

## Australian Equity Research

24 October 2016

## BUY

unchanged

PRICE TARGET A\$1.85↓

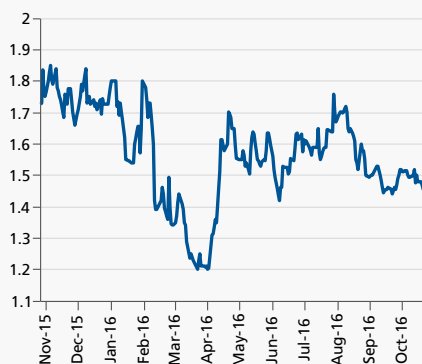
from A\$2.13

Price (24-Oct) A\$1.30

Ticker FLN-ASX

52-Week Range (A\$):	1.20 - 1.89
Market Cap (A\$M):	592
Dividend /Shr (AUC):	0.0
Dividend Yield (%):	0.0
Enterprise Value (A\$M):	557
Cash (A\$M):	35.1
Long-Term Debt (A\$M):	0.0

FYE Dec	2014A	2015A	2016E	2017E
Sales (A\$M)	25.9	38.4	54.0↓	70.9↓
Previous	-	-	58.1	77.4
Gross Profit (A\$M)	22.5	33.3	46.6	61.3
EBITDA (A\$M)	(2.0)	(2.0)	(0.2)↓	2.4↓
Previous	-	-	2.6	6.2
Net Income Adj (A\$M)	(1.2)	(1.5)	0.0↓	2.2↓
Previous	-	-	2.2	5.2
EPS Adj&Dil (AUC)	(0.28)	(0.33)	0.01↓	0.49↓
Previous	-	-	0.47	1.14



Source: FactSet

Owen Humphries | Analyst | Canaccord Genuity (Australia) Ltd. | owen.humphries@canaccord.com.au | +61.2.9263.2702

## Company Update

## Escrow.com causing short-term headaches, while core marketplace returns to trend growth

FLN released its 3Q16 quarterly report, with cash receipts appearing to underwhelm investors. Cash receipts, a proxy for group revenues, increased 31% yoy to A\$12.7M (2Q16:\$13.3M, 3Q15: \$9.7M), but fell vs. 2Q16. We attribute the relative weakness to a) adverse FX movements (USD, GBP etc., >95% revenue sourced offshore); b) limited contribution from the recently acquired non-core escrow.com business (acq. A\$10M, CGAu est. 3Q15 <\$1.5M) and c) rebasing of FLN's core marketplace following a relatively weak 2Q16 (esp. June).

While we might expect some volatility in the share price in the short term, **we focus investors' attention on the group's +61% annualised revenue growth rate (constant currency) for the core marketplace since Jun-16** (CGAu est. Jun: ~US\$2.6M, Oct: ~US\$3.1M, +17% rev. growth, mid-month).

- **Revenue revisions: FY16 and FY17 revenue estimates reduced by -7% and -8% respectively.** This is further broken down into FLN's marketplace/escrow.com divisions in FY16E -2%/-5% (-7%) and FY17E -3%/-5% (-8%).
- The **Escrow.com** business unit (acq. Nov-15 A\$10M) appeared to be the laggard and was impacted by various change management initiatives, restructure of its core technology stack, relocation of its offices to San Francisco and a material reduction in transactions of premium domain names by Chinese buyers (>60% of FY15 revenues). While the latter is considered non-core to the business in the medium term, it has impacted FLN's short-term growth rate and thus investor sentiment. We believe escrow.com remains six months from scaling into new industry verticals and marketplace partner agreements and as such we lower our divisional FY16 revenue forecasts by 31% to A\$7M (previously A\$10.1M).
- While it was not disclosed, we estimate the **core marketplace** rose 15% organically in 3Q16 on the pcp. The major driver of a lower growth rate related to adverse currency movements (-5%, avg A\$/US\$ 3Q15:0.72x, 3Q16:0.76x) coupled with a rebased performance following a relatively weak 2Q16, particularly May/June (Fig 2).
- Further disclosure of FLN's monthly revenue run-rate (USD), a strongly improving number of projects posted (+48% yoy growth, leads revenue) and platform liquidity (74% projects bid on within one minute) provides us with confidence that the marketplace has returned to >30% trend growth. The company is also incrementally releasing a new funnel optimisation tool across various regions, which should improve project conversion rates (allows freelancers to only bid on specific projects that relate to them). We expect more information on this initiative over the coming year.

