Wayfair Announces Fourth Quarter and Full Year 2016 Results

Q4 Direct Retail Net Revenue Growth of 40% Year over Year to $959 million
Q4 Total Net Revenue Growth of 33% Year over Year to $985 million
Full Year 2016 Total Net Revenue Growth of 50% to $3.4 billion
8.3 million Active Customers, up 54% Year over Year

BOSTON, MA — February 23, 2017 — Wayfair Inc. (NYSE: W), one of the world’s largest online destinations for the home, today reported financial results for its fourth quarter and full year ended December 31, 2016. Beginning in the fourth quarter of 2016, Wayfair changed its operating and reportable segments from one segment to two segments, U.S. and International.

Fourth Quarter 2016 Financial Highlights

- Direct Retail net revenue, consisting of sales generated primarily through Wayfair's five sites, increased $273.4 million to $959.0 million, up 39.9% year over year
- Total net revenue increased $244.8 million to $984.6 million, up 33.1% year over year
- Gross profit was $238.6 million or 24.2% of total net revenue
- GAAP net loss was $44.0 million
- Adjusted EBITDA was $(12.0) million or (1.2)% of total net revenue
- GAAP basic and diluted net loss per share was $0.51
- Non-GAAP diluted net loss per share was $0.34
- Non-GAAP free cash flow was $48.7 million
- At the end of the fourth quarter, cash, cash equivalents, and short-term and long-term investments totaled $379.6 million

Full Year 2016 Financial Highlights

- Direct Retail net revenue increased $1.2 billion to $3.3 billion, up 59.7% year over year
- Total net revenue increased $1.1 billion to $3.4 billion, up 50.2% year over year
- GAAP net loss was $194.4 million
- Adjusted EBITDA was $(88.7) million or (2.6)% of total net revenue
- Non-GAAP free cash flow was $(65.3) million

"We are extremely pleased to report yet another year of exceptional growth with total net revenue up $1.1 billion to $3.4 billion in 2016," said Niraj Shah, CEO, co-founder and co-chairman, Wayfair. "As we continue to rapidly gain market share in the approximately $600 billion home category across North America and Europe, we are reaping the gains from the large, long-term investments we have been making over the past few years. Our largest investment is in our international business in Canada, the United Kingdom and Germany, where we are starting to see real traction and increased brand awareness. In the U.S., we are also investing in our proprietary logistics network, including CastleGate and the Wayfair Delivery Network, as well as in newer categories, such as home improvement and housewares. Even with this substantial ongoing investment in our U.S. business, the U.S. business continues to deliver strong results. In 2017, our team will continue to innovate at a rapid speed to deliver on a number of strategic initiatives that will solidly reinforce Wayfair’s leadership position as the best place to shop for home."
**Other Fourth Quarter Highlights**

- The number of active customers in our Direct Retail business reached 8.3 million as of December 31, 2016, an increase of 53.9% year over year
- LTM net revenue per active customer was $395 as of December 31, 2016, an increase of 3.7% year over year
- Orders per customer, measured as LTM orders divided by active customers, was 1.70 for the fourth quarter, down from 1.71 year over year
- Repeat customers placed 58.0% of total orders in the fourth quarter of 2016, compared to 54.3% in the fourth quarter of 2015
- Repeat customers placed 2.7 million orders in the fourth quarter of 2016, an increase of 63.1% year over year
- Orders delivered in the fourth quarter of 2016 were 4.7 million, an increase of 52.8% year over year
- Average order value was $203 for the fourth quarter of 2016, compared to $222 in the fourth quarter of 2015
- In the fourth quarter of 2016, 43.3% of total orders delivered for our Direct Retail business were placed via a mobile device, compared to 36.4% in the fourth quarter of 2015

**Webcast and Conference Call**

Wayfair will host a conference call and webcast to discuss its fourth quarter and full year 2016 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 48296007. The call will also be available via live webcast at investor.wayfair.com along with supporting slides. An archive of the webcast conference call will be available shortly after the call ends. The archived webcast will be available at investor.wayfair.com

**About Wayfair**

Wayfair 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 $3.38 billion in net revenue for full year 2016. Headquartered in Boston, Massachusetts with operations throughout North America and Europe, the company employs more than 5,600 people.

