

## ASX Announcement | 18 October 2017

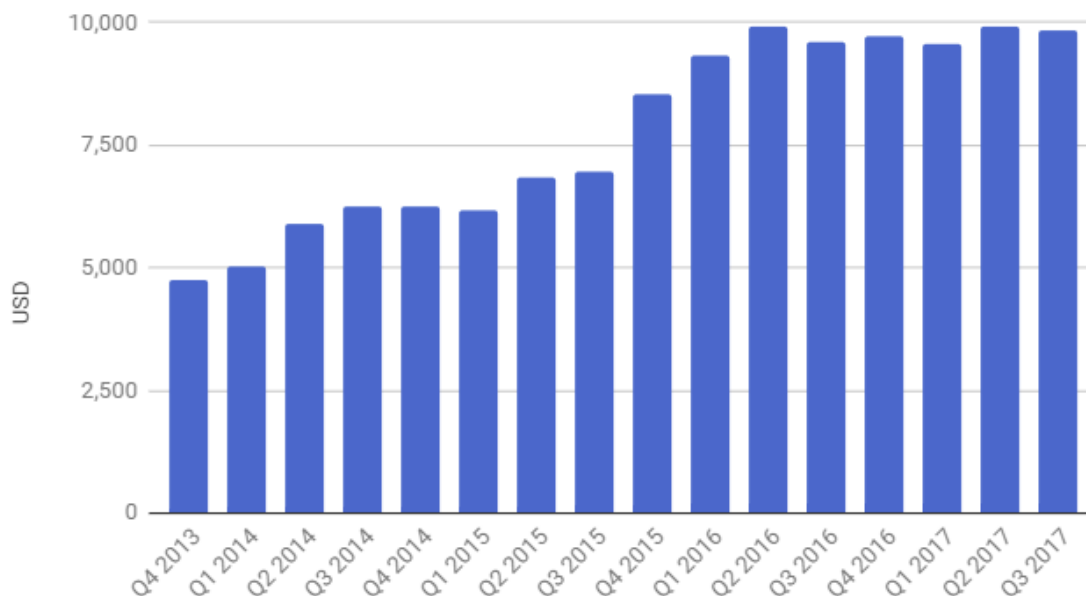
**Freelancer delivers cash receipts of A\$12.5m, break-even operating cashflow of (\$0.1m) for 3Q17 and positive year to date cash flow of \$1.4m.**

**Wednesday, 18 October 2017** - Freelancer Limited (ASX: FLN), the world's largest freelancing and crowdsourcing marketplace by total number of users and total number of jobs posted, today released its Quarterly Cash Flow Statement (Appendix 4C) for the quarter ending 30 September 2017 (Q3 2017).

### Cash Receipts

In USD, the main operating currency of the group, cash receipts were up 2% year on year to \$9,854k. USD represents approximately 75% of group cash receipts in in YTD FY17 and 75% of group cash receipts in 3Q17.

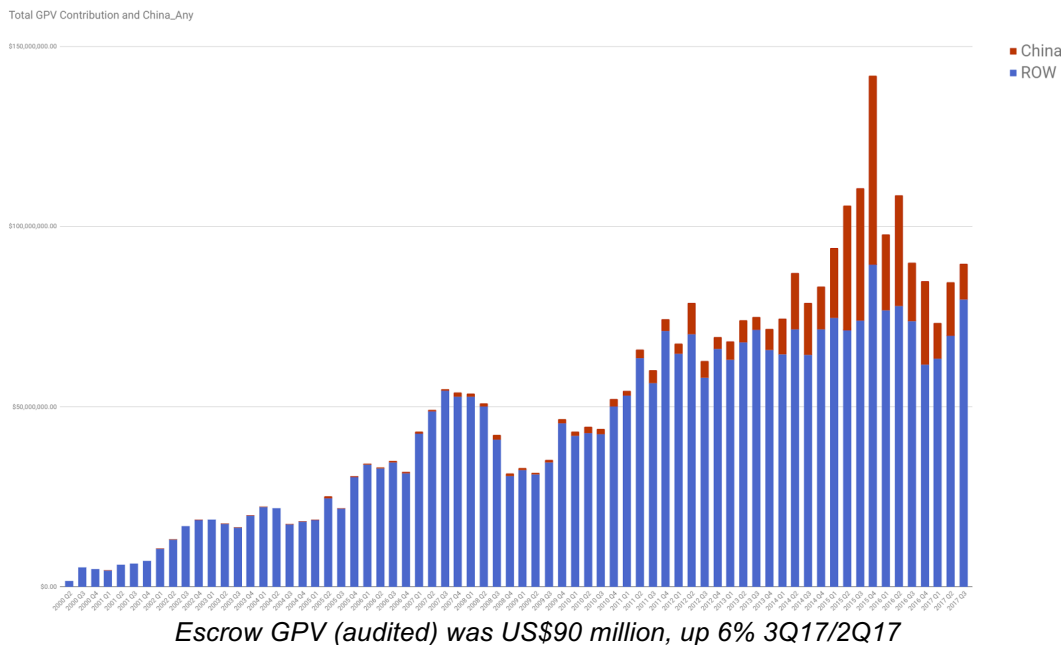
Group Quarterly Cash Receipts (USD constant currency)



