

## **Wayfair Announces First Quarter 2017 Results**

*Q1 Direct Retail Revenue Growth of 32% Year over Year to \$940 million*

*Q1 Total Net Revenue Growth of 29% Year over Year to \$961 million*

*8.9 million Active Customers, up 46% Year over Year*

**BOSTON, MA — May 9, 2017** — 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, 2017.

### **First Quarter 2017 Financial Highlights**

- Direct Retail net revenue, consisting of sales generated primarily through Wayfair's sites, increased \$228.5 million to \$940.4 million, up 32.1% year over year
- Total net revenue increased \$213.5 million to \$960.8 million, up 28.6% year over year
- Gross profit was \$236.9 million or 24.7% of total net revenue
- GAAP net loss was \$56.5 million
- Adjusted EBITDA was \$(20.9) million or (2.2)% of total net revenue
- GAAP basic and diluted net loss per share was \$0.66
- Non-GAAP diluted net loss per share was \$0.48
- Non-GAAP free cash flow was \$(69.0) million
- At the end of the first quarter, cash, cash equivalents, and short-term and long-term investments totaled \$309.9 million

"We are very pleased to report strong momentum in the first quarter of 2017 as we continue to gain significant traction across our key strategic initiatives and steadily increase our market share in the \$600 billion dollar home category across North America and Europe," said Niraj Shah, CEO, co-founder and co-chairman, Wayfair. "The home category is driven by visual imagery and discovery with customers responding most positively to an inspirational shopping experience that brings product to life and solves traditional retail challenges in unexpected and compelling ways. The house brands that we are building are good examples of our best in class merchandising and technology capabilities that showcase the vast selection we offer our customers. In addition, our investment in a proprietary logistics network customized for furniture and décor is paying off as we continue to increase sales conversion through faster delivery and greater customer satisfaction. With technology and innovation as the backbone of our business, we feel confident that we have built a category-leading retail brand that is exceptionally well positioned for long term growth and continued success."

### **Other First Quarter Highlights**

- The number of active customers in our Direct Retail business reached 8.9 million as of March 31, 2017, an increase of 45.8% year over year
- LTM net revenue per active customer was \$394 as of March 31, 2017, an increase of 0.5% year over year
- Orders per customer, measured as LTM orders divided by active customers, was 1.73 for the first quarter of 2017, compared to 1.71 for the first quarter of 2016
- Repeat customers placed 60.4% of total orders in the first quarter of 2017, compared to 55.4% in the first quarter of 2016
- Repeat customers placed 2.5 million orders in the first quarter of 2017, an increase of 53.3% year over year
- Orders delivered in the first quarter of 2017 were 4.2 million, an increase of 40.6% year over year
- Average order value was \$223 for the first quarter of 2017, compared to \$238 in the first quarter of 2016
- In the first quarter of 2017, 44.6% of total orders delivered for our Direct Retail business were placed via a mobile device, compared to 38.6% in the first quarter of 2016

## **Webcast and Conference Call**

Wayfair will host a conference call and webcast to discuss its first quarter 2017 financial results today at 8 a.m. (ET). Investors and participants can access the call by dialing (877) 201-0168 in the U.S. and (647) 788-4901 internationally. The passcode for the conference line is 4744242. The call will also be available via live webcast at [investor.wayfair.com](http://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](http://investor.wayfair.com).

## **About Wayfair**

Wayfair Inc. offers an extensive selection of home furnishings and décor across all styles and price points. The Wayfair family of sites includes:

- Wayfair, an online destination for all things home
- Joss & Main, where beautiful furniture and finds meet irresistible savings
- AllModern, your home for affordable modern design
- DwellStudio, a design house with a decidedly modern vibe
- Birch Lane, a collection of classic furnishings and timeless home décor

Wayfair generated \$3.59 billion in net revenue for the twelve months ended March 31, 2017. Headquartered in Boston, Massachusetts with operations throughout North America and Europe, the company employs more than 5,700 people.

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## **Forward-Looking Statements**

This press release contains forward-looking statements. All statements other than statements of historical fact contained in this press release, 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 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.

