

UPWK 4Q 2025 Conference Call Prepared Remarks

CEO Section:

Good afternoon and welcome to Upwork's fourth quarter and full year 2025 earnings call.

In 2025, we completed a three-year journey to fundamentally transform the business and position Upwork to extend our leadership in the AI era. We reinvented our product, customer experience, and operations to enable Upwork to become the "Human-plus-AI" solution for the market. Today, we're seeing the early benefits of the New Upwork in our full year 2025 financial performance, which included over \$4 billion in GSV, \$788 million in revenue, and \$226 million in adjusted EBITDA. Both revenue and adjusted EBITDA were at record levels, with revenue growth of 2.4% and adjusted EBITDA margin of 29%. And we finished the year with a strong Q4 that included year-over-year growth of 3% in GSV, 4% in revenue, and a 27% adjusted EBITDA margin. We are entering the year well-positioned to accelerate growth and generate strong margins in 2026 and beyond by capitalizing on the \$1.3 trillion market opportunity in front of us. In this new era of work, reshaped by AI, Upwork is positioned to lead the shift toward flexible, skills-based talent.

I'll unpack our fourth quarter operating achievements across the three growth pillars we shared at our November Investor Day – AI, SMB, and Enterprise – and share our 2026 goals for each. Erica will discuss our Q4 and full year 2025 financial performance and 2026 guidance, and then we'll take your questions.

There's no doubt that AI is reshaping how work gets done. From what we see every day on our platform, AI and humans do their best work together. Our research published in November shows that human-plus-agent collaboration increases job completion rates by up to 70% compared to agents working alone. And we are not an outlier: third-party reports from Anthropic, LinkedIn, and Workday further support Upwork's vision for a future of work that keeps humans at the center, with AI amplifying their results. We are evolving the Upwork Marketplace to harness this reality. In Q4, we embedded more AI functionality in the marketplace that helped clients and talent work together more easily, generated more than 50% GSV growth from AI-related work on the platform, and laid the foundation to integrate agents to deliver work outcomes.

With respect to Upwork's AI-native marketplace, we continued to advance our search and recommendation functionality, and Uma, Upwork's AI agent, to help clients hire faster and more effectively. In total, we estimate that these improvements contributed \$100 million in incremental GSV in 2025. In Q4, we introduced AI-generated work summaries to give clients a richer, multidimensional view of a freelancer's experience to enable more confident and better-fit hiring decisions. This new feature is already delivering an increased spend per client. By continuously adding AI functionality to our marketplace, we are removing friction between talent and clients, and improving monetization in our platform.

We're also seeing strong, durable growth in AI-related work, as companies move from AI experimentation to execution. As business leaders work to translate AI promises into tangible business

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impact, many are turning to independent professionals to help with strategy, integration, and implementation. GSV from AI-related work surpassed \$300 million on an annualized basis in Q4, up more than 50% from the prior year. This performance was driven by categories like Generative AI & Creative Production, and AI Integration & Automation, which nearly doubled year-over-year in Q4. Further, in Q4 we saw the number of clients engaging in AI work increase over 50% year over year, with GSV from these clients exceeding our average spend per client by about 3x. While this is still a minority of the total work done in the Upwork marketplace, AI work is becoming more material every day and is an exciting indicator of our AI tailwind.

Finally, on agents, in Q4 we outlined our AI agent strategy and introduced the Human and Agent Productivity Index – or “HAPI” – the first-of-its-kind real-world evaluation framework measuring agent performance with humans in the loop. Early learnings validated that human plus agent collaboration delivers superior outcomes to agents alone, and this is shaping our next phase, with agent-human pairs already in testing in our product today and rolling out to all customers by year-end.

Turning to our second growth pillar: SMBs remain a major growth driver for Upwork, and we’re seeing strong traction here with Business Plus, our purpose-built SMB solution. Since launching at the end of 2024, Business Plus has scaled quickly, demonstrating the strength of the product and its fit with this segment. In Q4, we kicked off new, targeted marketing efforts with the launch of our first dedicated campaign going after on small businesses. This campaign highlights how Business Plus addresses SMBs’ most pressing needs, from access to top talent, to team-based hiring and credit-based payment terms. In Q4, active Business Plus clients grew 49% sequentially, with 38% of these clients being new to Upwork. Business Plus is one of our fastest growing products ever, and its clients spend almost 2.5x more than our marketplace average. These results position Business Plus as a scalable, high-value growth engine at the center of our SMB strategy.

Turning to Enterprise, 2025 was a pivotal year with the introduction of Lifted. Enabled by the acquisition of two companies, Lifted’s offering is designed to support every major contingent work contract type and integrate directly into the workflows used by the world’s largest companies. Enterprise customers tell us they want these capabilities, and can’t get them from anyone else in the market today. In Q4, we focused on bringing teams and platforms together and finalized and launched the first phase of a go-to-market strategy to expand with existing customers and pursue a focused set of about 3,000 prioritized enterprise accounts, each with more than \$50M in annual contingent spend. Today, Lifted has built a strong pipeline – including dozens of existing and new logos – and is already seeing early success. Lifted has already won two new clients. Given that the enterprise sales cycle can take a year or more, we’re encouraged with this early progress and remain confident in our ability to execute on the ambitious growth targets for Lifted that we outlined in our Investor Day.

