

**fiverr.**

# Q4 | 2023

Shareholder Letter

FIVERR.COM



**Jose Marquez**, Seller  
3D Animator  
Montalbán De Córdoba, Spain



ON THE COVER:

**Jose Marquez**, Seller

3D Animator

Montalbán De Córdoba, Spain

Jose Marquez specializes in professional 3D visualization, offering both animation and image rendering services on Fiverr to help companies showcase their physical products.

With a passion for the 3D industry and a desire to start his own freelance business, Jose discovered Fiverr in 2020 as the perfect launching pad. Having considered other platforms, Jose ultimately chose Fiverr because of the ease in which he could source and work with customers along with the wide array of technical services he found that could help grow his business.

He initially started on Fiverr by providing 3D technical drawings and renderings for e-commerce customers. Jose quickly found success and expanded his work to more creative projects, developing 3D animation for product advertisements and instructional videos for larger companies. Through Fiverr, Jose has collaborated on projects for renowned brands such as LG Electronics, where he helped to update internal 3D product videos, and Colgate Asia, where he was contracted to create 3D commercials for one of their teeth whitening kits.

As a Top Rated Seller, Jose has leveraged Fiverr Pro and Seller Plus programs to expand his business and has completed over 200 projects on Fiverr and earned over \$100,000. His 3D animation projects on Fiverr are now generally priced between \$2,000 to \$5,000. Fiverr has enabled Jose to pursue his entrepreneurial dreams and quickly grow his business through access to a global client base.

*“The Fiverr platform has helped me to really find my calling in life through the ability to work with clients from all over the world and grow as a professional and as a person.”*

*“Thanks to the Fiverr Pro and Fiverr Business programs, my business and the quality of my clients has improved to levels I could never have imagined before.”*

## Fourth Quarter 2023 and Recent Highlights

- **Delivered strong execution for 2023.** We successfully executed our strategic priorities and surpassed both revenue and Adjusted EBITDA targets that we set at the beginning of the year.
- **AI drove a +4% uplift in GMV.** Our investments in AI and highly skilled categories led to a 4% net positive impact on GMV in 2023. Complex services contributed to 32% of total GMV in 2023, with y/y growth of 29%, accelerating from 12% in 2022.
- **Strong expansion in take rate.** Take rate grew 160 bps in 2023 to 31.8%, driven by both Promoted Gigs, which grew 80% y/y in revenue, and Seller Plus, which grew 2.5x in revenue.
- **Supercharged our platform with AI innovation.** In our recent Winter Product Release, announced on January 30, we delivered major upgrades across our platform with the latest AI technology. This includes a brand new homepage with Fiverr Neo™ and AI-powered personalization, AI-assisted briefing capability, and a new AI-driven seller leveling system.
- **Expect GMV to accelerate in 2024.** Key priorities in 2024 include expanding our market share in complex service categories, driving adoption of Fiverr Business Solutions, and continued innovation around AI. We expect to take a balanced approach to drive profitable growth in 2024, with accelerating GMV, sustainable take rate, and continued expansion in Adjusted EBITDA.

## Fourth Quarter 2023 Key Results

|                                |   |                                       |                       |   |
|--------------------------------|---|---------------------------------------|-----------------------|---|
| REVENUE                        | <b>\$91.5 million</b><br>10.1% y/y growth | GROSS MARGIN                          | <b>83.1%</b><br>GAAP  | <b>84.6%</b><br>NON-GAAP <sup>(1)</sup> |
| ACTIVE BUYERS <sup>(1)</sup>   | <b>4.1 million</b><br>(5%) y/y growth     | GAAP NET INCOME                       | <b>\$4.7 million</b>  |   |
| SPEND PER BUYER <sup>(1)</sup> | <b>\$278</b><br>6% y/y growth             | ADJUSTED EBITDA <sup>(1)</sup>        | <b>\$16.1 million</b> |   |
| TAKE RATE <sup>(1)</sup>       | <b>31.8%</b><br>160 bps y/y improvement   | ADJUSTED EBITDA MARGIN <sup>(1)</sup> | <b>17.6%</b>          |   |

## Financial Outlook

|                                | Q1 2024   | FY 2024   |
|--------------------------------|---|---|
| REVENUE                        | <b>\$91.5 - \$93.5 million</b><br>4-6% y/y growth | <b>\$379.0 - \$387.0 million</b><br>5-7% y/y growth |
| ADJUSTED EBITDA <sup>(1)</sup> | <b>\$12.5 - \$14.5 million</b>                    | <b>\$65.0 - \$73.0 million</b>                      |

(1) See "Key Performance Metrics and non-GAAP Financial Measures" for additional information regarding key performance metrics and non-GAAP metrics used in this shareholder letter

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# To Our Shareholders,

We delivered strong execution and solid results in 2023. **By successfully executing on our key strategic initiatives, while diligently managing expenses, we achieved 7.1% revenue growth and 16.4% Adjusted EBITDA margin, both above the targets we set at the beginning of 2023.**

The efforts, dedication and talent of the entire Fiverr team cannot be overstated in achieving this, given the backdrop of persistent inflation, weak hiring environment and global geopolitical uncertainties. I'm extraordinarily proud that not only did we prevail under these circumstances, we also continued to innovate our products, expand our market share and drive profitable growth.

Unpacking the underlying drivers for growth, the fundamentals of the business remain strong. **Fiverr continues to operate one of the best-in-class models and expands our market share in the digital services space.** Overall GMV on the platform grew 1% year over year, at a time when U.S. job openings are down over 19% y/y<sup>1</sup> and professional staffing is down 6% y/y<sup>2</sup>. We continue to focus on upmarket initiatives in both acquisition and product initiatives, resulting in 4% y/y growth in buyers with over \$500 annual spend and 6% y/y growth in overall spend per buyer. We also expanded our take rate by 160 bps, as we continued to expand *Promoted Gigs* and *Seller Plus* programs. It is often under-appreciated the tremendous value our e-commerce model provides to freelancers in reducing their unbillable hours

and increasing their net earning power. It is a significant barrier for other players to provide similar values and hence command such take rates.

**We also made large strides in improving our profitability in 2023. Adjusted EBITDA margin reached 16.4%, more than doubled from 2022. We reached positive full year GAAP net income for the first time in the history of our company.** The operational efficiency and cost reduction initiatives we have implemented in the past 1.5 years and our disciplined approach in controlling what we could have put us firmly on the path towards reaching our long-term target model. We have demonstrated the earnings potential embedded in our business with over 80% gross margin and operational leverage. **In the next several years, we expect to continue to make steady, measurable annual progress in driving bottom-line expansion while investing in top-line growth.**

2023 was also an exciting year as GenAI pushed artificial intelligence into new fronts. At Fiverr, the strategy and opportunity of AI can be summarized in three areas: 1) the category expansion and demand growth as a result of technology advancement and skill gaps; 2) the application of AI to reduce frictions in e-commerce model that were previously impossible, in order to create a more interactive and engaging shopping experience; 3) the distribution and enablement of AI tools for our buyer and seller community to substantially unleash

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(1) According to [U.S. Census Bureau](#), U.S. Job Opening for December 2023 was 9,206, down 19.7% y/y from December 2022.

