Etsy

3Q 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 implement our business strategy (7) our ability to attract and retain employees; (8) our ability to continue to implement the initiatives to increase efficiency, streamline our cost structure and improve focus on key initiatives; (9) the effectiveness of our marketing efforts; (10) adherence to our values and mission, and our focus on long-term sustainability, which may negatively influence our short- or medium-term financial performance; (11) the effectiveness of our mobile solutions for Etsy sellers and Etsy buyers; (12) our ability to compete effectively; and (13) our ability to expand successfully outside of the United States;. 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 ended June 30, 2017, and subsequent reports that we file with the Securities and Exchange Commission.

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 3Q 2017 financial results. For more information please refer to our press release dated November 6, 2017 and filings with the SEC

3Q 2017 Highlights

Accelerated GMS and Revenue growth

Faster execution and product launch velocity across our four key initiatives, including:

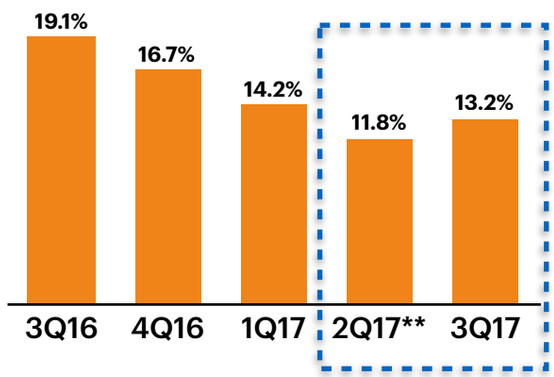
- ***Trust & Reliability***
- *Structured Return Policy Tool*
- *Best Seller Badge*

- ***Search & Discovery***
- *Context Specific Search Ranking*
- *Scarcity Badges*

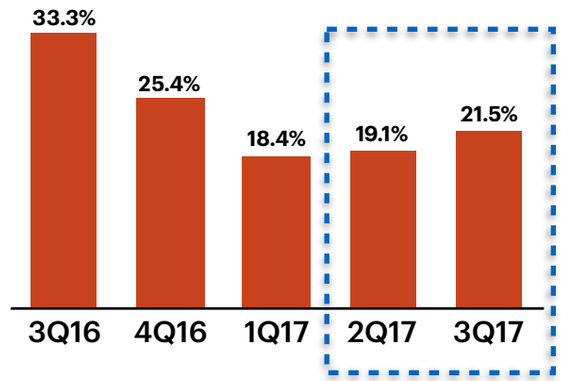
- ***World-class marketing capabilities:***
- *Labor Day sale*
- *Email Promotion*

- ***Best-in-class seller tools & services:***
- *Sales and Promotions Tool*
- *Promoted Listings*
- *Social Media Tool*

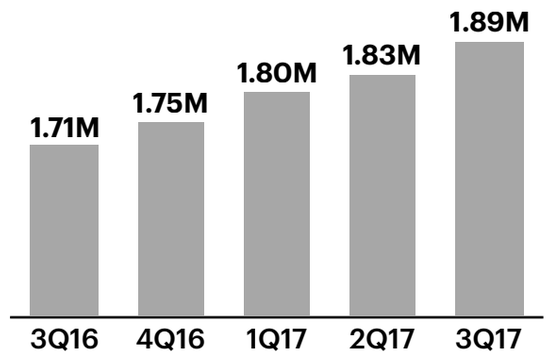
GMS Growth



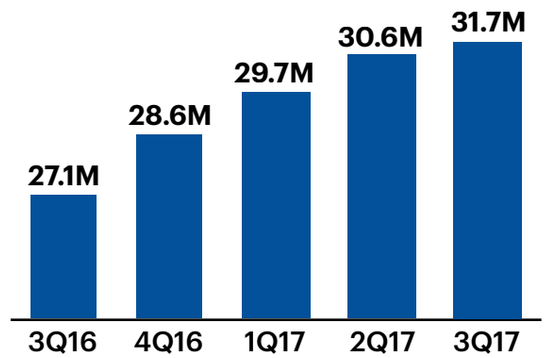
Revenue Growth



1.9M Active Sellers +10.8% Y/Y



31.7M Active Buyers +16.7% Y/Y



**Revised to reflect the correction of an immaterial error

Building trust and reliability throughout the buying experience

Quarter Zip Monogrammed Sweatsh...

