

**fiverr**

Q1 | 2020

# Shareholder Letter



**Bjorn Beam, Buyer**

Founder and CEO,  
Security Squad  
Madrid, Spain

# Changing How the World Works Together

Fiverr is a global marketplace that connects buyers and sellers for digital services.

## Supporting Our Community During COVID-19

In response to the COVID-19 pandemic, Fiverr has prioritized products and initiatives to help our global community navigate through this time.



### Fiverr Learn

We now offer a number of Fiverr Learn courses free-of-charge, on timely topics such as website creation and social media, to help businesses move online.



### Telehealth Service

We partnered with Ro, an online telehealth company, to provide our community members in the United States free online consultation sessions with licensed doctors.



### Guide to Federal Relief Loans

We help our community to learn about the latest information on federal relief loans, such as those under the CARES Act.



### Virtual Community Events

We've moved our vibrant global community program online and are offering opportunities to connect almost daily.



### Freelancers Relief Fund

We partnered with the Freelancers Unions to offer financial assistance to help independent workers affected by COVID-19 on essential expenses like rent, utilities, and groceries.



### SMB Help Center

We built a dedicated [website](#) with guides, tips, special offers and specialized in-person support for small and medium businesses.



On the cover:

**BJORN BEAM**, Buyer

Founder and CEO of Security Squad  
Madrid, Spain

As a cybersecurity expert with over a decade of industry experience, Bjorn Beam is the founder and CEO of Security Squad, a startup that provides digital educational material, in the form of games, comics and eBooks, to teach kids about cybersecurity, cyberbullying, social media interactions, online stranger danger, and coding.

Bjorn began to use Fiverr in June 2019 and he has spent nearly \$100,000 so far across a wide variety of services including Wordpress development, video game development, scriptwriting, comic strip illustrations, SEO web content, articles & blog posts, holiday graphics, eBook editing, eBook cover design, and more.

Bjorn's business has experienced mixed impact since the spread of COVID-19. On one hand, he's seen a significant increase in sales to active parents looking to continue their children's educational experience at home. On the other hand, obtaining new contracts from school partners becomes challenging as schools are closed. As Bjorn works to overcome the challenges, he has shifted away from marketing investments to focusing more on product development and expanding content offerings in order to prepare for when society opens up again, which makes Fiverr's services more relevant and important than ever.

*"Quarantine life is already difficult for everyone in every corner of the world. As an expat living in Madrid, one of the epicenters of the COVID-19 pandemic, life is even more bizarre as I try to launch a business. While we remain isolated, we have never been closer together. We see society look for creative solutions to still move forward. Bars are creating online trivia nights, companies that never thought they needed a digital presence are building websites to reach out to their customers and to the world. Almost overnight, everything went digital. This transformation is still evolving as mom and pop shops are learning how they can implement digital tools into their business to stay afloat and reach their unreachable clients. Spain may not be at the forefront of digital innovation, but necessity is changing that paradigm."*

*"Fiverr continues to be a reliable source for building my videogames, comics, and books during this quarantine. From quarantines in Madrid, I can chat with my game developers in Russia and New Zealand. At the same time, I am engaging with my book editor in the U.S. and the book cover designer in the U.K. to create products with a global reach. Our walls may confine us, but our creativity and connectivity liberate us."*

## HIGHLIGHTS

- Delivered strong revenue growth of 44% y/y in Q1'20, above prior guidance range, with accelerating growth continued into April across all annual cohorts
- Continued growth momentum across all key metrics, with active buyers increasing 17% y/y, spend per buyer increasing 18% y/y, and take rate increasing 90 basis points y/y
- Added over 30 new categories in Q1'20 and experienced accelerating growth across all verticals in April
- Launched Promoted Gigs in five categories, early results show over 80% adoption rate and nearly 100% retention rate among invited sellers
- Furthered the progress on international expansion with the launch of fr.fiverr.com and the rollout of localized user generated content. Year to date, revenue from non-English speaking countries contributed to 32% of total revenue, up from approximately 30% in 2019
- Providing Q2'20 guidance and revising FY20 guidance upward - revenue is now expected to grow 37-41% y/y in Q2'20 and 36-38% for FY20 as global shelter-in-place provided strong tailwind for our business

## FIRST QUARTER 2020 KEY RESULTS

REVENUE	<b>\$34.2 million</b> 44% y/y growth	GROSS MARGIN	<b>80.0%</b> GAAP	<b>81.6%</b> NON-GAAP
ACTIVE BUYERS <sup>(1)</sup>	<b>2.5 million</b> 17% y/y growth	GAAP NET LOSS	<b>(\$6.2) million</b>	
SPEND PER BUYER <sup>(1)</sup>	<b>\$177</b> 18% y/y growth	ADJUSTED EBITDA <sup>(1)</sup>	<b>(\$2.9) million</b>	
TAKE RATE <sup>(1)</sup>	<b>27.1%</b> 90 bps y/y improvement	ADJUSTED EBITDA MARGIN <sup>(1)</sup>	<b>(8.4%)</b> +1,430 bps y/y improvement	

## FINANCIAL OUTLOOK

	Q2 2020	FY 2020	FY 2020 PRIOR GUIDANCE
REVENUE	<b>\$35.5-\$36.5 million</b> 37%-41% y/y growth	<b>\$145.5-\$147.5 million</b> 36%-38% y/y growth	\$139.0-\$141.0 million 30%-32% y/y growth
ADJUSTED EBITDA <sup>(1)</sup>	<b>(\$2.5)-(\$1.5) million</b>	<b>(\$9.0)-(\$7.0) million</b>	(\$15.0)-(\$13.0) million

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

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## To Our Shareholders,

We are pleased to report another quarter of significant revenue growth and progress towards profitability. Revenue grew 44% y/y to \$34.2 million, which was above our guidance range provided in February. Active buyers increased 17% y/y to 2.5 million, spend per buyer increased 18% y/y to \$177, and take rate improved 90 bps y/y to 27.1%. The strong topline performance drove incremental operating leverage and propelled us into the positive zone of quarterly operating cash flows.

