



Etsy

# Q3 2021 Financial Results

November 3, 2021



# 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 2021 and key drivers thereof, the uncertain impact that the ongoing COVID-19 pandemic or its eventual abatement may have on our business, strategy, operating results, key metrics, financial condition, profitability and cash flows, on changes in the overall levels of consumer spending, on e-commerce generally and on volatility in the global economy; the impact of our strategy, marketing and product initiatives on our business and operating results; our ability to attract, engage, and retain buyers and sellers; our future investments; our intended economic, social and environmental impacts; and the size and our ability to capitalize on our large market opportunity; our ability to successfully integrate Depop and Elo7 and the anticipated impact of sharing expertise across Etsy's House of Brands; and the potential impact of our acquisition of Depop and Elo7 on our market opportunity and on Etsy's future consolidated 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 "aim," "anticipate," "believe," "could," "enable," "estimate," "expect," "goal," "intend," "may," "plan," "potential," "target," "will," 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) our ability to continue our rapid growth; (2) risks related to the ongoing COVID-19 pandemic, which continues to impact our business and results of operations in numerous ways that remain volatile and unpredictable, and risks related to the pandemic's eventual abatement and return to pre-COVID consumer shopping behavior; (3) the fluctuation of our quarterly operating results; (4) our failure to meet our publicly announced guidance or market expectations; (5) our ability to successfully execute on our business strategy or if our strategy proves to be ineffective; (6) our ability to attract and retain active and engaged communities of sellers and buyers; (7) macroeconomic events that are outside of our control; (8) our ability to recruit and retain employees; (9) the importance to our success of the trustworthiness of our marketplaces and the connections within our communities; (10) our ability to enhance our current offerings and develop new offerings to respond to the changing needs of sellers and buyers; (11) the effectiveness of our marketing efforts; (12) the effectiveness of our mobile solutions for sellers and buyers; (13) our ability to expand our business in our core geographic markets; (14) regulation in the area of privacy and protection of user data; (15) our dependence on third-party payment providers; (16) our ability to successfully integrate the Depop and Elo7 acquisitions and execute on our 'House of Brands' operating model; (17) acquisitions that may prove unsuccessful or divert management attention; and (18) the potential misuse or disclosure of sensitive information about members of our communities and the potential for cyber-attacks. These risks and uncertainties are more fully described in our filings with the Securities and Exchange Commission, including in the section entitled "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ending June 30, 2021 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

Excellent Q3 21  
financial  
performance...  
primarily driven by  
outperformance of  
the Etsy marketplace

Non-Mask GMS Growth Y/Y

**+24%**

*For the Etsy Marketplace...*

**+138%**

*...on a two-year basis*

Q3 21 GMS

**\$3.1B**

**+17% Y/Y**

*Currency-Neutral*

Q3 21 Revenue

**\$532M**

**+18% Y/Y**

Q3 21 Adjusted EBITDA<sup>1</sup>

**\$174M**

**~33% Adj. EBITDA Margin**

<sup>1</sup> Reconciliation of non-GAAP financial measures is contained in the Appendix

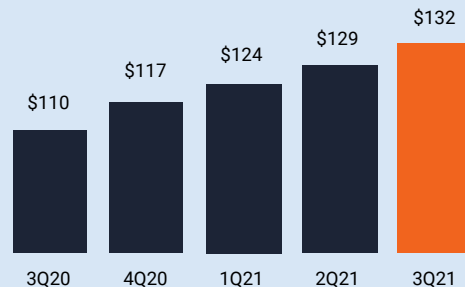
GMS, revenue and adjusted EBITDA are consolidated unless otherwise indicated. Y/Y reflects Q3 2021 vs. Q3 2020, two-year growth reflects Q3 2019 vs. Q3 2021

# Larger scale amplifies our Right to Win strategy, further transforming customer experiences



## GMS per Active Buyer\*

Q3 21  
+20% Y/Y

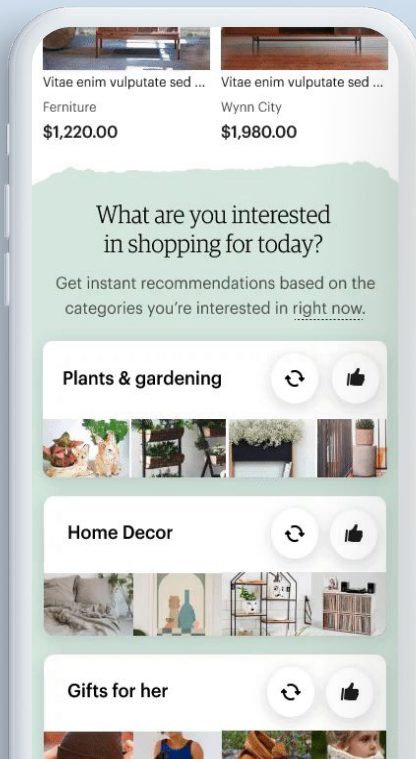


\*Etsy marketplace results

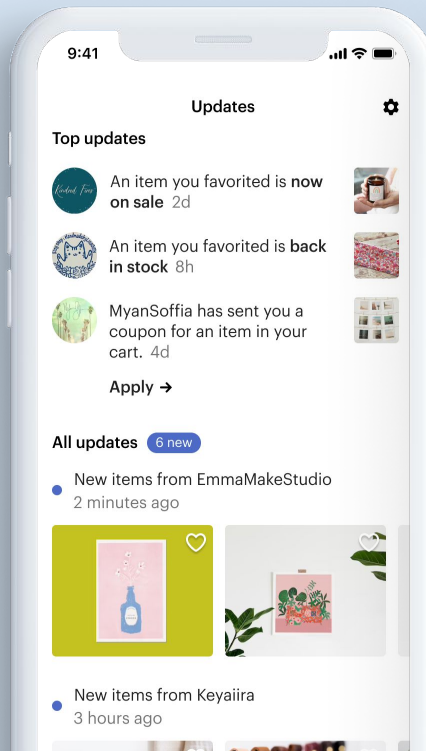
Investing in experiences to create **inspiration**

Engaging buyers early, and bringing them back to Etsy

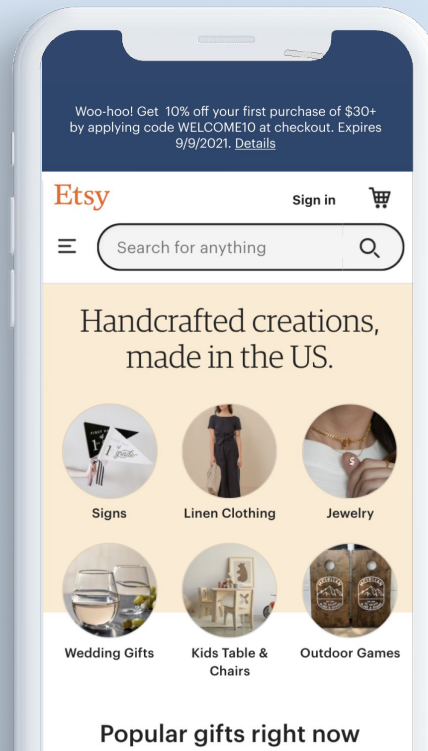
## Buyer Onboarding



## Updates



## Strategic Discounting

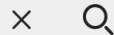


Delivering  
real-time  
personalization,  
making the  
on-site  
experience **faster**  
and more efficient

