

**fiverr.**

# Q3 | 2022

Shareholder letter

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



**Nir Ainbinder**, Buyer  
Head of Creative Studio  
Overwolf  
Tel Aviv, IL



ON THE COVER:

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Head of Creative Studio  
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Tel Aviv, IL

Nir is the Head of Creative Studio at Overwolf, an all-in-one platform for creating, sharing, and monetizing in-game apps and mods. The company has over 100 employees.

Nir joined Fiverr five years ago when he started creating marketing campaigns and needed voiceover for video ads. What started as a one-person account has evolved into eight team members on Fiverr Business. The team uses Fiverr for numerous categories including banner ad designs, video projects, 3D modeling, and Minecraft animation. Overwolf has expanded its creative production expertise by leveraging talent on Fiverr to augment its full-time employees. Specifically, they have found that talent in voice acting and sound editing significantly enhances their internal capabilities and overall production quality.

The other significant advantage of using Fiverr for the Overwolf team is that it allows them to increase their speed to market. Projects that took a month are completed in a couple of weeks. The velocity allows Overwolf's team to increase throughput, test and optimize content, and ultimately drive better business results.

Nir and his team have spent over \$22K on Fiverr across 180+ orders and engaged with 96 sellers from 23 countries.

*“Fiverr helped me and my team raise the quality of deliverables by providing access to services with quality professionals which we couldn't reach otherwise.”*

*“Using Fiverr allowed us to work on multiple projects at the same time thus creating many more assets for us to A/B test and optimize our campaigns.”*

## Third Quarter 2022 and Recent Highlights

- **Delivered strong results in Q3'22.** A strong focus and our continued financial discipline allowed us to deliver revenue at the high end of expectations and Adjusted EBITDA above expectations.
- **Accelerated pace to long-term Adjusted EBITDA margin.** Since we streamlined our workforce in July, we continued to scrutinize operating costs in terms of both marketing discipline and operational efficiency. Our Adjusted EBITDA margin of 7.9% represented a 250 bps expansion from the previous quarter and demonstrated our commitment to accelerating our pace to our long-term Adjusted EBITDA margin target of 25%.
- **Continued expansion of Promoted Gigs and Seller Plus.** Promoted Gigs continued to expand audiences and coverage; while Seller Plus introduced two-tier pricing in order to widen the adoption. Both programs contributed to the continued expansion of take rate to 30%.
- **Fiverr Business expands benefits to include project management.** The newly introduced Project Partner among Fiverr Business buyers is the latest value-added service that enables seamless experience and execution of large projects on our marketplace.

## Third Quarter 2022 Key Results

REVENUE	<b>\$82.5 million</b> 11% y/y growth	GROSS MARGIN	<b>81.1%</b> GAAP	<b>82.8%</b> NON-GAAP <sup>(1)</sup>
ACTIVE BUYERS <sup>(1)</sup>	<b>4.2 million</b> 3% y/y growth	GAAP NET LOSS	<b>(\$11.4) million</b>	
SPEND PER BUYER <sup>(1)</sup>	<b>\$262</b> 12% y/y growth	ADJUSTED EBITDA <sup>(1)</sup>	<b>\$6.6 million</b>	
TAKE RATE <sup>(1)</sup>	<b>30.0%</b> 160 bps y/y improvement	ADJUSTED EBITDA MARGIN <sup>(1)</sup>	<b>7.9%</b>	

## Financial Outlook

	Q4 2022	FY 2022	FY 2022 PRIOR GUIDANCE
REVENUE	<b>\$79.8 - \$85.8 million</b> 0-8% y/y growth	<b>\$334.0 - \$340.0 million</b> 12-14% y/y growth	<b>\$332.0 - \$340.0 million</b> 12-14% y/y growth
ADJUSTED EBITDA <sup>(1)</sup>	<b>\$7.0 - \$8.0 million</b>	<b>\$22.0 - \$23.0 million</b>	<b>\$19.5 - \$21.5 million</b>

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

# International Freelancer Day

On October 19th, Fiverr inaugurated International Freelancer Day to honor freelancers globally. Highlights of the day include:

- Fiverr and the Freelancers Union established the **Freelancer Wellness Fund** to support the well-being of freelancers across the world.
- A **global campaign launched** asking freelancers to share why they freelance. The campaign gathered well over **400,000 impressions** across social media.
- Fiverr hosted over **25 events** both in-person and virtually across the globe.



