

# Freelancer

## Building the Amazon of services

Initiation of coverage

Software and comp services

25 July 2023

**Price** **A\$0.275**  
**Market cap** **A\$124m**

Net cash (A\$m) at end H123 23.0  
(excluding A\$19.2m of lease liabilities)

Shares in issue 451.7m

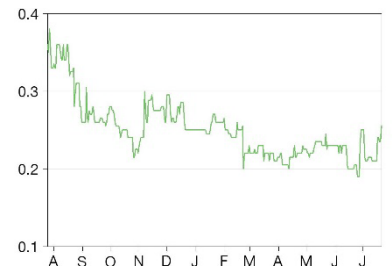
Free float 16.9%

Code FLN

Primary exchange ASX

Secondary exchange OTC FLNCF

### Share price performance



% 1m 3m 12m

Abs 27.5 15.9 (20.3)

Rel (local) 27.1 15.9 (27.5)

52-week high/low A\$0.38 A\$0.19

### Business description

Freelancer is an Australian company, operating one of the world's largest online marketplaces for freelancers. Its marketplace division has two business units: 1) its core platform provides services targeted at small and medium sized companies and includes an enterprise service for large multi-nationals and 2) Loadshift, which is Australia's largest marketplace for heavy haulage freight. Separately, the company owns Escrow.com, which is a large transactions processor.

### Next events

Q323 cash report N/A

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**Freelancer is a research client of  
Edison Investment Research  
Limited**

Freelancer.com is one of the world's largest marketplaces for freelancers. Structural tailwinds such as increased digitisation, remote working and a more globalised economy are providing businesses with the opportunity to seamlessly access specialised talent at low cost. Management's goal is to develop the Amazon of services; it currently operates in the labour, payments and freight markets, some of the largest markets globally. Our forecasts indicate a return to volume growth and a move to EBITDA profitability in FY23 as recent initiatives start to bear fruit.

Year end	Revenue (A\$m)	EBITDA* (A\$m)	PBT** (A\$m)	EPS** (c)	EV/EBITDA (x)	P/E (x)
12/21	57.4	(2.7)	(3.0)	(0.7)	N/A	N/A
12/22	55.7	(6.6)	(6.9)	(1.5)	N/A	N/A
12/23e	54.8	0.3	0.1	0.0	307.4	N/A
12/24e	59.5	1.8	1.5	0.2	55.9	26.3

Note: \*Operating EBITDA includes depreciation and interest charges associated with capitalised leases. \*\*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Refined and ready to grow

Freelancer has grown through a buy and build model, refining acquired businesses (Escrow.com, Loadshift) and developing products internally, such as its Enterprise platform, InSource. To drive client demand and increase the volume of work processed by its platform, management is enhancing the features of its core marketplace, particularly engagement and collaboration. Its marketplace intellectual property (IP) can be deployed across a range of products without additional investment, helping build operating leverage. Escrow.com is one of the only high-value transactions processors globally, uniquely positioned as it is fully licensed in every US state, Canada and Australia. This makes it a secure and attractive platform that can be used across a range of verticals.

## A return to growth and profitability expected

In FY21 and FY22, the group saw volumes and revenue decline, primarily due to post-COVID-19 behaviour (marketplace) and a fall in domain name transactions in H222 (Escrow.com). We are expecting a reversal in FY23 and beyond, with H123 results showing that the company is trending in the right direction. We expect Loadshift and Enterprise to continue driving the marketplace business, while domain names are likely to be the near-term growth lever for Escrow.com. The company's reduction in employee numbers should support margin progression and we expect the group to move to positive operating EBITDA this year. Higher margins should enable Freelancer to maintain its net cash position.

## Valuation: Potential upside in the mid to long term

Despite lower short-term forecast revenue growth and margin expansion compared to peers, we believe Freelancer's current share price does not reflect its long-term potential. Freelancer trades at a 60% discount to peers using EV/sales, narrowing to 21% when compared to Upwork and Fiverr. Evidence of accelerating revenue growth across either division could act as a catalyst to the stock.

## Investment summary

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### Company description: Developing the Amazon of services

Freelancer is an Australian company, operating one of the world's largest online marketplaces connecting businesses with freelancers, including those from developing countries. As well as supporting entrepreneurs and SMEs, the company has blue-chip customers such as NASA and Deloitte. CEO Matt Barrie founded the company in 2009 and has used M&A for international expansion, as well as for the development of its two other businesses: Loadshift, Australia's largest marketplace for heavy freight, and Escrow.com, a large-value transactions processor. Loadshift emerged from acquisitions in 2018 and 2021, and we believe the transition of customers over to Freelancer's marketplace technology stack offers significant monetisation potential. Escrow.com facilitates secure and swift transactions in various domains, processing over US\$600m annually, serving clients like Meta and eBay. After optimising its acquired platforms and ensuring compliance among the client base, the company could be in the early stages of strong long-term growth.

### Financials: Forecasting a return to growth

Management generates revenue through commission on the value of work/payments transacted through its platforms. As well as reinvigorating volumes, expanding the take rate is key to the company's growth strategy, which it delivers through value-added services like memberships for its marketplaces or additional security measures for Escrow.com. Volumes declined across both platforms over the last few years, primarily due to post-COVID-19 behaviour and a fall in domain name transactions, which can be lumpy. We are expecting a reversal in FY23 which we expect to be achieved through multiple avenues. For the marketplace, targeted marketing to grow its demand-side user base and investment in new features that can expand average project size could drive gross merchandise value (GMV). The Loadshift business and enterprise operations have the potential to grow rapidly, leveraging the core marketplace's technology. In Escrow.com, in the near term we expect volumes to be driven by domain name sales, while the adoption of value-add services could expand the take rate. The recent reduction in employee numbers should help margin progression and H123 results confirmed that all business units are now profitable on an operating EBITDA pre-FX losses basis.

### Valuation: Unlocking long-term potential key to upside

In our view, our reverse discounted cash flow (DCF) implies that the current share price does not reflect its long-term potential, despite our lower forecast revenue growth and margins relative to peers in the short-term. Recent changes, including Loadshift's transition to a marketplace model and developments in its enterprise offering suggest the company is positioning itself for faster growth over the next three to ten years. Comparing multiples, Freelancer trades at an average discount of 60% to its peers using EV/sales across FY1e and FY2e. When compared to its two most comparable peers, Upwork and Fiverr, the discount is at an average of 21%. Milestones that show that revenue can accelerate in the mid-term, such as enterprise contract wins, growing Loadshift GMV or customers in new verticals for Escrow.com, could act as catalysts for the stock.

### Sensitivities

Macroeconomic changes, like those during the COVID-19 pandemic, can affect the company's marketplace due to shifts in working patterns. Technological advancements like generative AI could enable businesses to complete work internally, rather than use an external specialist. There are also execution risks as the company refines its platforms and explores growth opportunities. Additionally, the company's limited free float, with non-executives owning a significant portion of shares, may limit share liquidity. Lastly, while its Escrow licences can act as a competitive moat, failure to meet regulatory requirements could cost the company in monetary and reputational terms.

## Company description: Refined, now ready to grow

Freelancer operates one of the largest online marketplaces for freelancers, connecting businesses of all sizes to contractors based around the world. With a large proportion of contractors from developing countries, the platform provides competitive pricing for work and supports greater wealth distribution from the developed to the developing world.

The company operates and reports through two divisions. Within the Marketplace division, the company operates the Freelancer marketplace (which includes a specialist enterprise offering) and Loadshift, a marketplace for heavy haulage freight. The Escrow division operates Escrow.com, an escrow payment service that supports the secure processing of large-value transactions. The company's customer roster includes blue-chip enterprise customers such as Deloitte, NASA and Meta. In Exhibit 1, we show the business lines within each division and the key growth drivers for each business.

### Exhibit 1: Group structure and business divisions



Source: Freelancer, Edison Investment Research

Freelancer was founded in 2009 by current Chairman and CEO Matt Barrie, following the acquisition of Swedish company GetAFreelancer. The acquisition was funded by Startive Ventures, a technology-focused venture capital fund owned by Simon Clausen, a current non-executive director of Freelancer. Later that year, GetAFreelancer was rebranded to Freelancer.com. Since then:

- In 2010, the company acquired two freelance marketplace platforms, freelancer.co.uk (UK) and Lime Exchange (US), highlighting its ambition to grow internationally.
- In 2011, the company launched its crowdsourcing platform Freelancer Contests, which remains a key feature for growing its portfolio of freelancers.
- In 2012, the company made further acquisitions – Scriptlance (Canada) and vWorker/RentACoder (US) – and launched in Spanish and German.
- The company listed on the ASX in late 2013, raising A\$15m from the issue of 30m shares at A\$0.50 per share.

Management has employed a buy and build strategy, which, as shown by Exhibit 2, has enabled it to accelerate international expansion and provided the foundations for its other two main business units, Escrow.com and Loadshift. Acquisitions have been cash rather than equity-settled.

