fiverr.

Q2 | 2023

Shareholder letter

FIVERR.COM

Andrew Carpenter, Seller
Founder
Excell Ecom
Ayr, Scotland, United Kingdom

ON THE COVER:

Andrew Carpenter,

Founder

Excell Ecom

Ayr, Scotland, United Kingdom

Andrew is the owner of Excell Ecom, an e-commerce focused digital service agency and a Shopify Partner that provides web design, digital marketing, and other creative services for businesses around the world.

Andrew joined Fiverr in 2020. Prior to becoming a freelancer, he worked in global sales for an advertising company for more than seven years. Andrew's perspective changed when he saw how much businesses were impacted by the COVID-19 lockdowns and he decided to offer his digital advertising expertise to help companies expand their online presence.

Andrew selected Fiverr for his new business because of its global reach, support, and resources. He started his first gig in early 2020, initially helping with social media marketing campaigns, but soon expanded to more complex projects such as building a custom Shopify website. Today, average project size for Andrew on Fiverr ranges between $1,000 - $5,000.

Leveraging programs such as Top Rated Seller, Fiverr Pro, as well as the support from a dedicated customer success manager, Andrew was able to scale his business on the platform over time. To date, he has grown his company to a team of five professionals and has made over half a million dollars on Fiverr.

"Fiverr has provided exposure like no other platform in the world when it comes to freelancing. Being able to generate revenue and not worry about lead generation allows us to focus on our services and improve our business."

"Being a Fiverr Pro has allowed my gig to be viewed as a quality verified seller and adds prestige when selling higher end goods. This has helped massively when talking with new customers as they can feel at ease working with a professional team."

Second Quarter 2023 and Recent Highlights

- **Consistent execution led to strong Q2'23 results.** We continue to operate with focus and discipline and are on track to deliver on the expectations we set at the beginning of the year. For Q2'23, revenue came in close to the high end of our guidance range and Adjusted EBITDA exceeded the top end of our guidance.
- **Introducing Fiverr Business Solutions.** Fiverr accelerated its upmarket strategy with the recent launch of Fiverr Business Solutions, a suite of product offerings which allows larger companies to access and work with freelancers across multiple use cases and engagement scenarios. This launch also includes the all-new Fiverr Pro, our premium marketplace offering.
- **Launch of Fiverr Certified.** Fiverr Certified expands our go-to-market channels through partnerships with tech vendors that have large SMB communities. By creating dedicated partner marketplaces, Certified provides partners and their customers with purpose-built service offerings fulfilled by certified experts.
- **Introducing Fiverr Neo™**. We rolled out Fiverr Neo™, our groundbreaking matching tool leveraging the latest neural networks technologies and Fiverr's data assets. Fiverr Neo™ provides an all-new experience for customers to express their needs and be matched with the right talent.
- **Guidance Update.** Given the consistent execution this quarter, we are increasing the midpoint of our full year revenue guidance and raising Adjusted EBITDA guidance. Our focus is to continue to accelerate revenue growth in the second half of the year and deliver Adjusted EBITDA expansion towards our long-term margin target.

Second Quarter 2023 Key Results

REVENUE	**$89.4 million** 5.1% y/y growth
ACTIVE BUYERS (1)	**4.2 million** 0% y/y growth
SPEND PER BUYER (1)	**$265** 2% y/y growth
TAKE RATE (1)	**30.7%** 90 bps y/y improvement
GROSS MARGIN	**82.5%** GAAP **84.2%** NON-GAAP(1)
GAAP NET INCOME	**$0.2 million**
ADJUSTED EBITDA(1)	**$15.3 million**
ADJUSTED EBITDA MARGIN(1)	**17.1%**

Financial Outlook

	Q3 2023	FY 2023	FY 2023 PRIOR GUIDANCE
REVENUE	**$89.5 - $92.5 million** 8-12% y/y growth	**$358.0 - $365.0 million** 6-8% y/y growth	$355.0 - $365.0 million 5-8% y/y growth
ADJUSTED EBITDA(1)	**$14.5 - $16.5 million**	**$56.0 - $60.0 million**	$48.0 - $56.0 million

(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

To Our Shareholders,

We delivered strong results for the second quarter of 2023, with revenue of $89.4 million coming close to the high end of our guidance and Adjusted EBITDA of $15.3 million, above our guidance range. I'm proud of the focus and discipline of our team in executing our roadmap, which sets a solid foundation as we navigate through the current macroeconomic cycle. We are confident in delivering the financial targets we set at the beginning of the year, and I'm pleased we are making firm progress in re-accelerating our growth and improving our bottom line towards our long-term Adjusted EBITDA margin target.

