

The Etsy logo is centered at the top of the slide. It features the word "Etsy" in a white, serif typeface. The background is a dark navy blue with abstract geometric shapes in orange and light blue in the upper right corner, and a blue curved shape in the lower left corner.

Etsy

Q3 2020 Financial Results

October 28, 2020

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 fourth quarter of 2020 and key drivers thereof; the impact of our investments on topline growth; our ability to capitalize on our large market opportunity; and the uncertain impacts that the COVID-19 pandemic may have on our business, strategy, operating results, key metrics, financial condition, profitability, and cash flows and changes in overall level of consumer spending 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 “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) risks related to the ongoing COVID-19 pandemic, which continues to impact our GMS, other key metrics and results of operations in numerous ways that remain volatile and unpredictable; (3) our failure to meet our publicly announced guidance or other expectations; (4) our ability to successfully execute on our business strategy or if our strategy proves to be ineffective; (5) our ability to attract and retain an active and engaged community of sellers and buyers; (6) our ability to maintain our growth; (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 marketplace and the connections within our community; (10) our ability to enhance our current offerings and develop new offerings to respond to the changing needs of sellers and buyers; (11) the effectiveness of our marketing efforts; (12) the effectiveness of our mobile solutions for sellers and buyers; (13) our ability to expand our business in our core geographic markets; (14) regulation in the area of privacy and protection of user data; (15) our dependence on third-party payment providers; (16) acquisitions that may prove unsuccessful or divert management attention, including our acquisition of Reverb; and (17) the potential misuse or disclosure of sensitive information about members of our community and the potential for cyber-attacks. These risks and uncertainties are more fully described in our filings with the Securities and Exchange Commission, including in the section entitled “Risk Factors” in our Quarterly Report for the quarter ended June 30, 2020,, and subsequent reports that we file with the Securities and Exchange Commission. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, we cannot guarantee future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. Forward-looking statements represent our beliefs and assumptions only as of the date of this presentation. We disclaim any obligation to update forward-looking statements.

Another quarter of solid execution across the board

Sustained momentum

116%

Etsy Marketplace
standalone Y/Y GMS
growth

Business model strength



Engaged & focused team

95%

Proud to work at Etsy
10% higher than benchmark

Data from Etsy's Sept 2020 employee
engagement survey

Consolidated results ahead of expectations as macro factors remained more favorable than we had anticipated

GMS

\$2.6B

+117% Y/Y

Currency-Neutral

Revenue

\$451M

+128% Y/Y

Adjusted EBITDA¹

\$151M

**~34% Adjusted EBITDA
Margin**

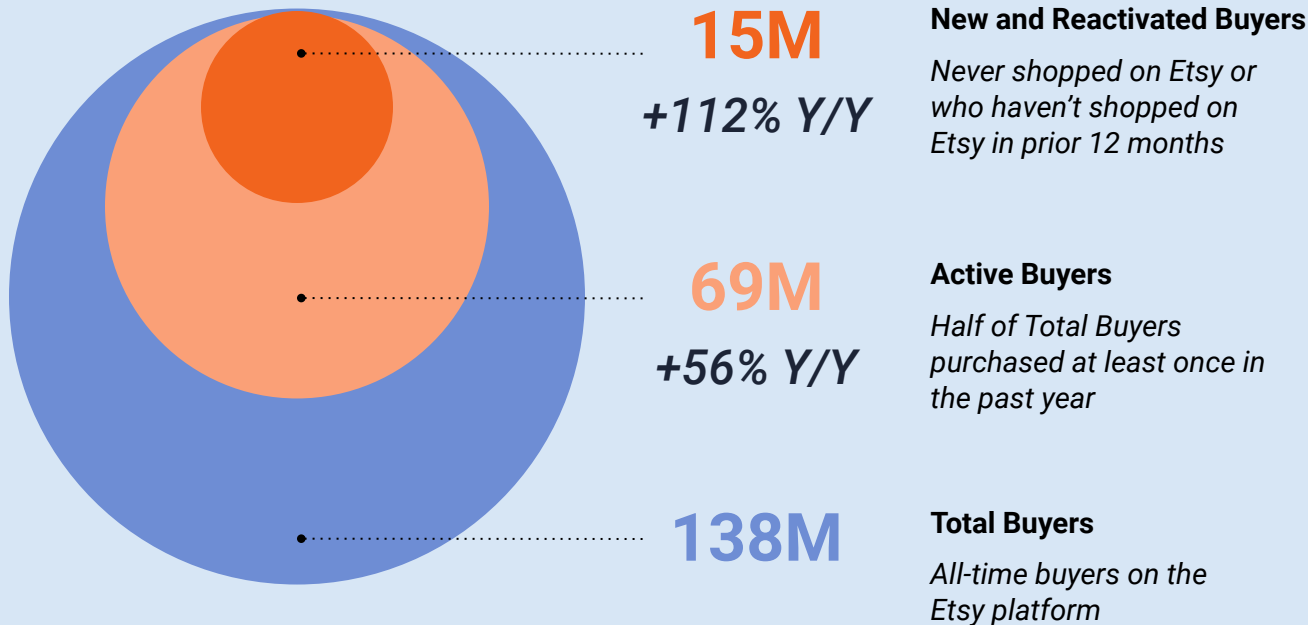
¹Reconciliation of non-GAAP financial measures is contained in the appendix

All results are Consolidated and include Reverb financial results from the date of acquisition (August 15, 2019)

Continued
increase in new
buyers, and
reactivation of
our large base of
buyers

Etsy Standalone results as of
September 30, 2020, which
exclude Reverb buyers

Q3 20 Buyer Segments



Step function
change in buyer
cohorts: GMS per
buyer from
historical cohorts
is up >60%

Scale for illustrative purposes

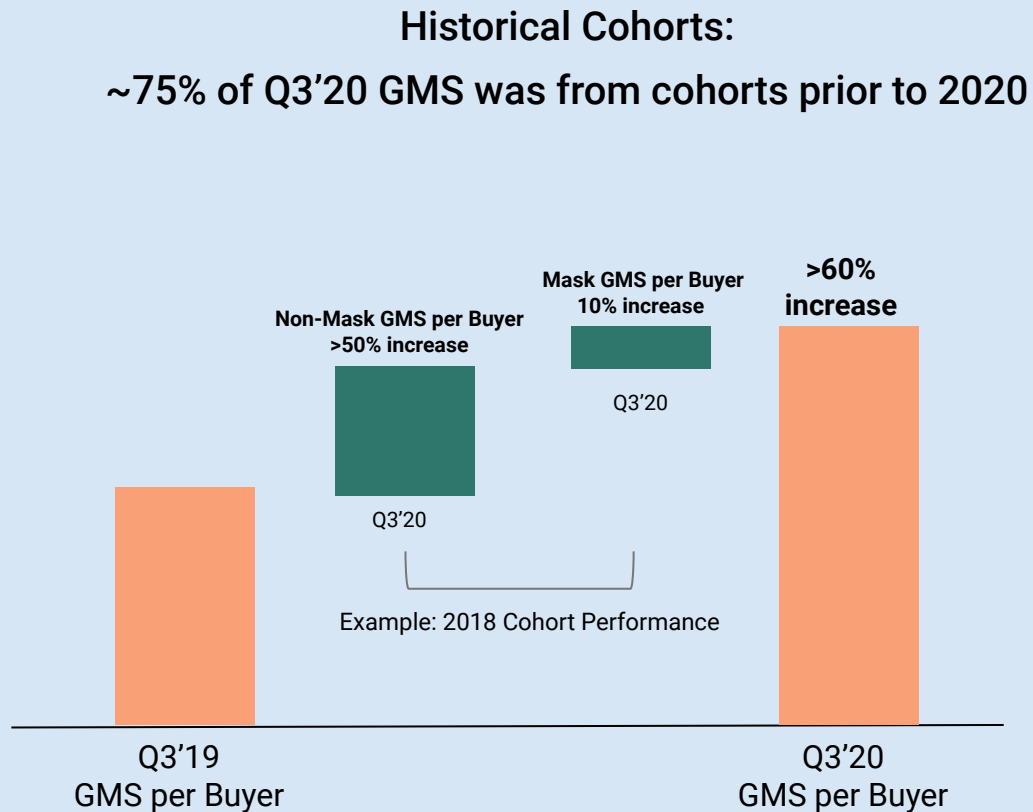
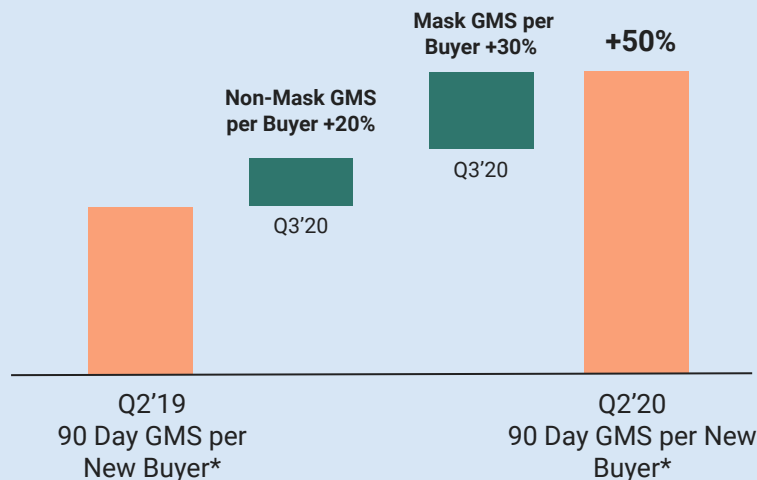


