

Q3'22 Prepared Remarks

Evan Barbosa, VP, Investor Relations

Thank you. Welcome to Upwork's discussion of its third-quarter 2022 financial results. Leading the discussion today are Hayden Brown, Upwork's President and Chief Executive Officer, and Jeff McCombs, Upwork's Chief Financial Officer. Following management's prepared remarks, we will be happy to take your questions. But first, I'll review the safe harbor statement.

Safe Harbor Statement

During this call we may make statements related to our business that are forward-looking statements under federal securities laws. These statements are not guarantees of future performance, but rather are subject to a variety of risks, uncertainties and assumptions. Our actual results could differ materially from expectations reflected in any forward-looking statements.

In addition, any statements regarding the current and future impacts of Russia's invasion of Ukraine and our decision to suspend business operations in Russia and Belarus and the COVID-19 pandemic on our business, and current and future impacts of actions we have taken in response to Russia's invasion of Ukraine and the COVID-19 pandemic, are forward-looking statements and related to matters that are beyond our control and changing rapidly.

For a discussion of the material risks and other important factors that could affect our actual results, please refer to our SEC filings available on the SEC website and on our Investor Relations website, as well as the risks and other important factors discussed in today's shareholder letter. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 when filed.

In addition, reference will be made to non-GAAP financial measures. Information regarding a reconciliation of non-GAAP to GAAP measures can be found in the shareholder letter that was issued this afternoon on our Investor Relations website at investors.upwork.com.

As always, unless otherwise noted, reported figures are rounded and comparisons of the third quarter of 2022 are to the third quarter of 2021. All measures are GAAP unless cited as non-GAAP.

Now, I'll turn the call over to Hayden.

Hayden Brown, President and CEO

Thanks Evan, and thank you all for joining us today for our third-quarter 2022 earnings call.

As we close the third quarter of 2022, Upwork has clear indicators that both our business and our value proposition continue to be critical to customers in times of economic uncertainty. Revenue grew 24 percent year-over-year to \$158.6 million, GSV grew 14 percent year-over-year to exceed \$1 billion in the quarter once again, and adjusted EBITDA was a loss of \$(2.9) million. We are focused on making prudent and sustainable investments in our business to drive steady, durable growth, even against a backdrop of challenging macroeconomic conditions. Importantly, our customers continue to count on us to enable their critical work and their businesses during these uncertain times.

We have both pioneered and benefited from the major paradigm shifts around remote work and hybrid workforces—fundamental changes that have shaped the new reality of work as we know it today. This sea change is illustrated by the fact that one-fourth of American workers are now working remote-first or mostly remote, while 71 percent of companies expect remote work to be part of their standard operations moving forward. This new work reality opens up a vast opportunity for Upwork to introduce ourselves to the 90 percent or more of companies and hiring managers who have not been aware of or considered Upwork and to bring them into the fold as customers.

Nowhere has that opportunity been more apparent and central to our priorities than the late-September launch of our new brand campaign, “This Is How We Work Now.” Appearing across TV, online video, streaming audio, digital, and social media, the campaign reinforces our belief that work should unleash human potential instead of limit it and emphasizes that now is the time to embrace the new ways of working that have emerged over the past few years. It targets mainstream prospects—clients and talent alike—who largely aren’t yet aware of Upwork but, like us, recognize that the world of work has changed forever.

Our strong business position and resonant value proposition allow us to remain on offense, evident through both our new brand campaign as well as our amplification of benefits most valuable to our clients: flexibility in hiring, expert talent at their fingertips, operational agility, and bottom-line savings. Our solution satisfies the tight budgets that many organizations are implementing amid economic uncertainty, as clients find that they can realize cost savings upwards of 50 percent by using Upwork compared with traditional staffing alternatives. By delivering highly skilled, diverse talent from more than 180 countries affordably and quickly, clients can have greater flexibility with their cost structure and reduce operating costs through talent innovation. As a result, we are helping companies improve their EBITDA and generate value-added growth while maintaining the optionality that has been shown by McKinsey research to be vitally important in weathering—or even accelerating during—economic downturns.

Notable brands that we welcomed as Enterprise Clients in the quarter include Anheuser-Busch InBev, Constellation Brands, Cushman & Wakefield, iCIMS, and Marriott International. These companies are leveraging our platform to deliver on their business plans; tap new sources of scalable, flexible remote

talent; and retain a competitive advantage. Market makers like these new customers contributed to Enterprise Revenue growing a healthy 41 percent year-over-year to \$12.5 million in the third quarter. Coupled with continued strong growth of clients spending \$1 million or more, this underscores how our value proposition resonates with Enterprise Clients.

