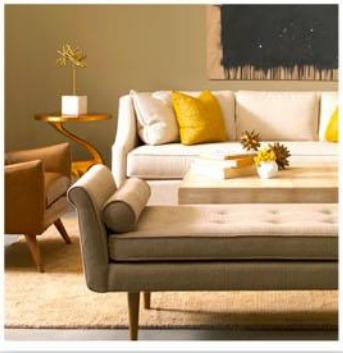
wayfair.com Joss & Main ALLMODERN Dwell Studio BIRCH LANE

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Investor Presentation

February 2016

SAFE HARBOR

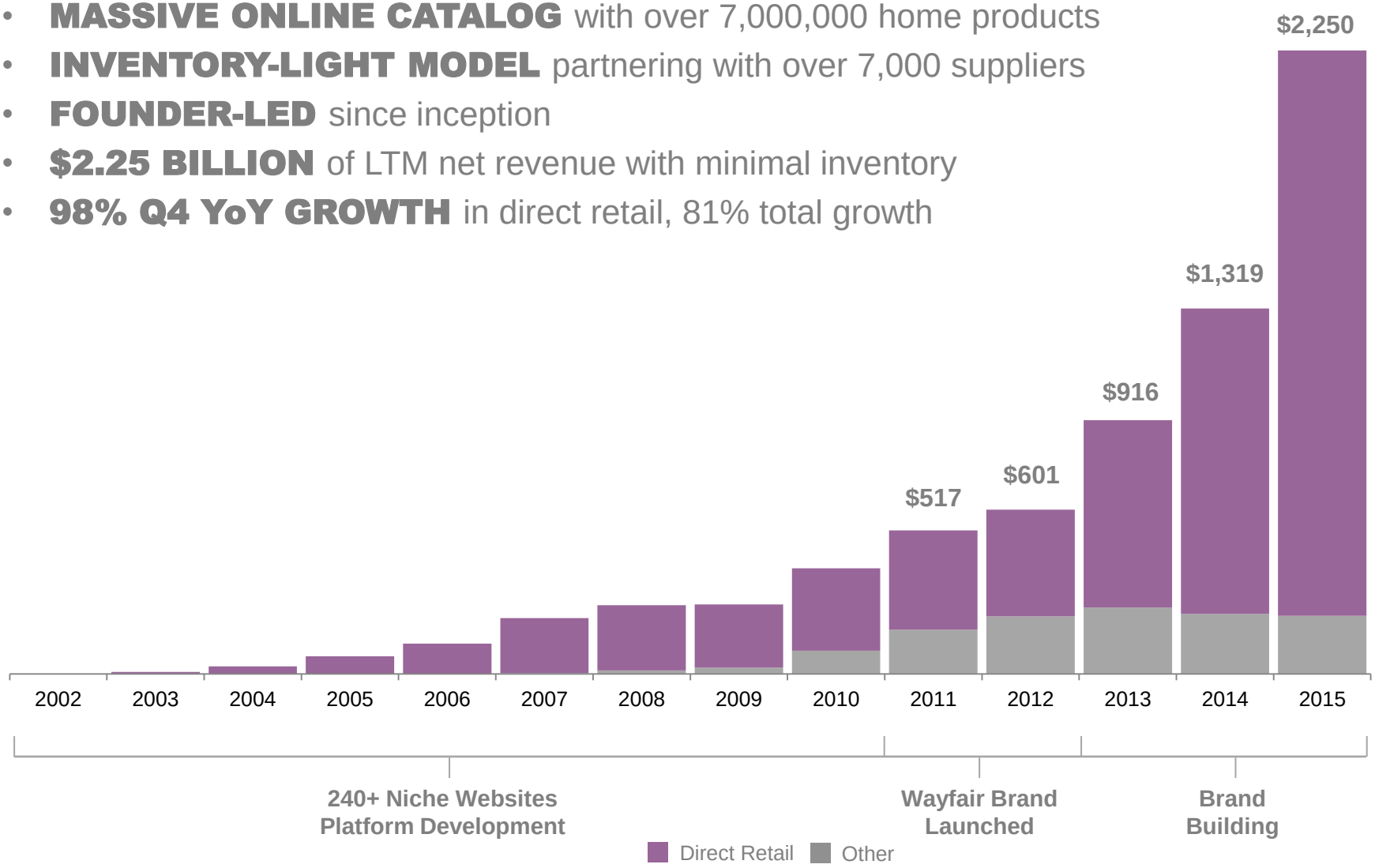
This presentation includes forward-looking statements. Wayfair Inc. (“Wayfair” or the “Company”) has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the date of this presentation and management’s good faith belief as of such date with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to: our ability to acquire new customers, our ability to sustain and/or manage our growth, our ability to increase our net revenue per active customer, our ability to build and maintain strong brands and other factors discussed under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in periodic filings with the Securities and Exchange Commission (the “SEC”). In addition, in this presentation, the words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “predict,” “potential” and similar expressions, as they relate to the Company, business and management, are intended to identify forward-looking statements. In light of these risks and uncertainties, the future events and circumstances discussed in this presentation may not occur, and actual results could differ materially from those anticipated or implied in the forward-looking statements. Forward-looking statements speak only as of the date of this presentation. You should not put undue reliance on any forward-looking statement. The Company assumes no obligation to update any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting future performance or results, except to the extent required by applicable laws. If the Company updates one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements.

OUR MISSION



A CLEAR ONLINE LEADER IN HOME GOODS

- **MASSIVE ONLINE CATALOG** with over 7,000,000 home products
- **INVENTORY-LIGHT MODEL** partnering with over 7,000 suppliers
- **FOUNDER-LED** since inception
- **$2.25 BILLION** of LTM net revenue with minimal inventory
- **98% Q4 YoY GROWTH** in direct retail, 81% total growth



FIVE DISTINCT HOME BRANDS

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Typical customer: **35 to 65 year old woman** with an annual household income of **$50,000 to $250,000**
comScore **median HHI of $82,000**

wayfair.com	Joss & Main	ALLMODERN	Dwell Studio	BIRCH LANE
Est. 2011	Est. 2011	Est. 2006	Acq. 2013	Est. 2014

