fiverr.

Q4 | 2022

Shareholder letter

FIVERR.COM

ON THE COVER:

Declan Maltman, Seller

Founder and Creative Director at Neat Digital

Ayr, Scotland, United Kingdom

Declan specializes in e-commerce design and development, offering a range of services on Fiverr including website design, SEO and digital marketing. He is the founder and creative director at Neat Digital.

Declan started his Fiverr journey in 2014 as an individual freelancer, and over time scaled his business to a full fledged digital agency with a team of 10 people. Today, the agency generates about half a million dollars of revenue annually, with the vast majority of it still coming from the Fiverr platform.

Leveraging Fiverr, Declan is able to gain access to clients all over the world. To date, Declan has worked with over 1000 clients from over 53 countries. With the launch of Fiverr Business, he's also seeing bigger clients and bigger projects flowing through the platform. His typical projects on Fiverr range from $1,000 to $5,000, with creating dropshipping websites on Shopify being his most popular service.

"The [Fiverr] platform has been a great way for us to connect with a wide range of clients from all over the world. In contrast, outside of Fiverr, we typically only gain clients from the UK."

"Fiverr has been a great support for me during the challenges of COVID-19. They kept regular check-ins on how I was performing and provided me with advice on new strategies. As a web design agency, we actually saw an increase in sales during that time."

Fourth Quarter 2022 and Recent Highlights

- **Cost reduction and efficient execution drove improvement in operating leverage:** We continue to navigate the challenging macro environment with strong execution and cost discipline, delivering Adjusted EBITDA ahead of the top end of our guidance and the highest quarterly Adjusted EBITDA in our history.
- **Total number of categories on Fiverr reached 600 with AI services being the newest addition:** Category expansion continues to be a key growth strategy, expanding our addressable market and driving traffic and conversion. AI-related services saw tremendous growth in the past few weeks as SMBs seek expert help to utilize the latest technology.
- **Continued expansion of Promoted Gigs and Seller Plus:** Promoted Gigs expands from listing pages to buyers' inbox dashboard, providing buyers with seller recommendations that are directly relevant to their ongoing projects. Seller Plus, with the launch of a second tier pricing, reached over 10,000 active subscribers.
- **Committed to further improve Adjusted EBITDA in 2023:** For 2023, we will build on the progress of 2022, to deliver further headway towards our long-term Adjusted EBITDA margin target of 25%. While macro continues to be highly uncertain, with discipline and control, we are committed to accelerate the pace of our Adjusted EBITDA margin expansion this year.

Fourth Quarter 2022 Key Results

REVENUE	**$83.1 million** 4.2% y/y growth	GROSS MARGIN	**81.0%** GAAP | **83.1%** NON-GAAP(1)
ACTIVE BUYERS (1)	**4.3 million** 1% y/y growth	GAAP NET LOSS	**($1.3) million**
SPEND PER BUYER (1)	**$262** 8% y/y growth	ADJUSTED EBITDA(1)	**$9.4 million**
TAKE RATE (1)	**30.2%** 100 bps y/y improvement	ADJUSTED EBITDA MARGIN(1)	**11.3%**

Financial Outlook

	Q1 2023	FY 2023
REVENUE	**$86.5 - $88.5 million** 0% - 2% y/y growth	**$350.0 - $365.0 million** 4% - 8% y/y growth
ADJUSTED EBITDA(1)	**$9.0 - $10.5 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

To Our Shareholders,

2022 was likely the most challenging year for us since I founded the company 13 years ago. With a shifting macro environment across Europe and the U.S, our community, the majority of whom are small businesses, were particularly vulnerable to soaring energy prices and inflation. The National Federation of Independent Business ("NFIB") SMB sentiment hit a 10-year low and businesses were bracing for a looming recession. Our business certainly felt the impact when SMB spending became more cautious.

At Fiverr, we reacted quickly and shifted our focus to driving efficiency in the second half of 2022. This includes putting cost reduction plans in place, and executing our strategic priorities with intensified focus and efficiency. Our efforts are reflected in our strong finish to the year, with Q4 delivering the highest quarterly Adjusted EBITDA in our history. Our buyer base is stable, active and engaging, and we are maintaining our marketing efficiency in an environment where achieving this requires extra discipline and finesse.

