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Eventbrite, Inc. (EB)

Q4 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen thank you for standing by and welcome to the Eventbrite Fourth Quarter 2020 Earnings conference call. At this time all participants are in a listen-only mode. After the speakers' presentation there'll be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to Mr. Ronald Clark, head of Investor Relations. Please go ahead.

Ronald Clark

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

Good afternoon. And welcome to Eventbrite's fourth quarter and fiscal year 2020 earnings call. Prior to this call, we released our Shareholder Letter announcing our financial results. It can be found on our 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. We caution that such statements reflect our best judgment as of today, February 25, based on factors that are currently known 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, a non-GAAP financial measure. This non-GAAP financial measure is not prepared in accordance with generally accepted accounting principles and has limitations as an

analytical tool. You should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. A reconciliation to the most directly comparable GAAP financial measure is 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, Co-Founder and Chief Executive Officer.

Julia D. Hartz

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

Thank you, Ron. Hi, everyone, and thank you for joining us on the call today. 2020 was an exceptionally challenging year for the live event industry, one that tested old norms, prompted deep introspection, and resulted in profound change. At Eventbrite we celebrate the incredible resilience and ingenuity of creators all over the world. In the face of unprecedented adversity, they've reimaged gathering and reinvented their businesses. Despite restrictions on in-person gatherings, our global community of hundreds of thousands of creators continue to bring people together in an inventive way from virtual events to drive-in to cleverly social distance experiences. And they hosted an astounding 4.6 million events on Eventbrite.

Creators have continued to rely on our platform through the pandemic because we provide them with the tools and support to help them succeed as the landscape shift. The flexibility and functionality of our platform have encouraged creators to adapt and grow. We have one goal – help our creators succeed. It's this laser focus that has cemented our position as the platform that creators turn to while navigating uncharted territory. Every day we see creators taking advantage of what we offer in unique and inspiring ways. I had the pleasure of speaking with several of our frequent creators recently; all of them featured in our Shareholder Letter.

I want to share just one of the stories with you because I think it illuminates the power of accelerated positive change brought on by crisis. London Drawing Group is a teaching collective founded by Luisa, Lucy and Frances – three friends who met at The Royal Drawing School in London. Their mission is to make art accessible to everyone. Prior to COVID, they leveraged Eventbrite's platform to host fun and engaging classes and workshops at famous museums and other historic venues around London. As the pandemic closed museums to the public, these three entrepreneurs quickly pivoted hosting virtual workshops and they've seen their business explode because of it. Tapping into Eventbrite's global audience of people looking to connect while in social isolation has encouraged them to host more events and expand their customer base from local to global.

In fact, they increased paid registration from about 1,200 paid tickers in 2019 to nearly 53,000 paid registrations in 2020. As they look forward to bringing back their unique in-person experiences, they also planned to continue their online events program, which is allowing them to reap the benefit of the expanded audience they've built with Eventbrite's help.

What I'm most proud of in a year full of challenges is that we didn't just sit on the sidelines; we showed up every single day and worked to retool, reimagine and reinvent our business alongside our customers. The developments on vaccine distribution and virus containment are setting the stage for the return of in-person gathering and ultimately the recovery of the live events economy. At Eventbrite, we have spent the last year preparing for the future by focusing on three important strategic objectives that we outlined back in May. Those are: one, delivering an intuitive self-service experience that help creators get events up and running quickly and confidently; two, creating flexible and efficient solutions that address our most active creators' need; and three, offering more ways to drive attendees to Eventbrite creators' events. In 2020, we made excellent progress on each of these objectives and our execution against three initiatives is meaningfully enhancing our business for the long term. Eventbrite has become a more focused company with a roadmap aligned to the needs of our most

valuable creators. We're generating a greater proportion of customer acquisition through our most efficient and profitable channels.

