



Freelancer Limited

Half Year Results Presentation 2014

11 August 2014

Matt Barrie
Chief Executive

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Key financial highlights 1H FY14

Freelancer continues to deliver strong revenue growth

- Net Revenue of \$11.9m for 1H FY14 (up 41% on pcp)
- Gross Payment Volume (GPV)¹ of \$49.5m (up 30% on pcp)
- Continued improvement in gross margin to 88.3% (up from 87.6% in FY13)
- Continued improvement in Freelancer take rate² to 24.0% (up from 22.2% FY13)
- Operating NPAT³ of \$(0.6)m and operating EBITDA³ of \$(0.8)m (excl. non-cash share based payments expenses)
 - Investment in office and headcount expansion post IPO

1. Gross Payment Volume (GPV) is calculated as the total payments to Freelancer users for products and services transacted through the Freelancer website plus total Freelancer revenue.

2. Take rate is calculated as Net Revenue divided by Gross Payment Volume.

3. Exclusive of non-cash share based payments expense of \$125k.



Key marketplace highlights 1H FY14

Freelancer continues to position itself as the Amazon.com of the industry

- Widest range at the lowest cost
 - 2H'13 lowered minimum project size to \$10 as continuous commitment to strategy
 - Average project size down A\$194 FY'13 to ~A\$167 1H'14 (down 14%)¹
 - Better value for employers and better for marketplace liquidity, investing for the long term
- Added 2.8 million users, up 138% on 1H'13
 - 1.8m organically, up 54% on pcp
 - 1.0m acquired incl. Warrior Forum, yet to be integrated / cross promoted into Freelancer
- Added 0.75 million projects/contest listings, up 30% on pcp
 - accelerated from 21% yoy FY12-13
- Main focus continues to be conversion optimisation & marketplace efficiency

1. Based on AUD/USD exchange rate of 0.94.



Key operational highlights 1H FY14

Freelancer expands global footprint to position for continued growth

- Expanded Sydney HQ (733m² to 1,800m²) (Aug '14)
- Expanded Manila Support Office (760m² to 2,500m²)
- Expansion of international footprint
 - Opened Vancouver & London offices
- Increased investment in headcount
 - FTEs up ~18% from Dec '13
- Key new hires include:
 - Regional Director of Engineering (Manila) (ex Bodog)
 - Director of Product & Engineering Operations (ex Expedia)
 - Product Manager (Mobile) & Mobile Team (ex Domain.com.au)



Acquisitions 1H FY14

Freelancer continues to consolidate the industry

- Acquired leading pure play marketplace in Poland, **zlecenia.przez.net**
- Acquired virtual content marketplace, **fantero.com**
- Acquired **Warrior Forum**, the world's largest Internet marketing marketplace & community since 1997