### Exhibit 2: M&A history since listing

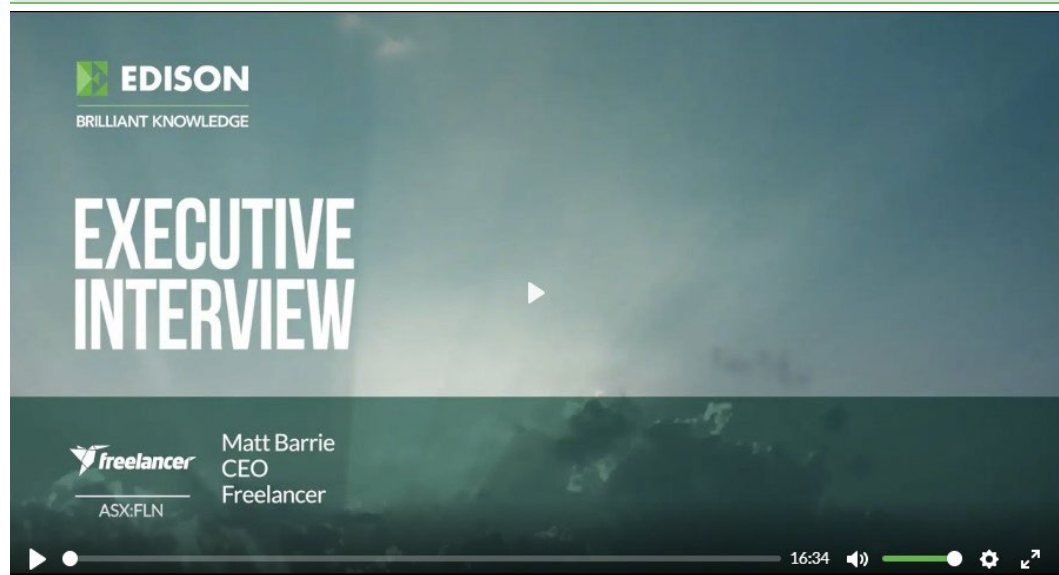
Date	Target	Currency	Amount	Country	Description
19/03/2014	Zleceenia Przez	PLN	N/A	Poland	Acquired certain IP and domain name assets of Zleceenia, expanding its user base in Poland. Zleceenia had over 85k users and posted to 115,000 projects
02/04/2014	Fantero.com	US\$	N/A	US	1m digital content items, used to support freelancers on Freelancer platform
15/04/2014	Warrior Forum	US\$	3.2m	US	Was world's largest marketplace and community for internet marketers; had over 732,000 users. Kept name following acquisition and launched Warrior Payments on 22 July 2014
11/03/2015	DoNanza	US\$	N/A	Israel	Freelance job marketplace and aggregator
24/03/2015	Projectlinkr.com	US\$	N/A	Spain	Leading online jobs marketplace in Spain, expanding its presence among Spanish speaking regions. Had over 140k Spanish speaking users
01/11/2015	Escrow.com	US\$	7.5m	US	Provider of online escrow services, acquired from Fidelity National Financial. Originally it was acquired so that Freelancer marketplace could enter into regions whose regulation required a separate escrow platform; now it is a standalone business division.
13/12/2016	Nubelo	US\$	N/A	Spain	Largest Spanish freelancer marketplace after Freelancer
13/12/2016	Prolancer	US\$	N/A	Brazil/ Argentina	Largest Portuguese freelancer marketplace after Freelancer, was taken over by Nubelo in July 2015
20/11/2018	Channel 40	A\$	N/A	Australia	Connects freight owners and transport operators, number of synergies with Freelancer's business model. Brand changed to Freightlancer following completion.
24/05/2021	Loadshift Transport System	A\$	7.7m	Australia	Australia's largest marketplace for long-distance freight trucking services; 85.8m km of freight requested in 2020.

Source: ASX

We note that external investors acquired stakes in Freightlancer at the same time that the company acquired Loadshift. Freelancer now owns 53% of Freightlancer, which owns 100% of Loadshift.

Alongside its M&A programme, management has spent several years optimising the business models of the acquired companies and ensuring client bases are secure to limit potential fraud and spam. Now this process is largely complete, the company is positioned to scale securely across all three business units.

### Exhibit 3: Executive interview with CEO Matt Barrie, providing an overview of Freelancer



Source: Edison Investment Research

## Strategy

Following the company's M&A programme, management is now focused on growing the business organically. In the long term, we believe Freelancer may use M&A again to enter new verticals, employing a similar strategy to Loadshift, where management is transitioning the business from the acquired subscription bulletin board business model to the same codebase as its Freelancer marketplace.

To grow organically, Freelancer is primarily focused on increasing the volume of work it processes through its platforms (GMV). It can generate incremental revenue by expanding its GMV take rate.

To grow GMV, management is focusing on:

- Investments in its user interfaces with new features and displays to drive user engagement.
- Adding more collaborative and personalisation tools to encourage collaboration, aiming to increase retention and conversion to drive up project size.
- Focused search engine marketing (SEM) that has a demonstrable return on investment, to grow its demand-side client base. The company relies on organic channels for freelancers.
- Working with partners and using referrals to grow its demand-side client base.

To expand its take rate of the GMV across its platforms, the company offers a portfolio of value-added services, which have the potential to generate sticky, recurring revenue.

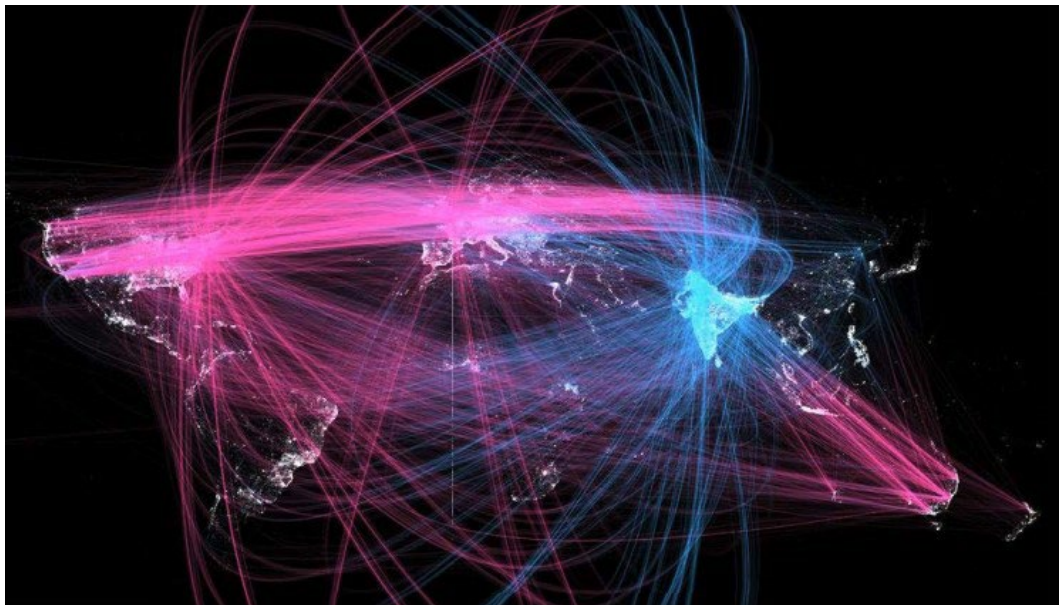
We explain the specific strategies for each business unit in more detail below.

## Freelancer: World's largest freelancing marketplace

Freelancer.com is the world's largest marketplace for freelancers by user base, with over 67m registered members spanning 247 countries, regions and territories. The number of freelancers on the platform ensures high liquidity, with 73.5% of projects receiving their first bid within 60 seconds of posting (end Q123). Exhibit 4 demonstrates how the majority of the source of jobs is from the Americas and Europe whereas the source of freelancers is weighted towards Asia.

In H123, the company processed A\$87.6m of gross payment value (GPV) through its platform (A\$65.2m in GMV plus A\$22.4m in revenue) and the division is now operating EBITDA positive (ex Loadshift).

### Exhibit 4: Freelancer's online economy

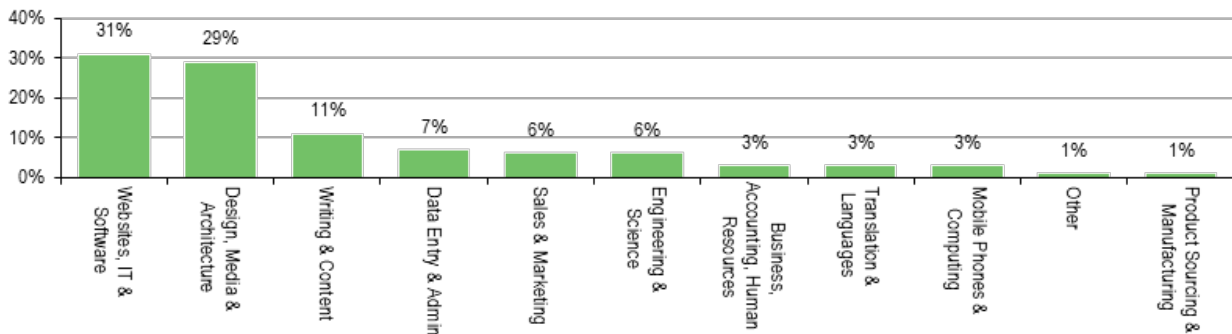


Source: Freelancer Ltd. Note: Pink lines represent jobs posted and blue lines represent jobs done.

Freelancer specialises in enabling the fulfilment of customisable job requirements and to a high standard at relatively low cost by leveraging its deep pool of freelancers globally. Project sizes range considerably, from a US\$10 logo design to as large as a US\$10m project for NASA. Freelancers can select from over 2,700 skill areas, meaning that almost any job requirement can be

fulfilled on the platform. Exhibit 5 shows that over half of completed projects fall into the categories of 'websites, IT and software' or 'design, media and architecture'.

