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Eventbrite, Inc. (EB)

Q1 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Eventbrite First Quarter 2020 Earnings Conference Call. At this time, all participants are on a listen-only mode. After the speaker's presentation, there will be a question-and-answer session. [Operator Instructions] I'd now like to hand the conference over to your speaker today, Ronald Clark, Head of Investor Relations. Thank you and you may begin.

Ronald Clark

Vice President-Investor Relations & Capital Markets, Eventbrite, Inc.

Good afternoon and welcome to Eventbrite's first quarter 2020 earnings conference call. Prior to this call, we released our Shareholder Letter announcing our financial results. It can be found on our Investor Relations website at investor.eventbrite.com. Before we begin, I would like to remind you that during today's call, we will be making forward-looking statements regarding future events and financial performance, including providing our net revenue and non-GAAP adjusted EBITDA outlook for the first quarter and full year 2020. We caution that such statements reflect our best judgment as of today, based on factors that are currently unknown to us, and that actual future events or results could differ materially due to several factors, many of which are beyond our control.

For a more detailed discussion of the risks and uncertainties affecting our future results, we refer you to the section titled Forward-Looking Statements in our Shareholder Letter and our filings with the SEC. We undertake no obligation to update any forward-looking statements made during the call to reflect events or circumstances after today, or to reflect new information or the occurrence of unanticipated events, except as required by law.

During this call, we will present adjusted EBITDA and free cash flow, both of which are non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles and have limitations as analytical tools. You should not consider them in isolation or as

substitutes for analysis of our results of operations as reported under GAAP. Reconciliations to the most directly comparable GAAP financial measures are available in our Shareholder Letter. We encourage you to read our Shareholder Letter as it contains important information about GAAP and non-GAAP results.

And with that, I'll now turn the call over to Julia Hartz, our Co-Founder and Chief Executive Officer.

Julia D. Hartz

Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.

Thank you, Ron. Welcome everyone and thank you for joining us. Let me first start with expressing our gratitude to the frontline workers and medical community for their heroic efforts in keeping us all safe. My heart goes out to all of those directly affected by COVID-19. In this crisis that we're reaffirmed of our mission to bring the world together through live experiences as we have witnessed event creators all over the world adapt their business to meet the needs of human connection even when we're forced to be apart.

The world has changed a lot since we last spoke. At the start of the year, our business was performing ahead of expectations and it would have been hard for us to imagine how the next 60 days would change the world so dramatically. COVID-19 has affected everyone and has put many businesses on pause. This is especially true for live events where social distancing mandates have curtailed almost all in-person gatherings for the time being. I want to first emphasize that this is temporary, and once we can gather in real life safely, the demand for in-person experiences will be strong. It is a fundamental need for humans to gather as we have been doing for thousands of years and we will be there to power that connection.

Let me take you on a journey through the last two months. Within days of observing the demand side of the business start to decline, our team mobilized quickly to address the most urgent needs of our creators. We launched a COVID-19 and small business resource hub for our global community which help to streamline information, and for our US customers, decode the PPP loan process. We integrated with third-party providers, so that our creators could offer gift cards for future events as refund alternatives, select in-kind donations by fans and launched crowdfunding campaigns to support their staff members.

Creators like Daybreaker, an early morning dance community of thousands, started to immediately pivot their businesses to digital. We followed our customers lead with enhancements through our existing online events functionality and discoverability, which resulted in over 8 million paid and free ticket transactions in April alone.

We have seen voracious consumer appetite for connecting together and creators have met this desire with compelling content, whether it'd be a virtual jam session by the music venue PianoFight in San Francisco, a pop-up disaster dining take out experience with Junzi Kitchen in New York or virtual product food camps by Brainmates in Australia. We also move decisively to ensure the long-term financial foundation of our business. In early March, we froze hiring direct marketing and other OpEx spending.

On April 8, we implemented an expense reduction program expected to deliver at least \$100 million in annualized savings. And today, we announced a financing with Francisco Partners that secures our company's access for up to \$225 million in flexible financing. With deep expertise and high-volume transactional platforms, I feel they're an excellent partner for us. This financing will give us the flexibility to manage through the effects of COVID-19 while also reinvesting in our self-service platforms.

