01-Aug-2019

Wayfair, Inc. (W)

Q2 2019 Earnings Call

Copyright © 2001-2019 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Jane Gelfand
Head of Investor Relations & Special Projects, Wayfair, Inc.

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.

Steven K. Conine
Co-Chairman and Co-Founder, Wayfair, Inc.

Michael D. Fleisher
Chief Financial Officer, Wayfair, Inc.

OTHER PARTICIPANTS

Peter Jacob Keith
Analyst, Piper Jaffray & Co.

Maria Ripps
Analyst, Canaccord Genuity LLC

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Oliver Wintermantel
Analyst, Evercore Group LLC

John Blackledge
Analyst, Cowen and Company

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Michelle, and I will be your conference operator today. At this time, I would like to welcome everyone to the Wayfair Q2 2019 Earnings Release and Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

I would now like to turn the call over to Jane Gelfand, Head of Investor Relations. Please go ahead.

Jane Gelfand

Head of Investor Relations & Special Projects, Wayfair, Inc.

Good morning, and thank you for joining us. Today, we will review our second quarter 2019 results. With me are Niraj Shah, Co-Founder, Chief Executive Officer and Co-Chairman; Steve Conine, Co-Founder and Co-Chairman; and Michael Fleisher, Chief Financial Officer. We will all be available for Q&A following today's prepared remarks.

I would like to remind you that we will make forward-looking statements during this call regarding the future events and financial performance including guidance for the third quarter of 2019. We cannot guarantee that any forward-looking statements will be accurate, although we believe that we have been reasonable in our expectations and assumptions. Our 10-K for 2018 and our subsequent SEC filings identify certain factors that could cause the company's actual results to differ materially from those projected in any forward-looking statements made today. Except as required by law, we undertake no obligation to publicly update or revise these statements, whether as a result of any new information, future events, or otherwise.

Also, please note that during this call we will discuss certain non-GAAP financial measures, as we review the company's performance. These non-GAAP financial measures should not be considered replacements for and

Copyright © 2001-2019 FactSet CallStreet, LLC

should be read together with GAAP results. Please refer to the Investor Relations section of our website to obtain a copy of our earnings release which contains descriptions of our non-GAAP financial measures and reconciliations of non-GAAP measures to the nearest comparable GAAP measures.

This call is being recorded, and a webcast will be available for replay on our IR website.

Now, I would like to turn the call over to Niraj.

Niraj S. Shah

Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.

Thanks, Jane, and thank you all for joining us this morning. We are pleased to report a strong Q2, and we remain as bullish as ever about what lies ahead for Wayfair. We continue to see our investments across the business pay off, driving value to both our customers and our suppliers, and enabling us to capture an outsized share of the dollars that move online each quarter.

In the U.S., our strong momentum in both percentage and dollar terms continues. In Canada, we're seeing sequential acceleration and growth, and the UK and Germany are tracking in-line with the high expectations we set for ourselves, reflecting customers' growing awareness and appreciation for the Wayfair brand and shopping experience.

Today, I'll provide you with an update on our logistics network which is a major differentiating advantage for us and a source of improved cost efficiency. I also want to talk briefly about the special set of supplier events we hosted this past quarter which showcased the true partnership we share with our suppliers. And as is our quarterly practice, I will highlight the exciting initiatives we have underway in one of our categories.

Today our focus will be on the Outdoor Furniture business, which was a strong driver of growth in the first half of 2019 despite seasonal variability, and is yet another example of a category where we are consolidating share as the business moves increasingly online.

First, let me begin with our logistics network. We remain on track to add approximately 5 million square feet of space to our logistics footprint in 2019, building on the 12 million square feet with which we exited 2018. During the second quarter, we opened our 13th CastleGate warehouse building. The warehouse is located in Savannah, Georgia, where we also established an additional last-mile delivery facility. This marks the 10th new last-mile delivery facility of the year for a total of 39 now operational in North America.

Our CastleGate penetration in the U.S. continues to trend upward due to robust levels of growth. At the current pace, this means that the actual dollars flowing through CastleGate for both large and small parcel are doubling year-over-year. We believe we are well prepared to meet the increased demand and that we have architected our logistics network to move steadily towards lower cost and faster delivery times as it scales.

We now have a warehouse presence in most major U.S. port locations and last-mile delivery facilities strategically placed across the continent giving us great coverage. While we will continue to add facilities to service the growing demand, we believe efficiencies from the investments already made should continue to build moving forward.

Unlike the U.S., where we established CastleGate several years into our life as the Wayfair brand, our expansion into international markets was informed by our logistics expertise, and we introduced CastleGate earlier into the

Copyright © 2001-2019 FactSet CallStreet, LLC

launch. CastleGate penetration in our international markets is naturally further behind given the relative maturity of the business there, but we continue to see gains in penetration as we scale.

In Canada, we are making progress in inducting more product directly into our Mississauga facility rather than having it cross the border from the United States. This is driving lower costs for our suppliers and ourselves, reducing duty paid, and in turn will benefit customers in the form of lower prices.

In the UK, we plan to open a second CastleGate warehouse next month, and in Germany, we'll be adding a new 1 million square foot facility sometime next year. As you might imagine, this European footprint is designed to handle existing and future demand out of the markets we currently serve, but may also be leveraged down the road as part of a pan-European network.

Our logistics infrastructure is only one component of enhancing not just our customers' but also our suppliers' experience of working with us. We have a true partnership with more than 11,000 suppliers, and we view them as a core part of the Wayfair family. To further strengthen and reinforce these relationships, we recently hosted invite-only supplier summit events in both the U.S. and in Europe. Hundreds of supplier CEOs and other leaders joined our fifth annual U.S. event in Boston and our third annual European event in Berlin. These gatherings, which grow more robust in format and increase in attendance each year, give us an opportunity to reconnect with our partners and showcase the many exciting Wayfair initiatives designed to drive their business forward.

Our guests benefited from nearly 50 presentations highlighting various parts of our business, Q&A with Steve and myself, multiple networking opportunities, and breakout sessions. Suppliers also shared their success stories in partnering with Wayfair and what enabled the great growth that they've experienced. Garnering an NPS score of 90, the summit represents a unique and valuable opportunity for suppliers to educate themselves on ways to optimize critical business functions from both peers and Wayfair. It's also an important forum to reaffirm our commitment to our partners and inspire them to keep the customer top-of-mind to ensure our mutual future success.

