

Upwork Investor Presentation

February 2025

upwork

Safe Harbor Statement

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 2025, 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 share repurchases, the expected impact of cost-savings initiatives, the expected impact of our acquisition of Objective AI, Inc., 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- 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 our control, and you should not rely on such forward-looking statements as predictions of future events. We make 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 our expectations. The forward-looking statements are made as of the date hereof, and we do not undertake, and expressly disclaim, any obligation to update or revise any forward-looking statements, conform these statements to actual results, or make changes in our expectations, except as required by law. Additional information regarding the risks and uncertainties that could cause actual results to differ materially from our expectations is included under the caption “Risk Factors” in our Quarterly Report on Form 10-Q for the three months ended September 30, 2024, filed with the SEC on November 6, 2024, and in our other SEC filings, which are available on our Investor Relations website at investors.upwork.com and on the SEC’s website at www.sec.gov. Additional information will also be set forth under the caption “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2024, when filed.

Undue reliance should not be placed on the forward-looking statements in this presentation. Neither we 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.

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Traditional staffing solutions are no longer meeting customer needs

Businesses are recognizing limitations of old models in a dynamic environment:

- Traditional hiring & staffing models lack **flexibility & speed** that are essential in today's environment of constant change
- AI is changing work tools & processes - and businesses are seeking up-to-date partners that are **AI-first**
- Most companies don't have **critical AI talent** in house; they increasingly rely on trusted 3rd parties to fill talent gaps
- **Corporate budgets** remain under pressure
- Finding **high quality talent** is an evergreen priority, but the best talent is not available through traditional staffing suppliers



Companies instead turn to Upwork: the world's largest work marketplace

Upwork leads the market as the preferred alternative to traditional hiring and staffing: unique solution offering high quality talent, cost effectively, with unparalleled flexibility and speed

- High scale global talent pool, spanning 125+ work categories and 10,000+ skills on demand
- Premier destination for talent with AI skills
- One-stop shop for businesses to find talent and AI-enabled managed services and work outcomes
- Unique tech + services model for unlocking the large Enterprise TAM

Proven recipe for delivering durable, profitable growth and increasing shareholder value



Upwork is the market leader, with advantages in scale, project size, margins and balance sheet

Industry Leading Scale and Innovation



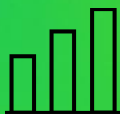
- Upwork has facilitated more than \$20 billion in economic opportunity for talent around the world
- Platform provides access to more than 10,000 skills

Delivering Large, Complex Projects



- Upwork projects are long-term, complex work where talent is paid more for value delivered
- GSV per active client is approximately \$5,000

Record Margins & Profitability



- Record gross margins of 77.4% in FY 2024
- Record adj. EBITDA margins of 21.8% in FY 2024

Strong Balance Sheet & Cash Generation



- Cash, cash equivalents and marketable securities were approximately \$622M at the end of Q4 2024
- Record free cash flow generation of \$139.1M in FY 2024

Upwork's differentiated strategy for unlocking large TAM opportunities

Activating 3 growth catalysts for 2026+



1. Artificial Intelligence (AI)

Making Upwork the preminent destination for AI talent and work.

AI-powered features built on Uma™, Upwork's Mindful AI improve customer productivity and work outcomes.



2. Enterprise

Market-leading products and services for large customers.

Well positioned to increase wallet share among our largest clients and unlock the enormous Enterprise TAM.



3. Ads & Monetization

Subscriptions, ad products and value added services which drive marketplace quality, efficiency, and take rate expansion.

Making Upwork the preeminent destination for AI talent and work

AI has been the fastest-growing major category on Upwork for several quarters

Example client use cases:

- Prompt engineering (+93% GSV YoY in Q4 2024)
- AI integration
- Generative AI modeling
- Data labeling and annotation

The screenshot displays the Upwork interface for hiring AI talent. At the top, it says "Hire the right talent for your project" and provides instructions on how to find and hire a pro. Below this, there are navigation tabs for "All talent", "Custom chatbots", "Generative AI writing", "Generative AI art", "AI models", and "Data annotation". The main content area features four profile cards for AI professionals:

- Deborah A.**, Chatbot Developer, Top Rated Plus, \$30/hr, 475/5 (5 jobs). Skills: AI Mobile App Development, AI Chatbot, ChatGPT.
- Vasyi S.**, AI Model Developer, Top Rated Plus, \$70/hr, 4.54/5 (4 jobs). Skills: AI Chatbot, AI Model Integration.
- Muntaha S.**, AI Art Creator, Top Rated, \$27/hr, 4.5/5 (6 jobs). Skills: Generative AI, Deep Learning.
- Muneer A.**, AI Model Developer, Top Rated, \$35/hr, 4.99/5 (7 jobs). Skills: Stable Diffusion, AI Content Creation.