All of this was achieved against the backdrop of a global pandemic and unprecedented economic conditions. Fiverr's mission of connecting businesses and freelancers around the world and enabling remote work to be done digitally through our platform has never been more critical. As the crisis reinforces and accelerates the trends towards adopting remote work and moving businesses online, we believe our marketplace is well-positioned to both address current needs and to be a key resource when the economy re-accelerates.

As mentioned in our intra-quarter shareholder letter released on April 8, we experienced increased volatility in our business in March, but were able to quickly rebound and resume growth within a few weeks. Since then, our business has continued to gain significant momentum. We believe that global stay-at-home orders have triggered businesses to invest more into their online presence and individuals to spend more time online, both of which provided tailwinds for our business, in addition to the execution of our growth strategies. As a result, we now expect revenue for the second quarter to grow 37%-41% y/y and FY20 revenue to grow 36%-38% y/y, up from our prior guidance of 30-32% y/y.

It is important to note that the global macro conditions still remain highly uncertain and difficult to predict, and we continue to monitor the trends closely. That said, we believe the resilience of our business during this uncertain time underscores the value proposition of our solution, the efficiency of our go-to-market strategy and the scalability of our marketplace model.

Fiverr celebrated its 10th anniversary on February 17th, but we are just getting started.



# 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

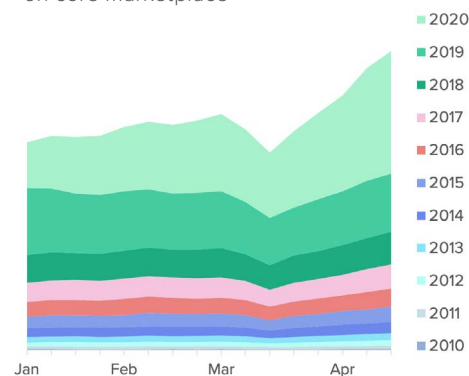
In the twelve months ended March 31, 2020, active buyers grew 17% y/y to 2.5 million. We continue to benefit from the consistent behavior across all our existing cohorts, complemented by strong buyer acquisition trends during the quarter. While the global pandemic caused some temporary volatility on our marketplace in March, activities quickly bounced back and resumed growth exiting the quarter. In fact, the upward trend continued robustly into April. Although April is usually a seasonally weaker month due to Easter holidays, we hit GMV record breaking days multiple times during the month, defying normal seasonal trends.

As you can see from the [weekly GMV chart](#), all annual cohorts experienced meaningful uplift in recent weeks following the rebound from the March dip. More interestingly, the older cohorts showed tremendous resilience with much less volatility during March. We believe this underscores the loyalty of our existing buyer base and the fact that the value our marketplace provides to our buyers is essential to their businesses. Last but not least, it's hard to not notice the sharp increase of new buyer activities in April. As the advertising market has become less competitive in recent weeks, we were able to quickly adjust our performance marketing strategy and take advantage of the growth opportunity. We believe our expertise in performance marketing, together with our bottom-up go-to-market strategy without the need of a sales force, continues to be a key competitive advantage to power our business growth.

Our performance marketing continues to be highly efficient, as we benefited from the flexibility and variable nature of our performance marketing spend and our disciplined strategy governed by tROI. As of March 31, 2020, revenue generated from the Q1'20 cohort reached 0.9x of total performance spend during the quarter. Note that we typically ramp up performance marketing spend substantially from Q4 to Q1 in the following year, resulting in seasonality in the corresponding tROI. In addition, the volatility in March also contributed to the quarter over quarter

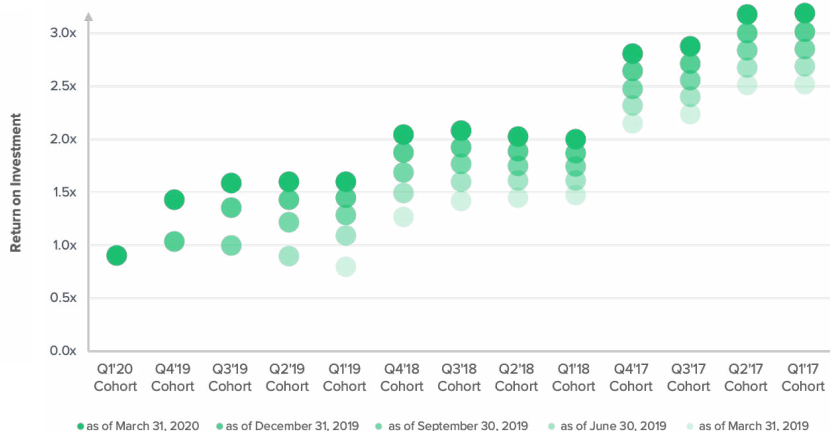
### STRONG UPLIFT ACROSS ALL COHORTS IN RECENT WEEKS

Weekly GMV by annual cohorts on core marketplace



trends in tROI. Looking ahead, given the opportunity we saw in the advertising space in April, we expect the marketing spend from Q1 to Q2 this year could differ from prior year patterns.

