

fiverr.

Q3 | 2020

Shareholder Letter

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



Olivia Claparols, Buyer
Senior E-commerce Manager, *Rooted*

Kay Kim, Buyer
Co-Founder & Creative Director, *Rooted*



ON THE COVER: Buyers, *Rooted*

Kay Kim Co-Founder & Creative Director	Olivia Claparols Senior E-commerce Manager
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Kay and Olivia turned to Fiverr in June 2020 when Rooted (heyrooted.com), a modern-day plant company, had to quickly shift their multi-channel business to digital in response to the COVID pandemic. Prior to the pandemic, the majority of Rooted’s business came from offline channels, providing plants and plant maintenance services to office spaces around NYC, and from a retail location in Chinatown. They had an e-commerce store, but it was basic and contributed little revenue.

When the COVID-19 pandemic began, the Rooted team had to reassess their entire business model to prioritize their online business. “In order to keep our staff safe along with everyone else we’re in contact with, we immediately decided to shut down those divisions and focus solely on e-comm,” explains co-founder Kay Kim. “We had to make that shift in a matter of a few days.”

By working with Fiverr Illustrators, developers, Shopify experts and UX designers on Fiverr’s marketplace, Rooted was able to enhance their website and improve conversion through multiple tech development features quickly. One key feature was a new “Find Your Plant” quiz, an interactive lead-generation tool to help them acquire customer emails and provide personalized experience. In addition, they launched an SMS number for round-the-clock plantcare advice, optimized their e-commerce interface, made enhancements to the site’s UX design throughout and created custom illustrations for all the new site features. Since joining in June, Rooted has spent over \$10,000 on Fiverr across 9 orders.

“The fact that Fiverr has freelancers on their platform from all over the world is extremely enticing because it just broadens the entire talent pool. One of the greatest things about Fiverr is that while we are sleeping, someone is working because of the time difference.”

“A year from now, I’d like to look back on this time and think that was probably one of the greatest moments for us in one of the most unfortunate circumstances. I really think digital is the future. We actually made the decision to shut down our offline channels permanently. We are ‘all in’ on digital.”

Third Quarter 2020 Highlights

- **Accelerated growth in Q3'20:** Strong momentum continued into Q3 with 88% y/y topline growth - we continue to execute and drive results as the global shift towards digital transformation and remote work accelerates
- **Continued momentum of buyer growth:** Active buyers grew 37% y/y with net adds of over 310K as strong trends from both organic and paid channels continued
- **Promoted Gigs expansion:** Promoted Gigs is now available in 60 categories with open enrollment - monthly active sellers in the program grew to 5,000+ in Q3'20 from just under 200 in Q2'20
- **Launching new purchase experience:** We are launching new features to allow buyers to break large projects into milestones and make recurring purchases
- **Brand evolution:** Launched new logo and a new brand language together with a new brand campaign as we embark on the next stage of changing how the world works together
- **Raising FY20 guidance:** Revenue is now expected to grow 74-75% for FY20, with increasing Adjusted EBITDA profitability

Third Quarter 2020 Key Results

REVENUE	\$52.3 million 88% y/y growth	GROSS MARGIN	83.4% GAAP	84.4% NON-GAAP
ACTIVE BUYERS ⁽¹⁾	3.1 million 37% y/y growth	GAAP NET LOSS	(\$0.5) million	
SPEND PER BUYER ⁽¹⁾	\$195 20% y/y growth	ADJUSTED EBITDA ⁽¹⁾	\$4.2 million	
TAKE RATE ⁽¹⁾	27.0% 40 bps y/y improvement	ADJUSTED EBITDA MARGIN ⁽¹⁾	8.0% +2,360 bps y/y improvement	

Financial Outlook

	Q4 2020	FY 2020	FY 2020 PRIOR GUIDANCE
REVENUE	\$52.4-\$53.4 million 77-81% y/y growth	\$186.0-\$187.0 million 74-75% y/y growth	\$177.5-\$179.5 million 66-68% y/y growth
ADJUSTED EBITDA ⁽¹⁾	\$4.0-\$4.5 million	\$8.5-\$9.0 million	\$4.5-\$6.5 million

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

To Our Shareholders,

We delivered another quarter of record shattering growth in Q3'20 as revenue, active buyers and spend per buyer all accelerated further from Q2'20: revenue grew 88% y/y, active buyers grew 37% y/y to over 3.1 million, and spend per buyer increased 20% y/y to \$195. The strong momentum on both organic and paid channels continued in Q3, and all existing cohorts continued to spend at an elevated level throughout the quarter, with the recent Q2'20 cohort showing slightly better quality when compared against historical cohorts. It is clear to us that the global trend towards remote work and digital transformation is more than just a fad, but a long-term strategic investment for businesses of all sizes going forward, and we are proud to be at the forefront of leading that change.

