Market Announcement | 26 Oct 2022

3Q22 Business Update

Freelancer Limited delivers Gross Payment Volume in 3Q22 of $242.4 million, down 14.2% on pcp (US$165.8 million, down 20.1% on pcp):

- **Freelancer GMV $31.5m, down 5.1% on pcp (US$21.5m, down 11.6%)**
- **Escrow GPV $200.0m, down 16.2% on pcp (US$136.8m, down 22.0%)**

Group net cash receipts $13.5m, down 1.5% on pcp (US$9.3m down 8.3%):

- **Freelancer receipts $11.2m down 1.4% on pcp (US$7.7m, down 8.2%)**
- **Escrow cash receipts $2.3m down 1.9% on pcp (US$1.6m, down 8.7%)**

FX had a tailwind of 7.0% in 3Q22 as the Australian dollar depreciated against the USD from an average of 0.7349 to 0.6835.

Approximately 74% of group revenue is USD and 7% is AUD.

The group had negative net operating cash flow of -$(3.2) million for 3Q22 3Q21: -$(1.6 million) and ended with cash & equivalents of $28.6 million, down 2.7% on pcp.

SYDNEY, 26 October 2022 - Freelancer Limited (ASX: FLN) (OTCQX: FLNCF), the world's largest freelancing and crowdsourcing marketplace by total number of users and jobs posted, today released its business and activities update for 3Q22.

The Freelancer Group primarily consists of Freelancer.com- the largest cloud workforce in the world, Escrow.com- the world's largest online escrow company, which facilitates and secures large value payments, and Loadshift- Australia's largest online freight marketplace. All are market leading, broad, horizontal service offerings that consumers through to large enterprises require as part of their everyday business.

Freelancer.com

Summary

Freelancer cash receipts were $11.2m, down 1.4% on pcp (US$7.7m, down 8.2%). Freelancer GMV was $31.5m, down 5.1% on pcp (US$21.5m, down 11.6%).

A series of events caused the macroeconomic environment to sharply deteriorate from May. Initially, the crypto crash took with it a fair amount of millenial wealth, and this bled into a broader tech wreck. This, coupled with the highest inflation in over 40 years and skyrocketing US dollar (DXY up ~20%) crimping budgets as living standards deteriorated the most since the 1950s. Additionally the war in Ukraine (costing ~3% of GMV) led into northern hemisphere summer seasonality which was again highly pronounced compared to pre-covid.

On the positive side:

- From August 1st we saw a broad based lift in our statistics across the board, which has continued through now (mid October).

- In September we believe we finally rectified a long standing problem in the core marketplace which crept insidiously into the code base over a long period of time which has been akin to driving around with the handbrake on.

- Finally, a poor macroeconomic environment will prove to be a good thing for Freelancer, as we saw in the GFC and in the early stages of Covid when global lockdowns occurred. Businesses are looking to cut costs at a tremendous rate and cutting back staff, many more people will go online looking for a job, and many startup businesses will form to bridge people and companies through bad times.
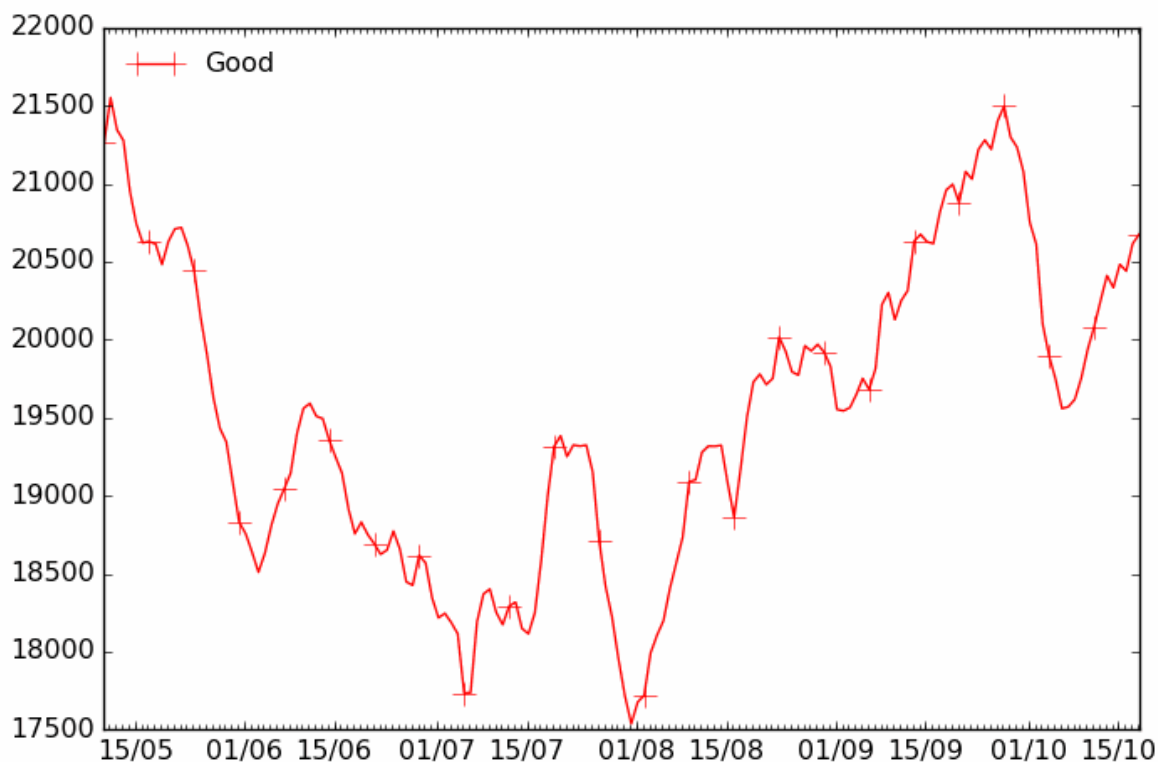
Broad-based lift since August 1st

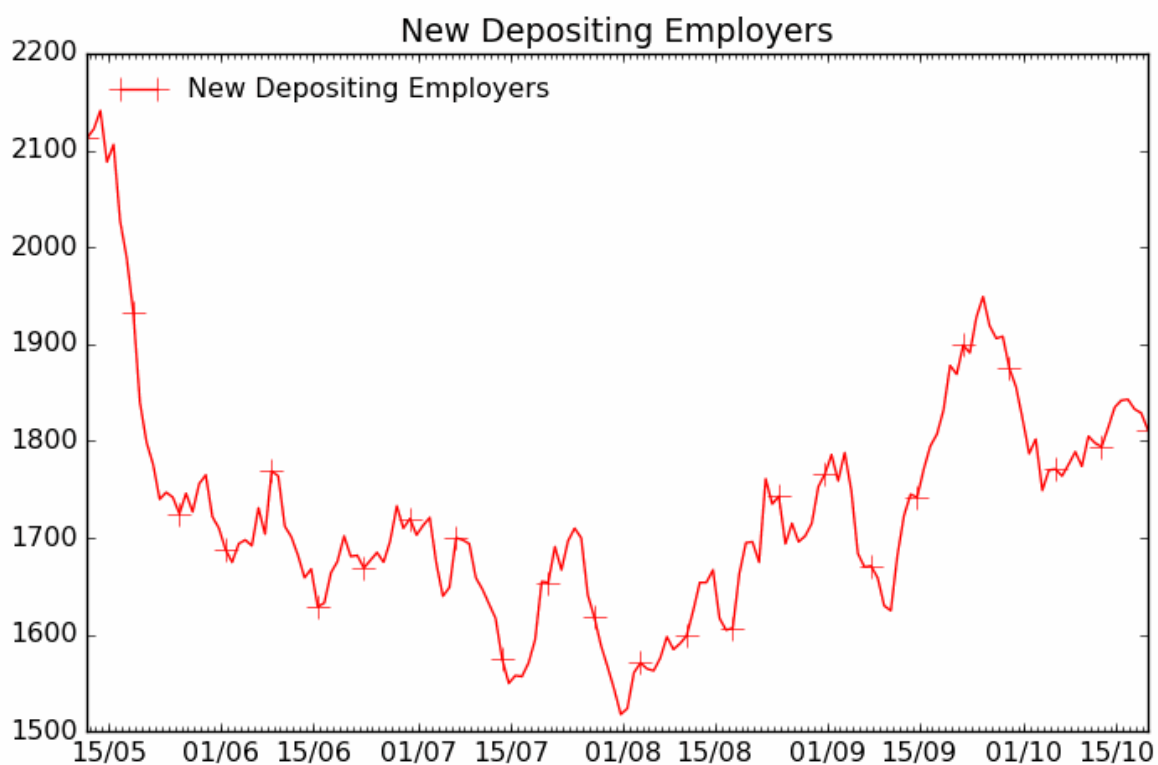

Figure 1: Good (excluding spam, etc.) Projects Posted
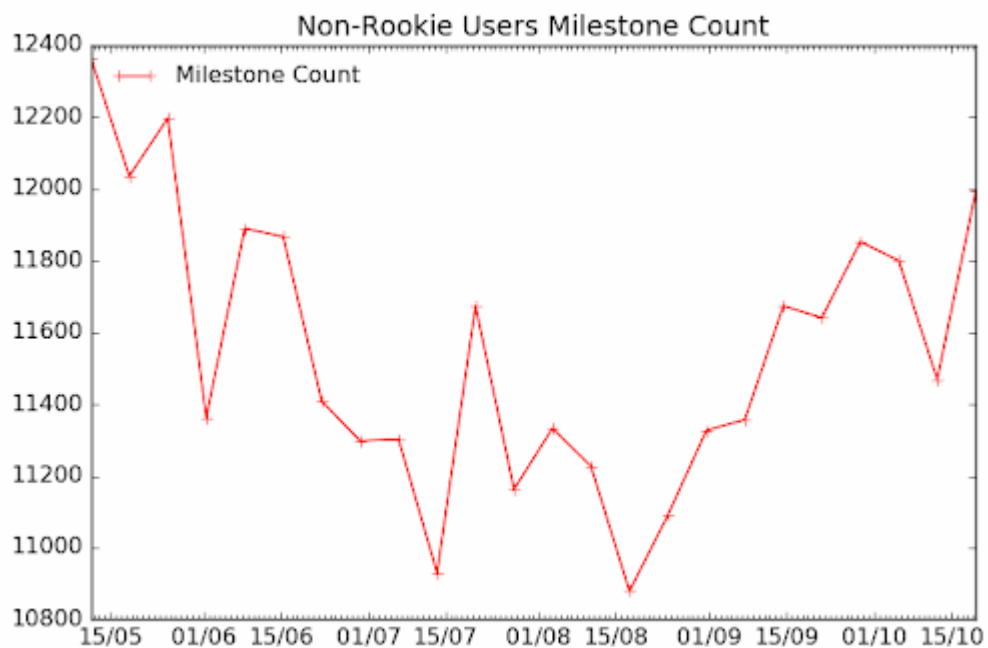

Figure 2: Number of new clients who have paid funds

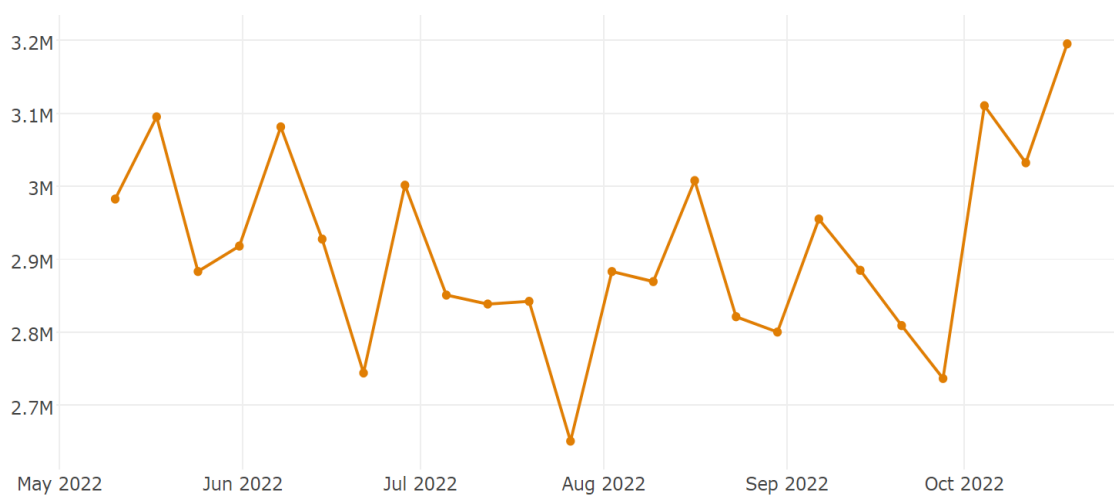**Figure 3:** Number of paid milestones from experienced clients

Figure 4: Gross Payment Volume (USD)

Figure 5: Wall Street Journal story on Freelancer (Oct 12)

Core Marketplace

In September, we finally completed deployment of a change that we believe will have a significant positive impact moving forward in the core marketplace.

Since 2017, the marketplace has increasingly required a higher and higher proportion of a project's total value to be funded upfront. While this obviously pleases freelancers, it creates greater and greater friction for clients, particularly for new clients and high value projects. The mechanism by which this increased was not intentional, and a byproduct of an inconsistency in one codebase in how bidding worked (desktop web) becoming more dominant of a problem as other codebases were merged and depreciated (mobile web, then iOS and finally Android).

To fix this problem was also not straightforward, as increasingly freelancers are making use of tools to assist with bidding including several commercial products. These tools bypass the front-end interface where our AB testing framework is integrated, and so initial attempts to fix

this issue ran into difficulty as these tools are generally programmed to ask for 100% of the funds to be provided upfront.

These tools, many automated, have additionally have hindered the marketplace as usage became more widespread because they have resulted in bids coming in unnaturally fast. Whilst many of our clients highly value liquidity and the real-time nature of our website, some of our freelancers had taken this to extremes, increasingly using automated bidding software in an arms race to be the first bidder on a project. Some of the commercial tooling has additionally been deployed close to our servers to minimise latency, much like high frequency traders will pay to co-locate next to exchange servers. Whilst beneficial to some freelancers individually, it resulted in a case of "tragedy of the commons".