Chart provided to show an example of GMS per buyer from historical Etsy marketplace cohorts, all of which have performed similarly

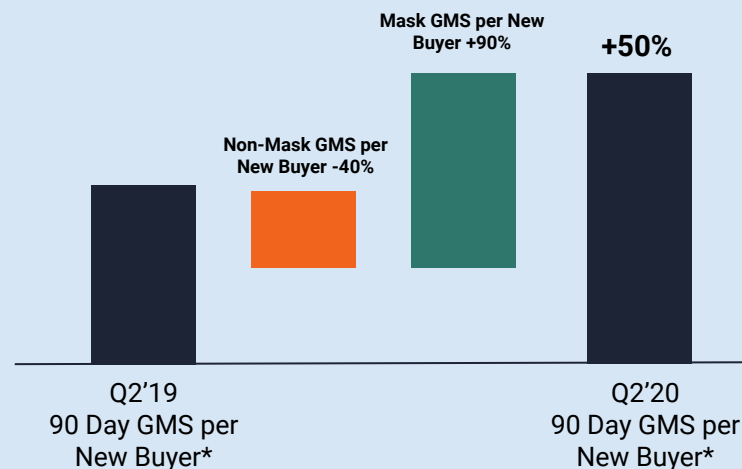
A Q2'20 buyer, whose first purchase **was not** a face mask, **spent 50% more** than a Q2'19 new buyer in first 90 days on Etsy

New Buyer Cohort - First purchase was not a Face Mask



...and a Q2'20 buyer, whose *first purchase on Etsy* **was** a face mask, is **primarily buying more face masks**

New Buyer Cohort - First purchase was a face mask

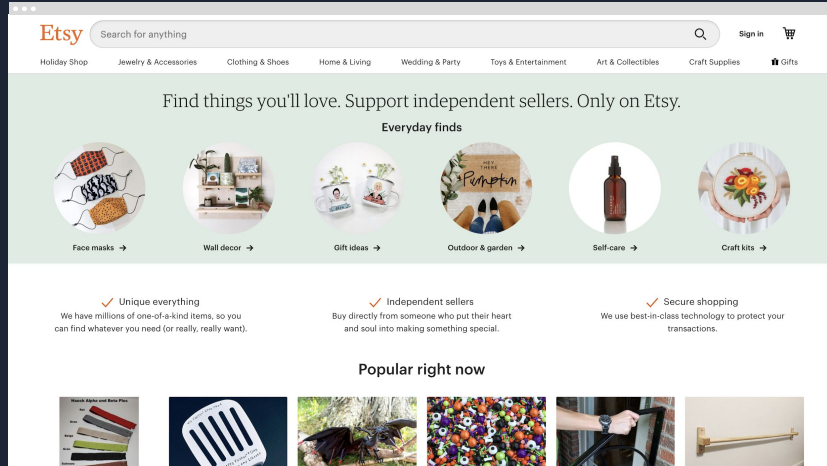


Scale for illustrative purposes

*90 day GMS *excluding* the first purchase

New 2020 cohorts represent ~25% of Q2'20 GMS per new buyer

Etsy stands for something different



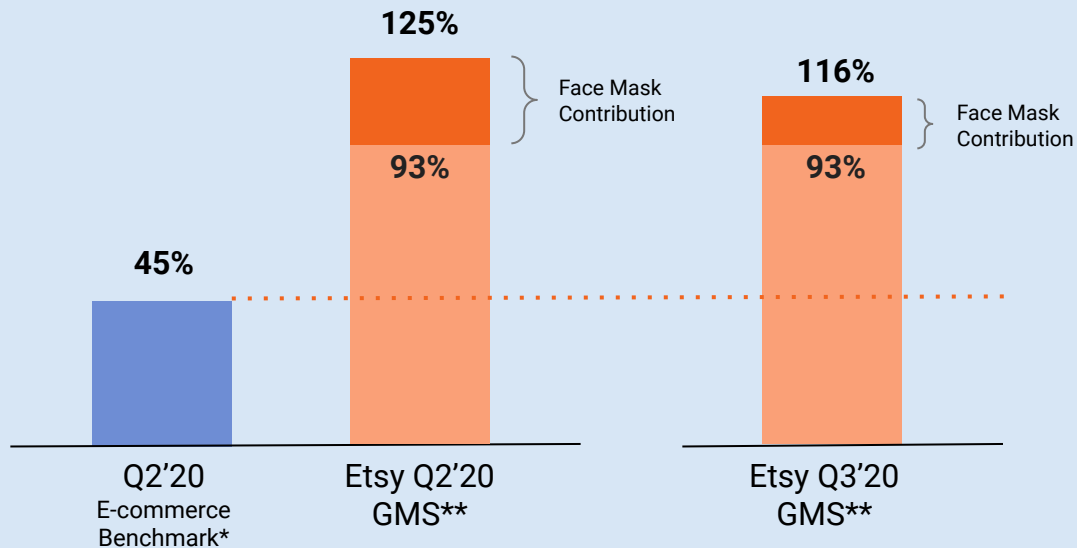
Unique & Personalized
Human
Dynamic Inventory

Express Individuality
Support Small Business
Marketplace Agility



We are outpacing
e-commerce
growth rates...
highlighting Etsy's
strong execution
and the size of the
prize

Etsy marketplace standalone GSM growth vs. e-commerce benchmark growth

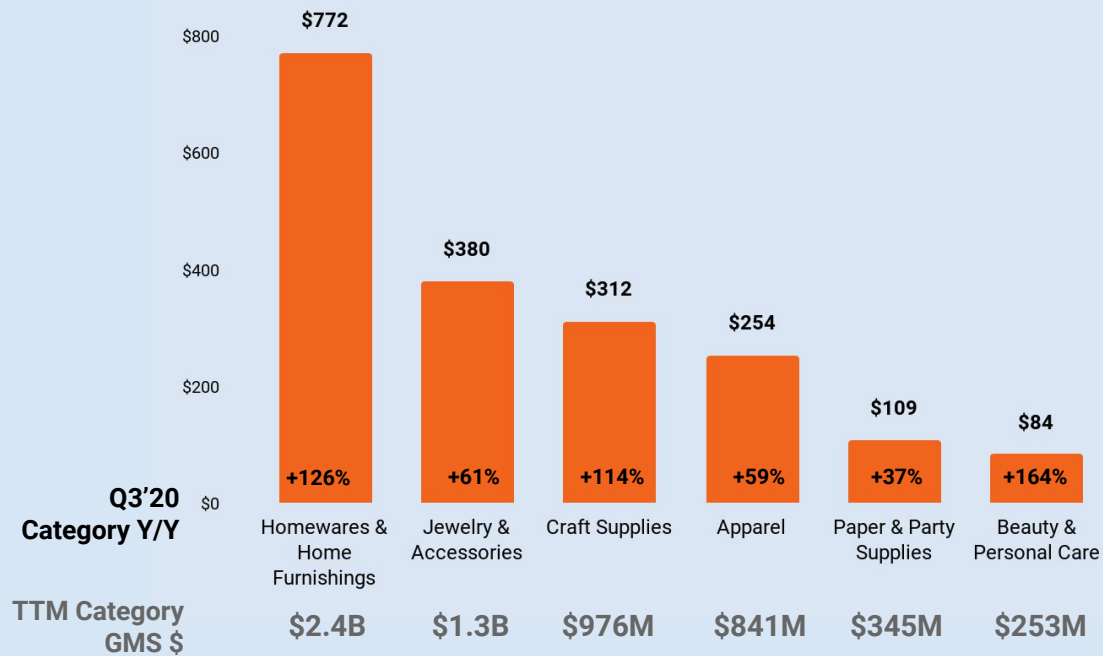


*E-commerce industry benchmark: Census Bureau of the Department of Commerce
Estimated Quarterly Total E-commerce Sales excluding Food and Travel

