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 Joss  
& Main

ALL+  
MODERN

*Dwell Studio*

BIRCH LANE



  
wayfair®

# Investor Presentation

August 2015

This presentation includes forward-looking statements. Wayfair Inc. (“Wayfair” or the “Company”) has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the date of this presentation and management’s good faith belief as of such date with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to: 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, our ability to build and maintain strong brands and other factors discussed under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in periodic filings with the Securities and Exchange Commission (the “SEC”). In addition, in this presentation, the words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “predict,” “potential” and similar expressions, as they relate to the Company, business and management, are intended to identify forward-looking statements. In light of these risks and uncertainties, the future events and circumstances discussed in this presentation may not occur, and actual results could differ materially from those anticipated or implied in the forward-looking statements. Forward-looking statements speak only as of the date of this presentation. You should not put undue reliance on any forward-looking statement. The Company assumes no obligation to update any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting future performance or results, except to the extent required by applicable laws. If the Company updates one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements.

# OUR MISSION



**To transform the way people  
shop for their homes**



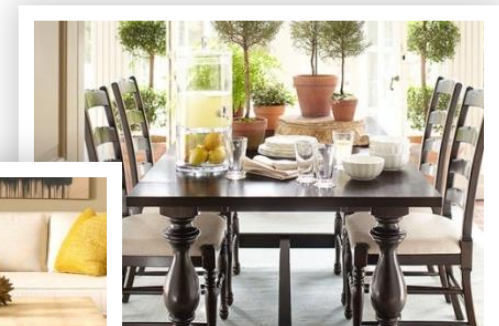
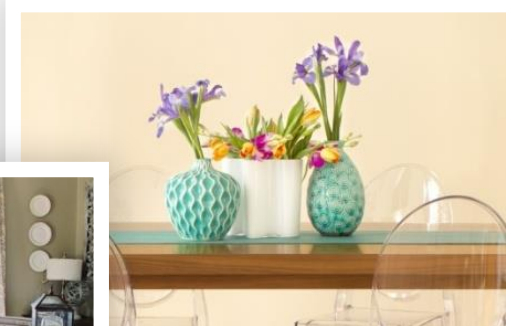
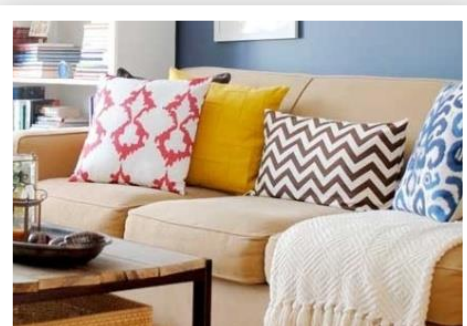
# A CLEAR ONLINE LEADER IN HOME GOODS



**MASSIVE ONLINE CATALOG** with over 7,000,000 home products  
**SUPPLIER DIRECT FULFILLMENT NETWORK** connecting over 7,000 suppliers  
**\$1,661 MILLION** of LTM net revenue with minimal inventory  
**81% Q1 YoY GROWTH** in direct retail, 66% total growth



