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wayfair®

Investor Presentation

May 2017

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.

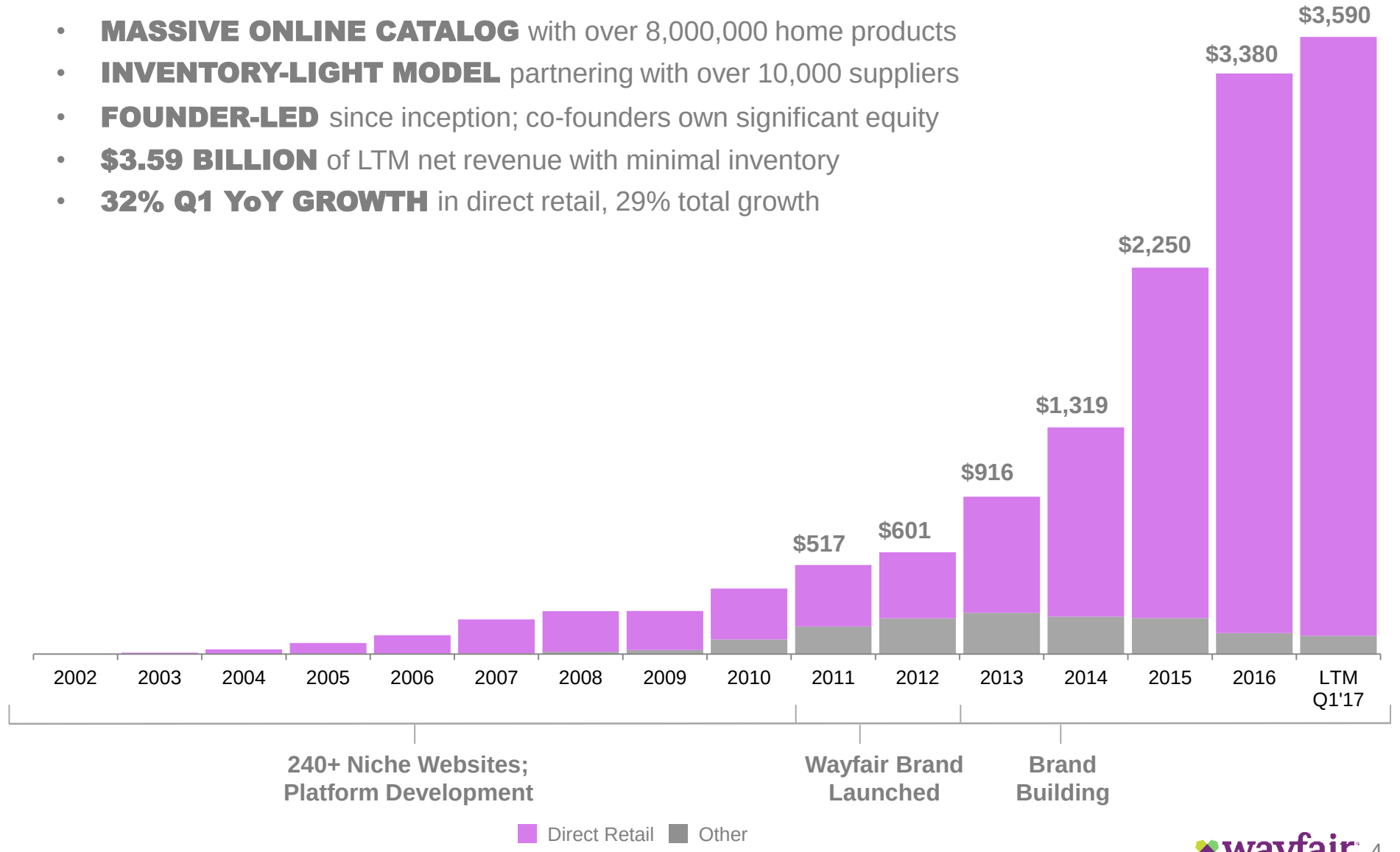
Factors that could cause or contribute to differences in our future results include, but are not limited to: economic factors, such as interest rates and currency exchange fluctuations; our ability to acquire new customers and retain existing customers; our ability to sustain and/or manage our growth; 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, 2016 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



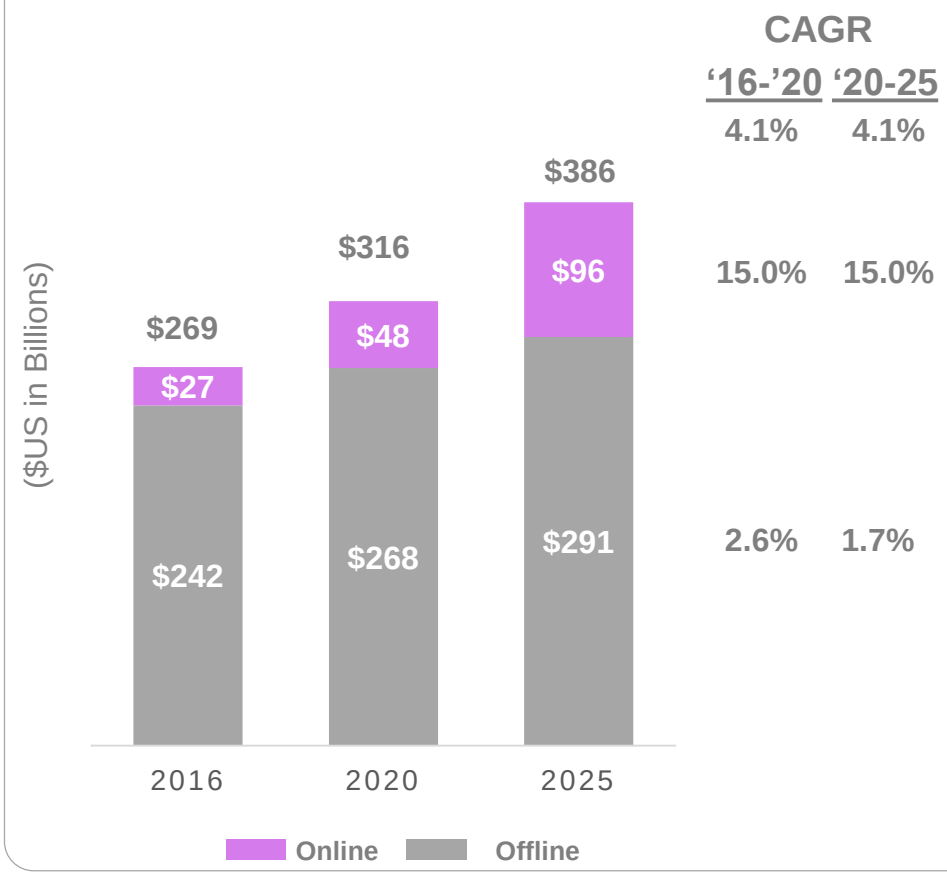
A Clear Online Leader in Home Goods

- **MASSIVE ONLINE CATALOG** with over 8,000,000 home products
- **INVENTORY-LIGHT MODEL** partnering with over 10,000 suppliers
- **FOUNDER-LED** since inception; co-founders own significant equity
- **$3.59 BILLION** of LTM net revenue with minimal inventory
- **32% Q1 YoY GROWTH** in direct retail, 29% total growth