As we enter the second half of 2023 with a strengthened financial profile, much of our focus is towards long-term strategic investments to unlock growth opportunities. This is exciting not only for the entire team but also on a personal level. Ultimately, creating value for our communities through product innovation, and doing so with great velocity and passion, is in the DNA of Fiverr. In the past few months, we've announced a number of product launches, including Fiverr Enterprise, Fiverr Certified, and the all-new Fiverr Pro, all wrapped into one suite of products we are calling "Fiverr Business Solutions". We believe these solutions will accelerate our upmarket efforts as we focus more on attracting better quality buyers, driving up spend per buyer, increasing lifetime value and improving cohort loyalty for years to come.

We've also introduced Fiverr Neo™, a first-of-its-kind matching experience on Fiverr powered by the latest neural network, machine learning and large language model technologies, enabled through our unique data assets. Fiverr is all about providing access to opportunities to our community of talent and providing access to talent to our community of businesses. Delivering a great match, one that both sides are delighted with is the ultimate purpose of a successful marketplace. The launch of Neo is just the first step in how we will revolutionize the process of understanding our customers' needs and matching them with super precision to the right professionals who can help them achieve their goals. E-commerce platforms have been around for decades - it is time again to lead the imagination of how the future of marketplaces will look like, just as we pioneered the Service-as-a-Product concept 13 years ago.

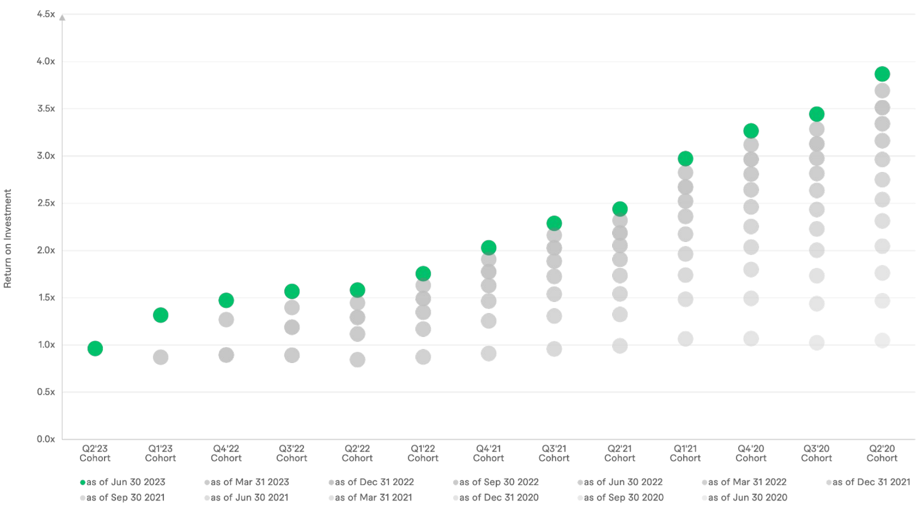
With so many new and exciting developments at Fiverr, we look forward to the rest of this year and beyond to see how our vision for the future of work gets realized. At the same time, we are committed to delivering our promise of financial results with continued focus and discipline - this includes focusing on the core marketplace and Fiverr Business Solutions to drive growth acceleration and continued progress toward our long-term margin target. This is an exciting time for Fiverr on all fronts with many product and innovation, growth, and profitability milestones ahead. We look forward to updating and continuing the dialogue with all of you in future quarters.

Growth Strategies and Recent Progress

#1 Bring new buyers onto the platform

In the twelve months ended June 30, 2023, active buyers were 4.2 million. As we accelerated our pace in upmarket investment during the quarter, we've also shifted more acquisition budget towards higher value buyers and reduced investments in certain channels that mostly attracted low-value customers. We expect this strategic decision will impact the number of new buyers joining our platform this quarter and in turn the overall active buyer number in the near term, but will ultimately drive a better buyer mix and improve spend per buyer, lifetime value, and retention.

