

**Etsy, Inc.**  
**FY2024 Financial Statements Analysis**

# Etsy



Seiji Hirano

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# Report Overview & Background

## Description

This report is designed to provide a detailed overview of the XXX industry.

## Methodology

This report solely relies on data from each company's financial statements.

## Company Overview

### Etsy, Inc.

#### Business

Etsy operates two-sided online marketplaces ("House of Brands" collectively) that connect buyers and sellers around the world. Its primary marketplace is the global destination for unique, creative goods from independent sellers. It connects artisans and entrepreneurs with consumers seeking items that reflect their tastes and values. Etsy generates revenue primarily from marketplace activities, including transaction (inclusive of offsite advertising), payments, processing, and listing fees. In addition to providing them with access to tons of millions of buyers, the company offer tools and services, such as on-site advertising and shipping labels, to help sellers grow. For buyers, it surfaces quality listings that offer great value and provide a reliable shopping experience to fuel a virtuous cycle that benefits all of its stakeholders.

In addition to its core marketplace, Etsy's "House of Brands" consists of Reverb Holdings, Inc., a musical instrument marketplace acquired in 2019, and Depop Limited, a fashion resale marketplace acquired in 2021. Each marketplace primarily operates independently, while benefiting from shared expertise in product development, marketing, technology, and customer support. The Etsy marketplace is, and anticipated to continue to be, the primary driver of Etsy's overall financial performance for the foreseeable future.

Etsy's top six retail categories on the Etsy marketplace in 2024 were **homewares and home furnishings, jewelry and personal accessories, apparel, craft supplies, paper and party supplies, and toys and games**. These categories represented approximately **87%** of Gross Merchandise Sales ("GMS"). Reverb provides a significant presence in the market for musical instruments, and Depop enhances Etsy's apparel offering in the resale space.

Buyers come to the Etsy marketplace for meaningful, one-of-a-kind items handcrafted, handpicked, designed and sourced by creative entrepreneurs. Etsy's buyer surveys indicate:

- ~84% of buyers agree that shopping on Etsy means supporting small business.
- ~82% of buyers agree that Etsy allows me to shop from and support real people.

Etsy is expanding its focus beyond growing the Etsy marketplace in its historical core geographies of the United States, the United Kingdom, Germany, Canada, Australia, and France. The company remains focused on driving frequency and retention in these markets and also sees significant opportunities to increase non-U.S. buyer GMS by improving the customer experience for cross-boarder transactions, particularly in Western Europe. According to Etsy's 2024 annual report, the average number of purchase days for Etsy's active buyers is three days per year with the half having one purchase day per year and the other half having 5 purchase days per year.

About 21% of Etsy's GMS in 2024 was attributed to performance marketing, meaning the vast majority of its GMS comes to the company through awareness of the brand, as well as from non-paid channels, such as search, social, email, and push notifications.

Etsy's overall capital strategy is focused in 1) core investments in organic growth, which includes investments in "House of Brands;" 2) selectively pursuing acquisitions of businesses or technologies that complement its marketplaces or align with its overall growth strategy; and 3) mitigating dilution to its stockholders through stock repurchase programs.

## Competition

For all of Etsy's marketplaces, sellers may choose to list their goods for sale with online retailers or sell their goods through craft fairs and local markets, local consignment and vintage stores and other venues and marketplaces, including through commerce channels on social networks like Facebook and Instagram. They may also sell wholesale directly to traditional retailers, including large national retailers, who discover their goods in Etsy's marketplaces or otherwise. The company also competes with companies, like Shopify, that sell software and services to small businesses, enabling sellers to sell from their own website or otherwise run their business independently of Etsy's platforms.

In addition, Etsy competes with retailers and marketplaces of all shapes and sizes for the attention of buyers. A buyer has the choice of shopping with any online or offline venue, whether large e-commerce marketplaces, national retail chains, local consignment and vintage stores, social commerce channels, resale marketplaces, or other venues or marketplaces.

## Employees & Labor Relations

As of December 31, 2024 Etsy had approximately 2,400 total employees worldwide including approximately 180 Reverb employees and approximately 400 Depop employees.

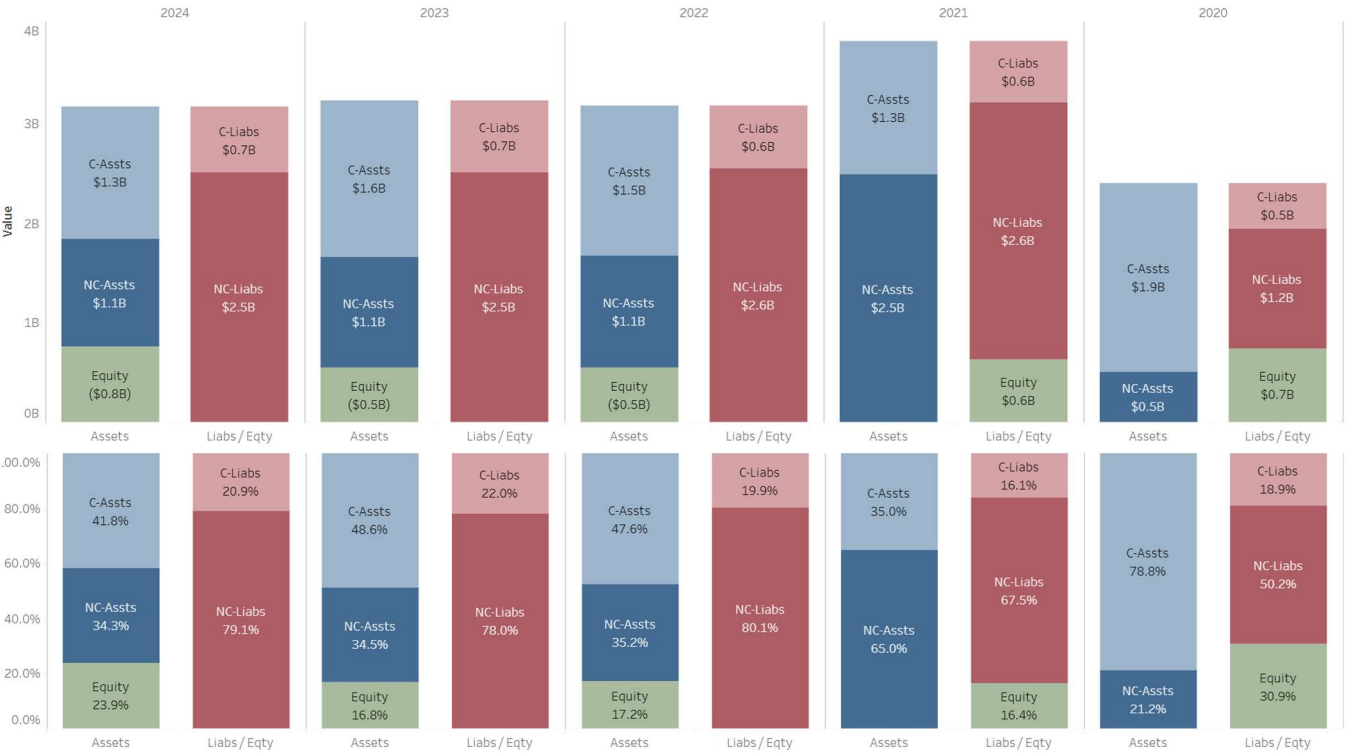
## Key Risk Factors Unique to Etsy, Inc.