A user's **previous search** for **leather accessories...**

Etsy

leather accessories



Leads to results in their next reformulated **in-session** query for “wallets” highlighting **leather wallet** listings rather than many other possible types of wallets



A Slim Kangaroo Leather Wallet With Under Po...  
★★★★★ (771)  
\$123.99 **FREE shipping**  
RoseLeatherCrafting  
Etsy's Pick  
More like this →



Leather Bifold Wallet Full Grain / Modern Leath...  
★★★★★ (16)  
\$126.00 ~~\$144.00~~ (10% off)  
HopeLeatherCreations  
**FREE shipping**  
More like this →



Dark Brown Leather Card Holder, Slim Minimal...  
★★★★★ (809)  
\$100.42 **FREE shipping**  
KingsleyLeather  
Etsy's Pick  
More like this →



The Standard Leather Bi-Fold Wallet w/ Person...  
★★★★★ (532)  
\$125.00 **FREE shipping**  
BlackthornLeather  
Only 2 left — order soon  
More like this →



Men's Bifold Wallet in Orange Ostrich Leather  
★★★★★ (45)  
\$149.00 **FREE shipping**  
Ad by SeanRayLeatherStudio  
More like this →



Custom Black Ostrich Leg Men Wallet, Bifold W...  
★★★★★ (80)  
\$118.00 **FREE shipping**  
Ad by BrosLeatherVN  
Only 2 left — order soon  
More like this →

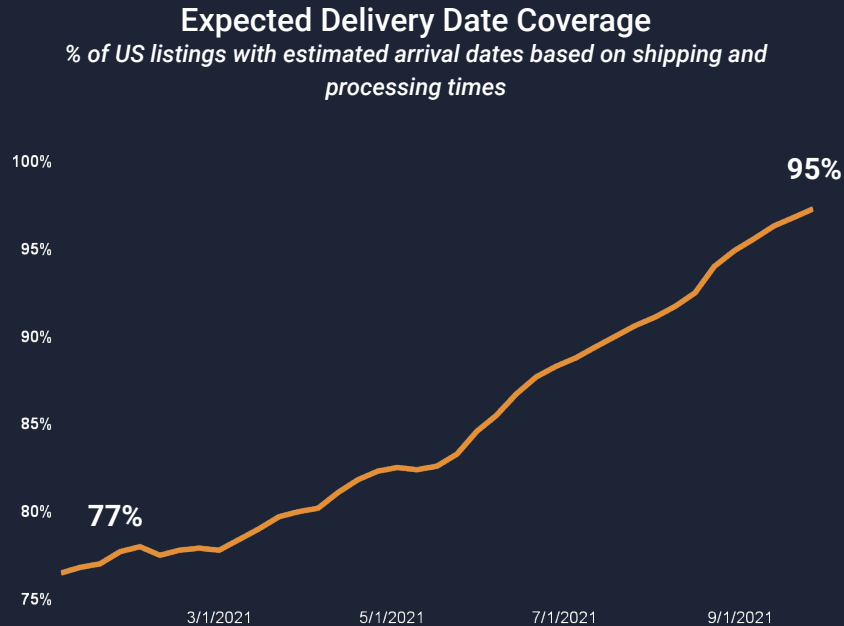


Hand Stitched Leather Strap Long Wallet  
★★★★★ (400)  
\$160.06  
Ad by ArtemisLeatherware  
Only 2 left — order soon  
More like this →



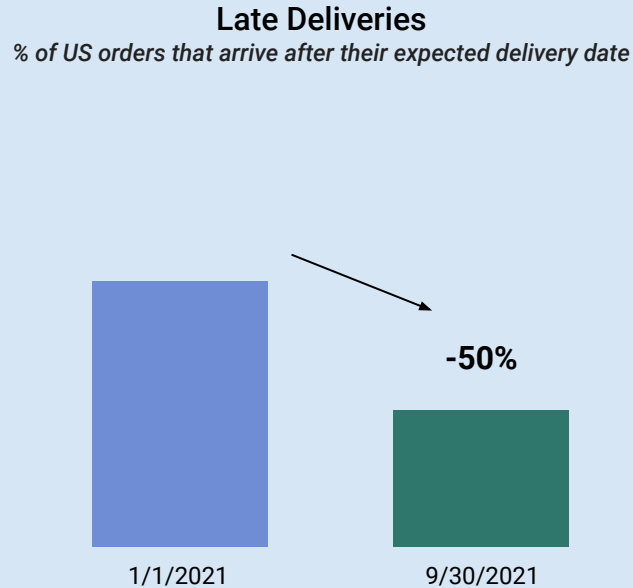
NEW iPhone 13 Pro Max and iPhone 13 Pro 2021...  
★★★★★ (224)  
\$102.87 **FREE shipping**  
Ad by CoconesStudio  
More like this →

Ready for holiday with better fulfillment transparency...



Coverage of US listings where we provide buyers a delivery date expectation

...making Etsy an even more **reliable** place to shop

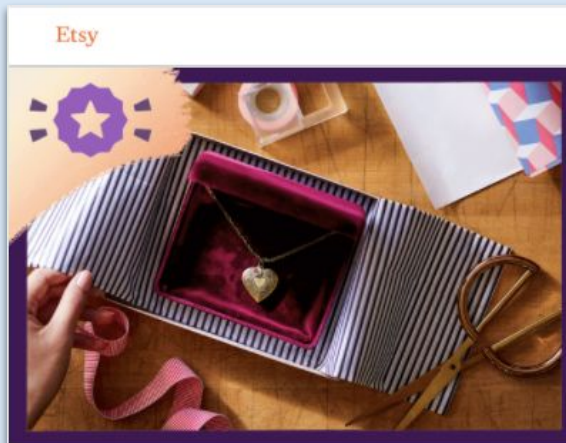
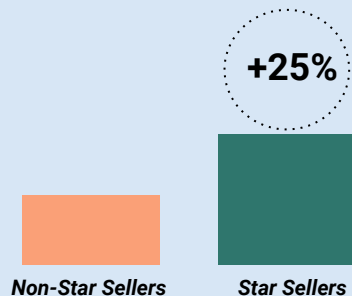


We've cut in half the number of shipments that arrive after their estimated delivery date

# Our Star Seller program is also focused on improving the **reliability** of shopping on Etsy

*We're investing in our sellers' success: the New 'Sell on Etsy' App<sup>1</sup>*

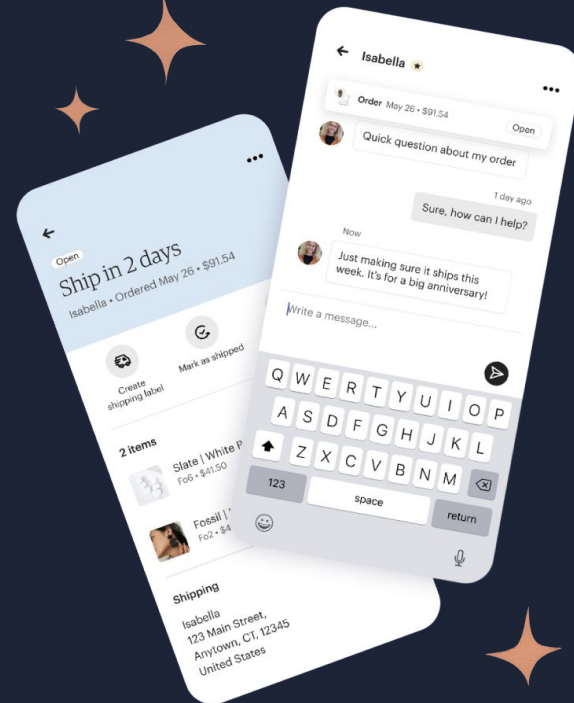
## Repeat Purchase Rate\* Star Sellers vs. Non-Star Sellers



## Star Seller: Celebrating the best in customer experience

We've got some exciting news for you. Etsy is introducing **Star Seller**: a new way to recognize and reward sellers like you who have a proven record of consistently offering an excellent customer experience.