At the bottom right of the talent grid, there is a green button labeled "Hire an AI expert".

33%

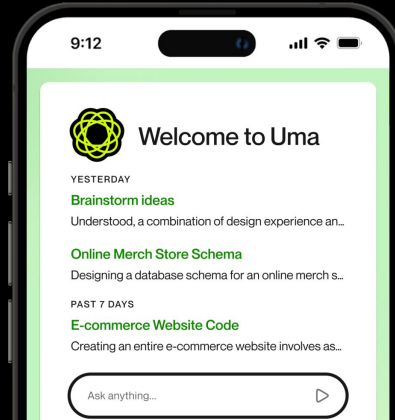
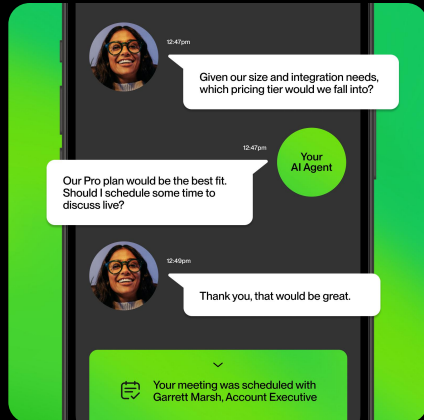
YoY increase in GSV from AI-related work in Q4 2024

27%

YoY increase in clients engaging in AI-related projects in Q4 2024

Empowering customers with Uma™, Upwork's Mindful AI

- April 2024 launched Uma: conversational work companion improving customer productivity and outcomes
- Powering search + match across marketplace platform as well as Managed Services delivery
- Powering search + match performance to all-time high
- Already enabling talent and clients to work faster, boost productivity and seamlessly delegate tasks - paving the way for future agentic work



Objective acquisition advances Upwork's AI strategy

AI-native search-as-a-service company will further enhance Upwork core search, match, and discovery performance across both Marketplace and Enterprise

Talent + technology will be force-multiplier for Upwork's expertise in AI/ML, search and AI infrastructure/platform

Enhances capabilities of Uma™ to assist with images, videos, and audio content to serve full range of customer needs

Upwork has a proven track record of acquiring and integrating industry leading AI tech and talent



Unlocking the Enterprise opportunity



The global enterprise TAM for contingent labor is very large



We are executing a targeted approach and providing custom solutions for large enterprise clients



Introduced Business Plus plan in Q4 2024, which provides an Enterprise-like value proposition on the Marketplace and allows customers to grow with us



Lowering our cost to acquire and serve Enterprise customers – focusing resources on highest ROI, large client opportunities



FY2024 revenues of \$107M, growing 4% year-over-year despite macro challenges

Business Plus



Business Plus

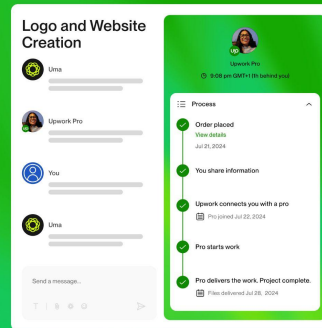
Get help sourcing talent for this job

Receive a shortlist of expertly matched talent within 2 business days to review, interview, and select from.

Senior Software Engineer - node.js, react, GCP

Senior Software Developer - Our company is seeking to hire a skilled Senior Software Developer to help with the development of our current and future projects. Your duties will primarily revolve around building software by writing code, as well as modifying software to fix errors, adapt it to new hardware, improve its performance, or upgrade interfaces. You will also be involved in directing system testing and validation procedures, and also working with customers or departments on technical issues including software system design and maintenance.