We continue to take a disciplined approach in spending sales and marketing investments. Time to return on investments, or tROI, remained at 0.9x, implying the payback period of our performance marketing spend remained at a little over a quarter. Overall our GAAP S&M expense as a percentage of revenue was 43.5% in Q2’23, improving from 52.1% in Q2’22. Non-GAAP S&M expense as a percentage of revenue was 39.1% in Q2’23, improving from 45.8% in Q2’22, and representing our most efficient quarter for the company.



INCREASING ROI FOR PERFORMANCE MARKETING INVESTMENT AS COHORTS SEASON OVER TIME

As of June 30, 2023, revenue from the Q2’20 cohort reached 3.9x of the initial performance marketing investment in Q2’20, representing an attractive 3-year LTV/CAC.

Cohorts continue to perform in line with our expectations for the year. The percentage of core marketplace revenue coming from repeat buyers continued to climb, reaching 65% for the last twelve months ending June 30, 2023, compared to 64% last quarter.

On brand marketing, we continue to build awareness and demonstrate our thought leadership in the freelancer industry with our sixth annual Freelance Economic Impact Report, which was completed in partnership with Rockbridge Associates and the Freelancers Union.

The study showed that skilled freelancers in the creative, technical, and professional fields in the U.S. earned an estimated $286 billion in 2022, up nearly 10% from a year ago. Moreover, the growth is driven by both an increase in the number of freelancers, which was up more than 2%, and earnings per freelancer, up more than 7%. This reflects the continued momentum in secular trends in the overall labor force, where talent continues to embrace the future of work with flexibility, satisfaction and value creation.

2. Go upmarket

In the twelve months ended June 30, 2023, spend per buyer on our platform increased 2% y/y to $265. We continue our efforts in attracting high-value customers from the top of the funnel, improving conversion of those customers with differentiated product experience, and expanding our catalog and supply to fulfill larger and more complex projects. During the quarter, we also accelerated the pace of investments in multiple upmarket initiatives, and announced a number of major product releases. As a result of these efforts, we expect spend per buyer to increase in the second half of the year.

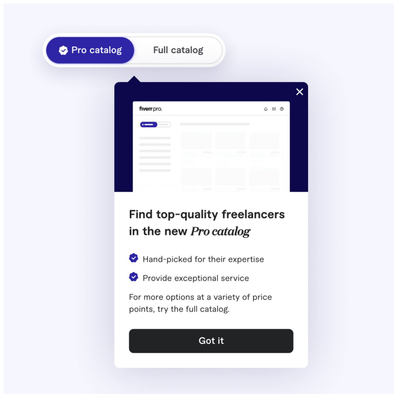
Over the past few years, we have been making significant progress in going upmarket. As our offerings for medium to large businesses continue to round up, we are now officially launching **Fiverr Business Solutions**, our comprehensive suite of professional solutions that enables larger businesses to engage with freelancers in a variety of ways. This includes Fiverr Pro, a premium marketplace offering, Fiverr Certified, an expansion of go-to-market channels via partnerships, as well as Fiverr Enterprise that enables the integration of on-demand and long-term freelancer engagement.

The all-new **Fiverr Pro** combines our original Pro program with the Fiverr Business environment we built over the last few years to create a comprehensive premium offering of the marketplace. Under this premium offering, customers can -

1. Access a pool of fully vetted, Pro experts across all verticals;
2. Have a unified dashboard with tools to easily manage their projects, track project status, collaborate with in-house team and freelancers, and create consolidated reports;
3. Utilize enhanced payment capabilities that include net term payments for U.S. companies to improve corporate processes and remove friction, as well as access to a new administration panel to track financial account activity;
4. Receive access to a dedicated success manager who will provide white-glove services such as onboarding, troubleshooting, talent matching and consultation services. We also have Project Planning experts available who can provide end-to-end project management to Pro clients.

FIVERR BUSINESS SOLUTIONS

Our new suite of professional solutions will enable larger businesses to engage with freelancers in multiple ways.

