

fiverr.

Q1 | 2022

Shareholder letter

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



Jeffrey Orkin, Buyer
Founder and Owner
Greener Roots Farm
Nashville, TN



On the cover:

JEFFREY ORKIN, Buyer
Founder and Owner
Greener Roots Farm
Nashville, TN

Jeffrey Orkin founded Greener Roots Farm in 2012 as Nashville's first indoor, vertical hydroponic farm. Using advanced controlled environment technology, the company grows a wide variety of herbs and leafy greens using 90% less water and land than conventional farming.

As his businesses scaled significantly over time, Jeffrey needed to create an in-house data tracking system to improve production efficiency. After unsuccessfully launching this project three times with offline freelancers, Jeffrey turned to Fiverr in August 2020. He was able to quickly find and assemble the team of freelancers he needed. The entire project involved multiple stages and was very complicated due to the amount of data and the complexity of the inventory. Jeffrey enjoyed the ability to access talent from around the world, especially given the sophistication of the project. The additional help he received from the customer success team also helped streamline the process, allowing him to manage project briefs and timelines more effectively.

The data tracking system project was completed after a little over a year with a budget of over \$40K. In addition, Jeffrey has also used Fiverr to update his branding and design new t-shirts.

“For the scale of our business, we reached a point where we had no choice but to become more efficient. That’s where the software developer comes in, understanding the data is transforming the way we grow food.”

“Fiverr helped us connect the dots to professionals who have created a software we have been dreaming about for years.”



First Quarter 2022 and Recent Highlights

- **Strong Q1'22 execution:** We posted solid Q1 results amid a shifting macro environment. Q1 revenue was \$86.7 million, a record for us. It was also the first time in any Q1 that we achieved Adjusted EBITDA profitability, a quarter when we typically front load marketing investments.
- **New catalog experience on Fiverr Business:** We rolled out major upgrades to the browsing experience on Fiverr Business, putting talent at the forefront to provide a more intuitive search experience for business buyers, while the e-commerce experience provides conversion and transaction efficiencies.
- **AI Audition:** A Fiverr Hackathon winner idea turned into the latest innovative product on the marketplace that allows buyers to input their text and listen to a sample narration from a voice over seller instantaneously, all powered by artificial intelligence.
- **Strong brand awareness:** A recent U.S. brand survey conducted with Ipsos indicated that Fiverr is the strongest freelance marketplace brand in terms of both aided and spontaneous brand awareness. Our U.S. brand awareness is also growing fast, speaking to the effectiveness of our long-term continuous investments into our brand equity.
- **Guidance update:** We saw more volatile trends on our marketplace in March and April with Europe being the most susceptible to the changing macro landscape. We provided Q2'22 guidance and updated our full year guidance to reflect the wider range of potential outcomes in the uncertain macro environment.

First Quarter 2022 Key Results

REVENUE	\$86.7 million 27% y/y growth	GROSS MARGIN	80.4% GAAP	83.5% NON-GAAP ⁽¹⁾
ACTIVE BUYERS ⁽¹⁾	4.2 million 11% y/y growth	GAAP NET LOSS	(\$17.0) million	
SPEND PER BUYER ⁽¹⁾	\$251 17% y/y growth	ADJUSTED EBITDA ⁽¹⁾	\$3.9 million	
TAKE RATE ⁽¹⁾	29.6% 240 bps y/y improvement	ADJUSTED EBITDA MARGIN ⁽¹⁾	4.5% 550 bps y/y improvement	

Financial Outlook

	Q2 2022	FY 2022	FY 2022 PRIOR GUIDANCE
REVENUE	\$86.0-\$87.5 million 14-16% y/y growth	\$345.0 - \$365.0 million 16-23% y/y growth	\$373.0-\$379.0 million 25-27% y/y growth
ADJUSTED EBITDA ⁽¹⁾	\$3.0 - \$4.0 million	\$10.0 - \$17.0 million	\$27.0-\$33.0 million

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

To Our Shareholders,

The macro environment to start 2022 proved more volatile than we expected. I'm incredibly proud of how our team has been able to remain focused and make significant progress against our goals. We delivered a record first quarter with revenue of \$86.7 million and Adjusted EBITDA of \$3.9 million. Our community is active, engaged and growing - active buyers grew 11% year over year to 4.2 million this quarter, on top of the fact that it nearly doubled in size in the past two years. The growth in revenue allowed us to turn Adjusted EBITDA positive in a Q1 for the first time, as we typically invest more in the beginning of the year. This reflects the growing scale we enjoy and the operating leverage embedded in our business model.

