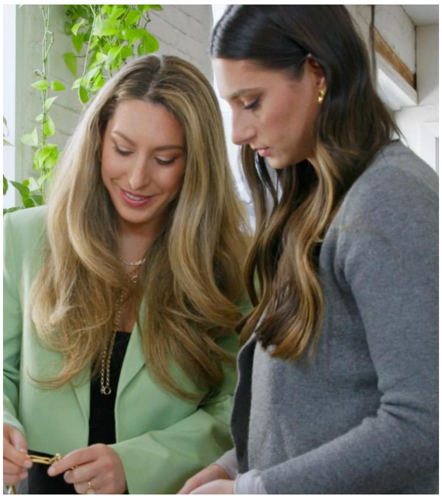
Q3 | 2024

Shareholder Letter

FIVERR.COM

Christina & Gina Senia, Buyers
Co-Founders @ Senia Modular Jewelry
New York, NY



ON THE COVER:
Christina & Gina Senia, Buyers
Co-Founders
Senia Modular Jewelry
New York, NY

Christina and Gina Senia founded the New York-based modular jewelry brand in 2020 when Christina was looking for her own college graduation ring but couldn't find one that reflected her style. Today, the team specializes in applying modular principles to design versatile jewelry pieces that commemorate special life events.

The sisters joined Fiverr in 2022, when they were already running their business for two years. They initially started to hire freelancers on Fiverr to help solve issues on their website, and soon they expanded into seeking talent for videography, logo design, social media marketing, and 3D design as well. They moved many workflows from an agency they worked with to freelancers on Fiverr as they wanted more control over quality and pricing.

The Senia sisters are impressed by the incredible level of talent and fast turnaround time on the platform. They were able to leverage many 3D product designers on Fiverr, including one designer who used to work for Cartier. They also hired CAD artists and videographers to create 3D video animations for some of their staple pieces. The simplicity of the Fiverr platform, including the messenger, made it very easy for them to collaborate with talent and iterate on designs with great efficiency. In just a few years, Senia has completed dozens of projects on Fiverr and relies on a few long-term freelance talent relationships to support their growing business.

"Fiverr has allowed us to work with the best talent pool who are always collaborative, efficient, and solution oriented. The platform has become an integral part of our business, and we're excited to see where it takes us in the future."

Summary

- **Delivered both revenue and Adjusted EBITDA above guidance range:** We continue to execute with focus and efficiency, delivering exceptional results amid a challenging macro environment. Our strategy to lean into value-added services to drive take rate expansion continues to pay off, and we continue to invest in going upmarket to unlock long-term growth opportunities.
- **Growing a high quality buyer base:** We continue to grow wallet share among our customers, with spend per buyer up 9% y/y in Q3'24. The recently rolled out Business Rewards Program on Fiverr Pro is showing encouraging signs to drive spend growth among larger customers, leading to more buyers spending over $10K on Fiverr annually.
- **Creating end-to-end experience to enable complex projects:** We launched Dynamic Matching, an AI-powered tool to provide a seamless matching experience for buyers with complex job requirements. Together with Professions Catalog and Hourly-Based Contracts, we are enabling an end-to-end experience for businesses to search, find and engage with talent for complex projects and longer duration.
- **Raising full-year guidance:** The strong performance in Q3 gives us confidence to raise our full-year guidance range for both revenue and Adjusted EBITDA. This also translates into strong cash flow generation and puts us well on track to deliver the three-year targets on Adjusted EBITDA and free cash flow that we laid out last quarter.

Third Quarter 2024 Key Results

REVENUE	**$99.6 million** 8% y/y growth	GROSS MARGIN	**81.0%** GAAP **84.0%** NON-GAAP[1]
ACTIVE BUYERS [1]	**3.8 million** (9%) y/y growth	GAAP NET INCOME	**$1.4 million**
SPEND PER BUYER [1]	**$296** 9% y/y growth	ADJUSTED EBITDA[1]	**$19.7 million**
TAKE RATE [1]	**33.9%** 260 bps y/y improvement	ADJUSTED EBITDA MARGIN[1]	**19.7%**