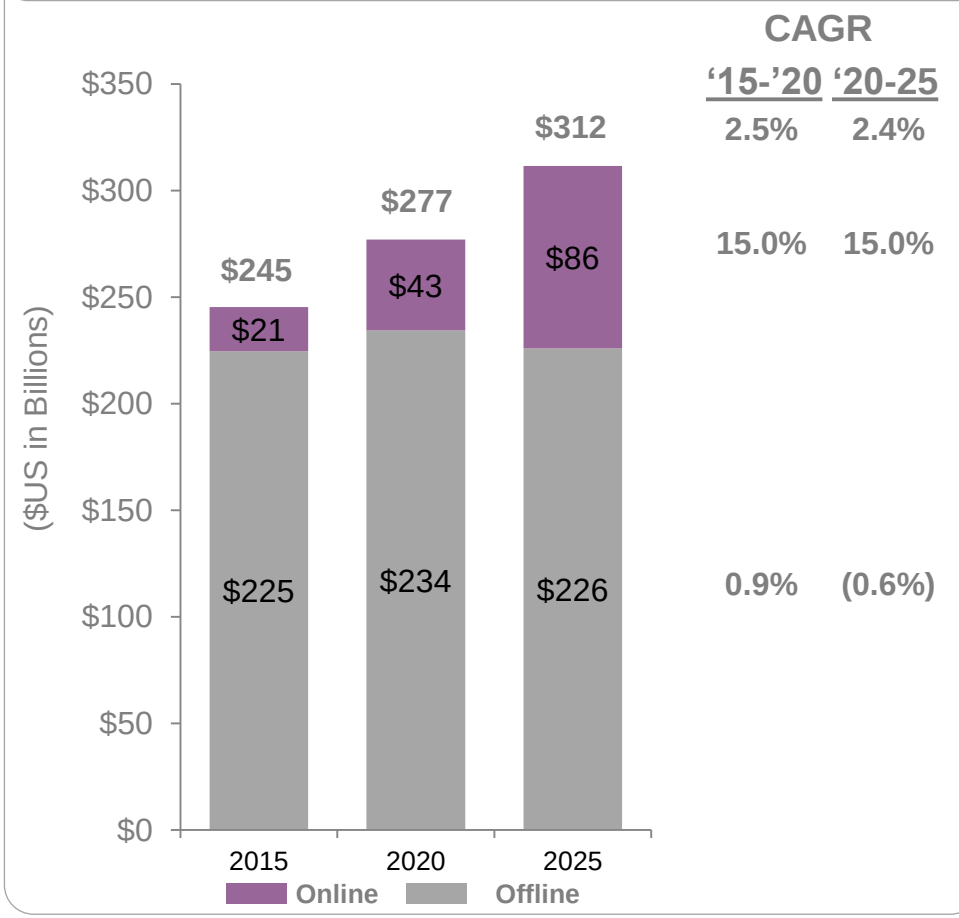




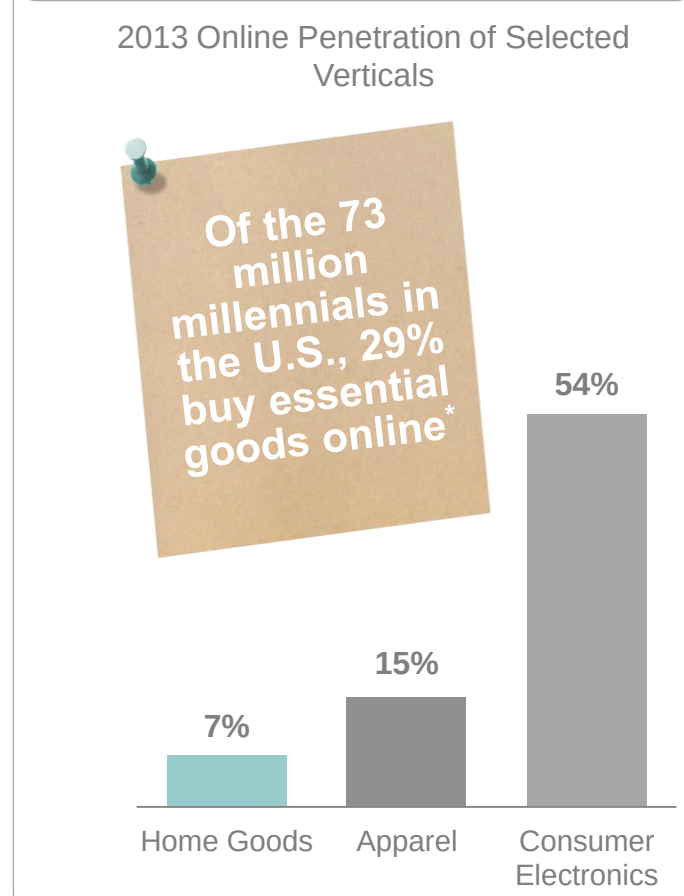


LARGE, HIGHLY FRAGMENTED MARKET MOVING ONLINE

Home Market Growth by Channel



Significant Upside in Online Penetration



Source: Euromonitor for market size, comScore for online penetration; Wayfair management estimates for projections of online penetration 2015-2025; eMarketer for millennial statistics

*Millennials defined as individuals currently between the ages of 19 and 33. Based on 2013 data

HOME SHOPPERS DESIRE UNIQUENESS

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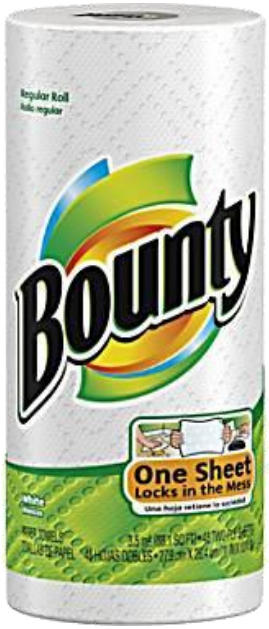
Home Category Example: Lighting



INDUSTRY SIZE: **$7B**

CPG Category Example: Paper Towels



INDUSTRY SIZE: **$7B**

Source: 2013 data from Freedonia, Fisher International, Euromonitor

HOME IS SHOPPED VISUALLY

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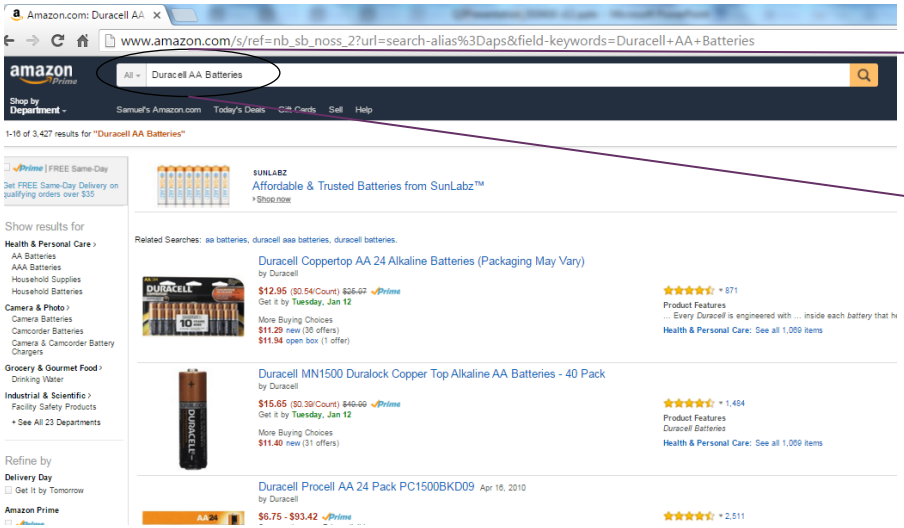
Most ecommerce shopping is done via branded search