Over the past few months, we have remained focused on executing towards our roadmap to become a one-stop Talent Cloud solution for all businesses. Fiverr Business continued to show great momentum, with major upgrades rolled out to deliver a more intuitive, talent focused, and quality experience for our business buyers. The integration between our marketplace offerings and the freelance management system we acquired last year is well underway, and it is exciting to see how we are making our way into the tier of customers with a significant amount of freelancer budget. We also continue to lead the technological innovation in the freelancer space with products such as AI Audition and the many improvements we made to our catalog experience. It is our fundamental belief that we can revolutionize this industry with forward thinking solutions and bring significant value and opportunities to businesses and talent.

We are very excited about the long-term opportunity ahead of us. The vision of providing businesses with a modern, nimble, distributed and always-on solution for talent has never been more relevant given the labor shortage, skill gaps and the increased geopolitical environment businesses face today. It is not only a complimentary resource, but an integral part of the talent strategy for any businesses to be able to tap into the global freelancer workforce in order to stay competitive. No one is in a better position than Fiverr to deliver this vision. Our strong brand, deep service catalog, large community and significant data and technology assets have been built over the last 12 years and are unmatched. While the macro environment creates some near-term uncertainty for us, we believe there is a large opportunity ahead of us. We have a significant amount of work to do to realize our vision and we believe we are well positioned to invest through any macro volatility.

Fiverr's Support for Ukraine



Ukraine Seller Store

We built a special Fiverr store exclusively featuring Ukrainian sellers who are ready and able to work. Priority support is provided to Ukraine sellers by a dedicated team to address any needs that may arise.



Donation to World Central Kitchen

At the very beginning of the conflict, Fiverr employees raised funds for World Central Kitchen in order to provide nearly 700,000 meals to people in shelters, train stations, and border crossings inside Ukraine and in neighboring countries

We stand in solidarity with Ukraine and all those impacted by the devastating war. Fiverr and Fiverr employees across the world stepped up and looked for ways, big and small, to support our Ukraine team, our Ukraine freelancer community and all the people of Ukraine.

Ensuring the Safety of our Ukraine Team

Prior to the invasion we worked to ensure the safety of our Fiverr team in Ukraine, including helping them with communication backup, accommodation to evacuate or relocate if desired, as well as ongoing financial and emotional support.

Early Payout for Ukraine Sellers

Fiverr enabled an early payout for its Ukrainian sellers, offering them the opportunity to withdraw their earnings immediately after the job was completed by waiving the safety clearance period.

Show Your Support via Logo Maker

The Fiverr Logo Maker team created a unique free toolkit to allow Logo Maker users, past and present, to download a version of their logo surrounded by the colors of the Ukraine flag. This provided thousands of small businesses a way to show their support for Ukraine across their websites and social media channels.



Partner with Ukraine Red Cross

All fees Fiverr would receive from work completed by Ukraine sellers are donated to the Ukraine Red Cross. We also partnered with the Red Cross to bring awareness of the crisis and to fundraise through our recent music event "Now Playing" encouraging attendees to give charitable donations.



Empower Ukraine

Empower Ukraine was launched to provide support to people in Ukraine who want to learn to freelance. They receive help in setting up their offering and getting their first order, access to workshops and community events, as well as opportunities for accelerated growth.



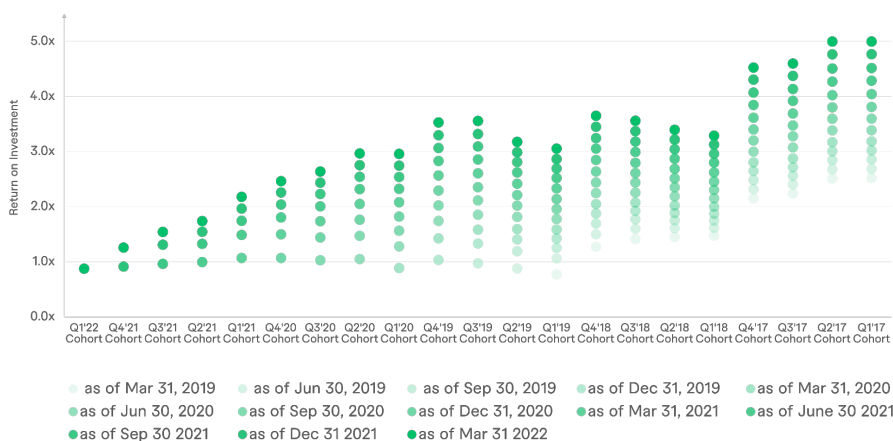
Growth Strategies and Recent Progress

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 March 31, 2022, active buyers grew 11% y/y to 4.2 million. Strong momentum from 2021 carried into January and February. In March, traffic to our marketplace was impacted by the shifting macro landscape. With inflation, recovering travel demand, and more in-person activities, consumers are spending less time and money in certain areas such as e-commerce, which in turn impacted business investments. We also saw that our European customers were impacted more severely than the rest of our footprint, and small and medium businesses reacted more quickly and more strongly to the macro trends than larger businesses.