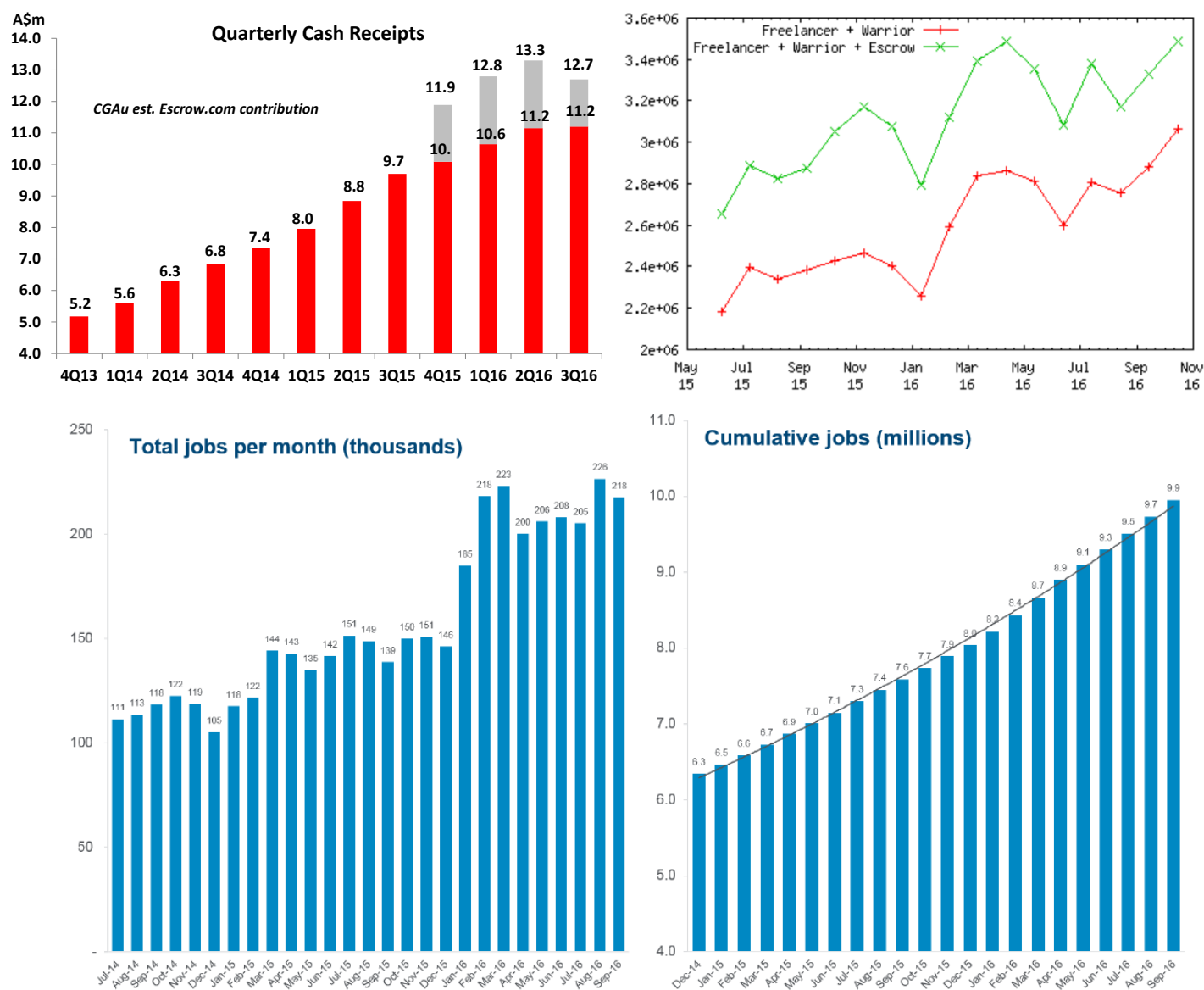
Despite FLN's short-term hiccup to investor sentiment, we believe there is enough evidence to support the company delivering on its stated objective of growing the core marketplace revenues at >30% pa in future periods (Jun-Oct growth rate, new product initiatives, stable currency). **We retain our BUY rating but downgrade our price target to A\$1.85 per share (from A\$2.13ps) based on a DCF valuation methodology.**

