

hayneedle



Management Presentation
November 2012

bringing our customers joy...
ONE PERFECT FIND AT A TIME



Overview

Leading a paradigm shift in the home and outdoor category

- Focused on developing tools to enhance discovery, selection, and customer experience
- Significant investment in operations and platform

Headquarters: Omaha, Nebraska

- Founded: 2002 as Hammocks.com, Hayneedle brand launched in 2009
- Employees: 600+
- Top-tier existing investors:



Investment Highlights

Our market is large and growing; home & outdoor is massive and underpenetrated online

Hayneedle is poised to lead a revolution in consumer shopping experience for the home

- Leading end-to-end eCommerce platform in home & outdoor for online, mobile & tablets
- Scalable operations providing best customer service and fulfillment

Business model features significant growing revenue and future operating leverage

Seasoned management team with deep industry experience and knowledge

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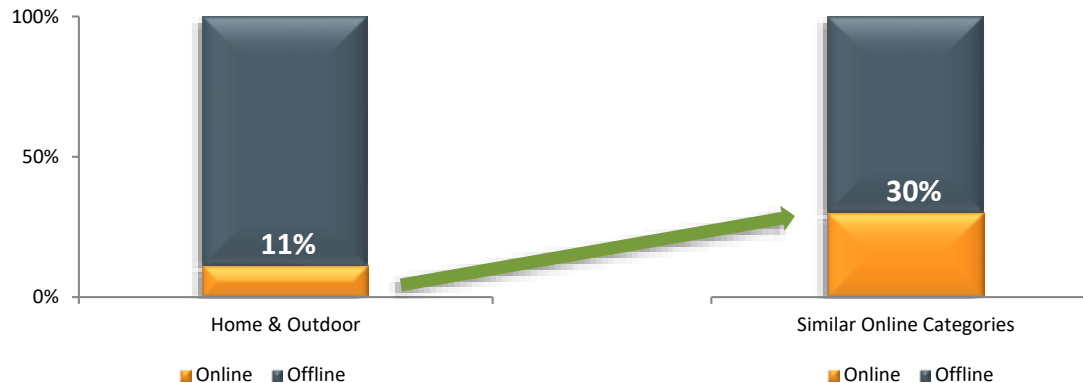
The Market

Substantial Market for Home & Outdoor

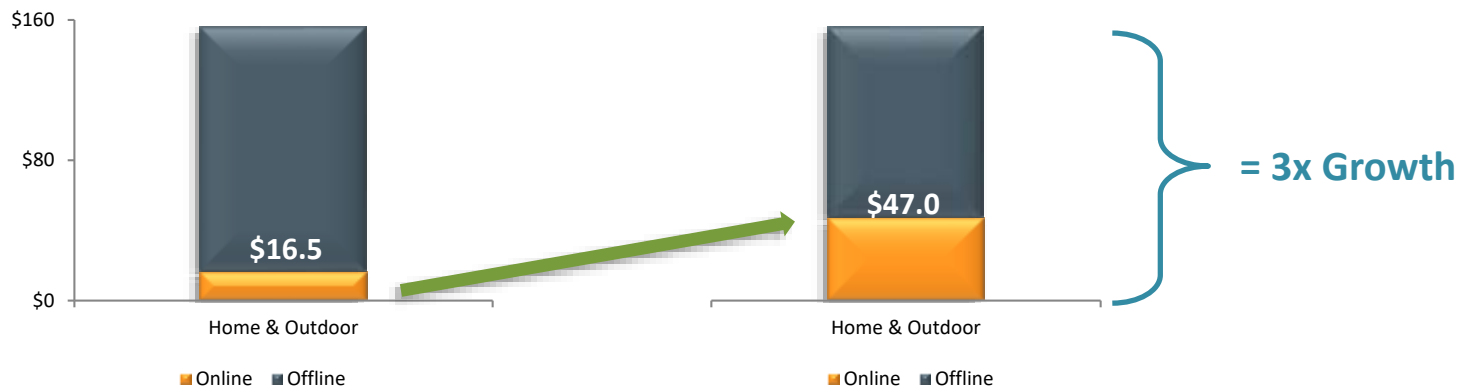
Online penetration of Home & Outdoor Furnishings market has substantial upside

eCommerce to grow 12.3% CAGR from \$226B to \$360B from '12 to '16; Home to grow 12.7%

The Home & Outdoor Furnishings market is \$16.5 billion but relatively under penetrated (11%)



...Implying a market size of up to \$47 billion for Home & Outdoor Furnishings as penetration increases



Online Home & Outdoor is Underpenetrated

High Penetration – 25 – 40%

	Total Online Sales 2011	Total Sales 2011	% Online of Total
WILLIAMS-SONOMA	\$1,400	\$3,504	40.2%
Crate&Barrel	\$407.0	\$1,300	31.3%
RESTORATION HARDWARE	\$189.6	\$773	24.5%

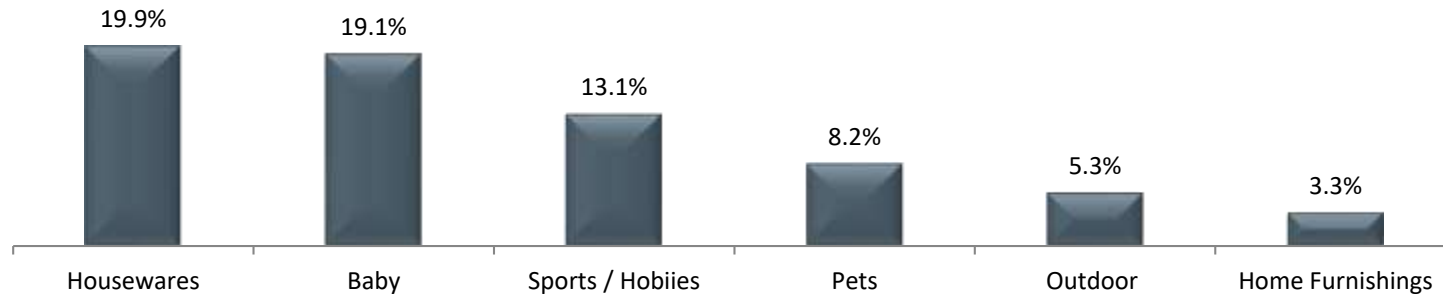
Low Penetration – 0.2 – 3%

	Total Online Sales 2011	Total Sales 2011	% Online of Total
WORLD MARKET	\$26.0	\$964	2.7%
BED BATH & BEYOND	\$91.0	\$8,800	1.0%
IKEA	\$58.0	\$24,700	0.2%

