

# Upwork Q4 & FY 2023 Earnings

# Three key strategic pillars for 2024

Win key customer and work segments via specialization

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Build the world's most innovative work platform

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Establish a foundation for ongoing profitability growth over multiple years

# Strong revenue growth & margin expansion

Q4'23

GSV

\$1.1B

+4% year-over year

Revenue

\$183.9M

+14% year-over year

Adjusted EBITDA

\$30.5M

17% Adj EBITDA Margin

FY'23

GSV

\$4.1B

+1% year-over year

Revenue

\$689.1M

+11% year-over year

Adjusted EBITDA

\$73.1M

11% Adj EBITDA Margin

"GSV" and "Adjusted EBITDA" are defined in the definitions section of this presentation. Adjusted EBITDA and adjusted EBITDA margin are non-GAAP measures and are presented for supplemental purposes only and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. An explanation of non-GAAP measures and reconciliations to their most comparable GAAP measures can be found in the appendix of this presentation. For more information regarding our fourth quarter and full year 2023 results, please refer to our press release dated February 14, 2024 and our Annual Report on Form 10-K for the year ended December 31, 2023, when filed.

# The fourth quarter capped a year of transformation and progress



Swift and successful pivot to profitability and cash generation



Strong Active Client growth in H2 2023



Growing revenue streams including rapid acceleration of our Ads + Monetization products



Acquired AI company Headroom and welcomed founder Andrew Rabinovich as Upwork's head of AI and machine learning

# Transforming the customer experience with artificial intelligence

## Upwork Chat Pro

### Upwork Chat Pro

Substantial interest; +150k sign ups and growing every day

Included in the Freelancer Plus subscription beginning Feb 16th, 2024

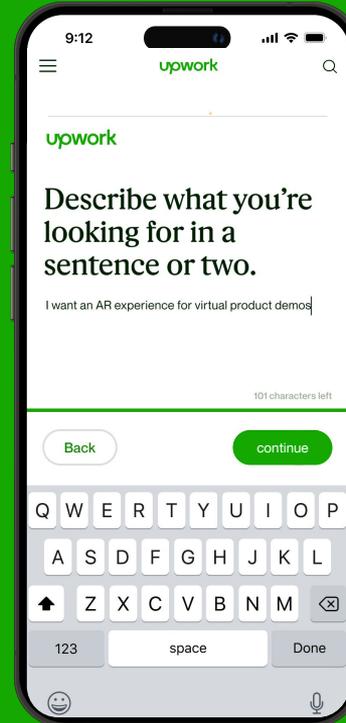
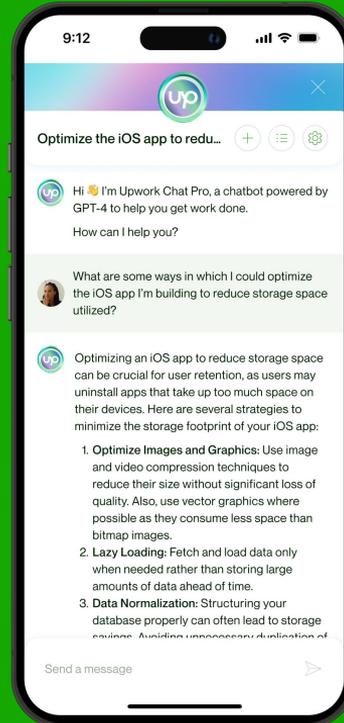
### Job Post Generator

Clients using the Job Post Generator are able to post jobs almost 70% faster

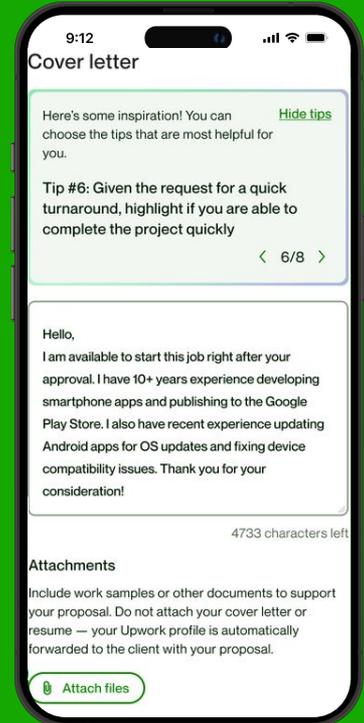
### Proposal Tips

Enables freelancers to secure work at a significantly higher rate

## Job Post Generator



## Proposal Tips



# Making Upwork the preeminent destination for connecting AI talent and clients

## AI Services Hub



One-stop shop for all talent and client AI needs



70% growth in GSV in the AI & machine learning subcategory in Q4



+230% increase in visitors to the AI Services hub from H1'23 to H2'23

**WORK, SMARTER.**  
Partner with independent talent on Upwork to help AI work for your business.

[Hire an AI expert](#)

