



Etsy

Q1 2023
Financial Results

May 3, 2023

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 2023 and underlying assumptions and key drivers; our “vital few” initiatives and their ability to re-accelerate growth and increase our value proposition; our product development and marketing initiatives and their ability to improve customer experiences, engagement, increase customer spend and enhance our brand perception and awareness; our ability to attract, engage, retain and grow buyers and sellers; our investment approach and its positive impact on our growth and profitability; our ability to grow market share; our ability to re-accelerate our GMS/active buyer metric; the future of search on our marketplaces; and our ability to navigate the global macroeconomic uncertainty and 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 “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) the level of demand for our services or products sold in our marketplaces and our ability to support our recent growth; (2) the importance to our success of the trustworthiness of our marketplaces and our ability to attract and retain active and engaged communities of buyers and sellers; (3) risks related to the COVID-19 pandemic; (4) the fluctuation of our quarterly operating results; (5) our failure to meet our publicly announced guidance or other expectations; (6) if we or our third-party providers are unable to protect against technology vulnerabilities, service interruptions, security breaches, or other cyber incidents; (7) our dependence on continued and unimpeded access to third-party services, platforms, and infrastructure; (8) macroeconomic events that are outside of our control; (9) operational and compliance risks related to our payments systems; (10) our ability to recruit and retain employees; (11) our ability to compete effectively; (12) our ability to enhance our current offerings and develop new offerings to respond to the changing needs of sellers and buyers; (13) our ability to demonstrate progress against our environmental, social, and governance Impact strategy; (14) our efforts to expand internationally; (15) our ability to successfully integrate and receive the expected benefits from the Depop and Elo7 acquisitions; (16) acquisitions that may prove unsuccessful or divert management attention; (17) regulation in the area of privacy and protection of user data; and (18) litigation and regulatory matters, including intellectual property claims. 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 Annual Report on Form 10-K for the year ended December 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.

This presentation is a high-level summary of our Q1 2023 financial results. For more information please refer to our press release dated May 3, 2023 and filings with the SEC. **Please see the appendix for a reconciliation of the non-GAAP financial measures used in this presentation to their respective most directly comparable financial measures, where available, calculated in accordance with GAAP.**

For our most recent TAM analysis and information about how we define active buyers, new buyers and reactivated buyers, see our Annual Report on Form 10-K for the year ended December 31, 2022.

Maintained most of
our gains and saw
some
'green shoots'
in Q1 23

Q1 23 Consolidated GMS

\$3.1B

-5% Y/Y and -3% Y/Y on
a currency neutral basis

Q1 23 Consolidated Revenue

\$641M

+11% Y/Y

Q1 23 Consolidated Adj. EBITDA

\$170M

26.6% Adj. EBITDA Margin

*Etsy marketplace GMS was
\$2.7 billion, down 3% Y/Y on a
currency neutral basis*

Y/Y reflects Q1 2023 vs. Q1 2022 except as noted.

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

*Keep
Commerce
Human*

Right-to-Win Strategy

Best-in-Class
Search and
Discovery

×

Human
Connections

×

A Trusted
Brand

Our Collection of Unique Items

Additional work to do to knock down barriers and make Etsy more top of mind



"I only come to Etsy for a specific need"



"It takes a lot of work to find the best things"



"I worry that something will go wrong on Etsy"

*Our ambition is for
Etsy to become the
starting point for
many more
e-commerce journeys*

Exciting product development roadmap to improve customer experiences and engagement in 2023



**Welcome new
buyers to the joy
of Etsy**

*Meet new buyers
where they are*



**Deepen buyer curiosity
and engagement**

*Etsy gets better the
more you shop*



**Instill trust when
transacting with us**

Peace of Mind



**Be the platform
sellers love to
sell on**

*Manage shop
efficiently & effectively*

Search improvements are central to this roadmap – continuing to make Etsy feel more ‘made for you’



We **intelligently** blend results from **multiple search engines** that are good at solving different problems...
Generative AI coupled with Dynamic Information Retrieval unlocks exciting potential



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 – utilizes Large Language Models*

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

Etsy teams are working on Generative AI, Extreme MLL and GNN models

Can we move from keywords to **conversations**?

IR = Information Retrieval

Extreme MLL = Extreme Multi-Label Learning

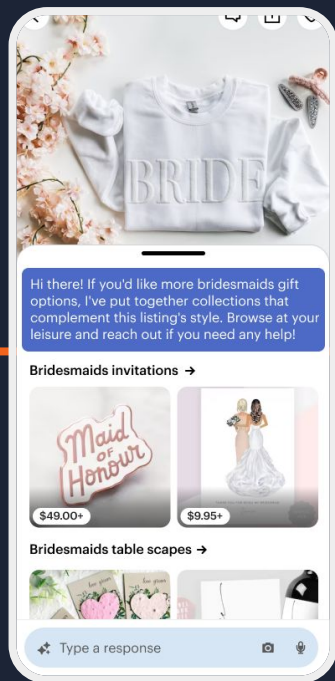
GNN = Graph Neural Network

What if...

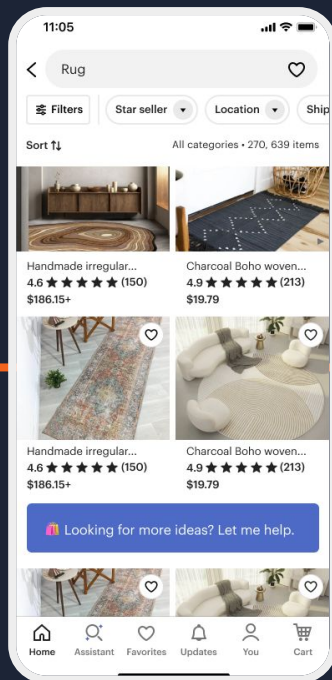
- We could bring the human aspect of shopping malls to e-commerce?
- Buyers could tell us what they want in real time and adjust their search results that way?
- Buyers could show us images during the conversation?
- Buyers could visualize products that might be similar to, but not exactly the same, as what is displayed in search?



