

**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): November 4, 2020

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.)

2625 Augustine Drive, Suite 601

Santa Clara, California

(Address of Principal Executive Offices)

95054

(Zip Code)

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

Not Applicable

(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 November 4, 2020, Upwork Inc. (the “Company”) issued a press release and will hold a conference call regarding its financial results for the quarter ended September 30, 2020. A copy of the press release is furnished as Exhibit 99.1 to this report.

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 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, except as expressly set forth by specific reference in such a filing.

The Company is making reference to non-GAAP financial information in both the press release and the conference call. A reconciliation of GAAP to non-GAAP results is provided in the attached Exhibit 99.1 press release.

The Company uses its Investor Relations website (investors.upwork.com), its Twitter handle (twitter.com/Upwork) and Hayden Brown’s Twitter handle (twitter.com/hydnbrwn) and LinkedIn profile (linkedin.com/in/haydenlbrown) as a means of disseminating or providing notification of, among other things, news or announcements regarding its business or financial performance, investor events, press releases and earnings releases and as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|--|
| 99.1 | Press Release dated November 4, 2020 |
| 104 | Cover Page Interactive Data File - the cover page XBRL tags are 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: November 4, 2020

By: _____ /s/ Jeff McCombs
Jeff McCombs
Chief Financial Officer
(Principal Financial and Accounting Officer)

Upwork Reports Third Quarter 2020 Financial Results

- Revenue grew 24% year-over-year to \$96.7 million, exceeding guidance
- Marketplace revenue grew 26% year-over-year to \$88.0 million
- Marketplace take rate improved from 13.3% to 13.6% year-over-year

Santa Clara, CA – November 4, 2020 – Upwork Inc. (Nasdaq: UPWK), the world’s largest work marketplace that connects businesses with independent talent, as measured by gross services volume (“GSV”), today announced its third quarter 2020 financial results.

“Our third quarter performance was fueled by strength from both existing and new clients, who adopted Upwork in record numbers. As the world’s largest work marketplace that connects businesses with independent talent, as measured by gross services volume, we have been building capabilities and tools for a world now increasingly ready to use them,” said Hayden Brown, President and CEO of Upwork. “Our vision is to place independent talent at the heart of every business; everything we do is, and will continue to be, focused on powering our customers’ progress. This quarter we continued to expand our platform to serve our customers with Project Catalog, a curated collection of pre-scoped projects that provides a new click-and-buy way for clients and freelancers to instantly begin working together on the Upwork marketplace.”

Third Quarter 2020 Financial Results

- **Gross services volume (GSV)** increased by 23% year-over-year to \$654.5 million;
- **Revenue** grew 24% year-over-year to \$96.7 million;
- **Marketplace revenue** grew 26% year-over-year to \$88.0 million;
- **Marketplace take rate** was 13.6%, up from 13.3% a year ago;
- **Gross margin** increased two percentage points year-over-year to 73%;
- **Net loss** was \$2.7 million, or \$(0.02) per share, compared to a net loss of \$3.5 million, or \$(0.03) per share, in the third quarter of 2019;
- **Non-GAAP net income** was \$5.0 million, or \$0.04 per share, compared to non-GAAP net income of \$1.1 million, or \$0.01 per share, in the third quarter of 2019; and
- **Adjusted EBITDA**, a non-GAAP financial measure, was \$6.7 million compared to adjusted EBITDA of \$2.0 million in the third quarter of 2019.

Note: Reported figures are rounded; unless otherwise noted, comparisons of the third quarter of 2020 are to the third quarter of 2019. All financial measures are GAAP unless cited as non-GAAP. Certain operating metrics used here, including “GSV” and “marketplace take rate,” are defined in our Annual Report on Form 10-K for the full year ended December 31, 2019 and our most recently filed Quarterly Report on Form 10-Q.

A reconciliation of GAAP to non-GAAP financial measures has been provided at the end of this press release. An explanation of these measures is also included below under the heading “Non-GAAP Financial Measures.”