EverlyGrayce

★★★★★ (6,836)

$23.99

Bestseller

Best Seller Badge

New Structured Return Policy

Do you accept returns or exchanges? NEW

Buyers expect to see clear return policies when shopping. We've preselected our recommended settings, but choose what's right for your shop before saving.

Returns
I accept returns

Exchanges
I accept exchanges

Contact me within: 14 days of delivery

Ship items back within: 30 days of delivery

Cancellations
I do not accept cancellations

The following items can't be returned or exchanged

Because of the nature of these items, unless they arrive damaged or defective, I can't accept returns for:

- [x] Custom or personalized orders
- [x] Perishable products (like food or flowers)
- [x] Digital downloads
- [x] Intimate items (for health/hygiene reasons)
- [ ] Items on sale

Returns and exchange details

Let buyers know about any other restrictions, limitations, or terms (for example, who pays for return shipping).

Full refunds will be made for returns (return shipping is paid by the buyer). Items may be exchanged for another item in the shop.

Details above can't contradict Etsy's policies or your own shop policies.

Enhancing buyer trust and improving the buying experience

Girls Christmas nightgown, girls Chr...

KaitlynGKreations

★★★★★ (301)

$21.99

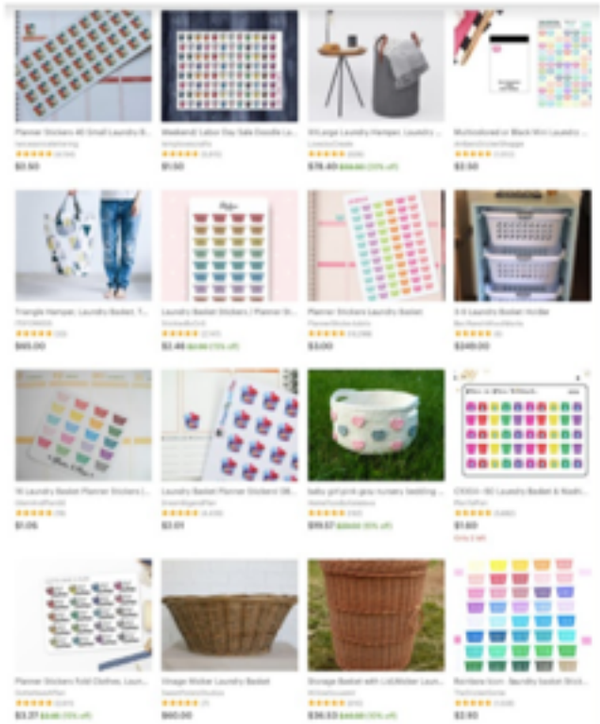
Only 2 left

Scarcity Badges

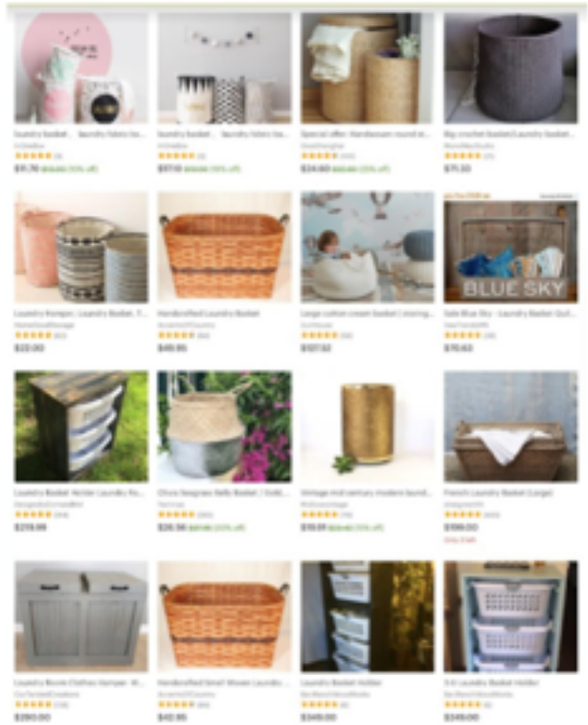
Context Specific Search Ranking

Query: Laundry Basket

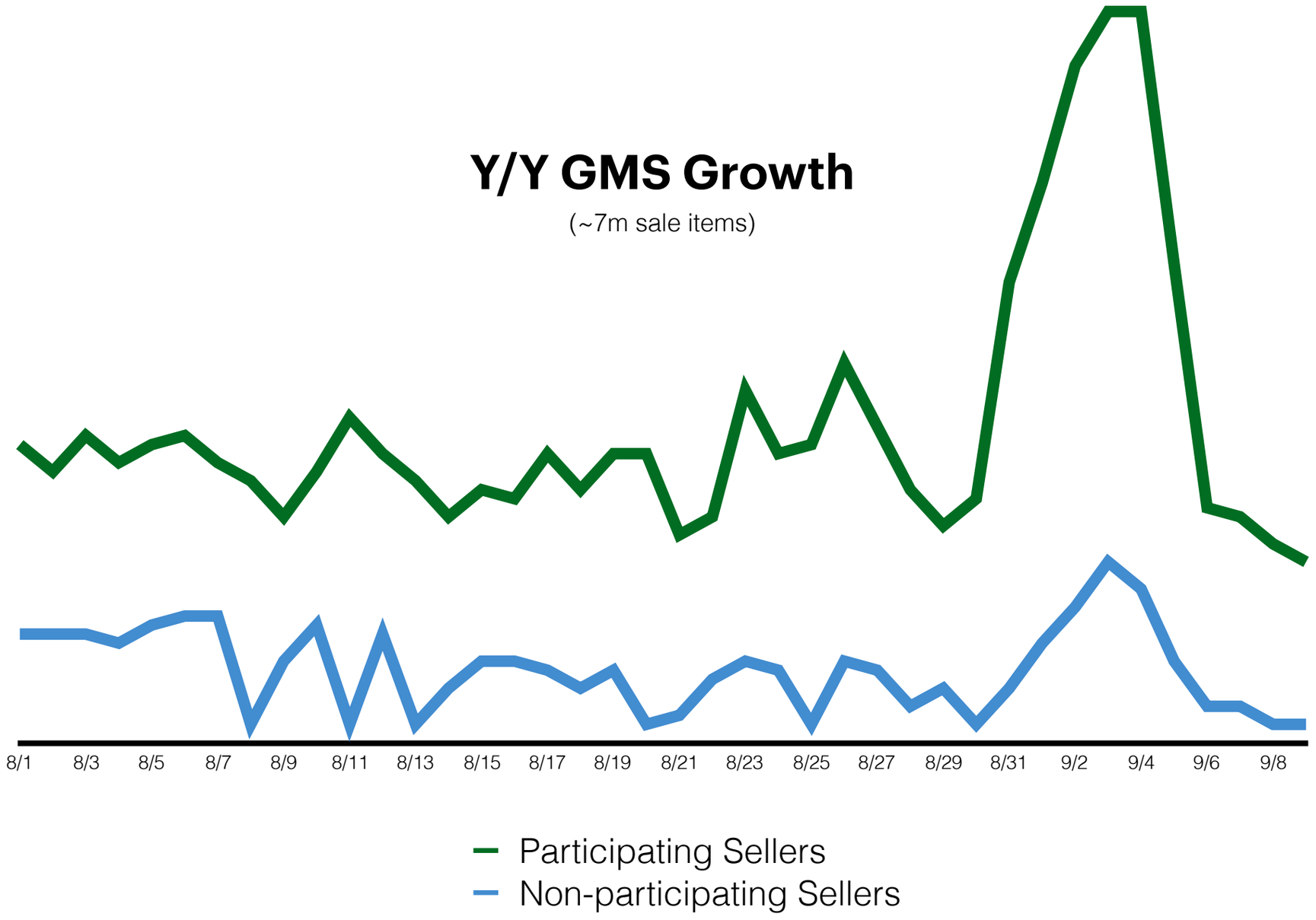
Before



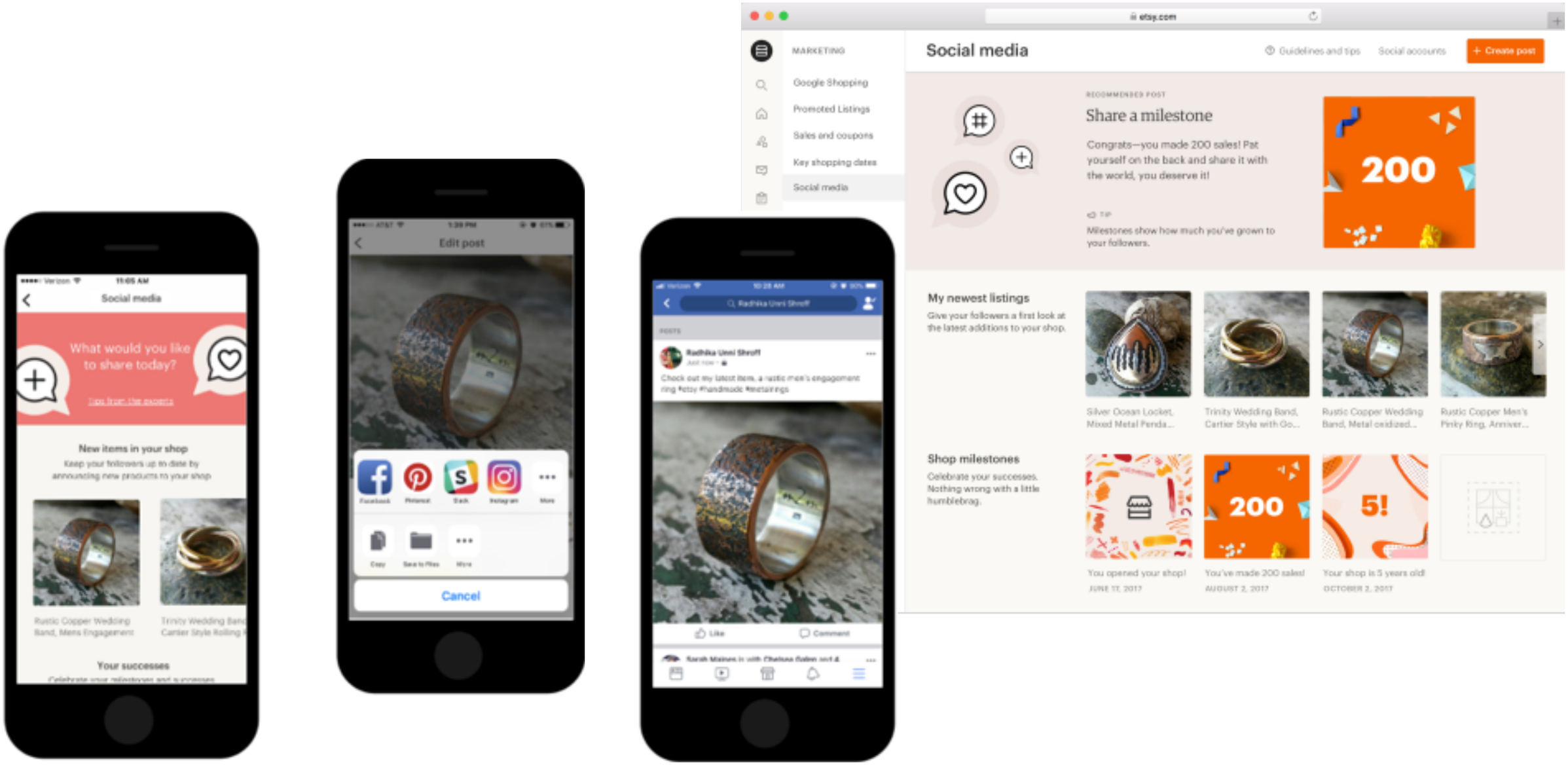
After



Labor Day sale effect: GMS up across our seller base



Multi-platform social media tool to help sellers drive traffic to their Etsy shops

