

NEW YORK STOCK EXCHANGE



GEM Investment Club

Analysis of Etsy

Etsy

By Zaid & Guilhem



BUY – SELL – WAIT

Etsy exhibited exceptional financial performance in the last year, and outperformed all its competitors. The marketplace benefits from strong brand image as it was a pioneer in its niche market, and still has plenty of room to grow in the near future.

For these reasons, we believe we should: **BUY**

**Investment
summary**



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01

Company's
Overview



What does the company do ?

Founded in 2005 and headquartered in Brooklyn, New York, **Etsy** operates an e-commerce marketplace specialized in handmade products, from clothing to jewelry, toys, home design crafts. The company provides various seller services, including Etsy Payments, a payment processing service; Etsy Ads, an advertising platform; and Etsy Shipping Labels. In addition, the company offers various seller tools, including Shop Manager dashboard, a centralized hub for Etsy sellers to track orders, manage inventory, view metrics and statistics, and have conversations with their customers; Targeted Offers, a sales, promotion, and media tool; educational resources, such as blog posts and video tutorials for sellers; Etsy Seller Handbook; and Etsy Teams, a platform to build personal relationships with other Etsy sellers.





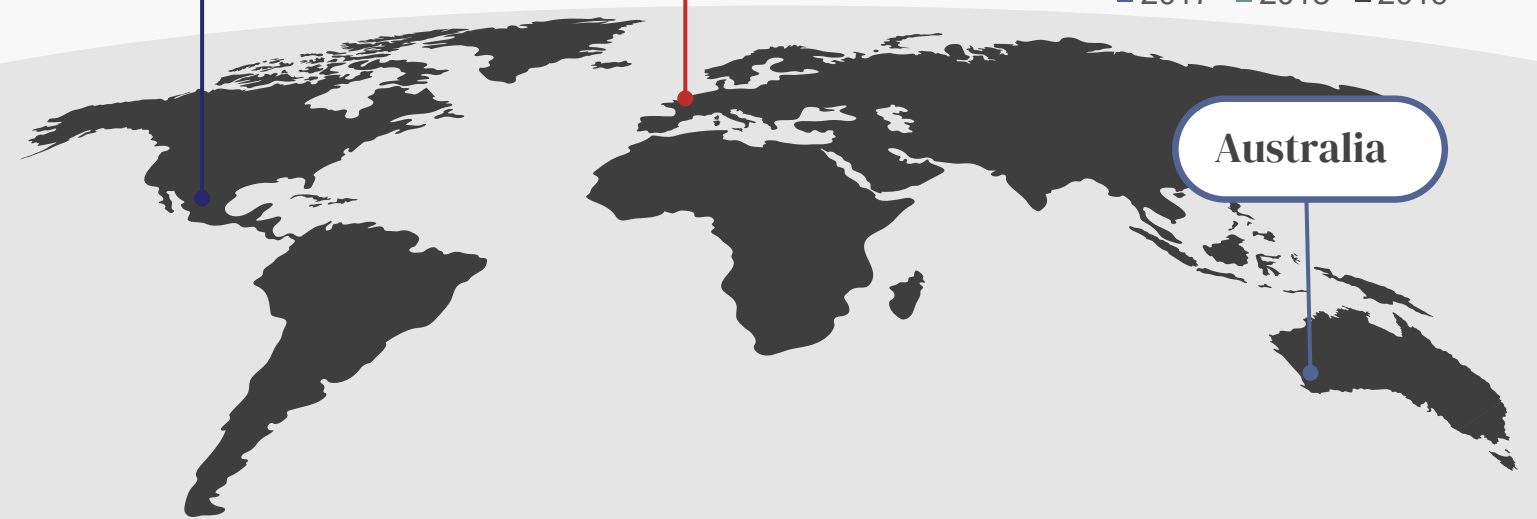
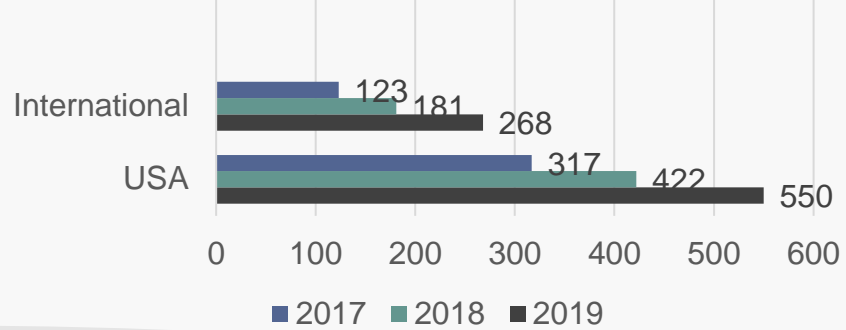
Where the company is doing business

N. America

Europe

Australia

ETSY revenue by geography (M \$)



Strategy



Etsy Impact Strategy and Progress:

Etsy mission since its creation is to “keep commerce human”, automation and commoditization are parts of modern life, however human creativity cannot be automated, and human connection cannot be commoditized.

Focus on the Etsy marketplace in our six core geographies:

Etsy focuses on their six core markets (United States, United Kingdom, Canada, Germany, Australia and France), and will continue to evaluate additional geographies in which to make strategic investments (India).

These six locations represent the largest concentrations of Etsy buyers and sellers and, consequently, where they believe they have the most significant opportunities for growth.

Build a sustainable competitive advantage:

Etsy is willing to build a sustainable competitive advantage around 4 keys elements :

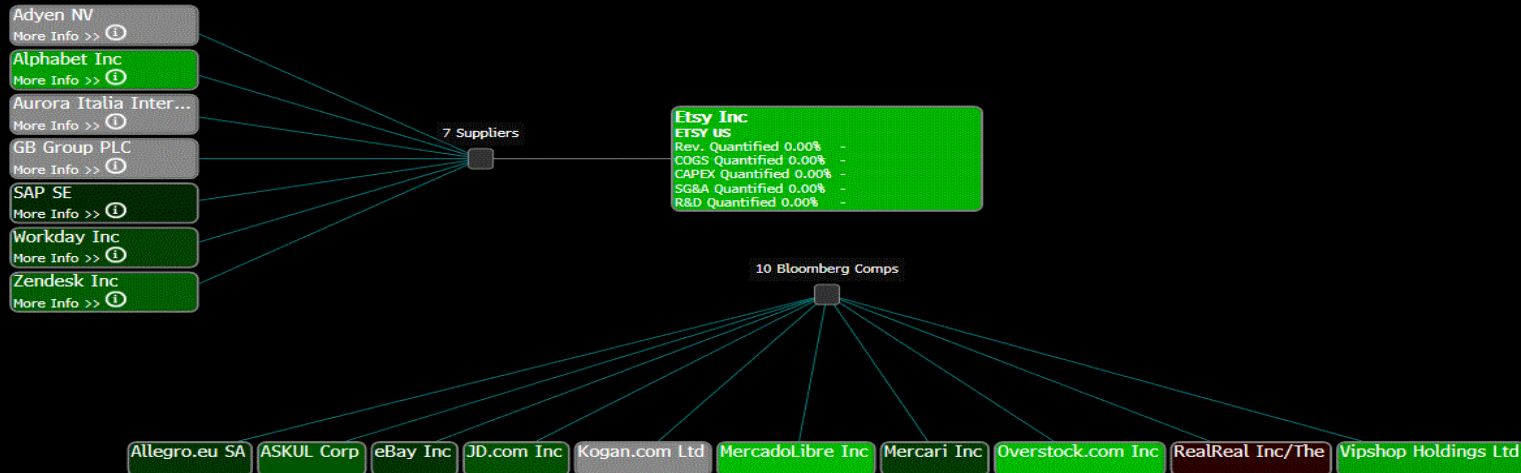
- Best-in-class search and discovery
- Human connections
- A trusted brand
- A collection of unique items

Suppliers



ETSY US \$ **Market** **K206.00 / 206.99M** **4x1**
 Prev **203.77** Vol **817**
ETSY US Equity Peers Actions **Supply Chain Analysis**
 Viewing **Etsy Inc** As of **02/02/21**
 Analyze Latest Sales Surprise % USD Display Name Filters
 Show As **7) Chart** 8) Table Sort By **Company Exposure** Show Events **None**

ETSY US's Exposure to Related Companies:
 Suppliers are sorted by the cost (COGS/CAPEX/SG&A/R&D) paid by ETSY US.
 Customers are sorted by the revenue ETSY US gets from the customers.





