as approximately 99% of the net revenue recognized for the three and nine months ended September 30, 2020 was collected in advance of recognition.

As of September 30, 2020, the Company reported \$109.7 million of accounts receivable, net of allowance for credit losses of \$26.9 million. Other than the adjustment related to the adoption of ASU 2016-13, as discussed in Note 2, *Summary of Significant Accounting Policies*, changes in the allowance for credit losses were not material for the three and nine months ended September 30, 2020.

5. Intangible Assets and Goodwill

As of September 30, 2020 and December 31, 2019, the Company had \$17.2 million and \$18.4 million of intangible assets, respectively. Amortization expense related to intangible assets was \$0.4 million and \$0.1 million for the three months ended September 30, 2020 and 2019, respectively, and \$1.2 million and \$0.4 million for the nine months ended September 30, 2020 and 2019, respectively.

Goodwill was \$0.4 million as of September 30, 2020 and December 31, 2019.

6. Property and Equipment, net

The following table summarizes property and equipment, net as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
	(in thousands)	
Furniture and computer equipment	\$ 554,489	\$ 509,120
Site and software development costs	397,027	297,252
Leasehold improvements	341,345	228,514
Construction in progress	23,667	45,503
	1,316,528	1,080,389
Less accumulated depreciation and amortization	(634,471)	(455,845)
Property and equipment, net	\$ 682,057	\$ 624,544

Property and equipment depreciation and amortization expense was \$72.2 million and \$50.1 million for the three months ended September 30, 2020 and 2019, respectively, and \$207.3 million and \$133.8 million for the nine months ended September 30, 2020 and 2019, respectively.

7. Leases

The Company has lease arrangements for warehouse, fulfillment center, office, and data center spaces. These leases expire at various dates through 2034. Operating lease expense was \$38.6 million and \$31.8 million in the three months ended September 30, 2020 and 2019, respectively, and \$118.8 million and \$86.8 million for the nine months ended September 30, 2020 and 2019, respectively.

The following table presents supplemental cash flow information related to leases:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
	(in thousands)	
Cash payments included in operating cash flows from lease arrangements	\$ 105,416	\$ 77,687
Right-of-use assets obtained in exchange for lease obligations	\$ 110,210	\$ 281,006

The following table presents supplemental balance sheet information related to leases:

	September 30, 2020	December 31, 2019
Additional lease information		
Weighted average remaining lease term	8 years	10 years
Weighted average discount rate	6.5 %	6.7 %

The following table presents future minimum lease payments under non-cancellable leases as of September 30, 2020:

	Amount (in thousands)
2020 (excluding the nine months ended September 30, 2020)	\$ 33,793
2021	161,998
2022	162,800
2023	157,581
2024	155,062
Thereafter	602,837
Total future minimum lease payments	1,274,071
Less: Imputed interest	(303,994)
Total	<u>\$ 970,077</u>

The following table presents total operating leases as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
	(in thousands)	
Balance sheet line item		
Other current liabilities	\$ 102,366	\$ 91,104
Operating lease liabilities	867,711	822,602
Total operating leases	<u>\$ 970,077</u>	<u>\$ 913,706</u>

As of September 30, 2020, the Company has entered into \$149.4 million of additional operating leases, primarily related to build-to-suit warehouse leases that have not yet commenced. As the Company does not control the underlying assets during the construction period, the Company is not considered the owner of the construction projects for accounting purposes. These operating leases will commence between 2020 and 2021 with lease terms of 2 to 15 years.

8. Commitments and Contingencies

Letters of Credit

The Company has issued letters of credit, primarily as security for certain lease agreements, for approximately \$54.9 million and \$46.7 million, as of September 30, 2020 and December 31, 2019, respectively.

Legal Matters

From time to time the Company is involved in claims that arise during the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, the Company does not currently believe that the outcome of any of these legal matters will have a material adverse effect on the Company's results of operation or financial condition. Regardless of the outcome, litigation can be costly and time consuming, as it can divert management's attention from important business matters and initiatives, negatively impacting the Company's overall operations. In addition, the Company may also find itself at greater risk to outside party claims as it increases its operations in jurisdictions where the laws with respect to the potential liability of online retailers are uncertain, unfavorable, or unclear.

On January 10, 2019 and January 16, 2019, putative securities class action complaints were filed against the Company and three of its officers in the U.S. District Court for the District of Massachusetts. The two complaints alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, relating to certain prior disclosures of the

Company. Each plaintiff was seeking to represent a class of shareholders who purchased or acquired stock of the Company between August 2, 2018 and October 31, 2018, and was seeking damages and other relief based on allegations that the defendants' conduct affected the value of such stock. On July 8, 2020, the consolidated complaint was dismissed with prejudice.

9. Equity-Based Compensation

The board of directors of the Company (the "Board") adopted the 2014 Incentive Award Plan ("2014 Plan") to grant cash and equity incentive awards to eligible participants in order to attract, motivate and retain talent. The 2014 Plan is administered by the Board with respect to awards to non-employee directors and by the compensation committee of the Board with respect to other participants and provides for the issuance of stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), performance shares, stock payments, cash payments, dividend awards and other incentives. Prior to the adoption of the 2014 Plan, Wayfair LLC issued certain equity awards pursuant to the Wayfair LLC Amended and Restated Common Unit Plan (the "2010 Plan"), which was administered by the board of directors of Wayfair LLC. Awards issued under the 2010 Plan that remain outstanding currently represent Class A or Class B common stock of the Company.

For awards granted pursuant to the 2014 Plan, 8,603,066 shares of Class A common stock were initially available for issuance. The 2014 Plan also contains an evergreen provision whereby the shares available for future grant are increased on the first day of each calendar year beginning January 1, 2016 and ending on and including January 1, 2024. As of January 1, 2020, 5,111,305 shares of Class A common stock were available for future grant under the 2014 Plan. Shares or RSUs forfeited, withheld for minimum statutory tax obligations, and unexercised stock option lapses from the 2010 and 2014 Plans are available for future grant under the 2014 Plan.

The following table presents activity relating to stock options for the nine months ended September 30, 2020:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Outstanding at December 31, 2019	43,606	\$ 3.00	1.5
Options exercised	(23,660)	\$ 3.02	
Outstanding and exercisable at September 30, 2020	19,946	\$ 2.98	0.7

The intrinsic value of stock options exercised was \$4.4 million and \$4.2 million for the nine months ended September 30, 2020 and 2019, respectively. The aggregate intrinsic value of stock options outstanding and currently exercisable is \$5.7 million as of September 30, 2020. All stock options were fully vested at September 30, 2020.

The following table presents activity relating to RSUs for the nine months ended September 30, 2020:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2019	8,112,736	\$ 95.69
RSUs granted	1,688,442	\$ 171.72
RSUs vested	(2,233,708)	\$ 95.30
RSUs forfeited/canceled	(1,343,119)	\$ 103.73
Outstanding as of September 30, 2020	6,224,351	\$ 115.27

The intrinsic value of RSUs vested was \$342.9 million and \$290.5 million for the nine months ended September 30, 2020 and 2019, respectively. The aggregate intrinsic value of RSUs unvested is \$1.8 billion as of September 30, 2020. Unrecognized equity-based compensation expense related to outstanding RSUs is \$649.7 million with a weighted average remaining vesting term of 1.2 years at September 30, 2020.

10. Unearned Revenue

The Company has three types of contractual liabilities: (i) cash collections from its customers prior to delivery of products purchased, which are initially recorded in unearned revenue, and are recognized as net revenue when the products are delivered, (ii) unredeemed gift cards and site and store credits, which are initially recorded in unearned revenue, and are recognized in the period they are redeemed, and (iii) membership rewards redeemable for future purchases, which are earned by customers on purchases made with the Company's Wayfair branded, private label credit card, and are initially recorded in other current liabilities, and are recognized as net revenue when redeemed. The portion of gift cards and site and store credits not expected to be redeemed ("breakage") are recognized as net revenue based on historical redemption patterns, which is substantially within

twenty-four months from the date of issuance, to the extent there is no requirement for remitting balances to governmental agencies.

Contractual liabilities included in unearned revenue and other current liabilities in the Consolidated and Condensed Balance Sheet were \$318.2 million and \$5.3 million at September 30, 2020 and \$167.6 million and \$4.6 million at December 31, 2019, respectively. During the nine months ended September 30, 2020, the Company recognized \$139.7 million and \$2.8 million of net revenue that was included in unearned revenue and other current liabilities, respectively, at December 31, 2019.

Net revenue from contracts with customers is disaggregated by geographic region because this manner of disaggregation best depicts how the nature, amount, timing, and uncertainty of net revenue and cash flows are affected by economic factors. Refer to Note 11, *Segment and Geographic Information*, for additional detail.

11. Segment and Geographic Information

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated on a regular basis by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's CODM is its chief executive officer.

The Company's operating and reportable segments are the U.S. and International. These segments reflect the way the CODM allocates resources and evaluates financial performance, which is based upon each segment's Adjusted EBITDA. Adjusted EBITDA is defined as net income (loss) before depreciation and amortization, equity-based compensation and related taxes, interest (expense), net, other (expense) income, net, (benefit) provision for income taxes, net, non-recurring items, and other items not indicative of our ongoing operating performance. These charges are excluded from evaluation of segment performance because it facilitates reportable segment performance comparisons on a period-to-period basis as these costs may vary independent of business performance.

The Company allocates certain operating expenses to the operating and reportable segments, including customer service and merchant fees and selling, operations, technology, general and administrative based on the usage and relative contribution provided to the segments. It excludes from the allocations certain operating expense lines, including depreciation and amortization, equity-based compensation and related taxes, as well as interest (expense), net, other (expense) income, net, and (benefit) provision for income taxes, net. There are no net revenue transactions between the Company's reportable segments.

U.S.

The U.S. segment primarily consists of amounts earned through product sales through the Company's family of sites in the U.S. The U.S. net revenue for the three and nine months ended September 30, 2019 includes \$5.8 million and \$30.9 million, respectively of net revenue previously classified as other net revenue

International

The International segment primarily consists of amounts earned through product sales through the Company's international sites.

Net revenue from external customers for each group of similar products and services are not reported to the CODM. Separate identification of this information for purposes of segment disclosure is impractical, as it is not readily available and the cost to develop it would be excessive. No individual country outside of the U.S. provided greater than 10% of consolidated net revenue.

The following tables present net revenues and Adjusted EBITDA attributable to the Company's reportable segments for the periods presented:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
U.S. net revenue	\$ 3,274,872	\$ 1,966,654	\$ 8,901,559	\$ 5,624,870
International net revenue	564,698	338,833	1,572,746	968,697
Total net revenue	<u>\$ 3,839,570</u>	<u>\$ 2,305,487</u>	<u>\$ 10,474,305</u>	<u>\$ 6,593,567</u>
	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Adjusted EBITDA:				
U.S.	\$ 377,007	\$ (62,878)	\$ 766,486	\$ (91,002)
International	(5,895)	(81,306)	(82,838)	(225,383)
Total reportable segments Adjusted EBITDA	371,112	(144,184)	683,648	(316,385)
Less: reconciling items (1)	(197,946)	(127,851)	(522,470)	(337,977)
Net income (loss)	<u>\$ 173,166</u>	<u>\$ (272,035)</u>	<u>\$ 161,178</u>	<u>\$ (654,362)</u>

(1) The following adjustments are made to reconcile total reportable segments Adjusted EBITDA to consolidated net income (loss):

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Depreciation and amortization	\$ 72,575	\$ 50,250	\$ 208,532	\$ 134,172
Equity-based compensation and related taxes	76,683	65,275	211,376	173,963
Interest expense, net	36,315	14,432	87,472	33,922
Other expense (income), net	13,584	(2,182)	10,720	(5,582)
(Benefit) provision for income taxes, net	(1,211)	76	414	1,502
Other (1)	—	—	3,956	—
Total reconciling items	<u>\$ 197,946</u>	<u>\$ 127,851</u>	<u>\$ 522,470</u>	<u>\$ 337,977</u>

(1) The Company recorded \$4.0 million in the nine months ended September 30, 2020 in selling, operations, technology, general and administrative expenses in the Consolidated and Condensed Statements of Operations related to severance costs associated with February 2020 workforce reductions.

12. Income Taxes

The (benefit) provision for income taxes, net was \$(1.2) million and \$0.1 million for the three months ended September 30, 2020 and 2019, respectively, and \$0.4 million and \$1.5 million for the nine months ended September 30, 2020 and 2019, respectively. The (benefit) provision for income taxes, net recorded in the three and nine months ended September 30, 2020 is primarily related to income earned in the U.S. and certain foreign jurisdictions and U.S. state income taxes, offset by a discrete tax benefit related to excess tax benefits on equity awards for U.S. employees. The (benefit) provision for income taxes, net recorded in the three and nine months ended September 30, 2019 is primarily related to income earned in certain foreign jurisdictions and U.S. state income taxes.

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The Company has deferred tax assets related to its net operating loss carryforwards accumulated since the fourth quarter of 2014 and related to net operating loss carryforwards of certain of its foreign subsidiaries. A valuation allowance against net deferred tax assets is required if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company reassesses the

valuation allowance on a quarterly basis and has provided a valuation allowance on substantially all of its worldwide net deferred tax assets.

The Company had no material unrecognized tax benefits as of September 30, 2020 and December 31, 2019. The Company's policy is to recognize interest and penalties related to unrecognized tax benefits as a component of the (benefit) provision for income taxes, net.

13. Stockholders' Deficit

Preferred Stock

The Company authorized 10,000,000 shares of undesignated preferred stock, \$0.001 par value per share, for future issuance. As of September 30, 2020, the Company had no shares of undesignated preferred stock issued or outstanding.

Common Stock

The Company authorized 500,000,000 shares of Class A common stock, \$0.001 par value per share, and 164,000,000 shares of Class B common stock, \$0.001 par value per share, of which 68,959,957 and 66,642,611 shares of Class A common stock and 26,636,721 and 26,957,815 shares of Class B common stock were outstanding as of September 30, 2020 and December 31, 2019, respectively. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion rights. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to ten votes per share. Each share of Class B common stock may be converted into one share of Class A common stock at the option of its holder and will be automatically converted into one share of Class A common stock upon transfer thereof, subject to certain exceptions. In addition, upon the date on which the outstanding shares of Class B common stock represent less than 10% of the aggregate number of shares of the then outstanding Class A common stock and Class B common stock, or in the event of the affirmative vote or written consent of holders of at least 66 2/3% of the outstanding shares of Class B common stock, all outstanding shares of Class B common stock shall convert automatically into Class A common stock. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of common stock are entitled to receive dividends out of funds legally available if the Board, in its discretion, determines to issue dividends and then only at the times and in the amounts that the Board may determine. Since the Company's initial public offering through September 30, 2020, 55,401,693 shares of Class B common stock were converted to Class A common stock.

Stock Repurchase Program

On August 21, 2020, the Board authorized the repurchase of up to \$700 million of the Company's Class A common stock (the "2020 Repurchase Program"). The 2020 Repurchase Program replaced the Company's previous \$200 million stock repurchase authorization approved by the Board in 2018 (the "2018 Repurchase Program"), which was terminated simultaneously.

During the three and nine months ended September 30, 2020, the Company repurchased \$280.2 million through the stock repurchase programs at an average price of \$331.65 per share of Class A common stock.

During the three and nine months ended September 30, 2019, the Company did not repurchase any shares of common stock.

14. Credit Agreement

The Company has a credit agreement with certain lenders, which currently provides for a \$200 million senior secured revolving credit facility maturing on February 21, 2022 (the "Revolver"). The Revolver contains affirmative and negative covenants customarily applicable to senior secured credit facilities, and also requires the Company to maintain certain levels of Free Cash Flow (as defined in the credit agreement).