“Mom & Pop” Stores

- No online presence
- Poised for disaggregation

eCommerce Penetration Rate

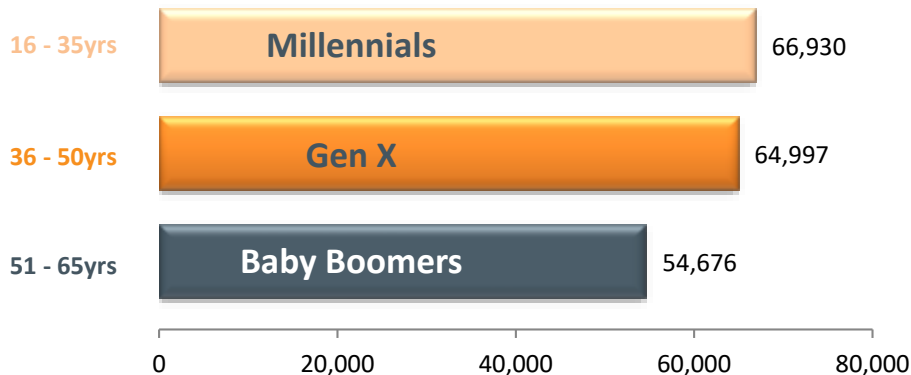


Market is Primed for Growth Due to Pent-Up Demand

High-Velocity Demographics

(in millions)

U.S. Population by Age



Source: U.S. Census Bureau, 2009.

Millennials (Gen Y)

- Velocity ↑
- Getting engaged; baby; relocation

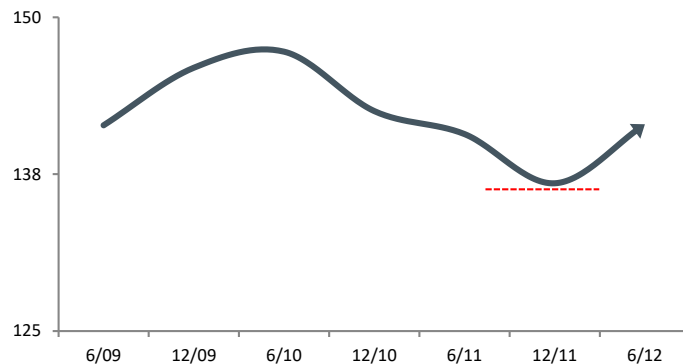
Gen X

- Velocity ↑ : trade-up homes, 2nd purchase, new children

Baby Boomers

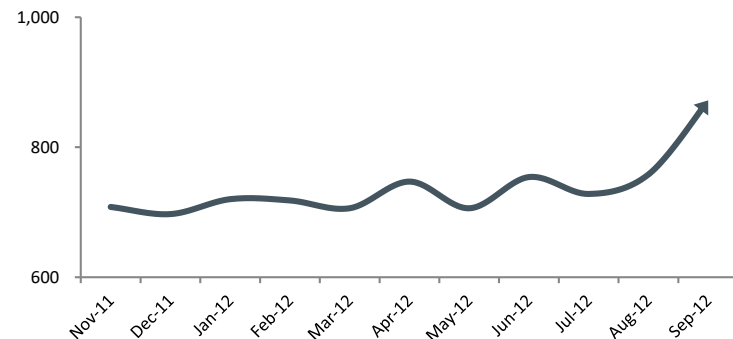
- Velocity ↑ : downsize family homes, outfit vacation properties and retirement homes

S&P/Case-Schiller Home Price Index



New Housing Starts – U.S.

(in thousands)





The Hayneedle Story

Vision: To create an experience that continually redefines the boundaries of modern retail.

Hayneedle Vision

- *Mobile solution for inspiration everywhere*
- *Visualization tools*
- *Enabling the world to be your storefront*
- *And providing a superior end-to-end experience*



Unique Experience for Attractive Demographic

ATTRACTIVE DEMOGRAPHIC

- High income households
 - 50% over \$75k
 - 14% net worth \$1M+
- Homeowners
- College educated professionals
- 57% females
- 35% w/ children, 13% w/ pets



BUSINESS OPPORTUNITIES

- Tools
- Marketing & brand building
- Integration with social media
- Affiliate network growth
- International growth

