

**fiverr**

Q2 | 2020

# Shareholder Letter



**Damiano Raveenthian, Seller**

Founder and CEO, **Startup Slang**  
Toronto, Canada

# Changing How the World Works Together

Fiverr is a global marketplace that connects buyers and sellers for digital services.

## The **SHIFT** by fiverr

On July 9, Fiverr hosted its first ever one-day virtual summit - **The Shift** - featuring skill-based workshops, discussions of future trends, networking opportunities, and resources for moving online business forward. The event attracted leading entrepreneurs and global businesses from around the world to connect and envision how we work changes post COVID-19.

**Our Speakers** included leaders from Google, IBM, Canva, Wix, Shutterstock, AARP, Recess, Freelance Union and more.

**3.4K+**

attendees

**90+**

countries

**40+**

speakers

**18**

panels

**15+**

hours of content

**2+**

hours avg time spent at event per attendee



**Zach Onisko**  
CEO, *Dribbble*



**Andrew Yang**  
Entrepreneur and former presidential candidate



**David Siegel**  
CEO, *Meetup*



**Gali Arnon**  
CMO, *Fiverr*

The Shift in  
**Diversity and Inclusion**

“You must have a diverse creative team in order to market to diverse audiences, while maintaining an authentic voice as a brand. Diversity is good for business - companies with a more diverse team outperform their competitors and achieve higher profit margins. Diversity also includes diversity of experience - hiring based on ‘cultural fit’ can make your workplace homogenous in ideas and experiences.”



**Myles Kleeger**  
President and Chief  
Customer Officer, *Braze*

The Shift in  
**Brand and Marketing**

“We’re in this new phase of marketing for companies where there’s this importance of transparency now - and brands telling people not just about sales and offers, but about who they are and what they represent and what their positions are on things. I think that’s only going to grow - it has to, and that’s a good thing.”



**Chris Winn**  
CEO, *Creative Market*

The Shift in  
**Remote Work**

“People are interacting with different people in other parts of the world, getting access to design, having more diverse design content and experiences and voices...and I think that, for all the tough things happening right now in the world, behind the scenes we’re getting a little better at talking to people from different parts of the world, and are getting exposed to each other more because we have all this remote technology - so over the bigger arc there’s a lot of good around the corner.”



**James Greenfield**  
Founder and Creative  
Director, *Koto*

The Shift in  
**Digital Omnipresence**

“I think what will happen is, and you guys are super well placed for this, people will realize that it’s going to accelerate the ability to do things online, the hiring of professional services for people... I actually think that we’re showing that we can live so much more of our lives online.”



On the cover:

**DAMIANO RAVEENTHIAN**, Seller

Founder and CEO of Startup Slang  
Toronto, Canada

Damiano is the founder and CEO of Startup Slang, a Toronto-based Shopify agency that focuses on e-commerce development, social media advertising and web content creation.

Damiano's agency was born out of his work on Fiverr. He started on Fiverr in April 2017 as a supplement to his full-time work at an e-commerce retailer, with the expectation of bringing in a few hundreds dollars a month. In just a few months of building his clientele on Fiverr, his revenue grew to over \$7,000 a month. As his Fiverr business began consistently generating more income than his full-time job, Damiano decided to quit his job and founded his own agency. To date, Damiano has made over \$200K on Fiverr.

Today, Startup Slang consists of a team of 35 people, with annual revenue of over \$1 million and over 800 clients, including large clients such as Dyson, Panasonic and Amnesty International. Not only does Damiano continue to source many clients through Fiverr, but he has also turned to Fiverr to purchase digital services such as graphic design, videos and animation. Damiano is also an avid community leader for Fiverr in Toronto, having hosted over 15 events with topics ranging from how to grow a business on Fiverr to exchanging tips and knowledge on launching an e-commerce business.

*“For my agency, Fiverr was a blessing that put us on the right path. Thanks to Fiverr, I was able to focus on developing my services while the platform took care of putting my gigs in front of the right clients. I didn't have to bid for projects, or take part in lengthy sales cycles. Fiverr brought me clients that wanted to give me a chance and I owe a huge part of my current success to those clients and to Fiverr.”*

## SECOND QUARTER 2020 HIGHLIGHTS

- **Strong growth:** Revenue grew 82% y/y in Q2'20 with strong execution across product, marketing and operation during the global pandemic
- **Historical level of new buyers:** Active buyers grew 28% y/y, implying net adds of over 300K in Q2'20 vs Q1'20
- **Achieved profitability:** Achieved quarterly Adjusted EBITDA profitability for the first time in Fiverr's history and target Adjusted EBITDA profitability for future quarters in 2020
- **Promoted Gigs expansion:** Promoted Gigs are now available to many more sellers, in 15 categories, and on both search and category pages
- **Two new localized sites:** Launched two additional non-English websites in Italian and Dutch as we continued to expand into European countries
- **Introduced Fiverr Business:** A dedicated environment for business buyers to transact and collaborate on Fiverr - marking a key investment in going upmarket
- **Our guidance:** Provided Q3'20 guidance and raised FY20 guidance - revenue is now expected to grow 66-68% for FY20 with expected FY20 Adjusted EBITDA profitability

