Annual Shareholder Report

2024

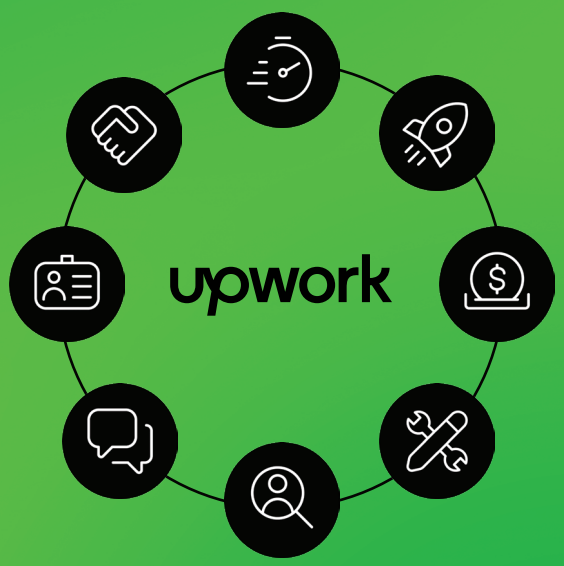
upwork

Our Work Marketplace Serves Clients and Talent

We operate the world's largest work marketplace that connects businesses with independent talent from across the globe. Our platform provides various tools that bring greater ease of operations and certainty to both sides of a transaction.

Value for talent

- Find work quickly
- Get paid on time
- Build reputation
- Growth opportunities
- Payment guarantee



Value for clients

- Quality talent
- Fast access to talent
- Cost-effective projects
- Work efficiently, effectively
- Secure, trusted platform

Message from Hayden Brown

President & CEO

Dear Stockholders,

2024 was a year of strategic transformation, remarkable progress, and exceptional performance for Upwork. Against a highly dynamic and uncertain macroeconomic environment, we delivered our strongest year to date, enabling organizations to tap into the world's work marketplace to solve business problems with agility and scale, while empowering professionals to grow their careers through access to AI-enhanced tools and opportunities. Upwork's position as a trusted source for high-quality talent and AI-powered work outcomes drove growing value across our work marketplace, while disciplined execution in a persistently challenging macro environment resulted in durable, profitable growth.

Our record-breaking achievements in 2024 were driven by this disciplined execution including a more focused approach to innovation. Net income reached $215.6 million, representing a 28% profit margin.[1] Adjusted EBITDA grew to $167.6 million, with an adjusted EBITDA margin of 22%, underscoring our ability to grow profitably at scale. Revenue increased 12% year over year to $769.3 million, and free cash flow rose to $139.1 million, reinforcing our ability to invest in strategic growth initiatives while delivering long-term stockholder value. We streamlined our organizational structure to improve efficiency and increase execution velocity, creating a leaner, more nimble company that is moving faster and operating more efficiently and profitably than ever before.[2]

The AI space remains one of the most important and promising growth opportunities for our company and our customers. Just like past paradigm-shifting technologies, AI has the potential to unlock massive economic growth. Human-centered AI is transforming how work gets done, creating new possibilities for professionals and delivering major wins for companies seeking faster, higher-quality outcomes. With our global marketplace model, Upwork is the market leader in providing flexible, AI-proficient talent working with cutting-edge tools—a unique combination that helps businesses of all sizes close the gap between vision and execution. As AI reshapes every industry, companies need faster, more agile access to specialized skills, and Upwork enables them to do just that—rapidly shifting labor supply in real time to meet emerging areas of demand.

That rising demand is clear across our marketplace. In 2024, gross services volume, or GSV, from AI-related work grew 60% year over year, lifted by categories like machine learning, computer vision, and prompt engineering. The number of clients engaging in AI-related work rose 42% year-over-year in 2024, while the diversity and depth of AI-focused talent on Upwork expanded significantly, with freelancers now offering expertise across more than 250 AI skills on our platform. These AI projects are also delivering greater value: professionals taking on AI-related work earned 44% more per hour than those working on non-AI projects. As this demand accelerates, Upwork is becoming home to the world's most AI-enabled resource of constantly-upskilling professionals—one that's not only equipped for today's needs, but actively evolving to meet what's next.

Last year we introduced Upwork Updates, a semi-annual showcase spotlighting our latest product innovations, feature enhancements, and strategic partnerships. Our Spring 2024 Upwork Updates introduced Uma™, Upwork's Mindful AI, our intelligent work companion that powers job post generation, proposal tips, and critical enhancements to search and match. In Upwork Updates' fall edition, we announced the expansion of Uma's capabilities with tailored proposal drafts for freelancers and side-by-side proposal evaluation for clients, increasing clarity and speed in the hiring process. Upwork's

Managed Services team is also leveraging Uma to scope projects, assemble teams, and support Enterprise clients on end-to-end, fully managed projects at scale. Going forward, we will continue to invest in Uma's capabilities, expanding it from a helpful companion to a full-fledged agent serving both sides of our marketplace.

To further accelerate innovation, in November 2024 we acquired Objective AI, an AI-native search-as-a-service company. This acquisition not only enabled the development of multimodal search, allowing clients to discover talent through video, image, and text-based inputs, but also brought world-class talent into our organization, significantly expanding our internal AI team and infrastructure. With this strengthened foundation, we're accelerating experimentation, deepening our R&D pipeline, and continuing to advance platform intelligence. Together with our AI R&D investments, we are not only enhancing the customer experience but also reinforcing Upwork's long-term product differentiation and competitive moat. This work lays the foundation for a smarter, more personalized Upwork experience where customers can move from idea to execution with greater speed and confidence.

That same customer-first mindset informs how we serve our largest clients. In 2024, our Enterprise business generated $107.2 million in revenue, growing 4% year over year despite a challenging macroenvironment. We continued to rearchitect our Enterprise strategy, refining our continuum of product offerings and go-to-market approach to better serve the complex needs of large clients.

In October 2024, we launched Upwork Business Plus, a premium plan designed to provide a smoother entry point for larger clients and bridge the gap between our Marketplace and Enterprise offerings. This new offering has already driven higher conversion rates and added over 1,000 active users in its first three months of ramp and launch, accelerating our ability to serve high-value customers through both sales and self-service channels. We also expanded our Enterprise reach through strategic partnerships with VMS and MSP providers like Workday VNDLY and KellyOCG, embedding Upwork more deeply into large-scale workforce strategies and unlocking new channels for Enterprise growth.

Our ads and monetization business continued to provide a meaningful revenue tailwind while augmenting marketplace quality, efficiency, and take rate. Ads and monetization revenue grew 51% year over year, driven by the continued evolution of our offerings to increase visibility and value for freelancers and clients alike. This included continued growth in Freelancer Plus, our premium talent subscription designed to help professionals differentiate and succeed on the platform, which saw 58% year-over-year revenue growth.

Our annual performance reflects the strength of our strategy, the durability of our model, and our outperformance of the broader industry. In 2024, we expanded our adjusted EBITDA margin by 11 percentage points, from 11% to 22%, delivering record-high profitability gains at the same time as revenue growth. Our ability to generate increasing profitability has allowed Upwork to return meaningful capital to stockholders with $100 million in share repurchases in 2024 and a second $100 million share repurchase authorization obtained in October 2024. We intend to continue to fully offset dilution from stock-based compensation with our share repurchase program and we will look to be opportunistic to further return value to our stockholders and reduce our total share count over time.

Looking ahead, we're building on this momentum, executing with the speed of a startup and the scale of a market leader. Upwork is already at the forefront of this new AI-powered era of work—and uniquely positioned to stay there. Traditional hiring models are too slow and fragmented for an era that demands speed, agility, and specialized skills. As AI adoption accelerates, businesses will need greater access to both AI-equipped professionals and true AI experts—talent they often don't have and can't find without our platform. At the same time, human intelligence will become an even more essential layer: applying judgment, context, creativity, and strategy to unlock the full potential of AI.

This is the most significant reimagining of work since the Industrial Revolution, and Upwork is innovating ahead of the curve, to deliver more value and more sophisticated solutions to our customers. In 2025, we will continue to execute with discipline, invest where it matters most, and continue to unlock value for our customers and stockholders as we shape the future of work, together.

Sincerely,

Hayden Brown

Hayden Brown
President & Chief Executive Officer

1. Includes a non-cash tax benefit of $140.3 million from the release of a valuation allowance on certain deferred tax assets.

2. Adjusted EBITDA, adjusted EBITDA margin, and free cash flow are financial measures not prepared in accordance with generally accepted accounting principles in the United States, which we refer to as GAAP, and are presented for supplemental purposes only and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. An explanation of non-GAAP financial measures and reconciliations to their most directly comparable GAAP financial measures can be found under the heading "Non-GAAP Financial Measures" in our press release regarding our fourth quarter and full year 2024 results, dated February 12, 2025.

2024 Gross Services Volume

$4.0B

Skills

10K+

Lifetime Gross Services Volume

$28.6B

Categories of Work

125+

Countries

180+

The World's Work Marketplace

2024 gross services volume for the year ended December 31, 2024. Skills, lifetime gross services volume, categories, and countries as of December 31, 2024.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 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	**46-4337682**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
530 Lytton Avenue, Suite 301 **Palo Alto, California**	**94301**
(Address of principal executive offices)	**(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**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of voting stock held by non-affiliates of the registrant, as of June 28, 2024, the last business day of the registrant's most recently completed second quarter, was $1,316,960,538 (based on the closing price for shares of the registrant's common stock as reported by The Nasdaq Global Select Market on that date).

As of January 31, 2025, there were 135,459,615 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2025 Annual Meeting of Stockholders, or Proxy Statement, to be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference in Part III. Except with respect to information specifically incorporated by reference in this Annual Report, the Proxy Statement shall not be deemed to be filed as part hereof.

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

Trademarks, Trade Names, and Service Marks

Upwork, the Upwork logo, Elance, oDesk, “Uma, Upwork’s Mindful AI,” “Talent Cloud,” “Work Without Limits,” and other registered or common law trade names, trademarks, or service marks of Upwork appearing in this Annual Report are the property of Upwork. This Annual Report contains additional trade names, trademarks, and service marks of ours and of other companies. We do not intend our use or display of other companies’ trade names, trademarks, or service marks to imply a relationship with these other companies, or endorsement or sponsorship of us by these other companies. Other trademarks appearing in this Annual Report are the property of their respective holders. Solely for convenience, our trademarks and trade names referred to in this Annual Report appear without the ® and ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or the right of the applicable licensor, to these trademarks and trade names.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements include all statements other than statements of historical fact, including any statements regarding our future operating results and financial position, information or predictions concerning the future of our business or strategy, anticipated events and trends, including future research and development, sales and marketing, and general and administrative expenses, and provision for transaction losses, potential growth or growth prospects, competitive position, technological and market trends, industry environment, the economy, our plans with respect to share repurchases, the expected impact of cost-savings initiatives, the expected impact of our acquisition of Objective AI, Inc., and other future conditions. 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- 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 I, Item 1A, “Risk Factors” in this Annual Report. Readers are urged to carefully review and consider the various disclosures made in this Annual 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 Annual 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 Annual 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 Annual Report or to conform statements to actual results or revised expectations, except as required by law.

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

Item 1. Business.

Overview

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.[1] Independent talent is an increasingly sought-after, critical, and expanding segment of the global workforce. During the year ended December 31, 2024, our work marketplace enabled $4.0 billion of GSV.

Independent talent that advertise and provide services to clients through our work marketplace, which we refer to as talent, includes independent professionals and agencies of varying sizes. We define clients as customers that seek out and work with talent through our work marketplace. We refer to talent and clients together as customers.

We serve as a powerful discovery engine for talent, helping them find rewarding, engaging, and flexible work, as well as market their services and build their book of business. Talent benefit from access to quality clients and secure and timely payments while enjoying the freedom to run their own businesses, create their own schedules, and work from their preferred locations on projects that they find fulfilling. Moreover, talent have real-time visibility into opportunities that are in high demand, so that they can invest their time and focus on developing sought-after skills.

[1] 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. For additional information related to how we calculate GSV, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview—Business” and “—Key Financial and Operational Metrics.”

For clients, our work marketplace provides fast, secure, and efficient access to high-quality talent with over 10,000 skills across more than 125 categories of work, such as web, mobile and software development, administrative support, sales and marketing, design and creative, and customer service, as well as more emergent categories and skills like those pertaining to generative artificial intelligence. We offer a direct-to-talent approach as an alternative to traditional intermediaries such as staffing firms, recruiters, and agencies by providing high-quality independent talent through our work marketplace with innovative technology features that help build trusted relationships and instill trust in remote work, including the ability to engage talent as either independent contractors or as employees of third-party staffing providers. Our work marketplace also enables clients to streamline workflows, including talent sourcing, outreach, and contracting. In addition, our work marketplace provides clients with access to essential functionality for remote engagements with talent, including communication and collaboration, the ability to receive all talent invoices through our work marketplace, and payment protection. Our clients range in size from independent professionals and small businesses to Fortune 100 companies.

We believe a key differentiator of our business is our track record of creating trusted relationships, enabling our customers to successfully connect at scale. As the world's largest work marketplace connecting businesses with independent talent, as measured by GSV, we benefit from network effects that drive growth in both the number of clients posting jobs and the number of talent seeking work. Long-term and recurring use of our work marketplace by our customers underscores its value and utility.

We generate revenue from both talent and clients of our Marketplace and Enterprise offerings. Revenue is primarily generated from fees charged to talent as a percentage of their billings to clients, which we refer to as talent service fees, and to a lesser extent, fees charged to clients on a per-transaction basis, which we refer to as client marketplace fees. We also generate revenue through ads and monetization products, including purchases of Connects (which are virtual tokens that are required for talent to bid on projects and purchase ads products on our work marketplace), talent memberships, and other services, such as foreign currency exchange when clients choose to pay in currencies other than the U.S. dollar. Additionally, we earn interest on funds held on behalf of customers. The expansion of our ads and monetization products enhances marketplace efficiency and provides additional opportunities for talent and clients to connect.

Our Work Marketplace

We believe the following core aspects of our work marketplace provide Upwork with a competitive advantage:

Trusted Work Marketplace

Our work marketplace fosters trust and credibility among talent and clients, while reducing the friction associated with searching for, contracting and collaborating with, and paying highly-skilled independent talent for short-term and longer-term projects. We use a combination of the latest technology, data science, product features, and our skilled team to position our work marketplace as a trusted online marketplace to get work done. We build and use software, leverage data analysis, and apply machine learning and artificial intelligence to highlight relevant talent, facilitate security and identity verification for account ownership, and flag suspicious activity to protect customers and prevent undesirable behavior on our platform. We closely monitor activity on our work marketplace to detect and prevent abuse and have integrated several third-party technologies, including an industry-leading fraud detection vendor. We provide clients with tools to validate work performed by talent and to provide both public and private feedback once the work is completed. Our feedback system enables talent to build their business reputation by establishing long-term credibility with project review and verified client feedback. Talent profiles also include data from their work history on our work marketplace, including client feedback, number of hours billed, projects completed, and amount earned. This expertise is a critical factor to establish and build trust, while promoting brand loyalty and giving clients confidence in hiring talent for their next project. Additionally, we provide escrow services, approval workflows, and dispute processes to help ensure that clients on our work marketplace only pay for work that has been completed and talent is paid by their clients in full and on time.

Proprietary Data Drives Increasing Efficiencies

We have built an expansive and unique repository of data on our work marketplace. Our proprietary database maintains detailed and dynamic information, including skills possessed by talent, feedback, and success indicators of talent and clients transacting on our work marketplace. Leveraging this data through artificial intelligence, which we refer to as AI, including machine learning models, enables us to provide a trusted, convenient, and effective experience for both new and existing customers. Additionally, clients are able to better connect with available talent for their projects, while at the same time enabling talent to better identify available projects that fit their specific skills. Moreover, our AI-driven models leverage our closed-loop transaction data on

millions of completed projects. The large volume of transactions on our work marketplace positions us to improve the effectiveness of our search and match capabilities, product features and experiences, and insights we provide to our customers.

Robust Functionality

Our global work marketplace enables clients to post jobs and leverage AI-powered recommendations to efficiently connect with talent, rank proposals, and collaborate on projects. We provide a range of advanced tools designed to streamline how talent and clients work together, including our proprietary AI assistant Uma, which enhances productivity for both talent and clients. Our platform also includes search and collaboration capabilities, machine learning-driven talent matching and proposal ranking capabilities, time tracking and invoicing systems, and payments services. The robust functionality of our work marketplace is designed to enable talent to run and build their businesses more easily and to enable clients to find, hire, and collaborate with high-quality talent on a global scale.

Powerful Global Network Effects

We have heavily invested in building a robust work marketplace with features and functionality to connect talent and clients at scale. We believe our work marketplace provides a strong value proposition for both talent and clients and our scale creates powerful network effects that strengthen our competitive position. In turn, as more clients use and post high-quality projects on our work marketplace, more talent come to seek opportunities. As a result, we have been able to scale our business and our global community of customers efficiently.

Business Model with Strong Retention Metrics

Our business is driven by talent and clients' long-term and recurring use of our work marketplace, which leads to more predictable revenue. In addition, we believe the scale of our work marketplace incentivizes talent to build their business reputations on and continue to use our work marketplace.

Our Offerings

Marketplace

Our Marketplace offerings are designed for clients looking to identify quality talent and scale hiring quickly. Our Marketplace offerings provide clients with access to independent talent, including those with verified work history on our work marketplace and client feedback. Clients benefit from the ability to instantly match with the right talent and built-in collaboration features. They can also receive perks such as a verified client badge and highlighted job posts, which help clients stand out to top talent and achieve results.

Upwork Payroll is available to clients when they choose to work with talent that they find on Upwork as employees. With Upwork Payroll, clients have access to third-party staffing providers to employ talent and meet their talent needs through our work marketplace.

Enterprise

Our Enterprise offerings deliver industry-leading work solutions for clients who have achieved, or aim to achieve, enterprise scale and who are looking to be more cost-efficient, innovative, productive, and growth-oriented. Enterprise offers two lines of service—Enterprise Solutions and Managed Services.

Clients of Enterprise Solutions receive all the product features of our Marketplace offerings, in addition to consolidated billing and monthly invoicing, a dedicated team of account managers, detailed reporting with company insights and trends to enable clients to hire faster and more successfully, and the opportunity for clients to onboard pre-existing independent talent onto our work marketplace. Enterprise Solutions also offers access to additional product features, premium access to expert-vetted talent, professional services, and payment terms flexibility. Additionally, through our Enterprise Compliance offering, clients can engage us to determine whether talent should be classified as an employee or an independent contractor based on the scope of talent services agreed between the client and talent and other factors.

For clients seeking a higher level of service, Managed Services offers a service-led program management and full project lifecycle solution that enables Enterprise customers to contract entire functions. Through Managed Services, clients engage us to deliver the work product, and we, in turn, engage talent either directly or as employees of third-party staffing providers to perform the work for clients on our behalf. We directly invoice the client and assume responsibility for the work performed.

As with our Marketplace offerings, Upwork Payroll is also available to Enterprise clients when they choose to work with talent they find on Upwork as employees.

Our Team and Culture

Our mission—to create economic opportunities so people have better lives—is integral to our culture and how we build amazing teams and products to lead our industry. We enable remote work not only through our work marketplace for our customers, but also for our own team members, for whom we are proud to offer a remote-first work model, which has environmental benefits as well as other advantages, such as flexible work hours for childcare and reduced commute time. Our team consists of corporate employees, independent talent that we engage through our work marketplace, and advisors. Our team members are distributed around the world, and while we offer a flexible workspace program and a corporate office, we have built an effective remote-first culture. Our team works with a variety of tools and has adopted innovative practices to ensure all voices are heard, creativity is fostered, organizational effectiveness is prioritized, and business results are achieved. Our hybrid team and its belief in our mission, values, and vision is critical to our success. With consistent investment in the development of our team and our commitment to diversity, inclusion, and belonging, we cultivate an environment where people are able to perform high-impact work.

Our People

Our mission not only drives the creation and continuous development of our work marketplace, but it is also integral to how we engage our employees and our approach to creating and fostering an inclusive environment that promotes and encourages diversity, inclusion, belonging, career development, and wellness. As of December 31, 2024, we had approximately 600 employees, and throughout 2024, we engaged approximately 2,200 independent team members through our work marketplace to provide services to us on a variety of internal projects. We believe the positive relationship between us, our team members, and our unique, strong culture differentiates us and is a key driver of our business success.

Diversity, Inclusion, and Belonging

We put our people and their experiences first. We view belonging as a feeling, inclusion as a practice, and diversity as an outcome.

We foster belonging through our Upwork Belonging Communities—groups that build empathy and promote inclusive skill-building. We cultivate inclusion by equipping managers with training and tools to effectively build and lead inclusive, innovative teams that amplify team members' voices. Additionally, we practice multi-dimensional compensation reviews during our semi-annual employee performance evaluation processes. This is led by a cross-functional team of human resource and legal leaders to help ensure we are fair and merit-based in our rewards and recognition strategy. We will continuously explore programs and practices that cultivate an inclusive culture in which every team member belongs.

Training and Development

As an organization built on talent and skills development, we understand the value of providing our employees with ongoing professional development and leadership opportunities to advance their careers. Led by our dedicated learning and development team, we offer our team members an array of learning and development opportunities, including access to an online learning platform with an extensive course library and relevant workshops at key milestones such as onboarding.

Benefits and Competitive Compensation

We strive to offer market-competitive compensation and benefits to attract and retain employees for the long-term. We engage an independent compensation consultant to benchmark our employee compensation with external sources to ensure fair and equitable pay practices. We provide total rewards that attract and retain world-class employees through a total compensation package that includes equity-based awards for certain roles to align employee compensation with stockholder interests. Knowing our employees have diverse needs and life priorities, we also provide comprehensive benefits and services to those eligible, which include core benefits such as medical, dental, vision, and disability insurance, in addition to benefits tailored to the specific needs of our employees, such as mental health, fertility, family back-up care, and adoption support. We offer a health savings account with company contributions, family and medical leave, flexible working schedules, paid holidays and flexible vacation policies. We are committed to supporting our employees' financial well-being by providing tools and resources to enhance financial literacy and confidence. Through our financial coaching program and educational workshops, employees can gain valuable insights into budgeting, saving, and planning for their future. Additionally, we offer benefits like a 401(k) plan with matching contributions and an employee stock purchase plan that enables eligible employees to purchase shares of our stock at a discount through payroll deductions. These programs empower employees to take charge of their financial goals and

build long-term security. Additionally, we offer a tuition reimbursement program to support employees in upskilling and furthering their professional development, empowering them to grow their careers while contributing to our long-term success.

Workforce Engagement and People Analytics

We engage our workforce in meaningful ways and take timely action in response to feedback. Research into workforce experience begins during onboarding and is sustained throughout a team member's tenure at Upwork. This "lifecycle" approach to workforce research affords Upwork senior leadership and People team members ongoing and near-real-time insight into critical moments of worker experience and productivity. The collection of such data allows leadership, line managers, and our People team to identify successes and opportunities at many levels, including for individual team members, company-wide programs or larger organizational units. Over time, the aggregation and analysis of such data enables us to optimize for those workforce factors that drive crucial people and business outcomes.

Additionally, we have a dedicated people analytics team, which has enabled us to build on insights from our lifecycle listening program, as well as broader data sources and methods, and uncover strategic and operational insights that will further improve the overall experience of our workforce and drive performance of our business.

Employee Wellness

Employee safety and well-being is of paramount importance to us. We empower our team with cutting-edge productivity and collaboration tools, as well as training and toolkits designed to help leaders thrive in managing remote teams. In addition, we promote programs to support our employees' physical, financial, and mental well-being. For example, we regularly conduct internal surveys to assess the well-being and needs of our employees, and we offer employee assistance and mindfulness programs to help employees and their families manage anxiety, stress, sleep, and overall well-being. Additionally, we believe that our employees are at their best when they take the time to recharge. In order to encourage our employees to recharge and make their well-being a priority, we provide unlimited paid time off in addition to our company-recognized holidays.

Board of Directors Oversight

Our board of directors recognizes the critical importance of our team and the necessity to ensure a diverse, inclusive, effective, and creative work environment that is centered around a values-based culture. Our board of directors meets regularly with management to discuss issues impacting our team members and ways to support our workforce. Our focus on culture comes from our board of directors and flows throughout our company. In evaluating our Chief Executive Officer and management team, emphasis is put on their contributions to our overall culture.

Sales and Marketing

Our sales and marketing organizations work closely together to increase awareness, generate customer demand, build a strong sales pipeline, and grow account relationships across clients of all sizes, including independent professionals and small businesses to Fortune 100 companies, to accelerate GSV and revenue growth.

Enterprise Sales

Our Enterprise sales team focuses on clients interested in our Enterprise Solutions and Managed Services offerings. Our Enterprise sales team consists of teams that focus on one of two primary areas—Land and Expand. The Land team consists of business development representatives and other quota-carrying account executives who are primarily focused on acquiring new clients who have achieved, or aim to achieve, enterprise scale. The Expand team consists of quota-carrying account management and success team members who help new and existing clients scale usage of our work marketplace throughout their organizations. We achieve this by strategically developing and growing relationships within client organizations at all levels, from users to buyers to executives, as well as executing persona-based workshops, webinars, and account-based marketing campaigns that drive additional client spend through our work marketplace. We believe this land-and-expand strategy helps clients ramp their usage of our platform and drives more value, awareness, and adoption over time. In 2024, we realigned our Enterprise sales organization to enhance operational efficiency and optimize resources for client acquisition and support.