#### CUMULATIVE REVENUE TO PERFORMANCE MARKETING INVESTMENT RATIOS



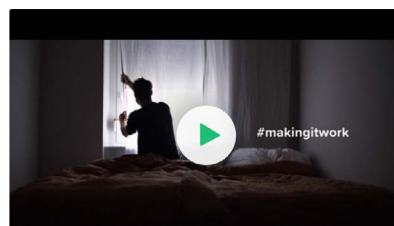
#### INCREASING ROI FOR MARKETING INVESTMENTS AS COHORTS SEASON OVER TIME

As of March 31, 2020, the cumulative revenue from the Q1'17 cohort has reached 3.2x of our performance marketing investments for the first quarter of 2017, up from 3.0x as of December 31, 2019.

Trends for both organic and paid channels continued to be strong, benefiting from the continued momentum from last year, increasing channel diversification, uplift from international expansion, in addition to the COVID-19 impact mentioned above that led to increasing word-of-mouth and attractive performance marketing opportunities. We continued to build our brand assets, with global brand searches on Google increasing 60% y/y. We added podcasts to our acquisition channel mix this quarter, and continued to expand our Affiliate and Influencer programs. We expanded our marketing investments in Germany and UK with additional campaigns, SEO seeding, and channel diversifications.

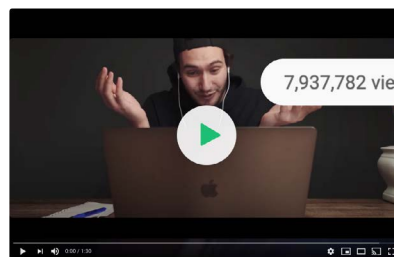
#### Some additional marketing activities include:

- We filmed several **marketing campaigns** with the help of our seller community as the global shelter-in-place disrupted the original plans, and they came out beautifully.
- We launched Freelancers Relief Fund with the Freelancers Union to help independent workers on essential expenses like rent, utilities, and groceries.
- We partnered with **YouTube influencer** Peter McKinnon and David Schiffer on three videos that went viral quickly, generated over 15 million views and pushed searches for related services 23% higher on our marketplace.
- We launched **Ninetwenty-nine**, a nine minute and twenty-nine second podcast that interviews business leaders and offers advice on how to run and scale a business.



#### #MAKINGITWORK

A beautiful and touching video campaign that includes real footage on how Fiverr sellers from 16 different countries cope with COVID-19 in their daily life.



#### FIVERR X DANIEL SCHIFFER

In "I Paid a Stranger \$25 to edit my Pizza Commercial", Daniel tried video editing services from 10 Fiverr sellers with price ranging from \$25 to \$500.

- We partnered with the United Nations World Food Programme to bring opportunity to people in Kenya. In January, our team hosted a week-long training camp in Kibera to introduce participants to the concept of digital work and to provide them with resources and guidance on how to be successful on platforms like Fiverr.

We also had a productive quarter of community events. During the quarter, we had 88 events and engaged a global audience of more than 8,000 people, much higher than our typical quarter in terms of both number of events and number of attendees per event. We made the decision and acted early in the quarter to shift from live to virtual community event as the pandemic evolved. By the time most cities began issuing shelter-in-place orders, we had been running virtual events for almost a month. Fiverr's community really came together to support each other during these difficult times. Topics of recent virtual events include guides to working from home and tips and best practices for moving businesses online. We know that virtual events will stay, even when things go back to normal, as our community wants to share and connect with people from all over the world. Fiverr's vibrant community of buyers and sellers continues to be a strong competitive advantage for us to drive engagement, loyalty and organic adoption.

## #2 Go upmarket

In the twelve months ended March 31, 2020, spend per buyer on our platform increased 18% y/y to \$177, an acceleration from Q4'19. High-value buyers, those with annual spend per buyer over \$500, continued to grow from the previous quarter and now represent over 54% of core marketplace revenues. Strong results were driven by both the increase in spending from our existing buyers, as well as our paid marketing strategy, which increasingly targets buyers with higher lifetime value.

Going upmarket continues to be one of the key initiatives at Fiverr. As we mentioned previously, organizations with up to 200 employees are our target focus in the near term. During the quarter, we improved our infrastructure to lay the groundwork for future expansion into this buyer segment. This foundational work will enable us to upgrade our core experience for larger business buyers in terms of team collaboration, team governance, budget control and payment management in the coming quarter. In addition, in Q1'20, we expanded payment capabilities to include wire transfer and direct bank transfer, in addition to credit/debit card and Paypal, providing more convenience for larger buyers.



### NINETWENTYNINE PODCAST

In the first episode of the new podcast, Sereena Abbasi from M&C Saatchi discusses how to hire and keep the right people for your business.



### FIVERR IN KENYA

Fiverr hosted a week-long training camp on digital workforce development in the Kibera branch of the Kenya National Library.



During Q1'20, we significantly expanded and continued to invest in our VID program, which stands for Very Important Doers. We incorporated a dynamic and automated onboarding process in addition to the prior manual approach, resulting in a 70% increase in the number of VIDs from Q4'19. We also expanded **VID badge** visibility throughout the buyer journey to increase engagement and build trust. We continue to receive highly positive feedback from participants in the program as they appreciate the recognition and the associated benefits such as seller recommendation and exclusive tips and content.

