FREELANCER LIMITED

TRANSFERRING WHITE COLLAR SERVICES ACROSS THE WORLD

Investment Highlights

- Freelancer Limited ("FLN" or the Company) is the world's largest online marketplace for freelancing and outsourced services. It has the potential to reshape the way white collar services are outsourced in a similar way to how eBay and Amazon disrupted the products space 20 years ago. FLN ticks most investment boxes in terms of the potential for high growth, financially sound and a quality management team of highly respected tech entrepreneurs. While we firmly believe in the future potential of FLN, we initiate with a HOLD recommendation and a $1.43 price target.

- **The market opportunity is large:** The market opportunity for FLN is driven primarily by three factors; 1) The significant wage differential between the developed and developing world; 2) The opening up of new demand as labour servicing prices drop; and 3) The increasing labour supply for services, driven by Internet penetration and education. FLN has become a place where people can raise their wage from $10/day, to $10 an hour or more, depending on their skill sets.

- **Double digit revenue growth potential:** Going forward we believe that FLN can continue to grow revenue quickly, both organically and via acquisitions. We have forecast revenues to grow at 42% in CY15, 31% in CY16, and 24% in CY17 before slowing to low double digit growth beyond CY17. We also expect the Company to continue to generate high gross margins (above 80%). Profitability in the next few years will rest solely with management and how hard they push growth opex. FLN is debt free and had cash on hand of approximately $22.1 million at 31 March 2015.

- **High calibre management team:** FLN is backed by a highly experienced management team with deep technical and commercial knowledge in consumer Internet businesses. Management have a strong track record in developing and growing high tech businesses which we believe will reward shareholders in future years.

- With the stock price up 176% since listing and market macro conditions volatile, we recommend investors wait for either a lower entry price point or further deliverability in profits from the Company before making an investment.

25 June 2015		
12mth Rating		**Hold**
Price	A$	1.35
Target Price	A$	1.43
12m Total Return	%	6.5
RIC: **FLN.AX**		BBG: **FLN AU**
Shares o/s	m	448.0
Free Float	%	12.9
Market Cap.	A$m	602.6
Net Debt (Cash)	A$m	-27.8
Net Debt/Equity	%	na
3m Av. D. T'over	A$m	0.27
52wk High/Low	A$	1.37/0.52
2yr adj. beta		na
Valuation:		
Methodology		DCF
Value per share	A$	1.43

Analyst:	Ben Rowe
Phone:	(+61) 8 9263 1616
Email:	browe@psl.com.au

Year End December	2014A	2015F	2016F	2017F
Reported NPAT ($m)	0.2	1.8	3.8	7.8
Recurrent NPAT ($m)	0.2	1.8	3.8	7.8
Recurrent EPS (cents)	0.1	0.4	0.8	1.7
EPS Growth (%)	(85.5)	635.3	115.1	106.3
PER (x)	2,529.6	344.0	160.0	77.5
PEG	na	0.5	1.4	0.7
EBITDA ($m)	(0.6)	2.3	5.4	11.1
EV/EBITDA (x)	(962.1)	254.7	104.0	49.3
Capex ($m)	1.3	0.7	1.0	1.2
Free Cashflow	0.7	6.6	8.5	13.7
FCFPS (cents)	0.2	1.5	1.9	3.1
PFCF (x)	864.3	91.8	70.5	44.1
DPS (cents)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0

12 Month Share Price Performance

Performance %	1mth	3mth	12mth
Absolute	16.1	23.4	40.5
Rel. S&P/ASX 300	17.6	28.6	34.3

Company overview

FLN is the world's largest online marketplace for freelancing and outsourced services, by total number of users and projects posted. FLN connects small businesses, consumers and entrepreneurs who need things done, with a global workforce of skilled, online freelancers who are looking for jobs. FLN currently boasts over 850 different job categories from website/IT design, mobile applications, sales/marketing, and data entry to aerospace engineering and biotechnology. Jobs can be posted on FLN either as a project or contest:

- o   Project – A job poster fills out a description of the task, selects the appropriate skills required and a job budget (fixed fee or hourly rate). The poster then reviews bidding freelancers, selects the most appropriate and engages with the freelancer to complete the project.

- o   Contest – Similar to above, but instead of a budget range, the user indicates a total prize for the contest. Other users then submit entries (e.g. logo designs) competing to win the prize. The posting user provides written feedback and rates their submissions during the duration of the contest. Once the contest is completed, the posting user selects a winning freelancer, who receives the prize and the work is transferred.

FLN currently has approximately 15.8 million registered users (split roughly 80/20 between freelancers and job posters) and since its beginning in 2009, has overseen approximately 7.9 million jobs posted/awarded. FLN operates a marketplace from its core Freelancer.com website and 40 regional websites, which have been used in 247 different countries, regions and territories. Each regional website attempts to default to the local language and currency of its users (where supported) with 32 languages and 19 currencies currently supported.