Marketing

We employ a holistic and integrated marketing strategy aimed at attracting clients to our work marketplace and guiding them toward the right product offerings to meet their business needs. Our approach begins with building

awareness of our brand and highlighting the advantages of hiring independent talent compared to traditional staffing models. These advantages include access to high-quality talent, reduced time-to-hire, greater flexibility, and cost efficiencies. Additionally, Upwork fosters trusted relationships while providing both clients and independent talent greater control over their businesses and careers. To support this strategy, the Upwork Research Institute publishes proprietary insights based on platform data and third-party research that are leveraged for marketing activities across the client acquisition funnel, driving thought leadership through speaking engagements, social media activations, and earned media, including widespread press coverage. Our earned and owned media initiatives contribute to shaping influential conversations about the future of work and the value of flexible talent solutions, further enhancing brand awareness.

Building on our brand positioning, we address key client needs throughout our marketing efforts, ensuring clients can easily identify and leverage the right Upwork product for their goals. While a significant portion of new client registrations originates from direct and non-paid channels, we also invest in targeted programs to expand our client pipeline. These initiatives include digital campaigns and direct mail.

To drive client retention and growth, we deploy email and lifecycle marketing programs aimed at engagement, cross-selling, and upselling opportunities. Additionally, we invest in advertising campaigns, including television, digital, and streaming audio placements, to further promote awareness and adoption of our solutions.

Our Technology

We invest substantial resources in research and development to enhance our platform, develop new products and features, and improve our infrastructure. We utilize a flexible systems architecture to allow us to scale easily as our platform usage increases and to provide a consistent and robust customer experience. The core focus of our technology is on:

Reliability

Our infrastructure is designed to provide high reliability and robust platform performance. There are four components to our reliability strategy:

1. *Modern Distributed Infrastructure.* We have engineered and implemented a modern, distributed core infrastructure design that provides for failures to occur at the individual system level without disrupting service or impacting the customer experience.
2. *Services-Oriented Architecture.* We have focused on building a services-oriented architecture hosted on Amazon Web Services, which we refer to as AWS, designed to independently scale, or failover, as needed, by leveraging the capabilities of the AWS platform. As a result, we believe we are more resilient to unexpected surges in traffic or to new code changes that we may introduce.
3. *Isolation as a Design Philosophy.* Leveraging the philosophy of domain-driven design, we have divided our platform into multiple sections to reduce the likelihood that a failure in any one section would negatively impact other sections of our platform.
4. *Intelligent Monitoring and Automated Remediation.* Our platform is designed to continuously monitor its own health and act appropriately to maintain its health, particularly during our deployment of new code or in response to any single infrastructure or platform issue.

Security

Our platform is designed to help ensure the security of our data and systems, protect our customers' personal information, and meet the rigorous privacy and security requirements of our Enterprise clients. To that end, we have obtained and maintain the following security and privacy certifications: ISO 27001 and 27018, SOC 2 Type 2 certification, SOC 3 certification, PCI-DSS Level 1 certification, U.S. Department of Commerce Data Privacy Framework certifications, and TRUSTe Enterprise Privacy & Data Governance Practices certification from TrustArc. Our information security controls operate at multiple levels and are designed to detect, prevent, and mitigate cybersecurity threats. All access to our platform is encrypted using industry-standard transport layer security technology, and customers can further secure their accounts with two-factor authentication. For additional details regarding our cybersecurity risk management and strategy, see Part I, Item 1C, "Cybersecurity."

Artificial Intelligence Capabilities

We leverage real-time and historical data to create an adaptive experience for our customers. Our platform contains a large repository of closed-loop data for the entire lifecycle of work, starting from when clients post

projects to when talent and clients match, how they communicate via on-platform messaging and collaboration tools, how and when payment is transferred, and feedback on their engagements.

Our platform leverages artificial intelligence, including machine learning models, and we continue to invest in the latest advances in AI to train these models on our large, proprietary behavioral data to better predict future behaviors that drive successful outcomes for customers.

Traditional query-based search capabilities are enriched by proprietary AI-powered models that drive real-time algorithms optimized to facilitate discovery and the "best match" between a client's project requirements and talent's unique skill set. We leverage AI to balance supply and demand within the platform as well. Talent receives data on market rates based on similar jobs when submitting proposals. When clients post jobs, similar rate resources also appear within the system. Upon registration, our AI models assess the potential of talent to be successful on our work marketplace.

In 2024, we acquired Objective AI, Inc., which we refer to as Objective AI, an AI-native search-as-a-service platform, with the aim of further enhancing our core search and matching capabilities and enabling richer insights into client needs and talent capabilities. By incorporating Objective AI's technology, such as multi-modal semantic search, we hope to be better positioned to provide enhanced precision and efficiency in connecting talent and clients. The expertise of Objective AI's personnel will also deepen the capabilities of Upwork's AI and machine learning team.

Scalability

Our cloud-based platform has been designed to be elastic, scaling automatically with increased usage, supporting sudden traffic spikes by dynamically bringing additional capacity online as required, then scaling back to ensure consistent and predictable cost management.

Our Social and Environmental Impact

Our mission is to create economic opportunities so people have better lives. Everything we do to build a better way to work—from our product offerings, to our grant making and volunteerism, to the policies and programs that guide our operations—is driven by this mission and our commitment to be a force for good.

Empowered by our work marketplace, millions of people from diverse backgrounds and locations around the globe are accessing economic opportunities previously unavailable to them. We enable workers to engage with clients beyond their local labor market, choose when to work and what projects to pursue, and set their own rates. Upwork provides a new way for talent to market their skills and expertise and we enable inclusive hiring practices through continuous accessibility improvements, analysis of potential underlying bias in our technology, and features like our diversity-certified talent badges.

We are also powering a more efficient and sustainable way to work. We believe that by facilitating remote work engagements and providing our customers with the tools they need to collaborate from afar, we are helping them avoid work-related commutes and business travel. Our work marketplace is also connecting sustainability professionals with mission-driven clients, including thousands of nonprofits on Upwork. By committing to carbon-neutral operations and to purchasing carbon-free electricity to match 100% of our office and remote work electricity consumption, we are demonstrating how companies across the globe can take action on climate change. We are also pursuing strategies to reduce our Scope 3 emissions intensity from employee commuting, business travel, and purchased goods and services as we grow.

Our drive to create a more equitable and sustainable future of work has helped us identify new ways to serve our stakeholders—including our clients and the independent talent on our work marketplace, our own team members, our investors, and our community partners—and contribute to long-term value creation. We continuously assess our social and environmental impact, and we are committed to addressing both short- and long-term risks and opportunities across our value chain. We address these risks and opportunities across four key themes: economic opportunity; team enablement; the environment; and trust and ethics.

Competition

The market segment for independent talent and the clients that engage them is highly competitive, rapidly evolving, fragmented, and subject to changing technology, shifting needs, and frequent introductions of new competitors as well as new offerings and services. The market continues to draw increased third-party investment and new competitor entrants, driven by changing labor market dynamics. We compete with a number of online and offline platforms and services domestically and internationally, as well as traditional staffing firms, to attract and retain customers and expand our share of customer spend. Artificial intelligence tools are emerging as an additional area

of competition as technology becomes capable of generating work outputs that could otherwise be produced by independent talent.

We believe the principal competitive factors in our market segment include:

- platform features and functionality, including efficient and accelerated time to hire;
- verified talent work history and client payment history;
- size and engagement of customer base, including the ability to attract and retain clients with a need for talent services;
- breadth of skill categories offered by a platform's rated quality talent;
- availability of high-quality projects from clients of all sizes, including Fortune 100 companies;
- uniqueness, size, and scope of data assets;
- ease of use;
- brand awareness and reputation;
- trust and safety;
- level of customer satisfaction;
- relationships with third-party partners;
- strength of sales and marketing efforts;
- ability to innovate and develop new or improved offerings and services;
- greater flexibility with cost structure and reduced operating costs; and
- level of workflow automation driven by machine learning and artificial intelligence tools.

We believe that we compete favorably with respect to these factors and are committed to making continued investments in our business to ensure our long-term success.

Intellectual Property

The protection of our technology and intellectual property is an important aspect of our business. We rely upon a combination of patents, trademarks, trade secrets, copyrights, confidentiality procedures, contractual commitments, and other legal rights to establish and protect our intellectual property. We generally enter into confidentiality agreements and invention or work product assignment agreements with our employees, independent team members that we engage through our work marketplace, advisors, and consultants to control access to, and clarify ownership of, our software and other inventions and intellectual property, documentation, and other proprietary information.

As of December 31, 2024, we held 19 issued U.S. patents, with 3 patent applications pending. As of December 31, 2024, we held seven registered trademarks in the United States, including Upwork, Elance, oDesk, "Work Without Limits," and "Talent Cloud," and also held 163 registered trademarks in foreign jurisdictions. We continually review our development efforts to assess the existence and patentability of new intellectual property.

Government Regulation

We have a robust regulatory compliance program built to comply with the various U.S. federal and state and foreign laws and regulations that are applicable to internet companies and businesses that operate online marketplaces connecting businesses with independent talent. Our compliance program gives us the ability to pursue products and features that are or may be governed by complex laws and regulatory regimes. These laws and regulations may involve areas such as labor and employment (including worker classification and independent contractor relationships), data protection, content regulation, intellectual property, data sharing and privacy, taxation, consumer protection, background checks, payment services, money transmitter regulations, anti-corruption, anti-money laundering and sanctions laws, the development, use and training of artificial intelligence models, or other subjects. Moreover, we provide escrow services to our customers and are therefore licensed as an internet escrow agent by the California Department of Financial Protection and Innovation, which we refer to as the DFPI. Many of the laws and regulations that are or may be applicable to our business are still evolving and being tested in courts and could be interpreted in ways that could adversely impact our business. In addition, the application and interpretation of

these laws and regulations often are uncertain, particularly in the industry in which we operate. See Part I, Item IA, “Risk Factors—Risks Related to Legal and Regulatory Matters” for more information.

Available Information

Our principal executive office is located at 530 Lytton Avenue, Suite 301, Palo Alto, California 94301, and our mailing address is 3490 S 4400 W #70008, West Valley City, Utah 84120. Our website is located at www.upwork.com, and our investor relations website is located at investors.upwork.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and amendments to those reports, are available free of charge through our investor relations website as soon as reasonably practicable after we file such material with, or furnish it to, the SEC.

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

The content of our websites and information that we may post on or provide to online and social media channels, including those mentioned above, and information that can be accessed through our websites or these online and social media channels are not incorporated by reference into this Annual Report or in any other report or document we file with or furnish to the SEC, and any references to our websites or these online and social media channels are intended to be inactive textual references only.

PART I

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 Annual Report, including our 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, operating results, and financial condition.
- 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, 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.
- 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 business depends in part on the success of our strategic relationships with third parties and their continued performance.
- We face payment and fraud risks that could adversely impact our business.
- Customers circumvent our work marketplace, which adversely impacts our business.
- 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.
- If the market for independent talent and the services they offer does not grow, 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 successful enhancements 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 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.
- 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 maintain and enhance our brand and reputation, our business and financial condition may be adversely affected.
- 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 the 2024 Share Repurchase Authorization will be fully consummated or that repurchases made under our share repurchase authorizations 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, operating results, and financial condition.

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 and retain customers.

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 or cease their use of our work marketplace and our revenue may be adversely impacted for many reasons, including: if we fail to attract and retain talent; if the quality or types of services provided, or the pricing offered, by talent 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, we had two clients that accounted for more than 10% of trade and client receivables as of December 31, 2024. 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 or our offerings or services do not meet their expectations or keep pace with the timing or quality of competitive products and services. Customers may also choose to cease using our work marketplace if they perceive that our pricing model 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, cease 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, our business, operating results, and financial condition could be adversely affected.

We have experienced growth in a relatively short period of time and expect to invest in our growth in the future. However, our historical growth should not be considered indicative of our future performance. 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 our growth in future periods will become more difficult if macroeconomic uncertainty, elevated interest rates, and inflation persist. For example, during the year ended December 31, 2024, macroeconomic conditions adversely impacted GSV, which declined 3% compared to 2023. To manage any future growth, we must improve our systems, motivate and effectively manage and train our workforce, and successfully manage the risks, challenges, and uncertainties associated with our business. If we are unable to grow 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, 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 continue to evolve our business strategy, offerings, and pricing model, as well as our sales, marketing, and brand positioning efforts. 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. Creating or modifying offerings is expensive and time consuming, diverts the attention of management, and may not be successful or cost-effective to maintain. 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. Additionally, implementing changes to business strategies could result in furloughs, layoffs, and reductions in force, such as our restructuring plan announced in October 2024, which we refer to as the Restructuring Plan. If there are unforeseen expenses associated with such realignments in our business strategies, and we incur unanticipated charges or liabilities, then we may not be able to effectively realize the expected cost savings or other benefits of such actions. Any negative impacts resulting from changes to our business strategy, offerings, or pricing model could adversely impact our business, operating results, and financial condition.

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 or interrupted for any reason. This could occur for a number of reasons, including the following:

- our partners may be unable to perform the services we require of them, including meeting processing speed and compliance standards;
- 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 or termination in services or benefits that they provide, and any remediation efforts undertaken by us may be costly and time consuming;
- 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
- our partners could experience instability, delays, limitations, or closures of their businesses, networks, partners, or systems.

In addition, we may be forced to cease doing business with certain partners if payment laws, regulations, or rules change or are interpreted to make it difficult or impossible for us to comply.

If we are unable to maintain our agreements with current partners on favorable terms or at all, or if 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.

Our business 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 depend on third-party staffing providers to support our employment offering, Upwork Payroll. We also have several partnerships that enable 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. Some of our strategic partners offer, or could offer, competing products and services or also work with our competitors. 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. 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 partners materially changes its business, our business, operating results, and financial condition may be adversely impacted.

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 or fraudulent acquisition or use of data, 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 and authentication and fraud detection are complex, require continuous improvement, and may not be effective in detecting and preventing misconduct. Further, while we take steps to improve our trust and safety program through the use of algorithms and machine learning techniques, any required or inadvertent disclosure of our security techniques or new laws restricting our use of them may make our efforts to prevent fraud or the improper use of our platform less effective and increase the risk of harm to our customers. If our controls are not effective, any of the following could result, each of which could harm our reputation, divert the attention of management, and adversely impact our business, operating results, and financial condition:

- we may be, and historically have been, held liable for the unauthorized use of credit or debit card details or other payment account information and required 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 require us to pay fines or other fees or engage in costly remediation efforts 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 licensing regimes;
- customers may seek to hold us responsible for losses, 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 applicable laws;
- we may be subject to additional risk and liability exposure if employees or third-party service providers, including our independent team members, misappropriate or facilitate the fraudulent use of our or customer banking, payment, or other information;
- if talent misstate their qualifications, identity or location, or 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 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.

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 customers to circumvent our work marketplace. In addition, circumvention 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 adversely impacts our business, operating results, and financial condition. Moreover, 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.

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

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, the service agreements negotiated between our customers and our default terms provide a mechanism for the parties to request assistance from us and, for some contracts, a third-party arbitrator. If customer disputes are not resolved amicably, the parties might escalate to formal proceedings. Given our role in facilitating and supporting customers' interactions, claims may be brought against us directly and talent or clients may bring us into claims filed against each other, particularly when one party is insolvent or facing financial difficulties. We generally disclaim responsibility and liability for disputes between customers; however, we cannot guarantee that these disclaimers will be effective in preventing or limiting our involvement in customer disputes, enforceable, or otherwise effectively prevent us from incurring liability. Disputes with or between customers may become more frequent based on the services offered or 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.

We have customers located in over 180 countries. Conducting business with an international customer base, engaging talent globally, and expanding our operations internationally subject us to significant challenges, uncertainties, and risks, including:

- 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 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 liability for failing 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;
- 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, including the interruption of internet access as a result of any of the foregoing;
- 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;
- any unenforceability of contractual provisions 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;

- economic weakness or currency-related challenges or crises;
- regional or global public health events;
- difficulties in obtaining and protecting our intellectual property rights outside the United States;
- organizing or similar activity by workers, local unions, works councils, or other labor organizations; and
- other risks relating to laws and regulations in jurisdictions outside the United States, as discussed elsewhere in these "Risk Factors."

These risks may make it costly or difficult for us to conduct or expand our operations internationally, particularly in markets where we have limited experience. If we are unable to 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 technology companies. We may not be able to retain our current key personnel or attract, train, integrate, or retain other highly skilled personnel in the future and may incur significant costs to do so. 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. In addition, changes in our management team resulting from the hiring or departure of executives and other personnel changes including reorganizations of reporting lines of our workforce, such as the Restructuring Plan announced in October 2024, have resulted, and may in the future result, in increased attrition or reduced productivity of our personnel and could negatively impact our ability to attract qualified 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 to ensure business continuity, 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.

Acquisitions, investments, and other strategic transactions could result in operating difficulties and harm our business.

Our business strategy may, from time to time, include business combinations, acquisitions, and dispositions of products, services, technologies, businesses, or other assets, strategic investments, and commercial and strategic partnerships. However, there can be no assurance that we will be successful in identifying, negotiating and consummating strategic transaction opportunities. These transactions, even if undertaken and announced, may not close, including due to challenges in obtaining regulatory or other approvals. In addition, strategic transactions that do close may involve significant challenges, uncertainties, and risks, including:

- the potential for our strategic transactions to use cash that we may need in the future to operate our business or result in dilutive issuances of our equity securities or the incurrence of significant indebtedness;
- failure of the strategic transaction to advance our business strategy or realize its anticipated benefits;
- disruptions of our ongoing operations and diversion of management's attention;
- potential exposure to new or incremental risks associated with the acquired businesses or assets, including becoming 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;
- incurring substantial expenses or assuming substantial liabilities, ongoing obligations, or other risks, particularly if we fail to identify or accurately estimate commitments, liabilities, deficiencies, or other risks associated with the acquired businesses or assets;

- difficulties retaining key personnel of the acquired company or integrating acquired operations, products, systems, technologies, and employee cultures;
- potential exposure to adverse tax consequences, substantial depreciation, impairment of goodwill or other intangible assets, or deferred compensation charges; or
- difficulties related to being required to adopt or modify accounting policies.

Strategic transactions are inherently risky, may not be successful, and may harm our business, operating results, and financial condition.

Risks Related to Our Industry, Offerings, and Services

If the market for independent talent and the services they offer does not grow, our business, operating results, and financial condition could be adversely affected.

The market for online independent talent and the services they offer is relatively new, rapidly evolving, and unproven, and it is difficult to predict the size, growth rate, and expansion of this market. Our future success will depend in large part on the continued growth and expansion of this market. 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 addition, 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 regulation of independent contractor services more generally, as discussed elsewhere in these “Risk Factors.” Similarly, with the increased prevalence of remote work and increased flexibility in employment relationships in recent years, more skilled independent talent may choose traditional employment, reducing the number of qualified or desirable talent available on our work marketplace. If the market for independent talent and the services they offer does not grow, 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 successful enhancements 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. 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. For example, we have recently integrated generative artificial intelligence tools into our work marketplace aimed at improving customer experience and productivity. The success of any enhancements to our work marketplace or any new offerings or services depends on several factors, including overall demand and market acceptance, competitive pricing, adequate quality testing, integration with our work marketplace and third-party partners’ technologies, and timely completion. We cannot be sure that we will succeed in delivering enhancements or any new offerings or services or that any enhancements or new offerings or services will be successful or cost effective. Even if we do introduce new offerings or services, we may experience a decline in revenue from our existing offerings that is not offset by revenue from the new offerings or services, and we may experience unintended negative effects from any modifications to our existing offerings, services, and features, including reduced client spend, diminished fill rates for projects on our work marketplace, errors and disruptions on our work marketplace, and customer dissatisfaction.

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, rapidly evolving, fragmented, and subject to changing technology, shifting needs, and frequent introductions of new competitors as well as new offerings and services. 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.

We also compete with companies that utilize emerging technologies and assets, such as artificial intelligence and machine learning, blockchain, augmented reality, and cryptocurrency, to provide automated alternatives to the talent on our work marketplace, connect businesses with service providers, or otherwise change the way that businesses engage or pay service providers or that service providers perform work.

Internationally, we compete against localized competitors that 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. 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 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, 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, in developing technology markets subject to dynamic and rapid technological change, varied business models, and frequent disruption by innovative online and offline entrants, businesses can easily and quickly launch online or mobile platforms and applications at nominal cost by using commercially available software or partnering with various established companies. 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 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 or a misunderstanding among potential customers regarding the functionality or purpose of our work marketplace. 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.

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 by us and our third-party partners and vendors. Our third-party partners and vendors also 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. 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 or remediate security breaches and other incidents. We cannot be certain that our cyber liability 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 and provide remedy, such as credit monitoring services. We may also face significant fines, reimbursement obligations, or class-action settlements (including under the California Consumer Privacy Act of 2018, which we refer to as the CCPA). Breach notification laws continue to evolve and may be inconsistent between jurisdictions. Complying with these obligations could cause us to incur substantial costs and harm our reputation.

If we fail to maintain and enhance our brand and reputation, our business and financial condition may be adversely affected.

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. Our marketing programs may not be successful or cost effective, particularly during early phases of new offerings or expansion into new segments, such as international customers and customers who are reluctant to utilize remote or contract workers. Additionally, 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 and brand positioning efforts, diminished visitor-to-customer conversions, and increased costs of maintaining compliance. Further, any negative publicity and news coverage relating to us, 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. If we fail to promote and maintain our brand successfully, our business, operating results, and financial condition may be adversely affected.

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 also rely on third-party service providers and infrastructure, including 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 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 important licenses, 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, subject us to liability, and adversely impact our business, operating results, and financial condition.

Our ability to attract and retain customers depends in part on the quality of our customer 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. In addition, customers of our Managed Services offering depend on our support organization to manage their projects and reach satisfactory project outcomes. 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. 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 and customer demand, and 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.

A significant and growing portion of our customers access our work marketplace through mobile devices and applications. Our mobile applications rely on third-party open application store platforms, including the Apple App Store and Google Play, which may change their policies, impose additional fees or requirements to support our applications, or stop supporting our applications altogether. These changes may increase our costs or adversely affect customer experience. Additionally, 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 are beyond our control. 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 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. These laws and regulations are often complex and subject to varying and evolving interpretations, resulting in shifting enforcement and application over time. Many of these laws were adopted prior to certain technological developments and 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 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 that could be interpreted to apply to our business often provide greater rights to competitors, customers, and other third parties than those in the United States. 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. As a result, 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, operating results, and financial condition. 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, and companies engaged in dealings with independent contractors, payments, or personal information and data 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 by us or our employees, contractors, partners, customers, or agents to comply with applicable laws and regulations creates risk for our

business and our employees, partners, 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 of these 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, reduce demand for our marketplace, 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 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 outcomes-based delivery offerings, which subjects us to additional misclassification risk.

There is significant uncertainty and unpredictability in the worker classification regulatory landscape and the application of worker classification laws, which are highly fact-sensitive, subject to divergent interpretations by various authorities, and regularly subject to further regulation, amendment, or re-interpretation. As a result, there is risk to us and our 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. For example, in California, Assembly Bill 5 is widely viewed as expanding the scope of the definition of "employee" for most purposes under California law. However, following the law's effectiveness in January 2020 and subsequent amendments and challenges, 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. 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 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 uncertain and complex, and it is possible that the laws and regulations may be interpreted and applied in a manner that we do not anticipate, that is inconsistent from one jurisdiction to another, or that conflicts with other rules or our practices.

We 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. In California, the CCPA, as amended by the California Privacy Rights Act, 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. Additionally, developments in artificial intelligence may lead to increased restrictions that could impact our platform's functionality. New regulations or legal challenges could impose restrictions on artificial intelligence in ways that prevent the incorporation of artificial intelligence tools into our platform or limit their functionality, limiting the potential benefits of artificial intelligence to our business.

The enactment of more restrictive laws, rules, regulations, or future enforcement actions or investigations could increase our costs, 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, any of which could 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, developments in the laws and regulations or their interpretations, and changes in our operations and offerings may result in the application of new or different regulatory requirements 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 in 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.

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. 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, contractors, customers, and agents will comply with our policy 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 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, we cannot guarantee that these precautions will prevent violations of export controls and similar regulations. In addition, our customers may be subject to export control laws, and any violations by our customers 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 import or export regulations 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 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 in the ordinary course of our business subject to legal proceedings and claims relating to the intellectual property of others, including our competitors. 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. 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.

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 and prevent third parties from infringing upon or misappropriating our intellectual property, copying our work marketplace, and using information that we regard as proprietary to create products and services that compete with ours. Despite the precautions that we take, 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.

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 an online presence with respect to our potentially patentable inventions, works of authorship, and marks and logos for a variety of reasons, including the cost or ability to procure such rights and the uncertainty involved in obtaining adequate protection. Moreover, changes to intellectual property laws and regulations, including U.S. and foreign patent or trademark law, may affect our ability to protect and enforce our intellectual property rights or defend against or offensively assert infringement claims.

