



May 9, 2024

**Fiverr International, Ltd. (NYSE: FVRR)**

Prepared Remarks

Q1 2024 Earnings Call

## Management Discussion

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### **Jinjin Qian**

*Executive Vice President, Strategic Finance – Fiverr International, Ltd.*

Thank you, operator, and good morning everyone. Thank you for joining us on Fiverr's earnings conference call for the first quarter that ended March 31, 2024. Joining me on the call today are Micha Kaufman, Founder and CEO, and Ofer Katz, President and CFO. Before we start, I would like to remind you that during this call we may make forward-looking statements and that these statements are based on our current expectations and assumptions as of today and Fiverr assumes no obligation to update or revise them.

A discussion of some of the important risk factors that could cause actual results to differ materially from any forward-looking statements can be found under the "Risk Factors" section in Fiverr's most recent Form 20-F and other filings with the SEC.

During this call, we'll be referring to some key performance metrics and non-GAAP financial measures, including Adjusted EBITDA and Adjusted EBITDA margin. Further explanation and a reconciliation of each of the non-GAAP financial measures to the most directly comparable GAAP measures is provided in the earnings release we issued today and our shareholder letter, each of which is available on our website at [investors.fiverr.com](https://investors.fiverr.com).

And now, I will turn the call over to Micha.

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**Micha Kaufman**

*Founder & Chief Executive Officer – Fiverr International, Ltd.*

Thank you, Jinjin. Good morning everyone, and thank you for joining us.

We kicked off 2024 with a strong set of results. Both revenue and Adjusted EBITDA for Q1 exceeded expectations, driven by strong execution across the marketplace and Fiverr Business Solutions. We continue to evolve our platform to accommodate not only small businesses fulfilling small tasks, but also larger wallet customers purchasing more complex and larger ticket-sized services. The strategy is working particularly well amid the current macro environment, as we remain efficient and disciplined with our top-of-funnel investments while leaning into product and innovation to drive wallet share expansion.

AI continued to have a net positive impact on our business, as complex services continue to grow faster and represent a bigger portion of our business. Demand for AI-related services remained strong, as evidenced by 95% year-over-year growth in GMV from AI service categories. Chatbot development was especially popular this quarter as businesses look for ways to lean into GenAI technology to better engage with customers. For example, we have seen a hospitality company building a conversational tool for customers to manage bookings, or an online learning platform creating a personalized learning menu and tutoring sessions for children. With an over 10,000 and growing AI expert pool, Fiverr has become the destination for businesses to get help implementing GenAI and take their business to the next level.

We have also seen very promising signals on Fiverr Neo™, the AI matching assistant that we launched last year. Neo™ enables our buyers to have a more natural purchasing path by creating a conversational experience that leverages the catalog data and search algo. Answers and steps are provided based on buyers' questions and the stage of the search. As a result, we saw that nearly one third of the buyers who received seller recommendations from Neo™ ended up sending a project brief to the seller, and the overall order conversion is nearly three times that of the marketplace

average. This really gives us confidence and excitement in the potential we could unlock by investing in AI matching technology.

The strong Q1 results, together with the momentum we are seeing across going upmarket and AI, are giving us confidence in delivering the targets we set for this year. Of course, we are not here just to deliver the year but rather to drive the next wave of work transformation and AI innovation. So many exciting product initiatives are happening at Fiverr right now as we work tirelessly toward our Summer Product Release. Without jumping the gun on the release, I want to give you some color on how we are thinking about the business and the opportunity more broadly. I'll expand on three areas: Product leadership; Data and AI matching; and, Brand and traffic.

First, let's talk about product leadership. We have been a product led company ever since we started in 2010. We pioneered the concept of service as a product (SaaS) and built an extensive service catalog covering any digital service you can think of, turning a super opaque, inefficient experience of hiring a freelancer into a modern, delightful e-commerce experience. Our product innovation pace picked up even more in recent years as the scale of our marketplace significantly expanded. This includes monetization products such as Promoted Gigs and Seller Plus; AI innovations such as Logo Maker, AI Audition, to the latest groundbreaking Fiverr Neo™; Business Solutions offerings such as Project Partner and Fiverr Certified; and numerous products and features such as Fiverr Discover, Milestones and Subscriptions that empower our community to work better and smarter. We are always leading the curve of innovation that powers growth not only for us, but for the industry.

As our teams work towards our July product release, we are focusing on deepening trust and leveraging AI to reimagine every aspect of the customer journey. This includes improving our catalog and building new experiences to enable high-stakes, high-trust work to happen on Fiverr. We are strengthening our muscle in knowing our customers better, in order to provide them with better matching, better recommendations and better customer care - all of which leads to more trust for Fiverr as a platform. We are already seeing some of the benefits in unlocking wallet share and driving a mix shift

towards complex services on Fiverr, and we are going to see more impact down the road.