This is not possible in home where brands are not known…

Leading Furniture and Home Décor Brands

klaussner home furnishings

HUGHES FURNITURE

theHOM

MAGNUSSEN HOME

KICHLER LIGHTING

… And consumers can't describe what they are looking for

HOME IS LARGELY BROWSED NOT SEARCHED

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Inspiring Imagery



Detailed Product Shots

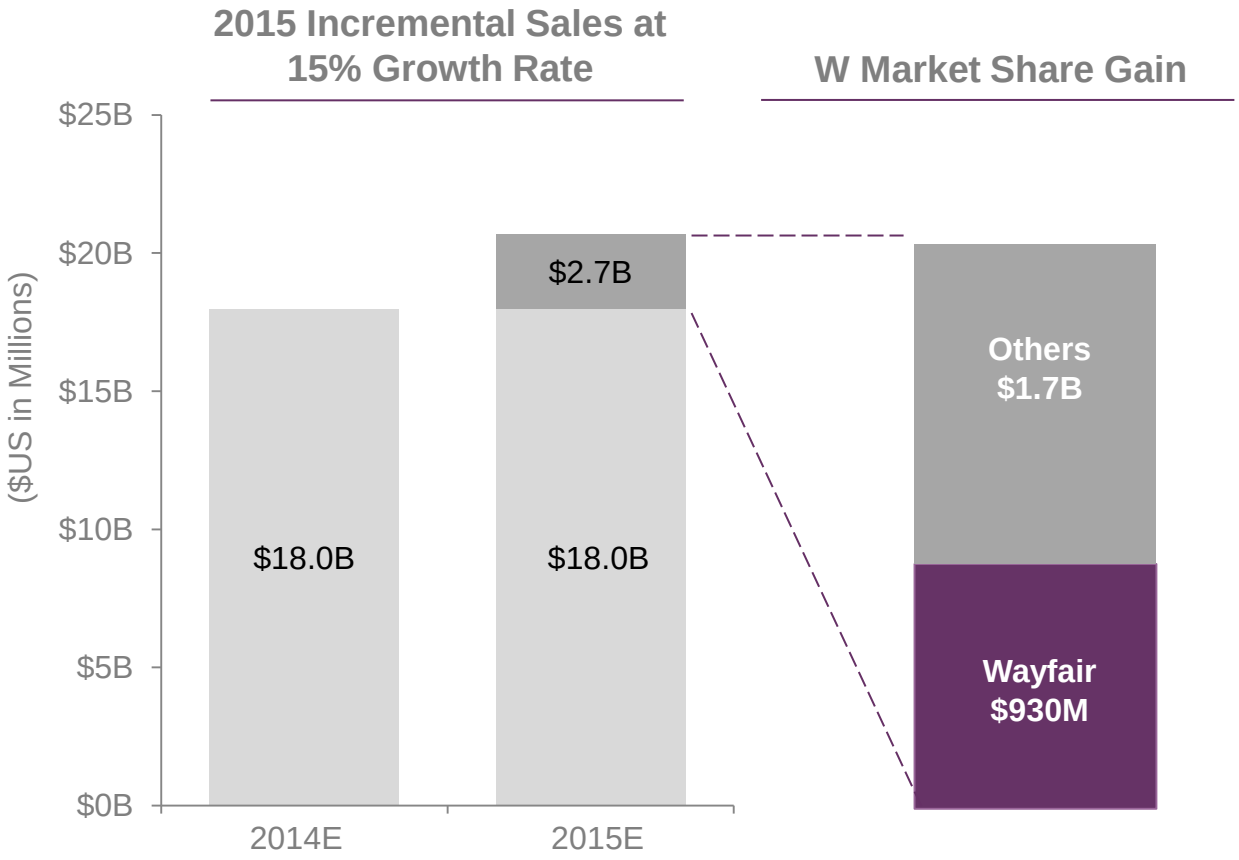


WAYFAIR IS WELL POSITIONED RELATIVE TO OTHER RETAILERS…



…AND THEREFORE GAINING MARKET SHARE

Estimated Q4 Annualized 2015 Online Home Décor and Furniture Sales



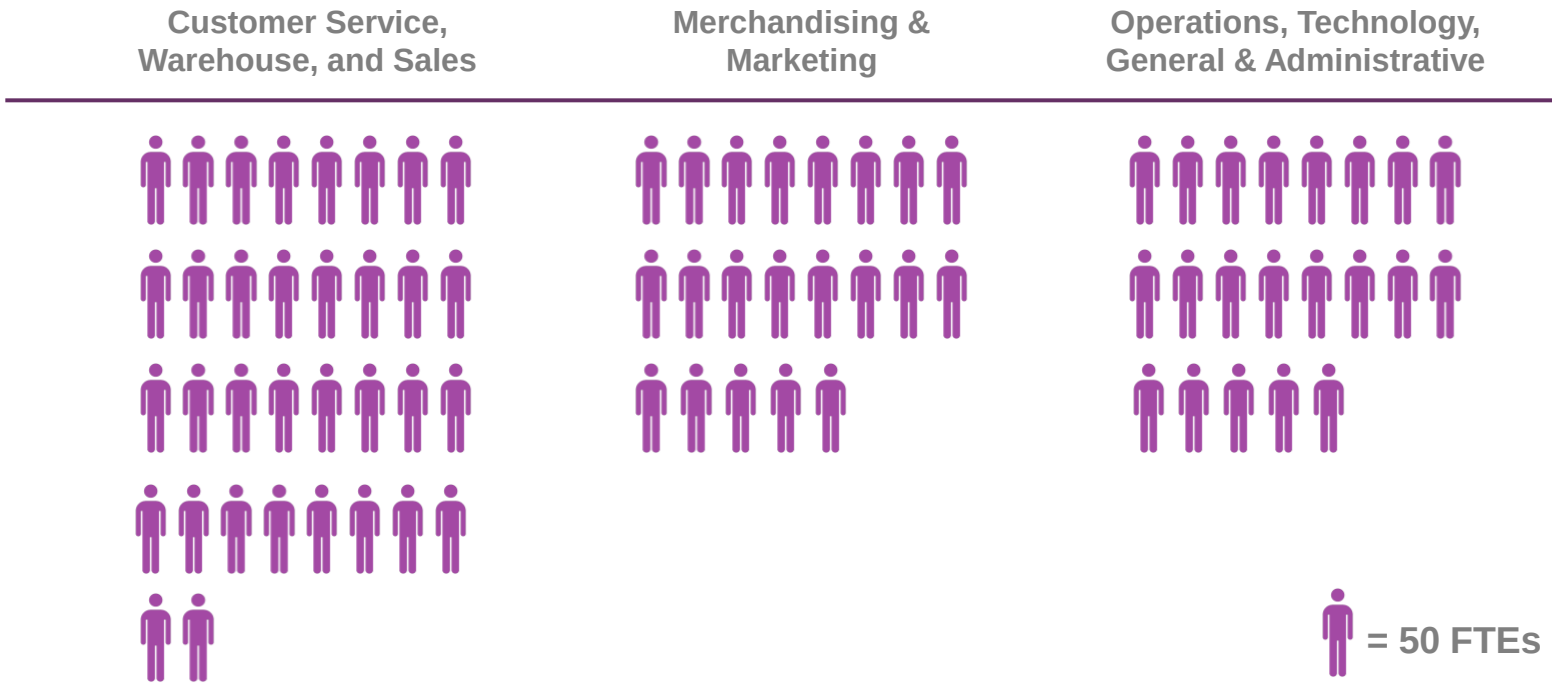
Total year over year revenue growth of ~$930 million implies Wayfair took 1/3 of online market growth

Source: comScore Q4 2015 Home e-commerce market growth; Wayfair management estimates for implied home furnishings 2014 and 2015 size and total growth

SCALE ENABLES ONGOING INVESTMENT IN KEY AREAS: HEADCOUNT

- ~1,450 net new FTEs added in 2015 and over 2,200 since the beginning of 2014
- These employees augment existing business areas (e.g., customer service) but also help us build new revenue streams (e.g., registry, better onsite personalization)

Total Headcount by Functional Group



Note: Totals may not match regulatory filings due to rounding.
(1) The expense related to a portion of the headcount in Technology are included in capitalized technology labor and therefore this growth in headcount will not correlate directly with future growth in labor expense.

SCALE ENABLES ONGOING INVESTMENT IN KEY AREAS: PRIVATE LABEL

- Partnering with suppliers to develop proprietary brands with exclusive products and no inventory
- Products are photographed and merchandized by Wayfair to create a curated brand experience across multiple aesthetics and price points