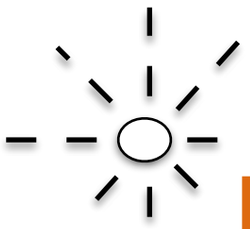


Sellers can leverage their Instagram, Facebook, Twitter and Pinterest social networks to build their businesses

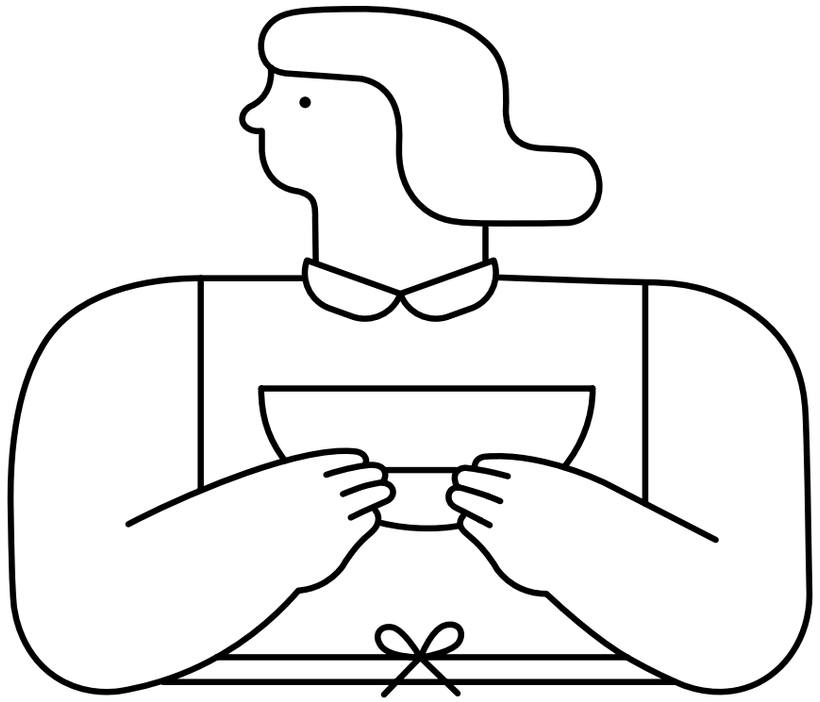
New impact goals are aligned with our strategy

Overarching Goal	Key Initiatives	2018 KPI
ECONOMIC IMPACT		
Make creative entrepreneurship a path to economic security and personal empowerment	Ensure the economic opportunities Etsy creates meaningfully benefit a broad swath of our seller community	Increase the number of sellers whose sales on Etsy serve as a meaningful source of personal income.
	Foster economic security and personal empowerment for creative entrepreneurs through charitable and in-kind contributions.	
	Advance public policies that increase economic security and reduce administrative burdens for creative entrepreneurs	
SOCIAL IMPACT		
Enable equitable access to the opportunities we create	Meaningfully increase representation of underrepresented groups and ensure equity in Etsy's workforce	Interview at least 2 candidates from underrepresented backgrounds for each role filled.
	Build a diverse, equitable, and sustainable supply chain to support our operations and bring value to both Etsy and our vendors	
	Increase the presence of underrepresented populations within the Etsy seller community.	
ECOLOGICAL IMPACT		
Build long-term resilience by eliminating our carbon impacts and fostering responsible resource use	Utilize and source energy responsibly so that we can power our operations with 100% renewable electricity by 2020 and reduce the intensity of our energy use by 25% by 2025	Reduce the carbon dioxide emissions generated from our offices by at least 5% in 2018 compared to 2016
	In 2018, develop a plan and set a goal to mitigate the carbon impacts of our marketplace that aligns with business growth	
	Run zero waste operations by 2020	

Our New Mission



Keep commerce human.



