



Etsy

Q2 2022
Financial Results

July 27, 2022

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 third quarter of 2022 and key drivers thereof; our opportunity; the impact of our “Right to Win” and other growth strategies, including our strategies for integrating our “House of Brands” marketplaces, marketing and product initiatives, and investments and other levers of growth on our business and operating results, including future GMS and revenue growth; our ability to attract, engage, and retain buyers and sellers; our plans for investments in our marketplaces and in our member support programs; strategic investments and the potential benefits thereof; our intended environmental and social impacts; the global macroeconomic uncertainty, including impacts the general market, political, economic, and business conditions may have on our business, strategy, operating results, key metrics, financial condition, profitability, and cash flows; changes in overall levels of consumer spending and e-commerce generally; and volatility in the global economy. 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,” “outlook,” “plan,” “potential,” “target,” “will,” or similar expressions and derivative forms and/or 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 sustain our rapid growth and demand for our services; (2) risks related to the ongoing COVID-19 pandemic, which continues to impact our business and results of operations in numerous volatile and unpredictable ways, as well as risks the e-commerce gains experienced during the COVID-19 pandemic do not hold as the pandemic abates; (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 active and engaged communities 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 communities; (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) our ability to successfully integrate the Depop and Elo7 acquisitions and execute on our “House of Brands” strategy; (17) acquisitions that may prove unsuccessful or divert management attention; and (18) the potential misuse or disclosure of sensitive information about members of our communities and the potential for cyber-attacks. These and other 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 ending March 31, 2022 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 hereof. We disclaim any obligation to update forward-looking statements.

Etsy top and bottom line show strong performance despite meaningful growth headwinds

3 Yr Etsy marketplace GMS growth²

+141%

Q2 22 Consolidated GMS

\$3.0B

-0.4% Y/Y, +2.6%
currency neutral basis

Q2 22 Consolidated Revenue

\$585M

+10.6% Y/Y

Q2 22 Consolidated Adj. EBITDA¹

\$163M

28% Adj. EBITDA Margin

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

² 3 Yr growth reflects Q2 2022 vs Q2 2019.

GMS, revenue, and adjusted EBITDA are consolidated unless otherwise indicated.

Kruti Patel Goyal to
Depop Chief Executive Officer



Nick Daniel to
Etsy Chief Product Officer



Etsy

*Our ambition is for **Etsy** to become a starting point
for many of your ecommerce journeys*

*To get there, Etsy has to be more **inspirational**,
efficient and **reliable** to our **buyers**; and offer more
agency and **scalability** to our **sellers***

With ~100M unique items, world class search is critical to ‘get you the good stuff’ and make Etsy feel *made for you*

We *intelligently* blend results from *multiple search engines* that are good at solving different problems - including the ability to leverage *in-session context* plus *personalization* to arrive at the best outcome *for you*



Text-based:

Exact

Do the **words you searched for** appear in listing title?



X-Walk:

Relational

How can **interactions** between buyers, listings and shops help us find the right listing for you?



Neural IR*:

Semantic

Do we **understand** what you are looking for even if you do not know how to describe it?

Future models

We've improved search so much that some people are ready to buy without needing to go to the seller's listing page



Portable Picnic Table wooden

★★★★★ (126)

\$65.97

CutePicnic

+ Add to cart

More like this →



Outdoor Wine Table, Folding Wooden Serving...

★★★★★ (895)

\$58.50+

LAVKAWood

More like this →



block printed linen napkins. palm sunset on pink...

★★★★★ (3,564)

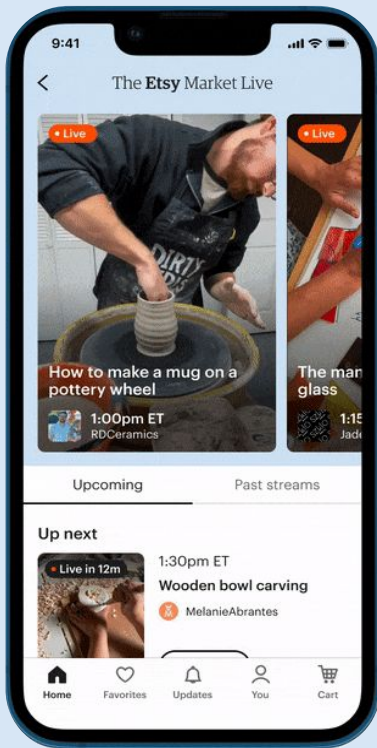
\$28.00

juliepeach

More like this →

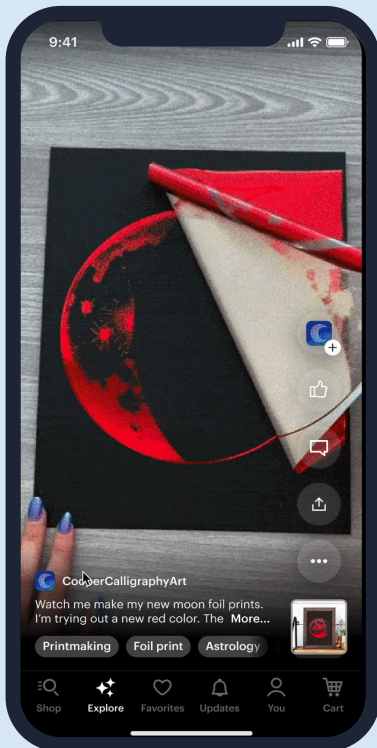
We're testing and iterating on visual experiences that make Etsy more *inspirational*

Live 2-day event tested in June



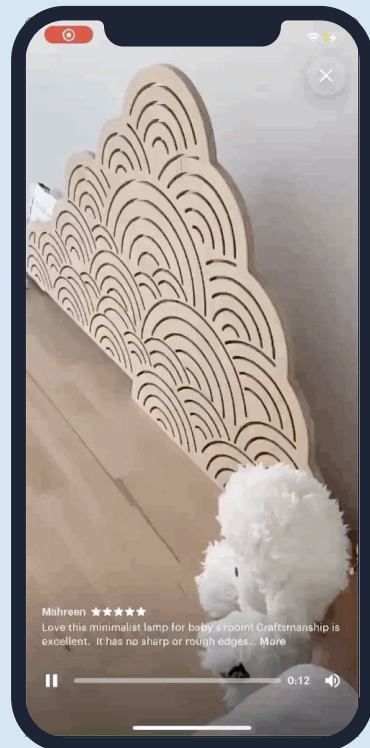
Explore

More opportunities to engage with sellers



Video Reviews

Gaining confidence & inspiration from buyers



Etsy Purchase Protection program launch: striving to make Etsy more *reliable*

Landing Page



Shop confidently with Etsy's Purchase Protection program

Get a full refund if your item doesn't arrive, arrives damaged, or isn't as described.

Etsy Purchase Protection

Easily get help in the rare case that something goes wrong when shopping from a small business.

What's eligible for Etsy Purchase Protection:

- Your order doesn't match the item description or photos
- Your item arrived damaged.
- Your item didn't arrive or was lost in the mail.



We're ready to help if something goes wrong. Here's how it works:

1

Reach out to the Seller

Send a message to your seller from the 'Help with order' page if there's an issue. Sellers know their business best—by reaching out to them first they can try to resolve the issue before Etsy steps in.

