

Etsy

Q4/FY 2020
Financial Results

February 25, 2021

Forward-looking Statements

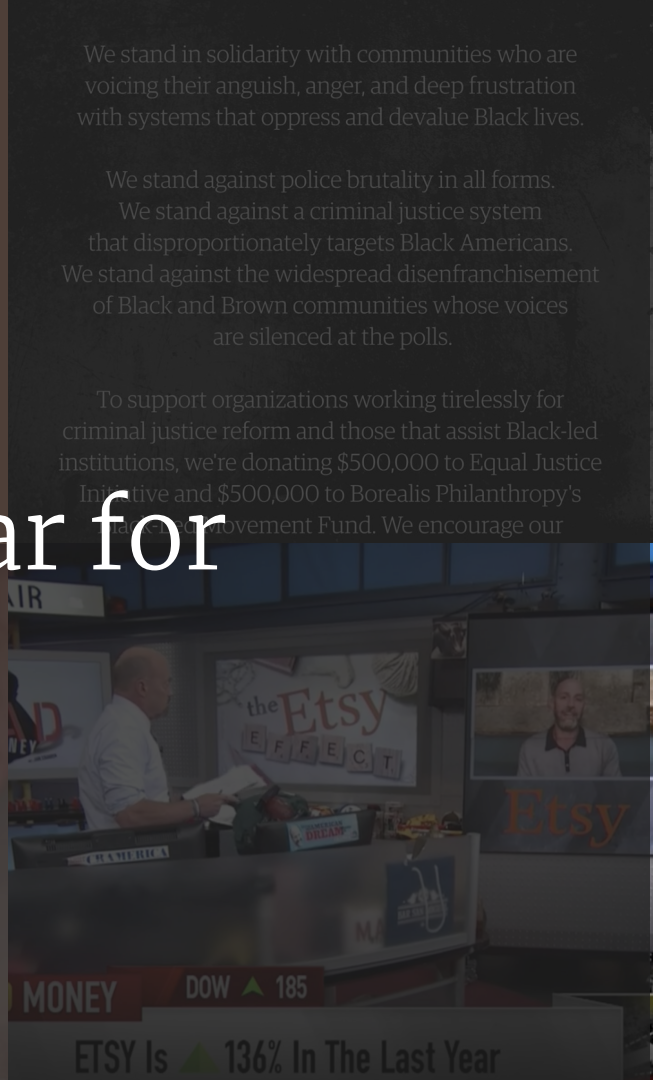
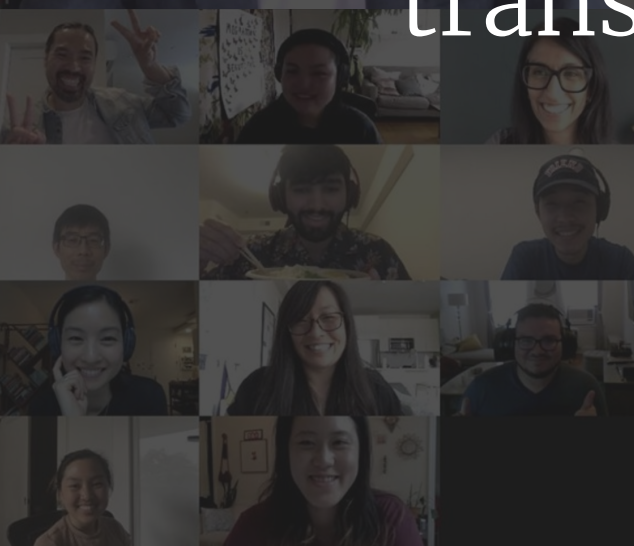
This presentation contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements include statements relating to our financial guidance for the first quarter of 2021 and key drivers thereof, the uncertain impacts that the COVID-19 pandemic may have on our business and operating results, the impact of our strategy, marketing and product initiatives on our business and operating results and the size and our ability to capitalize on our large market opportunity. Forward-looking statements include all statements that are not historical facts. In some cases, forward-looking statements can be identified by terms such as “aim,” “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “will,” 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) our ability to continue our rapid growth; (2) risks related to the ongoing COVID-19 pandemic, which continues to impact our business and results of operations in numerous ways that remain volatile and unpredictable; (3) the fluctuation of our quarterly operating results; (4) our failure to meet our publicly announced guidance or other expectations; (5) our ability to successfully execute on our business strategy or if our strategy proves to be ineffective; (6) our ability to attract and retain an active and engaged community of sellers and buyers; (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 marketplaces 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; (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; 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 Quarterly Report on Form 10-Q for the quarter ended September 30, 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 press release. We disclaim any obligation to update forward-looking statements.



2020 was a transformative year for Etsy ...



We stand in solidarity with communities who are voicing their anguish, anger, and deep frustration with systems that oppress and devalue Black lives.

We stand against police brutality in all forms.
We stand against a criminal justice system that disproportionately targets Black Americans.
We stand against the widespread disenfranchisement of Black and Brown communities whose voices are silenced at the polls.

To support organizations working tirelessly for criminal justice reform and those that assist Black-led institutions, we're donating \$500,000 to Equal Justice Initiative and \$500,000 to Borealis Philanthropy's Black Movement Fund. We encourage our

#StandWithSmall

We delivered spectacular 2020 financial results

GMS

\$10.3B

+106% Y/Y
Currency-Neutral

Revenue

\$1.7B

+111% Y/Y

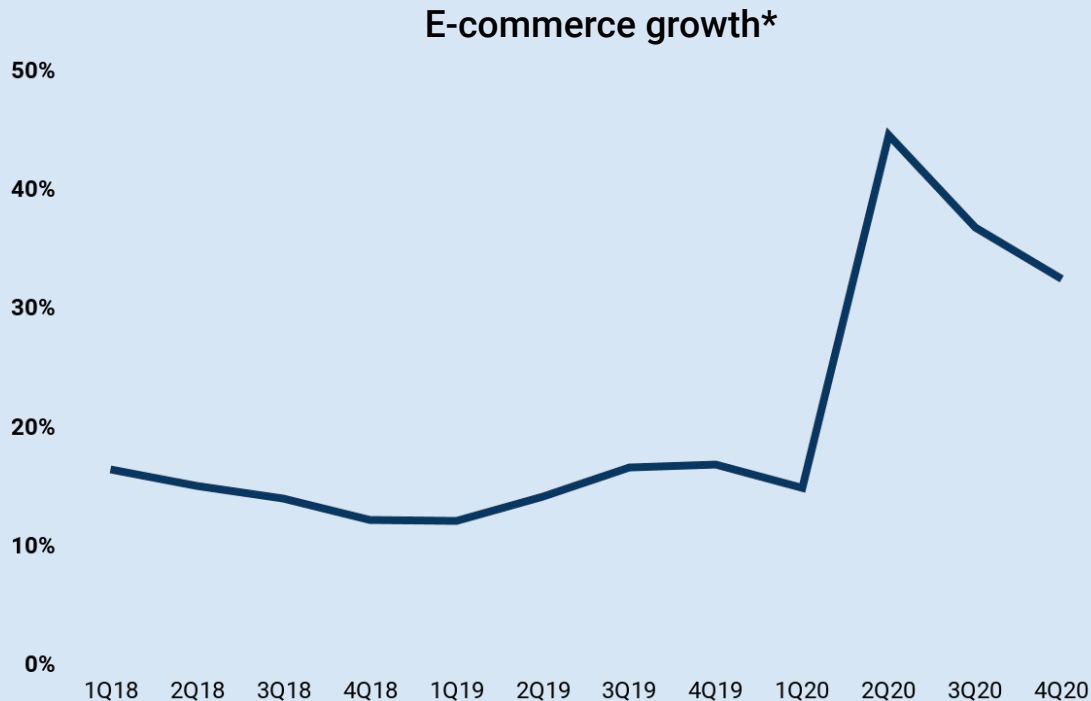
Adjusted EBITDA¹

\$549M

~32% Adj. EBITDA Margin

¹Reconciliation of non-GAAP financial measures is contained in the appendix
All results are consolidated and include Reverb financial results

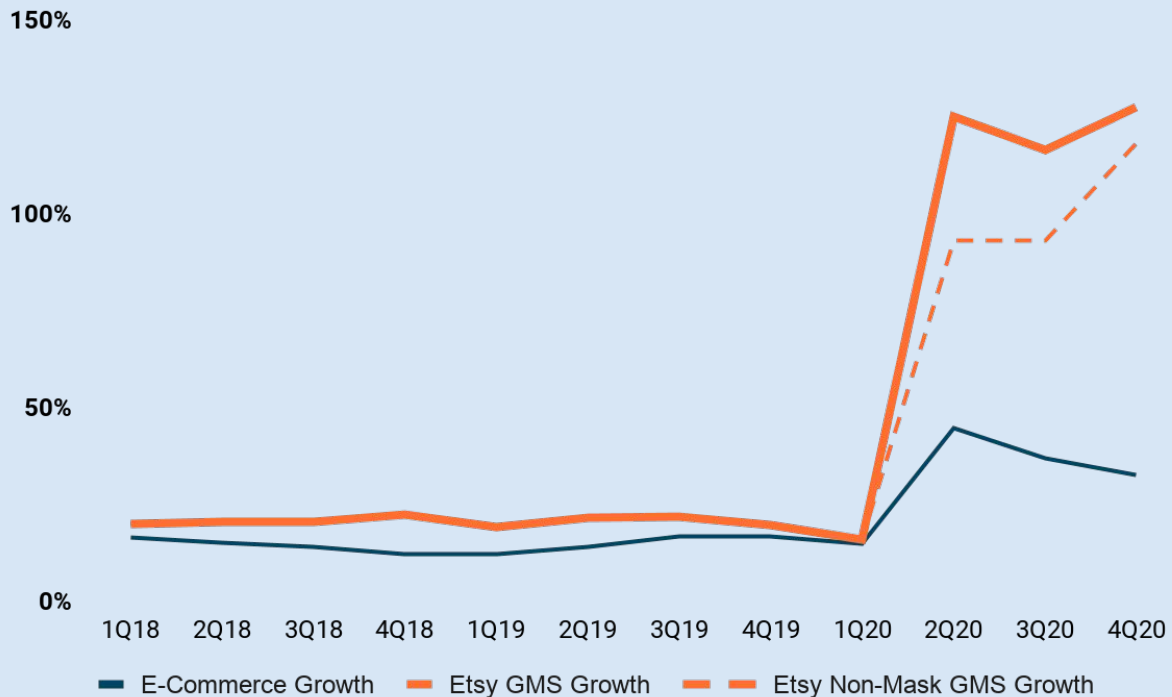
Incredible, sustained growth of e-commerce... with 2020 inflection point and momentum as shopping behavior shifts from offline to online



