fiverr.

Q3 | 2021

Shareholder letter

FIVERR.COM

Julia Gerlach, Buyer
Business Development Manager
Westwing Home & Living
Munich, Germany

Photograph by Marcel Langer

On the cover:

JULIA GERLACH, Buyer

Business Development Manager

Westwing Home & Living

Munich, Germany

Julia is a business development manager at Westwing Home & Living (WEW.F), an e-commerce platform offering home decor and furnishing products.

Julia turned to Fiverr in June 2020 when she was looking to expand into offering 3D renderings for her clients. Upon successfully completing a few orders, Julia joined Fiverr Business in September 2020 and invited 8 of her team members to join the Fiverr Business account. The team learned how fast and easy it was to seamlessly produce projects with sellers and it quickly proved to be an indispensable resource for Westwing's design team.

Among all the premium features offered by Fiverr Business, Project is what Julia loves the most. It allows her team to organize all projects by the designers in her team and track the full cycle of orders in a transparent and streamlined way. All this led to better integration of her day-to-day workflows, which translates into more usage of Fiverr.

Julia and her team are able to find skilled freelancers from around the world that fit their specific project requirements on Fiverr Business. The team has already built a set of trusted sellers on Fiverr who they regularly engage with, and the list continues to expand.

"Integrating Fiverr Business into our workflow was straightforward and intuitive. After a short onboarding process with our customer success manager, the team was able to run their projects seamlessly and independently, helping us work more efficiently as a team while increasing our project volume."

“Fiverr Business has been an incredibly effective solution for our team. The white glove service and enhanced features like the newly implemented billing and invoicing system has been imperative to us scaling our usage of Fiverr Business.”

Third Quarter 2021 and Recent Highlights

- **Strong results across all metrics:** Q3'21 revenue grew 42% y/y, driven by 33% y/y growth of active buyers, 20% y/y of spend per buyer and continued improvement of take rate, underscoring the strength and resilience of our business
- **Acquisition of Stoke Talent and CreativeLive:** We made two acquisitions in Q4 that mark important investments towards our long-term vision of the future of work, where we empower businesses to implement a multi-channel freelancer strategy and support freelancers with all aspects of their lifestyles
- **Launch of Fiverr Workspace:** We completed the first phase of the AND.CO integration and rebranded it to Fiverr Workspace, aiming to provide an all-in-one solution for freelancers to manage their business
- **Launched new brand campaign:** Launched new brand campaign "Something from Nothing" on TV and digital channels in the U.S., U.K., Australia and Germany
- **Published our first ESG report:** Our ESG report details how Fiverr plans to empower our community of buyers and sellers through technology and create positive social, economic, and environmental impact
- **Expecting a strong finish to the year:** Fiverr expects business momentum to continue and is updating guidance for 2021 with 54-56% revenue growth

Third Quarter 2021 Key Results

REVENUE	**$74.3 million** 42% y/y growth	GROSS MARGIN	**83.3%** GAAP | **84.4%** NON-GAAP
ACTIVE BUYERS [1]	**4.1 million** 33% y/y growth	GAAP NET LOSS	**($14.3) million**
SPEND PER BUYER [1]	**$234** 20% y/y growth	ADJUSTED EBITDA[1]	**$7.3 million**
TAKE RATE [1]	**28.4%** 140 bps y/y improvement	ADJUSTED EBITDA MARGIN[1]	**9.8%** 180 bps y/y improvement

Financial Outlook

	Q4 2021	FY 2021	FY 2021 PRIOR GUIDANCE
REVENUE	**$74.5-$77.5 million** 33-39% y/y growth	**$292.4 - $295.4 million** 54-56% y/y growth	**$280.0-$288.0 million** 48-52% y/y growth
ADJUSTED EBITDA[1]	**$5.5 - $7.0 million**	**$19.5 - $21.0 million**	**$12.0-$14.0 million**

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

To Our Shareholders,

Fiverr delivered another strong quarter as the needs for digital transformation that emerged during the pandemic are here to stay. Revenue grew 42% y/y and active buyers grew 33% y/y, a formidable growth rate especially when you consider the significant increase of scale we have experienced in the past year and a half. As the summer ends, we see traffic on our platform improve in September and October from the hyper-seasonality we experienced in the earlier part of Q3. We believe the strong secular trends towards digital transformation and remote work, together with the resilience of our marketplace, will power the growth of our company for many years ahead.