We continue to be highly efficient in our performance marketing investments. Our time to return on performance marketing, or tROI, was approximately four months in Q1, similar to last quarter and well within our 12-month target threshold. As we move upmarket, we are targeting higher lifetime value customers with bigger wallets and better retention potential, which allows us to lean into performance marketing. On the longer term, we are seeing Q1'17 cohort reaching 5.0x LTV to CAC, and for cohorts we acquired at the beginning of COVID, LTV to CAC is reaching 3.0x in just two years. With strong unit economics over time, we have the confidence to continue to invest through near-term uncertainty.



CUMULATIVE REVENUE TO PERFORMANCE MARKETING INVESTMENT RATIOS

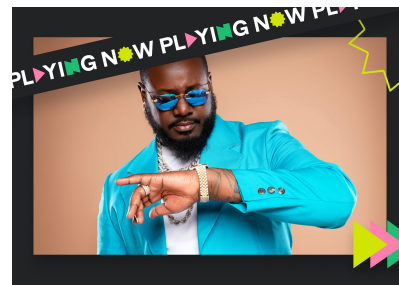
As of March 31, 2022, revenue from the Q1'22 cohort amounted to 0.9x of our performance marketing investments in the same period. Revenue from our Q1'17 cohort is 5.0x the initial performance marketing investment.

We are strong believers in building the Fiverr brand through a commitment to a great user experience, building a thriving community, and investing in brand marketing. During the quarter we hosted our first-ever music event “**Now Playing**”. The two-day event was designed to promote brand awareness in our Music & Audio vertical; it featured T-Pain, a six-time Grammy winner and JVKE, a viral TikTok artist among others. We are also leading the conversation in driving businesses of all sizes to increase adoption of freelancing services, which in turn expands the overall market opportunity for us. Fiverr’s brand marketing strategy combines the data-driven ROI approach with the long-term brand equity impact to achieve optimal efficiency. It’s also well diversified across digital channels, linear and streaming TV, **out-of-home campaigns** as well as influencer marketing. A recent U.S. brand survey in April conducted with global market research firm Ipsos showed Fiverr was the strongest freelance brand in terms of both aided and spontaneous brand awareness. It improved approximately 30% year over year. Building brand equity continues to be an ongoing, long-term investment we are committed to.

In addition to building a strong and efficient top of the funnel, we are also relentlessly focusing on improving the product experience to drive stickiness and retention among our buyers. In the twelve months ended March 31, 2021, repeat buyers contributed 61% of total revenue on our core marketplace, up from 59% in 2021. Subscriptions, a feature we launched last year that allows buyers to order monthly services from sellers, continues to gain strong traction. We added order customization capabilities during the quarter to expand the use cases of Subscription contracts when an exact service offering a buyer needs is not available. We continue to see increasing popularity of longer duration contracts through Subscriptions - 30% of Subscription orders now have a duration of over 6 months. The most popular Subscription categories are SEO and social media marketing. Fiverr Choice is another initiative that continues to improve the buyer experience which in turn drives repeat purchase behaviors. We are also incorporating more big data driven insights into our product flow to help buyers make better, more informed purchase decisions. Examples include information around sellers’ track record of retaining their customers and more context around buyer reviews.

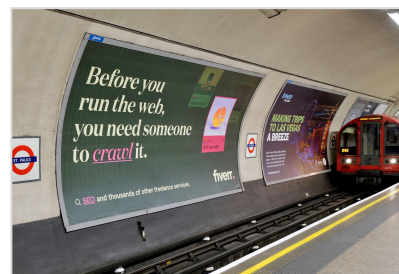
2. Go upmarket

In the twelve months ended March 31, 2022, spend per buyer on our platform increased 17% y/y to \$251 as we continued to expand wallet share among our buyers. High-value buyers, those with annual spend per buyer of over \$500, contributed to 64% of core marketplace revenues in Q1’22, up from 63% last quarter and 59% in Q1’21.



NOW PLAYING

We hosted “Now Playing” in March to promote our Music & Audio vertical. The free virtual event offered attendees the opportunity to hear from a mixture of artists and aspiring musicians as they share their music journeys, industry advice, and gave an inside look at their creative process.



OUT-OF-HOME CAMPAIGN IN LONDON

After almost two years of COVID restrictions, we restarted our out-of-home campaign in January.

