This presentation contains forward-looking statements within the meaning of federal and state securities laws. All statements other than statements of historical fact contained in this presentation—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 the Company's 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 presentation 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 under Part I, Item 1A, Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and the Company’s subsequent filings with the Securities and Exchange Commission. We qualify all of our forward-looking statements by these cautionary statements.

Market data information, including growth rates and online penetration, used in this presentation are based on management’s knowledge of the industry and their good-faith estimates. Management has relied, to the extent available, upon their review of industry surveys and publications and other publicly available information prepared by a number of third-party sources. The market data information, including indicative market growth and online penetration, provided in this presentation involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such information. Although we believe that these sources are reliable as of their respective dates, we have not verified the accuracy or completeness of this information from independent sources. In addition, this information involves important risks, uncertainties, and other factors, including those discussed above, which could cause results to differ materially.

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. A reconciliation of non-GAAP measures to GAAP measures is contained in the Appendix to this presentation.
- ~$600B total addressable market rapidly moving from brick and mortar to online

- Utilizing in-house software development capability to build and leverage proprietary technology as key enabler

- Partnering with fragmented and largely unbranded supplier base of over 10,000 suppliers

- Solving unique challenges of the category by building a business customized for home

- Highly recognized brand with increasing engagement from repeat customers

- Investing in logistics, international markets, and new teams to continue outsized share-taking

- Attractive financial profile with robust growth at scale, proven unit economics, and inventory-light business model

- Co-founders are largest shareholders, with focus on sustainable long-term growth, operational discipline, and customer-first orientation
01. Our Business
02. Strategic Priorities
03. KPIs & Financial Metrics
04. Appendix
01. OUR BUSINESS
Large, Addressable Market
Transitioning Away from Brick and Mortar...
U.S. Home Market by Channel ($B)

CAGR

'17–'22 '22–'27
$396 3.7% 3.7%
$330 15.0% 15.0%
$275 1.8% 0.1%

Home Goods Apparel Consumer Electronics
12% 28% 34%

Fragmented brick-and-mortar market with regional and national specialty retailers, big box retailers, and department stores

...with Further Headroom for Online Penetration...
Estimated U.S. Online Penetration of Selected Verticals

...and Tailwind from Millennials Beginning To Enter the Category
Illustrative Distribution of Home Goods Customers by Age

Source: Euromonitor, Wayfair estimates.
With the Home Category Online Growing by Approximately 15% in the U.S. in 2017...

U.S. Home Online Market Size Forecast

...We Are Taking a Significant Share of Dollars as They Shift Online

2017 Online Growth Breakdown, $B and % of Total

Wayfair U.S. Growth $1.0B

Others $3.1B

75%

25%
### Problem

1. **Confidence To Buy:** In the absence of being able to touch and feel a product, customers typically require greater comfort and advice on the item they are buying.

2. **Visualizing Products:** Understanding how a sofa or dining room table will look in a shopper’s home is central to the purchase decision.

3. **Inspiration and Product Discovery:** Home is browsed and not searched, as it is difficult for consumers to describe what they are looking for and brands are not known. Additionally, home shoppers desire uniqueness.

4. **Customer Service and Delivery:** Home is characterized by heavy, bulky, and damage-prone items. Delivery speed can be slow and customers have limited visibility on order timing. Third parties typically play a large part in the transportation and delivery process, resulting in a customer experience that can be poor relative to other categories.

### Solution

We have purpose-built our business to solve these issues and transform how customers shop for the home, from their home.
Confidence To Buy:
Inspires Confidence in the Purchase

- Customer reviews
- Specialized sales team
- Swatches and samples
- In-depth product information & specifications
- Customer Q&A
- Plus more...

I was pleased by the wrapping of the product in the package. And again pleased by the quick assembly, I was able to do it alone in 5 minutes. It fits perfect in my small living room.

– Customer from Bradenton, FL
OUR BUSINESS: BUILT FOR THE HOME CATEGORY
WE HELP SHOPPERS VISUALIZE THEIR PURCHASE THROUGH THE USE OF TECHNOLOGY

2 Visualizing Products:
Customers “See” Before They Buy
- 3D View in Room
- Room Planner
- Room Ideas
- Search with Photo
- Customer-uploaded product photos
- Plus more...

Tap

Snap

Results!
Inspiration and Product Discovery:
Find the Right Product Faster

- Product recommendations
- Personalization
- Visual filters
- Idea Boards
- Plus more...