Apart from providing a strong tailwind to our business growth, the outbreak of COVID-19 pandemic also makes us reflect on the purpose of our marketplace and stay grounded in our mission statement - to change how the world works together. At a time when every part of the world is facing unprecedented challenges, we don't take our responsibilities lightly. We strive to create opportunities for anyone in the world to build their business, brand and dreams, and to provide anyone in the world with the access to those opportunities through our marketplace. For example, people with HIV/AIDS are especially vulnerable in a pandemic; people who live in Kibera struggle to make ends meet; and people without broadband access cannot participate in economic activities that most of us take for granted. With these in mind, we set out to take on workforce development projects together with NGOs such as the Cascade AIDS Project, World Food Programme and Everyone On to make a difference to those communities. We also launched a Fiverr Empower program to partner with universities across the world in helping students with disabilities to get fair opportunities, build their professional career, and establish financial independence.

We are incredibly excited to launch our new brand and new brand campaign this quarter. We stayed true to our ethos, our culture and our promise to our community. We incorporated the core of our old brand color, but added a multi-color palette to signify the diversity and inclusion of our marketplace. While we have been known for providing nimble and cost efficient solutions for the first 10 years of the company, we envision that in the next 10 years, we will be seen as a more strategic partner for businesses to build their brand and drive digital transformation. We believe the majority of our growth runway is still ahead of us. Just as our new brand campaign says, It Starts Here.

Our Mission

Changing how the world works together.

Fiverr Empower

Fiverr launched a dedicated initiative this year to empower skilled talent with disabilities to kickstart their professional growth. Our unique Service-as-a-Product e-commerce model creates a level playing field for people with disabilities to pursue their career aspirations. The flexible work time and digital delivery of service enables this community to work at their own pace, as many of them face physical challenges.

With six university partners and expanding, the program has successfully finished two cycles, helping dozens of university students with disabilities become successful sellers on Fiverr, ranging from designers, business analysts, translators, voice over artists and digital marketers.

Program Highlights



Support & Guidance



Professional Workshops



Built-in Community



Accelerated Growth

“

“The Fiverr Empower program is absolutely amazing. It gives me the opportunity to show my talent and my professional skills regardless of my disability. My disability becomes irrelevant and nobody judges me because of that - they only see me as a professional seller who can provide them the best work. I feel that it’s the first time that I am accepted as an equal when it comes to getting a job like anybody else.”



Danielle Ongo-Levi

Danielle is a senior studying Visual Communication at Shenkar College, a top design school in Israel. Despite being born visually impaired, Danielle’s talent is boundless. “When I’m working on animation, the world lights up in front of me.” Danielle’s dream is to work in animation and illustration as a freelancer and to have her own studio after graduation. “I want to create my own animations, graphic novels, illustrate children’s books and to exhibit my art in galleries.”



Illustration by Danielle

Growth Strategies and Recent Progress

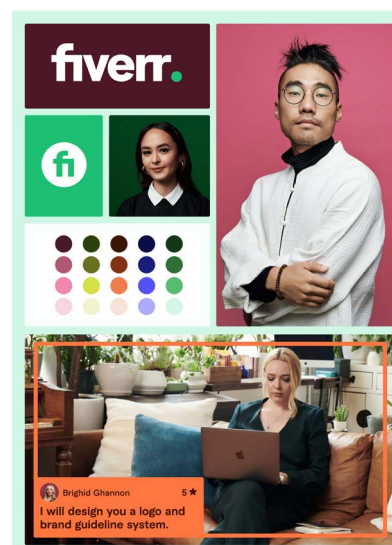
Recent updates regarding our key growth drivers and progress made in each area as we continue to grow and capture market share are as follows:

1. Bring new buyers onto the platform

In the twelve months ended September 30, 2020, active buyers grew 37% y/y to 3.1 million, implying net adds of over 310K during the quarter, driven by continued strength from both organic and paid channels. Organic channels continued to contribute the majority of new buyers with strong word-of-mouth, brand traffic, and virality among social media and influencer channels.

Fiverr launched an **evolution of our brand identity** during the quarter, with a new logo, fonts and a multi-color palette, as we embark on the next chapter as a leader of the future of work. Along with the brand evolution, we launched a new brand campaign **“It starts here”** with a series of short and long form videos across both digital and TV channels. We continue to put the community at the heart of our brand, showcasing how businesses of different sizes and lifestyles integrate Fiverr into their operations. With all our brand investments this year we have seen significant growth in our Google brand search and share of voice which more than doubled year over year.

During the quarter, we continued to enjoy attractive performance marketing environment and invested aggressively across our acquisition channels. At the same time, tROI - time to return on performance marketing investment - remained at slightly above 1.0x. All existing cohorts also continued to stay at an elevated level of spend. Particularly, we are encouraged that the Q2'20 cohort reached a cumulative ROI of 1.5x after two quarters which is slightly ahead of a typical cohort. We believe that the outsized new buyer cohort we acquired during COVID-19 presents consistent quality, retention and spending patterns as historic cohorts.