Most importantly our strategic focus, expense reduction and new senior leadership in engineering are enabling us to invest in initiative to drive future growth as the recovery builds. With these changes, we believe Eventbrite will emerge from this crisis as a much stronger company, driving sustained growth and strong bottom line results for years to come. Before I turn it over to Lanny, I want to thank the Eventbrite team. Many companies have suffered during this time and we're not unique in that regard. Where we are unique is how we've approached the struggle, [indiscernible] (07:37) the opportunity to become a stronger, more focused, and agile company. This is a direct result of the dedication by our Britelings who act as owners of this business and advocates for our customers.

I also want to express my sincere appreciation for the hundreds of thousands of creators who have trusted Eventbrite to help them through this past year. Every day, we work on their behalf as we bring the world together again through live experiences.

And with that, I will turn it over to Lanny.

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

Thank you, Julia. I'll discuss a few of the details within our Q4 results and then turn to what we're anticipating in terms of recovery and how we're planning for 2021 and beyond.

Fourth quarter revenue was \$26.7 million, an increase of 22% from the third quarter. While revenue was still down 68% from a year ago, that comparison is 5 percentage points better than it was in the third quarter. Paid tickets grew by 19% from the third quarter to the fourth quarter, driven by a 44% increase in paid ticket volume inside the United States and a 6% decline in paid ticket volume elsewhere, largely corresponding to the United Kingdom's nationwide lockdown that started in November.

Globally, paid tickets for in-person events grew 22% from the third quarter to the fourth quarter and paid tickets for online events grew 14% to a new all-time high in the fourth quarter, up 16 times from a year ago. Based on recent experience, we anticipate that near-term trends in tickets for in-person events will be closely linked to local health conditions, and the tickets for online events will remain higher than pre-pandemic levels even as local markets pivot back toward in-person gatherings when safe to do so.

Cost of revenue was \$13 million in the fourth quarter and that included a \$300,000 benefit from refunded processing fee. Excluding that item, cost of revenue was equal to 50% of revenue for the quarter and the underlying gross margin was also 50%. That is a 9-percentage point improvement in gross margin compared to the previous quarter. Increases in ticket volume and revenue provided margin leverage here and we expect gross margins to scale above 60% as a fuller recovery takes hold.

Total operating expenses were \$26.9 million for the fourth quarter. However, there were a number of non-operating factors within that figure. Specifically, we recorded another \$14 million reduction to the reserve for advanced payout losses. We also had a \$2.9 million benefit relating to the settlement of a contract dispute. Both of those items flowed through the sales and marketing line on the P&L. And finally, we recorded a \$4.1 million write-off and increase to reserves related to contract advances. These were recorded on the G&A line in the quarter.

Excluding those items, the company's underlying operating expenses were \$39.7 million in the fourth quarter, down 41% or \$28.1 million from the fourth quarter of 2019. On a similar basis, cash expenses excluding our processing fees were \$29.1 million in the fourth quarter, slightly better than our outlook of \$30 million to \$32 million for the period.

Adjusted EBITDA was \$2.2 million for the fourth quarter. However, excluding the unusual items just discussed, adjusted EBITDA would be a loss of \$11 million for the quarter or just under \$4 million per month. The expense reductions executed in April 2020 have clearly been effective in lowering the company's overall cost base and those actions have also changed the internal dimensions of our business model.

A year ago, sales and marketing expenses were 1.5 times as large as our product development investments. In the most recent quarter, that relationship has been flipped and product development expenses, which are down year-to-year, are now 1.2 times larger than our sales and marketing investments. Those figures exclude exceptional items and the exact expense ratios will fluctuate in the future. However, the main point here stands. We have dramatically lowered costs and shifted our expense profile toward the more highly leveraged, less variable aspects of the business. We believe the benefits of these changes will be increasingly evident as we emerge from the pandemic.

Turning to the balance sheet, we ended 2020 with \$506 million in cash and cash equivalents, and \$207 million in carrying value of long-term debt. At year-end, we held \$191 million within our cash balances that represents ticket sale proceeds that are payable to creators. The company's available liquidity was \$332 million at year-end, up from \$190 million a year ago, reflecting the steps we've taken to strengthen the company's financial resources during the pandemic. For reference, the method by which we calculate liquidity is laid out in the Shareholder Letter.

