

Freelancer

Positive start to the year

After reporting positive momentum in Q424, Freelancer saw year-on-year growth in gross marketplace volume (GMV) and revenue in Q125 across both divisions. The company also generated positive operating profit and cash flow in the quarter. We view the adoption of AI (by Freelancer, by freelancers and by customers) and new integrations and partnerships within Escrow as key drivers of growth and profitability during our forecast period.

| Year end | Revenue (AUDm) | EBIT (adj) (AUDm) | PBT (AUDm) | EPS (AUc) | P/E (x) |
|----------|----------------|-------------------|------------|-----------|---------|
| 12/23 | 53.3 | 0.6 | 0.3 | 0.06 | N/A |
| 12/24 | 51.0 | 0.8 | (1.2) | (0.26) | N/A |
| 12/25e | 55.5 | 2.2 | 2.0 | 0.31 | 68.8 |
| 12/26e | 59.0 | 2.3 | 2.1 | 0.33 | 65.5 |

Note: Adjusted EBIT is after depreciation and interest charges associated with capitalised leases and excludes unrealised FX losses, share-based payments and other depreciation. PBT and EPS are normalised and exclude amortisation of acquired intangibles, exceptional items and share-based payments.

Positive trends in Q125

In Q125, Freelancer generated group GMV growth of 1.7% y-o-y, which resulted in revenue growth of 12.4% y-o-y. In the Freelancer marketplace, recent initiatives have helped improve customer acquisition and project size, resulting in GMV growth of 6% y-o-y and revenue growth of 8%. Escrow saw a 1% increase in GMV while revenue was up 34.5% y-o-y, boosted by a significantly higher take rate. The group generated a positive adjusted operating profit for the quarter and a net cash inflow of A\$2.2m.

Multiple growth drivers

AI is benefiting Freelancer in three key ways: freelancer skills are enhanced by the use of AI tools, company efficiency is improved using AI in-house, and the AI category of work is growing, including supplying freelancers to companies to support the training of generative AI models. Escrow is benefiting from better pricing and has several avenues for volume growth, including new heavy machinery and agricultural marketplace partnerships and e-commerce shopping cart integrations. We have revised our forecasts, mainly to reflect stronger Escrow pricing, resulting in revenue upgrades of 2.6% in FY25 and 1.3% in FY26 and adjusted operating profit upgrades of 60% and 43% respectively.

Valuation: Discount to peers reducing

Prior to this quarterly update, the stock had gained 28% over the last month and since the update is up another 5%. We believe this is down to a combination of improving underlying performance and lack of direct exposure to trade tariffs. On an EV/sales basis across FY25 and FY26, Freelancer trades at an average discount of 26% to its closest peers (Upwork and Fiverr), substantially down from the 59% discount when we last wrote. Sustained growth in GMV and revenue towards the company's targets will be key to reducing this gap further. Catalysts could include higher retention rates in the core marketplace, enterprise contract wins, vertical diversification for Escrow.com, and growing GMV and take rates for Loadshift.

Q125 trading update

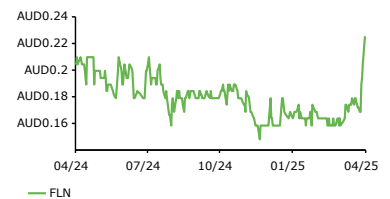
Software and comp services

15 April 2025

Price **AUD0.215**
Market cap **AUD97m**

Net cash/(debt) at end Q125 AUD25.4m
 Shares in issue 450.9m
 Free float 18.4%
 Code FLN
 Primary exchange ASX
 Secondary exchange OTC

Share price performance



| % | 1m | 3m | 12m |
|------------------|--------|------|--------|
| Abs | 24.2 | 24.2 | 0.0 |
| 52-week high/low | AUD0.2 | | AUD0.2 |

Business description

Freelancer is an Australian company, operating one of the world's largest online marketplaces for freelancers. Its marketplace division has two business units and the company also owns Escrow.com, which is a large transactions processor.