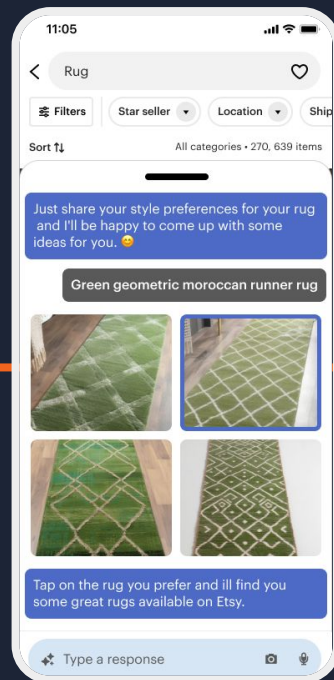
While still early days, you can imagine how these search advancements could impact Etsy search and customer experience



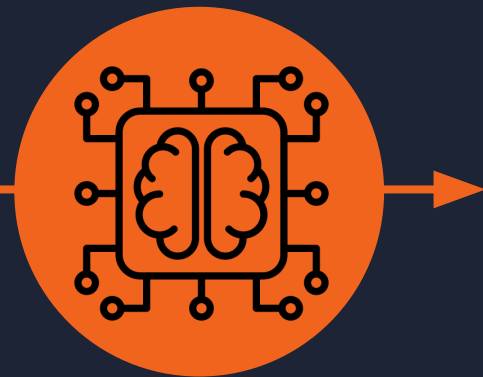
Offering you choices...



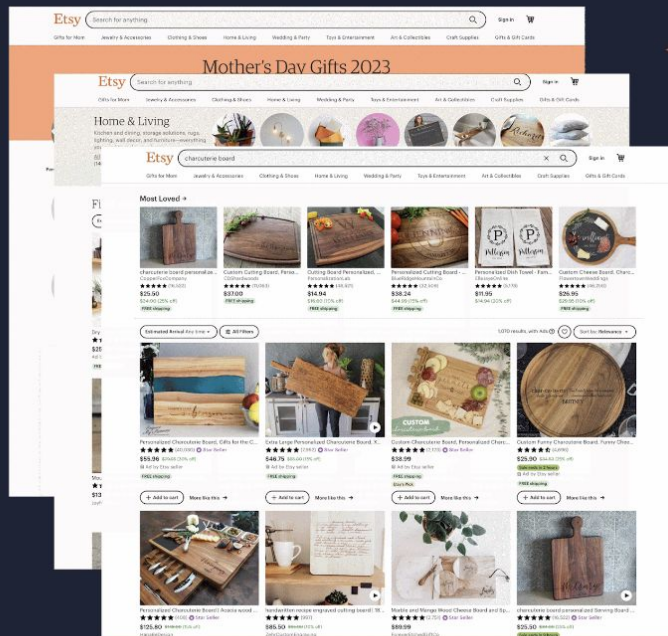
...giving you more ideas and narrowing your options



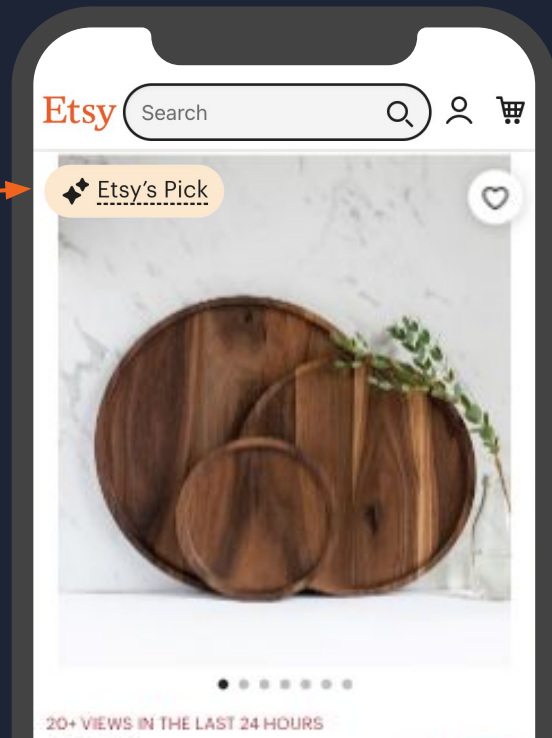
...and more



Working to unlock the Best of Etsy – Curation at Scale



Human
Curation



Etsy overall brand awareness is quite *high*, but unprompted association with actual purchase occasions is *low* – even in our largest categories and most frequent shopping missions