Group quarterly cash receipts since IPO in the main operating currency of the group (USD)

### Escrow.com has its second best quarter on record and strongest quarterly growth in five years for non-China volume

Escrow Gross Payment Volume (GPV) for the quarter was A\$114m (US\$90M) (unaudited), up 6% QoQ (3Q17 on 2Q17), making it the second best quarter on record for non-China volume in absolute terms at US\$79.7m. Non-China volume was up sharply at 14% QoQ (3Q17 on 2Q17) in USD, which was the strongest quarterly growth in five years (since Q1 2012).

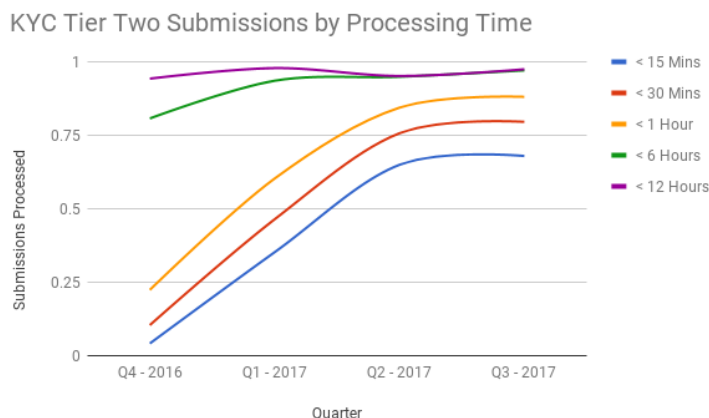


The euro currency was re-enabled in July 2017 after being disabled on 5th January 2017. Euro accounted for approximately 3% of GPV in 3Q17.

Automated payment matching is now live for inbound payments.

Outbound payments automation will be complete in 2-3 weeks (November). In Q4 we will complete moving outbound processing to the new Escrow administration system and implement a secondary approval system in addition to full automation of outbound payments to our banking partners.

Our processing times for Know Your Customer (KYC/AML Verification) have also been improving. After introducing the verification system to Escrow.com in Q1, submissions have naturally decreased but remain stable. Whilst the submission count rose a little over Q3, we also became much faster and attentive in processing these submissions. Around 80% of submissions were processed in under 30 minutes across Q3, up from 75% in Q2.



Know Your Customer (KYC) submission processing time (tier-2)



On 24 October 2017, Escrow.com will open the public beta of the new Escrow.com Platform API, which is a significant milestone for the company. The company will make a separate announcement to the ASX on this date.

In anticipation of an open beta for the new API, we have created a new developer portal with updated documentation and webhooks that makes it much easier for developers wishing to integrate Escrow into their websites or marketplaces.

### **Freelancer.com quality and retention efforts showing lift in key metrics**

Freelancer continued to focus on quality and improving customer feedback in the quarter with the primary goal of improving user retention.

These efforts lifted retention, but did have a small impact to net customers' receipts. These initiatives included:

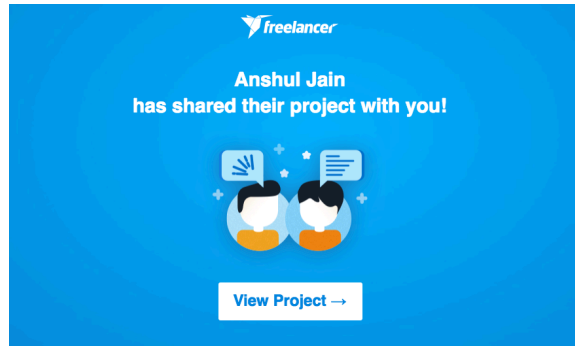
- Membership fees were lower as we deliberately tightened up the subscription funnels to ensure that only customers that would achieve tangible value from memberships subscribe. This was approximately a (2%) drag on customer receipts for the quarter.
- We improved the refund policy to allow increase the ease and scope for refunds to customers with the goal of lifting retention and user experience. This impacted project fees and was a (1%) drag on customer receipts for the quarter.