Next events

H125 results July

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Review of Q125 update

Freelancer reported year-on-year growth in both GMV (+1.7% y-o-y) and revenue (+12.4%), with both divisions contributing to growth. Operating cash flow was significantly higher and net cash flow of A\$2.2m compared to A\$0.0m a year ago. We discuss divisional performance in more depth below.

The group achieved a positive adjusted operating profit in Q125. Management noted that it has a target to generate adjusted operating profit of A\$0.5m per month and it is currently two-thirds of the way to this target, at a run-rate of c A \$1m per quarter.

Exhibit 1: Q125 trading data

| A\$m | Q125 | Q124 | y-o-y |
|---------------------------|-------|-------|--------|
| GMV total | 231.0 | 227.1 | 1.7% |
| Freelancer | 33.4 | 31.5 | 6.0% |
| Escrow | 197.6 | 195.7 | 1.0% |
| Revenue total | 13.6 | 12.1 | 12.4% |
| Freelancer | 10.7 | 9.9 | 8.0% |
| Escrow | 2.9 | 2.2 | 34.7% |
| Operating cash flow | 3.5 | 1.0 | 241.0% |
| Net cash flow | 2.2 | 0.0 | N/A |
| Cash and cash equivalents | 25.4 | 21.7 | 16.7% |
| Take rate – group | 5.9% | 5.3% | 0.6pp |
| Freelancer | 32.0% | 31.7% | 0.4pp |
| Escrow | 1.48% | 1.11% | 0.37pp |

Source: Freelancer

Freelancer: Highest GMV for six quarters

GMV increased 6.0% y-o-y to A\$33.4m, the highest level since Q323. This translated to revenue growth of 8.0% as the take rate increased by 0.6pp to 32.0%.

Core Freelancer marketplace seeing positive lead indicators

Management confirmed that the core Freelancer marketplace contributed about half of GMV growth. Multiple changes and enhancements made by the company over the last year have contributed to improved new customer acquisition and higher average project values (US\$343 vs US\$253 a year ago). The company noted that new customer deposits (in US dollars) in the first 28 days increased 21% y-o-y in Q125, up from 18.6% in Q424. The business added 1.72m new users and 182k new projects to the marketplace. Liquidity on the platform was good, with 50 bids per project (up 28% y-o-y) and an average of 536 entries per contest (+69% y-o-y).

Enterprise: Field services and AI provide growth potential

In the global fleet field services business, the company recently signed up a new printer customer and will provide both freelancers and Loadshift freight services to the company in Australia. Management visited six cities in India to meet other potential new customers.

We have written before how Freelancer has provided freelancers to train foundation large language models (LLMs) for large technology companies, and the company is currently working on generative AI projects for three of the Mag-7 companies. It is also in discussions with several Fortune 500 companies regarding customised AI model training programmes.

Loadshift: Working to lift the award rate

While the company does not yet disclose Loadshift GMV and revenue separately, it noted that revenue increased 27.3% y-o-y in March. Total jobs awarded of 3,066 increased 9.1% y-o-y, with an award rate of 28.9%, and delivered loads increased 7.8% to 2,495. The launch of in-app audio and video calling in Q125 has the potential to improve the award rate as it should make it easier for the customer and haulier to communicate.

Escrow: Pricing changes drive take rate higher

Escrow GMV increased 1% y-o-y. Revenue increased 34.7% y-o-y with a take rate of 1.48%, up from 1.11% a year ago and 1.42% in Q424. Management noted that it had made a series of changes to its pricing model for escrow services and was ensuring it levied all relevant fees; this increase should therefore be sustainable.

The business has several potential drivers of volume growth:

- Ongoing beta testing with an e-commerce shopping cart provider: management is keen to ensure that when this service launches commercially it is able to provide a high-quality, robust service, so is taking the integration process slowly. This includes increasing customer support from 24/5 to 24/7. Once this service moves out of beta into full availability, the company has several other shopping cart providers looking to integrate with Escrow.com.
- New agricultural sector e-commerce platform signed up; activation expected in Q225.
- New partnership with a European heavy machinery marketplace. Phased roll-out planned across core European countries.
- New partnership with an auction technology provider.
- In discussions with a US-based heavy equipment lead management platform with an extensive dealer network.
- Several high-value domain name marketplaces scheduled to integrate Escrow.com into their payment options over the next quarter.