Guidance

The fourth quarter guidance we are providing today factors in the expected impacts of the COVID-19 pandemic that are available to us as of today.

As of November 4, 2020, Upwork is providing the following guidance for its fourth quarter and full year 2020 as follows:

For the fourth quarter of 2020, Upwork expects to report:

- Revenue in the range of \$96 million to \$98 million
- Weighted-average shares outstanding in the range of 122 million to 124 million

For the full year 2020, Upwork expects to report:

- Revenue in the range of \$363 million to \$365 million
- Weighted-average shares outstanding in the range of 118 million to 122 million

Third Quarter 2020 Financial Results Conference Call and Webcast

Upwork will host a conference call today at 2 p.m. Pacific Time/5 p.m. Eastern Time to discuss the company’s third quarter 2020 financial results. An audio webcast archive will be available following the live event for approximately one year at investors.upwork.com. The prepared remarks corresponding to the information reviewed on today’s conference call will also be available on our Investor Relations website, once the call has concluded.

We use our investor relations website (investors.upwork.com), our Twitter handle (twitter.com/Upwork) and Hayden Brown’s Twitter handle (twitter.com/hydnbrwn) and LinkedIn profile (linkedin.com/in/haydenlbrown) as a 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 a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. The content of our websites and information that we may post on or provide to online and social media channels, including those mentioned above, and information that can be accessed through our websites or these online and social media channels are not incorporated by reference into this press release or in any report or document we file with the SEC, and any references to our websites or these online and social media channels are intended to be inactive textual references only.

Safe Harbor Statement

This press release includes forward-looking statements, which are statements other than statements of historical facts, and statements in the future tense. These statements include, but are not limited to, statements regarding the future performance of Upwork and its market opportunity, including expected financial results for the fourth quarter of 2020 and full year 2020, expectations regarding the impact of the COVID-19 pandemic on our business and industry, and expectations for capturing market share and regarding the changing landscape of work, as well as statements regarding our planned investments to support growth. Accordingly, actual results could differ materially or such uncertainties could cause adverse effects on our results. Forward-looking statements are based upon various estimates and assumptions, as well as information known to Upwork as of the date of this press release, and are

subject to risks and uncertainties, including but not limited to: the impact and duration of the COVID-19 pandemic on our business and global economic conditions; the impact, severity and duration of safety measures put in place to mitigate the impact of the COVID-19 pandemic; our ability to attract and retain a community of freelancers and clients; our limited operating history under our current business strategy and pricing model; our focus on the long-term and our investments in sustainable, profitable growth; our ability to develop and release new products and services, and develop and release successful enhancements, features, and modifications to our existing products and services; the impact of new and existing laws and regulations; our ability to generate revenue from our marketplace offerings and the effects of fluctuations in our level of client spend retention; our ability to develop, maintain, and enhance our brand and reputation cost-effectively; competition; challenges to contractor classification or employment status of freelancers on our platform; the possibility that the market for freelancers and the services they offer will develop more slowly than we expect; user circumvention of our platform; our ability to sell to mid-market, large enterprise, and global account clients; the success of our investments in our enterprise sales organization and our related marketing efforts, and expectations for the ability for enterprise sales to drive incremental revenue and GSV growth; changes in the amount and mix of services facilitated through our platform in a period; changes in our level of investment in sales and marketing, research and development, and general and administrative expenses, and our hiring plans for sales personnel; the market for information technology; future changes to our pricing model; payment and fraud risks; security breaches; privacy; litigation and related costs; changes in management; and other general market, political, economic, and business conditions. Actual results could differ materially from those predicted or implied, and reported results should not be considered as an indication of future performance. Additionally, these forward-looking statements, particularly our guidance, involve risks, uncertainties and assumptions, including those related to the impacts of the COVID-19 pandemic on our clients' spending decisions. Significant variation from the assumptions underlying our forward-looking statements could cause our actual results to vary, and the impact could be significant.

