Etsy

2Q 2017 Financial Results

Forward-looking Statements

This presentation contains forward-looking statements. Forward-looking statements include our financial guidance and key drivers, our business strategies and plans, and future growth. Forward-looking statements include all statements that are not historical facts. In some cases, forward-looking statements can be identified by words such as "anticipates," "believes," "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) our history of operating losses; (2) the fluctuation of our quarterly operating results; (3) our ability to attract and retain an active and engaged community of Etsy sellers and Etsy buyers; (4) the importance to our success of the trustworthiness of our markets and the connections within our community; (5) our ability to enhance our current offerings and develop new offerings to respond to the changing needs of Etsy sellers and Etsy buyers; (6) our ability to transition to a new senior executive team, including a new Chief Executive Officer, Chief Financial Officer and Chief Technology Officer and implement our business strategy; (7) our ability to attract and retain employees; (8) the impact on our business as a result of actions by activist stockholders; (9) our ability to successfully implement the initiatives to increase efficiency, streamline our cost structure and improve focus on key strategic growth opportunities; (10) adherence to our values and our focus on long-term sustainability, which may negatively influence our short- or medium-term financial performance; (11) the effectiveness of our marketing efforts; (12) the effectiveness of our mobile solutions for Etsy sellers and Etsy buyers; (13) our ability to compete effectively. These risks and uncertainties are more fully described in our filings with the SEC, including in the section entitled "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, and subsequent reports that we file with the SEC.

Forward-looking statements represent our beliefs and assumptions only as of the date of this webcast/presentation. We disclaim any obligation to update these forward-looking statements.

This presentation is a high-level summary of our Q2 2017 financial results. For more information please refer to our press release dated August 3, 2017 and filings with the SEC

Second Quarter 2017 Highlights

GMS:	Revenue:	Q2 Revenue Mix:	Operational Highlights:
$748.0m, 11.7% y/y growth	**$101.7m, 19.1% y/y growth**	**58% Seller Services** **41% Markets**	• Sharpened focus on strategic initiatives • Increased experiment velocity • Optimized organizational structure • Anticipate $35 million in annualized cost savings

Strategy:

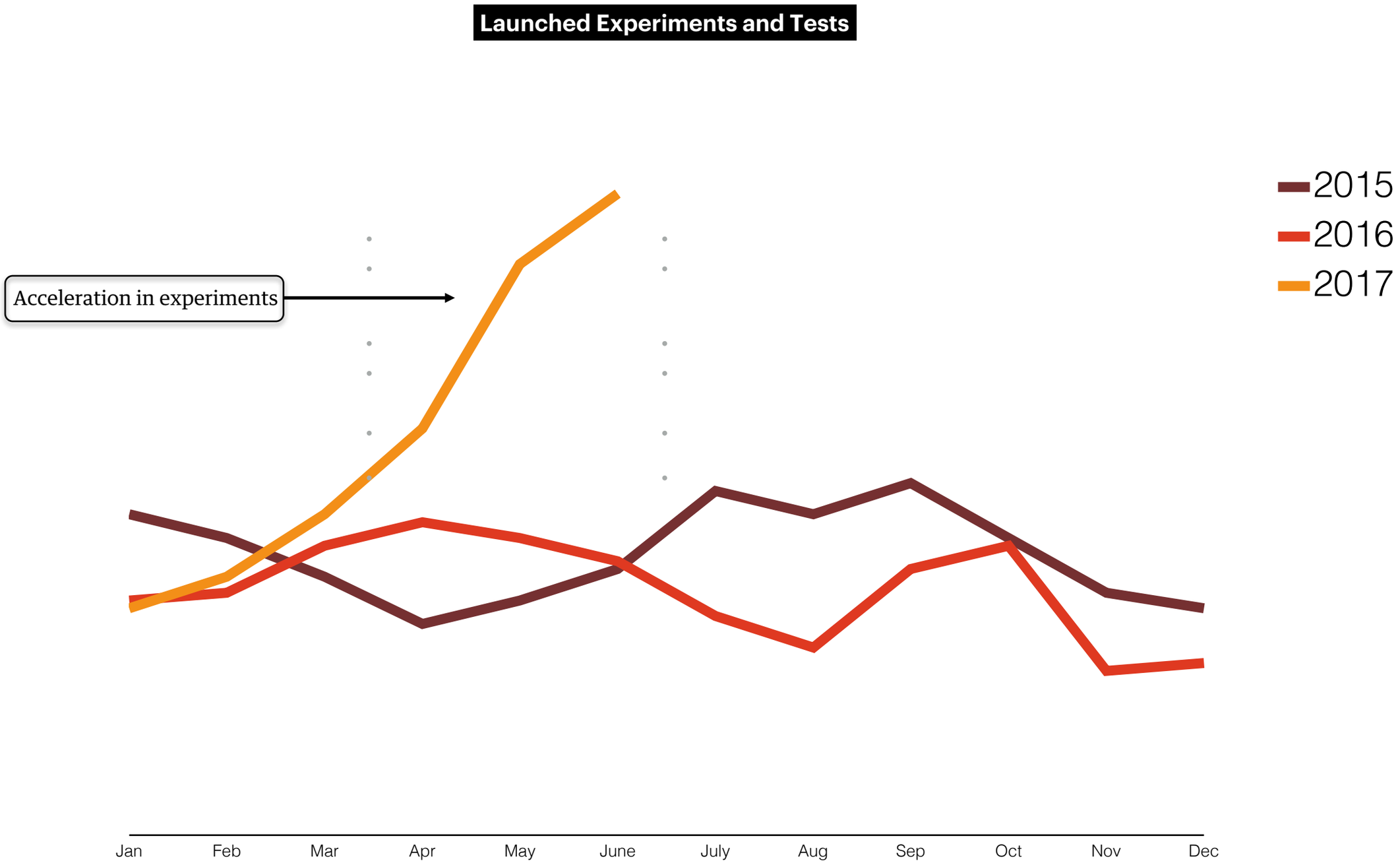
- Focus on Etsy.com in our six core geographic markets
- Win “special” shopping occasions (celebrations, gifting & style)
- Empower passionate community of 1.8m sellers to compete and win against mass retailers