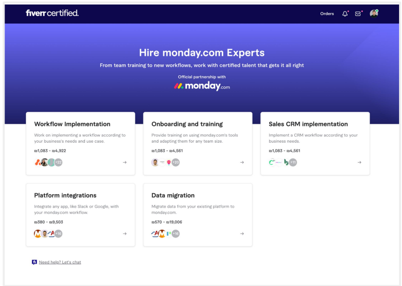


ALL-NEW FIVERR PRO

The all-new Fiverr Pro provides a completely refreshed catalog experience with a toggle between Pro and full catalog, and brand new ways to browse through candidates and their service offerings.

Fiverr Certified builds dedicated partner marketplaces with pre-defined service offerings and certified freelance experts that directly address the needs of partners' SMB customers. While these vendors typically have sales and accounts teams to serve their medium to large clients, the smaller customers typically operate in a self-serve model with limited access to resources. With Fiverr Certified, they can now leverage the freelancer experts to implement those solutions. The program is a win-win-win for all parties, where it solves key pain points for SMBs, increases product loyalty and engagement for our partners, and brings more buyers and work for the Fiverr platform.

So far, the program has already attracted several of the world's most recognized brands, including large partners such as Amazon Ads, monday.com and Stripe. Average project size on Fiverr Certified ranges between $700 to $800, significantly higher than the marketplace average. While Certified is still in its early stages, we are excited by the potential to reach new customers and look to deepen the partner integration in the coming months.



FIVERR CERTIFIED - MONDAY.COM

The dedicated Certified marketplace for monday.com allows customers to address their five most common needs. These services are fulfilled by a pool of professional freelancers and agencies certified with standards created jointly by Fiverr and monday.com.

3. Expand our service catalog

Catalog expansion continues to be a key strategy for us. Not only does it provide a revenue growth engine, it also adds defensibility to our business, and drives upsell and cross-sell opportunities that increase retention and engagement for our buyers. In Q2'23, we added more than 20 new categories, with the total number of categories now approaching 700. This includes services like User-Generated Content (UGC) Videos, where buyers can hire creators to produce short-form videos offering demonstrations, how-to guides, and other authentic content, Voice Synthesis & AI, which leverages AI tools to provide solutions around voice, and Chat Conversation Scripts, which provides buyers with high-quality, tailored scripts that can be used to improve customer chatbot experience.

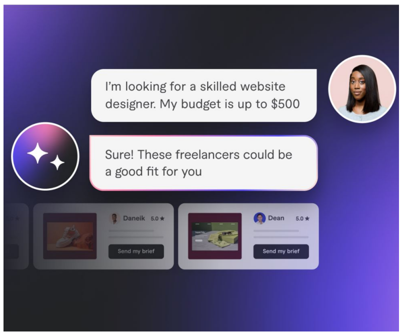
We've also seen the need for digital transformation continue for businesses as we witnessed strong momentum in areas related to e-commerce, mobile app development, short form video content, website building, and 3D rendering. For example, one of our largest transactions in Q2'23 was a $20,000+ order where a B2B wellness company needed a customized app for educational and coaching services. As more companies are looking to build out their digital footprint across multiple channels, they are increasingly turning to Fiverr to address skill gaps with freelancers to help tackle their challenges.

4. Innovate technology and services

At Fiverr, we are obsessed with using technology and innovation to provide value to our customers. One of the key priorities we laid out at the beginning of the year was to improve search and discovery experiences for our buyers. With hundreds of thousands of sellers and millions of service listings, how do we help buyers find the best match to fulfill their needs? We rolled out **Fiverr Neo™** a few days ago to solve exactly that.

With so many options to choose from in our ever-expanding catalog, buyers, especially those who are new to Fiverr, often are not sure how to find a freelancer that exactly matches their project needs. Fiverr Neo™ allows buyers to express these needs in their own words, hence eliminating the first barrier. The magic does not stop here. It also has the ability to then communicate with the buyer by asking additional questions based on the buyer's unique project needs, as well as requirements specific for a given vertical or category, in order to generate a more precise match. Fiverr Neo™ will then provide recommendations for the best talent to fulfill the buyer's intended job.

The experience is already a step-function improvement compared to the existing browse-search-find-buy experience for a typical e-commerce website. But this is just the beginning - we are only scratching the surface of what is possible. As we dig deeper into our metadata, not only at the catalog level, but at the transaction level, and even the communication level, we believe Fiverr Neo™ has the potential to become your personal recruiter, who is as good as your human recruiter, but "infinitely patient, infinitely compassionate, infinitely knowledgeable, infinitely helpful" - to borrow Marc Andreessen's words.