Financial Highlights: Accelerated GMS Growth in 3Q 2017

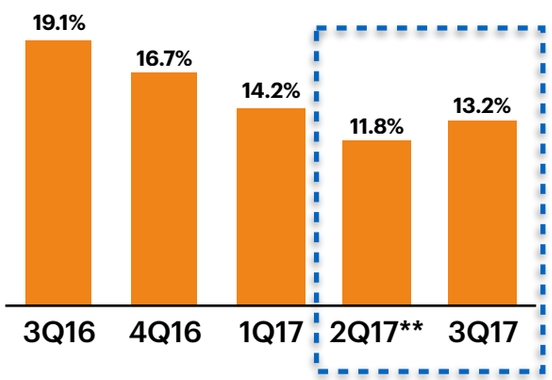
GMS
$766M
+13.2% Y/Y

Revenue
$106M
+21.5% Y/Y

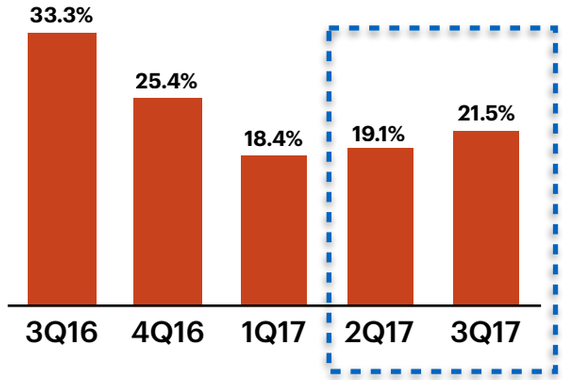
Net Income
$26M
$0.21 EPS

Adjusted EBITDA*
$23M
21.4% margin

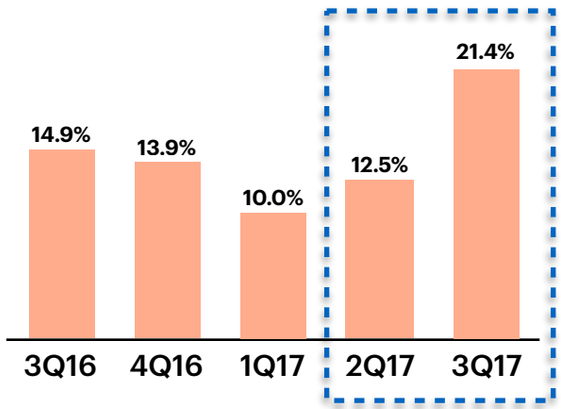
GMS Growth



Revenue Growth



Adj. EBITDA Margin*



*Reconciliation of non-GAAP financial measures is contained in the Appendix.
**Revised to reflect the correction of an immaterial error
***EPS reflects diluted earnings per share, basic EPS is $0.22