**Exhibit 5: Bar chart showing completed project categories by volume, FY22**



Source: Freelancer Ltd

Management has spent significant resource and time developing validation and rating systems to support project reliability and quality, instilling confidence in the client and supporting higher engagement. Competitions, rather than standard project tenders, enable freelancers who are new to the platform to build a reputation and high star rating. Discussed below, competitions can also be a lucrative alternative for freelancers and can allow them to collaborate on groundbreaking projects, such as the National Institute of Health's and NASA's US\$10m award for gene editing in the central nervous system.

Investment in improving the user experience is key to driving freelancer and client growth on the platform. Management's current focus is on design as well as personalisation and collaborative functions to improve communication, drive conversion and retention, as well as increase average project size, including:

- Chat Requests: intended to replace the 'HireMe' funnel, clients can now initiate a conversation with a freelancer to discuss scope and pricing, rather than setting out the specifications beforehand, which can be a vector for spam. Following this the freelancer sends through a quote for the work.
- Project Clarification Board, rolled out in Q123, provides an open forum for verified freelancers to discuss the project with a client prior to bidding, reducing negotiation friction and mispricing of jobs.
- Groups: freelancers can bid for projects as a group, which is either created through a group admin, public community or as an official group created by one of Freelancer's Administrators. Bidding for projects as a group can increase average project sizes, driving GMV.

Its enterprise package allows individual organisations to develop a custom platform, based on Freelancer's proprietary InSource enterprise product. Management believes there is significant latent demand, particularly from multinationals, for customisable platforms that can connect either underutilised internal pools of talent or external pre-qualified freelancers to a particular project.

## Business model

At the core level, management monetises the platform by taking a share of the value of projects posted: 3% commission from its demand-side clients and 10% from the freelancers. Freelancer then offers memberships and several value-added services, allowing it to expand its take rate of the GPV. Management rarely sees disputes between its clients and freelancers, but has a three-stage process to ensure optimum satisfaction among its membership base. We discuss the process and cash flows below.

For clients:

- Post jobs, review obligation-free quotes, chat with freelancers and review samples of their work and portfolios – all free of charge.
- On the award of a project, the total payable will be 103% of the project size; 3% project commission to Freelancer (paid on contract award) and 100% to the worker (20% paid upfront to Freelancer, the remainder according to agreed milestones).
- Projects can either be a fixed value or an hourly rate. Clients can add additional requirements onto a project once it has been awarded. The company's quotation function allows clients and freelancers to discuss a project fee before it starts.
- Clients can post jobs of any type, also including local work such as hardware repairs or building work.
- Freelancers go through a Know Your Customer (KYC) verification process once they have earned over US\$30 on the platform, providing a robust first layer of security for the client.
- Freelancer.com's technical co-pilots (project managers) provide an add-on service that can help evolve a client's idea to a full project.

For freelancers:

- Freelancers can view projects posted, bid on projects, chat to clients, fill in a profile, upload a portfolio and provide samples of work – all free of charge. Freelancers can also select from over 2,700 skills sets to help match the freelancer to a project.
- After a project is awarded and accepted, the freelancer pays a 10% commission to Freelancer. Freelancer can also take a share of the project fee upon completion, rather than at the start, but charges 15% for this service.
- Freelancers can also be recommended for a project through Freelancer's recruit function, which can increase Freelancer's commission to 15% if freelancers are part of the preferred programme (these would typically be higher-value projects, justifying the higher commission rate).
- Becoming KYC verified ensures that freelancers are paid faster upon completion of a project and has historically allowed for faster dispute resolution.
- Multiple freelancers can also collaborate on a project following the launch of the Groups feature in Q322, which has driven efficiency and engagement.

In addition to the free version of the platform, the company offers membership programmes that provide freelancers with a host of benefits including increasing the number of bids they can make, exclusive access to higher value projects and daily cash withdrawals. The four programmes are Basic, Plus, Professional and Premier, and as an example, in the UK they range in price from £4.45 to £59.95 per month. Management believes that freelancers convert to being paid members as it elevates their chances of being awarded a project, particularly at the higher-value end. For the company, memberships provide stable, monthly recurring revenue and the tiers provide upsell opportunities.

In addition to memberships, management has a selective Preferred Freelancer programme (PFP), where freelancers are chosen on reputation and previous quality of work. Benefits for the freelancer include exclusive invitations to high value projects, preferential fee payment plans for Recruiter projects and premium support. To join the PFP, amongst other things freelancers need to be in the top 3% overall ranking in their chosen skill sets, be verified by Freelancer, have a professional profile and portfolio of work suitable for enterprise customers and be certified (ie rank in the Preferred Freelancer entrance exam).

In addition to its PFP scheme, Freelancer offers a higher-level verification process to KYC, including a video interview, confirming that the account is authentic – this service costs £96/\$99.

Once verified, the freelancer earns a blue tick by their name and has instant access to projects worth more than \$2,500 and hourly projects worth more than \$50.

## **Competitions: High value prizes and supporting new freelancers**

Competitions offer an alternative way of posting a project on the Freelancer.com platform, where freelancers can compete against each other to win a monetary award from the client. Management introduced competitions to its platform in 2011, providing several benefits to its clients and freelancers. These benefits include:

For clients:

- Competitions allow them to assess a range of concepts, creative ideas and freelancers, most applicable to projects that are easily visually comparable, such as logos, visualisations and artwork. They are particularly beneficial if the client does not have a clear picture of the desired outcome.
- It is free to post a competition, eliminating the 3% project fee.

For freelancers:

- Newly joined freelancers can access competitions more easily than standard projects, to help them build their reputation on the platform (winning competitions earns reputation points at 5x the level of a standard project). A better reputation on the platform increases the likelihood of being awarded a project.
- Competition awards may also be higher than for comparable project work, particularly for new freelancers to the platform.

For management, using competitions is key to expanding the number of high-quality freelancers globally, without having to incur the marketing costs of recruiting freelancers through traditional avenues. By expanding the ways in which they can post work, competitions are also important to growing its demand-side client base.

## **Enterprise: A growth lever**

Since 2018, management has developed several avenues to work with enterprises of all sizes, including:

- Custom marketplaces: Fortune 500/1000 companies are the target. Custom platforms are built on the company's proprietary InSource product.
- Government, which publishes tasks to the public, normally through a competition.
- Field services: instead of going through local agencies/contractors, multi-nationals can use the platform to remove costs by connecting the customer directly to a local, vetted field engineer.

In FY22, the company reported that enterprise services (not including GMV-linked revenue) generated revenue of A\$3.3m, up 21% y-o-y (contributing 7% of Freelancer divisional revenue and 6% of group revenue).

## **Building in-house platforms: InSource**

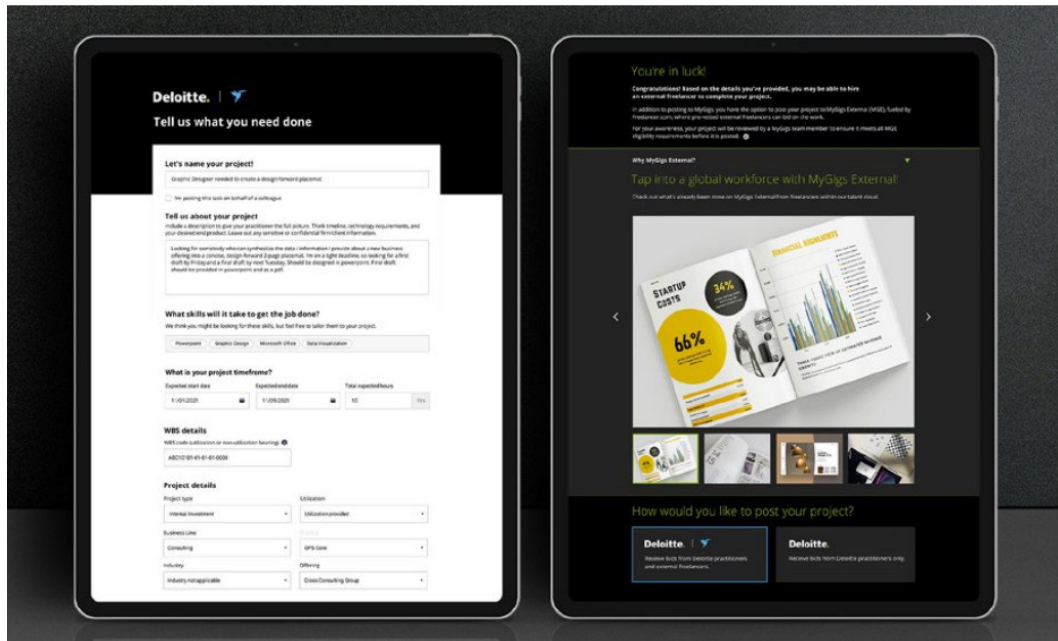
In May 2022 (H122), management deployed the MyGigs platform developed for Deloitte, a collaborative product built on Freelancer's enterprise platform, InSource. MyGigs provides Deloitte's staff with access to external PFP freelancers or connects to internal teams worldwide, which may have the capacity to provide additional resource. MyGigs is integrated with several of Deloitte's internal systems, including SAP Fieldglass, creating an end-to-end product allowing internal staff to hire freelancers, manage projects and process payments at scale. At the end of H123, over 48.6k



consultants had been onboarded to the platform, a 13.8k increase from the time of its AGM on 17 May 2023.