This led to increasing frustration from our clients, and furthermore resulted in our site feeling more like a directory and less like an organic marketplace. As such, we have taken action to temper this behaviour, resulting in a sharp drop of first bids within 15 and 30 seconds, and minimal drops thereafter. For example, the percentage of jobs receiving a bid within 90 seconds has remained nearly constant at 65%.
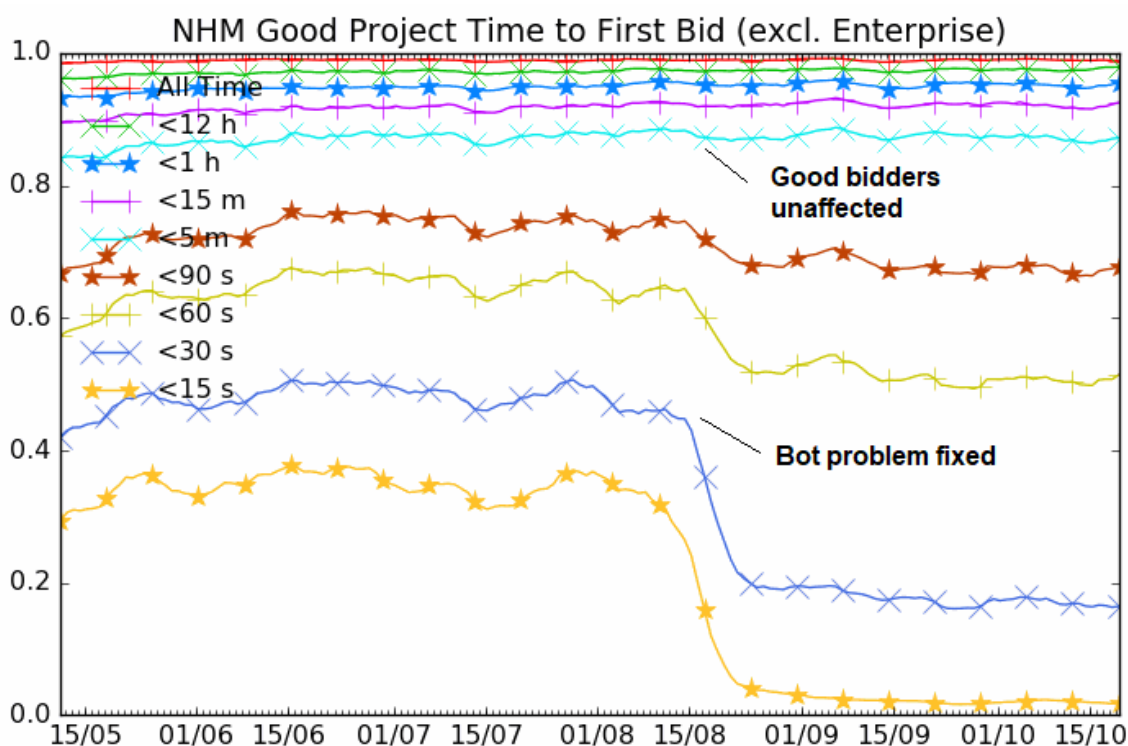
Figure 6: Percentage of projects bid within a timeframe

We already have had a number of efforts, discussed in previous quarterlies, intended to make freelancers slow down, read the project brief properly, and place a well written bid proposal that addresses that brief. With millions of active sentient participants with a profit motive, we needed to ensure that we did not inadvertently experience *schlimmbesserung*, a German word that means "to make things worse through an effort to improve". Previous attempts with penalising freelancers, captchas and so forth all had unintended

consequences for liquidity, revenue, conversion rates or overall experience. We ultimately managed to solve this 'bot problem' in August with an innovative approach.

Figure 7: Improved award experience

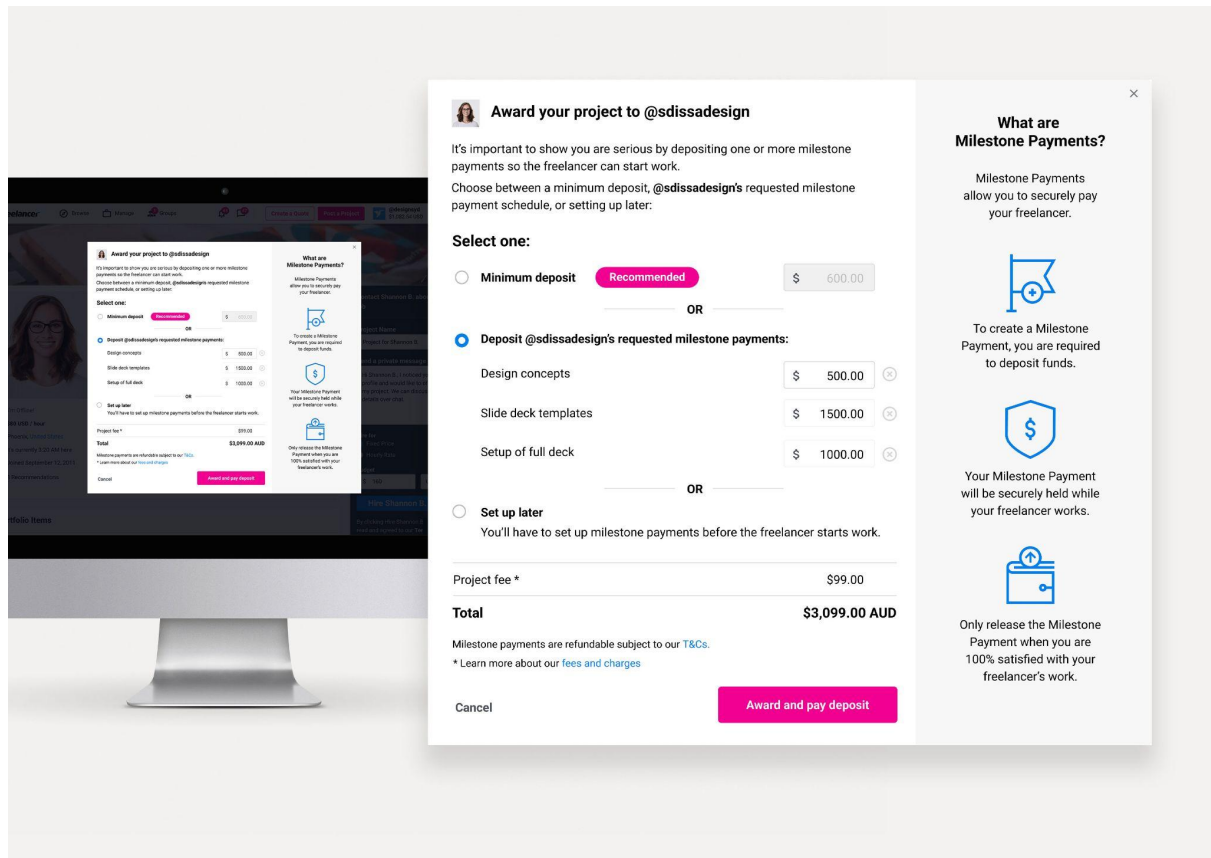After we solved the 'bot issue', we re-ran an A/B test on fixing the initial milestone request logic. We are pleased to report that the test delivered significant conversion improvements[1] for experienced users, with overall 21 day GMV for this segment up by ~17%. Most promisingly, we also saw improvements to key retention statistics, for example:

- Client active and economic activity after one week both up ~4%.
- Propensity to post a second funded job (all clients) within one week up ~18%.
- Propensity to hire a second freelancer within two weeks up ~6%.

Improvements to retention have an outsized effect on the marketplace, that compound over mid and long term time horizons. Based on the learnings of this test, we have further follow-on tests in the pipeline that we hypothesise will also give further gains. This test was shipped to 100% of users in the marketplace on the 13th of October 2022, while we remain to see the effect fully in production, we expect it to have quite a positive impact.

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[1] All values obtained via statistical inference from an A/B test conducted between the 9th of September and the 6th of October.

Supply & Demand

The marketplace continues to grow on the supply side, with 1.5 million users added in 3Q22.

In 3Q22, the average project size across the whole marketplace was US$256, up 13.3% on pcp. This metric has been trending upwards over the course of many years, due to the rising sophistication and quality of work delivered by our freelance workforce. Lately, it would likely also be driven by a desire for higher wages due to inflationary pressures.
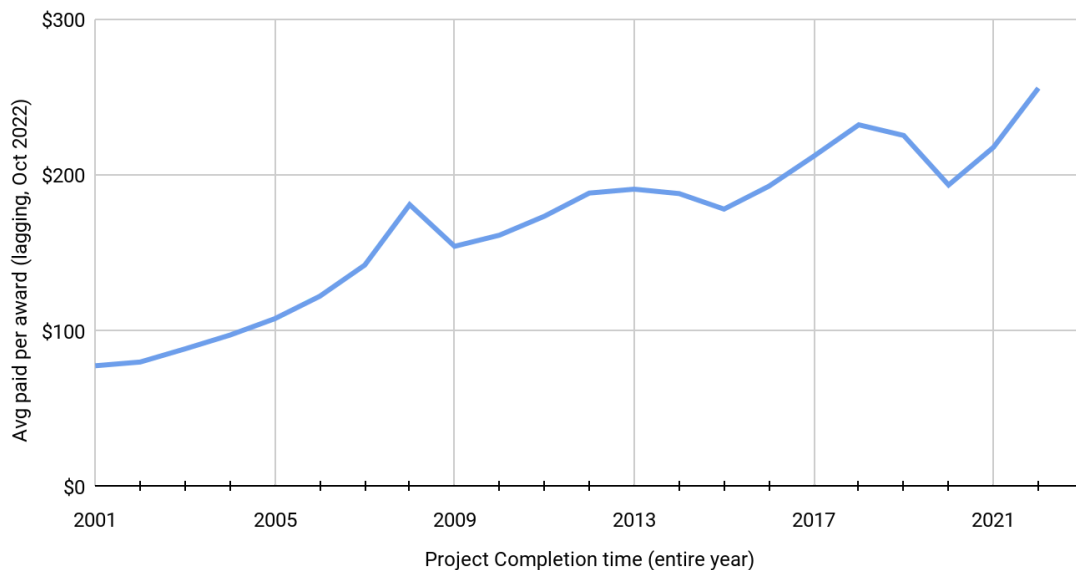
Figure 8: Average Completed Project Size

Marketing (Acquisition)

Throughout 2H22 our focus has been bringing our paid search engine marketing campaigns to a healthy profitability ratio, while at the same time maximising their revenue in absolute dollars. As noted in previous reports, it has been a two stage process- first increasing volume, then focusing on profitability.

In 3Q22 finally we are seeing the fruition of these efforts. For example, in Adwords non-brand SEM, 30-day profitability, a leading metric to overall campaign profitability, is up significantly on 2Q22 and based on this leading metric we believe the 3Q22 will be substantially profitable.

NDE Revenue (30 Days) Amount / Cost (USD)
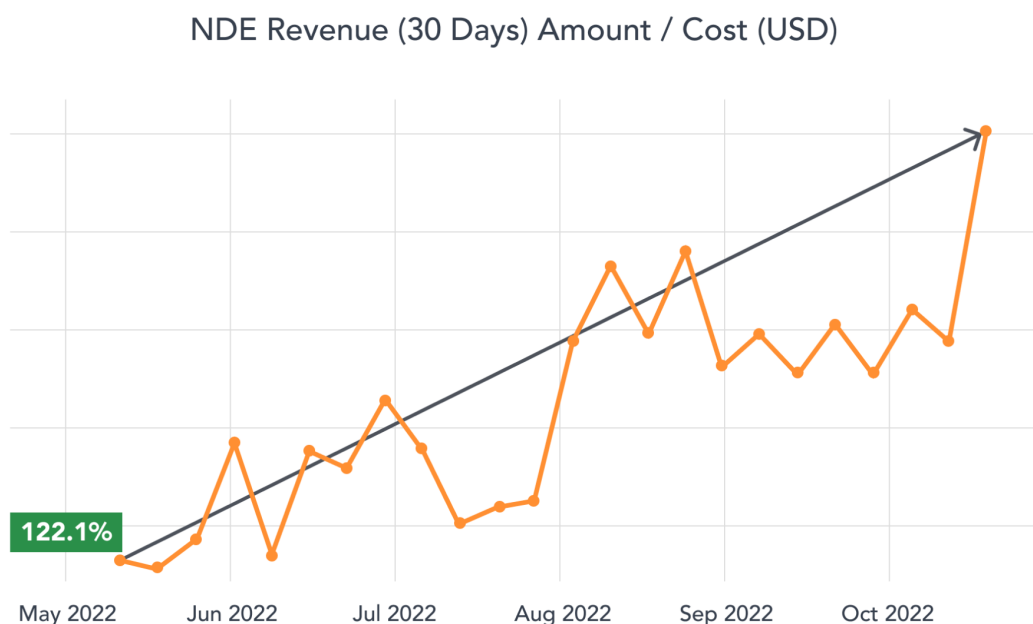

Figure 9: SEM profitability

As part of this effort, we significantly reduced SEM costs, which are down approximately 30% on 2Q22. We are now comfortable with the profitability of our campaign, and our focus from here will be to continue improving volume at these, or better, profitability levels.

Now that SEM is performing, we have begun shifting our focus towards structural changes to our SEO. Additionally, we continue to iterate on improving our conversion rates. These have a compounding effect, particularly on SEM. This is because our advertising campaigns optimise for conversion value, so increasing our funnel throughput will allow us to increase our bids for paid advertising for newly acquired customers.

Product & Engineering

As mentioned in previous reports, the focus our product development is:

1. Visual design, responsiveness & UI/UX
2. Enhancements to payments, enterprise features, matchmaking and collaboration
3. Acquisition, retention & engagement of clients

In 3Q22, we released a number of new products, discussed in further detail below. All of our new products are developed fully responsive within our rapidly improving design systems framework utilising our modern, interactive front-end.
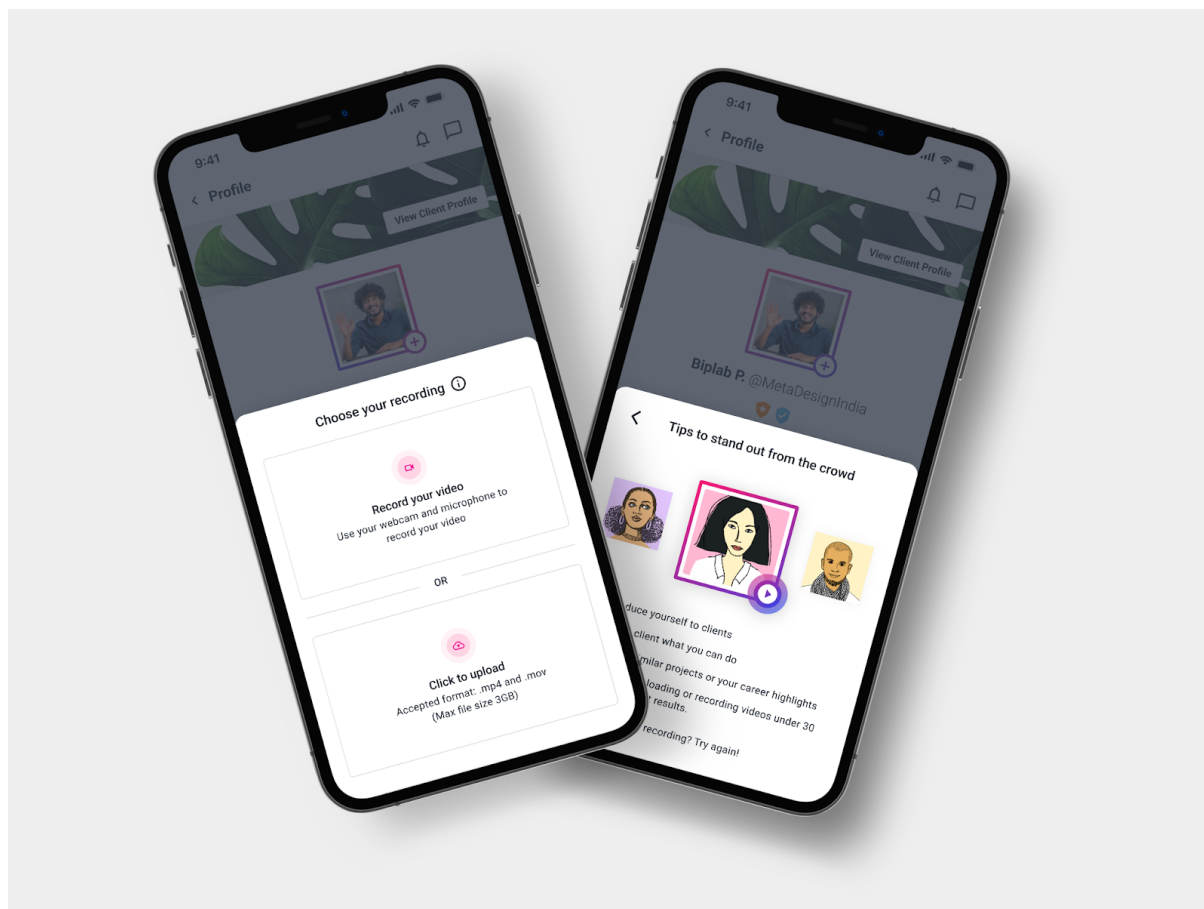
Figure 10: Improvements to product design

Quotations

In 1Q22 we introduced a new product offering, Quotations, a product that allows freelancers to easily pitch paid services to clients.