EVOLVING ROBUST SOFTWARE TOOLS

- DISCOVERY
- Design
- Visualization

Delivering “Your Style” to the Customer

ETHAN
ALLEN



RESTORATION
HARDWARE



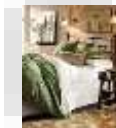
DESIGN
WITHIN
REACH



Crate&Barrel



POTTERY
BARN

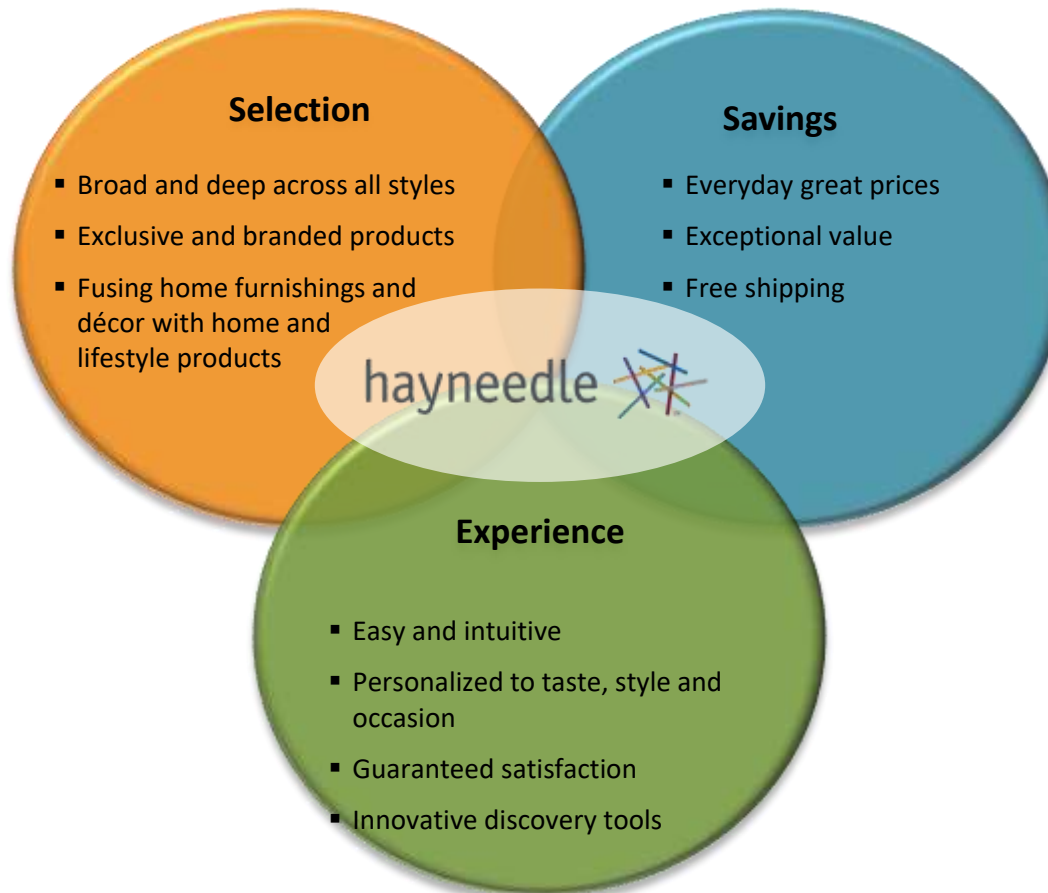


+

Exclusive
Products



Unique Selling Proposition



Mission To bring our customers joy...one perfect find at a time

The Modern Online Retail Experience – “No Line” technology

From off-line...
to online...
to no-line

Creating a “no-line” commerce platform that lets people shop anywhere, anytime, in any way they want



Combining the power
of technology
with the
human touch

Innovative mobile, search and shopping technologies with high-touch customer consultations and service into one intuitive platform.



The Modern Online Retail Experience – Visualization

Inspiration anywhere

Simply find or take a photo of a furnishing that inspires you...

Hayneedle's combination of advanced search capabilities and customer service representatives will help you find it (or something even better)



Buy with confidence

Once a member has narrowed their search, innovations like real-time shared screen style consultations And our AR-enabled “See It” feature Allow our members to buy with complete confidence



The Modern Online Retail Experience – End to End Service

Make the entire world your storefront

The entire world is now your personalized Store – a boutique where any moment of inspiration (real or digital) can become a quick and easy path to ownership.

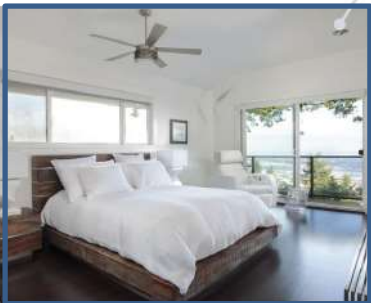


With you through the entire journey

We provide members with best-in-class shipping, ownership, and return benefits– all managed through the app (available on iOS and Android devices)



StyleBoards Drive Home Personalization



Au Naturel Living Room by Briana



SHARE



Classic Comforts Sitting Room by Buyer



Fancy-Pants Family Room by Brian Patrick Flynn



Fresh Linens Bedroom by Kelly



Changing the Paradigm Leverages Operations & Investments

hayneedle



Vision

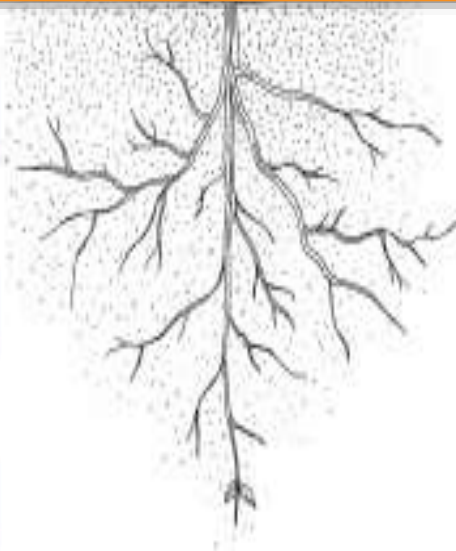
- Transform Home & Outdoor shopping experience
- Accelerate growth
- Increase brand value
- Drive lifetime value of customer

