

fiverr.

Q1 | 2023

Shareholder letter

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



Dr. Michelle Wiltshire, Buyer

Founder and CEO

Wasabi + Well

Miami, FL



ON THE COVER:

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Founder and CEO

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Dr. Michelle Wiltshire is a licensed clinical psychologist and the founder of Wasabi + Well, a wellness company which provides clients with workshops and various forms of therapy using evidence-based practices.

She started using Fiverr in 2020, initially working with freelancers to support her with blog posting and social media marketing. Thanks to the help of talented freelancers, Dr. Wiltshire was able to significantly grow her social media following which gave her more confidence to aggressively pursue the vision for her business. When she made the decision to start scaling Wasabi + Well, Fiverr became a critical resource in saving her time and expanding her brand awareness.

In 2022, Dr. Wiltshire applied for Fiverr's Future Collective, an accelerator program for Black-owned businesses and was selected as one of ten accepted entrepreneurs in the 2023 cohort. The 6-month program provides \$18,000 in cash and a \$6,000 Fiverr credit to each member of the cohort, in addition to a 9-course curriculum, regular mentorship and coaching with 1863 Ventures, 1:1 support from the Fiverr CSM team, as well as promotion across Fiverr channels. Dr. Wiltshire plans to leverage the education, mentorship, and capital from the program to refresh her brand strategy and amplify her approach to digital marketing.

"Fiverr slid into my life right when I needed it. The sellers on Fiverr are incredibly talented. They helped to produce social media assets that I used to grow my following."

"The Future Collective experience has been mind blowing! I'm still pinching myself because this is the type of programming and education I needed to feel more confident. It's imperative that I can successfully scale my business and I know I can accomplish that with the collective I'm a part of after completing this program."

First Quarter 2023 and Recent Highlights

- **Strong Q1'23 performance.** Our pivot towards enhancing the focus and efficiency of our business paid off, as revenue came in near the top end of our guidance and Adjusted EBITDA beat the top end of our guidance. We delivered our highest quarterly Adjusted EBITDA with double digit Adjusted EBITDA margin, even as Q1 seasonally marks the heaviest investment outlay across the entire year.
- **Fiverr maintains its position as #1 freelance brand.** The semi-annual brand health check conducted by Ipsos shows that Fiverr continues to be the top freelance brand in both aided and unaided brand awareness. This incredible brand power has allowed us to moderate our performance marketing spend while driving stable active buyers and new buyer cohorts.
- **Launching Fiverr Enterprise.** Stoke Talent is rebranded and integrated as Fiverr Enterprise. With the integration, Fiverr Enterprise connects different stakeholders in medium to larger enterprises and aims to provide businesses a unified experience across talent sourcing, project management, procurement and compliance.
- **On track to deliver 2023 guidance.** As Q1 kicks off the year with strong execution and discipline, we are narrowing our 2023 guidance range for both revenue and Adjusted EBITDA. We believe our progress towards the long-term Adjusted EBITDA margin target of 25% puts us in a position of strength to navigate a volatile macro while remaining focused on our longer-term vision and priorities.

First Quarter 2023 Key Results

REVENUE	\$88 million 1.5% y/y growth	GROSS MARGIN	82.2% GAAP	83.9% NON-GAAP ⁽¹⁾
ACTIVE BUYERS ⁽¹⁾	4.3 million 0.3% y/y growth	GAAP NET LOSS	(\$4.3) million	
SPEND PER BUYER ⁽¹⁾	\$262 4% y/y growth	ADJUSTED EBITDA ⁽¹⁾	\$11.3 million	
TAKE RATE ⁽¹⁾	30.4% 80 bps y/y improvement	ADJUSTED EBITDA MARGIN ⁽¹⁾	12.8%	

Financial Outlook

	Q2 2023	FY 2023	FY 2023 PRIOR GUIDANCE
REVENUE	\$88.0-\$90 million 4-6% y/y growth	\$355.0 - \$365.0 million 5-8% y/y growth	\$350.0 - \$365.0 million 4-8% y/y growth
ADJUSTED EBITDA ⁽¹⁾	\$12.0 - \$14.0 million	\$48.0 - \$56.0 million	\$45.0 - \$55.0 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

Fiverr @ SXSW

In March, Fiverr took part in multiple panel discussions at SXSW 2023, a prominent event at the crossroads of creative industry and technological innovation.

As the pandemic and digital transformation have radically altered the way we work in the past few years, workplace revolution has become an increasingly important topic with dedicated tracks featured at this event. Three speakers from the Fiverr team were featured in the panel discussions with other industry leaders, bringing their unique perspectives to address emerging trends and hot topics in the workplace – from discussing the “future workforce of 2030” to ethical aspects of using AI technology to create new music.



Meet Our Speakers



Adam Fine
Head of Music & Audio

Alongside representatives from **Warner Music Group** and **Soundcloud**, Adam discussed the impact and potential ramifications of AI technology in music.

Adam and the panel explored the opportunities that lie within AI to boost musicians' own creativity, but also highlighted the weight of the human input when it comes to generating music with AI.



