

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, DC 20549

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-38678



**UPWORK INC.**

(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or other jurisdiction of incorporation or organization)  
  
475 Brannan Street, Suite 430  
San Francisco, California  
(Address of principal executive offices)

46-4337682  
(I.R.S. Employer Identification No.)  
  
94107  
(Zip Code)

( 650 ) 316-7500

(Registrant's telephone number, including area code)

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of March 31, 2024, there were 133,118,345 shares of the registrant's common stock outstanding.

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Unless otherwise expressly stated or the context otherwise requires, references in this Quarterly Report on Form 10-Q, which we refer to as this Quarterly Report, to "Upwork," "Company," "our," "us," and "we" and similar references refer to Upwork Inc. and its wholly owned subsidiaries.

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report contains forward-looking statements within the meaning of the federal securities laws. All statements contained in this Quarterly Report, other than statements of historical fact, including any statements regarding our future operating results and financial position, our business strategy and plans, potential growth or growth prospects, active clients, future research and development, sales and marketing, and general and administrative expenses, provision for transaction losses, our plans with respect to our share repurchase program, and our objectives for future operations, are forward-looking statements. Words such as “believes,” “may,” “will,” “estimates,” “potential,” “continues,” “anticipates,” “intends,” “expects,” “could,” “would,” “projects,” “plans,” “targets,” and variations of such words and similar expressions are intended to identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections as of the date of this filing 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. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, “Risk Factors” in this Quarterly Report. Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report and in other documents we file from time to time with the Securities and Exchange Commission, which we refer to as the SEC, that disclose risks and uncertainties that may affect our business. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and circumstances discussed in this Quarterly Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance, or achievements. In addition, the forward-looking statements in this Quarterly Report are made as of the date of this filing, and we do not undertake, and expressly disclaim any duty, to update such statements for any reason after the date of this Quarterly Report or to conform statements to actual results or revised expectations, except as required by law.

You should read this Quarterly Report and the documents that we reference herein and have filed with the SEC or incorporated by reference as exhibits to this Quarterly Report with the understanding that our actual future results, performance, and events and circumstances may be materially different from what we expect.

## PART I—FINANCIAL INFORMATION

### Item 1. Financial Statements.

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

<i>(In thousands, except share and per share data)</i>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 24,667	\$ 79,641
Marketable securities	465,939	470,457
Funds held in escrow, including funds in transit	222,937	212,387
Trade and client receivables – net of allowance of \$ 4,790 and \$ 5,141 as of March 31, 2024 and December 31, 2023, respectively	114,403	103,061
Prepaid expenses and other current assets	20,073	17,825
Total current assets	848,019	883,371
Property and equipment, net	27,128	27,140
Goodwill	118,219	118,219
Intangible assets, net	2,656	3,048
Operating lease asset	3,486	4,333
Other assets, noncurrent	1,311	1,430
Total assets	\$ 1,000,819	\$ 1,037,541
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 5,916	\$ 5,063
Escrow funds payable	222,937	212,387
Accrued expenses and other current liabilities	46,682	58,192
Deferred revenue	13,957	17,361
Total current liabilities	289,492	293,003
Debt, noncurrent	356,547	356,087
Operating lease liability, noncurrent	5,308	6,088
Other liabilities, noncurrent	596	1,288
Total liabilities	651,943	656,466
Commitments and contingencies (Note 6)		
Stockholders' equity		
Common stock, \$ 0.0001 par value; 490,000,000 shares authorized as of March 31, 2024 and December 31, 2023; 133,118,345 and 137,272,754 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	13	14
Treasury stock, at cost; 175,000 shares as of March 31, 2024	( 2,138 )	—
Additional paid-in capital	627,007	674,918
Accumulated other comprehensive income (loss)	( 386 )	205
Accumulated deficit	( 275,620 )	( 294,062 )
Total stockholders' equity	348,876	381,075
Total liabilities and stockholders' equity	\$ 1,000,819	\$ 1,037,541

The accompanying notes are an integral part of these condensed consolidated financial statements.

**UPWORK INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND COMPREHENSIVE INCOME**  
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
<i>(In thousands, except per share data)</i>		
Revenue	\$ 190,937	\$ 160,858
Cost of revenue	44,193	40,427
Gross profit	146,744	120,431
Operating expenses		
Research and development	52,916	44,481
Sales and marketing	47,851	65,000
General and administrative	32,001	29,287
Provision for transaction losses	927	6,701
Total operating expenses	133,695	145,469
Income (loss) from operations	13,049	( 25,038 )
Other income, net	6,722	43,000
Income before income taxes	19,771	17,962
Income tax provision	( 1,329 )	( 795 )
Net income	\$ 18,442	\$ 17,167
Net income (loss) per share:		
Basic	\$ 0.14	\$ 0.13
Diluted	\$ 0.13	\$ ( 0.15 )
Weighted-average shares used to compute net income per share		
Basic	136,357	132,836
Diluted	143,657	135,966
Other comprehensive income, net of tax:		
Net unrealized holding (loss) gain on marketable securities, net	\$ ( 591 )	\$ 1,923
Total comprehensive income	\$ 17,851	\$ 19,090

The accompanying notes are an integral part of these condensed consolidated financial statements.

**UPWORK INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

(In thousands, except share amounts)

<b>Three Months Ended</b> <b>March 31, 2024</b>	<b>Common Stock</b>		<b>Treasury Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>				
Balances as of December 31, 2023	137,272,754	\$ 14	—	\$ —	\$ 674,918	\$ 205	\$ ( 294,062 )	\$ 381,075
Issuance of common stock upon exercise of stock options and common stock warrants	37,650	—	—	—	106	—	—	106
Stock-based compensation expense	—	—	—	—	17,085	—	—	17,085
Issuance of common stock for settlement of RSUs	854,221	—	—	—	—	—	—	—
Tides Foundation common stock warrant expense	—	—	—	—	188	—	—	188
Repurchase of common stock	( 5,046,280 )	( 1 )	( 175,000 )	( 2,138 )	( 65,290 )	—	—	( 67,429 )
Unrealized loss on marketable securities	—	—	—	—	—	( 591 )	—	( 591 )
Net income	—	—	—	—	—	—	18,442	18,442
Balances as of March 31, 2024	133,118,345	\$ 13	( 175,000 )	\$ ( 2,138 )	\$ 627,007	\$ ( 386 )	\$ ( 275,620 )	\$ 348,876

(In thousands, except share amounts)

<b>Three Months Ended March 31, 2023</b>	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>				
Balances as of December 31, 2022	132,368,265	\$ 13	\$ 592,900	\$ ( 3,085 )	\$ ( 340,949 )	\$ 248,879
Issuance of common stock upon exercise of stock options	223,251	—	758	—	—	758
Stock-based compensation expense	—	—	20,041	—	—	20,041
Issuance of common stock for settlement of RSUs	872,748	—	—	—	—	—
Tides Foundation common stock warrant expense	—	—	188	—	—	188
Unrealized gain on marketable securities	—	—	—	1,923	—	1,923
Net income	—	—	—	—	17,167	17,167
Balances as of March 31, 2023	133,464,264	\$ 13	\$ 613,887	\$ ( 1,162 )	\$ ( 323,782 )	\$ 288,956

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<i>(In thousands)</i>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 18,442	\$ 17,167
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for transaction losses	796	3,712
Depreciation and amortization	3,146	2,024
Amortization of debt issuance costs	460	716
Accretion of discount on purchases of marketable securities, net	( 4,876 )	( 3,487 )
Amortization of operating lease asset	847	800
Tides Foundation common stock warrant expense	188	188
Stock-based compensation expense	16,942	19,900
Gain on early extinguishment of debt	—	( 38,945 )
Changes in operating assets and liabilities:		
Trade and client receivables	( 12,389 )	1,990
Prepaid expenses and other assets	( 2,129 )	( 1,360 )
Operating lease liability	( 1,549 )	( 1,419 )
Accounts payable	782	( 3,380 )
Accrued expenses and other liabilities	( 10,897 )	( 6,855 )
Deferred revenue	( 4,107 )	248
Net cash provided by (used in) operating activities	5,656	( 8,701 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of marketable securities	( 149,876 )	( 156,128 )
Proceeds from maturities of marketable securities	131,772	167,416
Proceeds from sale of marketable securities	26,909	143,709
Purchases of property and equipment	( 177 )	( 158 )
Internal-use software and platform development costs	( 2,488 )	( 2,703 )
Net cash provided by investing activities	6,140	152,136
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Changes in escrow funds payable	10,550	17,963
Proceeds from exercises of stock options	106	758
Repurchase of common stock	( 66,876 )	—
Net cash paid for early extinguishment of debt	—	( 170,752 )
Net cash used in financing activities	( 56,220 )	( 152,031 )
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>( 44,424 )</b>	<b>( 8,596 )</b>
Cash, cash equivalents, and restricted cash—beginning of period	296,418	295,231
Cash, cash equivalents, and restricted cash—end of period	<u>\$ 251,994</u>	<u>\$ 286,635</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 458	\$ 811
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ACTIVITIES:</b>		
Property and equipment purchased but not yet paid	\$ 160	\$ 79
Internal-use software and platform development costs incurred but not yet paid	\$ 30	\$ 57

The accompanying notes are an integral part of these condensed consolidated financial statements.

**UPWORK INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

**Note 1— Organization and Description of Business**

Upwork Inc., which is referred to as the Company or Upwork, operates a work marketplace that connects businesses, which are referred to as clients, with independent talent. Independent talent on the Company's work marketplace, which are referred to as talent, and, together with clients, as customers, include independent professionals and agencies of varying sizes and are an increasingly sought-after, critical, and expanding segment of the global workforce. The Company is incorporated in the state of Delaware and is headquartered in San Francisco, California.

Unless otherwise expressly stated or the context otherwise requires, the terms "Upwork" and the "Company" in these notes to the condensed consolidated financial statements refer to Upwork and its wholly owned subsidiaries.

**Note 2— Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States, which is referred to as U.S. GAAP, and applicable rules and regulations of the SEC regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this Quarterly Report should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, which is referred to as the Annual Report, filed with the SEC on February 15, 2024.

The condensed consolidated balance sheet as of December 31, 2023 included herein was derived from the audited financial statements as of that date but does not include all disclosures including notes required by U.S. GAAP.

The condensed consolidated financial statements include the accounts of Upwork and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

The accompanying condensed consolidated financial statements reflect all normal recurring adjustments necessary for a fair statement of the financial position, results of operations, changes in stockholders' equity and cash flows for the interim periods, but do not purport to be indicative of the results of operations or financial condition to be anticipated for the full year ending December 31, 2024. Prior period presentation has been revised to conform to the current period presentation as of March 31, 2024.

In 2023, the Company changed the name of its Upwork Enterprise offering to Enterprise Solutions. Concurrently, to align with customer needs and internal decision-making, the Company combined Enterprise Solutions and Managed Services into a suite of Enterprise offerings. To conform to the current period presentation as of March 31, 2024, the Company presents revenue from Enterprise Solutions and Managed Services together as Enterprise revenue in prior periods and no longer reports revenue from its Enterprise Solutions offering in Marketplace revenue.

***Use of Estimates***

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the periods presented. Such estimates include, but are not limited to: the useful lives of assets; assessment of the recoverability of long-lived assets; goodwill impairment; standalone selling price of material rights and the period of time over which to defer and recognize the consideration allocated to the material rights; allowance for expected credit losses; liabilities relating to transaction losses; stock-based compensation; and

accounting for income taxes. Management bases its estimates on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. The Company evaluates its estimates, assumptions, and judgments on an ongoing basis using historical experience and other factors and revises them when facts and circumstances dictate.

The Company is not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

### **Summary of Significant Accounting Policies**

The significant accounting policies applied in the Company's audited consolidated financial statements, as disclosed in the Annual Report, are applied consistently in these unaudited interim condensed consolidated financial statements.

### **Recent Accounting Pronouncements Not Yet Adopted**

The Company has reviewed the accounting pronouncements issued during the three months ended March 31, 2024 and concluded they were either not applicable or not expected to have a material impact on the Company's condensed consolidated financial statements.

In December 2023, the Financial Accounting Standards Board, which is referred to as the FASB, issued Accounting Standards Update, which is referred to as ASU, 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires public entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact this ASU will have on the footnotes included in the Company's consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07, *"Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures"* ("ASU 2023-07"), which requires public entities to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact this ASU will have on the footnotes included in the Company's consolidated financial statements.

## **Note 3— Revenue**

### **Disaggregation of Revenue**

See "Note 9—Segment and Geographical Information" for the Company's revenue disaggregated by type of service and geographic area.

### **Remaining Performance Obligations**

As of March 31, 2024, the Company had approximately \$ 14.0 million of remaining performance obligations. The Company's remaining performance obligations primarily consist of the transaction price that has been allocated to unexercised material rights related to the Company's arrangements with talent subject to tiered service fees. In May 2023, the Company retired its tiered service fee structure for talent and introduced a simplified flat service fee of 10 %. This change took effect for new contracts and existing contracts that would have otherwise been subject to a 20 % fee under the former tiered service fee model. Contracts under the former tiered service fee model that had a 5 % fee retained that rate for those contracts through the end of 2023. With this change to the Company's tiered service fee structure, the Company no longer allocates a portion of the transaction price to unexercised material rights. As of March 31, 2024, the Company expects to recognize approximately \$ 14.0 million over the next 12 months,

with the remaining balance recognized thereafter. The remaining transaction price allocated to other performance obligations is immaterial.

The Company has applied the practical expedients and exemptions and does not disclose the value of remaining performance obligations for: (i) contracts with an original expected length of one year or less; and (ii) contracts for which the variable consideration is allocated entirely to a wholly unsatisfied promise to transfer a distinct service that forms part of a single performance obligation under the series guidance.

### Contract Balances

The following table provides information about the balances of the Company's trade and client receivables, net of allowance and contract liabilities included in deferred revenue and other liabilities, noncurrent:

<i>(In thousands)</i>	March 31, 2024	December 31, 2023
Trade and client receivables, net of allowance	\$ 114,403	\$ 103,061
<b>Contract liabilities</b>		
Deferred revenue	13,957	17,361
Deferred revenue (component of other liabilities, noncurrent)	87	790

During the three months ended March 31, 2024, changes in the contract liabilities balances were a result of normal business activity and deferral, and subsequent recognition, of revenue related to arrangements with talent subject to tiered service fees and related allocation of transaction price to material rights.

Revenue recognized during the three months ended March 31, 2024 that was included in deferred revenue as of December 31, 2023 was \$ 9.3 million. Revenue recognized during the three months ended March 31, 2023 that was included in deferred revenue as of December 31, 2022 was \$ 9.1 million.

### Note 4— Fair Value Measurements

The Company defines fair value as the exchange price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance describes three levels of inputs that may be used to measure fair value:

- Level I—Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets;
- Level II—Observable inputs other than Level I prices, such as unadjusted quoted prices for similar assets or liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level III—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs are based on the Company's own assumptions used to measure assets and liabilities at fair value and require significant management judgment or estimation.

The categorization of a financial instrument within the fair value hierarchy is based upon the lowest level of input that is significant to its fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the assets or liabilities.

The Company's financial instruments that are carried at fair value consist of Level I and Level II assets as of March 31, 2024 and December 31, 2023. The following tables summarize the Company's available-for-

sale marketable securities' amortized cost, gross unrealized gains, gross unrealized losses, and fair value by significant investment category reported as cash and cash equivalents or marketable securities as of March 31, 2024 and December 31, 2023:

<i>(In thousands)</i> March 31, 2024	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value	Cash and Cash Equivalents	Marketable Securities
Level I						
Money market funds	\$ 29,125	\$ —	\$ —	\$ 29,125	\$ 29,125	\$ —
Treasury bills	256,584	2	( 198 )	256,388	—	256,388
U.S. government securities	17,695	—	( 94 )	17,601	—	17,601
Total Level I	303,404	2	( 292 )	303,114	29,125	273,989
Level II						
Commercial paper	31,128	—	—	31,128	—	31,128
Corporate bonds	130,747	102	( 141 )	130,708	—	130,708
Commercial deposits	16,577	—	—	16,577	—	16,577
Asset-backed securities	9,609	1	( 24 )	9,586	—	9,586
Foreign government and agency securities	3,950	5	( 4 )	3,951	—	3,951
Total Level II	192,011	108	( 169 )	191,950	—	191,950
Total	\$ 495,415	\$ 110	\$ ( 461 )	\$ 495,064	\$ 29,125	\$ 465,939

<i>(In thousands)</i> December 31, 2023	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value	Cash and Cash Equivalents	Marketable Securities
Level I						
Money market funds	\$ 4,782	\$ —	\$ —	\$ 4,782	\$ 4,782	\$ —
Treasury bills	291,611	109	—	291,720	13,955	277,765
U.S. government securities	26,213	3	( 18 )	26,198	—	26,198
Total Level I	322,606	112	( 18 )	322,700	18,737	303,963
Level II						
Commercial paper	35,699	—	—	35,699	—	35,699
Corporate bonds	92,979	189	( 12 )	93,156	—	93,156
Commercial deposits	15,371	—	—	15,371	—	15,371
Asset-backed securities	14,728	2	( 42 )	14,688	—	14,688
Foreign government and agency securities	3,075	5	—	3,080	—	3,080
U.S. agency securities	4,506	—	( 6 )	4,500	—	4,500
Total Level II	166,358	196	( 60 )	166,494	—	166,494
Total	\$ 488,964	\$ 308	\$ ( 78 )	\$ 489,194	\$ 18,737	\$ 470,457

As of March 31, 2024 and December 31, 2023, the Company's funds held on behalf of customers were held in interest-bearing cash accounts, which include Level I inputs.

#### Unrealized Investment Losses

The following tables summarize, for all debt securities classified as available for sale in an unrealized loss position as of March 31, 2024 and December 31, 2023, the aggregate fair value and gross unrealized loss by the length of time those securities have been continuously in an unrealized loss position.

(In thousands)

	Less Than 12 Months		12 Months or Longer		Total	
Duration of unrealized losses						
March 31, 2024	Fair Value	Unrealized loss	Fair Value	Unrealized loss	Fair Value	Unrealized loss
Treasury bills	\$ 202,479	\$ ( 198 )	\$ —	\$ —	\$ 202,479	\$ ( 198 )
U.S. government securities	14,757	( 67 )	2,845	( 27 )	17,602	( 94 )
Corporate bonds	60,900	( 141 )	560	—	61,460	( 141 )
Asset-backed securities	—	—	9,138	( 24 )	9,138	( 24 )
Foreign government and agency securities	1,310	( 4 )	—	—	1,310	( 4 )
Total	\$ 279,446	\$ ( 410 )	\$ 12,543	\$ ( 51 )	\$ 291,989	\$ ( 461 )

(In thousands)

	Less Than 12 Months		12 Months or Longer		Total	
Duration of unrealized losses						
December 31, 2023	Fair Value	Unrealized loss	Fair Value	Unrealized loss	Fair Value	Unrealized loss
U.S. government securities	\$ 15,381	\$ ( 15 )	\$ 5,182	\$ ( 3 )	\$ 20,563	\$ ( 18 )
Corporate bonds	24,062	( 10 )	552	( 2 )	24,614	( 12 )
Asset-backed securities	6,598	( 20 )	7,348	( 22 )	13,946	( 42 )
U.S. agency securities	1,995	( 1 )	2,505	( 5 )	4,500	( 6 )
Total	\$ 48,036	\$ ( 46 )	\$ 15,587	\$ ( 32 )	\$ 63,623	\$ ( 78 )

For available-for-sale marketable debt securities with unrealized loss positions, the Company does not intend to sell these securities, nor does it anticipate that it will need to or be required to sell the securities. As of March 31, 2024 and December 31, 2023, the decline in fair value of these securities was due to increases in interest rates and not due to credit related factors. As of March 31, 2024 and 2023, the Company considered any decreases in market value to be temporary in nature and did not consider any of the Company's marketable securities to be other-than-temporarily impaired. The Company did not record any impairment charges with respect to its marketable securities during each of the three months ended March 31, 2024 and 2023.

During the three months ended March 31, 2024 and 2023, interest income, net was \$ 7.7 million and \$ 5.5 million, respectively, and is included in other income, net in the Company's condensed consolidated statement of operations and comprehensive income.