Strengths



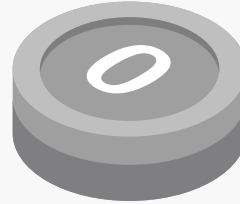
- Solid domestic and international growth by the measure of gross merchandise sales (GMS)
- Diverse community
- Etsy's platform

Weaknesses



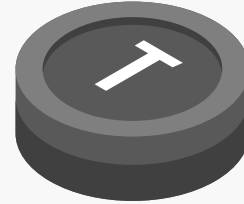
- Reliance on gross merchandise sales in the United States
- Dependent on \$

Opportunities



- Year over year increase in Global retail e-commerce
- The opportunity to diversify and expand their line of products
- Important marketing expenses to develop global products

Threats



- The retention of Etsy's sellers



02 Top Management

Board

**Josh
Silverman**



**President and
Chief Executive
Officer**

**Rachel
Glaser**



**Chief Financial
Officer**

**Mike
Fisher**

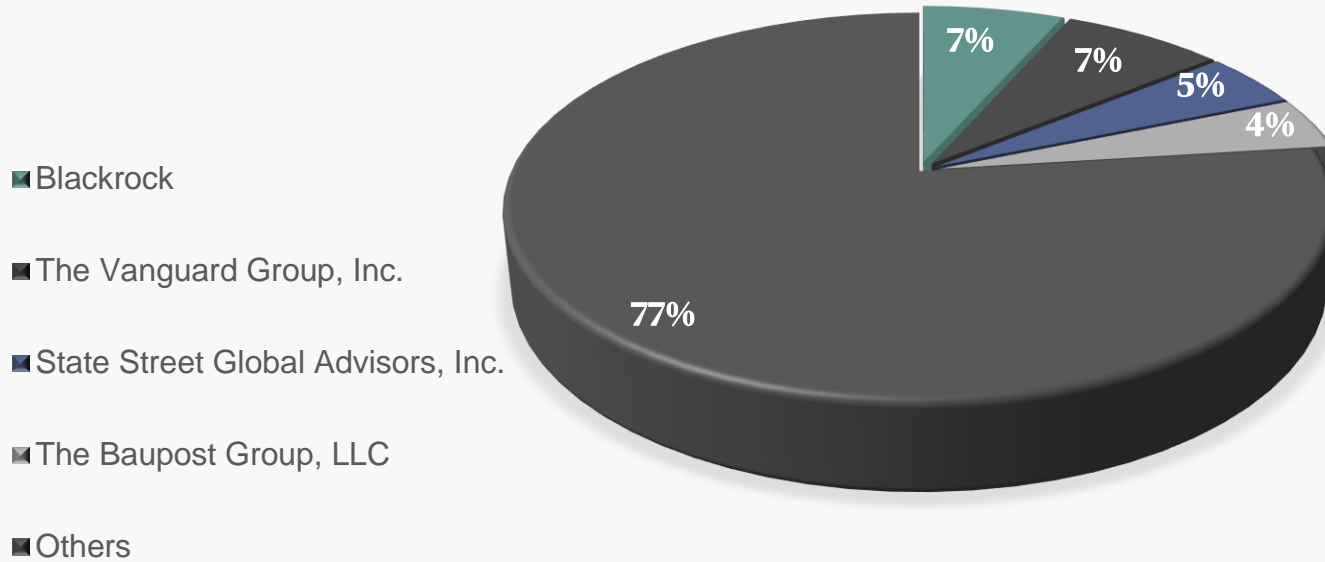


**Chief
Technology
Officer**

Stockholders



% Ownership





03

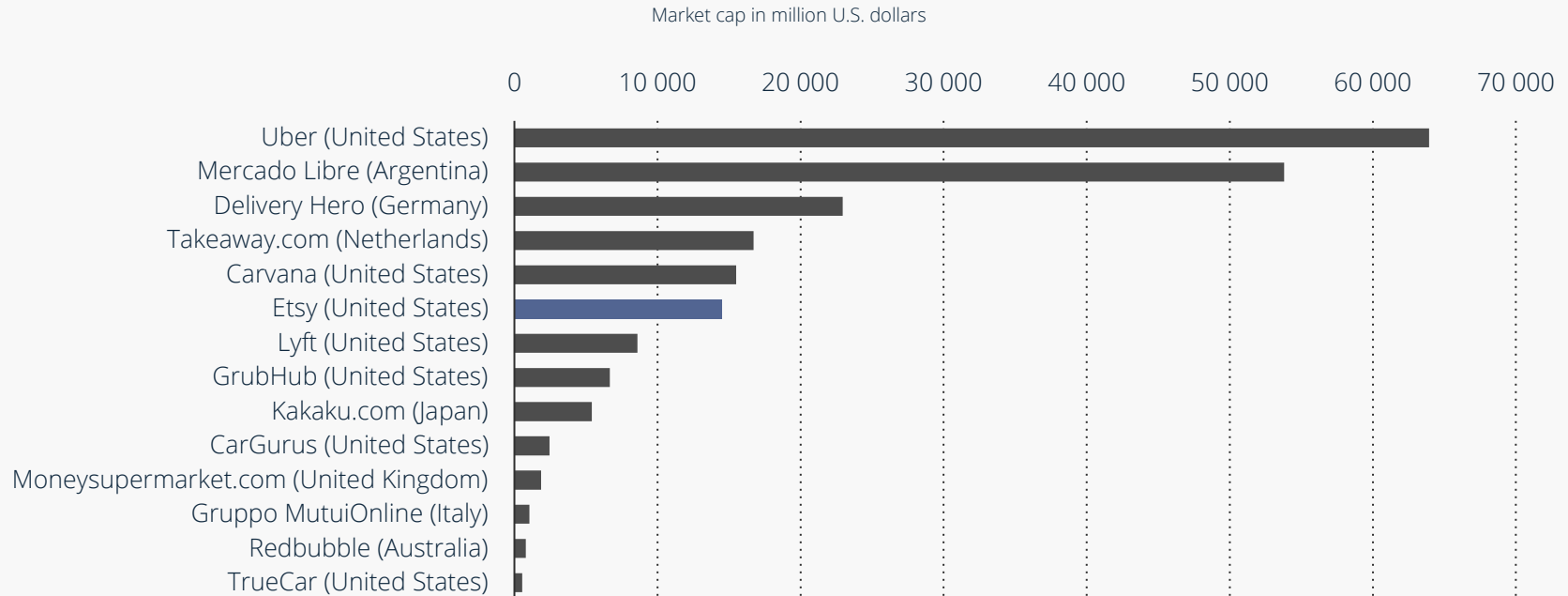
Market
Analysis

Analysis of the market



Market cap of leading online marketplaces worldwide as of September 2020 (in million U.S. dollars)