Trisha Diamond
Senior Director of Customer Success

On a panel with leaders from **Taskrabbit** and **eBay**, Trisha covered best practices in building long-term customer relationships.

Trisha discussed the ins and outs of managing high-touch relationships, the steps needed to navigate different needs, and solutions that Fiverr had implemented over the years to accommodate business growth without losing its valued customer base.



Sharon Lee Thony
Director of Digital Marketing Agencies (and Founder & CEO of SLT Consulting)

Sharon addressed the current state of freelancing along with speakers from **Sway Workplace** and **Freelancers Union**.

She also discussed ways to enhance financial and employment security while freelancing, and how companies can integrate freelancers into the workforce, not only as vendors for one-time solutions, but also in strategic positions at the core of their business.



To Our Shareholders,

We had a strong kickoff to 2023, finishing the first quarter with revenue of \$88.0 million, near the high end of our guidance, and Adjusted EBITDA of \$11.3 million, above our guidance range. We continue to see stabilized cohort dynamics as anticipated at the beginning of the year, and new buyer acquisition continues to be robust with strengthened efficiency. The work we are doing around focus and efficiency is also paying off, as we delivered operating leverage across all expense lines. We believe these efforts not only help us navigate the volatile macro environment in a more responsible manner, but also provide us with flexibility and capacity to execute our long-term strategic priorities. All of this gives us confidence to narrow our full year guidance range, and we believe we are well on track to deliver a year with solid revenue growth and significant uplift in Adjusted EBITDA.

AI continues to dominate media headlines and investor mindset in recent months. At Fiverr, AI is not just a buzzword but an integral part of building our technology moat since the very beginning and we believe it will unlock even more exciting opportunities with the recent advancements. We haven't seen the development of AI displacing the need for human talent; on the contrary, we are seeing the increasing need for human skills to deploy and implement AI technologies; an influx of new service categories and AI talent emerging on the marketplace; higher quality of work and improving productivity where AI tools are utilized; and opportunities to continuously re-imagine the future of e-commerce.

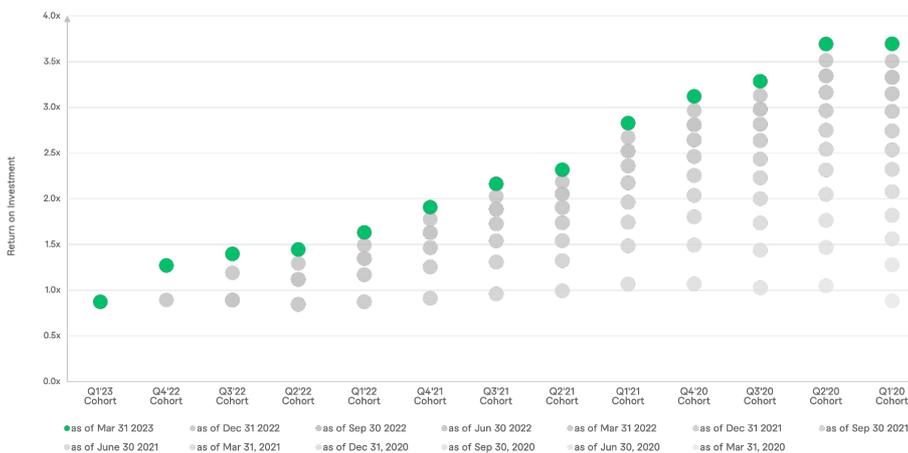
At the end of the day, AI is only as good as the signals upon which it's acting and the data that feeds into the large language models. As a unique end-to-end transaction marketplace in the freelancing space, we have built the deepest moat in first-party data in terms of scale and depth. This data is crucial in training AI models and understanding the complexity, subtleties and fragmented nature of matching business needs with human skills to produce satisfactory project outcomes. We believe no one is better positioned than us to unlock the future potential of AI in the freelancing vertical that we operate in.

To close, I'm really looking forward to an exciting year ahead. We are strengthening the long-term moats and defensibility of the business from multiple aspects. Financially, we aim to significantly improve Adjusted EBITDA margin to optimize our growth and profitability profile; strategically, we are bringing focus and execution to our core business and investing in long-term priorities; and in terms of market positioning, AI brings a step function to our addressable market and we expect it will open new opportunities to transform the e-commerce experience on our platform. We are fortunate to be in such a position of strength and our entire team remains passionate, committed, and focused in bringing these aspects into reality.

Growth Strategies and Recent Progress

#1 Bring new buyers onto the platform

In the twelve months ended March 31, 2023, active buyers were 4.3 million. We continue to see stable active buyers trends even as we moderated our performance marketing spend this quarter compared to a typical Q1. As the broader SMB spending sentiment and their freelancing budgets are being impacted by the macro environment, we are taking the opportunity to improve our overall sales and marketing efficiency, which positions our business for long-term strength. This is reflected in the tROI⁽¹⁾ of 0.9x this quarter, same as Q4'22, as our focus on discipline and efficiency from Q4 continued into this year. This also led to the mix shift of paid vs. non-paid, where we saw more new buyers coming from the non-paid channels. Overall non-GAAP S&M expense⁽¹⁾ as a percentage of revenue was 43.5% in Q1'23, improving from 49.1% in Q1'22 and the most efficient Q1 compared to historical years.



