Upstart

Q3 FY 2022 Earnings
November 8, 2022

Disclaimer

This presentation contains “forward-looking” statements that are based on our management’s beliefs and assumptions and on information currently available to management. Forward-looking statements include all statements, other than statements of historical fact contained in this presentation, including but not limited to, information or predictions concerning our future financial performance, including our financial outlook for Q4 2022 under the heading “Outlook”, projected growth and other strategies, business plans and objectives, potential market and growth opportunities, competitive position, technological or market trends and industry environment. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “expect,” “plan,” anticipate,” “believe,” “estimate,” “predict,” “intend,” “potential,” “would,” “continue,” “ongoing” or the negative of these terms or other comparable terminology. You should not put undue reliance on any forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved, if at all.

Forward-looking statements are based on information available at the time those statements are made or management’s good faith beliefs and assumptions as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in, or suggested by, the forward-looking statements. In light of these risks and uncertainties, the events and circumstances contemplated by the forward-looking statements made in this presentation may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. These risks and uncertainties are described in greater detail under the heading “Risk Factors” in our 10-Q that we filed with the Securities and Exchange Commission (the “SEC”) on November 8, 2022 and other periodic SEC filings, and include, but are not limited to: our ability to sustain our growth rates; our ability to manage the adverse effects of macroeconomic conditions and disruptions in the credit markets, including inflation and related monetary policy changes, such as increasing interest rates; our ability to access sufficient loan funding, including in the securitization and whole loan sale markets; the effectiveness of our credit decisioning models and risk management efforts; our ability to retain existing, and attract new, bank partners and lenders; and our ability to operate successfully in a highly-regulated industry. Moreover, we operate in very competitive and rapidly changing environments, and new risks may emerge from time to time. It is not possible for our management 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. Additional information will be available in other future reports that we file with the SEC from time to time, which could cause actual results to vary from expectations. Except as required by law, Upstart does not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

This presentation contains statistical data, estimates and forecasts that are based on independent industry publications or other publicly available information, as well as other information based on our internal sources. This information involves many assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and other publicly available information. Accordingly, we make no representations as to the accuracy or completeness of that data nor do we undertake to update such date after the date of this presentation.

This presentation includes non-GAAP financial measures, including contribution profit, contribution margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net income (loss), and adjusted net income (loss) per share. These non-GAAP financial measures are in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures. For example, other companies may calculate similarly-titled non-GAAP financial measures differently. Refer to slides 24-26 for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures.

A reconciliation of non-GAAP guidance financial measures to corresponding GAAP guidance financial measures is not available on forward-looking basis without unreasonable effort due to the uncertainty and potential variability of expenses, such as stock-based compensation expense-related charges, that may be incurred in the future and cannot be reasonably determined or predicted at this time. It is important to note that these factors could be material to our results of operations computed in accordance with GAAP.

Our mission is to enable effortless credit based on true risk.

Why? Because credit really matters.

Money is a fundamental ingredient of life, and unless you're in the few percent of Americans with significant wealth, the price of borrowing affects you everyday. Through all of history, affordable credit has been central to unlocking mobility and opportunity.

Upstart at a glance

Upstart is an AI lending marketplace partnering with banks and and credit unions to improve access to affordable credit

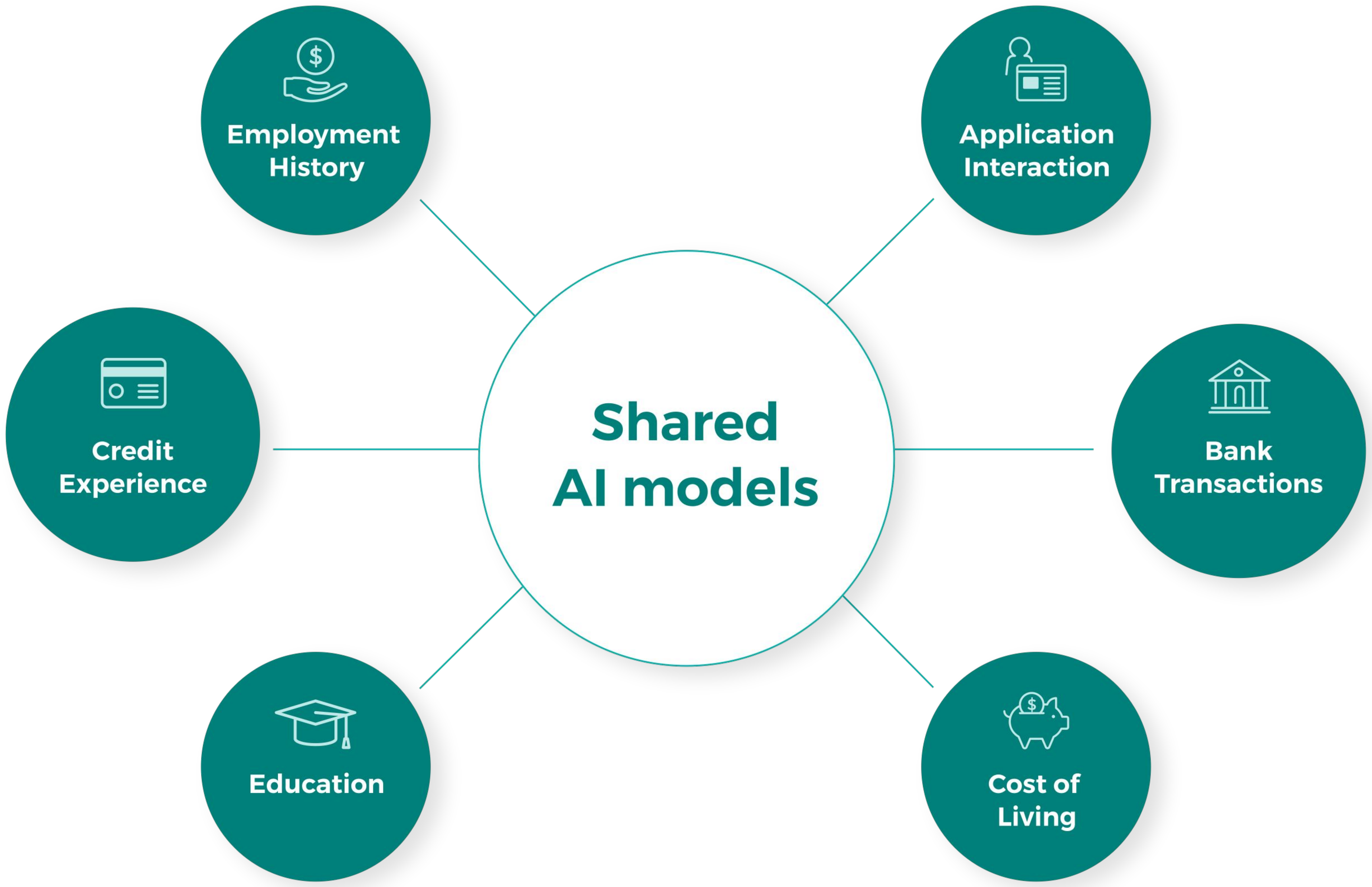
Two-sided business
consumers connected to AI-enabled lenders