**Etsy Standalone results excluding Reverb

Tremendous growth in our traditional top categories continues

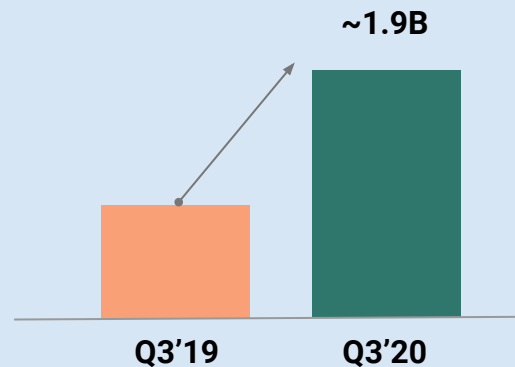
Q3'20 Category GMS (\$M) and Y/Y Growth*



Top 6 Categories

79% of Overall GMS

+92% Y/Y



*Category GMS \$ exclude face mask sales

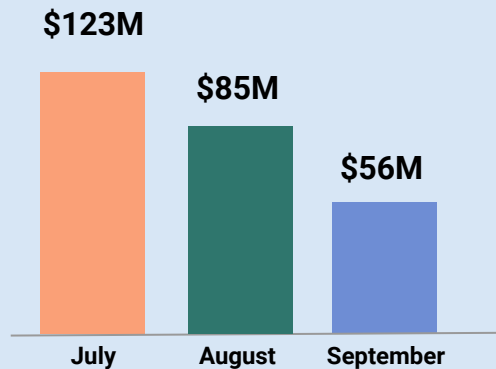
Chart data is reflected based on Q3 Category GMS \$

Etsy Standalone results excluding Reverb

Masks remain a large category for Etsy...but are steadily declining

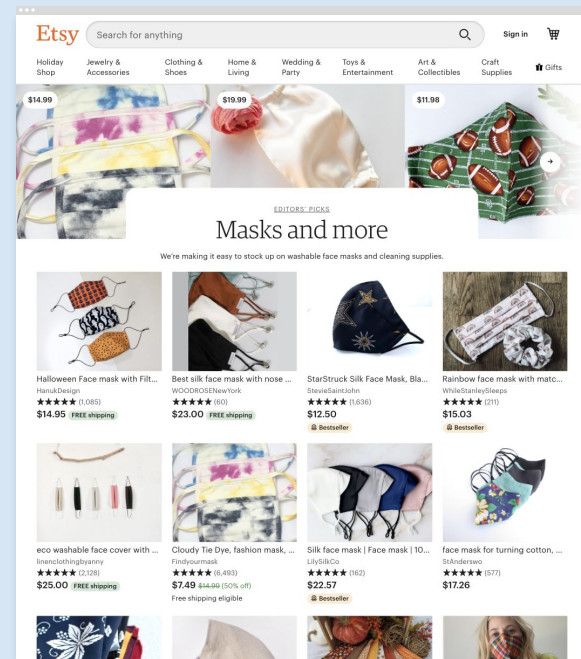
Mask Sales Q3'20

\$264M in GMS



Number of Masks Sold Q3'20

24M units



Reflects results of Etsy Standalone in Q3 2020

Etsy's Right to Win

Best-in-Class
Search and
Discovery



Human
Connections

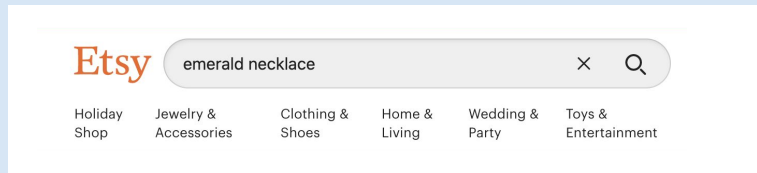


A Trusted
Brand

Our Collection of Unique Items

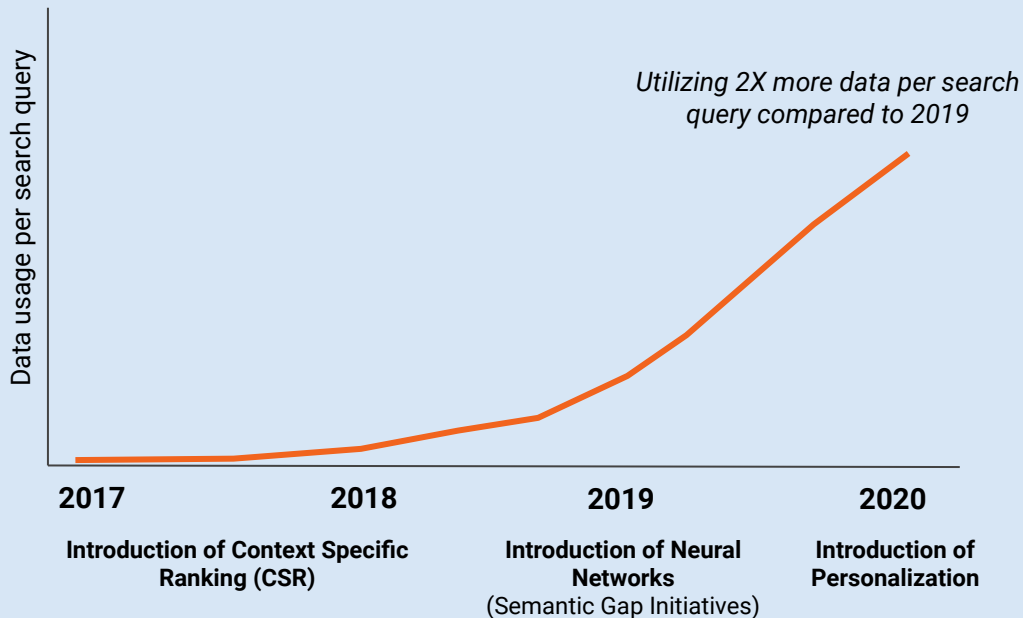
We are driving to best-in-class search

We've improved our infrastructure to enable significant advancements in search on Etsy



Prior to 2017, Etsy search was driven by keywords, tags and titles

Etsy's evolution in search indexed by data usage

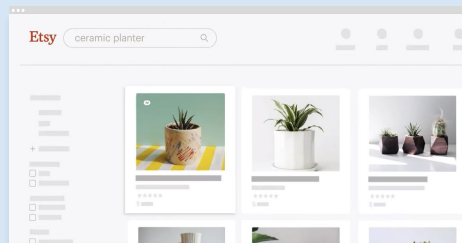
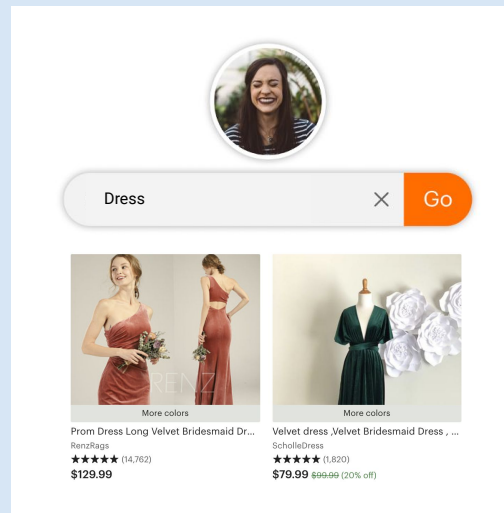
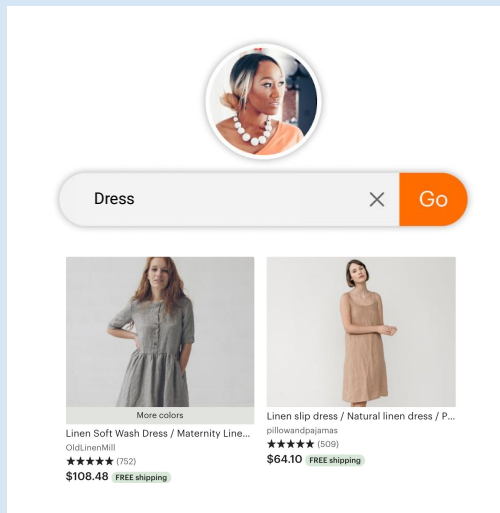


