

# Upwork Q4 2023 Investor Presentation

February 2024

This presentation of Upwork Inc. (the “Company,” “we,” “us,” or “our”) contains “forward-looking” statements within the meaning of the federal securities laws. Forward-looking statements include all statements other than statements of historical fact, including any statements regarding our future operating results and financial position, including expected financial results for the first quarter and full year 2024, information or predictions concerning the future of our business or strategy, anticipated events and trends, potential growth or growth prospects, competitive position, technological and market trends, including artificial intelligence, industry environment, the economy, our plans with respect to our share repurchase program, and other future conditions.

We have based these forward-looking statements largely on our current expectations and projections as of the date hereof about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. As such, they are subject to inherent uncertainties, known and unknown risks, and changes in circumstances that are difficult to predict and in many cases outside the Company’s control, and you should not rely on such forward-looking statements as predictions of future events. The Company makes no representation that the projected results will be achieved or that future events and circumstances will occur, and actual results may differ materially and adversely from the Company’s expectations. The forward-looking statements are made as of the date hereof, and the Company does not undertake, and expressly disclaims, any obligation to update or revise any forward-looking statements, to conform these statements to actual results or to make changes in the Company’s expectations, except as required by law. Additional information regarding the risks and uncertainties that could cause actual results to differ materially from the Company’s expectations is included under the caption “Risk Factors” in the Company’s Quarterly Report on Form 10-Q for the three months ended September 30, 2023, filed with the SEC on November 7, 2023, and in the Company’s other SEC filings. Additional information will also be set forth under the caption “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, when filed.

Undue reliance should not be placed on the forward-looking statements in this presentation. These statements are based on information available to Upwork on the date hereof, and Upwork assumes no obligation to update such statements. Moreover, neither the Company nor any other person makes any representation or warranty as to the accuracy or completeness of the information herein. This presentation is made solely for informational purposes.

All third-party trademarks, including names, logos, and brands, referenced in this presentation are property of their respective owners. All references to third-party trademarks are for identification purposes only and shall be considered nominative fair use under trademark law.

# Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), we present certain non-GAAP financial measures in this presentation, including adjusted EBITDA.

We use non-GAAP financial measures in conjunction with financial measures prepared in accordance with GAAP for planning purposes, including in the preparation of our annual operating budget, as a measure of our core operating results and the effectiveness of our business strategy, and in evaluating our financial performance. These measures provide consistency and comparability with past financial performance, facilitate period-to-period comparisons of our core operating results, and also facilitate comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results. In addition, adjusted EBITDA is widely used by investors and securities analysts to measure a company’s operating performance. We exclude the following items from one or more of our non-GAAP financial measures: stock-based compensation expense (non-cash expense calculated by companies using a variety of valuation methodologies and subjective assumptions), depreciation and amortization (non-cash expense), interest expense, other (income) expense, net, income tax (benefit) provision, and, if applicable, other non-cash transactions.

Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as analytical tools, and investors should not consider them in isolation or as a substitute for the most directly comparable financial measures prepared in accordance with GAAP. In particular, (1) stock-based compensation expense has recently been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy, (2) although depreciation and amortization expense are non-cash charges, the assets subject to depreciation and amortization may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements, and (3) adjusted EBITDA does not reflect: (a) changes in, or cash requirements for, our working capital needs; (b) interest expense, or the cash requirements necessary to service interest or principal payments on our debt, which reduces cash available to us; or (c) tax payments that may represent a reduction in cash available to us. In addition, the non-GAAP measures we use may be different from non-GAAP financial measures used by other companies, including companies in our industry, limiting their usefulness for comparison purposes. We compensate for these limitations by providing specific information regarding the GAAP items excluded from these non-GAAP financial measures. Reconciliations of the non-GAAP measures presented in this presentation to their most directly comparable GAAP financial measures have been provided in the financial statement tables included in this presentation, and investors are encouraged to review the reconciliations and not rely on any single financial measure to evaluate the Company’s business.

