ASX Announcement | 1 February 2021

Quarterly Cash Flow and Activity Report for quarter ending 31 December 2020

Freelancer Group delivers Gross Payment Volume in 4Q20 of an all-time record of US$191.8 million (up 47.5% on pcp, unaudited) or AU$261.8 million (up 37.7% on pcp). In 4Q20:

- **Freelancer GMV second highest on record (after 3Q20) at US$25.9m (up 20.0% on pcp) or AU$35.5m (up 12.3% on pcp)**
- **Escrow GPV an all-time record US$156.6m (up 56.9% on pcp) or all-time record AU$213.6m (up 45.7% on pcp).**
- **Escrow GPV ex-China all-time record of US$149.8m (up 62.6% on pcp)**

Group net cash receipts for 4Q20 at AU$14.3 million (down 0.9% on pcp). Adjusted for $1.1 million in overdue funds received in early Jan 21 for engineering services delivered in 4Q20 & StartCon not running, total receipts would be up 13.1% in USD on pcp. Escrow cash receipts were US$1.73 million (up 46.5% on pcp). Freelancer cash receipts (incl Startcon) were AU$11.9 million (down 6.1% on pcp), US$8.7 million (up 0.4% on pcp).

The group had positive net operating cash flow of $0.1 million for the quarter (FY20 $7.9 million). It ended FY20 with cash and cash equivalents of $34.4 million, up 7% on pcp. Freelancer, Escrow and the Group were all profitable in 4Q20 and 2H20 (unaudited).

SYDNEY, 1 February 2020 - Freelancer Limited (ASX: FLN), the world's largest freelancing and crowdsourcing marketplace by total number of users and jobs posted, today released its Quarterly Cash Flow Statement (Appendix 4C) for the quarter ending 31 December 2020 (4Q20).

Freelancer.com

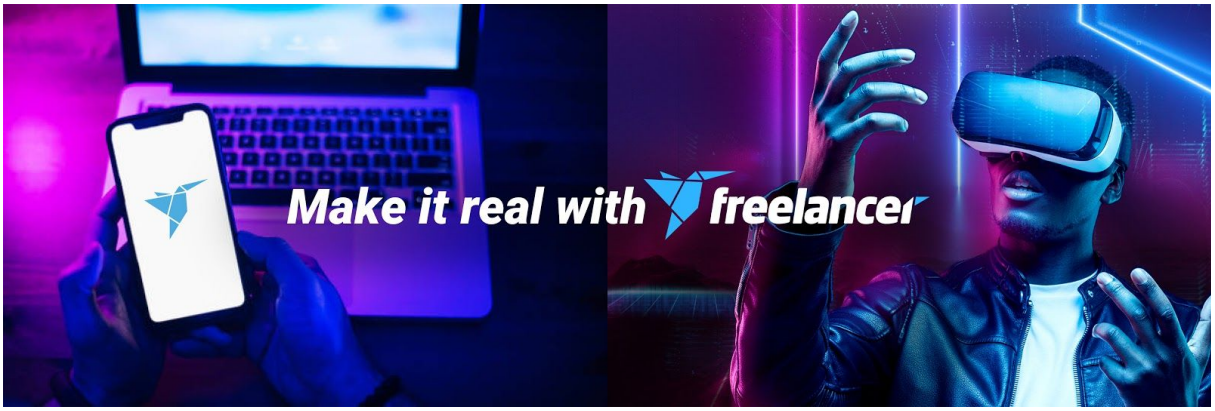
Gross marketplace volume (payments to freelancers) in 4Q20 was the second highest on record (after 3Q20) at US$25.9m (up 20.0% on pcp, unaudited) or AU$35.5m (up 12.3% on pcp). In 2H20, GMV was an all-time record of US$51.8m (up 17.7% on pcp).

In Australian dollars, currency was a 7% headwind in the quarter on the previous corresponding period as the AUD appreciated from an average rate of 0.6838 to 0.7314 against the USD.

Cash receipts for the quarter were AU$11.9m (down 6.1% on pcp) or US$8.7m (up 0.4% on pcp). Adjusted for $1.1m in overdue funds received in early Jan 21 for engineering services delivered in 4Q20, total receipts would be up 10.0% in USD equivalent.