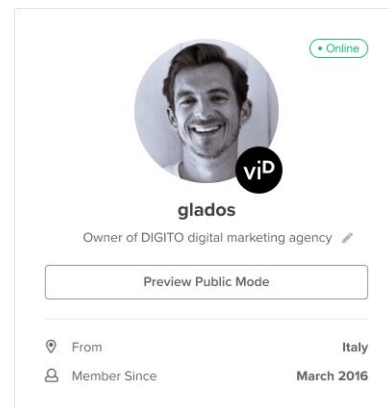
### #3 Expand our Gig catalog

We run a horizontal marketplace with over 300 categories across 8 verticals. Our expansive and ever growing service catalog continues to be our key competitive advantage. Not only does it provide our buyers with choice, quality and convenience, it also provides us with revenue diversification and agility to cater to evolving demand trends. During Q1'20, we launched over 30 new categories and added depth in certain popular areas such as online lessons and offline-to-online services.

As you can see from the **weekly activity chart**, all verticals have rebounded from the volatility in mid March and continued with strong growth momentum in April. Two key underlying trends are driving the category mix shift on our marketplace:

- Businesses are looking to build or expand their online presence as offline physical activities are shut down or substantially reduced. This has driven increasing activities in categories related to e-commerce, website development, social media tools and content creation, to name a few.
- Individuals are spending more time online given the stay-at-home restrictions and they are creating as well as consuming more digital content. This leads to increasing popularity in verticals such as gaming and gaming development, online lessons, and e-book writing.

We also deepened our **content strategy** during the quarter in order to drive additional buyer engagement. We released a series of project based checklists, step-by-step guides, and comprehensive eBooks. Some target buyers with abandoned search results to improve conversion. Some showcase the possible services and projects other buyers have done on our marketplace, in order to drive purchase intent and cross-category pollination for buyers who “don’t know what I need” or “don’t need anything right now”. The high quality content also

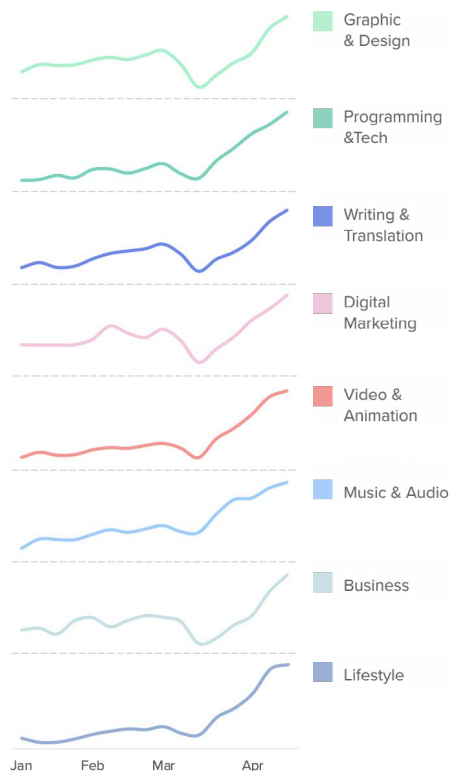


#### VID BADGE

We expanded the VID badge visibility throughout the buyer journey to increase engagement and build trust.

#### ALL VERTICALS RESUMED GROWTH IN RECENT WEEKS

Weekly GMV by verticals on core marketplace



positions Fiverr as a hub for knowledge sharing and creates trust among our users for long-term habit building and purchase considerations.

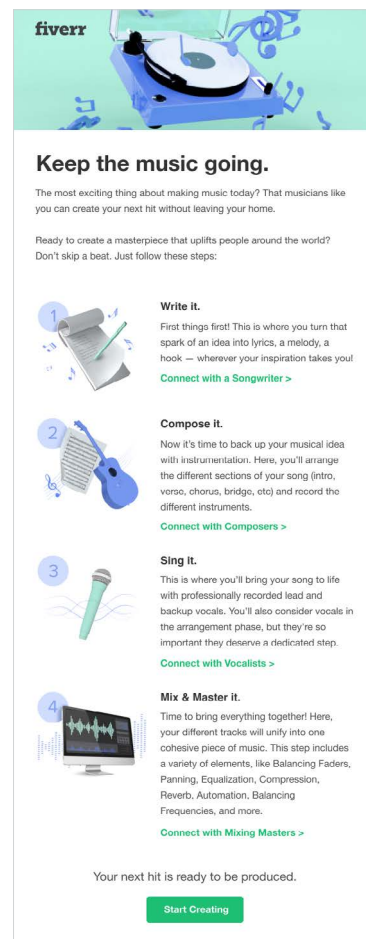
## #4 Innovate technology and services

Technology is at the core of everything we do. This is not only reflected in our constant innovation which provides values to our buyers and sellers, it is also reflected in our team’s execution capability and resilience during unusual times such as right now. We are fortunate that all of our workforce is able to work from home with little impact on their productivity, and we did several readiness assessments and work-from-home drills in February and early March to test our IT and security infrastructure. We also benefit from a highly transparent, collaborative and agile team culture built over the years that leads to trust, stability, collaboration and execution even when in-person communications are shut down. As a result, we were able to deliver our product pipelines on time and sometimes ahead of time, and we prioritized and executed several COVID-19 related initiatives as well during the quarter.