FIVERR'S NEW BRAND IDENTITY

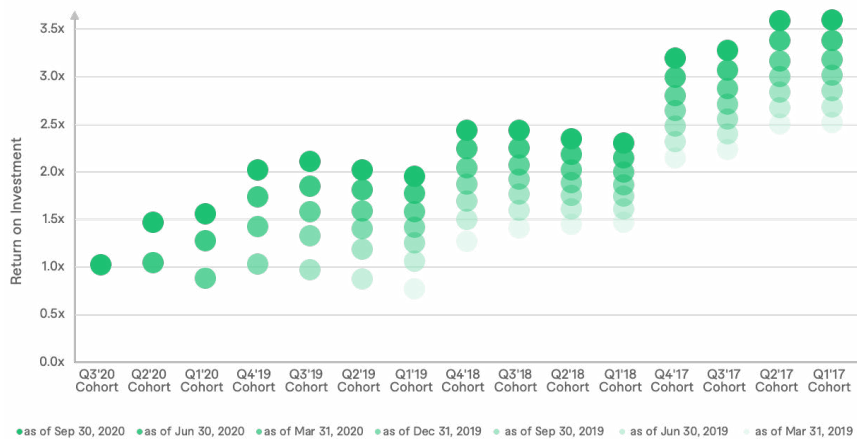
The new brand identity incorporates a multi-color palette that signifies diversity and inclusion of our marketplace.



FIVERR ON TV - “IT STARTS HERE”

As part of a series of showcasing businesses leveraging Fiverr to grow their business, a local pizzeria Slim + Husky's in Nashville talked about their experience on Fiverr.

CUMULATIVE REVENUE TO PERFORMANCE MARKETING INVESTMENT RATIOS



INCREASING ROI FOR PERFORMANCE MARKETING INVESTMENTS AS COHORTS SEASON OVER TIME

As of September 30, 2020, the cumulative revenue from the Q1'17 cohort has reached 3.6x of our performance marketing investments for the first quarter of 2017, up from 3.4x as of June 30, 2020.

Some additional marketing activity highlights include:

- In Q3'20, we hosted 88 virtual community events with attendees from around the world, engaging over 50,000 community members. This quarter, we put a larger focus on tailoring event content for subsets of the Fiverr community based on data we saw across our marketplace. We also deepened our collaboration with customer success teams and product teams internally to target specific user segments. The result is a significant increase in engagement for those events.
- In July 2020, we launched a **microgrant program** which awards three grants of \$1,000 Fiverr credit a month to SMB applicants. The reaction among our community has been overwhelming, with over 17,000 applications received so far. Among the awardees each month are businesses across industries and geographies. In addition to receiving Fiverr credits, they also receive consultation services from Fiverr's customer success team for seller recommendations and onboarding assistance.

2. Go upmarket

In the twelve months ended September 30, 2020, spend per buyer on our platform increased 20% y/y to \$195 as we continued to expand wallet share among our buyers. High-value buyers, those with annual spend per buyer of over \$500, continued to grow from the previous quarter and now represent over 57% of core marketplace revenues, up from 55% in Q2'20. Strong results were driven by both an increase in spend level across all our existing cohorts as well as continued improvement in lifetime value from our newest cohort.



MICROGRANT PROGRAM X BROTHER MEL'S

[Brother Mel's](#) is a family-owned BBQ sauce company based in Denver, CO. Upon receiving Fiverr's microgrant, the company used the credits to create an e-commerce website and update their bookkeeping system.

Fiverr Business was officially launched in September, enabling larger teams to collaborate and transact in a seamless fashion. We are offering a free first year trial at the moment, as we focus to drive adoption and engagement, as well as iterate on product features. Following the launch, we have been pushing a series of marketing activities to support the new offerings. These activities include:

- Develop brand messages targeted to the specific needs of larger businesses
- Build community and partnerships with startup hubs and accelerators to drive awareness
- Host webinars, conferences and events to initiate conversations around the future of work
- Generate media coverage around Fiverr Business including traditional media, YouTube channels and podcasts

While the majority of the marketing activities currently focus on brand and awareness, we are building dedicated performance marketing infrastructure that is optimized for conversion and landing experience for larger business buyers. We expect to start ramping performance marketing spend for Fiverr Business in the beginning of 2021.

On the product front, we launched a brand new personalized home page for Fiverr Business buyers to include team projects and service recommendations for each project. We've also improved the onboarding flow and added streamlined capabilities for users to invite their colleagues to join the platform. Early signs show that these efforts help with conversion and have a viral impact - nearly 50% of new registrations so far have invited someone to join.

3. Expand our Gig catalog

Our expansive and ever growing service catalog continues to be our key competitive advantage. During Q3'20, we launched over 30 new categories and added depth in certain popular areas such as e-learning production, development for streamers, virtual assistant and sound design.

