



Etsy

Q1 2021 Financial Results

May 5, 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 second quarter of 2021 and key drivers thereof, the uncertain impact that the COVID-19 pandemic or its abatement may have on our business, strategy, operating results, key metrics, financial condition, profitability and cash flows, on changes in the overall levels of consumer spending, on e-commerce generally and on volatility in the global economy; the impact of our strategy, marketing and product initiatives on our business and operating results; our future investments, our intended environmental, social and ecological impacts; 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,” “anticipate,” “believe,” “could,” “enable,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “potential,” “target,” “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, and risks related to the return to pre-COVID consumer shopping behavior; (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 Annual Report on Form 10-K for the year ended December 31, 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.

Etsy Pledges Net Zero Carbon Emissions by 2030

Feb 24, 2021 • by Josh Silverman



Small change can go a long way



Etsy shoppers in the United States can now round up their order from a shop with Etsy Payments and donate to Etsy's Uplift Fund, held by Brooklyn Community Foundation.

[Learn more](#)

#StopAsianHate

Etsy



We understand that Mother's Day can be a difficult time for some. If you'd rather not receive emails from us about Mother's Day this year, let us know by clicking on the button below. We'll still keep you in the loop about one-of-a-kind finds we think you'll love, just without the Mother's Day messages.

[Opt out of Mother's Day emails](#)

Focused execution plus continued macro tailwinds led to a very strong start for 2021

Q1 21 GMS

\$3.1B

+128% Y/Y
Currency-Neutral

Q1 21 Revenue

\$551M

+141% Y/Y

Q1 21 Adjusted EBITDA¹

\$184M

~33% Adj. EBITDA Margin

¹ Reconciliation of non-GAAP financial measures is contained in the Appendix
All results are consolidated. Y/Y reflects Q1 2021 vs. Q1 2020

Continued strength in our buyer segments has built a strong foundation for future growth

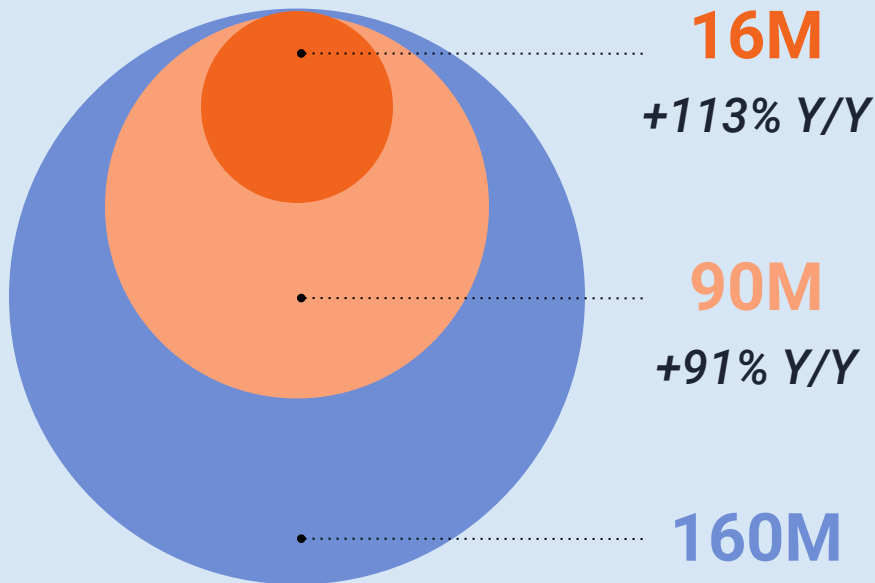
Habitual Buyers

8M

+205% Y/Y

Etsy marketplace buyer segments as of March 31, 2021, which excludes Reverb buyers

Q1 2021 Buyer Segments



New and Reactivated Buyers

Never shopped on Etsy or haven't shopped on Etsy in prior 12 months

Active Buyers

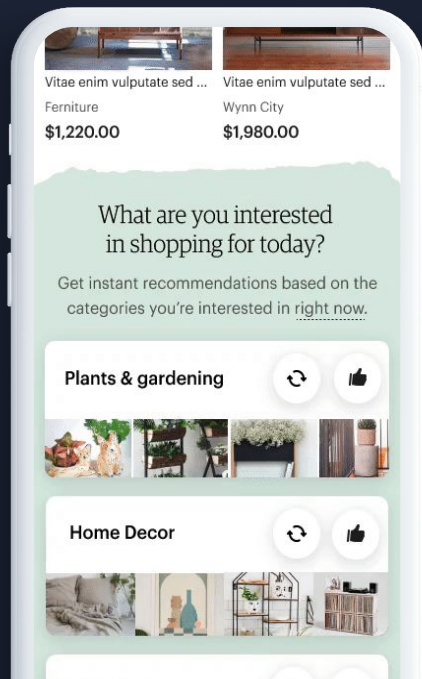
Purchased at least once in the last 12 months

Total Buyers

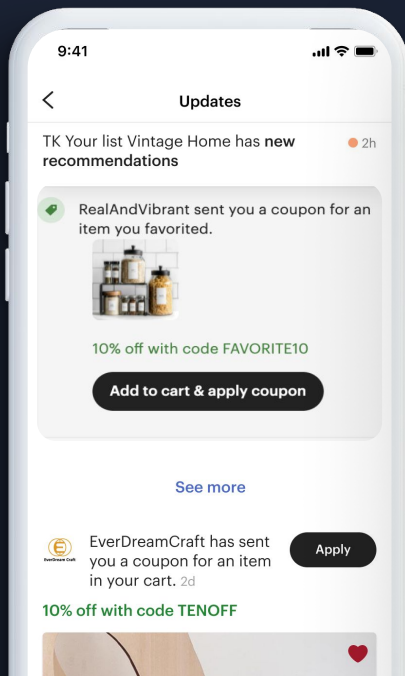
All-time buyers on the Etsy platform

Investing in new product experiences to drive frequency

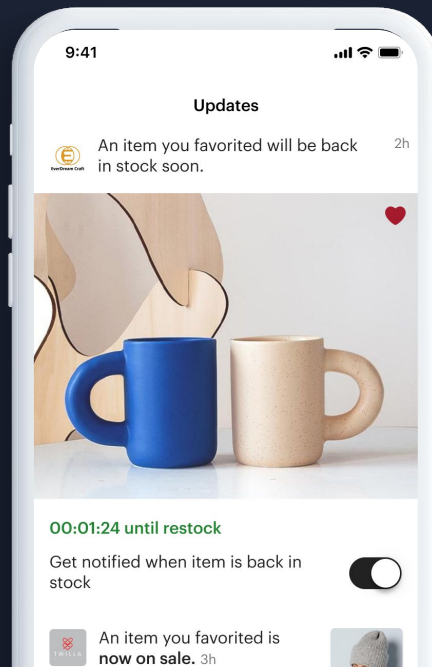
Quizzes



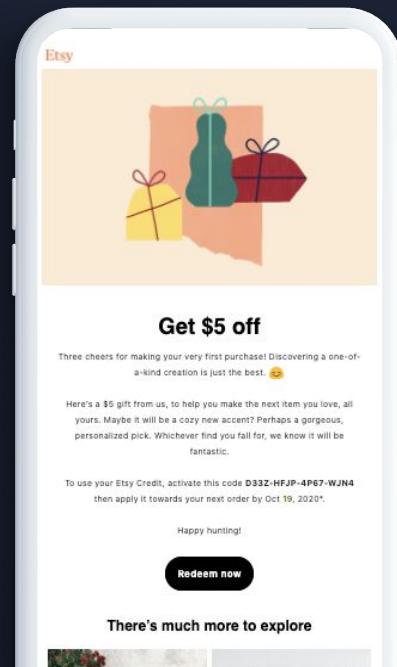
Buyer Triggers



Updates



Strategic Discounting



Kicked off an exciting 2021 aligned with our long-term Right to Win growth strategy

Best-in-Class Search and Discovery

- Finding things feels gratifying
- Humans & machines curate together
- Understand the relationships between items and people