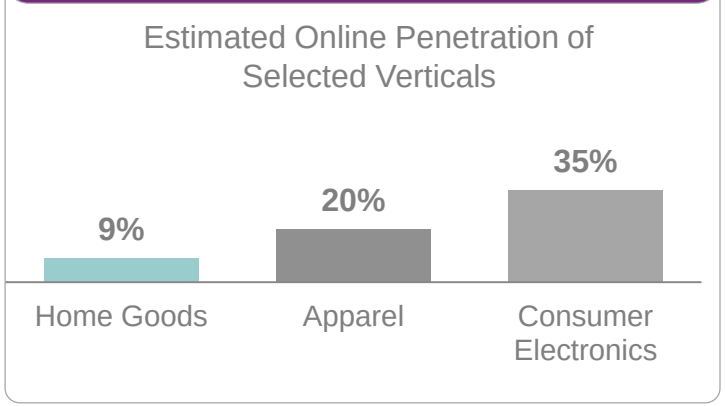


Large, Highly Fragmented Market Moving Online

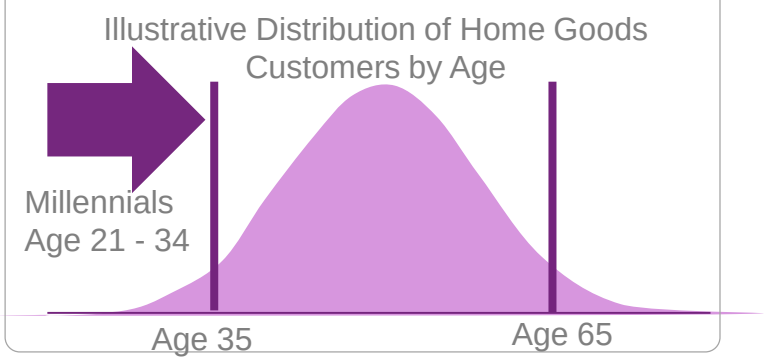
US Home Market Growth by Channel



Significant Upside in Online Penetration

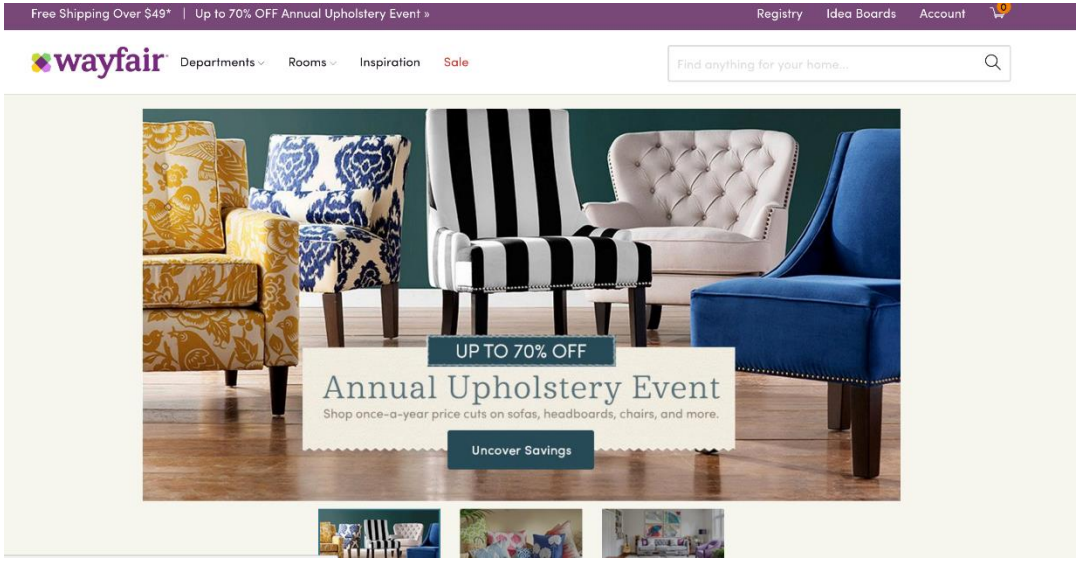


Millennials Beginning to Enter Our Target Demo



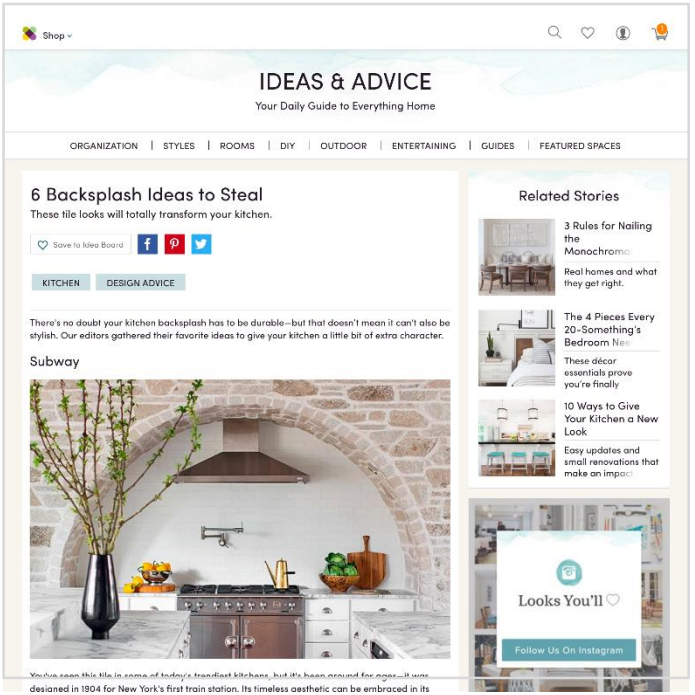
Source: Euromonitor for market size and penetration, Wayfair estimates for growth 2015-2025