Figure 1: Forecasts for Freelancer.com

Freelancer (FLN)						Share Price \$ 1.31					
Profit & Loss (\$m) - Dec YE	2014A	2015A	2016F	2017F	2018F	Valuation ratios	2014A	2015A	2016F	2017F	2018F
Payments	0.0	91.1	440.4	528.5	634.2	EPS (cps)	-0.3	-0.3	0.0	0.5	2.6
Marketplace	103.7	138.2	173.9	231.2	307.6	EPS Growth (%)	nmf	nmf	nmf	4858%	428%
Gross Payment Volume	103.7	229.3	614.3	759.8	941.8						
						EV/Gross Profit	25.5	16.9	12.0	9.0	6.6
Sales Revenue	25.9	38.4	54.0	70.9	93.2	P/E (x)	-469.9	-391.6	13215.2	266.5	50.5
Gross Profit	22.5	33.3	46.6	61.3	80.9	P/E (x) - Sustainable	49.0	34.6	28.7	20.0	14.1
EBITDA - Sustainable	16.4	23.3	28.0	39.8	56.5	EV / Sustainable EBITDA (x)	35.1	24.2	20.0	13.8	9.5
Growth opex	18.4	25.3	28.2	37.5	41.5						
EBITDA - Statutory	-2.0	-2.0	-0.2	2.4	14.9	Enterprise Value (\$m)	576.0	563.9	559.2	550.4	536.4
D & A	-0.3	-0.5	-0.8	-0.2	-0.2	EV/GPV	5.6	2.5	0.9	0.7	0.6
EBIT	-2.4	-2.6	-1.0	2.2	14.7	EV/Revenue	22.2	14.7	10.4	7.8	5.8
Net Interest Expense	0.2	0.2	0.7	0.8	1.0	EV / Statutory EBITDA (x)	-283.9	-276.3	-3027.0	233.1	35.9
NPBT	-2.2	-2.4	-0.3	3.0	15.8	EV / EBIT (x)	-243.3	-221.0	-567.8	254.7	36.4
Tax expense	1.0	0.9	0.3	-0.7	-3.9	DPS (cps)	0.0	0.0	0.0	0.0	0.0
NPAT (Normalised)	-1.2	-1.5	0.0	2.2	11.8						
Non-recurring	-0.6	-1.3	-1.0	-1.0	-1.0	Balance Sheet ratios	2014A	2015A	2016F	2017F	2018F
NPAT (Reported)	-1.8	-2.8	-1.0	1.2	10.8	Net Debt (cash)	-20.2	-32.2	-37.0	-45.8	-59.7
						NTA per share (\$)	0.01	0.02	0.02	0.02	0.05
Sustainable EBITDA Margin (%)	63.3%	60.7%	51.8%	56.2%	60.6%	Price / NTA (x)	148.3	53.5	60.5	53.8	27.2
Statutory EBITDA Margin (%)	-7.8%	-5.3%	-0.3%	3.3%	16.0%	EFPOWA (m)	436.9	451.4	455.1	455.1	455.1
EBIT Margin (%)	-9.1%	-6.6%	-1.8%	3.0%	15.8%						
NPAT Margin (%)	-4.7%	-3.9%	0.1%	3.2%	12.7%	Interim Analysis	1H15A	2H15A	1H16A	2H16E	1H17E
**December year end						Revenues	16.7	21.7	26.1	27.7	32.9
Cash Flow (\$m) - Dec YE	2014A	2015A	2016F	2017F	2018F	Gross Profit	14.6	18.7	22.7	23.9	28.4
Operating EBITDA	-2.0	-2.0	-0.2	2.4	14.9	EBIT	-1.0	-1.6	0.1	-1.1	0.6
- Interest & Tax Paid	-0.9	-2.6	-0.2	-0.9	-3.9	EBIT margin (%)	-5.7%	-7.3%	0.6%	-4.1%	1.8%
+/- change in Work. Cap.	2.9	6.1	5.7	7.9	3.4	DPS	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0						
Operating Cashflow	-0.1	1.5	5.3	9.3	14.4	Assumptions	2014A	2015A	2016F	2017F	2018F
- Capex (PPE)	-0.9	-1.0	-0.5	-0.5	-0.5	GPV Growth (marketplace)	23%	33%	26%	33%	33%
- Capex (Intangibles)	-0.4	0.0	0.0	0.0	0.0	GPV Growth (payments)	na	na	na	20%	20%
- Aquisitions/divestments	-3.7	-10.3	0.0	0.0	0.0	GP Margins	87%	87%	86%	87%	87%
Free Cashflow	-5.1	-9.8	4.8	8.8	13.9	Operating Expenses growth	65%	44%	32%	26%	12%
- Ord Dividends	0.0	0.0	0.0	0.0	0.0	Take-rate	25.0%	26.5%	27.0%	27.0%	27.0%
- Equity /other	0.0	19.5	0.0	0.0	0.0						
Net Cashflow	-5.1	9.8	4.8	8.8	13.9	Segment forecasts (\$m)	2014A	2015A	2016F	2017F	2018F
Cash at beginning of period	24.4	20.2	32.2	37.0	45.8	Payments	0.0	1.8	7.0	8.5	10.1
+/- borrowings / other	0.9	2.3	0.0	0.0	0.0	FLN Marketplace	25.9	36.6	46.9	62.4	83.0
Cash at end of period	20.2	32.2	37.0	45.8	59.7	Revenue	25.9	38.4	54.0	70.9	93.2
Balance Sheet - Dec YE	2014A	2015A	2016F	2017F	2018F	Payments	0.0	-0.1	-2.7	-2.3	-1.2
Cash	20.2	32.2	37.0	45.8	59.7	FLN Marketplace	-2.0	-1.9	2.5	4.7	16.1
Debtors	2.8	3.4	4.3	5.9	7.7	EBITDA	-2.0	-2.0	-0.2	2.4	14.9
PPE	1.1	1.7	1.4	1.7	2.0						
Intangibles	13.0	23.9	23.6	23.6	23.6	Board of Directors / Substantial Shareholders					
Other assets	3.2	4.5	4.5	4.5	4.5	Board of Directors		Shareholding		%	
Total Assets	40.2	65.6	70.7	81.4	97.5	Matt Barrie - CEO & Chairman		191.4		42.1%	
Borrowings	0.0	0.0	0.0	0.0	0.0	Simon Clausen - Non Executive director		156.1		34.3%	
Trade Creditors	21.8	28.4	35.0	44.5	49.7	Darren Williams - CTO		11.1		2.4%	
Other Liabilities	1.6	2.3	2.3	2.3	2.3						
Total Liabilities	23.4	30.7	37.3	46.8	52.0						
NET ASSETS	16.8	34.9	33.4	34.6	45.5						
Description											

Freelancer is the world's largest freelancing, outsourced services and crowdsourcing marketplace. Freelancer connects small business, consumers, startups and entrepreneurs who need things done with a global workforce of skilled online freelancers who are looking for jobs. Founded in 2009 it now was over 16m users from over 180 countries.

