

Building an Amazon of Services

Freelancer Ltd (ASX: FLN) is a combination of three platforms: First, Freelancer.com which is the world's largest freelancing and crowdsourcing marketplace, measured by the total number of users and jobs posted. The marketplace, which has over 67m global users, serves as a game-changer for the requirements of entrepreneurs, small businesses, and large organisations. Secondly, Freelancer owns Escrow.com, a global online escrow service and much-needed payment solution for high-value transactions, catering to the evolving needs of businesses and guaranteeing secure and efficient transactions. Given the increasing reliance on online platforms for purchasing high value assets, and the inability of existing online platforms to cater for them, Escrow.com has a substantial market opportunity. And third, there is the online freight and heavy haulage marketplace Loadshift which is the largest of its kind in Australia. In 2022, Freelancer merged its Freightlancer platforms with the Loadshift platform. The combination of the platforms is likely to provide additional opportunities to carriers for finding loads while offering shippers access to more carriers across Australia.

A remarkable and substantial opportunity awaits

The company is committed to catering to the expanding gig worker economy. With the global gig economy market projected to grow at a 6-year CAGR of 14.2% and reach US\$918.9bn in 2028, not to mention unique advantages of all three platforms, Freelancer is presented with a remarkable and substantial market opportunity to capitalise on. As technology continues to advance, an increasing number of workers are entering the global gig economy ecosystem through Freelancer's platform.

Valuation range of A\$0.71–0.93 per share

Using the blended valuation approach (using RV and DCF methodologies and weighting both equally in our final valuation), we have valued Freelancer at A\$0.71 per share in a base-case scenario and A\$0.93 per share in a bull-case scenario. The potential significant upside is primarily attributed to the increasing traction observed across all the marketplace platforms. **Key risks**, as outlined on page 33, include: currency risk, competition risk, delayed risk, contract risk and geographical concentration.

Share Price: A\$0.275

ASX: FLN

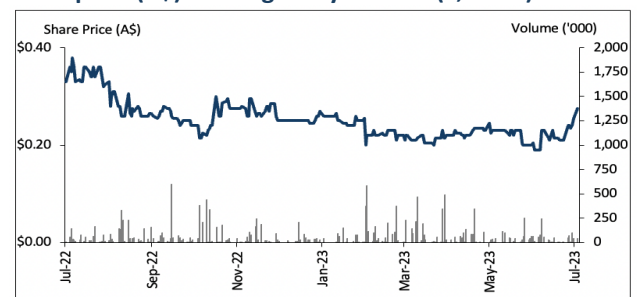
Sector: Technology

25 July 2023

Market Cap. (A\$ m)	124.0
# Shares outstanding (m)	450.9
# Share fully diluted (m)	451.7
Market Cap Full. Dil. (A\$m)	124.2
Free Float	16.8%
12-months high/low (A\$)	0.40/0.185
Avg. daily volume ('1000)	62.7
Websites	Freelancer.com, Escrow.com, and Loadshift.com,

Source: Company, Refinitiv, Pitt Street Research

Share price (A\$) and avg. daily volume (k, r.h.s.)



Source: Refinitiv, Pitt Street Research

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Introducing Freelancer, ASX: FLN

Founded in 2009, Freelancer (ASX: FLN) operates the world's largest freelancing and crowdsourcing marketplace by number of users and projects. The company pursued an aggressive acquisition strategy to increase its global footprint before it was listed on the ASX in late 2013 at a market capitalisation of A\$218m. By this time, it had over 9m users and 4.9m projects. The ASX listing came only weeks after Freelancer knocked back a takeover offer from the Japanese recruitment site Recruit. Freelancer acquired Escrow.com in 2015 and freight marketplace Channel 40 in 2018. Freelancer went on to acquire Loadshift in 2021.

Freelancer operates through three segments - labour, payments and freight, all services which are mission-critical for every business:

- **Labour** – a segment that includes Freelancer.com and the Enterprise division
- **Payments** – Escrow.com, the secure online payments platform
- **Freight** – Loadshift.com, the number one online freight marketplace in Australia

Freelancer.com

Freelancer.com is an online services marketplace and is the largest on-demand and lowest cost elastic cloud workforce in the world with over 67m users. Freelancer.com provides an integrated suite of tools designed to organise and manage an on-demand cloud workforce across desktop, tablet, and mobile devices. It helps to connect businesses of any size in the developed world with a skilled workforce building service organisations in the developing world. Freelancer.com generates revenue through its websites from users posting outsourcing projects and crowdsourcing contests. 67% of projects receive bids for the project in under 60 seconds and there are an average 41 bids per project. The average completed project size was US\$252 in FY22.

The Enterprise division of Freelancer.com provides access to high-paying larger organisations

Freelancer's Enterprise division facilitates a seamless augmentation and integration of a virtual workforce by enabling access to the labour cloud economy, which is its most strategic sustainable competitive advantage. Using the platform, an internal workforce can be utilised more effectively, and approved talent clouds can be accessed seamlessly for strong quality and scale. The Enterprise division's utility to customers is evident in its securing of a US\$6.7m task order for NASA and the National Institutes of Health for developing new ways of gene therapy in humans. At the time (September 2022) this was the biggest task order to date under the NASA Open Innovation Services 2 (NOIS2) contract, and testimony to Freelancer's task record of delivery under the programme.

Escrow.com provides a much-needed secure payment solution for high-value transactions

Escrow.com facilitates safe digital transactions of high-value goods and services (such as private jets and luxury cars) by holding funds in custody and only transferring them to the seller once the buyer has received the goods,

Freelancer provides an integrated suite of tools to manage an on-demand cloud workforce across desktop, tablet and mobile devices



inspected them, and found them to be satisfactory. This is different from other platforms such as PayPal where the proceeds must be shipped instantly. In the event the delivery of goods or the goods themselves are unsatisfactory, the only way to resolve the issue is via chargebacks or reversals.

Escrow.com supports payments up to 100m in USD, Euros, CAD, AUD, and GBP. It has 55 financial services licenses granted or in-application, including in Australia, the UK, and several US states. In the first half of 2023 (1HY23), it generated US\$147.3m in Gross Payment Volume (GPV) and it has secured transactions worth ~US\$6.6bn in its history.

Loadshift - the new entrant to Freelancer's service portfolio

Loadshift ensures that deals are completed faster, operators are vetted for reliability and quality, cargo is tracked at every kilometre of the journey and competitive quotes are obtained at fast speed

Loadshift is Australia's largest freight marketplace, connecting freight owners with transport operators. Around 100 million km a year in loads currently move through Loadshift. In FY22, the platform enabled 74,096 loads with A\$350m of notional Gross Load Value (GLV). The average distance was 1,337km per load, the average load was \$5,184 and the average freight charge was A\$3.49/km.

There are many freight categories but the largest is mobile machinery with a 21.2% market share, followed by cars with 11.8%. Loadshift has some key advantages. It enables freight deals to be done faster, operators vetted to ensure reliability and quality, payments to be kept in trust until the job has been done, cargo to be tracked every kilometre of the journey, and competitive quotes issued very quickly. During 1HY23, it recorded the strongest growth of any of Freelancer's platforms with a 52.7% increase in the number of quotes.

Freelancer is better placed than its peers

We believe that, although Freelancer's competitors (Crowdworks, Upwork, Airtasker, Fiverr, Remitly, and ACI Worldwide) may have better PR and investor relations, what sets Freelancer apart is

- 1) The consistency of the core Freelancer offering in terms of pricing
- 2) The Enterprise division
- 3) Escrow.com and Loadshift, which provide unique niches and abilities not possessed by competing companies (whether that competition is marketplaces, or companies like Paypal which facilitate low-volume transactions).

Directly comparing Freelancer.com to Airtasker, the latter is essentially a labour-hire platform for manual household jobs of varying values, where taskers tend to be in the same neighbourhood. We also note Airtasker is still Australia-centric – it generated less than 2% of its 1HY23 revenues from outside Australia. By contrast Freelancer.com is a truly global marketplace with its 60m+ users being resident in over 200 countries, speaking 34 languages and transacting in 39 currencies. We understand that revenue outside Australia constitutes well more than 90%. And there are over 2,700 job categories ranging from graphic design and coding jobs to aerospace and engineering.

Freelancer.com's true competition is conventional service firms in the relevant sector, rather than other platforms like Airtasker that may appear to be similar at first glance but actually aren't.



Ten reasons to look at Freelancer

- 1) **Freelancer is an Amazon of services** – The company boasts a unique portfolio of marketplace platform services, including labour market solutions, payment solutions, and freight movement services - all of which individually offer advantages for customers not available with other marketplace solutions. As we argue below, there is a considerable amount of value that have built up in the labour, payments and freight given the current market capitalisation.
- 2) **Freelancer is the world's largest freelancing and crowdsourcing marketplace** – Freelancer is a game changer for entrepreneurs, small businesses, and large organisations as it helps turn their ideas into reality and create the products and services of the future. It provides easy access to talented freelancers around the world who offer a wide range of services at competitive prices. Over 2,700 categories of work are available in the company's Freelancer.com marketplace. The key offerings by Freelancer include the high-end tasks of website design, information technology (IT) solution designing, software development, mobile applications, writing and content, media architecture, data entry and administration, engineering solutions, product sourcing and manufacturing design.
- 3) **The website Freelancer.com generates consistent revenue through projects and contests** – Freelancer.com is an online services marketplace and is the largest on-demand and lowest cost elastic cloud workforce in the world with over 67m users. It has branded itself as a partner in the new world of work and this is solving a trillion-dollar problem. It has the unique ability to crowdsource ideas and concepts that are yet to mature. On Freelancer.com, it is free to sign up, post a project, receive bids from users, review the user's portfolio, view their profile, provide feedback, and discuss the requirements. Another way to perform the work is through contests to crowdsource ideas. The project poster accepts multiple competing entries and then selects a winning freelancer who in turn receives the prize and the transfer of the work is done. Both the models result in consistent commission income for Freelancer.
- 4) **Freelancer's online labour business also receives a boost through its Enterprise division** - Freelancer's Enterprise division helps in the seamless augmentation and integration of a virtual workforce. It enables large global organisations to access the labour market through the cloud economy. Using the Enterprise platform results in an improvement in workforce utilisation and seamless access to approved talent by organisations. This supports them in retaining strong quality and achieving necessary scale.
- 5) **Task orders from NASA to further bolster the prospects of the Enterprise division** – In September 2022, Freelancer secured a task order worth US\$6.7m for NASA and National Institute of Health (NIH) for developing new ways of gene therapy. The two three-phase contests sought by NIH under the Phase II of the SGCE programme were expected to be launched on Freelancer.com with a total prize of US\$6m Gross Market Value (GMV). Freelancer in turn was likely to generate close to US\$700k in net revenue contribution for the task order. This was the biggest task order till date under NASA's NOIS2 and is a hefty endorsement of the company's task record of delivery under the programme.
- 6) **Escrow.com is the world's safest platform for high value transactions** – Freelancer's second business platform (Escrow.com) is the provider of

Freelancer.com allows users to post a project, receive bids from users, review the user's portfolio and view profiles



secure online payments and online transaction management services for consumers and businesses on the internet. The items sold on Escrow.com range from gemstones, diamonds, businesses, real estate to shipping containers, paintings, fine art, and watches. Escrow.com is the only online payment method for the listing of eBay Motors business in the US. It has facilitated US\$6.6bn worth of transactions in its history. Escrow.com adds a layer of security to make sure that the transfer of funds occurs, but that it only happens once the recipient is satisfied with the goods they have received. Due to this layer of security, it is becoming a sought-after platform for large value transactions.

