Upstart

Q1 2024 Earnings
May 7, 2024

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 Q2 2024 and the second half of 2024 under the heading “Outlook” and our risk sharing investments under the heading “Committed Capital and Other Co-Investments”, 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 more fully described in our filings and reports that we may file from time to time with the Securities and Exchange Commission (the “SEC”), including “Risk Factors” in our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. These risks and uncertainties include, but are not limited to: our ability to manage the adverse effects of macroeconomic conditions and disruptions in the banking section and credit markets, including inflation and related monetary policy changes, such as increasing interest rates; our ability to access sufficient loan funding, including through securitizations, committed capital and other co-investment arrangements, whole loan sales and warehouse credit facilities; the effectiveness of our credit decisioning models and risk management efforts, including reflecting the impact of economic conditions on borrowers’ credit risk; our ability to retain existing, and attract new, lending partners; our future growth prospects and financial performance; our ability to manage risks associated with the loans on our balance sheet; our ability to improve and expand our platform and products; 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 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. 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 29-31 for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures.

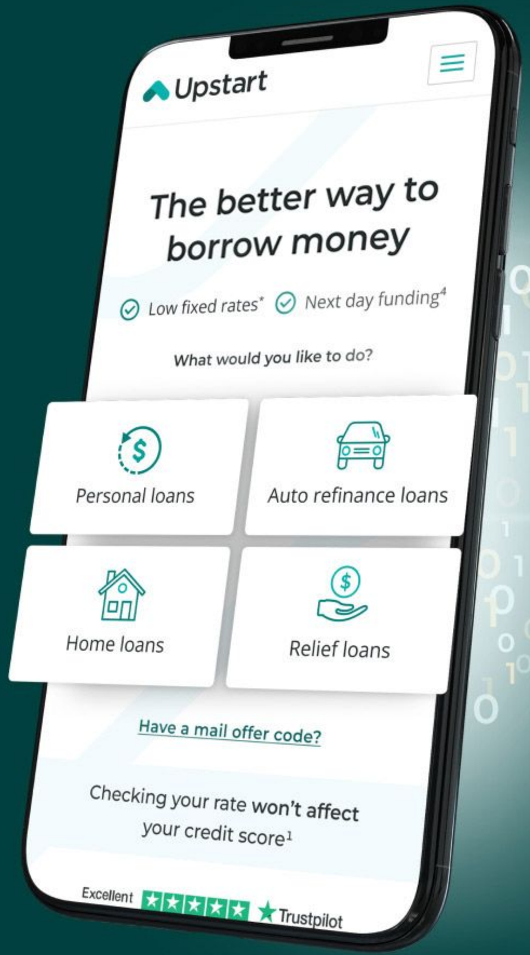
A reconciliation of non-GAAP guidance financial measures to corresponding GAAP guidance financial measures is not available on forward-looking basis without unreasonable effort due to the uncertainty and potential variability of expenses, such as stock-based compensation expense-related charges, that 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.

Upstart is the leading AI lending marketplace

3.0M[1]	$38B[1]	100+[1]
Customers	Originations	Banks

We connect millions of customers to 100+ banks and credit unions who leverage Upstart's artificial intelligence (AI) models and cloud applications to deliver superior credit products.

With Upstart AI, lenders can approve more borrowers at lower APRs across races, ages, and genders, while simultaneously delivering the exceptional digital-first experience customers demand.



1 as of 3/31/2024

Q1'24 Summary

Revenue	Income from Operations	Contribution Profit Margin	Net Income	Adjusted EBITDA
$127.8M	**($67.5M)**	**59%**	**($64.6M)**	**($20.3M)**
+24% y/y	from ($131.8M) in Q1'23	vs 58% in Q1'23	from ($129.3M) in Q1'23	from ($31.1M) in Q1'23

Highlights

90%[1]

Of loans fully automated, a new record, and **91%** of automated approvals converted to funded loans.

RCP

Announced Recognized Customer Personalization, which alerts lenders when existing customers are shopping for a loan. 30 lenders already signed up.

