

Etsy, Inc.

Consolidated Balance Sheets

(In thousands except share and per share amounts)

	As of December 31,	
	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 366,985	\$ 315,442
Short-term investments	257,302	25,108
Accounts receivable, net	12,244	33,677
Prepaid and other current assets	22,686	20,379
Funds receivable and seller accounts	21,072	44,658
Total current assets	680,289	439,264
Restricted cash	5,341	5,341
Property and equipment, net	120,179	117,617
Goodwill	37,482	38,541
Intangible assets, net	34,589	4,100
Deferred tax assets	23,464	159
Other assets	507	561
Total assets	\$ 901,851	\$ 605,583
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 26,545	\$ 13,622
Accrued expenses	49,158	28,743
Capital lease obligations—current	3,884	5,798
Funds payable and amounts due to sellers	21,072	44,658
Deferred revenue	7,478	6,262
Other current liabilities	3,925	3,394
Total current liabilities	112,062	102,477
Capital lease obligations—net of current portion	2,095	4,115
Deferred tax liabilities	30,455	23,786
Facility financing obligation	59,991	60,049
Long-term debt, net	276,486	—
Other liabilities	19,864	18,262
Total liabilities	500,953	208,689
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock (\$0.001 par value, 1,400,000,000 shares authorized as of December 31, 2018 and 2017; 119,771,702 and 121,769,238 shares issued and outstanding as of December 31, 2018 and 2017, respectively)	120	122
Preferred stock (\$0.001 par value, 25,000,000 shares authorized as of December 31, 2018 and 2017)	—	—
Additional paid-in capital	562,033	499,441
Accumulated deficit	(153,442)	(96,290)
Accumulated other comprehensive loss	(7,813)	(6,379)
Total stockholders' equity	400,898	396,894
Total liabilities and stockholders' equity	\$ 901,851	\$ 605,583

The accompanying notes are an integral part of these Consolidated Financial Statements

Etsy, Inc.

Consolidated Statements of Operations

(In thousands except share and per share amounts)

	Year Ended December 31,		
	2018	2017	2016
Revenue	\$ 603,693	\$ 441,231	\$ 364,967
Cost of revenue	190,762	150,986	123,328
Gross profit	412,931	290,245	241,639
Operating expenses:			
Marketing	158,013	109,085	82,248
Product development	97,249	74,616	55,083
General and administrative	82,883	91,486	86,180
Asset impairment charges	—	3,162	551
Total operating expenses	338,145	278,349	224,062
Income from operations	74,786	11,896	17,577
Other (expense) income:			
Interest expense	(22,178)	(11,130)	(7,204)
Interest and other income	8,957	2,394	1,702
Foreign exchange (loss) gain	(6,487)	29,105	(14,951)
Total other (expense) income	(19,708)	20,369	(20,453)
Income (loss) before income taxes	55,078	32,265	(2,876)
Benefit (provision) for income taxes	22,413	49,535	(27,025)
Net income (loss)	\$ 77,491	\$ 81,800	\$ (29,901)
Net income (loss) per share attributable to common stockholders:			
Basic	\$ 0.64	\$ 0.69	\$ (0.26)
Diluted	\$ 0.61	\$ 0.68	\$ (0.26)
Weighted average common shares outstanding:			
Basic	120,146,076	118,538,687	113,562,738
Diluted	127,084,785	122,267,673	113,562,738

The accompanying notes are an integral part of these Consolidated Financial Statements

Etsy, Inc.

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Net income (loss)	\$ 77,491	\$ 81,800	\$ (29,901)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Stock-based compensation expense	34,477	22,655	13,168
Stock-based compensation expense—acquisitions	3,754	3,904	2,733
Depreciation and amortization expense	26,742	27,197	22,525
Bad debt expense	4,124	2,497	1,770
Foreign exchange loss (gain)	5,997	(27,424)	12,921
Amortization of debt issuance costs	1,191	463	184
Non-cash interest expense	10,968	3,117	5,337
Interest on marketable securities	(2,887)	426	914
Loss on disposal of assets	136	520	1,143
Asset impairment charges	—	3,162	551
Deferred income taxes	(22,414)	(49,535)	9,969
Amortization of deferred tax charge	—	—	17,132
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	17,215	(8,826)	(8,192)
Funds receivable and seller accounts	23,436	(13,477)	(10,910)
Prepaid expenses and other current assets	(4,785)	3,024	(1,384)
Other assets	43	(28)	438
Accounts payable	13,364	2,837	(3,585)
Accrued and other current liabilities	23,079	(2,659)	795
Funds payable and amounts due to sellers	(23,436)	13,477	10,910
Deferred revenue	1,331	434	964
Other liabilities	9,099	5,537	482
Net cash provided by operating activities	198,925	69,101	47,964
Cash flows from investing activities			
Cash paid for asset acquisition and intangible assets	(35,494)	—	—
Acquisition of businesses, net of cash acquired	—	—	(7,880)
Purchases of property and equipment	(1,019)	(3,948)	(35,981)
Development of internal-use software	(19,537)	(9,208)	(11,769)
Purchases of marketable securities	(514,286)	(62,348)	(160,504)
Sales of marketable securities	284,943	137,340	80,704
Net cash (used in) provided by investing activities	(285,393)	61,836	(135,430)
Cash flows from financing activities			
Payment of tax obligations on vested equity awards	(24,065)	(6,417)	(1,258)
Repurchase of stock	(134,647)	(10,301)	—
Proceeds from exercise of stock options	18,253	33,838	10,568
Proceeds from issuance of convertible senior notes	345,000	—	—
Payment of debt issuance costs	(9,962)	—	—
Purchase of capped call	(34,224)	—	—
Payments on capital lease obligations	(6,057)	(7,798)	(6,086)
Deferred payments on acquisition of business	—	—	(649)
Payments on facility financing obligation	(10,164)	(5,883)	—
Other financing, net	(128)	3,116	(3,099)
Net cash provided by (used in) financing activities	144,006	6,555	(524)
Effect of exchange rate changes on cash	(5,995)	(3,642)	(1,662)
Net increase (decrease) in cash, cash equivalents, and restricted cash	51,543	133,850	(89,652)
Cash, cash equivalents, and restricted cash at beginning of period	320,783	186,933	276,585
Cash, cash equivalents, and restricted cash at end of period	\$ 372,326	\$ 320,783	\$ 186,933