MyGigs generates SaaS recurring revenues based on the number of staff using the platform and Freelancer takes a commission on any external project work completed through its PFP freelancers. At the end of FY22, Freelancer noted that the average external project size was \$1,469 and that liquidity was higher externally than for internal projects, with average bid counts of 8.3 and 3.5, respectively. Freelancer’s dedicated team of product managers and engineers also saw engagement double from October 2022 to end Q123, as it continues to see demand for further customisation and for enhanced capabilities. Management believes that by embedding itself deep within Deloitte, MyGigs has become a sticky product solution for Freelancer.

**Exhibit 6: Deloitte’s MyGigs user interface**



Source: Freelancer

MyGigs is Freelancer’s flagship product for InSource, which was built alongside MyGigs over several years. Following completion, management believes that InSource can now be customised and integrated into an enterprise within a few months to a year.

**Helping governments to innovate**

Working with governments is a second core growth driver for Freelancer’s enterprise operations. In 2020, management jointly won the US\$25m NASA Open Innovation Services (NOIS2) tender, giving the company responsibility for crowdsourcing talent to support the next era of space exploration. Since winning the tender, NASA has increased its allocation to the NOIS2 programme to US\$175m. Freelancer’s NASA tender currently underpins the government source of revenue for its enterprise offering, where management penetrates other areas within the US government through NASA (which acts as the lead organisation for government crowdsourcing). Exhibit 7 provides examples of the task orders won on the Freelancer marketplace in H123, including National Institute of Health’s A\$10.6m Genome Editing competition – the largest competition ever posted on the Freelancer website. In Q123, a total of A\$16.9m has been awarded across 13 competitions as part of the NOIS2 tender.

**Exhibit 7: Sample of task orders won in Q123, through the NOIS2 programme**

Sponsor	Skills	Value inc prizes (A\$)	Task order purpose
US National Institutes of Health	Genome editing	10.6m	Develop delivery systems to deliver genome editing machinery to target cell types or specific tissues.
US Department of Commerce – National Institute of Standards and Technology	UI/UX Design, software development	1.95m	Advance incident command dashboard technologies to allow for real-time tracking of assets, personnel and objects of interest.
US Department of Commerce – International Trade Administration	UI/UX Design, software development	1.07m	Promote cross-border data flows through the creation of a data privacy certification software program.
US National Institute of Child Health & Human Development	Data Science	624.4k	Identify factors and interventions that impact maternal morbidity and severe maternal morbidity.
Bureau of Reclamation	Computational Fluid Dynamics	721.5k	Optimise and speed up the sparse matrix linear equations solver for computational fluid dynamics models.

Source: Freelancer.com

For NASA and the US government, crowdsourcing expands the pool of talent they can access and can substantially lower costs by providing access to lower-cost labour markets. Given the award sizes, these contests can attract large research institutions and universities, as well as any qualified freelancer. The company monetises the work through project fees that include engineering and design as well as running the contest. The US is its primary source of revenue, but the company has generated some revenue from several countries in the Middle East and states that it has a strong pipeline including a finalised proposal with a state-wide government organisation in Asia-Pacific, announced in Q123.

**Streamlining global field services**

The third prong of its enterprise work is field services, connecting Freelancer’s qualified field service engineers to customers in those regions for local work, such as hardware repairs. For an enterprise, using Freelancer provides a low-fixed cost and trusted way of locating specialists, replacing the work and potentially high variable costs of finding and managing local specialists or agencies. In Q123, Freelancer completed its integration with a global computer and printer company’s CRM and workflow management system, which is now fully operational across India, Malaysia, Australia, New Zealand and Indonesia (see Exhibit 8). Freelancer believes there is a near-term growth opportunity in penetrating the much larger US market and expanding into installation work for the company, which is less capital intensive than hardware repair.

**Exhibit 8: Geographic presence of field service engineers for computer and printer client**



Source: Freelancer

Management employs the same 3% fee from its clients and 10% commission from freelancers and can provide other value-added services to expand its take rate, such as additional levels of security or reach. Expanding into new geographies and specialist project areas is also a key objective for the rest of 2023.

Separately through the platform, small and medium-sized enterprises (SMEs) can also post projects at a company level, rather than as an employee of a company, and may be able to reduce commission if volumes are high enough.

## Loadshift: Australia's largest transport marketplace

Loadshift is Australia's largest marketplace for heavy haulage freight, in areas such as machinery, construction, industrial mining and all other types of 'big, ugly freight', according to management. To date, over 750m km of freight has been posted, with the platform processing a notional gross load value of c A\$300m (A\$4.03/km) in FY22.

Freelancer made its foray into the freight marketplace with its acquisition of Channel 40 for an undisclosed amount in 2018, which then became Freightlancer once consolidated. The company then acquired Loadshift in 2021, augmenting Freightlancer's marketplace platform with the client base of Australia's largest heavy haulage freight marketplace. The merged entity kept the name Loadshift, with Freightlancer decommissioned.

### Exhibit 9: Largest overland marine transport operation in Australian history, delivered through Loadshift

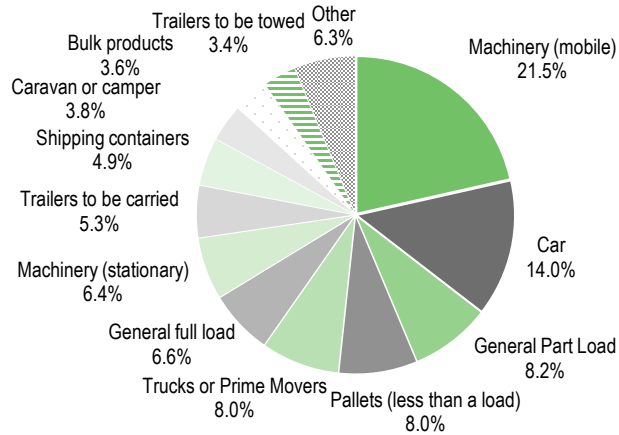


Source: Freelancer

The focus for Loadshift in FY22 was moving it from a classified membership model to a marketplace model. While the membership model remains, management sees the transition of companies over to the marketplace model as the greatest growth opportunity, allowing it to benefit from the increase volumes of freight posted through the platform; this process started in H222.

Like the Freelancer marketplace, the company charges its clients and drivers 3% and 10% (5% for members) commission, respectively, on the cost of transporting the freight. These are largely standardised, but management may charge more for complex and large transportations, such as for construction sites that require large volumes of freight. Additionally, the marketplace provides value-added services for an additional fee, including the management of permits, road closures, import/export taxes and duties, shipping documents and more.

**Exhibit 10: Composition of loads processed in Q123**



Source: Freelancer

Loadshift solely operates in Australia given the size and the number of verticals that require the movement of heavy freight, including mining and infrastructure. In the long term there is the potential to expand the marketplace to other geographies; we believe Canada would be an obvious next choice based on its size and the number of mining operations. There is also the opportunity to replicate Loadshift in other verticals by using its enterprise stack as a platform.

Loadshift currently sits within the Freelancer division, but we expect it to be segmented after it has reached a certain size. Additionally, the high-value of the freight being moved provides an opportunity to cross-sell Escrow.com, ensuring additional security in the value chain.

## Escrow.com: A unique large transactions processor

Freelancer describes Escrow.com as the PayPal for large-value transactions, providing a secure and quick checkout option for items ranging from c US\$1k to US\$100m in areas such as real estate, domain name transactions, luxury items and M&A. Escrow.com can also digitise traditional offline methods of trading goods, such as for oil, gas and mineral rights. The platform processes over US\$600m transactions annually and works through these stages:

**Exhibit 11: Escrow.com process flow**



Source: Freelancer

We believe that Escrow.com provides a compelling proposition for high-value transactions, where the alternatives, as shown below, are often less secure and inefficient:

- Credit cards: merchants are reluctant to accept credit cards given the chargeback risk, where the cardholder requests the card issuer to reverse the charge if the purchased product or service is not delivered.

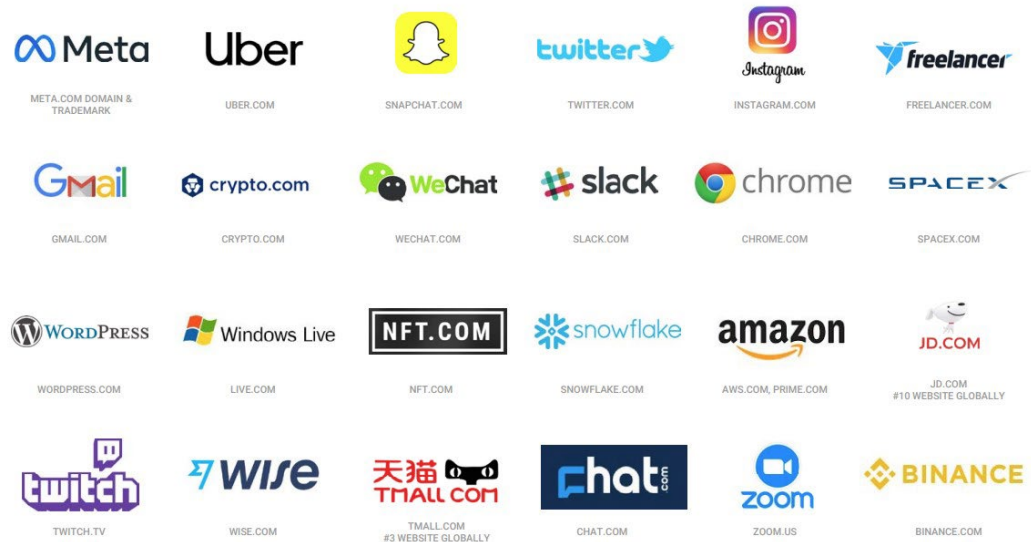
- Cash or wire transfers: there is a risk in delivering cash safely and trusting the seller to deliver the goods in the promised condition.
- PayPal: this runs the risk of buyer fraud, where the buyer takes delivery of the goods but claims there is something wrong with the item or that it never arrived, keeping both the item and the cash (a well-known problem on websites like eBay and Amazon).
- Law firms and unregulated processors do not have same licences as Escrow.com, making transactions inherently less secure, which increases in importance as transactions grow in size.

