



November 10, 2021

Fiverr International, Ltd. (NYSE: FVRR)

Prepared Remarks

Q3 2021 Earnings Call

Management Discussion

Jinjin Qian

VP Strategic Finance- Fiverr International, Ltd.

Thank you, operator, and good morning everyone. Thank you for joining us on Fiverr's earnings conference call for the third quarter ended September 30, 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.

We are very excited to talk to you about recent developments at Fiverr. Q3 turned out to be a very strong quarter, with revenue growing 42% y/y, above the high end of our guidance. All KPIs, including active buyers, spend per buyer and take rate performed really well too. Our business, including the traffic to our platform, improved from the hyper-seasonality that we experienced in the earlier part of Q3. This is by no means to say that the uncertainty and impact of COVID is over. However, the strength and resilience of our business, once more, powered us through these volatile times. We believe the secular trends of remote work, and the need for digital transformation are here to stay, well beyond the pandemic. Businesses need to stay competitive in their talent strategy, to be adaptive in the ever-changing digital landscape, to creatively address the skilled labor shortage, and to be nimble and efficient in execution. Fiverr, with our vast catalog, our resilient community, and best-in-class service-as-a-product experience continues to empower freelancers and businesses across the world in achieving these goals.

I am very proud of the entire Fiverr team in delivering strong results quarter after quarter, so we can invest aggressively in long term initiatives. So today, I want to spend some time talking to you about how we envision the future of work, and how we are putting a few important pieces in place as we plan the next ten years of Fiverr. After that, Ofer will provide more color on the quarter.

When we consider the total addressable market, it is important to note that the majority of freelancing still happens offline. We believe offline channels will continue to be a big part of how businesses get connected with freelancers, just like how, after more than 20 years, e-commerce is still less than 20% of total retail sales. We want to make sure that Fiverr is enabling all freelancing engagements for businesses, for both online and offline.

This is why we recently acquired Stoke Talent, a freelance management software company. Through Stoke, we gain access to the offline freelancing market that is still orders of magnitude larger than online freelancing. With Stoke's offerings, we can enable businesses to better manage their existing freelancer relationships. Most companies today do not use a dedicated, purpose-built freelance management systems. Oftentimes, freelancers are managed through excel spreadsheets scattered among different teams and individuals throughout the organization. When asked "how many freelancers does your organization engage with today?" - most companies don't know the answer. And this can trickle down to tremendous inefficiencies in managing budget, meeting compliance, setting up payments, sending tax documents, and the list goes on. All of this becomes easy once you sign up on Stoke.

With Stoke, Fiverr aims to become a 360-degree partner for businesses to move their entire freelancing budget to our ecosystem. Talent is everywhere and finding talent is hard. We believe the future of work requires businesses to implement a multi-channel freelancer strategy. We want to help businesses effectively implement such a strategy and efficiently manage it, without having to worry about being tied to one platform or one source of talent pool.

Now let's talk about the freelancer side. We believe the future of work for freelancers is about building a personal brand, a personal audience, and the line between building a freelancing career and a small business is blurring. This has been Fiverr's vision from day one and is how we differentiate ourselves from any other freelancer platform. On our e-commerce platform, freelancers are entrepreneurs, they are store owners, and they take full control in defining which services to provide, at what price, how and when they work.

With this in mind, we want to build Fiverr into an ecosystem that not only brings freelancers revenue opportunities, but also software and tools to help them manage their business and continue to grow professionally. We recently completed the first phase of integration of AND.CO and rebranded it as the all-new Fiverr Workspace. Fiverr Workspace enables freelancers to seamlessly integrate their Fiverr orders with all

other client engagements, so freelancers can manage contracts, invoices and earnings in a consolidated fashion.

We also completed the acquisition of CreativeLive to round up our offerings in the learning and development space. We incubated Fiverr Learn internally a few years ago and the product has received tremendously positive feedback from our community. Not only do they love the high quality content, but it is also a way to connect with top talent in the relevant fields, and to increase visibility on our marketplace. The acquisition of CreativeLive will allow us to significantly expand our professional educational content library and further grow this part of our business. Leveraging its production capabilities and content distribution technology, we also see meaningful opportunities to expand our value-add to the corporate certification partnerships - we'll save that for later.