We've now seen several million dollars of work funded through this feature, and have recently revamped the user experience with a more professional, modern design. We are working on a number of follow-on products that build upon and enhance Quotations, and look forward to discussing these in future reports.

Figure 11: Quotes

Video Bidding

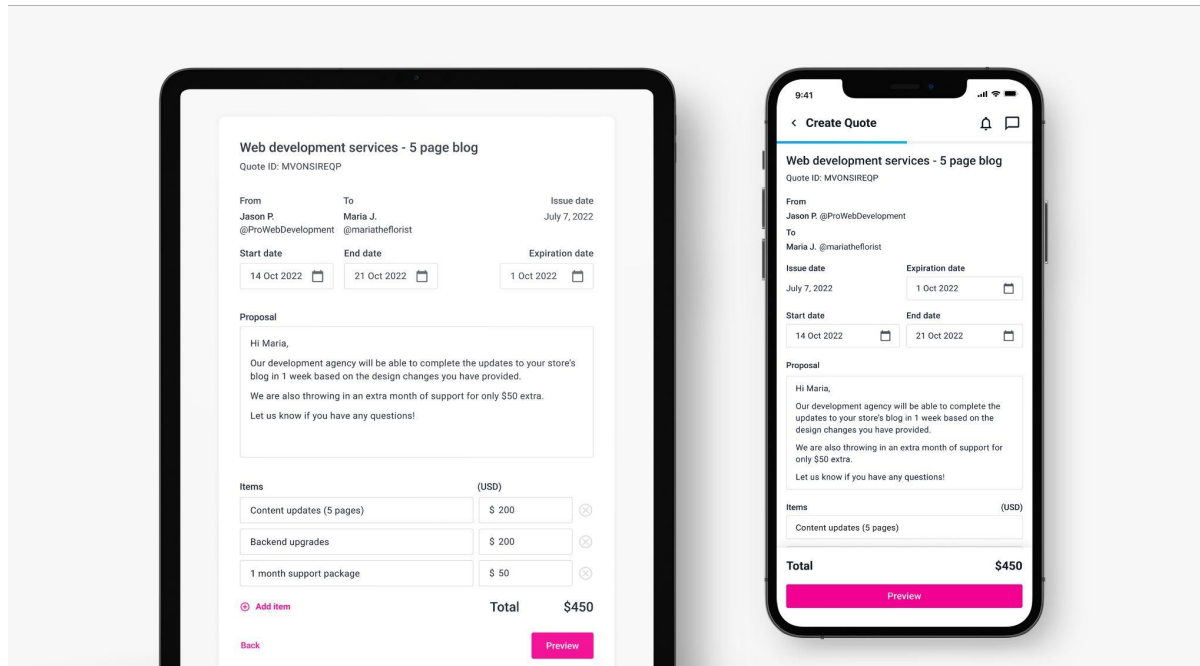Verified freelancers are now able to record short videos as part of their proposals. This feature enables users to showcase their skills and experience in an engaging, personalised format. Based on data collected in August 2022, freelancers with video bids are 34% more likely to be contacted by clients, and projects that receive at least one video bid get funded 10% more often. This has led to a 4.9% increase in award rate overall within 14 days, based entirely on early adopters. We believe this is due to increased authenticity in the marketplace.

Based on these learnings, there are a number of follow-on products we are working on that will continue to improve authenticity in the marketplace.
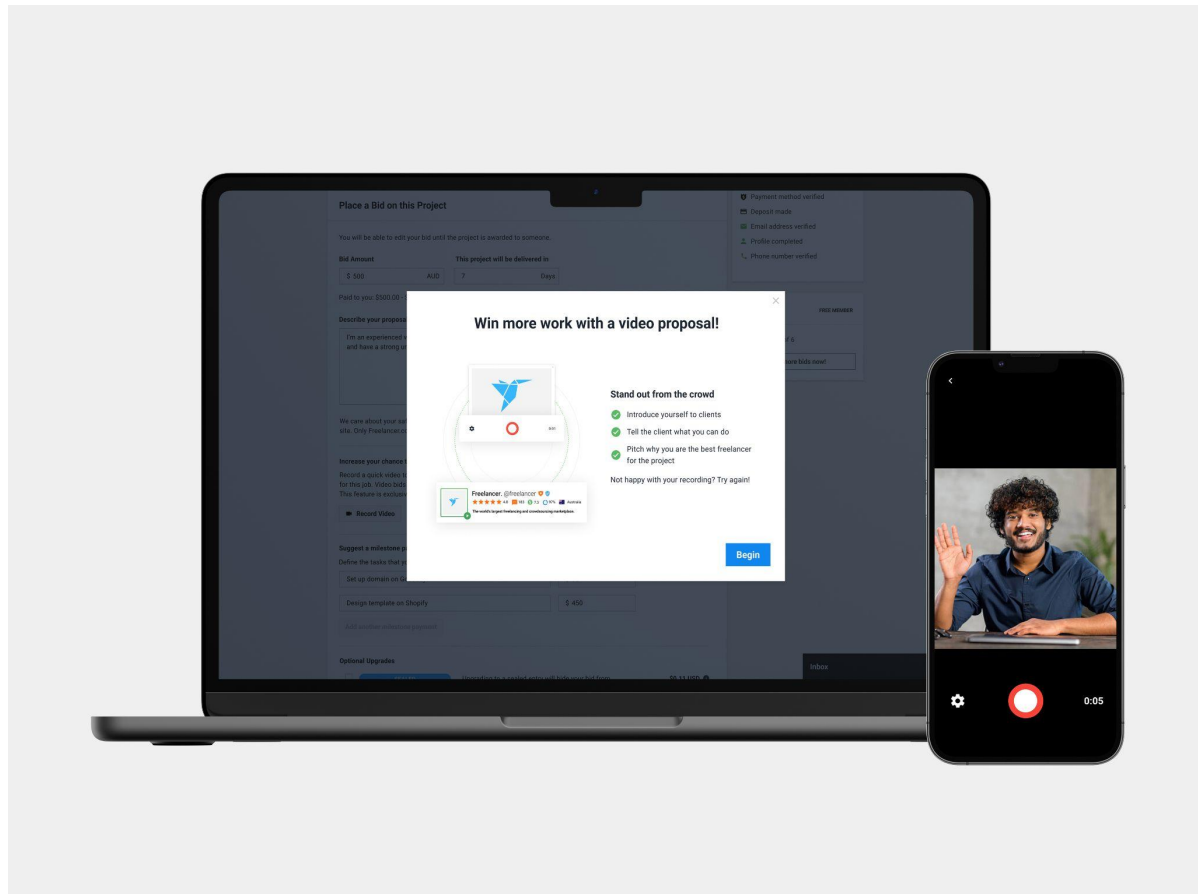
Figure 12: Video bids

Groups

As part of our ongoing efforts to increase retention and average project size through an enhanced suite of collaboration products, we have been building a new product called Groups, which is now available to all our users.

Groups is aimed at improving collaboration and communication at scale on the platform, enabling the creation of a space where both groups of small or very large (millions) of users can easily communicate with each other in an organised and efficient manner.

With a set of different roles and permissions we can easily make Groups as closed or as open as needed for different use-cases.

Only recently launched to the general public, Groups have now grown to over 6 million members.
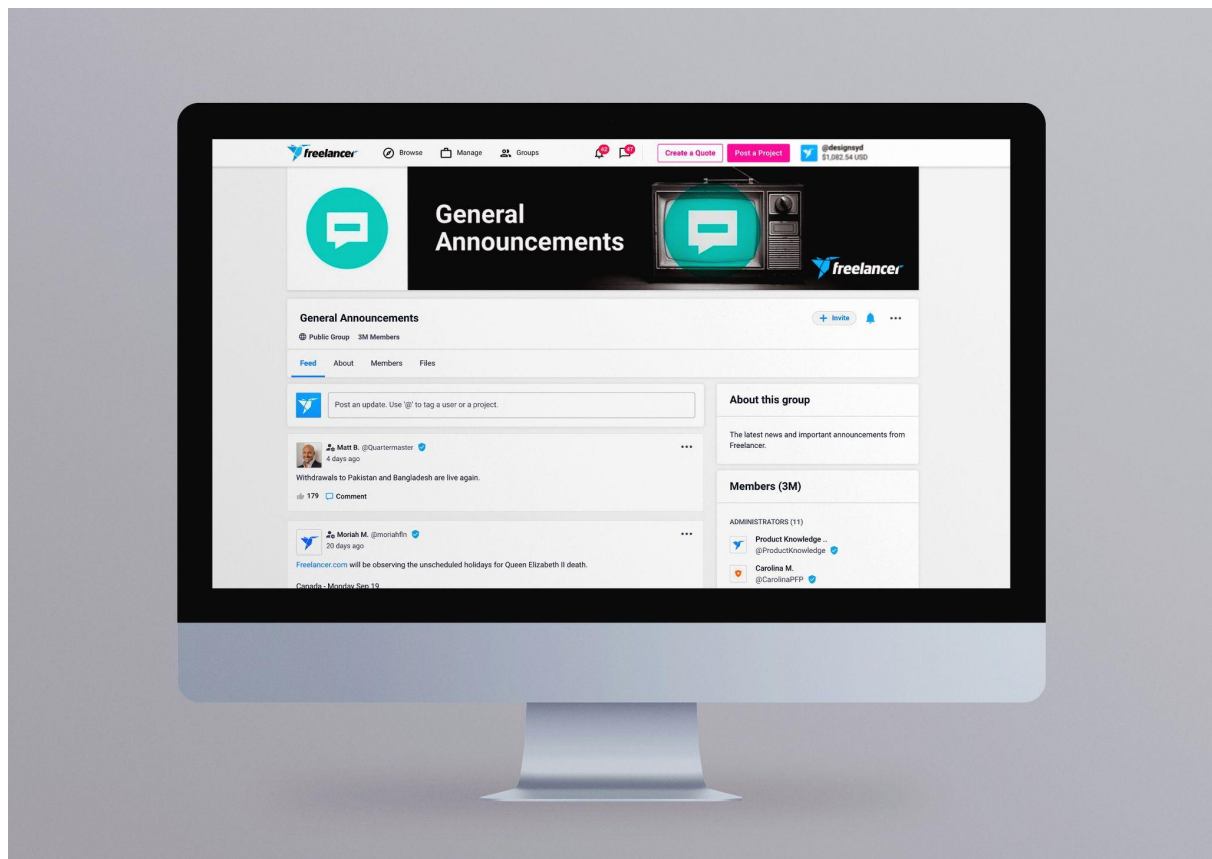

Figure 13: Groups

Tasklists

Since the launch of our new Tasklist in June this year, the usage has increased to hundreds of weekly users.

We plan to continue improving and better integrating this feature with our core funnel, making our platform more and more integrated with clients' workflow.
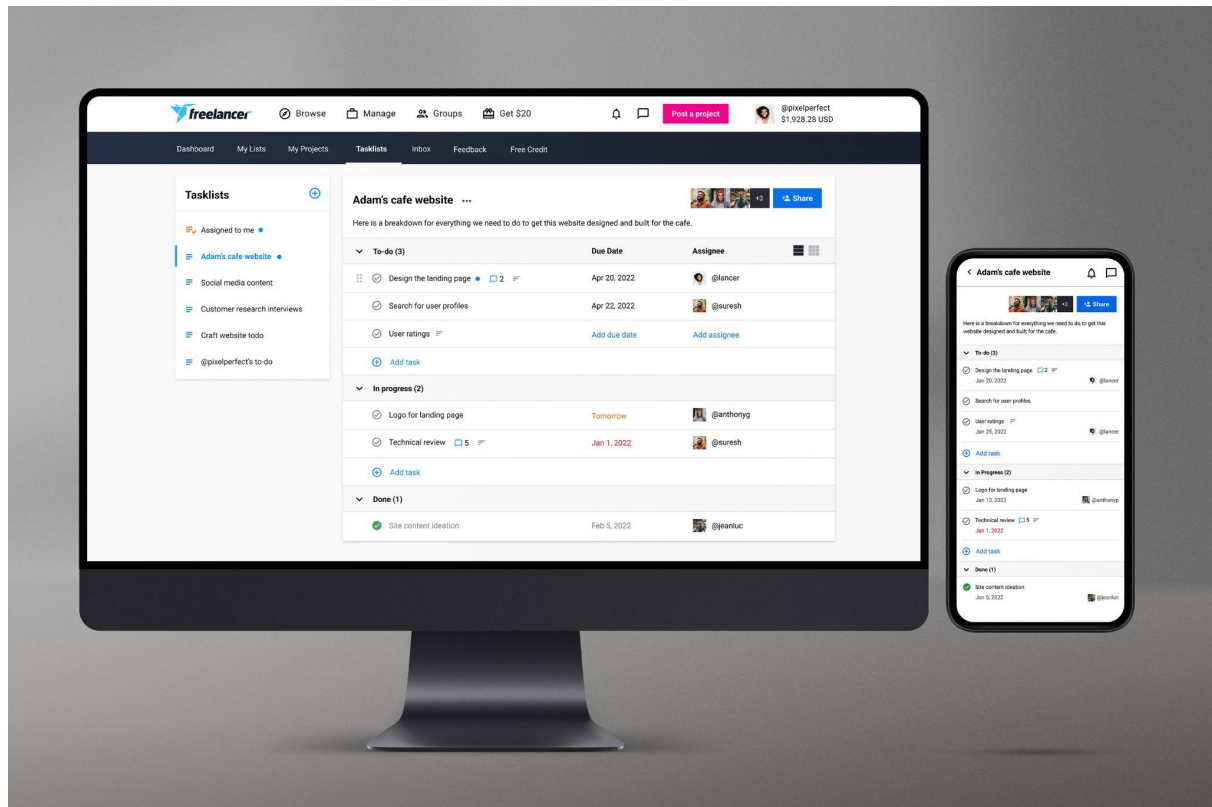
Figure 14: Tasklists

Mobile, Visual Design, UI & UX

The business is continuously iterating on the design and interactivity of the user interface of the website and mobile apps to provide an outstanding user experience and increase user engagement.