- 7) **Loadshift is a substantial largest online freight marketplace** – Loadshift is Freelancer's third business and is Australia's largest online heavy haulage freight marketplace, connecting freight owners with transport operators. It is the go-to marketplace for all truck transportation needs ranging from palletised freight to oversized loads such as cars, dozers and more. Today it handles over 100 million km in freight requests worth \$300m annually. Freelancer first entered this space in 2018 when it acquired Freightlancer, then an independent company known as Channel 40. Then in 2022, Freelancer acquired Loadshift for \$7.7m, after which the merged division started operating under the Loadshift brand. The merger resulted in the transformation of a single membership-based bulletin board into a full marketplace for freight.
- 8) **Freelancer's revenue generation model is stable and scalable** - The main source of Freelancer's revenue generation is through users posting jobs across all the marketplaces. The concept of milestone payments is also followed to ensure that the work gets paid for. Once the project is completed and the client is fully satisfied with the outcome, the milestone payment is released to the freelancer and the client is paid. The main fee income is generated from project commissions generated when projects are awarded by users along with being accepted by other users. It earns 3% from clients when a project is accepted and rewarded and 10% from freelancers when a project is awarded and accepted.
- 9) **Freelancer's management** – Freelancer has a strong management team which has built it up into the company into the strong market position it has today. We take confidence in founder Matt Barrie's significant 'skin in the game' with a >43% ownership stake. This should provide confidence to potential investors that their desired outcomes and that of the company's management are well aligned, and that management has incentive to deliver strong results going forward.
- 10) **Freelancer is undervalued** - We believe the stock is undervalued at its current market value. We value the company at A\$0.71 per share in our base case and A\$0.93 per share in our optimistic case based on separate RV and DCF approaches, equally weighting both in our final valuation. We acknowledge investors would be frustrated with the share price underperformance. We think it has suffered from the 2022 'Tech Wreck', the superior IR strategies of peers such as Airtasker (ASX: ART), and the fact that it was not profitable in FY23.

We think the key catalysts will be continued revenue growth across all of its platforms as adoption increases and the company tracking towards EBITDA and NPAT profitability, which we anticipate can happen in FY24 and FY25 respectively, and is possible without further shareholder dilution. The company has made significant progress towards this in 1HY23.

Freelancer earns a 3% commission from clients and a 10% commission from freelancers once the project is awarded



Freelancer – An Amazon of Services

Freelancer is positioning itself as the 'Amazon of Services', aiming to offer a diverse and interconnected range of solutions through its marketplaces. With a strategic focus on leveraging the synergies between its services, Freelancer provides a comprehensive bouquet of holistic solutions that cater to various aspects of business operations.

The company operates through three primary business segments: labour, payments, and logistics. These segments encompass broad and horizontal service offerings that are in high demand by both consumers and enterprises every day of the week. By integrating these services, Freelancer aims to become a one-stop destination for businesses, providing them with the necessary tools and support to streamline their operations efficiently.

Freelancer operates the world's largest freelancing, outsourced services and crowdsourcing marketplace by users and number of projects posted. This in turn creates a competitive advantage in terms of network effects. The marketplace is also highly liquid. Freelancer has demonstrated a strong track record of execution and growth since inception across key metrics including revenue, turnover, users, projects, GPV, geographic coverage, jobs coverage, press coverage and international recognition. Due to the strong impact of the benefits felt by Freelancer on network effects of online marketplaces, the company is pursuing the strategy of focusing aggressively on growth. This has been made possible by the company's data-driven growth team and fast engineering methodology.

Freelancer aims to become a one-stop destination for businesses, providing them with the necessary tools and support to streamline their operations efficiently.

I. Freelancer.com

Freelancer.com is an online services marketplace and is the largest on-demand and lowest cost elastic cloud workforce in the world. It operates the world's largest freelancing and crowdsourcing marketplace in terms of total users and job postings, boasting over 67m registered users. Freelancer.com is a global marketplace of jobs and is a top 2000 website globally.

This platform is a game-changer for entrepreneurs, small businesses, and large organisations alike, empowering them to transform their ideas into reality by facilitating the creation of innovative products and services. With a vast pool of talented freelancers from around the globe, Freelancer provides convenient access to a wide range of competitively priced services. Their marketplace encompasses over 600 work categories, spanning website design, information technology (IT), software development, mobile applications, computing, writing, content creation, design, media, architecture, data entry, administration, engineering, science, and even product sourcing and manufacturing. Freelancer collaborates with clients ranging from small businesses to prominent organisations such as Deloitte, NASA, and Unilever.

The platform provides opportunity, income, and technical jobs to people all around the world who are looking at changing their careers, supplementing their incomes, or trying something new. Freelancer helps make the ideas and ambitions of its users real, through facilitating the hiring of freelancers for whatever product or service the client is trying to create.

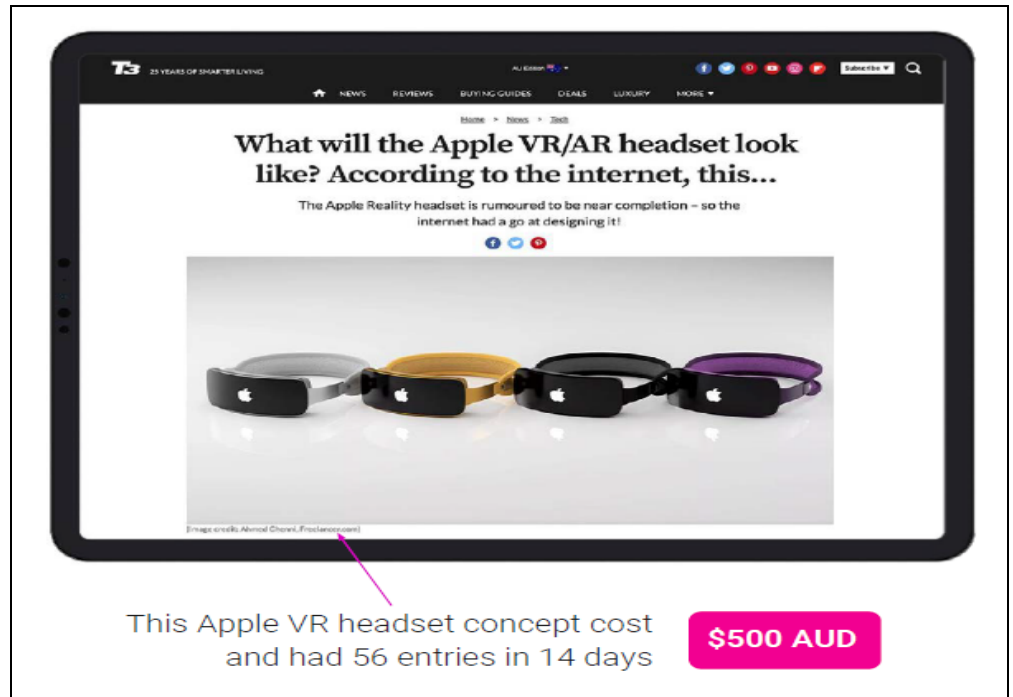
One of the most notable Freelancer projects involved a visualisation of Apple VR-AR headsets coming to life. Freelancer ran a competition among its users to create a realistic rendering or visual of what that would look like. The top entry received A\$500 and the work was proactively sent to journalists

Freelancer owns and operates one of the world's largest online marketplaces for outsourcing, freelancing and crowdsourcing services



covering the rumoured launch (Figure 1). It was used more than 100 times globally across articles in the lead up to the VR-AR headset being announced.

Figure 1: Freelancer helps organisations create products and services of the future



Source: Company

Freelancer enables ideas to be crowdsourced

How does Freelancer.com work?

Freelancer.com offers an integrated suite of tools that effectively manage an on-demand cloud workforce, ensuring seamless accessibility across desktop, tablet, and mobile devices. With the largest global network of online talent, it provides unparalleled access to a diverse pool of skilled professionals. One of its unique strengths lies in its ability to crowdsource ideas and visually represent novel concepts that have yet to be realised. This fosters innovation and creativity by tapping into the collective intelligence of the community. A key advantage of Freelancer.com is its security measures, enabling users to work online with peace of mind.

Jobs are mainly posted as a project which is classified under outsourcing or posted as a contest as a part of crowdsourcing.

A. Projects

The primary method of conducting work on Freelancer is through project posting. To post a project, users provide a title and description of the task, select the necessary skills, and set a budget. Freelancer.com ensures that payment is made only upon completion of the work and the user is satisfied with the quality.

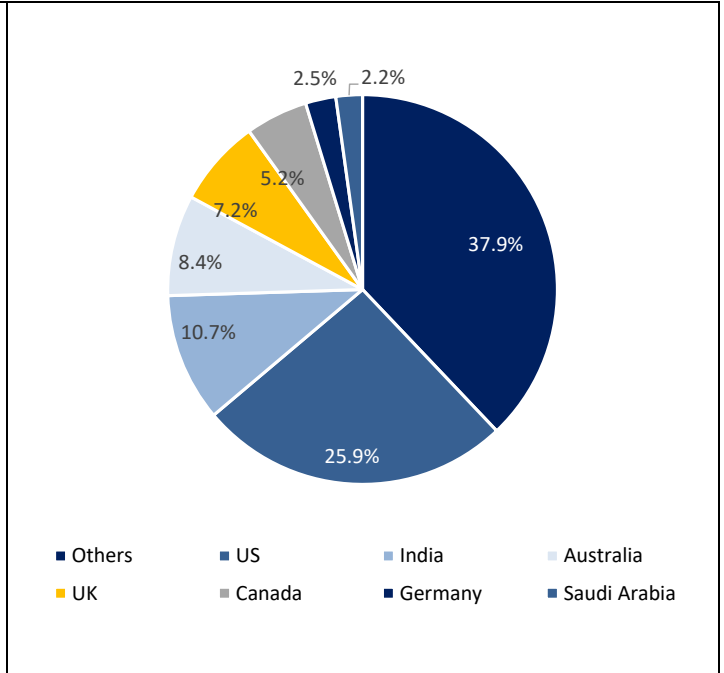
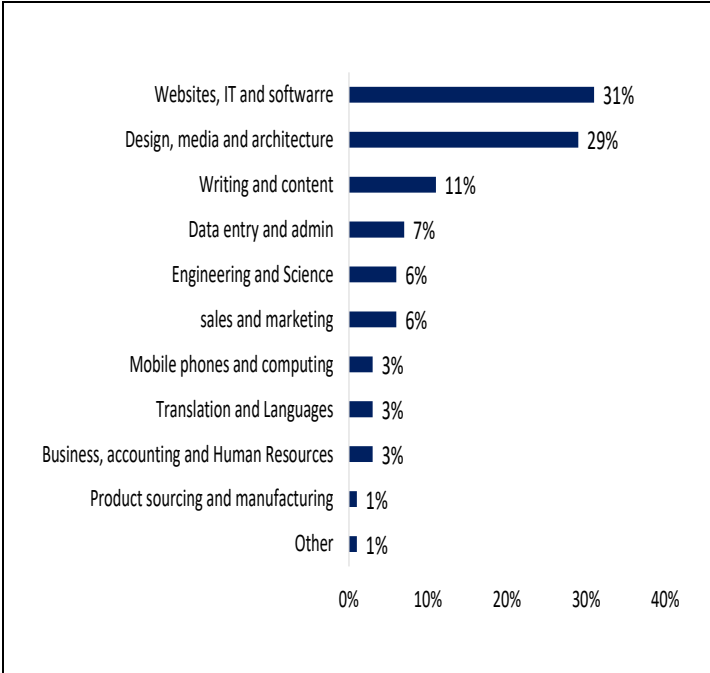
When a user posts a job, payments are made for the answering of requests, which are then allocated to specific deliverables. As the work progresses, payments are released accordingly. Through Freelancer's platform, clients can swiftly post a project and receive competitive bids from freelancers worldwide, often within minutes. Optional paid upgrades are available for



project postings, such as featuring the project or requiring freelancers to sign non-disclosure agreements before bidding (Figure 2 and Figure 3).