103

Dealer rooftops now offer Upstart auto lending, adding 22 in the last quarter.

+80%

Small Dollar Loan growth from Q4'23[2]

HELOC

Live in 19 states plus DC, from 11 in Q4.

1 Percentage of Loans Fully Automated is defined as the total number of loans in a given period originated end-to-end (from initial rate request to final funding for personal loans and small dollar loans, and from initial rate request to signing of the loan agreement for auto loans) with no human involvement required divided by the Transaction Volume, Number of Loans in the same period.
2 Number of loans

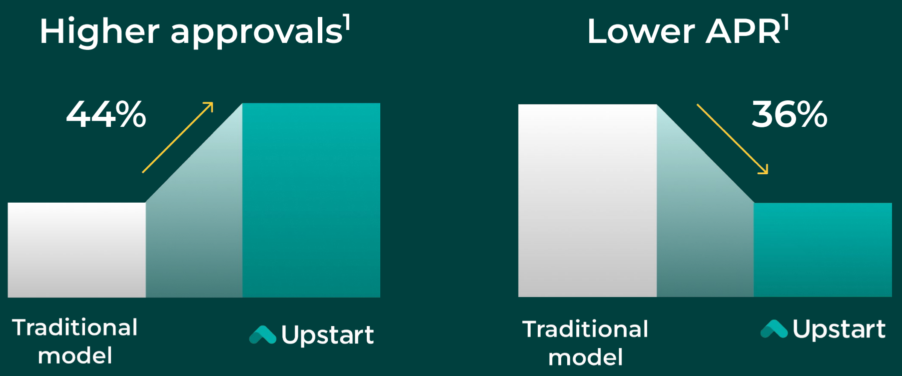
Key Investment Areas

1. Best rates for all
2. More efficient borrowing and lending
3. Expanding our footprint

Best rates for all

AI provides superior risk separation, leading to higher approvals and lower APRs

Upstart's model is **more accurate** than traditional lending models; allowing lenders to **approve more applicants** at **lower APRs**. [1]



Powered by more than 1,600 variables, Upstart models are **trained on more than 65 million repayment events, adding** an average of **82,000[2] new repayments each business day**.

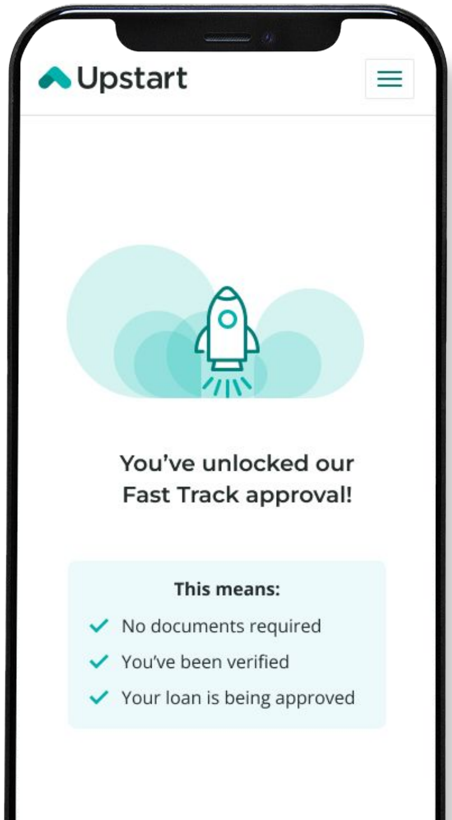
We continue to make progress improving efficiency of infrastructure, **reducing year-over-year cloud infrastructure costs by 23%.**

60% of applicants who initially qualify for a small dollar loan, **fund the loan.**

1 As of October 2023, and based on a comparison between the Upstart model and a hypothetical traditional model. For more information on the methodology behind this study, please see Upstart's Annual Access to Credit results here.
2 As of 3/31/2024

More efficient borrowing and lending

Enabled by better AI and more sophisticated risk models



83 Net promoter score Borrowers love Upstart with 45K+ rating us 'Excellent' on Trustpilot[1]

90% of loans are instantly approved and fully automated[2]