(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

Financial Outlook

	Q4 2024	FY 2024	FY 2024 PRIOR GUIDANCE
REVENUE	**$100.2 - $102.2 million** 9-12% y/y growth	**$388.0 - $390.0 million** 7-8% y/y growth	**$383.0 - $387.0 million** 6-7% y/y growth
ADJUSTED EBITDA(1)	**$19.5 - $21.5 million**	**$73.0 - $75.0 million**	**$69.0 - $73.0 million**

To Our Shareholders

We delivered an exceptional third quarter as both growth and profitability exceeded the top end of our guidance. We continue to execute on our key strategic initiatives while diligently managing expenses and making progress toward our three-year target goals. Revenue for Q3'24 was $99.6 million, up 8% y/y, accelerating from 6% y/y growth in Q2'24. **We continue to drive strong take rate expansion as seller monetization programs benefited from the investments made in the last few months, and AutoDS delivered strong subscriber growth that exceeded our expectations.** We saw the demand trends stabilize to some extent from the volatility we experienced last quarter, but it is important to note that overall SMB sentiment and hiring environment continues to be challenging.

Better than expected top-line results were complemented by continued operating efficiencies across our business. Adjusted EBITDA was $19.7 million, representing an Adjusted EBITDA margin of 19.7%, a 180 bps improvement from a year ago. **We continue to generate strong cash flow, and execute a disciplined capital allocation strategy that allows us to pursue growth while delivering shareholder value.**

While there continue to be elevated uncertainties in the macro environment that could impact SMB sentiment and their hiring needs, we have a strong product strategy in place to drive growth. **Our investment in expanding into software products is already starting to pay off. Together with the continued strength of Promoted Gigs and Seller Plus, they will serve as immediate short-term growth catalysts.** Along these lines, we are also incubating additional programs that leverage our expansive seller and buyer community to drive continued take rate expansion.

In terms of long-term growth catalysts, we are making critical product investments to unlock the $300 billion digital freelancing market in the U.S. alone, with the majority remaining offline today. **With the Professions Catalog, Dynamic Matching and Hourly Contracts, we are building an end-to-end experience to empower our buyers and sellers to work together on larger and more complex projects and build long-term trusted relationships.** In many ways, GenAI technology has allowed us to deliver those solutions in ways that were not possible before. We can

(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

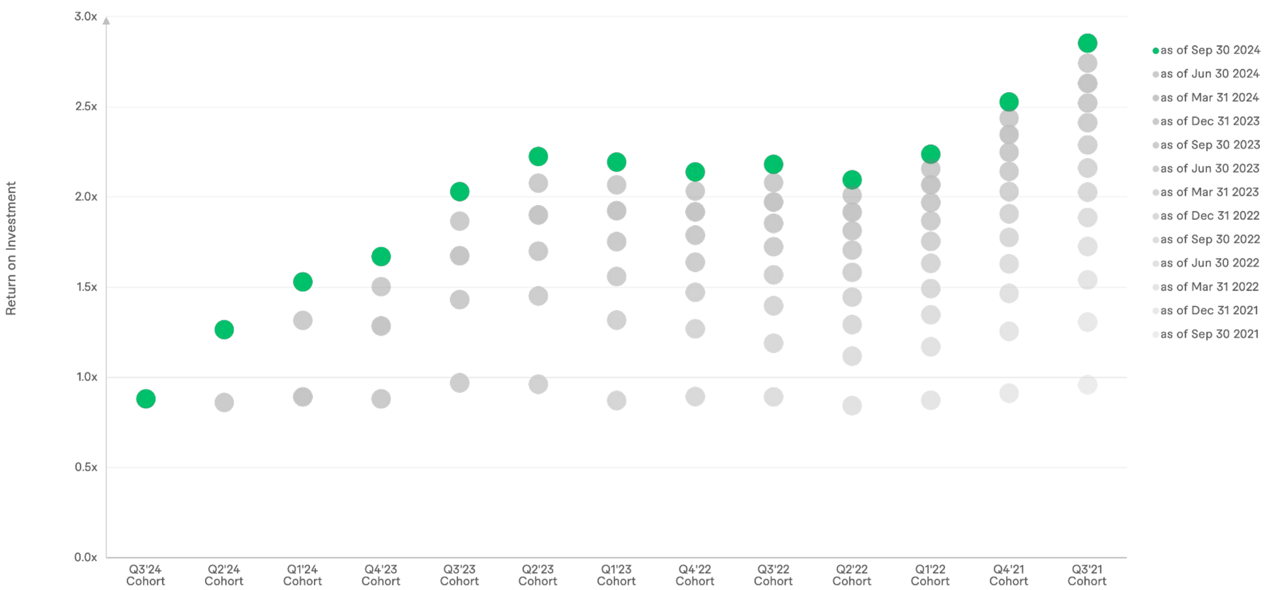
accommodate the complexity and nuances without losing the convenience, speed, and simplicity that people know Fiverr for. It's truly exciting to see all those pieces coming together to pave the significant growth runway ahead.