The average AUD/USD exchange rate for Q3 was 0.7894 versus Q2 of 0.7508 providing a currency drag of approximately (4%) on AUD revenue.

Paid project fees have climbed through August, September and October to date as core funnel improvements were deployed in parallel with these changes. Improvements in the core funnel have lifted the project posted to milestone conversion rate back to mid-2016 (pre-'1-click') highs. Likewise we saw a lift in earnings paid for freelancers, with the most recent period rivalling the all-time high in May 2016.

In terms of collaboration, we completely refactored the hourly payment system to improve the user experience for our customers. The new system has less friction, and you pay only for hours worked as they are billed, rather than requiring an upfront payment to start work in the hourly model.

We also now support project sharing for both fixed price and hourly projects, as well as contest sharing, direct hire projects. We also support collaboration via group chat, which means you can invite anyone to your project, including those external to the website. We also have a new project completion experience where we collect more information, including more detailed customer feedback and Net Promoter Score.



**What actions can you perform on Anshul Jain's project?**



View the project

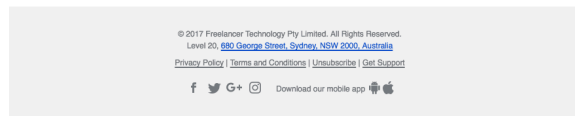


Chat to bidders



Award a freelancer

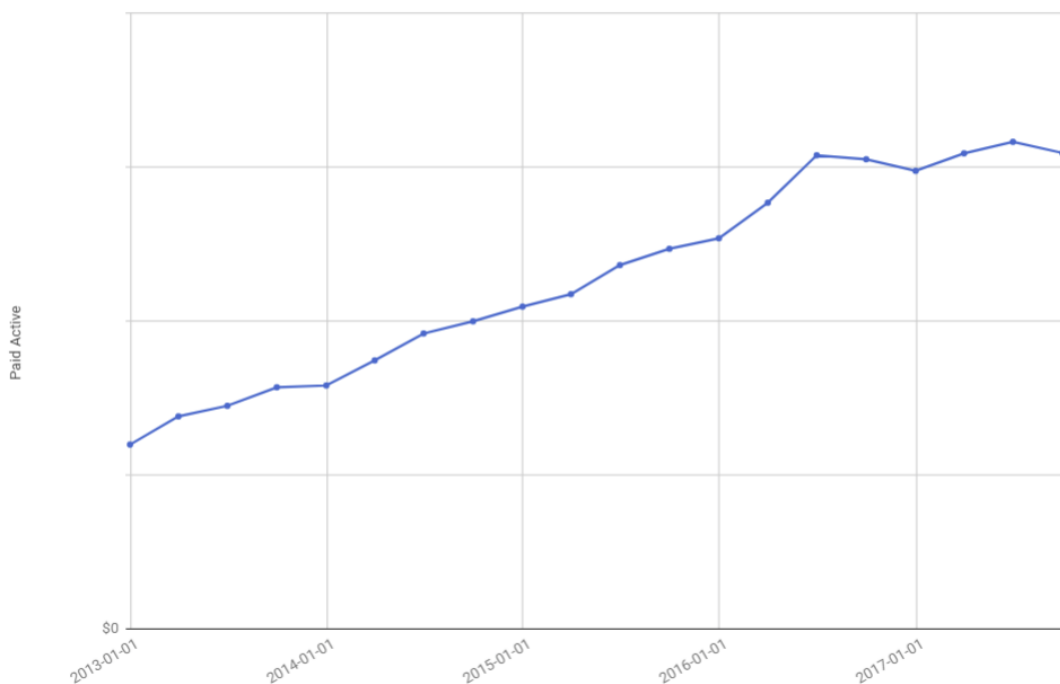
[View Project ->](#)



*Project sharing for fixed price, hourly, direct hire and contests is now live*

The messaging system now supports rich messages, interactive messages and emojis- providing a better communications experience between employers, freelancers and support.