- Get advice and tips from an expert**  
Learn how AI can transform your business—book a consultation with an industry expert.
- Build a custom chatbot**  
Support your users when they need it most. Work with a pro to build a chatbot using the latest AI technology.
- Fine-tune your writing**  
From blog posts to product descriptions, an editor can review and refine AI-generated text.
- Create eye-catching art**  
Find a pro to create paintings, illustrations, digital graphics, and more using generative AI.
- Develop your own AI model**  
An expert can help you build AI models to address your unique business goals.
- Label your training data**  
Hire an expert to add informative labels to your data to start teaching your AI models.

[FOR TALENT: Find AI jobs and hone your skills.](#) →

### What's new

[See all updates.](#) ↓



AI Resources for Talent

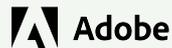
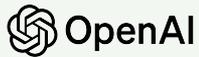


Hire an OpenAI Expert on Upwork



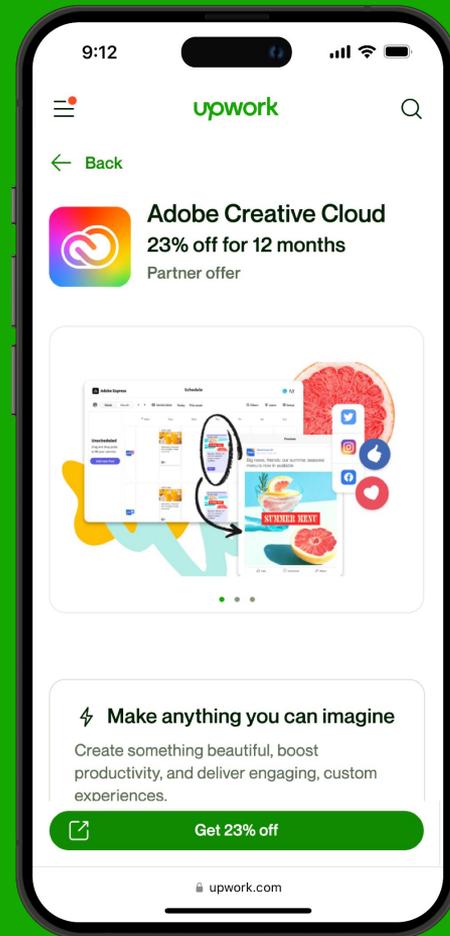
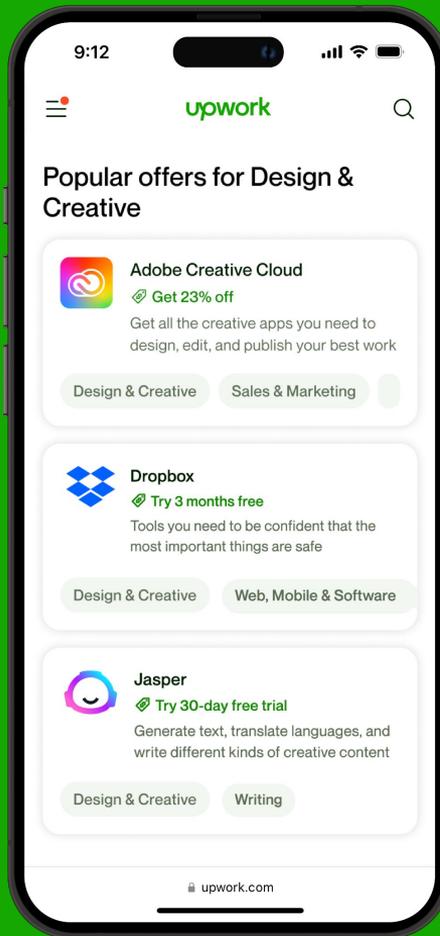
Unlock the Future of Work with AI