Outlook and changes to forecasts

The company's focus for the remainder of the year is to:

- **Enhance marketplace engagement:** continue improving user experience and matching capabilities to attract, activate and retain high-quality freelancers and clients;
- **Accelerate AI-driven innovation:** expand the integration of advanced AI solutions across products and services to enable efficiency, automation and new opportunities for enterprise growth;
- **Expand financial service offerings:** broaden and streamline payment methods and financial infrastructure, improve transaction ease, security and global scalability; and
- **Drive operational excellence:** strengthen platform reliability, quality and performance through rigorous internal processes, enhancing customer satisfaction and market leadership.

The company noted that Freelancer thrives in periods of uncertainty, particularly as businesses look to hire freelancers rather than making permanent hires.

We have revised our forecasts to reflect the Q125 update, with the main change being an increase in our Escrow take rate.

Exhibit 2: Changes to forecasts

| A\$m | FY25e | | | | FY26e | | | |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Old | New | change | y-o-y | Old | New | change | y-o-y |
| Revenues | 54.1 | 55.5 | 2.6% | 8.9% | 58.2 | 59.0 | 1.3% | 6.3% |
| Gross profit | 44.4 | 45.5 | 2.6% | 9.0% | 47.7 | 48.4 | 1.3% | 6.3% |
| Gross margin | 82.0% | 82.0% | 0.0pp | 0.1pp | 82.0% | 82.0% | 0.0pp | 0.0pp |
| Reported operating profit | 2.0 | 2.8 | 41.4% | N/A | 1.8 | 2.5 | 38.4% | -11.4% |
| Reported operating margin | 3.7% | 5.1% | 5.0pp | 5.0pp | 3.1% | 4.2% | -0.8pp | -0.8pp |
| Company adjusted operating profit | 1.4 | 2.2 | 60.1% | 185.4% | 1.6 | 2.3 | 43.2% | 4.4% |
| Company adjusted operating margin | 2.5% | 4.0% | 1.4pp | 2.5pp | 2.8% | 3.9% | 1.1pp | -0.1pp |
| Normalised net income | 0.8 | 1.4 | 69.2% | 220.2% | 1.0 | 1.5 | 48.7% | 4.8% |
| Reported net income | 0.8 | 1.3 | 75.1% | 265.6% | 0.9 | 1.4 | 52.1% | 5.0% |
| Normalised diluted EPS (c) | 0.19 | 0.31 | 69.2% | 220.2% | 0.22 | 0.33 | 48.7% | 4.8% |
| Reported basic EPS (c) | 0.17 | 0.30 | 75.1% | 265.6% | 0.21 | 0.31 | 52.1% | 5.0% |
| Net debt/(cash) | (25.7) | (26.7) | 3.8% | 15.4% | (29.6) | (30.7) | 3.7% | 15.0% |