(2) According to [SIA | Bullhorn Professional Staffing Index](#), professional staffing weekly hours averaged 130 for 2023, down 6% y/y.

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productivity and creativity. We executed on these strategies by introducing dozens of AI related services, growing market share in highly-skilled categories, launching contextual search tool Fiverr Neo™ and integrating AI technology across our platform. **As we look back at 2023, we estimate that AI created a net positive impact of 4% to our business, as we saw a category mix shift from simple services to more complex services.** Complex service categories on Fiverr grew 29% y/y in GMV in 2023, compared to 12% in 2022. They contributed to 32% of our marketplace GMV, with average transaction size more than 30% higher than simple services. This is just the beginning. We believe AI will be a multi-year growth driver for us as we continue to innovate and unleash its full potential.

Entering 2024, we expect to continue executing the strategy we set in 2023 and further expand our leadership as the destination for digital services. Key priorities in 2024 are: 1) Aggressively grow our market share into complex service categories; 2) Further expand offerings and expand

adoption for Fiverr Business Solutions; 3) Develop proprietary AI applications unique to our marketplace to enhance overall customer experience. **Financially, we expect to continue driving profitable growth in 2024 with a balanced approach.** We expect to accelerate our GMV by 1%-2% compared to 2023, with accelerating growth in spend per buyer and similar active buyer trends as in 2023. Take rate is expected to be stable with modest upside. We expect to expand our Adjusted EBITDA margin with a steady pace. Our strong results in 2023 and the roadmap we set for 2024 give me tremendous confidence in our ability to achieve, and potentially even exceed, the goals we set for this guidance. The potential for Fiverr for 2024 and beyond is enormous and I'm excited about what's to come.



Micha Kaufman,  
Founder and CEO

# Winter Product Release

We recently announced our Winter Product Release, the first of two major releases in 2024.

The release integrates AI technologies across our platform and is feature-packed with updates that address the feedback from our community as well as execute our key strategy in strengthening our core marketplace through AI transformation, going upmarket, and furthering our position as the trusted partner for digital services.

## New Features for Fiverr Pro



AI-Assisted Freelancer Briefings



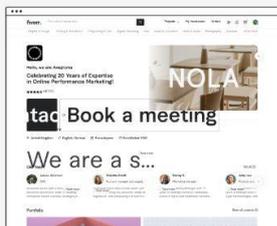
Freelance Network



Improved Fiverr Pro Profiles



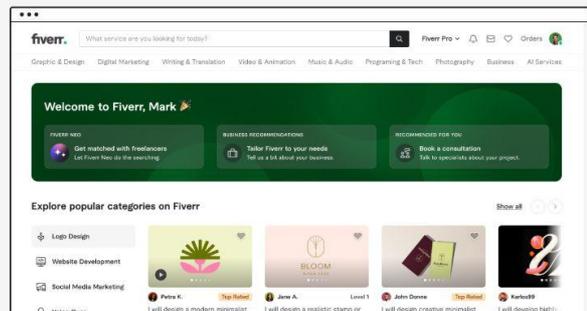
Fiverr Pro Community



## Fiverr Agencies

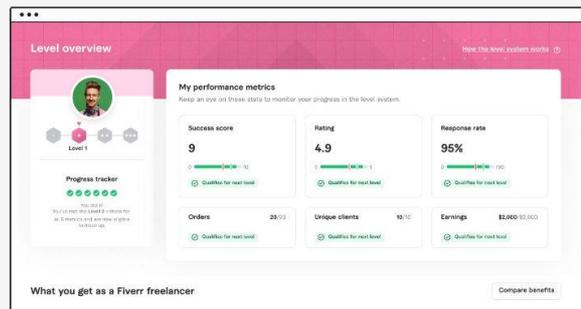
Fiverr Agencies allows businesses to effortlessly access top-tier agency teams with proven capabilities to support their complex project needs.

## Re-imagined Homepage

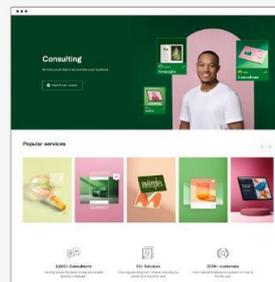


Fiverr's redesigned homepage uses machine learning to personalize content for each buyer. In addition, our AI search tool Fiverr Neo™ aims to provide a more personalized and optimized search experience.

## AI-powered Ratings, Reviews & Leveling System



The new ratings, reviews and leveling system utilizes AI to incorporate deeper layers of transaction data in understanding quality. It also provides buyers and sellers deeper insights and improved feedback for better transparency and engagement.



## Introducing Consulting Category

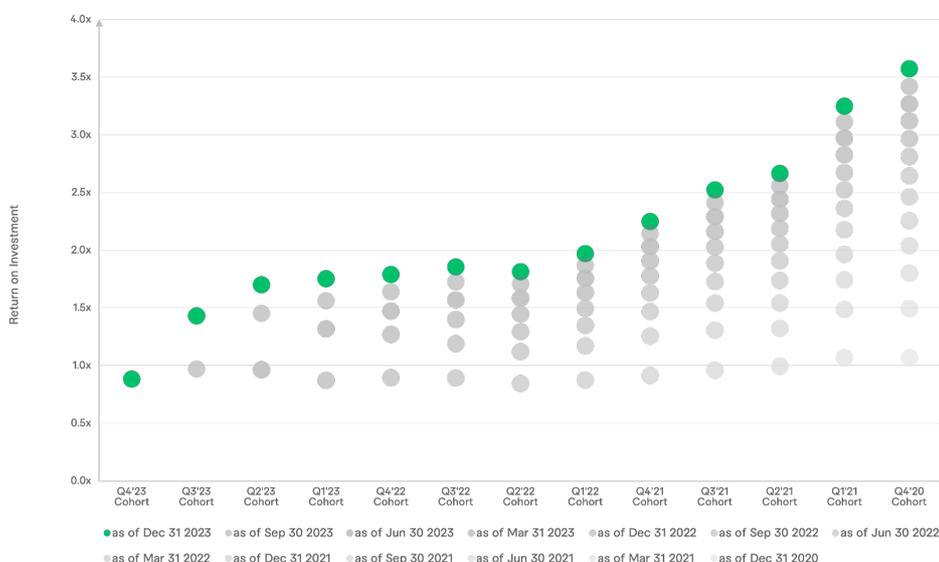
Businesses can now quickly access industry consultants in the areas of legal, finance, business, AI, and more on Fiverr to get the on-demand guidance and feedback they need to help drive their next project.