The Freelancer Design Systems team also made several enhancements to the UI component library to provide the entire engineering team with improved guidelines and updated components to build a more modern and cohesive user interface.

Figure 15: Freelancer mobile app

Figure 16: Mobile experience updates

Figure 17: Bits Design System

Figure 18: Improved client onboarding experience

Trust & Safety

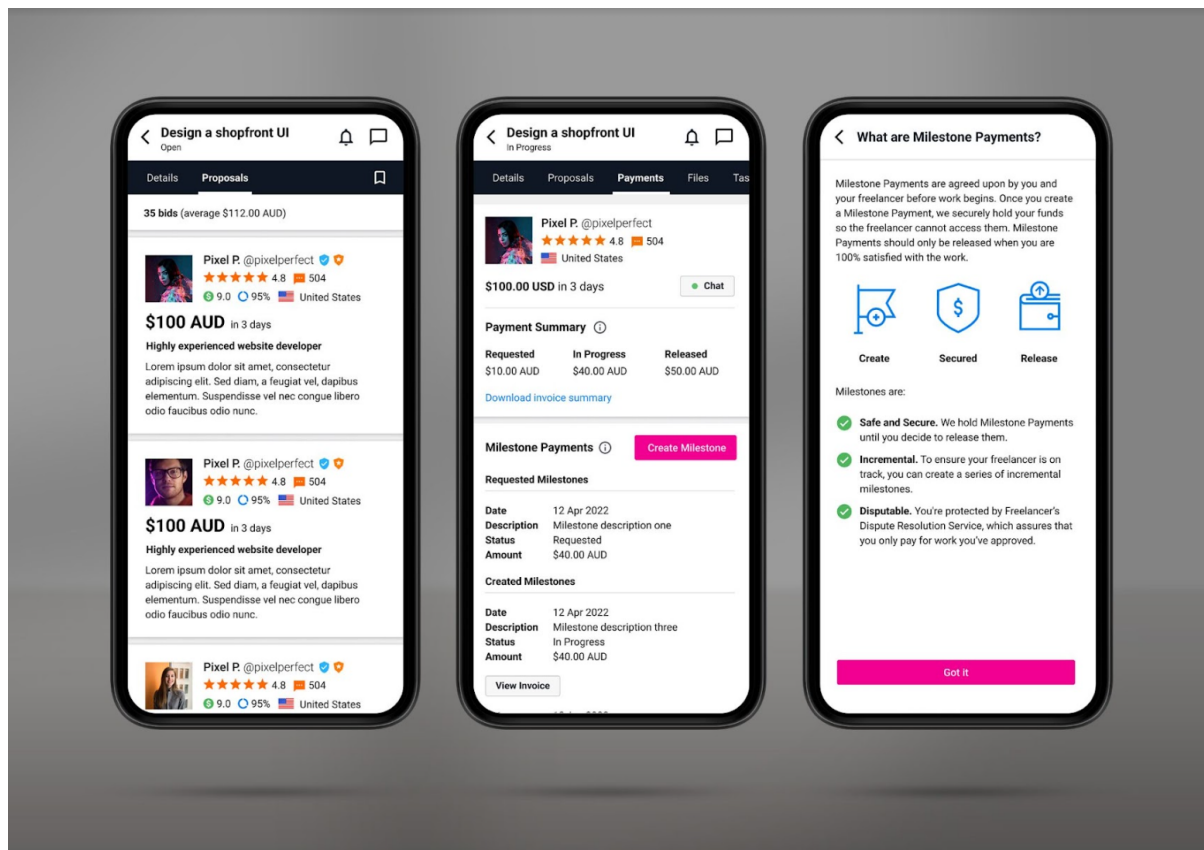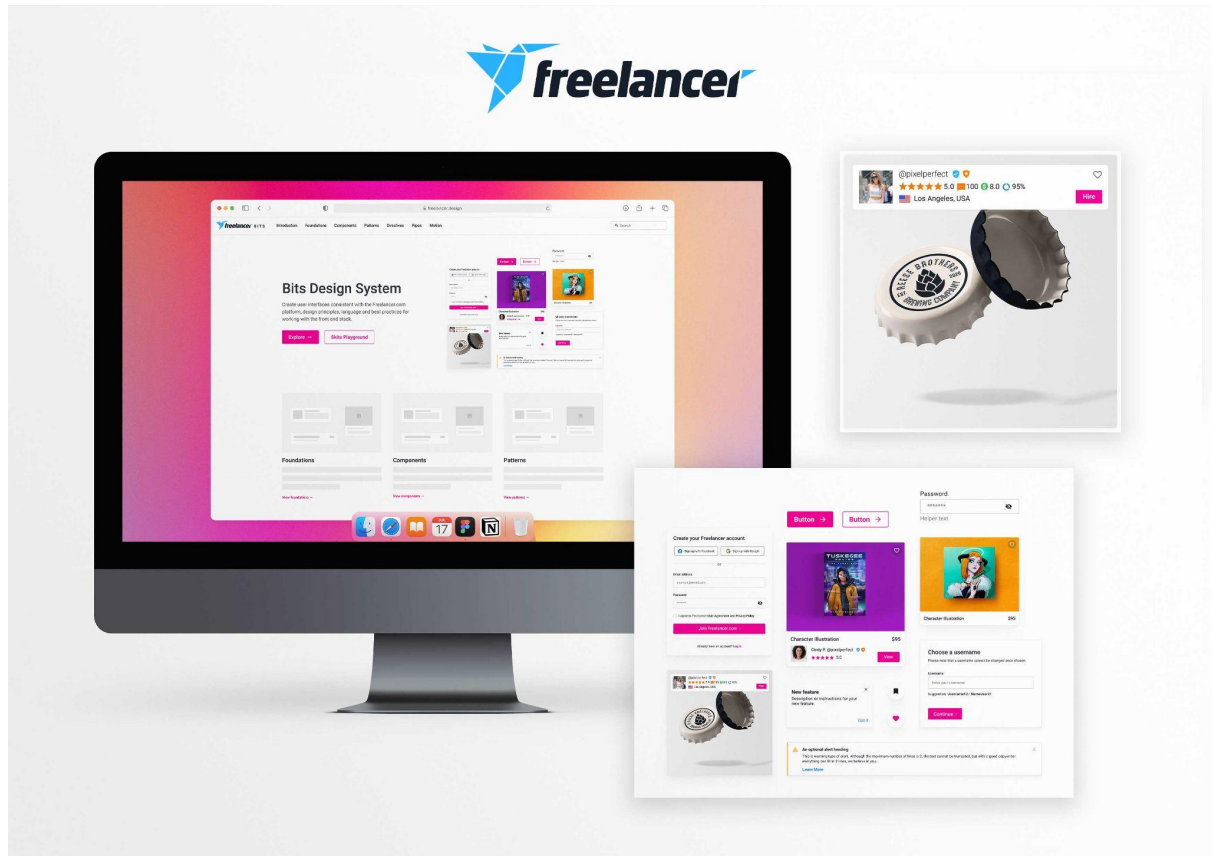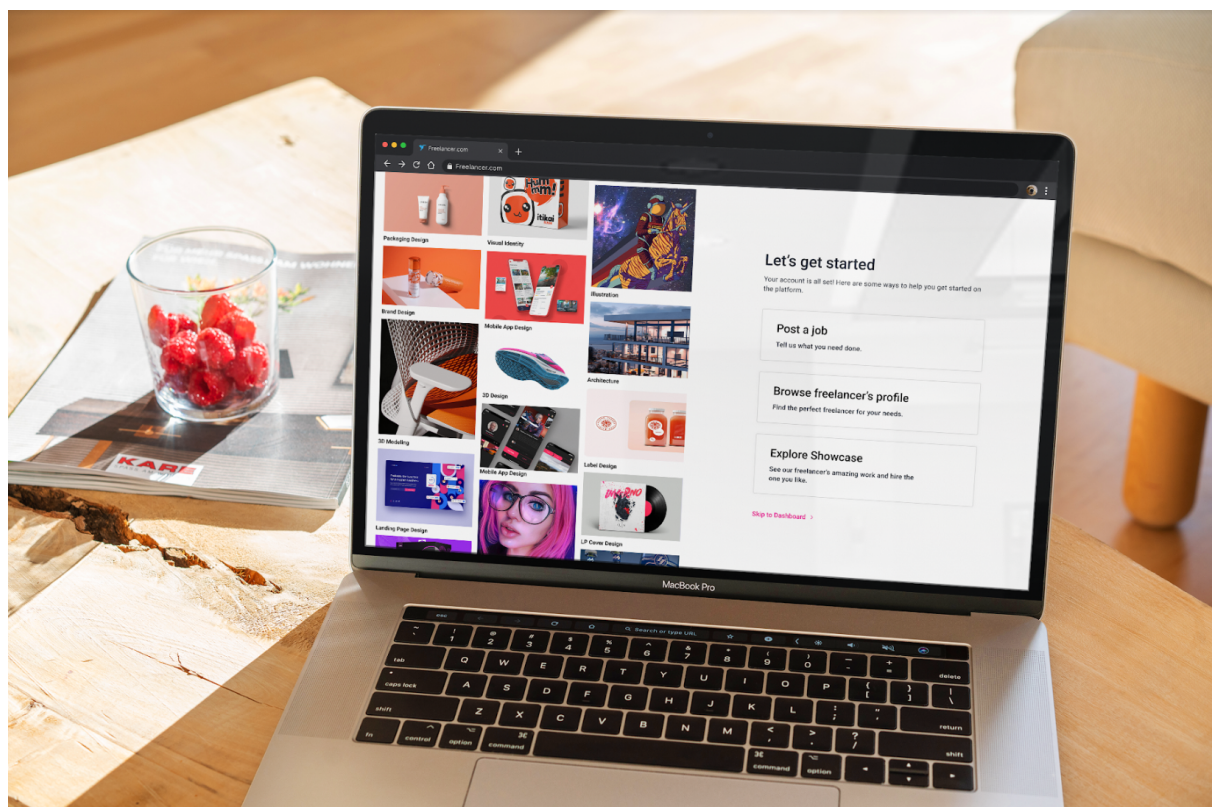As discussed in prior reports, in 1H22 we launched a company wide effort to reduce spam in the marketplace. As reported previously, this effort was quite successful: in 2Q22, we closed 78% of spam accounts in under one hour, compared to 48% in 2Q21.

In 3Q22 we transitioned towards building out more long term Trust and Safety (T&S) infrastructure, such as improving the way we review projects and detect bad actors.

Moving forward, we will be maintaining vigilance for any rise in spam, whilst continuing to transition our focus to longer term product initiatives such as improving our verifications and KYC experiences. We believe that T&S is key to the long term success of any marketplace product and we will continue to invest in T&S related product and operational initiatives.

Enterprise

The Freelancer Enterprise division continued its growth trajectory with GMV rising 99% on pcp in 3Q22 USD driven primarily by the government sector.

Some of the key progress made in 3Q22 included:

- The enterprise engineering team completed integration of our technology stack with a global computer and printer company. For some time, Freelancer Global Fleet has been ramping up a network of hardware technicians via a multi-country pilot. This program is now covering 8 (going 18) cities in India, 6 cities in Indonesia, 6 in Australia and 2 in New Zealand, with Malaysia imminently turning on. The integration will facilitate more than an order of magnitude step-up in volume and is being commissioned across October and November. Australia & New Zealand will be launched in October and India in November. We have additionally been green lit for new installations in some areas, in addition to the break/fix work we have been focusing on, which has a step up in volume again.

- Closed all compliance related activities for a trillion dollar market cap technology leader that will be leveraging the Freelancer talent pool and our deep program management expertise to build out an agile, on-demand and global technical support capability. The quarter also included work on finalising the SOW and operational preparations for go-live early 2023, leveraging our deep program management capabilities globally. We are quite excited about this opportunity and it will be a major engagement for Enterprise.

- Negotiations are continuing with two leading North American industry leaders in Contingent Workforce Management to create a direct channel partnership that supports their G1000 client base for gig based talent. These channel partnerships are a market share play that will enable Freelancer to reach more new enterprise partners via a 'one to many' consulting approach.

- Freelancer now has MSAs to supply talent with five of the major global BPO providers, and a sixth through a partner. We are working to facilitate processes and systems to consume talent at scale.

- Phase 4 of MyGigs connecting Deloitte's internal platform to the external Freelancer cloud workforce platform has been completed and launched this quarter. Deloitte staff are now able to hire highly vetted freelancers, manage projects and process payments at scale from the Freelancer Cloud.

- In September, Freelancer won the biggest project yet through our NASA engagement. The NOIS2-090 Transformative Somatic Cell Genome Editing Delivery Technologies Prize Competitions task order is a US$6.7 million (AU$10.6m) task order working with the National Institutes of Health (NIH) seeks to encourage technology development in two areas of strategic significance as part of Phase II of the NIH Somatic Cell Genome Editing (SCGE) program.

- Following on from conversations in 1H22, commercials and program management work continued with a €40b enterprise from the energy sector in Europe. A strategic proposal has been presented with a full outline of the delivery framework and is pending review by their senior stakeholders.

- The division welcomed Frankie Wong, Enterprise Account Executive for EMEA and India. Frankie brings over 20 years of specialist sales experience with technology, professional services and BPO leaders throughout APAC. Prior to Freelancer, Frankier worked at Cognizant, Verizon, IBM.

Deloitte MyGigs

After four years of joint effort, projects are now being posted and performed tapping into the Freelancer talent pool. The first number of projects were completed in late 3Q22. Now the hard work starts with activation.

Approximately 39,000 Deloitte staff have been onboarded to the platform already, billing over 180,000 hours. All 39,000 users now have access to the external freelancer cloud, and approximately 8,000 users have received email communications promoting the feature with an allotted budget of $2,000 USD to entice them to try this new offering of the product.

This user base is expected to approach 50,000 users in the United States as part of our joint post-launch activation strategy and an additional expected 30,000 additional users outside of the US are to be added to the platform following successful deployment in the United States.

On average, external projects have a minimum budget of $195 and a maximum of $3,515. They have also proven to be more liquid than internal projects, with an average bid count of 8.4 and 3.0 respectively. That liquidity will continue to grow as we onboard more freelancers onto the platform, who have to pass a strict level of enterprise-grade vetting.

