

# Fiverr International Ltd. (NYSE : FVRR)

**BUY - Growth**

## Security Description



*Fiverr is an online marketplace which connects service providers (sellers) with service buyers. Unlike other online marketplaces, Fiverr transactions are for services; sellers essentially engage in freelance labor. Transactions are initiated by buyers who select from sellers' job postings (coined 'gigs'). Thus, this marketplace provides **Service-as-a-Product (SaaS)**. Fiverr earns fees from both parties in a transaction.*

## Investment Thesis

1. Fiverr is well differentiated from its main competitor, Upwork. Anyone with an internet connection can buy and sell on Fiverr. Upwork, instead, targets enterprise 'buyers' and skilled 'sellers.'
2. Unites States' freelance growth is lukewarm. In the long term, domestic freelance revenue growth will be a function of platform maturation and user retention.
3. Freelance in developing countries grows faster and is best suited for Fiverr's platform. These regions allow labor and skill arbitrage between their sellers and developed country buyers.

## Catalysts

- **Base user monetization:** successful maturation of the existing cohort population ensures prolonged organic growth.
- **International Expansion** will drive new user growth. There exists paramount opportunity in developing countries.
- **Convertible Debenture** issued in October 2020.

## Public Offerings and Insiders

- Fiverr went public in June 2019 at a \$600 million valuation. Insiders did not liquidate. In May 2020, Fiverr raised \$120 million in a secondary; again, insiders sold no shares.
- Today, the company is worth more than \$7 billion; insiders have not sold any equity.
- In October 2020, FVRR raised over \$400 million through a convertible debenture, raising debt from 32% of total assets to over 60%. This will drive volatility in the equity.
- Fiverr will announce Q4 results on February 18, 2020. The only material event since Q3 was the convertible note. With the fruition of our catalysts, the debenture will be a further drive the value of the equity.

## Buy Rating

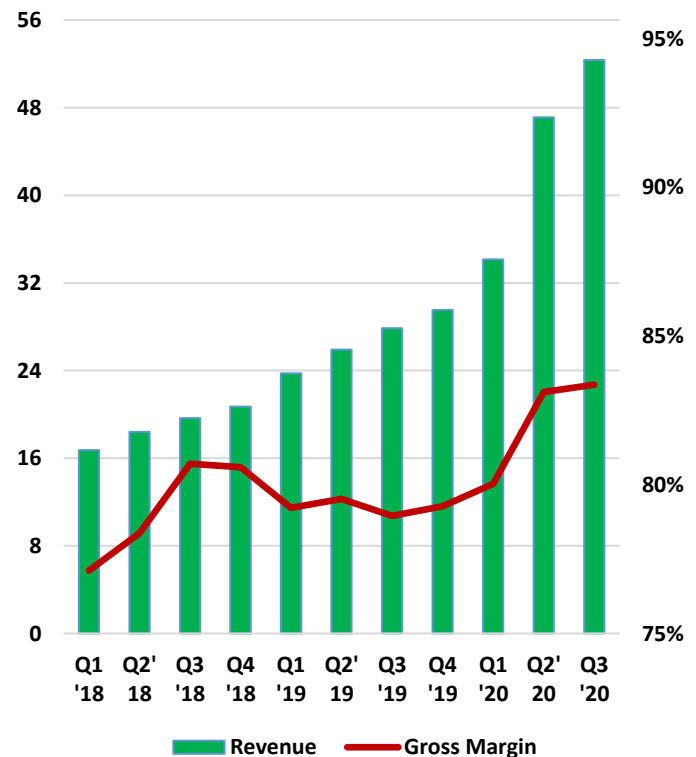
- We value shares based on a 48.6x sales multiple applied to our FY 2021 revenue estimate.
- We further apply a 45x sales multiple to our Q4 2020 sales estimate, annualized, and deduce a \$290.64 price target for February 2021.

February 2021 Price Target	\$290.64
Upside	14%
1-Year Price Target	\$405.04
Upside	59%
Current Price	\$254.42

## Pandemic Acceleration

Since stay-at-home orders were issued, Fiverr reported full 'pandemic periods' twice. In Q2 and Q3 2020, the company grew 82% and 88% YoY. Fiverr grew 42% in all FY 2019.

## Fiverr Revenue and Gross Margin



## How Fiverr Works

Fiverr has two types of users: buyers of services and sellers of services. Effectively, Fiverr is a freelance marketplace. It is the world's second largest in terms of gross marketplace value (GMV). Sellers create an account and post job offerings, called 'gigs.' Buyers navigate the platform for skills, tasks, or gigs and pay a **seller-determined rate** for the **seller-determined gig** (job scope determined by seller).

For example:

- Someone with a social media following may offer to endorse products for \$5. A health and wellness entrepreneur may find this useful and pay the seller for product endorsements. This gig may only take a few minutes.
- A programmer may offer to develop a mobile application for \$500, \$1,000, or \$1,500, depending on complexity. Someone with an application idea, but without programming expertise, may search for developers and pay for this gig. This gig may take several weeks.
- On a more contemporary note, businesses also outsource talent this way. A new mechanism that businesses implement is a **scaling workforce**; organizations consult freelance marketplaces to leverage talent **without incurring fixed cost**. Smaller businesses, especially those who fall under 'non-employer status,' leverage Fiverr for freelancers. Generally, Fiverr is not the workforce-scaling-solution for large enterprises such as Fortune 500 companies.

A gig may cost anywhere from \$5 to several thousand dollars. Fiverr charges freelancers a 20% fee (take-rate) for the transaction and charges buyers \$2 for transactions up to \$40, and a 5% take-rate thereafter. Currently, Fiverr's overall take rate is 27.0% on total marketplace gross merchandise value (GMV).

Fiverr's seller-oriented platform – where sellers create gigs – helps differentiate it from freelance marketplace peers. Fiverr effectively created **Service-as-a Product (SaaS)**, where buyers engage the Fiverr e-commerce platform and select from a **SKU-like selection**. This is a friendlier structure to freelancers and is better equipped for small transactions.

Fiverr has support systems in place; however, most quality governance is a burden of the marketplace. Buyers leave ratings and reviews for sellers which are available to the public. Sellers can also become 'Pro' members. Moreover, sellers can rise in 'tier' after meeting criteria. The company maintains marketplace integrity by means such as dispute resolution. Each seller is subject to a quality score based on buyer rating, cancellations, and response and delivery speed.

Fiverr allows sellers to promote their gigs – effectively placing an ad or 'buying shelf space' – if they meet certain criteria. This is one of many new product offerings Fiverr has introduced to increase their take-rate. On page 18, in the appendix, we list more of these new offerings. On page 13, we list the value-add services most material to long-term future growth. The company has not disclosed enough information regarding these young initiatives for us to determine them as main catalysts.

### Freelance Platforms Enable:

- Fulltime employees to augment income as part-time freelancers.
- Many freelance workers to earn a higher income than in fulltime employment.
- Business owners to augment income as part-time freelancers.
- Business to access workforce scalability (without overhead) and incur only a variable cost.
- Businesses to 'create an entire [i.e.] marketing team' using freelancers.
- Budget flexibility for businesses.

### Fiverr's Platform-as-a-Service Enables:

- A SKU-like catalogue for buyers.
- Sellers to determine scope and price of the gig.
- The delegation of one large project into multiple tasks.
- Transparency in gig price and scope.
- Anyone with an internet connection to buy or sell a gig.
- Labor arbitrage

### Fiverr has over 400 categories for buyers to select from. Among them are the following categories:

- Graphics & Design
- Digital Marketing
- Writing & Translation
- Video & Animation
- Music & Audio
- Programming & Tech
- Business
- Lifestyle

### Sample Gigs

The screenshot displays three sample gig listings on the Fiverr platform. Each listing includes a seller's profile picture, name, and rating. The first listing is by 'share\_facebuk', a 'Top Rated Seller' with a 5.0 rating (441 reviews), offering Python script, code, automation tasks, and web scraping for \$50, marked as a 'FIVERR'S CHOICE'. The second listing is by 'mariels', another 'Top Rated Seller' with a 5.0 rating (58 reviews), offering individual or business income tax return preparation for \$175. The third listing is by 'prashanth\_1982', a 'Level 1 Seller' with a 4.8 rating (25 reviews), offering to source suppliers or products from India for \$10.

Exhibit A

**Fiverr – Q3 2020**

- Fiverr reported 87.84% YoY growth.
- Gross margin expanded 440 basis points YoY to 83.36% from 78.96%. This is expected to settle closer to 80% in coming quarters.
- Active buyers grew 37% YoY to 3.1 million
- The CEO disclosed users obtained in COVID-19 periods and earlier in 2020 delineated stronger-than-usual activity.
  - YoY, spend per buyer grew 20% from \$156 to \$195.
  - From Q2 to Q3, spend per buyer increased \$11, or 6%, the largest QoQ increase in the company's history. The CEO disclosed this came across all products/gig types. This was due to both transaction size and transaction frequency.
  - Buyers who spend over \$500 a year represent 57% of the core revenue; they represented 55% of core revenue a year ago.
  - 58% of revenue came from existing buyers, up from 57% a year ago.
  - Skilled services made up 50% of gigs in 2020 vs 45% a year ago. We believe this is an indication of skilled freelancer acceleration during The Pandemic. It also delineates Fiverr's ability to drive higher cost transactions and take market share from Upwork.
- Take rate, currently 27.0%, is expected to rise. A year ago, take rate was 26.6%. The company attributes to gradual increase to new, ancillary features of the platform (see page 18, appendix, to see all ancillary features).
  - Promote (seller promoted gigs) grew from 200 users to over 5,000. The CEO would not disclose further Promote metrics; he felt it is not material to Fiverr yet. Fiverr will continue to invest in programs to further mature sellers and buyers.
  - Fiverr Business – again, young and no serious disclosures – delineated a strong start. The CEO mentioned over 50% of Fiverr Business accounts are utilized by multiple users, a desired behavior. Fiverr is pleased with the user engagement and does not anticipate using an enterprise-oriented salesforce to augment growth for Fiverr Business (but will monitor for the possibility).
- Management provided the following guidance (in millions):

	Q4 2020	FY 2020
Revenue	\$52.4 - \$53.4	\$186.0 - \$187.0
YoY Growth	77 - 81%	74 - 75%
Adjusted EBITDA	\$4.0 - \$4.5	\$8.5 - \$9.0

	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4 Guidance
Total Revenue	\$ 25.91	\$ 27.87	\$ 29.53	\$ 34.15	\$ 47.13	\$ 52.35	\$ 53.40
YoY g	41%	42%	43%	44%	82%	88%	81%
QoQ g	9%	8%	6%	16%	38%	11%	2%
Implied GMV	\$ 95.97	\$ 103.21	\$ 109.37	\$ 126.48	\$ 174.56	\$ 193.87	\$ 197.78
Delta GMV	7.96	7.24	6.16	17.11	48.07	19.31	3.91

Exhibits B, C

The company did not further disclose the international revenue breakdown in Q3 2020. We delineate the most up to date information.

	% of Sales in Q1 '20	% of Sales in Q2 '20
United States	55%	53%
Europe	23%	26%
Asia Pacific	12%	12%
Rest of The World	9%	8%
Israel	1%	1%

	Q1 '20 YoY Growth	Q2 '20 YoY Growth	Q3 '20 YoY Growth
United States	41%	76%	N/A
Europe	63%	106%	
Asia Pacific	36%	72%	
Rest of The World	27%	69%	
Israel	39%	71%	
Total	44%	82%	88%

	Q2 '20 QoQ Growth	Q2 '20 YoY Growth	Q3 '20 QoQ Growth	Q3 '20 YoY Growth
United States	37%	76%	N/A	N/A
Europe	41%	106%		
Asia Pacific	42%	72%		
Rest of The World	36%	69%		
Israel	18%	71%		
Total	38%	82%	11%	88%

Exhibits D, E, F

- 32% of revenue came from non-English speaking countries in Q3 - compared to 30% from 2017 to 2019.
- 32% of revenue is from Germany, Spain, France, Italy, Netherlands, Portugal, Mexico, Brazil, and other non-English speaking countries.
- 68% of revenue is from The United States, The United Kingdom, Canada, Australia, and New Zealand (English Speaking countries).

**Thesis – Fiverr is Superior to Direct Competitor Upwork**

Freelance marketplaces are fragmented and competitive; in 2020, there were over 330 skilled talent platforms for on-demand labor access, up from 80 in 2009. However, we identify only two leaders: Upwork and Fiverr. Upwork and Fiverr are the largest two that exist; Upwork is the largest. In 2019, Upwork’s GMV was over 5x Fiverr’s. Nevertheless, we believe Fiverr is differentiated. Upwork’s conceptual focus suits a different pool of users (although not a mutually exclusive pool). **We do not believe Upwork is a material threat to Fiverr’s business** due to (1) Upwork’s enterprise/client focus, (2) a large TAM, and (3), Fiverr’s advantage in developing regions.

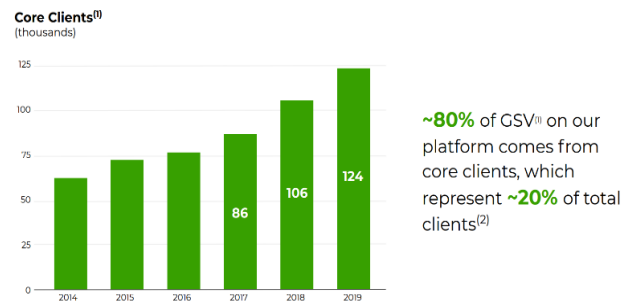
Upwork is tailored to skilled freelancers (‘sellers’) and large organizations (‘buyers’). Upwork freelancers create an account, update qualifications, create a profile, and disclose an hourly wage. **Upwork clients (‘buyers’) create the jobs/projects and select from freelancers who apply (like a bidding process)**. This is not SaaS; instead, this is comparable to staffing agencies. Upwork has made a commitment to curating skilled labor for clients. On the other hand, anyone can freelance with Fiverr starting at \$5 a gig.

Upwork’s platform relies on larger transactions; it rewards larger transaction size with lower take-rates (Fiverr’s does not). This creates a favorable dynamic for skilled labor, where relationships between clients and freelancers are critical and projects are lengthier. 39% of Upwork’s revenue is derived from **enterprise clients**, who, on average, spend over \$1 million a year and pay a flat subscription fee plus scaling transaction fees. Upwork’s overall take-rate is 13.6% (blended from take-rates of 20%, 10%, and 5%). In contrast, the average spend-per-Fiverr-buyer is \$195 a year (and growing); at least 74% of Fiverr’s 27.0% overall take-rate is charged to freelancers.

