Gary Fuges

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

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

For a discussion of the material risks and other important factors that could affect our actual results, please refer to our SEC filings available on the SEC website and on our Investor Relations website, as well as the risks and other important factors discussed in today's earnings press release. Additional information is also available in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2026, which was filed today.

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

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

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

CEO Section

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

Q1 was a dynamic quarter that demonstrated our ability to produce value under a range of market conditions. We delivered in-line revenue and phenomenal bottom line results with a $10 million adjusted EBITDA beat. Upwork continues to be uniquely positioned to power the AI-enabled labor market of the future.

The dynamism this quarter was notable, and we are going to spend today's call unpacking this moment and the opportunities in front of Upwork, which continue to be formidable.

Starting in late February, we began to see two clear trends. First, geopolitical instability and concerns around the war began slowing the volume of higher value contracts. Secondly, accelerated AI adoption degraded the volume of client activity on the low end, impacting contracts of $500 and below. While this dynamic is not new, the pace of AI automation was faster than previously seen.

We see the impact of AI in two discrete ways. On the low end, simple tasks are getting replaced with AI tools. Conversely, GSV from AI-related work exceeded $300 million on an annualized basis, growing at more than 40% year over year. Through an in-depth analysis that Erica will touch on in more detail, we have determined that the portion of our GSV at high risk of being replaced by AI has continued to shrink, while we anticipate the market opportunity for AI-related work will far exceed this. While the overall impact of AI is marginally a net headwind for Upwork today, we are confident it will become a longer-term tailwind. Importantly, our strategy of growing larger, complex work with bigger customers is working and will have greater impact in future quarters. We have yet to fully tap additional growth levers, including launching agents in our marketplace and AI data opportunities. As all these efforts begin contributing more growth, they add firepower to offset cyclical, near-term labor market and AI factors in driving business outcomes.

With the ongoing geopolitical uncertainty and continued softness among our lowest value contracts, we are adjusting our 2026 revenue guidance to account for the continuation of these trends. At the same time, we are focused on executing our cost management plans and have moved swiftly to pull key levers in the business. We launched multiple new AI-related features and exciting products in the quarter and showcased our Spring Upwork Updates earlier this week. In Q1, we announced leadership adjustments to bolster our execution and pave the way for a cost-management program that we are announcing today, which will further reduce our opex. These measures give us confidence in increasing our adjusted EBITDA outlook for this year.

We have been on a journey of transforming our business, as recapped in our Investor Day in November. The new Upwork is focused, nimble and AI-forward. In Q1 we saw that our strategies around SMB, Enterprise and AI are delivering above our expectations:

First, we have great traction with SMBs and enterprises. Our Business Plus plan continues to be the fastest-growing product in our company's history, growing 34% quarter-over-quarter as we expand into the $530B market with SMBs. In our Lifted subsidiary, our Enterprise pipeline grew 3x for new clients and 9x for existing clients in the quarter. The new Lifted product is on track for the first customer migrations in June, and is our differentiated wedge into the $650 billion enterprise market. These successes will continue to drive spend per client up, and underscore our unique market positioning and success in attracting and converting larger customers. And with our expanded OpenAI relationship, including the launch of the Upwork app in ChatGPT last month and a robust roadmap in this area, we're just scratching the surface on a promising new set of demand channels.

Second, our SMB AI value proposition continues to expand with our investments in Uma, our AI work agent.
This quarter and in our Spring 2026 Upwork Updates, we launched features which make Uma a more capable agent that synthesizes hiring insights, assists in evaluating candidates, and helps move decisions forward so SMBs can hire faster and with greater confidence. We also are rolling out a new project continuity offering, in which we seamlessly source replacement talent if a hire is not working out.

Third, we are also becoming the AI diffusion layer for SMBs: providing the AI-skilled talent they need to create value from this exciting technology. AI-related work in our marketplace continues to grow and in Q1 was 8% of our marketplace GSV. With low-end AI-impacted jobs on the platform continuing to burn off and the net new AI work continuing to grow substantially, AI overall is an enduring, massive opportunity for Upwork. And AI is adding a tailwind to our enterprise business, with approximately 20% of our net new client pipeline being AI-related work. We are in the early stages of ramping our products to tap into this large and growing AI opportunity.

Additionally, our platform uniquely positions us to offer human-supervised agents at scale.
The AI agent market is estimated to be $120 billion by 2028. We are building on our strong marketplace chops to extend our supply and demand sides to include AI agents. Our human-supervised agent solution was in beta in Q2 and is receiving extremely positive customer feedback. Businesses report an ongoing and increasing need to add a human layer of oversight to AI agents and we are evolving our marketplace to meet this demand. The size and scale of our talent asset is a tremendous differentiator, and will underpin a new playbook for how SMBs can leverage AI safely and securely with humans in the loop. This exciting addition to our

marketplace will roll out to all customers this year.

Finally, we are just scratching the surface on our AI data opportunity. As AI data needs evolve from synthetic and static datasets toward real-time learning scenarios, we believe Upwork has a unique role to play, with 3 million job posts per year across more than 125 categories. We are in early stages of exploring what this could look like in a way that enhances our platform and adds value for customers. We are building rapidly and with focus in this area, which would be upside to our model.

At the same time as we drive these strategies forward, our multi-year investments in cost management and take rate levers bolster our strong financial position and give us the freedom to navigate choppy waters on our own terms. Building a more efficient, resilient organization that is best positioned for the opportunity ahead requires us to say goodbye to many talented people who have been vital to our journey. We are thankful for their impact and dedicated to supporting them through this period of change.

