



August 5, 2021

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

Prepared Remarks

Q2 2021 Earnings Call

## Management Discussion

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### **Maya Tracey**

*Investor Relations Manager - Fiverr International, Ltd.*

Thank you, operator, and good morning everyone. Thank you for joining us on Fiverr's earnings conference call for the second quarter ended June 30, 2021. Joining me on the call today are Micha Kaufman, Founder and CEO, and Ofer Katz, President and CFO. Before we start, I would like to remind you that during this call we may make forward-looking statements and that these statements are based on our current expectations and assumptions as of today and Fiverr assumes no obligation to update or revise them.

A discussion of some of the important risk factors that could cause actual results to differ materially from any forward-looking statements can be found under the "Risk Factors" section in Fiverr's most recent Form 20-F and other filings with the SEC.

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

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

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**Micha Kaufman**

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

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

With strong execution and continued growth momentum, we finished the second quarter with 60% y/y revenue growth, above the top end of our guidance. When we consider the tough comp as we start to lap our previous Q2 growth rate of over 80% this is an especially impressive result. Looking at the last two years, we have effectively doubled our active buyer base, tripled our revenue base, and achieved a nearly 30% positive swing in EBITDA margin. We grew significantly faster than our competitors and rapidly expanded our market share in the freelancing economy. Fiverr is leading the changes in how the world works together and setting the industry standards with our disruptive and first-of-its-kind business model.

COVID has created some unprecedented growth spikes for our business in the past year. Like many of the companies which reported their Q2 in the past two weeks, we also see a new post-COVID effect. Most of the world has been confined to home for the past 18 months. When COVID restrictions were lifted in the U.S. and Europe around the second half of May, people were in desperate need to get out of home and have some off-screen time. Coinciding with the summer and school holidays, people are taking vacations, which is a really healthy thing to do, and that translates to less time spent online. To be prudent, we are adjusting guidance for the fiscal year 2021 based on these incremental trends over the past few weeks. I would like to highlight that our fundamentals continue to be very strong, far stronger than pre-pandemic, but the reduced online activity translates into more modest new customer cohorts and less activity for those who are taking vacation.

All that said, none of this 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 majority of our revenue from repeat buyers and majority of our new buyers from organic

channels; spend per buyer continues to grow rapidly as we go upmarket; buyers continue to buy large ticket sized services through products such as Milestone 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 testament to the massive value we generate for our buyers and sellers.

Against the backdrop of the increasing demand for skilled talent, the adoption of remote work and continued investments in digital channels, businesses are increasingly turning to Fiverr to access digital service providers. Driven by accelerated pace of investment and innovation Fiverr maintains its position as a powerhouse that enables more buyers and sellers to participate in the digital service economy and allows them to do more on Fiverr with greater convenience and efficiency.

During the quarter, we made exciting progress towards our upmarket strategy. Fiverr Business was launched just three quarters ago, and even with limited exposure, already represents 5% of core marketplace business, growing faster than our overall marketplace. This product is still in its early cycle to become a mature solution for larger businesses. Early data indicates that buyers significantly increase their spend with us after joining Fiverr Business. The white-glove services we provide reduces the friction in last-mile conversion, allowing our buyers to execute their project on Fiverr with peace of mind. Combined with collaboration and project management tools, we see improvement in overall engagement and spend.

We signed two important partnerships this quarter with Salesforce and Wix. The partnerships allow the customers of these companies to have a streamlined experience in accessing qualified talent on the Fiverr platform. With dedicated training programs to prepare and qualify sellers with the desired skills, we will enable a one-click order experience for corporate buyers. At the same time ensuring a smooth onboarding experience and a high-quality service delivery. While these partnerships currently focus on seller candidates from the disabled community, they serve as pilots for additional corporate partners and a broader seller audience.