***Etsy relies on its sellers to provide a fulfilling experience to its buyers.***

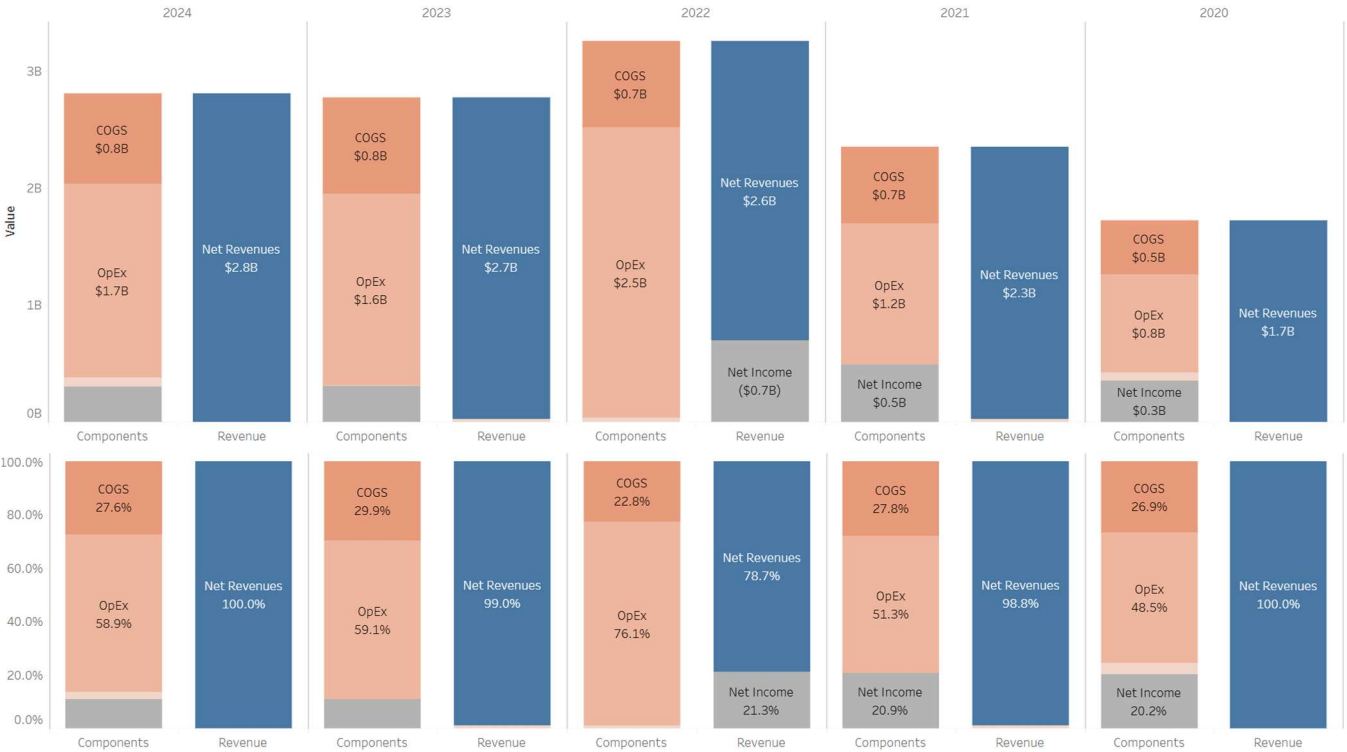
Etsy's sellers manage their shops, certain shop policies, products and product descriptions, shipping, and returns. As a result, the company does not have the ability to control important aspects of buyers' experiences on its platforms. For example, buyers may report that they have not received the items they purchased, that the items received were not as represented by a seller, or that a seller has not been responsive to their questions. While Etsy has introduced features designed to protect buyers, there can be no assurance that these measures will be effective in combating fraudulent transactions or improve overall buyer satisfaction. Further, negative publicity and sentiment generated as a result of these types of complaints, or any associated enforcement action taken against sellers, could reduce Etsy's ability to attract and retain sellers and buyers or damage its reputation.