Additional risks and uncertainties that could affect our financial results are included under the caption "Risk Factors" in our Annual Report on Form 10-K filed with the SEC on March 2, 2020, our Quarterly Report on Form 10-Q filed with the SEC on August 4, 2020, and our other SEC filings, which are available on the Investor Relations page of our website at investors.upwork.com and on the SEC website at www.sec.gov. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the three months ended September 30, 2020 when filed. All forward-looking statements contained herein are based on information available to us as of the date hereof, and we do not assume any obligation to update these statements as a result of new information or future events.

Undue reliance should not be placed on the forward-looking statements in this press release. These statements are based on information available to Upwork on the date hereof, and Upwork assumes no obligation to update such statements.

Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements, which are prepared in accordance with GAAP, we present non-GAAP cost of revenue (and as a percentage of revenue), non-GAAP gross profit (and as a percentage of revenue), non-GAAP operating expenses (total and each line item, and total and each non-GAAP operating expense item as a percentage of revenue), non-GAAP income (loss) from operations (and as a percentage of revenue), non-GAAP net income (loss) (and as a percentage of revenue and on a per share basis), and adjusted EBITDA in this press release. Our use of non-GAAP financial measures has limitations as an analytical tool, and these measures should not be considered in isolation or as a substitute for analysis of financial results as reported under GAAP.

We use these 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 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. 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, which in the periods presented consists of expense associated with the common stock warrant that we issued to the Tides Foundation.

Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. 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; (c) tax payments that may represent a reduction in cash available to us; or (d) expense from our common stock warrant issued to the Tides Foundation, which is recurring and will be reflected in our financial results for the foreseeable future. The non-GAAP measures we use may be different from non-GAAP financial measures used by other companies, 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. A reconciliation of these non-GAAP measures has been provided in the financial statement tables included in this press release and investors are encouraged to review the reconciliation.

About Upwork

Upwork is the world's largest work marketplace that connects businesses with independent talent, as measured by gross services volume ("GSV"). We serve everyone from one-person startups to 30% of the Fortune 100 with a powerful, trust-driven platform that enables companies and freelancers to work together in new ways that unlock their potential. Our talent community earned over \$2 billion on Upwork in 2019 across more than 8,000 skills, including website & app development, creative & design, customer support, finance & accounting, consulting, and operations. Learn more at www.upwork.com and join us on LinkedIn, Twitter, and Facebook.

Upwork is a registered trademark of Upwork Inc. All other product and brand names may be trademarks or registered trademarks of their respective owners.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue | | | | |
| Marketplace | \$ 88,040 | \$ 69,912 | \$ 241,286 | \$ 196,095 |
| Managed services | 8,708 | 8,103 | 26,189 | 24,179 |
| Total revenue | 96,748 | 78,015 | 267,475 | 220,274 |
| Cost of revenue | 26,596 | 22,494 | 75,489 | 65,207 |
| Gross profit | 70,152 | 55,521 | 191,986 | 155,067 |
| Operating expenses | | | | |
| Research and development | 20,833 | 16,209 | 60,728 | 47,705 |
| Sales and marketing | 33,577 | 25,322 | 98,695 | 70,319 |
| General and administrative | 18,047 | 16,468 | 52,973 | 46,193 |
| Provision for transaction losses | 724 | 1,214 | 2,654 | 2,706 |
| Total operating expenses | 73,181 | 59,213 | 215,050 | 166,923 |
| Loss from operations | (3,029) | (3,692) | (23,064) | (11,856) |
| Interest expense | 152 | 317 | 640 | 1,047 |
| Other (income) expense, net | (452) | (462) | 31 | (1,773) |
| Loss before income taxes | (2,729) | (3,547) | (23,735) | (11,130) |
| Income tax provision | (18) | — | (57) | (28) |
| Net loss | \$ (2,747) | \$ (3,547) | \$ (23,792) | \$ (11,158) |
| Net loss per share, basic and diluted | \$ (0.02) | \$ (0.03) | \$ (0.20) | \$ (0.10) |
| Weighted-average shares used to compute net loss per share, basic and diluted | 120,681 | 111,163 | 117,121 | 108,844 |

