



February 22, 2024
Fiverr International, Ltd. (NYSE: FVRR)
Prepared Remarks
Q4 2023 Earnings Call

Management Discussion

Jinjin Qian

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

Thank you, operator, and good morning everyone. Thank you for joining us on Fiverr's earnings conference call for the fourth quarter that ended December 31, 2023. Joining me on the call today are Micha Kaufman, Founder and CEO, and Ofer Katz, President and CFO. Before we start, I would like to remind you that during this call we may make forward-looking statements and that these statements are based on our current expectations and assumptions as of today and Fiverr assumes no obligation to update or revise them. A discussion of some of the important risk factors that could cause actual results to differ materially from any forward-looking statements can be found under the "Risk Factors" section in Fiverr's most recent Form 20-F and other filings with the SEC.

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

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

Micha Kaufman

Founder & Chief Executive Officer – Fiverr International, Ltd.

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

We entered 2023 with a backdrop of a challenging macroeconomic environment, weak SMB sentiment and waves of layoffs and hiring freezes across industries. It was also a year of increasing geopolitical uncertainties, with the ongoing war in Ukraine and the onset of war in the Middle East. The entire Fiverr team showed extraordinary resilience against these tough conditions and delivered strong execution towards the strategic priorities set at the beginning of the year. For 2023, revenue grew 7% y/y to \$361 million, and Adjusted EBITDA was \$59 million, representing Adjusted EBITDA margin of 16%, both ahead of the targets we set at the beginning of the year.

Fiverr continues to operate one of the best-in-class business models and expands its market share in the freelancer industry. Overall, GMV on the platform grew 1% y/y, at a time when U.S. job openings are down 19% y/y and professional staffing is down 6% y/y. We continue to focus on upmarket initiatives in both acquisition and product, resulting in 4% y/y growth in buyers with over \$500 annual spend, and 6% y/y growth in overall spend per buyer. We also expanded our take rate by 160 bps, reaching an overall take rate of 31.8%, as both seller monetization programs experienced significant growth. Our strategy of going upmarket, investing in AI and complex services, and expanding value-added products really paid off and helped us drive growth in this macro environment.

2023 was also an exciting year as GenAI pushed artificial intelligence to new fronts. Early in January last year, we were the first in the market to launch a dedicated AI services vertical, creating a hub for businesses to hire AI talent. Throughout the year, we continued to see tremendous demand for those services, with searches that contain AI-related keywords on our marketplace growing sevenfold in 2023 compared to 2022. Overall we estimate AI created a net positive impact of 4% to our business in 2023, as we see a category mix shift from simple services, such as translation and voice-over, to more complex services, such as mobile app development, e-commerce management,

or financial consulting. In 2023, complex services represented nearly one-third of our marketplace, a significant step up from 2022. Moreover, they are typically larger projects and longer duration, with an average transaction size 30% higher than those of simple services.

Double-clicking on these numbers, we believe that the opportunities created by emerging technologies far outweigh the jobs they replace. Human talent continues to be an essential part of unlocking the potential of new technologies. We are also seeing a shift into more sophisticated, highly-skilled and longer-duration categories with bigger addressable markets.

As the data shows, our marketplace is built to benefit from these technologies and labor market changes. Unlike single vertical solutions with higher exposure to disruptive technologies and trend changes, Fiverr has developed a proprietary horizontal platform with hundreds of verticals, quickly leaning into the ever-changing industry demand needs and trends. All in all, we believe AI will be a multi-year tailwind for us to drive growth and innovation.

In 2023, we also made significant investments in AI that drove improvements in our overall platform. We optimized our product and R&D organization and changed to a bi-annual product release cycle in order to significantly accelerate product velocity and focus on strategic priorities rather than incremental features. Our recent *Winter Product Release* in January culminated these efforts in the second half of 2023 and revamped almost every part of our platform with an AI-first approach, from search to personalization, from supply quality to seller engagement. We believe these projects not only helped us drive growth last year but also laid the foundation for future growth.

As we enter 2024, we will build upon the progress we have made in 2023 and focus on investing in driving growth acceleration of the underlying business. The strategic priorities for 2024 are:

First, continue growing our market share into complex service categories. In 2023, complex services were growing at 29% y/y, significantly faster than the overall market and a big acceleration from 12% in 2022. This year, we are doubling down on this

opportunity and have identified a number of verticals with high growth potential. We will build experiences tailored to these verticals and deploy more targeted go-to-market strategies for them.

