wayfair.com Joss & Main ALLMODERN Dwell Studio BIRCH LANE







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Investor Presentation

November 2016

SAFE HARBOR

This presentation contains forward-looking statements. All statements other than statements of historical fact contained in this presentation, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, 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 presentation 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.

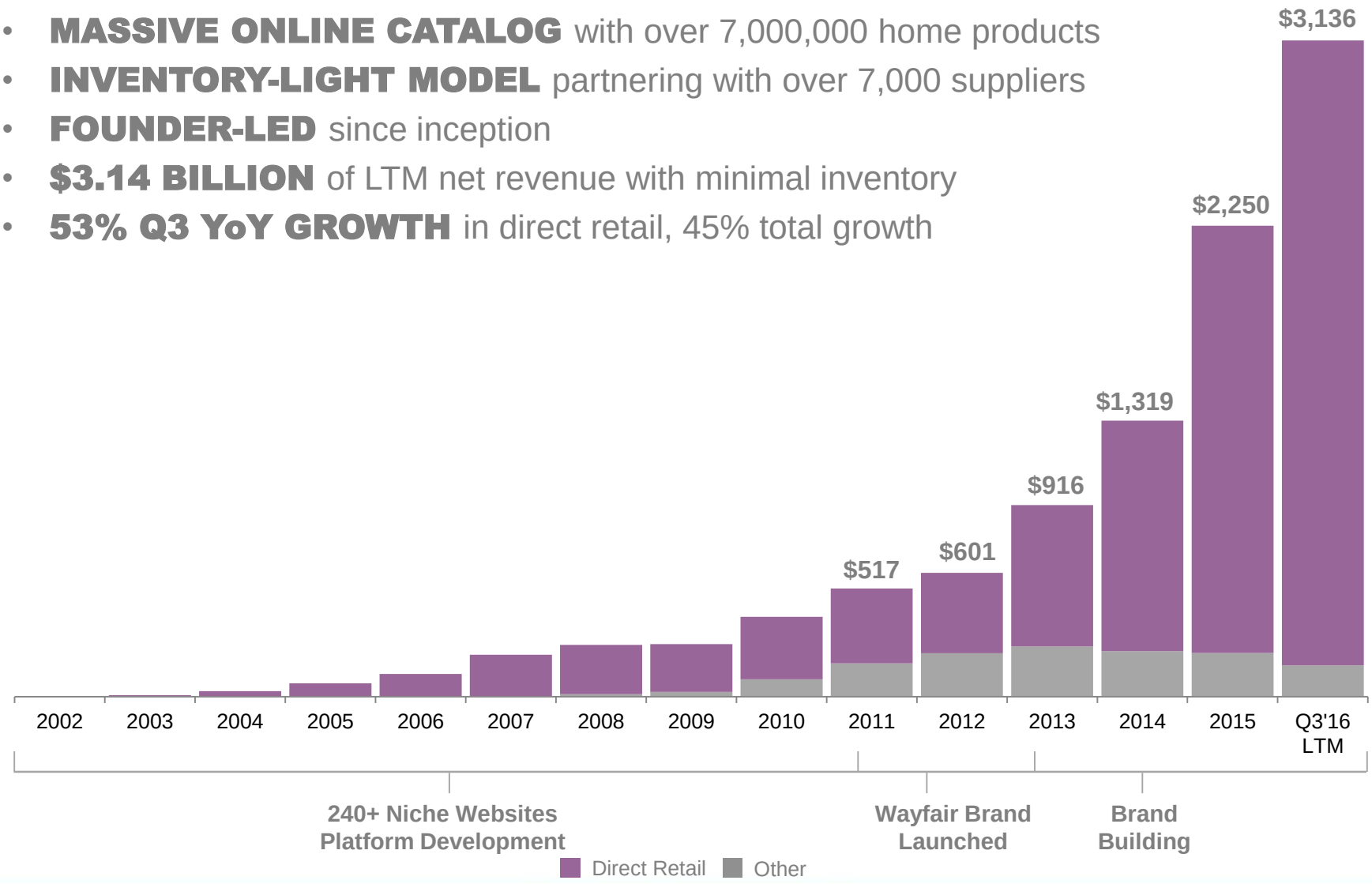
Factors that could cause or contribute to differences in our future results include, but are not limited to: economic factors, such as interest rates and currency exchange fluctuations; our ability to acquire new customers; our ability to sustain and/or manage our growth; our ability to increase our net revenue per active customer; and our ability to build and maintain strong brands. A further list and description of these risks, uncertainties and other factors can be found under Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and the Company's subsequent filings with the Securities and Exchange Commission. We qualify all of our forward-looking statements by these cautionary 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
- **$3.14 BILLION** of LTM net revenue with minimal inventory
- **53% Q3 YoY GROWTH** in direct retail, 45% total growth