2

Open a case for Etsy to review

You'll be eligible to open a case 48 hours after sending the original help request message and the estimated delivery date has passed. After a case has been opened, Etsy will step in to review the details.

3

We'll help you reach a resolution

If your order is eligible for Etsy Purchase Protection, you'll be refunded for your purchase. Once the case is closed, you'll receive an email confirmation.

Questions? We've got answers.

What's eligible for Etsy Purchase Protection?

Seller Educational Email



Your step-by-step guide to Etsy Purchase Protection

Starting August 1, qualifying orders of up to \$250 will be eligible for Etsy Purchase Protection—meaning we'll refund buyers and you'll keep your earnings if a buyer doesn't receive their order or it arrives damaged.* Want to know how it'll work? Check out the step-by-step process below!



First, your buyer will send you a Message

If your buyer has an issue with their order, first they'll need to reach out to you via Messages from the 'Help with my order' page (this will appear with a 'help request' label in your inbox). This way, you can try to reach a resolution with your buyer before they ask Etsy to step in to help.



Next, your buyer needs to ask Etsy to review

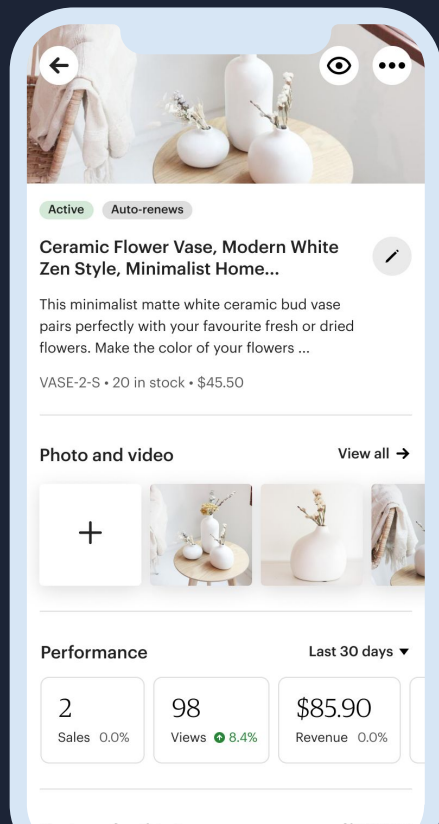
If you believe your buyer's issue qualifies for Etsy Purchase Protection, encourage them to open a case for Etsy to review. It's possible you

Etsy
will refund
qualifying orders
up to \$250

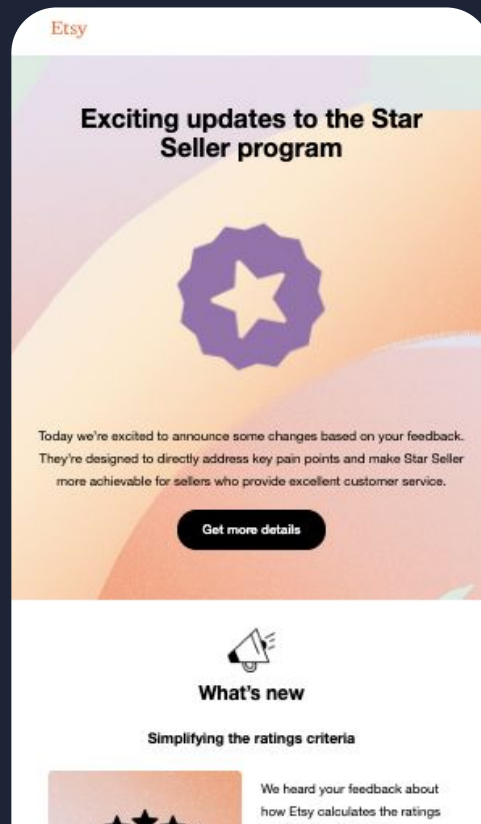


Doing more than ever to help our *sellers grow*

Sell on Etsy Global Availability



Star Seller Program Updates



Etsy Ads continues to scale rapidly, allowing sellers to invest in their own growth – a win-win-win for sellers, buyers and Etsy

We've improved Ad relevance and added Ads to non-search real estate (i.e. home page)

5 Year Etsy Ads Revenue growth

5 Year Etsy Marketplace
GMS growth

Sponsored by Etsy sellers 🌿

Fun fact: behind every sponsored item there is an Etsy seller hoping you'll check out their shop



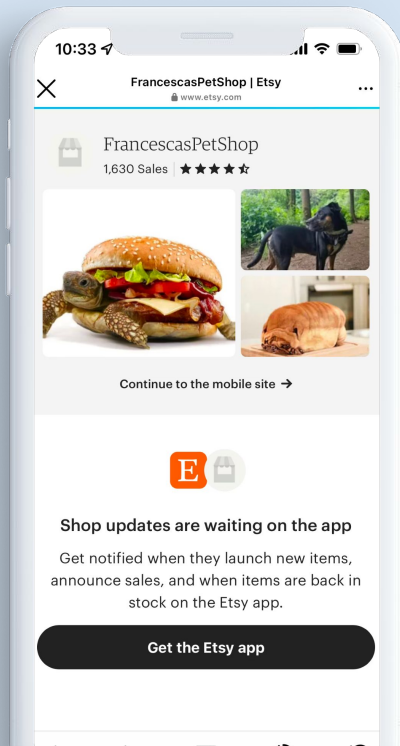
+516% > +253%

Seller ad budgets up 80% year-to-date

We're continuing to focus on buyer engagement & frequency...

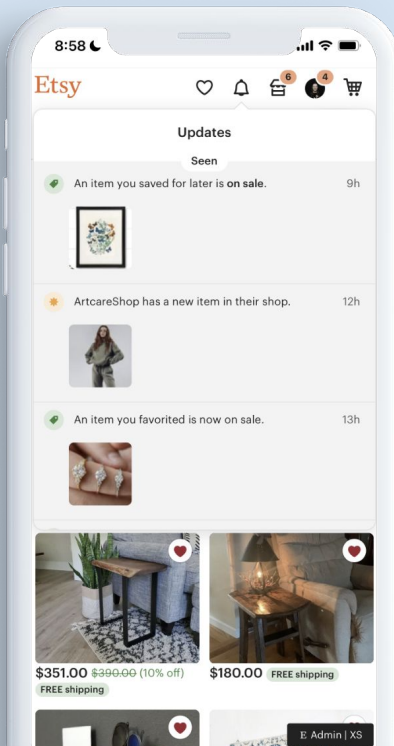
Prompting signed-out buyers

Prompting signed-out buyers on shop home led to large app download increases



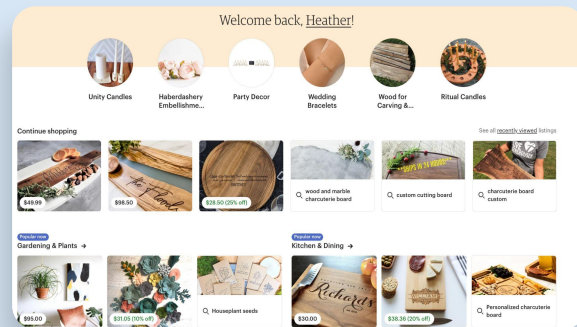
Saved items now on sale

Sale related updates continue to work well prompting buyers to come back to make a purchase



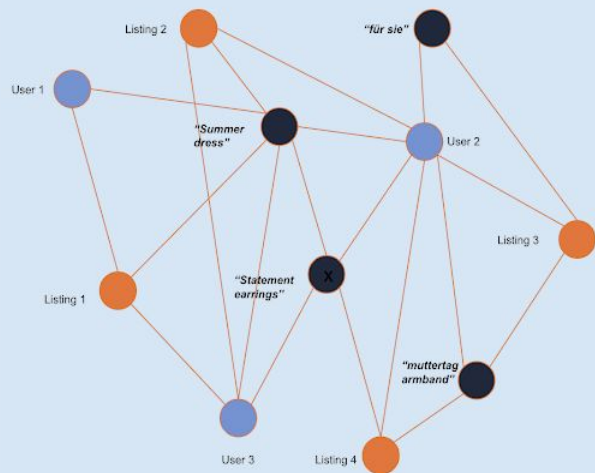
Home page iterations

Showing more variety to buyers 'above the fold' has impacted how low activity users engage with our homepage



...with specific strategies targeted at engaging and expanding our buyer base *outside* the U.S.