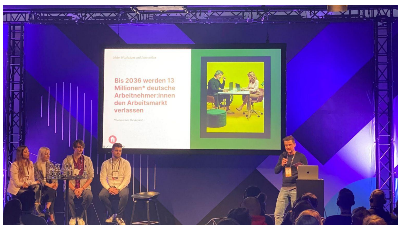
FIVERR NEO™

Fiverr Neo™ provides a brand new experience to connect with a freelancer on Fiverr, leveraging the latest machine learning technology and Fiverr's deep data assets.

5. Expand our geographic footprint

We continue to increase our international expansion efforts in the UK, Germany, and France, which are important growth markets. We are focused on enhancing our native experience for international customers, investing in translation quality and marketing strategy to improve conversion. In Germany, we continue to make improvements to provide a better local experience, such as directing more German traffic to the local site and encouraging German freelancers to translate their services to improve quality of localization. In addition, we are optimizing the landing page through the use of trust and security labels. These efforts have helped us to build trust among the German audience and generate more revenue through our local .DE website.

We have expanded our international marketing efforts with the launch of TV campaigns with local creatives in the UK and Germany, and recently participated in several prominent tech conferences in Europe, including the **OMR Festival** in Hamburg and London Tech Week.



FIVERR AT THE 2023 OMR FESTIVAL

Fiverr presented a masterclass on Talent Cloud at the OMR Festival, sharing how companies can address their talent shortages and promoting the benefits of working with talent on demand.

Both of these events had over tens of thousands of attendees and allowed us to showcase our thought leadership in the freelance market. At OMR, we also presented a masterclass on the topic of Talent Cloud with a panel of Fiverr buyers and sellers to share how companies can drive growth and innovation with experts on demand.

Financial Discussion

In Q2'23 revenue increased 5.1% y/y to $89.4 million. GAAP net income (loss) was $0.2 million, compared to ($41.9) million in Q2'22. Adjusted EBITDA[1] was $15.3 million or 17.1% in Adjusted EBITDA margin[1]. Unless otherwise noted, all comparisons are on a year-over-year basis.

Revenue

Revenue for Q2'23 was $89.4 million, up 5.1% from $85.0 million in Q2'22, driven mainly by growth in spend per buyer[1]. The year-over-year growth rate also benefited from the increase of our take rate[1], which grew to 30.7% for the twelve months ended June 30, 2023 from 29.8% for the twelve months ended June 30, 2022. 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.

Active Buyers

In the twelve months ended June 30, 2023, our active buyers were 4.2 million, consistent with a year ago. We accelerated the pace of our upmarket efforts and shifted our acquisition budget towards higher value buyers while reducing investments in channels that mostly attracted low-value customers. We 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 June 30, 2023, SPB grew to $265, up 2% y/y from $259. 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 June 30, 2023, our take rate was 30.7%, an increase of 90 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 Q2'23 was $73.8 million, up 9.3% from $67.5 million in Q2'22. Gross margin was 82.5% in Q2'23 an increase of 310 basis points from 79.4%. Non-GAAP gross margin[1] was 84.2% in Q2'23, an increase of 150 basis points from 82.7% in Q2'22.

Operating Expenses

Total operating expenses on a GAAP basis for Q2'23 were $77.8 million, compared to $110.1 million in Q2'22. Non-GAAP operating expenses[1] for Q2'23 were $60.0 million, or 67.1% of revenue, compared to $65.7 million, or 77.2% of revenue in Q2'22.

Research and Development (R&D)

Research and development expenses on a GAAP basis were $23.3 million, or 26.1% of revenue in Q2'23. Non-GAAP research and development expenses[1] were $16.6 million, or 18.6% of revenue, compared to 20.9% in the prior year period. We continue to invest and innovate in our core marketplace and Fiverr Business Solutions this year.

Sales and Marketing (S&M)

Sales and marketing expenses on a GAAP basis were $38.9 million, or 43.5% of revenue in Q2'23. Non-GAAP sales and marketing expenses[1] were $34.9 million, or 39.1% of revenue in Q2'23, compared to 45.8% in the prior year period. We invest in our marketing efforts with discipline and aim to maintain our marketing efficiency and improve marketing leverage over time. We continue to invest in brand marketing and are long-term believers in building brand awareness and trust.