# Horizontal Analysis

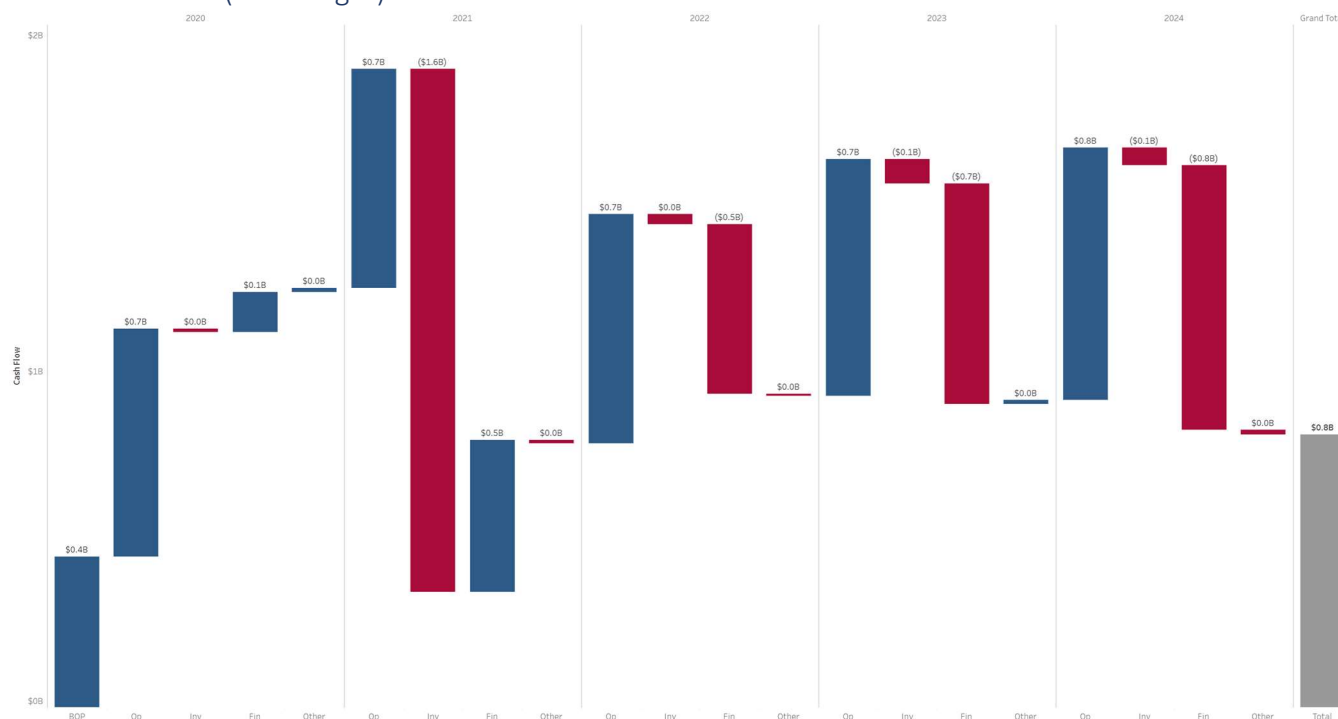
## Balance Sheet Chart



## P/L Chart



## Cash Flow Chart (left to right)



## Historical Financial Ratios

Ratio		2024	2023	2022	2021	2020	5 Yrs Avg
Activity Ratio	DSO	2.17	3.49	3.92	3.91	4.02	3.50
	DIO	n/a	n/a	n/a	n/a	n/a	n/a
	DPO	13.17	12.92	13.91	19.21	26.39	17.12
	Cash Conversion Cycle	-11.00	-9.43	-9.99	-15.30	-22.37	-13.62
	Fixed Assets Turnover	11.55	11.00	9.78	12.02	13.41	11.55
	Working Capital Turnover	3.69	3.16	3.19	2.15	1.59	2.76
	Total Assets Turnover	1.10	1.03	0.79	0.75	0.87	0.91
	Equity Turnover	-4.31	-5.04	63.09	3.40	3.00	12.03
Liquidity Ratio	Current Ratio	2.00	2.21	2.40	2.18	4.17	2.59
	Quick Ratio	1.86	2.03	2.27	2.00	4.04	2.44
	Cash Ratio	1.22	1.29	1.46	1.27	2.74	1.59
Solvency Ratio	Debt-to-Equity	-3.21	-4.48	-4.44	3.87	1.53	-1.34
	Debt-to-Capital	1.45	1.29	1.29	0.79	0.61	1.09
	Debt-to-Assets	1.01	0.91	0.92	0.64	0.47	0.79
	Financial Leverage	-3.92	-4.88	79.50	4.55	3.43	15.74
	Interest Coverage	30.75	21.85	-45.72	48.71	9.70	13.06
Profitability	Gross Profit Margin	72.4%	69.8%	71.0%	71.9%	73.1%	71.6%
	Operating Profit Margin	13.5%	10.2%	-25.7%	20.0%	24.6%	8.5%
	EBIT Margin	15.1%	11.2%	-25.2%	20.7%	23.6%	9.1%
	Pre-Tax Margin	14.6%	10.7%	-25.8%	20.3%	21.2%	8.2%
	Net Profit Margin	10.8%	11.2%	-27.1%	21.2%	20.2%	7.3%
	Return on Assets	11.9%	11.6%	-21.5%	15.8%	17.7%	7.1%
	Operating Return on Assets	14.9%	10.5%	-20.4%	14.9%	21.5%	8.3%
	Return on Total Capital	21.3%	14.8%	-26.6%	18.8%	26.8%	11.0%
Valuation	Return on Equity	-46.6%	-56.4%	-1707.0%	72.0%	60.8%	-335.4%
	Earnings Per Share (Basic)	2.64	2.51	-5.48	3.88	2.88	1.29
	Earnings Per Share (Diluted)	2.35	2.24	-5.48	3.40	2.69	1.04
	P/E Ratio	39.47	36.18	0.00	64.21	67.65	41.50
	Dividend Payout Ratio (DPR)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

\* conditional formatting applied by row

## Long-Term Debt (Most Recent Years)

(In Millions)

	As of December 31, 2024			
	2021 Notes	2020 Notes	2019 Notes	Total
Principal	\$ 1,000,000	\$ 650,000	\$ 649,887	\$ 2,299,887
Unamortized debt issuance costs	6,571	3,182	2,051	11,804
Net carrying value	<u>\$ 993,429</u>	<u>\$ 646,818</u>	<u>\$ 647,836</u>	<u>\$ 2,288,083</u>

	As of December 31, 2023			
	2021 Notes	2020 Notes	2019 Notes	Total
Principal	\$ 1,000,000	\$ 650,000	\$ 649,887	\$ 2,299,887
Unamortized debt issuance costs	8,471	4,376	3,223	16,070
Net carrying value	<u>\$ 991,529</u>	<u>\$ 645,624</u>	<u>\$ 646,664</u>	<u>\$ 2,283,817</u>

## Maturities of Long-Term Debt / Estimated Debt Service Requirements

Convertible Notes	Maturity Date	Contractual Convertibility Date (1)	Initial Conversion Rate per \$1,000 Principal (2)	Initial Conversion Price	Annual Effective Interest Rate
2021 Notes	June 15, 2028	February 15, 2028	4.0518	\$ 246.80	0.4 %
2020 Notes	September 1, 2027	May 1, 2027	5.0007	199.97	0.3 %
2019 Notes	October 1, 2026	June 1, 2026	11.4040	87.69	0.3 %

(1) Based on the daily closing prices of the Company's stock during the quarter ended December 31, 2024, holders of the 2021 Notes, 2020 Notes, and 2019 Notes are not eligible to convert their 2021 Notes, 2020 Notes, and remaining 2019 Notes, respectively, during the first quarter of 2025.

(2) The initial conversion rate will be subject to adjustment upon the occurrence of certain specified events, including certain distributions and dividends to all or substantially all of the holders of the Company's common stock.

## KPIs

### GMS

Gross merchandise sales ("GMS") is the dollar value of items sold in Etsy's marketplaces, excluding shipping fees and net of refunds, within the applicable period. GMS does not represent revenue earned by the company. GMS is largely driven by transactions in its marketplaces and is not directly impacted by Services activity. However, because Etsy's revenue and cost of revenue depends significantly on the dollar value of items sold in its marketplace, the company believes that GMS is an indicator of the success of sellers, the satisfaction of buyers, and the health and scale of its business.

### Adjusted EBITDA

Adjusted EBITDA represents Etsy's net income (loss) adjusted to exclude: stock-based compensation expense; depreciation and amortization; provision (benefit) for income taxes; interest and other non-operating (income) expense, net; foreign exchange (gain) loss; retroactive non-income tax expense; restructuring and other exit costs; acquisition, divestiture, and corporate structure-related expenses; asset impairment charges; and loss on sale of business.

### Active Sellers

An active seller is a seller who has had a charge or sale in the last 12 months. Charges include Marketplace and Services revenue fees. A seller is separately identified in each of its marketplaces by a unique e-mail address; a single person can have multiple seller accounts and can count as a distinct active seller in each of its marketplaces. The company succeeds when sellers succeed, so it views the number of active sellers as a key indicator of consumer awareness of its brands, the reach of its platforms, the potential for growth in GMS and revenue, and the health of its business.

### Active Buyers

An active buyer is a buyer who has made at least one purchase in the last 12 months. A buyer is separately identified in each of its marketplaces by a unique e-mail address; a single person can have multiple buyer accounts and can count as a distinct active buyer in each of its marketplaces. The company generates revenue when buyers order items from sellers, so it views the number of active buyers as a key indicator of its



potential for growth in GMS and revenue, the reach of its platforms, consumer awareness of its brands, the engagement and loyalty of buyers, and the health of its business.

KPIs (\$ in Thousands)						% Change				
	2024	2023	2022	2021	2020	2023	2022	2021	2021	2020
GMS	\$ 12,586,952	\$ 13,161,196	\$ 13,318,396	\$ 13,491,828	\$ 10,281,101	-4.4%	-1.2%	-1.3%	+31.2%	n/a
Revenue	\$ 2,808,332	\$ 2,748,377	\$ 2,556,111	\$ 2,329,114	\$ 1,725,625	+2.2%	+7.5%	+9.7%	+35.0%	n/a
Marketplace revenue	\$ 2,020,744	\$ 1,997,190	\$ 1,910,887	\$ 1,745,824	\$ 1,303,126	+1.2%	+4.5%	+9.5%	+34.0%	n/a
Services revenue	\$ 787,588	\$ 751,187	\$ 655,224	\$ 583,290	\$ 422,499	+4.8%	+14.6%	+12.3%	+38.1%	n/a
Gross profit	\$ 2,033,778	\$ 1,919,702	\$ 1,821,519	\$ 1,674,602	\$ 1,260,880	+5.9%	+5.4%	+8.8%	+32.8%	n/a
Operating expenses	\$ 1,653,570	\$ 1,639,861	\$ 2,480,079	\$ 1,208,870	\$ 836,871	+0.8%	-33.9%	+105.2%	+44.5%	n/a
Net income	\$ 303,281	\$ 307,568	\$ (694,288)	\$ 493,507	\$ 349,246	-1.4%	+144.3%	-240.7%	+41.3%	n/a
Adjusted EBITDA	\$ 781,538	\$ 754,311	\$ 716,882	\$ 7,166,613	\$ 549,116	+3.6%	+5.2%	-90.0%	+1205.1%	n/a
Active sellers	8,314	9,035	7,470	7,522	4,365	-8.0%	+21.0%	-0.7%	+72.3%	n/a
Active buyers	95,459	96,483	95,076	96,336	81,898	-1.1%	+1.5%	-1.3%	+17.6%	n/a

## Key Financial Insights

Refer to the Supplemental Data section for additional details on eBay's Balance Sheet, Income Statement, Equity Statement, and Cash Flow Statement to better understand the insights discussed below.