Figure 1: Typical project lifecycle

Source: FLN website

FLN was established in 2009 and built on from the acquisition of GetAfreelancer.com in the same year. It has since acquired multiple businesses, Freelancer.co.uk (2010), Limeexchange USA (2010), Scriptlance Canada (2012), vWorker/Rentacoder USA (2012), Warrior Forum (2014) and Fantero (2014). FLN listed in November 2013, raising $15 million (at $0.50) in new equity. It has since raised $10 million (at $1.00) in April 2015 to fund the purchase of Escrow.com.

Competitive advantage

1. **Addresses a large, global problem** – FLN delivers jobs to developing world economies in technical areas where they are desperately needed, while helping small business in developed economies power their businesses easily and inexpensively.

2. **Scalable business model** – FLN's business is highly scalable, with relatively low capital expenditure requirements, gross margins of approximately 87%, and an operating platform that can deliver large numbers of additional projects at a low incremental cost.

3. **Strong growth prospects** – FLN has strong growth prospects as approximately 4 billion people on the planet have not connected to the Internet yet, primarily in developing economies.

4. **Experienced team** - FLN has an experienced management team and Board with deep technical and commercial knowledge in consumer Internet businesses. FLN also has an experienced technical team of engineers and scientists. FLN currently employs approximately 390 employees. Further information on the Board and management is provided on page 11.

5. **Strong competitive position** - There are relatively high barriers to entry in Freelancer's market including marketplace network effects, lock-in, early mover advantage, competitor lock-out and proprietary intellectual property and algorithms. At the heart of FLN's competitive advantage is the user review and feedback system. Users will rate and provide feedback to freelancers which prospective users will see and use to select freelancers in the future. This creates a powerful barrier to entry as this history cannot be transferred and a reputation takes a long time to build up (has value).

Industry dynamics

Twenty years ago, the developed world was coming to grips with the power of the Internet and then fledgling companies like eBay and Amazon were revolutionising the way we purchased products. Today, the developing world, Freelancer and the power of education and software are driving the way we acquire services. Just as we asked for a place to shop for the best product, at the best price, twenty years ago, we do the same today for services.

Figure 2: The world is repeating itself 20 years later
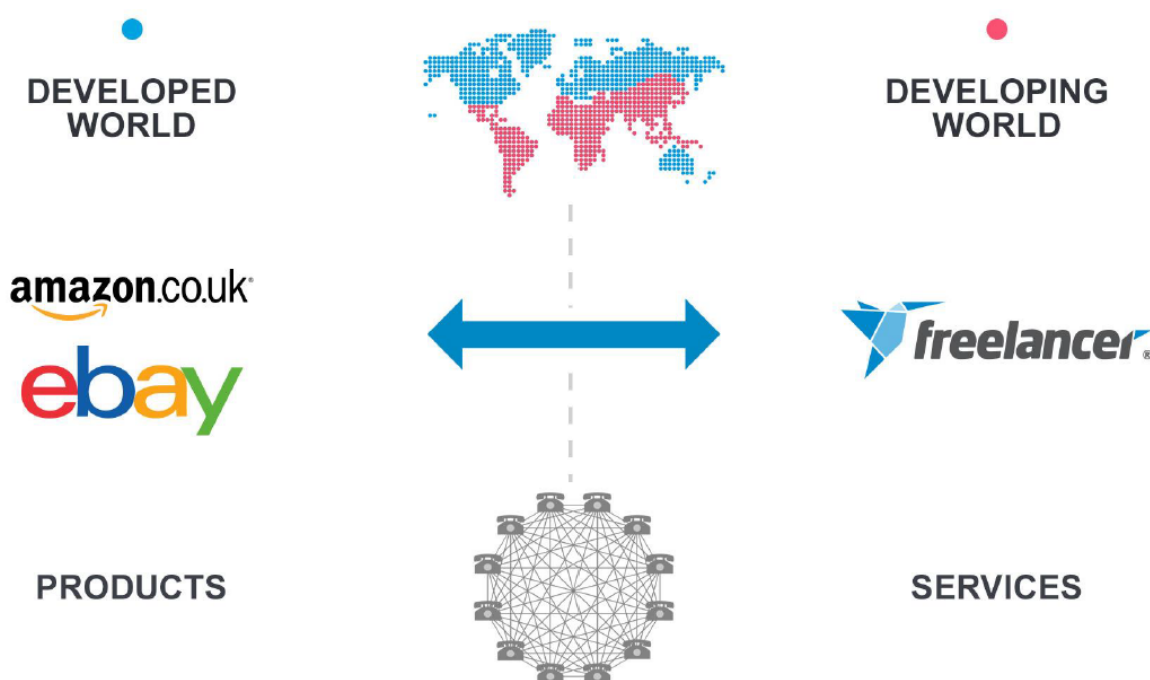
Source: FLN presentation 18 May 2015

The market opportunity for FLN is driven primarily by three factors:

1. The significant wage differential between the developed and developing world;
2. The opening up of new demand as labour servicing prices drop; and
3. The increasing labour supply for services, driven by Internet penetration and education.