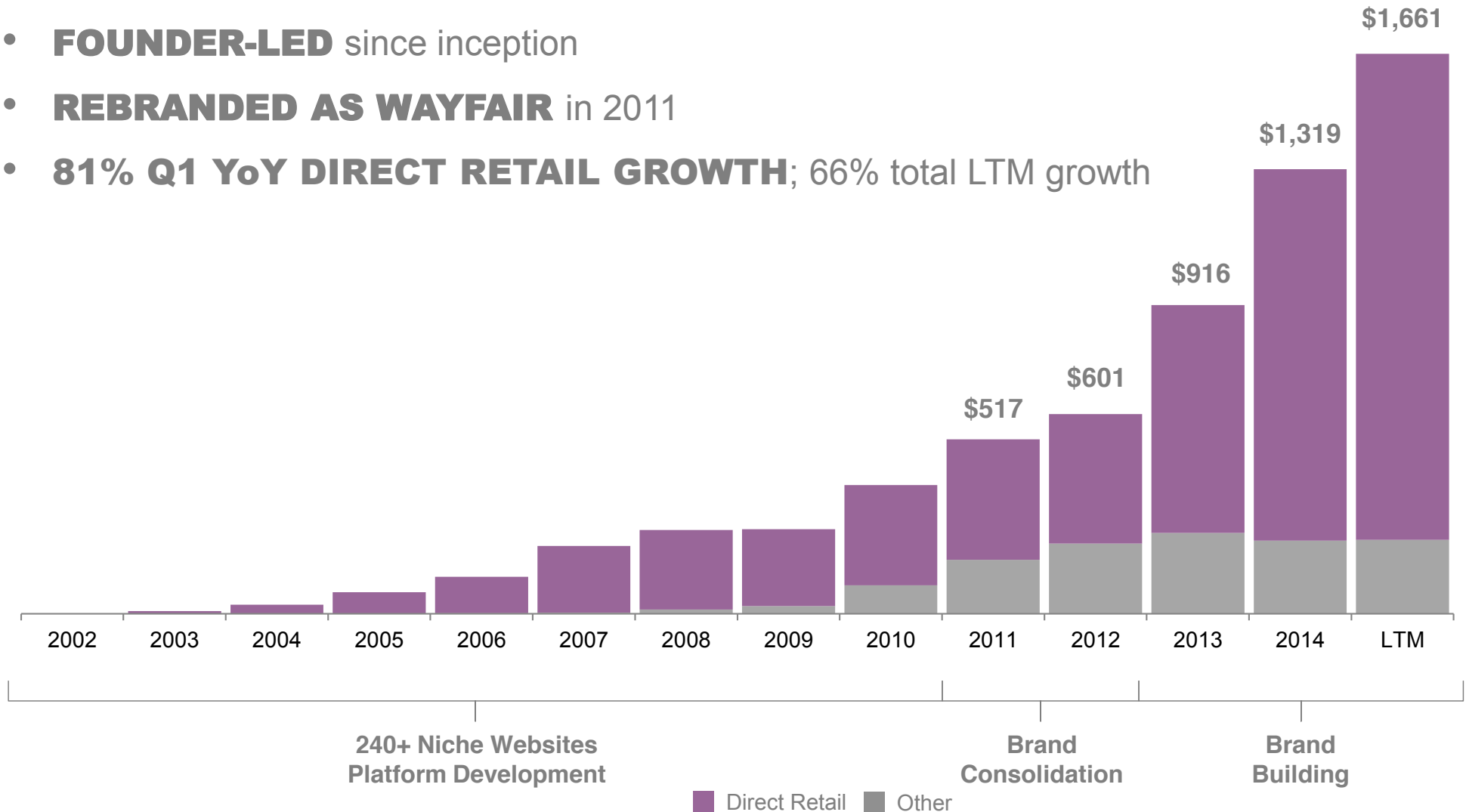
**BIRCH LANE**



# LARGE SCALE WITH SIGNIFICANT GROWTH



- Founded as **CSN STORES** in 2002
- **BOOTSTRAPPED** for the first 9 years
- **FOUNDER-LED** since inception
- **REBRANDED AS WAYFAIR** in 2011
- **81% Q1 YoY DIRECT RETAIL GROWTH**; 66% total LTM growth



# FIVE DISTINCT HOME BRANDS



Typical customer: **35 to 65 year old woman** with an annual household income of **\$60,000 to \$175,000**



Est. 2011



Est. 2011



Est. 2006



Acq. 2013

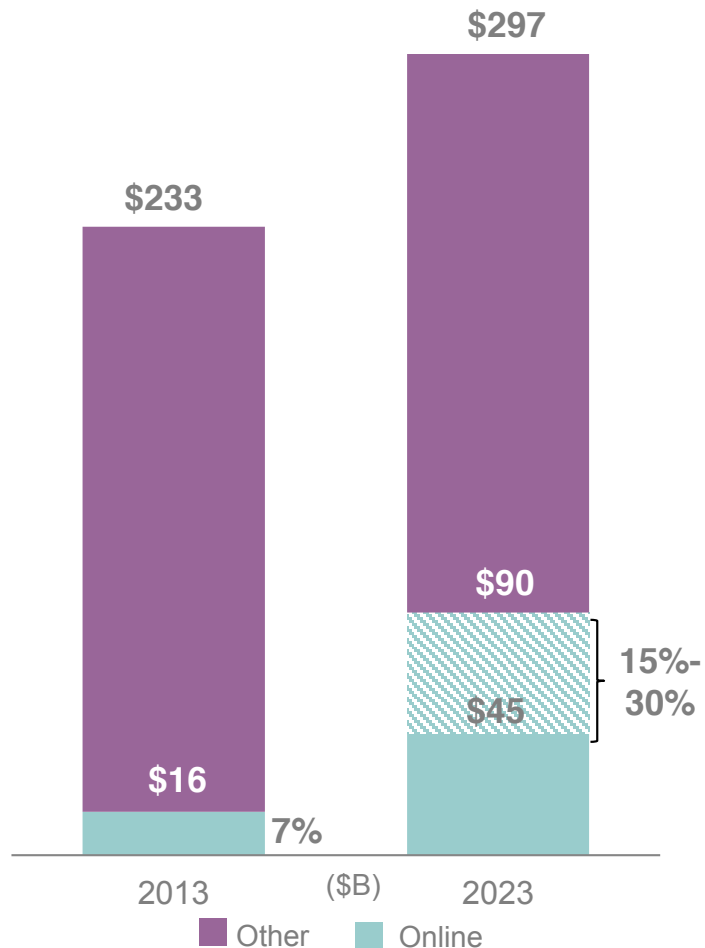
BIRCH LANE

Est. 2014



# LARGE, HIGHLY FRAGMENTED MARKET MOVING ONLINE

## Growth Potential of U.S. Home Goods Market

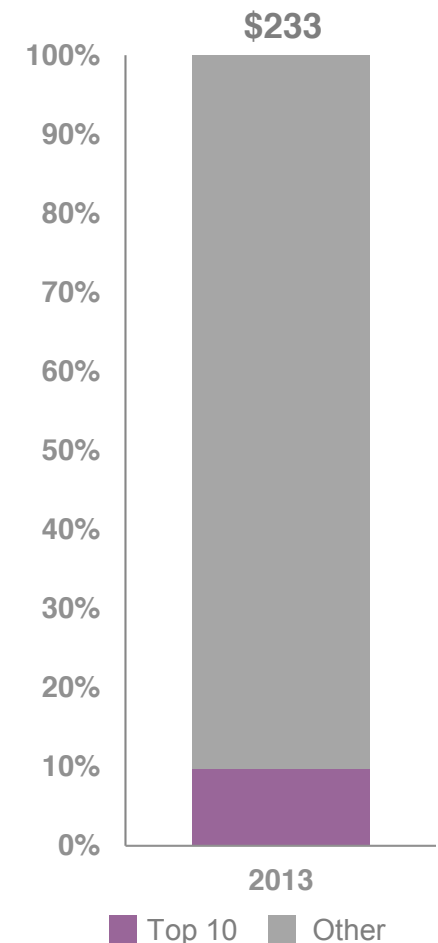


## Significant Upside in Online Penetration

2013 Online Penetration of Selected Verticals



## Total Furniture Sales by Retailer



Source: Euromonitor for market size, comScore for online statistics, eMarketer for millennial statistics, Furniture Today

\*\* Top 10 Retailers: Williams Sonoma, Ikea, Ashley's, Berkshire Hathaway Companies, Rooms to Go, Pier 1, Restoration Hardware, Mattress Firm, Raymour & Flanigan, La-Z-Boy

