

Freelancer

Guidance for strong growth in FY17

Freelancer is the world's largest freelancing and crowdsourcing marketplace by total number of users and posted jobs. More than 23.1 million registered users have posted 11.1 million projects and contests to date in more than 240 countries and territories in 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. Escrow contributed \$7.5m of Freelancer's \$52.7m in revenues generated in FY16.

Business model

For employers, it's free to post a project, free to review bids, free to talk and review samples. When a project is awarded and accepted, employers pay a 3% project commission. For freelancers, it is free to view projects posted, to bid on projects, and to talk to employers and provide samples of work. When a project is awarded and accepted, the freelancer pays Freelancer 10% commission. Membership plans range from US\$0.99 to US\$49.95 a month, and provide additional features including increased bid limits and high value project bidding.

FY16 Earnings and Outlook

The company reported FY16 revenues of \$52.7m up 37% on the prior corresponding period, and maiden NPAT, adjusted for non-cash share based payments of \$0.1m. Operating cashflow in FY16 was \$4.5m, up from \$1.5m the year before. Excluding the contribution from Escrow, revenues increased 23% on pcp. On a constant currency basis in USD, revenues rose 36% year-on-year. More than 70% of freelancer.com's revenues are generated in US dollars while 97% of Escrow's revenues are US dollar denominated.

Freelancer expects continued strong growth in net revenue and Gross Project Value, both of which grew at record levels in US dollar terms in FY16. The company expected to continue generating positive Operating Cashflow, Operating EBITDA & Operating NPAT (excluding share based payments expenses) through FY17. It believes it is well placed to benefit from the continued shift away from traditional full time employment to online crowdsourcing and freelancing industries.

Historical earnings and Consensus estimates

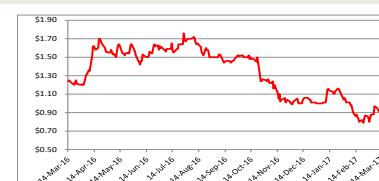
| Year end | Revenue (\$m) | EBIT* (\$m) | OCF (\$m) | EPS* (c) | P/E (x) |
|----------|---------------|-------------|-----------|----------|---------|
| 12/15 | 38.6 | (3.7) | 1.5 | (0.00) | N/A |
| 12/16 | 52.7 | (0.3) | 4.5 | 0.00 | N/A |
| 12/17e | 65.3 | N/A | N/A | 0.1 | 88.0 |
| 12/18e | 82.3 | N/A | N/A | 0.1 | 88.0 |

Source: FLN data, Consensus forecasts as from Thomson Reuters as at 12 March 2017 *Adjusted for non-cash share based payments

Share details

| | |
|---------------------------|---------|
| ASX Code | FLN |
| Share price (at 21 Mar17) | \$0.88 |
| Market Capitalisation | \$403m |
| Net cash at 31 Dec 2016 | \$34.8m |

Share performance (12 months)



Potential market size

Global advisory group Staffing Industry Analysts predicts that flexible workforces are poised to grow rapidly with 55% of surveyed companies forecasting an increase in the use of freelancers in 2017.

Upside Case

- Large market position with 23.1m registered users
- Operating cashflow positive in 2015 and 2016 with sufficient cash on hand for acquisitions
- Freelancers now make up 35% of the US labour force and growing

Downside Case

- Competitive marketplace with a dominant player (Upwork)
- Escrow operates on lower margins
- Potential fee erosion from competitors

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