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PR@wayfair.com

**Investor Relations Contact:**
Julia Donnelly
IR@wayfair.com

**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.

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):

<table>
<thead>
<tr>
<th>Reconciliation of Adjusted EBITDA</th>
<th>Three months ended December 31, 2016</th>
<th>2015</th>
<th>Year Ended December 31, 2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$ (43,956)</td>
<td>$ (15,495)</td>
<td>$ (194,375)</td>
<td>$ (77,443)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>17,044</td>
<td>9,095</td>
<td>55,572</td>
<td>32,446</td>
</tr>
<tr>
<td>Equity based compensation and related taxes</td>
<td>14,688</td>
<td>9,727</td>
<td>51,953</td>
<td>32,975</td>
</tr>
<tr>
<td>Interest expense (income), net</td>
<td>97</td>
<td>(387)</td>
<td>(694)</td>
<td>(1,284)</td>
</tr>
<tr>
<td>Other expense (income), net</td>
<td>48</td>
<td>(176)</td>
<td>(1,756)</td>
<td>(2,718)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>53</td>
<td>64</td>
<td>608</td>
<td>95</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$ (12,026)</td>
<td>$ 2,828</td>
<td>$ (88,692)</td>
<td>$ (15,929)</td>
</tr>
</tbody>
</table>

Net revenue $ 984,559 $ 739,790 $ 3,380,360 $ 2,249,885

Adjusted EBITDA Margin (1.2)% 0.4% (2.6)% (0.7)%

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):

<table>
<thead>
<tr>
<th>Segment Adjusted EBITDA</th>
<th>Three months ended December 31, 2016</th>
<th>2015</th>
<th>Year Ended December 31, 2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>$ 11,992</td>
<td>17,927</td>
<td>$ 176</td>
<td>30,985</td>
</tr>
<tr>
<td>International</td>
<td>(24,018)</td>
<td>(15,099)</td>
<td>(88,868)</td>
<td>(46,914)</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$ (12,026)</td>
<td>$ 2,828</td>
<td>$ (88,692)</td>
<td>$ (15,929)</td>
</tr>
</tbody>
</table>

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):

<table>
<thead>
<tr>
<th>Net loss</th>
<th>Three months ended December 31, 2016</th>
<th>2015</th>
<th>Year Ended December 31, 2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity based compensation and related taxes</td>
<td>14,688</td>
<td>9,727</td>
<td>51,953</td>
<td>32,975</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>53</td>
<td>64</td>
<td>608</td>
<td>95</td>
</tr>
<tr>
<td>Other (1)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Non-GAAP net loss</td>
<td>$ (29,215)</td>
<td>$ (5,704)</td>
<td>$ (141,814)</td>
<td>$ (47,370)</td>
</tr>
</tbody>
</table>

Non-GAAP net loss per share, basic and diluted

<table>
<thead>
<tr>
<th>Weighted average common shares outstanding, basic and diluted</th>
<th>Three months ended December 31, 2016</th>
<th>2015</th>
<th>Year Ended December 31, 2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>85,567</td>
<td>84,191</td>
<td>84,977</td>
<td>83,726</td>
<td></td>
</tr>
</tbody>
</table>
The following table presents a reconciliation of free cash flow to net cash provided by operating activities for each of the periods indicated (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Three months ended December 31,</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$73,494</td>
<td>$90,366</td>
</tr>
<tr>
<td>Purchase of property, and equipment</td>
<td>(14,863)</td>
<td>(7,953)</td>
</tr>
<tr>
<td>Site and software development costs</td>
<td>(9,935)</td>
<td>(4,429)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$48,696</td>
<td>$77,984</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Three months ended December 31,</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Consolidated Financial Metrics</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$984,559</td>
<td>$739,790</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$(12,026)</td>
<td>$2,828</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$48,696</td>
<td>$77,984</td>
</tr>
<tr>
<td><strong>Direct Retail Financial and Operating Metrics</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Retail Net Revenue</td>
<td>$959,008</td>
<td>$685,575</td>
</tr>
<tr>
<td>Active Customers</td>
<td>8,250</td>
<td>5,360</td>
</tr>
<tr>
<td>LTM Net Revenue per Active Customer</td>
<td>$395</td>
<td>$381</td>
</tr>
<tr>
<td>Orders Delivered</td>
<td>4,722</td>
<td>3,091</td>
</tr>
<tr>
<td>Average Order Value</td>
<td>$203</td>
<td>$222</td>
</tr>
</tbody>
</table>
Quarterly Financial Metrics

The following tables set forth selected financial quarterly metrics and other financial and operations data for the eight quarters ended December 31, 2016 (in thousands):