Over $30B of loans[1]
have been facilitated by our platform

Rapid, profitable[2] growth
driven by continual improvement of AI models

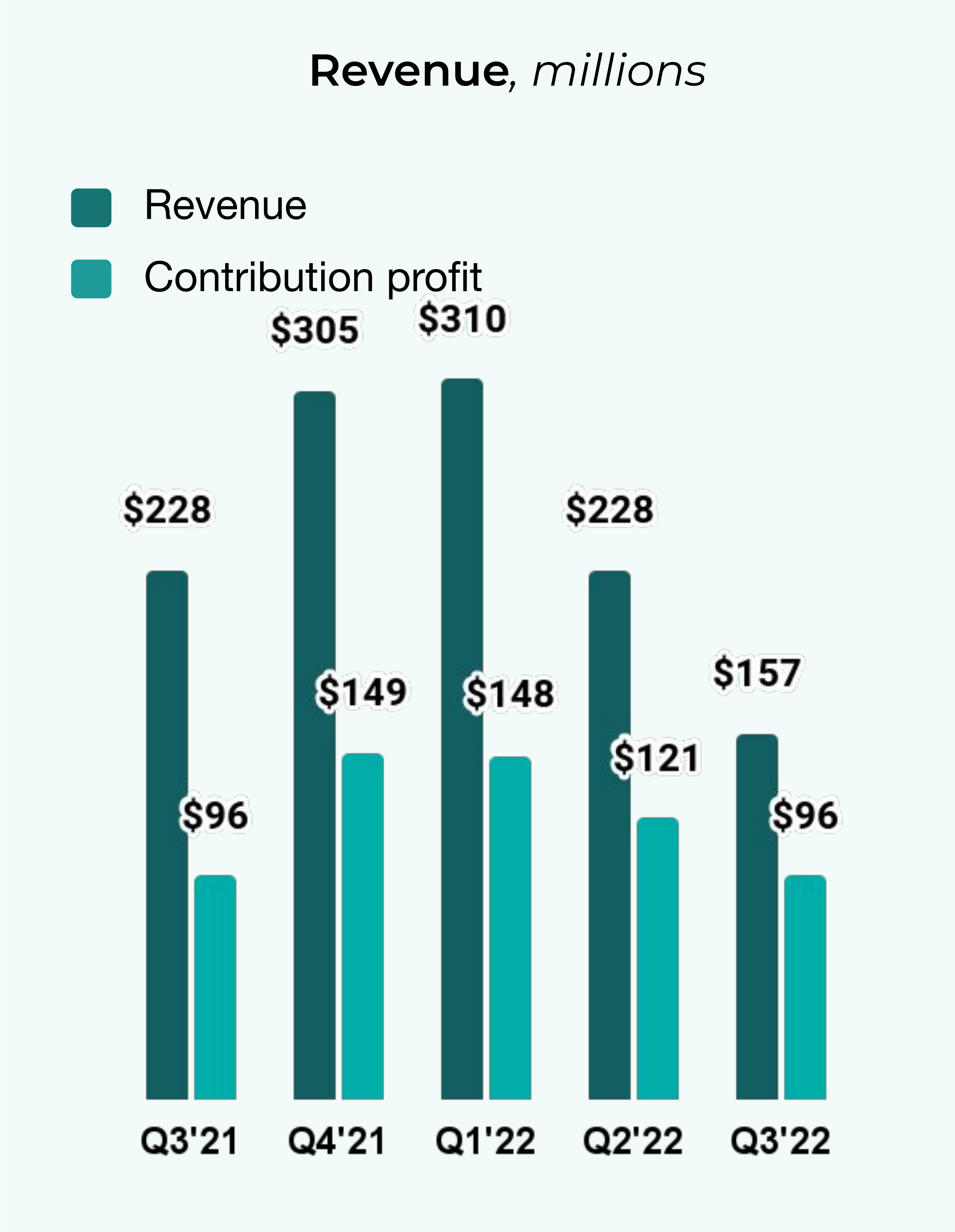
Instant and automated approvals
75% of loans are instantly approved and fully automated[3]

83 Net promoter score[4]
Borrowers love Upstart with 38K+ rating us 'Excellent' on Trustpilot



1. As of 9/30/22
2. Full year GAAP net income profitable since fiscal year 2020.
3. In Q3 2022.
4. To determine Net Promoter Score (NPS) score, Upstart used a third-party service to administer surveys to personal loan applicants immediately following an applicant's acceptance of a loan on Upstart's platform.