Figure 2: Top Completed project categories

Figure 3: Top countries by completed projects



Source: Company, Pitt Street Research

Signing up, posting a project, receiving bids, reviewing portfolios, viewing profiles and feedback, and discussing requirements are all free. Freelancer offers over 2,700 skill sets, enabling clients to choose from a wide range of expert freelancers who can work on their projects, providing flexibility in terms of work style and preferences. In FY22, the average completed project size on Freelancer was approximately US\$252 (Figure 4).

B. Contests

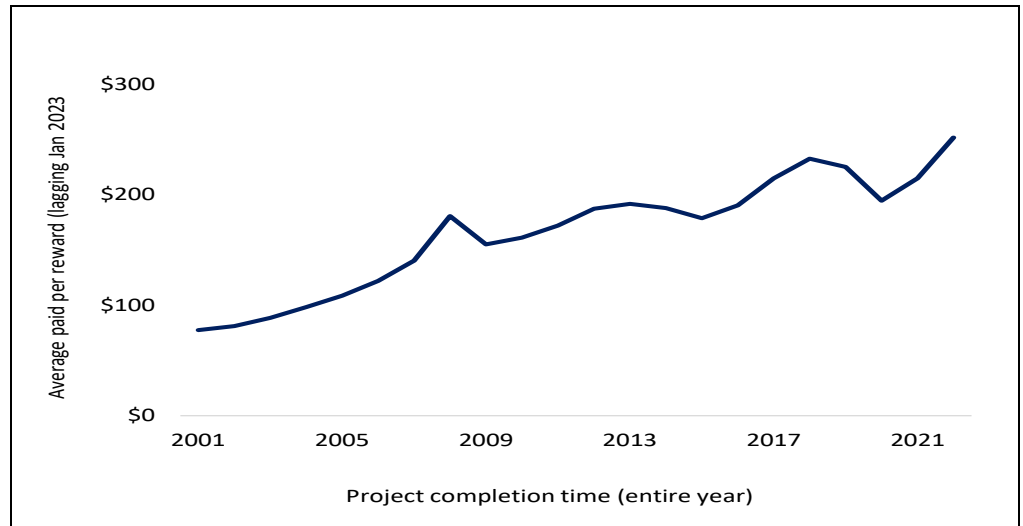
The other way of performing work is through crowdsourcing ideas on its Freelancer contest platform. A contest is one where the user requires something visual such as a logo and people compete for the prize. On average, 220 entries come in per contest. The larger the prize the better the entries and freelancers can adapt their lifestyle to suit the clients' feedback. The contest can start from as simple as ten dollars and work its way up to NASA posting contests for many hundreds or thousands of dollars for complex designs. In a contest, one can get up to 40 times leverage in terms of the amount of work that gets done due to competition by several people. This can converge to solutions where one can enter a contest for multiple categories of work. Within hours of posting the content, new submissions can be received from thousands of freelancers. The user who posts provides written feedback and rates the submissions for the duration of the contest. Once the contest is completed, the user who posts selects a winning freelancer who in turn receives the prize and the transfer of the work is done. We believe that crowdsourcing of ideas to freelancers on the Freelancer.com contest platform provides enterprises with the perfect solution for any project ranging from visual design work to idea generation. The platform enables immediate feedback on new ideas through contest sharing and polls.

Freelancer.com provides an integrated suite of tools designed to manage on-demand cloud workforce across various devices



In 2022 alone, the platform generated over 13m ideas to enable contest holders to find solutions quickly and collaboratively.

Figure 4: Average completed project size



Source: Company, Pitt Street Research

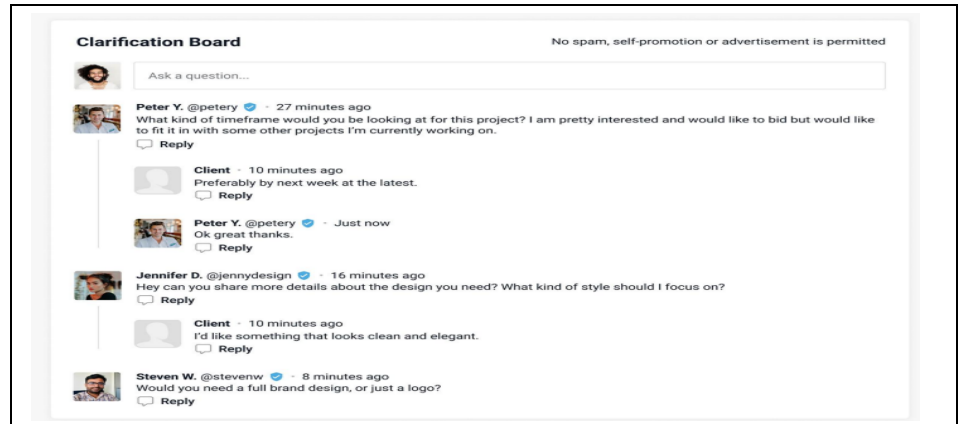
Additional features are enhancing the user experience on Freelancer.com

- a) **New Quote feature:** In Q1 2022, Freelancer introduced a new quotation feature aimed at enhancing the user experience. This feature allows new freelancers to proactively send itemised work proposals that can be easily accepted and paid in just two clicks. The implementation of this feature has significantly streamlined the checkout and payment creation process, addressing one of the key pain points in the user journey. Additionally, freelancers can now issue quotations to clients who are not yet on the platform at a discounted fee rate of 3%. This enables freelancers to onboard existing clients at minimal cost, fostering their reputation on the platform and creating a new channel for client acquisition. The new quotation feature is expected to play a significant role in driving revenue over the next couple of years.
- b) **Project Clarification Board:** Freelancer has experienced significant engagement in its Groups product, thanks to several enhancements made in various areas. These enhancements include improvements in discovery features, product performance, page load times, infinite scrolling, notifications, and enhanced imaging quality. Furthermore, Freelancer has introduced a new feature called the Project Clarification Board (PCB). Acting as an open forum, the PCB allows verified freelancers to engage in discussions with clients to clarify project details before placing their bids. This new feature not only facilitates better communication and understanding between freelancers and clients but also has the potential to improve Search Engine Optimisation (SEO) (Figure 5).
- c) **Enhanced design of User Interface:** Freelancer is actively involved in facilitating the outsourcing of various tasks, including graphic design, programming, and writing. The company has also made notable efforts in enhancing the design and user experience (UX) of its platform. The UI engineering and product design teams have made



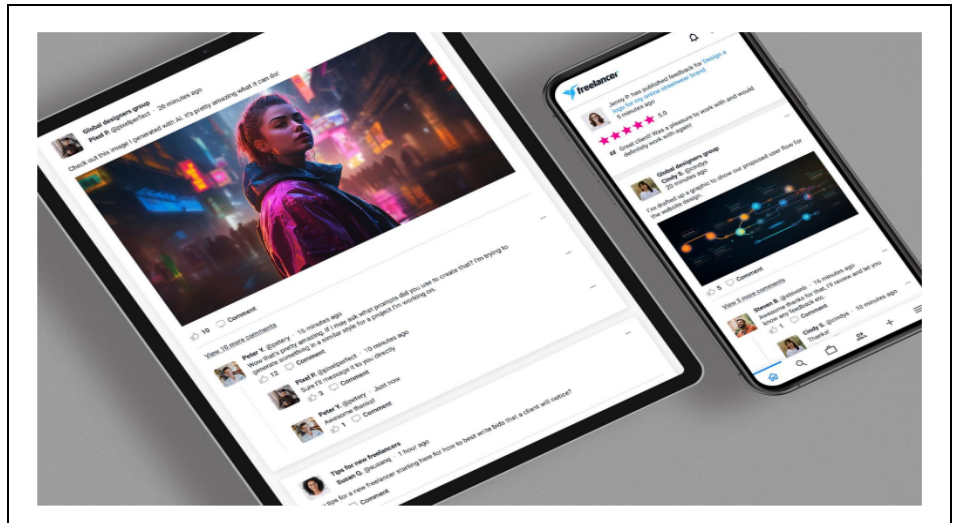
significant progress in giving the platform a fresh and modern look, focusing on creating an intuitive and seamless user experience. These improvements aim to provide users with a visually appealing and user-friendly interface that enhances their overall experience on the platform (Figure 6).

Figure 5: Project Clarification Board



Source: Company, Pitt Street Research

Figure 6: UX Improvements



Source: Company, Pitt Street Research

- d) **Voice calling:** Alongside the Groups product, Freelancer is actively working on enhancing its voice calling functionality to foster improved communication between clients and freelancers. This upgrade aims to facilitate more effective engagement and collaboration throughout the project lifecycle. The predictive model deployed by the company is also starting to pay off. The search engine marketing non-brand profitability has reached the highest level in five years, while the volume has remained steady compared to the previous quarters. This has been achieved as a culmination of a multi-



Chat requests has been a big step forward in terms of clients getting what they need from freelancers

year effort. The company aims to focus on organic channels in Q2 2023, including but not limited to SEOs.

- e) **New Funnel:** In Q1 2023, Freelancer started to replace the HireMe funnel with a new funnel based on chat requests, a messaging system like many found on social media. Instead of a client initiating the whole project, the client sends requests to the freelancer and when the time is right the freelancer sends the client a personalised quotation for the work. This results in two benefits:
 - Better understanding by clients and freelancers of the scope or pricing of the work up-front.
 - An elimination of spam and a reduction of trust and safety issues, which had been a feature of HireMe

Figure 7: Chat requests



Source: Company, Pitt Street Research

- f) **Chat requests** are being progressively rolled out and is likely to be completed by Q2 2023. This in turn is likely to result in improvements in financial performance with the quotations product (Figure 7).

II. Enterprise Services

Access to the labour cloud economy is made possible through Freelancer's Enterprise division, which offers a significant sustainable competitive advantage to global organisations — unparalleled access to talent. It allows for seamless augmentation and integration of a virtual workforce, i.e. support service providers. By utilising the platform, internal workforce utilisation can be optimised, and approved talent clouds can be accessed effortlessly, ensuring both high quality and scalability. Through this platform, the global organisations can serve their end-clients in every corner of their service domain area without worrying about recruiting full time employees.

The division specialises in providing transformational programs and APIs that connect existing contingent workforce, new flexible talent, and full-time staff. The integration of freelancers within the Enterprise division brings several benefits:



The Freelancer Enterprise division augments and integrates virtual workforces in a seamless manner

- It significantly enhances agility and the ability to respond to shifting demands.
- It leads to substantial cost savings and accelerates innovation and ideation within the organisation.
- The platform extends to serving the world's most prominent national agencies. Through advanced skills development it empowers national agencies to overcome challenges and offers them a platform to crowdsource innovative solutions from the world's top talent.

A key offering of the Enterprise services division is the **Freelancer Recruiter**, Freelancer's flagship managed service. The division's team of recruiters provides round-the-clock coverage, aiding clients anytime and anywhere. These highly talented recruiters excel in finding the best freelancers for specific jobs, and with the support of technical co-pilots, they can efficiently manage projects. The recruiters work closely with clients to estimate budgets and requirements before conducting an extensive search and interview process. They draw from a curated talent pool of vetted and preferred freelancers, ensuring that clients have access to top-notch professionals who can meet their needs.

Freelancer Enterprise has received task orders from NASA and other US government agencies

Freelancer has worked with NASA since 2015 for crowdsourcing solutions to the complex problems faced by astronauts on the cutting-edge space exploration technology. *Through Freelancer Enterprise, NASA witnessed huge costs savings of 80%-99% when compared with traditional cost methods.* The solutions were also implemented 30% faster than standard agencies and vendors. There was a 97% application of solutions witnessed across a wide range of federal space programmes.

