

fiverr.

Q4 | 2020

Shareholder Letter

[FIVERR.COM](https://www.fiverr.com)



Alice Everdeen, Seller
Voice Over Artist
Austin, Texas



Photograph by Gary Langshaw

On the cover:

ALICE EVERDEEN, Seller

Voice Over Artist
Austin, Texas

Alice is a voice over artist on Fiverr who specializes in providing high quality audio for educational videos, TV and radio commercials, tutorials, dubbing and audiobooks.

Before joining Fiverr, Alice was an Emmy nominated writer and a voice artist working at various cable news and video production companies. The outbreak of COVID-19 upended both Alice's work and personal life and she decided to turn to Fiverr.

Since joining Fiverr in March 2020, Alice has quickly built up her reputation and client base with her excellent quality of work and active participation in various programs on the platform. After being identified as a Rising Talent, Alice attended multiple educational webinars and community events; at the same time, she actively worked with her Customer Success Manager on Gig optimization, improvements to her pricing structure, and developing strategies and techniques to manage her quickly increasing workload on Fiverr. She has also been leveraging Promoted Gigs to increase her exposure on Fiverr - so far, she has received nearly \$1,900 in orders with an advertising investment of just over \$200. In October, Alice was recognized as a Top Rated Seller after completing over 100 orders while maintaining impeccable quality standards.

To date, Alice has worked with over 500 buyers, and has earned more than \$60,000 on Fiverr. What started as a side hustle has quickly turned into her full-time job. Her clients include companies such as Honda, Toyota, and YMCA. Even Fiverr itself has been a client of hers!

"One of the most memorable projects I've completed on Fiverr was with the marketing team of a Fortune 100 technology company. We created a commercial for a new product that featured a conversation between the company's product and a competitor's product; I played the bubbly part of the company's product, who was super positive and fun!"

Fourth Quarter 2020 and Recent Highlights

- **Strong finish to 2020:** We concluded a phenomenal year with accelerating growth in Q4 - revenue grew 89% y/y and active buyers grew 45% y/y
- **Reached 500+ categories:** Fiverr added 30 new categories in Q4 and now offers digital services in more than 500 categories
- **Fiverr's first ever Super Bowl commercial:** The commercial follows a successful new brand evolution last year and introduces Fiverr to the world on one of the biggest stages
- **Initiating strong guidance for 2021:** Fiverr expects continued business momentum and is initiating strong guidance for 2021 with 46-50% revenue growth and continued improvement on adjusted EBITDA margin
- **Momentum in 2020 continues in 2021:** We expect the elevated engagement levels shown in 2020 to last well beyond the pandemic

Fourth Quarter and Full-Year 2020 Key Results

	Q4 2020		FY 2020		
REVENUE	\$55.9 million 89% y/y growth		\$189.5 million 77% y/y growth		ACTIVE BUYERS ⁽¹⁾ 3.4M 45% y/y growth
GROSS MARGIN	82.6% GAAP	83.9% NON-GAAP	82.5% GAAP	83.7% NON-GAAP	
GAAP NET LOSS	(\$8.1) million		(\$14.8) million		SPEND PER BUYER ⁽¹⁾ \$205 20% y/y growth
ADJUSTED EBITDA ⁽¹⁾	\$4.6 million		\$9.1 million		
ADJUSTED EBITDA MARGIN ⁽¹⁾	8.3% +1,960 bps y/y improvement		4.8% +2,160 bps y/y improvement		TAKE RATE ⁽¹⁾ 27.1% 40 bps y/y improvement

Financial Outlook

	Q1 2021	FY 2021
REVENUE	\$63.0-\$65.0 million 84-90% y/y growth	\$277.0-\$284.0 million 46-50% y/y growth
ADJUSTED EBITDA ⁽¹⁾	(\$4.0)-(\$3.0) million	\$16.0-\$21.0 million

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

ESG Highlights

Our mission is to change how the world works together. We strive to empower our community of buyers and sellers through technology and build a business with a positive social, economic, and environmental impact. We highlight four pillars of our ESG strategy below, and we expect to provide additional transparency and regular updates to our shareholders as our ESG work matures.



Creating fair economic and social opportunities

Fostering a level playing field and provide economic and business opportunities for talent across the world

Females earn

9%

more on average than males on Fiverr's marketplace



Marketplace integrity and ethics

Holding high quality and integrity standards on our marketplace

79

NPS score for sellers on the Fiverr platform



Empower our people

Building diverse and inclusive workforces and company culture

50%

of our senior management are women



Climate change

Contribute towards efforts to reduce global carbon footprint through our platform that allows our community to work together without the need for travel

85%⁽¹⁾

of freelancers on Fiverr work from home, reducing the need for daily commuting

(1) Represents freelancers on Fiverr that were active between January 2019 through January 2020

To Our Shareholders,

2020 was a year of outstanding growth for Fiverr. We ended the year on a strong note with Q4 revenue growth accelerating to 89% y/y and an adjusted EBITDA margin of 8.3%, an improvement of 1,960 bps from Q4'19. We grew our active buyers to over 3.4 million, representing an accelerating growth of 45% y/y. Spend per buyer continued to expand with strong cohort behavior, up 20% y/y to \$205. Looking back, we have now delivered seven straight quarters of accelerating revenue growth since Fiverr went public in 2019. This speaks to the resilience of our business model, consistent execution of our team, as well as the expansive opportunity in the freelancing space we operate in. Even during one of the most challenging years the world has known, we grew our buyer and seller communities while successfully investing and executing on our core business strategy. We believe that the accelerated adoption of digital transformation and remote work will allow us to exit the pandemic stronger than before.