After months of development and internal testing, we successfully launched **Promoted Gigs** on April 5. Promoted Gigs is the first onsite advertising product on Fiverr that allows sellers to bid and win prime locations on our website through an auction mechanism. The current beta version is open for limited exposure among buyers and sellers in five categories, including Logo Design, Voice Over, Proofreading & Editing, Illustration, and Whiteboard & Animated Explainers. Buyers currently can find those ad placements at the first and second locations on the category homepages, on desktop only.

We are very encouraged with early results that we’ve seen so far. Reaction from our seller community has been overwhelmingly positive, with over 80% adoption rate and nearly 100% retention rate among the sellers we’ve invited so far. Sellers love how intuitive and easy it is to set up their ad campaign through our 3-step onboarding wizard, and how instantaneously they can see the results from the investments. From the buyer standpoint, we are seeing strong click-through rates and conversion rates on those ad placements as well, benefiting from the extensive work we have done around quality and user experience for the product.

Given the limited exposure of the beta version, we do not expect Promoted Gigs to provide material financial impact this year.



**fiverr**

### Keep the music going.

The most exciting thing about making music today? That musicians like you can create your next hit without leaving your home.

Ready to create a masterpiece that uplifts people around the world? Don't skip a beat. Just follow these steps:

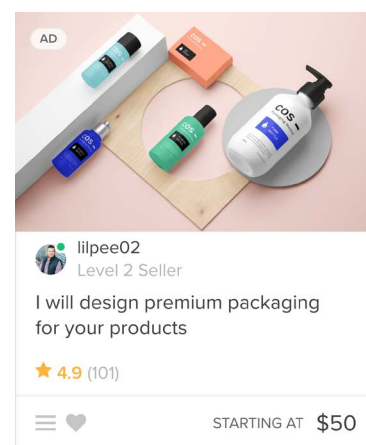
- 1 Write it.**  
First things first! This is where you turn that spark of an idea into lyrics, a melody, a hook — wherever your inspiration takes you!  
[Connect with a Songwriter >](#)
- 2 Compose it.**  
Now it's time to back up your musical idea with instrumentation. Here, you'll arrange the different sections of your song (intro, verse, chorus, bridge, etc) and record the different instruments.  
[Connect with Composers >](#)
- 3 Sing it.**  
This is where you'll bring your song to life with professionally recorded lead and backup vocals. You'll also consider vocals in the arrangement phase, but they're so important they deserve a dedicated step.  
[Connect with Vocalists >](#)
- 4 Mix & Master it.**  
Time to bring everything together! Here, your different tracks will unify into one cohesive piece of music. This step includes a variety of elements, like Balancing Faders, Panning, Equalization, Compression, Reverb, Automation, Balancing Frequencies, and more.  
[Connect with Mixing Masters >](#)

Your next hit is ready to be produced.

[Start Creating](#)

### KEEP THE MUSIC GOING

A step-by-step guide on how to leverage Fiverr sellers to do an end-to-end music production.



AD

**lilpee02**  
Level 2 Seller

I will design premium packaging for your products

★ 4.9 (101)

STARTING AT \$50

### PROMOTED GIGS

The newly launched product allows sellers to bid and win prime locations on category homepages, displayed with an ad badge.

However, growing and scaling the product will continue to be a key initiative for us. Some of the immediate expansion plans include expanding the product to search pages, increasing buyer and seller exposure, as well as adding additional categories.

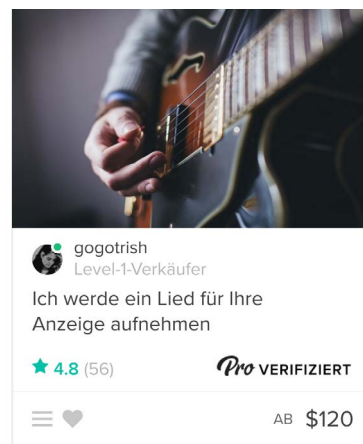
## #5 Expand our geographic footprint

International expansion is another key strategic initiative for us this year. Following the launch of de.fiverr.com and es.fiverr.com in February, we have seen a meaningful increase in activities in these markets. Germany and Austria saw record high new buyers during the quarter. Spain and Mexico also started to see increasing brand traffic, in a similar fashion to what we saw in Germany last year.

We continued to invest in international expansion across both product and marketing during the quarter. On the product front, during the quarter, we rolled out **localized user generated content** on German and Spanish websites, powered by language detection and machine translation technologies. This enables gig listings and communications between buyers and sellers to be automatically translated into local languages for a more consistent localized experience. In addition, we launched our third non-English website, fr.fiverr.com, for French speaking countries.

On the marketing front, we started investing in SEO content and seeding in Germany and U.K. which should over time improve our Google ranking in local markets. We are also expanding marketing channels in these countries to include social media and podcasts. We also ran several COVID-19 related initiatives, including responsive content creation focused on helping freelancers and businesses to adapt to the current situation, as well as launching a **Positive Impact Fund** to provide financial assistance to local communities.

Our strategy to expand geographically and our investments in several key European languages and countries was timely, as the global pandemic has led to a surge in traffic for us, particularly in Spain and France. In Spain, new sellers nearly doubled and new buyers increased nearly 60% in April compared to March. In France, new sellers grew over 50% and new buyers grew over 30% during the same period. Given the strong trends, non-English speaking countries have now contributed to 32% of Fiverr's total revenue year to date, up from approximately 30% in 2019.



### LOCALIZED CONTENT ON DE.FIVERR.COM

All the user generated content such as gig listings are now translated into local language with machine translation technologies.



### POSITIVE IMPACT FUND

Fiverr supports people, ideas and projects that are committed to creating positive things in the world.