The task order secured by Freelancer for NASA and the National Institute of Health is likely to help in the development of gene therapy in humans ranging from the simplest to most complex

In Q1 2022, Freelancer won three task orders and completed its second task order under the NASA Open Innovation Services 2 contract. The NASA Open Innovation Series 2 tender is a programme whereby NASA effectively acts as a centre of excellence for crowdsourcing for the US government. The company's success with NASA has resulted in an increase in the funding for NASA Open Innovation Services 2 Contract by 600% to US\$175m (Figure 8 on page 14). This is likely to span over the next three years. These task orders have in turn made NASA act as a gateway to the US government task orders. The government's task orders leverage Freelancer's crowd with strong transcription skills and design facilitation expertise.

The company also has task order engagements with the US Centers for Disease Control and Prevention and the US Department of Commerce. The work of the task order engagements is further spread across high technology areas including computational fluid dynamics work for a hydroelectric power authority in the US, through a million-dollar task order. This is done by building a 'Minority Report Style' dashboard for communication and tracking of data for first responders. The areas also cover electrical engineering, data science, machine learning, graphic design, UI/UX design, advanced manufacturing, software development, transcription and information security.

Freelancer Enterprise is making rapid penetration across organisation in the Middle East and the Asia-Pacific region

- In Q1 2023, Freelancer executed a master agreement with the Europe, Middle East and Africa (EMEA) entity of a top 4 professional service firm (i.e. one of Deloitte, KPMG, PwC and EY) piloting an

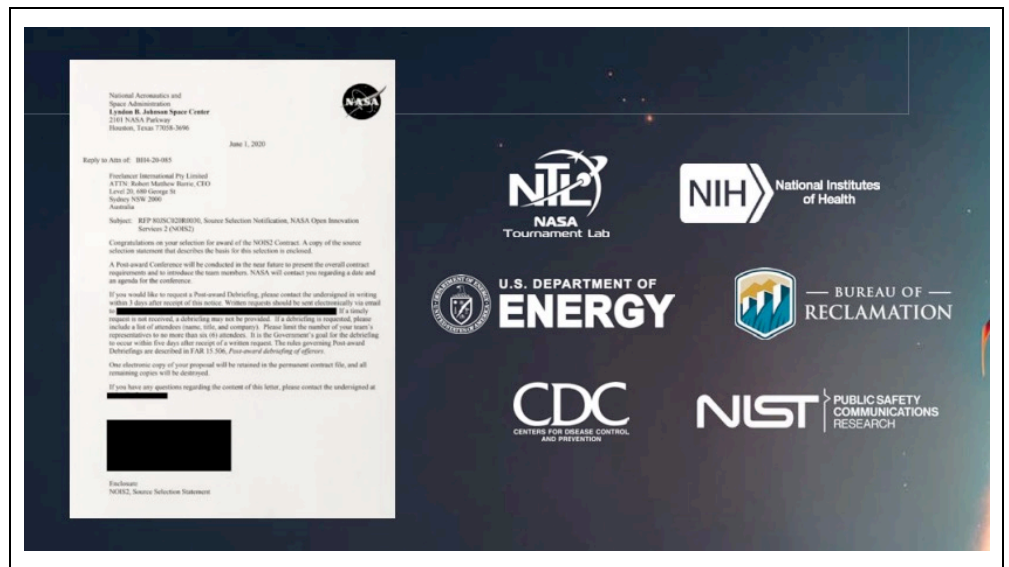


enterprise service solution. The company is in discussion with the entity's Indian, Australian and Philippines arm as well.

- Freelancer was recently made a service partner by the Middle East branch of a Switzerland-based global pharma giant.
- Freelancer has proposed and is in the process of finalising an enterprise engagement model with a state-wide government organisation in the APAC region.

All these recent client wins, and ongoing pilot projects, highlight that Freelancer has been expanding geographically with its enterprise solutions, gaining acceptance across all levels, including private organisations and government agencies in an otherwise anti-outsourcing Middle East and APAC region.

Figure 8: Success with NASA led to NOIS2 funding increase 600% to US\$175m



Source: Company, Pitt Street Research

MyGigs is a self-service short term staffing application for Deloitte

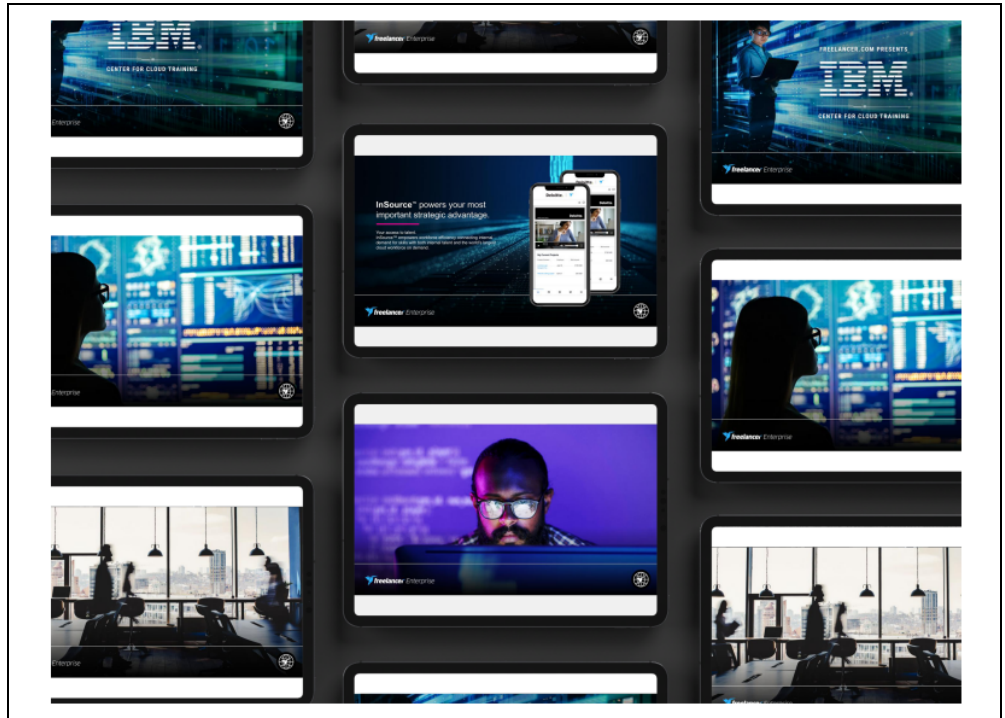
The Enterprise Services segment is conducted through two platforms: MyGigs and Global Fleet Services.

A. MyGigs platform

MyGigs is a Deloitte branded version of the Freelancer InSource platform which is tailored to address the needs of Deloitte practitioners and tightly integrated with SAP Fieldglass. It is a self-service short term staffing application connecting the company's internal talent pool to open up project opportunities with the objective of creating a number one remote talent experience. The MyGigs platform forms a flagship deployment of Freelancer Enterprise's InSource product solution. The platform connects the internal platform to the external Freelancer cloud workforce. InSource boosts the efficiency of the workforce, connecting internal demand for skills for both internal talent and Freelancer's cloud workforce on-demand. In H2 2022, Deloitte US and Freelancer Enterprise completed its final phase of deployment for the MyGigs platform. We believe that the InSource product is likely to be a key competitive differentiator for the Fortune 500, providing the Enterprise division with both an internal gig platform and an elastic cloud workforce (Figure 9).



Figure 9: Freelancer InSource



Source: Company, Pitt Street Research

Since March 2020, the number of gig workers has expanded considerably, to over 48,000 consultants. MyGigs is changing the way the company delivers work on its projects to firms, clients, and the society.

Projects on the MyGigs platform are posted both internally and externally to the greater Freelancer.com marketplace. However, most of the new users are likely to initially focus on MyGigs to find internal resources or gigs, while there exists a significant potential for MyGigs External. One advantage of external projects over internal ones is that the former is more liquid than internal projects. The liquidity is likely to witness growth as more freelancers are onboarded through a comprehensive enterprise-grade vetting process.

Deloitte is likely to rely more heavily on IT freelancers than it did before or during the COVID-19 pandemic. It enlists freelancers with specific skills across a diverse range of capabilities including AI and analytics. Deloitte consultants can hire freelancers, manage projects, and process payments at scale with the SAP Fieldglass integration. Thousands of consultants from Deloitte have already been onboarded to the platform. We believe that the deployment of the custom version of Freelancer is a positive for the company as it helps Freelancer to scale well with the largest computer and printer companies. It is currently in the process of being rolled out to 13 countries with a total of 53 countries globally in terms of the service network. The systems of the consultants are integrated with Freelancer's customers and there is a step up in terms of the volumes going through.



Figure 10: Field Service engineers completing on-site work



Source: Company

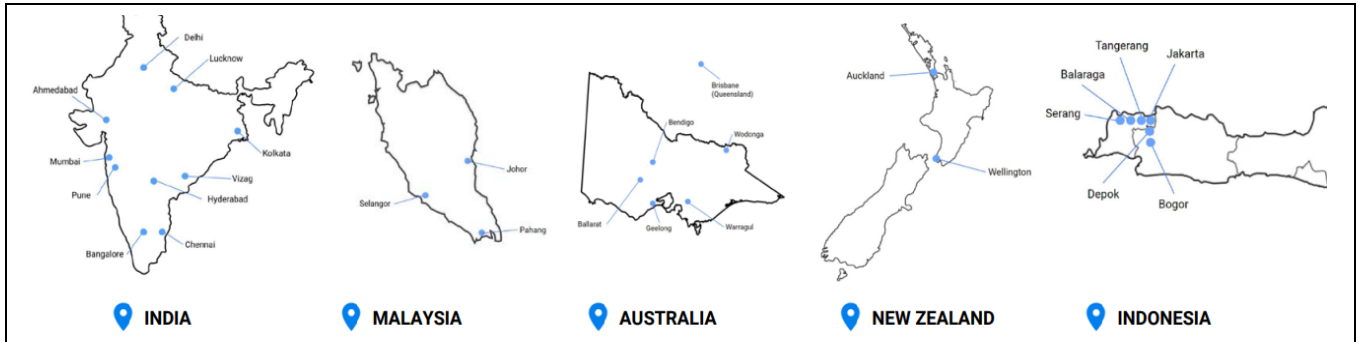
Freelancer aims to build a disruptive and elastic global workforce powered by freelancers

B. Global field services

Freelancer expanded its major engagement with a global technology leader in computer and printer technology across multiple countries for building of a disruptive and elastic global workforce powered by freelancers (Figure 10). The company also made fast strides in its long-standing collaboration focussed product strategy. The integration is now fully operational across India, Australia, New Zealand, India, and Malaysia. This is likely to pave the way for higher volumes across all markets and provide a standardised and single global solution. Additionally, an expansion in order volumes has also been witnessed due to technical integration directly into the work management system. Going forward, Freelancer aims to expand services to new countries for both consumer and commercial segments. The two main goals for 2023 are expansion to installation works and penetration into the US market. We believe that the creation of a Field Services marketplace through Freelancer Enterprise is likely to help Freelancer expand its existing services coverage into hard-to-reach regions experiencing service gaps (Figure 11).



Figure 11: Field Service engineers activating globally



Source: Company, Pitt Street Research

The gig economy is an old concept undergoing a paradigm shift

A gig economy is a free market wherein individuals can earn income from on-demand, short-term assignments, tasks, and jobs. Workers in a gig economy are not employees but self-employed independent contract workers who work for a variety of clients. Gig workers earn money from completing small jobs for numerous clients. Some gig workers are paid per hour, while others are compensated per project or task. Those who earn money per hour have the flexibility to choose when and how long they work.

With the availability of cheaper work and more efficient and flexible services, a gig economy offers consumers a unique alternative to regular and standardised business models. It encompasses a range of arrangements, including freelancers being paid per task, independent contractors who work and get paid on a contract-to-contract basis, project-based workers who are paid for each project they undertake, temporary hires employed for a fixed period, and part-time workers who work fewer hours than full-time employees.