zipcode design



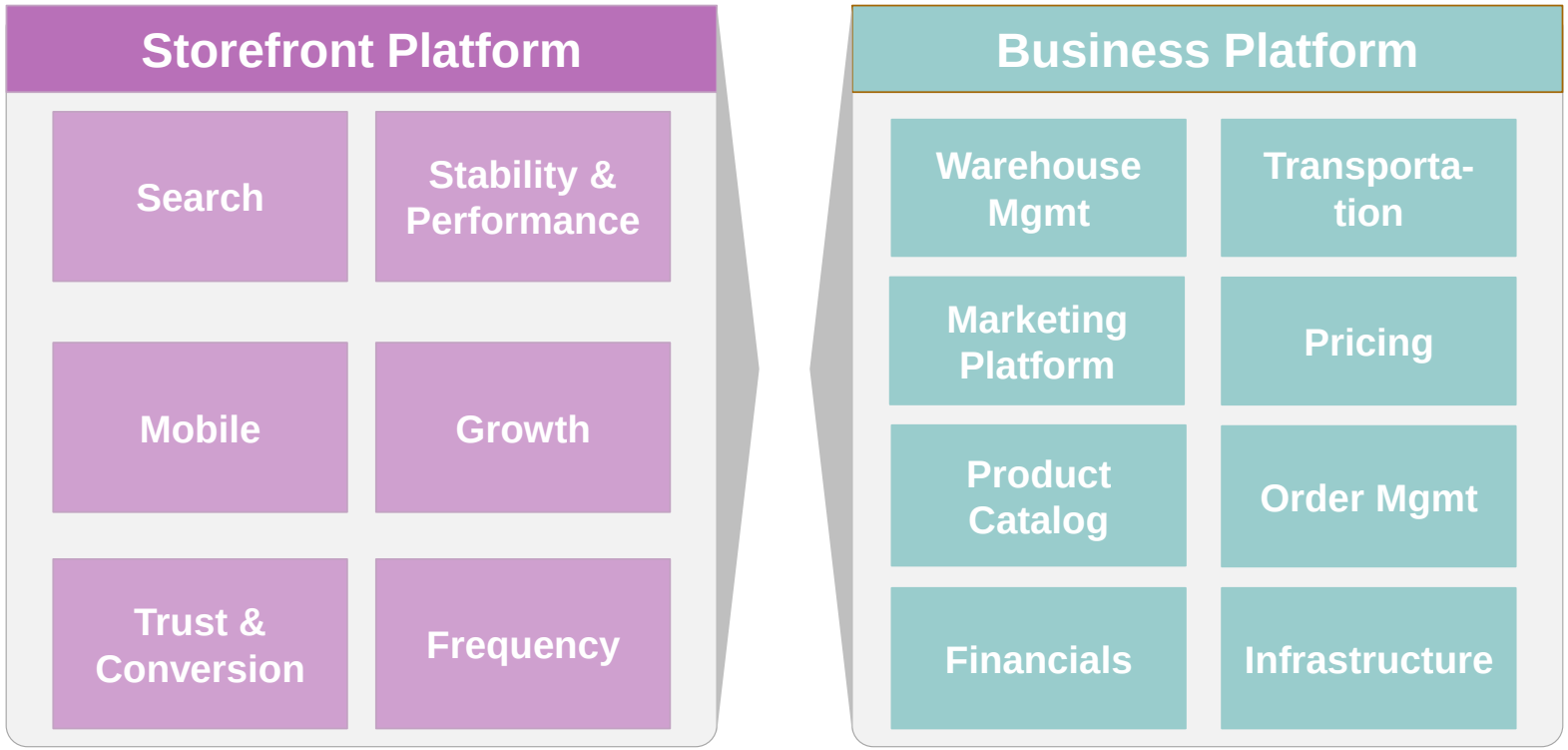


mercury ROW



SCALE ENABLES ONGOING INVESTMENT IN KEY AREAS: ENGINEERING

Over 450 Engineers Today

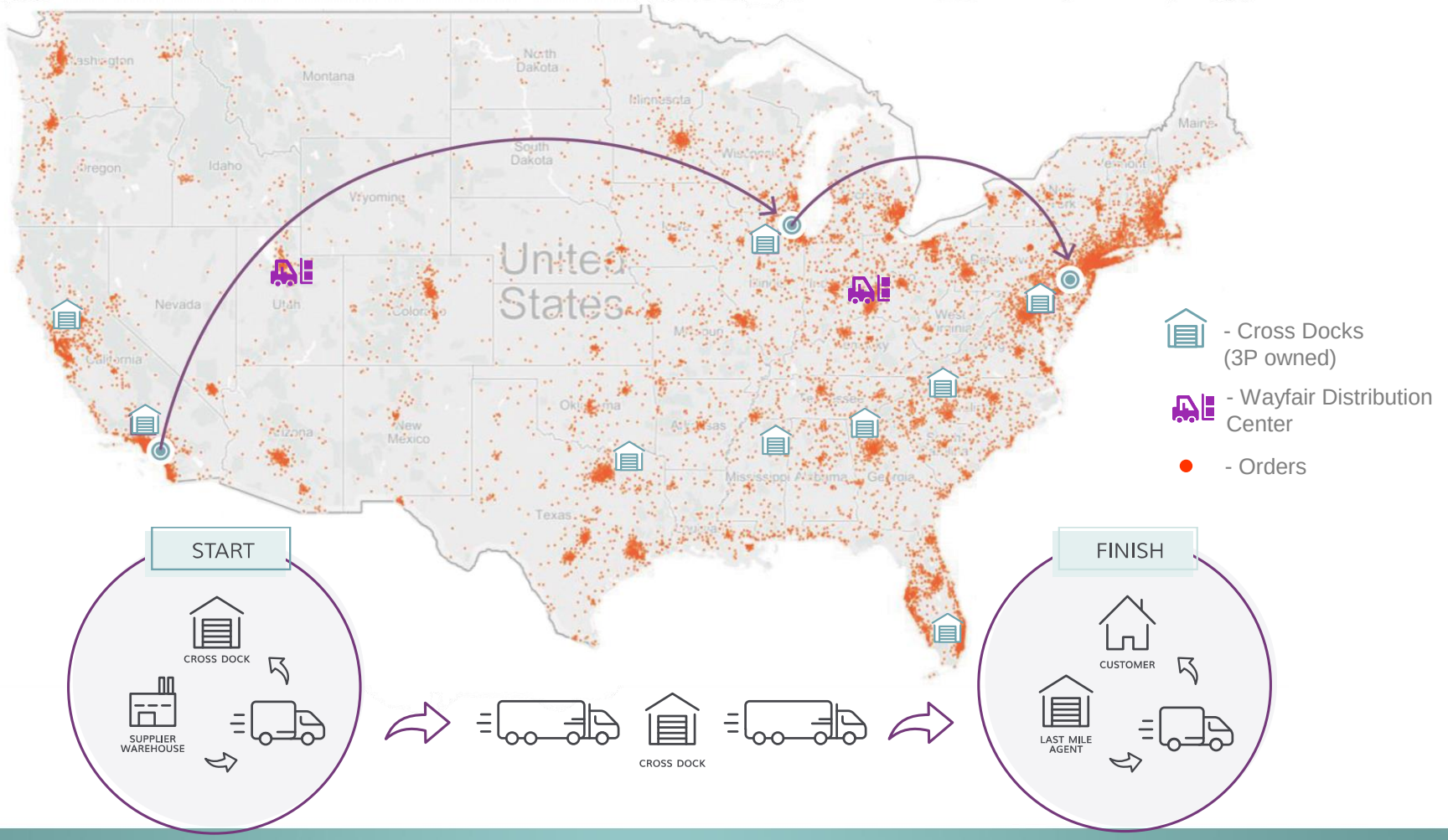


Key Engineering Priorities:

- Personalization
- Product discovery
- Desktop/Mobile feature parity
- Product globalization
- Logistics support
- Resiliency
- Tools for Trade and Premier customers

SCALE ENABLES ONGOING INVESTMENT IN KEY AREAS: LOGISTICS

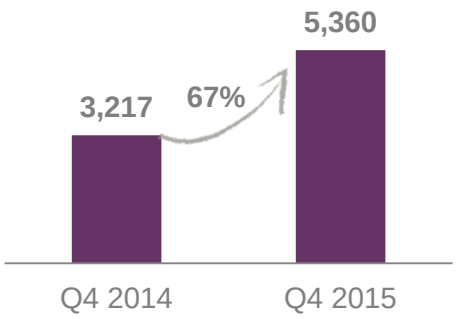
- Proprietary large parcel delivery network allows us to deliver products form thousands of suppliers quickly, safely and efficiently
- End to end process management has reduce damage and delivery times



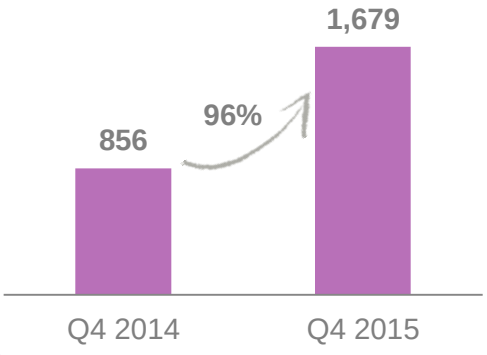
SCALE DRIVES POWERFUL NETWORKS EFFECTS

Active Customers[1]

(in thousands)