Human Connections

- Deepen affinity by telling the story
- Support with a personal touch
- Connect to co-create



A Trusted Brand

- Safe brand that stands for special
- Trust and reputation signal
- Proactive customer support
- Reliable and sustainable fulfillment

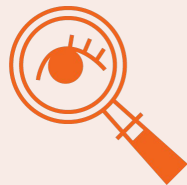
Our Sellers' Collection of Unique Items

Handcrafted, vintage,
made for you

Best place to start and grow
your creative business

Everyday items that have
meaning and "special" purchase
occasions

Search & Discovery: 2021 Focus Areas



1

Personalization

Search that understands tastes and preferences

2

Buyer Pathways

Navigating the millions of listings on the Etsy marketplace

3

Semantic Gap

Translating user intent into search results

4

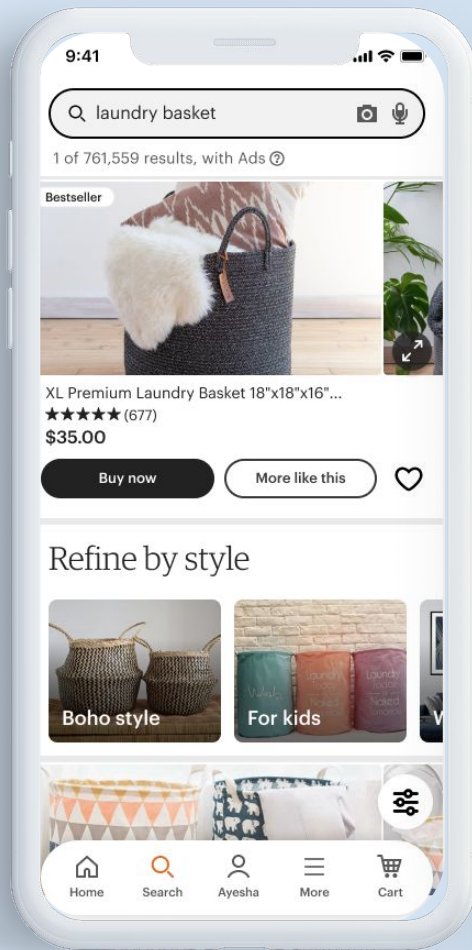
Infrastructure

Build and maintain a scalable and reliable platform

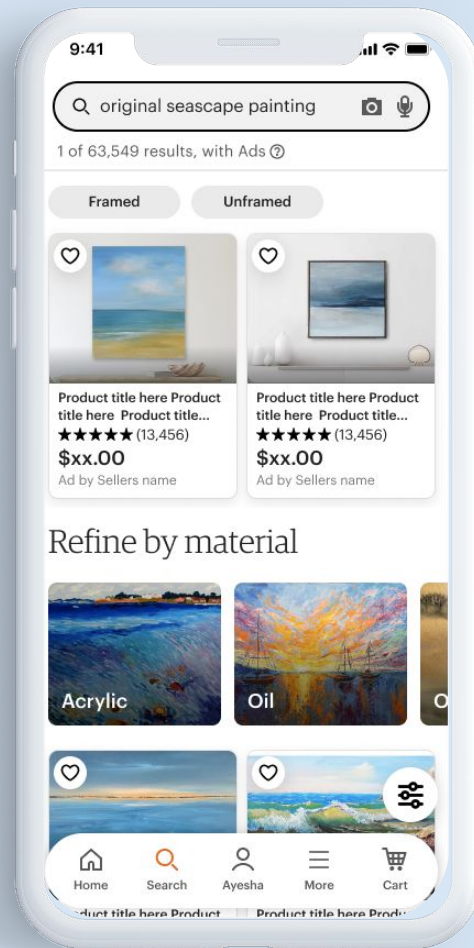
Personalizing buyer journeys to make Etsy feel 'Made for You'

Search Performance and Infrastructure initiatives focused on increasing conversion rate

- Decreasing latency and increasing site speed
- Expanding listing coverage of queries



Buyer A



Buyer B

Human Connections: 2021 Focus Areas



1

Listing Videos

Visually bring products to life by showcasing them in unique and creative ways

2

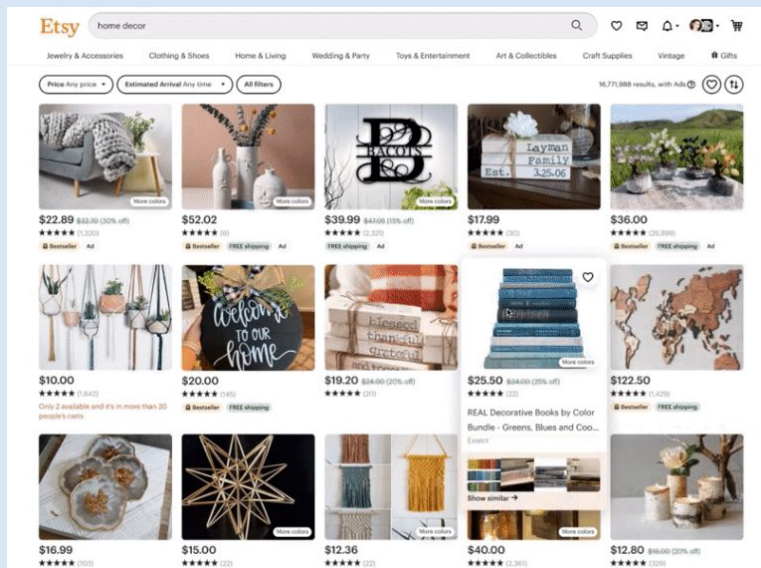
Convos

Enable effortless interactions between buyers and sellers

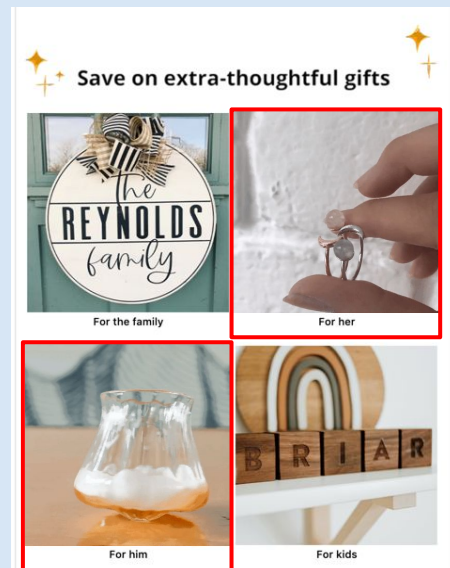
Leveraging the power of listing videos throughout the buyer journey