91% of instantly approved borrowers fund their loan, over **3X** the conversion rate of non-automated[3]

1 as of 3/31/2024. 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.
2 in Q1 2024. Percentage of Loans Fully Automated is defined as the total number of loans in a given period originated end-to-end (from initial rate request to final funding for personal loans and small dollar loans, and from initial rate request to signing of the loan agreement for auto loans) with no human involvement required divided by the Transaction Volume, Number of Loans in the same period..
3 in Q1'24

Expanding our footprint

Product, borrower, and funding diversification can drive growth and provide greater resilience through market cycles

100+[1]

Banks and Credit Unions, up from 10 at IPO

Auto Secured Personal Loans

Launched ASPL pilot in seven states, with interest rates 20% better than unsecured

~$2.7B

expected funding through committed capital and other co-investment arrangements over the next 12 months

HELOC

Now live in:
FL, CO, MI, WA, UT, MD, KY, TN, NC, OK, CT, AR, KS, MT, MS, WV, WI, SD, ID, and DC

1 as of 5/3/2024

Consumer and Credit Trends

UMI and consumer trends

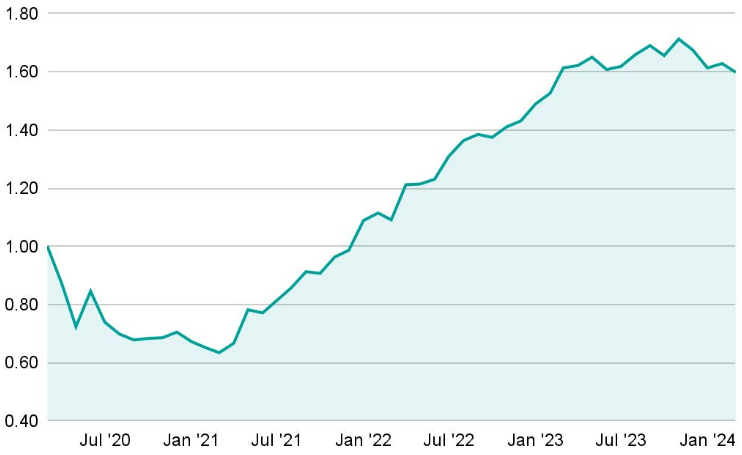
Macroeconomic risk to consumer credit is holding steady reflecting the pause in the recovery of key consumer trends

March UMI

1.60 [2]

-1.8 M|M

upstart.com/umi



March consumer trends

3.2% **Personal savings rate*** vs 3.6% in February [1]

4.5% **CPI (Inflation)*** vs 4.4% in February [1]

62.7% **Labor force participation rate*** vs 62.5% in February [1]