Key Initiatives:

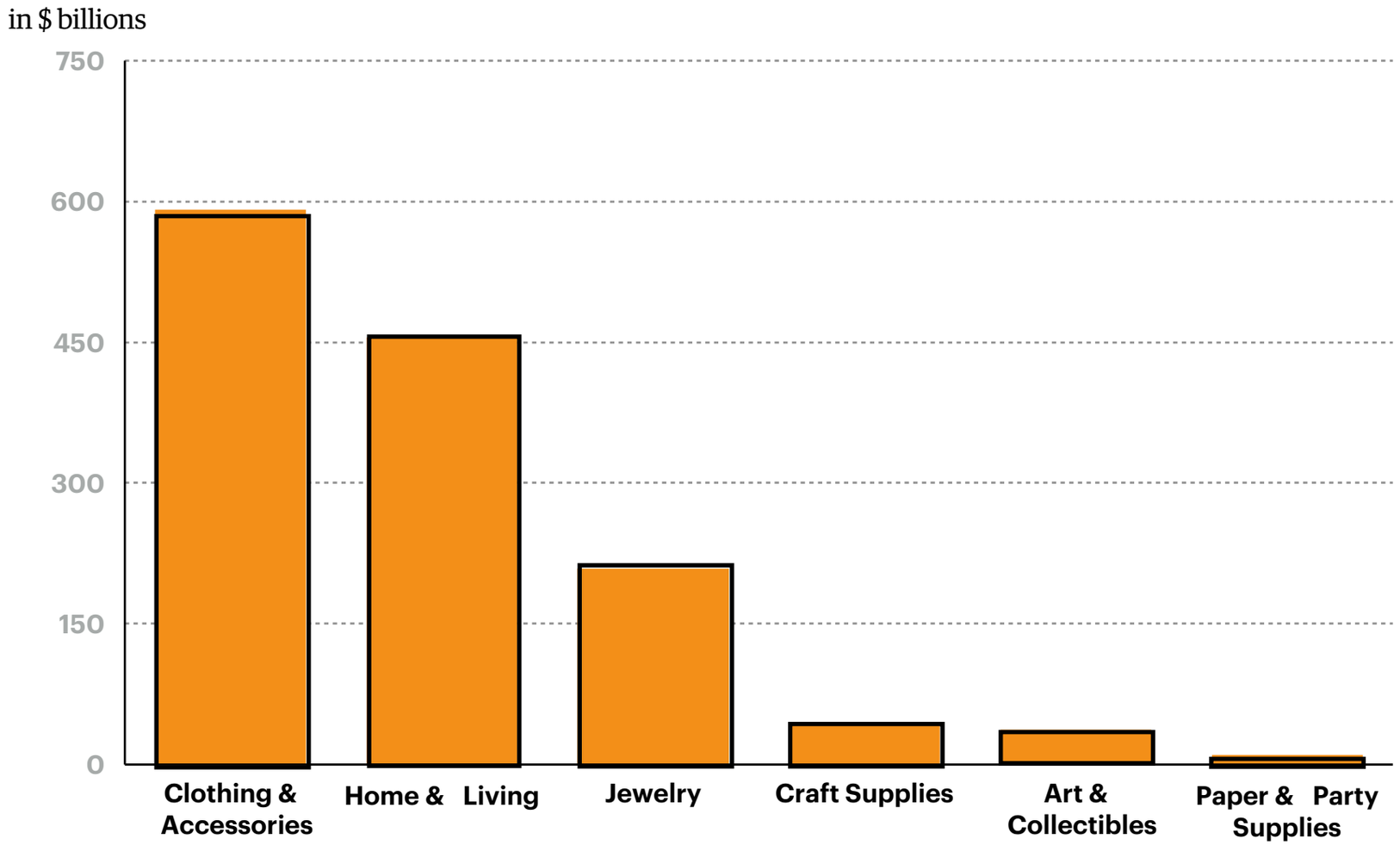
- Improve **Trust and Reliability** on Etsy.com
- Enhance **Search and Discovery**
- Build **World-Class Marketing Capabilities**
- Provide **Best-in-Class Seller Tools and Services**