Home Is Largely Browsed…



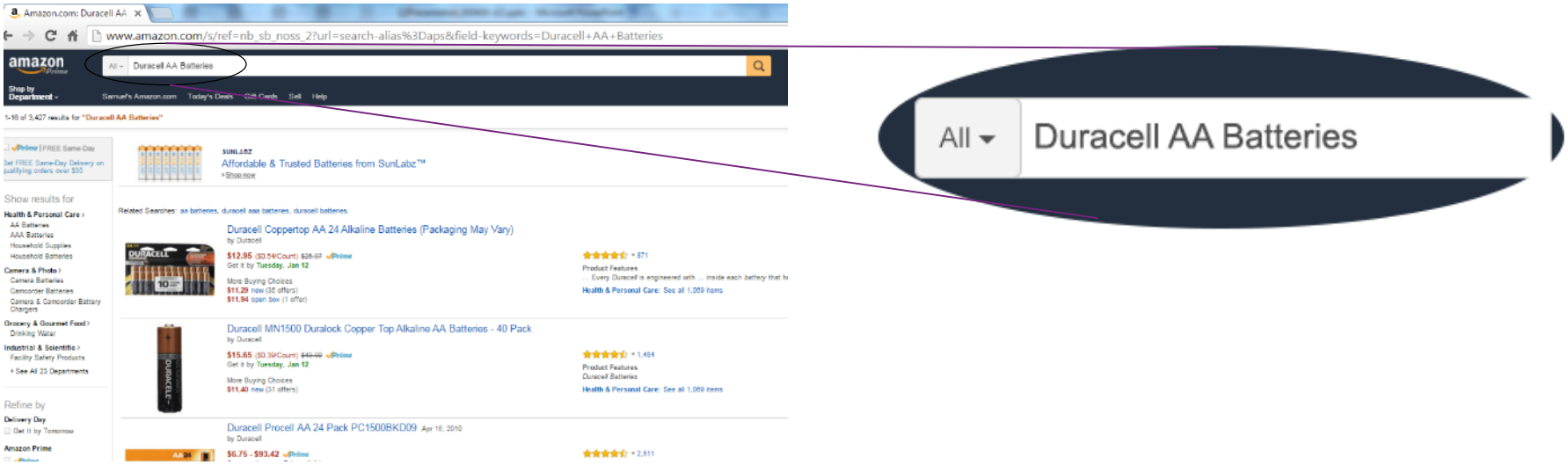






…And Not Searched

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

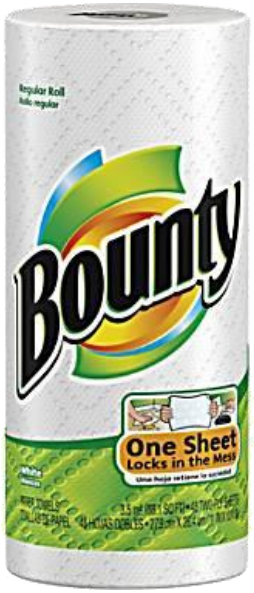
MAGNUSSEN HOME

KICHLER LIGHTING

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

Unlike Other Retail Categories, Home Shoppers Desire Uniqueness

CPG Category Example: Paper Towels



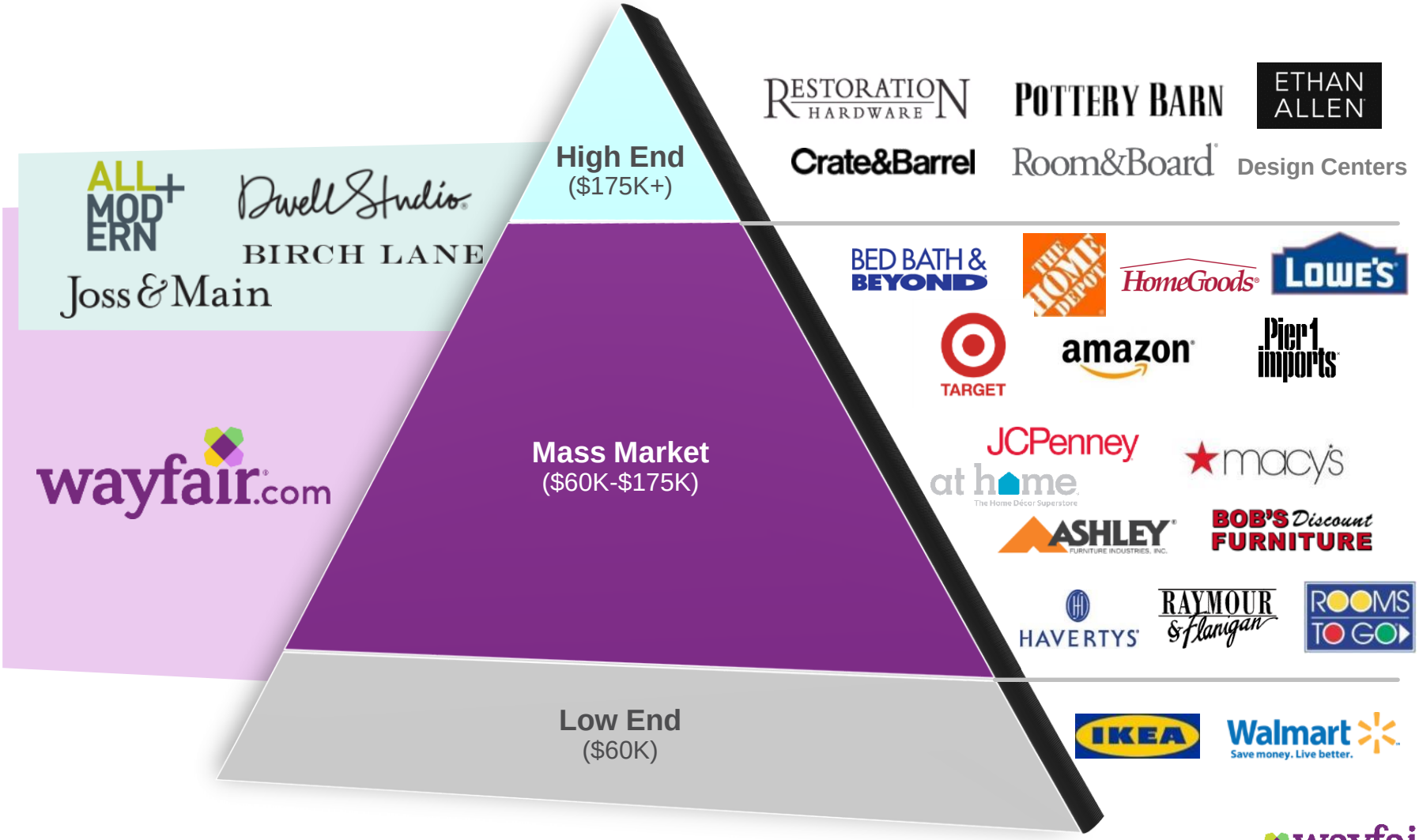
vs.

Home Category Example: Lighting



Wayfair Is Focused on Mass Market and Is Well-Positioned vs. Other Retailers

Our typical customer: **35 to 65 year old woman** with annual household income of **$50k to $250k;** comScore **median household income of $82k**



Five Distinct Home Sites Each with Unique Brand Identity

wayfair.com

Est. 2011

An online destination for all things home

Joss & Main

Est. 2011

Where beautiful furniture and finds meet irresistible savings

ALLMODERN

Est. 2006

Your home for affordable modern design

BIRCH LANE

Est. 2014

A collection of classic furnishings and timeless home décor

Dwell Studio

Acq. 2013

A design house with a decidedly modern vibe





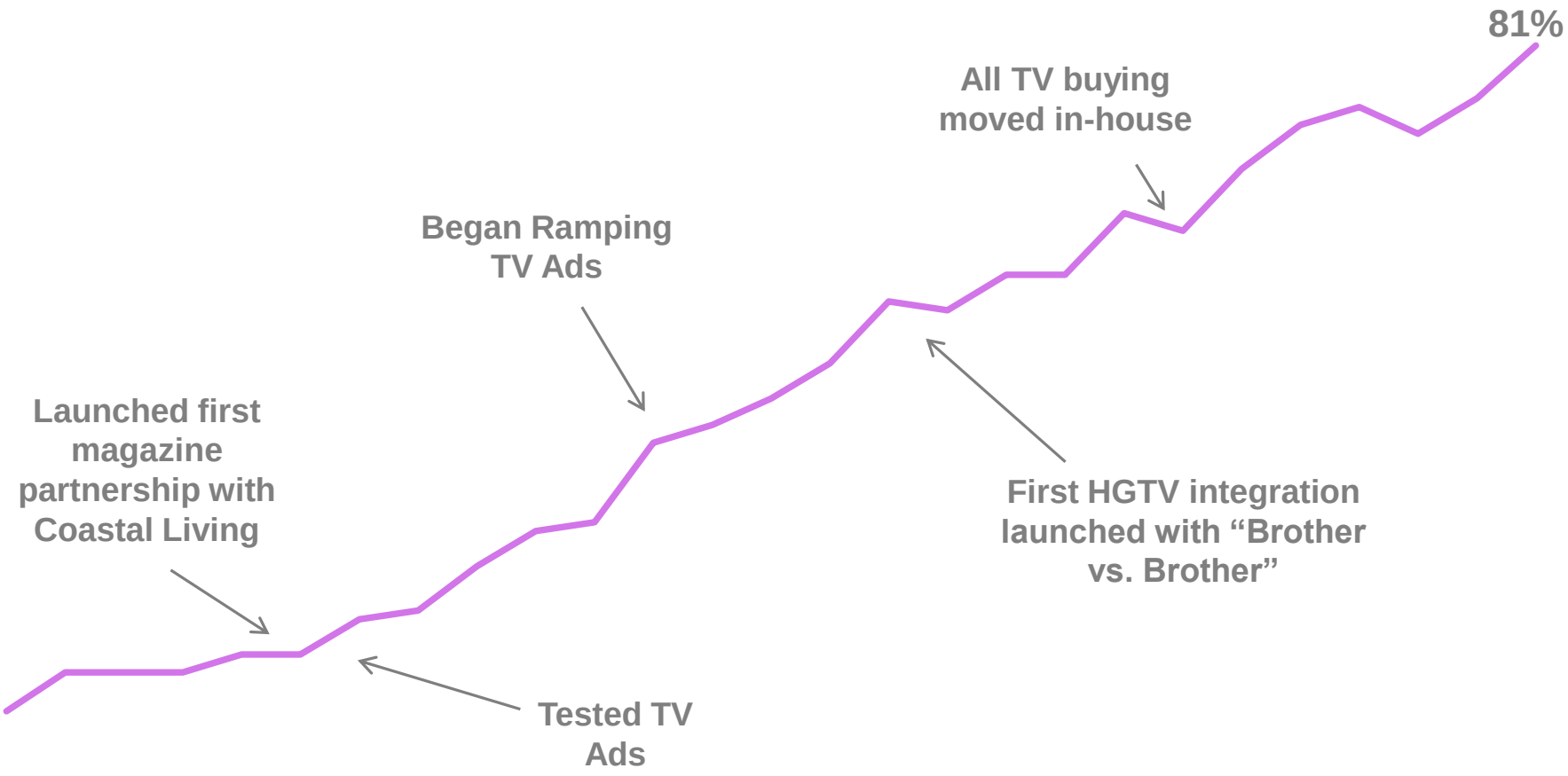






Brand Awareness Has Grown to 81% Since Wayfair Brand Launch in 2011

US Aided Brand Awareness



Source: Qualtrics and Hanover Research

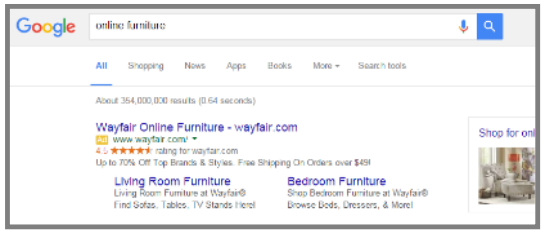
Investing in Advertising Across Multiple Channels

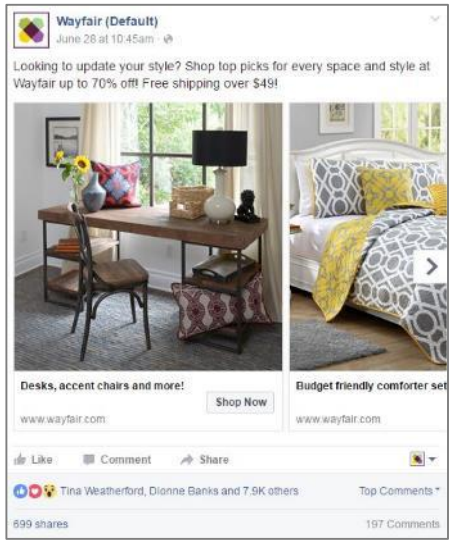
- Three broad advertising channels - Online, TV and Direct Mail
- Online is the largest channel followed by TV and Direct Mail
- Strict adherence to channel derived ROIs
- Proprietary advertising technology stack