## SECOND QUARTER 2020 KEY RESULTS

REVENUE	<b>\$47.1 million</b> 82% y/y growth	GROSS MARGIN	<b>83.1%</b> GAAP	<b>84.4%</b> NON-GAAP
ACTIVE BUYERS <sup>(1)</sup>	<b>2.8 million</b> 28% y/y growth	GAAP NET LOSS	<b>(\$0.1) million</b>	
SPEND PER BUYER <sup>(1)</sup>	<b>\$184</b> 18% y/y growth	ADJUSTED EBITDA <sup>(1)</sup>	<b>\$3.1 million</b>	
TAKE RATE <sup>(1)</sup>	<b>27.0%</b> 60 bps y/y improvement	ADJUSTED EBITDA MARGIN <sup>(1)</sup>	<b>6.7%</b> +2,570 bps y/y improvement	

## FINANCIAL OUTLOOK

	Q3 2020	FY 2020	FY 2020 PRIOR GUIDANCE
REVENUE	<b>\$48.0-\$49.0 million</b> 72-76% y/y growth	<b>\$177.5-\$179.5 million</b> 66-68% y/y growth	\$145.5-\$147.5 million 36-38% y/y growth
ADJUSTED EBITDA <sup>(1)</sup>	<b>\$2.0-\$3.0 million</b>	<b>\$4.5-\$6.5 million</b>	(\$9.0)-(\$7.0) million

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

---

# To Our Shareholders,

The second quarter of 2020 marked an inflection point in Fiverr's history. We grew our revenue by 82% y/y during the quarter, the strongest growth rate we have had since 2012. Our company turned Adjusted EBITDA profitable for the first time, many quarters ahead of expectations, while simultaneously leaning into performance marketing opportunities and investing aggressively in long-term strategic initiatives. We strengthened our balance sheet through a successful follow-on transaction generating net proceeds of approximately \$130 million. We are grateful for the long-term supporters of our company and are thrilled to form relationships with many new investors. While achieving all of the above, it's worth pointing out that it is the first time for us, and likely for many other companies, that our global team has worked remotely for the entire quarter.

As a company whose vision for the past 10 years was a future built around a remote and flexible workforce, today that vision has become closer than ever to reality. Since COVID-19 forced the entire world into social and economic lockdown, every aspect of businesses and work has been upended. Remote work and digital transformation are no longer options, but necessities to survive and thrive. Fiverr's platform has become an important place for businesses to turn to in order to find experienced support and solutions, and where talent has turned to look for opportunities and income.

The second quarter of 2020 also witnessed one of the largest social movements in the history of the U.S, that extended to the rest of the world - diversity and inclusion has been brought to the forefront of every discussion. At Fiverr, we believe in and celebrate diversity and inclusion 365 days a year, not only within our company, but also in the DNA of our marketplace. With our pioneering Service-as-a-Product approach, we have created an open and inclusive marketplace where sellers are judged only by their professionalism, creativity and quality of work, not their gender, race, or social background. And we take pride in providing opportunities to all types of talent, from all around the world.

We are humbled by the tremendous amount of responsibility we have to support our community of buyers and sellers and help them succeed, to drive the offline to online transformation of our industry in order to enable the future of work, and to deliver investors long-term and sustainable shareholder value. In an environment where so much uncertainty exists, we believe focusing on these will well position us for the long-term success.

# Growth Strategies and Recent Progress

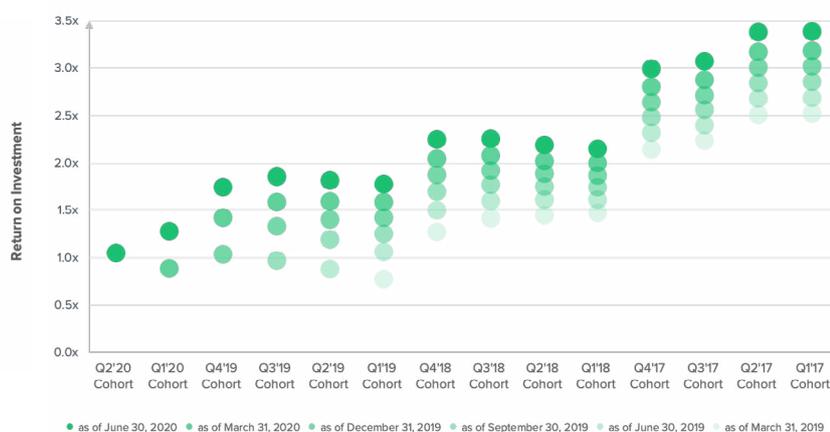
Recent updates regarding our key growth drivers and progress made in each area as we continue to grow and capture market share are as follows:

## #1 Bring new buyers onto the platform

In the twelve months ended June 30, 2020, active buyers grew 28% y/y to 2.8 million. We experienced a record level of net adds of over 300K during the quarter, driven by our strong execution on all fronts amid a global pandemic that has resulted in surging demand in remote work and digital transformation as well as an attractive advertising landscape. Organic channels continued to contribute the majority of new buyers with strong word-of-mouth, strong brand traffic, and virality among social media and influencer channels.