Throughout 2020, we worked closely with creators and Eventbrite ticket holders to navigate an unprecedented environment of event cancellations, reschedulings, and postponements. I believe it's a strong testament to the resourcefulness of our team as well as to the trust in community that exists among our creators and attendees. But since the start of the COVID pandemic, we've incurred only \$2.4 million in chargebacks and refund losses against an initial advance payout balance of more than \$350 million last spring. We've begun to gradually reopen our advance payout programs to support creators as they're planning new events and we will manage our exposure carefully if more restricted access and higher reserve requirements.

Planning for the recovery of in-person events is center stage for us right now. Based on recent trends and available information and forecasts, we do not currently anticipate an upswing in in-person events in the first half of 2021. Paid ticket volume in January and the first half of February is trending about 20% lower than in the fourth quarter as the United States and UK have reimposed COVID-related restrictions on gathering.

However, vaccine rollouts have begun to accelerate around the world and as we've already seen in some locales, a recovery in in-person events when it comes could gather momentum quickly. For instance, in Australia where transmission rates have decreased and social distancing mandates have eased since the latter part of Q2, Eventbrite's paid ticket volume jumped by 3.5 times from the second quarter to the fourth quarter, with paid in-person events more than doubling and paid tickets per in-person event growing threefold in that country.

In the fourth quarter, the number of in-person events on Eventbrite in Australia had nearly returned to prior year levels and in December, paid tickets in Australia were back to 87% of year earlier pre-pandemic level, propelled by the rapid recovery of in-person events. This is in a country where intermittent lockdowns are still occurring.

With that kind of recovery momentum potentially in the offing elsewhere in 2021, we're taking steps now to ensure platform stability to streamline creator onboarding and to ready our marketing plans for when the time is right. Our product plan, including how we're integrating tone down ToneDen's capabilities, are designed to serve the needs of frequent creators in recovery and well-beyond.

In closing, 2020 was a challenging year and one that demonstrated Eventbrite's ability to execute under pressure. We have reshaped the company with a significantly reduced cost base, a business model with fewer variable costs and higher operating leverage, and a clear focus on what we believe is the most attractive segment of the live event ecosystem.

Eventbrite's creators are resilient, inventive, growth-oriented around the notion of bringing people together just as we are. And in the same way that we stood by our creators throughout the pandemic, we will be ready to propel them when in-person events resume in full.

And with that, we'll now take your questions. Operator?

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] First question comes from Doug Anmuth with JPMorgan.

Q

Hi. Good afternoon. This is [ph] Davey (17:24) on for Doug. Thanks for taking the question. First question I have was, I appreciate the color you guys gave on Australia but I was hoping if you can provide further details on the type of events that are driving the recovery there and if there is anything you see in Australia that makes you think event mix pricing or monetization might look different coming out of the pandemic on the more global [ph] leases (17:46).

Then second question on Lanny – to you, Lanny, could you provide a little more color on which areas you were able to reduce costs beyond your original target? And how much of the overall savings are volume-related and will need to come back with the recovery?

Julia D. Hartz

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

A

Yeah, thanks so much for your questions. So I'll answer the first part and then hand it over to Lanny.

In Australia, as the restrictions have eased, we're seeing patterns that we would expect to see Stateside as well, which is smaller, frequent local events are coming back first. Mind you, they're in a better place in terms of virus containment versus the United States but they still have restrictions on traveling between states in the country. And so the types of events that we're seeing on the platform are the types of events that are our bread and butter. They are the core creators that are frequent hosting paid and free events more often and that's what we're seeing really spring back, so gives us a good indication of what we might see here.

Lanny, did you want to give some more color?

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

I think you've got it on what we're seeing in Australia and as thinking about the other questions that you had around – remind me, [ph] Davey, (19:08) your question was...

Q

Where you saw more opportunities to cut the cost beyond your...

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

Oh.