Source: Company Reports, Canaccord Genuity estimates

**Figure 2: CGAu estimates of FLN quarterly Cash receipts, Strong inflection in revenues since Jun-16, platform liquidity, consensus revisions**

Source: Company Reports, Canaccord Genuity estimates,

Figure 3. CGAu segmental P&amp;L drivers for Freelancer

P&L Breakdown		FY14	1H15	2H15	FY15	1H16	2H16	FY16	1H17	2H17	FY17	1H18	2H18	FY18
Payments GPV (Escrow.com)				91.1	91.1	274.0	166.4	440.4	259.0	269.5	528.5	310.8	323.5	634.2
Marketplace GPV		103.7	64.1	74.1	138.2	80.9	93.0	173.9	106.4	124.9	231.2	141.5	166.1	307.6
<b>Total GPV</b>	<b>\$m</b>	<b>103.7</b>	<b>64.1</b>	<b>165.2</b>	<b>229.3</b>	<b>354.9</b>	<b>259.4</b>	<b>614.3</b>	<b>365.3</b>	<b>394.4</b>	<b>759.8</b>	<b>452.2</b>	<b>489.5</b>	<b>941.8</b>
Growth	%	23%	29.5%	205%	121%			168%			24%			24%
Payments take-rate	%			2.0%	2.0%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Marketplace take-rate	%	25.0%	26.2%	26.9%	26.5%	26.9%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Payments Revenue				1.8	1.8	4.3	2.7	7.0	4.1	4.3	8.5	5.0	5.2	10.1
Marketplace revenue		25.9	16.7	19.9	36.6	21.8	25.0	46.9	28.7	33.7	62.4	38.2	44.8	83.0
<b>Revenues</b>	<b>\$m</b>	<b>25.9</b>	<b>16.7</b>	<b>21.7</b>	<b>38.4</b>	<b>26.1</b>	<b>27.7</b>	<b>54.0</b>	<b>32.9</b>	<b>38.0</b>	<b>70.9</b>	<b>43.2</b>	<b>50.0</b>	<b>93.2</b>
Growth	%	38%	42%	54%	48%	56%		41%			31%			31%
Payments Gross Profit	\$m			1.5	1.5	3.5	2.3	5.8	3.4	3.6	7.0	4.2	4.4	8.6
Marketplace Gross Profit	\$m	22.5	14.6	17.2	31.9	19.2	21.7	40.8	25.0	29.3	54.3	33.2	39.0	72.2
<b>Gross Profit</b>	<b>\$m</b>	<b>22.5</b>	<b>14.6</b>	<b>18.7</b>	<b>33.3</b>	<b>22.7</b>	<b>23.9</b>	<b>46.6</b>	<b>28.4</b>	<b>32.9</b>	<b>61.3</b>	<b>37.5</b>	<b>43.4</b>	<b>80.9</b>
GP Margin		87%	88%	86%	86.7%	87%	86%	86%	87%	87%	87%	87%	87%	87%
Operating Expenses	\$m	-24.6	-15.4	-20.0	-35.4	-22.2	-24.6	-46.8	-27.7	-31.3	-59.0	-31.0	-34.9	-65.9
Growth	%	65%			44%			32%			26%			12%
EBITDA (normal)	\$m	-2.0	-0.8	-1.3	-2.0	0.5	-0.7	-0.2	0.7	1.7	2.4	6.5	8.5	14.9
D&A	\$m	-0.3	-0.2	-0.3	-0.5	-0.4	-0.4	-0.8	-0.1	-0.1	-0.2	-0.1	-0.1	-0.2
EBIT	\$m	-2.4	-1.0	-1.6	-2.6	0.1	-1.1	-1.0	0.6	1.6	2.2	6.4	8.4	14.7
Interest	\$m	0.2	0.1	0.1	0.2	0.1	0.4	0.7	0.4	0.4	0.8	0.5	0.5	1.0
NPBT	\$m	-2.2	-0.9	-1.5	-2.4	0.2	-0.8	-0.3	1.0	2.0	3.0	6.8	8.9	15.8
Tax (@25%)	\$m	1.0	0.4	0.4	0.9	0.1	0.2	0.3	-0.2	-0.5	-0.7	-1.7	-2.2	-3.9
<b>NPAT (normalised)</b>	<b>\$m</b>	<b>-1.2</b>	<b>-0.5</b>	<b>-1.0</b>	<b>-1.5</b>	<b>0.4</b>	<b>-0.6</b>	<b>0.0</b>	<b>0.7</b>	<b>1.5</b>	<b>2.2</b>	<b>5.1</b>	<b>6.7</b>	<b>11.8</b>
Non-recurring	\$m	-0.6	-0.8	-0.5	-1.3	-1.2	0.153	-1	-0.5	-0.5	-1	-0.5	-0.5	-1
<b>NPAT (reported)</b>	<b>\$m</b>	<b>-1.8</b>	<b>-1.3</b>	<b>-1.5</b>	<b>-2.8</b>	<b>-0.8</b>	<b>-0.4</b>	<b>-1.0</b>	<b>0.2</b>	<b>1.0</b>	<b>1.2</b>	<b>4.6</b>	<b>6.2</b>	<b>10.8</b>
Valuation		2014	1H15	2H15	2015	1H16	2H16	2016	1H17	2H17	2017	1H18	2H18	2018
EFPOWA	m	437	447	451	451	455	455	455	455	455	455	455	455	455
EPS	cps	-0.3	-0.1	-0.2	-0.3	0.1	-0.1	0.0	0.2	0.3	0.5	1.1	1.5	2.6
Mkt cap/GPV	x	5.5	4.4	1.7	2.4	0.8	1.1	0.9	0.8	0.7	0.7	0.6	0.5	0.6
<b>EV/Revenue</b>	<b>x</b>	<b>22.1</b>	<b>16.8</b>	<b>12.9</b>	<b>14.6</b>	<b>10.7</b>	<b>10.0</b>	<b>10.3</b>	<b>8.4</b>	<b>7.2</b>	<b>7.7</b>	<b>6.3</b>	<b>5.3</b>	<b>5.7</b>
EV/Gross Profit	x	25.3	19.1	15.0	16.8	12.3	11.6	11.9	9.7	8.3	8.9	7.2	6.1	6.6
EV/EBITDA	x	-281.6	-371.682	-217.3	-274.1	556.5	-405.0	-3002.3	389.8	165.0	231.2	41.9	31.4	35.6
Net Debt/(cash)	\$m	-20	-31	-32	-32	-35	-37	-37	-41	-46	-46	-49	-60	-60
Mkt Cap	\$m	592	592	592	592	592	592	592	592	592	592	592	592	592
Enterprise Value	\$m	571	560	559	559	557	555	555	551	546	546	542	532	532