### (BL) *Equity has been negative since 2022.*

A significant decrease in equity in 2022 was primarily driven by \$71,744 accumulated retained earnings turning to \$1,048,267 accumulated deficit, primarily due to \$0.7 billion net loss, primarily due to asset impairment charges of \$1.0 billion.

During the quarter ended September 30, 2022, the trend of adverse macroeconomic conditions continued; there were executive management changes at Depop and Elo7; and Etsy made downward revisions to its business forecasts. Therefore, the company concluded a triggering event had occurred for the Depop and Elo7 reporting units and conducted an impairment test of each of their goodwill, finite-lived intangible assets, and other long-lived assets as of September 30, 2022. The test indicated a decline in the fair values of the Depop and Elo7 reporting unit. As a result of this test, Etsy recorded non-cash impairment charges of \$897.7 million and \$147.1 million to write-off goodwill in full for the Depop and Elo7 reporting units, respectively.

Etsy's accumulated deficit in 2024 was \$1.8 billion, up from \$1.4 billion in 2023 and \$1.1 billion in 2022, primarily due to share repurchases of \$0.7 billion and \$0.6 billion in 2023 and 2022, respectively.

### (BL/Debt) *Long-term liabilities are significantly larger than current liabilities.*

In 2024, total non-current liabilities accounted for approximately 103.9% of total liabilities and stockholders' deficit, and current liabilities accounted for approximately 27.5%, both offset by -31.4% total stockholders' deficit.

Etsy's current liabilities mainly include vendor accruals, pass-through marketplace tax collection obligation, employee compensation-related liabilities, and taxes payable, while long-term liabilities mostly consist of long-term debt. Etsy's long-term liabilities are composed of convertible notes. Based on the terms of each series of Notes, they will mature on the respective maturity date, unless earlier converted, redeemed, or repurchased.

### (PL) *Operating expenses are significantly larger than COGS.*

**COGS:** Etsy's COGS primarily consists of the cost of interchange and other fees for payments processing services and expenses associated with cloud-related hosting and bandwidth costs. It also includes certain employee compensation-related expenses as well as chargebacks to support payments revenue and costs of refunds made to buyers that the company either is not able to collect from sellers or is otherwise covered by the

company, which it collectively refers to as cost of refunds. Additionally, it includes depreciation and amortization and third-party customer support services.

Etsy's operating expenses consist of marketing, product development, general and administrative, and asset impairment charges.

*Marketing:* Etsy's marketing expenses primarily consist of direct marketing expenses, which largely includes digital marketing and television ad and digital video expenses. Digital marketing, also referred to as performance marketing, primarily consists of targeted promotional campaigns through electronic channels, such as product listing ads, search engine marketing, social channels, and affiliate programs, which are focused on buyer acquisition and retargeting. To a lesser extent, direct marketing expenses also include employee compensation-related expenses to support its marketing initiatives and amortization expense related to acquired customer relationships and trademark intangible assets.

*Product development:* Etsy's product development expenses consist primarily of employee compensation-related expenses for its engineering, product management, product design, and product research activities, net of costs capitalized to website and app development. Additional expenses include consulting costs related to the development, quality assurance, and testing of new technology and enhancement of its existing technology.

*General and administrative:* Etsy's general and administrative expenses consist primarily of employee compensation-related expenses for its general corporate functions. General and administrative expenses also include costs associated with the use of facilities and equipment, including depreciation and amortization and office related expenses, professional services expenses, digital services tax, bad debt expense, and non-income tax items.

*Asset impairment charges:* Etsy's asset impairment charges consist of non-cash charges related to the impairment of goodwill, finite-lived intangible assets, and other long-lived assets.

Etsy's low COGS and high operating expenses reflect its tech-driven marketplace model rather than a traditional retail business. The company invests heavily in marketing and technology to keep the platform competitive, leading to higher operating expenses relative to COGS.

***(PL) Cash flow activities were +, -, + for operating, investing, and financing, respectively in 2020 and 2021 while they were +, -, - in 2022, 2023, and 2024.***

Etsy has stable cash flows from operating activities that enables the company to spend cash on investing and financing activities.

Etsy's cash flows from investing activities have been negative (more outflow than inflow) over the last 5 years, primarily due to its active investments (purchases, sales, and maturities) and capital expenditures for property, equipment, website and app development. Significantly larger outflows in 2021 were driven by acquisition of businesses, net of cash acquired. Short-term and long-term investments primarily consist of available-for-sale debt securities, which are reported at fair value using the specific identification method and they together account for approximately 14% of total assets in 2024. Unrealized gains and losses are primarily excluded from earnings and reported as a component of other comprehensive income (loss), net of related tax expense (benefit).

Etsy's negative cash flows from financing activities in 2024, 2023, and 2022 were primarily driven by repurchases of stock and payment of tax obligations on vested equity awards. While the company resulted in more outflows than inflow for these in 2021 and 2020 as well, the company issued convertible notes of \$1 billion and \$650 million in 2021 and 2020, respectively, which resulted in positive cash flows in the two years.

# Final Notes

## Capital Structure

- Negative equity due to the significant impairment charges in 2022.
- Significantly larger non-current liabilities than current liabilities due to the structure of convertible notes Etsy issued: it appears that the company only pays interest periodically and all principal payments are due on the maturity date.
- Non-current assets are primarily composed of goodwill and deferred tax assets, indicating the company's strategy to grow through acquisitions.
- About 30% of total assets are financed through equity, consisting primarily of significant retained earnings and paid-in capital, which suggest reinvestment and investor confidence, largely offset by treasury stock at cost.

## Revenue & Profitability

- High profitability due to its tech-based business model, with an operating profit margin around 25%.
- The company's net profit margin fluctuates due to its active equity and other investments.

## Liquidity & Solvency

- Strong free cash flow and working capital.

## Cash Flow

- Steady cash flows from operating activities
- Very active in investing activities including equity investments, corporate debt securities, commercial paper and government and agency securities.
- Primary financing activities involve share repurchases to offset the impact of dilution from its equity compensation programs and reduce its outstanding share count and debt repayments.

# Supplemental Data

## Etsy, Inc.

### Historical Operating Expenses

(In Thousands)

	2024					% of Total					% Change				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
Operating expenses:															
Marketing	\$ 856,565	\$ 759,196	\$ 710,399	\$ 654,804	\$ 500,756	52%	46%	29%	54%	60%	+12.8%	+6.9%	+8.5%	+30.8%	n/a
Product development	443,056	469,332	412,398	271,535	180,080	27%	29%	17%	22%	22%	-5.6%	+13.8%	+51.9%	+50.8%	n/a
General and administrative	353,949	343,242	312,260	282,531	156,035	21%	21%	13%	23%	19%	+3.1%	+9.9%	+10.5%	+81.1%	n/a
Asset impairment charges	0	68,091	1,045,022	0	0	0%	4%	42%	0%	0%	-100.0%	-93.5%	n/a	n/a	n/a
<b>Total operating expenses</b>	<b>\$ 1,653,570</b>	<b>\$ 1,639,861</b>	<b>\$ 2,480,079</b>	<b>\$ 1,208,870</b>	<b>\$ 836,871</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>+0.8%</b>	<b>-33.9%</b>	<b>+105.2%</b>	<b>+44.5%</b>	<b>n/a</b>