As we enjoy the warmer months of the year, it seems like an appropriate moment to highlight the great business we're building in Outdoor Furniture. Last year we talked to you about outdoor decor, structures, and spas. Today we'll dive deeper into Outdoor Furniture where we're pleased to report that we're experiencing strong growth in 2019.

We see Outdoor Furniture as uniquely suited to the online marketplace. The category is large, at an estimated $5 billion in the U.S. It is attractive as growth is being driven by consumers increasingly viewing the patio area as an extension of their living rooms and is a place in which to entertain. They're willing to invest time and money in making an optimal selection, not just for aesthetic reasons, but for durability as well.

Yet in the physical retail world the customer choices are very limited. Brick-and-mortar retailers devote only a short time of the year for outdoor displays, presenting shoppers with few choices and limited specialty knowledge to inform the purchase decision. Wayfair offers the shopper a far-reaching assortment with good, better, and best options in each sub-segment of Outdoor Furniture. For instance we feature over 2,300 four-person patio dining sets in the U.S. with prices spanning from less than $100 to over $2,500 in order to fit every style and budget.

At Wayfair, the customer has the flexibility to shop the Outdoor category year-around, whether that is when the weather is great outside or when inspiration for next season strikes, and we consistently help our customers make educated decisions in a frequently less understood category through enhanced merchandising, swatch samples, buying and care guides, and spatial planning tools.

Copyright © 2001-2019 FactSet CallStreet, LLC

In visual merchandising, we're focused on making imagery not just inspirational and aspirational, but also accessible and relatable for the mass customer that represents the bulk of Wayfair traffic. We're also introducing dynamic imagery, which can showcase products in the most appropriate context based on what the shopper is seeking or what season they're shopping. When searching for stools for the outdoor bar, they should not be seeing that bar stool perched against a kitchen island even though that specific product may be designed for both indoor and outdoor settings. In the fall, fire pits, throw blankets, and covers might be more compelling images and suggested complements than swimming pools and sun umbrellas.

To make the category even more accessible and fun to shop, in 2019 we introduced our first outdoor house brand called Sol 72. The brand is focused on mid-priced outdoor furniture and decor, and the participating SKUs receive our most enhanced merchandising treatment. We're just getting started, but Sol 72 is off to a very strong start. And it has exceeded the internal benchmarks we set for ourselves upon launch.

We also have a unique marketing approach in Outdoor Furniture that leverages customer-based signals to improve our bidding algorithms across geographic zones and product classes. This data-driven methodology allows us to be more effective in how we invest our ad dollars by identifying the most optimal geographic and product areas against which to spend and to identify those customers with the highest intent to purchase. This is driving increased efficiency to our ad spend in the category.

In terms of logistics, there's strong interest from our Outdoor Furniture suppliers in participating in CastleGate, where our category penetration is already at company-wide levels, but with the potential to reach far higher. As with all of the categories we seek to further penetrate, we plan to leverage our scale in Outdoor Furniture and our broader logistics network to eliminate touchpoints along the product journey, speed up delivery times, and cut down on costs for the customer, the supplier, and Wayfair.

We're very pleased with the momentum we've built in Outdoor Furniture with year-to-date revenue growth near 50% year-over-year, and the business on track to exceed $500 million in gross revenue in 2019. It is just one of the many businesses at Wayfair gaining disproportionate share as customers move online and discover a rich and differentiated shopping experience on Wayfair.com.

Before I turn it over to Steve, I want to just take a minute to address the headlines we made in late June. As you may have seen, recent dialog between a group of our employees and our leadership team placed Wayfair in the media spotlight and in the midst of a broader political debate.

Transparency and the open exchange of ideas have always been core to Wayfair's culture. We have an ongoing dialog with our employees and are proud to have a terrific team that is passionate and engaged both at work and in their broader communities. Our employees have always played a significant role in helping to shape Wayfair's long track record of community involvement and charitable giving, and we believe in supporting the causes that matter most to our team. We're committed to constructively working together with Wayfairians all over the world to internally navigate this and other important topics that may arise in the future.

And with that, we'll turn back to the Q2 results, and to Steve's prepared remarks.

Steven K. Conine

Co-Chairman and Co-Founder, Wayfair, Inc.

Thanks, Niraj. I would like to take a few minutes to update everyone on our newest brand, Perigold. With Perigold, our opportunity is to disrupt the luxury home market with an e-commerce marketplace that the luxury customer

Copyright © 2001-2019 FactSet CallStreet, LLC

expects, just as we have with the mass-market customer in Wayfair.com. This is a huge opportunity with the high-end home goods market in the U.S. measuring north of $70 billion by our estimate and also under-penetrated in e-commerce.

Our mission at Perigold is to reveal an undiscovered world of luxury. We're targeting customers and professionals who are increasingly comfortable transacting online, but are underserved in luxury e-commerce platforms for home. They are also largely incremental to those we currently serve on Wayfair.com.

Part of the Perigold customer's challenge has been a supplier universe that is nascent to the digital world and initially somewhat reticent to participate. When we first launched, our team of fewer than 10 people had to onboard suppliers, invade the benefits of the e-commerce model, and convince them that Perigold could represent a large and rapidly growing revenue channel. Today, Perigold features over 500 suppliers with a rich pipeline of additional ones still to join. Some of the prominent luxury brands that already call Perigold home include Lillian August, Schumacher, ARTERIORS, Currey & Company, Century Furniture, and JANUS et Cie.

With a dedicated team of now over 70 people, we continue to gain traction, recognition, and legitimacy among suppliers and have been able to more than triple the number of products on our site since the launch.

A few months ago, I traveled to Milan for the Salone del Mobile trade show, a design event that draws more attendance than Fashion Week. There I had the opportunity to meet with key suppliers, both present and prospective, and was really impressed by the level of trust our suppliers are placing in us and the reputation we've established among the luxury community.