Leading online marketplaces worldwide 2020, by market cap



Note(s): Worldwide; September 30, 2020

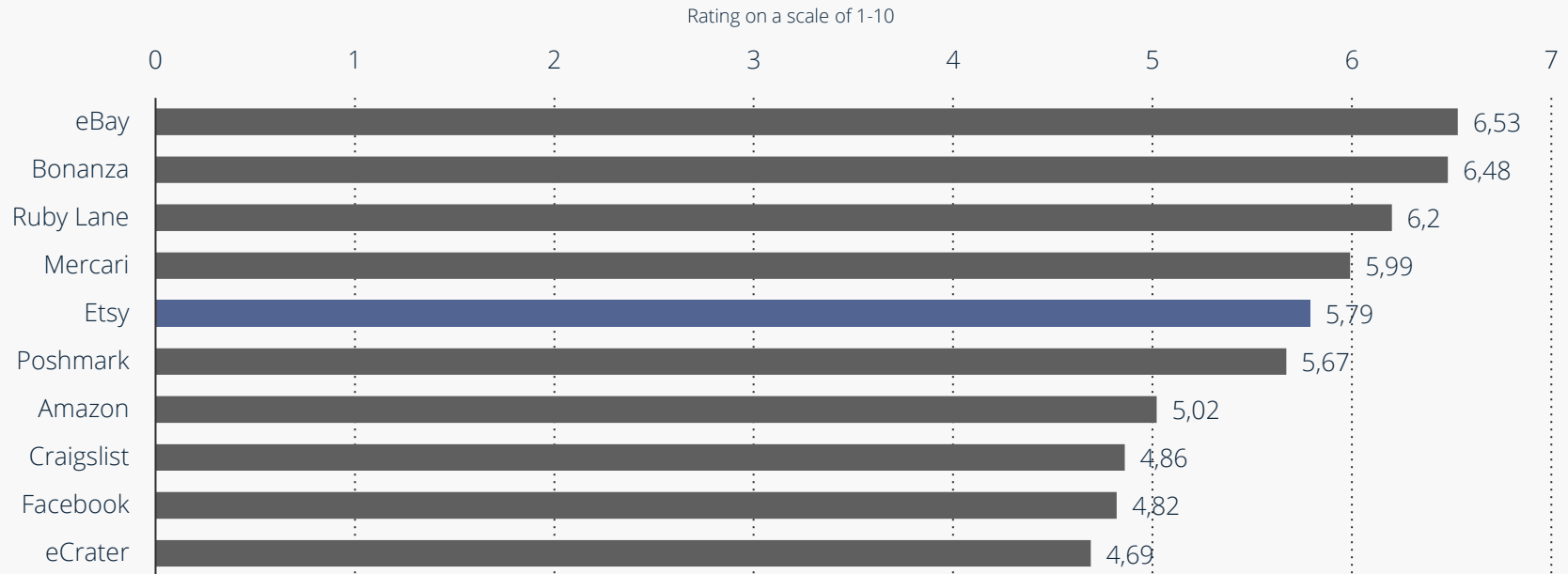
Further information regarding this statistic can be found on [page 8](#).

Source(s): GP Bullhound; S&P Capital IQ; [ID_1039552](#)

Analysis of the market

Most popular online marketplaces according to online sellers in the United States as of January 2020 (index rating)

Preferred online marketplaces of U.S. sellers 2020



Note(s): United States; January 2020; among EcommerceBytes users; wider industry metrics may vary

Further information regarding this statistic can be found on [page 8](#).

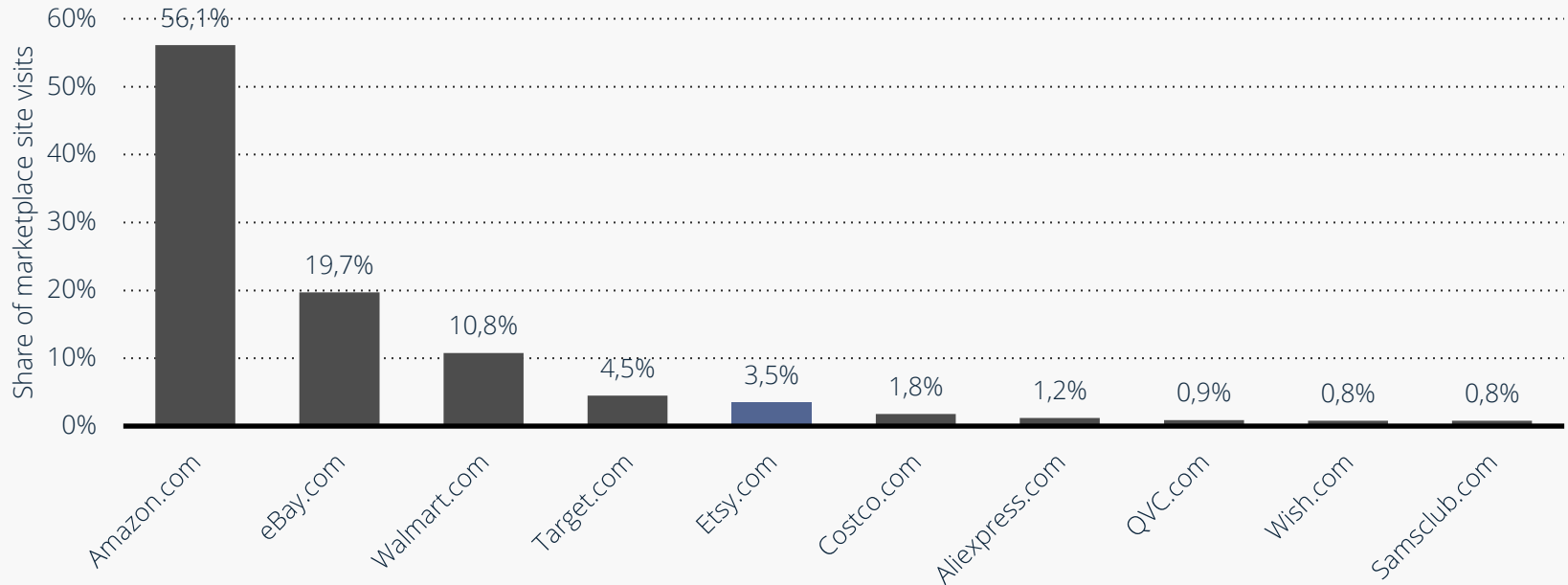
Source(s): EcommerceBytes; [ID 448892](#)



Analysis of the market

Leading online marketplace websites in the United States as of 4th quarter 2018, based on share of visits

Leading online marketplaces in the United States 2018, by visit share



Note(s): United States; Q4 2018

Further information regarding this statistic can be found on [page 8](#).

