

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, DC 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-38678



**UPWORK INC.**

(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or other jurisdiction of incorporation or organization)  
475 Brannan Street, Suite 430  
San Francisco, California  
(Address of principal executive offices)

46-4337682  
(I.R.S. Employer Identification No.)  
  
94107  
(Zip Code)

(650) 316-7500

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$0.0001 par value per share	UPWK	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 30, 2023, there were 134,883,597 shares of the registrant's common stock outstanding.

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Unless otherwise expressly stated or the context otherwise requires, references in this Quarterly Report on Form 10-Q, which we refer to as this Quarterly Report, to "Upwork," "Company," "our," "us," and "we" and similar references refer to Upwork Inc. and its wholly owned subsidiaries.

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## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report contains forward-looking statements within the meaning of the federal securities laws. All statements contained in this Quarterly Report, other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, potential growth or growth prospects, active clients, future research and development, sales and marketing and general and administrative expenses, provision for transaction losses, our objectives for future operations, and potential impacts as the COVID-19 pandemic continues to subside, are forward-looking statements. Words such as “believes,” “may,” “will,” “estimates,” “potential,” “continues,” “anticipates,” “intends,” “expects,” “could,” “would,” “projects,” “plans,” “targets,” and variations of such words and similar expressions are intended to identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections as of the date of this filing 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. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, “Risk Factors” in this Quarterly Report. Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report and in other documents we file from time to time with the Securities and Exchange Commission, which we refer to as the SEC, that disclose risks and uncertainties that may affect our business. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and circumstances discussed in this Quarterly Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance, or achievements. In addition, the forward-looking statements in this Quarterly Report are made as of the date of this filing, and we do not undertake, and expressly disclaim any duty, to update such statements for any reason after the date of this Quarterly Report or to conform statements to actual results or revised expectations, except as required by law.

You should read this Quarterly Report and the documents that we reference herein and have filed with the SEC or incorporated by reference as exhibits to this Quarterly Report with the understanding that our actual future results, performance, and events and circumstances may be materially different from what we expect.

## PART I—FINANCIAL INFORMATION

### Item 1. Financial Statements.

**UPWORK INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

<i>(In thousands, except share and per share data)</i>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 154,106	\$ 129,384
Marketable securities	362,561	557,230
Funds held in escrow, including funds in transit	177,655	161,457
Trade and client receivables – net of allowance of \$6,761 and \$12,464 as of June 30, 2023 and December 31, 2022, respectively	66,309	64,888
Prepaid expenses and other current assets	19,396	17,947
Total current assets	780,027	930,906
Property and equipment, net	24,867	22,063
Goodwill	118,219	118,219
Operating lease asset	5,992	7,603
Other assets, noncurrent	1,467	1,454
<b>Total assets</b>	<b>\$ 930,572</b>	<b>\$ 1,080,245</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 4,178	\$ 7,549
Escrow funds payable	177,655	161,457
Accrued expenses and other current liabilities	48,817	53,611
Deferred revenue	24,079	25,075
Total current liabilities	254,729	247,692
Debt, noncurrent	355,166	564,261
Operating lease liability, noncurrent	8,219	11,177
Other liabilities, noncurrent	5,535	8,236
Total liabilities	623,649	831,366
Commitments and contingencies (Note 6)		
Stockholders' equity		
Common stock, \$0.0001 par value; 490,000,000 shares authorized as of June 30, 2023 and December 31, 2022; 134,883,597 and 132,368,265 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	13	13
Additional paid-in capital	635,548	592,900
Accumulated other comprehensive loss	(865)	(3,085)
Accumulated deficit	(327,773)	(340,949)
Total stockholders' equity	306,923	248,879
<b>Total liabilities and stockholders' equity</b>	<b>\$ 930,572</b>	<b>\$ 1,080,245</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**UPWORK INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND COMPREHENSIVE INCOME (LOSS)**  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<i>(In thousands, except per share data)</i>				
Revenue	\$ 168,611	\$ 156,898	\$ 329,469	\$ 298,235
Cost of revenue	40,882	40,857	81,309	78,773
Gross profit	127,729	116,041	248,160	219,462
Operating expenses				
Research and development	43,246	35,830	87,727	73,991
Sales and marketing	59,069	63,283	124,069	120,925
General and administrative	28,983	33,324	58,270	62,465
Provision for transaction losses	2,547	6,652	9,248	8,781
Total operating expenses	133,845	139,089	279,314	266,162
Loss from operations	(6,116)	(23,048)	(31,154)	(46,700)
Interest expense	713	1,120	1,814	2,245
Other income, net	(4,695)	(375)	(48,796)	(443)
Income (loss) before income taxes	(2,134)	(23,793)	15,828	(48,502)
Income tax provision	(1,857)	(27)	(2,652)	(56)
Net income (loss)	\$ (3,991)	\$ (23,820)	\$ 13,176	\$ (48,558)
Net income (loss) per share:				
Basic	\$ (0.03)	\$ (0.18)	\$ 0.10	\$ (0.37)
Diluted	\$ (0.03)	\$ (0.18)	\$ (0.18)	\$ (0.37)
Weighted-average shares used to compute net income (loss) per share				
Basic	134,142	130,061	133,492	129,707
Diluted	134,142	130,061	135,049	129,707
Other comprehensive income (loss), net of tax:				
Net unrealized holding gain (loss) on marketable securities, net	\$ 297	\$ (1,405)	\$ 2,220	\$ (4,255)
Total comprehensive income (loss)	\$ (3,694)	\$ (25,225)	\$ 15,396	\$ (52,813)

The accompanying notes are an integral part of these condensed consolidated financial statements.

**UPWORK INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

*(In thousands, except share amounts)*

<b>Three Months Ended June 30, 2023</b>	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>				
Balances as of March 31, 2023	133,464,264	\$ 13	\$ 613,887	\$ (1,162)	\$ (323,782)	\$ 288,956
Issuance of common stock upon exercise of stock options	50,842	—	177	—	—	177
Stock-based compensation expense	—	—	18,733	—	—	18,733
Issuance of common stock for settlement of RSUs	991,476	—	—	—	—	—
Tides Foundation common stock warrant expense	—	—	187	—	—	187
Issuance of common stock in connection with employee stock purchase plan	377,015	—	2,564	—	—	2,564
Unrealized gain on marketable securities	—	—	—	297	—	297
Net loss	—	—	—	—	(3,991)	(3,991)
<b>Balances as of June 30, 2023</b>	<b>134,883,597</b>	<b>\$ 13</b>	<b>\$ 635,548</b>	<b>\$ (865)</b>	<b>\$ (327,773)</b>	<b>\$ 306,923</b>

*(In thousands, except share amounts)*

<b>Three Months Ended June 30, 2022</b>	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>				
Balances as of March 31, 2022	129,651,218	\$ 13	\$ 528,516	\$ (3,378)	\$ (275,802)	\$ 249,349
Issuance of common stock upon exercise of stock options	147,127	—	556	—	—	556
Stock-based compensation expense	—	—	18,990	—	—	18,990
Issuance of common stock for settlement of RSUs	570,919	—	—	—	—	—
Tides Foundation common stock warrant expense	—	—	187	—	—	187
Issuance of common stock in connection with employee stock purchase plan	161,625	—	2,462	—	—	2,462
Unrealized loss on marketable securities	—	—	—	(1,405)	—	(1,405)
Net loss	—	—	—	—	(23,820)	(23,820)
<b>Balances as of June 30, 2022</b>	<b>130,530,889</b>	<b>\$ 13</b>	<b>\$ 550,711</b>	<b>\$ (4,783)</b>	<b>\$ (299,622)</b>	<b>\$ 246,319</b>

*(In thousands, except share amounts)*

<b>Six Months Ended June 30, 2023</b>	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>				
Balances as of December 31, 2022	132,368,265	\$ 13	\$ 592,900	\$ (3,085)	\$ (340,949)	\$ 248,879
Issuance of common stock upon exercise of stock options	274,093	—	935	—	—	935
Stock-based compensation expense	—	—	38,774	—	—	38,774
Issuance of common stock for settlement of RSUs	1,864,224	—	—	—	—	—
Tides Foundation common stock warrant expense	—	—	375	—	—	375
Issuance of common stock in connection with employee stock purchase plan	377,015	—	2,564	—	—	2,564
Unrealized gain on marketable securities	—	—	—	2,220	—	2,220
Net income	—	—	—	—	13,176	13,176
<b>Balances as of June 30, 2023</b>	<b>134,883,597</b>	<b>\$ 13</b>	<b>\$ 635,548</b>	<b>\$ (865)</b>	<b>\$ (327,773)</b>	<b>\$ 306,923</b>

(In thousands, except share amounts)

<b>Six Months Ended June 30, 2022</b>	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Deficit</b>
	<b>Shares</b>	<b>Amount</b>				
Balances as of December 31, 2021	129,130,478	\$ 13	\$ 511,096	\$ (528)	\$ (251,064)	\$ 259,517
Issuance of common stock upon exercise of stock options	271,221	—	1,044	—	—	1,044
Stock-based compensation expense	—	—	35,734	—	—	35,734
Issuance of common stock for settlement of RSUs	967,565	—	—	—	—	—
Tides Foundation common stock warrant expense	—	—	375	—	—	375
Issuance of common stock in connection with employee stock purchase plan	161,625	—	2,462	—	—	2,462
Unrealized loss on marketable securities	—	—	—	(4,255)	—	(4,255)
Net loss	—	—	—	—	(48,558)	(48,558)
Balances as of June 30, 2022	<u>130,530,889</u>	<u>\$ 13</u>	<u>\$ 550,711</u>	<u>\$ (4,783)</u>	<u>\$ (299,622)</u>	<u>\$ 246,319</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.



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

<i>(In thousands)</i>	<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 13,176	\$ (48,558)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Provision for transaction losses	5,442	8,310
Depreciation	3,878	4,025
Amortization of debt issuance costs	1,177	1,481
Amortization of premium (accretion of discount) of purchases of marketable securities, net	(6,154)	800
Amortization of operating lease asset	1,611	1,518
Tides Foundation common stock warrant expense	375	375
Stock-based compensation expense	38,337	35,715
Gain on early extinguishment of debt	(38,945)	—
Changes in operating assets and liabilities:		
Trade and client receivables	(6,957)	(10,861)
Prepaid expenses and other assets	(1,464)	(1,206)
Operating lease liability	(2,866)	(2,614)
Accounts payable	(3,371)	280
Accrued expenses and other liabilities	(5,141)	(3,465)
Deferred revenue	(3,490)	2,278
Net cash used in operating activities	<u>(4,392)</u>	<u>(11,922)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of marketable securities	(254,119)	(231,350)
Proceeds from maturities of marketable securities	307,410	191,607
Proceeds from sale of marketable securities	149,859	—
Purchases of property and equipment	(135)	(602)
Internal-use software and platform development costs	(6,072)	(2,824)
Net cash provided by (used in) investing activities	<u>196,943</u>	<u>(43,169)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Changes in escrow funds payable	16,197	27,632
Proceeds from exercises of stock options	935	1,044
Proceeds from employee stock purchase plan	2,564	2,462
Net cash paid for early extinguishment of debt	(171,327)	—
Net cash provided by (used in) financing activities	<u>(151,631)</u>	<u>31,138</u>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>40,920</b>	<b>(23,953)</b>
Cash, cash equivalents, and restricted cash—beginning of period	295,231	352,058
Cash, cash equivalents, and restricted cash—end of period	<u>\$ 336,151</u>	<u>\$ 328,105</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 837	\$ 785
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ACTIVITIES:</b>		
Property and equipment purchased but not yet paid	\$ 124	\$ 46
Internal-use software and platform development costs incurred but not yet paid	\$ 93	\$ 157

The accompanying notes are an integral part of these condensed consolidated financial statements.

**UPWORK INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

**Note 1—Description of Business**

Upwork Inc., which is referred to as the Company or Upwork, operates a work marketplace that connects businesses, which are referred to as clients, with independent talent. Independent talent on the Company's work marketplace, which are referred to as talent, and, together with clients, as users, include independent professionals and agencies of varying sizes and are an increasingly sought-after, critical, and expanding segment of the global workforce. The Company is headquartered in San Francisco, California.

Unless otherwise expressly stated or the context otherwise requires, the terms "Upwork" and the "Company" in these notes to the condensed consolidated financial statements refer to Upwork and its wholly owned subsidiaries.

**Note 2—Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States, which is referred to as U.S. GAAP, and applicable rules and regulations of the SEC regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this Quarterly Report should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, which is referred to as the Annual Report, filed with the SEC on February 16, 2023.

The condensed consolidated balance sheet as of December 31, 2022 included herein was derived from the audited financial statements as of that date but does not include all disclosures including notes required by U.S. GAAP.

The condensed consolidated financial statements include the accounts of Upwork and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

The accompanying condensed consolidated financial statements reflect all normal recurring adjustments necessary for a fair statement of the financial position, results of operations, changes in stockholders' equity and cash flows for the interim periods, but do not purport to be indicative of the results of operations or financial condition to be anticipated for the full year ending December 31, 2023.

***Use of Estimates***

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the periods presented. Such estimates include, but are not limited to: the useful lives of assets; assessment of the recoverability of long-lived assets; goodwill impairment; standalone selling price of material rights and the period of time over which to defer and recognize the consideration allocated to the material rights; allowance for expected credit losses; liabilities relating to transaction losses; stock-based compensation; and accounting for income taxes. Management bases its estimates on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. The Company evaluates its estimates, assumptions, and judgments on an ongoing basis using historical experience and other factors and revises them when facts and circumstances dictate.

The Company is not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities. These estimates may

change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

### Summary of Significant Accounting Policies

The significant accounting policies applied in the Company's audited consolidated financial statements, as disclosed in the Annual Report, are applied consistently in these unaudited interim condensed consolidated financial statements.

### Recent Accounting Pronouncements Not Yet Adopted

The Company has reviewed the accounting pronouncements issued during the six months ended June 30, 2023 and concluded they were either not applicable or not expected to have a material impact on the Company's condensed consolidated financial statements.

### Note 3—Revenue

#### Disaggregation of Revenue

See "Note 9—Segment and Geographical Information" for the Company's revenue disaggregated by type of service and geographic area.

#### Remaining Performance Obligations

As of June 30, 2023, the Company had \$29.2 million of remaining performance obligations. The Company's remaining performance obligations primarily consist of the transaction price that has been allocated to unexercised material rights related to the Company's arrangements with talent subject to tiered service fees. During the three months ended June 30, 2023, the Company retired its tiered service fee structure for talent and introduced a flat fee of 10%. This change took effect in May 2023 for new contracts and existing contracts that would have otherwise been subject to a 20% fee under the former tiered service fee model. Contracts with a 5% fee under the former tiered service fee model will retain that rate for those contracts through the end of 2023. With this change to the Company's tiered service fee structure, the Company no longer allocates a portion of the transaction price to unexercised material rights. As of June 30, 2023, the Company expects to recognize \$24.1 million over the next 12 months, with the remaining balance recognized thereafter. The remaining transaction price allocated to other performance obligations is immaterial.

The Company has applied the practical expedients and exemptions and does not disclose the value of remaining performance obligations for: (i) contracts with an original expected length of one year or less; and (ii) contracts for which the variable consideration is allocated entirely to a wholly unsatisfied promise to transfer a distinct service that forms part of a single performance obligation under the series guidance.

#### Contract Balances

The following table provides information about the balances of the Company's trade and client receivables, net of allowance and contract liabilities included in deferred revenue and other liabilities, noncurrent:

<i>(In thousands)</i>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Trade and client receivables, net of allowance	\$ 66,309	\$ 64,888
<b>Contract liabilities</b>		
Deferred revenue	24,079	25,075
Deferred revenue (component of other liabilities, noncurrent)	5,120	7,614

During the three and six months ended June 30, 2023, changes in the contract liabilities balances were a result of normal business activity and deferral, and subsequent recognition, of revenue related to arrangements with talent subject to tiered service fees and related allocation of transaction price to material rights.

Revenue recognized during the three and six months ended June 30, 2023 that was included in deferred revenue as of March 31, 2023 and December 31, 2022 was \$9.8 million and \$15.2 million, respectively. Revenue recognized during the three and six months ended June 30, 2022 that was included in deferred revenue as of March 31, 2022 and December 31, 2021 was \$8.6 million and \$13.1 million, respectively.

#### **Note 4—Fair Value Measurements**

The Company defines fair value as the exchange price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance describes three levels of inputs that may be used to measure fair value:

- Level I—Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets;
- Level II—Observable inputs other than Level I prices, such as unadjusted quoted prices for similar assets or liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level III—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs are based on the Company's own assumptions used to measure assets and liabilities at fair value and require significant management judgment or estimation.

The categorization of a financial instrument within the fair value hierarchy is based upon the lowest level of input that is significant to its fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the assets or liabilities.

The Company's financial instruments that are carried at fair value consist of Level I and Level II assets as of June 30, 2023 and December 31, 2022. The following tables summarize the Company's cash and available-for-sale marketable securities' amortized cost, gross unrealized gains, gross unrealized losses,

and fair value by significant investment category reported as cash and cash equivalents or marketable securities as of June 30, 2023 and December 31, 2022:

<i>(In thousands)</i> June 30, 2023	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	\$ 40,679	\$ —	\$ —	\$ 40,679	\$ 40,679	\$ —
Level I						
Money market funds	88,721	—	—	88,721	88,721	—
Treasury bills	214,666	28	(29)	214,665	24,706	189,959
U.S. government securities	58,411	—	(575)	57,836	—	57,836
Total Level I	361,798	28	(604)	361,222	113,427	247,795
Level II						
Commercial paper	40,075	—	—	40,075	—	40,075
Corporate bonds	10,919	6	(41)	10,884	—	10,884
Commercial deposits	15,197	—	—	15,197	—	15,197
Asset-backed securities	29,790	—	(182)	29,608	—	29,608
Foreign government and agency securities	2,099	—	(1)	2,098	—	2,098
U.S. agency securities	16,945	—	(41)	16,904	—	16,904
Total Level II	115,025	6	(265)	114,766	—	114,766
Total	\$ 517,502	\$ 34	\$ (869)	\$ 516,667	\$ 154,106	\$ 362,561

<i>(In thousands)</i> December 31, 2022	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	\$ 27,528	\$ —	\$ —	\$ 27,528	\$ 27,528	\$ —
Level I						
Money market funds	85,302	—	—	85,302	85,302	—
Treasury bills	172,500	13	(131)	172,382	5,096	167,286
U.S. government securities	106,167	—	(2,025)	104,142	—	104,142
Total Level I	363,969	13	(2,156)	361,826	90,398	271,428
Level II						
Commercial paper	120,360	—	—	120,360	8,038	112,322
Corporate bonds	85,639	3	(639)	85,003	3,420	81,583
Commercial deposits	28,945	—	—	28,945	—	28,945
Asset-backed securities	33,261	31	(306)	32,986	—	32,986
Foreign government and agency securities <sup>(1)</sup>	8,176	—	(10)	8,166	—	8,166
U.S. agency securities <sup>(1)</sup>	21,785	38	(23)	21,800	—	21,800
Total Level II	298,166	72	(978)	297,260	11,458	285,802
Total	\$ 689,663	\$ 85	\$ (3,134)	\$ 686,614	\$ 129,384	\$ 557,230

<sup>(1)</sup> Prior period has been reclassified to conform to the current period presentation as of June 30, 2023.

## Unrealized Investment Losses

The following tables summarize, for all debt securities classified as available for sale in an unrealized loss position as of June 30, 2023 and December 31, 2022, the aggregate fair value and gross unrealized loss by the length of time those securities have been continuously in an unrealized loss position.

(In thousands)

Duration of unrealized losses June 30, 2023	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized loss	Fair Value	Unrealized loss	Fair Value	Unrealized loss
Commercial paper	\$ 999	\$ —	\$ —	\$ —	\$ 999	\$ —
Treasury bills	51,964	(29)	—	—	51,964	(29)
U.S. government securities	13,352	(86)	44,483	(489)	57,835	(575)
Corporate bonds	6,780	(39)	316	(2)	7,096	(41)
Asset-backed securities	21,398	(109)	8,134	(73)	29,532	(182)
Foreign government and agency securities	2,098	(1)	—	—	2,098	(1)
U.S. agency securities	16,904	(41)	—	—	16,904	(41)
Total	\$ 113,495	\$ (305)	\$ 52,933	\$ (564)	\$ 166,428	\$ (869)

(In thousands)

Duration of unrealized losses December 31, 2022	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized loss	Fair Value	Unrealized loss	Fair Value	Unrealized loss
Treasury bills	\$ 132,995	\$ (131)	\$ —	\$ —	\$ 132,995	\$ (131)
U.S. government securities	21,214	(63)	82,927	(1,963)	104,141	(2,026)
Corporate bonds	18,274	(120)	58,235	(519)	76,509	(639)
Asset-backed securities	23,515	(285)	1,707	(20)	25,222	(305)
Foreign government and agency securities <sup>(1)</sup>	5,576	(8)	2,591	(2)	8,167	(10)
U.S. agency securities <sup>(1)</sup>	9,478	(23)	—	—	9,478	(23)
Total	\$ 211,052	\$ (630)	\$ 145,460	\$ (2,504)	\$ 356,512	\$ (3,134)

<sup>(1)</sup> Prior period has been reclassified to conform to the current period presentation as of June 30, 2023.

For available-for-sale marketable debt securities with unrealized loss positions, the Company does not intend to sell these securities, nor does it anticipate that it will need to or be required to sell the securities. As of June 30, 2023 and December 31, 2022, the decline in fair value of these securities was due to increases in interest rates and not due to credit-related factors. As of June 30, 2023 and 2022, the Company considered any decreases in market value to be temporary in nature and did not consider any of the Company's marketable securities to be impaired. The Company did not record any impairment charges with respect to its marketable securities during each of the three and six months ended June 30, 2023 and 2022.

In March 2023, the Company sold \$138.2 million of available-for-sale marketable securities to enable the repurchase of a portion of the Company's outstanding 0.25% convertible senior notes due 2026, which are referred to as the Notes. For additional information regarding the Notes, refer to "Note 7—Debt."

## Note 5—Balance Sheet Components

### Cash and Cash Equivalents, Restricted Cash, and Funds Held In Escrow, Including Funds In Transit

The following table reconciles cash and cash equivalents, restricted cash, and funds held in escrow that are restricted as reported in the condensed consolidated balance sheets as of June 30, 2023 and

December 31, 2022 to the total of the same amounts shown in the condensed consolidated statement of cash flows for the six months ended June 30, 2023:

<i>(In thousands)</i>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Cash and cash equivalents	\$ 154,106	\$ 129,384
Restricted cash	4,390	4,390
Funds held in escrow, including funds in transit	177,655	161,457
Total cash, cash equivalents, and restricted cash as shown in the condensed consolidated statement of cash flows	<u>\$ 336,151</u>	<u>\$ 295,231</u>

### **Property and Equipment, Net**

Property and equipment, net consisted of the following:

<i>(In thousands)</i>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Internal-use software and platform development	\$ 39,699	\$ 33,273
Leasehold improvements	11,644	11,644
Computer equipment and software	6,640	6,514
Office furniture and fixtures	3,475	3,475
Total property and equipment	61,458	54,906
Less: accumulated depreciation	(36,591)	(32,843)
Property and equipment, net	<u>\$ 24,867</u>	<u>\$ 22,063</u>

For the three months ended June 30, 2023 and 2022, depreciation expense related to property and equipment was \$0.8 million and \$0.8 million, respectively. For the six months ended June 30, 2023 and 2022, depreciation expense related to property and equipment was \$1.5 million and \$1.6 million, respectively.

For the three months ended June 30, 2023 and 2022, the Company capitalized \$3.6 million and \$1.7 million of internal-use software and platform development costs, respectively. For the six months ended June 30, 2023 and 2022, the Company capitalized \$6.4 million and \$2.9 million of internal-use software and platform development costs, respectively.

For the three months ended June 30, 2023 and 2022, amortization expense related to the capitalized internal-use software and platform development costs was \$1.1 million and \$1.2 million, respectively. For the six months ended June 30, 2023 and 2022, amortization expense related to the capitalized internal-use software and platform development costs was \$2.3 million and \$2.4 million, respectively.

### **Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consisted of the following:

<i>(In thousands)</i>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Accrued compensation and related benefits	\$ 11,295	\$ 17,239
Accrued indirect taxes	13,196	14,102
Accrued vendor expenses	11,545	8,858
Operating lease liability, current	6,593	6,502
Accrued payment processing fees	2,494	2,425
Accrued talent costs	1,856	2,352
Other	1,838	2,133
Total accrued expenses and other current liabilities	<u>\$ 48,817</u>	<u>\$ 53,611</u>

## Note 6—Commitments and Contingencies

### *Letters of Credit*

In conjunction with the Company's operating lease agreements, as of both June 30, 2023 and December 31, 2022, the Company had irrevocable letters of credit outstanding in the aggregate amount of \$0.8 million. The letters of credit are collateralized by restricted cash in the same amount. No amounts had been drawn against these letters of credit as of June 30, 2023 and December 31, 2022.

### *Contingencies*

The Company accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. Potential contingencies may include various claims and litigation or non-income tax matters that arise from time to time in the normal course of business. Due to uncertainties inherent in such contingencies, the Company can give no assurance that it will prevail in any such matters, which could subject the Company to significant liability or damages. Any claims, litigation, or other contingencies could have an adverse effect on the Company's business, financial position, results of operations, or cash flows in or following the period that claims, litigation, or other contingencies are resolved.

As of June 30, 2023 and December 31, 2022, the Company was not a party to any material legal proceedings or claims, nor is the Company aware of any pending or threatened litigation or claims, including non-income tax matters, that could reasonably be expected to have a material adverse effect on its business, operating results, cash flows, or financial condition. Accordingly, the amounts accrued for contingencies for which the Company believes a loss is probable were not material as of June 30, 2023 and December 31, 2022.

### *Indemnification*

The Company has indemnification agreements with its officers, directors, and certain key employees to indemnify them while they are serving in good faith in their respective positions. In the ordinary course of business, the Company enters into contractual arrangements under which it agrees to provide indemnification of varying scope and terms to clients, business partners, vendors, and other parties, including, but not limited to, losses arising out of the Company's breach of such agreements, claims related to potential data or information security breaches, intellectual property infringement claims made by third parties, and other liabilities relating to or arising from the Company's products and services or its acts or omissions. In addition, subject to the terms of the applicable agreement, as part of the Company's Upwork Enterprise and certain other premium offerings, the Company indemnifies clients that subscribe to worker classification services for losses arising from worker misclassification. It is not possible to determine the maximum potential loss under these indemnification provisions due to the Company's limited history of prior indemnification claims and the facts and circumstances involved in each particular provision.