## “I freelance so that I can...”



**Kristen | Freelancer | Writer**  
@kristenjanne

I freelance so that I can prioritize spending time doing things I love, set my pricing, and connect with people all over the world on [#intlfreelancerday](#)

Oct 19, 2022 · Twitter



**Ed Jenkins**  
@Voice\_of\_Ed

As a freelancer, I haven't missed a single day of my children's lives. I haven't missed a first tooth, a first word or a first step. I get to prioritise what's truly important, and nobody makes me feel bad about it! [#intlfreelancerday](#)

Oct 19, 2022 · LinkedIn



**Savilla Khant**  
Certified Resume / CV Writer

I freelance so that I can...work in my PJs without wearing make-up. [#intlfreelancerday](#)

Oct 19, 2022 · LinkedIn



**Muhammad Turab**  
@Turaab45

I freelance so that I can be my own boss. [#intlfreelancerday](#)

Oct 19, 2022 · Twitter

**The future of work is here.  
And talent is embracing it faster than businesses.**

**\$247B**

earned by freelancers in the U.S. in 2021<sup>1</sup>

**46%**

of the total global workforce are already self-employed or freelancing<sup>2</sup>

**42%**

of employees in the US said they'd consider quitting if required to come back five days a week<sup>3</sup>

**52%**

of managers want employees to return to the office five days per week<sup>3</sup>

1 - According to Fiverr's fifth annual [Freelance Economic Impact Report](#)

2 - According to the [World Bank](#)

3 - Based on a nationwide [survey](#) conducted by Fiverr Business in partnership with Censuswide in 2022

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# To Our Shareholders,

We are pleased to deliver strong results in Q3'22, with revenue at the high end of our guidance, and Adjusted EBITDA meaningfully above our guidance. The decisive realignment and optimization actions we took in July led to strong execution during the quarter. While the macro economic environment remains highly uncertain, the third quarter largely played out as we expected, and our expectation for the fourth quarter largely remains the same as we had expected in August. It is worth noting that our Adjusted EBITDA is also indicative of the strong cash flow we are generating, and together with a healthy balance sheet, we are in a strong financial position to navigate the macroeconomic volatility.

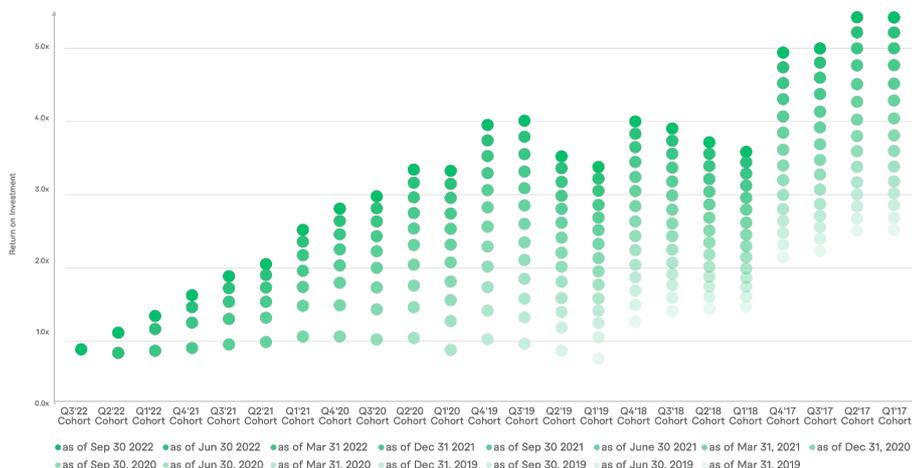
We continue to have high conviction on our ability to return to high growth mode for the long run, driven by a combination of macro cycles, industry trends and the underlying fundamentals of our business. Fiverr's unique business model and go-to-market approach dictates that our marketplace leads the overall industry in detecting market changing trends, both going into a downturn and coming out of a downturn. In addition, the overall freelancing industry leads GDP growth and full-time hiring in those economic cycles, with particularly strong momentum at the beginning of an upswing. This is coupled with the strong secular trend of moving toward a more flexible work arrangement, evidenced by our latest back-to-work survey and many other industry reports.

Most importantly, Fiverr continues to be a leading platform in driving those changes. Over 4 million buyers and hundreds of thousands of sellers continue to rely on our platform to engage with each other. We saw a record level of freelancers joining our platform in recent months as they cope with inflation and macro challenges. According to the latest customer experience survey, over three quarters of our buyers come to Fiverr for business as opposed to personal needs. Nearly 85% of our buyers recommend Fiverr to their friends or colleagues. All of this speaks to the scale at which we operate, the mission critical needs that we serve and the tremendous value we bring to our community. We have no doubt in our continuous ability to drive the future of work, and now more than ever, we are excited, committed, and focused on delivering this mission.