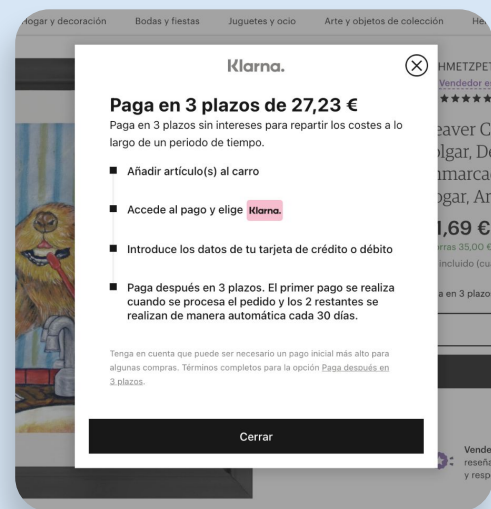
X-Walk launched for non-US Search



Progress in non-US Fulfillment (Expected Delivery Date Coverage)*

2Q 2021
72% → **91%**
2Q 2022

Buy Now; Pay Later Now available in 13 countries



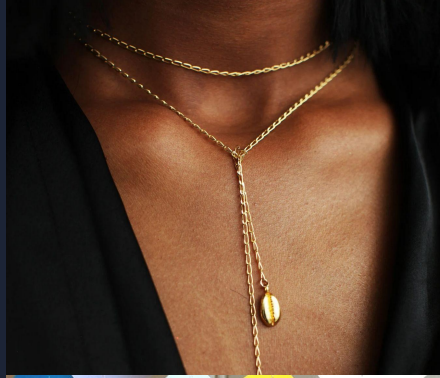
Data for fulfillment progress reflects data as of the end of each quarter; non US orders only

*Expected Delivery Date coverage is the % of listings with estimated arrival dates based on shipping and processing times

Our marketing strategies are nimble, disciplined and creative to drive engagement and keep Etsy 'top of mind'

Key focus areas:

- "Extraordinary. Affordable."
- Today's most relevant categories.



Focused on improving long-term growth and profitability for subsidiary brands – Depop

1. Increase product velocity and roll out experimentation platform
2. Improve customer experiences via product investments
3. Martech tooling and ROI-focused marketing strategies



Reverb and Elo7 responding to challenging macro environment with strategies to drive long-term engagement

Reverb

My Collection

Making it easier to inventory your gear collection

Keeping track of everything you love about your gear has never been easier.

My Collection

Start My Collection



elo7

Improve shipping interface

To improve the seller and buyer experiences

elo7

Produtos enviados

Olá Elisangela,

O vendedor da loja Débora Art's enviou os produtos do seu pedido 249975.

Rastreie o seu pacote: SW122335105BR

Ao receber o seu pacote, confirme o recebimento dos produtos e não se esqueça de avaliar o vendedor na página de pedidos.

Em caso de dúvida, entre em contato com a nossa equipe.

- Atendimento Elo7

We believe that our highly differentiated, two-sided peer to peer marketplaces are the best ecommerce business models for uncertain times



Buyers

Go-to shopping destinations for unique and special goods



Sellers

Helping sellers start, manage and scale their creative businesses



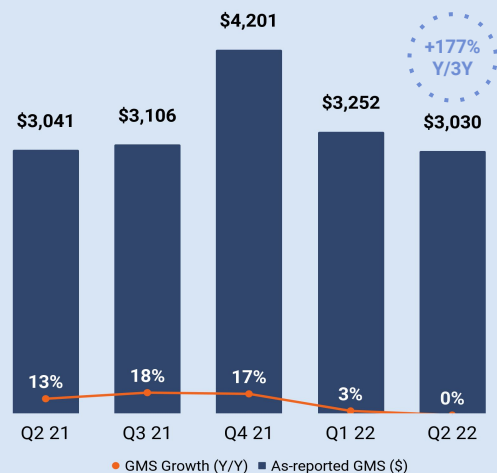
Solid performance in a challenging macro climate

Consolidated Results

Q2 22 GMS

\$3.0B

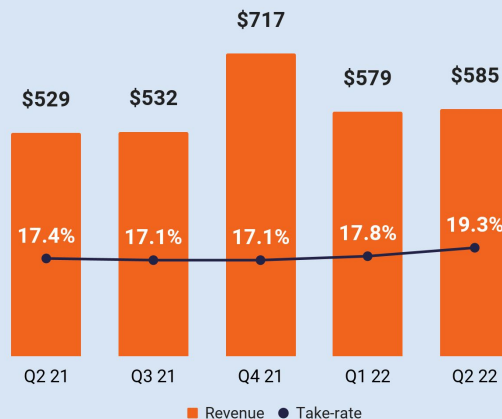
-0.4% Y/Y, +2.6% currency neutral basis



Q2 22 Revenue

\$585M

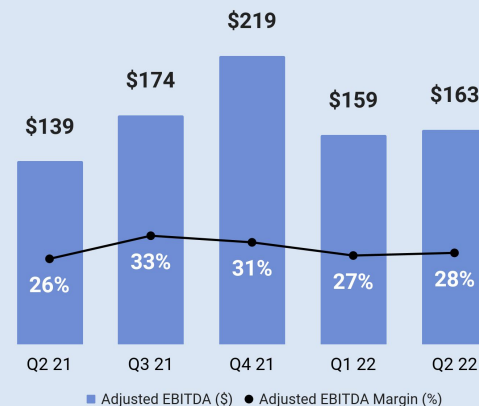
+10.6% Y/Y



Q2 22 Adjusted EBITDA¹

\$163M

28% Adj. EBITDA Margin



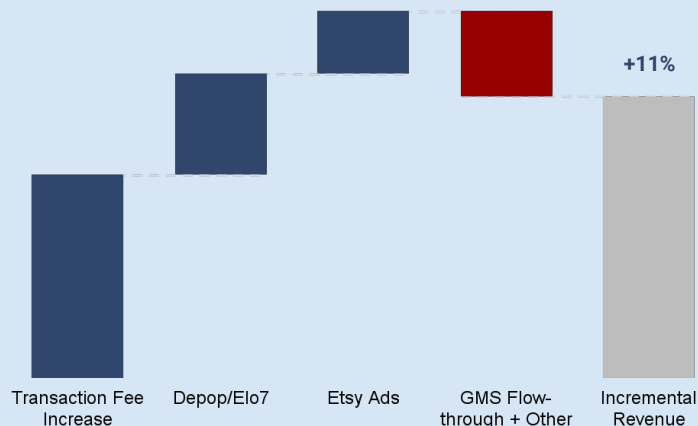
¹ Reconciliation of non-GAAP financial measures is contained in the Appendix.