## Note 7—Debt

The following table presents the carrying value of the Company's debt obligations as of June 30, 2023 and December 31, 2022:

<i>(In thousands)</i>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Convertible senior notes	\$ 360,998	\$ 575,000
Total debt	360,998	575,000
Less: unamortized debt issuance costs	(5,832)	(10,739)
Debt, noncurrent	\$ 355,166	\$ 564,261
Weighted-average interest rate	0.76 %	0.76 %

### Convertible Senior Notes Due 2026

In August 2021, the Company issued, at par value, \$575.0 million aggregate principal amount of the Notes. The issuance included the full exercise of an option granted by the Company to the initial purchasers of the Notes to purchase an additional \$75.0 million aggregate principal amount of Notes. The Notes were issued pursuant to and are subject to the terms and conditions of an indenture between the Company and Computershare Trust Company, National Association (as successor in interest to Wells Fargo Bank, National Association), as trustee, which is referred to as the Indenture. The Notes were offered and sold in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

In March 2023, the Company entered into separate, privately negotiated repurchase agreements with a limited number of institutional holders of the Notes to repurchase for cash an aggregate of \$214.0 million principal amount of the Notes, which are collectively referred to as the Repurchases. The Company paid \$170.8 million in cash to consummate the Repurchases. As a result, during the six months ended June 30, 2023, the Company recognized a gain on the early extinguishment of debt of \$38.9 million, which is net of \$3.7 million related to the pro-rata write-off of unamortized issuance costs associated with the sale of the Notes in August 2021, and \$0.6 million of other fees incurred to effect the Repurchases. The resulting gain on early extinguishment of debt is included in other income, net in the Company's condensed consolidated statement of operations and comprehensive income (loss). As of June 30, 2023, \$361.0 million aggregate principal amount of the Notes remain outstanding.

The Notes are senior, unsecured obligations of the Company and bear interest at a rate of 0.25% per year. Interest will accrue from August 10, 2021 and is payable semiannually in arrears on February 15 and August 15 of each year, beginning on February 15, 2022, and the principal amount of the Notes will not accrete. The Notes will mature on August 15, 2026, unless earlier redeemed, repurchased, or converted in accordance with the terms of the Notes.

Holders may convert all or any portion of their Notes, in multiples of \$1,000 principal amount at the option of the holder (i) on or after May 15, 2026, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date, and (ii) prior to the close of business on the business day immediately preceding May 15, 2026, only upon satisfaction of certain conditions and during certain periods specified as follows:

- during any calendar quarter commencing after the calendar quarter ending on December 31, 2021, if the last reported sale price of the Company's common stock is greater than or equal to 130% of the conversion price for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter of the conversion price on each applicable trading day;
- during the five consecutive business day period after any five consecutive trading day period, which is referred to as the Measurement Period, in which the trading price (as defined in the Indenture) per \$1,000 principal amount of Notes for each trading day of the Measurement Period

was less than 98% of the product of the last reported sale price per share of the Company's common stock on such trading day and the conversion rate on such trading day;

- if the Company calls such Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; and
- upon the occurrence of specified corporate events described in the Indenture.

Upon conversion, the Notes may be settled in shares of the Company's common stock, cash or a combination of cash and shares of the common stock, at the election of the Company. The Notes have an initial conversion rate of 15.1338 shares of common stock per \$1,000 principal amount of Notes, which is subject to adjustment in certain circumstances. This is equivalent to an initial conversion price of approximately \$66.08 per share of the Company's common stock. The conversion rate is subject to customary adjustments under certain circumstances in accordance with the terms of the Indenture. In addition, if certain corporate events that constitute a make-whole fundamental change (as defined in the Indenture) occur or if the Company issues a notice of redemption with respect to the Notes prior to the maturity date, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

The Company may redeem for cash all or any portion of the Notes (subject to a partial redemption limitation), at the Company's option, on or after August 20, 2024, if the last reported sale price per share of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus any accrued and unpaid interest, if any, to, but excluding, the redemption date. No sinking fund is provided for the Notes, which means that the Company is not required to redeem or retire the Notes periodically.

Upon the occurrence of a fundamental change (as defined in the Indenture), subject to certain conditions, holders have the right to require the Company to repurchase for cash all or a portion of their Notes at a price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest thereon, if any, until, but excluding, the fundamental change repurchase date.

The Notes are the Company's senior unsecured obligations and rank senior in right of payment to any of the Company's existing and future indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment to any of the Company's existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness and other liabilities (including trade payables) of the Company's subsidiaries.

The net proceeds from the issuance of the Notes were approximately \$560.1 million, after deducting debt issuance costs. The total debt issuance costs incurred and recorded by the Company amounted to \$14.9 million, which were recorded as a reduction to the face amount of the Notes and will be amortized to interest expense on a straight-line basis, which produces a materially consistent amount as the effective interest method over the contractual term of the Notes.

For the three months ended June 30, 2023, interest expense was \$0.2 million and amortization of the issuance costs was \$0.5 million related to the Notes. For the three months ended June 30, 2022, interest expense was \$0.4 million and amortization of the issuance costs was \$0.7 million related to the Notes. For the six months ended June 30, 2023, interest expense was \$0.6 million and amortization of the issuance costs was \$1.2 million related to the Notes. For the six months ended June 30, 2022, interest expense was \$0.7 million and amortization of the issuance costs was \$1.5 million related to the Notes. As of June 30, 2023, the if-converted value of the Notes did not exceed the outstanding principal amount. As of June 30, 2023, the total estimated fair value of the Notes was \$291.1 million and was determined based on a market approach using actual bids and offers of the Notes in an over-the-counter market on

the last trading day of the period. The Company considers these assumptions to be Level II inputs in accordance with the fair value hierarchy described in “Note 4—Fair Value Measurements.”

### **Capped Calls**

In connection with the pricing of the Notes on August 5, 2021 and in connection with the full exercise by the initial purchasers on August 9, 2021 of their option to purchase additional Notes, the Company used approximately \$49.4 million of the net proceeds from the issuance of the Notes to enter into privately negotiated capped call transactions, which are referred to as the Capped Calls, with various financial institutions.

Subject to customary anti-dilution adjustments substantially similar to those applicable to the Notes, the Capped Calls cover the number of shares of the Company’s common stock initially underlying the Notes. By entering into the Capped Calls, the Company expects to reduce the potential dilution to its common stock (or, in the event a conversion of the Notes is settled in cash, to reduce its cash payment obligation) in the event that at the time of conversion of the Notes its common stock price per share exceeds the conversion price of the Notes, with such reduction subject to a cap based on the cap price. If, however, the market price per share of common stock, as measured under the terms of the Capped Calls, exceeds the cap price of the Capped Calls, there would be dilution and/or there would not be an offset of such potential cash payments, in each case, to the extent that the then-market price per share of common stock exceeds the cap price of the Capped Calls. The initial cap price of the Capped Calls is \$92.74 per share of common stock, which represents a premium of 100% over the last reported sale price of the common stock of \$46.37 per share on August 5, 2021, and is subject to certain customary adjustments under the terms of the Capped Calls; provided that the cap price will not be reduced to an amount less than the strike price of \$66.08 per share.

The Capped Calls are separate transactions and are not part of the terms of the Notes. The Capped Calls meet the criteria for classification as equity and, as such, are not remeasured each reporting period and are included as a reduction to additional paid-in-capital within stockholders’ equity.

The Capped Calls remain in effect notwithstanding the Repurchases.

## Note 8—Net Loss per Share

The following table sets forth the computation of the Company's basic and diluted net loss per share for the periods presented:

<i>(In thousands, except share and per share data)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Numerator:</b>				
Basic: net income (loss)	\$ (3,991)	\$ (23,820)	\$ 13,176	\$ (48,558)
Gain on early extinguishment of debt, net of tax	—	—	(38,525)	—
Interest expense related to convertible senior notes, net of tax	—	—	638	—
Diluted	\$ (3,991)	\$ (23,820)	\$ (24,711)	\$ (48,558)
<b>Denominator:</b>				
Weighted-average shares used to compute net income (loss) per share, basic and diluted				
Basic	134,141,525	130,060,694	133,492,087	129,707,197
Common stock issuable in connection with convertible senior notes	—	—	1,556,641	—
Diluted	134,141,525	130,060,694	135,048,728	129,707,197
<b>Net income (loss) per share:</b>				
Basic	\$ (0.03)	\$ (0.18)	\$ 0.10	\$ (0.37)
Diluted	\$ (0.03)	\$ (0.18)	\$ (0.18)	\$ (0.37)

The following potentially dilutive shares were excluded from the computation of diluted net loss per share because including them would have been anti-dilutive:

	As of June 30,	
	2023	2022
Options to purchase common stock	3,577,554	3,992,597
Common stock issuable upon exercise of common stock warrants	350,000	350,000
Common stock issuable upon vesting of restricted stock units and performance stock units	10,332,782	7,695,246
Common stock issuable in connection with employee stock purchase plan	1,821,635	1,149,219
Common stock issuable in connection with convertible senior notes	5,463,045	8,701,935
Total	21,545,016	21,888,997

## Note 9—Segment and Geographical Information

The Company operates as one operating and reportable segment for purposes of allocating resources and evaluating financial performance.

The following table sets forth total revenue by type of service for the periods presented:

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Marketplace</b>				
Basic, Plus, Client Marketplace <sup>(1)</sup> and other	\$ 142,308	\$ 132,029	\$ 278,984	\$ 250,696
Enterprise	14,323	12,296	25,735	23,054
Managed services	11,980	12,573	24,750	24,485
<b>Total revenue</b>	<b>\$ 168,611</b>	<b>\$ 156,898</b>	<b>\$ 329,469</b>	<b>\$ 298,235</b>

<sup>(1)</sup> In April 2022, the Company combined its Upwork Basic and Upwork Plus client offerings into its Client Marketplace offering. In April 2023, the Company introduced a contract initiation fee for clients on the Client Marketplace offering—up to \$4.95 per contract.

The Company generates its revenue from talent and clients. The following table sets forth total revenue by geographic area based on the billing address of its talent and clients for the periods presented:

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Talent</b>				
United States	\$ 21,983	\$ 21,916	\$ 44,443	\$ 42,679
India	12,041	12,006	23,469	23,427
Philippines	10,818	10,051	21,184	19,687
Rest of world <sup>(1)</sup>	43,655	41,746	85,057	82,569
<b>Total talent revenue</b>	<b>88,497</b>	<b>85,719</b>	<b>174,153</b>	<b>168,362</b>
<b>Clients</b>				
United States	59,423	52,633	114,874	96,472
Rest of world <sup>(1)</sup>	20,691	18,546	40,442	33,401
<b>Total clients revenue</b>	<b>80,114</b>	<b>71,179</b>	<b>155,316</b>	<b>129,873</b>
<b>Total revenue</b>	<b>\$ 168,611</b>	<b>\$ 156,898</b>	<b>\$ 329,469</b>	<b>\$ 298,235</b>

<sup>(1)</sup> During the three and six months ended June 30, 2023 and 2022, no single country included in the Rest of world category had revenue that exceeded 10% of Total talent revenue, Total clients revenue, or Total revenue.

Substantially all of the Company's long-lived assets were located in the United States as of June 30, 2023 and December 31, 2022.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

*You should read the following discussion and analysis of our financial condition and results of operations together with the section titled “Risk Factors” and the condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, as well as assumptions that may never materialize or that may be proven incorrect. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in the sections titled “Special Note Regarding Forward-Looking Statements” and “Risk Factors,” and in other parts of this Quarterly Report.*

### Overview

Independent talent is an increasingly sought-after, critical, and expanding segment of the global workforce. We operate the world’s largest work marketplace that connects businesses with independent talent from across the globe, as measured by gross services volume, which we refer to as GSV. GSV represents the total amount that clients spend on both our marketplace offerings and our managed services offering as well as additional fees we charge for other services. We define talent as users that advertise and provide services to clients through our work marketplace, and we define clients as users that seek and work with talent through our work marketplace. Talent includes independent professionals and agencies of varying sizes. Clients on our work marketplace range in size, including small businesses to Fortune 100 companies.

### Financial Highlights

For the three and six months ended June 30, 2023, marketplace revenue increased by 9% and 11%, respectively, as compared to the same periods in 2022. These increases were driven by client fee changes related to the shift to our Client Marketplace offering in April 2022, an increase in the second quarter of 2023 in the number of virtual tokens, which we refer to as Connects, needed by talent to bid on projects and paid promotional products on our work marketplace, and the contract initiation fee for clients on our Client Marketplace offering introduced in April 2023. These drivers were partially offset by a reduction in talent service fees, as a result of the changes we made in May 2023 to our tiered service fee structure. Additionally, we continued our efforts to better address large enterprise and other clients through our Upwork Enterprise and other premium offerings. As a result, for the three and six months ended June 30, 2023, Enterprise Revenue (as defined below) increased 16% and 12%, respectively, as compared to the same periods in 2022, which also contributed to the increase in marketplace revenue during those periods.

During the three and six months ended June 30, 2023, GSV remained relatively flat at \$1.0 billion and \$2.0 billion, respectively, as compared to the same periods in 2022, primarily due to the lapping of strong growth in the prior periods, as well as changes to client fees as a result of the shift to our Client Marketplace offering in April 2022. The number of active clients increased 2% as of June 30, 2023, as compared to the same period in 2022, and our GSV per active client increased 2% as of June 30, 2023, as compared to the same period in 2022, primarily due to increased spend from existing clients.

During the three months ended June 30, 2023, we generated a net loss of \$4.0 million and adjusted EBITDA<sup>1</sup> of \$14.4 million, as compared to a net loss of \$23.8 million and adjusted EBITDA loss of \$1.9 million during the same period in 2022. During the six months ended June 30, 2023, we generated net income of \$13.2 million and adjusted EBITDA of \$11.4 million, as compared to a net loss of \$48.6 million and adjusted EBITDA loss of \$2.3 million during the same period in 2022. During the three and six months ended June 30, 2023, we implemented a number of cost-saving measures, including reducing our investmen

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<sup>1</sup> Adjusted EBITDA is not prepared in accordance with, and is not an alternative to, financial measures prepared in accordance with U.S. GAAP. See “Key Financial and Operational Metrics—Non-GAAP Financial Measures” below for a definition of adjusted EBITDA and for information regarding our use of adjusted EBITDA and a reconciliation of adjusted EBITDA to net loss, the most directly comparable financial measure prepared under U.S. GAAP.

ts in brand marketing, vendor spend, and other non-personnel costs. Additionally, in light of the challenging macroeconomic conditions as well as our efforts to reduce spend and streamline operations, we implemented a reduction of our workforce in May 2023 representing approximately 15% of full-time employees, largely in our sales team, and we also reduced a smaller percentage of independent team members. We expect these measures will positively impact adjusted EBITDA for the full year 2023.

### Key Financial and Operational Metrics

As of and for the three and six months ended June 30, 2023 and 2022, our key financial and operating metrics are as follows:

(In thousands, except percentages)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
GSV	\$ 1,036,507	\$ 1,046,014	(1)%	\$ 2,039,852	\$ 2,047,389	— %
Marketplace revenue	\$ 156,631	\$ 144,325	9 %	\$ 304,719	\$ 273,750	11 %
Marketplace take rate	15.3 %	14.0 %	1.3 %	15.1 %	13.5 %	1.6 %
Net income (loss)	\$ (3,991)	\$ (23,820)	83 %	\$ 13,176	\$ (48,558)	*
Adjusted EBITDA	\$ 14,362	\$ (1,865)	*	\$ 11,436	\$ (2,298)	*

\*Not meaningful

(Active clients are in thousands)	As of June 30,		
	2023	2022	% Change
Active clients	822	807	2 %
GSV per active client	\$ 4,987	\$ 4,874	2 %

We monitor the following key financial and operational metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions. For a discussion of limitations in the measurement of our key financial and operational metrics, see “Risk Factors—We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics may not accurately reflect certain details of our business, are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business” in Part II, Item 1A of this Quarterly Report.

### Gross Services Volume (GSV)

GSV includes both client spend and additional fees charged for other services. Client spend, which we define as the total amount that clients spend on both our marketplace offerings and our managed services offering, is the primary component of GSV. GSV also includes fees charged to users, such as for transacting payments through our work marketplace, user memberships, purchases of Connects, and foreign currency exchange. GSV is an important metric because it represents the amount of business transacted through our work marketplace.

### Marketplace Revenue

Marketplace revenue, which represents the majority of our revenue, consists of revenue derived from our marketplace offerings. Marketplace offerings consist of all offerings other than our managed services offering, including our Client Marketplace and Enterprise offerings and, for periods prior to the introduction of our Client Marketplace offering in April 2022, our former Upwork Basic and Upwork Plus offerings.

We generate marketplace revenue from both talent and clients. Marketplace revenue is primarily generated from fees charged to talent as a percentage of their billings to clients, which we refer to as talent service fees, and to a lesser extent, fees charged to clients through our Client Marketplace offering,

which we refer to as client marketplace fees. Additionally, marketplace revenue includes revenue from our Enterprise offering, which we refer to as Enterprise Revenue, including all client fees, subscriptions, and talent service fees. We also generate marketplace revenue from fees for premium offerings, including talent memberships, purchases of Connects, and other services, such as foreign currency exchange when clients choose to pay in currencies other than the U.S. dollar, and our Upwork Payroll offering.

In April 2023, we introduced a contract initiation fee for clients on our Client Marketplace offering—up to \$4.95 per contract. Additionally, in May 2023, we retired the tiered service fee structure for talent working with clients on our Client Marketplace offering—ranging from 5% to 20%—in favor of a flat fee of 10%. This change took effect on new contracts and existing contracts that would have otherwise been subject to a 20% fee under the tiered service fee model. Talent that have existing contracts with a 5% fee under the tiered service fee model will retain that rate for those contracts through the end of 2023.

### **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. We define marketplace GSV as GSV derived from our marketplace offerings. Marketplace take rate is an important metric because it is the key indicator of how well we monetize spend on our work marketplace from our Client Marketplace (and previously Upwork Basic and Upwork Plus), Enterprise, Payroll, and other premium offerings, which we refer to as our marketplace offerings.

### **Active Clients and GSV per Active Client**

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. 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. We believe that the number of active clients and GSV per active client are indicators of the growth and overall health of our business. The number of active clients is a primary driver of GSV and, in turn, marketplace revenue.

### **Non-GAAP Financial Measures**

In addition to our results determined in accordance with generally accepted accounting principles in the United States, which we refer to as U.S. GAAP, adjusted EBITDA is a non-GAAP measure that we believe is useful in evaluating our operating performance.

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, 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. Adjusted EBITDA is not prepared in accordance with, and is not an alternative to, financial measures prepared in accordance with U.S. GAAP.



The following table presents a reconciliation of net loss, the most directly comparable financial measure prepared in accordance with U.S. GAAP, to adjusted EBITDA for each of the periods indicated:

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net Income (loss)	\$ (3,991)	\$ (23,820)	\$ 13,176	\$ (48,558)
Add back (deduct):				
Stock-based compensation expense	18,437	18,980	38,337	35,715
Depreciation	1,854	2,016	3,878	4,025
Interest expense	713	1,120	1,814	2,245
Other income, net <sup>(1)</sup>	(4,695)	(375)	(48,796)	(443)
Income tax provision	1,857	27	2,652	56
Other <sup>(2)(3)</sup>	187	187	375	4,662
Adjusted EBITDA	\$ 14,362	\$ (1,865)	\$ 11,436	\$ (2,298)

<sup>(1)</sup> During the six months ended June 30, 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 six months ended June 30, 2023 and 2022, we incurred \$0.2 million and \$0.4 million, respectively, of expense related to our Tides Foundation warrant.

<sup>(3)</sup> During the six months ended June 30, 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 six months ended June 30, 2022. These expenses consisted of (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.

We use adjusted EBITDA as a measure of operational efficiency. We believe that this non-GAAP financial measure is useful to investors for period-to-period comparisons of our business and in understanding and evaluating our operating results for the following reasons:

- adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items such as stock-based compensation expense; depreciation and amortization; interest expense; other (income) expense, net; 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, all of which can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired;
- our management uses adjusted EBITDA in conjunction with financial measures prepared in accordance with U.S. 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; and
- adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of our core operating results, and also facilitates

comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their U.S. GAAP results.

Our use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under U.S. GAAP. Some of these limitations are as follows:

- 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;
- although depreciation and amortization expense are non-cash charges, the assets being depreciated and amortized 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;
- 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; and
- other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces the usefulness of this measure for comparative purposes.

Because of these and other limitations, you should consider adjusted EBITDA along with other financial performance measures, including net loss and our other financial results prepared in accordance with U.S. GAAP.

## **Components of Our Results of Operations**

### **Marketplace Revenue**

Marketplace revenue represents the majority of our revenue and is generated from our marketplace offerings. Under these marketplace offerings, we generate revenue from both talent and clients.

### **Managed Services Revenue**

Through our managed services offering, we are responsible for providing services and engaging talent directly or as employees of third-party staffing providers to perform services for clients on our behalf. Under U.S. GAAP, we are deemed to be the principal in these managed services arrangements and therefore recognize the entire GSV of managed services projects as managed services revenue, as compared to recognizing only the percentage of the client spend that we receive, as we do with our marketplace offerings.

### **Cost of Revenue**

Cost of revenue consists primarily of the cost of payment processing fees, amounts paid to talent to deliver services for clients under our managed services offering, personnel-related costs for our services and support personnel, third-party hosting fees, and the amortization expense associated with capitalized internal-use software and platform development costs. We define personnel-related costs as salaries, bonuses, benefits, travel and entertainment, and stock-based compensation costs for employees and the costs related to other service providers we engage.

### **Research and Development**

Research and development expense primarily consists of personnel-related costs. Research and development costs are expensed as incurred, except to the extent that such costs are associated with internal-use software and platform development that qualifies for capitalization.

### ***Sales and Marketing***

Sales and marketing expense consists primarily of expenses related to advertising and marketing activities, as well as personnel-related costs, including sales commissions, which we expense as they are incurred.

### ***General and Administrative***

General and administrative expense consists primarily of personnel-related costs for our executive, finance, legal, human resources, and operations functions; outside consulting, legal, and accounting services; impairment expense; and insurance.

### ***Provision for Transaction Losses***

Provision for transaction losses consists primarily of losses resulting from fraud and bad debt expense associated with our trade and client receivables balance and transaction losses associated with chargebacks. Provisions for these items represent estimates of losses based on our actual historical incurred losses and other factors.

### ***Interest Expense***

Interest expense consists of interest on our outstanding borrowings.

### ***Other (Income) Expense, Net***

Other (income) expense, net consists primarily of interest income that we earn from our deposits in money market funds and investments in marketable securities and gains and losses from foreign currency exchange transactions. Additionally, during the six months ended June 30, 2023, we recognized a gain on the early extinguishment of debt of \$38.9 million, which is included in other income, net. For additional information about the gain on early extinguishment of debt, see the section below titled “—Convertible Senior Notes Due 2026.”

## Results of Operations

The following table sets forth our condensed consolidated results of operations for the periods presented:

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Revenue</b>				
Marketplace	\$ 156,631	\$ 144,325	\$ 304,719	\$ 273,750
Managed services	11,980	12,573	24,750	24,485
Total revenue	168,611	156,898	329,469	298,235
Cost of revenue <sup>(1)</sup>	40,882	40,857	81,309	78,773
Gross profit	127,729	116,041	248,160	219,462
<b>Operating expenses</b>				
Research and development <sup>(1)</sup>	43,246	35,830	87,727	73,991
Sales and marketing <sup>(1)</sup>	59,069	63,283	124,069	120,925
General and administrative <sup>(1)</sup>	28,983	33,324	58,270	62,465
Provision for transaction losses	2,547	6,652	9,248	8,781
Total operating expenses	133,845	139,089	279,314	266,162
Loss from operations	(6,116)	(23,048)	(31,154)	(46,700)
Interest expense	713	1,120	1,814	2,245
Other income, net	(4,695)	(375)	(48,796)	(443)
Income (loss) before income taxes	(2,134)	(23,793)	15,828	(48,502)
Income tax provision	(1,857)	(27)	(2,652)	(56)
Net income (loss)	\$ (3,991)	\$ (23,820)	\$ 13,176	\$ (48,558)

<sup>(1)</sup> Includes stock-based compensation expense as follows:

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of revenue	\$ 490	\$ 347	\$ 910	\$ 586
Research and development	6,903	6,565	14,532	12,180
Sales and marketing	2,998	2,663	6,566	4,928
General and administrative	8,046	9,405	16,329	18,021
Total stock-based compensation	\$ 18,437	\$ 18,980	\$ 38,337	\$ 35,715

## Comparison of the Three and Six Months Ended June 30, 2023 and 2022

### Revenue

(In thousands, except percentages)	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	Change		2023	2022	Change	
Marketplace	\$ 156,631	\$ 144,325	\$ 12,306	9 %	\$ 304,719	\$ 273,750	\$ 30,969	11 %
Percentage of total revenue	93 %	92 %			92 %	92 %		
Managed services	11,980	12,573	(593)	(5)%	24,750	24,485	265	1 %
Percentage of total revenue	7 %	8 %			8 %	8 %		
<b>Total revenue</b>	<b>\$ 168,611</b>	<b>\$ 156,898</b>	<b>\$ 11,713</b>	<b>7 %</b>	<b>\$ 329,469</b>	<b>\$ 298,235</b>	<b>\$ 31,234</b>	<b>10 %</b>

During the three and six months ended June 30, 2023, GSV remained relatively flat at \$1.0 billion and \$2.0 billion, respectively, as compared to the same periods in 2022, primarily due to the lapping of strong growth in the prior periods, as well as changes to client fees as a result of the shift to our Client Marketplace offering in April 2022. The number of active clients increased 2% as of June 30, 2023, as compared to the same period in 2022, and our GSV per active client increased 2% as of June 30, 2023, as compared to the same period in 2022, primarily due to increased spend from existing clients.

For the three months ended June 30, 2023, marketplace revenue represented 93% of total revenue and increased by \$12.3 million, or 9%, as compared to the same period in 2022. For the six months ended June 30, 2023, marketplace revenue represented 92% of total revenue and increased by \$31.0 million, or 11%, as compared to the same period in 2022. Marketplace revenue growth was driven primarily by the changes to client fees related to the shift to our Client Marketplace offering in April 2022, an increase in the second quarter of 2023 in the number of Connects needed to bid on projects on our work marketplace, and the contract initiation fee for clients on our Client Marketplace offering introduced in April 2023. Marketplace revenue growth was partially offset by a reduction in talent service fees for the three and six months ended June 30, 2023, as a result of the changes we made in May 2023 to our tiered service fee structure. Overall, these factors caused marketplace revenue to grow at a faster rate than GSV from our marketplace offerings, which caused marketplace take rate to increase to 15.3% and 15.1% for the three and six months ended June 30, 2023, respectively, as compared to 14.0% and 13.5% for the same periods in 2022. Additionally, during the three and six months ended June 30, 2023, we continued our efforts to better address large enterprise and other clients through our Upwork Enterprise and other premium offerings. As a result, for the three and six months ended June 30, 2023, Enterprise Revenue increased 16% to \$14.3 million and 12% to \$25.7 million, respectively, as compared to the same periods in 2022, due to spend from new clients of our Enterprise offering, as well as existing clients of our Enterprise offering shifting spend to Enterprise offerings that have a higher take rate, which also contributed to the increase in marketplace revenue during those periods. We expect marketplace revenue and marketplace take rate to increase throughout the remainder of 2023.

For the three months ended June 30, 2023, managed services revenue decreased by 5%, or \$0.6 million, to \$12.0 million, as compared to the same period in 2022, as a result of decreased spend from existing clients of our managed services offering, partially offset by an increase in revenue from a new contract from an existing client. The reduction in spend during the three months ended June 30, 2023 impacted growth of managed services revenue for the six months ended June 30, 2023, which grew 1%, or \$0.3 million, to \$24.8 million, as compared to the same period in 2022.