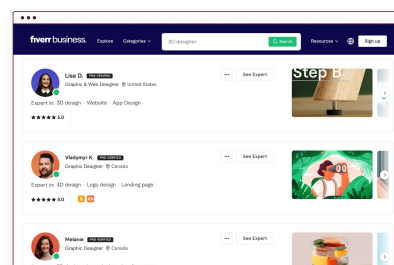
Fiverr's journey upmarket made several incremental steps during the quarter across product, supply, and marketing. Both the listing page and seller page on Fiverr Business were upgraded to put talent at the forefront of the buyer experience. These upgrades provide a more intuitive way for business buyers to browse and find what they need. **The new listing page** highlights each talent's skills and credentials while having the structure to streamline the ordering process. We also reduced the number of listings from 48 offerings per page to eight freelancers per page. Our research shows that high-end buyers prefer fewer, but a higher quality talent listing experience to streamline the decision making process. **The new seller page** on Fiverr Business now includes information such as top clients, portfolio details and enhanced buyer reviews along with a fresh and professional look.

On the supply side, we've implemented a more rigorous vetting process for the Fiverr Business catalog that combines the transaction data on our marketplace with a human vetting process powered by freelancers. The result is a top 1% talent pool with ultra high quality that provides a higher job fill rate and satisfaction rate for our business buyers. On the acquisition side, we removed certain frictions on the onboarding flow to optimize conversion rate, which allows us to drive efficiency improvement on direct performance marketing spend to Fiverr Business.

3. Expand our catalog

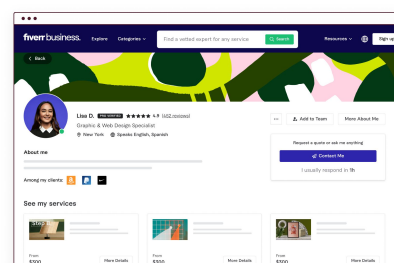
Fiverr's expansive and growing service catalog continues to be one of our key competitive moats. This is not limited to the taxonomy that we have invented and continue to expand, but the depth of seller and service level data that allows us to support a seamless e-commerce experience. The immense service deliverables that flow through our platform enable us to launch experiences like Fiverr Inspire, as well as the automation technology that allows us to detect market trends and match demand with supply with great efficiency and precision.

During the first quarter, we saw gaming related categories, such as game art or game development, continue to grow at a formidable pace. Content categories such as illustration and video editing continue to be strong contributors to the overall marketplace. And lastly, categories that were soft during COVID, such as resume writing and travel listings, are on the upswing. We also opened 25+ new categories including font design and expert advice, which gradually expands our addressable market. We believe the width and depth of the digital service catalog continues to be a key competitive moat. The breadth allows us to help businesses throughout their life cycles and also provides us with well diversified revenue streams.



LISTING PAGE ON FIVERR BUSINESS.

The new listing page on Fiverr Business highlights skills, credentials and offerings of a certain seller with talent as the focal point. It also streamlines buyers' selection process by reducing the level of options from 48 product offerings to 8 sellers.



SELLER PAGE ON FIVERR BUSINESS

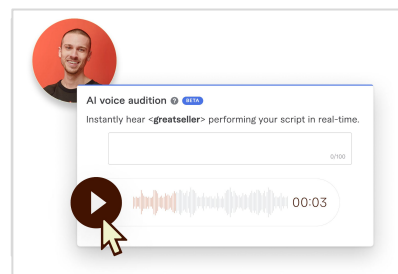
New seller pages highlight top clients, project portfolios and enhanced buyer reviews, along with a fresh and professional look.

4. Innovate technology and services

Building innovative products is another key strength that differentiates our approach to enable the future of work. In Q1'22, we launched **AI Auditions**, a powerful new tool allowing voice over artists the opportunity to “audition” for roles without having to read a single sentence from a script. For customers, it provides simple, easy access to automated and personalized voice over samples for all different types of projects. It also allows sellers to focus on work they already have on their plate and have been paid to do, rather than audition for roles that they have not secured yet, hence improving overall productivity. The idea of this product initially came from the annual hackathon we hosted last year. During the three day event, employees across Fiverr team up as mini task forces to build and present out-of-the-box ideas. AI Audition was one of the winners last year. At Fiverr, we deeply treasure those light bulb moments and the innovative, impact-driven culture. The people at Fiverr, their talent and dedication, is what continues to drive better products and technology on our platform.

Fiverr Inspire, a personalized mobile experience that showcases the work deliverables by talent on our marketplace, continues to demonstrate encouraging growth since it was introduced in late 2021. We have had millions of visitors since the launch. Many visitors save items and then contact sellers later on. We believe this product will help increase our mobile engagement and in turn increase the flywheel effect within our community.