In much the same way China has primarily driven down the cost to manufacture certain products, the substantial wage differential between the developed and developing world will drive down the cost of services. McKinsey has estimated that more than 50% of software engineering jobs can be outsourced at 30% of US$ wages. This highlights the potential cost savings for a micro, small or medium enterprise ("MSME") to have certain services performed offshore by a freelancer but more importantly, at a 30% US$ wage equivalent to someone in India, China, Mexico or the Philippines, that would represent a substantial uplift on what the freelancer might currently earn. **FLN has become a place where people can raise their wage from $10/day, to $10 an hour or more, depending on skill sets.**

It is estimated that there are more than 400 million MSMEs globally with approximately 100 million located in mid-high income OECD nations. If we conservatively assume 10% of the 100 million MSMEs from the mid-high income OECD nations post just 1 job on FLN per year at FLN's average job size and take rate ($177 and 25%), this would generate c. $440 million in revenue to FLN which is 10 times higher than its current sales. This is a conservative assumption when compared with certain sector sizes, such as web site design in the US which alone is a c. $20 billion industry, and highlights the potential for FLN to generate revenues multiple times higher than it currently records.

The proliferation of tertiary educations through both traditional means and new initiatives (on-line courses) is only adding to the breaking down of geographical barriers to the transfer of services. Studies have shown of the approximately 3.7 billion working age population in the developing world, 10% have a tertiary education and nearly half have completed a secondary education. The graph below shows a selection of 220 million, tertiary educated people from a selection of developing nations.

Figure 3: Educational attainment for a selection of developing nations
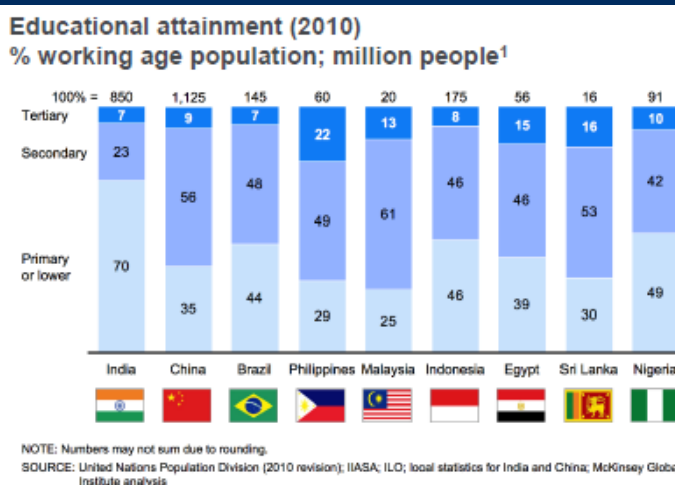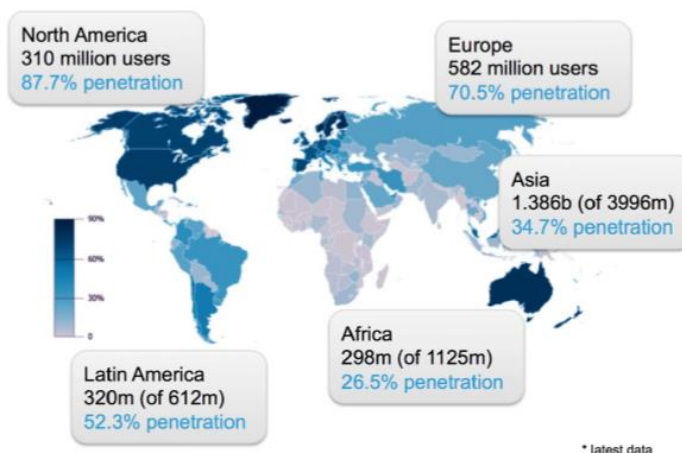
Source: FLN, McKinsey, United Nation Population division

This group has the potential to raise their socio-economic standing by outsourcing their services through a portal like FLN. The conjunct to selling their services is the spread and ease of use of software and Software as a Service ("SaaS"). Marc Andreessen, of venture capital firm Andreessen-Horowitz, published an essay in the Wall Street Journal entitled "Why Software is Eating the World" in 2011 and his premise rings true today more than ever. Every industry is being disrupted by improvements in software and some are rapidly becoming dominated by software companies. One cannot argue with the trends in advertising, marketing and telecommunications where we see physical assets (billboards, phone booths, print advertising) being replaced with an online presence. More and more, white collar job functions are heading to software and the Cloud and with further innovation in product development and innovation to come, the ease and cost of access to cutting edge software further enhances the proposition of FLN and what it hopes to achieve.

At the heart of this changing industry dynamic is the penetration of the Internet into the developing world. 60% of the world's population is still without the Internet and this number will only decrease in coming years. As infrastructure improves and costs come down, it will open up more doors for educated people in developing nations and give them the ability to sell their services online.