On August 21, 2020, in connection with the 2020 Repurchase Program, the Company amended the credit agreement for the Revolver to increase the Company's stock repurchase basket in the negative covenant for restricted payments. The Company also increased the revolving loan commitment amount to \$200 million on October 30, 2020 through an incremental commitment joinder. In the nine months ended September 30, 2020, the Company borrowed under the Revolver. All borrowings were repaid as of September 30, 2020. As a result, there were no amounts outstanding on the Revolver as of September 30, 2020.

15. Convertible Debt

2017 Notes and Capped Call Transactions

On September 15, 2017, the Company issued \$431.25 million in aggregate principal amount of 0.375% Convertible Senior Notes due 2022 (the "2017 Notes"), which includes the exercise in full of a \$56.25 million over-allotment option, to certain financial institutions as the initial purchasers of the 2017 Notes (the "2017 Initial Purchasers"). On September 11, 2017, in connection with the pricing of the 2017 Notes, the Company entered into privately negotiated capped call transactions (the "2017 Base Capped Call Transactions") with two of the 2017 Initial Purchasers and certain other financial institutions (the "2017 Option Counterparties") and, in connection with the exercise in full of the over-allotment option by the 2017 Initial Purchasers, on September 14, 2017, entered into additional capped call transactions (such additional capped call transactions, the "2017 Additional Capped Call Transactions" and, together with the 2017 Base Capped Call Transactions, the "2017 Capped Call Transactions") with the 2017 Option Counterparties. Collectively, the 2017 Capped Call Transactions covered, initially, the number of shares of the Company's Class A common stock underlying the 2017 Notes, subject to anti-dilution adjustments substantially similar to those applicable to the 2017 Notes.

The 2017 Notes were issued pursuant to an indenture, dated September 15, 2017 (the "2017 Indenture"), between the Company and U.S. Bank National Association, as trustee. The Company pays interest on the 2017 Notes semiannually in arrears at a rate of 0.375% per annum on March 1 and September 1 of each year. The 2017 Notes are convertible based upon an initial conversion rate of 9.6100 shares of the Company's Class A common stock per \$1,000 principal amount of 2017 Notes (equivalent to a conversion price of approximately \$104.06 per share of the Company's Class A common stock). The conversion rate will be subject to adjustment upon the occurrence of certain specified events, including certain distributions and dividends to all or substantially all of the holders of the Company's Class A common stock, but will not be adjusted for accrued and unpaid interest. The Company will settle any conversions of the 2017 Notes in cash, shares of the Company's Class A common stock or a combination thereof, with the form of consideration determined at the Company's election.

The 2017 Notes will mature on September 1, 2022, unless earlier purchased, redeemed or converted. Prior to June 1, 2022, holders may convert all or a portion of their 2017 Notes only under the following circumstances: (1) during any calendar quarter (and only during such calendar quarter), if the last reported sale price of the Company's Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the 5 business day period after any 10 consecutive trading day period (the "2017 Notes measurement period") in which the trading price per \$1,000 principal amount of 2017 Notes for each trading day of the 2017 Notes measurement period was less than 98% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate on each such trading day; (3) with respect to any 2017 Notes called for redemption by the Company, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On and after June 1, 2022 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2017 Notes at any time, regardless of the foregoing circumstances. Holders of 2017 Notes who convert their 2017 Notes in connection with a notice of a redemption or a make-whole fundamental change (each as defined in the 2017 Indenture) may be entitled to a premium in the form of an increase in the conversion rate of the 2017 Notes.

On November 15, 2018, the Company amended and restated the 2017 Capped Call Transactions (the "Restated 2017 Capped Call Transactions") with each of the 2017 Option Counterparties in order to, among other things, provide that the options underlying the Restated 2017 Capped Call Transactions can, at the Company's option, remain outstanding until September 1, 2022, which is the maturity date for the 2017 Notes, even if all or a portion of the 2017 Notes are converted, repurchased or redeemed prior to such date.

The Company could not redeem the 2017 Notes prior to September 8, 2020. On or after September 8, 2020, the Company may redeem for cash all or part of the 2017 Notes if the last reported sale price of the Company's Class A common stock equals or exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including at least one of the five trading days immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading days ending on, and including the trading day immediately preceding the date on which the Company provides notice of the redemption. The redemption price will be 100% of the principal amount of the 2017 Notes to be redeemed, plus accrued and unpaid interest, if any.

Upon the occurrence of a fundamental change (as defined in the 2017 Indenture), holders may require the Company to repurchase all or a portion of their 2017 Notes for cash at a price equal to 100% of the principal amount of the 2017 Notes to be repurchased plus any accrued but unpaid interest to, but excluding, the fundamental change repurchase date.

The 2017 Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of the 2017 Notes then outstanding may declare the entire principal amount of all the 2017 Notes plus accrued interest, if any, to be immediately due and payable.

2018 Notes and Capped Call Transactions

In November 2018, the Company issued \$575.0 million in aggregate principal amount of 1.125% Convertible Senior Notes due 2024 (the "2018 Notes"), which includes the exercise in full of a \$75.0 million option granted to the initial purchasers, to certain financial institutions as the initial purchasers of the 2018 Notes (the "2018 Initial Purchasers"). The issuance of \$500.0 million of 2018 Notes closed on November 19, 2018 and the additional \$75.0 million of additional 2018 Notes, which were issued pursuant to the exercise of the 2018 Initial Purchasers' option to purchase such additional 2018 Notes, closed on November 29, 2018. On November 14, 2018, in connection with the pricing of the 2018 Notes, the Company entered into privately negotiated capped call transactions (the "2018 Base Capped Call Transactions") with one of the 2018 Initial Purchasers and certain other financial institutions (the "2018 Option Counterparties") and, in connection with the exercise in full of the 2018 Initial Purchasers' option to purchase such additional 2018 Notes, on November 27, 2018, entered into additional capped call transactions (such additional capped call transactions, the "2018 Additional Capped Call Transactions" and, together with the 2018 Base Capped Call Transactions, the "2018 Capped Call Transactions") with the 2018 Option Counterparties. Collectively, the 2018 Capped Call Transactions cover, initially, the number of shares of the Company's Class A common stock underlying the 2018 Notes, subject to anti-dilution adjustments substantially similar to those applicable to the 2018 Notes.

The 2018 Notes were issued pursuant to an indenture, dated November 19, 2018 (the "2018 Indenture"), between the Company and U.S. Bank National Association, as trustee. The Company will pay interest on the 2018 Notes semiannually in arrears at a rate of 1.125% per annum on May 1 and November 1 of each year commencing on May 1, 2019. The 2018 Notes are convertible based upon an initial conversion rate of 8.5910 shares of the Company's Class A common stock per \$1,000 principal amount of 2018 Notes (equivalent to a conversion price of approximately \$116.40 per share of the Company's Class A common stock). The conversion rate will be subject to adjustment upon the occurrence of certain specified events, including certain distributions and dividends to all or substantially all of the holders of the Company's Class A common stock, but will not be adjusted for accrued and unpaid interest. The Company will settle any conversions of the 2018 Notes in cash, shares of the Company's Class A common stock or a combination thereof, with the form of consideration determined at the Company's election.

The 2018 Notes will mature on November 1, 2024, unless earlier purchased, redeemed or converted. Prior to August 1, 2024, holders may convert all or a portion of their 2018 Notes only under the following circumstances: (1) during any calendar quarter (and only during such calendar quarter), if the last reported sale price of the Company's Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period (the "2018 Notes measurement period") in which the trading price per \$1,000 principal amount of 2018 Notes for each trading day of the 2018 Notes measurement period was less than 98% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate on each such trading day; (3) with respect to any 2018 Notes called for redemption by the Company, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On and after August 1, 2024 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2018 Notes at any time, regardless of the foregoing circumstances. Holders of 2018 Notes who convert their 2018 Notes in connection with a make-whole fundamental change or a notice of redemption (each as defined in the 2018 Indenture) may be entitled to a premium in the form of an increase in the conversion rate of the 2018 Notes.

The Company may not redeem the 2018 Notes prior to May 8, 2022. On or after May 8, 2022, the Company may redeem for cash all or part of the 2018 Notes if the last reported sale price of the Company's Class A common stock equals or exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including at least one of the five trading days immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading days ending on, and including the trading day immediately preceding the date on which the Company provides notice of the redemption. The redemption price will be 100% of the principal amount of the 2018 Notes to be redeemed, plus accrued and unpaid interest, if any.

Upon the occurrence of a fundamental change (as defined in the 2018 Indenture), holders may require the Company to repurchase all or a portion of their 2018 Notes for cash at a price equal to 100% of the principal amount of the 2018 Notes to be repurchased plus any accrued but unpaid interest to, but excluding, the fundamental change repurchase date.

The 2018 Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of the 2018 Notes then outstanding may declare the entire principal amount of all the 2018 Notes plus accrued interest, if any, to be immediately due and payable.

2019 Notes and Capped Call Transactions

On August 19, 2019, the Company issued \$948.75 million in aggregate principal amount of 1.00% Convertible Senior Notes due 2026 (the "2019 Notes"), which includes the exercise in full of a \$123.75 million option granted to the initial purchasers, to certain financial institutions as the initial purchasers of the 2019 Notes (the "2019 Initial Purchasers"). On August 14, 2019, in connection with the pricing of the 2019 Notes, the Company entered into privately negotiated capped call transactions (the "2019 Base Capped Call Transactions") with certain of the 2019 Initial Purchasers or their affiliates and another financial institution (the "2019 Option Counterparties") and, in connection with the exercise in full of the 2019 Initial Purchasers' option to purchase such additional 2019 Notes, on August 16, 2019, entered into additional capped call transactions (such additional capped call transactions, the "2019 Additional Capped Call Transactions" and, together with the 2019 Base Capped Call Transactions, the "2019 Capped Call Transactions") with the 2019 Option Counterparties. Collectively, the 2019 Capped Call Transactions cover, initially, the number of shares of the Company's Class A common stock underlying the 2019 Notes, subject to anti-dilution adjustments substantially similar to those applicable to the 2019 Notes.

The 2019 Notes were issued pursuant to an indenture, dated August 19, 2019 (the "2019 Indenture"), between the Company and U.S. Bank National Association, as trustee. The Company will pay interest on the 2019 Notes semiannually in arrears at a rate of 1.00% per annum on February 15 and August 15 of each year commencing on February 15, 2020. The 2019 Notes are convertible based upon an initial conversion rate of 6.7349 shares of the Company's Class A common stock per \$1,000 principal amount of 2019 Notes (equivalent to a conversion price of approximately \$148.48 per share of the Company's Class A common stock). The conversion rate will be subject to adjustment upon the occurrence of certain specified events, including certain distributions and dividends to all or substantially all of the holders of the Company's Class A common stock, but will not be adjusted for accrued and unpaid interest. The Company will settle any conversions of the 2019 Notes in cash, shares of the Company's Class A common stock or a combination thereof, with the form of consideration determined at the Company's election.

The 2019 Notes will mature on August 15, 2026, unless earlier purchased, redeemed or converted. Prior to May 15, 2026, holders may convert all or a portion of their 2019 Notes only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on December 31, 2019 (and only during such calendar quarter), if the last reported sale price of the Company's Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period (the "2019 Notes measurement period") in which the trading price per \$1,000 principal amount of 2019 Notes for each trading day of the 2019 Notes measurement period was less than 98% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate on each such trading day; (3) with respect to any 2019 Notes called for redemption by the Company, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On and after May 15, 2026 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2019 Notes at any time, regardless of the foregoing circumstances. Holders of 2019 Notes who convert their 2019 Notes in connection with a make-whole fundamental change or a notice of redemption (each as defined in the 2019 Indenture) may be entitled to a premium in the form of an increase in the conversion rate of the 2019 Notes.

The Company may not redeem the 2019 Notes prior to August 20, 2023. On or after August 20, 2023, the Company may redeem for cash all or part of the 2019 Notes if the last reported sale price of the Company's Class A common stock equals or exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including at least one of the five trading days immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading days ending on, and including the trading day immediately preceding the date on which the Company provides notice of the redemption. The redemption price will be 100% of the principal amount of the 2019 Notes to be redeemed, plus accrued and unpaid interest, if any.

Upon the occurrence of a fundamental change (as defined in the 2019 Indenture), holders may require the Company to repurchase all or a portion of their 2019 Notes for cash at a price equal to 100% of the principal amount of the 2019 Notes to be repurchased plus any accrued but unpaid interest to, but excluding, the fundamental change repurchase date.

The 2019 Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of the 2019 Notes then

outstanding may declare the entire principal amount of all the 2019 Notes plus accrued interest, if any, to be immediately due and payable.

2020 Notes and Capped Call Transactions

On August 14, 2020, the Company issued \$1.518 billion in aggregate principal amount of 0.625% Convertible Senior Notes due 2025 (the “2020 Notes”, and together with the 2017 Notes, the 2018 Notes and the 2019 Notes, the “Non-Accreting Notes”), which includes the exercise in full of a \$198.0 million option granted to the initial purchasers, to certain financial institutions as the initial purchasers of the 2020 Notes (the “2020 Initial Purchasers”). On August 11, 2020, in connection with the pricing of the 2020 Notes, the Company entered into privately negotiated capped call transactions (the “2020 Base Capped Call Transactions”) with certain of the 2020 Initial Purchasers or their respective affiliates and certain other financial institutions (the “2020 Option Counterparties”) and, in connection with the exercise in full of the 2020 Initial Purchasers’ option to purchase such additional 2020 Notes, on August 12, 2020, entered into additional capped call transactions (such additional capped call transactions, the “2020 Additional Capped Call Transactions” and together with the 2020 Base Capped Call Transactions, the “2020 Capped Call Transactions”) with the 2020 Option Counterparties. Collectively, the 2020 Capped Call Transactions cover, initially, the number of shares of the Company’s Class A common stock underlying the 2020 Notes, subject to anti-dilution adjustments substantially similar to those applicable to the 2020 Notes.

The 2020 Notes were issued pursuant to an indenture, dated August 14, 2020 (the “2020 Indenture”), between the Company and U.S. Bank National Association, as trustee. The Company will pay interest on the 2020 Notes semiannually in arrears at a rate of 0.625% per annum on April 1 and October 1 of each year commencing on April 1, 2021. The 2020 Notes are convertible based upon an initial conversion rate of 2.3972 shares of the Company’s Class A common stock per \$1,000 principal amount of 2020 Notes (equivalent to a conversion price of approximately \$417.15 per share of the Company’s Class A common stock). The conversion rate will be subject to adjustment upon the occurrence of certain specified events, including certain distributions and dividends to all or substantially all of the holders of the Company’s Class A common stock, but will not be adjusted for accrued and unpaid interest. The Company will settle any conversions of the 2020 Notes in cash, shares of the Company’s Class A common stock or a combination thereof, with the form of consideration determined at the Company’s election.

The 2020 Notes will mature on October 1, 2025, unless earlier purchased, redeemed or converted. Prior to July 1, 2025, holders may convert all or a portion of their 2020 Notes only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on December 31, 2020 (and only during such calendar quarter), if the last reported sale price of the Company’s Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period (the “2020 Notes measurement period”) in which the trading price per \$1,000 principal amount of 2020 Notes for each trading day of the 2020 Notes measurement period was less than 98% of the product of the last reported sale price of the Company’s Class A common stock and the conversion rate on each such trading day; (3) with respect to any 2020 Notes called for redemption by the Company, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On and after July 1, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2020 Notes at any time, regardless of the foregoing circumstances. Holders of 2020 Notes who convert their 2020 Notes in connection with a make-whole fundamental change or a notice of redemption (each as defined in the 2020 Indenture) may be entitled to a premium in the form of an increase in the conversion rate of the 2020 Notes.