With decisive action to assist our creators serve attendees and strengthen our financial wherewithal, we plan to execute on a near- and long-term strategy to emerge from this crisis in a position of even greater leadership. Looking ahead, we believe the COVID-19 crisis will accelerate change in the live events industry. We believe

smaller local events that are core to our business will resume earlier and we think they will happen more frequently to satisfy pent-up demand. When it's safe to gather again, we think that consumers will favor these local events over a larger more expensive episodic events, especially during a period of depressed consumer discretionary spend.

We believe creators will continue to rely on us as a cost-effective and easy-to-use platform to help them rebuild their businesses. In moments like this, companies that thrive are those who aren't afraid to swiftly and decisively sharpen and simplify their strategic focus. We have re-centered our internal efforts around three important areas, delivering an intuitive self-service experience that offers creative control and agility to our creators, adding value for our most active frequent creators, and driving demand to their businesses.

To better serve creators of all types, we are focusing on our intuitive yet powerful self-service model. The ease of use and attractive pricing of self-service features are a perfect match for creators seeking efficient solutions to manage their business. With a self-service experience, creators are empowered through direct access to their event and ticket buyer data, marketing performance and reporting tools to make informed decisions. They are better able to react quickly to the changing landscape of consumer behavior, as our platform can flex to meet their needs. And they are empowered to grow their business as we help them unlock how to reach a broader audience of attendees. Focusing on a self-service driven model also has a significant economic benefit, which Lanny will discuss in greater detail in a moment.

Last year, nearly two-thirds of all Self-Sign On ticket fees came from a core of highly active creators who hosted five times more paid events than the average Self-Sign On creator. They represent only one-third of Self-Sign On paid creators today and drive over 60% of paid tickets. We see a significant opportunity to grow the rents of these creators, particularly by retaining more of them on our platforms which in turn generates attractive returns for Eventbrite.

Our product efforts will be to strengthen the experience of publishing frequent events on the platform, managing relationships with attendees more effectively and leveraging data and insights to help inform better business decisions.

Building an audience and engaging ticket buyers is critical to our creators' success. Last year, Eventbrite helped creators transact over 300 million free and paid tickets to 4.7 million events was over \$4.5 billion in cumulative gross ticket sales. This scale and expertise allows us to really lean and helping creators extend their reach as they engage attendees through online events, as well as grow their businesses when in-person events are allowed to resume.

Recently, we've launched new features to help drive demand including improved email campaign tools and better online marketing through third-party partnerships. We've also strengthened the consumer search and discovery experience with features like the ability for anyone to follow their favorite creators and receive updates when new events are published. We believe that demand generation tools such as these will help our creators grow their businesses and in turn keep them coming back to Eventbrite.

The steps we are taking today will enable us to emerge from this crisis stronger than ever. The reinforced financial foundation we put in place supports the focused execution of our simplified strategic goals, which we believe will allow us to build upon our leadership in the live events industry for years to come. Moreover, the ingenuity, resilience and adaptability of our creators is a clear signal that the experienced economy will endure, and Eventbrite will continue to rise to the challenge and match their passion with agility and commitment.

Before I turn it over to Lanny, I want to thank each and every one of our employees across the globe for their dedication and perseverance over the last several months. I would also like to thank our many talented and loyal team members who recently departed in April, any company is lucky to hire them. Our team has risen to the challenges presented by COVID-19 with decisive action and deep empathy for our creators and for each other. I'm truly inspired by the strength and compassion they have shown and sincerely appreciate the sacrifices they have made to ensure a bright future for our company.

And with that, I'll turn it over to Lanny.

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

Thanks, Julia. I'll discuss the financial implications of our strategy, and then turn to the first quarter results, and the steps we've taken to solidify our position. As Julia just described, we are focused on our self-service platform which powers Eventbrite's overall economic. Self-Sign On creators accounted for slightly less than half of Eventbrite's paid ticket volume in 2019. And yet due to SSO's superior revenue per ticket, and modest operating expenses generated more than 50% of net revenue and nearly 60% of gross profit.

Self-Sign On gross margins were 69% in 2019 compared to Eventbrite's blended overall gross margin of 60%. Gross profit per ticket was 60% higher in Self-Sign On than in the remainder of our business.