Product Improvements 1H FY14

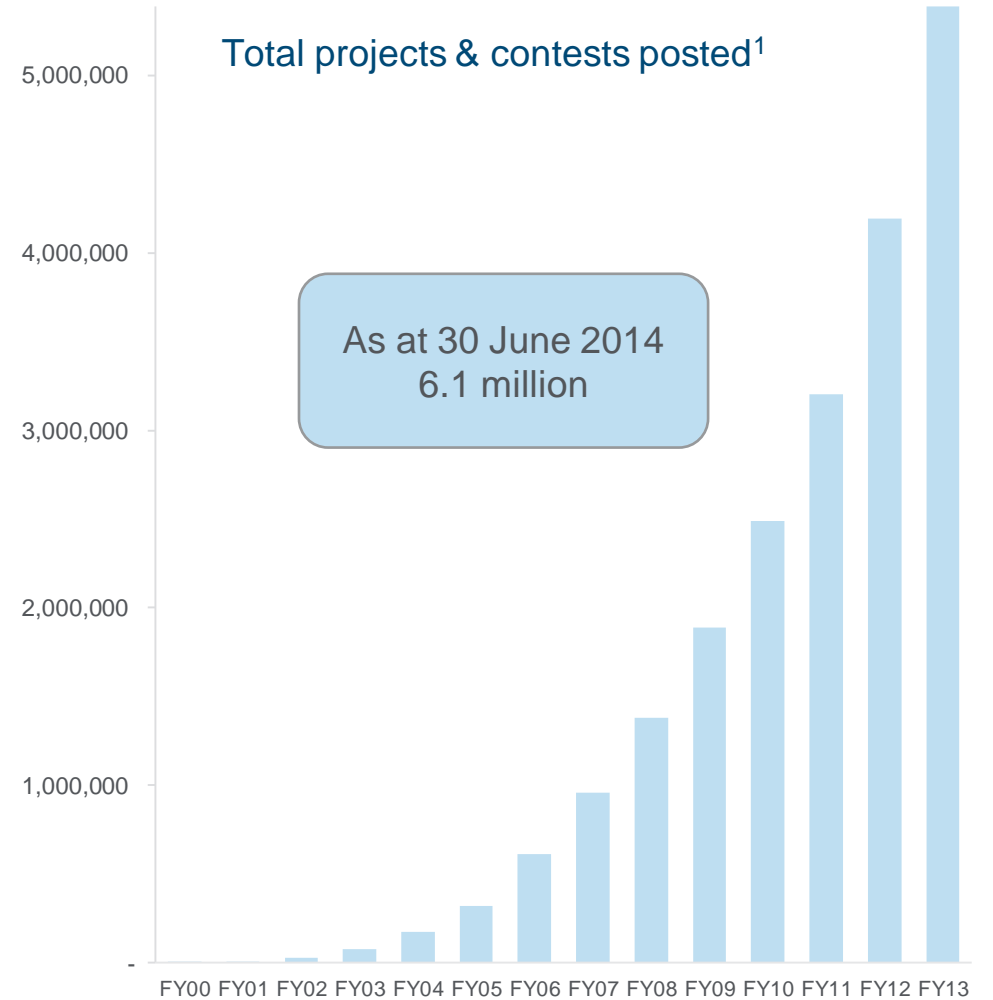
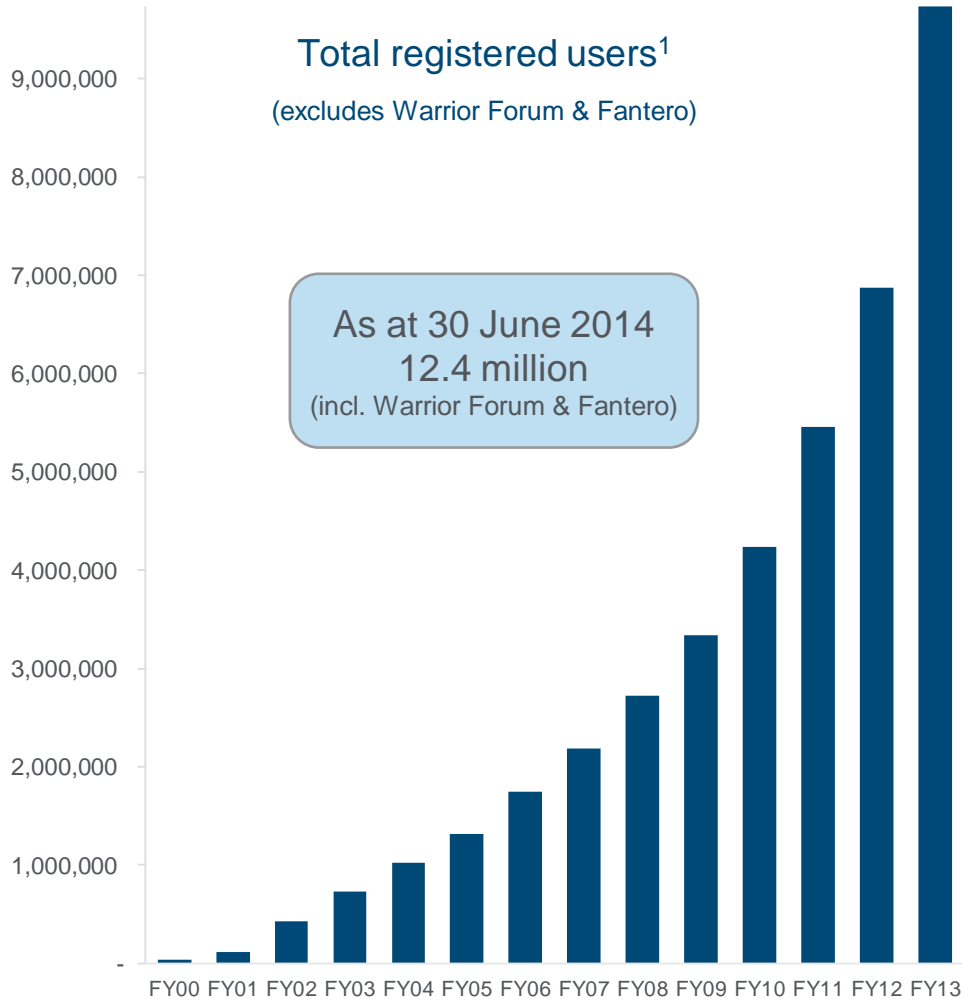
Continuous delivery from the Freelancer product group

- Launched Freelancer Messenger App for Android & Android Wear
 - Employers and freelancers can stay in touch away from their desk
 - Speeding up communications by allowing employers and freelancers to chat hands free
- Launched Freelancer Desktop App for Windows, Linux
 - Builds trust & helps freelancers accurately capture hours for billing
- Launched Mobile Website
 - Targeted experience for growing number of mobile users
- Introduced Intro memberships (99c / month)
 - More accessible for new freelancers in the developing world