The Company may not redeem the 2020 Notes prior to October 4, 2022. On or after October 4, 2022, the Company may redeem for cash all or part of the 2020 Notes if the last reported sale price of the Company’s Class A common stock equals or exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including at least one of the five trading days immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading days ending on, and including the trading day immediately preceding the date on which the Company provides notice of the redemption. The redemption price will be 100% of the principal amount of the 2020 Notes to be redeemed, plus accrued and unpaid interest, if any.

Upon the occurrence of a fundamental change (as defined in the 2020 Indenture), holders may require the Company to repurchase all or a portion of their 2020 Notes for cash at a price equal to 100% of the principal amount of the 2020 Notes to be repurchased plus any accrued but unpaid interest to, but excluding, the fundamental change repurchase date.

The 2020 Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of the 2020 Notes then

outstanding may declare the entire principal amount of all the 2020 Notes plus accrued interest, if any, to be immediately due and payable.

Proceeds from Non-Accreting Notes Transactions

The net proceeds from the sale of the 2017 Notes, 2018 Notes, 2019 Notes, and the 2020 Notes were approximately \$420.4 million, \$562.0 million, \$935.1 million, and \$1.5 billion, respectively, after deducting the initial purchasers' discounts and the offering expenses payable by the Company. The Company used approximately \$44.2 million, \$93.4 million, \$145.7 million, and \$255.0 million, respectively, of the net proceeds from the 2017 Notes, 2018 Notes, 2019 Notes, and 2020 Notes to pay the cost of the 2017 Capped Call Transactions, the 2018 Capped Call Transactions, the 2019 Capped Call Transactions, and the 2020 Capped Call Transactions, respectively.

Accounting for Non-Accreting Notes

In accounting for the issuance of the Non-Accreting Notes, the Company separated the Non-Accreting Notes into liability and equity components. The carrying amount of the liability components were calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity components, representing the conversion option, which does not meet the criteria for separate accounting as a derivative as it is indexed to the Company's own stock, were determined by deducting the fair value of the liability components from the par value of the Non-Accreting Notes. The differences between the carrying amounts of the Non-Accreting Notes and the liability components represent the debt discounts for the corresponding Non-Accreting Notes, which is recorded as a direct deduction from the related debt liabilities in the Consolidated and Condensed Balance Sheet and amortized to interest expense using the effective interest method over the terms of the corresponding Non-Accreting Notes.

The effective interest rate of the 2017 Notes, the 2018 Notes, the 2019 Notes and the 2020 Notes is 6.0%, 8.1%, 6.4%, and 5.2%, respectively. The equity components of the 2017 Notes, the 2018 Notes, the 2019 Notes and the 2020 Notes of approximately \$95.8 million, \$181.5 million, \$280.3 million, and \$297.4 million, respectively, are included in additional paid-in capital in the Consolidated and Condensed Balance Sheet and are not remeasured as long as they continue to meet the conditions for equity classification. The Company allocated transaction costs related to the components of the Non-Accreting Notes using the same proportions as the proceeds from the corresponding Non-Accreting Notes. Transaction costs attributable to the liability components were recorded as direct deductions from the related debt liabilities in the Consolidated and Condensed Balance Sheet and amortized to interest expense over the terms of the corresponding Non-Accreting Notes, and transaction costs attributable to the equity components were netted with the corresponding equity components in shareholders' deficit.

2020 Accreting Notes

On April 8, 2020, the Company issued \$535.0 million in aggregate original principal amount of 2.50% Accreting Convertible Senior Notes due 2025 (the "2020 Accreting Notes", and collectively with the Non-Accreting Notes, the "Notes") to GHEP VII Aggregator, L.P. ("Great Hill"), CBEP Investments, LLC ("Charlesbank") and The Spruce House Partnership LLC. The 2020 Accreting Notes are fully and unconditionally guaranteed on a senior unsecured basis by Wayfair LLC, a wholly-owned subsidiary of the Company, as guarantor.

The 2020 Accreting Notes were issued pursuant to an indenture, dated April 8, 2020 (the "2020 Accreting Indenture"), among the Company, Wayfair LLC, as guarantor, and U.S. Bank National Association, as trustee. The 2020 Accreting Notes are fully and unconditionally guaranteed on a senior unsecured basis by Wayfair LLC. No cash interest will be payable on the 2020 Accreting Notes. Instead, the 2020 Accreting Notes will accrue interest at a rate of 2.50% per annum which will accrete to the principal amount on April 1 and October 1 of each year, beginning on October 1, 2020. The 2020 Accreting Notes are convertible based upon an initial conversion price of \$72.50 per share of the Company's Class A common stock. The conversion price is subject to adjustment upon the occurrence of certain specified events, including certain distributions and dividends to all or substantially all of the holders of the Company's Class A common stock, but will not be adjusted for accrued and unpaid interest. The Company will settle any conversion of 2020 Accreting Notes with a number of shares of the Company's Class A common stock per \$1,000 original principal amount of 2020 Accreting Notes equal to the accreted principal amount of such original principal amount of 2020 Accreting Notes divided by the conversion price.

The 2020 Accreting Notes will mature on April 1, 2025, unless earlier purchased, redeemed or converted. Holders may convert all or a portion of their 2020 Accreting Notes at any time prior to the second business day immediately preceding the maturity date. Holders of the 2020 Accreting Notes who convert in connection with a make-whole fundamental change (as defined in the 2020 Accreting Indenture) may be entitled to a premium in the form of additional shares of the Company's Class A common stock.

The Company may not redeem the 2020 Accreting Notes prior to May 9, 2023. On or after May 9, 2023, the Company may redeem for cash all or part of the 2020 Accreting Notes if the last reported sale price of the Company's Class A common stock equals or exceeds 276% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including at least one of the five trading days immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading days ending on, and including the trading day immediately preceding the date on which the Company provides notice of the redemption. The redemption price will be 100% of the accreted principal amount of the 2020 Accreting Notes to be redeemed, including accrued interest, if any, but excluding, the redemption date.

Upon the occurrence of a fundamental change (as defined in the 2020 Accreting Indenture), holders may require the Company to repurchase all or a portion of their 2020 Accreting Notes for cash at a price equal to 100% of the accreted principal amount of the 2020 Accreting Notes to be repurchased (which accreted principal amount upon repurchase will include interest, if any, accrued to, but excluding, the fundamental change repurchase date).

The 2020 Accreting Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of the 2020 Accreting Notes then outstanding may declare the entire principal amount of all the 2020 Accreting Notes plus accrued interest, if any, to be immediately due and payable.

The net proceeds from the sale of the 2020 Accreting Notes was approximately \$527.4 million, after deducting the offering expenses payable by the Company.

In accounting for the issuance of the 2020 Accreting Notes, the Company determined there was a beneficial conversion feature, which represents the excess of the fair value of the underlying common stock at the commitment date less the effective conversion price of the shares convertible at that time. The beneficial conversion feature of \$39.4 million was recorded to additional paid-in capital in the Consolidated and Condensed Balance Sheet and represents a debt discount to the 2020 Accreting Notes, which was recorded as a direct deduction from the related debt liability in the Consolidated and Condensed Balance Sheet. It is amortized to interest expense using the effective interest method over the term of the 2020 Accreting Notes. All transaction costs incurred were recorded as a direct deduction from the related debt liability in the Consolidated and Condensed Balance Sheet and are amortized to interest expense using the effective interest method over the term of the 2020 Accreting Notes.

The 2020 Accreting Notes accrue interest at a rate of 2.50% per annum, which will accrete to the principal amount on April 1 and October 1 of each year, beginning on October 1, 2020. The interest is amortized to interest expense using the effective interest method over the term of the 2020 Accreting Notes and recorded to other long-term liabilities in the Consolidated and Condensed Balance Sheet. Upon accretion to the principal amount on April 1 and October 1 of each year, the Company will reclassify the interest accrued as of that date to long-term debt. The beneficial conversion feature for additional shares, which would be issued upon conversion of paid in kind interest, is recorded as additional interest expense and additional paid-in capital over the term of the 2020 Accreting Notes as such interest accrues. The effective interest rate of the 2020 Accreting Notes is 4.4%.

Capped Call Transactions

The Restated 2017 Capped Call Transactions, 2018 Capped Call Transactions, 2019 Capped Call Transactions, and 2020 Capped Call Transactions (collectively, the "Capped Call Transactions") are expected generally to reduce the potential dilution and/or offset the cash payments the Company is required to make in excess of the principal amount of the Non-Accreting Notes upon conversion of the Non-Accreting Notes in the event that the market price per share of the Company's Class A common stock is greater than the strike price of the Capped Call Transactions (which initially corresponds to the initial conversion price of the Non-Accreting Notes and is subject to certain adjustments under the terms of the Capped Call Transactions), with such reduction and/or offset subject to a cap based on the cap price of the Capped Call Transactions. The Restated 2017 Capped Call Transactions have an initial cap price of \$154.16 per share of the Company's Class A common stock, which represents a premium of 100% over the last reported sale price of the Company's Class A common stock on September 11, 2017, which is the date the 2017 Notes priced, and is subject to certain adjustments under the terms of the Restated 2017 Capped Call Transactions. The 2018 Capped Call Transactions have an initial cap price of \$219.63 per share of the Company's Class A common stock, which represents a premium of 150% over the last reported sale price of the Company's Class A common stock on November 14, 2018, which is the day the 2018 Notes priced, and is subject to certain adjustments under the terms of the 2018 Capped Call Transactions. The 2019 Capped Call Transactions have an initial cap price of \$280.15 per share of the Company's Class A common stock, which represents a premium of 150% over the last reported sale price of the Company's Class A common stock on August 14, 2019, which is the day the 2019 Notes priced, and is subject to certain adjustments under the terms of the 2019 Capped Call Transactions. The 2020 Capped Call Transactions have an initial cap price of \$787.08 per share of the Company's Class A common stock, which represents a premium of 150% over the U.S. composite volume weighted average price of the Company's Class A common stock on August 11, 2020, which is the day the 2020 Notes priced,

and is subject to certain adjustments under the terms of the 2020 Capped Call Transactions. Collectively, the Capped Call Transactions cover, initially, the number of shares of the Company's Class A common stock underlying the Non-Accreting Notes, subject to anti-dilution adjustments substantially similar to those applicable to the Non-Accreting Notes.

The Capped Call Transactions are separate transactions, in each case, entered into by the Company with the 2017 Option Counterparties, the 2018 Option Counterparties, the 2019 Option Counterparties, and the 2020 Option Counterparties, and are not part of the terms of the Non-Accreting Notes and will not affect any holder's rights under the Non-Accreting Notes. Holders of the Non-Accreting Notes will not have any rights with respect to the Capped Call Transactions. The Capped Call Transactions do not meet the criteria for separate accounting as a derivative as they are indexed to the Company's stock. The premiums paid for the Capped Call Transactions have been included as a net reduction to additional paid-in capital within shareholders' deficit.

Extinguishment, Conversions and Convertibility of the Notes

In August 2020, the Company used \$1.0 billion of the net proceeds from the issuance of the 2020 Notes to repurchase for cash in privately negotiated repurchase transactions \$343.4 million in aggregate principal amount of the 2017 Notes. Additionally, in the third quarter of 2020, \$60.6 million aggregate principal of the 2017 Notes were settled upon conversion by the holders for 582,825 shares of the Company's Class A common stock. Approximately \$27.2 million aggregate principal amount of the 2017 Notes remained outstanding as of September 30, 2020.

In accounting for these transactions, the Company allocated \$371.8 million of the total fair value of the consideration received from the 2020 Notes to the debt component of the repurchased 2017 Notes by estimating the fair value of a similar liability that did not have an associated convertible feature. The \$12.6 million loss on extinguishment of the 2017 Notes recorded to Other (expense) income, net in the Consolidated and Condensed Statements of Operations, primarily represents the difference between the total fair value of consideration allocated to the debt component and the \$360.5 million carrying value, net of the remaining unamortized debt discount and debt issuance costs. The Company applied the \$818.7 million residual value of the total fair value of the consideration to the equity component in additional paid-in capital in the Consolidated and Condensed Balance Sheet.

The following Non-Accreting Notes are convertible during the calendar quarter ended December 31, 2020: the 2017 Notes, the 2018 Notes and the 2019 Notes. The 2020 Notes are not convertible during the fourth quarter of 2020. None of the 2018 Notes, the 2019 Notes or the 2020 Notes have been converted to date.

The 2020 Accreting Notes are convertible at any time prior to the second business day immediately preceding the maturity date (April 1, 2025). As of September 30, 2020, none of the 2020 Accreting Notes had been converted. In October 2020, Charlesbank converted \$253.1 million of accreted principal of the 2020 Accreting Notes and received 3,490,175 shares of the Company's Class A common stock.

Use of Proceeds of the Notes

The Company intends to use the remainder of the net proceeds from the Notes for working capital and general corporate purposes, including, but not limited to, operating and capital expenditures. The Company may also use a portion of the net proceeds to finance acquisitions, strategic transactions, investments, repurchases of its Class A common stock or the repayment, redemption, purchase or exchange of indebtedness (including the Notes).

Seniority of Notes

The Notes are general senior unsecured obligations of the Company. The Notes rank senior in right of payment to any of the Company's future indebtedness that is expressly subordinated in right of payment to the Notes, rank equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated, and are effectively subordinated in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness. The Non-Accreting Notes are structurally subordinated to all existing and future indebtedness and liabilities of the Company's subsidiaries, including Wayfair LLC's guaranty of the 2020 Accreting Notes, and the 2020 Accreting Notes are structurally subordinated to all existing and future indebtedness and liabilities of the Company's subsidiaries (other than Wayfair LLC).

The following table presents the outstanding principal amount and carrying value of the Notes as of the date presented:

	September 30, 2020					December 31, 2019			
	2017 Notes	2018 Notes	2019 Notes	2020 Accreting Notes	2020 Notes	2017 Notes	2018 Notes	2019 Notes	
	(in thousands)								
Principal amounts:									
Principal	\$ 27,171	\$ 575,000	\$ 948,750	\$ 535,000	\$ 1,518,000	\$ 431,250	\$ 575,000	\$ 948,750	
Unamortized debt discount	(2,764)	(140,200)	(251,548)	(42,650)	(304,624)	(59,830)	(161,275)	(277,700)	
Net carrying amount	\$ 24,407	\$ 434,800	\$ 697,202	\$ 492,350	\$ 1,213,376	\$ 371,420	\$ 413,725	\$ 671,050	

The following tables present total interest expense recognized related to the Notes:

	Three Months Ended September 30,								
	2020					2019			
	2017 Notes	2018 Notes	2019 Notes	2020 Accreting Notes	2020 Notes	2017 Notes	2018 Notes	2019 Notes	
	(in thousands)								
Contractual interest expense	\$ 224	\$ 1,617	\$ 2,372	\$ 3,310	\$ 1,239	\$ 404	\$ 1,617	\$ 1,031	
Interest cost related to amortization of the debt discount	2,970	7,172	8,759	2,632	6,937	5,058	6,613	3,799	
Total interest expense	\$ 3,194	\$ 8,789	\$ 11,131	\$ 5,942	\$ 8,176	\$ 5,462	\$ 8,230	\$ 4,830	

	Nine Months Ended September 30,								
	2020					2019			
	2017 Notes	2018 Notes	2019 Notes	2020 Accreting Notes	2020 Notes	2017 Notes	2018 Notes	2019 Notes	
	(in thousands)								
Contractual interest expense	\$ 1,033	\$ 4,852	\$ 7,063	\$ 6,502	\$ 1,239	\$ 1,213	\$ 4,852	\$ 1,031	
Interest cost related to amortization of the debt discount	13,471	21,075	25,912	4,317	6,937	14,948	19,423	3,799	
Total interest expense	\$ 14,504	\$ 25,927	\$ 32,975	\$ 10,819	\$ 8,176	\$ 16,161	\$ 24,275	\$ 4,830	

The estimated fair value of the 2017 Notes, 2018 Notes, 2019 Notes, 2020 Notes, and 2020 Accreting Notes was \$75.6 million, \$1.5 billion, \$1.8 billion, \$1.5 billion and \$2.2 billion, respectively, as of September 30, 2020. The estimated fair value of the Non-Accreting Notes was determined through consideration of quoted market prices. The estimated fair value of the 2020 Accreting Notes was determined through an option pricing model using Level 3 inputs including volatility and credit spread. The fair values of the Non-Accreting Notes and the 2020 Accreting Notes are classified as Level 2 and Level 3, respectively, as defined in Note 3, *Investments and Fair Value Measurements*. The if-converted value of the 2017 Notes, 2018 Notes, 2019 Notes, and 2020 Accreting Notes exceeded the principal value by \$48.8 million, \$862.5 million, \$910.7 million, and \$1.6 billion, respectively, as of September 30, 2020. The if-converted value of the 2020 Notes did not exceed the principal value as of September 30, 2020.