Looking forward, we expect our strategy to drive a larger proportion of total revenue from self-service creators. And this improvement will enhance the overall margin structure of the business in the future. Self-service plays a significant role in our customer acquisition engine. Last year, 98% of the new creators on Eventbrite signed themselves on, and began ticketing events on their own. Most of this growth is purely organic. In total, we spent approximately \$4 million on SSO acquisition in 2019 a figure equal to 2% of SSO revenue last year.

Over the last two years the lifetime revenue of Self-Sign On creators has exceeded 30 times their acquisition cost. Beyond acquisition, we are applying a self-service approach throughout our business including all the stuffs from creator onboarding to product education to event marketing. The most valuable Eventbrite creators are entrepreneurial, self-sufficient frequent event creators, and we are tailoring our product, marketing, and support to provide the intuitive services these creators expect. This means we will de-emphasize services where costs are higher, operating leverage is lower, and our competitive advantages are not as clear. We will focus instead on automation and improving platform functionality and efficiency.

As Julia said earlier, frequent creators generated the majority of Self-Sign On revenue in 2019 and we're strengthening our platform to serve frequent creators' needs. To put the opportunity here in context, if each frequent creator that published a paid event in 2019 posted one additional event on Eventbrite, the ticket fees from those events would generate nearly \$20 million in incremental annual revenue, a substantial portion of which would drop to the bottom line.

Turning now to the first quarter, the COVID pandemic impacted our results in two primary ways. First, limitations on gatherings sharply curtailed ticket sales from early March onward. Second, event cancellations and ticket refunds led to higher contra revenue, and increases to reserves which further reduced reported net revenue and adjusted EBITDA in the first quarter.

Paid ticket volume was down 18% year-to-year to \$22 million in the first quarter of 2020. And net revenue prior to the contra revenue impact of refunds was down 16% in the quarter. However paid ticket volume was down

roughly 90% year-to-year in March. We've seen improvement after the March lows with paid ticket volume pacing 85% lower year-to-year in early May.

As stated in our shareholder letter, we reported first quarter 2020 revenue of \$49 million, and an adjusted EBITDA loss of \$120 million. Reported net revenue of \$49 million for the first quarter was reduced by \$19 million in contra revenue largely related to a rise in ticket refund activity. Likewise it's important to note that excluding \$114 million in contra revenue and reserves related to the pandemic, adjusted EBITDA would have been a loss of \$6 million in the first quarter.

In our shareholder letter, we've provided a detailed table that breaks out the first quarter COVID-related costs and reserves on a line-by-line basis. The most significant COVID-related item in the first quarter was a \$77 million increase in reserves in anticipation of potential future ticket refunds or chargebacks associated with our advance payout program. Since early March, we've experienced less than \$3 million in chargebacks and unfunded ticket refunds.

However, due to the nature of the COVID-19 situation, and the limited amount of currently available data, there's a high degree of uncertainty in this area and we have increased our reserves accordingly. For background, Eventbrite's advance payout or APO program allows creators in good standing to apply to receive a portion of ticket proceeds in advance of their events' completion dates.

Creators – Eventbrite creators have typically utilized this program to fund event related expenses such as permits and artist fees. If an event does not occur, and a creator with APO funds fails to provide ticket holders a reimbursement, Eventbrite may elect to reimburse attendees or potentially be subject to a credit card chargeback for the face value of the ticket plus chargeback fees.

Historically, annual losses associated with the APO program have been managed to a rate of approximately 3% of the total balance on average. However, given the unprecedented shock to global live events, we are taking precautions in anticipation of higher refunds and chargebacks. To manage APO exposure in light of the pandemic's effect on live events, we suspended the program on March 11, 2020.

We instituted new policies and risk models to assess and manage our exposure. We are also helping creators redeposit funds received through the APO program into their Eventbrite accounts in order to refund, credit or compensate ticket purchasers. Since mid-March, creators and the funds that we hold on their behalf have covered more than 99% of the APO refunds requested.

As of early May, the outstanding balance of advance payouts stood at approximately \$293 million and many of these creators are actively working to postpone, reschedule or refund these events. The financing we announced today strengthens our liquidity position in the event that APO losses occur at a higher rate than we have experienced to date.