## Cost of Revenue and Gross Margin

(In thousands, except percentages)	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	Change		2023	2022	Change	
Cost of revenue	\$ 40,882	\$ 40,857	\$ 25	— %	\$ 81,309	\$ 78,773	\$ 2,536	3 %
Components of cost of revenue:								
Cost of talent services to deliver managed services	9,140	9,271	(131)	(1)%	18,673	18,231	442	2 %
Other components of cost of revenue	31,742	31,586	156	— %	62,636	60,542	2,094	3 %
Total gross margin	76 %	74 %			75 %	74 %		

For the three months ended June 30, 2023, cost of revenue increased by 0.1% due to immaterial changes to underlying drivers. For the six months ended June 30, 2023, cost of revenue increased primarily as a result of increases in personnel-related costs of \$1.9 million and the increase in cost of talent services to deliver managed services of \$0.4 million driven by new spend from existing clients of our managed services offering, as compared to the same period in 2022. For the three and six months ended June 30, 2023, gross margin was 76% and 75%, respectively, as compared to 74% for each of the three and six months ended June 30, 2022. The increase in gross margin was primarily due to an increase in the second quarter of 2023 in the number of Connects needed to bid on projects on our work marketplace and the introduction of a contract initiation fee up to \$4.95 per contract for clients on our Client Marketplace in April 2023, as well as changes to client fees as a result of the shift to our Client Marketplace offering in April 2022.

We expect cost of revenue to increase in absolute dollars in future periods as we continue to support growth on our work marketplace. Amounts paid to talent in connection with our managed services offering are tied to the volume of managed services used by our clients. The level and timing of these items could fluctuate and affect our cost of revenue in the future. We expect the pricing changes that we have made over the past twelve months will continue to positively impact gross margin throughout the remainder of 2023. While we expect gross profit to increase in absolute dollars in future periods, because our managed services revenue and marketplace revenue grow at different rates, gross margin, expressed as a percentage of total revenue, may vary from period to period.

## Research and Development

(In thousands, except percentages)	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	Change		2023	2022	Change	
Research and development	\$ 43,246	\$ 35,830	\$ 7,416	21 %	\$ 87,727	\$ 73,991	\$ 13,736	19 %
Percentage of total revenue	26 %	23 %			27 %	25 %		

For the three and six months ended June 30, 2023, research and development expense increased primarily due to investments we made to increase the size of our research and development workforce that resulted in increases in personnel-related costs of \$9.0 million and \$19.0 million, respectively, as compared to the same periods in 2022. This increase was partially offset by \$2.4 million and \$4.2 million incremental internal-use software and platform development costs that we capitalized during the three and six months ended June 30, 2023, respectively, as compared to the same periods in 2022. Additionally, during the six months ended June 30, 2022, we incurred \$2.7 million of research and development expense related to our humanitarian response efforts related to the war in Ukraine.

We intend to focus our investment in research and development on the quality and adoption of our current offerings and products, and expect our research and development expense to increase in absolute dollars in future periods, although this expense, expressed as a percentage of total revenue, may vary from period to period.

### Sales and Marketing

<i>(In thousands, except percentages)</i>	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	Change		2023	2022	Change	
Sales and marketing	\$ 59,069	\$ 63,283	\$ (4,214)	(7)%	\$ 124,069	\$ 120,925	\$ 3,144	3%
Percentage of total revenue	35%	40%			38%	41%		

In the second quarter of 2023, we implemented a number of cost-saving measures, including reducing our investments in brand marketing, vendor spend, and other non-personnel costs, which drove reductions in marketing and advertising expense of \$9.7 million and \$10.5 million during the three and six months ended June 30, 2023, respectively, as compared to the same periods in 2022. We also implemented a reduction of our workforce in May 2023, resulting in employee severance and benefit costs of \$2.5 million, largely in our sales team, in the second quarter of 2023. During the three and six months ended June 30, 2023, we continued to invest in marketing and other opportunities for growth, which drove increases in personnel-related costs of \$3.2 million and \$10.7 million in those periods, respectively, as compared to the same periods in 2022.

As a result of the reduction of our workforce, reduced investment in brand marketing, and other cost-saving measures implemented in May 2023, we expect sales and marketing expense to decrease throughout the remainder of 2023, although this expense expressed as a percentage of total revenue may vary from period to period.

### General and Administrative

<i>(In thousands, except percentages)</i>	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	Change		2023	2022	Change	
General and administrative	\$ 28,983	\$ 33,324	\$ (4,341)	(13)%	\$ 58,270	\$ 62,465	\$ (4,195)	(7)%
Percentage of total revenue	17%	21%			18%	21%		

For the three and six months ended June 30, 2023, general and administrative expense decreased primarily due to additional expense incurred during the three and six months ended June 30, 2022 related to indirect taxes of \$4.7 million and \$5.0 million, respectively, and \$1.3 million of expenses incurred during the same periods in 2022 resulting from our humanitarian response efforts and charitable donations related to the war in Ukraine. For the six months ended June 30, 2023, these decreases were partially offset by an increase in personnel-related costs of \$1.3 million, as compared to the same period in 2022.

We expect to continue to invest in general and administrative expenses to achieve our strategic objectives. We are considering certain actions relating to certain of our office spaces, including closing or subleasing, which could result in impairment charges being recognized in general and administrative expense.

### Provision for Transaction Losses

(In thousands, except percentages)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Provision for transaction losses	\$ 2,547	\$ 6,652	\$ (4,105) (62)%	\$ 9,248	\$ 8,781	\$ 467 5%
Percentage of total revenue	1.5 %	4.2 %		2.8 %	2.9 %	

For the three months ended June 30, 2023, provision for transaction losses decreased by \$4.1 million, or 62%, as compared to the same period in 2022, as a result of improved internal review processes, which reduced bad debt losses, instances of fraud, and chargeback losses in the second quarter of 2023. For the six months ended June 30, 2023, provision for transaction losses increased slightly by \$0.5 million, or 5%, as compared to the same period in 2022, as a result of fraud protection fees paid to a third-party vendor, partially offset by reduced bad debt losses, instances of fraud, and chargeback losses. We continue to closely monitor this activity and maintain a number of measures designed to decrease transaction losses going forward.

### Interest Expense and Other Income, Net

(In thousands, except percentages)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Interest expense	\$ 713	\$ 1,120	\$ (407) (36)%	\$ 1,814	\$ 2,245	\$ (431) (19)%
Other income, net	(4,695)	(375)	(4,320) *	(48,796)	(443)	(48,353) *

\*Not meaningful

For the three and six months ended June 30, 2023, interest expense decreased as a result of the Repurchases (as defined below), which lowered our outstanding debt balance in March 2023.

For the three and six months ended June 30, 2023, other income, net was driven by increases in interest income from our marketable securities of \$3.8 million and \$8.8 million, as compared to the same periods in 2022, primarily due to increased interest rates. Additionally, during the six months ended June 30, 2023, we recognized a gain on early extinguishment of debt of \$38.9 million related to the Repurchases.

### Income Tax Provision

(In thousands, except percentages)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Income tax provision	\$ (1,857)	\$ (27)	\$ (1,830) *	\$ (2,652)	\$ (56)	\$ (2,596) *

\*Not meaningful

For the three and six months ended June 30, 2023, income tax provision increased by \$1.8 million and \$2.6 million, respectively, as compared to the same periods in 2022, primarily due to a year-over-year increase in our U.S. federal taxable income.

### Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents and marketable securities, including the net proceeds from the sale of our 0.25% convertible senior notes due 2026, which we refer to as the Notes. Our cash equivalents and marketable securities primarily consist of money market funds, commercial paper, treasury bills, corporate bonds, U.S. and foreign government securities, asset-backed securities, and other types of fixed income securities. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Since our inception,



our business has consisted of the operation of an online work marketplace that connects business with independent talent from across the globe, and we do not make investments for trading or speculative purposes. As of June 30, 2023 and December 31, 2022, we had \$154.1 million and \$129.4 million in cash and cash equivalents, respectively. As of June 30, 2023 and December 31, 2022, we had \$362.6 million and \$557.2 million in marketable securities, respectively.

We believe our existing cash and cash equivalents, marketable securities, and cash flow from operations (in periods in which we generate cash flow from operations) will be sufficient for at least the next 12 months to meet our requirements and plans for cash, including meeting our working capital requirements and capital expenditure requirements. In the long term, our ability to support our working capital and capital expenditure requirements will depend on many factors, including our revenue growth rate, the timing and the amount of cash received from users, the expansion of sales and marketing activities, the timing and extent of spending to support research and development efforts, the cost to host our work marketplace, the introduction of new offerings and services, the continuing market adoption of our work marketplace, any acquisitions or investments that we make in complementary businesses, products, and technologies, macroeconomic conditions, and our ability to obtain equity or debt financing. Our principal commitments consist of obligations under our non-cancellable operating leases for office space and the Notes. There were no material changes to our lease agreements from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022. In March 2023, we sold \$138.2 million of available-for-sale marketable securities to enable the Repurchases. Assuming the remaining Notes are not converted into our common stock, repurchased, or redeemed prior to maturity, (i) annual interest expense relating to the Notes will be \$2.7 million in each fiscal year through 2026 and (ii) principal in the amount of \$361.0 million will be payable upon the maturity of the Notes on August 15, 2026. For additional information about our Notes, see the section below titled “—Convertible Senior Notes Due 2026.”

As market conditions warrant, we may, from time to time, repurchase additional outstanding Notes in the open market, in privately negotiated transactions, by tender offer, by exchange transaction, or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity, and other factors, and may be commenced or suspended at any time. The amounts involved and total consideration paid may be material.

We anticipate satisfying our short-term cash requirements with our existing cash and cash equivalents and may satisfy our long-term cash requirements with cash and cash equivalents on hand or with proceeds from future equity or debt financing. To the extent existing cash and cash equivalents, cash from marketable securities, and cash from operations (in periods in which we generate cash flow from operations) are insufficient to fund our working capital and capital expenditure requirements, or should we require additional cash for other purposes, we will need to raise additional funds. In the future, we may attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements as we did with the offering of the Notes in 2021. If we raise additional funds by issuing equity or equity-linked securities, the ownership and economic interests of our existing stockholders will be diluted. If we raise additional financing by incurring additional indebtedness, we will be subject to additional debt service requirements and could also be subject to additional restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that could also be unfavorable to our equity investors. There can be no assurances that we will be able to raise additional capital on terms we deem acceptable, or at all. The inability to raise additional capital as and when required would have an adverse effect, which could be material, on our results of operations, financial condition, and ability to achieve our business objectives.

During the periods presented, we did not have, and we do not currently have, any commitments or obligations, including contingent obligations, arising from arrangements with unconsolidated entities or persons that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, cash requirements or capital resources.

### **Escrow Funding Requirements**

As a licensed internet escrow agent, we offer escrow services to users of our work marketplace and, as such, we are required to hold our users' escrowed cash and in-transit cash in trust as an asset and record a corresponding liability for escrow funds held on behalf of talent and clients on our balance sheet. We expect the balances of our funds held in escrow, including funds held in transit, and the related liability to grow as GSV grows and may vary from period to period. Escrow regulations require us to fund the trust with our operating cash to cover shortages due to the timing of cash receipts from clients for completed hourly billings. Talent submit their billings for hourly contracts to their clients on a weekly basis every Sunday, and the aggregate amount of such billings is added to escrow funds payable to talent on the same day. As of each Sunday of each week, we have not yet collected funds for hourly billings from clients as these funds are in transit. Therefore, in order to satisfy escrow funding requirements, every Sunday we fund the shortage of cash in trust with our own operating cash and typically collect this cash shortage from clients within the next several days. As a result, we expect our total cash and cash flows from operating activities to be impacted when a quarter ends on a Sunday. As of June 30, 2023 and December 31, 2022, funds held in escrow, including funds in transit, were \$177.7 million and \$161.5 million, respectively.

### **Convertible Senior Notes Due 2026**

In August 2021, we issued the Notes pursuant to an Indenture between us and Computershare Trust Company, National Association (as successor in interest to Wells Fargo Bank, National Association), as trustee. The Notes are senior, unsecured obligations and bear interest at a rate of 0.25% per year, payable semiannually in arrears, and are due August 15, 2026. Upon conversion, we have an option to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock.

In March 2023, we entered into separate, privately negotiated repurchase agreements with a limited number of institutional holders of the Notes to repurchase for cash an aggregate of \$214.0 million principal amount of the Notes, which we refer to as the Repurchases. We paid \$170.8 million in cash to consummate the Repurchases. As a result, during the six months ended June 30, 2023, we recognized a gain on the early extinguishment of debt of \$38.9 million, which is net of \$3.7 million related to the pro-rata write-off of unamortized issuance costs associated with the sale of the Notes in August 2021, and \$0.6 million of other fees incurred to effect the Repurchases. The resulting gain on early extinguishment of debt is included in other income, net in the condensed consolidated statement of operations and comprehensive income (loss). As of June 30, 2023, \$361.0 million aggregate principal amount of the Notes remain outstanding.

### **Capped Calls**

In connection with the issuance of the Notes, we entered into capped call transactions, which we refer to as Capped Calls. The Capped Calls are expected generally to reduce the potential dilution to our common stock upon any conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap based on the cap price.

The initial cap price of the Capped Calls is \$92.74 per share of common stock, subject to certain customary adjustments under the terms of the Capped Calls. See "Note 7—Debt" of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report for additional information regarding the Notes and the Capped Calls.

The Capped Calls remain in effect notwithstanding the Repurchases.

## Cash Flows

The following table summarizes our cash flows for the periods presented:

<i>(In thousands)</i>	Six Months Ended June 30,	
	2023	2022
Net cash used in operating activities	\$ (4,392)	\$ (11,922)
Net cash provided by (used in) investing activities	196,943	(43,169)
Net cash provided by (used in) financing activities	(151,631)	31,138
Net change in cash, cash equivalents, and restricted cash <sup>(1)</sup>	\$ 40,920	\$ (23,953)

<sup>(1)</sup> Includes increases in funds held in escrow, including funds in transit of \$16.2 million and \$27.6 million during the six months ended June 30, 2023 and 2022, respectively.

### Operating Activities

Our largest source of cash from operating activities is revenue generated from our work marketplace. Our primary uses of cash from operating activities are for personnel-related expenditures, marketing activities, including advertising, payment processing fees, amounts paid to talent to deliver services for clients under our managed services offering, and third-party hosting costs. In addition, because we are licensed as an internet escrow agent, our total cash and cash used in operating activities may be impacted by the timing of the end of our fiscal quarter as discussed in the section titled “—Liquidity and Capital Resources—Escrow Funding Requirements.”

For the six months ended June 30, 2023, net cash used in operating activities was \$4.4 million, which resulted from net income of \$13.2 million and adjustments of \$5.7 million, driven by the gain on early extinguishment of debt of \$38.9 million, offset by net cash outflows of \$23.3 million from changes in operating assets and liabilities.

For the six months ended June 30, 2022, net cash used in operating activities was \$11.9 million, which resulted from a net loss of \$48.6 million and net cash outflows of \$15.6 million from changes in operating assets and liabilities, partially offset by non-cash charges of \$52.2 million. The change in operating assets and liabilities primarily resulted from the increase in trade and client receivables of \$10.9 million.

### Investing Activities

For the six months ended June 30, 2023, net cash provided by investing activities was \$196.9 million, which was primarily a result of proceeds from maturities of marketable securities of \$307.4 million and proceeds from the sale of marketable securities of \$149.9 million, including \$143.7 million to enable the repurchase of a portion of the Notes, partially offset by investing \$254.1 million in various marketable securities, as well as \$6.1 million of internal-use software and platform development costs that we paid during the period.

For the six months ended June 30, 2022, net cash used in investing activities was \$43.2 million, which was primarily a result of investing \$231.4 million in various marketable securities, as well as \$2.8 million of internal-use software and platform development costs that we paid during the period, partially offset by proceeds from maturities of marketable securities of \$191.6 million.

### Financing Activities

For the six months ended June 30, 2023, net cash used in financing activities was \$151.6 million, which was driven by \$171.3 million that we paid to consummate the Repurchases, including related fees to effect the Repurchases, partially offset by an increase in escrow funds payable of \$16.2 million, proceeds received from our employee stock purchase plan of \$2.6 million, and cash received from stock option exercises of \$0.9 million.

For the six months ended June 30, 2022, net cash provided by financing activities was \$31.1 million, which resulted primarily from an increase in escrow funds payable of \$27.6 million, proceeds received from our employee stock purchase plan of \$2.5 million, and cash received from stock option exercises of \$1.0 million.

### **Critical Accounting Policies and Estimates**

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of the condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors and adjust those estimates and assumptions when facts and circumstances dictate. Actual results could materially differ from these estimates and assumptions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements.

Except as otherwise disclosed in “Note 2—Basis of Presentation and Summary of Significant Accounting Policies” of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the year ended December 31, 2022.

### **Recent Accounting Pronouncements**

See “Note 2—Basis of Presentation and Summary of Significant Accounting Policies” of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report for recently issued accounting pronouncements not yet adopted as of the date of this Quarterly Report.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate and foreign currency exchange rates.

#### **Interest Rate Risk**

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. We do not make investments for trading or speculative purposes. Because our cash and cash equivalents have a relatively short maturity, our portfolio’s fair value is relatively insensitive to interest rate changes. Borrowings under the Notes have a fixed interest rate. As of June 30, 2023 and December 31, 2022, we had \$361.0 million and \$575.0 million, respectively, aggregate principal amount of borrowings outstanding under the Notes. We do not believe that a hypothetical increase or decrease in interest rates of 100 basis points would have a material impact on our operating results or financial condition.

#### **Foreign Currency Risk**

Our operating results and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. In addition to the U.S. dollar, we offer clients the option to settle invoices denominated in the U.S. dollar in the following currencies: Euro, British Pound, Australian dollar, Canadian dollar, Singapore dollar, South African rand, New Zealand dollar, Polish zloty, Swiss franc, Norwegian krone, Danish krone, Swedish krona, Turkish lira, Japanese yen, and Hong Kong dollar. When clients make payments in one of these currencies, we are exposed to foreign currency risk during the period between when payment is made and when the payment amounts settle. To mitigate this risk, we have entered into forward contracts. As such, the impact of foreign currency exchange rate fluctuations to our operating results have been insignificant to date.

## **Item 4. Controls and Procedures.**

### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer (our Principal Executive Officer) and Chief Financial Officer (our Principal Financial Officer), evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, as of June 30, 2023. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2023, our disclosure controls and procedures were effective.

### **Changes in Internal Control over Financial Reporting**

There were no changes to our internal control over financial reporting that occurred during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

We are not a party to any material pending legal proceedings. From time to time, we may be subject to legal proceedings and claims arising in the ordinary course of business.

### Item 1A. Risk Factors.

*A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, as well as the other information in this Quarterly Report, including our condensed consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The occurrence of any of the events or developments described below, or of additional risks and uncertainties not presently known to us or that we currently deem immaterial, could materially and adversely affect our business, results of operations, financial condition, and growth prospects. In such an event, the market price of our common stock could decline and you could lose all or part of your investment.*

#### Summary of Risk Factors

Some of the more material risks that we face include:

- Our growth depends on our ability to attract and retain a community of talent and clients, and the failure to maintain or grow our community of users and their activity on our platform in a cost-effective manner or at all could adversely impact our business.
- We have experienced growth in recent periods and expect to invest in our growth in the future. If we are unable to maintain similar levels of growth or manage our growth effectively, our business, revenue and profits, and financial condition could be adversely affected.
- We face payment and fraud risks that could adversely impact our business.
- We continue to evolve our business strategy, offerings and pricing model, and changes that we make can adversely affect our business and make it difficult to evaluate our future prospects.
- If we are unable to maintain our payment partner relationships on favorable terms, or at all, our business could be adversely affected.
- Our revenue growth and ability to achieve and sustain profitability will depend in part on being able to increase the productivity, effectiveness, and efficiency of our sales force.
- The positive impacts on our business resulting from the accelerated shift to remote work during the COVID-19 pandemic have not continued as the pandemic has subsided.
- Our revenue growth depends in part on the success of our strategic relationships with third parties and their continued performance.
- Users circumvent our work marketplace, which adversely impacts our business.
- Clients sometimes fail to pay their invoices, necessitating action by us to compel payment.
- We are subject to disputes with or between users of our work marketplace.
- Our inability to generate revenue from our marketplace offerings, which represents a substantial majority of our total revenue, would adversely affect our business operations, financial results, and growth prospects.
- If the market for independent talent and the services they offer develops more slowly than we expect, our growth may slow or stall, and our operating results could be adversely affected.
- If we are not able to develop and release new offerings and services, or develop and release successful enhancements, new features, and modifications to our existing offerings and services, our business could be adversely affected.

- We face intense competition and could lose market share to our competitors, including if we fail to continue to develop and enhance our existing offerings and services, which could adversely affect our business, operating results, and financial condition.
- If we or our third-party partners experience a security breach, other hacking or phishing attack, ransomware or other malware attack, or other privacy or security incident, whether intentionally or unintentionally caused by us or by third parties, our work marketplace may be perceived as not being secure, our reputation may be harmed, demand for our work marketplace may be reduced, our operations may be disrupted, we may incur significant legal costs, fines, or liabilities, and our business could be adversely affected.
- Our sales efforts are primarily targeted at large enterprise and other clients and prospects with larger, longer-term independent talent needs, and as a result we may encounter greater pricing, implementation, and customization challenges, and we may incur additional costs, each of which could adversely impact our business and operating results.
- Because a substantial portion of the services sought by clients and offered by talent on our work marketplace is information technology services, a decline in client demand for, or talent offering, information technology services on our work marketplace could adversely affect our business.
- If we fail to develop, maintain, and enhance our brand and reputation cost-effectively, our business and financial condition may be adversely affected.
- If internet search engines' methodologies or other channels that we utilize to direct traffic to our website are modified to our disadvantage, or our search result page rankings decline for other reasons, our user growth could decline.
- Errors, defects, or disruptions in our work marketplace, including any security breach, other hacking or phishing attack, or other privacy or security incident, could diminish demand, adversely impact our financial results, and subject us to liability.
- We and our users may be subject to new and existing laws and regulations, both in the United States and internationally.
- The regulatory landscape regarding contractor classification is rapidly changing and changes in these laws could adversely affect demand for our services and work marketplace and adversely affect our business. In addition, there may be adverse tax, legal, and other consequences if the contractor classification or employment status of talent that use our work marketplace is challenged.
- Having an international community of users and engaging talent internationally exposes us to risks that could have an adverse effect on our business, operating results, and financial condition, and these risks could increase as we seek to expand our international footprint.
- We have a history of net losses, may increase our operating expenses in the future, and may not achieve or sustain profitability.
- Our operating results and performance metrics may fluctuate from period to period, which makes our future results difficult to predict.
- We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics may not accurately reflect certain details of our business, are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.
- The stock price of our common stock has been and may continue to be volatile, and you could lose all or part of your investment.
- Our indebtedness could limit the cash flow available for our operations and expose us to risks that could adversely affect our business, financial condition, and results of operations.

- Adverse or changing economic and political conditions may negatively impact our business.
- We may be adversely affected by natural disasters and other catastrophic events or by man-made problems such as warfare, terrorism, or failures of technology, that could disrupt our business operations and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

#### **Risks Related to our Business Operations, Execution, and Growth**

***Our growth depends on our ability to attract and retain a community of talent and clients, and the failure to maintain or grow our community of users and their activity on our platform in a cost-effective manner or at all could adversely impact our business.***

The size of our community of users, including both talent and clients, is critical to our success. Our ability to achieve significant growth in revenue in the future will depend, in large part, upon our ability to attract new users and retain existing users, including large enterprise and other clients with larger, longer-term independent talent needs, as well as talent that meet the criteria sought by such clients.

Talent have many different ways of marketing their services, securing clients, and obtaining payments from clients, including advertising to, and engaging with, prospective clients through other online or offline platforms and methods, signing up for online or offline third-party agencies and staffing firms, using payment services provided by third parties, or finding employment directly with a business. Likewise, there may be impediments to talent who would like to use our work marketplace, including geopolitical events such as Russia's invasion of Ukraine in February 2022, which resulted in immediate reductions in activity from users in the region.

Clients have similarly diverse options to find and engage service providers, such as finding service providers through other online or offline platforms or through staffing firms and agencies or other talent sourcing services, engaging service providers directly, or hiring temporary, full-time, or part-time employees directly or through an agency. Clients may decrease their use of, or cease using, our work marketplace and our revenue may be adversely impacted for many reasons, including: if we fail to attract new talent; if the quality or types of services provided by talent on our work marketplace are not satisfactory to clients; if generative artificial intelligence tools provide a suitable replacement for traditional talent tasks; or if talent decrease their use of, or cease using, our work marketplace or prefer to take remote employment opportunities or to use other online remote work platforms, both of which are increasingly available as a result of the shift to remote work. Further, expenditures by clients may be cyclical and may reflect overall macroeconomic conditions or budgeting patterns. Beginning in the second half of 2019, we began evolving our offerings, services, brand positioning, and marketing to better address large enterprise and mid-market prospects and other clients with larger, longer-term independent talent needs. The evolution of these and other efforts, either individually or in the aggregate, may not be successful in attracting and retaining users or growing client spend from these target clients, and in the event these efforts result in the loss of or reduction in spend by other clients that is not offset by increased activity from these target clients, they may result in a temporary or long-term decelerating growth in, or declining, GSV, which could adversely affect our business, revenue, financial condition, and operating results. In addition, the increase in user acquisition resulting from the shift toward remote work, due in part to the COVID-19 pandemic, has not continued as the impact of the COVID-19 pandemic has subsided. For example, growth in the number of active clients and GSV growth have each decelerated on a year-over-year basis since the second quarter of 2021. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Active Clients and GSV per Active Client" above for the definition of active client.

Both clients and talent may stop using our work marketplace and related services if the quality of the user experience on our work marketplace, including our support capabilities or our ability to provide a secure, reliable, and trustworthy work marketplace, does not meet their expectations or keep pace with the quality of the user experience generally offered by competitive products and services. Clients and talent may also choose, and in the past have chosen, to cease using our work marketplace if they perceive that our pricing model, including associated fees, is not in line with the value they derive from our work



marketplace, or for other reasons, including cost-cutting measures. For example, the shift to our Client Marketplace offering in April 2022 resulted in changes to client fees, and, in May 2023, we retired our tiered service fee structure for talent working with clients on our Client Marketplace offering in favor of a flat fee of 10%. In addition, in the second quarter of 2023, we introduced a contract initiation fee up to \$4.95 per contract for clients on our Client Marketplace offering and increased the number of Connects needed by talent to bid on projects on our work marketplace. While these changes were designed to improve the health of our work marketplace, there can be no assurances as to the long-term impact these changes will have on our ability to acquire new users and retain existing users. Additionally, one client accounted for more than 10% of our trade and client receivables for each of the years ended December 31, 2022 and 2021. If users, particularly significant clients, stop using, or reduce their use of, our work marketplace and related services for any reason, including the foregoing reasons, our revenue and business would be adversely affected.