### Historical Balance Sheet with % Change

	2024		2023		2022		2021		2020		2019		% Change				
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020
<b>Consolidated Balance Sheets - USD (\$)</b> in Thousands																	
<b>Current assets:</b>																	
Cash and cash equivalents	\$ 811,178	\$ 914,323	\$ 921,278	\$ 780,196	\$ 1,244,099	\$ 443,293	-11.3%	-0.8%	+18.1%	-37.3%	+180.6%						
Short-term investments	228,322	236,118	250,413	204,416	425,119	373,959	-3.3%	-5.7%	+22.5%	-51.9%	+13.7%						
Accounts receivable, net	8,702	24,734	27,888	27,266	22,605	15,386	-64.8%	-11.3%	+2.3%	+20.6%	+46.9%						
Prepaid and other current assets	89,931	129,884	80,203	109,417	56,152	38,614	-30.8%	+61.9%	-26.7%	+94.9%	+45.4%						
Funds receivable and seller accounts	189,558	265,387	233,961	220,206	146,806	49,786	-28.6%	+13.4%	+6.2%	+50.0%	+194.9%						
<b>Total current assets</b>	<b>1,327,691</b>	<b>1,570,446</b>	<b>1,513,743</b>	<b>1,341,501</b>	<b>1,894,781</b>	<b>921,038</b>	<b>-15.5%</b>	<b>+3.7%</b>	<b>+12.8%</b>	<b>-29.2%</b>	<b>+105.7%</b>						
<b>Non-current assets:</b>																	
Restricted cash	0	0	5,341	5,341	5,341	5,341	n/a	-100.0%	+0.0%	+0.0%	+0.0%						
Property and equipment, net	236,706	249,794	249,744	275,062	112,495	144,864	-5.2%	+0.0%	-9.2%	+144.5%	-22.3%						
Goodwill	137,089	138,377	137,724	1,371,064	140,810	138,731	-0.9%	+0.5%	-90.0%	+873.7%	+1.5%						
Intangible assets, net	413,898	457,140	535,406	607,170	187,449	199,236	-9.5%	-14.6%	-11.8%	+223.9%	-5.9%						
Deferred tax assets	145,630	137,776	121,506	95,863	115	14,257	+5.7%	+13.4%	+26.7%	+83259.1%	-99.2%						
Long-term investments	111,725	86,676	29,137	85,034	39,094	89,343	+28.9%	+197.5%	-65.7%	+117.5%	-56.2%						
Other assets	45,043	45,191	42,360	50,774	24,404	29,542	-0.3%	+6.7%	-16.6%	+108.1%	-17.4%						
<b>Total non-current assets</b>	<b>1,090,091</b>	<b>1,114,954</b>	<b>1,121,218</b>	<b>2,490,308</b>	<b>509,708</b>	<b>621,314</b>	<b>-2.2%</b>	<b>-0.6%</b>	<b>-55.0%</b>	<b>+388.6%</b>	<b>-18.0%</b>						
<b>Total assets</b>	<b>2,417,782</b>	<b>2,685,400</b>	<b>2,634,961</b>	<b>3,831,809</b>	<b>2,404,489</b>	<b>1,542,352</b>	<b>-10.0%</b>	<b>+1.9%</b>	<b>-31.2%</b>	<b>+59.4%</b>	<b>+55.9%</b>						
<b>Current liabilities:</b>																	
Accounts payable	25,979	29,920	28,757	28,007	40,883	26,324	-13.2%	+4.0%	+2.7%	-31.5%	+55.3%						
Accrued expenses	374,947	353,553	331,234	328,118	232,352	88,345	+6.1%	+6.7%	+0.9%	+41.2%	+163.0%						
Finance lease obligations—current	6,148	6,079	4,731	2,418	8,537	8,275	+1.1%	+28.5%	+95.7%	-71.7%	+3.2%						
Funds payable and amounts due to sellers	189,558	265,387	233,961	220,206	146,806	49,786	-28.6%	+13.4%	+6.2%	+50.0%	+194.9%						
Deferred revenue	19,213	14,635	14,008	12,339	11,264	7,617	+31.3%	+4.5%	+13.5%	+9.5%	+47.9%						
Other current liabilities	49,268	41,207	19,064	24,500	14,822	8,181	+19.6%	+116.2%	-22.2%	+65.3%	+81.2%						
<b>Total current liabilities</b>	<b>665,113</b>	<b>710,781</b>	<b>631,755</b>	<b>615,588</b>	<b>454,664</b>	<b>188,528</b>	<b>-6.4%</b>	<b>+12.5%</b>	<b>+2.6%</b>	<b>+35.4%</b>	<b>+141.2%</b>						
Finance lease obligations—net of current portion	93,482	99,620	105,699	110,283	44,979	53,611	-6.2%	-5.8%	-4.2%	+145.2%	-16.1%						
Deferred tax liabilities	7,957	13,192	44,735	79,484	58,481	64,497	-39.7%	-70.5%	-43.7%	+35.9%	-9.3%						
Long-term debt, net	2,288,083	2,283,817	2,279,640	2,275,418	1,062,299	785,126	+0.2%	+0.2%	+0.2%	+114.2%	+35.3%						
Other liabilities	122,013	121,705	120,406	122,417	41,642	43,956	+0.3%	+1.1%	-1.6%	+194.0%	-5.3%						
<b>Total non-current liabilities</b>	<b>2,511,535</b>	<b>2,518,334</b>	<b>2,550,480</b>	<b>2,587,602</b>	<b>1,207,401</b>	<b>947,190</b>	<b>-0.3%</b>	<b>-1.3%</b>	<b>-1.4%</b>	<b>+114.3%</b>	<b>+27.5%</b>						
<b>Total liabilities</b>	<b>3,176,648</b>	<b>3,229,115</b>	<b>3,182,235</b>	<b>3,203,190</b>	<b>1,662,065</b>	<b>1,135,718</b>	<b>-1.6%</b>	<b>+1.5%</b>	<b>-0.7%</b>	<b>+92.7%</b>	<b>+46.3%</b>						
<b>Stockholders' deficit:</b>																	
Common stock (\$0.001 par value)	109	119	125	127	126	119	-8.4%	-4.8%	-1.6%	+0.8%	+5.9%						
Preferred stock (\$0.001 par value)	0	0	0	0	0	0	n/a	n/a	n/a	n/a	n/a						
Additional paid-in capital	1,322,809	1,081,026	815,085	631,762	883,166	642,628	+22.4%	+32.6%	+29.0%	-28.5%	+37.4%						
Accumulated deficit	(1,784,037)	(1,357,390)	(1,048,267)	71,744	(146,819)	(227,414)	-31.4%	-29.5%	-1561.1%	+148.9%	+35.4%						
Accumulated other comprehensive loss	(297,747)	(267,470)	(314,217)	(75,014)	5,951	(8,699)	-11.3%	+14.9%	-318.9%	-1360.5%	+168.4%						
<b>Total stockholders' equity (deficit)</b>	<b>(758,866)</b>	<b>(543,715)</b>	<b>(547,274)</b>	<b>628,619</b>	<b>742,424</b>	<b>406,634</b>	<b>-39.6%</b>	<b>+0.7%</b>	<b>-187.1%</b>	<b>-15.3%</b>	<b>+82.6%</b>						
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$ 2,417,782</b>	<b>\$ 2,685,400</b>	<b>\$ 2,634,961</b>	<b>\$ 3,831,809</b>	<b>\$ 2,404,489</b>	<b>\$ 1,542,352</b>	<b>-10.0%</b>	<b>+1.9%</b>	<b>-31.2%</b>	<b>+59.4%</b>	<b>+55.9%</b>						
<b>Working capital</b>	<b>\$ 662,578</b>	<b>\$ 859,665</b>	<b>\$ 881,988</b>	<b>\$ 725,913</b>	<b>\$ 1,440,117</b>	<b>\$ 732,510</b>	<b>-22.9%</b>	<b>-2.5%</b>	<b>+21.5%</b>	<b>-49.6%</b>	<b>+96.6%</b>						