Ramping Investments in Search Personalization

We're categorizing historical and contextual personalization features to learn a user's tastes and preferences

Personalized Search

As of September, different buyers receive different results for similar queries




Next up: Etsy Ads

Applying personalization to drive relevance for on-site advertising

Frequency investments focused on buyer engagement

Example: New Buyer Offer

Etsy [View this email online](#)



Get \$5 off

Three cheers for making your very first purchase!
Discovering a one-of-a-kind creation is just the best. 🥳

Here's a gift from us, to help you make the next item you love, all yours. Maybe it will be a cozy new accent? Perhaps a gorgeous, personalized pick. Whichever find you fall for, we know it will be fantastic.

To use your Etsy Credit, activate this code—XXXXXX—by DATE. Then, you can apply it towards your next order.*

Happy hunting.

[Redeem now](#)

There's much more to explore



Ideas for staying in →



Home decor →




Gifts for everyone →



Support small shops →

*Redeemable until DATE, 2020. Can be used on Etsy.com at any shop that lists Etsy gift cards as a form of payment. Cannot be redeemed for cash except as required by law to return your balance. Please visit [etsy.com/termsandconditions](#). Please see the [Etsy Gift Cards and Etsy Credits Policy](#) for additional terms and conditions. Use of this gift credit constitutes acceptance of these terms. You are receiving this email because you registered on Etsy.com with this email address. To stop

Etsy [View this email online](#)



Claim your Credit

A gentle reminder that your \$5
Etsy Credit expires by DATE 2020.*

Don't forget to activate, your code is: XXXXXXX

Then, add a find to your cart and get excited.
It's a welcome-to-Etsy treat!

[Redeem now](#)

Dive into these delights



Ideas for staying in →



Home decor →




Gifts for everyone →



Support small shops →

*Redeemable until DATE, 2020. Can be used on Etsy.com at any shop that lists Etsy gift cards as a form of payment. Cannot be redeemed for cash except as required by law to return your balance. Please visit [etsy.com/termsandconditions](#). Please see the [Etsy Gift Cards and Etsy Credits Policy](#) for additional terms and conditions. Use of this gift credit constitutes acceptance of these terms. You are receiving this email because you registered on Etsy.com with this email address. To stop

Etsy [View this email online](#)



Last chance (\$5 off)

It's officially time to make your move.
Activate your unique Etsy code—XXXXXXX—by
DATE to apply towards your next purchase.*

Use and enjoy, we're so thrilled you're here!

[Redeem now](#)

Looking for inspiration?



Ideas for staying in →



Home decor →



Gifts for everyone →



Support small shops →

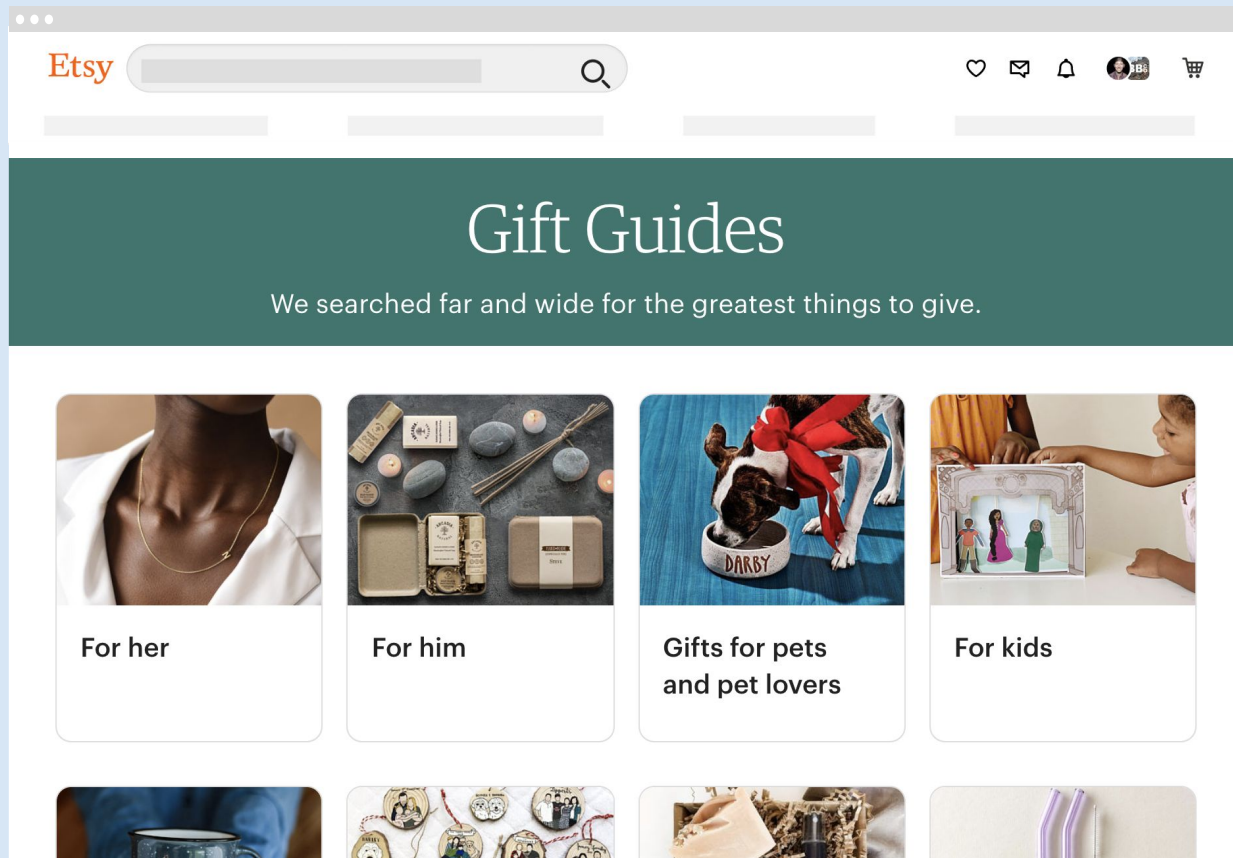
*Redeemable until DATE, 2020. Can be used on Etsy.com at any shop that lists Etsy gift cards as a form of payment. Cannot be redeemed for cash except as required by law to return your balance. Please visit [etsy.com/termsandconditions](#). Please see the [Etsy Gift Cards and Etsy Credits Policy](#) for additional terms and conditions. Use of this gift credit constitutes acceptance of these terms. You are receiving this email because you registered on Etsy.com with this email address. To stop

'Gift like you mean it' on Etsy

Sales Hub to encourage early Holiday shopping incorporating influencer activations during peak shopping

Earlier visibility of Holiday onsite by curating merch on landing pages highlighting holiday decor and gifting

Gift guides to make Etsy the go-to destination for Holiday



Introducing new creative focused on building brand affinity
and deepening the emotional connection to Etsy



Leaning into TV in Q4 as part of our
'Gift like you mean it' campaign



Custom Portrait
★★★★★

CREATIVE FOCUSED ON DRIVING PURCHASES

Amping up our full-funnel marketing investments

- Scaling investments across new and mature channels (PLA, SEM, Social, Podcasts, Video, and TV)
- Utilizing new approaches -- influencer marketing, exclusive “Collections” with celebrities
- Broadening our reach to international markets and connecting with new audiences
- Leveraging CRM to drive efficiency and repeat behavior