\*\*Millennials defined as individuals currently between the ages of 18 and 32. Based on 2013 data

# WELL POSITIONED RELATIVE TO OTHER RETAILERS





**We do not all sleep in the same style bed...**



**...but a lot of us own the same TV and view it as reassuring**



**#1** in 42"  
LCD TVs



**#2** in 42"  
LCD TVs




**#3** in 42"  
LCD TVs



**#4** in 42"  
LCD TVs

**Sunset SHOP** Kitchen | Living Room | Contemporary ♡ 📧 📷 📱

## House Tour: An Open, Airy Remodel




**BEDROOM**  
The master bedroom features a chic wooden nightstand to cleverly stash books and bedside essentials. The bed is topped with simple white linens, while a throw pillow with a graphic pattern adds a colorful splash of texture and fun.  
*Photo: Thomas J. Story*

**Shop This House** →  
Recreate this spacious and functional look with our editors' picks.

**SHOW ME MORE STYLES**

- STACKING CHAIRS
- THROW PILLOWS
- THROW BLANKETS
- VASES
- WALL ART

Explore more at [Sunset](#)



## Discovery & Education

## Inspiration


**IDEA & ADVICE**

GET INSPIRED PHOTOS BUYING GUIDES MAGAZINE SHOPS SEARCH

HOLIDAY & SEASONAL BEDROOM TRADITIONAL ♡ 📧 📷 📱

## Prepping for a Holiday Guest Bedroom

Create a cozy space that's both welcoming and full of festive personality with our editors' helpful decorating tips and ideas.




### Bring in Festive Flair

Carry the holiday spirit throughout your entire home and right into the guest bedroom. To update your room with a seasonal look, consider small accessories—accent pillows, decorative throws, and natural elements (pinecones, berries, poinsettias).






**Get the Look!** A neutral bedding set will act as a blank canvas for seasonal touches. In this bedroom, we infused red and green for a classic holiday look. Plaid patterns mixed with modern motifs, such as the reindeer pillow, lend a playful touch.

Get decorating by reading [Holiday Season Guest Room Updates](#)



### Bring It Home

From holiday bedding to decorative baskets, shop our favorite product picks below.

-  **Nail Button Groupie Upholstered Arch Headboard**  
More Options: [Color](#)
-  **Grace Chenille Throw Blanket**  
by Jovi Home
-  **Classico Hemstitch Cotton Rich 800 Thread Count Sheet Set**  
More Options: [Color](#)
-  **Holiday Plaid Reindeer Reversible Throw Pillow**  
by One Galla Casa
-  **14 oz. Mug**  
by Emma Henry

# HOME IS SHOPPED VISUALLY



## Search Based Site

Shop by Department Outdoor furniture

1-24 of 293,559 results for "Outdoor furniture"

Show results for **Patio, Lawn & Garden**

- Patio Furniture Sets
- Patio Seating
- Patio Tables
- Patio Dining Chairs
- Patio Lounge Chairs
- See more

Home & Kitchen

- Living Room Chairs
- See more

See All 30 Departments

Refine by

Eligible for Free Shipping  
Free Shipping by Amazon

**Patio, Lawn & Garden Product Material**

- Wicker
- Rattan
- Wood
- Resin
- Fabric
- Metal
- Vinyl
- See more

**Patio Furniture Set Number of Pieces**

- Under 4 Pieces
- 4 Pieces
- 6 Pieces
- 8 Pieces
- 7 Pieces
- 10 Pieces
- 9 Pieces & Above

**Avg. Customer Review**

- 4.5 & Up
- 4 & Up
- 3.5 & Up
- 3 & Up
- 2.5 & Up
- 2 & Up

**Brand**

- Outunny
- Luccella
- Keter
- Mainstay
- Suncoast
- Giantex
- Olama Collection
- Cosco
- UrbanFurnishing.net
- The Wicker House
- D&B Basics
- Kinkadee
- Uduka
- outdoor furniture
- Best Choice Products

**Improve Your Patio with Home Styles Furniture**

Shop now

Related Searches: outdoor chairs, outdoor furniture sets, outdoor furniture sets clearance.

See Color Options

See Size & Color Options

See Size & Color Options

See Size & Color Options

See Style & Color Options

See Style & Color Options

See Size & Color Options

See Size & Color Options

See Size & Color Options

wayfair.com outdoor furniture Search My Wayfair Cart

Ideas & Advice Room Inspiration Idea Boards

Furniture Décor Lighting Kitchen Bed & Bath Storage Outdoor Home Improvement Baby & Kids More... Gifts Sales

SUMMER HOME REDD: Shop All Sales at up to 70% OFF

All-Area Lighting Bathroom Vanities Rugs, Curtains & More

Outdoor > Patio Furniture

Featured Categories

- Conversation Sets
- Dining Sets
- Tables
- Chairs
- Sofas & Loveseats
- Outdoor Benches
- Porch Swings
- Hammocks

Shop By Accessories

- Outdoor Pillows & Cushions
- Patio Umbrellas
- Patio Furniture Covers
- Garden Stools

Shop By Material

- Wicker Furniture
- Metal Furniture
- Wood Furniture
- Teak Furniture

More Ways To Save

- Patio Furniture Clearance
- Free Shipping On Dining Sets

Soak Up the sun  
Conversation Sets Under \$500  
SHOP NOW

★★★★★ Safavieh 4-Piece Seating Group  
BUY NOW

Patio Dining Sets Under \$500

Shop the Trend: Wicker Lounge Chairs

Ends 6/10  
UP TO 70% OFF Budget-Friendly Backyard

Shop Patio Furniture By Space

Patio Lounge Furniture

Patio Dining

Patio Bar Furniture

Gazebos & Pergolas

## Home Category Example: Lighting



INDUSTRY SIZE:

**\$7B**

## CPG Category Example: Paper Towels



INDUSTRY SIZE:

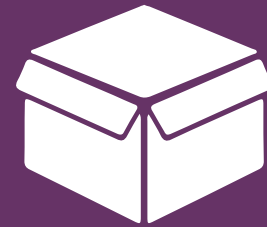
**\$7B**

# REQUIRES CUSTOM-BUILT TECHNOLOGY AND OPERATIONAL PLATFORM



## Technology Platform

- Proprietary and purpose built
- Real-time data, dynamic changes
- Personalization
- Mobile optimized
- Running at massive scale
- 350+ engineers / data scientists



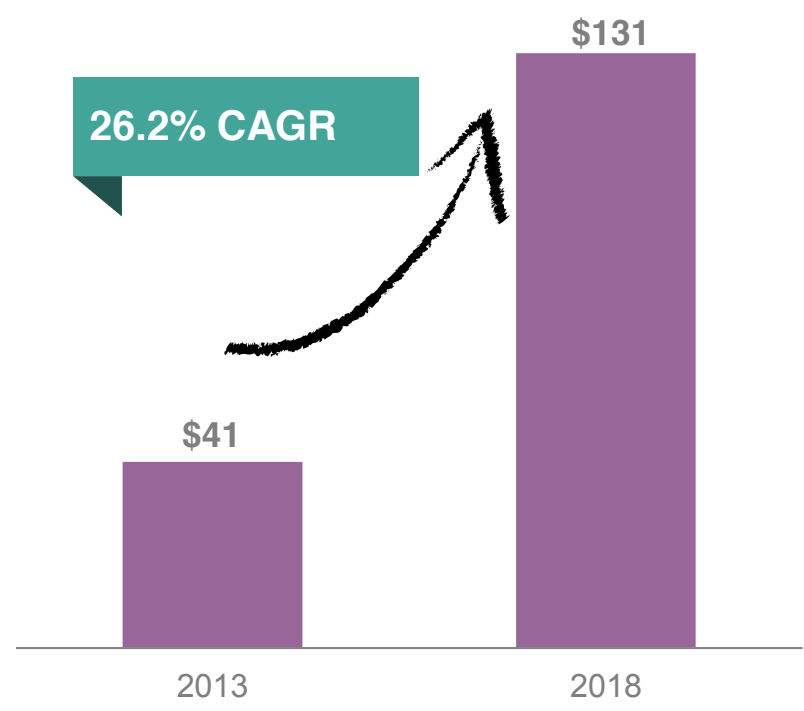
## Operational Platform

- Over 20 million orders since inception
- 2014 North America average time to ship of 2.2 days
- Extensive supplier integration and direct fulfillment network
- Proprietary transportation network
- Minimal inventory and capex
- 750+ customer service reps

# PLATFORM SHIFT TO MOBILE AMPLIFIES OPPORTUNITY



## US eCommerce Mobile Sales (\$B)<sup>1</sup>



Source: eMarketer as of 2014.

<sup>1</sup> Includes impact of smartphones and tablets.

<sup>2</sup> Direct Retail orders generated primarily through the sites of our five brands.

34%

Direct Retail orders via mobile in Q2 2015<sup>2</sup>

45%

Joss & Main orders via mobile in Q2 2015

→  
SIGNIFICANT OPPORTUNITY GOING FORWARD



# INCREASING PERSONALIZATION DRIVES GROWTH AND REPEAT BEHAVIOR



## Emails from 12/2; Ability to send 1M+ variations

“Prep for in-laws and overnight guests with holiday furniture for every room”



UP TO 70% OFF ENDS 12/09

Must-Have Furniture for Holiday Hosting

SHOP NOW >



UP TO 70% OFF ENDS 12/08

Top Table & Floor Lamps

SHOP NOW >



UP TO 70% OFF ENDS 12/05

Holiday Furnishings Blowout

SHOP NOW >



UNDER \$399 ENDS 12/06

Sofas Under \$399

SHOP NOW >



UP TO 65% OFF ENDS 12/04

Merry & Bright Holiday Lighting

SHOP NOW >



UNDER \$300 ENDS 12/05

TV Stands Under \$300

SHOP NOW >

“Tikes’ top picks: Playroom furniture and toys by KidKraft”



UP TO 45% OFF ENDS 12/08

KidKraft Playroom Furniture & Toys

SHOP NOW >



UP TO 65% OFF ENDS 12/03

New Arrivals: Nursery Furniture

SHOP NOW >



UNDER \$150 ENDS 12/03

Brand-Name Cookware Under \$150

SHOP NOW >



UP TO 70% OFF ENDS 12/09

Kids' Headboard Style Guide

SHOP NOW >



UNDER \$300 ENDS 12/05

Kids' Bedroom Under \$300

SHOP NOW >



FROM \$20 ENDS 12/03

Calphalon Cookware from \$20

SHOP NOW >

“Purr-rectly affordable finds for cats (and feline fans)”