Building a Higher Quality Buyer Base

Our active buyer base was 3.8 million for the twelve months ended September 30, 2024, down 9%y/y, while spend per buyer for the period was $296, up 9% y/y. We remain laser-focused on building a higher quality buyer base with higher spend and better retention that translates into higher lifetime value. **Fiverr Pro continues to be our flagship program that delivers unmatched value to large customers, including access to hiring experts, a money-back guarantee, flexible contract and payment options, and robust collaboration and reporting tools.** The business rewards program we launched in July is showing promising signs to drive spending growth among larger customers, leading to more buyers spending over $10K on Fiverr annually.

Cohort behavior remained stable, with 68% of core marketplace revenue now coming from repeat buyers for the last twelve months ending September 30, 2024. We also remained highly efficient with our marketing investments. Our time to return on investments, or tROI, which represents the payback period of our performance marketing spend, continues to be approximately four months. **We are also seeing recent cohorts perform meaningfully better than 2021 and 2022 cohorts, as our strategy to focus on higher lifetime value buyers paid off.** From the chart below, you can see that the LTV to CAC ratio for Q3'23 reached over 2.1x after its first year, compared to 1.6x for Q3'22 cohort and 1.9x for Q3'21 cohort when they were at similar maturity.

Cumulative Revenue to Performance Marketing Investment Ratios



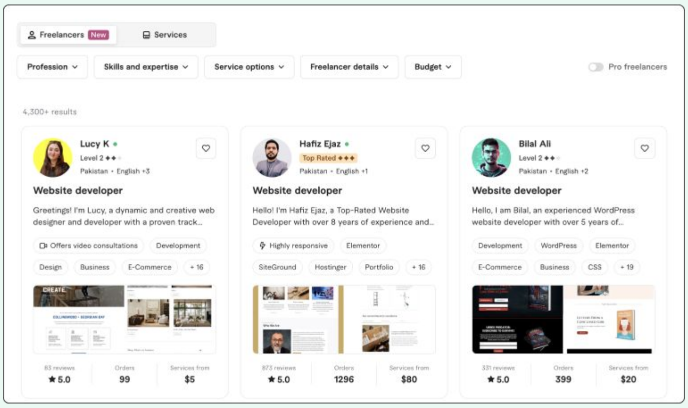
Enabling Long-Term Trusting Engagement on Fiverr

In July, we launched a new profession-based catalog that enables search and keyword pages to be generated based on freelancer skills. Since then, **we have seen promising signals that indicate buyers with bigger and longer projects naturally gravitate towards the new Professions Catalog, converting better, getting matched with better quality sellers, and are more likely to return for another project.** Double-clicking on this buyer segment, we launched Dynamic Matching a few days ago to further unlock bigger project intent, which typically comes with more complex business context, nuanced skill requirements, evolving tasks and deliverables, and longer engagement duration. **Dynamic Matching enables buyers to express their needs in a much more substantial format compared to the search/browse functions on the marketplace - this is critical as we move upmarket to position ourselves as a destination for businesses to fulfill larger and more complex projects.** It leverages GenAI to streamline the process for both briefing and matching so that they can be matched with more granular and sophisticated requirements without losing the speed and convenience, which are key propositions of Fiverr. Lastly, it creates important channels to know our customers better, which positions us to become a closer and more integral partner for any business's talent strategy.