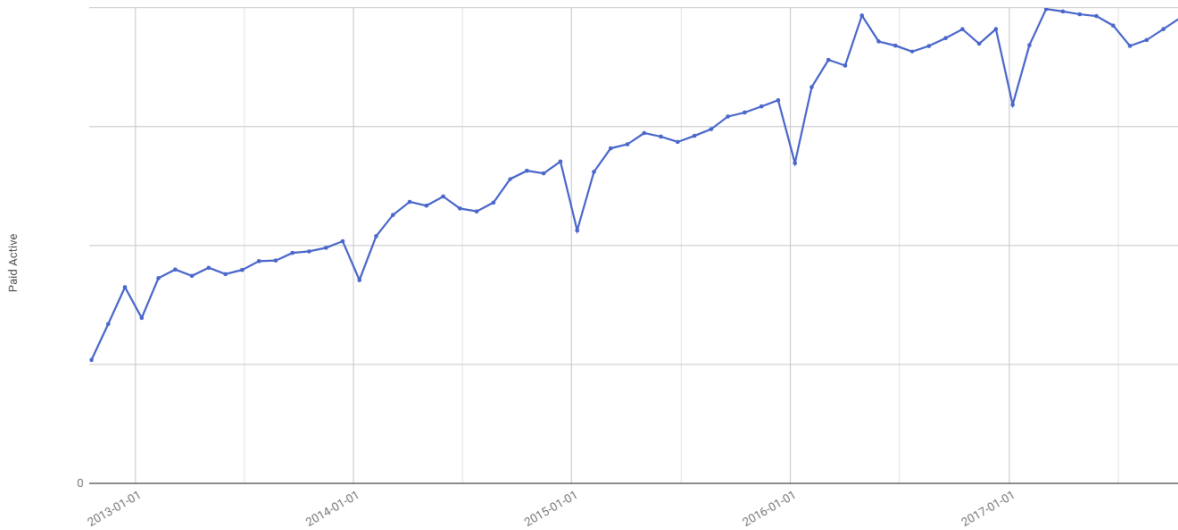
Active Project Fees (paid, non-refunded)



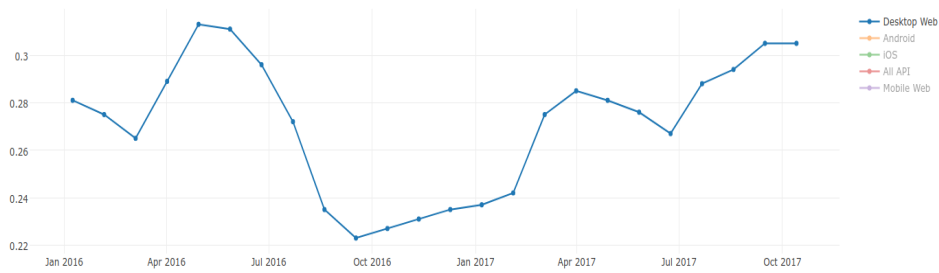


*Active (non-refunded) project fees, quarterly from 2013 (USD)*

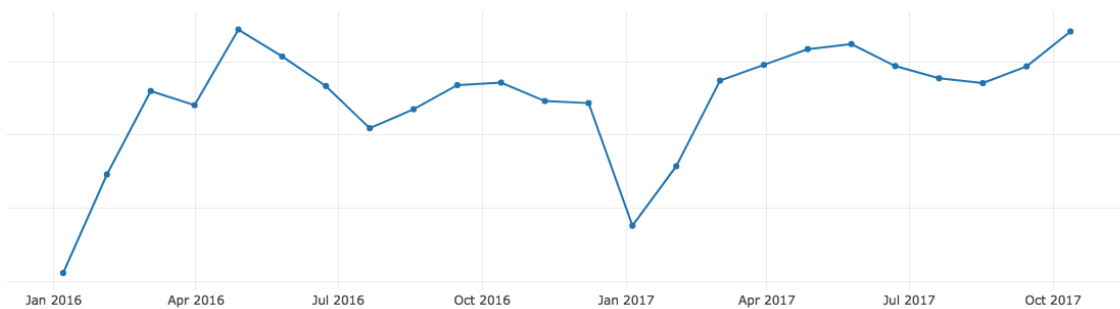
Paid Project Fees (USD)