Influencer Collections were popular among new buyers in Q3'20

Limited Edition Influencer Collections



JoJo Fletcher
×
Etsy



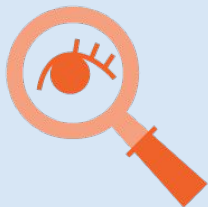
Tia Mowry
×
Etsy



Tan France
×
Etsy

Infrastructure investments enable more efficiency as we scale and have a long-term positive impact

Search Infrastructure



1 Infrastructure Engineer for every 4 engineers

Site Performance



Reduced page load times on mobile by 26% vs 2017

Developer Platform

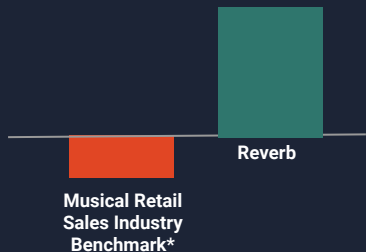


Maintained our rapid deployment cadence of pushing code every 30 minutes on average

Reverb performs well; invests in growth

Reports \$205M in GMS

Investments in product, marketing and customer support



*Q3 20 Music Trades Music Retail Sales Report

Combine & Save feature enables sellers to offer more competitive shipping rates



Electric Guitars > Solid Body > Gibson

Gibson Les Paul Standard '60s 2019 - 2020

Excellent

\$2,499.99

+ \$10 Shipping
\$2 shipping when combined

As low as \$81/month with **affirm** [Learn more](#)

Add to Cart

Make an Offer **☆ Watch**

This seller is open to offers

Buy With Confidence
 Reverb Protection has you covered. We provide a safe community for finding the gear you want.

SHIPPED FROM
Sam Ash NYC
 New York City, NY, United States
 ★★★★★ (821)
 Sales 1000+ Joined Reverb 2014

Preferred Seller
Quick Responder
Quick Shipper

Message Seller **Payment & Returns**

FIND MORE ON REVERB

Gibson Les Paul Standard '60s 2019 - 2020

Better than expected GMS, Revenue, and Adjusted EBITDA

GMS

\$2.6B

+119% Y/Y

Revenue

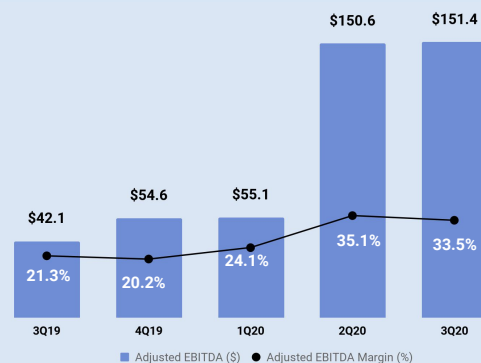
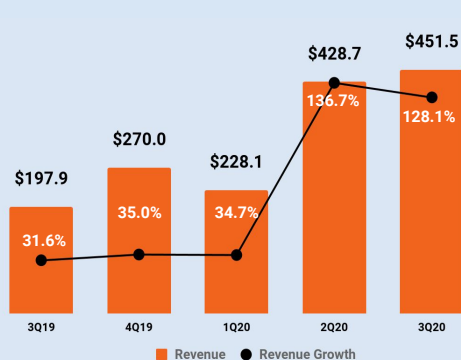
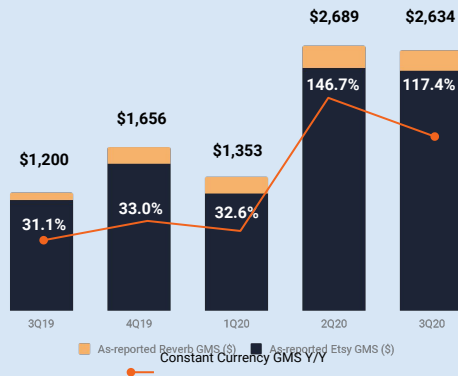
\$451M

+128% Y/Y

Adjusted EBITDA¹

\$151M

~34% Adjusted EBITDA
Margin

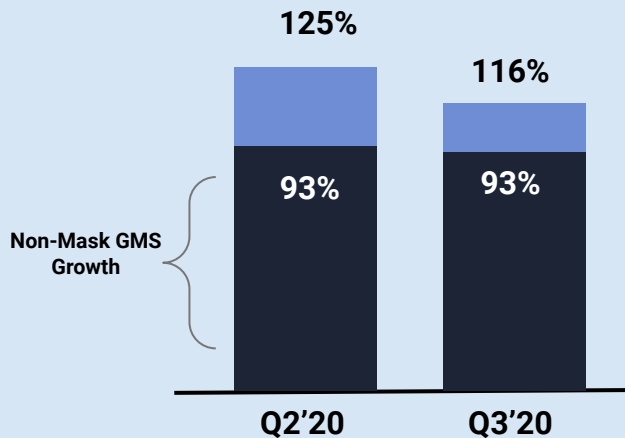


¹Reconciliation of non-GAAP financial measures is contained in the appendix

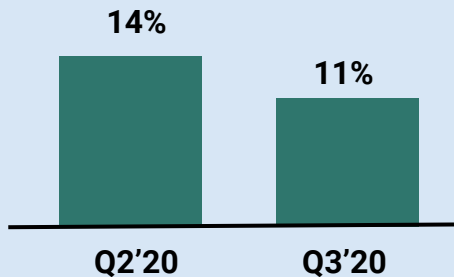
All results are Consolidated and include Reverb financial results from the date of acquisition (August 15, 2019)

Sequential deceleration in GMS growth primarily driven by a steady decrease in mask sales, and the deceleration of new buyer growth

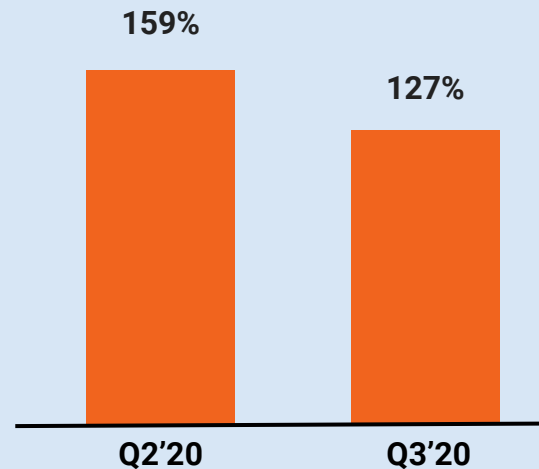
GMS Growth & Non-Mask GMS Growth Y/Y
[Non-Mask GMS holds steady]



Masks as a % of GMS
[Masks contract]



New Buyer Growth Y/Y
[New buyers decelerate]



Key Revenue Drivers

Marketplace Revenue* up 141% Y/Y
(76% of Q3'20 revenue)

Revenue growth driven by
GMS volume

Continued expansion of Etsy
Payments

Transaction revenue* Y/Y

+121%

Q3'20 GMS Processed through
Etsy Payments

92%

Up from 88% in Q3'19

Services Revenue* up 95% Y/Y
(24% of Q3'20 revenue)

Advertising continues stellar
growth trends

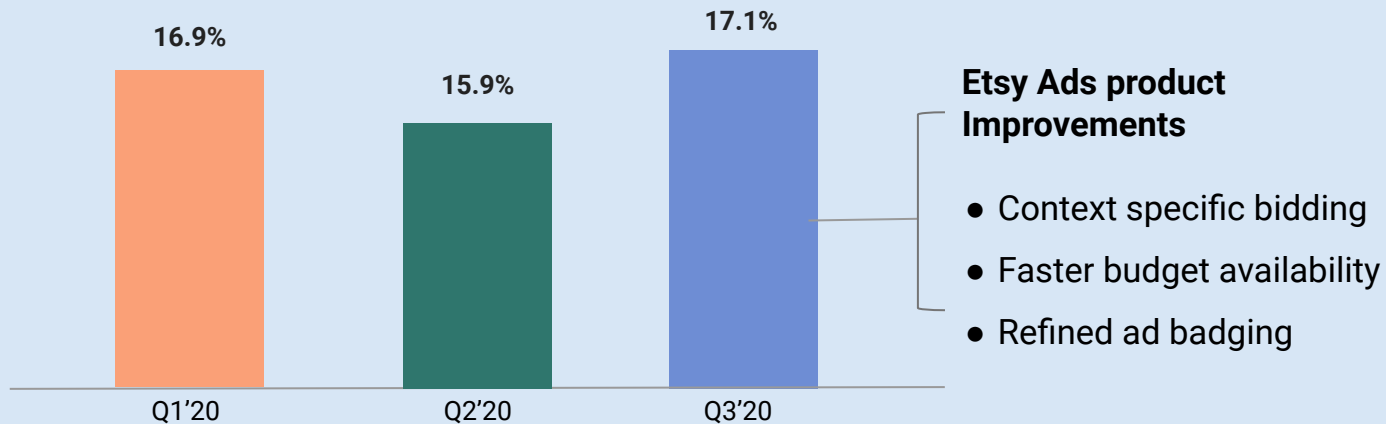
Etsy Ads Y/Y

+106%

*Metrics represented are Consolidated and include Reverb from the date of acquisition