Managed Services



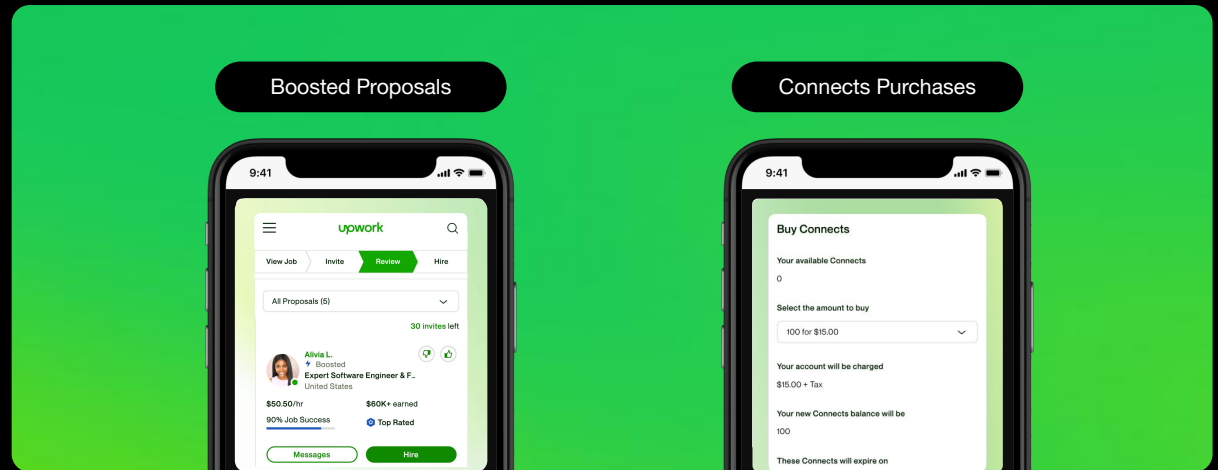
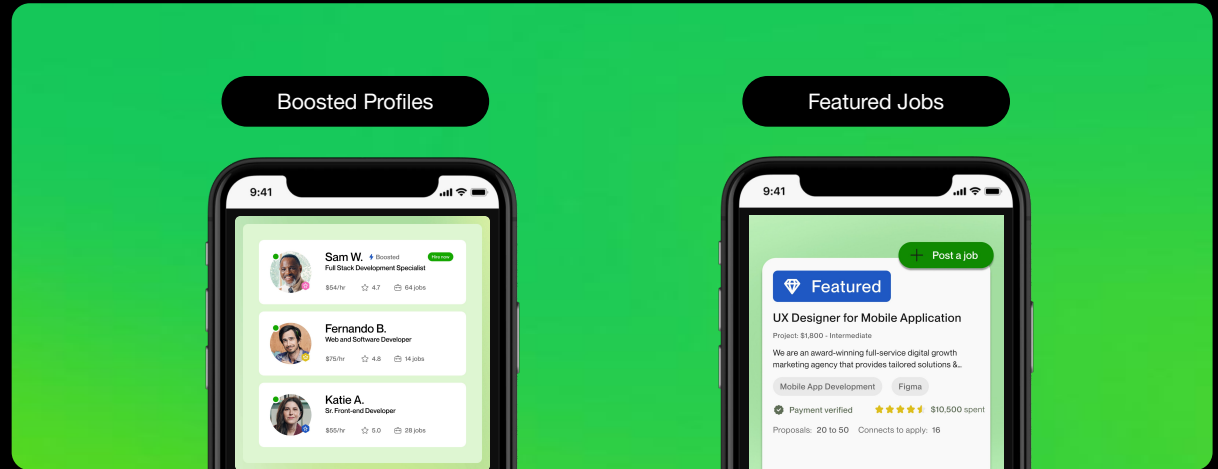
Ads & monetization

Drives marketplace quality and efficiency, and is expected to continue to provide a multi-year tailwind for take rate

One of Upwork's fastest-growing revenue streams for several quarters

Ads & monetization products include:

- Boosted Profiles
- Boosted Proposals
- Connects Purchases
- Featured Jobs
- Client & Talent Subscriptions