<table>
<thead>
<tr>
<th>Segment Financial Metrics</th>
<th>Three months ended</th>
<th>Three months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2015</td>
<td>June 30, 2015</td>
</tr>
<tr>
<td></td>
<td>September 30, 2015</td>
<td>December 31, 2015</td>
</tr>
<tr>
<td></td>
<td>March 31, 2016</td>
<td>June 30, 2016</td>
</tr>
<tr>
<td></td>
<td>September 30, 2016</td>
<td>December 31, 2016</td>
</tr>
<tr>
<td>U.S. Direct Retail Net Revenue</td>
<td>$351,313</td>
<td>$418,288</td>
</tr>
<tr>
<td></td>
<td>$521,848</td>
<td>$653,962</td>
</tr>
<tr>
<td></td>
<td>$672,700</td>
<td>$702,408</td>
</tr>
<tr>
<td></td>
<td>$759,674</td>
<td>$858,583</td>
</tr>
<tr>
<td>U.S. Other Net Revenue</td>
<td>$49,267</td>
<td>$46,379</td>
</tr>
<tr>
<td></td>
<td>$44,379</td>
<td>$50,056</td>
</tr>
<tr>
<td></td>
<td>$33,221</td>
<td>$30,265</td>
</tr>
<tr>
<td></td>
<td>$28,127</td>
<td>$25,519</td>
</tr>
<tr>
<td>U.S. Adjusted EBITDA</td>
<td>$(3,947)</td>
<td>$7,080</td>
</tr>
<tr>
<td></td>
<td>$9,925</td>
<td>$17,927</td>
</tr>
<tr>
<td></td>
<td>$(1,039)</td>
<td>$(2,920)</td>
</tr>
<tr>
<td></td>
<td>$(7,857)</td>
<td>$11,992</td>
</tr>
<tr>
<td>International Direct Retail Net Revenue</td>
<td>$18,082</td>
<td>$22,009</td>
</tr>
<tr>
<td></td>
<td>$23,123</td>
<td>$31,613</td>
</tr>
<tr>
<td></td>
<td>$39,146</td>
<td>$53,249</td>
</tr>
<tr>
<td></td>
<td>$72,724</td>
<td>$100,425</td>
</tr>
<tr>
<td>International Other Net Revenue</td>
<td>$5,709</td>
<td>$5,076</td>
</tr>
<tr>
<td></td>
<td>$4,622</td>
<td>$4,159</td>
</tr>
<tr>
<td></td>
<td>$2,281</td>
<td>$1,006</td>
</tr>
<tr>
<td></td>
<td>$1,000</td>
<td>$32</td>
</tr>
<tr>
<td>International Adjusted EBITDA</td>
<td>$(8,393)</td>
<td>$(12,052)</td>
</tr>
<tr>
<td></td>
<td>$(11,370)</td>
<td>$(15,099)</td>
</tr>
<tr>
<td></td>
<td>$(19,921)</td>
<td>$(21,937)</td>
</tr>
<tr>
<td></td>
<td>$(22,992)</td>
<td>$(24,018)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>The following table reflects the reconciliation of net loss to Adjusted EBITDA for each of the periods indicated (in thousands):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three months ended</td>
</tr>
<tr>
<td>Net loss</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
</tr>
<tr>
<td>Equity based compensation and related taxes</td>
</tr>
<tr>
<td>Interest (income) expense, net</td>
</tr>
<tr>
<td>Other expense (income), net</td>
</tr>
<tr>
<td>Provision for (benefit from) income taxes</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
## CONSOLIDATED AND CONDENSED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

<table>
<thead>
<tr>
<th>Assets</th>
<th>December 31, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$279,840</td>
<td>$334,176</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>68,743</td>
<td>51,895</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of $3,115 and $2,767 at December 31, 2016</td>
<td>19,113</td>
<td>9,906</td>
</tr>
<tr>
<td>and December 31, 2015, respectively</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>18,550</td>
<td>19,900</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>90,845</td>
<td>76,446</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>477,091</td>
<td>492,423</td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Goodwill and intangible assets, net</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Long-term investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other noncurrent assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$761,683</td>
<td>$694,581</td>
</tr>
</tbody>
</table>

| Liabilities and Stockholders' Equity        |                   |                   |
| **Current liabilities**                     |                   |                   |
| Accounts payable                            | $379,493           | $270,913          |
| Accrued expenses                            | 67,807             | 51,560            |
| Deferred revenue                            | 65,892             | 50,884            |
| Other current liabilities                   | 44,028             | 23,669            |
| **Total current liabilities**               | 557,220            | 397,026           |
| Lease financing obligation                  | 28,900             | —                 |
| **Other liabilities**                       | 96,179             | 55,010            |
| **Total liabilities**                       | 682,299            | 452,036           |

Convertible preferred stock, $0.001 par value per share: 10,000,000 shares authorized and none issued at December 31, 2016 and December 31, 2015

Stockholders' equity:

Class A common stock, par value $0.001 per share, 500,000,000 shares authorized, 49,945,202 and 45,814,237 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively

Class B common stock, par value $0.001 per share, 164,000,000 shares authorized, 35,885,692 and 38,496,562 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively

Additional paid-in capital

Accumulated deficit

Accumulated other comprehensive gain (loss)

Total stockholders' equity

Total liabilities and stockholders' equity

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities</strong></td>
<td>682,299</td>
<td>452,036</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>761,683</td>
<td>694,581</td>
</tr>
</tbody>
</table>
## WAYFAIR INC.

### CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three months ended December 31,</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Net revenue</td>
<td>$984,559</td>
<td>$739,790</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>745,979</td>
<td>564,088</td>
</tr>
<tr>
<td>Gross profit</td>
<td>238,580</td>
<td>175,702</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer service and merchant fees</td>
<td>36,597</td>
<td>25,813</td>
</tr>
<tr>
<td>Advertising</td>
<td>115,689</td>
<td>87,975</td>
</tr>
<tr>
<td>Merchandising, marketing and sales</td>
<td>47,856</td>
<td>32,018</td>
</tr>
<tr>
<td>Operations, technology, general and administrative</td>
<td>82,196</td>
<td>45,890</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>282,338</td>
<td>191,696</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(43,758)</td>
<td>(15,994)</td>
</tr>
<tr>
<td>Interest (expense) income, net</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (expense) income, net</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(43,903)</td>
<td>(15,431)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>53</td>
<td>64</td>
</tr>
<tr>
<td>Net loss</td>
<td>(43,956)</td>
<td>(15,495)</td>
</tr>
<tr>
<td>Net loss per share, basic and diluted</td>
<td>$ (0.51)</td>
<td>$ (0.18)</td>
</tr>
<tr>
<td>Weighted average number of common stock outstanding used in computer per share amounts, basic and diluted</td>
<td>85,567</td>
<td>84,191</td>
</tr>
</tbody>
</table>

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

|                                | Three months ended December 31, | Year Ended December 31, |
|                                | 2016                            | 2015                    |
| Cost of goods sold             | $117                            | $34                     |
| Customer service and merchant fees | 620                            | 264                     |
| Merchandising, marketing and sales | 7,398                          | 4,952                   |
| Operations, technology, general and administrative | 6,553           | 4,477                   |
|                                | $14,688                         | $9,727                  |
|                                | $51,953                         | $32,975                 |

8
## WAYFAIR INC.

### CONSOLIDATED AND CONDENSED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(194,375)</td>
<td>$(77,443)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash used in operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>55,572</td>
<td>32,446</td>
</tr>
<tr>
<td>Equity based compensation</td>
<td>49,402</td>
<td>31,015</td>
</tr>
<tr>
<td>Gain on sale of a business</td>
<td>—</td>
<td>(2,997)</td>
</tr>
<tr>
<td>Other non-cash adjustments</td>
<td>331</td>
<td>3,027</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(9,217)</td>
<td>(4,033)</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,351</td>
<td>(131)</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>(16,179)</td>
<td>(29,513)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>126,013</td>
<td>135,855</td>
</tr>
<tr>
<td>Deferred revenue and other liabilities</td>
<td>51,914</td>
<td>47,031</td>
</tr>
<tr>
<td>Other assets</td>
<td>(1,998)</td>
<td>(136)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>62,814</td>
<td>135,121</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |           |           |
| Purchase of short-term and long-term investments | (88,112) | (207,303) |
| Sale and maturities of short-term investments | 119,810  | 133,596   |
| Purchase of property and equipment | (96,707) | (44,648)  |
| Site and software development costs | (31,379) | (17,536)  |
| Cash received from the sale of a business (net of cash sold) | 1,508    | 2,860     |
| Other investing activities, net | (1,000)  | (4,697)   |
| **Net cash used in investing activities** | (95,880) | (137,728) |

| **Cash flows from financing activities** |           |           |
| Taxes paid related to net share settlement of equity awards | (21,092) | (19,111)  |
| Net proceeds from exercise of stock options | 209       | 495       |
| **Net cash used in financing activities** | (20,883) | (18,616)  |
| Effect of exchange rate changes on cash and cash equivalents | (387)    | (460)     |
| **Net decrease in cash and cash equivalents** | (54,336) | (21,683)  |

| **Cash and cash equivalents** |           |           |
| Beginning of year | 334,176   | 355,859   |
| End of year       | $ 279,840 | $ 334,176 |