We believe Upwork is more sensitive to labor market trends because its applicability skews toward skilled labor and large enterprises. The more organizations outsource (and scale their workforces without fixed cost), the more traffic for Upwork. We believe workforce scalability is advantageous for large businesses but can only replace a small threshold of the full-time workforce, not all of it. Furthermore, the percentage of a full-time workforce that scaling workforces do replace today is accelerated by The Pandemic. Scaling a work-force is not the only way to cut costs. Enterprises are already realizing cost-savings from full-time remote employees. On the other hand, smaller businesses continuously need – or at least need disproportionately more and, as we see today, irregular – scalability in their workforce.

- The smallest businesses do not have a viable solution on Upwork; moreover, we believe Upwork’s enterprise clients will decelerate adoption. Upwork will need to increase the number of ‘core’ clients (exhibit G) rather than hope for higher client spend. Fiverr successfully increases existing buyer spend without falling prey to enterprise trends (to the same degree).
- Harvard University interviewed 700 senior business leaders in a 2020 report; they found freelance is more popular among C-suite executives than it is with less senior executives and human resource professionals. While C-suite executives focus on the cost cutting and speed to market strategies freelance allows, junior managers find the leap of faith away from traditional processes difficult to embrace. We identify this as a positive for Fiverr; the friction between these groups (‘leaders’ versus ‘implementers’) implies smaller business owners – especially those with no employees at all – will turn to freelance with or without a pandemic.

**Upwork Client Growth**

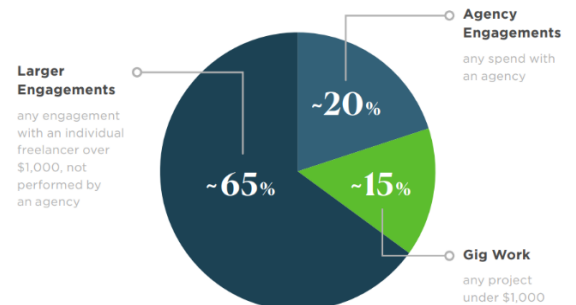


Upwork Q3 '20 YoY Freelance Revenue Growth	
United States	23%
India	25%
Philippines	18%
Rest of world	23%
<b>Total Freelance Revenue</b>	<b>23%</b>

Upwork Q3 '20 YoY Client Revenue Growth	
United States	23%
Rest of world	38%
<b>Total Client Revenue</b>	<b>26%</b>

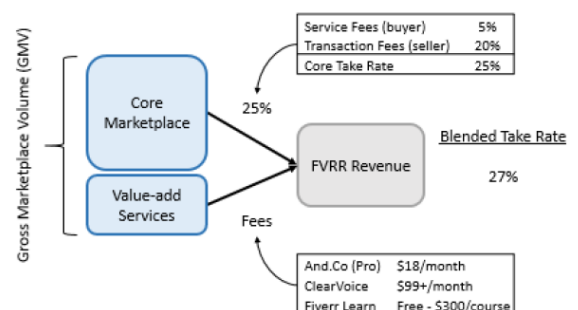
<b>Total YoY Revenue Growth</b>	<b>24%</b>
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**Upwork’s Revenue Relies on Larger Transactions**



**Fiverr’s Take Rate is Higher than Upwork’s**

FVRR monetization framework

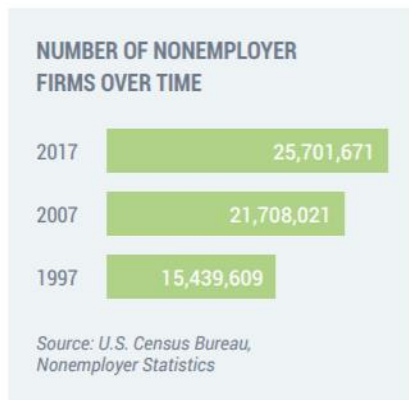


Source: Company data, Goldman Sachs Global Investment Research

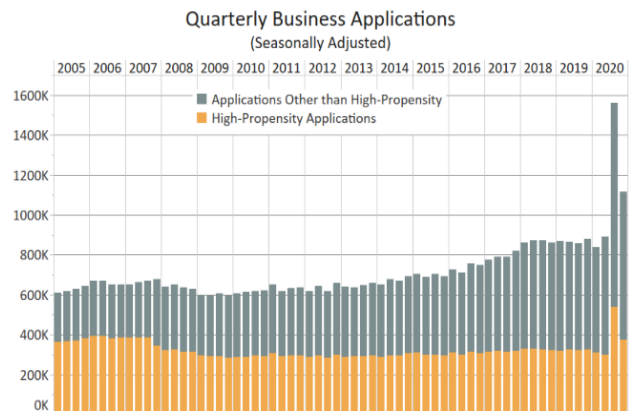
**Nonemployer Firms**

Upwork’s client pool and platform neglects the smallest businesses in the United States. The Census Bureau refers to these businesses as ‘nonemployer firms,’ or small businesses with no employees. According to ‘Fed Small Business,’ a Federal Reserve organization:

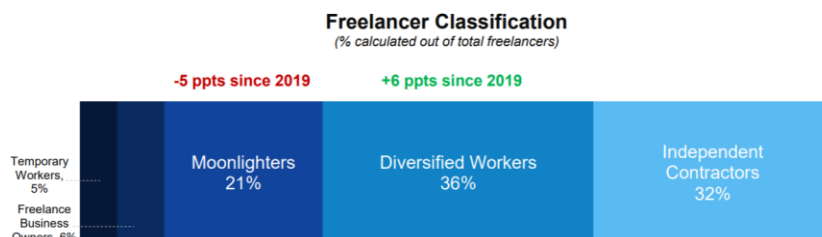
- There were over 25 million nonemployer businesses in the United States in 2017.
- 81% of small businesses are nonemployer firms.
- 63% of nonemployer firms are the primary source of income for their owners.
- Only 1 in 4 nonemployer firms anticipate hiring employees in the future.
- At least 29% of nonemployer firms have no plans to hire employees.
  - The firms within this 29% are not the primary source of income for their owners.
    - In a September 2020 Upwork report (which we further discuss on page 8), ‘diversified workers’ make up 36% of all freelancers, up from 30% of all freelancers in 2019).
      - Upwork defines diversified workers as: “people with multiple sources of income from a mix of traditional employers and freelance work. For example, someone who works part-time at a start-up, manages an Airbnb, and does freelance coding.”
        - **Not only do nonemployer firms make good candidates for freelance buyers, many nonemployer firm owners make good candidates for freelance sellers.** On Fiverr, these individuals retain more freedom than competing marketplaces.
- 21% of all nonemployer firms operate as independent contractors (essentially this is freelance).
  - These businesses are primary sources of income for the owner.
  - The owners of these businesses have no plans to hire employees.
- 15% of nonemployer firms use e-commerce to generate most of their sales.
- 71% of nonemployer firms want to grow their business.



\*While the growth is staggering, not all nonemployer firms are created equal. For example, many family offices are nonemployer firms unlikely to engage in freelance buying/selling



Business applications accelerated during The Pandemic. Source: U.S. Census Bureau



**Fiverr**

- Service-as-a-Product
- SKU-like selection for buyers
- Standard 20% fee from all freelancers
- Freelancers post the job for a fixed price, little to no negotiation involved. Jobs are pre-defined.
- Vetting freelancers is a responsibility of the marketplace; anyone can become a freelancer, but freelancers are subject to buyer satisfaction and reviews.
- Less skilled to highly skilled population (ranging from odd tasks to skilled projects).
- A few dollars per transaction or up to several thousand per transaction.
- Varying buyer population
- Seller Fee: 20% of transaction from freelancer.
- Buyer Fee: \$2 fee for buyer for gigs up to \$40, and 5% above \$40.
- Useful for small business outsourcing
- Fiverr has a feature allowing buyers to post jobs, similar to Upwork’s model.
- Anyone with an internet connect can freelance on Fiverr.

**Upwork**

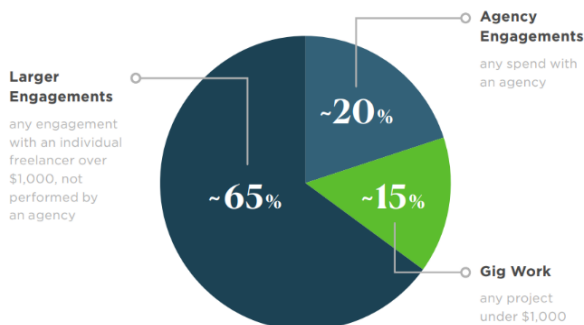
- Clients post the job for freelancers.
- Bidding process for freelancers to get hired.
- Downward scaling fee
- Clients are responsible for selecting freelancers.
- Hourly rate from a few dollars per hour to hundreds of dollars per hour. Alternatively, clients can pay a fixed price.
- Skilled population
- Useful for larger organizations’ BPO management.
- Seeks to reduce less skilled labor and tailor the platform to clients such as Fortune 500 companies.
- Corporate clientele population
- Unqualified candidates may respond to job postings.
- Client Fee: 3% of transaction from client.
- Freelancer Fee: Downward scaling from 20% to 5%/
- Jobs are posted for freelancers to apply.
- Freelancer authentication services such as skills-testing and background and skill verification.
- Useful for large businesses who require a workforce and/or alternative, temporary staffing solutions.

**Fiverr’s Opportunity in Upwork Clientele**

Fiverr Business, Fiverr’s product designed for larger customers, is performing well. Management did not disclose any data but noted the company will not move forward with an enterprise salesforce at this time, citing satisfactory performance without a salesforce.

Upwork deploys a ‘land and expand’ model for enterprise customers, utilizing an enterprise salesforce. Fiverr’s enterprise solution is young, but a clear differentiator is Fiverr SaaS platform; it allows the **delegation of large projects into many micro-tasks.**

85% of Upwork’s GPV in 2019 was derived from higher cost transactions (\$5,000+).



**U.S. Freelance Demographics in mid-2020:**

- 50% Generation Z (ages 18-22)
- 44% Millennials (ages 23-38)
- 30% Generation X (ages 39-54)
- 26% Baby Boomers (ages 55 and older)

Source: Upwork

**Geopolitical Problem for Freelancers in Bidding Processes**

*“. . . information-related frictions long observed in traditional labor markets remain pervasive (and possibly exacerbated) in online labor platforms, resulting in a significant penalty for job seekers from developing countries. This penalty works in two ways. First . . . we show that foreign (i.e., non-Spanish) workers are 42 percent less likely to win contracts from employers in Spain, the highest-wage country in our sample and where most employers in our study are based. Second, we show that Spanish workers are able to command a significant wage premium, of about 16 percent, over similarly qualified foreign workers. . . attrition rate is much higher for non-Spanish workers, who are significantly less likely to remain active in Nubelo [now known as Freelancer.com] within twelve months of joining the platform.”*

Source: Galperin, Hernan and Greppi, Catrihel, Geographical Discrimination in the Gig Economy (February 23, 2017).

## Fiverr Growth Versus Upwork Growth

Upwork derives a substantial portion of revenues from the client side of its business. Even internationally, client revenue growth outpaces freelancer revenue growth.

- We will further discuss nuances of clients/buyers and **international freelancers/sellers**, specifically those in developing regions. We believe there exists an **arbitrage** and **net economic benefit** opportunity for these groups, one that **Fiverr is best able to exploit**.

Fiverr charges freelancers most of the take-rate (exhibit K, page 5) and delineates stronger growth than Upwork in all regions (this is not just because of platform size).

- Upwork's slower international growth is indicative that **labor arbitrage** favors Fiverr's platform (which is advantageous for buyers/sellers who engage in smaller transactions).

## Catalyst – Buyer Maturation

- Fiverr has successfully monetized users:** Fiverr's acceleration delineates strong buyer spend and maturation.
- Average buyer spend increased at a record pace from Q2 2020 to Q3 2020, up \$11 to \$195.
- Net buyers grew 310 thousand from Q2 to Q3. The addition **increases the denominator** for average spend, yet Fiverr reported 6% QoQ increase (to \$195).
- In Q3 2020, 58% of revenue came from existing buyers, up from 57% a year ago.
- Buyers who spend over \$500 annually, classified as 'high value spenders,' represented 57% of revenue in Q3, up from 52% a year ago.
- In Q2 2020, revenue grew 38% QoQ (the highest so far), with 28% YoY growth in net buyers. In Q3, QoQ **revenue growth decelerated** to 11%, but **net buyer addition growth accelerated** to 31% YoY (from 28% YoY a quarter ago).

- Fiverr has proven it increases buyer spend over time. The **lack of sequential correlation** between buyer addition and revenue growth suggests net buyers will continue augmenting growth. The **'flywheel'** of buyer maturation benefits Fiverr over time; Fiverr's incremental additions will mirror a 'land and expand' phenomenon.
- Fiverr buyers will find more optionality – more 'SKUs' – in the platform as Fiverr continues developing ancillary services and penetrates the international freelance population.
- Buyer spending will be critically important for freelance platforms as the domestic and developed freelance markets begin saturating.