#### Note 5— Balance Sheet Components

##### Cash and Cash Equivalents, Restricted Cash, and Funds Held In Escrow, Including Funds In Transit

The following table reconciles cash and cash equivalents, restricted cash, and funds held in escrow that are restricted as reported in the condensed consolidated balance sheets as of March 31, 2024 and

December 31, 2023 to the total of the same amounts shown in the condensed consolidated statement of cash flows for the three months ended March 31, 2024:

<i>(In thousands)</i>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Cash and cash equivalents	\$ 24,667	\$ 79,641
Restricted cash	4,390	4,390
Funds held in escrow, including funds in transit	222,937	212,387
Total cash, cash equivalents, and restricted cash as shown in the condensed consolidated statement of cash flows	<u>\$ 251,994</u>	<u>\$ 296,418</u>

### **Property and Equipment, Net**

Property and equipment, net consisted of the following:

<i>(In thousands)</i>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Internal-use software and platform development	\$ 49,522	\$ 47,096
Leasehold improvements	11,738	11,644
Computer equipment and software	6,807	6,605
Office furniture and fixtures	2,745	2,745
Total property and equipment	70,812	68,090
Less: accumulated depreciation	( 43,684 )	( 40,950 )
Property and equipment, net	<u>\$ 27,128</u>	<u>\$ 27,140</u>

For the three months ended March 31, 2024 and 2023, depreciation expense related to property and equipment was \$ 0.6 million and \$ 0.8 million, respectively.

For the three months ended March 31, 2024 and 2023, the Company capitalized \$ 2.5 million and \$ 2.9 million of internal-use software and platform development costs, respectively.

For the three months ended March 31, 2024 and 2023, amortization expense related to the capitalized internal-use software and platform development costs was \$ 2.1 million and \$ 1.2 million, respectively.

### **Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consisted of the following:

<i>(In thousands)</i>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Accrued compensation and related benefits	\$ 14,257	\$ 25,872
Accrued indirect taxes	13,763	13,171
Accrued vendor expenses	9,568	8,844
Operating lease liability, current	4,918	5,687
Accrued payment processing fees	1,836	2,090
Accrued talent costs	1,701	1,415
Other	639	1,113
Total accrued expenses and other current liabilities	<u>\$ 46,682</u>	<u>\$ 58,192</u>

### **Stockholders' Equity**

#### **2024 PSU Awards**

During the three months ended March 31, 2024, the compensation committee of the Company's board of directors, which is referred to as the compensation committee, approved the grant of performance stock unit awards to certain members of the Company's leadership team under the Company's 2018 Equity

Incentive Plan, which are referred to as the 2024 PSU Awards. These awards were granted on March 18, 2024, which is referred to as the PSU Grant Date.

Up to fifty percent of the total number of shares subject to the 2024 PSU Awards are eligible to vest based on the Company's achievement of certain financial performance targets in the fiscal year ending December 31, 2025 and up to the remaining fifty percent of the total number of shares subject to the 2024 PSU Awards are eligible to vest based on the Company's achievement of certain financial performance targets in the fiscal year ending December 31, 2026. For each year, the financial performance targets consist of year-over-year revenue growth and adjusted EBITDA margin targets that were established by the compensation committee at the time of grant, which is referred to as the PSU Performance Condition. In order to receive the vested PSUs, a recipient must remain in continuous service with the Company until the compensation committee certifies the achievement of the PSU Performance Condition for the applicable year, which is referred to as the PSU Service Condition. The dates on which such certification takes place are referred to as Certification Dates.

The Company classifies the 2024 PSU Awards as equity awards. Stock-based compensation expense related to the 2024 PSU Awards is a component of operating expenses in the Company's condensed consolidated statements of operations and comprehensive income and is recognized over the longer of the expected achievement period for the PSU Performance Condition and the PSU Service Condition, which is 23 months and 35 months for the shares eligible to vest under the 2024 PSU Awards based on performance in each of the years ending December 31, 2025 and 2026, respectively. The grant date fair value of the 2024 PSU Awards was determined using the Company's closing common stock price on the PSU Grant Date multiplied by the number of 2024 PSU Awards that were probable of vesting on the PSU Grant Date. At each reporting date prior to the Certification Dates, the number of 2024 PSU Awards that are probable of vesting will be reassessed and any changes are reflected in stock-based compensation expense for the period.

#### **Share Repurchase Program**

During 2023, the Company's board of directors authorized the repurchase of up to \$ 100.0 million of shares of the Company's outstanding common stock, which is referred to as the Share Repurchase Program. Repurchases of the Company's common stock under the Share Repurchase Program may be made from time to time on the open market (including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act), in privately negotiated transactions, or by other methods, at the Company's discretion, and in accordance with applicable securities laws and other restrictions. The Share Repurchase Program has no expiration date and will continue until otherwise suspended, terminated, or modified at any time for any reason. The Share Repurchase Program does not obligate the Company to repurchase any dollar amount or number of shares, and the timing and amount of any repurchases will depend on market and business conditions.

During the three months ended March 31, 2024, the Company repurchased and subsequently retired 5.0 million shares of its common stock for an aggregate amount of \$ 64.8 million at an average price of \$ 12.83 per share, including fees associated with the repurchases. In addition, during the three months ended March 31, 2024, the Company repurchased 0.2 million shares of its common stock for an aggregate amount of \$ 2.1 million at an average price of \$ 12.22 per share, including fees associated with the repurchases, that were subsequently retired in April 2024 and recorded as treasury stock in the Company's condensed consolidated balance sheet as of March 31, 2024. As of March 31, 2024, the Company had \$ 33.1 million available for repurchases under the Share Repurchase Program.

#### **Note 6— Commitments and Contingencies**

##### **Letters of Credit**

In conjunction with the Company's operating lease agreements, as of March 31, 2024 and December 31, 2023, the Company had irrevocable letters of credit outstanding in the aggregate amount of \$ 0.8 million. The letters of credit are collateralized by restricted cash in the same amount. No amounts had been drawn against these letters of credit as of March 31, 2024 and December 31, 2023.

### Contingencies

The Company accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. Potential contingencies may include various claims and litigation or non-income tax matters that arise from time to time in the normal course of business. Due to uncertainties inherent in such contingencies, the Company can give no assurance that it will prevail in any such matters, which could subject the Company to significant liability or damages. Any claims, litigation, or other contingencies could have an adverse effect on the Company's business, financial position, results of operations, or cash flows in or following the period that claims, litigation, or other contingencies are resolved.

As of March 31, 2024 and December 31, 2023, the Company was not a party to any material legal proceedings or claims, nor is the Company aware of any pending or threatened litigation or claims, including non-income tax matters, that could reasonably be expected to have a material adverse effect on its business, operating results, cash flows, or financial condition. Accordingly, the amounts accrued for contingencies for which the Company believes a loss is probable were not material as of March 31, 2024 and December 31, 2023.

### Indemnification

The Company has indemnification agreements with its officers, directors, and certain key employees to indemnify them while they are serving in good faith in their respective positions. In the ordinary course of business, the Company enters into contractual arrangements under which it agrees to provide indemnification of varying scope and terms to clients, business partners, vendors, and other parties, including, but not limited to, losses arising out of the Company's breach of such agreements, claims related to potential data or information security breaches, intellectual property infringement claims made by third parties, and other liabilities relating to or arising from the Company's products and services or its acts or omissions. In addition, subject to the terms of the applicable agreement, as part of the Company's Enterprise Solutions and certain other premium offerings, the Company indemnifies clients that subscribe to worker classification services for losses arising from worker misclassification. It is not possible to determine the maximum potential loss under these indemnification provisions due to the Company's limited history of prior indemnification claims and the facts and circumstances involved in each particular provision.

## Note 7— Debt

The following table presents the carrying value of the Company's debt obligations as of March 31, 2024 and December 31, 2023:

(In thousands)	March 31, 2024	December 31, 2023
Convertible senior notes	\$ 360,998	\$ 360,998
Total debt	360,998	360,998
Less: unamortized debt issuance costs	( 4,451 )	( 4,911 )
Debt, noncurrent	\$ 356,547	\$ 356,087
Weighted-average interest rate	0.76 %	0.77 %

### Convertible Senior Notes Due 2026

In August 2021, the Company issued 0.25 % convertible senior notes due 2026, which are referred to as the Notes. The Notes were issued pursuant to and are subject to the terms and conditions of an indenture between the Company and Computershare Trust Company, National Association (as successor in interest to Wells Fargo Bank, National Association), as trustee, which is referred to as the Indenture. The Notes were offered and sold in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. As of March 31, 2024 and December 31, 2023, \$ 361.0 million aggregate principal amount of the Notes remain outstanding.

The Notes are senior, unsecured obligations of the Company and bear interest at a rate of 0.25 % per year. Interest will accrue from August 10, 2021 and is payable semiannually in arrears on February 15 and August 15 of each year, beginning on February 15, 2022, and the principal amount of the Notes will not accrete. The Notes will mature on August 15, 2026, unless earlier redeemed, repurchased, or converted in accordance with the terms of the Notes.

Holders may convert all or any portion of their Notes, in multiples of \$1,000 principal amount at the option of the holder (i) on or after May 15, 2026, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date, and (ii) prior to the close of business on the business day immediately preceding May 15, 2026, only upon satisfaction of certain conditions and during certain periods specified as follows:

- during any calendar quarter commencing after the calendar quarter ending on December 31, 2021, if the last reported sale price of the Company's common stock is greater than or equal to 130 % of the conversion price for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter of the conversion price on each applicable trading day;
- during the five consecutive business day period after any five consecutive trading day period, which is referred to as the Measurement Period, in which the trading price (as defined in the Indenture) per \$1,000 principal amount of Notes for each trading day of the Measurement Period was less than 98 % of the product of the last reported sale price per share of the Company's common stock on such trading day and the conversion rate on such trading day;
- if the Company calls such Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; and
- upon the occurrence of specified corporate events described in the Indenture.

Upon conversion, the Notes may be settled in shares of the Company's common stock, cash or a combination of cash and shares of the common stock, at the election of the Company. The Notes have an initial conversion rate of 15.1338 shares of common stock per \$1,000 principal amount of Notes, which is subject to adjustment in certain circumstances. This is equivalent to an initial conversion price of approximately \$ 66.08 per share of the Company's common stock. The conversion rate is subject to customary adjustments under certain circumstances in accordance with the terms of the Indenture. In

addition, if certain corporate events that constitute a make-whole fundamental change (as defined in the Indenture) occur or if the Company issues a notice of redemption with respect to the Notes prior to the maturity date, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

The Company may redeem for cash all or any portion of the Notes (subject to a partial redemption limitation), at the Company's option, on or after August 20, 2024, if the last reported sale price per share of the Company's common stock has been at least 130 % of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100 % of the principal amount of the Notes to be redeemed, plus any accrued and unpaid interest, if any, to, but excluding, the redemption date. No sinking fund is provided for the Notes, which means that the Company is not required to redeem or retire the Notes periodically.

Upon the occurrence of a fundamental change (as defined in the Indenture), subject to certain conditions, holders have the right to require the Company to repurchase for cash all or a portion of their Notes at a price equal to 100 % of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest thereon, if any, until, but excluding, the fundamental change repurchase date.

The Notes are the Company's senior unsecured obligations and rank senior in right of payment to any of the Company's existing and future indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment to any of the Company's existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness and other liabilities (including trade payables) of the Company's subsidiaries.

For the three months ended March 31, 2024, interest expense was \$ 0.2 million, and amortization of the issuance costs was \$ 0.5 million related to the Notes. For the three months ended March 31, 2023, interest expense was \$ 0.4 million, and amortization of the issuance costs was \$ 0.7 million related to the Notes. As of March 31, 2024 and December 31, 2023, the if-converted value of the Notes did not exceed the outstanding principal amount. As of March 31, 2024, the total estimated fair value of the Notes was \$ 315.0 million and was determined based on a market approach using actual bids and offers of the Notes in an over-the-counter market on the last trading day of the period. The Company considers these assumptions to be Level II inputs in accordance with the fair value hierarchy described in "Note 4—Fair Value Measurements."

### **Capped Calls**

In connection with the issuance of the Notes, the Company entered into privately negotiated capped call transactions, which are referred to as the Capped Calls, with various financial institutions.

Subject to customary anti-dilution adjustments substantially similar to those applicable to the Notes, the Capped Calls cover the number of shares of the Company's common stock initially underlying the Notes. By entering into the Capped Calls, the Company expects to reduce the potential dilution to its common stock (or, in the event a conversion of the Notes is settled in cash, to reduce its cash payment obligation) in the event that at the time of conversion of the Notes its common stock price per share exceeds the conversion price of the Notes, with such reduction subject to a cap based on the cap price. If, however, the market price per share of common stock, as measured under the terms of the Capped Calls, exceeds the cap price of the Capped Calls, there would be dilution and/or there would not be an offset of such potential cash payments, in each case, to the extent that the then-market price per share of common stock exceeds the cap price of the Capped Calls. The initial cap price of the Capped Calls is \$ 92.74 per share of common stock, which represents a premium of 100 % over the last reported sale price of the common stock of \$ 46.37 per share on August 5, 2021, and is subject to certain customary adjustments under the terms of the Capped Calls; provided that the cap price will not be reduced to an amount less than the strike price of \$ 66.08 per share.

The Capped Calls are separate transactions and are not part of the terms of the Notes. The Capped Calls meet the criteria for classification as equity and, as such, are not remeasured each reporting period and are included as a reduction to additional paid-in-capital within stockholders' equity.

#### Note 8— Net Income (Loss) per Share

The following table sets forth the computation of the Company's basic and diluted net income per share for the periods presented:

	Three Months Ended March 31,	
	2024	2023
<i>(In thousands, except share and per share data)</i>		
Numerator:		
Basic: net income	\$ 18,442	\$ 17,167
Gain on early extinguishment of debt, net of tax	—	( 38,525 )
Interest expense related to convertible senior notes, net of tax	640	389
Diluted	\$ 19,082	\$ ( 20,969 )
Denominator:		
Weighted-average shares used to compute net income (loss) per share, basic and diluted		
Basic	136,356,961	132,835,837
Options to purchase common stock	1,204,762	—
Common stock issuable upon exercise of common stock warrants	297,781	—
Common stock issuable in connection with employee stock purchase plan	334,500	—
Common stock issuable in connection with convertible senior notes	5,463,045	3,130,578
Diluted	143,657,049	135,966,415
Net income (loss) per share:		
Basic	\$ 0.14	\$ 0.13
Diluted	\$ 0.13	\$ ( 0.15 )

The following potentially dilutive shares were excluded from the computation of diluted net income per share because including them would have been anti-dilutive:

	Three Months Ended March 31,	
	2024	2023
Options to purchase common stock	2,020,500	3,628,396
Common stock issuable upon exercise of common stock warrants	—	350,000
Common stock issuable upon vesting of restricted stock units and performance stock units	13,370,738	10,619,944
Common stock issuable in connection with employee stock purchase plan	980,231	1,236,008
Common stock issuable in connection with convertible senior notes	—	5,463,045
Total	16,371,469	21,297,393

## Note 9— Segment and Geographical Information

The Company operates as one operating and reportable segment for the purpose of allocating resources and evaluating financial performance.

The following table sets forth total revenue by type of service for the periods presented:

	Three Months Ended March 31,	
	2024	2023
(In thousands)		
Marketplace <sup>(1)</sup>	\$ 164,330	\$ 136,676
Enterprise <sup>(1)</sup>	26,607	24,182
Total revenue	\$ 190,937	\$ 160,858

<sup>(1)</sup> To conform to the current period presentation as of March 31, 2024, the Company presents revenue from Enterprise Solutions and Managed Services together as Enterprise revenue in prior periods and no longer reports revenue from its Enterprise Solutions offering, previously referred to as Upwork Enterprise, in Marketplace revenue.

The Company generates its revenue from talent and clients. The following table sets forth total revenue by geographic area based on the billing address of its talent and clients for the periods presented:

	Three Months Ended March 31,	
	2024	2023
(In thousands)		
Talent		
United States	\$ 27,767	\$ 22,460
India	14,469	11,428
Philippines	14,556	10,366
Rest of world <sup>(1)</sup>	53,391	41,402
Total talent	110,183	85,656
Clients		
United States	59,760	55,451
Rest of world <sup>(1)</sup>	20,994	19,751
Total clients	80,754	75,202
Total revenue	\$ 190,937	\$ 160,858

<sup>(1)</sup> During each of the three months ended March 31, 2024 and 2023, no single country included in the Rest of world category had revenue that exceeded 10% of total talent revenue, total clients revenue, or total revenue.

Substantially all of the Company's long-lived assets were located in the United States as of March 31, 2024 and December 31, 2023.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*You should read the following discussion and analysis of our financial condition and results of operations together with the section titled "Risk Factors" and the condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, as well as assumptions that may never materialize or that may be proven incorrect. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in the sections titled "Special Note Regarding Forward-Looking Statements" and "Risk Factors," and in other parts of this Quarterly Report.*

### Overview

Independent talent is an increasingly sought-after, critical, and expanding segment of the global workforce. We operate the world's largest work marketplace that connects businesses with independent talent from across the globe, as measured by gross services volume, which we refer to as GSV. 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. We define talent as customers that advertise and provide services to clients through our work marketplace, and we define clients as customers that seek and work with talent through our work marketplace. Talent includes independent professionals and agencies of varying sizes. Clients on our work marketplace range in size, from independent professionals and small businesses to Fortune 100 companies.

### Financial Highlights

Over the past several quarters, we implemented a number of initiatives that positively impacted Marketplace revenue and Marketplace take rate, including (i) retiring the tiered service fee structure for talent working with clients on our Marketplace offering in favor of a flat fee, (ii) increasing the number of virtual tokens, which we refer to as Connects, needed by talent to bid on projects, and (iii) deploying ads products on our work marketplace. These initiatives, along with others, resulted in an increase in Marketplace revenue of \$27.7 million, or 20%, for the three months ended March 31, 2024, as compared to the same period in 2023, and drove Marketplace take rate to increase to 17.7% for the three months ended March 31, 2024, as compared to 14.7% in the same period in 2023.

During the three months ended March 31, 2024, we generated net income of \$18.4 million and adjusted EBITDA of \$33.3 million, as compared to net income of \$17.2 million and adjusted EBITDA loss of \$2.9 million during the same period in 2023. These improvements were primarily a result of cost-saving measures we implemented in 2023, including reducing our investments in brand marketing and vendor spend and reducing the size of our workforce. We expect these measures will continue to positively impact net income and adjusted EBITDA in 2024, as compared to 2023. Adjusted EBITDA is not prepared in accordance with, and is not an alternative to, financial measures prepared in accordance with generally accepted accounting principles in the United States, which we refer to as U.S. GAAP. See "Key Financial and Operational Metrics—Non-GAAP Financial Measures" below for a definition of adjusted EBITDA, information regarding our use of adjusted EBITDA, and a reconciliation of adjusted EBITDA to net income, the most directly comparable financial measure prepared under U.S. GAAP.

### Key Financial and Operational Metrics

We monitor the following key financial and operational metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic

decisions. As of and for the three months ended March 31, 2024 and 2023, our key financial and operating metrics were as follows:

	Three Months Ended March 31,			
(In thousands, except percentages)	2024	2023	% Change	
GSV	\$ 1,008,797	\$ 1,003,345	1	%
Marketplace revenue <sup>(1)</sup>	\$ 164,330	\$ 136,676	20	%
Marketplace take rate <sup>(1)</sup>	17.7 %	14.7 %	3.0	%
Net income	\$ 18,442	\$ 17,167	7	%
Adjusted EBITDA <sup>(2)</sup>	\$ 33,325	\$ (2,926)	*	

\*Not meaningful

<sup>(1)</sup> To conform to the current period presentation as of March 31, 2024, we no longer report revenue from our Enterprise Solutions offering in Marketplace revenue and Marketplace take rate. See “—Marketplace Revenue” below for additional information.

<sup>(2)</sup> Adjusted EBITDA is not prepared in accordance with, and is not an alternative to, financial measures prepared in accordance with U.S. GAAP. See “—Non-GAAP Financial Measures” below for the definition of adjusted EBITDA, information regarding our use of adjusted EBITDA, and a reconciliation of adjusted EBITDA to net income, the most directly comparable financial measure prepared under U.S. GAAP.

	As of March 31,		
(Active clients are in thousands)	2024	2023	% Change
Active clients	872	827	5 %
GSV per active client	\$ 4,755	\$ 4,967	(4) %

For a discussion of limitations in the measurement of our key financial and operational metrics, see “Risk Factors—We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics may not accurately reflect certain details of our business, are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business” in Part II, Item 1A of this Quarterly Report.

### Gross Services Volume (GSV)

GSV represents the amount of business transacted through our work marketplace. The primary component of GSV is client spend, which we define as the total amount that clients spend on our offerings. GSV also includes fees charged to talent and clients, such as for transacting payments through our work marketplace, purchases of Connects, talent memberships, and foreign currency exchange.

