# Q2 | 2021

Shareholder Letter

FIVERR.COM

**Georgia Austin**, Seller
Copywriter and Entrepreneur
United Kingdom

On the cover:

**GEORGIA AUSTIN**, Seller

Copywriter and Entrepreneur

United Kingdom

Georgia is a marketing professional and founder and CEO of her copywriting agency Wizard of Content. She is also a seller on Fiverr providing copywriting services including website content, product descriptions, blog posts, and SEO landing pages.

Georgia joined Fiverr in March 2020 when she learned about it on Tiktok. Out of curiosity, she set up her account at her spare time while being a full-time marketing director. To her surprise, she immediately received an order in two days. In the next fews months, her business quickly took off. Within four months, she completed over 50 orders and earned her Pro seller status. When the company she worked for got impacted by the pandemic in late 2020, Georgia decided to leave the company and turned full time on Fiverr.

Georgia has been one of the first sellers to join Seller Plus when the beta program was launched in April. With the ambition to take her Fiverr business to the next level, Georgia worked closely with a dedicated success manager to optimize her services on Fiverr. She was able to get a second opinion on difficult business decisions. She learned how to effectively leverage new products like Subscriptions and how to optimize her imagery to improve conversion rate. With continued growth and excellent work quality, Georgia became a Top Rated Seller and earned her Fiverr's Choice badge recently.

To date Georgia has made over $200,000 on Fiverr. Some of her notable clients include Nike, Under Armour, Klook, Joe & The Juice and many more.

*"Seller Plus has not only helped me grow my account but it's also helped me understand how I can approach situations with my clients in the best way possible. I've received immense value from working directly with someone who understands my goals and motivations."*

## *Second Quarter 2021 and Recent Highlights*

- **Growth exceeded high end of guidance:** Revenue grew 60% y/y in Q2 as all metrics surpassed pre-pandemic growth levels
- **Fiverr Business growth:** In only three quarters since launch, Fiverr Business now represents 5% of core marketplace business, growing faster than our overall marketplace
- **Launched Seller Plus:** Launched a subscription product that's built around Fiverr's most engaged sellers, aiming to increase their loyalty and help grow their business on Fiverr
- **New partnerships with Salesforce and Wix:** The partnerships will allow these two companies to qualify Fiverr sellers through purpose-built training programs and minimizing the screening and onboarding friction for them to access this talent
- **Promoted Gigs expansion:** After a little over a year, Promoted Gigs reached an important milestone of $1M quarterly ad revenue
- **Providing Q3'21 guidance and updating FY'21 guidance:** We are updating our full year guidance based on the incremental trends we have observed since the second half of May. People are traveling more and taking more vacations and spending less time online as many parts of the world reopen, which has impacted our financial outlook

## *Second Quarter 2021 Key Results*

| | | | |
|---|---|---|---|
| REVENUE | **$75.3 million**<br>60% y/y growth | GROSS MARGIN | **83.4%** GAAP \| **84.4%** NON-GAAP |
| ACTIVE BUYERS (1) | **4.0 million**<br>43% y/y growth | GAAP NET LOSS | **($13.3) million** |
| SPEND PER BUYER (1) | **$226**<br>23% y/y growth | ADJUSTED EBITDA(1) | **$7.4 million** |
| TAKE RATE (1) | **27.8%**<br>80 bps y/y improvement | ADJUSTED EBITDA MARGIN(1) | **9.8%**<br>310 bps y/y improvement |

## *Financial Outlook*

| | Q3 2021 | FY 2021 | FY 2021 PRIOR GUIDANCE |
|---|---|---|---|
| REVENUE | **$68.0-$72.0 million**<br>30-38% y/y growth | **$280.0-$288.0 million**<br>48-52% y/y growth | **$302.0-$308.0 million**<br>59-63% y/y growth |
| ADJUSTED EBITDA(1) | **$2.5-$3.5 million** | **$12.0-$14.0 million** | **$19.5-$24.5 million** |

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

# To Our Shareholders,

We delivered another outstanding quarter, with revenue up 60% y/y, beating the high end of our guidance. This is especially impressive considering the fact that we were able to grow on top of the 82% growth we had in Q2'20. This strong growth momentum speaks to the underlying strength of our business, as we were able to continue acquiring buyers at a rapid pace with efficiency, retain our existing buyers and increase their spend over time.

In many parts of the world, Q2 marks the beginning of an increase in vaccination rates and the relaxation of COVID related restrictions. As a result, people are taking vacations and getting some off-screen time. We saw this trend of reduction of online activity since the second half of May. To be prudent and consistent with our forecasting methodology, we are adjusting our full year guidance based on these incremental trends.

