Freelancer Group delivers 3Q18 cash receipts of $13.0 million (up 4% on pcp), Freelancer segment Gross Marketplace Volume continues to grow in 3Q18 at $31.9 million (up 12% on pcp, unaudited). Escrow segment 3Q18 GPV of US$106.2 million (up 18.4% on pcp, unaudited), year to date all time record (first three quarters) GPV US$322 million (up 30% on pcp), second highest quarter ever ex-China. Break-even group operating cash flow YTD of (0.4m), Freelancer.com was Operating EBITDA positive for the quarter, Escrow.com was EBITDA positive for the quarter, the group ended the quarter with cash and cash equivalents of $33 million.

SYDNEY, 16 October 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 30 September 2018 (3Q18).

Freelancer.com

In 3Q18 cash receipts for Freelancer.com were $13 million (up 4% on pcp), swinging back to positive growth. Gross Marketplace Volume continued to improve year on year hitting $32 million for the quarter (up 12% on pcp, unaudited). Project fees, the most important revenue line for the business, were up 22% year on year in 3Q18 and 29% year on year in September. In the last 28 days, project fees hit record all-time highs and are expected to continue to trend up for the rest of the year.

In the quarter Freelancer.com also hit 30,000,000 registered users.
In other good news, the business is now cycling the large drop in membership fees that has been the primary drag on revenue in recent periods, which was the result of a conscious decision to cancel paid memberships of customers that were not receiving value from the plans and promoting a lower end plan by default. In making this decision we removed over US$500,000 a month in revenue from peak to today from the membership revenue line, however the new plans have much better retention and we believe will bring more revenue
and customer satisfaction in the long run. This drop has bottomed and membership fees are rising again. Additionally, the number of users by count on active, paid membership plans continues to hit all time highs.

![Graph of Count of users on active, paid membership plans continues to hit all time highs (excluding unpaid and trial subscriptions, note y-origin is not zero)](image)

**Figure 3:** Count of users on active, paid membership plans continue to hit all time highs (excluding unpaid and trial subscriptions, note y-origin is not zero)

Hourly projects continued to grow strongly with paid tracked hours up 55% year on year in September.

![Graph of Hourly Projects Paid Tracked Hours](image)

**Figure 4:** Paid tracked hours for hourly projects

Our managed service offering, Recruiter, continues its stellar growth with GMV up 50% year on year in 3Q18.
Our quality and retention improvements continue to pay off with our Trustpilot score lifting to 8.9 in the quarter.

**Great**

Based on 3340 reviews

TRUSTSCORE

8.9 out of 10

**Figure 6**: Freelancer.com Trustpilot Score at 8.9

In the quarter, Freelancer.com and its service marketplace competitors including Fiverr, People per Hour, Workana, 99Designs, ShortTask, Design Crowd, Bizreef, Crowdsite and DoJobsOnline.com, received cease and refrain orders from the California Department of Business Oversight for unlicensed escrow activity. Freelancer.com is in dialogue with the DBO and is confident that it can be resolved to the Department’s satisfaction. The Freelancer Group has been proactive in seeking financial regulation, has a good relationship with the DBO and has a wholly owned California licensed escrow business, being Escrow.com. Furthermore, Escrow.com is one of only four licensed online escrow companies in California. Of the other three, Payoneer Escrow closed its doors to new business on June 30th 2018, one is owned by Upwork and the other is unaffiliated with any of the competitors. Milestone payments paid by users in California represent less than 5% of volume on Freelancer.com.
Freelancer Enterprise made good progress in the quarter, closing a channel partnership with Manpower Group Solutions’ Managed Service Provider TAPFIN, which is the largest global temporary/contract managed service provider according to Staffing Industry Analysts (SIA).

Through this partnership in the quarter we closed a global Master Services Agreement with one of the world’s largest consumer goods companies. There is no minimum volume commitment.

Separately to TAPFIN, we also closed a Managed Services Agreement with one of the Big Four global accounting firms. There is no minimum volume commitment.

Just after the end of quarter we also closed a Master Services Agreement with one of the world’s largest electronics companies. While below the threshold for materiality, after the first six months, there is a minimum volume commitment of US$3.6 million GMV per annum at a Take Rate to Freelancer of 13%. The term of the agreement is 3 years and will automatically renew for successive one year terms unless notice is given within 90 days of the end of the period. The client has the right to terminate the contract with 60 days written notice.

On October 16 2018, Freelancer announced that it had partnered with the US Department of Energy to help crowdsource new solutions to increase manufacturing energy productivity in the U.S.. The Department is working to develop next generation manufacturing technologies that will keep jobs in America, ensure products are made in the U.S.A., and strengthen America’s industrial base.
The new partnership sees the Department of Energy launch its Manufacturing Innovator Challenge on the Freelancer.com marketplace, giving talented individuals across the United States the chance to pitch innovative designs for industrial 3D printing, bioenergy, buildings, fuel cells and vehicle technologies.

There are seven manufacturing prize opportunities in the Department of Energy’s Challenge series on the Freelancer.com marketplace with contests for:

- Design concepts for additive manufacturing for disaster response
- Design concepts for large-scale 3D printing
- A biobased additive manufacturing prize
- A low-cost portable refrigerant leak detector for residential use
- A solid state lighting manufacturing concept
- Readily manufactured reversible fuel cell kits
- A lightweight turbocharger turbine wheel

In August we also jointly published a paper with NASA entitled “Surprising results from large crowds using Micro-Purchase Challenges- using contests on freelancing communities to source innovative, impactful and cost-effective solutions” which is available for download at the Laboratory for Innovation Science at Harvard\(^1\).