On the seller monetization side, we continue to expand both Promoted Gigs and Seller Plus. During the quarter, we implemented real-time data science models into the auction flow of Promoted Gigs. This allows the algorithm to predict conversion in a more personalized manner, which in turn drives a better ad experience and increases the sellers’ ability to bid and be successful. The program continues to enjoy strong seller retention, as the sellers pay only when they get a click to their listing page, and the automatic bidding formula sets guard rails to optimize seller ROI. On Seller Plus, we continue to roll additional features into the program such as buyer insights and buyer request notifications. These features are available to subscribers with no additional cost - we aim to continue enriching the Seller Plus program to make it into an essential toolkit for any seller who wants to build a career on Fiverr.



AI AUDITION

We are using Artificial Intelligence to provide buyers with sample voice over work, saving sellers time and increasing conversion.

5. Expand our geographic footprint

During the quarter, we continued to invest in local expansion on all fronts. We launched the feature “I Speak” a few months ago and it continues to show encouraging signs in improving local buyer and seller experience, improving transaction quality and driving more repeat purchase activities. To expand the usage of this service, we are leaning into efforts to grow local supply with local language capabilities. We also continue to develop learnings and know-hows for local markets, such as how English proficiency levels impact the purchasing behavior in a certain country.

On product, we continue to invest and improve the quality of our translation, bringing more automation complemented by the human intervention from our local linguistic teams. We are improving the local search experience by optimizing search terms in local languages and expanding autofill coverage. We also continue to invest in our machine translation infrastructure, from the initial stage of more static machine translation, to an AI based machine translation with no human intervention, to an even more advanced algorithm with AI based machine translation trained by human intervention. These are the technology investments that can provide a sustainable competitive advantage for us in the long run. We believe international markets remain a large untapped opportunity capable of driving meaningful growth for us down the road.



BASF ON FIVERR

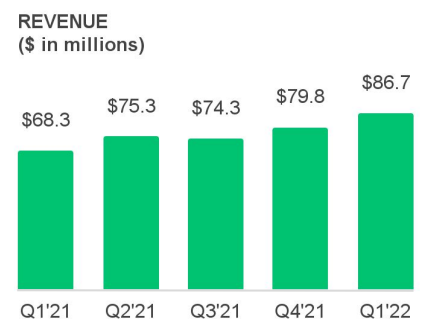
BASF is a German multinational chemical company and the largest chemical producer in the world. They use Fiverr for finding top quality voiceover artists, creating explainer videos and translation services. They also use Fiverr for smaller projects like creating PowerPoint presentations and graphic design. Fiverr's solution helps them to quickly execute any project, big or small.

Financial Discussion

We delivered solid financial results in Q1'22 with revenue increasing 27% y/y to \$86.7 million. Adjusted EBITDA was \$3.9 million or 4.5% in Adjusted EBITDA margin. Unless otherwise noted, all comparisons are on a year-over-year basis.

Revenue

Revenue for Q1'22 was \$86.7 million, up 27% from \$68.3 million in Q1'21, 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 29.6% for the 12 months ended March 31, 2022 from 27.2% for the twelve months ended March 31, 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 15% of total revenue on the core marketplace.



Active Buyers

In the twelve months ended March 31, 2022, our active buyers were 4.2 million, representing 11% y/y growth. Our y/y active buyer growth was driven by consistent 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 March 31, 2022, SPB grew to \$251, up 17% y/y from \$216. 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.

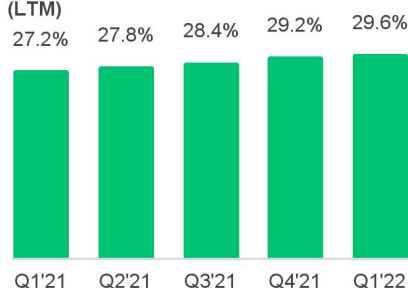
SPEND PER BUYER
(\$)



Take Rate

For the twelve months ended March 31, 2022, our take rate was 29.6%, an increase of 240 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 50 bps increase in service fee during 2021, and the continued growth of value-added services that our buyers and sellers can utilize.

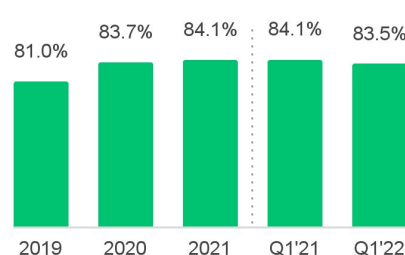
TAKE RATE
(LTM)



Gross Profit and Margin

Gross profit on a GAAP basis for Q1'22 was \$69.7 million, up 22.8% from \$56.8 million in Q1'21. Gross margin was 80.4%, a decrease from 83.1% in Q1'21. Non-GAAP gross margin was 83.5% in Q1'22, a decrease of 60 basis points from 84.1% in Q1'21 due to customer support investments. We continue to enjoy strong gross margins with an attractive business model.