Planning for Phase 5 is now underway, which will include further iterations and product enhancements based on the data we are collecting during the product's launch and rollout.
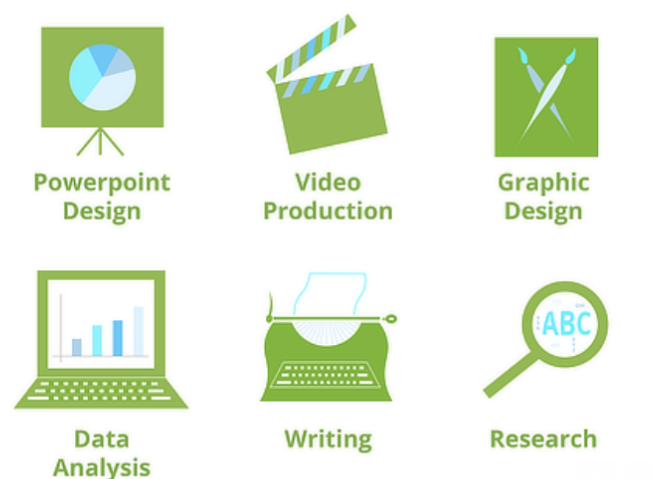
The total user base is expected to grow to 50,000 users in the United States as part of our joint post-launch activation strategy. Moreover, an additional 30,000 users outside of the US are planned to be added to the platform following the successful rollout in the United States.

Data from the first tranche of projects posted indicate the number of bids for external projects exceeds that of internal projects, with the freelancers providing the extra liquidity in the projects that Deloitte needs most critically.
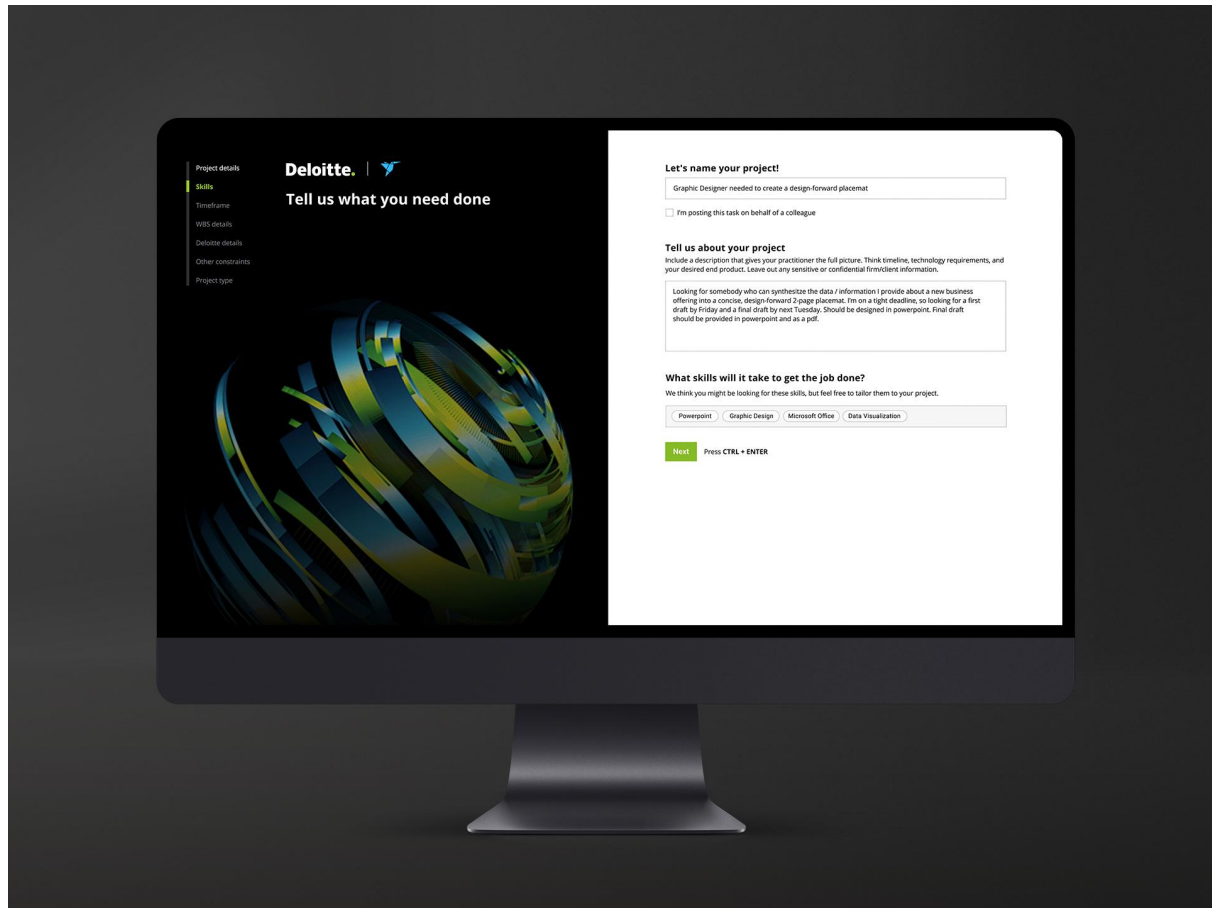
Figure 19: Deloitte MyGigs

Global Fleet / Field Services

Technical Integration & India Expansion

Our strategic partnership with a global leader in computer & printer technology took a major step forward this quarter with the completion of the technology integration. This key piece of work and strategic investment by the client, integrating the Freelancer platform with the client's global CRM and workflow management platform, paves the way for significantly higher volumes across all markets and provide a standardised, automated single global solution.
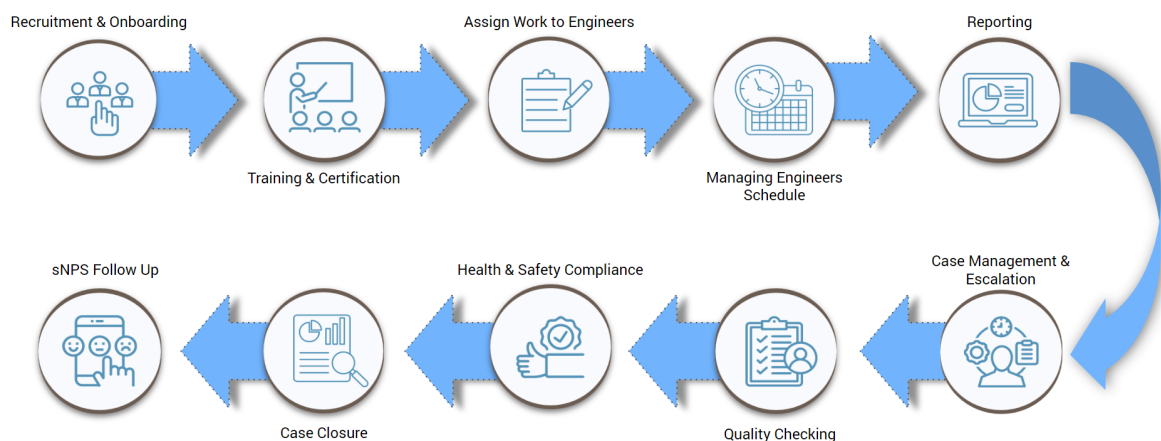

Figure 20: Global Fleet Process

Engineering was completed with IT enablement and testing launched in Australia. The integration will launch in India early in the fourth quarter of this year. In India, we are active and live in 8 cities, completing Phase Two of our expansion strategy. Phase Three planning has started with expansion into 4 additional cities. Initially the engagement was focused on projects for the consumer segment and expanded into the commercial segment this quarter, providing further uplift in volumes and GMV across India. Expansion into the commercial segment was driven by our strong performance in existing markets and in the client's confidence in our ability to deliver for their prized commercial clients. Total volume for India alone is 660,000 projects per year and the aim of the activity in India is to win a majority of that volume.

One of our key differentiators for this enterprise client is the inhouse training and certification we offer globally. We source the freelancer, onboard them, train them and then get them certified as an official repairer. This offering is done globally and we are one of the only partners working with the client who vet and onboard engineers without their intervention, saving time and money. Our Global Quality and Assurance Manager works closely with our internal teams to set a high standard using evaluation scorecards and deep diving into data to help improve our results and provide an excellent customer experience.

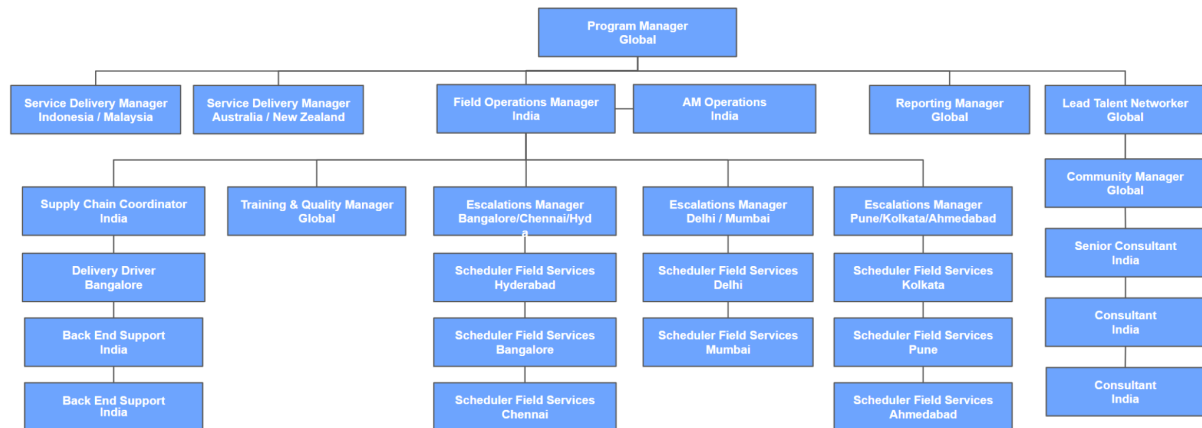The organisation, currently consisting of 99 field services technicians, training & QA is entirely freelance. Technicians sign up at https://www.freelancer.com/field-services-talent.

Figure 21: Global organisation for enterprise computer & printer client

In Indonesia, we continue to deliver across 6 cities at a high level with great customer satisfaction scores and delivery times. In Australia the engagement is active in 6 cities with Brisbane now operational. Discussions on enabling an additional city in Regional Victoria are currently in progress.

New Zealand

We are also now operational in New Zealand with 2 cities active (Auckland and Wellington). Volumes remain low as we focus on quality and ensure effective delivery.

Malaysia

The SOW for Malaysia has also been signed and the project is well underway with the key focus on recruitment and training. The project will initially launch in regional areas to help the client reduce their overall turn around times for repair and once we deliver will shift to the metro areas where our volumes will increase.

Outlook

The focus in the short term will be to implement the new technical integration across all operational countries and cities which in turn will allow us to grow and expand our volumes but also help build a great platform for our proposals when we engage in our conversions with the client around the expansion into the additional markets around Asia, Middle East, Africa and Europe. Approximately 13 countries are on the initial target list. There are approximately 50 regions overall.

Watch "A day in the life of a Freelancer field engineer" here:

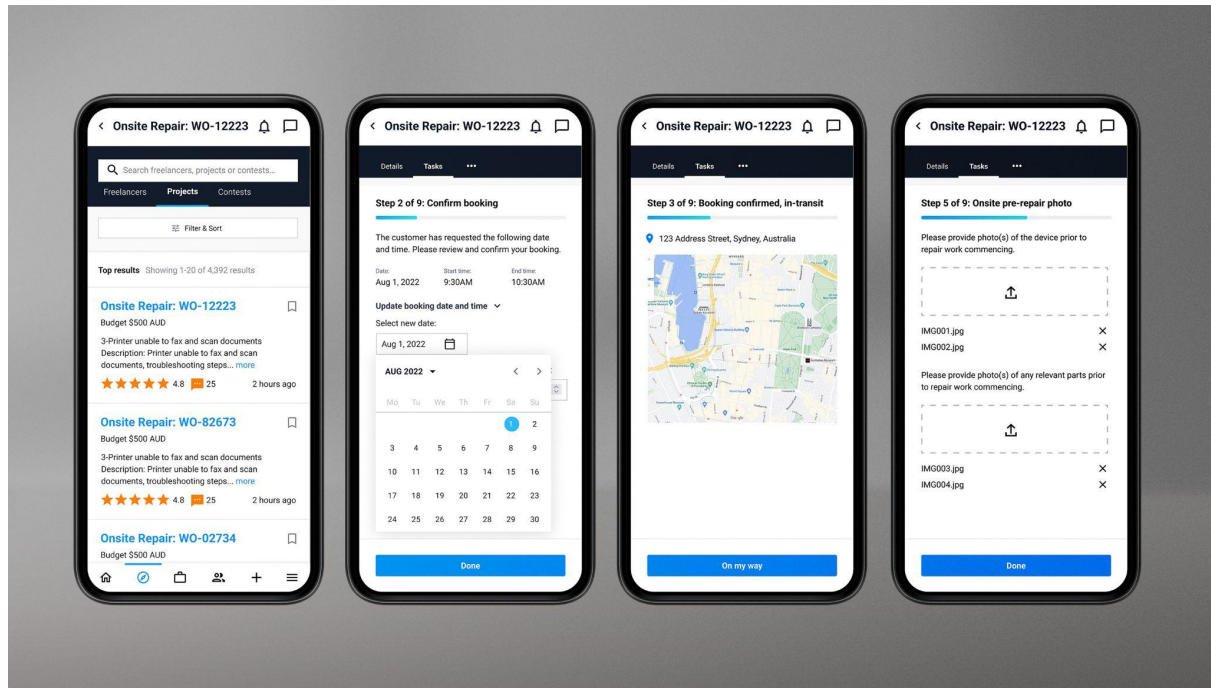https://youtu.be/5Sq5X8pU8iohttps://www.youtube.com/watch?v=0O_GgVsGLzo

Figure 22: Technical integration between the Freelancer platform and the clients' global CRM and workflow management system (VMS)

NASA & U.S. Government

In August, Freelancer launched Phase 1 of the US$300,000 NOIS2-071 Counting Every Drop Challenge in partnership with GEONOR on behalf of Bureau of Reclamation, USDA Natural Resources Conservation Service (NRCS) and NASA. The Challenge seeks new devices that will better inform water management decisions critical for human safety and environmental health, including forecasting water supplies, monitoring water-year precipitation, controlling floods, and planning for irrigation needs. Up to eight solvers will be awarded each US$10,000 and move forward to Phase 2.

