



Etsy

Q1 2020
Financial Results

May 6, 2020

Forward-looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws.

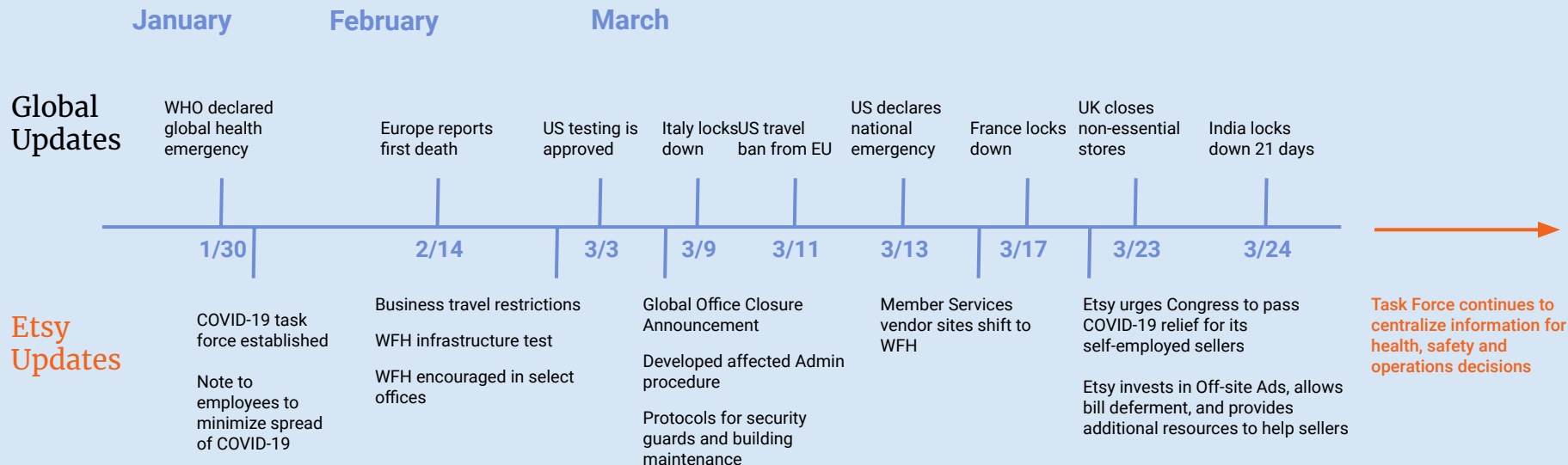
Forward-looking statements include statements relating to our financial guidance for the second quarter of 2020 and key drivers thereof; the impact of our investments on topline growth the uncertain impacts that the COVID-19 pandemic may have on our business, strategy, operating results, key metrics, financial condition, profitability, and cash flows and changes in overall level of consumer spending and volatility in the global economy and the impact of ongoing settlement of intercompany balances on future foreign exchange rate volatility.

Forward-looking statements include all statements that are not historical facts. In some cases, forward-looking statements can be identified by terms such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “may,” “plans,” “will,” “intends,” or similar expressions and the negatives of those words.

Forward-looking statements involve substantial risks and uncertainties that may cause actual results to differ materially from those that we expect. These risks and uncertainties include: (1) COVID-19 pandemic is unprecedented and is impacting our GMS and results of operations in numerous ways that remain volatile and unpredictable; (2) the fluctuation of our quarterly operating results; (3) our failure to meet our publicly announced guidance or other expectations; (4) our ability to successfully execute on our business strategy or if our strategy proves to be ineffective; (5) our ability to attract and retain an active and engaged community of sellers and buyers; (6) our history of operating losses; (7) macroeconomic events that are outside of our control; (8) our ability to recruit and retain employees; (9) the importance to our success of the trustworthiness of our marketplace and the connections within our community; (10) our ability to enhance our current offerings and develop new offerings to respond to the changing needs of sellers and buyers, including the success of our Etsy Ads platform; (11) the effectiveness of our marketing efforts; (12) the effectiveness of our mobile solutions for sellers and buyers; (13) our ability to expand our business in our core geographic markets; (14) regulation in the area of privacy and protection of user data; (15) our dependence on third-party payment providers; (16) acquisitions that may prove unsuccessful or divert management attention, including our acquisition of Reverb; and (17) the potential misuse or disclosure of sensitive information about members of our community and the potential for cyber-attacks. These risks and uncertainties are more fully described in our filings with the Securities and Exchange Commission, including in the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019, current report on Form 8-K filed on May 6, 2020 and subsequent reports that we file with the Securities and Exchange Commission. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, we cannot guarantee future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. Forward-looking statements represent our beliefs and assumptions only as of the date of this presentation. We disclaim any obligation to update forward-looking statements.

We moved quickly to protect our team and community

COVID-19 Events and Etsy Task Force Timeline



+20% Y/Y increase in product releases during Q1

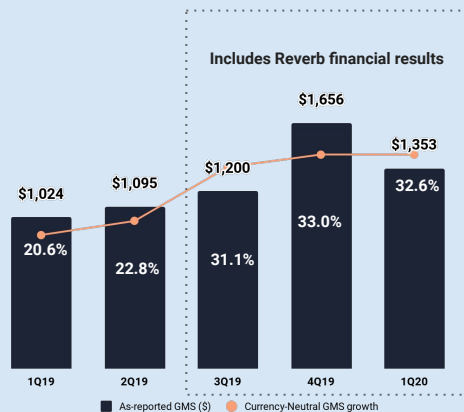
We delivered a solid Q1 despite macro uncertainty