Online

- Display
- Social
- Transactional









TV



Direct Mail





Award-Winning, In-House Customer Service Organization

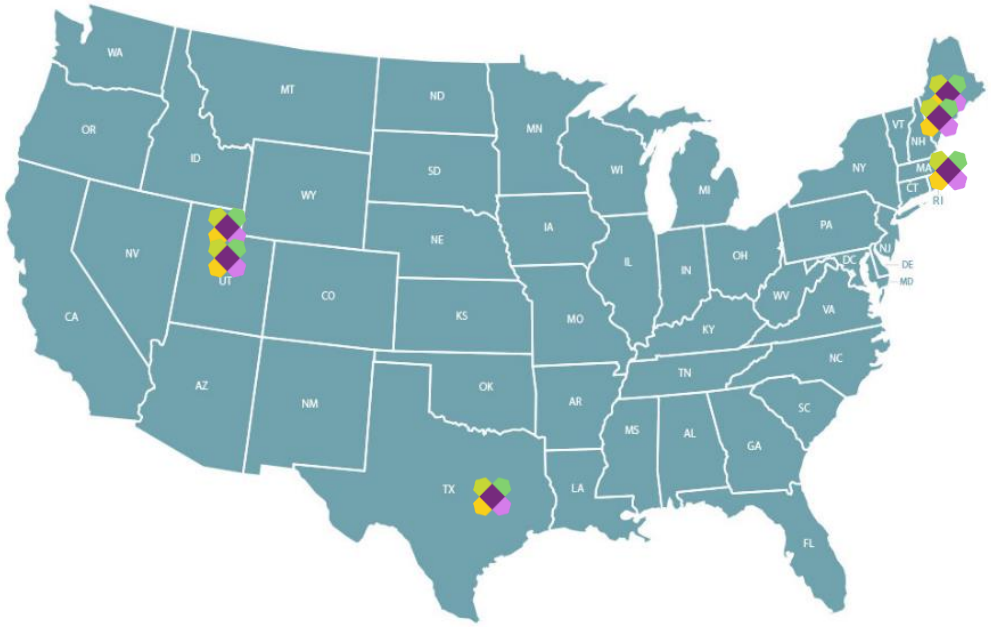
- Over 1,400 customer service employees located in the US and Europe
- Winner of multiple awards for best retail customer service
- Specialists with deeper expertise and training for select areas of the catalog, such as lighting, flooring and upholstery

Customer Service Locations













Proprietary Software Powers Key Parts of Our Business

- Company culture deeply rooted in technology and data
- Over 1,000 engineers and data scientists
- Becoming employer of choice for engineering and developer talent in Boston

Examples of Proprietary Technology

Ad Tech Stack

- Keyword Search and Retargeting Bidding
- Campaign Management
- Measurement and Analytics

Storefront

- Product Discovery
- Stability and Performance
- Desktop and Mobile
- Personalization
- Conversion
- Product Globalization

Business Operations

- Warehouse Mgmt
- Transportation
- Product Catalog
- Pricing
- Infrastructure
- Order Mgmt

Growing Our House Brands in Partnership with Suppliers

- House brand penetration of Wayfair.com revenue is growing rapidly
- Partnering with suppliers to develop over 40 proprietary brands with exclusive products and no inventory
- Products are photographed and merchandized by Wayfair to create a curated brand experience across multiple styles and price points, enabling customers to more easily discover the products they are looking for

LANGLEY ST



LAUREL FOUNDRY
modern farmhouse



Investing in New Categories to Grow Share of Wallet

Home Improvement

- ~$45 billion US addressable market
- Focused on the finished areas of plumbing, lighting, flooring that our customer chooses herself





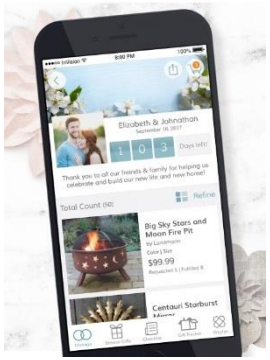
Key Competitors

THE HOME DEPOT

LOWE'S

Wedding Registry & Housewares

- ~$5 billion US wedding registry market and $25 billion US housewares market
- Opportunity to capture millennials as they enter key age for buying home goods






Key Competitors

BED BATH & BEYOND

TARGET

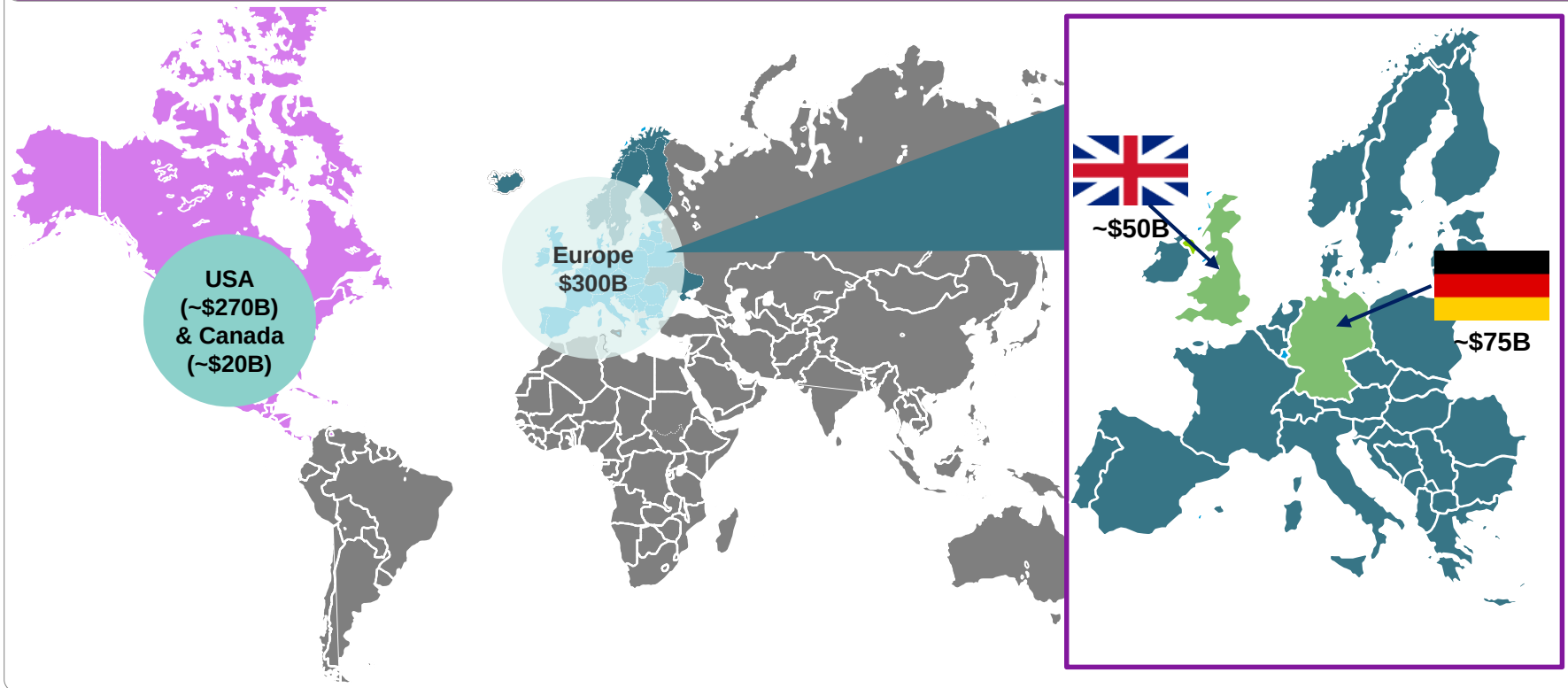
macy's

- Other category investment areas include mattresses, seasonal décor, and decorative accents

Large Incremental Addressable Markets in Canada, UK & Germany

- Europe total addressable market approximately equal to North America
- Localized Wayfair sites currently live in Canada, the United Kingdom and Germany
- Fragmented markets with no real online market leader; competitive landscape similar to US