2020 marked a second wave of digital transformation where businesses not only need an online presence but a holistic digital strategy to drive their businesses forward. We are also witnessing the dawn of a massive shift towards a more modern, flexible and resilient workforce infrastructure that is sweeping every company and every industry around the globe. Fiverr is powering these shifts with the world's largest freelancer network and most comprehensive digital service catalog.

While 2020 was an incredible year, I am excited about what lies ahead in 2021. We saw record levels of traffic and buyer registration in January as the strong momentum of 2020 continued into the new year. Our first Super Bowl ad aired in February bringing the Fiverr brand to the forefront of the global stage, and we look forward to continuing investing in our brand throughout the rest of the year.

We are also increasingly conscious of our social and corporate responsibilities as our company and our shareholder base grows. We have built out our Environmental, Social and Governance (ESG) processes and framework and will be releasing a comprehensive ESG report in accordance with the SASB standard later this year.

In closing, I'm incredibly excited about Fiverr's momentum going into 2021, we've captured only a small percentage of the opportunity, and we see decades of growth ahead of us as this market evolves. The momentum that we've seen so far, and the continued strength in our cohorts, gives us the confidence to provide strong full-year 2021 guidance amid continued uncertainty of COVID-19. We are investing diligently to support our dynamic growth and meet these needs in the coming years and we are confident in our ability to execute towards our strategy and build a long-term and sustainable business.

Growth Strategies and Recent Progress

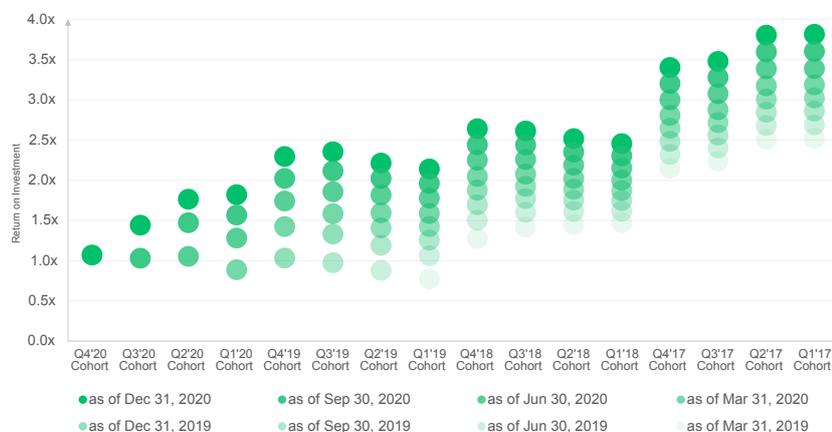
Recent updates regarding our key growth drivers and progress made in each area as we continue to grow and capture market share are as follows:

1. Bring new buyers onto the platform

In the twelve months ended December 31, 2020, active buyers grew 45% y/y to 3.4 million, accelerating from 37% y/y growth in Q3'20. We have continued to aggressively invest across multiple channels with tremendous efficiency. Historically, over the eight quarters ending December 31, 2020, we have been able to consistently achieve tROI of less than six months. Our time to return on **performance marketing investment** for the quarter, or tROI, reached 1.1x, marking the third consecutive quarter in which we recovered our quarterly marketing cost within approximately three months time. This efficiency has been driven by a combination of continued channel diversification and optimization, category expansion, strong organic trends and an attractive performance marketing environment.

Not only have we been able to acquire outsized new buyer cohorts for the last three quarters, we are also encouraged to see that the quality of those cohorts has been very consistent to those of historical cohorts. The Q2'20 and Q3'20 cohorts have now reached a cumulative ROI of 1.8x and 1.4x respectively, both slightly ahead of a typical cohort.

CUMULATIVE REVENUE TO PERFORMANCE MARKETING INVESTMENT RATIOS



EFFICIENCY FOR PERFORMANCE MARKETING INVESTMENTS AS COHORTS SEASON OVER TIME

As of December 31, 2020, revenue from the Q4'20 cohort amounted to 1.1x of our performance marketing investments in the same period.