GMS

\$1.4B

+32.6% Y/Y

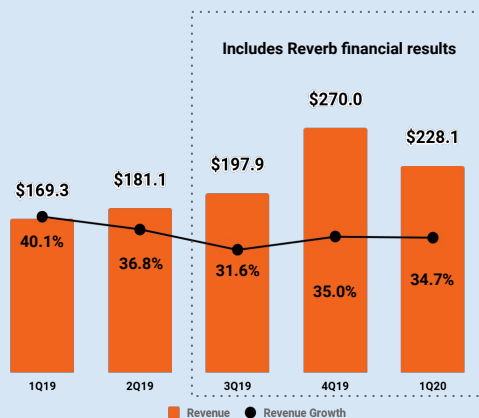
Currency-Neutral



Revenue

\$228M

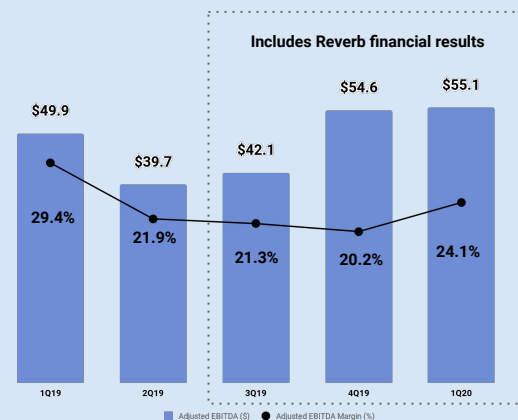
+34.7% Y/Y



Adjusted EBITDA¹

\$55.1M

+24.1% Margin



¹Reconciliation of non-GAAP financial measures is contained in the appendix

All results are Consolidated and includes Reverb financial results from the date of acquisition (August 15, 2019)

Etsy Marketplace: *April was Extraordinary...*

Mask Sales

\$133M in GMS

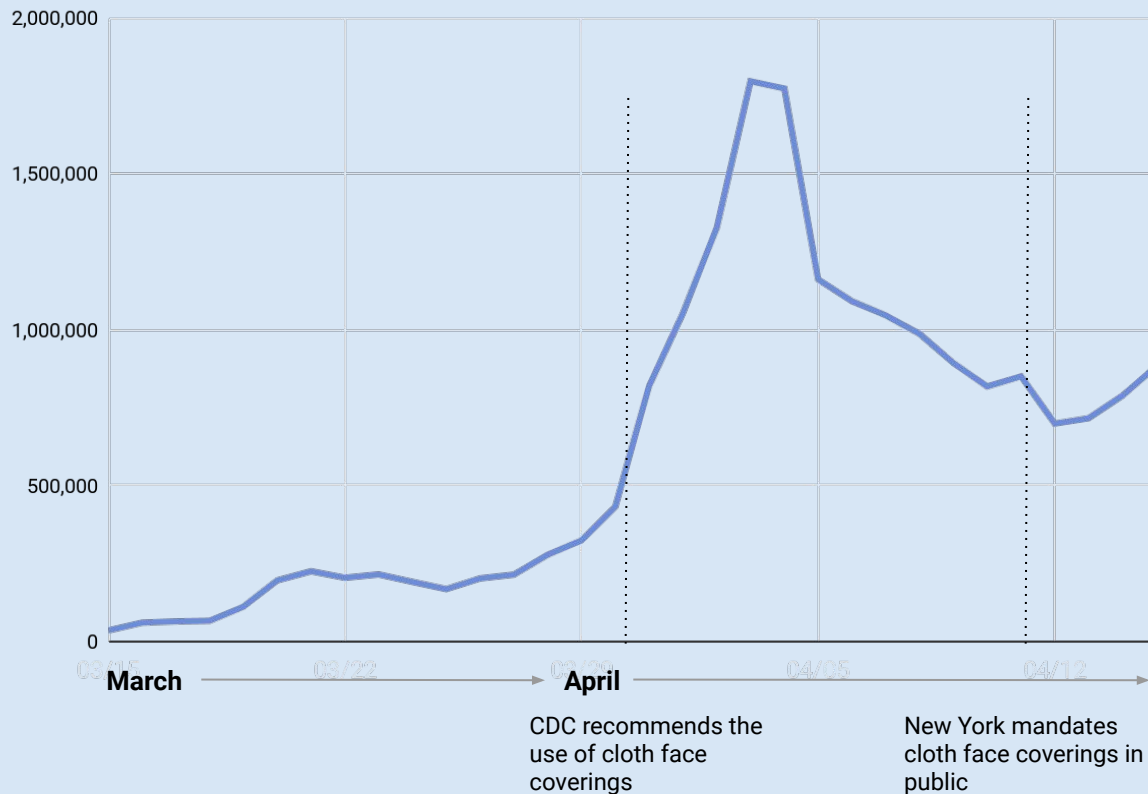
Non-Mask Sales

+79% Y/Y

Demand shifted in
early April...