Marketplace growth

Exponential growth in registered users, projects and contests posted



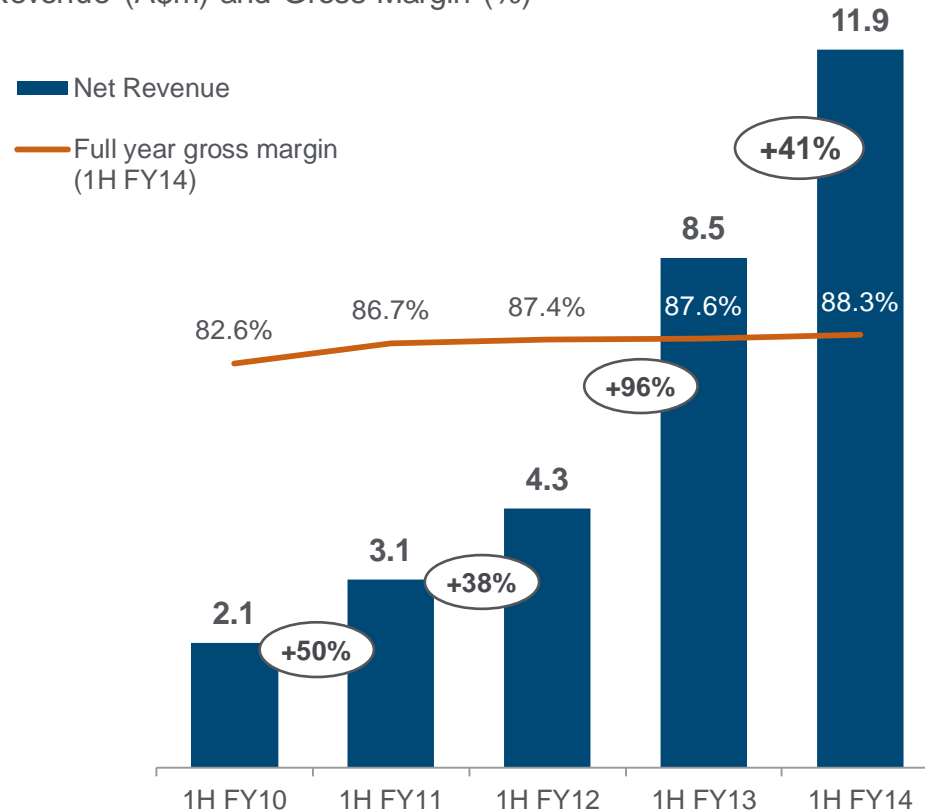
1. Number of user accounts, and projects/contests posted in the Freelancer marketplace as at 30 June 2014. User, project and contest data includes all users and projects from acquired marketplaces including, but not limited to GetAFreelancer, EUFreelance, Scriptlance, LimeExchange, vWorker/RentACoder and zlecenia.przez.net. Prior to FY09, all data is from acquired marketplaces.



Revenue growth

1H FY14 net revenues of \$11.9m, up +41% on prior corresponding period

Net Revenue (A\$m) and Gross Margin (%)



Revenue (A\$m)	2.1	3.1	4.3	8.5	11.9
Growth on pcp	-	50%	38%	96%	41%
FY gross margin (1H FY14)	82.6%	86.7%	87.4%	87.6%	88.3%

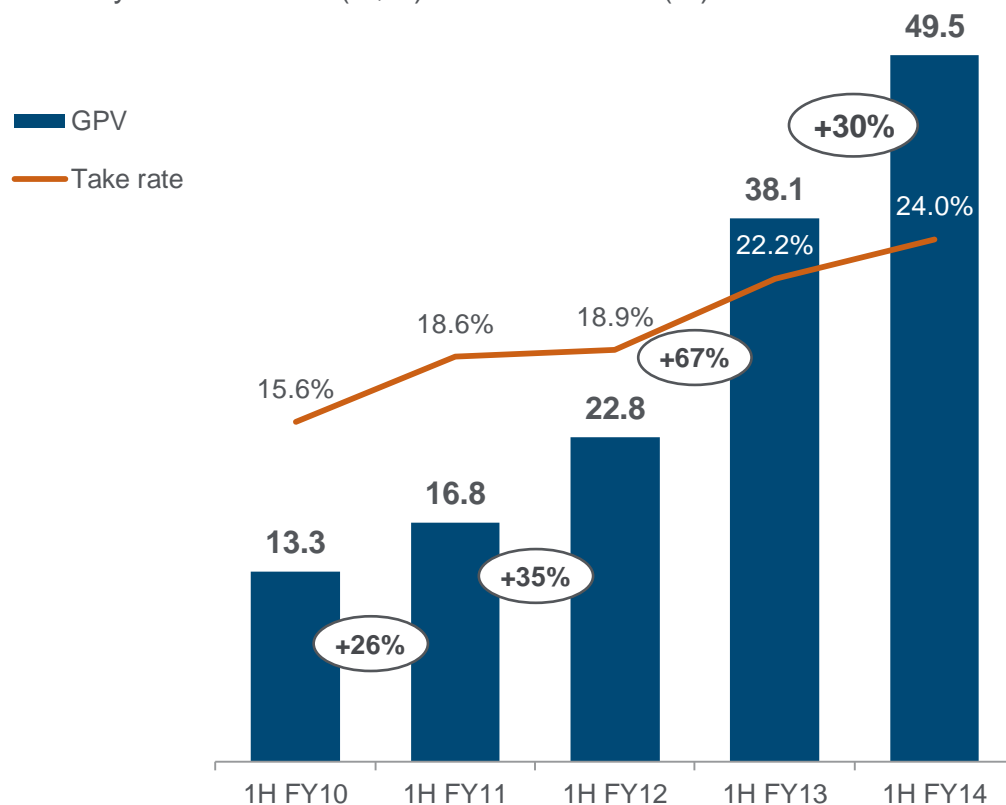
- Continued strong growth in revenue to \$11.9m for first half of FY14, up +41%
- Continued improvement in gross margin, 88.3% in 1H FY14 up from 87.6% in FY13
- Key revenue growth drivers
 - GPV growth – user, project & contest acquisition and conversion rate improvements
 - Product development & increased take up of value-added services
 - Increased take-up and optimisation of memberships