Starting in September, you could be eligible to earn a special Star Seller badge on your shop.



\*Repeat Purchase Rate measured M/M in September 2021

<sup>1</sup>Preview version available to all sellers

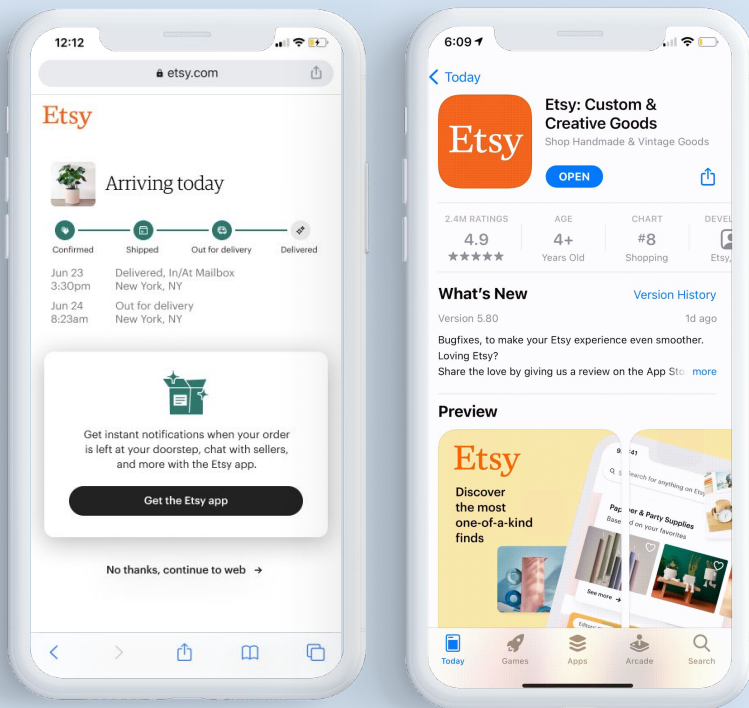


By driving buyers to the app, we significantly increased downloads, engagement and frequency

Etsy is now the **#5 shopping app** in the iOS Apple Store

\*Data and stats are as of early September 2021

We're transitioning Buyers from Mobile Web to the Mobile App



**+36%** increase  
in App Downloads YTD



Incremental GMS;  
% share of App GMS  
**surpassed mobile web  
for the 1st time!**



Higher Repeat Visit  
and Purchase Rate



Increase in favoriting



Increase in listing  
views

Sustainable packaging enables sellers to join our environmental commitment while building buyer loyalty

Etsy's planet-friendly packaging initiative is an important step towards achieving our commitment of Net Zero by 2030



*Etsy branded Planet-Friendly Packaging that became available for sale to sellers on 9/22 through EcoEnclose, a third party packaging vendor.*

# Investing in creative new approaches to broaden the reach of our brand

## The Etsy House

Our first-ever interactive, augmented-reality experience that allows shoppers to “walk through” and shop a digital home filled with high quality, curated items

Other examples of brand building marketing initiatives:

- Bus and Subway Ads in the UK
- Etsy Design Awards
- Consumer Brand Partnerships



# Reinforcing Etsy as a global holiday shopping destination

1

Extending the Holiday Shopping Period

2

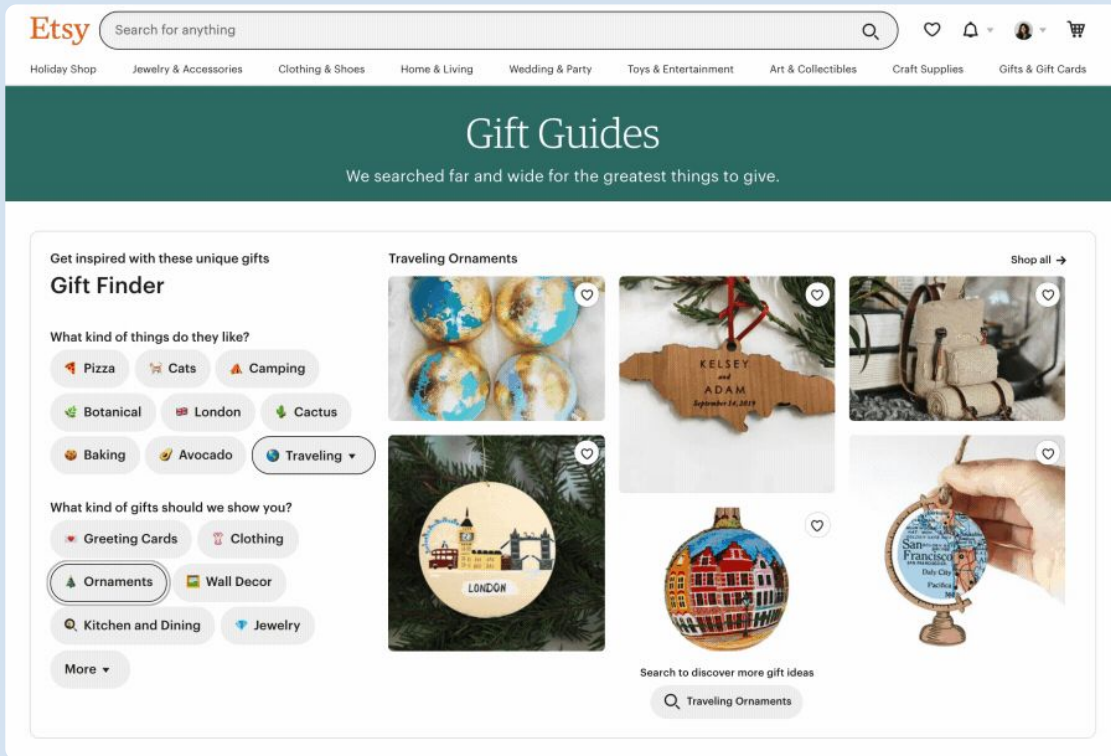
Expanding the Gifting Opportunity

3

Creating Localized Experiences

## NEW Gift Finder Tool

*Designed to help buyers find inspiration among the ~100M items in our marketplace*







Etsy, Inc.'s four marketplaces now form a 'House of Brands' which stands for creativity, community and 'special'



# Etsy

Handmade, Vintage, Craft

## Reverb

Musical Instruments



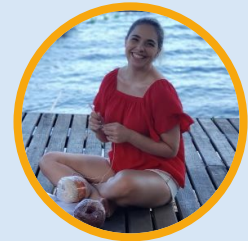
## depop

Fashion Recommerce



## elo7

Brazilian Handmade, Craft







# We had another strong third quarter...

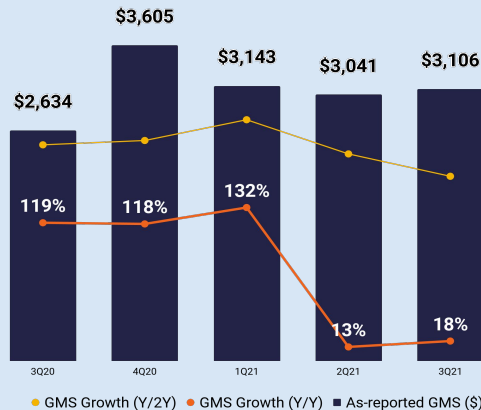
## Consolidated Results

GMS

**\$3.1B**

**+18% Y/Y**

Gross Merchandise Sales (GMS)