...first weekend of
April generated
over 2M
mask-related
searches

Mask-Related Search Volume



Rapid mobilization focused on six key areas to address demand surge

Within Hours

**Created
Banners and
Automated
Filters**

**Retrained
our Search
Engine**

Within Days

**Scaled
Inventory
and Sellers**

**Screened
Sellers**

**Distributed
Demand**

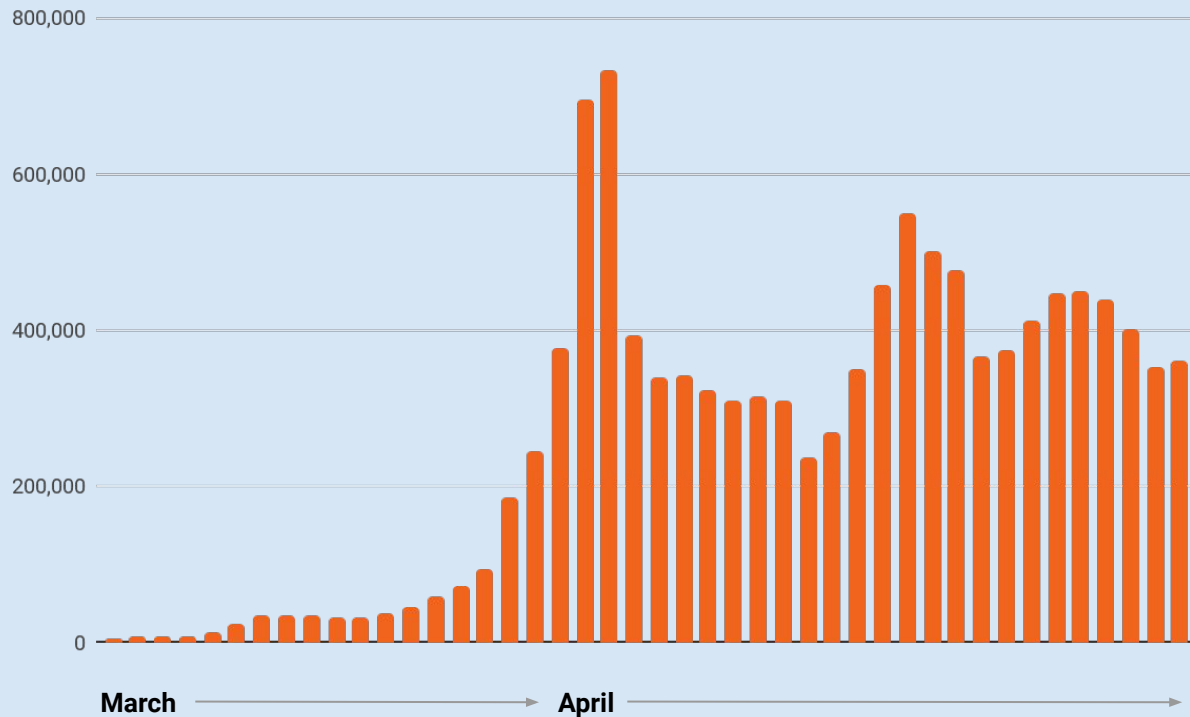
**Managed
Delivery
Expectations**

As a result, Etsy sellers sold a lot of masks in April

Key Insights

- We sold over **12M face masks** in April
- Face Masks generated **\$133M in April GMS** and represented **17% of Etsy marketplace GMS**
- If face masks were a category it would have been the **second largest in April**

Number of face masks sold*



*Etsy standalone data reflected as of the month of April

Influx of new buyers creates opportunity to build loyalty with a new cohort

6.5M

New buyers and those who have not purchased for a year or more*

Repeat Purchase Rate

32%

Of mask buyers had a 14 day repeat purchase rate; higher than average*

*Etsy standalone data reflected as of the month of April

Engagement



TV

Paid Social

PLA & SEM

Email

Push

Organic Social

Etsy Marketplace: *April was Extraordinary...*

Mask Sales

\$133M in GMS

Non-Mask Sales

+79% Y/Y

We experienced broad demand across the marketplace

Growing Demand in Key Categories and Occasions

Home Decor



Craft Supplies



Gifting



Fewer Alternatives

Retail store closures

eCommerce shipping delays

Supply chain disruptions



Non-Mask GMS*

+79%

*Growth in non-mask
GMS during April*

We pivoted our brand strategy, messaging and spend to support Etsy sellers



Pivoted our brand platform to emphasize
‘delivering joy in the everyday’

Message to Buyers

Etsy is open for business

*Etsy offers everyday
essentials*

*Support small business by
shopping on Etsy*



Message to Sellers

We have your back

Pivoted merchandising to elevate trending categories and products

Home Inspiration



Home Activities



Self Care



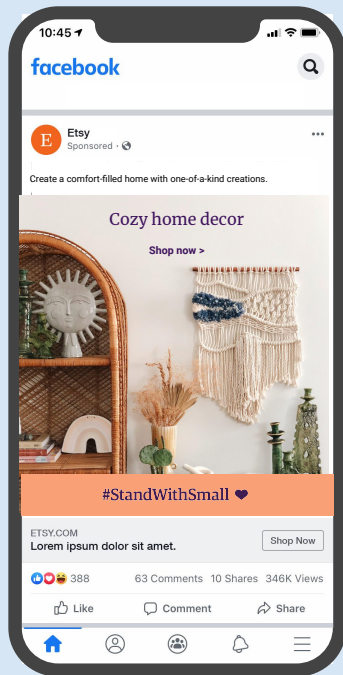
Gifting



Everyday Etsy



New TV campaign and social presence extends our reach



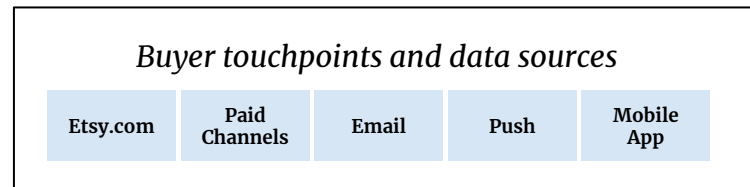
‘Always Open’

Engaging with buyers utilizing new CRM tools

*New Tools

*New Tools

Personalized Interactions



Our Right to Win

Best-in-Class
Search and
Discovery



Human
Connections

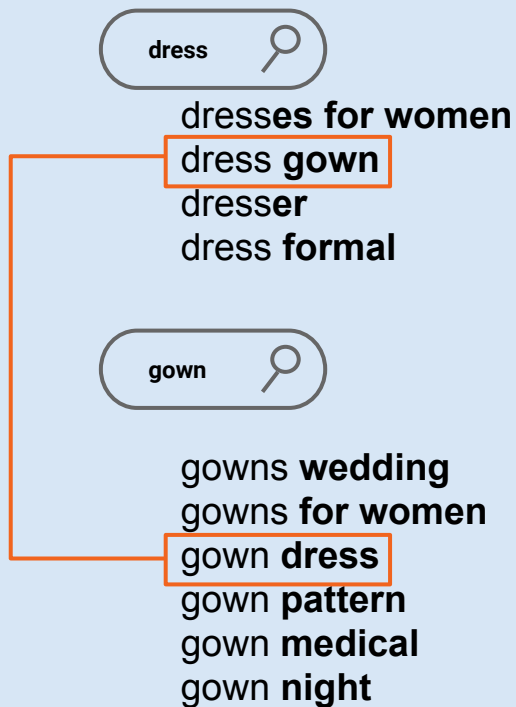


A Trusted
Brand

Our Collection of Unique Items



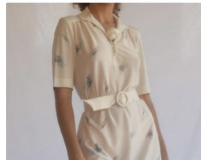

Leveraging deep learning to close the ‘semantic gap’