This is also an exciting quarter as we did a few big things that map out our vision for the future of work. We completed the acquisitions of CreativeLive and Stoke Talent, the former a reputable e-learning platform and the latter a best-in-class freelance management platform. We also integrated AND.CO into the Fiverr platform and rebranded as the all-new Fiverr Workspace.

As we think about the next ten years of Fiverr, we want to be more than just a marketplace, but an ecosystem that empowers freelancers and businesses to grow and thrive. The acquisition of CreativeLive helps us round up the offerings in the learning and development space for freelancers on our platform. Together with Fiverr Workspace, Promoted Gigs, Seller Plus, and of course the core marketplace, you can see how we are building all the pieces to support every aspect of freelancers' lifestyles. On the demand side, the acquisition of Stoke allows us to be present and provide value to businesses even when they have existing freelancer relationships that are offline or outside of Fiverr. Together with Fiverr Business which continues to strengthen our value proposition and increase wallet share among larger businesses, we believe we can become a critical partner for any business to implement a multi-channel freelancer strategy.

We recently launched our new brand campaign that is called "Something from Nothing". Not only is it brilliant and funny, as an entrepreneur myself, it resonates with me and underscores our belief that anyone should have access to opportunities and be able to pursue their dreams. We also published our first ESG report that details how we create positive impacts to our people, our community and our planet. We invite you to join us on the exciting journey towards the future of work.

Growth Strategies and Recent Progress

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

1. Bring new buyers onto the platform

In the twelve months ended September 30, 2021, active buyers grew 33% y/y to 4.1 million. Traffic to our platform improved after a softer than usual summer due to the early months of relaxation of COVID restrictions. We consistently see these trends across the major markets we operate, including U.S., U.K., Canada and Germany, with Australia being the only exception where traffic continued at elevated levels throughout.

We also continue to see strong trends across our cohorts. Older cohorts, those who joined on or before 2018, continue to remain significantly ahead of pre-pandemic levels. And we continue to see strong retention from cohorts acquired in the recent two years. In the twelve months ended September 30, 2021, repeat buyers contributed 58% of total revenue on our core marketplace, up from 55% in 2020, underscoring the strength and resilience of our cohorts.

We continue to be highly efficient in terms of buyer acquisition. For Q3'21, our time to return on performance marketing investment, or tROI, continued to be approximately three months.

CUMULATIVE REVENUE TO PERFORMANCE MARKETING INVESTMENT RATIOS

INCREASING ROI FOR PERFORMANCE MARKETING INVESTMENTS AS COHORTS SEASON OVER TIME

As of September 30, 2021, revenue from the Q3'21 cohort amounted to 1.0x of our performance marketing investments in the same period.

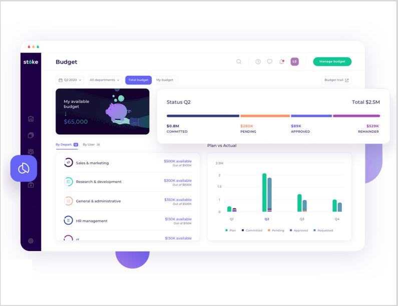
2. Go upmarket

In the twelve months ended September 30, 2021, spend per buyer on our platform increased 20% y/y to $234 as we continued to expand wallet share among our buyers. High-value buyers, those with annual spend per buyer of over $500, continued to grow from the previous quarter and now represent over 62% of core marketplace revenues, up from 61% in Q2'21. Strong results were driven by both an increase in spend level across all our existing cohorts as well as continued improvement in the lifetime value from our newest cohort.

We are very excited to announce the acquisition of **Stoke Talent** ("Stoke") which closed on November 1, 2021. Stoke is a freelance management platform that is purpose built to help medium to large businesses to manage the full cycle of engaging with freelancers. The Stoke transaction is highly strategic from a few aspects:

- By helping businesses manage freelancers across all channels, it gives Fiverr access and allows us to provide solutions for the offline freelancing market which today is still orders of magnitude larger than the online market;
- By providing best-in-class tools to onboard, pay, track budgets and manage legal and compliance processes, it allows Fiverr to offer software solutions to businesses that already have freelancers they work with;
- It supports Fiverr's upmarket strategy and allows us to significantly expand our market share for medium to larger sized businesses;
- And lastly, by consolidating the business demand and freelancer supply, together with the technology and data assets, Fiverr will be able to become a 360 degree partner for businesses to implement and optimize their flexible workforce strategy.