Non-GAAP sales and marketing expenses during the quarter were \$22.3 million, an increase of \$5.1 million compared to Q1'20. Unlike a typical year where we spend more marketing dollars in the first quarter, this year we leaned in more aggressively on performance marketing in the second quarter as we saw opportunities to invest as the COVID-19 pandemic changed the advertising landscape. As you can see from the chart below, tROI, or time to return on performance marketing investments, was slightly above 1.0x during the quarter, a step-up from both Q1'20 and Q2'19. This increased investment, together with better efficiency, contributed to the strong buyer growth this quarter.

CUMULATIVE REVENUE TO PERFORMANCE MARKETING INVESTMENT RATIOS



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

As of June 30, 2020, the cumulative revenue from the Q1'17 cohort has reached 3.4x of our performance marketing investments for the first quarter of 2017, up from 3.2x as of March 31, 2020.

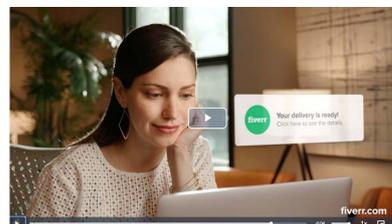
The consistent behavior across our existing cohorts also contributed to our strong performance in Q2'20. In fact, existing cohorts on average grew their monthly GMV level by 10% from January to June, as our existing buyer base returned to Fiverr more frequently and purchased more and from more categories during the global pandemic. The elevated spend level across all existing cohorts sustained throughout the quarter and continued into July.

**We also had a busy quarter on brand, PR and community activities. Here are some highlights:**

- We expanded our brand marketing reach and launched our **first TV campaign** in the U.S. across linear TV and streaming - airing over 1,200 national TV spots. We also continued to invest in influencer, podcast and affiliate channels. As of June 30, 2020, we have more than doubled the number of affiliate partners in our network compared to the end of last year.
- We partnered with Scott Steinberg, one of the world’s leading business strategists and trend forecasters, to do a series of TV and Radio interviews throughout the US, showcasing Fiverr as a resource to help bring businesses online or build out their online presence. The project resulted in over 1,000 broadcast hits delivering approximately 40 million audience impressions in three weeks.
- Fiverr hosted the **72 Hour Film Challenge**, an initiative in which we partnered with world-renowned photographer and YouTube star Peter McKinnon to call for participation from all filmmakers, photographers, designers, animators and creators. The competition drew over 3,000 submissions from all over the world and yielded beautiful and creative short films.
- In Q2'20, we hosted 96 **virtual community events** with attendees from around the world. We’ve taken full advantage of the opportunities online events give us by testing several events in non-English languages and increasing cross-country collaboration among community leaders. We launched a webinar series that focuses on business’s shift from offline to online and a number of COVID-19 related topics.

**#2 Go upmarket**

In the twelve months ended June 30, 2020, spend per buyer on our platform increased 18% y/y to \$184 as we continued to expand wallet share among our buyers. High-value buyers, those with annual spend per buyer of over \$500, continued to grow in Q2'20



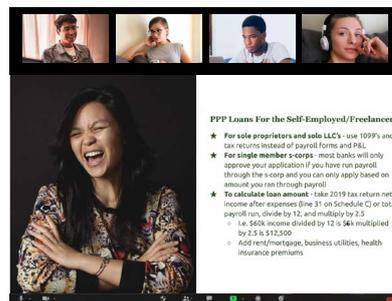
**FIVERR ON TV**

We launched our first TV campaign in the U.S. across linear TV and streaming.



**72 HOUR FILM CHALLENGE**

The winner of the 72 Hour Film Challenge is a love letter to Paris during the global pandemic.



**COMMUNITY WEBINAR**

Pamela Capalad hosted a seller webinar on PPP loan applications during which over 100 questions from the live audience were answered. The event received great feedback and significantly helped our community in readiness for PPP loan applications.

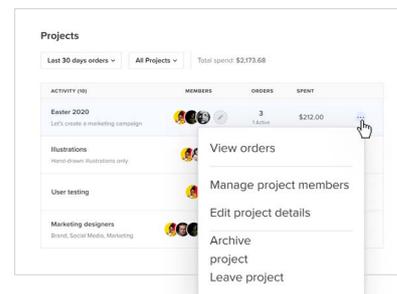
and now represent over 55% of core marketplace revenue, up from 54% in Q1'20. Strong results were driven by both an increase in spend level across our existing cohorts as well as continued improvement in lifetime value from our newest cohort.

As businesses across the world adjust to the new reality under COVID-19, Fiverr is well positioned to provide key resources and establish itself as the go-to place for remote work and digital transformation. During the quarter, we took a major step in upgrading our existing team account functionalities into a brand new, dedicated environment for business buyers to transact and collaborate on Fiverr. The new environment will allow teams within a business to create a unified **Fiverr Business** account through which users can:

- Save and share favorite freelancers with team members
- Control and track budget approval and project status, manage groups and reporting through governance and administration tools
- Communicate and collaborate with in-house team members and external freelancers seamlessly across Fiverr orders without leaving the Fiverr environment
- Access a curated freelancer supply with an additional level of quality assurance
- Access a dedicated Customer Success Manager for account setup, talent matching and other white glove services

The product is currently in its beta stage and we are incredibly excited about the official launch in September. We believe our investment in Fiverr Business comes at a particularly relevant time as businesses are increasingly adopting freelancing resources, whether to achieve more cost efficiency, to augment in-house capacity and resources, or to expand in-house domain expertise, as many face the challenges of digitally transforming their businesses in a short period of time.