During 2020, we experienced a significant increase in Fiverr's brand awareness. Based on a recent study conducted by Qualtrics, Fiverr ranked #1 in unaided brand awareness among freelancing marketplaces for small and medium sized businesses, and experienced the biggest increase in awareness in 2020 as compared to other freelancing marketplaces. Our increased branding investments throughout the year, our foray into TV advertising, as well as the new brand identity and brand campaign all contributed to the uplift in 2020. Following the momentum we experienced in 2020, we had a great start to 2021 with our first [Super Bowl campaign](#). The 30-second spot is estimated to have been viewed by nearly 100 million people on that day, and continued to gain media attention and expand our reach in the following days and weeks. Early data also shows strong engagement and momentum across social media. The Super Bowl campaign will be the catalyst for a cross-platform branding campaign with gradual release of tailored content throughout the year.

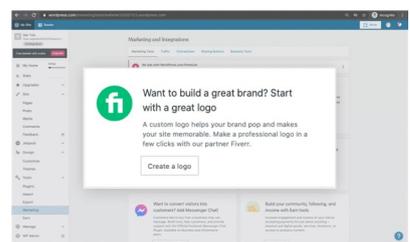
Some additional marketing highlights include:

- We launched [integrations with Wordpress.com](#) and Lightricks, providing website owners and small businesses direct access to Fiverr's products, such as Fiverr Logo Maker. These integrations expand Fiverr's buyer acquisition channels at an attractive cost.
- While filming our TV advertising and marketing campaign last year featuring three local Nashville businesses, we discovered a story that we wanted to help give a voice to. We produced a short documentary film ["Out North"](#) the story of North Nashville (specifically the zip code 37208), a neighborhood that has become a victim of gentrification and institutionalized racism resulting in the highest per-capita incarceration in the country. The film shines a positive light on a group of activists and entrepreneurs that are investing into rebuilding the community and breaking the school-to-prison pipeline. This is deeply aligned with our brand purpose of "creating opportunities for anyone to build their business, brand or dreams".
- In Q4'20 we hosted 70 virtual community events and workshops with attendees from around the world, engaging more than 20,000 community members. We also launched a dedicated diversity and inclusion program to engage our community with relevant discussions.



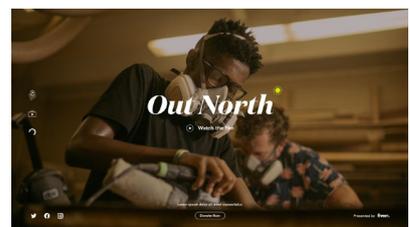
FIVERR AT THE SUPER BOWL

The ad is an evolution of Fiverr's recently launched ad campaign, "It Starts Here," which features small businesses as they navigate digital transformation



WORDPRESS INTEGRATION

Millions of website ownerships on Wordpress can now easily access Fiverr's products and embed them into their website.



OUT NORTH

A story rooted in civil rights, overcoming disaster and the legacies of institutionalized racism, and committing to creating a more resilient culture in the face of a changing city.

2. Go upmarket

In the twelve months ended December 31, 2020, spend per buyer on our platform increased 20% y/y to \$205 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 from the previous quarter and now represent over 58% of core marketplace revenues, up from 57% in Q3'20. Strong results were driven by both an increase in spend level across all our existing cohorts as well as continued improvement in the lifetime value from our newest cohort.

All **annual cohorts** experienced an elevated level of spending in 2020. Unlike our historical pattern, where an annual cohort stabilizes and begins contributing a consistent stream of revenue from the second year onwards, in 2020, all 2018 and older cohorts experienced an uplift of an average of 15% in spend from the previous stabilized levels. For the 2019 cohort, revenue retention was over 70%, higher than a typical cohort.

We believe the impact of COVID-19 should drive a long-term sustainable tailwind for freelancing services and investments in digital channels. To understand the underlying drivers for the elevated spend on our marketplace, we conducted a research recently which surveyed over 600 small and medium sized businesses. The research shows that freelancer hiring budgets increased an average of 56% in 2020 as compared to 2019. This growth was even higher for small businesses with fewer than 10 employees - on average, their freelancer spend more than doubled in 2020. We believe the global stay-at-home orders have forced SMBs to build and expand their online presence and become more sophisticated in their digital strategy, which translated into increased investments across all digital services and particularly in website development, SEO/SEM, content marketing, social media marketing, and creative and design services.

We continued to make progress on our long-term upmarket initiatives. Several months into the launch of **Fiverr Business** in September 2020, thousands of buyers from the marketplace have registered for a business account to take advantage of the advanced tools that the Fiverr Business environment offers. Among these tools, buyers value the white glove services offered by Customer Success Managers including account setup and talent matching services. They are also highly engaged in the new live chat function that we introduced in January - over 30% of Fiverr Business customers used live

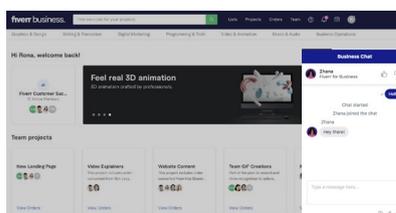
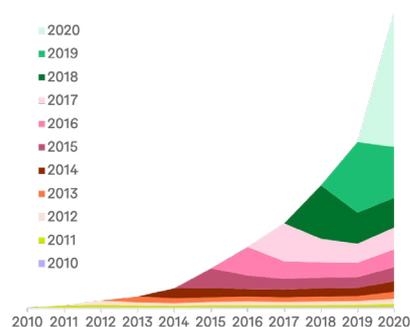


MOVING BEYOND BIAS: MARKETING THAT MATTERS

As part of our diversity and inclusion program, Fiverr hosted a virtual session with over 300 attendees to discuss tips and best practices for identifying and overcoming bias in marketing in order to create breakthrough marketing that leads to great sales and consumer confidence.

