



Etsy, Inc.

ETSY

EQUITY RESEARCH REPORT

October 09, 2026

ETSY — Etsy, Inc.

Report Date: 2026-10-09

Analyst: Moschovakis Capital Research

Authoritative current price: \$75.14 USD / €66.97 EUR. We use this price only.

EXECUTIVE SUMMARY

Metric	Value
Recommendation	AVOID
Current Price	€66.97 (\$75.14)
Fair Value (Base Case)	€61.68 (\$69.20)
Margin of Safety	-7.9%
Target Entry (if HOLD)	Not applicable

Return Profile	Value
Dividend Yield	0.0%
Expected Dividend Growth	0.0%
Expected Price Appreciation (Base)	6.2% CAGR
Total Expected Return (Base)	6.2% CAGR
Bear Case Total Return	-5.6% CAGR
Bull Case Total Return	12.1% CAGR
Probability-Weighted Return	4.7% CAGR

Risk Assessment	Value
Wealth Preservation Score	32 / 100
Downside Protection Score	25 / 100
Quality Score	35 / 100
Risk Level	ELEVATED
Probability of >50% Loss	15%
Recession Profile	SENSITIVE

One-Line Thesis:

Etsy fails the wealth preservation mandate because the bear case produces a negative total return, the balance sheet carries negative equity and convertible debt, and the stock pays no dividend while trading above fair value.

INVESTMENT THESIS

Etsy operates a two-sided marketplace connecting buyers with sellers of handmade, vintage, and craft goods. The company earns marketplace revenue from listing fees, transaction fees, and payment processing. It earns services revenue from on-site advertising and shipping labels. In fiscal 2025 Etsy produced revenue of \$2,883.5 million, up 2.7% from 2024. Gross profit reached \$2,065.7 million, a 71.6% gross margin. Services revenue grew 11.3%, while marketplace revenue declined 0.7%. Net income fell 46.3% to \$162.982 million. Diluted EPS was \$1.39, adjusted EBITDA was \$734.5 million, and free cash flow was \$638.75 million. More recent Q2 2026 data show Etsy marketplace GMS up 7.5% year over year, revenue up 6.2% on a continuing operations basis, net income of \$114 million, a 25.9% take rate, and a 29.2% adjusted EBITDA margin.

That operating recovery does not make the stock a wealth preservation candidate. Etsy pays no dividend, so the entire return depends on price appreciation. The balance sheet shows negative book equity and net debt of roughly \$1.95 billion after offsetting cash of \$1.12 billion against total debt of \$3.08 billion. The capital structure includes \$650 million of 1.00% convertible senior notes due June 15, 2030 and a \$400 million senior secured revolving credit facility. Short interest is 23.61% of the float, beta is 1.81, and insider ownership is only 1.30%. These are not the markers of a protected capital position.

The base case assumes 8% annual EPS growth from the trailing \$3.16 to \$6.82 by year ten and a 20x terminal multiple. That produces a 10-year price of \$136.40 and a 6.2% total return CAGR with no dividend. The base case falls below the 7% hurdle. The bear case assumes a consumer recession, EPS of \$3.00, and a 12x terminal multiple, producing a \$42.00 price and a negative 5.6% CAGR. The probability-weighted expected return across bear, base, and bull is 4.7%, below the inflation plus HYSA threshold. We estimate the probability of a greater-than-50% permanent loss at 15%, above the 10% maximum. The stock trades above the \$69.20 fair value we calculate on 20x forward EPS of \$3.46. These inputs produce a composite Wealth Preservation Score of 32 out of 100. We rate Etsy AVOID.

1. BUSINESS QUALITY ASSESSMENT

Stage 1 of the framework requires an understandable sector, no secular decline, and a clear view of cyclicity. Etsy sits in online marketplace retail, a consumer discretionary business. The model is understandable: Etsy takes a cut of each transaction and sells adjacent services to sellers. The sector is not in secular decline, but it is cyclical. Consumer discretionary spending contracts in recessions, and Etsy carries a beta of 1.81. The framework treats highly cyclical businesses with balance sheet scrutiny, and Etsy fails that examination.

