

Q1 2019 Financial Results

May 8, 2019

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 ability to bring buyers back to Etsy.com, our market opportunity, our financial guidance and key drivers thereof, anticipated marketing spend and other planned investments and their anticipated impact on our future financial results, anticipated product launches and impact of experiments, including on conversion rates, anticipated growth in active buyers, and investments in and timing of our migration to the cloud and its anticipated impact on our future financial results. Forward-looking statements include all statements that are not historical facts. In some cases, forward-looking statements can be identified by terms such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “may,” “plans,” “will,” “intends,” 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) the fluctuation of our quarterly operating results; (2) our ability to implement our business strategy; (3) our ability to attract and retain an active and engaged community of Etsy sellers and Etsy buyers; (4) our history of operating losses; (5) macroeconomic events that are outside of our control; (6) our ability to recruit and retain employees; (7) the importance to our success of the trustworthiness of our marketplace and the connections within our community; (8) our ability to enhance our current offerings and develop new offerings to respond to the changing needs of Etsy sellers and Etsy buyers; (9) the effectiveness of our marketing efforts; (10) the effectiveness of our mobile solutions for Etsy sellers and Etsy buyers; (11) our ability to expand our business in our core geographic markets; (12) regulation in the area of privacy and protection of user data; (13) our dependence on third-party payment providers; and (14) 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, 2018, 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 presentation. We disclaim any obligation to update forward-looking statements.

This presentation is a high-level summary of our Q1 2019 financial results. For more information please refer to our press release dated May 8, 2019 and filings with the SEC.

Josh Silverman

CEO



Solid financial performance to start 2019...

GMS

\$1B

+18.9% Y/Y

+20.6% Y/Y (FX adj.)

Revenue

\$169M

+40.1% Y/Y

Net Income

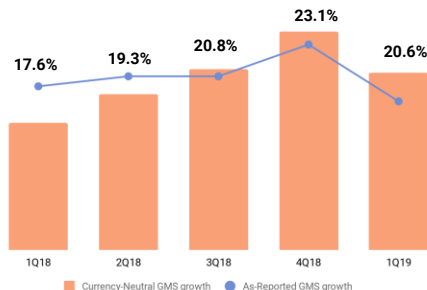
\$32M

\$0.24 EPS¹Adj. EBITDA²

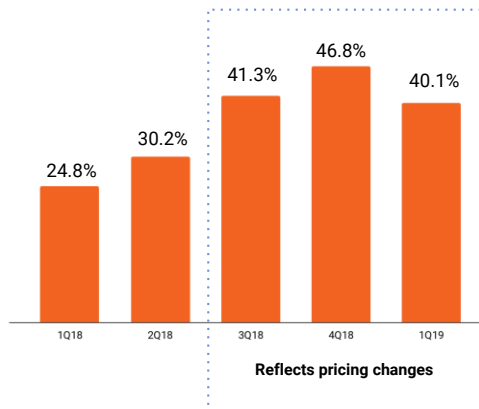
\$50M

29.4% Margin

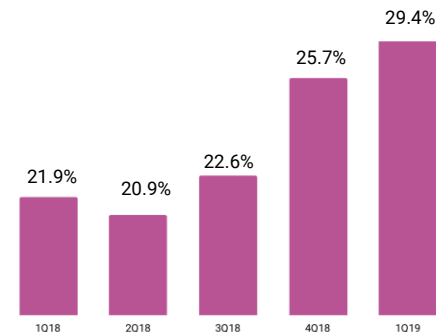
GMS Growth



Revenue Growth



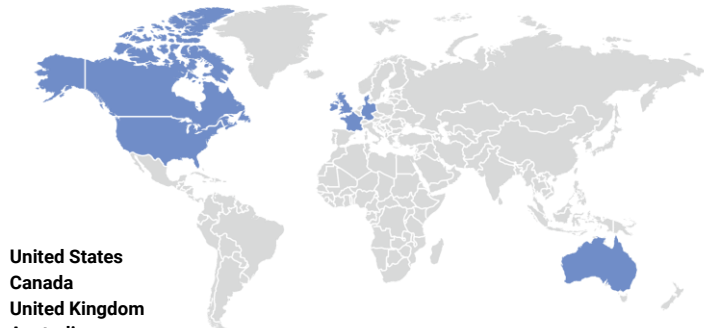
Adj. EBITDA Margin

¹EPS reflects diluted earnings per share²Reconciliation of non-GAAP financial measures is contained in the appendix

Executing our long-term growth strategy

1.