Growth in the number of active clients and GSV per active client are the primary drivers of GSV.

### Marketplace Revenue

Marketplace revenue is the primary driver of our business, and we believe it provides comparability to other online marketplaces. 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. We generate Marketplace revenue from both talent and clients. Marketplace revenue is primarily generated from talent service fees, and to a lesser extent, client marketplace fees. We also generate Marketplace revenue from fees for premium offerings, such as our Upwork Payroll offering, as well as purchases of Connects, talent memberships, and other services, such as foreign currency exchange when clients choose to pay in currencies other than the U.S. dollar. To conform to the current period presentation as of March 31, 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.

Our Marketplace revenue is primarily generated from the service fees paid by talent as a percentage of the total amount talent charges clients for services accessed on our Marketplace offering. Therefore, Marketplace revenue is correlated to GSV, and we believe that our Marketplace revenue will grow as GSV grows, although they could grow at different rates. For a discussion of how we measure and evaluate the correlation between Marketplace revenue and Marketplace GSV, see “—Marketplace Take Rate” below.

#### **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. We define Marketplace GSV as GSV derived from our Marketplace offerings. Marketplace take rate is an important metric because it is the key indicator of how well we monetize spend on our work marketplace from our Marketplace offerings. To conform to the current period presentation as of March 31, 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.

#### **Active Clients and GSV per Active Client**

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. 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. We believe that the number of active clients and GSV per active client are indicators of the growth and overall health of our business. The number of active clients is a primary driver of GSV and, in turn, Marketplace revenue.

#### **Non-GAAP Financial Measures**

In addition to our results determined in accordance with U.S. GAAP, adjusted EBITDA is a non-GAAP measure that we believe is useful in evaluating our operating performance.

We define adjusted EBITDA as net income (loss) 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. Adjusted EBITDA is not prepared in accordance with, and is not an alternative to, financial measures prepared in accordance with U.S. GAAP.

The following table presents a reconciliation of net income, the most directly comparable financial measure prepared in accordance with U.S. GAAP, to adjusted EBITDA for each of the periods indicated:

	Three Months Ended March 31,	
	2024	2023
(In thousands)		
Net income	\$ 18,442	\$ 17,167
Add back (deduct):		
Stock-based compensation expense	16,942	19,900
Depreciation and amortization	3,146	2,024
Other income, net <sup>(1)</sup>	(6,722)	(43,000)
Income tax provision	1,329	795
Other <sup>(2)</sup>	188	188
Adjusted EBITDA	\$ 33,325	\$ (2,926)

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

<sup>(2)</sup> During each of the three months ended March 31, 2024 and 2023, we incurred \$0.2 million of expense related to our Tides Foundation warrant.

We use adjusted EBITDA as a measure of operational efficiency. We believe that this non-GAAP financial measure is useful to investors for period-to-period comparisons of our business and in understanding and evaluating our operating results for the following reasons:

- adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items such as 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, all of which can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired;
- our management uses adjusted EBITDA in conjunction with financial measures prepared in accordance with U.S. 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; and
- adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of our core operating results, and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their U.S. GAAP results.

Our use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under U.S. GAAP. Some of these limitations are as follows:

- 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;
- although depreciation and amortization expense are non-cash charges, the assets being depreciated and amortized 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;

- 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; and
- other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces the usefulness of this measure for comparative purposes.

Because of these and other limitations, you should consider adjusted EBITDA along with other financial performance measures, including net income and our other financial results prepared in accordance with U.S. GAAP.

## Components of Our Results of Operations

### Revenue

**Marketplace Revenue.** Marketplace revenue represents the majority of our revenue and is generated from our Marketplace offerings. Under these Marketplace offerings, we generate revenue from both talent and clients.

**Enterprise Revenue.** Enterprise offers two lines of service—Enterprise Solutions and Managed Services.

Our Enterprise Solutions offering includes access to additional product features, premium access to top talent, professional services, custom reporting, and flexible payment terms. Revenue from our Enterprise Solutions offering includes all client fees, subscriptions, and talent service fees.

Through our Managed Services offering, we are responsible for providing services and engaging talent directly or as employees of third-party staffing providers to perform services for clients on our behalf. The talent providing services in connection with our Managed Services offering include independent talent and agencies of varying sizes. Under U.S. GAAP, we are deemed to be the principal in these Managed Services arrangements and therefore recognize the entire GSV of Managed Services projects as Managed Services revenue, as compared to recognizing only the percentage of the client spend that we receive, as we do with our Marketplace and Enterprise Solutions offerings.

### Cost of Revenue, Gross Profit, and Gross Margin

**Cost of Revenue.** Cost of revenue consists primarily of the cost of payment processing fees, amounts paid to talent to deliver services for clients under our Managed Services offering, personnel-related costs for our services and support personnel, third-party hosting fees for our use of Amazon Web Services, and the amortization expense associated with capitalized internal-use software and platform development costs. We define personnel-related costs as salaries, bonuses, benefits, travel and entertainment, and stock-based compensation costs for employees and the costs related to other service providers we engage.

**Gross Profit and Gross Margin.** Our gross profit and gross margin may fluctuate from period to period. Such fluctuations may be influenced by our revenue, the mix of payment methods that our clients choose, the timing and amount of investments to expand hosting capacity, our continued investments in our services and support teams, the timing and amounts paid to talent in connection with our Managed Services offering, and the amortization expense associated with capitalized internal-use software and platform development costs. In addition, gross margin will be impacted by fluctuations in our revenue mix between Marketplace revenue and Enterprise revenue. We expect gross profit to increase in absolute dollars in future periods, although gross margin, expressed as a percentage of total revenue, may vary from period to period.

### **Operating Expenses**

**Research and Development.** Research and development expense primarily consists of personnel-related costs. Research and development costs are expensed as incurred, except to the extent that such costs are associated with internal-use software and platform development that qualifies for capitalization.

**Sales and Marketing.** Sales and marketing expense consists primarily of expenses related to advertising and marketing activities, as well as personnel-related costs, including sales commissions, which we expense as they are incurred.

**General and Administrative.** General and administrative expense consists primarily of personnel-related costs for our executive, finance, legal, human resources, and operations functions; outside consulting, legal, and accounting services; impairment expense; and insurance.

**Provision for Transaction Losses.** Provision for transaction losses consists primarily of losses resulting from fraud and bad debt expense associated with our trade and client receivables balance and transaction losses associated with chargebacks. Provisions for these items represent estimates of losses based on our actual historical incurred losses and other factors.

### **Other Income, Net**

Other income, net consists primarily of interest income that we earn from our operating investments, namely our deposits in money market funds and investments in marketable securities, interest expense on our outstanding borrowings, as well as gains and losses from foreign currency exchange transactions.

### **Income Tax Provision**

We account for income taxes in accordance with the asset and liability method. Under the asset and liability method, deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

## Results of Operations

The following table sets forth our condensed consolidated results of operations for the periods presented:

	Three Months Ended March 31,	
	2024	2023
<i>(In thousands)</i>		
Revenue		
Marketplace <sup>(1)</sup>	\$ 164,330	\$ 136,676
Enterprise <sup>(1)</sup>	26,607	24,182
Total revenue	190,937	160,858
Cost of revenue <sup>(2)</sup>	44,193	40,427
Gross profit	146,744	120,431
Operating expenses		
Research and development <sup>(2)</sup>	52,916	44,481
Sales and marketing <sup>(2)</sup>	47,851	65,000
General and administrative <sup>(2)</sup>	32,001	29,287
Provision for transaction losses	927	6,701
Total operating expenses	133,695	145,469
Income (loss) from operations	13,049	(25,038)
Other income, net	6,722	43,000
Income before income taxes	19,771	17,962
Income tax provision	(1,329)	(795)
Net income	\$ 18,442	\$ 17,167

<sup>(1)</sup> To conform to the current period presentation as of March 31, 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.

<sup>(2)</sup> Includes stock-based compensation expense as follows:

	Three Months Ended March 31,	
	2024	2023
<i>(In thousands)</i>		
Cost of revenue	\$ 466	\$ 420
Research and development	7,370	7,629
Sales and marketing	2,936	3,568
General and administrative	6,170	8,283
Total stock-based compensation	\$ 16,942	\$ 19,900

## Comparison of the Three Months Ended March 31, 2024 and 2023

### Revenue

(In thousands, except percentages)	Three Months Ended March 31,			
	2024	2023	Change	
Marketplace <sup>(1)</sup>	\$ 164,330	\$ 136,676	\$ 27,654	20 %
Percentage of total revenue	86 %	85 %		
Enterprise <sup>(1)</sup>	26,607	24,182	2,425	10 %
Percentage of total revenue	14 %	15 %		
Total revenue	\$ 190,937	\$ 160,858	\$ 30,079	19 %

<sup>(1)</sup> To conform to the current period presentation as of March 31, 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.

During the three months ended March 31, 2024, GSV remained relatively flat at \$1.0 billion, as compared to the same period in 2023. The number of active clients increased 5% as of March 31, 2024, as compared to March 31, 2023, driven by improvements in both acquisition of new clients and retention of existing clients. As a result of the increase in active clients while GSV remained relatively flat, our GSV per active client decreased 4% as of March 31, 2024, as compared to March 31, 2023.

For the three months ended March 31, 2024, Marketplace revenue increased, as compared to the same period in 2023, due to a number of initiatives that we implemented over the past several quarters, including modifying existing offerings and other services and features. Specifically, we retired the tiered service fee structure for talent working with clients on our Marketplace offering—ranging from 5% to 20%—in favor of a flat fee of 10%, increased the number of Connects needed by talent to bid on projects, deployed ads products on our work marketplace, and introduced a contract initiation fee for clients on our Marketplace offering. These factors also drove Marketplace revenue to grow at a faster rate than GSV from our Marketplace offerings, which caused Marketplace take rate to increase to 17.7% during the three months ended March 31, 2024, as compared to 14.7% in the same period in 2023. We anticipate continuing to add new, and modify existing, offerings, services, and features. As a result of the initiatives we implemented over the past several quarters, as well as new changes anticipated in 2024, we expect Marketplace revenue and Marketplace take rate to continue to increase in 2024, as compared to 2023.

For the three months ended March 31, 2024, Enterprise revenue increased, as compared to the same period in 2023, primarily due to increased revenue from our Managed Services offering, driven by new spend from existing clients. We intend to focus on efforts to attract new clients of both our Enterprise Solutions and Managed Services offerings, as well as talent that meet the criteria sought by such clients. As a result, we expect Enterprise revenue to increase in 2024, as compared to 2023.

### Cost of Revenue and Gross Margin

(In thousands, except percentages)	Three Months Ended March 31,			
	2024	2023	Change	
Cost of revenue	\$ 44,193	\$ 40,427	\$ 3,766	9 %
Total gross margin	77 %	75 %		

For the three months ended March 31, 2024, cost of revenue increased, as compared to the same period in 2023, primarily due to increases of \$1.9 million in the cost of talent services to deliver Managed Services revenue and \$1.2 million of amortization expense related to internal-use software and platform development costs. For the three months ended March 31, 2024, gross margin increased to 77%, as compared to 75% in the same period in 2023, primarily driven by the increase in Marketplace revenue.

We expect cost of revenue to increase in future periods as we continue to support growth on our work marketplace. Amounts paid to talent in connection with our Managed Services offering are tied to the volume of managed services used by our clients. The level and timing of these items could fluctuate and affect our cost of revenue in the future. We expect the pricing changes that we have made over the past several quarters will continue to positively impact gross margin in 2024, as compared to 2023.

#### Research and Development

(In thousands, except percentages)	Three Months Ended March 31,			
	2024	2023	Change	
Research and development	\$ 52,916	\$ 44,481	\$ 8,435	19 %
Percentage of total revenue	28 %	28 %		

For the three months ended March 31, 2024, research and development expense increased, as compared to the same period in 2023, primarily due to investments we made to increase the size of our research and development workforce that resulted in increases in personnel-related costs of \$6.6 million.

We remain committed to ongoing innovation to further enhance our platform, including the quality of our offerings, and to build new features, in particular, with a focus on machine learning and generative artificial intelligence. We expect research and development expense to moderately increase in absolute dollars in future periods, although this expense, expressed as a percentage of total revenue, may vary year over year.

#### Sales and Marketing

(In thousands, except percentages)	Three Months Ended March 31,			
	2024	2023	Change	
Sales and marketing	\$ 47,851	\$ 65,000	\$ (17,149)	(26)%
Percentage of total revenue	25 %	40 %		

During the three months ended March 31, 2024, sales and marketing expense decreased, as compared to the same period in 2023, due to a number of cost-saving measures that we implemented in the second quarter of 2023, including reducing our investments in brand marketing and vendor spend, as well as implementing a reduction of our workforce and slowing our Enterprise sales hiring pace. As a result, during the three months ended March 31, 2024, we experienced reductions in marketing and advertising expense of \$14.7 million and personnel-related costs of \$1.7 million, as compared to the same period in 2023.

As a result of the cost-saving measures implemented in 2023, we expect sales and marketing expense to decrease in the first half of 2024, as compared to the same period in 2023.

#### General and Administrative

(In thousands, except percentages)	Three Months Ended March 31,			
	2024	2023	Change	
General and administrative	\$ 32,001	\$ 29,287	\$ 2,714	9 %
Percentage of total revenue	17 %	18 %		

For the three months ended March 31, 2024, general and administrative expense increased primarily due to increases in personnel-related costs of \$1.4 million, as compared to the same period in 2023.

We expect general and administrative expense to increase modestly in absolute dollars in future periods, although this expense, expressed as a percentage of total revenue, may vary year over year.

### Provision for Transaction Losses

(In thousands, except percentages)	Three Months Ended March 31,			
	2024	2023	Change	
Provision for transaction losses	\$ 927	\$ 6,701	\$ (5,774)	(86)%
Percentage of total revenue	0.5 %	4.2 %		

We continue to enhance our trust and safety measures to reduce bad debt losses, instances of fraud, and chargeback losses. As a result, for the three months ended March 31, 2024, provision for transaction losses decreased, as compared to the same period in 2023. We continue to closely monitor these activities and maintain a number of measures designed to mitigate transaction losses going forward.

### Other Income, Net

(In thousands, except percentages)	Three Months Ended March 31,			
	2024	2023	Change	
Other income, net	\$ 6,722	\$ 43,000	\$ (36,278)	(84)%

For the three months ended March 31, 2024, other income, net decreased, as compared to the same period in 2023, due to a gain on the early extinguishment of debt of \$38.9 million that we recognized during the three months ended March 31, 2023.

### Income Tax Provision

(In thousands, except percentages)	Three Months Ended March 31,			
	2024	2023	Change	
Income tax provision	\$ (1,329)	\$ (795)	\$ (534)	67 %

For the three months ended March 31, 2024, income tax provision increased by \$0.5 million as compared to the same period in 2023, primarily due to a year-over-year increase in our U.S. federal taxable income.

### Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents and marketable securities. Our cash equivalents and marketable securities primarily consist of money market funds, commercial paper, treasury bills, corporate bonds, U.S. and foreign government securities, asset-backed securities, and other types of fixed income securities. The primary objective of our investment activities from our operating investments is to preserve principal while maximizing income without significantly increasing risk. Since our inception, our business has consisted of the operation of an online work marketplace that connects businesses with independent talent from across the globe, and we do not make investments for trading or speculative purposes. As of March 31, 2024 and December 31, 2023, we had \$24.7 million and \$79.6 million in cash and cash equivalents, respectively. As of March 31, 2024 and December 31, 2023, we had \$465.9 million and \$470.5 million in marketable securities, respectively.

We believe our existing cash and cash equivalents, marketable securities, and cash flow from operations (in periods in which we generate cash flow from operations) will be sufficient for at least the next 12 months to meet our requirements and plans for cash, including meeting our working capital requirements and capital expenditure requirements. In the long term, our ability to support our working capital and capital expenditure requirements will depend on many factors, including our revenue growth rate, the timing and the amount of cash received from customers, the expansion of sales and marketing activities, the timing and extent of spending to support research and development efforts, the cost to host our work marketplace, the introduction of new offerings and services, the continuing market adoption of our work marketplace, any acquisitions or investments that we make in complementary businesses, products, and technologies, macroeconomic conditions, the number of shares of our common stock that we repurchase under our share repurchase program, which we refer to as the Share Repurchase Program, or the

aggregate principal amount of our outstanding 0.25% convertible senior notes due 2026, which we refer to as the Notes, that we repurchase, and our ability to obtain equity or debt financing.

To the extent existing cash and cash equivalents, cash from marketable securities, and cash from operations (in periods in which we generate cash flow from operations) are insufficient to fund our working capital and capital expenditure requirements, or should we require additional cash for other purposes, we will need to raise additional funds. In the future, we may attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements as we did with the offering of the Notes. If we raise additional funds by issuing equity or equity-linked securities, the ownership and economic interests of our existing stockholders will be diluted. If we raise additional financing by incurring additional indebtedness, we will be subject to additional debt service requirements and could also be subject to additional restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that could also be unfavorable to our equity investors. There can be no assurances that we will be able to raise additional capital on terms we deem acceptable, or at all. The inability to raise additional capital as and when required would have an adverse effect, which could be material, on our results of operations, financial condition, and ability to achieve our business objectives.

### **Commitments and Contingencies**

Our principal commitments consist of the Notes and obligations under our non-cancellable operating leases for office space. There were no material changes to our commitments under our lease agreements from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023. Assuming the outstanding Notes are not converted into our common stock, repurchased, or redeemed prior to maturity, (i) annual interest expense relating to the Notes will be \$2.7 million in each fiscal year through 2025 and \$1.8 million in 2026 and (ii) principal in the amount of \$361.0 million will be payable upon the maturity of the Notes on August 15, 2026. For additional information about our Notes, see the section below titled “—Convertible Senior Notes Due 2026.”

During the periods presented, we did not have, and we do not currently have, any commitments or obligations, including contingent obligations, arising from arrangements with unconsolidated entities or persons that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, cash requirements or capital resources.

### **Share Repurchase Program**

In November 2023, our board of directors authorized the Share Repurchase Program, under which we may repurchase up to \$100.0 million of shares of our outstanding common stock. Repurchases of our common stock under the Share Repurchase Program may be made from time to time on the open market (including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act), in privately negotiated transactions, or by other methods, at our discretion, and in accordance with applicable securities laws and other restrictions. The Share Repurchase Program has no expiration date and will continue until otherwise suspended, terminated, or modified at any time for any reason. The Share Repurchase Program does not obligate us to repurchase any dollar amount or number of shares, and the timing and amount of any repurchases will depend on market and business conditions.

During the three months ended March 31, 2024, we repurchased and subsequently retired 5.0 million shares of common stock for an aggregate amount of \$64.8 million at an average price of \$12.83 per share, including fees associated with the repurchases. In addition, during the three months ended March 31, 2024, we repurchased 0.2 million shares of common stock for an aggregate amount of \$2.1 million at an average price of \$12.22 per share, including fees associated with the repurchases, that were subsequently retired in April 2024 and recorded as treasury stock in the condensed consolidated balance sheet as of March 31, 2024. As of March 31, 2024, we had \$33.1 million available for repurchases under the Share Repurchase Program. In April 2024, we repurchased the remaining amount available under the Share Repurchase Program.

### **Escrow Funding Requirements**

As a licensed internet escrow agent, we offer escrow services to customers of our work marketplace and, as such, we are required to hold our customers' escrowed cash and in-transit cash in trust as an asset and record a corresponding liability for escrow funds held on behalf of talent and clients on our balance sheet. We expect the balances of our funds held in escrow, including funds held in transit, and the related liability to grow as GSV grows and may vary from period to period. Escrow regulations require us to fund the trust with our operating cash to cover shortages due to the timing of cash receipts from clients for completed hourly billings. Talent submit their billings for hourly contracts to their clients on a weekly basis every Sunday, and the aggregate amount of such billings is added to escrow funds payable to talent on the same day. As of each Sunday of each week, we have not yet collected funds for hourly billings from clients as these funds are in transit. Therefore, in order to satisfy escrow funding requirements, every Sunday we fund the shortage of cash in trust with our own operating cash and typically collect this cash shortage from clients within the next several days. As a result, we expect our total cash and cash flows from operating activities to be impacted when a quarter ends on a Sunday. As of March 31, 2024 and December 31, 2023, funds held in escrow, including funds in transit, were \$222.9 million and \$212.4 million, respectively. Funds held in escrow are deposited in interest-bearing checking accounts.