# Growth Strategies and Recent Progress

## 1. Bring new buyers onto the platform

In the twelve months ended September 30, 2022, active buyers grew 3% y/y to 4.2 million. Our user count has remained steady as we continue to bring new users to the platform efficiently, and as our cohorts continue to perform in a consistent manner. We remain very efficient with our performance marketing. In fact, our performance marketing efficiency improved slightly as we strengthened our discipline and adjusted our spending based on macro conditions. We were pleased that the new cohort in Q3'22 already recovered 90% of the performance marketing investments during the quarter, demonstrating our discipline as well as marketing expertise in driving scale and efficiency in an environment where the overall demand for freelancing services is damped by macro headwinds.



### CUMULATIVE REVENUE TO PERFORMANCE MARKETING INVESTMENT RATIOS

As of September 30, 2022, revenue from the Q3'22 cohort amounted to 0.9x of our performance marketing investments in the same period. Revenue from our Q3'17 cohort is 5.0x the initial performance marketing investment.

We rolled out a new brand campaign “**Team Up**”, during the quarter. The campaign highlights using the Fiverr platform as a talent access solution for larger businesses. It spotlights the benefits of embedding Fiverr freelancers into workforces, as a key advantage for businesses to work with flexible, remote talent. This campaign was distributed worldwide and was the first time we custom produced it locally in non-English speaking countries.

Another community initiative worth highlighting is the second year of our Future Collective program that aids black owned businesses in their development. This year, we were able to double the size of the program to help ten black owned businesses accelerate their growth. The program leverages all aspects of Fiverr to help the businesses. Recipients receive \$18,000 in cash, a \$6,000 Fiverr credit, mentorship and coaching with 1863 Ventures, assistance and support from the Fiverr’s CSM team, as well as promotion across Fiverr channels.



### TEAM UP

The “**Team Up**” campaign highlighted Marco as a freelancer for a mid-size company. It launched in the US, UK, Germany, Australia and France across TV, YouTube, and DV360.

We continued to build Fiverr's awareness and leadership in the freelance industry. On October 19th we coined and celebrated the inaugural **International Freelancer Day**. Over the last few years, the freelancer movement has grown as workers are seeking the benefits of working from home, being their own boss, and choosing their work projects. Around 46% of the total global workforce is self-employed; that's roughly 1.6 billion people around the world, according to the World Bank.

## 2. Go upmarket

In the twelve months ended September 30, 2022, spend per buyer on our platform increased 12% y/y to \$262. We continue our efforts to attract larger customers who have the potential to spend more and utilize a wider range of the catalog.

Fiverr Business continued to make progress in both marketing and product development. On the brand marketing side, we are building awareness through social media and podcast channels with business audiences. The "Team Up" campaign also leans into the messaging for medium size businesses and how talents on Fiverr can supplement their internal teams.

As we move upmarket, larger customers are looking to fulfill more complex projects on Fiverr. To help meet this demand, we introduced **Project Partner** to help companies effectively manage larger projects on Fiverr Business. The service is available for projects with a minimum budget of \$3,000. The project manager provides discovery calls, freelancer selection and management, timeline assurance and quality assurance. While this is done currently through our internal success managers, we are expanding the program via freelancers for future scalability.

## 3. Expand our service catalog

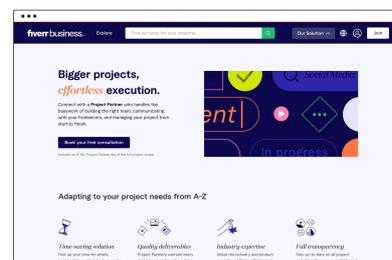
Fiverr's unique service-as-a-product catalog continues to be a key differentiation for our platform. Not only does it enable customers to transact in a more efficient manner, it also allows us to be highly efficient in our go-to-market strategy and stay on top of market trends. This is particularly meaningful during the current volatile macro environment.

Our catalog also puts the talent and skills of freelancers at the front and center, and allows Fiverr to make a meaningful contribution in reducing the gap in income inequality for minority groups. In August, Fiverr officially joined the **Valuable 500**, a global business collective made up of 500 CEOs and their companies, innovating together for disability inclusion. This puts us next to companies such as Microsoft and Mastercard to be at the forefront in driving change.



### INTERNATIONAL FREELANCER DAY

We launched the inaugural International Freelancer Day On October 19th to celebrate the freelance movement and their contributions to work.



### PROJECT PARTNER

We introduced Project Partner in Fiverr Business as part of our larger project management capabilities. The service provides a manager to facilitate complex projects with numerous gigs and provides coordination and quality assurance.