The combined security and digitisation of the transaction process can simplify long distance and cross-border transactions, elevating the liquidity of a marketplace. The importance of features like KYC verification is growing to ensure regulatory compliance in several jurisdictions.

Since Escrow.com was acquired in 2015, management has invested in bolstering the security of the platform by ensuring that both parties are KYC verified and becoming fully licensed throughout the US, Canada and Australia, with the UK near finalisation. In the company's experience, becoming fully licensed is typically a five- to seven-year process, creating significant regulatory barriers to entry. Additionally, Escrow.com is the only online payments solutions for eBay motors and supports its Authenticity Guarantee for luxury watches, showcasing the importance of security for merchants selling high-value items.

As shown by Exhibit 12, the platform has been used for transactions involving several premium domain names, including Meta, Uber, Instagram, Twitter and Crypto.com, underpinning management's claim that Escrow.com is 'where the metaverse is bought and sold'. The company believes payment volumes in domain name transactions are highest when there is an emerging trend, like the crypto trend in 2021. The current interest in generative AI is driving higher venture capital investment in the sector, with Escrow.com volumes picking up again in H123 (+26% h-o-h) after a slow period in H222. In FY22, two-thirds of the Escrow.com's GPV came from domain names at US\$411.5m (FY22 total: US\$668.4m).

**Exhibit 12: Domain names transacted on Escrow.com**



Source: Freelancer

Entering new verticals presents a growth opportunity, particularly in areas where processing large transactions can be complex, manual and involve many credit layers. The company notes it can grow utilisation in new and current verticals by penetrating the client bases of its partners, eg Acquire.com, which is a marketplace for the buying and selling of start-ups. Growing its take rate from c 1% could generate additional revenue even with stable payment volumes; this would be

achieved by providing add-on services, such as checking shipping documents, post inspection sale adjustments and lease swap arrangements.

## Market: Significant underlying drivers

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### Strong market dynamics for the adoption of cloud workers

After the 2008 financial crisis, companies sought a leaner and more efficient workforce. Until recently, technology lacked the capability for management teams to effectively leverage cloud-based contractors worldwide. With advancements like generative AI enabling real-time translation, accessing cost-effective specialized talent has never been easier.

From SMEs to large multinationals, utilising cloud-based freelancers offers a host of benefits, which drives the adoption of marketplaces like Freelancer.com. These include:

- Flexibility and cost management: tapping into a cloud-based platform allows firms to scale their workforces up and down depending on work requirements, enabling them to keep a tighter control of their cost bases, particularly if freelancers are available at more competitive rates versus traditional on-site workers.
- Future proofing: investments in high-speed internet connections and advancements in communication technologies are making it easier for firms to work with contractors globally, who may have unique skill sets that can help the company to keep abreast of current technology trends at a potentially lower cost than hiring talent internally.
- COVID-19 and changing workforce preferences: more companies are adopting a flexible work environment and may turn to cloud-based freelancers to fill in talent gaps and maintain productivity. More staff are also looking to work remotely, driving the liquidity of the freelancer market.

Marketplaces like Loadshift are benefiting from similar market dynamics. Moving heavy freight can be complex and requires significant coordination. Using a cloud-based platform can streamline the process of finding available carriers from a potentially larger and more diverse pool of specialists, resulting in cost savings and time efficiencies. Platforms can also extend reach by allowing shippers to connect with operators across different regions and countries. Marketplaces, like Loadshift, are also equipped with services that ensure regulatory compliance, reducing the risk of incurring penalties or non-delivery.

### Market landscape

In the public market there are a limited number of companies that compete directly with Freelancer's marketplace, including Fiverr and Upwork, which are both listed in the US.

Management believes Freelancer differentiates itself from its listed peers by providing both customised services and access to freelancers globally, including from developing nations. In place of customisation, Fiverr's strategy focuses on efficiency optimisation and ease of use. Freelancers on its platform post the specifics of their service under a fixed pricing structure

Upwork's platform is similar to Freelancer in that its clients can leave open jobs for freelancers to bid on or can get in touch with them directly based on the freelancer's skillset. However, Upwork is more US-centric and has a more rigorous process for freelancers to join its platform, targeting mostly US and western contractors.

There is significantly more fragmentation on the private side; however, all business models do share similarities with the listed peers. Several companies are vertical specific, including Superside, Dribbble, Behance and Australian-based 99designs, which provide digital design services, and Clarity, which is start-up focused.

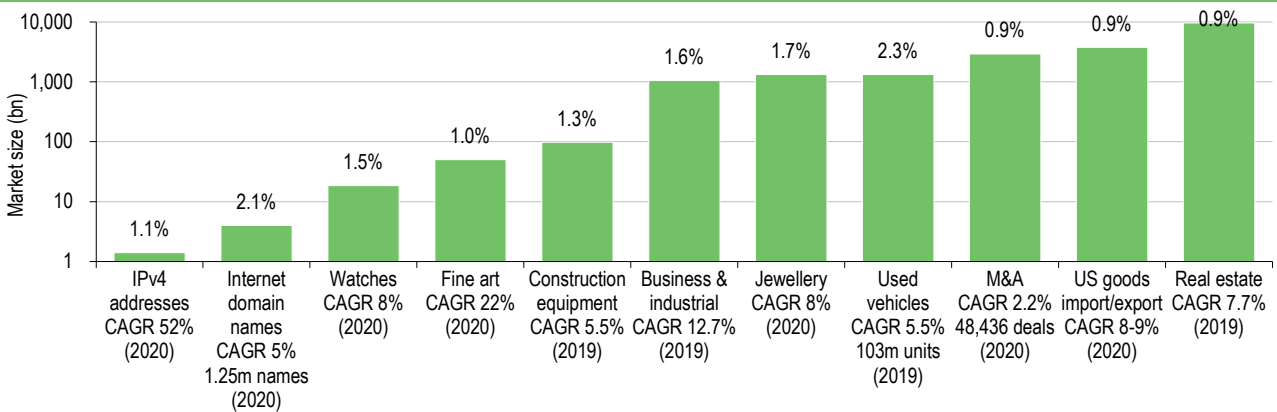
Other platforms, like Guru, PeoplePerHour and Malt, are more pricing and job agnostic. Additionally, the company competes with traditional methods of hiring a freelancer, such as job boards, referrals and networking.

## Large transactions are moving online

In today's globalised economy, cross-border transactions are increasingly common and a growing number of verticals are looking to move to online payment methods. Distance may lead to information asymmetry between buyers and sellers, and there may be additional risks for international parties such as different legal systems, currencies and regulations. Regulators across the world are also becoming more stringent with financial institutions and customers being KYC compliant, with the US Financial Crimes Enforcement Network a key example.

In Exhibit 13, we show the size of the markets in which Escrow.com operates, management's expected compound annual growth rate for each vertical and average industry take rates by category.

**Exhibit 13: Escrow.com verticals, showing market size (US\$bn), CAGR and take rate**



Source: Freelancer

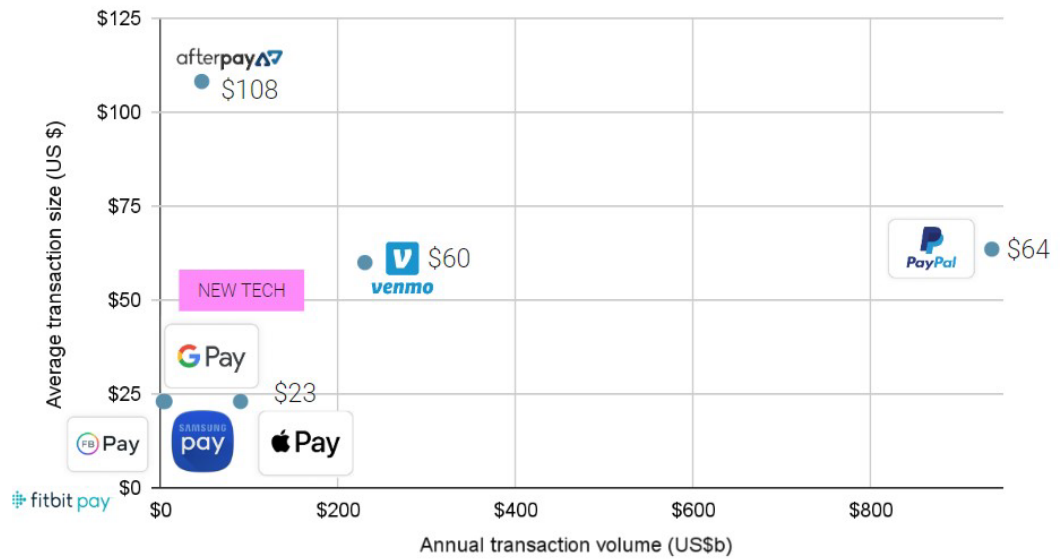
Secure escrow services offer a standardised and third-party platform, ensuring secure exchanges of assets or funds, reducing the risk of fraud, non-payment or non-delivery. Platforms can also handle the complexity of international hurdles, as well as compliance with local regulation, providing a streamlined end-to-end service. Therefore, we believe the opportunities for escrow platforms will only grow in a diverse range of verticals.