2020 take-rate by quarter

*Consolidated results...Scale for
illustrative purposes only*



Optimizing investments across marketing channels

Etsy Standalone Marketing Spend Channel Mix

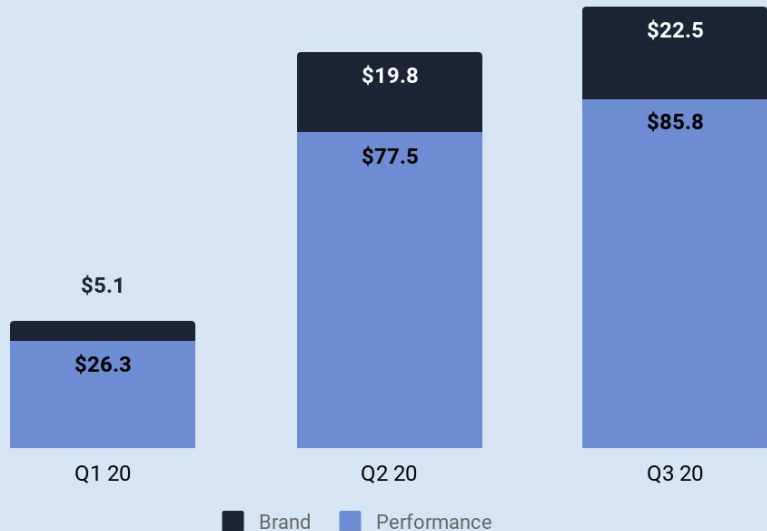
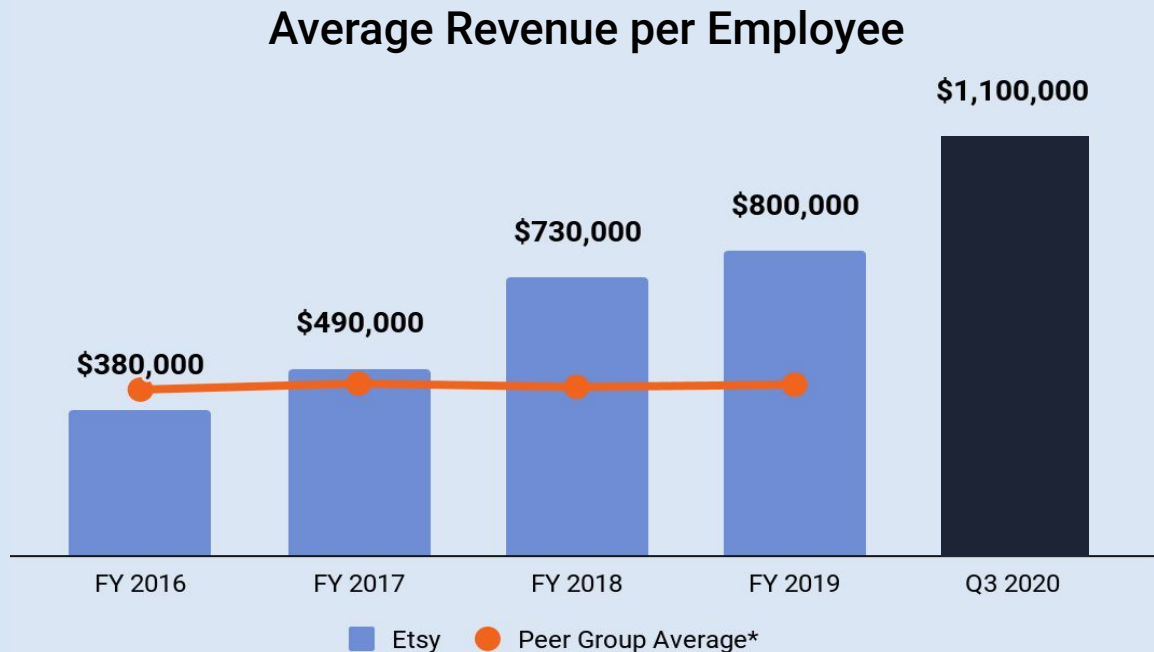


Chart data reflects direct marketing, Performance and Brand, for the Etsy Standalone marketplace, which excludes headcount related spend and Reverb

Marketing Spend Highlights

- Total consolidated marketing spend was \$127M, up 153%
- Leaning more heavily into upper funnel strategies to elevate the brand and amplify our sellers
- Upper funnel marketing spend for the Etsy standalone marketplace, including television and digital video, was 18% of consolidated marketing spend, or approximately \$23 million, in the third quarter
- As we shift a greater percentage of our spend to brand marketing, more of the return will be realized in future quarters

Investing in the future...hiring has yet to catch up with our growth and scale



*Peer Group Average includes select marketplace peers

Average Revenue per Employee is based on the Etsy Standalone marketplace.

Q3 2020 reflects TTM revenue and YTD average headcount

Record quarterly operating metrics for the Etsy marketplace

Active Buyers

1+ purchase days (TTM)

69M

+56% Y/Y

Repeat Buyers¹

2+ purchases days per year (TTM)

27M

+70% Y/Y

Metrics represented are for the Etsy standalone marketplace and do not include Reverb

¹Repeat Buyers exclude Habitual Buyers

²TTM GMS per Active Buyer reflects results from the Etsy standalone marketplace

Mask Only Buyers

1+ mask purchases (TTM)

7M

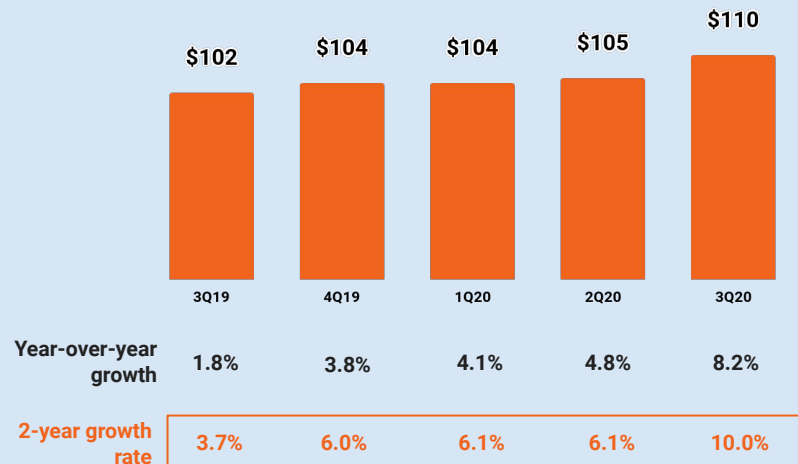
Habitual Buyers

6+ purchases days per year (TTM)

