



February 18, 2021

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

Prepared Remarks

Q4 2020 Earnings Call

## Management Discussion

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### **Maya Tracey**

*Investor Relations Manager - Fiverr International, Ltd.*

Thank you, operator, and good morning everyone. Thank you for joining us on Fiverr's earnings conference call for the fourth quarter ended December 31, 2020. Please note that this call is being webcast on the investor relations section of the company's website. Full details of our results and additional management commentary are available in our shareholder letter which can be found on the investor relations section of our website at [investors.fiverr.com](http://investors.fiverr.com).

Joining me on the call today are Micha Kaufman, Founder and CEO, and Ofer Katz, CFO. Before we start, I would like to remind you that certain matters discussed today are forward-looking statements that are subject to risks and uncertainties relating to future events and/or the future financial performance of Fiverr. Actual results could differ materially from those anticipated in these forward-looking statements.

A discussion of some of the risk factors that could cause actual results to differ materially from any forward-looking statements can be found in Fiverr's periodic public filings with the U.S. Securities and Exchange Commission, including the important factors discussed under the "Risk Factors" section in Fiverr's 20-F filed with the SEC. The forward-looking statements in this conference call are based on the current expectations as of today, and Fiverr assumes no obligation to update or revise them, whether as a result of new developments or otherwise.

During this call, we will be referring to some non-GAAP financial measures. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures are provided in the earnings release we issued today and our shareholder letter, each of which is available on our website at [investors.fiverr.com](http://investors.fiverr.com).

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

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**Micha Kaufman**

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

Good morning everyone and thank you for joining us on the call today.

Before we start, I am extremely pleased to be able to announce that Ofer Katz, has been promoted to President and CFO of Fiverr. I am especially delighted as he has not only been with Fiverr since the early days, but is an exceptional CFO, an admired leader and one of my closest and most trusted friends.

We had an unbelievable year of strong execution and growth at Fiverr, and Q4 capped off the year with a strong finish. Q4 revenue was \$55.9 million, representing year over year growth of 89% and further acceleration from Q3. Looking back, we have now delivered seven straight quarters of accelerating revenue growth, since Fiverr went public in June 2019. This speaks to the resilience of our business model, the consistent execution of our team, as well as the tremendous opportunity in the freelancing space we operate in.

Active buyers surpassed 3.4 million, representing accelerating growth of 45% year over year. Businesses around the world, and across all industries, continue to turn to Fiverr as they transform their business online and navigate through the remote work environment. At a time when their traditional way of sourcing work and engaging with clients has been disrupted by the pandemic, more and more freelancers see Fiverr as their platform of choice.

During 2020 our relationship with our community deepened and flourished. Revenue retention from buyers across all of our mature cohorts from 2018 and earlier increased significantly in 2020 as compared to 2019. They contributed more than just consistent streams of revenue as they have done previously. Instead, spend level for these cohorts increased on average 15% in 2020 compared to 2019. In 2020 we saw more buyers from these existing cohorts coming back to Fiverr, ordering more frequently and purchasing more expensive gigs, as their need to strengthen their online presence intensified during the pandemic.

The 2019 cohort also showed strong revenue retention of over 70%, higher than a typical cohort from year 1 to year 2. A study by Qualtrics shows that the impact of COVID-19 has driven small and medium businesses to increase their freelancer hiring budget by 56%, and Fiverr was able to capture a meaningful share of that spend.

Looking ahead, the impact of COVID-19 should drive a long-term and sustainable tailwind for our business that lasts far beyond the pandemic itself. Businesses of all sizes, across all industries, are undergoing a paradigm shift as they adopt remote work and optimize workforce distribution. Fiverr's mission to change how the world works together, and our business model that enables businesses to access global talent, on-demand, and to collaborate and deliver work, through our platform, has never been more critical.

2021 got off to an excellent start. We saw record levels of traffic and buyer registration in January as the strong momentum of 2020 continued into the new year. We hope you had a chance to see our first Super Bowl commercial a few weeks ago; the ad was viewed by nearly 100 million people on gameday and has received extensive media coverage and continues to draw strong engagement on social media. We are extremely excited to bring the Fiverr brand to the forefront of the global stage and we will continue investing in our brand throughout the rest of this year.

The strong momentum that we've seen so far, and the continued strength of our cohorts, gives us the confidence to provide strong full-year 2021 guidance amid continued uncertainty of COVID-19. Our business is resilient, and we believe we will continue to grow at a fast pace under a good but challenging macro environment. We believe that the accelerated adoption of digital transformation and remote work will allow us to exit the pandemic stronger than before. And this is reflected in our 2021 revenue growth rate guidance of 46% - 50%, compared to our pre-pandemic 2019 revenue growth rate of 42%.

I'm also extremely excited about our roadmap ahead of us. We have many new initiatives, new products and new opportunities heading into the new year. For the first time in the history of Fiverr, we expect to surpass \$2 billion in freelancer earnings delivered to our seller community. It is a great and fulfilling achievement for all of us at

Fiverr. It is what continues to motivate us and drive us to do more, build better products and create more opportunities for our community.