The laws of some countries do not provide the same level of protection for our intellectual property as the laws of the United States, and 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 also 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. These agreements and terms may not be enforceable or compliant with applicable law, and these agreements and other measures may not effectively protect 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.

If we do not protect and enforce our intellectual property rights or our proprietary technology and data successfully or cost-effectively, our competitive position and brand may suffer, which would adversely impact 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. This could 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 such a manner, 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 found non-compliant 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, and may be required to re-engineer our work marketplace to remove or replace the open source software, discontinue offering our work marketplace, pay monetary damages, or 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, the use of open source software can involve greater risks and require greater efforts to ensure legal and regulatory compliance compared to the 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 no assurance that updates will be made to address security risks. Many of the risks associated with the use of open source software cannot be eliminated and could 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 other legal proceedings and make and receive demands and claims threatening possible legal proceedings. The outcome of any litigation or other legal proceeding (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, pending or future legal proceedings could result in a diversion of management's attention and resources and reputational harm and cause us to incur significant expenses and liabilities. 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 a pending proceeding 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 incorrect. Any adverse determination related to a legal proceeding 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 December 31, 2024, we had an accumulated deficit of $78.5 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, during the year ended December 31, 2024, macroeconomic conditions adversely impacted GSV, which declined 3% compared to 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 in the past and may fluctuate in the future, particularly in periods of macroeconomic uncertainty and elevated interest rates and inflation. 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 and political conditions and demand for our work marketplace;
- our ability to maintain and grow our community of customers, including talent that provide the types and quality of services sought by clients on our work marketplace;
- 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 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 productivity, effectiveness, and efficiency of our sales force and the length and complexity of our sales cycles;
- the impact of changing, consolidating, or terminating offerings and services;
- losses from clients failing to pay invoices, particularly in instances where we advance payments to talent for invoiced services on behalf of the client;
- 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;
- 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;
- fluctuations in transaction losses;
- fluctuations in the mix of payment provider costs and the revenue generated from payment providers;
- changes to financial accounting standards and the interpretation of those standards that may affect the way we recognize and report our financial results;
- fluctuations in currency exchange rates, particularly if we are unable to fully offset the adverse financial effects of unfavorable movements in foreign exchange rates through derivative instruments designed to hedge against certain exposures to such fluctuations; and
- revenue recognition fluctuations for arrangements subject to our tiered pricing model for talent service fees.

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 you should not rely upon past performance as an indicator of future performance.

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, and fake accounts. We are unable to prevent all 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.

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.

Effective internal controls are necessary for us to provide reliable and accurate financial statements and to effectively prevent fraud. We devote significant resources and time to comply with the internal control over financial reporting requirements of the Sarbanes-Oxley Act of 2002. However, we cannot be certain that we will be able to prevent future significant deficiencies or material weaknesses. 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.

In addition, regulators are increasingly focusing on environmental, social, and governance matters and related disclosures. If our related data, processes, and reporting are incomplete or inaccurate, or if we fail to achieve progress with our stated goals on a timely basis, our business, operating results, and financial condition could be adversely impacted.

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.

We are subject to numerous taxes and tax collection obligations in the U.S. and other foreign jurisdictions. Significant judgment is required to evaluate applicable tax obligations and in many cases the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business. As a result, we may recognize additional tax expense and be subject to additional tax liabilities, including other liabilities for tax collection obligations 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; or changes to our business operations. 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 and reporting 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.

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.

At any given time we may be subject to tax audits by various taxing authorities, in multiple jurisdictions, throughout the world. While we believe our income and other tax liabilities are reasonably estimated, an adverse result from one or more of these tax audits or investigations could have a significant adverse impact on our financial results. In addition, our future effective tax rates could be 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, 2024, 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 $18.9 million and $91.0 million, respectively, available to offset future taxable income. The federal NOL carryforwards of $18.9 million generated after December 31, 2017 can be carried forward indefinitely with utilization in any year limited to 80% of our taxable income. The California state NOL carryforward amounts will begin to expire in 2032 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. In addition, 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. As of December 31, 2024, we have experienced ownership changes that will result in limitations in our ability to use certain 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.

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 business strategy, 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 our 0.25% convertible senior notes due 2026, which we refer to as the Notes. For example, during the fiscal year ended December 31, 2024, we paid $100.0 million to repurchase shares of our common stock under our $100.0 million share purchase program authorized by our board of directors in November 2023, which we refer to as the 2023 Share Repurchase Authorization, and as of December 31, 2024, we had $100.0 million available for repurchases of our common stock under our $100.0 million share repurchase program authorized by our board of directors in October 2024, which we refer to as the 2024 Share Repurchase Authorization. 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 business strategy could be significantly impaired and our business, operating results, and financial condition may be adversely affected.

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, 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:

- actual or anticipated fluctuations in our operating results and performance metrics, particularly any failure to meet the estimates of securities analysts or the expectations of investors;

- the financial projections we provide to the public or our lowering of or failure to meet these projections;
- the economy or equity markets as a whole and market conditions in our industry;
- negative publicity related to the trustworthiness, quality, or security of our work marketplace;
- changes in our board of directors, management or key personnel;
- 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 or the Notes;
- 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;
- legal and regulatory claims, litigation, or pre-litigation disputes and other proceedings;
- announcements by us or our competitors of significant new or terminated products or services, technical innovations, or acquisitions, strategic partnerships, joint ventures, or capital commitments;
- sales or expected sales of shares of our common stock by us, our officers, directors, employees or stockholders;
- changes in the legal or regulatory landscape applicable to us or our customers, including worker classification and tax laws; 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 the 2024 Share Repurchase Authorization will be fully consummated or that repurchases made under our share repurchase authorizations 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 October 2024, our board of directors authorized $100.0 million for share repurchases under the 2024 Share Repurchase Authorization. As of December 31, 2024, we had $100.0 million available for repurchases under the 2024 Share Repurchase Authorization. The actual timing and amount of any repurchases under the 2024 Share Repurchase Authorization will depend on a variety of factors, including stock price, trading volume, market and business conditions, regulatory requirements, and other considerations, all of which may be impacted by factors outside of our control. The 2024 Share Repurchase Authorization could affect the trading price of our common stock, increase volatility, and diminish our cash and cash equivalents and marketable securities available to fund working capital, repayment of debt, capital expenditures, strategic acquisitions, investments, or business opportunities, and other general corporate purposes. The 2024 Share Repurchase Authorization may be suspended, terminated, or modified at any time for any reason, and we cannot guarantee that the 2024 Share Repurchase Authorization will be fully consummated, or at all, or that it 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, or the perception that such sales could occur, 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 shares of common stock, securities convertible into shares of our common stock, or preferred stock with preferences over 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 2024 Share Repurchase Authorization, 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 December 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 1B. Unresolved Staff Comments.

Not applicable.

Item 1C. Cybersecurity.

Cybersecurity Risk Management and Strategy

Our cybersecurity and data privacy risk management processes are integrated in our overall risk management program, and we have developed processes for assessing, identifying, and managing material risks from cybersecurity threats. We have adopted physical, technological, and administrative controls on data security and have a defined procedure for incident detection, containment, response, and remediation. Our information security team is primarily responsible for managing our cybersecurity processes and partners with our legal team on data privacy risk management processes. We conduct regular test exercises to ensure all relevant teams are aware of their responsibilities during a cybersecurity event or incident, and we use these exercises to promote a culture of continuous improvement. We also have implemented controls and procedures that provide for the prompt escalation of cybersecurity incidents so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner.

Our platform is designed to help ensure the security of our data and systems, protect our customers' personal information, and meet the rigorous privacy and security requirements of our Enterprise clients. To that end, we have obtained and maintain the following security and privacy certifications: ISO 27001 and 27018, SOC 2 Type 2 certification, SOC 3 certification, PCI-DSS Level 1 certification, U.S. Department of Commerce Data Privacy Framework certifications, and TRUSTe Enterprise Privacy & Data Governance Practices certification from TrustArc.

Our information security controls operate at multiple levels and are designed to detect, prevent, and mitigate cybersecurity threats that could impact the privacy and security of our data and our customers' data. To operate at scale, we have automated several risk mitigation strategies. We have implemented comprehensive trust and safety processes to help prevent and detect suspicious and fraudulent behavior on our platform. Over the years of developing our work marketplace, we have developed and refined specific pattern-matching algorithms to detect unusual behavior on our work marketplace, and we continue to improve such algorithms in the evolving threat landscape. We also regularly update our information security policies, standards and processes as needed to better reflect and account for updates in our cybersecurity posture, cybersecurity risks, and our risk mitigation strategies. We provide regular, mandatory training for our personnel regarding cybersecurity threats as a means to equip our personnel with effective tools to address cybersecurity threats, and to communicate our evolving information security policies, standards, processes and practices.

We engage third parties, including vendors and other external service providers, to support our cybersecurity and data privacy processes such as risk assessments, program enhancements, and value-added user verification services. These third parties provide security services, including regular reviews of our security environment to provide an independent, industry-recognized risk rating and internal audits of our technology and security controls. We have also developed a program and engaged with a bug bounty service for ongoing identification of exploitable vulnerabilities in the environment. Separately, our information security team also conducts regular scans of the environment to identify known vulnerabilities for remediation.

We also have processes to oversee and identify risks from cybersecurity threats associated with our use of third-party service providers. To that end, we maintain a risk-based approach to identify and oversee cybersecurity risks presented by third parties, including vendors and service providers, as well as the systems of third parties that could adversely impact our business in the event of a cybersecurity incident affecting those third-party systems. In addition, we perform diligence on our vendors and prospective vendors regarding their cybersecurity posture. We conduct and maintain a regular enterprise risk management program that is overseen by the audit committee of our board of directors, and efforts to address cybersecurity risks are an important component of our overall approach to enterprise risk management.

We deploy technical safeguards that are designed to protect our information systems from cybersecurity threats, including firewalls, intrusion prevention and detection systems, endpoint detection and response, logging, monitoring and alerting, anti-malware functionality, advanced email security, network security monitoring and access controls, which are evaluated and improved through vulnerability assessments and cybersecurity threat intelligence. All access to our platform is encrypted using industry-standard transport layer security technology. When customers

enter sensitive information on our site, such as tax identification numbers, we encrypt the transmission of that information using secure socket layer technology. We also use the HSTS (HTTP strict transport security) to ensure visitors connect to the website over HTTPS which adds an additional layer of protection for our customers. For servers that store personally identifiable information, the data is encrypted. Moreover, our customers may elect to further secure their account credentials through two-factor authentication that requires them to authenticate with information provided by a second device. In order to make secure payments through our platform, we are Payment Card Industry Data Security Standard certified, which means we have demonstrated compliance with the Payment Card Industry security standards required for businesses that complete credit card or debit card transactions.

To date, cybersecurity threats, including any previous cybersecurity incidents, have not materially affected our business strategy, operating results, and/or financial condition. If we were to experience a material cybersecurity incident in the future, such incident may have a material effect, including on our business strategy, operating results, or financial condition. For more information regarding cybersecurity risks that we face and potential impacts on our business related thereto, see our risk factor disclosures in Part I, Item 1A of this Annual Report on Form 10-K titled "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."

Cybersecurity Governance

While everyone at Upwork plays a part in managing cybersecurity and data privacy risks, oversight responsibility is shared by our board of directors, audit committee, and management.

Our board of directors, as a whole, has responsibility for risk oversight, although the committees of our board of directors oversee and review risk areas that are particularly relevant to their respective functions. Among its focus areas, our audit committee reviews matters relating to cybersecurity and data privacy and regularly reports to our board of directors regarding such matters. One member of our audit committee earned the NACD's CERT Certificate in Cybersecurity Oversight in 2023. Our audit committee receives quarterly cybersecurity-related updates from our Chief Information Security Officer, who we refer to as our CISO, including in the form of written reports and presentations. Our CISO and audit committee also provide cybersecurity-related updates to the full board of directors three times per year, including regarding recent developments, evolving standards, metrics about cyber threat response preparedness, program maturity milestones, material cybersecurity risks and risk mitigation status, and the current and emerging threat landscape. We also have implemented controls and procedures that provide for the communication of material cybersecurity incidents to our Chief Executive Officer, Chief Financial Officer, and Chief Legal Officer, as well as to our audit committee and/or to our full board of directors on a timely basis.

Our CISO is primarily responsible for our cybersecurity risk management program and partners with our legal team on data privacy matters at the management level. Our CISO has over 25 years of experience in various technology leadership positions across multiple industries including finance, healthcare and technology. He has held leadership positions specifically in the information security space since 2011 at four publicly traded companies. The CISO's leadership team members are all seasoned information security professionals who have worked at some of the largest well-known brand names and are experts in their fields. Our CISO monitors, and participates in, our various cybersecurity policies and procedures, and our cybersecurity team regularly updates our CISO on the current status of the cybersecurity environment, and cybersecurity incidents and actual or potential risks. Our CISO and his team provide regular updates to the management team and escalate events that require leadership's attention.

Item 2. Properties.

Our corporate headquarters are located in Palo Alto, California, where we lease approximately 12,685 square feet of office space pursuant to a lease that expires in September 2032.

We believe our current facilities are adequate to meet our needs for the immediate future, and that, should we require additional office space, suitable additional space will be available in the future. See "Note 6—Leases" of the notes to our consolidated financial statements included elsewhere in this Annual Report for additional information on our leased properties.

Item 3. Legal Proceedings.

We are not a party to any material pending legal proceedings. See "Note 9—Commitments and Contingencies" of the notes to our consolidated financial statements included elsewhere in this Annual Report for additional information on our commitments and contingencies.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information for Common Stock

Our common stock has been traded on The Nasdaq Global Select Market under the symbol "UPWK" since October 3, 2018. Prior to that time, there was no public market for our common stock.

Holders of Record

As of January 31, 2025, there were approximately 1,300 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial owners of our common stock represented by these record holders.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the development of our business, for repurchases under our 2024 Share Repurchase Authorization, and for general corporate purposes, and we do not anticipate paying any dividends on our capital stock in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, operating results, capital requirements, general business conditions, and other factors that our board of directors may deem relevant.

Securities Authorized for Issuance Under Equity Compensation Plans

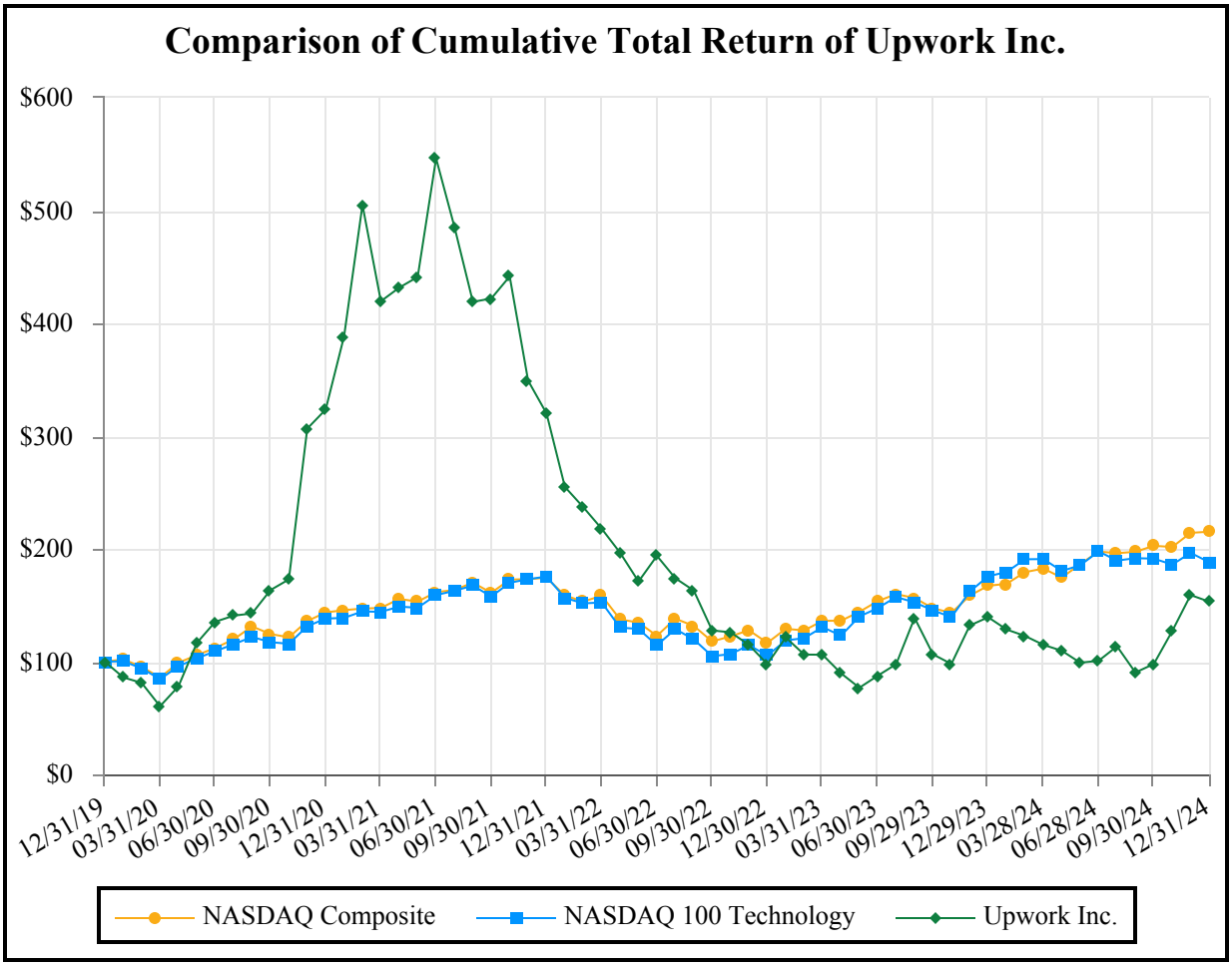
The information required by this item will be included in our Proxy Statement for the 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2024, and is incorporated herein by reference.

Stock Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Upwork Inc. under the Securities Act or the Exchange Act.

The following graph shows a comparison from December 31, 2019 through December 31, 2024 of the cumulative total returns for our common stock, the NASDAQ Composite Index and the NASDAQ 100 Technology Index, respectively. The graph assumes $100 was invested at the market close on December 31, 2019 in the common stock of Upwork Inc. Such returns are based on historical results and are not intended to suggest future

performance. The NASDAQ Composite Index and the NASDAQ 100 Technology Index assume reinvestment of any dividends.



Recent Sales of Unregistered Securities

None.

Use of Proceeds

None.

Issuer Purchases of Equity Securities

In October 2024, our board of directors authorized the repurchase of up to $100.0 million of shares of our outstanding common stock under the 2024 Share Repurchase Authorization. The 2024 Share Repurchase Authorization has no expiration date and will continue until otherwise suspended, terminated, or modified at any time for any reason. As of December 31, 2024, we had $100.0 million available for repurchases under the 2024 Share Repurchase Authorization.

There was no share repurchase activity during the three months ended December 31, 2024.

Item 6. [Reserved]

Item 7. 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 sections titled "Business" and "Risk Factors" and the consolidated financial statements and related notes included elsewhere in this Annual 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 Annual Report.

Overview

Business

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 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. 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. With customers in over 180 countries, our work marketplace enabled $4.0 billion of GSV for the year ended December 31, 2024.

As a global work marketplace that connects talent and clients regardless of their location, our GSV originates from around the world. In 2024, our work marketplace enabled $4.0 billion in GSV, with approximately 25% generated from U.S. talent, making the United States our largest talent geography in each of 2024, 2023, and 2022. India and the Philippines were our next largest talent geographies in all three years. Of the $4.1 billion of GSV enabled on our work marketplace in both 2023 and 2022, approximately 26% was generated from talent in the United States in each year.

Approximately 70% of our GSV in 2024 was generated from U.S. clients, compared to approximately 69% and 68% of GSV in 2023 and 2022, respectively, with clients in no other country representing more than 10% of our GSV in any such year.

We generate revenue from both talent and clients of our Marketplace and Enterprise offerings. Revenue is primarily generated from talent service fees and, to a lesser extent, client marketplace fees. We also generate revenue through ads and monetization products, including 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. Additionally, we earn interest on funds held on behalf of customers.

The Company operates its business as one operating and reportable segment. For additional information, see "Note 15—Segment Information" in the notes to our consolidated financial statements included elsewhere in this Annual Report.

Financial Highlights for 2024

Over the past several quarters, we implemented a number of initiatives that positively impacted Marketplace revenue and Marketplace take rate. These include (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 Connects needed by talent to bid on projects, (iii) deploying ads products on our work marketplace, and (iv) introducing new features, with a focus on generative artificial intelligence.

These initiatives contributed to an increase to Marketplace revenue of $76.0 million, or 13%, for the year ended December 31, 2024, compared to 2023. Marketplace take rate also benefited from these initiatives, increasing to 18.0% for the year ended December 31, 2024, compared to 15.4% in 2023.

During the year ended December 31, 2024, we generated net income of $215.6 million, compared to net income of $46.9 million in 2023. This included a non-cash tax benefit of $140.3 million from the release of a valuation allowance on certain deferred tax assets. Adjusted EBITDA increased to $167.6 million in 2024, from $73.1 million in 2023. This improvement was primarily due to strong operational discipline, proactive cost management, and higher margin revenue growth.

We expect the initiatives implemented over the past several quarters, along with operational efficiencies and cost savings from the Restructuring Plan, will continue to positively impact net income and adjusted EBITDA in 2025.

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 and for information regarding our use of adjusted EBITDA and a reconciliation of adjusted EBITDA to net income (loss), the most directly comparable financial measure prepared under U.S. GAAP.

Recent Developments

Restructuring Plan

In October 2024, we announced the Restructuring Plan, intended to continue our profitable trajectory, increase efficiency, and accelerate innovation for our customers. The Restructuring Plan included a reduction of our total workforce by approximately 21% and resulted in $19.2 million of restructuring charges in the fourth quarter of 2024, consisting primarily of employee severance and other one-time termination benefits for the Company's impacted workforce. For additional information, see "Note 17—Restructuring Charges" of the notes to our consolidated financial statements included elsewhere in this Annual Report.

Acquisition of Objective AI, Inc.

In November 2024, we completed the acquisition of Objective AI, acquiring 100% of Objective AI's outstanding equity for total cash consideration of $19.1 million. This strategic acquisition aims to enhance our platform by integrating advanced AI-native search capabilities and strengthen our AI and search teams with specialized talent. For additional information, see "Note 7—Business Combination" of the notes to our consolidated financial statements included elsewhere in this Annual Report.

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.

Our key metrics were as follows as of or for the periods presented:

	As of or for the Year Ended December 31,					
(In thousands, except GSV per active client and percentages)	2024	Change	2023	Change	2022	Change
GSV	$ 4,008,107	(3)%	$ 4,142,252	1 %	$ 4,104,891	16 %
Marketplace revenue	$ 662,108	13 %	$ 586,099	13 %	$ 518,282	21 %
Marketplace take rate	18.0 %	265 bps	15.4 %	155 bps	13.8 %	58 bps
Net income (loss)	$ 215,586	*	$ 46,887	152 %	$ (89,885)	60 %
Adjusted EBITDA [1]	$ 167,593	129 %	$ 73,134	*	$ (4,029)	*
Active clients	832	(2)%	851	5 %	814	6 %
GSV per active client	$ 4,815	(1)%	$ 4,867	(4)%	$ 5,045	10 %

**Not meaningful*

[1] 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 (loss), the most directly comparable financial measure prepared under U.S. GAAP.

We believe these key financial and operational metrics are useful to evaluate period-over-period comparisons of our business and in understanding our operating results, and management uses these metrics to track our performance. We expect our key metrics may fluctuate between periods due to a number of factors, including changing macroeconomic conditions; 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; the lapping of significant launches of new products, pricing changes, and other monetization efforts; and ongoing efforts to improve processes on our work marketplace, including project proposals and purchases of Connects, among others. 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."

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.

For purposes of determining countries where we enable GSV, we include both the countries in which the clients that paid for the applicable services are located, as well as the countries in which talent that provided those services are located.

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 and Managed Services. We generate Marketplace revenue from both talent and clients. Marketplace revenue is primarily generated from talent service fees paid by talent as a percentage of the total amount talent charges clients for services accessed on our Marketplace, and to a lesser extent, client marketplace fees. We also generate revenue through ads and monetization products, including 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. Additionally, we earn interest on funds held on behalf of customers.

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.

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.

While continued use of our work marketplace by talent is a factor that impacts our ability to attract and retain clients, we currently have a significant surplus of talent in relation to the number of clients actively engaging talent for most categories of services on our work marketplace. As a result of this surplus, we primarily focus our efforts on retaining client spend and acquiring new clients, as opposed to acquiring new talent and retaining existing talent. Moreover, we generate revenue when clients engage and pay talent, and therefore, our key metrics and operating results are directly impacted by client spend. Additionally, the number of talent retained between periods is merely one of many factors that may impact client spend in a particular period and is not a primary driver of our key metrics and operating results.