The StartCon conference financials are grouped within the Freelancer segment. StartCon did not run in 2020, and will not for the foreseeable future. Receipts for the conference in FY19 were AU$675k. The conference usually runs in the fourth quarter where the majority of the receipts are taken. Adjusting for this, cash receipts would have been up 13.1% in USD equivalent. The conference in recent years has been running at a loss, and not running the conference is financially beneficial with a contribution to EBITDA of approximately A$594k moving forward.

Core revenue lines in the Freelancer business grew on par with GMV. For example in 4Q20, project fees were up 19.3%, FX up 21.0% in USD on pcp. Membership fees were a negative contributor, being down AU$237k, or about -2% of cash receipts, due to bid limiting efforts, which caused membership plan downgrades (the primary feature of plans being the number of bids you can make- and freelancers now need to take more time to craft a quality proposal).



Demand (Clients)

In 4Q20, web traffic to Freelancer.com was very healthy, increasing 46.8% year on year, with direct traffic up 92.3%. The improvements we have been making to the platform are reflected across the board with usage statistics: pages views were up 131.1% to 407 million in the quarter, pages per session were up 58% to 9.9, average session duration was up 26% to 42 minutes and bounce rate down 22.5%. This has been reflected by a lift in our Alexa rank to the 1190th largest website in the world by traffic, up 794 places in the last 90 days. Note that this is only for our .com domain and does not encapsulate the traffic to our 52 other country domains.

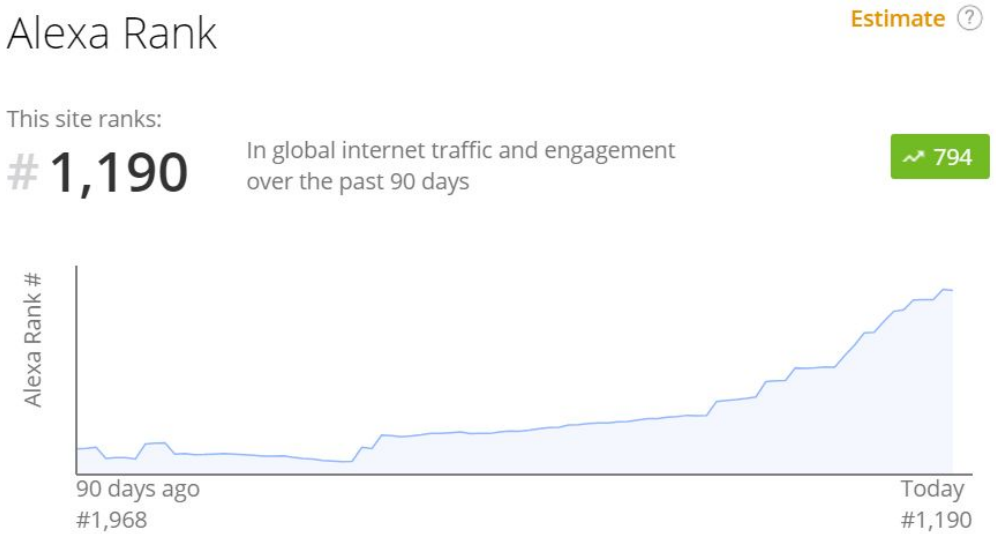


Figure 1: Freelancer.com's Alexa rank
https://www.alexa.com/siteinfo/freelancer.com