Recommended for You

Huntsville Sectional by Alcott Hill
$473.08 $598.99
Rating: 3.9 stars (1413)
FREE Shipping
Inspiration and Product Discovery:
Curated brand experience, enabling customers to more easily discover the items they love from our range of more than 10 million products.

**BREAKWATER BAY**
Nautical, low price point

**mercuryROW**
Contemporary, mid price point

**THREEPOSTS**
American Traditional, mid price point

**TRENT AUSTIN design**
Industrial, high price point
Inspiration and Product Discovery:
House Brands Account for the Majority of Wayfair.com Revenue

House brands have grown from 6% of Wayfair.com revenue to 57% in two years.
Customer Service and Delivery:

In-house customer service team of over 2,500 people in the U.S. and Europe.

Support for customers throughout their shopping and delivery experience.

Specialized customer service staff with deep expertise in specific product categories.

Additionally, approximately 66% of our U.S. large parcel deliveries now go through Wayfair last mile delivery facilities.

⭐⭐⭐⭐⭐
“Dealing with the customer service at Wayfair has been fantastic! I’ve never had anything better.”

⭐⭐⭐⭐⭐
“You guys are so quick and easy to deal with.”

⭐⭐⭐⭐⭐
“Prompt delivery, quality products and wonderful customer service are the reasons Wayfair gets top marks from me.”
OUR BUSINESS: BRANDS AND CUSTOMERS
WAYFAIR IS OUR CENTRAL BRAND AND THE DRIVER OF OUR BUSINESS

Our Marquis Brand

1. 84% US aided brand awareness since Wayfair.com launch in 2011¹.

2. Customers attribute Wayfair to ‘the rewarding feeling of turning my house into a home’ twice as often as the next highest brand².

3. Unparalleled selection of over 10 million products across styles and price points appealing to the mass market customer.

¹ Source: Qualtrics and Hanover Research. ² Source: Wayfair customer survey
OUR BUSINESS: BRANDS AND CUSTOMERS
WAYFAIR FOCUSES ON THE MASS MARKET CUSTOMER; ADDITIONALLY OUR LIFESTYLE BRANDS SERVE SPECIFIC CUSTOMER STYLES AND SEGMENTS

- Mass Market ($60K–$175K household income)
- Low End ($60K household income)
- High End ($175K+ household income)

WAYFAIR BRANDS:
- Perigold
- AllModern
- Joss & Main
- Birch Lane
OUR BUSINESS: BRANDS AND CUSTOMERS
OUR FOUR DISTINCT HOME SITES EACH HAVE A UNIQUE IDENTITY

**Joss & Main**
Affordable discoveries for gorgeous living.

**Birch Lane**
Home of classic designs and fresh finds.

**AllModern**
Unbelievable prices on everything modern.

**Perigold**
The widest-ever selection of premium home.
As the % of orders coming from repeat customers grows, our total advertising cost as a % of total revenue averages down. 

Repeating Customers
Our knowledge of returning customers is higher than that for new visitors, which means that we can target our marketing more efficiently and utilize free channels such as email and app alerts. This drives lower overall ad spend for repeat.

Loyalty Is Growing
- Our base of loyal customers is growing.
- In December 2017, 31% of Wayfair.com orders came from customers who already purchased at least two other times in the prior 12 months.
- In December 2013, this figure was 13%.
People are consuming more content than ever, and in different places.

**Online Paid**
Reaching shoppers through display, social, and transactional ad channels

**Direct Mail**
Reaching new and current customers with catalogs and direct mail inserts in the U.S. and internationally

**Brand Integrations**
Partnering with Discovery/Scripps and other networks to reach our target customers through TV ads

**Major Promotional Campaigns**
Emailing our large base of opt-in email subscribers and reaching customers via app notifications

**Organic Engagement**
Engaging with millions of brand followers across social media platforms
02. STRATEGIC PRIORITIES
STRATEGIC PRIORITIES
TAKING A LONG-TERM APPROACH TO GROWTH

We are investing in three main areas of strategic importance:

1. **Logistics**
   Scaling our logistics capabilities in warehousing, supply services, transportation, and delivery to improve customer experience and drive efficiencies.

2. **International**
   Expanding our business in Canada, the UK, and Germany by strengthening our customer offering and raising brand awareness.

