

# Upwork Q3 2024 Earnings

upwork

# 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 fourth 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 share repurchases, the expected impact of cost-saving initiatives, our planned acquisition of Objective AI, Inc. 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 June 30, 2024, 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](https://investors.upwork.com) and on the SEC’s website at [www.sec.gov](https://www.sec.gov). Additional information will also be set forth under the caption “Risk Factors” in our Quarterly Report on Form 10-Q for the three months ended September 30, 2024, when filed.

Undue reliance should not be placed on the forward-looking statements in this presentation. 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.

Top line growth with continued margin accretion

Q3'24

GSV

**\$998M**

*-3% year-over-year*

Revenue

**\$193.8M**

*+10% year-over-year*

GAAP Gross Margin

**78%**

*+222 bps year-over-year*

Adjusted EBITDA

**\$43.2M**

*22.3% adjusted EBITDA margin*

Free Cash Flow

**\$98.0M<sup>1</sup>**

*226.6% FCF/adjusted EBITDA*

Take Rate

**19.4%**

*+236 bps year-over-year*

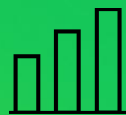
*<sup>1</sup>Free cash flow benefited from the weekly timing of customer payments in the quarter due to Q2 ending on a Sunday. We estimate our normalized FCF in Q3 2024 to be approximately \$52M*

"GSV," "Adjusted EBITDA," "Free Cash Flow," and "Take Rate" are defined in the definitions section of this presentation. Adjusted EBITDA, adjusted EBITDA margin, free cash flow, and free cash flow conversion rate are non-GAAP financial 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 financial measures and reconciliations to their most directly comparable GAAP financial measures can be found in the appendix of this presentation. For more information regarding our third quarter 2024 results, please refer to our press release dated November 6, 2024 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, filed with the SEC on November 6, 2024.

# Third quarter highlights



GSV from AI-related work up  
**36% year-over-year** in Q3



Highest ever net income of  
**\$27.8 million**



Ads & Monetization revenue  
**grew 35% year-over-year** in Q3



Strong Free Cash Flow  
generation; **\$98M<sup>1</sup>** in Q3

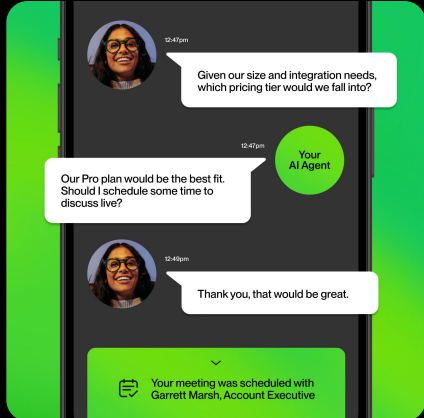
*<sup>1</sup>Free cash flow benefited from the weekly timing of customer payments in the quarter due to Q2 ending on a Sunday. We estimate our normalized FCF in Q3 2024 to be approximately \$52M*

Free cash flow is a non-GAAP financial 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 financial measures and reconciliations to their most directly comparable GAAP financial measures can be found in the appendix of this presentation.

# Upwork Updates: Fall 2024

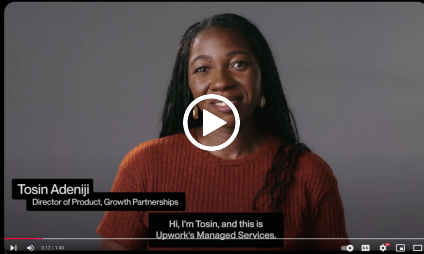
Upwork's semi-annual release of new products, features and partnerships to transform how businesses and professionals find each other, hire, collaborate, manage and pay for work.

[Explore the full collection of Upwork Updates](#)



# Upwork product updates

Find



## Managed Services now powered by Uma

Unlock potential with specialized professionals, access to AI-powered tools, and exclusive partner offers.

Hire

## All About Uma



## All About Uma

Connect with the right fit faster with help from Uma™ and through new ways to tap personalized services.