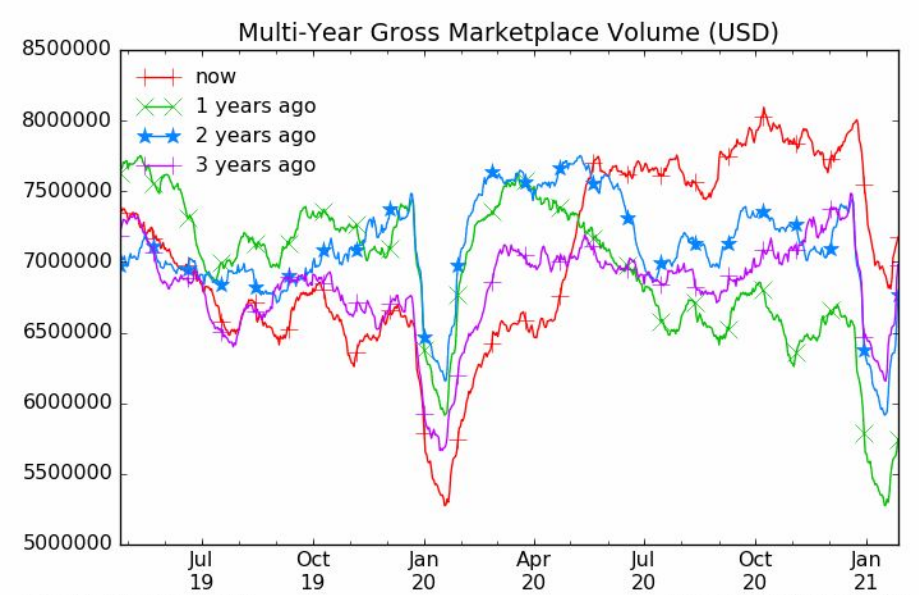


Figure 2: Gross Marketplace Volume continues to hit all-time highs (red line). The two large dips indicate the New Year holidays.

In the last quarter, we reported an all-time record Gross Marketplace Volume as businesses increasingly began to move their work online. This out-performance has continued in 4Q20. Throughout the annual slowdown of work that occurs in late December, demand continues to be strong, and consistently exceeds the demand from the same period one year ago (red line vs green line in **Figure 2**).

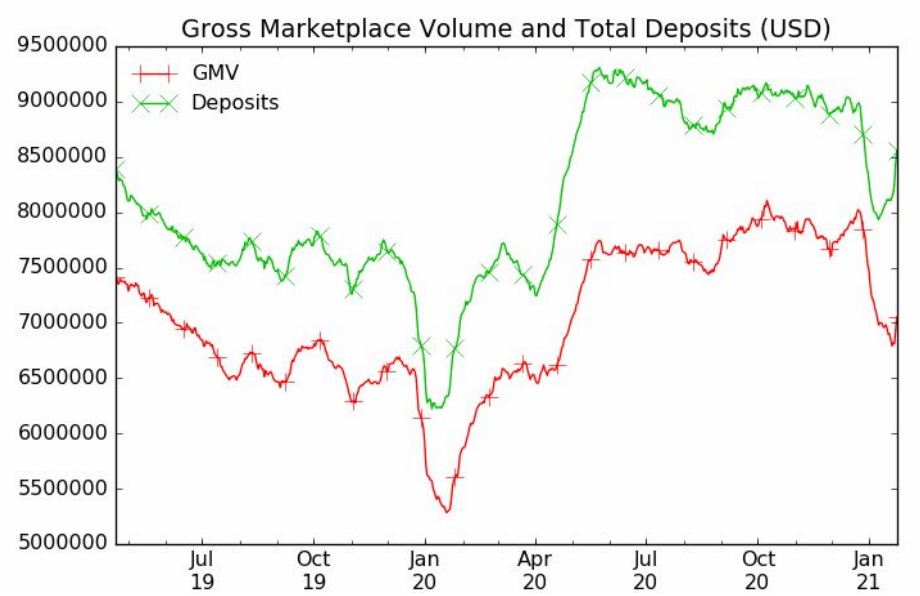


Figure 3: Monthly Gross Marketplace Volume and Total Deposits continue to hit all-time highs

Similarly, jobs posted (filtered) were 524k in 4Q20, up 20.2% on 4Q19[1].

As mentioned in last quarter's report, the hourly projects funnel is performing well after fixing the issues in 2019 from porting across to the new front-end web architecture. Hours tracked are now growing faster than before the port and up 27% in 4Q20 on pcp.