GROSS MARGIN
(Non-GAAP, as a % of revenue)

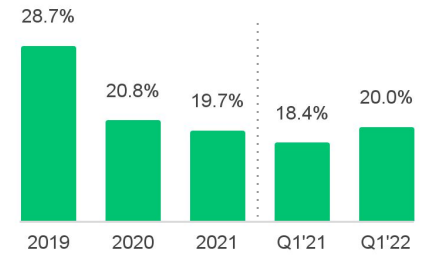


Operating Expenses

Total operating expenses on a GAAP basis for Q1'22 were \$86.9 million, compared to \$70.6 million in Q1'21. Non-GAAP operating expenses for Q1'22 were \$68.5 million, or 79.0% of revenue, compared to \$58.2 million, or 85.2% of revenue in Q1'21. The improvement in operating leverage represents greater efficiency as a result of increased scale and a disciplined financial strategy which led to us improving Adjusted EBITDA margin.

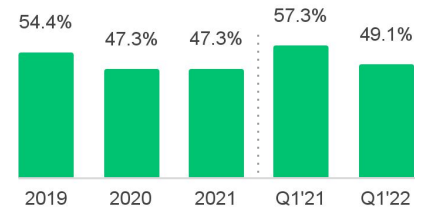
Research and development (R&D) expenses on a GAAP basis were \$23.8 million, or 27.4% of revenue in Q1'22. Non-GAAP research and development expenses were \$17.4 million, or 20.0% of revenue, compared to 18.4% in the prior year period. We continue to invest in improving the user experience with initiatives such as Fiverr Business, International expansion, Promoted Gigs and Seller Plus, as well as investments in product and integration of recent acquisitions.

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



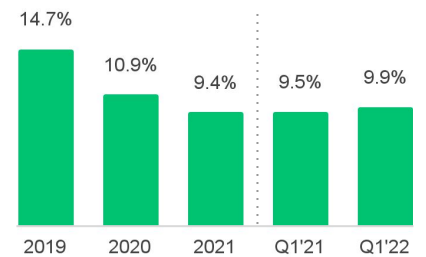
Sales and marketing (S&M) expenses on a GAAP basis were \$47.9 million, or 55.2% of revenue in Q1'22. Non-GAAP sales and marketing expenses were \$42.6 million, or 49.1% of revenue in Q1'22, compared to 57.3% in the prior year period. The large improvement in S&M as a percentage of revenue was due to the significant growth in revenue and continued diversification and optimization across our marketing channels.

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



General and administrative (G&A) expenses on a GAAP basis were \$15.3 million, or 17.6% of revenue in Q1'22. Non-GAAP general and administrative expenses were \$8.6 million, or 9.9% of revenue in Q1'22, compared to 9.5% in the prior year period. The increase is largely due to the increase in personnel cost as we grow our business.

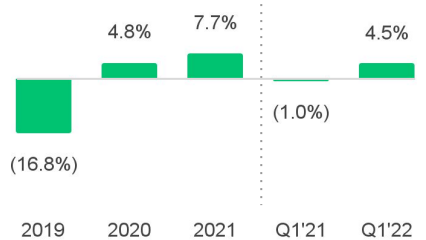
GENERAL AND ADMINISTRATIVE
(Non-GAAP, as % of revenue)



Net Loss and Adjusted EBITDA

Net loss on a GAAP basis in Q1'22 was (\$17.0) million, compared to (\$17.8) million in Q1'21. Adjusted EBITDA was \$3.9 million, or 4.5% of revenue in Q1'22, compared to (\$0.7) million or (1.0%) in the first quarter of 2021. The improved EBITDA margin was driven by increased revenue scale and improved leverage in operating expenses.

ADJUSTED EBITDA MARGIN



Financial Outlook

Our Q2'22 outlook and updated full year 2022 guidance reflects the recent trends in our marketplace given the increasing uncertainty in the macro environment. Our business trends in Europe have been particularly impacted by these macro headwinds. We are also providing a wider range of guidance than normal for both the top and bottom lines to reflect the wider range of outcomes that could result from the changing macro environment.

Given the large opportunity ahead of us and our strong balance sheet, we do not expect to materially adjust our investment levels for the year. As a result, we expect a delayed pace in 2022 in progressing towards our long-term Adjusted EBITDA margin target of 25%. We remain committed to staying forthcoming and providing investors with updated business trends as they evolve.