### FIVERR JOINS VALUABLE 500

In August, Fiverr officially joined the Valuable 500. Fiverr's Empower program has been hugely successfully in helping people with disabilities to build their career and establish financial independence.

Delivering a high quality experience to our customers continues to be the key focus of our marketplace. Our marketplace scaled up significantly in the past two years, and it is not a trivial task to level up our customer support operation accordingly. We are encouraged to report that we actually reduced the median response time for customer support tickets by ~75%. This speaks to the impact from a combination of improved catalog quality, increased automation implementation in systems like Zendesk, and improved process and culture of professionalism ingested in the customer care teams.

#### 4. Innovate technology and services

At Fiverr, we continue to be obsessed with building products to deliver the best customer experience. During the quarter, we continued to expand Promoted Gigs, which is now available on the mobile app as well as on the buyers' personalized recommendation carousels. We also launched a two-tier pricing strategy for **Seller Plus**, enabling more sellers to benefit from the program. On productivity tools, Zoom video conferencing integration was expanded from Fiverr Business to the entire marketplace, as we saw strong engagement from Fiverr Business customers and tremendous amount of requests from buyers outside of Fiverr Business.

During the quarter, we also introduced a partnership with **Shutterstock** to integrate their large library of high quality royalty-free licensed assets, from images, to video, to music, into sellers' offerings. This allows Fiverr's freelancers to provide higher quality offerings and improve the quality of the deliverables for businesses. With the partnership, the ability to offer these higher quality images is integrated into freelancers' offerings, increasing the likelihood for an upsell and reducing the complexity to procure high quality assets from the Shutterstock library.

#### 5. Expand our geographic footprint

International expansion continues to be a key opportunity and a long-term strategic investment. As we are strengthening our focus under the current macro backdrop, we are focusing on our internationalization efforts in Germany and France among non-English speaking countries, as well as in U.K. and Australia that are English speaking. While Europe is more severely impacted by energy price, inflation and in turn spending capacity, we believe U.K, Germany and France are strategically important, with large existing freelancing markets, and we believe the current environment provides us with an opportunity to deepen our penetration in local markets and iterate on our products. On the supply front, we continued to invest in local communities and build local awareness.

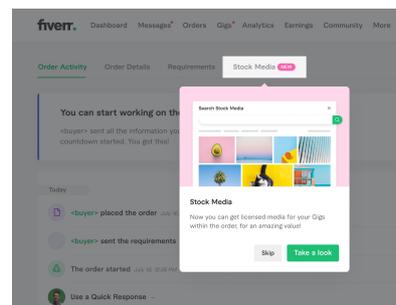
#### Seller Plus: Choose your plan

Optimize your business, stand out from the crowd, and grow your sales on Fiverr.

Standard	Premium
\$19 /month	\$39 /month
Jumpstart your business growth.	Maximize your growth with personal guidance and enhanced benefits.
Choose plan	Choose plan
<ul style="list-style-type: none"> <li>7-day payment clearance</li> <li>Advanced analytics</li> <li>Buyer activity insights</li> <li>Priority support</li> <li>Webinars and articles</li> <li>5 buyer coupons per month</li> </ul>	<ul style="list-style-type: none"> <li>7-day payment clearance</li> <li>Advanced analytics</li> <li>Buyer activity insights</li> <li>Priority support</li> <li>Webinars and articles</li> <li>20 buyer coupons per month</li> <li>Dedicated success manager</li> <li>Immediate payout (fee applies)</li> <li>Top Rated Seller priority vetting</li> </ul>

#### SELLER PLUS PRICING

We introduced two pricing tiers for Seller Plus to allow more sellers to benefit from the program.



#### SHUTTERSTOCK PARTNERSHIP

With the Shutterstock partnership, sellers can now embed high quality images in their offerings.

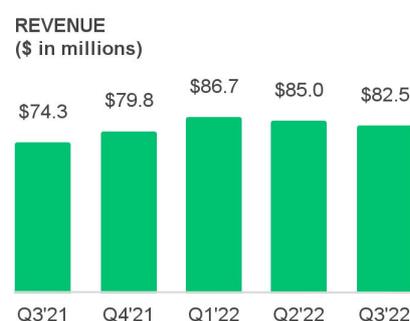
The “I speak” feature has proven incremental to conversion on local language sites. On the marketing front, we have created localized copies of our brand marketing campaign “Team Up” to tailor to each of the local markets in Germany, France, U.K. and Australia and the efforts are distributed across channels, including TV investments in Germany.

## Financial Discussion

In Q3’22 revenue increased 11% y/y to \$82.5 million. Adjusted EBITDA was \$6.6 million or 7.9% in Adjusted EBITDA margin. Unless otherwise noted, all comparisons are on a year-over-year basis.