Q3’22 Key financial highlights



Revenue:
$157M, down 31% Y|Y

Income (Loss) from Operations:
($58.1M), down from $28.6M in Q3’21

Contribution Profit:
$96.0M, flat Y|Y, and representing 54% of fee revenue

Net Income (Loss):
($56.2M), down from $29.1M in Q3’21

Adjusted EBITDA:
($14.4M), down from $59.1M in Q3’21

Personal Unsecured Lending

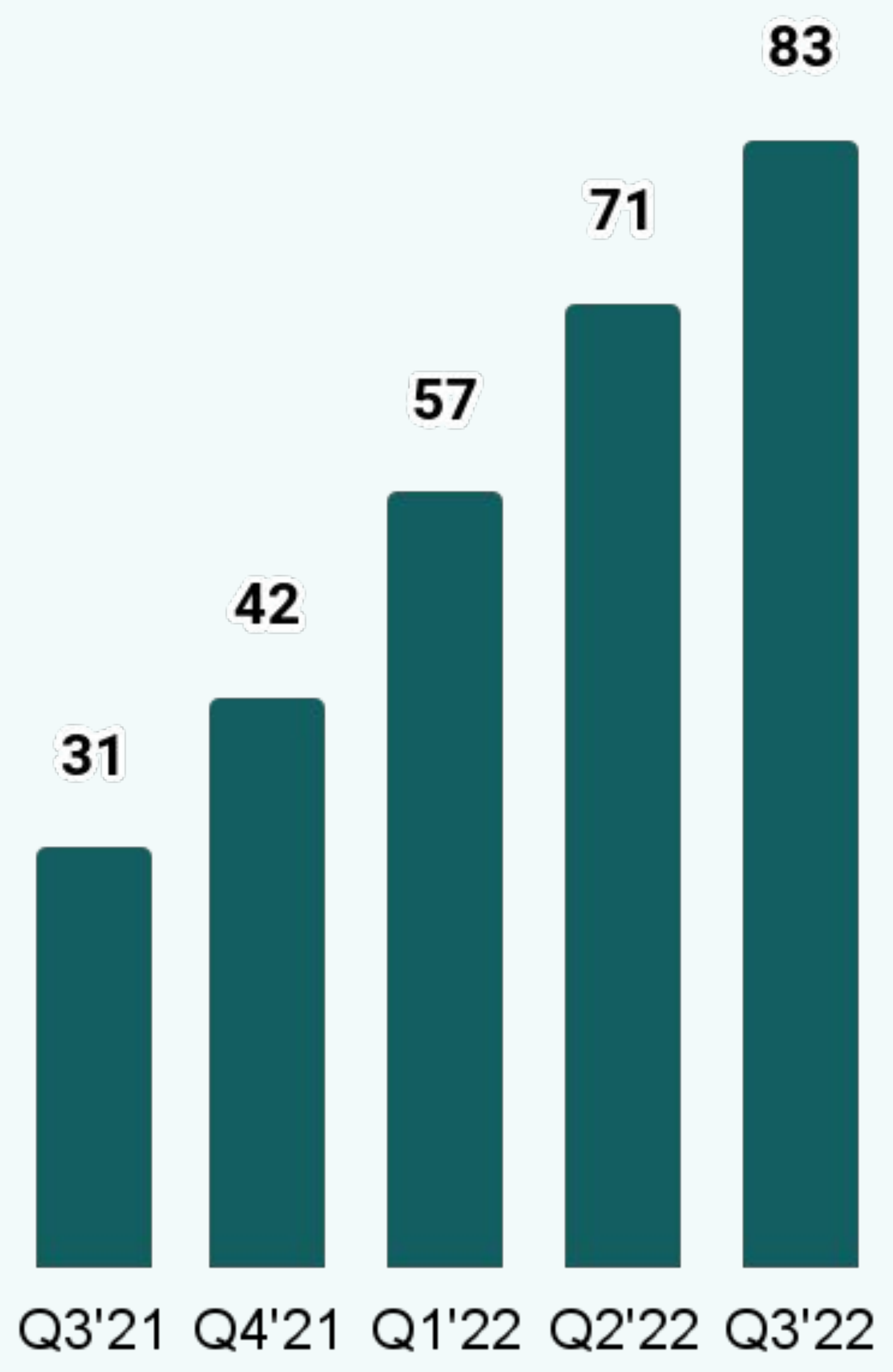
Model accuracy improved as much in last four months as prior two years.

Model automation reached its highest level to date at 75%

Grew Small Dollar loan volume 4x from prior quarter to over 9,000 loans.

The Upstart model approves 43% more Black borrowers than a traditional model at 24% lower APRs; and 46% more Hispanic borrowers than a traditional model at 25% lower APRs.[2]

Bank and Credit Union Partners[1]



[1] In Q3 2022
2 As of December 31, 2021, and based on a comparison between the Upstart model and a traditional credit-score only model. Upstart does not collect demographic data on borrowers. Upstart uses standard industry methodology to estimate borrower demographic status to conduct access-to-credit analysis comparing Upstart to traditional credit model outcomes

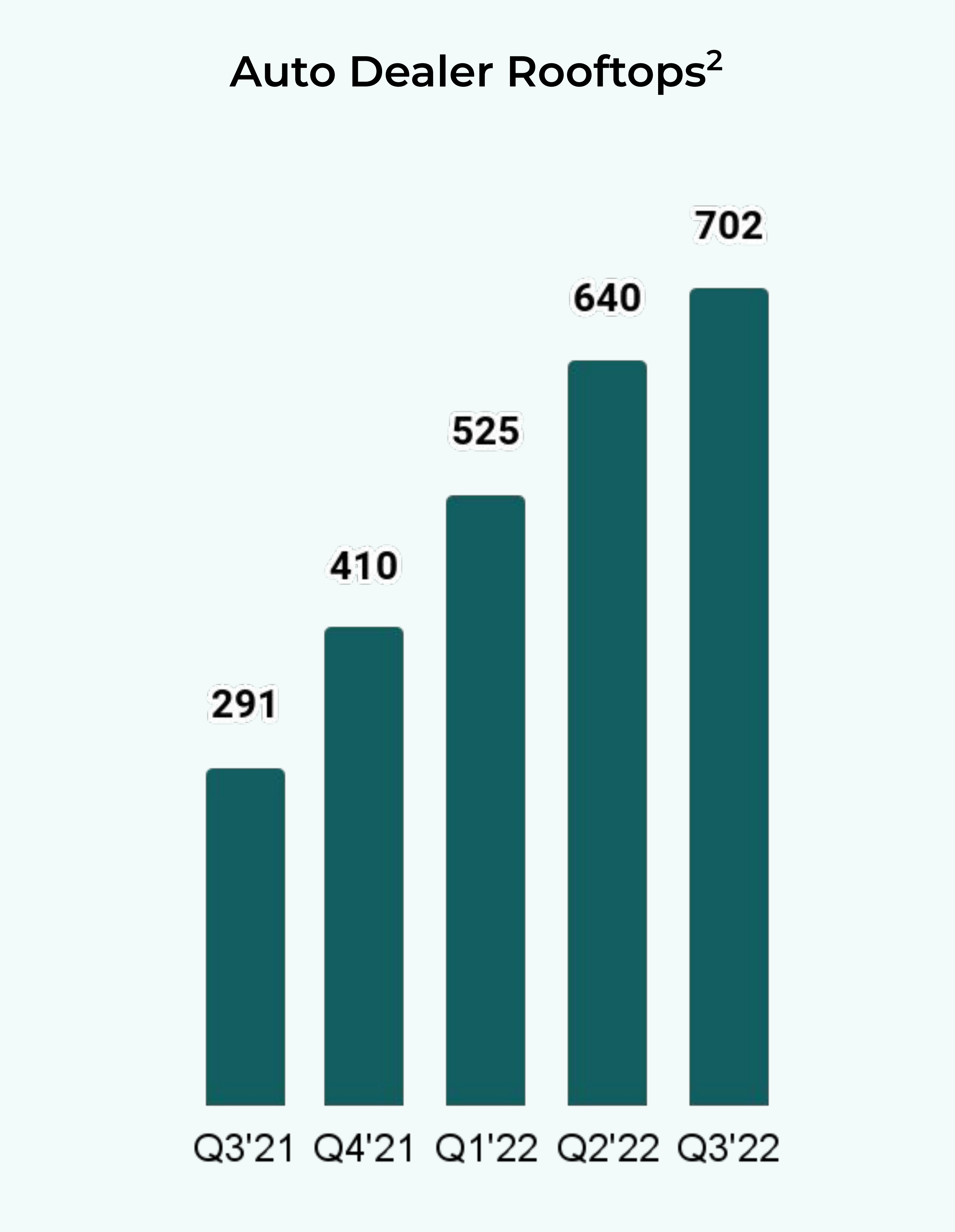
Emerging Lending Products

Launched largest Upstart Auto Retail software update of the year. Allowing buyers to build and price autos before they arrive on dealer lots.

