



Etsy

Q2 2023
Financial Results

August 2, 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 third quarter of 2023 and underlying assumptions; our short- and long-term growth potential and ability to reignite growth and gain market share in our top categories; our product development and marketing initiatives and their ability to improve customer experiences and engagement, increase customer spend, and enhance our brand perception and awareness; our ability to attract, engage, retain, reactivate, and grow buyers and sellers; our investment approach, its positive impact on our growth and profitability, and our ability to make the Etsy marketplace more organized, curated, and reliable; the future of search on our marketplaces; our ability to navigate the global macroeconomic uncertainty and volatility; and the expected timing and impact of the proposed sale of Elo7. 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; (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) the fluctuation of our quarterly operating results; (4) our failure to meet our publicly announced guidance or other expectations; (5) if we or our third-party providers are unable to protect against technology vulnerabilities, service interruptions, security breaches, or other cyber incidents; (6) our dependence on continued and unimpeded access to third-party services, platforms, and infrastructure; (7) macroeconomic events that are outside of our control; (8) operational and compliance risks related to our payments systems; (9) our ability to recruit and retain employees; (10) our ability to compete effectively; (11) our ability to enhance our current offerings and develop new offerings to respond to the changing needs of sellers and buyers; (12) our ability to demonstrate progress against our environmental, social, and governance Impact strategy; (13) our efforts to expand internationally; (14) the closing of the sale of Elo7; (15) acquisitions that may prove unsuccessful or divert management attention; (16) regulation in the area of privacy and protection of user data; and (17) 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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, 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 Q2 2023 financial results. For more information please refer to our press release dated August 2, 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, reactivated buyers, repeat buyers and habitual buyers, see our Annual Report on Form 10-K for the year ended December 31, 2022.

Maintained our GMS gains, grew revenue and delivered strong profitability in Q2 23

Q2 23 Consolidated GMS

\$3.0B

-0.6% Y/Y and -0.4% Y/Y on
a currency neutral basis

Q2 23 Consolidated Revenue

\$629M

+7.5% Y/Y

Q2 23 Consolidated Adj. EBITDA

\$166M

26.4% Adj. EBITDA Margin

Y/Y reflects Q2 2023 vs. Q2 2022 except as noted.

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

Many key Etsy Marketplace metrics trended positively during the quarter



Quarterly GMS

**Y/Y growth rate
improved sequentially**



May, June (*and July*)
GMS

Grew Y/Y



Active buyers

**Reached a new
all-time high**



Buyer additions*

Up 7% Y/Y



GMS ex-U.S.
domestic

Positive growth rate



GMS/buyer &
Habitual buyers

**Early signs of
stabilization in
both metrics**

Big, bold and impactful investments designed to make Etsy more *organized, curated and reliable*



Welcome new buyers to the joy of Etsy

A few key examples:

- Organization and Curation
- Category Focus
- Above the Line Marketing



Elevate the best of Etsy and keep buyers coming back

A few key examples:

- Gen AI and Curated Search
- Highlighting the Best of Etsy
- Frequency Initiatives



Instill trust when transacting with us

A few key examples:

- Delivery Speed & Reliability
- Expanding Payments Coverage and Purchase Protection Awareness
- Customer Support



Be the platform sellers love to sell on

A few key examples:

- Seller 'Growth Suite:' including personalized insights and actionable recommendations

Utilizing multiple search engine technologies, we've been able to make Etsy search results more **Relevant**



Exact | **Text-based:**

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



Relational | **XWalk:**

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



Semantic | **Neural IR*:**

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

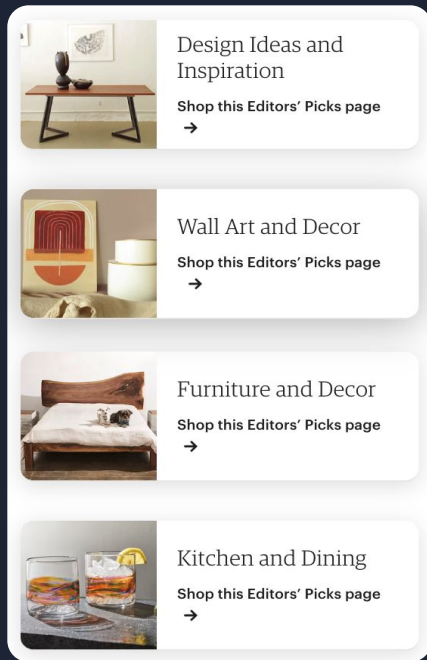
*Information Retrieval

We're now focused on ensuring that **Relevant** results are the very best **Quality** for YOU!

Visual Appeal
Quality of Service
Priced Appropriately



Excellent progress on 'Curation at Scale' initiative to leverage human curation in our ML data sets



We're scaling **our human-curated**
'high quality' merchandise library

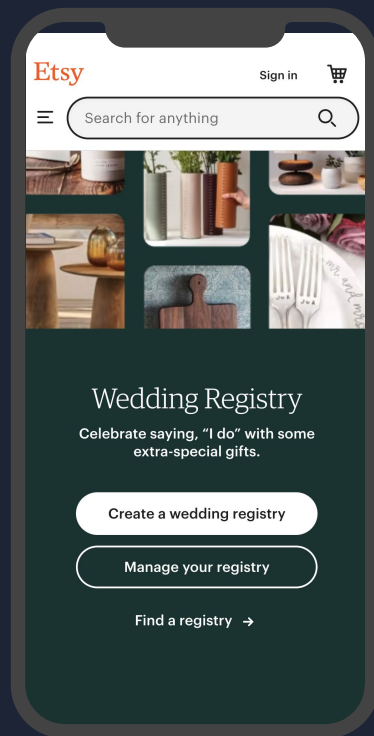


Already **doubling** the number of
quality listings

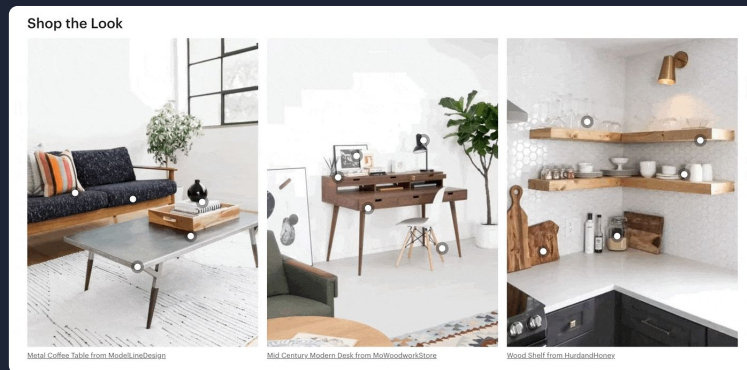


With a goal of having
millions of curated
listings used to train
our ML data sets