That said, none of this near-term fluctuation changes the underlying strength of our business, our long term outlook, and the massive market opportunity that's ahead of us. Our cohorts continue to spend at much elevated levels compared to pre-pandemic; we continue to drive the majority of our revenue from repeat buyers and the majority of our new buyers from organic channels; spend per buyer continues to grow rapidly as we go upmarket; buyers continue to buy larger ticket sized services through products such as Milestones and Subscriptions; we continue to be highly efficient in acquiring new buyers; and lastly, our take rate grew nicely from 27.2% last quarter to 27.8% this quarter, serving as a testament to the massive value we generate to our buyers and sellers.

I encourage you to read the rest of this letter to learn about all the exciting things we are doing at Fiverr, from the progress of Fiverr Business to the new partnerships with Salesforce and Wix; the launch of Seller Plus and the latest status of Promoted Gigs; the new algo implementation and the upgrade of our internal CRM system. I'm super proud of our team for our continued ability to innovate and execute, and continue to bring value to our community of buyers and sellers. As I always say, the majority of growth is still ahead of us.

# Growth Strategies and Recent Progress

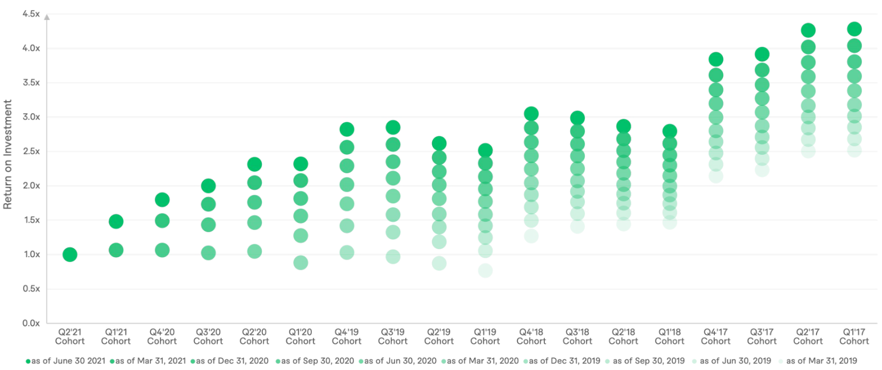
Recent updates regarding our key growth drivers and progress made in each area as we continue to grow and capture market share are as follows:

### *1. Bring new buyers onto the platform*

In the twelve months ended June 30, 2021, active buyers grew 43% y/y to 4.0 million, as we continue to see strong trends across organic and paid channels. We continue to rapidly expand our buyer base on top of the significant growth last year.

As many parts of the world reopen, people are taking vacation and spending more time out of their homes. The reduction in online activity leads to more moderate new buyer cohorts and slightly less activity from older cohorts. That said, we continue to be highly efficient in terms of buyer acquisition. For Q2'21, our time to return on performance marketing investment, or tROI, continued to be approximately three months. Our disciplined data-driven approach and continued investments in marketing automation and channel diversification allows us to stay efficient and competitive.

**CUMULATIVE REVENUE TO PERFORMANCE MARKETING INVESTMENT RATIOS**




**INCREASING ROI FOR PERFORMANCE MARKETING INVESTMENTS AS COHORTS SEASON OVER TIME**

As of June 30, 2021, revenue from the Q1'17 cohort amounted to 4.3x of our performance marketing investments for the first quarter of 2017, up from 4.0x as of March 31, 2021.

For older cohorts, those who joined on or before 2018, while their spend came down modestly from peak levels during the pandemic, they remain massively above the pre-pandemic levels. The 2019 and 2020 cohorts are also behaving significantly better than a typical cohort in its first two years.

**Some additional marketing highlights include:**

- In Q2'21, Fiverr hosted 70 virtual community events engaging over 15,000 participants across the globe. This quarter we focused on connecting community members face-to-face with internal Fiverr teams. By bringing the voice of the community into all facets of Fiverr - both challenges and successes, it helps us work to deliver a better product for our community.
- In June, we launched **The Future Collective for Black Owned Businesses**, our first annual fellowship program created to support black entrepreneurs. The winners will be able to leverage Fiverr's strong community to strengthen their businesses.


**THE FUTURE COLLECTIVE FOR BLACK OWNED BUSINESSES**

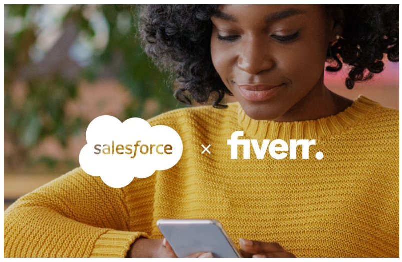
The annual fellowship program will reward five businesses owned by black entrepreneurs with funding and Fiverr credit.