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Looking ahead to 2026, we're continuing to build on the progress we made last year across our three growth pillars.

In AI, we're taking our AI-native marketplace to the next level. In 2025, Uma was like Tesla's self-driving mode: powerful, capable, and ready to take the wheel. In 2026, Uma will become a Waymo chauffeur for clients and talent: transforming a client's goals into job requirements, postings and recruiting plans; coordinating with talent and AI agents; and managing projects from inception to delivery. We're launching a fundamentally different customer experience, powered by our growing data moat. This means customers can get more complex, higher-value work done more easily on the platform, leveraging the data and insights we've built over time.

We're also continuing to nurture growth in our AI work categories. Demand for AI-skilled talent continues to increase. Our recent In-Demand Skills report found that demand for top AI-enabled skills more than doubled year-over-year, and that human expertise commands a premium across work categories. We're helping talent develop and deploy deeper AI skills, including through our partnership with OpenAI to offer AI training, certifications, and upskilling to global independent professionals on Upwork. Through a range of ecosystem partners like OpenAI, we see an opportunity to continue to extend our reach in new ways.

With respect to AI agents, in 2026, we will deepen human-agent collaboration across the marketplace. Our work with 3rd party agent developers will enable us to offer a differentiated human+AI experience for delivering high quality work outcomes. Our unique human and AI agent benchmark provides both a critical training ground for agents and a quality bar for ensuring great work outcomes. With spend on AI agents projected to reach \$120 billion by 2028, we are positioning Upwork to capture a meaningful share of this emerging market.

For SMB, 2026 is about expanding and scaling our offering. We're doubling down on SMB-specific features for onboarding, team hiring, and AI-driven curation, and running targeted marketing programs for Business Plus to drive broader adoption. As we said in our November Investor Day, our goal for Business Plus is to double in GSV, to represent over 5% of our total annual GSV in 2026. At the end of Q4, we're already pacing ahead of plan to reach these 2026 targets, underscoring our early progress in capturing more of the \$530 billion SMB market.

Finally, in enterprise, our 2026 playbook also remains consistent with what we shared at our Investor Day. Our focus of the first half of the year is on integration and implementation of the Lifted platform, as we continue to nurture the growing pipeline of enterprises interested in this solution. On the back of sales efforts that are already under way, we expect ramping the Lifted business in the second half of this year, and then driving scale in 2027 as we unlock the \$650 billion enterprise market opportunity.

In parallel, we'll look to accelerate our roadmap and time-to-market through targeted acquisitions. Through thoughtful M&A over the last 2.5 years, we successfully raised our game in AI and Enterprise.

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We'll continue to look for strategic investments that further accelerate our AI, SMB, and Enterprise growth initiatives.

2025 marked the capstone year in our transformation of Upwork. We rebuilt the company for the age of human-plus-AI work while demonstrating strong financial performance. Now we're positioned to lead as the operational backbone for customers navigating this new era. The opportunity ahead is massive, and we're entering 2026 prepared to build on our momentum.

With that, I'll turn it over to Erica.

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CFO Section:

Thanks, Hayden.

Before reviewing our Q4 and full-year 2025 results, I would like to take a minute to say how proud I am to be a part of the fantastic Upwork team. Our teams executed relentlessly over the past three years, working with discipline and speed to transform Upwork, preparing us to lead in the future of work.

We grew GSV to over \$4 billion in 2025, with fourth quarter GSV accelerating to 3% growth year-over-year at over \$1 billion. We continued to evolve the Upwork and Lifted platforms to serve the highest value customers and use cases, which is showing up in key leading indicators on our platform. In addition to the AI and Business Plus growth metrics Hayden shared, average GSV per active client increased throughout the year, growing 7% year-over-year in Q4 to a record level of over \$5,100. And overall spend per contract increased 10% year-over-year, resulting in the highest ever average spend per contract over any 12-month period at Upwork. While Marketplace GSV growth was relatively flat in the fourth quarter over last year, this was driven primarily by fewer low-value, high-volume contracts. Given the positive fundamentals around larger clients, we expect positive GSV and revenue growth in each quarter of 2026.

We ended the quarter with 785,000 active clients. GSV per new client increased 5% year-over-year, and 3% quarter over quarter, representing our sixth consecutive quarter of annual growth for this key value signal. Our churn rate declined over the course of 2025, with fourth quarter churn reaching its lowest level in over eight quarters. Churn in Q4 was over 130 basis points lower than the churn rate in Q4 2024. These improving churn rates, as well as growing yields on our acquisition marketing, mean that we expect to resume sequential active client growth in Q1.