The second priority is to continue pushing upmarket by further expanding offerings in Fiverr Business Solutions. On Fiverr Pro, our flagship business product, we are opening ways for clients to match with talent, whether it's through high-touch point of contact from a customer success manager, or AI-assisted brief and match functionalities, or managed services through initiatives such as Project Partners. For Fiverr Enterprise, we have redesigned our pricing and go-to-market strategy to drive more talent sourcing and engagement volume. We believe helping businesses with skill gaps and their hiring needs is a much stronger value proposition and creates more durable, longer-term relationships than the talent management software alone. Early signals in December and January already show encouraging logo acquisitions, and we are aggressively working to complete onboarding and ramp up usage. Last but not least, Fiverr Certified now has dozens of partners, and we are working closely with them to integrate our solutions into their client flows. While the Fiverr marketplace is built as a standardized catalog business to drive speed and cost efficiency, Fiverr Business Solutions is built as a suite of offerings to meet any needs of large customers. We believe this two-pronged approach gives us tremendous competitive leverage in growing market share across the spectrum of the addressable market.

Our third strategic priority is to continue developing proprietary AI applications unique to our marketplace to enhance the overall customer experience. The *Winter Product Release* we discussed just now gives you a flavor of that, but there's so much more to do. We are barely scratching the surface here. And the beauty is that all three priorities will drive a positive flywheel among each other to propel our business into the future.

I am very excited about our 2024 roadmap and firmly believe there's a significant growth runway ahead of us. With that, I'll turn the call to Ofer, who will walk you through some financial highlights.

Ofer Katz

President & Chief Financial Officer – Fiverr International, Ltd.

Thank you, Micha, and good morning everyone.

We finished the year with strong execution as we strengthened our marketplace and invested heavily into AI and moving upmarket, while successfully maintaining our operational excellence. Revenue for the fourth quarter of 2023 was \$91.5 million, representing a year-over-year growth of 10.1%. Adjusted EBITDA was \$16.1 million, or 17.6% in Adjusted EBITDA margin. Both were in line with our expectations. For the full year, our revenue increased 7.1% to \$361.4 million. We also doubled our Adjusted EBITDA to \$59.2 million, or 16.4% in Adjusted EBITDA margin, and we are pleased to have achieved annual GAAP profitability for the first time in the company's history. Our strong free cash flow generation, together with a healthy balance sheet, puts us in great financial strength to navigate this macro environment, continue pursuing growth and maximize long-term shareholder value.

Our annual active buyers were at 4.1 million, and spend per buyer improved to \$278, up 6% year-over-year, as we ramped up our marketing efforts on targeting higher-value buyers and accelerating our upmarket investments. We continue to make significant progress this quarter in our Fiverr Business Solutions as we added new features to Fiverr Pro, signed up several new partners to our Fiverr Certified solution, and onboarded over a dozen new clients to Fiverr Enterprise. We saw the efforts we made last year pay off, as the average spend per buyer for the 2023 cohort was 13% higher than the 2022 cohort in its first year. Our unit economics remains strong as tROI for performance marketing was slightly over 3 months while our 3-year LTV to CAC exceeded over 3x. We expect to maintain strong market efficiency as we focus on investing in higher-value buyers with large spend capacity.

Take rate for the fourth quarter was 31.8%, representing a year-over-year expansion of 160 basis points driven by significant growth in our seller monetization programs, Promoted Gigs and Seller Plus. Our expansion efforts in these programs have led revenue from Promoted Gigs to increase 80% y/y and revenue from Seller Plus to climb

over 2.5x in 2023 compared to 2022. We believe both programs have plenty of growth runways ahead.

Now onto guidance. For the full year of 2024, we expect revenue to be in the range of \$379 - \$387 million, representing a year-over-year growth of 5%-7%. Adjusted EBITDA is expected to be in the range of \$65 - \$73 million, representing an Adjusted EBITDA margin of 18% at the midpoint. For the first quarter of 2024, revenue is expected to be \$91.5 - \$93.5 million, representing year-over-year growth of 4%-6%. Adjusted EBITDA is expected to be \$12.5 - \$14.5 million, representing an Adjusted EBITDA margin of 15% at the midpoint.

I'd like to provide some additional color and context behind this guide for Q1 and the full year. Unpacking the revenue guidance, we expect the revenue growth in 2024 will be driven by accelerating GMV growth accompanied by a moderate expansion of take rate. GMV is expected to accelerate by 1%-2% in 2024 compared to 2023, primarily driven by market share expansion in complex services, going upmarket and investments in AI. We also expect our spend per buyer to accelerate while active buyers to continue similar trends as in 2023. We will take a balanced approach in driving profitable growth and expect Adjusted EBITDA to continue progress towards our long-term target of 25%. It is important to note that revenue growth remains our top priority. At the same time, we expect to make steady, measurable annual growth in driving Adjusted EBITDA expansion for the next several years.

We remain confident in our strategic priorities and financial fortitude. The vast market opportunity ahead fuels our optimism, and we are primed to emerge from this challenging economic period as an even stronger and more profitable company.

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