We continue to see categories related to e-commerce, content creation and digital marketing benefit from the increasing business demand for digital transformation, and the growth momentum continuing from Q2'20. Particularly, social media marketing, photoshop editing, and architecture & interior design grew over 20% q/q compared to Q2'20. Logo design, voice over,



UNILEVER ON FIVERR BUSINESS

Yael Brandt is a manager of customer development at Unilever. She has created a Fiverr Business account with 5 team members to order services in animated video, logo design, presentation design, Zoom virtual background and video editing.

“The tight deadlines we’ve all suffered from are a thing of the past. We can share a presentation design brief late at night and have a fully-designed, high-quality presentation ready in the morning, and the price is more than just convenient.”

illustration and e-commerce development are some of the largest categories that grew faster than the average marketplace.

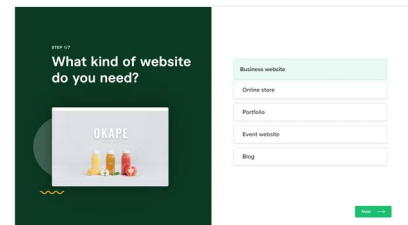
Given the high demand for building websites with the backdrop of COVID-19, we launched a **streamlined experience for purchasing websites on Fiverr**. By answering a few simple questions about their business, buyers are presented with a single seller that's matched with their style and budget. For buyers who value convenience over choice, and for those who are new to Fiverr, the new experience substantially simplifies the decisions buyers have to make themselves.

4. Innovate technology and services

Technology is at the heart of everything we do, and we strive to continue providing value-added products and tools to our buyers and sellers to improve their experience. Recently, we have been working on new features to allow sellers to offer **project milestones** and recurring purchase options for their customers. For larger projects with milestones set up, buyers can now make multiple payments over the course of the project, instead of paying for the entire project all at the beginning. Similarly, sellers can receive payments in increments as they successfully complete each milestone. The result is a better experience for buyers and sellers.

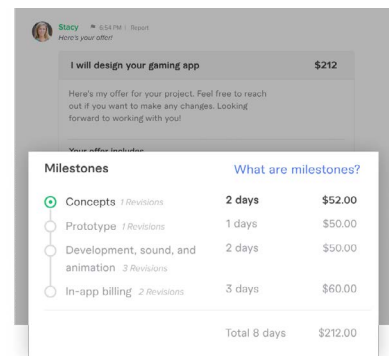
We launched **Fiverr Logo Maker** beta earlier this year. After several months of testing and strong growth trends, it is now fully integrated into the marketplace. The offering allows buyers to tweak sellers' original design to their own taste using the editor and then download the logo immediately. Buyers have two package choices: the basic package is \$30 which includes full commercial rights and high-resolution PNG files; the advanced package costs \$60 which includes additional vector files, social media kit, brand style guide and Zoom backgrounds. Not only does Fiverr's AI technology enable sellers to increase their earnings through passive income, it also allows us to enjoy a higher take rate than a typical transaction. It also creates a new way for buyers to discover new sellers as the pre-made logos bring sellers inbound requests from buyer traffic. We are encouraged by the strong reception of the product among our buyers and sellers and expect to continue expanding the product exposure down the road.

We continued to expand Promoted Gigs aggressively during the quarter. From the initial invitation based onboarding, we have now moved to the wider seller population with open eligibility rules. Any sellers who meet the quality criteria and belong to



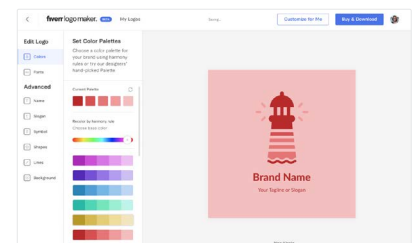
VERTICALIZATION OF WEBSITE CREATION

The new streamlined experience in website creation matches the buyer with a single seller after a few simple steps.



PROJECT MILESTONES

The new feature allows buyers and sellers to break a large project into milestones, and allows sellers to receive payments in increments upon completion of each milestone.



THE MAGIC OF AI ON FIVERR LOGO MAKER

Powered by our AI, every buyer can recolor logos without harming the color-harmony that the designer brilliantly crafted.

one of the covered categories can now join the program. We have also expanded category coverage from 15 in Q2'20 to 60 in Q3'20. With the expansion efforts, monthly active sellers in the program have increased significantly from just under 200 in June to over 5,000 in September, with continued strong retention metrics.

5. Expand our geographic footprint

During the quarter, we introduced our 6th non-English **website in Portuguese** and expanded our localization footprint to Portugal and Brazil. We also integrated with a local payment solution provider to improve the payment experience for Brazilian buyers.

During the quarter, we placed a focus on cross-team collaboration to expand into new markets. On content strategy, we adapted and translated core Fiverr content and assets for promotion in new markets. We further centralized and expanded the process of creating global content in-house and with agencies.

On the acquisition front, we focused on testing and creating first traction with the local traffic. We expanded our Affiliate Program internationally during the quarter in order to expand our local presence. We created tailored onboarding programs in German and France, and built localized affiliate dashboards in 5 languages in addition to English: German, French, Spanish, Italian and Dutch. We are also planning to expand TV campaigns to Germany, U.K. and Australia in the coming months, as well as expanding to an international network of influencers.



