



NEWS RELEASE

Wayfair Announces First Quarter 2019 Results

5/2/2019

Q1 Direct Retail Net Revenue Growth of 39% Year over Year to \$1.9 billion

16.4 million Active Customers, up 39% Year over Year

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

First Quarter 2019 Financial Highlights

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

"We are excited to report a strong start to 2019 marked by another consecutive quarter of exceptional growth with Direct Retail net revenue up \$542 million dollars, or 39%, year over year, for a total net revenue of \$1.9 billion," said Niraj Shah, CEO, co-founder and co-chairman, Wayfair. "Our ongoing investments in building our logistics

infrastructure, deepening our product offering, and finding new ways to serve our customer are just a few of the many areas that are driving the momentum we are seeing today. Once again, Way Day, our biggest retail event of the year, was a tremendous success for the business breaking our record for the highest revenue grossing day in company history. We look forward to the sizeable opportunity ahead as we continue to transform the experience of shopping for the home and remain well positioned to take share of the dollars that are coming online in the home category."

Other First Quarter Highlights

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

Webcast and Conference Call

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

About Wayfair

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

The Wayfair family of sites includes:

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

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

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of federal and state securities laws. All statements other than statements of historical fact contained in this press release, including statements regarding the strength of our product offering, the expansion of our logistics network, our future results of operations and financial position, our business strategy and our plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions.

Forward-looking statements are based on current expectations of future events. We cannot guarantee that any forward-looking statement will be accurate, although we believe that we have been reasonable in our expectations and assumptions. Investors should realize that if underlying assumptions prove inaccurate or that known or unknown risks or uncertainties materialize, actual results could vary materially from our expectations and projections. Investors are therefore cautioned not to place undue reliance on any forward-looking statements. These forward-looking statements speak only as of the date of this press release and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events or otherwise.

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

Non-GAAP Financial Measures

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

Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures that are calculated as income (loss) before depreciation and amortization, equity-based compensation and related taxes, interest and other income and expense, (benefit from) provision for income taxes, and non-recurring items. We have included Adjusted EBITDA and Adjusted EBITDA Margin in this earnings release because they are key measures used by our management and our board of directors to evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA and Adjusted EBITDA Margin facilitates operating performance comparisons on a period-to-period basis and, in the case of exclusion of the impact of equity-based compensation and related taxes, excludes an item that we do not consider to be indicative of our core operating performance. Investors should, however, understand that equity-based compensation will be a significant recurring expense in our business and an important part of the compensation provided to our employees. Accordingly, we believe that Adjusted EBITDA and Adjusted EBITDA Margin provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Free cash flow is a non-GAAP financial measure that is calculated as net cash (used in) provided by operating activities less net cash used to purchase property and equipment and site and software development costs. We believe free cash flow is an important indicator of our business performance, as it measures the amount of cash we generate. Accordingly, we believe that free cash flow provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management.

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

We do not, nor do we suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors should also note that the

non-GAAP financial measures we use may not be the same non-GAAP financial measures, and may not be calculated in the same manner, as that of other companies, including other companies in our industry.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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