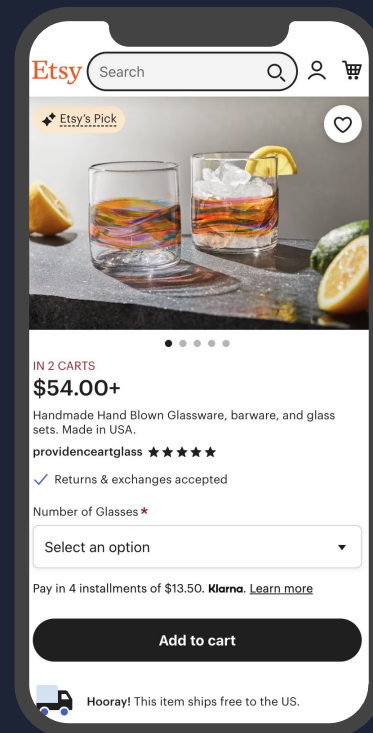
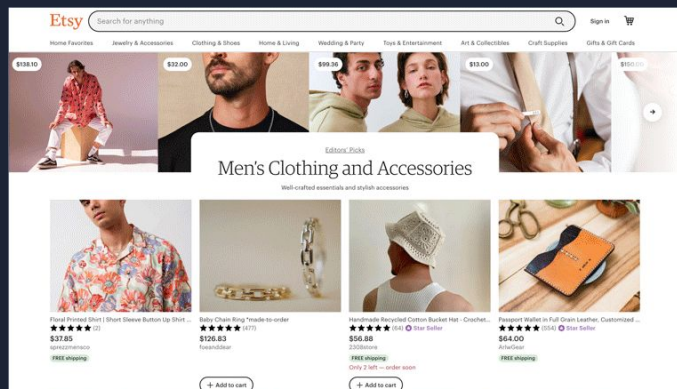
Helping buyers 'Find the Good Stuff' aligned with individual tastes and preferences...



*Successful Launch
of Etsy Wedding Registry
...next up Baby!*




'Shop the Look' Inspires Buyer Purchases



Highlighting Quality Items

...while also solving for a buyer's individual budget; elevating 'great deals' available from Etsy sellers!



Up to 40% off!
Best of home

Shop now

Details at seller's discretion. See individual shop.



5-Star gifts
Under \$30!

Shop now

Star seller savings
*Don't miss
30% off
by July 30.*

Shop SHOPEVREN →



Continuing to make Etsy more reliable & joyful



Improving how we highlight our sellers' unique items

We have **removed 29% more listings** for violating our Handmade Policy in 1H 2023 vs. 2H 2022¹



Doing a better job living up to fulfillment expectations

Added **local delivery signals** to U.S. listings, making it easier for buyers to 'Shop Local'; also supporting our Net Zero plans



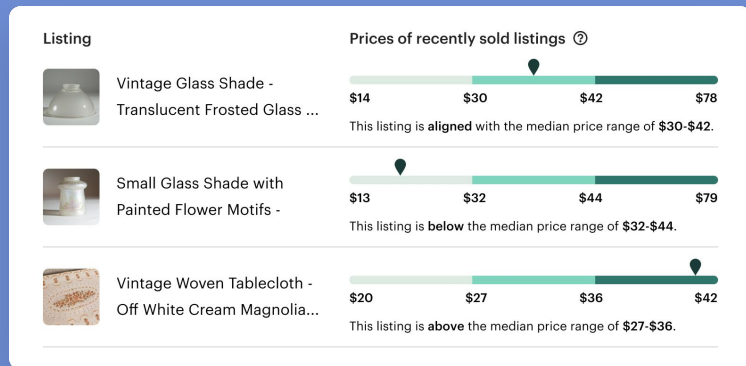
Dialing up awareness of Etsy Purchase Protection

Customer touch-points, marketing, seller education, and targeting new buyers to reinforce that Etsy has your back

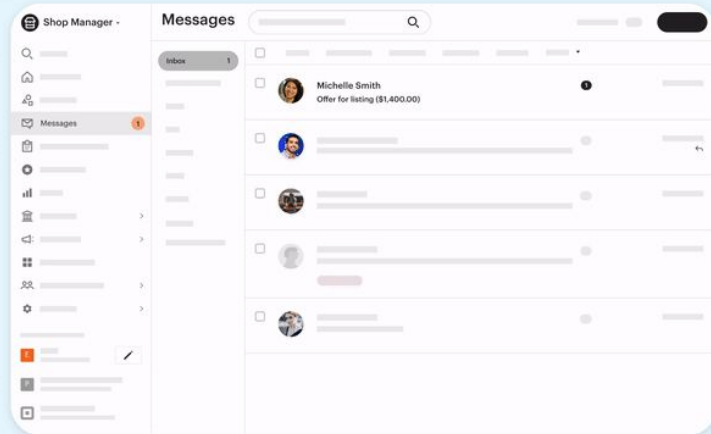
¹In May 2022, the Etsy Marketplace increased proactive enforcement of our Handmade Policy, so these two time periods are the most relevant to look at for comparison purposes.

Helping sellers expand their business in a sustainable way

- Rolling out extensive 'Seller Growth Suite' including **price discovery functionality**
- New '**Make an Offer**' program to expand beyond Vintage items
- Highly successful **EtsyUp events** communicate ways sellers can drive growth



Just one example of various Price Discovery functionalities we are currently evaluating & testing



New Make an Offer program well received by U.S. Vintage sellers; plus high engagement with habitual buyers

Harnessing AI & ML technologies to improve customer experiences



Improving the Seller Experience

- Easier on-boarding
- Improved listing information and variations
- Feedback on sellers' items and shop