FIVERR IN PORTUGUESE BR.FIVERR.COM

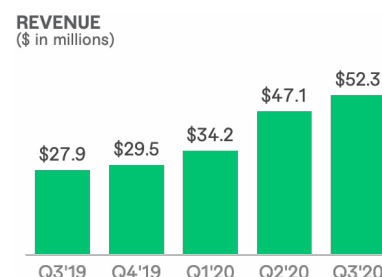
Fiverr launched its 6th non-English website in Portuguese.

Financial Discussion

We delivered exceptional financial results in Q3'20 with revenue increasing 88% y/y to \$52.3 million. Adjusted EBITDA was \$4.2 million or 8.0% in Adjusted EBITDA margin, an improvement from Q2'20. Unless otherwise noted, all comparisons are on a year-over-year basis.

Revenue

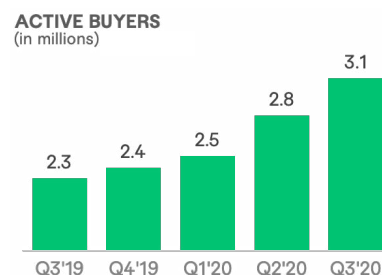
Revenue for Q3'20 was \$52.3 million, up 88% from \$27.9 million in Q3'19, driven by continued growth in both active buyers and spend per buyer. The year-over-year growth rate also benefits from the increase of our take rate, which grew to 27.0% for the 12 months ended September 30, 2020 from 26.6% for the 12 months ended September 30, 2019. 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 15% of total revenue on the core marketplace.

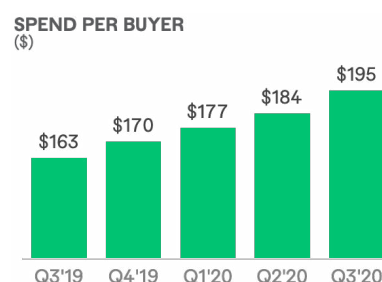
Active Buyers

Our active buyer base has consistently grown over time, and Q3 was no different. In the twelve months ended September 30, 2020, our active buyers reached 3.1 million, representing 37% y/y growth. Our robust active buyer growth was driven by consistent cohort behavior and efficient marketing investments. We also continue to focus on higher lifetime value by targeting buyers with larger budgets.



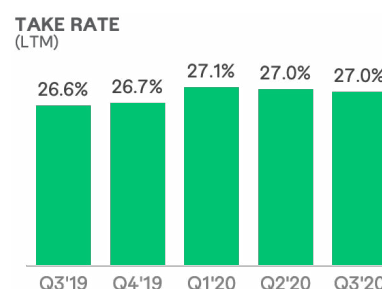
Spend Per Buyer

The second driver of our revenue growth is the annual spend per buyer, or SPB. In the twelve months ended September 30, 2020, SPB grew to \$195, up 20% y/y from \$163. 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 a higher lifetime value.



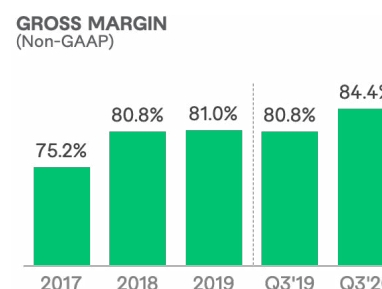
Take Rate

For the twelve months ended September 30, 2020, our take rate was 27.0%, an increase of 40 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 continued growth of back-office software subscriptions, e-learning courses and content marketing subscriptions.



Gross Profit and Margin

Gross profit on a GAAP basis for Q3'20 was \$43.6 million, up 98% from \$22.0 million in Q3'19. Gross margin was 83.4%, an increase from 79.0% in Q3'19. Non-GAAP gross margin was 84.4% in Q3'20, increasing 360 bps from 80.8% in Q3'19. The increase in gross margin was primarily driven by increasing revenue scale, complemented by the modest mix shift between core marketplace revenue and other revenues.



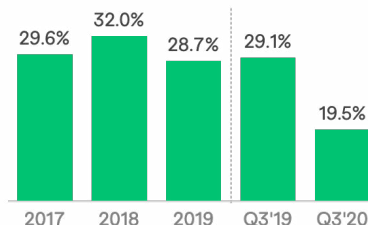
Operating Expenses

Total operating expenses on a GAAP basis for Q3'20 were \$44.6 million, compared to \$30.8 million in Q3'19. Non-GAAP operating expenses for Q3'20 were \$40.0 million, or 76.4%

of revenue, compared to \$26.9 million, or 96.5% of revenue in Q3'19. The improvement in operating leverage represents greater efficiency as a result of increasing scale and disciplined financial strategy which led to us achieving Adjusted EBITDA profitability significantly ahead of our previous expectations.