5M

Listing Videos uploaded¹
+36% Q/Q



Videos in Search



Videos in Email

¹As of March 31, 2021
Q/Q reflects Q1 2021 vs. Q4 2020

Trust: 2021 Focus Areas



1

Speed Expectations

Ensure expected delivery date is clear to buyers

2

Delivery Predictability

Provide transparency into order status from production through delivery

3

Issue Resolution

Streamline the process when the transaction doesn't go as planned

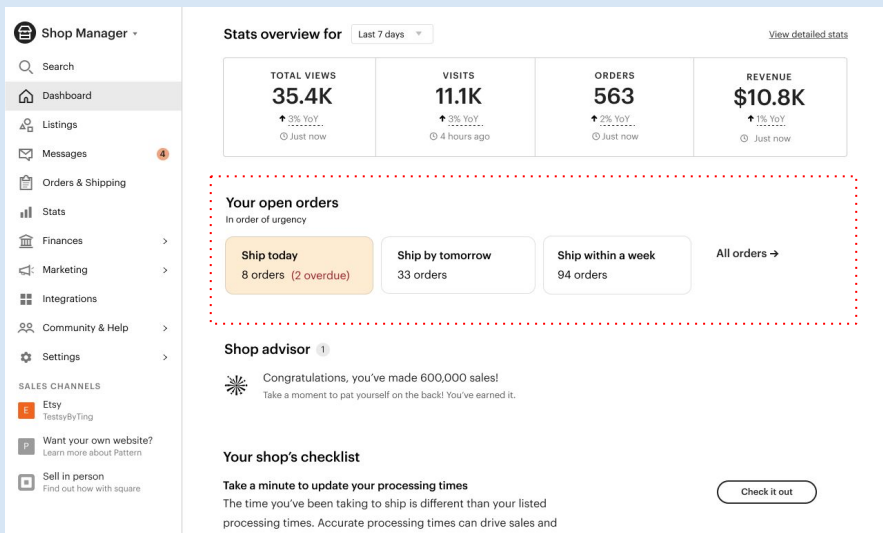
4

Seller Reputation

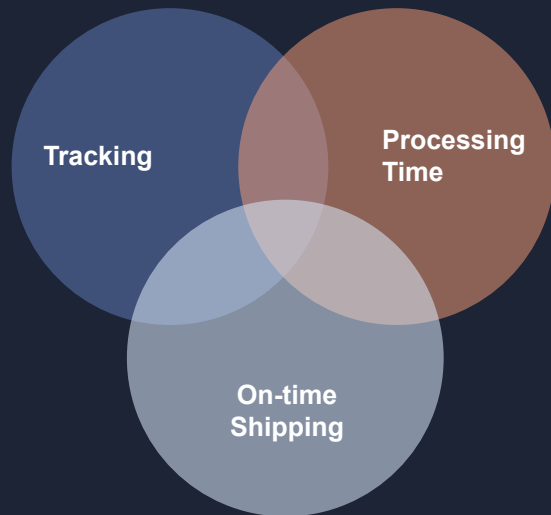
Help sellers understand what success looks like and how their performance impacts shop visibility

Making progress improving the post-purchase experience ...

Pending Order Module on Seller Dashboard



... and developing ways to define shipping success on Etsy



Enhancing the purchase path for personalized and/or customized

Our Sellers' Collection of Unique Items

- Highlight Etsy's robust customization experience
- Enable discovery of our personalized items
- Build trust in the purchase and fulfillment experience

Searches for personalized items are

~20%

more likely to result in a purchase



Influencer Collections expand reach and engagement

PRABAL GURUNG CREATOR COLLAB



Find it on Etsy

Iris Apfel's Fashionable Etsy Favorites



Take a page from
fashionable book and don't be
afraid to stand out—and smile

Prabal Gurung
Home & Living

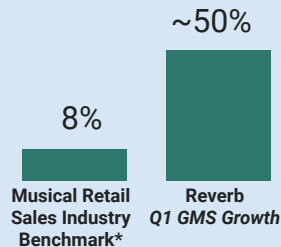
Iris Apfel
Jewelry & Accessories | Apparel

Highlights

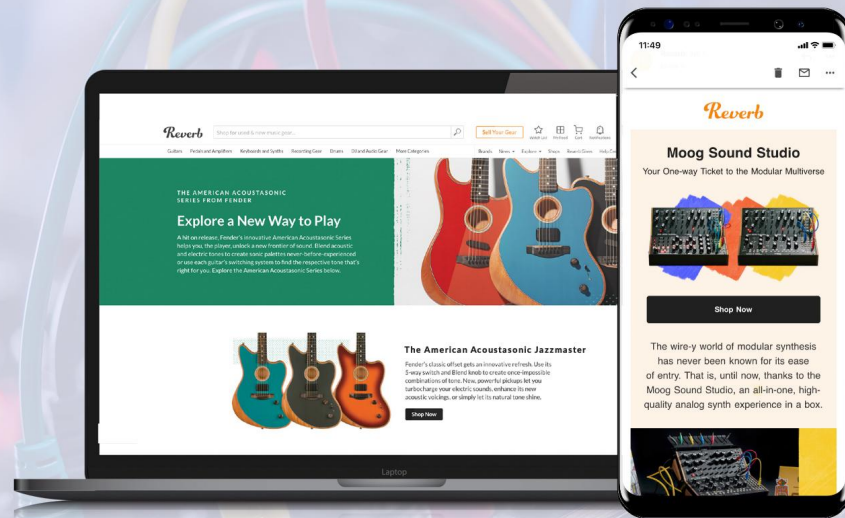
- ~21% higher Average Order Value
- Curated lists drive strong awareness and engagement
- Over 90% of purchases made by existing buyers

Reverb's momentum continued into Q1 21 with share gains versus musical industry

Gross Sales Y/Y



*Q1 21 Music Trades Music Retail Sales Report



Focus Areas for 2021

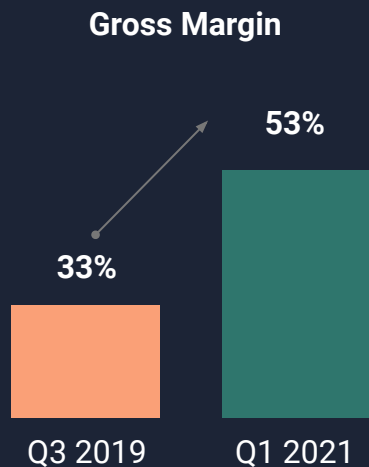
Personalization

International

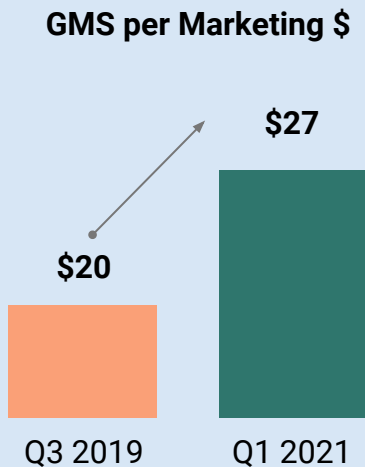
New Gear

Customer Experience

Etsy enables Reverb to
leverage platform costs and
drive gross margin...



...and more effectively scale
marketing investments



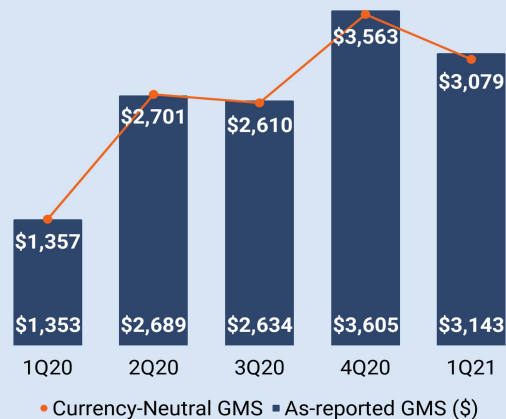
Reflects Reverb marketplace results as of acquisition date August 15, 2019
Scales for illustrative purposes

We had a very strong first quarter...