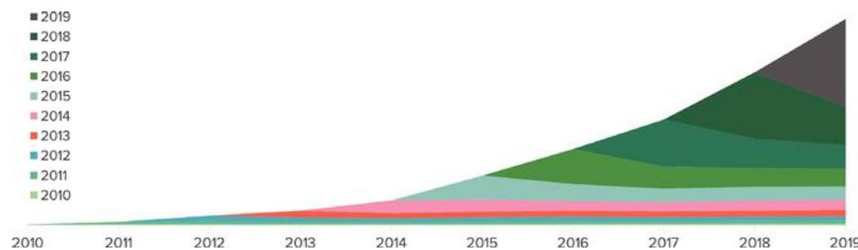
Upwork Q3 2020 Freelancer Revenue			
Region	YoY Growth	As % of Freelance Revenue	As % of Total Revenue
United States	23%	27%	16%
India	25%	15%	9%
Philippines	18%	10%	6%
Rest of world	23%	48%	29%
<b>Total Freelance Revenue</b>	<b>23%</b>	<b>100%</b>	<b>61%</b>

Upwork Q3 2020 Client Revenue			
Region	YoY Growth	As % of Client Revenue	As % of Total Revenue
United States	23%	76%	30%
Rest of world	38%	24%	9%
<b>Total Client Revenue</b>	<b>26%</b>	<b>100%</b>	<b>39%</b>

Fiverr YoY Growth			
Region	Q1 '20 YoY Growth	Q2 '20 YoY Growth	Q3 '20 YoY Growth
United States	41%	76%	N/A
Europe	63%	106%	
Asia Pacific	36%	72%	
Rest of The World	27%	69%	
Israel	39%	71%	
<b>Total</b>	<b>44%</b>	<b>82%</b>	<b>88%</b>

Fiverr Segment Revenue		
Region	% of Sales in Q1 '20	% of Sales in Q2 '20
United States	55%	53%
Europe	23%	26%
Asia Pacific	12%	12%
Rest of The World	9%	8%
Israel	1%	1%

Core Platform Revenue Composition by Annual Buyer Cohort 2010-2019



Fiverr Revenue and Buyer Growth

	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20
<b>Total Revenue (millions)</b>	\$24	\$26	\$28	\$30	\$34	\$47	\$52
<b>QoQ Sales Growth</b>	15%	9%	8%	6%	16%	38%	11%
<b>YoY Sales Growth</b>	42%	41%	42%	43%	44%	82%	88%
<b>Net Buyers (millions)</b>	2.10	2.20	2.30	2.40	2.50	2.80	3.10
<b>QoQ Buyer Growth</b>	5%	5%	5%	4%	4%	12%	11%
<b>YoY Buyer Growth</b>	11%	16%	15%	20%	19%	27%	35%

Exhibits O, P, Q, R

## Website Traffic – Fiverr Versus Upwork

Goldman Sachs Global Investment Research used Comscore to delineate Fiverr's website traffic has better economics than its competition. Fiverr had approximately 3.5 million unique visitors in October 2020 while Upwork had below 1 million (and Freelancer, a small competitor, had only 323 thousand). For Fiverr, this represents 72% of total monthly traffic share among all freelance platforms analyzed, compared to 62% in October 2019 findings a year ago. The Firm also found visitors spend more time on Fiverr than Upwork.

**The United States Freelance Market During The Pandemic Era**

Freelance adoption, even before the Pandemic, was a ‘remote’ theme. It was the realization that labor need not be ‘in-house’ or ‘on-premise’ which allowed for freelance outsourcing. Businesses did not need a pandemic to understand cost benefits of outsourcing labor (no overhead, no fixed costs, scalability, budgeting flexibility, special projects). The Pandemic accelerated remote work; existing digital freelancers adapted quickly while newly-remote employees sought to augment income through freelance.

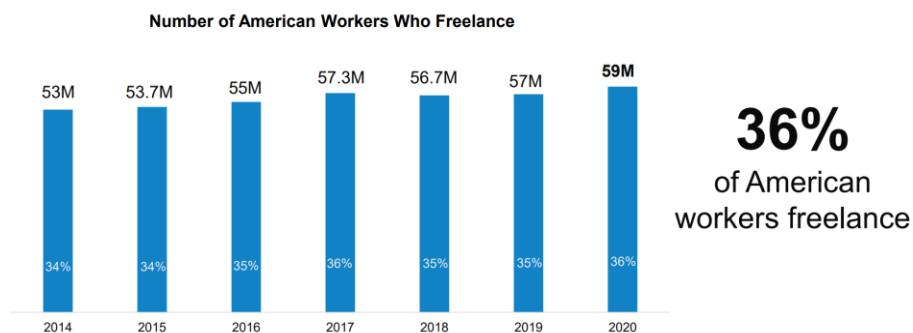
Today, according to Upwork’s CEO, we have “fully disentangled where we work from what we work on.” Upwork has been the leader for enterprise freelance and routinely publishes research on the freelance industry. Findings from their ‘Freelance Forward’ report published in September 2020 present an important case study, a comprehensive pandemic-era update of freelance in The United States.

COVID-19 instigated adoption acceleration in the following ways:

- Furloughed and laid-off workers turned to digital freelance.
- Remote workers in high demand fields turned to digital freelance to augment income.
- Corporations continued blending full-time workers with part-time and freelance workers to ‘reduce costs or close urgent skill gaps.’
- 51% of freelancers had other forms of work, 28% were on leave, furloughed, or unemployed, and 17% were students or retirees.
- 58% of workers who are new to remote work are not freelancers will consider freelancing in the future.
- 96% of new freelancers say they will freelance more in the future.
- 48% of new freelancers say they view freelance as a long-term career option.
- 82% of new freelancers are currently remote.
- 61% of freelancers who were freelancers prior to COVID-19 are satisfied with, or have more than, the amount of work they want.
- 65% of freelancers said they earned more than when they had an employer; 41% said they earned more within a year, most of which said they earned more immediately.
- **51% of freelancers are still employed elsewhere; they want to augment income.**
  - We view this as a positive for Fiverr’s platform, where the seller is in control of job scope.
- **Most new freelancers are male (72% of new freelancers are men verses 62% existing freelancers were men).**
  - This is another advantage for Fiverr as both Fiverr and Upwork expand into developing countries. Internet connectivity and education is male-dominated in those regions.
- 65% of baby boomer freelancers see freelance work as a means to transition into retirement.
- Millennials are the most adoptive group.
- The report also found that 28% of all freelancers in the U.S. paused their freelance endeavors during the pandemic. However, this includes non-digitally oriented jobs. 57% of ‘paused freelancers’ are not remote workers. In addition, 41% of paused freelancers freelanced less than one time a month. 80% of paused freelancers anticipate returning.
- 12% of the U.S. workforce turned to digital freelance for the first time during the pandemic. A majority, 60%, of this first-time freelance population does not intend to go back to traditional labor. Upwork claims 36% of the U.S. workforce performed freelance work in the last year (59 million people, compared to 57 million the year before).

**Fiverr grew disproportionately faster than both the industry and Upwork pre-pandemic. Post-pandemic, Fiverr still grew more and accelerated faster.**

- 36% of the U.S. Workforce is composed of freelancers (full or part-time) versus 35% a year ago.
- United States total freelance revenue in 2020 was \$1.2 trillion, a 22% increase YoY, more in line with Upwork’s 21% estimated growth.
- Fiverr will grow over 74% (estimated).



Source: Upwork

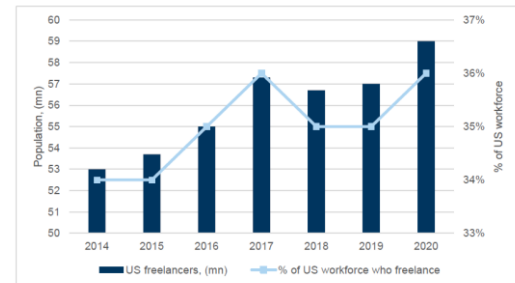


**Thesis – Domestic Freelance Adoption is Material but Not Exuberant; Our Attention Turns to the International Market**

Counterintuitively, United States freelance growth before and during the pandemic is not outstanding. Domestic freelance data appears lackluster if one’s first proxy for freelance growth is Fiverr. Fiverr’s outstanding 88% growth (still above 40% before the pandemic) implies freelance is a rapidly growing trend. We find this is not the case. We attribute Fiverr’s outperformance to SaaS and user monetization.

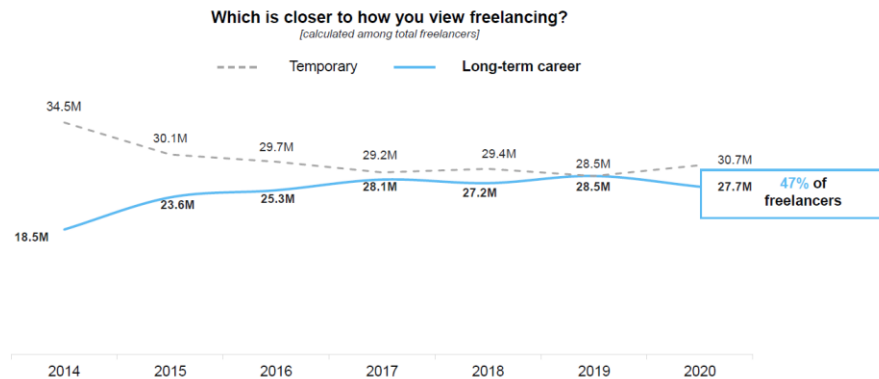
- The U.S. Freelance market grew only at 4% CAGR from 2008 to 2019.
- Even during the pandemic, growth in United States freelance is in mid-single-digits. Upwork estimates that from 2019 to mid-2020, total freelancers in the United States grew from 57 million to 59 million.
- The underlying growth still translated to disproportionately higher growth for Fiverr and Upwork:
  - 23% YoY growth for Upwork in Q3. Core clients grew 17% to 124 thousand in the first 9 months of 2020.
  - 88% YoY growth for Fiverr in Q3. Active buyers grew 37% to 3.1 million in the same period. In Q1, Q2, and Q3 2020, active buyers increased 17%, 28%, and 31% YoY, respectively.

US freelancers (mn) and as a % of US workforce



Source: Edelman Intelligence, Upwork, Goldman Sachs Global Investment Research

Exhibit T delineates the 5% growth CAGR accelerated in 2020 along with a composition shift. However, exhibit U suggests long-term domestic growth will decelerate. Although a 5% growth CAGR is material, the marginal population added to freelancers during The Pandemic has a different outlook on freelancing. Less of this population views freelancing as a long-term career choice, enough to diverge the two lines in exhibit U.



Source: Upwork

Exhibits T, U

**Commoditization of Freelance Labor**

We believe the fully mature domestic – and any developed region’s – freelance market will **commoditize** freelance labor. **Intra-geographic** freelance labor in developed countries will become a mechanism of:

- (1a) regular small customers
- (1b) regular full-time and part-time freelancers
- (2) small businesses
- (3) large businesses who scale
- (4) freelancers who only freelance when they need to (i.e., recently laid off)

As these groups saturate (years into the future), groups 3 and 4 will scale freelance use up and down as needed. A fully developed freelance market may see freelance mimic recessionary goods. It will be a marketplace for companies and freelancers to consult during uncertainty and job market volatility. Eventually, U.S. growth will plateau. We believe deceleration in Upwork, domestically, comes first.

In the long-term, growth will instead need to be derived from existing user spend, international markets, and developing countries’ markets. Fiverr already derives more existing user growth; Upwork relies on large enterprise clients, namely group 3. Furthermore, Upwork will not find as many quality-enterprise-level clients in the developing world. For now, Upwork only retains an advantage in developed regions. Still, it will need to address smaller competitors (as will Fiverr, both companies face competition in countries where there is a language barrier).

We identify international opportunities, specifically developing country opportunities, as the most material long-term catalyst for Fiverr.

- In Q3 2020, Fiverr witnessed 137% YoY growth in freelance registrations in Brazil; 96% of Brazilian companies are small businesses.
- In Q3 2020, Fiverr witnessed 109% YoY increase in freelancers in Mexico; Fiverr adopted a Peso payment platform for Mexico.

## Catalyst – Fiverr’s Micro-Task-Friendly Platform Will Drive Penetration in the Less Developed World

Fiverr has not substantially penetrated the developing world; there are only few statistics to help us understand its international expansion. One thing is clear, we are early in the life cycle of international digital freelance.

We believe Upwork and Fiverr provide very different value propositions for international freelancers, specifically freelancers in the less developed world. **Inter-geographic** freelance transactions have many merits.

- Both Upwork and Fiverr offer a means of ‘skill arbitrage’ and ‘labor arbitrage.’
  - Freelancers in developing countries gain access to higher wages through developed-country-buyers.
  - Buyers in developed countries gain access to labor at lower costs than they have access to domestically.
  - 34% of Upwork’s international revenue is from India and the Philippines. India is ranked number 182 of 186 in the Dollar Parity Index and the Philippines is ranked number 150 of 186). A unit of United States currency provides citizens of developing nations substantially more economic power than it provides a domestic citizen.
    - See pages 23 and 27-29 to cross reference the Human Development Index. See pages 23-26 in the appendix to further cross reference purchasing power parity.
- Upwork requires a higher standard of skill. It is necessary to match clients with equal quality freelancers as provided by the clients’ domestic labor. Thus, the arbitrage-ability of the labor force diminishes. Skilled freelance may not even exist in some regions.
  - Skilled freelance in these regions may not provide a great deal of arbitrage. 39% of Upwork’s revenue comes from clients/buyers and provides more clients per freelancer. Less fragmentation of the marketplace creates a situation in which freelancers become ‘price-takers.’ As shown in quoted research on page 6, this leads to attrition, especially from developed regions’ freelancers.
  - There exists a supply and demand disparity if low skilled workers in developing regions want to freelance on Upwork; they cannot freelance (at least digitally).
- Fiverr presents a better solution for the developing world. The Fiverr platform is most appropriate for micro-tasking, is demand driven, and is seller oriented. The SaaS model allows anyone with an internet connection to freelance on Fiverr.
  - Microwork is the fine splitting of one task into multiple projects of milestones and delegating each milestone to different individuals (for example, translating a textbook by delegating each chapter to a different translator). Cultural and language barriers between buyer and seller are minimized in micro-tasking as well as through SaaS.
  - We believe the greatest advantage for developing country freelancers is arbitrage. Sellers set the price and scope of the gig; buyers navigate to their preferred gig. A developed-country-buyer holds more economic power per currency unit than the developing-country-freelancer. We examine some growing freelance marketplaces and the economic disparity between these markets and the first world. See page 23-26 in the appendix for buying power of \$1 in other countries.
  - Skilled freelancers retain more freedom in the Fiverr model. Retaining the scope of the gig is advantageous to even a skilled freelancer. The economic transaction for a service, and the feedback provided in the form of a review, circumnavigates complexity and potential problems of digital project delegation.
  - Micro-tasking delegation of larger projects also protects the integrity of the marketplace. Outsourced web development can be delegated between many sellers by one buyer; therefore, risk of theft of proprietary information is minimized.

Fiverr allows business owners and buyers of freelance services to tap into ‘white-collar’ labor internationally, at discounted rates.