Source: Company Reports, Canaccord Genuity estimates (all figures from 2H16 to FY18 are CGAu estimates)

Figure 4: Breakdown of CGau model

P & L Breakdown			FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	Terminal Value
<b>Freelancer Payments (escrow.com)</b>													
Gross Payment Volume	A\$m				91.1	440.4	528.5	634.2	697.7	767.4	844.2	886.4	
Take rate	%				2.0%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
<b>Payments Revenue</b>	<b>A\$m</b>				<b>1.8</b>	<b>7.0</b>	<b>8.5</b>	<b>10.1</b>	<b>11.2</b>	<b>12.3</b>	<b>13.5</b>	<b>14.2</b>	<b>14.9</b>
Revenue growth	%					-13%	20%	20%	10%	10%	10%	5%	5%
Gross Profit Margin					81%	82%	83%	85%	85%	85%	85%	85%	
<b>Gross Profit</b>					<b>1.5</b>	<b>5.8</b>	<b>7.0</b>	<b>8.6</b>	<b>9.5</b>	<b>10.4</b>	<b>11.5</b>	<b>12.1</b>	
Opex					1.6	8.5	9.4	9.8	10.3	10.8	11.4	11.9	
Opex Growth							10%	5%	5%	5%	5%	5%	
<b>Payments EBITDA</b>	<b>A\$m</b>				<b>-0.1</b>	<b>-2.7</b>	<b>-2.3</b>	<b>-1.2</b>	<b>-0.8</b>	<b>-0.4</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
EBITDA margin	%				-6%	-39%	-28%	-12%	-7%	-3%	1%	1%	1%
<b>Freelancer Marketplace</b>													
Gross Payment Volume	A\$m		84.4	103.7	138.2	173.9	231.2	307.6	387.5	476.6	586.3	721.1	764.4
Effective Take rate	%		22.3%	25.0%	26.5%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
<b>Marketplace Revenue</b>	<b>A\$m</b>		<b>18.8</b>	<b>25.9</b>	<b>36.6</b>	<b>46.9</b>	<b>62.4</b>	<b>83.0</b>	<b>104.6</b>	<b>128.7</b>	<b>158.3</b>	<b>194.7</b>	<b>206.4</b>
Gross Profit Margin	%		87%	87%	87%	87%	87%	87%	87%	87%	87%	87%	87%
<b>Gross Profit</b>	<b>A\$m</b>	<b>(1)</b>	<b>16.4</b>	<b>22.5</b>	<b>31.9</b>	<b>40.8</b>	<b>54.3</b>	<b>72.2</b>	<b>91.0</b>	<b>112.0</b>	<b>137.7</b>	<b>169.4</b>	<b>179.6</b>
Maintenance opex	A\$m	<b>(2)</b>	4.4	6.1	8.4	10.1	12.2	14.6	16.1	17.7	19.4	21.4	23.5
Growth	%			39%	38%	20%	20%	20%	10%	10%	10%	10%	10%
<b>EBITDA (ex growth opex)</b>	<b>A\$m</b>	<b>(1)-(2)</b>	<b>12.0</b>	<b>16.4</b>	<b>23.4</b>	<b>30.7</b>	<b>42.2</b>	<b>57.6</b>	<b>75.0</b>	<b>94.3</b>	<b>118.3</b>	<b>148.0</b>	<b>156.0</b>
Sustainable EBITDA margins	%		64.0%	63.3%	63.9%	65.4%	67.5%	69.4%	71.7%	73.3%	74.7%	76.0%	75.6%
Growth Opex	A\$m	<b>(3)</b>	13.3	18.4	25.3	28.2	37.5	41.5	52.3	64.3	79.1	97.4	41.3
Proportion opex - growth	%		75%	75%	75%	74%	75%	74%	77%	78%	80%	82%	
Proportion of rev. reinvested	%		70%	71%	69%	60%	60%	50%	50%	50%	50%	50%	20%
Reinvestment ROI	%			35%	39%	30%	30%	30%	23%	20%	20%	20%	12%
Organic Gross Profit growth	%			3%	3%	3%	3%	3%	3%	3%	3%	3%	
Reinvestment Gross Profit growth	A\$m			5.6	8.6	8.0	14.1	18.7	19.1	20.9	25.7	31.7	
Organic Gross Profit growth	A\$m			0.5	0.7	1.0	1.4	1.9	2.5	3.1	3.9	4.7	
Total Gross Profit uplift	A\$m			6.1	9.3	9.0	15.5	20.6	21.6	24.1	29.6	36.4	
<b>Marketplace EBITDA</b>	<b>A\$m</b>	<b>(1)-(2)-(3)</b>	<b>-1.2</b>	<b>-2.0</b>	<b>-1.9</b>	<b>2.5</b>	<b>4.7</b>	<b>16.1</b>	<b>22.7</b>	<b>30.0</b>	<b>39.1</b>	<b>50.7</b>	<b>114.8</b>
EBITDA margin	%				-5%	5%	8%	19%	22%	23%	25%	26%	56%
<b>Multiple analysis</b>													
<b>EV (pro-forma)</b>	<b>A\$m</b>				<b>559.4</b>	<b>554.6</b>	<b>545.8</b>	<b>531.9</b>	<b>508.2</b>	<b>477.4</b>	<b>437.1</b>	<b>385.3</b>	
<b>EV/EBIT: Sustainable</b>	<b>x</b>				<b>24.5</b>	<b>20.1</b>	<b>13.9</b>	<b>9.6</b>	<b>6.9</b>	<b>5.1</b>	<b>3.7</b>	<b>2.6</b>	
EV/EBIT - Statutory	x				274.1	3,002.3	231.2	35.6	23.3	16.1	11.1	7.6	
<b>PER: Sustainable</b>	<b>x</b>	<b>(@ 25% tax rate)</b>			<b>34.3</b>	<b>28.5</b>	<b>19.9</b>	<b>14.0</b>	<b>10.6</b>	<b>8.4</b>	<b>6.6</b>	<b>5.3</b>	

