

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 23, 2024

UPWORK INC.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-38678
(Commission
File Number)

46-4337682
(IRS Employer
Identification No.)

**530 Lytton Avenue, Suite 301
Palo Alto, California**
(Address of Principal Executive Offices)

94301
(Zip Code)

Registrant's Telephone Number, Including Area Code: (650) 316-7500

**475 Brannan Street, Suite 430
San Francisco, California 94107**
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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.

Item 2.02 Results of Operations and Financial Condition.

On October 23, 2024, Upwork Inc., or the Company, issued a press release announcing certain preliminary financial and operating results for the quarter ended September 30, 2024. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information furnished with this Item 2.02, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act except as expressly set forth by specific reference in such a filing.

Item 2.05 Costs Associated with Exit or Disposal Activities.

On October 23, 2024, the Company announced a restructuring plan, or the Plan, intended to continue the Company’s profitable trajectory, increase efficiency, and accelerate innovation for its customers. The Plan includes a reduction of the Company’s total workforce by 21%. The Company expects execution of the Plan to be substantially complete in the fourth quarter of 2024.

In connection with these actions, the Company estimates that it will incur approximately \$17 million to \$22 million in pre-tax charges to its GAAP financial results, consisting primarily of severance and other one-time termination benefits for the Company’s impacted workforce. The Company expects most of these charges to be cash expenditures and to recognize substantially all of these charges in the fourth quarter of 2024.

The estimates of the expenses that the Company expects to incur in connection with the Plan, and the timing thereof, are subject to a number of assumptions, including local law requirements in various jurisdictions, and actual amounts may differ materially from estimates. In addition, the Company may incur other charges not currently contemplated due to unanticipated events that may occur, including in connection with the implementation of the Plan.

Item 7.01 Regulation FD Disclosure.

On October 23, 2024, the Company issued a press release announcing the Plan. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information disclosed in this Item 7.01, including Exhibit 99.1, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements within the meaning of the federal securities laws. All statements contained in this Current Report on Form 8-K other than statements of historical fact are forward-looking statements, including statements regarding the number of positions affected by the Plan, the estimated restructuring expenses associated with the Plan, and the time frame for completion of and recognition of charges associated with the Plan.

The Company has based these forward-looking statements largely on its current expectations and projections as of the date hereof about future events and trends that the Company believes may affect its financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. As such, they are subject to inherent uncertainties, known and unknown risks, and changes in circumstances that are difficult to predict and in many cases outside the Company’s control, including possible changes in the size and timing of the related expenses, and you should not rely on such forward-looking statements as predictions of future events. The Company makes no representation that the projected results will be achieved or that future events and circumstances will occur, and actual results may differ materially and adversely from the Company’s expectations. The forward-looking statements are made as of the date hereof, and the Company does not undertake, and expressly disclaims, any obligation to update or revise any forward-looking statements, to conform these statements to actual results, or to make changes in its expectations, except as required by law. Additional information regarding other risks and uncertainties that could cause actual results to differ materially from the Company’s expectations is included under the caption “Risk Factors” in the Company’s Quarterly Report on Form 10-Q filed with the SEC on August 7, 2024, and in the Company’s other SEC filings, which are available on the Company’s Investor Relations website at investors.upwork.com and on the SEC’s website at www.sec.gov.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release dated October 23, 2024
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

UPWORK INC.

Date: October 23, 2024

By: _____ /s/ Erica Gessert
Erica Gessert
Chief Financial Officer

Upwork Announces Organizational Changes to Drive Continued Profitable Growth and Provides Preliminary Third Quarter 2024 Results Above Financial Guidance

Approximately \$60 million in annual cost savings advances Upwork toward 5-year profitability target

Company expects to exceed revenue and adjusted EBITDA guidance for third quarter 2024 results

SAN FRANCISCO, Calif. – October 23, 2024 – Upwork Inc. (Nasdaq: UPWK) (“Upwork” or the “Company”), the world’s work marketplace that connects businesses with independent talent across the globe, today announced a more streamlined organizational structure and operational changes to continue the Company’s profitable trajectory, increase efficiency, and accelerate innovation for its customers.

“We are making ourselves a more streamlined and efficient organization, continuing our successful focus on durable, profitable growth and delivering value for our customers and shareholders,” said Hayden Brown, president and CEO, Upwork. “This is a continuation of our ongoing strategy to invest in growth levers that are high-return and high-potential while demonstrating proactive cost discipline.”

“Over the past year and a half, we made significant strides in reaching our 5-year profitability target, achieving record-high 22% adjusted EBITDA margin¹ in our preliminary results for the third quarter of 2024,” Brown added. “We are confident that these actions will further our rapid progress toward our profitability goals, fuel our outperformance of hiring and staffing industry peers, and strengthen our ability to win in a dynamic macro environment.”