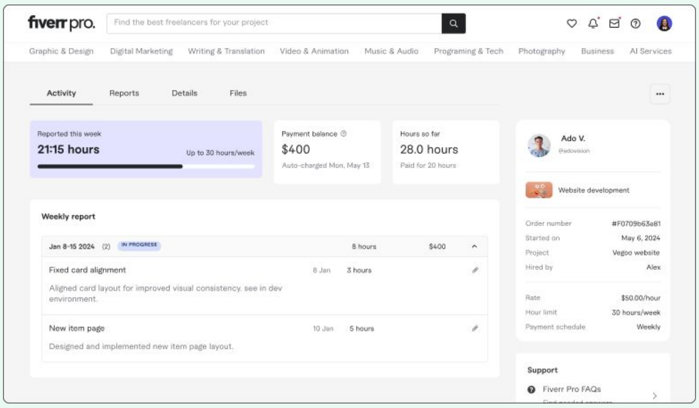
Enabling Complex Projects on Fiverr

With the Professions Catalog, Dynamic Matching, and Hourly Contracts, we are enabling an end-to-end experience for businesses to find and engage with freelancers on Fiverr for larger and more complex projects and to build long-term trusting relationships with each other.

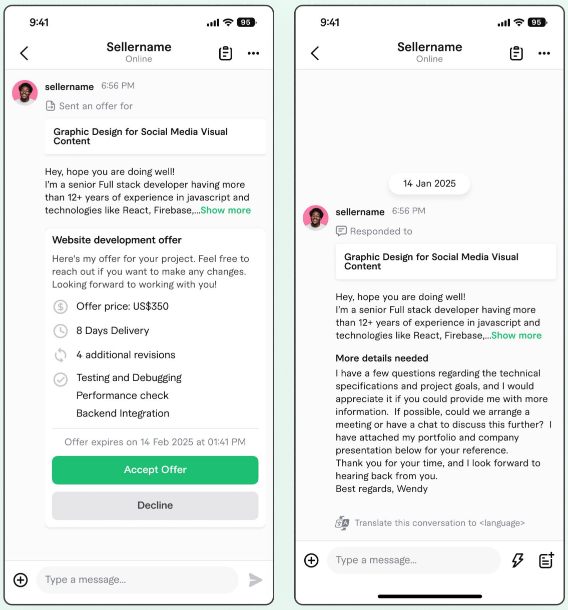
Professions Catalog



Hourly Contract



Dynamic Matching



Capital Allocation Update

We outlined our strategic capital allocation priorities last quarter, which are 1) Invest in product innovation to drive growth; 2) Optimize our balance sheet and capital structure; 3) Share repurchases to deliver shareholder value; 4) Strategic M&A to compound our growth. **We expect to continue executing a disciplined capital allocation strategy to pursue growth, improve profitability and deliver long-term shareholder value.** In terms of the outstanding convertible notes that are coming up in 2025, we could address the debt using the existing cash from our balance sheet or explore refinancing opportunities if the capital market conditions are favorable. We are fortunate to have this optionality given the strength of our balance sheet and we will make that call closer to the maturity of the notes.

We have also set a three-year target to reach 25% Adjusted EBITDA margin by the end of 2027 and a 14% CAGR in free cash flow for 2024-2027. **With our strong results in Q3'24 in both revenue and Adjusted EBITDA, we believe we are well on track to deliver those targets.** Together with strong cash flow generation and a strong balance sheet, we are confident that we can deliver steady and consistent improvement in free cash flow per share for the next three years.

Conference Call Details

Fiverr's management will host a conference call to discuss its financial results on Wednesday, October 30, 2024 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**.

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CONSOLIDATED BALANCE SHEETS

(in thousands)