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

| | September 30, 2020 | December 31, 2019 |
|---|--------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 88,436 | \$ 48,392 |
| Marketable securities | 67,051 | 85,481 |
| Funds held in escrow, including funds in transit | 128,131 | 108,721 |
| Trade and client receivables, net | 39,853 | 30,156 |
| Prepaid expenses and other current assets | 8,487 | 7,885 |
| Total current assets | 331,958 | 280,635 |
| Property and equipment, net | 27,680 | 21,454 |
| Goodwill | 118,219 | 118,219 |
| Intangible assets, net | 1,334 | 3,335 |
| Operating lease asset | 20,662 | 21,908 |
| Other assets, noncurrent | 1,784 | 829 |
| Total assets | \$ 501,637 | \$ 446,380 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 5,708 | \$ 652 |
| Escrow funds payable | 128,131 | 108,721 |
| Debt, current | 7,576 | 7,584 |
| Accrued expenses and other current liabilities | 28,766 | 18,342 |
| Deferred revenue | 15,892 | 13,799 |
| Total current liabilities | 186,073 | 149,098 |
| Debt, noncurrent | 5,021 | 10,699 |
| Operating lease liability, noncurrent | 21,693 | 21,186 |
| Other liabilities, noncurrent | 7,276 | 5,973 |
| Total liabilities | 220,063 | 186,956 |
| Stockholders' equity | | |
| Common stock | 12 | 11 |
| Additional paid-in capital | 477,311 | 431,370 |
| Accumulated deficit | (195,749) | (171,957) |
| Total stockholders' equity | 281,574 | 259,424 |
| Total liabilities and stockholders' equity | \$ 501,637 | \$ 446,380 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-------------------|------------------------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net loss | \$ (2,747) | \$ (3,547) | \$ (23,792) | \$ (11,158) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | |
| Provision for transaction losses | 1,048 | 1,040 | 2,654 | 2,078 |
| Depreciation and amortization | 2,658 | 1,671 | 7,444 | 4,498 |
| Amortization of debt issuance costs | 17 | 13 | 43 | 39 |
| Amortization of discount on purchases of marketable securities | (54) | (283) | (311) | (948) |
| Amortization of operating lease asset | 982 | 882 | 2,927 | 3,059 |
| Tides Foundation common stock warrant expense | 188 | 62 | 564 | 439 |
| Stock-based compensation expense | 6,856 | 3,932 | 19,527 | 10,858 |
| Changes in operating assets and liabilities: | | | | |
| Trade and client receivables | (7,717) | 22,875 | (12,490) | (7,103) |
| Prepaid expenses and other assets | 684 | (822) | (284) | (1,407) |
| Operating lease liability | (495) | 19 | (1,420) | (979) |
| Accounts payable | 684 | 1,286 | 5,087 | 697 |
| Accrued expenses and other liabilities | 3,216 | 1,289 | 10,448 | (799) |
| Deferred revenue | 1,430 | 1,410 | 3,015 | 2,727 |
| Net cash provided by operating activities | 6,750 | 29,827 | 13,412 | 2,001 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Purchases of marketable securities | (22,467) | (45,383) | (70,215) | (131,950) |
| Proceeds from maturities of marketable securities | 25,000 | 47,700 | 89,000 | 72,500 |
| Purchases of property and equipment | (583) | (2,795) | (6,210) | (10,230) |
| Internal-use software and platform development costs | (2,008) | (1,872) | (5,567) | (4,054) |
| Net cash provided by (used in) investing activities | (58) | (2,350) | 7,008 | (73,734) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Changes in escrow funds payable | (1,423) | (3,709) | 19,409 | 16,407 |
| Proceeds from exercises of stock options and common stock warrants | 7,333 | 3,634 | 23,343 | 13,974 |
| Proceeds from borrowings on debt | — | — | 18,000 | 50,000 |
| Repayment of debt | (1,943) | (26,893) | (23,729) | (53,786) |
| Proceeds from employee stock purchase plan | — | — | 2,661 | 3,577 |
| Net cash provided by (used in) financing activities | 3,967 | (26,968) | 39,684 | 30,172 |
| NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | 10,659 | 509 | 60,104 | (41,561) |
| Cash, cash equivalents, and restricted cash—beginning of period | 209,048 | 187,997 | 159,603 | 230,067 |
| Cash, cash equivalents, and restricted cash—end of period | <u>\$ 219,707</u> | <u>\$ 188,506</u> | <u>\$ 219,707</u> | <u>\$ 188,506</u> |