Organically, we continue to power ahead with a number of product initiatives. **Fiverr Business** team continues to iterate on the product as well as optimizing the go-to-market strategy, including the enrichment of buyer data to better target and convert. We continue to expand the Subscriptions product, which allows sellers to offer monthly recurring services to buyers. Over 50,000 gigs have added the Subscriptions option to their packages and we saw 20% of Subscription orders are for a duration of 6+ months.



STOKE TALENT

With Stoke, Fiverr is looking to expand our offerings to medium to larger sized businesses to help them manage their direct freelancer relationships.

RAINFOREST ALLIANCE - FIVERR BUSINESS

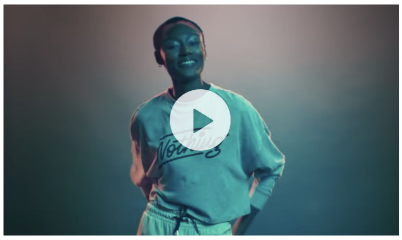
Rainforest Alliance joined Fiverr Business in November 2020. The team started with using voiceover services and quickly expanded to translation and copy editing services as well. So far, they have spent a total of over $70K on Fiverr.

In October, we launched a new brand campaign - **Something from Nothing** - with a series of videos, posts and ads on TV and other digital channels in the U.S., U.K., Australia and Germany. The campaign focuses on the notion that every successful 'something' was once just an idea, and with help from the tools and resources from Fiverr platform, you can turn any idea into something.

Fiverr is more than just a marketplace, but a global community built on shared experiences and common values, and it's something we continue to invest in, support and nurture. During the quarter, we engaged in over 300 hours of structured, one-on-one conversations and interviews with our community members in order to build relationships, recruit community leaders and collect their stories. Across the globe, 40 virtual events were led by our community leaders with over 1,200 attendees. We also hosted our largest stand-alone webinar ever - a conversation about the latest trends in e-commerce - that garnered over 2,500 unique views.

We've also completed an infrastructure upgrade of the Fiverr forum, creating a brand new, modern looking space for hundreds of thousands of Fiverr buyers and sellers to interact and exchange knowledge. Conversations have increased 52% since the launch of the revamped Fiverr forum and we are also able to better moderate conversations to boost awareness of important Fiverr initiatives.

We launched a number of mission driven initiatives during the quarter. **The Future Collective program** invites more Black entrepreneurs to join the Fiverr community and supports their business by providing them with fellowship grants. Each business participates in mentor sessions with various members of Fiverr's management team. They gain learnings and insights to help strengthen and grow their business in areas such as optimizing operations, leveraging technology, financial planning and building HR infrastructure. We added two new partners, Arab Women Entrepreneurs (AWE) and Young Women's Christian Association (YWCA), to our Fiverr for All program, previously called DWDI. The program was first launched in 2019, and since then, we have organized and hosted five hands-on interactive initiatives to help talent with challenges in accessing opportunities, such as the local workshop we hosted in Kenya.



SOMETHING FROM NOTHING

The new brand campaign highlights how Fiverr can help entrepreneurs turn their ideas into a reality.

KEYA MARTIN - THE FUTURE COLLECTIVE

Keya Martin is one of the five winners of the The Future Collective Program. She is the founder and Artistic Director of Keeyahri, a luxury footwear brand for modern women, with a focus on building up the confidence of the shoe wearer in every step.

3. Expand our Gig catalog

Our expansive and ever growing service catalog continues to be a key competitive advantage. During the quarter, we published our latest **Small Business Needs Index** which analyzed data from millions of searches across the Fiverr platform. It is worth noting a few key takeaways from the report:

- Digital transformation is a dominant theme across the world. Businesses continue to invest in online e-commerce channels, digital marketing and digital content in order to drive their omni-channel strategy.
- We saw growth trends continue to stay at elevated levels compared to pre-pandemic levels. Some categories such as 3D illustration continued to grow at triple-digit rates.
- The report also highlights the diverse and expansive categories that are available on the Fiverr platform, with no particular concentration in a certain vertical.
- Last but not the least, more and more larger sized projects are getting completed on Fiverr. For categories that include media spend, such as Amazon PPC campaign or Google Adwords, some projects can cost up to \$8,000-\$10,000.