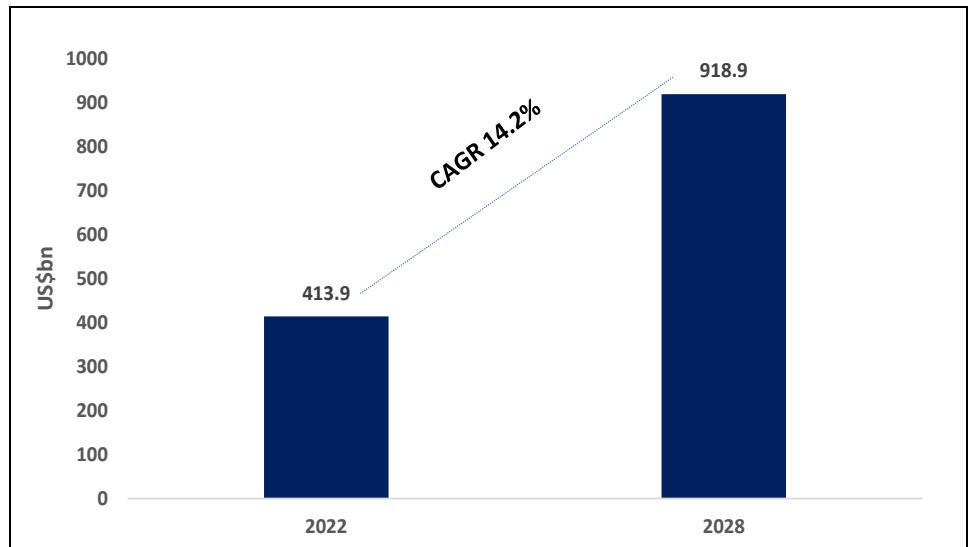
According to Marketwatch, a US-based market research firm and a subsidiary of Dow Jones & Company, the global gig economy market is projected to grow from US\$413.9bn in 2022 to US\$918.9bn in 2028, at a CAGR of 14.2% (Figure 12).

Freelancing is not a new concept. Companies of all industries have long relied external parties – freelancers, independent contractors, or entire organisations – to handle non-core functions and support their operations. By outsourcing specialised tasks to freelancers, companies can lighten the workload of their full-time employees, allowing them to focus on core business activities. The COVID-19 pandemic has further fuelled the demand for freelancing work, with more individuals and organisations seeking flexible employment/task enabler opportunities.

Individuals can work both offline and online and can be engaged in securing temporary and contracted work to find a gig. In the past, freelancers often relied on word-of-mouth referrals to find work. However, with the emergence of technologies such as Freelancer.com, the approach has changed significantly. With advancements in internet bandwidth, improved human-computer interactions, and enhanced technology, the scope and complexity of collaborative work between individuals have significantly increased. Moreover, innovation and change are the norm in today's world, i.e. organisations are turning to crowdsourcing as a problem-solving mechanism.



Figure 12: Global gig economy growth forecasts



Source: Marketwatch, Pitt Street Research

Organisations are resorting to gig workers to foster innovation and idea generation. They are also striving to build future-proof workforces, ensuring competitiveness and relevance in the evolving landscape of work

With globalisation, remote work, and the emergence of freelance marketplaces, hiring freelancers (such as Freelancer.com) has become easier than ever before. The rise of IT platforms has ushered in a new era, giving birth to freelance platforms. These platforms serve as marketplaces that connect businesses with gig workers from all corners of the globe, creating a seamless and efficient way to engage in freelance work. By connecting businesses in need of skilled professionals with individuals seeking freelancing opportunities, these platforms facilitate efficient and convenient collaborations.

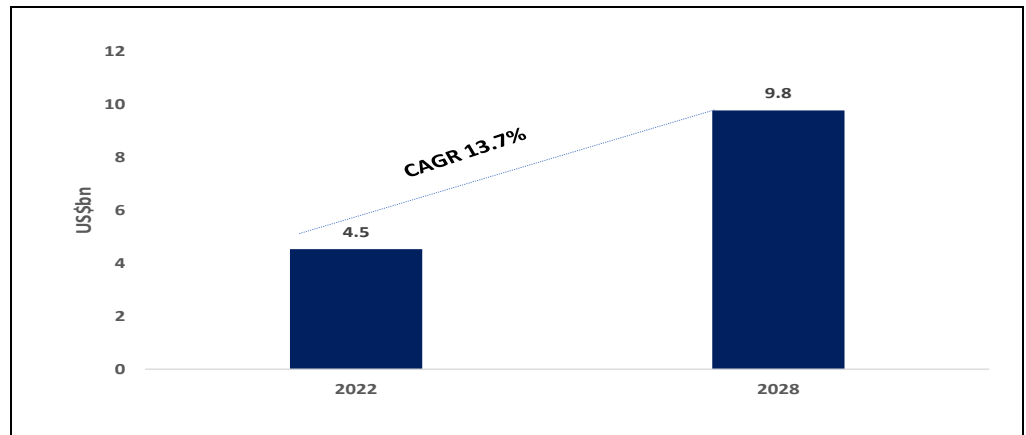
Freelance platforms such as Freelancer.com provide a platform for companies to post their workforce requirements, while freelancers can showcase their skills and experience through their profiles. These platforms typically generate revenue by taking a percentage from both the employer and the freelancer. In exchange for the fees charged, these platforms offer a streamlined and user-friendly business experience for both parties involved. Leveraging freelance platforms also allows businesses to tap into a global pool of talent, resulting in cost savings compared to engaging high mark-up vendors.

While well-known companies like Amazon, Alibaba, and eBay dominate the global product marketplaces, the services marketplace is even more extensive. According to the McKinsey Global Institute, approximately 160m jobs, accounting for around 11% of the projected 1.46bn services jobs worldwide, could potentially be performed remotely (assuming no supply constraints). We believe that the growth and potential of freelance work and the services marketplace underscore the transformative impact of technology and the evolving nature of work in the modern era.

According to Marketwatch, the global freelance platform market is projected to witness substantial growth, with an estimated increase from US\$4.5bn in 2022 to US\$9.8bn in 2028, at a CAGR of 13.7% (Figure 13). To illustrate the market opportunity another way, the McKinsey Global Institute has estimated that 160m, or about 11% of the projected 1.46 billion services jobs worldwide, could theoretically be carried out remotely, barring any constraints in supply.



Figure 13: Global freelance platform growth forecasts



Source: Marketwatch Pitt Street Research

Freelancer's online payment services platform – Escrow.com

Freelancer through Escrow.com offers a highly secure payment platform for high-value transactions, providing a safe environment for buyers and sellers. Escrow.com is the world's largest and only multi-jurisdictional licensed online escrow company. With over US\$6.6 billion in secured transactions, Escrow.com ensures the safety and integrity of online transactions for both consumers and businesses.

Escrow.com is the world's largest and only multi-jurisdictional licensed online escrow company. It ensures the safety and integrity of online transactions for both consumers and businesses

Unlike PayPal, Escrow.com specialises in handling complex and high-value transactions that involve items such as cars, houses, gemstones, diamonds, businesses, real estate, shipping containers, paintings, fine arts, and watches. The platform caters to a wide range of items that can be sold for various price ranges, i.e. US\$1-100m. Notably, Escrow.com is the exclusive online payment method for listing eBay Motors businesses in the United States. It also enables secure and reliable transactions in the luxury watch market. It serves as the payment method for the Shopify exchange, allowing seamless and secure transactions on the popular e-commerce platform. Global organisations such as Facebook, Snapchat, WeChat, SpaceX, Chrome.com, Gmail.com, and crypto.com have relied on Escrow.com for purchasing domain names, further demonstrating its trusted reputation and widespread adoption by industry leaders (Figure 14).

What is an escrow account?

Escrow.com ensures the safety and security of transactions by securely holding the buyer's payment in a trust account until the entire transaction is completed.

The Escrow.com platform provides a unique feature that allows for the inspection of high-value goods and services, such as private jets and luxury cars, before the transfer of funds. This added level of security and transparency ensures that buyers can verify the condition and authenticity of the items they are purchasing and not risking throwing money down the drain on goods that aren't what they are paying for. This feature is particularly crucial for expensive and exclusive transactions where thorough inspection is essential.

Escrow.com ensures the safety and security of transactions by securely holding the buyer's payment in a trust account until the entire transaction is completed. This provides buyers with confidence as it guarantees the proper registry of the asset in their name, simultaneously providing reassurance to

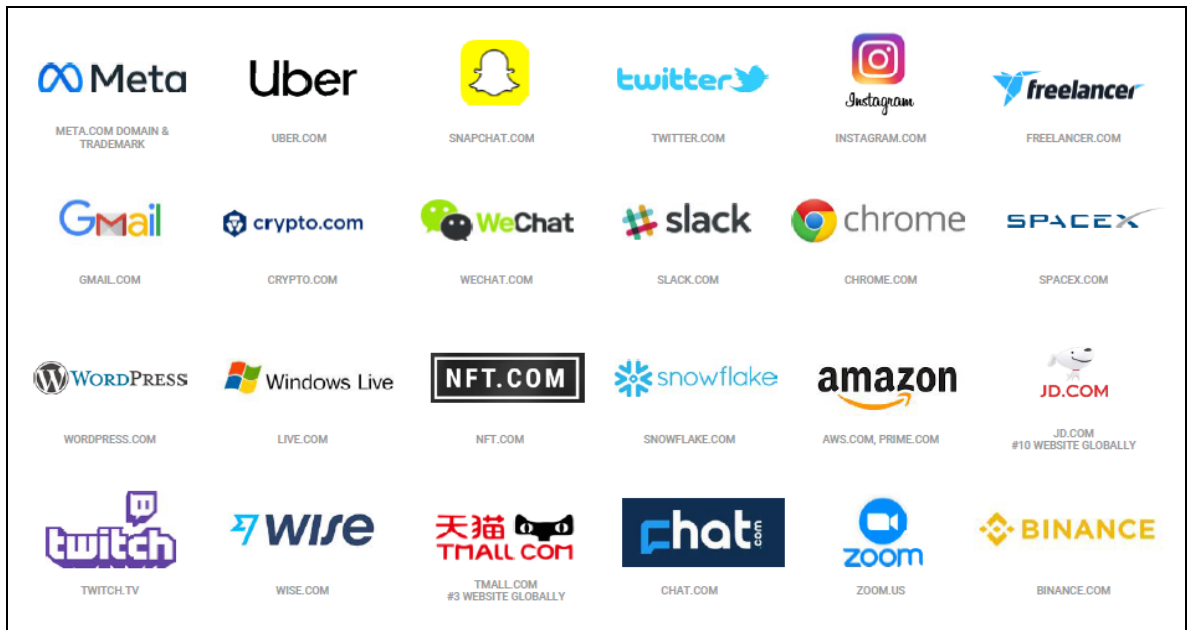


the sellers about their payment. *From a counterparty risk perspective, Escrow.com is the most secure payment method for transactions.* Both the buyer and seller are safeguarded with the funds kept in trust.

Escrow.com follows a meticulous process. The transaction flow is well structured, beginning with the agreement of terms by the involved parties. Buyers then submit their payments, and sellers deliver the goods or services. In the case of high-value items, inspections may be conducted to ensure their quality and condition. Finally, upon successful completion of the transaction, the payment is released to the seller, ensuring a fair and reliable exchange.

In Q1 2023, Freelancer achieved a GPV of US\$183m. Since its inception, Freelancer has successfully facilitated >US\$6.6bn in transaction volume, demonstrating the platform's significant impact and popularity within the industry.

Figure 14: Major global domains were bought through Escrow.com



Source: Company

What is the significance of Escrow.com?