ALL COHORTS EXPERIENCED ELEVATED SPEND LEVEL IN 2020

Revenue composition by annual cohort 2010-2020



FIVERR BUSINESS

Fiverr Business introduced a new live chat function that was well received by customers.

chat throughout the order process, resulting in an uplift of 40% in the conversion rates for those orders. Although it is still a very new initiative, early signals suggest that buyers increase their monthly order rate after adopting Fiverr Business.

We also continue to push upmarket initiatives on the supply side to improve quality and expand into more complex projects through both organic and inorganic initiatives. We recently completed the acquisition of Working Not Working, one of the largest and most reputable creative talent networks consisting of tens of thousands of freelancers. With the acquisition, we are looking to expand our penetration into the digital marketing vertical and to build AI-powered technology and tools to drastically reduce the friction of building creative teams and execute creative projects for brands and agencies.

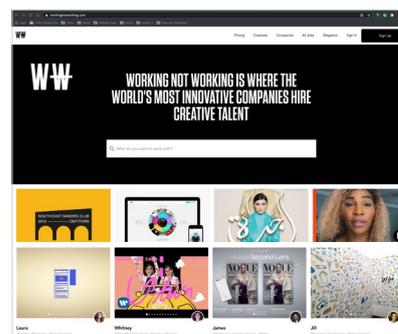
3. Expand our Gig catalog

Our expansive and ever growing service catalog continues to be a key competitive advantage for Fiverr. During Q4'20, we added 30 new categories, bringing the total number of categories on Fiverr to above 500. We also opened **Fiverr's Fashion Store** that includes services such as 3D garment design, jewelry design, label and hang tags, as well as fashion styling and photography. We continue to see categories related to e-commerce, content creation and digital marketing benefit from the increasing business demand for digital transformation, with particular strength in e-commerce development (+119% y/y), desktop apps (+164% y/y) and video marketing (+136% y/y).

Our marketplace catalog underwent a stress test in 2020 when we saw significant growth in new sellers and increased transaction volume. We have been able to scale while improving the buyer and seller experience, thanks to the operational improvements we executed throughout the year around supply vetting, marketplace integrity, catalog management and quality algorithms. As of December 31, 2020, our net promoter score (NPS) for buyers remained at 67 and NPS for sellers increased slightly to 79 from 78.

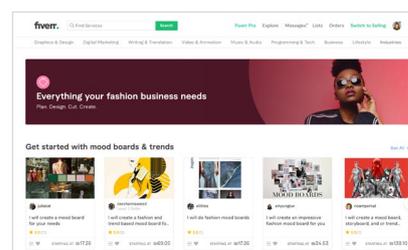
4. Innovate technology and services

Technology is at the heart of everything we do, and we strive to continue providing value-added products and tools to improve the experience of our buyers and sellers. **Project milestones** and recurring purchase options are now officially live to the broader buyer traffic. While still early in the adoption phase, we have seen that orders that involve multiple milestones are



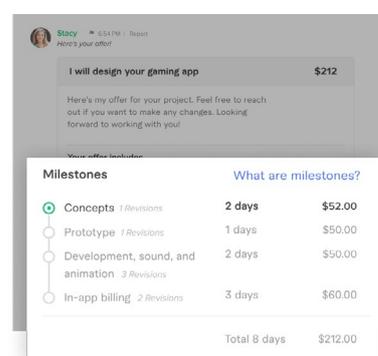
WORKING NOT WORKING

This acquisition expands our penetration into high quality creatives and freelancers and gives them the opportunity to tap into our technology and know-how to help them bring global demand to their community.



FIVERR'S FASHION STORE

Fiverr's collection of fashion services provide the perfect fit for entrepreneurs and SMBs to grow their fashion business, from idea to runway.



PROJECT MILESTONES

Larger and more complex projects can now be completed in multiple steps, giving both buyers and sellers more control and flexibility.

typically larger and more complex - the ticket size is on average 10 times bigger and duration four times longer than an average marketplace order. Milestone projects also meaningfully improve conversion rates for custom orders that are over \$500.

Subscriptions has officially been launched to the broader buyer community. It is currently available in eight categories, including Social Media, SEO and Voice Over, and buyers can now purchase services in those categories in the recurring fashion for 3-6 months. We believe this product will help drive buyers stickiness and loyalty to the platform.