- In 2013, The United States was the only geography in which most of the freelance work was ‘commissioned by domestic clients.’
- In a 2017 research study, it was found that in 2013, most buyers of freelance services were in high-income countries. This research delineated only 2 of the top 20 freelance purchasing countries at the time (Malaysia, ranked 15<sup>th</sup>, and India, ranked 19<sup>th</sup>) were not considered high-income. **We can expect net transaction spending to flow from developed countries to developing countries** (again, see pages 23-27 in the appendix to further cross reference purchasing power parity of all geographies mentioned in this report).
- **The following excerpt from 2013 provides another enterprise level freelance issue:** *“Even though most demand comes from the Global North, the majority of work is carried out in low-income countries. India and the Philippines, in particular, perform much of the work on the platform. Yet, a significant amount of work continues to be carried out in wealthy countries such as the United States, Canada, and the United Kingdom. . . there is a broad geography of the supply of work. The fuller context, therefore, is one whereby demand is relatively geographically concentrated, but supply is relatively geographically diffuse and workers from low- and high-income countries end up competing in the same contexts: a situation that is likely to have an impact on the relative degrees of bargaining power exerted by individual digital workers (it is worth noting that at the time of writing, the platform hosted nine million registered workers and only four million registered clients).”*
- *“Median wages [of freelancers] are, perhaps unsurprisingly, low in low-income countries and are significantly higher in medium- and high-income countries.”* Source: Graham M, Hjorth I, Lehdonvirta V. Digital labour and development: impacts of global digital labour platforms and the gig economy on worker livelihoods. Transfer (Bruss). 2017

## Freelance in the Developing World

- We believe more countries will embrace the digital freelance opportunity.
  - **Malaysia** has already delineated its eagerness to tap into its digital workforce with a 2012 initiative called ‘Digital Malaysia.’ One of Digital Malaysia’s main goals is to help the lowest 40% of households by training and education in ‘microwork’ and prepare them to contribute to digital platforms. Digital Malaysia has a significant freelance initiative.
  - **Africa** launched ‘Digital Jobs Africa’ in 2013 (also backed by Rockefeller Foundation) and ‘Skills for Africa’. These programs are aimed at disadvantaged youth with IT skills in six African countries.
  - **Nigeria** has implemented an initiative called ‘Naijiacloud’ which encourages microwork. It is partially financed by the World Bank as well as the Rockefeller Foundation.
  - **Kenya** launched the ‘Ajira Initiative’ for unemployed Kenyans, specifically the youth, to obtain online work. In a November 2019, the Overseas Development Institute conducted a survey Kenyans and South Africans involved in on-premise gig work (freelance work carried out in person, not online). Over 95% of respondents were female.
    - The study found these workers navigated to the gig economy due to lack of opportunities.
    - 52% of respondents augmented income with another job and 73% reported gig work was their primary source of income.
    - 67% of South African respondents said gig work offered better work choices; the remainder said they had no other choice.
    - The Kenyan gig work population, only 0.02% of the entire workforce in 2017, sees this type of labor as a form of survival; it is not yet a viable lifestyle. However, the study indicated survey respondents did not consult Fiverr; instead, they consulted lesser-known services, Upwork, and Business Process Outsourcing (BPO) companies for longer-duration projects. Recall: the report focused on on-premise gig work.
    - The study focuses on the state of gig work as it relates to gender and socioeconomic status. What it finds is Kenyan and South African women use gig work as a means of survival. It offers flexibility, but the socioeconomic burden of women in these societies made gig work only slightly advantageous. Only 20% of women in the survey reported childcare did not get in the way of undertaking gig work. From these results, single and married women reported little difference in childcare management. We believe Fiverr will be able to penetrate such an economy successfully; it offers a non-BPO led, online-only platform which gives the gig worker better discretion.
  - **The Philippines**, found to be the fastest growing freelance Economy in 2020, has an initiative called ‘digitaljobsPH.’ Philippine natives on Fiverr list participation in this initiative as a qualification.
  - **Pakistan**, which was found to be the 8<sup>th</sup> fastest growing freelance market, launched online initiatives to train and educate its population in lieu of campus shutdowns. E-Rozgaar is a government initiative seeking to train and prepare young Pakistanis for self-employment and freelance work (in the fields of web development, marketing, and creative design). There are over 3 dozen e-Rozgaar centers located throughout the country.
    - In 2015, one designer in Pakistan made \$20 thousand a month via freelance. The average salary in Pakistan during that time was \$100 a month.
  - In **Bangladesh**, a 2018 survey – published in the International Journal of Computer Applications – of 46 IT freelancers found Fiverr has a lot of ground to cover; less than 5% of these freelancers used Fiverr. Its low market penetration provides a proxy for how much available TAM it has left. Still, this was a basket of skilled workers outsourced through BPO (large-organization hires).
  - Many of these countries’ initiatives’ websites linked directly to freelance marketplaces, including Fiverr. See page 23-26 to cross reference these regions’ dollar parity.
- According to the International Telecommunication Union (ITU), the number of users adopting the internet has grown, on average, 10% each year from 2005 to 2019. Most of the non-connected population lies in the least developed countries.
  - In the least developed countries, only 19% of people are connected to the internet. In developed countries, this figure is 87%.
  - In all of Africa, 28% of people are connected. In all Asia & The Pacific, 48% are connected.
  - In 2020, 51% of the world was connected to the internet. 69% of individuals from 15 to 24 years of age had internet access.
  - Between 2006 and 2016, internet connectivity in low-income countries grew from less than 8% to over 33%.
  - Fiverr is best able to target these regions; these regions’ workforces are not skilled enough for Upwork’s clients. Moreover, the instant a person is ‘connected,’ Fiverr becomes an option. See exhibit A page 2 for a \$10 gig posted by an Indian seller.

**Payoneer Studies**

In December 2019, May 2020, and September 2020, research published by Payoneer (a payment service provider) delineated trends in the global freelance industry:

- The list of fastest growing freelance marketplaces in the world (based on YoY revenue growth) is materially different in September 2020 than in December 2019. Exhibit W delineates the fastest growing nations’ adoption of freelance in 2019. Exhibit X shows the same list but in 2020; leading developed nations fell off the list as developing regions’ growth rates accelerated in 2020.
- The following are excerpts from a May 2020 Payoneer report (this is **immediately after The Pandemic began**, in which all freelance was initially reduced):
  - “Many freelancers work for clients based all over the world, so we asked how demand from clients in specific regions had been impacted. Based on our results, freelancers with clients based in North America and Europe Reported the highest slowdown in demand. Asia and Australia . . . have seen slightly less of a decrease in demand for freelancers.
  - “. . . freelancers in Ukraine – one of the fastest growing outsourcing locations [and number 158 of 186 on the Dollar Parity Index] – have seen less of an impact. 56% of Ukrainian freelancers reported that demand from clients in North America either increased or remained the same and 50% stated that demand from Europe had not declined.
- India and Pakistan (numbers 182 and 178 of 186 on the Dollar Parity Index), reported surging month-over-month growth rates in mid-2020.
- See page 23-26 in the appendix to further cross reference purchasing power parity among listed regions on this page and on page 11.

**Ukraine 2020 Month-over-Month Growth in Freelance Revenue**

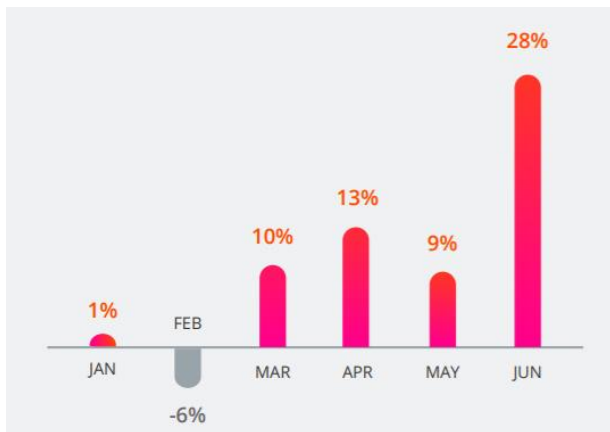


Exhibit V

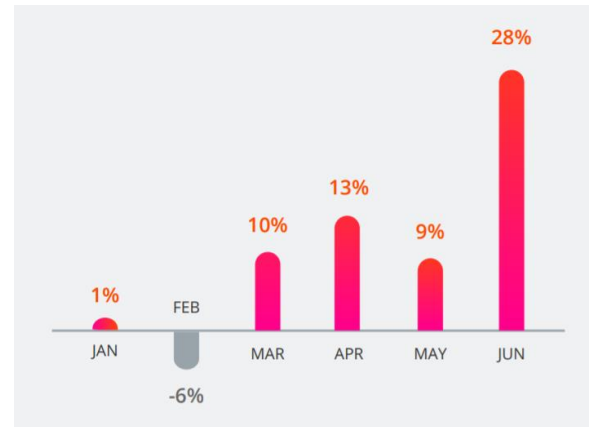
**2019 Top 10 Fastest Growing Freelance Countries**



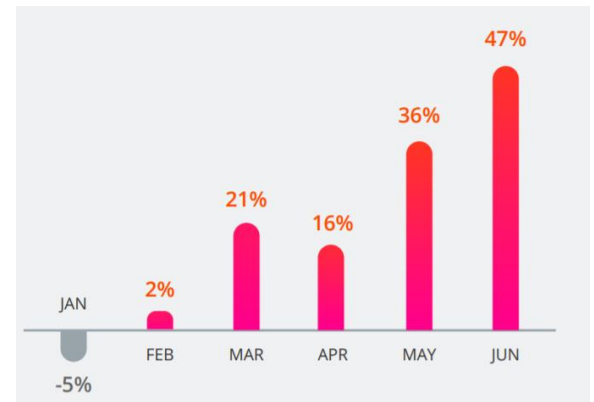
**2020 Top 10 Fastest Growing Freelance Countries**



**India 2020 Month-over-Month Growth in Freelance Revenue**



**Pakistan 2020 Month-over-Month Growth in Freelance Revenue**



Exhibits W, X, Y, Z

**Other Catalysts**

- **EBITDA and Operational Scalability:** Fiverr generated an 8% adjusted EBITDA in Q3 2020 and guides more to come (on an adjusted basis). For our top line examination, this is still immaterial (and negative on an unadjusted basis). The true value for future cash flow is scalability of operations. Robust platform growth has allowed operating expenses to compress as a percentage of sales. Although management disclosed the intent to still focus on growth, EBITDA margins have the potential to expand rapidly.

	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20
<b>Total Revenue</b> (millions)	\$17	\$18	\$20	\$21	\$24	\$26	\$28	\$30	\$34	\$47	\$52
<b>QoQ Sales Growth</b>		10%	7%	5%	15%	9%	8%	6%	16%	38%	11%
<b>Operating Expenses as % of Sales</b>	175%	114%	118%	103%	111%	119%	106%	93%	100%	83%	84%
<b>QoQ Operating Expenses Growth</b>		-28%	10%	-8%	24%	17%	-5%	-7%	24%	15%	12%

Exhibit AA

- **Fiverr Pro:** Fiverr will verify skilled users who apply for Fiverr Pro, which helps to distinguish sellers. It has more perks including faster payment times and higher price limits (up to \$50,000). Larger transactions are still subject to 25% take rate.
- **Promoted Gigs:** qualified sellers can promote their gigs in a bidding process for better 'shelf space.' Management has not disclosed metrics for this younger Fiverr service, but notes active users of this service increased from 200 to over 5,000 YoY in Q3 2020.
- **Fiverr Business for and Fiver Studios:** Fiverr may be able to attract larger buyers such as organizations or businesses. 'Fiverr Business allows for many users to use one consolidated user account. Businesses already consult Fiverr, but growth in the absolute number of this type of account will materially grow revenue. This directly competes with Upwork, but still employs the SaaS platform differentiator.
  - Fiverr Business allows teams to use one unified account and manage projects and adhere to budgets (up to 50 users).
  - Fiverr Business allows larger tasks to be micro-delegated or broken up into 'milestones.'
  - Fiverr Business grants one-year free access and then charges an annual fee of \$149.
  - Fiverr did not disclose metrics for this segment of business but did disclose the following:
    - Almost half of Q3 Fiverr Business additions invited other users to access the business account.
    - Management is pleased with the results and will not yet deploy a salesforce to engage with potential customers.
- **Fiverr Studios:** Fiverr enables multiple sellers to work together as a team. A studio lead creates the gig and is the main point of contact for the buyer. A 'studio' gig may be priced as high as \$50,000.
- **Affiliate Program and Marketing:** Fiverr partners with social media influencers to drive traffic to Fiverr's website. In the first half of 2020, the program more than doubled and is now international. In January 2021, Fiverr announced it will broadcast a Super Bowl advertisement. This is the largest of many campaigns.

**Valuation**

Fiverr guides the following:

- Management expects Q4 revenue in the range of \$52.4 to \$53.4 million.
- Management expects low single digit adjusted EBITDA margin.
- Management expects gross margin to compress closer toward 80%.

We believe the Q4 estimates are low. In Q3, Fiverr's GMV increased by over \$19 million from Q2. Guidance only implies a marginal \$4 million increase. We, instead, look at the QoQ increase from Q4 2019 to Q1 2020, the period in which COVID ultimately did accelerate growth, but only after an initial contraction. In Q1 2020, GMV increased \$17 million. We use this as a proxy for Q4 and deduce an estimated increase of \$17 million in Q4 2020; despite our higher estimate, we feel applying marginal Q1 2020 GMV to Q4 2020 is conservative given Q1 growth initially contracted. This approach yields approximately \$57 million in Q4 sales, 6.7% higher than guided.

	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4 Guidance	Q4 Estimate
Implied GMV	\$ 95.97	\$ 103.21	\$ 109.37	\$ 126.48	\$ 174.56	\$ 193.87	\$ 197.78	\$ 210.98
Delta GMV	7.96	7.24	6.16	17.11	48.07	19.31	3.91	17.11
Total Revenue	\$ 25.91	\$ 27.87	\$ 29.53	\$ 34.15	\$ 47.13	\$ 52.35	\$ 53.40	\$ 56.96

Exhibit AB

Fiverr grew nearly 90% and reported gross margin of 84% in Q3. The overall freelance market, including its strongest competitor, Upwork, does not deliver the same growth, despite claiming to be beneficiaries of the same macroeconomic and pandemic induced headwinds (which includes a lackluster domestic headwind). We do not consider other freelance marketplaces in our valuation of Fiverr.