FIVE DISTINCT HOME BRANDS

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

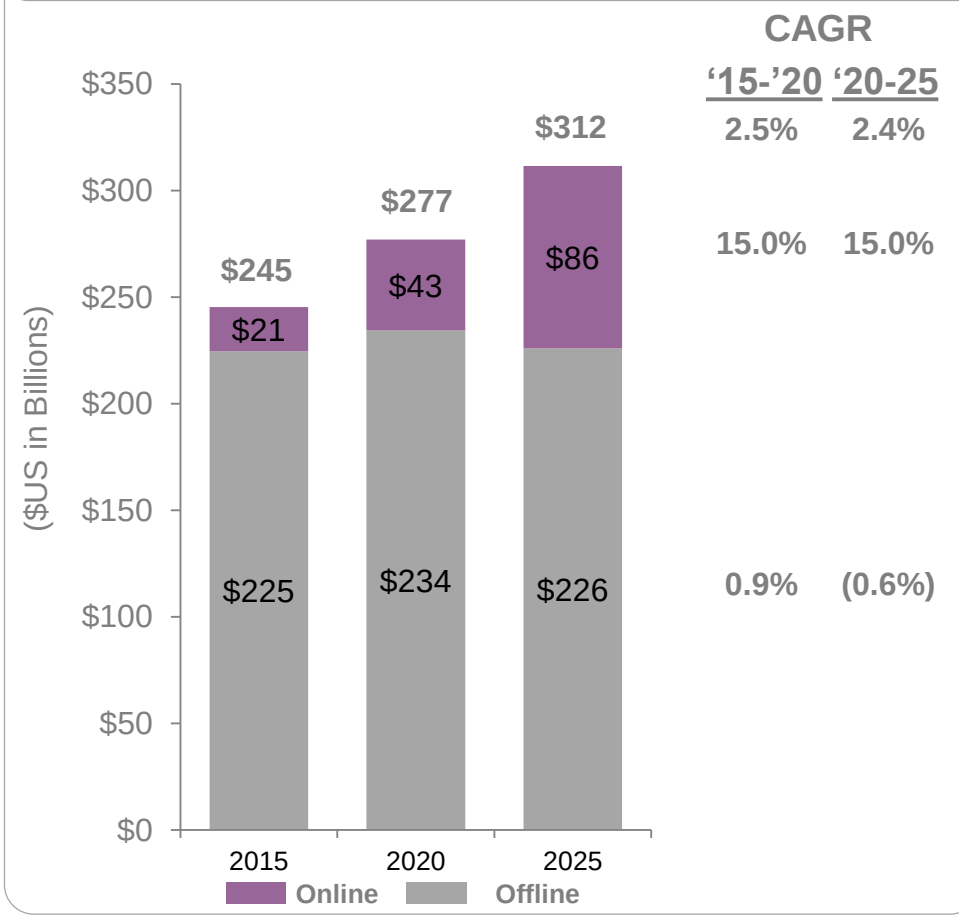






LARGE, HIGHLY FRAGMENTED MARKET MOVING ONLINE

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

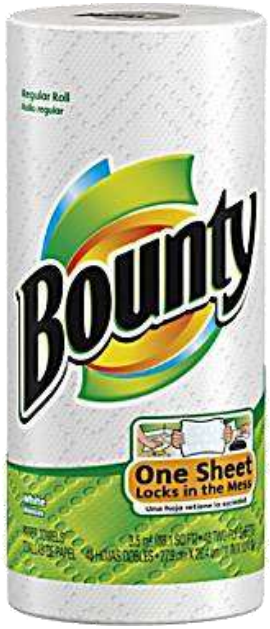
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Home Category Example: Lighting



INDUSTRY SIZE: **$7B**

CPG Category Example: Paper Towels



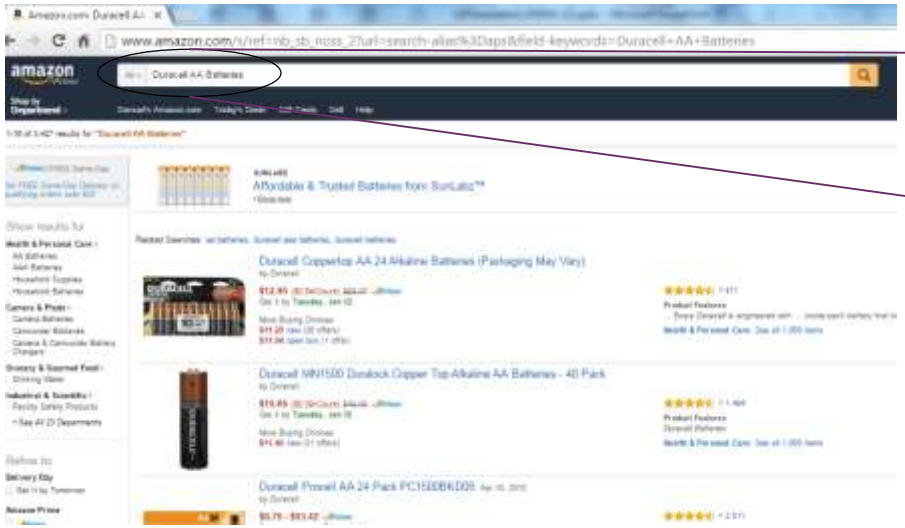
INDUSTRY SIZE: **$7B**

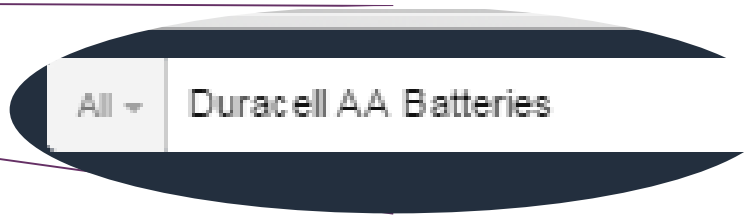
Source: 2013 data from Freedonia, Fisher International, Euromonitor