- Member Support
- Fulfillment
- Trust & Safety

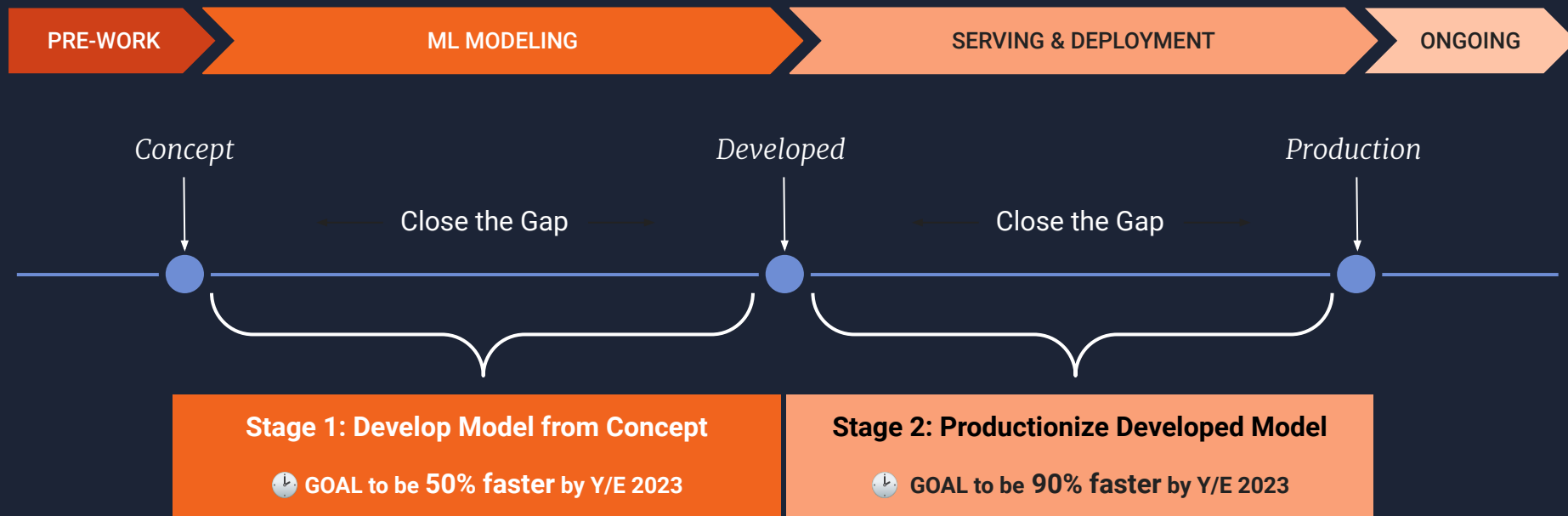


Enhancing the Buyer Experience

- Easier Search & Discovery
- Better understanding of purchase intent
- Improved buyer journey

‘Democratizing’ ML to enable our teams to move much faster!

Goal is that virtually any Etsy engineer will be able to deploy their own models



Note: Goals for ML model development times are compared with current development times

Creating brand sizzle attracts new buyers and builds loyalty



JOHN LEGEND ON HIS ETSY COLLABORATION

"It's important for me to fill my home with high quality pieces made by people who approach their craft with intention."

A screenshot of the Etsy Design Awards banner. The banner features a hand holding a geode and a small sculpture. The text on the banner reads: "Etsy Design Awards", "We're 'very' excited to introduce you to 150 seriously talented people: the 2023 Etsy Design Awards finalists! The Etsies honor the incredible work of sellers, and celebrate the joy that craft brings to our community. Now you can get first dibs on this year's notable items. Then, check back later this summer to meet all the winners.", and a "Shop now" button.

Etsy

Home & Living Gifts Editors' Picks

Etsy Design Awards

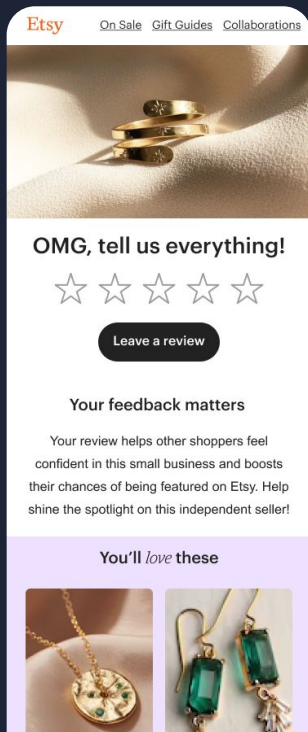
We're "very" excited to introduce you to 150 seriously talented people: the 2023 Etsy Design Awards finalists! The Etsies honor the incredible work of sellers, and celebrate the joy that craft brings to our community. Now you can get first dibs on this year's notable items. Then, check back later this summer to meet all the winners.

Shop now

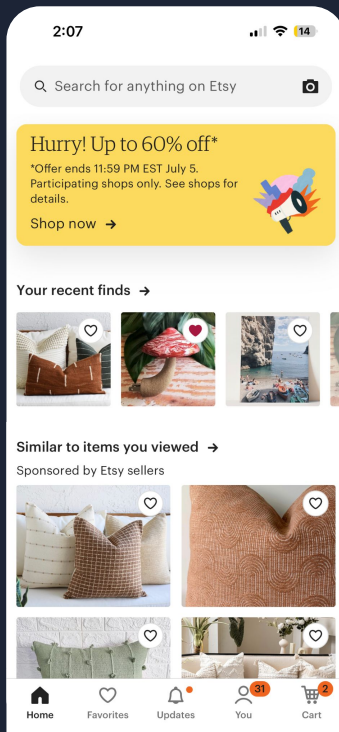


Doubling down on initiatives to drive frequency & GMS/buyer

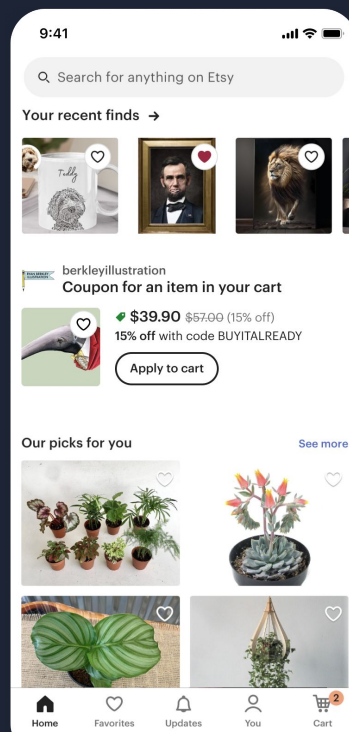
Leverage Post Purchase Touchpoints



Better Outreach & Promos



Improved Seller Funded Offers





U.S. GMS growth has accelerated by over 25 percentage points from Q4 22; strong business momentum

Product

- Strong experimentation velocity; healthy win rates
- New personalized recommendations incorporating a user's prior actions
- Greater search relevance across a range of search types
- Seller-initiated offers launched within the Make An Offer program

Marketing

- Strong paid marketing performance with more reliable measurement capabilities
- Focus on community-driven marketing



Reverb

Improved customer experiences;
remains focused on driving
long-term growth

Product

- Increased conversion from newly listed items on search, listing and home pages
- Simplified checkout process
- Launched significant changes to catalog and taxonomy
- Continued to emphasize affordability

Marketing

- Optimized performance marketing investment, driving ROI efficiencies



Making Etsy Even More Special by Holiday 2023

This year, we're working to become everyone's **'gifting accomplice.'** Making all the hard gifting missions easy as pie. So whatever your gifting mission, **Etsy has it.**

Quality	Shop well crafted, customized gifts <u>they'll love</u>
Value	Shop well crafted, customized gifts <u>for all budgets</u>
Trust	Have confidence my gifts will <u>arrive on time!</u>