*E-commerce industry benchmark: Census Bureau of the Department of Commerce
Estimated Quarterly Total E-commerce Sales

Etsy outpaced e-commerce growth by more than **2.5X**

Etsy marketplace **GMS** growth vs. e-commerce benchmark* growth

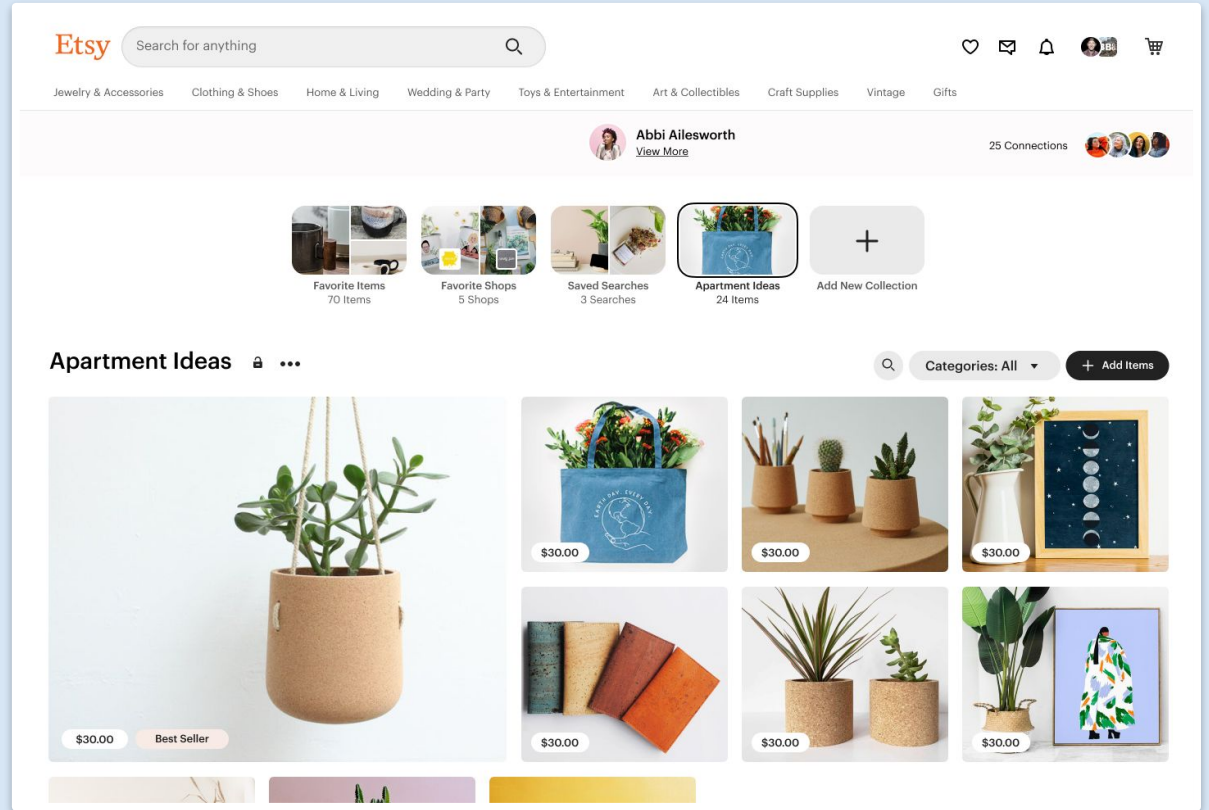


*E-commerce industry benchmark: Census Bureau of the Department of Commerce
Estimated Quarterly Total E-commerce Sales
Etsy Marketplace results excluding Reverb

Etsy is now one of the most recognized e-commerce brands in the U.S.

4th

largest e-commerce site by monthly visits in the U.S.¹



¹Data based on the top e-commerce platforms in the US in 2020 and their estimated monthly traffic according to disfold.com

We continue to expand our global reach;
making Etsy and our brand top of mind

**Etsy 2020 U.K.
GMS Growth**

+189%

>70% domestic¹

*According to Comscore, in the fourth quarter Etsy became a **top five e-commerce website in the U.K.***

**Etsy 2020 Germany
GMS Growth**

+109%

>50% domestic¹

*Germany is Etsy's **second largest international core geography***

**Q420 Percent
International GMS**

41%

+152% Y/Y

¹Domestic GMS is the percentage of sales that occur between a buyer and seller located in the same country
U.K. and Germany growth reflects buyer GMS growth in both markets
Metrics represented are for the Etsy standalone marketplace and do not include Reverb

Truly
one-of-a-kind
ability to meet
rapidly evolving
buyer needs

What did 2020 look like on Etsy?

Search trends on Etsy have been as unexpected as this unusual year



Getting Organized:

New year, new tidying trends

Hanging shelves **↑5000%**
Storage baskets **↑4139%**



Essentials for the New Normal:

Everyday items take priority as the pandemic begins

'Cotton face mask' **↑2546%**
'Hand sanitizer' **↑2329%**
Paint by number kits **↑1547%**
Beginner crossstitch kits **↑735%**



Take Things Outdoors:

Backyards become the new living rooms

Garden boxes **↑2851%**
Seed kits **↑2330%**
Grill gifts **↑1737%**



Weddings Reimagined:

Celebrating safely

Wedding face mask **↑1004%**
Bride face mask **↑1585%**



Seeking Comfort:

Fall kicks off with baking and new furry friends

'Bake' **↑462%**
Pet supplies **↑3676%**



A Very 2020 Holiday:

Personalized gifting, DIY decor, and outdoor gatherings on the rise

Personalized or custom gifts **↑105%***
Christmas crochet patterns **↑238%***
Outdoor lighting **↑830%***
'Smore' **↑2372%***

JAN

FEB

MAR

APR

MAY

JUN

JUL

AUG

SEPT

OCT

NOV

DEC

Bright Winter Additions:

Cheerful accents to undo winter blues

Boho jewelry **↑538%**
Glass terrarium **↑615%**
Raw stone ring **↑1653%**
Air plant holder **↑1197%**



Isolation Inspires Creativity:

Shoppers explore new ways to stay entertained

Board games **↑1522%**
Measuring spoons **↑2564%**
'Cat face mask' **↑3902%**



Standing with #BlackLivesMatter:

Etsy highlights support for Black-owned shops

Black-owned shops **↑2968%**



WFH Habits:

Remote work becomes the new normal

Home offices **↑858%**



Early Holiday Cheer:

Making the holiday season a little brighter

Hot chocolate bombs **↑5380%**
Advent wreaths **↑1850%**
Succulent trees **↑6776%**



**In the first three weeks of November, compared to the same time the previous month.*

Note: Unless noted otherwise, percentage growth rates reflect month-over-month growth for the indicated month, compared to the previous month.

"Personalized gift" was the top searched term on Etsy in 2020.

Resulting in dramatic growth in our buyer segments

Active Buyers

+77%

We added **2X** more new buyers compared to last year...

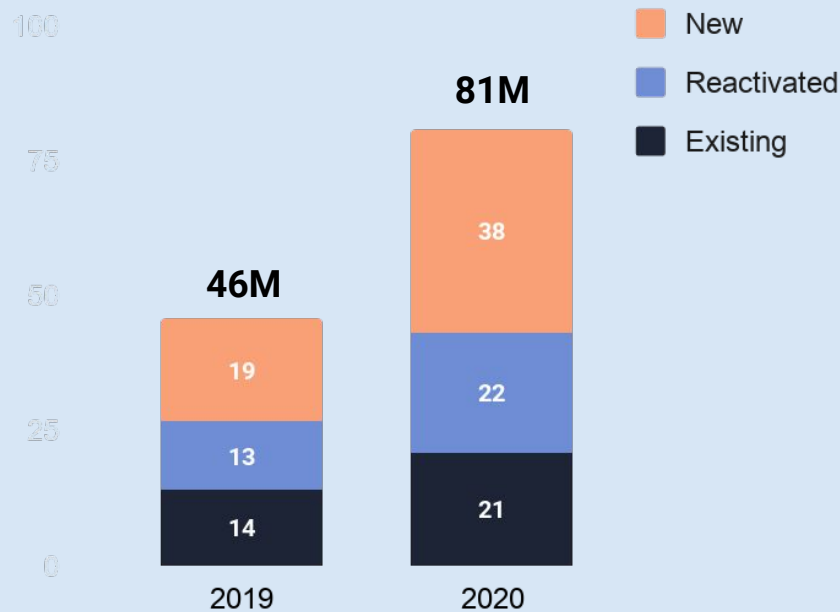
...and grew **Habitual buyers** even faster!