Addressable Market for Home Goods by Region



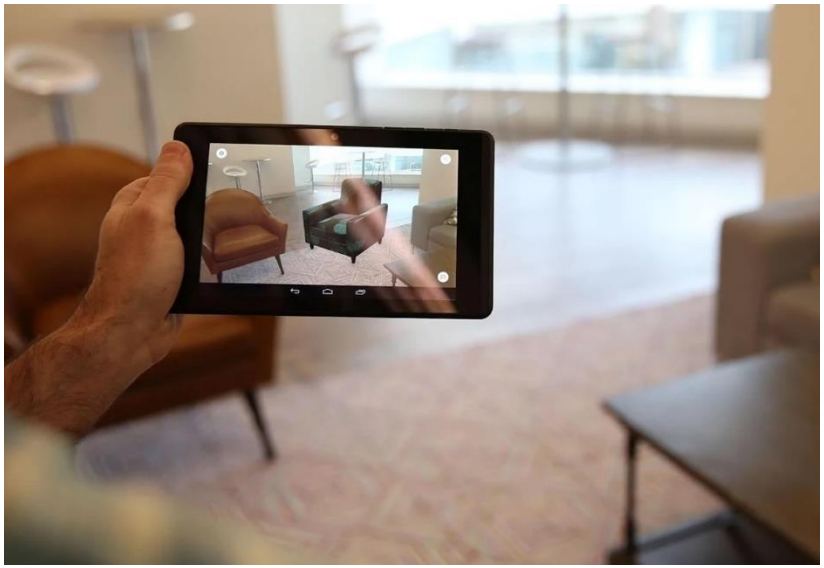
3D Models Enable Visual Imagery and Exciting Future A/R Applications

- 3D images allow for inspiring visual imagery without the expense of product samples and physical photo studios
- Experimenting with augmented reality applications using Wayfair app on Tango enabled smartphones

Image Rendered from 3D Models



Wayfair App on Tango Device



Home Category Characterized by Heavy, Bulky, and Damage-Prone Items

Average Wayfair Small Parcel Item

- ~30 pounds
- ~3 cubic feet



Average Wayfair Large Parcel Item

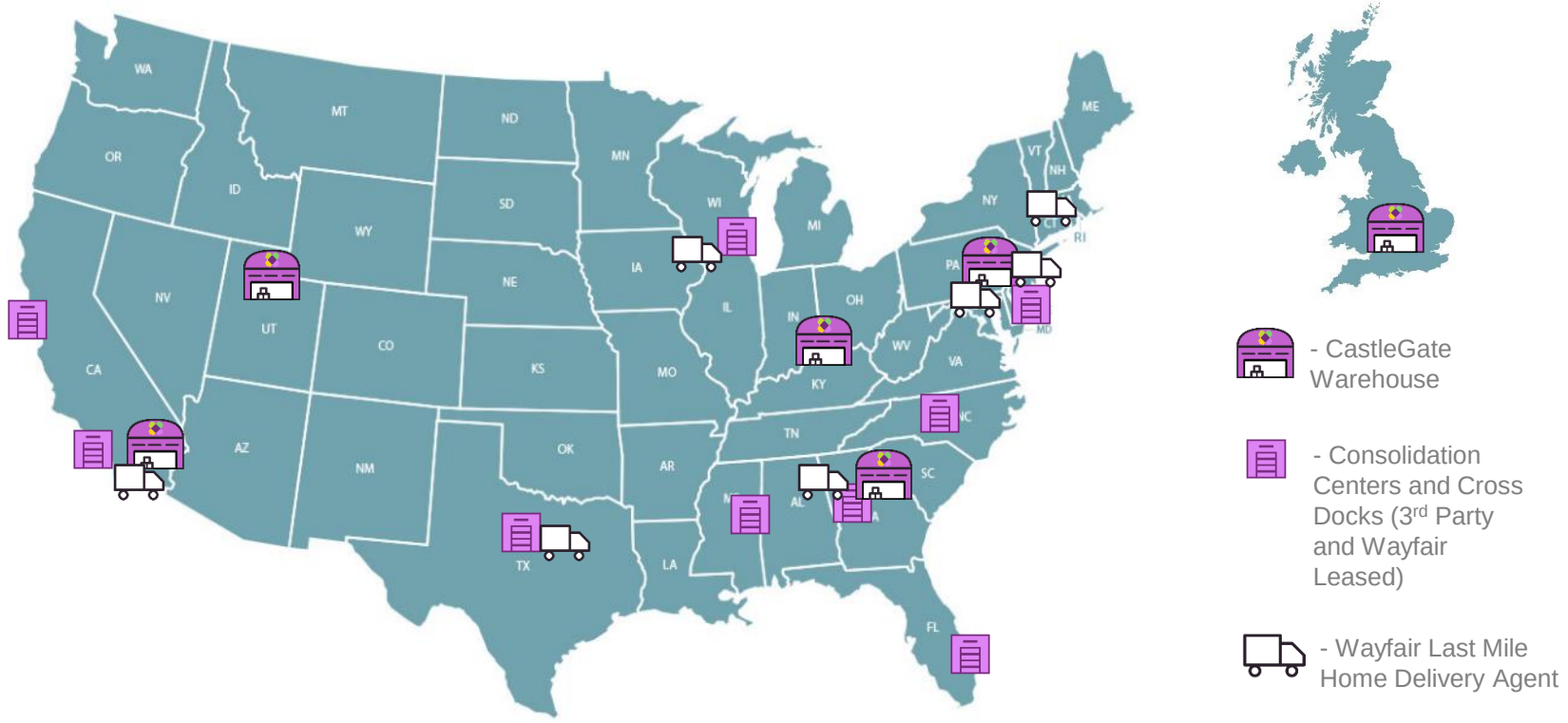
- ~80 pounds
- ~22 cubic feet



Investing in Proprietary Logistics Network Purpose-Built for the Home Category

- Traditional drop-ship network leverages technology integration into supplier warehouses
- CastleGate warehouses forward-position supplier inventory to create very fast delivery for small parcel (1 – 2 day) and large parcel (1 week plus)
- Wayfair Delivery Network (WDN) directly manages Wayfair's large parcel deliveries via consolidation centers, cross docks and last mile home delivery facilities, thereby speeding up deliveries, reducing damage and improving the customer delivery experience

CastleGate and Wayfair Delivery Network (WDN) Locations



CastleGate Warehouses Enable Next-Day & 2-Day Delivery for Small Parcel[1]

Traditional Drop Ship Model for Small Parcel Example

SUPPLIER WAREHOUSE IN SOUTHERN CALIFORNIA

FEDEX / UPS

END CUSTOMER IN NEW YORK



6-8 total touches, 4 – 5 day delivery time

CastleGate for Small Parcel Example[1]

CASTLEGATE WAREHOUSE IN NEW JERSEY

WAYFAIR DEDICATED TRANSPORTATION

FEDEX / UPS

END CUSTOMER IN NEW YORK



- Pre-sorting at CastleGate warehouse
- Wayfair builds dedicated trailer for destination hubs

2-4 total touches, 1 day delivery time

1. Large parcel shipments can also go out of CastleGate but would use WDN instead of FedEx / UPS for last mile

Wayfair Delivery Network (WDN) for Large Parcel Deliveries

- Wayfair Delivery Network (WDN) describes several areas of our large parcel network where we are taking direct operating control instead of relying on contracted third party operators
- Enables schedule in cart, faster delivery speeds, increased customer satisfaction, reduced damage and costs
- By end of 2017, expect to have 90% of large parcel shipments flowing through Wayfair-controlled “middle mile” and Wayfair last mile delivery facilities covering 60% of US population

Traditional Drop Ship Model for Large Parcel Example



6-8 total touches, 2 – 3 week delivery time

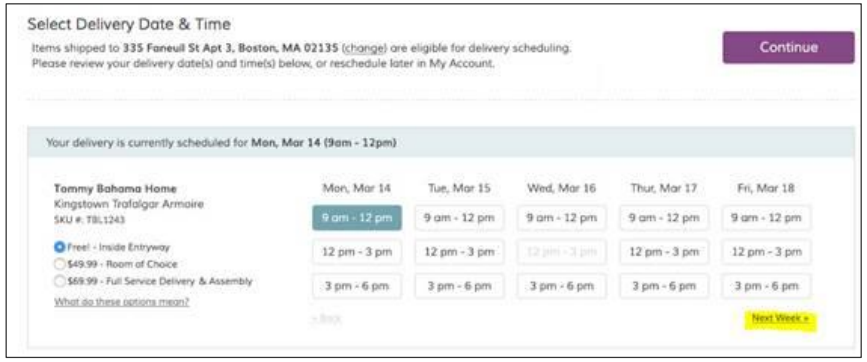
Wayfair Delivery Network (WDN) Example



3-4 total touches, 1+ week delivery time

Wayfair Delivery Network (WDN) for Large Parcel Deliveries

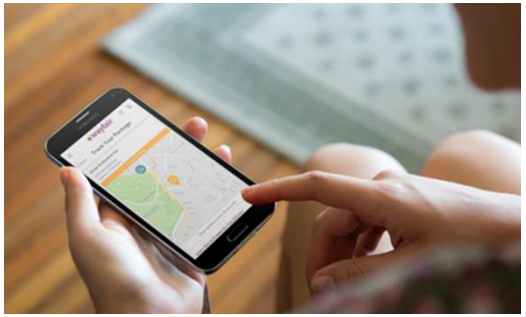
- Wayfair employees inside the four walls of the last mile home delivery facility; highly trained drivers running trucks out to the customer's home
- Feedback loop and incentives consistent with our brand, including bonuses based on the NPS score provided by the customer post-delivery