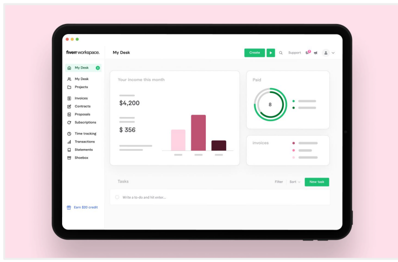
SMALL BUSINESS NEEDS INDEX

The semi-annual research reveals key insights and trends in the digital service landscape for small businesses.

4. Innovate technology and services

The velocity of product development is a key competitive moat for Fiverr. During the quarter, we released over 55 product features as we continue to innovate and improve our product experience across the platform. Personalization continues to be a key focus as we strive to understand our buyers and sellers better and deliver better experience through the vast transaction and engagement data we have on the platform.

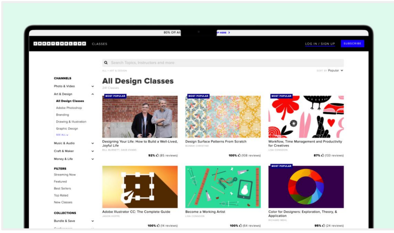
We recently completed the first phase of AND.CO integration and rebranded the product suite as **Fiverr Workspace**. With the integration, freelancers can now access Fiverr's marketplace and Fiverr Workspace through a single sign-on experience. Order and income information can also be easily imported from the marketplace to the workspace, allowing freelancers to manage their on-Fiverr and off-Fiverr activities in a more seamless fashion. Fiverr Workspace marks a key step for us to build an all-in-one solution to help freelancers manage all their clients across all channels. Key features for the second phase of integration include adding more order management tools, additional payment options, as well as other legal and tax capabilities.



FIVERR WORKSPACE

The newly launched Fiverr Workspace provides an all-in-one solution for freelancers to manage their business.

We are also growing our e-learning offering with the recent acquisition of **CreativeLive**. Founded in 2010, CreativeLive boasts a content catalog of over 2,000 classes spanning across design, photography, video and more. We are looking to fold Fiverr Learn into CreativeLive to create a single destination for our community to learn and grow professionally.



CREATIVELIVE

Fiverr is expanding its learning and development offerings with the acquisition of CreativeLive, a renowned online learning platform.

5. Expand our geographic footprint

We continue to build and improve the product experience and expand our marketing efforts internationally. The enhanced machine translation that we rolled out in the previous quarter has shown meaningful impact in terms of both conversion rate and buyer experience. Specifically, buyer satisfaction improved by 10% based on a Qualtrics survey conducted on Fiverr's spanish site.

With key localization infrastructure in place, we are now expanding our efforts to increase Fiverr's local awareness. Especially in countries where English is not widely spoken, historically we saw local buyers were 17% less likely to send a message to sellers. We start to promote the fact that machine translation is available on the Fiverr platform even when buyers and sellers don't speak the same language. We are also highlighting sellers' language capabilities when it's relevant to the buyers' country. At the same time, building local supply is also an ongoing effort.

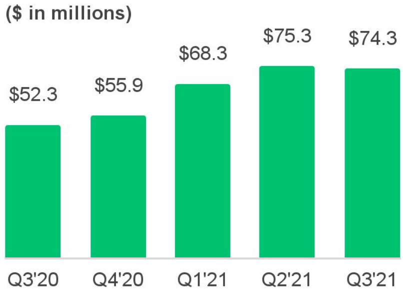
Financial Discussion

We delivered exceptional financial results in Q3'21 with revenue increasing 42.0% y/y to $74.3 million. Adjusted EBITDA was $7.3 million or 9.8% in Adjusted EBITDA margin. Unless otherwise noted, all comparisons are on a year-over-year basis.