+157%

This slide contains Etsy Marketplace buyers only

Active Buyers and buyer segments are rounded to the nearest whole number

Etsy marketplace Active Buyers and Buyer Segments (M)

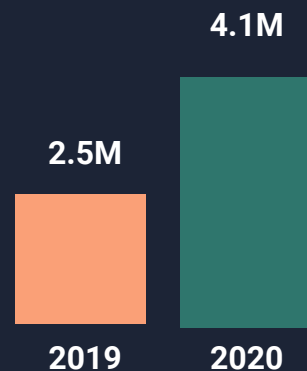


Transforming our seller community... growing the pie for many

Active Sellers

4.1M

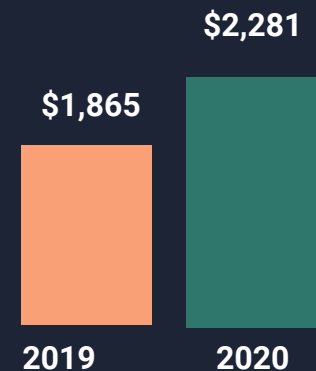
+64% Y/Y



TTM GMS per Seller

\$2,281

+22% Y/Y



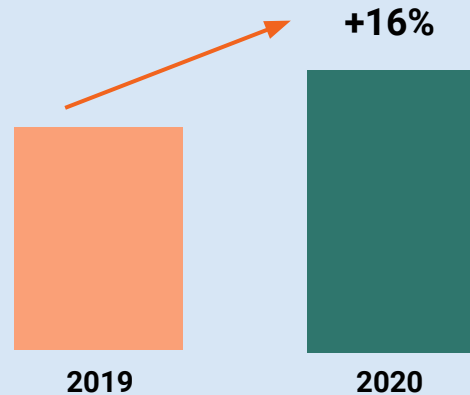
Etsy advocated for sellers on topics such as Covid-19 relief, tax legislation and product liability; we made significant improvements to member support operations

This slide contains Etsy Marketplace seller information only



Our team increased productivity, while remote, making Etsy a better place to shop

Experiment Velocity



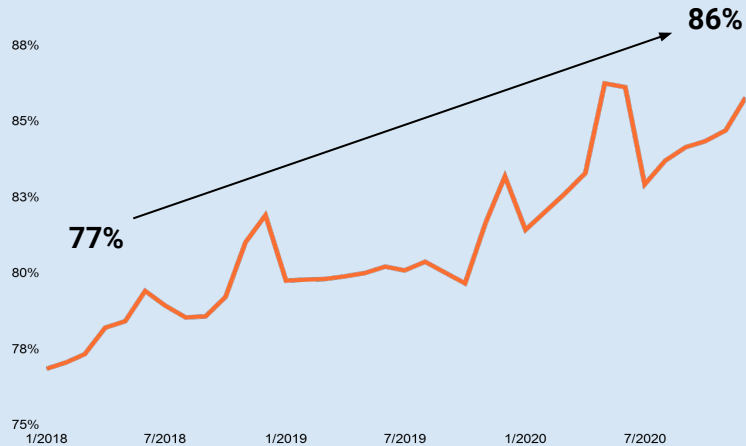
Productivity Highlights

Strong execution of our product roadmap despite shifting to a remote work environment and changing requirements

Product hit rate - **the success of our experiments** - also improved

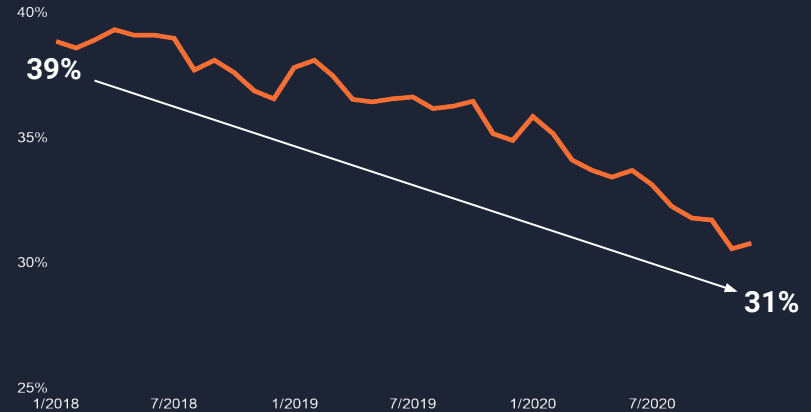
We're evolving our capabilities and driving to best-in-class search . . .

% of purchases on the first page of search results



. . . and continue to make meaningful progress in helping buyers find what they are looking for

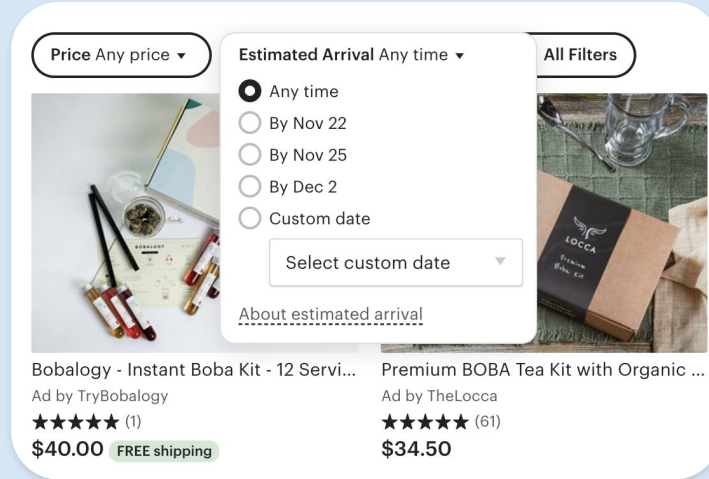
% of purchase visits with a query reformulation*



*Measures the percentage of purchase visits when a buyer updates a search query

Making significant wins in Search and Product that demonstrate focused execution

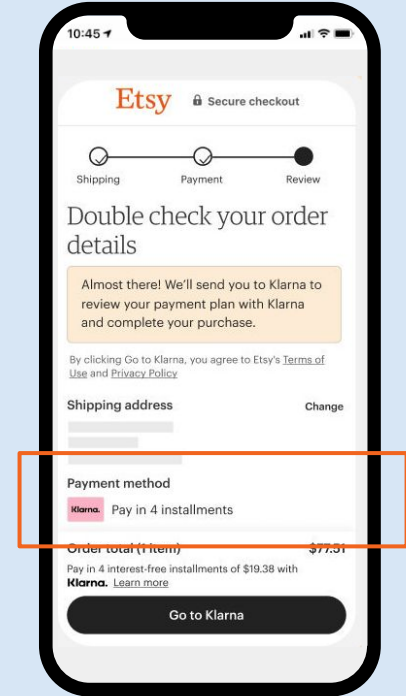
Expected Delivery Date



The screenshot shows two product listings on an Etsy search results page. A filter overlay is open for 'Estimated Arrival Any time'. The filter options are: Any time (selected), By Nov 22, By Nov 25, By Dec 2, and Custom date. Below the filter, there is a link 'About estimated arrival'. The two product listings are:

- Bobalogy - Instant Boba Kit - 12 Servi...**
Ad by TryBobalogy
★★★★★ (1)
\$40.00 FREE shipping
- Premium BOBA Tea Kit with Organic ...**
Ad by TheLocca
★★★★★ (61)
\$34.50

Installments



The screenshot shows the Etsy checkout page. The progress bar indicates the 'Payment' step is active. The heading is 'Double check your order details'. A message states: 'Almost there! We'll send you to Klarna to review your payment plan with Klarna and complete your purchase.' Below this, there is a link to 'Terms of Use and Privacy Policy'. The 'Shipping address' field is visible with a 'Change' link. The 'Payment method' section is highlighted with an orange box, showing 'Klarna. Pay in 4 installments' selected. Below this, the 'Order total (1 item)' is \$77.31. A note says 'Pay in 4 interest-free installments of \$19.38 with Klarna. Learn more'. A 'Go to Klarna' button is at the bottom.

Etsy's brand is better known globally than ever before – supported by new Marketing strategies and focused spending

Buyer Lifecycle

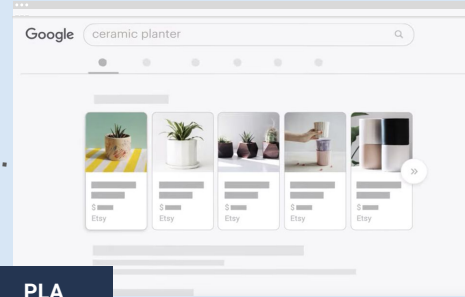
Acquisition

Activation

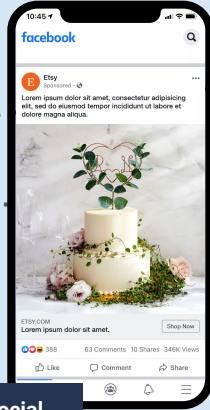
Retention



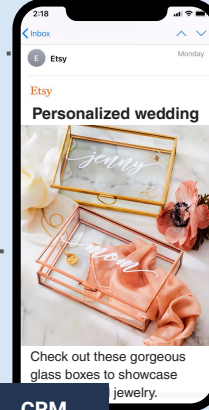
TV



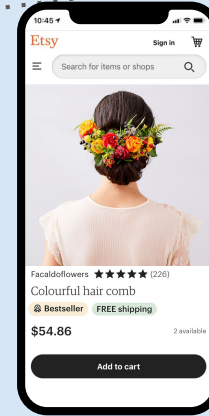
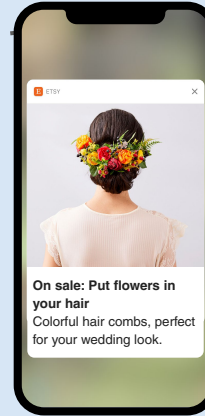
PLA



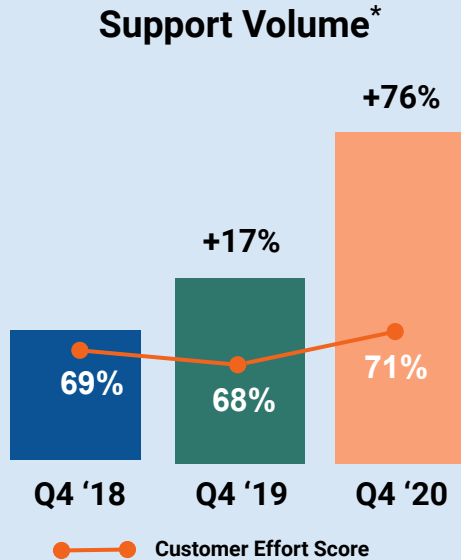
Social



CRM



Our meaningful investments in customer support enabled us to keep pace with growth . . .