3. **Further Penetrating the TAM**
   Building an ever-strengthening customer offering across all home product categories and related services to continually increase share of wallet.
Logistics: Transportation Challenges

Products in our category are challenging to transport, which can result in the delivery experience being far from satisfying for customers in terms of speed, visibility, and risk of damage.

Our increasing scale has allowed us to invest in building a proprietary logistics network. This is enabling us to speed up deliveries, reduce costs and damage over time, and increase convenience, which is resulting in a better offering for customers and suppliers.
Logistics: CastleGate

CastleGate warehouses forward-position supplier inventory to create fast delivery for small parcel (1–2 days) and large parcel (1 week+).

We have built our strategic footprint of warehouses in the U.S., and post-2018 will be adding space to support ongoing growth in volume.

Suppliers are working increasingly closely with us, with approximately 65% of the inbound volume into U.S. CastleGate facilities having been container-direct at the end of 2017.

Penetration of sales via CastleGate has considerable opportunity to grow in small and large parcel. Approximately 19% of U.S. small parcel direct net revenue was shipped from the CastleGate network in Q4 2017, up from 10% in Q4 2016.

CastleGate expansion in Canada and Europe strengthens our offering in those regions and accelerates our flywheel.

We are building end-to-end, fully integrated supply chain services including recent launches of freight, drayage, and ocean services for our suppliers. We can take a much more strategic approach than a third-party logistics company, reducing costs for suppliers, customers, and Wayfair, and improving our visibility of supply.
In September 2018, approximately 90% of our U.S. large parcel orders flowed through the Wayfair-controlled middle mile network, and our last mile delivery facilities covered 66% of U.S. large parcel deliveries and just under 40% of Canadian large parcel home deliveries.

Customer satisfaction improvements resulting from control of the last mile are significant, and we expect to drive higher customer lifetime value. We will generate efficiency gains as recently opened last mile delivery facilities operate more effectively over time as volume grows.

We plan to take greater control of middle and last mile delivery with continued investment in new facilities, both in the U.S. and internationally.

STRATEGIC PRIORITIES
TAKING CONTROL OF LARGE PARCEL TRANSPORTATION AND DELIVERY WITH THE WAYFAIR DELIVERY NETWORK

Logistics: Wayfair Delivery Network (WDN)

Note: chart does not show third-party delivery agent locations
STRATEGIC PRIORITIES
SCALING OUR BUSINESS IN CANADA, THE UK, AND GERMANY

International
International competitive landscape is similar to the U.S., with a fragmented base of brick-and-mortar retailers that is typically regionalized with no dominant online player. Our U.S. playbook positions us well to be the winner.

United States
- $275BN TAM
- CastleGate opened 2014
- Wayfair.com aided brand awareness of 84% as of Q3 2017
- Net revenue $4.2B in 2017

Canada
- $20B TAM
- CastleGate opening Q2 2018
- Aided awareness 80% as of Q3 2018

UK
- $50B TAM
- CastleGate opened 2016
- London office
- Aided awareness 41% as of Q2 2017

Germany
- $75B TAM
- CastleGate opened Q1 2018
- Berlin office
- Brand TV launched summer 2018
Further Penetrating the TAM

Growing share of wallet by deepening and broadening our value proposition to customers within the home category.

Hiring new people to expand or create new dedicated cross-functional teams including merchandising, marketing, and engineering as well as specialized customer service staff.

Implementing this expansion with a proven playbook and a clearly defined ROI.
03. KPIs & FINANCIAL METRICS
KPIs & FINANCIAL METRICS

ROBUST GROWTH AT SCALE

240+ Niche Websites; Platform Development
Wayfair Brand Launched
Wayfair U.S. Brand Building

U.S. Net Revenue ($M)  International Net Revenue ($M)

Note: International net revenue not disclosed separately before 2012
KPIs & FINANCIAL METRICS
STRONG CUSTOMER ACQUISITION AND GROWING SHARE OF WALLET

Direct Retail Net Revenue / Active Customer  Active Customers (Millions)
KPIs & FINANCIAL METRICS