Figure 4: Global Internet penetration

North America
310 million users
87.7% penetration

Europe
582 million users
70.5% penetration

Asia
1.386b (of 3996m)
34.7% penetration

Africa
298m (of 1125m)
26.5% penetration

Latin America
320m (of 612m)
52.3% penetration

* latest data

Source: FLN, Internet World Stats (June 2014)

Competitors

The freelancing market place is dominated by two participants, FLN and Upwork. Upwork was formed in 2014 through the combination of Elance and oDesk. Outside of these two main participants, the marketplace is highly fragmented, usually concentrated by geography or vertical segment (i.e. 99designs for graphic design).

Upwork

Elance, founded in 1999 and oDesk, founded in 2003, both privately held companies, announced their merger in December 2013. With the majority of the oDesk platform retained and Elance phased out, the merged entity rebranded itself Upwork in 2015. According to its website, Upwork boasts 9 million registered freelancers, 3 million jobs posted annually, 4 million registered clients and US$1 billion worth of work done annually.

While operating on the same outsource premised model, FLN and Upwork are targeting different marketplaces and therefore the ability to say who is bigger/biggest is dependent on which metric you look at. It is worth highlighting, though, the key differences in strategies employed by both companies.

1. Upwork targets large enterprises in mostly western or developed worlds. FLN is largely connecting developed world consumers and MSMEs to mostly emerging market and developing world freelancers.
2. The value of work done annually (c. 10x larger for Upwork) reflects the customer base in point 1 (largely western world centric) and the enterprise / payroll processing offering of Upwork. (i.e. Upwork processes payroll for large companies in the US – anecdotally $100m of this $1bn is payroll of US workers at Google alone).
3. Upwork's main business model is more focused around enterprise sales, while FLN is a marketplace model.

Key risks

We highlight below some of the potential risks for the Company:

- o **Attracting traffic to websites** – FLN must retain its relevance and continue to attract people to its websites in order to continue generating revenue. Part of this relevance will require posting or jobs growth to remain on par with freelancer growth. If competition for jobs becomes too great, average bid prices will decrease and FLN's revenue share of commissions will fall. Secondly, freelancers will lose interest in the site if jobs become too competitive and they cannot source work.

- o **User fraud risk** – FLN is at risk of user fraud by way of lost commissions and credit card fraud. Freelancers and job posters can facilitate work via the website but then transact offline which results in lost revenue to FLN. However, this risk is mitigated by the feedback and ratings system, as well as internal controls that monitor user activity. There is also a risk that job posters pay for work with fraudulent or stolen credit card information, however this risk is low and no different from any other point of sale activity.

- o **Rate of migration to online services** – If there was a decline in the demand for outsourced services or in the supply of service providers, this could adversely affect the Company's revenue, profitability and ability to execute its growth strategies.

- o **Online security risks** – Various security risks exist for all Companies operating in an online environment. These may include data loss/corruption, hacker threats, interruption to hosting agreements, Internet disruptions and payment gateway disruptions. Although Freelancer has strategies and protections in place to try to minimise security breaches and to protect data, these strategies might not be successful.

- o **Liquidity and key personnel risk** – FLN was founded by Matt Barrie and Simon Clausen, both of whom still have significant influence over the business today. Their specific skill sets are of great importance to the Company. Between them they control approximately 84% of the shares on issue which means that free float on the market is small and this can cause volatility in share price movements.

Revenue generation

FLN's revenue is primarily generated from users posting jobs. The main fee income is from project commissions generated when projects are awarded by users and subsequently accepted by freelancers. These fees vary by project value, and are paid primarily as an introduction fee at the time of acceptance. FLN generates project commissions of between 0 and 3% of the value of a project from users, and 3 and 10% of the value from freelancers. The actual commission depends on whether a user is on a free or paid membership plan. Paid membership plans range from US$5 to US$199.95 a month, and provide additional features and benefits. FLN also generates fees from other services including project upgrades, crowdsourcing contest upgrades, bid upgrades, transaction fees, advertising and certification fees.

A key metric for FLN is its take rate. Take rate is defined as Net Revenue divided by Gross Payment Value ("GPV") and reflects the mix of commissions, membership fees and other income generated as a percentage of total GPV. The table below highlights FLN's historical GPV, net revenue, take rate and average project value.

Figure 5: Key P&L metrics							
	CY11	**CY12**	*Growth*	**CY13**	*Growth*	**CY14**	*Growth*
Gross Payment Value (A$m)	35.6	50.8	*43%*	84.4	*66%*	103.7	*23%*
Net Revenue (A$m)	6.5	10.6	*63%*	18.8	*77%*	25.9	*39%*
Take rate	18.3%	20.9%	*+260bps*	22.3%	*+140bps*	25.1%	*+290bps*
Average completed project value (A$)	208	201	*-3%*	194	*-3%*	177	*-9%*

Source: FLN

FLN has generated impressive gross margins since it was founded in 2009, consistently above 80% and most recently above 87%. This is due to the fact that not a lot of cost is incurred in providing a transaction (largely gateway and website hosting costs). Below the gross margin line, major costs relate predominately to wages, administration and occupancy. FLN has invested heavily in attracting the right staff to grow the user experience and network support. This has largely come from relatively low cost support staff in Manilla, Philippines and engineers here in Australia. A breakdown of its current workforce is shown below.