We have not reconciled our adjusted EBITDA guidance to GAAP net income (loss) or non-GAAP diluted EPS guidance to GAAP diluted EPS because certain items that impact GAAP net income (loss) and GAAP diluted EPS are uncertain or out of our control and cannot be reasonably predicted. In particular, stock-based compensation expense is impacted by the future fair market value of our common stock and other factors, all of which are difficult to predict, subject to frequent change, or not within our control. The actual amount of these expenses during the first quarter of 2024 and fiscal year 2024 will have a significant impact on our future GAAP financial results. Accordingly, a reconciliation of adjusted EBITDA guidance to GAAP net income (loss) and non-GAAP diluted EPS guidance to GAAP diluted EPS is not available without unreasonable effort.

Our Mission

Create  
economic  
opportunities  
so people  
have better  
lives.

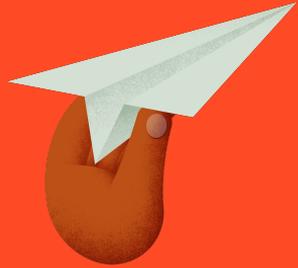


Our Vision

Independent  
talent at the  
heart of every  
business.



# Uniquely positioned to succeed



Massive TAM with secular tailwinds



Largest work marketplace



Multiple growth opportunities



Strong competitive position



Proven and experienced management team

# Creating a massive and growing opportunity

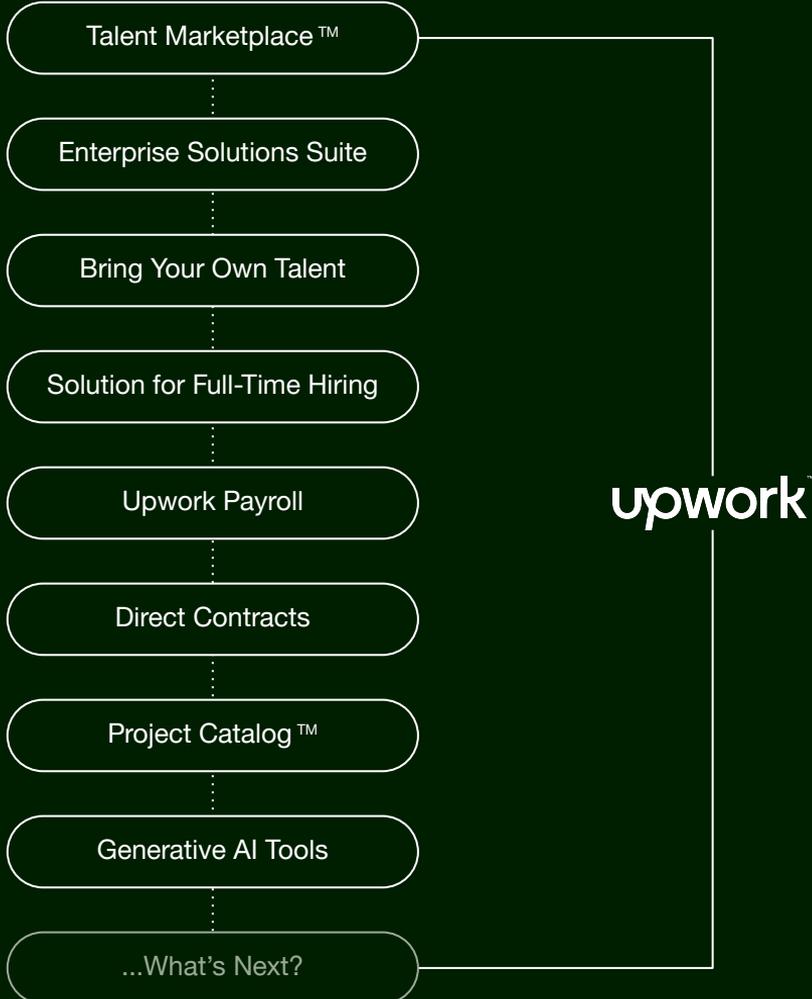


<sup>1</sup> 2021 estimate from Gartner - Forecast Analysis: Remote Workers Forecast, Worldwide August 2020.

<sup>2</sup> TTM as of Dec. 31, 2020.