Turning to our balance sheet, we ended the first quarter with \$373 million in cash and cash equivalents down from \$421 million at the end of 2019. To fully evaluate Eventbrite's liquidity separate from creator, ticket sale proceeds, and payables, we begin with cash and cash equivalents of \$373 million, add funds receivable from ticket sales as well as career advances totaling \$15 million, and then we reduce that balance by funds payable of \$3 million, as well as creator payables of \$233 million. On that basis, our available liquidity at March 31 was \$151 million compared to \$190 million at December 31, 2019.

And finally, let me discuss additional steps we've taken to position the company to endure the crisis and to thrive as live events return. In early April, less than a month after the pandemic began to impact live events, we announced the restructuring that is on track to deliver at least \$100 million in annualized cost savings. We will start to see the benefit of these actions in the second quarter of 2020. Specifically, we expect that cash costs, excluding processing fees, which totaled \$57 million in the first quarter would decline to less than \$40 million in the second quarter, and then to between \$33 million and \$35 million by the fourth quarter of this year.

The restructuring will reduce the company's adjusted EBITDA breakeven revenue level by 45% versus the plan in place at the start of 2020. We will also see variable expenses, including processing fees come down with revenue in the near term though this is not included in the \$100 million plus savings referenced here.

Finally, the credit facility with Francisco Partners provides Eventbrite with access to term loans of up to \$225 million. The financing consists of an initial \$125 million term loan to be funded during May 2020 as well as the ability to draw a second term loan of an additional \$100 million during the period beginning December 2020 until September 2021 subject to certain conditions. We will also issue 2.6 million shares of Class A common stock to Francisco Partners. This important additional funding and partnership helps strengthen our liquidity and provides enhanced flexibility to manage through a range of recovery scenarios and the return to live events.

In summary, we've made our cost structure significantly more efficient and we've capitalized the company with attractive flexibility. We believe these decisive actions completed in the last 60 days, along with our refocus strategy will help Eventbrite navigate the current crisis, lead the live events industry into a recovery, and emerge with a stronger, more profitable business model for the long term.

With that, we'll now open the line for your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question comes from the line of Ryan Sundby with William Blair. Please go ahead. Your line is open.

Ryan Sundby

Analyst, William Blair & Co. LLC

Q

Yeah. Hi. Thanks for taking my question. Lanny, I think in your remarks you said [ph] you saw – talking (00:23:57) a bottom out in March, and then I think [indiscernible] (24:03) 85% here in May 1. One, does that include the virtual events or was this just the live events. And then, two, I guess more of a longer-term question here with some states starting to open back up the past week or so, I'm just wondering if you're starting to see live event creations start to turn back on. And then what kind of lead time do we typically need to see here between, one, an event can go up and then go on selling when it actually happens. Thanks.

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

Sure. Thanks Ryan. The numbers that we talked about do include online events. And we have recently seen online events pacing at slightly more than 50% of total paid ticket volume on a daily and weekly basis. Online events are up twenty-fold from the year-ago in our mix and we've seen many of our longstanding in real life creators host online events in this environment sort of attesting to the resilience and entrepreneurship of the core Eventbrite creator base.

Your second question was about states and opening up. And at this point as we look across our business in the United States it's really hard to discern much of a – of a sort of opening of the market of a restart of the live events industry. It would typically – there would be a little bit of a lead time by which we usually see creators post events a few weeks to a month plus in advance of the event, and then we would watch ticket sales advance.

So we've seen a general improvement from the lows. As I said, it's been largely or very importantly powered by the strength of creators moving to online events. But, at this time we haven't seen any big discernible trend.

Ryan Sundby

Analyst, William Blair & Co. LLC

Q

Got it. And then just, can you help understand that APO refunds and chargebacks little bit more, with the – the \$76 million number, and then suspending the program back in March. Can you help us understand kind of how you get a better view on this? Does this kind of get cleared up in a month or two months or are some of these events extending deeper into the year or even into 2021?

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

Yeah. That's a good question. We do believe that the summertime, the festival season which is one of the areas where the APO, the advance payouts tend to be bigger will – that'll come to pass in the next probably two months, and that will give us a very good read on the overall resolution of the of the APO portfolio.