# Business & Product Updates

## Marketing Efficiency and Cohort Performance

In the twelve months ended December 31, 2023, active buyers were 4.1 million as we continued to focus our acquisition and retention efforts toward higher quality, higher lifetime buyers. We continued to exercise discipline in deploying marketing dollars. In 2023, non-GAAP sales and marketing expense as a percentage of revenue was 40.5%, compared to 45.8% in 2022.

### CUMULATIVE REVENUE TO PERFORMANCE MARKETING INVESTMENT RATIOS

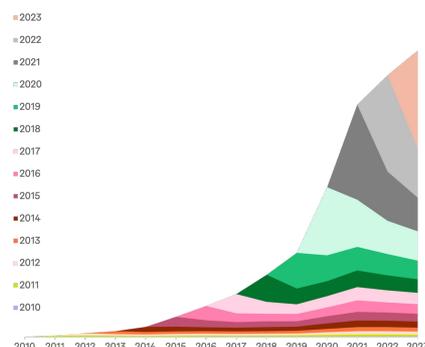


### INCREASING ROI FOR PERFORMANCE MARKETING INVESTMENT AS COHORTS SEASON OVER TIME

As of December 31, 2023, revenue from the Q4'20 cohort reached 3.6x of the initial performance marketing investment in Q4'20, representing an attractive 3-year LTV/CAC.

The efficiency gain was driven by a combination of our consistent ROI-driven investment approach as well as moderated performance marketing spend due to the macro environment. Our time to return on investments, or tROI, which represents the payback period of our performance marketing spend, was strong throughout 2023. These results show our commitment to build a sustainable business model driven by customer loyalty and marketing effectiveness.

At the cohort level, we saw moderated spend across all cohorts starting in the second half of 2022 continued into 2023, in a relatively stable fashion. The percentage of core marketplace revenue coming from repeat buyers was 66% in 2023, up from 63% in 2022. We were able to drive more of our business from repeat buyers given the stable cohort behavior from our existing buyer base. We continued to see that older cohorts, those who joined before 2018, maintained a spend level that is slightly higher than pre-COVID. Newer cohorts, with the stabilization period coupled with spending pullback in 2022, were trailing moderately in spend compared to historical levels.



### REVENUE COMPOSITION BY ANNUAL COHORT 2010-2023

As of December 31, 2023, 66% of our marketplace revenue comes from repeat buyers as we see stable behavior from our existing buyer base.

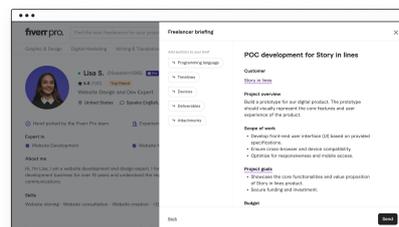
## Going Upmarket

In the twelve months ended December 31, 2023, spend per buyer on our platform increased 6% y/y to \$278, as we continue to expand customer wallet share and attract larger customers. We saw the pace of our spend per buyer growth picked up in the second half of the year as macro largely remained stable and our upmarket investments across marketplace and Fiverr Business Solutions show impact. In terms of acquisition, we are shifting more budget towards acquiring higher lifetime value customers. Coupled with our continued expansion into more complex projects from both the catalog and product fronts, we are seeing a meaningful uplift in the type of buyers that come to our marketplace. To quantify the impact, the average spend per buyer for the 2023 cohort is 13% higher than the average spend per buyer for the 2022 cohort in its first year. We also saw buyers with annual spend of \$500 or more grew 4% y/y, significantly higher than the overall active buyer growth.

We continue to invest in Fiverr Business Solutions as it provides businesses a multitude of ways to engage with freelancers. As part of the Winter Product Release, Fiverr Pro launched a number of exciting new features. For example, the **AI-assisted briefing** allows buyers to effortlessly create a well-organized project requirement document that can serve as the starting point to engage with freelancers and collaborate with team members.

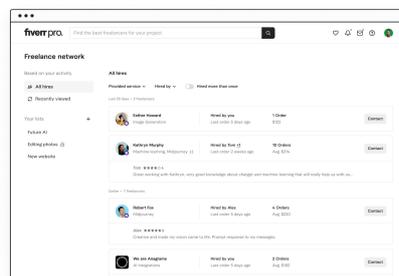
Another example is the **Freelancer Network** - As a big step-up from saving favorite freelancers, team members within the same Pro account can now access the entire list of freelancers that have worked with the organization, view the ratings and reviews from their team members, and even share private notes of a particular project or freelancer with each other. We continue to grow our partner solution, Fiverr Certified. We welcomed new partnerships this quarter as we help to build custom, co-branded marketplaces of vetted freelancers to better support their customers and help accelerate their growth.

We also onboarded over a dozen new clients on **Fiverr Enterprise**, our all-in-one platform to control the entire freelance workforce for a large organization. We made additional improvements to the platform in order to streamline the sourcing process and increase hire rate. To help businesses source their talent, Enterprise users can now utilize an AI-assisted job posting generator to help craft the details regarding their job postings such as role descriptions, required skills, and rates. The job descriptions are then facilitated through both matching algorithms as well as account managers in order to find a tailored match. While both Certified and Enterprise products are still in early development, we believe they have enormous growth potential and we are encouraged by the feedback we have received so far.



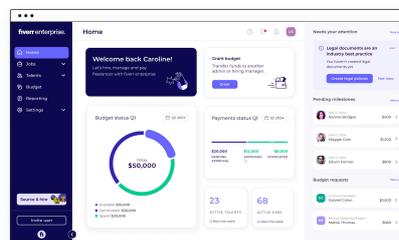
### FREELANCER BRIEFING

Businesses on Fiverr Pro can now write a brief with AI assistance to provide detailed information on their project, significantly streamlining the process to match with a freelancer.



### FIVERR PRO FREELANCE NETWORK

The Freelance Network allows businesses to easily re-hire or share their preferred freelancers amongst their team.



### FIVERR ENTERPRISE

Our newly revamped interface makes it even easier for businesses to source, onboard, and manage their freelance workforce.