# Marquee partnerships to empower AI-enabled independent professionals



Jasper

miro



# Improved integration with enterprise systems

In December 2023, we launched inaugural partnerships with major vendor management system (or VMS) platforms SAP Fieldglass and Flextrack



VMS integrations make it easier for Enterprise customers to use Upwork



Upwork attracts top-tier partners with tech-enabled access to high quality talent



Additional VMS integration partners coming in 2024

## Vendor Management System Partners

SAP Fieldglass 

 FLEXTRACK



# Ads products accelerate and improve matching between talent and clients

## Availability Badges

### Availability Badges

Freelancers with an Availability Badge received 55% more invites

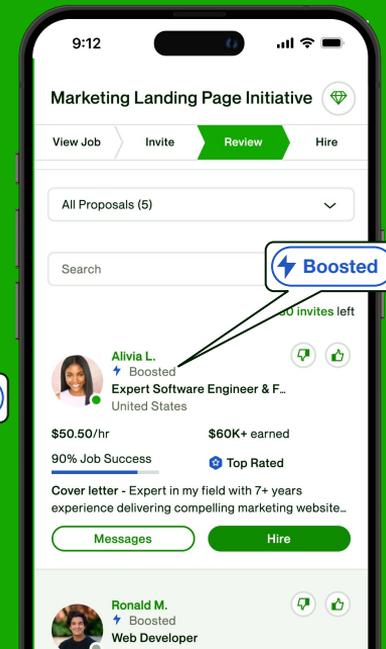
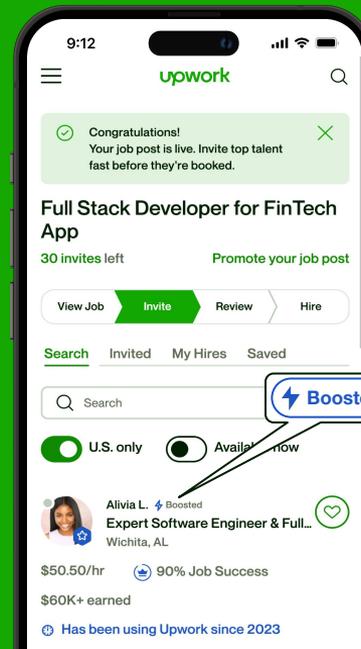
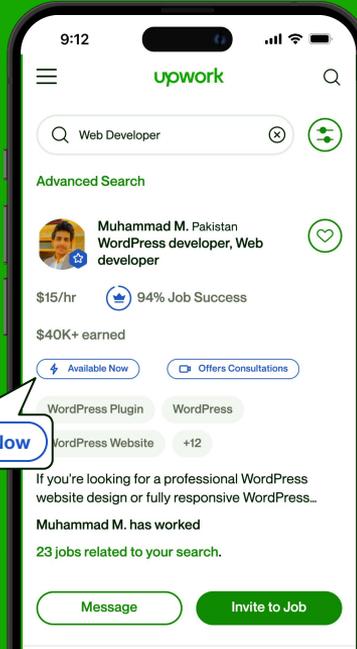
Invites sent to badged freelancers are accepted 77% more often

### Boosted Proposals

A successfully boosted proposal increases a freelancer's chance of getting hired by approximately 20%

## Boosted Profiles

## Boosted Proposals



# Introducing: Upwork Research Institute

Launched on November 2nd, 2023, the Upwork Research Institute, is committed to studying fundamental shifts in the workforce

Through our proprietary data, global survey research, partnerships, and academic collaborations, the Upwork Research Institute will produce evidence-based insights to create the blueprint for the new way of work