*Active (non-refunded) paid project fees, rolling 28-day period (USD)*



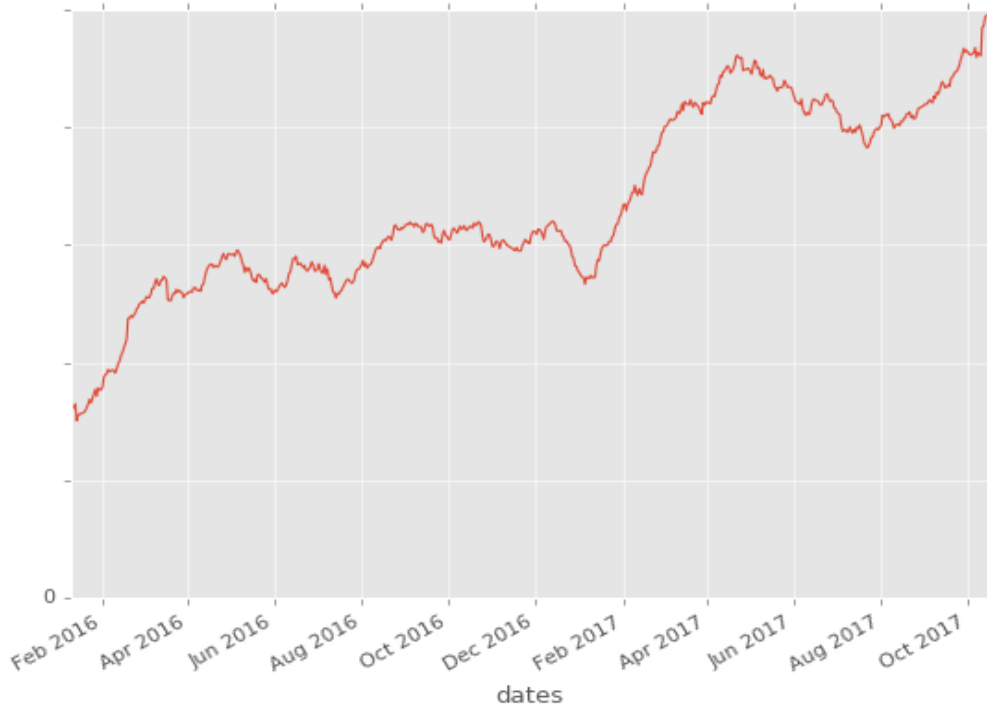
*Project posted to milestone creation conversion rate, rolling 28-day period*



*Earnings paid to freelancers on rolling 28-day period (USD)*



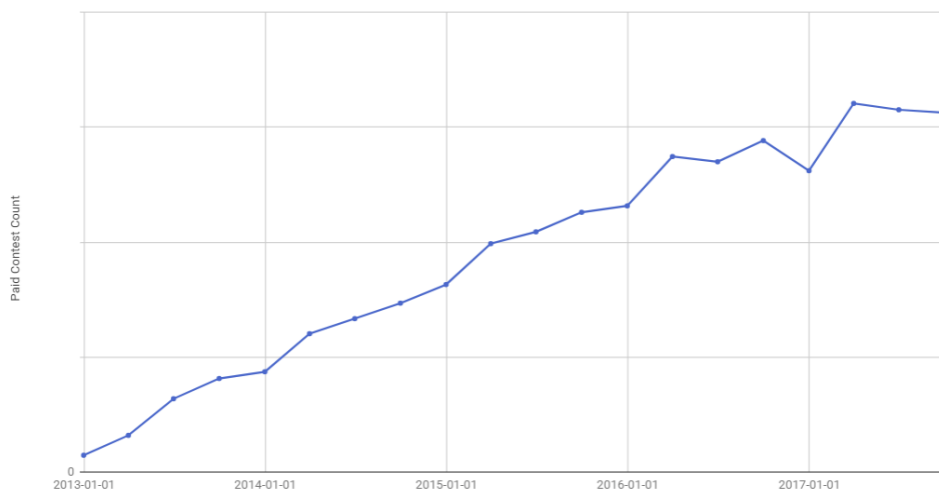
Mobile continues to experience tremendous growth with good projects posted up 62% YoY (3Q17/3Q16) with fees (unaudited) from mobile up 41% YoY (3Q17/3Q16).