Source: Edison Investment Research

Exhibit 3: Financial summary

| | A\$'k | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025e | 2026e |
|--|-------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Year end 31 December | | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS |
| INCOME STATEMENT | | | | | | | | | | |
| Revenue | | 51,675 | 57,911 | 58,771 | 57,419 | 55,660 | 53,334 | 51,003 | 55,514 | 59,009 |
| Cost of Sales | | (7,651) | (9,455) | (9,786) | (9,689) | (8,740) | (9,093) | (9,214) | (9,993) | (10,622) |
| Gross Profit | | 44,024 | 48,456 | 48,985 | 47,730 | 46,920 | 44,241 | 41,789 | 45,522 | 48,387 |
| EBITDA | | (672) | 2,044 | 5,793 | 3,972 | (746) | 6,784 | 4,799 | 7,572 | 7,254 |
| Company adjusted operating profit | | (705) | (1,084) | (447) | (2,690) | (6,579) | 568 | 771 | 2,195 | 2,297 |
| Normalised operating profit | | (1,202) | (1,170) | 1,081 | (922) | (5,216) | 2,051 | 138 | 2,910 | 2,592 |
| Amortisation of acquired intangibles | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exceptionals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Share-based payments | | (558) | (329) | (192) | (156) | (159) | (115) | (94) | (94) | (94) |
| Reported operating profit | | (1,760) | (1,499) | 889 | (1,078) | (5,375) | 1,936 | 44 | 2,816 | 2,498 |
| Net Interest | | (33) | (219) | (1,751) | (2,035) | (1,655) | (1,717) | (1,314) | (895) | (476) |
| Joint ventures & associates (post tax) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exceptionals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit Before Tax (norm) | | (1,235) | (1,389) | (670) | (2,957) | (6,871) | 334 | (1,176) | 2,015 | 2,117 |
| Profit Before Tax (reported) | | (1,793) | (1,718) | (862) | (3,113) | (7,030) | 219 | (1,270) | 1,921 | 2,023 |
| Reported tax | | 309 | 127 | 216 | 856 | 1,617 | (30) | 456 | (576) | (607) |
| Profit After Tax (norm) | | (1,235) | (1,389) | (670) | (2,957) | (6,871) | 288 | (1,176) | 1,410 | 1,482 |
| Profit After Tax (reported) | | (1,484) | (1,591) | (646) | (2,257) | (5,413) | 189 | (814) | 1,345 | 1,416 |
| Minority interests | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Discontinued operations | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net income (normalised) | | (1,235) | (1,389) | (670) | (2,957) | (6,871) | 288 | (1,176) | 1,410 | 1,482 |
| Net income (reported) | | (1,484) | (1,591) | (646) | (2,257) | (5,413) | 189 | (814) | 1,345 | 1,416 |
| Basic average number of shares outstanding (m) | | 449.3 | 449.8 | 450.0 | 450.2 | 450.8 | 450.9 | 450.9 | 450.9 | 450.9 |
| EPS - basic normalised (c) | | (0.27) | (0.31) | (0.15) | (0.66) | (1.52) | 0.06 | (0.26) | 0.31 | 0.33 |
| EPS - diluted normalised (c) | | (0.27) | (0.31) | (0.15) | (0.66) | (1.52) | 0.06 | (0.26) | 0.31 | 0.33 |
| EPS - basic reported (c) | | (0.33) | (0.35) | (0.14) | (0.50) | (1.20) | 0.04 | (0.18) | 0.30 | 0.31 |
| Dividend (c) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue growth (%) | | 0.0 | 12.1 | 1.5 | (2.3) | (3.1) | (4.2) | (4.4) | 8.8 | 6.3 |
| Gross Margin (%) | | 85.2 | 83.7 | 83.3 | 83.1 | 84.3 | 83.0 | 81.9 | 82.0 | 82.0 |
| EBITDA Margin (%) | | (1.3) | 3.5 | 9.9 | 6.9 | (1.3) | 12.7 | 9.4 | 13.6 | 12.3 |
| Normalised Operating Margin (%) | | (2.3) | (2.0) | 1.8 | (1.6) | (9.4) | 3.8 | 0.3 | 5.2 | 4.4 |
| BALANCE SHEET | | | | | | | | | | |
| Fixed Assets | | 33,459 | 60,699 | 61,727 | 66,372 | 66,248 | 60,502 | 55,496 | 51,926 | 48,356 |