Q

...original target. And then if...

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

Yeah.

Q

...much of the overall savings are volume-related and will need to come back with the recovery.

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

Sure. I appreciate that. I apologize for forgetting. When we originally set out to reduce expenses, there were really two or three things that were going on, one was the change in our service model. And there were an array of services, kind of high-touch, human-powered services that Eventbrite provided the creators historically that were hard to differentiate, hard to build really strong margins in, and were not naturally scalable activities for us. And we put those alongside the sort of technical deliverables that we have, the product and the marketing and the ease of use and the self-service model. All of those attributes are very differentiated. Eventbrite's got a full service platform that really stands apart from other competitors. They're very, very leverageable and are very scalable.

And so we decided to remove from our service offering some of those higher touch services so – and they had a lot of extensions in them. So the bulk of the expenses were really associated with the permanent reduction and elimination of sort of menu items that we provided in the past that we don't – we're not going to provide in the future. So that was sort of number one.

Number two was thinking about things like our office space and our contracts with outside parties and our software licenses. And our – just kind of, you can imagine, top to bottom an opportunity to reassess, renegotiate, resize for the environment some of those fixed cost investments. And that's probably the place, [ph] Davey (21:04) where we saw a little bit more than we expected where we found some room to renegotiate things and sort of eliminate things a little bit more than we thought originally.

In terms of your second question about variable costs and volume-related, we did not – the expense reductions that we took, I would classify them as they were structural moves. These were not sort of momentary measures that were going to spring back and reinflate those expenses in a recovery. Really the \$100 million of expense reductions that we made is intended to really reorient and reprofile our business model. So I don't think very much of the expense reductions that we're seeing are variable.

Now, if you look at our cost of revenue, there is a portion of cost of revenue that is processing fees on transactions and that's obviously very variable. But of the \$100 million of savings that we're talking about, that does not include variable volume-related expense reduction. That includes only the structural measures that we've taken.

Q

Okay. Makes sense. Thank you both.

Charles C. Baker
Chief Financial Officer, Eventbrite, Inc.

A

Thank you.

Operator: [Operator Instructions] Next question comes from Ryan Sundby with William Blair.

Ryan Sundby
Analyst, William Blair & Co. LLC

Q

Yeah. Hi, guys. Thanks for taking my questions.

Charles C. Baker
Chief Financial Officer, Eventbrite, Inc.

A

Certainly.

Ryan Sundby
Analyst, William Blair & Co. LLC

Q

Yeah. Just, again, I thought the info on Australia was great to maybe go back to that. Can you just talk about what your visibility looks like before you see a market kind of pickup like that? And maybe you could even go back to pre-COVID days. I mean what kind of line of sight do you have for events that either are on sale today for later in the year or can you see them in the development pipeline? And then also, how do you think about events that were postponed last year or rescheduled for maybe next year? Do you kind of see that in your pipeline as well?

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

A

Yeah, sure. So I can talk about the visibility into what we see in the pipeline. Generally speaking from events published to event occurrence, it's roughly 45 days. So there's not a ton of lead time for these smaller and more hyper local frequent events.

What we do see is trends on the platform through the data that allow us to understand what consumers are searching for, what tickets they're buying, what types of tickets. So early on in the COVID crisis, we started to see

consumers searching for online events and we started to see creators searching for different integration partners like Zoom, which really gave us an early indication as to where we could pivot our efforts to help our marketplace thrive through this period of time. In essence, 1.4 million online events happened in 2020 because we were able to capture that data and act on it quite quickly.

In terms of the geography trends, I think that what we're seeing in Australia is very interesting. I think it certainly gives us an indication of what could happen in other markets. But I think each market is going to be unique. It's going to reopen at different times. We know that this year in 2021 is going to be full of volatility. We think generally speaking, as we make it through to past spring where life is not really changing much for a lot of us into summer, we're going to see in the back half of the year just a much stronger recovery.