Innovation

Technology

Operations

Experience

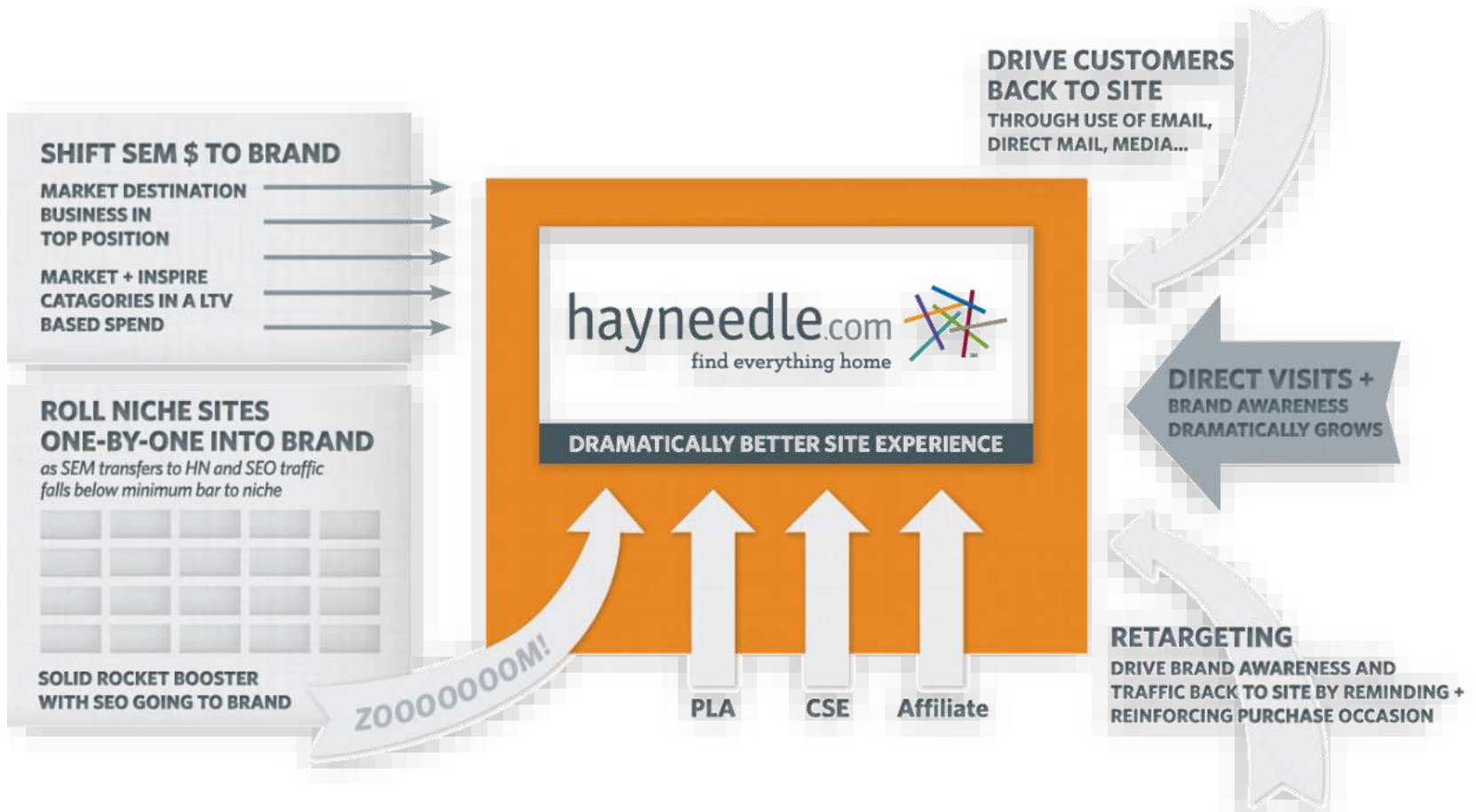


**Supports
Growth
& Scale**

- \$325M of gross margin invested back into ops and people
- \$[X]M of R&D in past 10 years
- Strong SEO / SEM to acquire traffic
- Broad selection / vendors
- Exceptional fulfillment / operations
- Mix of distribution centers & drop ship
- Deep customer data

Hayneedle Brand Building

Focus investment on the Hayneedle brand, while leveraging customer acquisition through ~100+ niches



The Landscape



Anything Online

Amazon.com Mission:

To be Earth's most customer-centric company, where customers can **find and discover anything** they might want to buy online



Any Home Product Online

Wayfair Mission:

To make Wayfair your favorite place online to buy **anything for your home**

1. We love **a zillion options**
2. We use our brains
3. We like transparency
4. We're never done
5. We are go-to people



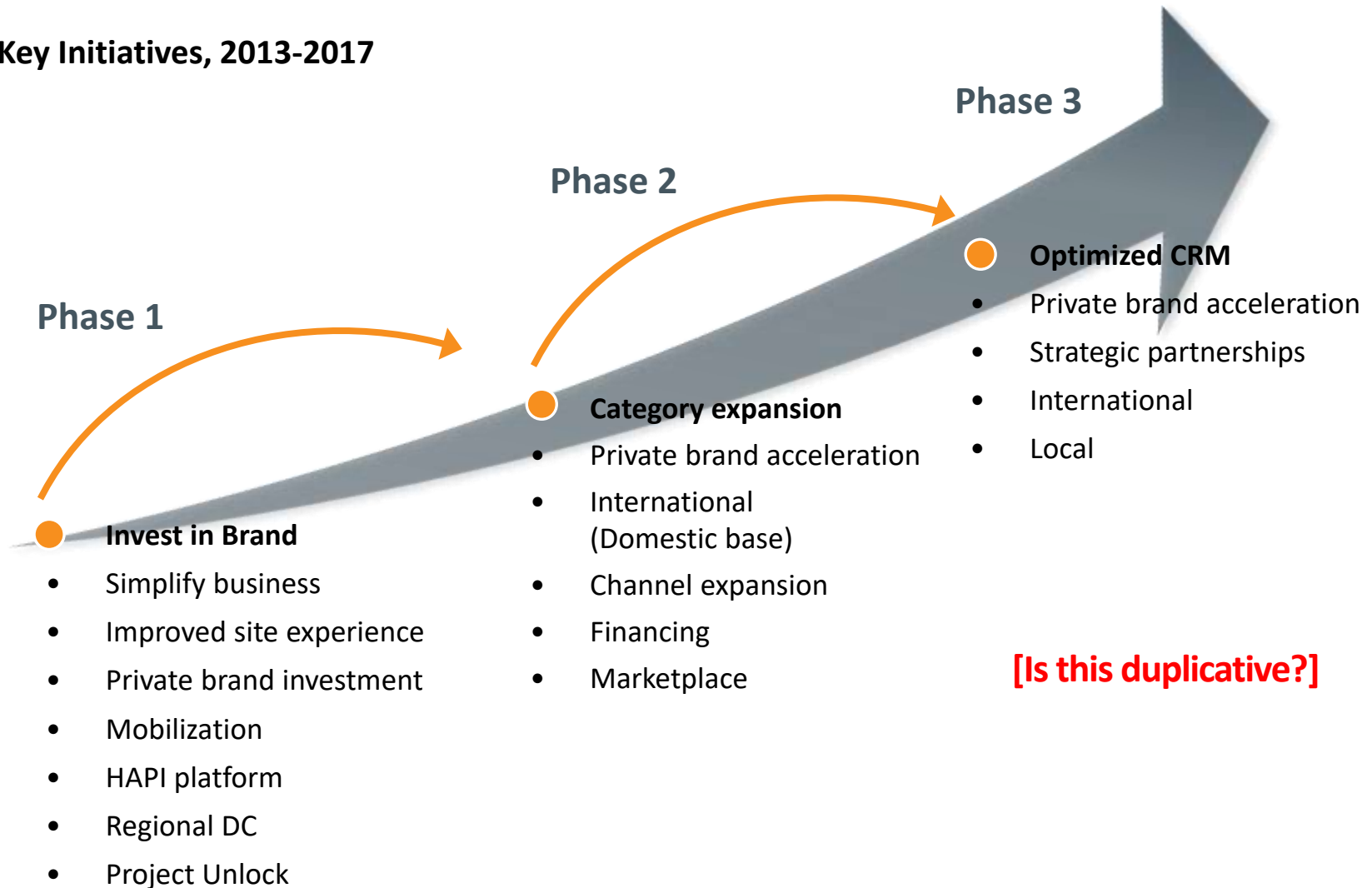
To bring our customers joy...
one perfect find at a time

