

Wayfair Announces First Quarter 2019 Results

*Q1 Direct Retail Net Revenue Growth of 39% Year over Year to \$1.9 billion
16.4 million Active Customers, up 39% Year over Year*

BOSTON, MA — May 2, 2019 — Wayfair Inc. (NYSE: W), one of the world's largest online destinations for the home, today reported financial results for its first quarter ended March 31, 2019.

First Quarter 2019 Financial Highlights

- Direct Retail net revenue, consisting of sales generated primarily through Wayfair's sites, increased \$542.3 million to \$1.9 billion, up 39.0% year over year
- Gross profit was \$470.5 million or 24.2% of total net revenue
- GAAP net loss was \$200.4 million
- Adjusted EBITDA was \$(102.2) million or (5.3)% of total net revenue
- GAAP basic and diluted net loss per share was \$2.20
- Non-GAAP diluted net loss per share was \$1.62
- Non-GAAP free cash flow was \$(166.8) million
- At the end of the first quarter, cash, cash equivalents, and short-term and long-term investments totaled \$805.7 million

"We are excited to report a strong start to 2019 marked by another consecutive quarter of exceptional growth with Direct Retail net revenue up \$542 million dollars, or 39%, year over year, for a total net revenue of \$1.9 billion," said Niraj Shah, CEO, co-founder and co-chairman, Wayfair. "Our ongoing investments in building our logistics infrastructure, deepening our product offering, and finding new ways to serve our customer are just a few of the many areas that are driving the momentum we are seeing today. Once again, Way Day, our biggest retail event of the year, was a tremendous success for the business breaking our record for the highest revenue grossing day in company history. We look forward to the sizeable opportunity ahead as we continue to transform the experience of shopping for the home and remain well positioned to take share of the dollars that are coming online in the home category."

Other First Quarter Highlights

- The number of active customers in our Direct Retail business reached 16.4 million as of March 31, 2019, an increase of 39.1% year over year
- LTM net revenue per active customer was \$442 as of March 31, 2019, an increase of 2.3% year over year
- Orders per customer, measured as LTM orders divided by active customers, was 1.85 for the first quarter of 2019, compared to 1.79 for the first quarter of 2018
- Repeat customers placed 66.0% of total orders in the first quarter of 2019, compared to 64.3% in the first quarter of 2018
- Repeat customers placed 5.4 million orders in the first quarter of 2019, an increase of 42.3% year over year
- Orders delivered in the first quarter of 2019 were 8.2 million, an increase of 38.6% year over year
- Average order value was \$237 for the first quarter of 2019, compared to \$236 for the first quarter of 2018
- In the first quarter of 2019, 53.4% of total orders delivered for our Direct Retail business were placed via a mobile device, compared to 49.2% in the first quarter of 2018

Webcast and Conference Call

Wayfair will host a conference call and webcast to discuss its first quarter 2019 financial results today at 8 a.m. (ET). Investors and participants can access the call by dialing (833) 286-5803 in the U.S. and (647) 689-4448 internationally. The passcode for the conference line is 5293667. The call will also be available via live webcast at investor.wayfair.com along with supporting slides. An archive of the webcast conference call will be available shortly after the call ends. The archived webcast will be available at investor.wayfair.com.

About Wayfair

Wayfair believes everyone should live in a home they love. Through technology and innovation, Wayfair makes it possible for shoppers to quickly and easily find exactly what they want from a selection of more than 14 million items across home furnishings, décor, home improvement, housewares and more. Committed to delighting its customers every step of the way, Wayfair is reinventing the way people shop for their homes - from product discovery to final delivery.

The Wayfair family of sites includes:

- Wayfair - Everything home for every budget.
- Joss & Main - Stylish designs to discover daily.
- AllModern - The best of modern, priced for real life.
- Birch Lane - Classic home. Comfortable cost.
- Perigold - The widest-ever selection of luxury home furnishings.

Wayfair generated \$7.3 billion in net revenue for the twelve months ended March 31, 2019. Headquartered in Boston, Massachusetts with operations throughout North America and Europe, the company employs more than 13,300 people.

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Forward-Looking Statements

This press release contains forward-looking statements within the meaning of federal and state securities laws. All statements other than statements of historical fact contained in this press release, including statements regarding the strength of our product offering, the expansion of our logistics network, 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. 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 our 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 press release 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.

A list and description of risks, uncertainties and other factors that could cause or contribute to differences in our results can be found in our filings with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and subsequent filings. We qualify all of our forward-looking statements by these cautionary statements.

Non-GAAP Financial Measures

To supplement our unaudited consolidated and condensed financial statements presented in accordance with generally accepted accounting principles ("GAAP"), this earnings release and the accompanying tables and the related earnings conference call contain certain non-GAAP financial measures, including Adjusted EBITDA, Adjusted EBITDA as a percentage of total net revenue ("Adjusted EBITDA Margin"), free cash flow and non-GAAP net loss and diluted net loss per share. We use these non-GAAP financial measures internally in analyzing our financial results and believe they are useful to investors, as a supplement to GAAP measures, in evaluating our ongoing operational performance. We have provided a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure in this earnings release.

Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures that are calculated as income (loss) before depreciation and amortization, equity-based compensation and related taxes, interest and other income and expense, (benefit

from) provision for income taxes, and non-recurring items. We have included Adjusted EBITDA and Adjusted EBITDA Margin in this earnings release because they are key measures used by our management and our board of directors 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 and Adjusted EBITDA Margin facilitates operating performance comparisons on a period-to-period basis and, in the case of exclusion of the impact of equity-based compensation and related taxes, excludes an item that we do not consider to be indicative of our core operating performance. Investors should, however, understand that equity-based compensation will be a significant recurring expense in our business and an important part of the compensation provided to our employees. Accordingly, we believe that Adjusted EBITDA and Adjusted EBITDA Margin provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Free cash flow is a non-GAAP financial measure that is calculated as net cash (used in) provided by operating activities less net cash used to purchase property and equipment and site and software development costs. We believe free cash flow 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.

Non-GAAP diluted net loss per share is a non-GAAP financial measure that is calculated as GAAP net loss plus equity-based compensation expense and related taxes, (benefit from) provision for income taxes, and non-recurring items divided by weighted average shares. We believe that adding back equity-based compensation expense and related taxes and (benefit from) provision for income taxes, and non-recurring items as adjustments to our GAAP diluted net loss before calculating per share amounts for all periods presented provides a more meaningful comparison between our operating results from period to period.

We do not, nor do we suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors should also note that the non-GAAP financial measures we use may not be the same non-GAAP financial measures, and may not be calculated in the same manner, as that of other companies, including other companies in our industry.

The following table reflects the reconciliation of net loss to Adjusted EBITDA and Adjusted EBITDA Margin for each of the periods indicated (in thousands):

	Three months ended March 31,	
	2019	2018
Reconciliation of Adjusted EBITDA		
Net loss	\$ (200,389)	\$ (107,775)
Depreciation and amortization	39,583	25,962
Equity based compensation and related taxes	51,833	27,147
Interest expense, net	9,238	5,407
Other (income), net	(3,078)	(941)
Provision for income taxes	595	240
Adjusted EBITDA	\$ (102,218)	\$ (49,960)
Net revenue	\$ 1,944,829	\$ 1,404,269
Adjusted EBITDA Margin	(5.3)%	(3.6)%

The following table presents Adjusted EBITDA attributable to our segments, and the reconciliation of net loss to consolidated Adjusted EBITDA is presented in the preceding table (in thousands):

	Three months ended March 31,	
	2019	2018
Segment Adjusted EBITDA		
U.S.	\$ (27,782)	\$ (7,938)
International	(74,436)	(42,022)
Adjusted EBITDA	\$ (102,218)	\$ (49,960)

A reconciliation of GAAP net loss to non-GAAP diluted net loss, the most directly comparable GAAP financial measure, in order to calculate non-GAAP diluted net loss per share, is as follows (in thousands, except per share data):

	Three months ended March 31,	
	2019	2018
Net loss	\$ (200,389)	\$ (107,775)
Equity based compensation and related taxes	51,833	27,147
Provision for income taxes	595	240
Non-GAAP net loss	\$ (147,961)	\$ (80,388)
Non-GAAP net loss per share, basic and diluted	\$ (1.62)	\$ (0.91)
Weighted average common shares outstanding, basic and diluted	91,104	88,467

The following table presents a reconciliation of free cash flow to net cash used in operating activities for each of the periods indicated (in thousands):

	Three months ended March 31,	
	2019	2018
Net cash used in operating activities	\$ (81,348)	\$ (13,077)
Purchase of property and equipment	(60,626)	(21,363)
Site and software development costs	(24,843)	(13,154)
Free cash flow	\$ (166,817)	\$ (47,594)

Key Financial and Operating Metrics (in thousands, except LTM Net Revenue per Active Customer and Average Order Value)

	Three months ended March 31,	
	2019	2018
Consolidated Financial Metrics		
Net Revenue	\$ 1,944,829	\$ 1,404,269
Adjusted EBITDA	\$ (102,218)	\$ (49,960)
Free cash flow	\$ (166,817)	\$ (47,594)
Direct Retail Financial and Operating Metrics		
Direct Retail Net Revenue	\$ 1,931,181	\$ 1,388,890
Active Customers	16,408	11,795
LTM Net Revenue per Active Customer	\$ 442	\$ 432
Orders Delivered	8,163	5,888
Average Order Value	\$ 237	\$ 236

The following table presents Direct Retail and Other net revenues attributable to the Company's reportable segments for the periods presented (in thousands):