And that has been considered, and we considered carefully all the different events by date, by size, by category as we assessed the reserve that was appropriate to take at this time and all that's been considered in our estimate that is reflected behind that \$77 million reserve increase taken in the quarter.

Ryan Sundby

Analyst, William Blair & Co. LLC

Q

Got it and just one last one for me, can you just talk about the decision to partner with Francisco Partners, and then I guess, just any more details around rate structure term of that would be great. And then what kind of conditions need to be met to pull down that second piece of loan in 2021? And are – the 2.6 million shares, are they issued today or is some of that tied to a point in that second piece of loan at the end of the year or in 2021, please?

Julia D. Hartz

Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.

A

Yeah, sure, I'll chime in here and let Lanny follow on. Choosing a partner for us was a very important decision because we've had the benefit of having some really prolific, long-term investors in our story, and so this next chapter for us is such a vital one as we continue to lean into our strength and grow the platform. And so choosing them was indicative of both an alignment and philosophy around the strengths of the secular business and the business model itself as well as their ability to provide a structure that had flexibility given their – remains to be some very recovery scenarios that we've modeled as well as they've looked at, and considered themselves. So the flexibility was key in the structure, and I'll let Lanny talk a little bit more about that structure.

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

Sure. The structure of the loan is two parts as we said an initial \$125 million which will be funded during the month of May. That is a five-year loan, and there are conditions under which we can repay that loan earlier if we are in position to do that. The loan has a interest rate in the low double digits. It has a combination of cash pay and a pick option so that we're able to manage cash during the current period which is very important.

The second draw of another \$100 million is available to the company assuming certain conditions that relate to the expense structure of the business, and the operating results of the business during that period of time that we would be potentially accessing the second draw. I would add one thing to what Julia said is that in choosing Francisco Partners, we're really fortunate to have opportunity to meet with a broad number of financing options, and as we worked it all the way through, we found a partner who we felt really understood our business and offered exactly the kind of flexibility that fits the situation that we're currently trying to finance.

You had a question about the shares issued to Francisco Partner and – Partners and yes those will be issued in the coming days.

Ryan Sundby

Analyst, William Blair & Co. LLC

Q

Got it. Thanks for taking my question.

Operator: Your next question comes from the line of Youssef Squali with SunTrust. Please go ahead. Your line is open.

Youssef Squali

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Great. Thank you very much. Lanny, just a quick follow up to the terms of that funding the \$100 million tranche is that subject to the same interest rates and same term or is that different? And then Julia, you spoke to in your prepared remarks around about the impacts of COVID and how it's likely to accelerate change particularly for smaller events, I think you said something to the effect that smaller event should bounce back earlier or grow faster, maybe can you just flesh that out a little bit for us if you don't mind. Thank you.

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

Youssef, thanks. Yes, the terms on the second \$100 million are the same as on the first.

Julia D. Hartz

Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.

A

And Youssef on my prepared remarks around our thoughts in viewing the changes in the industry and potentially what may happen, I would point to a few aspects there. One would be that Eventbrite's business model is advantageous because we're a flexible, affordable, and tech support platform which is quite unique in this industry and so we can flex or contract to meet the needs of our creators. Our creators are entrepreneurial. They're finding opportunities left and right to really lean into this moment through online events and through hybrid experiences. We've seen folks like craft breweries send out their beer to their tasters, and then host the online tasting experience. So, this really interesting hybrid model and we're seeing things like fancy old concerts where fans of bands are getting together and playing their favorite songs and videos together and even the band BTS in K-Pop attracted tens of thousands of fans around the world for a 48-hour binge listening party.

So, I think that – what I'm trying to outline here is just the fact that humans want to gather, it's an innate need and creators want to create those experiences, and they're able to do so quickly and efficiently on Eventbrite. So, when we think about the future, it's important to note that we're not in the business of predicting, but we are in the business of preparing, and we're looking at how we can better support our frequent creators due to the fact that we're seeing these much more frequent experiences online that we think will also be mimicked offline in smaller experiences where you have a trusted and safe environment.

You also have pent-up demand for human connection. And so as we see what's happening on our platform we'll be sure to share it with you all. But I'd leave you with the idea that these creators are professionals, they're small businesses and again their entrepreneurial. So they're really leading the way.