In August, Freelancer also awarded Phase 1 of the US$1 million NOIS2-064 CommanDING Tech Challenge and launched Phases 2a and 2b the following day. This task order is in partnership with the National Institute of Standards and Technology's Public Safety Communications Research (PSCR) Division. In Phase 2a, contestants are tasked with partnering with a public safety partner to collaborate on their solution while they develop their incident command dashboard in Phase 2b. The Phase 2a prizes awarded in September totaled to US$60,000.
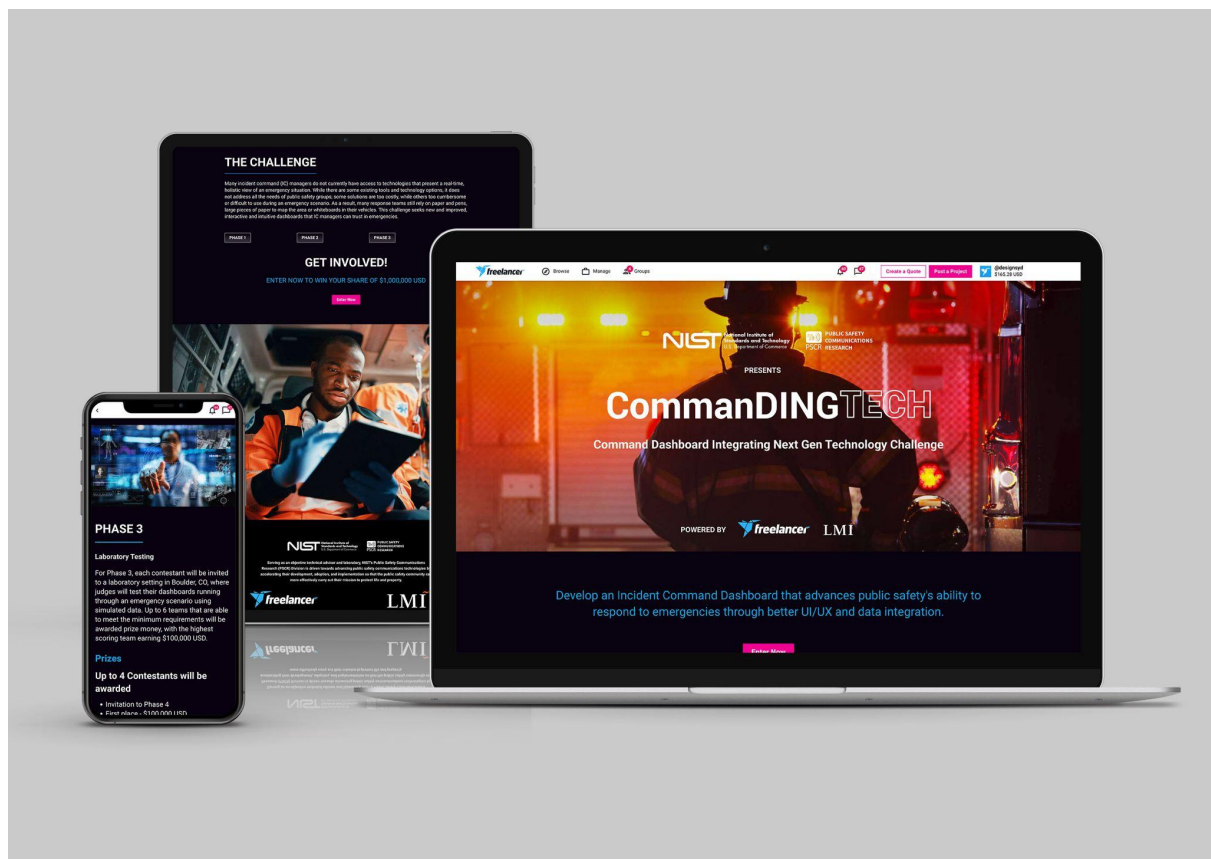
Figure 23: CommanDING TECH Challenge
https://www.freelancer.com/nist/first-responder-dashboard

In September, Freelancer won one of its biggest projects through the NOIS2-090 Transformative Somatic Cell Genome Editing Delivery Technologies Prize Competitions task order. Through this US$6.7 million (AU$10.6m) task order, the National Institutes of Health (NIH) seeks to encourage technology development in two areas of strategic significance as part of Phase II of the NIH Somatic Cell Genome Editing (SCGE) program:

1. A highly efficient (e.g. 50%+ editing efficiency) non-viral delivery system capable of crossing the blood brain barrier to deliver genome editing machinery to a majority of target cell types in the CNS
2. A programmable (e.g. 3+ configurations) delivery system to deliver genome editing machinery that can target specific tissues or cell types.

The challenge(s) will be administered under the America COMPETES Act with a total prize purse of US$6,000,000 and will be launched on freelancer.com.

In 3Q22 Freelancer completed two task orders:

- NOIS2-030 for the Centers for Disease Control and Prevention (CDC) National Center for Injury Prevention and Control (NCIPC) leveraged both the Freelancer contest and project platform. Freelancer first crowdsourced through a contest a novel network science approach to one of the Injury Center's priority topics (Adverse Childhood Experiences (ACEs), Suicide, and Drug Overdose) and then hired a

network science subject matter expert to collaborate directly with CDC and develop a scientific paper. The paper is currently going through an internal CDC review.

- NOIS2-006 for the Bureau of Reclamation ended after the Phase 2 winners were awarded a total of $150,000 in prizes, for a total amount of $270,000 awarded throughout the entire competition. The winners provided Reclamation prototypes that automate maintenance testing of the plants' protection systems.

   The following are the winning teams/individuals:

   First Place (tied) & Benchmark Awards | US$57,500
   Rahavi Brothers (Canada)
   Automatic Relay Testing Software (ARTS)

   First Place (tied) | US$50,000
   Andrés Quintanilla (Sweden)
   Controller for Automated Maintenance of Protection Systems (CAMPS)

   Benchmark Awards | US$40,000
   Matthew Wolter and Jonathan Bliss (USA)
   Edge-Processing Observability Platform for Continuous Hydroelectric Plant Protection

   Benchmark Awards | US$2,500
   Multisequence Inc. (USA)
   AMPS Smart System

The full list of task orders won to date since the beginning of the contract term is summarised in the table below:

ID	Sponsor	Skills	Value (AUD)	Task Order Purpose
NOIS2-090	National Institutes of Health	Genome Editing	$10,630,000	Develop delivery systems to deliver genome editing machinery to target cell types or specific tissues.
NOIS2-071	Bureau of Reclamation	Hydrologic Engineering	$590,200	Develop new and improved designs for ground-based precipitation measurement devices.
NOIS2-064	Department of Commerce - National Institute of Standards and Technology	UI/UX Design, Software Development	$1,950,000	Advance incident command dashboard technologies to allow for real-time tracking of assets, personnel, and objects of interest.

NOIS2-068	NASA Aeronautics Research Mission Directorate	Graphic Design	$85,162.13	Seek freelance graphic illustration and facilitation expertise.
NOIS2-069	NASA Aeronautics Research Mission Directorate	English Transcription Services	$8,840	Transcribe interview recordings.
NOIS2-031	NASA Langley Research Centre	Physics, Mechanical Engineering	$130,000	Develop novel shock propagation prediction techniques, helping them advance shock propagation prediction past the current 50 year-old empirical methods.
NOIS2-030	Centers for Disease Control & Prevention	Network Science	$273,000	Explore how recent advances in network science can be used to more quickly and accurately identify emerging health threats, such as suicide and drug overdose.
NOIS2-038	NASA Game Changing Development Program	Machine Learning, Artificial Intelligence	$130,000	Use machine learning and artificial intelligence to identify potential risks on active projects by using historical data and information available.
NOIS2-039	Department of Commerce - International Trade Administration	UI/UX Design, Software Development	$1,071,200	Promote cross-border data flows through the creation of a data privacy certification software program.
NOIS2-043	Bureau of Reclamation	Computational Fluid Dynamics	$721,500	Optimise and speed up the sparse matrix linear equations solver for computational fluid dynamics models.
NOIS2-017	National Institute of Child Health & Human Development	Data Science	$624,431.60	Identify factors and interventions that impact maternal morbidity and severe maternal morbidity.

NOIS2-006	Bureau of Reclamation	Electrical Engineering	$486,834.40	Improve the reliability of hydropower plant generation. by automating safety equipment testing and reducing plant downtime.

Escrow.com

Escrow.com Gross Payment Volume (GPV) in 3Q22 was AU$200m down 16.2% on pcp or (US$136.8m down 22.0% on pcp). Almost all of this drop on a quarter by quarter basis can be attributed to a drop in multi-million domain name transactions (approximately US$72.5 million) which has been a result of the crypto crash/tech wreck. While prices continue to hold up, transactions for large value ($5m+) dried up over summer as technology companies cut costs and venture capitalists pulled back new investments. This was all the talk at the largest domains conference in the world, NamesCon, which we attended in Austin, TX, in August/September. Up until June transaction volume was strong, totalling US$520 million over the trailing twelve months, up by 85% in the last two years as detailed in our second quarter domain investment index.

In 2022 marquee domains sold through Escrow.com included connect.com to Hubspot, with the $10 million price tag disclosed publicly via a SEC filing.
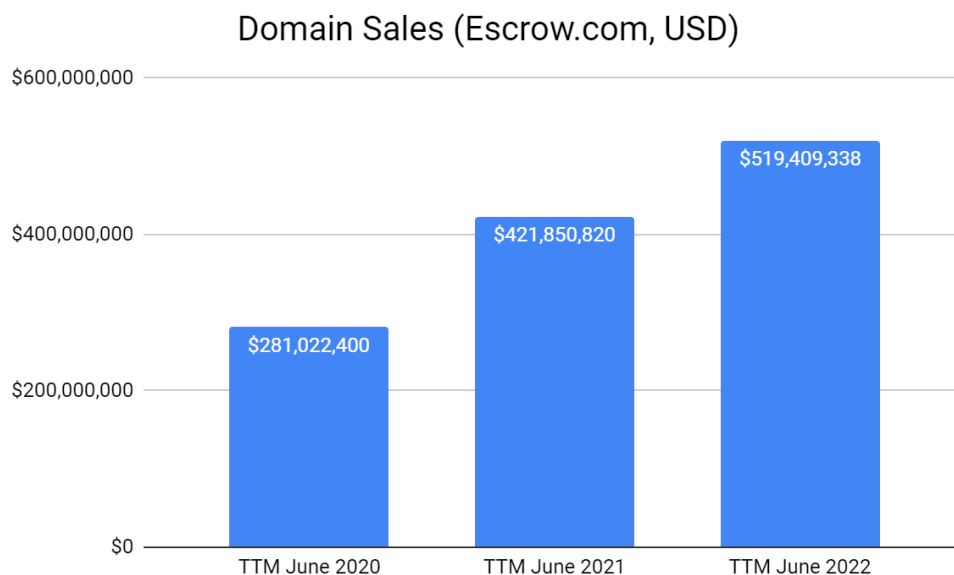
Figure 24: Escrow.com domain sales

In the third quarter, however, the value of domain name transactions decreased:

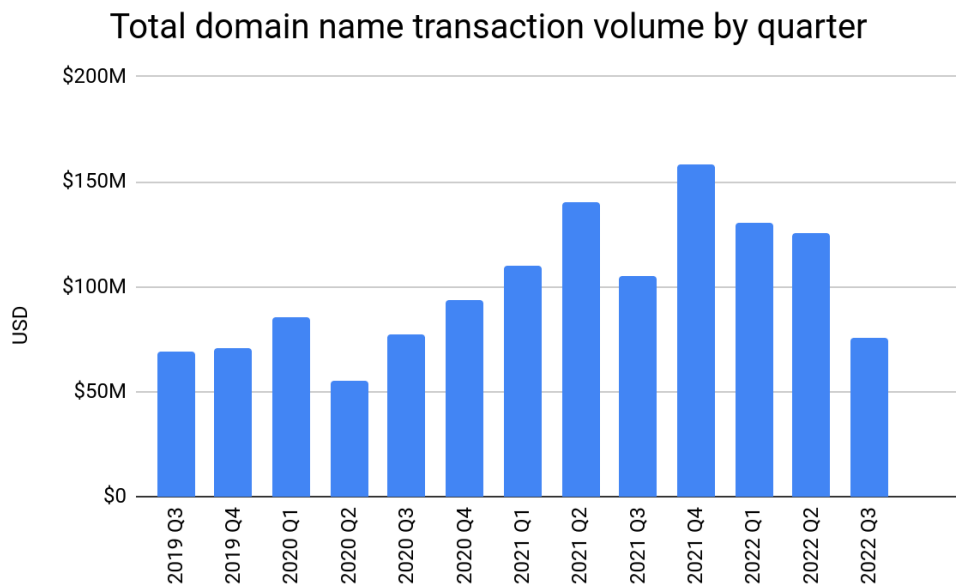### Total domain name transaction volume by quarter

Figure 25: Total domain name transaction value per quarter

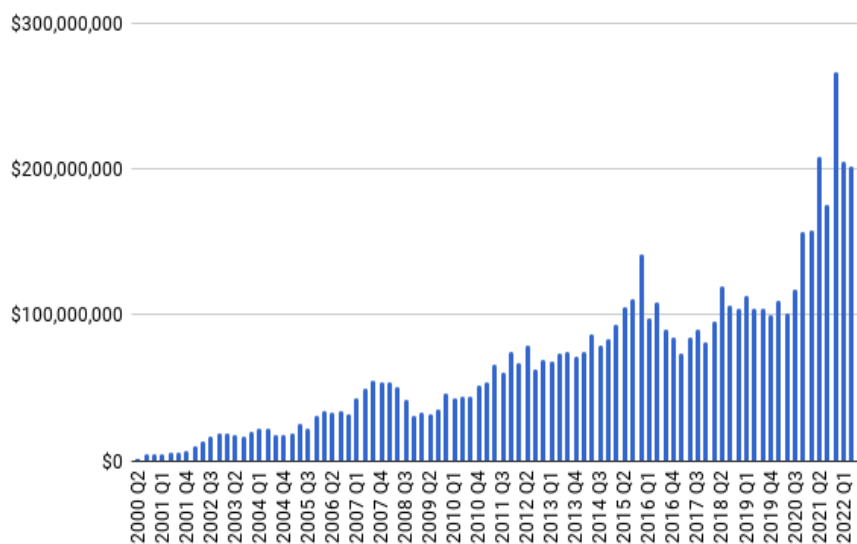For the trailing twelve months, total GPV was AU$1.13 billion, up 21.8% on pcp or (US$810.3m, up 16% on pcp).

Figure 26: Escrow Gross Payment Volume (USD) by quarter since inception

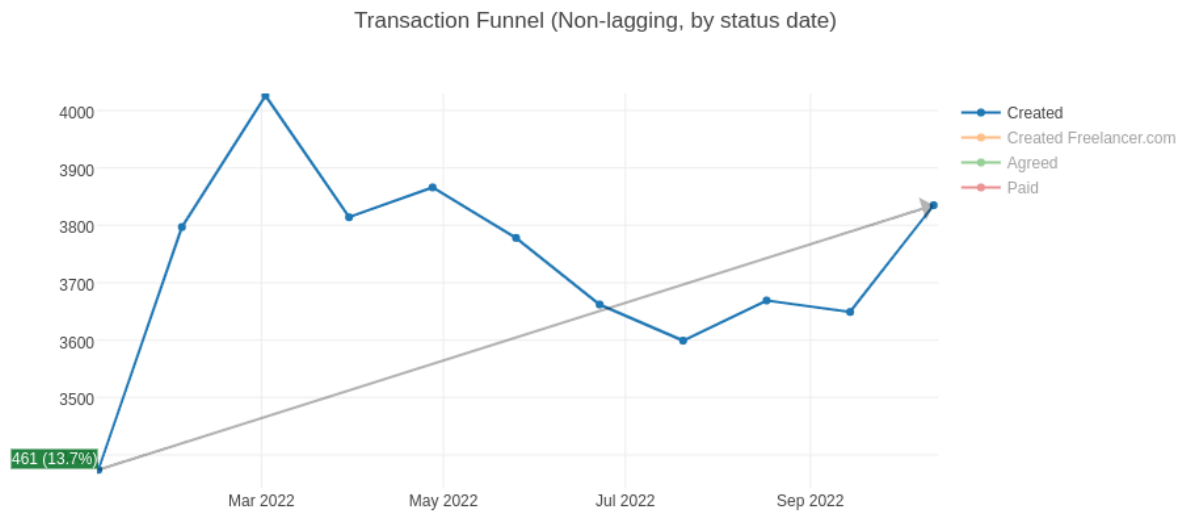However, coming out of the northern hemisphere summer and into October, transaction volume by count has lifted:

Transaction Funnel (Non-lagging, by status date)

Figure 27: Escrow.com transaction volume January 2022 to now

This also corresponded with a strong bounce in domain name transaction volume in the second and third week of October. We anticipate that volumes will continue to lift through to the end of the year. Total GPV across all transactions in the week of the 10th October was $28.6m (US$18 million).