Focus on the core Etsy marketplace
in our 6 core geographies



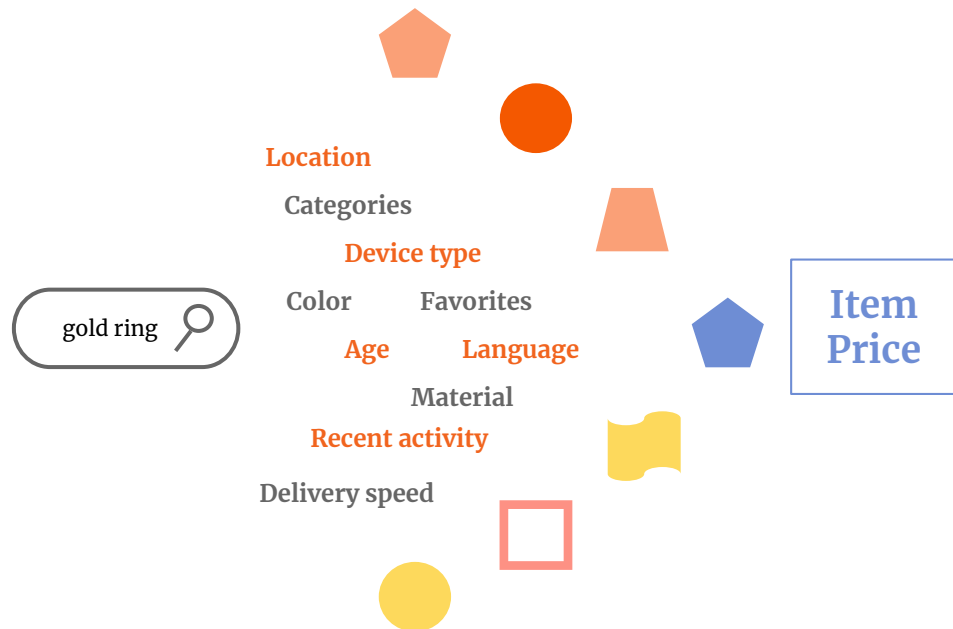
United States
Canada
United Kingdom
Australia
France
Germany

2.

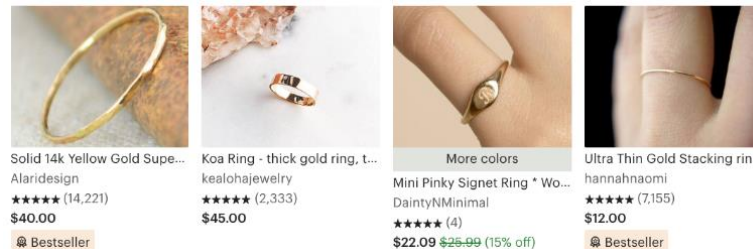
Build a sustainable competitive
advantage around four key elements



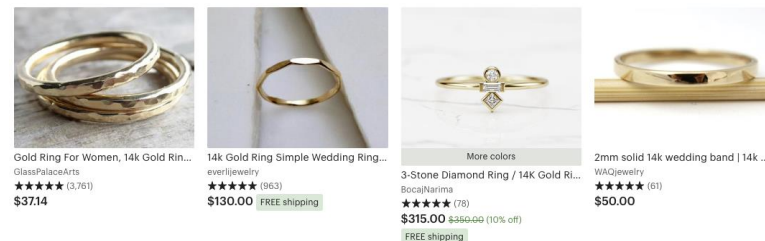
Product initiatives drive Q1 performance