We don't know what kind of shape that's going to take. Obviously, we're not here to predict the future precisely but we are here to be prepared for that comeback. And that's really what we've been doing is looking at what types of events are coming back, how frequently are they coming back. One of the trends that I think is interesting and I'll just throw in there is that events per creator has nearly doubled in this past year.

So the creators who are on the platform, we actually welcomed 330,000 new creators onto the platform during this time. They are hosting more events per creator and so that's just giving you an idea of how in a year where no events virtually were happening, 4.6 million events happened on our platform. And that's the same amount that happened in 2019.

So, I think that given the volume and the shift from offline to online, we're going to see some really interesting trends that we can capture based on the experience in the last 12 months.

Ryan Sundby

Analyst, William Blair & Co. LLC

[indiscernible] (26:06).

Q

Julia D. Hartz

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

And then on the rescheduled events, I think that certainly when you think about the festival season in the summer and the variability in that, we take a very conservative view on large scale festivals happening this summer. I think that those fanbases and those communities are going strong. They're finding ways to stay connected but I think you should expect that festivals are either going to move out towards the fall months or into 2022. I mean I think across the board, that's just – common sense will prevail on that and we'll see a slower summer festival season this year.

Lanny, is there any other color you want to add to that?

A

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

Yeah, I would. In looking at our – the events that were scheduled before COVID hit us, so go back to things that were on the calendar early 2020, some of them were for the summer of 2020 and we've talked about our advance payout balance.

Of those events, about half of them have been scheduled once and rescheduled, and about 90% of those events are currently scheduled to occur sometime before the end of the third quarter. So, the creators have plans. They

A

are working to ready themselves. We're hopeful just as they are that we're able to do that. But as Julia said, I think it's early to be convinced, particularly on some of the larger events that those are really going to be feasible. But we're here to watch that and support that and certainly, if conditions make it possible, we'll be right there with our creators.

Ryan Sundby

Analyst, William Blair & Co. LLC

Q

Yeah, great. Great color there. Julia, I want to follow-up on your comment around events doubling for creator. Is that – can you give us a little more color on what's going on there? Is that an outcome of some of the tools you've put into place for the higher frequency [ph] with online (28:20) creators? Is it more something unique around this mix towards online this year? I'm just kind of wondering how we should think about that kind of going forward from here.

Julia D. Hartz

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

A

Yeah, sure. Thanks for the follow-up, Ryan. So it absolutely is driven by our focus in not just in 2020 but in 2019, focused on frequent creators and the product. I mean if you look at how we work, we're a new company effectively given how we have redeployed capital after cutting costs towards product development and more doubling and tripling down on the frequent creator experience, about how they can onboard to how they manage more than one event at a time to how they can promote a portfolio of events and then analyze let's work and do it over again.

And you'll continue to see us focus on that as we continue on here throughout the year. We're also being able to drive demand to a global audience versus their local audience. Many creators, I mean the ones that we highlighted in our Shareholder Letter for sure have transformed their business from something that was a local business to now an online global business. And they plan to continue to do both post-pandemic.

Now, we're excited to see what happens. We'll be there to support them in being able to build a business like that on one platform. But I think the types of events that are being created by these core creators who are hosting far more frequently than prior to COVID is just another confirming fact that our strategy to focus on frequent creators is correct because these creators are resilient. And so we're looking at every way that we can through the product and through our service – our customer service experience to lower the barriers for creators to help them rebuild their businesses post-pandemic.

Ryan Sundby

Analyst, William Blair & Co. LLC

Q

Right. Again, great insight there. Maybe if I could speak just one more in here because – is there anything to talk about that much? The 44 million people that attend events through your website or through your proprietary channels, can you talk a little bit about them more in terms of – I know that the platform's being used kind of differently this year, right, more online. We're seeing it for different events like even vaccine distribution.

So, just wondering like are you attracting new people to the website side of the platform? Are they behaving any differently? Are you seeing them kind of come back? And, yeah, new events after they try it once? And then also, maybe just a little bit more on how ToneDen kind of fits in with that view as well.