***We have experienced growth in recent periods and expect to invest in our growth in the future. If we are unable to maintain similar levels of growth or manage our growth effectively, our business, revenue and profits, and financial condition could be adversely affected.***

We have experienced growth in a relatively short period of time. For example, our total revenue for the six months ended June 30, 2023 was \$329.5 million, representing a period-over-period growth rate of 10% compared to the same period in 2022. However, there can be no assurance that we will be able to sustain our current or historical growth rates or that any future investments in growth will be successful or cost-effective. For example, we have already begun to see the effects of declining growth rates as compared to corresponding periods in prior years that were more strongly affected by the shift to remote work. Moreover, sustaining the same levels of growth in future periods will become more difficult during times of macroeconomic uncertainty, including a macroeconomic downturn or recession and rising interest rates and inflation, such as the conditions that we have experienced beginning in the second half of 2022. Sustaining our growth will place significant demands on our management as well as on our administrative, operational, and financial resources. To manage our growth, we must improve our operational, financial, and management information systems and expand, motivate, and effectively manage and train our workforce, all of which can be more difficult in a competitive labor market. If we are unable to manage our growth successfully without compromising the quality of our offerings or user experience, or if new systems that we implement to assist in managing our growth do not produce the expected benefits, our business, operating results, financial condition, and ability to successfully market our work marketplace and serve our users could be adversely affected.

Our recent and historical growth should not be considered indicative of our future performance. We have encountered, and will encounter in the future, risks, challenges, and uncertainties, including those frequently experienced by growing companies in rapidly changing and highly competitive industries and challenging macroeconomic conditions. If our assumptions regarding these risks, challenges, and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our financial condition and operating results could differ materially from our expectations and those of investors and securities analysts, our growth rates may slow, and our business would be adversely impacted.

***We face payment and fraud risks that could adversely impact our business.***

Our work marketplace systems and controls relating to user identity verification, user authentication, and fraud detection are complex. If such systems and controls are not effective, our work marketplace may be perceived as not being secure, our reputation may be harmed, we may face regulatory action or action by our payment partners, payment networks, or other third parties, and our business may be adversely impacted. In addition, bad actors around the world use increasingly sophisticated methods, including the use of artificial intelligence, to engage in illegal activities involving the theft and misuse of personal information, such as: unauthorized or fraudulent use of another's identity, payment information, or other information; misrepresentation of the user's identity, location, or skills, including using accounts that they have purchased, borrowed, or leased; and the improper acquisition or use of credit or debit card details and banking or other payment account information. Further, our users provide us with payment card

billing information online, and we do not review the physical payment cards used in these transactions, which increases our risk of exposure to fraudulent activity.

Bad actors also may use our work marketplace, including our payment processing and disbursement methods, to engage in unlawful or fraudulent conduct, such as money laundering, moving funds to regions or persons restricted by sanctions or export controls, terrorist financing, fraudulent sale of services, bribery, breaches of security, unauthorized acquisition of data, extortion or use of ransomware, distribution or creation of malware or viruses, piracy or misuse of software and other copyrighted or trademarked content, and other misconduct. These types of illegal activities have increased on our platform in recent periods and may increase in the future. For example, for the year ended December 31, 2022, provision for transaction losses increased, as compared to 2021, primarily due to increased instances of fraud, higher chargeback losses, and bad debt losses related to Upwork Enterprise clients. This conduct on our website could result in any of the following, each of which could adversely impact our business:

- we may be, and historically have been, held liable for the unauthorized use of credit or debit card details and banking or other payment account information and required by card issuers, card networks, banks, and other payment partners to return the funds at issue and pay a chargeback, return, or other fee, and if our chargeback or return rate becomes excessive, card networks may also require us to pay fines or other fees, engage in remediation efforts, which can be costly and divert the attention of management, or cease doing business with us;
- the California Department of Financial Protection and Innovation, which we refer to as the DFPI, or other regulators may require us to hold larger cash reserves or take other action with respect to our internet escrow license or other licenses or licensing regimes;
- users that are subjected or exposed to the unlawful, fraudulent, or improper conduct of other users or other third parties may seek to hold us responsible for the conduct of or content posted by users, may lose confidence in and decrease use of our work marketplace, seek to obtain damages and costs, or publicize their negative experiences;
- law enforcement or administrative agencies could seek to hold us responsible for the conduct of or content posted by users, including through the use of generative artificial intelligence tools, and impose fines and penalties, bring criminal action, or require us to change our business practices, and private actions or public enforcement may increase depending on interpretations of and possible changes to intermediary liability provisions such as Section 230 of the Communications Decency Act of 1996;
- we may be subject to additional risk and liability exposure, including for negligence, fraud, or other claims, if employees or third-party service providers, including talent that provide services to us, misappropriate our banking, payment, or other information or user information for their own gain or to facilitate the fraudulent use of such information;
- we may be subject to additional risk if clients fail to pay talent for services rendered, as talent may seek to hold us responsible for the clients' conduct and may lose confidence in and decrease or cease use of our work marketplace, may publicize their negative experiences, or seek to obtain damages and costs;
- we may be subject to additional risk if Upwork Enterprise clients fail to pay us for amounts we advance to talent on their behalf, including financial losses resulting from our inability to recover such funds;
- if talent misstate their qualifications or location, provide misinformation about their skills, identity, or otherwise, perform services they are not qualified or authorized to provide, produce insufficient or defective work product or work product with a viral or other harmful effect, clients or other third parties may seek to hold us responsible for the talents' acts or omissions and may lose confidence in and decrease or cease use of our work marketplace, or seek to obtain damages and costs; and

- we may suffer reputational damage adversely impacting our business as a result of the occurrence of any of the above.

We do not have control over users of our work marketplace and cannot ensure that any measures we have taken to detect, prevent, and mitigate these risks will stop or minimize the use of our work marketplace for, or to further, illegal or improper purposes. We have received in the past, and are likely to continue to receive in the future, complaints, notices, and inquiries from clients, talent, and other third parties, including law enforcement, administrative agencies, payment partners, payment networks, and the press, concerning misuse of our work marketplace and wrongful conduct of other users. We have also brought claims against clients and other third parties for their misuse of our work marketplace, and may be required to bring similar claims in the future. Even if these claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the attention and resources of our management, negatively impact our reputation, and adversely affect our business and operating results. In addition, while we have implemented additional steps designed to decrease transaction losses, there is no assurance that these steps will be effective or cost efficient. Further, while we take steps to implement and improve our trust and safety program through the use of algorithms and machine learning techniques, any unauthorized or inadvertent disclosure of these tools might make our efforts to prevent fraud or the improper use of our platform temporarily less effective, and any new laws restricting our use of these techniques, or that force us to make the inner workings of these tools transparent to the public, may increase the risk of harm to our users.

***We continue to evolve our business strategy, offerings and pricing model, and changes that we make can adversely affect our business and make it difficult to evaluate our future prospects.***

We have over time evolved, and will continue to evolve, our sales, marketing, and brand positioning efforts, as well as our business strategy and pricing model. In the second quarter of 2021, we undertook a rebranding effort and expanded our focus on large enterprise and other clients and prospects with larger, longer-term independent talent needs. We continue to evaluate and revise our current offerings and pricing model and create and test additional offerings, pricing models, features, and services to serve these and other market segments, such as our April 2022 combination of our Upwork Basic and Upwork Plus client offerings into our Client Marketplace offering, which simplifies the pricing model for clients of those offerings.

Changes in our offerings and pricing model, and the continued evolution of our business strategy and brand positioning, subject us to a number of uncertainties, including our ability to plan for and model future growth and make accurate projections regarding our future performance. In addition, we have in the past seen, and may in the future see, unexpected or unintended negative effects as a result of changes to our pricing model, offerings, and sales, brand positioning, and marketing efforts, including increased user dissatisfaction, harm to our reputation, increased circumvention rates, reductions in the rate or size of projects that get posted or completed, a failure to attract and retain quality talent or attract new clients that spend on our work marketplace or the loss of spend from existing clients. These adverse effects may negatively affect GSV, revenue, our results of operations, and financial condition, including resulting in negative period-over-period financial results for a number of periods following the change being made. For example, during the three and six months ended June 30, 2023, GSV remained relatively flat, as compared to the same periods in 2022, in part because our business continued to be impacted by changes to client fees as a result of the shift to our Client Marketplace offering in April 2022, and, in May 2023, we retired our tiered service fee structure for talent working with clients on our Client Marketplace offering in favor of a flat fee of 10%. In addition, in the second quarter of 2023, we introduced a contract initiation fee up to \$4.95 per contract for clients on our Client Marketplace offering and increased the number of Connects needed by talent to bid on projects on our work marketplace. While these changes were designed to improve the health of our work marketplace, there can be no assurances as to the long-term impact these changes will have on our business, operating results, and financial condition.

In addition, creating new offerings is expensive and time consuming, diverts the attention of our management, and not all offerings achieve market acceptance at the levels we expect and therefore may

not be cost-effective to maintain. Moreover, if an offering does not achieve sufficient market acceptance or otherwise does not achieve its intended effect, we may expend additional resources and divert the attention of management to implement modifications in an effort to improve the offering, and these efforts may not be successful. For example, in 2019, we launched our Upwork Business offering, focused on mid-market businesses. In the fourth quarter of 2020, we decided that it was no longer cost-effective for our sales team to sell our Upwork Business offering, which resulted in an elimination of that offering and a reduction in force of approximately one-third of our sales employees at that time.

***If we are unable to maintain our payment partner relationships on favorable terms, or at all, our business could be adversely affected.***

Our payment partners consist of payment processors and disbursement partners. We rely on banks and payment partners to provide us with corporate banking services, escrow trust accounts or other regulated accounts, and clearing, processing, and settlement functions for the funding of all transactions on our work marketplace and disbursement of funds to users, and we do not always have a sufficient surplus of vendors in the event one or more relationships is terminated for any reason.

Our payment partners are critical to our business. In order to maintain these relationships, we have in the past been, and may in the future be, forced to agree to terms that are unfavorable to us. If we are unable to maintain our agreements with current payment partners on favorable terms, or at all, or we are unable to enter into new agreements with new payment partners on favorable terms, or at all, our ability to collect payments and disburse funds and our revenue and business may be adversely affected. This could occur for a number of reasons, including the following with respect to our payment partners:

- our partners may be unable or unwilling or may fail to perform the services we require of them, such as processing payments to talent in a timely manner and in compliance with applicable legal requirements, including sanctions regimes;
- a failure by us to comply with our partners' compliance standards, which could result in increased rates that they charge us or our users, additional fees or a reduction in services or benefits that they provide us with, or termination of our agreement with them altogether, and any remediation efforts undertaken by us to return to compliance may be costly, time consuming, and divert the attention of management;
- our partners may be subject to investigation, regulatory enforcement, or other proceedings that result in their inability or unwillingness to provide services to us or our unwillingness to continue to partner with them;
- our partners may be unable to effectively accommodate changing service needs, such as those that could result from rapid growth or higher volume or those which relate to international expansion and local jurisdictions, and we may have difficulty finding suitable partners to accommodate such needs;
- our partners could choose to terminate or not renew their agreements with us, or only be willing to renew or enter into agreements on different or less advantageous terms, which among other things, could negatively impact the revenue we derive from such agreements;
- our partners could reduce the services provided to us, cease doing business with us, cease or become prohibited from doing business with certain of our users or in jurisdictions where we have users, or cease doing business altogether; or
- our partners could be subject to delays, limitations, or closures of their own businesses, networks, partners, or systems, causing them to be unable to process payments or disburse funds for certain periods of time.

In addition, we may be forced to cease doing business with certain partners if card network operating rules, certification requirements and laws, regulations, or rules governing electronic funds transfers to which we are subject, change or are interpreted to make it difficult or impossible for us to comply.

***Our revenue growth and ability to achieve and sustain profitability will depend in part on being able to increase the productivity, effectiveness, and efficiency of our sales force.***

In order to increase our revenue from our premium offerings and achieve and sustain profitability, we must improve the effectiveness and efficiency of our sales force and generate additional revenue from new and existing users. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training, effectively deploying, and retaining sufficient numbers of sales and sales support personnel to support our growth. It is difficult at times to find and retain a sufficient number of sales personnel with the specific skills and technical knowledge needed to effectively sell our Upwork Enterprise and other premium offerings, particularly in times of significant competition for qualified personnel. Furthermore, hiring and effectively deploying sales personnel is complex and requires additional costs that we may not recover if the sales personnel fail to achieve full productivity. Even if we are able to hire qualified sales personnel, doing so may be costly and lengthy, as new sales personnel require significant training and can take a number of months to achieve full productivity. In addition, new sales personnel do not always achieve productivity milestones within the timelines that we have projected, or at all, negatively impacting our ability to achieve our long-term financial projections associated with such personnel. If our sales personnel are not successful in obtaining new business or increasing sales to our existing user base, our business and results of operations will be adversely affected. For example, in the fourth quarter of 2021, we began increasing our investment in sales by expanding our sales team, which continued throughout 2022. However, in light of macroeconomic conditions as well as our efforts to reduce spend and streamline operations, we implemented a reduction of our workforce in May 2023, largely in our sales team. In addition, Eric Gilpin, our former Chief Sales Officer, departed from Upwork in June 2023. There can be no assurance that these actions will increase the productivity or efficiency of our sales force.

***The positive impacts on our business resulting from the accelerated shift to remote work during the COVID-19 pandemic have not continued as the pandemic has subsided.***

Beginning in 2020 we experienced an increase in GSV and revenue growth driven by an acceleration in the shift toward remote work, due in part to the COVID-19 pandemic. These positive impacts have not continued as the pandemic has subsided. For example, growth in the number of active clients and GSV growth have each decelerated on a year-over-year basis since the second quarter of 2021. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Active Clients and GSV per Active Client” below for the definition of active client. The extent to which the prevalence of remote work will wane as a result of the COVID-19 pandemic subsiding is uncertain and cannot reasonably be predicted at this time.

***Our revenue growth depends in part on the success of our strategic relationships with third parties and their continued performance.***

To grow our business, we need to continue to establish and maintain relationships with third parties, such as staffing providers, banks, software and technology vendors, and payment processing and disbursement providers. For example, we work with third-party staffing providers, upon which we are dependent to support our employment offering, Upwork Payroll. We have also recently established several partnerships that have allowed us to integrate generative artificial intelligence tools into our work marketplace aimed at improving user experience and productivity. As our agreements with third-party partners terminate or expire, we may be unable to renew or replace these agreements on favorable terms, or at all. Moreover, we cannot guarantee that the parties with which we have strategic relationships will continue to offer the services for which we rely on them at economically reasonable terms or at all, devote the resources necessary to expand our reach, increase our distribution, or support an increased number of users and associated use cases. Some of our strategic partners offer, or could offer, competing products and services or also work with our competitors, the likelihood of which may increase due to the ongoing shift toward remote work. As a result of these factors, many of our third-party partners may choose to develop or support alternative products and services in addition to, or in lieu of, our work marketplace. If we are unsuccessful in establishing or maintaining our relationships with third parties on favorable terms, or if these relationships are not successful in improving our business, our ability to

compete or to grow our total revenue could be impaired and our operating results may be adversely impacted. Moreover, material business changes by one or more of our third-party staffing providers could negatively impact our business and financial results, including increased costs for clients or us, a diminished user experience, or the inability to offer the staffing provider services in one or more jurisdictions.

***Users circumvent our work marketplace, which adversely impacts our business.***

Our business depends on users transacting through our work marketplace. Despite our efforts to prevent them from doing so, users circumvent our work marketplace and engage with or take payment through other means to avoid the fees that we charge, and it is difficult or impossible to measure the losses associated with circumvention. Enhancements and changes we make with respect to our pricing model, fees, offerings, services, and features may unintentionally cause, and may have unintentionally caused in the past, users to circumvent our work marketplace, such as our consolidation of our Upwork Basic and Upwork Plus offerings into our Client Marketplace offering in April 2022. In addition, circumvention by users of our work marketplace is likely to increase during a macroeconomic downturn, as users may be more cost-sensitive with respect to our fees. The loss of revenue associated with circumvention of our work marketplace has an adverse impact on our business, cash flows, operating results, and financial condition. Moreover, certain changes we make to decrease circumvention by users have in the past and could again inadvertently result in user dissatisfaction, increased user circumvention, and a decline in user activity on our work marketplace. Our efforts to reduce circumvention may be costly or disruptive to implement, have results that are difficult or impossible to measure, fail to have the intended effect or have an adverse effect on our brand or user experience, reduce the attractiveness of our work marketplace, divert the attention of management, or otherwise harm our business.

***Clients sometimes fail to pay their invoices, necessitating action by us to compel payment.***

In connection with our Upwork Enterprise offering, and for certain legacy clients, we advance payments to talent for invoiced services on behalf of the client and subsequently invoice the client for such services. In order to maintain these relationships, we have in the past been, and may in the future be, forced to agree to terms that are unfavorable to us, including extended payments terms. In addition, in certain instances, we will advance payment on a talent invoice if the client issues a chargeback or their payment method is declined. In this circumstance, the talent assigns us the right to recover any funds from the client. From time to time, clients fail to pay for services rendered by talent, and as a result, we may incur costs to enforce the applicable agreement or our terms of service, including through arbitration or litigation, and we may not be successful in collecting amounts owed. Furthermore, some clients may seek bankruptcy protection or other similar relief and fail to pay amounts due, or pay those amounts more slowly, either of which could adversely affect our operating results, financial position, and cash flow. Our risk of financial exposure increases if we do not adequately screen clients, do not conduct sufficient credit checks, or otherwise do not adequately monitor clients' spend on our work marketplace. All of these risks are made more likely during a macroeconomic downturn and could result in increased costs to us as we advance payments to talent and seek to compel payment from our clients. Our failure to manage these risks could adversely affect our business, operating results, and financial condition.

***We are subject to disputes with or between users of our work marketplace.***

Our business model involves enabling connections between talent and clients that contract directly through our work marketplace. Talent and clients are free to negotiate any contract terms they choose, but we also provide optional service contract terms that they can elect to use. Disputes sometimes arise between talent and clients, including with respect to service standards, payment, confidentiality, work product, and intellectual property ownership and infringement. If either party believes the contract terms were not met, our standard terms and some individually negotiated services agreements provide a mechanism for the parties to request assistance from us, and, for some contracts, if that is unsuccessful, a provision referring the dispute to a third-party arbitrator. Whether or not talent and clients decide to seek assistance from us, if these disputes are not resolved amicably, the parties might escalate to formal proceedings, such as by filing claims with a court or arbitral authority. Given our role in facilitating and supporting these arrangements, claims are sometimes brought against us directly as a result of these

disputes and talent or clients bring us into claims filed against each other, particularly when the other user is insolvent or facing financial difficulties. Through our terms of service and services agreements for premium offerings, we disclaim responsibility and liability for any disputes between users (except with respect to specified dispute assistance programs and services); however, we cannot guarantee that these terms will be effective in preventing or limiting our involvement in user disputes or that these terms will be enforceable or otherwise effectively prevent us from incurring liability as a result of disputes between users. Disputes between clients and talent and between users and our company may become more frequent based on conditions outside our control, such as a macroeconomic downturn or actions of bad actors seeking to take advantage of other users. Such disputes, or any increase in the number of disputes, may result in an adverse effect on our company, such as a loss of goodwill with users, reputational harm, lost GSV and revenue, diversion of the resources of our management and an increase in our operational costs, any of which may adversely affect our business and operating results.

***Our business depends largely on our ability to attract and retain talented employees, including senior management and key personnel. If we lose the services of Hayden Brown, our President and Chief Executive Officer, or other members of our senior management team or key personnel, we may not be able to execute on our business strategy.***

Our future success depends in large part on the continued services of senior management and other key personnel and our ability to attract, retain, and motivate them. In particular, we are dependent on the services of Hayden Brown, our President and Chief Executive Officer, and our future vision, strategic direction, work marketplace, and technology could be compromised if she were to take another position, become ill or incapacitated, or otherwise become unable to serve as our President and Chief Executive Officer. We rely on our leadership team and other key personnel in the areas of product, engineering, operations, security, marketing, sales, support, corporate development, and general and administrative functions. Our senior management and other key personnel are all employed on an at-will basis, which means that they could terminate their employment with us at any time, for any reason, and without notice, and we do not maintain any “key-person” life insurance policies. If we lose the services of senior management or other key personnel, if our succession plans prove inadequate, or if we are unable to retain, attract, train, and integrate the highly skilled personnel we need, our business, operating results, and financial condition could be adversely affected.

There have been, and may continue to be, changes in our management team resulting from the hiring or departure of executives, and we have made, and may continue to make, other changes that have been and will be disruptive to our personnel, such as changes to the composition of our leadership team and other key personnel and reorganizations of reporting lines of our workforce. For example, in June 2023, Eric Gilpin, our former Chief Sales Officer, departed from Upwork. These changes have resulted, and future personnel changes may result, in increased attrition or reduced productivity of our personnel, including senior management and key personnel, stemming from organizational restructuring, as new reporting relationships are established, and as other companies may increasingly target our executives and other key personnel, particularly during the current highly competitive market for qualified personnel. Any such changes may also result in a loss of institutional knowledge, cause disruptions to our business, impede our ability to achieve our objectives, or distract or result in diminished morale in, or the loss of, workers.

Our future success also depends on our continuing ability to retain, attract, train, and integrate highly skilled personnel, including software engineers and sales personnel. We face intense competition for qualified personnel from numerous software and other technology companies. In addition, competition for qualified software engineers is particularly intense. We may not be able to retain our current key personnel or attract, train, integrate, or retain other highly skilled personnel in the future. We may incur significant costs to attract and retain highly skilled personnel, we may lose employees to our competitors or other technology companies before we realize the benefit of our investment in recruiting and training them, and our succession plans may be insufficient to ensure business continuity if we are unable to retain key personnel or were to lose a significant portion of our personnel. Further, even highly skilled personnel may fail to be productive, and our adoption of remote work may result in a loss of productivity

of our workforce. To the extent we move into new geographies, including internationally, we would need to attract and recruit skilled personnel in those areas.

Volatility, depreciation, or lack of appreciation in our stock price may also affect our ability to attract new skilled personnel and retain our key personnel. The market price of our common stock has depreciated significantly recently and may continue to be volatile, in part due to broader macroeconomic conditions and stock market fluctuations, and as a result, the equity held by our senior management and other key personnel has depreciated in value relative to the grant date value and therefore has less retentive power.

***We may be unable to integrate acquired businesses and technologies successfully or to achieve the expected benefits of such acquisitions. We may acquire or invest in additional companies, which may divert our management's attention, result in additional dilution to our stockholders, and consume resources that are necessary to sustain our business.***

Our business strategy may, from time to time, include acquiring complementary products, technologies, businesses, or other assets. We also may enter into relationships with other businesses to expand our work marketplace or our ability to provide our work marketplace in foreign jurisdictions, which could involve preferred or exclusive licenses, additional channels of distribution or investments in other companies. Negotiating these transactions can be time-consuming, difficult, and expensive, and our ability to close these transactions may often be subject to approvals that are beyond our control. Consequently, these transactions, even if undertaken and announced, may not close, and any acquisition, investment, or business relationship may result in unforeseen or additional operating difficulties, risks, and expenditures. For one or more of those transactions, we may:

- use cash that we may need in the future to operate our business;
- become subject to different laws and regulations due to the nature or location of the acquired business, products, technologies, or other assets, or become subject to more stringent scrutiny or differing applications of laws and regulations to which we are currently subject as a result of such transactions;
- issue additional equity or convertible debt securities that would dilute our stockholders' ownership interest;
- incur expenses or assume substantial liabilities;
- encounter difficulties retaining key personnel of the acquired company or assimilating acquired operations and employee cultures or otherwise fail to realize the anticipated benefits of such transactions;
- encounter difficulties integrating diverse cloud, software, and other information technology platform technologies;
- divert management's attention;
- become subject to adverse tax consequences, substantial depreciation, or deferred compensation charges;
- incur debt on terms unfavorable to us or that we are unable to repay; or
- be required to adopt new, or change our existing, accounting policies.

Any of these risks could adversely impact our business and operating results.

#### **Risks Related to Our Industry, Offerings, and Services**

***Our inability to generate revenue from our marketplace offerings, which represents a substantial majority of our total revenue, would adversely affect our business operations, financial results, and growth prospects.***

We derive, and expect to continue to derive in the near future, the substantial majority of our revenue from our marketplace offerings. As such, market acceptance of our marketplace offerings, including new



offerings or the consolidation of offerings, such as our consolidation of our Upwork Basic and Upwork Plus offerings into our Client Marketplace offering in April 2022, is critical to our continued success. If we are unable to meet user demands and expectations, earn and maintain user trust, expand our offerings or the categories of services offered on our work marketplace, develop features that are appealing to users, or achieve and maintain more widespread market acceptance of our marketplace offerings, including attracting and retaining clients, our business operations, financial results, and growth prospects will be adversely affected.

Demand for our marketplace offerings is also affected by a number of other factors, including the timing and success of new offerings and services by our competitors, our ability to respond to technological change and to effectively innovate and grow, macroeconomic conditions, contraction in our market, client spending patterns, talent activity levels, the size and price of projects on our work marketplace, changes in adoption of remote work, including as the COVID-19 pandemic continues to subside, geopolitical events, such as the war in Ukraine and the resulting macroeconomic effects, de-globalization, and the other risks identified herein. To the extent these or other factors negatively affect demand for our marketplace offerings, our financial results may be adversely affected.

***If the market for independent talent and the services they offer develops more slowly than we expect, our growth may slow or stall, and our operating results could be adversely affected.***

The market for online independent talent and the services they offer is relatively new, rapidly evolving, and unproven. Our future success will depend in large part on the continued growth and expansion of this market and the willingness of businesses to engage independent talent to provide services and independent talent to engage as service providers. It is difficult to predict the size, growth rate, and expansion of this market, whether any expansion will be long-term or temporary, particularly as the labor market and remote work trends continue to be unpredictable and recent challenging macroeconomic conditions continue, the success of competitive products and services, or technological (including artificial intelligence), macroeconomic, geopolitical (including the prevalence of de-globalization), legal, regulatory, or other developments that will impact the overall demand for, or ability to engage, independent talent. Furthermore, many businesses may be unwilling to engage independent talent for a variety of reasons, including perceived negative connotations with outsourcing work, quality of work, fraud, privacy, or data security concerns, or the rapidly evolving regulations that may impact the demand for independent contractor services more generally, including as discussed further in the risk factor titled "The regulatory landscape regarding contractor classification is rapidly changing and changes in these laws could adversely affect demand for our services and work marketplace and adversely affect our business. In addition, there may be adverse tax, legal, and other consequences if the contractor classification or employment status of talent that use our work marketplace is challenged." Likewise, with the greater adoption of remote work and increased flexibility in employment relationships, which accelerated due in part to the COVID-19 pandemic, more skilled independent talent may choose traditional employment. If the market for independent talent and the services they offer does not achieve widespread adoption, or there is a reduction in demand for independent talent, including as a result of challenging macroeconomic conditions or as the COVID-19 pandemic continues to subside, it could result in decreased revenue and our business could be adversely affected.