# Upwork is a comprehensive work marketplace

Multiple ways to Upwork = the “always on” solution for companies hiring and managing independent talent programs at scale



# AI innovations

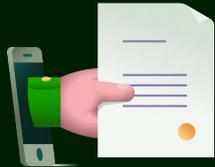
## AI Services Hub

Connects companies with some of the most skilled independent professionals in AI fields from across the globe



## Job Post Generator

Enables customers to get work done faster and more effectively on Upwork by creating a fully customizable job post draft in seconds based on a few inputs about the job



## Proposal Tips

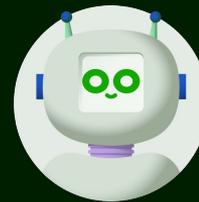
Helps independent professionals on Upwork improve their proposals for specific job posts by providing personalized tips on how to best demonstrate alignment with a client's needs and expectations



## AI Chatbot & Upwork Chat Pro

Through the use of generative AI, the AI Chatbot provides visitors with an easier, more conversational way of learning about Upwork

Upwork Chat Pro provides a streamlined way for talent to secure work and engage with the Upwork platform



## Strategic Partnerships

Offer talent cutting-edge AI tools to enhance their capabilities and provide clients access to highly skilled professionals experienced in the AI space



# Featuring a robust community of clients and talent

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10,000+ skills

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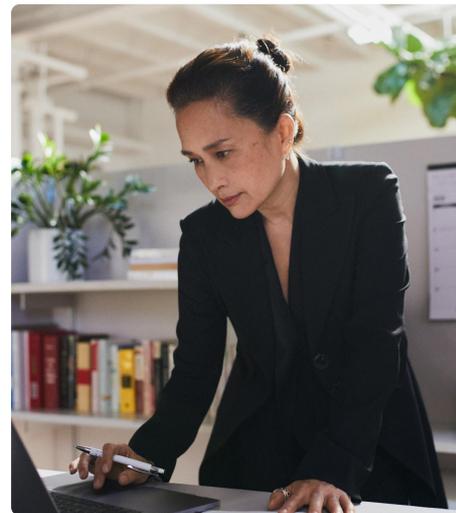
73% of talent have college degrees<sup>1</sup>

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Highly skilled, diverse talent in 180+ countries

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\$20B+ in lifetime GSV transacted on the platform



<sup>1</sup> February 2021 Upwork internally conducted survey.

# The race to win the massive work marketplace opportunity

Platform-first service model

Hybrid service model

Traditional staffing service model



- fiverr.**
- Toptal.**
- CATALANT**
- Vettery**
- indeed prime**

Work Marketplace

Vetting & talent management	Platform & payments	Shortlisting & success management	Sales
Match & reputation	Payroll	B2B marketing	Talent pool

- Robert Half**
- Adecco**
- randstad**
- Regional Staffing Cos
- Local Staffing Cos

“Platform when you want it – people when you don’t.”

# Three talent plans

## Basic

- 10 Connects total per month
- Buy Connects as you need them for \$0.15 + tax each\*
- Hourly protection to ensure you're paid for each hour worked
- Fixed-price payments are secured through milestones

\* Connects expire one year after purchase date

## Plus

Includes all Basic features, 100 total connects per month, +

- Upwork Chat Pro
- View competitor bids for jobs
- Setting to keep your earnings confidential
- Customize your profile URL
- Your profile will never be set to hidden due to inactivity
- Extended reports and functionality, including grouping and sorting
- Level up with weekly coaching and office hours
- Get exclusive access to the Freelancer Plus group
- Skip the line for Upwork Skills Certificate
- Enjoy a 0% service fee when you bring new clients to Upwork

## Agency Plus

Includes all Plus features +

- Grow your team with unlimited members
- Customize your Agency Profile URL to highlight your business
- Be competitive with insight into competitor bid values on jobs
- Engage and apply by purchasing shared agency Connects

# Three client plans

## Client Marketplace

- Diverse global talent pool
- Safe and easy payments
- Customer support
- Access to premium talent
- Featured jobs upgrade
- Advanced reporting
- Contract management
- Activity codes