Components of Our Results of Operations

Revenue

Marketplace Revenue. Marketplace revenue is primarily generated from talent service fees, and to a lesser extent, client marketplace fees. We maintain a flat talent service fee of 10% for talent working with clients on our Marketplace offerings. Revenue for a majority of our talent service fees is recognized on the Sunday of each week, as this is the day we have the contractual right to bill talent for the service fees. We charge a client marketplace fee of 5% on each transaction—or 3% if paid via ACH for eligible clients.

We also generate revenue through ads and monetization products, including 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. Additionally, we earn interest on funds held on behalf of customers.

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. For our Enterprise Solutions offering, we charge clients a monthly or annual subscription fee and a service fee calculated as a percentage of the client's spend on talent services, in addition to a 10% service fee paid by talent. Additionally, clients of our Enterprise Solutions offering can also subscribe to a compliance service that includes worker classification services for an additional fee and may also choose to use our work marketplace to engage talent that were not originally sourced through our work marketplace for a lower fee percentage.

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 AWS, 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.

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; 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 (Expense), Net

Other income (expense), 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 Benefit (Provision)

We account for income taxes in accordance with the asset and liability method, which involves recognizing deferred assets and liabilities for expected future tax effects of differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. We establish a valuation allowance to the extent that it is more likely than not that deferred tax assets will not be recoverable against future taxable income.

Deferred tax assets and liabilities are measured using the enacted tax rates that will be in effect for the years in which those tax assets are expected to be realized or settled. We regularly assess the likelihood that deferred tax assets will be realized from recoverable income taxes or recovered from future taxable income based on the realization criteria set forth in the relevant authoritative guidance. To the extent that we believe any amounts are less likely than not to be realized, we record a valuation allowance to reduce our deferred tax assets.

In addition, the calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize potential liabilities based on an estimate of whether, and the extent to which, additional taxes will be due. We account for uncertain tax positions in accordance with the relevant guidance, which prescribes a recognition threshold and measurement approach for uncertain tax positions taken or expected to be taken in our income tax return, and also provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The guidance utilizes a two-step approach for evaluation of uncertain tax positions. The first step is to determine if the weight of available evidence indicates a tax position is more likely than not to be sustained upon audit. The second step is to measure the tax benefit as the largest amount that is more likely than not to be realized on ultimate settlement. A liability is reported for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Any interest and penalties related to unrecognized tax benefits are recorded as income tax expense.

Results of Operations

The following table sets forth our consolidated results of operations for the years ended December 31, 2024, 2023, and 2022:

(In thousands)	2024	2023	2022
Revenue:			
Marketplace	$ 662,108	$ 586,099	$ 518,282
Enterprise	107,217	103,037	100,036
Total revenue	769,325	689,136	618,318
Cost of revenue [1]	174,094	170,450	160,402
Gross profit	595,231	518,686	457,916
Operating expenses			
Research and development [1]	209,283	177,363	154,553
Sales and marketing [1]	185,211	220,681	246,882
General and administrative [1]	128,803	118,925	123,952
Provision for transaction losses	6,728	12,977	25,153
Total operating expenses	530,025	529,946	550,540
Income (loss) from operations	65,206	(11,260)	(92,624)
Other income, net	25,221	60,137	3,275
Income (loss) before income taxes	90,427	48,877	(89,349)
Income tax benefit (provision)	125,159	(1,990)	(536)
Net income (loss)	$ 215,586	$ 46,887	$ (89,885)

[1] Includes stock-based compensation expense as follows:

Cost of revenue	$ 1,586	$ 1,900	$ 1,356
Research and development	29,923	28,006	26,881
Sales and marketing	11,670	14,030	11,511
General and administrative	25,212	30,259	35,753
Total	$ 68,391	$ 74,195	$ 75,501

A discussion regarding our financial condition and results of operations for the year ended December 31, 2023 compared to the year ended December 31, 2022 is included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operation” included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 15, 2024.

Comparison of the Years Ended December 31, 2024 and 2023

Revenue

(In thousands, except percentages)	Year Ended December 31, 2024	Year Ended December 31, 2023	Change $	Change %
Marketplace	$ 662,108	$ 586,099	76,009	13 %
Percentage of total revenue	86 %	85 %		
Enterprise	$ 107,217	$ 103,037	4,180	4 %
Percentage of total revenue	14 %	15 %		
Total revenue	$ 769,325	$ 689,136	$ 80,189	12 %

During the year ended December 31, 2024, macroeconomic conditions adversely impacted GSV, which declined 3%, compared to 2023. The number of active clients decreased 2% as of December 31, 2024 compared to December 31, 2023, driven by slower growth in acquisition of new clients. As a result, GSV per active client decreased 1% as of December 31, 2024 compared to December 31, 2023. We expect no material improvement to macroeconomic conditions in 2025.

For the year ended December 31, 2024, total revenue was $769.3 million, representing an increase of $80.2 million, or 12%, compared to 2023.

Marketplace revenue increased by $76.0 million, or 13%, compared to 2023, largely 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 Marketplace GSV, which caused Marketplace take rate to increase to 18.0% for the year ended December 31, 2024, compared to 15.4% in 2023.

We expect Marketplace revenue to decrease in 2025 compared to 2024 reflecting the impact of broader macroeconomic conditions.

Enterprise revenue represented 14% of total revenue for the year ended December 31, 2024 and increased by $4.2 million, or 4%, compared to 2023, due to increased revenue from our Managed Services offerings, driven by new spend from existing clients.

Cost of Revenue and Gross Margin

(In thousands, except percentages)	Year Ended December 31, 2024	Year Ended December 31, 2023	Change $	Change %
Cost of revenue	$ 174,094	$ 170,450	$ 3,644	2 %
Total gross margin	77 %	75 %		

For the year ended December 31, 2024, cost of revenue increased by $3.6 million, or 2%, compared to 2023, primarily due to increases in the cost of talent services to deliver Managed Services revenue of $5.0 million and amortization expense related to internal-use software and platform development costs of $4.1 million, offset by a reduction in payment processing fees of $2.6 million. For the year ended December 31, 2024, gross margin increased to 77%, compared to 75% in 2023, primarily driven by the increase in Marketplace revenue.

We expect cost of revenue to decrease in absolute dollars in future periods, reflecting the expected decrease in revenue 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 gross margin to remain consistent in 2025 compared to 2024.

Research and Development

(In thousands, except percentages)	Year Ended December 31, 2024	Year Ended December 31, 2023	Change $	Change %
Research and development	$ 209,283	$ 177,363	$ 31,920	18 %
Percentage of total revenue	27 %	26 %		

For the year ended December 31, 2024, research and development expense increased by $31.9 million, or 18%, compared to 2023. This increase was primarily driven by $8.2 million in costs related to the Restructuring Plan, $8.0 million in personnel-related costs and intangible amortization from our asset acquisition in November 2023, and $11.1 million in other personnel-related costs. Additionally, for the year ended December 31, 2024, costs related to software increased $1.5 million compared to 2023.

While we remain committed to ongoing innovation to further enhance our platform, including building new features with a focus on generative artificial intelligence, we expect total research and development expense to decrease in 2025.

Sales and Marketing

(In thousands, except percentages)	Year Ended December 31, 2024	Year Ended December 31, 2023	Change $	Change %
Sales and marketing	$ 185,211	$ 220,681	$ (35,470)	(16)%
Percentage of total revenue	24 %	32 %		

For the year ended December 31, 2024, sales and marketing expense decreased by $35.5 million, or 16%, compared to 2023. This decrease was primarily driven by cost-saving measures implemented in the second quarter of 2023 and extended throughout 2024, including reduced investments in brand marketing and vendor spend. As a result, marketing and advertising expense decreased by $28.6 million compared to 2023. Additionally, personnel-related costs decreased $12.1 million, compared to 2023. These savings were partially offset by $7.1 million in costs incurred as a result of the Restructuring Plan.

As a result of our reduced investment in brand marketing, the reduction of our workforce, and other cost-saving measures implemented in the past several quarters, we expect sales and marketing expense to decrease in 2025, compared to 2024.

General and Administrative

(In thousands, except percentages)	Year Ended December 31, 2024	Year Ended December 31, 2023	Change $	Change %
General and administrative	$ 128,803	$ 118,925	$ 9,878	8 %
Percentage of total revenue	17 %	17 %		

For the year ended December 31, 2024, general and administrative expense increased by $9.9 million, or 8%, compared to 2023. This increase was primarily due to increases in personnel-related costs of $5.5 million. Additionally, we incurred a $2.6 million increase in legal and consulting fees associated with corporate initiatives and other matters, and $1.1 million in early lease termination fees recognized during the period.

As a result of cost savings measures implemented in the fourth quarter of 2024, we expect general and administrative expense to decrease in 2025, compared to 2024.

Provision for Transaction Losses

(In thousands, except percentages)	Year Ended December 31, 2024	Year Ended December 31, 2023	Change $	Change %
Provision for transaction losses	$ 6,728	$ 12,977	$ (6,249)	(48)%
Percentage of total revenue	1 %	2 %		

We maintain trust and safety measures to mitigate bad debt losses, instances of fraud, and chargeback losses. For the year ended December 31, 2024, provision for transaction losses decreased by $6.2 million, or 48%, compared

to 2023. This reduction was the result of improved internal review processes, which decreased bad debt losses, instances of fraud, and chargeback losses.

Other Income, Net

(In thousands, except percentages)	Year Ended December 31, 2024	Year Ended December 31, 2023	Change $	Change %
Other income, net	$ 25,221	$ 60,137	$ (34,916)	(58)%

For the year ended December 31, 2024, other income, net decreased by $34.9 million, compared to 2023, due to a gain of $38.9 million on the early extinguishment of a portion of the Notes that we recognized during the three months ended March 31, 2023, partially offset by increases in interest income earned on marketable securities.

Income Tax Benefit (Provision)

(In thousands, except percentages)	Year Ended December 31, 2024	Year Ended December 31, 2023	Change $	Change %
Income tax benefit (provision)	$ 125,159	$ (1,990)	$ 127,149	*

**Not meaningful*

For the years ended December 31, 2024 and 2023, we recorded a $125.2 million income tax benefit and a $2.0 million income tax expense, respectively. The income tax benefit for the year ended December 31, 2024 compared to income tax expense in 2023, resulted primarily from the release of the $140.3 million valuation allowance associated with U.S. federal and state deferred tax assets. This release was based on an evaluation of all available positive and negative evidence, including our recent history of taxable income and expectations of future taxable earnings. As a result of this assessment, we determined that it is more likely than not that our U.S. federal and state deferred tax assets will be realized, resulting in the release of the valuation allowance.

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. Additionally, in response to the war in Ukraine, during the year ended December 31, 2022, we incurred certain incremental expenses associated with our humanitarian response efforts. These expenses are not representative of our ongoing operations, and, as a result, we excluded these costs from adjusted EBITDA for the year ended December 31, 2022. 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 (loss), the most directly comparable financial measure prepared in accordance with U.S. GAAP, to adjusted EBITDA for each of the periods indicated:

	Year Ended December 31,		
(In thousands)	**2024**	**2023**	**2022**
Net income (loss)	$ 215,586	$ 46,887	$ (89,885)
Add back (deduct):			
Stock-based compensation expense	68,391	74,195	75,501
Depreciation and amortization	14,813	9,449	8,057
Other income, net [(1)]	(25,221)	(60,137)	(3,275)
Income tax (benefit) provision [(2)]	(125,159)	1,990	536
Other [(3)(4)(5)]	19,183	750	5,037
Adjusted EBITDA	$ 167,593	$ 73,134	$ (4,029)

(1) During the year ended December 31, 2023, we recognized a gain of $38.9 million on early extinguishment of debt, which is included in “Other income, net” in the consolidated statement of operations and comprehensive income (loss). See “Note 10—Debt” of the notes to our consolidated financial statements included elsewhere in this Annual Report for additional information regarding the Notes.

(2) During the year ended December 31, 2024, we recognized a non-cash tax benefit of $140.3 million from the release of a valuation allowance on certain deferred tax assets, partially offset by approximately $15.0 million of tax expense. See “Note 14—Income Taxes” of the notes to our consolidated financial statements included elsewhere in this Annual Report for additional information.

(3) During the year ended December 31, 2024, we incurred $19.2 million in costs related to the execution of the Restructuring Plan. Of this amount, $18.4 million is included in Other, while the remaining amount is allocated between “Stock-based compensation expense” and “Other income, net”. See “Note 17—Restructuring Charges” of the notes to our consolidated financial statements included elsewhere in this Annual Report for additional information.

(4) During each of the years ended December 31, 2024, 2023, and 2022, we incurred $0.8 million of expense related to the warrant to purchase 500,000 shares of our common stock at an exercise price of $0.01 per share issued to the Tides Foundation in 2018.

(5) During the year ended December 31, 2022, in response to Russia’s invasion of Ukraine, we incurred certain incremental expenses associated with our humanitarian response efforts. These expenses are not representative of our ongoing operations, and, as a result, we excluded these costs from adjusted EBITDA for the year ended December 31, 2022. These expenses consisted of (i) $1.4 million of special one-time bonuses to our team members in the region impacted by Russia’s invasion of Ukraine, (ii) $1.5 million of expenses incurred in connection with the relocation of our team members in the impacted region, (iii) $1.1 million of donations made to humanitarian aid organizations to support initiatives related to humanitarian response efforts in the impacted region, primarily to Direct Relief International, a humanitarian aid organization, and (iv) $0.4 million of payments of one-time service award bonuses (and associated taxes) to certain of our team members paid in recognition of contributions made by such team members to our humanitarian response efforts in the impacted region.

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 net income (loss) and our other financial performance measures prepared in accordance with U.S. GAAP.

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 December 31, 2024 and 2023, we had $305.8 million and $79.6 million in cash and cash equivalents, respectively. As of December 31, 2024 and 2023, we had $316.3 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, any repurchases of shares of our outstanding common stock or of our outstanding Notes, 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, future purchase commitments for cloud infrastructure and other services, and obligations under our non-cancellable operating leases for office space. 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."

In July 2024, we commenced a non-cancellable agreement for cloud infrastructure and other services that contains future purchase commitments of $40.0 million over two years, with $20.0 million in each year. As of December 31, 2024, we had remaining purchase commitments under this agreement of $30.0 million.

As of December 31, 2024, our future lease commitments were $15.9 million (excluding adjustments for discount to present value), including $1.9 million for 2025.

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 repurchase of up to $100.0 million of shares of our outstanding common stock under the 2023 Share Repurchase Authorization. During the year ended December 31, 2024, we repurchased and subsequently retired 8.1 million shares of common stock under the 2023 Share Repurchase Authorization for an aggregate amount of $100.0 million at an average price of $12.38 per share, including fees associated with the repurchases and excluding excise tax. As of December 31, 2024, we had no remaining balance available for repurchases under the 2023 Share Repurchase Authorization.

In October 2024, our board of directors authorized the repurchase of up to $100.0 million of shares of our outstanding common stock under the 2024 Share Repurchase Authorization. During the year ended December 31, 2024, we did not repurchase any shares under the 2024 Share Repurchase Authorization. As of December 31, 2024, we had $100.0 million available for repurchases under the 2024 Share Repurchase Authorization. As was the case with the 2023 Share Repurchase Authorization, repurchases of our common stock under the 2024 Share Repurchase Authorization 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 2024 Share Repurchase Authorization has no expiration date and will continue until otherwise suspended, terminated, or modified at any time for any reason. The 2024 Share Repurchase Authorization 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.

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 fluctuate based on marketplace activity and may vary from period to period. Escrow regulations require us to cover the trust with our operating cash in the event of 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 match the shortage of cash in trust by restricting our own operating cash and typically collect this cash shortage from clients within the next several days. As of December 31, 2024 and 2023, funds held in escrow, including funds in transit, were $195.7 million and $212.4 million, respectively. We deposit a portion of funds held in escrow in interest-bearing checking accounts.

Convertible Senior Notes Due 2026 and Capped Calls

As of December 31, 2024, $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 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 the 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 10—Debt” of the notes to our consolidated financial statements included elsewhere in this Annual Report for additional information regarding the Notes and the Capped Calls.

Cash Flows

The following table summarizes our cash flows for the years ended December 31, 2024, 2023, and 2022:

(In thousands)	2024	2023	2022
Net cash provided by operating activities [1]	$ 153,563	$ 52,708	$ 11,497
Net cash provided by (used in) investing activities	137,568	88,270	(69,468)
Net cash provided by (used in) financing activities [1]	(81,956)	(139,791)	1,143
Net change in cash, cash equivalents, and restricted cash [2]	$ 209,175	$ 1,187	$ (56,828)

[1] The Company elected to change the presentation of certain cash flows on its Consolidated Statement of Cash Flow, reclassifying the change in Trade and Client Receivables, related to amounts received on behalf of talent to fund their escrow account, from operating activities to financing activities. Prior period comparative amounts have been recast to conform to the current period presentation. For additional information, refer to “Note 2—Basis of Presentation and Summary of Significant Accounting Policies” of the notes to our consolidated financial statements included elsewhere in this Annual Report.

[2] Includes decreases in funds held in escrow, including funds in transit of $10.0 million and $25.4 million, during the years ended December 31, 2024 and 2023, respectively, and an increase in funds held in escrow, including funds in transit of $4.3 million during the year ended December 31, 2022.

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, payment processing fees, amounts paid to talent to deliver services for clients under our Managed Services offering, and third-party hosting costs.

Net cash provided by operating activities during 2024 was $153.6 million, which resulted from net income of $215.6 million and non-cash charges of $47.0 million, offset by net cash outflows of $15.0 million from changes in operating assets and liabilities.

Net cash provided by operating activities during 2023 was $52.7 million, which resulted from net income of $46.9 million and non-cash charges of $45.1 million, offset by net cash outflows of $39.2 million from changes in operating assets and liabilities.

Net cash provided by operating activities during 2022 was $11.5 million, which resulted from non-cash charges of $112.2 million, offset by a net loss of $89.9 million and net cash outflows of $10.8 million from changes in operating

assets and liabilities. The change in operating assets and liabilities primarily resulted from the increase in trade and client receivables.

Investing Activities

Net cash provided by investing activities during 2024 was $137.6 million, which was primarily a result of proceeds from maturities of marketable securities of $486.9 million and $41.8 million in proceeds from the sale of marketable securities, partially offset by investing $362.3 million in various marketable securities, $14.3 million cash paid, net of cash acquired, for the acquisition of Objective AI, $10.9 million of internal-use software and platform development costs that we paid during the period, and $3.5 million paid for purchases of property and equipment.

Net cash provided by investing activities during 2023 was $88.3 million, which was primarily a result of proceeds from maturities of marketable securities of $648.8 million and proceeds from the sale of marketable securities of $165.0 million, including $143.7 million to enable the repurchase of a portion of the Notes, partially offset by investing $709.2 million in various marketable securities, as well as $12.7 million of internal-use software and platform development costs that we paid during the period, and $3.0 million for the purchase of an intangible asset.

Net cash used in investing activities during 2022 was $69.5 million, which was primarily a result of investing $581.9 million in various marketable securities, as well as $7.5 million of internal-use software and platform development costs that we paid during the period and purchases of property and equipment of $1.2 million, partially offset by proceeds from maturities of marketable securities of $521.2 million.

Financing Activities

Net cash used in financing activities during 2024 was $82.0 million, which was driven by $100.0 million cash paid for repurchases under the 2023 Share Repurchase Authorization, partially offset by an increase in escrow funds payable of $10.0 million, proceeds received from our employee stock purchase plan of $4.8 million, and cash received from stock option exercises of $3.3 million.

Net cash used in financing activities during 2023 was $139.8 million, which was driven by $171.3 million that we paid to consummate the repurchase of a portion of the Notes, including related fees to effect the repurchases, partially offset by an increase in escrow funds payable of $25.4 million, proceeds received from our employee stock purchase plan of $4.1 million, and cash received from stock option exercises of $2.0 million.

Net cash provided by financing activities during 2022 was $1.1 million, which was primarily a result of proceeds received from our employee stock purchase plan of $3.8 million, cash received from stock option exercises of $1.6 million, partially offset by a decrease in escrow funds payable of $4.3 million.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of the 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. Certain of our accounting policies require higher degrees of judgment than others in their application. These include certain aspects of accounting for revenue recognition, stock-based compensation, and income taxes.

Revenue Recognition

We generate revenue from talent and clients from our Marketplace and Enterprise offerings. We account for revenue in accordance with Topic 606. Revenue is recognized upon transfer of control of promised services to customers in an amount that reflects the consideration we expect to receive in exchange for those services.

Determining the method and amount of revenue to recognize requires management to make judgments and estimates. Judgments include determining whether to present revenue gross, as a principal, or net, as an agent, which is based on an evaluation of whether we control the service prior to it being transferred to the client.

We recognize deferred revenue as the related performance obligations are satisfied, on a ratable basis over the relevant service period. Management applies judgement in assessing the continued appropriateness for the estimates, which include assessing the continued appropriateness of the methodology and relevant data inputs to estimate the likelihood and the period of time over which to defer and recognize the consideration allocated to the material rights. We utilize historical customer transaction data in developing these estimates. We recognize revenue related to the material rights based on our estimate of when the material rights are exercised, and adjust revenue for changes in estimates in the period of change on a cumulative catch-up basis.

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based awards granted to employees and non-employee service providers, including stock options, restricted stock units, which we refer to as RSUs, performance stock units, which we refer to as PSUs, and purchase rights granted under our 2018 Employee Stock Purchase Plan, which we refer to as the 2018 ESPP, based on the estimated fair value of the award on the grant date. We calculate the estimated fair value of stock options and purchase rights granted under the 2018 ESPP on the date of grant using the Black-Scholes option pricing model, which is impacted by the fair value of our common stock, as well as changes in assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected dividend yield, the expected term of the awards, the risk-free interest rates, and the expected common stock price volatility over the term of the option awards.

The grant date fair value of PSUs is determined using the closing common stock price of our common stock on the grant date multiplied by the number of PSUs that are probable of being earned as of the grant date. We use the quoted market price of our common stock as reported on The Nasdaq Global Select Market for the fair value of RSUs, PSUs, stock options, and purchase rights under our 2018 ESPP.

We generally recognize the fair value of stock options and RSUs on a straight-line basis over the period during which a service provider is required to provide services in exchange for the award (generally the vesting period). We recognize the fair value of purchase rights granted under the 2018 ESPP as an expense on a straight-line basis over the offering period and account for forfeitures as they occur.

Stock-based compensation expense associated with service and market-based stock options is recognized over the longer of the expected achievement period for the service condition and market condition.

Stock-based compensation expense associated with PSUs is recognized over the longer of the expected achievement period for the performance condition or the service condition, if applicable.

Income Taxes

We utilize the asset and liability method under which deferred tax assets and liabilities arise from the temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements, as well as from net operating loss and tax credit carryforwards. Deferred tax amounts are determined by using the tax rates expected to be in effect when the taxes will actually be paid or refunds received, as provided for under current tax law.

A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. The assessment of the need for a valuation allowance involves significant judgment and requires consideration of various factors, including historical levels of pre-tax income or loss adjusted for permanent book-tax differences on a jurisdictional basis, the timing and magnitude of future reversals of existing temporary differences, and projections of future taxable income. A valuation allowance is reduced or removed when, based on a comprehensive evaluation of all available evidence, it becomes more likely than not that the deferred tax assets will be realized. Key factors in determining the removal of a valuation allowance include sustained profitability, changes in business operations that increase taxable income, or significant new sources of taxable income, such as new contracts or operational expansions.

We regularly review our tax positions and benefits to be realized. We recognize tax liabilities based upon our estimate of whether, and the extent to which additional taxes will be due when such estimates are more likely than not to be sustained. An uncertain income tax position will be recognized only if it is more likely than not to be sustained. We recognize interest and penalties related to income tax matters as income tax expense.

Recent Accounting Pronouncements

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

Item 7A. 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 December 31, 2024 and 2023, we had $361.0 million aggregate principal amount of borrowings outstanding under the Notes, respectively.

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 also earn interest on funds held on behalf of customers that we hold on our consolidated balance sheets as funds held in escrow, including funds in transit. Because these balances are highly liquid, their 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 8. Financial Statements and Supplementary Data.

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The supplementary financial information required by this item is included in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Upwork Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Upwork Inc. and its subsidiaries (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive income (loss), of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2024, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition – Talent Service Fee and Client Marketplace Fee

As described in Note 2 to the consolidated financial statements, the Company earns fees from talent and clients under its marketplace offerings, which represent a single promise to provide continuous access to the Company's work marketplace and site services. The Company's single promise is comprised of a series of distinct service periods. The Company allocates consideration to each distinct service period in which it has the contractual right to bill. The Company's marketplace offerings may include fixed and variable consideration. For the year ended December 31, 2024, the Company's consolidated revenue was $769.3 million, of which a majority relates to talent service fee and client marketplace fee revenue.

The principal consideration for our determination that performing procedures relating to revenue recognition for talent service fee and client marketplace fee revenue is a critical audit matter is a high degree of auditor effort in performing procedures related to the Company's revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process for talent service fee and client marketplace fee revenue. These procedures also included, among others, testing revenue recognized for a sample of talent service fee and client marketplace fee revenue transactions by obtaining and inspecting source documents, such as contracts, terms of service, invoices, payment receipts, and client acceptance of the milestones.