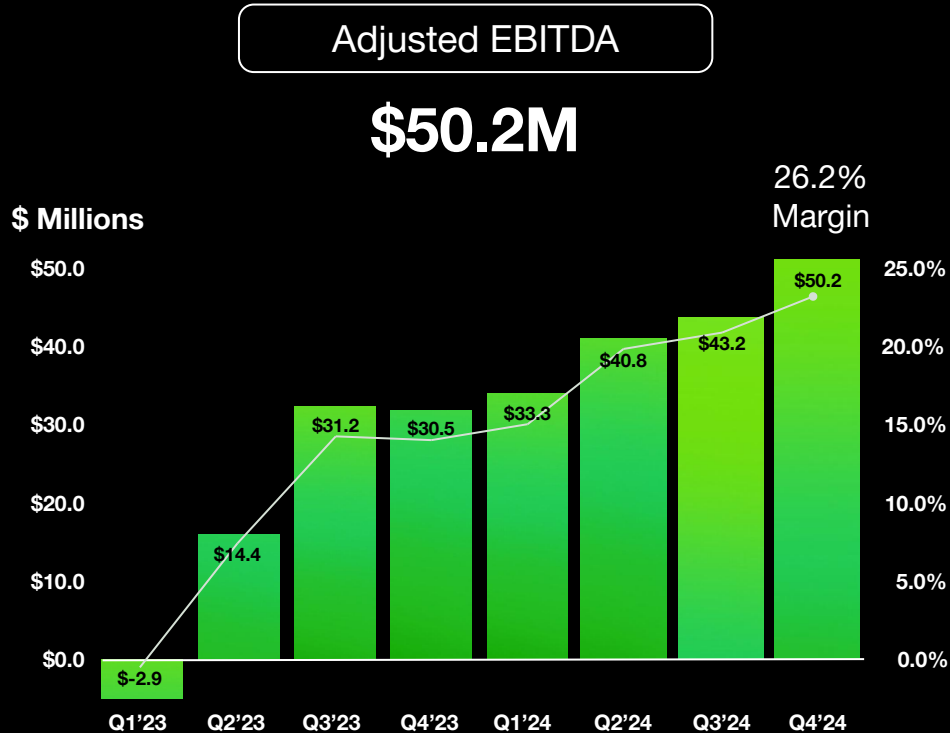
Upwork on steady trajectory towards 35% adj. EBITDA margin target

Has led to substantial expansion of margins over the past two years

Main drivers of margin expansion:

- Executing disciplined cost management across every area of our business
- Product enhancements that lower our cost to acquire and serve
- Optimized pricing plan
- Growth of ads & monetization and subscriptions

Upwork continues towards our **5-year 35% adjusted EBITDA margin target**

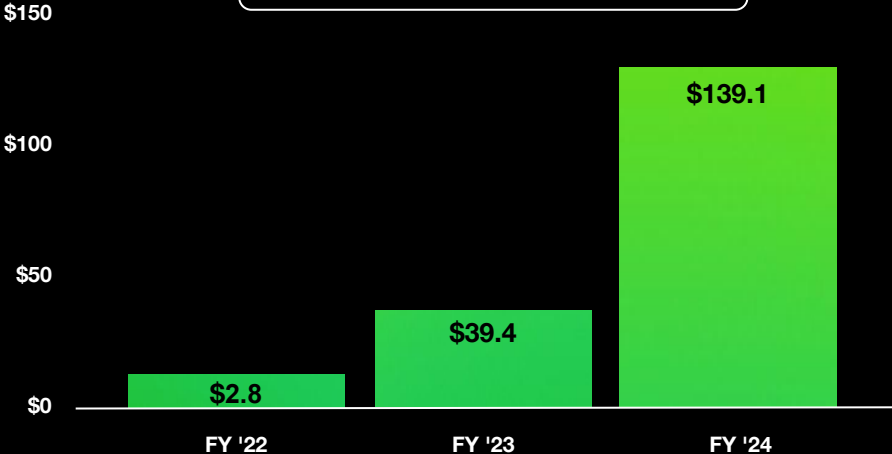


Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures and are presented for supplemental purposes only and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. An explanation of non-GAAP financial measures and reconciliations to their most directly comparable GAAP financial measures can be found in the appendix of this presentation.