Youssef Squali

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. Thank you.

Operator: Your next question comes from the line of Mark Mahaney with RBC. Please go ahead. Your line is open.

Mark S. F. Mahaney

Analyst, RBC Capital Markets LLC

Q

Thanks. Can I try two questions? One is and I'm – you may have said this but the curve of the recovery in the ticket volume and you said it was down 60% in the middle for the month of March. And where is that now tracking to? Did you provide an update on that or can you? Is it down like 40% to 50% now like what's the curve look like.

And secondly, when you stress tested the model and tried to figure out how much you needed to raise in this, I don't know if you came up with a scenario if we have unfortunate events like a recurrence of the virus. Whatever when we go back and we keep down 60% for the full year like where does that leave your cash position. And I know you correctly offered the kind of the pure cash that's stays with the company, and gets like \$180 million or something like that, it's in your press release. But what does that number look like if you unfortunately have to deal with a situation where live events or tickets are down 60% between now and the end of the year. Thank you.

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

Sure. Mark I'll take both those. On the – on the ticket volume, in March, our volume was down about 90% year-to-year. For the first quarter, ticket volume was down about 18%. We were running nicely up double-digits in January and February ahead of our plan and really powered by the Self-Sign On channel, but March was down 90% year-to-year.

In early May, we're pacing down about 85% from where we were a year ago. So we have seen a bit of an improvement off of the bottom, and as we said earlier a portion has been propelled by the strength of online events alongside in real life events. As we looked at financing the company, our primary objective was to make sure that Eventbrite was capitalized to lead the events industry through and out of this very stressful period for the industry we served. We looked at a range of scenarios both in terms of the duration of the period in which live gatherings are really heavily restricted, the steepness of potential recovery or not steepness, scenarios in which there was a recovery and a fallback, and considered all those things in raising the amount of capital that we raised.

Now as you know those are hard to project and hard to be very hard to have certainty and conviction around all those things. And one of the things that we sought to do and achieved was develop a financing structure that is flexible that gives us the capital that we believe we need today as well as access to additional capital down the road.

I'll just add one other point which is we made very significant and very decisive changes in the company's expense structure pulling down operating costs by over \$100 million in the face of really literally weeks. And we think that as well sets us up very strongly to endure whatever scenario may come.

Mark S. F. Mahaney

Analyst, RBC Capital Markets LLC

Q

And Lanny can I do one follow up please. I know you said this 90% down volume and you've referred to 60% down volume in terms of paid tickets. Would you just explain why that the difference between the two? Thank you. And what the difference has been like with the paid ticket volume?

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

I apologize, I don't know where I said 60% in March. I don't know, that that was in our prepared remarks and that's not accurate.

Mark S. F. Mahaney

Analyst, RBC Capital Markets LLC

Q

Okay. I'll follow up with you. Thank you. May have been a misread on my part. Thank you.

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

Sorry.

Operator: [Operator Instructions] Your next question comes from the line of Heath Terry with Goldman Sachs. Please go ahead. Your line is open.

Heath P. Terry

Analyst, Goldman Sachs & Co. LLC

Q

Thanks. Sorry. I was on mute. Julia and Lanny, I was wondering if there is anything that you're seeing in your international markets which are obviously moving at a different pace than the US, some of which may be further along the curve in terms of recovery that tells you anything about sort of what we might expect or what we should expect about the pace of things if you're – are there any insights there that you can share. And then, to the extent that you're doing anything from a proactive perspective around online events going out to some of your biggest event creators to try and drive them to online events or specifically to your online event tools, would be interested in that.

And then, finally, to the extent that we are going to be able to kind of use this time to prepare for what the world's going to look like on the other side, event creators doing live events but with more the need for social distancing, the need for testing, the need for maybe pre-qualification, the passport model that's being used in Italy. Is there any sort of technology investments or models that you're looking at in this sort of interim period that potentially

puts – could put Eventbrite in kind of a leadership position to work with venues, to work with partners coming out on the other side of this that you'd want to talk about now?

