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Fiverr International, Ltd. (NYSE: FVRR)

Prepared Remarks

Q1 2025 Earnings Call

Management Discussion

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, 2025. 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, Adjusted EBITDA margin and Free Cash Flow. 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.

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

Micha Kaufman

Founder & Chief Executive Officer – Fiverr International, Ltd.

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

I'm pleased to kick off 2025 with a strong first quarter, exceeding expectations in both revenue and Adjusted EBITDA. This performance reflects the strong execution across Marketplace and Services segments. I'm proud of how our teams have been laser-focused on delivering impactful products at a high velocity and driving progress toward our strategic priorities. We made good wins within Fiverr Pro this quarter, and early signs of Fiverr Go show strong engagement and meaningful conversion improvement - I'll talk about both in more detail shortly.

The past few months have been quite dynamic on the macro front. In the world where we operate, however, the overall demand for freelancing has been stable. Our business has no direct exposure to tariffs, and we believe that Fiverr's compelling value proposition, offering a competitive edge, speed, agility, and cost-effectiveness, may become even more attractive as businesses navigate an evolving economic climate. Our updated guidance reflects our confidence in the business for the remainder of the year.

The three strategic priorities we set for this year are:

- 1) strengthening the marketplace by going upmarket,
- 2) expanding value-added services as a key growth catalyst, and
- 3) investing in AI to drive long-term upside in the business.

We've talked a lot in the past quarters about leaning into value-added services to drive growth in the current environment, and you clearly see that through the services revenue disclosure we started providing last quarter. Today, I want to talk more about the other two efforts, Going Upmarket and AI, and how we've made exciting progress in those areas that allowed us to drive incremental volume on our Marketplace.

Since launching Fiverr Pro as a Business Solutions suite two years ago, we have continued to invest in rounding up the product offerings. Today, with Fiverr Pro, clients can access the premium marketplace with high-quality vetted supply, submit a job request via Dynamic Matching to get a shortlist of recommended sellers, utilize Project Management to get end-to-end support for large projects, and contact a Customer Success Manager to discuss needs directly, all of this in addition to the broader marketplace we operate. This array of products not only provides a tailored experience for customers based on their needs and preferences, but it is also highly effective from a business perspective. It allows us to efficiently drive buyer conversion via the shortest path, and cross-pollinate customer leads between the products, so that we can win customers from the most efficient channel and maximize conversion across the platform.

Thanks to our efficient enterprise go-to-market strategy, in Q1, we managed to close a few large deals in the range of hundreds of thousands of dollars, without the need for a typical sales organization with complicated sales processes and long sales cycles. One of the deals was with a large book publishing company, which utilizes Fiverr's freelancers for book editing and proofreading services across English, German, French, and Spanish. After finding success in the marketplace with \$15K spending, the client scaled quickly and signed a \$200K engagement through Fiverr Pro to help them with hundreds of children's books. They also decided to leverage the Project Management services to help orchestrate all freelancer operations on their behalf. Another example is a leading online education company in the US that transitioned its YouTube video production to Fiverr. Following a successful proof-of-concept project supported by our customer success team, they recognized the superior value and efficiency of our platform. Fiverr's capacity to deliver high-quality outcomes at scale with rapid turnaround is instrumental in scaling their YouTube channel, offering a clear advantage over their previous reliance on a traditional digital agency. These successes are a testament to the power and scalability of the Fiverr platform for enterprise clients.

On Fiverr Go, following the landmark launch event in February, we've consistently seen strong engagement among both sellers and buyers. Over 6,000 top-quality sellers on

Fiverr have activated Fiverr Go, and over 200K buyers have interacted with the product. While still early, initial signals around conversion have been highly encouraging. For sellers who activated Personal Assistant, we saw 1-hr conversion uplift of 56% and 14-day conversion uplift of 10% compared to their historical average. This means that because Personal Assistant is always on, and can respond to buyers immediately, with the ability to reference seller experience, suggest pricing, and ultimately close deals, it allows sellers to convert meaningfully better and faster.

We are also thrilled to see buyers actively engaging with the Playground to explore and understand the unique offerings of each seller. The power of Fiverr Go lies in its personalized and humanized model, drawing exclusively from each seller's portfolio and history on our platform. This ensures that the generated visuals authentically showcase their style and quality, enabling buyers to make informed decisions with increased confidence. This also led to amplifying visibility for our most exceptional, high-caliber sellers.