Unlike most payment providers or platforms such as Afterpay, PayPal, Apple Pay, and Google Pay, which primarily focus on low-value transactions, Freelancer specialises in facilitating secure payments for high-value transactions. This distinction arises from the unique characteristics of high-value transactions, which require bespoke, secure, and error-free payment solutions. Additionally, the inclusion of inspections before shipping adds an extra cost element to these transactions.

In many cases, traditional online payment methods fail to address the concerns associated with untrustworthy counterparties, making buyer protection a less satisfactory experience for consumers. The risk involved in sending money before goods have been inspected also poses challenges for both buyers and sellers.



Escrow.com solves most of the issues engulfing large value payments in an untrustworthy world by ensuring the following:

- **Increased trust** – Since marketplaces are about trust, Escrow.com enhances trust for platforms.
- **Increased liquidity** – Buyers can inspect goods or services before the release of funds thereby driving cross-border transactions.
- **Improved network effects** – Higher liquidity implies more buyers and sellers, better choice, pricing and conversion rates.
- **Increased insights** – This helps to know who the customer is, enables bidirectional feedback, and what happens after the match.
- **Increased Revenue** – Upselling is possible due to the platform handling the payments.

Escrow.com has been used for M&A transactions

The uses to which Escrow.com can be put are manifold.

- It's worth noting that sales of non-operated mineral rights online were made possible by Escrow.com, and this in turn aided the transformation of the business into an online marketplace.
- The platform has also been used for M&A transactions - once the letter of intent or asset purchase agreement is signed, Escrow.com can be used to protect the deal from fraud and scams.
- Escrow.com is the key payment method used in buying and selling domain names and websites.

Figure 15: Escrow.com holds the funds while the transaction is completed



Source: Company, Pitt Street Research

Escrow.com is different from PayPal, where funds must be shipped instantly, and the unsatisfactory delivery of the goods may need to be resolved by complex and time-consuming chargebacks or reversals. By contrast Escrow.com supports payments up to 100m in USD, Euros, CAD, AUD, and GBP. The usage of Escrow.com results in an increase in trust, liquidity, compliance, revenue, insights, and network effects (Figure 15).



Escrow.com's new partnerships supports feature enhancement and market expansion

- a) **Acquire.com:** To prevent deals from fraud and scams, Escrow.com has entered a partnership with Acquire.com, a website that ensures the safety of startup acquisitions. Acquire.com is the largest startup acquisition marketplace focussed on profitable software companies. It also enables players in the energy sector to complete sales of non-operated mineral rights online. Increased volume through application marketplaces such as Flippa are currently being witnessed, which Escrow.com is in process to handle through Acquire.com. Some of the marketplaces are likely to branch into mergers and acquisitions of businesses, which are likely to be supported by Escrow.com.
- b) **Blinker:** Since mid-2022, Escrow.com has been working on a new integration agreement with Blinker, a mobile app that helps consumers buy or sell a car completely on the app. On Blinker, would-be buyers can select a vehicle, negotiate a price, choose which financing to go for from a marketplace of finance providers, secure approvals, make down payments for reducing financing costs and complete purchases, all from a mobile application. Having Escrow.com in the app makes the use of Blinker much more trustworthy as far as the user is concerned. Escrow.com is talking with other car marketplaces such as CarMax, Carsales and Carvana. The private party used car sales market is significant, with an estimated size of US\$230 billion. Research indicates that 55.5% of used car purchases involve financing. Escrow.com's offering aligns perfectly with this market, providing a trusted payment platform that supports the expansion of its market reach.
- c) **MergerCorps and BitsForDigits:** In May 2022 it was announced that Escrow.com would be used by MergersCorp, an M&A firm, for escrow services when companies buy and sell businesses. In June 2023 Escrow.com announced a similar partnership with BitsForDigits, an online platform for the acquisition of startups.

The market opportunity for escrow transactions

The global digital payment market was valued at around US\$90bn in 2021. The market is projected to experience substantial growth and is expected to reach a value of US\$375bn by 2030.

Digital payment, also known as electronic payment, involves the transfer of value from one payment account to another without the need for physical cash. It relies on digital devices like mobile phones, computers, and Point of Sale (PoS) machines, as well as digital communication channels such as mobile wireless data or the SWIFT¹ network.

According to research conducted by Precedence Research, the global digital payment market was valued at US\$89.5 billion in 2021. The market is projected to experience substantial growth and is expected to reach a value of US\$374.9 billion by 2030. This impressive growth represents a compound annual growth rate (CAGR) of 17.25% during the forecast period (Figure 16 and Figure 17).

Digital wallet providers, including industry leaders like Google, Amazon, and Alibaba, are continuously enhancing their offerings by introducing value-added features and providing excellent customer experiences. These advancements have a positive impact on the adoption of digital wallets, driving significant traction within the segment.

¹ Society for Worldwide Interbank Financial Telecommunications



The COVID-19 pandemic has indeed brought about significant changes in shopping behaviour, prompting a widespread adoption of online shopping systems. As people turned to online platforms for their purchasing needs, the online payments market experienced substantial growth. This surge in online sales has created a greater demand for secure and reliable online payment solutions. Companies like Escrow.com that provide secure online payment methods, particularly for high-value items, are well-positioned to benefit from this trend. Escrow.com is targeting growth opportunities across several industries including domain names, luxury watches, jewellery, used vehicles, M&A, and real estate.

Figure 16: Global digital payment by value

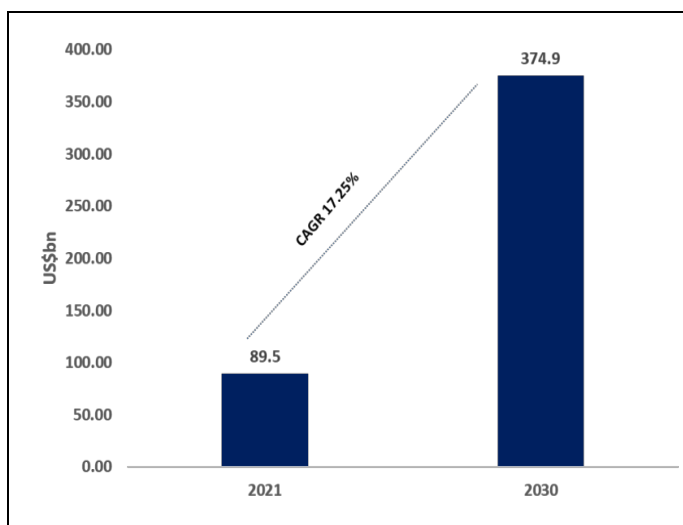
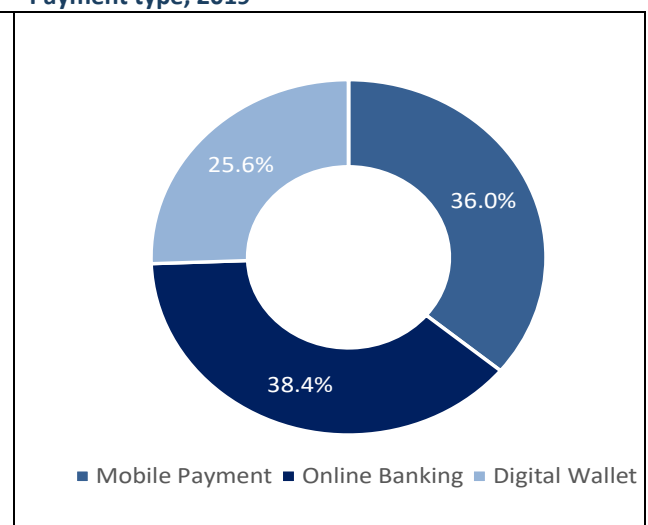


Figure 17: Global online payment market share – By Payment type, 2019



Source: Precedence Research and Fortune Business Insights

Loadshift – Steady expansion of loads shifted

Freelancer's third business, Loadshift, is Australia's largest online heavy haulage freight marketplace within the online freight marketplaces sector. Loadshift is a pioneer in the digital freight industry, revolutionizing connections between freight owners and transport operators. The platform serves as a go-to marketplace, facilitating reliable transportation solutions for a wide range of needs, from palletised freight to oversized loads like cars and dozers. Loadshift today handles freight volume requests of around A\$300m annually, worth 100 million km.

Loadshift follows the same principles as Freelancer's other platforms, streamlining the deal process by carefully vetting operators, providing competitive quotes, ensuring reliability and quality, tracking cargo at every kilometre of the journey, and securely holding payments in trust until the job is completed. For carriers, it charges fees for loads of either 10% to non-members or 5% on a \$69.95/month membership. Shippers pay 3% before GST.

Loadshift caters to several major industries especially mining, infrastructure, construction, and international shipping industries (Figure 18).

Loadshift is Australia's largest online heavy haulage freight marketplace, connecting freight owners with transport operators



- **Mining** - Through Loadshift, anything can be shipped to anywhere in the world. The items to be shipped can range from CAT loaders to be sent to Tanzania, a drill to South Korea or a transmission to Papua New Guinea.
- **Infrastructure/construction** – Strict deadlines and difficult locations are some areas that Loadshift specialises in. Due to fast changing project requirements, a key aim of Loadshift is to ensure a job is not held up by transport.
- **International shipping** – Loadshift can be used for handling the clients' import and export or shipping needs. It provides an extensive network of freight forwarders and custom brokers all over the world with payments secured by Escrow.com.

Figure 18: Major global freight customers of Loadshift platform



Source: Company

In 2022, the Loadshift and the Freelancer platforms were merged which resulted in the transformation of a single membership-based bulletin board into a full freight marketplace

The Loadshift/Freightlancer deal was transformational

Freelancer has successfully developed specialised versions of its freight marketplace, known as Freightlancer, to cater to specific verticals in collaboration with partners. It first entered this space in 2018 when it acquired Freightlancer, then an independent company known as Channel 40. In 2021, Freelancer acquired Loadshift for \$7.7m, after which the merged division started operating under the Loadshift brand.

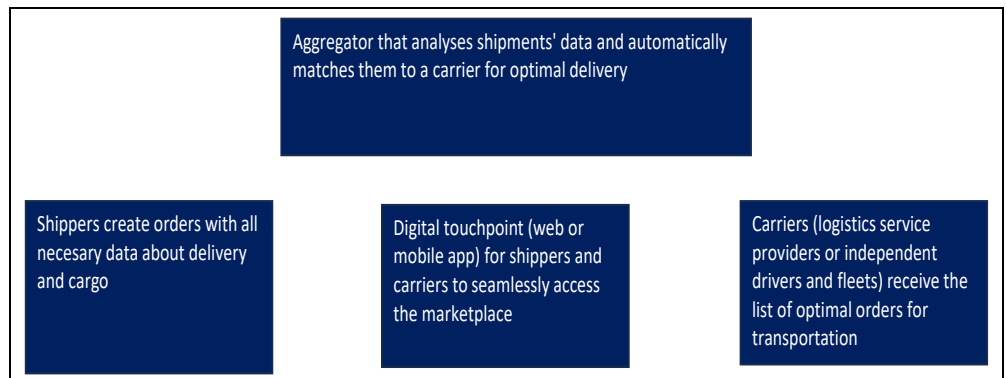
With the integration of Freightlancer into Loadshift, which occurred in 2022, the platform now offers a broader range of services and features. Notably, a commission-based model has been introduced, inspired by the operating model of Freelancer.com. Shippers are charged a commission of 3%, while carriers face a commission of 10% on transactions conducted through the marketplace. This approach aligns with Freelancer.com's successful commission-based structure and allows for a sustainable business model within the freight industry.



We believe the merger of Freelancer's freight division with the Loadshift platform represents a significant milestone for the company. The integration of these platforms is expected to generate additional opportunities for carriers to connect with a wider range of available loads. Simultaneously, shippers will gain access to an expanded network of carriers throughout Australia. The platform's increased scale and reach are likely to drive greater connectivity and facilitate smoother transactions between carriers and shippers.