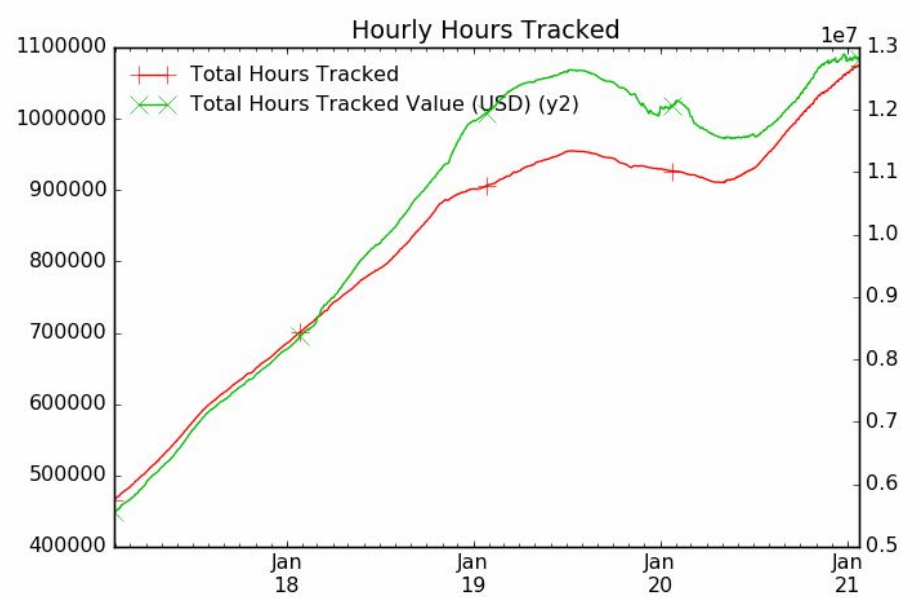


Figure 4: Hourly milestones and tracked hours per year (rolling)

[1] Jobs Posted (Filtered) is defined as the sum of Total Posted Projects and Total Posted Contests, filtered for spam, advertising, test projects, unawardable or otherwise projects that are deemed bad and unable to be fulfilled.

Contests

Contest participation continues to increase with about 1.2 million entries every 28 days.

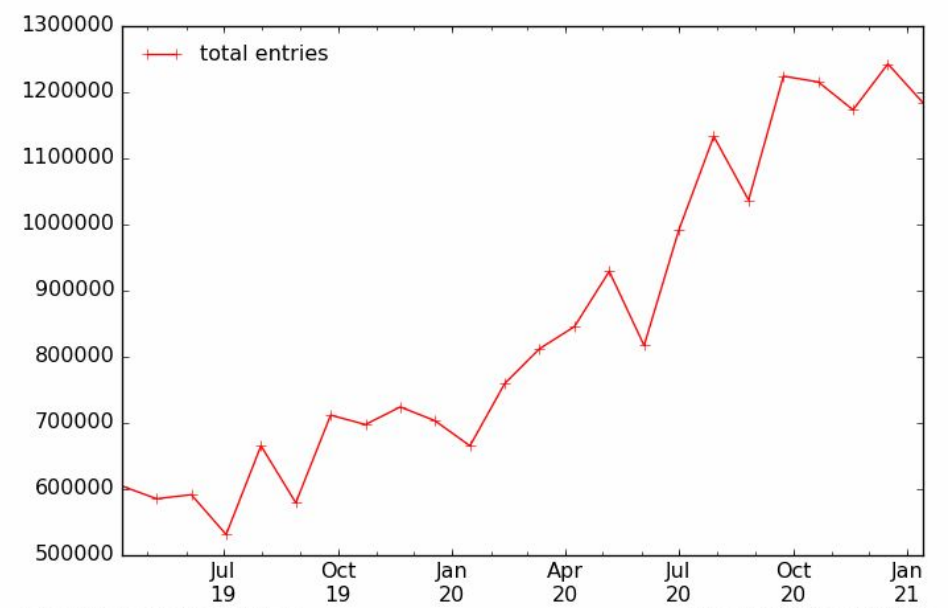


Figure 5: Total number of entries for contests (28 days)

Contests each now have on average 260 entries.