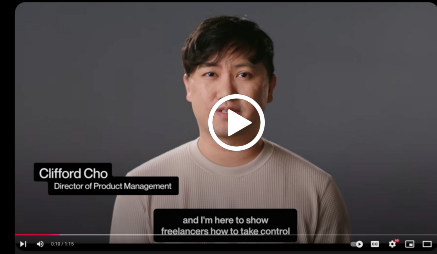
Collaborate



## Introducing Upwork Business Plus

Build strong working relationships with enhancements to help you connect and communicate with ease.

Manage & Pay



## Introducing Job Success Insights

Optimize your experience with increased transparency, personalized insights, and more payment options.

# Partnerships

Acquiring new clients  
cost-effectively

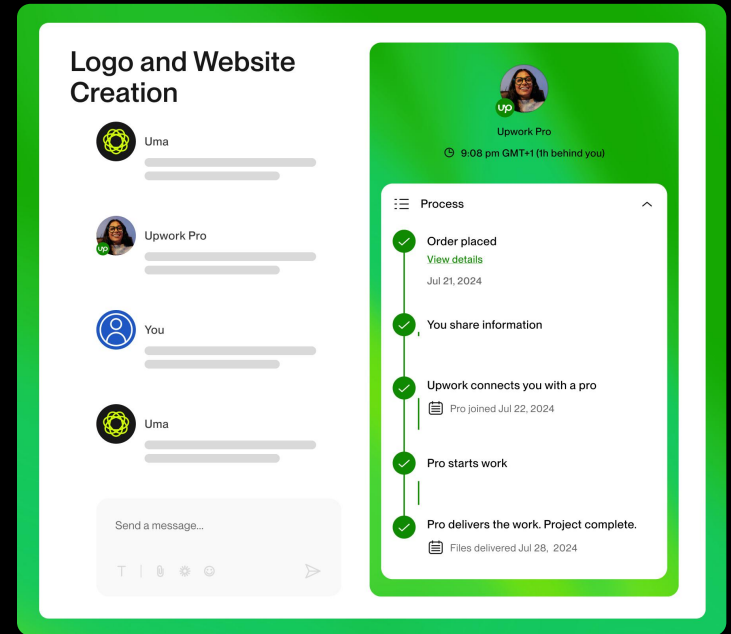
Third-party tech providers have the ability to offer fully-managed projects delivered by Upwork embedded directly within checkout and platform experiences

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Lettuce and Ocoya are now offering proven talent from Upwork, complemented by AI-powered managed service support, within their own customer workflow

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Expanded Upwork's Partner Experts Program so clients can find the exact expertise they need more easily on Upwork, including pre-vetted experts in Weblow, Smartsheet, Bubble and others



Trusted talent are now easier to find,  
wherever you are

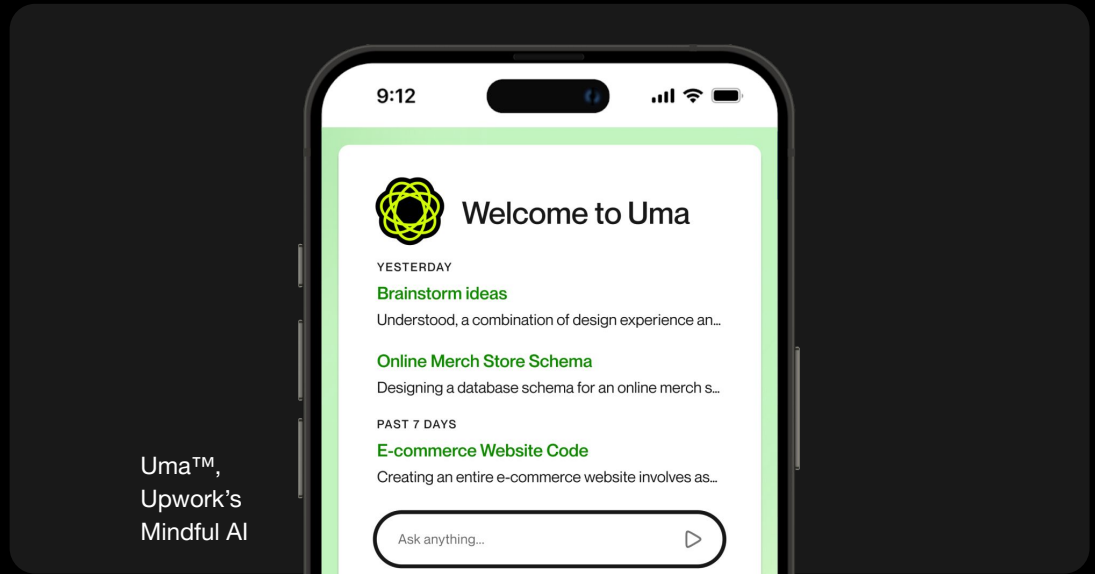
We've grown our ecosystem to create new earning opportunities for talent and expand access to skilled pros and Upwork's services to meet client needs, even when they're not on Upwork. Our partners can now offer fully managed projects delivery by Upwork to their customers, seamlessly within their own platform.