	Q2 2022	FY 2022
REVENUE	\$86.0 - \$87.5 million	\$345.0 - \$365.0 million
y/y growth	14%-16% y/y	16%-23% y/y
ADJUSTED EBITDA	\$3.0 - \$4.0 million	\$10 - \$17 million

Conference Call Details

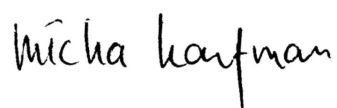
Fiverr's management will host a conference call to discuss its financial results on Wednesday, May 11, 2022 at 8:30 a.m. Eastern Time. A live webcast of the call can be accessed from Fiverr's [Investor Relations website](#). An archived version will be available on the website after the call. Investors 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 access code 950087.

Investor Relations

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Press

press@fiverr.com



Micha Kaufman

Founder and Chief
Executive Officer



Ofer Katz

President and Chief
Financial Officer

CONSOLIDATED BALANCE SHEETS

(in thousands)

	March 31, 2022	December 31, 2021
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 65,446	\$ 71,151
Restricted cash	-	2,919
Marketable securities	146,796	118,150
User funds	147,016	127,713
Bank deposits	134,000	134,000
Restricted deposit	1,172	35
Other receivables	14,532	14,250
Total current assets	508,962	468,218
Marketable securities	291,800	317,524
Property and equipment, net	6,569	6,555
Operating lease right of use asset, net	11,351	11,727
Intangible assets, net	47,131	49,221
Goodwill	77,270	77,270
Other non-current assets	1,130	1,055
Total assets	\$ 944,213	\$ 931,570
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	\$ 3,371	\$ 8,699
User accounts	136,346	118,616
Deferred revenue	13,528	12,145
Other account payables and accrued expenses	61,630	44,260
Operating lease liabilities	3,393	3,055
Current maturities of long-term loan	-	2,269
Total current liabilities	218,268	189,044
Long-term liabilities:		
Convertible notes	450,868	372,076
Operating lease liabilities	9,441	10,483
Long-term loan and other non-current liabilities	1,410	13,099
Total long-term liabilities	461,719	395,658
Total liabilities	\$ 679,987	\$ 584,702
Shareholders' equity:		
Share capital and additional paid-in capital	505,710	585,548
Accumulated deficit	(233,527)	(237,585)
Accumulated other comprehensive income	(7,957)	(1,095)
Total shareholders' equity	264,226	346,868
Total liabilities and shareholders' equity	\$ 944,213	\$ 931,570

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2022	2021
	(Unaudited)	
Revenue	\$ 86,685	\$ 68,320
Cost of revenue	16,977	11,546
Gross profit	69,708	56,774
Operating expenses:		
Research and development	23,774	16,873
Sales and marketing	47,867	42,639
General and administrative	15,252	11,087
Total operating expenses	86,893	70,599
Operating loss	(17,185)	(13,825)
Financial income (expenses), net	230	(3,974)
Loss before income taxes	(16,955)	(17,799)
Income taxes	(20)	(45)
Net loss attributable to ordinary shareholders	\$ (16,975)	\$ (17,844)
Basic and diluted net loss per share attributable to ordinary shareholders	\$ (0.46)	\$ (0.49)
Basic and diluted weighted average ordinary shares	36,842,342	36,057,885

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended March 31,	
	2022	2021
	(Unaudited)	
Operating Activities	\$	\$
Net loss	(16,975)	(17,844)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,110	1,318
Amortization of discount of marketable securities	1,687	1,823
Amortization of discount and issuance costs of convertible notes	631	4,904
Shared-based compensation	18,003	10,483
Net gain from exchange rate fluctuations	(143)	(91)
Changes in assets and liabilities:		
User funds	(19,303)	(22,343)
Operating lease ROU assets and liabilities, net	(329)	(529)
Other receivables	242	(708)
Trade payables	(5,419)	1,090
Deferred revenue	1,383	2,274
User accounts	17,730	20,293
Account payables, accrued expenses and other	6,524	4,106
Non-current liabilities	569	(241)
Net cash provided by operating activities	<u>7,710</u>	<u>4,535</u>
Investing Activities		
Investment in marketable securities	(44,847)	(125,998)
Proceeds from sale of marketable securities	33,609	39,930
Bank and restricted deposits	(1,137)	-
Acquisition of business, net of cash acquired	-	(8,878)
Purchase of property and equipment	(493)	(311)
Capitalization of internal-use software	(399)	(142)
Other non-current assets	(78)	-
Net cash used in investing activities	<u>(13,345)</u>	<u>(95,399)</u>
Financing Activities		
Payment of deferred issuance costs related to follow on offering	-	(376)
Payment of convertible notes deferred issuance costs	-	(34)
Proceeds from exercise of share options	711	4,788
Tax withholding in connection with employees' options exercises and vested RSUs	(1,574)	2,322
Repayment of long-term loan	(2,269)	(134)
Net cash provided by (used in) financing activities	<u>(3,132)</u>	<u>6,566</u>
Effect of exchange rate fluctuations on cash and cash equivalents	143	(377)
Decrease in cash, cash equivalents and restricted cash	(8,624)	(84,675)
Cash, cash equivalents and restricted cash at the beginning of period	74,070	268,030
Cash and cash equivalents at the end of period	<u>\$ 65,446</u>	<u>\$ 183,355</u>

