

fiverr.

Q1 | 2025

Shareholder Letter

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



Kristin Van Busum, Buyer

Co-Founder & CEO

Project Alianza

Boston, MA



ON THE COVER:

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Co-Founder & CEO
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Boston, MA

Kristin Van Busum founded the women-led educational non-profit in 2014 with the goal of creating a world where all children, regardless of gender or geographical location, can reach their full potential and have pathways to opportunity. The nonprofit focuses on teaching children throughout rural Central America how to read via in-person programs and innovative learning apps. Since inception, Project Alianza has built 16 schools, trained 400 rural women as educators, and impacted over 175,000 children.

Kristin created a Fiverr Pro account in 2024, while she was seeking services for marketing plans, a standout website and engaging social content. Fiverr's Customer Success team was able to quickly match her with SLT Consulting, an agency with a track record of elevating social impact brands, that helps update her content and social strategy. Project Alianza also works with voiceover artists on the platform to get authentic local dialects for their learning app, as well as with UX Designers who can collaborate in Spanish.

Kristin believes there is a lot of potential working with Fiverr while they are building and scaling the UX of their app, AnGo, so they can reach millions of kids. The search function in particular on the platform made it very easy for them to find talent in certain countries throughout Latin America. After expanding operations in Guatemala, they were able to easily discover a local UX designer and support that community. In less than a year, Project Alianza has spent over \$5K on the platform and worked with a handful of trusted freelancers.

“Fiverr is a game changer for nonprofit leaders like me because it allows me to delegate tasks that I’m not an expert in so I can focus on the core mission.”

Summary

- **Strong start to the year:** Both revenue and Adjusted EBITDA came in above the midpoint of our guidance as we delivered strong execution, driving stable Marketplace performance, robust Services revenue growth, and high-velocity product expansion in AI products.
- **Fiverr Go leads to faster and better conversion:** Following the launch event in February, Fiverr Go continues to garner significant enthusiasm and drive forward-looking AI discussions among our talent community. Personal Assistant shows tremendous potential in helping sellers close deals and doing it faster, while Creation Model helps buyers make better purchase decisions and strengthens high-quality sellers' visibility and exposure.
- **Fiverr Pro gaining traction for larger fulfillment:** We signed a few six-digit, multi-month contracts spanning across writing, app development, video production and digital marketing use cases. These long-term relationships continue to strengthen our land-and-expand playbook where customers expand their use cases with Fiverr Pro offerings after individual team members find initial success on the marketplace.
- **Positive outlook for 2025:** We are raising the low end of revenue guidance for 2025 given flow-through from the first quarter. We are also raising the low end of our Adjusted EBITDA guidance for 2025 based on the strong incremental margin of our business and the timing of expense spending. Overall, we remain confident and prudent in forecasting our business as we navigate through a volatile macro environment.

Q1'25 Results

| | Guidance | Actual | |
|--------------------------------|-----------------------------------------------------------|-------------------------------------------------------|------------------------------------------------------|
| REVENUE | \$103.5 - \$108.5 million +11-16% y/y | \$107.2 million +14.6% y/y | |
| ADJUSTED EBITDA ⁽¹⁾ | \$18.0 - \$20.0 million | \$19.4 million | |
| MARKETPLACE | 3.5 million Annual Active Buyers ⁽¹⁾ | \$309 Annual Spend per Buyer ⁽¹⁾ | 27.7% Marketplace Take Rate ⁽¹⁾ |
| SERVICES | \$29.5 million Services Revenue | +93.9% y/y Services Revenue Growth | 27.5% of Total Revenue |

Financial Outlook

| | Q2 2025 | FY 2025 |
|-----------------|----------------------------------------------------|---------------------------------------------------|
| REVENUE | \$105 - \$109 million 11%-15% y/y growth | \$425 - \$438 million 9%-12% y/y growth |
| ADJUSTED EBITDA | \$20.0 - \$22.0 million | \$84.0 - \$90.0 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 had a strong start to 2025, marked by revenue growth of 14.6% y/y and adjusted EBITDA of 18.1% in Q1'25, both ahead of the midpoint of our guidance. Unlike the noise and volatility in the broader markets, the teams at Fiverr have been heads down executing, delivering consistent financial results and continuing to ship a heavy slate of product updates at a fast pace. Our strategy of strengthening Marketplace revenue via going upmarket, expanding Services revenue as a key growth catalyst, and investing strategically in AI to drive long-term upside, continues to work really well in the current environment.