16. Earnings (Loss) per Share

Basic and diluted earnings (loss) per share is presented using the two-class method required for participating securities: Class A and Class B common stock. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting and conversion. For more information on the rights of Class A and Class B common stockholders, see Note 13, *Stockholders' Deficit*.

Basic earnings (loss) per share is computed using the weighted-average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is computed using the weighted-average number of shares of common stock plus, if dilutive, common stock equivalents outstanding during the period and stock issuable upon conversion of our convertible debt instruments. The Company's common stock equivalents consist of shares issuable upon the release of RSUs, and to a lesser extent, the incremental shares of common stock issuable upon the exercise of stock options and unvested restricted stock. The dilutive effect of these common stock equivalents is reflected in diluted earnings (loss) per share by application of the treasury stock method. The dilutive effect of shares issuable upon conversion of the Company's convertible debt instruments are included in the calculation of diluted net earnings (loss) per share under the if-converted method.

For periods in which the Company has generated a net loss, the Company's basic and diluted earnings (loss) per share are the same as basic earnings (loss) per share, as the effects of common stock equivalents outstanding and shares issuable upon conversion of convertible debt instruments are antidilutive and therefore excluded from the calculation of diluted earnings (loss) per share.

The Company allocates undistributed earnings between the classes on a one-to-one basis when computing earnings (loss) per share. As a result, basic and diluted earnings (loss) per Class A and Class B shares of common stock are equivalent.

The following table presents the calculation of basic and diluted earnings (loss) per share:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(in thousands, except per share data)			
Numerator:				
Numerator for basic EPS - Net income (loss)	\$ 173,166	\$ (272,035)	\$ 161,178	\$ (654,362)
<i>Effect of dilutive securities:</i>				
Interest expense associated with convertible debt instruments	9,136	—	—	—
Numerator for diluted EPS - net income (loss) available to common stockholders after the effect of dilutive securities	<u>\$ 182,302</u>	<u>\$ (272,035)</u>	<u>\$ 161,178</u>	<u>\$ (654,362)</u>
Denominator:				
Denominator for basic EPS - weighted-average number of shares of common stock outstanding	95,373	92,540	94,767	91,820
<i>Effect of dilutive securities:</i>				
Employee stock options	24	—	32	—
Restricted stock units	4,123	—	3,222	—
Convertible debt instruments	9,680	—	—	—
Dilutive potential common shares	<u>13,827</u>	<u>—</u>	<u>3,254</u>	<u>—</u>
Denominator for diluted EPS - adjusted weighted-average number of shares of common stock outstanding after the effect of dilutive securities	<u>109,200</u>	<u>92,540</u>	<u>98,021</u>	<u>91,820</u>
Basic earnings (loss) per share	<u>\$ 1.82</u>	<u>\$ (2.94)</u>	<u>\$ 1.70</u>	<u>\$ (7.13)</u>
Diluted earnings (loss) per share	<u>\$ 1.67</u>	<u>\$ (2.94)</u>	<u>\$ 1.64</u>	<u>\$ (7.13)</u>

The potential common shares from anti-dilutive securities excluded from the weighted-average shares of common stock used to calculate diluted earnings (loss) per share were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Outstanding employee stock options	—	51	—	51
Unvested restricted common stock	—	20	—	20
Unvested restricted stock units	116	7,823	510	7,823
Shares related to convertible debt instruments	13,228	15,474	20,232	15,474
Total	13,344	23,368	20,742	23,368

The Company may settle conversions of the Non-Accreting Notes in cash, shares of the Company's Class A common stock or any combination thereof at its election. The Company will settle conversions of the 2020 Accreting Notes in shares. The Capped Call Transactions are generally expected to reduce the potential dilution of the Company's Class A common stock upon any conversion of Notes and/or offset the cash payments the Company is required to make in excess of the principal amount of the Notes. The number of shares of the Company's Class A common stock potentially issuable and obtainable at the respective conversion prices of the Notes and the Capped Call Transactions, respectively, by year, are as follows:

	2017 Notes / Restated 2017 Capped Call Transactions	2018 Notes / 2018 Capped Call Transactions	2019 Notes / 2019 Capped Call Transactions	2020 Accreting Notes	2020 Notes / 2020 Capped Call Transactions
	(in thousands)				
Shares potentially issuable from convertible debt instruments	261	4,940	6,390	7,379	3,639
Shares obtainable from the exercise of capped call transactions	(1,347)	(2,322)	(3,003)	—	(1,710)
Total	(1,086)	2,618	3,387	7,379	1,929

For more information on the structure of the Notes and the Capped Call Transactions, including potential adjustments to the conversion prices used to determine the shares presented in the preceding table, see Note 15, *Convertible Debt*.

17. Related Party Transactions

As discussed in *Note 15, Convertible Debt*, on April 8, 2020, pursuant to the terms of the amended and restated purchase agreement, dated April 7, 2020 (the "Purchase Agreement"), the Company issued \$535.0 million in aggregate original principal amount of 2020 Accreting Notes. The issuance of the 2020 Accreting Notes constitutes a related party transaction because of Michael W. Choe's positions as a director of the Company (as of May 12, 2020) and Managing Director and Chief Executive Officer of Charlesbank Capital Partners, LLC, the sole owner of the ultimate general partner of Charlesbank, a party to the Purchase Agreement; Michael Kumin's positions as a director of the Company and a Managing Partner at Great Hill Partners, LP, Manager of the ultimate general partner of Great Hill, a party to the Purchase Agreement; and the limited partnership interests held by Niraj Shah and Steve Conine, the Company's co-founders and co-chairmen, in affiliates of Great Hill and Charlesbank.

18. Recent Accounting Pronouncements

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)* ("ASU 2020-06"). This ASU simplifies the accounting for convertible instruments by removing the separation models for convertible debt with cash conversion features and convertible instruments with a beneficial conversion feature. Under ASU 2020-06, a convertible debt instrument with those features will generally be reported as a single liability at its amortized cost with no separate accounting for the embedded conversion features. We expect the elimination of these models will reduce reported interest expense and increase reported net income for the Company's existing convertible instruments falling under the scope of those models before the adoption of ASU 2020-06. ASU 2020-06 requires the application of the if-converted method when calculating diluted earnings per share, eliminating the Company's ability to use the treasury stock method when certain conditions are met. The ASU is effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted no earlier than fiscal years

beginning after December 15, 2020. Management is currently evaluating the impact of the adoption of this ASU on the Company's consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the unaudited Consolidated and Condensed Financial Statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our audited Consolidated Financial Statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2019. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those included in Part I, Item 1, *Special Note Regarding Forward Looking Statements*, and in Part II, Item 1A, *Risk Factors*, of this Quarterly Report on Form 10-Q and in Part I, Item 1A, *Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2019, our actual results may differ materially from those anticipated in these forward-looking statements.

The following discussion includes financial information prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"), as well as certain non-GAAP financial measures such as Adjusted EBITDA, Free Cash Flow, and Net Revenue Constant Currency Growth. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. Management believes the use of these non-GAAP measures on a consolidated and reportable segment basis assists investors in understanding the ongoing operating performance of our business by presenting comparable financial results between periods. For more information on these non-GAAP financial measures, including reconciliations to the most directly comparable GAAP financial measures, see "Non-GAAP Financial Measures" below.

Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to "Wayfair," "the company," "we," "us," "our," and similar terms include Wayfair Inc. and its subsidiaries, unless the context indicates otherwise.

Overview

We are one of the world's largest online destinations for the home. Through our e-commerce business model, we offer visually inspired browsing, compelling merchandising, easy product discovery and attractive prices for over eighteen million products from over 12,000 suppliers. Because of the large market opportunity we see in front of us, we are currently investing across our business, including investments to expand our international business, to build our proprietary logistics network and to continue developing various product categories.

Our operating and reportable segments are the U.S. and International. The following table presents net revenue attributable to our reportable segments for the periods presented:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
U.S. net revenue	\$ 3,274,872	\$ 1,966,654	\$ 8,901,559	\$ 5,624,870
International net revenue	564,698	338,833	1,572,746	968,697
Total net revenue	<u>\$ 3,839,570</u>	<u>\$ 2,305,487</u>	<u>\$ 10,474,305</u>	<u>\$ 6,593,567</u>

For more information on our segments, see Note 11, *Segment and Geographic Information*, included in Part I, Item 1, *Unaudited Consolidated and Condensed Financial Statements*, of this Quarterly Report on Form 10-Q.

COVID-19 Outbreak

We are continuing to closely monitor the impact of the COVID-19 outbreak on our business, results of operations and financial results. The situation surrounding the COVID-19 outbreak remains fluid and the full extent of the positive or negative impact of the COVID-19 outbreak on our business will depend on certain developments including the length of time that the outbreak continues, the impact on consumer activity and behaviors and the effect on our customers, employees, suppliers, partners, and stockholders, all of which are uncertain and cannot be predicted. See Part II, Item 1A, *Risk Factors* for additional details. Our focus remains on promoting the health, safety and financial security of our employees and serving our customers. As a result, we have taken a number of precautionary measures, including implementing social distancing and enhanced cleaning measures in our facilities, suspending all non-essential travel, transitioning a large portion of our employees to working-from-home, reimbursing certain employee technology purchases, providing employee welfare programs, providing emergency paid time off and targeted hourly pay increases and developing no contact delivery methods.

In an effort to contain or slow the COVID-19 outbreak, authorities across the world have implemented various measures, some of which have been subsequently rescinded or modified, including travel bans, stay-at-home orders and shutdowns of certain businesses. We anticipate that these actions and the global health crisis caused by the COVID-19 outbreak, including any resurgences, will continue to negatively impact global economic activity. While the COVID-19 outbreak has not had a material adverse impact on our operations to date and we believe the long-term opportunity that we see for shopping for the home online remains unchanged, it is difficult to predict all of the positive or negative impacts the COVID-19 outbreak will have on our business.

In the short term, we have continued to see increased sales and order activity in the market since the COVID-19 outbreak. In order to keep up with the increased orders, we have hired and are continuing to hire additional frontline and sales and service workers. However, much is unknown and accordingly the situation remains dynamic and subject to rapid and possibly material change. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state, local or foreign authorities, or that we determine are in the best interests of our customers, employees, suppliers, partners, stockholders and communities.

Key Financial and Operating Metrics

We measure our business using financial and operating metrics, as well as non-GAAP financial measures. Our Free Cash Flow non-GAAP financial measure is measured on a consolidated basis, while our Adjusted EBITDA non-GAAP financial measure is measured on a consolidated and reportable segment basis. See Note 11, *Segment and Geographic Information*, included in Part I, Item 1, *Unaudited Consolidated and Condensed Financial Statements*, of this Quarterly Report on Form 10-Q for additional information regarding our reportable segments. All other key financial and operating metrics are derived and reported from our consolidated Direct Retail net revenue, which includes sales generated primarily through our family of sites. These metrics do not include net revenue derived from the websites operated by our retail partners and our media solutions business. We do not have access to certain customer level information on net revenue derived through our retail partners and therefore cannot measure or disclose it.

We use the following metrics to assess the near and longer-term performance of our overall business:

	Three months ended September 30,		Nine months ended September 30,					
	2020	2019	2020	2019				
	(in thousands, except LTM Net Revenue per Active Customer and Average Order Value)							
Direct Retail Financial and Operating Metrics:								
Direct Retail Net Revenue (1)	\$	3,827,265	\$	2,299,680	\$	10,444,083	\$	6,562,620
Active Customers		28,783		19,071		28,783		19,071
LTM Net Revenue per Active Customer	\$	451	\$	449	\$	451	\$	449
Orders Delivered		15,758		9,121		44,526		26,446
Average Order Value	\$	243	\$	252	\$	235	\$	248
Non-GAAP Financial Measures:								
Adjusted EBITDA	\$	371,112	\$	(144,184)	\$	683,648	\$	(316,385)
Free Cash Flow	\$	255,028	\$	(180,900)	\$	954,007	\$	(439,188)

(1) Direct Retail net revenue is calculated by taking consolidated net revenue and excluding U.S. net revenue derived from the websites operated by our retail partners and our media solutions business, which accounted for \$12.3 million and \$30.2 million of net revenue for the three and nine months ended September 30, 2020, respectively, and \$5.8 million and \$30.9 million of net revenue for the three and nine months ended September 30, 2019, respectively.

Non-GAAP Financial Measures

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed here and elsewhere in this Quarterly Report on Form 10-Q Adjusted EBITDA, a non-GAAP financial measure that we calculate as net income (loss) before depreciation and amortization, equity-based compensation and related taxes, interest (expense), net, other (expense) income, net, (benefit) provision for income taxes, net, non-recurring items, and other items not indicative of our ongoing operating performance. We have provided a reconciliation below of Adjusted EBITDA to net income (loss), the most directly comparable GAAP financial measure.

We have included Adjusted EBITDA in this Quarterly Report on Form 10-Q because it is a key measure used by our management and the Board to evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis as these costs may vary independent of business performance. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and the Board.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect equity-based compensation and related taxes;
- Adjusted EBITDA does not reflect changes in our working capital;
- Adjusted EBITDA does not reflect income tax payments that may represent a reduction in cash available to us;
- Adjusted EBITDA does not reflect interest expenses associated with our borrowings;
- Adjusted EBITDA does not include other items not indicative of our ongoing operating performance, and
- Other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income (loss) and our other GAAP results.

The following table reflects the reconciliation of net income (loss) to Adjusted EBITDA for each of the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
(in thousands)				
Reconciliation of Adjusted EBITDA				
Net income (loss)	\$ 173,166	\$ (272,035)	\$ 161,178	\$ (654,362)
Depreciation and amortization	72,575	50,250	208,532	134,172
Equity-based compensation and related taxes	76,683	65,275	211,376	173,963
Interest expense, net	36,315	14,432	87,472	33,922
Other expense (income), net	13,584	(2,182)	10,720	(5,582)
(Benefit) provision for income taxes, net	(1,211)	76	414	1,502
Other (1)	—	—	3,956	—
Adjusted EBITDA	<u>\$ 371,112</u>	<u>\$ (144,184)</u>	<u>\$ 683,648</u>	<u>\$ (316,385)</u>

(1) The Company recorded \$4.0 million in the nine months ended September 30, 2020 in selling, operations, technology, general and administrative expenses in the Consolidated and Condensed Statements of Operations related to severance costs associated with February 2020 workforce reductions.

