**Etsy, Inc.**

**FY2024 Financial Statements Analysis**

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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

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### P/L Chart

A graph of different colored bars

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### Cash Flow Chart (left to right)

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### Historical Financial Ratios



### Long-Term Debt (Most Recent Years)

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

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### 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.



### 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 atraditional 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)



### Historical Balance Sheet with % Change



### Historical Balance Sheet with % of Total



Historical P/L Statement



### Historical Equity Statement

(In Thousands)

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### Historical Cash Flow Statement



## 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.



## Financial Ratios Formula

### Activity Ratios

#### Receivables Turnover

Meaning: The efficiency of a company in collecting its receivables  
Formula: Revenue / Average Receivables

#### DSO

Meaning: The average number of days a company takes to collect its receivables from clients  
Formula: 365 / Receivables Turnover

#### Inventory Turnover

Meaning: The efficiency of a company in terms of inventory management  
Formula: COGS / Average Inventory

#### DIO

Meaning: The average inventory processing period  
Formula: 365 / Inventory Turnover

#### Payables Turnover

Meaning: The efficiency of a company in allowing its credit to suppliers  
Formula: Purchases / Average Payables

#### DPO

Meaning: The average number of days a company takes to pay its suppliers  
Formula: 365 / 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: DSO + DIO - DPO

#### Fixed Assets Turnover

Meaning: The efficiency of a company in utilizing its fixed assets to generate revenue  
Formula: Revenue / Average Fixed Assets

#### Working Capital Turnover

Meaning: The efficiency of a company in managing its working capital (current assets – current liabilities)  
Formula: Revenue / Average Working Capital

#### Total Assets Turnover

Meaning: The efficiency of a company in utilizing its total assets to generate revenue  
Formula: Revenue / Average Total Assets

#### Equity Turnover

Meaning: The efficiency of a company in utilizing equity to generate revenue  
Formula: Revenue / Average Total Equity

### Liquidity Ratios

#### Current Ratio

Meaning: The ability of a company to meet current liabilities (with total current assets)  
Formula: Current Assets / Current Liabilities

#### Quick Ratio

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

Formula: (Total Current Assets – Inventory – Prepaid Expenses) / Current Liabilities

#### Cash Ratio

Meaning: The ability of a company to meet current liabilities (with cash only)  
Formula: Cash / 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: (Total Current Assets – Inventory – Prepaid Expenses) / Average Daily Expenditure

### Solvency Ratios

#### Debt-to-Equity

Meaning: Debt as a percentage of total equity  
Formula: Total Debt / Total Equity

#### Debt-to-Capital

Meaning: Debt as a percentage of total capital  
Formula: Total Debt / (Total Debt + Total Equity)

#### Debt-to-Assets

Meaning: Debt as a percentage of total assets  
Formula: Total Debt / Total Assets

#### Financial Leverage

Meaning: An indicator of a company’s debt financing usage  
Formula: Average Total Assets / Average Total Equity

#### Interest Coverage

Meaning: The ability of a company to cover its interest expenses  
Formula: EBIT (Operating Income) / Interest Payments

### Profitability Ratios

#### Gross Profit Margin

Meaning: Gross profitability as a percentage of total revenue  
Formula: (Revenue – COGS) / Revenue

#### Operating Profit Margin

Meaning: Operating profitability (before interest and tax) as a percentage of total revenue  
Formula: Operating Income (EBIT) / Revenue

#### Pre-Tax Profit Margin

Meaning: Operating profitability (before tax) as a percentage of total revenue  
Formula: EBT / Revenue

#### Net Profit Margin

Meaning: Net profitability as a percentage of total revenue  
Formula: Net Income / Revenue

#### ROA (Return on Assets)

Meaning: Net profitability (excluding interest and tax) as a percentage of total invested funds  
Formula: Net Income / Average Total Assets

#### Operating ROA

Meaning: Net profitability (including interest and tax) as a percentage of total invested funds  
Formula: Operating Income (EBIT) / Average Total Assets

#### ROC (Return on Total Capital)

Meaning: Operating profitability as a percentage of total capital  
Formula: Operating Income (EBIT) / Average Total Capital

#### ROE (Return on Equity)

Meaning: Net profitability as a percentage of total equity  
Formula: Net Income / 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: Dividends Paid to Common Shareholders / 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: Dividends Paid to Common Shareholders / Net Income