Figure 28: Escrow.com domain name GPV (paid out in US$)

Transaction Tracking

In 3Q22, we have provided users the ability to review their transaction's progress, similar to how Fedex tracks a package. This tracker provides a quick summary of the transaction, the last update time and ETAs, where it is in the entire Escrow process, and what a customer needs to do in order to move forward. This increased transparency on the state of a

transaction will increase customer satisfaction and reduce support costs, as the majority of customer support queries are related to transaction status.
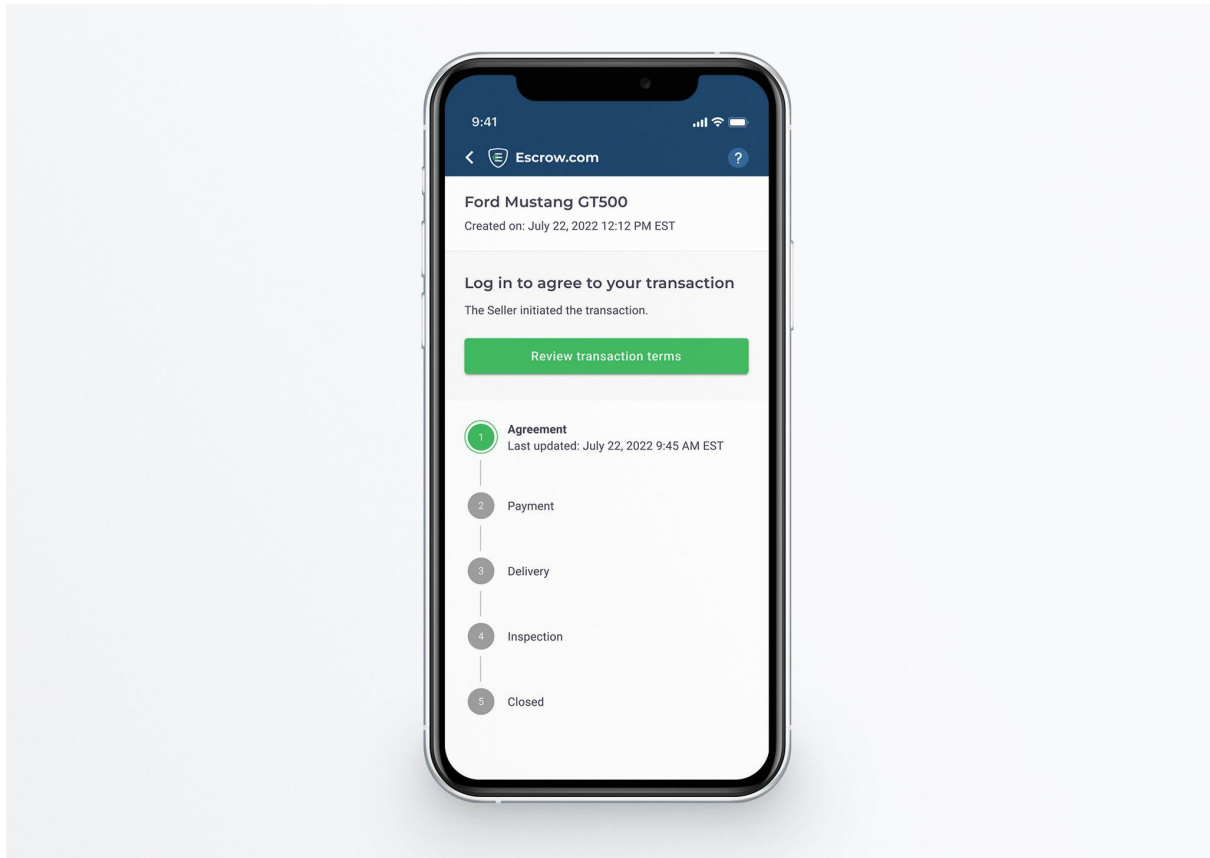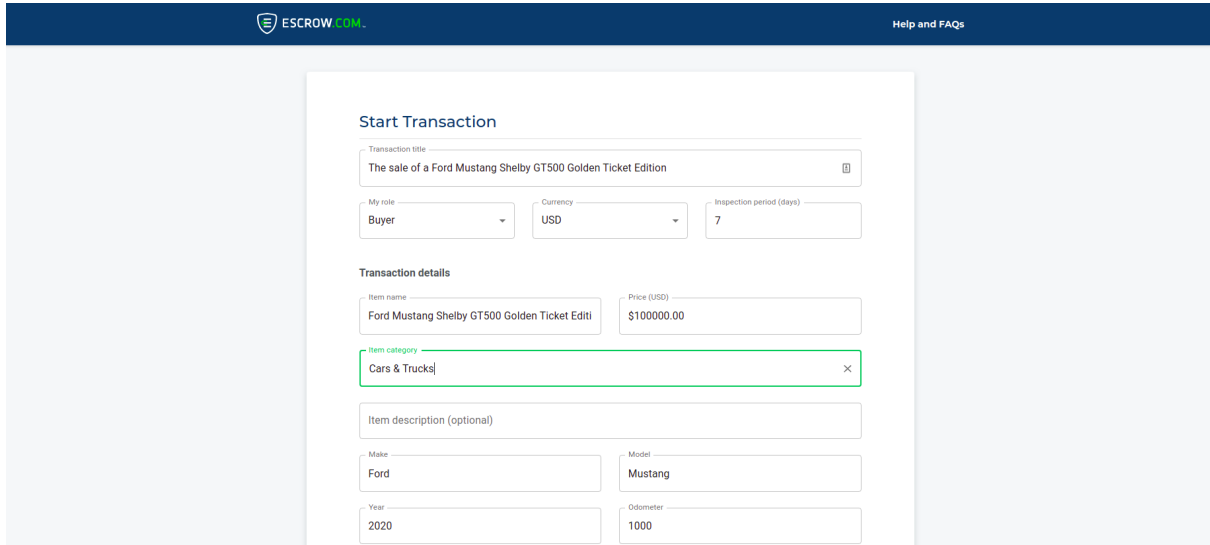

Figure 29: Mobile view of the Escrow transaction tracker

Category-Based Transaction Creation

As we continue to improve the user experience, we have made transaction creation simpler, by simplifying the selection of item categories. Previously, our users would need to have prior knowledge of both the item's type, and its corresponding category. In addition to this, an autocomplete field was introduced to prevent the need to scroll through all the supported categories of Escrow.com.
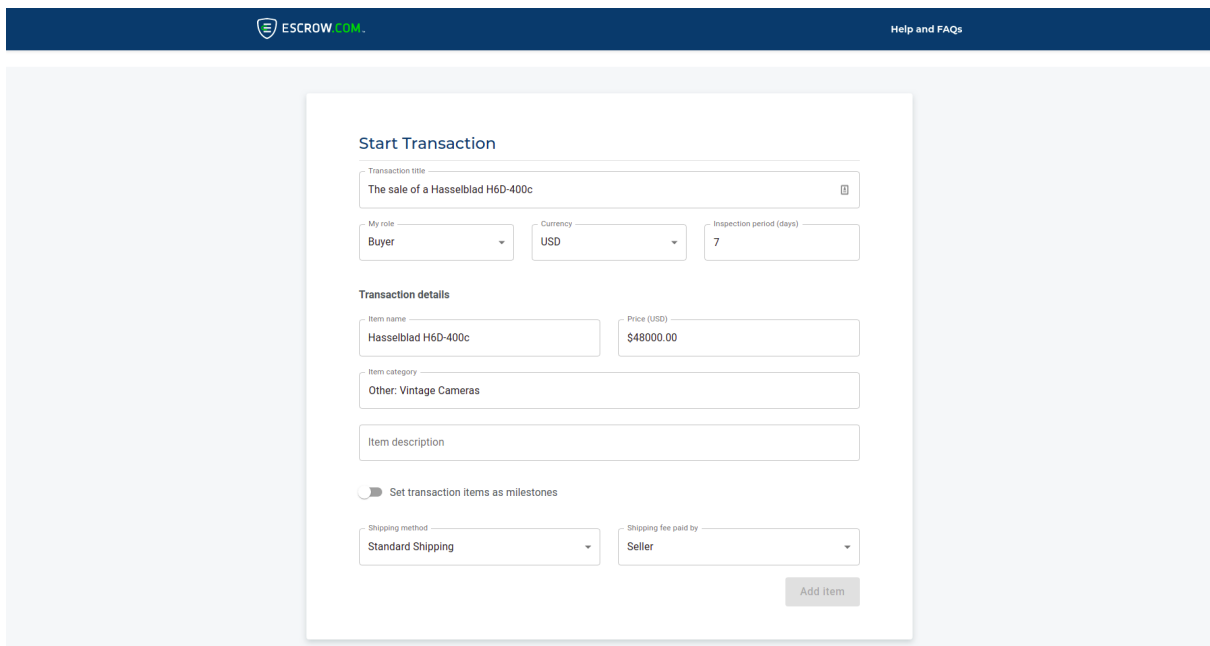
Figure 30: Simplified item category requirement for creating a transaction

In the quarter, we also introduced support for custom item categories. With this, our customers are not limited to our predefined categories.

Figure 31: Support for creating transactions with custom item categories

Partner Activity

In 3Q2022, Escrow.com continued to introduce and support a diverse range of marketplaces and brokers, both existing and new partners.

M&A Marketplaces

Marketplaces for business acquisitions continued to be a source of new partner sign ups, for example in the quarter we added Just Website Brokerage which is the highest ranked website broker on Flippa.com. Based in Sweden, Just Website Brokerage specialises in the art of buying, renovating and selling websites. Over the past ten years the business has steadily expanded and successfully executed 125 transactions totalling $2.333m. After buying and selling websites since 2012 the business started the brokerage in 2019. The marketplace focuses on top online businesses, all of which are revenue generating websites, ecommerce stores and other online businesses.
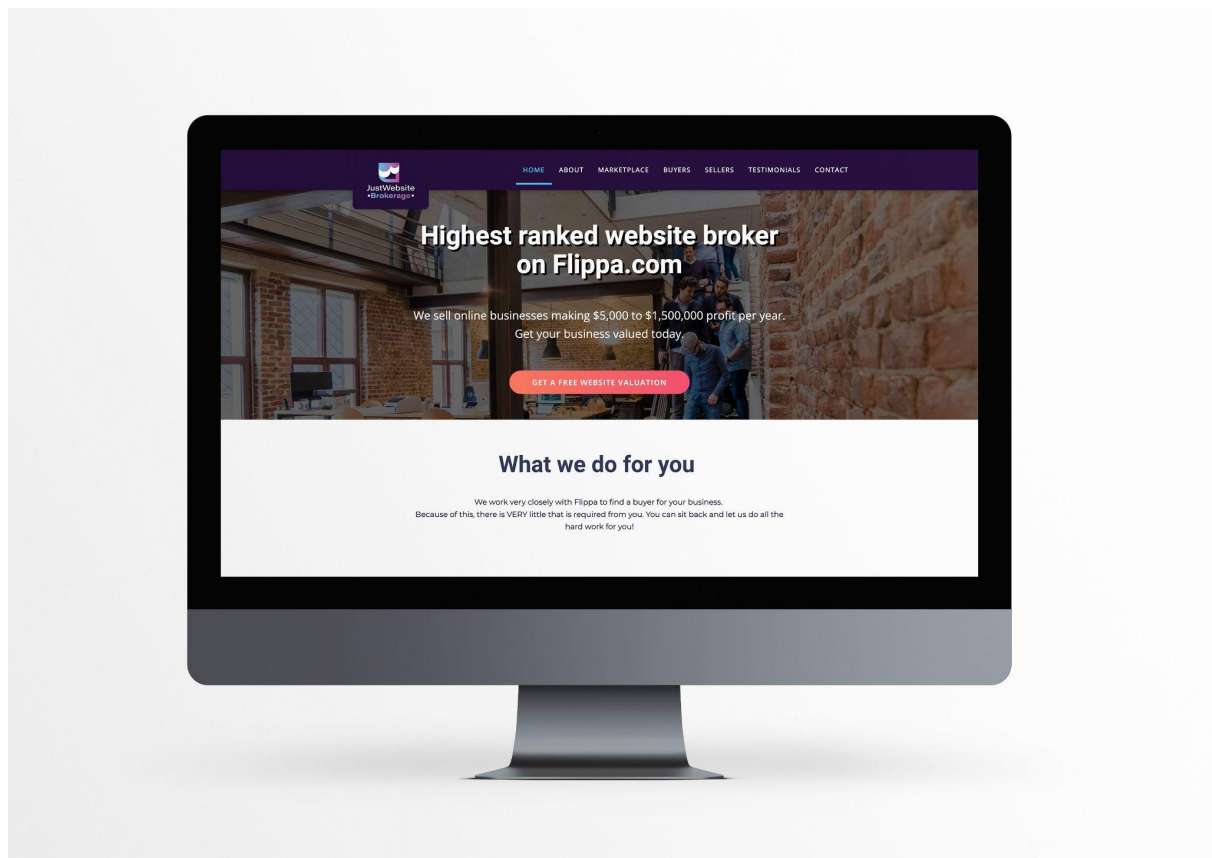

Figure 32: New M&A marketplace partner, Just Website Brokerage.com

Flippa

We also saw growth in existing partners with Flippa steadily increasing its gross revenue contribution from January to September by 166%. We are now starting to see more partners discuss their interest in handling M&A transactions to whole businesses, beyond purely websites and domain names.

Autotrader/Blinker

During the quarter Autotrader went live with a soft launch for 2,500 private party listings and we continue to work in collaboration with their senior level stakeholders to plan the next phase of implementation and growth of this partnership initiative.

Additionally, the payments solution we developed in conjunction with Blinker incorporating automotive financing, is portable to other automotive marketplaces and so active discussions are underway with more new partners in the category.

IP Addresses

We continue to see growth in new IP address platforms and brokers with UAB Voldeta and HMB Holding GmbH in Europe both onboarding this quarter.