# Financial Discussion

Our first quarter 2020 results demonstrate strong top line growth and continued bottom line improvement. We grew revenue by 44% year over year, and our Adjusted EBITDA margin improved by 1,430 bps compared to the first quarter of 2019. Unless otherwise noted, all comparisons are on a year-over-year basis.

## Revenue

Revenue for Q1'20 was \$34.2 million, up 44% from \$23.8 million in Q1'19, 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 27.1% for the twelve months ended March 31, 2020 from 26.2% for the twelve months ended March 31, 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.

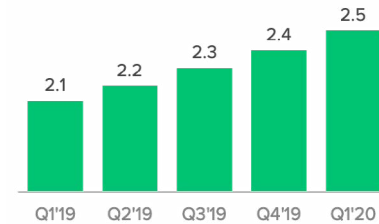
REVENUE  
(\$ in millions)



## Active buyers

Our active buyer base has consistently grown over time, and Q1 was no different. In the twelve months ended March 31, 2020, our active buyers reached 2.5 million, representing 17% y/y growth. Our robust active buyer growth was driven by consistent cohort behavior and efficient marketing investments. We also continue to focus on buyers with lifetime values by targeting those who have larger budgets.

ACTIVE BUYERS  
(in millions)



## Spend per buyer

The second driver of our revenue growth is the annual spend per buyer, or SPB. In the twelve months ended March 31, 2020, SPB grew to \$177, up 18% y/y from \$150 in the prior year period. 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.

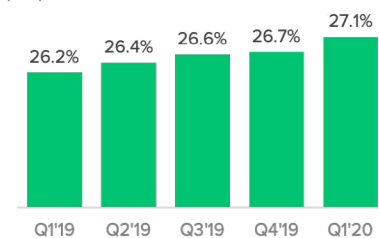
SPEND PER BUYER  
(\$)



## Take rate

For the twelve months ended March 31, 2020, our take rate was 27.1%, an increase of 90 bps y/y. We believe our industry-leading take rate reflects the value that our platform delivers to both buyers and sellers. The increase in our take rate was driven

TAKE RATE  
(LTM)

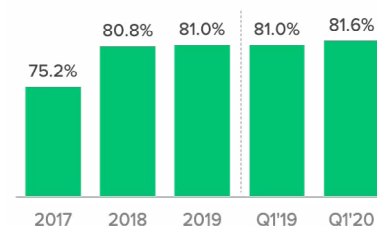


by continued growth of back-office software subscriptions, e-learning courses and content marketing subscriptions.

## Gross Profit and Margin

Gross profit on a GAAP basis for Q1'20 was \$27.3 million, up 45% from \$18.8 million in Q1'19. Non-GAAP gross margin was 81.6% in Q1'20, increasing 60 bps from 81.0% in Q1'19. The increase in gross margin was primarily driven by improved efficiency in payment processing fees, scaled benefits for cloud hosting fees, and customer support automation.

**GROSS MARGIN**  
(Non-GAAP)

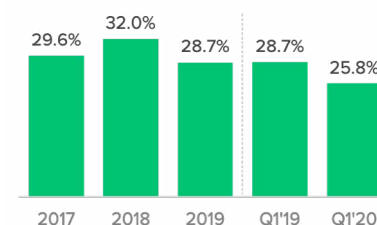


## Operating Expenses

Total operating expenses on a GAAP basis for Q1'20 were \$33.8 million, compared to \$27.4 million in Q1'19. Non-GAAP operating expenses for Q1'20 were \$30.7 million, or 90.0% of revenue, compared to \$24.6 million, or 103.7% of revenue in Q1'19. The improvement in operating leverage represents greater efficiency as a result of our scale, disciplined control, and continued commitment towards achieving profitability, partially offset by increased accounting and legal expenses related to us operating as a public company.

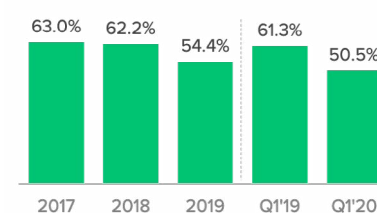
**Research and development (R&D)** expenses on a GAAP basis were \$10.0 million, or 29.2% of revenue in Q1'20. Non-GAAP research and development expenses for Q1'20 were \$8.8 million, or 25.8% of revenue, compared to 28.7% in the prior year period. We continue to invest in improving user experience with initiatives such as Promoted Gigs, international expansion, mobile web and mobile app and category expansion.

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



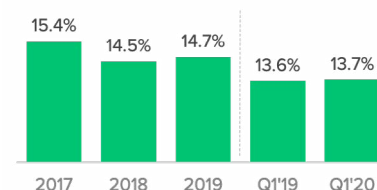
**Sales and marketing (S&M)** expenses on a GAAP basis were \$18.2 million, or 53.4% of revenue in Q1'20. Non-GAAP sales and marketing expenses were \$17.2 million, or 50.5% of revenue in Q1'20, compared to 61.3% in the prior year period. We continued to gain significant sales and marketing leverage during the quarter driven by growing scale, increasing channel diversification, uplift from international expansion, as well as impact from COVID-19 that led to increasing word-of-mouth and attractive performance marketing opportunities.

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



**General and administrative (G&A)** expenses on a GAAP basis were \$5.6 million, or 16.4% of revenue in Q1'20. Non-GAAP general and administrative expenses were \$4.7 million, or 13.7% of revenue in Q1'20, compared to 13.6% in the prior year period. The slight increase was due to increased accounting, legal and insurance expenses related to being a public company, partially offset by increased revenue scale.