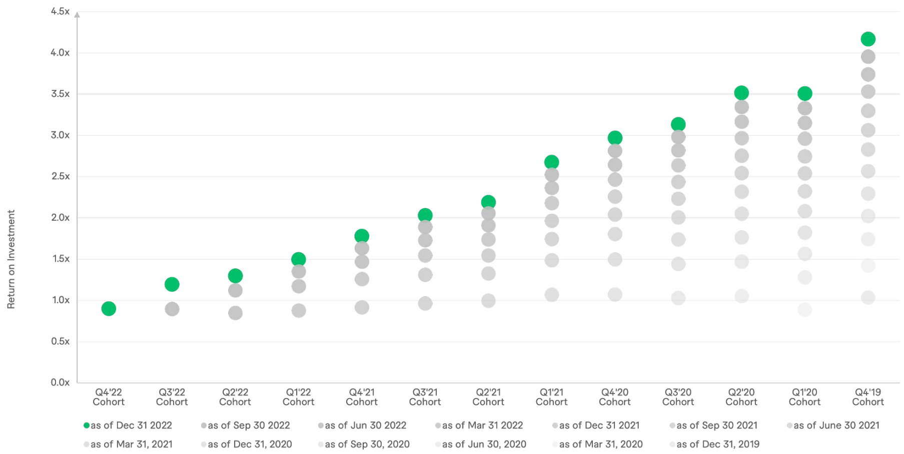
You should expect us to continue executing with focus on efficiency in 2023 and make further headway towards our long-term Adjusted EBITDA margin target of 25%. To be clear, this does not mean we are changing our strategy or the long-term growth trajectory of our business. The market opportunity of enabling a flexible workforce has only become bigger and clearer over the last decade as we turned the idea of freelancing from a niche population to a dominant trend for both talent and businesses. What we are doing today will put us in a stronger position to build the platform of the future. We will strengthen our competitive moats and invest in key growth initiatives, while becoming more profitable. And this will allow us to optimize our overall growth and profitability profile in a most responsible and measured manner.

We are super excited to kick off 2023. I believe we, as a company, are in a good place to leverage this down cycle to strengthen within, for a stronger takeoff when the macro swings back up. I can feel the energy, confidence and determination among our teams and I look forward to a winning year in 2023!

Growth Strategies and Recent Progress

1. Bring new buyers onto the platform

In the twelve months ended December 31, 2022, active buyers grew 1% y/y to 4.3 million. Our user count has remained steady as we continue to bring new users to the platform efficiently, and as our cohorts continue to perform in a consistent manner. Performance marketing remained efficient, with time to return on investment ("tROI") steady at around 0.9x, i.e. we recovered 90% of the performance marketing investments during the quarter. Overall marketing expense as well as performance marketing expense were modestly lower this quarter compared to last quarter, as the overall demand for freelancing services softens with SMB spending headwinds.

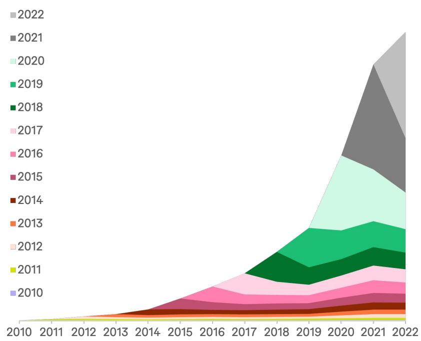


CUMULATIVE REVENUE TO PERFORMANCE MARKETING INVESTMENT RATIOS

As of December 31, 2022, revenue from the Q4'19 cohort reached 4.2x of the initial performance marketing investment in Q4'19, representing an attractive 3-year LTV/CAC.

In this environment, we continue to prioritize discipline and efficiency. Non-GAAP sales and marketing expense as a percentage of revenue was 43.2%, improving from 44.9% in Q3'22 and 45.8% in Q2'22. We are driving more business from non-paid traffic and repeat purchases. For the twelve months ending December 31, 2022, repeat buyers contributed 63% of total revenue on our core marketplace, up from 59% from a year ago.