Voldeta is a worldwide operating IPv4 Broker and Internet Number Resources provider and as a recognised broker in the space, specialises in buy, sell, rent and lease out of IPv4 and IPv6 addresses, along with a range of LIR services.

LACNIC 38 IP Conference

Members of the sales team attended the LACNIC 38 IP conference in South America, an event that brings together the Latin America and Caribbean Internet Community. The purpose of our attendance was to meet current and potential brokers. Our objective was to meet with IP buyers and sellers to create more awareness on the benefits of using Escrow.com and in doing so, help create strong partnerships within the region's IP community. Escrow.com has rapidly become the payment system of choice for the industry, which in the past was dominated by bespoke, expensive and time consuming transactions facilitated by cumbersome law firms.

Home Renovation Marketplaces

We signed up our first home renovation marketplace which is preparing to launch and our committed sales team is focused on growing this vertical too as a priority focus area over the next quarters ahead.

Domain Names

We attended in person the NamesCon Global event which returned to Austin, Texas in the first week of September. NamesCon is recognised in the trade as the number one domain conference in the industry. NamesCon Global brings together the world's leading domain investors and service providers who build and grow the digital asset industry around the world - from domain names to NFTs, the blockchain and more.

The conference is all about connecting with different people (brokers, investors and sellers) and service providers (registrars and payment processors). NamesCon Global is their signature event, bringing together those who construct and expand the domain-name market. This is the location to develop solid connections and strategic alliances that drive this person-to-person relationship based industry. Many of their board members and featured attendees are premium clients of Escrow.com.

At this year's event that had an attendance of over 1,000 participants from over 70 nationalities, the domain community reinforced that they are seeing renewed signs of recovery after a slow northern summer. Our presence at the event helps solidify our presence in the industry and we were able to meet directly with many of the current top escrow companies in the sector. Moreover, we also met with new brokers and on the sales side we managed to close some new accounts including a UK based domain marketplace preparing to launch in December, Stenning Limited, who subsequently closed their first transaction with us.

Figure 33: NamesCon Global Conference 2022 Austin, Texas

Freightlancer / Loadshift

In 3Q22, we completed the integration of the Loadshift and Freightlancer platforms. The combined entities are now using solely the Loadshift brand. This integration brought Freelancer's enterprise technology to Australia's largest freight platform and introduced features including payments, reviews and load tracking. At the same time, we have launched new Loadshift Android and iOS applications powered by the Freelancer technology stack. We have launched several new features based on customer feedback since the launch of the combined platform including enhanced filtering options on the loadboard, visual and performance improvements.
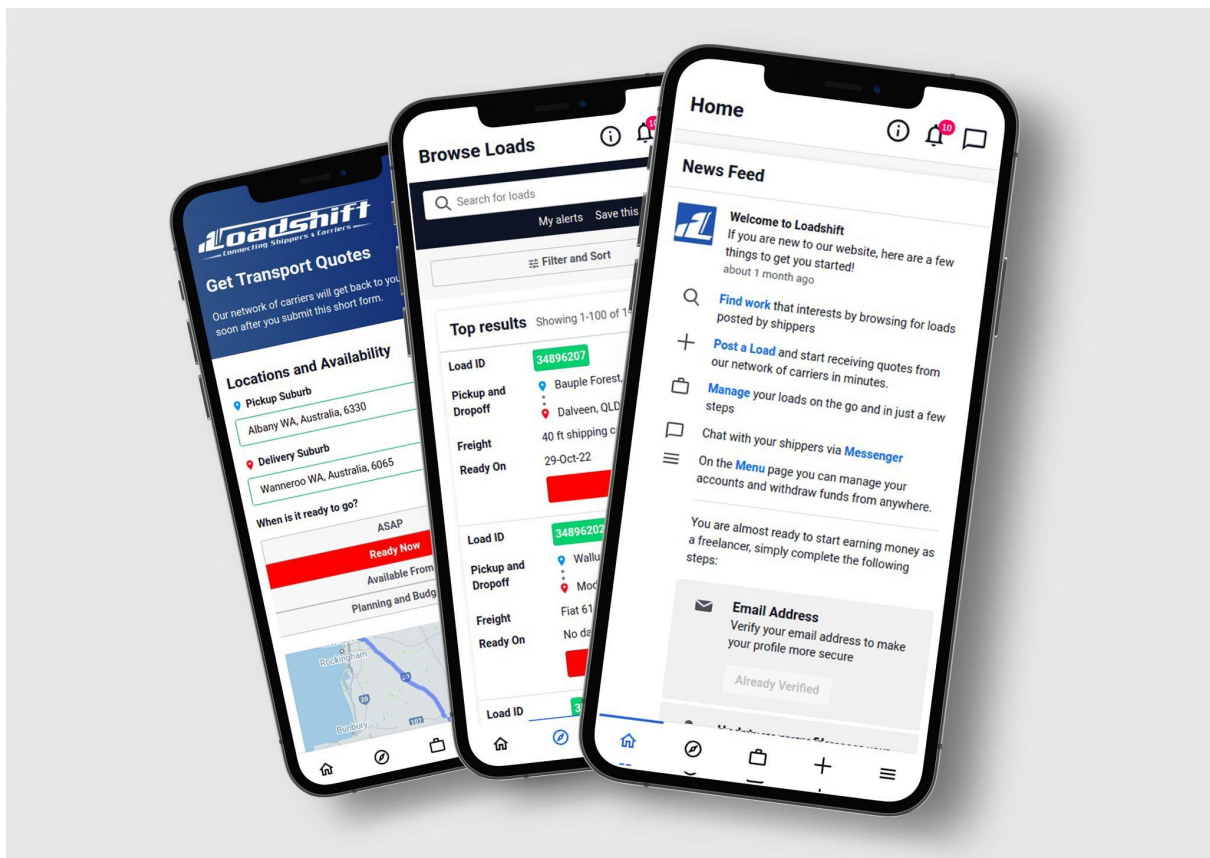

Figure 34: New and improved Loadshift apps

In the third quarter 18,456 loads were posted (down 24.1% on pcp). The drop however is somewhat of a misnomer as on the old Loadshift platform jobs expired in three days which resulted in a number of jobs being reposted multiple times on the old platform. Three days is nowhere near adequate to organise movements for items such as machinery, let alone jobs

as complex as the Pride of the Murray paddle steamer which Loadshift moved earlier in the year, a 1,750 km voyage at a maximum of 80 km/hour with a 192 tonne payload that required piloting, a police escort, permits and movement of power lines.

On the new platform, jobs expire in 30 days to ensure shippers and carriers have more time to arrange their shipments. This has reduced the number of repeat loads that have been posted on the site and the drop in loads posted can be partially attributed to this increase in the expiry date in addition to extraordinarily high volume that was seen in 3Q21 as construction and other freight owners took advantage of clear roads during lockdowns to make movements.

Since integration, the loads posted have risen, as can be seen in Figure XX, below. Freight charges lifted in the quarter significantly, with a key driver being fuel costs.

- Average load distance: 1,674 km / load (up 16.9%)
- Average freight charge: $4.23 per kilometre (up 38.7%)
- Average load size: $7,081 (up 62.1%)

The primary goal of the freight division now is to convert the >$1m per day on the platform of notional GLV to real GMV at a 13% commission. This will start to ramp in November & December as we bring the payments for loads onto the platform.

We have seen gradual uptake of our payments and quoting feature on the new stack over the quarter with over a thousand carriers using the new internal quoting and messaging features. We are continuing to make improvements to the product as well as the operations processes to improve conversion.
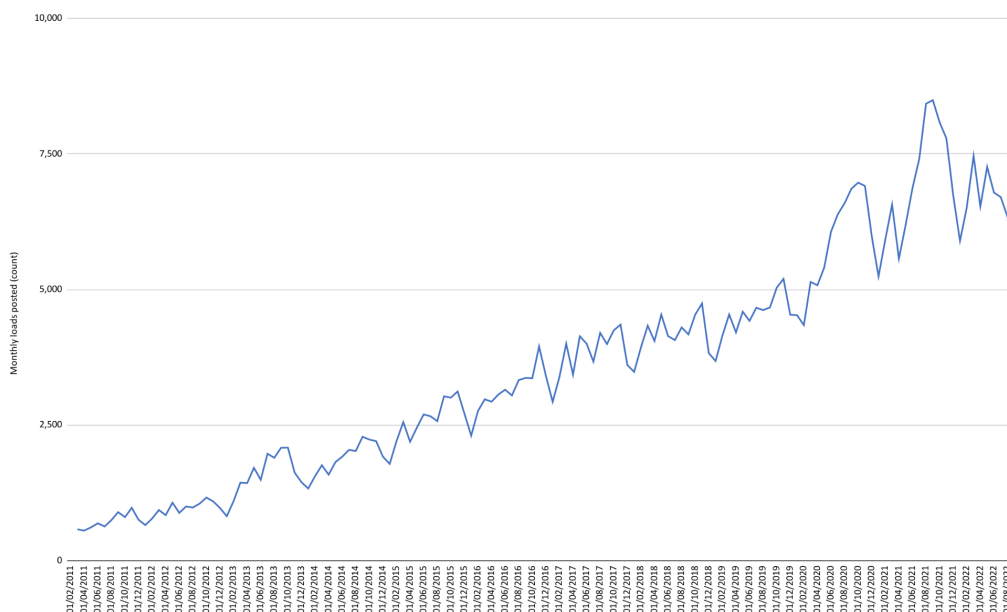

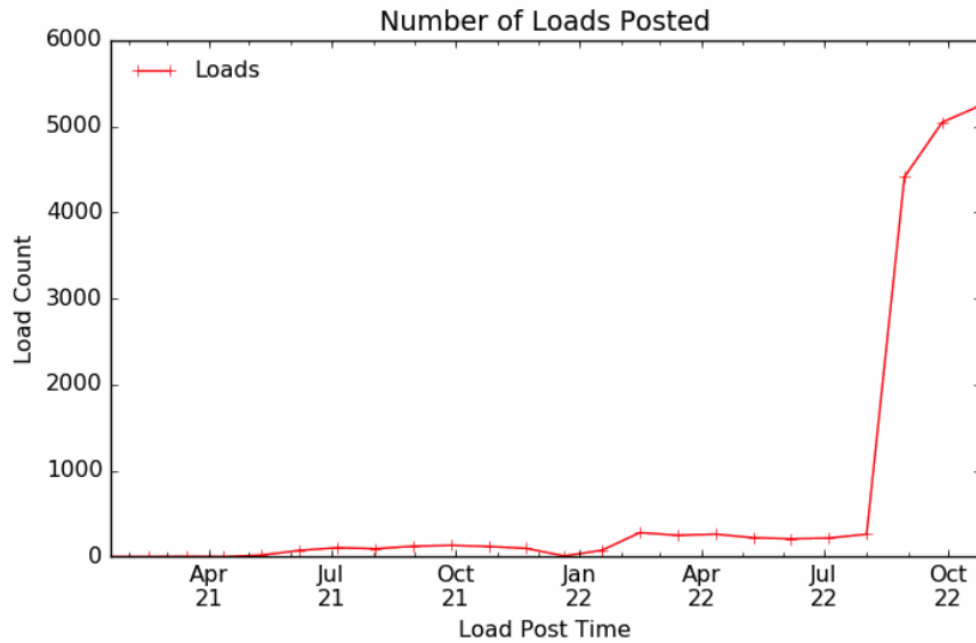**Figure 35:** Group freight posted since inception (loads)

Figure 36: Group freight posted since integration (loads)

Figure 37: Enhanced Loadshift Load Board

Freight Categories

The freight moved by the group is consistent with the numbers prior to integration. It is diversified but primarily heavy machinery (21.7% mobile, 6.7% stationary) for the mining, construction and industrial sectors. This is followed by vehicles, cars 11.4%, trucks 8.7%, pallets less than a load 8.7%, general part loads 8.1% and general full loads 6.3%.
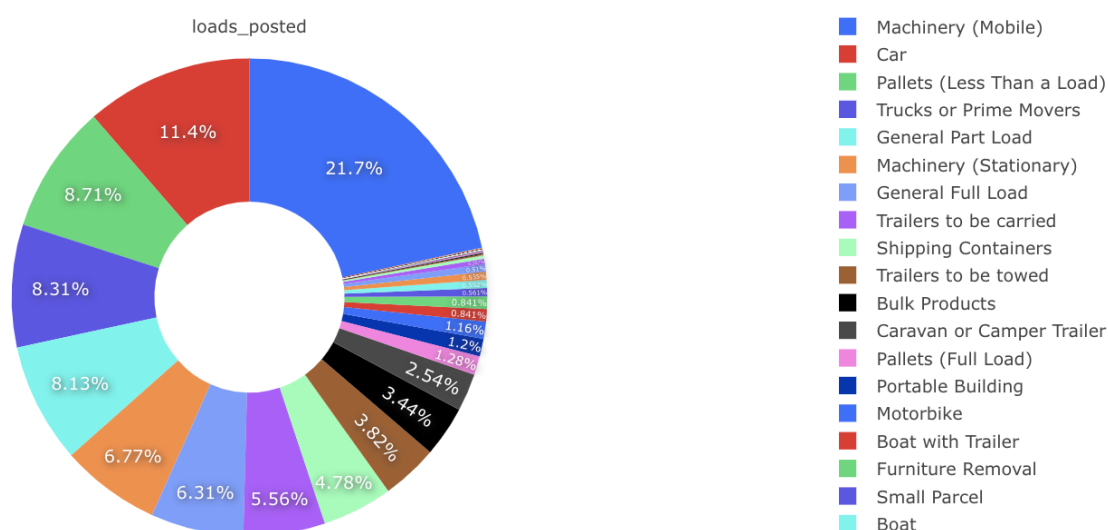

Figure 38: Freight categories by type (%) in 3Q22

Group Profitability

As reported in the 1H22 update, in 2Q22, the group commenced the implementation of numerous cost efficiencies across all expense categories, which together with ongoing strategies to improve revenue growth, are designed to ensure that we achieve the objective of reaching a sustained level of positive Operating EBITDA in the short term. These efforts have continued In 3Q22 with further cost efficiencies extracted across the business. Operational costs in 3Q22 have been reduced by $1.2m compared to 2Q22.

Conclusion

The group had negative net operating cash flow of -$(3.2) million for 3Q22 (3Q21 -$1.6 million) and ended with cash & equivalents of $28.6 million, down 2.7% on pcp.

For more information please contact:

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Freelancer Limited
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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 FY22 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

Twelve-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 60 million registered users have posted over 20 million projects and contests to date in over 2,000 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 with over US$6 billion in transactions secured. Freelancer also owns Freightlancer & Loadshift, enterprise freight marketplaces with over 680 million kilometres of freight posted since inception. Freelancer Limited is listed on the Australian Securities Exchange under the ticker ASX:FLN and is quoted on OTCQX Best Market DTC under the ticker FLNCF.

End

This logo design & graphics cost and took 7 days to make — $348 USD

This poster design cost and took 7 days to make — $250 USD

This cover art cost and took 4 days to make

$15 USD

This UI design cost and took 6 days to make

$100 USD

This menu UI design cost and took 4 days to make $100 USD

This interior design cost and took 1 day to make $220 USD