Empowering business decision makers

Upwork Research Institute

## Reinventing Work: Unveiling the Work Innovators' Blueprint for Success

November 2, 2023

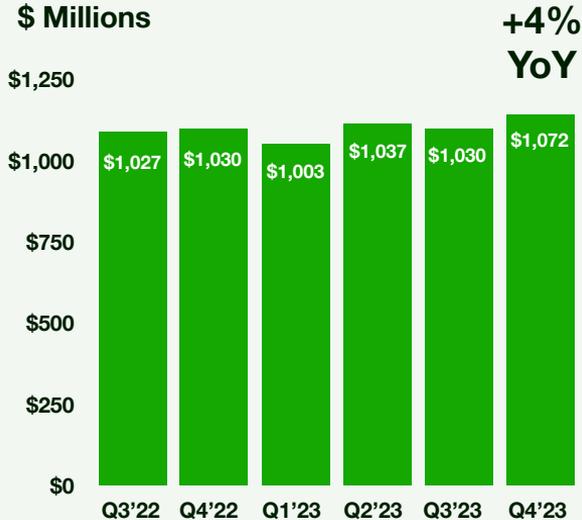
### Latest Research

- Hiring & Management | Research**  
**Prepare Your Workforce for the Job Disruption Wave of 2024 and Beyond**  
Get ready for big changes to how people work and hire in 2024. Find research and insights on job disruption and what to expect with future workforces.
- AI Services | Work & Career | Research**  
**Slate of AI at Work: A Conversation with Rebecca Hinds at Asana Work Innovation Lab**
- Work & Career | Research**  
**Freelance Forward 2023**
- Research**  
**Reinventing Work: Unveiling the Work Innovator's Blueprint for Success**

# Strong fourth quarter results; substantial shift to profitability in H2'23

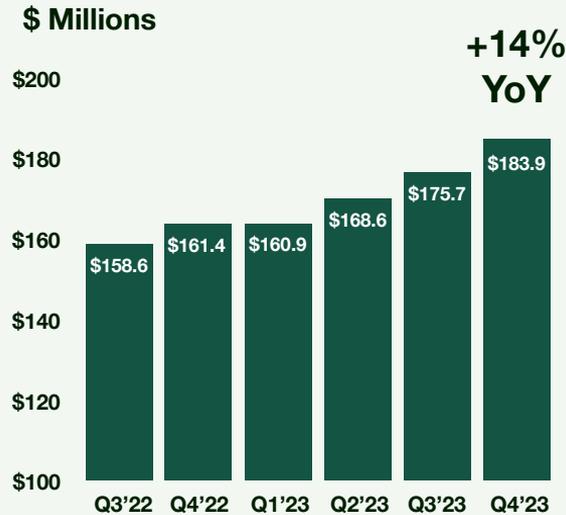
GSV

**\$1.1B**



Revenue

**\$183.9M**



Adjusted EBITDA

**\$30.5M**

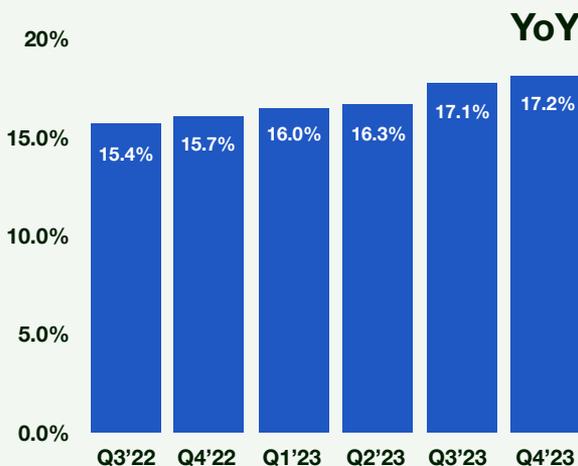


*Adjusted EBITDA and adjusted EBITDA margin are non-GAAP measures and are presented for supplemental purposes only and should not be considered in isolation or as substitutes for financial information presented in accordance with GAAP. An explanation of non-GAAP measures and reconciliations to their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