CUMULATIVE REVENUE TO PERFORMANCE MARKETING INVESTMENT RATIOS

As of March 31, 2023, revenue from the Q1'20 cohort reached 3.7x of the initial performance marketing investment in Q1'20, representing an attractive 3-year LTV/CAC.

In terms of cohort behavior, all cohorts performed in line with our expectations from the beginning of the year. While their spending level moderated compared to a year ago, the trends have been stable for the past few months. As a result, revenue from repeat buyers as a percentage of total core marketplace revenue continued to climb, reaching 64% for the last twelve months ending March 31, 2023.

(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

On the brand marketing front, we continue to invest heavily in our brand equity across various channels and campaigns. This includes localized TV campaigns in Germany, Australia and the UK; participation in 3 featured panels at SXSW; and hosting a “Bridge The Gap” virtual conference in celebration of Women’s History Month. We also released our annual **“Start The Year Strong” ebook** to help business owners and employees maximize their digital marketing efforts, resulting in increased buyer engagement. Content and community activities continue to be an effective way for us to improve engagement and retention. Thanks to these combined efforts and our ongoing brand investments, Fiverr continues to be the top brand among freelancer platforms when it comes to both aided and unaided brand awareness according to a brand awareness study conducted with Ipsos in March 2023.

2. Go upmarket

In the twelve months ended March 31, 2023, spend per buyer on our platform increased 4% y/y to \$262. We continue to see growth in high-value spenders on our marketplace and their strong retention and spending patterns continue to strengthen our overall cohort behavior. Among those who spend over \$10K+ in 2022, we saw the vast majority of them remain very active in the first quarter of 2023 despite the challenging macro conditions. This underscores the fact that for our customers, the adjustment they are making in freelancing investment is driven by cost-optimizing rather than cost-cutting. This is a unique benefit that comes with Fiverr’s on-demand freelancing offerings, compared to an in-house team or long-term contractors. From a long-term perspective, we believe this will build more awareness, stickiness and adoption of the flexible workforce.

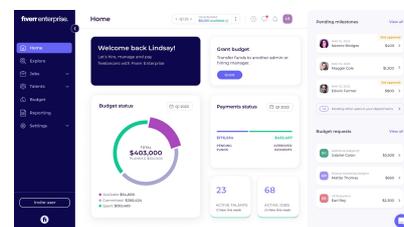
Our marketplace is also moving upmarket with more professional services and more complex projects. Today, nearly half of our business is from orders that are above \$200, with website development, search engine optimization and mobile apps being among the top categories for those transactions. In Q1’23, the largest transaction on the marketplace was a \$15,000 order where a machinery dealership sought out professional expertise from Fiverr to develop a customized mobile app to be used as a resource guide for its customers. The freelance developers were able to complete this high quality project in less than two months.

We also continue to expand our Fiverr Business product suite to round up our offerings. Recently we announced the rebranding and integration of Stoke Talent as **Fiverr Enterprise**. Fiverr Enterprise is an integral part of our Fiverr Business offerings, creating a more unified end-to-end solution across talent sourcing, project management, procurement and compliance.



“START THE YEAR STRONG” CAMPAIGN

The e-book campaign provides businesses with actionable and agile strategies to navigate through the current economic challenges with included seller recommendations.



FIVERR ENTERPRISE

Fiverr Enterprise provides a unified experience to consolidate all freelancer engagement across a larger organization.

This solves an urgent pain point among medium to larger sized enterprises where freelance work, payment and compliance engagements are often owned by different stakeholders with varied priorities, which can lead to unnecessary friction and slower execution.

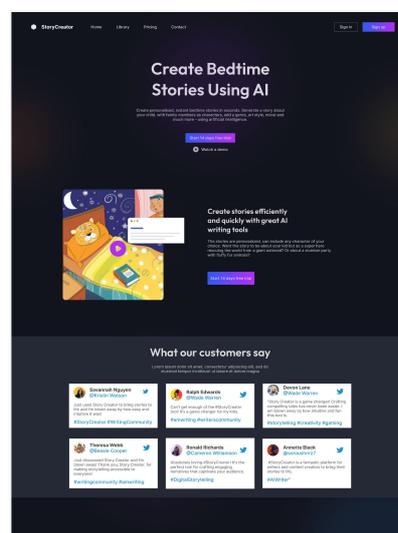
With Fiverr Enterprise, we aim to continue empowering business owners, such as marketing or product managers, to enjoy the on-demand convenience of freelancer access, while at the same time providing streamlined process and assurance for these organizations' procurement, financial and legal requirements. The consolidated brand enables us to execute more unified marketing strategies to our customers in order to drive increased adoption for both marketplace and freelancer management offerings.