5M

+104% Y/Y

GMS per Active Buyer²

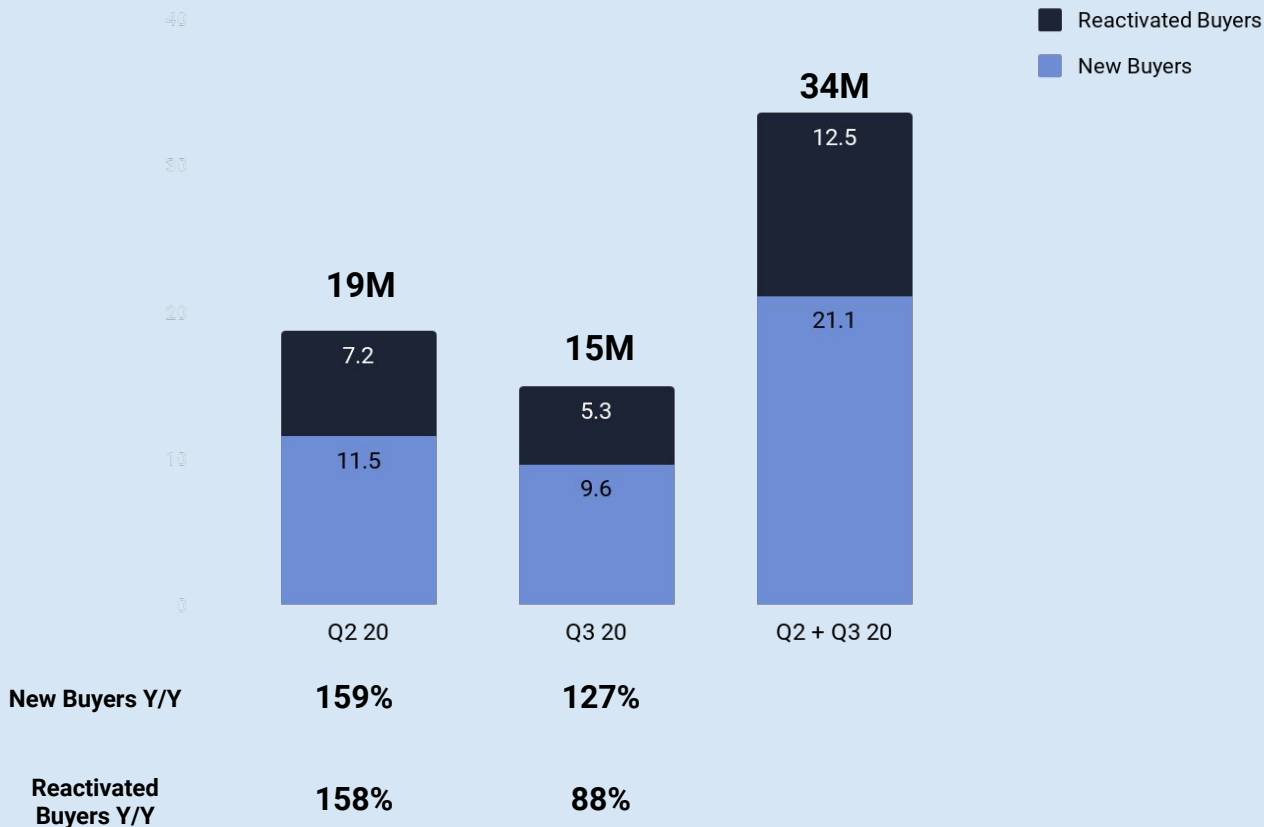


Encouraging buyer frequency metrics

New and Reactivated Buyers (whose first or 'reactivated' purchase was in Q2 20)

with 4 or more purchases across 2 or more categories (90 day look after first purchase)

12%



New buyers are defined as buyers who are unique and never made a purchase before
Reactivated buyers are buyers that haven't purchased in a year or more
Metrics represented are for the Etsy standalone marketplace and do not include Reverb

Driving seller success

Active Sellers (TTM)

3.5M

+43% Y/Y

TTM GMS per Seller

\$2,166

+18% Y/Y

Active Listings

80M

+20% Y/Y

Seller Initiatives



Helping Sellers
Scale



Investing in
Member Support



Etsy Payments
Expansion

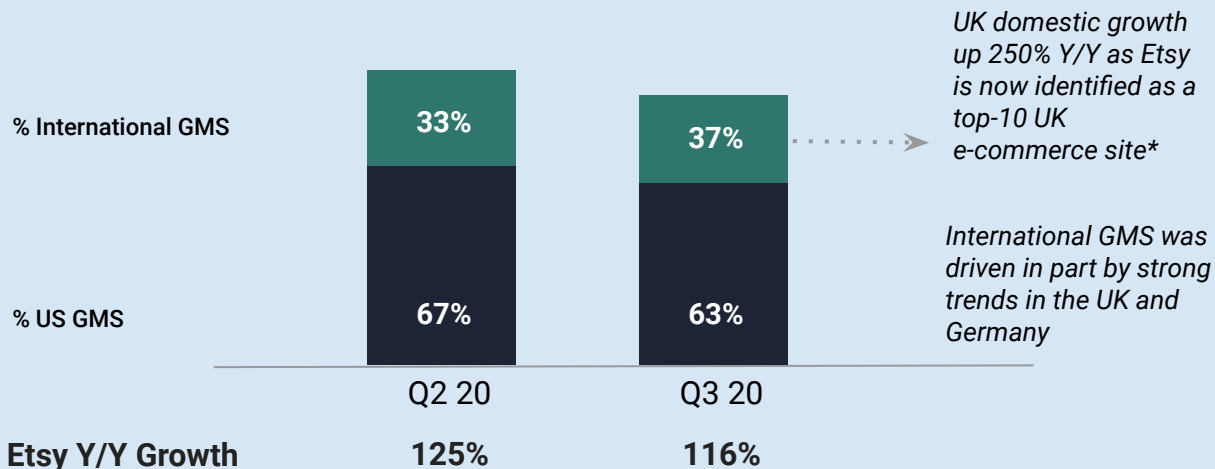
Strong trends in international markets

Q3'20 % International GMS

37%

+340 bps Q/Q

International vs. US GMS



Metrics represented are for the Etsy standalone marketplace and do not include Reverb

*Source: Comscore MMX Multi-Platform, Total Audience, Jan 2019-Sept 2020, UK

Capital light business model delivers strong EBITDA and Free Cash Flow

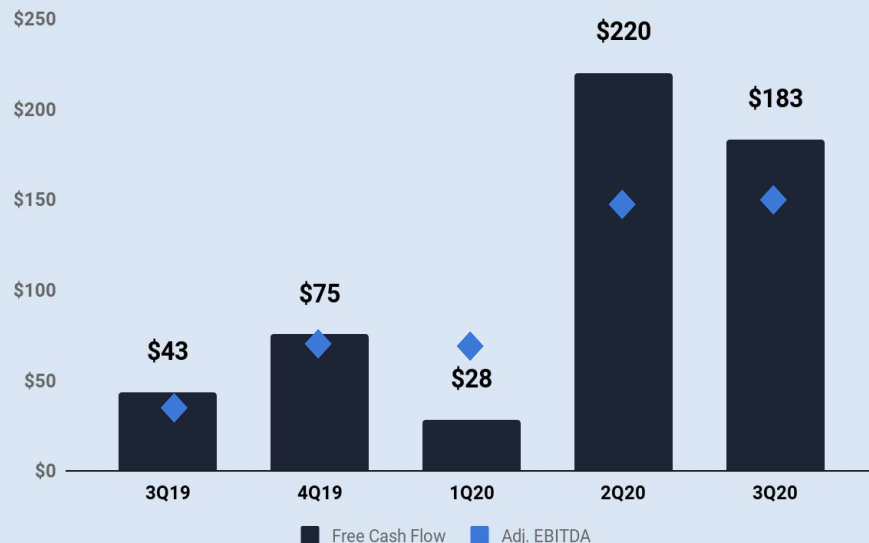
Cash Balance 9/30/20¹

\$1.5B

¹Cash, Cash Equivalents, and Short Term Investments

²Reconciliation of non-GAAP financial measures is contained in the Appendix. Free Cash Flow is based on trailing twelve month operating cash flow, PP&E, and development of internal use software

Adj. EBITDA & Free Cash Flow² (\$M)