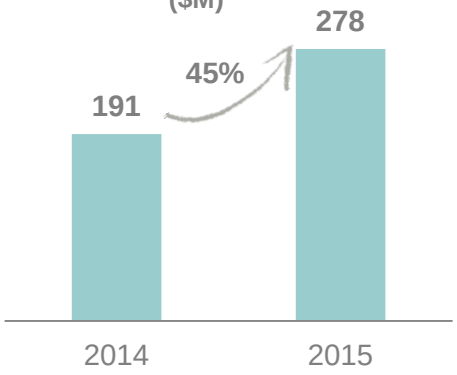


Repeat Orders



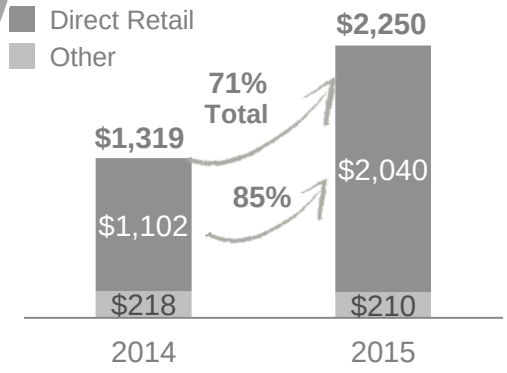
Advertising Spend

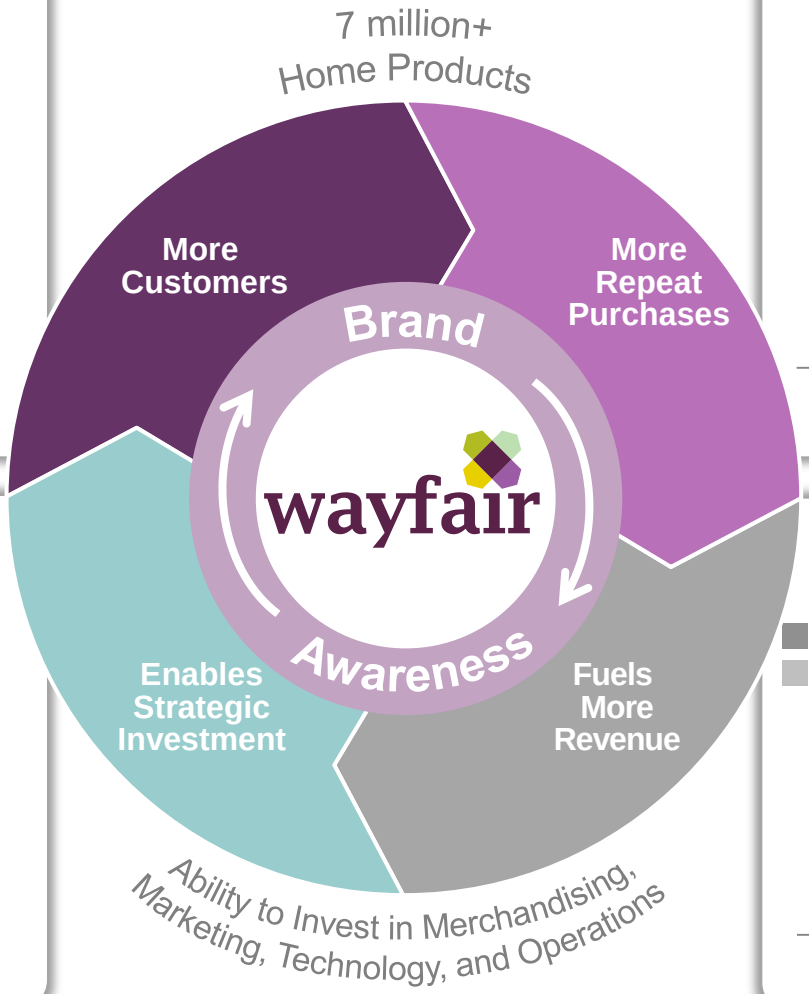
($M)



Net Revenue

($M)





[1] Defined as customers who have purchased at least once on our brands' sites during the preceding 12 month period.

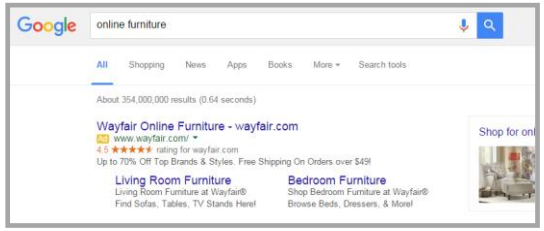
INVESTING IN ADVERTISING ACROSS MULTIPLE CHANNELS

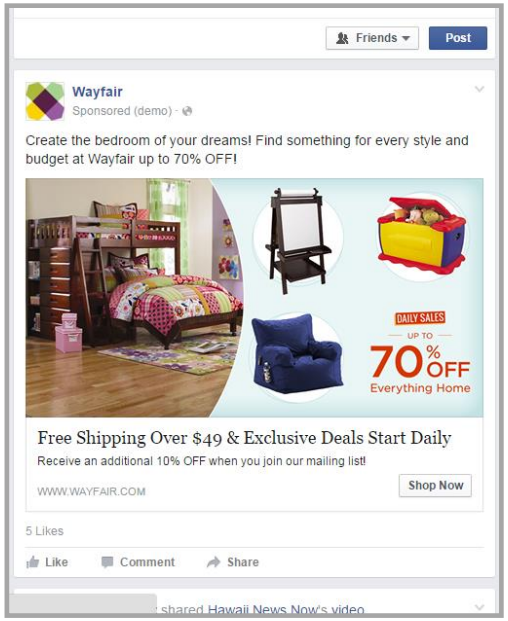
- Three broad advertising channels - Online, TV and Direct Mail
- Online is the largest channel followed by TV and Direct Mail
- Strict adherence to channel derived ROIs

