Denise Garcia, Investor Relations

Thank you and welcome to Upwork's discussion of its third quarter 2026 financial results. Joining me today is Hayden Brown, Upwork's President and Chief Executive Officer, Erica Gessert, Chief Financial Officer and Peter Sanborn, Chief Business Officer. Following our prepared remarks, we will be happy to take your questions. But first, I'll review the safe harbor statement.

During this call we may make statements related to our business that are forward-looking statements under federal securities laws. Forward-looking statements include all statements other than those of historical fact. 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.

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 earnings press release. Additional information is also available in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2026, when filed.

In addition, references will be made to certain non-GAAP financial measures. Adjusted EBITDA, adjusted EBITDA margin, non-GAAP operating expense, non-GAAP diluted EPS, and free cash flow are non-GAAP financial measures, and all other financial measures are GAAP unless cited as non-GAAP. Information regarding non-GAAP financial measures, including reconciliations to their most directly comparable GAAP financial measures, can be found in the press release that was issued this afternoon on our Investor Relations website at investors.upwork.com.

Unless otherwise noted, reported figures are rounded, and comparisons of the third quarter of 2026 are to the third quarter of 2025.

With that, I'll now turn the call over to Hayden.

Hayden Brown, Chief Executive Officer

Good afternoon everyone and welcome to Upwork's third quarter 2026 earnings call.

In the third quarter, Upwork executed against our plan as our platform continued its rotation toward higher-value, more complex work and larger clients. We generated $914 million in GSV and $186 million in revenue, both above the high end of our guidance range. Adjusted EBITDA reached $63.8 million, exceeding the high end of our guidance. We have built a strong, durable profitability engine, which will be critical to our ongoing value creation in 2027 and beyond.

As we navigate through the evolution of work on our platform, our strategic growth pillars across Enterprise, SMB and AI continue to gain momentum. Let's walk through our performance across each of these core growth pillars.

Starting with Enterprise. Since June, we have accelerated the pace of customer migrations from legacy Upwork Enterprise onto the Lifted platform. This transition is key to unlocking deeper expansion across our existing client portfolio, while new customer demand also continues to build. In Q3 alone, we signed three net-new enterprise logos across healthcare, retail, and tech, while expanding our entire pipeline.

We're seeing strong customer uptake of Lifted's direct employment/EOR offering in the U.S. and Canada, and offering a global solution for employment in every market has always been our goal. With that end, today we announced the acquisition of WorkMotion, a global employer of record provider. This dramatically accelerates our roadmap of delivering comprehensive contingent employment solutions to our customers on a global scale. Lifted's growth strategy was already delivering results, and adding WorkMotion to the portfolio allows us to further improve win rates and lower Lifted's cost-to-serve.

Inclusive of WorkMotion, we now expect Lifted GSV to exceed 30% year-over-year growth in 2026, setting the stage for sustained, strong momentum into 2027 and beyond.

Turning to SMB, our focus on quality over quantity continues to yield excellent results. The rapid adoption of Business Plus is driving higher spend among new and existing clients. And it's strongly attracting and converting new clients specifically. 40% of active Business Plus clients in Q3 had their first Upwork spend using this product. Business Plus is entering its second full year in market, and in Q3 it delivered 120% year-over-year revenue growth. It continues to perform well ahead of plan, with GSV increasing 132% year-over-year. Business Plus now accounts for 8% of total GSV, exceeding the 5% goal we set late last year.

GSV per active client reached another record high of $5,418, up 8% year-over-year. This marks our ninth consecutive quarter of sequential growth on this metric, driven by increased engagement with existing clients and the ongoing shift toward higher-value work. We also saw contracts of $100,000 or more increase 7% year-over-year in Q3. As a result, GSV per contract in Q3 was our highest ever, growing 9% year-over-year.

On the AI front, GSV from AI-skilled talent increased 55% to $112 million in the third quarter. As clients put AI to work, they're increasingly turning to Upwork for the expertise to implement it, integrate it into their operations, and get more value from AI.

AI is also changing how customers find us. As we discussed last quarter, traditional search is being disrupted as more people turn to AI assistants for answers, recommendations and actions. We have been adapting our acquisition strategies to these changes, investing in AI-driven discovery, and new channels of client demand.

We also see an opportunity that goes beyond search - a new model of collaboration between people and AI is taking shape. AI is doing more, but human expertise continues to be important. Productive collaboration between people and AI is the future of work, and we're building Upwork to power it at scale. We're doing this through both our MCP server, which we launched in August, and Upwork Now, which we announced in public beta today.

Our MCP server is already gaining meaningful traction by opening up a variety of new use cases. AI agents can now tap into Upwork's marketplace directly to take actions like drafting a job post or searching for talent. Clients can do the same from inside any AI tool, like Claude or ChatGPT. Talent can submit proposals, work or messages to their Upwork clients without leaving the AI tools they love. MCP implementations are an important new source of demand. GSV from work started through our MCP server grew more than 150% month-over-month in October.

Upwork Now adds real-time access to human expertise for any AI agent or client. Upwork Now connects them with Upwork freelancers who are currently online and ready to start work immediately. Customers can now access the human expert they need, the moment they need them, within Upwork or from within their own AI tools. In early testing and release, customer feedback has been enthusiastic about the ease, speed and value of our MCP and Upwork Now.

Upwork is powering a new way of bringing human expertise together with AI-powered work. We're capitalizing on our tremendous assets of talent, technology, and trust to become essential infrastructure enabling human and AI collaboration.

Today, we also announced that Erica Gessert will step down as CFO on January 1 and remain with the company in an advisory role for several months.

Erica has been an exceptional business partner and financial leader for Upwork, and the Board and I are deeply grateful for her contributions.