## *2. Go upmarket*

In the twelve months ended June 30, 2021, spend per buyer on our platform increased 23% y/y to $226 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 61% of core marketplace revenues, up from over 59% in Q1'21.

We continue to invest in Fiverr Business. After three quarters of being live, Fiverr Business now represents 5% of core marketplace business and it's growing faster than the rest of the marketplace. While it is still super early, we see that business buyers highly value the white-glove services we provide in helping them finding the right freelancer and providing onboarding guidance on how to navigate through our platform. The product is still in its early cycle to become a mature solution for larger businesses and we continue to invest aggressively in it.

We also formed recent **partnerships with Salesforce** and Wix, respectively, to create dedicated programs for these companies to access qualified freelancers from Fiverr. Fiverr freelancers need to go through a training program designed and mentored by these companies to be qualified for each specific service, such as a Salesforce CRM administrator or a Wix web developer. While both partnerships currently focus on candidates from the disability community, they serve as pilot programs for additional corporate partners and a broader seller audience.




**SALESFORCE PARTNERSHIP**

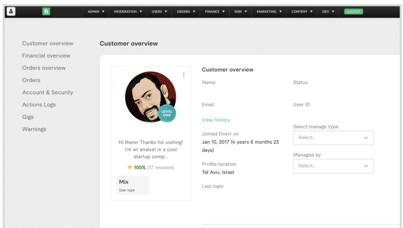
During the 6-week program, talent will get trained as Salesforce CRM admin by Salesforce mentors and how to sell on Fiverr from Fiverr mentors. Upon completion, Salesforce will direct its customers to work with these trained and certified Salesforce admin through the Fiverr platform.

### *3. Expand our Gig catalog*

Our expansive and ever growing service catalog continues to be a key competitive advantage. During Q2'21, we continued to add categories across our nine verticals. Our revenue is highly diversified across over 500 categories, which allow us to better navigate through different macro conditions. As the world reopens and demand for hiring and travel surges, we are seeing strength in categories such as resume writing and Airbnb listing.

It is both a constant challenge and a constant strengthening of our competitive moat as we continue to improve on how to match our expansive catalog with the diverse buyer traffic from top of the funnel, and how to better serve and provide value to our community of buyers and sellers. During the quarter, we developed a holistic approach to evaluate the matching quality across different funnels on the marketplace. When a buyer finds a service that's most closely aligned with her expectation in terms of quality, budget, style and timeline, the resulting transaction will be more smooth for both the buyer and the seller, and the buyer is most likely to purchase again from this seller and our marketplace overall. The new technology we developed allows us to instantaneously visualize the matching quality of our marketplace, improve matching quality and drive better order satisfaction rate.

We also completed major upgrades to our internal CRM system. The new **Customer View 360** enables our customer teams to access more granular customer data, provide better customer support, as well as significantly reduce time to respond to a ticket and take actions. This new architecture will also allow us to build additional capabilities with faster dev time and better performance.



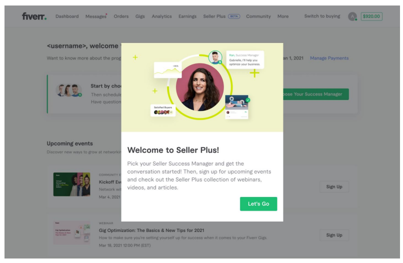

**CUSTOMER VIEW 360**

The upgrades to our internal CRM system will further strengthen our customer support and customer success teams relationships with the Fiverr community.

### *4. Innovate technology and services*

As a two-sided marketplace, it is important that we continue innovating and providing value to drive continued engagement and loyalty from buyers and sellers. After incubating since the beginning of this year, we officially launched **Seller Plus**, a subscription based loyalty program for freelancers on our platform. For $29 a month, subscribers can access a suite of benefits that include:

- Dedicated success manager,
- Faster payment clearance,
- Priority access to growth programs,
- Priority support,
- Advanced analytics,
- Advanced customer engagement tools, and
- Exclusive events and educational content.

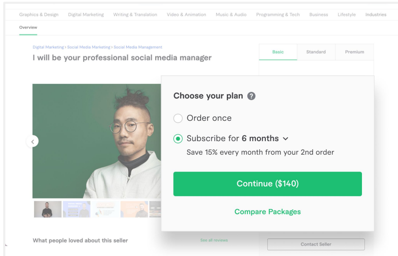



**SELLER PLUS**

A Prime-like subscription for sellers on Fiverr, with benefits ranging from advanced analytics to a dedicated customer success manager.