Improved algorithms drives meaningful progress in search relevance



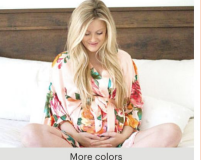



Search results for “floral dress”

All categories > “floral dress” (212,392 Results) Sort by: Relevancy ▼


 <p>1960s Cream Full Skirted Dress Cre... SheBangChic ★★★★★ (80) \$65.00 <small>FREE shipping</small> <small>Only 1 available and it's in 1 person's cart</small></p>	 <p>Vintage dress, size 8/10, 1950s dress... GeorginaVintage ★★★★★ (142) \$72.00 <small>Only 1 available and it's in 2 people's carts</small></p>	 <p>Vintage 80s Belted Painted Floral D... AvecDesireVintage ★★★★★ (9) \$46.50 <small>\$62.00 (25% off)</small> <small>FREE shipping</small></p>	 <p>Embroidered Dress, Floral Dress, Tu... REVERatelier ★★★★★ (34) \$231.52 <small>\$272.37 (15% off)</small> <small>FREE shipping</small></p>
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Search results for “floral gown”


All categories > “floral gown” (37,403 Results) Sort by: Relevancy ▼

 <p>Maternity Robe Floral Nursing Gown... ModParty ★★★★★ (75,583) \$15.00</p>	 <p>Embroidered Dress, Floral Dress, Tu... REVERatelier ★★★★★ (34) \$231.52 <small>\$272.37 (15% off)</small> <small>FREE shipping</small></p>	 <p>Alfred Shaheen 36-27-F Light Green... RetroRosiesVintage ★★★★★ (125) \$40.00</p>	 <p>Sky Blue Floral Baby Girl Knot Gown... ScallywagBabyCo ★★★★★ (1,914) \$9.09 <small>\$12.99 (30% off)</small></p>
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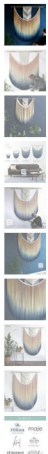
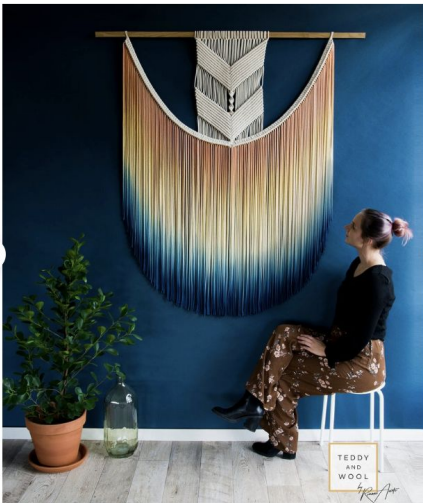
Giving Reviews more prominence inspires trust in the buyer journey



Search

[Sell on Etsy](#)
[Register](#)
[Sign in](#)


[Jewelry & Accessories](#)
[Clothing & Shoes](#)
[Home & Living](#)
[Wedding & Party](#)
[Toys & Entertainment](#)
[Art & Collectibles](#)
[Craft Supplies](#)
[Vintage](#)
[Gifts](#)

TeddyandWool ★★★★★ (395)

Large Macrame Wall Hanging - from size small to 3XL - Dip dyed Wall Hanging Tapestry - Macrame Curtains - "Eva"


\$225.00+

Free shipping


Size

Select a size

Add to cart

 **Almost gone. There's only 1 left.**

Item details

 **Handmade**

Materials

Beech Wooden Dowel, Colorful Dye, Hanging Har... [more](#)

● **FREE WORLDWIDE SHIPPING!**

This unique and stunning piece is perfect to add both texture and color to your space. This stunning wall hanging reminds me of a setting sun just dipping behind the horizon, hovering above a deep-blue ocean. The "EVA" macrame tapestry features a beautiful modern geometric design. In a unique and specialized process, Rianne adds a gorgeous gradient dye to the fringes of the tapestry.

[View shipping policies for US, UK, CA, AU, NZ, and 3XL sizes](#)

[Learn more about this item](#)

Shipping & returns

Made just for you. Ready to ship in 6-9 business days.

From The Netherlands

Free shipping to [United States](#)


Exchanges accepted

Exceptions may apply.

[View shop policies](#)

Gift wrapping available


Meet TeddyandWool



Rianne Aarts

Amsterdam, The Netherlands


Reviews ★★★★★ (395)

 **mhalbaki** Oct 14, 2019


★★★★★

Beautiful does not do this piece justice, everyone adored it and was amazed by your creativity,

Thank you so much for your personalized touch in the letter sent with it




Large Macrame Wall Hanging - from size small to 3XL - Dip dye...

 **Michi W** May 21, 2019

★★★★★

I'm so happy with this wall piece. Very pleased with its beauty and workmanship that was put into. Thank you very much for the great art work and a surprise gift!



Etsy Sellers are
innovating ...
new inventory
emerges

“Pocket Hugs”



tashamckelvey

Tasha McKelvey - handmade clay goodness

Richmond, Virginia | On Etsy since 2006

4,498 Sales | ★★★★★

Favorite shop (12604)



New advertising approach...more seller control & more scalable for Etsy



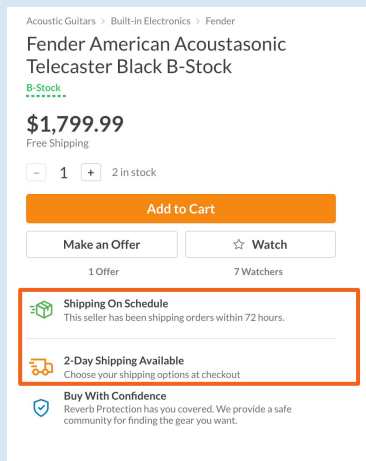
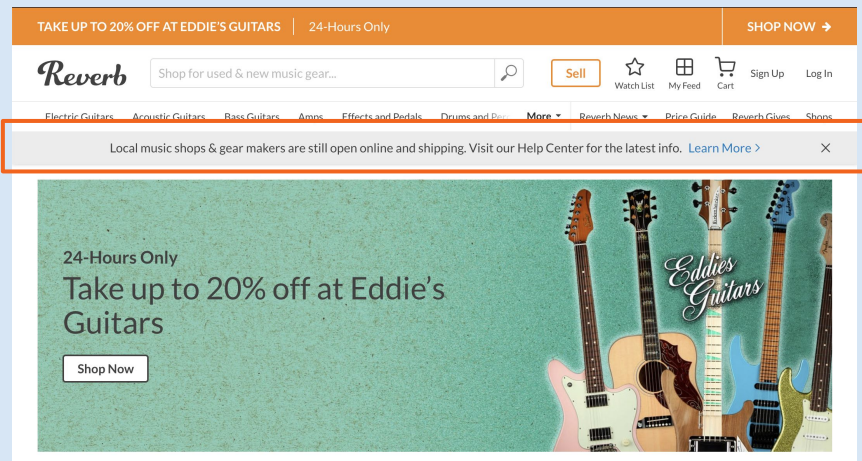
1 Offsite Ads – New in Q2!