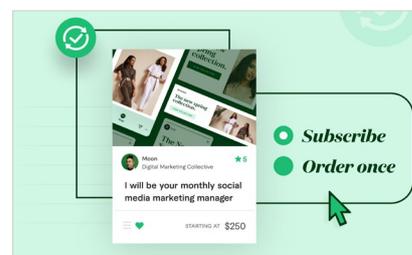
We've continued to expand **Promoted Gigs** exposure across the marketplace. Promoted Gigs are now available in all 500+ categories on Fiverr, a significant increase from 60+ categories in Q3'20. In addition, for many categories in which we have robust seller participation, we have expanded Promoted Gigs across the entire first row of the first listing page, instead of just two out of the four slots previously. We also optimized the ad badge format during the quarter, resulting in a meaningful improvement in click-through rates of the advertised gigs. In addition to advertising products, we are also planning on a comprehensive suite of seller tools to both increase sellers' exposure to the marketplace and to enable them to build a long-term sustainable freelance career.

Last but not the least, we made some meaningful updates on the infrastructure level to improve the underlying structure of the order model and order page which allows us to be more nimble in enabling new products such as milestones and subscription products. We also improved the page load time of logged in homepage on desktop and mobile web which led to a reduction of bounce rate and incremental benefits for SEO/SEM.

5. Expand our geographic footprint

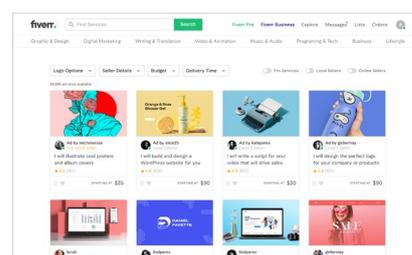
We remain laser focused on improving the product experience and expanding our marketing efforts internationally. During the quarter, we built a linguist team of experts for each of the six non-English languages we support today in order to culturally adapt our websites to the localized markets. Over the coming quarters, we are focusing on a number of initiatives including:

- Define the right tone of voice and create localized glossary to enhance the machine translation
- Finetune copywriting and create localized content for



SUBSCRIPTIONS

Allowing customers to subscribe to these services rather than having to purchase over and over again gives them peace of mind that the work will get done on a consistent basis and frees them up to focus on other necessary to-do's.



PROMOTED GIGS

Promoted Gigs expanded exposure to the entire first row of the first listing page for many categories.

cross-channel marketing activities such as Affiliate program, social media, and digital marketing

- Improve localized search experience by aligning localized keywords with our core marketplace catalog and implement localized auto-complete functions

We had significant international marketing activity as well in the fourth quarter. We ran several multi-city **TV campaigns** in Germany, Australia, and the UK, and the results have been positive so far. We've seen an uplift in registrations of new buyers joining the platform. For example, after entering Germany a little over a year ago, we've seen significant increase in our local awareness and growth of local communities of buyers and sellers.

Conversion on the local German site is slightly higher than on the English-only site, and we're encouraged by this and will continue expanding this playbook as we continue our expansion into other countries.



FIVERR IN GERMANY

Fiverr did a multi-city TV campaign in Germany, Australia, and the UK.

Financial Discussion

We delivered exceptional financial results in Q4'20 with revenue increasing 89% y/y to \$55.9 million. Adjusted EBITDA was \$4.6 million or 8.3% in adjusted EBITDA margin. Unless otherwise noted, all comparisons are on a year-over-year basis.

Revenue

Revenue for Q4'20 was \$55.9 million, up 89% from \$29.5 million in Q4'19, driven by continued growth in active buyers, spend per buyer and take rate. 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.

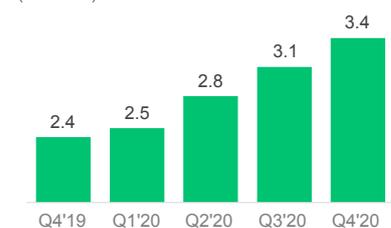
REVENUE
(in millions)



Active Buyers

Our active buyer base has consistently grown over time, and Q4 was no different. In the twelve months ended December 31, 2020, our active buyers reached 3.4 million, representing 45% y/y growth. Our robust active buyer growth was driven by strong cohort behavior and efficient marketing investments. We also continue to focus on higher lifetime value by targeting buyers with larger budgets.

ACTIVE BUYERS
(in millions)



Spend Per Buyer

The second driver of our revenue growth is the annual spend per buyer, or SPB. In the twelve months ended December 31, 2020, SPB grew to \$205, up 20% y/y from \$170. 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.

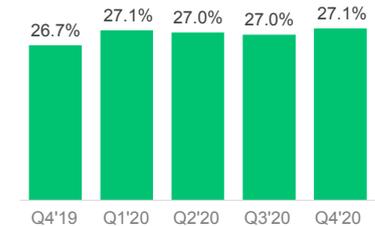
SPEND PER BUYER
(\$)



Take Rate

For the twelve months ended December 31, 2020, our take rate was 27.1%, an increase of 40 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.