Another area that I'm super excited about is the seller services. We are increasingly establishing our platform to be more than just a place to transact, but also an ecosystem

that allows talents to grow their business. Following Fiverr Learn and Promoted Gigs, we launched Seller Plus in Q2 as the latest addition to this family of products. Seller Plus is a subscription-based loyalty program that provides a suite of benefits to subscribers, including advanced analytics dashboard, the ability to send coupons, access to a dedicated success manager, and so on. So now we have Fiverr Learn to help a seller improve their skills and deliver better services to our buyers. Added to that we have Promoted Gigs to bring our sellers more traffic and exposure, and now Seller Plus equips our sellers with data and tools to convert better, retain their clients better, and become more sophisticated participants of our marketplace altogether. Initial feedback from our seller community has been extremely positive. We plan to further expand benefits in the program and make it a no-brainer for any quality and motivated Fiverr sellers.

We are also making continued progress in expanding Promoted Gigs. During the quarter, we reached an important milestone by achieving quarterly ad revenue in Promoted Gigs of \$1M. While this is still small compared to our overall revenue, the potential is significant. In the coming quarter, we will continue to grow the coverage of Promoted Gigs on the marketplace and continue to explore and innovate new ad products.

In conclusion, I am super proud of our team for their relentless focus and ability to navigate through the post-pandemic hyper-seasonality and continue to execute at the highest levels.

With that, I will turn the call over to Ofer who will share a few Q2 highlights as well as some color for the rest of this year. Ofer?

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**Ofer Katz**

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

Thank you, Micha, and good morning everyone.

Our Q2 results show continued strong growth across all of our metrics, as we continue to expand our market share and drive the transformation of how the world works

together. Revenue for Q2 was \$75.3 million, up 60% y/y, driven by 43% growth on active buyers, 23% growth on spend per buyer, and 80 basis points expansion on take rate. We continue to move upmarket, with high value buyers now representing over 61% of core marketplace revenue, up from over 55% a year ago.

As Micha mentioned, we saw some near-term fluctuations on our marketplace that are consistent with the broader post-COVID trends. As COVID restrictions were largely lifted in the U.S. and Europe, where the majority of Fiverr's revenue is coming from, people are taking time off, visiting families, and having a break from work after the extended period of lockdown. The seasonality in the second half of this year was expected when we provided guidance in May, however we didn't have the visibility to the unprecedented nature of post pandemic hyper-seasonality. Based on the incremental trends we saw since the second half of May, we are adjusting our full year guidance. For full year 2021, we now expect revenue to be in the range of \$280 to \$288 million, representing y/y growth rate of 48-52%. At the low end, we expect the hyper-seasonality to continue for the remainder of the year, and on the high end, we expect the pent-up demand for personal travel to ease in Q4 as summer is coming to an end. Full year adjusted EBITDA is expected to be in the range of \$12-\$14 million, representing an adjusted EBITDA margin of 4.6% at midpoint. We have ramped up our hiring based on the tremendous growth of 2020 and expected growth going forward. We continue to believe that these investments are critical for us to drive long-term growth initiatives, and the reduction in leverage is short-term by nature.

For Q3, we expect revenue to be \$68-72 million and EBITDA to be \$2.5-3.5 million. In light of recent post-COVID trends, we expect Q3 revenue to be slightly down from Q2.

All that said, we are well positioned to stay resilient through this period of volatility and uncertainty:

- 1) We operate a horizontal marketplace and our revenue is well diversified across over 500 categories. When stay-at-home orders were in place, categories related to e-commerce and gaming performed really well, such as dropshipping and graphics for streamers. Now as the world re-opens and demand for hiring and

travel surges, we are seeing strength in categories such as resume-writing and Airbnb listing.

- 2) Majority of our revenue came from existing cohorts and those buyers continue to stay engaged on our marketplace for a very long time. In Q2, while spend from repeat buyers modestly came down from peak levels, they remain massively elevated compared to pre-COVID levels.
- 3) Our highly sophisticated SEO/SEM engine continues to be a key competitive advantage. The continuous channel diversification and automation around marketing technology allowed us to stay disciplined in Q2. tROI for the quarter was 1.0x and we continued to return our performance marketing investments in roughly three months. We expect that when post-COVID seasonality winds down, the fact that we don't have a salesforce and a long sales cycle will allow us to quickly pick up the growth trends.

In summary, we had an amazing Q2 and the fundamentals of the business are stronger than ever. We as management are committed to stay transparent and forthcoming. We remain heads down focused on continued execution and innovation to empower our community of buyers and sellers, and to drive long-term sustainable growth of our business.

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