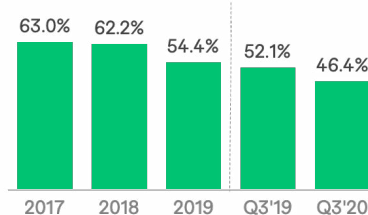
Research and Development (R&D) expenses on a GAAP basis were \$11.6 million, or 22.2% of revenue in Q3'20. Non-GAAP research and development expenses were \$10.2 million, or 19.5% of revenue, compared to 29.1% in the prior year period. We continue to invest in improving user experience with initiatives such as Promoted Gigs, international expansion, mobile web and mobile app and category expansion.

RESEARCH AND DEVELOPMENT
(Non-GAAP, as % of revenue)



Sales and Marketing (S&M) expenses on a GAAP basis were \$25.5 million, or 48.8% of revenue in Q3'20. Non-GAAP sales and marketing expenses were \$24.3 million, or 46.4% of revenue in Q3'20, compared to 52.1% in the prior year period. We continued to gain significant sales and marketing leverage during the quarter driven by increasing scale, channel diversification and continued strong execution, which demonstrates our ability to drive marketing efficiency towards our long-term target model.

SALES AND MARKETING
(Non-GAAP, as % of revenue)



General and Administrative (G&A) expenses on a GAAP basis were \$7.4 million, or 14.2% of revenue in Q3'20. Non-GAAP general and administrative expenses were \$5.4 million, or 10.4% of revenue in Q3'20, compared to 15.3% in the prior year period. The improved G&A leverage was primarily driven by increased revenue scale.

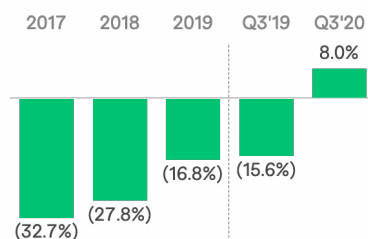
GENERAL AND ADMINISTRATIVE
(Non-GAAP, as % of revenue)



Net Loss and Adjusted EBITDA

Net loss on a GAAP basis in Q3'20 was (\$0.5) million, compared to (\$8.4) million in the third quarter of 2019. Adjusted EBITDA was \$4.2 million, or 8.0% of revenue in Q3'20, compared to (\$4.4) million or (15.6%) in the third quarter of 2019. The improved EBITDA margin was driven by increased revenue scale and improved leverage in operating expenses.

ADJUSTED EBITDA MARGIN



Financial Outlook

We are introducing Q4'20 guidance and raising our full-year guidance. Given these unprecedented times and the dynamic impact of COVID-19 on economies globally, we will provide investors with updated business trends as they evolve.

Guidance:

	Q4 2020	FY 2020	FY 2020 Prior Guidance
REVENUE	\$52.4 - \$53.4 million	\$186.0 - \$187.0 million	\$177.5 - \$179.5 million
y/y growth	77 - 81%	74 - 75%	66 - 68%
ADJUSTED EBITDA	\$4.0 - \$4.5 million	\$8.5 - \$9.0 million	\$4.5 - \$6.5 million

Conference Call Details

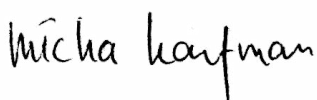
Fiverr's management will host a conference call to discuss its financial results on Wednesday, October 28, 2020 at 8:30 a.m. Eastern Time. A live webcast of the call can be accessed from Fiverr's Investor Relations website. An archived version will be available on the website after the call. Investors and analysts can participate in the conference call by dialing (866) 360-3590, or (412) 317-5278 for callers outside the United States, and mention the passcode, "Fiverr." A telephonic replay of the conference call will be available until Wednesday, November 4, 2020, beginning one hour after the end of the conference call. To listen to the replay please dial (877) 344-7529, or (412) 317-0088 for callers outside the United States, and enter replay code 10148051.

INVESTOR RELATIONS

investors@fiverr.com

PRESS

press@fiverr.com



Micha Kaufman
Chief Executive Officer



Ofer Katz
Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

(In thousands)

	September 30, December 31,	
	2020	2019
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 105,964	\$ 24,171
Marketable securities	68,441	88,559
User funds	93,153	55,945
Bank deposits	40,000	15,000
Restricted deposit	324	324
Other receivables	4,066	3,117
Total current assets	311,948	187,116
Marketable securities	80,553	21,805
Property and equipment, net	5,724	5,321
Intangible assets, net	6,700	7,188
Goodwill	11,240	11,240
Restricted deposit	3,168	3,168
Other non-current assets	454	522
Total assets	\$ 419,787	\$ 236,360
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	\$ 6,100	\$ 3,749
User accounts	87,374	53,013
Deferred revenue	5,837	3,248
Other account payables and accrued expenses	26,972	21,426
Current maturities of long-term loan	518	503
Total current liabilities	126,801	81,939
Long-term loan and other non-current liabilities	4,154	5,612
Total liabilities	130,955	87,551
Shareholders' equity:		
Share capital and additional paid-in capital	452,550	306,334
Accumulated deficit	(164,496)	(157,763)
Accumulated other comprehensive income	778	238
Total shareholders' equity	288,832	148,809
Total liabilities and shareholders' equity	\$ 419,787	\$ 236,360