GMS

\$3.1B

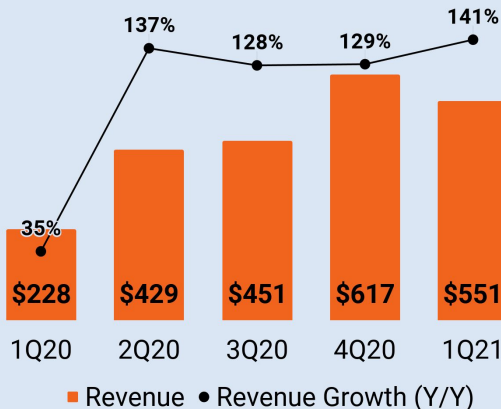
+132% Y/Y



Revenue

\$551M

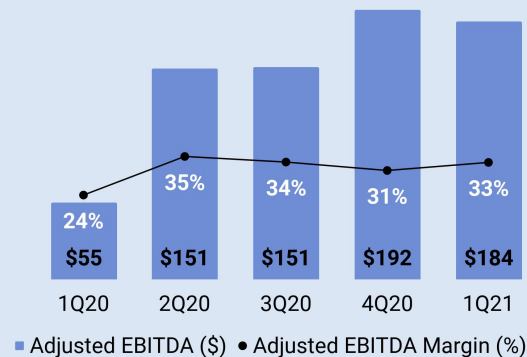
+141% Y/Y



Adjusted EBITDA¹

\$184M

~33% Adj. EBITDA Margin

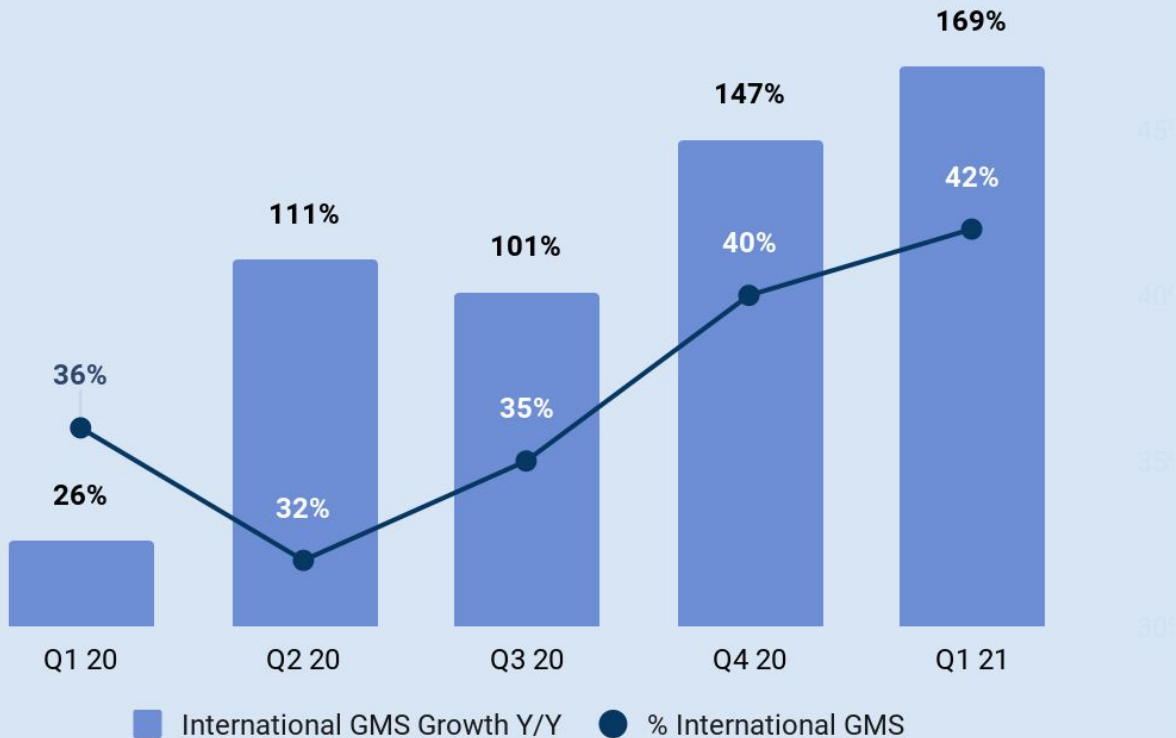


¹ Reconciliation of non-GAAP financial measures is contained in the Appendix Consolidated financial results. Y/Y reflects Q1 2021 vs. Q1 2020

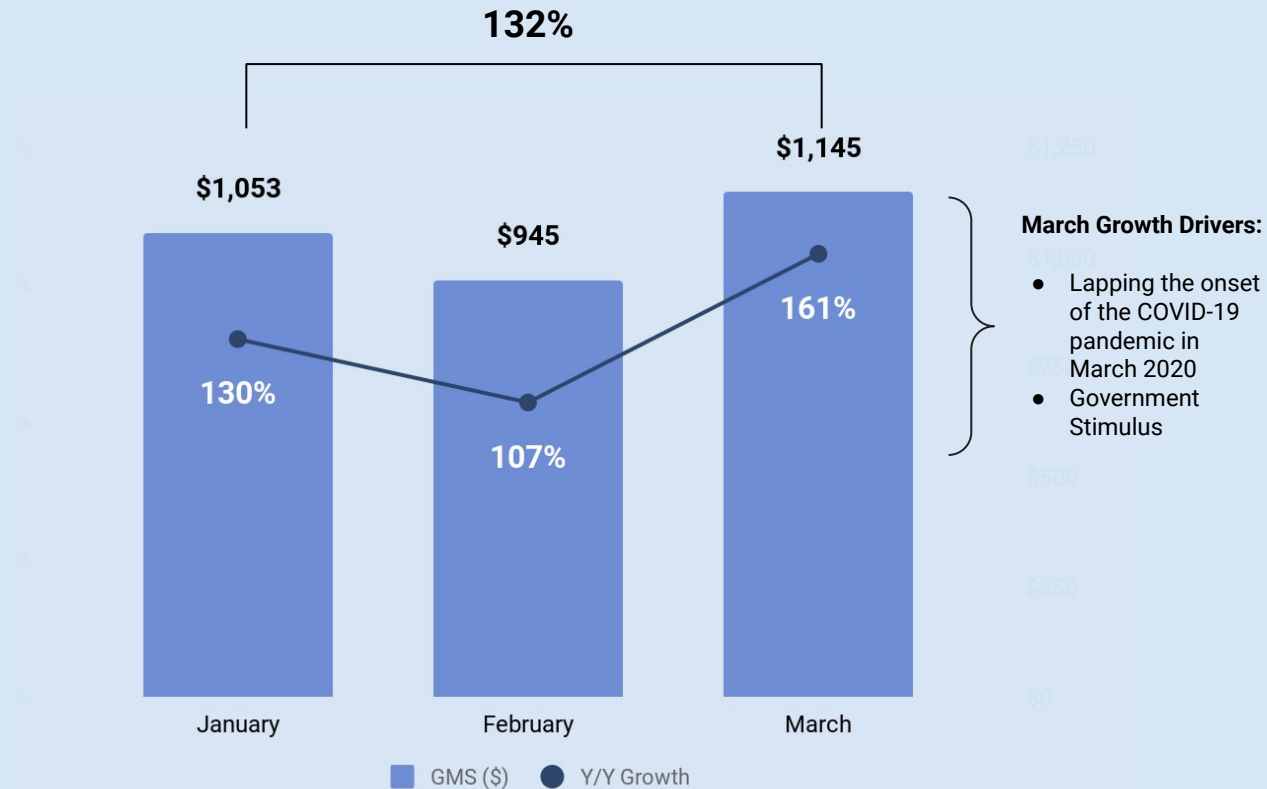
International trade routes deliver very strong growth

Our international growth strategy is to expand domestic vibrancy and build local marketplaces globally

- Global product launches
- Locally-relevant optimizations
- Focused marketing investments



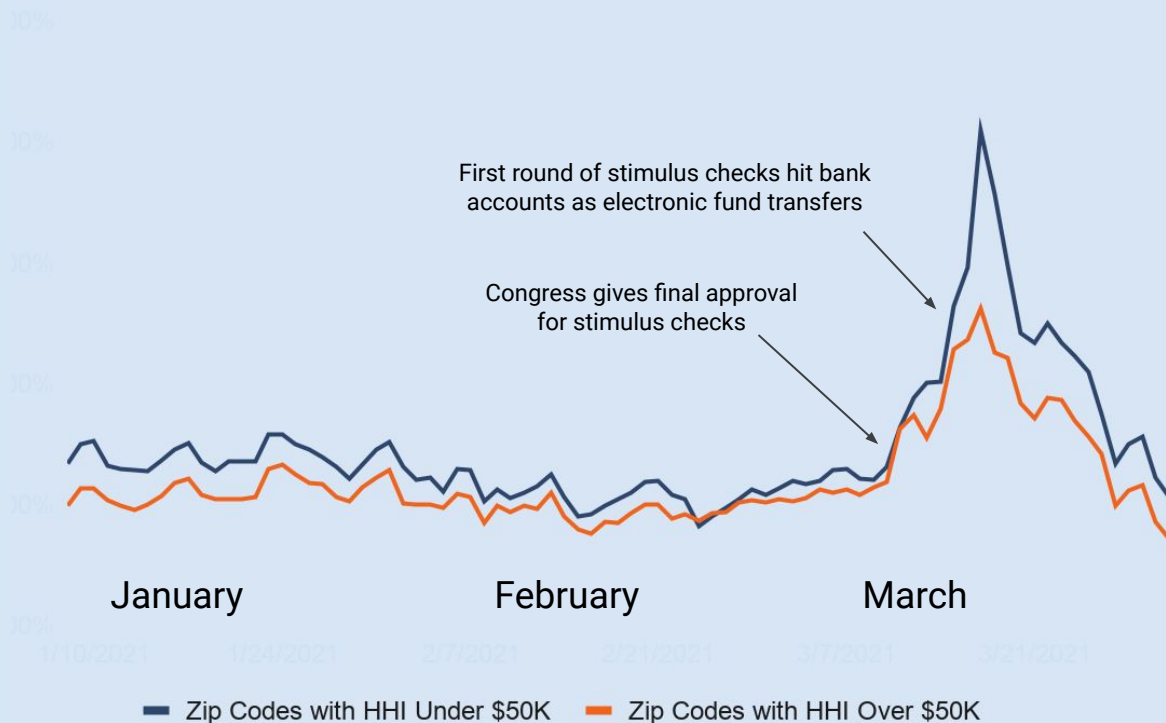
While underlying trends remain stable, macro events are creating volatility in growth rates as we lap 2020



