

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

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 849,461	\$ 558,960
Short-term investments	114,278	61,032
Accounts receivable, net of allowance of \$9,312 and \$7,000 at December 31, 2018 and December 31, 2017, respectively	50,603	37,948
Inventories	46,164	28,042
Prepaid expenses and other current assets	195,430	130,838
Total current assets	1,255,936	816,820
Property and equipment, net	606,977	361,141
Goodwill and intangible assets, net	2,585	3,105
Long-term investments	6,526	21,561
Other noncurrent assets	18,826	10,776
Total assets	<u>\$ 1,890,850</u>	<u>\$ 1,213,403</u>
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities		
Accounts payable	\$ 650,174	\$ 440,366
Accrued expenses	212,997	120,247
Deferred revenue	148,057	94,116
Other current liabilities	127,995	85,026
Total current liabilities	1,139,223	739,755
Lease financing obligations, net of current portion	183,056	82,580
Long-term debt	738,904	332,905
Other liabilities	160,388	106,492
Total liabilities	2,221,571	1,261,732
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, 2018 and December 31, 2017	—	—
Stockholders' deficit:		
Class A common stock, par value \$0.001 per share, 500,000,000 shares authorized, 62,329,701 and 57,398,983 shares issued and outstanding at December 31, 2018 and December 31, 2017, respectively	63	57
Class B common stock, par value \$0.001 per share, 164,000,000 shares authorized, 28,417,882 and 30,809,627 shares issued and outstanding at December 31, 2018 and December 31, 2017, respectively	28	31
Additional paid-in capital	753,657	537,212
Accumulated deficit	(1,082,689)	(583,266)
Accumulated other comprehensive loss	(1,780)	(2,363)
Total stockholders' deficit	<u>(330,721)</u>	<u>(48,329)</u>
Total liabilities and stockholders' deficit	<u>\$ 1,890,850</u>	<u>\$ 1,213,403</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,		
	2018	2017	2016
Net revenue	\$ 6,779,174	\$ 4,720,895	\$ 3,380,360
Cost of goods sold	5,192,451	3,602,072	2,572,549
Gross profit	1,586,723	1,118,823	807,811
Operating expenses:			
Customer service and merchant fees	260,046	169,516	127,883
Advertising	774,189	549,959	409,125
Selling, operations, technology, general and administrative	1,025,767	634,801	467,020
Total operating expenses	2,060,002	1,354,276	1,004,028
Loss from operations	(473,279)	(235,453)	(196,217)
Interest (expense) income, net	(28,560)	(9,433)	694
Other (expense) income, net	(204)	758	1,756
Loss before income taxes	(502,043)	(244,128)	(193,767)
Provision for income taxes	2,037	486	608
Net loss	\$ (504,080)	\$ (244,614)	\$ (194,375)
Net loss per share, basic and diluted	\$ (5.63)	\$ (2.81)	\$ (2.29)
Weighted average number of common stock outstanding used in computing per share amounts, basic and diluted	89,472	86,983	84,977

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

	Year Ended December 31,		
	2018	2017	2016
<b>Cash flows from operating activities</b>			
Net loss	\$ (504,080)	\$ (244,614)	\$ (194,375)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	123,542	87,020	55,572
Equity based compensation	127,564	67,840	49,402
Amortization of discount and issuance costs on convertible notes	22,585	5,830	—
Other non-cash adjustments	(56)	1,198	331
Changes in operating assets and liabilities:			
Accounts receivable	(12,792)	(18,172)	(9,217)
Inventories	(18,319)	(9,454)	1,351
Prepaid expenses and other current assets	(65,195)	(39,124)	(16,179)
Accounts payable and accrued expenses	285,064	104,184	126,013
Deferred revenue and other liabilities	134,705	81,354	51,914
Other assets	(8,157)	(2,428)	(1,998)
Net cash provided by operating activities	84,861	33,634	62,814
<b>Cash flows from investing activities</b>			
Purchase of short-term and long-term investments	(99,002)	(54,551)	(88,112)
Sale and maturities of short-term investments	61,068	71,095	119,810
Purchase of property and equipment	(159,205)	(100,451)	(96,707)
Site and software development costs	(62,750)	(46,428)	(31,379)
Cash received from the sale of a business, net of cash sold	—	—	1,508
Other investing activities, net	(398)	—	(1,000)
Net cash used in investing activities	(260,287)	(130,335)	(95,880)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of convertible notes, net of issuance costs	562,047	420,449	—
Premiums paid for capped call confirmations	(93,438)	(44,160)	—
Taxes paid related to net share settlement of equity awards	(1,284)	(1,562)	(21,092)
Net proceeds from exercise of stock options	138	244	209
Net cash provided by (used in) financing activities	467,463	374,971	(20,883)
Effect of exchange rate changes on cash and cash equivalents	(1,536)	850	(387)
Net increase (decrease) in cash and cash equivalents	290,501	279,120	(54,336)
<b>Cash and cash equivalents</b>			
Beginning of year	558,960	279,840	334,176
End of year	\$ 849,461	\$ 558,960	\$ 279,840
<b>Supplemental Cash Flow Information</b>			
Cash paid for interest on long-term debt	\$ 1,554	\$ —	\$ —
Cash paid for interest on finance lease obligations	\$ 9,058	\$ —	\$ —
Purchase of property and equipment included in accounts payable and accrued expenses and in other liabilities	\$ 15,383	\$ 8,533	\$ 1,336
Construction costs capitalized under finance lease obligations and other leases	\$ 125,796	\$ 47,276	\$ 53,894

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