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

You know, Heath, I'll take the first questions about international markets and then turn it over to Julia to talk about helping event creators get online and some of the changes in technology. As we look around the world that a couple of markets did go into the COVID-19 pandemic and crisis environment earlier than others, and we have seen them recover a bit already. So, particularly if we were to focus on Singapore and Hong Kong, which are relatively small markets in the global footprint of Eventbrite, but it is notable that in those markets we are down more like 45% year to year rather than 85% where we are still across the majority of the business. So, we have seen things come back in those markets come back pretty quickly to that kind of a level.

Julia D. Hartz

Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.

A

And on the online event space, Heath, online events were up 2,000% in April. And as I mentioned on the call, we transacted 8 million paid and free tickets through online events. We're also seeing our creators, returning creators on the platform about 10,000 of them from 2019 that we would call frequent creators come to Eventbrite and host online events this year and actually in April alone. So, I think that as these creators and entrepreneurs pivoted their businesses quickly and this was really what we started to see in March and hit this new level in April continuing on into May, we're looking for ways that we can make it easier for them to post many frequent events.

So, in the case of Daybreaker, the event creator I talked about, they're hosting more frequent events now, weekly format versus a monthly format. And we're seeing events per creator increase with this online events population. And so we're looking for ways that we can apply the principles of efficiency to how they're interacting with the platform, whether that's through an improved way to publish series of events, or to be able to integrate with third-party partners like Zoom to have a more elegant front door to their online paid event. And we're also looking at ways in which we could extend the reach of these creators. So, immediately upon seeing this activity on the platform, again, we look for ways to observe what our creators are doing and then just remove the friction, make it easier, faster, better more efficient for them to do what they do.

We started to help these events be discovered by consumers by incorporating them in our distribution partnerships, as well as our destination on both web and the app. We have allowed for these consumers to follow creators and get notifications when they're hosting a new online event. And we've started to really help our online event creators understand how they can optimize their marketing through third-party partnerships on the platform. So, in sum total, most of what we're doing is what we would have been doing anyways to benefit and to drive frequent creators growth on the platform. This crisis has been a great accelerator and really honing in and focusing on that strategy and that benefits creators whether they're hosting online events or in-person events.

And then finally on the changes to the live events industry, certainly safety is paramount. It's the top of the mind of our small businesses that use Eventbrite like live music venues. So, we have partnered with the National Independent Venue Association, the Event Safety Alliance, and other local government organizations to start to pull together the best practices and medically safe information that needs to be disseminated amongst event creators. I think there is a platform that enables event creators to gather people in real life. What we need to do is provide accurate real time knowledge to our creators through our content to be able to help them make the right decisions for their events.

And when I think about the reemergence of live events, it's going to be less about government regulations for these smaller events and more about consumer behavior and desire, and the feeling of trust that they can be safe. And so, we want to support creators to be able to provide that safety and provide that reassurance after events, whatever those means and best practices may be in any given state and country since we are a global platform.

Heath P. Terry

Analyst, Goldman Sachs & Co. LLC

Great. Thank you both.

Q

Julia D. Hartz

Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.

Thanks, Heath.

A

Operator: Your next question comes from the line of Doug Anmuth with JPMorgan. Please go ahead. Your line is open.

Douglas Anmuth

Analyst, JPMorgan Securities LLC

Thanks for taking the questions. I have two. First, I know Julia you talked about smaller local events coming back quicker, just hoping you can provide a little bit more color on how you are thinking about some of your big categories across festivals, music, registration and endurance. And then, Lanny, just wanted to clarify on the financing the double-digit interest rate that you mentioned that is indeed separate from the stock that you're issuing, just wanted to clarify that. Thanks.

Q

Julia D. Hartz

Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.

Thanks, Doug. So, when we imagine what can occur on the platform and again this will be really up to our creators as they reinvent their businesses and rebuild the live experience economy, we imagine that consumers will desire smaller and more frequent events, so that they can connect with other people around their passions or their interests but also in a safe environment. The other thing that we haven't talked about is that consumers are going to be price sensitive in terms of ticket price. Event price, average ticket value prior to COVID-19 was \$40. And so, we imagine and can see a world where lower priced tickets to events that are happening more frequently are going to be in vein with what – in the same vein as what consumers are desiring in the next call it 18 months or so.