Historically, Fiverr spends all gross margin in operations, but now believes operations support the existing infrastructure – where existing user cohorts grow their spending – and can be leveraged as the company scales in size and across geographies. Nevertheless, management plans continued spending in the interest of growth. Hence, we approach valuing the equity based on a sales multiple; cash flow modeling is not a reliable approach at this time for the business.

We analyze the following basket of securities and compare them with Fiverr – which includes the most expensive components in global equities – to ascertain the appropriate multiple for Fiverr's equity. The average price-to-sales ratio based on the run rate of revenue for this basket (excluding Upwork and Snowflake) is 36x.

January 13, 2020 (all figures in billions)	Market Capitalization	Revenue Run Rate	YoY Growth	Gross Margin	Operating Margin	Total Liabilities	Total Assets	Sales Multiple
SNOW	\$ 84.0	\$ 0.6	119%	58%	-106%	\$ 0.7	\$ 5.7	131x
CRWD	50.1	0.9	86%	74%	-9%	0.9	1.7	54x
U	40.9	0.8	53%	76%	-71%	0.5	2.6	51x
SHOP	146.3	3.1	96%	53%	8%	0.9	7.5	48x
FVRR	9.0	0.2	88%	83%	1%	0.5	0.8	43x
PLTR	44.4	1.2	52%	48%	-293%	1.4	2.6	38x
NIO	97.8	2.8	146%	13%	-21%	3.0	5.1	35x
ZM	104.3	3.1	367%	67%	25%	1.6	3.1	34x
TWLO	59.2	1.8	52%	52%	-25%	1.0	6.7	33x
DOCU	47.7	1.5	53%	75%	-13%	1.6	2.1	31x
RNG	34.8	1.2	30%	73%	-10%	1.8	2.1	29x
SNAP	79.6	2.7	52%	57%	-25%	2.6	4.8	29x
TSLA	809.9	35.1	39%	23%	9%	28.1	45.7	23x
PDD	202.1	8.8	89%	77%	-9%	10.5	14.6	23x
UPWK	5.1	0.4	24%	73%	-3%	0.2	0.5	13x
AVERAGE (excludes UPWK and SNOW)								36x

Exhibit AC

Fiverr currently trades at a premium to the 36x sales average, delineating 43x, which we feel is appropriate. In the above analysis, Fiverr delineates:

- The highest gross margin.
- The sixth highest YoY growth.
- The fourth highest EBITDA margin (unadjusted).
- The second lowest total assets (second only to Upwork, and Fiverr was lowest in total assets prior to the convertible debenture issued in October 2020). The asset-light and high-gross-margin business model is rewarded in a low interest rate environment; moreover, this model will yield substantial ROIC and ROIC acceleration in the event of earnings.

We adjust the multiple upward to 45x sales in anticipation of upside to guided revenue. We further adjust 45x by a factor of 1.07x to account for the convertible – which nearly doubled Fiverr's debt-to-asset ratio – and deduce a 48.6x multiple in our valuation (next page).

**1-Year Price Target: \$375.04 – \$405.04 | February 2021 (Fiscal Year 2020) Price Target: \$290.64**

We use both the average sales multiple of 36x and the adjusted Fiverr 48.6x multiple to delineate upside of the equity.

- We hold confidence Fiverr will deliver growth in excess of guidance, which will bring 2020 revenue to \$190.59 million (versus guidance of \$187.03 million). Earnings will be announced on February 18<sup>th</sup>. All eyes will be on the new guidance disclosures. A revenue surprise along with guidance revisions to the upside will move the equity beyond the 45x sales threshold.

Quarterly Estimates	2020		2021		
	Q4	Q1	Q2	Q3	Q4
Revenue	\$ 56.96	\$ 61.52	\$ 68.90	\$ 77.17	\$ 86.43
QoQ Sales Growth	9%	8%	12%	12%	12%
YoY Sales Growth	92.89%	80.14%	46.19%	47.42%	51.73%

Historic   Estimated	2018	2019	2020*	2021
GMV	\$ 294	\$ 401	\$ 706	\$ 1,089
YoY Growth		37%	76%	54%
Take Rate	25.7%	26.7%	27.0%	27.0%
Revenue	\$ 76	\$ 107	\$ 191	\$ 294
x36 Run Rate			\$ 8,203	\$ 10,585
Implied Price			\$ 232.51	\$ 300.03
x45 Run Rate			\$ 10,254	\$ 13,231
Implied Price			\$ 290.64	\$ 375.04

February 2021 Target Price	45x the Q4 estimated revenue, annualized	\$ 290.64
February 2021 Upside		14%
1-Year Price Target	48.6x the 2021 estimated revenue (45x adjusted by 1.07x for Balance Sheet Leverage)	\$ 405.04
1-Year Upside		59%

Exhibit AD

- We anticipate the stock will rise in days and weeks ahead of the announcement (barring broad market selloffs). We deduce a **February 2021 price target of \$290.64 (14% upside)**. We believe part of this upside can be realized before the announcement on February 18<sup>th</sup> in anticipation of strong results coupled with heightened volatility in the equity (attributable to the convertible debenture). Between the strong Q3 and next month's Q4, the convertible debenture is the only material event.
- We believe 36x 2021 sales (average multiple from exhibit AC, page 14) represents the lowest plausible valuation for the business in FY 2021: \$291.73 (15% upside).
- We forecast 54% growth in sales for FY 2021. At this level of growth, we believe a 45x sales multiple is appropriate; in fact, we believe if 54% growth is met in 2021, 45x becomes a low multiple relative to the current valuation of Fiverr and the valuations of its peer group from page 14.
  - Using 45x applied to our 2021 forecast, we deduce a price target of \$375.04 (43% upside).
    - Catalyst – Convertible Debenture Will Drive Volatility in the Equity**
    - We further deduce a price target of \$405.04 (59% upside) by applying a 48.6x multiple to 2021 sales. We adjust the 45x multiple by 1.07x for the debenture and volatility.**
  - Today, Fiverr trades for 43x annualized sales.
- We believe our price targets are supported by buyer spend, buyer retention and maturation, TAM, excess growth relative freelance peer Upwork, and superior fundamentals to similarly priced securities (exhibit AC page 14).

## Capital Markets and Non-Fundamental Considerations

- The convertible debenture, issued in October 2020, will drive volatility in the stock.
- Fiverr had its IPO in 2019; insiders sold no shares.
- Fiverr issued a secondary in 2020; insiders sold no shares.
- The convertible came after over 500% return since IPO; since, the stock returned almost 60%. The S&P500 index is up approximately 11% at the same time.
- Insiders own just over 30%.
- Institutions hold approximately 86% of the float.
- The convertible added approximately \$400 million to the balance sheet; raising debt to assets from under 40% to over 60%. Note, this is quite the asset-light business. Main takeaway is that leverage increased.
- In August 2020, ETSY announced a \$650 million convertible. Etsy has debt to asset ratio of approximately 0.70. ETSY then announced Q3 results on October 28, 2020. It beat on top and bottom line, grew 128% YoY, and beat revenue by almost 10%. **The stock sold off over 16%.**
- Alteryx provides another case study regarding convertibles. Alteryx margin and growth trajectory in 2017-2019 lines up with FVRR, although FVRR is seemingly stronger operations-wise.
- Management's estimate for Q4 is only \$53.4 million. **They cannot miss this number.** The price should reflect at least 36x the Q4 2020 run rate.
- We anticipate FVRR will trade toward the \$290 range into and after mid-February. However, the convertible adds a cloud of volatility to the equity, and, as we have seen, stocks may sell off for no reason. In-line may just not be good enough.
- We anticipate Fiverr call options to gain value into February (barring broad selloff).
- We anticipate volatility. Volatility to the upside will be beneficial for the equity over many months and years if business and growth do not deteriorate. However, the uncertainty of a blowout quarter and other businesses' stock price returns after convertible debentures, even after strong quarters, advises us to take caution with our position on the day of earnings.

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## Risks

- Fiverr is in an equity basket of the most expensive securities in the world. Its standing is contingent on growth (primarily) and margin improvement. The convertible debenture not only adds volatility, it exposes more downside if business and/or growth deteriorates.
- Fiverr will face more competition in non-English-speaking geographies; local freelance platforms are better able to delegate payments and payment methods.
- SaaS is not proprietary.
- Fiverr has the highest user fees and may lose market share to cheaper competition.
- Labor laws seldomly encompass general contractors. It may even become the freelance platforms' responsibility to govern, to an extent.
- It may become the platform's responsibility to assist with or administer retirement accounts, health insurance, social security.
- Emerging platforms
- Domestic platforms in international countries looking to target TAM. Domestic platforms have an early 'home field' advantage.
- Upwork can enter SaaS.
- Guidance will always be a focus. Revisions to the downside will not be beneficial for the stock.
- The convertible debenture adds leverage to the downside in bad-news events. It adds volatility ubiquitously.
- There are many statistics and business metrics management is yet to disclose.



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## Important Notes

- Some of Fiverr's information is not disclosed. For example, management has not yet disclosed metrics regarding young initiatives such as Fiverr Business and Promoted Gigs. Fiverr did not disclose international segment breakdown in Q3 2020.
- GMV overall take rate is 27.0%. Fiverr attributes the 200 bp premium to the base 25% take-rate as a product of ancillary service fees. However, sequential change in take rate is not meaningful without more transaction data. If a transaction is only \$5, the \$2 fee to the buyer is 40% of the buy-side payment, which skews take-rate upward. We would like to see the breakdown of transactions to ascertain what contributes to the take rate. There are too many moving parts without disclosure of specifics.
  - For example, we could model a 25% take rate on expected GMV to find implied revenue if we knew most transactions are greater than \$40. Or we could model based on a formula and weighting of these transactions.
  - Alternatively, we could model a rising take rate to delineate we expect smaller transactions to dominate the marketplace over time (this is certainly part of our assumption as we expect developing countries adopt Fiverr).
  - The disclosed evidence suggests a slightly accretive take rate over time (which Fiverr attributed to ancillary services, but it may also mean smaller transactions are growing in number).
  - High value spenders represent 57% of revenue, up from 52% a year ago. If this was a clean model, without the ancillary services offered (Fiverr Pro, courses, etc.), then we could assume take rate would steadily decline as higher value purchases would be subject to flat 25% fees. Again, there is no definite answer as to where the marginal take rate comes from other than management's identification that it is ancillary services (also not disclosed). With enough transaction size data, we would better be able to attribute if the growth-in-revenue-aided-by-a-declining-take-rate represents higher value transactions contributing to a higher share of revenue.
    - **Why this is important:** Square in 2017 delineated a similar fundamental marketplace. In this case, there is enough data. Into 2017, larger Gross Merchandise Value contributing businesses/customers consistently grew their share of revenue and started to make up a larger portion of the total. Square, at the same time, began offering ancillary solutions on top of core transaction services for small businesses/customers. All these ancillary services grew fast, but core revenue remained the most material segment of growth. Square 'take-rate' was 2.75% of transactions, yet 'overall take-rate' was 2.94%. Over time, it had fallen from 2.98% in 2012 to 2.95% in 2015. It fell further after 2017 to 2.91% in 2018, the last time it was disclosed. **There is momentum in these synthetic marketplaces that carry forward growth.** Square's revenue growth in the mid to late 2010 decade was the product of a turnkey business; management did not need to do a single thing once this growth 'flywheel' was in effect. We liken this to income disparity; the widening gap is a natural force of nature. We already delineated in our discussion that Fiverr has created a flywheel on the buyer side; however, we would like more supporting marketplace data.
- Market research and data are privy to many factors:
  - We examine many data points from many reports. Several of these reports encompass the 'gig economy' but this gig economy encompasses far more than simply freelance.
  - Regularly issued reports on the gig economy may not equally delineate freelance metrics. Internet connectivity, for example, is more than a freelance issue; within several years of data, reporting of time-series freelance-specific data is irregular.
  - The Pandemic has shifted the digital freelance and remote-work economy significantly.
    - The fastest growing freelance economies in 2019 no longer were the same basket of economies in 2020.
    - The gig economy was still in effect prior to The Pandemic. There is much research pre-2020 on the subject matter while post Pandemic data will still be published.
  - Some market research categorizes all freelance with Upwork's skilled labor freelance and statistics may therefore reflect a skilled workforce.

## Disclosure

*The analysis provided is based on financial information and speculation of future performance in statements associated with this company. All outside sources are perceived to be credible, and the analyst does not take fault for any changes in numerical or informational accuracy that may result. This report is for informational purposes only and is the opinion of the writer. This report has no regard for the specific investment needs or objectives of readers. Investors are encouraged to conduct their own research and come to their own conclusions before making the decision to invest in a company. Sources used in the making of this report are considered accurate.*

**Arham Khan is a shareholder of Fiverr International**

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## Appendix

### **Goldman Sachs Research – Fiverr Products and Features:**

**Fiverr Studios for sellers:** Launched in 2019, Fiverr Studios offers freelancers the ability to work with other sellers on the platform as part of a virtual team to complete projects for businesses by leveraging their varying skillsets. Freelancers can take on larger, more complex projects while buyers retain the same experience of having one point of contact, price, and brief. Each Fiverr Studios' gig is managed by a freelancer who serves as the Studio Lead that oversees the project, manages the team, and handles communication.

**Fiverr Business for buyers:** Fiverr Business provides a unified account for companies where team members can collaborate to track budgets, manage projects, and edit documents in one place. In addition, team members with a Fiverr Business account can share payment methods, save and share favorite sellers for quick access, and access a dedicated Fiverr executive assistant to help find sellers. Notably, FVRR believes it can use its existing customer acquisition channels to attract larger organizations to Fiverr Business, and nearly 50% of new registrations for Fiverr Business in 3Q20 invited teammates to join their accounts. To drive adoption and engagement, FVRR is currently offering a free trial for one year and will increase performance marketing spend in the beginning of 2021. In addition to these internal projects, FVRR has integrated outside collaboration tools like Zoom onto its platform. We would expect these products to encourage more business from both buyers and sellers, thereby increasing average SPB.

**Fiverr Pros:** verified and vetted sellers by FVRR that complete a rigorous application process with a 1% acceptance rate. Qualified sellers earn badges of Pro status (illustrated in Exhibit 37) and are also listed on a separate Pro page for Gigs in addition to the regular marketplace.