Suppliers are having success partnering with Perigold and in turn are spreading the word to their peers, keeping the flywheel turning and furthering the inroads we are making. The conversations and enthusiasm remind me of the inflection point we witnessed with Wayfair.com several years in visiting mass-oriented trade shows like High Point in the U.S.

In Perigold's case, because luxury suppliers have historically have very little or no exposure to e-commerce, we partner closely with our suppliers to develop uniquely tailored digital assets in both 2D and 3D, visualization tools and merchandising strategies. Building on our established formula for success, we'll be hosting our second supplier summit for Perigold later this year to share even more best practices. There we will welcome many new and prospective suppliers onto the Perigold platform and reinforce the already strong existing relationships we've built over the last two years.

Together, we will elevate the customer experience of shopping for high-end home goods online. We are learning more about the luxury shopper every day. Our customers represent the top 5% of U.S. households in terms of income and live all across the country. They value quality and uniqueness, and are highly focused on finding the right look for their homes. They look to Perigold not just as a source of high-end product, but also for content that enables them to find the perfect aesthetic for their living spaces.

To help our shoppers do so, we are bringing the design center concept online. Perigold brings the customer's design options to life through inspiring imagery and visualization tools, and engages and educates them about these options. It then enables them to purchase the goods and materials to achieve those looks at home without delay, all backed by exceptional customer service and delivery experiences.

The Perigold customer is consistent in their expectation of quality and service. Because customer service is a core part of our DNA, we can establish a clear competitive advantage here with Perigold just as we've done at

Copyright © 2001-2019 FactSet CallStreet, LLC

Wayfair.com. Perigold customer service is designed with a high-touch concierge's approach, where if they choose, our team will reach out to shoppers and guide them through the purchase or project they are contemplating. Our team is specialized in their knowledge of luxury home and therefore well-equipped to aid the customer journey from start to finish. For professional shoppers on Perigold, their concierge becomes the point person for any future projects or purchases as well.

This experience has been resonating very well with our customers, though it is notable that a large portion of our customers also transact at high average order values with minimal aid. Perigold's Net Promoter Score continues to trend higher as we iterate and improve how to best serve these customers over time.

Our marketing philosophy for all of our brands is deeply rooted in quantitative returns-oriented approach, and Perigold is no different. We have successfully begun to penetrate our target market, while continuously tweaking the recipe to explore the best methods to convert the many types of shoppers that browse the site. Perigold reserves a portion of its marketing dollars for experimental channels and strategies. This helps the team to identify new, high-returning advertising venues and to incorporate ever-evolving customer insights to most effectively target the audiences we seek.

As with all our brands, 12-month payback thresholds are a consistent criterion for Perigold as the team looks to optimize its ad spend. We could not be more eager to further our disruptive role in bringing luxury home shopping online. Perigold gross revenue is on track to more than double this year, and we look forward to updating you on its future success over time.

With that, I'll turn the call over to Michael.

Michael D. Fleisher

Chief Financial Officer, Wayfair, Inc.

Thanks, Steve, and good morning, everyone. I will provide some highlights of the key financial information for the quarter with more detailed information available in our earnings release and in our investor presentation on our IR site.

In Q2, our Direct Retail business increased 42% year-over-year to $2.332 billion, representing year-over-year dollar growth of approximately $690 million. Our total net revenue also increased 42% year-over-year to $2.343 billion.

In the U.S., Direct Retail net revenue increased to $1.989 billion in Q2, up 42% year-over-year, representing year-over-year dollar growth in the quarter of approximately $590 million. Direct Retail net revenue from our International segment, which includes Canada, the UK, and Germany, increased to $343 million, up 41% year-over-year and up approximately 47% year-over-year on a constant currency basis.

As a reminder, our revenue from Canada is significantly larger than our revenue coming from either the UK or Germany today. In recent quarters, we experienced revenue growth headwinds in Canada due to a combination of external macro and currency headwinds, and a temporary cost disadvantage as we sourced product into the U.S. first before crossing the border into Canada. We expect the second factor to gradually lift as we induct more product directly into our Canadian Mississauga facility, and did in fact see year-on-year growth in the Canadian business sequentially accelerate in Q2 relative to Q1.

Our UK and German businesses continued to outpace our overall company revenue growth rate and are hitting key internal milestones. In both European markets, we have significantly increased the SKU selections year-over-

Copyright © 2001-2019 FactSet CallStreet, LLC

year with more to come. We've also grown more sophisticated in merchandising and advertising, which is driving higher levels of repeat purchases in both countries. CastleGate penetration in the UK and Germany also continues to march higher year-over-year.

I'll now speak to our KPIs on a consolidated global basis. We were pleased to see another strong quarter for new customer acquisition with our LTM active customer base reaching 17.8 million in Q2, an increase of 39% year-over-year. LTM net revenue per active customer was $447, and LTM orders per active customer were 1.86 in Q2. Both KPIs were up modestly on a sequential basis. LTM net revenue per active customer was driven higher by the U.S. while orders per active customer experienced small increases quarter-over-quarter in both the U.S. and international.

I will share the remaining financials on a non-GAAP basis excluding the impact of equity-based compensation and related taxes which totaled $57 million in Q2 2019. For reconciliation of GAAP to non-GAAP reporting, please refer to our earnings release on our IR site.

Our gross profit for the quarter, which is net of all product costs, delivery, and fulfillment expenses, was $561 million or 23.9% of net revenue. Gross margins were 60 basis points higher year-over-year and in-line with our near term expectation for gross margins in the 23% to 24% range, which remains unchanged.

In Q2, advertising spend was $259 million or 11.1% of net revenue, approximately 35 basis points higher than Q2 last year and better than our guidance of a 75 basis point increase. As you recall, our ad spend decisions are governed by our approximately one-year contribution margin payback threshold, and we continue to see attractive opportunities to invest advertising dollars within this framework.

We believe the success of that approach is evident in both LTM active customers and percentage of orders driven by repeat customers reaching all-time highs this quarter. Our proprietary ad spend technology allows us to invest behind the highest-returning customer cohorts which tend to make repeat purchases year after year. As our marketing teams continue to execute on this approach, we expect advertising as a percent of net revenue to increase roughly 50 basis points to 75 basis points year-over-year in Q3. A component of this is a drag as Europe becomes a larger part of our business mix and as we continue to ramp our brand-building investments there.