Revenue

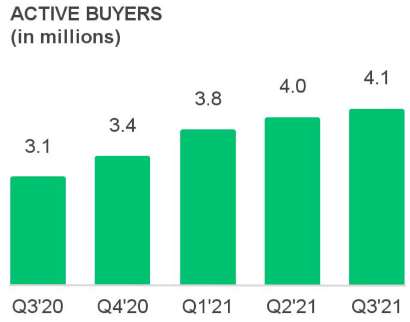
Revenue for Q3'21 was $74.3 million, up 42% from $52.3 million in Q3'20, driven by continued growth in both active buyers and spend per buyer. The year-over-year growth rate also benefits from the increase of our take rate, which grew to 28.4% for the 12 months ended September 30, 2021 from 27.0% for the 12 months ended September 30, 2020. 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)



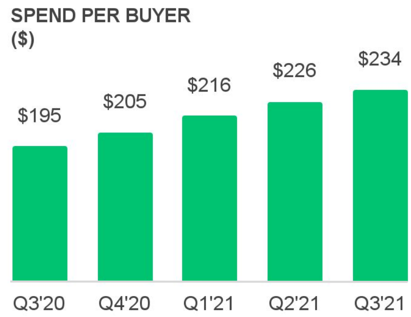
Active Buyers

Our active buyer base has consistently grown over time. In the twelve months ended September 30, 2021, our active buyers reached 4.1 million, representing 33% y/y growth. The robust active buyer growth was driven by consistent cohort behavior and efficient marketing investments. We also continue to go upmarket by targeting higher lifetime value buyers.



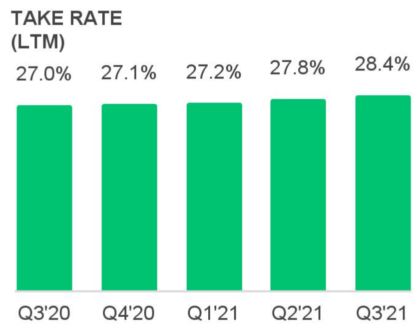
Spend Per Buyer

The second driver of our revenue growth is the annual spend per buyer, or SPB. In the twelve months ended September 30, 2021, SPB grew to $234, up 20% y/y from $195. We continue to grow SPB as we drive buyers to purchase more often and from multiple categories, improve the quality of our marketplace which leads to higher average selling price, as well as continue to acquire buyers with a higher lifetime value.



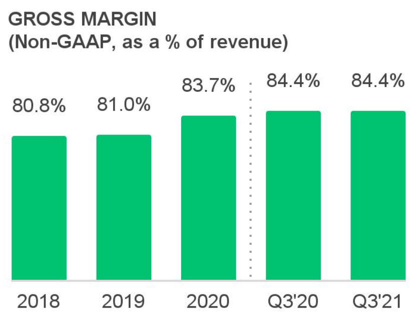
Take Rate

For the twelve months ended September 30, 2021, our take rate was 28.4%, an increase of 140 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 50 bps increase in service fee implemented last quarter, the continued expansion of seller tools including Promoted Gigs and Seller Plus as well as continued growth of back-office software subscriptions, e-learning courses and content marketing subscriptions.



Gross Profit and Margin

Gross profit on a GAAP basis for Q3'21 was $61.9 million, up 41.8% from $43.6 million in Q3'20. Gross margin was 83.3%, a decrease from 83.4% in Q3'20. Non-GAAP gross margin was 84.4% in Q3'21, flat from Q3'20. We continue to enjoy strong gross margin with an attractive business model.

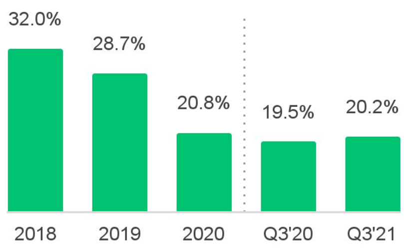


Operating Expenses

Total operating expenses on a GAAP basis for Q3'21 were $71.2 million, compared to $44.6 million in Q3'20. Non-GAAP operating expenses for Q3'21 were $55.4 million, or 74.6% of revenue, compared to $40.0 million, or 76.4% of revenue in Q3'20. The improvement in operating leverage represents greater efficiency as a result of increasing scale and disciplined financial strategy.

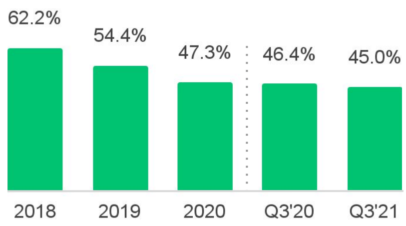
Research and Development (R&D) expenses on a GAAP basis were $20.5 million, or 27.6% of revenue in Q3'21. Non-GAAP research and development expenses were $15.0 million, or 20.2% of revenue, compared to 19.5% in the prior year period. We continue to invest in long-term strategic initiatives including Fiverr Business and international expansion as well as other product innovations.