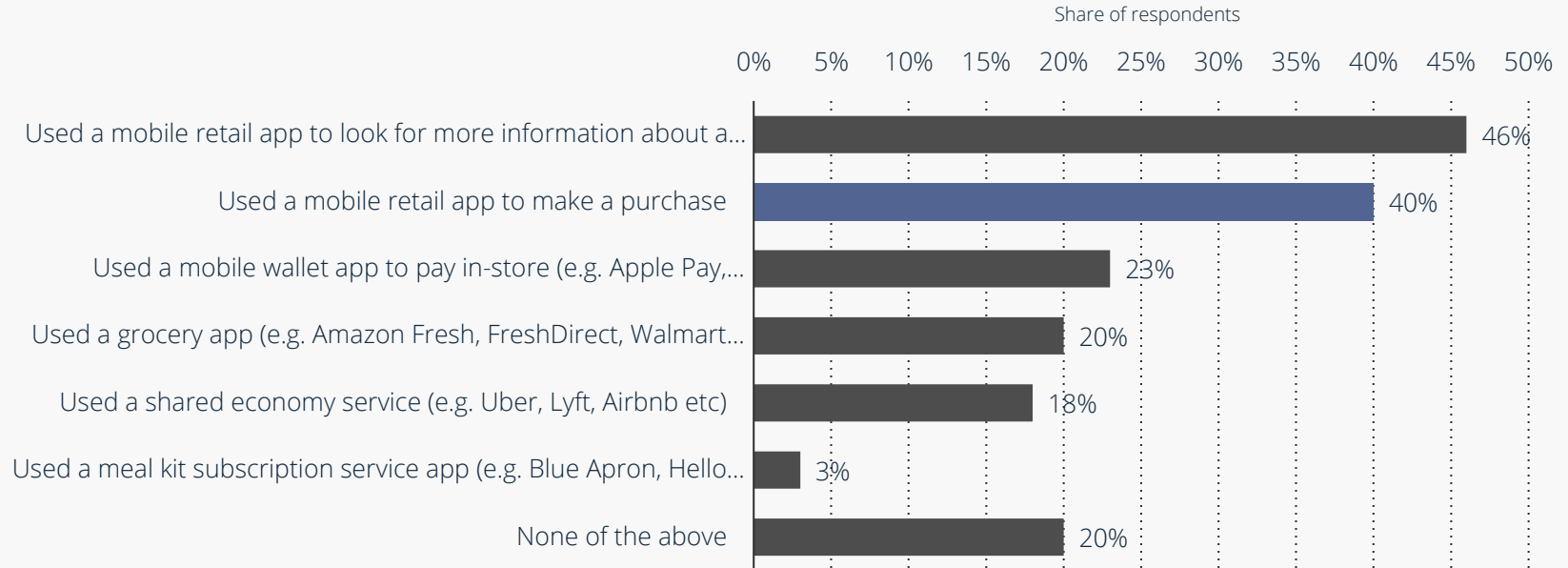
Source(s): SimilarWeb; ID 270884



Analysis of the market

Share of mobile device owners in the United States who did online shopping via an app in the past month as of December 2019

U.S. mobile users shopping activities via app 2019

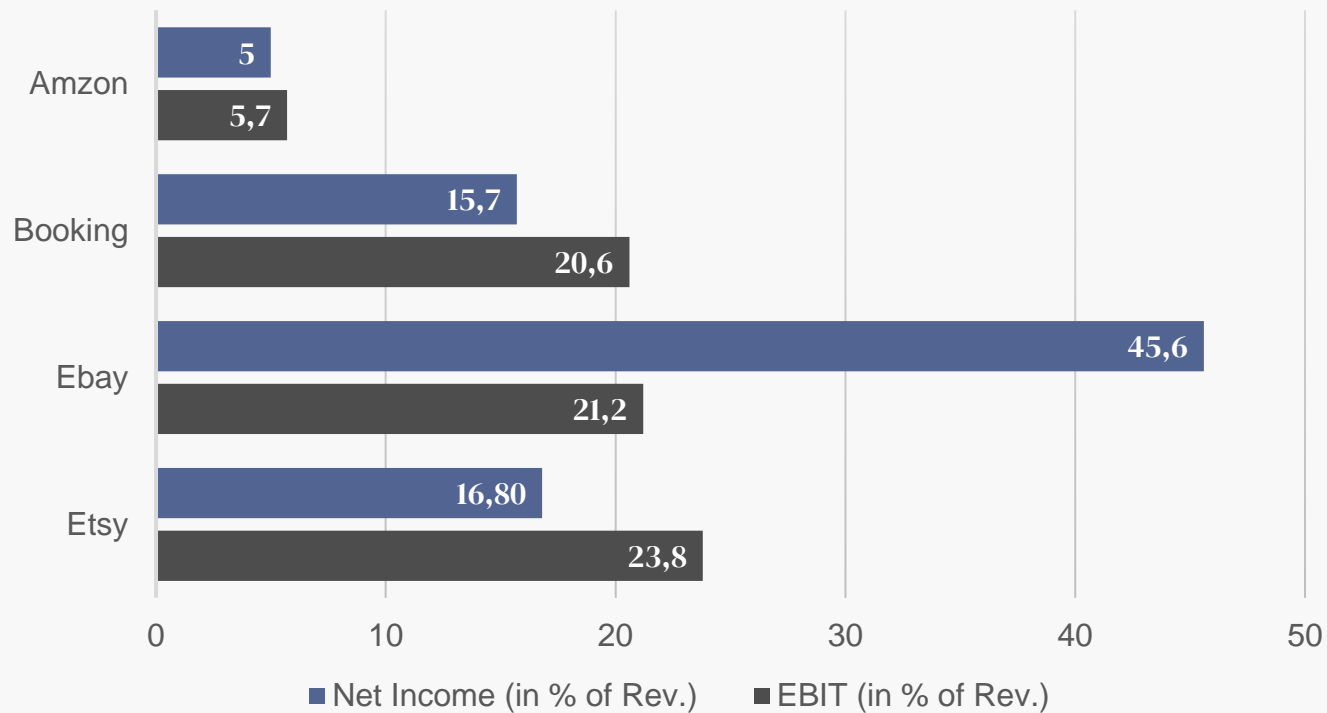


Note(s): United States; December 2019; smartphone and tablet owners; in the past month

Further information regarding this statistic can be found on [page 8](#).

