



February 19, 2020  
**Fiverr International, Ltd. (NYSE: FVRR)**  
Prepared Remarks  
Q4 2019 Earnings Call

## Management Discussion

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### **Jinjin Qian**

*Vice President, Strategic Finance - Fiverr International, Ltd.*

Thank you, operator, and good morning ladies and gentlemen. Thank you for joining us on Fiverr's earnings conference call for the fourth quarter ended December 31, 2019. Please note that this call is being webcast on the investor relations section of the company's website. Full details of our results and additional management commentary are available in our shareholder letter which can be found on the investor relations section of our website at [investors.fiverr.com](http://investors.fiverr.com).

Joining me on the call today are Micha Kaufman, Founder and CEO, and Ofer Katz, CFO. Before we start, I would like to remind you that certain matters discussed today are forward-looking statements that are subject to risks and uncertainties relating to future events and/or the future financial performance of Fiverr. Actual results could differ materially from those anticipated in these forward-looking statements.

Additional information that could cause actual results to differ from forward-looking statements can be found in Fiverr's periodic public filings with the U.S. Securities and Exchange Commission, including those factors discussed under the "Risk Factors" section in Fiverr's final prospectus under Rule 424(b) filed with the SEC. The forward-looking statements in this conference call are based on the current expectations as of today, and Fiverr assumes no obligation to update or revise them, whether as a result of new developments or otherwise.

And now, I will turn the call over to Micha.

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### **Micha Kaufman**

*Chief Executive Officer & Director – Fiverr International, Ltd.*

Thank you, Jinjin. Good morning everyone and thanks for taking the time to join us on the call today.

2019 was a fantastic year for Fiverr. We delivered three consecutive quarters of consistent and strong financial results as a new public company. This exceeded the aggressive goals that we set at the time of IPO. For the full year, revenue grew 42% year over year and our EBITDA margin improved by nearly 1,100 basis points. This is even more impressive when we consider the pace of our product launches throughout the year and the scaling of operations as a public company. Fiverr is a company that delivers on its promises and we have a solid business model with high levels of consistent buyer behavior.

The freelance economy is growing rapidly around the world. Fiverr is enabling and harnessing this momentum. Our business model is seen as a simple and beautiful two-sided marketplace. We are a technology company at core, and we had an amazing year of product innovation in 2019. From Fiverr Learn which directly connects learning with work opportunities, to Fiverr Studios that enables virtual collaboration among our skilled freelancers, to the recent Fiverr Logo Maker that puts the power of AI into the hands of our design community. We made some bold, strategic bets that reimagine how work can be done on our platform. User response to these initiatives has been strong, and you should anticipate continued innovation from Fiverr in the years ahead.

Our continued investments in quality, matching, and improving the buyer and seller experience has also paid off. This accelerated momentum in the second half of the year. We also executed well against both our category and international expansion strategies. During the year, we launched over 100 new categories and 7 new industry stores. This served as a strong engine for pushing top-of-funnel growth and it provides our existing customers with many reasons to explore our new options and return to buy more.

During 2019 we expanded our team's footprint in the U.K. and Germany. Our marketplace has always been global, however, having a team on the ground that executes localized product and marketing strategies, combined with our enhanced ability to transact in multiple currencies puts us into a completely different level - and we are already enjoying these benefits.

As we kick off 2020, we will continue to execute on our growth strategies - growing our buyer base, going upmarket, expanding categories, innovating our products, and international expansion. We are currently focused on several areas that we are very excited about and I would now like to highlight a few of them.

First is international expansion. Until now, our website was only in English. But that is changing. A few days ago, we launched our first two localized sites, [de.fiverr.com](https://de.fiverr.com), for German language speakers, and [es.fiverr.com](https://es.fiverr.com), for Spanish language speakers. This is just the beginning. What we plan to do next is to convert all user generated content, including gig listings, as well as the seller experience. We are also going to start optimizing localized marketing to become more efficient and effective in driving local adoption. Localization is a long-term investment for us, and we are super excited about the potential market opportunity beyond the U.S. user base. I'm happy that we were able to roll out these two new languages ahead of what we promised.

Next is going upmarket. Today Fiverr has over 2.4 million active buyers. The majority of whom are entrepreneurs and very small companies - with 15 employees or less. There are over 30 million SMBs in the U.S. alone, so we are barely scratching the surface. As with many disruptive technologies, we see a natural path of adoption from the bottom up. Small businesses are typically more cost conscious and are naturally early adopters who take advantage of new technologies first. As we go upmarket, we want to expand our addressable market and extend our reach to the next tier of users, which we define as organizations of up to 200 employees.

We have invested in tackling these new buyer segments with products such as Fiverr Studios which help accommodate larger projects; Team Accounts that allow larger teams to collaborate on Fiverr; Fiverr's VID program which provides dedicated support for our high-value buyers; Industry Store that grows awareness among business users, and targeted performance marketing campaigns to acquire these business users. All of these product and marketing investments are geared toward growing market share among larger businesses without the need of a sales force, and you should expect to see more of this theme throughout 2020.