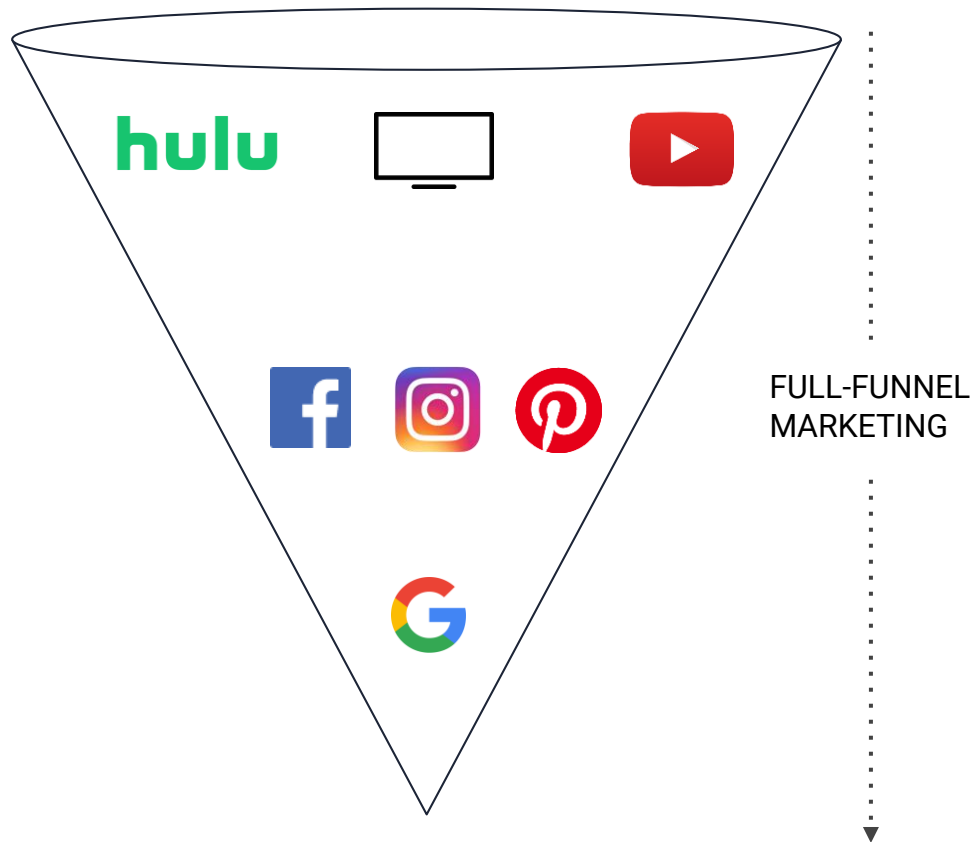
Search results for a gold ring



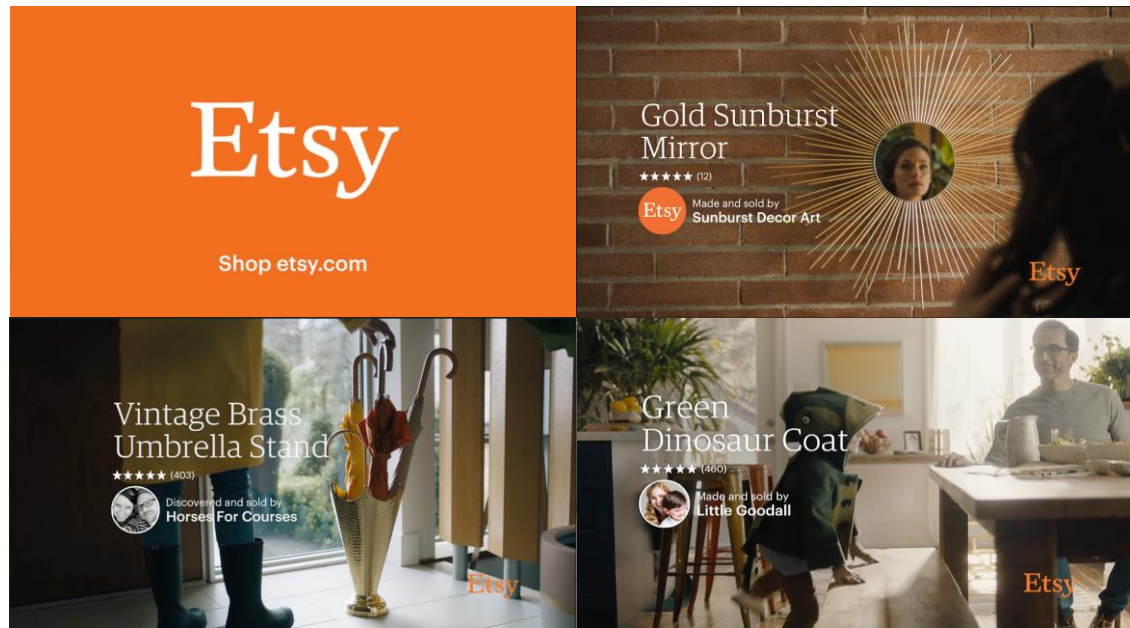
Search results for a gold ring with elevated price ranking



Aligning for integrated, full-funnel marketing campaigns



Testing new marketing channels again in Q2



Marketing channels

- TV advertising
- Digital video
- Paid social

Campaign priorities

- Buyer frequency
- Improvement in brand awareness
- Increase in visits
- Improved purchase intent

Etsy's New Creative Campaign Optimized for Digital Video

Executing on an early stage growth opportunity

We have a significant runway for sustainable long-term growth

- Unique and defensible Right to Win
- Untapped opportunities in product development and marketing investment
- Best-in-class technology to fuel our growth
- Disciplined leadership team and high performance culture

Rachel Glaser

CFO



Strong execution has led to solid financial and operational results

GMS

\$1B

+18.9% Y/Y

+20.6% Y/Y (FX adj.)