Source(s): eMarketer; Bizrate Insights; ID 183701

Competitors

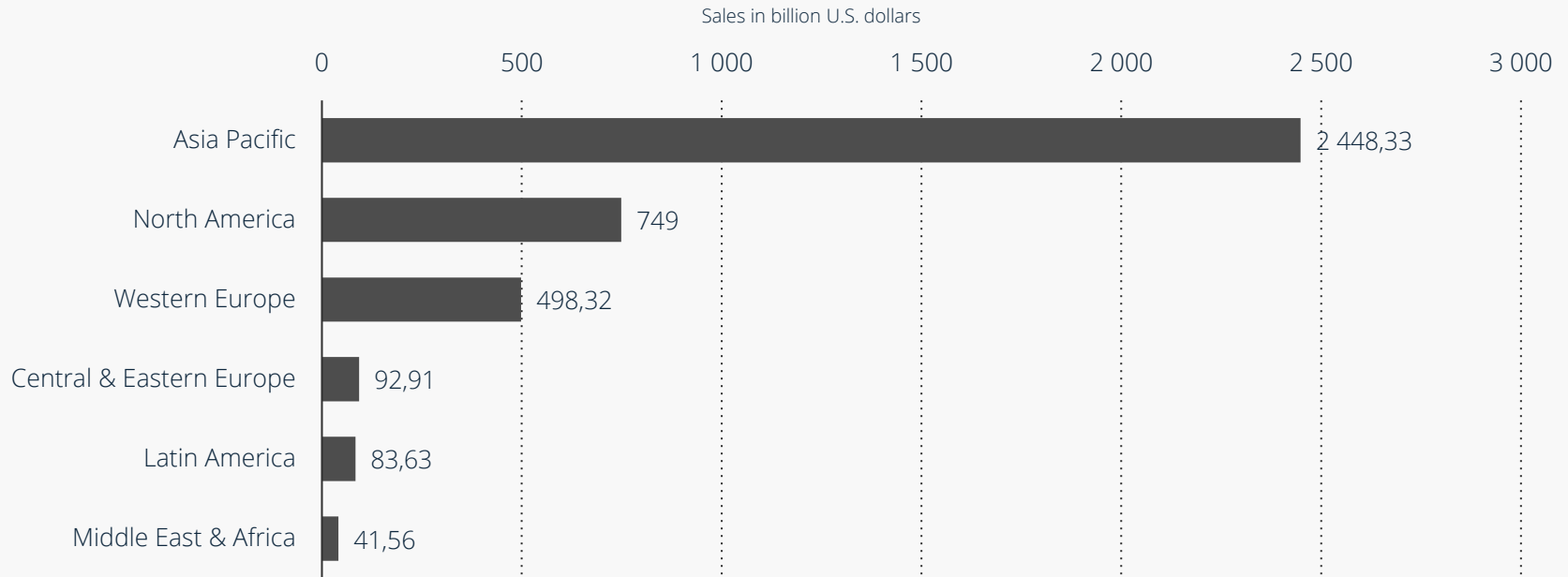


Analysis of the market



Projected global retail e-commerce sales in 2020, by region (in billion U.S. dollars)

Global e-commerce sales forecast 2020, by region



Note(s): Worldwide; 2020

Further information regarding this statistic can be found on [page 8](#).

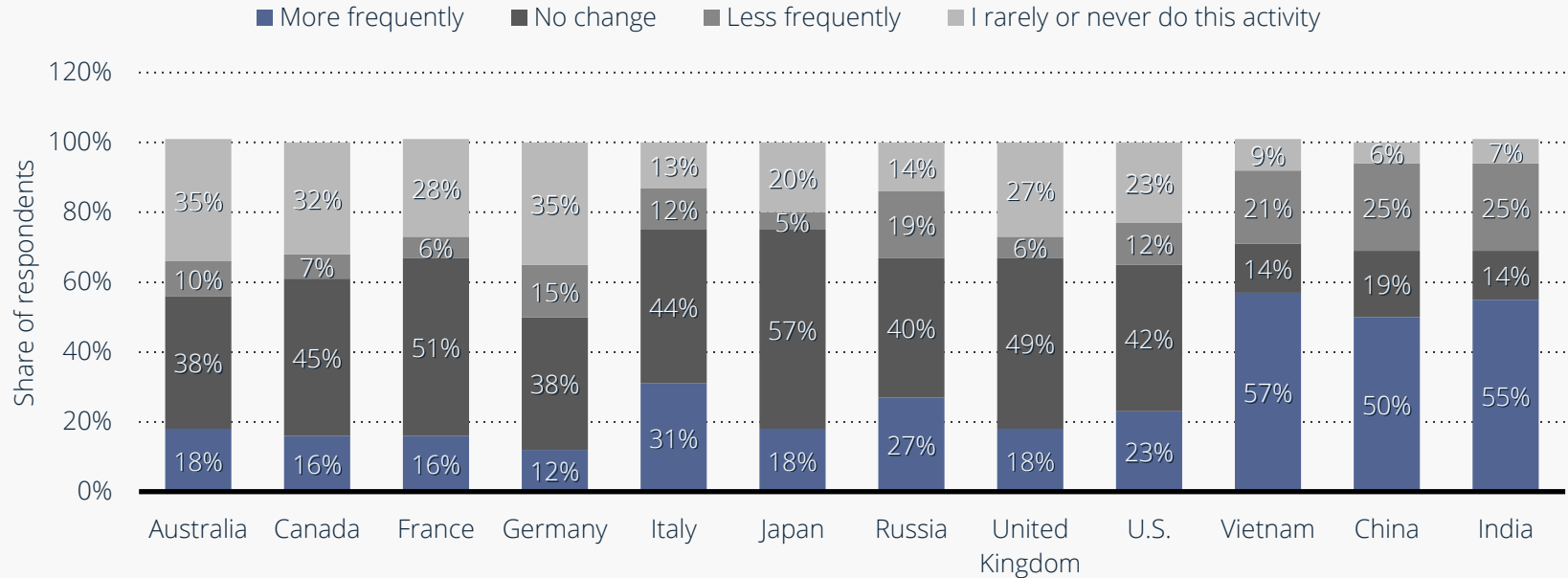
Source(s): eMarketer; [ID 311357](#)



Analysis of the market

Change in e-commerce usage to purchase products normally bought in-store due to coronavirus (COVID-19) worldwide as of March 15, 2020, by country

E-commerce purchase frequency change due to the coronavirus outbreak 2020, by country



Note(s): Worldwide; March 12 to 14, 2020; 16-74 years; 10,000 respondents
Further information regarding this statistic can be found on [page 8](#).
Source(s): Ipsos; ID 1105597



Them

Etsy has several competitors in the online marketplace industry. The company is ranked among the top 10 in terms of market cap but faces giants as Amazon, eBay, Uber. As a result, Etsy is trying to differentiate from its competitors by “keeping the commerce human”.

Us

Etsy wants to increase its market share by concentrating its efforts on its core market. And slowly makes strategic introductions in other countries to take advantage of growth in other markets. In addition of that, the firm wants to build a trusted brand, a reputation that represents Etsy main mission and this is what makes it different from competitors .

A dark, low-angle photograph of a modern building's glass facade, framed by a white border. The image is monochromatic, with the building's structure and glass panels visible against a dark background. The text is centered within the white frame.

**The eye of the
experts**



04 News

News



January 30th 2021

Jefferies updates its buy recommendation on Etsy with target price at 245\$

January 26th 2021

Elon Musk tweets that he likes Etsy: stock price increases by 8.6% to 226.5, falls back to 193 the next day

January 4th 2021

Insider Chief Marketing Officer Ryan Scott exercises its ITM stock options and sells its shares

October 28th 2020

Etsy sees its merchandise sales grow by 119% in Q3

August 2019

Acquisition of the music instrument marketplace Reverb

Earnings



06/30/2020



2nd Quarter

02/24/2021



4th Quarter

1st Quarter



03/31/2020

3rd Quarter



10/28/2020



05 Fundamental
Analysis

Income Statement



	2017		2018		2019		LTM	
Revenue	441,2		604		818		1 378	
Other revenue								
Total Revenue	441,20	100%	603,70	100%	818,40	100%	1 378,30	100%
<i>Revenue Growth</i>	/		37%		36%		68%	
Cost of sales (COGS)	150	34%	191	32%	271	33%	405	29%
Gross Profit	291,00	66%	412,90	68%	547,40	67%	973,50	71%
SG&A	191	43%	241	40%	332	41%	519	38%
R&D	71	16%	89	15%	122	15%	165	12%
D&A		0%		0%		0%		0%
Other operating expense/(income)		0%		0%		0%		0%
Total OPEX	262,00	59%	329,90	55%	453,70	55%	683,10	50%
Operating Income	29,00	7%	83,00	14%	93,70	11%	290,40	21%
Interest income	2	1%	9	1%	13	2%	10	1%
Interest expenses	11	2%	22	4%	24	3%	41	3%
Other non-operating income/(loss)	12	3%	-14	-2%	-2	0%	-24	-2%
Pretax Income	32,30	7%	55,50	9%	80,70	10%	236,20	17%
Income tax expense	-50	-11%	-22	-4%	-15	-2%	3	0%
Profit from continuing operations	81,80	19%	77,50	13%	95,90	12%	233,00	17%
Earnings of discontinued operations		0%		0%		0%		0%
Net Income to Company	81,80	19%	77,50	13%	95,90	12%	233,00	17%
Minority interest		0%		0%		0%		0%
Net Income	81,80	19%	77,50	13%	95,90	12%	233,00	17%
<i>Net Income Growth</i>	/		-5%		24%		143%	