Following the hugely successful launch event of Fiverr Go in February, we have seen continued enthusiasm and engagement from our community on the new products. Over 6,000 sellers have activated either Personal Assistant or Creation Model, and over 200,000+ buyers have interacted with Personal Assistant or generated an image through the Playground. **While still early, we are seeing the exciting impact of Fiverr Go on buyer conversion, as Personal Assistant helps buyers convert better and convert faster, and Creation Model helps buyers make more confident and quality purchase decisions.**

In Q1'25, Marketplace revenue was \$77.7 million, representing a meaningful step-up from Q4'24 and incrementally better y/y growth rates. Aside from the typical step-up in Q1 marketing investments, the performance of the Marketplace segment reflects a stable demand trend environment and the incremental uplift from multiple upmarket initiatives. This includes Fiverr Pro loyalty programs, dedicated project management and sourcing services, and the continued expansion of Dynamic Matching, all of which are driving better conversion and retention among business buyers.

Services revenue was \$29.5 million in Q1'25, up 93.9% y/y, representing 27.5% of total revenue. Services revenue continued to enjoy strong growth trends from Fiverr Ads, Seller Plus and AutoDS. In addition, given the encouraging initial reception, we also expect some tailwinds from Fiverr Go in the second half of the year as Creation Model expands into more categories and Personal Assistant reaches more seller audiences. Overall, we expect Services revenue to reach over 30% of total revenue in 2025.

We are proud to be delivering double-digit revenue growth, while at the same time, our expense discipline and prudence around capital allocation remains unchanged. We prioritize profitable growth by reinvesting in our business, generating strong cash flow and maintaining ample liquidity, returning excess cash to shareholders, and staying opportunistic on M&A to expand growth levers. We remain on track to achieve a 25% Adjusted EBITDA margin by the end of 2027, and a 14% CAGR in free cash flow through 2027. Recently we authorized an additional \$100 million buyback, as we plan to engage in share repurchases as an ongoing tool in our broader capital allocation strategy focused on driving long-term shareholder value.

Upmarket Initiatives Drive Incremental Upside to Marketplace

For Q1 2025, Marketplace revenue was \$77.7 million, driven by 3.5 million annual active buyers, \$309 annual spend per buyer, and a 27.7% marketplace take rate. **While the overall demand trends remained largely unchanged, we've seen incremental uplifts to marketplace GMV through our upmarket efforts.** Specifically, we've seen the mix of business buyers, defined through their registered email domain, has increased in the last two years, as our marketing efforts in focusing on high-value buyers paid off. We've also seen the retention trends of these buyers fared meaningfully better than consumer buyers thanks to the targeted efforts in Fiverr Pro, which provides high-touch, dedicated support for these customers.

During the quarter, we've also signed several six-figure, multi-month contracts with medium-sized businesses through Fiverr Pro. All of these engagements follow the same playbook - clients initially made a few transactions on the marketplace, which was noticed by the Fiverr Pro team through our proprietary data and algorithm. Our success manager reached out to the client to validate the ongoing business use case, followed by a structured POC project, which led to the ultimate deployment at scale. It is also worth noting that we have seen these long-term contracts spanning across all verticals on Fiverr, from Writing & Translation and Video & Animation, to Digital Marketing and Programming & Tech. It echoed our belief that while AI created disruptions in certain categories vs. others, when it comes to business use cases and mission critical tasks, high-skilled professionals across all disciplines are essential to deliver end-to-end execution, accountability, and competitive edge to the business outcome.

We've also seen continued expansion of the Dynamic Matching product. **Total GMV from Dynamic Matching grew 49% from Q4'24 to Q1'25, driven by both increasing number of job briefs and improving fulfillment rate of those brief requests.** While still in early days and representing only a single-digit percentage of our marketplace volume, we believe Dynamic Matching provides a scalable and efficient channel to engage buyers with sophisticated project requirements and fulfill their needs.

All in all, we are encouraged with the positive signals across our upmarket efforts. **As these programs mature, we are starting to see synergies across the suite of products we offer.** Regardless of where the customer journey begins on Fiverr, and usually we try to acquire them through the most efficient channel, we are able to cross-pollinate among all of our products in order to optimize customer conversion and deliver the most desirable outcomes for customers.