Our non-GAAP selling, operations, technology, and G&A expenses are driven primarily by compensation costs and in Q2 totaled $330 million. In the second quarter, we added approximately 1,200 net new employees for a total of 14,548 employees as of June 30, 2019. Approximately 850 were in variable cost areas of our business, namely in customer service and in our logistics operation, as we continue to in-source work previously done by third-party logistics providers. Approximately 350 of the net new hires were in OpEx areas such as engineering, marketing, merchandising, product, operations including logistics, leadership, and technology.

As a reminder, Q3 2019 will show a pickup to this pace of hiring as we welcome the tremendous new talent we attracted through our on-campus recruiting efforts. Our employer brand is very strong on campus, and we were able to fill positions in almost every part of our business with recruits from the top universities and graduate schools. In Q4, we plan to step down again, closer to the hiring levels we saw in Q2.

Now turning to profitability, adjusted EBITDA for Q2 was negative $70 million or negative 3% of net revenue. Adjusted EBITDA for the U.S. business in Q2 was negative $342,000, rounding to roughly breakeven as a percent of net revenue, and adjusted EBITDA for the international business was negative $70 million.

Copyright © 2001-2019 FactSet CallStreet, LLC

Non-GAAP free cash flow for the quarter was negative $91 million based on negative $3 million in net cash from operating activities and $89 million in capital expenditures. CapEx was 3.8% of net revenue in Q2, and we expect Q3 CapEx to total approximately 4% to 5% of net revenue.

As our business scales, we continue to look for the most cost-effective and flexible solution for our data infrastructure, and so we're in the process of partnering with a large cloud provider to support our ambitious long term growth plans and best serve our customers. In Q3, our OpEx line will reflect $10 million to $15 million of incremental expenses related to this initiative, so we expect to be able to meaningfully reduce our CapEx spend in this area over the coming quarters.

As of June 30, 2019, we had approximately $714 million of cash, cash equivalents, and short and long term investments.

With that, I'd like to turn to guidance for Q3 2019. I want to start with our normal update to give transparency on our quarter-to-date performance. On a year-over-year basis, our Direct Retail gross revenue growth is running in the mid-30s thus far into the quarter. While this is somewhat lower growth than when we exited Q2, it is not uncommon for us to have variability in our month-to-month growth rate within a quarter.

Our guidance-setting discipline is to consider our quarter-to-date performance, as well as our expectation for the full quarter and then prudently guide. As you've heard me say almost every quarter in our mass-market consumer business, the customer has to show up every day, and there's still a lot of the quarter to go. Given our typical approach, we are setting our guidance for overall revenue growth just below our current quarter-to-date performance.

We forecast Direct Retail net revenue of $2.22 billion to $2.27 billion, representing approximately $525 million to $575 million of Direct Retail dollar growth year-over-year, or a growth rate of approximately 31% to 34%.

For the U.S. business, we forecast Direct Retail net revenue growth in the range of 30% to 32% year-over-year and expect international Direct Retail net revenues to be up 40% to 45% year-over-year. On a constant currency basis, we're forecasting international growth between 42% and 47% year-over-year.

We forecast other net revenue to be in the range of $5 million to $10 million for a total net revenue of $2.23 billion to $2.28 billion for the third quarter.

We are not adjusting our current level of investments based on our revenue guide. As such, the U.S. business will swing to a loss this coming quarter. We continue to believe we are on the path to sustained adjusted EBITDA profitability for the U.S. business, but repeat that it will not be a straight line. At our current near breakeven levels of adjusted EBITDA in the U.S., even small changes can easily swing us to a gain or loss in any one quarter.

For consolidated adjusted EBITDA, we forecast margins of negative 6% to negative 6.5% for Q3 2019, reflecting our ongoing investments in international, continued spend on advertising where we are delivering our returns threshold, the timing of campus recruits joining Wayfair in the U.S., and the further build-out of our global logistics network.

In the U.S., we expect adjusted EBITDA margins of negative 2.75% to negative 3% and expect an international EBITDA loss in the range of $80 million to $90 million in Q3.

Copyright © 2001-2019 FactSet CallStreet, LLC

In North America, and increasingly in Europe, our investments are paying off in the form of greater scale and higher levels of repeat over time, which tells us our strategy of not timing our investments to any particular quarter is working as intended over the long term. We expect to stick to this philosophy, and we will not alter our ROI positive long-term investments to make any particular quarter more profitable.

For modeling purposes for Q3 2019, please assume equity-based compensation and related tax expense of approximately $66 million to $68 million, average weighted shares outstanding of 92.5 million, and depreciation and amortization of approximately $53 million to $55 million.

I'd now like to turn the call back to Niraj before we take your questions.

Niraj S. Shah

Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.

Thanks, Michael. Steve and I are very excited about the growth of our business this year, the competitive advantages we continue to build on, and the immense opportunities still ahead of us, both in the U.S. and internationally and in mass and in luxury.

Our growth is representative of the remarkable platform and experience we have worked hard to achieve, as well as the strong secular tailwinds from which we benefit. We're extremely proud of the team of over 14,000 people and of all the initiatives they're working on to make the customer experience as delightful as possible when shopping for the home online.

We want to thank our employees for their hard work, passion, and engagement as we collectively strive to capture an outsized share of the secular shift of home good dollars moving from offline to online.

I'll now ask the operator to open up the lines so we may answer some of your questions. Thank you.

Copyright © 2001-2019 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Peter Keith from Piper Jaffray. Your line is open.

Peter Jacob Keith
Analyst, Piper Jaffray & Co.

Q

Hey. Thanks. Good morning, everyone, and congrats on the solid Q2 and improving KPIs. Just at risk of asking a bit of a short-term question, Michael, the shares have turned down since you provided some of the quarter-to-date metrics. It's obviously a lower trend than what investors are used to seeing and coming off the heels of strong advertising growth in the first half of the year. Wondering if you guys could provide some perception on what's caused this recent decal? And if you might expect any type of re-acceleration in the business as the months move forward?

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.

A

Hey, Peter. It's Niraj. Thanks for your question. Let me jump in and provide some thoughts, and then Michael can chime in with any additional thoughts he has as well.