Etsy Brand Funnel (Q1 23)
U.S. Aided Awareness

~91%

Etsy Brand Funnel (Q1 23)
U.S. Unprompted Category Association –



Gifts

11%



Home & Living

3%



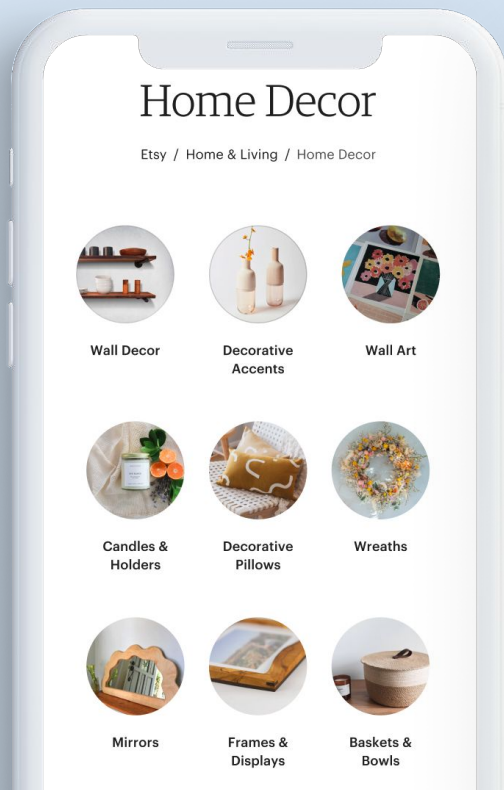
Style

3%

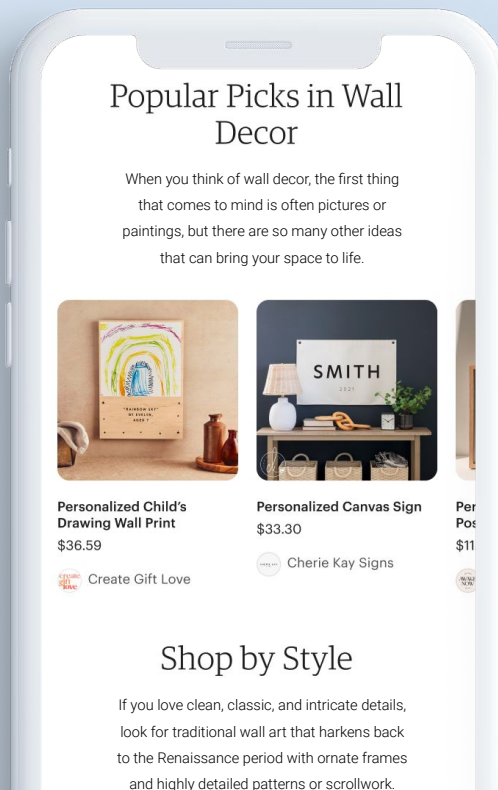
Source: Every month, we survey over 1,000 members of the general population to ask specific questions about brand awareness of Etsy vs. other brands (aided awareness). We also ask which shops, websites, apps or retailers come to mind when you think about shopping for certain categories and occasions.

Making it easier to shop purchase occasions where our merchandise shines – best-in-class product experiences to drive buyer consideration

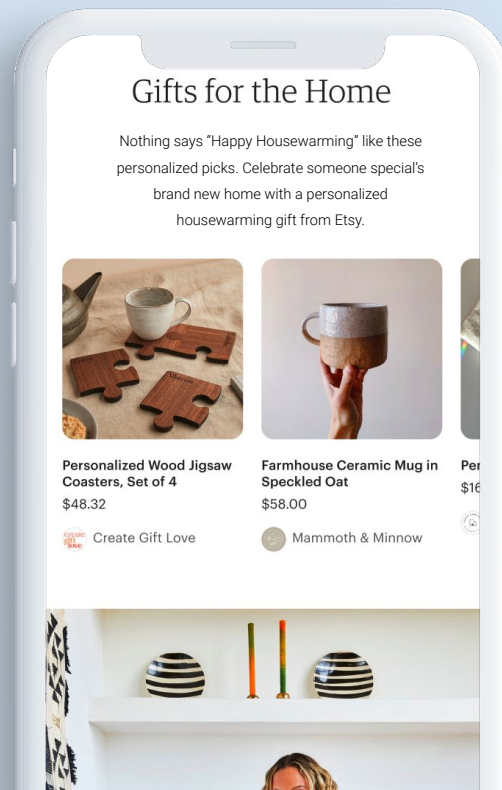
Wayfinding



High quality inventory



Inspiration



Working to instill even more trust to transact with us

Keeping Etsy 'Handmade' and Special



Utilizing even better technologies and practices to more quickly and accurately remove items that violate our policies

Protecting Transactions



Dialing up prominence of Etsy Purchase Protection

Improving Shipping Experiences, Timeliness and Cost



Working to meet buyers' needs for delivery speed, improving shipping costs, adding shipping label coverage and more

Etsy Up

Find inspiration (and everything else you need to grow) at Etsy Up

Tune in to Etsy Up to learn how to tell the story of your brand and create content that builds meaningful connections with shoppers looking for unique items like yours. The marketing strategies we'll share could help you grow your audience (and your sales!).

RSVP Now

MAY 18, 2023 1:00PM EDT



What to expect

- Virtual panels and speakers on content strategy, trends, marketing, Etsy search, and the chance to win amazing prizes including a \$1000 Etsy Gift Card or \$500 in Etsy Ads credits.*
- Opportunities to chat live with other sellers (and get some fun surprises).
- A global community event packed with inspiration.

When: May 18, 2023 at 1pm ET

Where: Your computer or mobile device

*Registration required. [Terms apply.](#)

Register Now



Etsy Success



You're a Star Seller this month—cue the confetti!

Your hard work paid off over the last three months! You've hit all of the criteria for providing an exceptional customer experience, earning you a Star Seller badge for the month of July.* Shoppers will also see individual badges for each of the areas you excel in on your Shop Home page. Here's how you did:



Response rate:

99%



Shipping:

99%



Average rating

5/5

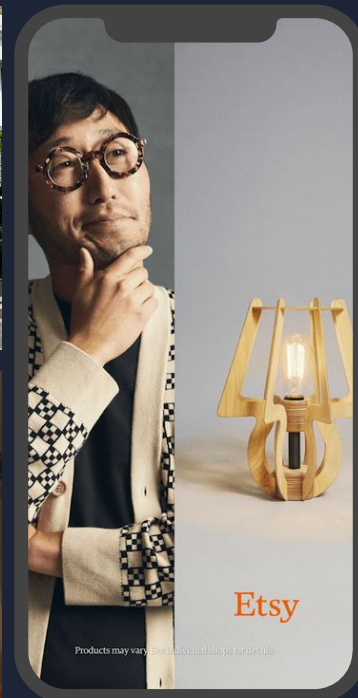
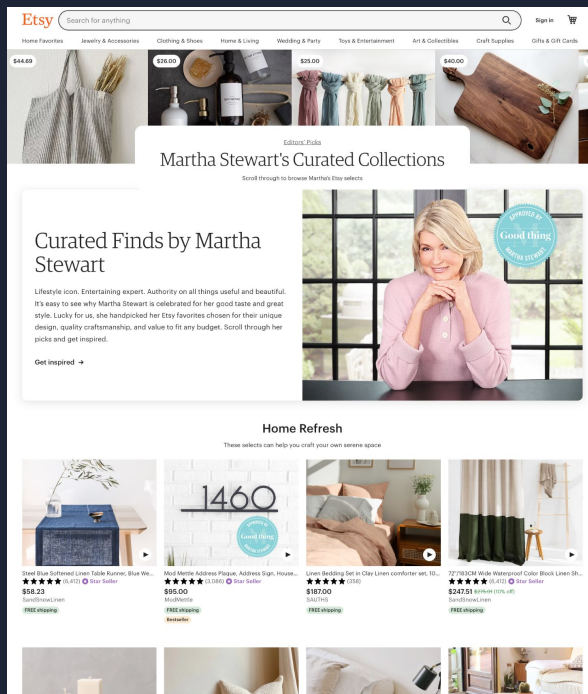
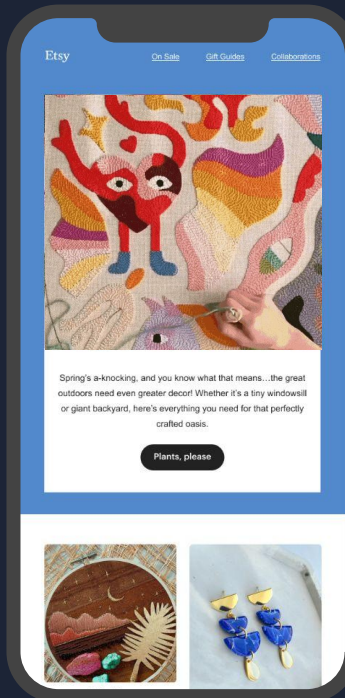
See the full breakdown

Share it far and wide

Being a Star Seller is a big deal! That's why we created this



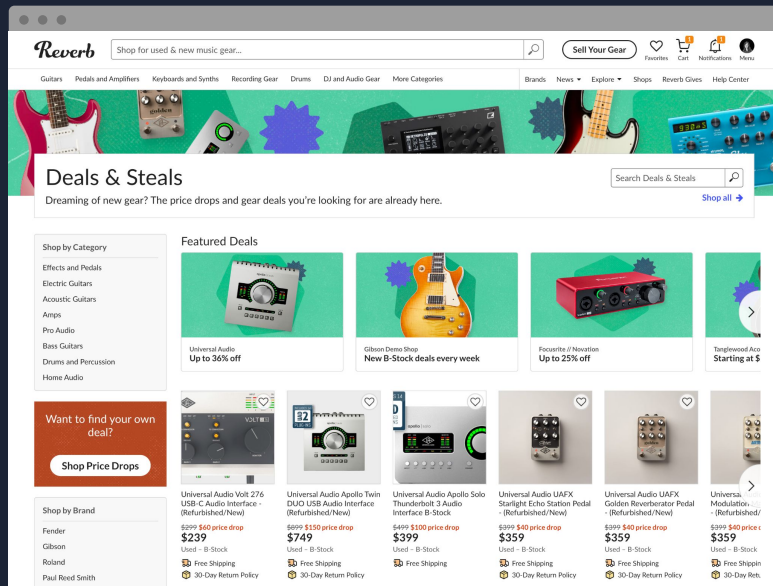
Creatively building buyer awareness, engagement and retention