Upstart Auto Retail lending is live at three dealer groups across four states, representing 25% of the US auto market by population.[3]

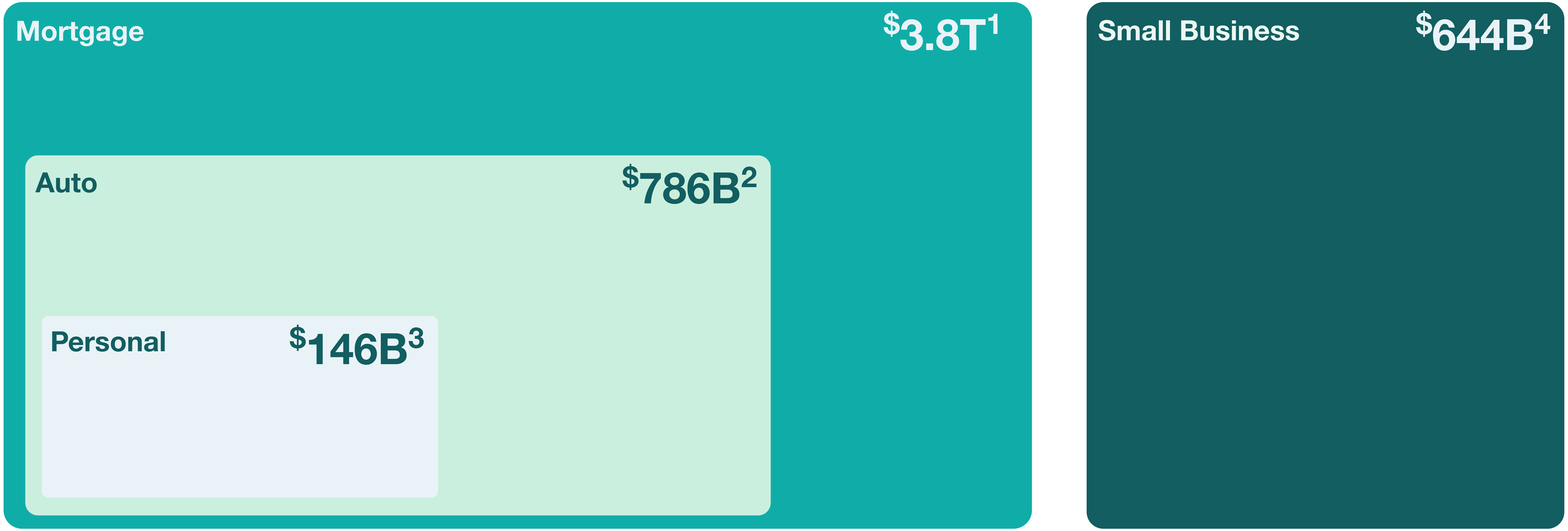
Borrowers saved an average $5,835[1] over the life of the loan with Upstart Auto refinancing.

Grew Small Business Loan volume from $1M to nearly $10M from prior quarter.



1. This information is estimated based on all consumers who were approved for an auto refinance loan through Upstart and accepted their final terms. As of 7/1/22, borrowers who refinance save an average of $5,835 over the lifetime of their loans. These savings are not guaranteed. To evaluate savings on a loan you are considering refinancing, it is important to compare your APR and remaining term from your existing automotive loan to the APR and term offered through Upstart.
2. Number of total dealer locations using Upstart Auto Retail software as of the end of each financial quarter.
3. As of 10/31/2022

$5T annual loan origination TAM



[1] Total mortgage originations using data provided by TransUnion for Q2 2021 – Q1 2022
[2] Total auto loans using data provided by TransUnion for Q2 2021 – Q1 2022
[3] Total unsecured personal loans using data provided by TransUnion for Q2 2021 – Q1 2022
[4] Total small business loans using data provided by the Office of Advocacy U.S. Small Business Administration, September 2020, for 2019 fiscal year

Upstart

Upstart's model provides about 5X more risk separation than FICO

Upstart separates risk significantly better than FICO
(annualized default rates)[1]

Upstart Risk Grades

FICO Score	A+	B	C	D	E-	Average
700 or Above	0.7%	2.3%	4.5%	6.7%	10.6%	**3.8%**
680 to 699	0.8%	2.2%	4.0%	5.9%	9.9%	**4.7%**
660 to 679	1.1%	2.3%	4.2%	6.1%	10.2%	**5.8%**
640 to 659	1.2%	2.7%	4.2%	6.3%	11.3%	**7.1%**
639 or Below	1.7%	3.3%	5.1%	7.6%	16.0%	**11.9%**
Average	**0.8%**	**2.4%**	**4.4%**	**6.5%**	**12.7%**	