/s/ PricewaterhouseCoopers LLP

San Jose, California

February 13, 2025

We have served as the Company's auditor since 2016.

UPWORK INC.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2024 and 2023

(In thousands, except share and per share data)	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 305,757	$ 79,641
Marketable securities	316,344	470,457
Funds held in escrow, including funds in transit	195,736	212,387
Trade and client receivables – net of allowance of $4,646 and $5,141 as of December 31, 2024 and 2023, respectively	75,490	103,061
Prepaid expenses and other current assets	17,727	17,825
Total current assets	911,054	883,371
Property and equipment, net	30,056	27,140
Goodwill	121,064	118,219
Intangible assets, net	12,989	3,048
Operating lease asset	5,752	4,333
Deferred tax asset	128,779	—
Other assets, noncurrent	1,919	1,430
Total assets	$ 1,211,613	$ 1,037,541
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 6,128	$ 5,063
Escrow funds payable	195,736	212,387
Accrued expenses and other current liabilities	59,300	58,192
Deferred revenue	7,269	17,361
Total current liabilities	268,433	293,003
Debt, noncurrent	357,928	356,087
Operating lease liability, noncurrent	9,567	6,088
Other liabilities, noncurrent	308	1,288
Total liabilities	636,236	656,466
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, $0.0001 par value; 490,000,000 shares authorized as of December 31, 2024 and 2023; 135,348,453 and 137,272,754 shares issued and outstanding as of December 31, 2024 and 2023, respectively	14	14
Additional paid-in capital	653,575	674,918
Accumulated and other comprehensive income	264	205
Accumulated deficit	(78,476)	(294,062)
Total stockholders' equity	575,377	381,075
Total liabilities and stockholders' equity	$ 1,211,613	$ 1,037,541

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

UPWORK INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2024, 2023, and 2022

(In thousands, except per share data)	2024	2023	2022
Revenue	$ 769,325	$ 689,136	$ 618,318
Cost of revenue	174,094	170,450	160,402
Gross profit	595,231	518,686	457,916
Operating expenses			
Research and development	209,283	177,363	154,553
Sales and marketing	185,211	220,681	246,882
General and administrative	128,803	118,925	123,952
Provision for transaction losses	6,728	12,977	25,153
Total operating expenses	530,025	529,946	550,540
Income (loss) from operations	65,206	(11,260)	(92,624)
Other income, net	25,221	60,137	3,275
Income (loss) before income taxes	90,427	48,877	(89,349)
Income tax benefit (provision)	125,159	(1,990)	(536)
Net income (loss)	$ 215,586	$ 46,887	$ (89,885)
Net income (loss) per share:			
Basic	$ 1.61	$ 0.35	$ (0.69)
Diluted	$ 1.52	$ 0.06	$ (0.69)
Weighted-average shares used to compute net income (loss) per share, basic and diluted			
Basic	133,621	134,774	130,518
Diluted	143,152	137,263	130,518
Other comprehensive income (loss), net of tax:			
Net unrealized holding gain (loss) on marketable securities, net	$ 59	$ 3,290	$ (2,557)
Total comprehensive income (loss)	$ 215,645	$ 50,177	$ (92,442)

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

UPWORK INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2024, 2023, and 2022

(In thousands, except share amounts)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances as of December 31, 2021	129,130,478	$ 13	$ 511,096	$ (528)	$ (251,064)	$ 259,517
Issuance of common stock upon exercise of stock options	412,171	—	1,642	—	—	1,642
Stock-based compensation expense	—	—	75,618	—	—	75,618
Issuance of common stock for settlement of RSUs	2,553,300	—	—	—	—	—
Tides Foundation common stock warrant expense	—	—	750	—	—	750
Issuance of common stock in connection with employee stock purchase plan	272,316	—	3,794	—	—	3,794
Unrealized loss on marketable securities	—	—	—	(2,557)	—	(2,557)
Net loss	—	—	—	—	(89,885)	(89,885)
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 and common stock warrants	640,687	—	2,012	—	—	2,012
Stock-based compensation expense	—	—	75,175	—	—	75,175
Issuance of common stock for settlement of RSUs	3,665,021	1	—	—	—	1
Tides Foundation common stock warrant expense	—	—	750	—	—	750
Issuance of common stock in connection with employee stock purchase plan	598,781	—	4,081	—	—	4,081
Unrealized gain on marketable securities	—	—	—	3,290	—	3,290
Net income	—	—	—	—	46,887	46,887
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	934,966	—	3,293	—	—	3,293
Stock-based compensation expense	—	—	70,095	—	—	70,095
Issuance of common stock for settlement of RSUs	4,559,933	1	—	—	—	1
Tides Foundation common stock warrant expense	—	—	750	—	—	750
Issuance of common stock in connection with employee stock purchase plan	657,526	—	4,795	—	—	4,795
Repurchase of common stock, including excise tax	(8,076,726)	(1)	(100,276)	—	—	(100,277)
Unrealized gain on marketable securities	—	—	—	59	—	59
Net income	—	—	—	—	215,586	215,586
Balances as of December 31, 2024	135,348,453	$ 14	$ 653,575	$ 264	$ (78,476)	$ 575,377

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

UPWORK INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024, 2023, and 2022

(In thousands)	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 215,586	$ 46,887	$ (89,885)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Provision for transaction losses	5,505	8,673	23,306
Depreciation and amortization	14,813	9,449	8,057
Amortization of debt issuance costs	1,842	2,098	2,961
Accretion of discount on purchases of marketable securities, net	(11,911)	(14,430)	(1,486)
Amortization of operating lease asset	2,837	3,269	3,079
Tides Foundation common stock warrant expense	750	750	750
Stock-based compensation expense	68,391	74,195	75,501
Deferred taxes	(129,258)	—	—
Gain on early extinguishment of convertible senior notes	—	(38,945)	—
Changes in operating assets and liabilities:			
Trade and client receivables [1]	(4,802)	(22,176)	(15,292)
Prepaid expenses and other assets	(656)	146	(630)
Operating lease liability	(4,351)	(5,903)	(5,389)
Accounts payable	969	(2,513)	2,579
Accrued expenses and other liabilities	4,730	5,746	3,689
Deferred revenue	(10,882)	(14,538)	4,257
Net cash provided by operating activities	153,563	52,708	11,497
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of marketable securities	(362,322)	(709,214)	(581,887)
Proceeds from maturities of marketable securities	486,892	648,800	521,152
Proceeds from sale of marketable securities	41,775	165,035	—
Purchase of an intangible asset	—	(3,000)	—
Acquisition of business, net of cash acquired	(14,333)	—	—
Purchases of property and equipment	(3,528)	(692)	(1,248)
Internal-use software and platform development costs	(10,916)	(12,659)	(7,485)
Net cash provided by (used in) investing activities	137,568	88,270	(69,468)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Change in escrow funds payable, net [1]	9,956	25,443	(4,294)
Proceeds from exercises of stock options and common stock warrant	3,293	2,012	1,643
Proceeds from employee stock purchase plan	4,795	4,081	3,794
Net cash paid for early extinguishment of convertible senior notes	—	(171,327)	—
Repurchase of common stock	(100,000)	—	—
Net cash provided by (used in) financing activities	(81,956)	(139,791)	1,143
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	209,175	1,187	(56,827)
Cash, cash equivalents, and restricted cash—beginning of period	296,418	295,231	352,058
Cash, cash equivalents, and restricted cash—end of period	$ 505,593	$ 296,418	$ 295,231
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			

Cash paid for income taxes	$ 4,590	$ 1,982	$ —
Cash paid for interest	$ 920	$ 1,321	$ 1,541
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES:			
Right-of-use asset recognized	$ 4,436	$ —	$ —
Property and equipment purchased but not yet paid	$ 26	$ 27	$ —
Internal-use software and platform development costs incurred but not yet paid	$ 400	$ 215	$ 73

[1] Refer to “Note 2—Basis of Presentation and Summary of Significant Accounting Policies” for discussion of the change in the current period presentation.

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

UPWORK INC.
Notes to Consolidated Financial Statements

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 Palo Alto, California.

Unless otherwise expressly stated or the context otherwise requires, the terms "Upwork" and the "Company" in these notes to the 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 and Principles of Consolidation

The accompanying 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 include the accounts of Upwork Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Prior period presentation has been revised to conform to the current period presentation as of December 31, 2024.

Changes in Presentation

During the fourth quarter of 2024, the Company elected to change the presentation of certain cash flows on its Consolidated Statement of Cash Flows. The change in Trade and Client Receivables relating to amounts received on behalf of talent to fund their escrow accounts was reclassified from operating activities to financing activities, reflected within the caption Change in escrow fund payable, net. Prior period comparative amounts have been recast to conform to the current period presentation. This change had the impact of increasing cash flow provided by operating activities by $25.5 million and $4.9 million, for the years ended December 31, 2023 and 2022, respectively, and a corresponding offset in cash provided by (used in) financing activities. This reclassification did not affect the previously reported total cash balances on the Consolidated Statement of Cash Flows. Additionally, these reclassifications had no impact on the Consolidated Statements of Operation and Comprehensive Income, Consolidated Balance Sheets, or Consolidated Statements of Shareholders' Equity.

Use of Estimates

The preparation of the 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.

Cash and Cash Equivalents

The Company classifies cash and cash equivalents to include cash held in checking and interest-bearing accounts and investments in money market funds, U.S. government securities, and debt securities with maturities of 90 days or less from the date of purchase.

Restricted Cash

As of December 31, 2024 and 2023, the Company maintained restricted cash of $4.1 million and $4.4 million, respectively, related to cash reserve requirements under the escrow laws and regulations of the California Department of Financial Protection and Innovation and collateral for letters of credit issued in conjunction with operating leases. Short-term restricted cash included in prepaid expenses and other current assets was $3.6 million as of December 31, 2024 and 2023, and long-term restricted cash included in other assets, noncurrent was $0.6 million and $0.8 million as of December 31, 2024 and 2023, respectively.

Funds Held in Escrow, Including Funds in Transit

The Company maintains its customers' funds held in escrow in demand or interest-bearing checking accounts at U.S. financial institutions, as well as two California licensed money transmitters. The balance in these accounts was in excess of federally insured limits as of December 31, 2024 and 2023. Customers' funds held in escrow are denominated exclusively in U.S. dollars.

The Company is an internet escrow agent and is therefore required to hold its customers' escrowed funds and escrow funds in-transit in trust as an asset and record a corresponding liability for escrow funds payable on its consolidated balance sheets. For this reason, funds held in escrow, including funds in transit, are restricted cash. Escrow funds in-transit arise due to the time it takes to clear transactions through external payment networks. When clients fund their escrow account using credit cards, there is a clearing period before the cash is received and settled. Accordingly, the funds are treated as escrow funds in transit until the transaction is settled to the escrow trust bank account or, in the case of international credit card settlements, to the Company's bank accounts. Escrow regulations require the Company to fund the trust with its own operating cash if there is ever a shortage due to the timing of cash receipts from clients for completed hourly billings. As of December 31, 2024 and 2023, the Company recorded $195.7 million and $212.4 million, respectively, as funds held in escrow, including funds in transit.

The below table reconciles cash, cash equivalents, and restricted cash as reported in the consolidated balance sheets to the total of the same amounts shown in the consolidated statements of cash flows for the years ended December 31, 2024, 2023, and 2022:

(In thousands)	2024	2023	2022
Cash and cash equivalents	$305,757	$ 79,641	$129,384
Restricted cash	4,100	4,390	4,390
Funds held in escrow, including funds in transit	195,736	212,387	161,457
Total cash, cash equivalents, and restricted cash as shown in the consolidated statement of cash flows	$505,593	$296,418	$295,231

Marketable Securities

The Company's marketable securities consist of money market funds, commercial paper, treasury bills, corporate bonds, U.S. government securities, asset-backed securities, and other types of fixed income securities issued by foreign governments or entities and denominated in U.S. dollars, which have contractual maturities within 36 months from the date of purchase. The marketable securities are available for current operations and are classified as available-for-sale. These marketable securities are carried at estimated fair value with unrealized gains and losses, net of taxes, included within the stockholders' equity section of the Company's consolidated balance sheet.

The Company periodically assesses its portfolio of debt investments for impairment. For debt securities in an unrealized loss position, this assessment first takes into account the Company's intent to sell, or whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either of these criteria are met, the debt security's amortized cost basis is written down to fair value through other income, net. For debt securities in an unrealized loss position that do not meet the aforementioned criteria, the Company assesses whether the decline in fair value below the amortized cost basis resulted from a credit loss or other factors. In making this assessment, the Company considers factors such as the extent to which fair value is less than the amortized cost basis, the financial condition of the issuer, any changes to the rating of the security by a rating agency, and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss may exist, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses will be recorded through other income, net, limited by the amount that the fair value is less than the amortized cost basis. Any additional impairment not recorded through an allowance for credit losses is recognized in other comprehensive

income (loss). Changes in the allowance for credit losses are reflected as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectability of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell are met. These changes are recorded in other income, net. The Company determines realized gains or losses from the sale of marketable securities on a specific identification method and records such gains or losses in other income, net within the Company's consolidated statements of operations and comprehensive income (loss).

Escrow Funds Payable

Escrow funds payable represent customer funds that are held in escrow by the Company on behalf of both talent and clients. Escrow funds payable to talent are comprised primarily of funds available to be withdrawn by talent for work performed and paid by clients. Escrow funds payable to clients primarily represent deposits received from certain clients to set up an account or to apply toward future payments to talent upon completion of the project defined and agreed between the client and talent.

Concentration of Risk

Financial instruments that subject the Company to concentration of risk consist primarily of cash, restricted cash, funds held in escrow, including funds in transit, and trade and client receivables. The Company maintains its cash balances with large, high-credit quality financial institutions and other payment companies. At times, such deposits may be in excess of federally insured limits. The Company has not experienced any losses on its deposits. Credit risk on trade receivables is limited as a result of the large size of the Company's client base as well as a large portion of payments made using pre-authorized credit cards. The Company performs ongoing credit evaluations of its clients and maintains allowances for potential credit losses. For any receivables that are deemed not collectible, losses are recorded when probable and estimable. These losses, when incurred, have been within the range of the Company's expectations.

The Company had two clients that accounted for more than 10% of trade and client receivables as of December 31, 2024. The Company did not have any clients that accounted for more than 10% of trade and client receivables as of December 31, 2023. For the years ended December 31, 2024, 2023 and 2022, the Company did not have any clients that accounted for more than 10% of total revenue.

The Company is dependent upon third parties, such as Amazon Web Services, in order to meet the uptime and performance needs of its customers.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, funds held in escrow, including funds in transit, marketable securities, trade and client receivables, prepaid and other current assets, escrow funds payable, and debt.

The Company believes that the carrying values of financial instruments approximate their fair values.

Trade and Client Receivables and Related Allowance for Expected Credit Losses

Trade and client receivables are primarily comprised of amounts receivable from clients for completed work, including amounts in transit. It also includes unbilled amounts due from clients primarily through the Company's Managed Services offering. Trade and client receivables are recorded and stated at realizable value, net of an allowance for expected credit losses. Credit is extended generally without collateral to the Company's clients of its Enterprise offerings based on an initial and ongoing evaluation of their financial condition and other factors. In aggregate, gross trade receivables were $28.5 million and $30.0 million and gross client receivables were $51.6 million and $78.2 million as of December 31, 2024 and 2023, respectively.

The allowance for expected credit losses is the Company's estimate of the probable credit losses on accounts receivable. The Company periodically assesses the collectability of the accounts and determines the allowance recognized by taking into consideration the aging of its receivable balances, historical write-off experience, probability of collection, and other relevant data. Trade and client receivables are written off against the allowance when management determines a balance is uncollectible and no longer actively pursues collection of the receivable.

The following table presents the changes in the allowance for expected credit losses as of December 31, 2024, 2023, and 2022:

(In thousands)	2024	2023	2022
Allowance for expected credit losses, beginning balance	$ 5,141	$ 12,464	$ 3,410
Provision for expected credit losses	5,767	9,490	22,167
Amounts written off	(6,262)	(16,813)	(13,113)
Allowance for expected credit losses, ending balance	$ 4,646	$ 5,141	$ 12,464

Derivative Instruments

The Company uses derivative financial instruments not designated as hedges, such as foreign currency forward contracts, to minimize the short-term impact of foreign currency exchange rate fluctuations on certain foreign currency denominated assets and liabilities, as well as certain foreign currency denominated expenses, hedging the gains or losses generated by the re-measurement of significant foreign currency denominated monetary assets and liabilities. The Company does not enter into derivative instruments for speculative or trading purposes and these instruments generally have maturities within 12 months.

The foreign currency forward contracts were recorded at fair value and, when in gain positions, were reported within prepaid expenses and other current assets. When in loss positions, the foreign currency forward contracts were recorded within accrued expenses and other current liabilities in the consolidated balance sheets. Gains or losses from changes in the fair value of these foreign currency forward contracts not designated as hedging instruments were recorded in other income, net to offset the changes in the fair value of the underlying assets or liabilities that were being hedged.

The notional amounts associated with the Company's foreign exchange activity as of December 31, 2024 and 2023 were $0.2 million and $7.0 million, respectively, none of which were designated as cash flow hedges. The carrying values of the foreign currency forward contracts approximated their fair values due to their relatively short settlement durations. The fair values of the Company's outstanding foreign currency forward contracts not designated as hedging instruments as of December 31, 2024 and 2023 was not material.

Gains on foreign currency forward contracts not designated as hedging instruments were $0.1 million and $0.5 million for the years ended December 31, 2024 and 2023, respectively. Losses on foreign currency forward contracts not designated as hedging instruments were $0.2 million for the year ended December 31, 2022.

Leases

The Company accounts for leases in accordance with Financial Accounting Standards Board, which is referred to as the FASB, Accounting Standards Update, which is referred to as ASU, No. 2016-02, Leases (Topic 842), which the Company adopted on December 31, 2019 effective as of January 1, 2019 using the effective date method.

Property and Equipment, Net

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, which are generally two to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining lease term or their estimated useful lives. Repair and maintenance costs are charged to expense as incurred.

Internal-Use Software and Platform Development Costs

The Company's policy is to capitalize certain costs to develop its internal-use software and platform when (i) preliminary project planning is completed, (ii) the Company has committed project resourcing, and (iii) it is probable that the project will be completed and the software will be used as intended. Costs incurred for enhancements that are expected to result in additional significant functionality are also capitalized. Such costs are generally amortized on a straight-line basis over their estimated useful lives determined on a project-by-project basis, which historically has ranged between two to five years, beginning when the asset is ready for its intended use. Costs incurred prior to meeting these criteria, together with costs incurred for training and maintenance, are expensed as incurred. Amortization of capitalized internal-use software and platform development costs is allocated to functional expense categories based on headcount and the nature and intended use of the project.

Segment Information

The Company has one operating and reportable segment. The Company's Chief Operating Decision Maker, which is referred to as the CODM, is its President and Chief Executive Officer, who reviews financial information presented on a consolidated basis for the purpose of allocating resources and evaluating financial performance.

Business Combination and Goodwill

The results of businesses acquired in a business combination are included in the Company's consolidated financial statements from the date of the acquisition. Under the acquisition method of accounting, the assets acquired and liabilities assumed are recorded at their estimated fair values on the acquisition date. Any excess purchase consideration over the fair value of net assets acquired is recognized as goodwill.

The Company determines the fair value of assets acquired and liabilities assumed by exercising judgment and using various estimates, including the selection of valuation methodologies, cash flow projections, discount rates, and comparable company analyses. To support this process, the Company may engage a third-party valuation firm, as needed, to assist in determining the fair values of acquired assets, assumed liabilities, and any contingent consideration in a business combination.

Transaction costs associated with business combinations are expensed as incurred and are included in general and administrative expenses in the accompanying consolidated statements of operations and comprehensive income (loss).

Goodwill is not amortized, but rather is assessed for impairment at least annually, or more frequently if events and changes in circumstances indicate that its carrying amount may not be recoverable. The Company performs its annual impairment assessment during the fourth quarter of each fiscal year based on a single reporting unit structure by comparing the carrying value of the reporting unit to its fair value. An impairment would occur if the carrying amount of a reporting unit exceeded the fair value of that reporting unit. For 2024, the Company conducted its goodwill impairment testing by performing step one of the quantitative assessment, of the two-step impairment model. The Company determined the fair value by using quoted market prices of the Company's common stock. The Company determined that the fair value of its reporting unit exceeded the carrying value, and, as such, the Company concluded that there was no impairment of goodwill at the impairment testing date. There has been no impairment of goodwill for any of the periods presented.

Acquired Intangible and Other Long-Lived Assets

The Company's intangible assets include identifiable, finite-lived intangible assets such as customer relationships and developed technology, acquired as part of a business combination in November 2024, as well as an assembled workforce, acquired as part of an asset acquisition in November 2023. These intangible assets are carried at cost, less accumulated amortization. The Company amortizes the intangible assets over their estimated useful lives, either based on the pattern in which the economic benefits are consumed, or using the straight-line method when the pattern cannot be reliably determined. The estimated useful lives of the intangible assets range from six months to three years. Intangible amortization expense related to developed technology and an assembled workforce is included in research and development expense on the Company's consolidated statement of operations and comprehensive income (loss). Intangible amortization expense related to customer relationships is included in sales and marketing expense on the Company's consolidated statement of operations and comprehensive income (loss).

The Company periodically reviews the remaining estimated useful lives of its long-lived tangible and amortizable intangible assets. If the estimated useful life assumption for any asset is changed, the remaining unamortized balance would be depreciated or amortized over the revised estimated useful life, on a prospective basis.

The Company's long-lived assets consist of property and equipment and internal-use software and platform development costs.

The Company evaluates the recoverability of its long-lived assets, including identifiable intangible assets, for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If it is determined that the asset group is not recoverable, an impairment loss is recorded in the amount by which the carrying amount of the asset group exceeds the aggregate future undiscounted cash flows. When an impairment loss is recognized, the carrying amount of such assets is reduced to fair value. There has been no asset impairments for any of the periods presented.

Convertible Senior Notes

The Company accounts for the 0.25% convertible senior notes due 2026, which are referred to as the Notes, as a single liability measured at amortized cost. The carrying value of the liability equals the proceeds received from the issuance of the Notes less debt issuance costs. In March 2023, the Company entered into separate, privately negotiated repurchase agreements with a limited number of institutional holders of the Notes to repurchase for cash an aggregate of $214.0 million principal amount of the Notes for an aggregate cash payment of $170.8 million, which are collectively referred to as the Note Repurchases. See “Note 10—Debt” for additional information.

Revenue Recognition

The Company generates revenue from talent and clients from its Marketplace and Enterprise offerings. The Company accounts for revenue in accordance with FASB ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which the Company adopted on December 31, 2019 effective as of January 1, 2019 using the modified retrospective method. Revenue is recognized upon transfer of control of promised services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those services.

In the ordinary course of business, the Company makes payments to customers when those customers provide services in their capacity as vendors. These payments are for distinct services and are at fair value. These transactions are primarily with certain financial institutions that the Company uses as payment processors on the work marketplace. The Company accounts for the consideration payable to these customers in their capacity as vendors as a purchase of services from a vendor and records such payments in either cost of revenue or sales and marketing within the consolidated statements of operations and comprehensive income (loss).

Marketplace Offerings

The Company’s Marketplace revenue represents the majority of its revenue and is derived from its Marketplace offerings, which include all offerings other than the Enterprise offerings—Enterprise Solutions and Managed Services. The Company generates Marketplace revenue from both talent and clients. Marketplace revenue is primarily generated from talent service fees, and to a lesser extent, client marketplace fees.

The Company also generates Marketplace revenue through ads and monetization products, including purchases of Connects, which are virtual tokens required for talent to bid on projects and purchase ads products on the Company’s work marketplace, membership fees, and other services, such as foreign currency exchange when clients choose to pay in currencies other than the U.S. dollar, Additionally the Company earns interest on funds held on behalf of customers.

The Company earns fees from talent under its Marketplace offerings and associated premium offerings, which represent a single promise to provide continuous access (i.e., stand-ready performance obligation) to the Company’s work marketplace and site services. As each day of providing access to the work marketplace and site services (including, but not limited to, communication, invoicing, reporting, dispute resolution, and payment services) is substantially the same and talent simultaneously receive and consume the benefits as access is provided, the Company’s single promise is comprised of a series of distinct service periods. The Company allocates consideration to each distinct service period in which it has the contractual right to bill. The Company’s talent arrangements may include fixed and variable consideration, or a combination of the two, comprised of the following:

Service fees. Talent are provided access to the Company’s work marketplace to market their businesses, send proposals to and communicate with prospective clients, and, if engaged by a client, to perform specified services agreed between talent and clients, which are referred to as talent services. Talent charge clients on an hourly or a milestone basis for services rendered to clients through the Company’s work marketplace, which are referred to as talent billings. Prior to May 2023, the Company charged talent a service fee as a percentage of talent billings primarily using a tiered service fee model based on cumulative lifetime billings by talent to each client. In May 2023, the Company retired the tiered service fee structure for talent working with clients on its Marketplace offering— ranging from 5% to 20%—in favor of a simplified flat service fee of 10%. This change took effect on new contracts and existing contracts that would have otherwise been subject to a 20% fee under the tiered service fee model. Talent that had existing contracts with a 5% fee under the tiered service fee model retained that rate for those contracts through the end of 2023. Prior to this change, talent service fee arrangements subject to tiered service fees also included contract renewal options that represented a material right. The Company takes no responsibility for talent services, and therefore, does not control talent services. Additionally, talent and clients negotiate and agree upon the scope and the price for talent services directly with each other, and the Company is not a party to those agreements. Accordingly, for these arrangements, the

Company presents revenue on a net basis, as an agent. The Company recognizes the service fees for each distinct service period when it has the contractual right to bill for the services.