Fiverr Go Shows Positive Signs on Conversion, Services Revenue

Fiverr Go was launched in February as a first-of-its-kind Generative AI solution that puts creators' rights and economic interests at the center. It allows each individual talent to build personalized AI models that are unique to them, and we purposefully designed the platform with the necessary guardrails to ensure they have full control and pricing power over their work and AI models based on their work. **Since launch, we've seen continued enthusiasm and engagement among our community - over 6,000 sellers have activated Fiverr Go, and over 200,000 buyers have interacted with Fiverr Go through Personal Assistant and/or Creation Models.** To ensure

the quality of experience given the nascency of both GenAI engines and Fiverr Go products, we have taken an iterative approach by opening to a select group of top-quality sellers first in a few dozen categories. As we continue to expand seller access and category coverage, we expect Fiverr Go to reach more audiences in the next few months.

Early signals of Fiverr Go have been promising. For sellers with Personal Assistant turned on, it has shown to improve one-hour conversion by 56% and 14-day conversion by 10% compared to their historical average. **This means the instant responsiveness and quality of conversations from Personal Assistant have allowed sellers to not only convert better, but also faster.** We are also encouraged to see that the Creation Model drives buyers to make better purchase decisions as it provides more visibility and exposure to higher quality sellers. We are planning to deepen the integration of the Creation Model into the marketplace experience, such as the search funnel, in order to expand its impact. Last but not least, with Fiverr Go priced as a monthly subscription product, where sellers can purchase either *a la carte* or a bundled package with Seller Plus, we saw some incremental uplift in Services revenue in recent weeks. As we continue to expand the awareness and adoption of Fiverr Go, we believe it creates an additional growth avenue for Services revenue as well.

Cash Flow and Capital Allocation

We continue to generate strong cash flow, with free cash flow totaling \$27.4 million, up 31.6% y/y. We continue to take a disciplined and consistent approach to capital allocation, with key priorities in driving growth, optimizing capital structure, conducting equity buybacks, and evaluating strategic M&A opportunities. We have an outstanding convertible notes of \$460 million. Our expectation, based on the current market conditions, is to pay down the notes with cash when they become due in November 2025. **On March 11, we announced that our Board authorized an additional \$100 million in our stock repurchase program, underscoring our confidence in the long-term opportunities in our business as well as our commitment to delivering shareholder value.** As of March 31, 2025, we have not purchased any shares under the new authorization as Israeli law requires a 30-day waiting period before the share repurchase becomes effective. Going forward, we plan to opportunistically engage in share repurchases as an ongoing tool focused on driving long-term shareholder value. **Overall, we believe maintaining a strong cash position with ample cash flow generation is a strategic asset in this market that we will prudently deploy across our capital allocation priorities.**

CONFERENCE CALL AND WEBCAST DETAILS

Fiverr's management will host a conference call to discuss its financial results on Wednesday, May 7, 2025, at 8:30 a.m. Eastern Time. A live call webcast 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 using the link [here](#).

Investor Relations

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CONSOLIDATED BALANCE SHEETS

(in thousands)

| | March 31, 2025 | December 31, 2024 |
|---------------------------------------------------|---------------------|----------------------|
| | (Unaudited) | (Audited) |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 187,104 | \$ 133,472 |
| Marketable securities | 315,025 | 288,947 |
| User funds | 167,049 | 153,309 |
| Bank deposits | 145,500 | 144,843 |
| Restricted deposit | 1,315 | 1,315 |
| Other receivables | 31,179 | 34,198 |
| Total current assets | 847,172 | 756,084 |
| Long-term assets: | | |
| Marketable securities | 69,716 | 122,009 |
| Property and equipment, net | 4,208 | 4,271 |
| Operating lease right of use asset | 4,481 | 5,122 |
| Intangible assets, net | 38,742 | 41,882 |
| Goodwill | 110,218 | 110,218 |
| Other non-current assets | 31,023 | 30,388 |
| Total long-term assets | 258,388 | 313,890 |
| TOTAL ASSETS | \$ 1,105,560 | \$ 1,069,974 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Trade payables | \$ 6,947 | \$ 5,533 |
| User accounts | 154,626 | 141,691 |
| Deferred revenue | 22,002 | 20,090 |
| Other account payables and accrued expenses | 59,096 | 57,167 |
| Operating lease liabilities | 2,567 | 2,608 |
| Convertible notes, net | 458,501 | 457,860 |
| Total current liabilities | 703,739 | 684,949 |
| Long-term liabilities: | | |
| Operating lease liabilities | 2,074 | 2,747 |
| Other non-current liabilities | 21,139 | 19,628 |
| Total long-term liabilities | 23,213 | 22,375 |
| TOTAL LIABILITIES | \$ 726,952 | \$ 707,324 |
| Shareholders' equity: | | |
| Share capital and additional paid-in capital | 743,289 | 727,176 |
| Accumulated deficit | (365,395) | (366,193) |
| Accumulated other comprehensive income | 714 | 1,667 |
| Total shareholders' equity | 378,608 | 362,650 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 1,105,560 | \$ 1,069,974 |