3. Expand our service catalog

Catalog expansion continues to be a key growth strategy for Fiverr. During Q1'23, we added over 20 new categories to our catalog, many of which are **AI related services** as we cater to the surging interest for these emerging skills from both customers and freelancers. By far the most popular AI service category is AI application as many buyers are seeking to integrate AI capabilities into their businesses or build AI models or applications for their business use cases. For example, one of the largest recruiting platforms came to Fiverr to build a web app that uses AI to generate tailored career summaries for candidates based on their different job applications.

AI artist is another AI category that is popular. While it might seem easy to populate fun and interesting images using AI tools, it is not intuitive to generate images with specific business context and requirements. This is where AI artists come in to first provide expertise in prompt engineering, and then add graphic editing services to ensure the resulting images match exactly to the business requirements. An example would be a Youtube channel owner coming to Fiverr to create thumbnail images for his videos that match exactly the style and format of past episodes in his channel.

Since we launched dedicated AI services in January, we have seen a surge of demand and supply in those service categories. Number of AI-related gigs has increased over tenfold, and buyer searches for AI increased over 1,000% compared to six months ago. We are also seeing higher quality of work deliveries as freelancers leverage the latest generative AI tools. Fiverr's marketplace is highly dynamic. Just as consumer preferences continue to evolve in a physical goods marketplace, on Fiverr, services and job skills continue to evolve as well.



StoryCreator: AI APPLICATIONS

StoryCreator is a website built by a Fiverr freelancer that enables users to generate personalized stories using AI with custom characters, names, genres, styles, plots, and more. @dev_progmatix whipped this up in 3 weeks on a \$2,300 budget.

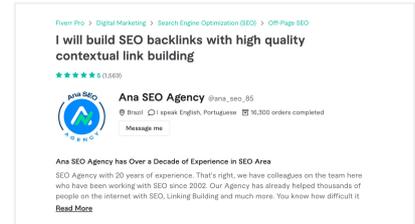
When new waves of technology advancements occur, these often are the golden moments for category expansion on our marketplace followed by an influx of supply and demand. We believe the recent advancement of AI technology creates such a golden moment to lean into our category expansion as a long-term growth driver.

4. Innovate technology and services

One of our top priorities for 2023 is to create differentiated category experiences for our sellers and provide them with the tools to uniquely express their talent and their work. As such, we are working on optimizing the **Gig page design** and experience to better fit the needs of non-experienceable categories such as search engine optimization. The new layout will help freelancers to better showcase their skills and past work, as well as prioritize information that will make it easier for customers to identify and evaluate the relevant freelancers for their complex project needs. We plan to test these new designs in the coming months.

We have also done some exciting work to launch a Brief & Match feature on our marketplace. Brief & Match gives buyers the opportunity to express their project needs through a structured intake form. Typically we see the feature popular among buyers with complex project scope or projects that require cross-category services. Our matching algorithm then breaks down the project brief in order to help the buyer find the most relevant and highest quality freelancers. On average, each submitted brief receives about 3-4 seller recommendations and the conversion from these recommendations is very high.

Finally we believe AI enables us to re-imagine the future of e-commerce. As the human-machine interaction makes step-function progress, we expect to fundamentally improve or even disrupt the existing product experience. Our marketplace is unique with end-to-end user data from pre-order matching to post-order work, and no one is better positioned than Fiverr in the freelancing space to lean into AI technology and unlock the power of data. These are the long-term technology moats that we continue to invest and build upon, regardless of macro environment.



NEW GIG PAGE FOR NON-EXPERIENCEABLE CATEGORIES

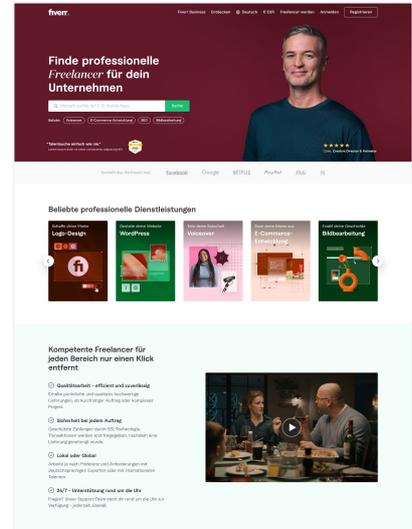
The newly designed gig page for non-visual and non-audio categories puts freelancer skills on the top instead of galleries, making it easier for buyers to evaluate relevant sellers.

5. Expand our geographic footprint

We continue to make progress in the localization of our user experience, investing into translation quality and search engine optimization to help drive better local conversion. We've also refined our marketing strategies to be more tailored to our international markets. For example, we recently launched several localized TV campaigns in Germany, Australia and the UK to increase our visibility and brand awareness.

In Germany, our focus on improving the local experience crossed a few critical milestones. We launched a new **localized home page** tailored to German customers with testimonials from local businesses and trusted security labels. We also updated the educational guides in the local language based on market needs. Finally we are testing a new feature that allows German freelancers to translate their own Gigs into German themselves, capturing the nuance and subtlety that machine translation can not provide. As a result of these efforts, revenue from the localized DE website surpassed the global English language site for the first time this quarter.