Surprising Results from Large Crowds Using Micro-Purchase Challenges - Using Contests on Freelancing Communities to Source Innovative, Impactful and Cost-Effective Solutions.

Abstract

Our world is more connected than ever before. The new digital economy is empowering platforms and crowds to become a progressively strategic way for organizations to innovate ahead of their competition. Existing research shows the effectiveness and quality of solutions crowdsourcing yields, yet few organizations genuinely understand how they are leveraging these solutions to unlock the full range of benefits. However, early adopters often face structural and financial barriers towards experimenting digital platforms or scale within their organizations. NASA is an exception – being an advocate of the field since 2010. This paper paved the path for large organizations to follow. An empirical analysis is conducted on NASA’s Center of Excellence for Collaborative Innovation (CoECI) micro-purchase challenges or as a crowd-based platform to assess the cost-savings, quality of work, time to work transformed, and trend effects of using this problem solving mechanism. The results proved to provide a tangible impact on all four parameters. As such, micro-purchases could become a compelling entry point for organizations who are willing to experiment and subsequently build a compelling business case present to stakeholders. The paper concludes with NASA’s learnings, supplemented by literature, on how to redesign business processes, change core-revisited RFPing and create an organization that will transform its future with crowds.

Authors

Peter Phillips
VP of Engineering @ Freelancer.com
Sarah Z. Tang
VP of Enterprise @ Freelancer.com
Steven N. Rader
NASA, Johnson Space Center Deputy Director, Center of Excellence for Collaborative Innovation (CoECI)

The conclusion included the following findings by NASA:

CoECI’s innovative, streamlined process with the P-Card enabled quality and fast work turnaround with extraordinary cost-savings (80% - 99%) when compared to traditional methods. Furthermore, NASA implemented a majority of the solutions (97%) across a wide range of its federal space programs. By matching needs with skills on-demand in areas where NASA teams did not have the expertise or resources available, crowds delivered high quality and creative work. Not to mention, challenges have become a vehicle for NASA to engage with the public and vice versa.

Figure 8: Authored by S. Tang, P. Phillips (Freelancer.com) and S. Radar, Johnson Space Center Deputy Manager, Center for Excellence in Collaborative Innovation (CoECI)

Figure 9: Excerpt from NASA whitepaper. 
Note: P-card is a U.S. Government Purchase Card.
Figure 10: Cost savings by NASA using Freelancer versus In-House from whitepaper

The pipeline for Freelancer Enterprise is high quality.

In the quarter, Sarah Tang was promoted from Global Head of Operations to Vice President of Enterprise. We are in the process of building out the Enterprise Sales team and have staffed Enterprise to cover the North American, European and Latin American markets. We are also building out the product group for Freelancer Enterprise.
Escrow cash receipts for 3Q18 were up 15.4% on pcp and Gross Payment Volume was US$106.2 million (up 18.4% on pcp). Gross Payment Volume for the year to date (first three quarters) hit an all time record of US$322 million (up 30% on pcp). Escrow was EBITDA positive for the quarter.

![Figure 11: Escrow Gross Payment Volume by Quarter (China and Rest of World)](image)

In 2Q2018 we released Escrow Pay where throughout 3Q18 integrations continued with customers. Escrow Pay is the simplest way to add escrow payments to any website, mobile app, online store, classified site or marketplace. Escrow Pay provides an integration of Escrow.com’s payment system with a single API call for those customers that prefer a quick and easy solution over and above the powerful and fully featured Escrow.com API that was launched in December 2017.
A partner may create a transaction and retrieve a link to the Escrow Pay checkout flow, which the buyer then may use to complete their transaction in a few easy steps. On completing this, the buyer is returned to a page on the partner’s site. This means that an Escrow Pay button can be added to any type of page or application, including shopping cart checkout pages, classified listing pages, domain parking pages, and mobile apps. The Escrow Pay API may be used on its own or in conjunction with the fully featured Escrow Platform API.

Figure 12: Escrow Pay is a streamlined payment system for any website
Integrations in the quarter included a major e-commerce SaaS business, a number of domain marketplaces, a sales lead generation marketplace, domain parking page companies, an electric bicycle marketplace, and a luxury watch marketplace. Escrow revenue is expected to continue to climb as integrations continue. The Escrow.com segment was EBITDA positive (unaudited) for 3Q18.

**Figure 13:** Timecraft Exchange is a luxury watch and jewelry marketplace that exclusively uses Escrow.com to process payments.

**Conclusion**

The Group had operating cash flow of $(0.8)m in the quarter and year to date break-even operating cash flow of $(0.4)m.

Freelancer.com was Operating EBITDA positive for the quarter, Escrow.com was EBITDA positive for the quarter, and the Group was EBITDA positive for one month in the quarter (unaudited).

In the quarter, cash flow and EBITDA was impacted by one-off regulatory and legal cash flows and costs, including final payments of Escrow’s regulatory penalty for Florida prior
operation of $0.4m (a Florida money transmission license has been subsequently issued) and $0.3m for insurances including setup costs for the Freelancer Enterprise division.

Cash and cash equivalents for the Group in the quarter were substantially unchanged from 1H18 at $33 million as at 30 September 2018.

**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**

Eleven-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 30 million registered users have posted over 14 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.