Free Cash Flow

To provide investors with additional information regarding our financial results, we have also disclosed here and elsewhere in this Quarterly Report on Form 10-Q Free Cash Flow, a non-GAAP financial measure that we calculate as net cash provided by or used in operating activities less net cash used to purchase property and equipment and site and software development costs (collectively "Capital Expenditures"). We have provided a reconciliation below of Free Cash Flow to net cash provided by or used in operating activities, the most directly comparable GAAP financial measure.

We have included Free Cash Flow in this Quarterly Report on Form 10-Q because it is an important indicator of our business performance as it measures the amount of cash we generate. Accordingly, we believe that Free Cash Flow provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management.

Free Cash Flow has limitations as an analytical tool because it omits certain components of the cash flow statement and does not represent the residual cash flow available for discretionary expenditures. Further, other companies, including companies in our industry, may calculate Free Cash Flow differently. Accordingly, you should not consider Free Cash Flow in isolation or as a substitute for analysis of our results as reported under GAAP. Because of these limitations, you should consider Free Cash Flow alongside other financial performance measures, including net cash provided by or used in operating activities, Capital Expenditures, and our other GAAP results.

The following table presents a reconciliation of net cash provided by (used in) operating activities to Free Cash Flow for each of the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Net cash provided by (used in) operating activities	\$ 331,027	\$ (76,441)	\$ 1,209,988	\$ (160,523)
Purchase of property and equipment	(41,493)	(68,628)	(146,303)	(183,968)
Site and software development costs	(34,506)	(35,831)	(109,678)	(94,697)
Free Cash Flow	<u>\$ 255,028</u>	<u>\$ (180,900)</u>	<u>\$ 954,007</u>	<u>\$ (439,188)</u>

Net Revenue Constant Currency Growth

To provide investors with additional information regarding our financial results, we have disclosed in this Quarterly Report on Form 10-Q Net Revenue Constant Currency Growth, a non-GAAP financial measure that we calculate by translating the current period local currency net revenue by the currency exchange rates used to translate our financial statements in the comparable prior-year period.

Net Revenue Constant Currency Growth is included in this Quarterly Report on Form 10-Q because it is an important indicator of our operating results. Accordingly, we believe that Net Revenue Constant Currency Growth provides useful information to investors and others in understanding and evaluating trends in our operating results in the same manner as our management.

Net Revenue Constant Currency Growth has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. For example, Net Revenue Constant Currency Growth rates, by their nature, exclude the impact of foreign exchange, which may have a material impact on net revenue.

Key Operating Metrics (Direct Retail)

Active Customers

As of the last date of each reported period, we determine our number of active customers by counting the total number of individual customers who have purchased at least once directly from our sites during the preceding twelve-month period. The change in active customers in a reported period captures both the inflow of new customers as well as the outflow of existing customers who have not made a purchase in the last twelve months. We view the number of active customers as a key indicator of our growth.

LTM Net Revenue Per Active Customer

We define LTM net revenue per active customer as our total net revenue derived from Direct Retail sales in the last twelve months divided by our total number of active customers for the same preceding twelve-month period. We view LTM net revenue per active customer as a key indicator of our customers' purchasing patterns, including their initial and repeat purchase behavior.

Orders Delivered

We define orders delivered as the total Direct Retail orders delivered in any period, inclusive of orders that may eventually be returned. As we ship a large volume of packages through multiple carriers, actual delivery dates may not always be available, and as such we estimate delivery dates based on historical data. We recognize net revenue when an order is delivered and therefore orders delivered, together with average order value, is an indicator of the net revenue we expect to recognize in a given period. We view orders delivered as a key indicator of our growth.

Average Order Value

We define average order value as total Direct Retail net revenue in a given period divided by the orders delivered in that period. We view average order value as a key indicator of the mix of products on our sites, the mix of offers and promotions and the purchasing behavior of our customers.

Factors Affecting our Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed in Part II, Item 1A, *Risk Factors*, of this Quarterly Report on Form 10-Q and Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K for the year ended December 31, 2019.

Components of Our Results of Operations

Net Revenue

Net revenue consists primarily of sales of product from our sites and through the websites of our online retail partners and includes related shipping fees. We deduct cash discounts, allowances and estimated returns from gross revenue to determine net revenue. We recognize product revenue upon delivery to our customers. Net revenue is primarily driven by growth of new and active customers and the frequency with which customers purchase. The products offered on our sites are fulfilled with product we ship to our customers directly from our suppliers and, increasingly, from our CastleGate warehouses.

We also generate net revenue through third-party advertisers that pay us based on the number of advertisement related clicks, actions, or impressions for advertisements placed on our sites. Net revenue earned under these arrangements is included in net revenue and net revenue through our third-party advertisers is recognized in the period in which the click, action or impression occurs. This net revenue has not been material to date.

Cost of Goods Sold

Cost of goods sold consists of:

Product costs: Product costs include the purchase price of products sold, expenses capitalized into Wayfair inventory, which include direct and indirect labor costs, rent, and depreciation expenses, and inbound shipping and handling costs for Wayfair inventory. These costs are partially offset by product rebates earned from suppliers upon shipment of goods and certain fees incurred for other media and merchandising services Wayfair provides to its suppliers to promote products for sale on our sites.

Shipping and Fulfillment costs: Shipping costs include outbound shipping costs. Fulfillment costs include costs incurred to operate and staff our fulfillment centers and provide other inbound supply chain services, such as ocean freight and drayage. Costs to operate and staff our CastleGate and WDN networks include rent and depreciation expenses associated with various facilities, costs to receive, inspect, pick, package and prepare customer orders for delivery, and direct and indirect labor costs including payroll, payroll-related benefits, and equity-based compensation. These costs are partially offset by fees incurred for warehousing, fulfillment and other inbound supply chain services Wayfair provides to its suppliers.

Cost of goods sold is sensitive to many factors, including quarter-to-quarter variability in product mix, pricing strategies, changes in wholesale, shipping and fulfillment costs, and fees earned for supplier services rendered.

Customer Service and Merchant Fees

Customer service and merchant fees consist of labor-related costs, including payroll, payroll-related benefits, and equity-based compensation, of our employees involved in customer service activities and merchant processing fees associated with customer payments made by credit cards and debit cards and other variable fees. Increases in our customer service and merchant fees are driven by the growth in our net revenue and are expected to remain relatively consistent as a percentage of net revenue. We expect customer service and merchant fees expenses to remain relatively stable as a percentage of net revenue.

Advertising

Advertising consists of direct response performance marketing costs, such as display advertising, paid search advertising, social media advertising, search engine optimization, comparison shopping engine advertising, television advertising, direct mail, catalog and print advertising. We should benefit from deriving a larger base of our net revenue from repeat customers, as we believe the cost of marketing to a repeat customer is less than the cost to acquire a new customer. We expect our absolute marketing dollar spend to continue to grow as our business scales, though advertising costs as a percentage of net revenue will continue to be impacted by factors such as the mix of new and repeat customers, as well as brand, channel, and geographic mix.

Selling, operations, technology, general and administrative

Selling, operations, technology, general and administrative expenses primarily include labor-related costs, including equity-based compensation, of our operations group, which includes our supply chain and logistics team, our technology team, which builds and supports our sites, category managers, buyers, site merchandisers, merchants, marketers and the team who executes our advertising strategy, and our corporate general and administrative team, which includes human resources, finance and accounting personnel. Also included are administrative and professional service fees including audit and legal fees, insurance and other corporate expenses, including depreciation and rent. We expect selling, operations, technology, general and administrative expenses will continue to increase as we grow our net revenue and operations.

Interest (expense), net

Interest (expense), net consists primarily of interest expense in connection with our convertible notes and other borrowings. Interest expense is offset by interest earned on cash, cash equivalents and short- and long-term investments held by us.

Other (expense) income, net

Other (expense) income, net consists primarily of the loss on extinguishment of debt for the 2017 Notes, foreign currency exchange gains or losses, and realized gains on our available-for-sale investments.

(Benefit) provision for income taxes, net

(Benefit) provision for income taxes, net consists of U.S. federal and state income taxes and taxes on income earned in certain foreign jurisdictions.

Results of Consolidated Operations

Comparison of the three months ended September 30, 2020 and 2019

Net revenue

	Three months ended September 30,		% Change
	2020	2019	
	(in thousands)		
U.S. net revenue	\$ 3,274,872	\$ 1,966,654	66.5 %
International net revenue	564,698	338,833	66.7 %
Net revenue	<u>\$ 3,839,570</u>	<u>\$ 2,305,487</u>	66.5 %

In the three months ended September 30, 2020, net revenue increased by \$1.5 billion, or 66.5%, compared to the same period in 2019, primarily due to growth in our customer base, with the number of active customers increasing by 50.9% as of September 30, 2020 compared to September 30, 2019. There was an increase in order frequency, with LTM orders per active customer increasing by 4.9% as of September 30, 2020 compared to September 30, 2019. Additionally, active customers on average spent more in the three months ended September 30, 2020, with LTM net revenue per active customer increasing 0.4% as of September 30, 2020 compared to September 30, 2019. Our U.S. net revenue increased 66.5%, while our International net revenue increased 66.7%. International Net Revenue Constant Currency Growth was 63.9%.

Cost of goods sold

	Three months ended September 30,		% Change
	2020	2019	
	(in thousands)		
Cost of goods sold	\$ 2,692,142	\$ 1,765,566	52.5 %

In the three months ended September 30, 2020, cost of goods sold increased by \$0.9 billion, or 52.5%, compared to the same period in 2019. The increase in cost of goods sold was primarily driven by an increase in the number of orders delivered, partially offset by efficiencies gained in shipping costs from our logistics network.

Operating expenses

	Three months ended September 30,		% Change
	2020	2019	
	(in thousands)		
Customer service and merchant fees (1)	\$ 139,589	\$ 91,255	53.0 %
Advertising	344,025	281,846	22.1 %
Selling, operations, technology, general and administrative (1)	441,960	426,529	3.6 %
Total operating expenses	\$ 925,574	\$ 799,630	15.8 %
<i>As a percentage of net revenue:</i>			
Customer service and merchant fees (1)	3.6 %	4.0 %	
Advertising	9.0 %	12.2 %	
Selling, operations, technology, general and administrative (1)	11.5 %	18.5 %	
	24.1 %	34.7 %	

(1) Includes equity-based compensation and related taxes as follows:

	Three months ended September 30,	
	2020	2019
	(in thousands)	
Customer service and merchant fees	\$ 4,477	\$ 2,374
Selling, operations, technology, general and administrative	\$ 69,361	\$ 61,451

Our equity-based compensation and related taxes included in customer service and merchant fees and selling, operations, technology, general and administrative expenses increased by \$10.0 million in the three months ended September 30, 2020 compared to the same period in 2019, as a result of RSUs awarded in 2019 and the nine months ended September 30, 2020.

The following table summarizes operating expenses as a percentage of net revenue, excluding equity-based compensation and related taxes:

	Three months ended September 30,	
	2020	2019
Customer service and merchant fees	3.5 %	3.9 %
Selling, operations, technology, general and administrative	9.7 %	15.8 %

Excluding the impact of equity-based compensation and related taxes, customer service and merchant fees increased by \$46.2 million in the three months ended September 30, 2020 compared to the same period in 2019, primarily due to the increase in customer service personnel costs and net revenue during the three months ended September 30, 2020.

Our advertising expenses increased by \$62.2 million in the three months ended September 30, 2020 compared to the same period in 2019, primarily as a result of an increase in online advertising. Advertising decreased as a percentage of net revenue in the three months ended September 30, 2020 compared to the same period in 2019. The decrease was primarily attributable to efficiencies in our advertising spend, partially offset by increased investment to generate future customer growth.

Excluding the impact of equity-based compensation and related taxes, selling, operations, technology, general and administrative expenses increased by \$7.5 million in the three months ended September 30, 2020 compared to the same period in 2019, primarily due to the increase in net revenue and the associated growth in our operations. The increase in selling, operations, technology, general and administrative was primarily attributable to an increase in depreciation and amortization, partially offset by reduced personnel and personnel-related costs.

Interest (expense), net

	Three months ended September 30,		% Change
	2020	2019	
	(in thousands)		
Interest (expense), net	\$ (36,315)	\$ (14,432)	151.6 %

Our interest (expense), net increased by \$21.9 million in the three months ended September 30, 2020 compared to the same period in 2019, primarily attributable to our convertible notes and other borrowings.

Other (expense) income, net

	Three months ended September 30,		% Change
	2020	2019	
	(in thousands)		
Other (expense) income, net	\$ (13,584)	\$ 2,182	(722.5)%

Our other (expense) income, net increased by \$15.8 million in the three months ended September 30, 2020 compared to the same period in 2019, primarily attributable to the \$12.6 million loss for the extinguishment of debt for the 2017 Notes.

(Benefit) provision for income taxes, net

	Three months ended September 30,		% Change
	2020	2019	
	(in thousands)		
(Benefit) provision for income taxes, net	\$ (1,211)	\$ 76	(1,693.4)%

Our (benefit) provision for income taxes, net increased by \$1.3 million in the three months ended September 30, 2020 compared to the same period in 2019, primarily related to the recognition of a discrete tax benefit due to excess tax benefits on equity awards for U.S. employees, offset by taxes on income earned in the U.S. and certain foreign jurisdictions and U.S. state income taxes.

Comparison of the nine months ended September 30, 2020 and 2019

Net revenue

	Nine months ended September 30,		% Change
	2020	2019	
	(in thousands)		
U.S. net revenue	\$ 8,901,559	\$ 5,624,870	58.3 %
International net revenue	1,572,746	968,697	62.4 %
Net revenue	\$ 10,474,305	\$ 6,593,567	58.9 %

In the nine months ended September 30, 2020, net revenue increased by \$3.9 billion, or 58.9%, compared to the same period in 2019, primarily due to growth in our customer base, with the number of active customers increasing by 50.9% as of September 30, 2020 compared to September 30, 2019. There was an increase in order frequency, with LTM orders per active customer increasing 4.9% as of September 30, 2020 compared to September 30, 2019. Additionally, active customers on average spent more in the nine months ended September 30, 2020, with LTM net revenue per active customer increasing 0.4% as of September 30, 2020 compared to September 30, 2019. Our U.S. net revenue increased 58.3%, while our International net revenue increased 62.4%. International Net Revenue Constant Currency Growth was 64.2%.

Cost of goods sold

	Nine months ended September 30,		% Change
	2020	2019	
	(in thousands)		
Cost of goods sold	\$ 7,426,724	\$ 5,023,590	47.8 %

In the nine months ended September 30, 2020, cost of goods sold increased by \$2.4 billion, or 47.8%, compared to the same period in 2019. The increase in cost of goods sold was primarily driven by an increase in the number of orders delivered, partially offset by efficiencies gained in shipping costs from our logistics network.

Operating expenses

	Nine months ended September 30,		% Change
	2020	2019	
	(in thousands)		
Customer service and merchant fees (1)	\$ 372,825	\$ 256,230	45.5 %
Advertising	1,037,562	784,981	32.2 %
Selling, operations, technology, general and administrative (1)	1,377,410	1,153,286	19.4 %
Total operating expenses	\$ 2,787,797	\$ 2,194,497	27.0 %
<i>As a percentage of net revenue:</i>			
Customer service and merchant fees (1)	3.6 %	3.9 %	
Advertising	9.9 %	11.9 %	
Selling, operations, technology, general and administrative (1)	13.2 %	17.5 %	
	26.7 %	33.3 %	

(1) Includes equity-based compensation and related taxes as follows:

	Nine months ended September 30,	
	2020	2019
	(in thousands)	
Customer service and merchant fees	\$ 10,909	\$ 6,619
Selling, operations, technology, general and administrative	\$ 193,541	\$ 163,585

Our equity-based compensation and related taxes included in customer service and merchant fees and selling, operations, technology, general and administrative expenses increased by \$34.2 million in the nine months ended September 30, 2020 compared to the same period in 2019, as a result of RSUs awarded in 2019 and the nine months ended September 30, 2020.