## Enterprise: Standard

Includes all Client Marketplace features +

- Custom reporting
- API access
- Expert-vetted talent pools and talent clouds
- SSO / permissions
- Purchase order management
- Consolidated invoicing and billing

## Enterprise: Compliance

Includes all Enterprise: Standard features +

- Compliance services / Worker classification
- Misclassification indemnification
- Work protection program

# Creating a virtuous cycle

## Value for Talent

### Find work quickly

Access to quality, flexible projects from our global network

### Get paid on time

Receive security and peace of mind with Upwork Payment Protection

### Build reputation

Establish long-term credibility and relationships with roster of clients

### Tools for AI

Provide access to tools that enable both sides of our marketplace to streamline work & increase efficiency

### Flexibility

Expanding number of ways to Upwork

## Value for Clients

### Quality talent

Global access to a verified Virtual Talent Bench™ across categories and price points

### Fast access to talent

Receive proposals within minutes; 3 days average time to contract on the Talent Marketplace

### Cost-effective projects

Take hiring budgets further with competitive pricing

### Work efficiently, effectively

End-to-end suite of workflow tools

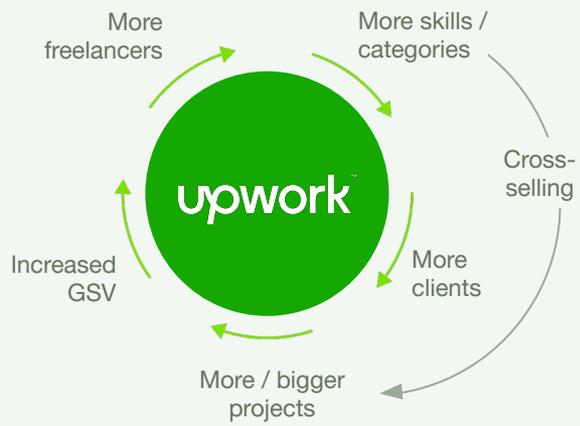
### Flexibility

Expanding number of ways to Upwork

## Value for Upwork

This engine results in:

Highly sticky double opt-in platform with long-term relationships and recurring use, leading to increasing scale and recurring revenue



# Commitment to Sustainability and Impact

Focus Area	Initiatives	Achievements to Date
Environmental Sustainability	<ul style="list-style-type: none"> <li>• Reducing emissions by limiting our office footprint through our remote-first working model and purchasing renewable energy</li> <li>• Reducing unnecessary commuting and travel</li> <li>• Purchasing high-quality offsets for emissions we cannot avoid</li> </ul>	<ul style="list-style-type: none"> <li>✓ Committed to carbon neutral operations and powering our offices with zero-carbon electricity</li> <li>✓ Reduced our Scope 1 and 2 emissions to nearly zero in 2022</li> <li>✓ Achieved external assurance for all scopes since 2021</li> <li>✓ Maintain a robust Global Environmental Policy</li> <li>✓ Report in alignment with TCFD recommendations and annual reporting to CDP</li> </ul>
Social Sustainability	<ul style="list-style-type: none"> <li>• Building a more robust diversity, inclusion, and belonging (DIBs) infrastructure</li> <li>• Leveraging data to inform strategic talent process decisions</li> <li>• Preparing quantitative disclosures to demonstrate our progress on DIBs-related initiatives</li> </ul>	<ul style="list-style-type: none"> <li>✓ 50% of Board is female</li> <li>✓ 3 of our 8 directors self-identify as a member of an underrepresented minority or the LGBTQ+ community<sup>1</sup></li> <li>✓ Maintain our Human Rights Commitment and Supplier Code of Conduct</li> <li>✓ Inclusion in the 2022 Bloomberg Gender-Equality Index</li> </ul>
Corporate Governance	<ul style="list-style-type: none"> <li>• Evolving Board and governance practices to reflect our maturation as a public company</li> <li>• Focusing on and responding to stockholder feedback</li> <li>• Acting to protect and grow long-term stockholder value</li> </ul>	<ul style="list-style-type: none"> <li>✓ Implemented majority-vote standard for director elections and adopted proxy access</li> <li>✓ The Board's Nominating and Governance Committee oversees Sustainability and Impact strategy and performance</li> </ul>

<sup>1</sup> As defined by the Nasdaq listing standards.