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and loss per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Revenue	\$ 52,345	\$ 27,867	\$ 133,625	\$ 77,542
Cost of revenue	8,708	5,863	23,485	16,104
Gross profit	43,637	22,004	110,140	61,438
Operating expenses:				
Research and development	11,642	9,088	32,149	25,161
Sales and marketing	25,548	15,859	66,976	47,087
General and administrative	7,430	5,894	19,051	15,871
Total operating expenses	44,620	30,841	118,176	88,119
Operating loss	(983)	(8,837)	(8,036)	(26,681)
Financial income, net	570	483	1,392	687
Loss before income taxes	(413)	(8,354)	(6,644)	(25,994)
Income taxes	(41)	(80)	(89)	(106)
Net loss	(454)	(8,434)	(6,733)	(26,100)
Deemed dividend to protected ordinary shareholders	-	-	-	(632)
Net loss attributable to ordinary shareholders	(454)	(8,434)	(6,733)	(26,732)
Basic and diluted net loss per share attributable to ordinary shareholders	\$ (0.01)	\$ (0.26)	\$ (0.21)	\$ (1.61)
Basic and diluted weighted average ordinary shares	35,278,996	31,867,065	32,382,183	16,647,150

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Operating Activities				
Net loss	\$ (454)	\$ (8,434)	\$ (6,733)	\$ (26,100)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,130	961	3,111	2,678
Amortization of discount on marketable securities	495	(558)	158	(558)
Shared-based compensation	3,756	2,600	9,580	6,562
Net income (loss) from exchange rate fluctuations	(302)	69	(89)	132
Changes in assets and liabilities:				
User funds	(8,543)	(4,697)	(37,208)	(14,964)
Other receivables	(444)	(60)	(331)	(1,351)
Trade payables	97	(2,386)	2,277	(1,510)
User accounts	7,441	4,697	34,361	14,964
Deferred revenue	754	-	2,560	-
Other account payables and accrued expenses	2,886	4,956	6,468	9,049
Payment of contingent consideration	-	-	(1,960)	-
Non-current liabilities	1	167	163	62
Net cash provided by (used in) operating activities	6,817	(2,685)	12,357	(11,036)
Investing Activities				
Acquisition of business, net	-	-	-	(9,967)
Acquisition of intangible asset, net	(1,230)	-	(1,230)	-
Purchase of property and equipment	(516)	(376)	(1,053)	(835)
Capitalization of internal-use software	(199)	(199)	(650)	(523)
Other receivables and non-current assets	17	111	71	(11)
Bank deposits	(10,000)	-	(25,000)	(20,000)
Investment in marketable securities	(24,125)	(34,961)	(195,947)	(144,352)
Proceeds from sale of marketable securities	6,851	34,997	157,390	34,997
Net cash used in investing activities	(29,202)	(428)	(66,419)	(140,691)
Financing Activities				
Proceeds from exercise of options	1,841	32	6,493	573
Proceeds from initial public offering, net	-	(3,155)	-	113,802
Proceeds from issuance of protected ordinary shares, net	-	-	-	4,340
Proceeds from follow on offering, net	(777)	-	129,893	-
Payment of contingent consideration	-	-	(2,040)	-
Repayment of long-term loan	(128)	(119)	(372)	(347)
Tax withholding in connection with employees' options exercises	(473)	-	1,783	-
Net cash provided by (used in) financing activities	463	(3,242)	135,757	118,368
Effect of exchange rate fluctuations on cash and cash equivalents	344	(16)	98	145
Increase (decrease) in cash and cash equivalents	(21,578)	(6,371)	81,793	(33,214)
Cash and cash equivalents at the beginning of period	127,542	29,112	24,171	55,955
Cash and cash equivalents at the end of period	\$ 105,964	\$ 22,741	\$ 105,964	\$ 22,741

KEY PERFORMANCE METRICS

	Twelve Months Ended	
	September 30,	
	2020	2019
	(Unaudited)	
Annual active buyers (in thousands)	3,108	2,265
Annual spend per buyer (\$)	\$ 195	\$ 163

RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(In thousands, except gross margin data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
GAAP gross profit	\$ 43,637	\$ 22,004	\$ 110,140	\$ 61,438
Add:				
Share-based compensation	55	43	212	93
Depreciation and amortization	483	479	1,456	1,335
Non-GAAP gross profit	\$ 44,175	\$ 22,526	\$ 111,808	\$ 62,866
Non-GAAP gross margin	84.4%	80.8%	83.7%	81.1%