Source: Company Reports, Canaccord Genuity estimates (all figures from FY16 to FY 22 are estimates)

## Appendix: Important Disclosures

### Analyst Certification

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research.

Analysts employed outside the US are not registered as research analysts with FINRA. These analysts may not be associated persons of Canaccord Genuity Inc. and therefore may not be subject to the FINRA Rule 2241 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

### Sector Coverage

Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

### Investment Recommendation

Date and time of first dissemination: October 24, 2016, 16:15 ET

Date and time of production: October 24, 2016, 12:56 ET

### Target Price / Valuation Methodology:

Freelancer Limited - FLN

We value FLN using a 2-stage DCF methodology using a 12% discount rate and 5% terminal growth rate.

### Risks to achieving Target Price / Valuation:

Freelancer Limited - FLN

The key investment risks for Freelancer include: User base risk – Scale and market domination is the key. We expect management will continue to invest heavily in maintaining its market leadership position, however how much cash it plans to burn is unknown. Acquisition and integration risk – Freelancer is a serial acquirer and integrator of internet websites, therefore the risk is that management buys websites that provide no synergistic benefits to its shareholders or its current operations. Board of Directors – The company currently has no independent directors on the board. Technology risk – As with all internet based companies, there is a risk the company's technology could become redundant and replaced by new market entrants.

### Distribution of Ratings:

#### Global Stock Ratings (as of 10/24/16)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	548	59.50%	35.04%
Hold	283	30.73%	18.37%
Sell	21	2.28%	14.29%
Speculative Buy	69	7.49%	69.57%
	921*	100.0%	

\*Total includes stocks that are Under Review

### Canaccord Genuity Ratings System

**BUY:** The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

**HOLD:** The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

**SELL:** The stock is expected to generate negative risk-adjusted returns during the next 12 months.

**NOT RATED:** Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

### Risk Qualifier

**SPECULATIVE:** Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.



**12-Month Recommendation History** (as of date same as the **Global Stock Ratings** table)

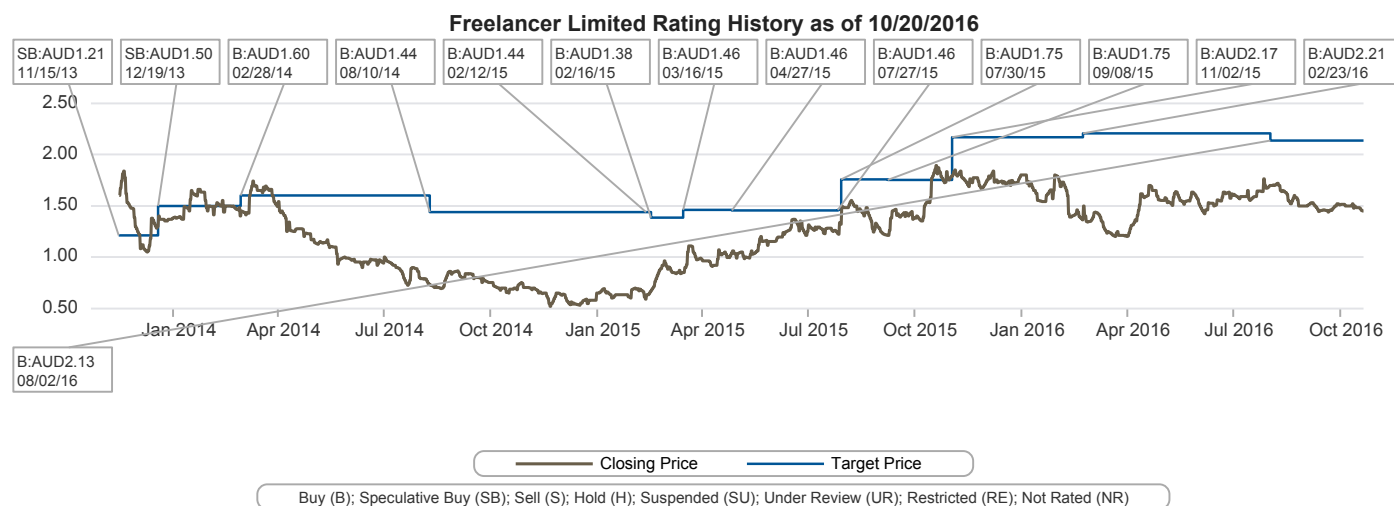
A list of all the recommendations on any issuer under coverage that was disseminated during the preceding 12-month period may be obtained at the following website (provided as a hyperlink if this report is being read electronically) <http://disclosures-mar.canaccordgenuity.com/EN/Pages/default.aspx>