Consolidated financial results. Y/Y reflects Q2 2022 vs. Q2 2021, and Y/3Y reflects Q2 2022 vs. Q2 2019, \$ in millions, except where noted.

Healthy revenue growth drives strong profit flow-through, despite subsidiary brand headwinds

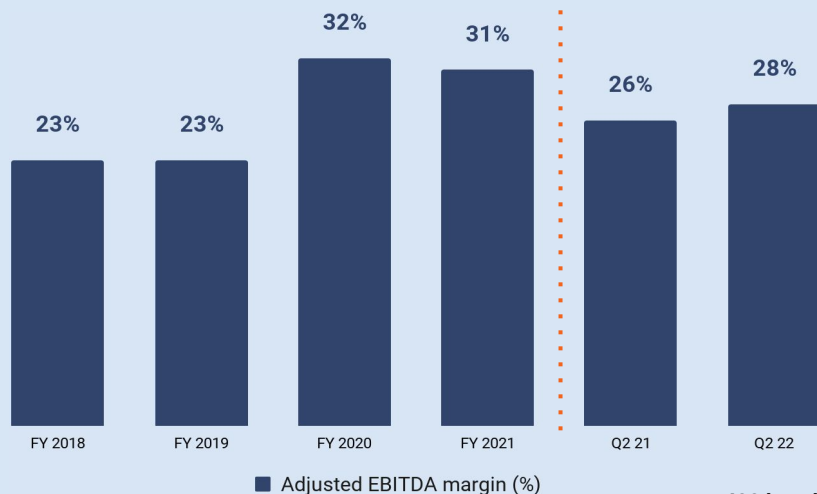
Consolidated Results

Incremental Revenue Bridge
Q2 21 vs Q2 22



Q2 22 Consolidated Revenue
\$585M, up 10.6% Y/Y
Consolidated take rate **19.3%**

Etsy Consolidated Adjusted
EBITDA Margin (%)

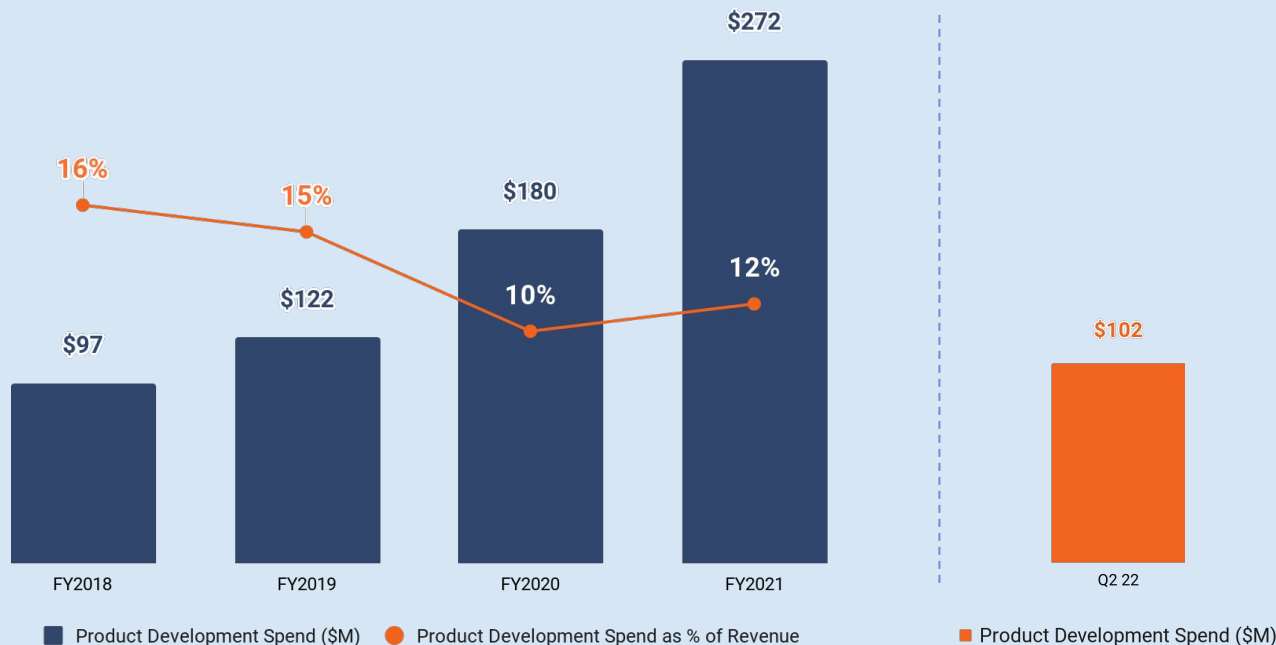


**>400 bps drag
from subsidiaries
in Q2 22**

Reconciliation of non-GAAP financial measures is contained in the Appendix.

ROI focused product investments support future growth opportunities

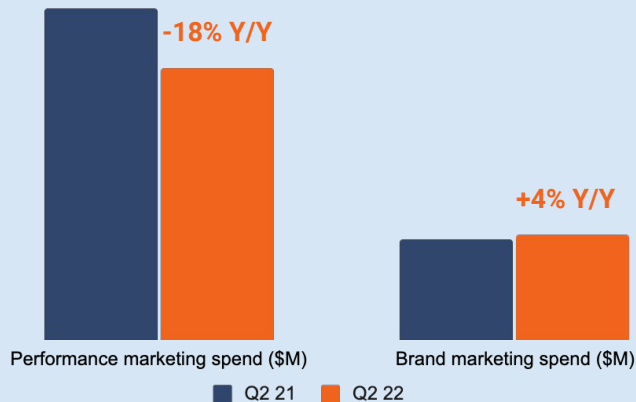
Product Development Spend (Consolidated)



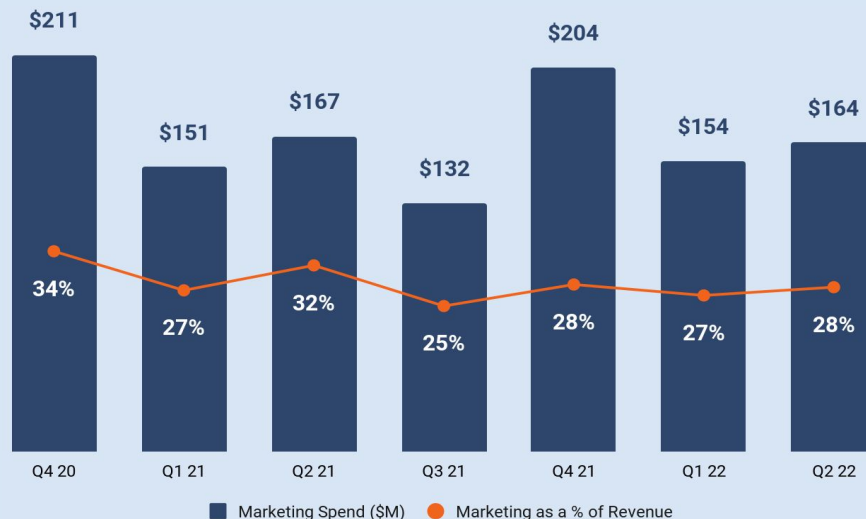
- Consolidated product development spend was 17% of revenue in Q2 22, now including Depop and Elo7 in current period
- 2022 consolidated product development spend as a % of revenues has 'caught up' to our rapid pace of growth in 2020 & 2021
- Slower hiring pace planned for balance of 2022