Active Buyers

41M

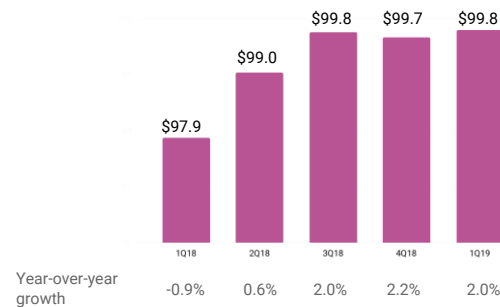
+18% Y/Y

Active Sellers

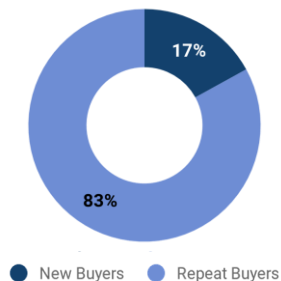
2.2M

+13% Y/Y

GMS per Active Buyer



% *GMS of New vs. Repeat Buyers*



% Paid *GMS*

15%

+19% Y/Y

% International *GMS*

38%

+33% Y/Y (FX adj.)

Condensed Consolidated Statement of Operations

	1Q19	1Q18
	(In thousands)	
Revenue	\$169,339	\$120,912
Cost of revenue	52,658	41,295
Gross profit	116,681	79,617
<i>Marketing</i>	35,444	26,194
<i>Product development</i>	24,947	20,721
<i>General and administrative</i>	24,647	18,904
Operating expenses	85,038	65,819
Income from operations	31,643	13,798
Other expense, net	(206)	(817)
Benefit (provision) for income taxes	142	(14)
Net income	\$31,579	\$12,967
Net income per share — diluted	\$0.24	\$0.10

2019 Guidance for GMS, Revenue and Adjusted EBITDA

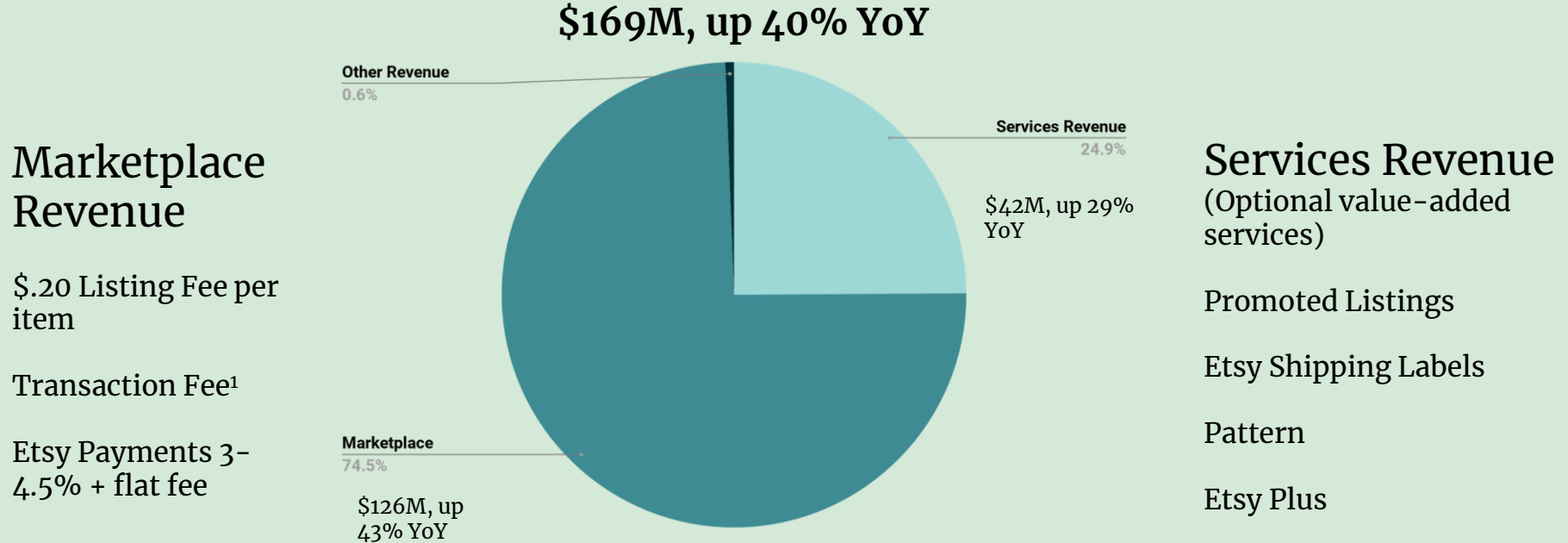
	2019 Guidance February 25, 2019	2019 Guidance May 8, 2019
GMS Growth	17 - 20%	18 - 21%
Revenue Growth	29 - 32%	30 - 32%
Adjusted EBITDA Margin*	23 - 25%	23 - 25%