As part of the announced actions, Upwork is:

- **Streamlining organizational structure** to further reduce costs and accelerate decision-making that empowers teams to deliver better outcomes for customers. The announced changes reduce Upwork’s total workforce by 21% and are expected to generate approximately \$60 million in annualized cost savings. The Company is flattening team structures and leveraging more automation and third-party services to simplify processes and operate more efficiently at scale.
- **Optimizing R&D spend**, as previously indicated, on a portfolio of high-return and high-potential product investments, along with rebalancing product and engineering resources to enable teams to more effectively serve customer needs.
- **Sharpening Enterprise strategy**, which remains a key pillar of the Company’s growth plans, by aligning clients with the right service offerings and driving a focus on profitability through lower cost to acquire and serve customers. This strategy leverages insights from successful pricing and packaging work underway for the past several quarters to introduce new client plans for both Marketplace and Enterprise that help high-value customers grow with Upwork. Ernesto Lamaina has been appointed as Upwork’s general manager of Enterprise and will lead the execution and expansion of this strategy. Lamaina has been at Upwork for more than a year and has deep experience building enterprise products and leading business units within traditional staffing providers. Lamaina previously served as CEO of Adia, a joint program between Adecco and Infosys, where he led the creation and commercialization of a tech-enabled staffing solution.

¹ Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures and are presented for supplemental purposes only, and should not be considered in isolation or as substitutes for financial information presented in accordance with GAAP. An explanation of non-GAAP financial measures and reconciliations to their most directly comparable GAAP financial measures can be found in the “Non-GAAP Financial Measures” section at the end of this press release.

Preliminary Third Quarter 2024 Financial and Operating Results

“We are pleased to announce preliminary results for the third quarter that exceed the top end of our guidance. These results demonstrate our commitment to execution on both top and bottom lines, driven by disciplined cost management and continuous improvement in operational efficiency,” said Erica Gessert, CFO, Upwork. “We remain relentlessly focused on executing our strategic plan, growing our highly profitable business, and increasing shareholder value.”

The announced actions are part of Upwork’s long-term strategy that the Company has been successfully executing over many quarters. Management’s focus on driving profitable growth has resulted in the following to date:

- **Industry-leading revenue growth:** Upwork has reported consistently higher revenue growth than competitors and the broader staffing industry.²
- **Sustainable margin expansion:** Upwork has delivered on margin expansion and continues the march toward its 5-year profitability target of 35% adjusted EBITDA margin. Upwork has aggressively expanded margins by 21 points in the span of seven quarters, from 1% in Q4 2022 to preliminary reported adjusted EBITDA margin of 22% in Q3 2024.

Today, Upwork provided the following select estimated preliminary financial and operating results for the third quarter of 2024:

	<u>Preliminary Q3 2024 Results</u>	<u>Original Q3 2024 Guidance</u>
GSV	\$998 million	N/A
Revenue	\$194 million	\$179 million to \$184 million
Net Income	\$28 million	N/A
Adjusted EBITDA ¹	\$43 million	\$36 million to \$39 million

² In 2023, Upwork grew revenues +11% year-over-year compared to overall staffing industry revenue decline of (5)% year-over-year. In the first half of 2024, Upwork has grown revenues +17% year-over-year compared to overall staffing industry declines of (8)% year-over-year.

These unaudited preliminary results are based on management's initial analysis of operations for the quarter ended September 30, 2024. As such, these preliminary financial and operating results are estimates and subject to the completion of the Company's normal quarter-end closing and other review procedures and execution of the Company's internal control over financial reporting for the quarter ended September 30, 2024. Accordingly, actual financial and operating results that will be reflected in the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2024, including its condensed consolidated financial statements when they are completed and publicly disclosed, may differ materially from these preliminary results.

Third Quarter 2024 Financial Results Conference Call and Webcast

Upwork announced that it will report its full financial results for the third quarter of 2024 on Wednesday, November 6, 2024, after market close. The Company will host a Q&A conference call to discuss these results at 2:00 p.m. Pacific Time (5:00 p.m. Eastern Time) on the same day.

A live webcast of the call will be available on the Upwork Investor Relations website at investors.upwork.com. An audio replay of the conference call will be available for one week following the call and will be archived via webcast on the Upwork Investor Relations website for approximately one year.