Many Fiverr teams have already started to adopt the beta product. The screenshot on the sidebar is one of the examples from the product team. Team leaders have clear visibility on the status of all projects, can easily manage budgets, invite team members, and track everything in one place instead of manually using a spreadsheet. Comments and edits on draft documents can now be managed directly in Fiverr Business instead of downloading the file from the marketplace and uploading to Google Docs or Slack for group collaboration. And finding the



### FIVERR BUSINESS - PROJECTS DASHBOARD

An example of how Fiverr's product team uses the latest Projects dashboard to manage workflow and team budget, as well as collaborate with freelancers on Fiverr's marketplace.

right freelancer for the task at hand has never been easier or faster - leveraging the collective wisdom of the entire team, which in turn results in a better customer experience, more utilization and more spend on the marketplace.

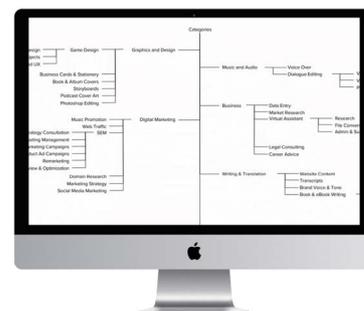
For us, going upmarket is not only about delivering powerful tools to the demand side, but also about improving quality, accommodating more complex services, and penetrating into larger service providers on the supply side. Agencies play an important role in terms of both garnering digital service budgets from businesses as well as empowering and providing opportunities for freelancers. Therefore, expanding our penetration into agencies will help both supply and demand and increase the overall network effect on our marketplace. We believe the best way to create great product offerings for agencies on Fiverr is to integrate someone with deep talent and industry knowledge. With that in mind, in July 2020, we completed an acquisition of a boutique digital marketing agency, SLT Consulting, specializing in social media marketing, search and SEO, and brand and content marketing. The transaction is financially immaterial, but strategically an important one for Fiverr. We expect to provide you with more color on agency related initiatives in the coming quarters.

### #3 Expand our Gig catalog

Our expansive and ever growing service catalog continues to be our key competitive advantage. During Q2'20, we launched **nearly 30 new categories** and added depth in certain popular areas including e-commerce management, social media marketing and music and music videos. We now have over 400 categories on our marketplace.

We continued to see categories related to e-commerce, content creation and digital marketing benefitting from the increasing business demand for digital transformation. For example, in Q2'20, GMV from e-commerce development nearly tripled from Q2'19, short video ads and video editing more than doubled, and content marketing grew over 7 times. Gaming related categories also grew substantially. For example, game development grew a whopping 9 times compared to Q2'19.

In the past few months, we've also seen a surge of new sellers coming to our marketplace as a result of stay-at-home restrictions and increasing unemployment rate. Compared to pre-pandemic times, the new supply on our marketplace skewed towards higher quality. Supply Height, an internal code name for a series of strategies and processes that we've put in place since the



#### CATEGORY EXPANSION

Fiverr added nearly 30 new categories in Q2'20 and reached over 400 categories on its marketplace.

beginning of year has turned out to be timely and effective in helping our marketplace absorb the new supply. Some of these initiatives include:

- Adding dynamic exposure to new sellers throughout the marketplace based on quantity and quality of new supply
- Optimizing entry and exit criteria for Rising Talent program
- Incorporating Fiverr’s Choice as the next ladder into the onboarding program as new sellers graduate from Rising Talent
- Fast track seller onboarding in categories with identified shortage of supply
- Hosting a series of **seller webinars** to provide practical tips and to-do items for new sellers, on topics such as gig listing optimization, order communication, and conversion improvement

#### #4 Innovate technology and services

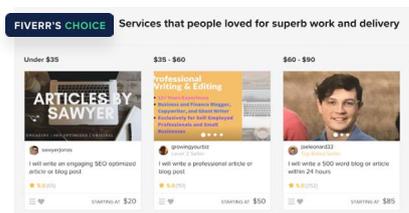
Product innovation continues to be one of the key drivers for us to constantly improve our user experience, improve quality on the marketplace, and increase monetization. Over the last few months, we developed and rolled out an improved infrastructure for search experience. The new infrastructure is able to support multiple machine learning models across different contexts such as search and category pages, and takes into account advanced user behavioral data in communication, availability and engagement metrics in addition to textual relevance. The result is an improved search experience for our buyers which leads to better search experience and higher conversion. The new infrastructure also streamlines data operations and cuts costs on data storage, which leads to more operational efficiency.

During the quarter, we also took a step further with Fiverr’s Choice program. Fiverr’s Choice are unpaid gig recommendations on our listing pages designed to help our buyers to simplify purchase decisions. Since the rollout last year, it has shown great impact in conversion and quality, and significantly lowered the miss rate on our marketplace - a comprehensive metric we use internally to gauge transactions with poor buyer experience. In Q2, we introduced **Fiverr’s Choice modalities**, taking an expanded real estate on listing pages to provide an array of gig recommendations across different price buckets. Early test signals are encouraging - not only does the program further lift the conversion rate, it also helps increase average order value as



#### SELLER WEBINAR

A recent seller webinar focused on gig optimization attracted over 150 participants.