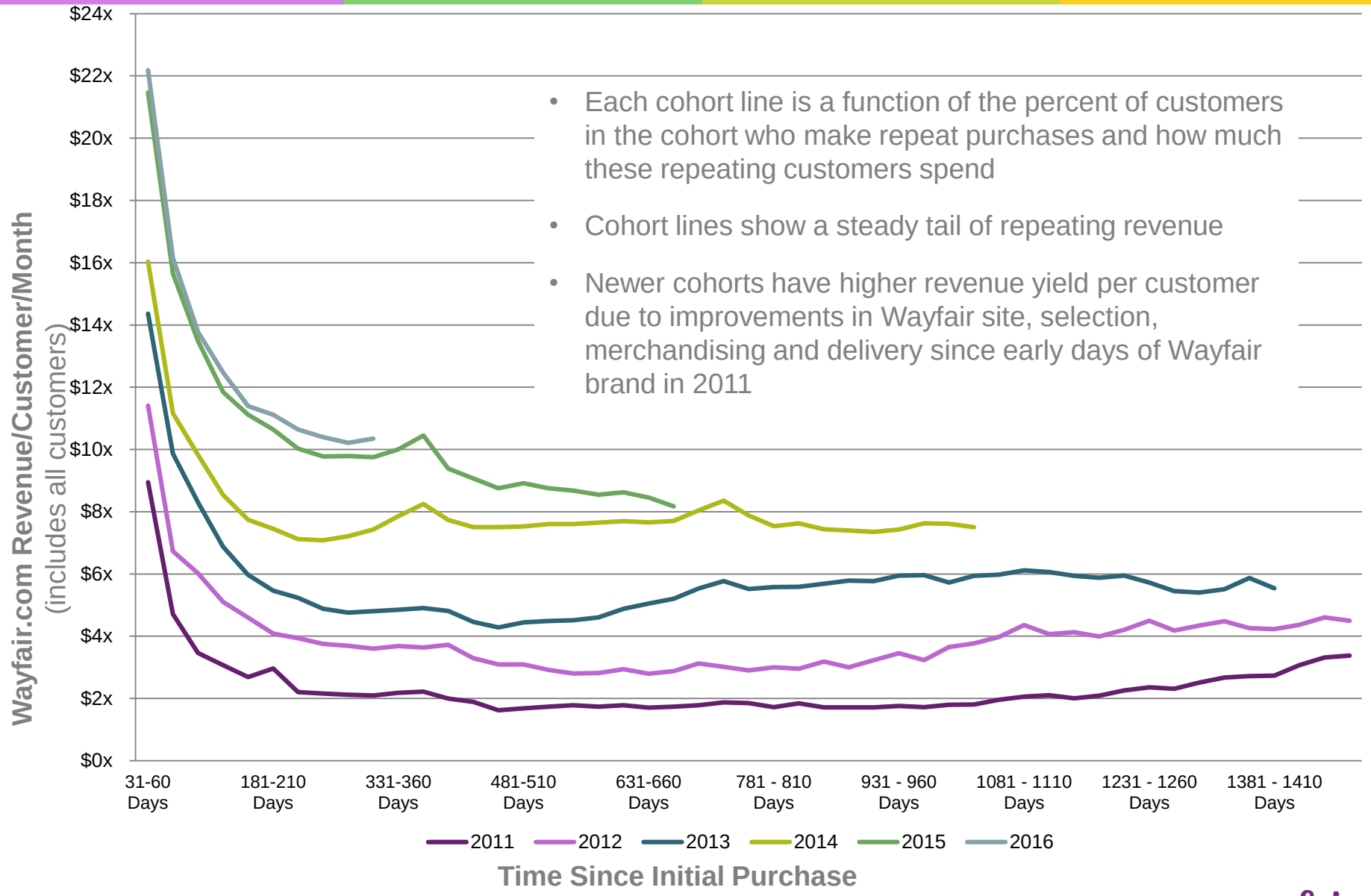








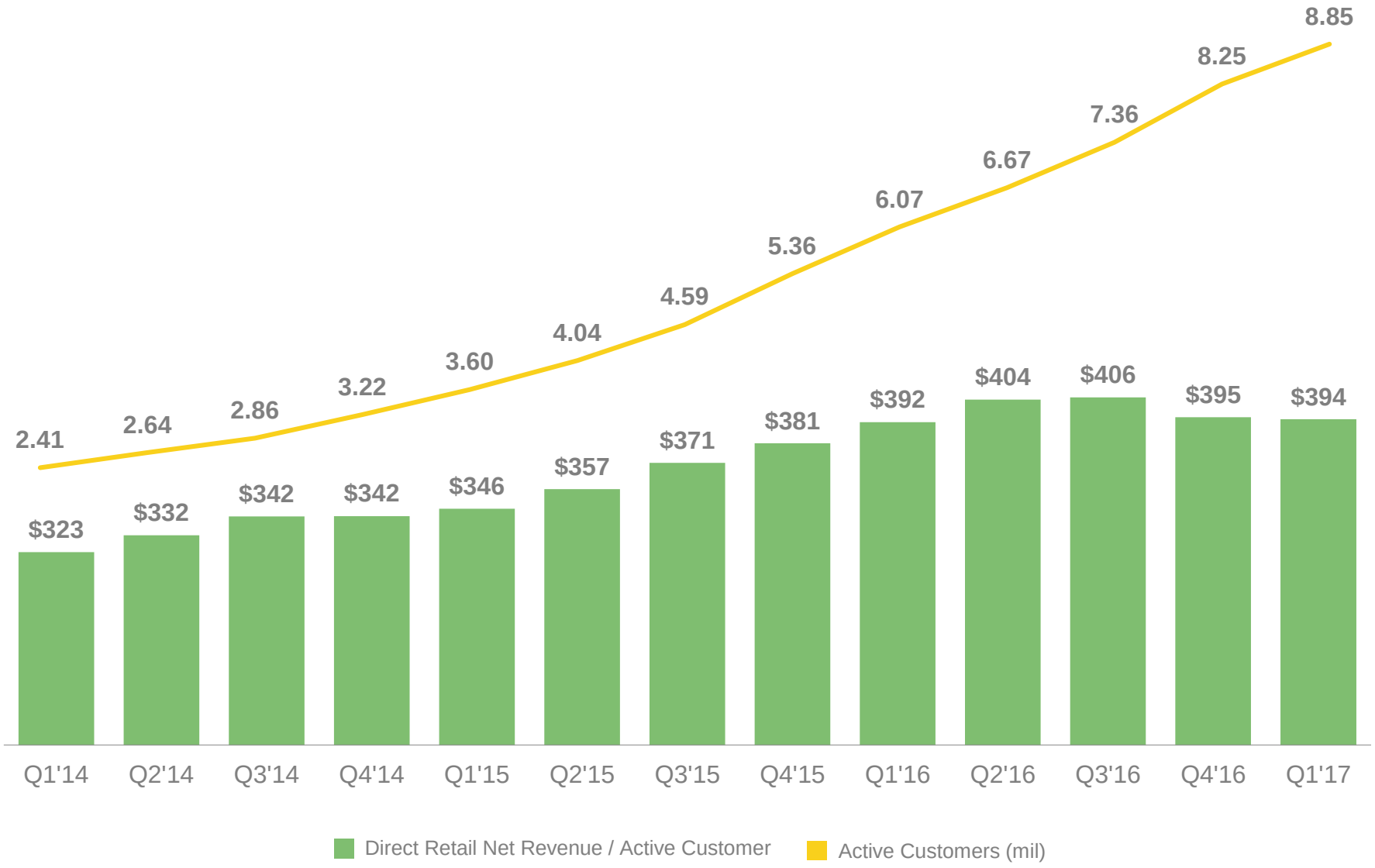
Wayfair.com Annual Cohort Performance as of 3/31/17