The revenue model has two parts. Marketplace revenue covers listing fees, transaction fees including shipping, and payment processing. Services revenue covers on-site advertising and shipping labels. In fiscal 2025 marketplace revenue was \$2,007.2 million and services revenue was \$876.3 million. The revenue take rate reached 24.2%, up 190 basis points from 22.3% in 2024. By Q2 2026 the take rate had expanded further to 25.9%. This monetization improvement supports the recent revenue recovery even while marketplace revenue declined 0.7% in fiscal 2025.

Etsy reports three operating segments: Etsy, Reverb, and Depop. Etsy marketplace GMS was \$10,460.7 million, or 87.8% of total GMS in 2025. Depop contributed \$1,074.9 million, or 9.0%. Etsy completed the sale of Reverb on June 2, 2025, which distorted year over year comparisons. The remaining core Etsy marketplace grew GMS 7.5% year over year in Q2 2026, while continuing operations GMS grew only 1.0%. The divergence shows how much of the reported growth comes from one segment.

The moat rests on brand identity and a self-reinforcing network effect between buyers and sellers of unique goods. That moat is real but has shown wear. Active buyers reached 92 million in Q3 2023, an all-time high at that date, but the packet provides no current active buyer count. Revenue growth of 2.7% in fiscal 2025 and operating income of \$266.2 million, down from \$380.2 million in 2024, show a business defending its position

rather than compounding. Competition from Amazon Handmade, eBay, Temu, and Shein increases the pressure. The Q1 2026 press release itself states the company operates in a very competitive and rapidly changing environment.

For wealth preservation, moat durability matters more than moat width. Etsy's moat is durable enough to keep the marketplace alive, but not durable enough to guarantee protected capital. The decline from a peak valuation near \$25 billion to a market cap near \$6.9 billion demonstrates how much value can leave this equity. We assign moat preservation confidence as MEDIUM.

2. FINANCIAL FORTRESS ANALYSIS

Stage 2 begins with solvency. Etsy fails the standard debt-to-equity test because book equity is negative. Book value per share is negative \$15.10, so a debt-to-equity ratio cannot be calculated conventionally. The company carries total debt of \$3.08 billion against cash of \$1.12 billion, leaving net cash negative by \$1.95 billion, or roughly negative \$21.28 per share. Debt to EBITDA is 6.43x, and debt to free cash flow is 4.74x. These are elevated leverage ratios for a consumer cyclical company.

Offsetting that leverage, interest coverage is 18.62x. Current ratio is 1.48, just below the 1.5 preferred threshold. Quick ratio is 0.89, which is weak. Free cash flow was positive in fiscal 2024 and fiscal 2025, at \$708.97 million and \$638.75 million respectively, but free cash flow declined 9.9% in 2025. Operating cash flow of \$693.4 million comfortably covers the interest expense suggested by 18.62x coverage. No near-term debt cliff appears in the supplied data; the largest discrete obligation is the \$650 million convertible note due in 2030.

Stress test: a 30% revenue decline for two years would reduce operating cash flow substantially but would likely not threaten interest payments given current coverage. The greater risk is that a deep recession would force Etsy to choose between cutting marketing spend, which sustains buyer growth, and preserving cash. Etsy would remain solvent, but negative equity and high debt-to-FCF means creditors and convertible holders sit ahead of common equity. We assign solvency MARGINAL, not ADEQUATE or FORTRESS.

Earnings quality requires inspection. Operating cash flow of \$693.4 million far exceeds net income of \$162.98 million. That gap comes primarily from non-cash impairment charges and depreciation. The distortions run both ways: GAAP net income understates cash generation, but the impairments themselves reveal prior acquisition mistakes. No restatement, auditor warning, or going concern issue appears in the results.

Dilution is a separate failure. StockAnalysis reports shares outstanding of 91.78 million, up 10.64% year over year. That annual dilution rate exceeds the 4% threshold and converts into a deal-breaker if accurate. The non-US listings show conflicting share changes, so the exact figure is uncertain. The presence of convertible notes and ongoing stock-based compensation reinforces the dilution risk. Insider ownership of 1.30% sits below the 2% alignment preference.