# Historical Balance Sheet with % of Total

Consolidated Balance Sheets - USD (\$)	2024		2023		2022		2021		2020		2019		% of Total					
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
	Assets																	
Current assets:																		
Cash and cash equivalents	\$ 811,178	\$ 914,323	\$ 921,278	\$ 780,196	\$ 1,244,099	\$ 443,293	33.6%	34.0%	35.0%	20.4%	51.7%	28.7%						
Short-term investments	228,322	236,118	250,413	204,416	425,119	373,959	9.4%	8.8%	9.5%	5.3%	17.7%	24.2%						
Accounts receivable, net	8,702	24,734	27,888	27,266	22,605	15,386	0.4%	0.9%	1.1%	0.7%	0.9%	1.0%						
Prepaid and other current assets	89,931	129,884	80,203	109,417	56,152	38,614	3.7%	4.8%	3.0%	2.9%	2.3%	2.5%						
Funds receivable and seller accounts	189,558	265,387	233,961	220,206	146,806	49,786	7.8%	9.9%	8.9%	5.7%	6.1%	3.2%						
Total current assets	1,327,691	1,570,446	1,513,743	1,341,501	1,894,781	921,038	54.9%	58.5%	57.4%	35.0%	78.8%	59.7%						
Non-current assets:																		
Restricted cash	0	0	5,341	5,341	5,341	5,341	0.0%	0.0%	0.2%	0.1%	0.2%	0.3%						
Property and equipment, net	236,706	249,794	249,744	275,062	112,495	144,864	9.8%	9.3%	9.5%	7.2%	4.7%	9.4%						
Goodwill	137,089	138,377	137,724	1,371,064	140,810	138,731	5.7%	5.2%	5.2%	35.8%	5.9%	9.0%						
Intangible assets, net	413,898	457,140	535,406	607,170	187,449	199,236	17.1%	17.0%	20.3%	15.8%	7.8%	12.9%						
Deferred tax assets	145,630	137,776	121,506	95,863	115	14,257	6.0%	5.1%	4.6%	2.5%	0.0%	0.9%						
Long-term investments	111,725	86,676	29,137	85,034	39,094	89,343	4.6%	3.2%	1.1%	2.2%	1.6%	5.8%						
Other assets	45,043	45,191	42,360	50,774	24,404	29,542	1.9%	1.7%	1.6%	1.3%	1.0%	1.9%						
Total non-current assets	1,090,091	1,114,954	1,121,218	2,490,308	509,708	621,314	45.1%	41.5%	42.6%	65.0%	21.2%	40.3%						
Total assets	2,417,782	2,685,400	2,634,961	3,831,809	2,404,489	1,542,352	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%						
Current liabilities:																		
Accounts payable	25,979	29,920	28,757	28,007	40,883	26,324	1.1%	1.1%	1.1%	0.7%	1.7%	1.7%						
Accrued expenses	374,947	353,553	331,234	328,118	232,352	88,345	15.5%	13.2%	12.6%	8.6%	9.7%	5.7%						
Finance lease obligations—current	6,148	6,079	4,731	2,418	8,537	8,275	0.3%	0.2%	0.2%	0.1%	0.4%	0.5%						
Funds payable and amounts due to sellers	189,558	265,387	233,961	220,206	146,806	49,786	7.8%	9.9%	8.9%	5.7%	6.1%	3.2%						
Deferred revenue	19,213	14,635	14,008	12,339	11,264	7,617	0.8%	0.5%	0.5%	0.3%	0.5%	0.5%						
Other current liabilities	49,268	41,207	19,064	24,500	14,822	8,181	2.0%	1.5%	0.7%	0.6%	0.6%	0.5%						
Total current liabilities	665,113	710,781	631,755	615,588	454,664	188,528	27.5%	26.5%	24.0%	16.1%	18.9%	12.2%						
Finance lease obligations—net of current portion	93,482	99,620	105,699	110,283	44,979	53,611	3.9%	3.7%	4.0%	2.9%	1.9%	3.5%						
Deferred tax liabilities	7,957	13,192	44,735	79,484	58,481	64,497	0.3%	0.5%	1.7%	2.1%	2.4%	4.2%						
Long-term debt, net	2,288,083	2,283,817	2,279,640	2,275,418	1,062,299	785,126	94.6%	85.0%	86.5%	59.4%	44.2%	50.9%						
Other liabilities	122,013	121,705	120,406	122,417	41,642	43,956	5.0%	4.5%	4.6%	3.2%	1.7%	2.8%						
Total non-current liabilities	2,511,535	2,518,334	2,550,480	2,587,602	1,207,401	947,190	103.9%	93.8%	96.8%	67.5%	50.2%	61.4%						
Total liabilities	3,176,648	3,229,115	3,182,235	3,203,190	1,662,065	1,135,718	131.4%	120.2%	120.8%	83.6%	69.1%	73.6%						
Stockholders' deficit:																		
Common stock (\$0.001 par value)	109	119	125	127	126	119	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%						
Preferred stock (\$0.001 par value)	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%						
Additional paid-in capital	1,322,809	1,081,026	815,085	631,762	883,166	642,628	54.7%	40.3%	30.9%	16.5%	36.7%	41.7%						
Accumulated deficit	(1,784,037)	(1,357,390)	(1,048,267)	71,744	(146,819)	(227,414)	-73.8%	-50.5%	-39.8%	1.9%	-6.1%	-14.7%						
Accumulated other comprehensive loss	(297,747)	(267,470)	(314,217)	(75,014)	5,951	(8,699)	-12.3%	-10.0%	-11.9%	-2.0%	0.2%	-0.6%						
Total stockholders' equity (deficit)	(758,866)	(543,715)	(547,274)	628,619	742,424	406,634	-31.4%	-20.2%	-20.8%	16.4%	30.9%	26.4%						
Total liabilities and stockholders' equity (deficit)	\$ 2,417,782	\$ 2,685,400	\$ 2,634,961	\$ 3,831,809	\$ 2,404,489	\$ 1,542,352	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%						
Working capital	\$ 662,578	\$ 859,665	\$ 881,988	\$ 725,913	\$ 1,440,117	\$ 732,510												

# Historical P/L Statement

Consolidated Statements of Operations - USD (\$)	2024		2023		2022		2021		2020		2019		% Change			
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2019
	Income Statement [Abstract]															
Revenue	\$ 2,808,332	\$ 2,748,377	\$ 2,566,111	\$ 2,329,114	\$ 1,725,625	\$ 818,379							+2.2%	+7.1%	+10.2%	+35.0%
Cost of revenue	774,554	828,675	744,592	654,512	464,745	271,036							-6.5%	+11.3%	+13.8%	+40.8%
Gross profit	2,033,778	1,919,702	1,821,519	1,674,602	1,260,880	547,343							+5.9%	+5.4%	+8.8%	+32.8%
Operating expenses:																
Marketing	856,565	759,196	710,399	654,804	500,756	215,570							+12.8%	+6.9%	+8.5%	+30.8%
Product development	443,056	469,332	412,398	271,535	180,080	121,878							-5.6%	+13.8%	+51.9%	+50.8%
General and administrative	353,949	343,242	312,260	282,531	156,035	121,134							+3.1%	+9.9%	+10.5%	+81.1%
Asset impairment charges	0	68,091	1,045,022	0	0	0							-100.0%	-93.5%	n/a	n/a
Total operating expenses	1,653,570	1,639,861	2,480,079	1,208,870	836,871	458,582							+0.8%	-33.9%	+105.2%	+44.5%
Income (loss) from operations	380,208	279,841	(658,560)	465,732	424,009	88,761							+35.9%	+142.5%	-241.4%	+9.8%
Other income (expense):																
Loss on extinguishment of debt	0	0	0	0	(16,855)	0							n/a	n/a	n/a	+100.0%
Interest expense	(13,806)	(14,042)	(14,168)	(9,885)	(42,025)	(24,320)							+1.7%	+0.9%	-43.3%	+76.5%
Interest and other income	30,982	35,999	10,956	2,137	7,102	13,199							-13.9%	+228.6%	+412.7%	-69.9%
Foreign exchange gain (loss)	13,391	(6,348)	(206)	13,670	(6,522)	3,006							+310.9%	-2981.6%	-101.5%	+309.6%
Loss on sale of business	0	(2,630)	0	0	0	0							+100.0%	n/a	n/a	n/a
Total other income (expense)	30,567	12,979	(3,418)	5,922	(58,300)	(8,115)							+135.5%	+479.7%	-157.7%	+110.2%
Income (loss) before income taxes	410,775	292,820	(661,978)	471,654	365,709	80,646							+40.3%	+144.2%	-240.4%	+29.0%
(Provision) benefit for income taxes	(107,494)	14,748	(32,310)	21,853	(16,463)	15,248							-828.9%	+145.6%	-247.9%	+232.7%
Net income (loss)	\$ 303,281	\$ 307,568	\$ (694,288)	\$ 493,507	\$ 349,246	\$ 95,894							-1.4%	+144.3%	-240.7%	+41.3%