### Revenue

Revenue for Q3’22 was \$82.5 million, up 11% from \$74.3 million in Q3’21, driven by continued growth in both active buyers and spend per buyer. The year-over-year growth rate also benefited from the increase of our take rate, which grew to 30.0% for the 12 months ended September 30, 2022 from 28.4% for the twelve months ended September 30, 2021. 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 10% of total revenue on the core marketplace and the average category representing under 1% of revenue.



### Active Buyers

In the twelve months ended September 30, 2022, our active buyers were 4.2 million, representing 3% y/y growth. Our y/y active buyer growth benefited from high levels of new buyers coming to the platform offset by reductions from large cohorts that are in their stabilization period. We also continue to focus on higher lifetime value by targeting buyers with larger budgets benefiting SPB more than active buyers.



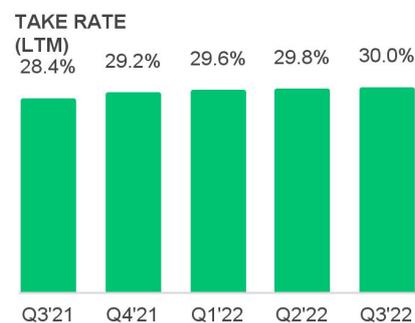
### Spend Per Buyer

The second driver of our revenue growth is the annual spend per buyer, or SPB. In the twelve months ended September 30, 2022, SPB grew to \$262, up 12% y/y from \$234. SPB is an indicator of our buyers’ purchasing patterns and is impacted by the number of active buyers, buyers purchasing from multiple categories, average price per purchase, and our ability to acquire buyers with larger budgets.



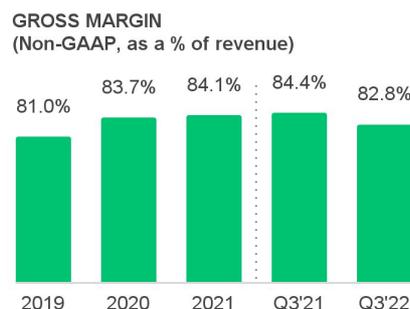
## Take Rate

For the twelve months ended September 30, 2022, our take rate was 30.0%, an increase of 160 bps y/y. We believe our industry-leading take rate reflects the value our platform delivers to both buyers and sellers. The increase in our take rate was driven by the numerous value-added services that our buyers and sellers utilize on our platform.



## Gross Profit and Margin

Gross profit on a GAAP basis for Q3'22 was \$66.9 million, up 8% from \$61.9 million in Q3'21. Gross margin was 81.1%, a decrease from 83.3% in Q3'21. Non-GAAP gross margin was 82.8% in Q3'22, a decrease of 160 basis points from 84.4% in Q3'21. We continue to enjoy strong gross margins.

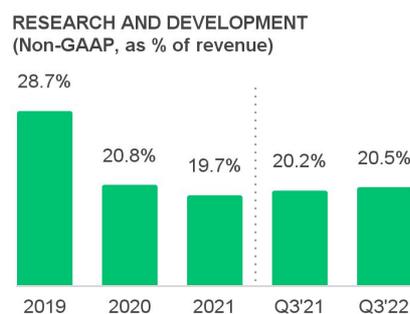


## Operating Expenses

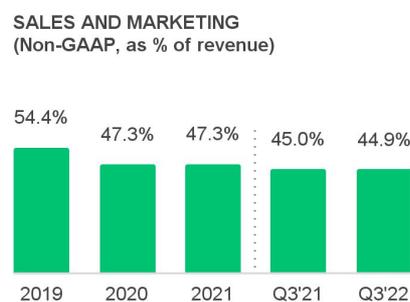
Total operating expenses on a GAAP basis for Q3'22 were \$79.4 million, compared to \$71.2 million in Q3'21. Non-GAAP operating expenses for Q3'22 were \$61.8 million, or 74.8% of revenue, compared to \$55.4 million, or 74.6% of revenue in Q3'21.

**Research and development (R&D)** expenses on a GAAP basis were \$22.9 million, or 27.8% of revenue in Q3'22. Non-GAAP research and development expenses were \$16.9 million, or 20.5% of revenue, compared to 20.2% in the prior year period.

We continue to invest in improving the user experience with initiatives such as Fiverr Business, International expansion, Seller Plus, subscriptions, mobile web and mobile app, category expansion and development of new features.