While still early, these promising signals reinforce our confidence in GenAI's transformative potential to elevate the marketplace experience, fundamentally redefining how buyers and sellers connect and collaborate. Moving forward, we will continue expanding both category coverage and seller access. We will also strategically integrate the Fiverr Go experience further into our marketplace, broadening its influence earlier in the buyer journey.

We are incredibly excited about the momentum we've built in Q1 and the trajectory it sets for the rest of the year. Our strategic focus on going upmarket, expanding value-added services, and leveraging the power of AI, positions us for continued success. The innovations we are bringing to the market are not just incremental changes; they are fundamental shifts in how work is done, and we are leading that change. We look forward to sharing our continued progress with you in the coming quarters.

With that, I'll turn the call over to Ofer.

Ofer Katz

President & Chief Financial Officer – Fiverr International, Ltd.

Thank you, Micha, and good morning, everyone.

We delivered an outstanding first quarter, with strong execution across the board. Revenue for the first quarter was \$107.2 million, up 15% year-over-year, representing an acceleration from 13% year-over-year growth in Q4. Adjusted EBITDA for Q1 was \$19.4 million, representing an Adjusted EBITDA margin of 18%, an improvement of 100 basis points from a year earlier. We continue to generate strong cash flow, with free cash flow totaling \$27.4 million, up 31.6% y/y. We maintain a disciplined approach to capital allocation, including the use of cash to return capital to our shareholders. This quarter, our Board authorized an additional \$100 million for our stock repurchase program, underscoring our strong confidence in the long-term opportunities of our business and our unwavering commitment to delivering shareholder value.

Q1 saw solid performance across both our Marketplace and Services segments. Marketplace revenue reached \$77.7 million, driven by 3.5 million active buyers, \$309 of spend per buyer and 27.7% of marketplace take rate. This growth was driven by the ongoing strength of Fiverr Pro, resulting in robust increases to spend per buyer, and further enhanced by the multiple large transactions discussed earlier. Historically, Q1 tends to be a seasonally strong period for marketing investments. This quarter, the step-up from Q4 is slightly larger than what has been the case for the last two years. We saw opportunities to lean in more on marketing investments in the beginning of the year while maintaining a tROI of approximately 5 months. This underscores our nimble and data-driven go-to-market strategy as one of our competitive strengths that allows us to capitalize on opportunities when they present themselves, especially in a highly dynamic macro environment. That said, I don't think we've seen a real inflection in the freelancing demand environment in our space. So from a forward-looking perspective, we haven't changed our view or the macro assumptions going into our guidance.

Services revenue was \$29.5 million, representing y/y growth of 94%, driven by continued strength in Fiverr Ads, Seller Plus, and AutoDS. Services revenue represents

27.5% of our total revenue in Q1, and we expect it to reach over 30% for full year 2025. As Micha mentioned, we have seen strong seller engagement for Fiverr Go in the last two months. In addition to the conversion uplift, we expect to see some incremental uplift to Seller Plus subscriptions for the second half of the year, as most sellers leverage Fiverr Go through the bundled subscription offerings with Seller Plus Premium.

Now, onto guidance. Given the strong performance of Q1, we are raising the low end for both revenue and Adjusted EBITDA of the full year 2025 guidance. We now expect full year 2025 revenue to be in the range of \$425 - \$438 million, representing year-over-year growth of 9%-12%. Adjusted EBITDA is expected to be in the range of \$84 - \$90 million, representing an Adjusted EBITDA margin of 20% at the midpoint. For the second quarter of 2025, revenue is expected to be \$105 - \$109 million, representing year-over-year growth of 11%-15%. Adjusted EBITDA is expected to be \$20 - \$22 million, representing an Adjusted EBITDA margin of 20% at the midpoint. We expect to generate marketing leverage throughout the year, and our R&D expense will grow more modestly for the remainder of the year compared with Q1. We continue to manage the business with the highest level of discipline and efficiency. We are well on track toward our long-term targets to reach 25% Adjusted EBITDA target in 2027 and deliver 14% CAGR to free cash generation for the three years ending in 2027.

To close, I'm very happy with the strong start in 2025. I believe Fiverr is not only well-positioned for today, but is building a robust foundation for long-term, sustainable growth and market leadership for years to come.

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