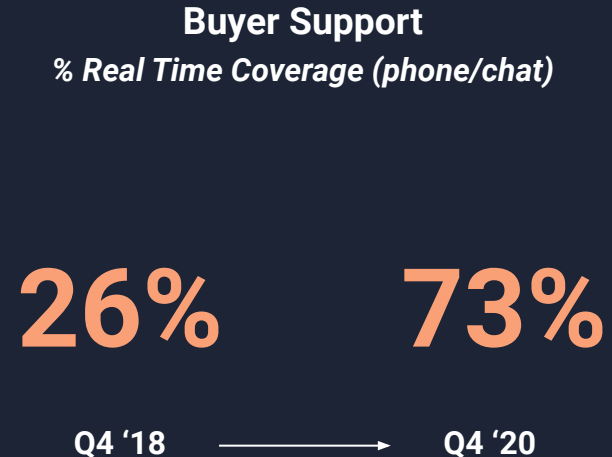


This slide contains data for Etsy Marketplace only

*Support Volume includes connections between buyers and sellers across all channels

Customer Effort Score measures the satisfaction of issue resolution among buyers

. . . and build trust through human connections



Our Right to Win strategy is more relevant than ever



We'll leverage recommendations and new pathways to create more holistic and personalized search experiences

Search

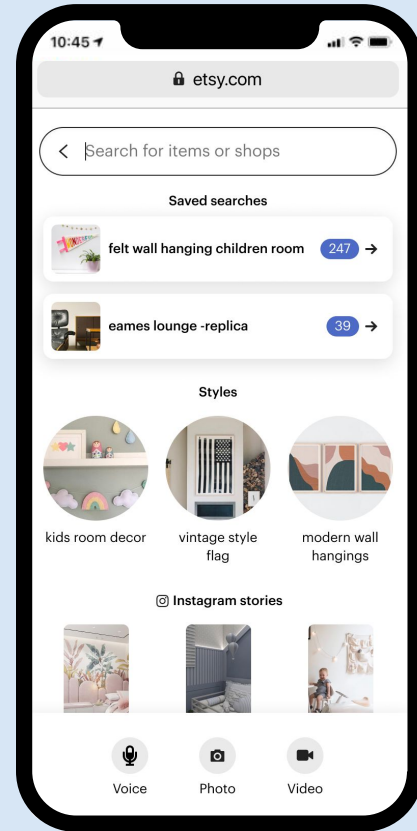
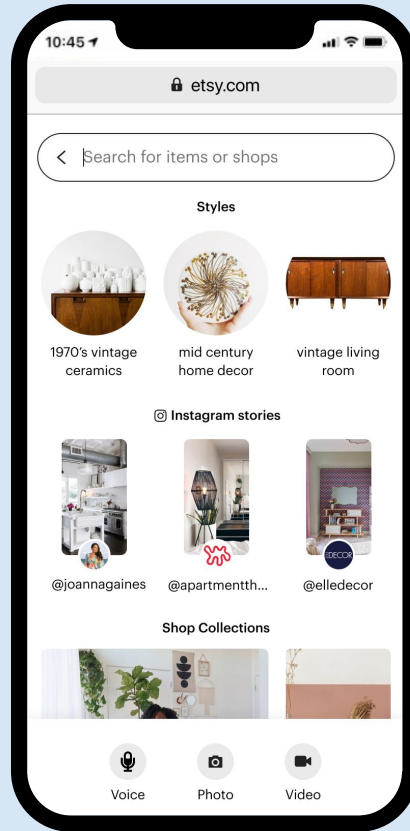
Discovery, even when I don't have the words to describe the item

Inspiration

Surprise and inspire me

Personalization

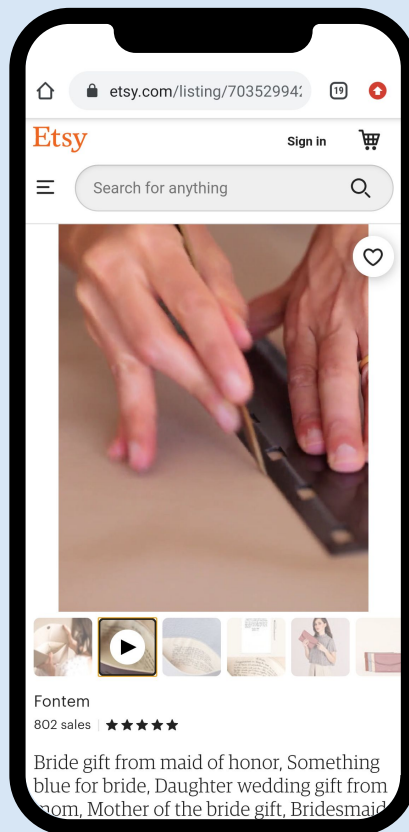
Tailor items to my tastes and preferences



And we'll work to
make shopping on
Etsy ever more
HUMAN

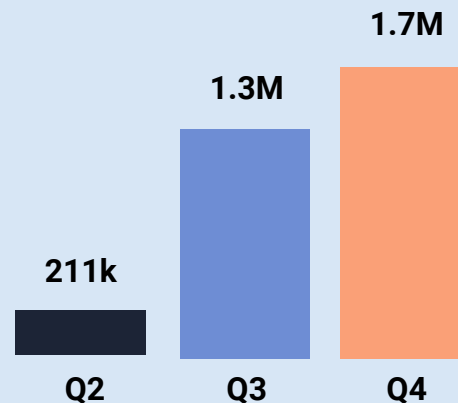
Including leveraging
the power of Video for
storytelling

Listing Videos



Videos uploaded¹

3.2M



¹Listing videos uploaded as of December 31, 2020

We're also making investments aimed at deepening trust and giving buyers confidence in the post purchase experience

Meeting Delivery Expectations

Speed Expectations

Ensure expected delivery date is clear to buyers

Delivery Predictability

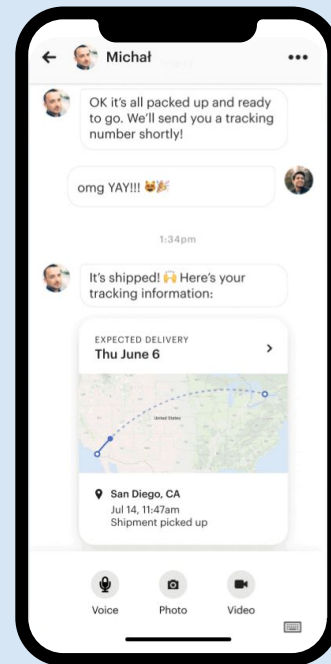
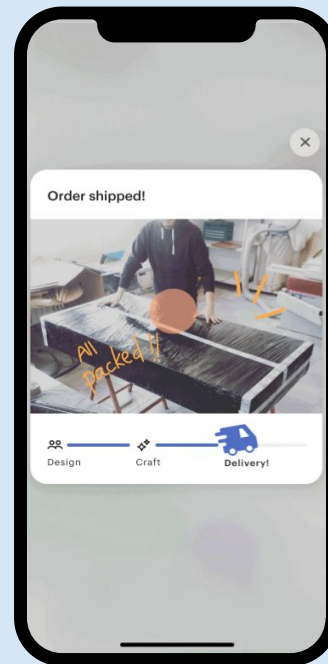
Provide buyers transparency into order status from production through delivery

Issue Resolution

Further streamlining where to go and what to do if something goes wrong

Seller Reputation

Fulfillment standards are clear, and sellers understand how their performance impacts shop visibility



Reverb's growth ambitions are focused on these key differentiators:

DEPTH AND
BREADTH OF
INVENTORY

RANGE OF SELLERS

EXPERTISE

COMMUNITY OF
PLAYERS

2021 areas of focus

- Investing in **product development infrastructure**
- Improving the **user experience** for buyers and sellers
- Expanding the **efficiency of our marketing** investments
- Building **deeper relationships with manufacturers**

Stakes are higher than ever to Keep Commerce Human



Economic Impact

Make creative entrepreneurship a path to economic security and personal empowerment



Social Impact

Enable equitable access to the opportunities we create



Ecological Impact

Build long-term resilience by eliminating our carbon impacts and fostering responsible resource use

We are committed to growing sustainably by aligning our mission with our business and impact strategies

Economic Impact

Etsy sellers contributed

\$13B

to the U.S. economy in 2020

+142% vs 2018 baseline
and **created 2.6M jobs**

Social Impact

2019 → **2020**

Total URM¹ **11.0%** **12.5%**

Leadership URM² **4.5%** **8.6%**

In Q420, **59% of images with a human element** developed by our creative team had black or brown skin tone representation.

Ecological Impact

We sourced 100% of our electricity from renewable energy in 2020

We've set an ambitious new commitment of Net Zero emissions by

2030

Slide shows a few examples of our progress. Further Impact disclosures are in our 2020 Annual Report on Form 10K.

¹URM is defined as “underrepresented minorities” or those that identify as Black, Latinx, or Native American. Total URM represents the U.S. URM population.