NEW AND REPEAT ORDERS BOTH GROWING WITH REPEAT TAKING SHARE
CUSTOMERS ARE ORDERING MORE FREQUENTLY

LTM Orders per Active Customer

Q1 '14  Q2 '14  Q3 '14  Q4 '14  Q1 '15  Q2 '15  Q3 '15  Q4 '15  Q1 '16  Q2 '16  Q3 '16  Q4 '16  Q1 '17  Q2 '17  Q3 '17  Q4 '17  Q1 '18  Q2 '18  Q3 '18
### KPIs & FINANCIAL METRICS

**U.S. HOVERING +/- BREAKEVEN DESPITE SIGNIFICANT INVESTMENT; INTERNATIONAL EARLIER IN ITS LIFECYCLE**

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>FY 2017</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Direct Net Revenue</strong></td>
<td>$2,993.4</td>
<td>$837.6</td>
<td>$976.7</td>
<td>$1,033.7</td>
<td>$1,227.5</td>
<td>$4,075.4</td>
<td>$1,186.2</td>
<td>$1,397.0</td>
<td>$1,460.1</td>
</tr>
<tr>
<td>Direct Growth</td>
<td>53.9%</td>
<td>24.5%</td>
<td>39.0%</td>
<td>36.1%</td>
<td>43.0%</td>
<td>36.1%</td>
<td>41.6%</td>
<td>43.0%</td>
<td>41.2%</td>
</tr>
<tr>
<td><strong>U.S. Total Net Revenue</strong></td>
<td>3,110.5</td>
<td>858.0</td>
<td>997.1</td>
<td>1,050.6</td>
<td>1,247.3</td>
<td>4,153.1</td>
<td>1,201.6</td>
<td>1,411.3</td>
<td>1,473.3</td>
</tr>
<tr>
<td>Total Growth</td>
<td>45.7%</td>
<td>21.5%</td>
<td>36.1%</td>
<td>33.4%</td>
<td>41.1%</td>
<td>33.5%</td>
<td>40.0%</td>
<td>41.5%</td>
<td>40.2%</td>
</tr>
<tr>
<td><strong>U.S. Adjusted EBITDA</strong></td>
<td>0.2</td>
<td>3.7</td>
<td>20.4</td>
<td>4.5</td>
<td>7.2</td>
<td>35.9</td>
<td>(7.9)</td>
<td>7.2</td>
<td>(26.0)</td>
</tr>
<tr>
<td>Margin</td>
<td>0.0%</td>
<td>0.4%</td>
<td>2.0%</td>
<td>0.4%</td>
<td>0.6%</td>
<td>0.9%</td>
<td>-0.7%</td>
<td>0.5%</td>
<td>-1.8%</td>
</tr>
<tr>
<td><strong>International Direct Net Revenue</strong></td>
<td>265.5</td>
<td>102.8</td>
<td>125.8</td>
<td>147.6</td>
<td>191.7</td>
<td>567.8</td>
<td>202.7</td>
<td>243.9</td>
<td>232.4</td>
</tr>
<tr>
<td>Direct Growth</td>
<td>180.0%</td>
<td>162.6%</td>
<td>136.2%</td>
<td>102.9%</td>
<td>90.9%</td>
<td>113.9%</td>
<td>97.2%</td>
<td>93.9%</td>
<td>57.5%</td>
</tr>
<tr>
<td><strong>International Total Net Revenue</strong></td>
<td>269.9</td>
<td>102.8</td>
<td>125.8</td>
<td>147.6</td>
<td>191.7</td>
<td>567.8</td>
<td>202.7</td>
<td>243.9</td>
<td>232.4</td>
</tr>
<tr>
<td>Total Growth</td>
<td>136.0%</td>
<td>148.1%</td>
<td>131.8%</td>
<td>100.1%</td>
<td>90.7%</td>
<td>110.4%</td>
<td>97.2%</td>
<td>93.9%</td>
<td>57.5%</td>
</tr>
<tr>
<td><strong>International Adjusted EBITDA</strong></td>
<td>(88.9)</td>
<td>(24.6)</td>
<td>(22.7)</td>
<td>(27.2)</td>
<td>(28.4)</td>
<td>(102.9)</td>
<td>(42.0)</td>
<td>(42.0)</td>
<td>(50.4)</td>
</tr>
<tr>
<td>Margin</td>
<td>-32.9%</td>
<td>-24.0%</td>
<td>-18.0%</td>
<td>-18.4%</td>
<td>-14.8%</td>
<td>-18.1%</td>
<td>-20.7%</td>
<td>-17.2%</td>
<td>-21.7%</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>2016</td>
<td>2017</td>
<td>Q3 2018</td>
<td>Long-Term Target</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td>-------</td>
<td>-------</td>
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<td>---------</td>
<td>------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Revenue</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>24.0%</td>
<td>24.0%</td>
<td>23.9%</td>
<td>23.4%</td>
<td>25–27%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Customer Service + Merchant Fees</strong></td>
<td>3.6%</td>
<td>3.7%</td>
<td>3.5%</td>
<td>3.8%</td>
<td>4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Advertising</strong></td>
<td>12.4%</td>
<td>12.1%</td>
<td>11.6%</td>
<td>11.9%</td>
<td>6–8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Selling, Operations, Technology, General &amp; Administrative (primarily OpEx headcount)</strong></td>
<td>8.8%</td>
<td>10.9%</td>
<td>10.2%</td>
<td>12.2%</td>
<td>5–7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>24.8%</td>
<td>26.6%</td>
<td>25.3%</td>
<td>27.9%</td>
<td>15–19%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>(0.7%)</td>
<td>(2.6%)</td>
<td>(1.4%)</td>
<td>(4.5%)</td>
<td>8–10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: All expense line items exclude equity-based compensation, related taxes, depreciation, and amortization.