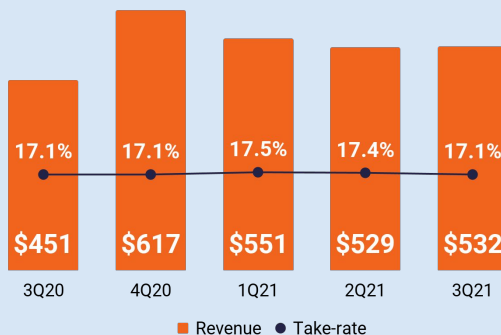


Revenue

**\$532M**

**+18% Y/Y**

Revenue

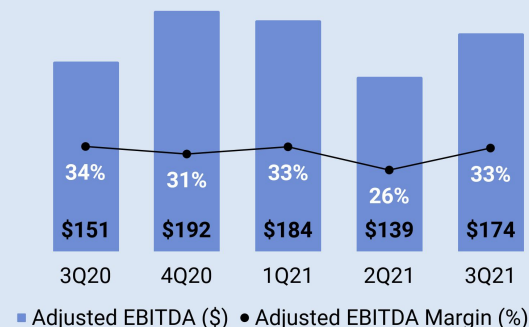


Adjusted EBITDA<sup>1</sup>

**\$174M**

**~33% Adj. EBITDA Margin**

Adjusted EBITDA



<sup>1</sup> Reconciliation of non-GAAP financial measures is contained in the Appendix Consolidated financial results. Y/Y reflects Q2 2021 vs. Q2 2020, \$ in millions, except where noted



With the Etsy marketplace contributing the majority of the outperformance

**Etsy Marketplace Results**

Non-Mask GMS Growth Y/Y

**+24%**

**GMS**

**\$2.7B**

**+12% Y/Y**

**Take-Rate**

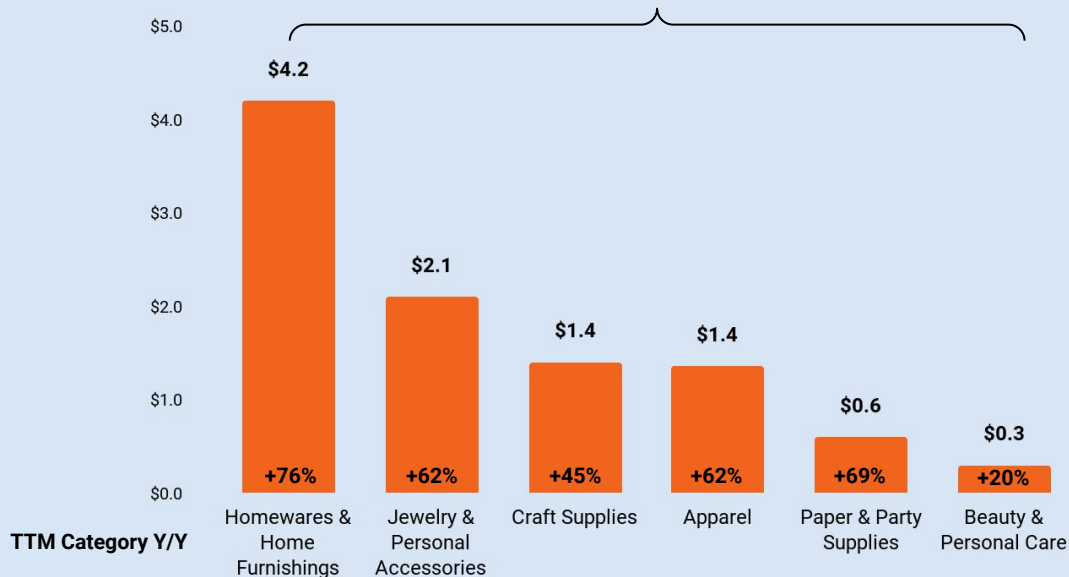
**18%**

**+25 bps**

# Etsy marketplace – top category growth

TTM Category GMS (\$B) and Y/Y Growth

*Top 6 Categories represent **87%** of overall GMS;  
increased **51%** Y/Y*



Category GMS \$ excludes face mask sales and is Etsy marketplace only  
Chart data is reflected based on TTM Category GMS \$

Home & Living



Ceramic Ghost Tea Lights

Jewelry



Embroidered Necklace

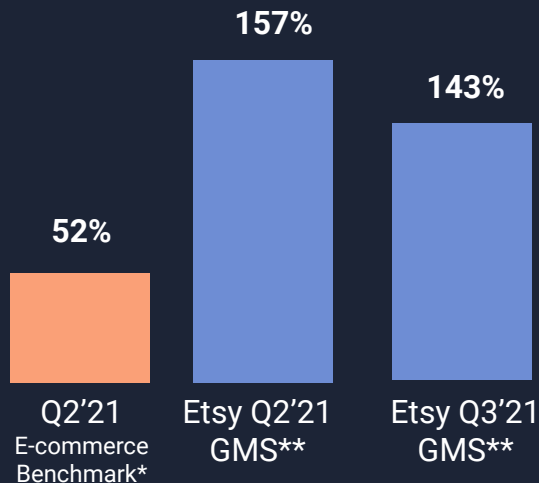
Apparel



Children's Lion Costume

## Outperforming ecommerce on a 2-year basis...

Etsy marketplace **GMS growth (including masks)** vs. e-commerce benchmark growth (2021 vs 2019)

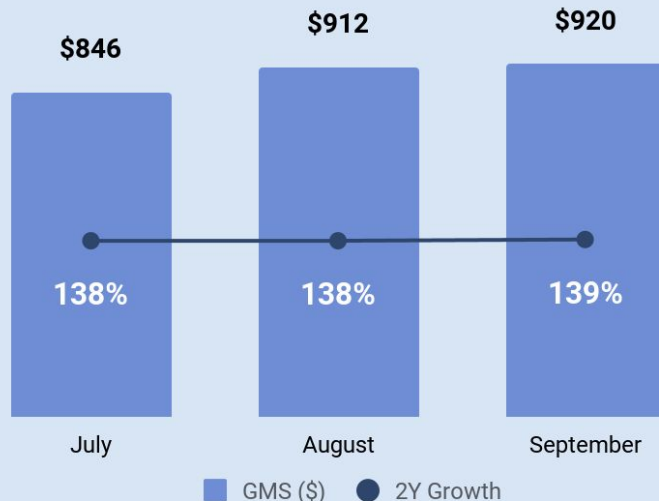


\*E-commerce industry benchmark: US Census Bureau of the Department of Commerce. Estimated Quarterly Total E-commerce Sales excluding Food Services and Travel