The program is packed with data and tools that equip motivated sellers with highly actionable insights to take their business on Fiverr to the next level. The human touch from a success manager extends the sense of belonging for our sellers unlike any other platforms. The early pilot has been highly successful, with hundreds of sellers already in the program, creating a buzz on the seller forum, and many more sellers waiting to join. As we continue to add benefits and develop the program in the coming quarters, we strive to turn the program into a Prime-like subscription for our sellers, a must-have solution for any seller who wants to grow their professional skills and build a successful freelance business on Fiverr.

On the buyer side, a number of our recent product initiatives focus on increasing repeat buying activities on Fiverr. The **Subscriptions** product is now available in over 150 categories where buyers can purchase a recurring order from a seller on a monthly basis - we are encouraged to see that over 20% of subscription orders have a duration of 6 months. Within Seller Plus, we are enabling subscribers to send personalized coupons to their Fiverr clients to strengthen their relationship. On Fiverr's listing pages, buyers can now see sellers with an excellent history of repeat buyers, as an additional decision indicator for the seller quality. We have also improved buyers' personalized dashboard with non-linear recommendation algorithms as well as improved conversion from dead-end inbox messages.



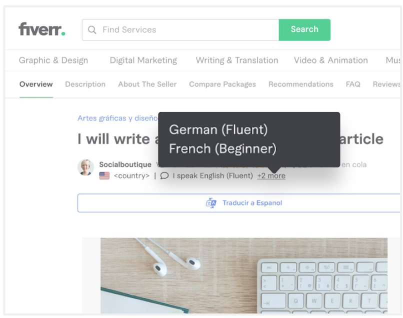

**SUBSCRIPTIONS**

Subscriptions are now available in over 150 categories making it more seamless for buyers to purchase recurring services on Fiverr.

Last but not least, we reached an important milestone for Promoted Gigs this quarter. After a little over a year, Promoted Gigs has reached quarterly ad revenue of $1 million. We expect to continue expanding the coverage of the product across listing pages on the marketplace, and we are also exploring other potential ad products.

## *5. Expand our geographic footprint*

During the quarter we continued to build on our localization strategy. We focused on improving the infrastructure to better support international standards. Part of this initiative was around adapting and standardizing the format of the content by the buyer and sellers respective location. These changes will help further our product marketing efforts and support a strong infrastructure for future localization expansion. We improved the **localized browsing** experience by highlighting the seller's language and location, particularly when buyers and sellers speak the same language. We've seen incremental improvements in conversion rates as a result of that.




**LOCALIZED BROWSING**

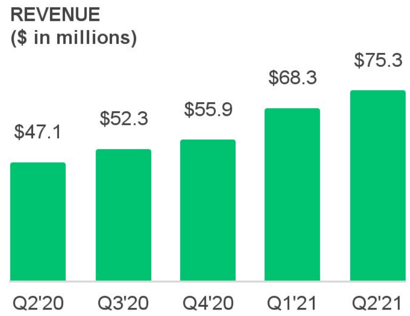
Improving the local browse and search functionality by matching buyers and sellers who speak the same language.

# Financial Discussion

We delivered exceptional financial results in Q2'21 with revenue increasing 60% y/y to $75.3 million. Adjusted EBITDA was $7.4 million or 9.8% in Adjusted EBITDA margin. Unless otherwise noted, all comparisons are on a year-over-year basis.

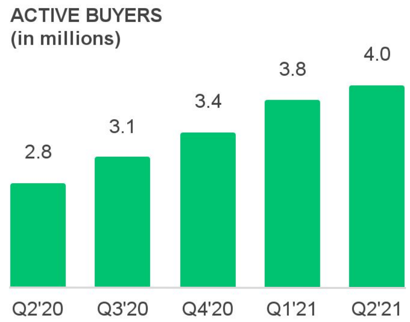
## *Revenue*

Revenue for Q2'21 was $75.3 million, up 60% from $47.1 million in Q2'20, 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 27.8% for the 12 months ended June 30, 2021 from 27.0% for the 12 months ended June 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.



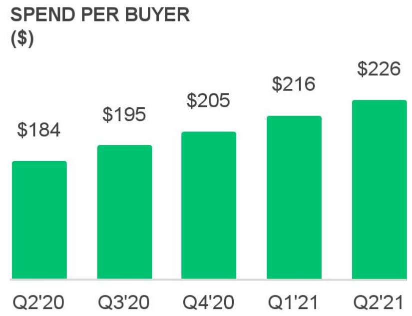

## *Active Buyers*

Our active buyer base has consistently grown over time, and Q2 was no different. In the twelve months ended June 30, 2021, our active buyers reached 4.0 million, representing 43% y/y growth. Our robust active buyer growth was driven by consistent cohort behavior and efficient marketing investments. We also continue to focus on higher lifetime value by targeting buyers with larger budgets.