²Leadership URM reflects both Etsy and Reverb employees

amazon

NOT ON THE HIGH STREET

TheRealReal

ebay



mercado libre

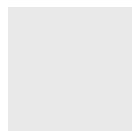


Alibaba.com

BED BATH & BEYOND

uncommongoods

zibbet



Etsy

ARTSY

Vinted

Istdibs

Walmart

bonanza
everything but the ordinary

west elm

POSHMARK

JOANN

TRADESAY

ASOS

wayfair

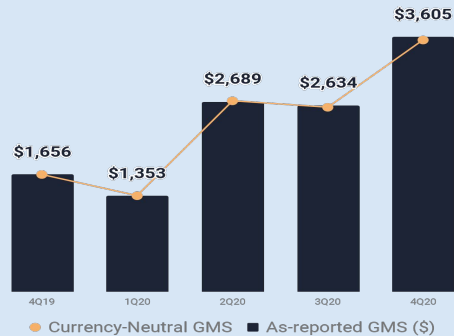
Michaels
MAKE CREATIVITY HAPPEN

We had a very strong fourth quarter...

GMS

\$3.6B

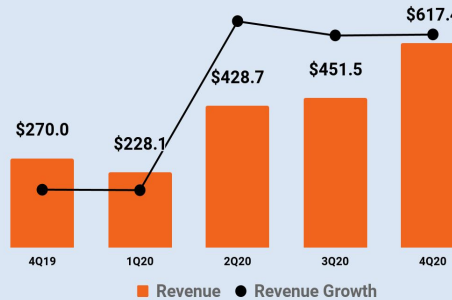
+118% Y/Y



Revenue

\$617M

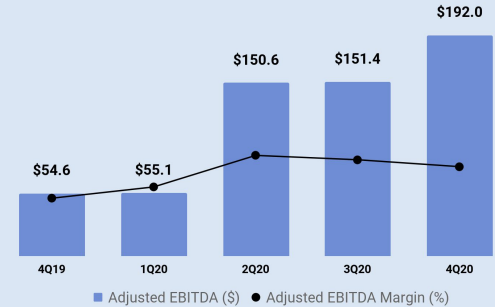
+129% Y/Y



Adjusted EBITDA¹

\$192M

~31% Margin



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

Record holiday performance contributed to strong 2020 finish

135%

increase in **“Holiday”***
GMS compared to 2019

\$50,000

in GMS per minute
and over 150% y/y growth on **Small
Business Saturday**

226%

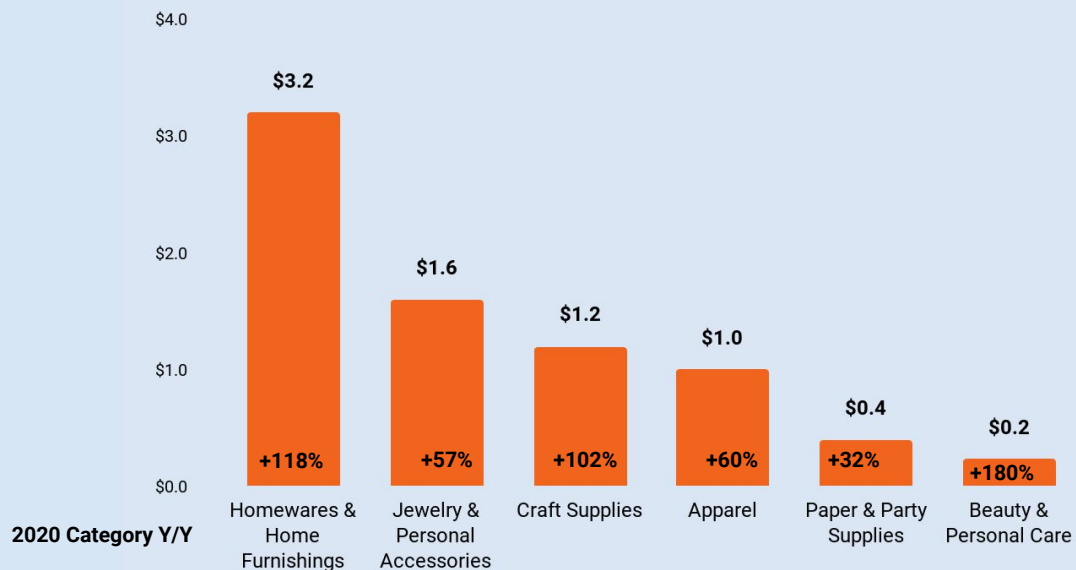
y/y growth in Homewares &
Home Furnishings, **our largest
and fastest growing category**
during the **“Holiday”*** period

This slide contains Etsy Marketplace performance only

* “Holiday” represents the five days from Thanksgiving through Cyber Monday

Tremendous growth in our traditional top categories

2020 Category GMS (\$B) and Y/Y Growth*

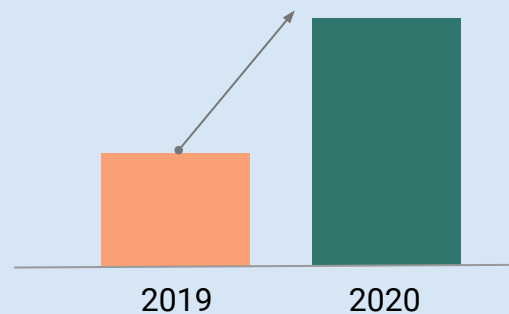


Top 6 Categories

80% of Overall GMS

+85% Y/Y

~\$7.6B



*Category GMS \$ excludes face mask sales and is Etsy marketplace only
Chart data is reflected based on 2020 Category GMS \$

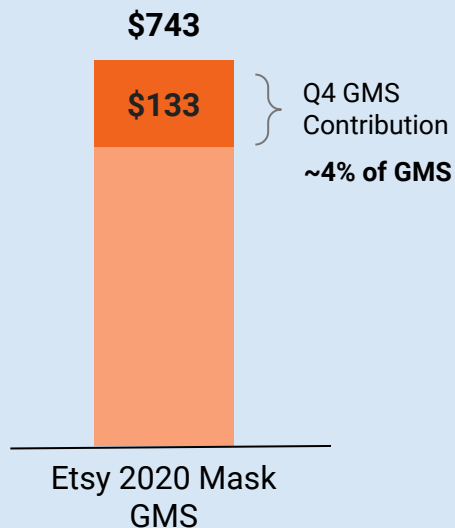
Non-mask GMS growth accelerated in Q4

As a % of overall GMS, masks contracted from 14% in Q2 and 11% in Q3 to 4% in Q4

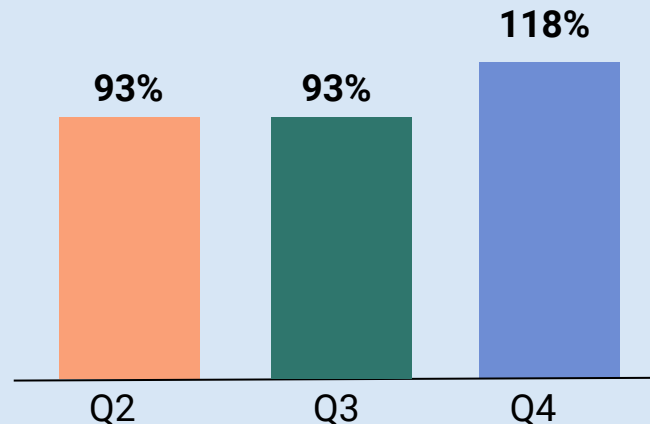
50%

of the 3M mask-only buyers in Q3 returned in Q4 for a non-mask purchase

2020 Mask GMS (\$M)

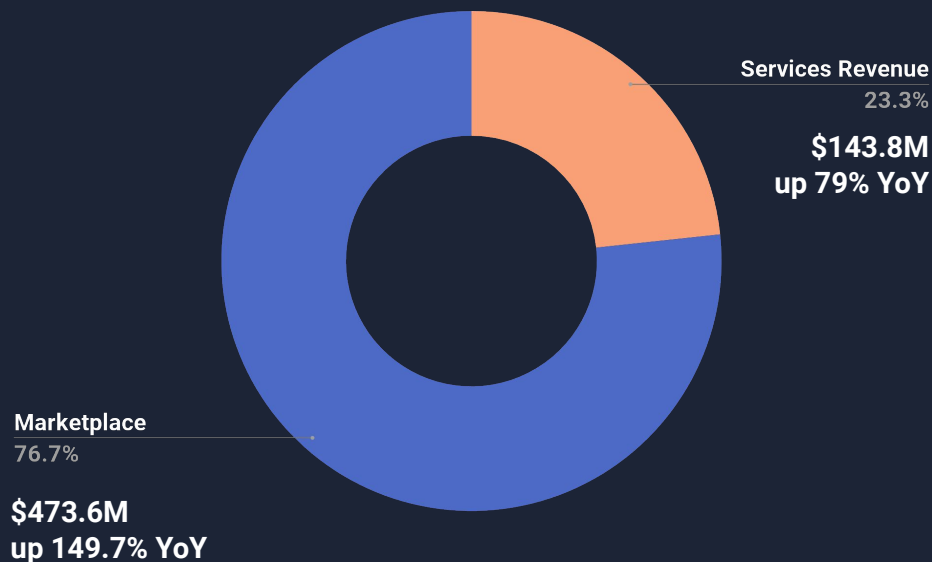


Non-Mask GMS Y/Y Growth



Marketplace vs Services Revenue

4Q 2020 CONSOLIDATED REVENUE \$617M, UP 129% YoY



Marketplace Revenue

(Required fees)

- Listing Fee
- Transaction Fee
- Payments Platform
- Offsite Ads Transaction Fee

Services Revenue

(Optional value-added services)