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

| | Three Months Ended March 31, | |
|--------------------------------------------------------------------|---------------------------------|------------|
| | 2025 | 2024 |
| | (Unaudited) | |
| Revenue | \$ 107,184 | \$ 93,524 |
| Cost of revenue | 20,396 | 15,448 |
| Gross profit | 86,788 | 78,076 |
| Operating expenses: | | |
| Research and development | 23,627 | 23,633 |
| Sales and marketing | 47,390 | 42,152 |
| General and administrative | 20,966 | 16,451 |
| Total operating expenses | 91,983 | 82,236 |
| Operating loss | (5,195) | (4,160) |
| Financial income (expenses), net | 7,325 | 6,661 |
| Income before taxes on income | 2,130 | 2,501 |
| Tax benefit (taxes on income) | (1,332) | (1,713) |
| Net income attributable to ordinary shareholders | \$ 798 | \$ 788 |
| Basic net income per share attributable to ordinary shareholders | \$ 0.02 | \$ 0.02 |
| Basic weighted average ordinary shares | 36,019,143 | 38,756,151 |
| Diluted net income per share attributable to ordinary shareholders | \$ 0.02 | \$ 0.02 |
| Diluted weighted average ordinary shares | 37,292,846 | 39,604,979 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

| | Three Months Ended March 31, | |
|-------------------------------------------------------------------------------------------------------|---------------------------------|------------|
| | 2025 | 2024 |
| | (Unaudited) | |
| Cash flows from operating activities: | | |
| Net income | \$ 798 | \$ 788 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,284 | 1,150 |
| Amortization of premium and accretion of discount of marketable securities, net | (67) | (1,094) |
| Amortization of discount and issuance costs of convertible notes | 641 | 637 |
| Shared-based compensation | 15,754 | 19,020 |
| Exchange rate fluctuations and other items, net | 1 | 111 |
| Revaluation of Earn-out | 3,262 | - |
| Changes in assets and liabilities: | | |
| User funds | (13,740) | (11,620) |
| Operating lease ROU assets and liabilities | (73) | (98) |
| Other receivables | 431 | (2,976) |
| Trade payables | 1,304 | (828) |
| Deferred revenue | 1,912 | 1,895 |
| User accounts | 12,935 | 9,923 |
| Account payable, accrued expenses and other | 1,023 | 4,265 |
| Non-current liabilities | (156) | 23 |
| Net cash provided by operating activities | 28,309 | 21,196 |
| Investing Activities: | | |
| Investment in marketable securities | (55,652) | (30,734) |
| Proceeds from maturities of marketable securities | 83,169 | 40,085 |
| Investment in short-term bank deposits | (1,500) | (27,238) |
| Proceeds from short-term bank deposits | 843 | 3,377 |
| Purchase of property and equipment | (287) | (378) |
| Capitalization of internal-use software | (661) | (20) |
| Net cash provided by (used in) investing activities | 25,912 | (14,908) |
| Financing Activities | | |
| Proceeds from exercise of share options | 478 | 442 |
| Proceeds from (payments of) withholding tax related to employees' exercises of share options and RSUs | (1,061) | (221) |
| Net cash provided by (used in) financing activities | (583) | 221 |
| Effect of exchange rate fluctuations on cash and cash equivalents | (6) | (109) |
| Increase in cash, cash equivalents | 53,632 | 6,400 |
| Cash, cash equivalents at the beginning of period | 133,472 | 183,674 |
| Cash and cash equivalents at the end of period | \$ 187,104 | \$ 190,074 |