Second, data and AI matching. Fiverr is unique in the sense that we are not just a platform that connects businesses with freelancers, the entire work actually happens on Fiverr. And that is really the secret sauce that enables us to do matching in such a simple, accurate and seamless way. With Generative AI, there's incredible potential to take that experience to a whole new level. Just to give you some idea of the scale we operate: In 2023, over 38 million files were exchanged on our platform, and on average, 2.5 million messages were sent between buyers and sellers on a daily basis. We are experimenting with GenAI technology on how to unlock the potential of the massive data on Fiverr, in order to enable buyers and sellers to have more information, search and browse in new ways, ask more complex questions, and ultimately make better, more informed choices on Fiverr.

Third, brand and traffic. Fiverr has built one of the most recognizable brands in our industry, leading in aided and unaided brand awareness among other freelance marketplaces. Fiverr.com continues to be one of the highest trafficked websites as businesses of all sizes come to fulfill digital services, and freelancer talent across the world come to find opportunities. This gives us a lot of opportunities to bring helpful GenAI features and capabilities to people everywhere and improve their businesses.

As we continue to build our brand equity, we believe the opportunities lie not only in the U.S., where we have the strongest foothold, but there is also a potential to grow international awareness. We have been especially successful in our recent efforts across the U.K., Germany, and France, where we partnered with local influencers to launch various campaigns. There is also a lot to do in expanding our reach and channels with business customers, and we have barely scratched the surface.

So these are the key competitive moats that we enjoy today and we will continue investing in down the road. This time last year, I shared with you how excited I am with the GenAI development and how I think it's going to be a multi-year tailwind for Fiverr. I'm really pleased to say that over the past year, the entire Fiverr team has turned that excitement into ideas and projects already operating across our platform, and we are

going to see many more of them coming to fruition this year. I'm very excited about what's to come and can't wait to share those updates with you in the coming quarters.

With that, I'll turn the call over to Ofer, who will share some financial highlights.

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**Ofer Katz**

*President & Chief Financial Officer – Fiverr International, Ltd.*

Thank you, Micha, and good morning everyone.

We are off to a great start in 2024. Revenue for Q1 was \$93.5 million, up 6.3% year-over-year, at the top end of our guidance, and Adjusted EBITDA was \$16.0 million, above our guidance range and representing an Adjusted EBITDA margin of 17.1%. The strong performance speaks to the strategy we laid out at the beginning of the year and the consistency in our execution amid a volatile macro environment. We are confident in executing the remainder of this year successfully while making strategic, long-term investments as Micha outlined.

We continue to improve the underlying fundamentals across our business. GMV on the platform grew 2% year-over-year, an acceleration from 1% last quarter, as our efforts to grow complex services and push upmarket paid off. Complex services continue to grow at a healthy double-digit rate and now represent over one-third of our marketplace. We continue to see AI as a net positive impact for us, driving significant growth in new categories such as chatbot development and generating more demand in complex service categories where human skills are essential to provide authentic and high-quality output.

Active buyers for Q1 was 4.0 million, and spend per buyer was \$284 as we continue to double down on our upmarket efforts to attract higher-value quality buyers. While overall active buyer growth was muted, high-value buyers who spend over \$500 annually continue to show robust growth, up 4% year-over-year. Not only are we seeing more SMBs with deeper wallets come to Fiverr, we are also increasingly becoming a destination for mid to large-sized companies to fulfill digital services. Overall spend per buyer grew 8% year-over-year, the highest growth we've ever had in over a year. We are very encouraged with our progress on expanding customer wallet share, especially given its compounding impact on our cohorts and their long-term revenue streams.

Take rate on our platform continued to be strong and expanding. Take rate for Q1 was 32.3%, up 190 basis points from a year ago. Both seller monetization programs continue to show robust growth - Promoted Gigs grew over 55% year-over-year and Seller Plus grew over 75% year-over-year. We are also seeing some momentum from managed service offerings within Fiverr Business Solutions as larger businesses look for end-to-end support from Fiverr in order to deploy freelancers at scale. We believe there are a lot of opportunities to double down in this area to further penetrate certain complex service categories, especially in the programming and tech vertical.

A few weeks ago, we announced our first-ever stock repurchase program of up to \$100 million. This program demonstrates our confidence in the underlying fundamentals of our business and our commitment to creating shareholder value. We believe our current stock price represents an attractive opportunity to do a repurchase and we expect to start executing the repurchase program immediately. Our strong balance sheet and strong free cash flow generation provide us with the financial capability to return capital to our shareholders, while also continuing to invest in our key growth initiatives.

Now, turning to guidance. For the second quarter of 2024, revenue is expected to be \$93.5 - \$95.5 million, representing year-over-year growth of 5% - 7%. Adjusted EBITDA is expected to be \$16.0 to \$18.0 million, representing an Adjusted EBITDA margin of 18.0% at the midpoint. For the full year of 2024, we are raising the bottom end of our guidance and now expect revenue to be in the range of \$381 - \$387 million, representing year-over-year growth of 5% - 7%. Adjusted EBITDA is now expected to be in the range of \$67.0 - \$73.0 million, representing an Adjusted EBITDA margin of 18.2% at the midpoint. Our improved guidance reflects our strong performance in Q1 and is largely consistent with assumptions from the beginning of the year.

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