The following table reconciles cash, cash equivalents, and restricted cash as reported in the condensed consolidated balance sheets to the total of the same amounts shown in the condensed consolidated statements of cash flows as of September 30, 2020 and December 31, 2019 (in thousands):

| | September 30, 2020 | December 31, 2019 |
|--|---------------------------|--------------------------|
| Cash and cash equivalents | \$ 88,436 | \$ 48,392 |
| Restricted cash | 3,140 | 2,490 |
| Funds held in escrow, including funds in transit | 128,131 | 108,721 |
| Total cash, cash equivalents, and restricted cash as shown in the condensed consolidated statement of cash flows | <u>\$ 219,707</u> | <u>\$ 159,603</u> |

UPWORK INC.
COST OF REVENUE AND GROSS MARGIN
(In thousands, except percentages)
(Unaudited)

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|-------------------------------------|-----------|----------|------|------------------------------------|-----------|-----------|------|
| | 2020 | 2019 | Change | | 2020 | 2019 | Change | |
| Cost of revenue | \$ 26,596 | \$ 22,494 | \$ 4,102 | 18 % | \$ 75,489 | \$ 65,207 | \$ 10,282 | 16 % |
| Components of cost of revenue: | | | | | | | | |
| Cost of freelancer services to deliver managed services | 7,093 | 6,745 | 348 | 5 % | 21,327 | 20,143 | 1,184 | 6 % |
| Other components of cost of revenue | 19,503 | 15,749 | 3,754 | 24 % | 54,162 | 45,064 | 9,098 | 20 % |
| Total gross margin | 73 % | 71 % | | | 72 % | 70 % | | |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| GAAP Net Loss | \$ (2,747) | \$ (3,547) | \$ (23,792) | \$ (11,158) |
| Add back (deduct): | | | | |
| Stock-based compensation expense | 6,856 | 3,932 | 19,527 | 10,858 |
| Depreciation and amortization | 2,658 | 1,671 | 7,444 | 4,498 |
| Interest expense | 152 | 317 | 640 | 1,047 |
| Other (income) expense, net | (452) | (462) | 31 | (1,773) |
| Income tax provision | 18 | — | 57 | 28 |
| Tides Foundation common stock warrant expense | 188 | 62 | 564 | 439 |
| Non-GAAP Adjusted EBITDA | <u>\$ 6,673</u> | <u>\$ 1,973</u> | <u>\$ 4,471</u> | <u>\$ 3,939</u> |
| Cost of Revenue Reconciliation: | | | | |
| Cost of revenue, GAAP | \$ 26,596 | \$ 22,494 | \$ 75,489 | \$ 65,207 |
| Stock-based compensation | (203) | (109) | (579) | (326) |
| Cost of revenue, Non-GAAP | <u>\$ 26,393</u> | <u>\$ 22,385</u> | <u>\$ 74,910</u> | <u>\$ 64,881</u> |
| % of revenue, GAAP | 27 % | 29 % | 28 % | 30 % |
| % of revenue, Non-GAAP | 27 % | 29 % | 28 % | 29 % |
| Gross Profit Reconciliation: | | | | |
| Gross profit, GAAP | \$ 70,152 | \$ 55,521 | \$ 191,986 | \$ 155,067 |
| Stock-based compensation | 203 | 109 | 579 | 326 |
| Gross profit, Non-GAAP | <u>\$ 70,355</u> | <u>\$ 55,630</u> | <u>\$ 192,565</u> | <u>\$ 155,393</u> |