Reflects Consolidated results

Stimulus checks
were a driver of
GMS growth
during the quarter

2020 to 2021 US GMS Growth



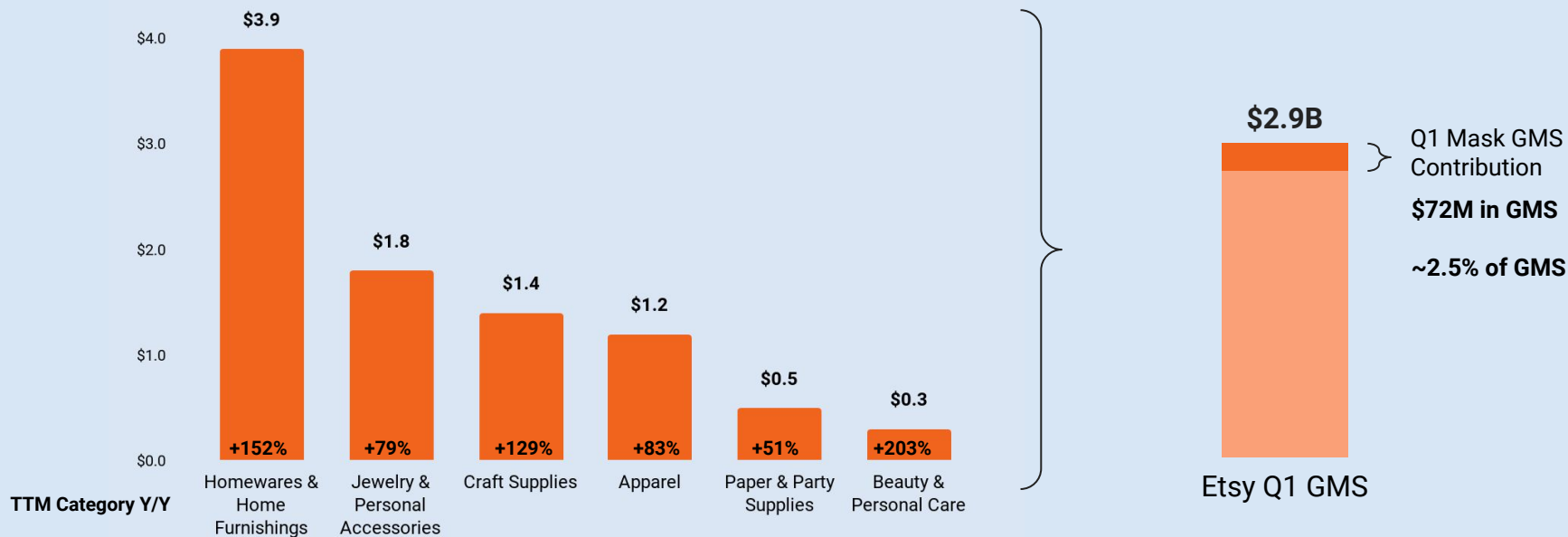
This slide contains Etsy Marketplace performance only

Household income (HHI) estimated by utilizing US Census data of average income by zip code

Tremendous growth in our traditional top categories continues

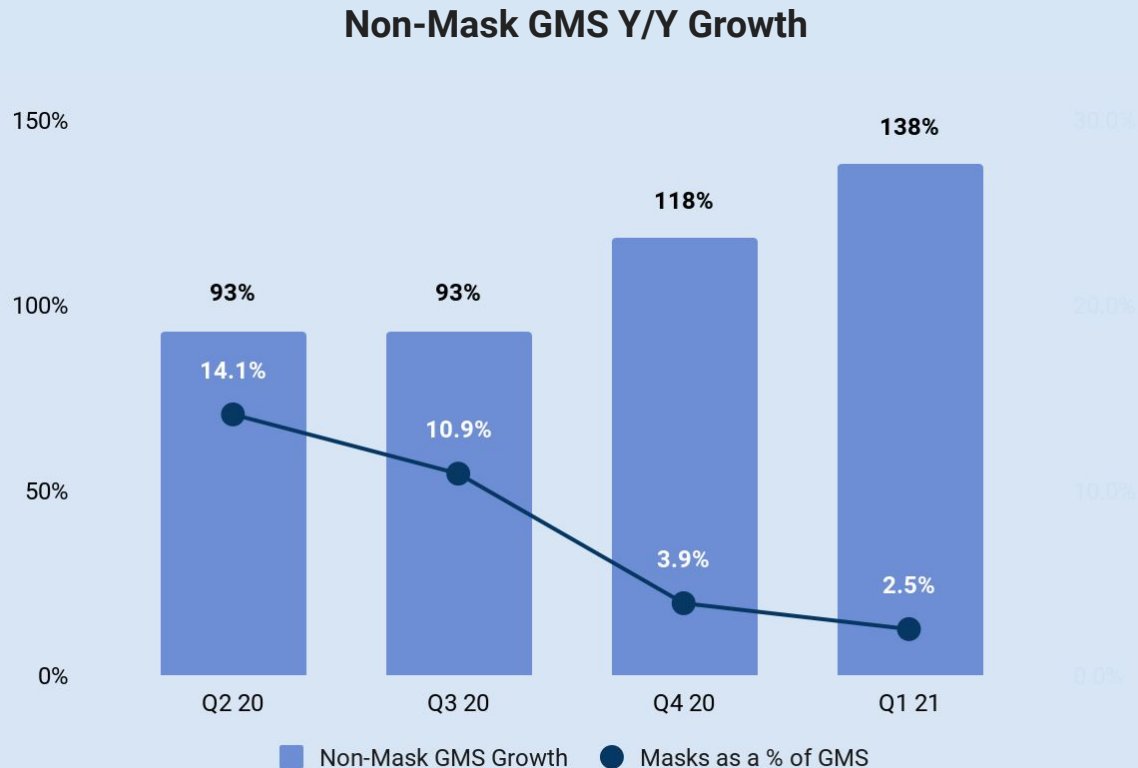
TTM Category GMS (\$B) and Y/Y Growth

Our top 6 categories represented over 80% of GMS and grew 115% Y/Y



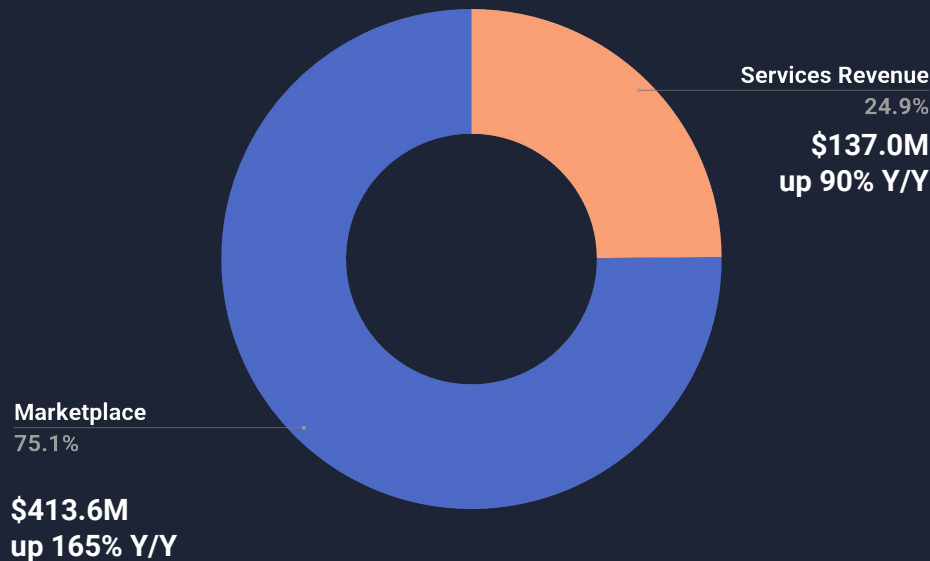
Category GMS \$ excludes face mask sales and is Etsy marketplace only
Chart data is reflected based on TTM Category GMS \$

