

February 2021

To our shareholders:

Thank you for your continued interest in Wayfair.

“What a year” may be an understatement to describe 2020. The pandemic and its wide-ranging toll, rising social tensions, and a contentious political atmosphere are challenges that stressed us all and tested the fibers of our unity. But even as we all continue to contend with these forces, we believe in our collective resilience and our capacity to bring about change. We believe we will see a better tomorrow and are committed to contributing to that change in ways large and small at Wayfair.

As we look back, above all else, we are proud of Wayfair’s people. Our employees navigated through the countless pivots 2020 threw at us with agility. They stepped up for our customers, our communities, and each other. These tireless efforts bore fruit. Some of this is certainly reflected in our operating performance, but far more important were the intangible achievements. Our products brought comfort to our customers’ homes at a time when the home became more important than ever. Collectively, we developed innovative ways for Wayfair to provide physical and financial COVID-19 relief throughout the year, and we stood up countless support resources for our colleagues and their families. The team made record individual donations to further the causes of social justice, COVID-19 recovery, and the right to vote, all of which Wayfair enthusiastically supported with matching funds. Together, we donated over \$12 million in direct support and innumerable hours of our time through volunteer efforts. There is much more work to be done. We are confident that we have the right team to be part of the solution and to navigate Wayfair through any environment.

Over the course of the last 12 months, every business was tested like never before. Wayfair is no exception. Building a lasting company requires a long-term mindset, ambitious plans, and the discipline to stick to them. This is something we have long believed and practiced at Wayfair. This past year proved the durability we are building into our business model. While Wayfair was fortunate in many respects and learned some lessons in others, our long-term orientation was validated in real time. Years of investments in technology, logistics, supplier relationships, and talent enabled us to move quickly and nearly seamlessly to meet the wall of demand that came our way in every geography – and

begin to build meaningful connections with 10+ million new active customers on our platform. Truly durable businesses cannot be built overnight, but when done right, the returns compound for years and generations. We saw some of that begin to play out in 2020, but there is much more to come.

In this letter last year, we talked about two validating events that would be important for you, our fellow shareholders: an approaching profitability inflection, and leverage in the continued scaling of our proprietary logistics network. The subsequent quarters demonstrated the power of our model, but as we also tend to say in these letters: We are just getting started! We are at the early stages of proving out just how large the gains embedded in Wayfair's business model will be, and we expect them to compound for a very long time.

At only \$14 billion in net revenue, we have captured less than 2% of our \$800+ billion (and growing) total addressable market. The opportunity in front of us is immense. There are many reasons why the winner in our market will have a disproportionately large share, and the Wayfair team is as ambitious and aggressive as ever as we orient around *both* future growth and profitability.

## **Our Ambition**

We are building the preeminent platform for home. We are neither solely a retailer nor solely a marketplace. Instead we take on the harder but more valuable challenge to combine the best of both. We are a platform.

Wayfair aspires to connect every customer across North America and Europe to the full spectrum of available products and related services, so that they may find the option that is just right for them. Our infrastructure, technology, and services power and deepen these connections. The end result is loyalty as customers walk away with a very positive experience and return to Wayfair for inspiration and other home-related purchases. As we do this again and again, we reinforce our brand and relationship with tens of millions of customers and tens of thousands of supplier partners.

To bring unparalleled product selection and an intuitive, fast, and enjoyable experience for all who access our platform, we build tailored solutions to suit the specific needs of the complicated home category. All of our offerings – whether customer service or end-to-end logistics, marketing capability or

visual merchandising innovation, financing or service experiences, or the customer- and supplier-facing technology that underpins it all – are differentiated, and they will remain so in the future. Everything we create recognizes the deeply personal and emotional process of making one’s space a home and makes it easier to do so.

What we are building is unique. Our platform is a hybrid of the best attributes found in both traditional merchant-led, customer-oriented retailers and innovative technology-based, two-sided marketplaces. In practice, this means that we are the customer-facing brand. This first-party approach to our customer sets the standard for their experience by optimizing both the pre-order and post-order processes in a largely unbranded category. As we earn our customers’ trust, they keep returning to the platform. From a supplier-facing standpoint, we are a true partner in a third-party construct. We build the tools, services, and technology they need to successfully reach our customers. It is their product designs, quality control, and inventory that are on display for the customer. Our priority is to collaborate closely with each supplier, but to ultimately give them as much control as possible to chart the course of their business and growth with us. If we do our job right, we help our customers win by delivering the best possible shopping journey, and we help our suppliers win by delivering solutions that they can then leverage to steer their businesses to new heights.

## **What’s to Come**

We are well on our way to realizing our vision, but the market is vast and underserved. There is much work to be done, and Wayfair is uniquely positioned to continue to innovate and seize the opportunity ahead. We back up our ambitious vision with aggressive but achievable plans. Some of the most impactful of our priorities today fall along the following dimensions:

- ***Scaling newer categories and services:*** After an initial period of investment to stand up many new subcategories and services, we have demonstrated our ability to compete and win. Now, scaling each becomes the next priority. Scaling does not only mean better economics, though we expect those too. In this next stage, we will elevate each offering through bespoke technology and features that make the shopping journey easier and more productive for the customer. A few examples to demonstrate what we mean:

- Our Wayfair Professional (B2B) business in North America is approaching \$1.5B in net revenue (in a \$100+ billion market). Now that we have a solid foundation, we will refine our pre- and post-order offerings for each of the six B2B vertical market segments against which we are organized.
- After entering Large Appliances only a couple of years ago, several major brands are on the Wayfair platform today (in 2020, Samsung sponsored Way Day and GE Appliances sponsored our Cyber 5 events). The next steps are welcoming the small balance of manufacturers still outstanding, and continuing to enhance our merchandising and product discovery features to facilitate more brand building and technical differentiation for these products. These elements will help our customers find the products best suited to their unique needs versus a more commonplace, commoditized view of appliances.
- Last year, in services, we significantly upgraded our consumer financing solutions in partnership with Citi. The offerings, including a store credit card and a co-branded Mastercard, offer very meaningful consumer benefits, thus amplifying the Wayfair loyalty cycle. We are now rapidly growing our cardmember base.