Withdrawal fees. The Company charges withdrawal fees to talent when talent withdraw their escrow funds held by the Company. A withdrawal fee is charged for each withdrawal transaction, which represents variable consideration. The Company presents revenue from withdrawal fees on a gross basis as a principal and not net of the third-party payment processing costs incurred because the Company controls the payment processing services prior to providing to the Company's talent. The Company recognizes the withdrawal fees when transactions are processed, which is when it has the contractual right to bill for the services.

Membership fees. The Company charges membership fees to talent. These fees are fixed consideration and are charged monthly. The Company recognizes the revenue over the period of the membership, which is generally monthly, consistent with the common measure of progress for the entire performance obligation.

The Company charges fees to talent for the purchase of Connects. Connects represent a separate performance obligation. Connects fees represent fixed consideration and are allocated to and recognized in the distinct service period in which the Connects are used by talent.

Certain of the Company's contracts with talent contain multiple performance obligations in the event the Company determines a material right exists. Specifically, prior to the shift to a simplified flat service fee in May 2023, the arrangements with talent subject to tiered service fees included contract renewal options that represent a material right. For such arrangements, the Company allocated revenue to each performance obligation based on its relative standalone selling price by applying the portfolio approach practical expedient under Topic 606. Standalone selling prices for offerings subject to tiered service fees were estimated based on observable transactions when these services were sold on a standalone basis. Standalone selling price for a material right was estimated by determining the discount that talent would obtain when exercising the option, adjusted for the likelihood that the option will be exercised. Significant judgment was applied in the application of the portfolio approach practical expedient, which included estimating the standalone selling price of the material rights and the period of time over which to defer and recognize the consideration allocated to the material rights. Specifically, management applied significant judgment in assessing the appropriateness of the model for the estimates, which included assessing the appropriateness of the methodology and relevant data inputs to (i) estimate the standalone selling price of the material rights, which included the standalone selling price of the services when sold separately and the likelihood of exercise of the material rights; and (ii) estimate the period of time over which to defer and recognize the consideration allocated to the material rights. The Company utilized historical customer transaction data in developing the estimates. The Company recognized revenue related to the material rights based on the Company's estimate of when the material rights were exercised and adjusted revenue for changes in estimates in the period of change on a cumulative catch-up basis.

The Company earns fees from clients under the Marketplace offerings, which represents a single promise to provide continuous access (i.e., stand-ready performance obligation) to the Company's work marketplace and site services. As each day of providing access to the work marketplace and site services is substantially the same and the client simultaneously receives and consumes the benefits as access is provided, the Company's single promise under its Marketplace offering is comprised of a series of distinct service periods. The Company's Marketplace offerings may include fixed and variable consideration, or a combination of the two, comprised of the following:

Client marketplace fees. The Company charges a client marketplace fee on a per-transaction basis and is considered variable consideration. Client marketplace fees are assessed on both fixed price and hourly contracts. The Company allocates client marketplace fees to each distinct service period based on the contractual right to bill. For fixed price contracts, the Company recognizes revenue when a client funds a contract, and for hourly contracts, the Company recognizes revenue at the end of the weekly billing period, which is when the Company has the contractual right to bill for the services. For client marketplace fees, the Company presents revenue on a gross basis as a principal and not net of the third-party payment processing costs incurred because the Company controls the services prior to providing to the Company's clients.

Contract initiation fees. The Company charges a contract initiation fee on new contracts between talent and clients, which is considered fixed consideration. The contract initiation fee is assessed on both fixed price and hourly contracts. The Company allocates the contract initiation fee to each distinct service period based on the contractual right to bill. For fixed price contracts, the Company recognizes revenue when a client initially funds a contract, and for hourly contracts, the Company recognizes revenue at the first weekly billing period, which is when the Company has the contractual right to bill for the services. For contract initiation fees, the Company presents revenue on a gross basis as a principal and not net of the third-party payment processing costs incurred because the Company controls the services prior to providing to the Company's clients.

Foreign currency exchange fees. The Company charges clients a fixed mark-up above foreign currency exchange rates that are charged to the Company when the Company collects amounts denominated in foreign currency. Foreign currency exchange fees are variable consideration and recognized as they are earned for each transaction processed, which is when the Company has the contractual right to bill for the services.

Upwork Payroll service fees. The Company charges clients using the Upwork Payroll offering when their talent are classified as employees for engagements on the Company's work marketplace. The client enters into an Upwork Payroll agreement with the Company, and Upwork separately contracts with unrelated third-party staffing providers that provide employment services to such clients. In such arrangements, talent providing talent services to clients become employees of third-party staffing providers. In arrangements where clients enter into Upwork Payroll agreements, the Company charges Upwork Payroll service fees to clients and does not charge service fees to talent who are employees of the third-party staffing providers. Such service fees are variable consideration and charged as a fixed percentage of the total talent billings. Under an Upwork Payroll agreement, the Company provides the client access to the Upwork work marketplace to procure and manage talent services, as well as access to employment services provided by the third-party staffing providers. The Company presents Upwork Payroll service fees revenue on a net basis as an agent of the client for providing access to employment services provided by the third-party staffing providers. The Company does not control these employment services performed by the third-party on behalf of the client or for the services performed by talent that are employed by the third-party staffing providers. Therefore, the Company is not considered the principal for these services. The Company recognizes the service fees for each distinct service period when it has the contractual right to bill for the services.

Certain of the Company's Marketplace offerings include revenue sharing arrangements under which the Company generates a revenue share as a percentage of the fees charged by certain financial institutions to talent for payment withdrawals. These arrangements are considered a single performance obligation comprised of variable consideration and are recognized over time based on transactions processed.

The Company earns interest on a portion of customer funds while they are held in escrow. The interest is considered variable consideration and is recognized when it is specified and earned from the financial institution.

Enterprise Offerings

The Company earns fees from talent under its Enterprise Solutions offering, which represents a single promise to provide continuous access (i.e., stand-ready performance obligation) to the Company's work marketplace and site services. As each day of providing access to the work marketplace and site services is substantially the same and talent simultaneously receive and consume the benefits as access is provided, the Company's single promise under its Enterprise Solutions offering is comprised of a series of distinct service periods. The Company allocates variable consideration to each distinct service period in which it has the contractual right to bill. These arrangements include variable consideration as follows:

Service fees. The Company provides talent access to the Upwork marketplace to perform talent services for clients. The Company charges talent a service fee as a percentage of talent billings. For service fees charged to talent, the Company presents revenue on a net basis, as an agent, for providing access to the Upwork marketplace as it does not control talent services provided to clients, and therefore the Company is not considered the principal for talent services. Additionally, talent and clients negotiate and agree upon the scope and the price for talent services directly with each other, and the Company is not a party to their agreement. The Company recognizes the service fees for each distinct service period in which it has the contractual right to bill for the services.

The Company earns fees from clients under its Enterprise Solutions and other premium offerings, each of which represent a single promise to provide continuous access (i.e., stand-ready performance obligation) to the Company's work marketplace and site services. As each day of providing access to the work marketplace and site services is substantially the same and the client simultaneously receives and consumes the benefits as access is provided, the Company's single promise under its Enterprise Solutions and other premium offerings is comprised of a series of distinct service periods. The Company allocates variable consideration to each distinct service period in which it has the contractual right to bill. These arrangements may include fixed and variable consideration, or a combination of the two, comprised of the following:

Client service fees. The Company offers clients access to the Company's work marketplace to source talent in exchange for a client service fee calculated as a percentage of talent billings; these fees represent variable consideration. The Company recognizes the service fees for each distinct service period in which it has the contractual right to bill for the services.

Enterprise compliance service fees. The Company charges fees to clients of its Enterprise Compliance offering who engage the Company to provide services to determine whether talent should be classified as an employee or an independent contractor based on the scope of talent services agreed between the client and talent and other factors. The Company charges Enterprise Compliance service fees as a percentage of talent billings; these fees represent variable consideration. The Company recognizes the service fees for each distinct service period in which it has the contractual right to bill for the services.

Subscription fees. The Company charges monthly or annual subscription fees to clients for subscription services. These subscription fees are fixed consideration and are recognized over the period of the subscription consistent with the common measure of progress for the entire performance obligation.

Upwork Payroll service fees. Upwork Payroll service fees are recognized on the same basis as described under the Marketplace offering and are variable consideration.

Under a Managed Services arrangement, the Company is responsible for providing services and engaging talent directly or as employees of third-party staffing providers to perform the services for clients on the Company's behalf. These arrangements are generally time- and materials-based, and are invoiced on a monthly basis. These fees represent variable consideration. The Company controls and directs the services performed on behalf of talent and presents revenue on a gross basis as principal. As each day of providing Managed Services is substantially the same and the client simultaneously receives and consumes the benefits as services are provided, the Company's single promise under its Managed Services offering is comprised of a series of distinct service periods. For Managed Services arrangements with clients, the Company allocates the variable amounts to each distinct service period within the series in which it has the contractual right to bill and recognizes revenue as each distinct service period is performed.

Deferred Revenue

Deferred revenue consists of subscription, membership, and Connects fees collected in advance of performing the service or the talent using the Connect. Deferred revenue also consists of amounts attributable to unexercised material rights related to arrangements with talent that were 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. With this change, the Company no longer allocates a portion of the transaction price to unexercised material rights.

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 the Company's services and support personnel, third-party hosting fees, and the amortization expense associated with capitalized internal-use software and platform development costs. The Company defines personnel-related costs as salaries, bonuses, benefits, travel and entertainment, and stock-based compensation costs for employees, and costs related to other service providers the Company engages to provide internal services to the Company.

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 qualify for capitalization.

Advertising Expense

Advertising costs are expensed as they are incurred, and are included in sales and marketing expense in the Company's consolidated statement of operations and comprehensive income (loss). The Company incurred $57.1 million, $83.2 million, and $121.2 million in advertising expenses during the years ended December 31, 2024, 2023, and 2022, respectively.

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 receivable balance and transaction losses associated with chargebacks. Provision for these items represent estimates of losses based on the Company's actual historical incurred losses and other factors.

Stock-Based Compensation

The Company accounts for stock options with service and market-based conditions, restricted stock units, which are referred to as RSUs, performance stock units, which are referred to as PSUs, and purchase rights granted under

the 2018 Employee Stock Purchase Plan, which is referred to as the 2018 ESPP, to employees and directors based on their estimated fair value on the date of grant. The fair value and derived service period of stock options with market-based conditions is estimated using the Monte Carlo valuation model. The Company evaluates the assumptions used to value option awards upon each grant of stock options. The fair value of RSUs awarded to employees is based on the closing price of the Company's common stock, as reported on The Nasdaq Global Select Market on the date of grant. The grant date fair value of PSUs is determined using the Company's closing common stock price on the grant date multiplied by the number of PSUs that are probable of being earned as of the grant date. The fair value of purchase rights granted under the 2018 ESPP is estimated using the Black-Scholes valuation model. The model requires the Company to make a number of assumptions, including the value of the Company's common stock, expected volatility, expected term, risk-free interest rate, and expected dividends.

Stock-based compensation expense associated with service- and market-based stock options will be recognized over the longer of the expected achievement period for the service condition and market condition. The Company generally recognizes stock-based compensation expense for RSUs on a straight-line basis over the vesting term.

Stock-based compensation expense associated with PSUs is recognized over the longer of the expected achievement period for the performance condition and the service condition, if applicable. Stock-based compensation for purchase rights granted under the 2018 ESPP is recognized over the offering period. The Company accounts for forfeitures as they occur.

Foreign Currency

The functional currency of our foreign subsidiaries is generally the local currency of the country in which the foreign subsidiary is located. At the end of each reporting period, monetary assets and liabilities are remeasured using exchange rates in effect at the balance sheet date, while revenues and expenses are translated at average exchange rates during the year. Foreign currency transaction gains and losses are included in other income, net in the consolidated statements of operations and comprehensive income (loss). The Company recorded net foreign currency transaction gains of $0.1 million and $0.5 million for the years ended December 31, 2024 and 2023, respectively, and net foreign currency transaction losses of $0.2 million for the year ended December 31, 2022.

Income Taxes

The Company accounts 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. The Company establishes a valuation allowance to the extent that it is more likely than not that deferred tax assets will not be recoverable against future taxable income.

Deferred tax assets and liabilities are measured using the enacted tax rates that will be in effect for the years in which those tax assets are expected to be realized or settled. The Company regularly assesses the likelihood that its deferred tax assets will be realized from recoverable income taxes or recovered from future taxable income based on the realization criteria set forth in the relevant authoritative guidance. To the extent that the Company believes any amounts are not more likely than not to be realized, the Company records a valuation allowance to reduce its deferred tax assets. The realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain.

In addition, the calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. The Company recognizes potential liabilities based on its estimate of whether, and the extent to which, additional taxes will be due. The Company accounts for uncertain tax positions in accordance with the relevant guidance, which prescribes a recognition threshold and measurement approach for uncertain tax positions taken or expected to be taken in a company's income tax return, and also provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The guidance utilizes a two-step approach for evaluation of uncertain tax positions. Step one, Recognition, requires a company to determine if the weight of available evidence indicates a tax position is more likely than not to be sustained upon audit. Step two, Measurement, is based on the largest amount of benefit, which is more likely than not to be realized on ultimate settlement. A liability is reported for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Any interest and penalties related to unrecognized tax benefits are recorded as income tax expense.

Net Income (Loss) per Share

Basic net income (loss) per share is computed by dividing the net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted net income (loss) is computed by adjusting net income (loss) to

reallocate undistributed earnings based on the potential impact of dilutive securities, including outstanding common stock options, RSUs, PSUs, warrants to purchase common stock, common stock issuable in connection with the 2018 ESPP, and common stock issuable in connection with the Notes. For periods in which the Company has reported net losses, diluted net loss per share is the same as basic net loss per share because dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280)*: *Improvements to Reportable Segment Disclosures*, which is referred to as ASU 2023-07. ASU 2023-07 requires public entities to disclose information about their significant expenses and other items by reportable segment on both an interim and annual basis. Public entities with a single reportable segment are required to apply these enhanced disclosure requirements as well as all existing segment and reconciliation requirements under Accounting Standards Codification, which is referred to as ASC, 280 for both interim and annual reporting.

On December 31, 2024, the Company adopted ASU 2023-07, effective as of January 1, 2024. As a result, the Company has updated its segment disclosures in “Note 15 – Segment Information,” providing more detailed information on significant expenses and other relevant segment items in accordance with the new guidance.

The adoption of ASU 2023-07 did not result in any changes to the Company’s reportable segments but did enhance the granularity of disclosures within our financial statements, increasing transparency for interim and annual reporting periods.

Recent Accounting Pronouncements Not Yet Adopted

With the exception of those discussed below, the Company has reviewed all recently issued accounting pronouncements and concluded they were either not applicable or not expected to have a material impact on the Company’s consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures,* which is referred to as ASU 2023-09. ASU 2023-09 requires public entities to provide annual disclosures of specific categories in the rate reconciliation and to disclose 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 that ASU 2023-09 will have on its consolidated financial statements and accompanying footnotes.

In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses*, which is referred to as ASU 2024-03. ASU 2024-03 requires public entities to disclose detailed information about specific types of expenses included within the expense captions presented on the face of the income statement. While ASU 2024-03 does not alter the presentation of expense captions on the face of the income statement, it introduces requirements for disaggregating certain expense captions into specified categories within the footnotes to the financial statements. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact that ASU 2024-03 will have on its consolidated financial statements and accompanying footnotes.

Note 3—Revenue

Revenue Recognition

For information about how the Company derives revenue, as well as the Company’s accounting policies, refer to “Note 2—Basis of Presentation and Summary of Significant Accounting Policies.”

Disaggregation of Revenue

Based on the information provided and reviewed by the CODM, the nature, amount, timing, and uncertainty of revenue and cash flows and how they are affected by economic factors are most appropriately depicted by the type of service and primary geographical markets. Revenues recorded within these categories are earned from similar products and services for which the nature of associated fees and the related revenue recognition models are substantially similar.

The Company disaggregates revenue by two types of services: Marketplace revenue and Enterprise revenue.

The following table sets forth total revenue by type of service for the years ended December 31, 2024, 2023, and 2022:

(In thousands)	2024	2023	2022
Marketplace	$ 662,108	$ 586,099	$ 518,282
Enterprise	107,217	103,037	100,036
Total revenue	$ 769,325	$ 689,136	$ 618,318

The following table sets forth total revenue by geographic area based on the billing address of talent and clients for the years ended December 31, 2024, 2023, and 2022:

(In thousands)	2024	2023	2022
Talent:			
United States	$ 111,691	$ 95,833	$ 86,892
Philippines	58,475	45,912	39,946
India	56,897	49,487	45,817
Rest of world [1]	212,065	178,693	162,016
Total talent	439,128	369,925	334,671
Clients:			
United States	238,786	236,744	210,582
Rest of world [1]	91,411	82,467	73,065
Total clients	330,197	319,211	283,647
Total	$ 769,325	$ 689,136	$ 618,318

[1] During the years ended December 31, 2024, 2023, and 2022, no country included in the Rest-of-World category had revenue that exceeded 10% of total talent revenue, total client revenue, or total revenue.

Deferred Revenue and Remaining Performance Obligation

Deferred revenue represents amounts billed in advance for services not yet rendered.

Deferred revenue expected to be recognized within the next twelve months is classified as current deferred revenue, while the remaining balance is noncurrent.

As of December 31, 2024, the Company's performance obligation from transaction price that has been allocated to unexercised material rights related to the Company's arrangements with talent subject to tiered service fees was immaterial and is expected to be recognized as revenue within the next twelve months.

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 as of December 31, 2024 and 2023:

(In thousands)	2024	2023
Trade and client receivables, net of allowance	$ 75,490	$ 103,061
Contract liabilities		
Deferred revenue	7,269	17,361
Deferred revenue (component of other liabilities, noncurrent)	—	790

During 2024, changes in the contract liabilities balances were primarily the result of normal business activity, including the 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. The significant change in deferred revenue in 2024 compared to the prior year was largely attributable to the Company's transition away from the tiered service

fee structure to a flat fee structure, which impacted how transaction price was allocated and revenue was recognized.

Revenue recognized during the year ended December 31, 2024 that was included in deferred revenue as of December 31, 2023 was $17.3 million. Revenue recognized during the year ended December 31, 2023 that was included in deferred revenue as of December 31, 2022 was $25.1 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 December 31, 2024 and 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 December 31, 2024 and 2023.

(In thousands) **December 31, 2024**	**Amortized Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**	**Cash Equivalents**	**Marketable Securities**
Level I						
Money market funds	$ 193,481	$ —	$ —	$ 193,481	$ 193,481	$ —
Treasury bills	131,022	40	—	131,062	—	131,062
U.S. government securities	32,625	22	(33)	32,614	—	32,614
Total Level I	357,128	62	(33)	357,157	193,481	163,676
Level II						
Commercial paper	16,233	—	—	16,233	—	16,233
Corporate bonds	126,395	431	(144)	126,682	—	126,682
Commercial deposits	4,121	—	—	4,121	—	4,121
Asset-backed securities	592	2	—	594	—	594
Foreign government and agency securities	5,036	14	(12)	5,038	—	5,038
Total Level II	152,377	447	(156)	152,668	—	152,668
Total	$ 509,505	$ 509	$ (189)	$ 509,825	$ 193,481	$ 316,344

(In thousands) December 31, 2023	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value	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

Additionally, the Company deposits funds held in escrow in interest-bearing and non-interest-bearing cash accounts. The interest earned on the interest-bearing accounts is included in revenue in the Company's consolidated statement of operations and comprehensive income (loss). As of December 31, 2024 and 2023, the fair value of the Company's funds held on behalf of customers and held in interest-bearing cash accounts was measured using Level I inputs.

The Company's non-financial assets acquired pursuant its acquisition of Objective AI, Inc., including intangible assets and goodwill, are measured at estimated fair value on a non-recurring basis. For additional information, refer to "Note 7—Business Combination."

The following table summarizes the remaining contractual maturities of our cash equivalents and marketable securities as of December 31, 2024:

(In thousands)	Amortized Cost	Fair Value
Due within one year	$ 348,747	$ 348,792
Due after one year through five years	160,758	161,033
Total	$ 509,505	$ 509,825

Unrealized Investment Losses

The following table summarizes, for all debt securities classified as available for sale in an unrealized loss position as of December 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) Duration of unrealized losses December 31, 2024	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized loss	Fair Value	Unrealized loss	Fair Value	Unrealized loss
U.S. government securities	$ 12,522	$ (27)	$ 4,122	$ (6)	$ 16,644	$ (33)
Corporate bonds	33,386	(142)	2,819	(2)	36,205	(144)
Foreign government and agency securities	2,362	(12)	—	—	2,362	(12)
Total	$ 48,270	$ (181)	$ 6,941	$ (8)	$ 55,211	$ (189)

(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 December 31, 2024 and 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 December 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 the years ended December 31, 2024, 2023, and 2022.

In March 2023, the Company sold $138.2 million of available-for-sale marketable securities to enable the Note Repurchases. For additional information regarding the Notes, refer to "Note 10—Debt."

During the years ended December 31, 2024, 2023, and 2022, interest income was $28.0 million, $24.4 million, and $7.9 million, respectively, and is included in other income, net in the Company's consolidated statement of operations and comprehensive income (loss).

Note 5—Balance Sheet Components

Property and Equipment, Net

Property and equipment, net consisted of the following as of December 31, 2024 and 2023:

(In thousands)	2024	2023
Internal-use software and platform development	$ 59,815	$ 47,096
Leasehold improvements	6,025	11,644
Computer equipment and software	6,817	6,605
Office furniture and fixtures	1,755	2,745
Total property and equipment	74,412	68,090
Less: accumulated depreciation	(44,356)	(40,950)
Property and equipment, net	$ 30,056	$ 27,140

Depreciation expense related to property and equipment, excluding internal-use software and platform development, was $2.9 million, $2.9 million, and $3.2 million for the years ended December 31, 2024, 2023, and 2022, respectively.

The Company capitalized $12.8 million, $13.8 million, and $7.5 million of internal-use software and platform development costs during the years ended December 31, 2024, 2023, and 2022, respectively.

Amortization expense related to the capitalized internal-use software and platform development costs was $9.8 million for the year ended December 31, 2024, of which $8.6 million was included in cost of revenue related to developed technology used on the work marketplace. Amortization expense related to the capitalized internal-use software and platform development costs was $6.5 million for the year ended December 31, 2023, of which $4.5 million was included in cost of revenue related to developed technology used on the work marketplace. Amortization expense related to the capitalized internal-use software and platform development costs was $4.9 million for the year ended December 31, 2022, of which $2.7 million was included in cost of revenue related to developed technology used on the work marketplace.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following as of December 31, 2024 and 2023:

(In thousands)	2024	2023
Accrued compensation and related benefits	$ 30,666	$ 25,872
Accrued indirect taxes	11,394	13,171
Accrued vendor expenses	9,485	8,844
Accrued payment processing fees	4,478	2,090
Operating lease liability, current	1,624	5,687
Accrued talent costs	801	1,415
Other	852	1,113
Total accrued expenses and other current liabilities	$ 59,300	$ 58,192

Note 6—Leases

Operating Leases

The Company leases office space and certain equipment under various operating leases, with the vast majority of its lease portfolio consisting of operating leases for office space. The Company has also entered into arrangements where it acts as a sublessor in its leases of office space. The Company has not entered into any significant finance, sales-type, or direct financing leases.

The Company's significant judgments include determining whether an arrangement is or contains a lease, the determination of the discount rate used to calculate the lease liability, and whether or not lease incentives are reasonably certain to occur in the initial measurement of the lease liability. Operating lease assets and lease liabilities are recognized at commencement date and initially measured based on the present value of lease payments over the defined lease term. Lease expense is recognized on a straight-line basis over the lease term.

A contract is or contains an embedded lease if the contract meets all of the below criteria:

- there is an identified asset;
- the Company has the right to obtain substantially all of the economic benefit of the asset; and
- the Company has the right to direct the use of the asset.

For initial measurement of the present value of lease payments and for subsequent measurement of lease modifications, the Company is required to use the rate implicit in the lease. Since the majority of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate, which is a collateralized rate. The application of the incremental borrowing rate is performed on a lease-by-lease basis and approximates the rate at which the Company could borrow, on a secured basis for a similar term, an amount equal to its lease payments in a similar economic environment.