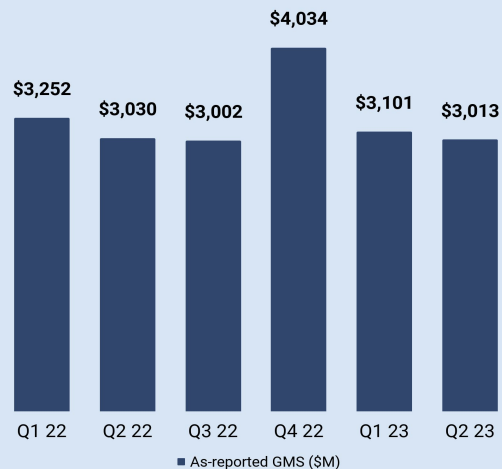
Solid Q2 23 consolidated financial results

Consolidated Results

Q2 23 GMS

\$3.0B

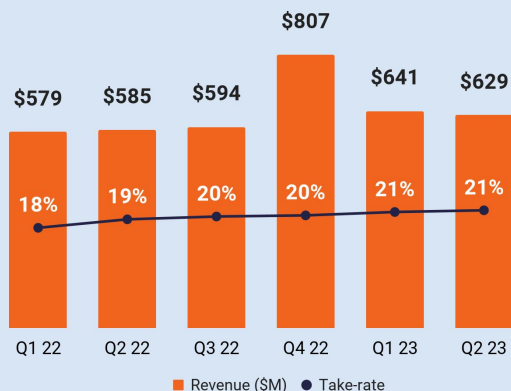
-0.6% Y/Y, -0.4% currency neutral basis



Q2 23 Revenue

\$629M

+7.5% Y/Y

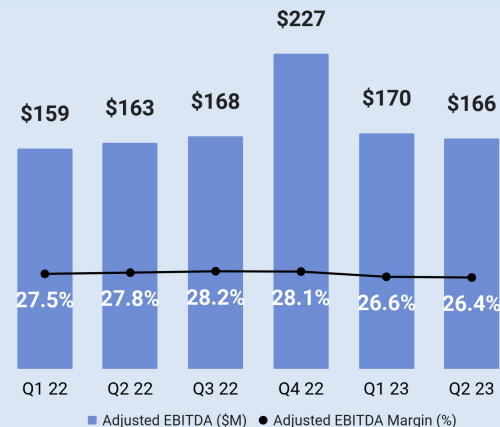


Adj. EBITDA
4YR CAGR¹ of
43%

Q2 23 Adjusted EBITDA

\$166M

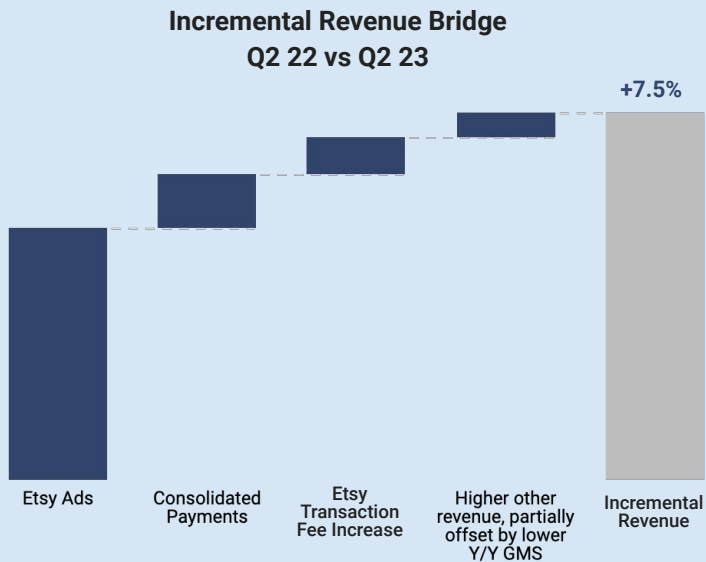
26.4% Adj. EBITDA Margin



¹ CAGR from Q2 2019 - Q2 2023.

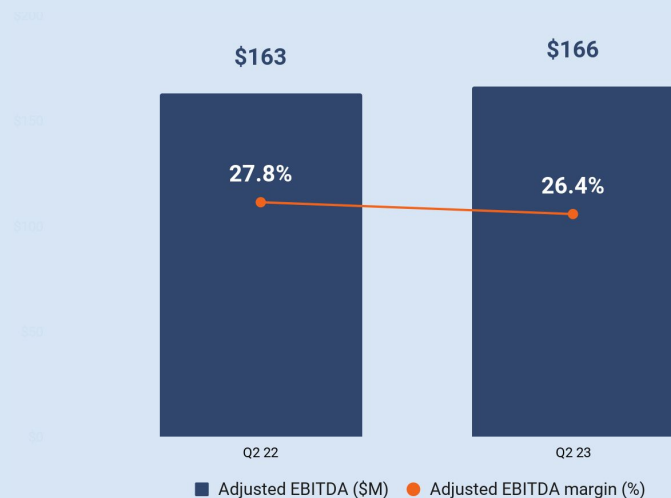
Strong revenue growth drives healthy profit flow through

Consolidated Results



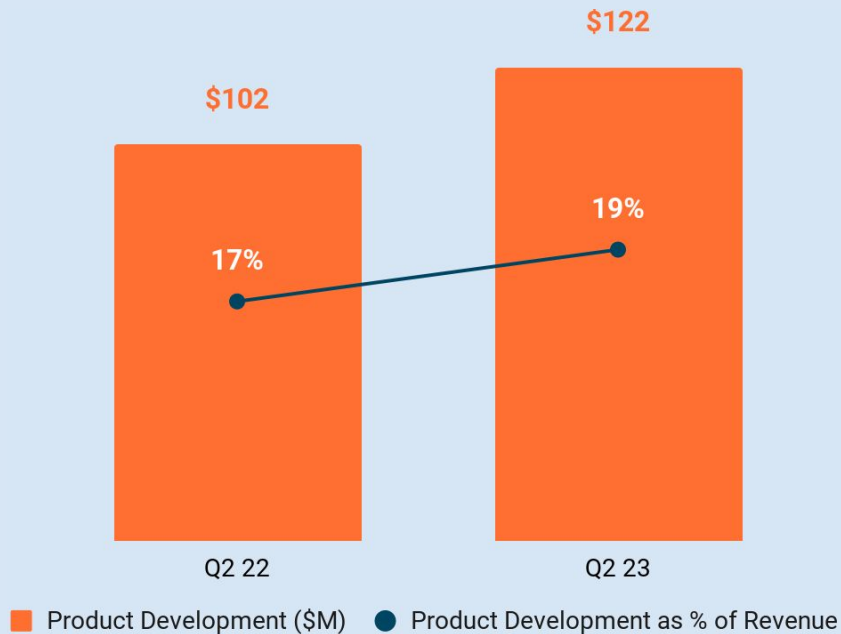
Q2 23 Revenue
\$629M, up 7.5% Y/Y
Take rate ~20.9%