So what I would say, first of all, obviously, like when you mentioned, we've been watching the stock in the pre-market or the growth in the first month of this quarter, those are both very short-term measures. And if you look at our stock over time, you see it's highly volatile. If you look at our business, the growth rate we grow at, which is really the outcome of doing dozens and dozens of ambitious things, there's inherent volatility that's an outcome of the way we choose to run it, which is what yields in our mind incredible success. And frankly, we can actually map it with the metrics we have internally.

So the reality is growing in the mid-30s, for example, which is what we said quarter-to-date has been, last year, we had four quarters that all grew over 40%. And in three of them we had a month that was in the mid-30s, for example. And that's just sort of the reality of when you're doing dozens of things, each thing you do, you inject some volatility in the business. You do it for a good outcome.

For example, we launched a great new app redesign this quarter that we're really excited about, but when you do that you reset some of the customer consideration cycle for a portion of your customers. Well, if you worry about that and you obsess about those things, you don't actually move the business forward. But when you do it like aggressively, you're actually doing a great thing for customers, you create really good outcomes.

Here we also have some volatility that's imposed on us, frankly, in the sense of tariffs. Our business model is more resilient than that of a traditional retailer by being a platform. We have suppliers who will win, suppliers who will lose, suppliers who will choose to run lower margin and take share of suppliers who will choose not to do that, but that creates volatility.

So when we look at it, to answer your question, do we foresee acceleration? I do. When exactly will that kick in? I don't exactly know, you know. And if you look at our history, and you look at the way we grew over the years, we've had periods that slowed a little, periods that picked up a little. It's usually on the outcomes of these big things we did.

Copyright © 2001-2019 FactSet CallStreet, LLC

Like one big thing we're doing right now is our logistics network, and that frankly is just – it's going great. And there's huge dividends that are going to come out of that. They come out over a period of years, and we're now deep enough into it we're actually – we're highly, highly confident of those gains. We're actually seeing some of them flow through. Well, as we get more and more volume through that network, we know what that would yield.

Europe is another big expense that's providing great gains. And FX frankly is a headwind, but we don't worry about that. We're investing aggressively. That's part of the negative free cash flow is we're investing aggressively in putting in place an infrastructure logistics for our European business that lets us keep winning.

So I know that doesn't speak specifically to the question you have about volatility when it is measured in weeks, but that's the way I think about it. Michael, do you have anything you want to add?

Michael D. Fleisher
Chief Financial Officer, Wayfair, Inc.

A

No. The only other thing I'd add, Peter, is that I know you mentioned sort of ad spend. I just want to remind you and remind everyone, we spend our ad dollars based on a one-year payback on a contribution margin basis. If we're not getting that one-year payback on a contribution margin basis from the performance of those dollars, we know it quite quickly, and we would ratchet it back. So there's a clear ROI investment on every ad dollar we spend. We're seeing it payback.

We're continuing to see that performance in the cohorts, our cohorts of customers. You saw that in the cohort chart we put out at the end of last year, and those cohorts have continued to perform. And that gives us a lot of confidence that the ROI metric and the investment we're making in the ad dollars is really working.

Peter Jacob Keith
Analyst, Piper Jaffray & Co.

Q

Okay. That's very helpful. Thank you, guys. But maybe if I could ask one other longer term question and just coming off the heels of your Q2 supplier events, so we continue to hear very careful commentary about Wayfair from suppliers. But one comment that's starting to resonate is that that Wayfair has so many new programs that suppliers do have a hard time keeping up or doing proper ROI analysis to adjust it by some of the upfront investment. Is there any thought to slowing supplier programs to allow for some optimization? Or maybe in turn making some of the interface user-friendly and some of the data analysis more user-friendly?

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.

A

Peter, that's a very astute comment you have. We internally have recognized for years if you look at the website and the app, that's the platform, the technology platform we give to our end customers. And if you look at the way in which we've reduced friction and made it more and more intuitive and easy-to-use even while adding tremendous amount of feature and functionality, you'd look at that, and say, "Man, that's really been quite amazing. You made it more powerful, more complicated in some ways, and yet easier at the same time."

And then if you looked at the technology tool set that we've used historically with our suppliers, what we sort of call the Extranet and recently which is what I'm going to address, we rebranded Partner Home, you'd say, "Well, that really seems like a clunky set of over a 100 tools." And if you compare the two, there wouldn't really be a good comparison.

Copyright © 2001-2019 FactSet CallStreet, LLC

In our business, we're a platform connecting these suppliers with these customers, you'd want a totally different set of tools, but equally powerful, equally friction-free, equally elegant. And you'd want to make each one more and more powerful, while still making it more and more easy. And so that's something that we recognized a while ago.

We're about six to nine months into scaling up a team that's going after it. The plans are quite – we think, quite great. It's not an investment we specifically called out, but it's in the guidance we've given you for head count. So, the costs are captured in there.

And we think it's actually one of our biggest opportunities because we don't think the answer is to have less and less tools and less and less programs. But the tools – the key is to make them easier for suppliers to adopt them regardless of the specification of the supplier from a technology standpoint, and increasingly regardless of the size of the team the supplier has on the program, by making it easy for them to opt in, in a way that can be lighter and lighter from a workload standpoint, easier and easier for them to recognize the ROI.

What we're seeing is there's huge enthusiasm on their part to participate, but frankly the complexity involved today is one of the sources of friction that we've been eroding. And I think over the next 6, 12, 18 months we're hoping to transform that platform from what we have today to one that – while today we're still viewed as better than a lot of other platforms in terms of supplier tools, we think there's a huge opportunity, and we're going to compare it to what we offer consumers from an elegant standpoint.

Michael D. Fleisher
Chief Financial Officer, Wayfair, Inc.
A

Peter, it's Michael. The only other thing I'd add there is, I know, you spend a lot of time at markets, and so you recognize that there's a very long continuum of supplier sophistication level around how they think about and run and manage their own businesses. And so therefore their ability to take advantage of our own business. What Niraj was just talking about is all of the investments we're making to make that easier and easier.