We embrace the complication of home

- Harness inspiration
- Enable discovery
- Find the perfect match
- Personalize your home

Strategic Direction

Key Initiatives, 2013-2017



Team with Retail, eCommerce, and Logistics Expertise



Doug Nielsen

Co-Founder, President & CEO

- 20+ years of e-commerce entrepreneurial experience
- Co-founder, President – GiftPoint.com
- BA – University of Nebraska at Omaha



Donn Raymond

Chief Financial Officer

- Head of FP&A, – Oriental Trading Co.
- VP, Worldwide Procurement & Supply Chain Management – Novellus, Inc.
- BA, Business Administration – University of Nebraska
- M.B.A – Santa Clara University



Jon Barker

Chief Operating Officer

- SVP, Distribution & Logistics – Cornerstone Brands, Inc.
- Business Development – UPS
- BS, Management – Northern Kentucky University



Steve Dee

Chief Technology Officer

- Chief Information Officer – J. Crew
- Executive, Retail Group – Accenture Plc
- BS, Electrical Engineering – University of Florida



Dawn Block

Chief Merchandising Officer

- International sourcing, product management, and merchandising – Uline, Inc.
- M.B.A. – National-Louis University



Brian Moen

Chief Marketing Officer

- Head of eCommerce – Oriental Trading Co.
- Director of Marketing – Overton's
- MS, Marketing & International Business – Minnesota State University



Dana Coonce

Vice President of Human Resources

- Director of Human Resources – SITEL Corp.
- Human resources & organizational development – First Data Corp.
- BA, Human Resources – University of Nebraska at Lincoln

A dimly lit living room with a sofa, coffee table, armchair, and easel. The room is dark, with the main light source being a lamp on a desk in the background. The sofa is on the left, the coffee table is in the center, and the armchair is on the right. An easel with a painting is in the background. The floor is covered with a rug, and there are some items on the floor, including a bag and some boxes.