Online

- Display
- Social
- Transactional







TV



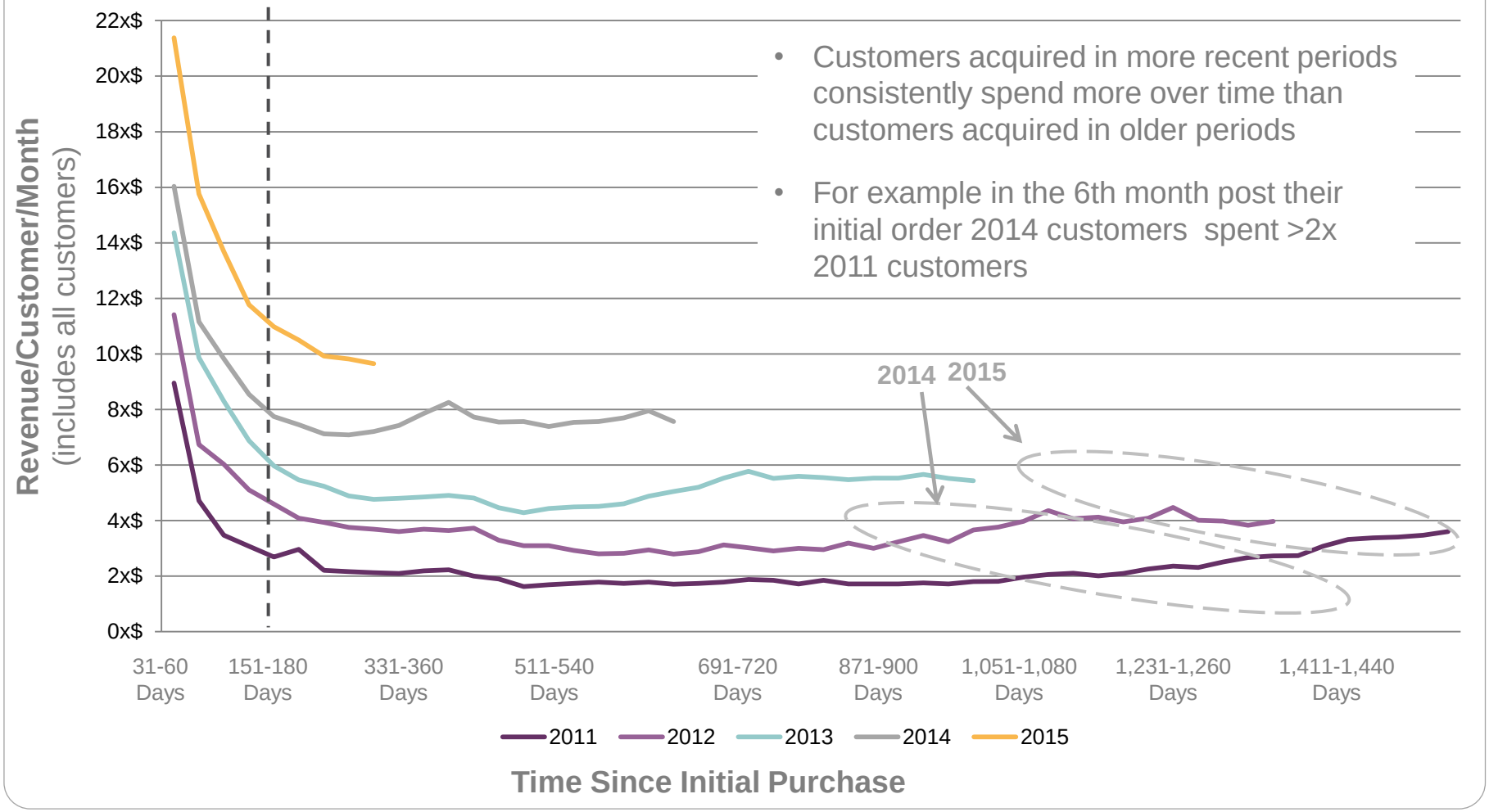
Direct Mail





INVESTMENT IN ADVERTISTING SPEND RESULTS IN HIGHER REVENUE/CUSTOMER…

Wayfair.com Gross Revenue Per Customer Per Month

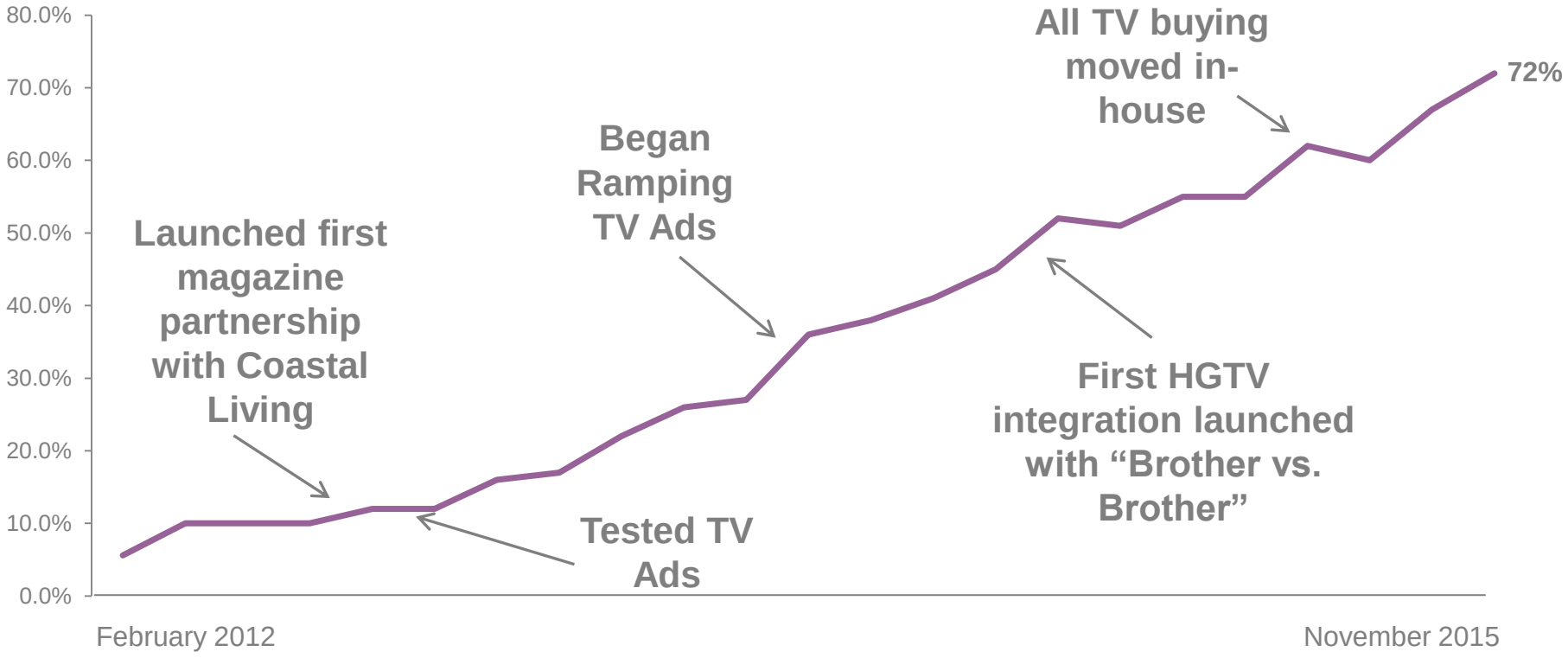


- Customers acquired in more recent periods consistently spend more over time than customers acquired in older periods
- For example in the 6th month post their initial order 2014 customers spent >2x 2011 customers

Most 2011 and 2012 customers first purchased before site rebranding

…AND GROWING AWARENESS

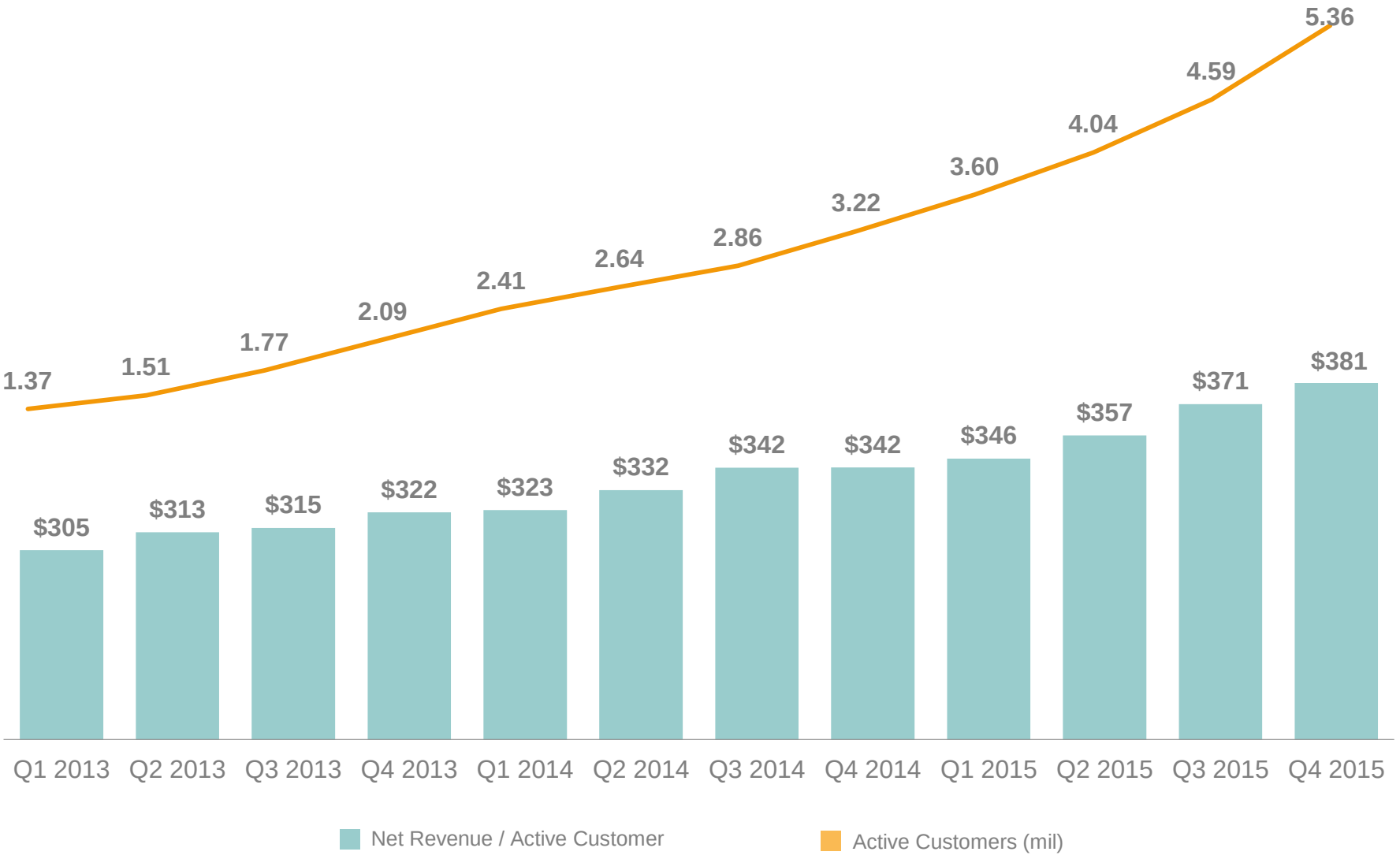
Brand awareness has grown to 72% since Wayfair launch in 2011[1]