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

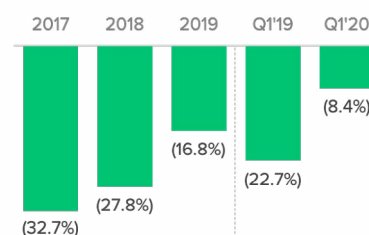




## Net Loss and Adjusted EBITDA

Net loss on a GAAP basis in Q1'20 was (\$6.2) million, compared to (\$8.3) million in the first quarter of 2019. Adjusted EBITDA loss was (\$2.9) million, or (8.4%) of revenue in Q1'20, compared to (\$5.4) million or (22.7%) in the first quarter of 2019. The improved Adjusted EBITDA margin was driven by improved leverage in operating expenses. We continue to make progress on our path to profitability and continue to demonstrate cost discipline and Adjusted EBITDA leverage, as compared to last year.

ADJUSTED EBITDA MARGIN



## Financial Outlook

Given the strong momentum we have seen in recent weeks, we are raising our full year 2020 revenue and EBITDA expectations from prior guidance. However, given these unprecedented times and impact of COVID-19 on economies globally, we will update business trends as they evolve. We are also accelerating our timing to profitability and now target turning EBITDA positive in the second half of 2021. We expect that our strong cash position, together with revenue growth momentum and clear path to profitability, will allow us to continue to make long-term investments to drive growth. Our outlook for the second quarter and full year 2020 is as follows:

	Q2 2020	FY 2020
REVENUE	\$35.5 - \$36.5 million	\$145.5 - \$147.5 million
y/y growth	37% - 41%	36% - 38%
ADJUSTED EBITDA	(\$2.5) - (\$1.5) million	(\$9.0) - (\$7.0) million

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## Conference Call Details

We will host a conference call to discuss our financial results on Thursday, May 7, 2020 at 8:30 a.m. Eastern Time.

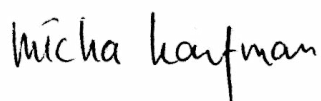
A live webcast of the call can be accessed from Fiverr's Investor Relations website. An archived version will be available on the website after the call. Investors and analysts can participate in the conference call by dialing (866) 360-3590, or (412) 317-5278 for callers outside the United States, and mention the passcode, "Fiverr." A telephonic replay of the conference call will be available until Thursday, May 14, 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 10141807.

### INVESTOR RELATIONS

[investors@fiverr.com](mailto:investors@fiverr.com)

### PRESS

[press@fiverr.com](mailto:press@fiverr.com)



**Micha Kaufman**

Chief Executive Officer



**Ofer Katz**

Chief Financial Officer

## CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 28,210	\$ 24,171
Marketable securities	96,337	88,559
User funds	63,873	55,945
Bank deposits	15,000	15,000
Restricted deposit	324	324
Other receivables	2,871	3,117
<b>Total current assets</b>	<u>206,615</u>	<u>187,116</u>
Marketable securities	13,996	21,805
Property and equipment, net	5,379	5,321
Intangible assets, net	6,594	7,188
Goodwill	11,240	11,240
Restricted deposit	3,168	3,168
Other non-current assets	473	522
<b>Total assets</b>	<u>\$ 247,465</u>	<u>\$ 236,360</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Trade payables	\$ 3,193	\$ 3,749
User accounts	60,151	53,013
Deferred revenue	4,258	3,248
Other account payables and accrued expenses	28,288	21,426
Current maturities of long-term loan	490	503
<b>Total current liabilities</b>	<u>96,380</u>	<u>81,939</u>
<b>Long-term loan and other non-current liabilities</b>	3,932	5,612
<b>Total liabilities</b>	<u>100,312</u>	<u>87,551</u>
<b>Shareholders' equity:</b>		
Share capital and additional paid-in capital	311,096	306,334
Accumulated deficit	(163,918)	(157,763)
Accumulated other comprehensive income (loss)	(25)	238
<b>Total shareholders' equity</b>	<u>147,153</u>	<u>148,809</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 247,465</u>	<u>\$ 236,360</u>

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except loss per share data)

	Three Months Ended	
	March 31,	
	2020	2019
	(Unaudited)	
Revenue	\$ 34,150	\$ 23,763
Cost of revenue	6,820	4,936
Gross profit	27,330	18,827
Operating expenses:		
Research and development	9,974	7,616
Sales and marketing	18,221	15,376
General and administrative	5,590	4,356
Total operating expenses	33,785	27,348
Operating loss	(6,455)	(8,521)
Financial income, net	331	214
Loss before income taxes	(6,124)	(8,307)
Income taxes	(31)	(6)
Net loss	(6,155)	(8,313)
Deemed dividend to protected ordinary shareholders	-	(632)
Net loss attributable to ordinary shareholders	(6,155)	(8,945)
Basic and diluted net loss per share attributable to ordinary shareholders	\$ (0.19)	\$ (1.26)
Basic and diluted weighted average ordinary shares	32,076,421	7,071,884