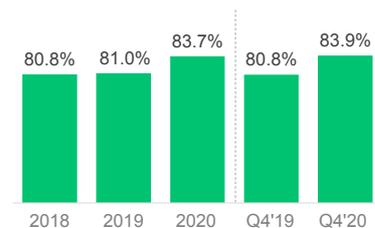
TAKE RATE
(LTM)



Gross Profit and Margin

Gross profit on a GAAP basis for Q4'20 was \$46.2 million, up 97.3% from \$23.4 million in Q4'19. Gross margin was 82.6%, an increase from 79.3% in Q4'19. Non-GAAP gross margin was 83.9% in Q4'20, increasing 310 bps from 80.8% in Q4'19. 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 Q4'20 were \$50.0 million, compared to \$31.5 million in Q4'19. Non-GAAP operating expenses for Q4'20 were \$42.2 million, or 75.6% of revenue, compared to \$27.2 million, or 92.0% of revenue in Q4'19. The improvement in operating leverage represents greater efficiency as a result of increasing scale and disciplined financial strategy which led to us to achieve adjusted EBITDA profitability significantly ahead of our previous expectations.

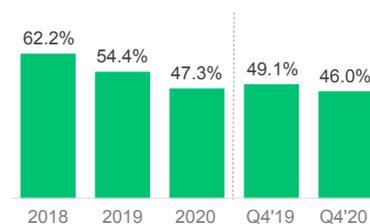
Research and Development (R&D) expenses on a GAAP basis were \$13.6 million, or 24.3% of revenue in Q4'20. Non-GAAP research and development expenses were \$11.1 million, or 19.8% of revenue, compared to 28.4% in the prior year period. We continue to invest in improving user experience with initiatives such as Promoted Gigs, international expansion, mobile web and mobile app, and category expansion.

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



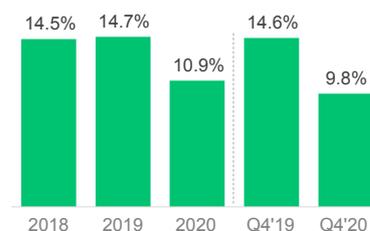
Sales and Marketing (S&M) expenses on a GAAP basis were \$27.4 million, or 49.0% of revenue in Q4'20. Non-GAAP sales and marketing expenses were \$25.7 million, or 46.0% of revenue in Q4'20, compared to 49.1% in the prior year period. We continued to gain significant sales and marketing leverage during 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 \$9.0 million, or 16.1% of revenue in Q4'20. Non-GAAP general and administrative expenses were \$5.5 million, or 9.8% of revenue in Q4'20, compared to 14.6% in the prior year period. The improved G&A leverage was primarily driven by increased revenue scale.

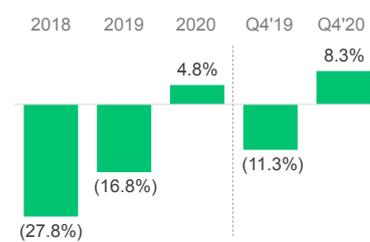
GENERAL AND ADMINISTRATIVE
(Non-GAAP, as % of revenue)



Net Loss and Adjusted EBITDA

Net loss on a GAAP basis in Q4'20 was (\$8.1) million, compared to (\$7.4) million in the fourth quarter of 2019. Adjusted EBITDA was \$4.6 million, or 8.3% of revenue in Q4 2020, compared to (\$3.3) million or (11.3%) in the fourth quarter of 2019. The improved EBITDA margin was driven by increased revenue scale and improved leverage in operating expenses.

ADJUSTED EBITDA MARGIN



Financial Outlook

We are introducing strong Q1'21 and full-year 2021 guidance, as business momentum in 2020 continues into 2021. The Super Bowl commercial is expected to result in a one-time expense of \$8 million in Q1'21 and we expect to continue gaining operating leverage throughout the year. Given the uncertainty of the ongoing impact and unprecedented conditions surrounding the COVID-19 pandemic on economies globally, we will provide investors with updated business trends as they evolve.

Guidance:

	Q1 2021	FY 2021
REVENUE	\$63.0 - \$65.0 million	\$277.0 - \$284.0 million
y/y growth	84 - 90%	46 - 50%
ADJUSTED EBITDA	(\$4.0) - (\$3.0) million	\$16.0 - \$21.0 million

Conference Call Details

Fiverr's management will host a conference call to discuss its financial results on Thursday, February 18, 2021 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 Thursday, February 25, 2021, 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 10150856.