# Advancing AI work + innovation

Freelancers working on AI-related work earned 41% more per hour than those working on non-AI-related work in Q3

## Emerging Use Cases:

- AI integration work
- Prompt engineering
- Generative AI modeling
- Data labeling



# 36%

YoY increase in GSV from AI-related work in Q3 2024

# 30%

YoY increase in number of clients engaging in AI-related projects in Q3 2024



# Planned acquisition of Objective accelerates Upwork's AI strategy

Upwork announced agreement to acquire Objective, an AI-native search-as-a-service company<sup>1</sup>

- Will improve Upwork's core search, match, discovery and recommendations performance
- Bolsters Upwork's expertise in AI/ML, search and AI-infrastructure/platform
- Enhances Uma's capabilities related to images, videos and audio content

Follows the successful acquisition and integration of Headroom, which accelerated the AI product roadmap

<sup>1</sup>The Objective transaction is expected to close in Q4 2024, subject to the satisfaction of customary closing conditions.



Objective

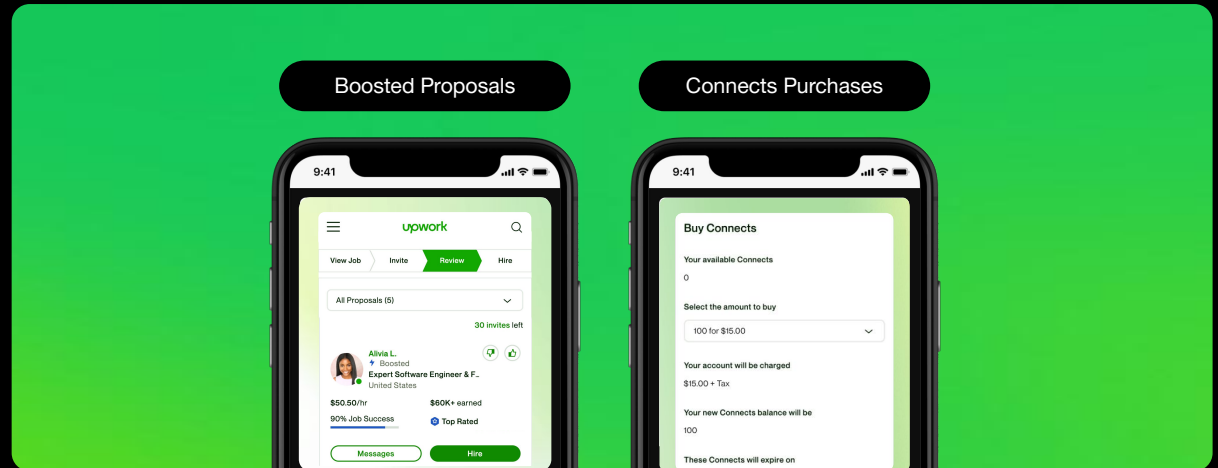
# Ads & monetization momentum

One of Upwork's fastest-growing revenue streams

Ads & monetization revenue grew 35% year-over-year in Q3

Ads & monetization products include:

- Freelancer Plus
- Boosted Profiles
- Boosted Proposals
- Connects Purchases
- New in Q3 '24: Featured Jobs



# Additions to our leadership team



**Ernesto Lamaina,**  
GM Enterprise



Ernesto was recently appointed General Manager of Enterprise. In this role, he oversees our global Enterprise and Managed Services organizations. Ernesto previously served as CEO of Adia, a platform that connects talent with temporary jobs, and has a strong background in staffing, finance, and entrepreneurship.



