Freelancer delivers Q4 cash receipts of $12.4 million, freelancer earnings at all-time high of $30.0 million (up 5.4% QoQ), annual cash receipts of $51 million, down 2.6% year on year, operating cash flow break-even at ($0.6) million for the year, cash in bank of $31.9 million.

Wednesday, 31 January 2018 - Freelancer Limited (ASX: FLN), the world’s largest freelancing and crowdsourcing marketplace by total number of users and jobs posted, today released its Quarterly Cash Flow Statement (Appendix 4C) for the quarter ending 31 December 2017 (Q4 2017).

Earnings by freelancers in 4Q17 for Freelancer.com hitting all-time highs and rising to $30 million, up 5.4% QoQ.

Gross Payment Volume in 4Q17 for Escrow.com was A$105.3 million (US$81.1 in 4Q17, down 10% versus $89.7 in 3Q17).

Overall Gross Payment Volume for Q4 for the group was $145 million in 4Q17, with GPV for the year coming to $588 million, a decline of 12.8% year on year.

Freelancer.com

From April 2016, Freelancer.com suffered from a drop in growth due to issues in the core desktop funnel (Region 1 in Figure 1, below), primarily driven by introduction of the “1-click” funnel for posting projects. The 1-click funnel was designed to be an easier way to post projects, and initially showed to be positive for revenue (red asterisk in Figure 2), but soon led to deterioration in marketplace quality due to freelancers shying away from these projects after a few months.
It is important to note that this only affected fixed-price projects on desktop web, and not mobile projects, hourly projects or contests, which continued to grow strongly during this period. However fixed price projects from desktop is the core funnel, being the major product funnel, and this created significant drag on overall growth. This can be seen in Figure 3 with number of milestones released to freelancers showing little growth between FY16 & FY17 (“2 years ago” and “1 year ago”).

We reported in 3Q17 that improvements in that quarter were showing strong lifts in core funnel metrics, and we are pleased to report that in 4Q17 the health of the Freelancer.com business continued to recover, with Freelancer earnings hitting all-time highs and growing 5.4% in the quarter despite the usual seasonal holiday slowdown in Q4 (Region 2 in Figure 1). This is similarly reflected in active paid project fees (USD equivalent) in Figure 2.

Likewise in Figure 3, it can be seen that from the end of 3Q17, the dollar value of milestones released to freelancers (USD equivalent) grew strongly through to the end of FY17, and has rebounded as expected in Jan 18, with the last seven or so months showing good growth.

Figure 1: Freelancer earnings in USD (active transactions)

Figure 2: Active project fees USD equivalent (paid, non-refunded)
Overall, this has resulted in Gross Marketplace Volume for Freelancer.com climbing again in the last seven months as can be seen in Figure 4. Note that GMV is a measure of total payments out of the system (to freelancers). GPV is equal to GMV + revenue which is a proxy for payments in, but not equivalent (as it excludes net change in user balances).
Hourly continued to grow strongly with paid tracked hours up 26% QoQ in 4Q17/3Q17 (Figure 5) after we made changes to the system in the third quarter to improve the hourly hiring experience. Year on year growth 4Q17/4Q16 was 54%. Employers only pay for hours worked as they are billed, rather than requiring an upfront payment before freelancers start work.

![Hourly Projects Paid Tracked Hours](image)

**Figure 5:** Paid tracked hours for hourly projects

Recruiter projects likewise showed strong growth up 19% QoQ in 4Q17 (Figure 6).

![Number of Recruiter projects](image)

**Figure 6:** Number of Recruiter projects

Mobile also showed good growth with paid fees up 10% QoQ in 4Q17, with 55.7% YoY growth.

The reason why this growth is not reflected in the cash receipts for the quarter is that as outlined in the 3Q17 report, we embarked on a number of items to drive quality and improve
customer feedback with the primary goal of increasing retention. These impacts have had an effect on net customers’ receipts. These initiatives included:

- Membership fees were lowered as we deliberately tightened up the subscription funnels to ensure that only customers that would achieve tangible value from memberships subscribe. Additionally we cut back on the primary plan that we promoted from Professional (~$44 per month) to Plus (~$11 a month plan) to lift bid quality by cutting back on the number of spammy bids from freelancers (particularly through the trial period), and we focused on promoting monthly plans over annual plans to reduce chargeback ratios. This was approximately a 5.4% drag in cash receipts on the prior corresponding period for the quarter.

- Similarly we cut back on on the promotion for upgrades in certain parts of the funnel to improve the user experience. This was approximately a 1.0% drag in the cash receipts for the quarter on the prior corresponding period.

- We improved the refund policy to increase the ease and scope for refunds to customers with the goal of lifting retention and user experience.

All up, these changes have dropped the monetisation rate from 28.3% in FY16 to 26.3% in FY17.

In FY17 we added 1.3 million new jobs (to 13.0 million, up 22% on FY16, Figure 7), a strong number but was impacted by the drag of killing the 1-click funnel by approximately 16%. Total registered users ended the year at 26.6 million, an increase of 20% on FY16.