Gross payment volume

Gross Payment Volume¹ (GPV) growth of +30% on pcp and continued improvement in take rate² in 1H FY14

Gross Payment Volume¹ (A\$m) and Take Rate² (%)



- GPV of \$49.5m for first half of FY14, up +30% on pcp
- Continued take rate improvement to 24.0%
 - Increased take up of value-added services such as memberships and project upgrades, and other non-commission based revenue streams
- Key GPV growth drivers
 - User, project & contest acquisition
 - Conversion rate improvements

GPV (A\$m)	13.3	16.8	22.8	38.1	49.5
Growth on pcp	-	26%	35%	67%	30%
Take rate ²	15.6%	18.6%	18.9%	22.2%	24.0%

1. Gross Payment Volume (GPV) is calculated as the total payments to Freelancer users for products and services transacted through the Freelancer website plus total Freelancer Revenue. Based on Freelancer's unaudited management accounts which have not been subject to an auditors review.

2. Take rate is calculated as Net Revenue divided by Gross Payment Volume.



Summary profit & loss statement

Continued focus on re-investment in product development, user experience, user/project acquisition and customer service

(A\$m) Half-year to 30 Jun	1H FY13 Actual	1H FY14 Actual	Change (%)
Net Revenue	8.5	11.9	41%
Gross Profit	7.5	10.5	41%
<i>margin (%)</i>	88.5% ¹	88.3%	n/m ¹
Employee expenses	(4.2)	(6.7)	58%
Administrative expenses	(1.8)	(3.7)	102%
Occupancy costs	(0.3)	(0.8)	150%
FX gains / (losses)	(0.5)	(0.1)	(74%)
Share based payments expense	-	(0.1)	n/m
EBITDA	0.6	(0.9)	n/m
EBIT	0.5	(1.1)	n/m
NPAT	0.5	(0.7)	n/m
Excluding share based payments expenses ²			
EBITDA	0.6	(0.8)	n/m
EBIT	0.5	(0.9)	n/m
NPAT	0.5	(0.6)	n/m

- Continued strong revenue and gross profit growth, up 41% on pcp
- Continued gross margin improvement (up from 87.6% in FY13)¹
- Continued investment in talent: product development, engineering & customer service
 - Approx. 350 FTEs at period end (up ~18% on Dec '13)
- Increase in occupancy costs relate to expanded premises in Manila and new Vancouver and London offices
- FX gains/(losses) relate to unrealised changes in AUD value of cash and user obligations

1. Note that the Company implemented more conservative provisioning policies for accruals recognised in cost of sales from 2H FY13. As such the Company's gross margin for FY13 is more comparable to 1H FY14 gross margin.

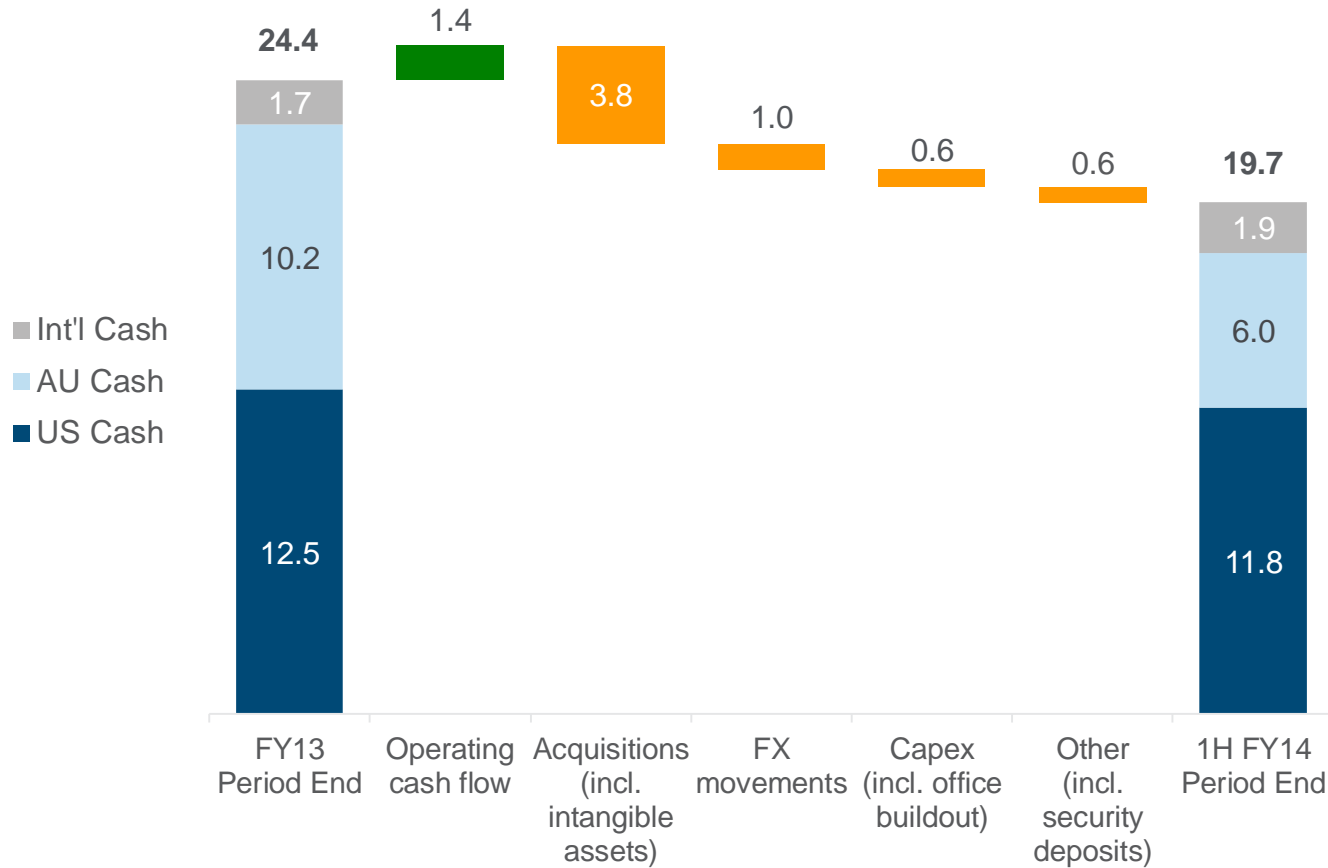
2. Exclusive of non-cash share based payments expense of \$125k in 1H FY14.