~3x more defaults between highest and lowest credit score

~16x more defaults between highest and lowest Upstart risk grade

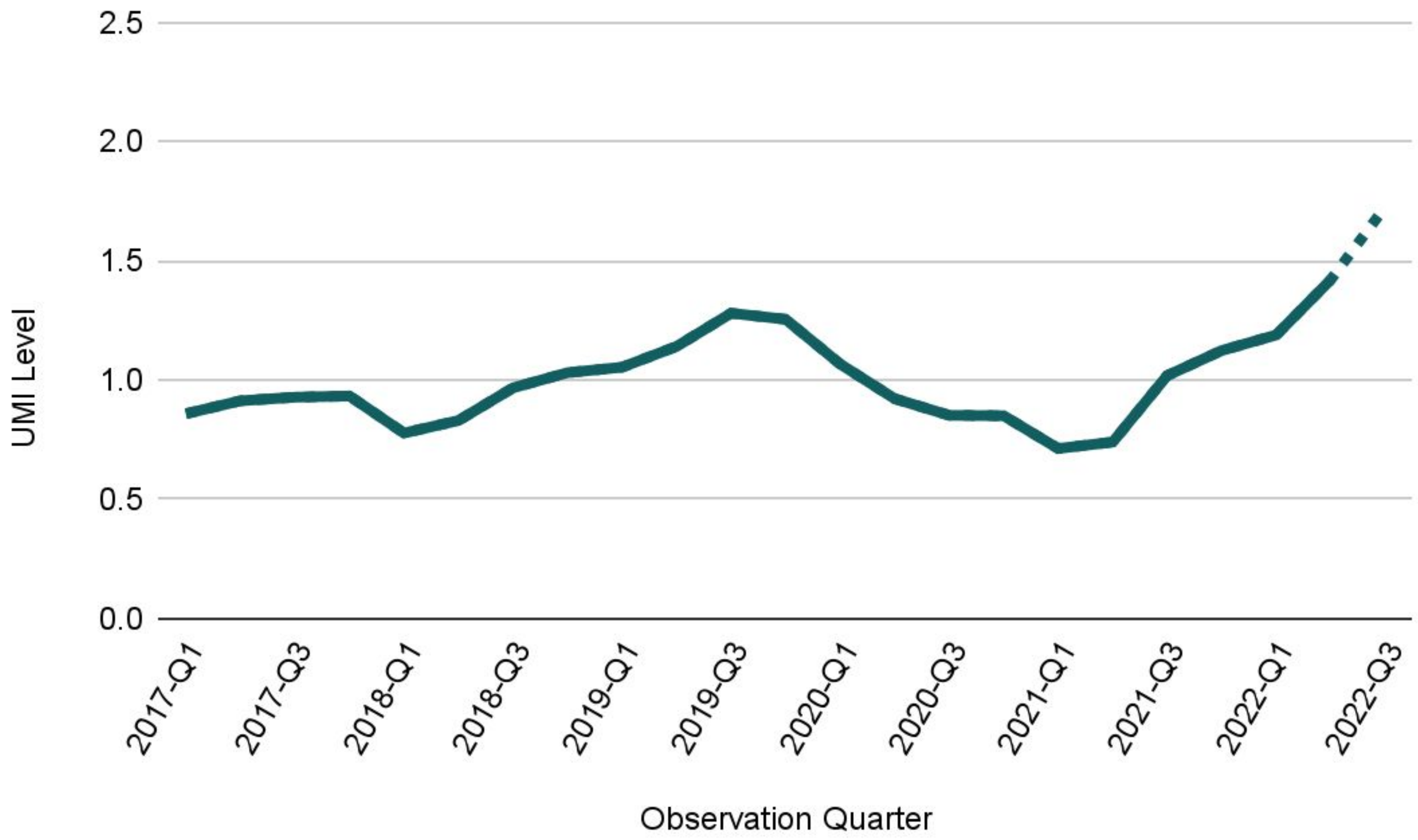
Upstart's risk grades predict a steadily increasing default rate from left to right as the borrowers get riskier, as it should. But if you look at any column from top to bottom, there's relatively little difference between default rates, regardless of FICO score.

1. Upstart internal performance data as of October 31, 2022. Consists of all originations made 2018-Q1 to 2022-Q2 "vintages."

Upstart

Upstart Macro Index (UMI)

Upstart Macro Index measures the impact of the external macro environment on loan defaults in our particular borrower portfolio, by controlling for underwriting model changes and shifting borrower characteristics over time.

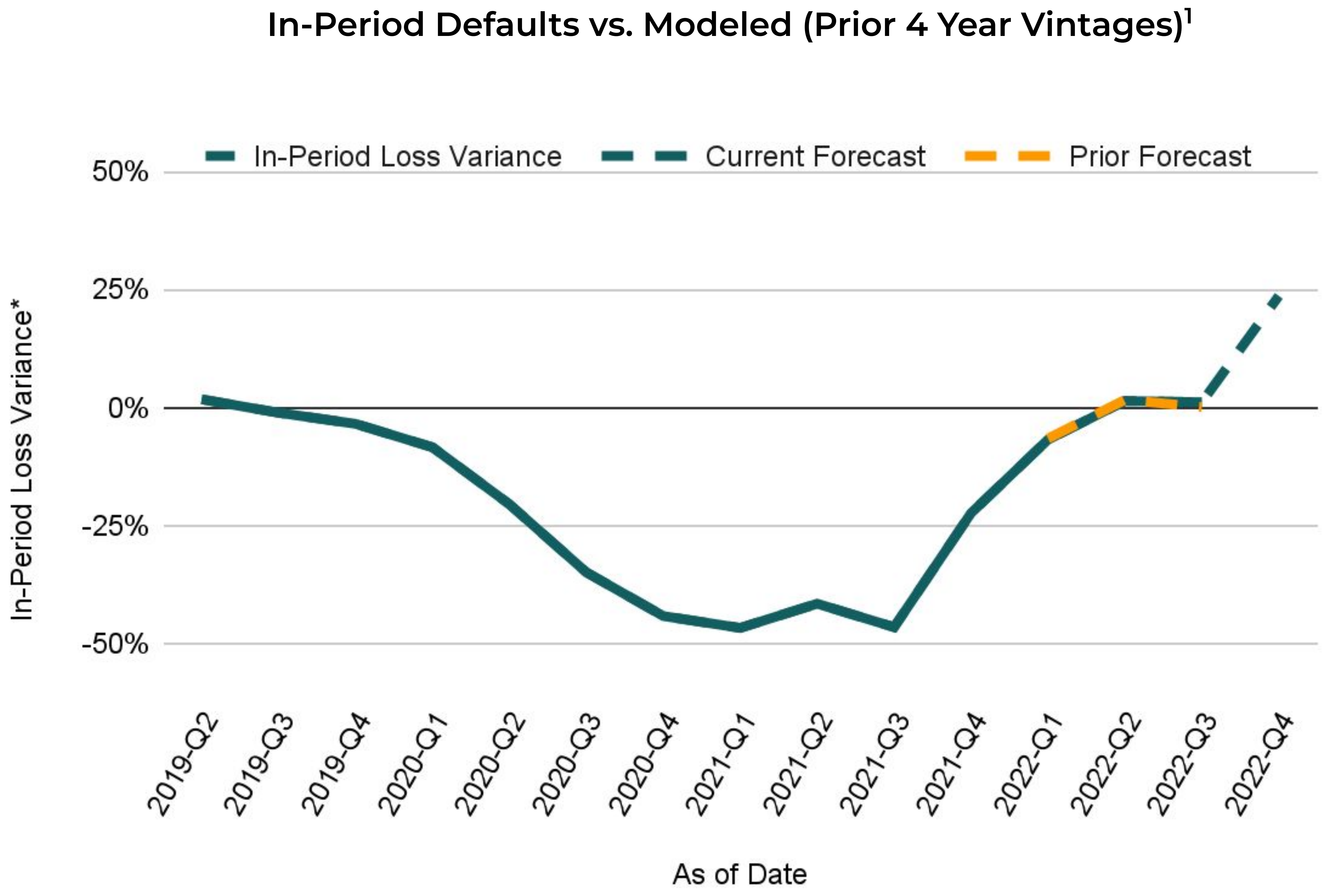


The current, third quarter, index level ~1.7[1] equates to 70% more defaults than we would expect in a long-run normal macro environment (1.0).