A

We think that these [ph] small more (00:46:27) frequent events will potentially map to some of the category growth that we've seen on the platform and online events, that's in particularly in health and wellness classes, and business and professional seminars, workshops and talks. We typically see that these formats are friendly to a smaller attendee base. And we also see the rise of these types of events when the economy is in stress such as in 2008, 2009 as people want to gather to take care of themselves to improve their skills to network. And so, we're preparing for that future. And in the case of music and festivals and endurances, I think there will be some really interesting innovations that come from this market.

And I think our job again is to not get in the way of creators as they flex their entrepreneurial muscles and they create new ways for people to connect in real life. And the final thing I'll say is that secular strength of our industry is really connected to this human desire to gather and as I'm sure you've seen there is a pent-up demand during

this time. Folks are really yearning to get out and connect with one another. And Eventbrite will be there to power those in live connections and those real life events when it's safe to gather, and we'll support our creators in making the right decisions on how they rebuild their businesses.

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

And, Doug, on the debt and the equity, yes, the issuance of stock is separate from the interest on the borrowings that we've taken on. And let me go back just quickly, Mark Mahaney, I apologize. Yes, you were right. You did hear us right. In March, ticket volume was down 60% year to year. We got as low as a 90% decline year to year and right now in the early part of May, we're looking at a 85% decline year to year. I apologize.

Operator: And your next question comes from the line of Youssef Squali with SunTrust. Please go ahead. Your line is open.

Youssef Squali

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Hi. Thank you guys for taking the follow-up. Quickly, Lanny, it seems like, well, actually from your prepared remarks and, Julia, it seems like there is a doubling of emphasis on the self-serve, is that basically [indiscernible] (00:49:14) that the sales channel is being de-emphasized? Are most of the cost cuts that have happened \$100 plus million impact in that business and how should we be thinking about you guys from a competitive standpoint as we go post COVID-19 as we come back? Is the focus still going to be on self-serve or would you kind of pivot back to a certain degree within the sales channel, which I guess last year was almost half the business? Thank you.

Julia D. Hartz

Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.

A

Thanks, Youssef. So, I would start by saying that self-service has been and will continue to be our ethos and that we will – are now really strategically focused on building the best self-service experience in our product, especially for frequent creators, who are small businesses and professionals that need our intuitive and reliable platform, and so for us that the narrowing of that focus and the simplification of our strategy allowed us to make some really difficult decisions as we restructured the company.

We said goodbye to 45% of our team and that needed to be done with a lot of care and a lot of purpose, and that was really aligned with this strategy of driving forward on continuing to invest in our self-service platform through product and development, and de-emphasizing our high-touch account managed services and some of our sales segments. Now we'll continue to grow our creator base with a sales motion and we'll continue to offer customer service to our creators who need it. But we'll do less of the bespoke onsite services, attendee call center support and other high-touch account managed services that we've done in the past.

Effectively, when we think about what the future is going to bring us, we think that creators are going to need a much more efficient tech-enabled platforms that's low cost and that provides them flexibility and control over their event data. And we know that Eventbrite is that solution. So, again, we're moving in this direction already and we're accelerating that movement through this crisis.

Youssef Squali

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. That's clear. Thanks, Julia.

Julia D. Hartz

Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.

A

Thanks, Youssef.

Operator: There are no further questions at this time. I turn the call back over to Julia Hartz for closing remarks.

Julia D. Hartz

Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.

Thank you so much for joining the call today. I'll close by reiterating our commitment to shareholders, employees and our community of creators and attendees. We are prudently resizing the business to match the demand environment and improve flexibility. We are taking advantage of this moment to lean into and accelerate the best features of our business. This will allow us to grow faster, build a stronger product and deliver demand for our creators' events as they work tirelessly to rebuild the live experience economy.

Lastly, expanding our capital options proactively with value partners reinforce our balance sheet. And this is a [ph] response (00:52:36) measure that we've taken. It is a validation of our business prospects long term and we take stewardship of shareholder capital and all stakeholders very seriously. While we cannot predict the future, it is our job to prepare for anything. I've personally never been so proud of Britelings and how everyone has responded. They say nothing worthwhile is easy and I am more confident than ever about our market position, ecosystem and business economics. Together with our creators, we will enable an exciting new future of live experiences. Thank you.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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