Factors that could cause or contribute to differences in our future results include, but are not limited to: economic factors, such as interest rates and currency exchange fluctuations; our ability to acquire new customers; our ability to sustain and/or manage our growth; our ability to increase our net revenue per active customer; and our ability to build and maintain strong brands. A further list and description of these risks, uncertainties and other factors can be found under Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 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.

## **Non-GAAP Financial Measures**

To supplement Wayfair's 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. Wayfair uses these non-GAAP financial measures internally in analyzing its financial results and believes they are useful to investors, as a supplement to GAAP measures, in evaluating Wayfair's ongoing operational performance. Wayfair has 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 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. Wayfair has included Adjusted EBITDA and Adjusted EBITDA Margin in this earnings release because they are key measures used by its management and its board of directors to evaluate its 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 facilitate 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, Wayfair believes 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. Wayfair believes free cash flow is an important indicator of Wayfair's business performance, as it measures the amount of cash it generates. Accordingly, Wayfair believes that free cash flow provides useful information to investors and others in understanding and evaluating its operating results in the same manner as its 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 and related taxes, (benefit from) provision for income taxes, and non-recurring items divided by weighted average shares. Wayfair believes that adding back equity-based compensation expense and related taxes and (benefit from) provision for income taxes, and non-recurring items as adjustments to its 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.

Wayfair does not itself, nor does it 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 used by Wayfair 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 its 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):

	<b>Three months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Reconciliation of Adjusted EBITDA</b>		
Net loss	\$ (56,539)	\$ (41,205)
Depreciation and amortization	20,352	10,487
Equity based compensation and related taxes	14,958	10,662
Interest expense (income), net	299	(552)
Other (income), net	(176)	(669)
Provision for income taxes	210	317
<b>Adjusted EBITDA</b>	<b>\$ (20,896)</b>	<b>\$ (20,960)</b>
Net revenue	\$ 960,825	\$ 747,348
<b>Adjusted EBITDA Margin</b>	<b>(2.2)%</b>	<b>(2.8)%</b>

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):

	<b>Three months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Segment Adjusted EBITDA</b>		
U.S.	\$ 3,728	\$ (1,039)
International	(24,624)	(19,921)
<b>Adjusted EBITDA</b>	<b>\$ (20,896)</b>	<b>\$ (20,960)</b>

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):

	<b>Three months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Net loss	\$ (56,539)	\$ (41,205)
Equity based compensation and related taxes	14,958	10,662
Provision for income taxes	210	317
Non-GAAP net loss	<u>\$ (41,371)</u>	<u>\$ (30,226)</u>
Non-GAAP net loss per share, basic and diluted	<u>\$ (0.48)</u>	<u>\$ (0.36)</u>
Weighted average common shares outstanding, basic and diluted	<u>86,036</u>	<u>84,445</u>

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):

	<b>Three months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Net cash used in operating activities	\$ (46,098)	\$ (51,204)
Purchase of property and equipment	(11,952)	(23,927)
Site and software development costs	(10,920)	(5,451)
Free cash flow	<u>\$ (68,970)</u>	<u>\$ (80,582)</u>

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

	<b>Three months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Consolidated Financial Metrics</b>		
Net Revenue	\$ 960,825	\$ 747,348
Adjusted EBITDA	\$ (20,896)	\$ (20,960)
Free cash flow	\$ (68,970)	\$ (80,582)
<b>Direct Retail Financial and Operating Metrics</b>		
Direct Retail Net Revenue	\$ 940,352	\$ 711,846
Active Customers	8,855	6,074
LTM Net Revenue per Active Customer	\$ 394	\$ 392
Orders Delivered	4,213	2,996
Average Order Value	\$ 223	\$ 238