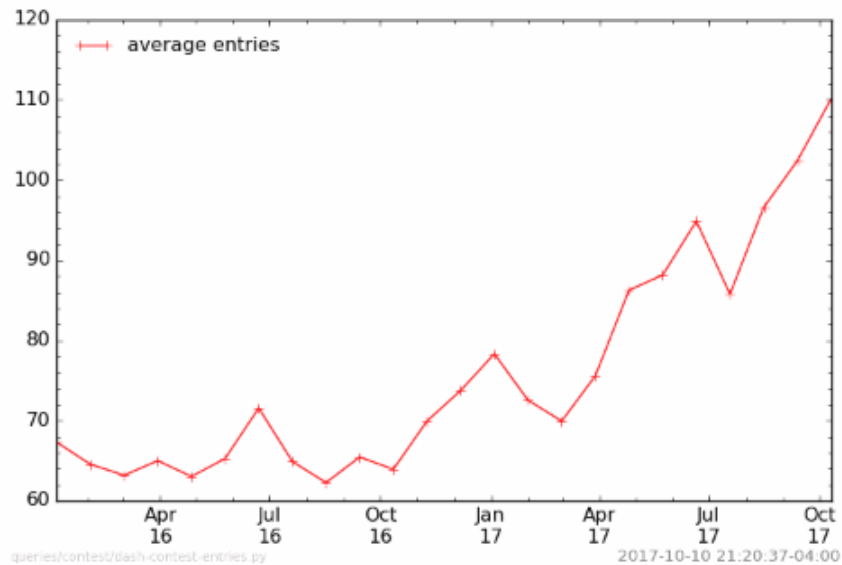
Freelancer.com fees from mobile (USD)

The number of paid contests per quarter had a small hit in the quarter as we made changes to the core funnels to improve conversion which resulted in temporarily removing the contest upsells for certain categories of work in the project funnels. These are currently being re-added and will be back live again in Q4. Contest entries had a huge uplift, with over 100 entries on average per contest, an uplift of 33% from 2Q17.

Number of Paid Contests Posted by Quarter

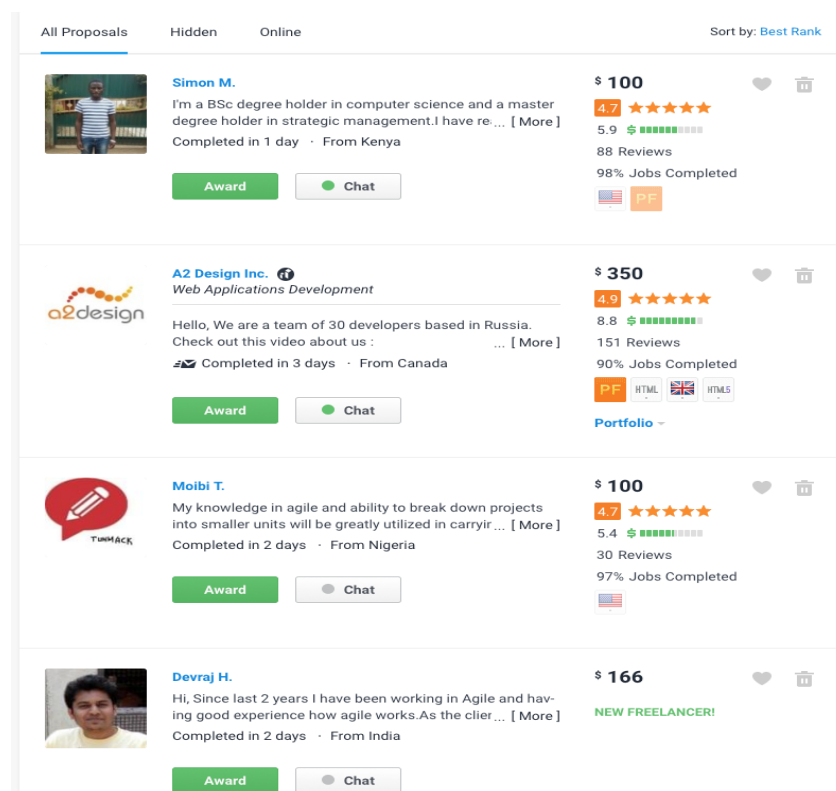


Number of paid contest per quarter



Average number of contest entries per contest was up 33% in 3Q17/2Q17

We have changed the website to show the real name of freelancers instead of their usernames, with the aim of increasing the level of trust in the marketplace.