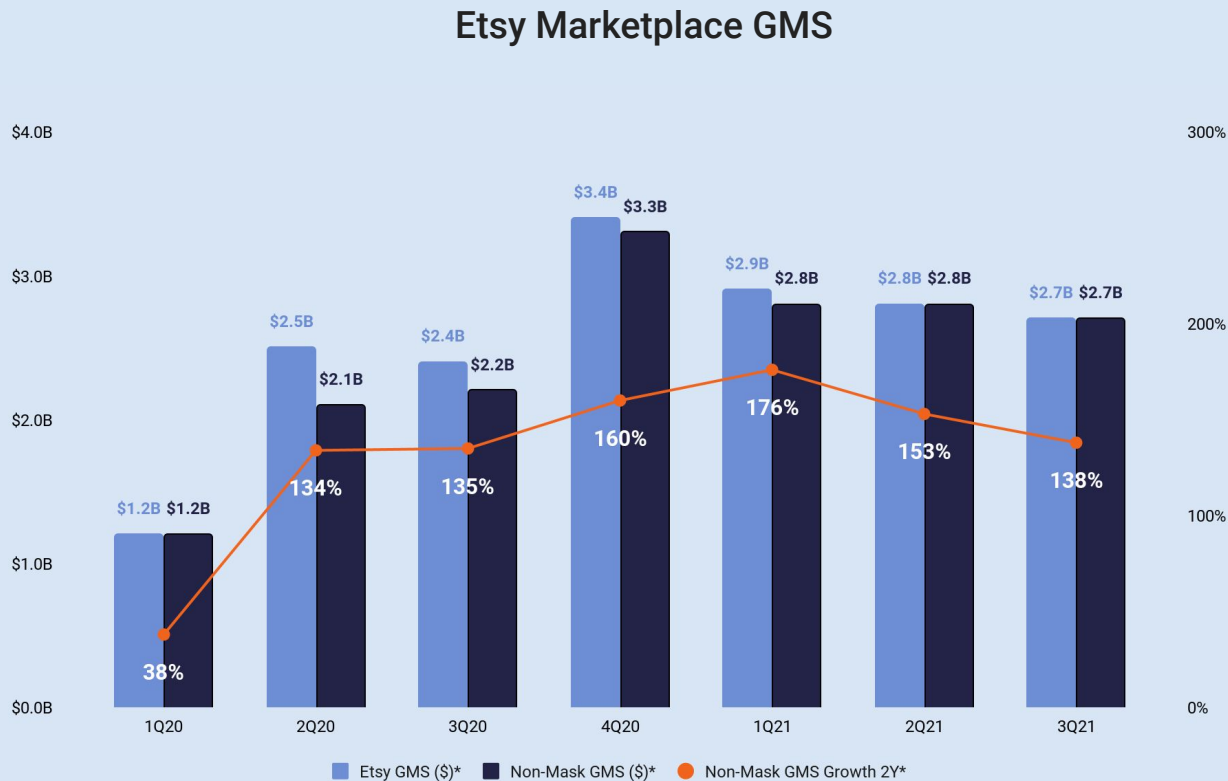
\*\*Etsy marketplace results excluding Reverb, Depop, and Elo7

...and monthly **GMS trends** showed relative stability during the quarter

Q3 21 Monthly **GMS & 2-Year Growth**  
*Etsy marketplace; ex masks*



Non-mask GMS  
growth remains  
stable on a 2-year  
basis



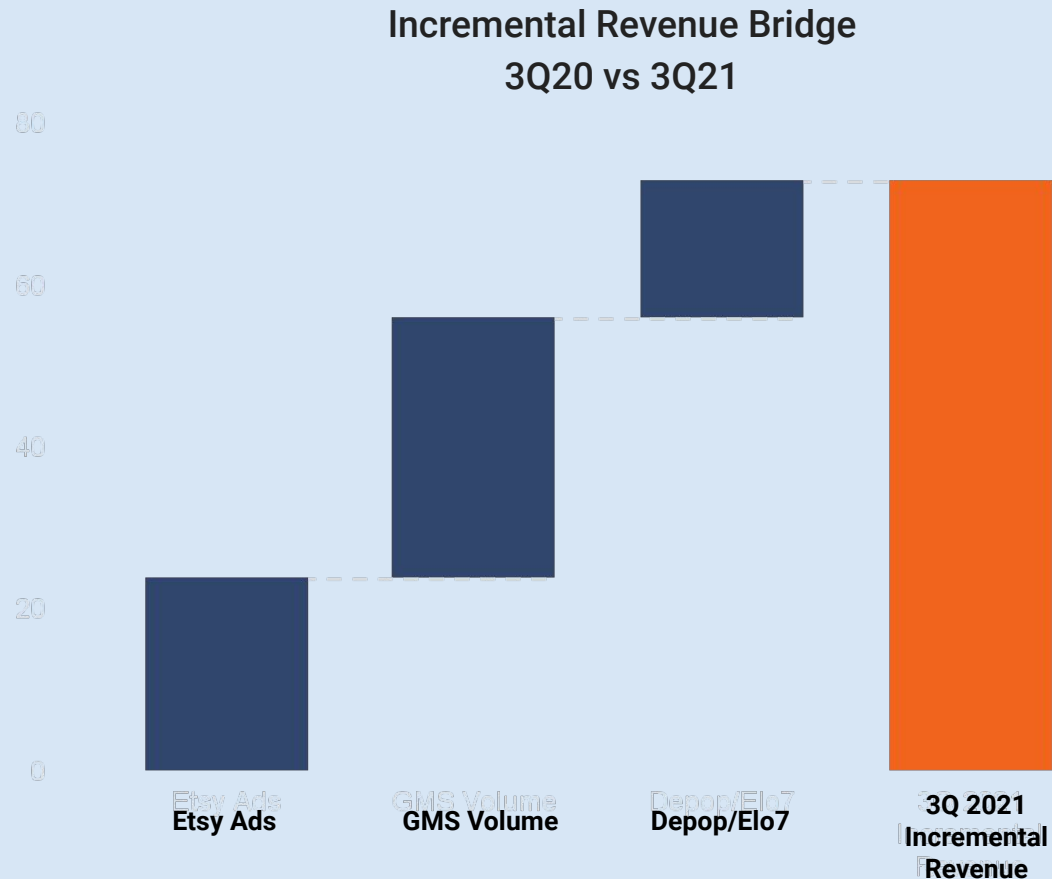
\*Etsy marketplace GMS

4Q20 and 1Q21 includes the benefit to our marketplace from the distribution of stimulus checks in the US

Q3 revenue growth driven by Etsy Ads, GMS volume, and the incremental impact of our recent acquisitions

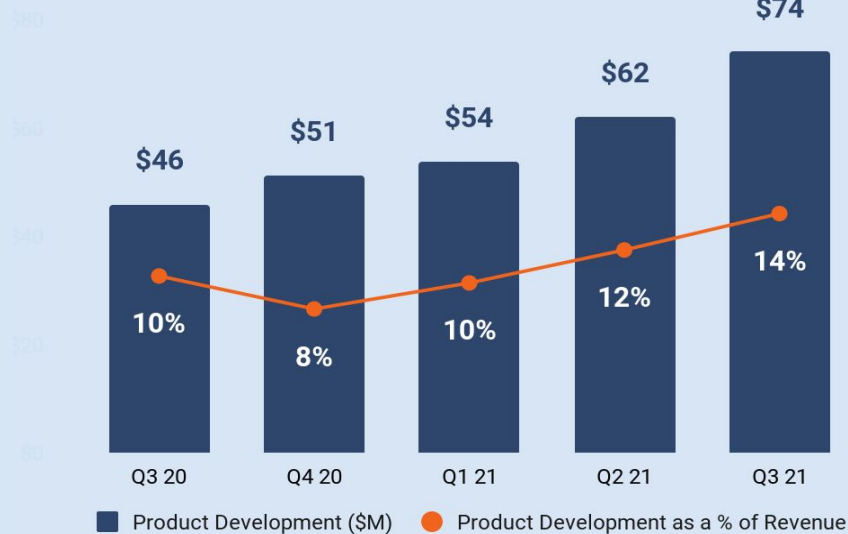
Q3 2021 Consolidated Revenue  
\$532M, up 18% Y/Y

