

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

	December 31,	
	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 558,960	\$ 279,840
Short-term investments	61,032	68,743
Accounts receivable, net of allowance of \$7,000 and \$3,115 at December 31, 2017 and December 31, 2016, respectively	37,948	19,113
Inventories	28,042	18,550
Prepaid expenses and other current assets	130,838	90,845
Total current assets	816,820	477,091
Property and equipment, net	361,141	239,354
Goodwill and intangible assets, net	3,105	4,230
Long-term investments	21,561	30,967
Other noncurrent assets	10,776	10,041
Total assets	<u>\$ 1,213,403</u>	<u>\$ 761,683</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 440,366	\$ 379,493
Accrued expenses	120,247	67,807
Deferred revenue	94,116	65,892
Other current liabilities	85,026	44,028
Total current liabilities	739,755	557,220
Lease financing obligation, net of current portion	82,580	28,900
Long-term debt	332,905	—
Other liabilities	106,492	96,179
Total liabilities	1,261,732	682,299
Commitments and contingencies (Note 7)		
Convertible preferred stock, \$0.001 par value per share: 10,000,000 shares authorized and none issued at December 31, 2017 and December 31, 2016	—	—
Stockholders' equity:		
Class A common stock, par value \$0.001 per share, 500,000,000 shares authorized, 57,398,983 and 49,945,202 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	57	50
Class B common stock, par value \$0.001 per share, 164,000,000 shares authorized, 30,809,627 and 35,885,692 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	31	36
Additional paid-in capital	537,212	409,225
Accumulated deficit	(583,266)	(329,940)
Accumulated other comprehensive (loss) gain	(2,363)	13
Total stockholders' (deficit) equity	(48,329)	79,384
Total liabilities and stockholders' equity	<u>\$ 1,213,403</u>	<u>\$ 761,683</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Year Ended December 31,		
	2017	2016	2015
Net revenue	\$ 4,720,895	\$ 3,380,360	\$ 2,249,885
Cost of goods sold	3,602,072	2,572,549	1,709,161
Gross profit	1,118,823	807,811	540,724
Operating expenses:			
Customer service and merchant fees	169,516	127,883	81,230
Advertising	549,959	409,125	278,224
Selling, operations, technology, general and administrative	634,801	467,020	262,620
Total operating expenses	1,354,276	1,004,028	622,074
Loss from operations	(235,453)	(196,217)	(81,350)
Interest (expense) income, net	(9,433)	694	1,284
Other income, net	758	1,756	2,718
Loss before income taxes	(244,128)	(193,767)	(77,348)
Provision for income taxes	486	608	95
Net loss	\$ (244,614)	\$ (194,375)	\$ (77,443)
Net loss per share, basic and diluted	\$ (2.81)	\$ (2.29)	\$ (0.92)
Weighted average number of common stock outstanding used in computing per share amounts, basic and diluted	86,983	84,977	83,726

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

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities			
Net loss	\$ (244,614)	\$ (194,375)	\$ (77,443)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	87,020	55,572	32,446
Equity based compensation	67,840	49,402	31,015
Gain on sale of a business	—	—	(2,997)
Amortization of discount and issuance costs on convertible notes	5,830	—	—
Other non-cash adjustments	1,198	331	3,027
Changes in operating assets and liabilities:			
Accounts receivable	(18,172)	(9,217)	(4,033)
Inventories	(9,454)	1,351	(131)
Prepaid expenses and other current assets	(39,124)	(16,179)	(29,513)
Accounts payable and accrued expenses	104,184	126,013	135,855
Deferred revenue and other liabilities	81,354	51,914	47,031
Other assets	(2,428)	(1,998)	(136)
Net cash provided by operating activities	33,634	62,814	135,121
Cash flows from investing activities			
Purchase of short-term and long-term investments	(54,551)	(88,112)	(207,303)
Sale and maturities of short-term investments	71,095	119,810	133,596
Purchase of property and equipment	(100,451)	(96,707)	(44,648)
Site and software development costs	(46,428)	(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	(130,335)	(95,880)	(137,728)
Cash flows from financing activities			
Proceeds from issuance of convertible notes, net of issuance costs	420,449	—	—
Premiums paid for capped call confirmations	(44,160)	—	—
Taxes paid related to net share settlement of equity awards	(1,562)	(21,092)	(19,111)
Net proceeds from exercise of stock options	244	209	495
Net cash provided by (used in) financing activities	374,971	(20,883)	(18,616)
Effect of exchange rate changes on cash and cash equivalents	850	(387)	(460)
Net increase (decrease) in cash and cash equivalents	279,120	(54,336)	(21,683)
Cash and cash equivalents			
Beginning of year	279,840	334,176	355,859
End of year	\$ 558,960	\$ 279,840	\$ 334,176
Supplemental disclosure of non-cash investing activities			
Purchase of property and equipment included in accounts payable and accrued expenses and in other liabilities	\$ 8,533	\$ 1,336	\$ 5,258
Construction costs capitalized under finance lease obligation and other leases	\$ 47,276	\$ 53,894	\$ 27,295

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