Etsy wants to own “special” and win everyday purchase occasions

Significantly increased velocity of experiments



Estimated spend in top Etsy categories and key geographies



** Source: Euromonitor (March 2017), Assoc. for Creative Ind. (Jan 2017), TEFAF (2017), Hiscox (2017), IBIS

Estimated spend in top Etsy categories and key geographies

$1.3T

spend in top categories and top geographies

United States
Canada
United Kingdom
Australia
France
Germany

$155B

online spend in top categories and geographies

$3B

Estimated Etsy Market Share

2%

(based on GMS)

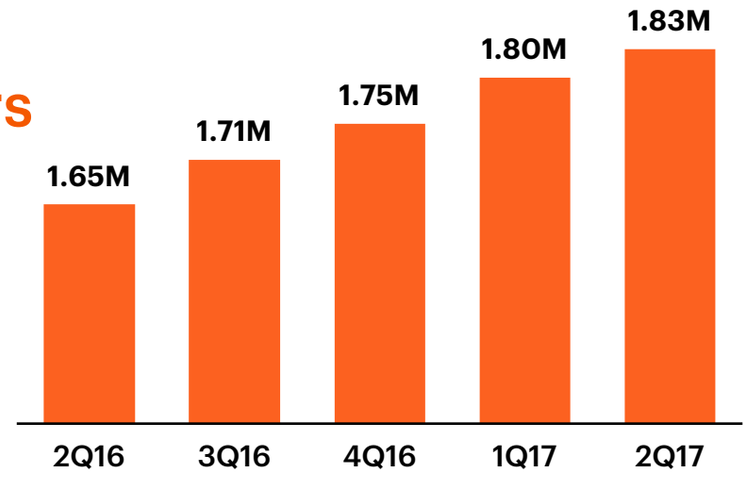
** Source: Euromonitor (March 2017), Assoc. for Creative Ind. (Jan 2017), TEFAF (2017), Hiscox (2017), IBIS