| % of revenue, GAAP | 73 % | 71 % | 72 % | 70 % |
| % of revenue, Non-GAAP | 73 % | 71 % | 72 % | 71 % |
| Operating Expenses Reconciliation: | | | | |
| Research and development, GAAP | \$ 20,833 | \$ 16,209 | \$ 60,728 | \$ 47,705 |
| Stock-based compensation | (2,567) | (1,503) | (7,286) | (4,569) |
| Research and development, Non-GAAP | <u>\$ 18,266</u> | <u>\$ 14,706</u> | <u>\$ 53,442</u> | <u>\$ 43,136</u> |
| % of revenue, GAAP | 22 % | 21 % | 23 % | 22 % |
| % of revenue, Non-GAAP | 19 % | 19 % | 20 % | 20 % |
| Sales and marketing, GAAP | \$ 33,577 | \$ 25,322 | \$ 98,695 | \$ 70,319 |
| Stock-based compensation | (1,212) | (635) | (3,452) | (1,860) |
| Sales and marketing, Non-GAAP | <u>\$ 32,365</u> | <u>\$ 24,687</u> | <u>\$ 95,243</u> | <u>\$ 68,459</u> |
| % of revenue, GAAP | 35 % | 32 % | 37 % | 32 % |
| % of revenue, Non-GAAP | 33 % | 32 % | 36 % | 31 % |
| General and administrative, GAAP | \$ 18,047 | \$ 16,468 | \$ 52,973 | \$ 46,193 |
| Stock-based compensation | (2,874) | (1,685) | (8,210) | (4,103) |
| Amortization of intangible assets | (667) | (667) | (1,334) | (1,334) |
| Tides Foundation common stock warrant expense | (188) | (62) | (564) | (439) |
| General and administrative, Non-GAAP | <u>\$ 14,318</u> | <u>\$ 14,054</u> | <u>\$ 42,865</u> | <u>\$ 40,317</u> |
| % of revenue, GAAP | 19 % | 21 % | 20 % | 21 % |
| % of revenue, Non-GAAP | 15 % | 18 % | 16 % | 18 % |
| Loss from Operations Reconciliation: | | | | |
| Loss from operations, GAAP | \$ (3,029) | \$ (3,692) | \$ (23,064) | \$ (11,856) |
| Stock-based compensation | 6,856 | 3,932 | 19,527 | 10,858 |
| Amortization of intangible assets | 667 | 667 | 1,334 | 1,334 |
| Tides Foundation common stock warrant expense | 188 | 62 | 564 | 439 |
| Income (loss) from operations, Non-GAAP | <u>\$ 4,682</u> | <u>\$ 969</u> | <u>\$ (1,639)</u> | <u>\$ 775</u> |
| % of revenue, GAAP | -3 % | -5 % | -9 % | -5 % |
| % of revenue, Non-GAAP | 5 % | 1 % | -1 % | — % |
| Net Loss Reconciliation: | | | | |
| Net loss, GAAP | \$ (2,747) | \$ (3,547) | \$ (23,792) | \$ (11,158) |
| Stock-based compensation | 6,856 | 3,932 | 19,527 | 10,858 |
| Amortization of intangible assets | 667 | 667 | 1,334 | 1,334 |
| Tides Foundation common stock warrant expense | 188 | 62 | 564 | 439 |
| Net income (loss), Non-GAAP | <u>\$ 4,964</u> | <u>\$ 1,114</u> | <u>\$ (2,367)</u> | <u>\$ 1,473</u> |
| % of revenue, GAAP | -3 % | -5 % | -9 % | -5 % |
| % of revenue, Non-GAAP | 5 % | 1 % | -1 % | 1 % |
| Net Loss per Share Reconciliation: | | | | |
| Weighted-average shares outstanding | 120,681 | 111,163 | 117,121 | 108,844 |
| Net loss per share, GAAP | \$ (0.02) | \$ (0.03) | \$ (0.20) | \$ (0.10) |
| Net income (loss) per share, Non-GAAP | \$ 0.04 | \$ 0.01 | \$ (0.02) | \$ 0.01 |