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

(in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
GAAP net loss attributable to ordinary shareholders	\$ (454)	\$ (8,434)	\$ (6,733)	\$ (26,732)
Add:				
Deemed dividend to protected ordinary shareholders	-	-	-	632
Depreciation and amortization	1,130	961	3,111	2,678
Share-based compensation	3,756	2,600	9,580	6,562
Other initial public offering related expenses	-	-	-	416
Contingent consideration revaluation and acquisition related costs	302	918	(164)	2,364
Non-GAAP net income (loss)	4,734	(3,955)	5,794	(14,080)
GAAP basic weighted average number of ordinary shares outstanding	35,278,996	31,867,065	32,382,183	16,647,150
Add:				
Additional weighted average shares giving effect to exchange of protected ordinary shares at the beginning of the period	-	-	-	11,426,301
Non-GAAP basic weighted average number of ordinary shares outstanding	35,278,996	31,867,065	32,382,183	28,073,451
Non-GAAP basic net income (loss) per share attributable to ordinary shareholders	\$ 0.13	\$ (0.12)	\$ 0.18	\$ (0.50)
Non-GAAP diluted weighted average number of ordinary shares outstanding	38,417,934	31,867,065	34,916,206	28,073,451
Non-GAAP diluted net income (loss) per share attributable to ordinary shareholders	\$ 0.12	\$ (0.12)	\$ 0.17	\$ (0.50)

Note: Non-GAAP basic and diluted net loss per share attributable to ordinary shareholders for the nine months ended September 30, 2019 were calculated based on ordinary shares outstanding after accounting for the exchange of Fiverr's then outstanding protected ordinary shares into 18.7 million ordinary shares as though such event had occurred at the beginning of the periods.

RECONCILIATION OF GAAP NET LOSS TO ADJUSTED EBITDA

(In thousands, except adjusted EBITDA margin data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
GAAP net loss	\$ (454)	\$ (8,434)	\$ (6,733)	\$ (26,100)
Add:				
Financial income, net	(570)	(483)	(1,392)	(687)
Income taxes	41	80	89	106
Depreciation and amortization	1,130	961	3,111	2,678
Share-based compensation	3,756	2,600	9,580	6,562
Other initial public offering related expenses	-	-	-	416
Contingent consideration revaluation and acquisition related costs	302	918	(164)	2,364
Adjusted EBITDA	\$ 4,205	\$ (4,358)	\$ 4,491	\$ (14,661)
Adjusted EBITDA margin	8.0%	(15.6%)	3.4%	(18.9%)

RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

(In thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
GAAP research and development	\$ 11,642	\$ 9,088	\$ 32,149	\$ 25,161
Less:				
Share-based compensation	1,267	850	3,511	2,386
Depreciation and amortization	149	116	395	328
Acquisition related costs	-	12	-	106
Non-GAAP research and development	\$ 10,226	\$ 8,110	\$ 28,243	\$ 22,341
GAAP sales and marketing	\$ 25,548	\$ 15,859	\$ 66,976	\$ 47,087
Less:				
Share-based compensation	809	642	1,888	1,365
Depreciation and amortization	444	323	1,112	887
Acquisition related costs	-	375	121	1,073
Non-GAAP sales and marketing	\$ 24,295	\$ 14,519	\$ 63,855	\$ 43,762
GAAP general and administrative	\$ 7,430	\$ 5,894	\$ 19,051	\$ 15,871
Less:				
Share-based compensation	1,625	1,065	3,969	2,718
Depreciation and amortization	54	43	148	128
Other initial public offering related expenses	-	-	-	416
Contingent consideration revaluation and acquisition related costs	302	531	(285)	1,185
Non-GAAP general and administrative	\$ 5,449	\$ 4,255	\$ 15,219	\$ 11,424

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.

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 to evaluate our capacity to and capital expenditures and 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 of above regarding reconciliations of these non-GAAP measures to the most directly comparable GAAP measures.

We are not able to provide a reconciliation of Adjusted EBITDA guidance for the fourth quarter of 2020 or the fiscal year ending December 31, 2020 to net loss, the comparable GAAP measure, because certain items that are excluded from Adjusted EBITDA 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 and gain or loss on revaluation of contingent consideration, as applicable without unreasonable efforts, and these items could significantly impact, either individually or in the aggregate, net loss 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 fourth quarter of 2020, and the fiscal year ending December 31, 2020, 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 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 ability to maintain user engagement on our website and to maintain and improve the quality of our platform; our dependence on the interoperability of our platform with mobile operating systems that we do not control; our ability to successfully implement our business plan during a global economic downturn caused by COVID-19 pandemic that may impact the demand for our services or have a material adverse impact on our and our business partners’ financial condition and results of operations; 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 consumer data privacy and data protection; 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; our ability to achieve desired operating margins; our compliance with a wide variety of U.S. and international laws and regulations; our ability to protect our intellectual property rights and to successfully halt the operations of copycat websites or misappropriation of data; 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; our dependence on our senior management and our ability to attract new talent; 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 31, 2020, and our final prospectus filed with the SEC pursuant to Rule 424(b)(4) on May 29, 2020, in each case 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 its 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 release 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 release relate only to events or information as of the date on which the statements are made in this release. 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.