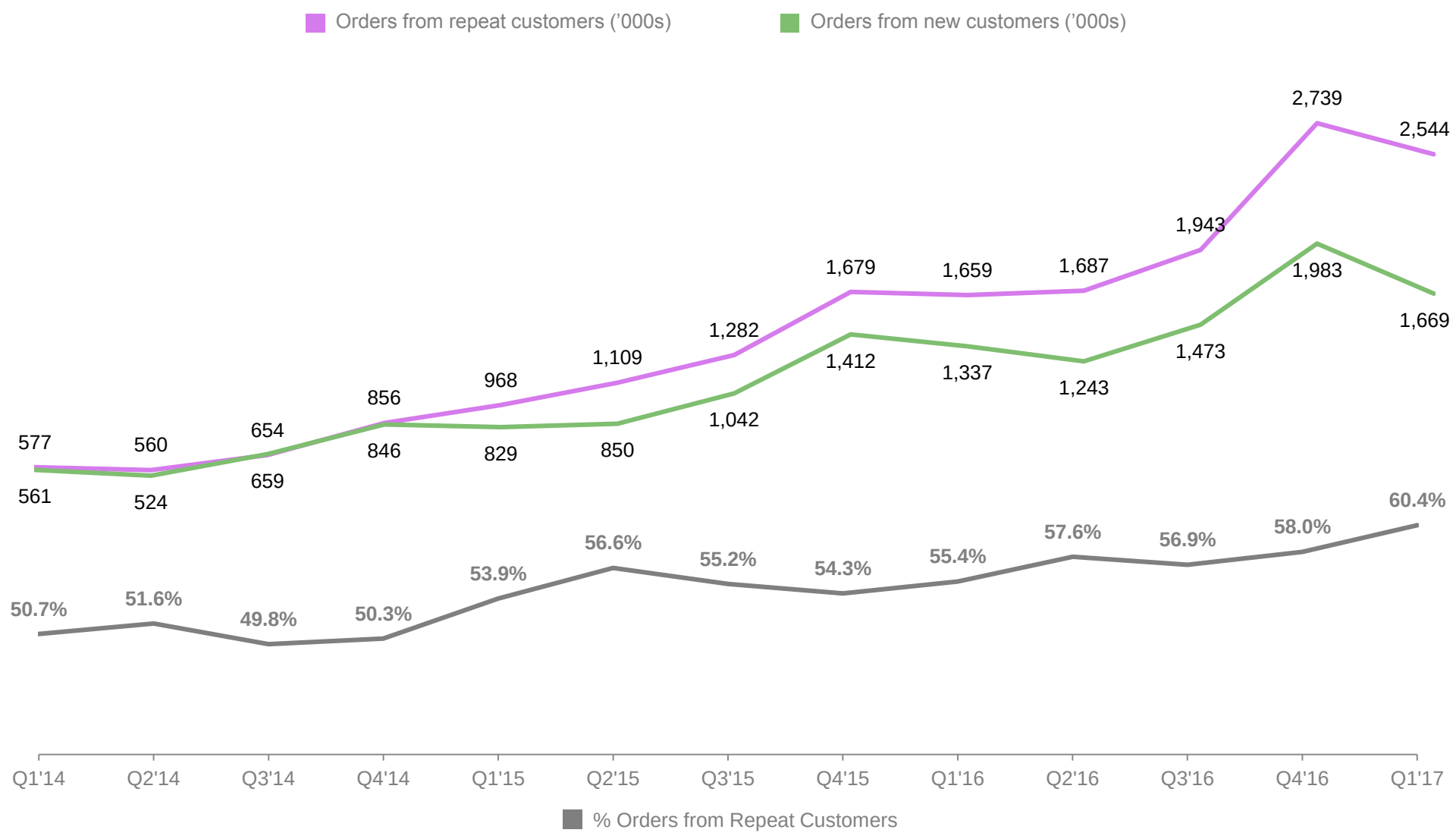
- Each cohort line is a function of the percent of customers in the cohort who make repeat purchases and how much these repeating customers spend
- Cohort lines show a steady tail of repeating revenue
- Newer cohorts have higher revenue yield per customer due to improvements in Wayfair site, selection, merchandising and delivery since early days of Wayfair brand in 2011

Note on Methodology: First data point in chart is 31-60 days after the customer's initial purchase. Cohort numerator includes revenue (indexed) from cohort customers in all future periods with at least 4 cohort data points through 3/31/17.

Customer Economics Continue to Improve: Strong Customer Acquisition

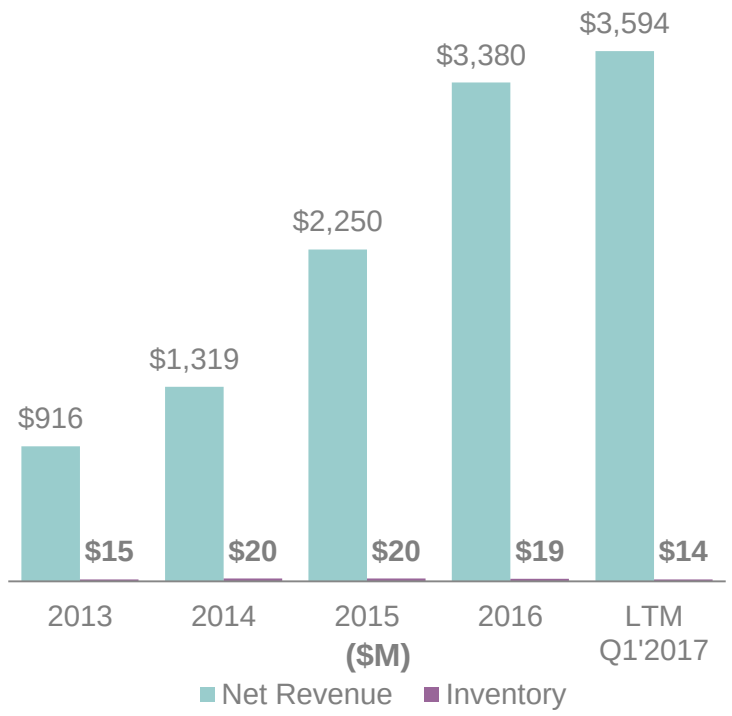


Customer Economics Continue to Improve: Growing Repeat Orders

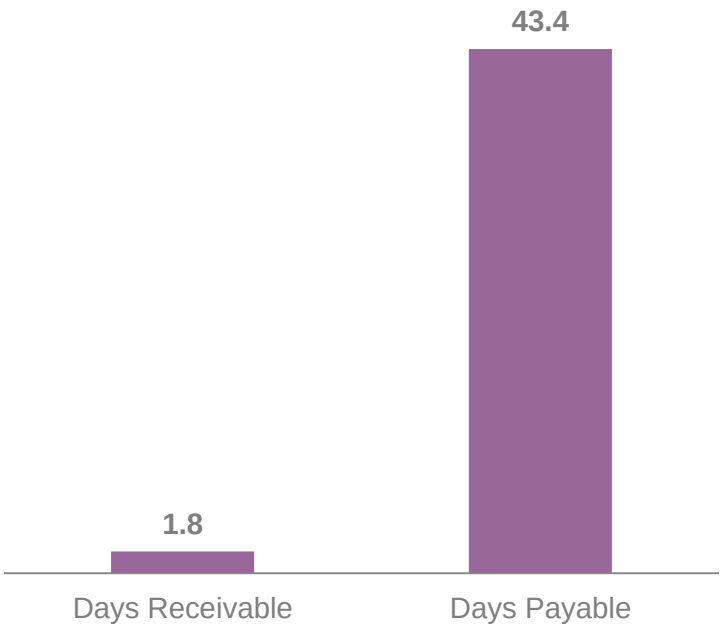


Capital-Efficient Business Model

Inventory



Receivable and Payable Days[1]



FCF Performance Consistently Better than Adjusted EBITDA

[1] Average of last four quarters.

Long-Term Target Model

	2014	2015	2016	Q1' 17	Long-Term Target
Net Revenue	100%	100%	100%	100%	100%
Gross Margin	**23.6%**	**24.0%**	**24.0%**	**24.8%**	**25 - 27%**
Customer Service + Merchant Fees	4.1%	3.6%	3.7%	3.6%	4%
Advertising	14.5%	12.4%	12.1%*	12.3%*	6 - 8%
Primarily headcount Merchandising, Marketing, and Sales	3.9%	4.0%	4.5%	4.6%	2 - 3%
Primarily headcount Operations, Technology, General & Administrative	5.9%	4.9%	6.2%	6.5%	3 - 4%
Total Operating Expenses	**28.4%**	**24.8%**	**26.6%**	**27.0%**	**15 - 19%**
Adjusted EBITDA	**(4.7%)**	**(0.7%)**	**(2.6%)**	**(2.2%)**	**8 - 10%**

*US ad spend leverage muted by investment in international
Note: All expense line items exclude equity based compensation and related taxes and depreciation and amortization

Key Strategic Priorities



- Continue building our leading retail home brands
- Grow active customer base
- Increase repeat purchasing
- Continue scaling depth, breadth and penetration of our house brands
- Invest in product/technology to further improve the customer experience
- Grow newer categories such as home improvement and housewares
- Enhance logistics infrastructure for faster and higher quality customer delivery experience
- Invest in and grow international business
- Opportunistically pursue strategic acquisitions

Appendix

Segment Adjusted EBITDA ($ in Millions)