In France, we completed a sponsorship of Défi Briques, a community of freelancers across creative industries who come together for online challenges and in-person events. Fiverr held a creative contest to design a van for Défi Briques that traveled throughout France and hosted live events in the 10 biggest cities over 21 days. Fiverr presented to hundreds of freelancers across the country promoting the Fiverr brand, recruiting new freelancers and engaging with new communities.



LOCALIZED LANDING PAGE FOR GERMANY

Our new localized landing page provides a more tailored experience for the German business community with local testimonials, updated educational guides, and security labels.

Financial Discussion

In Q1'23 revenue increased 1.5% y/y to \$88.0 million. GAAP net loss was \$4.3 million, compared to \$17.0 million in Q1'22. Adjusted EBITDA⁽¹⁾ was \$11.3 million or 12.8% in Adjusted EBITDA margin⁽¹⁾. Unless otherwise noted, all comparisons are on a year-over-year basis.

Revenue

Revenue for Q1'23 was \$88.0 million, up 1.5% from \$86.7 million in Q1'22, driven by growth in both spend per buyer⁽¹⁾ and active buyers⁽¹⁾. The year-over-year growth rate also benefited from the increase of our take rate⁽¹⁾, which grew to 30.4% for the twelve months ended March 31, 2023 from 29.6% for the twelve months ended March 31, 2022. Revenue during the quarter continued to be highly diversified, with no buyer contributing more than 1% of revenue, and no single category accounting for more than 10% of total revenue on the core marketplace.

Active Buyers

In the twelve months ended March 31, 2023, our active buyers were 4.3 million, representing 0.3% y/y growth. Our y/y active buyer growth benefited from high levels of new buyers coming to the platform offset by reductions from large cohorts that are in their stabilization period. We also continue to focus on higher lifetime value by targeting buyers with larger budgets benefiting SPB more than active buyers.

Spend Per Buyer

The second driver of our revenue growth is the annual spend per buyer, or SPB. In the twelve months ended March 31, 2023, SPB grew to \$262, up 4% y/y from \$251. SPB is an indicator of our buyers' purchasing patterns and is impacted by the number of active buyers, buyers purchasing from multiple categories, average price per purchase, and our ability to acquire buyers with larger budgets.

Take Rate

For the twelve months ended March 31, 2023, our take rate was 30.4%, an increase of 80 bps y/y. We believe our industry-leading take rate reflects the value our platform delivers to both buyers and sellers. The increase in our take rate was driven by the numerous value-added services that our buyers and sellers utilize on our platform.

Gross Profit and Margin

Gross profit on a GAAP basis for Q1'23 was \$72.3 million, up 3.7% from \$69.7 million in Q1'22. Gross margin was 82.2% in Q1'23 an increase of 180 basis points from 80.4%. Non-GAAP gross margin⁽¹⁾ was 83.9% in Q1'23, an increase of 40 basis points from 83.5% in Q1'22. We continue to enjoy strong gross margins.

Operating Expenses

Total operating expenses on a GAAP basis for Q1'23 were \$79.4 million, compared to \$86.9 million in Q1'22. Non-GAAP operating expenses⁽¹⁾ for Q1'23 were \$62.5 million, or 71.1% of revenue, compared to \$68.5 million, or 79.0% of revenue in Q1'22.

(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

Research and Development (R&D)

Research and development expenses on a GAAP basis were \$21.9 million, or 24.9% of revenue in Q1'23. Non-GAAP research and development expenses⁽¹⁾ were \$15.9 million, or 18.1% of revenue, compared to 20.0% in the prior year period. We are strengthening our efficiency and execution by focusing on our core marketplace and Fiverr Business this year.

Sales and Marketing (S&M)

Sales and marketing expenses on a GAAP basis were \$42.1 million, or 47.8% of revenue in Q1'23. Non-GAAP sales and marketing expenses⁽¹⁾ were \$38.3 million, or 43.5% of revenue in Q1'23, compared to 49.1% in the prior year period. We continue to invest in our marketing efforts with discipline, measuring each campaign's effectiveness. We are scaling emerging marketing platforms, looking to improve mobile effectiveness and seeking ways to attract larger Business customers to match our upmarket product efforts. We also constantly invest in brand marketing and are long-term believers in building brand awareness and trust.

General and Administrative (G&A)

General and administrative expenses on a GAAP basis were \$15.5 million, or 17.6% of revenue in Q1'23. Non-GAAP general and administrative expenses⁽¹⁾ were \$8.4 million, or 9.5% of revenue in Q1'23, compared to 9.9% in the prior year period.

Net Loss and Adjusted EBITDA

Net loss on a GAAP basis in Q1'23 was (\$4.3) million, compared to (\$17.0) million in Q1'22. Adjusted EBITDA⁽¹⁾ was \$11.3 million, or 12.8% of revenue in Q1'23, compared to \$3.9 million or 4.5% in Q1'22.

Financial Outlook

Our Q2'23 outlook and updated full year 2023 guidance reflects the recent trends on our marketplace and is largely consistent with our prior expectations.

