

WAYFAIR INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2019	2018
	(in thousands, except share and per share data)	
Assets:		
Current assets		
Cash and cash equivalents	\$ 582,753	\$ 849,461
Short-term investments	404,252	114,278
Accounts receivable, net of allowance of \$22,774 and \$9,312 at December 31, 2019 and 2018, respectively	99,720	50,603
Inventories	61,692	46,164
Prepaid expenses and other current assets	228,721	195,430
Total current assets	1,377,138	1,255,936
Operating lease right-of-use assets	763,400	—
Property and equipment, net	624,544	606,977
Goodwill and intangible assets, net	18,809	2,585
Long-term investments	155,690	6,526
Other noncurrent assets	13,467	18,826
Total assets	<u>\$ 2,953,048</u>	<u>\$ 1,890,850</u>
Liabilities and Stockholders' Deficit:		
Current liabilities		
Accounts payable	\$ 908,097	\$ 650,174
Accrued expenses	298,918	212,997
Unearned revenue	167,641	148,057
Other current liabilities	236,863	127,995
Total current liabilities	1,611,519	1,139,223
Long-term debt	1,456,195	738,904
Operating lease liabilities	822,602	—
Lease financing obligations, net of current portion	—	183,056
Other liabilities	6,940	160,388
Total liabilities	3,897,256	2,221,571
Commitments and contingencies (Note 8)		
Convertible preferred stock, \$0.001 par value per share: 10,000,000 shares authorized and none issued at December 31, 2019 and 2018	—	—
Stockholders' deficit:		
Class A common stock, par value \$0.001 per share, 500,000,000 shares authorized, 66,642,611 and 62,329,701 shares issued and outstanding at December 31, 2019 and 2018, respectively	67	63
Class B common stock, par value \$0.001 per share, 164,000,000 shares authorized, 26,957,815 and 28,417,882 shares issued and outstanding at December 31, 2019 and 2018, respectively	27	28
Additional paid-in capital	1,122,548	753,657
Accumulated deficit	(2,065,423)	(1,082,689)
Accumulated other comprehensive (loss)	(1,427)	(1,780)
Total stockholders' deficit	(944,208)	(330,721)
Total liabilities and stockholders' deficit	<u>\$ 2,953,048</u>	<u>\$ 1,890,850</u>

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

WAYFAIR INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2019	2018	2017
	(in thousands, except per share data)		
Net revenue	\$ 9,127,057	\$ 6,779,174	\$ 4,720,895
Cost of goods sold	6,979,725	5,192,451	3,602,072
Gross profit	2,147,332	1,586,723	1,118,823
Operating expenses:			
Customer service and merchant fees	356,727	260,046	169,516
Advertising	1,095,840	774,189	549,959
Selling, operations, technology, general and administrative	1,624,706	1,025,767	634,801
Total operating expenses	3,077,273	2,060,002	1,354,276
Loss from operations	(929,941)	(473,279)	(235,453)
Interest (expense), net	(54,514)	(28,560)	(9,433)
Other income (expense), net	2,881	(204)	758
Loss before income taxes	(981,574)	(502,043)	(244,128)
Provision for income taxes, net	3,010	2,037	486
Net loss	\$ (984,584)	\$ (504,080)	\$ (244,614)
Net loss per share, basic and diluted	\$ (10.68)	\$ (5.63)	\$ (2.81)
Weighted average number of common stock outstanding used in computing per share amounts, basic and diluted	92,200	89,472	86,983

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WAYFAIR INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Cash flows from operating activities:			
Net loss	\$ (984,584)	\$ (504,080)	\$ (244,614)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	192,419	123,542	87,020
Equity-based compensation	227,451	127,564	67,840
Amortization of discount and issuance costs on convertible notes	62,111	22,585	5,830
Other non-cash adjustments	(1,691)	(56)	1,198
Changes in operating assets and liabilities:			
Accounts receivable	(49,187)	(12,792)	(18,172)
Inventories	(15,631)	(18,319)	(9,454)
Prepaid expenses and other current assets	(32,590)	(65,195)	(39,124)
Accounts payable and accrued expenses	330,325	285,064	104,184
Unearned revenue and other liabilities	75,888	134,705	81,354
Other assets	(1,329)	(8,157)	(2,428)
Net cash (used in) provided by operating activities	(196,818)	84,861	33,634
Cash flows from investing activities:			
Purchase of short- and long-term investments	(553,858)	(99,002)	(54,551)
Sale and maturities of short-term investments	115,468	61,068	71,095
Purchase of property and equipment	(271,742)	(159,205)	(100,451)
Site and software development costs	(129,138)	(62,750)	(46,428)
Other investing activities, net	(15,567)	(398)	—
Net cash used in investing activities	(854,837)	(260,287)	(130,335)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes, net of issuance costs	935,146	562,047	420,449
Premiums paid for capped call confirmations	(145,728)	(93,438)	(44,160)
Taxes paid related to net share settlement of equity awards	(2,236)	(1,284)	(1,562)
Deferred financing costs	(791)	—	—
Net proceeds from exercise of stock options	113	138	244
Net cash provided by financing activities	786,504	467,463	374,971
Effect of exchange rate changes on cash and cash equivalents	(1,557)	(1,536)	850
Net (decrease) increase in cash and cash equivalents	(266,708)	290,501	279,120
Cash and cash equivalents:			
Beginning of year	849,461	558,960	279,840
End of year	\$ 582,753	\$ 849,461	\$ 558,960
Supplemental Cash Flow Information:			
Cash paid for interest on long-term debt	\$ 7,763	\$ 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	\$ 41,181	\$ 15,383	\$ 8,533
Construction costs capitalized under finance lease obligations and other leases	\$ —	\$ 125,796	\$ 47,276

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