3. DIVIDEND ANALYSIS

Etsy pays no dividend. The 250-400 word dividend analysis target does not apply.

4. VALUATION ANALYSIS

The current price of \$75.14 gives a market capitalization near \$6.90 billion on 91.78 million shares. Adding net debt of approximately \$1.95 billion produces an enterprise value near \$8.86 billion. The valuation data in the packet conflict with each other, so we present ranges and identify the most defensible figures.

On trailing twelve-month EPS of \$3.16, Etsy trades at 23.8x earnings. On fiscal 2025 diluted EPS of \$1.39, the trailing multiple is 54.1x, near the StockAnalysis trailing P/E readings of 46.63 to 49.63. On forward EPS of

\$3.46, the multiple is 21.7x. The public valuation sources show forward P/E as low as 11.06 to 11.77, which would require unrealistic forward EPS above \$6.00 and conflicts with the \$3.46 consensus. We treat the 21.7x forward earnings multiple as the more credible figure.

Free cash flow valuation looks better. Fiscal 2025 free cash flow of \$638.75 million over 91.78 million shares yields FCF per share of \$6.96 and a P/FCF of 10.8x. StockAnalysis reports P/FCF of 9.67 to 10.32. On adjusted EBITDA of \$734.5 million, enterprise value of \$8.86 billion gives EV/EBITDA of 12.1x. The same source family reports EV/EBITDA of 17.49 to 18.38 when using a lower third-party EBITDA figure of \$470.8 million. The lower EBITDA number is not Etsy's disclosed adjusted EBITDA and should not substitute for it.

Etsy trades at a premium to the peer average P/E of 19.9x reported by Yahoo Finance, where Etsy's P/E was 33.7x at that source. A peer premium is difficult to justify for a company with negative equity, no dividend, and buyer growth uncertainty. Yahoo's DCF fair value estimate of \$119.31 implies a large discount to current price, while the average analyst target of \$86.21 implies 18.49% upside. Those targets sit above the current price but below the \$105 high and above the \$55 low. Simply Wall St's consensus target of \$64.58 is below the current price.

We calculate fair value at 20x the \$3.46 forward EPS, giving \$69.20, or €61.68. Against the current €66.97, the margin of safety is negative 7.9%. Using the trailing \$3.16 EPS at the same 20x multiple gives \$63.20, a negative 15.9% margin. Etsy offers no margin of safety at the current price.

5. SCENARIO ANALYSIS

The base case assumes the current recovery continues but does not accelerate. Revenue grows 5% annually, net income margin stabilizes near 12.6%, and EPS compounds at 8% from the trailing \$3.16. At year ten EPS reaches \$6.82. We apply a 20x terminal multiple, which gives a price of \$136.40. From \$75.14, that is a 6.2% CAGR with no dividend. This base case fails the 7% total return hurdle.

The bear case assumes a consumer recession within the horizon. Revenue declines, marketing spend rises to defend GMS, and EPS falls to \$3.00 by year ten. The terminal multiple compresses to 12x, a level consistent with a low-growth discretionary marketplace. The price falls to \$42.00, a 44% capital loss from the current price and a negative 5.6% CAGR. No dividend cushions that decline. This bear case violates the absolute requirement that bear case total return be at least zero.

The bull case assumes Etsy reaccelerates buyer growth, take rate expansion continues, and net margin returns above 14%. EPS grows 12% annually to \$9.81 by year ten. A 24x terminal multiple gives \$235.40 and a 12.1% CAGR. This bull case is attractive, but we weight it at only 25% because the evidence of durable buyer growth is stale and the competitive pressure is intense.

Probability weighting produces 25% times negative 5.6%, plus 50% times 6.2%, plus 25% times 12.1%. The expected return is 4.7% CAGR. That is below the 7% hurdle and below the risk-adjusted return a preservation investor requires. The bear case price decline of 44%, the negative equity, the high short interest, and the 1.81 beta support a 15% estimate for the probability of a greater-than-50% permanent capital loss.