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended	
	March 31,	
	2020	2019
	(Unaudited)	
<b>Operating Activities</b>		
Net loss	\$ (6,155)	\$ (8,313)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	965	807
Amortization of discount on marketable securities	(271)	-
Shared-based compensation	2,762	1,746
Net loss (gain) from exchange rate fluctuations	194	(53)
Changes in assets and liabilities:		
User funds	(7,928)	(8,325)
Other receivables	448	(1,247)
Trade payables	(584)	511
User accounts	7,138	8,325
Deferred revenue	1,010	-
Other account payables and accrued expenses	2,725	1,494
Non-current liabilities	(2)	58
<b>Net cash provided by (used in) operating activities</b>	<b>302</b>	<b>(4,997)</b>
<b>Investing Activities</b>		
Acquisition of business, net of cash acquired	-	(9,967)
Purchase of property and equipment	(131)	(177)
Capitalization of internal-use software	(285)	(103)
Other receivables and non-current assets	52	(122)
Bank deposits	-	(10,000)
Investment in marketable securities	(36,786)	-
Proceeds from sale of marketable securities	37,088	-
<b>Net cash used in investing activities</b>	<b>(62)</b>	<b>(20,369)</b>
<b>Financing Activities</b>		
Proceeds from exercise of options	1,948	56
Payment of deferred issuance costs related to IPO	-	(405)
Proceeds from issuance of protected ordinary shares, net	-	4,340
Repayment of long-term loan	(120)	(112)
Tax withholding in connection with employees' options exercises	2,272	-
<b>Net cash provided by financing activities</b>	<b>4,100</b>	<b>3,879</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(301)	168
Increase (decrease) in cash and cash equivalents	4,039	(21,319)
Cash and cash equivalents at the beginning of period	24,171	55,955
Cash and cash equivalents at the end of period	<b>\$ 28,210</b>	<b>\$ 34,636</b>



## KEY PERFORMANCE METRICS

(Unaudited)

	Three Months Ended March 31,	
	2020	2019
	(Unaudited)	
Annual active buyers (in thousands)	2,450	2,103
Annual spend per buyer (\$)	\$ 177	\$ 150

## RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(In thousands, except gross margin data)

	Three Months Ended March 31,	
	2020	2019
	(Unaudited)	
GAAP gross profit	\$ 27,330	\$ 18,827
Add:		
Share-based compensation	70	22
Depreciation and amortization	474	406
Non-GAAP gross profit	\$ 27,874	\$ 19,255
Non-GAAP gross margin	81.6%	81.0%

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

(In thousands, except loss per share data)

	Three Months Ended March 31,	
	2020	2019
	(Unaudited)	
GAAP net loss attributable to ordinary shareholders	\$ (6,155)	\$ (8,945)
Add:		
Deemed dividend to protected ordinary shareholders	-	632
Depreciation and amortization	965	807
Share-based compensation	2,762	1,746
Contingent consideration revaluation and acquisition related costs	(129)	578
Non-GAAP net loss	(2,557)	(5,182)
GAAP weighted average number of ordinary shares outstanding - basic and diluted	32,076,421	7,071,884
Add:		
Additional weighted average shares giving effect to exchange of protected ordinary shares at the beginning of the period	-	18,654,270
Non-GAAP basic and diluted weighted average ordinary shares	32,076,421	25,726,154
Non-GAAP basic and diluted net loss per share attributable to ordinary shareholders	\$ (0.08)	\$ (0.20)

Note: Non-GAAP basic and diluted net loss per ordinary share for the three months ended March 31, 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 period.

## RECONCILIATION OF GAAP NET LOSS TO ADJUSTED EBITDA

(In thousands, except adjusted EBITDA margin data)

	Three Months Ended	
	March 31,	
	2020	2019
	(Unaudited)	
GAAP net loss	\$ (6,155)	\$ (8,313)
Add:		
Financial income, net	(331)	(214)
Income taxes	31	6
Depreciation and amortization	965	807
Share-based compensation	2,762	1,746
Contingent consideration revaluation and acquisition related costs	(129)	578
Adjusted EBITDA	<u>\$ (2,857)</u>	<u>\$ (5,390)</u>
Adjusted EBITDA margin	<u>(8.4%)</u>	<u>(22.7%)</u>

## RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

(In thousands)

	Three Months Ended	
	March 31,	
	2020	2019
	(Unaudited)	
GAAP research and development	\$ 9,974	\$ 7,616
Less:		
Share-based compensation	1,042	635
Depreciation and amortization	116	103
Acquisition related costs	-	47
Non-GAAP research and development	<u>\$ 8,816</u>	<u>\$ 6,831</u>
GAAP sales and marketing	\$ 18,221	\$ 15,376
Less:		
Share-based compensation	527	256
Depreciation and amortization	330	256
Acquisition related costs	121	288
Non-GAAP sales and marketing	<u>\$ 17,243</u>	<u>\$ 14,576</u>
GAAP general and administrative	\$ 5,590	\$ 4,356
Less:		
Share-based compensation	1,123	833
Depreciation and amortization	45	42
Contingent consideration revaluation and acquisition related costs	(250)	243
Non-GAAP general and administrative	<u>\$ 4,672</u>	<u>\$ 3,238</u>

## 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 loss and Non-GAAP net 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 loss and Non-GAAP net 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.

We are not able to provide a reconciliation of Adjusted EBITDA guidance for the second quarter of 2020, the fiscal year 2020 or the fiscal year 2021 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.

See the tables of above regarding reconciliations of these non-GAAP measures to the most directly comparable GAAP measures.

## Forward Looking Statements

This shareholder letter contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this shareholder letter that do not relate to matters of historical fact should be considered forward-looking statements, including, without limitation, statements regarding our expected financial performance and operational performance for the second quarter of 2020, the fiscal year ended December 31, 2020 and the fiscal year ended December 31, 2021, 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 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](http://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.