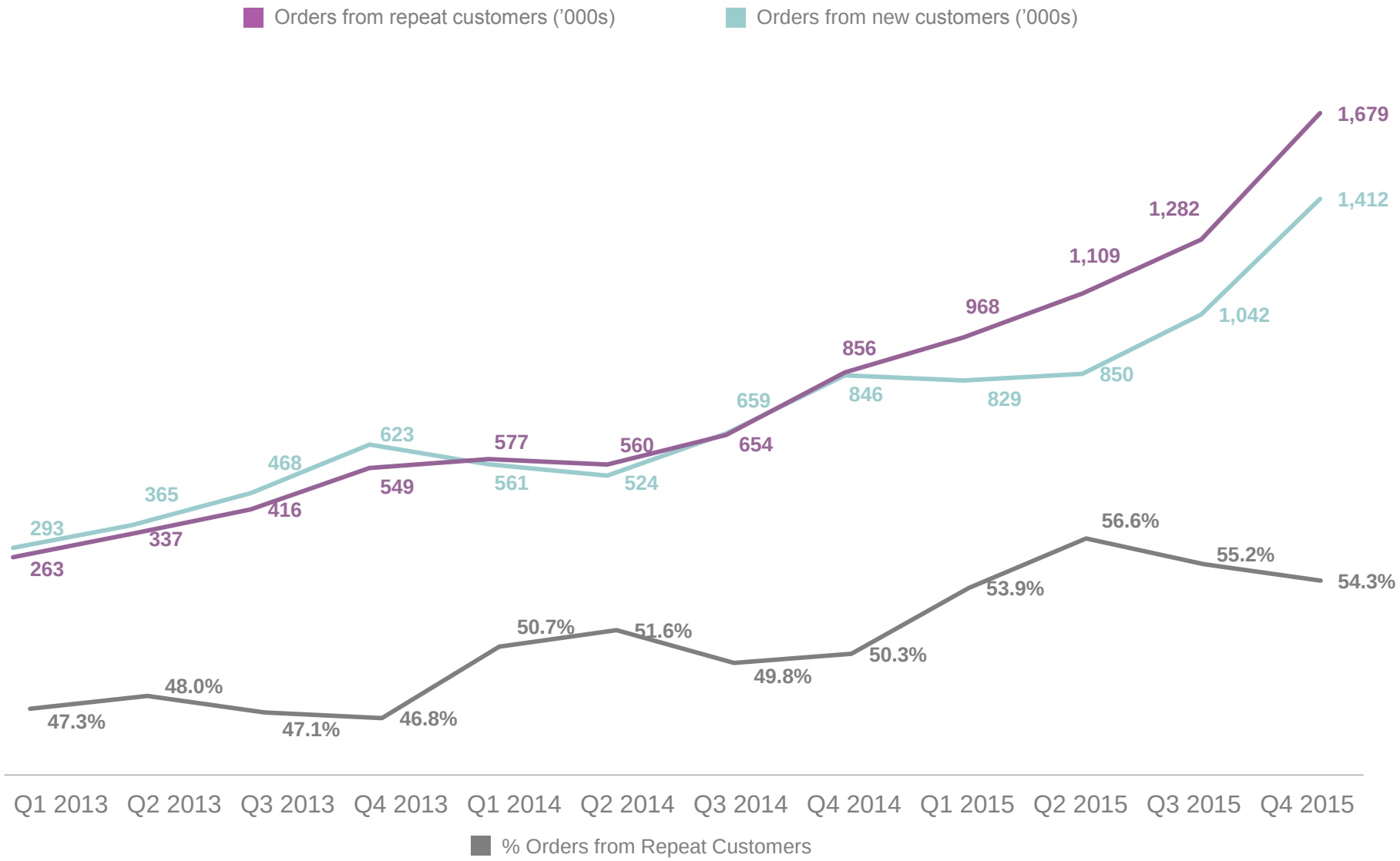
Source: Hanover Research

[1] Aided Brand Awareness as of November 2015.

CUSTOMER ECONOMICS CONTINUE TO IMPROVE- STRONG CUSTOMER ACQUISITION

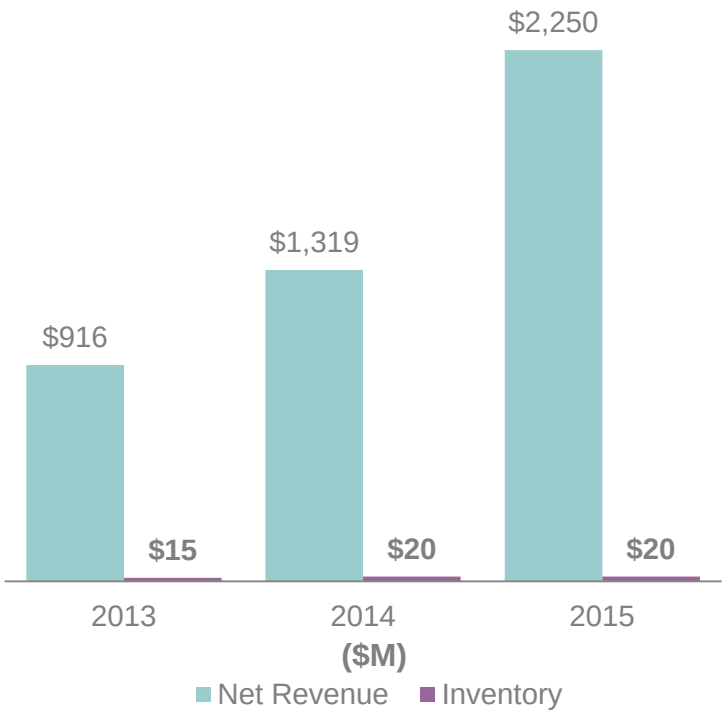


CUSTOMER ECONOMICS CONTINUE TO IMPROVE- GROWING REPEAT ORDERS

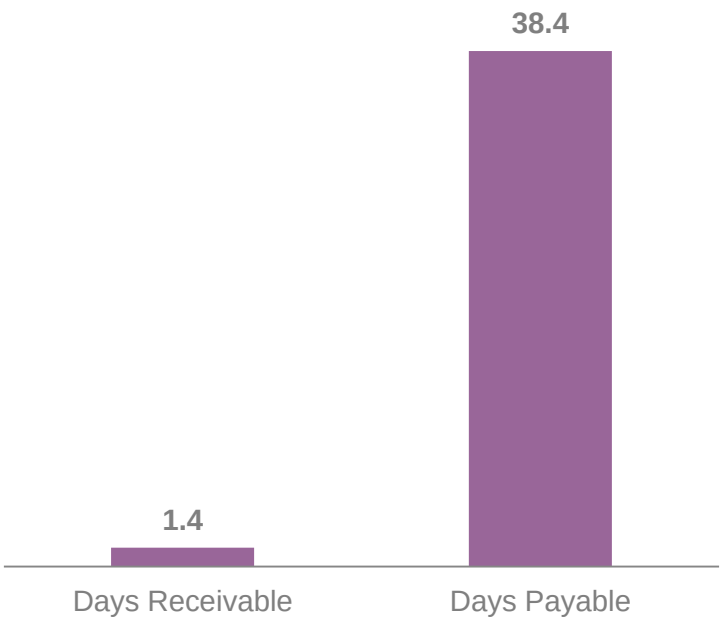


CAPITAL EFFICIENT WITH MINIMAL INVENTORY

Minimal Inventory



Capital Efficient[1]



FCF Performance Consistently Better than Adjusted EBITDA

[1] Average of last four quarters.