Second Quarter 2017: Operating Metrics

Active Sellers

1.8M

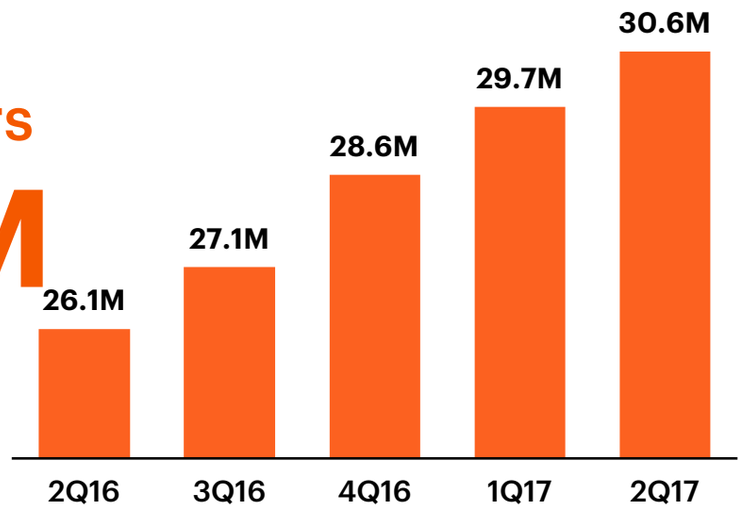
+10.9% Y/Y



Active Buyers

30.6M

+17.2% Y/Y



Second Quarter 2017

Key Financial Results

GMS
$748M
+11.7% Y/Y

Revenue
$101.7M
+19.1% Y/Y

Net Income
$11.7M
$0.10 EPS

Adjusted EBITDA*
$12.7M
12.5% margin

FY 2017 Guidance

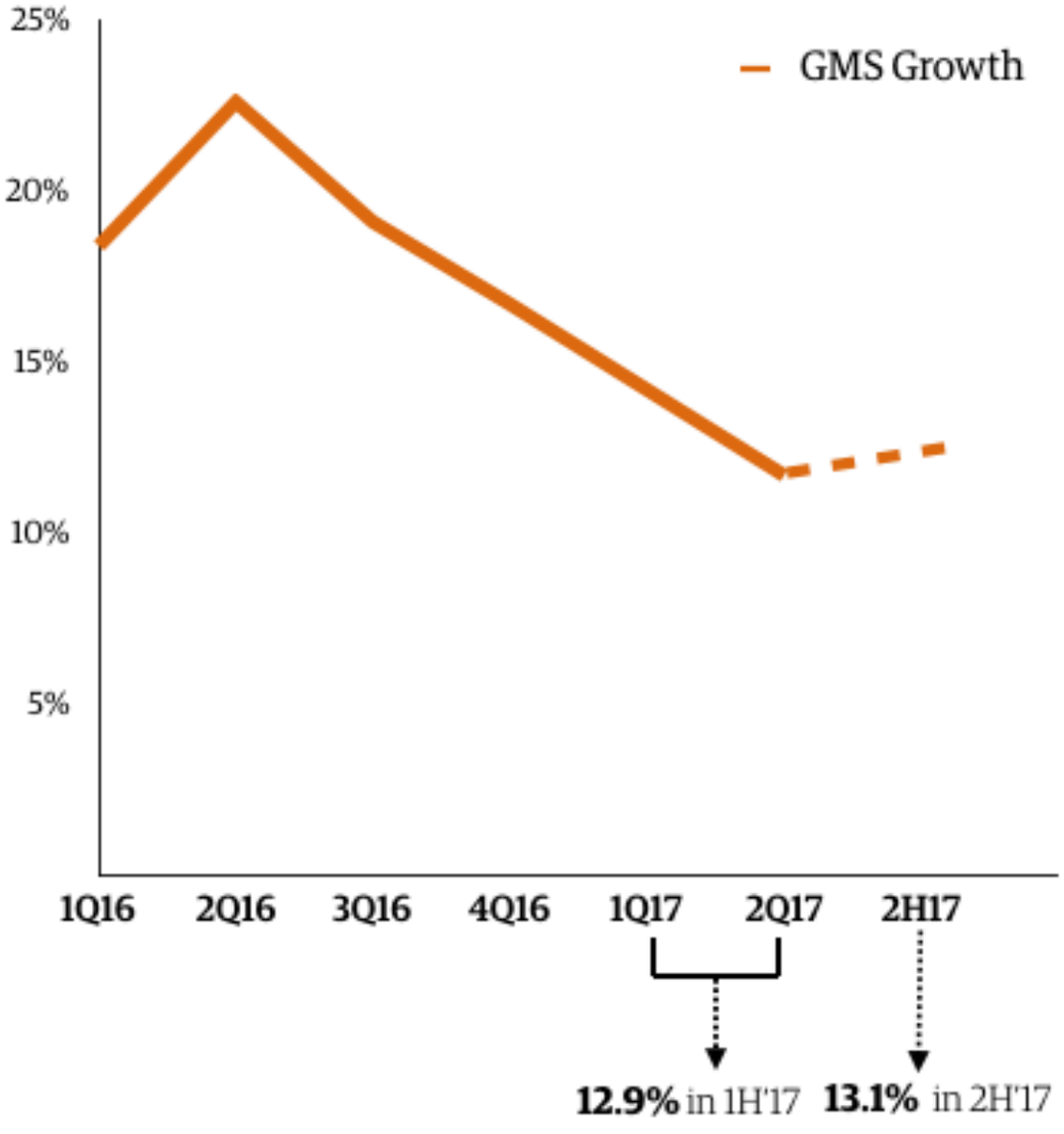
GMS Growth**
12% - 14%

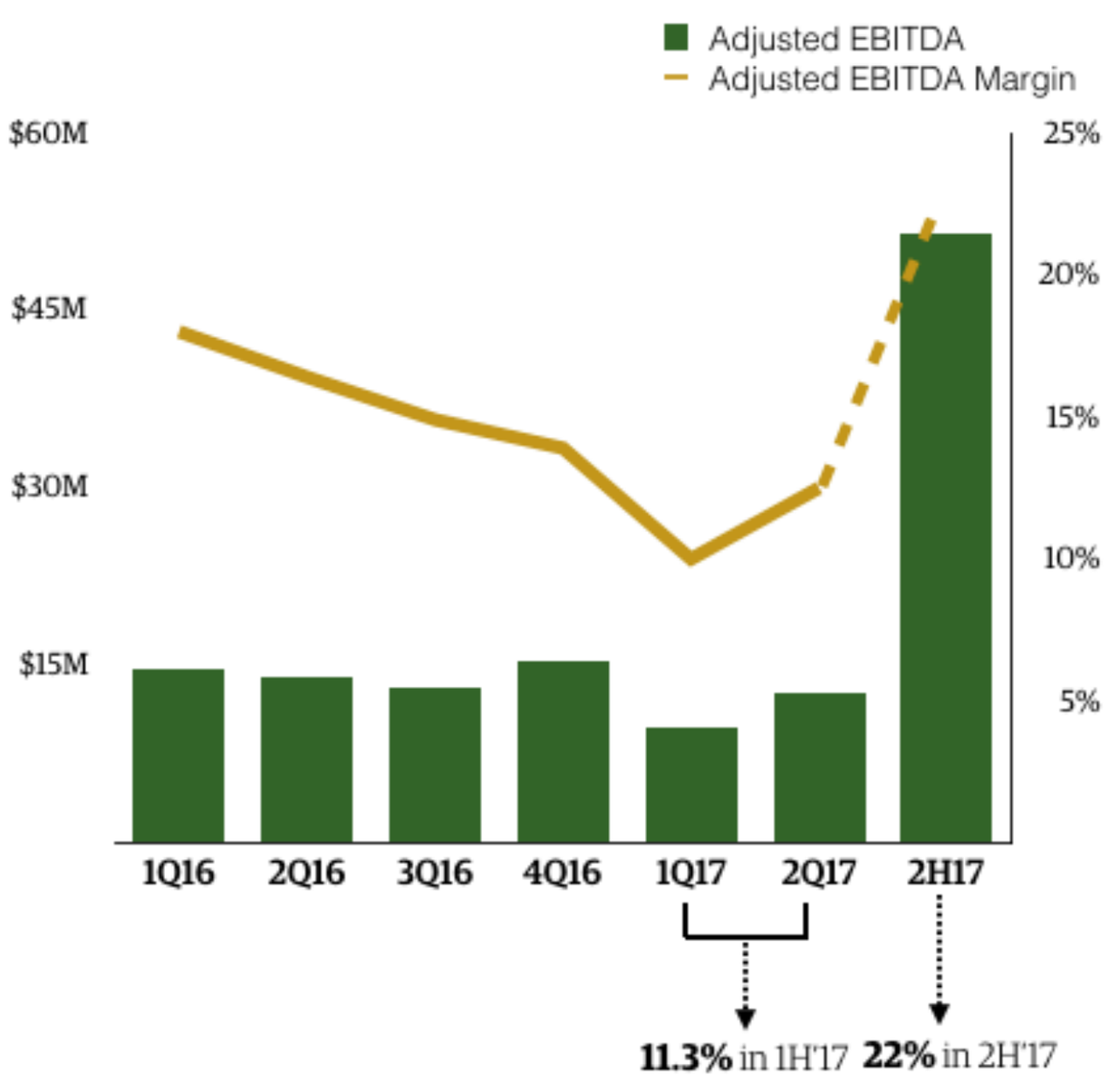
Revenue Growth**
18% - 20%

Adj. EBITDA Margin
16% - 18%

*Reconciliation of non-GAAP financial measures is contained in the Appendix
**Refers to year-over-year growth

2H Assumptions at the Mid-point of our 2017 Guidance





Appendix

RECONCILIATION OF QUARTERLY NET (LOSS) INCOME TO ADJUSTED EBITDA

		2Q16	2Q17
		(in thousands)	
Net (loss) income		**($7,311)**	**$11,669**
Excluding:			
Interest and other non-operating expense, net		1,333	2,153
Provision (benefit) for income taxes		4,261	(9,437)
Depreciation and amortization		5,103	6,660
Stock-based compensation expense		3,452	4,881
Stock-based compensation expense-acquisitions		816	1,613
Foreign exchange loss (gain)		6,386	(16,103)
Restructuring and other exit costs		—	11,260
Adjusted EBITDA		**$14,040**	**$12,696**

Etsy is not able, at this time, to provide GAAP targets for net income margin for 2017 because of the unreasonable effort of estimating certain non-cash items that are excluded from non-GAAP Adjusted EBITDA margin, including, for example, provision or benefit for income taxes and foreign exchange gain or loss, the effect of which may be significant.