1. Upstart internal measured data as of October 31, 2022.

Upstart

In-period losses vs expectations

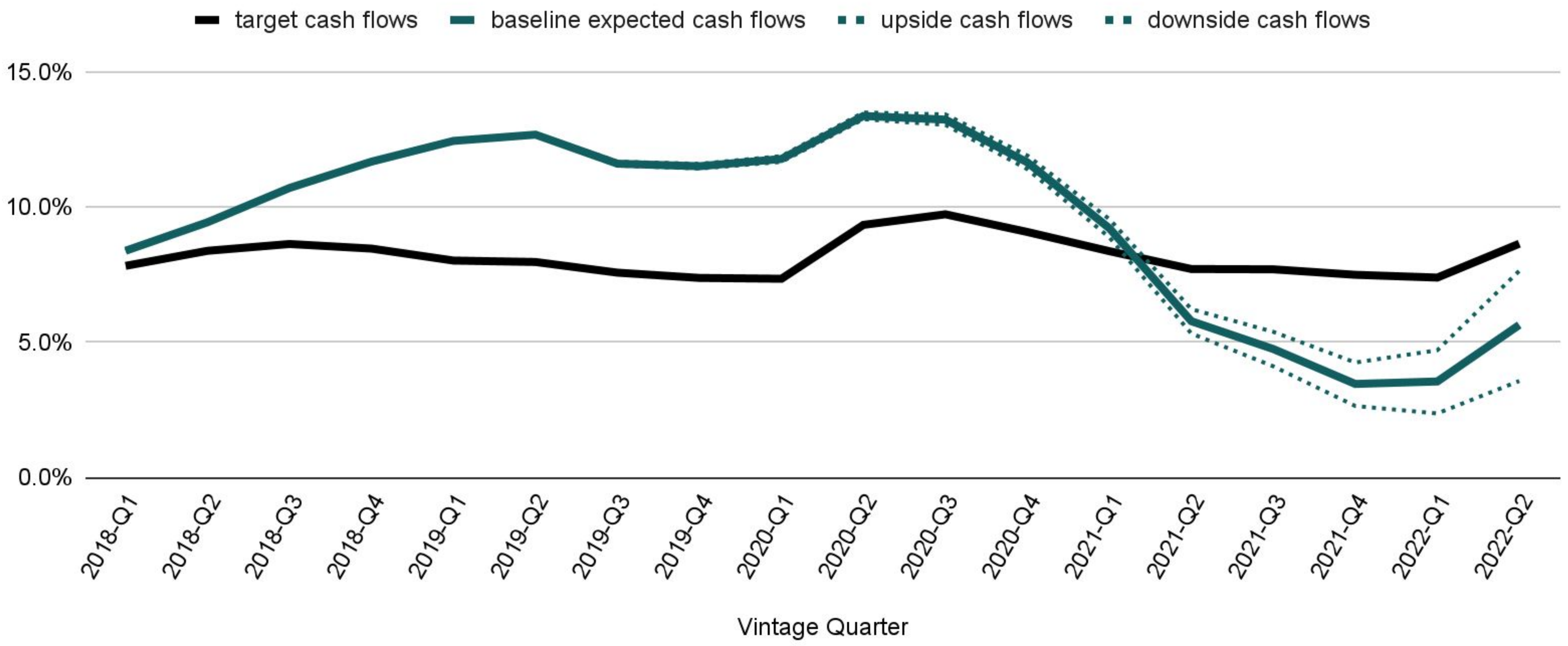


This increase in defaults followed a stimulus-driven period during 2020 where defaults were approximately 50% below expectations. A reversion to pre-stimulus default rates and a shift in credit risk profiles accounted for a large majority of the increase in late 2021 and beyond.

***Loss variance** represents [Actual In-Period Loss / Expected In-Period Loss - 1]

1. Data is for total originations made via the Upstart platform as of October 31, 2022.
2. Prior Forecast as shown in Q2'22 earnings presentation

Upstart platform performance vs target is recovering[1]



Against a target of approximately 8% gross return since Q1 2018, the Upstart platform has seen 13 vintages overperform, with 5 expected to underperform.

If an investor invested equally in all Upstart cohorts, they would now expect a **9.5%** gross annualized return.[2]

1. Upstart internal performance data as of October 31, 2022. "upside", "baseline" and "downside" percentages are based on Upstart's own internal estimates of the returns observed on each vintage to date.
2. Gross annualized return per Upstart internal calculation including assumption of future cash flows based on most recent performance data.

Q3'22 summary P&L and non-GAAP metrics

(in millions, except ratios and per share data)

	Q3'22	Q2'22	Q|Q	Q3'21	Y|Y
Revenue	$157.2	$228.2	(31%)	$228.5	(31%)
Revenue from Fees	$179.3	$258.3	(31%)	$210.4	(15%)
Income (Loss) from Operations	($58.1)	($32.1)	(81)%	$28.6	n/a
Net Income (Loss)	($56.2)	($29.9)	(88)%	$29.1	n/a
Adjusted Net Income (Loss)	($19.3)	$1.0	n/a	$57.4	n/a
Earnings (Loss) Per Share (Diluted)	($0.69)	($0.36)	(92%)	$0.30	n/a
Adjusted Earnings (Loss) Per Share (Diluted)	($0.24)	$0.01	n/a	$0.60	n/a
Contribution Profit	$96.0	$120.9	(21%)	$95.9	(1%)
Contribution Margin	54%	47%	673bps	46%	795bps
Operating Expenses	$215.3	$260.3	(17%)	$199.9	8%
Adjusted EBITDA	($14.4)	$5.5	n/a	$59.1	n/a

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Balance Sheet items and key operating metrics

(in millions, except Transaction Volume (number of loans), % fully automated, ratios and conversion rate)

	Q3'22	Q2'22	Q3'21
Cash and Restricted Cash	$829.9	$914.4	$1,171.8
Loans, Notes, and Residuals	$703.9	$628.5	$140.1
Total Assets	$1,915.3	$1,917.0	$1,606.1
Total Liabilities	$1,196.7	$1,159.9	$887.0

Transaction Volume, Number of Loans	188,519	321,138	362,780
Transaction Volume, Dollars	$1,851	$3,276	$3,130
% Fully Automated	75%	73%	67%
Conversion Rate	9.7%	13.3%	23.0%

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Loans Held on Balance sheet

(in millions, except ratios)

	Q3'22	Q2'22	Q1'22
Testing and Evaluation (R&D)[1]	$451	$484	$445
Auto	*$398*	*$385*	*$230*
Other	*$53*	*$99*	*$215*
Core Personal	$249	$140	$153
Total	**$700**	**$624**	**$598**

1. "R&D Loans" are loans that were originated on our platform that we hold on our balance sheet for research and development purposes, including to test and evaluate the accuracy of our AI models for these loans. R&D Loans are primarily our auto refinance and auto retail loan products, personal loan products held by new categories of borrowers, and other new unsecured loan products. R&D Loans are not yet part of our established capital markets programs or other loan funding programs with institutional investors.