Strong and growing free cash flow profile enables shareholder returns

\$ Millions

Free Cash Flow



Record free cash flow in 2024 enables key levers to drive long-term shareholder return:

- M&A
- Investments in our growth catalysts:
 - AI
 - Enterprise
 - Ads & Monetization
- Share repurchases


Strong balance sheet with cash, cash equivalents and marketable securities of \$622M at the end of Q4 '24

Share Repurchases

\$100M 72% of FCF in 2024 Completed in 2024

\$100M Q4 2024 additional authorization

Strategic AI Acquisitions

2023  headroom

2024  Objective

Stock-Based Compensation

Reduced stock-based compensation by 16% from 2023 to 2025E

Free cash flow is a non-GAAP financial 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. An explanation of non-GAAP financial measures and reconciliations to their most directly comparable GAAP financial measures can be found in the appendix of this presentation.

All-time
highs in
profitability
and cash
generation

Q4'24

GSV

Revenue

GAAP Gross Margin

\$992.8M

\$191.5M

78%

-7% year-over-year

+4% year-over-year

+267 bps year-over-year

Adjusted EBITDA

Free Cash Flow

Take Rate

\$50.2M¹

\$34.7M

19.3%

*26.2% adjusted EBITDA
margin*

*69.1% FCF/adjusted
EBITDA*

+12% year-over-year

¹Adjusted EBITDA does not include one-time restructuring charges related to the organizational changes announced on October 23, 2024

"GSV," "Adjusted EBITDA," "Free Cash Flow," and "Take Rate" are defined in the definitions section of this presentation. Adjusted EBITDA, adjusted EBITDA margin, free cash flow, and free cash flow conversion rate are non-GAAP financial measures and are presented for supplemental purposes only and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. An explanation of non-GAAP financial measures and reconciliations to their most directly comparable GAAP financial measures can be found in the appendix of this presentation. For more information regarding our fourth quarter and full year 2024 results, please refer to our press release dated February 12, 2025 and our Annual Report on Form 10-K for the year ended December 31, 2024, when filed.

Record revenue and adjusted EBITDA

Full Year '24

GSV

\$4.0B

-3% year-over-year

Revenue

\$769.3M

+12% year-over-year

GAAP Gross Margin

77%

+210 bps year-over-year

Adjusted EBITDA

\$167.6M¹

21.8% adjusted EBITDA margin

Free Cash Flow

\$139.1M

83.0% FCF/adjusted EBITDA

Take Rate

19.2%

+15% year-over-year

¹Adjusted EBITDA does not include one-time restructuring charges related to the organizational changes announced on October 23, 2024

Adjusted EBITDA, adjusted EBITDA margin, free cash flow, and free cash flow conversion rate are non-GAAP financial measures and are presented for supplemental purposes only and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. An explanation of non-GAAP financial measures and reconciliations to their most directly comparable GAAP financial measures can be found in the appendix of this presentation. For more information regarding our fourth quarter and full year 2024 results, please refer to our press release dated February 12, 2025 and our Annual Report on Form 10-K for the year ended December 31, 2024, when filed.

Appendix + Definitions

UPWORK INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31	
	2024	2023	2024	2023
Revenue:				
Marketplace	\$ 163,655	\$ 157,490	\$ 662,108	\$ 586,099
Enterprise	27,828	26,444	107,217	103,037
Total revenue	191,483	183,934	769,325	689,136
Cost of revenue	42,641	45,868	174,094	170,450
Gross profit	148,842	138,066	595,231	518,686
Operating expenses				
Research and development	53,491	46,217	209,283	177,363
Sales and marketing	43,934	49,304	185,211	220,681
General and administrative	35,602	32,003	128,803	118,925
Provision for transaction losses	2,232	2,114	6,728	12,977
Total operating expenses	135,259	129,638	530,025	529,946
Income (loss) from operations	13,583	8,428	65,206	(11,260)
Other income, net	4,788	7,389	25,221	60,137
Income before income taxes	18,371	15,817	90,427	48,877
Income tax benefit (provision)	128,795	1,557	125,159	(1,990)
Net income	\$ 147,166	\$ 17,374	\$ 215,586	\$ 46,887

UPWORK INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
(In thousands, except for per share data)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2024	2023	2024	2023
Net income per share:				
Basic	\$ 1.10	\$ 0.13	\$ 1.61	\$ 0.35
Diluted	\$ 1.03	\$ 0.13	\$ 1.52	\$ 0.06
Weighted-average shares used to compute net income per share:				
Basic	134,265	136,620	133,621	134,774
Diluted	143,098	143,803	143,152	137,263