Etsy buys performance ads on channels such as Google, Facebook, Instagram, Pinterest and Bing. Sellers only pay a fee if the visit converts to a sale within 30 days.

2 Etsy Ads (formerly known as Promoted Listings)

Seller pays to promote their listings on Etsy

Our Reverb marketplace leveraged the ability to serve as a primary online channel for its sellers...



New Buyers

Seeing a surge in first time buyers

Shipping Availability

Shipping availability is driving traffic and GMS

Manufacturers

Manufacturers embrace selling directly on the platform

Keep
Commerce
Human

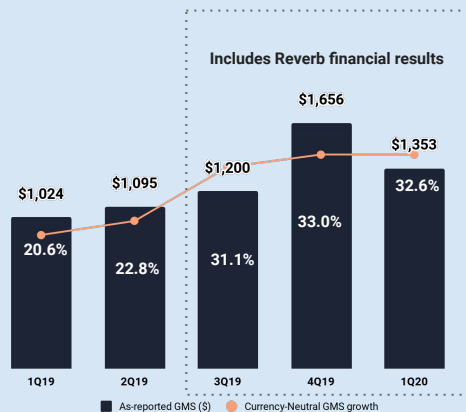
We had a solid first quarter...

GMS

\$1.4B

+32.6% Y/Y

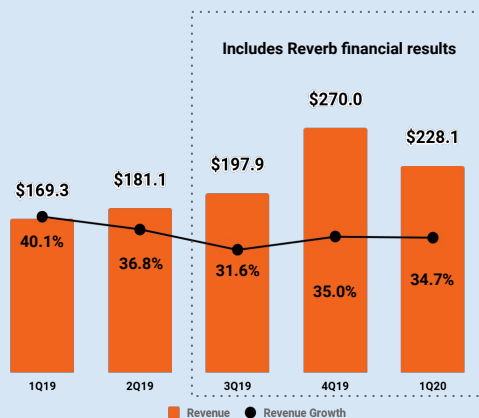
Currency-Neutral



Revenue

\$228M

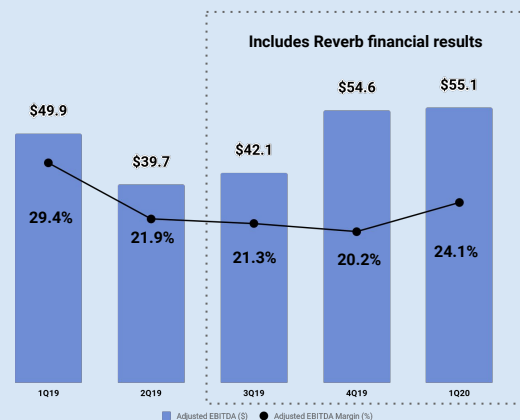
+34.7% Y/Y



Adjusted EBITDA¹

\$55.1M

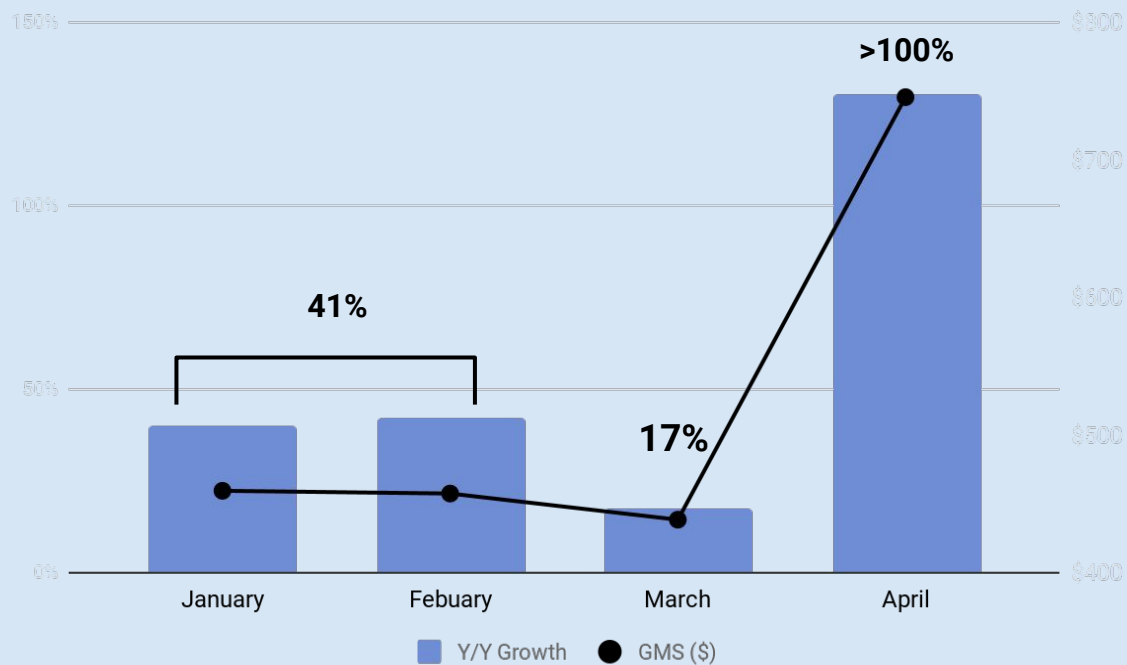
+24.1% Margin



¹Reconciliation of non-GAAP financial measures is contained in the appendix

All results are Consolidated and includes Reverb financial results from the date of acquisition (August 15, 2019)