# Take rate achieved all time high; acceleration in new client adds in Q4

Take Rate  
**17.2%**

% Take Rate



**+150 bps  
YoY**

Marketplace Take Rate  
**15.9%**

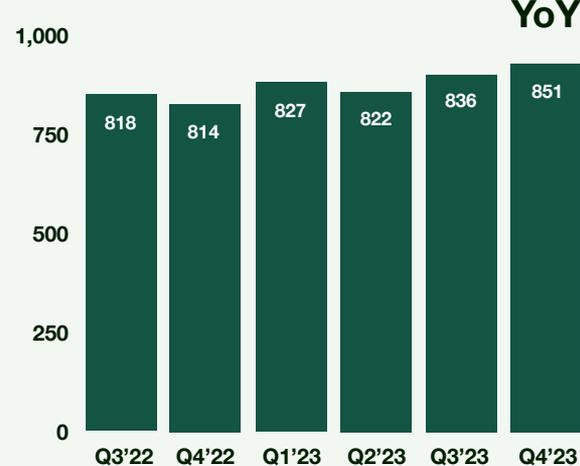
% Take Rate



**+160 bps  
YoY**

Active Clients  
**851K**

# in Thousands

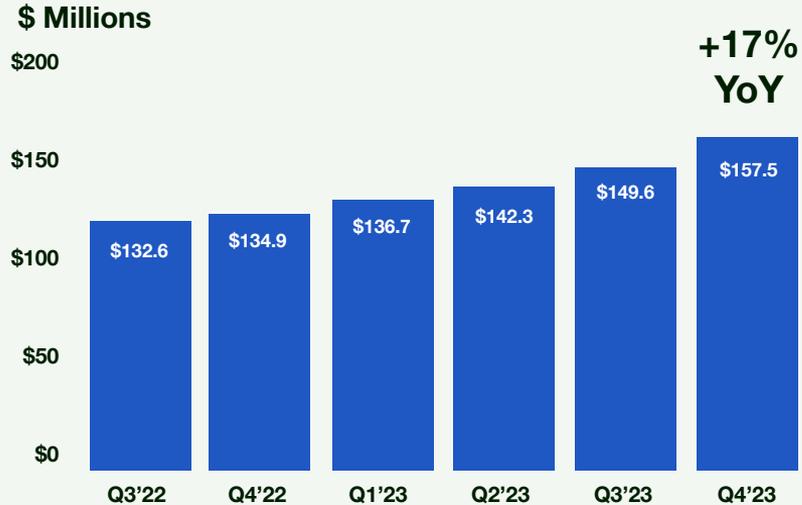


**+5%  
YoY**

# Sequential growth in both marketplace and enterprise revenue

## Marketplace Revenue

**\$157.5M**



## Enterprise Revenue

**\$26.4M**



*In order to conform to the current period presentation as of December 31, 2023, we present revenue from Enterprise Solutions and Managed Services together as Enterprise revenue in prior periods and no longer report revenue from our Enterprise Solutions offering in Marketplace revenue.*

# Healthy balance sheet and strong cash flow

Cash, cash equivalents and marketable securities

As of December 31st, 2023

**\$550M**

FY'23 Adjusted Free Cash Flow

**\$48.3M**

Adjusted Free Cash Flow

\$ Millions



*Adjusted Free Cash Flow is a non-GAAP measure and is presented for supplemental purposes only and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. An explanation of non-GAAP measures and reconciliations to their most comparable GAAP measures can be found in the appendix of this presentation.*

# Guidance

	Q1 2024 Guidance	FY 2024 Guidance
Revenue	\$183 million - \$188 million	\$760 million - \$780 million
Adjusted EBITDA	\$28.0 million - \$32.0 million	\$125.0 million - \$135.0 million
Diluted weighted-average shares outstanding	144 million - 146 million	148 million - 152 million
Non-GAAP diluted EPS	\$0.17 - \$0.19	\$0.77 - \$0.81
Stock Based Compensation Expense	Stock-based compensation expense is expected to average slightly more than \$20M per quarter for 2024	

# Appendix + Definitions

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Revenue:				
Marketplace <sup>(1)</sup>	\$ 157,489	\$ 134,939	\$ 586,099	\$ 518,282
Enterprise <sup>(1)</sup>	26,445	26,503	103,037	100,036
Total revenue	183,934	161,442	689,136	618,318
Cost of revenue	45,868	41,159	170,450	160,402
Gross profit	138,066	120,283	518,686	457,916
Operating expenses				
Research and development	46,217	41,664	177,363	154,553
Sales and marketing	49,304	62,786	220,681	246,882
General and administrative	32,003	30,080	118,925	123,952
Provision for transaction losses	2,114	6,235	12,977	25,153
Total operating expenses	129,638	140,765	529,946	550,540
Income (loss) from operations	8,428	(20,482)	(11,260)	(92,624)
Other income, net	7,389	4,422	60,137	3,275
Income (loss) before income taxes	15,817	(16,060)	48,877	(89,349)
Income tax benefit (provision)	1,557	(440)	(1,990)	(536)
Net income (loss)	\$ 17,374	\$ (16,500)	\$ 46,887	\$ (89,885)
Net income (loss) per share:				
Basic	\$ 0.13	\$ (0.13)	\$ 0.35	\$ (0.69)
Diluted	\$ 0.13	\$ (0.13)	\$ 0.06	\$ (0.69)
Weighted-average shares used to compute net income (loss) per share:				
Basic	136,620	131,818	134,774	130,518
Diluted	143,803	131,818	137,263	130,518

<sup>(1)</sup> In 2023, we changed the name of our Upwork Enterprise offering to Enterprise Solutions. Concurrently, to align with customer needs and internal decision-making, we combined Enterprise Solutions and Managed Services into a suite of Enterprise offerings. In order to conform to the current period presentation as of December 31, 2023, we present revenue from Enterprise Solutions and Managed Services together as Enterprise revenue in prior periods and no longer report revenue from our Enterprise Solutions offering in Marketplace revenue.