Before I hand it to Ofer, Fiverr has built a very intuitive, easy to use platform with a very efficient go-to-market strategy, but sometimes people forget how complicated our problem space actually is. We are not doing e-commerce for merchandise, but we are dealing with people, services and relationships. They are much more complicated than merchandise. The underlying technology we've built over the years, and the insights we've gained in understanding buyers' intent and sellers' expertise, is what makes delivering the simple experience possible. We'll continue to innovate and invest in technology to make the future of work easier and better.

With that, I will turn the call over to Ofer.

Ofer Katz

President and Chief Financial Officer – Fiverr International, Ltd.

Thank you, Micha, and good morning everyone.

We are excited to deliver another quarter of excellent results as millions of businesses continue to come to Fiverr to find and purchase digital services.

- Revenue for Q3 was \$74.3 million, up 42% y/y, driven by 33% growth on active buyers, 20% growth on spend per buyer, and 140 basis points expansion on take

rate. This is especially impressive considering the 88% growth we had in Q3 last year, translating to a 166% revenue growth on a two-year basis.

- The take rate increase was driven by the YoY impact from the 50 basis points increase in service fees, the continued expansion of seller tools including Promoted Gigs and Seller Plus, as well as additional contribution from ClearVoice, Fiverr Learn and Fiverr Workspace.
- We continue to move upmarket, with high value buyers now representing 62% of core marketplace revenue, up from 57% in Q3 last year. The growth contribution from high value buyers is driven by two factors. First, the number of high value buyers grew significantly faster than the overall buyer growth. Second, the average spend per buyer for high value buyers is many times more than average marketplace spend per buyer.
- Repeat buyers, those who joined Fiverr over a year ago, contributed to 58% of revenue on core marketplace, up from 55% in 2020. Our older cohorts continue to spend at elevated levels compared to pre-pandemic and we continue to see recent cohorts in 2020 and 2021 perform better than a typical cohort in previous years.
- Adjusted EBITDA for the quarter was \$7.3 million, representing adjusted EBITDA margin of 9.8%, an improvement of 180 basis points over Q3 last year. We have continued to improve our operating leverage and our ability to generate consistent positive adjusted EBITDA while growing our top line at a significant pace, which demonstrates the strength of our business model.

We made two important acquisitions in Q4: CreativeLive and Stoke Talent. Both transactions will not have a material impact to our P&L in Q4, but they are highly strategic for us as we march towards our long-term vision of the future of work. With CreativeLive, we expect to expand our e-learning offerings to our community. We are also planning to lean more into professional training to strengthen our value proposition with upmarket buyers.

Stoke Talent is a young and fast-growing company that provides best-in-class freelance management software for medium to large businesses. We believe Stoke's platform-

agnostic approach will enable us to capture freelance spend outside of Fiverr, the vast majority of which is still offline. It also supports Fiverr's upmarket initiative as we look to strengthen our integration with corporate workflows. Dozens of customers are already on the Stoke platform, with average annual freelancing spend of over \$100,000 per customer. Post acquisition, we expect to significantly accelerate the pace of customer acquisition on the Stoke platform, as well as continuing to optimize the onboarding process to increase freelancing spend from existing customers.

Now onto guidance. For Q4, we expect revenue to be \$74.5-77.5 million and Adjusted EBITDA to be \$5.5-7.0 million. We are encouraged by the recent trends on our marketplace as the hyper-seasonality eased in the past two months. As Micha mentioned, it is too early to say that COVID impact is completely behind us. It will take a few additional quarters for us to unwind the COVID impact, and the macro conditions remain highly volatile.

For the full year 2021, we now expect revenue to be \$292.4-295.4 million. At midpoint, this represents revenue growth of 55% YoY and 174% on a two-year basis. Adjusted EBITDA is expected to be \$19.5-21.0 million, which at midpoint, represents 210 basis points YoY improvement and a positive swing of 23.7 percentage points compared to two years ago. The fact that we have been consistently growing our business at a significant pace and rapidly increasing our market share highlights the strength of our business model and our ability to execute. And we expect to continue doing that for many years ahead.

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