UPWORK INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	December 31, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 305,757	\$ 79,641
Marketable securities	316,344	470,457
Funds held in escrow, including funds in transit	195,736	212,387
Trade and client receivables, net	75,490	103,061
Prepaid expenses and other current assets	17,727	17,825
Total current assets	911,054	883,371
Property and equipment, net	30,056	27,140
Goodwill	121,064	118,219
Intangible assets, net	12,989	3,048
Operating lease asset	5,752	4,333
Deferred tax asset	128,779	—
Other assets, noncurrent	1,919	1,430
Total assets	\$ 1,211,613	\$ 1,037,541
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 6,128	\$ 5,063
Escrow funds payable	195,736	212,387
Accrued expenses and other current liabilities	59,300	58,192
Deferred revenue	7,269	17,361
Total current liabilities	268,433	293,003
Debt, noncurrent	357,928	356,087
Operating lease liability, noncurrent	9,567	6,088
Other liabilities, noncurrent	308	1,288
Total liabilities	636,236	656,466

UPWORK INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)
(In thousands)
(Unaudited)

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Stockholders' equity		
Common stock	14	14
Additional paid-in capital	653,575	674,918
Accumulated other comprehensive income	264	205
Accumulated deficit	(78,476)	(294,062)
Total stockholders' equity	<u>575,377</u>	<u>381,075</u>
Total liabilities and stockholders' equity	<u>\$ 1,211,613</u>	<u>\$ 1,037,541</u>

UPWORK INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2024	2023	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 147,166	\$ 17,374	\$ 215,586	\$ 46,887
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for transaction losses	1,972	1,867	5,505	8,673
Depreciation and amortization	4,370	3,808	14,813	9,449
Amortization of debt issuance costs	461	461	1,842	2,098
Accretion of discount of purchases of marketable securities, net	(1,480)	(4,598)	(11,911)	(14,430)
Amortization of operating lease asset	409	834	2,837	3,269
Tides Foundation common stock warrant expense	187	187	750	750
Stock-based compensation expense	13,633	18,047	68,391	74,195
Deferred taxes	(129,258)	—	(129,258)	—
Gain on early extinguishment of convertible senior notes	—	—	—	(38,945)
Changes in operating assets and liabilities:				
Trade and client receivables ⁽¹⁾	(4,565)	(8,316)	(4,802)	(22,176)
Prepaid expenses and other assets	1,812	(1,341)	(656)	146
Operating lease liability	(136)	(1,528)	(4,351)	(5,903)
Accounts payable	428	3,289	969	(2,513)
Accrued expenses and other liabilities	5,097	6,823	4,730	5,746
Deferred revenue	(1,513)	(5,537)	(10,882)	(14,538)
Net cash provided by operating activities	<u>38,583</u>	<u>31,370</u>	<u>153,563</u>	<u>52,708</u>

UPWORK INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(In thousands)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2024	2023	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of marketable securities	(127,818)	(260,034)	(362,322)	(709,214)
Proceeds from maturities of marketable securities	121,623	197,753	486,892	648,800
Proceeds from sale of marketable securities	3,354	5,460	41,775	165,035
Purchase of an intangible asset	—	(3,000)	—	(3,000)
Acquisition of business, net of cash acquired	(14,333)	—	(14,333)	—
Purchases of property and equipment	(1,549)	(134)	(3,528)	(692)
Internal-use software and platform development costs	(2,316)	(3,480)	(10,916)	(12,659)
Net cash provided by (used in) investing activities	(21,039)	(63,435)	137,568	88,270

UPWORK INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(In thousands)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2024	2023	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES:				
Change in escrow funds payable, net ⁽¹⁾	(22,053)	(2,293)	9,956	25,443
Proceeds from exercises of stock options and common stock warrant	1,358	71	3,293	2,012
Proceeds from employee stock purchase plan	1,878	1,517	4,795	4,081
Net cash paid for early extinguishment of convertible senior notes	—	—	—	(171,327)
Repurchase of common stock	—	—	(100,000)	—
Net cash (used in) financing activities	(18,817)	(705)	(81,956)	(139,791)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,273)	(32,770)	209,175	1,187
Cash, cash equivalents, and restricted cash—beginning of period	506,866	329,188	296,418	295,231
Cash, cash equivalents, and restricted cash—end of period	\$ 505,593	\$ 296,418	\$ 505,593	\$ 296,418

