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Fiverr International, Ltd. (NYSE: FVRR)

Prepared Remarks

Q1 2021 Earnings Call

Management Discussion

Maya Tracey

Investor Relations Manager - Fiverr International, Ltd.

Thank you, operator, and good morning everyone. Thank you for joining us on Fiverr's earnings conference call for the first quarter ended March 31, 2021. Joining me on the call today are Micha Kaufman, Founder and CEO, and Ofer Katz, President and CFO. Before we start, I would like to remind you that during this call we may make forward-looking statements and that these statements are based on our current expectations and assumptions as of today and Fiverr assumes no obligation to update or revise them.

A discussion of some of the important risk factors that could cause actual results to differ materially from any forward-looking statements can be found under the "Risk Factors" section in Fiverr's most recent Form 20-F and other filings with the SEC.

During this call, we'll be referring to some non-GAAP financial measures. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures are provided in the earnings release we issued today and our shareholder letter, each of which is available on our website at investors.fiverr.com.

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

Micha Kaufman

Chief Executive Officer & Director – Fiverr International, Ltd.

Good morning everyone and thanks for joining us on the call today.

Today, we reported an outstanding set of results. After a landmark year of incredible growth and resilience, we kicked off the year with revenue growth accelerating to 100% year over year - doubling our revenue to \$68.3 million! Underlying the growth is strength across our business metrics - Active buyers grew 56% year over year to over 3.8 million; spend per buyer increased 22% year over year; we see consistent and increasing spend across our existing cohorts, and continued growth in revenue from high-value buyers.

The world is in the midst of a massive digital transformation. Companies across the globe are adopting remote working models and shifting to hybrid teams by integrating more freelancers into their businesses. This past year has been a whirlwind for small businesses, forcing many of them to quickly adapt and find new ways to serve their customers. For many, this meant the need to digitally transform and they turned to Fiverr to rebuild, pivot and launch their businesses. For some, this meant adapting from brick and mortar to having a digital storefront, as we saw massive spikes in searches around e-commerce, website design and sales management tools. Others turned to Fiverr for tools to help enhance and rebuild their businesses, like building your own inhouse food delivery app.

As the crisis reinforces and accelerates the trends towards adopting remote work and moving businesses online, we believe our marketplace is well-positioned to address current needs and serve as a key resource when the economy re-accelerates. It's critical to remember that the majority of the market is still operating offline, presenting a massive and still largely untapped opportunity to bring that business online.

Businesses around the world, and across all industries continue to invest and spend more of their budget on transformation. When they make the leap, there is no turning back. They will continue to spend and invest in their digital channels and our business

model gives us visibility and confidence that this cohort behavior will continue far beyond the pandemic.

Our marketplace model benefited from the compounding transaction volume by the effects of the pandemic, driving outsized cohorts to our platform last year and increased spend across existing cohorts. As we mentioned earlier this year, on average, existing cohorts from 2018 and older, grew spend 15% in 2020 compared to 2019. We believe that there is a long growth runway ahead of us and we are confident that with continued excellent execution, innovation and investment in the creation of valuable tools for our community, we will continue to grow.

We believe that our proven ability to successfully create revenue generating products that expand our total addressable market, backed by powerful macro industry tailwinds, is highly encouraging for our future. These factors lead to a strong new baseline for our guidance. To ensure this growth continues as the tailwind effect fades, we are continuing to focus and aggressively invest in our key initiatives and growth engines.

After a year of significant growth and powerful Q1, I'm even more excited for what's in store for the rest of the year and beyond. We have continued to make exciting progress towards our key strategic initiatives: moving upmarket, expanding internationally, and developing and enhancing new capabilities for our products and tools while heavily investing in our brand and marketing. On the demand front, we're deepening customer loyalty and engagement with our Subscriptions and Milestone products, increasing the lifetime value of our existing and new cohorts. Fiverr Business also continues to grow rapidly and we have implemented strategies to further build brand awareness and have an amazing pipeline of new products planned for the Fiverr Business community. On the supply front, we are excited to have a new vertical centered around Data services. This is our latest example of building on our successful playbook with vertical launches. By opening a vertical focused solely on data services, we create a path for elevated category expansion in the data analysis space and further capture and capitalize on the high demand for these services.

International expansion is a key component of our upmarket strategy. We continue to aggressively invest on a global scale, with a focus on deepening our penetration in

existing markets and our local marketing efforts. We are encouraged by our localization efforts so far and are investing prudently in building out infrastructure to support further expansion into new geographies. And finally, Promoted Gigs continues to enjoy healthy seller growth, contributing to our take rate expansion we saw this quarter.