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



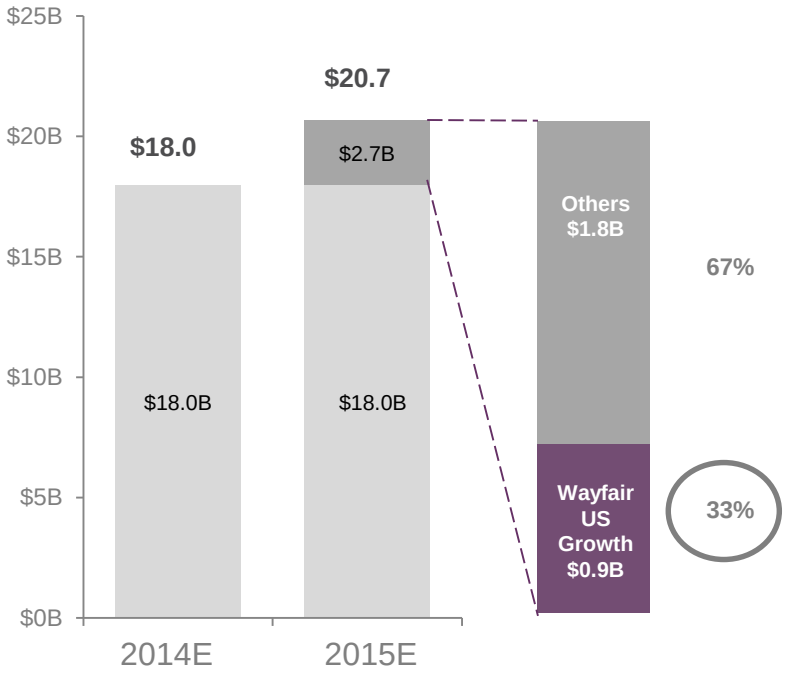
WAYFAIR IS WELL POSITIONED RELATIVE TO OTHER RETAILERS…



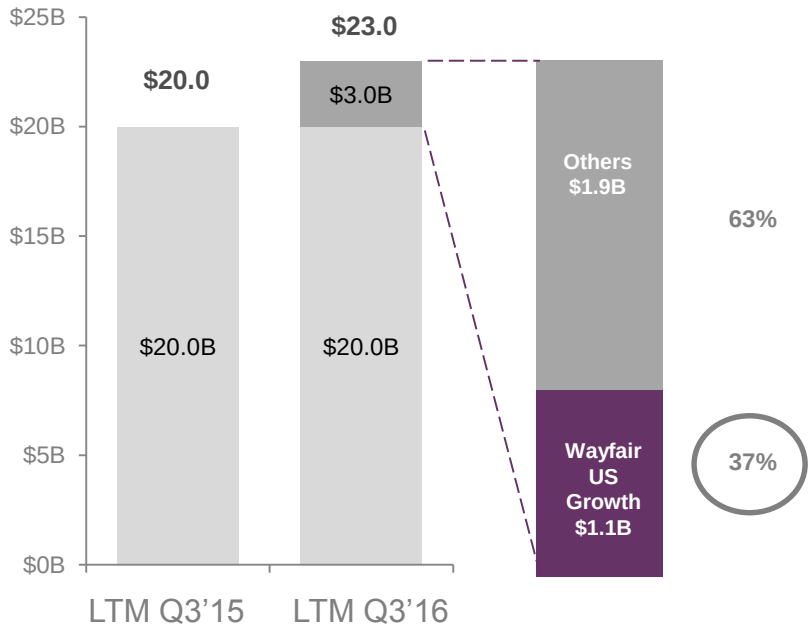
…AND THEREFORE TAKING AN INCREASING SHARE OF ONLINE DOLLAR GROWTH IN THE US

Estimated 2015 / LTM Q3'16 US Online Sales in our Categories

2015 Incremental US Sales at 15% Growth Rate



LTM Q3'16 Incremental US Sales at 15% Growth Rate

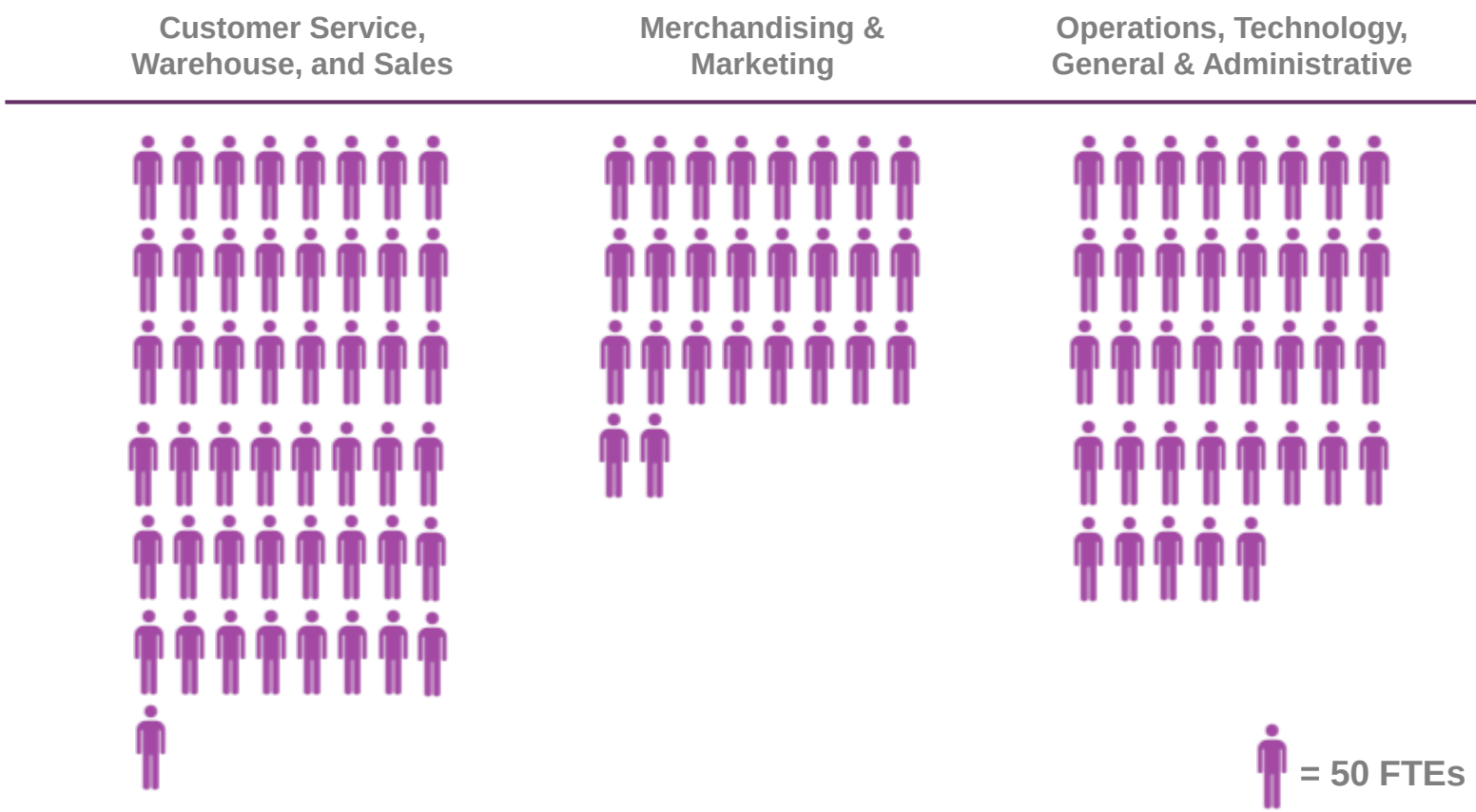


Source: comScore 2015 e-commerce market growth; Wayfair management estimates for implied home furnishings 2014, 2015, LTM Q3'15 and LTM Q3'16 Growth

SCALE ENABLES ONGOING INVESTMENT IN KEY AREAS: HEADCOUNT

- Total headcount of 5,610; 212 net new FTEs in Q3 2016
- These employees augment existing business areas (e.g., customer service) but also help us build new revenue streams (e.g., international, new product and service offerings)