# Historical Equity Statement

(In Thousands)

	Common Stock		Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Amount				
Balance as of December 31, 2018	119,771,702	\$ 120	\$ 562,033	\$ (153,442)	\$ (7,813)	\$ 400,898
Cumulative effect adjustment related to the adoption of the leasing standard	—	—	—	7,116	—	7,116
Stock-based compensation	—	—	45,697	—	—	45,697
Exercise of vested options	840,835	1	9,790	—	—	9,791
Issuance of convertible senior notes, net of issuance costs and taxes	—	—	115,980	—	—	115,980
Purchase of capped call, net of taxes	—	—	(58,324)	—	—	(58,324)
Vesting of restricted stock units, net of shares withheld	832,642	1	(32,548)	—	—	(32,547)
Stock repurchase	(3,102,407)	(3)	—	(176,982)	—	(176,985)
Other comprehensive loss	—	—	—	—	(886)	(886)
Net income	—	—	—	95,894	—	95,894
Balance as of December 31, 2019	118,342,772	119	642,628	(227,414)	(8,699)	406,634
Stock-based compensation	—	—	66,350	—	—	66,350
Exercise of vested options	1,834,773	1	25,318	—	—	25,319
Issuance of convertible senior notes, net of issuance costs and taxes	—	—	102,131	—	—	102,131
Purchase of capped calls, net of taxes	—	—	(56,848)	—	—	(56,848)
Settlement of convertible senior notes, net of taxes	7,271,723	7	151,304	—	—	151,311
Vesting of restricted stock units, net of shares withheld	825,200	1	(47,717)	—	—	(47,716)
Stock repurchase	(2,438,537)	(2)	—	(268,651)	—	(268,653)
Other comprehensive income	—	—	—	—	14,650	14,650
Net income	—	—	—	349,246	—	349,246
Balance as of December 31, 2020	125,835,931	126	883,166	(146,819)	5,951	742,424
Cumulative effect of adoption of accounting standard changes	—	—	(228,738)	27,828	—	(200,910)
Stock-based compensation	—	—	139,280	—	—	139,280
Exercise of vested options	994,456	1	22,705	—	—	22,706
Purchase of capped calls, net of taxes	—	—	(64,673)	—	—	(64,673)
Settlement of convertible senior notes, net of taxes	985,522	1	(424)	—	—	(423)
Vesting of restricted stock units, net of shares withheld	818,442	1	(119,554)	—	—	(119,553)
Stock repurchase	(1,612,233)	(2)	—	(302,772)	—	(302,774)
Other comprehensive loss	—	—	—	—	(80,965)	(80,965)
Net income	—	—	—	493,507	—	493,507
Balance as of December 31, 2021	127,022,118	\$ 127	\$ 631,762	\$ 71,744	\$ (75,014)	\$ 628,619
	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance as of December 31, 2021	127,022	\$ 127	\$ 631,762	\$ 71,744	\$ (75,014)	\$ 628,619
Stock-based compensation (1)	191	—	248,114	—	—	248,114
Exercise of vested options	817	1	15,023	—	—	15,024
Vesting of restricted stock units, net of shares withheld	982	1	(79,814)	—	—	(79,813)
Stock repurchase	(3,958)	(4)	—	(425,723)	—	(425,727)
Other comprehensive loss	—	—	—	—	(239,203)	(239,203)
Net loss	—	—	—	(694,288)	—	(694,288)
Balance as of December 31, 2022	125,054	125	815,085	(1,048,267)	(314,217)	(547,274)
Stock-based compensation (1)	46	—	300,687	—	—	300,687
Exercise of vested options	624	1	14,227	—	—	14,228
Settlement of capped call	(1,194)	(1)	34,224	(34,223)	—	—
Settlement of convertible senior notes, net of taxes	—	—	(1)	—	—	(1)
Vesting of restricted stock units, net of shares withheld	1,419	1	(83,196)	—	—	(83,195)
Stock repurchase	(6,880)	(7)	—	(582,468)	—	(582,475)
Other comprehensive income	—	—	—	—	46,747	46,747
Net income	—	—	—	307,568	—	307,568
Balance as of December 31, 2023	119,069	119	1,081,026	(1,357,390)	(267,470)	(543,715)
Stock-based compensation (1)	21	—	299,472	—	—	299,472
Exercise of vested options	158	—	3,907	—	—	3,907
Vesting of restricted stock units, net of shares withheld	1,493	2	(61,596)	—	—	(61,594)
Stock repurchase	(12,201)	(12)	—	(729,928)	—	(729,940)
Other comprehensive loss	—	—	—	—	(30,277)	(30,277)
Net income	—	—	—	303,281	—	303,281
Balance as of December 31, 2024	108,540	\$ 109	\$ 1,322,809	\$ (1,784,037)	\$ (297,747)	\$ (758,866)

## Historical Cash Flow Statement

### Consolidated Statements of Cash Flows - USD (\$) \$ in Thousands

#### Cash flows from operating activities

	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020
Net income (loss)	\$ 303,281	\$ 307,568	\$ (694,288)	\$ 493,507	\$ 349,246

#### Adjustments to reconcile net income (loss) to net cash provided by operating activities:

Stock-based compensation expense	282,847	284,558	230,888	139,910	65,114
Depreciation and amortization expense	108,074	91,323	96,702	74,267	58,189
Provision for expected credit losses	11,950	19,634	12,464	16,031	15,033
Asset impairment charges	0	68,091	1,045,022	0	0
Deferred benefit for income taxes	(14,445)	(50,086)	(55,303)	(88,952)	2,202
Loss on sale of business	0	2,630	0	0	16,855
Other non-cash (income) expense, net	(18,962)	5,499	7,661	(7,095)	48,120

#### Changes in operating assets and liabilities, net of sale of business:

Accounts receivable	3,573	(16,066)	(14,056)	(19,256)	(22,540)
Funds receivable and seller accounts	69,093	(29,328)	(20,570)	(83,941)	(90,141)
Prepaid expenses and other current assets	39,317	(47,490)	23,840	(44,186)	(16,963)
Other assets	(1,381)	(2,409)	7,390	(25,159)	4,816
Accounts payable	(3,511)	2,582	532	(14,169)	14,550
Accrued and other current liabilities	34,240	34,439	6,439	84,789	146,634
Funds payable and amounts due to sellers	(69,093)	29,328	20,570	83,941	90,141
Deferred revenue	4,945	457	1,905	1,441	3,312
Other liabilities	2,541	4,783	14,416	40,423	(5,612)

#### Net cash provided by operating activities

752,469	705,513	683,612	651,551	678,956
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#### Cash flows from investing activities

Acquisition of businesses, net of cash acquired	0	0	0	(1,699,974)	0
Cash paid for intangible assets	0	(12)	(6,456)	(1,937)	(880)
Purchases of property and equipment	(14,208)	(12,938)	(10,237)	(11,248)	(1,445)
Website and app development	(29,290)	(26,958)	(20,506)	(16,922)	(5,665)
Purchases of investments	(330,763)	(342,850)	(270,345)	(418,518)	(499,237)
Sales and maturities of investments	321,160	309,451	277,520	590,630	495,848