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



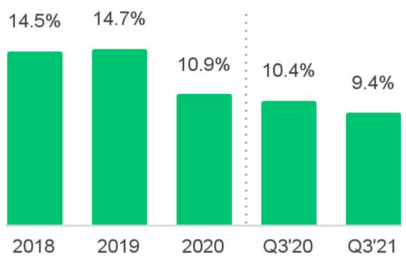
Sales and Marketing (S&M) expenses on a GAAP basis were $38.3 million, or 51.5% of revenue in Q3'21. Non-GAAP sales and marketing expenses were $33.4 million, or 45.0% of revenue in Q3'21, compared to 46.4% in the prior year period. We continued to gain sales and marketing leverage during the quarter driven by increasing scale, channel diversification and continued strong execution, which demonstrates our ability to drive marketing efficiency towards our long-term target model.

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



General and Administrative (G&A) expenses on a GAAP basis were $12.4 million, or 16.7% of revenue in Q3'21. Non-GAAP general and administrative expenses were $7.0 million, or 9.4% of revenue in Q3'21, compared to 10.4% in the prior year period. The improved G&A leverage was primarily driven by increased revenue scale.

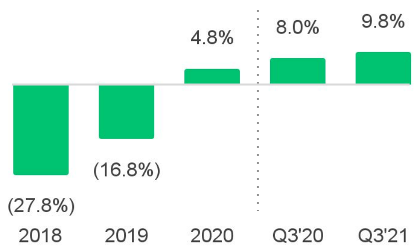
GENERAL AND ADMINISTRATIVE
(Non-GAAP, as % of revenue)



Net Loss and Adjusted EBITDA

Net loss on a GAAP basis in Q3'21 was ($14.3) million, compared to ($0.5) million in the third quarter of 2020. Adjusted EBITDA was $7.3 million, or 9.8% of revenue in Q3'21, compared to $4.2 million or 8.0% in the third quarter of 2020. The improved EBITDA margin was driven by increased revenue scale and improved leverage in operating expenses.

ADJUSTED EBITDA MARGIN



Financial Outlook

We are introducing Q4'21 and raising our full-year 2021 guidance. Given the uncertainty of the ongoing impact and unprecedented conditions surrounding the COVID-19 pandemic on economies globally, we will provide investors with updated business trends as they evolve:

Guidance:

	Q4 2021	FY 2021
REVENUE	$74.5 - $77.5 million	$292.4 - $295.4 million
y/y growth	33 - 39% y/y	54 - 56% y/y
ADJUSTED EBITDA	$5.5 - $7.0 million	$19.5 - $21.0 million

Conference Call Details

Fiverr's management will host a conference call to discuss its financial results on Wednesday, November 10, 2021 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 access code 912489. A telephonic replay of the conference call will be available until Wednesday, November 17, 2021, beginning one hour after the end of the conference call. To listen to the replay please dial +1 (866) 813-9403, or +44 (204) 525-0658 for callers outside the United States, and enter replay code 675131.

Investor Relations

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Press

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Micha Kaufman

Micha Kaufman

Founder and Chief Executive Officer

Ofer Katz

President and Chief Financial Officer

CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 145,641	$ 268,030
Marketable securities	147,173	129,372
User funds	126,746	97,984
Bank deposits	134,000	90,000
Restricted deposit	346	346
Other receivables	8,612	5,418
Total current assets	562,518	591,150
Marketable securities	295,391	228,048
Property and equipment, net	6,415	6,265
Operating lease right of use asset, net	13,394	15,611
Intangible assets, net	9,227	5,884
Goodwill	15,900	11,240
Restricted deposit	2,589	2,589
Other non-current assets	709	415
Total assets	$ 906,143	$ 861,202
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	$ 4,225	$ 3,622
User accounts	118,171	92,027
Deferred revenue	9,113	5,957
Other account payables and accrued expenses	42,871	40,396
Operating lease liabilities	3,397	3,307
Current maturities of long-term loan	2,316	560
Total current liabilities	180,093	145,869
Long-term liabilities:		
Convertible notes	366,964	352,034
Operating lease liabilities	11,383	13,861
Long-term loan and other non-current liabilities	426	4,035
Total long-term liabilities	378,773	369,930
Total liabilities	$ 558,866	$ 515,799
Shareholders' equity:		
Share capital and additional paid-in capital	565,266	517,444
Accumulated deficit	(218,065)	(172,573)
Accumulated other comprehensive income	76	532
Total shareholders' equity	347,277	345,403
Total liabilities and shareholders' equity	$ 906,143	$ 861,202