# Financial Highlights

# Upwork at a glance

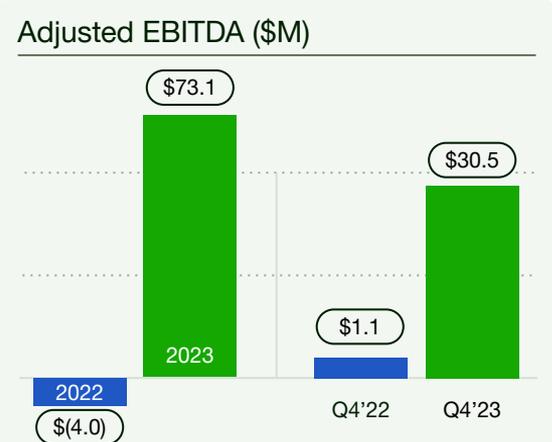
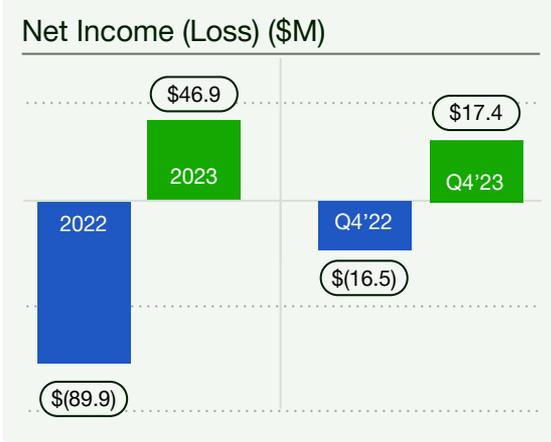
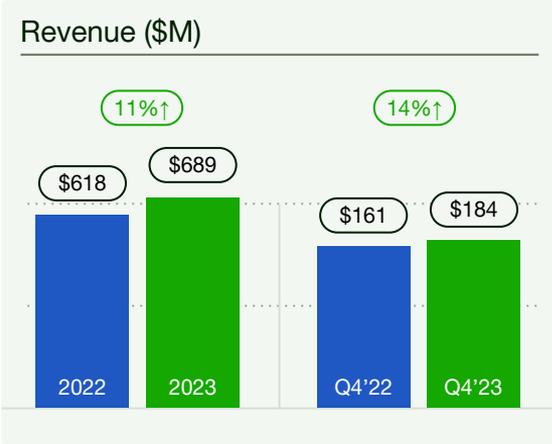
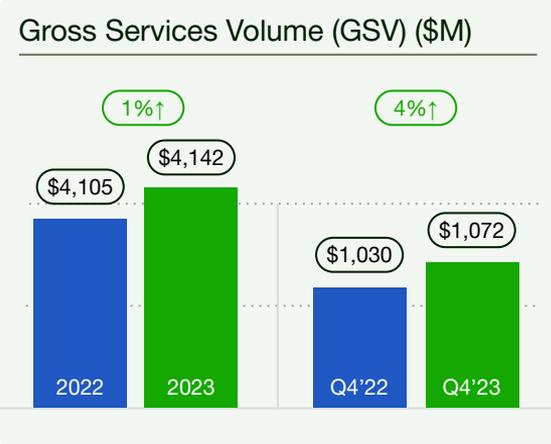
As of December 31, 2023