General and Administrative (G&A)

General and administrative expenses on a GAAP basis were $15.6 million, or 17.5% of revenue in Q2'23. Non-GAAP general and administrative expenses[1] were $8.4 million, or 9.4% of revenue in Q2'23, compared to 10.5% in the prior year period.

Net Income (Loss) and Adjusted EBITDA

Net income (loss) on a GAAP basis in Q2'23 was $0.2 million, compared to ($41.9) million in Q2'22. Adjusted EBITDA[1] was $15.3 million, or 17.1% of revenue in Q2'23, compared to $4.6 million or 5.4% in Q2'22.

Financial Outlook

Our Q3'23 outlook and updated full year 2023 guidance reflects the strength of our business and the recent trends on our marketplace. We expect to improve revenue growth rate and maintain Adjusted EBITDA margin in the second half of the year.

	Q3 2023	FY 2023
REVENUE	$89.5 - $92.5 million	$358.0 - $365.0 million
y/y growth	8%-12% y/y growth	6%-8% y/y growth
ADJUSTED EBITDA[1]	$14.5 - $16.5 million	$56.0 - $60.0 million

(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

Conference Call Details

Fiverr’s management will host a conference call to discuss its financial results on Thursday, Aug 3, 2023 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. To participate in the Conference Call, please register at the link **here**.

Investor Relations

investors@fiverr.com

Press

press@fiverr.com

Micha Kaufman

Founder and Chief Executive Officer

Ofer Katz

President and Chief Financial Officer

CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 162,247	$ 86,752
Restricted cash	-	1,137
Marketable securities	191,492	241,293
User funds	156,976	143,020
Bank deposits	74,000	134,000
Restricted deposit	1,284	-
Other receivables	22,160	19,019
Total current assets	608,159	625,221
Marketable securities	259,039	189,839
Property and equipment, net	5,256	5,660
Operating lease right of use asset, net	8,115	9,077
Intangible assets, net	12,387	14,770
Goodwill	77,270	77,270
Other non-current assets	1,393	1,965
Total assets	$ 971,619	$ 923,802
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	$ 2,268	$ 8,630
User accounts	146,387	133,032
Deferred revenue	12,184	11,353
Other account payables and accrued expenses	44,559	41,328
Operating lease liabilities, net	2,447	2,755
Total current liabilities	207,845	197,098
Long-term liabilities:		
Convertible notes	454,033	452,764
Operating lease liabilities	5,583	6,649
Other non-current liabilities	2,201	1,559
Total long-term liabilities	461,817	460,972
Total liabilities	$ 669,662	$ 658,070
Shareholders' equity:		
Share capital and additional paid-in capital	604,106	565,834
Accumulated deficit	(292,084)	(288,039)
Accumulated other comprehensive income (loss)	(10,065)	(12,063)
Total shareholders' equity	301,957	265,732
Total liabilities and shareholders' equity	$ 971,619	$ 923,802

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
Revenue	$ 89,385	$ 85,010	$ 177,341	$ 171,695
Cost of revenue	15,632	17,526	31,298	34,503
Gross profit	73,753	67,484	146,043	137,192
Operating expenses:				
Research and development	23,289	24,523	45,176	48,297
Sales and marketing	38,870	44,325	80,920	92,192
General and administrative	15,604	13,658	31,103	28,910
Impairment of intangible assets	-	27,629	-	27,629
Total operating expenses	77,763	110,135	157,199	197,028
Operating loss	(4,010)	(42,651)	(11,156)	(59,836)
Financial income (expenses), net	4,487	841	7,571	1,071
Income (loss) before income taxes	477	(41,810)	(3,585)	(58,765)
Income taxes	(250)	(53)	(460)	(73)
Net income (loss) attributable to ordinary shareholders	$ 227	$ (41,863)	$ (4,045)	$ (58,838)
Basic net income (loss) per share attributable to ordinary shareholders	$ 0.01	$ (1.13)	$ (0.11)	$ (1.60)
Basic weighted average ordinary shares	37,906,971	37,027,317	37,677,180	36,846,989
Diluted net income (loss) per share attributable to ordinary shareholders	$ 0.01	$ (1.13)	$ (0.10)	$ (1.60)
Diluted weighted average ordinary shares	41,192,132	37,027,317	37,677,180	36,846,989