Upstart

Lending by Product

(in millions, except number of loans and ratios)

Personal Unsecured	Q3'22	Q2'22	Q|Q	Q3'21	Y|Y
Number of Loans	185,663	311,245	(40%)	360,051	(48%)
Transaction Dollars	$1,794	$3,080	(42%)	$3,082	(42%)

Auto Secured	Q3'22	Q2'22	Q|Q	Q3'21	Y|Y
Number of Loans	2,856	9,893	(71%)	2,729	5%
Transaction Dollars	$57	$196	(71%)	$48	20%

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Outlook

	Q4'22
Revenue	~ $125-145 million
Fee Revenue	*~$160 million*
Net Interest Income	*~($25) million*
Contribution Margin	~ 54%
Net Income	~ ($87) million
Non-GAAP Adjusted Net Income[1]	~ ($40) million
Adjusted EBITDA[1]	~ ($35) million
Diluted weighted average share count	~ 89.3 million shares

1. See Disclaimer and Statement Regarding Use of Non-GAAP Measures and Appendix for reconciliation to GAAP financial measures.

Upstart

Financial Statements

(in thousands, except share and per share data)

	December 31, 2021	September 30, 2022
Assets		
Cash	$ 986,608	$ 683,970
Restricted cash	204,633	145,956
Loans (at fair value)	252,477	700,455
Property, equipment, and software, net	24,259	40,990
Operating lease right of use assets	96,118	87,475
Non-marketable equity securities	40,000	41,000
Goodwill	67,062	67,062
Intangible assets, net	19,906	16,700
Other assets (includes $26,676 and $40,496 at fair value as of December 31, 2021 and September 30, 2022, respectively)	129,392	131,702
Total assets	$ 1,820,455	$ 1,915,310
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	$ 6,563	$ 10,916
Payable to investors	107,598	93,844
Borrowings	695,432	918,917
Accrued expenses and other liabilities (includes $13,095 and $10,011 at fair value as of December 31, 2021 and September 30, 2022, respectively)	103,418	73,647
Operating lease liabilities	100,366	99,418
Total liabilities	1,013,377	1,196,742
Stockholders' equity:		
Common stock, $0.0001 par value; 700,000,000 shares authorized; 83,659,665 and 81,831,178, shares issued and outstanding as of December 31, 2021 and September 30, 2022, respectively	8	8
Additional paid-in capital	740,849	705,741
Retained earnings	66,221	12,069
Total stockholders' equity	807,078	718,568
Total liabilities and stockholders' equity	$ 1,820,455	$ 1,915,310

Upstart

Financial Statements

(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
Revenue:				
Revenue from fees, net	$ 210,421	$ 179,348	$ 513,888	$ 751,675
Interest income and fair value adjustments, net	18,029	(22,115)	29,853	(56,144)
Total revenue	228,450	157,233	543,741	695,531
Operating expenses:				
Sales and marketing	93,346	56,362	218,638	295,023
Customer operations	34,978	45,028	76,530	144,507
Engineering and product development	37,085	66,182	87,504	173,218
General, administrative, and other	34,442	47,752	80,602	138,148
Total operating expenses	199,851	215,324	463,274	750,896
Income (loss) from operations	28,599	(58,091)	80,467	(55,365)
Other income (expense)	(754)	1,880	(6,003)	2,018
Net income (loss) before income taxes	27,845	(56,211)	74,464	(53,347)
(Benefit) provision for income taxes	(1,268)	12	(2,035)	55
Net income (loss)	$ 29,113	$ (56,223)	$ 76,499	$ (53,402)
Net income (loss) per share, basic	$ 0.37	$ (0.69)	$ 1.00	$ (0.64)
Net income (loss) per share, diluted	$ 0.30	$ (0.69)	$ 0.81	$ (0.64)
Weighted-average number of shares outstanding used in computing net income (loss) per share, basic	79,392,600	81,672,099	76,586,395	83,236,131
Weighted-average number of shares outstanding used in computing net income (loss) per share, diluted	96,057,210	81,672,099	94,165,325	83,236,131

Upstart

Financial Statements

(in thousands, except share and per share data)

	Nine Months Ended September 30,	
	2021	2022
Cash flows from operating activities		
Net income (loss)	$ 76,499	$ (53,402)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Change in fair value of financial instruments	(5,839)	71,056
Stock-based compensation	50,125	92,035
Gain on loan servicing arrangement, net	(4,223)	(23,770)
Depreciation and amortization	4,984	9,859
Non-cash interest expense	990	2,294
Net changes in operating assets and liabilities:		
Purchase of loans for immediate resale	(5,872,988)	(5,519,116)
Proceeds from immediate resale of loans	5,872,988	5,519,116
Purchase of loans held-for-sale	(80,305)	(1,459,528)
Principal payments received for loans held-for-sale	4,398	104,049
Proceeds from sale of loans held-for-sale	90,537	854,991
Other assets	(22,806)	8,719
Operating lease liability and right-of-use asset	1,028	7,695
Accounts payable	(4,556)	3,446
Payable to investors	38,811	(13,754)
Accrued expenses and other liabilities	29,854	(25,495)
Net cash provided by (used in) operating activities	179,497	(421,804)

Upstart

Financial Statements

(in thousands, except share and per share data)

	Nine Months Ended September 30,	
	2021	2022
Cash flows from investing activities		
Purchase of loans held-for-investment	(92,738)	(55,294)
Proceeds from sale of loans held-for-investment	10,793	11,993
Principal payments received for loans held-for-investment	14,722	27,711
Principal payments received for notes receivable and repayments of residual certificates	9,115	5,508
Purchase of non-marketable equity security	(40,000)	(1,000)
Purchase of property and equipment	(4,956)	(7,088)
Capitalized software costs	(4,476)	(10,842)
Acquisition, net of cash acquired	(16,561)	—
Net cash used in investing activities	(124,101)	(29,012)
Cash flows from financing activities		
Repurchases of common stock	—	(150,070)
Proceeds from secondary offering, net of underwriting discounts, commissions, and offering costs	263,931	—
Proceeds from borrowings	667,081	430,270
Repayments of borrowings	(65,412)	(209,079)
Taxes paid related to net share settlement of equity awards	(236)	(8)
Proceeds from issuance of common stock under employee stock purchase plan	4,145	7,662
Proceeds from exercise of stock options	9,773	10,726
Net cash provided by financing activities	805,032	89,501
Change in cash and restricted cash	860,428	(361,315)
Cash and restricted cash at beginning of period	311,333	1,191,241
Cash and restricted cash at end of period	$ 1,171,761	$ 829,926