Adjusted EBITDA and Adjusted EBITDA Margin

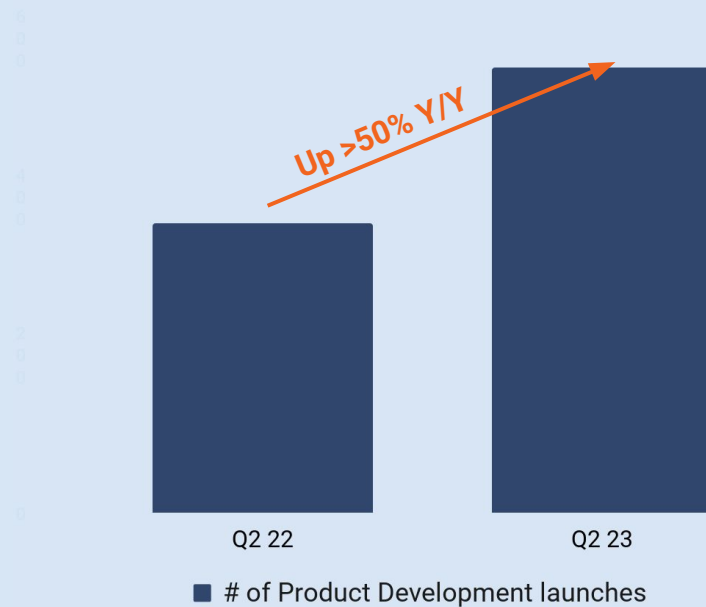


We are seeing great returns on product development spend even as we've scaled investment

Consolidated Product Development investment has increased

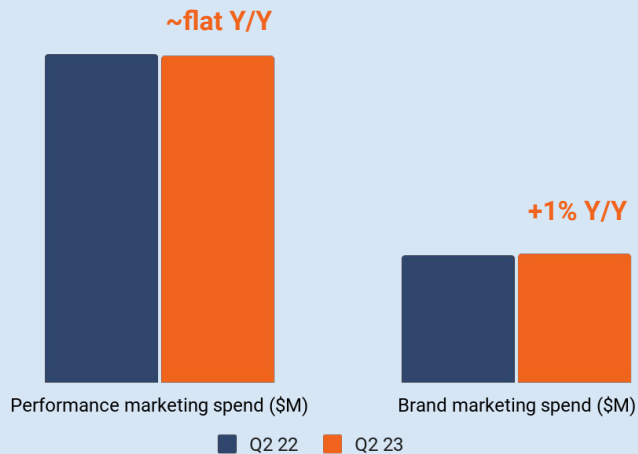


Etsy Marketplace product launches continue to accelerate



Gained leverage on consolidated marketing investments in Q2 23

Performance and Brand Marketing Spend (Consolidated)

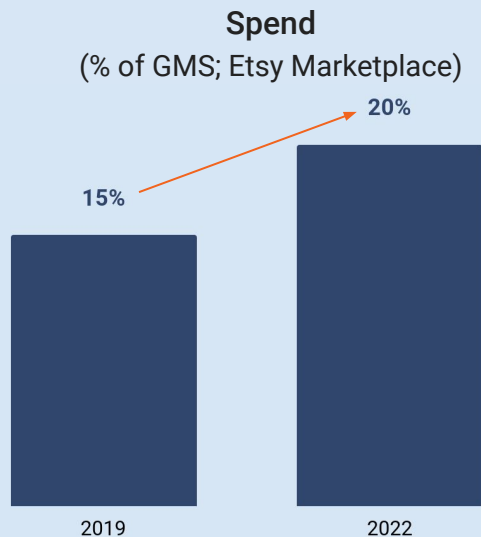


Marketing Spend (Consolidated)



ROI from performance marketing spend grew 40%* as our marketing mix has shifted to new channels, as well as buyer retention, reactivation & frequency

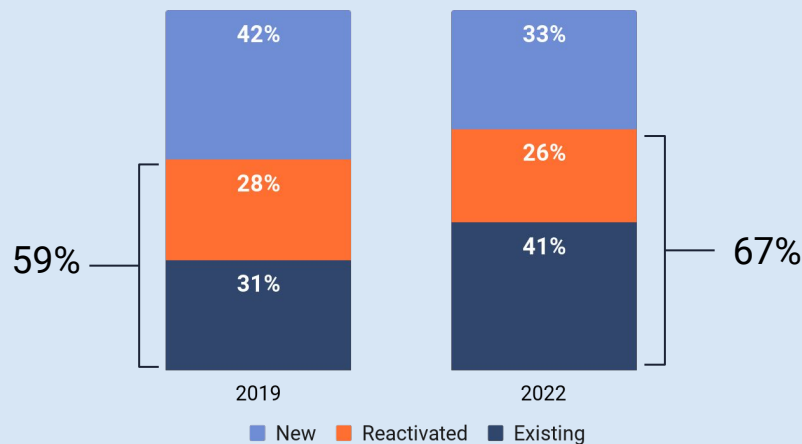
Share of GMS Attributed to Performance Marketing



We've expanded paid marketing to new channels and more countries

Active Buyer Mix

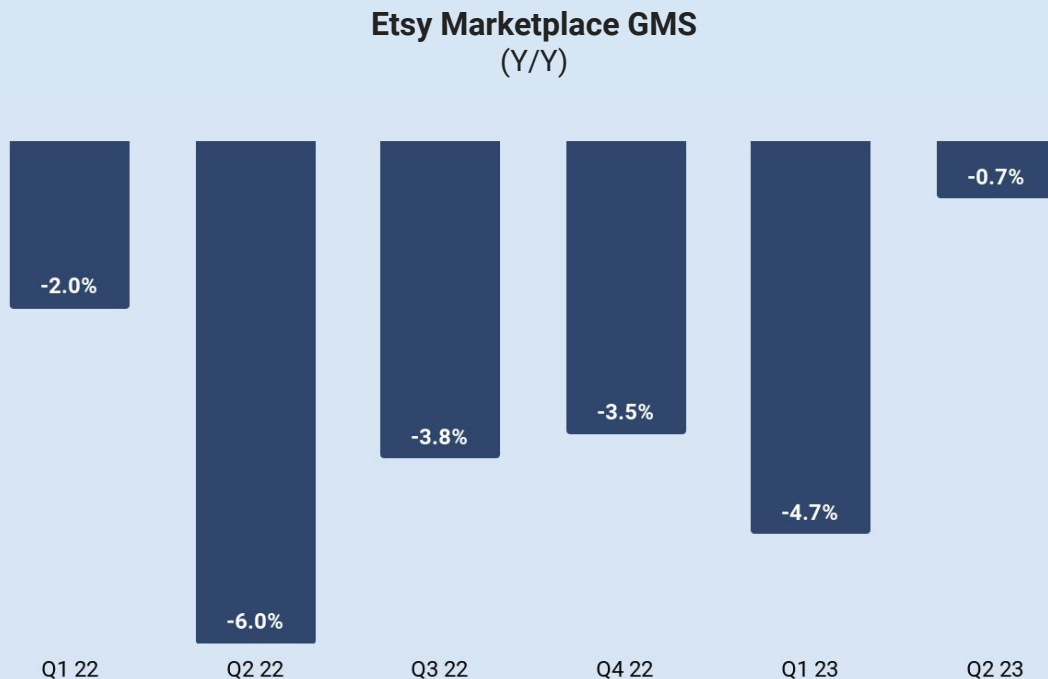
(%; Etsy Marketplace)