The following table summarizes operating expenses as a percentage of net revenue, excluding equity-based compensation and related taxes:

	Nine months ended September 30,	
	2020	2019
Customer service and merchant fees	3.5 %	3.8 %
Selling, operations, technology, general and administrative	11.3 %	15.0 %

Excluding the impact of equity-based compensation and related taxes, customer service and merchant fees increased by \$112.3 million in the nine months ended September 30, 2020 compared to the same period in 2019, primarily due to the increase in net revenue during the nine months ended September 30, 2020.

Our advertising expenses increased by \$252.6 million in the nine months ended September 30, 2020 compared to the same period in 2019, primarily as a result of an increase in online advertising. Advertising decreased as a percentage of net revenue in the nine months ended September 30, 2020 compared to the same period in 2019. The decrease was primarily attributable to efficiencies in our advertising spend, partially offset by increased investment to generate future customer growth.

Excluding the impact of equity-based compensation and related taxes, selling, operations, technology, general and administrative expenses increased by \$194.2 million in the nine months ended September 30, 2020 compared to the same

period in 2019, primarily due to the increase in net revenue and the associated growth in our operations. The increase in selling, operations, technology, general and administrative was primarily attributable to personnel costs, rent, information technology, and depreciation and amortization.

Interest (expense), net

	Nine months ended September 30,		% Change
	2020	2019	
	(in thousands)		
Interest (expense), net	\$ (87,472)	\$ (33,922)	157.9 %

Our interest (expense), net increased by \$53.6 million in the nine months ended September 30, 2020 compared to the same period in 2019, primarily attributable to our convertible notes and other borrowings.

Other (expense) income, net

	Nine months ended September 30,		% Change
	2020	2019	
	(in thousands)		
Other (expense) income, net	\$ (10,720)	\$ 5,582	(292.0)%

Our other (expense) income, net increased by \$16.3 million in the nine months ended September 30, 2020 compared to the same period in 2019, primarily attributable to the \$12.6 million loss for the extinguishment of debt for the 2017 Notes.

Provision for income taxes, net

	Nine months ended September 30,		% Change
	2020	2019	
	(in thousands)		
Provision for income taxes, net	\$ 414	\$ 1,502	(72.4)%

Our provision for income taxes, net decreased by \$1.1 million in the nine months ended September 30, 2020 compared to the same period in 2019, primarily related to income earned in the U.S. and certain foreign jurisdictions and U.S. state income taxes, offset by the recognition of a discrete tax benefit related to excess tax benefits on equity awards for U.S. employees.

Liquidity and Capital Resources

Sources of Liquidity

	September 30, 2020	December 31, 2019
	(in thousands)	
Cash and cash equivalents	\$ 2,442,939	\$ 582,753
Short-term investments	\$ 113,985	\$ 404,252
Accounts receivable, net	\$ 109,652	\$ 99,720
Long-term investments	\$ —	\$ 155,690
Working capital	\$ 826,113	\$ (234,381)

Historical Cash Flows

	Nine months ended September 30,	
	2020	2019
	(in thousands)	
Net income (loss)	\$ 161,178	\$ (654,362)
Net cash provided by (used in) operating activities	\$ 1,209,988	\$ (160,523)
Net cash provided by (used in) investing activities	\$ 190,211	\$ (179,174)
Net cash provided by financing activities	\$ 452,529	\$ 787,207

At September 30, 2020, our principal source of liquidity was cash and cash equivalents and short-term investments totaling \$2.6 billion, which includes \$527.4 million of net proceeds from the issuance of our 2020 Accreting Notes in April 2020 and \$1.5 billion of net proceeds from the issuance of our 2020 Notes in August 2020, partially offset by \$255.0 million in premiums paid in August 2020 for separate capped call transactions, \$1.0 billion paid to repurchase a portion of the 2017 Notes in privately negotiated repurchase transactions, and \$280.2 million of Class A common stock repurchased through stock repurchase programs. We believe that our existing cash and cash equivalents and investments, together with these incremental transactions, cash generated from operations, and the borrowing availability under our revolving credit facility, will be sufficient to meet our anticipated cash needs for at least the foreseeable future. However, our liquidity assumptions may prove to be incorrect, and we could exhaust our available financial resources sooner than we currently expect. In addition, we may elect to raise additional funds at any time through equity, equity-linked or debt financing arrangements. Further, we may from time to time seek to retire, restructure, repurchase or redeem, or otherwise mitigate the equity dilution associated with, our outstanding debt, through cash purchases, stock buybacks of some or all of the shares underlying convertible notes, and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases, exchanges or liability management exercises, if any, will be upon such terms and at such prices and sizes as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Capital Expenditures were 4.4% of net revenue for the year ended December 31, 2019 and related primarily to our ongoing investments in our technology infrastructure and equipment purchases and improvements for leased warehouses within our expanding logistics network. Capital Expenditures were 2.0% of net revenue for the quarter ended September 30, 2020. On an absolute dollar basis, we expect Capital Expenditures for the three months ending December 31, 2020 to be within the range of \$75.0 million to \$85.0 million as we continue to build out our technology and logistics network.

Our future capital requirements and the adequacy of available funds will depend on many factors, including those described herein and in our other filings with the SEC, including those set forth in Part II, Item 1A, *Risk Factors*, of this Quarterly Report on Form 10-Q and Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K for the year ended December 31, 2019. In addition, the COVID-19 outbreak has caused disruption in the capital markets. It could make financing more difficult and/or expensive and we may not be able to secure additional financing to meet our operating requirements on acceptable terms, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt financing arrangements, those securities and instruments may have rights, preferences or privileges senior to the rights of our common stock, and our stockholders may experience dilution. We will continue to monitor our liquidity during this time of historic disruption and volatility in the global capital markets due to the COVID-19 outbreak.

Operating Activities

Cash flows in connection with operating activities consisted of our net income (loss) adjusted for certain non-cash items including depreciation and amortization, equity-based compensation, and certain other non-cash expenses, as well as the effect of changes in working capital and other activities. Operating cash flows can be volatile and are sensitive to many factors, including changes in working capital and our net income (loss).

Cash provided by operating activities in the nine months ended September 30, 2020 was \$1.2 billion and was driven primarily by cash provided by operating assets and liabilities of \$552.8 million, the net impact of certain non-cash items including equity-based compensation of \$197.1 million, depreciation and amortization expense of \$208.5 million, net income of \$161.2 million, amortization of discount and issuance costs related to our convertible notes of \$78.2 million and other non-cash items of \$12.0 million.

Cash used in operating activities in the nine months ended September 30, 2019 was \$160.5 million and was driven primarily by a net loss of \$654.4 million and other non-cash items of \$1.6 million, partially offset by cash provided by operating assets and liabilities of \$158.6 million, the net impact of certain non-cash items including equity-based compensation of \$162.0 million, depreciation and amortization expense of \$134.2 million, and amortization of discount and issuance costs related to our convertible notes of \$40.7 million.

Investing Activities

Our primary investing activities consisted of purchases of property and equipment, particularly purchases of servers and networking equipment, investment in our sites and software development, disposal of short- and long-term investments, and leasehold improvements for our facilities.

Cash provided by investing activities in the nine months ended September 30, 2020 was \$190.2 million and was primarily driven by sale and maturities of short- and long-term investments of \$466.3 million, partially offset by purchases of property and equipment of \$146.3 million and site and software development costs of \$109.7 million, purchase of short- and long-term investments of \$20.0 million and other investing activities of \$0.1 million.

Cash used in investing activities in the nine months ended September 30, 2019 was \$179.2 million and was primarily driven by purchases of property and equipment of \$184.0 million and site, software development costs of \$94.7 million and other investing activities of \$16.0 million, partially offset by a net increase in the maturity of short-term investments of \$115.5 million.

Financing Activities

Cash provided by financing activities in the nine months ended September 30, 2020 was \$452.5 million and was primarily due to the \$2.0 billion of net proceeds from the issuance of our 2020 Accreting Notes and 2020 Notes, \$200.0 million of proceeds from the borrowing under our revolving credit facility and \$0.4 million of other financing activities, net, partially offset by an aggregate payment of \$1.0 billion to partially extinguish the 2017 Notes, a repurchase of common stock of \$280.2 million, \$255.0 million of premiums paid for the 2020 Capped Call Transactions, and the repayment of \$200.0 million of the outstanding balance under our revolving credit facility.

Cash provided by financing activities in the nine months ended September 30, 2019 was \$787.2 million and was primarily due to \$935.1 million of net proceeds from the issuance of our 2019 Notes and \$0.1 million net proceeds from exercise of stock options, partially offset by \$145.7 million in premiums paid for separate capped call transactions, \$0.8 million of deferred finance costs, and \$1.5 million statutory minimum taxes paid related to net share settlements of equity awards.

Stock Repurchase Program

On August 21, 2020, the Board authorized the repurchase of up to \$700 million of our Class A common stock (the “2020 Repurchase Program”). The 2020 Repurchase Program replaced our previous \$200 million stock repurchase authorization approved by the Board in 2018 (the “2018 Repurchase Program”), which was terminated simultaneously. The Company repurchased 432,548 shares of Class A common stock for approximately \$143.0 million under the 2018 Repurchase Program before it was terminated and replaced by the 2020 Repurchase Program. The 2020 Repurchase Program does not obligate the Company to purchase any shares of Class A common stock and has no expiration but may be suspended or terminated by the Board at any time. Under the 2020 Repurchase Program, we are authorized to repurchase, from time to time, outstanding shares of Class A common stock in the open market, through privately negotiated transactions, or otherwise, including pursuant to a Rule 10b5-1 plan. The actual timing, number and value of shares repurchased in the future will be determined by the Company in its discretion and will depend on a number of factors, including market conditions, applicable legal requirements, our capital needs and whether there is a better alternative use of capital.

To date, the Company has repurchased 411,393 shares of Class A common stock for approximately \$137.2 million under the 2020 Repurchase Program.

Credit Agreement and Convertible Notes

As disclosed in Note 14, *Credit Agreement* included in Part I, Item 1, *Unaudited Consolidated and Condensed Financial Statements*, of this Quarterly Report on Form 10-Q, in the nine months ended September 30, 2020, the Company borrowed under the Revolver. All borrowings were repaid as of September 30, 2020.

As disclosed in Note 15, *Convertible Debt*, included in Part I, Item 1, *Unaudited Consolidated and Condensed Financial Statements*, of this Quarterly Report on Form 10-Q, during the third quarter of 2020, the Company partially repurchased the 2017 Notes, which consisted of a repurchase of \$343.4 million aggregate principal amount of the 2017 Notes for an aggregate purchase price of approximately \$1.0 billion. Additionally, during the third quarter of 2020, \$60.6 million aggregate principal of the 2017 Notes were settled upon conversion by the holders for 582,825 shares of the Company's Class A common stock.

The conditional conversion features of the 2017 Notes, 2018 Notes and 2019 Notes were triggered during the third quarter of 2020, and the 2017 Notes, 2018 Notes and 2019 Notes are therefore convertible in the fourth quarter of 2020 pursuant to the applicable last reported sales price conditions. The conditional conversion feature of the 2020 Notes was not triggered during the third quarter of 2020, and the 2020 Notes are therefore not convertible in the fourth quarter of 2020 pursuant to the applicable last reported sales price conditions. The 2020 Accreting Notes are convertible at any time prior to the second business day immediately preceding the maturity date. The 2019 Notes and 2020 Notes were not convertible during the third quarter of 2020. None of the 2018 Notes, the 2019 Notes or the 2020 Notes have been converted to date. As of September 30, 2020, none of the 2020 Accreting Notes had been converted. In October 2020, Charlesbank, converted \$253.1 million of accreted principal of the 2020 Accreting Notes and received 3,490,175 shares of Class A common stock.

Whether any of the Non-Accreting Notes will be convertible in future quarters will depend on the satisfaction of the applicable last reported sales price condition or another conversion condition in the future. If one or more holders elect to convert their Non-Accreting Notes at a time when any such notes are convertible, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity.

For information regarding our credit agreement and convertible notes, see Note 14, *Credit Agreement*, and Note 15, *Convertible Debt*, included in Part I, Item 1, *Unaudited Consolidated and Condensed Financial Statements*, of this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet activities. We do not have any off-balance sheet interest in variable interest entities, which include special purpose entities and other structured finance entities.

Contractual Obligations

During the third quarter of 2020 the Company entered into an additional purchase obligation that extended the duration and increased the commitment to \$300 million of certain enforceable and legally binding software license agreements. Other than this additional purchase obligation and those described in Note 15, *Convertible Debt*, included in Part I, Item 1, *Unaudited Consolidated and Condensed Financial Statements*, of this Quarterly Report on Form 10-Q, there have been no material changes to our contractual obligations and estimates as compared to the contractual obligations described in *Contractual Obligations* included in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Critical Accounting Policies

Our financial statements are prepared in accordance with accounting principles generally accepted in the U.S. The preparation of our financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, net revenue, costs and expenses and related disclosures. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements and, therefore, we consider these to be our critical accounting policies. Accordingly, we evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions and conditions.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in Note 2, *Summary of Significant Accounting Policies*, included in Part II, Item

8, *Financial Statements and Supplementary Data*, of the Company's Annual Report on Form 10-K for the year ended December 31, 2019, except as disclosed in Note 2, *Summary of Significant Accounting Policies - Credit Impairment*, included in Part I, Item 1, *Unaudited Consolidated and Condensed Financial Statements*, of this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations both within the U.S. and internationally, and we are exposed to market risks in the ordinary course of our business, including the effects of interest rate changes, foreign currency fluctuations and inflation. Information relating to quantitative and qualitative disclosures about these market risks is set forth below.

Interest Rate Sensitivity

Cash and cash equivalents and short- and long-term investments were held primarily in cash deposits, certificates of deposit, money market funds, and corporate debt. The fair value of our cash, cash equivalents and short- and long-term investments will fluctuate with movements of interest rates, increasing in periods of declining rates of interest and declining in periods of increasing rates of interest.

Our 2017 Notes, which were issued in September 2017, carry a fixed interest rate of 0.375% per year, our 2018 Notes, which were issued in November 2018, carry a fixed interest rate of 1.125% per year, our 2019 Notes, which were issued in August 2019, carry a fixed interest rate of 1.00% per year, our 2020 Accreting Notes, which were issued in April 2020, carry a fixed interest at a rate of 2.50% per year, and our 2020 Notes, which were issued in August 2020, carry a fixed interest rate of 0.625% per year. Since the Notes bear interest at a fixed rate, we have no direct financial statement risk associated with changes in interest rates.

Interest on the revolving line of credit incurred pursuant to the credit agreement described herein accrues at a floating rate based on a formula tied to certain market rates at the time of incurrence; however, we do not expect that any changes in prevailing interest rates will have a material impact on our results of operations.

Foreign Currency Risk

Most of our sales are denominated in U.S. dollars, and therefore, our total net revenue is not currently subject to significant foreign currency risk. However, as our international business has grown, fluctuations in foreign currency exchange rates have started to have a greater impact. Our operating expenses are denominated in the currencies of the countries in which our operations are located or in which net revenue is generated, and as a result we face exposure to adverse movements in foreign currency exchange rates, particularly changes in the British Pound, Euro, and Canadian Dollar, as the financial results of our international operations are translated from local currency, or functional currency, into U.S. dollars upon consolidation. Fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our Consolidated and Condensed Statements of Operations. To date, foreign currency transaction gains and losses have not been material to our financial statements, and we have not engaged in any foreign currency hedging transactions, but we may do so in the future. The effect of foreign currency exchange on our business historically has varied from quarter to quarter and may continue to do so, potentially materially. In addition, volatile market conditions arising from the COVID-19 pandemic may result in changes in exchange rates, and in particular a weakening of foreign currencies relative to the U.S. dollar may negatively affect our net revenue as expressed in U.S. dollars.