The next initiative I would like to highlight is Fiverr's technology infrastructure. Fiverr's mission is to change how the world works together, and our marketplace is evolving from a simple transaction platform to an ecosystem of products that bring businesses and freelancers together. You've already seen us releasing products like Learn, and.co, and ClearVoice to our marketplace to help our buyers and sellers become more successful. In 2020, we will invest in strengthening our core infrastructure so we can unlock our data assets, innovate even faster, and create more synergy among our products. You will see continued investment in proprietary quality, search, and catalog technology. You will also see us investing in personalization and recommendation engines.

And finally, we have made strong internal progress on promoted listings. This will be the first time we give our sellers a tool to proactively promote themselves on our platform - it is something our sellers have requested for a long time and we believe they will be excited about the product as well. We are taking sufficient time to make sure we get this right from a user experience perspective and I'm happy to announce that we will be rolling out the beta for promoted listings in April. The rollout of the beta of this product will be an important step in the evolution of the Fiverr marketplace.

To sum up, these investments will allow for continued growth, enable more rapid international expansion and the development of new technologies in automation, advertising and collaboration.

I'm very excited about 2020. We expect another strong year of growth and progress towards profitability. I look forward to our next call and to sharing our progress with you. We look forward to seeing many of our investors on the road and at the JMP Securities conference in San Francisco next week.

With that, I'm going to turn it over to Ofer who will share with you a few highlights and our financial outlook for 2020. Ofer?

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**Ofer Katz**

*Chief Financial Officer – Fiverr International, Ltd.*

Thank you Micha, and good morning everyone.

We are very happy with the financial results we delivered in 2019 and the growth we are experiencing across all the underlying metrics.

As Micha mentioned, full year 2019 revenue grew 42% year over year to \$107.1 million. This was driven by 17% growth in active buyers, 17% growth in spend per buyer, and a 100 basis point improvement in take rate.

The growth in active buyers and spend per buyer is consistent with the balanced approach that we have spoken about before. More importantly, we saw accelerating trends in those two metrics in the back half of the year. The investment we made in quality, matching and personalization are paying off. We also continue to see strong organic and paid trends at the top of the funnel. Going forward, we expect we will continue to grow active buyers and spend per buyer in a balanced fashion.

Our take rate for Q4 was 26.7%, up 100 basis points year over year. To break it down a little more, the 26.7% take rate primarily consists of approximately 25% we charge on the marketplace transactions. The remaining contribution comes from Fiverr Learn, and.co, ClearVoice, and incremental revenue from currency fees on the marketplace, which we expect can continue to make modest contributions to the overall take rate throughout 2020.

Moving to expenses. In 2019, we made significant progress on our path to profitability. Our gross margin continues to be strong and consistent at 80% level. Adjusted EBITDA for the year was negative (\$18) million, an improvement from the loss of (\$21) million in 2018. Adjusted EBITDA margin gained 1,100 basis points from the prior year, primarily driven by a 330 basis point improvement in R&D and 780 basis point improvement in sales and marketing. On a full year basis, we saw a modest increase in G&A as a percentage of revenue due to IPO and public-company related costs, but these costs have stabilized and showed improving leverage in Q4, a trend we expect to continue into 2020. Overall, we expect continued leverage gain across all operating expenses in 2020, narrowing EBITDA loss on both dollar and margin basis.

We are providing strong guidance for the year. We expect 2020 revenue in the range of \$139 - \$141 million, representing year over year growth of 30% - 32%. We expect adjusted EBITDA to continue to improve to (\$15) - (\$13) million, representing (11%) - (9%) of adjusted EBITDA margin. This is an improvement of 680 basis points over 2019 at midpoint and we intend to continue making progress toward profitability.

We expect 2020 quarterly revenue will be distributed with a similar cadence to 2019 revenue. In Q1 of 2020, we expect revenue of \$32 - \$33 million, representing 35% to 39% year over year growth. Q1 adjusted EBITDA guidance is (\$5.5) - (\$4.5) million. We expect adjusted EBITDA margin to increase throughout the year, consistent with prior year patterns.

As part of our 2020 revenue guidance, we are taking the following key factors into consideration:

First, consistent revenue contribution from our existing cohorts;

Second, organic revenue growth from new buyers through a growing network effect;

Third, incremental revenue from new buyers from paid marketing channels. This is based on a planned marketing budget and payback efficiency consistent with historical levels;

Lastly, continued take rate expansion from products such as Fiverr Learn, and.co and ClearVoice. We've been able to build a diversified business, and as part of that, we added new components to our platform with several product offerings. Some of them were introduced at the end of 2018 or beginning of 2019, which will be lapping a full year by the end of Q1 2020. We expect their impact on our overall revenue growth will be normalized starting from Q2 2020.

The potential revenue impact from new products such as Promoted Listings, the additional gain from our continued investments in marketing efficiency, incremental revenue from global expansion efforts, and potential conversion improvements from

new products in our pipeline are not included in our guidance, as the timing and magnitude of these contributions are uncertain.

We ended 2019 with excellent results, and the strong business momentum gives us confidence in driving continued growth in 2020 and beyond.

With that, I will now turn the call over to the operator to open it up for questions.

Operator?