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

LANGLEY ST



BREAKWATER BAY



SCALE ENABLES ONGOING INVESTMENT IN KEY AREAS: 3D IMAGERY

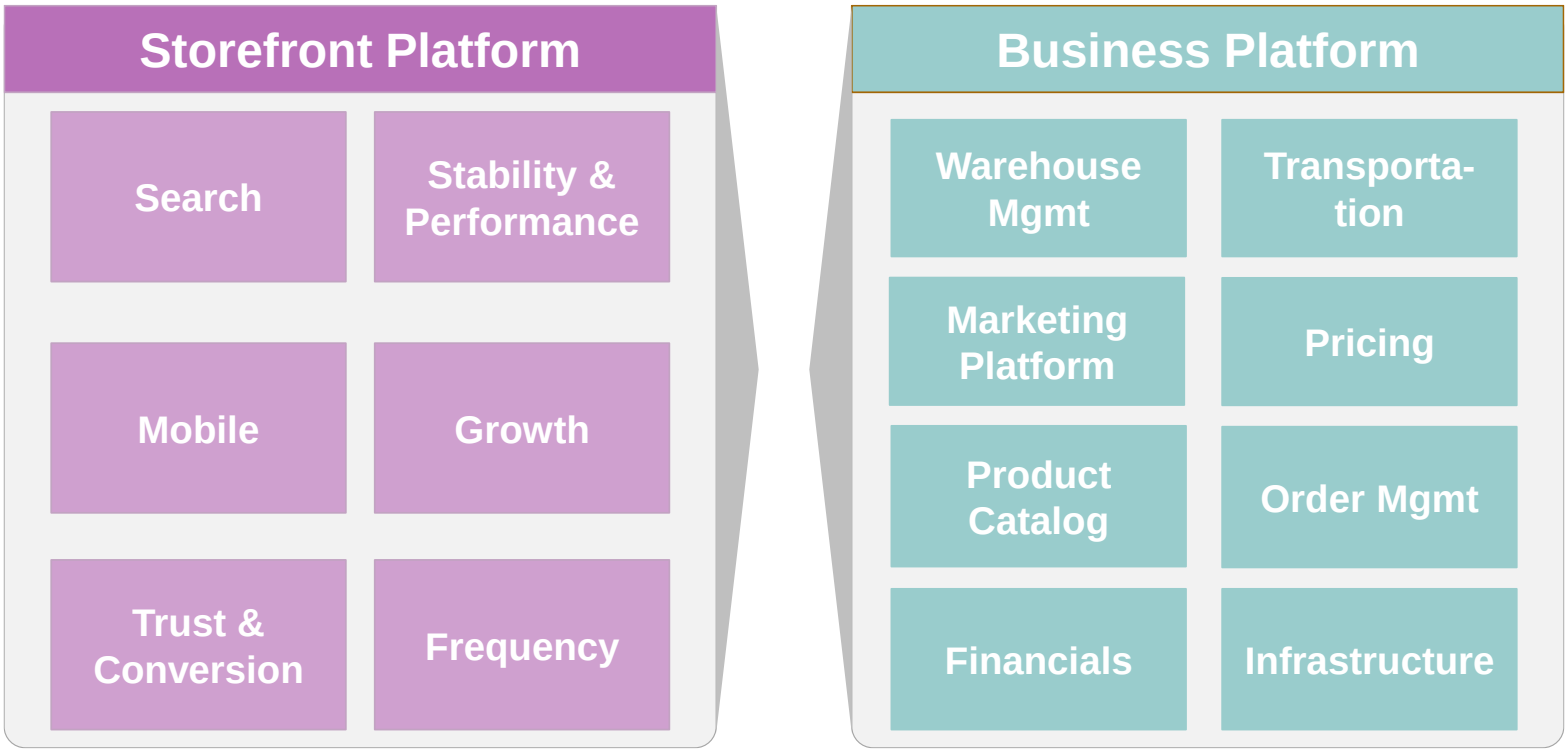
- 3D images allow for inspiring visual imagery without the expense of product samples and physical photo studios





SCALE ENABLES ONGOING INVESTMENT IN KEY AREAS: ENGINEERING

Over 1,000 Engineers Today

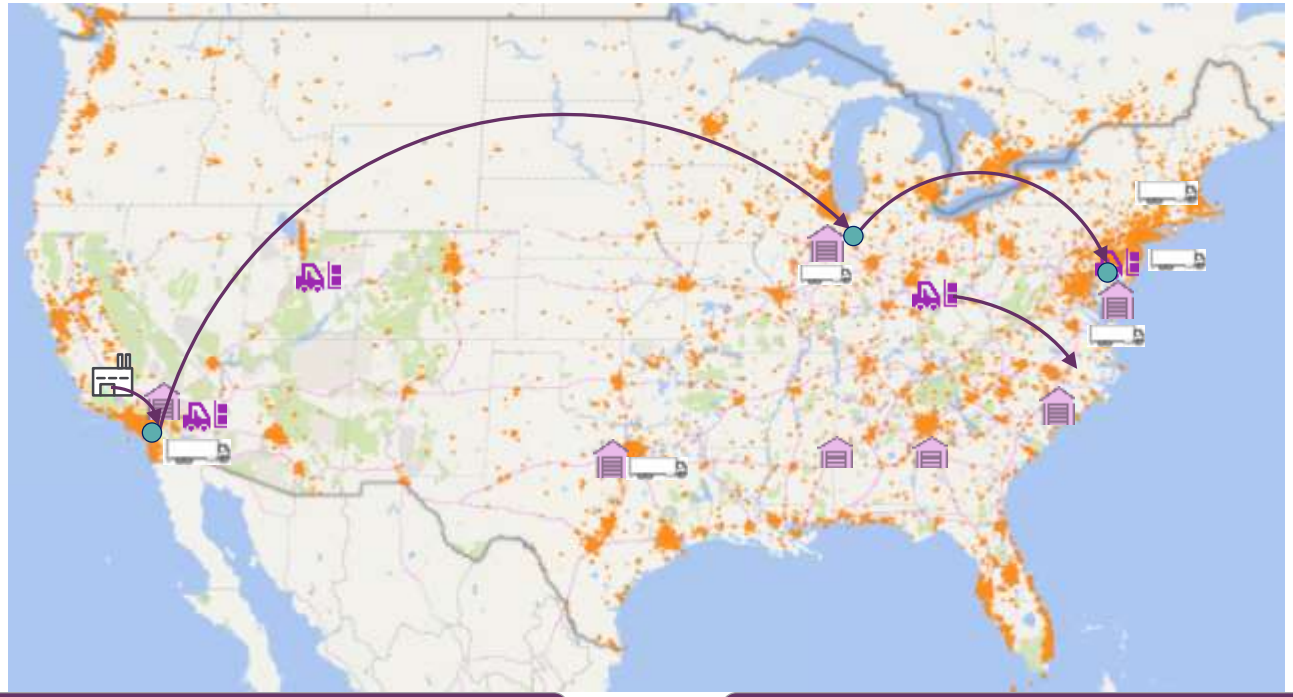


Key Engineering Priorities:

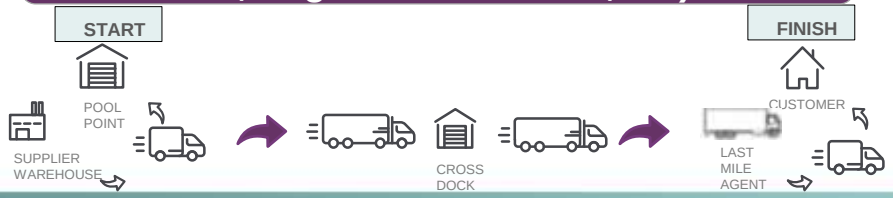
- Personalization
- Product discovery
- Desktop/Mobile feature parity
- Product globalization
- Logistics support
- Resiliency
- Tools for Trade and Premier customers

SCALE ENABLES ONGOING INVESTMENT IN KEY AREAS: LOGISTICS

- Proprietary delivery network allows us to deliver products from thousands of suppliers quickly, safely and efficiently
- End to end process management and Wayfair warehouse facilities have reduced delivery times and damage rates