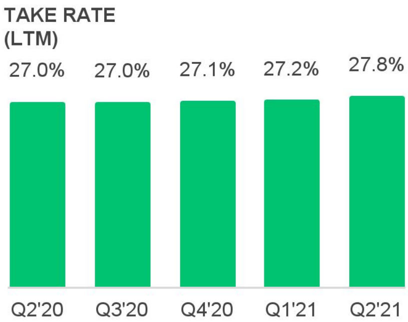

## *Spend Per Buyer*

The second driver of our revenue growth is the annual spend per buyer, or SPB. In the twelve months ended June 30, 2021, SPB grew to $226, up 23% y/y from $184. SPB is an indicator of our buyers' purchasing patterns and is impacted by the number of active buyers, buyers purchasing from multiple categories, average price per purchase, and our ability to acquire buyers with a higher lifetime value.



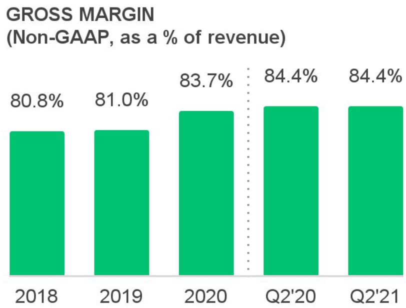
## *Take Rate*

For the twelve months ended June 30, 2021, our take rate was 27.8%, an increase of 80 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 this quarter, continued growth of back-office software subscriptions, e-learning courses and content marketing subscriptions.




## *Gross Profit and Margin*

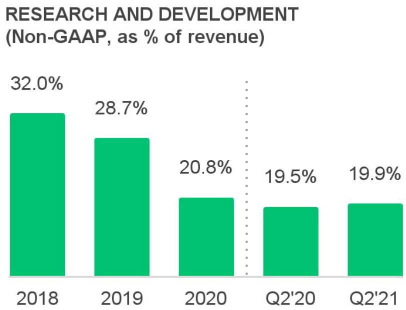
Gross profit on a GAAP basis for Q2'21 was $62.7 million, up 60.1% from $39.2 million in Q2'20. Gross margin was 83.4%, an increase from 83.1% in Q2'20. Non-GAAP gross margin was 84.4% for both Q2'21 and Q2'20. The gross margin was primarily driven by increasing revenue scale, complemented by the modest mix shift between core marketplace revenue and other revenues.



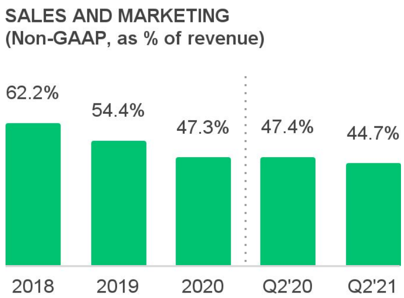

## *Operating Expenses*

Total operating expenses on a GAAP basis for Q2'21 were $71.1 million, compared to $39.8 million in Q2'20. Non-GAAP operating expenses for Q2'21 were $56.1 million, or 74.6% of revenue, compared to $36.6 million, or 77.7% of revenue in Q2'20. The improvement in operating leverage represents greater efficiency as a result of increasing scale and disciplined financial strategy.

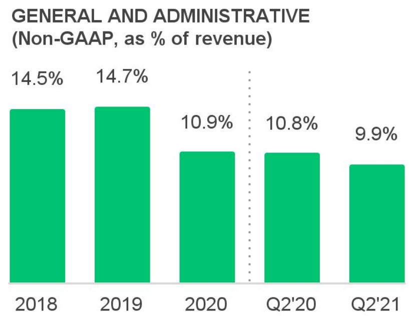
***Research and Development (R&D)*** expenses on a GAAP basis were $20.1 million, or 26.7% of revenue in Q2'21. Non-GAAP research and development expenses were $15.0 million, or 19.9% of revenue, compared to 19.5% in the prior year period. We continue to invest in improving user experience with initiatives such as Promoted Gigs, international expansion, mobile web and mobile app and category expansion.