Reverb and Elo7: kicking off the year focused on driving long-term growth

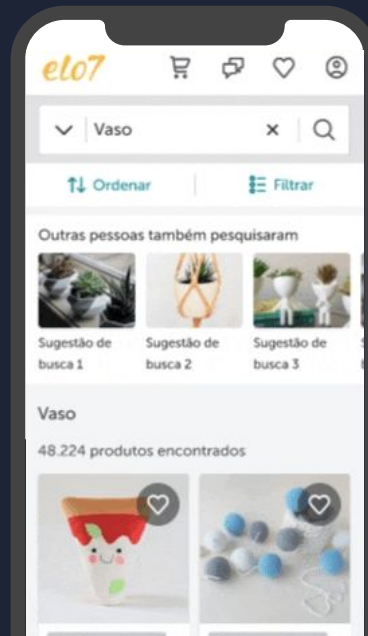
Reverb

Highlighting Affordability on the Marketplace



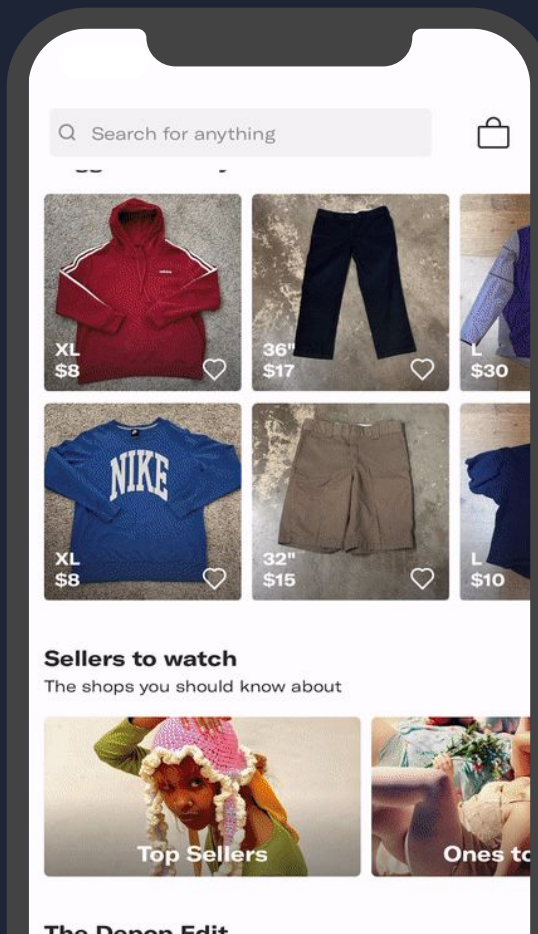
elo7

Improving Search



Seeing significant progress at Depop

1. Improved customer experiences through increased velocity and impact of product development
2. Better martech tooling and ROI-focused marketing strategies
3. Investment in U.S. starting to pay off with GMS growth trends beginning to improve in Q1 23



Dramatic increase in product development velocity:

In just the *first quarter* of 2023, we completed **nearly as many experiments** as we did in all of 2022

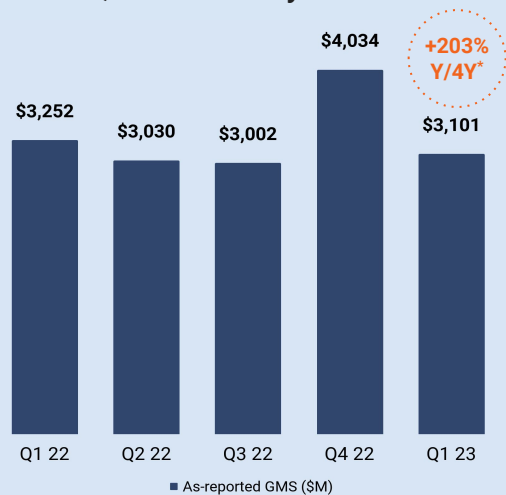
Solid results despite the challenging macro environment

Consolidated Results

Q1 23 GMS

\$3.1B

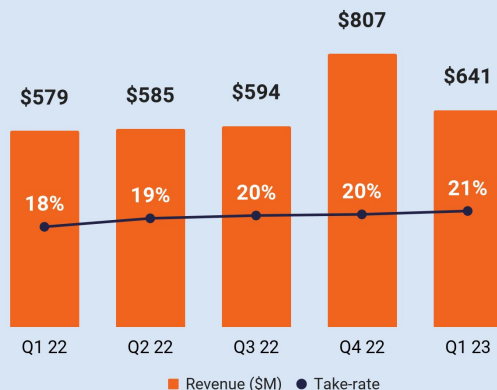
-5% Y/Y, -3% currency neutral basis



Q1 23 Revenue

\$641M

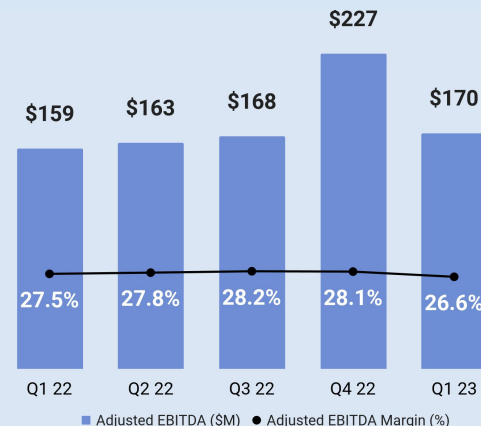
+11% Y/Y



Q1 23 Adjusted EBITDA

\$170M

26.6% Adj. EBITDA Margin



+36%
4 Year
CAGR¹

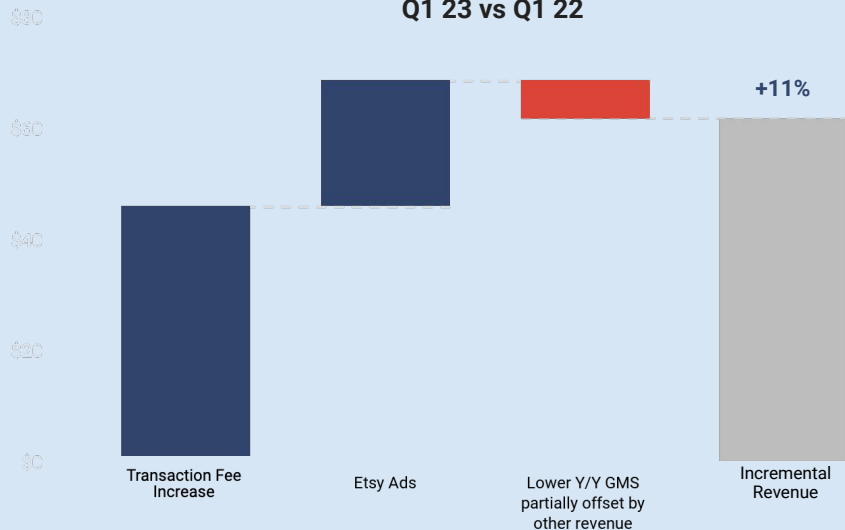
* Y/4Y reflects Q1 2023 vs. Q1 2019.

¹ CAGR from Q1 2023 - Q1 2019.