***If we are not able to develop and release new offerings and services, or develop and release successful enhancements, new features, and modifications to our existing offerings and services, our business could be adversely affected.***

The market for our work marketplace is characterized by rapid technological change, frequent product and service introductions and enhancements, changing user demands, and evolving industry standards. For example, we have recently integrated generative artificial intelligence tools into our work marketplace aimed at improving user experience and productivity. The introduction of offerings and services embodying new technologies can quickly make existing offerings and services obsolete and unmarketable. We invest substantial resources in researching and developing new offerings and services and enhancing our work marketplace by incorporating additional features, improving functionality, modernizing our technology, and adding other improvements to meet our users' evolving demands in our

increasingly highly competitive industry. The success of any enhancements or improvements to, or new features of, our work marketplace or any new offerings and services depends on several factors, including overall demand and market acceptance consistent with the intent of such offerings or services, competitive pricing, adequate quality testing to ensure an absence of errors, defects, and disruptions on our work marketplace, integration with new and existing technologies on our work marketplace and third-party partners' technologies, and timely completion. We cannot be sure that we will succeed, on a timely or cost-effective basis, in developing, marketing, and delivering enhancements or new features to or modernizing our work marketplace or any new offerings and services that respond to continued changes in the market for independent talent or business services. Any enhancements or new features to our work marketplace or any new offerings and services may not achieve, and in the past certain features and offerings have not achieved, market acceptance, cost-effectiveness, or the intended effect. In the past, we have experienced unintended negative effects, including reduced client spend, diminished fill rates for projects on our work marketplace, errors and disruptions on our work marketplace, and user dissatisfaction from certain modifications to our offerings, services, and features.

Moreover, even if we introduce new offerings and services, we may experience a decline in revenue from our existing offerings and services that is not offset by revenue from the new offerings or services. In addition, we may lose existing users that choose to use competing products or services. This could result in a temporary or permanent decrease in revenue and adversely affect our business.

***We face intense competition and could lose market share to our competitors, which could adversely affect our business, operating results, and financial condition.***

The market segment for independent talent and the clients that engage them is highly competitive, rapidly evolving, fragmented, and subject to changing technology, shifting needs, and frequent introductions of new competitors as well as new offerings and services. We compete with a number of online and offline platforms and services domestically and internationally, as well as traditional staffing firms. Our main competitors fall into the following categories:

- traditional contingent workforce and staffing service providers and other outsourcing providers, such as The Adecco Group, Randstad, Recruit, Allegis Group, and Robert Half International;
- online freelancer platforms that serve either a diverse range of skill categories, such as Fiverr, Guru, and Freelancer.com, or specific skill categories;
- other online providers of products and services for individuals or businesses seeking work or to advertise their services, including personal and professional social networks, such as LinkedIn and GitHub (each owned by Microsoft), employment marketplaces, platforms providing compliance services, recruiting websites, and project-based deliverable providers;
- software and business services companies focused on talent acquisition, management, invoicing, or staffing management products and services, such as Workday;
- payment businesses that can facilitate payments to and from businesses and service providers, such as PayPal and Payoneer;
- businesses that provide specialized professional services, including consulting, accounting, marketing, and information technology services; and
- online and offline job boards, classified ads, and other traditional means of finding work and service providers, such as Craigslist, CareerBuilder, Indeed, Monster, and ZipRecruiter.

In addition, well-established internet companies, such as Google, LinkedIn, and Amazon, social media platforms, such as Meta, and businesses that operate driving, delivery, and other commoditized marketplaces, such as Uber Technologies, have entered or may decide to enter our market segment. Some of these companies have launched or may launch, or have acquired or may acquire companies or assets that offer products and services that directly compete with our work marketplace. For example, LinkedIn launched ProFinder in 2016, Open for Business in 2019, and Services Marketplaces in 2021, each of which is a service to connect LinkedIn members with one another for freelance service

relationships. Many of these established internet companies and other competitors are considerably larger than we are, have considerably greater financial and other resources than we do, and could offer products and services similar to our offerings for lower fees.

We also compete with companies that utilize emerging technologies and assets, such as blockchain, artificial intelligence, augmented reality, cryptocurrency, and machine learning. These competitors may offer products and services that may, among other things, provide automated alternatives to the services that talent provide on our work marketplace, use machine learning algorithms to connect businesses with service providers more effectively than we do, or otherwise change the way that businesses engage or pay service providers or the way service providers perform work so as to make our work marketplace less attractive to users. We may face increased competition from these competitors as they mature and expand their capabilities.

Internationally, we compete against online and offline channels and products and services in most countries. Local competitors, or competitors that have invested more in international expansion, have greater brand recognition in other countries and a stronger understanding of local or regional culture and commerce. Some competitors also offer their products and services in local languages and currencies that we do not offer. As our business grows internationally and we expand and grow our services offerings, we may increasingly compete with these international companies. We also compete against locally sourced service providers and traditional, offline means of finding work and procuring services, such as staffing businesses, personal and professional networks, classified ads, and recruiters. In addition, our decision to suspend our business operations in Russia and Belarus in March 2022 may increase the risk that new competitors emerge in the region.

Many of our current and potential competitors, both online and offline, enjoy substantial competitive advantages, such as: greater name recognition and more prominent brand reputation; pre-existing relationships with desirable clients; more experience with international operations and localization of their offerings; longer operating histories; greater financial, technical, and other resources; more users; newer technologies and more modern technical infrastructure; greater appeal to certain segments of users, such as those entering the workforce; and, in some cases, the ability to rapidly combine online platforms with traditional staffing and contingent worker solutions. These companies may use these advantages to offer products and services similar to ours at a lower price, develop different or superior products and services to compete with our work marketplace, or respond more quickly and effectively than we do to new or changing opportunities, technologies, standards, regulatory conditions, or user preferences or requirements. In addition, while we compete intensely in more established markets, we also compete in developing technology markets that are characterized by dynamic and rapid technological change, many and different business models, and frequent disruption of incumbents by innovative online and offline entrants. The barriers to entry into these markets can be low, and businesses easily and quickly can launch online or mobile platforms and applications at nominal cost by using commercially available software or partnering with various established companies in these markets.

Moreover, current and future competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with others, including our current or future third-party partners. By doing so, these competitors may increase their ability to meet the needs of our existing or prospective users. These developments could limit our ability to obtain revenue from existing and new users. For all of these reasons, we may not be able to compete successfully against our current and future competitors, in which case our business, operating results, and financial condition would be adversely impacted.

***If we or our third-party partners experience a security breach, other hacking or phishing attack, ransomware or other malware attack, or other privacy or security incident, whether intentionally or unintentionally caused by us or by third parties, our work marketplace may be perceived as not being secure, our reputation may be harmed, demand for our work marketplace may be reduced, our operations may be disrupted, we may incur significant legal costs, fines, or liabilities, and our business could be adversely affected.***

Our business involves the storage, processing, and transmission of users' proprietary, confidential, and personal information as well as the use of third-party partners and vendors who store, process, and

transmit users' proprietary, confidential, and personal information. We also maintain and use third-party partners and vendors who process certain other proprietary and confidential information relating to our business and personal information of our personnel. Our systems, and the systems of our vendors and third-party partners, may be vulnerable to privacy or security incidents, such as computer viruses and other malicious software, physical or electronic break-ins, or vulnerabilities resulting from intentional or unintentional service provider actions, and similar disruptions that could make all or portions of our website or applications unavailable for periods of time. Any privacy or security incident, whether intentionally or unintentionally caused by us or by third parties, including government agencies, that we experience could result in: unauthorized access to, misuse of, or unauthorized acquisition of our, our personnel's, or our users' data; the loss, corruption, or alteration of this data; interruptions in our operations; or damage to our computers or systems or those of our users. Any of these could expose us to claims, litigation, fines, enforcement actions, other potential liability, and reputational harm. Additionally, ransomware or other malware, viruses, social engineering (including business email compromise and related wire-transfer fraud), impersonation of our company and executives on social media, and general hacking in our industry have become more prevalent and more complex. Bad actors often try to take advantage of us, our users, and our vendors and third-party partners by using social engineering and other methods to persuade their victims to make fraudulent payments, or to download viruses, ransomware, or other malware into computer systems and networks. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not foreseeable or recognized until launched against a target, we and our vendors and third-party partners may be unable to anticipate these techniques or to implement adequate preventative measures, despite our efforts to implement and maintain a robust information security program. There may also be increased risk of privacy or security incidents as a result of the effects of the war in Ukraine and our ongoing operational decisions related to the suspension of our business in Russia and Belarus in March 2022. Data security breaches and other privacy and security incidents may also result from non-technical means, such as actions taken by employees or contractors, including talent that we engage on our work marketplace to perform services for us, and the likelihood of such incidents may increase as a result of our workforce working remotely. We have also integrated, and expect to continue to integrate, generative artificial intelligence tools into our platform and products, or our vendors may in turn incorporate generative artificial intelligence tools into their own offerings, and the providers of these generative artificial intelligence tools may not meet existing or rapidly evolving regulatory or industry standards with respect to data privacy and protection, and may inhibit our or our vendors' ability to maintain an adequate level of service and experience. If we, our vendors, or our third-party partners experience an actual or perceived breach or privacy or security incident, public perception of the effectiveness of our security measures and brand could be harmed, and we could lose users and business. In addition, significant unavailability of our work marketplace due to security breaches or other privacy and security incidents could cause users to decrease their use of or cease using our work marketplace. Any of these effects could adversely impact our business.

Any compromise of our security or the security of our vendors, third-party partners, or users could result in regulatory or other governmental investigations, enforcement actions, litigation, and legal and financial exposure, including potential regulatory fines or penalties or contractual liability. We may also need to expend significant resources to protect against, and to address issues created by, security breaches and other privacy and security incidents. While we maintain cyber liability insurance, these liabilities may exceed the amounts covered by our insurance; further, we cannot be certain that our insurance coverage will extend to or be adequate for liabilities actually incurred, or that insurance will continue to be available to us on economically reasonable terms, at coverage limits we deem prudent, or at all. Any such compromise could also result in damage to our reputation and a loss of confidence in our security measures.

Depending on the nature of the information compromised, in the event of a security breach or other privacy or security incident, we may also have obligations to notify affected individuals and entities and regulators about the incident, and we may need to provide some form of remedy, such as a subscription to credit monitoring services, pay significant fines to one or more regulators, reimburse, defend or indemnify third parties if required under contractual obligations, or pay compensation in connection with a

class-action settlement (including under the private right of action under the California Consumer Privacy Act of 2018, which we refer to as the CCPA). Such breach notification laws continue to evolve and may be inconsistent from one jurisdiction to another. Complying with these obligations could cause us to incur substantial costs and could increase negative publicity surrounding any incident that compromises our, our users', our employees', our contractors', or other confidential, proprietary, or personal information.

***Our sales efforts are primarily targeted at large enterprise and other clients and prospects with larger, longer-term independent talent needs, and as a result we may encounter greater pricing, implementation, and customization challenges, and we may incur additional costs, each of which could adversely impact our business and operating results.***

Our sales efforts are primarily targeted at large enterprise and other clients and prospects with larger, longer-term independent talent needs. As a result of our focus on these larger clients, we face greater costs, longer sales cycles, and less predictability in completing some of our sales and in increasing spend by existing clients. For larger clients, use of our work marketplace often requires approvals by multiple departments and executive-level personnel and require us to provide greater levels of services and client education regarding the uses, benefits, security, privacy, worker classification, payments, and compliance services offered on our work marketplace. Larger enterprises typically have longer decision-making and implementation cycles and demand more customization, greater indemnification and risk shifting, higher levels of support, a broader range of services, and greater payment flexibility. In addition, larger clients may require greater functionality and scalability that can lead to delays in sales or difficulties in growing client spend. We are often required to spend time and resources to better familiarize potential large enterprise clients with the value propositions of our work marketplace generally. Despite our efforts in familiarizing potential large enterprise clients with the benefits of our work marketplace, these potential clients may decide not to use our work marketplace if, among other reasons, they do not feel that their procurement or compliance needs are or will be met or our work marketplace is not widely accepted within the organization. In addition, sales opportunities with large clients may require us to devote greater sales and administrative support and professional services resources to individual clients, which could increase our costs, lengthen our sales cycle, and divert our own sales and professional services resources to a smaller number of larger clients. We may spend substantial time, effort, and money in our sales efforts without being successful in producing sales or growing client spend.

A significant portion of the fees we typically receive from clients is contingent on the level of spend by the client. If a client does not engage talent on our work marketplace, or uses talent for few projects or projects of low value, our revenue from the relationship may be minimal.

***Because a substantial portion of the services sought by clients and offered by talent on our work marketplace is information technology services, a decline in client demand for, or talent offering, information technology services on our work marketplace could adversely affect our business.***

A substantial portion of the services sought by clients and offered by talent on our work marketplace relates to information technology. If, for any reason, the market for information technology services declines, including as a result of challenging macroeconomic conditions, as the COVID-19 pandemic continues to subside, as a result of increased use of artificial intelligence or automation, or otherwise, if a sufficient number of qualified or desirable talent is not available on our work marketplace or willing to perform these services or businesses satisfy their needs for these services through alternative means, including through use of our competitors' products or traditional employment relationships, or if the talent on our work marketplace are not located or able to work in specific geographic regions in which clients are seeking to engage remote talent, the growth in the number of users on our work marketplace may slow or decline and as a result our revenue and business may be adversely impacted. Geopolitical events have impacted in the past and may in the future impact the market for information technology services on our work marketplace.

***If we fail to develop, maintain, and enhance our brand and reputation cost-effectively, our business and financial condition may be adversely affected.***

We believe that developing, maintaining, evolving, and enhancing awareness and integrity of our brand and reputation in a cost-effective manner are important to achieving widespread acceptance and use of our work marketplace and are important elements in attracting new users and retaining existing users. Successful and efficient promotion and positioning of our brand, offerings, and business model depend on, among other things, the effectiveness of our marketing efforts and brand messaging, our ability to provide a reliable, trustworthy, and useful work marketplace and offerings at competitive prices, the perceived value of our work marketplace and offerings, and our ability to engender user trust and provide quality support. In order to reach the brand awareness and acceptance levels of some of our competitors, we need to continuously invest in marketing programs that may not be successful in achieving meaningful awareness and acceptance levels, particularly during early phases of expansion into newer user awareness segments, such as international users and users who are reluctant to utilize remote or contract workers. Further, our brand promotion activities may not be effective. Since 2019, we have made significant investments in sales and marketing to acquire new clients and drive brand awareness, and in the second quarter of 2021, we launched a rebranding effort. This rebranding effort focused on large enterprise and other clients and prospects with larger, longer-term independent talent needs. More recently, in the third quarter of 2022, we launched a new brand campaign, advertising across television, online video, streaming audio, and digital and social media channels. It is not certain that these and any future investments have had or will have sufficient positive impact on our brand to be cost effective. For example, in May 2023, we implemented measures to reduce spend and streamline operations, including a reduction in our levels of investments in brand awareness. Likewise, negative publicity and news coverage, fraud, or other illegal activity conducted by bad actors on our work marketplace, or decisions we make relating to geopolitical or social matters, may undermine our brand promotion efforts or harm our reputation. If we fail to promote and maintain our brand successfully, address user concerns, or maintain loyalty among our users, or if we incur substantial expenses in unsuccessful attempts to promote and maintain our brand, we may fail to attract new users or retain our existing users and our business and financial condition may be adversely affected.

***If internet search engines' methodologies or other channels that we utilize to direct traffic to our website are modified to our disadvantage, or our search result page rankings decline for other reasons, our user growth could decline.***

We depend in part on various internet search engines, such as Google, as well as other channels to direct a significant amount of traffic to our website and mobile applications. Our ability to maintain the number of visitors directed to our website and mobile applications is not entirely within our control. For example, our competitors' search engine optimization and other efforts such as paid search may result in their websites receiving a higher search result page ranking than ours, internet search engines or other channels that we utilize to direct traffic to our website have in the past and could again revise their methodologies or implement other changes or penalties that adversely impact traffic to our website, or we may make changes to our website or mobile applications that adversely impact our search engine optimization rankings and traffic to our website and mobile applications in order to comply with applicable regulatory requirements or requirements imposed by our vendors or third-party partners, or for other reasons. As a result, links to our website may not be prominent enough to drive sufficient traffic to our website, and we may not be able to influence the results.

Search engines and other channels that we utilize to drive users to our website and mobile applications periodically change their algorithms, policies, and technologies, sometimes in ways that cause traffic to our website and mobile applications to decline. These changes can also result in an interruption in users' ability to access our website, a drop in our search ranking, higher levels of low-intent traffic visiting our website and mobile applications, a misunderstanding among potential users regarding the functionality or purpose of our work marketplace, or have other adverse impacts that negatively affect our ability to maintain and grow the number of users that visit our website or mobile applications. We may also be forced to significantly increase marketing expenditures in the event that market prices for online

advertising and paid listings escalate or our organic ranking decreases. Any of these changes could have an adverse impact on our business, user acquisition, and operating results.

Additionally, new and developing privacy laws have established individual rights with respect to personal information that may lead to downstream effects on our ability to realize and quantify the value of our marketing initiatives. As more jurisdictions adopt expansive data privacy regulatory requirements, an increasing number of users and website visitors will be afforded the right to opt-out of the sharing of their personal information for purposes of specific types of online advertising. The resulting decrease of individuals to whom we and our third-party marketing and advertising vendors and partners may employ industry standard online advertising practices may lead to diminished efficacy of our marketing efforts, diminished visitor-to-user conversions, and increased costs of maintaining compliance.

***Errors, defects, or disruptions in our work marketplace could diminish demand, adversely impact our financial results, and subject us to liability.***

Our work marketplace enables our users to manage important aspects of their businesses, and any errors, defects, or disruptions in our work marketplace, or other performance or availability problems with our work marketplace or infrastructure could harm our brand and reputation, negatively impact our operating results, impair our ability to obtain or maintain licenses necessary to operate our business or deliver certain services, impair or jeopardize our partner relationships, or otherwise damage our business or the businesses of our users. As we expand, we will need an increasing amount of technical infrastructure and continued infrastructure modernization, including network capacity, computing power, and improvements to how we process and store data and transaction information. We may fail to effectively scale and grow our technical infrastructure to accommodate these demands, which may adversely affect our user experience. We also rely on third-party software and infrastructure, including the infrastructure of the internet, to provide our work marketplace. Any failure of or disruption to this software and infrastructure could also make our work marketplace unavailable to our users. These types of disruptions have occurred in the past and will likely occur in the future. Internet shutdowns in certain jurisdictions are becoming more frequent, including in response to civil unrest or prior to contested political elections, and any shutdown in a jurisdiction in which a significant number of our users are located will adversely affect user activity on our work marketplace throughout the duration of such shutdown.

We also may have undetected errors in our system and work marketplace, including when new updates are first introduced or released. Any errors, defects, disruptions in service, or other performance or stability problems with our work marketplace, or our inability to adequately prevent or timely detect or remedy errors or defects, could result in negative publicity, loss of or delay in market acceptance of our work marketplace, loss of competitive position, our inability to timely and accurately maintain our financial records, interference with our clients' ability to contract for, or the ability of talent to complete, projects on our work marketplace, inaccurate or delayed invoicing of clients, delay of payment to us or talent, claims by users for losses sustained by them, or investigation and corrective action taken by regulatory agencies. In such an event, we may be required, or may choose, for user relations or other reasons, to expend additional resources in order to help resolve the issue. Accordingly, any errors, defects, or disruptions in our work marketplace could adversely impact our brand and reputation, revenue, and operating results.

***We rely on AWS to deliver our work marketplace to our users, and any disruption of service from AWS or material change to our arrangement with AWS could adversely affect our business.***

We currently host our work marketplace, serve our users, and support our operations using Amazon Web Services, which we refer to as AWS, a provider of cloud infrastructure services. We do not have control over the operations of the facilities of AWS that we use. AWS's facilities are vulnerable to failure, damage, or interruption from a number of causes, including from earthquakes, hurricanes, floods, fires, cybersecurity attacks, terrorist attacks, power losses, telecommunications failures, and similar events, or could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism, and other misconduct. The occurrence of any of these events, a decision to close the facilities or cease or limit providing services to us without adequate notice, or other unanticipated problems could result in

interruptions to our work marketplace, including lengthy interruptions. Our work marketplace's continuing and uninterrupted performance is critical to our success and users may become dissatisfied by any system failure that interrupts our ability to provide our work marketplace to them. We may not be able to easily switch our AWS operations to another cloud or other data center provider if there are disruptions or interference with our use of AWS, and, even if we do switch our operations, other cloud and data center providers are subject to the same risks. Sustained or repeated system failures could reduce the attractiveness of our work marketplace to users, cause users to decrease their use of or cease using our work marketplace, and adversely affect our business. Moreover, negative publicity arising from these types of disruptions could damage our reputation and may adversely impact use of our work marketplace. We may not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any events that cause interruptions in our service and we cannot be certain that insurance will continue to be available to us on economically reasonable terms, or at all.

AWS does not have an obligation to renew its agreements with us on commercially reasonable terms, or at all. If we are unable to renew our agreements or unable to renew on commercially reasonable terms, our agreements are prematurely terminated, or we add additional infrastructure providers, we may experience costs or downtime in connection with the transfer to, or the addition of, new data center providers. If these providers charge high costs for or increase the cost of their services, we may have to increase the fees to use our work marketplace and our operating results may be adversely impacted.

***Our ability to attract and retain users is dependent in part on the quality of our support, and any failure to offer high-quality support could adversely impact our business, operating results, and financial condition.***

Our ability to attract and retain users is dependent in part on the ease of use, trustworthiness, and reliability of our work marketplace, including our ability to provide high-quality support. Our users depend on our support organization to enforce our terms of service against bad actors, to resolve any issues relating to our work marketplace, to communicate effectively about their accounts, and to assist in their use of our work marketplace, especially large enterprise clients, which expect higher levels of support. Our ability to provide effective support is largely dependent on our ability to attract, resource, and retain service providers who are both qualified to support users of our work marketplace and well versed in our work marketplace. The incorporation of generative artificial intelligence into our support tools, either by us or our third-party support partners, may lead to inconsistent quality of experience as these generative artificial intelligence tools are integrated and refined. Offering our website and user support in only a limited number of languages may negatively impact our relationships with our users, particularly users in non-English speaking countries. As we seek to continue to grow our international user base, our support organization will face additional challenges, including those associated with delivering support and documentation in additional languages. Any failure to maintain high-quality support or effectively communicate with our users, or any market perception that we do not maintain high-quality support or act professionally, fairly, or effectively in our communications and actions with respect to users, could harm our reputation, adversely affect our ability to sell our work marketplace to existing and prospective users, and could adversely impact our business, operating results, and financial condition.

***Our user growth and engagement on mobile devices depend upon third parties maintaining open application marketplaces and effective operation with mobile operating systems, networks, and standards that we do not control.***

Mobile devices are increasingly used for marketplace transactions. A significant and growing portion of our users access our work marketplace through mobile devices, including through mobile applications. Our mobile applications rely on third parties maintaining open application store platforms, including the Apple App Store and Google Play, which make current and new applications or new versions of our mobile applications available for download and use on mobile devices. We cannot assure you that these platforms will maintain their current structures or terms of access, will continue to make our mobile applications or newer versions of our mobile applications available for download, or will not charge us new or additional fees or impose other new or additional requirements, including requirements that may be costly and burdensome to meet or may adversely affect user experience. Additionally, there is no



guarantee that popular mobile operating systems, such as Android and iOS, will continue to support our work marketplace, that any changes to such operating systems will not degrade the functionality of or user experience on our marketplace, or that the use of mobile devices for payments or other transactions on our work marketplace will be available on commercially reasonable terms. In order to deliver high-quality mobile offerings, it is important that our offerings are designed effectively and work well with a range of mobile devices, technologies, systems, networks, and standards that we do not control, and we may not be successful in developing relationships with key participants in the mobile industry or in developing offerings that operate effectively. In the event that it is inconvenient for our users to access and use our work marketplace on their mobile devices, our competitors develop offerings and services that are perceived to operate more effectively on mobile devices, or our users choose not to access or use our work marketplace on their mobile devices or use mobile products that do not offer access to our work marketplace, our user growth, user engagement, and business could be adversely impacted.

### **Risks Related to Legal and Regulatory Matters**

***We and our users may be subject to new and existing laws and regulations, both in the United States and internationally.***

We and our users are subject to a wide variety of foreign and domestic laws. Laws, regulations, and standards governing issues that may affect us, such as worker classification, employment, worker health, payments, worker confidentiality obligations and whistleblowing, intellectual property, consumer protection, taxation, privacy, and data security are often complex and subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their enforcement and application in practice may change or develop over time. Many of these laws were adopted prior to the advent of the internet, mobile, and related technologies and, as a result, do not contemplate or address the unique issues of the internet, mobile, and related technologies. The level of regulatory scrutiny on larger companies, technology companies in general, and companies engaged in dealings with independent contractors, payments, or personal information in particular, has increased significantly recently and may continue to increase. New and existing laws and regulations (or changes in interpretation of existing laws and regulations), including those concerning worker classification, independent contractors, employment, discrimination and harassment, payments, whistleblowing and worker confidentiality obligations, intellectual property, consumer protection, taxation, privacy, data security, artificial intelligence, automated decision-making systems, algorithms and machine learning, benefits, unionizing and collective action, arbitration agreements and class action waiver provisions, unfair competition, terms of service, website accessibility, background checks (such as the Fair Credit Reporting Act, 15 U.S.C. § 1681), escheatment, and federal contracting may also be adopted, implemented, or interpreted to apply to us and other online services marketplaces or our users, including as a result of new products or features we may introduce. Likewise, these laws affect our users, and their application, or uncertainty around their application, may affect demand for our work marketplace. Legislators and regulatory agencies have enacted, and may continue to enact, new laws, rules, and regulations that are adverse to our business or the interests of our users, or they may view matters or interpret or enforce laws and regulations differently than they have in the past or in a manner adverse to our business or the interests of our users. Such legislative or regulatory scrutiny or action may create or enhance different or conflicting obligations on us from one jurisdiction to another.

If we determine additional legal requirements apply to our business, we may expend resources to comply or obtain licenses to come into compliance with such requirements, and such efforts may be a distraction to the business or require adverse changes to the manner in which we conduct our business or our work marketplace and may themselves cause regulatory agencies to scrutinize our business, including past practices. It is also possible that certain provisions in agreements with our users or service providers, or between talent and clients, or the fees we charge, may be found to be unenforceable or not compliant with applicable law. Any failure by us to comply with applicable laws could adversely affect our business.

***The regulatory landscape regarding contractor classification is rapidly changing and changes in these laws could adversely affect demand for our services and work marketplace and adversely affect our business. In addition, there may be adverse tax, legal, and other consequences if the***

***contractor classification or employment status of talent that use our work marketplace is challenged.***

Clients are generally responsible for properly classifying the talent they engage through our work marketplace under our terms of service. Some clients opt to classify talent as employees for certain work, while talent in many other cases are classified as independent contractors.

We offer an optional service to users of our Upwork Enterprise offering and other premium offerings, through which we help classify talent as employees of third-party staffing providers or independent contractors. For clients of these services, subject to applicable law and the terms of our agreement with the client, we indemnify clients from misclassification risk and make warranties to the client, such as to compliance with applicable laws. In addition, we offer a number of other premium offerings where we provide increased assistance to users to find and contract with one another, which could increase employment-related risks. Third-party staffing providers employ talent classified as employees for clients, and failure of these staffing providers to comply with all legal and tax requirements could adversely affect our business. We also use our work marketplace to find, classify, and engage talent to provide services for us and for our managed services offering.