At the cohort level, we saw cohort spending moderated in 2022 due to macro impacts, as SMB spending became more cautious in the second half of 2022. Despite the pullback, older cohorts, those who joined before 2018, maintained a spend level that is higher than pre-COVID. Newer cohorts, with the stabilization period coupled with spending pullback in 2022, were trailing modestly in spend compared to historical levels.



COHORTS REMAIN STABLE, THOUGH SPEND LEVEL MODERATED DUE TO MACRO HEADWINDS

Older cohort spend remained above pre-COVID levels; newer cohort spend was more visibly modest as initial stabilization dynamics and weak macro environment acted as a double-whammy.

On the brand marketing front, activities continue to be robust. We announced a partnership with **Bukayo Saka**, a professional soccer player who plays for Premier League club Arsenal and the England national team, and scored 3 goals in the 2022 FIFA World Cup. Bukayo serves as Fiverr's brand ambassador to promote equality, inclusion and diversity, and Fiverr as a platform that provides opportunities for all. We also ran a few viral campaigns in the past few months, including an end-of-year stats campaign with our top sellers, an e-commerce focused campaign to drive SMB spend during the shopping season, as well as a start-of-the-year TV campaign to kick off 2023. We believe it is important to continue investing in our brand equity, with a long-term strategic focus and we take a creative and efficient approach in driving virality and word-of-mouth. In the most recent brand awareness study conducted with Ipsos in November 2022, Fiverr continues to be the top brand among freelancer platforms when it comes to both aided and unaided brand awareness.

BUKAYO SAKA x FIVERR

Bukayo, Fiverr's newly signed ambassador, promotes Fiverr on Twitter.

2. Go upmarket

In the twelve months ended December 31, 2022, spend per buyer on our platform increased 8% y/y to $262. We continue to expand customer wallet share and attract larger customers. The pace of our spend per buyer growth moderated in the second half of 2022 as the SMB spending crunch was felt among our buyers. In any of the previous years, we typically see buyers' spend increase from the first half of the year to the second half of the year across all cohorts, by an average of 8%, driven by a combination of wallet share expansion as well as seasonality of investments. And we see the biggest H1 to H2 spend jump in 2020 when COVID impact kicked in around mid-year. In 2022, however, we saw buyers across cohorts reduced their spend by an average of 3% from H1 to H2. This is unprecedented, underscoring the challenges businesses faced in the second half of 2022, as inflation and a recessionary outlook led to more cautious in spending.

Despite the challenging macro environment, our marketplace continues to make progress towards attracting higher budget and higher usage buyers. High-value buyers, those who spend over $500 or more in a year, contributed to 63% of the core marketplace revenue, and the number of buyers who spend over $10K a year grew 29% y/y, significantly higher than the overall buyer growth on the marketplace.

We continue to develop our **Fiverr Business** offerings, with a focus on improving supply quality, building customer segmentation and conversion funnels, and helping our customers to complete more complex projects and establish ongoing business use cases.

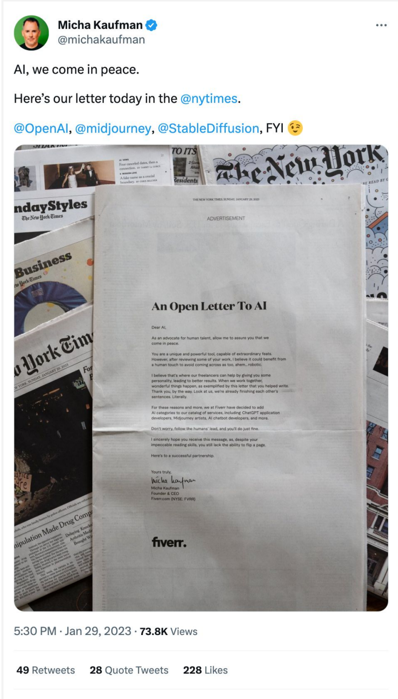
SIMILARWEB ON FIVERR BUSINESS

Senior Creative Director Robin Morley engages with freelancers on Fiverr Business to build video collaterals, in order to enrich content for the company's blog posts and drive SEO performance.