***Sales and Marketing (S&M)*** expenses on a GAAP basis were $38.2 million, or 50.7% of revenue in Q2'21. Non-GAAP sales and marketing expenses were $33.6 million, or 44.7% of revenue in Q2'21, compared to 47.4% in the prior year period. We continued to gain significant sales and marketing leverage during the quarter driven by increasing scale, channel diversification and continued strong execution, which demonstrates our ability to drive marketing efficiency towards our long-term target model.

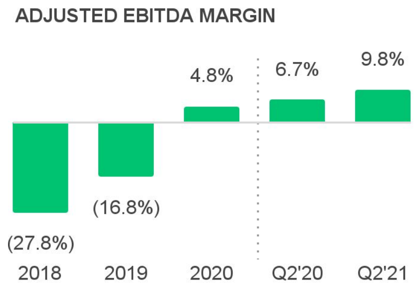


***General and Administrative (G&A)*** expenses on a GAAP basis were $12.8 million, or 17.0% of revenue in Q2'21. Non-GAAP general and administrative expenses were $7.5 million, or 9.9% of revenue in Q2'21, compared to 10.8% in the prior year period. The improved G&A leverage was primarily driven by increased revenue scale.




## *Net Loss and Adjusted EBITDA*

Net loss on a GAAP basis in Q2'21 was ($13.3) million, compared to ($0.1) million in the second quarter of 2020. Adjusted EBITDA was $7.4 million, or 9.8% of revenue in Q2 2021, compared to $3.1 million or 6.7% in the second quarter of 2020. The improved EBITDA margin was driven by increased revenue scale and improved leverage in operating expenses.



# Financial Outlook

Our Q3’21 outlook and updated full year 2021 guidance reflects the new post-COVID effect we saw in recent weeks. As COVID restrictions are lifted in many parts of the world, people are spending more time out of home and less time on screens. The reduced online activity translates into more modest new customer cohorts and less activity for older cohorts. We are providing the following guidance accordingly. 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:*

| | Q3 2021 | FY 2021 |
|---|---|---|
| **REVENUE** | $68.0 - $72.0 million | $280.0 - $288.0 million |
| y/y growth | 30 - 38% y/y | 48 - 52% y/y |
| **ADJUSTED EBITDA**[(1)] | $2.5 - $3.5 million | $12.0 - $14.0 million |

# Conference Call Details

Fiverr's management will host a conference call to discuss its financial results on Thursday, August 5, 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 (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, August 12, 2021, 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 10157464.

**Investor Relations**

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**Press**

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**Micha Kaufman**

Founder and Chief Executive Officer

**Ofer Katz**

President and Chief Financial Officer

## CONSOLIDATED BALANCE SHEETS

(in thousands)

| | June 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 146,722 | $ 268,030 |
| Marketable securities | 166,117 | 129,372 |
| User funds | 121,613 | 97,984 |
| Bank deposits | 129,000 | 90,000 |
| Restricted deposit | 346 | 346 |
| Other receivables | 7,667 | 5,418 |
| **Total current assets** | 571,465 | 591,150 |
| | | |
| Marketable securities | 274,863 | 228,048 |
| Property and equipment, net | 6,367 | 6,265 |
| Operating lease right of use asset, net | 14,136 | 15,611 |
| Intangible assets, net | 9,767 | 5,884 |
| Goodwill | 15,900 | 11,240 |
| Restricted deposit | 2,589 | 2,589 |
| Other non-current assets | 528 | 415 |
| **Total assets** | $ 895,615 | $ 861,202 |
| | | |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Trade payables | $ 3,962 | $ 3,622 |
| User accounts | 113,723 | 92,027 |
| Deferred revenue | 8,375 | 5,957 |
| Other account payables and accrued expenses | 43,591 | 40,396 |
| Operating lease liabilities | 3,340 | 3,307 |
| Current maturities of long-term loan | 507 | 560 |
| **Total current liabilities** | 173,498 | 145,869 |
| | | |
| Long-term liabilities: | | |
| Convertible notes | 361,923 | 352,034 |
| Operating lease liabilities | 12,096 | 13,861 |
| Long-term loan and other non-current liabilities | 2,348 | 4,035 |
| **Total long-term liabilities** | 376,367 | 369,930 |
| **Total liabilities** | $ 549,865 | $ 515,799 |
| | | |
| Shareholders' equity: | | |
| **Share capital and additional paid-in capital** | 549,372 | 517,444 |
| Accumulated deficit | (203,716) | (172,573) |
| Accumulated other comprehensive income | 94 | 532 |
| Total shareholders' equity | 345,750 | 345,403 |
| **Total liabilities and shareholders' equity** | $ 895,615 | $ 861,202 |