## A concentrated market

Growing use of e-commerce, technological advancements and changing consumer behaviours have expanded the payments processing landscape. Global payment networks like Mastercard and Visa still play an important role in facilitating funds transfers between banks, merchants and consumers. However, as digital and online payments grow in popularity, new technologies are integrating into these networks to make transfers more efficient and secure, as well as provide consumers with more payment channels.

For consumers, solutions like PayPal, Apple Pay and Google Pay can make purchasing easier and more efficient, while keeping transfers secure with biometric and authentication technologies. Stripe and Square are typically B2B services, offering SMEs various tools for e-commerce and in-person transactions. As shown in Exhibit 14, the market for small-value transaction payment processors is concentrated, with digital wallets only accounting for 3% of US domestic card volume by value (Freelancer). Escrow.com, which processes payments between c US\$1k and US\$100m, has significantly fewer competitors.

**Exhibit 14: Landscape of payment processors**



Source: Freelancer

In the large transactions processing market there have been significantly fewer new entrants, where current alternatives to Escrow.com are primarily banks and law firms. However, these options can come with a significantly higher fee structure, potential conflicts of interest and limited interoperability with online platforms. There are also blockchain escrow services, where complexity may inhibit adoption, transactions are irreversible once recorded and there is limited jurisdictional control.

## Management

Freelancer has a one-tier board structure, comprising Matt Barrie, CEO and chairman, as well as two non-executive directors, Darren Williams and Simon Clausen. Collectively, the board owns 81.7% of the company's stock, with Matt Barrie the top shareholder (43.6%).

As well as starting Freelancer in 2009, Matt founded and was CEO of Sensory Networks, a vendor of high-performance network security processors, which was sold to Intel Corporation in 2013. Matt was also an adjunct associate professor at the University of Sydney, where he taught cryptography for 15 years and, later, technology venture creation, while running Freelancer and Sensory Networks.

The company's non-executive directors also have deep roots with the company. Darren Williams transitioned to the role in late 2015 following his time as executive director and chief technology officer at Freelancer. He co-founded Sensory Networks with Matt. Simon Clausen was a founding investor in Freelancer through his venture capital fund Startive Ventures. Simon has over 17 years' experience in high-growth technology businesses in both Australia and the United States. He also founded and was CEO of PC Tools, a consumer-centric software company that generated over US\$100m in revenue annually before it was sold to Symantec in 2008.

The board is supported by a team of eight experienced managers, including Neil Katz (chief financial officer), Laurent Goudet (chief technology officer), Adam Byrnes (VP of products and growth), Yves Sy (VP of operations), Sebastián Siseles (VP, international), Andrew Boyton (acting VP of engineering) and Bryndis Henrikson (VP, managed services).



## Financials

### Business model

In the table below, we summarise the fees that Freelancer earns within the Freelancer division.

Exhibit 15: Fees earned from clients and freelancers in the Freelancer division				
	Commission on GMV		Contest	
	Client	Freelancer	Client	Freelancer
Freelancer marketplace	3%	10%/15% (if PFP)	N/A	10% of prize
Freelancer enterprise	3%	10%/15% (if PFP)	Fee	N/A
Loadshift	3%	10%/5% (members)	N/A	N/A

Source: Freelancer. Note: PFP = preferred freelancer programme.

As well as commission fees, the company can also earn additional fees from the marketplace (eg membership fees, upgrade fees, verification fees, PFP fees) and from the enterprise business (eg engineering services, recruiter fees, co-pilot hourly fees, per user per annum fees for InSource).

For Escrow.com, Freelancer earns a percentage of the payment value (see take rate in Exhibit 15). The rate varies depending on the type of asset bought/sold. It also earns a small amount from value-added services such as checking whether cars are stolen or subject to finance agreements or tracking the service history of medical equipment.

### Income statement

Exhibit 16 shows our forecasts and the company's performance over the last three years.

- Freelancer:** GPV has declined over the last two years, partly reflecting post-COVID behaviour. We are forecasting that this will reverse from FY23 as both the enterprise and Loadshift businesses make a growing contribution to volumes and platform improvements take effect. In addition, we expect growth in non-GMV-linked enterprise fees. We expect Loadshift's share of divisional revenue to increase from 5% in FY22 to 10% by FY25. We expect enterprise's (GMV-linked plus services) share to grow from 8% in FY22 to 12% by FY25. Loadshift's and enterprise's higher share of revenue may lead to a slight decrease in Freelancer's take rate, as both businesses currently have a lower take rate than the core platform.
- Escrow.com:** with the majority of volume coming from domain name sales, the business benefits when certain trends are hot (H221/H122) but sees lower volumes as bubbles burst (eg the crypto decline in H222). GPV increased h-o-h in H123 and we forecast modest GPV growth in FY23 followed by strong growth in FY24 and FY25. We forecast a stable take rate of 1.0% for FY23–25.

The group has generated a gross margin in the range of 83–85% over the last five years and we forecast a similar rate over the next three years. Costs of sale include payment gateway and bank fees for processing transactions, as well as direct labour costs associated with managing certain enterprise engagements.

Employee costs make up the bulk of operating costs, followed by administrative costs, marketing costs and depreciation. The company currently has c 360 employees and we forecast this to rise gradually over the next three years. There are c 220 employees in Manila, Philippines, including an engineering group, customer support, quality assurance and fraud services. The remaining employees are spread across Australia (c 85; includes engineers and data scientists, finance, sales and marketing, HR, product management, Loadshift and security), Argentina (c 20; includes Escrow account managers, payment processing and recruiters), Canada (c 12), UK (c 12) and the US (c 5).

We show reported EBITDA and operating EBITDA. Operating EBITDA is the company's chosen profitability metric and it includes depreciation and interest charges associated with capitalised

leases (ie it is essentially pre-IFRS 16 EBITDA). Both EBITDA measures exclude share-based payments. We forecast a small operating EBITDA profit this year, gradually increasing in FY24/25.

**Exhibit 16: Summary of forecasts**

	FY20	FY21	FY22	FY23e	FY24e	FY25e
GPV (A\$m)	891.8	1,259.0	1,127.5	1,157.6	1,278.9	1,403.2
Freelancer	192.1	180.0	174.0	189.5	211.9	235.5
Escrow	699.7	1079.0	953.5	968.1	1,066.9	1,167.6
GPV growth	13.2%	41.2%	-10.4%	2.7%	10.5%	9.7%
Freelancer	5.9%	-6.3%	-3.3%	8.9%	11.9%	11.1%
Escrow	15.4%	54.2%	-11.6%	1.5%	10.2%	9.4%
Take rate	6.59%	4.56%	4.94%	4.73%	4.65%	4.61%
Freelancer	26.3%	25.6%	26.2%	23.9%	23.0%	22.5%
Escrow	1.2%	1.0%	1.1%	1.0%	1.0%	1.0%
Revenue (\$m)	58.8	57.4	55.7	54.8	59.5	64.7
Freelancer	50.5	46.1	45.6	45.2	48.8	53.0
Escrow	8.2	11.3	10.1	9.5	10.7	11.7
Revenue growth	1.3%	-2.3%	-3.1%	-1.6%	8.6%	8.8%
Freelancer	0.2%	-8.8%	-1.1%	-0.8%	7.9%	8.6%
Escrow	9.0%	37.3%	-11.1%	-5.3%	11.8%	9.4%
Gross profit (A\$m)	49.0	47.7	46.9	46.2	50.2	54.6
Gross margin	83.4%	83.1%	84.3%	84.3%	84.3%	84.3%
EBITDA (A\$m)	5.8	4.0	(0.7)	6.6	8.1	9.3
Lease depreciation & interest	(6.2)	(6.7)	(5.8)	(6.3)	(6.3)	(6.3)
Operating EBITDA (A\$m)	(0.4)	(2.7)	(6.6)	0.3	1.8	3.1
Operating EBITDA margin	-0.8%	-4.7%	-11.8%	0.6%	3.0%	4.7%
Normalised operating profit (A\$m)	1.1	(0.9)	(5.2)	2.2	3.6	4.9
Normalised operating margin	1.8%	-1.6%	-9.4%	4.0%	6.1%	7.6%
Normalised net income (A\$m)	(0.7)	(3.0)	(6.9)	0.0	1.1	1.9
Normalised diluted EPS (A\$)	(0.149)	(0.657)	(1.524)	0.010	0.236	0.429
Reported basic EPS (A\$)	(0.144)	(0.501)	(1.201)	(0.020)	0.213	0.406
Net (cash)/debt	(9.3)	(8.4)	(2.2)	1.4	(1.6)	(6.0)
Net (cash)/debt excluding lease liabilities	(34.1)	(30.2)	(23.2)	(19.7)	(22.7)	(27.1)

Source: Freelancer, Edison Investment Research

Net finance costs comprise interest charges relating to leases; the company has no other material debt. The company is loss-making at a group level, but incurs tax in Canada, India and the UK where it makes a profit. This has been more than offset by the tax credit on losses in Australia. We note that Freelancer only owns 53% of Loadshift, although the contribution from the business is not yet material so there is minimal minority interest deduction. The company does not pay a dividend.