### **Convertible Senior Notes Due 2026 and Capped Calls**

As of March 31, 2024 and December 31, 2023, \$361.0 million aggregate principal amount of the Notes remained outstanding.

The Notes were issued in August 2021, pursuant to and subject to the terms and conditions of an indenture between us and Computershare Trust Company, National Association (as successor in interest to Wells Fargo Bank, National Association), as trustee. The Notes are senior, unsecured obligations and bear interest at a rate of 0.25% per year, payable semiannually in arrears, and are due August 15, 2026. Upon conversion, we have an option to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock.

As market conditions warrant, we may, from time to time, repurchase additional outstanding Notes, as we did in the three months ended March 31, 2023, in the open market, in privately negotiated transactions, by tender offer, by exchange transaction, or otherwise. Such repurchases of Notes, if any, will depend on prevailing market conditions, our liquidity, and other factors, and may be commenced or suspended at any time.

In connection with the issuance of the Notes, we entered into capped call transactions, which we refer to as Capped Calls. The Capped Calls are expected generally to reduce the potential dilution to our common stock upon any conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap based on the cap price.

The initial cap price of the Capped Calls is \$92.74 per share of common stock, subject to certain customary adjustments under the terms of the Capped Calls. See "Note 7—Debt" of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report for additional information regarding the Notes and the Capped Calls.

## Cash Flows

The following table summarizes our cash flows for the periods presented:

	Three Months Ended March 31,	
	2024	2023
(In thousands)		
Net cash provided by (used in) operating activities	\$ 5,656	\$ (8,701)
Net cash provided by investing activities	6,140	152,136
Net cash used in financing activities	(56,220)	(152,031)
Net change in cash, cash equivalents, and restricted cash <sup>(1)</sup>	\$ (44,424)	\$ (8,596)

<sup>(1)</sup> Includes increases in funds held in escrow, including funds in transit of \$10.6 million and \$18.0 million during the three months ended March 31, 2024 and 2023, respectively.

### Operating Activities

Our largest source of cash from operating activities is revenue generated from our work marketplace. Our primary uses of cash from operating activities are for personnel-related expenditures, marketing activities, including advertising, payment processing fees, amounts paid to talent to deliver services for clients under our Managed Services offering, and third-party hosting costs. In addition, because we are licensed as an internet escrow agent, our total cash and cash used in operating activities may be impacted by the timing of the end of our fiscal quarter as discussed in the section titled “—Liquidity and Capital Resources—Escrow Funding Requirements.”

For the three months ended March 31, 2024, net cash provided by operating activities was \$5.7 million, which resulted from net income of \$18.4 million and non-cash adjustments of \$17.5 million, offset by net cash outflows of \$30.3 million from changes in operating assets and liabilities.

For the three months ended March 31, 2023, net cash used in operating activities was \$8.7 million, which resulted from net income of \$17.2 million, offset by adjustments of \$15.1 million, driven by the gain of \$38.9 million on the early extinguishment of debt, and net cash outflows of \$10.8 million from changes in operating assets and liabilities.

### Investing Activities

For the three months ended March 31, 2024, net cash provided by investing activities was \$6.1 million, which was primarily a result of proceeds from maturities of marketable securities of \$131.8 million and proceeds from the sale of marketable securities of \$26.9 million, partially offset by investing \$149.9 million in various marketable securities, as well as \$2.5 million of internal-use software and platform development costs that we paid during the period.

For the three months ended March 31, 2023, net cash provided by investing activities was \$152.1 million, which was primarily a result of proceeds from maturities of marketable securities of \$167.4 million and proceeds from the sale of marketable securities of \$143.7 million to enable the repurchase of a portion of the Notes, partially offset by investing \$156.1 million in various marketable securities, as well as \$2.7 million of internal-use software and platform development costs that we paid during the period.

### Financing Activities

For the three months ended March 31, 2024, net cash used in financing activities was \$56.2 million, which was driven by \$66.9 million cash paid for repurchases under the Share Repurchase Program, partially offset by an increase in escrow funds payable of \$10.6 million.

For the three months ended March 31, 2023, net cash used in financing activities was \$152.0 million, which was driven by \$170.8 million that we paid to repurchase a portion of the Notes, partially offset by an increase in escrow funds payable of \$18.0 million and cash received from stock option exercises of \$0.8 million.

### Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of the condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors and adjust those estimates and assumptions when facts and circumstances dictate. Actual results could materially differ from these estimates and assumptions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements.

Except as otherwise disclosed in "Note 2—Basis of Presentation and Summary of Significant Accounting Policies" of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations," there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the year ended December 31, 2023.

### Recent Accounting Pronouncements

See "Note 2—Basis of Presentation and Summary of Significant Accounting Policies" of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report for recently issued accounting pronouncements not yet adopted as of the date of this Quarterly Report.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate and foreign currency exchange rates.

#### Interest Rate Risk

Borrowings under the Notes have a fixed interest rate. As of March 31, 2024 and December 31, 2023, we had \$361.0 million aggregate principal amount of borrowings outstanding under the Notes.

Additionally, we are exposed to interest rate risk relating to our investment portfolio. The primary objective of our investment activities from our operating investments is to preserve principal while maximizing income without significantly increasing risk. We do not make investments for trading or speculative purposes. Our portfolio's fair value is relatively insensitive to interest rate changes.

We do not believe that a hypothetical increase or decrease in interest rates of 100 basis points would have a material impact on our operating results or financial condition.

#### Foreign Currency Risk

Our operating results and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. In addition to the U.S. dollar, we offer clients the option to settle invoices denominated in the U.S. dollar in the following currencies: Euro, British Pound, Australian dollar, Canadian dollar, Singapore dollar, South African rand, New Zealand dollar, Polish zloty, Swiss franc, Norwegian krone, Danish krone, Swedish krona, Turkish lira, Japanese yen, and Hong Kong dollar. When clients make payments in one of these currencies, we are exposed to foreign currency risk during the period between when payment is made and when the payment amounts settle. To mitigate this risk, we may enter into forward contracts or secure foreign currency exchange rates for certain durations with financial institutions. As such, the impact of foreign currency exchange rate fluctuations to our operating results have been immaterial to date.

## **Item 4. Controls and Procedures.**

### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer (our Principal Executive Officer) and Chief Financial Officer (our Principal Financial Officer), evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, as of March 31, 2024. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2024, our disclosure controls and procedures were effective.

### **Changes in Internal Control over Financial Reporting**

There were no changes to our internal control over financial reporting that occurred during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

We are not a party to any material pending legal proceedings. From time to time, we may be subject to legal proceedings and claims arising in the ordinary course of business.

### Item 1A. Risk Factors.

*A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, as well as the other information in this Quarterly Report, including our condensed consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The occurrence of any of the events or developments described below, or of additional risks and uncertainties not presently known to us or that we currently deem immaterial, could materially and adversely affect our business, results of operations, financial condition, and growth prospects. In such an event, the market price of our common stock could decline, and you could lose all or part of your investment.*

#### Summary of Risk Factors

Some of the more material risks that we face include:

- Our growth depends on our ability to attract and retain a community of talent and clients, and the failure to maintain or grow our community of customers and their activity on our platform in a cost-effective manner or at all could adversely impact our business.
- We have experienced growth in recent periods and expect to invest in our growth in the future. If we are unable to maintain similar levels of growth or manage our growth effectively, our business, operating results, and financial condition could be adversely affected.
- We continue to evolve our business strategy, offerings and pricing model, and changes that we make can adversely affect our business and make it difficult to evaluate our future prospects.
- We face payment and fraud risks that could adversely impact our business.
- If we are unable to maintain our banking and payment partner relationships on favorable terms, or at all, our business could be adversely affected.
- Our revenue growth and ability to achieve and sustain profitability will depend in part on being able to increase the productivity, effectiveness, and efficiency of our sales force.
- Our revenue growth depends in part on the success of our strategic relationships with third parties and their continued performance.
- Customers circumvent our work marketplace, which adversely impacts our business.
- Clients sometimes fail to pay their invoices, necessitating action by us to compel payment.
- We are subject to disputes with or between customers of our work marketplace.
- We face risks related to our international community of customers, which could increase as we seek to expand our international footprint.
- Our inability to generate revenue from our Marketplace offerings, which represents a substantial majority of our total revenue, would adversely affect our business, operating results, and financial condition.
- If the market for independent talent and the services they offer develops more slowly than we expect, our growth may slow or stall, and our operating results could be adversely affected.
- If we are not able to develop and release new offerings and services, or develop and release successful enhancements, new features, and modifications to our existing offerings and services, our business could be adversely affected.

- We face intense competition and could lose market share to our competitors, which could adversely affect our business, operating results, and financial condition.
- If we or our third-party partners experience a security breach, other hacking or phishing attack, ransomware or other malware attack, or other privacy or security incident, our work marketplace may be perceived as not being secure, our reputation may be harmed, demand for our work marketplace may be reduced, our operations may be disrupted, we may incur significant legal costs, fines, or liabilities, and our business could be adversely affected.
- If we fail to develop, maintain, and enhance our brand and reputation cost-effectively, our business and financial condition may be adversely affected.
- If internet search engines' methodologies or other channels that we utilize to direct traffic to our website are modified to our disadvantage, or our search result page rankings decline for other reasons, our customer growth could decline.
- Business or system errors, defects, or disruptions could diminish demand, adversely impact our business, operating results, and financial condition, and subject us to liability.
- Our business is subject to extensive government regulation and oversight. Any failure to comply with the extensive, complex, overlapping, and frequently changing laws and regulations, both in the United States and internationally, could adversely impact our business, operating results, and financial condition.
- We have a history of net losses, may increase our operating expenses in the future, and may not be able sustain profitability.
- Our operating results and performance metrics may fluctuate from period to period, which makes our future results difficult to predict.
- We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics may not accurately reflect certain details of our business, are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.
- The stock price of our common stock has been and may continue to be volatile, and you could lose all or part of your investment.
- We cannot guarantee that our Share Repurchase Program will enhance long-term stockholder value. Share repurchases could also increase the volatility of the trading price of our common stock and diminish our cash reserves.
- Our indebtedness could limit the cash flow available for our operations and expose us to risks that could adversely affect our business, operating results, and financial condition.
- Adverse or changing economic conditions may negatively impact our business.

#### **Risks Related to our Business Operations, Execution, and Growth**

***Our growth depends on our ability to attract and retain a community of talent and clients, and the failure to maintain or grow our community of customers and their activity on our platform in a cost-effective manner or at all could adversely impact our business.***

The size of our community of customers, both talent and clients, is critical to our success. Our ability to achieve significant future revenue growth depends, in large part, upon our ability to attract new customers and retain existing customers, including large enterprise and other clients with larger, longer-term independent talent needs, as well as talent that meet the criteria sought by such clients.

Talent have many different ways of marketing their services, securing clients, and obtaining payments from clients, and the competition from offline and online models is significant. Likewise, there may be impediments to talent who would like to use our work marketplace, including geopolitical events such as

Russia's invasion of Ukraine in February 2022, which resulted in immediate reductions in activity from customers in the region.

Clients have similarly diverse options to find and engage service providers, including other online or offline platforms, staffing firms and agencies, by engaging service providers directly, or by hiring temporary, full-time, or part-time employees directly or through an agency. Clients may decrease their use of, or cease using, our work marketplace and our revenue may be adversely impacted for many reasons, including: if we fail to attract new talent and retain existing talent; if the quality or types of services provided by talent on our work marketplace are not satisfactory to clients; or if generative artificial intelligence tools provide a suitable replacement for traditional talent tasks. Further, expenditures by clients may be cyclical and may reflect overall macroeconomic conditions or budgeting patterns. Additionally, one client accounted for more than 10% of our trade and client receivables for each of the years ended December 31, 2022 and 2021. The loss of a key client could have an adverse effect on our business.

Customers may stop using our work marketplace and related services if the quality of the customer experience on our work marketplace, including our support capabilities or our ability to provide a secure, reliable, and trustworthy work marketplace, does not meet their expectations or keep pace with the quality of the customer experience offered by competitive products and services. Customers may also choose, and in the past have chosen, to cease using our work marketplace if they perceive that our pricing model, including associated fees, is not in line with the value they derive from our work marketplace.

Our efforts to attract and retain customers may not be successful or cost effective, and if customers, particularly significant clients, stop using, or reduce their use of, our work marketplace and related services for any reason, our business, operating results, and financial condition would be adversely affected.

***We have experienced growth in recent periods and expect to invest in our growth in the future. If we are unable to maintain similar levels of growth or manage our growth effectively, our business, operating results, and financial condition could be adversely affected.***

We have experienced growth in a relatively short period of time. However, there can be no assurance that we will be able to sustain our historical growth rates or that any future investments in growth will be successful or cost-effective. Moreover, sustaining the same levels of growth in future periods will become more difficult if macroeconomic uncertainty, elevated interest rates, and inflation persist. To manage our growth, we must improve our operational, financial, and management information systems and expand, motivate, and effectively manage and train our workforce. If we are unable to manage our growth successfully without compromising the quality of our offerings or customer experience, or if new systems that we implement to assist in managing our growth do not produce the expected benefits, our business, operating results, financial condition, and ability to successfully market our work marketplace and serve our customers could be adversely affected.

Moreover, our historical growth should not be considered indicative of our future performance. We have encountered, and will encounter in the future, risks, challenges, and uncertainties, including those described in this "Risk Factors" section. If our assumptions regarding these risks, challenges, and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our financial condition and operating results could differ materially from our expectations and those of investors and securities analysts, our growth rates may slow, and our business would be adversely impacted.

***We continue to evolve our business strategy, offerings and pricing model, and changes that we make can adversely affect our business and make it difficult to evaluate our future prospects.***

We have over time evolved, and will continue to evolve, our sales, marketing, and brand positioning efforts, as well as our business strategy and pricing model. We continuously evaluate and revise our current offerings and pricing model and create and test additional offerings, pricing models, features, and services to serve our current and prospective customer base.

Changes in our offerings and pricing model and the continued evolution of our business strategy and brand positioning subject us to a number of uncertainties, including our ability to plan for and project future growth and performance. In addition, we have in the past seen, and may in the future see, unexpected or unintended negative effects as a result of changes to our pricing model, offerings, and sales and marketing efforts, including increased customer dissatisfaction, harm to our reputation, increased circumvention rates, reductions in the rate or size of projects that get posted or completed, or a failure to attract and retain customers. These adverse effects may negatively affect our business, operating results, and financial condition. In recent periods, we have implemented a number of changes to our pricing model that were designed to improve the health of our work marketplace. However, there can be no assurances as to the long-term impact these changes will have on our business, operating results, and financial condition.

In addition, creating new offerings is expensive and time consuming, diverts the attention of our management, and may not be successful or cost-effective to maintain. Moreover, if an offering does not achieve sufficient market acceptance or is otherwise unsuccessful, we may expend additional resources and divert the attention of management to implement modifications, which may not be successful. For example, in 2019, we launched our Upwork Business offering, focused on mid-market businesses. In the fourth quarter of 2020, we decided that it was no longer cost-effective for our sales team to sell our Upwork Business offering, which resulted in an elimination of that offering and a reduction in force of approximately one-third of our sales employees at that time.

***We face payment and fraud risks that could adversely impact our business.***

We expect that bad actors will continue to attempt to use our marketplace to engage in unlawful or fraudulent conduct. This conduct may include unauthorized acquisition or use of data (such as theft and misuse of personal information, including unauthorized or fraudulent use or misrepresentation of another's identity, location, skills, payment information, or other information and the improper acquisition or use of banking or payment information), money laundering, moving funds to regions or persons restricted by sanctions or export controls, terrorist financing, fraudulent sale of services, bribery, breaches of security, extortion or use of ransomware, distribution or creation of malware or viruses, and piracy or misuse of software and other copyrighted or trademarked content.

Our controls relating to customer identity verification, customer authentication, and fraud detection are complex, require continuous improvement, and may not be effective in detecting and preventing misconduct, particularly as bad actors use increasingly sophisticated methods and technologies to bypass the controls. Further, while we take steps to implement and improve our trust and safety program through the use of algorithms and machine learning techniques, any unauthorized or inadvertent disclosure of these tools might make our efforts to prevent fraud or the improper use of our platform less effective, and any new laws restricting our use of these techniques, or that force us to make the inner workings of these tools transparent to the public, may increase the risk of harm to our customers. If such controls are not effective, any of the following could result, each of which could harm our reputation and adversely impact our business:

- we may be, and historically have been, held liable for the unauthorized use of credit or debit card details and banking or other payment account information and required by card issuers, card networks, banks, and other payment partners to return the funds at issue and pay a chargeback, return, or other fee. If our chargeback or return rate becomes excessive, card networks may also require us to pay fines or other fees or engage in remediation efforts, which can be costly and divert the attention of management, or cease doing business with us;
- the California Department of Financial Protection and Innovation, which we refer to as the DFPI, or other regulators may require us to hold larger cash reserves or take other action with respect to our internet escrow license or other licenses or licensing regimes;
- customers may seek to hold us responsible for losses, may lose confidence in and decrease use of our work marketplace, or publicize their negative experiences;

- law enforcement or administrative agencies could seek to hold us responsible for the conduct of or content posted by customers and impose fines and penalties, bring criminal action, or require us to change our business practices, and private actions or public enforcement may increase depending on interpretations of and possible changes to intermediary liability provisions such as Section 230 of the Communications Decency Act of 1996;
- we may be subject to additional risk and liability exposure, including for negligence, fraud, or other claims, if employees or third-party service providers, including talent that provide services to us, misappropriate our banking, payment, or other information or customer information for their own gain or to facilitate the fraudulent use of such information;
- if talent misstate their qualifications or location, provide misinformation about their skills, identity, or otherwise, perform services they are not qualified or authorized to provide, produce insufficient or defective work product or work product with a harmful effect, clients or other third parties may seek to hold us responsible and may lose confidence in and decrease or cease use of our work marketplace; and
- we may bring, and have in the past brought, claims against clients and other third parties for their misuse of our work marketplace, which may divert the attention and resources of our management.

***If we are unable to maintain our banking and payment partner relationships on favorable terms, or at all, our business could be adversely affected.***

We rely on banks and payment partners to provide us with corporate banking services, escrow trust accounts or other regulated accounts, and clearing, processing, and settlement functions for the funding of all transactions on our work marketplace and disbursement of funds to customers. Our banking and payment partners are critical to our business, and we may not always have a sufficient surplus of vendors in the event one or more relationships is terminated for any reason. If we are unable to maintain our agreements with current partners on favorable terms, or at all, or we are unable to enter into new agreements with new partners on favorable terms, or at all, our ability to collect payments and disburse funds and our business, operating results, and financial condition may be adversely affected. This could occur for a number of reasons, including the following:

- our partners may be unable or unwilling or may fail to perform the services we require of them, such as processing payments to talent in a timely manner and in compliance with applicable legal requirements, including sanctions regimes;
- a failure by us to comply with our partners' compliance standards, which could result in increased rates that they charge us or our customers or a reduction in services or benefits that they provide us with, or termination of our agreement with them altogether, and any remediation efforts undertaken by us to return to compliance may be costly, time consuming, and divert the attention of management;
- our partners may be subject to investigation, regulatory enforcement, or other proceedings that result in their inability or unwillingness to provide services to us or our unwillingness to continue to partner with them;
- our partners may be unable to effectively accommodate changing service needs, and we may have difficulty finding suitable partners to accommodate such needs; and
- our partners could experience instability, delays, limitations, or closures of their businesses, networks, partners, or systems, causing them to be unable to process payments or disburse funds for certain periods of time.

In addition, we may be forced to cease doing business with certain partners if card network operating rules, certification requirements and laws, regulations, or rules governing electronic funds transfers, change or are interpreted to make it difficult or impossible for us to comply.

***Our revenue growth and ability to achieve and sustain profitability will depend in part on being able to increase the productivity, effectiveness, and efficiency of our sales force.***

To increase our revenue from our premium offerings and achieve and sustain profitability, we must improve the effectiveness and efficiency of our sales force and generate additional revenue from new and existing customers. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training, effectively deploying, and retaining sufficient numbers of qualified sales and sales support personnel to support our growth, which can be particularly challenging in times of significant competition for qualified personnel. Furthermore, hiring and effectively deploying sales personnel is complex, costly and requires significant training. In addition, new sales personnel do not always achieve productivity milestones within the timelines that we have projected, or at all, negatively impacting our ability to achieve our long-term financial projections associated with such personnel.