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
Operating Activities				
Net income (loss)	$ 227	$ (41,863)	$ (4,045)	$ (58,838)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	1,654	3,142	3,379	6,252
Gain (loss) from disposal of property and equipment	5	(12)	31	(12)
Amortization of premium and discount of marketable securities, net	378	1,997	1,234	3,684
Amortization of discount and issuance costs of convertible notes	635	631	1,269	1,262
Shared-based compensation	17,630	19,114	34,349	37,117
Net loss (gain) from exchange rate fluctuations	(100)	314	(37)	171
Impairment of intangible assets	-	27,629	-	27,629
Changes in assets and liabilities:				
User funds	1,950	4,441	(13,956)	(14,862)
Operating lease ROU assets and liabilities, net	(164)	(1,101)	(412)	(1,430)
Other receivables	(1,773)	(2,677)	(2,747)	(2,435)
Trade payables	(2,569)	662	(6,354)	(4,757)
Deferred revenue	(788)	(1,237)	831	146
User accounts	(1,608)	(3,904)	13,355	13,826
Account payable, accrued expenses and other	3,141	3,964	4,699	11,178
Revaluation of contingent consideration	-	(3,152)	-	(3,842)
Payment of contingent consideration	-	(504)	-	(504)
Non-current liabilities	117	(353)	642	216
Net cash provided by operating activities	18,735	7,091	32,238	14,801
Investing Activities				
Investment in marketable securities	(118,450)	(45,160)	(181,008)	(90,007)
Proceeds from sale of marketable securities	108,621	49,737	162,921	83,346
Bank and restricted deposits	58,781	24,000	58,751	22,863
Acquisition of intangible asset	-	(175)	-	(175)
Purchase of property and equipment	(367)	(338)	(695)	(831)
Capitalization of internal-use software and other	(8)	(504)	(13)	(903)
Other non-current assets	-	(1,000)	-	(1,078)
Net cash used in investing activities	48,577	26,560	39,956	13,215
Financing Activities				
Payment of convertible notes deferred issuance costs				
Deferred issuance cost				
Payment of contingent consideration	-	(1,105)	-	(1,105)
Proceeds from exercise of share options	433	1,000	2,183	1,711
Tax withholding in connection with employees' options exercises and vested RSUs	(387)	(556)	(56)	(2,130)
Repayment of long-term loan	-	-	-	(2,269)
Net cash provided by (used in) financing activities	46	(661)	2,127	(3,793)
Effect of exchange rate fluctuations on cash and cash equivalents	100	(314)	37	(171)
Increase in cash, cash equivalents and restricted cash	67,458	32,676	74,358	24,052
Cash, cash equivalents and restricted cash at the beginning of period	94,789	65,446	87,889	74,070
Cash and cash equivalents at the end of period	$ 162,247	$ 98,122	$ 162,247	$ 98,122

KEY PERFORMANCE METRICS

	Twelve Months Ended June 30, 2023	Twelve Months Ended June 30, 2022
	(Unaudited)	
Annual active buyers (in thousands)	4,222	4,220
Annual spend per buyer ($)	$ 265	259

RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(in thousands, except gross margin data)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
	(Unaudited)		(Unaudited)	
GAAP gross profit	$ 73,753	$ 67,484	$ 146,043	$ 137,192
Add:				
Share-based compensation and other	619	771	1,232	1,478
Depreciation and amortization	885	2,017	1,813	3,973
Non-GAAP gross profit	$ 75,257	$ 70,272	$ 149,088	$ 142,643
Non-GAAP gross margin	84.20%	82.7%	84.1%	83.1%