Scenario	10Y Price Target (USD)	10Y Price Target (EUR)	Total CAGR	Weight	Contribution
Bear	\$42.00	€37.43	-5.6%	25%	-1.4%
Base	\$136.40	€121.57	6.2%	50%	3.1%
Bull	\$235.40	€209.80	12.1%	25%	3.0%

Scenario	10Y Price Target (USD)	10Y Price Target (EUR)	Total CAGR	Weight	Contribution
Expected			4.7%		

The Downside Protection Score starts at 50 and loses 15 points because the bear case shows a greater-than-20% price decline. It loses another 10 points because debt to equity exceeds 1.0x and equity is negative. It gains no points for dividend income, drawdown history, or balance sheet strength. The final score is 25 out of 100.

6. RISK ASSESSMENT

Etsy's risk register comes directly from its own SEC filings. The company names demand for its marketplaces as a principal risk. A two-sided marketplace depends on trust and safety. A loss of trust, or any real or perceived inaccuracy in operational metrics, would damage the equity story. The dependence on third-party services and payments infrastructure adds operational exposure.

Competition is the most persistent threat. Etsy competes with Amazon Handmade, eBay, and the discount platforms Temu and Shein. The Q1 2026 press release acknowledges a very competitive and rapidly changing environment. New entrants can depress take rates and force higher marketing spend. Etsy's differentiation depends on scarcity of unique goods, which also caps scalability. That structural tension limits the upside while the competitive pressure limits the downside protection.

AI presents a two-sided risk. Etsy uses AI for search and discovery, but AI also enables competitors to generate product listings and copy Etsy's aesthetic. The Q4/FY2025 press release names both the impact of AI on the business and industry and the risk of fraud amplified by AI. Fraud and illegal activity on the platform could damage the brand and invite regulatory action.

Regulatory exposure covers privacy, data protection, tax, product liability, platform moderation, antitrust, and intellectual property. Etsy states it is regularly involved in litigation, arbitration, and regulatory matters. The packet provides no specific proceedings or damages figures, but boilerplate language confirms the exposure. International trade barriers and exchange rate fluctuation add macro sensitivity.

The accounting and capital structure risks are material. Etsy has incurred impairment charges and may incur further charges. The convertible notes create future dilution. Negative book equity means common shareholders hold a residual claim behind creditors. Short interest of 23.61% indicates substantial bearish positioning and adds to downside volatility. Beta of 1.81 means Etsy falls harder than the market in risk-off environments.

We estimate probability of permanent capital loss above 50% at 15%. That exceeds the 10% maximum. Recession profile is SENSITIVE, not RESILIENT, because the business is consumer discretionary and the balance sheet is not a fortress. The composite Wealth Preservation Score is 32 out of 100, built from Downside Protection 25, Return Adequacy 40, and Quality 35.

7. MANAGEMENT & GOVERNANCE

The supplied data contains no named executives, no tenure details, no compensation figures, and no insider ownership history beyond the aggregate 1.30% insider ownership. That silence itself limits the governance assessment. The available factual record is thin and not reassuring.

Insider transactions show selling. Director Charles Andrew Ballard sold 4,500 shares on 2026-08-26 at \$81.85 per share, leaving 4,239 shares directly held. Officer Richard Edward Colburn III filed a Rule 144 notice for a proposed sale of 2,913 shares through UBS, with prior three-month sales of 8,252 shares. These sales are not dispositive on their own, but they do not signal insider confidence at current prices. No insider buying appears in

the data.

Capital allocation history shows value destruction. Etsy took a \$1.0 billion aggregate goodwill impairment charge on Depop and former subsidiary Elo7 in Q3 2022. Fiscal 2025 net income fell 46.3% and operating income fell from \$380.2 million to \$266.2 million, partly due to asset impairment charges and higher marketing expenses. Etsy sold Reverb on June 2, 2025, unwinding part of its acquisition strategy. The 10-K attributes the basic EPS decline to lower net income and share repurchases, while one source reports shares outstanding up 10.64% year over year. The company has repurchased stock and diluted shareholders at the same time, while carrying convertible debt.

Management has generated large gross margins and free cash flow, which is a genuine strength. The issue is that the cash has not accrued to common shareholders through dividends or sustained per-share value. For a preservation investor, that governance record is inadequate. We assign management quality **CONCERNING**.