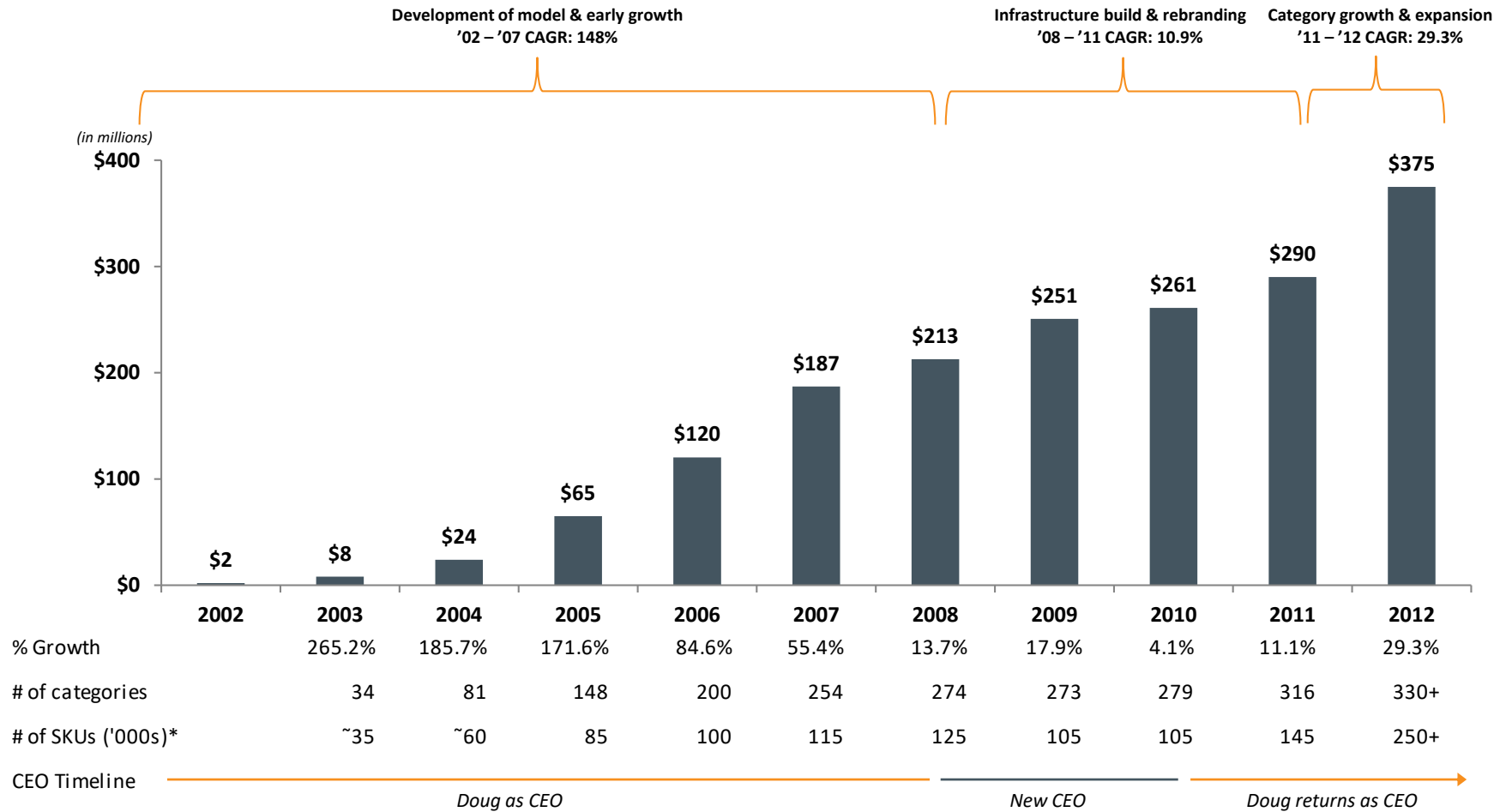
Financial Overview



Financial Highlights

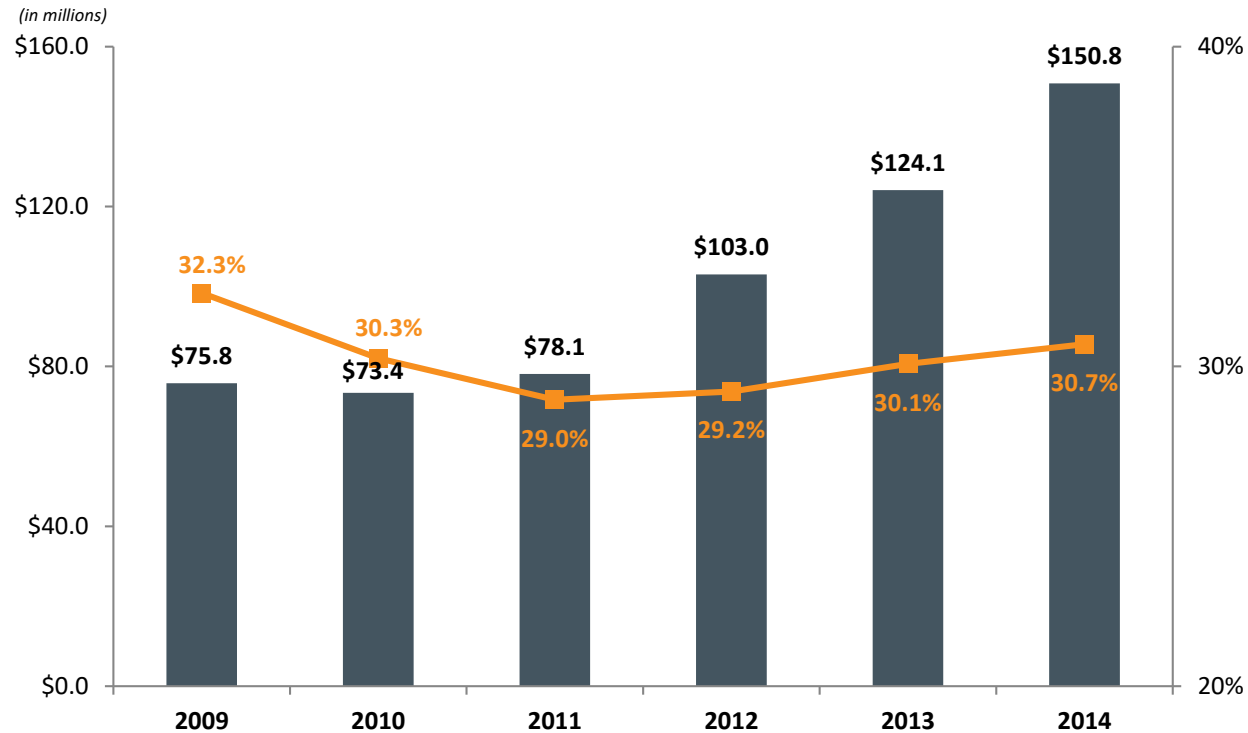
- Strong revenue growth
- Operating leverage & focus drives expanding margins
- Substantial growth opportunities ahead