Strong start to the year followed by significant volatility



Includes Reverb results

Marketplace vs Services Revenue

1Q 2020 CONSOLIDATED REVENUE \$228M, UP 34.7% YoY

Marketplace Revenue

Listing Fee

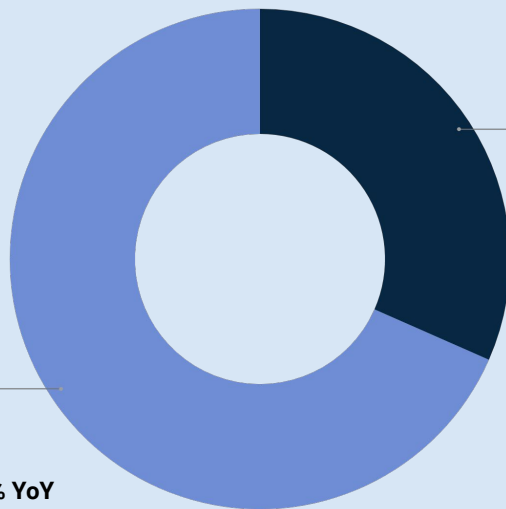
Transaction Fee

Payments Platform

Marketplace

68.4%

\$155.9M, up 22.6% YoY



Services Revenue

31.6%

\$72.1M, up 71.1% YoY

Services Revenue

(Optional value-added services)

Advertising

Shipping Label /Protection

Other

Includes Reverb results

Etsy transaction fee 5% and Reverb transaction fee 3.5% both including shipping fees

Etsy Payments (3-4.5% +flat fee) plus Reverb Payments (2.5%-2.7% +flat fee)

Improvement in key operating metrics signal continued progress improving frequency