Figure 6: Staff breakdown		
Location	**Staff**	**Responsibilities**
Sydney	100	Computer engineers, data scientist, finance and admin.
Manila	280	Online support (24/7), engineering
London	3	Marketing and sales
Vancouver	7	Marketing, small engineering team
Total	**390**	

Source: FLN presentation, Patersons Securities Limited

Going forward, we believe that FLN can continue to grow revenue quickly, both organically and via acquisitions. We have forecast revenues to grow at 42% in CY15, 31% in CY16, and 24% in CY17 before slowing to low double digit growth beyond CY17. We also expect the Company to continue to generate high gross margins (above 80%). Profitability in the next few years will rest solely with management and how hard they push growth opex. Since listing, they have traded largely at breakeven (NPAT), spending every dollar of revenue to grow the business. We have forecast that, with a solid platform now in place, management have the ability to begin paring back some of that growth opex in order to grow profitability. We expect small profits at the EBITDA and NPAT line this year that should grow along with the rapid growth in revenues. A summary of key forecast P&L line items is shown below.

Figure 7: Forecast P&L items							
A$m	**CY14A**	**CY15F**	*growth*	**CY16F**	*growth*	**CY17F**	*growth*
GPV	103.7	134.4	*30%*	168.0	*25%*	207.9	*24%*
Net revenue	25.9	36.7	*42%*	48.2	*31%*	58.2	*21%*
Take rate	*25.1%*	*25.1%*	*flat*	*25.1%*	*flat*	*25.1%*	*flat*
Gross margin	*87.0%*	*86.0%*	*-100bps*	*85.0%*	*-100bps*	*83.0%*	*-100bps*
EBITDA	-2.7	2.8	*n/m*	8.9	*223%*	14.6	*63%*
NPAT	-1.8	2.3	*n/m*	7.3	*222%*	11.3	*55%*

Source: FLN FY14 Annual Report , Patersons Securities Limited

Balance Sheet and Cash flow

The FLN Balance Sheet is relatively straight forward. As you would expect with most technology companies, its assets are predominately cash and intangibles. At 31 March 2015, FLN had $22.1 million of cash and no debt. Following the recent capital raising and purchase of escrow.com, we believe the Company will be in a similar cash position at 30 June 2015 (depending on the timing of settlement of escrow.com which is due to complete near 30 June 2015).

As with any growth company, it is a balancing act between revenue growth, the cost to achieve that growth and the impact this has on a company's profitability. FLN has built a solid platform for growth with the cost base in place, which should now start to translate in incremental profitability. Thus far, management have done an excellent job in re-investing every dollar back into the Company in order to grow revenues and now have the ability to start allowing some of that revenue to drop through to the bottom line.

Valuation

We have valued FLN at $1.43 and have set our end of calendar year price target to our DCF valuation. We believe that FLN has the potential to offer further upside in a high growth industry as people change the way they view outsourced services. Management have a strong track record in developing and growing high tech businesses which we believe will reward shareholders in future years. We initiate FLN with a HOLD recommendation on the basis that, while we like the growth potential of the Company, we would prefer to see some deliverability on profits and our revenue growth forecasts before recommending investors buy the stock.

We have used a DCF valuation to set our price target and have considered an EV/Sales multiple to cross check our valuation. Our DCF assumes a WACC of 13.6% and a terminal growth rate of 3%.

In cross checking our DCF valuation, we have looked at other high growth tech stocks from a variety of industries as there is no other direct, listed comparable to FLN. Based on the peer group below, we believe an appropriate EV/Sales multiple is 10.5 times. Applying this multiple to FLN's forecast CY15 and CY16 revenues, we achieve a valuation range of $0.92 – $1.22.

Figure 8: Peer group comparison					
Company	**Mkt Cap (A$m)**	**EV (A$m)**	**Revenue 1FY (A$m)**	**Rev. growth 1FY**	**EV/sales**
FREELANCER LTD	615.0	594.8	36.4	41.3%	16.4
SEEK LTD	5,577.8	6,730.7	864.5	19.4%	7.8
CARSALES.COM LTD	2,391.2	2,592.8	312.3	32.3%	8.3
REA GROUP LTD	5,040.7	4,999.3	529.0	20.9%	9.5
TRADE ME GROUP L	1,265.0	1,383.9	179.7	10.3%	7.7
LINKEDIN CORP-A	35,174.6	31,984.0	3,812.6	54.8%	8.4
EBAY INC	95,207.7	92,557.6	24,172.1	21.6%	3.8
PRICELINE GROUP	78,068.6	78,947.3	11,818.4	26.1%	6.7
EXPEDIA INC	17,813.5	18,349.7	8,351.7	30.5%	2.2
LENDINGCLUB CORP	8,409.1	11,527.0	507.9	116.7%	22.7
58.COM-ADR	11,635.0	11,272.6	681.6	131.7%	16.5
HOMEAWAY INC	3,848.2	3,165.8	641.4	29.3%	4.9
IPROPERTY GROUP	428.0	416.2	33.1	51.5%	12.6
ICAR ASIA LTD	198.0	183.2	7.3	160.2%	25.0
Average (ex FLN)					**10.5**