**Peter Sanborn,**  
VP Strategy, Corporate  
Development & Partnerships



With nearly 20 years of experience in strategy, M&A, investing, and finance, we are excited to welcome Peter to Upwork. In his new role, Peter will lead Upwork's Corporate Strategy, M&A, and investing activities, along with overseeing business development and channel partnerships.

# Agility and strong foundations in Enterprise



42 new total Enterprise logos in Q3, including Bill.com, GUESS, and Hunter Douglas



Unlocking the Enterprise TAM through an expanded product offering that delivers value to larger customers on the Marketplace with our Business Plus plan



Lowering our cost to serve and to acquire Enterprise customers

**bill**

**GUESS**

**HunterDouglas<sup>®</sup>**

# Continued commitment to profitability and efficiency

As part of a continued focus on organizational efficiency and profitability, Upwork announced a more streamlined organization on October 23rd, including:

**A streamlined organizational structure** to accelerate decision making that empowers teams to deliver better outcomes for customers

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**Optimizing cross-functional spend**, with a focus on high-return and high-potential investments

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**Sharpening Enterprise strategy** by aligning clients with the right service offerings and making changes to lower the cost to acquire and serve customers

**\$60M**

Expected annual cost savings

Continued Progress on:

**35%**

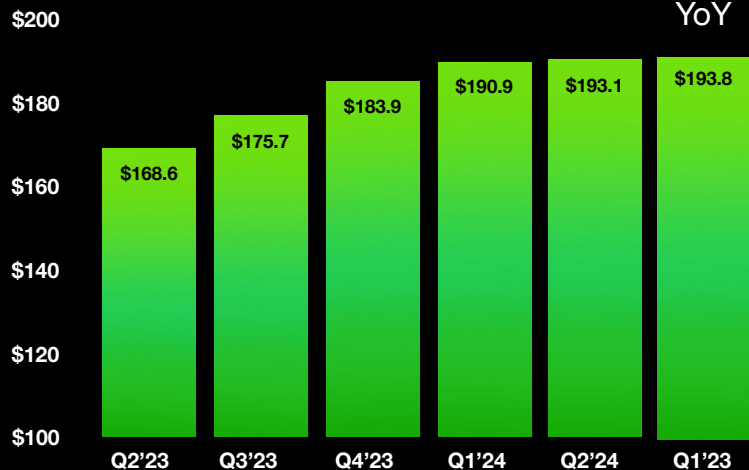
5-year Adjusted EBITDA margin target

# Third quarter revenue growth and continued margin expansion

Revenue

**\$193.8M**

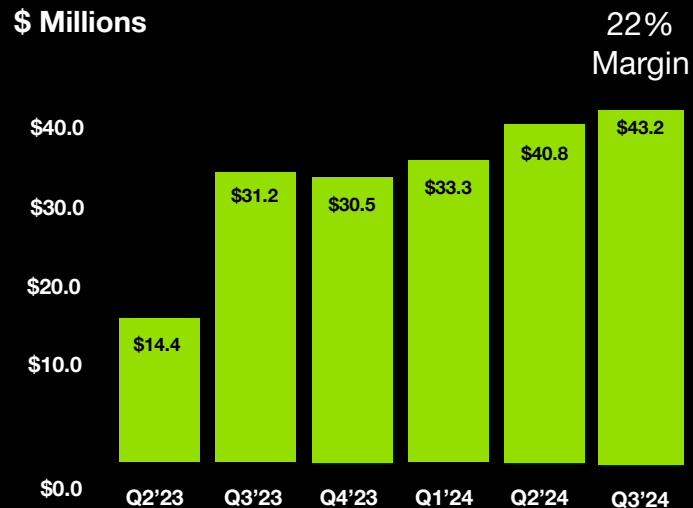
\$ Millions



Adjusted EBITDA

**\$43.2M**

\$ Millions

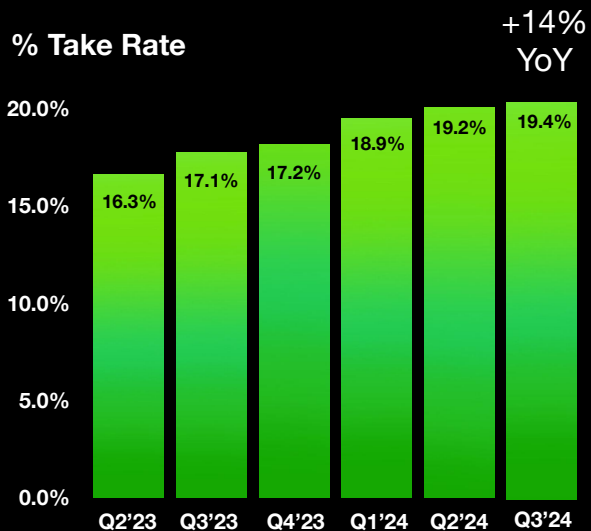


Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures and are presented for supplemental purposes only and should not be considered in isolation or as substitutes for financial information presented in accordance with GAAP. An explanation of non-GAAP financial measures and reconciliations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

# Take rate achieved an all-time high; Marketplace take rate rises above 18%

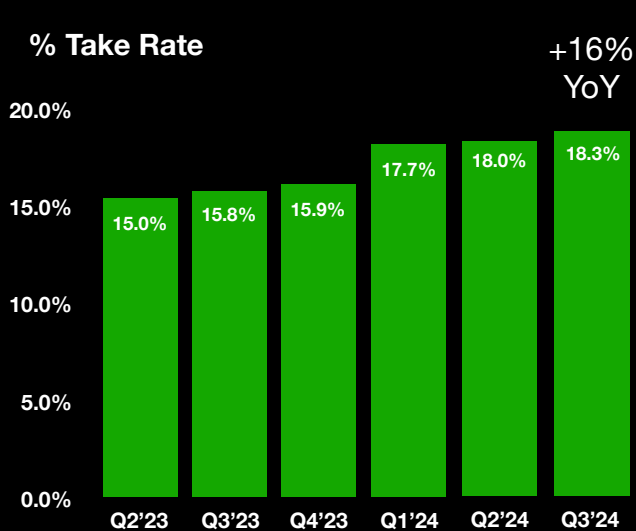
Take Rate

**19.4%**



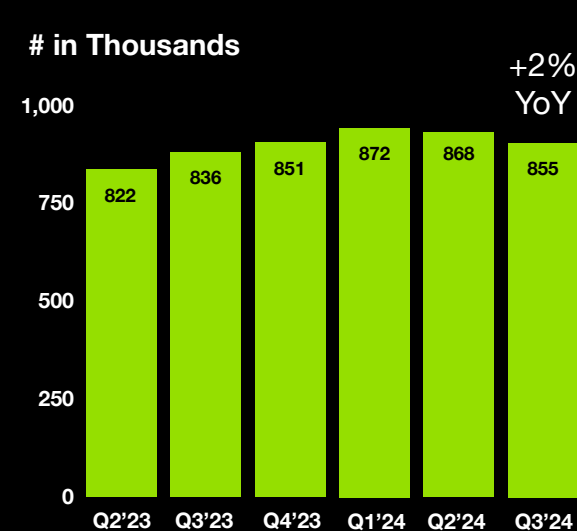
Marketplace Take Rate

**18.3%**



Active Clients

**855K**

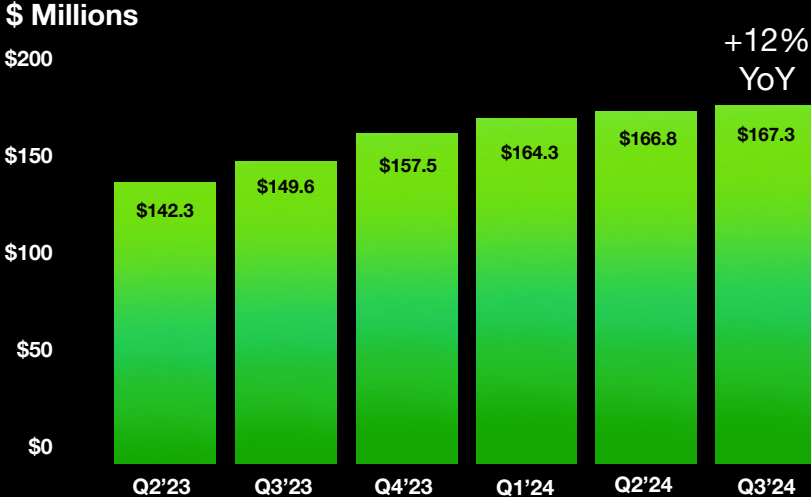


*"Take Rate," "Marketplace Take Rate," and "Active Client" are defined in the definitions section of this presentation.*