In 2022, Loadshift enabled 74,096 loads with A\$350m of notional GLV. The average distance was 1,337km per load, the average completed load size was A\$5,184 and the average freight charge was A\$3.49/km.

Figure 19: Freight marketplace mechanism



Source: Company, Pitt Street Research

The market environment for freight marketplace

How does a freight marketplace work?

In an online freight marketplace, shippers create orders with the necessary data about delivery and cargo and carriers receive the list of optimal orders for transportation. The freight marketplace enables companies to choose from a list of independent truck drivers and logistics companies. To streamline things, shippers can set desired delivery times or schedule cargo transportation in advance. In addition, the driver onboarding process is accelerated, and drivers can apply for work faster, due to the digital nature of online shipping platforms. Furthermore, a digital point for shippers and carriers exists for access to the marketplace in a seamless manner. An aggregator like Loadshift also analyses the data for shipments and automatically matches it to a carrier for optimal delivery (Figure 19).

Benefits of using a freight marketplace

Besides real-time communication, secure payments, and the maximisation of productivity and asset utilisation, digital freight marketplaces help with many other things:



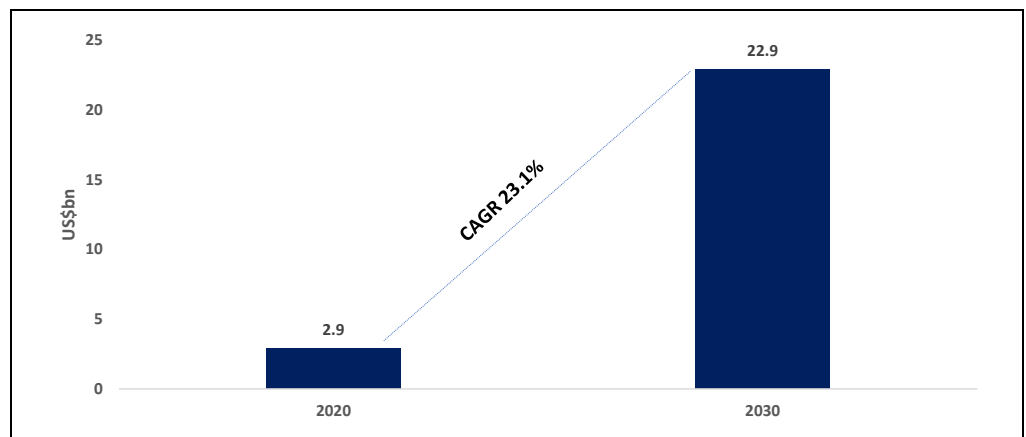
- Marketplaces are enabled with cloud-based systems containing end-to-end encryption, which helps in improving data security and fraud protection.
- Marketplaces ensure fairness and transparency at all stages between shippers and carriers, through tracking systems.
- Marketplaces accelerate batching through artificial intelligence (AI), as packages can be allocated automatically and sent out for shipping round the clock at no additional cost.
- The digital freight solutions of marketplaces help in optimising data and records management. Companies can also perform advanced forecasting to improve last-mile delivery.
- The increased competition that a digital freight marketplace brings can help to lower prices and improve service levels to a great extent.

We expect the global digital freight forwarding market will grow at more than 20% p.a. for the coming decade or so

Freight marketplace industry is expected to grow at an accelerate rate

The global digital freight forwarding market is likely to grow at a 10-year CAGR of 23.1% from US\$2.9bn in 2020 to US\$22.9bn in 2030 (Figure). The growth in the market is likely to be attributed to expansion in the e-commerce market owing to digitalisation. Digital freight forwarding is likely to result in a host of benefits such as instant quotes, transparent pricing, comparison of rates and carriers, better tracking, and ease of documentation. Loadshift is expected to reap all the benefits of this rapidly expanding sector.

Figure 20: Digital freight forwarding growth forecasts



Source: Marketwatch, Pitt Street Research

How does Freelancer generate revenue?

Freelancer generates commission income through its various marketplace platforms:

- **Freelancer.com** - Freelancer's primary source of revenue generation comes from users posting jobs on the platform. To ensure fair payment for work, the concept of milestone payments is employed. Milestone payments involve payments being held by Freelancer.com until the project is completed. Payment is made for each hour of milestone work completed. Once the project is finished and the client is fully satisfied



Freelancer's main fee income is generated from project commissions when projects are awarded by users and subsequently accepted by other users

with the outcome, the milestone payment is released to the freelancer, and the client's payment is processed.

The main income from fees is generated through project commissions, which occur when users award projects to freelancers, and those projects are accepted by the freelancers. The fees vary based on the project's value and are paid as an introduction fee at the time of acceptance. The project commissions range between 0-3% of the project's value from employers and 3-10% of the value from freelancers. The exact commission rate depends on whether a user is on a free or paid membership plan. The paid membership plans offer various additional features and benefits, such as lower commissions, more bids, free project upgrades, and larger portfolios.

Freelancer also generates revenue from other services it offers. These services include project upgrades, crowdsourcing contest upgrades, bid upgrades, transaction fees, advertising, and certification fees.

- **Escrow.com** - Freelancer charges fees on every transaction (Figure 21). Transactions with buyers outside the US may incur a US\$25 charge to cover intermediary bank fees. This fee will be added to the escrow fee, regardless of whether the buyer or seller selects to pay via international wire transfer. Once the agreed-upon fee is determined, it will be included in the purchase price of the merchandise, vehicle, or domain name. Following the completion and verification of the transaction's terms, Escrow.com will promptly make the payment to the seller using the preferred disbursement method on the same or the next day.

If there is an agreement for the seller or broker to pay all or part of the escrow fee, it will be automatically deducted from the purchase price or the broker commission accordingly.

Figure 21: Transaction fees in USD

Transaction Amount (Merchandise + Shipping)	Standard	Conceirge	Payment Processing fee
\$0-\$5000	3.25% (\$10 minimum)	6.5% (\$100 minimum)	Standard or conceirge fee + 3.05%
\$5000.01-\$25000	\$162.50 +0.26% of amount over \$5000	\$325 +0.52% of amount over \$5000	Not available
\$25000.01 +	0.89%	1.78%	Not available

Source: Company, Pitt Street Research

- **Loadshift** – On the freight marketplace platform, signing up, posting loads, submitting quotes, and discussing project requirements are all free of charge. However, if a load is awarded to a carrier, a small introduction fee relative to the value of the selected quote is applied. To ensure a trusted marketplace for both carriers and shippers, all loads are paid through the Loadshift Milestone Payment system.

For shippers, a fee of 3.3% of the load's value or A\$5.50 (whichever amount is greater) is levied during the award of the load to the carrier. These fees include GST to comply with taxation regulations. On the other hand, member carriers benefit from discounted fees on their quotes. Non-member carriers are charged a fee equivalent to 11% of the load's value or A\$5.50 per tonne (whichever is greater) when awarded the load.



Why Freelancer can turn around

We acknowledge investors would be frustrated with the share price underperformance. We think Freelancer has suffered from the 'Tech Wreck', the superior IR strategies of peers such as Airtasker (ASX: ART) which have led to investors finding these companies more attractive, and the fact that the company is not profitable, not to mention the fact that growth is slower than investors had expected. However, we are confident the company is making progress.

We think the key catalysts will be continued revenue growth across all of its platforms as adoption increases and the company tracking towards EBITDA and NPAT profitability, which we anticipate can happen in FY24 and FY25 respectively and is possible without further shareholder dilution. The company has made significant progress towards this in 1HY23.

Freelancer's progress – as evidenced in 1HY23

On a group-wide basis, Freelancer improved its NPAT from \$(3.1m) in 1HY22 to \$(0.3m) in 1HY23. Its Escrow.com division was profitable during the period and its core marketplace and Loadshift divisions are at an effective break-even position. The company's EBITDA improved too from \$(4.2m) to \$(0.4m). This was due to cost efficiencies extracted across the business. Employee expenses are down 23% and marketing is down 40%. It closed the period with \$23.1m in cash and no debt, a flat position compared to FY22. The gross margin remained steady at 84%.

In 1HY23, Freelancer.com's Gross Merchandise Volume (GMV) remained relatively stable at A\$65.2m. The Gross Payment Volume (GPV) was \$576.9m across the group, down 11.6%. Although, this figure represents a decline, figures from the past couple of years were driven by COVID-related super-seasonality, artificially inflating core metrics, particularly project fees.

It was a particularly successful period for Loadshift. During 2Q23, its GMV increased 53.7% quarter-on-quarter. The average freight charge was \$4.03/km, up 18.5% from the prior corresponding period.

We think investors will re-rate the company as it edges to profitability, which we think can happen in FY25. We don't expect Freelancer to raise more capital.

Freelancer's competition

The Freelancer.com platform enjoys a plethora of advantages over nearest competitors that investors have not realised and therefore underrated Freelancer.

Airtasker: Airtasker has one central platform instead of Freelancer's three. Although it has over 160k 'taskers', the pool is more limited in practice because jobs tend to be localised jobs that must be done in person such as helping individuals move house. Although it has an international presence, it is still very Australia-centric with <2% of revenues coming from outside Australia. Airtasker allows 'taskers' to set their own hourly rate or bid for a project, taking a percentage between 10 and 20% dependent on the task and value. It is listed on the ASX like Freelancer is, joining the bourse in March 2021.

One thing it has done better than Freelancer is its IR strategy in the first few months post-listing, occurring as it did during the pandemic-related tech



boom. Retail investors were excited about having a chance to invest in this company after it raised capital so successfully while private. But it has suffered amongst the most of any ASX tech stocks as the company continued to bleed cash while investing for growth, particularly international growth that has not eventuated thus far (at least to the extent investors may have expected).

Fiverr: At first glance, investors might say that Fiverr is a comparable platform to Freelancer. It is not a marketplace in the sense that Freelancer is, where freelancers have to bid for tasks. Fiverr is essentially a platform enabling the traditional professional services model.

It has less flexibility for buyers and sellers compared to Freelancer where payment only is made once the job is completed. Fiverr sellers are free to sell their services, but the commission fee is flat. The platform will charge 20% of the paid gigs, irrespective of how long one has worked with the buyer. 5.5% fee is charged on all transactions. Buyers pay Fiverr in advance. When an order is successfully delivered and completed, sellers receive 80% of the total order value. It has 830k Freelancers, a fraction of what Freelancer has.

Upwork: Upwork is similar to Fiverr in terms of its operations and the clients that use it. However, it tends to be suited for larger and complex jobs as evidenced that the typical spend is US\$5,000 per year. Upwork may have about 4m active freelancers² given the average but promotes 18 million in total freelancers³ (ie active and not-so-active). The number of available services is only around 90, and the platform is US centric. It has some special features that its peers do not such as verification of freelancer entities, a virtual talent bench of trusted freelancers, and dedicated mobile application for hiring of freelancers and project management.

Upwork charges a 5% processing fee on all transactions, although some American clients may be eligible for a 3% processing fee and its service fee is a flat 10% fee.

Valuation of Freelancer

To derive Freelancer's long-term value, we have employed a weighted average valuation methodology – using Peer Group & DCF approaches, then weighting both equally.

Peer group valuation suggests \$0.35-\$0.64 per share

We have considered businesses from diverse geographic locations as Freelancer faces competition from both domestic and international players (Figure 22). Given Freelancer's portfolio of three distinct businesses (Freelancer.com, Escrow.com, Loadshift), we have included publicly traded companies that offer hiring services, talent marketplaces, online remittance services, management consulting services, task outsourcing services, and real-time payment solutions. Peer list includes: Crowdworks Inc. (TSE: 3900), Upwork Inc. (NASDAQ: UPWK), Airtasker (ASX: ART), Fiverr (NYSE: FVRR), Remitly (NASDAQ: RELY) and ACI Worldwide (NASDAQ: ACIW).