Q4 Guidance

Q4 Consolidated Guidance October 28, 2020

GMS (\$)	~\$2.7B-\$3.1B
GMS Growth (%)	65% - 85%

Revenue (\$)	~\$459M-\$513M
Revenue Growth (%)	70% - 90%

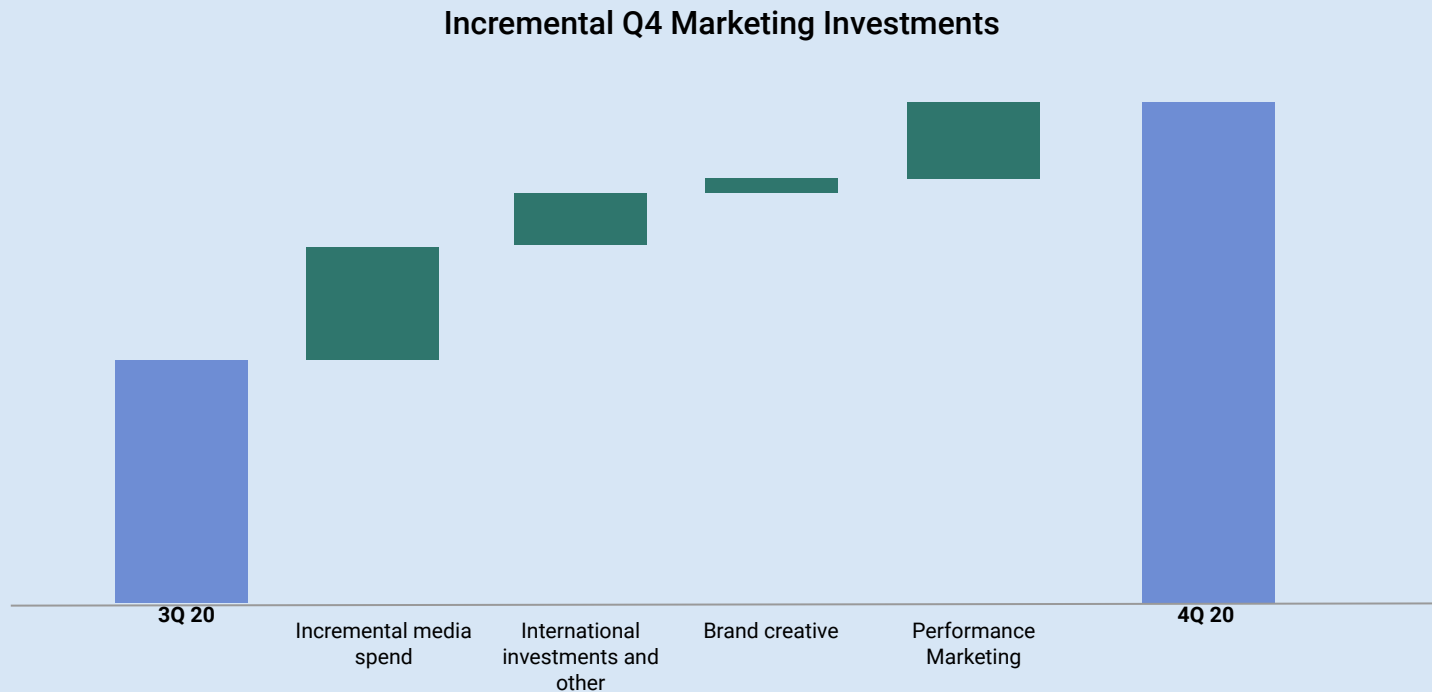
Adj. EBITDA* (\$)	~\$117M-\$131M
Adj. EBITDA Margin (%)	24% - 27%

*Based on the mid-point of Q4 2020 revenue guidance. Reconciliation of non-GAAP financial measures is contained in the Appendix.

Key factors potentially impacting our 2020 guidance are contained in the Appendix.

Further scaling marketing investments in Q420

Scale for illustrative purposes



Etsy

Boop
THE VOTE

Q&A

Appendix

Key factors impacting our Q4 Guidance

We anticipate that the key factors impacting Q4 GMS and revenue guidance will be:

- Headwinds and tailwinds, including but not limited to the following: macro factors including holiday-related consumer spending, shift in spend from offline to online, economic environment, competitive dynamics, retail store closures, consumer confidence, government stimulus, job losses; and Etsy-specific factors including demand for face masks and mask adjacent items, and frequency of new buyer cohorts.
- Continued visit growth and conversion rate improvements driven by global product launches enhancing the buying experience.
- Incremental GMS and brand awareness from marketing investments.
- The continued impact from Offsite Ads, which is expected to generate incremental revenue in the form of an advertising fee to sellers.
- Additional external factors that may offset some growth include: changes to sales taxes and VAT, regulatory changes, currency fluctuations, global elections, and the potential for geopolitical events that impact trade and mindshare, including, among other things, the COVID-19 pandemic and the US election.
- The lapping of Etsy's acquisition of Reverb (which we currently expect will grow more slowly than the Etsy marketplace in Q4) and the benefit of Etsy's free shipping initiative.

We anticipate that the key factors impacting our Q4 Adjusted EBITDA guidance will be:

- Planned investments in product development, employees, technology infrastructure, and marketing, including investments in channels with more speculative and/or long-term returns.
- Adjusted EBITDA associated with the acquisition of Reverb, which we expect to be a drag on consolidated EBITDA margin for Q4.

*These and other risks and uncertainties are more fully described in in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed with the SEC, and subsequent reports that we file with the SEC.

Condensed Consolidated Statements of Operations

	Three Months Ended 9/30/20	Three Months Ended 9/30/19
(in thousands)		
Revenue	\$451,478	\$197,947
Cost of revenue	120,168	68,949
Gross profit	331,310	128,998
<i>Marketing</i>	126,779	50,098
<i>Product development</i>	45,908	32,465
<i>General and administrative</i>	40,454	32,203
Operating expenses	213,141	114,766
Income from operations	118,169	14,232
Other expense, net	(27,776)	(4,143)
Benefit for income taxes	1,368	4,712
Net income	\$91,761	\$14,801
Net income per share — diluted	\$0.70	\$0.12

Condensed Consolidated Statements of Cash Flows

	Nine months ended 9/30/20	Nine months ended 9/30/19
(in thousands)		
Net Income	\$200,708	\$64,603
<i>Net cash provided by operating activities</i>	<i>435,289</i>	<i>128,339</i>
<i>Net cash provided by (used in) investing activities</i>	<i>41,643</i>	<i>(208,255)</i>
<i>Net cash provided by financing activities</i>	<i>220,574</i>	<i>388,188</i>
Effect of exchange rate changes on cash	4,175	(3,488)
Net increase in cash, cash equivalents, and restricted cash	701,681	304,784
Cash, cash equivalents, and restricted cash at the beginning of the period	448,634	372,326
Cash, cash equivalents, and restricted cash at the end of the period	\$1,150,315	\$677,110

Condensed Consolidated Balance Sheets

	As of Sept. 30, 2020	As of Dec. 31, 2019
(in thousands)		
Cash and cash equivalents	\$1,144,974	\$443,293
Short-term investments	379,586	373,959
Accounts receivable, net	16,311	15,386
Property and equipment, net	118,141	144,864
Other current and non-current assets	555,493	564,850
Total assets	\$2,214,505	\$1,542,352
Accounts payable	\$22,130	\$26,324
Long-term debt, net	1,054,604	785,126
Other current and non-current liabilities	471,104	324,268
Total liabilities	1,547,838	1,135,718
Total stockholders' equity	666,667	406,634
Total liabilities and stockholders' equity	\$2,214,505	\$1,542,352

Reconciliation of Quarterly Net Income to Adj. EBITDA

	Three months ended 9/30/20	Three months ended 9/30/19
(in thousands)		
Net income	\$91,761	\$14,801
Excluding:		
Interest and other non-operating expense, net	9,457	2,194
Benefit for income taxes	(1,368)	(4,712)
Depreciation and amortization	15,754	12,808
Stock-based compensation expense	17,128	12,137
Foreign exchange loss	1,464	1,949
Acquisition-related expenses	392	1,735
Non-ordinary course disputes	-	1,164
Loss on extinguishment of debt	16,855	-
Adjusted EBITDA	\$151,443	\$42,076

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.

	Nine months ended 9/30/20	Nine months ended 9/30/19	2019	2018
(in thousands)				
Operating Cash Flow	\$435,289	\$128,339	\$206,920	\$198,925
Purchases of property and equipment	(388)	(5,889)	(7,528)	(1,019)
Development of internal-use software	(3,685)	(6,242)	(7,750)	(19,537)
Free Cash Flow	\$431,216	\$116,208	\$191,642	\$178,369