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 159,245	$ 183,674
Marketable securities	215,649	147,806
User funds	159,326	151,602
Bank deposits	124,835	85,893
Restricted deposit	1,315	1,284
Other receivables	36,248	24,217
Total current assets	696,618	594,476
Long-term assets:		
Marketable securities	164,149	328,332
Property and equipment, net	4,394	4,735
Operating lease right of use asset	5,761	6,720
Intangible assets, net	44,175	10,722
Goodwill	110,218	77,270
Other non-current assets	9,495	1,349
Total long-term assets	338,192	429,128
TOTAL ASSETS	$ 1,034,810	$ 1,023,604
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	$ 2,851	$ 5,494
User accounts	148,288	142,203
Deferred revenue	19,606	11,047
Other account payables and accrued expenses	59,591	44,110
Operating lease liabilities	2,570	2,571
Total current liabilities	232,906	205,425
Long-term liabilities:		
Convertible notes	457,220	455,305
Operating lease liabilities	3,337	4,482
Other non-current liabilities	16,861	2,618
Total long-term liabilities	477,418	462,405
TOTAL LIABILITIES	$ 710,324	$ 667,830
Shareholders' equity:		
Share capital and additional paid-in capital	701,490	640,846
Accumulated deficit	(379,031)	(284,358)
Accumulated other comprehensive income (loss)	2,027	(714)
Total shareholders' equity	324,486	355,774
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,034,810	$ 1,023,604

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Unaudited)		(Unaudited)	
Revenue	$ 99,628	$ 92,532	$ 287,815	$ 269,873
Cost of revenue	18,893	15,075	50,365	46,373
Gross profit	80,735	77,457	237,450	223,500
Operating expenses:				
Research and development	22,424	23,490	67,912	68,666
Sales and marketing	42,970	40,521	126,446	121,441
General and administrative	18,817	15,791	53,032	46,894
Total operating expenses	84,211	79,802	247,390	237,001
Operating loss	(3,476)	(2,345)	(9,940)	(13,501)
Financial income, net	6,881	5,678	22,044	13,249
Income (loss) before income taxes	3,405	3,333	12,104	(252)
Income taxes	(2,052)	(308)	(6,696)	(768)
Net income (loss) attributable to ordinary shareholders	$ 1,353	$ 3,025	$ 5,408	$ (1,020)
Basic net income (loss) per share attributable to ordinary shareholders	$ 0.04	$ 0.08	$ 0.14	$ (0.03)
Basic weighted average ordinary shares	35,435,532	38,164,996	37,426,914	37,668,006
Diluted net income (loss) per share attributable to ordinary shareholders	$ 0.04	$ 0.07	$ 0.14	$ (0.03)
Diluted weighted average ordinary shares	36,205,992	41,389,621	38,188,945	37,668,006

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	(Unaudited)				(Unaudited)			
Operating Activities								
Net income (loss)	$	1,353	$	3,025	$	5,408	$	(1,020)
Adjustments to reconcile net loss to net cash provided by operating activities:								
Depreciation and amortization		3,392		1,321		6,148		4,700
Exchange rate fluctuations and other items, net		(106)		291		60		285
Amortization of premium and accretion of discount of marketable securities, net		(858)		(123)		(3,106)		1,111
Amortization of discount and issuance costs of convertible notes		640		635		1,915		1,904
Shared-based compensation		18,464		17,557		55,922		51,906
Changes in assets and liabilities:								
User funds		(3,032)		(3,506)		(7,724)		(17,462)
Operating lease ROU assets and liabilities		82		(151)		(193)		(563)
Other receivables		(893)		(3,509)		(6,066)		(6,256)
Trade payables		(2,482)		1,060		(3,062)		(5,294)
Deferred revenue		673		852		1,791		1,683
User accounts		2,794		2,956		6,085		16,311
Account payable, accrued expenses and other		2,735		2,781		6,869		7,480
Revaluation of Earn-out		143		-		143		-
Escrow payment for contingent consideration		(12,168)		-		(12,168)		-
Non-current liabilities		130		210		1,012		852
Net cash provided by operating activities		10,867		23,399		53,034		55,637
Investing Activities								
Investment in marketable securities		-		(81,753)		(30,734)		(262,761)
Proceeds from maturities of marketable securities		25,258		69,485		133,855		232,406
Investment in short-term bank deposits		(10,112)		(43,138)		(46,350)		-
Proceeds from short-term bank deposits		1,862		-		8,213		15,613
Acquisition of business, net of cash acquired		(30,192)		-		(39,355)		-
Purchase of property and equipment		(290)		(223)		(977)		(918)
Capitalization of internal-use software and other		-		(44)		(20)		(57)
Other non-current assets		(300)		-		(300)		-
Net cash provided by (used in) investing activities		(13,774)		(55,673)		24,332		(15,717)
Financing Activities								
Repurchases of common stock		(22,980)		-		(100,081)		-
Proceeds from exercise of share options		530		218		2,360		2,401
Tax withholding in connection with employees' options exercises and vested RSUs		(240)		(20)		(20)		(76)
Repayment of debt to previous shareholder of the acquired business		(3,992)		-		(3,992)		-
Net cash provided by (used in) financing activities		(26,682)		198		(101,733)		2,325
Effect of exchange rate fluctuations on cash and cash equivalents		105		(286)		(62)		(249)
Increase (decrease) in cash, cash equivalents and restricted cash		(29,484)		(32,362)		(24,429)		41,996
Cash, cash equivalents and restricted cash at the beginning of period		188,729		162,247		183,674		87,889
Cash and cash equivalents at the end of period	$	159,245	$	129,885	$	159,245	$	129,885