Figure 7: Total jobs posted (filtered for spam)
In the quarter we also improved our customer service training and our self-help solutions in the help centre which now serve 30% more users.
While the efforts to improve retention have had a negative effect on cash receipts, they lifted our trust rating and brand reputation, which is validated by a lift in our Trustpilot rating from 6.0 to 8.5/10 since July 2017.

Figure 10: Freelancer.com Trustpilot rating

We made quite a number of product improvements in the quarter.

We implemented a deep-learning machine learning (AI) algorithm to identify the right skills based upon a user’s text description that improved the conversion rate of the post-project funnel.
Tell us what you need done

Get free quotes from skilled freelancers within minutes, view profiles, ratings and portfolios and chat with them. Pay the freelancer only when you are 100% satisfied with their work.

Choose a name for your project

Touch up family portraits

Tell us more about your project

I had some family portraits made but they have red-eye in them.

What skills are required?

Photoshop ✓  Illustration ✓  Photography ✓  Photo Editing ✓  Graphic Design ✓

Figure 11: Deep learning AI algorithm identifies skills of a project from description text.

We launched the Freelancer API, a software interface which allows software to task freelancers, in addition to a new developer portal, sandbox environment and open source SDKs for Python and Android.
Figure 12: The new Freelancer API allows access to a cloud workforce from your website, app or software

We have started promoting this solution to large technology companies for workforce automation. Figure 12 shows a billboard in Silicon Valley on the 101 freeway. Ironically, a series of photos and videos of this was done by a local jobs freelancer from Freelancer.com
for $40, and the outdoor signage company is evaluating using the API to automate future beauty shots for its installations instead as part our Freelancer Enterprise program.

![API billboard in Silicon Valley on the 101 freeway](image)

**Figure 13: API billboard in Silicon Valley on the 101 freeway**

The Freelancer Enterprise program launched in 4Q17 has approximately a dozen large organisations (Fortune 500 / Tier 1) engaged in pilot programs in 1Q18, with engagements spanning across the world. There is some ramp up involved in terms of sales cycle, but some show great promise in terms of volume. We were told in several circumstances that Freelancer.com was the only company in the world that had the capability to meet the requirements of some of these customers.

Freelancer.com now supports the major payment methods in China including WeChat Pay, Alipay and UnionPay (Figure 14). In 4Q17 we additionally added local credit card processing in Latin America, as well turned on a small beta program of integrating Escrow.com as a payment method for invoicing above US$1,000 (not milestones as yet).
The quality of freelance work continued to be exceptional. Figure 15 shows some of the work from the showcase in 4Q17. Freelancer.com continues to be unbeatable for the quality and sophistication of work delivered on a small business budget.

**Figure 14: Payments support for China**
Figure 15: Examples of freelancers’ work in 4Q17
Escrow.com

Escrow.com Gross Payment Volume in 4Q17 was A$105.3 million (US$81.1 4Q17 down 10% versus $89.7 3Q17), taking all-time cumulative GPV to over US$3.5 billion.

For the full year, Escrow.com was a major drag on GPV for the group, dropping to $428 million in FY17 from $506 million in FY16 (-15%).

This was for two main reasons:

The first being well reported drop in China volume for domain purchases, which has reverted to the long term values after an explosion in unexpected volume in FY15 and FY16 (See Figure 16, below). This bubble caused a jump of Chinese volume of 179% in FY15 over FY14, but a drop of 53% from FY16 to FY17 (US$91m to $43m) as the bubble popped. We believe that this abnormal volume spike has now passed and we should revert to growth in Chinese volume.

Figure 16: Escrow.com desktop and mobile websites
The second being volume churning after introducing a more rigorous Anti-money Laundering and Know Your Customer (KYC) program after acquisition of the business. While we have endeavoured to make this progress as straightforward as possible, with over 60% for KYC proof of identity & address submissions being processed within 15 minutes and over 85% in one hour (Figure 18, below), it has led to increased friction and a churn in volume (See Figure 17, above). We are continuing to make the process easier to reduce friction.

Figure 17: Total Gross Payment Volume contribution (US$) for China and World ex-China
Regardless, the vast majority of existing Escrow.com volumes are from the domain name space, and the Escrow.com business was not purchased for the volume in this industry alone. We are optimistic about volumes growing broadening the industries that we service with the launch of the Escrow Platform API into beta in the quarter. This API allows businesses to have the trust and safety of Escrow.com built in, similar to Paypal.

**Figure 19: The Escrow Platform API**
We additionally released a plugin for WooCommerce, the most popular payments platform for Wordpress. WooCommerce has over 37 million downloads, and powers 28% of all online stores.

The WooCommerce plugin has started to be integrated into websites, with an example being Superphonica, an e-commerce website from the founders of Computer Audiophile for high-end audio equipment.

1Statistics from https://woocommerce.com/
Figure 21: Tight integration of Escrow.com is highly promoted as a key feature of Superphonica.

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 FY18 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 27 million registered users have posted over 13 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 with over US$3.5 billion in transactions secured. Freelancer Limited is listed on the Australian Securities Exchange under the ticker ASX:FLN.

Ends