

Wayfair Inc.
Form 10-Q
November 12, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-36666

Wayfair Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

36-4791999

(I.R.S. Employer
Identification Number)

4 Copley Place, 7th Floor, Boston, MA
(Address of principal executive offices)

02116

(Zip Code)

(617) 532-6100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Class

Outstanding at October 31, 2015

Class A Common Stock, \$0.001 par value per share

44,505,054

Class B Common Stock, \$0.001 par value per share

39,621,692

Table of Contents

WAYFAIR INC.
INDEX TO QUARTERLY REPORT ON FORM 10-Q
For the Quarterly Period Ended September 30, 2015

	Page
<u>PART 1. FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Unaudited Consolidated and Condensed Financial Statements</u>
	<u>Consolidated and Condensed Balance Sheets as of September 30, 2015 and December 31, 2014</u>
	3
	<u>Consolidated and Condensed Statements of Operations for the Three and Nine Months Ended September 30, 2015 and 2014</u>
	4
	<u>Consolidated and Condensed Statements of Comprehensive Loss for the Three and Nine Months Ended September 30, 2015 and 2014</u>
	5
	<u>Consolidated and Condensed Statements of Cash Flows for the Three and Nine Months Ended September 30, 2015 and 2014</u>
	6
	<u>Notes to the Unaudited Consolidated and Condensed Financial Statements</u>
	7
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>
	17
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	30
<u>Item 4.</u>	<u>Controls and Procedures</u>
	31
<u>PART 2. OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>
	32
<u>Item 1A.</u>	<u>Risk Factors</u>
	32
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	50
<u>Item 6.</u>	<u>Exhibits</u>
	51
<u>Signatures</u>	52

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements other than statements of historical fact contained in this Quarterly Report on Form 10-Q, 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 “contingent,” or the negative of these terms or other similar expressions. The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are subject to a number of risks, uncertainties and assumptions described in the Part II, Item 1A, Risk Factors, and elsewhere in this Quarterly Report on Form 10-Q. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. 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.

Table of Contents

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

	September 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$278,690	\$355,859
Short-term investments	46,654	60,000
Accounts receivable, net of allowance of \$3,240 and \$2,545 at September 30, 2015 and December 31, 2014, respectively	9,719	5,949
Inventories	22,552	19,798
Prepaid expenses and other current assets	75,486	45,262
Total current assets	433,101	486,868
Property and equipment, net	88,642	60,639
Goodwill and intangible assets, net	3,899	6,478
Long-term investments	74,460	—
Other noncurrent assets	1,242	1,538
Total assets	\$601,344	\$555,523
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$192,552	\$147,873
Accrued expenses	52,083	42,335
Deferred revenue	45,027	26,784
Other current liabilities	24,070	15,600
Total current liabilities	313,732	232,592
Other liabilities	32,916	17,392
Total liabilities	346,648	249,984
Commitments and contingencies (Note 6)		
Convertible preferred stock, \$0.001 par value per share: 10,000,000 shares authorized and none issued at September 30, 2015 and December 31, 2014	—	—
Stockholders' equity:		
Class A common stock, par value \$0.001 per share, 500,000,000 shares authorized, 44,145,083 and 37,002,874 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	44	37
Class B common stock, par value \$0.001 per share, 164,000,000 shares authorized, 39,894,391 and 46,179,192 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	40	46
Additional paid-in capital	374,794	363,944
Accumulated deficit	(120,070)	(58,122)
Accumulated other comprehensive loss	(112)	(366)
Total stockholders' equity	254,696	305,539
Total liabilities and stockholders' equity	\$601,344	\$555,523

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

Table of Contents

WAYFAIR INC.

CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net revenue	\$593,972	\$336,188	\$1,510,095	\$910,332
Cost of goods sold	452,586	257,161	1,145,073	697,644
Gross profit	141,386	79,027	365,022	212,688
Operating expenses:				
Customer service and merchant fees	21,109	14,239	55,417	37,321
Advertising	70,711	49,763	190,249	136,478
Merchandising, marketing and sales	27,083	13,437	74,131	41,868
Operations, technology, general and administrative	40,912	25,203	109,887	71,558
Amortization of acquired intangible assets	208	249	694	748
Total operating expenses	160,023	102,891	430,378	287,973
Loss from operations	(18,637)	(23,864)	(65,356)	(75,285)
Interest income, net	325	89	897	222
Other income (expense), net	2,746	(309)	2,542	(405)
Loss before income taxes	(15,566)	(24,084)	(61,917)	(75,468)
(Benefit from) provision for income taxes	(88)	59	31	76
Net loss	(15,478)	(24,143)	(61,948)	(75,544)
Accretion of convertible redeemable preferred units	—	(4,748)	—	(16,503)
Net loss attributable to common stockholders	\$(15,478)	\$(28,891)	\$(61,948)	\$(92,047)
Net loss attributable to common stockholders per share, basic and diluted	\$(0.18)	\$(0.71)	\$(0.74)	\$(2.26)
Weighted average common shares outstanding, basic and diluted	83,886	40,513	83,569	40,722

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

Table of Contents

WAYFAIR INC.

CONSOLIDATED AND CONDENSED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net loss	\$(15,478	) \$(24,143	) \$(61,948	) \$(75,544
Other comprehensive loss:				
Foreign currency translation adjustments	371	—	323	—
Net unrealized loss on available-for-sale investments	(67	) (67	) (69	) (59
Comprehensive loss	\$(15,174	) \$(24,210	) \$(61,694	) \$(75,603

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

Table of Contents

WAYFAIR INC.

CONSOLIDATED AND CONDENSED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine months ended September 30,	
	2015	2014
Cash flows from operating activities		
Net loss	\$(61,948	) \$(75,544
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	23,351	14,438
Equity based compensation	21,741	5,528
Gain on sale of a business	(2,997) —
Other non-cash adjustments	1,395	888
Changes in operating assets and liabilities:		
Accounts receivable	(3,832	) 2,376
Inventories	(2,778	) (6,155
Prepaid expenses and other current assets	(28,419	) (12,721
Accounts payable and accrued expenses	60,340	(1,108
Deferred revenue and other liabilities	37,927	24,578
Other assets	(25	) (3,117
Net cash provided by (used in) operating activities	44,755	(50,837
Cash flows from investing activities		
Purchase of short-term and long-term investments	(141,309	) (110,000
Sale and maturities of short-term investments	78,715	59,964
Purchase of property and equipment	(36,695	) (31,168
Site and software development costs	(13,107	) (10,643
Cash received from the sale of a business (net of cash sold)	2,860	—
Other investing activities, net	302	(3,015
Net cash used in investing activities	(109,234	) (94,862
Cash flows from financing activities		
Taxes paid related to net share settlement of equity awards	(12,899) —
Net proceeds from exercise of stock options	374	—
Net proceeds from issuance of Series B convertible redeemable preferred units	—	154,774
Repurchase of common units	—	(23,500
Dividends paid to Series A convertible redeemable preferred holders	—	(15,000
Repurchase of employee equity	—	(5,528
Net cash (used in) provided by financing activities	(12,525	) 110,746
Effect of exchange rate changes on cash and cash equivalents	(165	) (29
Net (decrease) in cash and cash equivalents	(77,169)