**Fiverr Logo Maker:** AI-powered tool that enables buyers to customize existing seller designs. After a buyer answers a few questions about their brand, FVRR sifts through a number of existing logos and returns the most relevant ones that buyers can then easily personalize themselves or request modifications from the sellers for (illustrated in Exhibit 37). FVRR offers two packages: (1) Basic (\$30) which includes high-res PNG files and full commercial rights, and (2) Advanced (\$60) which includes more vector files, a social media kit, Zoom backgrounds, and a brand style guide. FVRR has received positive reviews from its community thus far, and as the product scales, FVRR expects a boost to its conversion rates and potentially its take rate.

**Fiverr Stores:** personalized pages that aggregate the most relevant Gigs in specific industries and use cases (e.g., Gaming, Ecommerce, Architecture, Politics) instead of by verticals as the typical marketplace does. Larger organizations have increasingly used Fiverr stores to browse and search for services that their industry peers are using. These stores have driven SEO traffic, higher conversion rates, and cross-category spend as store pages can showcase Gigs in different verticals side by side.

**VID program:** buyers classified as Very Important Doers (VID), or FVRR's most active buyers, receive special discounts and promotions, access to business content and learning materials, and sometimes a team of success managers. Notably, buyers meaningfully increase their spend after joining the VID program and tend to engage with FVRR and other buyers across social media. Although VID was launched in April 2018, FVRR has continued to invest in the program throughout 2020.

**Back-end improvements:** FVRR continuously upgrades its content management system to more efficiently provide customers with more personalized and engaging content.

**Recurring purchases:** buyers will be able to automatically repurchase certain Gigs at specified time periods, which should be particularly useful for those interested in SEO or content marketing.

**Breaking large projects into milestones/incremental steps:** freelancers are able to receive payments earlier (i.e., at each stage of the project rather than at the end) while buyers gain more flexibility when purchasing larger-scale items. This also allows buyers to do a test-run when working with new sellers before committing to the full project.

**Fiverr's Choice:** recommendation system that uses data analytics to match buyers to desired digital services (illustrated in Exhibit 37). Earlier this year, FVRR added Fiverr's Choice modalities, which upgrades the system such that it can separate listings into different price buckets. Since the rollout of Fiverr's Choice, FVRR has seen better conversion, lower miss rates, fewer canceled orders, and a lift in buyer satisfaction and order size. Notably, Fiverr's Choice tends to have a particularly meaningful positive impact on high value buyers.

**Promoted Gigs:** In April 2020, FVRR also launched Promoted Gigs, or advertising slots for freelancers on category homepages (2 slots per top search page) that sellers can bid on to win. In its preliminary testing phase, FVRR saw strong conversion and click-through rates from buyers as well as an >80% adoption rate and nearly 100% retention rate from sellers. FVRR initially rolled out Promoted Gigs to a limited number of qualified sellers in 5 categories and has since expanded to 60 categories, over 10,000 related search queries, and more than 5,000 sellers (vs. <200 in June 2020); as FVRR opens up Promoted Gigs to more categories with open enrollment, more sellers should naturally participate in the program. While FVRR does not expect this to materially affect revenue this year, FVRR should benefit as it scales the program.

### **Ancillary Services:**

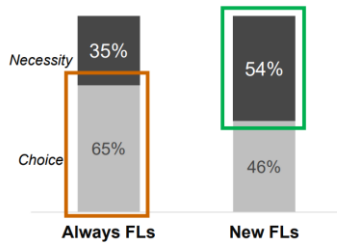
- **And.Co**, an online business management platform for freelancers that helps with invoicing and managing tasks and contracts (\$18/month for a Pro account);
- **Fiverr Learn**, an educational platform with online courses in various digital services (prices range from \$0-\$300 per course); and
- **ClearVoice**, a subscription-based collaborative workspace and marketing platform for businesses (starting from \$99/month). ClearVoice has worked with companies across various industries (e.g., internet, fintech, healthcare) and is seeing improving customer acquisition costs by leveraging FVRR's platform; similarly, FVRR is benefiting from ClearVoice's network as it has been able to cross-sell other platform services. FVRR receives an incremental fee from these services beyond its core marketplace fee (25% take rate), which drove the blended take rate to 27% in 2020E. As FVRR continues to grow its value-add services, we would expect the take rate to also increase incrementally over time.

**Competition:** Upwork, Freelancer, Peoplehunter, Guru, Toptal, Codeable, Workday, Consulting Firms, Traditional staffing agencies

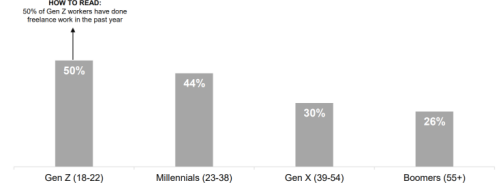
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**Upwork Research Exhibits July 2020**

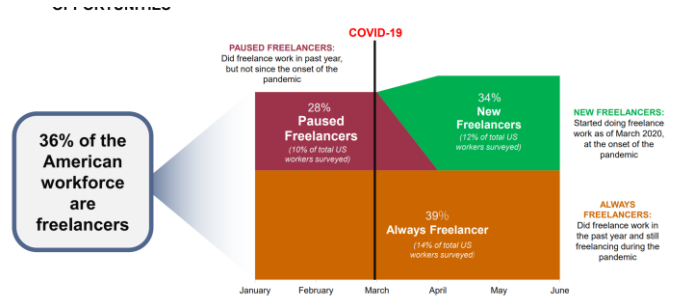
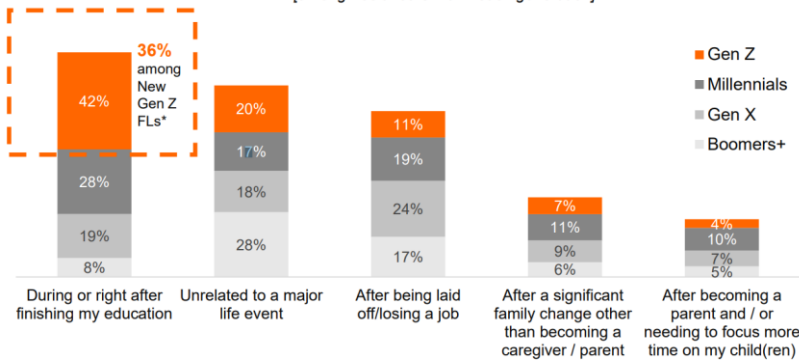
**Reason for Starting to Freelance**



**% of US Workers doing Freelance Work by Generation**  
 (% calculated out of total US workers in each generation group)



**When did you start freelancing?**  
 [among freelancers within each generation]



**Among Total Freelancers**

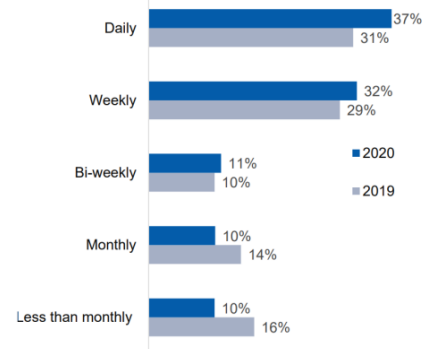
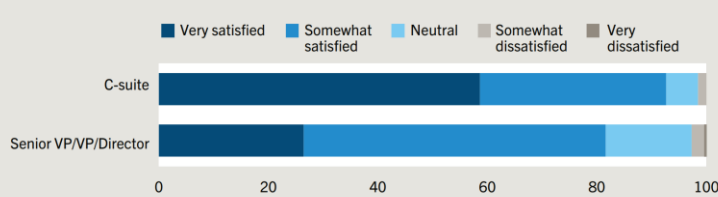


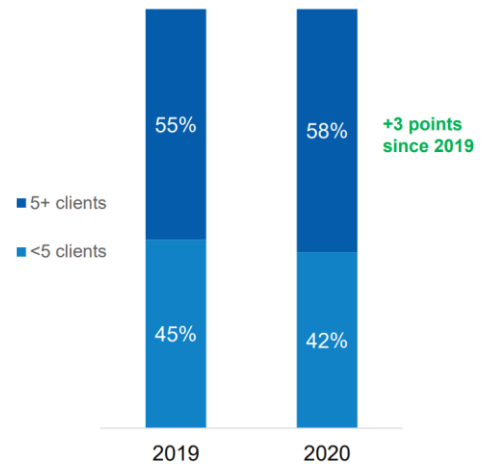
Figure 14: C-suite leaders are more optimistic than frontline managers about talent platforms



Note: The question was shown to business leaders who indicated they were "moderately" or "extremely" familiar with the area of sourcing talent/talent strategy and "aware" of at least one type of digital talent platform. Level of satisfaction pertained to a particular type of digital talent platform. For respondents who provided their level of satisfaction to more than one type of digital talent platform, an average level of satisfaction was calculated.

Source: "The On-Demand Workforce Survey," Harvard Business School's Project on Managing the Future of Work and BCG's People & Organization practice, November 2019 to January 2020

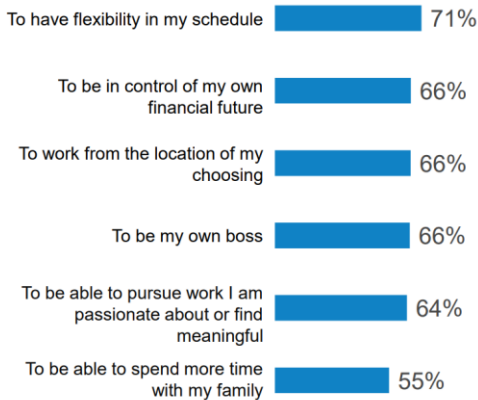
**Number of Clients in Past 6 Months**  
 (% calculated among total freelancers)



**Freelancer Classification**  
 (% calculated out of total freelancers)



**Reasons Why They Freelance**  
 (% calculated among total freelancers)

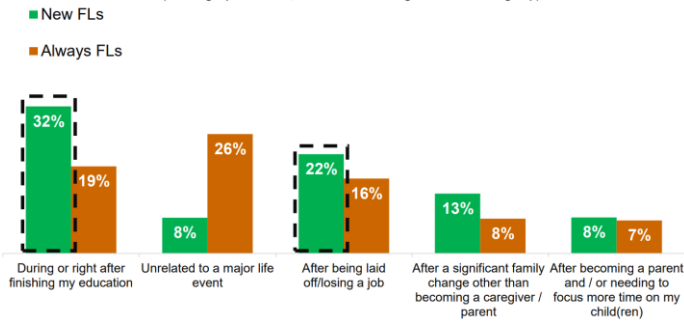


**% Among Top Three Reasons for Skill-Related Education or Training**  
 [% calculated among total freelancers]

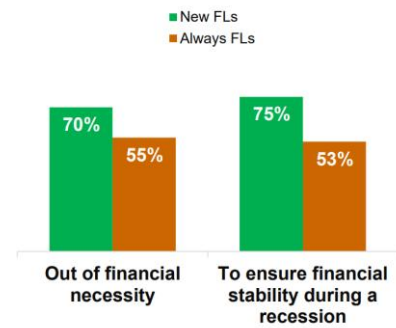


**When did you start freelancing?**

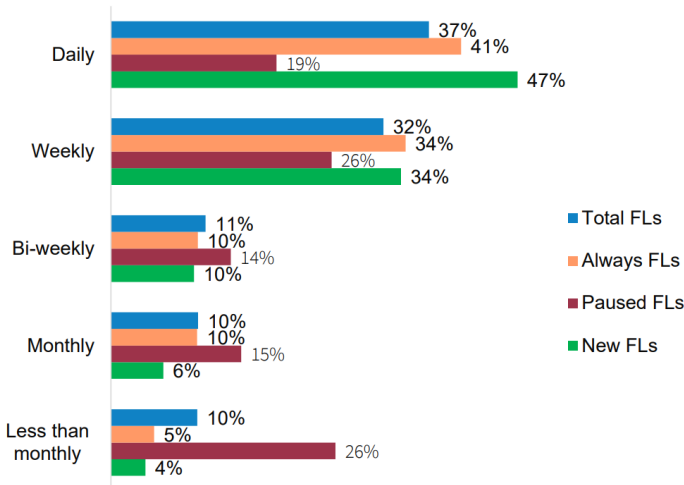
(showing top 5 reasons, % calculated among each freelancer group)



**% is a Reason They Freelance**  
 (% showing T2B)

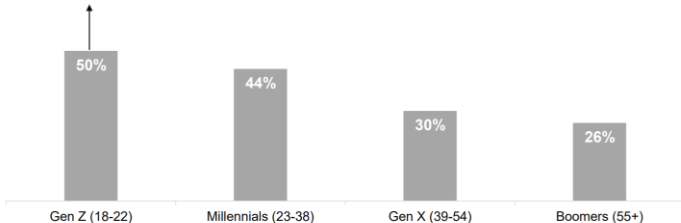


**Among Total, Always, Paused, and New FLs**

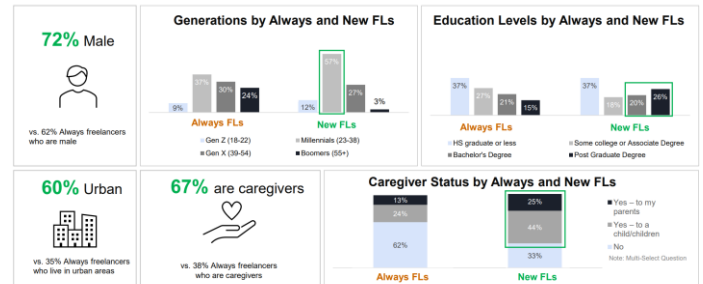


**% of US Workers doing Freelance Work by Generation**  
 (% calculated out of total US workers in each generation group)

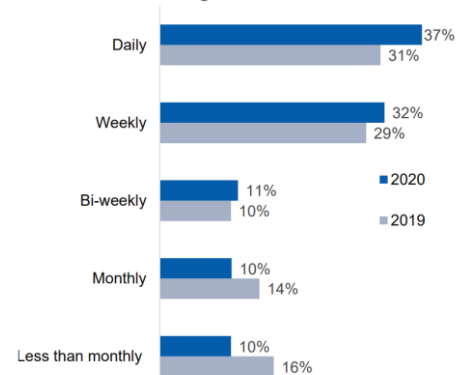
HOW TO READ:  
 50% of Gen Z workers have done freelance work in the past year