We continue to invest in innovating the work marketplace with the goal of helping clients and talent start work more easily on the Upwork platform and return to Upwork time after time for a consistent and productive experience.

We deliver critical and differentiated value not just in matching clients and talent, but also in serving as the hub for seamless back office tasks for talent around invoicing and getting paid and, equally, for clients around contract management and payment activities. We enhanced these core experiences in the third quarter, debuting improvements to our Contract Workroom that reduce friction and allow clients and talent to manage contracts, navigate all their contract actions, and more easily review weekly billings, earnings, contract terms, and feedback.

Additionally, we made enhancements to our Enterprise Suite by enabling multi-approver, team-based approvals that support large-scale and complex workflows and adding more refined search functionality for faster access to our global pool of Expert-Vetted Talent who are ready and pre-approved to work with these companies.

Project Catalog Consultations, made available across all 90 plus categories of work during the third quarter, continue to drive effective connections and collaboration between clients and talent. Enhancements this quarter improve the experience, allowing them to confirm scope, skills required, feasibility, and timeline for a potential project, driving speed in starting work together, which can be 50 percent faster than on Talent Marketplace. These enhancements also enable customers to establish longer-term relationships that go beyond an initial project engagement. Ultimately, this drives elevated client spend on Project Catalog. In fact, 30-day spend by customers who use Consultations is nearly three times what customers who only purchase on Project Catalog spend.

Lastly, thousands of talented professionals on our marketplace are adding profile badges that display and validate their expertise through our budding partnership with Credly, the market leader in digital workforce credentialing, enabling talent and clients to match faster and with more confidence.

Equipped with access to a vast supply of talent and job posts and the technological capabilities to engage more effectively and efficiently, clients and talent are together defining the new reality of work, blazing the trail regardless of the economic uncertainty that may persist. To be sure, as we expected since our second-quarter earnings, our customers are not fully immune to that uncertainty, evidenced by the softness we continue to see in some metrics. Nonetheless, revenue impact in the third quarter from these conditions was in line with our previously-shared expectations.

We have seen the softer client acquisition and retention trends that we observed in the second quarter stabilize in the third quarter, with the softness continuing to be more pronounced in Europe and with small- and medium-sized businesses. Our Enterprise land team also saw elongated sales cycles due to the macroeconomic outlook for a handful of accounts. This, plus some operational growing pains, resulted in fewer Enterprise Clients signed in the third quarter than targeted. We are remedying the operational growing pains and believe the Enterprise opportunity remains as attractive as ever for Upwork.

Additionally, we continue to manage our own business with discipline. Being prudent with resources has always been a guiding principle at Upwork, and as the economic outlook evolves, we have several measures underway, including evaluating budgets; adjusting hiring timing and prioritizing roles more aggressively; reviewing and reducing vendor spend; and ensuring we have a tight operating cadence around cost management with a high degree of visibility and internal partnership toward our goals. Due to the largely recurring and programmatic nature of the majority of customer activity on our platform, we are able to monitor for changes in behavior as they occur and be nimble in making adjustments to our plans as needed. This gives us further confidence in our ability to manage the business responsibly through a dynamic environment.

We still view this period of macroeconomic uncertainty as a critical time for us to be focused on expanding our position as a market leader and cementing new, integral ways of working across the work ecosystem. We see businesses continuing to turn to Upwork as the always-on source for highly skilled remote workers, regardless of their industry, whether their business need is project-based or ongoing, where they stand in their workforce transformation, or the current economic climate. We also know that Upwork fosters a deep, diverse, and highly skilled talent community across the globe. The world's work marketplace remains the center of gravity for these work and career innovators to build trusted, lasting relationships and get more done together, and we will continue to innovate, evangelize, and scale it in the fourth quarter and beyond.

Thank you for joining us on this journey. Before we take your questions, I just wanted to thank Jeff as this will be his last earnings call for Upwork. I am incredibly grateful for all of his contributions to the company and our investor community over the last few years. His experience and marketplace expertise have positioned Upwork for continued growth and put us in a position of strength for the next chapter. Best of luck to you, Jeff, on all your future endeavors.

We will now open the call to your questions.

Evan Barbosa, VP, Investor Relations

On behalf of the entire Upwork team, thank you for joining us today and thank you for your interest in Upwork. If you need any clarifications or have any follow-up questions, please do not hesitate to reach out to me at investor@upwork.com. This concludes our call.

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