- Advertising - Etsy Ads and Bump
- Shipping Labels
- Other

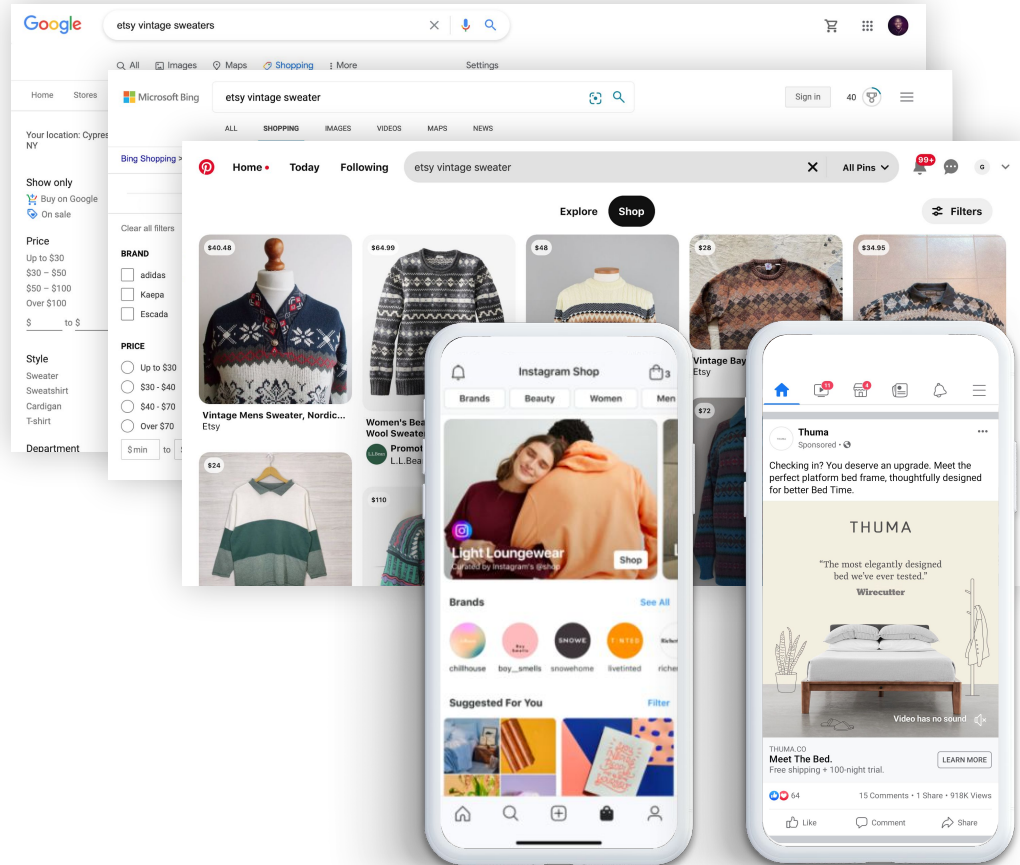
All results are consolidated

Etsy and Reverb transaction fees include shipping fees

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

Offsite Ads launch has been successful for Etsy and our sellers

Current Distribution Channels for Offsite Ads

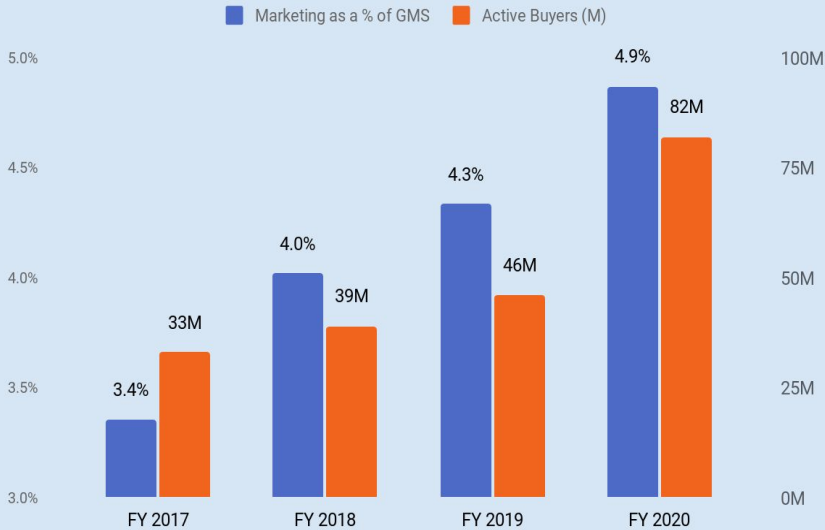


9%

of 2H20 Etsy standalone GMS earned an Offsite Ads fee

Scaling our growth investments while delivering great returns

Marketing as a % of GMS vs Active Buyer Growth



Active Buyer Y/Y 17% growth

18%

18%

77%

Reflects Consolidated results

Brand spend includes non-digital acquisition marketing

Marketing Spend Channel Mix Brand vs Performance

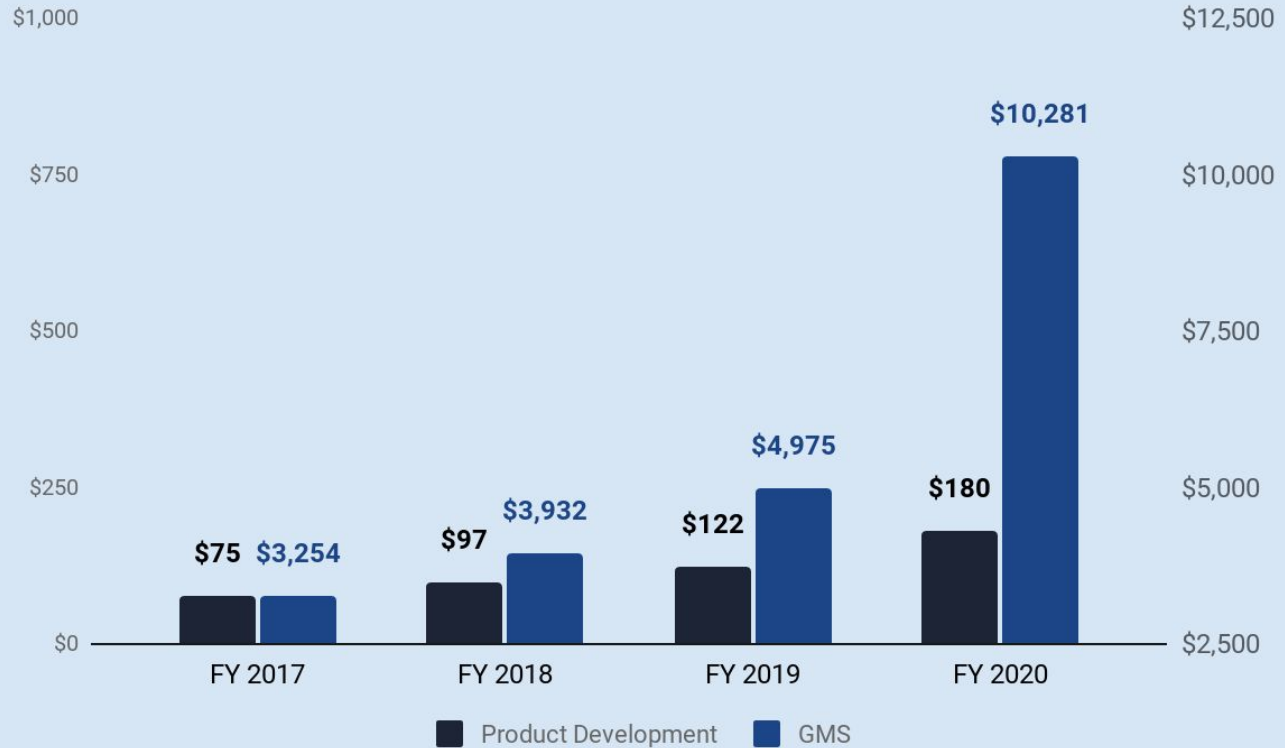


Brand

Performance

The impact of our product investments are evident in GMS growth

Product Development Investments vs GMS (\$M)