**CONSOLIDATED STATEMENTS OF OPERATIONS**
(in thousands, except share and per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | | (Unaudited) | |
| Revenue | $ 75,263 | $ 47,130 | $ 143,583 | $ 81,280 |
| Cost of revenue | 12,528 | 7,957 | 24,074 | 14,777 |
| Gross profit | 62,735 | 39,173 | 119,509 | 66,503 |
| Operating expenses: | | | | |
| Research and development | 20,106 | 10,533 | 36,979 | 20,507 |
| Sales and marketing | 38,184 | 23,207 | 80,823 | 41,428 |
| General and administrative | 12,789 | 6,031 | 23,876 | 11,621 |
| Total operating expenses | 71,079 | 39,771 | 141,678 | 73,556 |
| Operating loss | (8,344) | (598) | (22,169) | (7,053) |
| Financial income (expenses), net | (4,944) | 491 | (8,918) | 822 |
| Loss before income taxes | (13,288) | (107) | (31,087) | (6,231) |
| Income taxes | (11) | (17) | (56) | (48) |
| Net loss attributable to ordinary shareholders | $ (13,299) | $ (124) | $ (31,143) | $ (6,279) |
| Basic and diluted net loss per share attributable to ordinary shareholders | $ (0.37) | $ (*) | $ (0.87) | $ (0.19) |
| Basic and diluted weighted average ordinary shares | 36,338,172 | 33,172,593 | 35,988,608 | 32,484,425 |

* Represents amounts less than 0.01

## CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | | (Unaudited) | |
| **Operating Activities** | | | | |
| Net loss | $ (13,299) | $ (124) | $ (31,143) | $ (6,279) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 1,373 | 1,016 | 2,691 | 1,981 |
| Amortization of discount of marketable securities | 1,658 | (66) | 3,481 | (337) |
| Amortization of discount and issuance costs of convertible notes | 4,973 | - | 9,877 | - |
| Shared-based compensation | 13,174 | 3,062 | 23,657 | 5,824 |
| Net income from exchange rate fluctuations | 393 | 19 | 302 | 213 |
| Changes in assets and liabilities: | | | | |
| User funds | (1,286) | (20,737) | (23,629) | (28,665) |
| Operating lease ROU assets and liabilities, net | 272 | - | (257) | - |
| Other receivables | (559) | (335) | (1,267) | 113 |
| Trade payables | (837) | 2,764 | 253 | 2,180 |
| Deferred revenue | 121 | 796 | 2,395 | 1,806 |
| User accounts | 1,403 | 19,782 | 21,696 | 26,920 |
| Other account payables and accrued expenses | 8,630 | 857 | 12,736 | 3,582 |
| Payment of contingent consideration | (507) | (1,960) | (507) | (1,960) |
| Non-current liabilities | 6 | 164 | (235) | 162 |
| Net cash provided by operating activities | 15,515 | 5,238 | 20,050 | 5,540 |
| **Investing Activities** | | | | |
| Investment in marketable securities | (40,833) | (135,036) | (166,831) | (171,822) |
| Proceeds from sale of marketable securities | 39,065 | 113,451 | 78,995 | 150,539 |
| Bank deposits | (39,000) | (15,000) | (39,000) | (15,000) |
| Acquisition of business, net of cash acquired | (410) | - | (9,288) | - |
| Purchase of property and equipment | (389) | (406) | (700) | (537) |
| Capitalization of internal-use software | (180) | (166) | (322) | (451) |
| Other receivables and non-current assets | - | 2 | - | 54 |
| Net cash used in investing activities | (41,747) | (37,155) | (137,146) | (37,217) |
| **Financing Activities** | | | | |
| Proceeds from follow on offering, net | - | 130,670 | - | 130,670 |
| Payment of deferred issuance costs related to follow on offering | (5) | - | (381) | - |
| Payment of convertible notes deferred issuance costs | - | - | (34) | - |
| Payment of contingent consideration | (1,105) | (2,040) | (1,105) | (2,040) |
| Proceeds from exercise of share options | 1,563 | 2,704 | 6,351 | 4,652 |
| Tax withholding in connection with employees' options exercises and vested RSUs | (10,951) | (16) | (8,629) | 2,256 |
| Repayment of long-term loan | (139) | (124) | (273) | (244) |
| Net cash provided by (used in) financing activities | (10,637) | 131,194 | (4,071) | 135,294 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 236 | 55 | (141) | (246) |
| Increase (decrease) in cash and cash equivalents | (36,633) | 99,332 | (121,308) | 103,371 |
| Cash and cash equivalents at the beginning of period | 183,355 | 28,210 | 268,030 | 24,171 |
| Cash and cash equivalents at the end of period | $ 146,722 | $ 127,542 | 146,722 | $ 127,542 |