	Three months ended March 31,	
	2019	2018
U.S. Direct Retail	\$ 1,644,050	\$ 1,186,205
U.S. Other	13,648	15,379
U.S. segment net revenue	1,657,698	1,201,584
International Direct Retail	287,131	202,685
International segment net revenue	287,131	202,685
Total net revenue	\$ 1,944,829	\$ 1,404,269

WAYFAIR INC.
CONSOLIDATED AND CONDENSED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 722,360	\$ 849,461
Short-term investments	83,302	114,278
Accounts receivable, net of allowance of \$10,540 and \$9,312 at March 31, 2019 and December 31, 2018, respectively	60,596	50,603
Inventories	43,643	46,164
Prepaid expenses and other current assets	207,931	195,430
Total current assets	1,117,832	1,255,936
Property and equipment, net	430,548	606,977
Goodwill and intangible assets, net	700	2,585
Operating lease right-of-use assets	552,033	—
Long-term investments	—	6,526
Other noncurrent assets	12,752	18,826
Total assets	<u>\$ 2,113,865</u>	<u>\$ 1,890,850</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 705,974	\$ 650,174
Accrued expenses	207,206	212,997
Unearned revenue	146,460	148,057
Other current liabilities	170,173	127,995
Total current liabilities	1,229,813	1,139,223
Lease financing obligation, net of current portion	—	183,056
Operating lease liabilities	607,630	—
Long-term debt	750,156	738,904
Other liabilities	5,413	160,388
Total liabilities	2,593,012	2,221,571
Convertible preferred stock, \$0.001 par value per share: 10,000,000 shares authorized and none issued at March 31, 2019 and December 31, 2018		
	—	—
Stockholders' deficit:		
Class A common stock, par value \$0.001 per share, 500,000,000 shares authorized, 63,653,911 and 62,329,701 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	64	63
Class B common stock, par value \$0.001 per share, 164,000,000 shares authorized, 27,747,581 and 28,417,882 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	28	28
Additional paid-in capital	802,973	753,657
Accumulated deficit	(1,281,228)	(1,082,689)
Accumulated other comprehensive (loss)	(984)	(1,780)
Total stockholders' deficit	(479,147)	(330,721)
Total liabilities and stockholders' deficit	<u>\$ 2,113,865</u>	<u>\$ 1,890,850</u>

WAYFAIR INC.
CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three months ended March 31,	
	2019	2018
Net revenue	\$ 1,944,829	\$ 1,404,269
Cost of goods sold (1)	1,474,373	1,080,445
Gross profit	470,456	323,824
Operating expenses:		
Customer service and merchant fees (1)	76,473	53,884
Advertising	243,969	161,646
Selling, operations, technology, general and administrative (1)	343,648	211,363
Total operating expenses	664,090	426,893
Loss from operations	(193,634)	(103,069)
Interest expense, net	(9,238)	(5,407)
Other income, net	3,078	941
Loss before income taxes	(199,794)	(107,535)
Provision for income taxes	595	240
Net loss	\$ (200,389)	\$ (107,775)
Net loss per share, basic and diluted	\$ (2.20)	\$ (1.22)
Weighted average number of common stock outstanding used in computing per share amounts, basic and diluted	91,104	88,467

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

Cost of goods sold	\$ 992	\$ 565
Customer service and merchant fees	1,976	970
Selling, operations, technology, general and administrative	48,865	25,612
	\$ 51,833	\$ 27,147

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

	Three months ended March 31,	
	2019	2018
Cash flows from operating activities		
Net loss	\$ (200,389)	\$ (107,775)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	39,583	25,962
Equity based compensation	47,060	24,400
Amortization of discount and issuance costs on convertible notes	12,456	4,281
Other non-cash adjustments	(1,374)	111
Changes in operating assets and liabilities:		
Accounts receivable	(11,570)	6,010
Inventories	2,427	(6,491)
Prepaid expenses and other current assets	(10,535)	(17,218)
Accounts payable and accrued expenses	46,631	34,058
Unearned revenue and other liabilities	(4,933)	23,821
Other assets	(704)	(236)
Net cash used in operating activities	<u>(81,348)</u>	<u>(13,077)</u>
Cash flows from investing activities		
Sale and maturities of short-term investments	37,936	11,390
Purchase of property and equipment	(60,626)	(21,363)
Site and software development costs	(24,843)	(13,154)
Other investing activities	2,838	(267)
Net cash used in investing activities	<u>(44,695)</u>	<u>(23,394)</u>
Cash flows from financing activities		
Taxes paid related to net share settlement of equity awards	(165)	(391)
Deferred financing costs	(791)	—
Net proceeds from exercise of stock options	67	29
Net cash used in financing activities	<u>(889)</u>	<u>(362)</u>
Effect of exchange rate changes on cash and cash equivalents	(169)	(101)
Net decrease in cash and cash equivalents	<u>(127,101)</u>	<u>(36,934)</u>
Cash and cash equivalents		
Beginning of period	849,461	558,960
End of period	<u>\$ 722,360</u>	<u>\$ 522,026</u>