3. Expand our service catalog

As of December 31, 2022, the total number of categories on our marketplace reached over 600, as catalog expansion continues to be a key growth strategy for Fiverr. Not only do we operate the largest digital service catalog in the industry, our ability to continuously detect, and lean into emerging trends is also unmatched. This is thanks to our unique business model that allows efficient supply and demand matching, robust acquisition channels and a highly scalable operation.

Towards the end of last year and beginning of this year, we saw explosive demand in **AI related services** on our marketplace, as generative AI and ChatGPT brought a wave of attention to AI and opened access and imagination on AI applications for a wider community. Our catalog team reacted quickly and officially launched AI services in January. From content creators who utilize AI tools to generate images, text or music, to AI technologists who build AI models or applications, we saw a flourish of supply and demand coming to our platform. Most buyers of AI services are coming to Fiverr freelancers in order to cover the last-mile gap between the machine generated results and their business use cases, and Fiverr provides them with streamlined access to experts for these emerging technologies



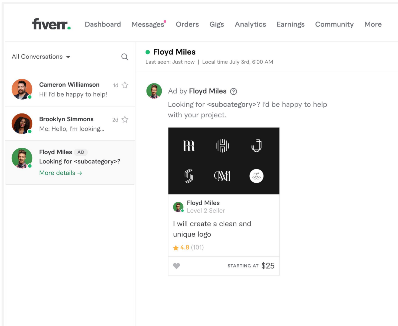
AN OPEN LETTER TO AI

Our CEO's open letter to AI, published in the New York Times on January 29, 2023, emphasizes the importance of human talent needed to unleash the power of AI, the emergence of new AI skills and Fiverr's role in empowering AI talent.

4. Innovate technology and services

Product innovation continues to be the key in driving customer engagement, loyalty and monetization of our marketplace. Our product and engineering organization is highly efficient, prioritizing speed and execution and at the same time, Fiverr's unique e-commerce model allows us to gather data and customer insights in a way that traditional recruiting companies or hiring platforms cannot match. We continue to test and implement improvements on our product funnel, specifically around personalization, to understand how search and browsing experience can be optimized based on a buyer's industry, budget and category needs.

We are seeing encouraging growth trends for Promoted Gigs and Seller Plus. In 2022, **Promoted Gigs** grew revenue north of 100% y/y as it continued to expand coverage and exposure on the marketplace. In addition to listing pages, it is now also available from buyers' inbox dashboard, where we provide seller recommendations that are highly relevant to buyers' ongoing project.



PROMOTED GIGS EXPANDS TO INBOX

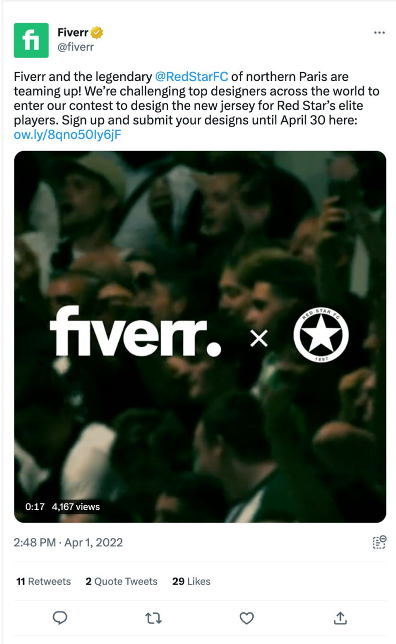
We provide buyers with seller recommendations that are highly relevant to their ongoing project.

Seller Plus, with the recent launch of the two-tier pricing, saw strong adoption trends among a wider group of sellers. Not only do seasoned sellers find many features of the program valuable, we are also starting to see new sellers leveraging the analytics tools and customer success manager to boost their business. In a relatively short period of time, the program has already grown to over 10,000 subscribers, with a strong reputation among our seller community.