#### FIVERR'S CHOICE MODALITIES

The upgrade of Fiverr’s Choice to provide recommendations in different price buckets adds a personal touch to the buyer experience, allowing buyers with different budget requirements to convert better.

buyers are able to make purchases more closely aligned to their budget requirements.

Lastly, an update on **Promoted Gigs**. The product continues to perform strongly in terms of both buyer and seller experience. As such, we have expanded exposure to include 2 ad slots on top search pages, rolled it out to an additional 10 categories for a total of 15 categories, and opened up access to more sellers. We also see healthy bidding activities and an increase in cost per click as a result of increasing competition in the program. In upcoming quarters, we expect to continue iterating on algorithm improvement in order to expand category and search query coverage, increase seller exposure, while maintaining quality of the buyer experience.

### #5 Expand our geographic footprint

International expansion is another key strategic initiative for us this year. We continue to expand our website into non-English languages, to build trust and remove friction for non-English buyers and expand market share outside of English speaking countries. Following the launch of three non-English websites in German, Spanish and French earlier this year, in June we launched **two newly localized sites**, in the Netherlands and in Italy. Traffic from European countries during the global pandemic remains strong and we are starting to see early results from the overseas performance marketing infrastructure that we started to invest in this year, particularly in France and Spain.

Each of the new country launches was accompanied by highly effective public relations campaigns which were incredibly well received by the local media, embracing the essential opportunities that Fiverr represents for both local businesses and freelancers. Through this activity, we reached top tier business press including *El Pais*, *El Mundo* and *Cinco Dias* in Spain, *De Telegraaf* and *Algemeen Dagblad* in the Netherlands, and *Corriere Della Sera* and *Il Sole 24 Ore* in Italy, along with multiple radio and TV stories.

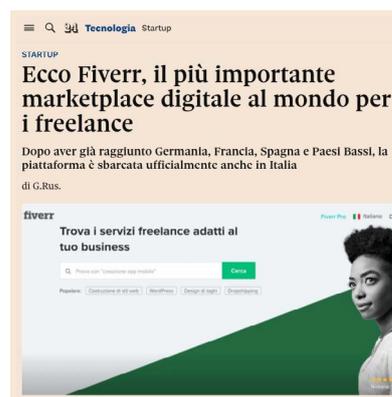
During the quarter, we launched localized mobile apps in German and Spanish that support all marketplace abilities and provide localized experience for both buyers and sellers.



★★★★★ 4.9 (1k+ reviews)

#### HOW PROMOTED GIGS HELP SELLERS GROW ON MARKETPLACE

Since turning on Promoted Gigs in May, Christy Carlo has more than tripled her monthly income on Fiverr from roughly \$2,000 to over \$7,000. The increased order flow allowed Christy to grow from a Level 1 Seller to a Top Rated Seller in less than a month, which in turn drove more organic traffic to her gigs as well.



#### FIVERR IN ITALY

Fiverr launched it.fiverr.com in June, its fourth non-English site.

# Financial Discussion

We delivered exceptional financial results in Q2'20 with revenue increasing 82% y/y to \$47.1 million. Adjusted EBITDA was \$3.1 million or 6.7% in Adjusted EBITDA margin, the first time we reached quarterly Adjusted EBITDA profitability, marking an inflection point for our business. Unless otherwise noted, all comparisons are on a year-over-year basis.

## Revenue

Revenue for Q2'20 was \$47.1 million, up 82% from \$25.9 million in Q2'19, driven by continued growth in both active buyers and spend per buyer. The year-over-year growth rate also benefitted from the increase of our take rate, which grew to 27.0% for the 12 months ended June 30, 2020 from 26.4% for the 12 months ended June 30, 2019. Revenue during the quarter continued to be highly diversified, with no buyer contributing more than 1% of revenue, and no single category accounting for more than 15% of total revenue on the core marketplace.



## Active buyers

Our active buyer base has consistently grown over time, and Q2 was no different. In the twelve months ended June 30, 2020, our active buyers reached 2.8 million, representing 28% y/y growth. Our robust active buyer growth was driven by consistent cohort behavior and efficient marketing investments. We also continue to focus on higher lifetime value buyers by targeting those with larger budgets.



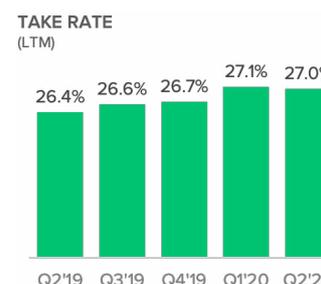
## Spend per buyer

The second driver of our revenue growth is the annual spend per buyer, or SPB. In the twelve months ended June 30, 2020, SPB grew to \$184, up 18% y/y from \$157. 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 a higher lifetime value.



## Take rate

For the twelve months ended June 30, 2020, our take rate was 27.0%, an increase of 60 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 continued growth of back-office software subscriptions, e-learning courses and content marketing subscriptions.

### Gross Profit and Margin

Gross profit on a GAAP basis for Q2'20 was \$39.2 million, up 90% from \$20.6 million in Q2'19. Gross margin was 83.1%, an increase from 79.5% in Q2'19. Non-GAAP gross margin was 84.4% in Q2'20, increasing 300 bps from 81.4% in Q2'19. The increase in gross margin was primarily driven by increasing revenue scale, complemented by the modest mix shift between core marketplace revenue and other revenues.