8. PEER COMPARISON

The supplied data cannot support a complete peer ranking. The packet lists small and mid-cap e-commerce comparators by market cap: Fiverr at \$0.305 billion, 1stdibs at \$0.138 billion, Newegg at \$0.453 billion, Boohoo at \$0.526 billion, Cars at \$0.506 billion, and Dingdong at \$0.491 billion. None of these is a direct artisan marketplace competitor, and no peer financial ratios are provided. The Framework asks for a ranking on debt to equity, interest coverage, dividend yield, payout, FCF margin, ROIC, dilution, P/E, and dividend growth. Those peer metrics are absent from the research data.

Qualitatively, Etsy sits between large generalist platforms and niche verticals. Against Amazon, eBay, Shopify, Temu, and Shein, Etsy has a differentiated brand position but a smaller balance sheet and no dividend. Yahoo Finance reports Etsy's P/E at 33.7x against a peer average of 19.9x. If accurate, Etsy carries a valuation premium that its balance sheet does not justify. A preservation investor would select a net-cash or dividend-paying marketplace peer before Etsy.

Dimension	Etsy	Peer Data
Debt/Equity	Negative equity	Not supplied
Interest Coverage	18.62x	Not supplied
Dividend Yield	0.0%	Not supplied
Payout Ratio	No dividend	Not supplied
FCF Margin FY2025	22.2%	Not supplied
5Y Dilution	+10.64% per one source	Not supplied
P/E vs history	Above 12-month average P/E	Not supplied

Stage 3 Quality Score for Etsy: Balance Sheet Fortress 23/40, Income Reliability 0/30, Capital Efficiency 7/15, Valuation 5/15, total 35/100. The income reliability score is zero because Etsy pays no dividend. The capital efficiency score is constrained by the absence of a reliable ROIC and the declining GAAP profitability. The valuation score is damaged by the absence of margin of safety.

9. KEY METRICS SUMMARY

Metric	Value
Current Price	\$75.14 / €66.97
Market Cap	~\$6.90B
Enterprise Value	~\$8.86B
Revenue FY2025	\$2,883.5M
Revenue TTM	\$2.94B
Gross Margin FY2025	71.6%
Adjusted EBITDA FY2025	\$734.5M
Adjusted EBITDA Margin FY2025	25.5%
Net Income FY2025	\$162.98M
Net Income TTM	\$371.43M
Diluted EPS FY2025	\$1.39
Diluted EPS TTM	\$3.16
Free Cash Flow FY2025	\$638.75M
FCF Margin FY2025	22.2%
Operating Cash Flow FY2025	\$693.4M
Total Debt	\$3.08B
Cash	\$1.12B
Net Cash	-\$1.95B
Current Ratio	1.48
Quick Ratio	0.89
Interest Coverage	18.62x
Debt/EBITDA	6.43x
Debt/FCF	4.74x
Take Rate Q2 2026	25.9%
Etsy Marketplace GMS Growth Q2 2026	+7.5%
Short Interest	23.61% of float
Beta	1.81
Insider Ownership	1.30%
Institutional Ownership	115.31%
Shares Outstanding	91.78M
Annual Dilution (one source)	+10.64%

Metric	Value
Dividend	None

10. MONITORING CHECKLIST

Item	Current	Bull Trigger	Bear Trigger
Etsy marketplace GMS growth	+7.5% YoY	>10% sustained	<0% two quarters
Take rate	25.9%	>26.5% without seller loss	<24%
Net income margin TTM	7.11%	>14%	<8%
Free cash flow FY	\$638.75M	>\$700M	<\$400M
Debt/EBITDA	6.43x	<3.0x	>8x
Net cash position	-\$1.95B	Positive net cash	Net debt >\$3B
Annual dilution	+10.64% contested	<4%	>4% confirmed
Short interest	23.61%	<10%	>30%
Share price vs fair value	Above \$69.20	Below \$50.00	Above \$90.00
Insider activity	Selling	Buying	Continued selling
Dividend	None	Initiated	N/A

11. MARKET EXPECTATIONS & CONSENSUS

The `deep_dive_metrics` object was not provided. We use the available MarketBeat, Simply Wall St, Yahoo Finance, and StockAnalysis figures.

