



October 30, 2024

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

Prepared Remarks

Q3 2024 Earnings Call

## Management Discussion

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### **Jinjin Qian**

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

Thank you, operator, and good morning everyone. Thank you for joining us on Fiverr's earnings conference call for the third quarter that ended September 30, 2024. Joining me on the call today are Micha Kaufman, Founder and CEO, and Ofer Katz, President and CFO. Before we start, I would like to remind you that during this call we may make forward-looking statements and that these statements are based on our current expectations and assumptions as of today and Fiverr assumes no obligation to update or revise them.

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

During this call, we'll be referring to some key performance metrics and non-GAAP financial measures, including Adjusted EBITDA, 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](https://investors.fiverr.com).

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

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**Micha Kaufman**

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

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

We delivered a tremendous third quarter with both revenue and Adjusted EBITDA exceeding the high end of our guidance range. By successfully executing our strategy to go upmarket, expand value-added services, and deliver innovative AI-powered experience, we are able to grow a higher quality buyer base, drive robust growth in spend per buyer, and strong expansion in take rate.

All of these efforts are clearly paying off, allowing us to accelerate our revenue growth this quarter. This is not an easy task, considering that the entire professional staffing industry is down double-digit year over year, and overall SMB sentiment still lingers around historically low levels. The fact that we are able to accelerate our growth under such macro conditions underscores the strength of our vision and strategy, and our impeccable ability to execute them.

We also continued to deliver steady improvement in Adjusted EBITDA and strong cash flow generation. Last quarter, we laid out a three-year target plan for Adjusted EBITDA and free cash flow. With strong execution in Q3, I'm confident that we are well on track to deliver these targets. Our strong financial position allows us to aggressively invest in products and technology to drive growth while at the same time returning capital to shareholders and driving shareholder value.

Fiverr's strategy has always been to relentlessly focus on creating customer value and building the most beautiful, innovative, and simple-to-use products to transform the way people work. One thing that became clearer to me in the last year is that with the emergence of GenAI and the promise of AGI, the next generation of products we build must empower our community to fully leverage artificial intelligence. It also became clear to me that in the future, the best work will be done by humans and AI technology together, not humans alone or AI alone.

With that in mind, the role of Fiverr must broaden from a talent marketplace to a comprehensive work platform where incredible work happens. This means that every business that comes to Fiverr will have a world-class AI assistant to help them get things done, from ideation, scoping and briefing to project management and workflow automation. It means that they can seamlessly leverage both human talent and machine intelligence to create the most beautiful results.

Fiverr has a long history of pioneering the industry with innovative products, and this is what we will do with AI as well. We are already starting to put a few pieces together to build towards this long-term vision.

On the buyer side, we are building a new search experience that not only includes more dynamic catalogs but also incorporates Neo, an AI-powered smart matching tool, to help customers match with more contextual information. We launched Dynamic Matching to allow buyers to put together comprehensive briefs with a powerful AI assistant and then get matched with the most relevant freelancer with a tailored proposal. These products allow businesses to fulfill much more complex projects on Fiverr without losing the speed, simplicity and convenience that they love Fiverr for. Even in the few weeks since we launched these products, we have already seen an enthusiastic reception from our community and promising performance. The projects that come through these products are several times larger than a typical project on Fiverr, and we believe it has a lot more potential down the road as the awareness and trust of these products grow on the platform.

On the talent side, we are building the infrastructure to allow us to more efficiently distribute software tools that integrate with the work that's done on the platform. Some of the tools are built in-house, such as Promoted Gigs and Seller Plus. Some of these tools are through acquisition such as AutoDS, and we believe there will be a lot of opportunities down the road to expand these value-added services through partnerships as well.

Lastly, I want to say a few words about Fiverr Pro. As you know, Fiverr Pro is a premium offering we launched to grow our penetration into larger businesses with larger freelancing budgets. We started by providing businesses with collaboration tools, white-

glove services and a fully vetted catalog in order to drive better conversion, engagement and retention among buyers with the highest lifetime value. Now, with our product expansion into Professions, Dynamic Matching, and Hourly Contracts and services such as project management, we are further leaning into these buyers to capture their budgets on long-term freelancer engagement. Many of you have asked us what our right to win is in this segment of the addressable market. I want to point you to two things. First, we have a very large top-of-the-funnel, which allows us to acquire enterprise customers in a super-efficient manner. Most Fortune 500 companies already have employees who are on Fiverr and using our services. This bottom-up approach allows us to scale with very light sales and accounts teams. Second is our technology stack. The speed, simplicity and convenience of Fiverr is fundamentally different from a typical staffing solution. From onboarding to compliance to payments and reporting, Fiverr is so much easier compared to a self-serve solution, and so much more cost-efficient compared to a managed solution. And as I mentioned before, it is going to get even better as we implement AI capabilities further into our platform.