Non-mask GMS growth accelerated for the second consecutive quarter; masks continue to decline as percentage of total



Marketplace vs Services Revenue

Q1 2021 CONSOLIDATED REVENUE \$551M, UP 141% Y/Y



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)

Marketplace Revenue

(Required fees)

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

Services Revenue

(Optional value-added services)

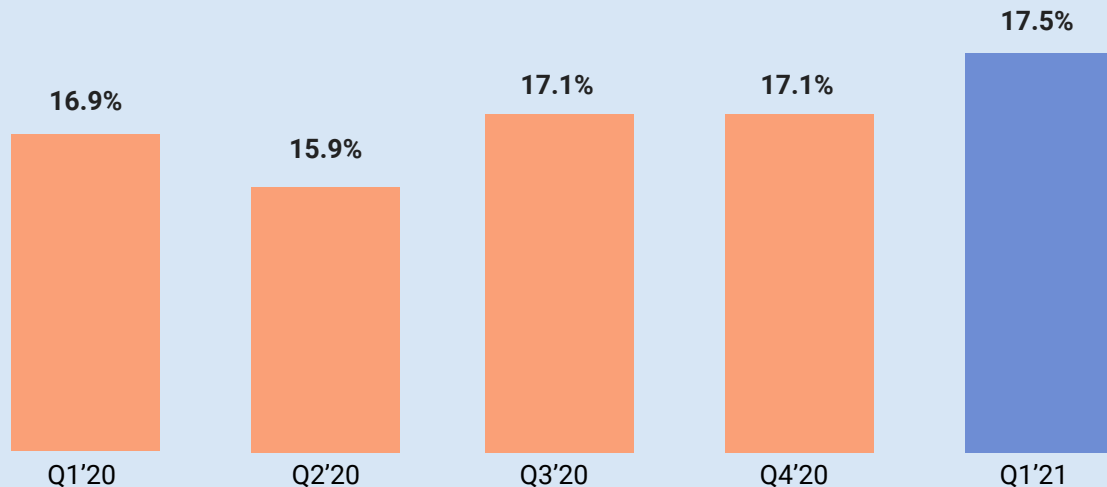
- Advertising - Etsy Ads and Bump
- Shipping Labels
- Other

Take-rate by quarter

Consolidated results...Scale for illustrative purposes only

Q1 21 Take-rate Drivers

- Etsy Ads
- Offsite Ads
- Etsy Payments

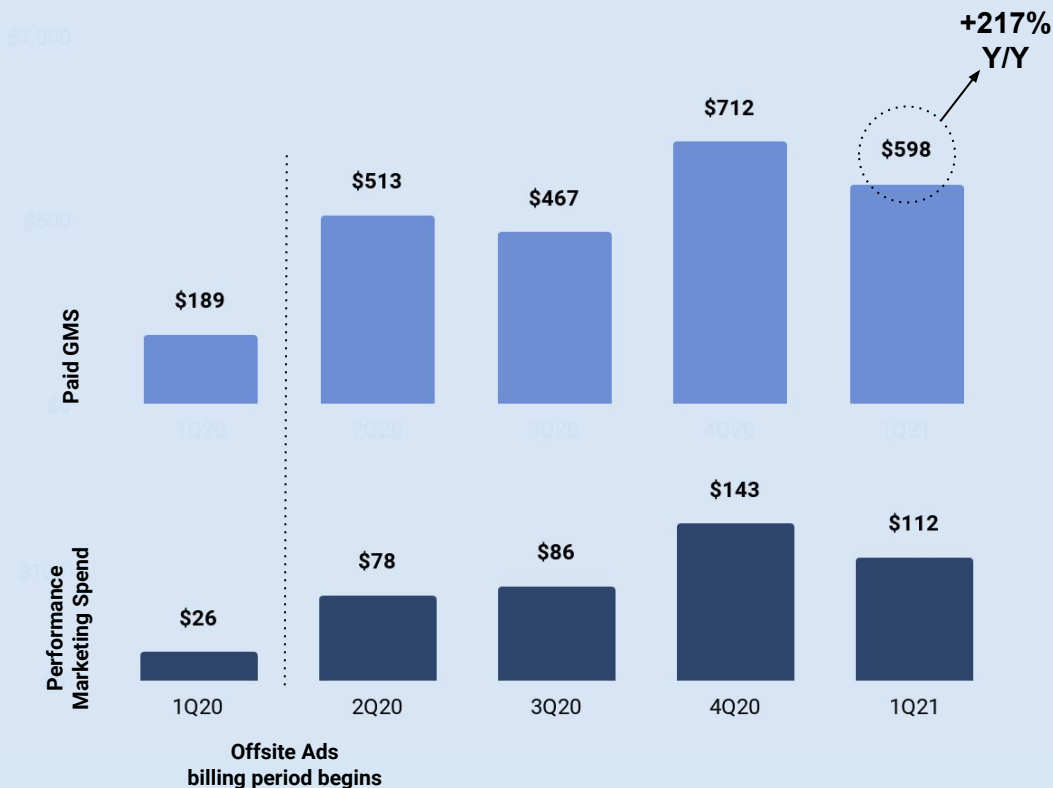


Consolidated take-rate expanded to 17.5%, up 60 bps compared to Q1 last year, and 40 bps sequentially

Marketing
investments help
drive profitable
growth

Q1 consolidated marketing spend was
\$151 million, up 212% Y/Y

Paid GMS vs Performance Marketing Spend



Reflects Etsy Marketplace results

Marketing approach enables us to invest more while maintaining strong ROI

Increase in LTV

Existing cohorts are engaging with us more often

Offsite Ads

Revenue recoups a portion of marketing spend

More Keyword Inventory

High demand for Etsy's long-tail of keywords

Hiring accelerates with a focus on product development

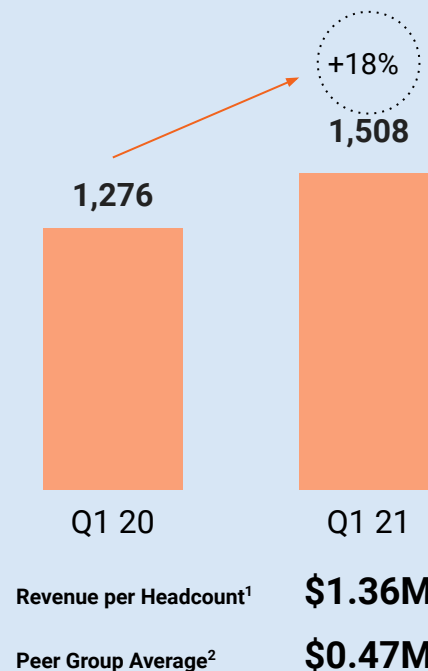


Product Development reflects consolidated results

¹Average Revenue per Employee is consolidated including the Reverb marketplace

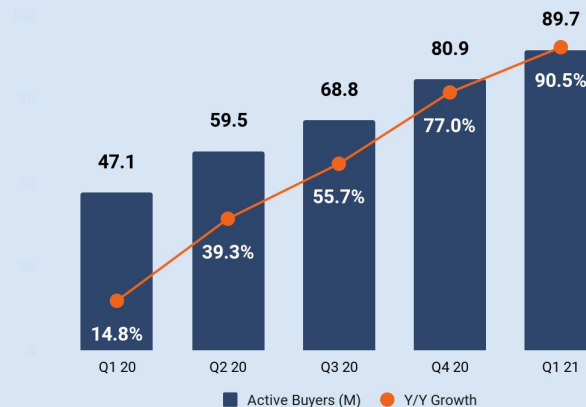
²Peer Group Average includes select marketplace peers