Reconciliation of non-GAAP financial measures

(in thousands, except ratios)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2022**	**2021**	**2022**
Revenue from fees, net	$ 210,421	$ 179,348	$ 513,888	$ 751,675
Income (loss) from operations	28,599	(58,091)	80,467	(55,365)
Operating Margin	14 %	(32) %	16 %	(7) %
Sales and marketing, net of borrower acquisition costs[1]	$ 6,239	$ 10,348	$ 14,476	$ 31,910
Customer operations, net of borrower verification and servicing costs[2]	7,577	7,706	15,201	20,728
Engineering and product development	37,085	66,182	87,504	173,218
General, administrative, and other	34,442	47,752	80,602	138,148
Interest income and fair value adjustments, net	(18,029)	22,115	(29,853)	56,144
Contribution Profit	$ 95,913	$ 96,012	$ 248,397	$ 364,783
Contribution Margin	46 %	54 %	48 %	49 %

1. Borrower acquisition costs were $87.1 million and $46.0 million for the three months ended September 30, 2021 and 2022, respectively, and were $204.2 million and $263.1 million for the nine months ended September 30, 2021 and 2022, respectively. Borrower acquisition costs consist of our sales and marketing expenses adjusted to exclude costs not directly attributable to attracting a new borrower, such as payroll-related expenses for our business development and marketing teams, as well as other operational, brand awareness and marketing activities.
2. Borrower verification and servicing costs were $27.4 million and $37.3 million for the three months ended September 30, 2021 and 2022, respectively, and were $61.3 million and $123.8 million for the nine months ended September 30, 2021 and 2022, respectively. Borrower verification and servicing costs consist of payroll and other personnel-related expenses for personnel engaged in loan onboarding, verification and servicing, as well as servicing system costs. It excludes payroll and personnel-related expenses and stock-based compensation for certain members of our customer operations team whose work is not directly attributable to onboarding and servicing loans.

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Reconciliation of non-GAAP financial measures

(in thousands, except ratios)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
Total revenue	$ 228,450	$ 157,233	$ 543,741	$ 695,531
Net income (loss)	29,113	(56,223)	76,499	(53,402)
Net Income (loss) Margin	13 %	(36) %	14 %	(8) %
Adjusted to exclude the following:				
Stock-based compensation and certain payroll tax expenses[1]	$ 28,333	$ 36,957	$ 59,448	$ 93,721
Depreciation and amortization	2,185	3,724	4,984	9,859
Expense on convertible notes	776	1,1712	807	3,511
(Benefit) provision for income taxes	(1,268)	12	(2,035)	55
Acquisition-related costs	—	—	1,237	—
Adjusted EBITDA	$ 59,139	$ (14,358)	$ 140,940	$ 53,744
Adjusted EBITDA Margin	26 %	(9) %	26 %	8 %

1. Excludes the amount of employer payroll tax-related expense on employee stock transactions, as the amount is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of our business.

Reconciliation of non-GAAP financial measures

(in thousands, except ratios, and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
Net income (loss)	$ 29,113	$ (56,223)	$ 76,499	$ (53,402)
Adjusted to exclude the following:				
Stock-based compensation and certain payroll tax expenses[1]	28,333	36,957	59,448	93,721
Acquisition-related costs	—	—	1,237	—
Adjusted Net Income (Loss)	$ 57,446	$ (19,266)	$ 137,184	$ 40,319
Net income (loss) per share:				
Basic	$ 0.37	$ (0.69)	$ 1.00	$ (0.64)
Diluted	$ 0.30	$ (0.69)	$ 0.81	$ (0.64)
Adjusted Net Income (Loss) per Share:				
Basic	$ 0.72	$ (0.24)	$ 1.79	$ 0.48
Diluted	$ 0.60	$ (0.24)	$ 1.46	$ 0.43
Weighted-average common shares outstanding:				
Basic	79,392,600	81,672,099	76,586,395	83,236,131
Diluted	96,057,210	81,672,099	94,165,325	92,991,590

1. Excludes the amount of employer payroll tax-related expense on employee stock transactions, as the amount is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of our business.

Key Operating Metrics

Key Operating Metrics

We review a number of operating metrics, including number of loans transacted and conversion rate, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

We define Transaction Volume, Dollars as the total principal of loans transacted on our platform between a borrower and the originating bank during the period presented. We define Transaction Volume, Number of Loans as the number of loans facilitated on our platform between a borrower and the originating bank during the period presented. We believe these metrics are good proxies for our overall scale and reach as a platform.

We define Conversion Rate as the number of loans transacted in a period divided by the number of rate inquiries received that we estimate to be legitimate, which we record when a borrower requests a loan offer on our platform. We track this metric to understand the impact of improvements to the efficiency of our borrower funnel on our overall growth.

We define Percentage of Loans Fully Automated as the total number of loans in a given period originated end-to-end (from initial rate request to final funding) with no human involvement divided by Transaction Volume, Number of Loans in the same period.

Non-GAAP Financial Metrics

About Non-GAAP Financial Measures

In addition to our results determined in accordance with generally accepted accounting principles in the United States ("GAAP"), we believe the non-GAAP measures of contribution profit, contribution margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net income (loss), and adjusted net income (loss) per share are useful in evaluating our operating performance. Certain of these non-GAAP measures exclude stock-based compensation, warrant expenses, depreciation, amortization, and other non-operating expenses. We exclude stock-based compensation and income and expense on warrants and other non-operating expenses because they are non-cash in nature and exclude in order to facilitate comparisons to other companies' results.

We believe non-GAAP information is useful in evaluating the operating results, ongoing operations, and for internal planning and forecasting purposes. We also believe that non-GAAP financial measures provide consistency and comparability with past financial performance and assist investors with comparing Upstart to other companies some of which use similar non-GAAP financial measures to supplement their GAAP results. We believe non-GAAP financial measures are presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP and may be different from similarly titled non-GAAP financial measures used by other companies.

Key limitations of our non-GAAP financial measures include:

- Contribution Profit is not a GAAP financial measure of, nor does it imply, profitability. Even if our revenue exceeds variable expenses over time, we may not be able to achieve or maintain profitability, and the relationship of revenue to variable expenses is not necessarily indicative of future performance;
- Contribution Profit does not reflect all of our variable expenses and involves some judgment and discretion around what costs vary directly with loan volume. Other companies that present contribution profit calculate it differently and, therefore, similarly titled measures presented by other companies may not be directly comparable to ours;
- Although depreciation expense is a non-cash charge, the assets being depreciated 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 excludes stock-based compensation expense and certain employer payroll taxes on employee stock transactions. Stock-based compensation expense has 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. The amount of employer payroll tax-related expense on employee stock transactions is dependent on our stock price and other factors that are beyond our control and which may not correlate to the operation of the business;
- Adjusted EBITDA does not reflect: (1) changes in, or cash requirements for, our working capital needs; (2) interest expense, or the cash requirements necessary to service interest or principal payments on our debt, which reduces cash available to us; or (3) tax payments that may represent a reduction in cash available to us;
- The expenses and other items that we exclude in our calculation of Adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude from Adjusted EBITDA when they report their operating results.

Reconciliation tables of the most comparable GAAP financial measures to the non-GAAP financial measures are used in this presentation.

Upstart

Thank you