	Q1'15	Q2'15	Q3'15	Q4'15	2015	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17
US Direct Net Revenue	**351.3**	**418.3**	**521.8**	**654.0**	**1,945.4**	**672.7**	**702.4**	**759.7**	**858.6**	**2,993.4**	**837.6**
US Other Net Revenue	49.3	46.4	44.4	50.1	190.1	33.2	30.3	28.1	25.5	117.1	20.5
Total US Net Revenue	400.6	464.7	566.2	704.0	2,135.5	705.9	732.7	787.8	884.1	3,110.5	858.0
YoY Direct Growth						*91.5%*	*67.9%*	*45.6%*	*31.3%*	*53.9%*	*24.5%*
YoY Other Growth						*-32.6%*	*-34.7%*	*-36.6%*	*-49.0%*	*-38.4%*	*-38.4%*
YoY Total Growth					*72.7%*	*76.2%*	*57.7%*	*39.1%*	*25.6%*	*45.7%*	*21.5%*
US Adjusted EBITDA	**(3.9)**	**7.1**	**9.9**	**17.9**	**31.0**	**(1.0)**	**(2.9)**	**(7.9)**	**12.0**	**0.2**	**3.7**
Margin	*-1.0%*	*1.5%*	*1.8%*	*2.5%*	*1.5%*	*-0.1%*	*-0.4%*	*-1.0%*	*1.4%*	*0.0%*	*0.4%*
International Direct Net Revenue	**18.1**	**22.0**	**23.1**	**31.6**	**94.8**	**39.1**	**53.2**	**72.7**	**100.4**	**265.5**	**102.8**
International Other Net Revenue	5.7	5.1	4.6	4.2	19.6	2.3	1.0	1.0	0.0	4.3	0.0
Total International Net Revenue	23.8	27.1	27.7	35.8	114.4	41.4	54.3	73.7	100.5	269.9	102.8
YoY Direct Growth						*116.5%*	*141.9%*	*214.5%*	*217.7%*	*180.0%*	*162.6%*
YoY Other Growth						*-60.0%*	*-80.2%*	*-78.4%*	*-99.2%*	*-77.9%*	*-100.2%*
YoY Total Growth					*38.3%*	*74.1%*	*100.3%*	*165.7%*	*180.9%*	*135.9%*	*148.1%*
International Adjusted EBITDA	**(8.4)**	**(12.1)**	**(11.4)**	**(15.1)**	**(46.9)**	**(19.9)**	**(21.9)**	**(23.0)**	**(24.0)**	**(88.9)**	**(24.6)**
Margin	*-35.3%*	*-44.5%*	*-41.0%*	*-42.2%*	*-41.0%*	*-48.1%*	*-40.4%*	*-31.2%*	*-23.9%*	*-32.9%*	*-23.9%*

Reconciliation of Adjusted EBITDA ($ in Millions)

	2014	2015	2016	Q1 2016	Q1 2017
Net Loss	($148.1)	($77.4)	($194.4)	($41.2)	($56.4)
Depreciation and Amortization	$22.0	$32.4	$55.6	$10.5	$20.4
Equity-Based Compensation[1]	$63.2	$33.0	$52.0	$10.7	$15.0
Interest (Income) Expense, net	($0.4)	($1.3)	($0.7)	($0.5)	$0.3
Other Expense (Income), net	$0.5	($2.7)	($1.8)	($0.7)	($0.2)
Taxes	$0.2	$0.1	$0.6	$0.3	$0.2
Adjusted EBITDA	**($62.5)**	**($15.9)**	**($88.7)**	**($21.0)**	**($20.9)**

1. Includes related taxes

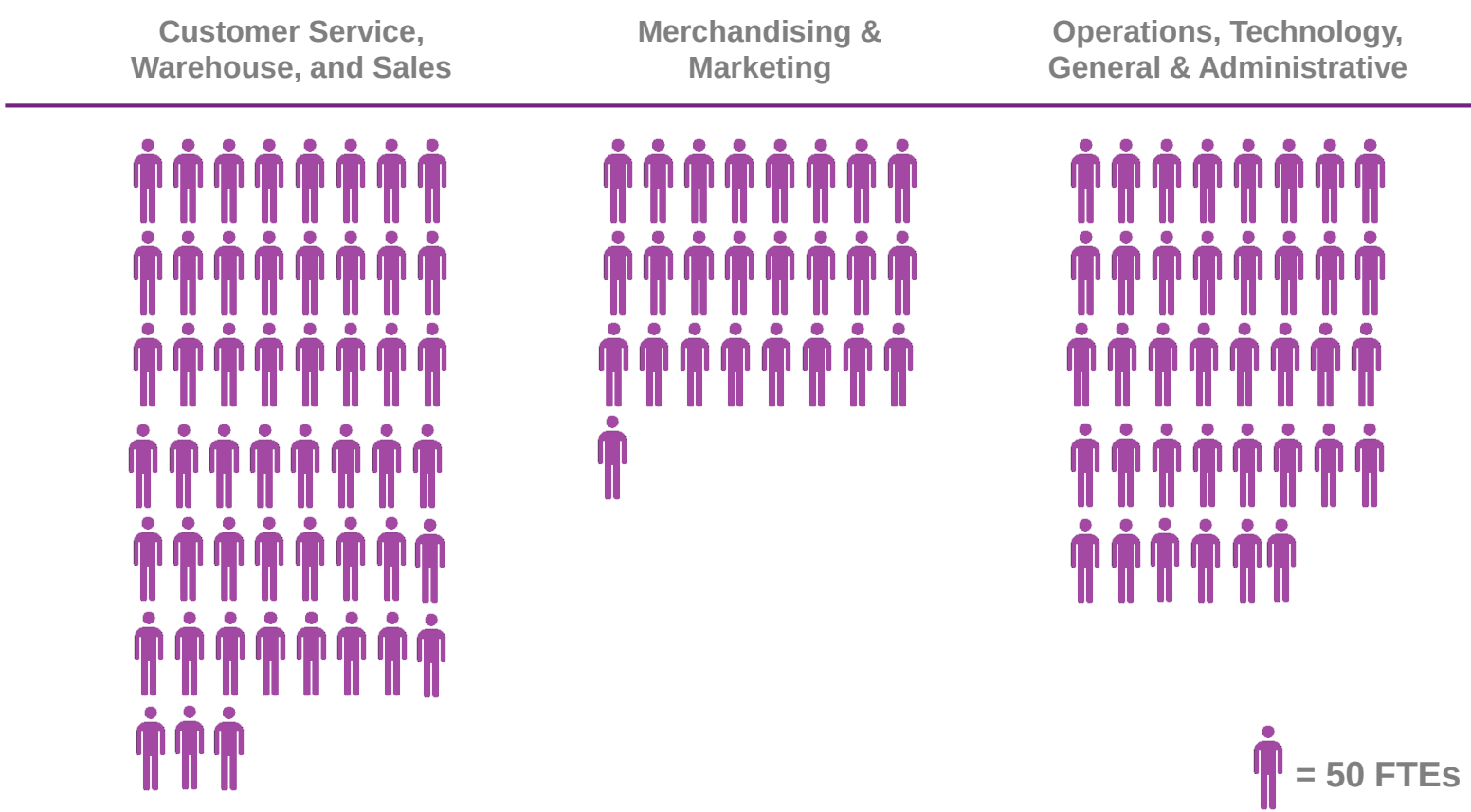
Reconciliation of Free Cash Flow ($ in Millions)

	2014	2015	2016	Q1 2016	Q1 2017
Net Cash Provided by Operating Activities	$4.1	$135.1	$62.8	($51.2)	($46.1)
Purchase of Property and Equipment	($31.9)	($44.6)	($96.7)	($23.9)	($12.0)
Site and Software Development Costs	($14.1)	($17.5)	($31.4)	($5.5)	($10.9)
Free Cash Flow	**($41.9)**	**$72.9**	**($65.3)**	**($80.6)**	**($69.0)**

Headcount Summary

- Total headcount of 5,708; 71 net new FTEs in Q1 2017
- 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. The expense related to a portion of the headcount in Technology is included in capitalized software development costs.

Illustrative Customer Acquisition Cost

(All units in millions, except per customer figures)

	2016
Total Advertising Spend	$409.1
Partner Ad Spend (1)	$11.0
Direct Retail Ad Spend	$398.1
Active Customers	8.25
Total Orders	14.06
% of Orders from Repeat Customers	*57.1%*
Implied New Customers (2)	6.04
Customer Acquisition Cost (3)	$66
Annual Direct Retail Revenue per Customer	$395
Annual Contribution per Customer (4)	$79
Contribution Margin	*20.0%*

Notes:
1. Retail partner fees disclosed in the 10K
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 2016 Gross Margin less Customer Service and Merchant Fees.