Subscription, a product that allows sellers to offer recurring services to buyers, is also starting to make meaningful contributions. Categories such as search engine optimization today have over 20% of orders through Subscriptions - these orders are 3-6 months in length with an engagement size many times larger than that of a typical order.

5. Expand our geographic footprint

International expansion continues with more focused effort on Germany, France and the UK. At the end of 2022, we launched a locally created TV and digital campaign for Germany which will run throughout 2023. It focuses on the talent shortage in Germany and how it can be solved via Fiverr freelancer. In France, we concluded our partnership with **Red Star Football Club**, the oldest Football Club in Paris, where designers submitted ideas for the new football shirt to celebrate the clubs centenary. With over 500 submissions, the shirt went on sale in November and sold out immediately. In the UK we partnered with Samsung, PayPal and Student Beans to drive broader brand awareness. With Samsung we undertook a 5-part educational content series with paid advertising and influencer investment to build brand affinity and highlight both brands as facilitators in accessible education.



FIVERR x RED STAR FC

Hundreds of designers participated in Fiverr's Red Star FC jersey contest to celebrate the club's 125-year anniversary.

Financial Discussion

In Q4’22 revenue increased 4.2% y/y to $83.1 million. GAAP net loss was $1.3 million, compared to $19.5 million in Q4’21. Adjusted EBITDA was $9.4 million or 11.3% in Adjusted EBITDA margin. Unless otherwise noted, all comparisons are on a year-over-year basis.

Revenue

Revenue for Q4’22 was $83.1 million, up 4.2% from $79.8 million in Q4’21, driven by continued growth in both active buyers and spend per buyer. The year-over-year growth rate also benefited from the increase of our take rate, which grew to 30.2% for the twelve months ended December 31, 2022 from 29.2% for the twelve months ended December 31, 2021. 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 and the average category representing under 1% of revenue.

Active Buyers

In the twelve months ended December 31, 2022, our active buyers were 4.3 million, representing 1% y/y growth. Our y/y active buyer growth was driven by new buyer growth from non-paid channels and efficient marketing investments, as well as consistent cohort behavior from our existing buyer base. 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 December 31, 2022, SPB grew to $262, up 8% y/y from $242. While we continue to go upmarket by targeting buyers with larger spending capacity, we saw spend level across all buyer cohorts moderated in the second half of 2022 as SMB spending became more cautious.

Take Rate

For the twelve months ended December 31, 2022, our take rate was 30.2%, an increase of 100 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 Q4'22 was $67.3 million, up 4.3% from $64.5 million in Q4’21. Gross margin was 81.0% in Q4’22 an increase from 80.9%. Non-GAAP gross margin was 83.1% in Q4’22, a slight decrease from 83.4% in Q4’21 but an increase from 82.8% in Q3’22. The catch-up hiring in the first half of 2022 was partially offset by cost reduction efforts in the second half of 2022. Overall our business continues to enjoy an attractive gross margin.

Operating Expenses

Total operating expenses on a GAAP basis for Q4’22 were $69.5 million, compared to $78.4 million in Q4’21. Non-GAAP operating expenses for Q4’22 were $59.7 million, or 71.8% of revenue, compared to $57.7 million, or 72.3% of revenue in Q4’21.

Research and development (R&D) expenses on a GAAP basis were $21.3 million, or 25.7% of revenue in Q4’22. Non-GAAP research and development expenses were $15.8 million, or 19.1% of revenue, compared to 19.9% in Q4’21. We continue to innovate with a nimble, cost effective operation.

Sales and marketing (S&M) expenses on a GAAP basis were $40.4 million, or 48.7% of revenue in Q4’22. Non-GAAP sales and marketing expenses were $35.9 million, or 43.2% of revenue in Q4’22, compared to 43.4% in the prior year period. We continue to invest in our marketing efforts with discipline and aim to maintain our marketing efficiency and improve marketing leverage over time.

General and administrative (G&A) expenses on a GAAP basis were $7.8 million, or 9.3% of revenue in Q4’22. Non-GAAP general and administrative expenses were $7.9 million, or 9.5% of revenue in Q4’22, compared to 9.0% in the prior year period.

