

Freelancer Ltd (FLN)



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Growth Portfolio

Overview: Freelancer Ltd (“Freelancer”, “the Company”) is an Australian based software company operating the world’s largest freelancing, outsourcing and crowdsourcing marketplace. As of 30 June 2015 Freelancer 15.9m total registered users and 8m total projects and contests. Freelancer acquired payment service provider Escrow in April 2015. Our last advice was a ‘buy’ recommendation on 3 June 2015 at \$1.14.

START UP

GROWTH

MATURITY

Catalysts: Freelancer is on track to achieve another year of double-digit revenue growth. We expect growth momentum to continue throughout 2015, buoyed by favourable currency exchange movements. As most of its revenue is derived offshore further depreciation of the AUD will enhance its revenue profile. Management recently sold \$35m worth of shares to increase the free float to 23%. Large institutions are starting to accumulate and more liquidity should attract investor interest in the long-term.

Hurdles: Despite incremental revenue growth, Freelancer has not made a profit yet and remains reliant on external funding. Growth through acquisitions results in integration risks for management. The current valuation incorporates future earnings growth, which could result in share price depreciation if targets are not met.

Investment View: We continue to be attracted to Freelancer’s growth trajectory and favourable outlook. We expect growth momentum to continue bolstered by a low AUD. While Freelancer is starting to attract large institutions, we reiterate our ‘buy’ advice and raise our 12 month price target to \$1.70.

CHECKLIST

MANAGEMENT	Strong track record of building start-ups	✓
FINANCIALS	Revenue growth momentum	✓
CATALYSTS	Institutions starting to accumulate	✓
SHARE REGISTER	Free float increased to 23%	✓
STOCK PRICE	Medium-term ascending	✓

10 September 2015 Price: \$1.26

BUY
Update

Stop: \$0.95

Target: \$1.70

CORPORATE SUMMARY

TICKER	FLN.ASX
INDUSTRY	Software
SHARES ON ISSUE	451.4m
	<i>5.1m ordinary employee shares</i>
MARKET CAP	\$546.2m
ENTREPRISE VALUE	\$515.3m
ISSUED CAPITAL	\$27.5m

FINANCIAL OVERVIEW FY14

REVENUE	\$26.1m
NPAT	-\$1.5m
CASH ON HAND	\$22.1m
HISTORIC GROWTH (3YR)	58%
PE	N/A
DIV YIELD	N/A

BOARD OF DIRECTORS

CHAIRMAN	Matt Barrie
DIRECTOR	Simon Clausen

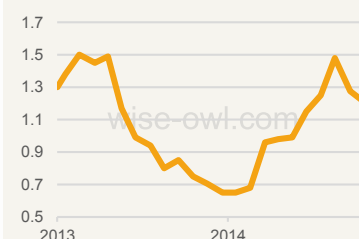
TRACK RECORD

VALUE CREATION	Strong
OPERATIONS	Strong
CAPITAL MARKETS	Fair

SHAREHOLDERS

MATT BARRIE	41.9%
SIMON CLAUSEN	34.2%
TOP20	85.7%

SHARE PRICE



10 September 2015

GLOSSARY

Buy	Increasing value of established business operations is likely to yield share price appreciation
Spec Buy	Increasing value of a new or developing business operation is likely to yield share price appreciation.
Hold	There exists an even balance of risks.
Sell	There is elevated risk of share price depreciation.
Stop	Our recommended, pre determined sell price, to be executed if the share price fails to appreciate
Start Up	The earliest phase of a company's life cycle, and typically the most risky as new ventures are tested in the market place. These businesses are usually reliant on external capital to fund day to day operations.
Growth	Refers to companies that are seeking to expand their presence after achieving a degree of market success. External capital may be required to fund their expansion.
Maturity	Refers to companies that are well established in their market place with little to no external capital requirements.



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