



## Fiverr Momentum Seen Continuing in 2020

Ticker/Price: FVRR (\$35.1)

### Analysis:

**Fiverr (FVRR)** a strong mover this week following its earnings on 2/19 where it beat estimates and raised guidance with revenues rising 43% Y/Y. FVRR saw a surge in call activity on 2/20 with the July \$35 max strike and timeframe calls trading more than 4000 contracts in the \$2.80 to \$3.20 range. The \$1.07B company operates an online marketplace for services which hires freelancers and small businesses. FVRR shares are now trading 7.8X EV/Revenues with growth seen slowing to 26.8% in 2020 while EBITDA likely to turn positive in 2022. It saw a strong profitability surge last quarter as Adjusted EBITDA Margins moved to -17% from -28% as well as 17% active buyer growth which has accelerated and expanding wallet share. Fiverr's catalog spans over 300 categories across 8 verticals and added 100 new categories in 2019 alone. Their platform uses a deep library of transaction and behavioral data to match buyers and sellers while taking into account previous budget, design, and purchasing patterns. FVRR is continuing to build out their platform in areas like payments, collaboration, and automation. Currently, they generate revenue from transaction-based fees, a 5% service charge. The freelancer market is an enormous opportunity at \$750B annually and FVRR sees their TAM at \$100B which will continue to grow as they build out into new areas of focus. They've also got a huge international opportunity with 70% of all revenue today from English-speaking countries. They have secular tailwinds from a more entrepreneurial workforce, especially Gen Z, as well as shift to more on-demand, online, and flexible employee connections. Analysts have an average target of \$29 and short interest elevated at 16.5% of the float. JP Morgan sparked shares on 2/20 upgrading to Overweight with a \$37 target positive on the quarter and recent product launches and ongoing investments in the business. Needham raised its target to \$38 citing strong execution with multiple intriguing new products and growth drivers, the most direct way to play the secular rise of freelancing with fast growth and improving profitability.

### Hawk Vision:



**Hawk's Perspective:** FVRR is a name we need to wait to see it base and set back up, but certainly an exciting opportunity.

**Confidence Ranking:** \$\$