There is significant uncertainty in the worker classification regulatory landscape and the application of worker classification laws, which are regularly subject to further regulation, amendment, or re-interpretation, and consequently there is risk to us and to users, both talent and clients, that independent contractors could be deemed to be misclassified under applicable law, including as a result of changes in our offerings or brand positioning that we may introduce. Compliance with any new legislation or regulations may be costly and difficult, or compliance in a commercially reasonable manner may not be possible. Additionally, the tests governing whether a service provider is an independent contractor or an employee are typically highly fact sensitive and vary by governing law. Laws and regulations that govern the status and misclassification of independent contractors are also subject to change as well as to divergent interpretations by various authorities, which can create uncertainty and unpredictability. For example, in California, Assembly Bill 5, which we refer to as AB 5, went into effect on January 1, 2020 and has the stated purpose of codifying the 2018 state supreme court decision in *Dynamex Operations West, Inc. v. Superior Court of Los Angeles*. Together, they retroactively change the standard in California for determining worker classification and are widely viewed as expanding the scope of the definition of “employee” for most purposes under California law. Since the enactment of AB 5, and subsequent amendments and challenges (including California’s Proposition 22) to the law, there is little guidance from the courts or the regulatory authorities charged with its enforcement and there remains a degree of uncertainty regarding its application. Further, in October 2022, the U.S. Department of Labor published a Notice of Proposed Rulemaking regarding the classification of workers as independent contractors or employees, which if passed could expand the scope of the definition of “employee” under federal law. Likewise, jurisdictions outside the United States, such as the United Kingdom and the European Union, which we refer to as the EU, through its work on the Platform Workers Directive and other legislative and regulatory instruments, may change their definition of “employment” to include arrangements currently viewed as independent. Even if any new rules, laws or regulations do not directly impact our business, public perception may result in confusion about the standards to be applied when making an employment determination and cause clients to explore alternative arrangements to meet their talent needs.

We have in the past been, and may in the future be, subject to administrative inquiries and audits concerning the taxation and classification of our workers and the users of our work marketplace. Certain claims may not be covered by our insurance, and we cannot be certain that any insurance coverage that we have or may obtain will extend to or be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. A misclassification determination, allegation, claim, or audit creates potential exposure for users and for us, including: reputational harm and monetary exposure arising from or relating to failure to withhold and remit taxes, unpaid wages, and wage and hour laws and requirements (such as those pertaining to minimum wage and overtime); claims for employee benefits, social security contributions, and workers’ compensation and unemployment insurance; claims of discrimination, harassment, and retaliation under civil rights laws; claims under laws pertaining to unionizing, collective bargaining, and other concerted activity; and other

claims, charges, or other proceedings under laws and regulations applicable to employers and employees, including risks relating to allegations of joint employer liability. Such claims could result in monetary damages (including wage-based damages or restitution, compensatory damages, liquidated damages, and punitive damages), interest, fines, penalties, costs, fees (including attorneys' fees), criminal and other liability, assessment, injunctive relief, or settlement. These claims may also become more frequent as our brand awareness increases and as we launch new products or features. Such a claim, allegation, or adverse determination, including with respect to the talent that provide services to us, or the requirement for us to indemnify a client, could also harm our brand and reputation, which could adversely impact our business. While these risks are mitigated, in part, by our contractual rights of indemnification against third-party claims, any limitations or obligations that we include in our contracts with clients to limit our exposure to claims could be determined to be unenforceable, could be costly to enforce or ineffective, or may otherwise prove inadequate.

In addition, any developments or changes in the regulatory environment impacting worker classification and independent contractors may reduce the demand for independent contractors more generally in one or more jurisdictions and have an adverse effect on our business, operating results, and financial condition.

***Having an international community of users and engaging talent internationally exposes us to risks that could have an adverse effect on our business, operating results, and financial condition, and these risks could increase as we seek to expand our international footprint.***

Even though we currently have a limited physical presence outside of the United States, we have users of our work marketplace located in over 180 countries, including some markets where we have limited experience, where challenges can be significantly different from those we have faced in more developed markets, and where business practices may create greater internal control risks. Further, certain skills and services are offered by talent concentrated in countries with higher risks of instability and geopolitical uncertainty. For example, approximately 25% of client spend from our web, mobile, and software development category in 2021 was derived from work where either the talent or the client was located in Ukraine, Russia, or Belarus. The war in Ukraine has interfered and may continue to interfere with talent's ability to access our work marketplace and for us to support users in such countries and the surrounding region. In particular, in response to the ongoing war in Ukraine, we decided in March 2022 to suspend business operations in Russia and Belarus, which means that users in each of those countries are prohibited from using our work marketplace for the duration of the suspension. In addition, we engage talent located in many countries to provide services for our managed services offering and to us for internal projects. As a result of our decision to suspend business operations in Russia and Belarus, we also suspended our engagements with talent in those countries that we engage on our work marketplace to perform services for us.

Because our website is generally accessible by users worldwide, we have received in the past, and may continue to receive, notices from jurisdictions claiming that we or our users are required to comply with their laws. Laws outside of the United States regulating the internet, payments, escrow, data protection, data residency, privacy, taxation, terms of service, website accessibility, consumer protection, intellectual property ownership, services intermediaries, payment intermediaries, money laundering, labor and employment, wage and hour, worker classification, worker health, background checks, and recruiting and staffing companies, among others, which could be interpreted to apply to us, are often less favorable to us than those in the United States, giving greater rights to competitors, users, and other third parties. Compliance with international laws and regulations may be more costly than expected, may require us to change our business practices or restrict or modify our offerings or obtain certain licenses, and such changes or licensure may not be possible on a reasonable timeline or at all, and the imposition of any such laws or regulations on us, our users, or third parties that we or our users utilize to provide or use our services, may adversely impact our revenue and business. In addition, we may be subject to multiple overlapping legal or regulatory regimes that impose conflicting requirements, including relating to data protection and privacy, which could lead to additional compliance costs and enhanced legal risks. Moreover, all of these risks will be exacerbated as we expand our operations internationally, including

extending our physical presence and registering to do business outside the United States or investing in localization efforts.

Additional risks inherent in conducting business with an international user base, engaging talent globally, localizing our work marketplace, and expanding our operations internationally include, but are not limited to:

- varying worker classification standards, regulations, and approaches to enforcement and requirements and expectations of employment;
- difficulties in, and costs of, establishing local brand recognition and staffing, managing, and operating international operations or support functions;
- compliance with U.S. and foreign laws designed to combat money laundering and the financing of terrorist activities;
- the imposition of taxes on transactions between us and our users or among our users, or the imposition of liability on us for the failure to collect and remit taxes owed by our users;
- tariffs, export and import restrictions, restrictions on foreign investments, sanctions, changes to existing trade arrangements between various countries, and other trade barriers or protection measures, including those affecting certain countries with higher risks of instability and geopolitical uncertainty, such as Russia and Ukraine;
- geopolitical instability and security risks, such as armed conflict and civil or military unrest, political instability, human rights concerns, and terrorist activity in countries where we have users, such as the ongoing war in Ukraine, and retaliatory actions that governments may take in response;
- costs of localizing services and business practices, including adding the ability for clients to pay in local currencies or modifying our platform to offer our website in local languages and the related lack of acceptance of localized services or of services generally because they are not localized;
- changes to laws, regulations, or central bank rules impacting us or our partners that may make payments for services exports more costly, difficult, or impossible to process, or that may reduce the availability of tools like digital wallets and related payment services in important global markets;
- compliance with U.S. and foreign data protection and privacy laws that impose complex data handling obligations, including honoring users' jurisdiction-specific rights related to their personal data;
- contractual provisions that are designed to protect and mitigate against risks, including terms of service, services agreements, arbitration and class action waiver provisions, disclaimers of warranties, limitations of liabilities, releases of claims, and indemnification provisions, could be deemed unenforceable by a foreign court, arbitrator, or other decision-making body;
- economic weakness or currency-related challenges or crises;
- fluctuations in foreign currency exchange rates, including losses borne by our users that cause them to find our work marketplace to be less desirable or to hold us responsible for such losses;
- regional or global public health crises, such as the COVID-19 pandemic;
- private, corporate or state-sponsored espionage, ransomware, or cyberterrorism; and
- organizing or similar activity by workers, local unions, works councils, or other labor organizations in the United States or elsewhere.

The risks described above may also make it costly or difficult for us to expand our operations internationally. Analysis of, and compliance with, foreign laws and regulations may substantially increase our cost of doing business. We may be unable to keep current with changes in laws and regulations as

they develop. Although we have implemented policies and procedures designed to analyze whether these laws apply and, if applicable, support compliance with these laws and regulations, there can be no assurance that we will always maintain compliance, that our interpretations are or will remain correct, or that all of our employees, contractors, partners, users, and agents will comply. Any violations could result in enforcement actions or other proceedings, fines, civil and criminal penalties, damages, interest, costs and fees (including legal fees), injunctions, loss of intellectual property rights, or reputational harm. If we are unable to comply with these laws and regulations or manage the complexity of global operations and support an international user base successfully and in a cost-effective manner, our business, operating results, and financial condition could be adversely affected.

***Changes in laws or regulations relating to privacy or the protection, collection, storage, processing, transfer, or use of personal information, or any actual or perceived failure by us to comply with such laws and regulations or our privacy policies, could adversely affect our business.***

We receive, collect, store, process, transfer, and use personal information and other user data. There are numerous federal, state, local, and international laws and regulations regarding privacy, data protection, information security, and the collection, storing, sharing, use, processing, transfer, disclosure, and protection of personal information and other data. The scope of these laws and regulations is changing, subject to differing interpretations, and may be inconsistent among states and countries, or conflict with other laws and regulations. We are also subject to the terms of our privacy policies and legal and contractual obligations to third parties related to privacy, data protection, and information security. The regulatory framework for privacy and data protection worldwide is, and is likely to remain for the foreseeable future, uncertain and complex, and it is possible that these or other actual or alleged obligations may be interpreted and applied in a manner that we do not anticipate or that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. In addition, public and regulatory scrutiny of and complaints about technology companies in general regarding their data handling or data protection practices has increased. Any significant change to applicable laws, regulations, or industry practices regarding the collection, use, retention, security, sharing, or disclosure of the data of our users, employees, contractors, or others, or their interpretation or enforcement, or any changes regarding the manner in which the express or implied consent of users for the collection, use, retention, sharing, or disclosure of such data must be obtained, could increase our costs and require us to modify our services and features, possibly in a material manner, which we may be unable to complete in a cost-effective manner, or at all, and may limit our ability to store and process user data or develop new services and features.

We also expect that there will continue to be new laws, regulations, and industry standards concerning privacy, data protection, automated processing, and information security that are proposed and enacted in various jurisdictions. For example, Europe's General Data Protection Regulation, which we refer to as the GDPR, the UK General Data Protection Regulation (which implements the GDPR into UK law), and Europe's Digital Services Act impose stringent data protection and data handling compliance requirements and provide for significant penalties for noncompliance. Additionally, there is an increased focus on automated processing and processing via artificial intelligence that may lead to increased regulatory restrictions that could have an impact on portions of our platform's functionality. For example, we have recently established several partnerships that have allowed us to integrate generative artificial intelligence tools into our work marketplace aimed at improving user experience and productivity. If regulatory authorities or legal challenges against us or our vendors that provide us with artificial intelligence services impose new restrictions on artificial intelligence in ways that prevent the incorporation of such tools into our platform or limit their functionality, the potential benefits to our business of artificial intelligence may not be fully realized. The CCPA, in conjunction with its California Privacy Rights Act amendment, requires, among other things, covered companies to provide certain disclosures to California consumers and affords such consumers certain rights, including the right to opt-out of certain sales of personal data. The CCPA also provides for civil penalties for violations as well as a private right of action for data breaches that may increase data breach litigation. A growing number of U.S. states have enacted similar or other data protection legislation that have or will go into staggered

effect in the near future, and several other states and countries are considering expanding or passing privacy laws in the near term. The enactment of more restrictive laws, rules, regulations, or future enforcement actions or investigations could impact us through increased costs or restrictions on our business, and noncompliance could result in regulatory penalties and significant legal liability. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our users may limit the adoption and use of, and reduce the overall demand for, our work marketplace.

Additionally, if third parties we work with violate applicable laws, regulations, or agreements, such violations may put the data of our users, employees, contractors, and others at risk, could result in governmental investigations or enforcement actions, fines, litigation, claims, or public statements against us by consumer advocacy groups or others, and could result in significant liability, cause our users to lose trust in us, and otherwise have an adverse effect on our reputation and business.

***We may be subject to escrow, payment or money services, and money transmitter regulations that may adversely affect our business.***

Our subsidiary, Upwork Escrow Inc., is licensed as an internet escrow agent under California's Escrow Law and is subject to regulations applicable to internet escrow agents promulgated by the DFPI. Although we are a licensed internet escrow agent and we believe that our operations comply with existing U.S. federal, state, and international laws and regulatory requirements related to escrow, money transmission, and the handling or moving of money, the laws or regulations may change, interpretations of existing laws and regulations may also change, and our operations and offerings may change resulting in new or different regulatory requirements being applicable to or preferable for our business. As a result, we could be required, or choose, to become licensed as an escrow agent or a money transmitter (or other similar licensee) in other U.S. states or other jurisdictions or as a money services business under federal laws and regulations or similar licenses under the laws and regulations of other jurisdictions. It is also possible that we could become subject to regulatory enforcement or other proceedings in states or other jurisdictions with escrow, money transmission, electronic money, or other similar statutes or regulatory requirements related to the handling, storing, or moving of money, and such risk may increase if we are required or choose to pursue additional or different licenses, which could in turn have a significant impact on our business, even if we voluntarily sought the licenses or were to ultimately prevail in such proceedings. For example, we received two inquiries, each prior to 2014 and under outdated legal frameworks, from regulatory authorities inquiring whether we are engaging in payment activities; these inquiries were resolved in our favor and did not require us to obtain a license in the applicable jurisdiction. We may also be required, or choose, to become licensed as a payment institution (or obtain a similar license) under the European Payment Services Directive or other international laws and regulations or may choose to obtain such a license even if not required or in order to support new products or services. Any developments or inconsistencies in the requirements, interpretations, or applicability of the laws or regulations related to escrow, money transmission, or the handling, storing, or moving of money; material changes to the mandate, purview or regulatory approach at the DFPI; or increased scrutiny of our business may lead to additional compliance costs and administrative overhead. Moreover, to the extent that holding or pursuing escrow, money transmitter, or similar licenses involves complying with other regulatory frameworks, such as GDPR or CCPA, we may experience increased likelihood and impact with respect to ordinary enforcement or other proceedings related to such other laws or regulations.

The application of laws and regulations related to escrow, money transmission, and the handling or moving of money is subject to significant complexity and uncertainty, particularly as those laws relate to new and evolving business models. If we fail to comply with one or more escrow or money transmitter or other similar statutes or regulatory requirements related to the handling or moving of money in any U.S. state or other jurisdiction, we may be subject to the imposition of fines or restrictions on our business, our ability to offer some or all of our services in the relevant jurisdiction may be limited or suspended, and we may be subject to civil or criminal liability and our business, operating results, financial condition, reputation, and brand could be adversely affected.

***Failure to comply with anti-corruption, anti-money laundering, and sanctions laws, and similar laws, could subject us to penalties and other adverse consequences.***

We have voluntarily implemented an anti-money laundering compliance program designed to address the risk of our work marketplace being used to facilitate money laundering, terrorist financing, or other illegal activity. However, our program may not be sufficient to prevent our work marketplace from being used to improperly move money or may be found not to satisfy the expectations of our partners or regulators. In addition, if we or a regulator determines that we are required to comply with the Bank Secrecy Act, 31 U.S.C. § 5311, or similar laws outside of the United States, we may be required to enhance or alter our anti-money laundering compliance program. We also have policies, procedures, and technology designed to allow us to comply with U.S. economic sanctions laws and prevent our work marketplace from being used to facilitate business in countries, regions, or with persons or entities included on designated lists promulgated by the U.S. Department of the Treasury's Office of Foreign Assets Control, which we refer to as OFAC, and equivalent foreign authorities. Our efforts to comply with OFAC regulations may not be effective, including in preventing users from using our services within the OFAC-sanctioned countries and regions, our partners or regulators may determine they are insufficient, or we may be required to comply with new sanctions laws and regulations, which may require us to further revise or expand our compliance program. For example, as a result of the war in Ukraine, the United States, the United Kingdom, the EU, and other jurisdictions have issued and are continuing to issue broad-ranging economic sanctions. The result of such sanctions has negatively affected and may continue to affect our users and business. Additionally, any additional sanctions by the United States and the EU could include blocking sanctions targeting Russia and the enforcement of secondary sanctions against banks in China, India, or other markets that have continued to transact with Russian entities, which may disrupt our ability to transact with entities located in those countries. Given the technical limitations in developing controls to prevent, among other things, the ability of users to publish on our work marketplace false or deliberately misleading information or to develop sanctions-evasion methods, it is possible that we may inadvertently and without our knowledge provide services to individuals or entities that have been designated by OFAC or are located in a country subject to an embargo by the United States that may not be in compliance with the economic sanctions regulations administered by OFAC.

Our and other freelancing platforms and websites have been the subject of additional scrutiny and press attention relating to North Korea. A U.S. Department of State advisory issued in July 2018 stated that "there are cases where North Korean companies exploit the anonymity provided by freelancing websites to sell their IT services to unwitting buyers." More recently, in May 2022, the U.S. Department of State, U.S. Department of Treasury, and the Federal Bureau of Investigation issued guidance on efforts by North Korean nationals to secure freelance engagements as remote IT workers by posing as non-North Korean nationals. Additionally, press reports have stated that North Korean operatives have used various social media applications and freelancing websites, including ours. Although we have controls in place to detect and prevent such OFAC violations and our systems show no transactions with persons in North Korea, nor in any other OFAC-sanctioned jurisdictions, we may face higher levels of scrutiny by users, partners, and regulators due to the publishing of this advisory and those or similar press reports.

We are also subject to the U.S. Foreign Corrupt Practices Act, which we refer to as the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, and the UK Bribery Act 2010, and may be subject to other anti-bribery laws in countries in which we conduct activities or have users. We face significant risks if we fail to comply with the FCPA and other anti-corruption laws. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable laws and regulations. We may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we may be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we prohibit or do not explicitly authorize such activities. We have implemented an anti-corruption compliance policy, but we cannot ensure that all of our employees, users, and agents, as well as those contractors to which we outsource certain of our business operations, will not take actions in violation of our policies or agreements and applicable law, for which we may be ultimately held responsible.

Any violation by us, our users or payment partners of OFAC regulations, the FCPA, other applicable anti-corruption laws, or other anti-bribery, anti-money laundering, or sanctions laws, could result in investigations and actions by federal or state attorneys general or foreign regulators, loss of export privileges, severe criminal or civil fines and penalties or other sanctions, forfeiture of significant assets, whistleblower complaints, termination of agreements by payment partners, reputational harm, and adverse media coverage, which could have an adverse effect on our reputation, business, operating results, and prospects. In addition, responding to any enforcement action may result in a significant diversion of management's attention and resources and significant defense costs and other professional fees. We could also be required to make costly and burdensome changes to our business practices or compliance programs as a result of regulatory scrutiny, voluntary changes we may make to our business strategy, or the expansion of our operations internationally, including expanding our presence outside the United States. Further, even if we maintain proper controls and remain in compliance with applicable anti-corruption, anti-money laundering, and sanctions laws or regulations, should any of our competitors not implement sufficient controls and be found to have violated such laws or regulations, user perception of online freelance marketplaces in general may decrease and our business, brand, and reputation may be adversely affected.

***We may be required to comply with governmental export control laws and regulations. Our failure to comply with these laws and regulations could have an adverse effect on our business and operating results.***

We may be subject to export controls and other similar regulations that prohibit the shipment or provision of certain products and services to certain countries, governments, and persons, and new export controls and similar regulations are promulgated from time to time, including the recent application of new and broad-ranging export controls enacted as a result of the war in Ukraine. While we take precautions to prevent aspects of our work marketplace from being exported in violation of export controls, including implementing internet protocol address blocking and obtaining and relying on licenses and exemptions, when applicable, we cannot guarantee that the precautions we take will prevent violations of export control and similar laws. If we are found to be in violation of U.S. or international export control laws, it could result in substantial fines and penalties for us and for the persons working for us. In addition, our users may be subject to export control laws that do not apply to us and we may not be able to determine the applicability of such export control laws, and any violations by them could harm our reputation and they could seek to hold us responsible for any monetary losses.

In addition, various countries regulate the import and export of certain encryption and other technology, which have been expanded in response to the war in Ukraine, including imposing import and export permitting and licensing requirements, and have enacted laws that could limit our ability to distribute aspects of our work marketplace or could limit our users' ability to access our work marketplace in those countries. Changes in our work marketplace, or future changes in export and import regulations or revocation or inapplicability of our licenses may prevent our international users from utilizing our work marketplace or, in some cases, prevent the export or import of our work marketplace to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, or change in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our work marketplace by existing or potential users with international operations. Any decreased use of our work marketplace or limitation on our ability to export or sell our products would likely adversely affect our business, operating results, and financial results.

***We are vulnerable to intellectual property infringement claims and challenges to our intellectual property rights brought against us by third parties.***

We operate in a highly competitive industry, and there has been considerable activity in our industry to develop and enforce intellectual property rights. Intellectual property infringement claims against us or our users or third-party partners could result in monetary liability or a material disruption in the conduct of our business. We cannot be certain that aspects of our work marketplace, content, and brand names do not or will not infringe valid patents, trademarks, copyrights, or other intellectual property rights held by third parties, including our competitors. Also, we are now, have in the past been, and may in the future be,



subject to legal proceedings and claims relating to the intellectual property of others, including our competitors, in the ordinary course of our business. The likelihood of intellectual property-related litigation and disputes may increase as platforms like ours gain more prominence. In addition, the improper use of generative artificial intelligence by users of our work marketplace may lead to additional claims of intellectual property infringement. Companies, including non-practicing entities and our competitors, have also sent us demand letters and instituted proceedings alleging that we infringe their intellectual property, seeking licensing fees, royalties and damages, and demanding that we cease certain commercial activity. We may receive such demand letters and be subject to similar proceedings in the future. Our competitors and other third parties have in the past challenged, and may in the future challenge, our registration or use of our trademarks, including “Upwork,” and other intellectual property rights, and such a challenge, even if not successful, could adversely affect our brand and business. Our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have or trademarks or other rights that pre-date and take precedence over our own. We may also be obligated to indemnify certain clients on our work marketplace or strategic partners or others in connection with such infringement claims, or to obtain licenses from third parties or modify our work marketplace or marketing strategy, and each such obligation would require us to expend additional resources and could divert the attention of management. Some of our infringement indemnification obligations related to intellectual property are contractually capped at a very high amount or not capped at all.

Any litigation or other disputes relating to allegations of intellectual property infringement could divert management attention and resources, subject us to significant legal costs and liability for damages, invalidate our proprietary rights, or force us to do one or more of the following:

- suspend or cease conducting certain operations in some or all jurisdictions, or stop using technology that contains the allegedly infringing intellectual property;
- stop using the name “Upwork” or other trademarks in some or all jurisdictions;
- incur significant legal expenses;
- pay substantial damages or ongoing royalty payments to the party whose intellectual property rights we may be found to be infringing;
- pay substantial amounts in settlement to a party that asserts allegations of intellectual property infringement;
- prevent us from offering aspects of our work marketplace or make expensive and disruptive changes to our work marketplace or our methods of doing business; or
- attempt to obtain a license to the relevant intellectual property from third parties, which may not be available on reasonable terms or at all.

We expect that the occurrence of infringement claims is likely to grow as the market segment for independent talent and the clients that engage them grows. Accordingly, our exposure to damages resulting from infringement claims could increase and this could require us to expend additional financial and management resources.

***Failure to protect our intellectual property could adversely affect our business.***

Our success depends in large part on our proprietary technology and data. We rely on various intellectual property rights, including patents, copyrights, trademarks, and trade secrets, as well as confidentiality provisions and contractual arrangements, to protect our proprietary rights. If we do not protect and enforce our intellectual property rights successfully or cost-effectively, including if we are unable to protect our trademarks and brand, our competitive position, business and brand may suffer, which would adversely impact our operating results.

We may not pursue or file patent applications or apply for registration of copyrights or trademarks in the United States and foreign jurisdictions in which we have a presence with respect to our potentially patentable inventions, works of authorship, and marks and logos for a variety of reasons, including the cost of procuring or ability to procure such rights and the uncertainty involved in obtaining adequate

protection from such applications and registrations. Moreover, recent amendments to, developing jurisprudence regarding, and possible changes to intellectual property laws and regulations, including U.S. and foreign patent law, may affect our ability to protect and enforce our intellectual property rights or defend against claims alleging we are infringing others' rights. If the intellectual property rights that we develop are not sufficient to protect our proprietary technology and data, our brand, our business, financial condition and operating results could be adversely affected.

In addition, the laws of some countries do not provide the same level of protection for our intellectual property as do the laws of the United States. As our global reputation grows and we expand our international activities, our exposure to unauthorized copying and use of our work marketplace and proprietary information will likely increase. Despite our precautions, our intellectual property is vulnerable to unauthorized access through employee or third-party error or actions, theft, cybersecurity incidents, private or public economic espionage, and other security breaches and incidents. It is possible for third parties to infringe upon or misappropriate our intellectual property, to copy our work marketplace, and to use information that we regard as proprietary to create products and services that compete with ours. Effective intellectual property protection may not be available to us in every country in which our work marketplace is available. In addition, many countries limit the enforceability of patents or other intellectual property rights against certain third parties, including government agencies or government contractors. In these countries, patents or other intellectual property rights may provide limited or no benefit. Further, certain countries impose additional conditions on the transfer of intellectual property rights from individuals to companies, which may make it more difficult for us to secure and maintain intellectual property protection in those countries. We may need to expend additional resources to defend our intellectual property rights domestically or internationally, which could be costly, time consuming, and distracting to management and could impair our business or adversely affect our domestic or international expansion. If we cannot adequately protect and defend our intellectual property, we may not remain competitive, and our business, operating results, and financial condition may be adversely affected.

We rely on trade secrets as an important aspect of our intellectual property program and to cover much of our technology and know-how. We seek to protect our trade secrets and obtain rights in intellectual property developed by service providers through confidentiality and invention assignment or intellectual property ownership agreements with our employees, contractors, and other parties, as well as through implementing acceptable use policies, limiting access to our information and data through technological means, and monitoring and limiting the dissemination of our information and data outside of company-owned information systems. We cannot ensure that these agreements, or all the terms thereof, will be enforceable or compliant with applicable law, or these agreements and other measures will be effective in protecting our trade secrets and intellectual property rights. Most of our employees and all of the contractors with which we work are remote, which may make it more difficult to control use of confidential materials, increasing the risk that our source code or other confidential or trade secret information may be exposed. Any failure to protect intellectual property that we develop or our proprietary technology and data would adversely affect our business, operating results, and financial condition.