⁽¹⁾ The Company elected to change the presentation of certain cash flows on its Consolidated Statement of Cash Flow, reclassifying the change in Trade and Client Receivables, related to amounts received on behalf of talent to fund their escrow account, from operating activities to financing activities. Prior period comparative amounts have been recast to conform to the current period presentation. This reclassification did not affect the previously reported total cash balances on the Consolidated Statement of Cash Flows

The following table reconciles cash, cash equivalents, and restricted cash as reported in the consolidated balance sheets to the total of the same amounts shown in the consolidated statements of cash flows as of the following (in thousands):

	December 31, 2024	December 31, 2023
Cash and cash equivalents	\$ 305,757	\$ 79,641
Restricted cash	4,100	4,390
Funds held in escrow, including funds in transit	195,736	212,387
Total cash, cash equivalents, and restricted cash as shown in the consolidated statement of cash flows	\$ 505,593	\$ 296,418

UPWORK INC.
RECONCILIATION OF GAAP NET INCOME TO ADJUSTED EBITDA
(In thousands, except for percentages)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2024	2023	2024	2023
Net income	\$ 147,166	\$ 17,374	215,586	46,887
Add back (deduct):				
Stock-based compensation expense	13,633	18,047	68,391	74,195
Depreciation and amortization	4,370	3,808	14,813	9,449
Other income, net ⁽¹⁾	(4,788)	(7,389)	(25,221)	(60,137)
Income tax (benefit) provision ⁽²⁾	(128,795)	(1,557)	(125,159)	1,990
Other ⁽³⁾⁽⁴⁾	18,620	187	19,183	750
Adjusted EBITDA	<u>\$ 50,206</u>	<u>\$ 30,470</u>	<u>\$ 167,593</u>	<u>\$ 73,134</u>
Profit margin	77%	9%	28%	7%
Adjusted EBITDA margin	26%	17%	22%	11%

⁽¹⁾ During the twelve months ended December 31, 2023, we recognized a gain of \$38.9 million on the early extinguishment of a portion of our 0.25% convertible senior notes due 2026, which is included in Other income, net.

⁽²⁾ During each of the three and twelve months ended December 31, 2024, we recognized a non-cash tax benefit of \$140.3 million from the release of a valuation allowance on certain deferred tax assets.

⁽³⁾ During each of the three and twelve months ended December 31, 2024, we incurred \$19.2 million in costs related to the execution of the restructuring plan announced in October 2024, or the Restructuring Plan. Of this amount, \$18.4 million is included in Other, while the remaining amount is allocated between Stock-based compensation expense and Other income, net.

⁽⁴⁾ During each of the three and twelve months ended December 31, 2024 and 2023, we incurred \$0.2 million and \$0.6 million, respectively, of expense related to the warrant to purchase 500,000 shares of our common stock at an exercise price of \$0.01 per share issued to the Tides Foundation in 2018, or the Tides Foundation Warrant.

UPWORK INC.
RECONCILIATION OF CASH PROVIDED BY OPERATING
ACTIVITIES
TO FREE CASH FLOW
(In thousands)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,		
	2024	2023	2024	2023	2022
Cash provided by operating activities	\$ 38,583	\$ 31,370	\$ 153,563	\$ 52,708	\$ 11,497
Less: purchases of property, plant & equipment and cash outflows from internally developed software	(3,865)	(3,614)	(14,444)	(13,351)	(8,733)
Free cash flow	\$ 34,718	\$ 27,756	\$ 139,119	\$ 39,357	\$ 2,764

UPWORK INC.
RECONCILIATION OF GAAP NET INCOME TO ADJUSTED EBITDA
(In thousands)
(Unaudited)

