

ETSY

137.60/160 by Q4 2020

Overview

- Etsy operates a global marketplace where people can make, sell, and buy unique goods online.
- Etsy generates profits through charging sellers listing fees, commission fees of goods sold, and additional marketing fees for sellers at an added cost.
- We plan to buy Etsy at 137 and sell once our price target of 160 is reached.
- We will hold up until the quarter 4 earnings report on January 27th and stop out if the price drops below the 120 price point.

Thesis

- Lockdowns, social distancing and a general decrease in globalisation has promoted the movement towards eCommerce.
- Etsy has an easily scalable model- the nature of the design means there are not many provoked expenses to take the firm all over the world. Online stores never close and they have access to customers from everywhere.
- They added nearly 25 million new shoppers to its platform in the last 12 months.
- 9.6 million new users and 5.2 million reactivated buyers (were inactive for at least a year) were on the site in Q3.
- Habitual buyers (shopped on site 6 or more times) and shoppers buying 2 or more items increased by 104% and 70% in Q3.
- Over the last five quarters, active buyers have increased by 55% to 69.6 million. In the most recent quarter, GMS (Gross Merchandise Sales) per active buyer grew 8.2% year over year to reach \$110.
- Etsy is not just seeing an increase in sales because people are stuck at home. According to data from the U.S. Census Bureau, American consumer spending on some of Etsy's top sales categories declined this year overall, while Etsy has continued to grow.
- Cash and short-term investments totalled \$1.5 billion at the end of September. Showing they are sufficiently funded to continue in the industry.

Valuation

- ETSY is currently 12% off its 52 weeks high in October. We view this as a great opportunity for entry headed into the holiday season and 2021.
- We expect ETSY to continue to surpass previous quarterly earnings. Throughout the first 3 quarters of 2020 Etsy has increased marketplace revenue by 105.3% and service revenue by 93%.
- In terms of P/E ETSY (80.66) offers better value compared to its largest competitor AMZN (90.74). Although it is considered high in terms of traditional P/E value we believe ETSY can justify its current price level due to the incredible earnings outlook.
- As a comparatively small company to its competitors, ETSY is forced to focus on growth rather than profitability. As ETSY continues to establish itself in the eCommerce marketplace even if growth does not continue at the same rates it will be able to make up for lost profits through improving profit margins.

Catalysts

- Holiday shopping
- Continued lockdown- suffocating small businesses- increasing ETSYs market share
- Positive Q4 earning reports
- Continued demand for masks
- Growing eCommerce market

Risks & Logistical Concerns

- When and if major affordable fashion labels such as Primark, Pretty Little Thing, etc. adapt to consumers concerns about sustainability, Etsy might lose its appeal.
- 11% of Etsy total sales during the pandemic composed of masks, including custom made masks and masks from reworked fabric. If the demand for masks declines following a vaccine, this will lower overall sales.
- The pandemic has also given people more time to pursue arts and crafts hobbies during lockdowns. If life goes back to 'normal' after a vaccine, perhaps the number of sellers on Etsy will decline and the content could be less creative.

Analyst 1

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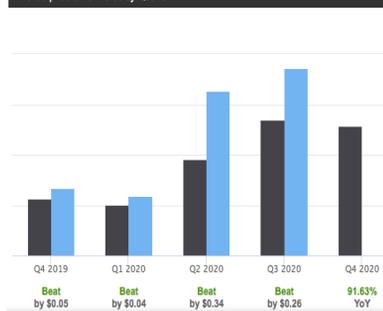
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EPS Surprise & Estimates by Quarter



The data illustrates ETSY's terrific, consistent growth throughout the last year. ETSY has and, we believe, will continue to break earnings estimates throughout the following quarterly reports of 2020 and 2021.



ETSY's stock performance YTD reflects their strong growth and resistance through support at the 120 price point. This represents our stop loss allows enough room for another sustainable push to the 52 weeks high without overextension.