Reiterating Full Year 2017 Guidance

GMS Growth
12% - 14%
~$3.18B - $3.24B

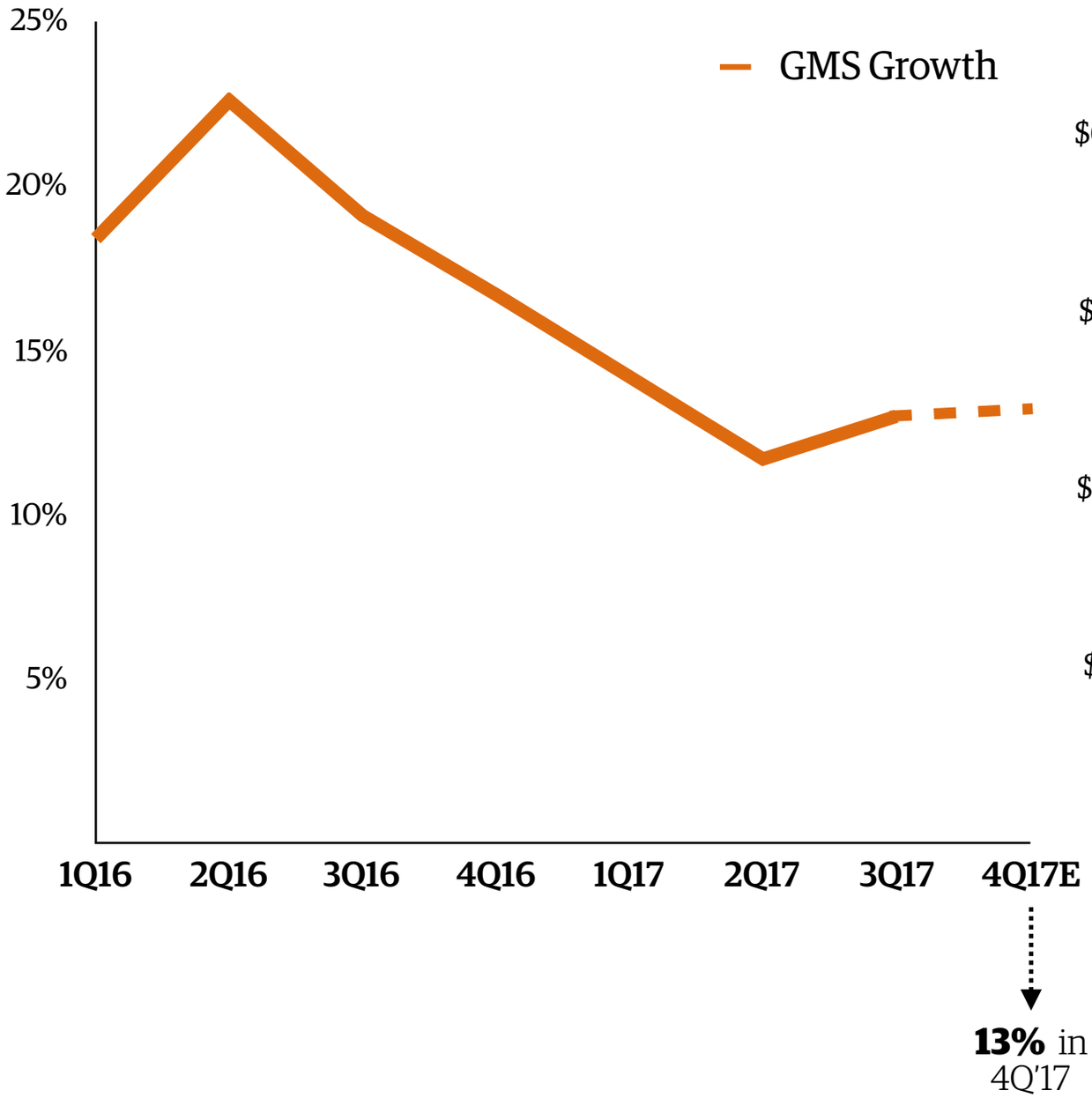
Revenue Growth
18% - 20%
~$430.7M - $437.9M