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(Unaudited)		(Unaudited)	
Revenue	$ 74,324	$ 52,345	$ 217,907	$ 133,625
Cost of revenue	12,436	8,708	36,510	23,485
Gross profit	61,888	43,637	181,397	110,140
Operating expenses:				
Research and development	20,490	11,642	57,469	32,149
Sales and marketing	38,298	25,548	119,121	66,976
General and administrative	12,395	7,430	36,271	19,051
Total operating expenses	71,183	44,620	212,861	118,176
Operating loss	(9,295)	(983)	(31,464)	(8,036)
Financial income (expenses), net	(4,959)	570	(13,877)	1,392
Loss before income taxes	(14,254)	(413)	(45,341)	(6,644)
Income taxes	(95)	(41)	(151)	(89)
Net loss attributable to ordinary shareholders	$ (14,349)	$ (454)	$ (45,492)	$ (6,733)
Basic and diluted net loss per share attributable to ordinary shareholders	$ (0.39)	$ (0.01)	$ (1.27)	$ (0.21)
Basic and diluted weighted average ordinary shares	36,512,243	35,278,996	35,959,243	32,382,183

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(Unaudited)		(Unaudited)	
Operating Activities				
Net loss	$ (14,349)	$ (454)	$ (45,492)	$ (6,733)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	1,413	1,130	4,104	3,111
Loss from disposal of property plant and equipment, net	(32)	-	(32)	-
Amortization of discount of marketable securities	2,135	495	5,616	158
Amortization of discount and issuance costs of convertible notes	5,040	-	14,917	-
Shared-based compensation	15,104	3,756	38,761	9,580
Net income (loss) from exchange rate fluctuations	26	(302)	328	(89)
Changes in assets and liabilities:				
User funds	(5,133)	(8,543)	(28,762)	(37,208)
Operating lease ROU assets and liabilities, net	86	-	(171)	-
Other receivables	(1,064)	(444)	(2,331)	(331)
Trade payables	362	97	615	2,277
Deferred revenue	738	754	3,133	2,560
User accounts	4,448	7,441	26,144	34,361
Other account payables and accrued expenses	968	2,886	13,704	6,468
Payment of contingent consideration	-	-	(507)	(1,960)
Non-current liabilities	-	1	(235)	163
Net cash provided by operating activities	9,742	6,817	29,792	12,357
Investing Activities				
Investment in marketable securities	(69,107)	(24,125)	(235,938)	(195,947)
Proceeds from sale of marketable securities	65,325	6,851	144,320	157,390
Bank deposits	(5,000)	(10,000)	(44,000)	(25,000)
Acquisition of business, net of cash acquired	-	-	(9,288)	-
Acquisition of intangible asset	-	(1,230)	-	(1,230)
Purchase of property and equipment	(654)	(516)	(1,354)	(1,053)
Capitalization of internal-use software	(250)	(199)	(572)	(650)
Other receivables and non-current assets	-	17	-	71
Net cash used in investing activities	(9,686)	(29,202)	(146,832)	(66,419)
Financing Activities				
Proceeds from follow on offering, net	-	(777)	-	129,893
Payment of deferred issuance costs related to follow on offering	-	-	(381)	-
Payment of convertible notes deferred issuance costs	-	-	(34)	-
Payment of contingent consideration	-	-	(1,105)	(2,040)
Proceeds from exercise of share options	915	1,841	7,266	6,493
Tax withholding in connection with employees' options exercises and vested RSUs	(1,732)	(473)	(10,361)	1,783
Repayment of long-term loan	(143)	(128)	(416)	(372)
Net cash provided by (used in) financing activities	(960)	463	(5,031)	135,757
Effect of exchange rate fluctuations on cash and cash equivalents	(177)	344	(318)	98
Increase (decrease) in cash and cash equivalents	(1,081)	(21,578)	(122,389)	81,793
Cash and cash equivalents at the beginning of period	146,722	127,542	268,030	24,171
Cash and cash equivalents at the end of period	$ 145,641	$ 105,964	145,641	$ 105,964