KEY PERFORMANCE METRICS

	Three Months Ended March 31,	
	2022	2021
Annual active buyers (in thousands)	4,249	3,812
Annual spend per buyer (\$)	\$ 251	\$ 216

RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(in thousands, except gross margin data)

	Three Months Ended March 31,	
	2022	2021
	(Unaudited)	
GAAP gross profit	\$ 69,708	\$ 56,774
Add:		
Share-based compensation	707	279
Depreciation and amortization	1,956	437
Non-GAAP gross profit	\$ 72,371	\$ 57,490
Non-GAAP gross margin	83.5%	84.1%

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 March 31,	
	2022	2021
	(Unaudited)	
GAAP net loss attributable to ordinary shareholders	\$ (16,975)	\$ (17,844)
Add:		
Depreciation and amortization	3,110	1,318
Share-based compensation	18,003	10,483
Contingent consideration revaluation, acquisition related costs and other	(63)	1,320
Convertible notes amortization of discount and issuance costs	631	4,904
Exchange rate gain, net	(93)	(455)
Non-GAAP net income	\$ 4,613	\$ (274)
Weighted average number of ordinary shares - basic	36,842,342	36,057,885
Non-GAAP basic net income per share attributable to ordinary shareholders	\$ 0.13	\$ (0.01)
Weighted average number of ordinary shares - diluted	41,427,757	36,057,885
Non-GAAP diluted net income per share attributable to ordinary shareholders	\$ 0.11	\$ (0.01)

RECONCILIATION OF GAAP NET LOSS TO ADJUSTED EBITDA

(in thousands, except adjusted EBITDA margin data)

	Three Months Ended March 31,	
	2022	2021
	(Unaudited)	
GAAP net loss	\$ (16,975)	\$ (17,844)
Add:		
Financial expenses (income), net	(230)	3,974
Income taxes	20	45
Depreciation and amortization	3,110	1,318
Share-based compensation	18,003	10,483
Contingent consideration revaluation, acquisition related costs and other	(63)	1,320
Adjusted EBITDA	\$ 3,865	\$ (704)
Adjusted EBITDA margin	4.5%	(1.0%)

RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

(in thousands)

	Three Months Ended March 31,	
	2022	2021
	(Unaudited)	
GAAP research and development	\$ 23,774	\$ 16,873
Less:		
Share-based compensation	6,205	4,102
Depreciation and amortization	201	187
Non-GAAP research and development	\$ 17,368	\$ 12,584
GAAP sales and marketing	\$ 47,867	\$ 42,639
Less:		
Share-based compensation	4,430	2,588
Depreciation and amortization	860	639
Acquisition related costs	-	297
Non-GAAP sales and marketing	\$ 42,577	\$ 39,115
GAAP general and administrative	\$ 15,252	\$ 11,087
Less:		
Share-based compensation	6,661	3,514
Depreciation and amortization	93	55
Contingent consideration revaluation, acquisition related costs and other	(63)	1,023
Non-GAAP general and administrative	\$ 8,561	\$ 6,495

Key Performance Metrics and Non-GAAP Financial Measures

This shareholder letter includes certain key performance metrics and financial measures not based on GAAP, including Adjusted EBITDA, Adjusted EBITDA margin, Non-GAAP gross profit, Non-GAAP gross margin, Non-GAAP operating expenses, Non-GAAP net income (loss) and Non-GAAP net income (loss) per share as well as operating metrics, including GMV, active buyers, spend per buyer, take rate and tROI.

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

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

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

Adjusted EBITDA, Adjusted EBITDA margin, Non-GAAP gross profit, Non-GAAP gross margin, Non-GAAP operating expenses, Non-GAAP net 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.

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

We are not able to provide a reconciliation of Adjusted EBITDA guidance for the second quarter of 2022 or 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, 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 second quarter of 2022, and the fiscal year ending December 31, 2022, our expected future Adjusted EBITDA profitability, 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 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 the 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 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. 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.