#### Net cash used in investing activities

(53,101)	(73,307)	(30,024)	(1,557,969)	(11,379)
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#### Cash flows from financing activities

Payment of tax obligations on vested equity awards	(61,588)	(83,441)	(79,163)	(118,167)	(47,716)
Repurchase of stock	(723,899)	(576,968)	(425,727)	(302,774)	(268,653)
Proceeds from exercise of stock options	3,907	14,228	15,024	22,706	25,319
Payments on finance lease obligations	(6,091)	(6,278)	(6,307)	(8,864)	(9,211)
Other financing, net	503	(4,074)	(10,311)	859,848	419,543

#### Net cash used in financing activities

(787,168)	(656,533)	(506,484)	452,749	119,282
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#### Effect of exchange rate changes on cash

(15,345)	12,031	(6,022)	(10,234)	13,947
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#### Net (decrease) increase in cash, cash equivalents, and restricted cash

(103,145)	(12,296)	141,082	(463,903)	800,806
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#### Cash, cash equivalents, and restricted cash at beginning of period

914,323	926,619	785,537	1,249,440	448,634
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#### Cash, cash equivalents, and restricted cash at end of period

\$ 811,178	\$ 914,323	\$ 926,619	\$ 785,537	\$ 1,249,440
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#### Free Cash Flow

\$ 738,261	\$ 692,575	\$ 673,375	\$ 640,303	\$ 677,511
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## DuPont Analysis (2024)

DuPont Analysis is a financial performance framework that helps break down a company's ROE into 6 key components. This analysis provides insights into the drivers of a company's financial performance, helping stakeholders understand how each factor contributes to the overall return.

Etsy Inc.

	-0.4657										
Net Profit Margin		Equity Turnover									
10.80%	*	-4.31	=	-0.4657							
Net Profit Margin		Asset Turnover		Financial Leverage							
10.80%	*	1.10	*	-3.92	=	-0.4657					
Tax Burden		Interest Burden		Operating Profit Margin		Asset Turnover		Financial Leverage			
0.74	*	0.97	*	15.12%	*	1.10	*	-3.92	=	-0.4657	



## Financial Ratios Formula

### Activity Ratios

#### *Receivables Turnover*

Meaning: The efficiency of a company in collecting its receivables

Formula:  $\text{Revenue} / \text{Average Receivables}$

#### *DSO*

Meaning: The average number of days a company takes to collect its receivables from clients

Formula:  $365 / \text{Receivables Turnover}$

#### *Inventory Turnover*

Meaning: The efficiency of a company in terms of inventory management

Formula:  $\text{COGS} / \text{Average Inventory}$

#### *DIO*

Meaning: The average inventory processing period

Formula:  $365 / \text{Inventory Turnover}$

#### *Payables Turnover*

Meaning: The efficiency of a company in allowing its credit to suppliers

Formula:  $\text{Purchases} / \text{Average Payables}$

#### *DPO*

Meaning: The average number of days a company takes to pay its suppliers

Formula:  $365 / \text{Payables Turnover}$

#### *Cash Conversion Cycle*

Meaning: The number of days a company takes to convert its investments in inventory and other resources into cash flows from sales

Formula:  $\text{DSO} + \text{DIO} - \text{DPO}$

#### *Fixed Assets Turnover*

Meaning: The efficiency of a company in utilizing its fixed assets to generate revenue

Formula:  $\text{Revenue} / \text{Average Fixed Assets}$

#### *Working Capital Turnover*

Meaning: The efficiency of a company in managing its working capital (current assets – current liabilities)

Formula:  $\text{Revenue} / \text{Average Working Capital}$

#### *Total Assets Turnover*

Meaning: The efficiency of a company in utilizing its total assets to generate revenue

Formula:  $\text{Revenue} / \text{Average Total Assets}$

#### *Equity Turnover*

Meaning: The efficiency of a company in utilizing equity to generate revenue

Formula:  $\text{Revenue} / \text{Average Total Equity}$

### Liquidity Ratios

#### *Current Ratio*

Meaning: The ability of a company to meet current liabilities (with total current assets)

Formula:  $\text{Current Assets} / \text{Current Liabilities}$

#### *Quick Ratio*

Meaning: The ability of a company to meet current liabilities (with total current assets, excluding inventory and prepaid expenses)

Formula:  $(\text{Total Current Assets} - \text{Inventory} - \text{Prepaid Expenses}) / \text{Current Liabilities}$

#### *Cash Ratio*

Meaning: The ability of a company to meet current liabilities (with cash only)

Formula:  $\text{Cash} / \text{Current Liabilities}$

#### *Defensive Interval*

Meaning: The number of days a company can cover its average daily expenses with the use of current liquid assets only

Formula:  $(\text{Total Current Assets} - \text{Inventory} - \text{Prepaid Expenses}) / \text{Average Daily Expenditure}$

### Solvency Ratios

#### *Debt-to-Equity*

Meaning: Debt as a percentage of total equity

Formula:  $\text{Total Debt} / \text{Total Equity}$

#### *Debt-to-Capital*

Meaning: Debt as a percentage of total capital

Formula:  $\text{Total Debt} / (\text{Total Debt} + \text{Total Equity})$

#### *Debt-to-Assets*

Meaning: Debt as a percentage of total assets

Formula:  $\text{Total Debt} / \text{Total Assets}$

#### *Financial Leverage*

Meaning: An indicator of a company's debt financing usage

Formula:  $\text{Average Total Assets} / \text{Average Total Equity}$

#### *Interest Coverage*

Meaning: The ability of a company to cover its interest expenses

Formula:  $\text{EBIT (Operating Income)} / \text{Interest Payments}$

## Profitability Ratios

### *Gross Profit Margin*

Meaning: Gross profitability as a percentage of total revenue

Formula:  $(\text{Revenue} - \text{COGS}) / \text{Revenue}$

### *Operating Profit Margin*

Meaning: Operating profitability (before interest and tax) as a percentage of total revenue

Formula:  $\text{Operating Income (EBIT)} / \text{Revenue}$

### *Pre-Tax Profit Margin*

Meaning: Operating profitability (before tax) as a percentage of total revenue

Formula:  $\text{EBT} / \text{Revenue}$

### *Net Profit Margin*

Meaning: Net profitability as a percentage of total revenue

Formula:  $\text{Net Income} / \text{Revenue}$

### *ROA (Return on Assets)*

Meaning: Net profitability (excluding interest and tax) as a percentage of total invested funds

Formula:  $\text{Net Income} / \text{Average Total Assets}$

### *Operating ROA*

Meaning: Net profitability (including interest and tax) as a percentage of total invested funds

Formula:  $\text{Operating Income (EBIT)} / \text{Average Total Assets}$

### *ROC (Return on Total Capital)*

Meaning: Operating profitability as a percentage of total capital

Formula:  $\text{Operating Income (EBIT)} / \text{Average Total Capital}$

### *ROE (Return on Equity)*

Meaning: Net profitability as a percentage of total equity

Formula:  $\text{Net Income} / \text{Average Equity}$

## Valuation Ratios

### *EPS (Earnings Per Share)*

Meaning: Income earned per 1 common share outstanding

Data is obtained from each company's financial statement.

### *PE Ratio*

Meaning: The price that investors are willing to pay per \$1 of earnings

Data is obtained from Macrotrends.

### *Dividend Payout Ratio (DPR)*

Meaning: The measure of dividends paid out to shareholders relative to the company's net income

Formula:  $\text{Dividends Paid to Common Shareholders} / \text{Net Income}$

### *Dividend Yield*

Meaning: The ratio that shows how much a company pays out in dividends each year relative to its stock price

Formula:  $\text{Dividends Paid to Common Shareholders} / \text{Net Income}$