Improving efficiencies continued to drive disciplined and nimble marketing investments

Performance and Brand Marketing Spend (consolidated)

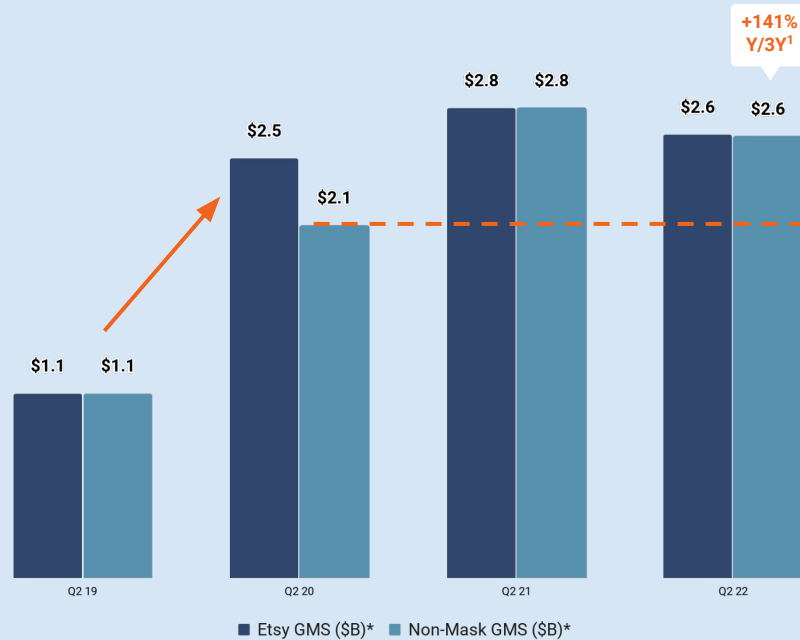


Marketing Spend (consolidated)



The Etsy marketplace has retained the vast majority of gains achieved during the pandemic surge

Etsy Marketplace GMS (\$B)



Etsy.com marketplace GMS

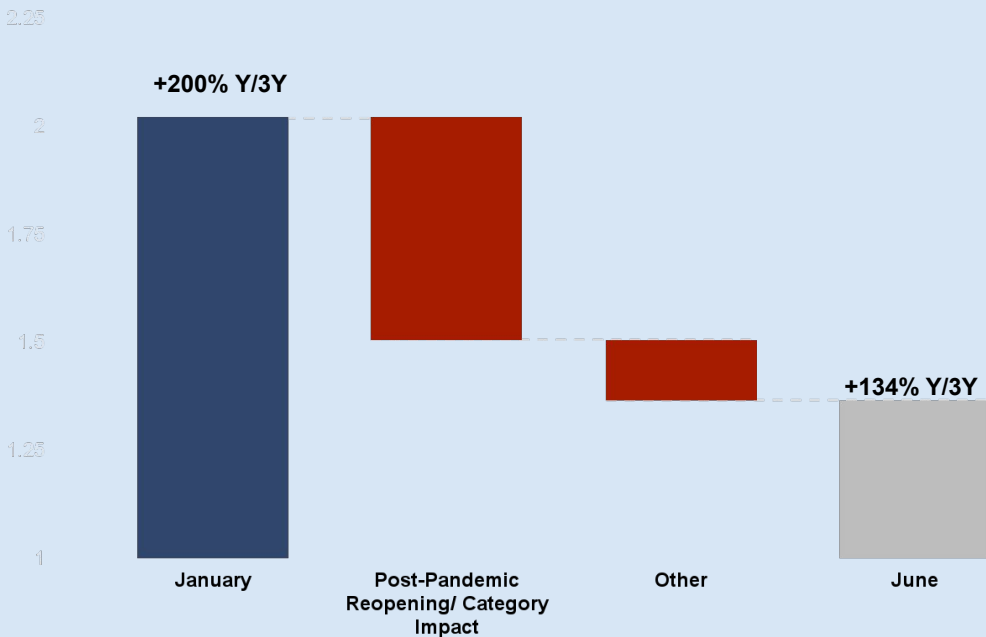
¹Y/3Y reflects Q2 2022 vs. Q2 2019

So far in 2022, mobility and pandemic related factors have represented the largest year-over-year headwinds to Etsy marketplace growth

We estimate that since January, there has been a **very high inverse correlation** between our GMS performance and retail/recreation mobility particularly given our category exposure.*

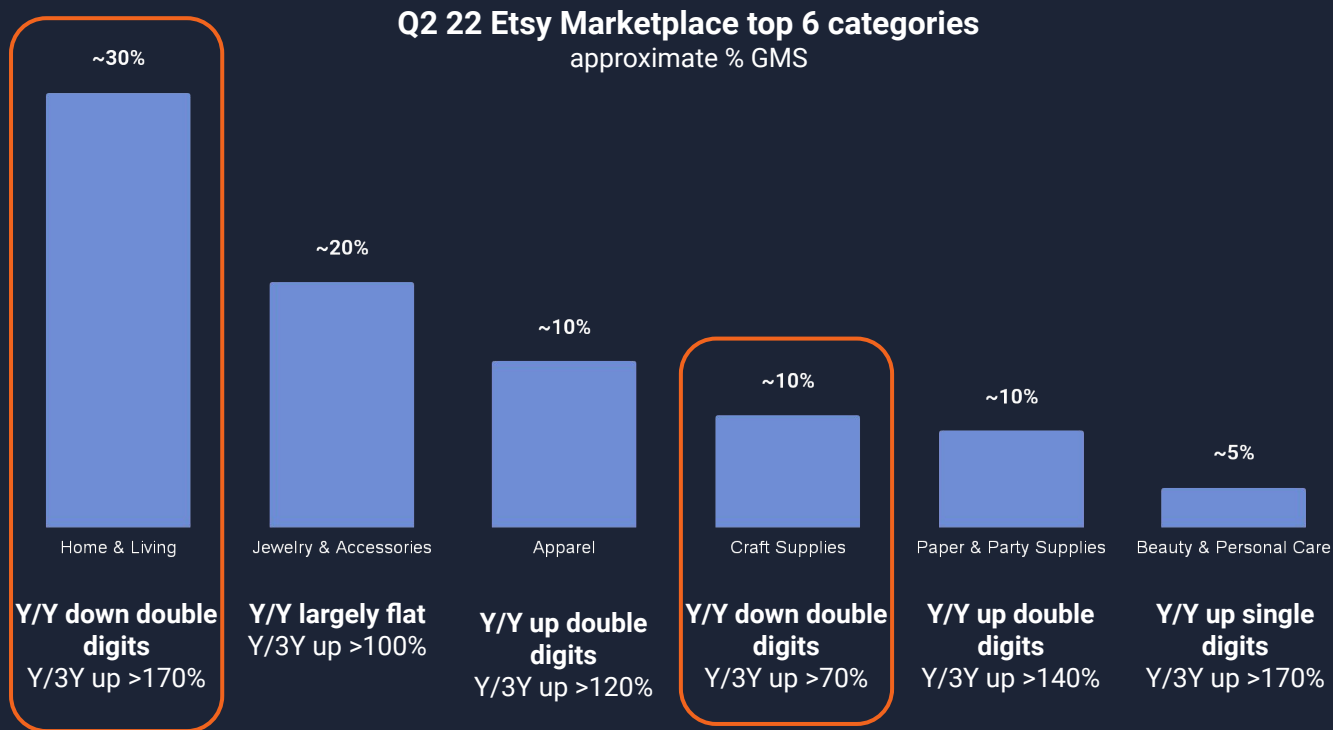
*Estimate based upon Etsy marketplace Y/3Y; US only data and Google retail and recreation mobility data

Etsy GMS Y/3Y View Mid-Jan 2022 vs. June 2022



All data on this slide Etsy marketplace only.