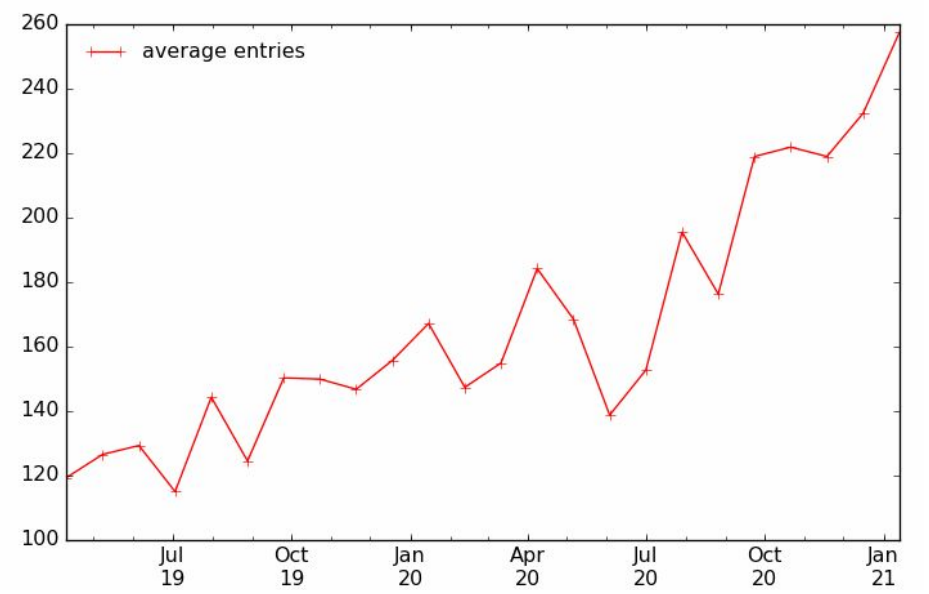


Figure 6: Average number of entries per contest (28 days)

Over 85% of contests now receive an entry within the first hour.

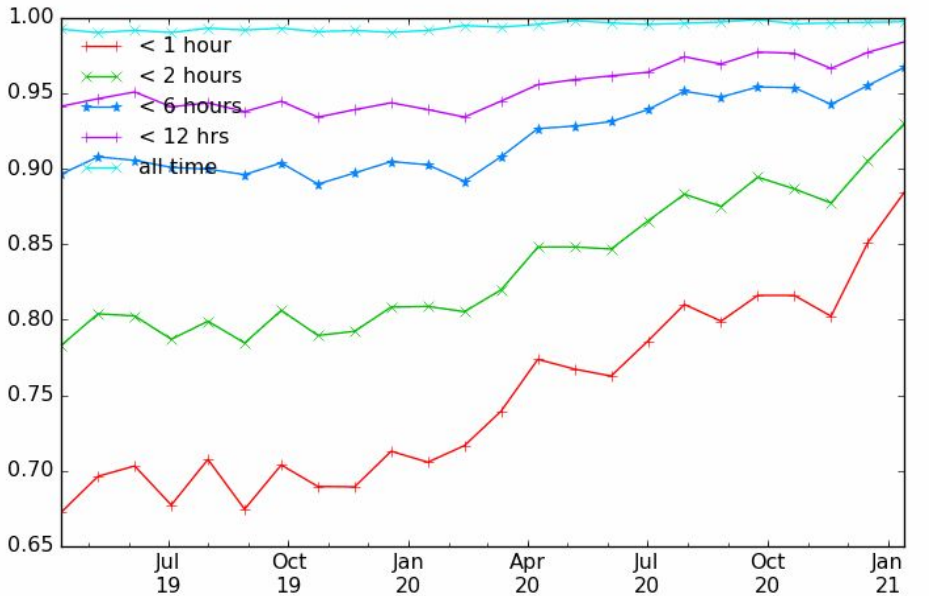


Figure 7: Proportion of contests receiving at least one entry within a time window.

Supply (Labour)

Freelancer.com continues to be the world's largest marketplace for freelance talent by number of users - by a large margin. We are imminently hitting 50 million registered users on the marketplace, a significant milestone that is indicative of the liquidity of talent and breadth of skills and experience that can be found on the platform.