UP TO 65% OFF ENDS 12/05

Cat Lover Blowout

SHOP NOW >



UP TO 70% OFF ENDS 12/05

'Tis the Season: Tree Skirts, Throws & More

SHOP NOW >



UP TO 70% OFF ENDS 12/05

Timeless & Traditional Rugs

SHOP NOW >



UP TO 60% OFF ENDS 12/03

Rustic Outdoor Storage Blowout

SHOP NOW >



UNDER \$250 ENDS 12/07

Accent Furniture Under \$250

SHOP NOW >

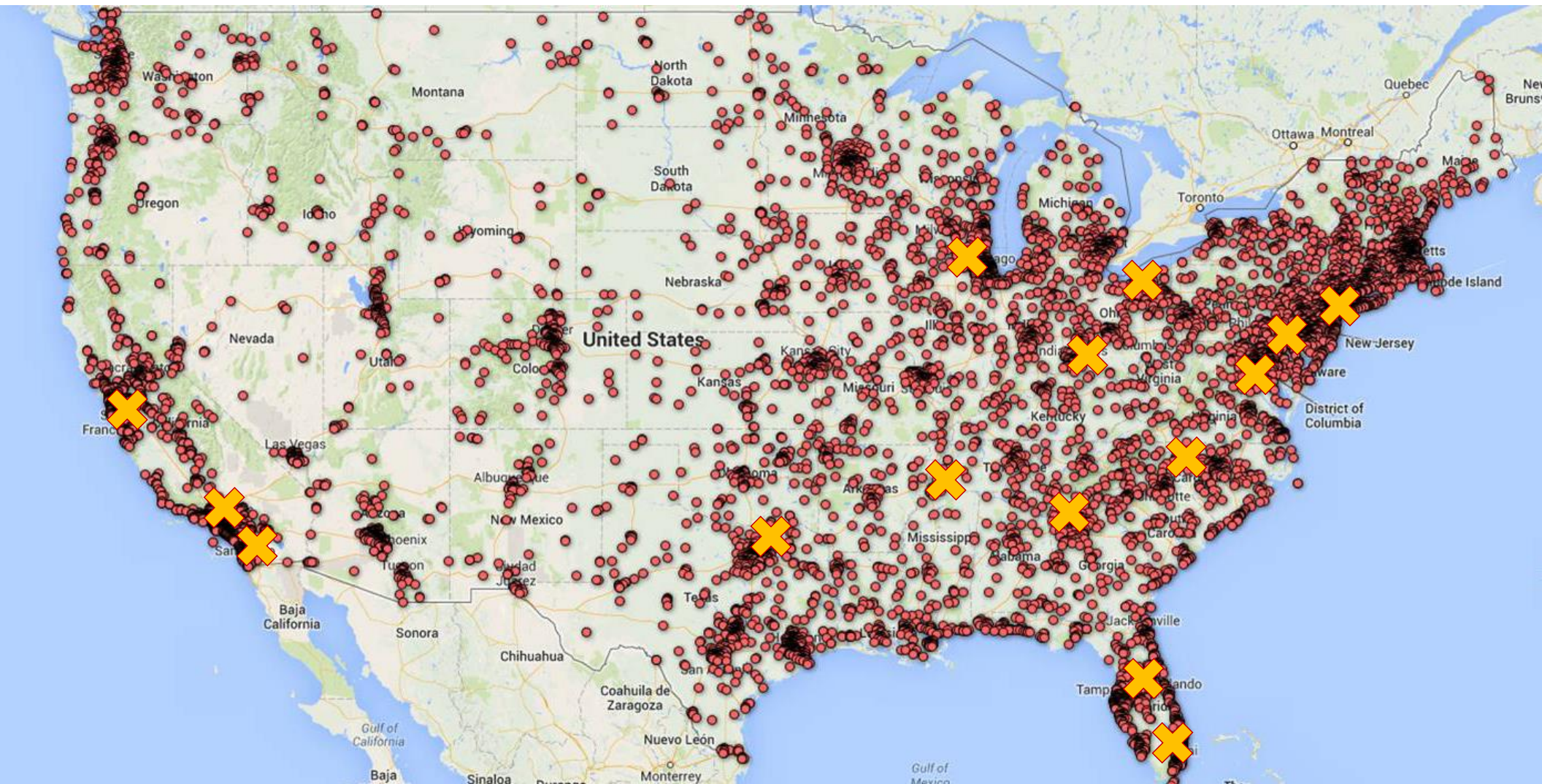


UP TO 70% OFF ENDS 12/03

Designer Picks: Rustic Dining Room

SHOP NOW >

# TECHNOLOGY AND OPERATIONS ARE RUN AT SCALE: 1 DAY OF ORDERS

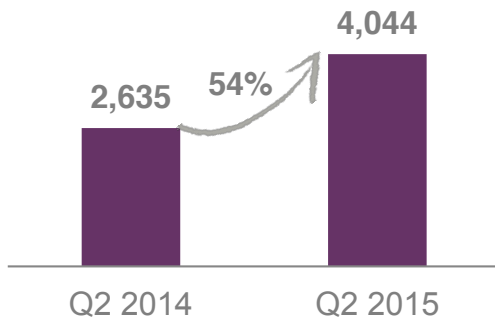




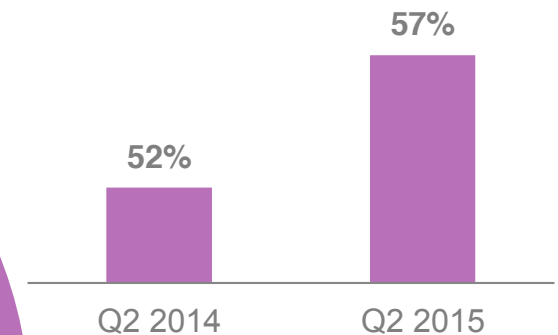
# SCALE DRIVES POWERFUL NETWORKS EFFECTS



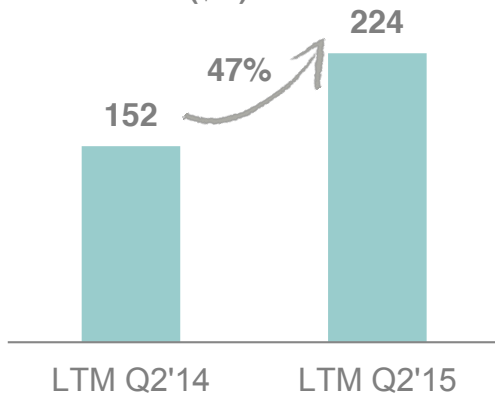
Active Customers<sup>1</sup>  
(in thousands)