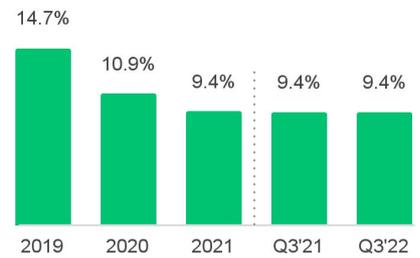


**Sales and marketing (S&M)** expenses on a GAAP basis were \$42.0 million, or 50.8% of revenue in Q3'22. Non-GAAP sales and marketing expenses were \$37.1 million, or 44.9% of revenue in Q3'22, compared to 45.0% in the prior year period. We continue to invest in our marketing efforts with discipline measuring each campaign's effectiveness. We are scaling emerging marketing platforms, looking to improve mobile effectiveness and seeking ways to attract larger Business customers to match our upmarket product efforts. We also constantly invest in brand marketing and are long-term believers in building brand awareness and trust.



**General and administrative (G&A)** expenses on a GAAP basis were \$14.5 million, or 17.6% of revenue in Q3'22. Non-GAAP general and administrative expenses were \$7.7 million, or 9.4% of revenue in Q3'22, the same as in the prior year period.

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



**Net Loss and Adjusted EBITDA**

Net loss on a GAAP basis in Q3'22 was \$11.4 million, compared to \$14.3 million in the third quarter of 2021. Adjusted EBITDA was \$6.6 million, or 7.9% of revenue in Q3'22, compared to \$7.3 million or 9.8% in the third quarter of 2021.

**ADJUSTED EBITDA MARGIN**



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## Financial Outlook

Our Q4'22 outlook and full year 2022 guidance reflects the recent trends on our marketplace and is largely consistent with our prior expectations.

	Q4 2022	FY 2022
<b>REVENUE</b>	\$79.8 - \$85.8 million	\$334.0 - \$340.0 million
y/y growth	0 - 8% y/y	12 - 14% y/y
<b>ADJUSTED EBITDA</b>	\$7.0 - \$8.0 million	\$22.0 - \$23.0 million

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## Conference Call Details

Fiverr's management will host a conference call to discuss its financial results on Wednesday, November 9, 2022 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 +1 (844) 200-6205, or +1 (929) 526-1599 for callers outside the United States, and enter passcode 988418.

### Investor Relations

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

### Press

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



**Micha Kaufman**

Founder and Chief  
Executive Officer



**Ofer Katz**

President and Chief  
Financial Officer

## CONSOLIDATED BALANCE SHEETS

(in thousands)

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 152,936	\$ 71,151
Restricted cash	-	2,919
Marketable securities	222,630	118,150
User funds	145,297	127,713
Bank deposits	95,000	134,000
Restricted deposit	1,172	35
Other receivables	18,545	14,250
<b>Total current assets</b>	<u>635,580</u>	<u>468,218</u>
Marketable securities	169,291	317,524
Property and equipment, net	6,034	6,555
Operating lease right of use asset, net	9,893	11,727
Intangible assets, net	16,305	49,221
Goodwill	77,270	77,270
Other non-current assets	2,072	1,055
<b>Total assets</b>	<u>\$ 916,445</u>	<u>\$ 931,570</u>
Liabilities and Shareholders' Equity		
<b>Current liabilities:</b>		
Trade payables	\$ 5,814	\$ 8,699
User accounts	134,965	118,616
Deferred revenue	11,616	12,145
Other account payables and accrued expenses	58,011	44,260
Operating lease liabilities, net	3,014	3,055
Current maturities of long-term loan	-	2,269
<b>Total current liabilities</b>	<u>213,420</u>	<u>189,044</u>
Long-term liabilities:		
Convertible notes	452,131	372,076
Operating lease liabilities	7,143	10,483
Long-term loan and other non-current liabilities	1,019	13,099
<b>Total long-term liabilities</b>	<u>460,293</u>	<u>395,658</u>
<b>Total liabilities</b>	<u>\$ 673,713</u>	<u>\$ 584,702</u>
Shareholders' equity:		
<b>Share capital and additional paid-in capital</b>	545,752	585,548
Accumulated deficit	(286,740)	(237,585)
Accumulated other comprehensive income (loss)	(16,280)	(1,095)
<b>Total shareholders' equity</b>	<u>242,732</u>	<u>346,868</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 916,445</u>	<u>\$ 931,570</u>

## CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
Revenue	\$ 82,541	\$ 74,324	\$ 254,236	\$ 217,907
Cost of revenue	15,631	12,436	50,134	36,510
Gross profit	66,910	61,888	204,102	181,397
Operating expenses:				
Research and development	22,938	20,490	71,235	57,469
Sales and marketing	41,959	38,298	134,151	119,121
General and administrative	14,489	12,395	43,399	36,271
Impairment of intangible assets	-	-	27,629	-
Total operating expenses	79,386	71,183	276,414	212,861
Operating loss	(12,476)	(9,295)	(72,312)	(31,464)
Financial income (expenses), net	1,162	(4,959)	2,233	(13,877)
Loss before income taxes	(11,314)	(14,254)	(70,079)	(45,341)
Income taxes	(36)	(95)	(109)	(151)
Net loss attributable to ordinary shareholders	\$ (11,350)	\$ (14,349)	\$ (70,188)	\$ (45,492)
Basic and diluted net loss per share attributable to ordinary shareholders	\$ (0.31)	\$ (0.39)	\$ (1.91)	\$ (1.27)
Basic and diluted weighted average ordinary shares	37,205,489	36,512,243	36,843,383	35,959,243

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
<b>Operating Activities</b>				
Net loss	\$ (11,350)	\$ (14,349)	\$ (70,188)	\$ (45,492)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	1,938	1,413	8,190	4,104
Loss from disposal of property and equipment	(9)	(32)	(21)	(32)
Amortization of premium and discount of marketable securities, net	1,368	2,135	5,052	5,616
Amortization of discount and issuance costs of convertible notes	632	5,040	1,894	14,917
Shared-based compensation	17,612	15,104	54,729	38,761
Net Gain from exchange rate fluctuations	12	26	183	328
Impairment of intangible assets	-	-	27,629	-
Changes in assets and liabilities:				
User funds	(2,722)	(5,133)	(17,584)	(28,762)
Operating lease ROU assets and liabilities, net	(117)	86	(1,547)	(171)
Other receivables	(2,402)	(1,064)	(4,837)	(2,331)
Trade payables	1,873	362	(2,884)	615
Deferred revenue	(675)	738	(529)	3,133
User accounts	2,523	4,448	16,349	26,144
Account payable, accrued expenses and other	(1,994)	968	9,184	13,704
Revaluation of contingent consideration	(945)	-	(4,787)	-
Payment of contingent consideration	-	-	(504)	(507)
Non-current liabilities	(38)	-	178	(235)
Net cash provided by operating activities	<u>5,706</u>	<u>9,742</u>	<u>20,507</u>	<u>29,792</u>
<b>Investing Activities</b>				
Investment in marketable securities	-	(69,107)	(90,007)	(235,938)
Proceeds from sale of marketable securities	34,175	65,325	117,521	144,320
Bank and restricted deposits	15,000	(5,000)	37,863	(44,000)
Acquisition of business, net of cash acquired	-	-	-	(9,288)
Acquisition of intangible asset	-	-	(175)	-
Purchase of property and equipment	(280)	(654)	(1,111)	(1,354)
Capitalization of internal-use software and other	(116)	(250)	(1,019)	(572)
Other non-current assets	(100)	-	(1,178)	-
Net cash provided by (used in) investing activities	<u>48,679</u>	<u>(9,686)</u>	<u>61,894</u>	<u>(146,832)</u>
<b>Financing Activities</b>				
Payment of deferred issuance costs related to follow on offering	-	-	-	(381)
Payment of convertible notes deferred issuance costs	-	-	-	(34)
Payment of contingent consideration	-	-	(1,105)	(1,105)
Proceeds from exercise of share options	597	915	2,308	7,266
Tax withholding in connection with employees' options exercises and vested RSUs	(156)	(1,732)	(2,286)	(10,361)
Repayment of long-term loan	-	(143)	(2,269)	(416)
Net cash provided by (used in) financing activities	<u>441</u>	<u>(960)</u>	<u>(3,352)</u>	<u>(5,031)</u>
Effect of exchange rate fluctuations on cash and cash equivalents	(12)	(177)	(183)	(318)
Increase/ (Decrease) in cash, cash equivalents and restricted cash	54,814	(1,081)	78,866	(122,389)
Cash, cash equivalents and restricted cash at the beginning of period	98,122	146,722	74,070	268,030
Cash and cash equivalents at the end of period	<u>\$ 152,936</u>	<u>\$ 145,641</u>	<u>\$ 152,936</u>	<u>\$ 145,641</u>

## KEY PERFORMANCE METRICS

	Three Months Ended September 30,	
	2022	2021
Annual active buyers (in thousands)	4,249	4,121
Annual spend per buyer (\$)	\$ 262	\$ 234

## RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(in thousands, except gross margin data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
GAAP gross profit	\$ 66,910	\$ 61,888	\$ 204,102	\$ 181,397
Add:				
Share-based compensation and other	477	372	1,955	989
Depreciation and amortization	922	454	4,895	1,331
Non-GAAP gross profit	\$ 68,309	\$ 62,714	\$ 210,952	\$ 183,717
Non-GAAP gross margin	82.8%	84.4%	83.0%	84.3%