	Three Months Ended							
	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Net Income	\$ 147,166	\$ 27,758	\$ 22,220	\$ 18,442	\$ 17,374	\$ 16,337	\$ (3,991)	\$ 17,167
Add back (deduct):								
Stock-based compensation expense	13,633	18,578	19,238	16,942	18,047	17,811	18,437	19,900
Depreciation and amortization	4,370	3,668	3,629	3,146	3,808	1,763	1,854	2,024
Other income, net ⁽¹⁾	(4,788)	(8,091)	(5,620)	(6,722)	(7,389)	(5,766)	(3,982)	(43,000)
Income tax (benefit) provision ⁽²⁾	(128,795)	1,126	1,181	1,329	(1,557)	895	1,857	795
Other ⁽³⁾⁽⁴⁾	18,620	188	187	188	187	188	187	188
Adjusted EBITDA	\$ 50,206	\$ 43,227	\$ 40,835	\$ 33,325	\$ 30,470	\$ 31,228	\$ 14,362	\$ (2,926)
Profit margin	77 %	14 %	12 %	10 %	9 %	9 %	(2) %	11 %
Adjusted EBITDA margin	26 %	22 %	21 %	17 %	17 %	18 %	9 %	(2) %

⁽¹⁾ During the three months ended March 31, 2023, we recognized a gain of \$38.9 million on the early extinguishment of a portion of our 0.25% convertible senior notes due 2026, which is included in Other income, net.

⁽²⁾ During three months ended December 31, 2024, we recognized a non-cash tax benefit of \$140.3 million from the release of a valuation allowance on certain deferred tax assets.

⁽³⁾ During the three months ended December 31, 2024, we incurred \$19.2 million in costs related to the execution of the Restructuring Plan. Of this amount, \$18.4 million is included in Other, while the remaining amount is allocated between Stock-based compensation expense and Other income, net.

⁽⁴⁾ For all periods presented, we incurred \$0.2 million related to the Tides Foundation Warrant.

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.

Adjusted EBITDA

We define adjusted EBITDA as net income (loss) adjusted for stock-based compensation expense; depreciation and amortization; other income (expense), net, which includes interest expense; income tax benefit (provision); and, if applicable, certain other gains, losses, benefits, or charges that are non-cash or are significant and the result of isolated events or transactions that have not occurred frequently in the past and are not expected to occur regularly in the future.

Connects

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

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 our Managed Services offering.

Free Cash Flow

We define free cash flow as cash provided by (used in) operations less purchases of property, plant and equipment and cash outflows from internally developed software.

Gross Services Volume (GSV)

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

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.

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.

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.

Take Rate

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

About Upwork

About Upwork

Upwork is the world's largest work marketplace that connects businesses with highly skilled independent talent from across the globe. From entrepreneurs to Fortune 100 enterprises, companies rely on Upwork's trusted platform to tap into expert talent, leverage AI-powered work solutions, and drive meaningful business outcomes. With access to professionals spanning more than 10,000 skills across AI & machine learning, software development, sales & marketing, customer support, finance & accounting, and more, Upwork enables businesses of all sizes to scale, innovate, and build agile teams. Upwork's platform has facilitated more than \$20 billion in economic opportunity for talent around the world. Learn more at [upwork.com](https://www.upwork.com) and follow us on [LinkedIn](#), [Facebook](#), [Instagram](#), [TikTok](#), and [X](#).

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Disclosure Information

We use our Investor Relations website (investors.upwork.com), our Blog (upwork.com/blog), our X handle (twitter.com/Upwork), Hayden Brown's X handle (twitter.com/hydnbrwn) and LinkedIn profile (linkedin.com/in/haydenlbrown), and Erica Gessert's LinkedIn profile (linkedin.com/in/erica-gessert) as means of disseminating or providing notification of, among other things, news or announcements regarding our business or financial performance, investor events, press releases, and earnings releases, and as means of disclosing material nonpublic information and for complying with our disclosure obligations under Regulation FD.

Non-GAAP Financial Measures

To supplement our condensed 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, adjusted EBITDA margin, free cash flow, and free cash flow conversion rate.

We use non-GAAP financial measures in conjunction with financial measures prepared in accordance with GAAP for planning purposes, including 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 non-GAAP financial 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 without regard to certain items that can vary substantially from company to company, and free cash flow allows investors to evaluate the cash generated from our underlying operations across periods.

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) adjusted EBITDA excludes stock-based compensation expense, which 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 financial 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 the non-GAAP financial measures that we present. Reconciliations of the non-GAAP financial 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 our business.