Cash flow profile

Re-investing for growth

Cash Balance/Flows (A\$m)



- Positive operating cash flow of \$1.4m
- Acquisitions included Warrior Forum, Fantero, zleccenia.przez.net and other intangible assets
- FX movements relate to strengthening AUD predominantly against USD, EUR, GBP
- Capex increase on pcip predominately driven by headcount growth and fit-out of new premises
- Other cash flow items incl. security deposits relating to new premises
- Total cash at period end of \$19.7m (NTA of \$3.7m)



Summary balance sheet

Strong balance sheet

(A\$m) 31 Dec FYE	FY13 Actual	1H FY14 Actual	Change (%)
Cash and cash equivalents	24.4	19.7	(19%)
Trade and other receivables	2.3	2.5	9%
Other current assets	0.4	1.2	189%
Plant and equipment	0.6	1.0	86%
Intangibles	8.9	12.8	44%
Deferred tax assets	0.8	1.2	44%
Total assets	37.4	38.4	3%
Trade and other payables	18.3	19.8	8%
Other liabilities	0.7	0.9	38%
Total liabilities	19.0	20.7	9%
Net assets	18.4	17.7	(4%)
Contributed equity	17.6	17.5	(0%)
Reserves	(0.2)	(0.1)	(53%)
Retained earnings	1.0	0.3	(71%)
Total equity	18.4	17.7	(4%)

- Total cash at period end of \$19.7m, no net debt
- Trade and other receivables inclusive of receivables from various payment gateways
- Increase in intangibles predominantly relates to goodwill recognised on the acquisition of Warrior Forum



FY14 outlook

“Every job, every country, every language, every currency, at any time”

- Operational and product development outlook for FY14
 - Execution is key
 - Continued focus on platform scalability
 - Product & user experience to drive engagement
 - Build out a world class team
 - Increased focus on acquisition channels
 - Expand global presence
 - Launch mobile offerings, Android Messenger live
 - Continually assess opportunities

**“160 million jobs,
or about 11% of the
projected 1.46
billion services
jobs worldwide,
could in theory be
carried out
remotely, barring
any constraints in
supply”**

**McKinsey Global
Institute¹**

1. McKinsey Global Institute, The Emerging Global Labor Market 2005, Part I: The Demand for Offshore Talent in Services.



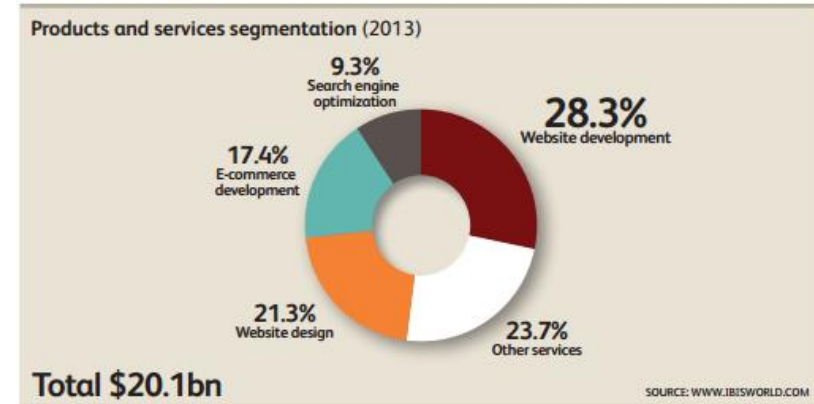
HOW BIG IS THE MARKET?



