

# Stock of online marketplace Etsy surges in trading debut

April 16 2015, byMae Anderson

---



Kristina Salen, center left, Etsy's Chief Financial Officer, stands with Chad Dickerson, center right, Chairman and CEO, to celebrate the company's IPO with employees and guests at the Nasdaq MarketSite, Thursday, April 16, 2015, in New York. (AP Photo/Mark Lennihan)

The place where you can buy handmade dresses and crocheted dog costumes has a new hot seller: its own stock.

Shares of arts and crafts retailer Etsy surged in opening trading on the Nasdaq Thursday. After pricing at \$16 late Wednesday the stock opened at more than double that, at \$34.57.

The healthy stock surge shows that Wall Street has a big appetite for a well-known retail brand, even one that doesn't yet make a profit.

Thursday was one of the biggest days for [initial public offerings](#) so far this year, with party-store operator Party City and electronic trading firm Virtu Financial also making big debuts.

"it's been a very slow IPO market so far this year and investors have been on the sideline waiting for a new name, especially a new name that's familiar," said Sam Hamadeh, CEO of research firm Privco.

Founded in 2005, Brooklyn-based Etsy sells anything from a \$110,000 antique desk from the 1800s to a \$20 handmade antler pendant and everything in between. In 10 years it's grown from a scrappy startup offering craftspeople a way to sell necklaces and needlepoint online to a marketplace of 54 million members that generated \$1.93 billion in sales in 2014.

While it doesn't make a profit—it reported a loss of \$15.2 million in 2014—it has a very loyal customer base and room for revenue growth. The company says 78 percent of people who bought items on the site in 2014 were return customers.

And although it has a reputation for being a grassroots site, its revenue model is becoming more like Alibaba, the Chinese e-commerce powerhouse. In addition to taking a small percentage of each transaction made on Etsy, it is increasingly offering services like marketing and payment processing to its sellers. About 42 percent of its revenue in 2014 came from services.

Etsy is a B Corporation, a for-profit company with a stated social mission certified by a nonprofit organization called B Lab. That could make for a tricky balancing act of keeping its socially conscious ethos alive while satisfying stockholder demands. But it could help that some shareholders will be Etsy sellers themselves—Etsy planned for 5 percent of the shares sold to be set aside for individual investors, including people who use its site. And it is using \$300,000 of the proceeds from the debut to fund Etsy.org, a website established to promote entrepreneurship for women in disadvantaged communities.

So far on Thursday, Wall Street seems to be willing to gamble they'll be able to maintain both.

"We think that it's a very interesting company and investors are going to like the growth they see," said Kathleen Smith, IPO exchange-traded fund manager at IPO research firm Renaissance Capital.

New York-based Etsy is trading on the Nasdaq under the "ETSY" ticker.

© 2015 The Associated Press. All rights reserved.

Citation: Stock of online marketplace Etsy surges in trading debut (2015, April 16) retrieved 26 April 2024 from <https://phys.org/news/2015-04-stock-online-marketplace-etsy-surges.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.