## KEY PERFORMANCE METRICS

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|
| Annual active buyers (in thousands) | 3,998 | 2,792 |
| Annual spend per buyer ($) | $ 226 | $ 184 |

## RECONCILIATION OF GAAP TO NON-GAAP GROSS PROFIT

(in thousands, except gross margin data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | | (Unaudited) | |
| GAAP gross profit | $ 62,735 | $ 39,173 | $ 119,509 | $ 66,503 |
| Add: | | | | |
| Share-based compensation | 338 | 87 | 617 | 157 |
| Depreciation and amortization | 440 | 499 | 877 | 973 |
| Non-GAAP gross profit | $ 63,513 | $ 39,759 | $ 121,003 | $ 67,633 |
| Non-GAAP gross margin | 84.4% | 84.4% | 84.3% | 83.2% |

## 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | | (Unaudited) | |
| GAAP net loss attributable to ordinary shareholders | $ (13,299) | $ (124) | $ (31,143) | $ (6,279) |
| Add: | | | | |
| Depreciation and amortization | 1,373 | 1,016 | 2,691 | 1,981 |
| Share-based compensation | 13,174 | 3,062 | 23,657 | 5,824 |
| Contingent consideration revaluation, acquisition related costs and other | 1,201 | (337) | 2,521 | (466) |
| Convertible notes amortization of discount and issuance costs | 4,973 | - | 9,877 | - |
| Exchange rate loss (income), net | 432 | - | (23) | - |
| Non-GAAP net income | $ 7,854 | $ 3,617 | $ 7,580 | $ 1,060 |
| Weighted average number of ordinary shares - basic | 36,338,172 | 33,172,593 | 35,988,608 | 32,484,425 |
| Non-GAAP basic net income per share attributable to ordinary shareholders | $ 0.22 | $ 0.11 | $ 0.21 | $ 0.03 |
| Weighted average number of ordinary shares - diluted | 40,921,663 | 36,053,713 | 40,854,045 | 34,715,990 |
| Non-GAAP diluted net income per share attributable to ordinary shareholders | $ 0.19 | $ 0.10 | $ 0.19 | $ 0.03 |

**RECONCILIATION OF GAAP NET LOSS TO ADJUSTED EBITDA**

(in thousands, except adjusted EBITDA margin data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | | (Unaudited) | |
| GAAP net loss | $ (13,299) | $ (124) | $ (31,143) | $ (6,279) |
| Add: | | | | |
| Financial expense (income), net | 4,944 | (491) | 8,918 | (822) |
| Income taxes | 11 | 17 | 56 | 48 |
| Depreciation and amortization | 1,373 | 1,016 | 2,691 | 1,981 |
| Share-based compensation | 13,174 | 3,062 | 23,657 | 5,824 |
| Contingent consideration revaluation, acquisition related costs and other | 1,201 | (337) | 2,521 | (466) |
| Adjusted EBITDA | $ 7,404 | $ 3,143 | $ 6,700 | $ 286 |
| Adjusted EBITDA margin | 9.8% | 6.7% | 4.7% | 0.4% |

**RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES**

(in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | | (Unaudited) | |
| GAAP research and development | $ 20,106 | $ 10,533 | $ 36,979 | $ 20,507 |
| Less: | | | | |
| Share-based compensation | 4,909 | 1,202 | 9,011 | 2,244 |
| Depreciation and amortization | 190 | 130 | 377 | 246 |
| Non-GAAP research and development | $ 15,007 | $ 9,201 | $ 27,591 | $ 18,017 |
| | | | | |
| GAAP sales and marketing | $ 38,184 | $ 23,207 | $ 80,823 | $ 41,428 |
| Less: | | | | |
| Share-based compensation | 3,457 | 552 | 6,045 | 1,079 |
| Depreciation and amortization | 686 | 338 | 1,325 | 668 |
| Acquisition related costs | 398 | - | 695 | 121 |
| Non-GAAP sales and marketing | $ 33,643 | $ 22,317 | $ 72,758 | $ 39,560 |
| | | | | |
| GAAP general and administrative | $ 12,789 | $ 6,031 | $ 23,876 | $ 11,621 |
| Less: | | | | |
| Share-based compensation | 4,470 | 1,221 | 7,984 | 2,344 |
| Depreciation and amortization | 57 | 49 | 112 | 94 |
| Contingent consideration revaluation, acquisition related costs and other | 803 | (337) | 1,826 | (587) |
| Non-GAAP general and administrative | $ 7,459 | $ 5,098 | $ 13,954 | $ 9,770 |

## *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 third 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 third 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.