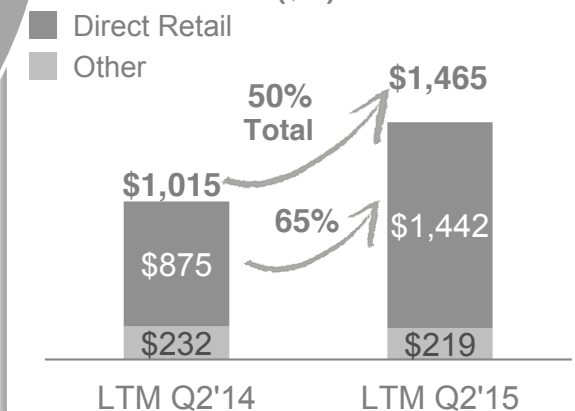
Repeat Orders<sup>2</sup>  
(as % of total orders)



Advertising Spend  
(\$M)



Net Revenue  
(\$M)



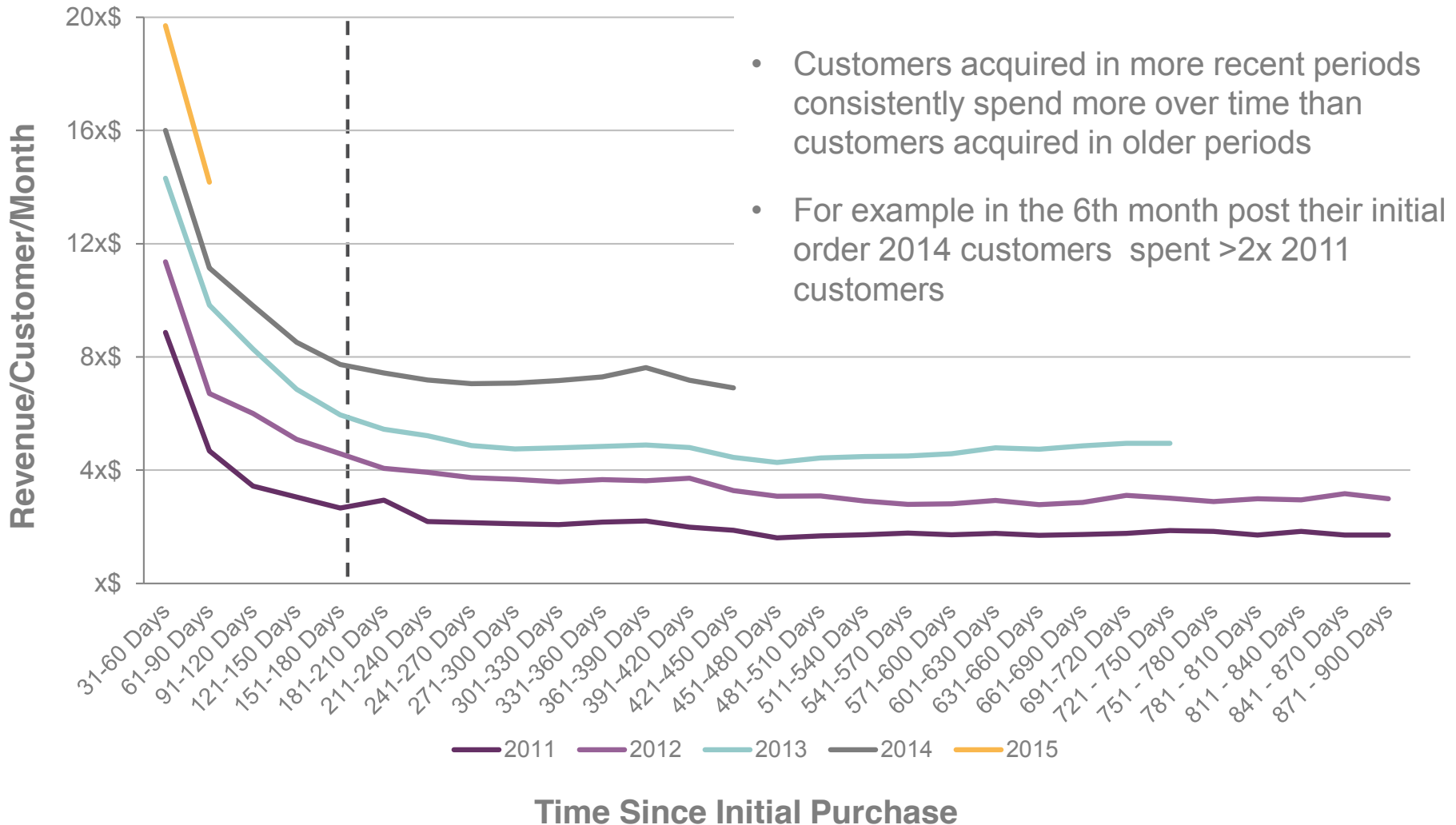
<sup>1</sup> Defined as customers who have purchased at least once on our brands' sites during the preceding 12 month period.

<sup>2</sup> Defined as total orders delivered from repeat customers.