In addition, our sales efforts are primarily targeted at large enterprise and other prospects with larger, longer-term independent talent needs. As a result of our focus on these larger clients, we face greater costs, longer sales cycles, and less predictability in completing some of our sales and in increasing spend by existing clients. For larger clients, use of our work marketplace often requires approvals by multiple departments and executive-level personnel and greater levels of services and client education regarding the uses, benefits and functionality of our work marketplace. Larger enterprises typically have longer implementation cycles and demand more customization, greater indemnification and risk shifting, higher levels of support, a broader range of services, and greater payment flexibility. We may expend significant time and resources, including sales and administrative support and professional services resources, on potential large enterprise clients who may ultimately choose not to use our services.

A significant portion of the fees we receive from a particular client is contingent on the level of spend by that client, and our revenue from any particular relationship may be minimal. If our sales personnel are not successful in obtaining new business or increasing sales, our business and results of operations will be adversely affected. Additionally, in the fourth quarter of 2021, we began increasing our investment in sales by expanding our sales team, which continued throughout 2022. However, in light of macroeconomic conditions as well as our efforts to reduce spend and streamline operations, we implemented a reduction of our workforce in May 2023, largely in our sales team. There can be no assurance that these or other actions we may take will increase the productivity or efficiency of our sales force.

***Our revenue growth depends in part on the success of our strategic relationships with third parties and their continued performance.***

To grow our business, we need to continue to establish and maintain relationships with third parties, such as staffing providers, software and technology vendors, and payment processing and disbursement providers. For example, we work with third-party staffing providers, upon which we are dependent to support our employment offering, Upwork Payroll. We have also recently established several partnerships that have allowed us to integrate generative artificial intelligence tools into our work marketplace aimed at improving customer experience and productivity. As our agreements with third-party partners terminate or expire, we may be unable to renew or replace these agreements on favorable terms, or at all. Moreover, we cannot guarantee that the parties with which we have strategic relationships will continue to offer the services for which we rely on them at economically reasonable terms or at all or devote the resources necessary to expand our reach, increase our distribution, or support an increased number of customers. Some of our strategic partners offer, or could offer, competing products and services or also work with our competitors. As a result, many of our third-party partners may choose to develop or support alternative products and services in addition to, or in lieu of, our work marketplace. If we are unsuccessful in establishing or maintaining our relationships with third parties on favorable terms, these relationships are not successful in improving our business, or one or more of our third-party staffing partners materially changes its business, our business, operating results, and financial condition may be adversely impacted.

***Customers circumvent our work marketplace, which adversely impacts our business.***

Our business depends on customers transacting through our work marketplace. Despite our efforts to prevent them from doing so, customers circumvent our work marketplace and engage with or take payment through other means to avoid our fees, and it is difficult or impossible to measure the losses associated with circumvention. Enhancements and changes we make to our pricing model, fees, offerings, services, and features may unintentionally cause, and may have unintentionally caused in the past, customers to circumvent our work marketplace. In addition, circumvention by customers of our work marketplace is likely to increase during a macroeconomic downturn, as customers may be more cost-sensitive. The loss of revenue associated with circumvention of our work marketplace has an adverse impact on our business, operating results, and financial condition. Moreover, certain changes we make to decrease circumvention by customers have in the past and could again inadvertently result in customer dissatisfaction, increased customer circumvention, and a decline in customer activity. Our efforts to reduce circumvention may be costly or disruptive to implement, fail to have the intended effect or have an adverse effect on our brand or customer experience, reduce the attractiveness of our work marketplace, or otherwise harm our business, operating results, and financial condition.

***Clients sometimes fail to pay their invoices, necessitating action by us to compel payment.***

In connection with our Enterprise Solutions offering, and for certain legacy clients, we advance payments to talent for invoiced services on behalf of the client and subsequently invoice the client for such services. To maintain these relationships, we have in the past been, and may in the future be, forced to agree to terms that are unfavorable to us, including extended payments terms. In addition, in certain instances, we advance payment on a talent invoice if the client issues a chargeback or their payment method is declined. In this circumstance, the talent assigns us the right to recover any funds from the client. From time to time, clients fail to pay for services rendered by talent, and as a result, we may incur costs to enforce the applicable agreement or our terms of service, including through arbitration or litigation, and we may not be successful in collecting amounts owed. Furthermore, some clients may seek bankruptcy protection or other similar relief and fail to pay amounts due, or pay those amounts more slowly. Our risk of financial exposure increases if we do not adequately screen clients, do not conduct sufficient credit checks, or otherwise do not adequately monitor clients' spend on our work marketplace. All of these risks are made more likely during a macroeconomic downturn and could result in increased costs to us. Our failure to manage these risks could adversely affect our business, operating results, and financial condition.

***We are subject to disputes with or between customers of our work marketplace.***

Our business model enables connections between talent and clients that contract directly through our work marketplace. Talent and clients are free to negotiate any contract terms they choose, but we also provide optional service contract terms that they can elect to use. Disputes sometimes arise between talent and clients, including with respect to service standards, payment, confidentiality, work product, and intellectual property ownership and infringement. If either party believes the contract terms were not met, our standard terms and some individually negotiated services agreements provide a mechanism for the parties to request assistance from us, and, for some contracts, if that is unsuccessful, a provision referring the dispute to a third-party arbitrator. Whether or not talent and clients seek assistance from us, if these disputes are not resolved amicably, the parties might escalate to formal proceedings. Given our role in facilitating and supporting these arrangements, claims are sometimes brought against us directly and talent or clients bring us into claims filed against each other, particularly when the other customer is insolvent or facing financial difficulties. Through our terms of service and services agreements for premium offerings, we disclaim responsibility and liability for any disputes between customers (except with respect to specified dispute assistance programs and services); however, we cannot guarantee that these terms will be effective in preventing or limiting our involvement in customer disputes or that these terms will be enforceable or otherwise effectively prevent us from incurring liability. Disputes with or between customers may become more frequent based on conditions outside our control, such as a macroeconomic downturn or actions of bad actors seeking to take advantage of other customers. Such

disputes, or any increase in the number of disputes, may adversely affect our business, operating results, and financial condition.

***We face risks related to our international community of customers, which could increase as we seek to expand our international footprint.***

Although we currently have a limited physical presence outside of the United States, we have customers located in over 180 countries, including some markets where we have limited experience. In these markets, challenges can be significantly different from those we have faced in existing markets and where business practices may create greater internal control risks. Further, certain skills and services are offered by talent concentrated in countries with higher risks of instability and geopolitical uncertainty. For example, in response to the ongoing war in Ukraine, we decided in March 2022 to suspend business operations in Russia and Belarus, and have prohibited customers in those countries from using our work marketplace during the suspension. In addition, we engage talent located in many countries to provide services for our Managed Services offering and to us for internal projects, which has also been suspended in Russia and Belarus.

Additional risks inherent in conducting business with an international customer base, engaging talent globally, localizing our work marketplace, and expanding our operations internationally include:

- varying and overlapping laws and regulations and approaches to enforcement, including with respect to worker classification and data protection and privacy;
- difficulties in, and costs of, establishing local brand recognition and staffing, managing, and operating international operations or support functions;
- compliance with U.S. and foreign laws designed to combat money laundering and the financing of terrorist activities;
- the imposition of taxes on transactions between us and our customers or among our customers, or the imposition of liability on us for the failure to collect and remit taxes owed by our customers;
- tariffs, export and import restrictions, restrictions on foreign investments, sanctions, changes to existing trade arrangements between various countries, and other trade barriers or protection measures, including those affecting certain countries with higher risks of instability and geopolitical uncertainty;
- geopolitical instability and security risks, such as armed conflict and civil or military unrest, political instability, human rights concerns, terrorist activity, ransomware, and cyberterrorism in countries where we have customers and retaliatory actions that governments may take in response;
- costs of localizing services and business practices, including adding the ability for clients to pay in local currencies or modifying our platform to offer our website in local languages;
- changes to laws, regulations, or central bank rules impacting us or our partners that may make payments for services exports more costly, difficult, or impossible to process, or that may reduce the availability of tools like digital wallets and related payment services in important global markets;
- contractual provisions that are designed to protect and mitigate against risks, including terms of service, services agreements, arbitration and class action waiver provisions, disclaimers of warranties, limitations of liabilities, releases of claims, and indemnification provisions, could be deemed unenforceable by a foreign court, arbitrator, or other decision-making body;
- economic weakness or currency-related challenges or crises;
- regional or global public health events;
- organizing or similar activity by workers, local unions, works councils, or other labor organizations in the United States or elsewhere; and

- other risks relating to laws and regulations in jurisdictions outside the United States, as discussed elsewhere in these “Risk Factors.”

The risks described above may also make it costly or difficult for us to expand our operations internationally. If we are unable to comply with applicable laws and regulations or manage the complexity of global operations and support an international customer base successfully and in a cost-effective manner, our business, operating results, and financial condition could be adversely affected.

***Our business depends largely on our ability to attract and retain talented employees, including senior management and key personnel. If we lose the services of Hayden Brown, our President and Chief Executive Officer, or other members of our senior management team or key personnel, we may not be able to execute on our business strategy.***

Our future success depends in large part on our ability to attract, retain, and motivate our senior management and other key personnel. In particular, we are dependent on the services of Hayden Brown, our President and Chief Executive Officer, and our future vision, strategic direction, work marketplace, and technology could be compromised if she were to take another position, become ill or incapacitated, or otherwise become unable to serve as our President and Chief Executive Officer.

We face intense competition for qualified personnel from numerous software and other technology companies, and we may not be able to retain our current key personnel or attract, train, integrate, or retain other highly skilled personnel in the future. Our senior management and other key personnel are all employed on an at-will basis, which means that they could terminate their employment with us at any time, for any reason, and without notice, and we do not maintain any “key-person” life insurance policies. We may incur significant costs to attract and retain highly skilled personnel, we may lose employees to our competitors or other technology companies, and our succession plans may be insufficient to ensure business continuity. To the extent we move into new geographies, including internationally, we would need to attract and recruit skilled personnel in those areas. In addition, changes in our management team resulting from the hiring or departure of executives and other changes such as reorganizations of reporting lines of our workforce have resulted, and future personnel changes may result, in increased attrition or reduced productivity of our personnel. Volatility, depreciation, or lack of appreciation in our stock price may also affect our ability to attract and retain key personnel.

If we lose the services of senior management or other key personnel, if our succession plans prove inadequate, or if we are unable to retain, attract, train, and integrate the highly skilled personnel we need, our business, operating results, and financial condition could be adversely affected.

***We may be unable to integrate acquired businesses and technologies successfully or to achieve the expected benefits of such acquisitions. We may acquire or invest in additional companies, which may divert our management’s attention, result in additional dilution to our stockholders, and consume resources that are necessary to sustain our business.***

Our business strategy may, from time to time, include acquiring complementary products, technologies, businesses, or other assets. We also may enter into relationships with other businesses to expand our work marketplace or our ability to provide our work marketplace in foreign jurisdictions, which could involve preferred or exclusive licenses, additional channels of distribution, or investments in other companies. In addition, these transactions, even if undertaken and announced, may not close, and any acquisition, investment, or business relationship may result in unforeseen or additional operating difficulties, risks, and expenditures. For one or more of those transactions, we may face the following risks, any of which could adversely impact our business, operating results, and financial condition. We may:

- use cash that we may need in the future to operate our business or issue equity that would dilute our stockholders’ ownership interest;
- become subject to different laws and regulations or more stringent scrutiny due to the nature or location of the acquired business, products, technologies, or other assets;
- incur expenses or assume substantial liabilities;

- encounter difficulties retaining key personnel of the acquired company or assimilating acquired operations and employee cultures;
- encounter difficulties integrating diverse technologies and systems;
- divert management's attention;
- become subject to adverse tax consequences, substantial depreciation, or deferred compensation charges;
- incur debt on terms unfavorable to us or that we are unable to repay; or
- be required to adopt new, or change our existing, accounting policies.

#### **Risks Related to Our Industry, Offerings, and Services**

***Our inability to generate revenue from our Marketplace offerings, which represents a substantial majority of our total revenue, would adversely affect our business, operating results, and financial condition.***

We derive, and expect to continue to derive in the near future, the substantial majority of our revenue from our Marketplace offerings. As such, market acceptance of our Marketplace offerings is critical to our continued success. If we are unable to meet customer demands and expectations, earn and maintain customer trust, expand our offerings or the categories of services offered on our work marketplace, develop features that are appealing to customers, or achieve and maintain more widespread market acceptance of our Marketplace offerings, our business operations, operating results, and financial condition may be adversely affected.

Demand for our Marketplace offerings is also affected by a number of other factors, including the timing and success of new offerings and services by us and our competitors, changes to our pricing model, our ability to respond to technological change and to effectively innovate and grow, macroeconomic conditions, contraction in our market, client spending patterns, talent activity levels, the size and price of projects on our work marketplace, changes in adoption of remote work, geopolitical conditions, and the other risks identified herein. To the extent these or other factors negatively affect demand for our Marketplace offerings, our business, operating results, and financial condition may be adversely affected.

***If the market for independent talent and the services they offer develops more slowly than we expect, our growth may slow or stall, and our operating results could be adversely affected.***

The market for online independent talent and the services they offer is relatively new, rapidly evolving, and unproven. Our future success will depend in large part on the continued growth and expansion of this market and the willingness of businesses to engage independent talent to provide services and independent talent to engage as service providers. It is difficult to predict the size, growth rate, and expansion of this market, whether any expansion will be long-term or temporary, particularly as the labor market and remote work trends continue to be unpredictable and recent challenging macroeconomic conditions continue. The overall demand for independent talent will continue to be impacted by competition in the marketplace, technological developments (including artificial intelligence), and macroeconomic, geopolitical, legal and regulatory conditions. In particular, a substantial portion of the services sought by clients and offered by talent on our work marketplace is related to information technology. If, for any reason, the market for information technology services declines or a sufficient number of qualified or desirable talent is not available on our work marketplace to meet our clients' demands, the growth in the number of customers on our work marketplace may slow or decline, and as a result, our business, operating results, and financial condition may be adversely impacted.

Furthermore, many businesses may be unwilling to engage independent talent for a variety of reasons, including perceived negative connotations with outsourcing work, quality of work, fraud, privacy, or data security concerns, or the rapidly evolving regulations that may impact the demand for independent contractor services more generally, including as discussed further in the risk factor titled "Our business is subject to extensive government regulation and oversight. Any failure to comply with the extensive, complex, overlapping, and frequently changing laws and regulations, both in the United States and

internationally, could adversely impact our business, operating results, and financial condition.” Likewise, with the increased prevalence of remote work and increased flexibility in employment relationships in recent years, more skilled independent talent may choose traditional employment. If the market for independent talent and the services they offer does not achieve widespread adoption, or there is a reduction in demand for independent talent, our business, operating results, and financial condition could be adversely affected.

***If we are not able to develop and release new offerings and services, or develop and release successful enhancements, new features, and modifications to our existing offerings and services, our business could be adversely affected.***

The market for our work marketplace is characterized by rapid technological change, frequent product and service introductions and enhancements, changing customer demands, and evolving industry standards. For example, we have recently integrated generative artificial intelligence tools into our work marketplace aimed at improving customer experience and productivity. The introduction of offerings and services embodying new technologies can quickly make existing offerings and services obsolete and unmarketable. We invest substantial resources in researching and developing new offerings and services and enhancing our work marketplace by incorporating additional features, improving functionality, modernizing our technology, and adding other improvements to meet our customers' evolving demands in our increasingly highly competitive industry. The success of any enhancements or improvements to, or new features of, our work marketplace or any new offerings and services depends on several factors, including overall demand and market acceptance consistent with the intent of such offerings or services, competitive pricing, adequate quality testing, integration with new and existing technologies on our work marketplace and third-party partners' technologies, and timely completion. We cannot be sure that we will succeed in delivering enhancements or new features or any new offerings and services. Any enhancements or new features to our work marketplace or any new offerings and services may not achieve, and in the past certain features and offerings have not achieved, market acceptance, cost-effectiveness, or the intended effect. In the past, we have experienced, and in the future we may experience, unintended negative effects, including reduced client spend, diminished fill rates for projects on our work marketplace, errors and disruptions on our work marketplace, and customer dissatisfaction from certain modifications to our offerings, services, and features.

Moreover, even if we introduce new offerings and services, we may experience a decline in revenue from our existing offerings and services that is not offset by revenue from the new offerings or services. In addition, we may lose existing customers that choose to use competing products or services. This could result in a temporary or permanent decrease in revenue and adversely affect our business.

***We face intense competition and could lose market share to our competitors, which could adversely affect our business, operating results, and financial condition.***

The market for independent talent and the clients that engage them is highly competitive, fragmented and rapidly evolving, including due to changing technology, shifting needs, and frequent introductions of new competitors. We compete with a number of online and offline platforms and services domestically and internationally, as well as traditional staffing firms. Our main competitors fall into the following categories:

- traditional contingent workforce and staffing service providers and other outsourcing providers, such as The Adecco Group, Randstad, Recruit, Allegis Group, and Robert Half International;
- online freelancer platforms that serve either a diverse range of skill categories, such as Fiverr, Guru, and Freelancer.com, or specific skill categories;
- other online providers of products and services for individuals or businesses seeking work or to advertise their services, including personal and professional social networks, such as LinkedIn and GitHub (each owned by Microsoft), employment marketplaces, platforms providing compliance services, recruiting websites, and project-based deliverable providers;
- software and business services companies focused on talent acquisition, management, invoicing, or staffing management products and services, such as Workday;

- payment businesses that can facilitate payments to and from businesses and service providers, such as PayPal and Payoneer;
- businesses that provide specialized professional services, including consulting, accounting, marketing, and information technology services; and
- online and offline job boards, classified ads, and other traditional means of finding work and service providers, such as Craigslist, CareerBuilder, Indeed, Monster, and ZipRecruiter.

In addition, well-established internet companies, such as Google, LinkedIn, and Amazon, social media platforms, such as Meta, and businesses that operate driving, delivery, and other commoditized marketplaces, such as Uber Technologies, have entered or may decide to enter our market segment. Some of these companies have launched or may launch, or have acquired or may acquire companies or assets that offer products and services that directly compete with our work marketplace. For example, LinkedIn launched ProFinder in 2016, Open for Business in 2019, and Services Marketplaces in 2021, each of which is a service to connect LinkedIn members with one another for freelance service relationships. Many of these established internet companies and other competitors are considerably larger than we are, have considerably greater financial and other resources than we do, and could offer products and services similar to our offerings for lower fees.

We also compete with companies that utilize emerging technologies and assets, such as blockchain, artificial intelligence, augmented reality, cryptocurrency, and machine learning. These competitors may offer products and services that may, among other things, provide automated alternatives to the services that talent provide on our work marketplace, use machine learning algorithms to connect businesses with service providers more effectively than we do, or otherwise change the way that businesses engage or pay service providers or the way service providers perform work so as to make our work marketplace less attractive to customers. We may face increased competition from these competitors as they mature and expand their capabilities.

Internationally, we compete against online and offline channels and products and services. Local competitors, or competitors that have invested more in international expansion, have greater brand recognition in other countries and a stronger understanding of local or regional culture and commerce. Some competitors also offer their products and services in local languages and currencies that we do not offer. We also compete against locally sourced service providers and traditional, offline means of finding work and procuring services. In addition, our decision to suspend our business operations in Russia and Belarus in March 2022 may increase the risk that new competitors emerge in the region.

Many of our current and potential competitors enjoy substantial competitive advantages, such as: greater name recognition and more prominent brand reputation; pre-existing relationships with desirable clients; more experience with international operations and localization of their offerings; longer operating histories; greater financial, technical, and other resources; more customers; newer technologies and more modern technical infrastructure; greater appeal to certain segments of customers, such as those entering the workforce; and, in some cases, the ability to rapidly combine online platforms with traditional staffing and contingent worker solutions. These companies may use these advantages to offer products and services similar to ours at a lower price, develop competitive products, or respond more quickly and effectively than we do to new or changing opportunities, technologies, standards, regulatory conditions, or customer preferences or requirements. In addition, we compete intensely in more established markets, we also compete in developing technology markets that are characterized by dynamic and rapid technological change, varied business models, and frequent disruption of incumbents by innovative online and offline entrants. The barriers to entry into these markets can be low, and businesses easily and quickly can launch online or mobile platforms and applications at nominal cost by using commercially available software or partnering with various established companies in these markets.

Moreover, current and future competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with others, including our current or future third-party partners. These developments could limit our ability to obtain revenue from existing and new customers. For all of these

reasons, we may not be able to compete successfully against our current and future competitors, in which case our business, operating results, and financial condition would be adversely impacted.