LONG TERM TARGET MODEL

	2014	2014	2015	Q4 2015	Long-Term Target
Net Revenue	100%	100%	100%	100%	100%
Gross Margin	**24.5%**	**23.6%**	**24.0%**	**23.8%**	**25 - 27%**
Customer Service + Merchant Fees	3.9%	4.1%	3.6%	3.5%	4%
Advertising	11.8%	14.5%	12.4%	11.9%	6 - 8%
Primarily headcount — Merchandising, Marketing, and Sales	3.7%	3.9%	4.0%	3.7%	2 - 3%
Primarily headcount — Operations, Technology, General & Administrative	5.4%	5.9%	4.9%	4.4%	3 - 4%
Total Operating Expenses	**24.8%**	**28.4%**	**24.8%**	**23.4%**	**15 - 19%**
Adjusted EBITDA	**(0.3%)**	**(4.7%)**	**(0.7%)**	**0.4%**	**8 - 10%**

Note: Cost of Goods Sold, Merchandising, Marketing, and Operations, Technology, General & Administrative have been adjusted to exclude equity based compensation expenses and depreciation and amortization expense. See GAAP to Non-GAAP Reconciliation" Appendix.

KEY STRATEGIC PRIORITIES



CONTINUE BUILDING **LEADING RETAIL HOME BRANDS**

- Grow active customer base
- Increase repeat behavior
- Invest in product/technology to further improve the customer experience
- Enhance logistics infrastructure for faster and higher quality customer delivery experience
- Invest in and grow international business

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RECONCILIATION OF ADJUSTED EBITDA
($ in millions)

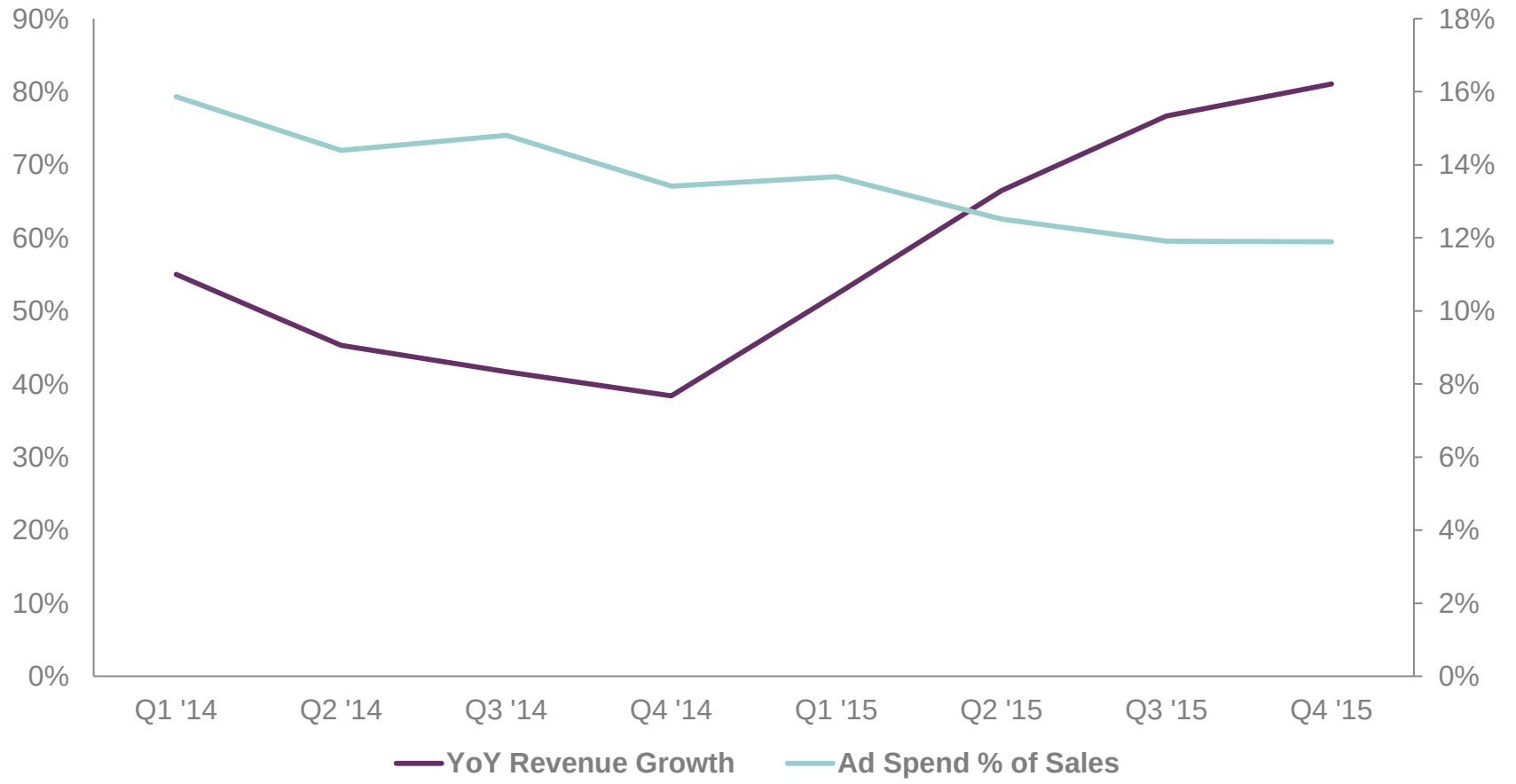
	2013	2014	2015	Q4 2015
Net Loss	($15.526)	($148.098)	($77.443)	($15.495)
Depreciation and Amortization	$13.091	$22.003	$32.446	$9.095
Equity-Based Compensation	-	$63.244	$32.975	$9.727
Interest (Income), net	($0.245)	($0.350)	($1.284)	($0.387)
Other (Income) Expense, net	($0.294)	$0.489	($2.718)	($0.176)
Taxes	$0.046	$0.175	$0.095	$0.064
Adjusted EBITDA	**($2.928)**	**($62.537)**	**($15.929)**	**$2.828**

RECONCILIATION OF FREE CASH FLOW
($ in millions)

	2013	2014	2015	Q4 2015
Net Cash Provided by Operating Activities, Net of Acquisition	$34.413	$11.692	$135.121	$90.366
Purchase of Property, Equipment and Leasehold Improvements	($6.739)	($39.422)	($44.648)	($7.953)
Site and Software Development Costs	($9.040)	($14.130)	($17.356)	($4.429)
Free Cash Flow	$18.634	($41.860)	$72.937	$77.984

REVENUE GROWTH INCREASING WHILE AD SPEND % DECREASING

YoY Net Revenue Growth vs. Ad Spend %



Illustrative Customer Acquisition Cost

(All units in 000s, except per customer figures)

	2014
Total Advertising Spend	$191,284
Assumed Partner Ad Spend (1)	$24,300
Direct Retail Ad Spend	$166,984
Active Customers	3,217
Total Orders	5,237
% of Orders from Repeat Customers	*50.5%*
Implied "Gross" New Customers (2)	2,590
Customer Acquisition Cost (3)	$64
Annual Direct Retail Revenue per Customer	$342
Annual Contribution per Customer (4)	$67
Contribution Margin	*19.5%*

Notes:

1. Assumes partner advertising spend is 11.18% of Other revenue as seen in the first six months of 2014 (as disclosed in our S-1).
2. Calculated as (1-Repeat Rate)*Total Orders.
3. Calculated as Direct Retail Ad Spend divided by Implied “Gross” New Customers.
4. Represents 2014 gross margin of 23.6% less an assumed 4.1% for customer service and processing fees.