



August 3, 2023

Fiverr International, Ltd. (NYSE: FVRR)

Prepared Remarks

Q2 2023 Earnings Call

Management Discussion

Brian Lan

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 that ended June 30, 2023. 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 key performance metrics and non-GAAP financial measures, including Adjusted EBITDA and Adjusted EBITDA margin. Further explanation and a reconciliation of each of the non-GAAP financial measures to the most directly comparable GAAP measures is provided in the earnings release we issued today and our shareholder letter, each of which is available on our website at investors.fiverr.com.

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

Micha Kaufman

Founder & Chief Executive Officer – Fiverr International, Ltd.

Thank you, Brian. Good morning everyone, and thank you for joining us.

We are excited about the Q2 results we're sharing today. Not only did we deliver strong financial results, but it has also been a highly productive quarter, where we launched several game-changing products that build towards our next leg of growth.

For the second quarter of 2023, revenue came in near the high end of our guidance at \$89.4 million, representing year-over-year growth of 5.1%, an acceleration from 1.5% y/y growth in Q1. We delivered Adjusted EBITDA of \$15.3 million, meaningfully ahead of our guidance range and representing an Adjusted EBITDA margin of 17.1%. These results show how we have become financially stronger as a company through the efficiency steps we've taken in the past few quarters. It also underscores the consistent execution that we strive for, especially in a continued uncertain macro environment.

We have successfully built a strong operational foundation, and our focus remains on our long-term strategic goal of investing in product development and marketing efficiency to drive increasingly profitable, top-line growth. In Q2, we reached several significant milestones in our product efforts. With the all-new Fiverr Pro, the introduction of Fiverr Enterprise, Fiverr Certified and Fiverr Business Solutions, and our latest launch, Fiverr Neo™, a few days ago, it is frankly the most exciting and action-packed quarter on the product front that I can remember. This is not to mention the many new features and optimizations we have constantly made, which continue to drive incremental improvement in conversion, engagement and retention of our marketplace. Building beautiful, simple and innovative products is in the Fiverr DNA and something close to my heart, and I can't tell you how energizing and fulfilling it is to see these endeavors in full swing.

Now, at the beginning of the year, we talked about two focus areas for us to drive growth. First, investing in core fundamentals of the marketplace to drive better discovery, better catalog experience, and improved engagement and retention. Second,

continue investing in going upmarket to unlock large buyers' wallet share and new addressable markets. I want to touch on how each of the projects I called out earlier represents a major opportunity within these two focus areas.

In general, the fundamental experience of the e-commerce marketplace hasn't changed much over time. Browse, search, listing pages and buying - these are the basic functionalities any e-commerce site offers today. That is until the launch of Fiverr Neo™. Leveraging the latest large language models, neural networks, and natural language processing, Fiverr Neo™ fundamentally changes not only the search-to-find experience - moving from a structured catalog experience to a free-form conversational experience; but also drastically changes how the underlying matching is done - the algorithm is not passively taking information based on buyer keywords and action, but has the ability to drive the conversation and pull information from the buyer, to form a more complete view of buyer requirements and generate the perfect matching results. That is a complete game-changer. Think of Fiverr Neo™ as having the potential to get infinitely close to a human talent recruiter, only with more data, knowledge, patience, and a far faster turnaround.

We have also taken significant steps in the evolution of our upmarket efforts. We launched Fiverr Business nearly three years ago because we saw an opportunity for larger companies to incorporate a global freelancer workforce to help fill skill gaps and provide cost savings. That opportunity has only become more relevant today, and we recognize that these organizations are in even greater need of solutions that can simplify the process of finding and hiring talent online. Today, the launch of Fiverr Business Solutions represents the culmination of our strategic efforts to move upmarket and create multiple impactful solutions that will bring and serve higher lifetime value buyers.