# Strong growth in Marketplace revenue

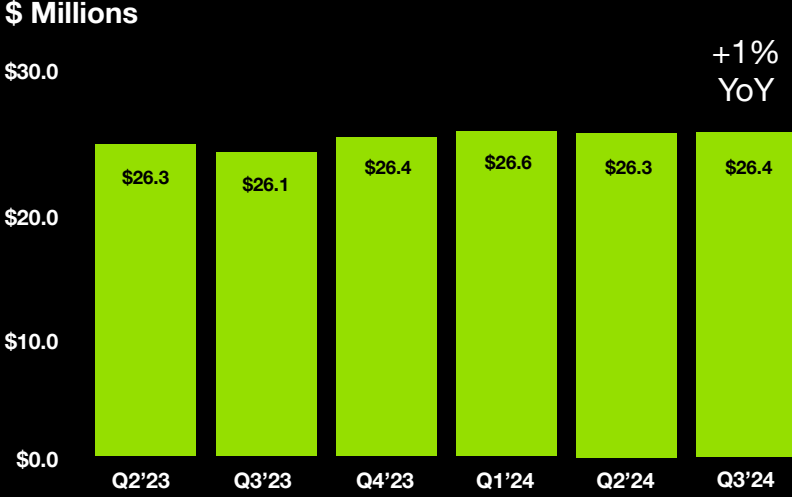
Marketplace Revenue

**\$167.3M**



Enterprise Revenue

**\$26.4M**



*In order to conform to the current period presentation as of September 30, 2024 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.*



# Expanding margins, strong cash flow + healthy balance sheet

Adjusted  
EBITDA Margin

In the third quarter 2024

**22.3%**

Free  
Cash Flow

In the third quarter 2024

**\$98M<sup>1</sup>**

Cash, cash equivalents  
and marketable securities

As of September 30, 2024

**\$601.2M**

*<sup>1</sup>Free cash flow benefited from the weekly timing of customer payments in the quarter due to Q2 ending on a Sunday. We estimate our normalized FCF in Q3 to be approximately \$52M*

*Adjusted EBITDA margin and free cash flow are non-GAAP financial 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 financial measures and reconciliations to their most directly comparable GAAP financial measures can be found in the appendix of this presentation.*

# Full-year guidance

	Q4 Guidance	FY 2024 Guidance
<b>Revenue</b>	\$178 million - \$183 million	\$756 million - \$761 million
<b>Adjusted EBITDA</b>	\$38 million - \$42 million	\$155 million - \$159 million
<b>Diluted weighted-average shares outstanding</b>	140 million - 142 million	139 million - 141 million
<b>Non-GAAP diluted EPS</b>	\$0.24 - \$0.26	\$1.00 - \$1.02
<b>Stock-based compensation expense</b>	Stock-based compensation expense is expected to be lower than previous guidance of \$20 million in Q4 2024	

# Appendix + Definitions

**UPWORK INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue				
Marketplace <sup>(1)</sup>	\$ 167,337	\$ 149,625	\$ 498,453	\$ 428,609
Enterprise <sup>(1)</sup>	26,439	26,108	79,389	76,593
Total revenue	193,776	175,733	577,842	505,202
Cost of revenue	43,408	43,273	131,453	124,582
Gross profit	150,368	132,460	446,389	380,620
Operating expenses				
Research and development	50,411	43,419	155,792	131,146
Sales and marketing	46,093	47,308	141,277	171,377
General and administrative	31,276	28,652	93,201	86,922
Provision for transaction losses	1,795	1,615	4,496	10,863
Total operating expenses	129,575	120,994	394,766	400,308
Income (loss) from operations	20,793	11,466	51,623	(19,688)
Other income, net	8,091	5,766	20,433	52,748
Income before income taxes	28,884	17,232	72,056	33,060
Income tax provision	(1,126)	(895)	(3,636)	(3,547)
Net income	\$ 27,758	\$ 16,337	\$ 68,420	\$ 29,513