Julia D. Hartz

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

A

Absolutely. So, the mechanisms for us in terms of how we attract and help build audience for our creators and then convert them into repeat customers for those creators is one that has several vectors.

So the first is pushing. We push content out to consumers who have bought a ticket on Eventbrite and we recommend new events to them based on their interest and the events that they have attended in the past.

We also pull them in by sharing curated content, what's going on in that. And these days mostly online, that really knocks to their interest and we help them discover new formats. We then create a retention strategy between consumers and creators by allowing consumers to follow their favorite creators or their favorite collections of events. So we've been working on that over some time and it continues to grow in strength.

And then finally, we have a broadcast and amplification strategy which is really our deep integrations with other platforms where we're distributing content out and making it super simple and easy for consumers to convert into attendees, things like Native Checkout to platforms like Facebook.

ToneDen is – really has turned out to be a timely move for us because this is a small team that we've been partnering with for over two years now as an integration partner, something our creators love, which is the ability to help – effectively help them fish further on customers through social marketing. And we see some really exciting green shoots in terms of where ToneDen can fit into our strategy as creators are rebuilding their businesses, but in different ways. When the tide recedes, the world's not going to look the same. There are going to be different challenges and different opportunities for event creators. And so what we're looking at is how can we help the frequent creator who's had success pivoting their event online continue to host online events, as well as bring people together in-person as the demand surges for those types of experiences and potentially even be able to charge a premium for those events.

Ryan Sundby

Analyst, William Blair & Co. LLC

Q

That's was great. Thanks for the time here. Thanks.

Julia D. Hartz

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

A

Thanks, Ryan.

Operator: Next question comes from Heath Terry with Goldman Sachs.

Heath P. Terry

Analyst, Goldman Sachs & Co. LLC

Q

Great, thanks. I was wondering just if you could get into looking, obviously, more [indiscernible] (34:01-34:07) in-person events. [indiscernible] (34:10) huge investments in your self-serve strategy. At what level or what do you need to see to want to start bringing back or investing more in sales, particularly on the bigger more frequent event creators that you've been talking about?

Julia D. Hartz

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

A

Thanks, Heath. [indiscernible] (34:36) that for us the sales strategy remains a strong one. So while our Self-Sign On channel is growing voraciously and we've seen this nice profitable channel get stronger through COVID, sales is still a very important part of our acquisition strategy, which is to go out and find these frequent creators who are

able to self-serve on the platform. We see that while we're not selling ancillary services, we still have a great value proposition to put forth to these customers who are interested in signing multi-year contracts with Eventbrite.

So I think that that's really where we're focused is making sure that our target customer falls within our long-term strategy is someone who can self-serve on the platform and take full advantage of the technology. I would say that it's too early for us to comment on how we might go into any upper echelon of our market. We certainly see the fact that our prime market that mid-market of frequent smaller events that self-serve on the platform, that's going to be huge opportunity for us as live events return and certainly is going to be the first sort of bellwether for the return of the live events industry.

Heath P. Terry

Analyst, Goldman Sachs & Co. LLC

Q

That's really helpful. I guess one kind of follow-up or somewhat related follow-up; to the extent that music has been a category that you've been always been very focused on and have been investing in and also usually one of the hardest hit during all of this, I'm wondering what kind of progress you've been able to make in terms of your music platform, your music offerings that we start seeing those smaller venues that have worked with you in the past or have wanted to work with you and you were able to get things like reserved seating and all available, how different will Eventbrite Music look as we reopen versus what it did when the world was closing down?

Julia D. Hartz

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

A

I mean, I think that it's been a very difficult year for music venues and our focus has been on helping those venues get the federal relief that they deserve as being the most – some of the most important small businesses in our country. And certainly, we were very happy to see the Save our Stages Act get passed in part by our support in lobbying Congress.

I think the focus really on the future is how can we be the best technology partner to these venues. Reopening is going to be a Herculean task. And we have been working on over the last year – and we haven't been sitting on the sidelines. We've been retooling and ripping and replacing parts of our platform that are critical for frequent creators such as a small music venue to be able to operate and to be able to do things in a much more self-service manner.