851K

Active Clients

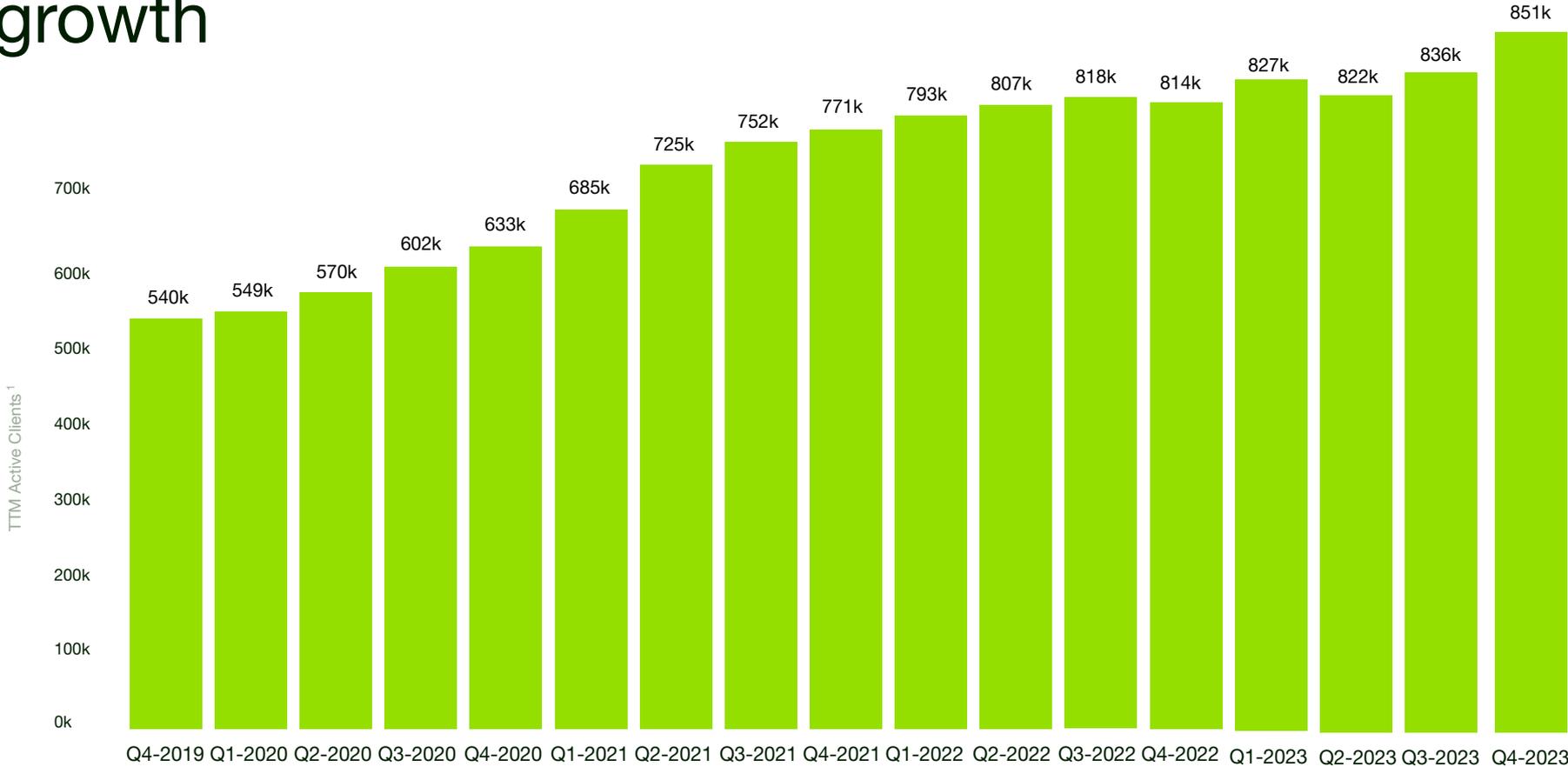
31

New Enterprise Logos



Note: Adjusted EBITDA is a non-GAAP measure and is presented for supplemental purposes only and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. See slide 21 for a reconciliation of net income (loss) to Adjusted EBITDA. See appendix for the definition of Adjusted EBITDA, GSV, Active Clients, and GSV per Active Client.