Our marketing mix has shifted towards retention, reactivation and frequency as our buyer mix has evolved

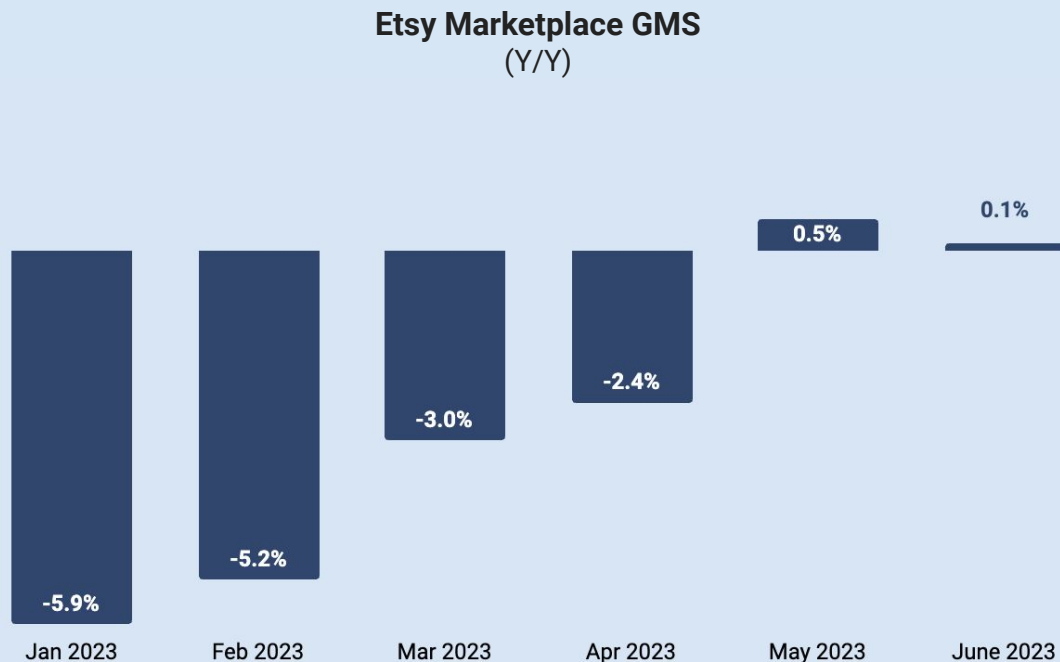
*2019-2022. Etsy marketplace only.

Overall, Etsy Marketplace quarterly Y/Y GMS performance has trended in the right direction



...and shows an even more positive trend when looked at monthly for 1H 23

We reported positive Y/Y GMS growth in May and June, as well as in July



Solid GMS growth in non-U.S. geographies

Etsy marketplace performance only

Q2 22 vs. Q2 23

GMS Ex-U.S. Domestic

Y/Y growth

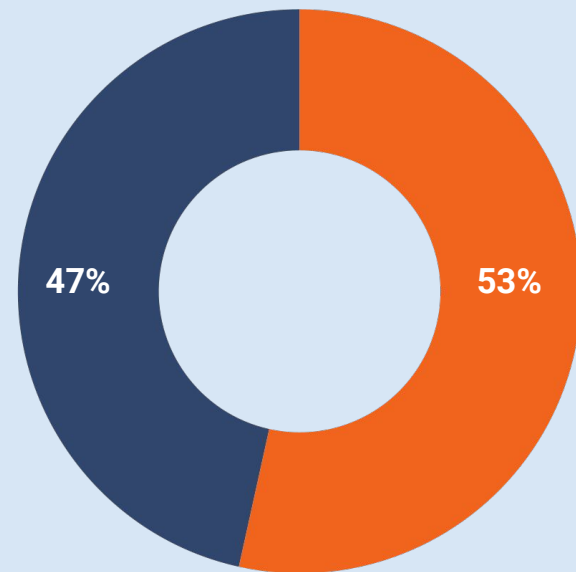
+5%

Solid Y/Y GMS growth in Germany and France

Encouraging Y/Y GMS growth in select non-core Western European countries

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

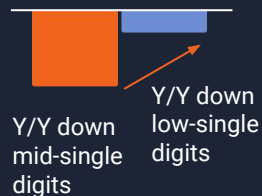
Etsy Marketplace GMS
(by Geography %)



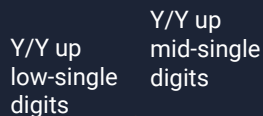
● GMS Ex-U.S. Domestic (%) ● U.S. Domestic GMS (%)

Y/Y GMS trends improved sequentially in several top categories...

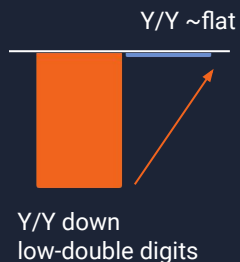
Home & Living



Apparel

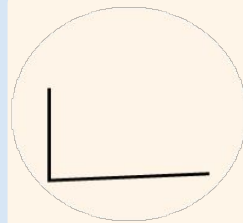


Craft Supplies



Q1 23 Y/Y Q2 23 Y/Y

...and we saw strength in 'horizontal' categories (i.e. purchase occasions)



GMS from gifts and personalized items grew high single digits Y/Y



We reached a new
all-time high in
active buyers

Etsy Marketplace Active Buyers



Active buyers are buyers who have made at least one purchase in the last 12 months.