KEY PERFORMANCE METRICS

	Twelve Months Ended September 30, 2024	Twelve Months Ended September 30, 2023
Annual active buyers (in thousands)	3,773	4,164
Annual spend per buyer ($)	$ 296	271

RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(in thousands, except gross margin data)

	Q3' 23	Q4' 23	Q1' 24	Q2' 24	Q3' 24	FY 2022	FY 2023
			(Unaudited)			(Unaudited)	(Unaudited)
GAAP gross profit	$ 77,457	$ 76,029	$ 78,076	$ 78,639	$ 80,735	$ 271,418	$ 299,529
Add:							
Share-based compensation	632	633	678	499	514	2,520	2,497
Depreciation and amortization	731	709	613	791	2,415	6,065	3,253
Earn-out revaluation, acquisition related costs and other	-	-	-	-	$ 11	-	-
Non-GAAP gross profit	$ 78,820	$ 77,371	$ 79,367	$ 79,929	$ 83,675	$ 280,003	$ 305,279
Non-GAAP gross margin	85.2%	84.6%	84.9%	84.4%	84.0%	83.0%	84.5%

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

(in thousands, except share and per share data)

	Q3' 23	Q4' 23	Q1' 24	Q2' 24	Q3' 24	FY 2022	FY 2023
			(Unaudited)			(Unaudited)	(Unaudited)
GAAP net income (loss) attributable to ordinary shareholders	$ 3,025	$ 4,701	$ 788	$ 3,267	$ 1,353	$ (71,487)	$ 3,681
Add:							
Depreciation and amortization	1,321	1,287	1,150	1,606	3,392	10,185	5,987
Share-based compensation	17,557	16,792	19,020	18,438	18,464	71,755	68,698
Impairment of intangible assets	-	-	-	-	-	27,629	-
Earn-out revaluation, acquisition related costs and other	-	(359)	9	109	1,273	(10,613)	(359)
Convertible notes amortization of discount and issuance costs	635	637	637	638	640	2,527	2,541
Taxes on income related to non-GAAP adjustments	-	-	-	(71)	(290)	-	-
Exchange rate (gain)/loss, net	98	42	128	(156)	(221)	(1,141)	(131)
Non-GAAP net income	$ 22,636	$ 23,100	$ 21,732	$ 23,831	$ 24,611	$ 28,855	$ 80,417
Weighted average number of ordinary shares - basic	$ 38,164,996	$ 38,501,155	$ 38,756,151	$ 38,089,060	$ 35,435,532	$ 36,856,140	$ 38,066,203
Non-GAAP basic net income per share attributable to ordinary shareholders	$ 0.59	$ 0.60	$ 0.56	$ 0.63	$ 0.69	$ 0.78	$ 2.11
Weighted average number of ordinary shares - diluted	41,389,621	41,440,827	41,758,840	40,909,724	38,359,853	40,662,057	41,304,907
Non-GAAP diluted net income per share attributable to ordinary shareholders	$ 0.55	$ 0.56	$ 0.52	$ 0.58	$ 0.64	$ 0.71	$ 1.95

RECONCILIATION OF GAAP NET INCOME (LOSS) TO ADJUSTED EBITDA

(in thousands, except Adjusted EBITDA margin data)