The screenshot displays a list of proposals on the Freelancer platform. At the top, there are filters for 'All Proposals', 'Hidden', and 'Online', and a 'Sort by: Best Rank' option. The proposals are listed as follows:

- Simon M.**: \$ 100, 4.7 rating (5 stars), 5.9 price, 88 Reviews, 98% Jobs Completed. Completed in 1 day · From Kenya.
- A2 Design Inc.**: \$ 350, 4.9 rating (5 stars), 8.8 price, 151 Reviews, 90% Jobs Completed. Completed in 3 days · From Canada.
- Moibi T.**: \$ 100, 4.7 rating (5 stars), 5.4 price, 30 Reviews, 97% Jobs Completed. Completed in 2 days · From Nigeria.
- Devraj H.**: \$ 166, NEW FREELANCER! Completed in 2 days · From India.

Real names are now shown in the Freelancer marketplace

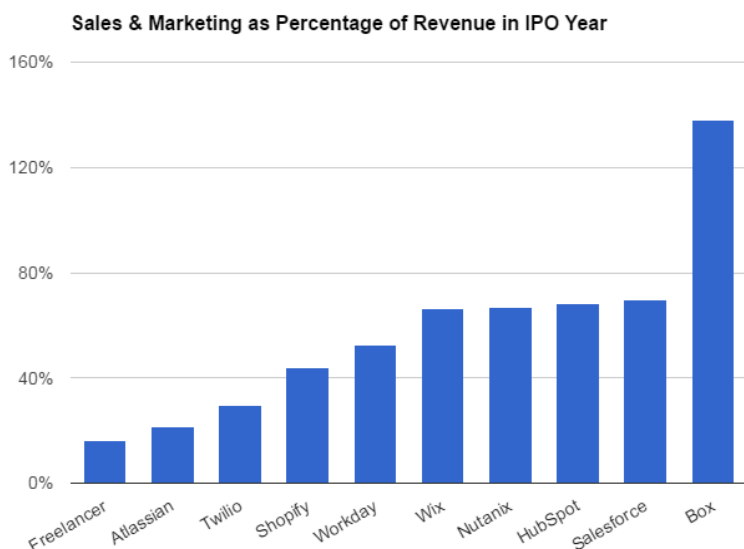


**Break-even operating 3Q17 cash flow of (\$0.1m) and positive year to date (9 months) cash flow of \$1.4m**

Operating cash flow was effectively break-even in the quarter at (\$0.1m). For the year to date, operating cash flow was positive at \$1.4m. Unlike many Silicon Valley technology companies, the Company has followed a strategy of being not being deeply negative in terms of cash flow on an operating basis, to de-risk future growth. While cash flow was marginally negative on a year on year basis (2%) in AUD, it was positive on a USD constant currency basis +2%, the main operating currency of the group (84% of group cash receipts in FY17 YTD).

Marketing as a percentage of cash receipts continued to be remarkably low at 15.6%. It has been previously noted that for a Silicon Valley software business that this number can typically range between 50% to 100% of cash receipts.

As noted in previous releases, Salesforce spent 56% of its revenue on sales and marketing at the time it filed its S1 with the SEC in 2003. Workday similar reported 45% in its S1 and Hubspot had a 64% ratio when it went public. Box spent over 100% of its revenue on sales and marketing the year before it went public. Atlassian was lauded just before its IPO for being an “unusual outlier” at 21%<sup>1</sup>.



*Sales & Marketing as percentage of revenue of major Internet companies in year before IPO. Freelancer figure shows 3Q17 number only versus cash receipts for comparison.*

**Awards**

In 3Q2017 we are pleased to announce that the Freelancer Group won three Gold, six Silver and one Bronze Stevie in the International Business Awards.

- Communications Department of the Year - Gold
- Professional Service of the Year - Freelancer iOS and Android App (Gold)

<sup>1</sup> <https://www.businessinsider.com.au/atlassians-low-sales-and-marketing-cost-2015-11>





- Company of the Year - Financial Services (Small) - Escrow.com (Gold)
- Executive of the Year (Internet/New Media) - Matt Barrie (Silver)
- Communications, Investor Relations or PR Executive of the Year - Sebastian Siseles (Silver)
- Business Service of the Year - Freelancer.com (Silver)
- Financial Service of the Year - Escrow.com (Silver)
- Most Innovative Technology Company of the Year (up to 2,500 employees) - Freelancer.com (Silver)
- Best User Experience - Freelancer.com (Silver)
- Best Web Writing / Content - Warrior Forum (Bronze)

## Conclusion

Matt Barrie, Chief Executive, commented on the results, "We are excited that Escrow.com is emerging from an extended period of investment in rebuilding the company's technology stack, systems and processes. On October 24 we will open the public beta for the API which will allow websites, marketplaces and classifieds sites to integrate the most secure payment method in the world from a merchant credit risk perspective. Additionally, our work on improving retention and quality metrics with Freelancer.com is paying off with strong lifts in core funnel metrics including project fees and freelancer earnings".