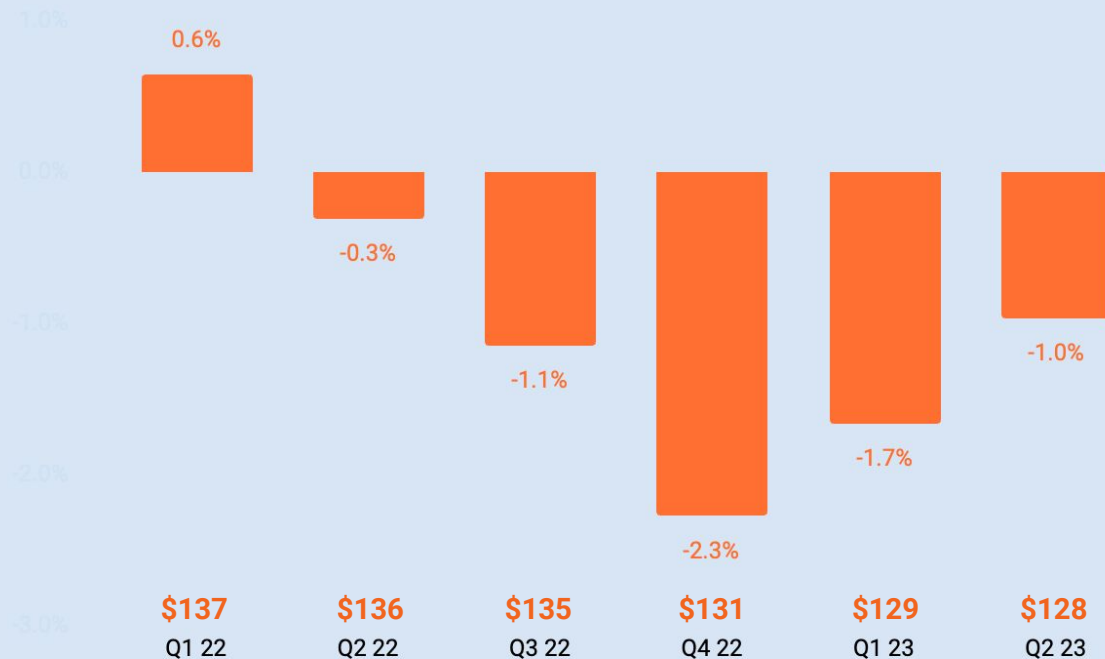
GMS per active buyer trendline is showing early signs of stabilization on a sequential basis

Q2 23 GMS/active buyer of \$128 is

28%

higher than it was in Q2 19 (\$100)

Etsy Marketplace GMS per Active Buyer (TTM Metric)
(Q/Q)



Solid new buyer acquisition continues...



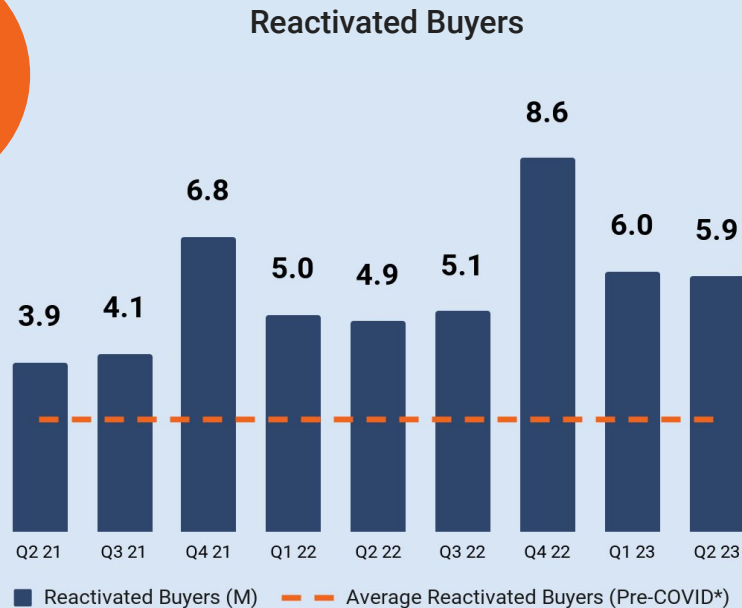
A buyer is considered new if they use a unique e-mail address that has never been used for a purchase on the Etsy marketplace.

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 we are reactivating lapsed buyers at very high rates

30

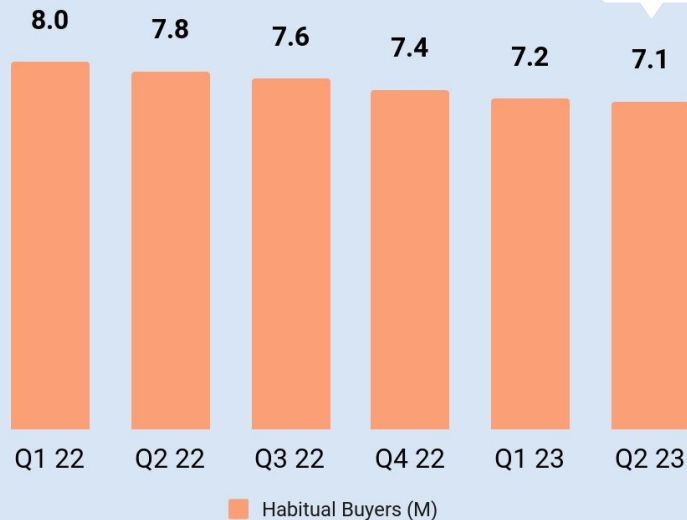
New and reactivated buyers up 7% Y/Y



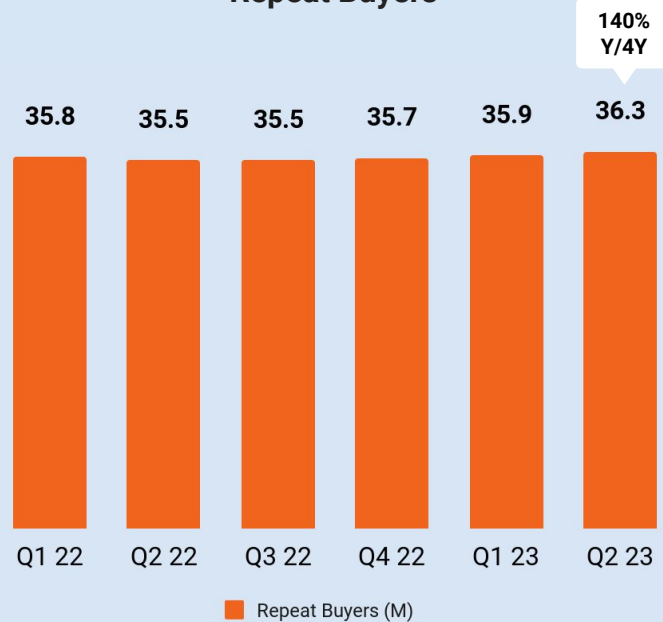
*Average reactivated buyers pre-COVID is average of quarterly data for the periods Q1 2017 through Q4 2019.

On a sequential basis, habitual buyer trends are seeing signs of stabilization, and repeat buyers ticked up slightly

Habitual Buyers
(represent ~43% of GMS)



Repeat Buyers¹



Metrics presented are for the Etsy marketplace on a Trailing Twelve Month basis.

¹Repeat Buyers exclude Habitual Buyers on this slide.