Net Loss and Adjusted EBITDA

Net loss on a GAAP basis in Q4’22 was $1.3 million, compared to $19.5 million in Q4’21. Adjusted EBITDA was $9.4 million, or 11.3% of revenue in Q4’22, compared to $8.9 million or 11.1% in Q4’21.

Financial Outlook

Below we provide our management guidance for the first quarter and full year of 2023, based on recent trends on our marketplace. Our revenue guidance reflects the challenging macro environment where SMBs are more cautious towards spending and investments.

For revenue, we expect Q1’23 to be the most challenging quarter in terms of year over year growth rate, due to the comparison to Q1’22 when growth was minimally impacted by macro headwinds. We expect year over year revenue growth rates to increase over the course of 2023 and we expect to exit 2023 with double digit revenue growth rate at midpoint.

For Adjusted EBITDA, we expect to build upon the progress we made in 2022 and continue to focus on cost discipline and operational efficiency. While macro conditions remain highly uncertain and volatile, by controlling what we could and dynamically adjusting our cost structure, we are committed to deliver meaningful expansion to our Adjusted EBITDA margin this year regardless of market conditions.

	Q1 2023	FY 2023
REVENUE	$86.5 - $88.5 million	$350.0 - $365.0 million
y/y growth	0% - 2% y/y growth	4% - 8% y/y growth
ADJUSTED EBITDA	$9.0 - $10.5 million	$45.0 - $55.0 million

Conference Call Details

Fiverr's management will host a conference call to discuss its financial results on Wednesday, February 22, 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. Investors and analysts can participate in the conference call by dialing +1 (844) 200-6205, or +1 (929) 526-1599 for callers outside the United States, and enter passcode 431650.

Investor Relations

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Press

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Micha Kaufman

Founder and Chief Executive Officer

Ofer Katz

President and Chief Financial Officer

CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 86,752	$ 71,151
Restricted cash	1,137	2,919
Marketable securities	241,293	118,150
User funds	143,020	127,713
Bank deposits	134,000	134,000
Other receivables	19,019	14,285
Total current assets	625,221	468,218
Marketable securities	189,839	317,524
Property and equipment, net	5,660	6,555
Operating lease right of use asset, net	9,077	11,727
Intangible assets, net	14,770	49,221
Goodwill	77,270	77,270
Other non-current assets	1,965	1,055
Total assets	$ 923,802	$ 931,570
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	$ 8,630	$ 8,699
User accounts	133,032	118,616
Deferred revenue	11,353	12,145
Other account payables and accrued expenses	41,328	44,260
Operating lease liabilities, net	2,755	3,055
Current maturities of long-term loan	-	2,269
Total current liabilities	197,098	189,044
Long-term liabilities:		
Convertible notes	452,764	372,076
Operating lease liabilities	6,649	10,483
Long-term loan and other non-current liabilities	1,559	13,099
Total long-term liabilities	460,972	395,658
Total liabilities	$ 658,070	$ 584,702
Shareholders' equity:		
Share capital and additional paid-in capital	565,834	585,548
Accumulated deficit	(288,039)	(237,585)
Accumulated other comprehensive income (loss)	(12,063)	(1,095)
Total shareholders' equity	265,732	346,868
Total liabilities and shareholders' equity	$ 923,802	$ 931,570

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

	Three Months Ended December 31		Twelve Months Ended December 31,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	(Audited)
Revenue	$ 83,130	$ 79,755	$ 337,366	$ 297,662
Cost of revenue	15,814	15,213	65,948	51,723
Gross profit	67,316	64,542	271,418	245,939
Operating expenses:				
Research and development	21,328	21,829	92,563	79,298
Sales and marketing	40,448	40,244	174,599	159,365
General and administrative	7,762	16,345	51,161	52,616
Impairment of intangible assets	-	-	27,629	-
Total operating expenses	69,538	78,418	345,952	291,279
Operating loss	(2,222)	(13,876)	(74,534)	(45,340)
Financial income (expenses), net	1,391	(5,636)	3,624	(19,513)
Income (loss) before income taxes	(831)	(19,512)	(70,910)	(64,853)
Income taxes	(468)	(8)	(577)	(159)
Net loss attributable to ordinary shareholders	$ (1,299)	$ (19,520)	$ (71,487)	$ (65,012)
Basic and diluted net income (loss) per share attributable to ordinary shareholders	$ (0.03)	$ (0.53)	$ (1.94)	$ (1.81)
Basic and diluted weighted average ordinary shares	37,411,657	36,666,637	36,856,140	35,955,014