## Monetization and Take Rate

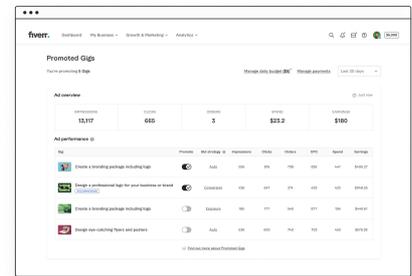
For twelve months ended December 31, 2023, take rate was 31.8%, representing a 160 bps improvement from a year ago. Both seller monetization programs, Promoted Gigs and Seller Plus, experienced significant growth in 2023. For **Promoted Gigs**, we improved our auction algorithms which allowed us to display relevant ads to a broader audience. We also increased ad placements across the marketplace. As a result of all those efforts, we were able to grow revenue from Promoted Gigs by 80% y/y in 2023. For Seller Plus, we enjoyed strong momentum in the first half of 2022 as the newly launched two-tier pricing garnered interest from a broader seller audience on the marketplace. As a result, Seller Plus revenue grew over 2.5x in 2023 compared to 2022. We believe both programs still have plenty of growth runways, although the pace of growth will moderate in 2024 in comparison to 2023.

## AI as a Growth Driver

AI and specifically GenAI have dominated the headlines of the tech industry ever since ChatGPT was released to the public in late 2022. As a product-led company, we are excited about this new technology and the possibility that it brings. From **Fiverr Neo™** to the AI-assisted briefing on Fiverr Pro, we are exploring applications of GenAI across our marketplace that are unique to our problem space and leverage the proprietary buyer, seller and transaction data we have.

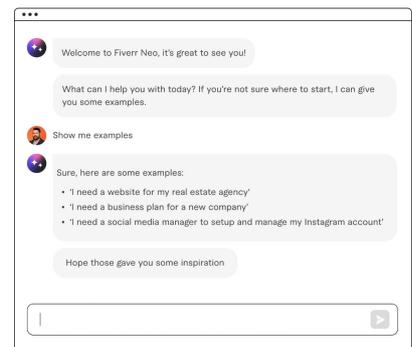
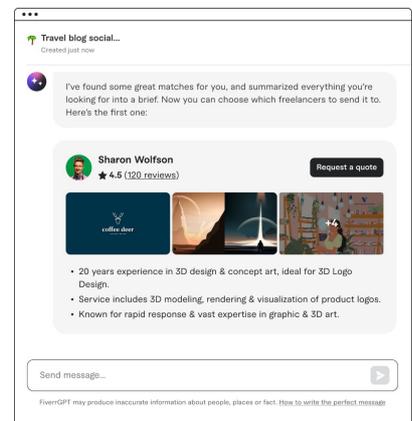
At the same time, we are witnessing a meaningful category mix shift on our marketplace, with more sophisticated buyers and sellers completing complex projects that require specialized human skills. As a horizontal marketplace, those types of category mix shift is not new to us as we regularly adapt to technology advancements and the subsequent buyer demand. In fact, the know-how we've developed over the years to detect and lean into the latest skills in demand represents one of the key competitive moats for Fiverr.

As we look back at 2023, we estimate that AI created a 4% uplift to our business in 2023, as we experienced the category mix shift from simple services to more complex services. Complex services are categorized as those where human skills are essential to deliver a satisfactory outcome, even when AI can be used to improve efficiency of some aspects of those projects. Examples of complex services include mobile app development, financial consulting, AI development, to name a few. Simple services, on the other hand, are more prone to AI disruption. Examples of simple services include translation and voice-over, to name a few.



### PROMOTED GIGS

Promoted Gigs experienced significant growth in 2023 as we continued to improve the experience and expand adoption.



### FIVERR NEO

Fiverr Neo™ is an AI-powered contextual search tool that offers a new personalized matching experience for our marketplace.

For 2023, we estimate that 32% of our GMV came from complex services, up from 25% in 2022. GMV from complex services grew 29% y/y, a significant acceleration from 12% y/y growth in 2022. On the other hand, simple services accounted for 23% of our GMV in 2023, down from 28% in 2022. The efforts we made in going upmarket, such as growing higher lifetime value customers, improving seller quality, and developing innovation around matching, allows us to improve the overall experience for those complex services and drive conversion. The average transaction size for complex services is 30% larger than those of simple services. For the remainder of the marketplace, 44% of GMV were from services where we do not notice a material change in trends due to AI in 2023, flat from 44% in 2022. It is worth noting that NFT related categories experienced a 80% y/y decline in GMV from 2022 to 2023. For 2023, these categories contributed to 0.5% of our total GMV. We do not expect NFT to have material impact to our business in 2024. As we continue to aggressively grow our market share for complex services, we expect to accelerate our overall GMV growth by 1%-2% in 2024.

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## Financial Discussion

In Q4'23 revenue increased 10.1% y/y to \$91.5 million. GAAP net income (loss) was \$4.7 million, compared to (\$1.3) million in Q4'22. Adjusted EBITDA<sup>(1)</sup> was \$16.1 million or 17.6% in Adjusted EBITDA margin<sup>(1)</sup>. Unless otherwise noted, all comparisons are on a year-over-year basis.

### Revenue

Revenue for Q4'23 was \$91.5 million, up 10.1% from \$83.1 million in Q4'22, driven mainly by growth in spend per buyer<sup>(1)</sup>, or SPB. The year-over-year growth rate also benefited from the increase of our take rate<sup>(1)</sup>, which grew to 31.8% for the twelve months ended December 31, 2023 from 30.2% for the twelve months ended December 31, 2022. Revenue during the fourth quarter continued to be highly diversified, with no buyer contributing more than 1% of revenue, and no single category accounting for more than 10% of total revenue on the core marketplace.

### Active Buyers

In the twelve months ended December 31, 2023, our active buyers<sup>(1)</sup> were 4.1 million, a decrease of 5% y/y. We accelerated the pace of our upmarket efforts and shifted our acquisition budget towards higher value buyers while reducing investments in channels that mostly attracted low-value customers. We continue to focus on higher lifetime value by targeting buyers with larger budgets benefiting SPB more than active buyers.

### Spend Per Buyer

The SPB is an important driver of our revenue growth. In the twelve months ended December 31, 2023, SPB grew to \$278, up 6% y/y from \$262. SPB is an indicator of our buyers' purchasing patterns and is impacted by the number of active buyers, buyers purchasing from multiple categories, average price per purchase, and our ability to acquire buyers with larger budgets.

### **Take Rate**

For the twelve months ended December 31, 2023, our take rate was 31.8%, an increase of 160 bps y/y. We believe our industry-leading take rate reflects the value our platform delivers to both buyers and sellers. The increase in our take rate was driven by the numerous value-added services that our buyers and sellers utilize on our platform, as we saw healthy growth in Promoted Gigs and Seller Plus.

### **Gross Profit and Margin**

Gross profit on a GAAP basis for Q4'23 was \$76.0 million, up 12.9% from \$67.3 million in Q4'22. Gross margin was 83.1% in Q4'23, an increase of 210 basis points from 81.0%. Non-GAAP gross margin<sup>(1)</sup> was 84.6% in Q4'23, an increase of 150 basis points from 83.1% in Q4'22.