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

	December 31, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 79,641	\$ 129,384
Marketable securities	470,457	557,230
Funds held in escrow, including funds in transit	212,387	161,457
Trade and client receivables, net	103,061	64,888
Prepaid expenses and other current assets	17,825	17,947
Total current assets	883,371	930,906
Property and equipment, net	27,140	22,063
Goodwill	118,219	118,219
Intangible assets, net	3,048	—
Operating lease asset	4,333	7,603
Other assets, noncurrent	1,430	1,454
Total assets	\$ 1,037,541	\$ 1,080,245
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 5,063	\$ 7,549
Escrow funds payable	212,387	161,457
Accrued expenses and other current liabilities	58,192	53,611
Deferred revenue	17,361	25,075
Total current liabilities	293,003	247,692
Debt, noncurrent	356,087	564,261
Operating lease liability, noncurrent	6,088	11,177
Other liabilities, noncurrent	1,288	8,236
Total liabilities	656,466	831,366

Stockholders' equity		
Common stock	14	13
Additional paid-in capital	674,918	592,900
Accumulated other comprehensive income (loss)	205	(3,085)
Accumulated deficit	(294,062)	(340,949)
Total stockholders' equity	<u>381,075</u>	<u>248,879</u>
Total liabilities and stockholders' equity	<u>\$ 1,037,541</u>	<u>\$ 1,080,245</u>

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income (loss)	\$ 17,374	\$ (16,500)	\$ 46,887	\$ (89,885)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Provision for transaction losses	1,867	4,894	8,673	23,306
Depreciation and amortization	3,808	2,050	9,449	8,057
Amortization of debt issuance costs	461	740	2,098	2,961
Accretion of discount of purchases of marketable securities, net	(4,598)	(1,971)	(14,430)	(1,486)
Amortization of operating lease asset	834	784	3,269	3,079
Tides Foundation common stock warrant expense	187	187	750	750
Stock-based compensation expense	18,047	19,382	74,195	75,501
Gain on early extinguishment of debt	—	—	(38,945)	—
Changes in operating assets and liabilities:				
Trade and client receivables	(45,025)	(2,466)	(47,663)	(20,230)
Prepaid expenses and other assets	(1,341)	(1,010)	146	(630)
Operating lease liability	(1,528)	(1,395)	(5,903)	(5,389)
Accounts payable	3,289	2,301	(2,513)	2,579
Accrued expenses and other liabilities	6,823	1,487	5,746	3,689
Deferred revenue	(5,537)	(28)	(14,538)	4,257
Net cash provided by (used in) operating activities	(5,339)	8,455	27,221	6,559
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchases of marketable securities	(260,034)	(183,628)	(709,214)	(581,887)
Proceeds from maturities of marketable securities	197,753	149,273	648,800	521,152
Proceeds from sale of marketable securities	5,460	—	165,035	—
Purchase of an intangible asset	(3,000)	—	(3,000)	—

Purchases of property and equipment	(134)	(355)	(692)	(1,248)
Internal-use software and platform development costs	(3,480)	(2,325)	(12,659)	(7,485)
Net cash provided by (used in) investing activities	(63,435)	(37,035)	88,270	(69,468)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Changes in escrow funds payable	34,417	(8,508)	50,930	645
Proceeds from exercises of stock options and common stock warrant	71	308	2,012	1,643
Proceeds from employee stock purchase plan	1,517	1,332	4,081	3,794
Net cash paid for early extinguishment of debt	—	—	(171,327)	—
Net cash provided by (used in) financing activities	36,005	(6,868)	(114,304)	6,082
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(32,769)	(35,448)	1,187	(56,827)
Cash, cash equivalents, and restricted cash—beginning of period	329,187	330,679	295,231	352,058
Cash, cash equivalents, and restricted cash—end of period	\$ 296,418	\$ 295,231	\$ 296,418	\$ 295,231