| Intangible Assets | | 26,429 | 26,429 | 26,457 | 34,119 | 34,120 | 34,120 | 34,120 | 34,120 | 34,120 |
| Tangible Assets | | 557 | 27,446 | 22,785 | 19,392 | 18,323 | 13,751 | 9,423 | 5,853 | 2,283 |
| Deferred tax & other | | 6,473 | 6,824 | 12,485 | 12,861 | 13,805 | 12,631 | 11,953 | 11,953 | 11,953 |
| Current Assets | | 37,657 | 37,326 | 41,964 | 38,955 | 30,797 | 28,182 | 28,467 | 32,240 | 36,403 |
| Stocks | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debtors | | 3,474 | 4,003 | 5,593 | 6,448 | 4,825 | 3,927 | 2,340 | 2,547 | 2,707 |
| Cash & cash equivalents | | 33,211 | 32,014 | 34,341 | 30,316 | 23,358 | 21,153 | 23,162 | 26,728 | 30,731 |
| Other | | 972 | 1,309 | 2,030 | 2,191 | 2,614 | 3,102 | 2,965 | 2,965 | 2,965 |
| Current Liabilities | | 38,628 | 42,984 | 48,170 | 50,849 | 48,831 | 45,009 | 45,857 | 48,577 | 50,615 |
| Creditors | | 35,898 | 36,807 | 39,166 | 41,259 | 39,647 | 36,529 | 37,135 | 39,855 | 42,893 |
| Tax and social security | | 71 | 57 | 87 | 43 | 18 | 4 | 0 | 0 | 0 |
| Short-term borrowings | | 121 | 121 | 286 | 121 | 121 | 121 | 0 | 0 | 0 |
| Lease liabilities | | 0 | 3,248 | 5,628 | 5,709 | 5,562 | 4,842 | 5,487 | 5,487 | 4,487 |
| Other | | 2,538 | 2,951 | 3,003 | 3,717 | 3,483 | 3,513 | 3,235 | 3,235 | 3,235 |
| Long-Term Liabilities | | 1,413 | 25,102 | 26,356 | 23,148 | 21,749 | 16,850 | 11,391 | 7,436 | 4,481 |
| Long-term borrowings | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | | 0 | 23,134 | 19,094 | 16,082 | 15,519 | 12,187 | 6,911 | 2,956 | 1 |
| Other long-term liabilities | | 1,413 | 1,968 | 7,262 | 7,066 | 6,230 | 4,663 | 4,480 | 4,480 | 4,480 |
| Net Assets | | 31,075 | 29,939 | 29,165 | 31,330 | 26,465 | 26,825 | 26,715 | 28,154 | 29,663 |
| Minority interests | | (20) | (20) | (20) | (3,674) | (3,674) | (3,674) | (3,795) | (3,795) | (3,795) |
| Shareholders' equity | | 31,055 | 29,919 | 29,145 | 27,656 | 22,791 | 23,151 | 22,920 | 24,359 | 25,868 |
| CASH FLOW | | | | | | | | | | |
| Op Cash Flow before WC and tax | | (717) | 1,623 | 4,066 | 2,637 | (943) | 4,922 | 3,847 | 6,007 | 6,078 |
| Working capital | | (660) | 300 | 5,094 | (1,463) | (3,930) | (3,505) | (45) | 2,513 | 2,878 |
| Exceptional & other | | (160) | (196) | (1,439) | 1,313 | 535 | 339 | 1,950 | 0 | 0 |
| Share-based payments | | 558 | 329 | 192 | 156 | 159 | 115 | 94 | 94 | 94 |
| Net operating cash flow | | (979) | 2,056 | 7,913 | 2,643 | (4,179) | 1,871 | 5,846 | 8,613 | 9,049 |
| Capex | | (135) | (227) | (221) | (429) | (149) | (53) | (92) | (92) | (92) |
| Acquisitions/disposals | | 23 | 0 | (28) | (7,662) | 0 | 0 | 0 | 0 | 0 |
| Borrowings | | 121 | 0 | 176 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity financing | | 57 | 340 | 0 | 3,987 | 0 | 0 | 0 | 0 | 0 |
| Dividends | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | | 86 | (3,091) | (2,721) | (3,479) | (3,845) | (4,201) | (4,955) | (4,955) | (4,955) |
| Net Cash Flow | | (827) | (922) | 5,119 | (4,940) | (8,173) | (2,383) | 799 | 3,566 | 4,002 |
| Opening net debt/(cash) | | (31,908) | (33,090) | (31,893) | (34,055) | (30,195) | (23,237) | (21,032) | (23,162) | (26,728) |
| FX | | 2,130 | (275) | (2,792) | 915 | 1,215 | 178 | 1,210 | 0 | 0 |
| Other non-cash movements | | (121) | 0 | (165) | 165 | 0 | 0 | 121 | 0 | 0 |
| Closing net debt/(cash) | | (33,090) | (31,893) | (34,055) | (30,195) | (23,237) | (21,032) | (23,162) | (26,728) | (30,731) |

Source: Freelancer, Edison Investment Research

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