	Q2 2023	FY 2023
REVENUE	\$88.0 - \$90.0 million	\$355.0 - \$365.0 million
y/y growth	4%-6% y/y growth	5%-8% y/y growth
ADJUSTED EBITDA⁽¹⁾	\$12.0 - \$14.0 million	\$48.0 - \$56.0 million

(1) See "Key Performance Metrics and Non-GAAP Financial Measures" for additional information regarding key performance metrics and non-GAAP metrics used in this shareholder letter

Conference Call Details

Fiverr's management will host a conference call to discuss its financial results on Thursday, May 11, 2023 at 8:30 a.m. Eastern Time. A live webcast of the call can be accessed from Fiverr's [Investor Relations website](#). An archived version will be available on the website after the call. To participate in the Conference Call, please register at the link [here](#).

Investor Relations

investors@fiverr.com

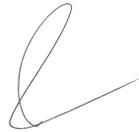
Press

press@fiverr.com



Micha Kaufman

Founder and Chief
Executive Officer



Ofer Katz

President and Chief
Financial Officer

CONSOLIDATED BALANCE SHEETS

(in thousands)

	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 93,652	\$ 86,752
Restricted cash	1,137	1,137
Marketable securities	235,343	241,293
User funds	158,926	143,020
Bank deposits	134,000	134,000
Other receivables	20,573	19,019
Total current assets	<u>643,631</u>	<u>625,221</u>
Marketable securities	206,884	189,839
Property and equipment, net	5,369	5,660
Operating lease right of use asset, net	8,376	9,077
Intangible assets, net	13,547	14,770
Goodwill	77,270	77,270
Other non-current assets	1,548	1,965
Total assets	<u>\$ 956,625</u>	<u>\$ 923,802</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	\$ 4,835	\$ 8,630
User accounts	147,995	133,032
Deferred revenue	12,972	11,353
Other account payables and accrued expenses	43,490	41,328
Operating lease liabilities, net	2,505	2,755
Total current liabilities	<u>211,797</u>	<u>197,098</u>
Long-term liabilities:		
Convertible notes	453,398	452,764
Operating lease liabilities	5,950	6,649
Long-term loan and other non-current liabilities	2,084	1,559
Total long-term liabilities	<u>461,432</u>	<u>460,972</u>
Total liabilities	<u>\$ 673,229</u>	<u>\$ 658,070</u>
Shareholders' equity:		
Share capital and additional paid-in capital	584,303	565,834
Accumulated deficit	(292,311)	(288,039)
Accumulated other comprehensive income (loss)	(8,596)	(12,063)
Total shareholders' equity	<u>283,396</u>	<u>265,732</u>
Total liabilities and shareholders' equity	<u>\$ 956,625</u>	<u>\$ 923,802</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2023	2022
	(Unaudited)	
Revenue	\$ 87,956	\$ 86,685
Cost of revenue	15,666	16,977
Gross profit	72,290	69,708
Operating expenses:		
Research and development	21,887	23,774
Sales and marketing	42,050	47,867
General and administrative	15,499	15,252
Total operating expenses	79,436	86,893
Operating loss	(7,146)	(17,185)
Financial income (expenses), net	3,084	230
Loss before income taxes	(4,062)	(16,955)
Income taxes	(210)	(20)
Net loss attributable to ordinary shareholders	\$ (4,272)	\$ (16,975)
Basic and diluted net loss per share attributable to ordinary shareholders	\$ (0.11)	\$ (0.46)
Basic and diluted weighted average ordinary shares	37,691,691	36,842,342

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended March 31,	
	2023	2022
	(Unaudited)	
Operating Activities		
Net loss	\$ (4,272)	\$ (16,975)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,725	3,110
Loss from disposal of property and equipment	26	-
Amortization of premium and discount of marketable securities, net	856	1,687
Amortization of discount and issuance costs of convertible notes	634	631
Shared-based compensation	16,719	18,003
Net loss (gain) from exchange rate fluctuations	63	(143)
Changes in assets and liabilities:		
User funds	(15,906)	(19,303)
Operating lease ROU assets and liabilities, net	(248)	(329)
Other receivables	(974)	242
Trade payables	(3,785)	(5,419)
Deferred revenue	1,619	1,383
User accounts	14,963	17,730
Account payable, accrued expenses and other	1,558	6,524
Non-current liabilities	525	569
Net cash provided by operating activities	<u>13,503</u>	<u>7,710</u>
Investing Activities		
Investment in marketable securities	(62,558)	(44,847)
Proceeds from sale of marketable securities	54,300	33,609
Bank and restricted deposits	(30)	(1,137)
Purchase of property and equipment	(328)	(493)
Capitalization of internal-use software and other	(5)	(399)
Other non-current assets	-	(78)
Net cash used in investing activities	<u>(8,621)</u>	<u>(13,345)</u>
Financing Activities		
Proceeds from exercise of share options	1,750	711
Tax withholding in connection with employees' options exercises and vested RSUs	331	(1,574)
Repayment of long-term loan	-	(2,269)
Net cash provided by (used in) financing activities	<u>2,081</u>	<u>(3,132)</u>
Effect of exchange rate fluctuations on cash and cash equivalents	(63)	143
Increase (decrease) in cash, cash equivalents and restricted cash	6,900	(8,624)
Cash, cash equivalents and restricted cash at the beginning of period	87,889	74,070
Cash, cash equivalents and restricted cash at the end of period	<u>\$ 94,789</u>	<u>\$ 65,446</u>