In the 1H20 report we detailed how in response to the big growth in new clients and freelancers that the average completed project size fell from US$216 to $161, rising to $172 by the end of 3Q20. The drop in average project size in the second quarter was due to a large spike of new demand on the platform and new supply. At the time we remarked that these numbers would climb over time as payments continued to be made on these projects, and they have. For the full year 2020, the average completed project size rose to US$178, and this number will continue to rise as further payments are made (it is a lagging metric).

As we ramped up our anti bid-spam program, the average number of bids per project has decreased to 26, and 68% of projects are now bid within 60 seconds (down from 83%), as freelancers are more careful to write higher quality proposals.

Expired Fees

In 2Q20, the marketplace saw a large influx of new freelancers as 94% of the global workforce moved into active workplace closure measures as a result of the pandemic[2]. This resulted in an increase of 12% in *new* freelancers winning jobs over experienced freelancers. One of the advantages of Freelancer.com is that new freelancers can come on the site for free, bid for free and win work without paying for membership, as project commissions are

[2] Harvard Business Review, July 2020: "What Would It Take to Reskill Entire Industries?" https://hbr.org/2020/07/what-would-it-take-to-reskill-entire-industries

charged only when you have been successfully awarded work. This means that a freelancer, potentially from a low income or emerging market, can join Freelancer.com and only start paying fees once they win work. Project commissions can thus be charged to user accounts with no funds in them, driving them negative and giving 30 days for the freelancer to complete some, or all of the deliverables. Newer freelancers, however, are less likely to complete jobs successfully which can result in abandon accounts and expiring fees related to project commissions. This has a negative impact on both GMV and revenue as projects that experienced freelancers would otherwise complete, do not get completed in the end.

However, other measures have made up for that. We have worked hard to improve trust in the marketplace through verifying new users, tightening up payment verification, and calibrating membership plans. This has resulted in total expired fees decreasing by 48% compared to 3Q20, which has been a positive contribution to GMV as more successful projects are being completed on the platform.

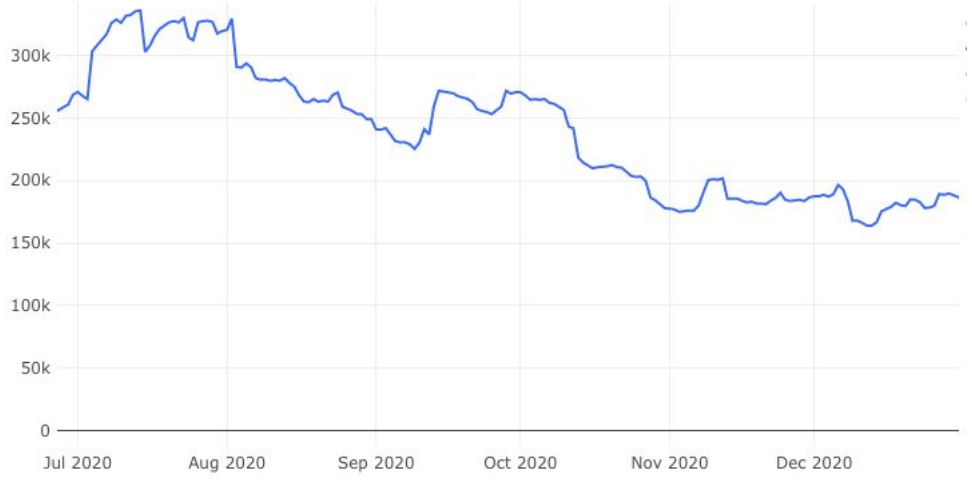


Figure 8: Sum of expired project fees per month grouped by expiry date (90 days after creation, USD)

Mobile

In 4Q20 the team made great progress polishing the new mobile app and conducting extensive performance testing. This work, coupled with a focus on mobile as a first-class citizen, will ensure we are well positioned to deliver value to our customers whatever device they are using. We also expect that the heavily reduced redundancy and complexity of our mobile app stack compared to our previous technology position will continue to deliver significant lifts to our internal productivity.

In 4Q20 we released the iOS app to beta testing, where we have received excellent feedback. Beta users are particularly excited that the new app now has, for the first time, all the features that are available on desktop. Android will likewise ship to beta in early February 2021, with a goal to have both in full production by the end of 1Q21.