Active Buyers¹

47.7M

+16% Y/Y

Habitual Buyers²

2.6M

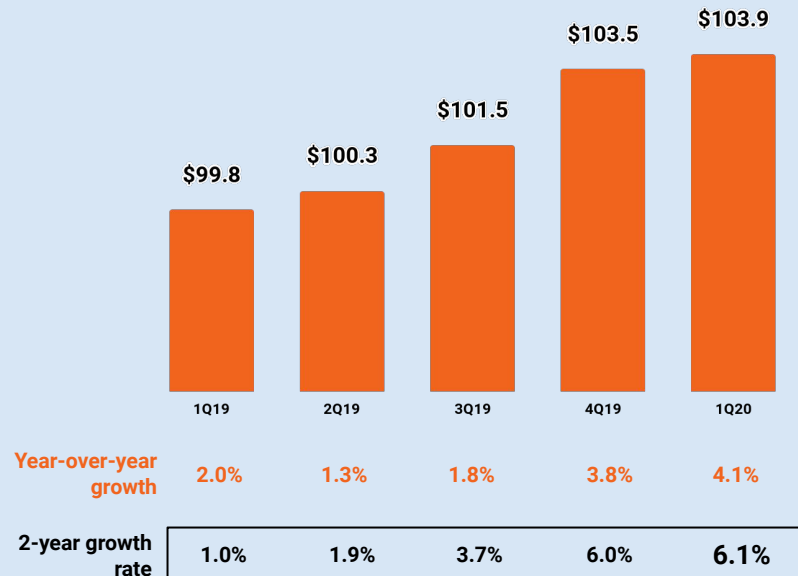
+22% Y/Y

¹Active buyers reflected for the consolidated marketplace

²Habitual Buyers are a segment of buyers from the Etsy standalone marketplace

³GMS per Active Buyer reflects results from the Etsy standalone marketplace

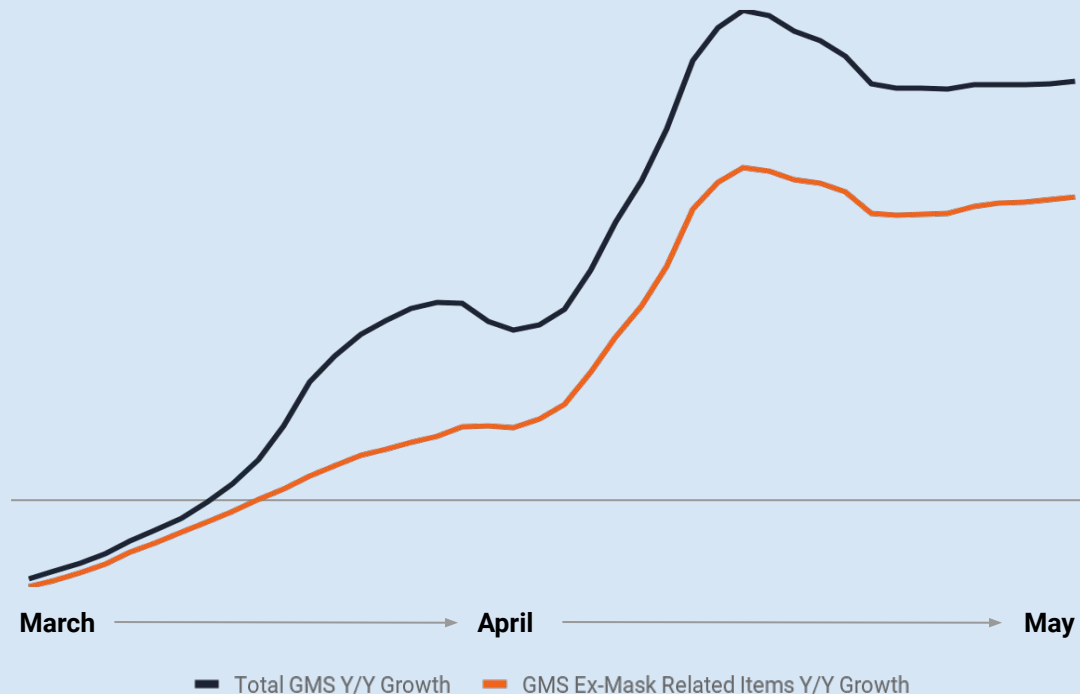
GMS per Active Buyer³



We're seeing broad based demand and overall momentum for the Etsy marketplace

Key Insights*

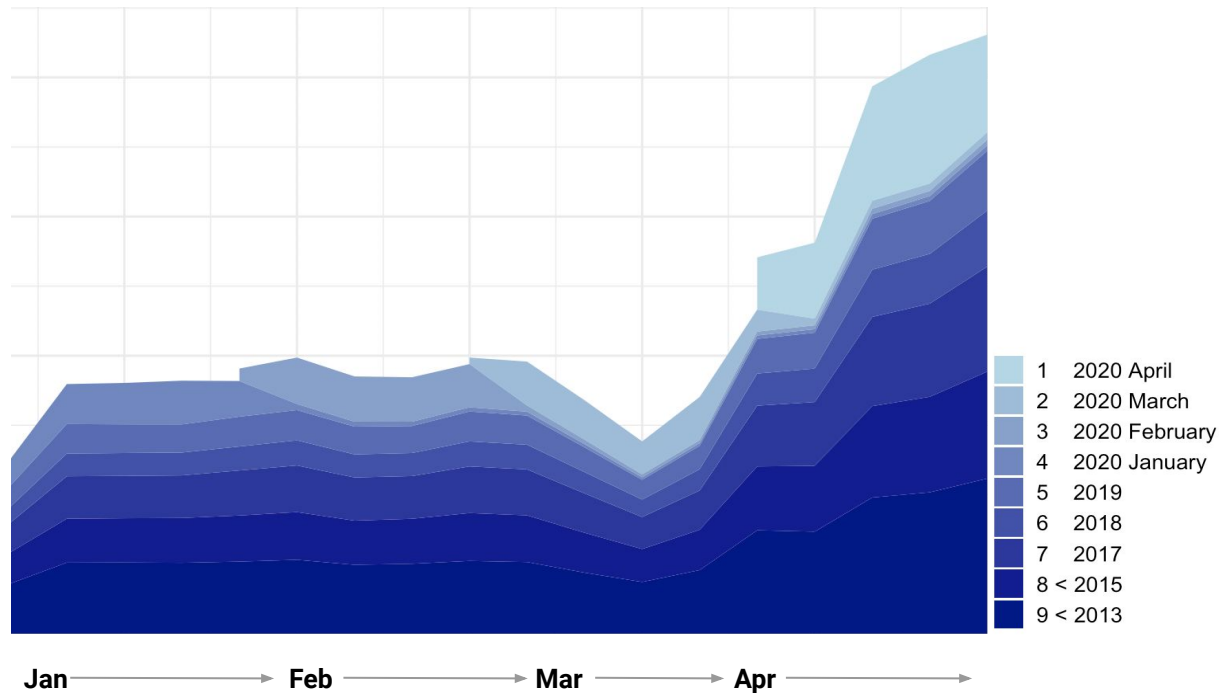
- Face Masks represented **17% of Etsy marketplace GMS**
- **22%** of mask related GMS was **from new buyers**
- Acquired **4M new buyers** and **re-engaged 2.5M buyers** who haven't purchased in a year or more
- **32%** of buyers who purchased a face mask **returned within 14 days** to make another purchase



*Etsy marketplace data for April 2020

Normally stable
& predictable
cohorts
experienced a
meaningful
inflection

Layered cohorts indexed by GMS



Optimizing our cost structure while investing for long term growth

Leaning into Variable Investments for Long Term Growth

Brand Marketing

Incremental Product Investments including
Search and Frequency

One-time Investments to Support our Sellers

Offsite Ads fees waived

Bill Payment Deferral

Seller Resources and
Support

Listing and Ad Credits

~\$11M - \$13M

**One-time
investments in our
seller community**

Strong cash flow generation reinforces our financial position and capital allocation strategy

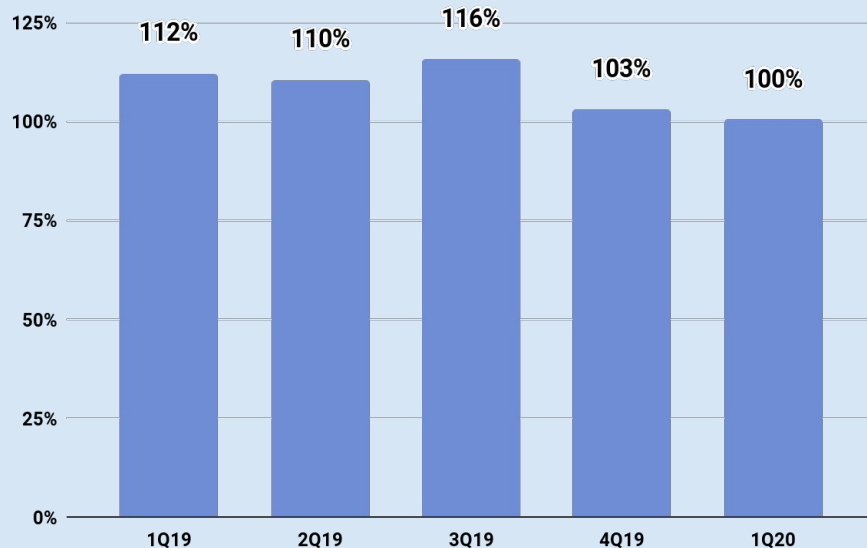
Cash Balance 3/31/20¹

\$898M

¹Cash, Cash Equivalents, and Investments (short and long term)

²Reconciliation of non-GAAP financial measures is contained in the appendix
Non-GAAP Free Cash Flow Conversion is Free Cash Flow divided by adjusted EBITDA

TTM Free Cash Flow Conversion² (%)



Depth and duration of headwinds and tailwinds are unknown

GMS Trends by Category



Q2 Guidance

Etsy has temporarily moved to providing quarterly guidance in light of uncertain macro conditions

Q2 Consolidated Guidance May 6, 2020

GMS (\$)	~\$2.0B-\$2.2B
GMS Growth (%)	80 - 100%
Revenue (\$)	~\$310M-\$340M
Revenue Growth (%)	70 - 90%
Adj. EBITDA* (\$)	\$75M-\$90M
Adj. EBITDA Margin (%)	~23 - 27%

*Based on the mid-point of Q2 2020 revenue guidance. Reconciliation of non-GAAP financial measures is contained in the Appendix.
Key factors potentially impacting our 2020 guidance are contained in the Appendix.