Consolidated take-rate was 17.1%, flat Y/Y despite the inclusion of our recent acquisitions which, on average, have a lower take-rate than the Etsy marketplace

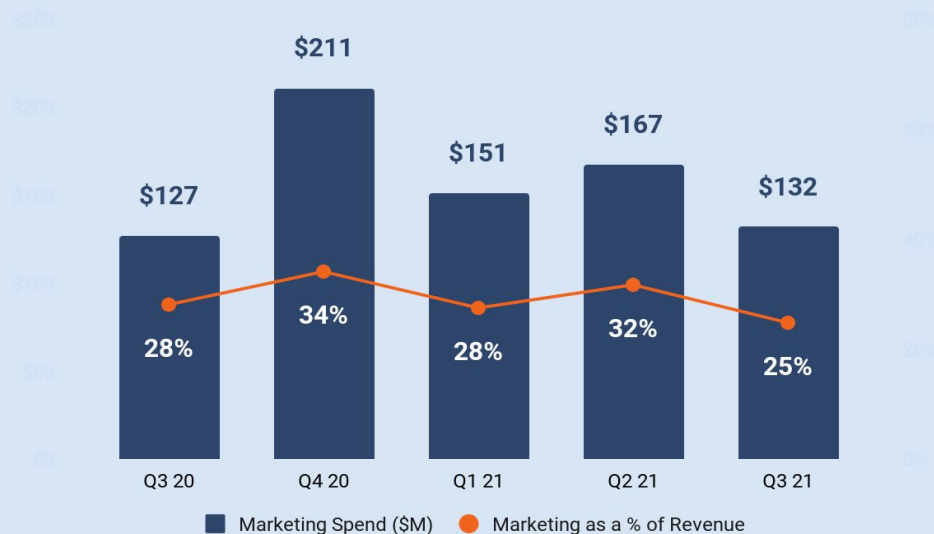


# Disciplined investments in product and marketing serve as a foundation for future growth

## Product Development

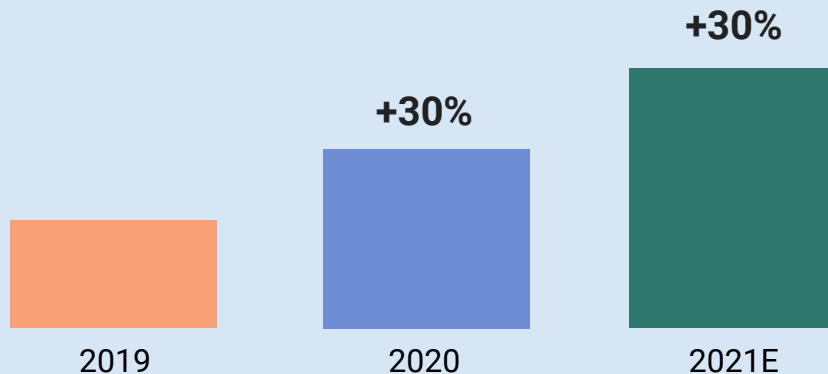


## Marketing Spend



We continue to generate incremental GMS from recent product development and engineering headcount growth

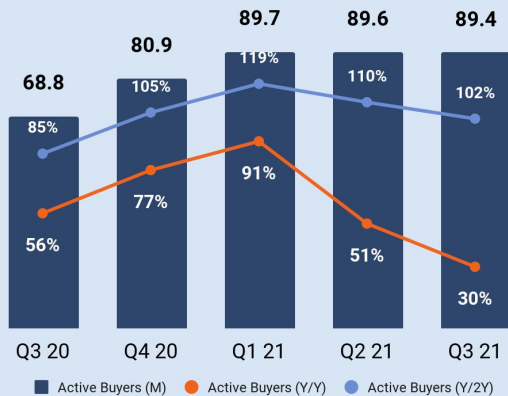
**Product & Engineering Headcount Growth\***  
2019 - 2021



\*Etsy marketplace Product & Engineering headcount growth reflected based on average end of period headcount

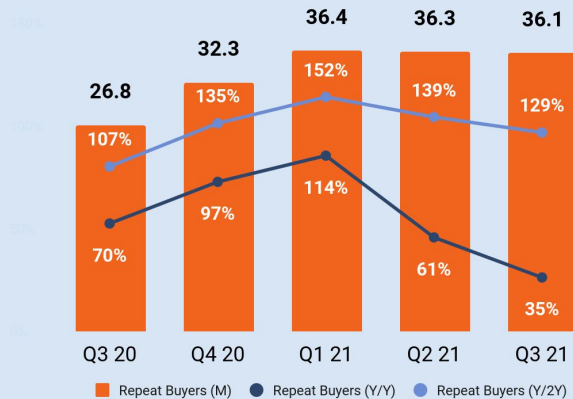
Encouraging performance of buyer segments, particularly on a 2 Yr basis, as we compare to prior year pandemic-driven peaks

Active Buyers



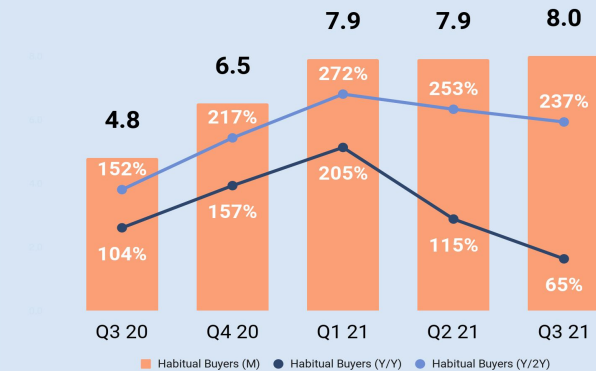
**Relative stability in total active buyers**  
despite declining new buyer growth

Repeat Buyers<sup>1</sup>



**Stable repeat buyers as existing customers**  
**predictably return** to the marketplace

Habitual Buyers



**Habitual buyers expand slightly sequentially**  
driven by frequency

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

<sup>1</sup>Repeat Buyers exclude Habitual Buyers



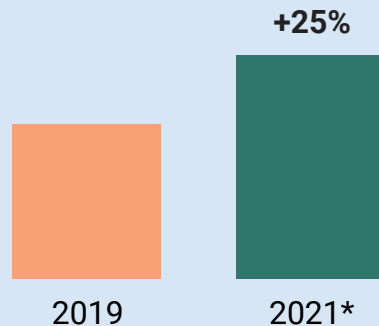
# New buyer purchase trends remain quite healthy