Source: Bloomberg consensus 18 June 2015. Revenue and revenue growth forecasts represent consensus estimates for the current financial year.

Share structure

Following the capital raising in May 2015, FLN has approximately 448.0 million shares on issue, of which 4.7 million are restricted pursuant to the Employee Share Plan ("ESP"). A breakdown of key management's holdings is shown below.

Figure 9: Major shareholders		
Shareholder	**Shares held**	**% held**
Matt Barrie	200,406,578	44.7
Simon Clausen	177,230,004	39.6
Darren Williams	12,605,660	2.8
All others	57,779,519	12.9
Total	**448,021,761**	**100.0**

Source: FLN 4C 11 June 2015, FLN FY14 Annual Report

With Directors and management retaining an 87.1% stake in the Company, the free float is currently 12.9%. This means Directors will be able to exert significant influence over matters relating to the business. However, it also means that their interests are aligned to those of the remaining shareholders. The limited free float has the potential to increase the volatility of the share price from time to time and should be considered before making an investment.

Board and Management

Matt Barrie – CEO and Executive Chairman

Matt is an experienced technology entrepreneur and lecturer and was named BRW's inaugural Entrepreneur of the Year in 2011. Previously, Matt founded Sensory Networks Inc, a vendor of high performance network security processes, which was acquired by Intel Corporation in 2013. For the past 12 years, Matt has been an Adjunct Associated Professor at the University of Sydney teaching Cryptography. Matt has won numerous awards for his work in technology and IT, as well as featuring on many tech top 100 lists.

Simon Clausen – Co-founder and Non-Executive Director

Simon has more than 17 years' experience in operating and investing in high growth technology businesses in both Australia and the United States. He previously founded and was CEO of WinGuides, which later became PC Tools and was acquired by Symantec Corporation in October 2008. Currently, Simon is the sole director of Startive Ventures, a specialised technology venture fund that actively maintains investments in a number of companies globally. Other directorships include LatAm Autos Limited (ASX: LAA), since 2014.
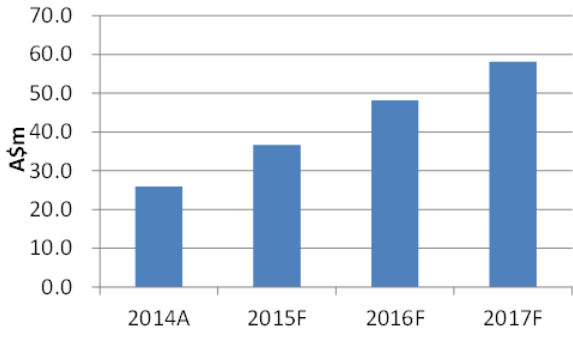
Darren Williams – CTO and Executive Director

Darren has experience in computer security, protocols, networking and software. Prior to joining Freelancer, Darren was a co-founder of Sensory Networks, a venture-backed network security hardware company, where he held the roles of Chief Technology Officer and subsequently Chief Executive Officer. Darren previously lectured in Computer Science at the University of Sydney in a variety of areas to postgraduates and undergraduates.