Inflation

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. We continue to monitor the impact of inflation in order to minimize its effects through pricing strategies, productivity improvements and cost reductions. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission, or SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees continue to work remotely due to the COVID-19 outbreak. We are continually monitoring and assessing the COVID-19 situation and our internal controls to minimize any impact on their design and operating effectiveness.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding our legal proceedings, see Note 8, *Commitments and Contingencies - Legal Matters*, included in Part I, Item 1, *Unaudited Consolidated and Condensed Financial Statements*, of this Quarterly Report on Form 10-Q, which is incorporated into this item by reference.

Item 1A. Risk Factors

Except as set forth below, as of the date of this report, there are no material changes from the risk factors previously disclosed in Part I, Item 1A, *Risk Factors*, of our Annual Report on Form 10-K for the year ended December 31, 2019.

The recent global outbreak and spread of the novel coronavirus (“COVID-19”), and any future outbreak or other public health emergency, could materially affect our operations, liquidity, financial performance and results of operations.

In March 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic. In response to this declaration and the rapid spread of COVID-19 globally, authorities across the U.S. and the globe have implemented varying degrees of restriction on social and commercial activity to promote social distancing in an effort to slow the spread of the illness, some of which have been subsequently rescinded or modified, such as travel bans, stay-at-home orders and shutdowns of certain businesses. These measures have impacted and may continue to impact all or portions of our workforce, operations, suppliers and customers and demand for our products and services. For example, the COVID-19 outbreak has disrupted the global supply chain, including many of our suppliers, as factory closures and reduced manufacturing output impacted inventory levels, potentially exacerbated by surging demand for products. During the COVID-19 outbreak, however, we have seen increased sales and order activity and, at times, lower advertising costs in the market.

The virus also impacted our workforce, moving a large portion of our employees to working-from-home and adding administrative complexity to our everyday human resources and employee technology functions. Disruption caused by business responses to the COVID-19 outbreak, including working-from-home arrangements, may create increased vulnerability to cybersecurity incidents, including breaches of information systems security, which could damage our reputation and commercial relationships, disrupt operations, increase costs and/or decrease net revenues, and expose us to claims from customers, suppliers, financial institutions, regulators, payment card associations, employees and others, any of which could have a material adverse effect on our financial condition and results of operations.

The spread of COVID-19, and any future pandemic, epidemic or similar outbreak, may disrupt our third-party business partners’ ability to meet their obligations to us, which may negatively affect our operations. These third parties include our suppliers and logistics providers, such as FedEx, UPS, DHL, the U.S. Postal Service and other third-party delivery agents, as their workers may be prohibited or otherwise unable to report to work and transporting products within regions or countries may be limited due to extended holidays, factory closures, port closures and increased border controls and closures, among other things. We may also incur higher shipping costs due to various surcharges by third-party delivery agents on retailers related to the increased shipping demand resulting from the COVID-19 outbreak. These higher costs may affect us in the fourth quarter of 2020 as a result of peak surcharges during the holiday season and could continue to affect us thereafter.

Further, our efforts to mitigate the impact of COVID-19 through social distancing measures, enhanced cleaning measures and the increased use of personal protective equipment at our warehouses and sites, as well as other steps taken to protect the health, safety and financial security of our employees, may result in other negative impacts on our operations, including increased costs, reduced efficiency levels or labor disputes resulting in a strike or other work stoppage or interruption.

The COVID-19 outbreak has also significantly increased economic uncertainty and has led to disruption and volatility in the global capital markets, which could increase the cost of and accessibility to capital. If we need to access the capital markets, there can be no assurance that financing may be available on attractive terms, if at all. The COVID-19 outbreak has caused a significant economic slowdown, which could be of an unknown duration, and could lead to increased unemployment, reduced discretionary consumer spending and a corresponding reduction in demand for our products, and could result in a material adverse effect on our business, financial performance and results of operations.

The ultimate magnitude of the impact of COVID-19, including the extent of its impact on our business and financial performance, will depend on numerous evolving factors that we may not be able to accurately predict, including: the length of time that the outbreak continues; its effect on our suppliers, logistics providers and the demand for our products; the effect of governmental regulations imposed in response to the outbreak; the effect on our customers, their communities and customer

demand and ability to pay for our products and services, which may be affected by prolonged high unemployment, increased consumer debt levels, changes in net worth due to market conditions, and other factors that impact consumer confidence; disruptions or restrictions on our employees' ability to work and travel, as well as uncertainty regarding all of the foregoing. We cannot at this time predict the full impact of the COVID-19 outbreak, but it could have a larger material adverse effect on our business, liquidity, financial performance and results of operations beyond what is discussed within this report. We will continue to actively monitor the COVID-19 situation and may take further actions that alter our business operations as may be required by federal, state, local or foreign authorities, or that we determine are in the best interests of our customers, employees, suppliers, partners, stockholders and communities. We cannot predict with any certainty whether and to what degree the disruption caused by the COVID-19 outbreak and reactions thereto will continue, and expect to face difficulty in accurately predicting our internal financial forecasts.

As noted above, however, in the short term we have continued to see increased sales and order activity since the COVID-19 outbreak. These results, as well as those of other metrics such as net revenues, gross margins and other financial and operating data, may not be indicative of results for future periods. Some of the increased demand is likely due to customers being required or encouraged to stay at home, school closures and employers requiring employees to work remotely. Some is also likely attributable to the timing of tax refunds and COVID-related stimulus payments. Such increased demand may increase beyond manageable levels, may fluctuate significantly, or may not continue, including the possibility that demand may decrease from historical levels. Much is unknown, including the duration and severity of the COVID-19 pandemic, the amount of time it will take for normal economic activity to resume, and future government actions that may be taken, and accordingly the situation remains dynamic and subject to rapid and possibly material change, including but not limited to changes that may materially affect the operations of our suppliers, logistics providers and customers, which ultimately could result in material adverse effects on our business, financial performance and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Purchases of Equity Securities

The following table provides information regarding the Company's purchase of its common stock during the periods indicated. See Note 13, *Stockholders' Deficit*, included in Part I, Item 1, *Unaudited Consolidated and Condensed Financial Statements*, of this Quarterly Report on Form 10-Q for information regarding our stock repurchase programs.

Issuer Purchases of Equity Securities				
Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (3) (in thousands)
July 1-31, 2020	—	\$ —	—	\$ —
August 1-31, 2020	843,941	\$ 331.65	843,941	\$ 562,800
September 1-30, 2020	—	\$ —	—	\$ —
Total	843,941	\$ 331.65	843,941	\$ 562,800

(1) Includes (i) shares repurchased under the 2020 Repurchase Program described below in (3) and (ii) shares repurchased under a program announced on February 19, 2018 to repurchase up to \$200 million of our Class A common stock (the "2018 Repurchase Program"). The 2018 Repurchase Program was terminated on August 21, 2020.

(2) Represents shares repurchased under the 2018 Repurchase Program and the 2020 Repurchase Program.

(3) On August 21, 2020, our Board authorized the repurchase of up to \$700 million of our Class A common stock (the "2020 Repurchase Program"). The amounts shown in this column reflect the amount remaining under the 2020 Repurchase Program as of the specified period end dates. The 2020 Repurchase Program does not have an expiration date but may be suspended or terminated by our Board at any time.

Item 5. Other Information

On October 30, 2020, the Company, as guarantor, and Wayfair LLC, a wholly-owned subsidiary of the Company, as borrower, entered into an incremental commitment joinder (the "Joinder Agreement") to the Amended and Restated Credit Agreement with Citibank, N.A., in its capacity as administrative agent, swing line lender and letter of credit issuer, and certain

other lenders party thereto (the “Revolver”), which increases the revolving loan commitment under the Revolver to \$200 million.

The Joinder Agreement is filed as Exhibit 10.15 to this Quarterly Report on Form 10-Q and is incorporated herein by reference. The foregoing description of the Joinder Agreement does not purport to be complete and is qualified in its entirety by reference as Exhibit 10.15 hereto.

Item 6. Exhibits.

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	File No.	Filing Date	Exhibit Number
4.1	Indenture, dated as of August 14, 2020, by and between Wayfair Inc. and U.S. Bank National Association, as trustee.		8-K	001-36666	8/17/2020	4.1
4.2	Form of 0.625% Convertible Senior Notes due 2025 (included in Exhibit 4.1).		8-K	001-36666	8/17/2020	4.2
10.1	Purchase Agreement, dated August 11, 2020, by and among Wayfair Inc. and Citigroup Global Markets Inc. and Goldman Sachs & Co. LLC, as representatives of the several Initial Purchasers.		8-K	001-36666	8/17/2020	10.1
10.2	Letter Agreement, dated August 11, 2020, between Barclays PLC and Wayfair Inc. regarding the Base Capped Call Transaction.		8-K	001-36666	8/17/2020	10.2
10.3	Letter Agreement, dated August 11, 2020, between Citibank, N.A. and Wayfair Inc. regarding the Base Capped Call Transaction.		8-K	001-36666	8/17/2020	10.3
10.4	Letter Agreement, dated August 11, 2020, between Morgan Stanley & Co. LLC and Wayfair Inc. regarding the Base Capped Call Transaction.		8-K	001-36666	8/17/2020	10.4
10.5	Letter Agreement, dated August 11, 2020, between Goldman Sachs & Co. LLC and Wayfair Inc. regarding the Base Capped Call Transaction.		8-K	001-36666	8/17/2020	10.5
10.6	Letter Agreement, dated August 11, 2020, between Nomura Global Financial Products Inc. and Wayfair Inc. regarding the Base Capped Call Transaction.		8-K	001-36666	8/17/2020	10.6
10.7	Letter Agreement, dated August 11, 2020, between Bank of Montreal and Wayfair Inc. regarding the Base Capped Call Transaction.		8-K	001-36666	8/17/2020	10.7
10.8	Letter Agreement, dated August 12, 2020, between Barclays Bank PLC and Wayfair Inc. regarding the Additional Capped Call Transaction.		8-K	001-36666	8/17/2020	10.8
10.9	Letter Agreement, dated August 12, 2020, between Citibank, N.A. and Wayfair Inc. regarding the Additional Capped Call Transaction.		8-K	001-36666	8/17/2020	10.9

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10.10	Letter Agreement, dated August 12, 2020, between Morgan Stanley & Co. LLC and Wayfair Inc. regarding the Additional Capped Call Transaction.	8-K	001-36666	8/17/2020	10.10
10.11	Letter Agreement, dated August 12, 2020, between Goldman Sachs & Co. LLC and Wayfair Inc. regarding the Additional Capped Call Transaction.	8-K	001-36666	8/17/2020	10.11
10.12	Letter Agreement, dated August 12, 2020, between Nomura Global Financial Products Inc. and Wayfair Inc. regarding the Additional Capped Call Transaction.	8-K	001-36666	8/17/2020	10.12
10.13	Letter Agreement, dated August 12, 2020, between Bank of Montreal and Wayfair Inc. regarding the Additional Capped Call Transaction.	8-K	001-36666	8/17/2020	10.13
10.14	Amendment No. 1 to the Amended and Restated Credit Agreement, dated August 21, 2020, among Wayfair LLC, Wayfair Inc., each other Loan Party from time to time party thereto, each Lender from time to time party thereto and Citibank, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.	X			
10.15	2020 Incremental Commitment Joinder Agreement and Consent to Waiver, dated October 30, 2020, among Silicon Valley Bank, as an Incremental Lender, the other Lenders party thereto, Wayfair LLC, Wayfair Inc. and Citibank, N.A., as Administrative Agent.	X			
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
32.1#	Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
32.2#	Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				

101.SCH	XBRL Taxonomy Extension Schema Document	X
101.CAL	XBRL Taxonomy Calculation Linkbase Document	X
101.DEF	XBRL Taxonomy Definition Linkbase Document	X
101.LAB	XBRL Taxonomy Labels Linkbase Document	X
101.PRE	XBRL Taxonomy Presentation Linkbase Document	X
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)	X

+ Indicates a management contract or compensatory plan

This certification is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WAYFAIR INC.

Date: November 3, 2020

By: /s/ NIRAJ SHAH
Niraj Shah
Chief Executive Officer and President
(Principal Executive Officer)

Date: November 3, 2020

By: /s/ MICHAEL FLEISHER
Michael Fleisher
Chief Financial Officer
(Principal Financial and Accounting Officer)

AMENDMENT NO. 1

This AMENDMENT NO. 1 (this “Amendment No. 1”) dated as of August 21, 2020, by and among WAYFAIR LLC, a limited liability company organized under the laws of the State of Delaware (the “Borrower”); WAYFAIR INC., a corporation organized under the laws of the State of Delaware (the “Parent”); CITIBANK, N.A., as Administrative Agent (in such capacity, the “Administrative Agent”), Swing Line Lender and L/C Issuer, Silicon Valley Bank, in its capacity as L/C Issuer and the lenders party hereto, is entered into in connection with the Amended and Restated Credit Agreement, dated as of February 21, 2019 (as amended, restated, amended and restated, supplemented or otherwise modified prior to the date hereof, the “Credit Agreement”), among the Borrower, the Parent, each other Loan Party party thereto, the lenders party thereto, the Swing Line Lender, the L/C Issuer and the Administrative Agent.

The Borrower, the Parent, the Lenders, the Administrative Agent, the Swing Line Lender and the L/C Issuer have agreed to certain amendments to the Credit Agreement as set forth below.

Now, therefore, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

Section 1 Definitions. Except as otherwise defined in this Amendment No. 1, terms defined in the Credit Agreement are used herein as defined therein.

Section 2 Amendments to Credit Agreement. The following amendment to the Credit Agreement shall take effect on the date hereof:

(a) References Generally. References in the Credit Agreement (including references to the Credit Agreement as amended hereby) to “this Agreement” (and indirect references such as “hereunder”, “hereby”, “herein” and “hereof”), and references in the other Loan Documents to the “Credit Agreement” shall be deemed to be references to the Credit Agreement as amended hereby.

(b) Amendment of Section 8.6(a)(vii). Section 8.6(a)(vii) of the Credit Agreement is hereby amended and restated in its entirety as set forth below:

“(vii) the Parent may make Restricted Payments in connection with repurchases of Equity Interests of the Parent (including payment(s) of any premium(s), prepayment amount(s), strike price(s) or other applicable purchase price, costs, expenses or any other payment (whether absolute or contingent) for a Permitted Structured Repurchase Transaction that, at the time of entry into such Permitted Structured Repurchase Transaction, does not, and during the term of this Agreement, will not, exceed the amount permitted to be paid by the Parent in respect of repurchases of the Parent’s Equity Interests pursuant to the immediately following proviso); provided that both before and after giving effect to any such repurchase: (A) the Parent and

its Subsidiaries shall be in compliance with Section 8.4; (B) the aggregate amount of such Restricted Payments (but excluding Restricted Payments in respect of any Permitted Option Premium) shall not exceed, during the remaining term of this Agreement from the date of this Amendment No. 1, the sum of (x) \$700,000,000, plus (y) the aggregate net cash proceeds, if any, paid to the Parent in connection with any repurchase of Equity Interests of the Parent (including any Permitted Structured Repurchase Transaction), as set forth in the most recently delivered Compliance Certificate and (C) no Default or Event of Default shall exist or result therefrom.”

Section 3 Conditions of Effectiveness. This Amendment No. 1 shall become effective as of the date upon which the Administrative Agent shall have received counterparts of this Amendment No. 1 executed by the Parent, the Borrower and the Lenders (the “Amendment Effective Date”).