With Fiverr Business Solutions, we offer larger companies a suite of products, each with a unique value proposition. Fiverr Pro enables the marketplace experience for corporate buyers, offering a curated pool of professional experts, along with advanced business tools and dedicated customer support to ensure they have the right talent to meet their complex demands. This end-to-end solution allows us to achieve better conversion and

wallet share expansion among high-value buyers. Fiverr Enterprise enables us to offer services to larger organizations where compliance and avoiding work misclassification is important. It allows buyers to onboard their existing freelancers and find new freelancers via Fiverr's unified talent base for longer-term engagements. This allows us to tap into a part of the addressable market that has historically been underserved by the marketplace. Finally, Fiverr Certified opens entirely new acquisition channels through partnerships, providing our partners with a tailor-made marketplace with predefined services and certified talent. We are already working with several of the world's most recognized brands, such as Amazon, monday.com, and Stripe, and we have proven that this playbook can be quickly replicated with many more partners, allowing us to penetrate targeted SMB communities in a highly scalable and efficient manner. This array of products has significantly enhanced our ability to address the more complex and multifaceted talent strategy that bigger companies deploy today. We've received strong positive feedback from our early adopters, and our customers are as thrilled about these solutions as we are!

As I mentioned in the beginning, it's an exciting time at Fiverr as we enter the second half of 2023. I'm incredibly proud of our team for stepping up and delivering so much in such a short time, and I'm really looking forward to the continued progress across these long-term initiatives, both in terms of product progress as well as business impact. We are on track for the rest of the year to continue driving revenue acceleration and margin expansion. I'm optimistic about the road ahead, and I want to thank all of our shareholders for being on this journey with us.

With that, I'll turn the call now to Ofer, who will walk you through our financial highlights.

Ofer Katz

President & Chief Financial Officer – Fiverr International, Ltd.

Thank you, Micha, and good morning everyone.

We are pleased to report another great quarter as we continue to grow while significantly improving our operating efficiency. Revenue of \$89.4 million, up 5.1% year-over-year, was towards the top end of our guidance and Adjusted EBITDA of \$15.3 million, or 17.1% in margin, exceeded the top end of our guidance. For the latter, this represents a nearly 1,200 basis points improvement from a year ago and over 400 basis points improvement from the previous quarter. We continue to focus on expanding our TAM opportunity while maintaining cost discipline to drive further improvements in our operating leverage toward our long-term Adjusted EBITDA margin target.

Our annual active buyers were at 4.2 million, consistent with a year ago, while spend per buyer was \$265, up 2% year-over-year and a \$3 increase from Q1. Over the past few quarters, we have accelerated the pace of our upmarket investments as demonstrated by our recent releases under Fiverr Business Solutions. Aligned with this strategy to move upmarket, we focus our marketing efforts on targeting higher-value buyers with larger spend capacity. We expect this will impact our active buyer count in the near term, but will also increase our spend per buyer as we shift our acquisition budget towards the higher end. All while reducing investments in certain channels that primarily attracted low-value customers. We have already seen positive results of this change as the average spend from our first-time buyers in our 2023 cohorts has increased compared to first-time buyers in prior cohorts. In addition, our unit economics remain very strong as tROI for performance marketing improved to slightly over three months. We expect spend per buyer growth to pick up in the second half of the year as we invest upmarket into higher value buyers and Fiverr Business Solutions grows faster than the overall marketplace.

Q2 take rate improved to 30.7%, representing a year-over-year expansion of 90 basis points, as we continue to scale our value-adding Promoted Gigs and Seller Plus programs. We are seeing healthy growth and adoption from both programs.

Now turning to guidance. For the third quarter of 2023, revenue is expected to be \$89.5 - \$92.5 million, representing year-over-year growth of 8%-12%. Adjusted EBITDA is expected to be \$14.5 to \$16.5 million, representing an Adjusted EBITDA margin of 17% at the midpoint. For the full year of 2023, we expect revenue to be in the range of \$358 - \$365 million, representing year-over-year growth of 6%-8%. Adjusted EBITDA is expected to be in the range of \$56 - \$60 million, representing an Adjusted EBITDA margin of 16% at the midpoint.

Given the strength of our business, we are increasing the midpoint of our full-year revenue guidance while raising our Adjusted EBITDA guidance. We are focused on accelerating revenue growth and maintaining strong operating margins in the second half of the year as we launch our latest products, accelerate our upmarket motion, and optimize our performance marketing efforts.

In closing, we have a strong balance sheet, positive cash flow, and we are well positioned to capture the enormous opportunity we see in the future of work. Our business is healthy and scalable, and we are excited about the new offerings we are bringing to the table.

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