So we think that ultimately our strategy does [ph] cross (37:52), in the future with the right kind of customer in music, we'll always be focused on music. I mean, it's a genre and a category in our business that is imperative for live event. And how we've really approached this moment in time is we have honest conversations with our music customers. We've not only helped them, but we've also gone to them to talk about the future honestly and to put forth the options that they have as they think about reopening their businesses. I think that we all know that music venues have been the hardest hit and they'll be the last to open. So that journey continues and we continue to strengthen the platform so that when they're back, we have everything they need to be able to sell tickets and get people through their door as quickly as possible.

Heath P. Terry

Analyst, Goldman Sachs & Co. LLC

Q

Thanks, Julia. Really appreciate it.

Julia D. Hartz

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

A

Thanks, Steve.

Operator: Next question comes from Lamont Williams with Stifel.

Othello Lamont Williams

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Hi. Thanks for taking my question. You mentioned the 330,000 new creators. Do you have any insight into where these creators are coming to you from? Are they coming from other platforms? And how you're reaching these new creators?

And then secondly just to circle back to expenses; now that we see some light at the end of the tunnel perhaps in the second half, will there be a need to leaving some marketing a little bit more in the back half of the year, I think you're running about \$10 million a quarter now. Will that have – will there be an opportunity to [indiscernible] (39:31) maybe drive some more acquisitions? Thanks.

Julia D. Hartz

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

A

Sure. So on the new creator front, we saw 330,000 new creators, just over that actually use Eventbrite for the first time in 2020, and that's really a factor of market creation. Some are coming from other platforms that maybe have fallen down during this time or couldn't meet their needs in supporting online events, for instance. But most this is about people looking for a solution to be able to host their events. And it's been one of the – I think one of the best parts of the year is seeing how many new types of event formats there have been, whether it's online events and creating workshops and classes to be able to sustain someone's livelihood to in-person events whereas they needed a flexible solution to be able to create a timed entry approach to those events, so that people could stay socially distance and safe.

So I think that we are just at the very, very beginning stages of seeing new types of live experience formats that are going to come out of this time. And Eventbrite is poised to deliver the goods, so to speak, to any type of creator that wants to gather other people around live experiences. I think the resiliency of our platform and the ubiquity for live experiences is in part why we're seeing such great growth in new creators through a year where many of us couldn't gather at all.

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

Lamont, I can talk to you about the expense profile as we look into the second half. Specifically on the marketing front, we acquire the majority of our creators, the vast majority of our creators through the ubiquity and sort of organic presence of Eventbrite. And I think that when we look back at 2020 and having hosted 4 million events and 230 million tickets issued last year in a year that was a tough year across the industry, I would venture that our presence, our scale, our profile is as strong today for organic acquisition as it's been in quite some time.

So as we look forward, I don't think you're going to see – we're not anticipating a big shift in our sort of marketing game plan, which really will continue to leverage the organic presence, the ubiquity of Eventbrite. Now I think there are some things we are – I know there are things that we're looking at as the market begins to open that are maybe not classic marketing expenditures like you might be thinking about paid search or things like that, but content marketing, how to host a safe event, how to get your event up and running quickly, how should – Julia talked about this a little bit – how should you price that event, how – when should you promote that event – that kind of content we already know is all throughout the pandemic, [ph] we wrote (42:45) sort of the inverse of those

articles they were very, very heavily trafficked and there's great interest and they were lead generations for us. And I think that activity is in our plans for this year. But that doesn't require a phase shift in the marketing expenses.

As we look out later into the year, I would say that the – we talked a bit earlier about the variable expenses. We talked a bit about the structural realignment of expenses. I just talked about marketing and products, and we are a product-led company and we'll continue to invest in product. We won't have a huge inflection point in product development expenditures. But I think over time quarter over quarter, we plan to continue to invest in our products, that really is the locomotive that drives our model.

Othello Lamont Williams

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Okay. Thank you.