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

	December 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 79,641	\$ 129,384
Restricted cash	4,390	4,390
Funds held in escrow, including funds in transit	212,387	161,457
Total cash, cash equivalents, and restricted cash as shown in the consolidated statement of cash flows	\$ 296,418	\$ 295,231

**UPWORK INC.**  
**RECONCILIATION OF GAAP TO NON-GAAP RESULTS**  
(In thousands, except for percentages and share data)  
**(Unaudited)**

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Net income (loss)	\$ 17,374	\$ (16,500)	\$ 46,887	\$ (89,885)
Add back (deduct):				
Stock-based compensation expense	18,047	19,382	74,195	75,501
Depreciation and amortization	3,808	2,050	9,449	8,057
Other income, net <sup>(1)</sup>	(7,389)	(4,422)	(60,137)	(3,275)
Income tax (benefit) provision	(1,557)	440	1,990	536
Other <sup>(2)(3)</sup>	187	187	750	5,037
Adjusted EBITDA	<u>\$ 30,470</u>	<u>\$ 1,137</u>	<u>\$ 73,134</u>	<u>\$ (4,029)</u>
Profit margin	9%	(10)%	7%	(15)%
Adjusted EBITDA margin	17%	1%	11%	(1)%

<sup>(1)</sup> During the twelve months ended December 31, 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 twelve months ended December 31, 2023 and 2022, we incurred \$0.2 million and \$0.8 million, respectively, related to our Tides Foundation warrant.

<sup>(3)</sup> During the twelve months ended December 31, 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 twelve months ended December 31, 2022. Represents (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.

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

	Three Months Ended					
	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
Net Income (loss)	\$ (24,827)	\$ (16,500)	\$ 17,167	\$ (3,991)	\$ 16,337	\$ 17,374
Add back (deduct):						
Stock-based compensation expense	20,404	19,382	19,900	18,437	17,811	18,047
Depreciation and amortization	1,982	2,050	2,024	1,854	1,763	3,808
Other (income) expense, net <sup>(1)</sup>	(655)	(4,422)	(43,000)	(3,982)	(5,766)	(7,389)
Income tax (benefit) provision	40	440	795	1,857	895	(1,557)
Other <sup>(2)</sup>	188	187	188	187	188	187
Adjusted EBITDA	\$ (2,868)	\$ 1,137	\$ (2,926)	\$ 14,362	\$ 31,228	\$ 30,470

<sup>(1)</sup> During the three months ended March 31, 2023, we recognized a gain on the early extinguishment of debt of \$38.9 million, which is included in other (income) expense, net.

<sup>(2)</sup> For all periods presented, we incurred \$0.2 million related to our Tides Foundation warrant.

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

	Twelve Months Ended December 31,		
	2023	2022	2021
Cash provided by operating activities	\$ 27,221	\$ 6,559	\$ 10,836
Less: purchases of property, plant & equipment and cash outflows from internally developed software	(13,351)	(8,733)	(6,137)
Free cash flow	13,870	(2,174)	4,699
Add: adjustment for timing differences <sup>(1)</sup>	34,450	—	—
Adjusted free cash flow	\$ 48,320	\$ (2,174)	\$ 4,699

<sup>(1)</sup> Adjusted for the timing of our invoicing and cash collection from Marketplace clients as a result of Upwork being subject to escrow regulations.

# Key Definitions

## Active Clients

We define an Active Client as a client that has had spend activity on our work marketplace during the 12 months preceding the date of measurement.

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## Adjusted EBITDA

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, other non-cash transactions.

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## Adjusted Free Cash Flow

We define Adjusted Free Cash Flow as cash flow from operations less purchases of property, plant & equipment and cash outflows from internally developed software, adjusted for the timing of our invoicing and cash collection from Marketplace clients as a result of Upwork being subject to escrow regulations.<sup>1</sup>

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## Connects

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

## Enterprise Client

We define an Enterprise Client as a client that has entered into a contract for its use of our Enterprise Solutions or Managed Services offerings.

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## Enterprise Revenue

We define Enterprise Revenue as revenue from our Enterprise offerings, including all client fees, subscriptions, and talent service fees from our Enterprise Solutions offering, previously referred to as Upwork Enterprise, and Managed Services.