REVENUE BREAKDOWN

(in thousands⁽¹⁾)

| | Three Months Ended March 31, | |
|------------------------|---------------------------------|-----------|
| | 2025 | 2024 |
| Marketplace Revenue | \$ 77,674 | \$ 78,311 |
| Annual Active Buyers | 3,536 | 3,954 |
| Annual Spend per Buyer | \$ 309 | \$ 284 |
| Marketplace Take Rate | 27.7% | 27.5% |
| Services Revenue | \$ 29,510 | \$ 15,213 |
| Total Revenue | \$ 107,184 | \$ 93,524 |

(1) Except for Annual Spend per Buyer and Marketplace Take Rate

RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(in thousands, except gross margin data)

| | Q1' 24 | Q2' 24 | Q3' 24 (Unaudited) | Q4' 24 | Q1' 25 | FY 2023 (Audited) | FY 2024 (Audited) |
|-----------------------------------------------------------|-----------|-----------|-----------------------|-----------|-----------|----------------------|----------------------|
| GAAP gross profit | \$ 78,076 | \$ 78,639 | \$ 80,735 | \$ 83,465 | \$ 86,788 | \$ 299,529 | \$ 320,915 |
| Add: | | | | | | | |
| Share-based compensation | 678 | 499 | 514 | 445 | 423 | 2,497 | 2,136 |
| Depreciation and amortization | 613 | 791 | 2,415 | 3,198 | 3,164 | 3,253 | 7,017 |
| Earn-out revaluation, acquisition related costs and other | - | - | 11 | 17 | 44 | - | 28 |
| Non-GAAP gross profit | \$ 79,367 | \$ 79,929 | \$ 83,675 | \$ 87,125 | \$ 90,419 | \$ 305,279 | \$ 330,096 |
| Non-GAAP gross margin | 84.9% | 84.4% | 84.0% | 84.0% | 84.4% | 84.5% | 84.3% |

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

(in thousands, except share and per share data)

| | Q1' 24 | Q2' 24 | Q3' 24 (Unaudited) | Q4' 24 | Q1' 25 | FY 2023 (Audited) | FY 2024 (Audited) |
|-----------------------------------------------------------------------------|------------|------------|-----------------------|------------|------------|----------------------|----------------------|
| GAAP net income attributable to ordinary shareholders | \$ 788 | \$ 3,267 | \$ 1,353 | \$ 12,838 | \$ 798 | \$ 3,681 | \$ 18,246 |
| Add: | | | | | | | |
| Depreciation and amortization | 1,150 | 1,606 | 3,392 | 4,328 | 4,284 | 5,987 | 10,476 |
| Share-based compensation | 19,020 | 18,438 | 18,464 | 18,020 | 15,754 | 68,698 | 73,942 |
| Earn-out revaluation, acquisition related costs and other | 9 | 109 | 1,273 | 4,240 | 4,599 | (359) | 5,631 |
| Convertible notes amortization of discount and issuance costs | 637 | 638 | 640 | 640 | 641 | 2,541 | 2,555 |
| Taxes on income related to non-GAAP adjustments | - | (71) | (290) | (16,249) | (380) | - | (16,610) |
| Exchange rate (gain)/loss, net | 128 | (156) | (221) | 1,108 | (642) | (131) | 859 |
| Non-GAAP net income | \$ 21,732 | \$ 23,831 | \$ 24,611 | \$ 24,925 | \$ 25,054 | \$ 80,417 | \$ 95,099 |
| Weighted average number of ordinary shares - basic | 38,756,151 | 38,089,060 | 35,435,532 | 35,658,287 | 36,019,143 | 38,066,203 | 36,984,757 |
| Non-GAAP basic net income per share attributable to ordinary shareholders | \$ 0.56 | \$ 0.63 | \$ 0.69 | \$ 0.70 | \$ 0.70 | \$ 2.11 | \$ 2.57 |
| Weighted average number of ordinary shares - diluted | 41,758,840 | 40,909,724 | 38,359,853 | 38,947,644 | 39,446,707 | 41,304,907 | 39,994,015 |
| Non-GAAP diluted net income per share attributable to ordinary shareholders | \$ 0.52 | \$ 0.58 | \$ 0.64 | \$ 0.64 | \$ 0.64 | \$ 1.95 | \$ 2.38 |