Despite breadth of merchandise, reopening headwinds pressure pandemic related categories accounting for >40% of GMS

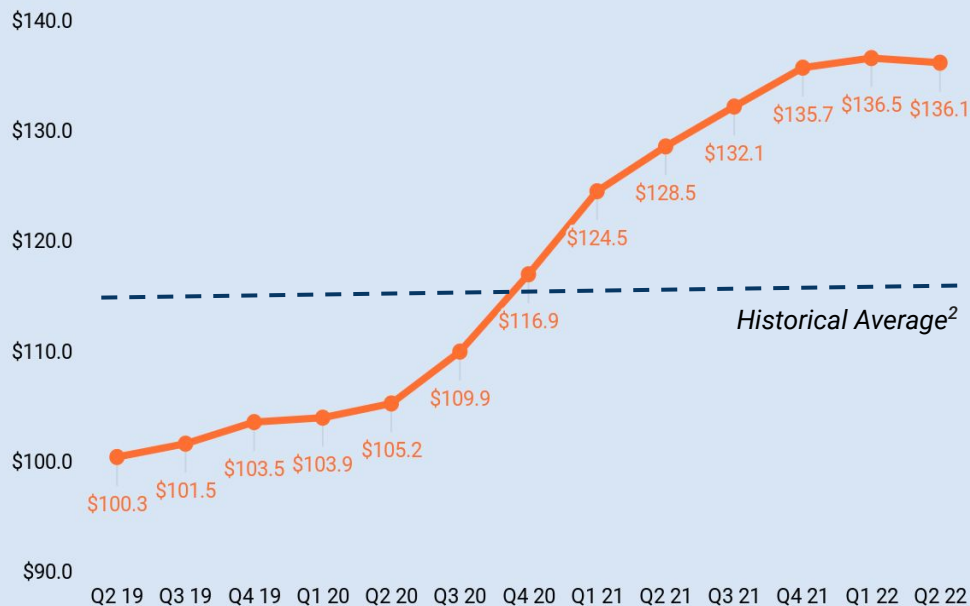


Y/Y reflects Q2 2022 vs. Q2 2021 and Y/3Y reflects Q2 2022 vs. Q2 2019; Data excludes masks.

Note this data includes 2022 taxonomy changes that reclassified a modest amount of GMS from Craft Supplies to Homewares, Paper & Party Supplies, Beauty & Personal Care and other categories.

Etsy Marketplace
GMS per active
buyer was down
slightly on a
sequential basis

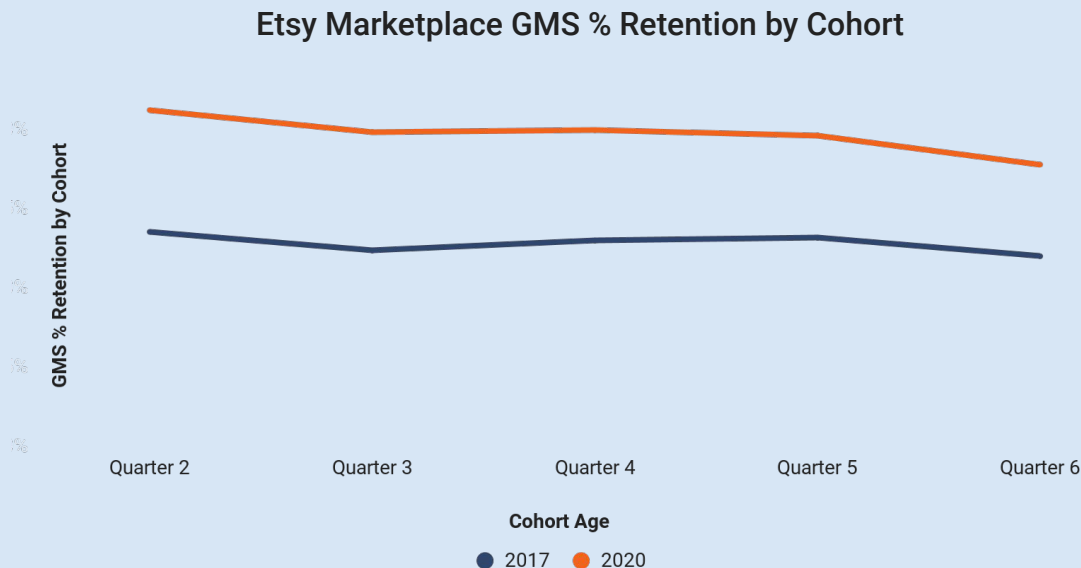
Etsy Marketplace GMS per Active Buyer¹



¹TTM GMS per Active Buyer on the Etsy marketplace

²Historical average represents periods Q1 19 to Q2 22

From a GMS retention perspective, our pandemic buyers remain more valuable than pre-pandemic buyers



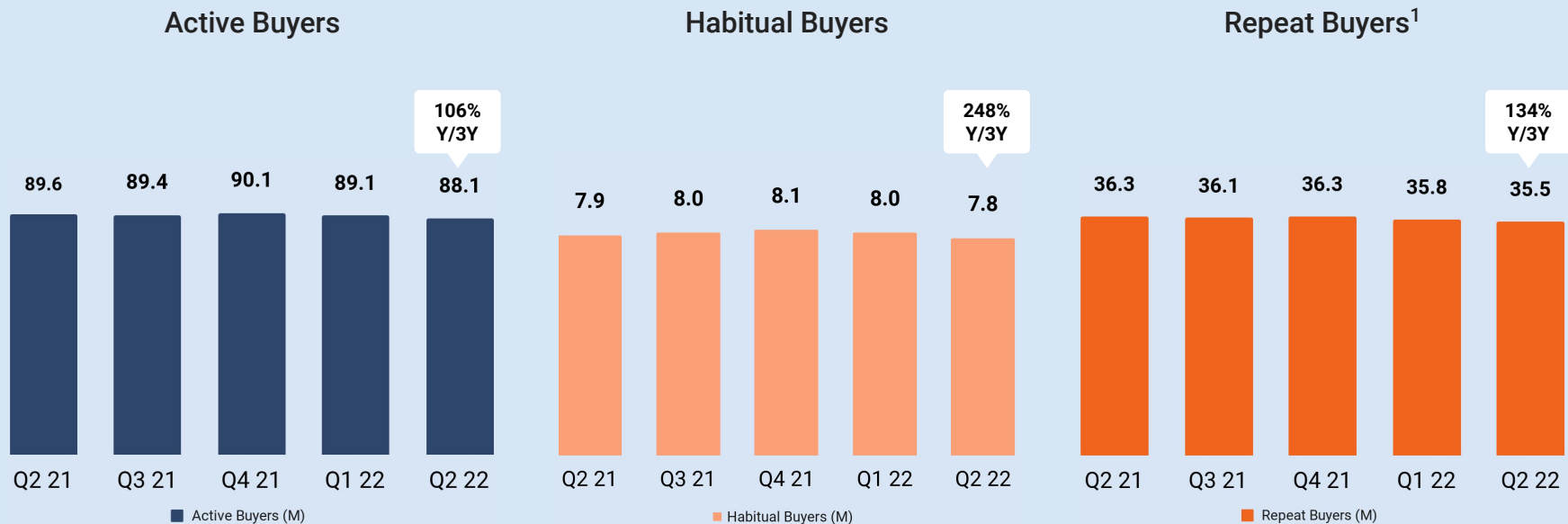
Metrics presented are for the Etsy marketplace and do not include Reverb, Depop, or Elo7.