INVESTOR RELATIONS
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PRESS
press@fiverr.com



Micha Kaufman
Chief Executive Officer



Ofer Katz
Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 268,030	\$ 24,171
Marketable securities	129,372	88,559
User funds	97,984	55,945
Bank deposits	90,000	15,000
Restricted deposit	346	324
Other receivables	5,418	3,117
Total current assets	591,150	187,116
Marketable securities	228,048	21,805
Operating lease right of use asset	15,611	-
Property and equipment, net	6,265	5,321
Intangible assets, net	5,884	7,188
Goodwill	11,240	11,240
Restricted deposit	2,589	3,168
Other non-current assets	415	522
Total assets	\$ 861,202	\$ 236,360
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	\$ 3,622	\$ 3,749
User accounts	92,027	53,013
Deferred revenue	5,957	3,248
Other account payables and accrued expenses	40,396	21,426
Operating lease liabilities	3,307	-
Current maturities of long-term loan	560	503
Total current liabilities	145,869	81,939
Convertible notes	352,034	-
Operating lease liabilities	13,861	-
Long-term loan and other non-current liabilities	4,035	5,612
Total liabilities	369,930	5,612
Total liabilities	\$ 515,799	\$ 87,551
Shareholders' equity:		
Share capital and additional paid-in capital	517,444	306,334
Accumulated deficit	(172,573)	(157,763)
Accumulated other comprehensive income	532	238
Total shareholders' equity	345,403	148,809
Total liabilities and shareholders' equity	\$ 861,202	\$ 236,360

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and loss per share data)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Revenue	\$ 55,885	\$ 29,531	\$ 189,510	\$ 107,073
Cost of revenue	9,703	6,120	33,188	22,224
Gross profit	46,182	23,411	156,322	84,849
Operating expenses:				
Research and development	13,570	9,322	45,719	34,483
Sales and marketing	27,403	15,663	94,379	62,750
General and administrative	8,983	6,495	28,034	22,366
Total operating expenses	49,956	31,480	168,132	119,599
Operating loss	(3,774)	(8,069)	(11,810)	(34,750)
Financial income (expenses), net	(4,192)	684	(2,800)	1,371
Loss before income taxes	(7,966)	(7,385)	(14,610)	(33,379)
Income taxes	(111)	(54)	(200)	(160)
Net loss	\$ (8,077)	\$ (7,439)	\$ (14,810)	\$ (33,539)
Deemed dividend to protected ordinary shareholders	-	-	-	(632)
Net loss attributable to ordinary shareholders	\$ (8,077)	\$ (7,439)	\$ (14,810)	\$ (34,171)
Basic and diluted net loss per share attributable to ordinary shareholders	\$ (0.23)	\$ (0.23)	\$ (0.46)	\$ (1.67)
Basic and diluted weighted average ordinary shares	35,643,919	31,900,413	32,323,636	20,503,893

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Operating Activities				
Net loss	\$ (8,077)	\$ (7,439)	\$ (14,810)	\$ (33,539)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,227	893	4,338	3,571
Amortization of discount of marketable securities	933	(430)	1,091	(988)
Shared-based compensation	6,235	2,337	15,815	8,899
Net income (loss) from exchange rate fluctuations	(987)	(67)	(1,076)	65
Changes in assets and liabilities:				
User funds	(4,831)	(1,245)	(42,039)	(16,209)
Operating lease ROU assets and liabilities, net	1,068	-	1,068	-
Amortization of discount and issuance costs of convertible notes	4,036	-	4,036	-
Other receivables	(1,446)	(232)	(1,777)	(1,583)
Trade payables	(2,404)	1,750	(127)	240
User accounts	4,653	(1,687)	39,014	13,277
Deferred revenue	120	3,248	2,680	3,248
Other account payables and accrued expenses	4,206	(372)	10,674	8,677
Payment of contingent consideration	-	-	(1,960)	-
Non-current liabilities	45	336	208	398
Net cash provided by (used in) operating activities	4,778	(2,908)	17,135	(13,944)
Investing Activities				
Acquisition of business, net	-	-	-	(9,967)
Acquisition of intangible asset	-	-	(1,230)	-
Purchase of property and equipment	(1,041)	(181)	(2,094)	(1,016)
Capitalization of internal-use software	(64)	(216)	(711)	(739)
Other receivables and non-current assets	39	(29)	107	(40)
Bank and Restricted deposits	(49,443)	5,000	(74,443)	(15,000)
Investment in marketable securities	(235,229)	(69,954)	(431,176)	(214,306)
Proceeds from sale of marketable securities	25,800	69,993	183,190	104,990
Net cash provided by (used in) investing activities	(259,938)	4,613	(326,357)	(136,078)
Financing Activities				
Proceeds from exercise of options	2,696	200	9,189	773
Proceeds from initial public offering, net	-	(452)	-	113,350
Proceeds from issuance of protected ordinary shares, net	-	-	-	4,340
Proceeds from follow on offering, net	(40)	-	129,853	-
Proceeds from issuance of convertible notes, net	447,264	-	447,264	-
Purchase of capped call	(43,240)	-	(43,240)	-
Payment of contingent consideration	-	-	(2,040)	-
Repayment of long-term loan	(152)	(123)	(524)	(470)
Tax withholding in connection with employees' options exercises	9,528	-	11,311	-
Net cash provided by (used in) financing activities	416,056	(375)	551,813	117,993
Effect of exchange rate fluctuations on cash and cash equivalents	1,170	100	1,268	245
Increase (decrease) in cash and cash equivalents	162,066	1,430	243,859	(31,784)
Cash and cash equivalents at the beginning of period	105,964	22,741	24,171	55,955
Cash and cash equivalents at the end of period	\$ 268,030	\$ 24,171	\$ 268,030	\$ 24,171