**Required Company-Specific Disclosures (as of date of this publication)**

Freelancer Limited currently is, or in the past 12 months was, a client of Canaccord Genuity or its affiliated companies. During this period, Canaccord Genuity or its affiliated companies provided investment banking services to Freelancer Limited.

Canaccord Genuity or one or more of its affiliated companies intend to seek or expect to receive compensation for Investment Banking services from Freelancer Limited in the next three months.

The primary analyst, a member of primary analyst's household, or any individual directly involved in the preparation of this research, has a long position in the shares or derivatives, or has any other financial interest in Freelancer Limited, the value of which increases as the value of the underlying equity increases.

**Online Disclosures**

Up-to-date disclosures may be obtained at the following website (provided as a hyperlink if this report is being read electronically) <http://disclosures.canaccordgenuity.com/EN/Pages/default.aspx>; or by sending a request to Canaccord Genuity Corp. Research, Attn: Disclosures, P.O. Box 10337 Pacific Centre, 2200-609 Granville Street, Vancouver, BC, Canada V7Y 1H2; or by sending a request by email to [disclosures@canaccordgenuity.com](mailto:disclosures@canaccordgenuity.com). The reader may also obtain a copy of Canaccord Genuity's policies and procedures regarding the dissemination of research by following the steps outlined above.

**General Disclaimers**

See "Required Company-Specific Disclosures" above for any of the following disclosures required as to companies referred to in this report: manager or co-manager roles; 1% or other ownership; compensation for certain services; types of client relationships; research analyst conflicts; managed/co-managed public offerings in prior periods; directorships; market making in equity securities and related derivatives. For reports identified above as compendium reports, the foregoing required company-specific disclosures can be found in a hyperlink located in the section labeled, "Compendium Reports." "Canaccord Genuity" is the business name used by certain wholly owned subsidiaries of Canaccord Genuity Group Inc., including Canaccord Genuity Inc., Canaccord Genuity Limited, Canaccord Genuity Corp., and Canaccord Genuity (Australia) Limited, an affiliated company that is 50%-owned by Canaccord Genuity Group Inc.

The authoring analysts who are responsible for the preparation of this research are employed by Canaccord Genuity Corp. a Canadian broker-dealer with principal offices located in Vancouver, Calgary, Toronto, Montreal, or Canaccord Genuity Inc., a US broker-dealer with principal offices located in New York, Boston, San Francisco and Houston, or Canaccord Genuity Limited., a UK broker-dealer with principal offices located in London (UK) and Dublin (Ireland), or Canaccord Genuity (Australia) Limited, an Australian broker-dealer with principal offices located in Sydney and Melbourne.

The authoring analysts who are responsible for the preparation of this research have received (or will receive) compensation based upon (among other factors) the Investment Banking revenues and general profits of Canaccord Genuity. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific Investment Banking activities, or to recommendations contained in the research.

Some regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of research. This research has been prepared in accordance with Canaccord Genuity's policy on

managing conflicts of interest, and information barriers or firewalls have been used where appropriate. Canaccord Genuity's policy is available upon request.

The information contained in this research has been compiled by Canaccord Genuity from sources believed to be reliable, but (with the exception of the information about Canaccord Genuity) no representation or warranty, express or implied, is made by Canaccord Genuity, its affiliated companies or any other person as to its fairness, accuracy, completeness or correctness. Canaccord Genuity has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this research constitute Canaccord Genuity's judgement as of the date of this research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

From time to time, Canaccord Genuity salespeople, traders, and other professionals provide oral or written market commentary or trading strategies to our clients and our principal trading desk that reflect opinions that are contrary to the opinions expressed in this research. Canaccord Genuity's affiliates, principal trading desk, and investing businesses also from time to time make investment decisions that are inconsistent with the recommendations or views expressed in this research.

This research is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any designated investments discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the designated investments discussed in this research may not be eligible for sale in some jurisdictions. This research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of Canaccord Genuity, its affiliated companies or any other person accepts any liability whatsoever for any direct or consequential loss arising from or relating to any use of the information contained in this research.

### Research Distribution Policy

Canaccord Genuity research is posted on the Canaccord Genuity Research Portal and will be available simultaneously for access by all of Canaccord Genuity's customers who are entitled to receive the firm's research. In addition research may be distributed by the firm's sales and trading personnel via email, instant message or other electronic means. Customers entitled to receive research may also receive it via third party vendors. Until such time as research is made available to Canaccord Genuity's customers as described above, Authoring Analysts will not discuss the contents of their research with Sales and Trading or Investment Banking employees without prior compliance consent.

For further information about the proprietary model(s) associated with the covered issuer(s) in this research report, clients should contact their local sales representative.