Quarter 2 represents the first quarter after initial purchase.

2017 cohort represents an example of pre-pandemic behavior and the 2020 cohort represents the fullest view of a pandemic cohort.

Comparisons limited to six quarter view since 2020 cohort only has that many quarters of data.

Encouraging stability during uncertain times



Metrics presented are for the Etsy marketplace and do not include Reverb, Depop, or Elo7.

¹Repeat Buyers exclude Habitual Buyers on this slide.

New buyer acquisition is well above pre-pandemic averages...

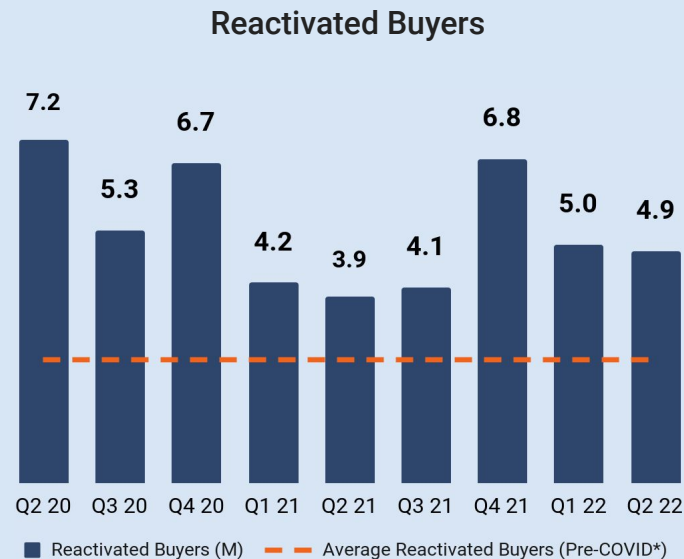


A buyer is considered new if they use a unique e-mail address that has never been used for a purchase on the Etsy marketplace.

Metrics presented are for the Etsy marketplace and do not include Reverb, Depop, or Elo7.

*Average new buyers pre-COVID is the average of new buyers for the periods Q1 2017 through Q4 2019.

...and buyer reactivation remains very healthy



The Etsy marketplace supports a community of approximately 90 million buyers. In 2021, this included 35 million new buyers and 19 million reactivated buyers. The number of reactivated buyers listed here reflects an immaterial reclassification across the categories of active buyers as reported in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

For Q1 21 reactivated buyers was 4.2 million versus 6.7 million previously disclosed.

*Average reactivated buyers pre-COVID is average of quarterly data for the periods Q1 2017 through Q4 2019.

Capital light business model delivers strong operating cash flow

Cash Balance 6/30/22¹

\$1.1B

Q2 22 Quarterly Operating Cash Flow

\$125.8M

¹Cash and Cash Equivalents, Short-term and Long-term Investments
Consolidated results

Q3 '22 Guidance for Consolidated GMS, Revenue and Adj. EBITDA Margin

Q3'22 Guidance
July 27, 2022

GMS	\$2.8B to \$3.0B
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Revenue	\$540M to \$575M
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Adj. EBITDA Margin	Approximately 26%
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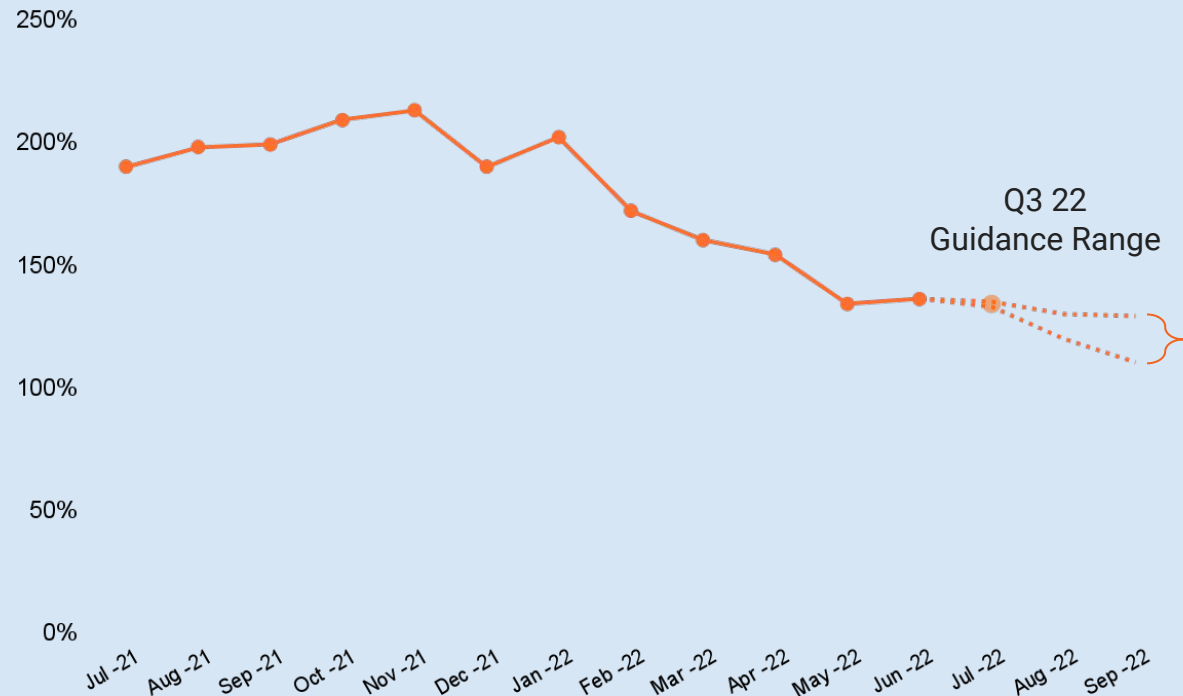
Reconciliation of non-GAAP financial measures is contained in the Appendix. We are not able at this time to provide GAAP targets for net income or net income margin or to reconcile Adjusted EBITDA margin to those amounts because of the unreasonable effort of estimating certain items that are excluded from non-GAAP Adjusted EBITDA, including, for example, stock-based compensation expense, foreign exchange loss (gain), and acquisition-related and other non-recurring expenses, the effect of which may be significant.