But to some extent, this goes back to the very founding of the company, right, to – from the very beginning, we've been educating and working side-by-side with suppliers as our partners to sort of teach them how to take advantage of what we're building. And so at any moment in time, right, whether it's sponsored SKUs or just sort of how to have inventory on hand at CastleGate, or whatever it might be, there's a constant dialog with all of our suppliers to sort of bring them along, both with the tools they need to sort of manage it every day but also to help them think about what their business has to become in order to take advantage of our opportunity.

Peter Jacob Keith
Analyst, Piper Jaffray & Co.
Q

Okay. Thanks a lot, guys. It's great to be back. Good luck with the back half.

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.
A

Thanks, Peter.

Michael D. Fleisher
Chief Financial Officer, Wayfair, Inc.
A

Thanks, Peter.

Copyright © 2001-2019 FactSet CallStreet, LLC

Operator: [Operator Instructions] Your next question comes from Maria Ripps from Canaccord. Your line is open.

Maria Ripps
Analyst, Canaccord Genuity LLC

Q

Good morning, and thanks for taking my questions. I appreciate the color on international business. So maybe you can spend a few minutes talking about potential international expansion outside of the existing markets? Sort of what kind of operational milestones would you like to see within your existing international geographies for you to get more comfort around expanding to maybe some of the adjacent markets? And is it a near term priority for the company?

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.

A

Thanks for your question, Maria. So here is the way we think about it. In North America today we're very focused on the U.S. and Canada, and we think there's still a lot of room there despite the fact that we've built a brand with top-of-mind awareness and we're well-known.

In Europe, we started in the UK, and we've organically over time become the leader in the UK. And the brand awareness is now reaching household brand status. It's not quite there, but it's quite close. And then earlier this year we started focusing on the German business, but earlier this year we started the brand-building in Germany. We referenced the television advertising that we launched and Barbara Schöneberger as our spokesperson.

Well, what we want to see happen next, which is happening, is we want to see the German business follow in the same footsteps. And we're able to time index these countries and the KPIs that when we start the marketing, it's different milestones along the way to make sure that we're seeing same customer satisfaction, the same repeat performance and all the types of metrics that we know drive the long term outcome.

And what we don't want to do is expand further in Europe in a way that we have many different markets that are all still early stage where it distracts us. What we want to do is make sure we do it a very methodical way. But we will plan to expand further in Europe over time, but the focus right now is on Germany. And Germany is going quite well. And so if it continues going quite well, which is what we would expect, there will be a point in the not-too-distant future where we'll figure out what the next sort of adjacent or obvious European market to tackle would be.

But we're not in a rush, and we don't have a fixed timeframe for it. It's rather based on this kind of continued kind of focus and continued success. With the UK and Germany, we address about half of the GDP in Europe, so even though it's only two countries, it's a meaningful portion of the market.

And then the thing that I would point out is that the cost, when we talk about the investment in Europe or the investment in logistics, the really big part of it is because we're planning for the long term outcome. On the logistics side of things, like Asia consolidation, where we're doing in ocean freight and drayage, then what we're doing in the warehouse, and what we're doing with the home delivery, it all adds up. It's quite expensive. Well, Europe is similar because we built a pan-European network.

So today we source from over a dozen countries throughout Europe, and we have a transportation network that pools those items, brings them into the markets where we then do the home delivery which today are just the UK and Germany, but the infrastructure we built to handle taxation, to handle transportation, to handle customer

Copyright © 2001-2019 FactSet CallStreet, LLC

service, to handle language translation that will make it actually not as difficult for us to enter additional markets. It's not there's zero complexity, but there's far less than there would be otherwise.

We have category management teams that are based out of our office in Berlin, but that focus specifically on markets in Italy or Spain or Poland that are native language speakers and natives of those countries. So we're actually in, we think, an advantaged position for our long term European plan with costs we've already incurred. But in terms of where we're going to focus on building the business right now, it's just the UK and Germany.

Maria Ripps
Analyst, Canaccord Genuity LLC
Q

That's very helpful. Thank you.

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.
A

Thanks, Maria.

Operator: The next question comes from Brian Nagel from Oppenheimer. Your line is open.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.
Q

Hi. Good morning.

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.
A

Good morning.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.
Q

I want to go back to, if we could – and I apologize for the, kind of, the shorter term nature of the question, but just the guidance, Michael, and the sales slowdown, the modest sales slowdown we've seen here thus far in Q2. But having followed Wayfair for a while now, your company, your ability to track your consumers and know your consumers is better than anyone I've ever seen. So the question I have is, as you look at what seems to be a deceleration in sales from what – from Q1 to Q2, is there anymore color you can give us on either the metrics, or the KPIs you're looking at, that could help us understand the real genesis of this? And then so that we can maybe understand better, frame better whether this is indeed transitory short term in nature versus some type of a longer term slowdown?

Michael D. Fleisher
Chief Financial Officer, Wayfair, Inc.
A

Yeah. Thanks, Brian. Nothing has changed in a substantive way in the broad customer sat KPIs, and I think you – by the way, the place you see that is pretty clearly in Q2 results, right? On every KPI metric in Q2 we basically hit a new high. And so the way that cohorts are performing, the way that customers are performing, their purchases, all of that remains quite strong.

I think Niraj pointed to a couple pieces that could well be factors in this sort of first month of the quarter, right. Introducing new biostat it's the kind of thing you do that there's no way to A/B test it. You do it because it's the

Copyright © 2001-2019 FactSet CallStreet, LLC

right thing to do for customers over the long term. But as we pointed out last quarter, our app has a more substantive group of our customers running through it every day. So if you change their purchase path, that's going to have some near term impact.

As we take supplier tariff price increases and put them into customer prices, that's going to change the purchase timeline and process for our customer. And so, I think there's a couple of those kind of sort of short-term factors out there that I think could clearly be impacting this first month of the quarter. And as Niraj pointed out, we've certainly had quarters with months in the mid-30s before that ended up at a higher place.

But I think the other piece of it that Niraj talked about earlier is this level of volatility. At this scale and this growth rate, this level of volatility and the number of investments we're making, this level of volatility should be expected, right? We are going to have months or quarters that are slightly slower growth and months or quarters that are slightly higher growth. And I think trying to call that to a couple hundred basis points is going to be really hard.