## ENDS

### Forward-looking statements

This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "outlook", "upside", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance, including Freelancer's FY17 outlook, are also forward-looking statements, as are statements regarding Freelancer's plans and strategies and the development of the market. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Freelancer, which may cause actual results to differ materially from those expressed or implied in such statements. Freelancer cannot give any assurance or guarantee that the assumptions upon which management based its forward-looking statements will prove to be correct or exhaustive beyond the date of its making, or that Freelancer's business and operations will not be affected by other factors not currently foreseeable by management or beyond its control. Such forward-looking statements only speak as at the date of this announcement and Freelancer assumes no obligation to update such information. The release, publication or distribution of this document in jurisdictions outside Australia may be restricted by law. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

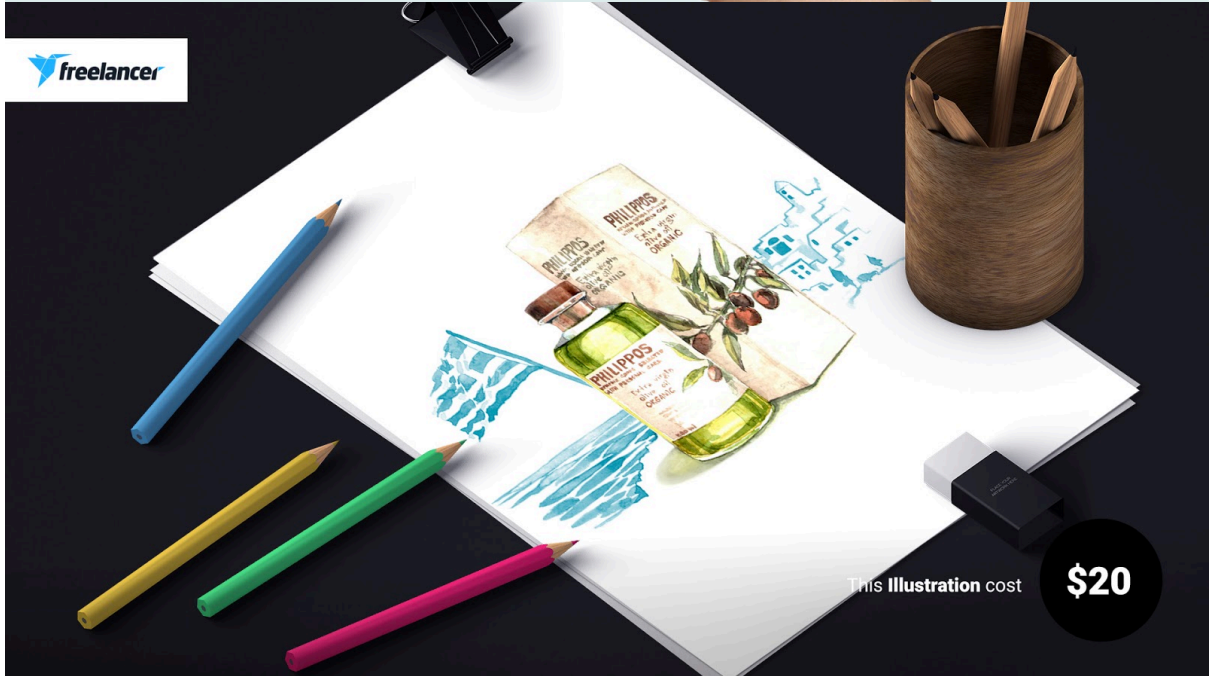
### About Freelancer

Ten-time Webby award-winning Freelancer.com is the world's largest freelancing and crowdsourcing marketplace by total number of users and projects posted. More than 26 million registered users have posted over 12 million projects and contests to date in over 1,000 areas as diverse as website development, logo design, marketing, copywriting, astrophysics, aerospace engineering and manufacturing. Freelancer owns Escrow.com, the leading provider of secure online payments and online transaction management for consumers and businesses on the Internet. Freelancer Limited is listed on the Australian Securities Exchange under the ticker ASX:FLN.



This Concept Art cost

**\$75**



This Illustration cost

**\$20**