Neil Katz – CFO and Company Secretary

Neil has over 20 years' experience in finance, accounting and general management. Neil has held CFO roles at a number of technology companies, including IPscape, Threatmetrix, Sensory Networks and Aptrix. Neil has experience and been involved in numerous private equity and venture capital raisings, obtaining multiple government grants, corporate restructuring and trade sale activities. In particular, Neil was involved in the sale of Aptrix to IBM. In these previous roles, Neil has provided financial guidance to assist in the growth and international expansion of these businesses. Neil has also provided consulting services to a number of smaller technology start-up companies in areas of commercialisation strategies and capital raising. Prior to his roles within the technology sector, Neil held senior finance positions in distribution and retail sectors, including at Checkpoint Systems.
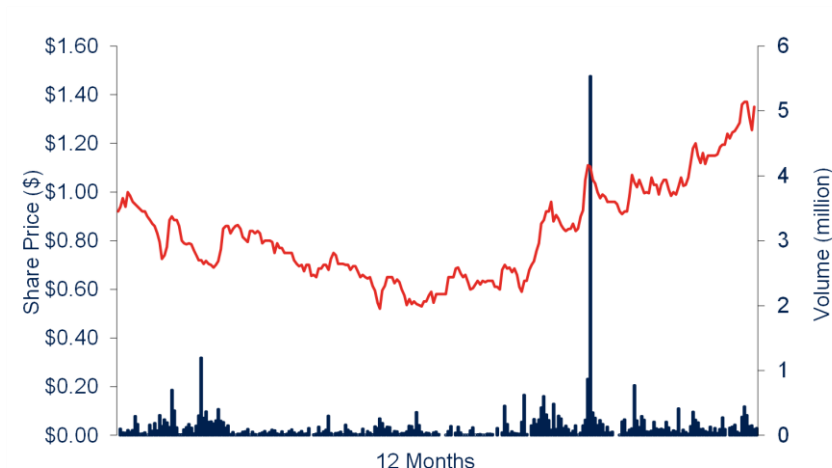
Freelancer Limited		**Price**	**$1.35**			**Year End December 31**		
Valuation		**$m**	**$/sh**	**Profit & Loss ($m)**	**2014A**	**2015F**	**2016F**	**2017F**
Present value of free cash flows		613.9	1.37	Sales Revenue	25.9	36.7	48.2	58.2
Net cash/(debt)		27.8	0.06	**EBITDA**	**(2.7)**	**2.8**	**8.9**	**14.6**
DCF valuation		**641.6**	**1.43**	D&A	(0.3)	(0.5)	(0.6)	(0.8)
WACC	13.6%			**EBIT**	**(3.0)**	**2.3**	**8.3**	**13.8**
Terminal growth	3.0%			Net Interest	0.2	0.4	0.6	0.9
				Pre-tax Profit	**(2.8)**	**2.7**	**8.9**	**14.7**
		2015F	**2016F**	Tax expense	1.0	(0.5)	(1.7)	(3.5)
Sales ($m)		36.7	48.2	**Reported NPAT**	**(1.8)**	**2.3**	**7.3**	**11.3**
Sales multiple		10.5x	10.5x	Significant items net	0.0	0.0	0.0	0.0
Net Debt (Cash) ($m)		(27.8)	(39.8)	**Normalised NPAT**	**(1.8)**	**2.3**	**7.3**	**11.3**
Implied Valuation ($m)		413.4	545.5	Normalised EPS (cps)	-0.00	0.01	0.02	0.03
Capitalised earnings per share		**$0.92**	**$1.22**	DPS (cps)	0.00	0.00	0.00	0.00

Forecast revenues	**Cash Flow ($m)**	**2014A**	**2015F**	**2016F**	**2017F**
	EBITDA	(2.7)	2.8	8.9	14.6
	Net interest	0.2	0.4	0.6	0.9
	Income tax paid	(0.2)	(0.5)	(1.7)	(3.5)
	Other capital	2.6	5.1	5.1	6.3
	Operating Cashflow	**(0.1)**	**7.8**	**13.0**	**18.3**
	Capital expenditure	(1.3)	(0.7)	(1.0)	(1.2)
	Free Cashflow	**(1.4)**	**7.1**	**12.1**	**17.2**
	Acquisitions & Investments	(3.7)	(9.5)	0.0	0.0
	Disposals	0.0	0.0	0.0	0.0
	Increase (Repay) Debt	0.0	0.0	0.0	0.0
	Equity Raised	0.0	10.0	0.0	0.0
	Dividends paid	0.0	0.0	0.0	0.0
	Other	(0.0)	0.0	0.0	0.0
	Net Change in Cash	**(5.1)**	**7.6**	**12.1**	**17.2**
	Closing Cash Balance	**20.2**	**27.8**	**39.8**	**57.0**

Forecast revenues chart (A$m): Sales Revenue — 2014A ~26, 2015F ~37, 2016F ~48, 2017F ~58.

Directors & Substantial Shareholders			**Balance Sheet ($m)**	**2014A**	**2015F**	**2016F**	**2017F**
Name		**Position**	Cash	20.2	27.8	39.8	57.0
Matt Barrie		Executive Chairman & CEO	Receivables	2.8	3.3	4.0	4.8
Simon Clausen		Non-Executive Director	Inventories	0.0	0.0	0.0	0.0
Darren Williams		Executive Director & CTO	Investments	0.0	0.0	0.0	0.0
			Fixed Assets	1.1	10.9	11.2	11.6
			Goodwill	13.0	13.0	13.0	13.0
			Other Assets	3.2	3.2	3.2	3.2
			Total Assets	**40.2**	**58.0**	**71.1**	**89.5**
			Creditors	21.8	27.4	33.2	40.3
Substantial Shareholders	**No. Shares (m)**	**%**	Current Borrowings	0.0	0.0	0.0	0.0
Matt Barrie	200.4	44.7	Non-current Borrowings	0.0	0.0	0.0	0.0
Simon Clausen	177.2	39.6	Other Liabilities	1.6	1.6	1.6	1.6
Top 20 Shareholders	**410.4**	**91.6**	**Total Liabilities**	**23.4**	**29.0**	**34.8**	**41.9**
			Shareholders Funds	**16.8**	**29.1**	**36.3**	**47.6**