---

**KPIs & FINANCIAL METRICS**

**LONG-TERM TARGET MODEL**

- Better wholesale economics with increasing scale
- Logistics cost efficiency gains
- Scale in international regions
- Ad cost % decreases as size of repeat customer base grows as a % of total
- Gains leverage with scale but offset by current investment in hiring
**KPIs & FINANCIAL METRICS**

**CAPITAL-EFFICIENT BUSINESS MODEL**

### Net Revenue and Inventory

- **$ Millions**
  - 2013: $916
  - 2014: $1,319
  - 2015: $2,250
  - 2016: $3,380
  - 2017: $4,721
  - Q3 ’18: $6,204

*Net Revenue is LTM*

### Receivable and Payable Days

- **Days Receivable**
  - 2013: 2.1
  - 2014: 15
  - 2015: 20
  - 2016: 20
  - 2017: 19
  - Q3 ’18: 2.1

- **Days Payable**
  - 2013: 36
  - 2014: 28
  - 2015: 20
  - 2016: 19
  - 2017: 36
  - Q3 ’18: 38.8

*Average of last four quarters*
### APPENDIX

**ILLUSTRATIVE CUSTOMER ACQUISITION COST**

(All units in millions, except per-customer figures)  

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Advertising Spend</td>
<td>$549.9</td>
</tr>
<tr>
<td>Partner Ad Spend</td>
<td>$7.0</td>
</tr>
<tr>
<td>Direct Retail Ad Spend</td>
<td>$542.9</td>
</tr>
<tr>
<td>Active Customers</td>
<td>10.99</td>
</tr>
<tr>
<td>Total Orders</td>
<td>19.41</td>
</tr>
<tr>
<td>% of Orders from Repeat Customers</td>
<td>61.4%</td>
</tr>
<tr>
<td>Implied New Customers</td>
<td>7.50</td>
</tr>
<tr>
<td>Implied Orders from Repeat Customers</td>
<td>11.91</td>
</tr>
<tr>
<td>AOV</td>
<td>$239.2</td>
</tr>
<tr>
<td>Assumed Revenue from Repeat Customers</td>
<td>$2,850</td>
</tr>
<tr>
<td>Assume 7% Direct Retail Ad Spend on Repeat Revenue</td>
<td>$199.5</td>
</tr>
<tr>
<td>Implied Direct Retail Ad Spend for New Customers</td>
<td>$343.4</td>
</tr>
<tr>
<td>Customer Acquisition Cost adjusted for Repeat Ad Spend</td>
<td>$46</td>
</tr>
<tr>
<td>Annual Direct Retail Revenue per Customer</td>
<td>$422</td>
</tr>
<tr>
<td>Annual Contribution per Customer</td>
<td>$84.96</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>20.1%</td>
</tr>
</tbody>
</table>
APPENDIX

WE ARE ADDING VARIABLE HEADCOUNT TO KEEP UP WITH GROWTH & INVESTING IN OPEX HEADCOUNT TO STAFF OUR STRATEGIC INVESTMENTS

Global Headcount by Functional Group

Customer Service, Variable Logistics and Sales¹
Marketing, Engineering, Technology, etc.