**THIS NEW WAVE OF FREELANCERS SKEW MALE, MILLENNIAL, AND URBAN**



**Among Total Freelancers**



**Guidance**

	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4E
Total Revenue (millions)	\$ 23.8	\$ 25.9	\$ 27.9	\$ 29.5	\$ 34.2	\$ 47.1	\$ 52.3	\$ 53.4
YoY g	42%	41%	42%	43%	44%	82%	88%	81%
QoQ g	15%	9%	8%	6%	16%	38%	11%	2%
Incremental QoQ Revenue (millions)	\$ 3.1	\$ 2.2	\$ 2.0	\$ 1.7	\$ 4.6	\$ 13.0	\$ 5.2	\$ 1.0

	Q4 2020	FY 2020
Revenue	\$52.4 - \$53.4	\$186.0 - \$187.0
YoY Growth	77 - 81%	74 - 75%
Adjusted EBITDA	\$4.0 - \$4.5	\$8.5 - \$9.0

	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4 Guidance
Total Revenue	\$ 25.91	\$ 27.87	\$ 29.53	\$ 34.15	\$ 47.13	\$ 52.35	\$ 53.40
YoY g	41%	42%	43%	44%	82%	88%	81%
QoQ g	9%	8%	6%	16%	38%	11%	2%
Implied GMV	\$ 95.97	\$ 103.21	\$ 109.37	\$ 126.48	\$ 174.56	\$ 193.87	\$ 197.78
Delta GMV	7.96	7.24	6.16	17.11	48.07	19.31	3.91

**Fiverr**

	Q1 '20 YoY Growth	Q2 '20 YoY Growth
United States	41%	76%
Europe	63%	106%
Asia Pacific	36%	72%
Rest of The World	27%	69%
Israel	39%	71%
Total	44%	82%

	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20
Total Revenue (millions)	\$17	\$18	\$20	\$21	\$24	\$26	\$28	\$30	\$34	\$47	\$52
QoQ Sales Growth		10%	7%	5%	15%	9%	8%	6%	16%	38%	11%
Operating Expenses as % of Sales	175%	114%	118%	103%	111%	119%	106%	93%	100%	83%	84%
QoQ Operating Expenses Growth		-28%	10%	-8%	24%	17%	-5%	-7%	24%	15%	12%

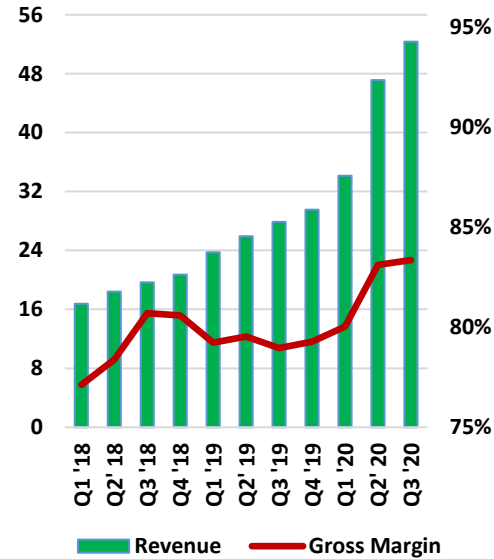
	% of Sales in Q1 '20	% of Sales in Q2 '20
United States	55%	53%
Europe	23%	26%
Asia Pacific	12%	12%
Rest of The World	9%	8%
Israel	1%	1%

	Q1 '20 YoY Growth	Q2 '20 YoY Growth	Q3 '20 YoY Growth
United States	41%	76%	N/A
Europe	63%	106%	
Asia Pacific	36%	72%	
Rest of The World	27%	69%	
Israel	39%	71%	
Total	44%	82%	88%

	Q2 '20 QoQ Growth	Q2 '20 YoY Growth	Q3 '20 QoQ Growth	Q3 '20 YoY Growth
United States	37%	76%	N/A	N/A
Europe	41%	106%		
Asia Pacific	42%	72%		
Rest of The World	36%	69%		
Israel	18%	71%		
Total	38%	82%	11%	88%

	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20
Total Revenue (millions)	\$24	\$26	\$28	\$30	\$34	\$47	\$52
QoQ Sales Growth	15%	9%	8%	6%	16%	38%	11%
YoY Sales Growth	42%	41%	42%	43%	44%	82%	88%
Net Buyers (millions)	2.10	2.20	2.30	2.40	2.50	2.80	3.10
QoQ Buyer Growth	5%	5%	5%	4%	4%	12%	11%
YoY Buyer Growth	11%	16%	15%	20%	19%	27%	35%

**Fiverr Revenue and Gross Margin**



**Upwork**

Upwork Q3 '20 YoY Freelance Revenue Growth	
United States	23%
India	25%
Philippines	18%
Rest of world	23%
Total Freelance Revenue	23%

Upwork Q3 '20 YoY Client Revenue Growth	
United States	23%
Rest of world	38%
Total Client Revenue	26%
Total YoY Revenue Growth	24%

Upwork Q3 2020 Freelancer Revenue			
Region	YoY Growth	As % of Freelance Revenue	As % of Total Revenue
United States	23%	27%	16%
India	25%	15%	9%
Philippines	18%	10%	6%
Rest of world	23%	48%	29%
Total Freelance Revenue	23%	100%	61%

Upwork Q3 2020 Client Revenue			
Region	YoY Growth	As % of Client Revenue	As % of Total Revenue
United States	23%	76%	30%
Rest of world	38%	24%	9%
Total Client Revenue	26%	100%	39%

**Valuation and Forecasts**

January 13, 2020 (all figures in billions)	Market Capitalization	Revenue Run Rate	YoY Growth	Gross Margin	Operating Margin	Total Liabilities	Total Assets	Sales Multiple
SNOW	\$ 84.0	\$ 0.6	119%	58%	-106%	\$ 0.7	\$ 5.7	131x
CRWD	50.1	0.9	86%	74%	-9%	0.9	1.7	54x
U	40.9	0.8	53%	76%	-71%	0.5	2.6	51x
SHOP	146.3	3.1	96%	53%	8%	0.9	7.5	48x
FVRR	9.0	0.2	88%	83%	1%	0.5	0.8	43x
PLTR	44.4	1.2	52%	48%	-293%	1.4	2.6	38x
NIO	97.8	2.8	146%	13%	-21%	3.0	5.1	35x
ZM	104.3	3.1	367%	67%	25%	1.6	3.1	34x
TWLO	59.2	1.8	52%	52%	-25%	1.0	6.7	33x
DOCU	47.7	1.5	53%	75%	-13%	1.6	2.1	31x
RNG	34.8	1.2	30%	73%	-10%	1.8	2.1	29x
SNAP	79.6	2.7	52%	57%	-25%	2.6	4.8	29x
TSLA	809.9	35.1	39%	23%	9%	28.1	45.7	23x
PDD	202.1	8.8	89%	77%	-9%	10.5	14.6	23x
UPWK	5.1	0.4	24%	73%	-3%	0.2	0.5	13x
<b>AVERAGE (excludes UPWK and SNOW)</b>								<b>36x</b>

	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4 Guidance	Q4 Estimate
Implied GMV	\$ 95.97	\$ 103.21	\$ 109.37	\$ 126.48	\$ 174.56	\$ 193.87	\$ 197.78	\$ 210.98
Delta GMV	7.96	7.24	6.16	17.11	48.07	19.31	3.91	17.11
Total Revenue	\$ 25.91	\$ 27.87	\$ 29.53	\$ 34.15	\$ 47.13	\$ 52.35	\$ 53.40	\$ 56.96

Quarterly Estimates	2020		2021		
	Q4	Q1	Q2	Q3	Q4
Revenue	\$ 56.96	\$ 61.52	\$ 68.90	\$ 77.17	\$ 86.43
QoQ Sales Growth	9%	8%	12%	12%	12%
YoY Sales Growth	92.89%	80.14%	46.19%	47.42%	51.73%

Historic   Estimated	2018	2019	2020*	2021
GMV	\$ 294	\$ 401	\$ 706	\$ 1,089
YoY Growth		37%	76%	54%
Take Rate	25.7%	26.7%	27.0%	27.0%
Revenue	\$ 76	\$ 107	\$ 191	\$ 294
x36 Run Rate			\$ 8,203	\$ 10,585
Implied Price			\$ 232.51	\$ 300.03
x45 Run Rate			\$ 10,254	\$ 13,231
Implied Price			\$ 290.64	\$ 375.04

February 2021 Target Price	45x the Q4 estimated revenue, annualized	\$ 290.64
February 2021 Upside		14%
1-Year Price Target	48.6x the 2021 estimated revenue (45x adjusted by 1.3x for Balance Sheet Leverage)	\$ 405.04
1-Year Upside		59%

The following is a list of geographies covered in our thesis, ranked by a measure of Purchasing Power Parity (2019) and the Human Development Index Score (2018). Both the PPP factor and the HDI indices are listed on page 24 (PPP) and page 27 (HDI).

Definition: *Purchasing power parity conversion factor is the number of units of a country's currency required to buy the same amount of goods and services in the domestic market as a U.S. dollar would buy in the United States. The ratio of PPP conversion factor to market exchange rate is the result obtained by dividing the PPP conversion factor by the market exchange rate. The ratio, also referred to as the national price level, makes it possible to compare the cost of the bundle of goods that make up gross domestic product (GDP) across countries. It tells how many dollars are needed to buy a dollar's worth of goods in the country as compared to the United States. PPP conversion factors are based on the 2011 ICP round.* - Source: Index Mundi and World Bank

"The Human Development Index (HDI) is a summary measure of achievements in three key dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living." - Source: United Nations Development Programme



Country	Rank - Price Level Ratio of Conversion Factor (GDP) to Market Exchange Rate	Rank - Human Development Index
Australia	5 of 186	8 of 189
Israel	7 of 186	19 of 189
United States	13 of 186	17 of 189
United Kingdom	19 of 186	13 of 189
Germany	25 of 186	6 of 189
Spain	33 of 186	25 of 189
Hong Kong	35 of 186	4 of 189
Argentina	69 of 186	46 of 189
Brazil	71 of 186	84 of 189
Kenya	87 of 186	143 of 189
Mexico	90 of 186	74 of 189
South Africa	97 of 186	114 of 189
Bangladesh	129 of 186	133 of 189
Serbia	114 of 186	64 of 189
Russia	116 of 186	52 of 189
Malaysia	146 of 186	62 of 189
Philippines	150 of 186	107 of 189
Nigeria	156 of 186	161 of 189
Ukraine	158 of 186	74 of 189
Pakistan	178 of 186	154 of 189
India	182 of 186	131 of 189

## Dollar Parity

**“Statistical Concept and Methodology:** The ratio of the PPP conversion factor to the market exchange rate - the national price level or comparative price level - measures differences in the price level at the gross domestic product (GDP) level. The price level index tends to be lower in poorer countries and to rise with income.

**Definition:** “Purchasing power parity conversion factor is the number of units of a country's currency required to buy the same amount of goods and services in the domestic market as a U.S. dollar would buy in the United States. The ratio of PPP conversion factor to market exchange rate is the result obtained by dividing the PPP conversion factor by the market exchange rate. The ratio, also referred to as the national price level, makes it possible to compare the cost of the bundle of goods that make up gross domestic product (GDP) across countries. It tells how many dollars are needed to buy a dollar's worth of goods in the country as compared to the United States. PPP conversion factors are based on the 2011 ICP round.”

- Source: Index Mundi and World Bank

## Price level ratio of PPP conversion factor (GDP) to market exchange rate - Country Ranking

Rank	Country	Value	Year
1	<a href="#">Iceland</a>	1.28	2018
2	<a href="#">Norway</a>	1.25	2018
3	<a href="#">Switzerland</a>	1.22	2018
4	<a href="#">Cayman Islands</a>	1.12	2017
5	<a href="#">Australia</a>	1.11	2018
6	<a href="#">Denmark</a>	1.10	2018
7	<a href="#">Israel</a>	1.04	2018
8	<a href="#">Finland</a>	1.04	2018
9	<a href="#">Luxembourg</a>	1.03	2018
10	<a href="#">Sweden</a>	1.03	2018
11	<a href="#">New Zealand</a>	1.02	2018
12	<a href="#">The Bahamas</a>	1.00	2018
13	<a href="#">United States</a>	1.00	2018
14	<a href="#">Vanuatu</a>	0.97	2018
15	<a href="#">Barbados</a>	0.97	2018
16	<a href="#">Canada</a>	0.96	2018
17	<a href="#">Ireland</a>	0.95	2018
18	<a href="#">Netherlands</a>	0.94	2018
19	<a href="#">United Kingdom</a>	0.93	2018
20	<a href="#">Austria</a>	0.93	2018
21	<a href="#">Belgium</a>	0.92	2018
22	<a href="#">Japan</a>	0.92	2018
23	<a href="#">France</a>	0.91	2018
24	<a href="#">Tuvalu</a>	0.91	2018
25	<a href="#">Germany</a>	0.90	2018
26	<a href="#">Venezuela</a>	0.89	2014
27	<a href="#">Solomon Islands</a>	0.88	2018
28	<a href="#">Palau</a>	0.86	2018
29	<a href="#">Italy</a>	0.82	2018
30	<a href="#">Puerto Rico</a>	0.80	2018
31	<a href="#">Korea</a>	0.78	2018
32	<a href="#">San Marino</a>	0.77	2017
33	<a href="#">Spain</a>	0.76	2018
34	<a href="#">St. Lucia</a>	0.76	2018
35	<a href="#">Hong Kong SAR, China</a>	0.75	2018
36	<a href="#">Cyprus</a>	0.74	2018
37	<a href="#">Uruguay</a>	0.73	2018
38	<a href="#">Zimbabwe</a>	0.71	2018
39	<a href="#">Kiribati</a>	0.71	2018
40	<a href="#">Malta</a>	0.71	2018
41	<a href="#">Macao SAR, China</a>	0.70	2018
42	<a href="#">Portugal</a>	0.70	2018
43	<a href="#">Dominica</a>	0.69	2018
44	<a href="#">Greece</a>	0.69	2018
45	<a href="#">Slovenia</a>	0.69	2018
46	<a href="#">Grenada</a>	0.68	2018
47	<a href="#">Costa Rica</a>	0.68	2018
48	<a href="#">Tonga</a>	0.68	2018
49	<a href="#">Estonia</a>	0.65	2018
50	<a href="#">Samoa</a>	0.65	2018