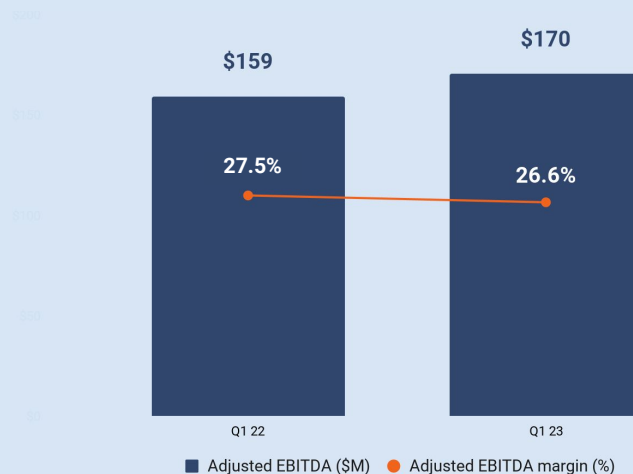
Strong revenue growth results in healthy profit flow through

Consolidated Results

Incremental Revenue Bridge
Q1 23 vs Q1 22



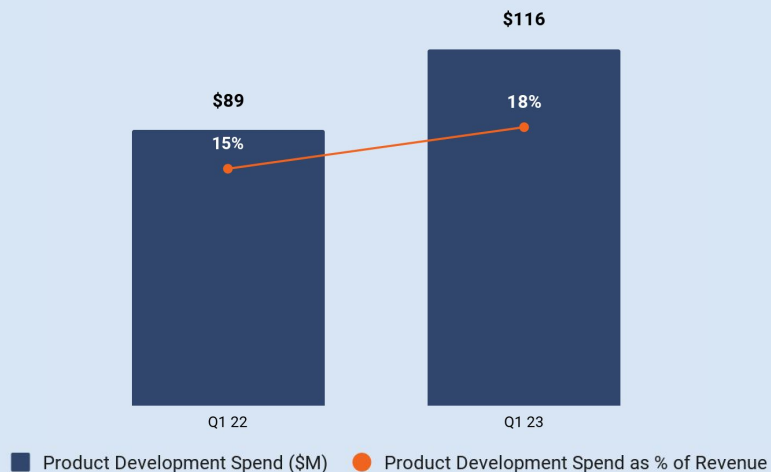
Etsy Consolidated Adjusted
EBITDA and Adjusted EBITDA Margin



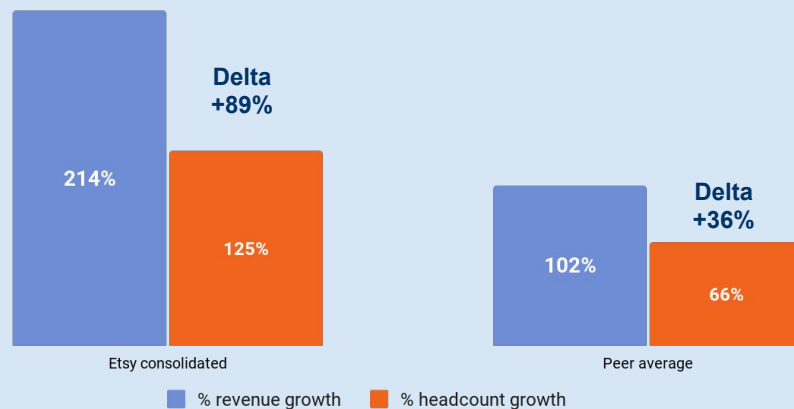
Q1 23 Consolidated Revenue
\$641M, up 11% Y/Y
Consolidated take rate ~21%

Hiring pace aligned with revenue growth and the opportunities we see ahead

Quarterly Consolidated Product Development Spend (\$M)



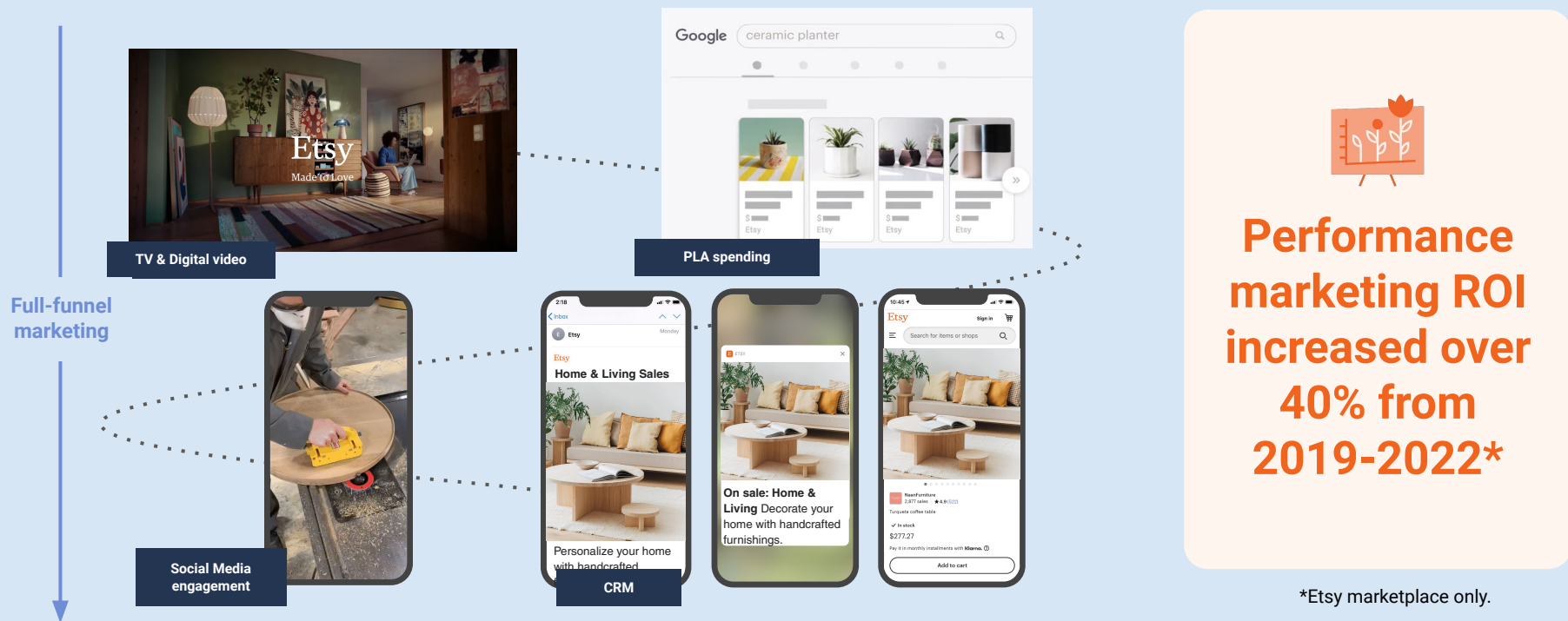
From 2019-2022, Etsy's revenue growth meaningfully outpaced our headcount growth, greatly outperforming peer trends