Consolidated Headcount

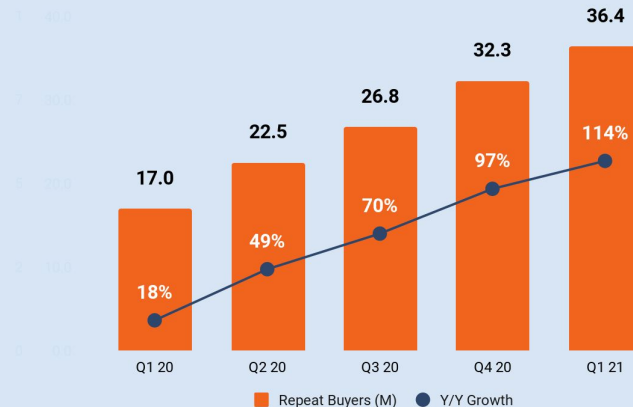


Record quarterly operating metrics for the Etsy marketplace

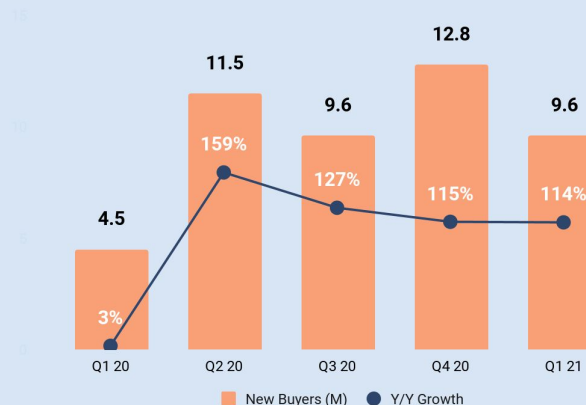
Active Buyers



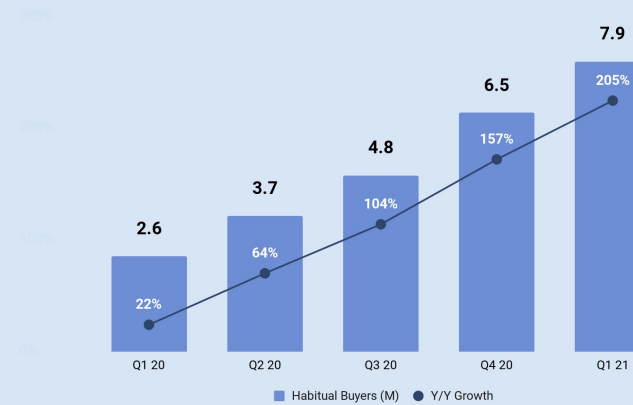
Repeat Buyers¹



New Buyers



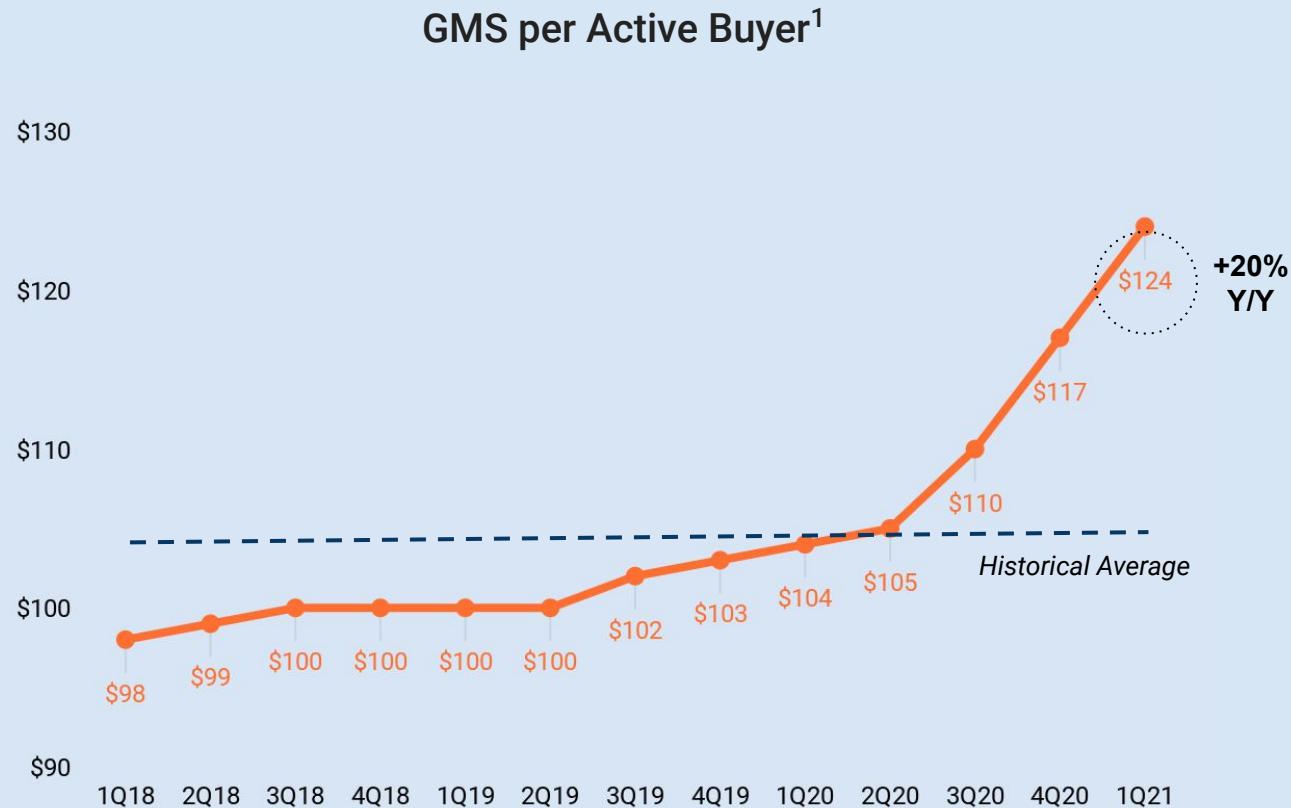
Habitual Buyers



Metrics presented are for the Etsy Marketplace and do not include Reverb

¹Repeat Buyers exclude Habitual Buyers

GMS per active buyer continues to show meaningful improvement



¹TTM GMS per Active Buyer reflects results from the Etsy standalone marketplace

More sellers...with more growth and success on Etsy

Active Sellers

4.5M

+70% Y/Y

TTM GMS per Seller

\$2,483

+34% Y/Y

*This slide contains Etsy Marketplace seller information only

*An active seller is a seller who has incurred at least one charge from us in the last 12 months. As part of our commitment to integrity and transparency, we continuously monitor the criteria for disqualifying a seller as an active seller. Commencing in the first quarter of 2021, we expanded our disqualifying criteria, but did not apply such criteria to prior periods as the impact of such criteria was immaterial to such periods.