The Company's leases have remaining lease terms of approximately four years to eight years. The Company includes lease payments associated with renewal options in its operating lease asset and liability only when it becomes reasonably certain the company will exercise the renewal option. The Company has not included renewal options for any of its operating leases in its determination of lease liabilities. The Company does not have lease agreements with residual value guarantees, sale leaseback terms, or material restrictive covenants. Leases with an initial term of 12 months or less are not recognized on the consolidated balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The following table summarizes the Company's operating lease assets and lease liabilities as of December 31, 2024 and 2023:

(In thousands)

Balance Sheet and Cash Flow Classification		2024	2023
Assets			
Operating—noncurrent	Operating lease asset	$ 5,752	$ 4,333
Liabilities			
Operating—current	Accrued expenses and other current liabilities	1,624	5,687
Operating—noncurrent	Operating lease liability, noncurrent	9,567	6,088
Total lease liabilities		$ 11,191	$ 11,775

For the years ended December 31, 2024, 2023, and 2022, operating lease cost, inclusive of variable lease charges, was $5.6 million, $6.3 million, and $6.6 million, respectively, and sublease income recognized was approximately $1.7 million, $1.7 million, and $1.6 million, respectively. For the years ended December 31, 2024, 2023, and 2022, charges related to operating leases that are variable, and therefore not included in the measurement of the lease liabilities, were $2.1 million, $2.2 million, and $2.2 million, respectively. For the years ended December 31, 2024, 2023, and 2022, the Company made lease payments of $5.8 million, $6.8 million, and $6.6 million, respectively.

Palo Alto Office Lease

In June 2024, the Company entered into a new lease agreement to lease approximately 12,685 square feet of office space in Palo Alto, California, which serves as the Company's corporate headquarters. The lease commenced in September 2024 and rent payments for the premises will commence in March 2025. The initial term of the lease is 91 months from the commencement date and is set to expire in September 2032, unless terminated earlier. The Company has two options to extend the lease term, each for an additional three years, exercisable under certain conditions as specified in the lease agreement. The Company evaluated these options as part of the lease accounting under ASC 842 and determined that the extension options are not reasonably certain to be exercised. As such, the options have not been included in the measurement of the right-of-use asset or lease liability. As a result of entering into this lease, the Company recorded a right-of-use asset and lease liability of $4.5 million and $4.4 million, respectively. Rent payments under this lease are approximately $0.1 million per month and are recorded within general and administrative expenses in the Company's consolidated statements of operations and comprehensive income (loss). The lease for the Company's previous headquarters in San Francisco, California expired in August 2024.

Santa Clara Sub-Sublease

In November 2023, the Company amended its sub-sublease agreement, originally executed in April 2021, to sublease the entirety of its former headquarters in Santa Clara, California. The amended sub-sublease extends the term by an additional 51 months, through August 31, 2028, unless terminated earlier. The amended sub-sublease term aligns substantially with the remaining term of the Company's master lease. Rent payments under the amended agreement approximate $0.1 million per month and are recorded within general and administrative expenses within the Company's consolidated statements of operations and comprehensive income (loss). Neither party has the option to renew or extend the sub-sublease agreement.

Under the amended sub-sublease agreement, the Company is not relieved of its original obligation with the master lessor, which expires on October 15, 2028. The Company determined that the sublease agreement constitutes an operating lease, consistent with the classification of the original sublease agreement with the landlord.

Chicago Leases

In December 2024, as a result of the restructuring plan announced in October 2024, which the Company refers to as the Restructuring Plan, the Company entered into an early termination agreement for the Chicago leases, effective December 31, 2024. The Company recognized approximately $1.1 million in early termination costs, primarily consisting of remaining lease payments under the termination agreement. Operating lease costs for the year ended December 31, 2024, including variable lease charges, reflect amounts incurred prior to the lease termination.

Prior to the termination, the Company leased office space in Chicago, Illinois, consisting of the 11th and 16th floors of an office building, with both leases originally scheduled to expire on April 30, 2025. Monthly rent payments for each floor were approximately $0.1 million.

The following table shows the Company's future lease commitments due in each of the next five years for operating leases, which excludes amounts received in the form of sublease income discussed above:

(In thousands)

Year Ended December 31,	Leases
2025	$ 1,879
2026	2,962
2027	3,050
2028	2,735
2029	1,347
Thereafter	3,918
Total lease payments	15,891
Adjustment for discount to present value	(4,700)
Total	$ 11,191

As of December 31, 2024, the weighted-average remaining lease term is 5.7 years. For the year ended December 31, 2024, the weighted-average discount rate is 7.0%.

Note 7—Business Combination

On November 20, 2024, the Company acquired Objective AI Inc., referred to as Objective AI, a search-as-a-service platform specializing in AI-native search integration for digital experiences. The Company acquired 100% of Objective AI's outstanding equity for $19.1 million in cash consideration. This strategic acquisition aims to enhance the Company's platform by integrating advanced AI-native search capabilities and strengthen its AI and search teams with specialized talent.

The acquisition of Objective AI was accounted for as a business combination under ASC Topic 805, Business Combinations. Accordingly, the total purchase consideration was allocated as follows (in thousands):

Cash and cash equivalents	$ 4,779
Intangible assets	12,000
Other net, tangible assets acquired and liabilities assumed	(512)
Goodwill	2,845
Total purchase consideration	$ 19,112

The excess purchase price over the net identifiable assets acquired was recorded as goodwill. The goodwill recognized from the acquisition is primarily attributable to the assembled workforce associated with Objective AI, that cannot be individually identified and separately recognized as intangible asset. Goodwill is not deductible for tax purposes.

The Company engaged an independent third-party valuation specialist to assist in the determination of the fair value of intangible assets acquired. All key estimates, assumptions, and forecasts, were either provided by, or reviewed by management. While the third-party specialist provided significant input into the valuation, the final conclusions reflect the judgment of management. The fair value measurements of the intangible assets were based primarily on significant unobservable inputs and this represents a Level 3 measurement.

The estimated useful lives and fair value of the identifiable intangible assets at acquisition date were as follows (dollars in thousands):

	Fair Value	Expected Useful life
Developed technology	$ 11,000	3 years
Customer relationships	$ 1,000	6 months

The Company considers the valuation of the assets acquired and liabilities assumed to be final. Management does not anticipate any material adjustments to these allocations.

Note 8—Goodwill and Net Intangible Assets

Goodwill

The following table summarizes the change in the carrying value amount of goodwill for the year ended December 31, 2024.

Balance at December 31, 2023	$	118,219
Increase in goodwill related to business combination		2,845
Balance at December 31, 2024	$	121,064

Net Intangible Assets

The Company's intangible assets include identifiable, finite-lived intangible assets including developed technology and customer relationships, acquired as part of the Objective AI acquisition, and an assembled workforce, acquired as part of an asset acquisition in November 2023.

The following table summarizes the components of net intangible assets as of December 31, 2024 and 2023:

	2024			2023		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	$ 11,000	$ 305	$ 10,695	$ —	$ —	$ —
Assembled workforce	3,188	1,727	1,461	3,180	132	3,048
Customer relationships	1,000	167	833	—	—	—
Total	$ 15,188	$ 2,199	$ 12,989	$ 3,180	$ 132	$ 3,048

For the year ended December 31, 2024, amortization expense of intangible assets was $2.1 million, which includes the amortization expense of intangible assets acquired in the Objective AI acquisition. For the year ended December 31 2023, amortization expense of intangible assets was immaterial. For the year ended December 31, 2022, there was no amortization expense.

As of December 31, 2024, the weighted average amortization periods for the finite-lived intangible assets are as follows:

Developed technology	2.9 years
Assembled workforce	0.9 years
Customer relationships	0.4 years

As of December 31, 2024, the estimated annual amortization expense for finite-lived intangible assets over the remaining useful life is as follows (in thousands):

(In thousands)

Year Ended December 31,	Estimated Amortization Expense
2025	$ 5,961
2026	3,667
2027	3,361
Total	12,989

Note 9—Commitments and Contingencies

Letters of Credit

In conjunction with the Company's operating lease agreements, as of December 31, 2024 and 2023, the Company had irrevocable letters of credit outstanding in the aggregate amount of $0.6 million and $0.8 million, respectively. 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 December 31, 2024 and 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 December 31, 2024 and 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 and for the years ended December 31, 2024 and 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 10—Debt

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

(In thousands)	2024	2023
Convertible senior notes—interest accrues from August 2021 and is payable semiannually in arrears on February 15 and August 15 of each year, beginning February 2022, maturing August 2026; interest at 0.25% per annum	$ 360,998	$ 360,998
Total debt	360,998	360,998
Less: Unamortized debt issuance costs	(3,070)	(4,911)
Debt, noncurrent	$ 357,928	$ 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. 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.

In March 2023, the Company entered into separate, privately negotiated repurchase agreements with a limited number of institutional holders of the Notes to effect the Note Repurchases, resulting in the repurchase of $214.0 million aggregate principal amount of the Notes for an aggregate cash payment of $170.8 million. As a result, during the year ended December 31, 2023, the Company recognized a gain on the early extinguishment of debt of $38.9 million, which is net of $3.7 million related to the pro-rata write-off of unamortized issuance costs associated with the sale of the Notes in August 2021, and $0.6 million of other fees incurred to effect the Note Repurchases. The resulting gain on early extinguishment of debt is included in other income, net in the Company's consolidated statement of operations and comprehensive income (loss). As of each of December 31, 2024 and 2023, $361.0 million aggregate principal amount of the Notes remained 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 year ended December 31, 2024, interest expense was $0.9 million and amortization of the issuance costs was $1.8 million related to the Notes. For the year ended December 31, 2023, interest expense was $1.0 million and amortization of the issuance costs was $2.1 million related to the Notes. As of December 31, 2024 and December 31, 2023, the if-converted value of the Notes did not exceed the outstanding principal amount. As of December 31, 2024 and December 31, 2023, the total estimated fair value of the Notes was $333.5 million and $307.3 million, respectively, 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, the date of issuance of the Notes, 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 11—Preferred and Common Stock

Preferred Stock

As of December 31, 2024 and 2023, the Company was authorized to issue up to 10,000,000 shares of undesignated preferred stock, $0.0001 par value per share. The Company did not have any outstanding shares of preferred stock as of December 31, 2024 and 2023.

Common Stock

Holders of common stock are entitled to one vote per share and are entitled to receive dividends, if any, on a pro rata basis whenever funds are legally available and when, as, and if declared by the Company's board of directors.

As of December 31, 2024 and 2023, the Company was authorized to issue 490,000,000 shares of common stock. As of December 31, 2024 and 2023, the Company had reserved shares of common stock for future issuance as follows:

	2024	2023
Options issued and outstanding	2,392,899	3,260,914
RSUs and PSUs issued and outstanding	8,841,716	10,348,892
Warrant to purchase common stock	233,000	300,000
Remaining shares reserved for future issuances under 2018 Equity Incentive Plan	27,152,973	23,342,093
Remaining shares reserved for future issuances under 2018 Employee Stock Purchase Plan	4,694,949	4,254,293
Common stock issuable in connection with convertible senior notes	5,463,045	5,463,045
Total	48,778,582	46,969,237

Share Repurchase Program

In November 2023, the Company's board of directors authorized a share repurchase program for the repurchase of up to $100.0 million of shares of the Company's outstanding common stock, which is referred to as the 2023 Share Repurchase Authorization. During the year ended December 31, 2024, the Company repurchased and subsequently retired 8.1 million shares of its common stock under the 2023 Share Repurchase Authorization for an aggregate amount of $100.0 million at an average price of $12.38 per share, including fees associated with the repurchases and excluding excise tax. As of December 31, 2024, the Company had no remaining balance available for repurchases under the 2023 Share Repurchase Authorization.

In October 2024, the Company's board of directors authorized a share repurchase program for the repurchase of up to $100.0 million of shares of the Company's outstanding common stock, which is referred to as the 2024 Repurchase Authorization. The Company did not repurchase any shares under the 2024 Share Repurchase Authorization. As of December 31, 2024, the Company had $100.0 million available for repurchases under the 2024 Share Repurchase Authorization.

As was the case with the 2023 Share Repurchase Authorization, repurchases of the Company's common stock under the 2024 Share Repurchase Authorization 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 2024 Share Repurchase Authorization has no expiration date and will continue until otherwise suspended, terminated, or modified at any time for any reason. The 2024 Share Repurchase Authorization 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.

Common Stock Warrant

In 2018, the Company established The Upwork Foundation initiative. The program includes a donor-advised fund created through the Tides Foundation. In 2018, the Company issued a warrant to purchase 500,000 shares of its common stock at an exercise price of $0.01 per share to the Tides Foundation, which is referred to as the Tides Foundation Warrant. The vesting and exercisability provisions of the warrant became effective upon the Company's initial public offering, which is referred to as the IPO, in October 2018. This warrant is exercisable as to 1/10th of the shares on each anniversary of the IPO, with proceeds from the sale of such shares to be donated in accordance with the Company's directive.

In 2024, the holder of the warrant exercised 67,000 of the then-vested and exercisable shares. In 2023, this warrant was exercised as to all 50,000 of the then-vested and exercisable shares. The holder of the warrant did not exercise in 2022. In lieu of a cash payment, the holder of the warrant surrendered shares of common stock to cover the

exercise price. In each of the years ended December 31, 2024, 2023, and 2022, the Company recorded $0.8 million of expense related to this warrant, which is included in general and administrative expense in the Company's consolidated statement of operations and comprehensive income (loss).

Note 12—Stock-Based Compensation

Equity Incentive Plans

2014 Equity Incentive Plan

In 2014, the Company's board of directors and stockholders each adopted the 2014 Equity Incentive Plan, which is referred to as the 2014 EIP. The total number of shares of common stock reserved and available for grant and issuance pursuant to such plan was originally 12,462,985 plus (i) shares that were then subject to outstanding option grants under the oDesk Corporation 2004 Stock Plan, the Elance 1999 Stock Option Plan, and the Elance 2009 Stock Option Plan, which are referred to collectively as the Prior Plans, but subsequently ceased to be subject to an award for any reason other than exercise of a stock option, (ii) shares that had been reserved but not subject to any outstanding awards under the Prior Plans and (iii) shares issued under the Prior Plans that were repurchased, forfeited, or used to pay employee withholding or exercise price obligations. Under the terms of the 2014 EIP, incentive stock options could be granted at prices not less than 100% of the fair value of the Company's common stock on the date of grant unless determined in writing by the Company's board of directors. The options granted under the 2014 EIP generally vest over a four-year period from the original date of grant and expire ten years from the original grant date. As of 2024, no further awards may be granted under the 2014 EIP.

2018 Equity Incentive Plan

In 2018, the Company's board of directors and stockholders each adopted the 2018 Equity Incentive Plan, which is referred to as the 2018 EIP, which became effective on the date immediately prior to the date of the IPO. A total of 10,701,505 shares of common stock were initially reserved for issuance pursuant to future awards under the 2018 EIP. On January 1 of each year through 2028, shares available for issuance are increased based on the provisions of the 2018 EIP. Any shares subject to outstanding awards under the 2014 EIP that are canceled or repurchased subsequent to the 2018 EIP's effective date are returned to the pool of shares reserved for issuance under the 2018 EIP. Awards granted under the 2018 EIP may be (i) incentive stock options, (ii) nonqualified stock options, (iii) RSUs, (iv) restricted stock awards, or (v) stock appreciation rights, as determined by the Company's board of directors or compensation committee at the time of grant.

Pursuant to the terms of the 2018 EIP, the number of shares available for grant was increased by 6,863,637 shares in January 2024.

Option Awards

The fair value of options with service- and performance-based conditions is determined using the Black-Scholes valuation model as of the grant date using the following assumptions:

Dividend Yield—The dividend yield is assumed to be zero as the Company has never paid dividends and has no current plans to do so.

Expected Term—The expected term represents the period that the Company's stock-based awards are expected to be outstanding. For awards containing only service conditions, the Company determines the expected term using the simplified method as the Company did not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior at the time of grant. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options. For performance-based awards, the Company uses relevant data, including past exercise patterns, if available, to determine the expected term.

Risk-Free Interest Rate—The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the option's expected term.

Expected Volatility—Since the Company did not have a sufficient trading history of its common stock at the time of grant, the expected volatility is derived from the average historical stock volatilities of several unrelated public companies within the Company's industry that the Company considers to be comparable to its business over a period equivalent to the expected term of the stock option grants.

Fair Value of Common Stock—Given the absence of a public trading market prior to the IPO, the Company's board of directors considered numerous objective and subjective factors to determine the fair value of its common stock at

each grant date. These factors included, but were not limited to: (i) independent contemporaneous third-party valuations of common stock; (ii) the prices for the Company's redeemable convertible preferred stock sold to outside investors; (iii) the rights and preferences of redeemable convertible preferred stock relative to common stock; (iv) the lack of marketability of its common stock; (v) developments in the business; and (vi) the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company, given prevailing market conditions. Subsequent to the IPO, the fair value of common stock is based on the closing price of the Company's common stock, as reported on The Nasdaq Global Select Market on the date of grant.

The following table summarizes activity under the Company's stock option plans:

	Number of Shares Underlying Outstanding Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Balances at December 31, 2023	3,260,914	$ 20.15	4.86	$ 18,684
Exercised	(868,015)	3.79		
Balances at December 31, 2024	2,392,899	26.08	4.75	10,391
Vested and exercisable as of December 31, 2024	892,899	4.71	2.57	10,391
Vested and expected to vest as of December 31, 2024	2,392,899	26.08	4.75	10,391

In 2021, the compensation committee of the Company's board of directors approved a stock option grant, which is referred to as the CEO Award, exercisable for up to 1,500,000 shares of the Company's common stock to Hayden Brown, the Company's President and Chief Executive Officer, under the 2018 EIP. The CEO Award is subject to a service-based vesting requirement, which is referred to as the Service Condition, and a performance-based vesting requirement, which is referred to as the Market Condition. In order for any shares subject to the CEO Award to be exercisable, both the Service Condition and the Market Condition must be satisfied with respect to such shares. The CEO Award vests with respect to the Service Condition in sixteen equal quarterly installments following the grant date, subject to Ms. Brown's continuous service to the Company as Chief Executive Officer, Executive Chairperson, or any C-level officer position. The CEO Award vests with respect to the Market Condition upon the achievement of certain volume weighted-average common stock price targets measured over any consecutive 90-day period between the grant date and April 18, 2026. The 90-day volume weighted-average common stock price targets, and

the number of shares of the CEO Award that become vested with respect to the Market Condition upon the achievement of each such target, are reflected in the following table:

Stock Price	Number of Shares Vested
$60	100,000
$70	200,000
$80	300,000
$90	400,000
$100	500,000

As of December 31, 2024, none of the Market Condition stock price thresholds had been met, and no shares subject to the CEO Award had been earned or vested.

Stock-based compensation expense associated with the CEO Award will be recognized over the longer of the expected achievement period for the Market Condition and the Service Condition. The Market Condition period and the valuation of each tranche of the CEO Award were determined using a Monte Carlo simulation. In the event the Market Condition is met prior to the expected achievement period, any then-unrecognized compensation expense associated with the shares that have vested with respect to both the Market Condition and the Service Condition will be recognized immediately in the Company's consolidated statements of operations and comprehensive income (loss). For the years ended December 31, 2024, 2023 and 2022, the Company recorded stock-based compensation expense related to the CEO Award of $1.3 million, $5.1 million, and $11.0 million, respectively. Stock-based compensation expense for the CEO Award is recorded as a component of general and administrative expense in the Company's consolidated statement of operations and comprehensive income (loss).

The Company estimates the expected term based on a future exercise assumption. The weighted-average derived service period for the CEO Award is 2.1 years. The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes. The expected volatility is derived from the average historical stock volatility of the Company over a period equivalent to the expected term of the CEO Award. The following assumptions were used to estimate the fair value of the CEO Award:

Dividend yield	— %
Risk-free interest rates	1.7 %
Expected volatility	65 %

For the years ended December 31, 2024, 2023, and 2022, the intrinsic value of options exercised was $8.0 million, $5.4 million, and $6.6 million, respectively. The aggregate intrinsic value represents the difference between the exercise price of the options and the closing price of the Company's common stock on The Nasdaq Global Select Market on the day prior to the date of exercise.

For the year ended December 31, 2021, the weighted average grant date fair value of options granted was $19.19. The Company did not grant any stock option awards during the years ended December 31, 2024 and 2023. As of December 31, 2024, total unrecognized stock-based compensation expense is immaterial and will be recognized over a brief period.

RSU and PSU Awards

The following table summarizes the RSU and PSU activity and related information under the 2018 EIP:

	Number Outstanding	Weighted-Average Grant Date Fair Value
Unvested balance - January 1, 2024	10,348,892	$ 15.15
Granted	7,381,550	11.94
Vested	(4,559,933)	15.36
Forfeited/canceled	(4,328,793)	13.86
Unvested balance - December 31, 2024	8,841,716	$ 12.99

RSUs. The fair value of RSUs awarded to employees is determined based on the closing price of the Company's common stock, as reported on The Nasdaq Global Select Market on the date of grant. For the years ended

December 31, 2024, 2023, and 2022, the weighted-average grant-date fair value of RSUs granted was $11.90, $11.73, and $19.66, respectively.

For the years ended December 31, 2024, 2023, and 2022, the fair value of RSUs vested was $66.2 million, $61.9 million, and $57.4 million, respectively. As of December 31, 2024, the Company had $86.2 million of unrecognized stock-based compensation expense related to outstanding RSUs to employees that is expected to be recognized over a weighted-average period of 2.2 years.

PSUs. In March 2024, the compensation committee of the Company's board of directors, which is referred to as the compensation committee, approved the grant of PSU awards to certain members of the Company's leadership team under the 2018 EIP, which are referred to as the 2024 PSU Awards. These awards were granted on March 18, 2024, which is referred to as the 2024 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 2024 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 2024 PSU Performance Condition for the applicable year, which is referred to as the 2024 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 consolidated statements of operations and comprehensive income (loss) and is recognized over the longer of the expected achievement period for the 2024 PSU Performance Condition and the 2024 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 2024 PSU Grant Date multiplied by the number of 2024 PSU Awards that were probable of vesting on the 2024 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.

In 2023, the compensation committee approved PSU grants to certain members of the Company's leadership team under the 2018 EIP, which are referred to as the 2023 PSU Awards. These awards were granted on February 18, 2023, which is referred to as the 2023 PSU Grant Date. The number of shares subject to the 2023 PSU Awards that were earned by the recipients, which are referred to as 2023 Earned PSUs, was determined based on the Company's revenue achievement during the year ended December 31, 2023, which is referred to as the 2023 PSU Performance Condition. Pursuant to the 2023 PSU Performance Condition, the 2023 Earned PSUs are subject to a time-based vesting requirement conditioned on the recipient of the 2023 PSU Award continuing to provide service to the Company for four years from the 2023 PSU Grant Date, which is referred to as the 2023 PSU Service Condition. The 2023 Earned PSUs will vest with respect to 25% of the 2023 Earned PSUs on the one-year anniversary of the 2023 PSU Grant Date and 1/16th of the 2023 Earned PSUs on a quarterly basis thereafter.

Stock-based compensation expense associated with the 2023 PSU Awards is a component of operating expenses in the Company's consolidated statements of operations and comprehensive income (loss) and will be recognized over the longer of the expected achievement period for the 2023 PSU Performance Condition and the 2023 PSU Service Condition. The grant date fair value of the 2023 PSU Awards was determined using the Company's closing common stock price on the 2023 PSU Grant Date multiplied by the number of PSUs that were probable of being earned on the 2023 PSU Grant Date. At each interim reporting date prior to the date on which the compensation committee certified the 2023 PSU Performance Condition, the number of PSUs that were probable of being earned was reassessed and any changes were reflected in the total stock-based compensation expense associated with the 2023 PSU Awards.

For the years ended December 31, 2024, 2023, and 2022, the weighted-average grant-date fair value of PSUs granted was $12.06, $11.72, and $24.49, respectively. During the years ended December 31, 2024, 2023, and 2022, the Company recorded stock-based compensation expense related to PSUs of $3.1 million, $2.4 million, and $4.4 million, respectively. As of December 31, 2024, unrecognized stock-based compensation cost was $5.5 million, which is expected to be recognized over a weighted-average period of 2.1 years.

2018 Employee Stock Purchase Plan

In 2018, the Company's board of directors and stockholders each adopted the 2018 ESPP. A total of 1,700,000 shares of common stock was initially reserved for issuance under the 2018 ESPP. On January 1 of each year, shares available for issuance are increased based on the provisions of the 2018 ESPP, up to an aggregate maximum of 20,400,000 shares issued under the 2018 ESPP, subject to adjustment for certain company capital changes. The 2018 ESPP allows eligible employees to purchase shares of the Company's common stock at a discount of up to 15% through payroll deductions of their eligible compensation, subject to any plan limitations. Except for the initial offering period, the 2018 ESPP provides for 24-month offering periods beginning November 15 and May 15 of each year, and each offering period consists of four 6-month purchase periods. Pursuant to the terms of the 2018 ESPP, in January 2024, the number of shares of common stock available for issuance was increased by 1,098,182 shares.