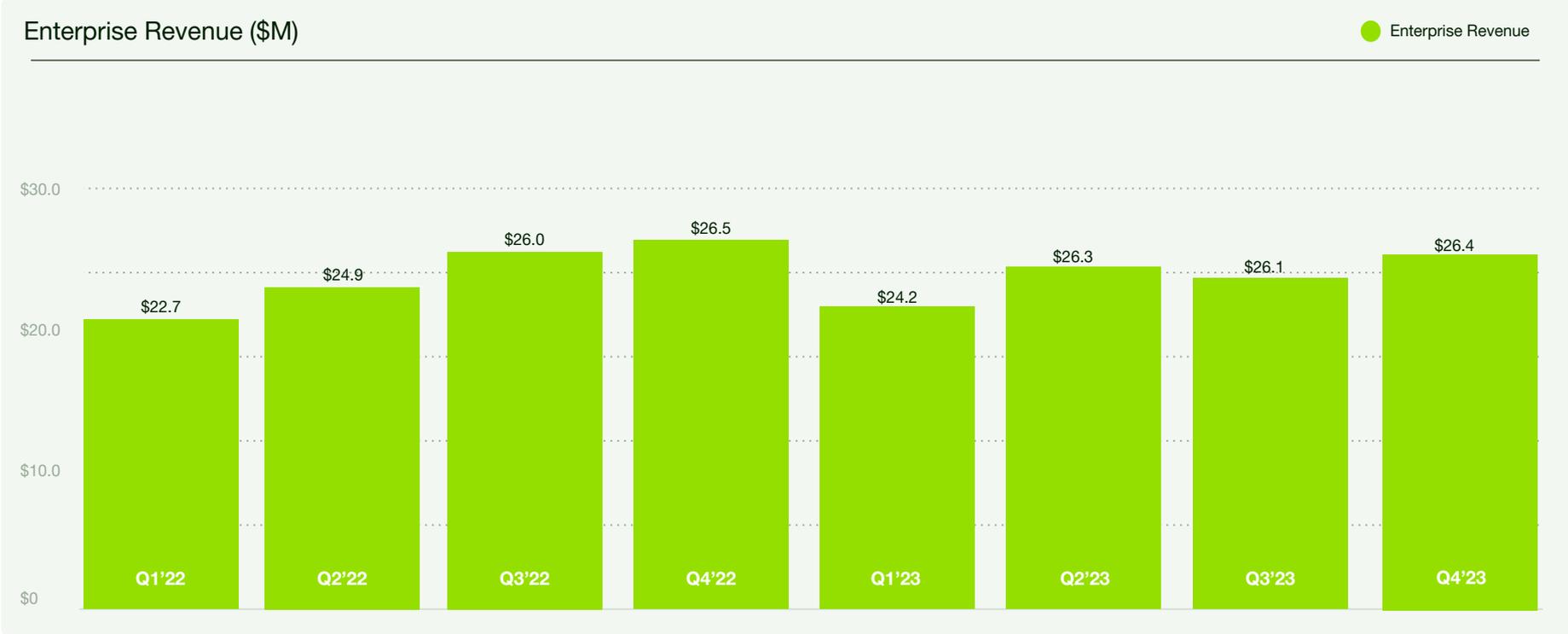
# Active client growth



<sup>1</sup> See appendix for the definition of Active Clients.

# Enterprise at a glance

As of Dec 31, 2023



Note: See appendix for the definition of Enterprise Revenue and Enterprise Clients. In order to conform to the current period presentation as of December 31, 2023, we present revenue from Enterprise Solutions and Managed Services together as Enterprise revenue in prior periods and no longer report revenue from our Enterprise Solutions offering in Marketplace revenue.

# Guidance

	Q1 2024 Guidance	FY 2024 Guidance
Revenue	\$183 million - \$188 million	\$760 million - \$780 million
Adjusted EBITDA	\$28.0 million - \$32.0 million	\$125.0 million - \$135.0 million
Diluted weighted-average shares outstanding	144 million - 146 million	148 million - 152 million
Non-GAAP diluted EPS	\$0.17 - \$0.19	\$0.77 - \$0.81
Stock Based Compensation Expense	Stock-based compensation expense is expected to average slightly more than \$20M per quarter for 2024	

**UPWORK INC.**  
**RECONCILIATION OF GAAP TO NON-GAAP RESULTS**  
(In thousands, except for percentages and share data)  
**(Unaudited)**

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Net income (loss)	\$ 17,374	\$ (16,500)	\$ 46,887	\$ (89,885)
Add back (deduct):				
Stock-based compensation expense	18,047	19,382	74,195	75,501
Depreciation and amortization	3,808	2,050	9,449	8,057
Other income, net <sup>(1)</sup>	(7,389)	(4,422)	(60,137)	(3,275)
Income tax (benefit) provision	(1,557)	440	1,990	536
Other <sup>(2)(3)</sup>	187	187	750	5,037
Adjusted EBITDA	<u>\$ 30,470</u>	<u>\$ 1,137</u>	<u>\$ 73,134</u>	<u>\$ (4,029)</u>

<sup>(1)</sup> During the twelve months ended December 31, 2023, we recognized a gain on the early extinguishment of debt of \$38.9 million, which is included in other income, net.