Average
Growth

47%

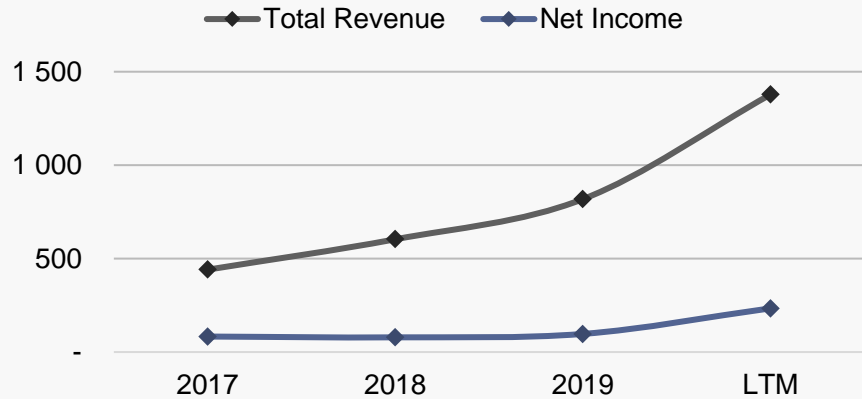
54%

In million \$

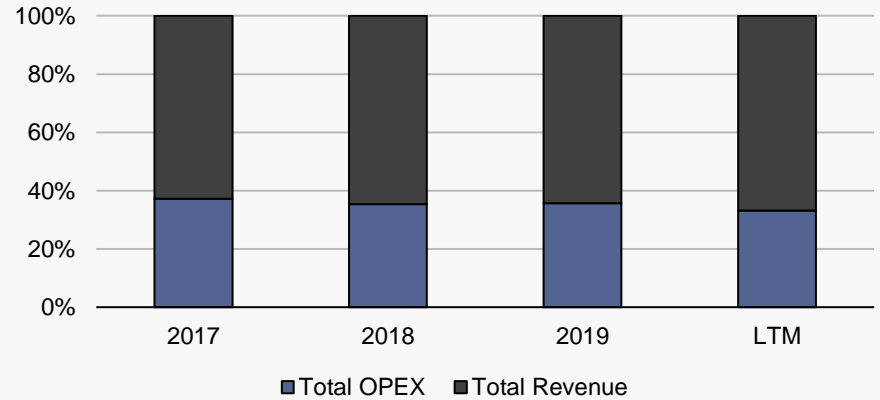
Income Statement



Revenue & Net Income Growth



Proportion of OPEX in Total Revenue





Balance Sheet

	2017		2018		2019		LTM	
-Current Assets	439,30	73%	680,30	75%	921,10	60%	1 697,90	77%
Cash & cash equivalents	315,40	52%	367,00	41%	443,30	29%	1 145,00	52%
Short term investments	25,10	4%	257,30	29%	374,00	24%	379,60	17%
Accounts receivable	33,70	6%	12,20	1%	15,40	1%	16,30	1%
Other receivable		0%		0%		0%		0%
Inventory		0%		0%		0%		0%
Prepaid expenses	20,40	3%	22,70	3%	38,60	3%	43,60	2%
Other current assets	44,70	7%	21,10	2%	49,80	3%	113,40	5%
-Long Term Assets	166,30	27%	221,60	25%	621,30	40%	516,60	23%
PPE (Gross)	135,00	22%	136,40	15%	183,10	12%	270,50	12%
Depreciation	36,20	6%	47,00	5%	63,30	4%	152,30	7%
PPE (Net)	98,80	16%	89,40	10%	119,80	8%	118,20	5%
Goodwill	38,50	6%	37,50	4%	138,70	9%	139,70	6%
Other intangible assets	22,40	4%	65,40	7%	248,60	16%	189,10	9%
Investment property		0%		0%	89,30	6%	36,70	2%
Financial assets		0%		0%		0%		0%
Other long term assets	6,60	1%	29,30	3%	24,90	2%	32,90	1%
Total Assets	605,60		901,90		1 542,40		2 214,50	

In Million \$

Balance Sheet

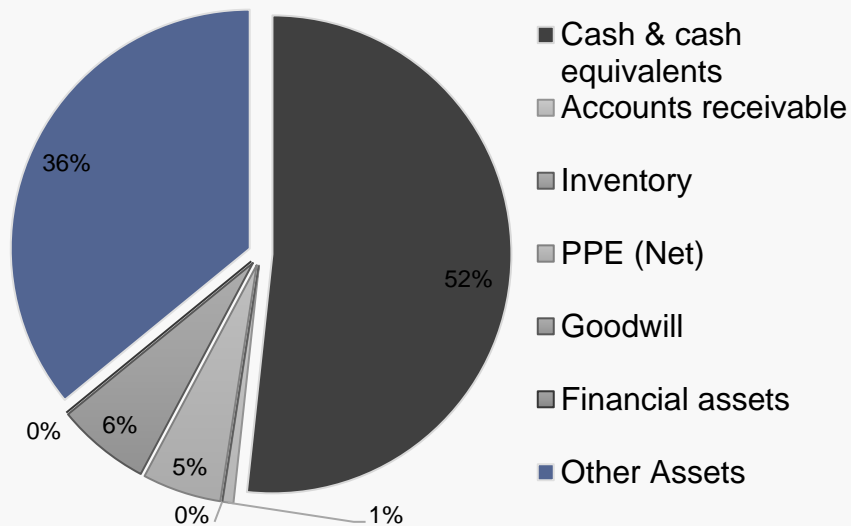


	Liabilities and Equity							
	2017		2018		2019		LTM	
-Current Liabilities	102,50	17%	112,10	12%	188,50	12%	340,90	15%
Accounts payable	13,60	2%	26,50	3%	26,30	2%	22,10	1%
Short term debt	39,50	7%	60,60	7%	108,40	7%	193,00	9%
Cur. portion of LT debt		0%		0%		0%		0%
Other current liabilities	49,40	8%	25,00	3%	53,80	3%	125,80	6%
-Long Term Liabilities	106,20	18%	388,90	43%	947,10	61%	1 206,90	54%
Long term provisions		0%		0%		0%		0%
Long term debt	-	0%	276,50	31%	785,10	51%	1 054,60	48%
Other LT liabilities	106,20	18%	112,40	12%	162,00	11%	152,30	7%
Total Liabilities	208,70	34%	501,00	56%	1 135,60	74%	1 547,80	70%
-Shareholders' Equity	396,90	66%	400,90	44%	406,80	26%	666,70	30%
Common stock	0,10	0%	0,10	0%	0,10	0%	0,10	0%
Preferred stock		0%		0%		0%		0%
Add. paid-in capital	499,40	82%	562,00	62%	642,60	42%	886,30	40%
Treasury stock		0%		0%		0%		0%
Retained earnings	(96,30)	-16%	(153,40)	-17%	(227,40)	-15%	(217,90)	-10%
Other	(6,30)	-1%	(7,80)	-1%	(8,50)	-1%	(1,80)	0%
Total Liab. & Equity	605,60		901,90		1 542,40		2 214,50	