Q&A

Appendix

Key factors impacting our Q2 Guidance

Etsy withdrew its 2020 Annual Guidance on April 2, 2020 due to uncertainty caused by the COVID-19 crisis.

We anticipate that the key factors impacting Etsy consolidated Q2 GMS and revenue guidance will be:

- The depth and duration of headwinds and tailwinds related to the healthcare and economic crisis caused by COVID-19. Headwinds and tailwinds include but are not limited to the following:
 - Headwinds: Economic environment, job losses, and consumer confidence
 - Tailwinds: Retail store closures, shift in spend from offline to online, competitive dynamics, government stimulus, demand for face masks and mask adjacent items, and the frequency of new buyer cohorts
- Continued visit growth and conversion rate improvements driven by global product launches enhancing the buying experience.
- Incremental GMS from marketing investments.
- The launch of our new Off-site Ads product in Q2, which is expected to generate incremental revenue in the form of an advertising fee to sellers.
- Additional external factors that may offset some growth include: sales taxes, regulatory changes, currency fluctuations, changes to VAT, elections, and the potential for geopolitical events that impact trade, including, among other things, the COVID-19 pandemic.
- GMS and Revenue performance related to our acquisition of Reverb.

We anticipate that the key factors impacting our Q2 Adjusted EBITDA guidance will be:

- Revenue growth driven by the core business
- Planned investments in marketing, including investments in newer channels for Etsy with more speculative returns, as well as incremental investments in marketing spend related to our new Offsite Ads product.
- One-time investments to support our seller community impacted by COVID-19.
- Leverage in Product Development, G&A and Cost of Revenue.
- Continued investment in the usage of our cloud infrastructure, most of which will be expensed through cost of revenue.
- Adjusted EBITDA associated with the recent acquisition of Reverb, which we expect to be a drag on consolidated EBITDA margin for Q2.

*These and other risks and uncertainties are more fully described in in our Quarterly Filing on Form 10-Q for the quarter ended March 31, 2020, and subsequent reports that we file with the Securities and Exchange Commission.

Condensed Consolidated Statement of Operations

	1Q20	1Q19
(in thousands)		
Revenue	\$228,055	\$169,339
Cost of revenue	82,416	52,658
Gross profit	145,639	116,681
<i>Marketing</i>	48,505	35,444
<i>Product development</i>	37,782	24,947
<i>General and administrative</i>	33,987	24,647
Operating expenses	120,274	85,038
Income from operations	25,365	31,643
Other expense, net	(15,672)	(206)
Benefit for income taxes	2,829	142
Net income	\$12,522	\$31,579
Net income per share — diluted	\$0.10	\$0.24

Condensed Consolidated Statement of Cash Flows

	Three months ended 3/31/20	Three months ended 3/31/19
(in thousands)		
Net Income	\$12,522	\$31,579
<i>Net cash provided by operating activities</i>	29,664	31,458
<i>Net cash provided by (used in) investing activities</i>	6,093	(22,004)
<i>Net cash used in financing activities</i>	(32,678)	(29,307)
Effect of exchange rate changes on cash	(4,018)	(1,458)
Net decrease in cash, cash equivalents, and restricted cash	(939)	(21,311)
Cash, cash equivalents, and restricted cash at the beginning of the period	448,634	372,326
Cash, cash equivalents, and restricted cash at the end of the period	\$447,695	\$351,015

Condensed Consolidated Balance Sheets

	1Q20	4Q19
(in thousands)		
Cash and cash equivalents	\$442,354	\$443,293
Short-term investments	361,640	373,959
Accounts receivable, net	11,712	15,386
Property and equipment, net	134,519	144,864
Other current and non-current assets	567,417	564,850
Total assets	\$1,517,642	\$1,542,352
Accounts payable	\$10,557	\$26,324
Funds payable and amounts due to sellers	55,172	49,786
Long-term debt, net	794,129	785,126
Other current and non-current liabilities	250,937	274,482
Total liabilities	1,110,795	1,135,718
Total stockholders' equity	406,847	406,634
Total liabilities and stockholders' equity	\$1,517,642	\$1,542,352

Reconciliation of Quarterly Net Income to Adj. EBITDA

	1Q20	1Q19
(in thousands)		
Net income	\$12,522	\$31,579
Excluding:		
Interest and other non-operating expense, net	6,354	1,268
Benefit for income taxes	(2,829)	(142)
Depreciation and amortization	15,163	10,142
Stock-based compensation expense	13,811	8,082
Foreign exchange loss (gain)	9,318	(1,062)
Acquisition-related expenses	717	-
Adjusted EBITDA	\$55,056	\$49,867

Reconciliation of Operating Cash Flow to Free Cash Flow

Free cash flow is considered to be a non-GAAP financial measure. We believe that free cash flow, which measures our ability to generate cash from our business operations, is an important financial measure for use in evaluating the company's financial performance. Free cash flow should be considered in addition to, rather than as a substitute for, consolidated net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity. We believe it is important to view free cash flow as a measure that provides supplemental information to our Consolidated Statements of Cash Flows.

	1Q20	4Q19	3Q19	2Q19	1Q19	2019	2018
(in thousands)							
Operating Cash Flow	\$29,664	\$78,581	\$47,045	\$49,836	\$31,458	\$206,920	\$198,925
Purchases of property and equipment	(567)	(1,639)	(2,142)	(3,064)	(683)	(7,528)	(1,019)
Development of internal-use software	(1,261)	(1,508)	(1,573)	(1,279)	(3,390)	(7,750)	(19,537)
Free Cash Flow	\$27,836	\$75,434	\$43,330	\$45,493	\$27,385	\$191,642	\$178,369