## New Buyers



New Buyers reflects results from the Etsy marketplace

## New Buyer Repeat Purchase Rate 2021 vs 2019



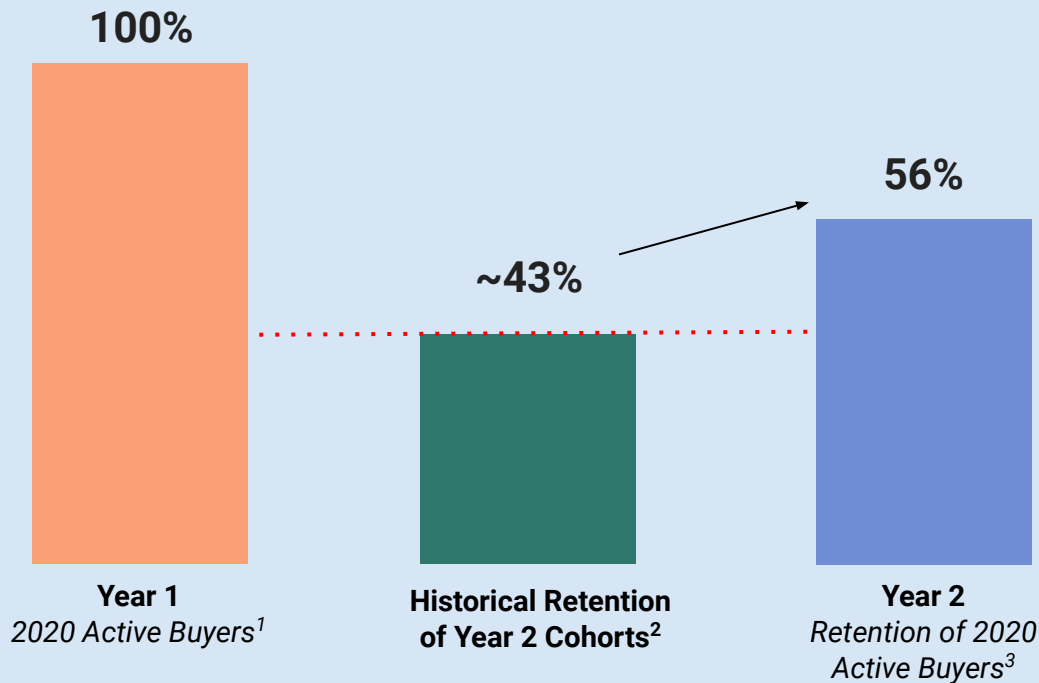
\*30 day New Buyer Repeat Purchase Rate as of 9/30/2021

Retaining many of  
the millions of  
buyers who shopped  
on Etsy in 2020

**56%**

of Active Buyers as of  
3Q20 made at least one  
purchase in their 2nd  
year on the platform

Early data on retention of the 2020 cohorts shows they are  
outperforming historical cohorts



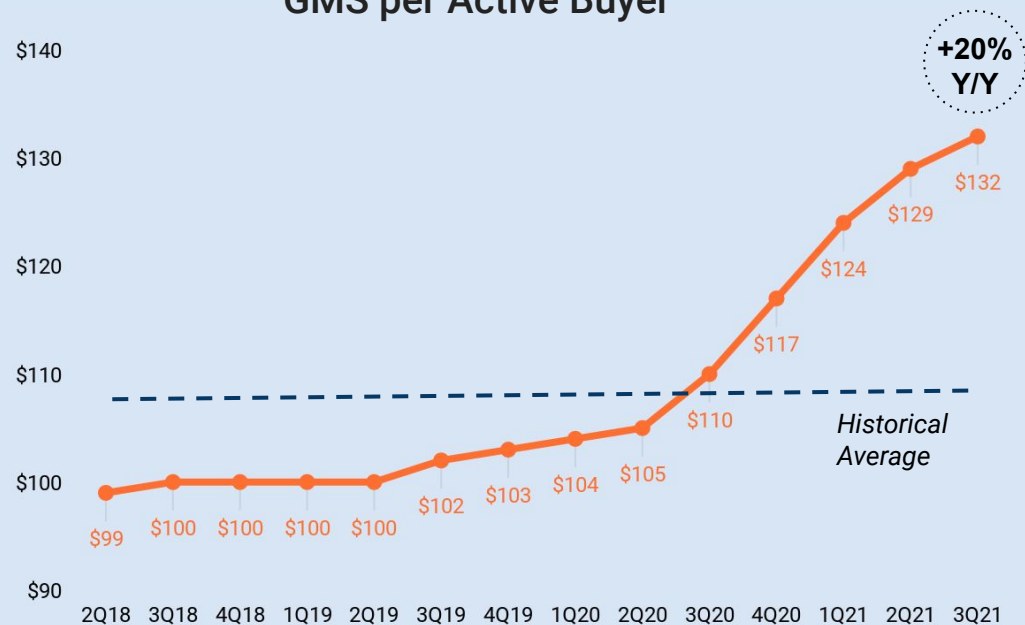
<sup>1</sup>Active Buyers that made a purchase between 4Q19 - 3Q20

<sup>2</sup>Average year 2 retention of the 2013 to 2017 cohorts

<sup>3</sup>% of Active Buyers as of 3Q20 that made a purchase between 4Q20 - 3Q21

GMS per Active Buyer was driven by frequency and higher AOV

### GMS per Active Buyer<sup>1</sup>



<sup>1</sup>TTM GMS per Active Buyer reflects results from the Etsy marketplace

### TTM Average Purchase Days



\*Average purchase days on a Trailing Twelve Month basis

# Capital light business model delivers strong Adj. EBITDA

Cash Balance 9/30/21<sup>1</sup>

# \$907M

Note: Cash balance reflects the use of ~\$1.7B of cash to fund the recent acquisitions of Depop and Elo7

Etsy also repurchased \$54M in shares under its share buyback plan in Q3.

<sup>1</sup>Cash and Cash Equivalents, Short-term and Long-term Investments

<sup>2</sup>Reconciliation of non-GAAP financial measures is contained in the Appendix. Consolidated results

Adj. EBITDA (\$M)