There is currently an employee share plan (ESP) in place but it is gradually being wound down – employees were invited to buy shares and the company provided a loan to allow the employee to pay for them. The shares vest over a four-year period; once vested, the employee either repays the loan or the shares are cancelled. As of 31 May 2023, 0.81m shares were remaining in the ESP scheme. In FY21, the company launched a long-term incentive plan through which employees are awarded share options; by the end of FY22, 78k share options had been awarded.

## Review of H123 results

On 25 July, the company reported H123 results (see Exhibit 17). Escrow.com GPV was down y-o-y but was 26% higher h-o-h as volumes showed recovery from the lows in H222. While operating EBITDA was still negative, excluding FX losses of A\$0.6m it was A\$0.2m. The company noted that all businesses are operating at or above break-even (we understand this is on an operating EBITDA pre-FX losses basis). Net cash after leases increased from A\$2.2m at the end of FY22 to A\$3.7m at the end of H123.

**Exhibit 17: H123 results highlights**

A\$m	H123	H122	y-o-y
GPV total	577.0	652.3	-12%
Freelancer	87.6	88.2	-1%
Escrow	489.4	564.1	-13%
Revenue total	27.2	29.2	-7%
Freelancer	22.4	23.5	-5%
Escrow	4.8	5.7	-16%
<i>Take rate - group</i>	4.7%	4.5%	
<i>Freelancer</i>	25.6%	26.6%	
<i>Escrow</i>	1.0%	1.0%	
Operating EBITDA	(0.4)	(4.1)	
Cash	23.1	31.7	
Net cash (after leases)	3.7	11.9	

Source: Freelancer

## Cash flow

Freelancer consumed A\$4.2m in operating cash flow in FY22 but is targeting positive operating cash flow in FY23. The company operates a negative working capital model as it receives cash from clients prior to paying over to freelancers. Net cash outflow for leases totalled A\$3.8m in FY22 and we forecast A\$4.2m pa for FY23–25. Capex is minimal at less than A\$0.5m pa.

## Balance sheet

Fixed assets mainly comprise goodwill and intangibles from acquisitions. The company does not amortise these intangibles but undertakes annual impairment reviews; Freelancer does not capitalise development costs. Right-of-use assets mainly comprise leases on property, with the largest lease for the company's headquarters in Sydney and a smaller lease for staff in the Philippines. Part of the Australian premises is sublet, generating other income of A\$1.8m in FY22.

Freelancer had cash of A\$23.1m at the end of H123 and minimal debt. Leases totalled A\$19.2m, resulting in net cash of A\$3.7m at the end of H123.

## Valuation

As Fiverr and Upwork are the only two listed companies that compete with Freelancer, our peer table uses a range of small- and mid-cap online marketplaces, as well as some aspirational peers with an EV over A\$1bn. Our forecasts indicate slower revenue growth and margin expansion for Freelancer compared to its peers, but we believe this does not reflect the long-term potential of the group. Recent changes, including Loadshift's transition to a marketplace model and final developments to its Enterprise product, InSource, indicate that the group is positioning itself to grow more rapidly in the mid-term.

**Exhibit 18: Peer group**

	Year end	Share price	Quoted ccy	EV	Forecast sales growth	EBITDA margin*	EV/sales	
Company				A\$m	Two-year CAGR (%)	FY1e (%)	FY1e (x)	FY2e (x)
Freelancer	Dec-22	0.275	AUD	101	3.4	0.6	1.8	1.7
<b>Recruitment marketplaces</b>								
ZipRecruiter	Dec-23	17.9	USD	2,641	(6.4)	26.1	2.6	2.3
Upwork	Dec-23	10.1	USD	1,818	14.2	5.7	1.8	1.6
Fiverr International	Dec-23	29.3	USD	1,631	14.7	14.9	3.0	2.6
DHI Group	Dec-23	3.6	USD	292	4.4	22.9	1.2	1.2
Hipages Group	Jun-23	0.9	AUD	123	10.4	17.8	1.8	1.6
<b>Other</b>								
Auto Trader	Mar-24	649.6	GBP	11,491	18.5	65.6	12.4	11.1
Carsales.com	Jun-23	23.4	AUD	9,451	38.6	54.8	12.3	9.7
Rightmove	Dec-23	550.4	GBP	8,522	11.4	73.9	12.6	11.7
Moneysupermarket.com	Dec-23	276.0	GBP	2,931	10.5	30.6	3.8	3.5
OnTheMarket	Jan-24	54.5	GBP	65	17.6	18.8	1.1	0.9
TrueCar	Dec-23	2.3	USD	46	8.8	(16.6)	0.2	0.2
<b>Mean</b>					<b>19.5</b>	<b>25.6</b>	<b>4.7</b>	<b>4.1</b>
<b>Premium/(discount)</b>					<b>(16.1)</b>	<b>(25.0)</b>	<b>(61.1)</b>	<b>(58.8)</b>

Source: Edison Investment Research, Refinitiv. Note: \*Our forecasts use operating EBITDA, which is more comparable with US listed companies, including Fiverr and Upwork.

Looking at multiples, we compare Freelancer to its peers using EV/sales due to it being in the early stages of profitability. Across FY1e and FY2e, the company trades on 1.8x and 1.7x respectively at an average discount of 60.0%. When looking only at Upwork and Fiverr, the discount narrows to an average of 20.6% but widens when comparing solely with its aspirational peers at 72.7%.

Delivering material evidence of the true growth potential of its newer operations, namely Loadshift, enterprise and Escrow.com, should act as a catalyst to the stock. This could include Loadshift GMV growth as users convert to using the platform, winning more flagship clients like Deloitte or NASA, or a growing contribution to Escrow.com GMV from newer verticals such as checkouts.

## Market is pricing in modest growth and margin expansion

Our reverse DCF suggests that the current market price only implies modest growth and margin expansion, ignoring the long-term potential of all three of Freelancer's businesses, in our view. To get to the current share price, after our explicit forecasts to FY25 we have assumed y-o-y revenue growth of 8% from FY25 to FY32 and an EBITDA margin expansion of 3.3pp to 8.0%, as well as a 3% terminal growth rate and a 9% WACC.

**Exhibit 19: DCF sensitivity table (A\$/share)**

		Terminal growth rate				
		1.00%	2.00%	3.00%	4.00%	5.00%
WACC	11.50%	0.18	0.19	0.20	0.21	0.23
	11.00%	0.19	0.20	0.21	0.22	0.24
	10.50%	0.20	0.21	0.22	0.24	0.27
	10.00%	0.21	0.22	0.24	0.26	0.29
	9.50%	0.22	0.23	0.25	0.28	0.32
	9.00%	0.23	0.25	0.28	0.31	0.36
	8.50%	0.25	0.27	0.30	0.34	0.41
	8.00%	0.27	0.29	0.33	0.39	0.48
	7.50%	0.29	0.32	0.37	0.44	0.58
	7.00%	0.31	0.35	0.41	0.52	0.72

Source: Edison Investment Research

As discussed previously, we believe that the group could grow more rapidly in the mid- to long term, nearing comparable rates to Fiverr and Upwork. We note that Freelancer also can leverage its Loadshift and Escrow.com business for growth, whereas Fiverr and Upwork solely rely upon their marketplaces. Operating leverage, gained through further automation of the platform, should also

drive margin expansion after our near-term forecasts. Assuming y-o-y revenue growth of 10% from FY26 to FY32, and growing EBITDA margins from 4.5% in FY25 to 10.6%, would imply a share price of A\$0.35, 26% upside to the current share price. We note that the forecast growth rate and EBITDA margin is still lower than the peer average as well as the average of Fiverr and Upwork.

## Sensitivities

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Below we detail several sensitivities for Freelancer that investors should be aware of:

- **Macro issues:** the performance across the business is sensitive to changes in the economic environment. For example, Freelancer marketplace was affected by changing working patterns from COVID-19.
- **Technological advancements:** technologies like generative AI have been beneficial to the company, namely by adding more specialities to the marketplace. However, further proliferation of generative technologies may allow businesses to complete project work internally without additional resource.
- **Execution risk:** after several years of refining its platforms, management feels it has several growth levers it can utilise to scale. However, there is only a limited track record of performance, creating some uncertainty to their effectiveness.
- **Brand awareness:** the company focuses its marketing spend on SEM, which may be insufficient to grow the brand awareness needed to expand its client base.
- **Limited free float:** the three board directors own 81.7% of shares and the free float is 16.9%, limiting the liquidity of the shares.
- **Regulatory risk:** Escrow.com is licensed in several jurisdictions, but as the process takes five to seven years, further geographical expansion would only contribute to growth in the longer term. While these licences act as a competitive moat, any failure to meet regulatory requirements could cost the company in monetary and reputational terms.