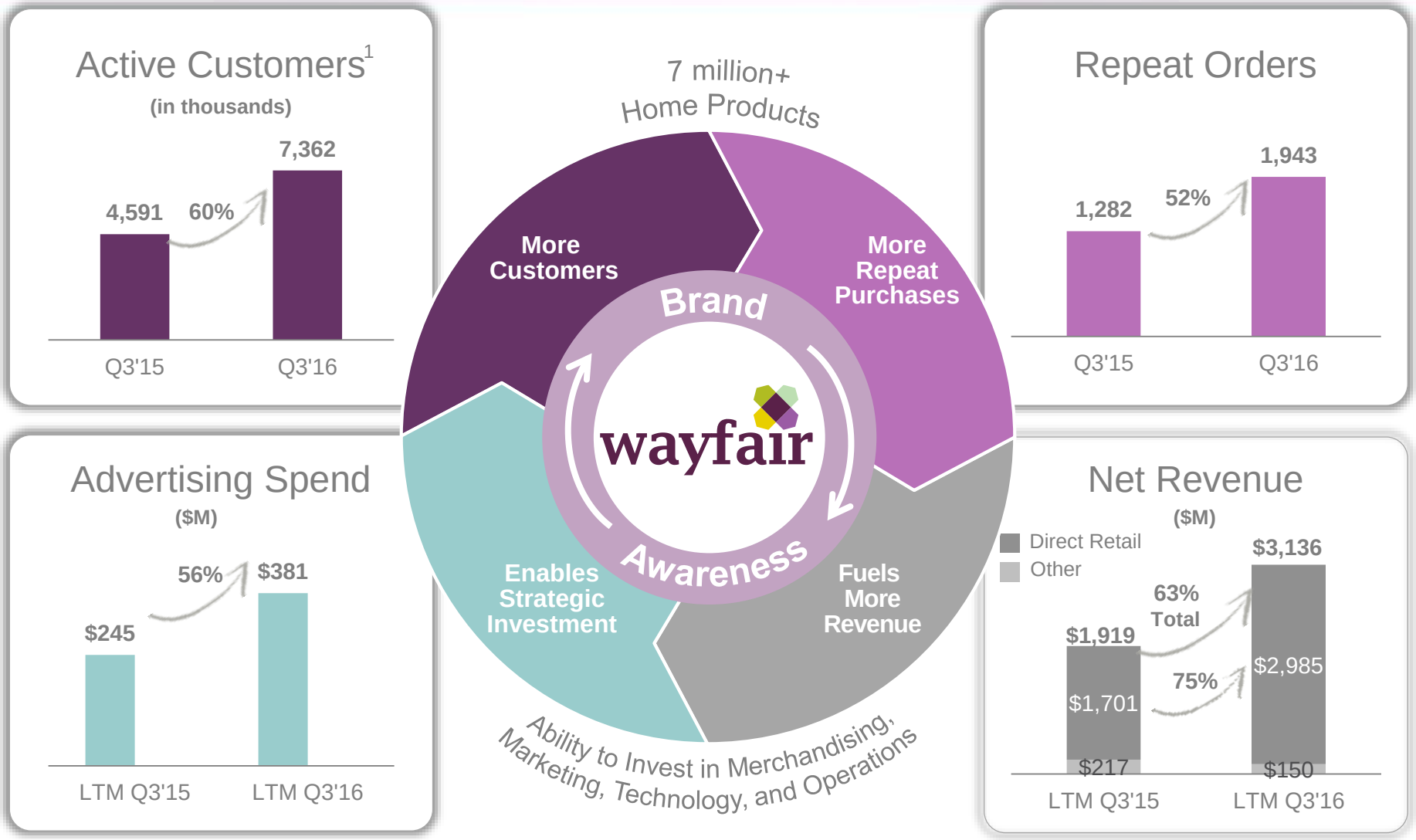
Large Item Drop Ship Example (eg bedroom set, large sofa sectional, etc)



Small Item CastleGate Example (eg table lamp, queen size upholstered headboard, etc.)



SCALE DRIVES POWERFUL NETWORKS EFFECTS



[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

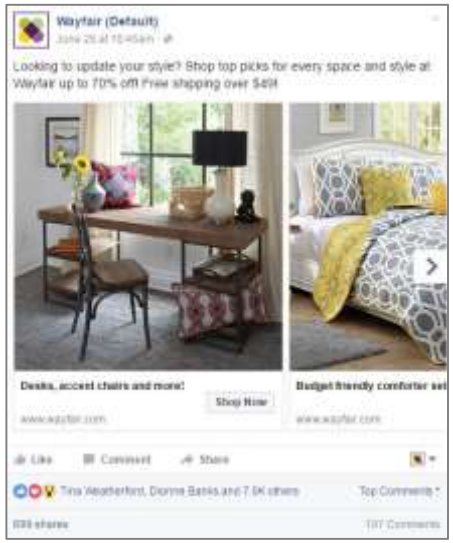
- Three broad advertising channels - Online, TV and Direct Mail
- Online is the largest channel followed by TV and Direct Mail
- Strict adherence to channel derived ROIs