### **Operating Expenses**

Total operating expenses on a GAAP basis for Q4'23 were \$77.6 million, compared to \$69.5 million in Q4'22. Non-GAAP operating expenses<sup>(1)</sup> for Q4'23 were \$61.3 million, or 66.9% of revenue, compared to \$59.7 million, or 71.8% of revenue in Q4'22.

### **Research and Development (R&D)**

Research and development expenses on a GAAP basis were \$22.1 million, or 24.1% of revenue in Q4'23. Non-GAAP research and development expenses<sup>(1)</sup> were \$16.0 million, or 17.5% of revenue, compared to 19.1% in the prior year period. We continue to invest and innovate in our core marketplace and Fiverr Business Solutions this year.

### **Sales and Marketing (S&M)**

Sales and marketing expenses on a GAAP basis were \$39.8 million, or 43.5% of revenue in Q4'23. Non-GAAP sales and marketing expenses<sup>(1)</sup> were \$36.3 million, or 39.7% of revenue in Q4'23, compared to 43.2% in the prior year period. We invest in our marketing efforts with discipline and aim to maintain our marketing efficiency and improve marketing leverage over time. We continue to invest in brand marketing and are long-term believers in building brand awareness and trust.

### **General and Administrative (G&A)**

General and administrative expenses on a GAAP basis were \$15.8 million, or 17.3% of revenue in Q4'23. Non-GAAP general and administrative expenses<sup>(1)</sup> were \$8.9 million, or 9.8% of revenue in Q4'23, compared to 9.5% in the prior year period.

### **Net Income (Loss) and Adjusted EBITDA**

Net income (loss) on a GAAP basis in Q4'23 was \$4.7 million, compared to (\$1.3) million in Q4'22. Adjusted EBITDA<sup>(1)</sup> was \$16.1 million, or 17.6% of revenue in Q4'23, compared to \$9.4 million or 11.3% in Q4'22.

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## Financial Outlook

Below we provide our management guidance for the first quarter and full year of 2024, reflecting the recent trends on our marketplace.

Unpacking the underlying drivers, we expect to accelerate our GMV growth by 1%-2% as we continue to invest in progressing upmarket and complex services. Take rate is expected to expand at a more moderate pace in 2024 compared to 2023. Spend per buyer is also expected to accelerate in terms of y/y growth rate, and active buyers to continue to maintain similar trends as in 2023.

For Adjusted EBITDA, we expect to expand our Adjusted EBITDA margin at a steady pace and continue to make progress towards our long-term target of 25%. Overall, we expect to take a balanced and measured approach in driving profitable growth in 2024.

|                                      | Q1 2024                 | FY 2024                   |
|--------------------------------------|-------------------------|---------------------------|
| <b>REVENUE</b>                       | \$91.5 - \$93.5 million | \$379.0 - \$387.0 million |
| y/y growth                           | 4% - 6% y/y growth      | 5% - 7% y/y growth        |
| <b>ADJUSTED EBITDA<sup>(1)</sup></b> | \$12.5 - \$14.5 million | \$65.0 - \$73.0 million   |

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## Conference Call Details

Fiverr's management will host a conference call to discuss its financial results on Thursday, February 22, 2024 at 8:30 a.m. Eastern Time. A live webcast of the call can be accessed from Fiverr's [Investor Relations website](#). An archived version will be available on the website after the call. To participate in the Conference Call, please register at the link [here](#).

### Investor Relations

investors@fiverr.com

### Press

press@fiverr.com



**Micha Kaufman**

Founder and Chief  
Executive Officer



**Ofer Katz**

President and Chief  
Financial Officer

## CONSOLIDATED BALANCE SHEETS

(in thousands)

|   | December 31,<br>2023 | December 31,<br>2022 |
|---|----------------------|----------------------|
|   | (Unaudited)          | (Audited)            |
| <b>Assets</b>                                     |                      |                      |
| Current assets:                                   |                      |                      |
| Cash and cash equivalents                         | \$ 183,674           | \$ 86,752            |
| Restricted cash                                   | -                    | 1,137                |
| Marketable securities                             | 147,806              | 241,293              |
| User funds  | 151,602              | 143,020              |
| Bank deposits                                     | 85,893               | 134,000              |
| Restricted deposit                                | 1,284                | -                    |
| Other receivables                                 | 24,217               | 19,019               |
| <b>Total current assets</b>                       | <b>594,476</b>       | <b>625,221</b>       |
| Marketable securities                             | 328,332              | 189,839              |
| Property and equipment, net                       | 4,735                | 5,660                |
| Operating lease right of use asset                | 6,720                | 9,077                |
| Intangible assets, net                            | 10,722               | 14,770               |
| Goodwill  | 77,270               | 77,270               |
| Other non-current assets                          | 1,349                | 1,965                |
| <b>Total assets</b>                               | <b>\$ 1,023,604</b>  | <b>\$ 923,802</b>    |
| <b>Liabilities and Shareholders' Equity</b>       |                      |                      |
| Current liabilities:                              |                      |                      |
| Trade payables                                    | \$ 5,494             | \$ 8,630             |
| User accounts                                     | 142,203              | 133,032              |
| Deferred revenue                                  | 11,047               | 11,353               |
| Other account payables and accrued expenses       | 44,110               | 41,328               |
| Operating lease liabilities                       | 2,571                | 2,755                |
| <b>Total current liabilities</b>                  | <b>205,425</b>       | <b>197,098</b>       |
| Long-term liabilities:                            |                      |                      |
| Convertible notes                                 | 455,305              | 452,764              |
| Operating lease liabilities                       | 4,482                | 6,649                |
| Other non-current liabilities                     | 2,618                | 1,559                |
| <b>Total long-term liabilities</b>                | <b>462,405</b>       | <b>460,972</b>       |
| <b>Total liabilities</b>                          | <b>\$ 667,830</b>    | <b>\$ 658,070</b>    |
| <b>Shareholders' equity:</b>                      |                      |                      |
| Share capital and additional paid-in capital      | 640,846              | 565,834              |
| Accumulated deficit                               | (284,358)            | (288,039)            |
| Accumulated other comprehensive income (loss)     | (714)                | (12,063)             |
| <b>Total shareholders' equity</b>                 | <b>355,774</b>       | <b>265,732</b>       |
| <b>Total liabilities and shareholders' equity</b> | <b>\$ 1,023,604</b>  | <b>\$ 923,802</b>    |

## CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

|   | Three Months Ended<br>December 31, |            | Year Ended<br>December 31, |             |
|---|------------------------------------|------------|----------------------------|-------------|
|   | 2023                               | 2022       | 2023                       | 2022        |
|   | (Unaudited)                        |            | (Unaudited)                | (Audited)   |
| Revenue   | \$ 91,502                          | \$ 83,130  | \$ 361,375                 | \$ 337,366  |
| Cost of revenue   | 15,473                             | 15,814     | 61,846                     | 65,948      |
| Gross profit  | 76,029                             | 67,316     | 299,529                    | 271,418     |
| Operating expenses:   |                                    |            |                            |             |
| Research and development  | 22,054                             | 21,328     | 90,720                     | 92,563      |
| Sales and marketing   | 39,767                             | 40,448     | 161,208                    | 174,599     |
| General and administrative  | 15,816                             | 7,762      | 62,710                     | 51,161      |
| Impairment of intangible assets   | -                                  | -          | -                          | 27,629      |
| Total operating expenses  | 77,637                             | 69,538     | 314,638                    | 345,952     |
| Operating loss  | (1,608)                            | (2,222)    | (15,109)                   | (74,534)    |
| Financial income, net   | 6,914                              | 1,391      | 20,163                     | 3,624       |
| Income (loss) before income taxes   | 5,306                              | (831)      | 5,054                      | (70,910)    |
| Income taxes  | (605)                              | (468)      | (1,373)                    | (577)       |
| Net income (loss) attributable to ordinary shareholders                   | \$ 4,701                           | \$ (1,299) | \$ 3,681                   | \$ (71,487) |
| Basic net income (loss) per share attributable to ordinary shareholders   | \$ 0.12                            | \$ (0.03)  | \$ 0.10                    | \$ (1.94)   |
| Basic weighted average ordinary shares                                    | 38,501,155                         | 37,411,657 | 38,066,203                 | 36,856,140  |
| Diluted net income (loss) per share attributable to ordinary shareholders | \$ 0.12                            | \$ (0.03)  | \$ 0.09                    | \$ (1.94)   |
| Diluted weighted average ordinary shares                                  | 39,286,967                         | 37,411,657 | 39,151,047                 | 36,856,140  |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

|   | Three Months Ended |                  | Twelve Months Ended |                  |
|---|--------------------|------------------|---------------------|------------------|
|   | December 31,       |                  | December 31,        |                  |
|   | 2023               | 2022             | 2023                | 2022             |
|   | (Unaudited)        |                  | (Unaudited)         | (Audited)        |
| <b>Operating Activities</b>   |                    |                  |                     |                  |
| Net income (loss)   | \$ 4,701           | \$ (1,299)       | \$ 3,681            | \$ (71,487)      |
| Adjustments to reconcile net loss to net cash provided by operating activities: |                    |                  |                     |                  |
| Depreciation and amortization   | 1,287              | 1,995            | 5,987               | 10,185           |
| Exchange rate fluctuations and other items, net                                 | (214)              | (157)            | 71                  | 5                |
| Amortization of premium and accretion of discount of marketable securities, net | (1,841)            | 1,333            | (730)               | 6,385            |
| Amortization of discount and issuance costs of convertible notes                | 637                | 633              | 2,541               | 2,527            |
| Shared-based compensation   | 16,792             | 17,026           | 68,698              | 71,755           |
| Impairment of intangible assets   | -                  | -                | -                   | 27,629           |
| Impairment of lease ROU asset   | 211                | -                | 211                 | -                |
| Changes in assets and liabilities:  |                    |                  |                     |                  |
| User funds  | 8,880              | 2,277            | (8,582)             | (15,307)         |
| Operating lease ROU assets and liabilities                                      | 358                | 62               | (205)               | (1,485)          |
| Other receivables   | 3,379              | (10)             | (2,877)             | (4,847)          |
| Trade payables  | 2,099              | 2,771            | (3,195)             | (113)            |
| Deferred revenue  | (1,989)            | (263)            | (306)               | (792)            |
| User accounts   | (7,140)            | (1,933)          | 9,171               | 14,416           |
| Account payable, accrued expenses and other                                     | 752                | (5,368)          | 8,232               | 3,994            |
| Revaluation of contingent consideration   | (570)              | (7,462)          | (570)               | (12,249)         |
| Payment of contingent consideration   | -                  | -                | -                   | (504)            |
| Non-current liabilities   | 207                | -                | 1,059               | -                |
| Net cash provided by operating activities                                       | <u>27,549</u>      | <u>9,605</u>     | <u>83,186</u>       | <u>30,112</u>    |
| <b>Investing Activities</b>   |                    |                  |                     |                  |
| Investment in marketable securities   | (46,394)           | (51,694)         | (309,155)           | (141,701)        |
| Proceeds from sale of marketable securities                                     | 40,780             | 13,180           | 273,186             | 130,701          |
| Bank and restricted deposits  | 31,245             | (37,863)         | 46,858              | -                |
| Acquisition of intangible asset   | -                  | -                | -                   | (175)            |
| Purchase of property and equipment  | (135)              | (87)             | (1,053)             | (1,198)          |
| Capitalization of internal-use software and other                               | (3)                | 19               | (60)                | (1,000)          |
| Other non-current assets  | -                  | (73)             | -                   | (1,251)          |
| Net cash used in investing activities   | <u>25,493</u>      | <u>(76,518)</u>  | <u>9,776</u>        | <u>(14,624)</u>  |
| <b>Financing Activities</b>   |                    |                  |                     |                  |
| Payment of convertible notes deferred issuance costs                            |                    |                  |                     |                  |
| Deferred issuance cost  |                    |                  |                     |                  |
| Payment of contingent consideration   | -                  | -                | -                   | (1,105)          |
| Proceeds from exercise of share options   | 364                | 1,457            | 2,765               | 3,765            |
| Tax withholding in connection with employees' options exercises and vested RSUs | 163                | 258              | 87                  | (2,028)          |
| Repayment of long-term loan   | -                  | -                | -                   | (2,269)          |
| Net cash provided by (used in) financing activities                             | <u>527</u>         | <u>1,715</u>     | <u>2,852</u>        | <u>(1,637)</u>   |
| Effect of exchange rate fluctuations on cash and cash equivalents               | 220                | 151              | (29)                | (32)             |
| Increase in cash, cash equivalents and restricted cash                          | 53,789             | (65,047)         | 95,785              | 13,819           |
| Cash, cash equivalents and restricted cash at the beginning of period           | 129,885            | 152,936          | 87,889              | 74,070           |
| Cash and cash equivalents at the end of period                                  | <u>\$ 183,674</u>  | <u>\$ 87,889</u> | <u>\$ 183,674</u>   | <u>\$ 87,889</u> |

## KEY PERFORMANCE METRICS

|                                     | Twelve Months Ended<br>December 31, |       |
|-------------------------------------|-------------------------------------|-------|
|                                     | 2023                                | 2022  |
| Annual active buyers (in thousands) | 4,077                               | 4,275 |
| Annual spend per buyer (\$)         | \$ 278                              | 262   |

## RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(in thousands, except gross margin data)

|                                    | Three Months Ended<br>December 31, |           | Year Ended<br>December 31, |            |
|------------------------------------|------------------------------------|-----------|----------------------------|------------|
|                                    | 2023                               | 2022      | 2023                       | 2022       |
|                                    | (Unaudited)                        |           | (Unaudited)                |            |
| GAAP gross profit                  | \$ 76,029                          | \$ 67,316 | \$ 299,529                 | \$ 271,418 |
| Add:                               |                                    |           |                            |            |
| Share-based compensation and other | 633                                | 565       | 2,497                      | 2,520      |
| Depreciation and amortization      | 709                                | 1,170     | 3,253                      | 6,065      |
| Non-GAAP gross profit              | \$ 77,371                          | \$ 69,051 | \$ 305,279                 | \$ 280,003 |
| Non-GAAP gross margin              | 84.6%                              | 83.1%     | 84.5%                      | 83.0%      |

## RECONCILIATION OF GAAP NET INCOME (LOSS) TO NON-GAAP NET INCOME AND NET INCOME PER SHARE

(in thousands, except share and per share data)

|   | Three Months Ended<br>December 31, |            | Year Months Ended<br>December 31, |             |
|---|------------------------------------|------------|-----------------------------------|-------------|
|   | 2023                               | 2022       | 2023                              | 2022        |
|   | (Unaudited)                        |            | (Unaudited)                       |             |
| GAAP net income (loss) attributable to ordinary shareholders \$             | 4,701                              | \$ (1,299) | \$ 3,681                          | \$ (71,487) |
| Add:  |                                    |            |                                   |             |
| Depreciation and amortization   | 1,287                              | 1,995      | 5,987                             | 10,185      |
| Share-based compensation  | 16,792                             | 17,026     | 68,698                            | 71,755      |
| Impairment of intangible assets   | -                                  | -          | -                                 | 27,629      |
| Contingent consideration revaluation, acquisition related costs and other   | (359)                              | (7,403)    | (359)                             | (10,613)    |
| Convertible notes amortization of discount and issuance costs               | 637                                | 633        | 2,541                             | 2,527       |
| Exchange rate (gain)/loss, net  | 42                                 | (209)      | (131)                             | (1,141)     |
| Non-GAAP net income   | \$ 23,100                          | \$ 10,743  | \$ 80,417                         | \$ 28,855   |
| Weighted average number of ordinary shares - basic                          | 38,501,155                         | 37,411,657 | 38,066,203                        | 36,856,140  |
| Non-GAAP basic net income per share attributable to ordinary shareholders   | \$ 0.60                            | \$ 0.29    | \$ 2.11                           | \$ 0.78     |
| Weighted average number of ordinary shares - diluted                        | 41,440,827                         | 40,783,489 | 41,304,907                        | 40,662,057  |
| Non-GAAP diluted net income per share attributable to ordinary shareholders | \$ 0.56                            | \$ 0.26    | \$ 1.95                           | \$ 0.71     |

## RECONCILIATION OF GAAP NET INCOME (LOSS) TO ADJUSTED EBITDA

(in thousands, except Adjusted EBITDA margin data)

|   | Three Months Ended<br>December 31, |            | Year Ended<br>December 31, |             |
|---|------------------------------------|------------|----------------------------|-------------|
|   | 2023                               | 2022       | 2023                       | 2022        |
|   | (Unaudited)                        |            | (Unaudited)                |             |
| GAAP net income (loss)  | \$ 4,701                           | \$ (1,299) | \$ 3,681                   | \$ (71,487) |
| Add:  |                                    |            |                            |             |
| Financial income, net   | (6,914)                            | (1,391)    | (20,163)                   | (3,624)     |
| Income taxes  | 605                                | 468        | 1,373                      | 577         |
| Depreciation and amortization   | 1,287                              | 1,995      | 5,987                      | 10,185      |
| Share-based compensation  | 16,792                             | 17,026     | 68,698                     | 71,755      |
| Impairment of intangible assets   | -                                  | -          | -                          | 27,629      |
| Contingent consideration revaluation, acquisition related costs and other | (359)                              | (7,403)    | (359)                      | (10,613)    |
| Adjusted EBITDA   | \$ 16,112                          | \$ 9,396   | \$ 59,217                  | \$ 24,422   |
| Adjusted EBITDA margin  | 17.6%                              | 11.3%      | 16.4%                      | 7.2%        |

## RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

(in thousands)

|   | Three Months Ended<br>December 31, |           | Year Ended<br>December 31, |            |
|---|------------------------------------|-----------|----------------------------|------------|
|   | 2023                               | 2022      | 2023                       | 2022       |
|   | (Unaudited)                        |           | (Unaudited)                |            |
| GAAP research and development   | \$ 22,054                          | \$ 21,328 | \$ 90,720                  | \$ 92,563  |
| Less:   |                                    |           |                            |            |
| Share-based compensation  | 5,836                              | 5,291     | 24,310                     | 23,828     |
| Depreciation and amortization   | 191                                | 198       | 799                        | 801        |
| Non-GAAP research and development   | \$ 16,027                          | \$ 15,839 | \$ 65,611                  | \$ 67,934  |
| GAAP sales and marketing  | \$ 39,767                          | \$ 40,448 | \$ 161,208                 | \$ 174,599 |
| Less:   |                                    |           |                            |            |
| Share-based compensation  | 3,166                              | 4,040     | 13,304                     | 17,196     |
| Depreciation and amortization   | 309                                | 495       | 1,601                      | 2,889      |
| Contingent consideration revaluation, acquisition related costs and other | -                                  | (24)      | -                          | (24)       |
| Non-GAAP sales and marketing  | \$ 36,292                          | \$ 35,937 | \$ 146,303                 | \$ 154,538 |
| GAAP general and administrative   | \$ 15,816                          | \$ 7,762  | \$ 62,710                  | \$ 51,161  |
| Less:   |                                    |           |                            |            |
| Share-based compensation  | 7,157                              | 7,130     | 28,587                     | 28,211     |
| Depreciation and amortization   | 78                                 | 132       | 334                        | 430        |
| Contingent consideration revaluation, acquisition related costs and other | (359)                              | (7,379)   | (359)                      | (10,589)   |
| Non-GAAP general and administrative                                       | \$ 8,940                           | \$ 7,879  | \$ 34,148                  | \$ 33,109  |

## ***Key Performance Metrics and Non-GAAP Financial Measures***

This shareholder letter includes certain key performance metrics and financial measures not based on GAAP, including Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP net income (loss) and non-GAAP net income (loss) per share as well as operating metrics, including GMV, active buyers, spend per buyer, take rate and tROI. Some amounts in this shareholder letter may not total due to rounding. All percentages have been calculated using unrounded amounts.