*If we or our third-party partners experience a security breach, other hacking or phishing attack, ransomware or other malware attack, or other privacy or security incident, our work marketplace may be perceived as not being secure, our reputation may be harmed, demand for our work marketplace may be reduced, our operations may be disrupted, we may incur significant legal costs, fines, or liabilities, and our business could be adversely affected.*

Our business involves the storage, processing, and transmission of customers' proprietary, confidential, and personal information as well as the use of third-party partners and vendors who store, process, and transmit customers' proprietary, confidential, and personal information. We also use third-party partners and vendors who process certain proprietary and confidential information relating to our business and personal information of our personnel. Our systems, and the systems of our vendors and third-party partners, may be vulnerable to privacy or security incidents, such as computer viruses and other malicious software, physical or electronic break-ins, or vulnerabilities resulting from intentional or unintentional service provider actions, and similar disruptions that could make all or portions of our website or applications unavailable for periods of time. Additionally, ransomware or other malware, viruses, social engineering (including business email compromise and related wire-transfer fraud), impersonation of our company and executives on social media, and general hacking in our industry have become more prevalent and more complex. Bad actors often try to take advantage of us, our customers, and our vendors and third-party partners by using social engineering and other methods to persuade their victims to make fraudulent payments, or to download viruses, ransomware, or other malware into computer systems and networks. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not foreseeable or recognized until launched against a target, we and our vendors and third-party partners may be unable to anticipate incidents or to implement adequate preventative measures. Data security breaches and other privacy and security incidents may also result from non-technical means, such as actions taken by employees or contractors, including talent that we engage on our work marketplace to perform services for us. We have also integrated, and expect to continue to integrate, generative artificial intelligence tools into our platform and products, or our vendors may in turn incorporate generative artificial intelligence tools into their own offerings. We and the providers of these generative artificial intelligence tools may not meet existing or rapidly evolving regulatory or industry standards with respect to data privacy and protection.

Any privacy or security incident experienced by us, our vendors, or our third-party partners could result in: unauthorized access to, misuse of, or unauthorized acquisition of our, our personnel's, or our customers' data; the loss, corruption, or alteration of data; interruptions in our operations; or damage to our computers or systems or those of our customers. Any of these could expose us to claims, litigation, fines, enforcement actions, other potential liability, and reputational harm. In addition, significant unavailability of our work marketplace due to security breaches or other privacy and security incidents could cause customers to decrease or cease their use of our work marketplace. Any of these effects could adversely impact our business, operating results, and financial condition.

We may also need to expend significant resources to protect against, and to address issues created by, security breaches and other privacy and security incidents. These liabilities may exceed the amounts covered by our cyber liability insurance; further, we cannot be certain that our insurance coverage will extend to or be adequate for liabilities actually incurred, or that insurance will continue to be available to us on economically reasonable terms, at coverage limits we deem prudent, or at all.

Depending on the nature of the information compromised, in the event of a security breach or other privacy or security incident, we may also have obligations to notify affected individuals and entities and regulators about the incident, and we may need to provide some form of remedy, such as a subscription to credit monitoring services, pay significant fines to one or more regulators, reimburse, defend or indemnify third parties, or pay compensation in connection with a class-action settlement (including under the private right of action under the California Consumer Privacy Act of 2018, which we refer to as the CCPA). Such breach notification laws continue to evolve and may be inconsistent from one jurisdiction to

another. Complying with these obligations could cause us to incur substantial costs and could increase negative publicity surrounding any incident that compromises our, our customers', our employees', our contractors', or other confidential, proprietary, or personal information.

***If we fail to develop, maintain, and enhance our brand and reputation cost-effectively, our business and financial condition may be adversely affected.***

We believe that the awareness and integrity of our brand and reputation are important to achieving widespread acceptance and use of our work marketplace and attracting and retaining customers. Successful and efficient promotion and positioning of our brand and business depend on, among other things, the effectiveness of our marketing efforts and brand messaging and our ability to provide a reliable, trustworthy, and useful work marketplace and offerings at competitive prices. To reach the brand awareness and acceptance levels of some of our competitors, we need to continuously invest in marketing programs that may not be successful or cost effective, particularly during early phases of expansion into new segments, such as international customers and customers who are reluctant to utilize remote or contract workers. Any negative publicity and news coverage, fraud, or other illegal activity conducted by bad actors on our work marketplace, or decisions we make relating to geopolitical or social matters, may undermine our brand promotion efforts or harm our reputation.

Additionally, new and developing privacy laws have established individual rights with respect to personal information that may lead to downstream effects on our ability to realize and quantify the value of our marketing initiatives. As more jurisdictions adopt expansive data privacy regulations, an increasing number of customers and website visitors will have the right to opt-out of sharing their personal information for purposes of specific types of online advertising. This may lead to diminished efficacy of our marketing efforts, diminished visitor-to-customer conversions, and increased costs of maintaining compliance.

If we fail to promote and maintain our brand successfully, address customer concerns, or maintain loyalty among our customers, or if we incur substantial expenses in unsuccessful attempts to promote and maintain our brand, we may fail to attract new customers or retain our existing customers and our business, operating results, and financial condition may be adversely affected.

***If internet search engines' methodologies or other channels that we utilize to direct traffic to our website are modified to our disadvantage, or our search result page rankings decline for other reasons, our customer growth could decline.***

We depend in part on internet search engines and other channels to direct a significant amount of traffic to our website and mobile applications. Our ability to maintain the number of visitors directed to our website and mobile applications is not entirely within our control. For example, our competitors' search engine optimization and other efforts such as paid search may result in their websites receiving a higher search result page ranking than ours, or we may make changes to our website or mobile applications that adversely impact our search engine optimization rankings and traffic to comply with requirements imposed by regulators, our vendors or third-party partners, or for other reasons. As a result, links to our website may not be prominent enough to drive sufficient traffic to our website, and we may not be able to influence search engine results.

In addition, search engines and other channels that we utilize to drive customers to our website and mobile applications periodically change their algorithms, policies, and technologies, sometimes in ways that cause traffic to our website and mobile applications to decline. These changes can also result in an interruption in customers' ability to access our website, a drop in our search ranking, a misunderstanding among potential customers regarding the functionality or purpose of our work marketplace, or have other adverse impacts that negatively affect traffic on our website or mobile applications. We may also be forced to significantly increase marketing expenditures in the event that market prices for online advertising and paid listings escalate or our organic ranking decreases. Any of these changes could have an adverse impact on our customer acquisition, business, operating results, and financial condition.

***Business or system errors, defects, or disruptions could diminish demand, adversely impact our business, operating results, and financial condition, and subject us to liability.***

Our systems and operations and those of our customers and third-party service providers and partners have experienced from time to time, and may experience in the future, errors, defects, and disruptions from a variety of causes, including undetected hardware and software errors or defects, natural disasters such as an earthquake, blizzard, hurricane, fire, or flood, and other catastrophic events, including public health events and pandemics, man-made problems such as warfare or terrorism, human error, cybersecurity attacks, power losses, telecommunications or other technological failures, and similar events or circumstances. In particular, catastrophic events in geographical areas where our employees or customers are concentrated could have more severe impacts on our business, and the effects of climate change may increase the frequency and intensity of such events. For example, our corporate headquarters and many key personnel are located in the San Francisco Bay Area, a region known for seismic activity and catastrophic fires.

As we expand, we will need an increasing amount of technical infrastructure and continued infrastructure modernization, including network capacity, computing power, and improvements to how we process and store data and transaction information. We may fail to effectively scale and grow our technical infrastructure to accommodate these demands, which may adversely affect our customer experience. We also rely on third-party service providers and infrastructure, including the infrastructure of the internet, to provide our work marketplace. For example, we currently host our work marketplace, serve our customers, and support our operations using Amazon Web Services, a provider of cloud infrastructure services. We do not have control over the operations or the facilities of our third-party service providers, which are subject to risks of errors, defects, and disruptions. In addition, these third parties generally do not have an obligation to renew their agreements with us on commercially reasonable terms, or at all, and we may not be able to switch to another third-party service provider easily or without incremental costs. Any interruption in the provision of services to us by these third parties for any reason or other unanticipated problems could result in interruptions to our work marketplace, and our and these third parties' business continuity and disaster recovery plans may prove to be inadequate.

Our work marketplace enables our customers to manage important aspects of their businesses, and any errors, defects, disruptions in service, or other performance or availability problems with our work marketplace, or our inability to adequately prevent or timely detect or remedy errors, defects, or disruptions in service, could harm our brand and reputation, result in security breaches or the loss of critical data, adversely impact our business and the businesses of our customers, impair or jeopardize our partner relationships, result in delays in invoicing of clients or payment to us or talent, negatively impact our ability to obtain or maintain licenses necessary to operate our business or deliver certain services, or result in claims by customers for losses sustained by them or investigation or corrective action by regulatory agencies. In any such event, we may expend additional resources to attempt to resolve the issue. Moreover, we may not carry sufficient business interruption insurance to cover losses that may occur as a result of any such events, and we cannot be certain that insurance will continue to be available to us on economically reasonable terms, or at all. Accordingly, any errors, defects, or disruptions in our work marketplace could diminish demand, adversely impact our business, operating results, and financial condition, and subject us to liability.

***Our ability to attract and retain customers is dependent in part on the quality of our support, and any failure to offer high-quality support could adversely impact our business, operating results, and financial condition.***

Our ability to attract and retain customers is dependent in part on the ease of use, trustworthiness, and reliability of our work marketplace, including our ability to provide high-quality support. Our customers depend on our support organization to enforce our terms of service against bad actors, resolve any issues relating to our work marketplace, communicate effectively about their accounts, and assist in their use of our work marketplace, especially large enterprise clients, which expect higher levels of support. Our ability to provide effective support is largely dependent on our ability to attract, resource, and retain service providers who are both qualified and well versed in our work marketplace. The incorporation of

generative artificial intelligence into our support tools, either by us or our third-party support partners, may lead to inconsistent quality of experience as these tools are integrated and refined. Offering our website and customer support in only a limited number of languages may negatively impact our relationships with our customers. As we seek to continue to grow our international customer base, our support organization will face additional challenges, including those associated with delivering support and documentation in additional languages. Any failure to maintain high-quality support or effectively communicate with our customers, or any market perception that we do not maintain high-quality support or act professionally, fairly, or effectively in our communications and actions, could harm our reputation, adversely affect our ability to sell our work marketplace to existing and prospective customers, and could adversely impact our business, operating results, and financial condition.

***Our customer growth and engagement on mobile devices depend upon third parties maintaining open application marketplaces and effective operation with mobile operating systems, networks, and standards that we do not control.***

Mobile devices are increasingly used for marketplace transactions. A significant and growing portion of our customers access our work marketplace through mobile devices, including through mobile applications. Our mobile applications rely on third parties maintaining open application store platforms, including the Apple App Store and Google Play, which make current and new applications or new versions of our mobile applications available for download and use on mobile devices. These platforms may not maintain their current structures or terms of access, continue to make our mobile applications or newer versions of our mobile applications available for download, and may charge us additional fees or impose additional requirements, which may be costly and burdensome to meet or may adversely affect customer experience. Additionally, popular mobile operating systems, such as Android and iOS, could stop supporting our work marketplace or the ability to make payments on our work marketplace at all or on commercially reasonable terms or make changes that degrade the customer experience on our marketplace. To deliver high-quality mobile offerings, it is important that our offerings are designed effectively and work well with a range of mobile devices, technologies, systems, networks, and standards that we do not control, and we may not be successful in developing relationships with key participants in the mobile industry or in developing offerings that operate effectively. In the event that it is inconvenient or impossible for our customers to access and use our work marketplace on their mobile devices or our competitors develop offerings and services that are perceived to operate more effectively on mobile devices, our business, operating results, and financial condition could be adversely impacted.

#### **Risks Related to Legal and Regulatory Matters**

***Our business is subject to extensive government regulation and oversight. Any failure to comply with the extensive, complex, overlapping, and frequently changing laws and regulations, both in the United States and internationally, could adversely impact our business, operating results, and financial condition.***

We and our customers are subject to a wide variety of foreign and domestic laws and regulations. Laws, regulations, and standards governing issues that may affect our business, including worker classification, employment, worker health, payments, worker confidentiality obligations and whistleblowing, intellectual property, consumer protection, taxation, privacy, and data security, are often complex and subject to varying interpretations, and, as a result, their enforcement and application in practice may change or develop over time. Many of these laws were adopted prior to the advent of the internet, mobile, and related technologies and, as a result, do not contemplate or address the unique issues of such technologies.

In addition, because our website is generally accessible by customers worldwide, we have received in the past, and may continue to receive, notices from jurisdictions claiming that we or our customers are required to comply with their laws and regulations. Laws and regulations outside of the United States regulating areas that could be interpreted to apply to our business are often less favorable to us than those in the United States, giving greater rights to competitors, customers, and other third parties. Compliance with international laws and regulations may be more costly than expected, may require us to change our business practices or restrict or modify our offerings or obtain certain licenses, and such

changes or licensure may not be possible on a reasonable timeline or at all, and the imposition of any such laws or regulations on us, our customers, or third parties that we or our customers utilize to provide or use our services, may adversely impact our business and operating results. In addition, we may be subject to multiple complex overlapping legal or regulatory regimes that impose conflicting requirements, including with respect to data protection and privacy, which could lead to additional compliance costs and enhanced legal risks.

Regulatory scrutiny on large companies, technology companies in general, and companies engaged in dealings with independent contractors, payments, or personal information in particular, has increased significantly and may continue to increase. New and existing laws and regulations (or changes in interpretation of existing laws and regulations) may be adopted, implemented, or interpreted to apply to our business or our customers, including as a result of new products or features we may introduce or international expansion of our business. In addition, these laws and regulations affect our customers and may affect demand for our work marketplace. If we determine additional legal requirements apply to our business, we may expend resources to comply or obtain licenses, and such efforts may be a distraction to the business or require adverse changes to the manner in which we conduct our business or our work marketplace and may themselves cause regulatory agencies to scrutinize our business, including past practices. It is also possible that certain provisions in agreements with our customers or service providers, or between talent and clients, or the fees we charge, may be found to be unenforceable or not compliant with applicable law.

Although we have implemented policies and procedures designed to analyze and support compliance with applicable laws and regulations, there can be no assurance that we will maintain compliance, that our interpretations are or will remain correct, or that all of our employees, contractors, partners, customers, and agents will comply. We have in the past been, and may in the future be, subject to administrative inquiries and audits concerning our compliance with applicable laws and regulations, including the taxation and classification of our workers and the customers of our work marketplace. Any failure or alleged failure to comply with applicable laws and regulations creates risk for our business and our employees, contractors and customers and could result in enforcement actions or other proceedings, criminal or civil fines and penalties or other actions, civil lawsuits, forfeiture of significant assets, the limitation or suspension of our ability to operate our business or certain services in a particular jurisdiction, damages, interest, loss of export privileges, costs and fees (including legal fees), injunctions, loss of intellectual property rights, whistleblower complaints, termination of agreements by our partners, the diversion of management's attention and resources, or reputational harm and adverse media coverage. Certain claims may not be covered by our insurance, and we cannot be certain that our insurance coverage will cover liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. Any of the foregoing could, individually or in the aggregate, harm our reputation and adversely affect our business, operating results, and financial condition, and we could be required to make costly and burdensome changes to our business practices or compliance programs.

#### ***Worker Classification***

Our clients are generally responsible for properly classifying the talent they engage through our work marketplace. Some clients opt to classify talent as employees for certain work, while talent in many other cases are classified as independent contractors.

We offer an optional service to customers of our Enterprise Solutions offering and other premium offerings through which we help classify talent as employees of third-party staffing providers or independent contractors. For clients of these services, subject to applicable law and the terms of our agreement with the client, we indemnify clients from misclassification risk and make certain warranties to the client, such as to compliance with applicable laws. In addition, we offer other premium offerings where we provide increased assistance to customers to find and contract with one another, which could increase employment-related risks. Third-party staffing providers employ talent classified as employees for clients, and failure of these staffing providers to comply with all legal and tax requirements could adversely affect our business. We also use our work marketplace to find and engage talent to provide services for us and for our Managed Services offering, which subjects us to additional misclassification risk.

There is significant uncertainty in the worker classification regulatory landscape and the application of worker classification laws, which are regularly subject to further regulation, amendment, or re-interpretation, and consequently there is risk to us and to customers that independent contractors could be deemed to be misclassified under applicable law, including as a result of changes in our offerings or brand positioning that we may introduce. Laws and regulations that govern the status and misclassification of independent contractors are highly fact sensitive and also subject to change as well as to divergent interpretations by various authorities, which can create uncertainty and unpredictability. For example, in California, Assembly Bill 5, which we refer to as AB 5, went into effect on January 1, 2020 and is widely viewed as expanding the scope of the definition of "employee" for most purposes under California law. Since the enactment of AB 5, and subsequent amendments and challenges (including California's Proposition 22) to the law, there is little guidance from the courts or the regulatory authorities charged with its enforcement and there remains a degree of uncertainty regarding its application. Further, in January 2024, the U.S. Department of Labor published a new final rule regarding the classification of workers as independent contractors or employees under the Fair Labor Standards Act, and while we expect this new rule to have minimal, if any, impact on the independent work relationships formed on our platform, it may increase uncertainty for our customers and may be delayed or changed again as a result of recently filed litigation. Other federal agencies, U.S. states, or jurisdictions outside the United States may enact similar legislation or rules.

Even if any new regulations do not directly impact our business, public perception may result in confusion about the standards to be applied when making an employment determination and cause clients to explore alternative arrangements to meet their talent needs. In addition, any developments or changes in the regulatory environment impacting worker classification and independent contractors may reduce the demand for independent contractors more generally in one or more jurisdictions and have an adverse effect on our business, operating results, and financial condition.

### ***Privacy and Data Protection***

We receive, collect, store, process, transfer, and use personal information and other customer data. There are numerous federal, state, local, and international laws and regulations regarding privacy, data protection, information security, and the collection, storing, sharing, use, processing, transfer, disclosure, and protection of personal information and other data. We are also subject to the terms of our privacy policies and legal and contractual obligations to third parties related to privacy, data protection, and information security.

The regulatory framework for privacy and data protection worldwide is, and is likely to remain for the foreseeable future, uncertain and complex, and it is possible that these or other actual or alleged obligations may be interpreted and applied in a manner that we do not anticipate or that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. In addition, public and regulatory scrutiny of and complaints about technology companies in general regarding their data handling or data protection practices has increased and may continue to increase.

We also expect that there will continue to be new laws, regulations, and industry standards concerning privacy, data protection, automated processing, and information security. For example, Europe's General Data Protection Regulation, which we refer to as the GDPR, the UK General Data Protection Regulation, and Europe's Digital Services Act impose stringent data protection and data handling compliance requirements and provide for significant penalties for noncompliance. Additionally, there is increased focus on automated processing and processing via artificial intelligence that may lead to increased restrictions that could impact our platform's functionality. For example, we have recently established several partnerships that have allowed us to integrate generative artificial intelligence tools into our work marketplace aimed at improving customer experience and productivity. If regulatory authorities or legal challenges against us or our vendors that provide us with artificial intelligence services impose new restrictions on artificial intelligence in ways that prevent the incorporation of such tools into our platform or limit their functionality, the potential benefits to our business of artificial intelligence may not be fully realized. In California, the CCPA, in conjunction with its California Privacy Rights Act amendment, requires, among other things, covered companies to provide certain disclosures to California consumers

and affords such consumers certain rights, including the right to opt-out of certain sales of personal data. The CCPA also provides for civil penalties for violations as well as a private right of action for data breaches that may increase data breach litigation. A growing number of U.S. states have enacted similar or other data protection legislation that have or will go into staggered effect in the near future, and several other states and countries are considering expanding or passing privacy laws in the near term.

The enactment of more restrictive laws, rules, regulations, or future enforcement actions or investigations could increase our costs and require us to materially modify our services and features, which we may be unable to complete in a cost-effective manner, or at all, and may limit our ability to store and process customer data or develop new services and features. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our customers may limit the adoption and use of, and reduce the overall demand for, our work marketplace. Additionally, violations of applicable laws, regulations, or agreements by third parties we work with may put the data of our customers, employees, contractors, and others at risk, could result in governmental investigations or enforcement actions, fines, litigation, claims, or public statements against us by consumer advocacy groups or others, and could result in significant liability, reduce our customers' trust in us, and otherwise harm our reputation and adversely impact our business, operating results, and financial condition.