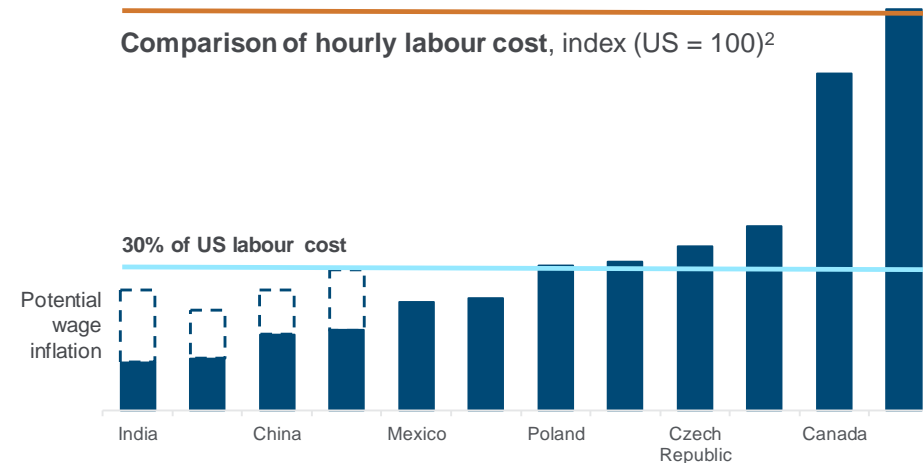
Estimated demand for Web Design services

Freelancer's global web design revenue opportunity estimated as \$1.8 billion per annum (\$8.2b GPV)

- Web design in the US alone is US\$20 billion industry (2013)¹
- Wages constitutes US\$11.6 billion of this
- >50% of software engineering jobs can be outsourced at 30% of US wages²
- US\$1.74 billion in wages outsourced @ 22.2% take rate = ~A\$410 million revenue opportunity for Freelancer in the US (Total Available Market)⁴
- There are 28 million small businesses in the US, but at least 96 million more in other mid-high income OECD countries³
- From this we estimate the global opportunity is $(96+28)/28 = 4.4x$ larger than the US market
- **Freelancer's estimated global web design revenue opportunity at ~\$1.8 billion (\$8.2b GPV)**
- **This is as a replacement of existing business only and there is potential upside from opening up of new demand from lower cost labour services globally e.g. for the first time, a café can get a website for \$100**



Comparison of hourly labour cost, index (US = 100)²



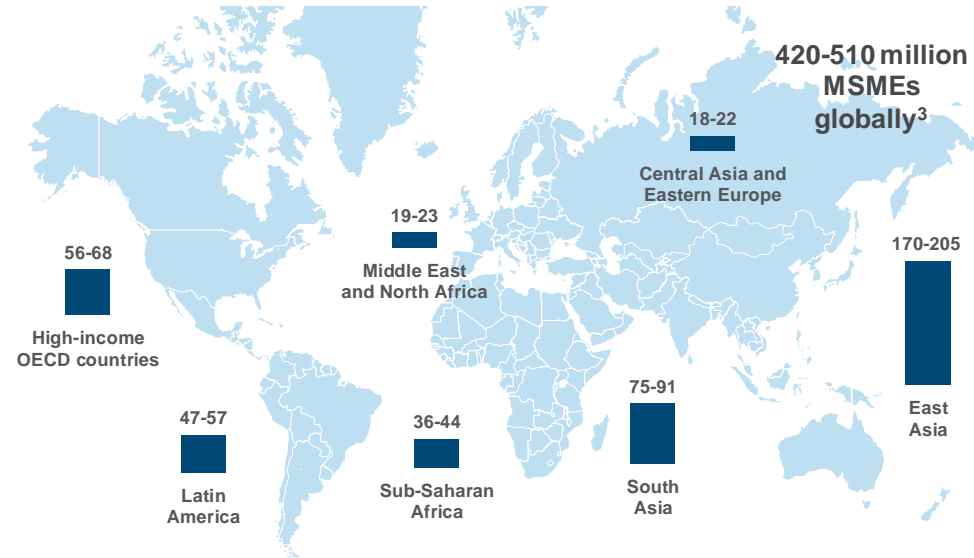
1. IBISWorld, "Web Design Services in the US" (August, 2013).
2. McKinsey Global Institute, "The Emerging Global Labor Market: Part III: How Supply and Demand for Offshore Talent Meet" (June, 2005).
3. Based on 28m SMEs in the US, 96m MSMEs outside the US in mid-high income OECD countries.
4. Based on AUD/USD exchange rate of 0.94.



Estimated demand from Small Businesses

Global small business revenue opportunity estimated as \$16.7 billion per annum (388 million projects, \$75.3b GPV)

- There are about 28 million small businesses in the US
 - 22 million of these are informal non-employers (yet generate >\$1 trillion per annum in revenue)¹
 - US job posters posted on average 3.13 projects in 2013²
 - Average project size in 2013 was \$194, generating revenue of \$43 to Freelancer (22.2% take rate)²
 - Implies \$3.8 billion TAM (\$17.0b GPV, 88m projects) from US SMEs
 - But there are 420 – 510 million micro, small and medium enterprises (MSMEs) globally³
 - 96 million are formal employer MSMEs outside the US in mid-high income nations⁴
 - Additional \$12.8 billion TAM (\$57.7b GPV, 301m projects)
- **Estimated global TAM from MSME market of ~\$16.7 billion (\$75.3 billion GPV, 388m projects)**
- This excludes another 100m+ informal (unregistered) MSMEs in high income nations globally including non-employer firms, sole proprietors and partnerships which could add another \$13.5b to FLN revenue opportunity



1. US Government, Small Business Administration Office of Advocacy.

2. Based on Freelancer internal statistics for FY13. Average paid value of completed project was A\$194 in 2013 (based on AUD/USD exchange rate of 0.94 and including acquired marketplace data).