¹These figures include interns and co-ops
Traditional Drop Ship Model for Small Parcel Example

- Supplier warehouse in southern California
- Pre-sorting at CastleGate warehouse
- CastleGate warehouse in New Jersey
- CastleGate for Small Parcel Example¹
- Wayfair-dedicated transportation
- Wayfair builds dedicated trailer for destination hubs
- End customer in New York

FedEx / UPS

6–8 total touches, 4–5 day delivery time

APPENDIX
CASTLEGATE WAREHOUSES ENABLE NEXT-DAY AND 2-DAY DELIVERY FOR SMALL PARCEL¹

² Large parcel shipments can also go out of CastleGate but would use WDN instead of FedEx / UPS for last mile
**Traditional Drop Ship Model for Large Parcel Example**

- Supplier warehouse in southern California
- Third-party carriers traveling less than truckload *(multiple stops and carrying non-Wayfair products)*
- Third-party last mile delivery agent
- End customer in New York

*6–8 total touches, 2–3 week delivery time*

**WDN Example**

- Supplier warehouse in southern California
- Wayfair consolidation center & cross docks
- Full truckload transportation *(only Wayfair products)*
- Wayfair last mile delivery agent *(major markets)* or third party *(other areas)*
- End customer in New York

*3–4 total touches, 1+ week delivery time*
## APPENDIX

### RECONCILIATION OF ADJUSTED EBITDA ($ IN MILLIONS)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Q3 2017</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>($148.1)</td>
<td>($77.4)</td>
<td>($194.4)</td>
<td>($244.6)</td>
<td>($76.4)</td>
<td>($151.7)</td>
</tr>
<tr>
<td>Depreciation and Amortization(^1)</td>
<td>$22.0</td>
<td>$32.4</td>
<td>$55.6</td>
<td>$87.0</td>
<td>$22.9</td>
<td>$32.5</td>
</tr>
<tr>
<td>Equity-Based Compensation(^2)</td>
<td>$63.2</td>
<td>$33.0</td>
<td>$52.0</td>
<td>$72.6</td>
<td>$19.6</td>
<td>$36.3</td>
</tr>
<tr>
<td>Interest (Income) Expense, Net</td>
<td>($0.4)</td>
<td>($1.3)</td>
<td>($0.7)</td>
<td>$9.4</td>
<td>$2.0</td>
<td>$7.1</td>
</tr>
<tr>
<td>Other Expense (Income), Net</td>
<td>$0.5</td>
<td>($2.7)</td>
<td>($1.8)</td>
<td>($0.7)</td>
<td>$0.2</td>
<td>($1.1)</td>
</tr>
<tr>
<td>Taxes</td>
<td>$0.2</td>
<td>$0.1</td>
<td>$0.6</td>
<td>$0.5</td>
<td>$0.2</td>
<td>$0.5</td>
</tr>
<tr>
<td>Other(^1)</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>$8.8</td>
<td>$8.8</td>
<td>--</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>($62.5)</td>
<td>($15.9)</td>
<td>($88.7)</td>
<td>($67.0)</td>
<td>($22.7)</td>
<td>($76.4)</td>
</tr>
</tbody>
</table>

---

\(^1\) Includes one-time charges related to terminating use of our warehouse in Ogden, Utah, in July 2017

\(^2\) Includes related taxes
## RECONCILIATION OF FREE CASH FLOW ($ IN MILLIONS)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Q3 ’17</th>
<th>Q3 ’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cash Provided by Operating Activities</td>
<td>$4.1</td>
<td>$135.1</td>
<td>$62.8</td>
<td>$33.6</td>
<td>$24.8</td>
<td>$7.8</td>
</tr>
<tr>
<td>Purchase of Property and Equipment</td>
<td>($31.9)</td>
<td>($44.6)</td>
<td>($96.7)</td>
<td>($100.4)</td>
<td>($30.1)</td>
<td>($49.4)</td>
</tr>
<tr>
<td>Site and Software Development Costs</td>
<td>($14.1)</td>
<td>($17.5)</td>
<td>($31.4)</td>
<td>($46.4)</td>
<td>($12.2)</td>
<td>($17.2)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>($41.9)</td>
<td>$72.9</td>
<td>($65.3)</td>
<td>($113.2)</td>
<td>($18.5)</td>
<td>($58.8)</td>
</tr>
</tbody>
</table>