We have in the past been, and may in the future be, forced to rely on litigation, opposition, and cancellation actions, and other claims and enforcement actions to protect our intellectual property, including to dispute registration, use of marks that may be confusingly similar to our own marks, or use of technologies that infringe on our intellectual property. Similar claims and other litigation may be necessary in the future to enforce and protect our intellectual property rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property.

***Our work marketplace contains open source software components, and failure to comply with the terms of the underlying licenses could restrict our ability to market or operate our work marketplace.***

Our work marketplace incorporates certain open source software. An open source license typically permits the use, modification, and distribution of software in source-code form subject to certain conditions. Some open source licenses contain conditions that any person who distributes a modification

or derivative work of software that was subject to an open source license make the modified version subject to the same open source license. Distributing software that is subject to this kind of open source license can lead to a requirement that certain aspects of our work marketplace be distributed or made available in source code form. Although we do not believe that we have used open source software in a manner that might condition its use on our distribution of any portion of our work marketplace in source code form, the interpretation of open source licenses is complex and, despite our efforts, it is possible that we may be liable for copyright infringement, breach of contract, or other claims if our use of open source software is adjudged not to comply with the applicable open source licenses.

Moreover, we cannot ensure that our processes for controlling our use of open source software in our work marketplace will be effective. If we have not complied with the terms of an applicable open source software license, we may need to seek licenses from third parties to continue offering our work marketplace and the terms on which such licenses are available may not be economically feasible, to re-engineer our work marketplace to remove or replace the open source software, to discontinue offering our work marketplace if re-engineering could not be accomplished on a timely basis, to pay monetary damages, or to make available the source code for aspects of our proprietary technology, any of which could adversely affect our business, operating results, and financial condition.

In addition to risks related to license requirements, use of open source software can involve greater risks than those associated with use of third-party commercial software, as open source licensors generally do not provide warranties or assurances of title, performance, or non-infringement, nor do they control the origin of the software. There is typically no support available for open source software, and we cannot ensure that the authors of such open source software will implement or push updates to address security risks or will not abandon further development and maintenance. Many of the risks associated with the use of open source software, such as the lack of warranties or assurances of title or performance, cannot be eliminated, and could, if not properly addressed, negatively affect our business.

***Litigation could have a material adverse impact on our operating results and financial condition.***

From time to time, we are involved in litigation and make and receive demands and claims threatening possible litigation. The outcome of any litigation (including class actions and individual lawsuits or arbitration), regardless of its merits, is inherently uncertain. Regardless of the merits or ultimate outcome of any claims that have been or may be brought against us or that we may bring against others, pending or future litigation could result in a diversion of management's attention and resources and reputational harm, and we may be required to incur significant expenses defending against these claims or pursuing claims against third parties. If we are unable to prevail in litigation, we could incur substantial liabilities. We may also determine that the most cost-effective and efficient way to resolve a dispute is to enter into a settlement agreement, and terms of any such settlement agreements are increasingly limited by legislation. Where we can make a reasonable estimate of the liability relating to pending litigation and determine that it is probable, we record a related liability. As additional information becomes available, we assess the potential liability and revise estimates as appropriate. However, because of uncertainties relating to litigation, the amount of our estimates could be wrong as determining reserves for pending litigation is a complex, fact-intensive process that is subject to judgment calls. Any adverse determination related to litigation or adverse terms contained in a settlement agreement could require us to change our technology or our business practices in costly ways, prevent us from offering certain offerings or services, require us to pay monetary damages, fines, or penalties, or require us to enter into royalty or licensing arrangements, and could adversely affect our operating results and cash flows, harm our reputation, or otherwise negatively impact our business.

***If we are deemed to be an investment company under the Investment Company Act of 1940, our results of operations could be harmed.***

Under Sections 3(a)(1)(A) and (C) of the Investment Company Act of 1940, as amended, which we refer to as the Investment Company Act, absent an applicable exemption, a company generally will be deemed to be an "investment company" for purposes of the Investment Company Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities or (ii) it is engaged, or proposes to engage, in the business of investing, reinvesting,

owning, holding, or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an “investment company,” as such term is defined in either of these sections of the Investment Company Act, including as a result of both the exemption set forth in Section 3(b)(1) of the Investment Company Act and the safe harbor set forth in Rule 3a-8 of the Investment Company Act. Section 3(b)(1) of the Investment Company Act provides that a company that would otherwise fit within the definition of an “investment company” under Section 3(a)(1)(C) of the Investment Company Act will not be required to register as an “investment company” if “it is primarily engaged, directly or through a wholly owned subsidiary or subsidiaries, in a business or businesses other than that of investing, reinvesting, owning, holding, or trading in securities.” We believe that we are and hold ourselves out as being engaged primarily in the operation of an online work marketplace, and our historical development, public representations of policy, the activity of our officers and directors, the nature of our present assets, the sources of our present income, and the public perception of the nature of our business all support the conclusion that we are an operating company and not an investment company. Rule 3a-8 under the Investment Company Act provides a nonexclusive safe harbor from the definition of “investment company” for certain research and development companies. We are currently a research and development company and comply with the safe harbor requirements of Rule 3a-8 under the Investment Company Act. As set forth above, we currently conduct, and intend to continue to conduct, our operations so that neither we, nor any of our subsidiaries, is required to register as an “investment company” under the Investment Company Act. If we were obligated to register as an “investment company,” we would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things, limitations on capital structure, restrictions on specified investments, prohibitions on transactions with affiliates, and compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would increase our operating and compliance costs, could make it impractical for us to continue our business as contemplated, and could have a material adverse effect on our business.

### **Risks Related to Finance, Accounting, and Tax Matters**

#### ***We have a history of net losses, may increase our operating expenses in the future, and may not achieve or sustain profitability.***

We have a history of incurring net losses. For the years ended December 31, 2022 and 2021, we incurred net losses of \$89.9 million and \$56.2 million, respectively. As of June 30, 2023, we had an accumulated deficit of \$327.8 million. We have made, and expect to continue to make in the future, significant expenditures related to the development and expansion of our business, including: enhancing our Upwork Enterprise and other premium offerings; expanding our services and features; expanding our international user base; localizing our offerings in select locations; broadening and deepening the categories on our work marketplace; promoting client engagement of the talent that typically optimize to deliver larger projects, including through our Upwork Payroll offering; investing in marketing programs and activities, such as brand promotion efforts, including those designed to reach new and existing clients; enhancing our mobile product offering; expanding our sales force; and in connection with legal, accounting, and other administrative expenses related to operating as a public company. These and other efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently, or at all, to offset these higher expenses. While our GSV and revenue have grown in recent years, we may not be able to sustain the same level of growth in future periods, or at all. For example, GSV remained relatively flat at \$1.0 billion during the three months ended June 30, 2023, as compared to the same period in 2022. We may continue to experience a similar deceleration or decline in GSV or revenue growth if the current challenging macroeconomic conditions worsen, as the impact of the COVID-19 pandemic continues to subside and companies bring workers back to physical offices, or for other reasons. If our revenue declines or fails to grow at a rate faster than increases in our operating expenses, we will not be able to achieve and maintain profitability in future periods and the trading price of our common stock could decline. As a result, we may continue to generate losses. We cannot ensure that we will achieve profitability in the future or that, if we do become profitable, we will be able to sustain profitability.

***Our operating results and performance metrics may fluctuate from period to period, which makes our future results difficult to predict.***

Our operating results and performance metrics have fluctuated recently, as they have in the past, and will likely continue to fluctuate in the future, particularly during the current macroeconomic uncertainty and rising interest rates and inflation. As a result, you should not rely upon our past operating results and performance metrics as indicators of future performance. You should take into account the risks, difficulties, and uncertainties frequently encountered by companies in highly competitive and rapidly evolving markets. Our operating results and performance metrics in any given period can be influenced by numerous factors, many of which are unpredictable or are outside of our control, including:

- uncertainty regarding macroeconomic conditions and demand for our work marketplace as the COVID-19 pandemic continues to subside;
- our ability to achieve and sustain profitability;
- our ability to generate significant revenue from our marketplace offerings;
- our ability to maintain and grow our community of users;
- our ability to respond to competitive developments and other market and technological dynamics, such as the emergence of generative artificial intelligence;
- changes in the spending patterns of clients;
- the productivity and effectiveness of our sales force;
- the impact of reductions in our workforce or involuntary or voluntary separations, including claims against us from departing employees or others;
- our ability to attract and retain talent that provide the types and quality of services sought by clients on our work marketplace;
- the length and complexity of our sales cycles;
- changes to our pricing model and fee structure, including any resulting changes to our revenue recognition practices;
- fluctuations in gross margin and revenue, including as a result of fluctuations in the use of our managed services offering due to our recognition of the entire GSV from our managed services offering as revenue, including the amounts paid to talent;
- the success of our marketing and brand positioning efforts;
- the impact of changing, consolidating, or terminating offerings and services;
- ongoing uncertainty regarding U.S. and global political conditions;
- our ability to introduce new offerings and services or enhance existing offerings;
- the number of users circumventing our work marketplace and our fees;
- the disbursement methods chosen by talent and changes in the mix of disbursement methods offered;
- fluctuations in the prices that talent charge clients on our work marketplace;
- ransomware, data security, or privacy breaches or incidents and associated remediation costs and reputational harm;
- increases in, and timing of, operating expenses that we may incur to grow and expand our operations and to remain competitive;
- seasonality in the labor market and spending patterns by clients and the number of business days and the number of Sundays (i.e., the day we have the contractual right to bill and recognize

- revenue for the majority of our talent service fees each week) in any given period, as well as local, national, or international holidays;
- litigation, regulatory investigations or enforcement actions, and adverse judgments, settlements, or other litigation-related costs;
  - fluctuations in transaction losses;
  - operating lease expenses, other real estate expenses, and any impairment charges on our operating lease asset and related leasehold improvements being recognized as a general and administrative expense due to a reduction to our office space and our potential sublease of such office space at a rental rate that is less than our rent expense for such office space, or any termination fees we may incur as a result of our termination of the operating lease for such office space;
  - the impact of sales, use, and other tax laws and regulations in jurisdictions in which we have users;
  - changes in the mix of products and services that our enterprise clients or other users demand;
  - fluctuations in the mix of payment provider costs and the revenue generated from payment providers;
  - potential costs to attract, onboard, retain, and motivate qualified personnel to perform services for us;
  - changes in the law, application of the law (including as a result of changes in our services or offerings), or interpretation of law, or in the statutory, legislative, or regulatory environment;
  - costs related to the acquisition of businesses, personnel, technologies, or intellectual property;
  - the impact of outages of, and other errors, defects or disruptions on, our work marketplace and associated reputational harm;
  - the impact of public health pandemics, such as the COVID-19 pandemic, or other global or regional public health events or conditions;
  - fluctuations in trade and client receivables due to the timing of cash receipts from clients and the number of transactions on our work marketplace;
  - fluctuations in currency exchange rates;
  - revenue recognition fluctuations for arrangements subject to our tiered pricing model for talent service fees;
  - changes to financial accounting standards and the interpretation of those standards that may affect the way we recognize and report our financial results;
  - general economic and political conditions and government regulations in the countries where we currently have significant numbers of users or where we currently operate or may expand in the future;
  - losses and expenses from indemnification, dispute assistance, and other contractual obligations we owe to clients; and
  - non-cash accounting charges such as stock-based compensation expense, including those related to executive compensation arrangements, and depreciation and amortization.

The impact of one or more of the foregoing and other factors may cause our operating results and performance metrics to vary significantly. As such, we believe that period-to-period comparisons of our operating results and performance metrics may not be meaningful and should not be relied upon as an indication of future performance. For example, future period-over-period growth rates of revenue and key performance metrics such as GSV and active clients, when compared against the quarterly and full year

results of 2022, may fail to meet the expectations of investors or securities analysts given the accelerated growth experienced during such periods due to the COVID-19 pandemic and the resulting increased adoption of remote work and reduced seasonality experienced during such periods. If we fail to meet or exceed the expectations of investors or securities analysts, the trading price of our common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

***We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics may not accurately reflect certain details of our business, are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.***

We track certain performance metrics, including active clients and GSV per active client, GSV, and marketplace take rate with internal tools that are not independently verified by any third-party. Our internal tools have a number of limitations and our methodologies for tracking these metrics may change over time, which could result in inaccurate or unexpected changes to our metrics, including the metrics we report. If the internal tools we use to track these metrics undercount or overcount performance or contain algorithmic or other technical errors, the data we report may not be accurate. Our performance metrics are also impacted by illegal or improper activity on our work marketplace, including fraud, spam, fake accounts, and other activity that violates our terms of service and service agreements. For example, for the year ended December 31, 2022, provision for transaction losses increased, as compared to 2021, primarily due to increased instances of fraud, higher chargeback losses, and bad debt losses related to Upwork Enterprise clients. These levels of fraud could continue or increase, and there is no assurance that any measures we put in place that are designed to reduce fraud on our work marketplace will be effective. In addition, notwithstanding efforts to identify fake accounts and fraudulent activity on our work marketplace and exclude these users and activity from the calculation of our performance metrics, we are unable to identify and remove all such accounts and activity from being reflected in the performance metrics that we report. Accordingly, our performance metrics may not accurately reflect activity on and the performance of our work marketplace. In addition, limitations or errors with respect to how we measure data, or the accuracy of the data that we measure, may affect our understanding of certain details of our business, which could affect our longer-term strategies and our ability to respond to business trends that may negatively impact our performance. If our performance metrics are not accurate representations of our business, user base, or activity on our work marketplace; if we discover material inaccuracies in our metrics; or if the metrics we rely on to track our performance do not provide an accurate measurement of our business, our reputation may be harmed, we may be subject to legal or regulatory actions, and our operating and financial results could be adversely affected. In addition, from time to time we may change the performance metrics that we track, including metrics that we report, and any new performance metrics will also be subject to the foregoing limitations and risks.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired.***

A material weakness is a deficiency or combination of deficiencies in our internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our consolidated financial statements would not be prevented or detected on a timely basis. As previously disclosed, we identified a number of adjustments relating to previously issued consolidated financial statements that resulted in a revision to our consolidated financial statements as of and for the year ended December 31, 2016 and determined that this control deficiency constituted a material weakness in our internal control over financial reporting. We successfully remediated the material weakness during the year ended December 31, 2020.

If we experience additional material weaknesses or otherwise fail to maintain an effective system of internal controls in the future, we may not be able to accurately or timely report our financial condition or results of operations or prevent fraud, which may adversely affect investor confidence in us and, as a result, the value of our common stock. We cannot assure you that all of our existing material weaknesses have been identified, or that we will not in the future identify additional material weaknesses. Any failure to

maintain effective disclosure controls and internal control over financial reporting could have an adverse effect on our business and results of operations and could adversely impact our business, operating results, and financial condition.

If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC. Furthermore, investor perceptions of our company may suffer if, in the future, material weaknesses are found, and this could cause the price of our common stock to decline. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on The Nasdaq Global Select Market.

***If currency exchange rates fluctuate substantially in the future, the results of our operations, which are reported in U.S. dollars, could be adversely affected.***

As we expand our international footprint and make more services available to our users internationally, we will become more exposed to the effects of fluctuations in currency exchange rates. Although we expect an increasing number of sales contracts to be denominated in currencies other than the U.S. dollar in the future, all of our sales contracts are and have historically been denominated in U.S. dollars. However, we offer clients the option to settle invoices denominated in U.S. dollars in the local currencies of several non-U.S. countries, and therefore, a portion of our revenue is subject to foreign currency risk. While we currently use derivative instruments to hedge certain exposures to fluctuations in foreign currency exchange rates, the use of such hedging activities may not offset any, or more than a portion, of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, geopolitical or macroeconomic events may also cause volatility in currency exchange rates between the U.S. dollar and other currencies, such as the Euro. Additionally, a strengthening of the U.S. dollar, as we experienced in 2022, could increase the real cost of transacting on our work marketplace to clients located outside of the United States and could result in a loss of such clients or a portion of their spend, which could adversely affect our business, operating results, financial condition, and cash flows.

***The applicability of sales, use, and other tax laws or regulations on our business could subject us or our users to additional tax liability and related interest and penalties, and adversely impact our business.***

The application of indirect taxes, such as sales and use tax, value-added tax, goods and services tax, business tax, gross receipt tax, and digital services tax, and the tax information reporting obligations to our businesses are complex and evolving. Significant judgment is required to evaluate applicable tax obligations, and, as a result, amounts recorded are estimates and are subject to adjustments. In many cases, the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business. For example, a number of U.S. states and other jurisdictions have enacted taxes and tax collection obligations on marketplace facilitators, requiring online marketplaces to collect and remit taxes for first- and third-party sales on their websites. A successful assertion that we should be collecting taxes or remitting taxes directly to states or other jurisdictions beyond those to which we already collect or remit could result in substantial tax liabilities for past transactions and additional administrative expenses, and could cause us to accrue additional estimates of taxes due, including interest and penalties. Moreover, many countries in the EU, as well as the United Kingdom, India, and a number of other countries and organizations, such as the Organisation for Economic Co-operation and Development, have recently proposed or recommended changes to existing tax laws or have enacted new laws that could impact our tax obligations or add new compliance costs to our business to administer, assess, collect, and remit those taxes. The impact and burden of these regulations and proposed regulations on our business and the businesses of our users is uncertain and may have a negative impact on our business.

Starting on January 1, 2023, all businesses that process payments in the United States became required to issue a Form 1099-K for all talent who receive \$600 or more in payments, a significant decrease from



the previous reporting threshold of \$20,000 and 200 transactions. We will be required to issue Form 1099-Ks for the new thresholds in January 2024. Similarly, under forthcoming legislation in the EU, we may also be required to provide information to one or more EU tax authorities regarding European residents earning €2,000 or more across 30 or more transactions beginning in 2024, and this new reporting requirement may result in additional costs or uncertain regulatory requirements that may have a negative impact on our business. There is a risk of similar laws being enacted by other jurisdictions in the future. Tax collection responsibility and the additional costs associated with complex indirect tax collection, remittance and audit requirements, in addition to reporting requirements, could create additional tax exposure for us and additional burdens for users on our websites and mobile platforms.

We may also be subject to additional tax liabilities and related interest and penalties due to: changes in federal, state, and international tax laws, statutes, rules, regulations, or ordinances; changes in taxing jurisdictions and administrative interpretations, decisions, policies, and applications; results of tax examinations, settlements, or judicial decisions; changes in accounting principles; changes to our business operations; and changes in tax positions taken in prior periods. Such changes could adversely impact us or our users (possibly with retroactive effect), which could require us or our users to pay additional tax amounts on prior sales and going forward, as well as require us or our users to pay fines, penalties, and interest for past amounts. For example, if we are treated as an agent for users on our work marketplace under U.S. state tax law, we may be primarily responsible for collecting and remitting sales taxes directly to certain states. It is possible that one or more states could seek to impose sales, use, or other tax collection obligations on us with regard to transactions on our platform. These taxes may be applicable to past sales. A successful assertion by a taxing authority that we should be collecting additional sales, use, or other taxes or remitting such taxes directly to states could result in substantial tax liabilities for past sales and additional administrative expenses, which could negatively impact our business.

Any changes to our business operations, including international expansions, internal reorganizations, and transfer pricing could impact our tax liabilities. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions pursuant to the intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions or specific affiliates. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest, and penalties.

We have in the past been, and may in the future be, audited by tax authorities with respect to non-income taxes, and we may have exposure to additional non-income tax liabilities, which could have an adverse effect on our operating results and financial condition. In addition, our future effective tax rates could be favorably or unfavorably affected by changes in tax rates, changes in the valuation of our deferred tax assets or liabilities, the effectiveness of our tax planning strategies, or changes in tax laws or their interpretation. Such changes could have an adverse impact on our operating results and financial condition.

***Our ability to use our net operating loss carryforwards and certain other tax attributes is limited.***

As of December 31, 2022, we had net operating loss, which we refer to as NOL, carryforwards for U.S. federal income tax purposes and California state income tax purposes of \$341.4 million and \$95.0 million, respectively, available to offset future taxable income. The federal NOLs generated in the years ended December 31, 2004 through 2017 will begin to expire in 2024. The California state NOL carryforward amounts will begin to expire in 2028. Realization of these NOL carryforwards depends on future income, and there is a risk that our existing carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could materially and adversely affect our operating results.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, a corporation that undergoes an “ownership change,” generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, is subject to limitations on its ability to utilize its pre-change NOL carryforwards to offset future taxable income. We may have undergone ownership changes in the past, which could result in limitations on our ability to utilize our NOLs, or future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section

382. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future U.S. federal and state taxable income. For these reasons, we may not be able to utilize some portion of our NOLs even if we attain profitability, which could potentially result in increased future tax liability to us.

In addition, the Tax Cuts and Jobs Act, as modified by the Coronavirus Aid, Relief, and Economic Security Act, limits the utilization of NOLs arising in taxable years beginning after December 31, 2017 to 80% of taxable income in any taxable year beginning after December 31, 2020. NOLs arising in taxable years beginning after December 31, 2017 can be carried forward indefinitely with no carryback allowed. As we maintain a full valuation allowance against our U.S. federal and state NOLs, these charges did not impact our consolidated balance sheet as of December 31, 2022. However, in future years, at the time a deferred tax asset is recognized related to our NOLs, the charges in the carryforward/carryback periods as well as new limitations on use of NOLs may significantly impact our valuation allowance assessments.

***We may require additional capital to fund our business and support our growth, including in connection with any future acquisitions, strategic investments, or other business endeavors, and any inability to generate or obtain such capital may adversely affect our operating results and financial condition.***

In order to support our growth and respond to business challenges, such as developing new features or enhancements to our work marketplace, acquiring new technologies, and improving our infrastructure, we have made significant financial investments in our business, and we intend to continue to make such investments in the future. In addition, we may, from time to time, seek to acquire or strategically invest in other complementary products, technologies, or businesses or repurchase outstanding shares of our common stock or the Notes. For example, we paid \$170.8 million to consummate the Repurchases in March 2023. We may need to engage in equity or debt financings to obtain the funds required for these investments, acquisitions, and other business endeavors. If we raise additional funds through equity or convertible debt issuances, our existing stockholders may suffer significant dilution and these securities could have rights, preferences, and privileges that are superior to those of holders of our common stock. If we obtain additional funds through debt financing, we may not be able to obtain such financing on terms favorable to us. Such terms may involve additional restrictive covenants making it difficult to engage in capital raising activities and pursue business opportunities, including potential acquisitions and strategic investments. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired and our business may be adversely affected, requiring us to delay, reduce, or eliminate some or all of our operations.

#### **Risks Related to Ownership of Our Common Stock**

***The stock price of our common stock has been and may continue to be volatile, and you could lose all or part of your investment.***

The market price of our common stock has been and may continue to be volatile, particularly as a result of broader stock market fluctuations and in light of the current macroeconomic uncertainty. The market price of our common stock may fluctuate significantly in response to numerous factors, including:

- actual or anticipated fluctuations in our revenue, measures of profitability, and other financial and operating results or our failure to meet the estimates of securities analysts or the expectations of investors;
- the financial projections we provide to the public or our failure to meet these projections;
- overall performance of the equity markets, including as a result of unfavorable investor sentiment toward unprofitable companies;
- the economy as a whole and market conditions in our industry;
- negative publicity related to the real or perceived trustworthiness, quality, or security of our work marketplace;

- the failure to timely launch new offerings and services that gain market acceptance;
- recruitment or departure of key personnel;
- rising interest rates and inflation;
- financial turmoil or instability affecting the banking system or financial markets;
- failure of securities analysts to initiate or maintain coverage of us, inaccurate or unfavorable research by analysts, or changes in financial estimates by any securities analysts who follow our company;
- repurchases by us of any of our outstanding shares of common stock or the Notes, on unfavorable terms or at all;
- speculative trading practices by stockholders and other market participants;
- rumors and market speculation involving us or other companies in our industry and/or other industries;
- lawsuits threatened or filed against or by us or against our key personnel, litigation involving our industry, or lawsuits threatened or filed against our users relating to their use of our work marketplace;
- increased interest and trading in our stock from retail investors;
- developments or disputes concerning our or other parties' products, services, or intellectual property rights;
- acquisitions, strategic partnerships, joint ventures, or capital commitments;
- sales of shares of our common stock by us or our stockholders, including sales of large blocks of our stock relative to the size of our public float;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business, including those governing worker classification, taxation of workers, or withholding and remitting taxes on income or earnings;
- announcements by us or our competitors of new or terminated products or services, commercial relationships, or significant technical innovations;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- political changes or events, such as the ongoing U.S. and global political and international relations environment; and
- other events or factors, including those resulting from war, incidents of terrorism, or responses to these events, including our decision to suspend business operations in Russia and Belarus and the ongoing war in Ukraine.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

***Sales of substantial amounts of our common stock in the public markets, particularly sales by our directors, executive officers, and significant stockholders, or the perception that these sales could occur, could cause the market price of our common stock to decline and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate.***

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market, particularly sales by our directors, executive officers, and significant stockholders. The perception that these sales might occur may also cause the market price of our

common stock to decline. All shares of our common stock are freely tradable, generally without restrictions or further registration under the Securities Act of 1933, as amended, which we refer to as the Securities Act, subject to certain exceptions for shares held by our “affiliates” as defined in Rule 144 under the Securities Act. In addition, the shares issued upon exercise of outstanding stock options or settlement of outstanding restricted stock units will be available for immediate resale in the United States on the open market.

Moreover, certain holders of our common stock have rights, subject to certain conditions, to require us to file registration statements for the public resale of such shares or to include such shares in registration statements that we may file for us or other stockholders.

We may also issue our shares of common stock or securities convertible into shares of our common stock from time to time in connection with a financing, an acquisition, investments, or otherwise. We will also grant additional equity awards to employees, directors, and consultants under our 2018 Equity Incentive Plan and rights to purchase our common stock under our 2018 Employee Stock Purchase Plan. Any such issuances could result in substantial dilution to our existing stockholders and cause the market price of our common stock to decline.

***We do not intend to pay dividends for the foreseeable future.***

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that for the foreseeable future we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

***Provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management, limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees, and limit the market price of our common stock.***

Provisions in our restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our restated certificate of incorporation and amended and restated bylaws include provisions that:

- provide that our board of directors is classified into three classes of directors with staggered three-year terms;
- permit the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- require super-majority voting to amend some provisions in our restated certificate of incorporation and amended and restated bylaws;
- authorize the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan (also known as a “poison pill”);
- provide that only the chairperson of our board of directors, our chief executive officer, president, lead independent director, or a majority of our board of directors will be authorized to call a special meeting of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter, or repeal our amended and restated bylaws; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, our restated certificate of incorporation provides that the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, which we refer to as the DGCL, our restated certificate of incorporation, or our amended and restated bylaws, any action asserting a claim against us that is governed by the internal affairs doctrine, or any action asserting an “internal corporate claim” as that term is defined in Section 115 of the DGCL. Our amended and restated bylaws also provide that the federal district courts of the United States would be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision.

These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees.