# INVESTMENT IN ADVERTISING SPEND RESULTS IN HIGHER REVENUE/CUSTOMER...



## Wayfair.com Gross Revenue Per Customer Over Time



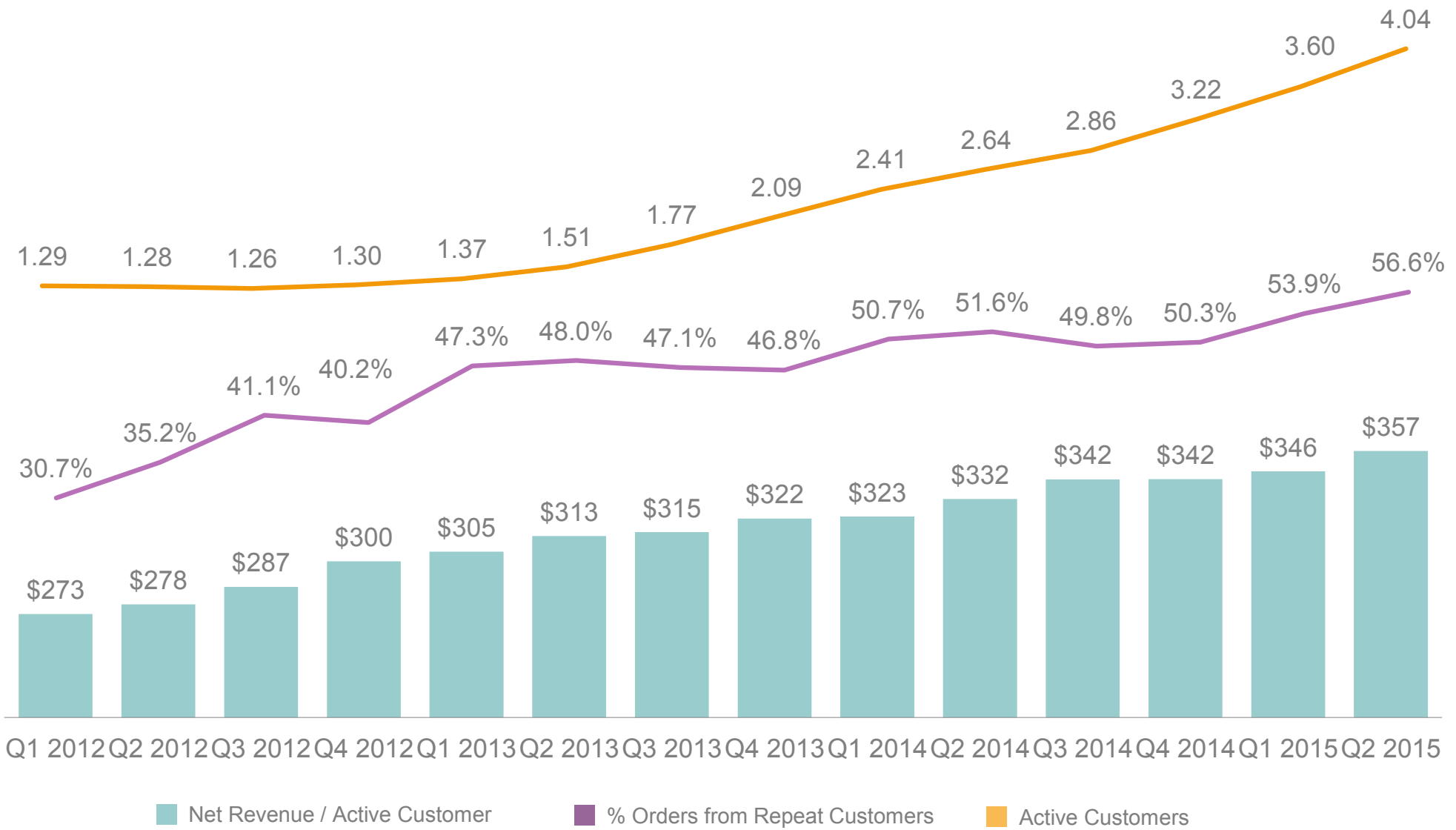
# ...AND GROWING AWARENESS

Google Trends – Interest in “Wayfair” over time  
Grew to 62% brand awareness since Wayfair launch in 2011<sup>1</sup>

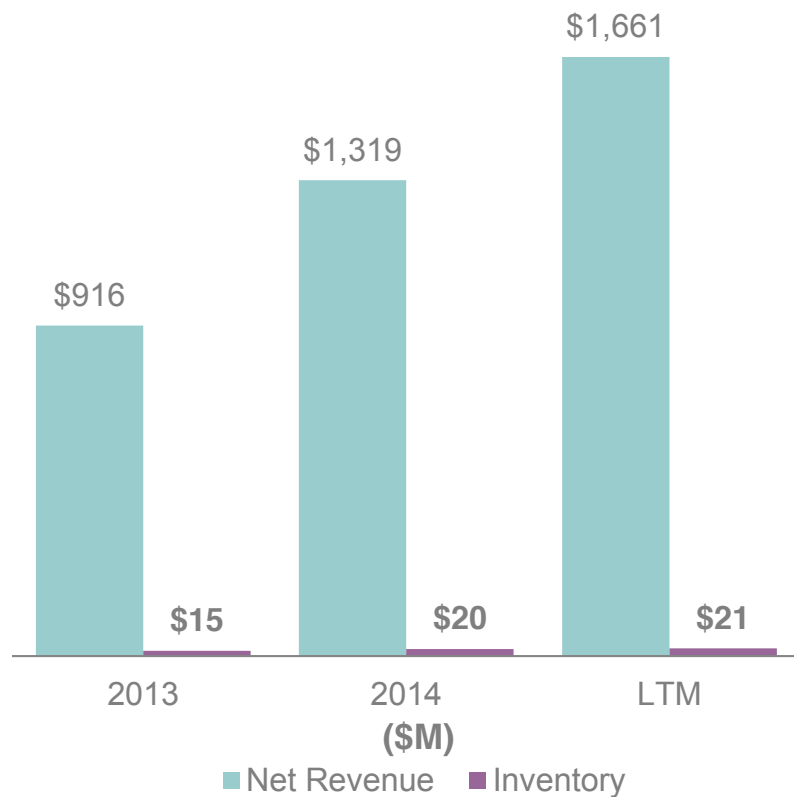


Source: Hanover Research  
<sup>1</sup> Aided Brand Awareness as of April 2014.