Online

- Display
- Social
- Transactional









TV

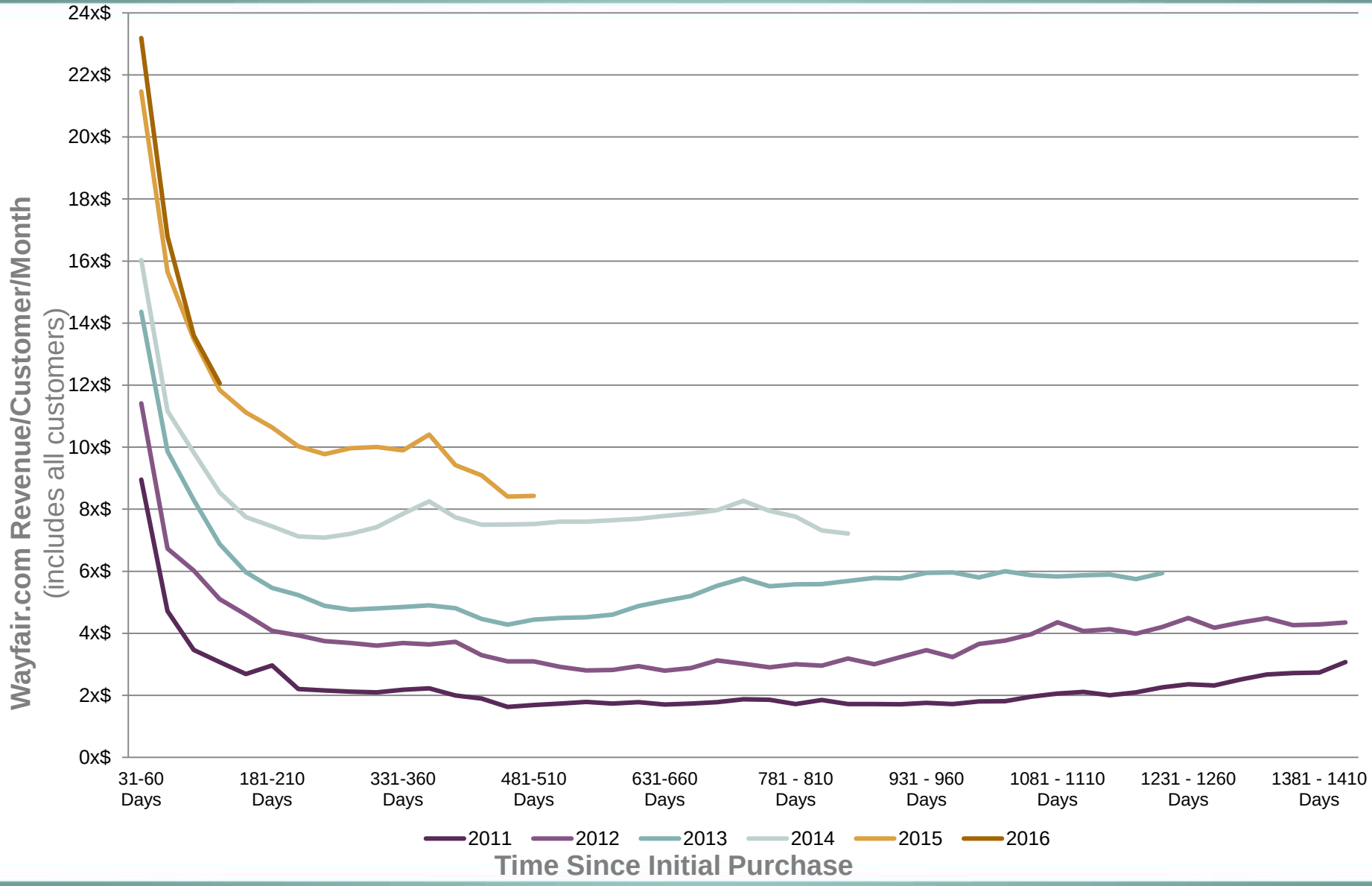


Direct Mail



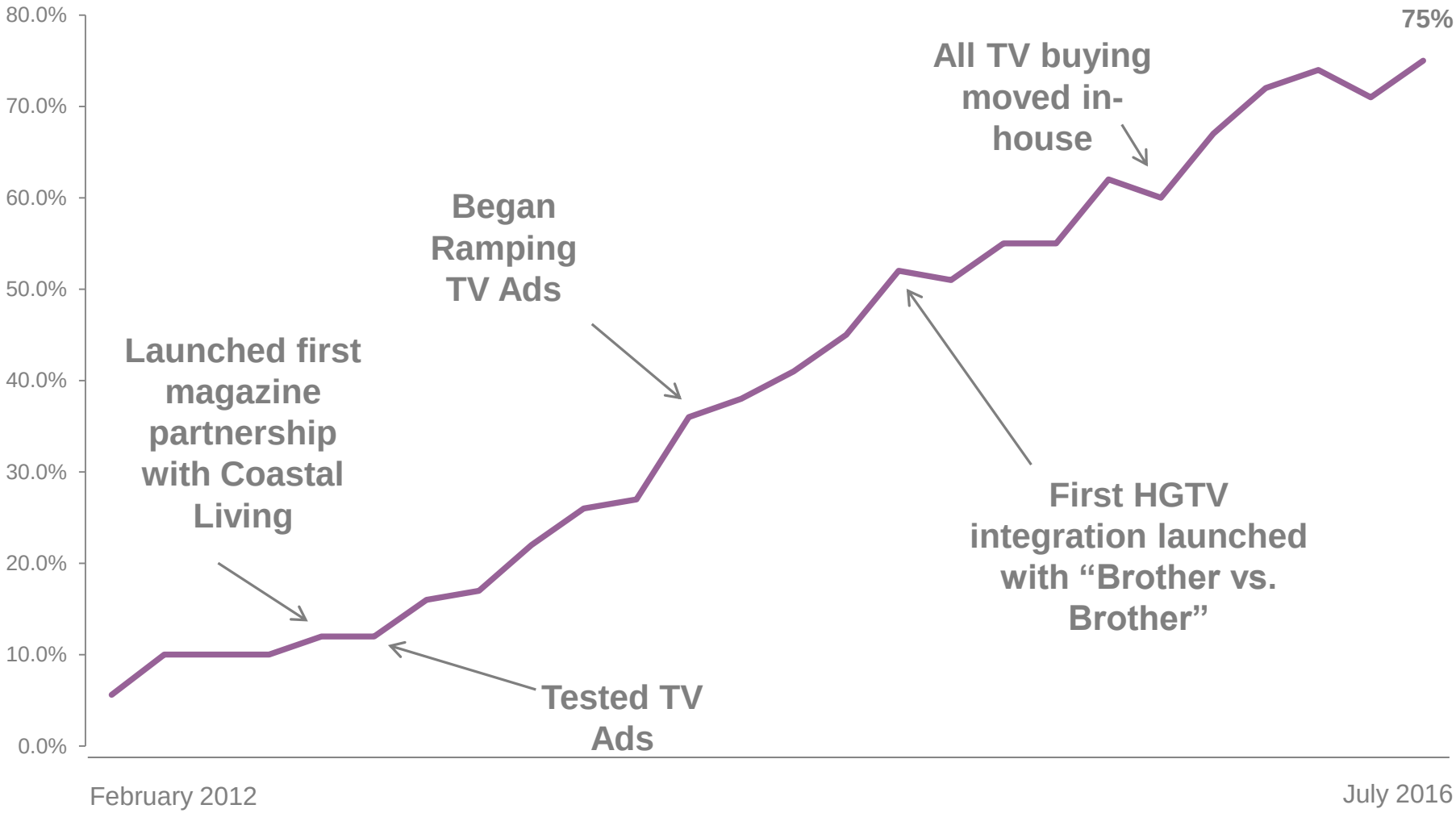


WAYFAIR.COM ANNUAL COHORT PERFORMANCE AS OF 9/30/16



Methodology: Each annual cohort denominator includes all customers who made at least one purchase in that year. Cohort numerator includes revenue (indexed) from cohort customers in all future periods with at least 4 cohort months of data through 9/30/16