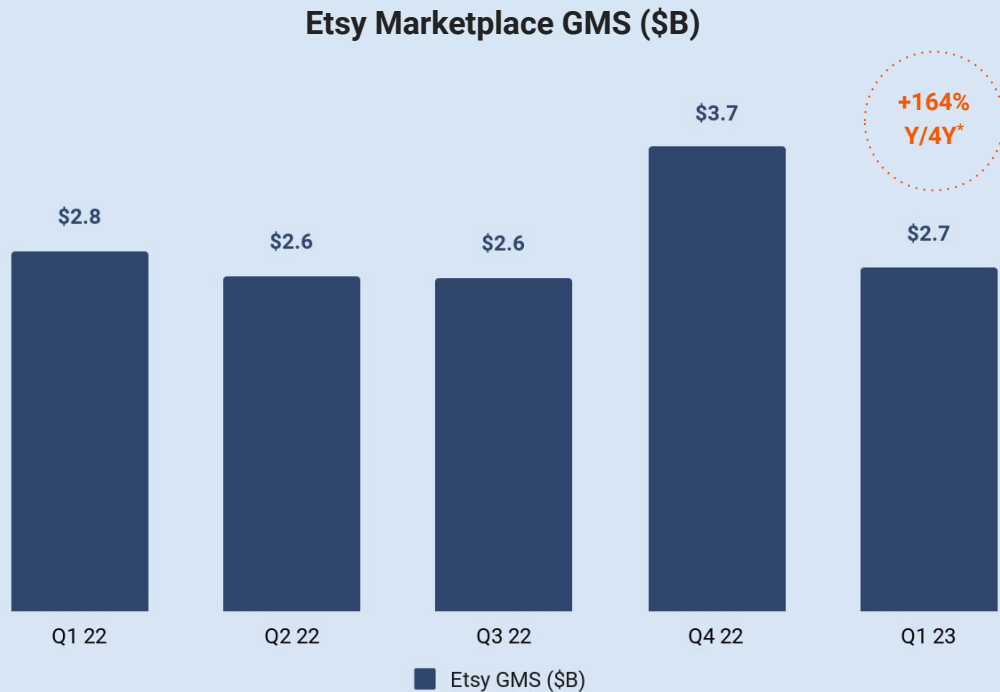
Note: Peer average is comprised of MercadoLibre, eBay, Amazon, Farfetch, Walmart, Target, Wayfair, Shopify, Wix, and GoDaddy.
Peer data source: Public company filings.

Utilizing a full funnel, ROI focused marketing approach

Marketing spend works to **attract**, **retain**, and **reactivate** buyers



The Etsy marketplace once again maintained the vast majority of our gains



*Y/4Y reflects Q1 2023 vs. Q1 2019.

Continuing to see GMS growth when a buyer, seller or both are located outside of the U.S.

Etsy marketplace performance only
Q1 22 vs. Q1 23

GMS Ex-U.S. Domestic
currency neutral, Y/Y growth

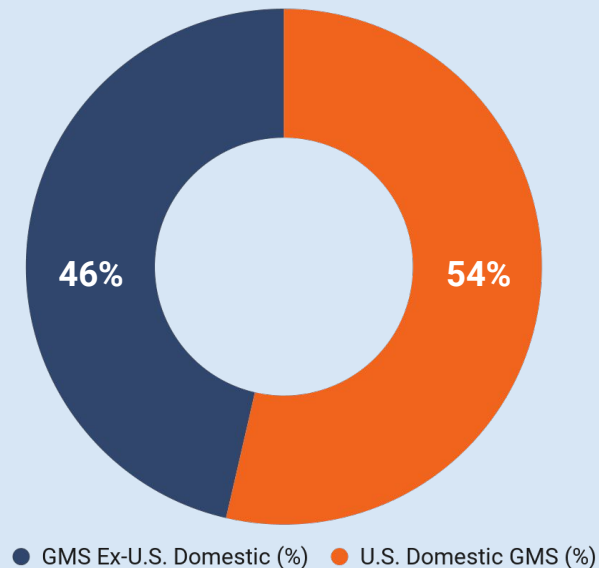
+3%

**Strong GMS growth in
Germany and France**

***Currency neutral GMS
up double digits Y/Y***

GMS Ex-U.S. Domestic = either buyer, seller, or both are located outside of the United States.

Etsy Marketplace GMS by Geography (%)



Active buyers grew Y/Y for the first time since Q4 2021 due to healthy new and reactivated buyer growth, and solid buyer retention



Q1 23 Active Buyers

89.9M

+1% Y/Y; +119% Y/4Y

Q1 23 New Buyers

6.7M

-6% Y/Y; +54% Y/4Y

Q1 23 Reactivated Buyers

6M

+21% Y/Y; +127% Y/4Y

Q1 23 GMS / Active Buyer¹

\$129

-5% Y/Y; +30% Y/4Y

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

Y/Y reflects Q1 2023 vs. Q1 2022; Y/4Y reflects Q1 2023 vs. Q1 2019.