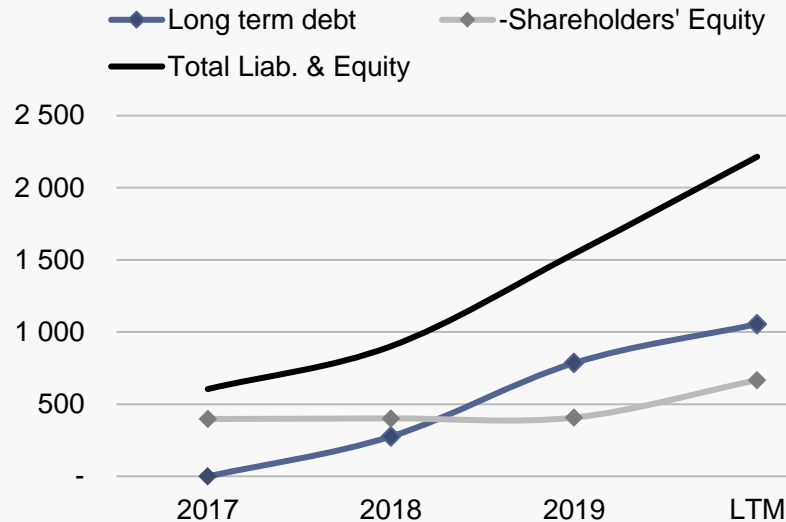
Balance Sheet



Assets' Weight (LTM)



LT Debt & Equity



Cash Flow Statement



	2017	2018	2019	LTM
Net Income	81,80	77,50	95,90	233,00
D&A	16	13	16	28
Amort of Goodwil & Intangibles	3	4	10	10
Stock based compensation	27	38	44	61
Other Operating Activities	-73	-8	-6	52
Change in acc. Receivable	-9	17	-13	-13
Change in Inventories	15	5	37	39
Change in acc. Payable	3	13	-1	-1
Change in Unearned Revenue	0	1	0	0
Change in other Net Op. Assets	6	27	23	106
Cash From Operations	69,10	188,90	206,90	513,90

CAPEX	-4	-1	-10	-2
Cash Acquisitions			-270	1
Divestitures				
Invest. In Securities	75	-229	-201	-232
Net Decrease (Incr.) in loans				
Other Investing Activities	-9	-55	-8	-5
Cash From Investing	61,80	(285,40)	(488,40)	(238,50)

In Million \$

	2017	2018	2019	LTM
ST Debt Issued				
LT Debt Issued		345	650	650
ST Debt Repaid				
LT Debt Repaid	-14	-16	-11	-147
Issuance of Com. Stock	34	18	10	19
Repurchase of Com. Stock	-17	-159	-210	-242
Com. Dividends Paid				
Special Dividend Paid				
Other Financing Activities	0	-40	-82	-83
Cash From Financing	3,00	148,00	357,80	197,80

Net Change in Cash	133,90	51,50	76,30	473,20
Free Cash Flow	65,20	187,70	197,40	511,80

Ratios



	2017	2018	2019	LTM
Total Revenue	441,20	603,70	818,40	1 378,30
COGS	150	191	271	405
SG&A	191	241	332	519
R&D	71	89	122	165
D&A	16	13	16	28
Other Op. Expenses	0	0	0	0
EBITDA	45	96	110	319
EBITDA in % of Rev.	10,11%	15,89%	13,39%	23,12%
EBIT	29	83	94	290
EBIT in % of Rev.	6,57%	13,75%	11,45%	21,07%

In Million \$

Liquidity Ratios

	2017	2018	2019	LTM	Trend
Current ratio	4,29	6,07	4,89	4,98	
Quick ratio	3,65	5,68	4,42	4,52	
Cash ratio	3,32	5,57	4,34	4,47	

Solvency Ratios

	2017	2018	2019	LTM	Trend
LT Debt to Equity	0%	69%	193%	158%	
Debt to Equity	10%	84%	220%	187%	
Debt to Capital	9%	46%	69%	65%	
Debt to Assets	7%	37%	58%	56%	
Debt to EBITDA	89%	352%	815%	392%	

Information

Net income	233,00
Stock price	203,77
Dividends per share	
Dividend (%)	0,00%
Preferred dividends	
Weighted average	119,35

Margin Ratios

	TTM	4YA	Industry
Gross profit margin	70,63%	67,97%	42,51%
Operating profit margin	21,07%	13,21%	9,41%
Net profit margin	16,90%	15,00%	19,18%

Profitability Ratios

	TTM	Industry	EBAY
ROA	12,40%	7,16%	10,20%
ROCE	15,50%	9,71%	81,00%
ROE	43,41%	15,72%	81,00%