We define each of our non-GAAP measures of financial performance, as the respective GAAP balances shown in the above tables, adjusted for, as applicable, depreciation and amortization, share-based compensation expenses, contingent consideration revaluation, acquisition related costs and other, income taxes, amortization of discount and issuance costs of convertible note, financial (income) expenses, net. Non-GAAP gross profit margin represents non-GAAP gross profit expressed as a percentage of revenue. We define non-GAAP net income (loss) per share as non-GAAP net income (loss) divided by GAAP weighted-average number of ordinary shares basic and diluted.

We define GMV or Gross Merchandise Value as the total value of transactions ordered through our platform, excluding value added tax, goods and services tax, service chargebacks and refunds. Active buyers on any given date is defined as buyers who have ordered a Gig or other services on our platform within the last 12-month period, irrespective of cancellations. Spend per buyer on any given date is calculated by dividing our GMV within the last 12-month period by the number of active buyers as of such date. Take rate is revenue for any such period divided by GMV for the same period.

We define tROI or Time to Return On Investment as the number of months required to recover performance marketing investments during a particular period of time from the revenue generated by the new buyers acquired during that period. We use tROI to measure the efficiency of our buyer acquisition strategy. Performance marketing investments in new buyer acquisition is determined by aggregating online advertising spend across various channels, including search engine optimization, search engine marketing, video and social media used for buyer acquisition. Our performance marketing investments exclude certain fixed costs, including out of home advertising and fixed labor costs. Our performance marketing investment differs from sales and marketing expenses presented in accordance with GAAP and should not be considered as an alternative to sales and marketing expenses. Our performance marketing investment has limitations as an analytical tool, including that it does not reflect certain expenditures necessary to the operation of our business, and should not be considered in isolation. Certain fixed costs are excluded from performance marketing investments and related tROI calculations because performance marketing investments represent our direct variable costs related to buyer acquisition and its corresponding revenue generation. tROI measures the efficiency of such variable marketing investments and is an indicator actively used by management to make day-to-day operational decisions.

Management and our board of directors use these metrics as supplemental measures of our performance that is not required by, or presented in accordance with GAAP because they assist us in comparing our operating performance on a consistent basis, as they remove the impact of items not directly resulting from our core operations. We also use these metrics for planning purposes, including the preparation of our internal annual operating budget and financial projections, to evaluate the performance and effectiveness of our strategic initiatives and capital expenditures and to evaluate our capacity to expand our business.

Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP net income (loss) and non-GAAP net income (loss) per share as well as operating metrics, including GMV, active buyers, spend per buyer, take rate and tROI should not be considered in isolation, as an alternative to, or superior to net loss, revenue, cash flows or other performance measure derived in accordance with GAAP. These metrics are frequently used by analysts, investors and other interested parties to evaluate companies in our industry. Management believes that the presentation of non-GAAP metrics is an appropriate measure of operating performance because they eliminate the impact of expenses that do not relate directly to the performance of our underlying business.

These non-GAAP metrics should not be construed as an inference that our future results will be unaffected by unusual or other items. Additionally, Adjusted EBITDA and other non-GAAP metrics used herein are not intended to be a measure of free cash flow for management's discretionary use, as they do not reflect our tax payments and certain other cash costs that may recur in the future, including, among other things, cash requirements for costs to replace assets being depreciated and amortized. Management compensates for these limitations by relying on our GAAP results in addition to using Adjusted EBITDA and other non-GAAP metrics as supplemental measures of our performance. Our measure of Adjusted EBITDA and other non-GAAP metrics used herein is not necessarily comparable to similarly titled captions of other companies due to different methods of calculation.

See the tables above regarding reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures.

We are not able to provide a reconciliation of Adjusted EBITDA and Adjusted EBITDA margin guidance for the first quarter of 2024 and the fiscal year ending December 31, 2024, and long term to net income (loss), the nearest comparable GAAP measure, because certain items that are excluded from Adjusted EBITDA and Adjusted EBITDA margin cannot be reasonably predicted or are not in our control. In particular, we are unable to forecast the timing or magnitude of share based compensation, amortization of intangible assets, impairment of intangible assets, income or loss on revaluation of contingent consideration, other acquisition-related costs, convertible notes amortization of discount and issuance costs and exchange rate income or loss, as applicable without unreasonable efforts, and these items could significantly impact, either individually or in the aggregate, GAAP measures in the future.

## **Forward Looking Statements**

This shareholder letter contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this shareholder letter that do not relate to matters of historical fact should be considered forward-looking statements, including, without limitation, statements regarding our expected financial performance and operational performance for the first quarter of 2024, the fiscal year ending December 31, 2024, our long term Adjusted EBITDA margin goals, our expected future Adjusted EBITDA margin, our business plans and strategy, our expectations regarding AI services and developments, our expectations regarding market share expansion, as well as statements that include the words “expect,” “intend,” “plan,” “believe,” “project,” “forecast,” “estimate,” “may,” “should,” “anticipate” and similar statements of a future or forward-looking nature. These forward-looking statements are based on management’s current expectations. These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to: political, economic and military instability in Israel, including related to the war in Israel; our ability to successfully implement our business plan within adverse economic conditions that may impact the demand for our services or have a material adverse impact on our business, financial condition and results of operations; our ability to attract and retain a large community of buyers and freelancers; our ability to generate sufficient revenue to achieve or maintain profitability; our ability to maintain and enhance our brand; our dependence on the continued growth and expansion of the market for freelancers and the services they offer; our dependence on traffic to our website; our ability to maintain user engagement on our website and to maintain and improve the quality of our platform; our operations within a competitive market; our ability and the ability of third parties to protect our users’ personal or other data from a security breach and to comply with laws and regulations relating to data privacy, data protection and cybersecurity; our ability to manage our current and potential future growth; our dependence on decisions and developments in the mobile device industry, over which we do not have control; our ability to detect errors, defects or disruptions in our platform; our ability to comply with the terms of underlying licenses of open source software components on our platform; our ability to expand into markets outside the United States and our ability to manage the business and economic risks of international expansion and operations; our ability to achieve desired operating margins; our ability to comply with a wide variety of U.S. and international laws and regulations; our ability to attract, recruit, retain and develop qualified employees; our reliance on Amazon Web Services; our ability to mitigate payment and fraud risks; our dependence on relationships with payment partners, banks and disbursement partners; and the other important factors discussed under the caption “Risk Factors” in our annual report on Form 20-F filed with the U.S. Securities and Exchange Commission (“SEC”) on February 22, 2024 as such factors may be updated from time to time in our other filings with the SEC, which are accessible on the SEC’s website at [www.sec.gov](http://www.sec.gov). In addition, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements that we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this shareholder letter are inherently uncertain and may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, you should not rely upon forward-looking statements as predictions of future events. In addition, the forward-looking statements made in this shareholder letter relate only to events or information as of the date on which the statements are made in this shareholder letter. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.