¹ TTM GMS per Active Buyer on the Etsy marketplace.

Capital light business model delivers a healthy balance sheet and strong cash flow

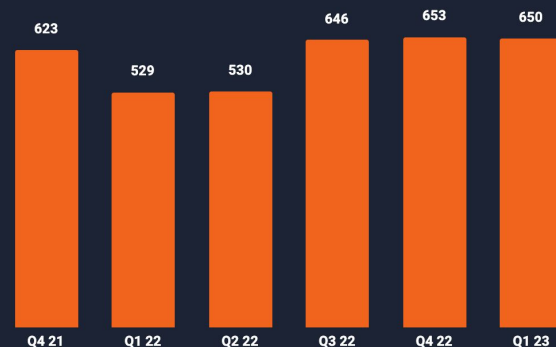
Cash Balance 03/31/23¹

\$1.1B

Q1 23 Consolidated Free Cash Flow

\$47M

Trailing Twelve Month Consolidated
Free Cash Flow² (\$M)



In Q1 2023, we converted **nearly 90%** of our Adj. EBITDA to free cash flow

¹Cash and Cash Equivalents, Short-term and Long-term Investments.

² Reconciliation of Non-GAAP financial measures is contained in the Appendix.

Q2 23 Guidance

Q2 23 Guidance May 3, 2023

GMS	\$2.85B to \$3.10B
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Revenue	\$590M to \$640M
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Adj. EBITDA Margin	Approximately 26%
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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.

Q&A

Appendix

Condensed Consolidated Balance Sheets

	As of March 31, 2023	As of December 31, 2022
(in thousands)		
Cash and cash equivalents	\$786,796	\$921,278
Short-term investments	252,666	250,413
Accounts receivable, net	26,274	27,888
Funds receivable and seller accounts	202,354	233,961
Property and equipment, net	248,352	249,744
Goodwill	138,061	137,724
Intangible assets, net and other current and non-current assets	846,038	813,953
Total assets	\$2,500,541	\$2,634,961
Accounts payable	\$19,901	\$28,757
Accrued expenses	240,025	331,234
Funds payable and amounts due to sellers	202,354	233,961
Long-term debt, net	2,280,663	2,279,640
Other current and non-current liabilities	297,786	308,643
Total liabilities	3,040,729	3,182,235
Total stockholders' deficit	(540,188)	(547,274)
Total liabilities and stockholders' deficit	\$2,500,541	\$2,634,961

Condensed Consolidated Statement of Operations

	Three months ended 03/31/23	Three months ended 03/31/22
(in thousands)		
Revenue	\$640,877	\$579,266
Cost of revenue	195,453	172,995
Gross profit	445,424	406,271
<i>Marketing</i>	171,314	154,280
<i>Product development</i>	115,924	89,476
<i>General and administrative</i>	79,987	78,200
Operating expenses	367,225	321,956
Income from operations	78,199	84,315
Other income, net	3,072	1,672
(Provision) benefit for income taxes	(6,734)	122
Net income	\$74,537	\$86,109
Net income per share — diluted	\$0.53	\$0.60

Condensed Consolidated Statement of Cash Flows

	Three months ended 3/31/23	Three months ended 3/31/22
(in thousands)		
Net Income	\$74,537	\$86,109
<i>Net cash provided by operating activities</i>	55,631	59,544
<i>Net cash used in investing activities</i>	(36,097)	(10,155)
<i>Net cash used in financing activities</i>	(158,548)	(72,283)
Effect of exchange rate changes on cash	4,532	(1,065)
Net decrease in cash, cash equivalents, and restricted cash	(134,482)	(23,959)
Cash, cash equivalents, and restricted cash at the beginning of the period	926,619	785,537
Cash, cash equivalents, and restricted cash at the end of the period	\$792,137	\$761,578

Reconciliation of Quarterly Net Income to Adj. EBITDA

	1Q23	4Q22	3Q22	2Q22	1Q22
(in thousands)					
Net income (loss)	\$74,537	\$109,548	\$(963,068)	\$73,123	\$86,109
<i>Excluding:</i>					
<i>Interest and other non-operating (income) expense, net</i>	(5,689)	(2,865)	230	2,557	3,290
<i>Provision (benefit) for income taxes</i>	6,734	18,342	14,051	39	(122)
<i>Depreciation and amortization</i>	23,172	22,794	24,127	25,027	24,754
<i>Stock-based compensation expense</i>	68,683	64,355	52,905	64,357	49,271
<i>Foreign exchange loss (gain)</i>	2,618	14,319	(5,993)	(3,158)	(4,962)
<i>Acquisition-related expenses</i>	289	726	487	759	858
<i>Goodwill Impairment</i>	-	-	1,045,022	-	-
Adjusted EBITDA	\$170,344	\$227,219	\$167,761	\$162,704	\$159,198
<i>Divided by:</i>					
<i>Revenue</i>	\$640,877	\$807,241	\$594,469	\$585,135	\$579,266
Adjusted EBITDA Margin	26.6%	28.1%	28.2%	27.8%	27.5%

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.

	Q1'23 (TTM) ¹	Q4'22 (TTM)	Q3'22 (TTM)	Q2'22 (TTM)	Q1'22 (TTM)	Q4'21 (TTM)
(in thousands)						
Net cash provided by operating activities	\$679,699	\$683,612	\$682,321	\$566,687	\$562,630	\$651,551
Purchases of property and equipment	(9,274)	(10,237)	(13,859)	(14,964)	(13,934)	(11,248)
Development of internal-use software	(20,458)	(20,506)	(22,315)	(21,405)	(19,701)	(16,922)
Free Cash Flow	\$649,967	\$652,869	\$646,147	\$530,318	\$528,995	\$623,381

¹TTM is defined as Trailing Twelve Month.