### Short-Term Trade Ideas

Research Analysts may, from time to time, discuss "short-term trade ideas" in research reports. A short-term trade idea offers a near-term view on how a security may trade, based on market and trading events or catalysts, and the resulting trading opportunity that may be available. Any such trading strategies are distinct from and do not affect the analysts' fundamental equity rating for such stocks. A short-term trade idea may differ from the price targets and recommendations in our published research reports that reflect the research analyst's views of the longer-term (i.e. one-year or greater) prospects of the subject company, as a result of the differing time horizons, methodologies and/or other factors. It is possible, for example, that a subject company's common equity that is considered a long-term 'Hold' or 'Sell' might present a short-term buying opportunity as a result of temporary selling pressure in the market or for other reasons described in the research report; conversely, a subject company's stock rated a long-term 'Buy' or "Speculative Buy" could be considered susceptible to a downward price correction, or other factors may exist that lead the research analyst to suggest a sale over the short-term. Short-term trade ideas are not ratings, nor are they part of any ratings system, and the firm does not intend, and does not undertake any obligation, to maintain or update short-term trade ideas. Short-term trade ideas are not suitable for all investors and are not tailored to individual investor circumstances and objectives, and investors should make their own independent decisions regarding any securities or strategies discussed herein. Please contact your salesperson for more information regarding Canaccord Genuity's research.

### For Canadian Residents:

This research has been approved by Canaccord Genuity Corp., which accepts sole responsibility for this research and its dissemination in Canada. Canaccord Genuity Corp. is registered and regulated by the Investment Industry Regulatory Organization of Canada (IIROC) and is a Member of the Canadian Investor Protection Fund. Canadian clients wishing to effect transactions in any designated investment discussed should do so through a qualified salesperson of Canaccord Genuity Corp. in their particular province or territory.

### For United States Persons:

Canaccord Genuity Inc., a US registered broker-dealer, accepts responsibility for this research and its dissemination in the United States. This research is intended for distribution in the United States only to certain US institutional investors. US clients wishing to effect transactions in any designated investment discussed should do so through a qualified salesperson of Canaccord Genuity Inc. Analysts employed outside the US, as specifically indicated elsewhere in this report, are not registered as research analysts with FINRA. These analysts may not be associated persons of Canaccord Genuity Inc. and therefore may not be subject to the FINRA Rule 2241 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.



**For United Kingdom and European Residents:**

This research is distributed in the United Kingdom and elsewhere Europe, as third party research by Canaccord Genuity Limited, which is authorized and regulated by the Financial Conduct Authority. This research is for distribution only to persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom or elsewhere in Europe to retail clients, as defined under the rules of the Financial Conduct Authority.

**For Jersey, Guernsey and Isle of Man Residents:**

This research is sent to you by Canaccord Genuity Wealth (International) Limited (CGWI) for information purposes and is not to be construed as a solicitation or an offer to purchase or sell investments or related financial instruments. This research has been produced by an affiliate of CGWI for circulation to its institutional clients and also CGWI. Its contents have been approved by CGWI and we are providing it to you on the basis that we believe it to be of interest to you. This statement should be read in conjunction with your client agreement, CGWI's current terms of business and the other disclosures and disclaimers contained within this research. If you are in any doubt, you should consult your financial adviser.

CGWI is licensed and regulated by the Guernsey Financial Services Commission, the Jersey Financial Services Commission and the Isle of Man Financial Supervision Commission. CGWI is registered in Guernsey and is a wholly owned subsidiary of Canaccord Genuity Group Inc.

**For Australian Residents:**

This research is distributed in Australia by Canaccord Genuity (Australia) Limited ABN 19 075 071 466 holder of AFS Licence No 234666. To the extent that this research contains any advice, this is limited to general advice only. Recipients should take into account their own personal circumstances before making an investment decision. Clients wishing to effect any transactions in any financial products discussed in the research should do so through a qualified representative of Canaccord Genuity (Australia) Limited. Canaccord Genuity Wealth Management is a division of Canaccord Genuity (Australia) Limited.

**For Hong Kong Residents:**

This research is distributed in Hong Kong by Canaccord Genuity (Hong Kong) Limited which is licensed by the Securities and Futures Commission. This research is only intended for persons who fall within the definition of professional investor as defined in the Securities and Futures Ordinance. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Recipients of this report can contact Canaccord Genuity (Hong Kong) Limited. (Contact Tel: +852 3919 2561) in respect of any matters arising from, or in connection with, this research.

**Additional information is available on request.**

Copyright © Canaccord Genuity Corp. 2016 – Member IIROC/Canadian Investor Protection Fund

Copyright © Canaccord Genuity Limited. 2016 – Member LSE, authorized and regulated by the Financial Conduct Authority.

Copyright © Canaccord Genuity Inc. 2016 – Member FINRA/SIPC

Copyright © Canaccord Genuity (Australia) Limited. 2016 – Participant of ASX Group, Chi-x Australia and of the NSX. Authorized and regulated by ASIC.

All rights reserved. All material presented in this document, unless specifically indicated otherwise, is under copyright to Canaccord Genuity Corp., Canaccord Genuity Limited, Canaccord Genuity Inc or Canaccord Genuity Group Inc. None of the material, nor its content, nor any copy of it, may be altered in any way, or transmitted to or distributed to any other party, without the prior express written permission of the entities listed above.