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended December 31		Twelve Months Ended December 31,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	(Audited)
Operating Activities				
Net loss	$ (1,299)	$ (19,520)	$ (71,487)	$ (65,012)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	1,995	2,772	10,185	6,876
Loss from disposal of property and equipment	(5)	19	(26)	(13)
Amortization of premium and discount of marketable securities, net	1,333	2,287	6,385	7,903
Amortization of discount and issuance costs of convertible notes	633	5,112	2,527	20,029
Shared-based compensation	17,026	16,646	71,755	55,407
Net loss (Gain) from exchange rate fluctuations	(152)	(86)	31	242
Impairment of intangible assets	-	-	27,629	-
Changes in assets and liabilities:				
User funds	2,277	(967)	(15,307)	(29,729)
Operating lease ROU assets and liabilities, net	62	424	(1,485)	253
Other receivables	(10)	(3,909)	(4,847)	(6,240)
Trade payables	2,771	4,052	(113)	4,667
Deferred revenue	(263)	990	(792)	4,123
User accounts	(1,933)	445	14,416	26,589
Account payable, accrued expenses and other	(5,368)	600	3,994	1,678
Revaluation of contingent consideration	(7,462)	(620)	(12,249)	11,771
Payment of contingent consideration	-	-	(504)	(507)
Net cash provided by operating activities	9,605	8,245	30,112	38,037
Investing Activities				
Investment in marketable securities	(51,694)	(46,512)	(141,701)	(282,450)
Proceeds from sale of marketable securities	13,180	49,437	130,701	193,757
Bank and restricted deposits	(37,863)	2,885	-	(41,115)
Acquisition of business, net of cash acquired	-	(87,796)	-	(97,084)
Acquisition of intangible asset	-	-	(175)	-
Purchase of property and equipment	(87)	(330)	(1,198)	(1,684)
Capitalization of internal-use software and other	19	(322)	(1,000)	(894)
Other non-current assets	(73)	-	(1,251)	-
Net cash used in investing activities	(76,518)	(82,638)	(14,624)	(229,470)
Financing Activities				
Payment of convertible notes deferred issuance costs	-	-	-	(34)
Deferred issuance cost	-	381	-	-
Payment of contingent consideration	-	-	(1,105)	(1,105)
Proceeds from exercise of share options	1,457	1,028	3,765	8,294
Tax withholding in connection with employees' options exercises and vested RSUs	258	1,374	(2,028)	(8,987)
Repayment of long-term loan	-	(149)	(2,269)	(565)
Net cash provided by (used in) financing activities	1,715	2,634	(1,637)	(2,397)
Effect of exchange rate fluctuations on cash and cash equivalents	151	188	(32)	(130)
Increase (decrease) in cash, cash equivalents and restricted cash	(65,047)	(71,571)	13,819	(193,960)
Cash, cash equivalents and restricted cash at the Beginning of period	152,936	145,641	74,070	268,030
Cash, cash equivalents and restricted cash at the end of period	$ 87,889	$ 74,070	$ 87,889	$ 74,070

KEY PERFORMANCE METRICS

	Twelve Months Ended December 31, 2022	Twelve Months Ended December 31, 2021
Annual active buyers (in thousands)	4,275	4,217
Annual spend per buyer ($)	$ 262	$ 242

RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(in thousands, except gross margin data)

	Three Months Ended December 31		Twelve Months Ended December 31,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
GAAP gross profit	$ 67,316	$ 64,542	$ 271,418	$ 245,939
Add:				
Share-based compensation and other	565	447	2,520	1,436
Depreciation and amortization	1,170	1,548	6,065	2,879
Non-GAAP gross profit	$ 69,051	$ 66,537	$ 280,003	$ 250,254
Non-GAAP gross margin	83.1%	83.4%	83.0%	84.1%