We are also increasingly conscious of our social and corporate responsibilities as our company and our shareholder base grows. We have built out our Environmental, Social and Governance (ESG) processes and framework and will be releasing a comprehensive ESG report in accordance with the SASB standard later this year.

Regarding our priorities for 2021: we are focused on continuing to execute on our strategic initiatives, that is going upmarket, international expansion, and building more value-added products and services as well as continuing to invest in our brand and marketing. You can expect us to continue to expand our upmarket coverage on both demand and supply fronts. On the demand front, we will focus on Fiverr Business and our integrations with Wordpress, continuing to roll-out “milestones,” and our “subscription” features. And on the supply front, we will focus on the continued improvement of our catalog infrastructure and the expansion of top creative talents through the acquisition of Working Not Working.

International expansion is another key priority for 2021. We will focus on deepening our penetration in existing markets by providing local buyers and sellers with a more culturally integrated experience, catalog, and content. And last but not least, Promoted Gigs continue to grow and expand nicely, and we will continue to grow additional value-added services for our sellers on the marketplace.

We are incubating additional projects to unlock the synergies with the acquisitions we made with SLT Consulting and Working Not Working. Leveraging Fiverr’s technology, we have the vision to build a platform that will allow Fiverr to be an indispensable resource for the marketing teams of large companies. To fulfill that vision, we recently assembled an advisory board that includes CMOs from some of the world’s most prominent brands to help us drive the strategy forward.

I would like to conclude by saying that 2020 was an unforgettable year on so many levels. At Fiverr we celebrated 11 years of our existence and I could not be more proud

of what we have achieved or more excited about what lies ahead of us. With that, I'm going to turn the call over to Ofer who will share a few financial highlights.

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**Ofer Katz**

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

Thank you, Micha, and good morning everyone.

To reiterate what Micha said, I'm very happy about how we ended 2020 with a strong Q4, on top of three amazing quarters. Revenue in the fourth quarter was \$55.9 million, up 89% year over year, and an acceleration from 88% year over year growth in Q3. Active buyers grew 45% year over year to 3.4 million, accelerating from 37% year over year growth in Q3. Spend per buyer continued to expand with strong cohort behavior, up 20% year over year to \$205. We ended the full year 2020 with revenue of \$189.5 million and GMV of nearly \$700 million, representing year over year growth of 77% and 74% respectively. Our marketplace also continues to enjoy a healthy take rate of 27.1%, reflecting the excellent value we create on our platform and our ability to monetize our products and services.

With the significant growth of the scale of our marketplace, we achieved a key milestone of reaching positive adjusted EBITDA on a full year basis. Full year 2020 adjusted EBITDA was \$9.1 million, up from negative \$18.0 million last year, representing an adjusted EBITDA margin of 4.8%, an increase of 2,160 basis points from 2019. The significant revenue growth in the past year, together with continued efficiency in sales and marketing and discipline in operating expenses is what enabled us to reach this important milestone two years ahead of our expectations. We will continue to prioritize growth, and at the same time, we expect to make continued progress towards our long-term target model.

Now onto guidance. For the first quarter of 2021, revenue is expected to be \$63 - \$65 million. This represents year over year growth of 84% - 90%. Adjusted EBITDA is expected to be negative \$4.0 million to negative \$3.0 million, which includes the impact

of a one-time Super Bowl expense of \$8 million. Excluding the Super Bowl expense, our guidance implies Q1 adjusted EBITDA margin to be 7.0% at the midpoint.

We are also introducing strong full year 2021 guidance. For full year 2021, revenue is expected to be in the range of \$277 - \$284 million, representing a year over year growth of 46% - 50%. Adjusted EBITDA is expected to be in the range of \$16 - \$21 million, representing an adjusted EBITDA margin of 9.6% at the midpoint, excluding the one-time Super Bowl expense.

As Micha mentioned, we are very encouraged by the strong trends we see so far this year both in terms of new buyer acquisition as well as strong cohort behavior for our existing cohorts. Our cohort behavior gives us excellent visibility into 2021 and speaks to the underlying strength of our model. This is critical in a year with as much macro uncertainty as we are seeing. As we lap the COVID-19 impact in the second quarter, we expect both active buyers and spend per buyer to become more normalized. We expect our take rate to continue to be strong and steady, with potential for modest upside as we continue to grow value-added services on the platform.

The resilience and visibility of our business model forms a strong foundation that allows us to aggressively invest in many longer-term initiatives. Going upmarket continues to be a top priority across Fiverr and Fiverr Business continues to evolve with additional product features and marketing investments. We are also deepening our efforts around international expansion, with an expanding product team as well as a new linguist team to bring our local offerings to the next level. Lastly, Promoted Gigs are progressing really well. While still very small in terms of revenue contribution, it is growing at a strong pace. We are also exploring opportunities for additional advertising products on our marketplace.

With that, we'll now turn the call over to the operator for questions. Operator?