Capital light business model
delivers strong Adj. EBITDA
and Free Cash Flow

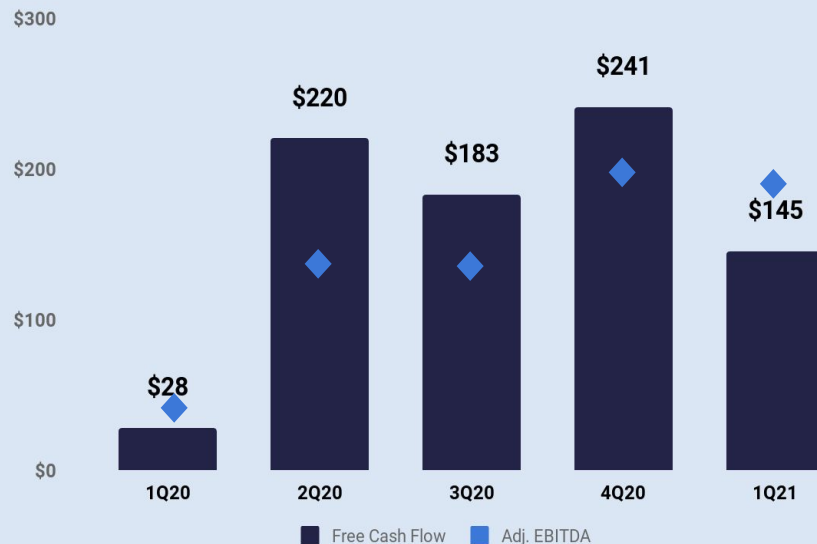
Cash Balance 3/31/21¹

\$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 net cash provided by operating activities, PP&E, and development of internal use software

Adj. EBITDA & Free Cash Flow² (\$M)



Guidance for GMS, Revenue and Adjusted EBITDA

Q2 21 Consolidated Guidance
May 5, 2021

GMS (\$)
GMS Growth (%)

~\$2.8B-\$3.1B
5% - 15%

Revenue (\$)
Revenue Growth (%)

~\$493M-\$536M
15% - 25%

Adj. EBITDA* (\$)
Adj. EBITDA Margin (%)

~\$129M-\$144M
25% - 28%

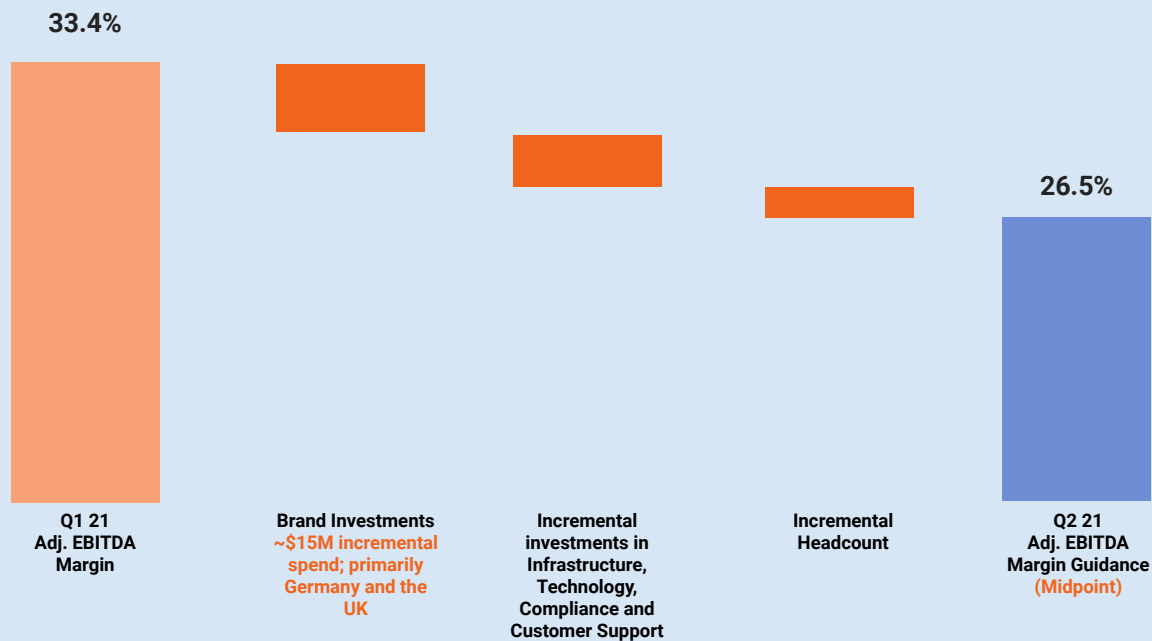
*Reconciliation of non-GAAP financial measures is contained in the Appendix. We are not able at this time to provide GAAP targets for net income or net income margin or to reconcile Adjusted EBITDA or Adjusted EBITDA margin to those amounts because of the unreasonable effort of estimating certain items 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 Q2 2021 guidance are contained in the Appendix.

Q2 21 Adjusted EBITDA Margin Drivers

Scale for illustrative purposes only



Q&A

Appendix

Key factors impacting our Q2 Guidance

We anticipate that the key factors impacting Q2 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 and reopenings, consumer confidence and spending patterns, 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 significant acceleration of growth in Q2 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 including vaccine roll-outs and resulting impact on consumer behavior.

We anticipate that the key factors impacting our Q2 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

	1Q21	1Q20
(in thousands)		
Revenue	\$550,646	\$228,055
Cost of revenue	142,917	82,416
Gross profit	407,729	145,639
<i>Marketing</i>	151,204	48,505
<i>Product development</i>	53,706	37,782
<i>General and administrative</i>	52,182	33,987
Operating expenses	257,092	120,274
Income from operations	150,637	25,365
Other income (expense), net	7,091	(15,672)
(Provision) benefit for income taxes	(13,962)	2,829
Net income	\$143,766	\$12,522
Net income per share — diluted	\$1.00	\$0.10

Condensed Consolidated Statement of Cash Flows

	Three months ended 3/31/21	Three months ended 3/31/20
(in thousands)		
Net Income	\$143,766	\$12,522
<i>Net cash provided by operating activities</i>	148,465	29,664
<i>Net cash (used in) provided by investing activities</i>	(181,010)	6,093
<i>Net cash used in financing activities</i>	(39,378)	(32,678)
Effect of exchange rate changes on cash	(8,498)	(4,018)
Net decrease in cash, cash equivalents, and restricted cash	(80,421)	(939)
Cash, cash equivalents, and restricted cash at the beginning of the period	1,249,440	448,634
Cash, cash equivalents, and restricted cash at the end of the period	\$1,169,019	\$447,695

Condensed Consolidated Balance Sheets

As of March 31, 2021 As of December 31, 2020

(in thousands)		
Cash and cash equivalents	\$1,163,678	\$1,244,099
Short-term investments	502,569	425,119
Funds receivable and seller accounts	158,104	146,806
Accounts receivable, net	22,991	22,605
Property and equipment, net	107,960	112,495
Other current and non-current assets	542,109	453,365
Total assets	\$2,497,411	\$2,404,489
Accounts payable	\$16,386	\$40,883
Funds payable and amounts due to sellers	158,104	146,806
Long-term debt, net	1,302,345	1,062,299
Other current and non-current liabilities	336,802	412,077
Total liabilities	1,813,637	1,662,065
Total stockholders' equity	683,774	742,424
Total liabilities and stockholders' equity	\$2,497,411	\$2,404,489

Reconciliation of Quarterly Net Income to Adj. EBITDA

	Three months ended 3/31/21	Three months ended 3/31/20
(in thousands)		
Net income	\$143,766	\$12,522
Excluding:		
Interest and other non-operating expense, net	706	6,354
Provision (benefit) for income taxes	13,962	(2,829)
Depreciation and amortization	13,080	15,163
Stock-based compensation expense	20,351	13,811
Foreign exchange (gain) loss	(7,797)	9,318
Acquisition-related expenses	-	717
Adjusted EBITDA	\$184,068	\$55,056
Divided by:		
Revenue	\$550,646	\$228,055
Adjusted EBITDA margin	33%	24%

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.

	Three months ended 3/31/21	Three months ended 3/31/20
(in thousands)		
Net cash provided by operating activities	\$148,465	\$29,664
Purchases of property and equipment	(526)	(567)
Development of internal-use software	(3,226)	(1,261)
Free Cash Flow	\$144,713	\$27,836