To close, I'm super excited about the many opportunities that are ahead of us. With the strong results in Q3, we are looking forward to wrapping up 2024 on a high note and can't wait to kick off another year of growth and innovation. With that, I'll turn the call over to Ofer, who will share some financial highlights.

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**Ofer Katz**

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

Thank you, Micha, and good morning everyone.

I'm pleased to report an exceptional quarter with both top and bottom lines exceeding expectations. Revenue for the third quarter was \$99.6 million, up 8% year-over-year, representing an acceleration from 6% year-over-year growth in Q2. Adjusted EBITDA for Q3 was \$19.7 million, representing an Adjusted EBITDA margin of 19.7%, an improvement of 180 basis points from a year earlier. We continue to demonstrate our ability to deliver both growth and profitability improvement despite the macro uncertainty and our commitment to execute with the highest level of consistency, efficiency and focus.

Unpacking the strong results for Q3, we continue to see our efforts of going upmarket and expanding value-added products work well. Spend per buyer was \$296 in Q3, representing year-over-year growth of 9%. More buyers are coming to Fiverr for larger and more complex projects. While the active buyer growth was muted, we see continued growth in buyers who spend over \$10K+ annually. On the macro level, we have seen some level of stabilization in trends since the volatility we experienced in June and July, however, the overall SMB sentiment remains weak, and the overall hiring environment continues to be challenging. We expect GMV will still take some time to recover, in the meantime, we believe our strategy to lean into products to drive wallet expansion, and our work to unlock new addressable markets continues to be the right strategy to generate growth catalysts.

Take rate for Q3 was 33.9%, representing a year-over-year improvement of 260 basis points. The continued strength of Promoted Gigs, the growth of Seller Plus programs with the newly launched Kickstart Program, as well as the strong growth momentum at AutoDS, all contributed to the take rate upside this quarter. As a reminder, Fiverr's take rate consists of two distinctive components: 1) marketplace commission of approximately 26% and 2) value-added services of an additional approximate 8% take rate. The marketplace commission is directly tied with GMV on the marketplace and has

been relatively stable over the years. The expansion of value-added products has driven the vast majority of our take rate expansion. As Micha mentioned, Fiverr is increasingly building towards a comprehensive work platform that provides not only access to talent but also a suite of software and AI tools. Take rate expansion continues to be an important growth catalyst for us as we further expand our value-added product portfolio.

The strong Q3 results also translated into strong cash flow generation. Free cash flow was \$10.6 million. Free cash flow excluding one-time escrow payment for contingent consideration was \$22.7 million, representing 22.8% of revenue. Together with a balance sheet of over \$650 million, we have ample cash to continue investing in product and growth while supporting other capital allocation priorities including optimizing capital structure, buyback and M&A. With regard to the outstanding \$460 million convertible note, our objective is to preserve maximum flexibility in this dynamic economic environment. We are confident in managing that liability through our strong balance sheet, but we will make that decision as we get closer to maturity.

Given the strong execution of Q3, we are raising our full-year guidance for both revenue and Adjusted EBITDA. For the full year 2024, we now expect revenue to be in the range of \$388-390 million, representing y/y growth of 7-8%. In terms of underlying drivers, we expect spend per buyer to continue growing at a robust pace, offset by the decline in active buyers. We now expect the take rate to increase by approximately 330 basis points year-over-year, higher than we had previously anticipated. For Adjusted EBITDA, we expect full year 2024 to be in the range of \$73-75 million, representing an Adjusted EBITDA margin of 19% at the midpoint. The updated full-year guidance implies Q4 revenue guidance to be in the range of \$100.2-\$102.2 million, representing y/y growth of 9-12%. Adjusted EBITDA for Q4 is expected to be \$19.5-21.5 million, representing Adjusted EBITDA margin of 20.2% at the midpoint.

I'm very proud of the exceptional results we delivered in Q3, and believe the strong momentum in Q3 will largely carry forward into Q4. I'm even more excited about what's yet to come in 2025, including an action-packed Winter Release that's coming up

shortly, as well as many pipeline projects that Micha has alluded to in his remarks. With that, we'll now turn the call over to the operator for questions.