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 December 31		Twelve Months Ended December 31,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
GAAP net loss attributable to ordinary shareholders	$ (1,299)	$ (19,520)	$ (71,487)	$ (65,012)
Add:				
Depreciation and amortization	1,995	2,772	10,185	6,876
Share-based compensation	17,026	16,646	71,755	55,407
Impairment of intangible assets	-	-	27,629	-
Contingent consideration revaluation, acquisition related costs and other	(7,403)	3,338	(10,613)	5,914
Convertible notes amortization of discount and issuance costs	633	5,112	2,527	20,029
Exchange rate (gain)/loss, net	(209)	896	(1,141)	1,273
Non-GAAP net income	$ 10,743	$ 9,244	$ 28,855	$ 24,487
Weighted average number of ordinary shares - basic	37,411,657	36,666,637	36,856,140	35,955,014
Non-GAAP basic net income per share attributable to ordinary shareholders	$ 0.29	$ 0.25	$ 0.78	$ 0.68
Weighted average number of ordinary shares - diluted	40,783,489	41,231,973	40,662,057	40,883,007
Non-GAAP diluted net income per share attributable to ordinary shareholders	$ 0.26	$ 0.22	$ 0.71	$ 0.60

RECONCILIATION OF GAAP NET LOSS TO ADJUSTED EBITDA

(in thousands, except adjusted EBITDA margin data)

	Three Months Ended December 31		Twelve Months Ended December 31,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
GAAP net loss	$ (1,299)	$ (19,520)	$ (71,487)	$ (65,012)
Add:				
Financial (income) expenses, net	(1,391)	5,636	(3,624)	19,513
Income taxes	468	8	577	159
Depreciation and amortization	1,995	2,772	10,185	6,876
Share-based compensation	17,026	16,646	71,755	55,407
Impairment of intangible assets	-	-	27,629	-
Contingent consideration revaluation, acquisition related costs and other	(7,403)	3,338	(10,613)	5,914
Adjusted EBITDA	$ 9,396	$ 8,880	$ 24,422	$ 22,857
Adjusted EBITDA margin	11.3%	11.1%	7.2%	7.7%

RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

(in thousands)

	Three Months Ended December 31		Twelve Months Ended December 31,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
GAAP research and development	$ 21,328	$ 21,829	$ 92,563	$ 79,298
Less:				
Share-based compensation	5,291	5,750	23,828	20,008
Depreciation and amortization	198	204	801	786
Non-GAAP research and development	$ 15,839	$ 15,875	$ 67,934	$ 58,504
GAAP sales and marketing	$ 40,448	$ 40,244	$ 174,599	$ 159,365
Less:				
Share-based compensation	4,040	4,296	17,196	14,106
Depreciation and amortization	495	957	2,889	2,977
Contingent consideration revaluation, acquisition related costs and other	(24)	402	(24)	1,499
Non-GAAP sales and marketing	$ 35,937	$ 34,589	$ 154,538	$ 140,783
GAAP general and administrative	$ 7,762	$ 16,345	$ 51,161	$ 52,616
Less:				
Share-based compensation	7,130	6,153	28,211	19,857
Depreciation and amortization	132	63	430	234
Contingent consideration revaluation, acquisition related costs and other	(7,379)	2,936	(10,589)	4,415
Non-GAAP general and administrative	$ 7,879	$ 7,193	$ 33,109	$ 28,110

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 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 first 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 first 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, 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 and 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 compliance with a wide variety of U.S. and international laws and regulations; our ability to attract, recruit, retain and develop qualified employees; our reliance on Amazon Web Services; our ability to mitigate payment and fraud risks; our dependence on relationships with payment partners, banks and disbursement partners; and the other important factors discussed under the caption "Risk Factors" in our annual report on Form 20-F filed with the U.S. Securities and Exchange Commission ("SEC") on February 17, 2022, 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.