<sup>(2)</sup> During each of the three and twelve months ended December 31, 2023 and 2022, we incurred \$0.2 million and \$0.8 million, respectively, related to our Tides Foundation warrant.

<sup>(3)</sup> During the twelve months ended December 31, 2022, in response to Russia's invasion of Ukraine, we incurred certain incremental expenses associated with our humanitarian response efforts. These expenses are not representative of our ongoing operations, and, as a result, we excluded these costs from adjusted EBITDA for the twelve months ended December 31, 2022. Represents (i) \$1.4 million of special one-time bonuses to our team members in the region impacted by Russia's invasion of Ukraine, (ii) \$1.5 million of expenses incurred in connection with the relocation of our team members in the impacted region, (iii) \$1.1 million of donations made to humanitarian aid organizations to support initiatives related to humanitarian response efforts in the impacted region, primarily to Direct Relief International, a humanitarian aid organization, and (iv) \$0.4 million of payments of one-time service award bonuses (and associated taxes) to certain of our team members paid in recognition of contributions made by such team members to our humanitarian response efforts in the impacted region.

# Upwork Team

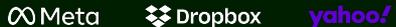
# Proven management team with decades of experience at marketplace and technology companies



**Hayden Brown**  
President & CEO



**Dave Bottoms**  
GM, Marketplace



**Erica Gessert**  
Chief Financial Officer



**Brandon Savage**  
GM, Customer Experience & Trust



**Brian Levey**  
Chief Business Affairs & Legal Officer



**Zoë Diamandi**  
GM, Enterprise



**Melissa Waters**  
Chief Marketing Officer



**Mohit Kumar**  
GM, Payments



**Sunita Solao**  
Chief People Officer



**Andrew Rabinovich**  
VP, Head of AI & Machine Learning



**Paul Black**  
VP, Engineering & CISO



# Appendix

# Key Definitions

## Active Clients

We define an Active Client as a client that has had spend activity on our work marketplace during the 12 months preceding the date of measurement.

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## Adjusted EBITDA

We define adjusted EBITDA as net income (loss) adjusted for stock-based compensation expense; depreciation and amortization; interest expense; other income (expense), net; income tax benefit (provision); and, if applicable, other non-cash transactions.

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## Connects

Virtual tokens that are required for talent to bid on projects and ads products on our work marketplace.

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## Enterprise Client

We define an Enterprise Client as a client that has entered into a contract for its use of our Enterprise Solutions or Managed Services offerings.

## Enterprise Revenue

We define Enterprise Revenue as revenue from our Enterprise offerings, including all client fees, subscriptions, and talent service fees from our Enterprise Solutions offering, previously referred to as Upwork Enterprise, and Managed Services.

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## Gross Services Volume (GSV)

We define gross services volume, or GSV, as the total amount that clients spend on our offerings as well as additional fees we charge to talent and clients for other services.

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## GSV per Active Client

GSV per Active Client is calculated by dividing total GSV during the four quarters ended on the date of measurement by the number of active clients on the date of measurement.

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# Key Definitions

## Marketplace Revenue

Marketplace revenue represents the majority of our revenue and is derived from our Marketplace offerings, which include all offerings other than our Enterprise offerings—Enterprise Solutions, previously referred to as Upwork Enterprise, and Managed Services.

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## Marketplace Take Rate

Marketplace take rate measures the correlation between Marketplace revenue and Marketplace GSV and is calculated by dividing Marketplace revenue by Marketplace GSV.

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## Take Rate

We define take rate as total revenue divided by total GSV.