Rank	Country	Value	Year
51	<a href="#">St. Kitts and Nevis</a>	0.64	2018
52	<a href="#">Singapore</a>	0.64	2018
53	<a href="#">Lebanon</a>	0.63	2018
54	<a href="#">Chile</a>	0.63	2018
55	<a href="#">Papua New Guinea</a>	0.63	2018
56	<a href="#">Antigua and Barbuda</a>	0.62	2018
57	<a href="#">Panama</a>	0.61	2018
58	<a href="#">Dem. Rep. Congo</a>	0.60	2018
59	<a href="#">Nauru</a>	0.60	2018
60	<a href="#">St. Vincent and the Grenadines</a>	0.60	2018
61	<a href="#">Latvia</a>	0.59	2018
62	<a href="#">São Tomé and Príncipe</a>	0.59	2018
63	<a href="#">Czech Republic</a>	0.58	2018
64	<a href="#">Slovak Republic</a>	0.58	2018
65	<a href="#">Guyana</a>	0.58	2018
66	<a href="#">Fiji</a>	0.58	2018
67	<a href="#">Jamaica</a>	0.57	2018
68	<a href="#">United Arab Emirates</a>	0.57	2018
69	<a href="#">Argentina</a>	0.57	2018
70	<a href="#">Belize</a>	0.56	2018
71	<a href="#">Brazil</a>	0.55	2018
72	<a href="#">Central African Republic</a>	0.55	2018
73	<a href="#">Qatar</a>	0.54	2018
74	<a href="#">Ecuador</a>	0.54	2018
75	<a href="#">Croatia</a>	0.54	2018
76	<a href="#">Lithuania</a>	0.54	2018
77	<a href="#">Seychelles</a>	0.54	2018
78	<a href="#">Guatemala</a>	0.54	2018
79	<a href="#">China</a>	0.54	2018
80	<a href="#">Trinidad and Tobago</a>	0.54	2018
81	<a href="#">Namibia</a>	0.53	2018
82	<a href="#">Angola</a>	0.53	2018
83	<a href="#">Djibouti</a>	0.53	2011
84	<a href="#">Hungary</a>	0.52	2018
85	<a href="#">Liberia</a>	0.52	2018
86	<a href="#">Bahrain</a>	0.51	2018
87	<a href="#">Kenya</a>	0.49	2018
88	<a href="#">Poland</a>	0.49	2018
89	<a href="#">Cabo Verde</a>	0.49	2018
90	<a href="#">Mexico</a>	0.49	2018
91	<a href="#">El Salvador</a>	0.49	2018
92	<a href="#">Honduras</a>	0.49	2018
93	<a href="#">Comoros</a>	0.49	2018
94	<a href="#">Peru</a>	0.48	2018
95	<a href="#">Mauritius</a>	0.47	2018
96	<a href="#">Kuwait</a>	0.47	2018
97	<a href="#">South Africa</a>	0.47	2018
98	<a href="#">Haiti</a>	0.47	2018
99	<a href="#">Ghana</a>	0.46	2018
100	<a href="#">Dominican Republic</a>	0.45	2018
101	<a href="#">Equatorial Guinea</a>	0.45	2018
102	<a href="#">Bolivia</a>	0.45	2018
103	<a href="#">Jordan</a>	0.45	2018
104	<a href="#">Gabon</a>	0.44	2018
105	<a href="#">Colombia</a>	0.44	2018
106	<a href="#">Moldova</a>	0.44	2018
107	<a href="#">Botswana</a>	0.44	2018
108	<a href="#">Romania</a>	0.44	2018
109	<a href="#">Guinea-Bissau</a>	0.43	2018
110	<a href="#">Paraguay</a>	0.43	2018
111	<a href="#">Montenegro</a>	0.43	2018
112	<a href="#">Bulgaria</a>	0.42	2018
113	<a href="#">Saudi Arabia</a>	0.42	2018
114	<a href="#">Serbia</a>	0.42	2018
115	<a href="#">Bosnia and Herzegovina</a>	0.41	2018
116	<a href="#">Russia</a>	0.41	2018
117	<a href="#">Côte d'Ivoire</a>	0.41	2018
118	<a href="#">Armenia</a>	0.41	2018
119	<a href="#">Cameroon</a>	0.41	2018
120	<a href="#">Lesotho</a>	0.40	2018
121	<a href="#">Senegal</a>	0.40	2018
122	<a href="#">Suriname</a>	0.40	2018
123	<a href="#">Albania</a>	0.39	2018
124	<a href="#">Georgia</a>	0.39	2018
125	<a href="#">Oman</a>	0.39	2018

Rank	Country	Value	Year
125	<a href="#">Oman</a>	0.39	2018
126	<a href="#">Brunei</a>	0.39	2018
127	<a href="#">Eswatini</a>	0.39	2018
128	<a href="#">Niger</a>	0.39	2018
129	<a href="#">Bangladesh</a>	0.39	2018
130	<a href="#">Mali</a>	0.39	2018
131	<a href="#">Eritrea</a>	0.39	2011
132	<a href="#">Togo</a>	0.38	2018
133	<a href="#">Ethiopia</a>	0.38	2018
134	<a href="#">Thailand</a>	0.38	2018
135	<a href="#">Congo</a>	0.38	2018
136	<a href="#">Morocco</a>	0.37	2018
137	<a href="#">North Macedonia</a>	0.37	2018
138	<a href="#">Benin</a>	0.37	2018
139	<a href="#">Chad</a>	0.37	2018
140	<a href="#">Yemen</a>	0.37	2018
141	<a href="#">Nicaragua</a>	0.37	2018
142	<a href="#">Burundi</a>	0.37	2018
143	<a href="#">Zambia</a>	0.36	2018
144	<a href="#">Turkmenistan</a>	0.36	2018
145	<a href="#">Burkina Faso</a>	0.36	2018
146	<a href="#">Malaysia</a>	0.36	2018
147	<a href="#">Kazakhstan</a>	0.35	2018
148	<a href="#">Guinea</a>	0.35	2018
149	<a href="#">Libya</a>	0.35	2018
150	<a href="#">Philippines</a>	0.35	2018
151	<a href="#">Cambodia</a>	0.35	2018
152	<a href="#">Vietnam</a>	0.34	2018
153	<a href="#">Rwanda</a>	0.34	2018
154	<a href="#">Mozambique</a>	0.34	2018
155	<a href="#">Lao PDR</a>	0.34	2018
156	<a href="#">Nigeria</a>	0.34	2018
157	<a href="#">Nepal</a>	0.33	2018
158	<a href="#">Ukraine</a>	0.33	2018
159	<a href="#">Iraq</a>	0.33	2018
160	<a href="#">Turkey</a>	0.33	2018
161	<a href="#">Sierra Leone</a>	0.33	2018
162	<a href="#">Kyrgyz Republic</a>	0.33	2018
163	<a href="#">Tanzania</a>	0.33	2018
164	<a href="#">Bhutan</a>	0.32	2018
165	<a href="#">Uganda</a>	0.32	2018
166	<a href="#">Belarus</a>	0.31	2018
167	<a href="#">Sri Lanka</a>	0.30	2018
168	<a href="#">Mongolia</a>	0.30	2018
169	<a href="#">Indonesia</a>	0.30	2018
170	<a href="#">Malawi</a>	0.30	2018
171	<a href="#">Myanmar</a>	0.29	2011
172	<a href="#">Mauritania</a>	0.29	2018
173	<a href="#">Madagascar</a>	0.28	2018
174	<a href="#">Tunisia</a>	0.28	2018
175	<a href="#">The Gambia</a>	0.27	2018
176	<a href="#">Iran</a>	0.27	2017
177	<a href="#">Afghanistan</a>	0.27	2018
178	<a href="#">Pakistan</a>	0.27	2018
179	<a href="#">Timor-Leste</a>	0.27	2018
180	<a href="#">Algeria</a>	0.27	2018
181	<a href="#">Azerbaijan</a>	0.26	2018
182	<a href="#">India</a>	0.26	2018
183	<a href="#">Tajikistan</a>	0.24	2018
184	<a href="#">Egypt</a>	0.21	2018
185	<a href="#">Sudan</a>	0.20	2018
186	<a href="#">Uzbekistan</a>	0.18	2018

**Human Development Index**

“The Human Development Index (HDI) is a summary measure of achievements in three key dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living.”

- Source: United Nations Development Programme

VERY HIGH HUMAN DEVELOPMENT		
1	Norway	0.957
2	Ireland	0.955
2	Switzerland	0.955
4	Hong Kong, China (SAR)	0.949
4	Iceland	0.949
6	Germany	0.947
7	Sweden	0.945
8	Australia	0.944
8	Netherlands	0.944
10	Denmark	0.940
11	Finland	0.938
11	Singapore	0.938
13	United Kingdom	0.932
14	Belgium	0.931
14	New Zealand	0.931
16	Canada	0.929
17	United States	0.926
18	Austria	0.922
19	Israel	0.919
19	Japan	0.919
19	Liechtenstein	0.919
22	Slovenia	0.917
23	Korea (Republic of)	0.916
23	Luxembourg	0.916
25	Spain	0.904
26	France	0.901
27	Czechia	0.900
28	Malta	0.895
29	Estonia	0.892
29	Italy	0.892
31	United Arab Emirates	0.890
32	Greece	0.888
33	Cyprus	0.887
34	Lithuania	0.882
35	Poland	0.880
36	Andorra	0.868
37	Latvia	0.866
38	Portugal	0.864
39	Slovakia	0.860
40	Hungary	0.854
40	Saudi Arabia	0.854
42	Bahrain	0.852
43	Chile	0.851
43	Croatia	0.851
45	Qatar	0.848
46	Argentina	0.845
47	Brunei Darussalam	0.838
48	Montenegro	0.829
49	Romania	0.828
50	Palau	0.826
51	Kazakhstan	0.825
52	Russian Federation	0.824
53	Belarus	0.823
54	Turkey	0.820
55	Uruguay	0.817
56	Bulgaria	0.816
57	Panama	0.815
58	Bahamas	0.814
58	Barbados	0.814
60	Oman	0.813
61	Georgia	0.812
62	Costa Rica	0.810
62	Malaysia	0.810
64	Kuwait	0.806
64	Serbia	0.806
66	Mauritius	0.804

HIGH HUMAN DEVELOPMENT		
67	Seychelles	0.796
67	Trinidad and Tobago	0.796
69	Albania	0.795
70	Cuba	0.783
70	Iran (Islamic Republic of)	0.783
72	Sri Lanka	0.782
73	Bosnia and Herzegovina	0.780
74	Grenada	0.779
74	Mexico	0.779
74	Saint Kitts and Nevis	0.779
74	Ukraine	0.779
78	Antigua and Barbuda	0.778
79	Peru	0.777
79	Thailand	0.777
81	Armenia	0.776
82	North Macedonia	0.774
83	Colombia	0.767
84	Brazil	0.765
85	China	0.761
86	Ecuador	0.759
86	Saint Lucia	0.759
88	Azerbaijan	0.756
88	Dominican Republic	0.756
90	Moldova (Republic of)	0.750
91	Algeria	0.748
92	Lebanon	0.744
93	Fiji	0.743
94	Dominica	0.742
95	Maldives	0.740
95	Tunisia	0.740
97	Saint Vincent and the Grenadines	0.738
97	Suriname	0.738
99	Mongolia	0.737
100	Botswana	0.735
101	Jamaica	0.734
102	Jordan	0.729
103	Paraguay	0.728
104	Tonga	0.725
105	Libya	0.724
106	Uzbekistan	0.720
107	Bolivia (Plurinational State of)	0.718
107	Indonesia	0.718
107	Philippines	0.718
110	Belize	0.716
111	Samoa	0.715
111	Turkmenistan	0.715
113	Venezuela (Bolivarian Republic of)	0.711
114	South Africa	0.709
115	Palestine, State of	0.708
116	Egypt	0.707
117	Marshall Islands	0.704
117	Viet Nam	0.704
119	Gabon	0.703

MEDIUM HUMAN DEVELOPMENT		
120 Kyrgyzstan		0.697
121 Morocco		0.686
122 Guyana		0.682
123 Iraq		0.674
124 El Salvador		0.673
125 Tajikistan		0.668
126 Cabo Verde		0.665
127 Guatemala		0.663
128 Nicaragua		0.660
129 Bhutan		0.654
130 Namibia		0.646
131 India		0.645
132 Honduras		0.634
133 Bangladesh		0.632
134 Kiribati		0.630
135 Sao Tome and Principe		0.625
136 Micronesia (Federated States of)		0.620
137 Lao People's Democratic Republic		0.613
138 Eswatini (Kingdom of)		0.611
138 Ghana		0.611
140 Vanuatu		0.609
141 Timor-Leste		0.606
142 Nepal		0.602
143 Kenya		0.601
144 Cambodia		0.594
145 Equatorial Guinea		0.592
146 Zambia		0.584
147 Myanmar		0.583
148 Angola		0.581
149 Congo		0.574
150 Zimbabwe		0.571
151 Solomon Islands		0.567
151 Syrian Arab Republic		0.567
153 Cameroon		0.563
154 Pakistan		0.557
155 Papua New Guinea		0.555
156 Comoros		0.554
LOW HUMAN DEVELOPMENT		
157 Mauritania		0.546
158 Benin		0.545
159 Uganda		0.544
160 Rwanda		0.543
161 Nigeria		0.539
162 Côte d'Ivoire		0.538
163 Tanzania (United Republic of)		0.529
164 Madagascar		0.528
165 Lesotho		0.527
166 Djibouti		0.524
167 Togo		0.515
168 Senegal		0.512
169 Afghanistan		0.511
170 Haiti		0.510
170 Sudan		0.510
172 Gambia		0.496
173 Ethiopia		0.485
174 Malawi		0.483
175 Congo (Democratic Republic of the)		0.480
175 Guinea-Bissau		0.480
175 Liberia		0.480
178 Guinea		0.477
179 Yemen		0.470
180 Eritrea		0.459
181 Mozambique		0.456
182 Burkina Faso		0.452
182 Sierra Leone		0.452
184 Mali		0.434
185 Burundi		0.433
185 South Sudan		0.433
187 Chad		0.398
188 Central African Republic		0.397
189 Niger		0.394