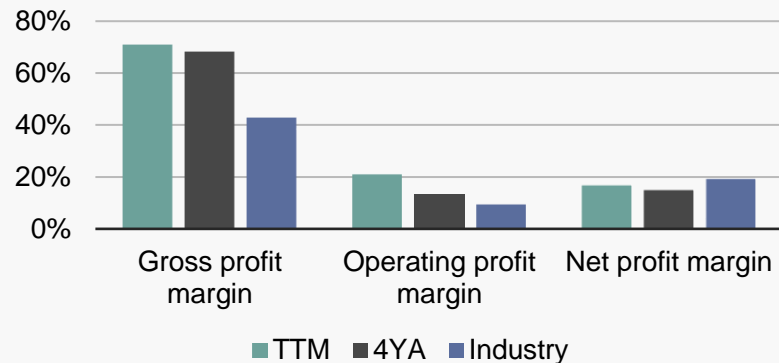
Market Valuation Ratios

	TTM	Industry	EBAY
EPS	1,95	1,90	7,27
P/E	104,38	201,00	15,50

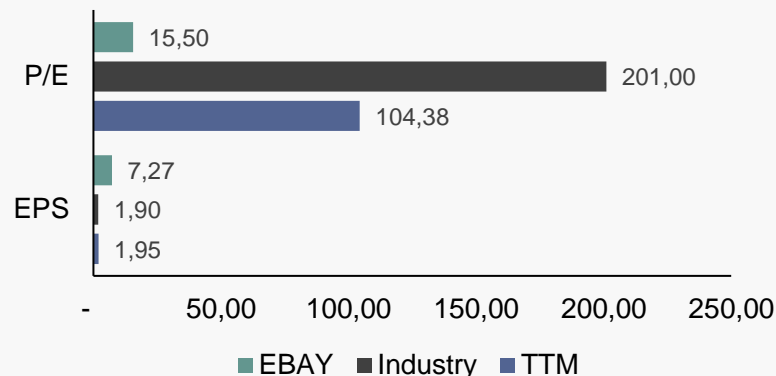
Ratios



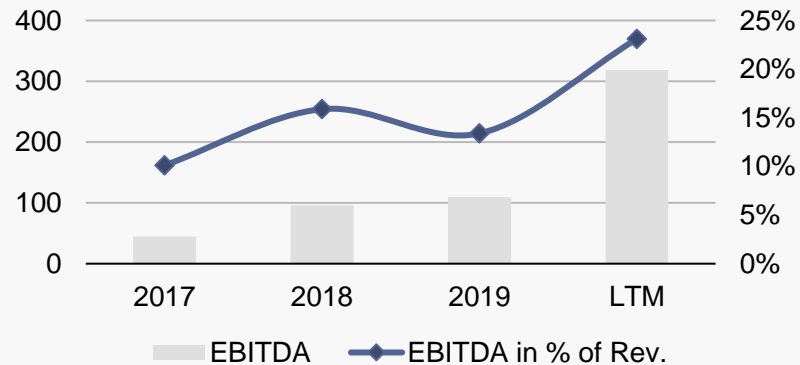
Margin Ratios : TTM vs 4YA vs Industry



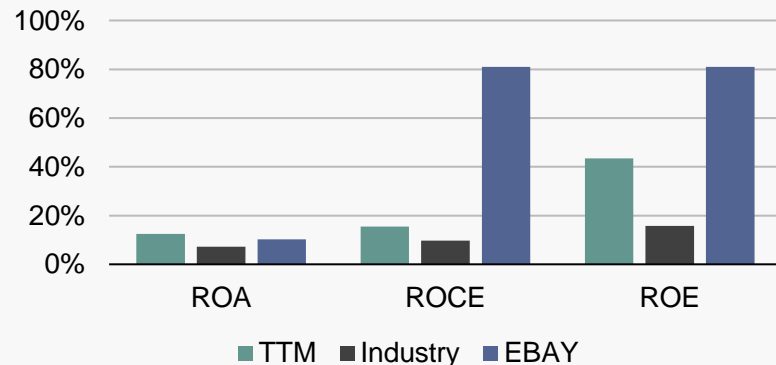
Market Valuation Ratios



EBITDA & EBITDA Margin



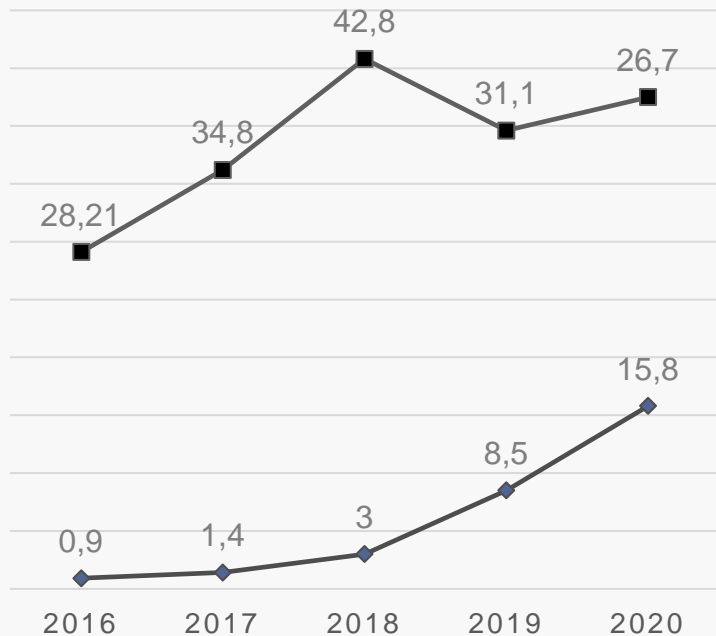
Profitability Ratios



Enterprise valuation



Market cap (in B \$)



EV/EBITDA

ETSY	79,5	19,63	Industry
------	------	-------	----------

P/E ratio

ETSY	104	93.8	AMZN
Booking	68	32	Ebay



06

Chart
Analysis

Chart analysis



Chart analysis



Chart analysis



Chart analysis



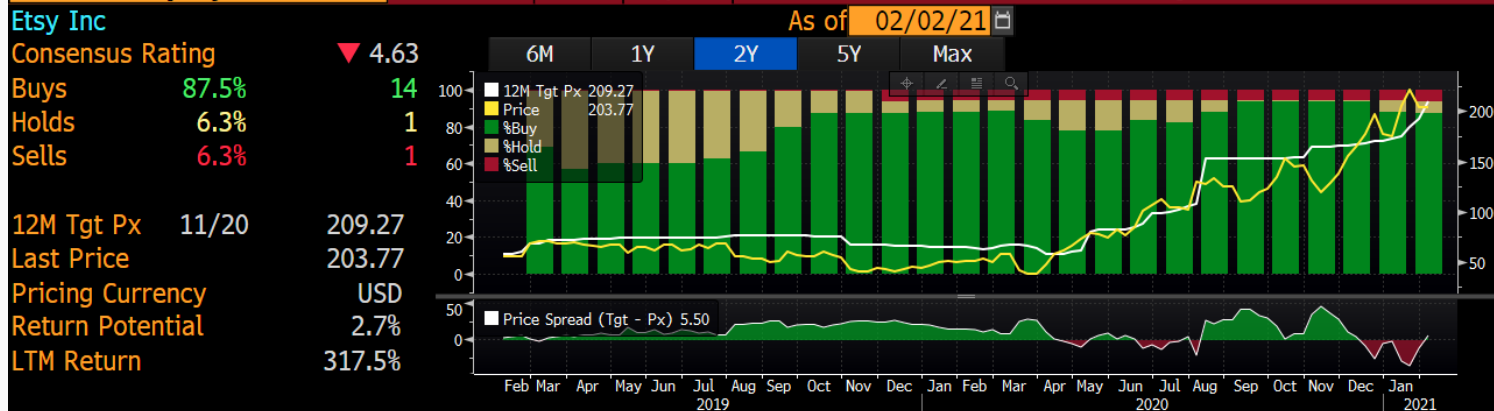


07 Consensus
Analysis

Consensus analysis



ETSY US Equity Actions Alert Export Analyst Recommendations



Showing 19 of 20 sources

	Firm	Analyst	Recommendation	Tgt Px	Date	1 Yr Rtn	BARR	Rank
1)	Jefferies	John Colantuoni	buy	245	01/31/21	155.32%	4	
2)	BTIG LLC	Marvin Fong	buy	235	01/29/21	97.54%	5	1
3)	Zacks Investment ...	Team Coverage	neutral	215	01/27/21			
4)	Loop Capital Markets	Laura A Champine	buy	240	01/22/21	317.48%	1	
5)	KeyBanc Capital Ma...	Edward J Yruma "E...	overweight	235	01/21/21	317.48%	1	8
6)	M Science LLC	Steve Weinstein	no rating system		01/19/21			
7)	RBC Capital Markets	Shweta Khajuria	not rated		01/15/21			
8)	Needham & Co	Rick B Patel	buy	155	01/15/21	317.48%	1	
9)	Morgan Stanley	Lauren Schenk	Underwt/In-Line	93	01/14/21	-317.48		
10)	Roth Capital Partne...	Darren Aftahi	buy	235	01/14/21	26.96%		9
11)	Wedbush	Ygal Arounian	outperform	229	01/13/21	317.48%	1	7
12)	Canaccord Genuity	Maria Ripps	buy	215	01/04/21	317.48%	1	6



08 Risks &
Opportunities



Opportunities

- Pandemic accelerated shift toward internet shopping
- Highly differentiated products: unique handcrafted items you can't find anywhere else
- Huge potential: market for such goods is estimated at more than \$100Bn (Etsy's current merchandise sales represent a 7% market share)

Risks

- Decelerating growth of e-commerce as consumer demand moves toward experiences after covid
- Competitive environment (Shopify, Amazon Handmade...)
- Strong increase in stock price in 2020 : high valuation



Current Price

208 \$



Take profit

240 \$

+ 15,38%



Stop Loss

190 \$

- 8,65%





Let's Discuss

NEW YORK