Moreover, Section 203 of the DGCL may discourage, delay, or prevent a change of control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

### **Risks Related to Our Convertible Senior Notes**

***Our indebtedness could limit the cash flow available for our operations and expose us to risks that could adversely affect our business, financial condition, and results of operations.***

In August 2021, we issued \$575.0 million aggregate principal amount of the Notes. The Notes are senior, unsecured obligations and bear interest at a rate of 0.25% per year. The Notes will mature on August 15, 2026, unless earlier redeemed, repurchased, or converted in accordance with the terms of the Notes. In March 2023, we consummated the Repurchases, repurchasing \$214.0 million aggregate principal amount of the Notes. As of June 30, 2023, we had \$361.0 million aggregate principal amount of the Notes outstanding. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our stockholders and our business, results of operations and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;
- limiting our flexibility to plan for, or react to, changes in our business;
- diluting the interests of our existing stockholders as a result of issuing shares of our common stock upon conversion of the Notes; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our indebtedness and our cash needs may increase in the future.

***The capped call transactions may affect the value of our common stock.***

In connection with the Notes, we entered into the privately negotiated Capped Calls with various financial institutions, which we refer to as the option counterparties. The Capped Calls remain in effect notwithstanding the Repurchases. The Capped Calls are expected generally to reduce the potential dilution to our common stock upon any conversion of the Notes and/or offset any potential cash payments we are required to make in excess of the principal amount upon conversion of any Notes, with such reduction and/or offset subject to a cap.

In addition, the option counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock in secondary market transactions (and are likely to do so following any conversion of Notes, any repurchase of the Notes by us on any fundamental change repurchase date, any redemption date, or any other date on which the Notes are retired by us). This activity could also cause or avoid an increase or a decrease in the market price of our common stock.

The potential effect, if any, of these transactions and activities on the market price of our common stock will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock.

## General Risks

### *Adverse or changing economic conditions may negatively impact our business.*

Our business depends on the overall demand for labor and on the economic health of current and prospective clients that use our work marketplace. Any significant weakening of the economy in the United States or Europe or of the global economy, including a continued rise in inflation, hiring freezes, layoffs, more limited availability of credit, a reduction in business confidence and activity, decreased government or business spending, economic and political uncertainty, financial turmoil or instability affecting the banking system or financial markets, trade wars, sanctions, higher tariffs, global or regional public health events or conditions, a more limited market for independent professional service providers or information technology services, shifts away from remote work, including as companies bring workers back to physical offices following the COVID-19 pandemic, and other adverse economic or market conditions may adversely impact our business and operating results. These adverse conditions have resulted in the past, and may again result, in reductions in revenue, increased operating expenses, longer sales cycles, and increased competition. There is also a risk that when overall global economic conditions are positive, our business could be negatively impacted by a decreased demand for talent as businesses utilize more full-time employees relative to their use of independent contractors. We cannot predict the timing, strength, or duration of any economic slowdown, or any subsequent recovery generally. If the conditions in the general economy continue to deteriorate, our business, financial condition, and operating results could be adversely affected.

### *We may be adversely affected by natural disasters and other catastrophic events or by man-made problems such as warfare or terrorism, or failures of technology that could disrupt our business operations, and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.*

A significant natural disaster, such as an earthquake, blizzard, hurricane, fire, flood, or other catastrophic event, such as a power loss or telecommunications failure, or other technological failure resulting in the permanent destruction of data, could have a material adverse impact on our business, financial condition, and operating results. In the event of natural disaster or other catastrophic event, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in development of our work marketplace, lengthy interruptions in service, security breaches, and loss of critical data, all of which could have an adverse effect on our operating results. Certain of our departments are situated primarily in one geographical area and any natural disaster or catastrophic event to such area or the surrounding communities where our employees live may impact productivity or revenue generating activities by employees based in that office. Our corporate headquarters and many key personnel are located in the San Francisco Bay Area, a region known for seismic activity and catastrophic fires. In addition, natural disasters and other catastrophic events could affect our partners' ability to perform services for users on a timely basis. In the event any such partners' information technology systems or service abilities are hindered by any of the events discussed above, our ability to provide our work marketplace and other services may be impaired, resulting in missing financial targets for a particular quarter or year, or longer period. Further, if a natural disaster or other catastrophic event occurs in a region from which we derive a significant portion of our revenue, users in that region may delay or forgo use of our work marketplace or other services, which may adversely impact our operating results. In addition, acts of terrorism, civil disorder, public health pandemics (such as the COVID-19 pandemic), or

military conflict (including the war in Ukraine) have caused and could again cause disruptions in our business or the business and activity of our partners, users, or the economy as a whole. These disruptions may be more severe than in the case of natural disasters. All of the aforementioned risks may be exacerbated if our or our partners' business continuity and disaster recovery plans prove to be inadequate. To the extent that any of the above results in delays or reductions in platform availability, activities or other services, our business, financial condition, and operating results would be adversely affected.

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

## **Item 3. Defaults Upon Senior Securities.**

None.

## **Item 4. Mine Safety Disclosures.**

Not applicable.

## **Item 5. Other Information.**

### **Insider Trading Arrangements**

On May 30, 2023, Olivier Marie, our Chief Accounting Officer, adopted a 10b5-1 sales plan, which we refer to as the Marie 10b5-1 Sales Plan, intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The Marie 10b5-1 Sales Plan provides for the potential sale of up to 51,815 shares of our common stock, less the number of shares sold upon the vesting of the restricted stock units covered by the plan to satisfy tax withholding obligations pursuant to Upwork's non-discretionary "sell to cover" requirement, plus a number of shares Mr. Marie may purchase under our 2018 Employee Stock Purchase Plan, which we refer to as the 2018 ESPP, during the term of the plan, which cannot be determined at this time as the purchase price for such shares will be determined at the end of the applicable purchase period under the 2018 ESPP. The Marie 10b5-1 Sales Plan will be in effect until the earlier of (i) May 31, 2024 and (ii) the date on which the maximum number of shares of our common stock subject to the Marie 10b5-1 Sales Plan have been sold thereunder.

The Marie 10b5-1 Sales Plan included a representation from the officer to the broker administering the plan that the officer was not in possession of any material nonpublic information regarding Upwork or the securities subject to the plan. A similar representation was made to us in connection with the adoption of the plan under our Insider Trading Policy. Those representations were made as of the date of adoption of the Marie 10b5-1 Sales Plan and speak only as of that date. In making those representations, there is no assurance with respect to any material nonpublic information of which the officer was unaware, or with respect to any material nonpublic information acquired by the officer or Upwork after the date of the representation.

## Item 6. Exhibits.

Exhibit Number	Exhibit Title	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing date	
3.1	<a href="#">Amended and Restated Certificate of Incorporation</a>	8-K	001-38678	3.1	June 12, 2023	
10.1 <sup>#</sup>	<a href="#">Transition and Separation Agreement, dated May 2, 2023, by and between Upwork Inc. and Eric Gilpin</a>					X
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
32.1 <sup>*</sup>	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
32.2 <sup>*</sup>	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).					X

<sup>#</sup> Indicates a management contract or compensatory plan.

<sup>\*</sup> The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and are not deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

UPWORK INC.

Date: August 2, 2023

By: \_\_\_\_\_  
/s/ Hayden Brown  
**Hayden Brown**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

Date: August 2, 2023

By: \_\_\_\_\_  
/s/ Erica Gessert  
**Erica Gessert**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

May 2, 2023  
Randoll Eric Gilpin

Re: Terms of Separation

Dear Eric:

On behalf of the entire Board of Directors, thank you for your service to Upwork Inc. (the “**Company**”) and for your tenure as Chief Sales Officer and the interim leader of our Enterprise Business Unit. You and the Company have mutually agreed to end your employment relationship with the Company and the Board of Directors has requested to retain your services for a period of time to assist with an orderly transition.

Accordingly, this letter confirms the agreement (“**Agreement**”) between you and the Company concerning the terms of your separation and offers you certain benefits, conditioned upon your provision of a general release of claims and covenant not to sue as provided herein. If you agree to the terms outlined herein, please sign and return this Agreement to me in the timeframe outlined below.

1. Separation from Employment: In exchange for your agreement to the general release and waiver of claims and covenant not to sue set forth below, the Company agrees to continue your employment on the following terms. Your last day of employment with the Company will be June 30, 2023 (the “**Separation Date**”). As of May 3, 2023 (the “**Transition Date**”), you will cease to be the Company’s Chief Sales Officer and interim leader of our Enterprise Business Unit. Effective as of the Transition Date you hereby resign from all officer and director positions of each of the Company’s subsidiaries. Between the Transition Date and the Separation Date (the “**Transition Period**”), (a) you will continue to be employed by the Company as a Sales Advisor, (b) you will receive your base salary as in effect as of the date of this Agreement, (c) your outstanding Company equity awards will continue to vest in accordance with the Company’s 2014 Equity Incentive Plan or 2018 Equity Incentive Plan (as applicable) and the applicable award agreements, and (d) you will be eligible for continued participation the Company’s employee benefit plans. You and the Company acknowledge and agree that you will no longer be eligible to (w) receive a pro-rata bonus payment relating to your service as interim leader of the Enterprise Business Unit pursuant to the terms of that certain letter agreement provided to you by the Company dated December 20, 2022 for periods after the Transition Date; provided however, you will be entitled to a pro-rata bonus payment for the second quarter of 2023 for your service as interim leader of the Enterprise Business Unit through the Transition Date, (x) participate in or receive any incentive compensation under the 2023 Sales Compensation plan between you and the Company for periods following the Transition Date, (y) receive an annual bonus, or (z) receive any other incentive compensation, including under the terms proposed to be included in the Company’s 2023 Performance Bonus Plan.

2. Final Paycheck; Payment of Wages: As soon as administratively practicable on or after the Separation Date, the Company will pay you in a single cash lump-sum all accrued but unpaid base salary subject to standard payroll deductions and withholdings. You will be deemed to have withdrawn from participation in the Company’s 2018 Employee Stock Purchase Plan (the “**ESPP**”), effective as of your Separation Date, and any contributions collected on your behalf with respect to any ongoing purchase period under the ESPP as of such date will be refunded to you in accordance with the terms of the ESPP. You acknowledge and agree that you have not accrued any paid time off under the Company’s Unlimited Time Off policy since its effective date and you are not eligible for the payment of any compensation under that policy.

3. Release Consideration: In exchange for your execution of this Agreement and delivery of an effective to the general release and waiver of claims and covenant not to sue in the form attached hereto as **Exhibit A** (the "**Release**"), to be signed no earlier than the Separation Date and within the time period specified therein following your Separation Date, the Company agrees to provide you with the following:

(i) The Company agrees to pay you an amount equal to six months of your monthly base salary in a cash lump-sum payment in accordance with the Company's standard payroll procedures as soon as administratively practicable following the date the Release becomes effective and in any event, no later than the 60<sup>th</sup> day following the Separation Date.

(ii) Following your last day of employment with the Company, contingent on your timely election to continue your existing medical, dental, and vision benefits under the Consolidated Omnibus Budget Reconciliation Act ("**COBRA**"), and consistent with the terms of COBRA and the Company's health insurance plan, the Company will pay the full amount of the insurance premiums to continue your existing health benefits, for you and your covered dependents, until the earlier of (x) the effective date on which you become covered by a substantially equivalent health insurance plan of a subsequent employer, (y) six months following your last day of employment with the Company, and (z) the date you are no longer eligible for COBRA benefits.

By signing below, you acknowledge that you are receiving the release consideration outlined in this section in consideration for waiving your rights to claims referred to in this Agreement and the Release and that you would not otherwise be entitled to the release consideration.

4. Business Expenses Reimbursement; No Further Amounts Due: To the extent you have any unreimbursed business expenses as of the end of the Transition Period, you will need to submit such expenses within two weeks of the end of your Transition Period with supporting documentation, and the Company will reimburse you for all approved expenses in accordance with its business expense reimbursement policy. By signing below, you acknowledge that the Company does not owe you any other amounts, except as otherwise may become payable under the Agreement.

5. Return of Company Property: You hereby warrant to the Company that, on or before your Separation Date, you will return to the Company all property or data of the Company of any type whatsoever that has been in your possession or control.

6. Proprietary Information: As a condition of your employment with the Company, you were required to execute and abide by the attached Employee Invention Assignment and Confidentiality Agreement (**Exhibit B** hereto). You hereby acknowledge that you are bound by **Exhibit B** and that as a result of your employment with the Company you have had access to the Company's Proprietary Information (as defined in the agreement), that you will hold all Proprietary Information in strictest confidence and that you will not make use of such Proprietary Information on behalf of anyone. You further confirm that on or prior to your Separation Date you will deliver to the Company all documents and data of any nature containing or pertaining to such Proprietary Information, that you will permanently delete any electronic copies thereof in your possession, custody, or control, and that you will not take with you any such documents or data or any reproduction thereof.

7. Equity Awards. You were granted options, RSUs, and PSUs pursuant to the Option Award Agreements, Restricted Stock Unit Agreements, and Performance Stock Unit Agreements, dated April 20, 2016, February 6, 2018, February 18, 2020, February 17, 2021, February 18, 2022, and August 18, 2022, respectively, and the Company's 2014 Equity Incentive Plan and 2018 Equity Incentive Plan, respectively (hereafter collectively referred to as the "**Award Agreements**") and such awards, the "**Equity Awards**"). Because your employment is terminating on the Separation Date, none of the portions of the Equity Awards that are unvested as of the Separation Date can ever vest and shall be terminated and canceled in accordance with the terms of the Award Agreements.

8. General Release and Waiver of Claims:

(a) The payments and promises set forth in this Agreement are in full satisfaction of all accrued salary, vacation pay, bonus pay, profit-sharing, stock, stock options or other ownership interest in the Company, including, without limitation, such termination benefits and compensation described in the Change in Control and Severance Agreement between you and the Company, dated May 29, 2018 (the "**Severance Agreement**"), the Offer Letter, dated May 29, 2018 (the "**Offer Letter**"), by and between you and the Company, and such other termination benefits or other compensation to which you may be entitled by virtue of your employment with the Company or the end of your employment with the Company. To the fullest extent permitted by law, you hereby release and waive any claims you may have against the Company and its owners, agents, officers, shareholders, employees, directors, attorneys, subscribers, subsidiaries, affiliates, successors and assigns (collectively "**Releasees**"), whether known or not known, including, without limitation, claims under any employment laws, including, but not limited to, claims of unlawful discharge, breach of contract, breach of the covenant of good faith and fair dealing, fraud, violation of public policy, defamation, physical injury, emotional distress, claims for additional compensation or benefits arising out of your employment or the end of your employment, claims under Title VII of the 1964 Civil Rights Act, as amended, the Illinois Human Rights Act, and any other laws and/or regulations relating to employment or employment discrimination, including, without limitation, claims based on age or under the Age Discrimination in Employment Act or Older Workers Benefit Protection Act and claims based on disability or under the Americans with Disabilities Act.

(b) You hereby acknowledge that you are aware of the principle that a general release does not extend to claims that the releasor does not know or suspect to exist in his or her favor at the time of executing the release, which, if known by him or her, must have materially affected his or her settlement with the releasee. With knowledge of this principle, you hereby agree to expressly waive any rights you may have to that effect.

(c) You and the Company do not intend to release claims that you may not release as a matter of law, including but not limited to claims for indemnity, or any claims for enforcement of this Agreement. To the fullest extent permitted by law, any dispute regarding the scope of this general release shall be determined by an arbitrator under the procedures set forth in the arbitration clause below.

9. Covenant Not to Sue:

(a) To the fullest extent permitted by law, at no time subsequent to the execution of this Agreement will you pursue, or cause or knowingly permit the prosecution, in any state, federal or foreign court, or before any local, state, federal or foreign administrative agency, or any other tribunal, of any charge, claim or action of any kind, nature and character whatsoever, known or unknown, which you may now have, have ever had, or may in the future have against Releasees, which is based in whole or in part on any matter released by this Agreement.

(b) Nothing in this section shall prohibit or impair you complying with all applicable laws, nor shall this Agreement be construed to obligate either party to commit (or aid or abet in the commission of) any unlawful act.

10. Protected Rights: You understand that nothing in the General Release and Waiver of Claims, Covenant Not to Sue, Non-disparagement and Confidentiality sections contained herein, or otherwise in this Agreement, limits, impedes or restricts your ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local government agency or commission ("**Government Agencies**"). You further understand that this Agreement does not limit your ability to communicate with any Government Agencies or otherwise participate and/or assist in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information (including this Agreement), without notice to the Company. This Agreement does not limit your right to receive an award for information provided to any Government Agencies.

11. Non-Disparagement: Subject to the Protected Rights Section above, you agree that, both during and at all times following the Transition Period, you will not communicate with any members of the investor community (including any actual or potential investors in the Company, any investment analysts, advisors, or otherwise) regarding the Company and/or its products, services, directors, officers, employees, and affiliated entities. Nothing in this section shall prohibit you from providing truthful information in response to a subpoena or other legal process.

12. Dispute Resolution: To ensure rapid and economical resolution of any and all disputes that might arise in connection with this Agreement, you and the Company agree that any and all disputes, claims, and causes of action, in law or equity, arising from or relating to this Agreement or its enforcement, performance, breach, or interpretation, will be resolved solely and exclusively by final, binding, and confidential arbitration, by a single arbitrator, in Santa Clara County, and conducted by Judicial Arbitration & Mediation Services, Inc. ("**JAMS**") under its then-existing employment rules and procedures. Notwithstanding the foregoing agreement to resolve disputes in arbitration either party may obtain injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Each party shall be responsible for the payment of its own attorneys' fees.

13. Attorneys' Fees: If any action is brought to enforce the terms of this Agreement, the prevailing party will be entitled to recover its reasonable attorneys' fees, costs, and expenses from the other party, in addition to any other relief to which the prevailing party may be entitled.

14. No Admission of Liability: This Agreement is not and shall not be construed or contended by you to be an admission or evidence of any wrongdoing or liability on the part of Releasees, their representatives, heirs, executors, attorneys, agents, partners, officers, shareholders, directors, employees, subsidiaries, affiliates, divisions, successors or assigns. This Agreement shall be afforded the maximum protection allowable under the Federal Rules of Evidence 408 and/or any other state or federal provisions of similar effect.

15. Complete and Voluntary Agreement: This Agreement, together with **Exhibits A-B** hereto, constitute the entire agreement between you and Releasees with respect to the subject matter hereof and supersedes all prior negotiations and agreements, whether written or oral, relating to such subject matter. You acknowledge that neither Releasees nor their agents or attorneys have made any promise, representation or warranty whatsoever, either express or implied, written or oral, which is not contained in this Agreement for the purpose of inducing you to execute the Agreement, and you acknowledge that you have executed this Agreement in

reliance only upon such promises, representations and warranties as are contained herein, and that you are executing this Agreement voluntarily, free of any duress or coercion.

16. Severability: The provisions of this Agreement are severable, and if any part of it is found to be invalid or unenforceable, the other parts shall remain fully valid and enforceable. Specifically, should a court, arbitrator, or government agency conclude that a particular claim may not be released as a matter of law, it is the intention of the parties that the general release, the waiver of unknown claims and the covenant not to sue above shall otherwise remain effective to release any and all other claims.

17. Modification; Counterparts; Facsimile/PDF Signatures: It is expressly agreed that this Agreement may not be altered, amended, modified, or otherwise changed in any respect except by another written agreement that specifically refers to this Agreement, executed by authorized representatives of each of the parties to this Agreement. This Agreement may be executed in any number of counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Execution of a facsimile or PDF copy shall have the same force and effect as execution of an original, and a copy of a signature will be equally admissible in any legal proceeding as if an original.

18. 409A: To the extent that any provision of this Agreement is ambiguous as to its exemption or compliance with Section 409A of the Internal Revenue Code of 1986, as amended, and the treasury regulations promulgated thereunder ("**Section 409A**"), the provision will be read in such a manner so that all payments hereunder are exempt from Section 409A to the maximum permissible extent, and for any payments where such construction is not tenable, that those payments comply with Section 409A to the maximum permissible extent. To the extent any payment under this Agreement may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A.

19. Review of this Agreement: You understand that you may take up to twenty-one (21) days to consider this Agreement and, by signing below, affirm that you were advised to consult with an attorney prior to signing this Agreement and the Release. You also agree that any amendments to this Agreement, whether or not material, will not re-start the twenty-one (21) day consideration period. You also understand you may revoke this Agreement within seven (7) days of signing this document and that the consideration period to be provided to you pursuant to Section 3 will be provided only at the end of that seven (7) day-revocation period.

20. Governing Law: This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

21. Effective Date: This Agreement is effective on the eighth (8<sup>th</sup>) day after you sign it provided you have not revoked the Agreement as of that date (the "**Effective Date**").

If you agree to abide by the terms outlined in this letter, please sign this letter below return it to me within the timeframe noted above. I wish you the best in your future endeavors.

Sincerely,

Upwork Inc.

By: \_\_\_\_\_



## EXHIBIT A

### RELEASE OF CLAIMS

This General Release of All Claims and Covenant Not to Sue (the “**Release**”) is entered into between Randoll Eric Gilpin (“**Executive**”) and Upwork Inc. (the “**Company**”) (collectively, “**the parties**”).

**WHEREAS**, on May 2, 2023, Executive and the Company entered into an agreement regarding Executive’s resignation of employment (the “**Separation Agreement**,” to which this Release is attached as **Exhibit A**);

**WHEREAS**, the Transition Period (as set forth in the Separation Agreement) has ended;

**WHEREAS**, this agreement serves as the Release, pursuant to the Separation Agreement; and

**NOW THEREFORE**, in consideration for the mutual promises and undertakings of the parties as set forth below, Executive and the Company hereby enter into this Release.

1. Business Expense Reimbursement; No Further Amounts Due: To the extent Executive has any unreimbursed business expenses, Executive will need to submit such expenses within two weeks of the end of the Transition Period (as defined in the Separation Agreement) with supporting documentation, and the Company will reimburse Executive for all approved expenses in accordance with its business expense reimbursement policy. By his signature below, Executive acknowledges that the Company does not owe him any other amounts, except as otherwise may become payable under the Separation Agreement contingent upon the effectiveness of this Release.

2. Return and Permanent Deletion of Company Property: Executive hereby warrants to the Company that he has returned to the Company all property or data of the Company of any type whatsoever that has been in his possession, custody, or control and that any electronic copies thereof have been permanently deleted.

3. Consideration: In exchange for Executive’s agreement to this Release and his other promises in the Separation Agreement and herein, the Company agrees to provide Executive with the consideration set forth in Section 3 of the Separation Agreement upon effectiveness of this Release. By signing below, Executive acknowledges that he is receiving the consideration in exchange for waiving his rights to claims referred to in this Release and he would not otherwise be entitled to the consideration.

4. General Release and Waiver of Claims:

(a) The payments and promises set forth in this Release are in full satisfaction of all accrued salary, vacation pay, bonus and commission pay, profit-sharing, stock, stock options or other ownership interest in the Company, including, without limitation, such termination benefits and compensation described in the Severance Agreement (as defined in the Separation Agreement), the Offer Letter (as defined in the Separation Agreement), and such other termination benefits or other compensation to which Executive may be entitled by virtue of his employment with the Company, his separation from the Company, his engagement with the Company, and the termination thereof, including pursuant to the Separation Agreement. To the fullest extent permitted by law, Executive hereby releases and waives any claims he may have against the Company and its owners, agents, officers, shareholders, employees, directors, attorneys, subscribers, subsidiaries, affiliates, successors and assigns (collectively “**Releasees**”),



whether known or not known, including, without limitation, claims under any employment laws, including, but not limited to, claims of unlawful discharge, breach of contract, breach of the covenant of good faith and fair dealing, fraud, violation of public policy, defamation, physical injury, emotional distress, claims for additional compensation or benefits arising out of his employment or end of employment, claims under Title VII of the 1964 Civil Rights Act, as amended, the Illinois Human Rights Act, and any other laws and/or regulations relating to employment or employment discrimination, including, without limitation, claims based on age or under the Age Discrimination in Employment Act or Older Workers Benefit Protection Act, and/or claims based on disability or under the Americans with Disabilities Act.

(b) You hereby acknowledge that you are aware of the principle that a general release does not extend to claims that the releasor does not know or suspect to exist in his or her favor at the time of executing the release, which, if known by him or her, must have materially affected his or her settlement with the releasee. With knowledge of this principle, you hereby agree to expressly waive any rights you may have to that effect.

(c) You and the Company do not intend to release claims that you may not release as a matter of law, including but not limited to claims for indemnity, or any claims for enforcement of this Agreement. To the fullest extent permitted by law, any dispute regarding the scope of this general release shall be determined by an arbitrator under the procedures set forth in the arbitration clause below.

5. Covenant Not to Sue:

(a) To the fullest extent permitted by law, at no time subsequent to the execution of this Release will Executive pursue, or cause or knowingly permit the prosecution, in any state, federal or foreign court, or before any local, state, federal or foreign administrative agency, or any other tribunal, of any charge, claim or action of any kind, nature and character whatsoever, known or unknown, (i) which Executive may now have, have ever had, or may in the future have against Releasees, and (ii) which is based in whole or in part on any matter released by this Agreement.

(b) Nothing in this paragraph shall prohibit or impair Executive from complying with all applicable laws, nor shall this Release be construed to obligate either party to commit (or aid or abet in the commission of) any unlawful act.

6. Protected Rights: Executive understands that nothing in the General Release and Waiver of Claims and Covenant Not to Sue sections above, or otherwise in this Release, limits, impedes, or restricts his ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local government agency or commission ("**Government Agencies**"). Executive further understands that this Release does not limit his ability to communicate with any Government Agencies or otherwise participate and/or assist in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information (including this Agreement), without notice to the Company. This Release does not limit Executive's right to receive an award for information provided to any Government Agencies.

7. Review of Release: Executive understands that he has had more than twenty-one (21) days to consider this Release and, by signing below, affirms that he was advised to consult with an attorney prior to signing this Release. The offer set forth in this Release and in Section 4 of the Separation Agreement, if not accepted by Executive within thirty (30) days following the Separation Date (as defined in the Separation Agreement), will automatically expire. Executive also understands that he may revoke this Release within seven (7) days of signing this document

and that the consideration to be provided to him pursuant to Section 4 of the Separation Agreement will be provided no earlier than after the expiration of that seven (7) day revocation period.

8. Effective Date: This Release is effective on the eighth (8th) day after Executive signs it, provided he has not revoked it as of that time (the "***Effective Date***").

9. Other Terms of Separation Agreement Incorporated Herein: All other terms of the Separation Agreement to the extent not inconsistent with the terms of this Release are hereby incorporated in this Release as though fully stated herein and apply with equal force to this Release, including, without limitation, the provisions on Nondisparagement, Arbitration, Governing Law, and Attorneys' Fees.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Upwork Inc.  
Hayden Brown  
Chief Executive Officer

Dated: \_\_\_\_\_

\_\_\_\_\_  
Randoll Eric Gilpin

**EXHIBIT B**

**EMPLOYEE INVENTION ASSIGNMENT AND CONFIDENTIALITY AGREEMENT**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Hayden Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Upwork Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2023

/s/ Hayden Brown  
\_\_\_\_\_  
Hayden Brown  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Erica Gessert, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Upwork Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2023

/s/ Erica Gessert

Erica Gessert

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Hayden Brown, Chief Executive Officer of Upwork Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2023 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: August 2, 2023

/s/ Hayden Brown

Hayden Brown

*Chief Executive Officer*

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Erica Gessert, Chief Financial Officer of Upwork Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2023 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: August 2, 2023

/s/ Erica Gessert

Erica Gessert

*Chief Financial Officer*

(Principal Financial Officer)