GMS per active buyer continues to show meaningful improvement

Active Buyers

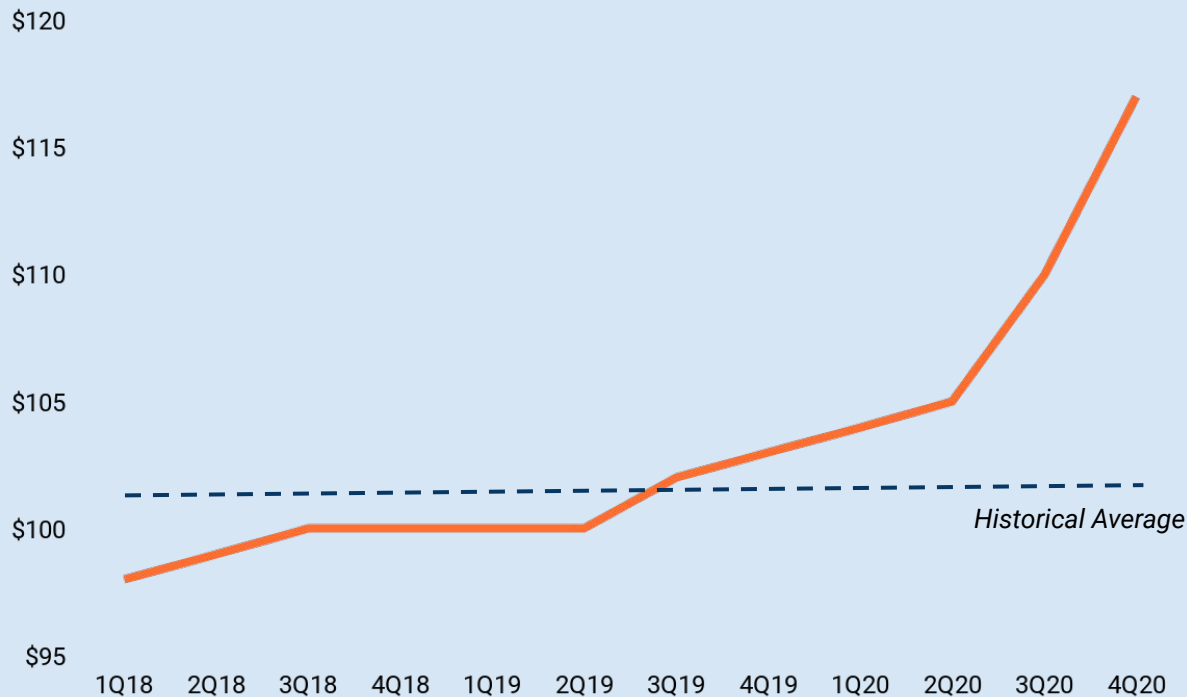
81M

+77% y/y

11%

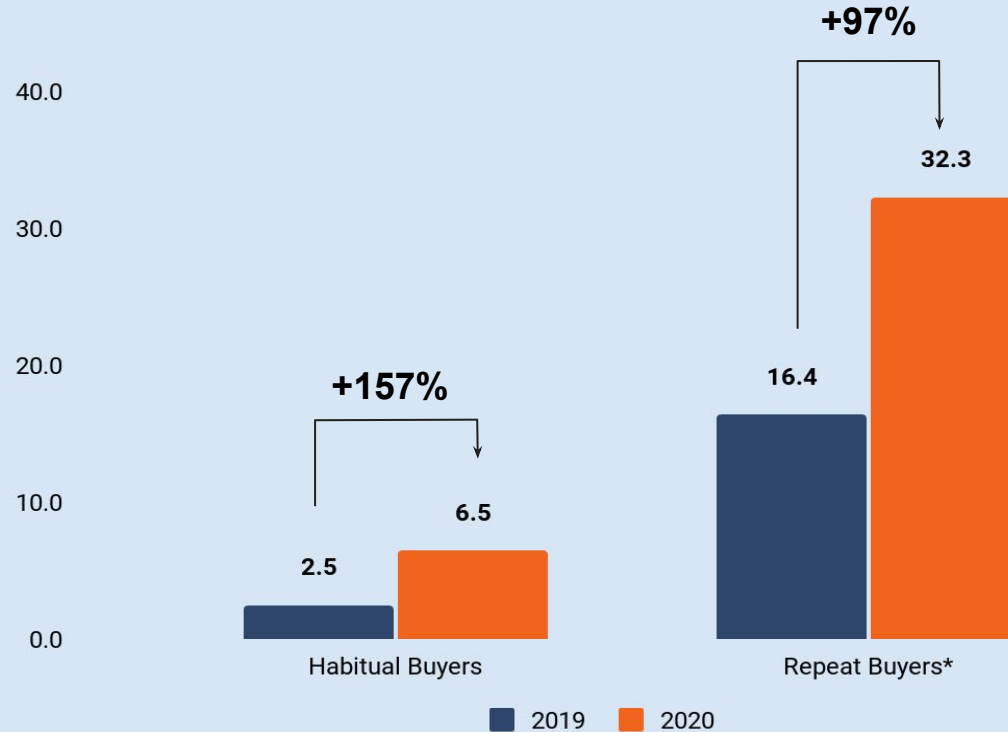
of repeat buyers in Q3 became Habitual Buyers in Q4 - we now have **6.5M** Habitual Buyers!

GMS per Active Buyer¹



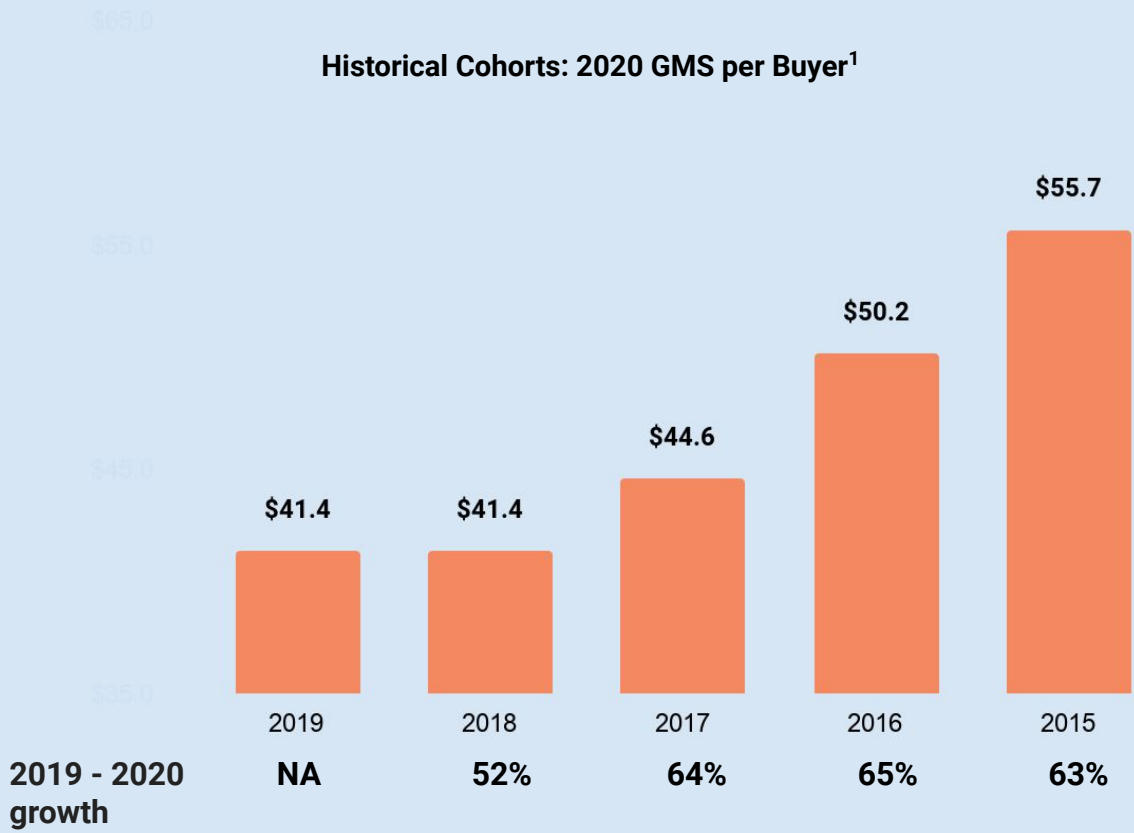
Metrics represented are for the Etsy standalone marketplace and do not include Reverb
¹TTM GMS per Active Buyer reflects results from the Etsy standalone marketplace

Buyer segments exhibit tremendous growth



Metrics represented are for the Etsy standalone marketplace and do not include Reverb
*Repeat Buyers exclude Habitual Buyers and are those that made 2+ purchases in the TTM

2020 led to meaningful improvement in historical cohort behavior



¹2020 GMS per buyer by cohort from 2015 - 2019 excluding mask sales

The chart above represents 2020 GMS per buyer, excluding masks, from the previous five annual cohorts.

Capital light business model delivers strong EBITDA and Free Cash Flow

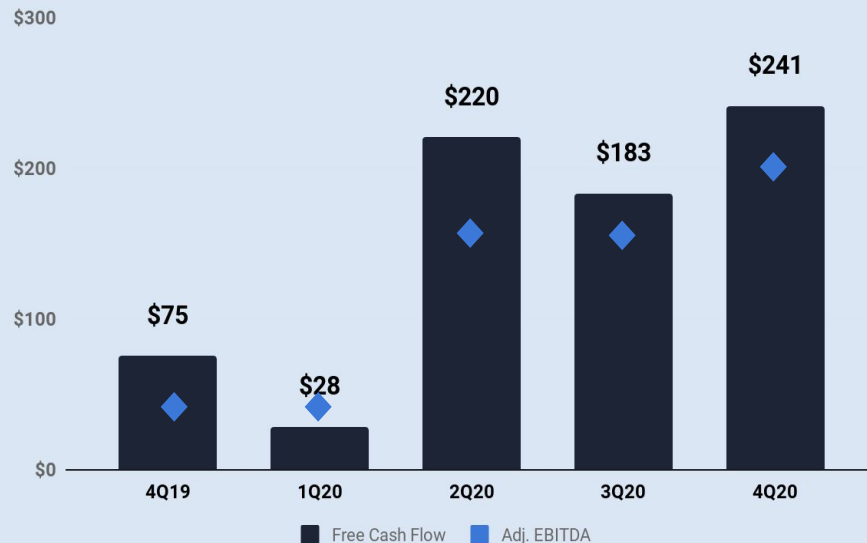
Cash Balance 12/31/20¹

\$1.7B

¹Cash and Cash Equivalents, and Short Term Investments

²Reconciliation of non-GAAP financial measures is contained in the Appendix. Free Cash Flow is based on trailing twelve month operating cash flow, PP&E, and development of internal use software

Adj. EBITDA & Free Cash Flow² (\$M)



Under Etsy's stock repurchase program, in the fourth quarter Etsy repurchased an aggregate of approximately \$77.5 million, or 618,841 shares of its common stock

Guidance for GMS, Revenue and Adjusted EBITDA

Q1 21 Consolidated Guidance
February 25, 2021

| | |
|----------------|----------------|
| GMS (\$) | ~\$2.9B-\$3.1B |
| GMS Growth (%) | 115% - 125% |

| | |
|--------------------|----------------|
| Revenue (\$) | ~\$513M-\$536M |
| Revenue Growth (%) | 125% - 135% |

| | |
|------------------------|----------------|
| Adj. EBITDA* (\$) | ~\$168M-\$178M |
| Adj. EBITDA Margin (%) | 32% - 34% |

*Reconciliation of non-GAAP financial measures is contained in the Appendix. We are not able at this time to provide GAAP targets for net income or net income margin or to reconcile Adjusted EBITDA or Adjusted EBITDA margin to those amounts because of the unreasonable effort of estimating certain items that are excluded from non-GAAP Adjusted EBITDA, including, for example, provision or benefit for income taxes and foreign exchange gain or loss, the effect of which may be significant.