**GROSS MARGIN**  
(Non-GAAP)



### Operating Expenses

Total operating expenses on a GAAP basis for Q2'20 were \$39.8 million, compared to \$29.9 million in Q2'19. Non-GAAP operating expenses for Q2'20 were \$36.6 million, or 77.7% of revenue, compared to \$26.0 million, or 100.3% of revenue in Q2'19. The improvement in operating leverage represents greater efficiency as a result of increasing scale and disciplined financial strategy which led to us achieving Adjusted EBITDA profitability significantly ahead of our previous expectations.

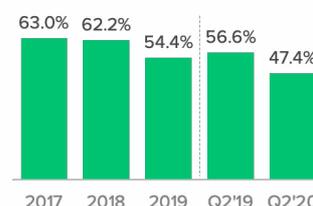
**Research and development (R&D)** expenses on a GAAP basis were \$10.5 million, or 22.3% of revenue in Q2'20. Non-GAAP research and development expenses were \$9.2 million, or 19.5% of revenue, compared to 28.6% in the prior year period. We continue to invest in improving user experience with initiatives such as Promoted Gigs, international expansion, mobile web and mobile app and category expansion.

**RESEARCH AND DEVELOPMENT**  
(Non-GAAP, as % of revenue)



**Sales and marketing (S&M)** expenses on a GAAP basis were \$23.2 million, or 49.2% of revenue in Q2'20. Non-GAAP sales and marketing expenses were \$22.3 million, or 47.4% of revenue in Q2'20, compared to 56.6% in the prior year period. We continued to gain significant sales and marketing leverage during the quarter driven by increasing scale, channel diversification and continued strong execution, which demonstrates our ability to drive marketing efficiency towards our long-term target model.

**SALES AND MARKETING**  
(Non-GAAP, as % of revenue)



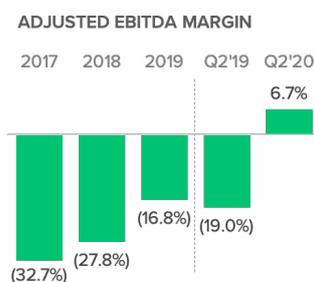
**General and administrative (G&A)** expenses on a GAAP basis were \$6.0 million, or 12.8% of revenue in Q2'20. Non-GAAP general and administrative expenses were \$5.1 million, or 10.8% of revenue in Q2'20, compared to 15.2% in the prior year period. The improved G&A leverage was primarily driven by increased revenue scale.

**GENERAL AND ADMINISTRATIVE**  
(Non-GAAP, as % of revenue)



## Net Loss and Adjusted EBITDA

Net loss on a GAAP basis in Q2'20 was \$(0.1) million, compared to \$(9.4) million in the second quarter of 2019. Adjusted EBITDA was \$3.1 million, or 6.7% of revenue in Q2 2020, compared to \$(4.9) million or (19.0)% in the second quarter of 2019. The improved Adjusted EBITDA margin was driven by increased revenue scale and improved leverage in operating expenses.



## Financial Outlook

We are introducing Q3'20 guidance and raising our full year guidance. Given these unprecedented times and the dynamic impact of COVID-19 on economies globally, we will provide investors with updated business trends as they evolve.

	Q3 2020	FY 2020
REVENUE	\$48.0 - \$49.0 million	\$177.5 - \$179.5 million
y/y growth	72 - 76%	66 - 68%
ADJUSTED EBITDA	\$2.0 - \$3.0 million	\$4.5 - \$6.5 million

---

## Conference Call Details

We will host a conference call to discuss our financial results on Wednesday, August 5, at 8:30 a.m. Eastern Time.

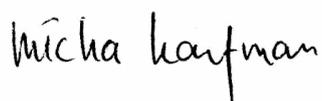
A live webcast of the call can be accessed from Fiverr's Investor Relations website. An archived version will be available on the website after the call. Investors and analysts can participate in the conference call by dialing (866) 360-3590, or (412) 317-5278 for callers outside the United States, and mention the passcode, "Fiverr." A telephonic replay of the conference call will be available until Wednesday, August 12, beginning one hour after the end of the conference call. To listen to the replay please dial (877) 344-7529, or (412) 317-0088 for callers outside the United States, and enter replay code 10145989.

### INVESTOR RELATIONS

[investors@fiverr.com](mailto:investors@fiverr.com)

### PRESS

[press@fiverr.com](mailto:press@fiverr.com)



**Micha Kaufman**

Chief Executive Officer



**Ofer Katz**

Chief Financial Officer

## CONSOLIDATED BALANCE SHEETS

(In thousands)

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 127,542	\$ 24,171
Marketable securities	44,300	88,559
User funds	84,610	55,945
Bank deposits	30,000	15,000
Restricted deposit	324	324
Other receivables	3,570	3,117
<b>Total current assets</b>	<b>290,346</b>	<b>187,116</b>
Marketable securities	87,841	21,805
Property and equipment, net	5,499	5,321
Intangible assets, net	6,048	7,188
Goodwill	11,240	11,240
Restricted deposit	3,168	3,168
Other non-current assets	471	522
<b>Total assets</b>	<b>\$ 404,613</b>	<b>\$ 236,360</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Trade payables	\$ 5,963	\$ 3,749
User accounts	79,933	53,013
Deferred revenue	5,054	3,248
Other account payables and accrued expenses	25,601	21,426
Current maturities of long-term loan	508	503
<b>Total current liabilities</b>	<b>117,059</b>	<b>81,939</b>
<b>Long-term loan and other non-current liabilities</b>	<b>3,970</b>	<b>5,612</b>
<b>Total liabilities</b>	<b>121,029</b>	<b>87,551</b>
<b>Shareholders' equity:</b>		
Share capital and additional paid-in capital	446,819	306,334
Accumulated deficit	(164,042)	(157,763)
Accumulated other comprehensive income	807	238
<b>Total shareholders' equity</b>	<b>283,584</b>	<b>148,809</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 404,613</b>	<b>\$ 236,360</b>

## CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except loss per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Revenue	\$ 47,130	\$ 25,912	\$ 81,280	\$ 49,675
Cost of revenue	7,957	5,305	14,777	10,241
Gross profit	39,173	20,607	66,503	39,434
Operating expenses:				
Research and development	10,533	8,457	20,507	16,073
Sales and marketing	23,207	15,852	41,428	31,228
General and administrative	6,031	5,621	11,621	9,977
Total operating expenses	39,771	29,930	73,556	57,278
Operating loss	(598)	(9,323)	(7,053)	(17,844)
Financial income (expense), net	491	(10)	822	204
Loss before income taxes	(107)	(9,333)	(6,231)	(17,640)
Income taxes	(17)	(20)	(48)	(26)
Net loss	(124)	(9,353)	(6,279)	(17,666)
Deemed dividend to protected ordinary shareholders	-	-	-	(632)
Net loss attributable to ordinary shareholders	(124)	(9,353)	(6,279)	(18,298)
Basic and diluted net loss per share attributable to ordinary shareholders	\$ (*)	\$ (0.88)	\$ (0.19)	\$ (2.06)
Basic and diluted weighted average ordinary shares	33,172,593	10,664,285	32,484,425	8,868,123

\* Represents amounts less than 0.01

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
<b>Operating Activities</b>				
Net loss	\$ (124)	\$ (9,353)	\$ (6,279)	\$ (17,666)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,016	910	1,981	1,717
Amortization of discount on marketable securities	(66)	-	(337)	-
Shared-based compensation	3,062	2,216	5,824	3,962
Net income from exchange rate fluctuations	19	116	213	63
Changes in assets and liabilities:				
User funds	(20,737)	(1,942)	(28,665)	(10,267)
Other receivables	(335)	(44)	113	(1,291)
Trade payables	2,764	365	2,180	876
User accounts	19,782	1,942	26,920	10,267
Deferred revenue	796	-	1,806	-
Other account payables and accrued expenses	857	2,599	3,582	4,093
Payment of contingent consideration	(1,960)	-	(1,960)	-
Non-current liabilities	164	(163)	162	(105)
Net cash provided by (used in) operating activities	<u>5,238</u>	<u>(3,354)</u>	<u>5,540</u>	<u>(8,351)</u>
<b>Investing Activities</b>				
Acquisition of business, net of cash acquired	-	-	-	(9,967)
Purchase of property and equipment	(406)	(282)	(537)	(459)
Capitalization of internal-use software	(166)	(221)	(451)	(324)
Other receivables and non-current assets	2	-	54	(122)
Bank deposits	(15,000)	(10,000)	(15,000)	(20,000)
Investment in marketable securities	(135,036)	(109,391)	(171,822)	(109,391)
Proceeds from sale of marketable securities	113,451	-	150,539	-
Net cash used in investing activities	<u>(37,155)</u>	<u>(119,894)</u>	<u>(37,217)</u>	<u>(140,263)</u>
<b>Financing Activities</b>				
Proceeds from exercise of options	2,704	485	4,652	541
Proceeds from initial public offering, net	-	117,362	-	117,362
Proceeds from issuance of protected ordinary shares, net	-	-	-	4,340
Payment of deferred issuance costs related to initial public offering	-	-	-	(405)
Proceeds from follow on offering, net	130,670	-	130,670	-
Payment of contingent consideration	(2,040)	-	(2,040)	-
Repayment of long-term loan	(124)	(116)	(244)	(228)
Tax withholding in connection with employees' options exercises	(16)	-	2,256	-
Net cash provided by financing activities	<u>131,194</u>	<u>117,731</u>	<u>135,294</u>	<u>121,610</u>
Effect of exchange rate fluctuations on cash and cash equivalents	55	(7)	(246)	161
Increase (decrease) in cash and cash equivalents	99,332	(5,524)	103,371	(26,843)
Cash and cash equivalents at the beginning of period	28,210	34,636	24,171	55,955
Cash and cash equivalents at the end of period	<u>\$ 127,542</u>	<u>\$ 29,112</u>	<u>\$ 127,542</u>	<u>\$ 29,112</u>

## KEY PERFORMANCE METRICS

	Twelve Months Ended June 30,	
	2020	2019
	(Unaudited)	
Annual active buyers (in thousands)	2,792	2,175
Annual spend per buyer (\$)	\$ 184	\$ 157

## RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(In thousands, except gross margin data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
GAAP gross profit	\$ 39,173	\$ 20,607	\$ 66,503	\$ 39,434
Add:				
Share-based compensation	87	28	157	50
Depreciation and amortization	499	450	973	856
Non-GAAP gross profit	\$ 39,759	\$ 21,085	\$ 67,633	\$ 40,340
Non-GAAP gross margin	84.4%	81.4%	83.2%	81.2%