About Upwork

Upwork is the world's work marketplace that connects businesses with independent talent from across the globe. We serve everyone from one-person startups to large, Fortune 100 enterprises with a powerful, trust-driven platform that enables companies and talent to work together in new ways that unlock their potential. Our talent community earned over \$3.8 billion on Upwork in 2023 across more than 10,000 skills in categories including website & app development, creative & design, data science & analytics, customer support, finance & accounting, consulting, and operations. Learn more at upwork.com and join us on LinkedIn, Facebook, Instagram, TikTok and X.

SAFE HARBOR

This press release of Upwork contains "forward-looking" statements within the meaning of the federal securities laws. Forward-looking statements include all statements other than statements of historical fact, including any statements regarding our estimated preliminary financial and operating results for the third quarter 2024, future operating results and financial position, information or predictions concerning the future of our business or strategy, anticipated events and trends, potential growth or growth prospects, competitive position, technological and market trends, the expected impact of cost-saving initiatives, and other future conditions.

We have based these forward-looking statements largely on our current expectations and projections as of the date hereof about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. As such, they are subject to inherent uncertainties, known and unknown risks, and changes in circumstances that are difficult to predict and in many cases outside our control, and you should not rely on such forward-looking statements as predictions of future events. We make no

representation that the projected results will be achieved or that future events and circumstances will occur, and actual results may differ materially and adversely from our expectations. The forward-looking statements are made as of the date hereof, and we do not undertake, and expressly disclaim, any obligation to update or revise any forward-looking statements, to conform these statements to actual results, or to make changes in our expectations, except as required by law. Additional information regarding the risks and uncertainties that could cause actual results to differ materially from our expectations is included under the caption “Risk Factors” in our Quarterly Report on Form 10-Q filed with the SEC on August 7, 2024, and in our other SEC filings, which are available on our Investor Relations website at investors.upwork.com and on the SEC’s website at www.sec.gov.

Non-GAAP Financial Measures

To supplement our financial measures prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), we present certain non-GAAP financial measures in this press release, including adjusted EBITDA and adjusted EBITDA margin.

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

We use non-GAAP financial measures in conjunction with financial measures prepared in accordance with GAAP for planning purposes, including the preparation of our annual operating budget, as a measure of our core operating results and the effectiveness of our business strategy, and in evaluating our financial performance. These non-GAAP financial measures provide consistency and comparability with past financial performance, facilitate period-to-period comparisons of our core operating results, and also facilitate comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results. In addition, adjusted EBITDA is widely used by investors and securities analysts to measure a company’s operating performance without regard to certain items that can vary substantially from company to company.

Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as analytical tools, and investors should not consider them in isolation or as a substitute for the most directly comparable financial measures prepared in accordance with GAAP. In particular, (1) adjusted EBITDA excludes stock-based compensation expense, which has recently been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy, (2) although depreciation and amortization expense are non-cash charges, the assets subject to depreciation and amortization may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements, and (3) adjusted EBITDA does not reflect: (a) changes in, or cash requirements for, our working capital needs; (b) interest expense, or the cash requirements necessary to service interest or principal payments on our debt, which reduces cash available to us; or (c) tax payments that may represent a reduction in cash available to us. In addition, the non-GAAP measures we use may be different from non-GAAP financial measures used by other companies, including companies in our industry, limiting their usefulness for comparison purposes. We compensate for these limitations by providing specific information regarding the GAAP items excluded from the non-GAAP financial measures that we present. Reconciliations of the non-GAAP financial measures presented in this press release to their most directly comparable GAAP financial measures have been provided below, and investors are encouraged to review the reconciliations and not rely on any single financial measure to evaluate our business.

UPWORK INC.
RECONCILIATION OF GAAP TO NON-GAAP RESULTS
(in thousands, except for percentages)
(preliminary)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$27,758	\$16,337	\$ 68,420	\$ 29,513
Add back (deduct):				
Stock-based compensation expense	18,578	17,811	54,758	56,148
Depreciation and amortization	3,668	1,763	10,443	5,641
Other income, net ³	(8,091)	(5,766)	(20,433)	(52,748)
Income tax provision	1,126	895	3,636	3,547
Other ⁴	188	188	563	563
Adjusted EBITDA	<u>\$43,227</u>	<u>\$31,228</u>	<u>\$117,387</u>	<u>\$ 42,664</u>
Profit margin	14%	9%	12%	6%
Adjusted EBITDA margin	22%	18%	20%	8%

³ During the nine months ended September 30, 2023, we recognized a gain of \$38.9 million on the early extinguishment of a portion of our 0.25% convertible senior notes due 2026, which is included in other income, net.

⁴ During the three and nine months ended September 30, 2024 and 2023, we incurred \$0.2 million and \$0.6 million, respectively, of expenses related to our Tides Foundation warrant.

Contacts:

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