Company Background	**Ratios**	**2014A**	**2015F**	**2016F**	**2017F**
	Valuation				
	EV/EBITDA (x)	(212.5)	207.9	63.1	37.4
	PE (x)	(318.1)	266.7	82.8	53.4
	Profitability				
	Revenue Growth (%)	38.6	41.8	31.1	20.8
	EBITDA growth (%)	(493.8)	203.7	222.6	63.5
	EBITDA margin (%)	(10.3)	7.5	18.5	25.1
	ROE (%)	(11.0)	7.8	20.0	23.7
	ROIC (%)	(10.0)	7.4	19.2	22.9
	Balance Sheet				
	Net Debt (Cash) ($m)	(20.2)	(27.8)	(39.8)	(57.0)
	Net Debt/Equity (%)	na	na	na	na
	Interest Cover (x)	16.8	(5.3)	(12.9)	(15.1)
	NTA ($/sh)	0.01	0.04	0.05	0.08
	Price/NTA (x)	152.0	37.4	25.8	17.4
	Shares outstanding (m)	436.3	448.0	448.0	448.0

Company Background

Freelancer Limited is the world's largest online marketplace for freelancing and outsourced services . FLN connects small business, consumers and entrepreneurs who need things done, with a global workforce of skilled online freelancers who are looking for jobs. FLN currently boasts over 850 different job categories from website/IT design, mobile applications, sales/marketing, and data entry to aerospace engineering and biotechnology. Jobs can be posted on FLN either as a project or contest

Recommendation History

Date	Type	Target Price	Share Price	Recommendation	Return

Stock recommendations: Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.

PATERSONS

1300 582 256
patersons@psl.com.au
www.psl.com.au

Research

Rob Brierley - Head of Research	Phone:	(+61 8) 9263 1611	Email:	rbrierley@psl.com.au
Jon Scholtz - Associate Analyst	Phone:	(+61 8) 9225 2836	Email:	jscholtz@psl.com.au
Jakinta Martin - Research Assistant / Associate Analyst	Phone:	(+61 8) 9263 1607	Email:	jmartin@psl.com.au
Melanie Voong - Research Assistant	Phone:	(+61 3) 9242 4138	Email:	mvoong@psl.com.au

Strategy & Economics

Tony Farnham - Economist	Phone:	(+61 2) 9258 8973	Email:	tfarnham@psl.com.au
Andrew Quin - Research Strategy Coordinator	Phone:	(+61 8) 9263 1152	Email:	aquin@psl.com.au
Kien Trinh - Senior Quantitative Analyst	Phone:	(+61 3) 9242 4027	Email:	ktrinh@psl.com.au

Metals, Mining & Energy

Jason Chesters - Analyst	Phone:	(+61 8) 9263 1144	Email:	jchesters@psl.com.au
Simon Tonkin - Senior Analyst	Phone:	(+61 8) 9225 2816	Email:	stonkin@psl.com.au
Matthew Trivett - Analyst	Phone:	(+61 7) 3737 8053	Email:	mtrivett@psl.com.au

Industrials

Martyn Jacobs - Analyst	Phone:	(+61 3) 9242 4172	Email:	mjacobs@psl.com.au
Ben Kakoschke - Analyst	Phone:	(+61 3) 9242 4181	Email:	bkakoschke@psl.com.au
Conor O'Prey - Analyst	Phone:	(+61 2) 8238 6214	Email:	coprey@psl.com.au
Ben Rowe - Analyst	Phone:	(+61 8) 9263 1616	Email:	browe@psl.com.au

Institutional Dealing

Dan Bahen	Phone:	(+61 8) 9263 1274	Email:	dbahen@psl.com.au
Michael Brindal	Phone:	(+61 8) 9263 1186	Email:	mbrindal@psl.com.au
Artie Damaa	Phone:	(+61 2) 8238 6215	Email:	adamaa@psl.com.au
Paul Doherty	Phone:	(+61 3) 8803 0108	Email:	pdoherty@psl.com.au
Peter Graham	Phone:	(+61 3) 9242 4129	Email:	pgraham@psl.com.au
Chris Kelly	Phone:	(+61 3) 9242 4078	Email:	ckelly@psl.com.au
Jeremy Nugara	Phone:	(+61 3) 8803 0166	Email:	jnugara@psl.com.au
George Ogilvie	Phone:	(+61 8) 9263 1627	Email:	gogilvie@psl.com.au
Phil Schofield	Phone:	(+61 2) 8238 6223	Email:	pschofield@psl.com.au
Josh Welch	Phone:	(+61 8) 9263 1668	Email:	jwelch@psl.com.au
Sandy Wylie	Phone:	(+61 8) 9263 1232	Email:	swylie@psl.com.au