RECONCILIATION OF GAAP NET INCOME TO ADJUSTED EBITDA

(in thousands, except Adjusted EBITDA margin data)

| | Q1' 24 | Q2' 24 | Q3' 24 (Unaudited) | Q4' 24 | Q1' 25 | FY 2023 (Audited) | FY 2024 (Audited) |
|-----------------------------------------------------------|-----------|-----------|-----------------------|-----------|-----------|----------------------|----------------------|
| GAAP net income | \$ 788 | \$ 3,267 | \$ 1,353 | \$ 12,838 | \$ 798 | \$ 3,681 | \$ 18,246 |
| Add: | | | | | | | |
| Financial expenses (income), net | (6,661) | (8,502) | (6,881) | (5,662) | (7,325) | (20,163) | (27,706) |
| Tax benefit (taxes on income) | 1,713 | 2,931 | 2,052 | (13,054) | 1,332 | 1,373 | (6,358) |
| Depreciation and amortization | 1,150 | 1,606 | 3,392 | 4,328 | 4,284 | 5,987 | 10,476 |
| Share-based compensation | 19,020 | 18,438 | 18,464 | 18,020 | 15,754 | 68,698 | 73,942 |
| Earn-out revaluation, acquisition related costs and other | 9 | 109 | 1,273 | 4,240 | 4,599 | (359) | 5,631 |
| Adjusted EBITDA | \$ 16,019 | \$ 17,849 | \$ 19,653 | \$ 20,710 | \$ 19,442 | \$ 59,217 | \$ 74,231 |
| Adjusted EBITDA margin | 17.1% | 18.9% | 19.7% | 20.0% | 18.1% | 16.4% | 19.0% |

RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

(in thousands)

| | Q1' 24 | Q2' 24 | Q3' 24 | Q4' 24 | Q1' 25 | FY 2023 | FY 2024 |
|-----------------------------------------------------------|-----------|-----------|-------------|-----------|-----------|------------|------------|
| | | | (Unaudited) | | | (Audited) | (Audited) |
| GAAP research and development | \$ 23,633 | \$ 21,855 | \$ 22,424 | \$ 22,329 | \$ 23,627 | \$ 90,720 | \$ 90,241 |
| Less: | | | | | | | |
| Share-based compensation | 6,836 | 5,897 | 5,273 | 5,563 | 4,730 | 24,310 | 23,569 |
| Depreciation and amortization | 201 | 193 | 190 | 247 | 265 | 799 | 831 |
| Earn-out revaluation, acquisition related costs and other | - | - | 700 | (672) | 65 | - | 28 |
| Non-GAAP research and development | \$ 16,596 | \$ 15,765 | \$ 16,261 | \$ 17,191 | \$ 18,567 | \$ 65,611 | \$ 65,813 |
| GAAP sales and marketing | \$ 42,152 | \$ 41,324 | \$ 42,970 | \$ 45,232 | \$ 47,390 | \$ 161,208 | \$ 171,678 |
| Less: | | | | | | | |
| Share-based compensation | 3,436 | 3,389 | 3,605 | 3,162 | 2,246 | 13,304 | 13,592 |
| Depreciation and amortization | 264 | 553 | 721 | 770 | 716 | 1,601 | 2,308 |
| Earn-out revaluation, acquisition related costs and other | - | - | 67 | 1,811 | 1,197 | - | 1,878 |
| Non-GAAP sales and marketing | \$ 38,452 | \$ 37,382 | \$ 38,577 | \$ 39,489 | \$ 43,231 | \$ 146,303 | \$ 153,900 |
| GAAP general and administrative | \$ 16,451 | \$ 17,764 | \$ 18,817 | \$ 21,782 | \$ 20,966 | \$ 62,710 | \$ 74,814 |
| Less: | | | | | | | |
| Share-based compensation | 8,070 | 8,653 | 9,072 | 8,850 | 8,355 | 28,587 | 34,645 |
| Depreciation and amortization | 72 | 69 | 66 | 113 | 139 | 334 | 320 |
| Earn-out revaluation, acquisition related costs and other | 9 | 109 | 495 | 3,084 | 3,293 | (359) | 3,697 |
| Non-GAAP general and administrative | \$ 8,300 | \$ 8,933 | \$ 9,184 | \$ 9,735 | \$ 9,179 | \$ 34,148 | \$ 36,152 |

RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW

(in thousands)

| | Q1' 24 | Q2' 24 | Q3' 24 | Q4' 24 | Q1' 25 | FY 2023 | FY 2024 |
|-------------------------------------------|-----------|-----------|-------------|-----------|-----------|-----------|-----------|
| | | | (Unaudited) | | | (Audited) | (Audited) |
| Net cash provided by operating activities | \$ 21,196 | \$ 20,971 | \$ 10,867 | \$ 30,034 | \$ 28,309 | \$ 83,186 | \$ 83,068 |
| Purchase of property and equipment | (378) | (309) | (290) | (326) | (287) | (1,053) | (1,303) |
| Capitalization of internal-use software | (20) | - | - | (83) | (661) | (60) | (103) |
| Free cash flow | \$ 20,798 | \$ 20,662 | \$ 10,577 | \$ 29,625 | \$ 27,361 | \$ 82,073 | \$ 81,662 |

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), non-GAAP net income (loss) per share and free cash flow, as well as operating metrics, including marketplace Gross Merchandise Value or GMV, annual active buyers, annual spend per buyer and marketplace take rate. Some amounts in this shareholder letter may not total due to rounding. As of the fourth quarter of 2024, we updated the definitions of annual active buyers, GMV, annual spend per buyer and marketplace take rate to align our supplemental revenue presentation, which disaggregates revenue into two components, marketplace revenue and services revenue. These metrics will now exclusively reflect the marketplace, as amounts related to services previously included in these metrics are deemed immaterial. 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. Amortization of acquired intangible assets is excluded from the measures, however, the revenue from the acquired companies is included, and their assets actively contribute to revenue generation. 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 use free cash flow as a liquidity measure and define it as a net cash provided by operating activities less capital expenditures.

We define GMV or marketplace Gross Merchandise Value as the total value of transactions ordered through our marketplace, excluding value added tax, goods and services tax, service chargebacks and refunds. Annual active buyers on any given date is defined as buyers who have ordered a Gig on our marketplace within the last 12-month period, irrespective of cancellations. Annual spend per buyer on any given date is calculated by dividing our GMV within the last 12-month period by the number of annual active buyers as of such date. Marketplace take rate for a given period means marketplace revenue for such period divided by GMV for such period. When we refer in this shareholder letter to the marketplace we refer to transactions conducted between buyers and freelancers on Fiverr.com. When we refer to the platform we refer to the marketplace and our additional services.

Management and our board of directors use certain metrics as supplemental measures of our performance that are 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. In addition, we believe that free cash flow, which we use as a liquidity measure, is useful in evaluating our business because free cash flow reflects the cash surplus available or used to fund the expansion of our business after the payment of capital expenditures relating to the necessary components of ongoing operations. Capital expenditures consist primarily of property and equipment purchases and capitalized software costs.

Free cash flow should not be used as an alternative to, or superior to, cash from operating activities. In addition, 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, annual active buyers, annual spend per buyer, marketplace take rate and tROI should not be considered in isolation, as an alternative to, or superior to net income (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, free cash flow 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 to net income (loss), the nearest comparable GAAP measure and Adjusted EBITDA margin guidance for the second quarter of 2025 and the fiscal year ending December 31, 2025, or the period ending December 31, 2027, because certain items that are excluded from Adjusted EBITDA and Adjusted EBITDA margin cannot be reasonably predicted or are not in our control. We are also not able to provide a reconciliation of free cash flow guidance for the fiscal year ended December 31, 2025 or the three year period from 2024-2027 to cash from operating activities, the nearest comparable GAAP measure, because certain items that are reflected in free cash flow cannot be reasonably predicted or are not in our control. In particular, in the case of Adjusted EBITDA and Adjusted EBITDA margin, 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, and in the case of free cash flow, we are unable to forecast property and equipment purchases and capitalized software costs, in each case, 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 including our long term free cash flow expectations, our business plans and strategy, the growth of our business, AI services and developments, including related investments, our product portfolio and features, our stock repurchase plan and expected shareholder value, our customer relationships and experiences, 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 consumers, business spending and 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 generate sufficient revenue to maintain profitability or positive net cash flow generated by operating activities; 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 operations within a competitive market; political, economic and military instability in Israel, including related to the war in Israel; 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, including with regulatory frameworks around the development and use of AI; 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 February 19, 2025 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.