Fiverr is becoming a household name. Investments in brand awareness are generating a continuous long term drive for organic traffic and growth in spend. Our Super Bowl ad was viewed by millions of potential buyers and sellers through our TV campaigns, digital and social channels, significantly boosting our brand, and we look forward to expanding on our momentum.

The last year has shown us that Fiverr's business is stronger and more resilient than ever. I have never been more proud of our talented and dedicated team. We have shown that in times of great uncertainty, our ability to execute on our strategy and mission has only grown more robust. We are operating at higher efficiency, driving scale on our platform, and investing in our product ecosystem to further fuel our business.

We took Fiverr public less than two years ago. This year, we are going to be about three times larger while growing approximately 50% faster.

All of this is reflected in the significant upward revision to our 2021 revenue growth rate guidance of 59-63% compared to our previous guidance of 46%-50%. We are confident and highly bullish on our ability to deliver and execute on our goals. We are just getting started.

With that, I will turn the call over to Ofer who will share a few Q1 highlights as well as some color for the rest of this year. Ofer?

Ofer Katz

President and Chief Financial Officer – Fiverr International, Ltd.

Thank you, Micha, and good morning everyone.

As Micha mentioned in his remarks, we are very excited to deliver another set of amazing results. In Q1, we achieved one of the strongest revenue growth rates in our

history with an outstanding 100% year over year increase to \$68.3 million - doubling our revenue from the same period last year. This was driven by a spike in active buyers, expanding 56% year over year to over 3.8 million. Additionally, we saw accelerating growth throughout the quarter with outsized strength in the back half of the quarter driven by a jump in traffic and registrations in the U.S. shortly after our Super Bowl ad.

Spend per buyer was \$216 up 22% y/y and up by \$11 compared to Q4'20. This was driven by the compounding transaction volume of the outsized new cohorts we acquired last year combined with increasing spend across existing cohorts. As businesses accelerate their pace in digital transformation investments and start to integrate more freelancers into their workflows, we expect their spend to remain at this elevated level going forward. To continue capitalizing on these trends, we are investing aggressively to expand the lifetime value of our new cohorts by providing products such as Milestones and Subscriptions. Fiverr Business remains a key contributor as we target buyers with larger budgets and larger businesses, while rolling out new enhancements and capabilities on our tools. In addition, we will continue to make significant investments in our brand - building on our growth and momentum from our most recent brand investments.

Our platform continued to enjoy a market leading take rate and a 10 basis point expansion to 27.2% compared to Q1 of last year. This trend of modestly increasing the take rate is expected to continue in the coming quarters as we continue to grow value-added service offerings in our robust pipeline, and recognize the 0.5% transaction fee increase introduced at the end of the quarter.

We reported Adjusted EBITDA of \$(0.7) million or (1.0)% margin - significantly above the high-end of our Q1 guidance of \$(4) to \$(3) million. The adjusted EBITDA of \$(0.7) million includes the long-term investment of approximately \$8 million in the Super Bowl Ad. We will continue to prioritize growth, and at the same time, we expect to make continued progress towards our long-term target model.

And now for our guidance. For the second quarter 2021, revenue is expected to be \$73 to \$75 million. This represents year over year growth of 55 to 59%. Adjusted EBITDA is

expected to be \$5 to \$7 million. We are also upgrading our full year 2021 guidance. We now expect revenue to be in the range of \$302 to \$308 million, representing year over year growth of 59 to 63%. Adjusted EBITDA is expected to be in the range of \$19.5 to \$24.5 million, representing an adjusted EBITDA margin of 7% at the midpoint of the range. The compounding strength of our existing cohorts and confidence that they will sustain at an elevated level of spending, along with the addition of new cohorts, sets a strong new baseline for our guidance.

As we begin to lap the COVID tailwinds starting from Q2 2021, we expect our growth to become more normalized, but stronger than when we entered the pandemic period.

As Micha said, we are at the intersection of a new generation of workforce participants and the increasingly sophisticated needs of businesses to have a digital strategy. We see this digital services shift via the freelance market as a global, secular trend that will continue to grow. Fiverr has been and will continue to power these shifts with our unique platform. We have a robust pipeline planned for the rest of the year, and I'm excited to share these updates with you all throughout the rest of the year and beyond.

With that, we'll now turn the call over to the operator for questions.