The current stock price implies a growth rate aligned with the consensus EPS estimate of \$0.62 for the March 2026 quarter, up 34.8% year over year. The market price today sits below Yahoo's DCF fair value of \$119.31, but that DCF value conflicts with the balance sheet reality. Yahoo also reports Etsy's P/E at 33.7x against a peer average of 19.9x, showing the market pays a premium for Etsy's franchise.

MarketBeat reports 35 Wall Street analysts with an average 12-month price target of \$86.21. The high target is \$105.00 and the low is \$55.00. Consensus is Moderate Buy. Ratings split as 3 Strong Buy, 14 Buy, 17 Hold, and 1 Sell. The average target implies 18.49% upside from the current price. One month ago the target was \$84.68, three months ago \$71.80, and one year ago \$58.69, so the target has been rising. Simply Wall St reports a lower consensus target of \$64.58, below the current price. The disagreement between \$64.58 and \$86.21 tells a preservation investor that the sell-side itself cannot anchor valuation for this name.

Short interest is 21.67 million shares, 23.61% of outstanding shares, with days to cover near 3.86. That is a substantial short position and explains part of the volatility. Beta is 1.81, the highest-risk profile in our framework.

Forward Valuation	Value	Assessment
Forward P/E (StockAnalysis)	11.77	Inconsistent with \$3.46 EPS
Forward P/E (implied by \$3.46)	21.7x	Credible vs peer average 19.9x

Forward Valuation	Value	Assessment
PEG	0.91	Favorable only if accuracy holds
EV/EBITDA (adjusted)	12.1x	Reasonable
EV/EBITDA (third-party EBITDA)	17.5x to 18.4x	Elevated
Beta	1.81	Cyclical/high factor exposure

What would validate the consensus: Q3 2026 revenue growth above 8%, take rate above 26%, GMS growth above 10%, and a net income margin above 14%. What would disappoint: GMS growth below 5%, take rate below 24%, margin compression, or another impairment.

12. KEY BUSINESS DRIVERS

Driver 1: Etsy marketplace GMS growth

Why it matters: GMS measures gross merchandise sold, the core demand metric for the entire marketplace.

Current level: +7.5% year over year in Q2 2026 on an Etsy Marketplace basis.

Bull threshold: >10% sustained for two consecutive quarters.

Bear threshold: <0% for two consecutive quarters.

Next data point: Q3 2026 earnings, scheduled October 28, 2026.

Driver 2: Take rate

Why it matters: Take rate converts GMS into revenue and reflects pricing power with sellers.

Current level: 25.9% in Q2 2026, up from 24.2% in FY2025.

Bull threshold: >26.5% without accelerating seller attrition.

Bear threshold: <24% or seller migration to competing platforms.

Next data point: Q3 2026 earnings.

Driver 3: Net income margin

Why it matters: Margin reveals whether Etsy can turn revenue into owner earnings after marketing spend and impairments.

Current level: 7.11% TTM, but 17.1% in Q2 2026 quarterly.

Bull threshold: >14% TTM.

Bear threshold: <8% TTM.

Next data point: Q3 2026 earnings.

Driver 4: Free cash flow

Why it matters: FCF funds debt reduction and future shareholder returns; it is the only cash return channel absent a dividend.

Current level: \$638.75 million FY2025, down 9.9% YoY.

Bull threshold: >\$700 million.

Bear threshold: <\$400 million.

Next data point: FY2026 annual report.

Driver 5: Active buyer growth

Why it matters: Buyer growth is the source of future GMS; a shrinking buyer base erodes the network effect.

Current level: 92 million as of Q3 2023; no recent count supplied.

Bull threshold: positive year over year.

Bear threshold: declining year over year.