Efficient, disciplined operations and strong profitability will remain a critical feature of how we operate. Our control over adjusted EBITDA comes from the growth of our high margin offerings, our ads and monetization levers that improve take rate, and our internal operational efficiency. These measures bolster our confidence in increasing our adjusted EBITDA outlook for this year despite the softer demand environment.

Our confidence in the positive outlook for Upwork and its essential role in the new AI world of work is stronger than ever. There is no doubt that AI is changing the future of work. Against this backdrop, we are building Upwork to power the AI-enabled labor and agentic market of the future.

We are excited to drive the business through this transformation of work and the workforce. With that, I'll hand it over to Erica to discuss our financial results in more detail.

CFO Section:

Thanks, Hayden.

I first want to unpack the trends we saw in Q1. Leading up to our Q4 earnings call on February 9th, our GSV and active contract trends were within our expectations for the year, right on plan and within the 99th percentile of our outlook for the year. Starting in late February through early April, demand trends slowed materially. We heard directly from customers that macro factors, most notably the combination of ongoing inflationary pressures from tariffs and new ones from soaring energy prices, as well as persistent higher interest rates, were impacting their businesses and spend. In some places, particularly at the lowest end, customers were adopting AI tools to supplement their needs as they experienced financial pressures. Consistent with this, we continued to see the greatest pressures in our business at the lowest end of contracts, at the sub $500 dollar level.

These trends have since stabilized, albeit at lower growth rates, and consistent with the volume trends we have seen in our business over the past two years, rather than at the heightened growth expectations we expected at our investor day six months ago. While our growth expectations are tempered for this year, signals of strength within the key growth pillars we have identified for our business give us confidence in the long term.

We know there are questions about the impacts of macro versus AI on our business. To disentangle these impacts, we have built a new, in-depth analysis of our AI risk exposure.

This new analysis uses an LLM classifier trained on methodologies from Anthropic and Stanford to assess AI automatability at the underlying task, rather than the contract or job, level. This is a more advanced approach than our prior job-level analysis, and therefore we believe more comprehensively assesses the true AI risks and opportunities we see in our business. This methodology estimates that tasks representing approximately 10% of the GSV on our platform are in the AI at-risk category, and tend to be concentrated in our smallest jobs. This is down from 11% a year ago and declining. The remaining 90% are net new AI work and AI-insulated jobs and contracts, because the majority of the underlying tasks in these jobs are considered insulated from automation by leading frontier AI companies, or they are AI work itself. We expect our AI exposure to continue to diminish over time, as new AI work and AI-resilient jobs are the fastest growing on our platform, and AI-exposed jobs, concentrated in our smallest contracts, are declining the fastest.

I now want to shift gears to the restructuring actions that we announced today.

We have always said that we saw ongoing cost optimization opportunities in this business, and we have been preparing ourselves for the next stage of operational excellence and increased productivity. Our focus on our cost structure and internal tool development are enabling us to not just commit to our profitability goals, but to raise them. Our results in Q1 show that we have the discipline to produce strong profitability and free cash flow regardless of the vagaries of the broader macro environment. Today we announced the next step in this direction, by reducing our cost base by an estimated $70 million dollars on an annualized basis over the next few months. This will include an approximate 24% reduction to our total workforce. These decisions are never easy, but we will treat our colleagues with transparency, fairness and dignity as we work through our plans. We expect to incur one-time charges in the range of $16 million to $23 million, primarily related to severance and other separation costs, the majority of which we will recognize this quarter.

Turning now to guidance:

While we remain confident in and committed to the growth levers for our business that Hayden outlined, we also acknowledge that we are operating in an environment of heightened volatility this year. As such, we are both lowering and widening our top line outlook for 2026.

For the full year 2026, we now expect revenue growth in the range of $760 to $790 million dollars. This reflects the increased uncertainty in demand as I previously discussed, and assumes heightened external pressures throughout the year. As planned, we will continue to expand take rate this year as a part of our overall growth story.

We expect full-year 2026 adjusted EBITDA of approximately $250 to $260 million, which represents an adjusted EBITDA margin of 33%. We're able to raise our guide because of our ongoing disciplined cost management and the restructuring we have announced today, which will contribute approximately $40 million in savings in 2026. With this raised guide, we now expect to achieve our 35% Adjusted EBITDA target in the back half of this year, more than two years ahead of schedule. We expect full-year 2026 non-GAAP diluted EPS to be between $1.50 and $1.55. Our updated guidance also assumes stock based compensation of approximately $60 to $65 million for the full year 2026, which reflects the impact of the restructuring.

For the second quarter of 2026, we expect to generate revenue in the range of $187 to $193 million, and adjusted EBITDA in the range of $56 to $59 million, which represents an adjusted EBITDA margin in the range of 30% to 31%. We expect Q2 2026 non-GAAP diluted EPS to be between $0.35 and $0.37.

In closing, while the trends this year continue to evolve, two things remain true and very consistent for our business: the growth levers we've identified are showing promise, and our confidence in producing growing profitability and free cash flow in 2026 and beyond is unchanged. With a clear vision for our growth levers and a firm handle on our cost base, we are in control of our destiny. We have ample cash to pay down the debt on our balance sheet if we choose to, invest in strategic M&A as opportunities arise, and return money to shareholders. Our confidence in Upwork's ability to grow and take our rightful place in the future of work is steadfast, and we will continue to execute with strength and efficiency in the new world of work.

With that, we'll now take your questions.