# Q4 Guidance for GMS, Revenue and Adj. EBITDA Margin %

Q4'21 Guidance  
November 3, 2021

GMS

Consolidated: \$3.9B to \$4.1B; with ~12% y/y growth at the midpoint

Etsy marketplace: high-single digit growth

Revenue

Consolidated: \$660M to \$690M; with ~10% y/y growth at the midpoint

Adj. EBITDA  
Margin

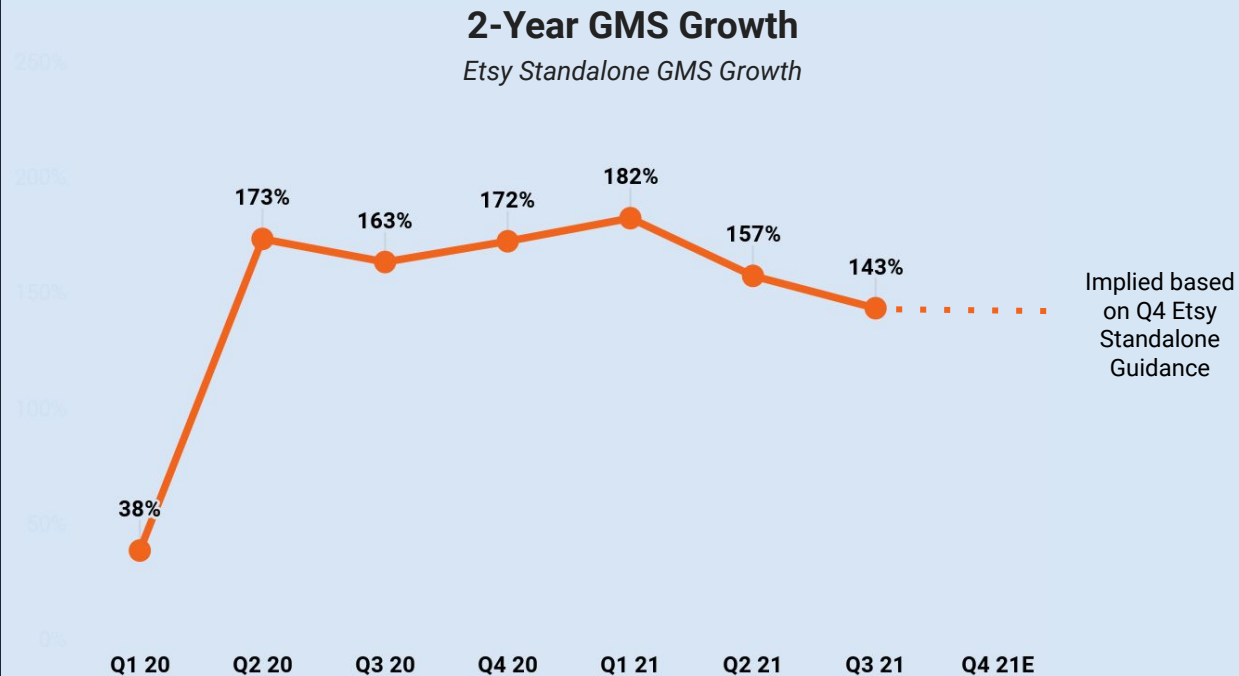
Consolidated: ~26%

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

Adjusted EBITDA margin assumes the midpoint of our revenue guidance.

Key factors potentially impacting our Q4 2021 guidance are contained in the Appendix.

Our guidance implies  
stable GMS trends in  
Q4 vs 2019



# Appendix

# Key factors impacting our Q4 Guidance

## **We anticipate that the key factors impacting Q4 GMS and revenue growth will be:**

- Headwinds and tailwinds, including but not limited to the following: macro factors including the shift in spend from offline to online, economic environment, competitive dynamics, retail store closures and reopenings, consumer confidence and spending patterns particularly during the holiday season, government stimulus, employment figures, weather events, global supply chain and logistics challenges; and Etsy-specific factors including frequency and retention of buyer cohorts, and the year-over-year comparisons from a significant acceleration of growth in Q4 2020.
- Continued visit growth and conversion rate improvements driven by global product launches enhancing the buying experience.
- Incremental GMS, brand awareness and conversion rate improvements from marketing investments.
- Contribution of our recent acquisitions of Depop and Elo7, which aren't reflected in the prior year and are expected to add incremental GMS and Revenue.
- Additional external factors that may offset some growth include: changes to sales taxes and VAT, regulatory changes, currency fluctuations, and the potential for geopolitical events and uncertainty that impact trade and mindshare, including, among other things, the ongoing COVID-19 pandemic and its eventual abatement and resulting impact on consumer behavior.

## **We anticipate that the key factors impacting our Q4 Adjusted EBITDA margin will be:**

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

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



# Condensed Consolidated Statement of Operations

	Three months ended 9/30/21	Three months ended 9/30/20
(in thousands)		
Revenue	\$532,429	\$451,478
Cost of revenue	153,660	120,168
Gross profit	378,769	331,310
Marketing	131,928	126,779
Product development	73,521	45,908
General and administrative	89,579	40,454
Operating expenses	295,028	213,141
Income from operations	83,741	118,169
Other income (expense), net	58	(27,776)
Benefit for income taxes	6,131	1,368
Net income	\$89,930	\$91,761
Net income per share — diluted	\$0.62	\$0.70

# Condensed Consolidated Statement of Cash Flows

	Nine months ended 9/30/21	Nine months ended 9/30/20
(in thousands)		
<b>Net Income</b>	<b>\$331,950</b>	<b>\$200,708</b>
<i>Net cash provided by operating activities</i>	361,092	435,289
<i>Net cash (used in) provided by investing activities</i>	(1,534,861)	41,643
<i>Net cash provided by financing activities</i>	558,167	220,574
Effect of exchange rate changes on cash	(9,095)	4,175
Net (decrease) increase in cash, cash equivalents, and restricted cash	(624,697)	701,681
Cash, cash equivalents, and restricted cash at the beginning of the period	1,249,440	448,634
<b>Cash, cash equivalents, and restricted cash at the end of the period</b>	<b>\$624,743</b>	<b>\$1,150,315</b>

# Condensed Consolidated Balance Sheets

As of September 30, 2021 As of December 31, 2020

(in thousands)		
Cash and cash equivalents	\$619,402	\$1,244,099
Short-term investments	197,430	425,119
Accounts receivable, net	23,884	22,605
Funds receivable and seller accounts	167,682	146,806
Property and equipment, net	198,902	112,495
Other current and non-current assets	2,294,838	453,365
<b>Total assets</b>	<b>\$3,502,138</b>	<b>\$2,404,489</b>
Accounts payable	\$13,367	\$40,883
Funds payable and amounts due to sellers	167,682	146,806
Long-term debt, net	2,274,351	1,062,299
Other current and non-current liabilities	513,116	412,077
<b>Total liabilities</b>	<b>2,968,516</b>	<b>1,662,065</b>
<b>Total stockholders' equity</b>	<b>533,622</b>	<b>742,424</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$3,502,138</b>	<b>\$2,404,489</b>

# Reconciliation of Quarterly Net Income to Adj. EBITDA

	3Q20	4Q20	1Q21	2Q21	3Q21
(in thousands, except percentages)					
<b>Net income</b>	<b>\$91,761</b>	<b>\$148,538</b>	<b>\$143,766</b>	<b>\$98,254</b>	<b>\$89,930</b>
<i>Excluding:</i>					
<i>Interest and other non-operating expense, net</i>	9,457	10,818	706	1,079	2,640
<i>(Benefit) provision for income taxes</i>	(1,368)	4,769	13,962	(12,500)	(6,131)
<i>Depreciation and amortization</i>	15,754	13,101	13,080	12,985	23,211
<i>Stock-based compensation expense</i>	17,128	17,450	20,351	27,440	42,256
<i>Foreign exchange loss (gain)</i>	1,464	(2,790)	(7,797)	2,272	(2,698)
<i>Acquisition-related expenses</i>	392	103	-	9,944	25,030
<i>Loss on extinguishment of debt</i>	16,855	-	-	-	-
<b>Adjusted EBITDA</b>	<b>\$151,443</b>	<b>\$191,989</b>	<b>\$184,068</b>	<b>\$139,474</b>	<b>\$174,238</b>
<i>Divided by:</i>					
Revenue	\$451,478	\$617,355	\$550,646	\$528,900	\$532,429
<b>Adjusted EBITDA Margin</b>	<b>34%</b>	<b>31%</b>	<b>33%</b>	<b>26%</b>	<b>33%</b>

# 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 Etsy'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.*

	3Q20	4Q20	1Q21	2Q21	3Q21
<b>Net cash provided by operating activities</b>	<b>\$185,194</b>	<b>\$243,667</b>	<b>\$148,465</b>	<b>\$121,697</b>	<b>\$90,930</b>
<i>Purchases of property and equipment</i>	(179)	(1,057)	(526)	(1,391)	(3,823)
<i>Development of internal-use software</i>	(1,642)	(1,980)	(3,226)	(3,858)	(4,435)
<b>Free Cash Flow</b>	<b>\$183,373</b>	<b>\$240,630</b>	<b>\$144,713</b>	<b>\$116,448</b>	<b>\$82,672</b>