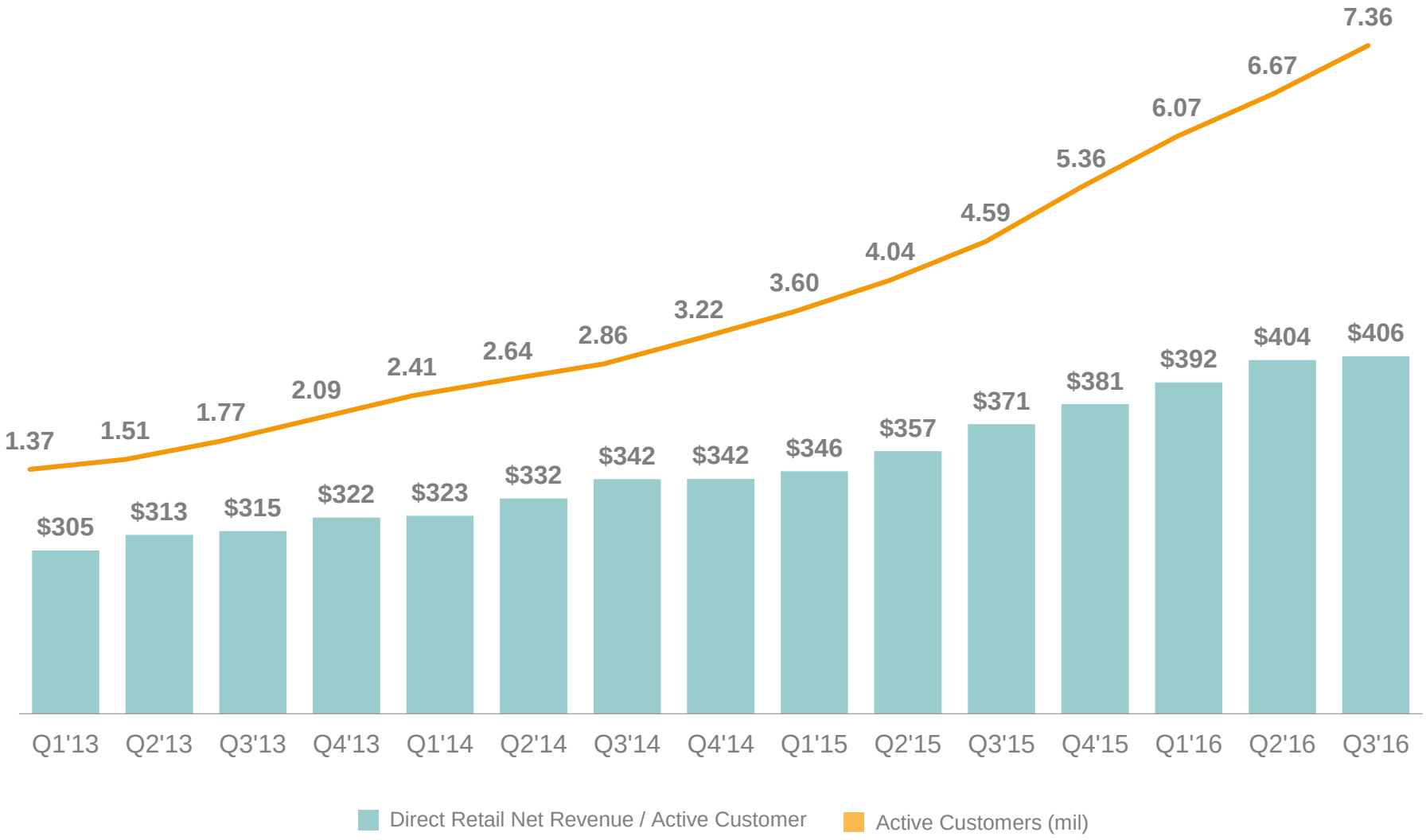
BRAND AWARENESS HAS GROWN TO 75% SINCE WAYFAIR BRAND LAUNCH IN 2011[1]