3. McKinsey Global Institute, "Two trillion and counting: Assessing the credit gap for micro, small, and medium-size enterprises in the developing world" (October, 2010).

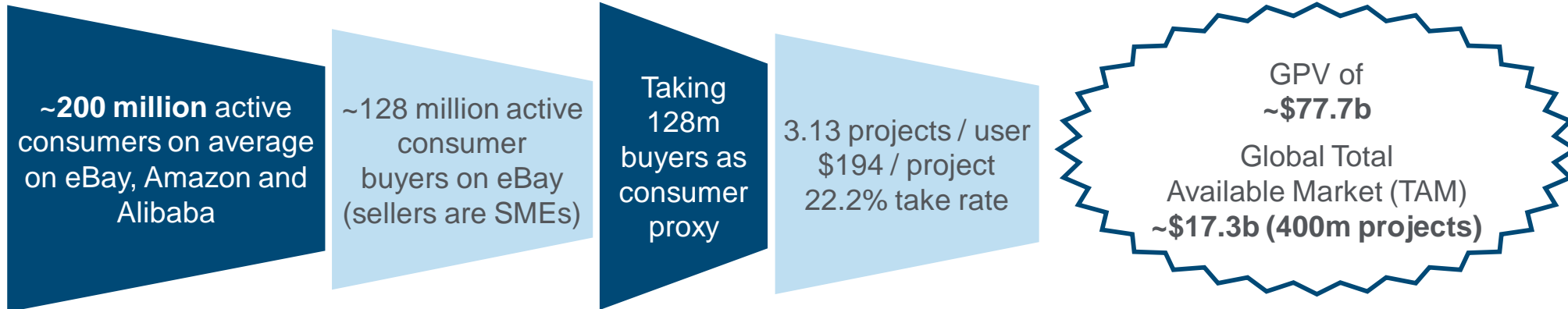
4. World Bank Statistics, International Finance Corporation. Excludes informal MSMEs including non-employer firms, sole proprietors and unincorporated partnerships.



Estimated demand from Consumers

Engaged active users on major product marketplaces are low hanging fruit for online services.

Major product marketplaces as a proxy of consumer demand indicates TAM of \$17.3b (400m projects, \$77.7b GPV)



2013 Revenue	US\$16.0 billion	US\$74.5 billion	~US\$8 billion	A\$18.8 million
2013 GMV/GPV	US\$76.5 billion ¹	~US\$125 billion ²	~US\$248 billion	A\$84.4 million
	US\$212 billion ECV (with Paypal)			
2013 Users	128m active buyers (233m users)	237m active buyers	231m active buyers	9.7 million total registered users
	143 million active PayPal accounts	20 million Amazon Prime	Avg. buyers order 49 times/year	
Geography	Global	Global	Predominately China	Global

Source: Company reports.

1. Gross Merchandise Value (GMV) excluding vehicles only.

2. Based on analyst estimates.



Estimated supply of professional labour in the developing world

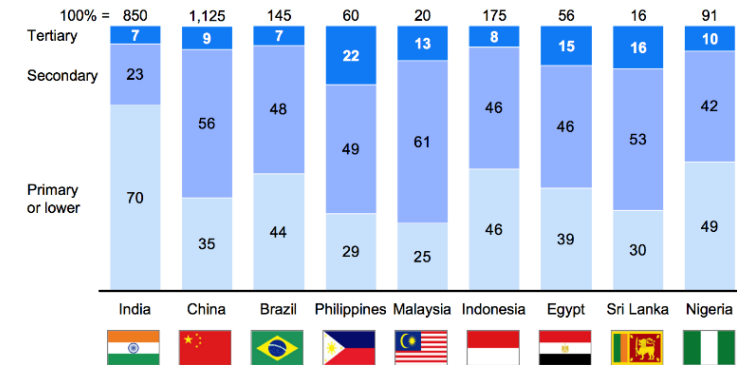
370 million people, or 10% of the 3.7 billion working age population in the developing world have a tertiary qualification

- 2010 global working age population: 3.7 billion, labour force: 2.9 billion¹

Cluster	Young Developing	Young Middle-Income	India	China	Young Advanced	Russia & CEE	Southern Europe	Aging Advanced
Workers Million	322	640	469	783	290	141	60	145
GDP per capita \$	<3,000 ²	3,000–20,000 ³	3,000	7,000	25,000–50,000 ⁴	10,000–20,000 ⁵	20,000–30,000	30,000–45,000