KEY PERFORMANCE METRICS

	Twelve Months Ended	
	December 31,	
	2020	2019
Annual active buyers (in thousands)	3,418	2,352
Annual spend per buyer (\$)	\$ 205	\$ 170

RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(In thousands, except gross margin data)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
GAAP gross profit	\$ 46,182	\$ 23,411	\$ 156,322	\$ 84,849
Add:				
Share-based compensation	172	49	384	142
Depreciation and amortization	506	393	1,962	1,728
Non-GAAP gross profit	\$ 46,860	\$ 23,853	\$ 158,668	\$ 86,719
Non-GAAP gross margin	83.9%	80.8%	83.7%	81.0%

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		Year Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
GAAP net loss attributable to ordinary shareholders	\$ (8,077)	\$ (7,439)	\$ (14,810)	\$ (34,171)
Add:				
Deemed dividend to protected ordinary shareholders	-	-	-	632
Depreciation and amortization	1,227	893	4,338	3,571
Share-based compensation	6,235	2,337	15,815	8,899
Other initial public offering related expenses	-	-	-	416
Contingent consideration revaluation and acquisition related costs	932	1,509	768	3,873
Convertible notes amortization of discount and issuance costs	4,036	-	4,036	-
Exchange rate loss, net	416	-	262	-
Non-GAAP net income (loss)	\$ 4,769	\$ (2,700)	\$ 10,409	\$ (16,780)
GAAP basic weighted average number of ordinary shares outstanding	35,643,919	31,900,413	32,323,636	20,503,893
Add:				
Additional weighted average shares giving effect to exchange of protected ordinary shares at the beginning of the period	-	-	-	8,596,606
Non-GAAP basic weighted average number of ordinary shares outstanding	35,643,919	31,900,413	32,323,636	29,100,499
Non-GAAP basic net income (loss) per share attributable to ordinary shareholders	\$ 0.13	\$ (0.08)	\$ 0.32	\$ (0.58)
Non-GAAP diluted weighted average number of ordinary shares outstanding	41,176,573	31,900,413	35,607,317	29,100,499
Non-GAAP diluted net income (loss) per share attributable to ordinary shareholders	\$ 0.12	\$ (0.08)	\$ 0.29	\$ (0.58)

Note: Non-GAAP basic and diluted net loss per share attributable to ordinary shareholders for the twelve months ended December 31, 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		Year Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
GAAP net loss	\$ (8,077)	\$ (7,439)	\$ (14,810)	\$ (33,539)
Add:				
Financial expense (income), net	4,192	(684)	2,800	(1,371)
Income taxes	111	54	200	160
Depreciation and amortization	1,227	893	4,338	3,571
Share-based compensation	6,235	2,337	15,815	8,899
Other initial public offering related expenses	-	-	-	416
Contingent consideration revaluation and acquisition related costs	932	1,509	768	3,873
Adjusted EBITDA	\$ 4,620	\$ (3,330)	\$ 9,111	\$ (17,991)
Adjusted EBITDA margin	8.3%	(11.3%)	4.8%	(16.8%)

RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

(In thousands)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
GAAP research and development	\$ 13,570	\$ 9,322	\$ 45,719	\$ 34,483
Less:				
Share-based compensation	2,331	811	5,842	3,197
Depreciation and amortization	156	126	551	454
Acquisition related costs	-	-	-	106
Non-GAAP research and development	\$ 11,083	\$ 8,385	\$ 39,326	\$ 30,726
GAAP sales and marketing	\$ 27,403	\$ 15,663	\$ 94,379	\$ 62,750
Less:				
Share-based compensation	1,196	488	3,084	1,853
Depreciation and amortization	513	325	1,625	1,212
Acquisition related costs	-	363	121	1,436
Non-GAAP sales and marketing	\$ 25,694	\$ 14,487	\$ 89,549	\$ 58,249
GAAP general and administrative	\$ 8,983	\$ 6,495	\$ 28,034	\$ 22,366
Less:				
Share-based compensation	2,536	989	6,505	3,707
Depreciation and amortization	52	49	200	177
Other initial public offering related expenses	-	-	-	416
Contingent consideration revaluation and acquisition related costs	932	1,146	647	2,331
Non-GAAP general and administrative	\$ 5,463	\$ 4,311	\$ 20,682	\$ 15,735

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 loss and Non-GAAP net 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 loss and Non-GAAP net 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 Adjusted EBITDA guidance for the first quarter of 2021 or the fiscal year 2021 to net loss, the comparable GAAP measure, because certain items that are excluded from Adjusted EBITDA 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 gain or loss on revaluation of contingent consideration, as applicable without unreasonable efforts, and these items could significantly impact, either individually or in the aggregate, net loss in the future.

See the tables above regarding reconciliations of these non-GAAP 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 first quarter of 2021, and the fiscal year ended December 31, 2021, 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 February 18, 2021, 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. 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.