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.
A

The only thing I'd add to that is the app – we're excited about the app. It's one of dozens of things that we did in the last quarter that inject volatility. So that's meant to just be an illustrative example. And so those things can create some volatility. And then you have external volatility which, for example, could be macro. It could be tariffs. It could be things like that. And you net out these numbers.

So when we guide, we're guiding here, it's August 1, so we have literally one month of data of three months of the quarter, and so we just use whatever we have. We tell you what's happened so far, and we just use that to project it going forward. So we don't actually say, oh, well, what do we think exactly will happen in the next two months? Because the challenge with that is the timing on these things is never that precise. And so certain things we're seeing today, last 30 days, 60 days, 90 days, 120 days, it's very hard to tell. And so what we do is, we just tell you the current to-date because that's the fact base we have, and then we just sort of build up guidance around that.

But the reality is, as you've seen with the business, the business has some inherent volatility that we inject in it because of the sort of ambitious nature we have, which is why we're getting great outcomes. But we sort of don't let the very short-term volatility, which is higher than you would have if you only grew 2%, 4%, 6%, 8% a year, something lower like that. We don't let that affect how we make good long-term decisions.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.
Q

Got it. Thank you. And a follow-up on a separate subject, so, Niraj, you spent a lot of time talking about your proprietary distribution infrastructure, which is obviously a key component of the power of the Wayfair model. As we look at the ongoing build-out, how should we think about the duration? How far, particularly with like in the domestic market, how far are we into the build-out?

Then maybe for Michael, with this build-out and we look at the expense growth, obviously there's a lot of investments happening at Wayfair, but what portion of that investment spend pertains directly to the build-out of this distribution infrastructure?

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.
A

Copyright © 2001-2019 FactSet CallStreet, LLC

Sure. I mean the distribution infrastructure is an expensive piece of our cost structure today because as we built out locations and we have a campus in Kentucky outside of Cincinnati, Ohio, we have a campus in New Jersey, we have buildings in Atlanta and Dallas, a campus outside of LA. But then what we've added, we just added a building in Savannah, and we have two more coming in the not-too-distant future, in Northern California and in Jacksonville.

And so today, the utilization of the network is not anywhere near the full capacity. We've been building out this footprint, but the footprint we largely have built out. So what happens is you get the gains as utilization rises in the building, and as you do that you basically create a staffing model so you can work three shifts and you can basically really take advantage of the speed opportunity and get more throughput through the buildings.

We recently, for example, moved from a three shift to a seven day a week model with multiple shifts. And what that basically does is that increases your cost base. It actually makes the per unit cost drop at a certain utilization level, but that's never the day you shift into it. So we actually just – that's an example of something we just did recently is actually really – the model on it is fantastic and speeds up delivery. It increases what your throughput through the building can be.

So over the next – it's hard to put an exact timeframe on it. But, so you think broadly over the next couple of years what happens is you're really driving volume through existing buildings more than adding buildings for footprint coverage. You generally are adding buildings more for volume needs. And you're trying to maximize your older buildings and throughput which is making your cost per unit drop. And you're also reducing transportation cost as you do it.

So to answer your question in terms of the build-out, will we be building a lot more buildings? The answer is, yes. Will the profitability of buildings we build in the future be much higher? It will be, yes, because we won't be building them until we actually need the space. And so the timeline of unutilized space shrinks dramatically from where it is today.

Michael D. Fleisher
Chief Financial Officer, Wayfair, Inc.

A

Hey. Let me just add a couple thoughts there on the sort of cost of that set of investments. I mean, if you think about the logistics network build-out is having an impact from a cost perspective on three lines, right, gross margin, OpEx, and CapEx, just to try to like dimensionalize.

On the gross margin side, Niraj has used the example of moving to a seven-day operating model. The place we see that, right, is that you're then going to sort of operate for a short period of time those boxes are going to operate less efficiently, right? And so the place you see that is in the COGS line, right, because that's the piece that we're sort of running through as a cost of goods sold in terms of the delivered cost.

On the OpEx line today we bear the unutilized rent of warehouses that we built that are not fully utilized. And today that number is in the sort of range of $15 million to $20 million a quarter.

And then on the CapEx side, right, you can see this quarter we spent $54 million in PP&E CapEx. A big portion of that spend is the CapEx going into this warehouse network, right? And when you think about how the free cash flow of our business has changed last year first half to this year first half, there's two big investments that we've made there.

Copyright © 2001-2019 FactSet CallStreet, LLC

One is the continued losses of investment in the international business and the growth of that business. And then the second is the capital cost, the CapEx cost that we put in, particularly in the logistics network. And I think as Niraj mentioned, we continue to build that network in advance of the coming volumes. So you have to stay ahead of it or on top of it. But that's how I would dimensionalize the sort of the investment places where the dollars are going to build out the logistics network.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Q

Right. Thank you very much for all the color. Appreciate it.

Michael D. Fleisher
Chief Financial Officer, Wayfair, Inc.

A

Yes. Thanks, Brian.

Operator: Your next question comes from Oliver Wintermantel from Evercore. Your line is open.

Oliver Wintermantel
Analyst, Evercore Group LLC

Q

Yeah. Thanks, guys. I had a question regarding so the order from repeat customers growth continues to grow faster than the orders from the new customers, which probably helps your margins, and U.S. revenues also grows faster than what you guided to. But the EBITDA is basically in-line or slightly below. Could you give us some details why that EBITDA is not reflecting lot higher due to the revenue growth?

Michael D. Fleisher
Chief Financial Officer, Wayfair, Inc.

A

Hey, Olly. It's Michael. So I think the thing to remember is that we are – and I try to say this every quarter, right? We continue to spend in any quarter based on the long term investments we're making in almost every one of our line items. And so if our marketing team finds the right advertising opportunities and can spend within our payback threshold, those hard ROI thresholds, we're going to spend those dollars and get those new customers. Because we know that they're continuing to perform as a new cohort better than the last previous year's cohort.

Same thing when you think about when we're going to go open a new facility or hire a new person. If we're going to make those determinations tied to what we think is the right long term answer to build our business and serve our customers as opposed to, are we going to sort of make more in this quarter or not?