Y/4Y represents Q2 19 vs. Q2 23

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

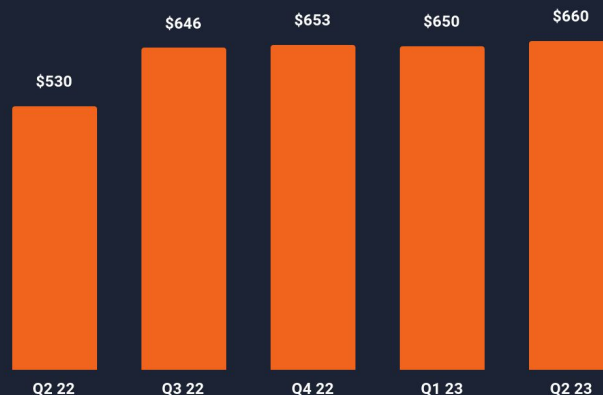
Cash Balance 06/30/23¹

\$1.2B

Q2 23 Consolidated Free Cash Flow

\$128M

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



In Q2 2023, we converted **nearly 90%** of our Adj. EBITDA to free cash flow on a trailing twelve month basis

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

Q3 23 Guidance

Q3 23 Guidance August 2, 2023

GMS	\$2.95B to \$3.10B
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Revenue	\$610M to \$645M
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Adj. EBITDA Margin	27-28%
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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.

Please note that our guidance assumes currency exchange rates remain unchanged at current levels. In our guidance, we have assumed that the pending sale of Elo7 is completed during the middle of the third quarter.

Adjusted EBITDA margin assumes the midpoint of our revenue guidance.

Q&A

Appendix

Condensed Consolidated Balance Sheets

	As of June 30, 2023	As of December 31, 2022
(in thousands)		
Cash and cash equivalents	\$841,512	\$921,278
Short-term investments	235,263	250,413
Accounts receivable, net	22,594	27,888
Funds receivable and seller accounts	221,147	233,961
Property and equipment, net	243,129	249,744
Goodwill	138,076	137,724
Intangible assets, net and other current and non-current assets	867,031	813,953
Total assets	\$2,568,752	\$2,634,961
Accounts payable	14,997	28,757
Accrued expenses	231,673	331,234
Funds payable and amounts due to sellers	221,147	233,961
Long-term debt, net	2,281,684	2,279,640
Other current and non-current liabilities	283,426	308,643
Total liabilities	3,032,927	3,182,235
Total stockholders' deficit	(464,175)	(547,274)
Total liabilities and stockholders' deficit	\$ 2,568,752	\$ 2,634,961

Condensed Consolidated Statement of Operations

	Three months ended 06/30/23	Three months ended 06/30/22
(in thousands)		
Revenue	\$628,876	\$585,135
Cost of revenue	188,638	171,421
Gross profit	440,238	413,714
<i>Marketing</i>	165,870	164,068
<i>Product development</i>	121,988	102,095
<i>General and administrative</i>	86,661	74,990
<i>Asset impairment charges</i>	68,091	-
Operating expenses	442,610	341,153
(Loss) income from operations	(2,372)	72,561
Other income, net	7,786	601
Benefit (provision) for income taxes	56,501	(39)
Net income	\$61,915	\$73,123
Net income per share — diluted	\$0.45	\$0.51

Condensed Consolidated Statement of Operations

	Six months ended 06/30/23	Six months ended 06/30/22
(in thousands)		
Revenue	\$1,269,753	\$1,164,401
Cost of revenue	384,091	344,416
Gross profit	885,662	819,985
<i>Marketing</i>	337,184	318,348
<i>Product development</i>	237,912	191,571
<i>General and administrative</i>	166,648	153,190
<i>Asset impairment charges</i>	68,091	-
Operating expenses	809,835	663,109
Income from operations	75,827	156,876
Other income, net	10,858	2,273
Benefit for income taxes	49,767	83
Net income	\$136,452	\$159,232
Net income per share — diluted	\$0.98	\$1.11

Condensed Consolidated Statement of Cash Flows

	Six months ended 6/30/23	Six months ended 6/30/22
(in thousands)		
Net Income	\$136,452	\$159,232
<i>Net cash provided by operating activities</i>	191,902	185,298
<i>Net cash used in investing activities</i>	(42,713)	(26,472)
<i>Net cash used in financing activities</i>	(236,242)	(166,645)
Effect of exchange rate changes on cash	7,287	(13,503)
Net decrease in cash, cash equivalents, and restricted cash	(79,766)	(21,322)
Cash, cash equivalents, and restricted cash at beginning of period	926,619	785,537
Cash, cash equivalents, and restricted cash at end of period	\$846,853	\$764,215

Reconciliation of Quarterly Net Income to Adj. EBITDA

	2Q23	1Q23	4Q22	3Q22	2Q22	1Q22
(in thousands)						
Net income (loss)	\$61,915	\$74,537	\$109,548	\$ (963,068)	\$73,123	\$86,109
<i>Excluding:</i>						
<i>Interest and other non-operating (income) expense, net</i>	(5,934)	(5,689)	(2,865)	230	2,557	3,290
<i>(Benefit) provision for income taxes</i>	(56,501)	6,734	18,342	14,051	39	(122)
<i>Depreciation and amortization</i>	22,946	23,172	22,794	24,127	25,027	24,754
<i>Stock-based compensation expense</i>	77,281	68,683	64,355	52,905	64,357	49,271
<i>Foreign exchange (gain) loss</i>	(1,852)	2,618	14,319	(5,993)	(3,158)	(4,962)
<i>Acquisition-related expenses</i>	289	289	726	487	759	858
<i>Asset impairment charges</i>	68,091	-	-	1,045,022	-	-
Adjusted EBITDA	\$166,235	\$170,344	\$227,219	\$167,761	\$162,704	\$159,198
<i>Divided by:</i>						
<i>Revenue</i>	\$628,876	\$640,877	\$807,241	\$594,469	\$585,135	\$579,266
Adjusted EBITDA Margin	26.4%	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.

	Q2'23 (TTM) ¹	Q1'23 (TTM)	Q4'22 (TTM)	Q3'22 (TTM)	Q2'22 (TTM)
(in thousands)					
Net cash provided by operating activities	\$690,216	\$679,699	\$683,612	\$682,321	\$566,687
Purchases of property and equipment	(8,456)	(9,274)	(10,237)	(13,859)	(14,964)
Development of internal-use software	(21,542)	(20,458)	(20,506)	(22,315)	(21,405)
Free Cash Flow	\$660,218	\$649,967	\$652,869	\$646,147	\$530,318

¹TTM is defined as Trailing Twelve Month.

Reconciliation of Operating Cash Flow to Free Cash Flow

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	Q2'23
(in thousands)	
Net cash provided by operating activities	\$136,271
Purchases of property and equipment	(1,603)
Development of internal-use software	(6,646)
Free Cash Flow	\$128,022