<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 September 30, 2024, 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, previously referred to as Upwork Enterprise, in Marketplace revenue.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss) per share:				
Basic	\$ 0.21	\$ 0.12	\$ 0.51	\$ 0.22
Diluted	\$ 0.20	\$ 0.12	\$ 0.50	\$ (0.06)
Weighted-average shares used to compute net income (loss) per share				
Basic	132,603	135,450	133,404	134,152
Diluted	139,294	137,291	140,552	135,184

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

September 30, 2024

December 31, 2023

<b>ASSETS</b>		September 30, 2024		December 31, 2023
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$	288,464	\$	79,641
Marketable securities		312,719		470,457
Funds held in escrow, including funds in transit		214,302		212,387
Trade and client receivables, net		69,447		103,061
Prepaid expenses and other current assets		19,359		17,825
Total current assets		904,291		883,371
Property and equipment, net		29,875		27,140
Goodwill		118,219		118,219
Intangible assets, net		1,859		3,048
Operating lease asset		6,441		4,333
Other assets, noncurrent		1,974		1,430
Total assets	\$	1,062,659	\$	1,037,541
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities				
Accounts payable	\$	5,601	\$	5,063
Escrow funds payable		214,302		212,387
Accrued expenses and other current liabilities		55,754		58,192
Deferred revenue		8,782		17,361
Total current liabilities		284,439		293,003
Debt, noncurrent		357,468		356,087
Operating lease liability, noncurrent		9,220		6,088
Other liabilities, noncurrent		361		1,288
Total liabilities		651,488		656,466
Stockholders' equity				

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Common stock	13	14
Additional paid-in capital	635,578	674,918
Accumulated other comprehensive income	1,222	205
Accumulated deficit	(225,642)	(294,062)
Total stockholders' equity	<u>411,171</u>	<u>381,075</u>
Total liabilities and stockholders' equity	<u>\$ 1,062,659</u>	<u>\$ 1,037,541</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	\$ 27,758	\$ 16,337	\$ 68,420	\$ 29,513
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for transaction losses	1,100	1,364	3,533	6,806
Depreciation and amortization	3,668	1,763	10,443	5,641
Amortization of debt issuance costs	460	460	1,381	1,637
Accretion of discount on purchases of marketable securities, net	(2,272)	(3,678)	(10,431)	(9,832)
Amortization of operating lease asset	722	824	2,428	2,435
Tides Foundation common stock warrant expense	188	188	563	563
Stock-based compensation expense	18,578	17,811	54,758	56,148
Gain on early extinguishment of convertible senior notes	—	—	—	(38,945)
Changes in operating assets and liabilities:				
Trade and client receivables	46,015	4,319	29,857	(2,638)
Prepaid expenses and other assets	2,665	2,951	(2,468)	1,487
Operating lease liability	(1,086)	(1,509)	(4,215)	(4,375)
Accounts payable	(160)	(2,431)	541	(5,802)
Accrued expenses and other liabilities	6,480	4,064	(367)	(1,077)
Deferred revenue	(1,988)	(5,511)	(9,369)	(9,001)
Net cash provided by operating activities	102,128	36,952	145,074	32,560



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchases of marketable securities	(40,205)	(195,061)	(234,504)	(449,180)
Proceeds from maturities of marketable securities	43,423	143,637	365,269	451,047
Proceeds from sale of marketable securities	3,027	9,716	38,421	159,575
Purchases of property and equipment	(1,204)	(423)	(1,979)	(558)
Internal-use software and platform development costs	(2,963)	(3,107)	(8,600)	(9,179)
Net cash provided by (used in) investing activities	2,078	(45,238)	158,607	151,705