Gross Revenue



*Adult SKU Count

Gross Margin Dollars



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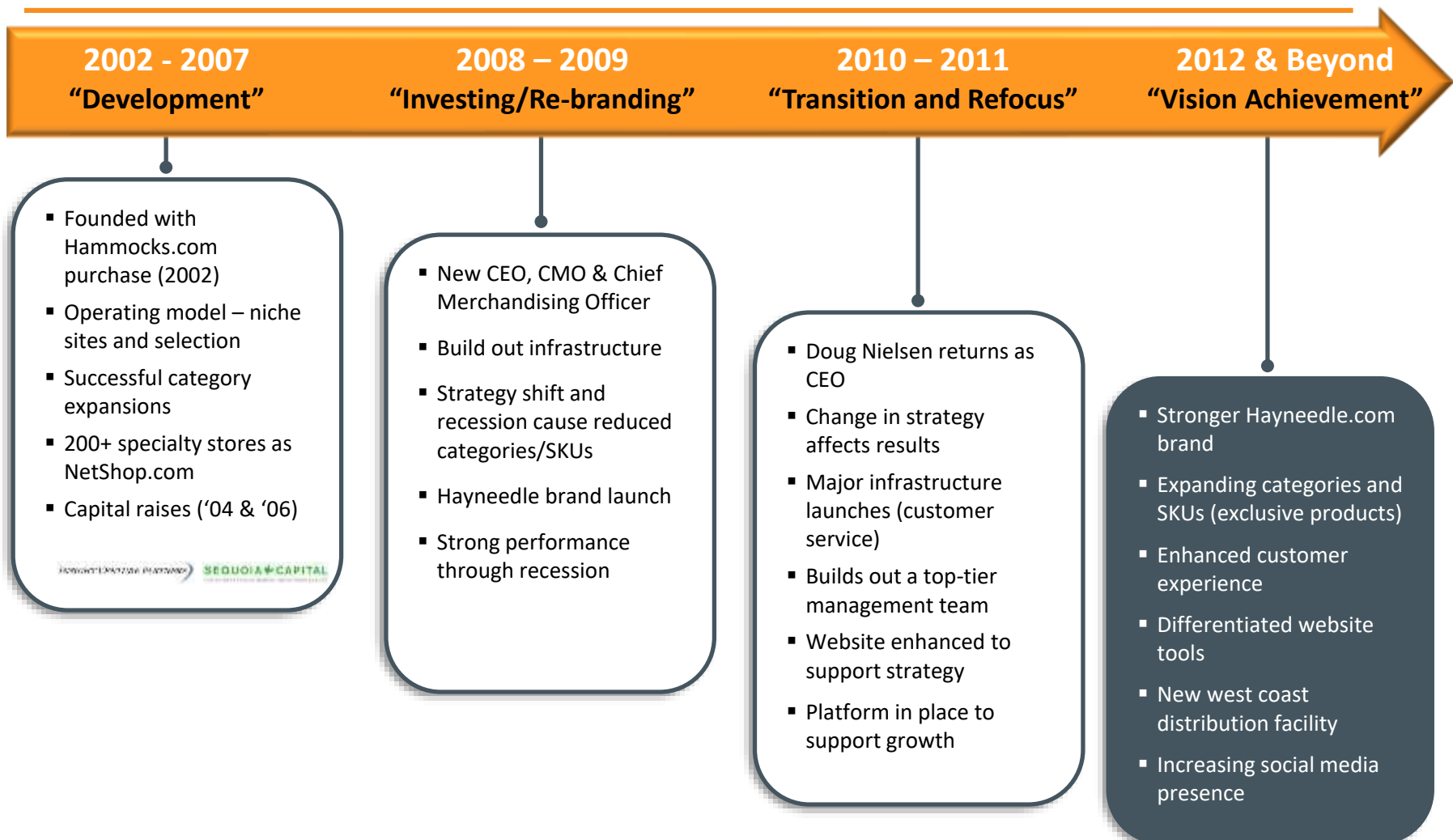
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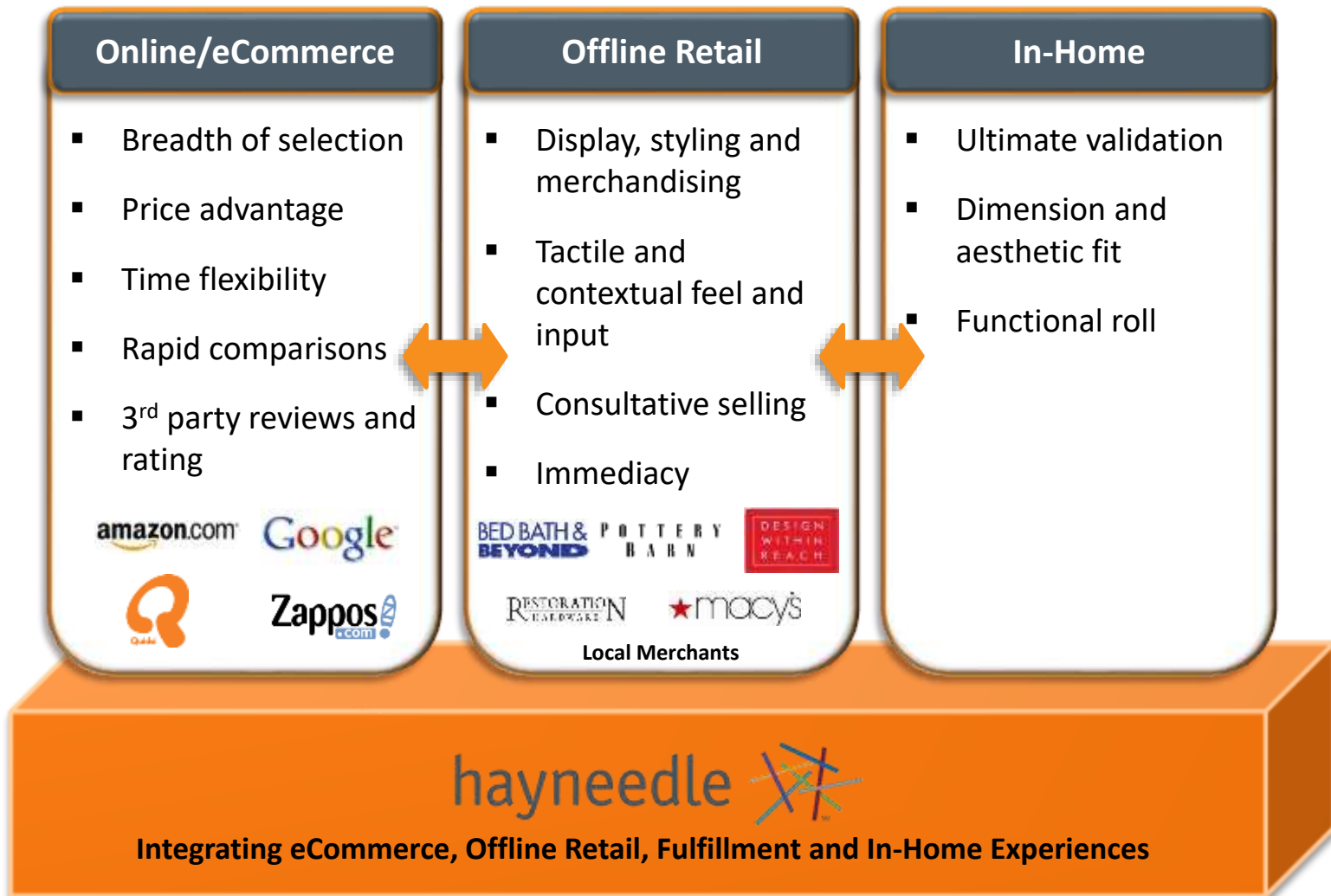
Appendix

Evolution and Positioning for Growth



Operating on a consistent vision: Hayneedle as the top online destination for home & outdoor furnishings

Delivering the Best From All Worlds



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body <i>n</i>	body <i>n</i>
body building	body-building
body on	body-on
body part	body-part
body piercing	body-piercing
body pump	body-pump
body scan	body-scan
body suit	body-suit
body temperature	body-temperature
body weight	body-weight
body work	body-work
boop <i>n</i>	boop <i>n</i>
boop on the nose	boop-on-the-nose
boop sound	boop-sound