For the years ended December 31, 2024, 2023, and 2022, the assumptions used to determine the fair value of the shares to be awarded was estimated on the grant date using the Black-Scholes valuation model with the following assumptions:

	2024	2023	2022
Dividend yield	— %	— %	— %
Expected term (in years)	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0
Risk-free interest rates	4.3% - 5.4%	4.0% - 5.4%	1.5% - 4.6%
Expected volatility	44% - 64%	58% - 74%	68% - 76%

On each purchase date, eligible employees may purchase the Company's common stock at a price per share equal to 85% of the lesser of (1) the fair market value of the Company's common stock on the offering date or (2) the fair market value of the Company's common stock on the purchase date. In the event the price is lower on the last day of any purchase period, that price is used as the purchase price for that purchase period.

Additionally, in the event the fair market value of the Company's common stock on the first day of a subsequent offering period is less than the fair market value of the Company's common stock on the offering date of the current offering period, the offering period resets, and the new lower price becomes the new offering price for a new 24 month offering period. During the year ended December 31, 2024, the Company issued 657,526 shares of common stock under the 2018 ESPP.

As of December 31, 2024, there was $1.5 million of unrecognized stock-based compensation expense that is expected to be recognized over the remaining term of the respective offering periods.

Stock-Based Compensation

The following table summarizes the components of stock-based compensation expense recognized in the consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2024, 2023, and 2022:

(In thousands)	2024	2023	2022
Cost of revenue	$ 1,586	$ 1,900	$ 1,356
Research and development	29,923	28,006	26,881
Sales and marketing	11,670	14,030	11,511
General and administrative	25,212	30,259	35,753
Total	$ 68,391	$ 74,195	$ 75,501

For the year ended December 31, 2024, the Company recorded $12.8 million of tax benefit on total stock-based compensation expense, which is reflected in the benefit from income taxes in the consolidated statement of operations and comprehensive income (loss). Tax benefits on total stock-based compensation for the years ended December 31, 2023 and 2022 were not material.

Stock-Based Compensation to Employees

Stock-based compensation expense related to employees for the year ended December 31, 2024 was $1.3 million, $66.2 million, and $2.6 million related to stock options, RSU and PSU grants, and the 2018 ESPP, respectively. Stock-based compensation expense related to employees for the year ended December 31, 2023 was $5.1 million, $65.1 million, and $5.0 million related to stock options, RSU and PSU grants, and the 2018 ESPP, respectively.

Stock-based compensation expense related to employees for the year ended December 31, 2022 was $11.4 million, $59.7 million, and $4.5 million related to stock options, RSUs, and the 2018 ESPP, respectively.

Note 13—Net Income (Loss) per Share

The following table sets forth the computation of the Company's basic and diluted net income (loss) per share for the years ended December 31, 2024, 2023, and 2022:

(In thousands, except share and per share data)	2024	2023	2022
Numerator:			
Basic: net income (loss)	$ 215,586	$ 46,887	$ (89,885)
Gain on early extinguishment of debt, net of tax	—	(38,525)	—
Interest expense related to convertible senior notes, net of tax	2,239	389	—
Diluted: net income (loss)	$ 217,825	$ 8,751	$ (89,885)
Denominator:			
Weighted-average shares used to compute net income (loss) per share, basic and diluted			
Basic	133,620,612	134,774,189	130,517,920
Options to purchase common stock	1,211,092	1,401,107	—
Common stock issuable upon vesting of restricted stock units and performance stock units	2,437,873	—	—
Common stock issuable upon exercise of common stock warrants	232,813	299,741	—
Common stock issuable in connection with employee stock purchase plan	186,594	16,270	—
Common stock issuable in connection with convertible senior notes	5,463,045	771,923	—
Diluted	143,152,029	137,263,230	130,517,920
Net income (loss) per share:			
Basic	$ 1.61	$ 0.35	$ (0.69)
Diluted	$ 1.52	$ 0.06	$ (0.69)

For the years ended December 31, 2024, 2023, and 2022, the following potentially dilutive shares were excluded from the computation of diluted net income (loss) per share because including them would have been anti-dilutive:

	2024	2023	2022
Options to purchase common stock	1,500,000	1,859,807	3,851,647
Common stock issuable upon exercise of common stock warrants	—	—	350,000
Common stock issuable upon vesting of RSUs and PSUs	6,403,843	10,348,892	7,913,985
Common stock issuable in connection with employee stock purchase plan	557,444	1,110,018	1,781,469
Common stock issuable in connection with convertible senior notes	—	5,463,045	8,701,935
Total	8,461,287	18,781,762	22,599,036

Note 14—Income Taxes

For the years ended December 31, 2024, 2023, and 2022, income (loss) before income taxes consisted of the following:

(In thousands)	2024	2023	2022
Domestic	$ 89,556	$ 48,662	$ (89,440)
Foreign	871	215	91
Total income (loss) before income taxes	$ 90,427	$ 48,877	$ (89,349)

For the years ended December 31, 2024, 2023, and 2022, the components of the income tax provision were as follows:

(In thousands)	2024	2023	2022
Current:			
Federal	$ (1,394)	$ (978)	$ —
State	(2,593)	(902)	(494)
Foreign	(112)	(110)	(42)
Total current	$ (4,099)	$ (1,990)	$ (536)
Deferred:			
Federal	$ 110,923	$ —	$ —
State	18,335	—	—
Foreign	—	—	—
Total deferred	$ 129,258	$ —	$ —
Income tax benefit (provision)	$ 125,159	$ (1,990)	$ (536)

The Company had an effective tax rate of (138.41)%, 4.07%, and (0.60)% for the years ended December 31, 2024, 2023, and 2022, respectively. The reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the years ended December 31, 2024, 2023, and 2022 were as follows:

	2024	2023	2022
Tax at federal statutory rate	21.00 %	21.00 %	21.00 %
State tax, net of federal benefit	2.03	1.42	(0.38)
Stock-based compensation	1.63	10.85	(4.02)
Officer's compensation limitation	1.23	6.81	(1.51)
Foreign-derived intangible income benefit	(3.76)	(5.56)	—
Other items	0.16	(0.79)	(0.60)
Research and development credits	(5.50)	(9.43)	4.36
Net operating loss expiration	—	9.91	—
Change in valuation allowance	(155.20)	(30.14)	(19.45)
Effective tax rate	(138.41) %	4.07 %	(0.60) %

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. As of December 31, 2024 and 2023, the significant components of the Company's deferred tax assets and liabilities were as follows:

(In thousands)	2024	2023
Deferred tax assets:		
Net operating loss carryforwards	$ 10,799	$ 44,562
Stock-based compensation	8,056	8,766
Operating lease liability	2,561	2,708
Accrued liabilities, reserves and other	7,080	9,797
Capitalized research and development	78,606	50,396
Tax Credits	25,882	25,609
Gross deferred tax assets	132,984	141,838
Valuation allowance	—	(140,339)
Total deferred tax assets	132,984	1,499
Deferred tax liabilities:		
Prepaid expenses	(250)	(502)
Operating lease asset	(1,316)	(997)
Acquired intangibles	(2,639)	—
Total deferred tax liabilities	(4,205)	(1,499)
Net deferred tax assets	$ 128,779	$ —

The change in valuation allowance for deferred tax assets was as follows for the periods presented:

(In thousands) Year Ended December 31,	Balance at Beginning of Year	Additions Charged to Costs & Expenses	Additions Charged to Other Accounts	Deductions	Balance at End of Year
2024	$ 140,339	$ (140,339)	$ —	$ —	$ —
2023	157,353	(16,262)	(752)	—	140,339
2022	132,162	24,489	702	—	157,353

The Company has released the valuation allowance of $140.3 million as of December 31, 2024. This release reflects the Company's determination that it is more likely than not that its U.S. federal and state deferred tax assets will be realized. As a result, the income tax benefit for the year was primarily attributable to the release of this valuation allowance. Previously, the Company recorded a full valuation allowance of $140.3 million as of December 31, 2023.

The Company regularly evaluates the realizability of its deferred tax assets and establishes a valuation allowance when it is more likely than not that some or all of its deferred tax assets will not be realized. This assessment considers all available positive and negative evidence, including cumulative pre-tax income, anticipated future earnings, and the impact of permanent differences and other comprehensive losses. As of December 31, 2024, the Company achieved cumulative U.S. pre-tax income during the prior three years, adjusted for permanent differences and other comprehensive losses, which provided objective and verifiable evidence supporting the release of the valuation allowance. This sustained profitability, combined with anticipated future taxable income, led the Company to conclude, based on the weight of all available evidence, that it is more likely than not that its U.S. federal and state deferred tax assets will be realized.

The Company has federal net operating loss, which is referred to as NOL, carryforwards of approximately $18.9 million and $181.2 million as of December 31, 2024 and 2023, respectively. The federal NOL carryforwards of $18.9 million generated after December 31, 2017 can be carried forward indefinitely with utilization in any year limited to 80% of the Company's taxable income. The Company has California NOL carryforwards of approximately $91.0 million and $81.3 million as of December 31, 2024 and 2023, respectively. California NOLs will begin to expire in 2032 if not utilized.

The Company has federal research and development credits of approximately $31.1 million and $29.1 million as of December 31, 2024 and 2023, respectively. The federal research and development credits will begin to expire in 2038 if not utilized. The Company has California research and development credits of approximately $16.7 million and $16.6 million as of December 31, 2024 and 2023, respectively. California research and development credits have an infinite carryforward period.

The Tax Reform Act of 1986 and similar California legislation impose substantial restrictions on the utilization of NOLs and tax credit carryforwards in the event that there is a change in ownership as provided by Section 382 of the Internal Revenue code and similar state provisions. Such a limitation could result in the expiration of the NOL carryforwards and tax credits before utilization, which could result in increased future tax liabilities.

Uncertain Tax Positions

As of December 31, 2024, the Company's total amount of unrecognized tax benefits was $20.0 million, which would impact the Company's effective tax rate, if recognized.

For the years ended December 31, 2024, 2023, and 2022, the activity related to the unrecognized tax benefits were as follows:

(In thousands)	2024	2023	2022
Gross unrecognized tax benefits—beginning balance	$ 18,157	$ 16,573	$ 15,391
Increase related to tax positions taken during prior year	112	342	1,234
Decrease related to tax positions taken during prior year	(19)	(21)	(1,253)
Increase related to tax positions taken during current year	1,716	1,263	1,354
Decrease related to expiration of unrecognized tax benefit	—	—	(153)
Gross unrecognized tax benefits—ending balance	$ 19,966	$ 18,157	$ 16,573

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the provision for income taxes in the period that such determination is made. As of December 31, 2024, the Company did not currently recognize any penalties or interest charges relating to uncertain tax positions. The Company does not anticipate the recorded reserves to change significantly in the next 12 months.

The Company is subject to taxation in the United States and various other state and foreign jurisdictions. Due to certain tax attribute carryforwards, the tax years 2001 to 2023 remain open to examination by the major taxing jurisdictions in which the Company is subject to tax. As of December 31, 2024, the Company was not under examination by the Internal Revenue Service. The Company is subject to ongoing audits by state and foreign tax authorities.

Note 15—Segment Information

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly provided to the CODM in deciding how to allocate resources to an individual segment and in assessing performance. The Company's Chief Executive Officer is the Company's CODM. The CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. For information about how the Company derives revenue, as well as the Company's accounting policies, refer to "Note 2—Basis of Presentation and Summary of Significant Accounting Policies."

The CODM uses consolidated net income (loss) to assess performance, evaluate cost optimization, and allocate resources, including personnel-related and financial or capital resources, in the annual budget and forecasting process, as well as budget-to-actual variances on a monthly basis. As such, the Company has determined that it operates as one operating and reportable segment.

The following tables set forth significant expense categories and other specified amounts included in consolidated net income (loss) that are otherwise regularly provided to the CODM for the years ended December 31, 2024, 2023, and 2022:

	2024	2023	2022
Revenue	$ 769,325	$ 689,136	$ 618,318
Cost of revenue [1][2]	163,560	164,088	156,240
Research and development [1][2]	167,211	146,442	121,813
Sales and marketing [1][2]	166,331	206,614	235,106
General and administrative [1][2][3]	97,903	85,881	84,035
Provision for transaction losses	6,728	12,977	25,153
Stock-based compensation expense [4]	68,391	74,195	75,501
Depreciation and amortization	14,813	9,449	8,057
Interest income	(27,963)	(24,424)	(7,917)
Interest expense	2,761	3,218	4,482
Gain on early extinguishment of convertible senior notes	—	(38,945)	—
Restructuring charges [4]	18,433	—	—
Income tax (benefit) provision	(125,159)	1,990	536
Other segment items [4][5][6]	730	764	5,197
Segment net income (loss)	$ 215,586	$ 46,887	$ (89,885)
GAAP net income (loss)	$ 215,586	$ 46,887	$ (89,885)

[1] Years 2024, 2023, and 2022 exclude stock-based compensation and depreciation and amortization included in cost of revenue, research and development, sales and marketing, and general and administrative expenses, as these amounts are regularly provided to the CODM. Additionally, year 2024 excludes restructuring charges.

[2] Year 2022 excludes certain incremental expenses associated with the Company's humanitarian response to Russia's invasion in Ukraine.

[3] Years 2024, 2023, and 2022 exclude expenses related to the Tides Foundation Warrant.

[4] During the year ended December 31, 2024, the Company incurred $19.2 million in costs related to the execution of the Restructuring Plan. Of this amount, $18.4 million is included in "Restructuring charges" while the remaining amount is allocated between "Stock-based compensation expense" and "Other segment items". See "Note 17—Restructuring Charges" for more information.

[5] During the year ended December 31, 2022, in response to Russia's invasion of Ukraine, the Company incurred certain incremental expenses associated with its humanitarian response efforts of $4.3 million.

[6] During each of the years ended December 31, 2024, 2023, and 2022, the Company incurred $0.8 million of expenses related to the Tides Foundation Warrant.

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

Note 16—401(k) Plan

The Company offers the Upwork Retirement Savings Plan, which is referred to as the Retirement Plan, a defined contribution plan that allows eligible employees to defer a portion of their pre-tax salary, subject to the statutory annual limits. The Retirement Plan provides for a discretionary employer cash matching contribution. The Company makes matching cash contributions equal to 50% of each dollar contributed, subject to a maximum contribution of $5,000 annually per participant. The Company's total expense for the matching contributions was $3.9 million, $3.7 million, and $3.5 million for the years ended December 31, 2024, 2023, and 2022, respectively.

Note 17—Restructuring Charges

In October 2024, the Company announced the Restructuring Plan, intended to continue the Company's profitable trajectory, increase efficiency, and accelerate innovation for its customers. The Restructuring Plan included various cost-reduction measures, including workforce reductions, reductions in operating expenses, as well as decreases in capital expenditures. As part of the Restructuring Plan, the Company reduced its total workforce by approximately

21%. The workforce reductions, including associated cash payments, were substantially completed by December 31, 2024.

The total restructuring charges for the fourth quarter of 2024 were $19.2 million and are presented within the respective functional line items in the Company's consolidated statement of operations and comprehensive (loss), as shown in the following table for the year ended December 31, 2024:

(in thousands)	Employee severance and benefit costs	Contract termination costs	Other charges	Total Restructuring Charges
Cost of revenue	$ 139	$ 198	$ —	$ 337
Research and development	3,904	4,249	—	8,153
Sales and marketing	5,262	1,872	—	7,134
General and administrative	1,699	559	1,043	3,301
Other income, net	—	—	261	261
Total	$ 11,004	$ 6,878	$ 1,304	$ 19,186

Contract termination costs include expenses related to the reduction in force of the Company's contracted workforce impacted by the Restructuring Plan, as well as vendor contract terminations.

Other charges include additional expenses incurred as part of the Restructuring Plan, such as lease termination costs and disposal of certain fixed assets.

No restructuring charges were recorded for the years ended December 31, 2023 and 2022.

The following table summarizes the Company's restructuring liability:

(*in thousands*)	Restructuring Liability
Beginning balance as of January 1, 2024	$ —
Restructuring charges incurred	19,186
Payments	(17,101)
Ending balance as of December 31, 2024	$ 2,085

As of December 31, 2024, the remaining restructuring liability of $2.1 million consists primarily of accrued severance and benefit costs, and vendor termination costs, recorded within "Accrued expenses and other current liabilities" in the accompanying consolidated Balance Sheet. The remaining liability is expected to be settled by the end of the first quarter 2025.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (our Principal Executive Officer) and our 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 December 31, 2024.

Our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2024, our disclosure controls and procedures were effective to provide reasonable assurance 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.

Management's Report on Internal Control Over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2024 based on the criteria set forth in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that assessment, our management concluded that our internal control over financial reporting was effective as of December 31, 2024.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2024. This report appears on page 53.

Changes in Internal Control over Financial Reporting

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

Inherent Limitations on Effectiveness of Internal Controls

An effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error or overriding of controls, and therefore can provide only reasonable assurance with respect to reliable financial reporting. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect all misstatements, including the possibility of human error, the circumvention or overriding of controls, or fraud. Effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements.

Item 9B. Other Information.

Insider Trading Arrangements

During the three months ended December 31, 2024, one of our directors or officers (as defined in Section 16a-1(f) under the Exchange Act) adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K, intended to satisfy the affirmative defense of Rule 105b-1(c) under the Exchange Act, which is referred to as the Sales Plan, as set forth in the table below.

The Sales Plan included a representation from Ms. Brown to the broker administering the plan that she was not in possession of any material nonpublic information regarding Upwork or the Upwork securities subject to the Sales Plan. A similar representation was made to us in connection with the adoption of the Sales Plan under our Insider Trading Policy. Those representations were made as of the date of adoption or modification of the Sales Plan and speak only as of that date. In making those representations, there is no assurance with respect to any material

nonpublic information of which Ms. Brown was unaware, or with respect to any material nonpublic information acquired by her or us after the date of the representation.

Name and Position	Action	Date	Type of Trading Arrangement	Maximum Number of Shares of Common Stock Eligible for Sale	Expiration Date[1]
Hayden Brown *President and Chief Executive Officer*	Adoption	December 6, 2024	Rule 10b5-1	753,510 [2]	December 31, 2025

[1] The trading arrangement will be in effect until the earlier of (i) the expiration date set forth in the table and (ii) the date on which the maximum number of shares of our common stock subject to the Sales Plan have been sold thereunder.

[2] Includes (i) up to 193,510 shares issuable upon exercise of a stock option previously granted to Ms. Brown, which stock option is fully vested and exercisable and expires on December 31, 2025 and (ii) up to 560,000 shares held by Ms. Brown.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

We have adopted an Insider Trading Policy governing the purchase, sale, and other dispositions of Upwork securities that applies to all Upwork personnel, including directors, officers, employees, and other covered persons. The Insider Trading Policy also provides that Upwork will not transact in its own securities unless in compliance with U.S. securities laws. We believe that our Insider Trading Policy is reasonably designed to promote compliance with insider trading laws, rules and regulations, and listing standards applicable to Upwork. A copy of the Insider Trading Policy is filed as Exhibit 19.1 to this Annual Report.

The remaining information required by this item will be included in our Proxy Statement for the 2025 Annual Meeting of Stockholders, which we refer to as the Proxy Statement, to be filed with the SEC within 120 days of the fiscal year ended December 31, 2024, and is incorporated herein by reference.

Item 11. Executive Compensation.

The information required by this item will be included in our Proxy Statement to be filed with the SEC, within 120 days of the year ended December 31, 2024, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item will be included in our Proxy Statement to be filed with the SEC, within 120 days of the year ended December 31, 2024, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item will be included in our Proxy Statement to be filed with the SEC, within 120 days of the year ended December 31, 2024, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this item will be included in our Proxy Statement to be filed with the SEC, within 120 days of the year ended December 31, 2024, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report:

(1) Financial Statements.

Our consolidated financial statements are listed in the "Index to Consolidated Financial Statements" under Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules.

All schedules are omitted because they are not applicable or because the required information is shown in the consolidated financial statements and notes.

(3) Exhibits.

Exhibit Index

Exhibit Number	Exhibit Title	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Restated Certificate of Incorporation	8-K	001-38678	3.1	June 12, 2023	
3.2	Amended and Restated Bylaws.	8-K	001-38678	3.1	May 1, 2024	
4.1	Form of Common Stock Certificate.	S-1	333-227207	4.1	September 6, 2018	
4.2	Warrant, dated May 1, 2018, by and between Upwork and Tides Foundation.	S-1	333-227207	4.4	September 6, 2018	
4.3	Description of Securities Registered Under Section 12 of the Exchange Act.	10-K	001-38678	4.3	February 15, 2024	
4.4	Indenture, dated as of August 10, 2021, between Upwork Inc. and Wells Fargo Bank, National Association, as trustee.	8-K	001-38678	4.1	August 10, 2021	
4.5	Form of 0.25% Convertible Senior Notes due 2026 (included in Exhibit 4.4).	8-K	001-38678	4.2	August 10, 2021	
10.1*	Form of Indemnity Agreement by and between Upwork and each of its directors and executive officers.	S-1	333-227207	10.1	September 6, 2018	
10.2*	2014 Equity Incentive Plan, as amended, and forms of equity agreements thereunder.	S-1	333-227207	10.3	September 6, 2018	
10.3*	2018 Equity Incentive Plan and forms of award agreements thereunder.	S-1	333-227207	10.4	September 6, 2018	
10.4*	2018 Employee Stock Purchase Plan and enrollment forms thereunder.	S-1	333-227207	10.5	September 6, 2018	
10.5*	Offer Letter, dated February 25, 2015, by and between Upwork and Elizabeth Nelson.	S-1	333-227207	10.13	September 6, 2018	
10.6*	Offer Letter, dated August 3, 2018, by and between Upwork and Gary Steele.	S-1	333-227207	10.16	September 6, 2018	
10.7*	Upwork Performance Bonus Plan.	10-Q	001-38678	10.2	May 8, 2019	
10.8*	Offer Letter, dated June 17, 2019 by and between Upwork and Leela Srinivasan.	10-Q	001-38678	10.2	August 7, 2019	
10.9*	Change in Control and Severance Agreement, dated December 8, 2019, by and between Upwork and Hayden Brown.	10-K	001-38678	10.8	March 2, 2020	
10.10*	Amended and Restated Offer Letter, dated December 8, 2019, by and between Upwork and Hayden Brown.	10-K	001-38678	10.11	March 2, 2020	
10.11*	Offer Letter, dated October 13, 2020, by and between Upwork Inc. and Anilu Vazquez-Ubarri.	10-K	001-38678	10.21	February 24, 2021	
10.12*	Stock Option Agreement, dated January 18, 2021, by and between Upwork Inc. and Hayden Brown.	10-Q	001-38678	10.1	May 4, 2021	
10.13	Form of Capped Call Transaction Confirmation.	8-K	001-38678	10.1	August 10, 2021	
10.14*	Offer Letter, dated March 22, 2023, by and between Upwork Inc. and Erica Gessert.	10-Q	001-38678	10.1	May 3, 2023	
10.15*	Change in Control and Severance Agreement, dated April 25, 2023, by and between Upwork Inc. and Erica Gessert.	10-Q	001-38678	10.2	May 3, 2023	
10.16*	Amended and Restated Offer Letter, dated November 14, 2024, by and between Upwork Inc. and Dave Bottoms.					X
10.17*	Change in Control and Severance Agreement, dated March 18, 2024, by and between Upwork Inc. and Dave Bottoms.					X

19.1	Insider Trading Policy.					X
21.1	List of Subsidiaries.					X
23.1	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.					X
24.1	Power of Attorney (included on signature page to Annual Report).					X
31.1	Certification of Principal Executive Officer and Interim 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.					X
31.2	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.					X
32.1#	Certification of Principal Executive Officer and Interim Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2#	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.					X
97.1*	Upwork Inc. Incentive Compensation Recovery Policy.	10-K	001-38678	97.1	February 15, 2024	
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 - the cover page from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2024 is formatted in Inline XBRL.					X

* Indicates a management contract or compensatory plan.

\# This certification is deemed not filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Upwork Inc.

Date: February 13, 2025 By: /s/ Hayden Brown

Hayden Brown

President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Hayden Brown and Erica Gessert, and each of them, as his or her true and lawful attorneys-in-fact, proxies, and agents, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, proxies, and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, proxies, and agents, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Hayden Brown **Hayden Brown**	President, Chief Executive Officer, and Director (Principal Executive Officer)	February 13, 2025
/s/ Erica Gessert **Erica Gessert**	Chief Financial Officer (Principal Financial Officer)	February 13, 2025
/s/ Olivier Marie **Olivier Marie**	Chief Accounting Officer and Treasurer (Principal Accounting Officer)	February 13, 2025
/s/ Gregory C. Gretsch **Gregory C. Gretsch**	Director	February 13, 2025
/s/ Kevin Harvey **Kevin Harvey**	Director	February 13, 2025
/s/ Thomas Layton **Thomas Layton**	Director	February 13, 2025
/s/ Elizabeth Nelson **Elizabeth Nelson**	Director	February 13, 2025
/s/ Leela Srinivasan **Leela Srinivasan**	Director	February 13, 2025
/s/ Gary Steele **Gary Steele**	Director	February 13, 2025
/s/ Anilu Vazquez-Ubarri **Anilu Vazquez-Ubarri**	Director	February 13, 2025

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