#### ***Payments***

Our subsidiary, Upwork Escrow Inc., is licensed as an internet escrow agent under California's Escrow Law and is subject to regulations applicable to internet escrow agents promulgated by the DFPI. Although we are a licensed internet escrow agent and believe that our operations comply with existing U.S. federal, state, and international laws and regulatory requirements related to escrow, generating interest from customer funds held in escrow, money transmission, and the handling or moving of money, the laws and regulations or their interpretations may change, and our operations and offerings may change resulting in new or different regulatory requirements being applicable to our business. As a result, we could be required, or choose, to become licensed as an escrow agent or a money transmitter (or other similar licensee) in other states or jurisdictions or as a money services business. It is also possible that we could become subject to regulatory enforcement or other proceedings in states or other jurisdictions with escrow, money transmission, electronic money, or other similar statutes or regulatory requirements related to the handling, storing, or moving of money, and such risk may increase if we are required or choose to pursue additional or different licenses, which could in turn have a significant impact on our business. We may also be required, or choose, to become licensed as a payment institution (or obtain a similar license) under the European Payment Services Directive or other international laws and regulations or may choose to obtain such a license even if not required or to support new products or services.

Any developments or inconsistencies in the requirements, interpretations, or applicability of the laws or regulations related to escrow, money transmission, or the handling, storing, or moving of money; material changes to the mandate, purview or regulatory approach at the DFPI; or increased scrutiny of our business may lead to additional compliance costs and administrative overhead. Moreover, to the extent that holding or pursuing escrow, money transmitter, or similar licenses involves complying with other regulatory frameworks, such as GDPR or CCPA, we may experience increased enforcement or other proceedings.

#### ***Anti-Corruption, Anti-Money Laundering, and Sanctions***

We have voluntarily implemented an anti-money laundering compliance program designed to address the risk of our work marketplace being used to facilitate money laundering, terrorist financing, or other illegal activity. However, our program may not be sufficient to prevent our work marketplace from being used to improperly move money or may not satisfy the expectations of our partners or regulators. In addition, if we or a regulator determine that we are required to comply with the Bank Secrecy Act, 31 U.S.C. § 5311, or similar laws outside of the United States, we may be required to enhance or alter our anti-money laundering compliance program.

We also have policies, procedures, and technology designed to allow us to comply with U.S. economic sanctions laws and prevent our work marketplace from being used to facilitate business in countries, regions, or with persons or entities included on designated lists promulgated by the U.S. Department of the Treasury's Office of Foreign Assets Control, which we refer to as OFAC, and equivalent foreign authorities. Our efforts to comply with OFAC regulations may not be effective, our partners or regulators may determine they are insufficient, or we may be required to comply with new sanctions laws and regulations, which may require us to further revise or expand our compliance program. For example, as a result of the war in Ukraine, jurisdictions have issued and may in the future issue broad-ranging economic sanctions. The result of such sanctions has negatively affected and may continue to affect our customers and business. Additionally, any additional sanctions could include blocking sanctions targeting Russia and secondary sanctions against banks in China, India, or other markets that have continued to transact with Russian entities, which may disrupt our ability to transact with entities located in those countries. Given the technical limitations in developing controls to prevent, among other things, the ability of customers to publish on our work marketplace false or deliberately misleading information or to develop sanctions-evasion methods, it is possible that we may inadvertently and unknowingly provide services to individuals or entities that are subject to sanctions or are located in a country subject to an embargo.

We are also subject to the U.S. Foreign Corrupt Practices Act, which we refer to as the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, and the UK Bribery Act 2010, and may be subject to other anti-bribery laws in countries in which we conduct activities or have customers. We face significant risks if we fail to comply with the FCPA and other anti-corruption laws. Local customs in international jurisdictions may involve practices that are prohibited by the FCPA or other applicable laws and regulations. We may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we may be held liable for the corrupt or other illegal activities of third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we prohibit or do not explicitly authorize such activities. We have implemented an anti-corruption compliance policy, but we cannot ensure that all of our employees, customers, and agents, as well as those contractors to which we outsource certain of our business operations, will comply with our policies or agreements and applicable law, for which we may be ultimately held responsible.

Even if we maintain proper controls and remain in compliance with applicable anti-corruption, anti-money laundering, and sanctions laws or regulations, should any of our competitors not implement sufficient controls and be found to have violated such laws or regulations, customer perception of online freelance marketplaces in general may decrease and our business, operating results, and financial condition may be adversely affected.

#### ***Export Controls***

We may be subject to export controls and other similar regulations that prohibit the shipment or provision of certain products and services to certain countries, governments, and persons, and new export controls and similar regulations are promulgated from time to time. While we take precautions to prevent aspects of our work marketplace from being exported in violation of export controls, including implementing internet protocol address blocking and obtaining and relying on licenses and exemptions, we cannot guarantee that the precautions we take will prevent violations of export control and similar laws. In addition, our customers may be subject to export control laws that do not apply to us and we may not be able to determine the applicability of such export control laws, and any violations by them could harm our reputation and they could seek to hold us responsible for any monetary losses.

In addition, various countries regulate the import and export of certain encryption and other technology, including imposing import and export permitting and licensing requirements, and have enacted and may enact laws that could limit our ability to distribute aspects of our work marketplace or could limit our customers' ability to access our work marketplace in those countries. Any change in export or import regulations, economic sanctions or related legislation, or change in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our work marketplace by existing or potential customers with international operations and adversely impact our business, operating results, and financial condition.

***We are vulnerable to intellectual property infringement claims and challenges to our intellectual property rights brought against us by third parties.***

We operate in a highly competitive industry, and there has been considerable activity in our industry to develop and enforce intellectual property rights. Intellectual property infringement claims against us or our customers or third-party partners could result in monetary liability or a material disruption to our business. We cannot be certain that aspects of our work marketplace, content, and brand names do not or will not infringe valid patents, trademarks, copyrights, or other intellectual property rights held by third parties, including our competitors. Also, we are now, have in the past been, and may in the future be, subject to legal proceedings and claims relating to the intellectual property of others, including our competitors, in the ordinary course of our business. The likelihood of intellectual property-related litigation and disputes may increase as platforms like ours gain more prominence. In addition, the improper use of generative artificial intelligence by customers of our work marketplace may lead to additional claims of intellectual property infringement. Our competitors and other third parties have in the past challenged, and may in the future challenge, our registration or use of our trademarks, including “Upwork,” and other intellectual property rights, and such a challenge, even if unsuccessful, could adversely affect our brand and business. Our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have or trademarks or other rights that pre-date and take precedence over our own. We may also be obligated to indemnify certain clients on our work marketplace or strategic partners or others in connection with such infringement claims, or to obtain licenses from third parties. Some of our infringement indemnification obligations related to intellectual property are contractually uncapped or capped at high amounts.

Any litigation or other disputes relating to allegations of intellectual property infringement could divert management attention and resources, subject us to significant legal costs and liability for damages or new licenses, invalidate our proprietary rights, or require us to alter our work marketplace, or marketing strategy or other aspects of our business.

***Failure to protect our intellectual property could adversely affect our business.***

Our success depends in large part on our proprietary technology and data. We rely on various intellectual property rights, including patents, copyrights, trademarks, and trade secrets, as well as confidentiality provisions and contractual arrangements, to protect our proprietary rights. If we do not protect and enforce our intellectual property rights successfully or cost-effectively, including if we are unable to protect our trademarks and brand, our competitive position, business and brand may suffer, which would adversely impact our operating results.

We may not pursue or file patent applications or apply for registration of copyrights or trademarks in the United States and foreign jurisdictions in which we have a presence with respect to our potentially patentable inventions, works of authorship, and marks and logos for a variety of reasons, including the cost of procuring or ability to procure such rights and the uncertainty involved in obtaining adequate protection from such applications and registrations. Moreover, changes to intellectual property laws and regulations, including U.S. and foreign patent law, may affect our ability to protect and enforce our intellectual property rights or defend against claims alleging we are infringing others’ rights. If the intellectual property rights that we develop are not sufficient to protect our proprietary technology and data, our brand, our business, operating results, and financial condition could be adversely affected.

In addition, the laws of some countries do not provide the same level of protection for our intellectual property as do the laws of the United States. As our global reputation grows and we expand our international activities, our exposure to unauthorized copying and use of our work marketplace and proprietary information will likely increase. Despite our precautions, our intellectual property is vulnerable to unauthorized access through employee or third-party error or actions, theft, cybersecurity incidents, private or public economic espionage, and other security breaches and incidents. Third parties may infringe upon or misappropriate our intellectual property, copy our work marketplace, and use information that we regard as proprietary to create products and services that compete with ours. Effective intellectual property protection may not be available to us in every country in which our work marketplace is available. In addition, many countries limit the enforceability of patents or other intellectual property rights against

certain third parties, including government agencies or government contractors. Further, certain countries impose additional conditions on the transfer of intellectual property rights from individuals to companies, which may make it more difficult for us to secure and maintain intellectual property protection. We may need to expend additional resources to defend our intellectual property rights domestically or internationally, which could be costly, time consuming, and distracting to management and could impair our business or adversely affect our expansion. If we cannot adequately protect and defend our intellectual property, we may not remain competitive, and our business, operating results, and financial condition may be adversely affected.

We rely on trade secrets as an important aspect of our intellectual property program and to cover much of our technology and know-how. We seek to protect our trade secrets and obtain rights in intellectual property developed by service providers through confidentiality and invention assignment or intellectual property ownership agreements with our employees, contractors, and other parties, as well as through implementing acceptable use policies, limiting access to our information and data through technological means, and monitoring and limiting the dissemination of our information and data outside of company-owned information systems. We cannot ensure that these agreements, or all the terms thereof, will be enforceable or compliant with applicable law, or these agreements and other measures will be effective in protecting our trade secrets and intellectual property rights. Most of our employees and all of the contractors with which we work are remote, which may make it more difficult to control use of confidential materials, increasing the risk that our source code or other confidential or trade secret information may be exposed. Any failure to protect intellectual property that we develop or our proprietary technology and data would adversely affect our business, operating results, and financial condition.

***The use of open source software could restrict our ability to market or operate our work marketplace and could negatively affect our business.***

Our work marketplace incorporates certain open source software. An open source license typically permits the use, modification, and distribution of software in source-code form subject to certain conditions. These conditions may require that any person who distributes a modification or derivative work of open source software make the modified version subject to the same open source license. Distributing software that is subject to this kind of open source license can lead to a requirement that certain aspects of our work marketplace be distributed or made available in source code form. Although we do not believe that we have used open source software in a manner that might condition its use on our distribution of any portion of our work marketplace in source code form, the interpretation of open source licenses is complex and, despite our efforts, it is possible that we may be liable for copyright infringement, breach of contract, or other claims if our use of open source software is adjudged not to comply with the applicable open source licenses.

Moreover, we cannot ensure that our processes for controlling our use of open source software in our work marketplace will be effective. If we have not complied with the terms of an applicable open source software license, we may need to seek licenses from third parties to continue offering our work marketplace and the terms on which such licenses are available may not be economically feasible, to re-engineer our work marketplace to remove or replace the open source software, to discontinue offering our work marketplace if re-engineering could not be accomplished on a timely basis, to pay monetary damages, or to make available the source code for aspects of our proprietary technology, any of which could adversely affect our business, operating results, and financial condition.

In addition to risks related to license requirements, use of open source software can involve greater risks than those associated with use of third-party commercial software, as open source licensors generally do not provide warranties or assurances of title, performance, or non-infringement, nor do they control the origin of the software. There is typically no support available for open source software, and we cannot ensure that the authors of such open source software will implement or push updates to address security risks or will not abandon further development and maintenance. In addition, using open source software may also require us to take additional steps to ensure compliance with applicable laws and regulations than may be necessary when deploying third-party commercial software. Many of the risks associated

with the use of open source software, such as the lack of warranties or assurances of title or performance, cannot be eliminated, and could, if not properly addressed, negatively affect our business.

***Litigation could have a material adverse impact on our operating results and financial condition.***

From time to time, we are involved in litigation and make and receive demands and claims threatening possible litigation. The outcome of any litigation (including class actions and individual lawsuits or arbitration), regardless of its merits, is inherently uncertain. Regardless of the merits or ultimate outcome of any claims that have been or may be brought against us or that we may bring against others, pending or future litigation could result in a diversion of management's attention and resources and reputational harm, and we may be required to incur significant expenses and liabilities in connection with these claims. We may determine that the most cost-effective and efficient way to resolve a dispute is via settlement, and terms of any settlement agreements are increasingly limited by legislation. Where we can make a reasonable estimate of the liability relating to pending litigation and determine that it is probable, we record a related liability. As additional information becomes available, we assess the potential liability and revise estimates as appropriate. However, the amount of our estimates could be wrong as determining reserves for pending litigation is a complex, fact-intensive process that is subject to judgment calls and the uncertainties of litigation. Any adverse determination related to litigation or adverse terms contained in a settlement agreement could require us to change our technology or our business practices in costly ways, prevent us from offering certain offerings or services, require us to pay monetary damages, fines, or penalties, or require us to enter into royalty or licensing arrangements, and could adversely affect our reputation, business, operating results, and financial condition.

***If we are deemed to be an investment company under the Investment Company Act of 1940, our results of operations could be harmed.***

Under Sections 3(a)(1)(A) and (C) of the Investment Company Act of 1940, as amended, which we refer to as the Investment Company Act, absent an applicable exemption, a company generally will be deemed to be an "investment company" for purposes of the Investment Company Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities or (ii) it is engaged, or proposes to engage, in the business of investing, reinvesting, owning, holding, or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an "investment company," as such term is defined in either of these sections of the Investment Company Act, including as a result of both the exemption set forth in Section 3(b)(1) of the Investment Company Act and the safe harbor set forth in Rule 3a-8 of the Investment Company Act. Section 3(b)(1) of the Investment Company Act provides that a company that would otherwise fit within the definition of an "investment company" under Section 3(a)(1)(C) of the Investment Company Act will not be required to register as an "investment company" if "it is primarily engaged, directly or through a wholly owned subsidiary or subsidiaries, in a business or businesses other than that of investing, reinvesting, owning, holding, or trading in securities." We believe that we are and hold ourselves out as being engaged primarily in the operation of an online work marketplace, and our historical development, public representations of policy, the activity of our officers and directors, the nature of our present assets, the sources of our present income, and the public perception of the nature of our business all support the conclusion that we are an operating company and not an investment company. Rule 3a-8 under the Investment Company Act provides a nonexclusive safe harbor from the definition of "investment company" for certain research and development companies. We are currently a research and development company and comply with the safe harbor requirements of Rule 3a-8 under the Investment Company Act. As set forth above, we currently conduct, and intend to continue to conduct, our operations so that neither we, nor any of our subsidiaries, is required to register as an "investment company" under the Investment Company Act. If we were obligated to register as an "investment company," we would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things, limitations on capital structure, restrictions on specified investments, prohibitions on transactions with affiliates, and compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would increase our operating and

compliance costs, could make it impractical for us to continue our business as contemplated, and could have a material adverse effect on our business.

#### **Risks Related to Finance, Accounting, and Tax Matters**

*We have a history of net losses, may increase our operating expenses in the future, and may not be able to sustain profitability.*

We have incurred net losses in the past, and as of March 31, 2024, we had an accumulated deficit of \$275.6 million. We have made, and expect to continue to make in the future, significant expenditures related to the development and expansion of our business. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently, or at all, to offset these higher expenses. While our GSV and revenue have grown in recent years, we may not be able to sustain the same level of growth in future periods, or at all. For example, GSV remained relatively flat at \$1.0 billion during the three months ended March 31, 2024, as compared to the three months ended March 31, 2023. In addition, although our profitability has improved in recent periods, if our revenue declines or fails to grow at a rate faster than increases in our operating expenses, we will not be able to maintain profitability in future periods and the trading price of our common stock could decline.

*Our operating results and performance metrics may fluctuate from period to period, which makes our future results difficult to predict.*

Our operating results and performance metrics have fluctuated recently, as they have in the past, and will likely continue to fluctuate in the future, particularly in light of macroeconomic uncertainty and elevated interest rates and inflation. As a result, you should not rely upon our past operating results and performance metrics as indicators of future performance. You should take into account the risks, difficulties, and uncertainties frequently encountered by companies in highly competitive and rapidly evolving markets. Our operating results and performance metrics in any given period can be influenced by numerous factors, many of which are unpredictable or are outside of our control, including those described elsewhere in this “Risk Factors” section as well as the following:

- uncertainty regarding macroeconomic conditions and demand for our work marketplace;
- our ability to achieve and sustain profitability;
- our ability to generate significant revenue from our Marketplace offerings;
- our ability to maintain and grow our community of customers;
- our ability to respond to competitive developments and other market and technological dynamics, such as the emergence of generative artificial intelligence, and introduce new offerings and services or enhance existing offerings;
- changes to our pricing model and fee structure, including any resulting changes to our revenue recognition practices;
- changes in the spending patterns of clients or the mix of products and services that clients demand;
- the productivity and effectiveness of our sales force;
- repurchases by us of any of our outstanding shares of common stock, including under our Share Repurchase Program, or of our outstanding Notes;
- our ability to attract and retain talent that provide the types and quality of services sought by clients on our work marketplace;
- the impact of reductions in our workforce or involuntary or voluntary separations, including claims against us from departing employees or others;

- fluctuations in gross margin and revenue, including as a result of fluctuations in the use of our Managed Services offering due to our recognition of the entire GSV from our Managed Services offering as revenue, including the amounts paid to talent;
- the length and complexity of our sales cycles;
- the success of our marketing and brand positioning efforts;
- the impact of changing, consolidating, or terminating offerings and services;
- ongoing uncertainty regarding U.S. and global political conditions;
- the number of customers circumventing our work marketplace and our fees;
- the disbursement methods chosen by talent and changes in the mix of disbursement methods offered;
- fluctuations in the prices that talent charge clients on our work marketplace;
- ransomware, data security, or privacy breaches or incidents and associated remediation costs and reputational harm;
- increases in, and timing of, operating expenses that we may incur to grow and expand our operations and to remain competitive;
- seasonality in the labor market and spending patterns by clients and the number of business days and the number of Sundays (i.e., the day we have the contractual right to bill and recognize revenue for the majority of our talent service fees each week) in any given period, as well as local, national, or international holidays;
- litigation, regulatory investigations or enforcement actions, and adverse judgments, settlements, or other litigation-related costs;
- fluctuations in transaction losses;
- operating lease expenses, other real estate expenses, and any impairment charges on our operating lease asset and related leasehold improvements being recognized as a general and administrative expense due to a reduction to our office space;
- the impact of sales, use, and other tax laws and regulations in jurisdictions in which we have customers;
- fluctuations in the mix of payment provider costs and the revenue generated from payment providers;
- changes in the law, application of the law (including as a result of changes in our services or offerings), or interpretation of law, or in the statutory, legislative, or regulatory environment;
- potential costs to attract, onboard, retain, and motivate qualified personnel to perform services for us;
- costs related to the acquisition of businesses, personnel, technologies, or intellectual property;
- the impact of outages of, and other errors, defects or disruptions on, our work marketplace and associated reputational harm;
- the use of our cash, cash equivalents, and marketable securities, including to repurchase shares of our outstanding common stock or our outstanding Notes or to make acquisitions or investments;
- the impact of public health events, such as the COVID-19 pandemic;
- fluctuations in trade and client receivables due to the timing of cash receipts from clients and the number of transactions on our work marketplace;

- changes to financial accounting standards and the interpretation of those standards that may affect the way we recognize and report our financial results;
- general economic and political conditions and government regulations in the countries where we currently have significant numbers of customers or where we currently operate or may expand in the future, and fluctuations in currency exchange rates;
- revenue recognition fluctuations for arrangements subject to our tiered pricing model for talent service fees;
- losses and expenses from indemnification, dispute assistance, and other contractual obligations we owe to clients; and
- non-cash accounting charges such as stock-based compensation expense, including those related to executive compensation arrangements, and depreciation and amortization.