KEY PERFORMANCE METRICS

	Nine Months Ended September 30,	
	2021	2020
Annual active buyers (in thousands)	4,121	3,108
Annual spend per buyer ($)	$ 234	$ 195

RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(in thousands, except gross margin data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
GAAP gross profit	$ 61,888	$ 43,637	$ 181,397	$ 110,140
Add:				
Share-based compensation	372	55	989	212
Depreciation and amortization	454	483	1,331	1,456
Non-GAAP gross profit	$ 62,714	$ 44,175	$ 183,717	$ 111,808
Non-GAAP gross margin	84.4%	84.4%	84.3%	83.7%

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
GAAP net loss attributable to ordinary shareholders	$ (14,349)	$ (454)	$ (45,492)	$ (6,733)
Add:				
Depreciation and amortization	1,413	1,130	4,104	3,111
Share-based compensation	15,104	3,756	38,761	9,580
Contingent consideration revaluation, acquisition related costs and other	55	302	2,576	(164)
Convertible notes amortization of discount and issuance costs	5,040	-	14,917	-
Exchange rate loss, net	400	-	377	-
Non-GAAP net income	$ 7,663	$ 4,734	$ 15,243	$ 5,794
Weighted average number of ordinary shares - basic	36,512,243	35,278,996	35,959,243	32,382,183
Non-GAAP basic net income per share attributable to ordinary shareholders	$ 0.21	$ 0.13	$ 0.42	$ 0.18
Weighted average number of ordinary shares - diluted	40,779,521	38,417,934	40,625,294	34,916,206
Non-GAAP diluted net income per share attributable to ordinary shareholders	$ 0.19	$ 0.12	$ 0.38	$ 0.17

RECONCILIATION OF GAAP NET LOSS TO ADJUSTED EBITDA

(in thousands, except adjusted EBITDA margin data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
GAAP net loss	$ (14,349)	$ (454)	$ (45,492)	$ (6,733)
Add:				
Financial expense (income), net	4,959	(570)	13,877	(1,392)
Income taxes	95	41	151	89
Depreciation and amortization	1,413	1,130	4,104	3,111
Share-based compensation	15,104	3,756	38,761	9,580
Contingent consideration revaluation, acquisition related costs and other	55	302	2,576	(164)
Adjusted EBITDA	$ 7,277	$ 4,205	$ 13,977	$ 4,491
Adjusted EBITDA margin	9.8%	8.0%	6.4%	3.4%

RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
GAAP research and development	$ 20,490	$ 11,642	$ 57,469	$ 32,149
Less:				
Share-based compensation	5,247	1,267	14,258	3,511
Depreciation and amortization	205	149	582	395
Non-GAAP research and development	$ 15,038	$ 10,226	$ 42,629	$ 28,243
GAAP sales and marketing	$ 38,298	$ 25,548	$ 119,121	$ 66,976
Less:				
Share-based compensation	3,765	809	9,810	1,888
Depreciation and amortization	695	444	2,020	1,112
Acquisition related costs	402	-	1,097	121
Non-GAAP sales and marketing	$ 33,436	$ 24,295	$ 106,194	$ 63,855
GAAP general and administrative	$ 12,395	$ 7,430	$ 36,271	$ 19,051
Less:				
Share-based compensation	5,720	1,625	13,704	3,969
Depreciation and amortization	59	54	171	148
Contingent consideration revaluation, acquisition related costs and other	(347)	302	1,479	(285)
Non-GAAP general and administrative	$ 6,963	$ 5,449	$ 20,917	$ 15,219

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 and Super Bowl 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 fourth quarter of 2021 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, income or loss on revaluation of contingent consideration, 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, net loss in the future.

See the tables 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 fourth quarter of 2021, and the fiscal year ending December 31, 2021, our expected future Adjusted EBITDA profitability, 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 during a global economic downturn caused by the 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 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 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 February 18, 2021 as such factors may be updated from time to time in our other filings with the SEC, which are accessible on the SEC's website at www.sec.gov. In addition, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements that we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this release are inherently uncertain and may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, you should not rely upon forward-looking statements as predictions of future events. In addition, the forward-looking statements made in this release relate only to events or information as of the date on which the statements are made in this release. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.