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

(in thousands, except share and per share data)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
	(Unaudited)		(Unaudited)	
GAAP net income (loss) attributable to ordinary shareholders	$ 227	$ (41,863)	$ (4,045)	$ (58,838)
Add:				
Depreciation and amortization	1,654	3,142	3,379	6,252
Share-based compensation	17,630	19,114	34,349	37,117
Impairment of intangible assets	-	27,629	-	27,629
Contingent consideration revaluation, acquisition related costs and other	-	(2,627)	-	(2,690)
Convertible notes amortization of discount and issuance costs	635	631	1,269	1,262
Exchange rate (gain)/loss, net	(108)	(1,155)	(271)	(1,248)
Non-GAAP net income	$ 20,038	$ 4,871	$ 34,681	$ 9,484
Weighted average number of ordinary shares - basic	37,906,971	37,027,317	37,677,180	36,846,989
Non-GAAP basic net income per share attributable to ordinary shareholders	$ 0.53	$ 0.13	$ 0.92	$ 0.26
Weighted average number of ordinary shares - diluted	41,192,132	40,767,393	41,072,440	41,009,735
Non-GAAP diluted net income per share attributable to ordinary shareholders	$ 0.49	$ 0.12	$ 0.84	$ 0.23

RECONCILIATION OF GAAP NET INCOME (LOSS) TO ADJUSTED EBITDA
(in thousands, except adjusted EBITDA margin data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
GAAP net income (loss)	$ 227	$ (41,863)	$ (4,045)	$ (58,838)
Add:				
Financial (income) expenses, net	(4,487)	(841)	(7,571)	(1,071)
Income taxes	250	53	460	73
Depreciation and amortization	1,654	3,142	3,379	6,252
Share-based compensation	17,630	19,114	34,349	37,117
Impairment of intangible assets	-	27,629	-	27,629
Contingent consideration revaluation, acquisition related costs and other	-	(2,627)	-	(2,690)
Adjusted EBITDA	$ 15,274	$ 4,607	$ 26,572	$ 8,472
Adjusted EBITDA margin	17.1%	5.4%	15.0%	4.9%

RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
GAAP research and development	$ 23,289	$ 24,523	$ 45,176	$ 48,297
Less:				
Share-based compensation	6,463	6,521	12,247	12,726
Depreciation and amortization	203	202	412	403
Non-GAAP research and development	$ 16,623	$ 17,800	$ 32,517	$ 35,168
GAAP sales and marketing	$ 38,870	$ 44,325	$ 80,920	$ 92,192
Less:				
Share-based compensation	3,477	4,575	6,746	9,005
Depreciation and amortization	476	821	978	1,681
Non-GAAP sales and marketing	$ 34,917	$ 38,929	$ 73,196	$ 81,506
GAAP general and administrative	$ 15,604	$ 13,658	$ 31,103	$ 28,910
Less:				
Share-based compensation	7,071	7,247	14,124	13,908
Depreciation and amortization	90	102	176	195
Contingent consideration revaluation, acquisition related costs and other	-	(2,627)	-	(2,690)
Non-GAAP general and administrative	$ 8,443	$ 8,936	$ 16,803	$ 17,497

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 each of our non-GAAP measures of financial performance, as the respective GAAP balances shown in the above tables, adjusted for, as applicable, depreciation and amortization, share-based compensation expenses, contingent consideration revaluation, acquisition related costs and other, income taxes, amortization of discount and issuance costs of convertible note, financial (income) expenses, net. Non-GAAP gross profit margin represents non-GAAP gross profit expressed as a percentage of revenue. We define non-GAAP net income (loss) per share as non-GAAP net income (loss) divided by GAAP weighted-average number of ordinary shares basic and diluted.

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 and Adjusted EBITDA margin guidance for the third quarter of 2023 and the fiscal year ending December 31, 2023, and long term to net income (loss), the nearest comparable GAAP measure, because certain items that are excluded from Adjusted EBITDA and Adjusted EBITDA margin 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 third quarter of 2023, the fiscal year ending December 31, 2023, our long term Adjusted EBITDA margin goals, our expected future Adjusted EBITDA margin, our business plan and strategy, our expectations regarding AI services and developments, 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 within adverse economic conditions that may impact the demand for our services or have a material adverse impact on our business, 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 dependence on traffic to our website; our ability to maintain user engagement on our website and to maintain and improve the quality of our platform; our operations within a competitive market; 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 data privacy, data protection and cybersecurity; our ability to manage our current and potential future growth; our dependence on decisions and developments in the mobile device industry, over which we do not have control; 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 ability to comply with a wide variety of U.S. and international laws and regulations; our ability to attract, recruit, retain and develop qualified employees; 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; 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 March 30, 2023 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 our 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 shareholder letter 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 shareholder letter relate only to events or information as of the date on which the statements are made in this shareholder letter. 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.