<p>2002 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31</p> <p>2002 11 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30</p> <p>2002 12 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31</p>	<p>2002 11 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30</p> <p>2002 12 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31</p>
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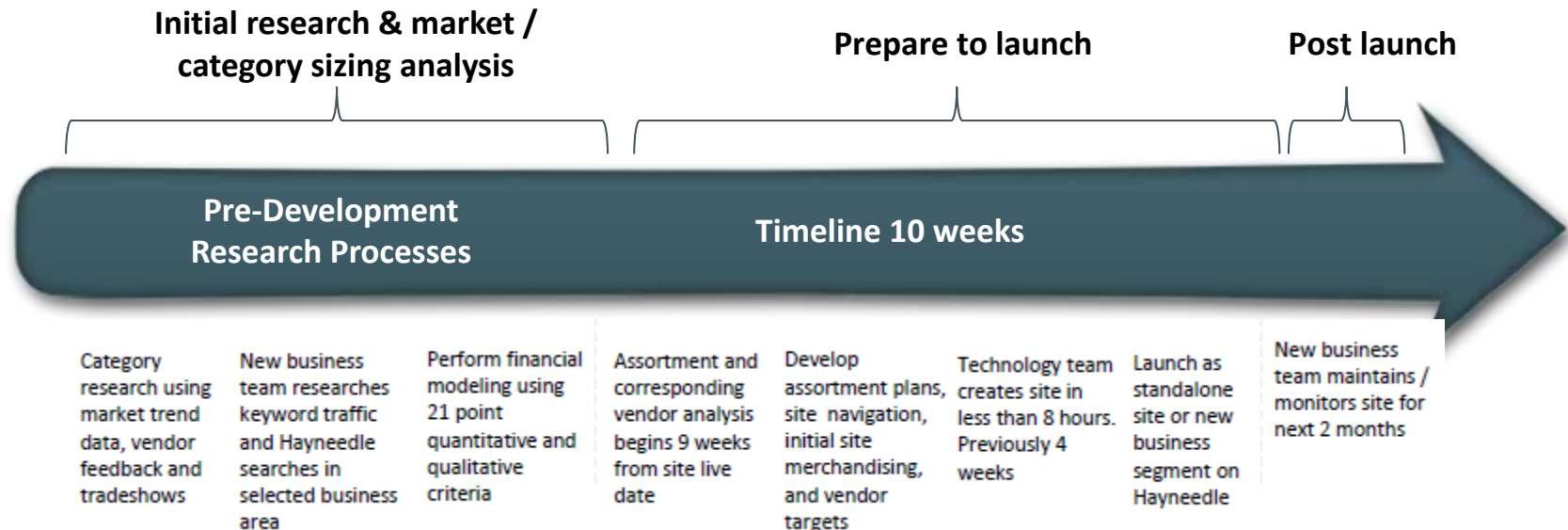


Fap
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 Website: www.fap.com
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 State: NC
 Zip: 27520

Joe Johnson
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 City: Joe, NC 27520
 State: NC
 Zip: 27520

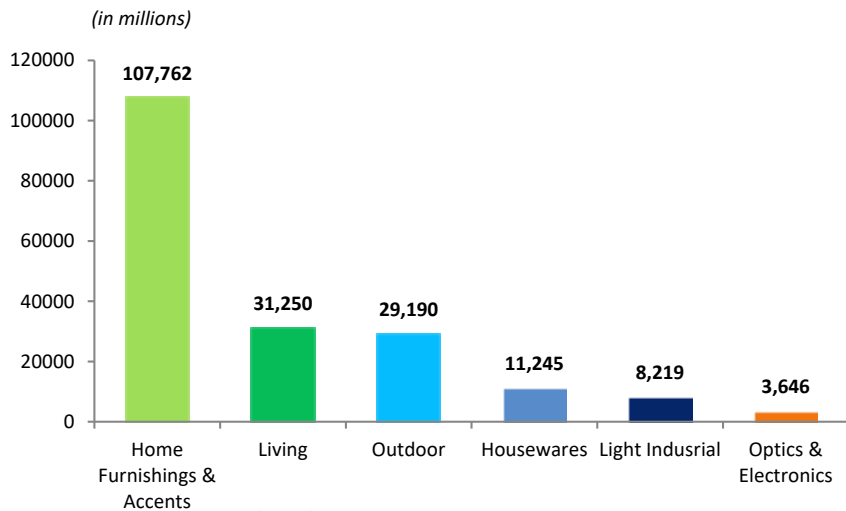
Ability to Identify and Expand into New Categories

- Launching 22 new categories in 2012
- Dedicated team to research and launch new categories; 10 week process
- 47 person buying team, attending 30+ markets annually to identify and onboard vendors in support of new business
- Streamline vendor on-boarding process allows for efficient training and data exchange from on-boarding to market live in 4 weeks or less
- Inventory financial modeling process ensures products earn a spot in inventory

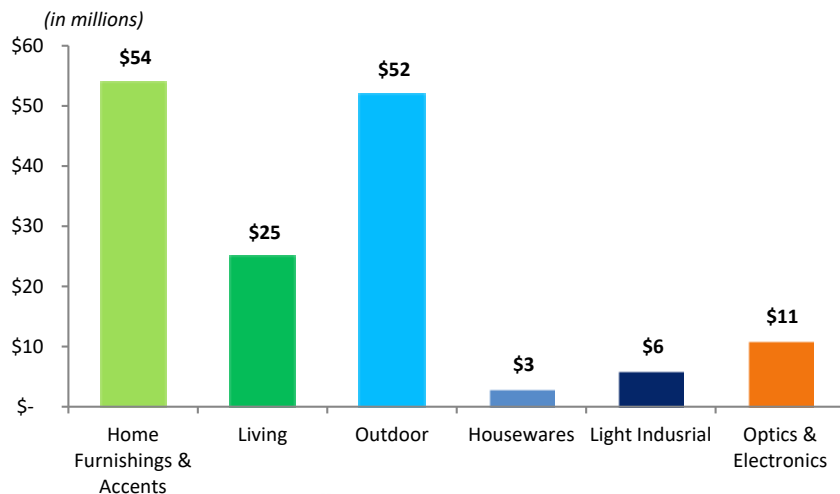


Current Assortment

Number of SKUs by Category



Sales by Category YTD



- Currently 191K SKUs across 300+ product categories
- Includes private brands and product exclusives in home furnishings, outdoor, pets, décor, children's furniture
- Brands include: Classic Playtime, Island Bay, Coral Coast, Finely Home, Zhumell, Boomer & George, Red Ember
- Focuses attention on delivering new vendors and businesses to market in our existing categories
- Leverage functionality to add new SKUs in 4 weeks or less

Cap Table Summary

	% of Total
Preferred Series	
Series A	22.3%
Series B	18.3%
Series C	8.4%
Series D	3.2%
Total Preferred	52.2%
Common Shares	
Founders / Angel Investor	29.9%
Other Common Shareholders	0.8%
Total Common	30.7%
Options	
Granted Stock Options	16.7%
Options Available for Grant	0.4%
Total Options	17.1%
Fully Diluted Shares Outstanding	100%