Adjusted EBITDA margin assumes the midpoint of our revenue guidance.

Key factors potentially impacting our Q1 2021 guidance are contained in the Appendix.

Investing in the future...hiring has yet to catch up with our growth and scale

Average Revenue per Employee



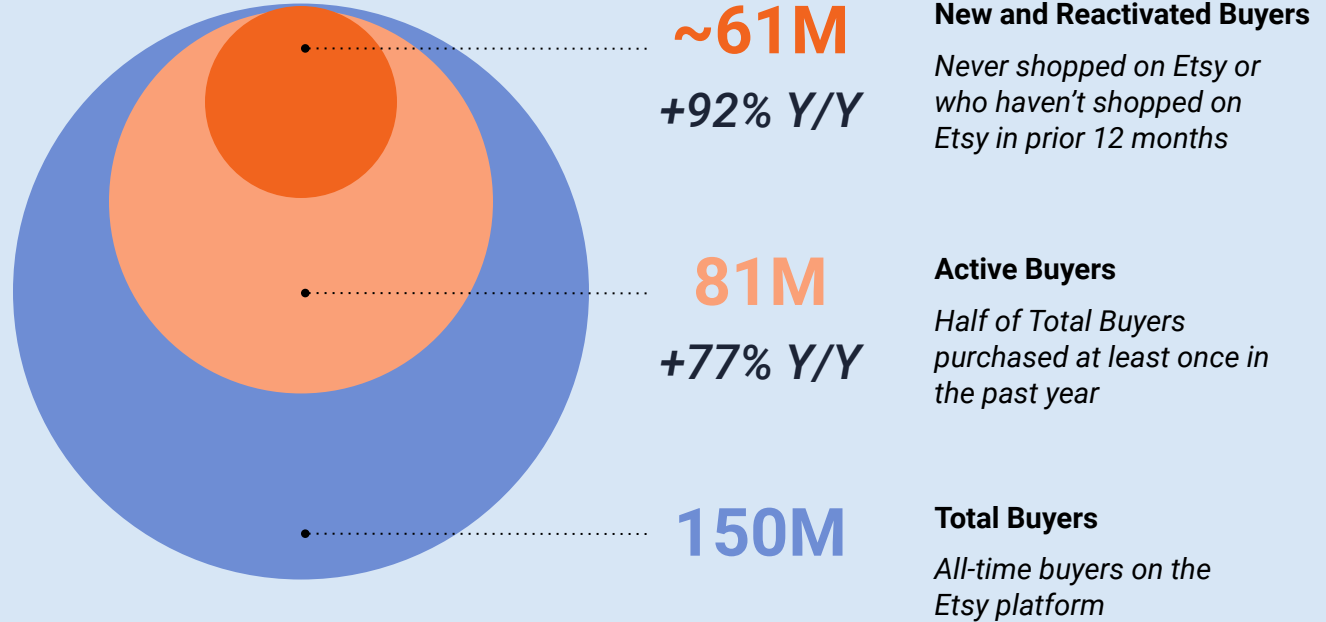
*Peer Group Average includes select marketplace peers
Average Revenue per Employee is based on the Etsy Standalone marketplace

Q&A

Appendix

Continued increase in new buyers, and reactivation of our large base of buyers

2020 Buyer Segments



Etsy Standalone results as of December 31, 2020, which exclude Reverb buyers

Key factors impacting our Q1 Guidance

We anticipate that the key factors impacting Q1 GMS and revenue growth will be:

- Headwinds and tailwinds, including but not limited to the following: macro factors including the shift in spend from offline to online, economic environment, competitive dynamics, retail store closures, consumer confidence, government stimulus, job losses and weather events; and Etsy-specific factors including demand for face masks and mask adjacent items, frequency of new buyer cohorts, and the year-over-year comparisons from a period of negative growth rates that spanned from mid to late March 2020.
- Continued visit growth and conversion rate improvements driven by global product launches enhancing the buying experience.
- Incremental GMS and brand awareness from marketing investments.
- The continued impact from Offsite Ads, which is expected to generate incremental revenue in the form of an advertising fee from sellers.
- Additional external factors that may offset some growth include: changes to sales taxes and VAT, regulatory changes, currency fluctuations, global elections and political uncertainty, and the potential for geopolitical events that impact trade and mindshare, including, among other things, the COVID-19 pandemic.

We anticipate that the key factors impacting our Q1 Adjusted EBITDA will be:

- Planned investments in product development, employees, technology infrastructure, and marketing, including investments in channels with more speculative and/or long-term returns.

*These and other risks and uncertainties are more fully described in our filings with the SEC.

Condensed Consolidated Statement of Operations

| | 4Q20 | 4Q19 |
|--------------------------------------|------------------|------------------|
| <i>(in thousands)</i> | | |
| Revenue | \$617,355 | \$269,998 |
| Cost of revenue | 150,780 | 90,824 |
| Gross profit | 466,575 | 179,174 |
| <i>Marketing</i> | 210,765 | 84,034 |
| <i>Product development</i> | 51,157 | 35,701 |
| <i>General and administrative</i> | 43,318 | 34,401 |
| Operating expenses | 305,240 | 154,136 |
| Income from operations | 161,335 | 25,038 |
| Other expense, net | (8,028) | (2,287) |
| (Provision) benefit for income taxes | (4,769) | 8,540 |
| Net income | \$148,538 | \$31,291 |
| Net income per share — diluted | \$1.08 | \$0.25 |

Condensed Consolidated Statement of Operations

| | 2020 | 2019 |
|--------------------------------------|-------------|-----------|
| (in thousands) | | |
| Revenue | \$1,725,625 | \$818,379 |
| Cost of revenue | 464,745 | 271,036 |
| Gross profit | 1,260,880 | 547,343 |
| <i>Marketing</i> | 500,756 | 215,570 |
| <i>Product development</i> | 180,080 | 121,878 |
| <i>General and administrative</i> | 156,035 | 121,134 |
| Operating expenses | 836,871 | 458,582 |
| Income from operations | 424,009 | 88,761 |
| Other expense, net | (58,300) | (8,115) |
| (Provision) benefit for income taxes | (16,463) | 15,248 |
| Net income | \$349,246 | \$95,894 |
| Net income per share — diluted | \$2.69 | \$0.76 |

Condensed Consolidated Statement of Cash Flows

| | 2020 | 2019 |
|---|--------------------|------------------|
| (in thousands) | | |
| Net Income | \$349,246 | \$95,894 |
| <i>Net cash provided by operating activities</i> | 678,956 | 206,920 |
| <i>Net cash used in investing activities</i> | (11,379) | (488,373) |
| <i>Net cash provided by financing activities</i> | 119,282 | 359,607 |
| Effect of exchange rate changes on cash | 13,947 | (1,846) |
| Net increase in cash, cash equivalents, and restricted cash | 800,806 | 76,308 |
| 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 | \$1,249,440 | \$448,634 |

Condensed Consolidated Balance Sheets

As of December 31, 2020 As of December 31, 2019

| (in thousands) | | |
|---|--------------------|--------------------|
| Cash and cash equivalents | \$1,244,099 | \$443,293 |
| Short-term investments | 425,119 | 373,959 |
| Funds receivable and seller accounts | 146,806 | 49,786 |
| Accounts receivable, net | 22,605 | 15,386 |
| Property and equipment, net | 112,495 | 144,864 |
| Other current and non-current assets | 453,365 | 515,064 |
| Total assets | \$2,404,489 | \$1,542,352 |
| Accounts payable | \$40,883 | \$26,324 |
| Funds payable and amounts due to sellers | 146,806 | 49,786 |
| Long-term debt, net | 1,062,299 | 785,126 |
| Other current and non-current liabilities | 412,077 | 274,482 |
| Total liabilities | 1,662,065 | 1,135,718 |
| Total stockholders' equity | 742,424 | 406,634 |
| Total liabilities and stockholders' equity | \$2,404,489 | \$1,542,352 |

Reconciliation of Quarterly Net Income to Adj. EBITDA

| | 4Q20 | 4Q19 |
|---|------------------|-----------------|
| (in thousands) | | |
| Net income | \$148,538 | \$31,291 |
| Excluding: | | |
| Interest and other non-operating expense, net | 10,818 | 6,372 |
| Provision (benefit) for income taxes | 4,769 | (8,540) |
| Depreciation and amortization | 13,101 | 15,271 |
| Stock-based compensation expense | 17,450 | 13,339 |
| Foreign exchange gain | (2,790) | (4,085) |
| Acquisition-related expenses | 103 | 976 |
| Adjusted EBITDA | \$191,989 | \$54,624 |

Reconciliation of Annual Net Income to Adj. EBITDA

| | 2020 | 2019 |
|---|------------------|------------------|
| (in thousands) | | |
| Net income | \$349,246 | \$95,894 |
| Excluding: | | |
| Interest and other non-operating expense, net | 34,923 | 11,121 |
| Provision (benefit) for income taxes | 16,463 | (15,248) |
| Depreciation and amortization | 58,189 | 48,031 |
| Stock-based compensation expense | 65,114 | 44,395 |
| Foreign exchange loss (gain) | 6,522 | (3,006) |
| Acquisition-related expenses | 1,804 | 3,917 |
| Non-ordinary course disputes | - | 1,164 |
| Loss on extinguishment of debt | 16,855 | - |
| Adjusted EBITDA | \$549,116 | \$186,268 |

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.

| | Year ended 12/31/20 | Year ended 12/31/19 |
|--------------------------------------|---------------------|---------------------|
| (in thousands) | | |
| Operating Cash Flow | \$678,956 | \$206,920 |
| Purchases of property and equipment | (1,445) | (7,528) |
| Development of internal-use software | (5,665) | (7,750) |
| Free Cash Flow | \$671,846 | \$191,642 |