- 2030 predicted global labour force: 3.5 billion¹
- Of the 3.7 billion working age in the developing world in 2010:
 - 1.7 billion (46%) have a secondary education
 - 370 million (10%) have a tertiary education
- There are 220 million people with a tertiary degree between India, China, Brazil, Philippines, Malaysia, Indonesia, Egypt, Sri Lanka and Nigeria
- In the Philippines, tertiary education rose from 9% to 22% (13m) 1980-2010
 - Brazil, China, India @ 7 to 9%, yet produce ~5m STEM grads per annum³
- ~5 billion people to join the Internet over next decade that earn <\$10/day
- They have very little assets however are educated and can sell their services
- Freelancer.com is the first stop on the Internet for these people to raise their wages from \$10/day to \$10/hour+

Educational attainment (2010)
% working age population; million people¹

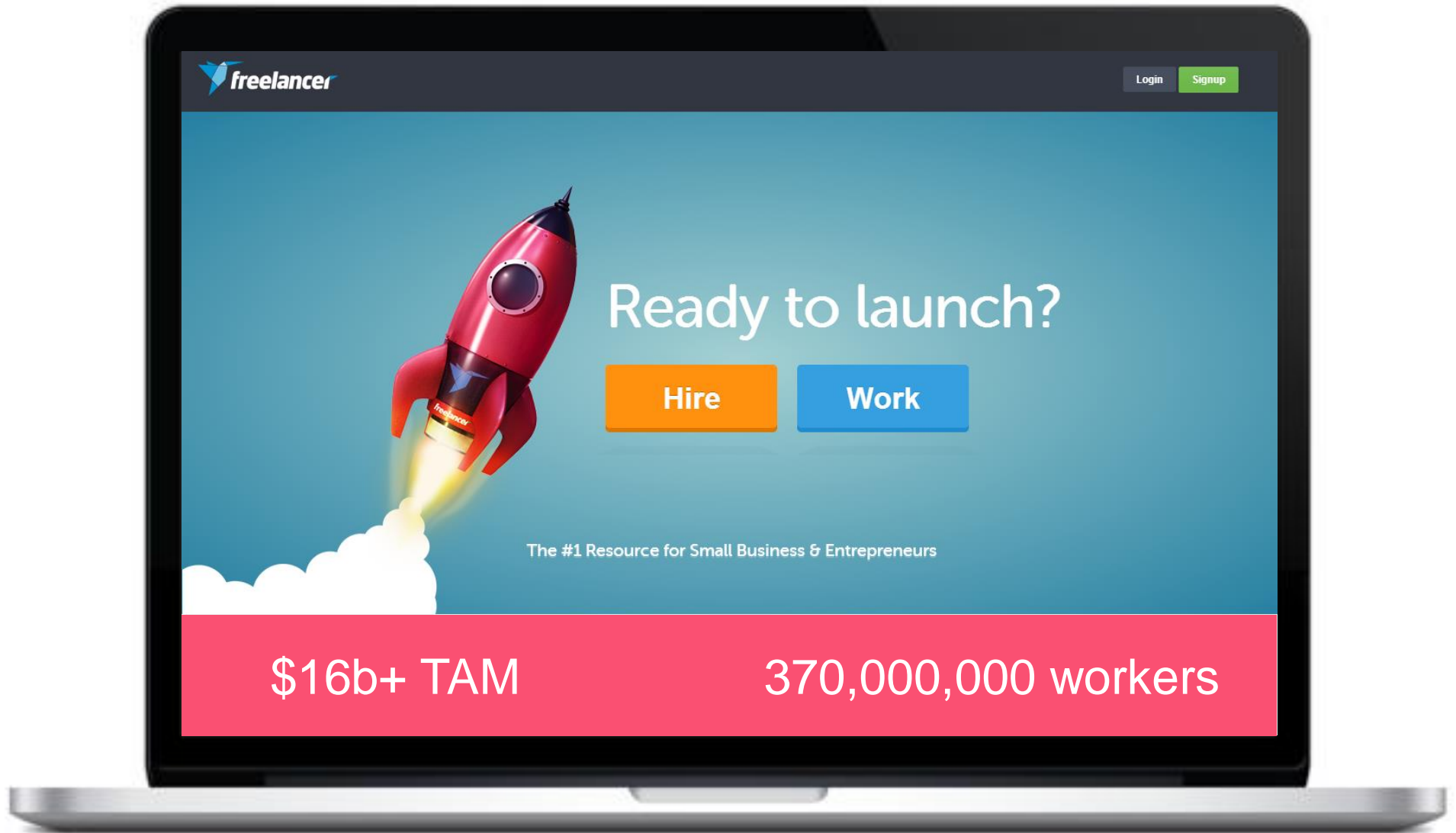


NOTE: Numbers may not sum due to rounding.
SOURCE: United Nations Population Division (2010 revision); IIASA; ILO; local statistics for India and China; McKinsey Global Institute analysis

1. McKinsey Global Institute: The World at Work: Jobs, Pay and Skills for 3.5 Billion People (June 2012)
2. McKinsey Global Institute, The Emerging Global Labor Market 2005, Part I: The Demand for Offshore Talent in Services
3. Accenture Institute for High Performance: Where will all the STEM talent come from? (May 2012)



Total Available Market



Freelancer's \$16b+ opportunity is driven by:

- **the significant wage differential between the developed & developing world;**
- **opening up of new demand as labour services pricing drops; and**
- **increasing labour supply driven by Internet penetration & education**