And so in any quarter, and I just described it – as we described in our Q3 guidance, what we've got planned to spend this quarter based on what we think those we can do in the ad markets and get our ROIs is that we know what we're going to do. It will move as we sort of see what performance looks like. But if revenue is a little higher or a little lower we're not going to sort of change the investments we're making for the long term.

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.

A

And it's Niraj. A couple of comments I'd just chime in on. One is, if you look at the way we've sort of informed that CAC calculation, if you look at repeat running at 7%, you'll see that the customer acquisition cost still hovering in that same range, $50-ish. And you can see how the paybacks are staying very tight because actually the repeat economics are getting stronger. And so the ad cost is done in a very disciplined way.

Copyright © 2001-2019 FactSet CallStreet, LLC

But on the EBITDA line you have a couple other things that drive that in the near term. One is, I mentioned like, for example, some of the things we're investing in on the logistics side like the seven days a week. Those things have some costs, but they will yield good benefits, again not in the current quarter.

And then Michael did reference a movement where we're increasing running infrastructure in the cloud. And so if you look at from a cash flow standpoint, that's actually going to be a very good trade for us, but the reality is it's moving money out of what would be in depreciation into OpEx. And so we're not going to worry about the optics of that, but the reality is that's going to – if you're looking at adjusted EBITDA, it's going to weigh on that. But the reality is what we're focused on is how the company will become incredibly positive on a free cash flow basis. That's what we've always run it for, and so that's why that's a good trait. So there's a number of things in there.

Oliver Wintermantel
Analyst, Evercore Group LLC

Q

Got it. Thanks. And just quickly, Prime Day this year in July was longer than it has ever been. Is that – have you seen any difference there from your customers trade away from you guys? Is that why the quarter-to-date revenues could be a little bit weaker as well? Or do you think that has nothing to do with it?

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.

A

We don't think that has much to do with it. Because, in fact, what we see is things like Prime Day become retail holidays for everybody. They become good days for all retailers out there. In fact, there's some public data showing Walmart, Target, a number of others did on Prime Day. You could see that Prime Day is actually a boon for everyone.

We saw something very similar on Way Day where Way Day became a – and we like this because Way Day is obviously named after Wayfair. We're the lead marketer of it, but a number of other major retailers ran home shopping events on that day-and-a-half period. So I think some of these things just become major retail holidays in the way that Singles Day has in China. And I actually think that they're on net they are sort of good for everyone in the way that a Cyber Monday or Black Friday is.

Oliver Wintermantel
Analyst, Evercore Group LLC

Q

Got it. Thanks very much. Good luck.

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.

A

Thanks Olly.

Operator: And our final question for today will come from John Blackledge from Cowen. Your line is open.

John Blackledge
Analyst, Cowen and Company

Q

Yeah, great. Thanks. Two questions. On logistics, just curious, what percent of revenue or units are running through cash flow data at this point? And as you invest and build it out, how does it drive the customer value prop

Copyright © 2001-2019 FactSet CallStreet, LLC

competitive moat? And also, is it being built in a way that you can increase the speed of shipping to next-day at some point, similar to Amazon's recent move to Prime One Day?

And then on the gross margins, expanded nicely this quarter. Just wondering about the impact of the advertising business this quarter, and then how we should think about it kind of ramping in the back half of the year. Thanks.

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.
A

Thanks, John. Let me answer a couple parts of that, and then I'm going to defer to Michael on one part. On the logistics network and the speed, the nice thing if you think about the places that we have operations and the way in which we're running it seven days a week with multiple shifts, we actually – that network automatically becomes a one-day and even a same-day network as more and more goods are positioned into more and more facilities.

And a lot of what we're doing with Asia consolidation and the like basically enables that, and the real benefit is that, frankly at scale it's actually less expensive than the two-day network. Because you're basically positioning goods ahead of time very close to the customer. So you're basically using a leg of transportation at the same, but you get it closer so that the last-mile leg is shorter and smaller. And so it reduces your net total cost. And so that's something that we're – that's been part of the vision for a very long time, and we believe speed is critically important in every category of goods.

On the gross margin question, and the advertising business, I just want to -- on the advertising business we're very bullish on it. But I just do want to highlight it's still quite early, and it's still quite small. So I wouldn't focus on the advertising business as really being a major driver at all for the financials today. However, we do think that offers great opportunity in the future for upside. And we've been very cautious not to put a timeframe on that because it'll play out over time. And it's not something that we think is a light switch.

On the CastleGate penetration, I don't recall the last public numbers we gave. So I'm going to let Michael answer that one.

Michael D. Fleisher
Chief Financial Officer, Wayfair, Inc.
A

Yeah, John, the last numbers we gave was the 26% of U.S. small parcel. That was back in Q4 was running through CastleGate, and then in Q1 we talked about 14% of large parcel running through CastleGate. We continue to make progress there. It's not a number we're going to update every quarter, but I do think just from your own conversations I know with suppliers, this is – they're adopting, they continue to adopt. And as we get more and more efficient and sort of giving them good forecast, their ability to sort of run more through that network is really enhanced.

And then the other thing I always point out on this sort of notion of the penetration is, our whole business is growing so fast that growing penetration in those means that we're dramatically growing the inventory on hand, right. And so that that piece is really important to recognize that over the last few years we've gone from not having this program to having 26% of small parcel running through it.

If you think about the amount of growth of inventory that suppliers are now putting into our buildings, it's a actually really stunning off balance sheet asset for us, if you will, right. Because you have all of that inventory basically with your ability to get it to your market and get it to your customers very quickly, but without having to deploy that capital. And that's really sort of an amazing underpinning of our business model.

Copyright © 2001-2019 FactSet CallStreet, LLC

John Blackledge
Analyst, Cowen and Company

Q

Thank you.

Michael D. Fleisher
Chief Financial Officer, Wayfair, Inc.

A

Great. Thanks, John.

Operator: Thanks to everyone...

Niraj S. Shah
Chief Executive Officer, Co-Chairman & Co-Founder, Wayfair, Inc.

Yeah, thanks, everyone. We appreciate your time.

Operator: Thanks, everyone, for joining us today. This concludes today's conference call. You may now disconnect.

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2019 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.