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Changes in escrow funds payable	(4,354)	316	1,915	16,513
Proceeds from exercises of stock options	1,165	1,006	1,935	1,941
Proceeds from employee stock purchase plan	—	—	2,917	2,564
Repurchase of common stock	—	—	(100,000)	—
Net cash paid for early extinguishment of convertible senior notes	—	—	—	(171,327)
Net cash provided by (used in) financing activities	(3,189)	1,322	(93,233)	(150,309)
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>101,017</b>	<b>(6,964)</b>	<b>210,448</b>	<b>33,956</b>
Cash, cash equivalents, and restricted cash—beginning of period	405,849	336,151	296,418	295,231
Cash, cash equivalents, and restricted cash—end of period	<u>\$ 506,866</u>	<u>\$ 329,187</u>	<u>\$ 506,866</u>	<u>\$ 329,187</u>

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):

	September 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 288,464	\$ 79,641
Restricted cash	4,100	4,390
Funds held in escrow, including funds in transit	214,302	212,387
Total cash, cash equivalents, and restricted cash as shown in the condensed consolidated statement of cash flows	<u>\$ 506,866</u>	<u>\$ 296,418</u>

**UPWORK INC.**  
**RECONCILIATION OF GAAP NET INCOME (LOSS) TO ADJUSTED EBITDA**  
(In thousands, except for percentages)  
(Unaudited)

	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 <sup>(1)</sup>	(8,091)	(5,766)	(20,433)	(52,748)
Income tax provision	1,126	895	3,636	3,547
Other <sup>(2)</sup>	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%

<sup>(1)</sup> 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.

<sup>(2)</sup> During the three and nine months ended September 30, 2024 and 2023, we incurred \$0.2 million and \$0.6 million, respectively, of expense related to our Tides Foundation warrant.

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

Three Months Ended

	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
Net income (loss)	\$ 27,758	\$ 22,220	\$ 18,442	\$ 17,374	\$ 16,337	\$ (3,991)
Add back (deduct):						
Stock-based compensation expense	18,578	19,238	16,942	18,047	17,811	18,437
Depreciation and amortization	3,668	3,629	3,146	3,808	1,763	1,854
Other income, net	(8,091)	(5,620)	(6,722)	(7,389)	(5,766)	(3,982)
Income tax (benefit) provision	1,126	1,181	1,329	(1,557)	895	1,857
Other <sup>(1)</sup>	188	187	188	187	188	187
Adjusted EBITDA	<u>\$ 43,227</u>	<u>\$ 40,835</u>	<u>\$ 33,325</u>	<u>\$ 30,470</u>	<u>\$ 31,228</u>	<u>\$ 14,362</u>

<sup>(1)</sup> For all periods presented, we incurred \$0.2 million of expense related to our Tides Foundation warrant.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cash provided by operating activities	\$ 102,128	\$ 36,952	\$ 145,074	\$ 32,560
Less: purchases of property, plant & equipment and cash outflows from internally developed software	(4,167)	(3,530)	(10,579)	(9,737)
Free cash flow	<u>\$ 97,961</u>	<u>\$ 33,422</u>	<u>\$ 134,495</u>	<u>\$ 22,823</u>

# 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 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.

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## Connects

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

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## 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.

## 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 our Managed Services offering.

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## Free Cash Flow

We define free cash flow as cash provided by (used in) operations less purchases of property, plant & equipment and cash outflows from internally developed software.

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## Gross Services Volume (GSV)

Gross services volume, or GSV, represents 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.

# 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://www.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).

## **Contact:**

[investor@upwork.com](mailto:investor@upwork.com)

## **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/haydenlbrown](https://linkedin.com/in/haydenlbrown)), and Erica Gessert's LinkedIn profile ([linkedin.com/in/erica-gessert](https://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.



# Non-GAAP Financial Measures

To supplement our condensed 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, adjusted EBITDA margin, free cash flow, and free cash flow conversion rate.

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, and free cash flow allows investors to evaluate the cash generated from our underlying operations across periods.

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 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 our business.

We have not reconciled our adjusted EBITDA guidance to GAAP net income or non-GAAP diluted EPS guidance to GAAP diluted EPS because certain items that impact GAAP net income 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 fourth 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 and non-GAAP diluted EPS guidance to GAAP diluted EPS is not available without unreasonable effort.