Our Q4 results reflect the success of several key customer experience improvement initiatives, starting with GSV from Business Plus, which increased 24% quarter over quarter. Revenue from Freelancer Plus grew 29% year over year, helping to drive total ads and monetization revenue growth of 24% year over year. These and other enhanced value proposition strategies enabled us to grow our marketplace take rate to 19.0% in Q4 2025, up from 18.1% in Q4 2024, which helped drive 5% year-over-year growth in Q4 2025 Marketplace revenue.

Enterprise revenue decreased 3% year-over-year in Q4, as anticipated, following our 2025 pause in selling our legacy Enterprise plans as we shifted to our new strategy with Lifted. As discussed at Investor Day we are targeting 25% GSV growth for our Enterprise business this year, with significant acceleration in the second half when integration is complete and we onboard and ramp customers onto the new Lifted platform. As Hayden discussed, we're seeing strong signals of customer interest and we're focused on executing on our integration plans with speed to capture this opportunity. As such, we continue to expect Lifted to ramp in the second half of 2026 and to be meaningfully accretive to GSV, revenue and adjusted EBITDA in 2027.

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Gross margin was 78.0% in Q4, and a record high at 77.8% for the full year 2025, as we continue to execute disciplined cost management across every part of our business. Non-GAAP operating expense was \$107 million in the fourth quarter, or 54% of revenue, on par with Q4 2024, even as we absorbed approximately \$6 million in incremental operating expenses and integration costs from the two acquisitions supporting the Lifted strategy. For the full year, Non-GAAP operating expense was \$405 million or 51% of revenue, compared to 57% of revenue in 2024, reflecting our continued strong execution and cost management with our business.

Adjusted EBITDA was \$53 million in the fourth quarter, exceeding the high-end of our Q4 guidance range, and reaching a record fourth quarter adjusted EBITDA margin of 27%. For the full year, adjusted EBITDA was a record \$226 million and reached our highest ever annual EBITDA margin of 29%.

Free cash flow for the fourth quarter was \$57 million. We generated a record \$223 million in free cash flow in 2025 which we expect to use to support organic growth initiatives, M&A to accelerate our growth strategies, and additional share repurchases. In the quarter, we used \$34 million in cash to buy back approximately 2 million shares, and used a total of \$136 million in 2025 to purchase more than 9 million shares as part of our commitment to driving long-term shareholder value. Cash, cash equivalents and marketable securities were approximately \$673 million at the end of the year.

Now, turning to guidance.

For the full year 2026, we continue to expect GSV growth in the range of 4% to 6%, and revenue growth in the range of 6% to 8%, or between \$835 to \$850 million dollars. Starting in Q2, we expect GSV, total take rate, and revenue to increase sequentially through the remainder of 2026, driven in part by Lifted completing its integration efforts and beginning to ramp GSV and revenue in the second half of the year.

We also continue to expect full-year 2026 adjusted EBITDA margin of approximately 29%, or between \$240 to \$250 million. While we are incurring about two percentage points of margin dilution from investments in the Lifted growth strategy in 2026, we are maintaining our margin rate on a year over year basis. We expect to exit 2026 at a margin in the low 30s, as a number of longer term cost optimization strategies start to bear fruit in the back half of the year. We expect full-year 2026 non-GAAP diluted EPS to be between \$1.43 and \$1.48.

For the first quarter of 2026, we expect to generate revenue in the range of \$192 to \$197 million. In 2025, we delivered major platform improvements and a return to growth through our focus on higher value clients and more complex work. The key long-term growth levers we've identified on our Upwork platforms - AI, SMB and Enterprise - are all progressing well, including the growth metrics across Business Plus, the AI category and other leading growth indicators that Hayden and I shared today. This gives us confidence in achieving our top line growth outlook for the year, while also continuing to invest in growth and optimize our cost base.

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For adjusted EBITDA in the first quarter, we are guiding to a range of \$45 to \$47 million, which represents an adjusted EBITDA margin in the range of 23% to 24%. Our margin outlook in Q1 is lower than is typical for our business due to the rapid pace of our Lifted integration projects, investments to support growth on the Lifted platform, and some incremental marketing investments to support additional growth opportunities in the marketplace. With the long-term cost optimization initiatives we have implemented, we have strong confidence in our 29% margin outlook for the year, and in our ongoing progress toward our long-term 35% margin target. We expect Q1 2026 non-GAAP diluted EPS to be between \$0.26 and \$0.28.

In closing, Upwork is well positioned for accelerating, multi-year growth starting this year. I'm excited about the growth opportunities ahead and look forward to building on our current momentum in 2026. We are entering the year with strong progress on our key growth levers, on a highly profitable foundation and with a very strong track record of producing operating leverage. We have proven our commitment to growing shareholder value, and our strong balance sheet and tremendous free cash flow give us flexibility to maximize value and continue to solidify our market leadership. I know I speak for everyone at Upwork when I say we are excited about 2026 and the great growth prospects for our business. With that, we would be happy to take your questions.