She helped us deliver record revenue and profitability, expand margins, strengthen cash generation and manage our capital allocation strategy. And she also developed an exceptional finance team, which is why Peter Sanborn, currently our Chief Business Officer, will be Upwork's next CFO.

Since joining Upwork in 2024, Peter has helped shape our strategy and identified new opportunities for growth. He has also led our corporate development, partnership and frontier AI product efforts, including bringing Upwork into tools like ChatGPT and Claude so businesses can connect with our talent directly where they're already working.

During Erica's leave earlier this year, Peter worked closely with me and our finance organization as we managed a challenging demand environment while maintaining our focus on profitability and growth investment. That experience gave the Board and me even greater confidence in his ability to take on this role.

Please join me in congratulating Peter and thanking Erica on what is now her last earnings call for all that she has done for Upwork. And with that, I'll turn it over to Erica…

Erica Gessert, Chief Financial Officer

Thanks, Hayden, and hello, everyone. Before diving into the financial results, I want to say how professionally and personally rewarding it has been to serve as Upwork's CFO.

I have been reflecting on what we have accomplished these past few years, and I'm incredibly proud of what we've built. In particular, the levers with monetization strategies and Business Plus, as well as the cost optimization muscle we've built into this business create great stability and optionality for revenue and margins. This is a great business with very strong future prospects.

I am especially grateful for the opportunity to have worked with this talented team. To my colleagues across Upwork, and particularly to our finance and business development organizations, thank you for your passion, dedication and teamwork.

I also want to sincerely thank Hayden and the board for your trust and partnership. I'm excited to pass the mantle to Peter, who is an incredible leader, and I look forward to supporting a smooth transition to him and to watching Upwork achieve even greater success in the future.

With that, let's turn to our financial results.

In the third quarter, Upwork executed well as we managed through our ongoing platform transformation. We delivered top-line results above the high end of our guidance range and continue to operate with discipline. At Upwork we have proven that we can produce strong, highly profitable business results in a wide range of operating environments and you will see us continue to do this as we move forward.

Active client count in the quarter was 717,000, reflecting our strategy to focus on acquiring and serving higher-value customers with more complex work. Our MCP server is opening up new demand channels for us by bringing Upwork into AI tools, and while still early, traffic is growing rapidly, with millions of server calls from clients and talent occurring during the quarter. Notably, we saw Connects usage through the MCP server grow rapidly reaching a more than $3 million annual revenue run rate during the quarter. This is an important proof point that reflects the durability of our monetization model as we explore new channels for acquisition and engagement with customers.

Revenue for Q3 was $186 million. Our Marketplace take rate expanded to 20.0%, up 110 basis points year-over-year, driven by the ongoing adoption of our higher-margin products. Ads and monetization streams represent a key strategic capability that produce incremental revenue streams even in a softer GSV environment. Our Connects revenue continues to grow, and Freelancer plus subscription revenue was up 25% year over year.

Non-GAAP operating expenses were $84 million, or 45% of revenue, compared to 50% of revenue in the third quarter of 2025. Adjusted EBITDA was $63.8 million, representing an Adjusted EBITDA margin of 34.4% driven by our disciplined execution and operational efficiencies. While there was some timing of expenses between Q3 and Q4, our active cost

management and disciplined operational focus continue to deliver strong results and will benefit us into 2027 and beyond.

We generated robust Free Cash Flow in Q3 of $53.9 million, with Free Cash Flow to adjusted EBITDA conversion of 84%, at the high-end of our long-term average of 80-85%.

Turning to our guidance for the fourth quarter and full-year 2026:

For the full year 2026, we now expect revenue at the top of our previous range of $742 to $750 million. This guidance includes an approximately $4 million dollar revenue contribution from WorkMotion in the fourth quarter, which is offset by a lower-margin managed services project transitioning off-platform. We are actively engaged in discussions with this same client to transition them to Lifted EOR services—this a clear proof point for the Lifted strategy, which is enabling us to replace legacy projects with higher-margin, more durable solutions.

We are raising our full-year 2026 adjusted EBITDA outlook to $236 to $240 million, which represents an adjusted EBITDA margin of 32% at the midpoint. The disciplined cost management muscle we have built in this business will enable us to produce strong profitability even if we continue to see low value account rotation impacting top line growth in 2027. We expect full-year 2026 non-GAAP diluted EPS to be between $1.45 and $1.47. Our guidance assumes stock based compensation of approximately $50 to $53 million for the full year 2026 and we expect stock based compensation to continue to step down next year.

For the fourth quarter, we expect to generate revenue in the range of $169 to $177 million. Consistent with the strength in our ads and monetization products, marketplace take rate is expected to continue to advance in Q4, while business mix with Lifted will cause overall take rate to decline sequentially. We expect adjusted EBITDA in the range of $51 to $55 million, which represents an adjusted EBITDA margin of 31% at the midpoint. We expect Q4 non-GAAP diluted EPS to be between $0.30 and $0.32.

In closing, Upwork delivered another quarter of solid execution against our plan as we guide our business through a fundamental shift away from traditional digital demand channels and the broad rotation of work with AI. We are managing a major business mix shift, and while we are enduring headwinds in our business, the strategic growth pillars we identified many quarters ago are showing promise. The strength we are seeing in Enterprise, Business Plus, and the higher value of customers entering our platform validate our strategy. The early but strong adoption of our MCP server-enabled demand channels offer new opportunities for customer acquisition and retention. At the same time, our robust free cash flow profile provides balance sheet flexibility to fund high-return growth initiatives, execute strategic acquisitions like WorkMotion, and consistently return capital to shareholders. Our confidence in Upwork's ability to grow and serve customers as they engage in the future of work remains steadfast, and we will continue to execute with strength and efficiency in the new world of work.

With that, we'll now take your questions.