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

(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
GAAP net loss attributable to ordinary shareholders	\$ (124)	\$ (9,353)	\$ (6,279)	\$ (18,298)
Add:				
Deemed dividend to protected ordinary shareholders	-	-	-	632
Depreciation and amortization	1,016	910	1,981	1,717
Share-based compensation	3,062	2,216	5,824	3,962
Other initial public offering related expenses	-	416	-	416
Contingent consideration revaluation and acquisition related costs	(337)	868	(466)	1,446
Non-GAAP net income (loss)	3,617	(4,943)	1,060	(10,125)
GAAP basic weighted average number of ordinary shares outstanding	33,172,593	10,664,285	32,484,425	8,868,123
Add:				
Additional weighted average shares giving effect to exchange of protected ordinary shares at the beginning of the period	-	15,959,764	-	17,266,411
Non-GAAP basic weighted average number of ordinary shares outstanding	33,172,593	26,624,049	32,484,425	26,134,534
Non-GAAP basic net income (loss) per share attributable to ordinary shareholders	\$ 0.11	\$ (0.19)	\$ 0.03	\$ (0.39)
Non-GAAP diluted weighted average number of ordinary shares outstanding	36,053,713	26,624,049	34,715,990	26,134,534
Non-GAAP diluted net income (loss) per share attributable to ordinary shareholders	\$ 0.10	\$ (0.19)	\$ 0.03	\$ (0.39)

Note: Non-GAAP basic and diluted net loss per ordinary share for the three and six months ended June 30, 2019 were calculated based on ordinary shares outstanding after accounting for the exchange of Fiverr's then outstanding protected ordinary shares into 18.7 million ordinary shares as though such event had occurred at the beginning of the periods.

## RECONCILIATION OF GAAP NET LOSS TO ADJUSTED EBITDA

(In thousands, except adjusted EBITDA margin data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
GAAP net loss	\$ (124)	\$ (9,353)	\$ (6,279)	\$ (17,666)
Add:				
Financial (income) expense, net	(491)	10	(822)	(204)
Income taxes	17	20	48	26
Depreciation and amortization	1,016	910	1,981	1,717
Share-based compensation	3,062	2,216	5,824	3,962
Other initial public offering related expenses	-	416	-	416
Contingent consideration revaluation and acquisition related costs	(337)	868	(466)	1,446
Adjusted EBITDA	\$ 3,143	\$ (4,913)	\$ 286	\$ (10,303)
Adjusted EBITDA margin	6.7%	(19.0%)	0.4%	(20.7%)

## RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
GAAP research and development	\$ 10,533	\$ 8,457	\$ 20,507	\$ 16,073
Less:				
Share-based compensation	1,202	901	2,244	1,536
Depreciation and amortization	130	109	246	212
Acquisition related costs	-	47	-	94
Non-GAAP research and development	\$ 9,201	\$ 7,400	\$ 18,017	\$ 14,231
GAAP sales and marketing	\$ 23,207	\$ 15,852	41,428	\$ 31,228
Less:				
Share-based compensation	552	467	1,079	723
Depreciation and amortization	338	308	668	564
Acquisition related costs	-	410	121	698
Non-GAAP sales and marketing	\$ 22,317	\$ 14,667	\$ 39,560	\$ 29,243
GAAP general and administrative	\$ 6,031	\$ 5,621	\$ 11,621	\$ 9,977
Less:				
Share-based compensation	1,221	820	2,344	1,653
Depreciation and amortization	49	43	94	85
Other initial public offering related expenses	-	416	-	416
Contingent consideration revaluation and acquisition related costs	(337)	411	(587)	654
Non-GAAP general and administrative	\$ 5,098	\$ 3,931	\$ 9,770	\$ 7,169

## 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.

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 to evaluate our capacity to and capital expenditures and 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.

We are not able to provide a reconciliation of Non-GAAP financial measures guidance for the third quarter of 2020, and the fiscal year 2020 to the comparable GAAP measures, because certain items that are excluded from Non-GAAP financial measures 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, and income or loss on revaluation of contingent consideration, as applicable without unreasonable efforts, and these items could significantly impact, either individually or in the aggregate, GAAP measures in the future.

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

## 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 third quarter of 2020 and the fiscal year ended December 31, 2020, our expected future Adjusted EBITDA profitability, 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: our ability to attract and retain a large community of buyers and freelancers; our ability to achieve 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 ability to maintain user engagement on our website and to maintain and improve the quality of our platform; our dependence on the interoperability of our platform with mobile operating systems that we do not control; our ability to successfully implement our business plan during a global economic downturn caused by COVID-19 pandemic that may impact the demand for our services or have a material adverse impact on our and our business partners’ financial condition and results of operations; 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 consumer data privacy and data protection; 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; our ability to achieve desired operating margins; our compliance with a wide variety of U.S. and international laws and regulations; our ability to protect our intellectual property rights and to successfully halt the operations of copycat websites or misappropriation of data; 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; our dependence on our senior management and our ability to attract new talent; 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 March 31, 2020 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 its 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 release 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 release relate only to events or information as of the date on which the statements are made in this release. 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.