This is not an exhaustive list – rather an illustration of the power of building on and scaling what we have already started in many instances across the platform. As the way we merchandise and service these newer initiatives becomes increasingly nuanced, we will unlock an even higher-quality experience for our customers and further strengthen our partnership with our suppliers.

- ***Expanding our customer reach:*** With 31 million+ active customers over the last 12 months, Wayfair’s brand appeal already extends well beyond the typical vision of a “core customer.” Our brand stands for all things home, and we are helping everyone capture that special feeling of home. We are focused on reinforcing that identity with every type of customer and building their awareness of the breadth of our platform. We will continue our outreach through an ROI-oriented lens, meeting our customers anywhere they interact with the category – whether that is on the phone or via email or chat, through emerging digital channels, or innovative new approaches in traditional channels like direct mail or physical retail. Consistent with our evergreen practice, we approach each channel through iteration, testing, and then scaling, with the intent to be a leader across all while making sure to generate a strong ROI.

- ***Redefining the supplier experience:*** We have redefined what it means to shop online for the home through our customer web and app interfaces. As a platform, our supplier experience should be equally as rich, intuitive, and powerful. We are bringing more data, more transparency, and more control to our suppliers in real time via our Partner Home portal, which should in turn translate to better outcomes for all of our supplier partners on Wayfair no matter their size. We will retain the high-touch elements that make working with Wayfair exceptional while introducing more self-service tools and real-time information to enable quicker, more strategic decision-making for all.
  
- ***Reinforcing a culture of diversity, equity, and inclusiveness:*** We are proud of the culture we have built at Wayfair, but also recognize that there is more we must do to foster an even more inclusive environment. Wayfair is data-driven, fast-moving, and collaborative. The caliber of talent we have and are attracting is self-reinforcing: We make the best hires because they want to work with the best people. Part of what makes us a great team is that we embrace each individual for what they bring and how they show up; we value differing viewpoints and are willing to pivot when presented with compelling logic. Diverse teams make better decisions, and we are committed to ensuring equity for underrepresented groups and creating pathways for their advancement into all levels of Wayfair. As part of that push, we recently committed to a \$15 minimum wage for all Wayfairians. We also announced our role as founding partner of Boston While Black, the first membership network for Boston-based, Black professionals, entrepreneurs, and graduate students who are seeking connection, mentorship, and community. These are just a couple of examples to demonstrate how we are mobilizing to help drive change and make the world the one we want it to be. As one of the largest employers in Boston and in many other locations where we operate, Wayfair is focused on reinforcing a culture of inclusivity and diversity within our walls and in our communities. We look forward to leading other impactful changes on these fronts in the future.
  
- ***Gaining advantage through differentiated technology:*** As we scale, we are embracing technology that keeps us innovative, responsive, and agile. We are a technology company first and foremost, with more than 3,000 engineers and data scientists among our ranks. As we grow, we are becoming a larger investor in bespoke technology. Many of our inherent advantages today come from years of technology investment. Take, for instance, pricing models that take into account complex demand-response dynamics based on huddles of competitive items, our industry-leading position in low-cost photorealistic environmental imagery based on proprietary technology for building 3D models

and rendering images, or Wayfair's whole proprietary stack of marketing technology including advertising attribution data science models and advanced bidding systems that allow us to cost-effectively identify and attract new customers across a large and growing list of channels. These are just three examples; there are dozens more. Today we have efforts underway to do things we would not have thought possible just a few years ago.

As you can tell, the future is ripe with opportunity and we are by no means slowing down as we go after it. If anything, we are moving faster as consumer behavior changes accelerate. The Wayfair platform is unique and our long-term-oriented operating philosophy is paying off. At today's scale, we are privileged to be able to grow quickly and profitably while continuing to invest in high-ROI initiatives that will deliver more breakthroughs and facilitate greater share capture over time. Macro events have challenged all of us over the last year, and they are testing us still. Wayfair and its brand and team are emerging even stronger, and we will continue to build on that strength both operationally and financially in the years and decades to come. 2020 was eventful; our plan is to make 2021 just as transformational. Our intent is to be able to say this same thing each year as our gains compound on top of the foundation of all of our past work.

We thank you for your support.



Niraj Shah  
Co-Founder, Co-Chairman & CEO



Steven Conine  
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*Caution Concerning Forward-Looking Statements: This letter contains forward-looking statements within the meaning of federal and state securities laws. All statements other than statements of historical fact contained in this letter, including statements regarding statements regarding our investment plans and anticipated returns on those investments, the strength of our customer offering, our future customer growth, our future results of operations and financial position, our business strategy and our plans and objectives of management for future operations, are forward-looking statements. You are cautioned not to rely on these forward-looking statements, which are based on current expectations*

*of future events. For important information about the risks and uncertainties that could cause actual results to vary materially from the assumptions, expectations, and projections expressed in any forward-looking statements, please review the “Forward-Looking Statements” section of the Wayfair earnings release issued on February 25, 2021 as well as the most recently filed Wayfair Reports on Forms 10-K and 10-Q. Wayfair does not undertake to update any forward-looking statement as a result of new information or future events or developments.*