*Based on the mid-point of 2019 revenue guidance. Reconciliation of non-GAAP financial measures is contained in the Appendix.
Key factors potentially impacting our 2019 guidance are contained in the Appendix.

Q&A

Appendix

We have a diversified revenue model consisting of mandatory fees and optional value-added services



¹On July 16, 2018, we increased our seller transaction fee from 3.5% to 5%, and now apply it to the cost of shipping in addition to the cost of the item

Key factors impacting our 2019 Guidance

We anticipate that the key factors impacting our 2019 GMS and revenue guidance will be:

- Continued visit growth.
- Conversion rate improvements driven by product launches enhancing the buying experience.
- Incremental GMS from marketing investments.
- Continued currency-neutral growth in international GMS, which we expect to grow faster than overall GMS, driven by global product enhancements and marketing.
- We assume a stable macro environment. However, external factors may offset some growth, such as E.U. regulatory conditions, currency fluctuations, changes to VAT and state sales tax laws, and the potential for geopolitical events that impact trade.*

We anticipate that the key factors impacting our 2019 Adjusted EBITDA margin guidance will be:

- Planned investments in marketing including investments in newer channels for Etsy with more speculative returns.
- Lower operating expense as a percent of revenue stemming from gaining leverage in our operating structure. We expect to gain leverage in both product development and general administrative expenses, which excludes the impact of depreciation from the implementation of new lease accounting standards.
- Cloud costs, which we expect to be higher for the full year than we indicated last quarter, most of which will be expensed through cost of revenue.
 - Additionally, during the migration, we are maintaining some of our existing data center infrastructure to ensure reliability of our platform.
 - As we migrate to the cloud, we anticipate spending a smaller portion on existing data center infrastructure and more on cloud capacity.

*These, and other risks and uncertainties, are more fully described in in our Annual Report on Form 10-K for the year ended December 31, 2018, and subsequent reports that we file with the Securities and Exchange Commission.

Condensed Consolidated Statement of Cash Flows

	1Q19	1Q18
	(in thousands)	
Net Income	\$31,579	\$12,967
<i>Net cash provided by operating activities</i>	<i>31,458</i>	<i>26,169</i>
<i>Net cash used in investing activities</i>	<i>(22,004)</i>	<i>(45,653)</i>
<i>Net cash (used in) provided by financing activities</i>	<i>(29,307)</i>	<i>233,836</i>
Effect of exchange rate changes on cash	(1,458)	4,061
Net (decrease) increase in cash, cash equivalents, and restricted cash	(21,311)	218,413
Cash, cash equivalents, and restricted cash at the beginning of the period	372,326	320,783
Cash, cash equivalents, and restricted cash at the end of the period	\$351,015	\$539,196

Condensed Consolidated Balance Sheets

	1Q19	4Q18
	(in thousands)	
Cash and cash equivalents	\$345,674	\$366,985
Short-term investments	276,432	257,302
Accounts receivable, net	10,789	12,244
Property and equipment, net	131,650	120,179
Other current and non-current assets	216,623	145,141
Total assets	\$981,168	\$901,851
Accounts payable	\$17,325	\$26,545
Finance lease obligations, net of current portion	59,610	2,095
Facility financing obligation	-	59,991
Long-term debt, net	280,226	276,486
Other current and non-current liabilities	203,994	135,836
Total liabilities	561,155	500,953
Total stockholders' equity	420,013	400,898
Total liabilities and stockholders' equity	\$981,168	\$901,851

Reconciliation of Quarterly Net Income to Adj. EBITDA

	1Q19	1Q18
	(in thousands)	
Net income	\$31,579	\$12,967
Excluding:		
Interest and other non-operating expense, net	1,268	2,667
(Benefit) provision for income taxes	(142)	14
Depreciation and amortization	10,142	6,320
Stock-based compensation expense	8,082	6,454
Foreign exchange gain	(1,062)	(1,850)
Restructuring and other exit income	—	(151)
Adjusted EBITDA	\$49,867	\$26,421