KEY PERFORMANCE METRICS

	Three Months Ended March 31,	
	2023	2022
	(Unaudited)	
Annual active buyers (in thousands)	4,263	4,249
Annual spend per buyer (\$)	\$ 262	251

RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(in thousands, except gross margin data)

	Three Months Ended March 31,	
	2023	2022
	(Unaudited)	
GAAP gross profit	\$ 72,290	\$ 69,708
Add:		
Share-based compensation and other	613	707
Depreciation and amortization	928	1,956
Non-GAAP gross profit	\$ 73,831	\$ 72,371
Non-GAAP gross margin	83.9%	83.5%

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

(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2023	2022
	(Unaudited)	
GAAP net loss attributable to ordinary shareholders	\$ (4,272)	\$ (16,975)
Add:		
Depreciation and amortization	1,725	3,110
Share-based compensation	16,719	18,003
Contingent consideration revaluation, acquisition related costs and other	-	(63)
Convertible notes amortization of discount and issuance costs	634	631
Exchange rate (gain)/loss, net	(163)	(93)
Non-GAAP net income	\$ 14,643	\$ 4,613
Weighted average number of ordinary shares - basic	37,691,691	36,842,342
Non-GAAP basic net income per share attributable to ordinary shareholders	\$ 0.39	\$ 0.13
Weighted average number of ordinary shares - diluted	41,197,049	41,427,757
Non-GAAP diluted net income per share attributable to ordinary shareholders	\$ 0.36	\$ 0.11

RECONCILIATION OF GAAP NET LOSS TO ADJUSTED EBITDA

(in thousands, except adjusted EBITDA margin data)

	Three Months Ended March 31,	
	2023	2022
	(Unaudited)	
GAAP net loss	\$ (4,272)	\$ (16,975)
Add:		
Financial (income) expenses, net	(3,084)	(230)
Income taxes	210	20
Depreciation and amortization	1,725	3,110
Share-based compensation	16,719	18,003
Contingent consideration revaluation, acquisition related costs and other	-	(63)
Adjusted EBITDA	\$ 11,298	\$ 3,865
Adjusted EBITDA margin	12.8%	4.5%

RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

(in thousands)

	Three Months Ended March 31,	
	2023	2022
	(Unaudited)	
GAAP research and development	\$ 21,887	\$ 23,774
Less:		
Share-based compensation	5,784	6,205
Depreciation and amortization	209	201
Non-GAAP research and development	\$ 15,894	\$ 17,368
GAAP sales and marketing	\$ 42,050	\$ 47,867
Less:		
Share-based compensation	3,269	4,430
Depreciation and amortization	502	860
Non-GAAP sales and marketing	\$ 38,279	\$ 42,577
GAAP general and administrative	\$ 15,499	\$ 15,252
Less:		
Share-based compensation	7,053	6,661
Depreciation and amortization	86	93
Contingent consideration revaluation, acquisition related costs and other	-	(63)
Non-GAAP general and administrative	\$ 8,360	\$ 8,561

Key Performance Metrics and Non-GAAP Financial Measures

This shareholder letter includes certain key performance metrics and financial measures not based on GAAP, including Adjusted EBITDA, Adjusted EBITDA margin, Non-GAAP gross profit, Non-GAAP gross margin, Non-GAAP operating expenses, Non-GAAP net income (loss) and Non-GAAP net (income) loss per share as well as operating metrics, including GMV, active buyers, spend per buyer, take rate and tROI. Some amounts in this shareholder letter may not total due to rounding. All percentages have been calculated using unrounded amounts.

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

We define GMV or Gross Merchandise Value as the total value of transactions ordered through our platform, excluding value added tax, goods and services tax, service chargebacks and refunds. Active buyers on any given date is defined as buyers who have ordered a Gig or other services on our platform within the last 12-month period, irrespective of cancellations. Spend per buyer on any given date is calculated by dividing our GMV within the last 12-month period by the number of active buyers as of such date. Take rate is revenue for any such period divided by GMV for the same period.

We define tROI or Time to Return On Investment as the number of months required to recover performance marketing investments during a particular period of time from the revenue generated by the new buyers acquired during that period. We use tROI to measure the efficiency of our buyer acquisition strategy. Performance marketing investments in new buyer acquisition is determined by aggregating online advertising spend across various channels, including search engine optimization, search engine marketing, video and social media used for buyer acquisition. Our performance marketing investments exclude certain fixed costs, including out of home advertising and fixed labor costs. Our performance marketing investment differs from sales and marketing expenses presented in accordance with GAAP and should not be considered as an alternative to sales and marketing expenses. Our performance marketing investment has limitations as an analytical tool, including that it does not reflect certain expenditures necessary to the operation of our business, and should not be considered in isolation. Certain fixed costs are excluded from performance marketing investments and related tROI calculations because performance marketing investments represent our direct variable costs related to buyer acquisition and its corresponding revenue generation. tROI measures the efficiency of such variable marketing investments and is an indicator actively used by management to make day-to-day operational decisions.