Adjusted EBITDA margin assumes the midpoint of our revenue guidance.

Key factors potentially impacting our Q3 2022 guidance are contained in the Appendix.

Etsy Marketplace GMS Y/3Y deceleration has slowed in recent months

Etsy Marketplace GMS Y/3Y Growth* Deceleration slowed beginning in June



July results are close to final estimates. Dotted lines for August and September represent implied monthly performance contemplated by our Q3 22 guidance range. All data on this slide is Etsy standalone.

Q&A

Appendix

Key factors impacting our Q3 22 Guidance

We anticipate that the key factors impacting Q3 GMS and revenue will be:

- Headwinds and tailwinds, including but not limited to the following macro factors: the shift between offline and online, continued uncertainty from the COVID-19 pandemic, economic factors including inflation, consumer discretionary spending patterns, and employment figures, competitive dynamics, retail store reopenings, as well as the crisis in Ukraine or other geopolitical events and uncertainty that impact trade and mindshare, weather events, and global supply chain and logistics challenges; and Etsy-specific factors including acquisition, frequency and retention of buyer cohorts as well as Incremental GMS, brand awareness, and conversion rate improvements from product and marketing investments.
- Additional external factors that may impact performance include: changes to sales taxes and VAT, regulatory changes, and currency fluctuations.

We also anticipate that revenue will be impacted by the transaction fee change for the Etsy marketplace from 5% to 6.5% effective April 11, 2022.

We anticipate that the key factors impacting our Q3 Adjusted EBITDA margin will be:

- Planned investments in product development, employees, technology infrastructure, and marketing, including investments in channels with more speculative and/or long-term returns.
- Our acquisitions of Depop and Elo7, which are both dilutive to Etsy, Inc.'s consolidated margin.

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

Condensed Consolidated Balance Sheets

	As of June 30, 2022	As of December 31, 2021
(in thousands)		
Cash and cash equivalents	\$758,874	\$780,196
Short-term investments	247,816	204,416
Accounts receivable, net	20,133	27,266
Funds receivable and seller accounts	180,544	220,206
Property and equipment, net	261,697	275,062
Goodwill, intangible assets, net and other current and non-current assets	2,138,036	2,324,663
Total assets	\$3,607,100	\$3,831,809
Accounts payable	\$17,929	\$28,007
Accrued expenses	218,029	328,118
Funds payable and amounts due to sellers	180,544	220,206
Long-term debt, net	2,277,519	2,275,418
Other current and non-current liabilities	331,784	351,441
Total liabilities	3,025,805	3,203,190
Total stockholders' equity	581,295	628,619
Total liabilities and stockholders' equity	\$3,607,100	\$3,831,809

Condensed Consolidated Statement of Operations

	Three months ended 6/30/22	Three months ended 6/30/21
(in thousands)		
Revenue	\$585,135	\$528,900
Cost of revenue	171,421	148,969
Gross profit	431,714	379,931
<i>Marketing</i>	164,068	167,474
<i>Product development</i>	102,095	61,753
<i>General and administrative</i>	74,990	61,599
Operating expenses	341,153	290,826
Income from operations	72,561	89,105
Other income (expense), net	601	(3,351)
(Provision) benefit for income taxes	(39)	12,500
Net income	\$73,123	\$98,254
Net income per share — diluted	\$0.51	\$0.68

Condensed Consolidated Statement of Cash Flows

	Six months ended 6/30/22	Six months ended 6/30/21
(in thousands)		
Net Income	\$159,232	\$242,020
<i>Net cash provided by operating activities</i>	185,298	270,162
<i>Net cash used in investing activities</i>	(26,472)	(80,203)
<i>Net cash (used in) provided by financing activities</i>	(166,645)	625,310
Effect of exchange rate changes on cash	(13,503)	(5,486)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(21,322)	809,783
Cash, cash equivalents, and restricted cash at the beginning of the period	785,537	1,249,440
Cash, cash equivalents, and restricted cash at the end of the period	\$764,215	\$2,059,223

Reconciliation of Quarterly Net Income to Adj. EBITDA

	2Q21	3Q21	4Q21	1Q22	2Q22
Net income	\$98,254	\$89,930	\$161,557	\$86,109	\$73,123
<i>Excluding:</i>					
<i>Interest and other non-operating expense, net</i>	1,079	2,640	3,323	3,290	2,557
<i>(Benefit) provision for income taxes</i>	(12,500)	(6,131)	(17,184)	(122)	39
<i>Depreciation and amortization</i>	12,985	23,211	24,991	24,754	25,027
<i>Stock-based compensation expense</i>	27,440	42,256	49,863	49,271	64,357
<i>Foreign exchange loss (gain)</i>	2,272	(2,698)	(5,447)	(4,962)	(3,158)
<i>Acquisition-related expenses</i>	9,944	25,030	1,730	858	759
Adjusted EBITDA	\$139,474	\$174,238	\$218,833	\$159,198	\$162,704
<i>Divided by:</i>					
<i>Revenue</i>	\$528,900	\$532,429	\$717,139	\$579,266	\$585,135
Adjusted EBITDA Margin	26%	33%	31%	27%	28%

Reconciliation of Annual Net Income to Adj. EBITDA

	2021	2020	2019	2018
(in thousands, except percentages)				
Net income	\$493,507	\$349,246	\$95,894	\$77,491
Excluding:				
Interest and other non-operating expense, net	7,748	34,923	11,121	13,221
(Benefit) provision for income taxes for income taxes	(21,853)	16,463	(15,248)	(22,413)
Depreciation and amortization	74,267	58,189	48,031	26,742
Stock-based compensation expense	139,910	65,114	44,395	38,231
Foreign exchange (gain) loss	(13,670)	6,522	(3,006)	6,487
Acquisition-related expenses	36,704	1,804	3,917	-
Loss on extinguishment of debt	-	16,855	-	-
Non-ordinary course disputes	-	-	1,164	-
Restructuring and other exit income	-	-	-	(249)
Adjusted EBITDA	\$716,613	\$549,116	\$186,268	\$139,510
Divided by: Revenue	\$2,329,114	\$1,725,625	\$ 818,379	\$ 603,693
Adjusted EBITDA Margin	31%	32%	23%	23%

Buyer GMS Retention Data*



	Year 1 GMS	GMS Retention Rate			
		Year 1	Year 2	Year 3	Year 4
2017 New Buyers	\$1,146M	100%	36%	48%	76%
2018 New Buyers	\$1,312M	100%	46%	71%	
2019 New Buyers	\$1,578M	100%	62%		
2020 New Buyers	\$3,632M	100%			

In the above tables, each new buyer cohort includes the aggregate GMS from all buyers that made their first purchase on Etsy.com in the designated year. The GMS retention rate reflects the GMS purchased by each cohort as a percentage of the GMS purchased by that cohort in their initial year. Each buyer's GMS is calculated from the date of their first purchase such that "Year 1" represents the GMS purchased by a buyer within 365 days of their first purchase. As a result, we do not yet have a full "Year 2" data set for the 2020 new buyer cohort, as buyers who bought later in 2020 have not had two years to age.

*Data represents a correction to an immaterial error in New Buyer Year 1 GMS data on page 13 of Etsy's 2021 Annual Report on Form 10-K filed February 25, 2022.