Next data point: next earnings release or investor update.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker	Relationship	Signal
Consumer Discretionary Select Sector SPDR	XLY	Leads/correlates with discretionary demand	Bullish if XLY holds above 200-day MA; bearish if XLY breaks below
eBay Inc.	EBAY	Leads/correlates with marketplace competition	Bullish if EBAY GMS accelerates while ETSY decelerates; bearish if EBAY GMS decelerates while ETSY accelerates
iShares iBoxx High Yield Corporate Bond ETF	HYG	Leads/correlates with consumer recession exposure	Bullish if HYG steady; bearish if HYG falls more than 3% over five sessions
Amazon.com, Inc.	AMZN	Competitor proxy	Bullish if AMZN Handmade traction slows

Monitoring rule: If HYG drops more than 3% over five sessions while ETSY holds steady, re-evaluate the recession exposure within five days. If XLY breaks below its 200-day moving average, re-evaluate the demand thesis. If EBAY reports accelerating GMS while ETSY decelerates, treat the ETSY moat thesis as broken.

EXIT TRIGGERS

We recommend AVOID, so no exit triggers apply to an existing position. The triggers that would change our assessment to HOLD or BUY are:

- Balance sheet repair: positive book equity, debt/EBITDA below 3.0x, debt/FCF below 3.0x, and net cash positive.
- Dilution control: confirmed annual share count growth below 4%.
- Valuation: price below \$69.20 (€61.68), equivalent to 20x forward EPS \$3.46, and forward P/E below 18x.
- Business acceleration: Etsy marketplace GMS above 10%, take rate above 26.5%, net income margin above 14% TTM.
- Shareholder return: dividend initiation with FCF payout below 50%, or credible buyback reduction in share count.
- Sentiment normalization: short interest below 10% and insider buying.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Absolute requirements for wealth preservation:

Requirement	Threshold	Etsy	Verdict
Bear case total return	>= 0%	-5.6%	FAIL
Base case total return	>= 7%	6.2%	FAIL
Solvency	FORTRESS or ADEQUATE	MARGINAL	FAIL

Requirement	Threshold	Etsy	Verdict
Probability of >50% permanent loss	≤ 10%	15%	FAIL
Margin of safety	≥ 10%	-7.9%	FAIL

Etsy fails every quantitative absolute requirement except the solvency test for interest coverage. The company generates cash and owns a recognizable brand, but the negative equity, convertible debt, no dividend, high beta, and bear case loss violate the preservation mandate. At \$75.14 the stock offers no margin of safety. We will not commit capital.

What would change the assessment: a price below \$69.20 plus GMS acceleration above 10%, or a completed balance sheet repair with positive equity and dividend initiation.

ANALYST NOTES

Key Assumptions:

- 10-year total return horizon with no dividend.
- Base case EPS growth of 8% from trailing EPS of \$3.16.
- Bear case EPS of \$3.00 and 12x terminal multiple.
- Bull case EPS growth of 12% and 24x terminal multiple.
- Fair value of \$69.20 based on 20x forward EPS of \$3.46.
- EUR conversion at 1.1220 USD per EUR.

Limitations:

- The research packet contains no peer financial ratios, no 5-year history, no named executives or compensation, no recession performance data, and no deep_dive_metrics object.
- Share count and valuation multiple figures conflict across sources.
- We cannot calculate ROIC reliably because invested capital and NOPAT are not supplied.
- The absence of recent active buyer data weakens the demand assessment.

Confidence Level: MEDIUM. The AVOID conclusion is robust across the available data because even the optimistic analyst targets imply insufficient risk-adjusted return for a preservation mandate. The operational recovery in Q2 2026 is real but not enough to offset the balance sheet and valuation failures.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

CONTINUE THE RESEARCH

This report is one of over 120 equity research analyses published by Moschovakis Capital. Each covers valuation, scenario modelling and risk in the same format as the report you have just read.

[Full equity research archive](#)

[Latest published research](#)

[Enquiries and coverage requests](#)

moschovakiscapital.com

IMPORTANT DISCLOSURES

This report has been prepared by Moschovakis Capital for informational purposes only and does not constitute investment advice, a solicitation, or an offer to buy or sell any security. The information contained herein is based on sources believed to be reliable but is not guaranteed as to accuracy or completeness. Past performance is not indicative of future results. Investing involves risk, including the possible loss of principal. Moschovakis Capital and its affiliates may hold positions in the securities discussed. This document is confidential and intended solely for the recipient. Any reproduction or distribution without prior written consent is prohibited.