The impact of one or more of the foregoing and other factors may cause our operating results and performance metrics to vary significantly. As such, we believe that period-to-period comparisons of our operating results and performance metrics may not be meaningful and should not be relied upon as an indication of future performance. If we fail to meet or exceed the expectations of investors or securities analysts, the trading price of our common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

***We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics may not accurately reflect certain details of our business, are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.***

We track certain performance metrics, including active clients and GSV per active client, GSV, and Marketplace take rate with internal tools that are not independently verified by any third-party. Our internal tools have a number of limitations and our methodologies for tracking these metrics may change over time, which could result in inaccurate or unexpected changes to our metrics. If the internal tools we use to track these metrics undercount or overcount performance or contain algorithmic or other technical errors, the data we report may not be accurate. Our performance metrics are also impacted by illegal or improper activity on our work marketplace, including fraud, spam, fake accounts, and other activity that violates our terms of service and service agreements. We are unable to identify and remove all fake accounts and fraudulent activity from being reflected in the performance metrics that we report. Accordingly, our performance metrics may not accurately reflect activity on and the performance of our work marketplace. In addition, limitations or errors with respect to how we measure data, or the accuracy of the data that we measure, may affect our understanding of certain details of our business, which could affect our longer-term strategies and our ability to respond to business trends that may negatively impact our performance. If our performance metrics are not accurate representations of our business, customer base, or activity on our work marketplace; if we discover material inaccuracies in our metrics; or if the metrics we rely on to track our performance do not provide an accurate measurement of our business, our reputation may be harmed, we may be subject to legal or regulatory actions, and our operating and financial results could be adversely affected. In addition, from time to time we may change the performance metrics that we track, including metrics that we report, and any new performance metrics will also be subject to the foregoing limitations and risks.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired.***

A material weakness is a deficiency or combination of deficiencies in our internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our consolidated financial statements would not be prevented or detected on a timely basis.

We have experienced and remediated a material weakness in the past, and if we experience additional material weaknesses or otherwise fail to maintain an effective system of internal controls in the future, we

may not be able to accurately or timely report our financial condition or operating results or prevent fraud, which may adversely affect investor confidence in us and, as a result, the value of our common stock. We cannot assure you that all of our existing material weaknesses have been identified, or that we will not in the future identify additional material weaknesses. Any failure to maintain effective disclosure controls and internal control over financial reporting could have an adverse effect on our business, operating results, and financial condition.

If we are unable to assert that our internal control over financial reporting is effective, material weaknesses are identified, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on The Nasdaq Global Select Market.

***If currency exchange rates fluctuate substantially in the future, the results of our operations, which are reported in U.S. dollars, could be adversely affected.***

As we expand our international footprint and make more services available to our customers internationally, we will become more exposed to the effects of fluctuations in currency exchange rates. Although we expect an increasing number of sales contracts to be denominated in currencies other than the U.S. dollar in the future, all of our sales contracts are and have historically been denominated in U.S. dollars. However, we offer clients the option to settle invoices denominated in U.S. dollars in the local currencies of several non-U.S. countries, and therefore, a portion of our revenue is subject to foreign currency risk. While we currently use derivative instruments to hedge certain exposures to fluctuations in foreign currency exchange rates, the use of such hedging activities may not offset the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, geopolitical or macroeconomic events may also cause volatility in currency exchange rates between the U.S. dollar and other currencies, such as the Euro. Additionally, a strengthening of the U.S. dollar could increase the real cost of transacting on our work marketplace to clients located outside of the United States and could result in a loss of such clients or a portion of their spend, which could adversely affect our business, operating results, and financial condition.

***The applicability of sales, use, and other tax laws or regulations on our business could subject us or our customers to additional tax liability and related interest and penalties, and adversely impact our business.***

The application of indirect taxes, such as sales and use tax, value-added tax, goods and services tax, business tax, gross receipt tax, and digital services tax, and the tax information reporting obligations to our businesses are complex and evolving. Significant judgment is required to evaluate applicable tax obligations, and, as a result, amounts recorded are estimates and are subject to adjustments. In many cases, the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business. For example, a number of U.S. states and other jurisdictions have enacted taxes and tax collection obligations on marketplace facilitators, requiring online marketplaces to collect and remit taxes for first- and third-party sales on their websites. A successful assertion that we should be collecting taxes or remitting taxes directly to states or other jurisdictions beyond those to which we already collect or remit could result in substantial tax liabilities for past transactions and additional administrative expenses, and could cause us to accrue additional estimates of taxes due, including interest and penalties. Moreover, a number of countries and intergovernmental organizations have recently proposed, recommended, or enacted new laws or changes to existing laws that could impact our tax obligations or add new compliance costs to our business to administer, assess, collect, and remit those taxes. These changes may happen with little or no advance notice or implementation time, which can increase various short term costs of compliance. The impact and burden of these regulations and proposed regulations on our business and the businesses of our customers is uncertain and may have a negative impact on our business.

Potential legislation and regulations, specifically in the United States, the EU, and other countries, may also result in additional costs or requirements that could have a negative impact on our business. For

example, the implementation of statutory changes to Form 1099-K reporting in the United States and regulatory changes to the European Council Directive on Administrative Cooperation and Automatic Exchange of Information in the Field of Taxation reporting in the EU may create additional administrative burdens on us. Similar reporting obligations may be enacted by other jurisdictions in the future. Tax collection responsibility and the additional costs associated with complex indirect tax collection, remittance and audit requirements, in addition to reporting requirements, could create additional tax exposure for us and additional burdens for customers on our websites and mobile platforms.

We may also be subject to additional tax liabilities and related interest and penalties due to: changes in federal, state, and international tax laws, statutes, rules, regulations, or ordinances; changes in taxing jurisdictions and administrative interpretations and applications; results of tax examinations, settlements, or judicial decisions; changes in accounting principles; changes to our business operations; and changes in tax positions taken in prior periods. Such changes could adversely impact us or our customers, which could require us or our customers to pay additional tax amounts on prior sales and going forward, as well as require us or our customers to pay fines, penalties, and interest for past amounts. For example, if we are treated as an agent for customers on our work marketplace under U.S. state tax law, we may be primarily responsible for collecting and remitting sales taxes directly to certain states. It is possible that one or more states could seek to impose sales, use, or other tax collection obligations on us, which may be applicable to past sales. A successful assertion by a taxing authority that we should be collecting additional taxes or remitting such taxes directly to states could result in substantial tax liabilities for past sales and additional administrative expenses, which could negatively impact our business.

Any changes to our business operations, including international expansions, internal reorganizations, and transfer pricing could impact our tax liabilities. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions or disagree with our determinations as to the income and expenses attributable to specific jurisdictions or specific affiliates. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest, and penalties.

We have in the past been, and may in the future be, audited by tax authorities with respect to non-income taxes, and we may have exposure to additional non-income tax liabilities, which could have an adverse effect on our operating results and financial condition. In addition, our future effective tax rates could be favorably or unfavorably affected by changes in tax rates, changes in the valuation of our deferred tax assets or liabilities, the effectiveness of our tax planning strategies, or changes in tax laws or their interpretation. Such changes could have an adverse impact on our operating results and financial condition.

***Our ability to use our net operating loss carryforwards and certain other tax attributes is limited.***

As of December 31, 2023, we had net operating loss, which we refer to as NOL, carryforwards for U.S. federal income tax purposes and California state income tax purposes of \$181.2 million and \$81.3 million, respectively, available to offset future taxable income. The federal NOLs will begin to expire in 2034 if not utilized. The California state NOL carryforward amounts will begin to expire in 2029 if not utilized. Realization of these NOL carryforwards depends on future income, and there is a risk that our existing carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could materially and adversely affect our operating results.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, a corporation that undergoes an “ownership change,” generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, is subject to limitations on its ability to utilize its pre-change NOL carryforwards to offset future taxable income. We have completed an analysis of Section 382 ownership changes in our stock through December 31, 2023 and have concluded that we have experienced ownership changes that will result in limitations in our ability to use certain of our NOLs and tax credit carryforwards. In addition, other factors outside our control could further limit our ability to utilize NOLs to offset future U.S. federal and state taxable income, including further changes in the ownership of our stock and regulatory changes. Any such material limitation or expiration of our NOLs may harm our future operating results by effectively increasing our future tax obligations.

In addition, the Tax Cuts and Jobs Act, as modified by the Coronavirus Aid, Relief, and Economic Security Act, limits the utilization of NOLs arising in taxable years beginning after December 31, 2017 to 80% of taxable income in any taxable year beginning after December 31, 2020. NOLs arising in taxable years beginning after December 31, 2017 can be carried forward indefinitely with no carryback allowed. As we maintain a full valuation allowance against our U.S. federal and state NOLs, these changes did not impact our consolidated balance sheet as of December 31, 2023. However, in future years, at the time a deferred tax asset is recognized related to our NOLs, the changes in the carryforward/carryback periods as well as new limitations on use of NOLs may significantly impact our valuation allowance assessments.

***We may require additional capital to fund our business and support our growth, and any inability to generate or obtain such capital may adversely affect our business, operating results, and financial condition.***

To support our growth and respond to business challenges, such as developing new features or enhancements to our work marketplace, acquiring new technologies, and improving our infrastructure, we have made and expect to continue to make significant financial investments in our business. In addition, we may, from time to time, seek to acquire or strategically invest in other complementary products, technologies, or businesses or repurchase outstanding shares of our common stock or the Notes. For example, in March 2023, we paid \$170.8 million to repurchase a portion of our outstanding Notes, and in the first quarter of 2024, we paid \$66.9 million to repurchase shares of our common stock under our Share Repurchase Program. We may need to engage in equity or debt financings to obtain the funds required for these investments, acquisitions, and other business endeavors. If we raise additional funds through equity or convertible debt issuances, our existing stockholders may suffer significant dilution and these securities could have rights, preferences, and privileges that are superior to those of holders of our common stock. If we obtain additional funds through debt financing, we may not be able to obtain such financing on terms favorable to us. Such terms may involve additional restrictive covenants making it difficult to engage in capital raising activities and pursue business opportunities, including potential acquisitions and strategic investments. If we are unable to obtain adequate financing on terms satisfactory to us or at all, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired and our business may be adversely affected, requiring us to delay, reduce, or eliminate some or all of our operations.

#### **Risks Related to Ownership of Our Common Stock**

***The stock price of our common stock has been and may continue to be volatile, and you could lose all or part of your investment.***

The market price of our common stock has been and may continue to be volatile, particularly as a result of broader stock market fluctuations and in light of the current macroeconomic uncertainty. The market price of our common stock may fluctuate significantly in response to numerous factors, including:

- actual or anticipated fluctuations in our revenue, measures of profitability, and other financial and operating results or our failure to meet the estimates of securities analysts or the expectations of investors;
- the financial projections we provide to the public or our failure to meet these projections;
- overall performance of the equity markets, including as a result of unfavorable investor sentiment toward unprofitable companies;
- the economy as a whole and market conditions in our industry;
- negative publicity related to the real or perceived trustworthiness, quality, or security of our work marketplace;
- the failure to timely launch new offerings and services that gain market acceptance;
- recruitment or departure of key personnel;

- rising interest rates and inflation, financial turmoil, or instability affecting the banking system or financial markets;
- failure of securities analysts to initiate or maintain coverage of us, inaccurate or unfavorable research by analysts, or changes in financial estimates by any securities analysts who follow our company;
- repurchases by us of any of our outstanding shares of common stock, including under our Share Repurchase Program, or the Notes, on unfavorable terms or at all;
- speculative trading practices by stockholders and other market participants;
- rumors and market speculation involving us or other companies in our industry and/or other industries;
- lawsuits threatened or filed against or by us or against our key personnel, litigation involving our industry, or lawsuits threatened or filed against our customers relating to their use of our work marketplace;
- increased interest and trading in our stock from retail investors;
- developments or disputes concerning our or other parties' products, services, or intellectual property rights;
- acquisitions, strategic partnerships, joint ventures, or capital commitments;
- sales of shares of our common stock by us or our stockholders, including sales of large blocks of our stock relative to the size of our public float or sales of stock by our management, directors or significant stockholders that create negative investor perception;
- new laws or regulations or new interpretations of existing laws or regulations, including those governing worker classification, taxation of workers, or withholding and remitting taxes on income or earnings;
- announcements by us or our competitors of new or terminated products or services, commercial relationships, or significant technical innovations;
- changes in accounting standards, policies, guidelines, interpretations, or principles; and
- geopolitical changes or events, including those resulting from war and incidents of terrorism.

In addition, stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

***We cannot guarantee that our Share Repurchase Program will enhance long-term stockholder value. Share repurchases could also increase the volatility of the trading price of our common stock and diminish our cash reserves.***

In November 2023, our board of directors authorized the Share Repurchase Program, under which we may repurchase up to \$100.0 million of shares of our outstanding common stock. As of March 31, 2024, we had \$33.1 million available for repurchases under the Share Repurchase Program. As of the date of this filing, there is no remaining availability for repurchases under the Share Repurchase Program. The program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares of our common stock on any timetable or at all. The Share Repurchase Program could affect the trading price of our common stock, increase volatility, and diminish our cash reserves. We cannot guarantee that the Share Repurchase Program will enhance long-term stockholder value.

***Sales of substantial amounts of our common stock in the public markets, particularly sales by our directors, executive officers, and significant stockholders, or the perception that these sales could***

*occur, could cause the market price of our common stock to decline and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate.*

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market, particularly sales by our directors, executive officers, and significant stockholders. The perception that these sales might occur may also cause the market price of our common stock to decline. All shares of our common stock are freely tradable, generally without restrictions or further registration under the Securities Act of 1933, as amended, which we refer to as the Securities Act, subject to certain exceptions for shares held by our “affiliates” as defined in Rule 144 under the Securities Act. In addition, the shares issued upon exercise of outstanding stock options or settlement of outstanding restricted stock units will be available for immediate resale in the United States on the open market. Moreover, we may also issue our shares of common stock or securities convertible into shares of our common stock from time to time in connection with a financing, an acquisition, investments, or otherwise. Any such issuances could result in substantial dilution to our existing stockholders and cause the market price of our common stock to decline.

*We do not intend to pay dividends for the foreseeable future.*

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that for the foreseeable future we will retain all of our future earnings for use in the development of our business, for repurchases under our Share Repurchase Program, and for general corporate purposes. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

*Provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management, limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees, and limit the market price of our common stock.*

Provisions in our restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our restated certificate of incorporation and amended and restated bylaws include provisions that:

- classify our board of directors into three classes of directors with staggered three-year terms;
- permit the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- require super-majority voting to amend certain provisions in our restated certificate of incorporation and amended and restated bylaws;
- authorize the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan (also known as a “poison pill”);
- provide that only the chairperson of our board of directors, our chief executive officer, president, lead independent director, or a majority of our board of directors are authorized to call a special meeting of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter, or repeal our amended and restated bylaws; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, our restated certificate of incorporation provides that the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) is the exclusive forum for any derivative action or proceeding brought on our behalf, any

action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, which we refer to as the DGCL, our restated certificate of incorporation, or our amended and restated bylaws, any action asserting a claim against us that is governed by the internal affairs doctrine, or any action asserting an “internal corporate claim” as that term is defined in Section 115 of the DGCL. Our amended and restated bylaws also provide that the federal district courts of the United States would be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision. We note, however, that there is uncertainty as to whether a court would enforce this provision. These choice of forum provisions may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees.

Moreover, Section 203 of the DGCL may discourage, delay, or prevent a change of control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

#### **Risks Related to Our Convertible Senior Notes**

***Our indebtedness could limit the cash flow available for our operations and expose us to risks that could adversely affect our business, operating results, and financial condition.***

In August 2021, we issued the Notes. The Notes are senior, unsecured obligations and bear interest at a rate of 0.25% per year. The Notes will mature on August 15, 2026, unless earlier redeemed, repurchased, or converted in accordance with the terms of the Notes. In March 2023, we repurchased a portion of the outstanding Notes, and, as of March 31, 2024, \$361.0 million aggregate principal amount of the Notes remained outstanding. We may also incur additional indebtedness to meet future financing needs.

Our indebtedness could have significant negative consequences for our stockholders and our business, operating results, and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;
- limiting our flexibility to plan for, or react to, changes in our business;
- diluting the interests of our existing stockholders as a result of issuing shares of our common stock upon conversion of the Notes; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our indebtedness, and our cash needs may increase in the future.

***The capped call transactions may affect the value of our common stock.***

In connection with the Notes, we entered into the privately negotiated capped call transactions, which we refer to as the Capped Calls, with various financial institutions, which we refer to as the option counterparties. The Capped Calls remain in effect notwithstanding the March 2023 repurchase of a portion of the Notes. The Capped Calls are expected generally to reduce the potential dilution to our common stock upon any conversion of the Notes and/or offset any potential cash payments we are required to make in excess of the principal amount upon conversion of any Notes, with such reduction and/or offset subject to a cap.

In addition, the option counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock in secondary market transactions (and are likely to do so following any conversion of Notes, any repurchase of the Notes by us on any fundamental change repurchase date, any redemption date, or any other date on which the Notes are retired by us). This activity could also cause or avoid an increase or a decrease in the market price of our common stock.

The potential effect, if any, of these transactions and activities on the market price of our common stock will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock.

## General Risks

### *Adverse or changing economic conditions may negatively impact our business.*

Our business depends on the overall demand for labor and on the economic health of current and prospective clients that use our work marketplace. Any significant weakening of the economy in the United States or Europe or of the global economy, including a continued rise in inflation, hiring freezes, layoffs, more limited availability of credit, a reduction in business confidence and activity, decreased government or business spending, economic and political uncertainty, financial turmoil or instability affecting the banking system or financial markets, trade wars, sanctions, higher tariffs, global or regional public health events or conditions, a more limited market for independent professional service providers or information technology services, shifts away from remote work, and other adverse economic or market conditions may adversely impact our business and operating results. These adverse conditions have resulted in the past, and may again result, in reductions in revenue, increased operating expenses, longer sales cycles, and increased competition. There is also a risk that when overall global economic conditions are positive, our business could be negatively impacted by a decreased demand for talent as businesses utilize more full-time employees relative to their use of independent contractors. We cannot predict the timing, strength, or duration of any economic slowdown, or any subsequent recovery generally. If the conditions in the general economy continue to deteriorate, our business, operating results, and financial condition could be adversely affected.

## Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

### *Issuer Purchases of Equity Securities*

Share repurchases of our common stock under the Share Repurchase Program for the three months ended March 31, 2024 were as follows (in thousands, except share and per share amounts):

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share <sup>(2)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(3)</sup>
January 1, 2024 - January 31, 2024	—	\$ —	—	\$ 100,000
February 1, 2024 - February 29, 2024	1,113,125	13.16	1,113,125	85,354
March 1, 2024 - March 31, 2024	4,108,155	12.71	4,108,155	33,124
Total	5,221,280	\$ 12.81	5,221,280	\$ 33,124

<sup>(1)</sup> Shares purchased are as of trade date. Included in the total number of shares purchased are 0.2 million shares of our common stock for an aggregate amount of \$2.1 million at an average price of \$12.22 per share, including fees associated with the repurchases, that were subsequently retired in April

2024 and are recorded as treasury stock in the condensed consolidated balance sheet as of March 31, 2024.

<sup>(2)</sup> Average price paid per share is calculated on the trade date and excludes any excise tax that we accrue on our share repurchases as a result of the Inflation Reduction Act of 2022.

<sup>(3)</sup> In November 2023, we announced that our board of directors authorized the Share Repurchase Program to purchase up to \$100.0 million of the Company's common stock. The Share Repurchase Program does not have a fixed expiration date and does not obligate us to acquire any dollar amount or specific number of shares. Repurchases of our common stock under the Share Repurchase Program may be made from time to time on the open market (including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act), in privately negotiated transactions, or by other methods, at our discretion, and in accordance with applicable securities laws and other restrictions.

### **Item 3. Defaults Upon Senior Securities.**

None.

### **Item 4. Mine Safety Disclosures.**

Not applicable.

### **Item 5. Other Information.**

#### **Insider Trading Arrangements**

During the three months ended March 31, 2024, none of our directors or officers (as defined in Section 16 of the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

## Item 6. Exhibits.

Exhibit Number	Exhibit Title	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing date	
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
32.1*	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
32.2*	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).					X

\* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and are not deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

## SIGNATURES

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

UPWORK INC.

Date: May 1, 2024

By: /s/ Hayden Brown  
**Hayden Brown**  
**President and Chief Executive Officer**  
***(Principal Executive Officer)***

Date: May 1, 2024

By: /s/ Erica Gessert  
**Erica Gessert**  
**Chief Financial Officer**  
***(Principal Financial Officer)***

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO  
SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Hayden Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Upwork Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2024

/s/ Hayden Brown

Hayden Brown

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO  
SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Erica Gessert, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Upwork Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2024

/s/ Erica Gessert

Erica Gessert

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Hayden Brown, Chief Executive Officer of Upwork Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: May 1, 2024

/s/ Hayden Brown

Hayden Brown

*Chief Executive Officer*

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Erica Gessert, Chief Financial Officer of Upwork Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: May 1, 2024

/s/ Erica Gessert

Erica Gessert

*Chief Financial Officer*

(Principal Financial Officer)