² Estimated using an average job figure of US\$250 and Gross Services Volume of US\$1bn in the March 2023 quarter.

³ See 94 Upwork Statistics For 2023 (Users, Growth & Trends) by Daniel Ruby, Demand Sage, 6 March 2023.



Figure 22: Peer Multiples[^]

Company Name	Ticker	Last reported fiscal	M-Cap	EV / Sales			
			(A\$ m)	2021	2022	2023F	2024F
CrowdWorks Inc.	TSE:3900	Sep-22	206.0	1.2x	1.4x	1.1x	0.9x
Upwork Inc.	NASDAQ:UPWK	Dec-22	1,595.0	2.7x	2.1x	1.9x	1.6x
Airtasker	ASX:ART	Jun-22	88.0	2.5x	2.1x	1.5x	1.3x
Fiverr	NYSE:FVRR	Dec-22	1,544.0	4.1x	3.4x	3.1x	2.7x
Remitly	NASDAQ:RELY	Dec-22	5,002.0	7.1x	4.6x	3.4x	2.7x
ACI Worldwide	NASDAQ:ACIW	Dec-22	3,784.0	2.7x	2.5x	2.4x	2.2x
Average			2,037	3.4x	2.7x	2.2x	1.9x
Median			1,570	2.7x	2.3x	2.1x	1.9x

Note: [^]As of 25 July 2023

Source: Refinitiv and Pitt Street research

By applying the industry-average EV/Sales multiple of 2.2x to the projected revenue for 2023, we have calculated a fair value of A\$0.35 for the base case and A\$0.45 for the bull case (Figure 23). It is imperative to note that Freelancer possesses a unique combination of three distinct and high-growth businesses, warranting the application of a premium to the industry multiple. Therefore, in our base case, we have applied a 10% premium to the industry multiple, and in our bull case, we have applied a 20% premium.

Figure 23: Relative Valuation calculation

Freelancer Valuation (A\$m unless specified)	Base case	Bull case
Sector Average Multiple	2.2x	2.2x
Discount/ Premium	20.0%	40.0%
Sales 2023F	72.3	84
Implied EV	193	262
Net (debt) cash	18	32
Minority interest	(4)	(4)
Other Investments	-	-
Equity/Book value	207.3	290.3
Diluted Shares (m)	451.7	452.3
Implied price (A\$)	0.34	0.64
Current price (A\$)	0.275	0.275
Upside (%)	67.2%	133.4%

Source: Pitt Street Research

DCF yields \$0.96-\$1.21 per share

Our DCF model (Figure 24) has the following key assumptions:

- **Revenue Model:** Our DCF calculation is primarily driven by forward revenues from Freelancer's key business verticals, based on the commission income charged on total transaction volume for that vertical. The company's revenue growth is modelled to travel in tandem with the expansion of key addressable markets. The company's commission income expansion is projected based on its innovative product portfolio, newer features on platforms and consistently expanding client reach.
- **Forecast Horizon** – We have considered a forecast horizon of 11 years (2023 included) as the company is still in the early phase of its growth lifecycle and experiencing a consistent revenue growth momentum. The



- company achieved operational profitability in Q1 2023. We have applied terminal growth of 2% beyond the 11 years of the forecasted period.
- **Discount rate** - Considering that Freelancer is a high beta and volatile stock, we have assumed a WACC of 12.6% - derived from a 14% cost of equity and 7.7% pre-tax cost of debt with an 83.6-16.4 equity-debt split. The cost of equity is derived from an 8% equity premium, a 1.2 beta and a 4% risk free rate of return. Figure 25 depicts the impact of the WACC on the valuation.
 - **Corporate tax** - We assume a corporate tax rate of 30%. As Freelancer is anticipated to achieve net-level breakeven only in 2025, the company will start to pay-out taxes at that time.
 - **Difference in valuation scenarios:** There are primarily two differences that we have applied across our valuation scenarios:
 - **Growth rate:** We have assumed accelerated growth in the acquisition of new clients and trading volume across platforms. The growth rate differs across the valuation scenarios, with an average annual growth of 6% in the base case, 9% in the bull case, and 4% in the bear case. As a result, the 5-year revenue CAGR (2022-27) varies across the three cases as follows: 8.5% in the base case, 14.5% in the bull case, and 6.3% in the bear case. We see both cases as reasonable given the massive growth in the gig economy globally, as well as the market opportunity for Escrow.com.
 - **Net profitability:** The escalation of costs applied across scenarios varies. In our base case, we assume net profitability will be achieved in 2025, while in the bull case, the same is anticipated to be achieved as early as 2024.

Figure 24: Calculation of Freelancer's DCF valuation

Freelancer Valuation (A\$m unless specified)	Base case	Bull case
Enterprise Value (A\$ m)	419.7	519.6
Net (debt) cash	18.2	31.7
Minority Interest	(3.7)	(3.7)
Other Investments	-	-
Equity value (m)	434.2	547.6
Diluted Shares (m)	451.7	451.7
Implied price (A\$)	0.96	1.21
Current price (A\$)	0.275	0.275
Upside (%)	249.1%	340.0%

Estimates: Pitt Street Research

Figure 25: DCF value in A\$ cents using various WACCs

Sensitivity Analysis						
WACC	12.7%					
Terminal Growth Rate	2%					
Implied Price (A\$ cents)	0.96	10.7%	11.7%	12.7%	13.7%	14.7%
Change in Terminal Growth Rate	1.0%	1.18	1.03	0.92	0.82	0.74
	1.5%	1.21	1.06	0.94	0.83	0.75
	2.0%	1.25	1.09	0.96	0.85	0.76
	2.5%	1.29	1.12	0.99	0.87	0.78
	3.0%	1.35	1.16	1.01	0.89	0.79

Estimates: Pitt Street Research



Fair value of A\$0.71-0.93 per share

Our base case value of A\$0.71 per share has been derived using a weighted average valuation methodology, which assigns equal weight to our relative valuation and our DCF calculation (Figure 26). Our bull case calculation results in a valuation of A\$0.93 per share. Both the cases imply substantial upside from the current share price.

Figure 26: Blended Valuation of Freelancer

Freelancer Valuation (A\$ m)	Base Case	Bull Case
Enterprise Value (A\$ m)	306.4	391.0
Net debt (cash)	18.2	31.7
Minority Interest	(3.7)	(3.7)
Other Investments	-	-
Equity value (A\$ m)	320.9	419.0
Diluted Shares (m)	451.7	451.7
Implied price (A\$)	0.710	0.927
Current price (A\$)	0.275	0.275
Upside (%)	154.6%	237.1%

Estimates: Pitt Street Research



Key risks

The main risks that are facing Freelancer and its investment rationale are as follows:

- **Execution risk:** The majority of the future growth for Freelancer is expected to come from the addition of new features and partnerships across its three platforms. Any interruption in expansion of service portfolio and difficulty in commercialising the newer features will jeopardise investor sentiment.
- **Economic downturn in focused industries:** Freelancer is expected to generate a significant portion of revenue from high-value payment transactions and freight movement. Considering that volume in these businesses is directly dependent on economic activity, any related fundamental downturns here will hamper Freelancer's growth potential.
- **Geographical concentration:** Australia represents 100% of total revenue for Loadshift.com. This may restrict the growth capacity for Freelancer as the global market becomes competitive.
- **Competition:** As the global online freelance marketplace and high-value online transaction segment expands, the larger (regional and foreigner) players will also increase presence in the region. Freelancer will have to counter their financial and technological power to attract/retain customers.
- **Forex risk:** Freelancer's earnings is mostly in USD. Currency fluctuations can impact the company's earnings in AUD. Fluctuations in the exchange rate will impact our valuation.

Appendix I – Strong leadership

Freelancer has a strong board and management team (Figure 27) with experience across technology, computer security, networking and software, finance, accounting, and general management domain. Additionally, some of the leaders are key shareholders in the company and this should provide confidence to potential investors.

Founder and CEO Matt Barrie

Matt Barrie founded Freelancer in 2009 and remains its CEO. The company originated from Mr Barrie's realisation that freelancers were easy to hire and pay for once you found them. Mr Barrie first aggregated numerous freelancer businesses to create Freelancer.com. He took the company public in 2013 and has since guided the company through its entry into payments and freight. Mr Barrie was educated at the University of Sydney, where he graduated in 1994 with a Bachelor of Science with First Class Honours in Computer Science and Physics and in 1996 with a Bachelor of Engineering with First Class Honours in Electrical Engineering. He gained his Master of Science in Electrical Engineering from Stanford University in 1998. Mr Barrie also has a Master of Applied Finance degree from Macquarie University, gained in 2009.



Figure 27: Freelancer's other management and Board Members

Name and Designation	Profile
<p>Mr. Darren Williams Non-Executive Director</p>	<ul style="list-style-type: none"> Mr. Williams has extensive experience in computer security, protocols, networking and software domain. He co-founded Sensory Networks Inc. and held the roles of CTO and subsequently CEO. Mr. Williams holds a first class honours degree in Computer Science and a Ph.D. in Computer Science from the University of Sydney.
<p>Mr. Simon Clausen Non-Executive Director</p>	<ul style="list-style-type: none"> Mr. Clausen has more than 17 years of experience in high growth technology businesses across Australia and the US. He was founder and CEO of PC Tools which was acquired by Symantec Corporation in October 2008. He also founded Startive Ventures, a specialised technology venture fund in 2009.
<p>Mr. Neil Katz CFO</p>	<ul style="list-style-type: none"> Mr. Katz has over 20 years of experience in finance, accounting and general management domain. He has held CFO level roles at several technology companies, including IPscape, Threatmetrix, Sensory Networks and Aprifix. Mr. Katz holds a Bachelor of Commerce (Hons.) degree in Financial Management from the University of Cape Town and is a member of the Institute of Chartered Accountants in Australia.
<p>Mr. Laurent Goudet CTO</p>	<ul style="list-style-type: none"> Mr. Goudet has extensive experience in transforming the web & native clients into mobile-friendly and fast web applications, enhancing the user experience and reducing the engineering costs. He previously worked as a Linux embedded systems software engineer. Mr. Goudet holds a first-class honours degree in Mathematics and Computer Science from Université de Marne-la-Vallée, France and a Master's degree in Embedded Systems Engineering from ESIEE Paris, France.

Source: Company



Appendix II – Analyst certification

Stuart Roberts, lead analyst on this report, has been an equities analyst since 2002.

- Stuart obtained a Master of Applied Finance and Investment from the Securities Institute of Australia in 2002. Previously, from the Securities Institute of Australia, he obtained a Certificate of Financial Markets (1994) and a Graduate Diploma in Finance and Investment (1999).
- Stuart joined Southern Cross Equities as an equities analyst in April 2001. From February 2002 to July 2013, his research speciality at Southern Cross Equities and its acquirer, Bell Potter Securities, was Healthcare and Biotechnology. During this time, he covered a variety of established healthcare companies, such as CSL, Cochlear and Resmed, and numerous other emerging companies. Stuart was a Healthcare and Biotechnology analyst at Baillieu Holst from October 2013 to January 2015.
- After 15 months over 2015–2016 doing Investor Relations for two ASX-listed cancer drug developers, Stuart founded NDF Research in May 2016 to provide issuer-sponsored equity research on ASX-listed Life Sciences companies.
- In July 2016, with Marc Kennis, Stuart co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including Life Sciences companies.
- Since 2018, Stuart has led Pitt Street Research's Resources Sector franchise, spearheading research on both mining and energy companies.

Nick Sundich, lead analyst on this report, is an equities research analyst at Pitt Street Research.

- Nick obtained a Bachelor of Commerce/Bachelor of Arts from the University of Sydney in 2018. He has also completed the CFA Investment Foundations program.
- He joined Pitt Street Research in January 2022. Previously he worked for over three years as a financial journalist at Stockhead.
- While at university, he worked for a handful of corporate advisory firms.

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