	Q3' 23	Q4' 23	Q1' 24	Q2' 24	Q3' 24	FY 2022	FY 2023
			(Unaudited)			(Unaudited)	(Unaudited)
GAAP net income (loss)	$ 3,025	$ 4,701	$ 788	$ 3,267	$ 1,353	$ (71,487)	$ 3,681
Add:							
Financial expenses (income), net	(5,678)	(6,914)	(6,661)	(8,502)	(6,881)	(3,624)	(20,163)
Income taxes	308	605	1,713	2,931	2,052	577	1,373
Depreciation and amortization	1,321	1,287	1,150	1,606	3,392	10,185	5,987
Share-based compensation	17,557	16,792	19,020	18,438	18,464	71,755	68,698
Impairment of intangible assets	-	-	-	-	-	27,629	-
Earn-out revaluation, acquisition related costs and other	-	(359)	9	109	1,273	(10,613)	(359)
Adjusted EBITDA	$ 16,533	$ 16,112	$ 16,019	$ 17,849	$ 19,653	$ 24,422	$ 59,217
Adjusted EBITDA margin	17.9%	17.6%	17.1%	18.9%	19.7%	7.2%	16.4%

RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

(in thousands)

	Q3' 23	Q4' 23	Q1' 24	Q2' 24	Q3' 24	FY 2022	FY 2023
			(Unaudited)			(Unaudited)	(Unaudited)
GAAP research and development	$ 23,490	$ 22,054	$ 23,633	$ 21,855	$ 22,424	$ 92,563	$ 90,720
Less:							
Share-based compensation	6,227	5,836	6,836	5,897	5,273	23,828	24,310
Depreciation and amortization	196	191	201	193	190	801	799
Earn-out revaluation, acquisition related costs and other	-	-	-	-	700	-	-
Non-GAAP research and development	$ 17,067	$ 16,027	$ 16,596	$ 15,765	$ 16,261	$ 67,934	$ 65,611
GAAP sales and marketing	40,521	39,767	42,152	41,324	42,970	174,599	161,208
Less:							
Share-based compensation	3,392	3,166	3,436	3,389	3,605	17,196	13,304
Depreciation and amortization	314	309	264	553	721	2,889	1,601
Earn-out revaluation, acquisition related costs and other	-	-	-	-	67	(24)	-
Non-GAAP sales and marketing	$ 36,815	$ 36,292	$ 38,452	$ 37,382	$ 38,577	$ 154,538	$ 146,303
GAAP general and administrative	$ 15,791	$ 15,816	$ 16,451	$ 17,764	$ 18,817	$ 51,161	$ 62,710
Less:							
Share-based compensation	7,306	7,157	8,070	8,653	9,072	28,211	28,587
Depreciation and amortization	80	78	72	69	66	430	334
Earn-out revaluation, acquisition related costs and other	-	(359)	9	109	495	(10,589)	(359)
Non-GAAP general and administrative	$ 8,405	$ 8,940	$ 8,300	$ 8,933	$ 9,184	$ 33,109	$ 34,148

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

(in thousands)

	Q3' 23	Q4' 23	Q1' 24	Q2' 24	Q3' 24	FY 2022	FY 2023
			(Unaudited)			(Unaudited)	(Unaudited)
Net cash provided by operating activities	$ 23,399	$ 27,549	$ 21,196	$ 20,971	$ 10,867	$ 30,112	$ 83,186
Purchase of property and equipment	(223)	(135)	(378)	(309)	(290)	(1,198)	(1,053)
Capitalization of internal-use software	(44)	(3)	(20)	-	-	(1,000)	(60)
Free cash flow	$ 23,132	$ 27,411	$ 20,798	$ 20,662	$ 10,577	$ 27,914	$ 82,073

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 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 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 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 certain 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. 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, active buyers, spend per buyer, 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 and Adjusted EBITDA margin guidance for the fourth quarter of 2024 and the fiscal year ending December 31, 2024, 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. We are also not able to provide a reconciliation of free cash flow guidance for 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 targets regarding Adjusted EBITDA and free cash flow, our long term free cash flow per share expectations,expectations regarding certain benefits of our investments, our business plans and strategy, the growth of our business, AI services and developments, our product portfolio, 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: risks related to political, economic and military instability in Israel, including related to the war in Israel; 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 generate sufficient revenue to achieve or maintain 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 February 22, 2024 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.