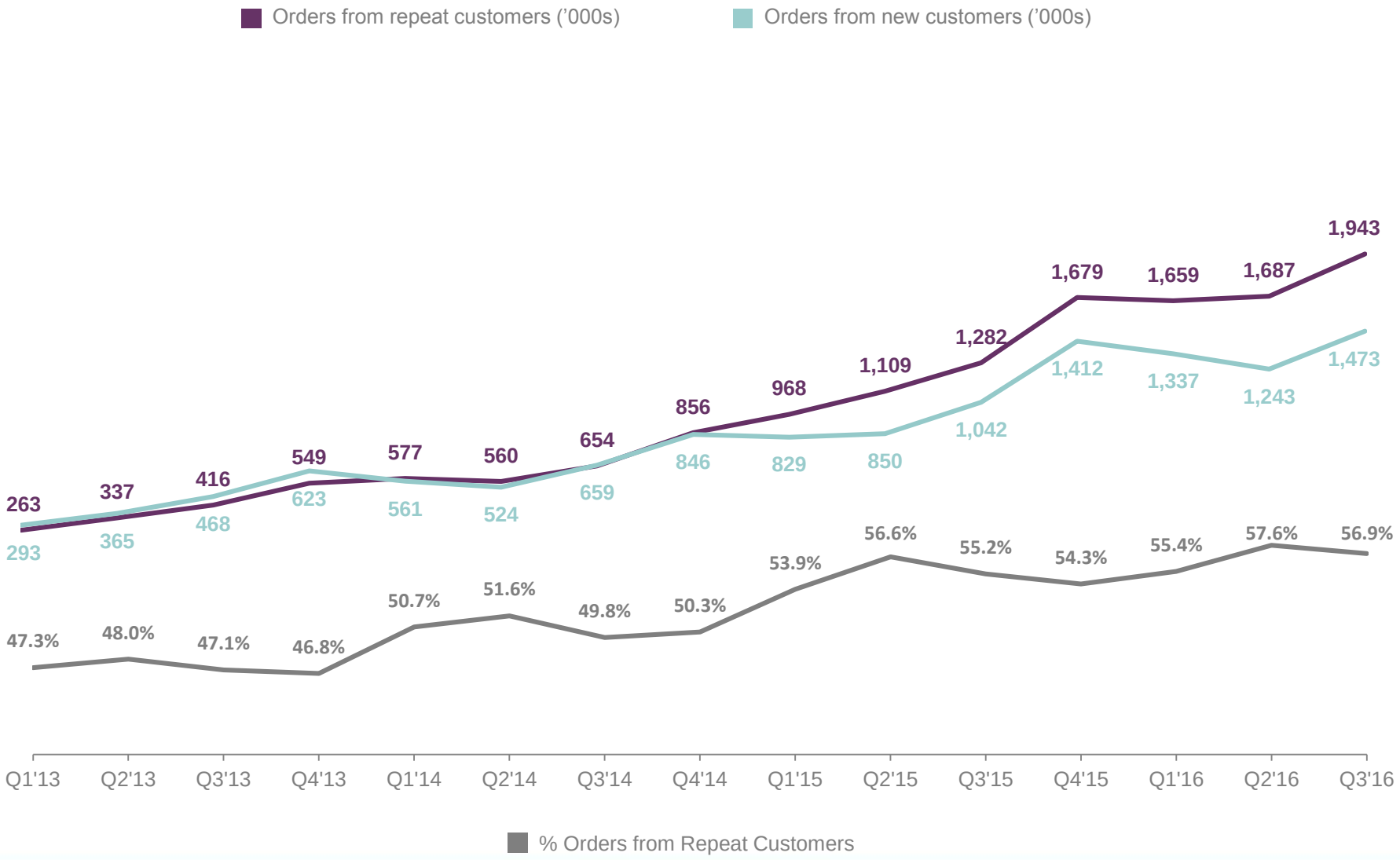
Source: Hanover Research

[1] Aided Brand Awareness as of July 2016

CUSTOMER ECONOMICS CONTINUE TO IMPROVE- STRONG CUSTOMER ACQUISITION

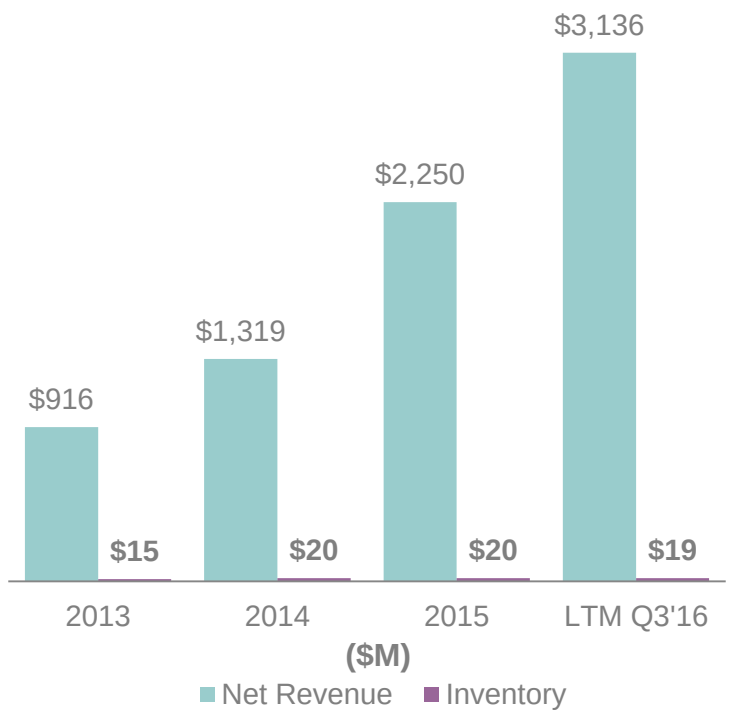


CUSTOMER ECONOMICS CONTINUE TO IMPROVE- GROWING REPEAT ORDERS

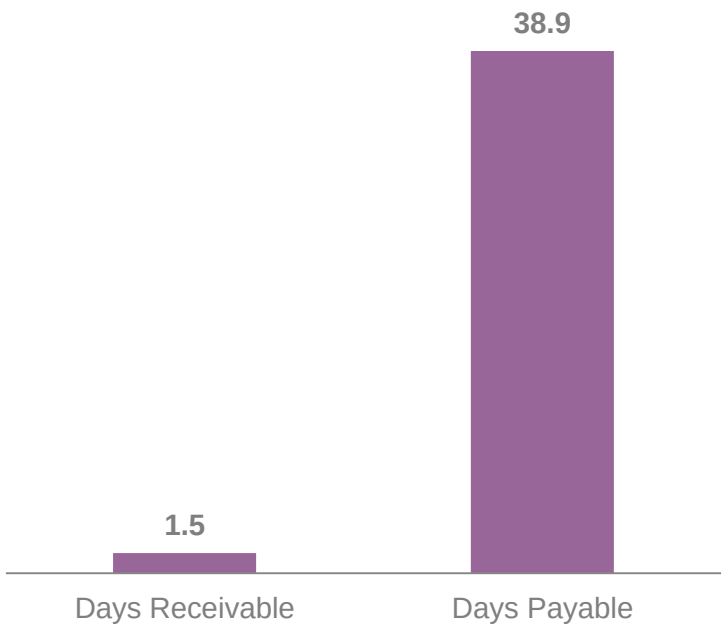


CAPITAL EFFICIENT WITH MINIMAL INVENTORY

Minimal Inventory



Capital Efficient[1]



FCF Performance Consistently Better than Adjusted EBITDA

[1] Average of last four quarters.

LONG TERM TARGET MODEL

	2014	2015	Q3 2015	Q3 2016	Long-Term Target
Net Revenue	100%	100%	100%	100%	100%
Gross Margin	**23.6%**	**24.0%**	**23.8%**	**23.4%**	**25 - 27%**
Customer Service + Merchant Fees	4.1%	3.6%	3.5%	3.9%	4%
Advertising	14.5%	12.4%	11.9%	11.8%	6 - 8%
Primarily headcount Merchandising, Marketing, and Sales	3.9%	4.0%	4.0%	4.9%	2 - 3%
Primarily headcount Operations, Technology, General & Administrative	5.9%	4.9%	4.7%	6.5%	3 - 4%
Total Operating Expenses	**28.4%**	**24.8%**	**24.1%**	**27.0%**	**15 - 19%**
Adjusted EBITDA	**(4.7%)**	**(0.7%)**	**(0.2%)**	**(3.6%)**	**8 - 10%**

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)

	2014	2015	Q3 2015	Q3 2016
Net Loss	($148.1)	($77.4)	($15.5)	($61.0)
Depreciation and Amortization	$22.0	$32.4	$9.2	$15.5
Equity-Based Compensation[1]	$63.2	$33.0	$8.0	$15.3
Interest (Income) Expense, net	($0.4)	($1.3)	($0.3)	$0.3
Other Expense (Income), net	$0.5	($2.7)	($2.7)	($0.9)
Taxes	$0.2	$0.1	($0.1)	($0.1)
Adjusted EBITDA	**($62.5)**	**($15.9)**	**($1.5)**	**($30.8)**

1. Includes related taxes

RECONCILIATION OF FREE CASH FLOW
($ in millions)

	2014	2015	Q3 2015	Q3 2016
Net Cash Provided by Operating Activities	$4.1	$135.1	$51.5	$15.6
Purchase of Property and Equipment	($31.9)	($44.6)	($11.5)	($20.4)
Site and Software Development Costs	($14.1)	($17.5)	($4.7)	($9.2)
Free Cash Flow	**($41.9)**	**$72.9**	**$35.3**	**($14.0)**

Illustrative Customer Acquisition Cost

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

	2015
Total Advertising Spend	$278,224
Assumed Partner Ad Spend (1)	$23,439
Direct Retail Ad Spend	$254,785
Active Customers	5,360
Total Orders	9,170
% of Orders from Repeat Customers	*54.9%*
Implied New Customers (2)	4,133
Customer Acquisition Cost (3)	$62
Annual Direct Retail Revenue per Customer	$381
Annual Contribution per Customer (4)	$76
Contribution Margin	*20.0%*

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- % of Orders from Repeat Customers)*Total Orders.
3. Calculated as Direct Retail Ad Spend divided by Implied New Customers.
4. Represents 2015 gross margin of 24.0% less an assumed 4.0% for customer service and merchant fees.