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## Gross Services Volume (GSV)

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

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## GSV per Active Client

GSV per Active Client is calculated by dividing total GSV during the four quarters ended on the date of measurement by the number of active clients on the date of measurement.

<sup>1</sup> Each Sunday, we invoice clients for hourly Marketplace contracts, the majority of which represents amounts payable to talent by clients, which temporarily increases our client receivables balance until we commence cash collections the following day. This impacts our net cash from operations due to the corresponding increase in escrow funds payable to talent being presented in cash flows from financing activities.

# Key Definitions

## Marketplace Revenue

Marketplace revenue represents the majority of our revenue and is derived from our Marketplace offerings, which include all offerings other than our Enterprise offerings—Enterprise Solutions, previously referred to as Upwork Enterprise, and Managed Services.

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## 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.

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## Take Rate

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

# About Upwork

## **About Upwork**

Upwork is the world's largest work marketplace that connects businesses with 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](https://upwork.com) and join us on [LinkedIn](https://www.linkedin.com/company/upwork), [Facebook](https://www.facebook.com/upwork), [Instagram](https://www.instagram.com/upwork), [TikTok](https://www.tiktok.com/@upwork), and [X](https://twitter.com/Upwork).

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## **Disclosure Information**

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

# Safe Harbor Statement

This presentation of Upwork Inc. (the “Company,” “we,” “us,” or “our”) contains “forward-looking” statements within the meaning of the federal securities laws.

Forward-looking statements include all statements other than statements of historical fact, including any statements regarding our future operating results and financial position, including expected financial results for the first quarter and full year 2024, information or predictions concerning the future of our business or strategy, anticipated events and trends, potential growth or growth prospects, competitive position, technological and market trends, including artificial intelligence, industry environment, the economy, our plans with respect to our share repurchase program, 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 for the three months ended September 30, 2023, filed with the SEC on November 7, 2023, and in our other SEC filings. Additional information will also be set forth under the caption “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023, when filed.

Undue reliance should not be placed on the forward-looking statements in this presentation. These statements are based on information available to us on the date hereof, and we assume no obligation to update such statements. Moreover, neither we nor any other person makes any representation or warranty as to the accuracy or completeness of the information herein. This presentation is made solely for informational purposes.

All third-party trademarks, including names, logos, and brands, referenced in this presentation are property of their respective owners. All references to third-party trademarks are for identification purposes only and shall be considered nominative fair use under trademark law.

# Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), we present certain non-GAAP financial measures in this presentation, including adjusted EBITDA and adjusted free cash flow.

We use non-GAAP financial measures in conjunction with financial measures prepared in accordance with GAAP for planning purposes, including in 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 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, and adjusted free cash flow allows investors to evaluate the cash generated from our underlying operations across periods. We exclude the following items from one or more of our non-GAAP financial measures: stock-based compensation expense (non-cash expense calculated by companies using a variety of valuation methodologies and subjective assumptions), depreciation and amortization (non-cash expense), interest expense, other (income) expense, net, income tax (benefit) provision, and, if applicable, other non-cash transactions. In addition, to calculate adjusted free cash flow, we exclude from cash flows from operations purchases of property, plant & equipment and cash outflows from internally developed software, and adjust for the timing of our invoicing and cash collection from Marketplace clients as a result of Upwork being subject to escrow regulations.

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) stock-based compensation expense 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 these non-GAAP financial measures. Reconciliations of the non-GAAP measures presented in this presentation to their most directly comparable GAAP financial measures have been provided in the financial statement tables included in this presentation, and investors are encouraged to review the reconciliations and not rely on any single financial measure to evaluate the Company’s business.

We have not reconciled our adjusted EBITDA guidance to GAAP net income (loss) or non-GAAP diluted EPS guidance to GAAP diluted EPS because certain items that impact GAAP net income (loss) and GAAP diluted EPS are uncertain or out of our control and cannot be reasonably predicted. In particular, stock-based compensation expense is impacted by the future fair market value of our common stock and other factors, all of which are difficult to predict, subject to frequent change, or not within our control. The actual amount of these expenses during the first quarter of 2024 and fiscal year 2024 will have a significant impact on our future GAAP financial results. Accordingly, a reconciliation of adjusted EBITDA guidance to GAAP net income (loss) and non-GAAP diluted EPS guidance to GAAP diluted EPS is not available without unreasonable effort.