**Exhibit 20: Financial summary**

	A\$'k	2018	2019	2020	2021	2022	2023e	2024e	2025e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>									
Revenue		51,675	57,911	58,771	57,419	55,660	54,778	59,500	64,717
Cost of Sales		(7,651)	(9,455)	(9,786)	(9,689)	(8,740)	(8,601)	(9,343)	(10,162)
Gross Profit		44,024	48,456	48,985	47,730	46,920	46,176	50,157	54,555
EBITDA		(672)	2,044	5,793	3,972	(746)	6,615	8,091	9,344
Normalised operating profit		(1,202)	(1,170)	1,081	(922)	(5,216)	2,176	3,640	4,890
Amortisation of acquired intangibles		0	0	0	0	0	0	0	0
Exceptionals		0	0	0	0	0	0	0	0
Share-based payments		(558)	(329)	(192)	(156)	(159)	(159)	(159)	(159)
Reported operating profit		(1,760)	(1,499)	889	(1,078)	(5,375)	2,017	3,481	4,731
Net Interest		(33)	(219)	(1,751)	(2,035)	(1,655)	(2,108)	(2,108)	(2,108)
Joint ventures & associates (post tax)		0	0	0	0	0	0	0	0
Exceptionals		0	0	0	0	0	0	0	0
Profit Before Tax (norm)		(1,235)	(1,389)	(670)	(2,957)	(6,871)	68	1,532	2,782
Profit Before Tax (reported)		(1,793)	(1,718)	(862)	(3,113)	(7,030)	(91)	1,373	2,623
Reported tax		309	127	216	856	1,617	0	(412)	(787)
Profit After Tax (norm)		(1,235)	(1,389)	(670)	(2,957)	(6,871)	47	1,073	1,948
Profit After Tax (reported)		(1,484)	(1,591)	(646)	(2,257)	(5,413)	(91)	961	1,836
Minority interests		0	0	0	0	0	0	0	0
Discontinued operations		0	0	0	0	0	0	0	0
Net income (normalised)		(1,235)	(1,389)	(670)	(2,957)	(6,871)	47	1,073	1,948
Net income (reported)		(1,484)	(1,591)	(646)	(2,257)	(5,413)	(91)	961	1,836
Basic average number of shares outstanding (m)		449	450	450	450	451	452	452	452
EPS - basic normalised (c)		(0.27)	(0.31)	(0.15)	(0.66)	(1.52)	0.01	0.24	0.43
EPS - diluted normalised (c)		(0.27)	(0.31)	(0.15)	(0.66)	(1.52)	0.01	0.24	0.43
EPS - basic reported (c)		(0.33)	(0.35)	(0.14)	(0.50)	(1.20)	(0.02)	0.21	0.41
Dividend (c)		0	0	0	0	0	0	0	0
Revenue growth (%)		0.0	12.1	1.5	(2.3)	(3.1)	(1.6)	8.6	8.8
Gross Margin (%)		85.2	83.7	83.3	83.1	84.3	84.3	84.3	84.3
EBITDA Margin (%)		-1.3	3.5	9.9	6.9	-1.3	12.1	13.6	14.4
Normalised Operating Margin		(2.3)	(2.0)	1.8	(1.6)	(9.4)	4.0	6.1	7.6
<b>BALANCE SHEET</b>									
Fixed Assets		33,459	60,699	61,727	66,372	66,248	66,251	66,241	66,230
Intangible Assets		26,429	26,429	26,457	34,119	34,120	34,120	34,120	34,120
Tangible Assets		557	27,446	22,785	19,392	18,323	18,326	18,316	18,305
Deferred tax & other		6,473	6,824	12,485	12,861	13,805	13,805	13,805	13,805
Current Assets		37,657	37,326	41,964	38,955	30,797	27,136	30,601	35,460
Stocks		0	0	0	0	0	0	0	0
Debtors		3,474	4,003	5,593	6,448	4,825	4,749	5,158	5,610
Cash & cash equivalents		33,211	32,014	34,341	30,316	23,358	19,774	22,829	27,236
Other		972	1,309	2,030	2,191	2,614	2,614	2,614	2,614
Current Liabilities		38,628	42,984	48,170	50,849	48,831	45,105	47,440	50,293
Creditors		35,898	36,607	39,166	41,259	39,647	35,921	38,256	41,109
Tax and social security		71	57	87	43	18	18	18	18
Short term borrowings		121	121	286	121	121	121	121	121
Lease liabilities		0	3,248	5,628	5,709	5,562	5,562	5,562	5,562
Other		2,538	2,951	3,003	3,717	3,483	3,483	3,483	3,483
Long Term Liabilities		1,413	25,102	26,356	23,148	21,749	21,749	21,749	21,749
Long term borrowings		0	0	0	0	0	0	0	0
Lease liabilities		0	23,134	19,094	16,082	15,519	15,519	15,519	15,519
Other long term liabilities		1,413	1,968	7,262	7,066	6,230	6,230	6,230	6,230
Net Assets		31,075	29,939	29,165	31,330	26,465	26,533	27,653	29,648
Minority interests		(20)	(20)	(20)	(3,674)	(3,674)	(3,674)	(3,674)	(3,674)
Shareholders' equity		31,055	29,919	29,145	27,656	22,791	22,859	23,979	25,974
<b>CASH FLOW</b>									
Op Cash Flow before WC and tax		(717)	1,623	4,066	2,637	(943)	4,348	5,412	6,290
Working capital		(660)	300	5,094	(1,463)	(3,930)	(3,649)	1,925	2,400
Exceptional & other		(160)	(196)	(1,439)	1,313	535	0	0	0
Share-based payments		558	329	192	156	159	159	159	159
Net operating cash flow		(979)	2,056	7,913	2,643	(4,179)	857	7,497	8,849
Capex		(135)	(227)	(221)	(429)	(149)	(264)	(264)	(264)
Acquisitions/disposals		23	0	(28)	(7,662)	0	0	0	0
Borrowings		121	0	176	0	0	0	0	0
Equity financing		57	340	0	3,987	0	0	0	0
Dividends		0	0	0	0	0	0	0	0
Other		86	(3,091)	(2,721)	(3,479)	(3,845)	(4,178)	(4,178)	(4,178)
Net Cash Flow		(827)	(922)	5,119	(4,940)	(8,173)	(3,584)	3,055	4,407
Opening net debt/(cash)		(31,908)	(33,090)	(31,893)	(34,055)	(30,195)	(23,237)	(19,653)	(22,708)
FX		2,130	(275)	(2,792)	915	1,215	0	0	0
Other non-cash movements		(121)	0	(165)	165	0	0	0	0
Closing net debt/(cash)		(33,090)	(31,893)	(34,055)	(30,195)	(23,237)	(19,653)	(22,708)	(27,115)

Source: Edison Investment Research, company accounts

<b>Contact details</b> Level 37 Grosvenor Place 225 George Street Sydney, NSW 2000 Australia +61 141 959 042 www.freelancer.com	<b>Revenue by geography</b> Not disclosed										
<b>Management team</b>											
<b>Chairman and CEO: Matt Barrie</b> Matt Barrie is the founder of Freelancer and its current chairman and CEO. He has previously been an adjunct associate professor at the Department of Electrical and Information Engineering at the University of Sydney where he taught cryptography for 15 years and, later, technology venture creation. He is the co-author of more than 20 US patent applications. Previously he also founded and was CEO of Sensory Networks, a vendor of high-performance network security processors, which was sold to Intel Corporation in 2013.	<b>CFO: Neil Katz</b> Neil Katz joined Freelancer in May 2009 and has been involved in establishing the financial disciplines and internal controls of the group. He has more than 20 years' experience in finance, accounting and general management, holding CFO roles at several technology companies, including IPscape, ThreatMetrix, Sensory Networks and Aprix. Neil has experience and been involved in numerous private equity and venture capital raisings, obtaining multiple government grants, corporate restructuring and trade sale activities. In particular, he was involved in the sale of Aprix to IBM.										
<b>Chief technology officer: Laurent Goudet</b> As CTO, Laurent Goudet is responsible for the technical direction of the company, ensuring alignment with its business goals. Prior to transitioning from software architect to chief technology officer in early 2021, Laurent led multiple technical initiatives, transforming the Web & native clients into mobile-friendly, fast and reliable web applications, lifting the user experience and reducing the engineering costs.	<b>VP of Products and Growth: Adam Byrnes</b> Adam Byrnes is responsible for expanding Freelancer across the world, particularly into markets that are dominated by non-native English speakers, such as Asia and Latin America. He leads teams in public relations, content, marketing and translation, and has been responsible for launching Freelancer's websites internationally, including 40 dedicated regional sites and 31 languages.										
<table border="1"> <thead> <tr> <th data-bbox="148 931 1129 965"><b>Principal shareholders</b></th> <th data-bbox="1129 931 1444 965"><b>(%)</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="148 965 1129 999">Matt Barrie</td> <td data-bbox="1129 965 1444 999">43.6</td> </tr> <tr> <td data-bbox="148 999 1129 1032">Simon Clausen</td> <td data-bbox="1129 999 1444 1032">35.8</td> </tr> <tr> <td data-bbox="148 1032 1129 1066">Darren Williams</td> <td data-bbox="1129 1032 1444 1066">2.3</td> </tr> <tr> <td data-bbox="148 1066 1129 1099">Herald Investment Management</td> <td data-bbox="1129 1066 1444 1099">0.7</td> </tr> </tbody> </table>		<b>Principal shareholders</b>	<b>(%)</b>	Matt Barrie	43.6	Simon Clausen	35.8	Darren Williams	2.3	Herald Investment Management	0.7
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