Management and our board of directors use these metrics as supplemental measures of our performance that is not required by, or presented in accordance with GAAP because they assist us in comparing our operating performance on a consistent basis, as they remove the impact of items not directly resulting from our core operations. We also use these metrics for planning purposes, including the preparation of our internal annual operating budget and financial projections, to evaluate the performance and effectiveness of our strategic initiatives and capital expenditures and to evaluate our capacity to expand our business.

Adjusted EBITDA, Adjusted EBITDA margin, Non-GAAP gross profit, Non-GAAP gross margin, Non-GAAP operating expenses, Non-GAAP net (income) loss and Non-GAAP net income (loss) per share as well as operating metrics, including GMV, active buyers, spend per buyer, take rate and tROI should not be considered in isolation, as an alternative to, or superior to net loss, revenue, cash flows or other performance measure derived in accordance with GAAP. These metrics are frequently used by analysts, investors and other interested parties to evaluate companies in our industry. Management believes that the presentation of non-GAAP metrics is an appropriate measure of operating performance because they eliminate the impact of expenses that do not relate directly to the performance of our underlying business.

These non-GAAP metrics should not be construed as an inference that our future results will be unaffected by unusual or other items. Additionally, Adjusted EBITDA and other non-GAAP metrics used herein are not intended to be a measure of free cash flow for management's discretionary use, as they do not reflect our tax payments and certain other cash costs that may recur in the future, including, among other things, cash requirements for costs to replace assets being depreciated and amortized.

Management compensates for these limitations by relying on our GAAP results in addition to using Adjusted EBITDA and other non-GAAP metrics as supplemental measures of our performance. Our measure of Adjusted EBITDA and other non-GAAP metrics used herein is not necessarily comparable to similarly titled captions of other companies due to different methods of calculation. See the tables above regarding reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures.

We are not able to provide a reconciliation of Adjusted EBITDA and Adjusted EBITDA margin guidance for the second quarter of 2023 and the fiscal year ending December 31, 2023, and long term to net loss, the comparable GAAP measure, because certain items that are excluded from Adjusted EBITDA and Adjusted EBITDA margin cannot be reasonably predicted or are not in our control. In particular, we are unable to forecast the timing or magnitude of share based compensation, amortization of intangible assets, impairment of intangible assets, income or loss on revaluation of contingent consideration, other acquisition-related costs, convertible notes amortization of discount and issuance costs and exchange rate income or loss, as applicable without unreasonable efforts, and these items could significantly impact, either individually or in the aggregate, GAAP measures in the future.

Forward Looking Statements

This shareholder letter contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this shareholder letter that do not relate to matters of historical fact should be considered forward-looking statements, including, without limitation, statements regarding our expected financial performance and operational performance for the second quarter of 2023, the fiscal year ending December 31, 2023, our long term Adjusted EBITDA margin goals, our expected future Adjusted EBITDA margin, our business plans and strategy, our expectations regarding AI services and developments, as well as statements that include the words “expect,” “intend,” “plan,” “believe,” “project,” “forecast,” “estimate,” “may,” “should,” “anticipate” and similar statements of a future or forward-looking nature. These forward-looking statements are based on management’s current expectations. These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to: our ability to successfully implement our business plan within adverse economic conditions that may impact the demand for our services or have a material adverse impact on our business, financial condition and results of operations; our ability to attract and retain a large community of buyers and freelancers; our ability to achieve profitability; our ability to maintain and enhance our brand; our dependence on the continued growth and expansion of the market for freelancers and the services they offer; our dependence on traffic to our website; our ability to maintain user engagement on our website and to maintain and improve the quality of our platform; our operations within a competitive market; our ability and the ability of third parties to protect our users’ personal or other data from a security breach and to comply with laws and regulations relating to data privacy, data protection and cybersecurity; our ability to manage our current and potential future growth; our dependence on decisions and developments in the mobile device industry, over which we do not have control; our ability to detect errors, defects or disruptions in our platform; our ability to comply with the terms of underlying licenses of open source software components on our platform; our ability to expand into markets outside the United States and our ability to manage the business and economic risks of international expansion and operations; our ability to achieve desired operating margins; our ability to comply with a wide variety of U.S. and international laws and regulations; our ability to attract, recruit, retain and develop qualified employees; our reliance on Amazon Web Services; our ability to mitigate payment and fraud risks; our dependence on relationships with payment partners, banks and disbursement partners; and the other important factors discussed under the caption “Risk Factors” in our annual report on Form 20-F filed with the U.S. Securities and Exchange Commission (“SEC”) on March 30, 2023, as such factors may be updated from time to time in our other filings with the SEC, which are accessible on the SEC’s website at www.sec.gov. In addition, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements that we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this shareholder letter are inherently uncertain and may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, you should not rely upon forward-looking statements as predictions of future events. In addition, the forward-looking statements made in this shareholder letter relate only to events or information as of the date on which the statements are made in this shareholder letter. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.