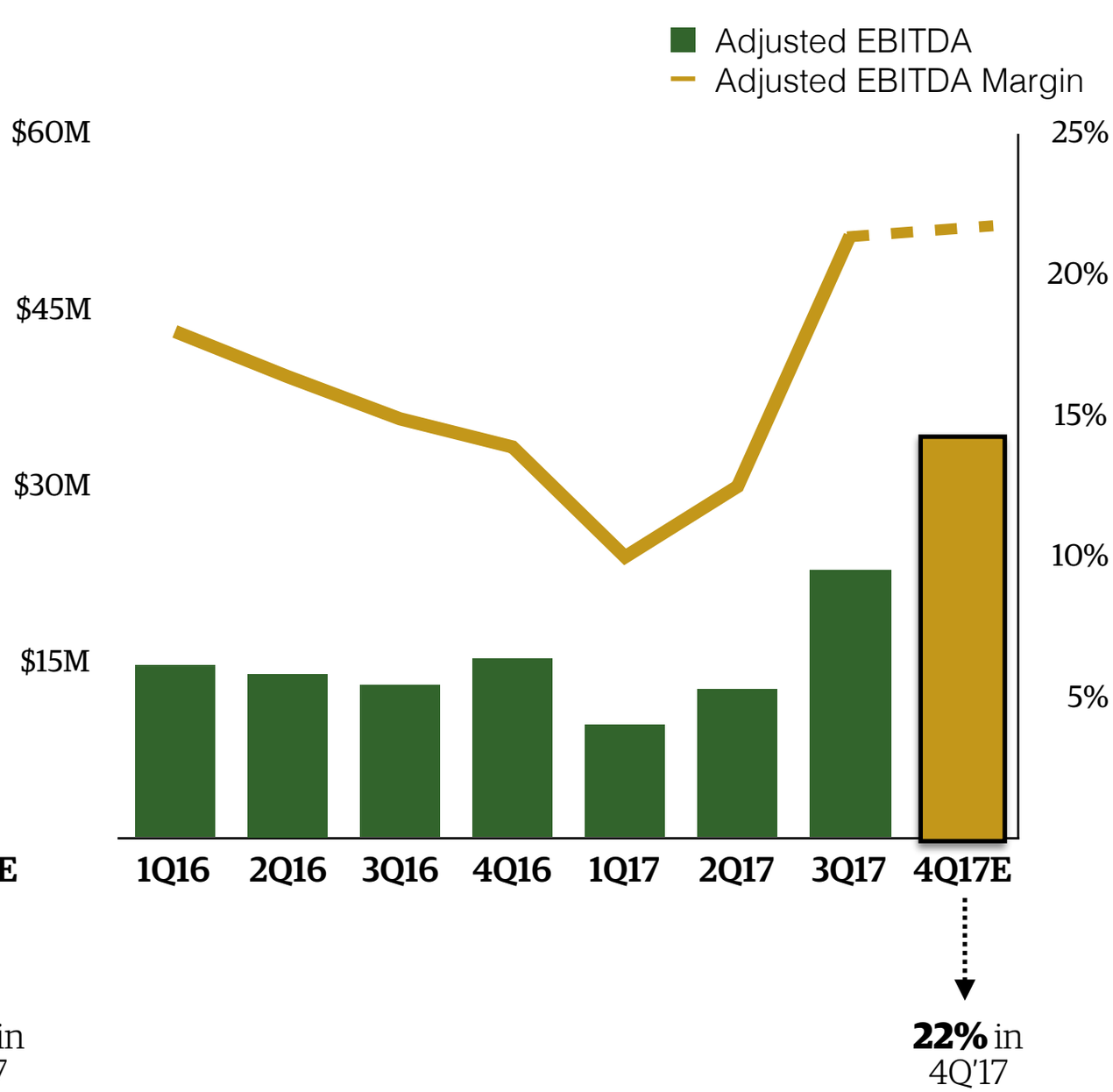
Adj. EBITDA Margin*
16% - 18%
~$69.5M - $78.2M**

* Reconciliation of non-GAAP financial measures is contained in the Appendix.
** Based on the mid-point of 2017 revenue guidance

Photo by Knobbly

4Q Assumptions at the Mid-point of 2017 Guidance





*Reconciliation of non-GAAP financial measures is contained in the Appendix.

Appendix

RECONCILIATION OF QUARTERLY NET (LOSS) INCOME TO ADJUSTED EBITDA

		3Q16	3Q17
		(in thousands)	
Net (loss) income		**($2,399)**	**$25,802**
Excluding:			
Interest and other non-operating expense, net		2,046	2,254
Provision (benefit) for income taxes		4,363	(12,562)
Depreciation and amortization		5,786	7,022
Stock-based compensation expense		2,975	5,832
Stock-based compensation expense-acquisitions		1,110	724
Foreign exchange gain		(1,337)	(8,069)
Acquisition-related expenses		512	—
Restructuring and other exit costs		—	1,766
Adjusted EBITDA		**$13,056**	**$22,769**

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.