Section 4 Reaffirmation. Each Loan Party party hereto hereby expressly reaffirms, as of the Amendment Effective Date, (i) the covenants and agreements contained in each Loan Document to which it is a party, including, in each case, such covenants and agreements as in effect immediately after giving effect to this Amendment No. 1 and the transactions contemplated hereby and (ii) its Guaranty of the Obligations and that such Guaranty does, and shall continue to, guarantee the Obligations and (iii) its prior grant and the validity of the Liens on the Collateral to secure the Obligations granted by it pursuant to the Collateral Documents, with all such Liens continuing in full force and effect after giving effect to this Amendment No. 1. Neither the modification of the Credit Agreement effected pursuant to this Amendment No. 1 nor the execution, delivery, performance or effectiveness of this Amendment No. 1 (i) impairs the validity, effectiveness or priority of the Liens granted pursuant to any Loan Document, and such Liens continue unimpaired with the same priority to secure repayment of all Obligations, whether heretofore or hereafter incurred; or (ii) requires that any new filings be made or other action taken to perfect or to maintain the perfection of such Liens.

Section 5 Loan Documents. Except as herein provided, the Loan Documents shall remain unchanged and in full force and effect. This Amendment No. 1 is a Loan Document under the Credit Agreement and shall be construed in accordance with the Credit Agreement.

Section 6 Miscellaneous. This Amendment No. 1 may be executed in any number of counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment No. 1 by facsimile or other electronic imaging means (e.g. “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart of this Amendment No. 1. This Amendment No. 1 and any claims, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Amendment No. 1 and the transactions contemplated hereby and under any Loan Document shall each be governed by, and each be construed in accordance with, the laws of the State of New York. This Amendment No. 1 and each other Loan Document constitute the entire understanding among the parties hereto with respect to the subject matter

hereof and supersede any prior agreements, written or oral, with respect thereto. The execution and delivery of this Amendment No. 1 is not intended to constitute a novation of any indebtedness or other obligations owing to the Administrative Agent and the Secured Parties under the Credit Agreement or the other Loan Documents

Section 7 Jurisdiction; Etc. Each Loan Party irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against the Administrative Agent or any other Lender Party or any Related Party of the foregoing in any way relating to this Amendment No. 1 or any other Loan Document or the transactions relating hereto or thereto, in any forum other than the courts of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such New York state court or, to the fullest extent permitted by applicable Law, in such federal court. Each of the parties hereto agrees that a final and non-appealable judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Nothing in this Amendment No. 1 or in any other Loan Document shall affect any right that the Administrative Agent or any other Lender Party may otherwise have to bring any action or proceeding relating to this Amendment No. 1 or any other Loan Document against each Loan Party or its properties in the courts of any jurisdiction. Each Loan Party irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Amendment No. 1 or any other Loan Document in any court referred to in this Section 7. Each Loan Party hereby irrevocably waives, to the fullest extent permitted by applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BORROWER:

WAYFAIR LLC

By: /s/ Michael Fleisher
Name: Michael Fleisher
Title: Chief Financial Officer

PARENT:

WAYFAIR INC.

By: /s/ Michael Fleisher
Name: Michael Fleisher
Title: Chief Financial Officer

[Signature Page – Amendment No. 1]

CITIBANK, N.A.,
as Administrative Agent, Swing Line Lender and L/C Issuer

By: /s/ Ronald W. Homa
Name: Ronald W. Homa
Title: Director, As Authorized

[Signature Page – Amendment No. 1]

CITIBANK, N.A.,
as Lender

By: /s/ Ronald W. Homa
Name: Ronald W. Homa
Title: Director, As Authorized

[Signature Page – Amendment No. 1]

SILICON VALLEY BANK,
as Lender and L/C Issuer

By: /s/ Francis Groccia
Name: Francis Groccia
Title: Director

[Signature Page – Amendment No. 1]

2020 INCREMENTAL COMMITMENT JOINDER AGREEMENT AND CONSENT TO WAIVER

2020 INCREMENTAL COMMITMENT JOINDER AGREEMENT AND CONSENT TO WAIVER, dated as of October 30, 2020 (as amended, amended and restated, supplemented, or otherwise modified from time to time, this “Agreement”), made by and among Silicon Valley Bank, as an Incremental Lender (the “2020 Incremental Lender”); the other Lenders party hereto; Wayfair LLC, a limited liability company organized under the laws of the State of Delaware (the “Borrower”); and Wayfair Inc., a corporation organized under the laws of the State of Delaware (the “Parent”), in favor of Citibank, N.A., a national banking association organized and existing under the laws of the United States of America (“Citibank”), as administrative agent (in such capacity, the “Administrative Agent”) for the Lenders. Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein have the meanings provided in the Credit Agreement.

W I T N E S S E T H:

WHEREAS, reference is made to that certain Amended and Restated Credit Agreement, dated as of February 21, 2019 (as amended, amended and restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), by and among the Borrower, the Parent, the other Loan Parties from time to time party thereto, the various financial institutions as are, or may from time to time become, parties thereto (each a “Lender” and collectively, the “Lenders”); Silicon Valley Bank, acting as a L/C Issuer, and Citibank, acting as Administrative Agent, Swing Line Lender and a L/C Issuer; and

WHEREAS, pursuant to Section 2.11 of the Credit Agreement one or more existing Lenders or new Lenders may provide a 2020 Incremental Commitment (as defined below) to the Borrower;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. **2020 Incremental Commitment and 2020 Incremental Loans.** As of the date hereof, the 2020 Incremental Lender agrees to make loans (collectively, the “2020 Incremental Loans”) and participate in Letters of Credit to the Borrower pursuant to the Revolving Loan Commitment in an aggregate principal amount not to exceed \$35,000,000 (the “2020 Incremental Commitment”), on the terms and subject to the conditions set forth below. The 2020 Incremental Commitment is in addition to the 2020 Incremental Lender’s existing Commitments under the Credit Agreement, which shall continue to be subject in all respects to the terms of the Credit Agreement and the other Loan Documents.

Section 2. **Confirmations, Etc.** The 2020 Incremental Lender (a) confirms that it has received a copy of the Credit Agreement and the other Loan Documents, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement; (b) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (c) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement and the other Loan Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (d) agrees that it will perform, in accordance with the terms of the Credit Agreement, all obligations that are required to be performed by it as a 2020 Incremental Lender.

Section 3. **Terms of 2020 Incremental Commitment.** The 2020 Incremental Lender hereby agrees to make its 2020 Incremental Commitment and 2020 Incremental Loans and participate in Letters of Credit on the terms and conditions set forth in the Credit Agreement.

Section 4. **2020 Incremental Lender Obligations.** The 2020 Incremental Lender acknowledges and agrees that, upon its execution of this Agreement, such 2020 Incremental Lender shall become a Lender under, and entitled to the benefits of, the Credit Agreement and the other Loan Documents with respect to its 2020 Incremental Commitment and 2020 Incremental Loans, and shall be subject to and bound by the terms thereof.

Section 5. **Credit Agreement Governs.** Except as set forth in this Agreement, the 2020 Incremental Commitment and 2020 Incremental Loans shall otherwise be subject in all respects to the provisions of the Credit Agreement and the other Loan Documents. This Agreement shall constitute a Loan Document for all purposes of the Credit Agreement.

Section 6. **Borrower's Certifications.** By its execution of this Agreement, the Borrower hereby certifies, on behalf of itself and the other Loan Parties, as of the 2020 Incremental Commitment Increase Effective Date, that:

(a) immediately prior to and after giving effect to this Agreement, the representations and warranties of the Loan Parties contained in Article V of the Credit Agreement and the other Loan Documents are true and correct in all material respects on and as of such 2020 Incremental Commitment Increase Effective Date; provided that such representations and warranties (i) that relate solely to an earlier date shall be true and correct in all material respects as of such earlier date and (ii) shall be true and correct in all respects if they are qualified by a materiality standard;

(b) immediately prior to and after giving effect to this Agreement, no Default or Event of Default has occurred and is continuing.

Section 7. **Reaffirmation.** By its execution of this Agreement, each Loan Party hereby reaffirms (i) its guaranty of the Obligations (including, without limitation, the 2020 Incremental Loans and the 2020 Incremental Commitments) and that such guaranty does, and shall continue to, guaranty the Obligations (including, without limitation, the 2020 Incremental Loans and the 2020 Incremental Commitments) and (ii) its prior grant and the validity of the Liens on the Collateral to secure the Obligations (including, without limitation, the 2020 Incremental Loans and the 2020 Incremental Commitments) granted by it pursuant to the Collateral Documents, with all such Liens continuing in full force and effect after giving effect to this Agreement. Neither the modification of the Credit Agreement effected pursuant to this Agreement nor the execution, delivery, performance or effectiveness of this Agreement (i) impairs the validity, effectiveness or priority of the Liens granted pursuant to any Loan Document, and such Liens continue unimpaired with the same priority to secure repayment of all Obligations (including, without limitation, the 2020 Incremental Loans and the 2020 Incremental Commitments), whether heretofore or hereafter incurred; or (ii) requires that any new filings be made or other action taken to perfect or to maintain the perfection of such Liens.

Section 8. **Conditions to Effectiveness of 2020 Incremental Commitment.** The effectiveness of this Agreement is subject to the satisfaction (or waiver in accordance with Section 11.1 of the Credit Agreement) of the following conditions (the date of such satisfaction or waiver, the "2020 Incremental Commitment Increase Effective Date"):

(a) the Borrower shall have paid all reasonable and documented fees and out-of-pocket expenses (including any upfront fees and reasonable and documented fees and out-of-pocket expenses of counsel) of the Lenders providing the 2020 Incremental Commitment and

Citibank, in its capacity as Administrative Agent in accordance with Section 11.3 of the Credit Agreement on or prior to the 2020 Incremental Commitment Increase Effective Date, to the extent such invoices have been delivered at least one (1) Business Day prior to the 2020 Incremental Commitment Increase Effective Date;

(b) the Administrative Agent shall have received a customary written legal opinion, dated the 2020 Incremental Commitment Increase Effective Date and addressed to the Administrative Agent and all the Lenders, from Goodwin Procter LLP, counsel to the Parent, the Borrower and each other Loan Party;

(c) the Borrower shall have delivered to the Administrative Agent a certificate dated as of the 2020 Incremental Commitment Increase Effective Date and signed by a Financial Officer (i) certifying and attaching the resolutions adopted by the Borrower approving the 2020 Incremental Commitment and the incumbency and signatures of each officer of each Loan Party that is authorized to act with respect to this Agreement and (ii) to the effect set forth in Section 6 hereof.

Section 9. **Reallocation.** Following the effectiveness of this Agreement, the Administrative Agent will (i) record the 2020 Incremental Commitments of the 2020 Incremental Lender in the Register and (ii) reallocate the Revolving Loans and participations in Letter of Credit Outstandings and Swing Line Loans of each Lender so that after giving effect to the 2020 Incremental Commitment the Revolving Loans and participations in Letter of Credit Outstandings and Swing Line Loans of each Lender shall be held ratably in accordance with their Revolving Loan Commitments in accordance with Section 2.11 of the Credit Agreement.

Section 10. **Consent to Waiver.** The Administrative Agent and each Lender party hereto hereby agrees to waive the notice requirements set forth in Section 2.11.1 and 2.11.2 of the Credit Agreement in connection with this Agreement. The waiver set forth in this Section 10 shall be limited precisely as herein written and relates solely to the 2020 Incremental Commitment and this Agreement. Nothing in this Agreement shall be deemed to (x) constitute a waiver of compliance by the Loan Parties with respect to the Credit Agreement or with respect to any other term, provision or condition of the Credit Agreement or the other Loan Documents or any other instrument or agreement referred to therein and (y) prejudice any right or remedy that the Administrative Agent or any Lender may now have or may have in the future under or in connection with the Credit Agreement and the other Loan Documents or any other instrument or agreement referred to therein.

Section 11. **Amendment, Modification and Waiver.** This Agreement may not be amended, modified or waived except by an instrument or instruments in writing signed and delivered on behalf of each of the parties hereto. The execution and delivery of this Agreement is not intended to constitute a novation of any indebtedness or other obligations owing to the Administrative Agent and the Secured Parties under the Credit Agreement or the other Loan Documents.

Section 12. **Governing Law, Entire Agreement, Etc.** **THIS AGREEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL EACH BE GOVERNED BY, AND EACH BE CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. THIS AGREEMENT AND EACH OTHER LOAN DOCUMENT CONSTITUTE THE ENTIRE UNDERSTANDING AMONG THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND SUPERSEDE ANY PRIOR AGREEMENTS, WRITTEN OR ORAL, WITH RESPECT THERETO.**

Section 13. **Severability.** Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as would be enforceable.

Section 14. **Counterparts.** This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging means (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Agreement. The words "execution," "signed," "signature," and words of like import in this Agreement or in any other certificate, agreement or document related to this Agreement, if any, shall include images of manually executed signatures transmitted by facsimile or other electronic format (including, without limitation, "pdf," "tif" or "jpg") and other electronic signatures (including, without limitation, DocuSign and AdobeSign). The use of electronic signatures and electronic records (including, without limitation, any contract or other record created, generated, sent, communicated, received, or stored by electronic means) shall be of the same legal effect, validity and enforceability as a manually executed signature or use of a paper-based record-keeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act and any other applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act or the Uniform Commercial Code.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has caused its duly authorized officer to execute and deliver this Agreement as of the day and year first above written.

SILICON VALLEY BANK, as the 2020 Incremental Lender, a Lender and a L/C Issuer

By: /s/ Francis Groccia
Name: Francis Groccia
Title: Director

CITIBANK, N.A., as a Lender and a L/C Issuer

By: /s/ Ronald Homa
Name: Ronald Homa
Title: Director

WAYFAIR LLC,
as Borrower

By: /s/ Michael Fleisher
Name: Michael Fleisher
Title: Chief Financial Officer

WAYFAIR INC.,
as Parent

By: /s/ Michael Fleisher
Name: Michael Fleisher
Title: Chief Financial Officer

WAYFAIR MAINE LLC,
as a Guarantor

By: /s/ Michael Fleisher
Name: Michael Fleisher
Title: Chief Financial Officer

CASTLEGATE LOGISTICS INC.,
as a Guarantor

By: /s/ Michael Fleisher
Name: Michael Fleisher
Title: Chief Financial Officer

SK RETAIL, INC.,
as a Guarantor

By: /s/ Michael Fleisher
Name: Michael Fleisher
Title: Chief Financial Officer

WAYFAIR TRANSPORTATION LLC,
as a Guarantor

By: /s/ Michael Fleisher
Name: Michael Fleisher
Title: Chief Financial Officer

[2020 Incremental Commitment Joinder Agreement - Signature Page]

ACCEPTED AND ACKNOWLEDGED

CITIBANK, N.A.,
as Administrative Agent

By: /s/ Ronald Homa
Name: Ronald Homa
Title: Directo

[2020 Incremental Commitment Joinder Agreement - Signature Page]

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Niraj Shah, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wayfair Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2020

/s/ NIRAJ SHAH

Niraj Shah

Chief Executive Officer and President

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael Fleisher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wayfair Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2020

/s/ MICHAEL FLEISHER

Michael Fleisher

Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Wayfair Inc. (the “Company”) for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Niraj Shah, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, to my knowledge, that:

- 1) the Report which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2020

/s/ NIRAJ SHAH

Niraj Shah

Chief Executive Officer and President

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Wayfair Inc. (the “Company”) for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Fleisher, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, to my knowledge, that:

- 1) the Report which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2020

/s/ MICHAEL FLEISHER

Michael Fleisher

Chief Financial Officer