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

(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
GAAP net loss attributable to ordinary shareholders	\$ (11,350)	\$ (14,349)	\$ (70,188)	\$ (45,492)
Add:				
Depreciation and amortization	1,938	1,413	8,190	4,104
Share-based compensation	17,612	15,104	54,729	38,761
Impairment of intangible assets	-	-	27,629	-
Contingent consideration revaluation, acquisition related costs and other	(520)	55	(3,210)	2,576
Convertible notes amortization of discount and issuance costs	632	5,040	1,894	14,917
Exchange rate (gain)/loss, net	316	400	(932)	377
Non-GAAP net income	\$ 8,628	\$ 7,663	\$ 18,112	\$ 15,243
Weighted average number of ordinary shares - basic	37,205,489	36,512,243	36,843,383	35,959,243
Non-GAAP basic net income per share attributable to ordinary shareholders	\$ 0.23	\$ 0.21	\$ 0.49	\$ 0.42
Weighted average number of ordinary shares - diluted	40,731,833	40,779,521	40,708,818	40,625,294
Non-GAAP diluted net income per share attributable to ordinary shareholders	\$ 0.21	\$ 0.19	\$ 0.44	\$ 0.38

## RECONCILIATION OF GAAP NET LOSS TO ADJUSTED EBITDA

(in thousands, except adjusted EBITDA margin data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
GAAP net loss	\$ (11,350)	\$ (14,349)	\$ (70,188)	\$ (45,492)
Add:				
Financial (income) expenses, net	(1,162)	4,959	(2,233)	13,877
Income taxes	36	95	109	151
Depreciation and amortization	1,938	1,413	8,190	4,104
Share-based compensation	17,612	15,104	54,729	38,761
Impairment of intangible assets	-	-	27,629	-
Contingent consideration revaluation, acquisition related costs and other	(520)	55	(3,210)	2,576
Adjusted EBITDA	\$ 6,554	\$ 7,277	\$ 15,026	\$ 13,977
Adjusted EBITDA margin	7.9%	9.8%	5.9%	6.4%

## RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
GAAP research and development	\$ 22,938	\$ 20,490	\$ 71,235	\$ 57,469
Less:				
Share-based compensation	5,811	5,247	18,537	14,258
Depreciation and amortization	200	205	603	582
Non-GAAP research and development	\$ 16,927	\$ 15,038	\$ 52,095	\$ 42,629
GAAP sales and marketing	\$ 41,959	\$ 38,298	\$ 134,151	\$ 119,121
Less:				
Share-based compensation	4,151	3,765	13,156	9,810
Depreciation and amortization	713	695	2,394	2,020
Contingent consideration revaluation, acquisition related costs and other	-	402	-	1,097
Non-GAAP sales and marketing	\$ 37,095	\$ 33,436	\$ 118,601	\$ 106,194
GAAP general and administrative	\$ 14,489	\$ 12,395	\$ 43,399	\$ 36,271
Less:				
Share-based compensation	7,173	5,720	21,081	13,704
Depreciation and amortization	103	59	298	171
Contingent consideration revaluation, acquisition related costs and other	(520)	(347)	(3,210)	1,479
Non-GAAP general and administrative	\$ 7,733	\$ 6,963	\$ 25,230	\$ 20,917

## Key Performance Metrics and Non-GAAP Financial Measures

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

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

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

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

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

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

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

We are not able to provide a reconciliation of Adjusted EBITDA guidance for the fourth quarter of 2022 and the fiscal year ending December 31, 2022 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, impairment of intangible assets, income or loss on revaluation of contingent consideration, other acquisition related costs, convertible notes amortization of discount and issuance costs and exchange rate income or loss, as applicable without unreasonable efforts, and these items could significantly impact, either individually or in the aggregate, GAAP measures in the future.

## **Forward Looking Statements**

This shareholder letter contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this shareholder letter that do not relate to matters of historical fact should be considered forward-looking statements, including, without limitation, statements regarding our expected financial performance and operational performance for the fourth quarter of 2022, the fiscal year ending December 31, 2022, our expected future Adjusted EBITDA margin, our business plans and strategy, 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 successfully implement our business plan during a global economic downturn 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 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 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 and our ability to manage the business and economic risks of international expansion and operations; 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; the impact of currency exchange rate fluctuations on our results of operations; impacts resulting from inflationary pressures and geopolitical turmoil, including the war in Ukraine; 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 17, 2022, 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.