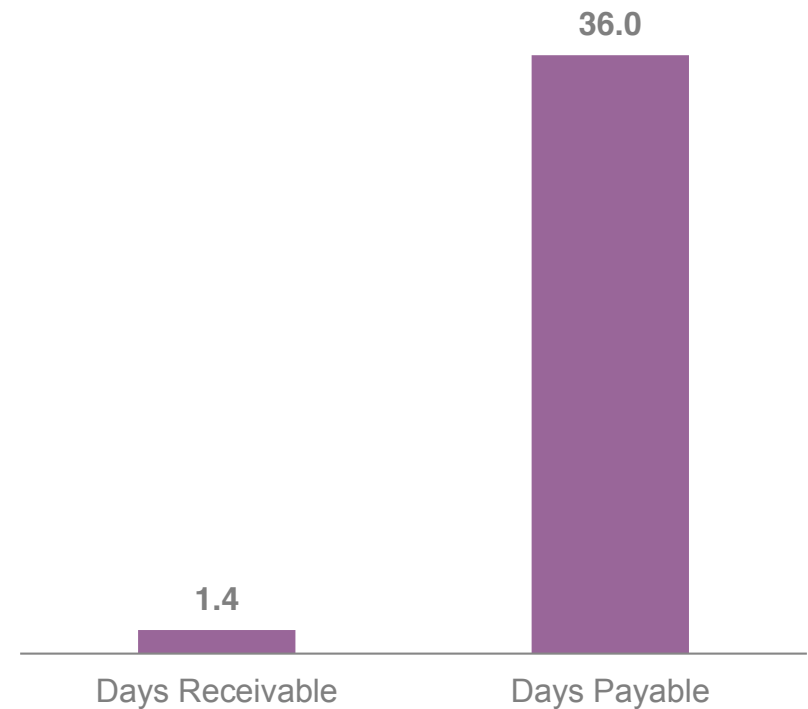
# CUSTOMER ECONOMICS CONTINUE TO IMPROVE



## Minimal Inventory



## Capital Efficient<sup>1</sup>



## FCF Performance Consistently Better than Adjusted EBITDA

<sup>1</sup> Average of last four quarters.

# LONG TERM TARGET MODEL



	2013	2014	Q2 2015	Long-Term Target
Net Revenue	100%	100%	100%	100%
<b>Gross Margin</b>	<b>24.5%</b>	<b>23.6%</b>	<b>24.6%</b>	<b>25 - 27%</b>
Customer Service + Merchant Fees	3.9%	4.1%	3.7%	4%
Advertising	11.8%	14.5%	12.5%	6 - 8%
Merchandising, Marketing, and Sales	3.7%	3.9%	4.2%	2 - 3%
Operations, Technology, General & Administrative	5.4%	5.9%	5.2%	3 - 4%
<b>Total Operating Expenses</b>	<b>24.8%</b>	<b>28.4%</b>	<b>27.1%</b>	<b>15 - 19%</b>
<b>Adjusted EBITDA</b>	<b>(0.3)%</b>	<b>(4.7)%</b>	<b>(1.0)%</b>	<b>8 - 10%</b>

Primarily headcount

Note: Merchandising, Marketing, and Operations, Technology, General & Administrative have been adjusted to exclude equity based compensation expenses and depreciation and amortization expense. See GAAP to Non-GAAP Reconciliation" Appendix.



## CONTINUE BUILDING LEADING RETAIL HOME BRANDS

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- Acquire More Customers
- Invest in Consumer Experience
- Increase Repeat Purchasing
- Add New Suppliers
- Invest in Technology and Operations

## ADDITIONAL GROWTH STRATEGIES

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- Expand Internationally
- Pursue Strategic Acquisitions
- Opportunistically Launch New Brands

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# RECONCILIATION OF ADJUSTED EBITDA

(\$ in millions)



	2013	2014	Q2 2015
Net Loss	(\$15.526)	(\$148.098)	(\$19.334)
Depreciation and Amortization	\$13.091	\$22.003	\$7.400
Equity-Based Compensation	-	\$63.244	\$7.101
Interest Income, net	(\$0.245)	(\$0.350)	(\$0.308)
Other (Expense) Income, net	(\$0.294)	\$0.489	\$0.096
Taxes	\$0.046	\$0.175	\$0.073
<b>Adjusted EBITDA</b>	<b>(\$2.928)</b>	<b>(\$62.537)</b>	<b>(\$4.972)</b>

# RECONCILIATION OF FREE CASH FLOW

(\$ in millions)



	2013	2014	Q2 2015
Net Cash Provided by Operating Activities, Net of Acquisition	\$34.413	\$11.692	\$28.453
Purchase of Property, Equipment and Leasehold Improvements	(\$6.739)	(\$39.422)	(\$13.153)
Site and Software Development Costs	(\$9.040)	(\$14.130)	(\$4.311)
<b>Free Cash Flow</b>	<b>\$18.634</b>	<b>(\$41.860)</b>	<b>\$10.989</b>

# Illustrative Customer Acquisition Cost



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

	<u>2014</u>
Total Advertising Spend	\$191,284
Assumed Partner Ad Spend (1)	\$24,300
Direct Retail Ad Spend	<u>\$166,984</u>
Active Customers	3,217
Total Orders	5,237
% of Orders from Repeat Customers	50.5%
Implied "Gross" New Customers (2)	2,590
Customer Acquisition Cost (3)	\$64
Annual Direct Retail Revenue per Customer	\$342
Annual Contribution per Customer (4)	\$67
Contribution Margin	19.5%

## Notes:

1. Assumes partner advertising spend is 11.18% of Other revenue as seen in the first six months of 2014 (as disclosed in our S-1).
2. Calculated as  $(1 - \text{Repeat Rate}) \times \text{Total Orders}$ .
3. Calculated as Direct Retail Ad Spend divided by Implied "Gross" New Customers.
4. Represents 2014 gross margin of 23.6% less an assumed 4.1% for customer service and processing fees.