Operator: Last question comes from the line of Doug Anmuth with JPMorgan.

Q

Great. Thanks for taking my follow-up questions. Somewhat of a related question to your answer, Lanny, appreciate the color around the organic acquisition of creators, and when we're thinking of acquiring, let's say, or generating demands for your creators, do you think it will make sense for you to participate in a marketing program that targets event participants to pass that on to your creator, or is that something you guys will not be considering going forward? It sounds like you guys will be more focused on organic drivers on that side as well, but just curious to hear your thought.

And then, my second question, yeah, on the type of events during the recovery and then following COVID, [indiscernible] (44:27) you guys are talking about like either – or of in-person live events or online events, would an event like a hybrid of offline and online make sense going forward?

Charles C. Baker

Chief Financial Officer, Eventbrite, Inc.

A

Yeah. Let me tell you about the – your question on paid marketing to – on the attendee side. We have plans, as Julia talked about, and we are in the process of really building out our ability to assist creators with their audience attraction, audience engagement, audience reengagement and help them build the marketing of their events. And there's a whole stack today of – from the software to the media to what you described, which I kind of characterize as like arbitraging audience. We're not thinking about that, which you described right now. We have – we currently have a bunch of organic audience that we are driving as Julia described earlier two events which is very, very valuable and that's not something we're currently monetizing discreetly and we'll look at that as an opportunity on the road.

But the thing that's really in the forefront for us is around the tools and the insight that creators need to market their events. Most creators are – they're just trying to figure out how do I do this effectively, how do I do this efficiently. And in our partnership with ToneDen, we have learned a lot over the last couple of years about what kind of tools, what kind of ease of use, what kind of insights creators need. And so we're focused first on that really fundamental level of Eventbrite being the tooling enabler for creators to have command and control over the marketing activities that they do for their business. We're not going to start our presence here with trying to

acquire audience and then sell that in. That's – who knows if we'll ever get to that, but there are much more attractive opportunities that are much more aligned with our creators that we're very, very focused on.

And we have a – with the scale that we have in terms of the number of regions, number of formats, the number of event types, the venues, the sizes, we have so much insight to help creators find customers and find attendees. We're really going to focus on being their marketing partner, their marketing adviser, their marketing tool provider – is going to be our area of focus. And, Julia, do you want to talk about hybrid events and the mix between the two?

Julia D. Hartz

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

A

Yeah. Sure. Yeah. I think that one of the exciting parts of 2020 was watching and really observing our creators take advantage of the demand from all of us sitting at home experiencing social isolation and wanting to connect with one another through live events online, so much so that virtual events grew 20x on the platform in 2020 and more than one-third of the tickets on the platform were for these virtual events. So, I certainly think that from a trend perspective in the data that we have, the scale as well as the perspective straight from our creators, they have found a new addressable market for their content. And they're not going to just shut that off when live in-person events return. However, they very much expect to be doing both. So, where we sit in that and where we would sit in any sort of hybrid nature where you have the same event addressing the larger online audience and a smaller in-person audience is in – we think our position is in three areas. One is really helping our creators understand how to price these different experiences. We have a vast amount of data and insight, and we'll use our – mostly our proprietary content channel to share knowledge around pricing.

Two is to make it easy and as efficient as possible for that one creator, that small business entrepreneurial, passion-driven creator to manage an online event, a hybrid event or an in-person event on one platform.

And three, we're going to help them build audience for all types of events. We know that where we can really provide value is in helping them not only build an audience, but convert that audience into attendees and then retain them as they continue to build out their businesses. So that's the three parts that I think you'll see us really focus on through the product. And the vast is really up to our creators, I mean, they're going to be the ones inventing new ways to gather, and they'll be looking for signals in the market from consumers, and then, I'm excited for us to be the fast following and creating a product that really supports the future for them.

Q

Okay, got it. Make sense. Thank you.

Operator: And we have no further questions at this time. And ladies and gentlemen, this does conclude today's conference call. You may now disconnect.

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