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

	March 31, 2017	December 31, 2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 212,408	\$ 279,840
Short-term investments	64,277	68,743
Accounts receivable, net of allowance of \$2,857 and \$3,115 at March 31, 2017 and December 31, 2016, respectively	21,770	19,113
Inventories	14,457	18,550
Prepaid expenses and other current assets	119,450	90,845
Total current assets	432,362	477,091
Property and equipment, net	263,315	239,354
Goodwill and intangible assets, net	3,949	4,230
Long-term investments	33,242	30,967
Other noncurrent assets	9,255	10,041
Total assets	<u>\$ 742,123</u>	<u>\$ 761,683</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 362,719	\$ 379,493
Accrued expenses	70,629	67,807
Deferred revenue	88,325	65,892
Other current liabilities	44,911	44,028
Total current liabilities	566,584	557,220
Lease financing obligation	41,542	28,900
Other liabilities	97,535	96,179
Total liabilities	705,661	682,299
Convertible preferred stock, \$0.001 par value per share: 10,000,000 shares authorized and none issued at March 31, 2017 and December 31, 2016	—	—
Stockholders' equity:		
Class A common stock, par value \$0.001 per share, 500,000,000 shares authorized, 50,971,401 and 49,945,202 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	51	50
Class B common stock, par value \$0.001 per share, 164,000,000 shares authorized, 35,475,888 and 35,885,692 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	35	36
Additional paid-in capital	431,812	409,225
Accumulated deficit	(395,191)	(329,940)
Accumulated other comprehensive (loss) gain	(245)	13
Total stockholders' equity	36,462	79,384
Total liabilities and stockholders' equity	<u>\$ 742,123</u>	<u>\$ 761,683</u>

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

	Three months ended March 31,	
	2017	2016
Net revenue	\$ 960,825	\$ 747,348
Cost of goods sold (1)	723,942	568,292
Gross profit	236,883	179,056
Operating expenses:		
Customer service and merchant fees (1)	35,058	27,350
Advertising	118,265	97,677
Merchandising, marketing and sales (1)	50,794	37,856
Operations, technology, general and administrative (1)	88,972	58,282
Total operating expenses	293,089	221,165
Loss from operations	(56,206)	(42,109)
Interest (expense) income, net	(299)	552
Other income, net	176	669
Loss before income taxes	(56,329)	(40,888)
Provision for income taxes	210	317
Net loss	\$ (56,539)	\$ (41,205)
Net loss per share, basic and diluted	\$ (0.66)	\$ (0.49)
Weighted average number of common stock outstanding used in computing per share amounts, basic and diluted	86,036	84,445

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

Cost of goods sold	\$ 145	\$ 58
Customer service and merchant fees	644	333
Merchandising, marketing and sales	7,160	5,101
Operations, technology, general and administrative	7,009	5,170
	\$ 14,958	\$ 10,662

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

	<b>Three months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (56,539)	\$ (41,205)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	20,352	10,487
Equity based compensation	13,629	9,715
Other non-cash adjustments	(246)	(156)
Changes in operating assets and liabilities:		
Accounts receivable	(2,651)	(1,941)
Inventories	4,094	2,142
Prepaid expenses and other current assets	(28,200)	(8,643)
Accounts payable and accrued expenses	(22,412)	(29,097)
Deferred revenue and other liabilities	25,930	7,926
Other assets	(55)	(432)
Net cash used in operating activities	<u>(46,098)</u>	<u>(51,204)</u>
<b>Cash flows from investing activities</b>		
Purchase of short-term and long-term investments	(16,225)	(28,489)
Sale and maturities of short-term investments	18,275	29,620
Purchase of property and equipment	(11,952)	(23,927)
Site and software development costs	(10,920)	(5,451)
Net cash used in investing activities	<u>(20,822)</u>	<u>(28,247)</u>
<b>Cash flows from financing activities</b>		
Taxes paid related to net share settlement of equity awards	(592)	(6,621)
Net proceeds from exercise of stock options	54	51
Net cash used in financing activities	<u>(538)</u>	<u>(6,570)</u>
Effect of exchange rate changes on cash and cash equivalents	26	643
Net decrease in cash and cash equivalents	<u>(67,432)</u>	<u>(85,378)</u>
<b>Cash and cash equivalents</b>		
Beginning of period	279,840	334,176
End of period	<u>\$ 212,408</u>	<u>\$ 248,798</u>