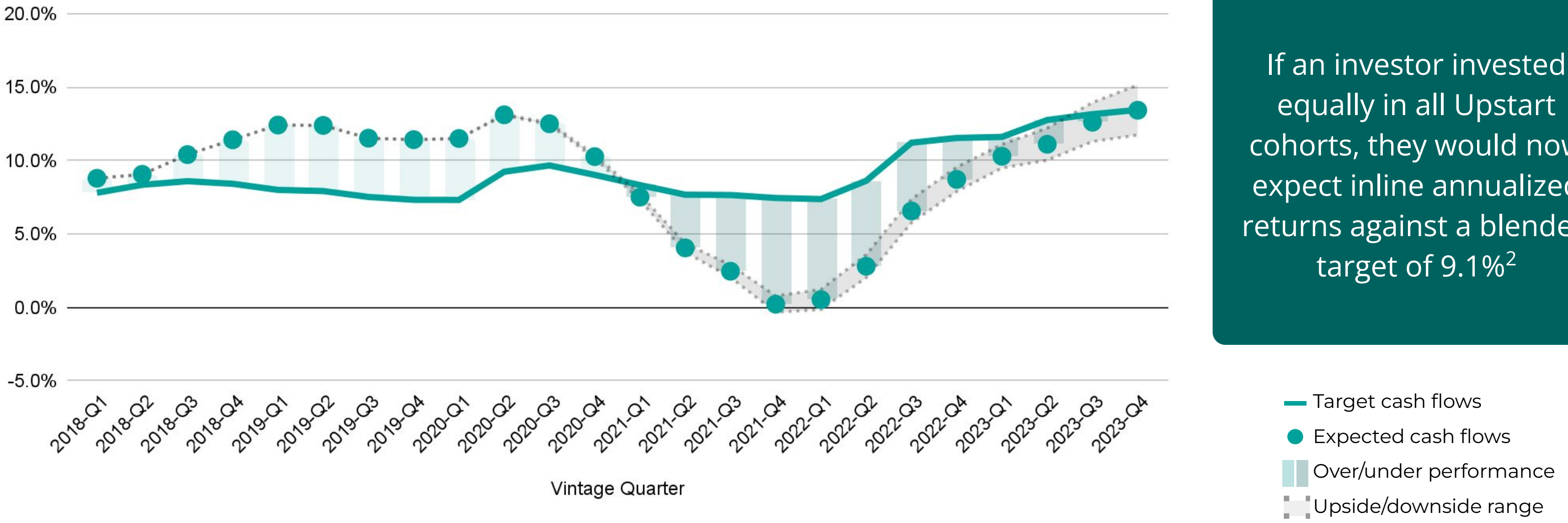
*Statistics as of September

The Upstart Macro Index (UMI) estimates the impact of the macroeconomy on credit losses for Upstart-powered unsecured personal loans. UMI is expressed as a multiple of defaults relative to a static baseline due to macroeconomic changes. For example, a UMI of 1.25 for a given month suggests that the macro caused default rates to be 25% higher than the long-run average.

1 https://fred.stlouisfed.org/
2 Upstart internal measured data as of 04/26/2024

Upstart loan performance

Most recent vintages are now expected to deliver ~13% gross returns[1]



If an investor invested equally in all Upstart cohorts, they would now expect inline annualized returns against a blended target of 9.1%[2]

1 Upstart internal performance data as of 4/12/24. "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.

Impact and Scale

Upstart's impact

Dedicated to expanding access to credit for all

"Money is a fundamental ingredient of life, and unless you're one of the few percent of Americans with significant wealth, the *price and difficulty of borrowing affects you every day.* Throughout history, affordable credit has been central to unlocking mobility and opportunity." - Dave Girouard

Closing the racial wealth gap

In 2022 the Upstart model approved:

35% **more Black borrowers** than a traditional model at 29% lower APRs [1]

46% **more Hispanic borrowers** than a traditional model at 34% lower APRs [1]

Fair and responsible use of AI

More Than Fair

Founding member of **MoreThanFair**

Developed state of the art **fairness testing** with oversight from the relevant federal regulator

Partnering to reach the underserved

ECONOMIC OPPORTUNITY COALITION — Go to fact sheet ➤

NCRC — Go to press release ➤

NBA National Bankers Association — Go to press release ➤

1 As of October 2023, and based on a comparison between the Upstart model and a hypothetical traditional 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. For more information on the methodology behind this study, please see Upstart's Annual Access to Credit results here.

Upstart risk separation

Significantly better at differentiating risk than credit scores

Annualized default rates[1]

Upstart Risk Grades

FICO Score		A+	B	C	D	E-	Average
	700 or Above	1.2%	3.5%	6.2%	8.6%	13.2%	**4.6%**
	680 to 699	1.6%	3.5%	6.1%	8.1%	13.1%	**6.2%**
	660 to 679	2.3%	4.1%	6.6%	8.8%	14.1%	**8.2%**
	640 to 659	3.3%	4.8%	7.1%	9.7%	16.1%	**10.3%**
	639 or Below	5.7%	6.7%	8.9%	11.7%	21.5%	**16.4%**
	Average	**1.7%**	**4.1%**	**6.9%**	**9.6%**	**17.5%**	

~4x more defaults between highest and lowest credit score

~10x more defaults between highest and lowest Upstart risk grade

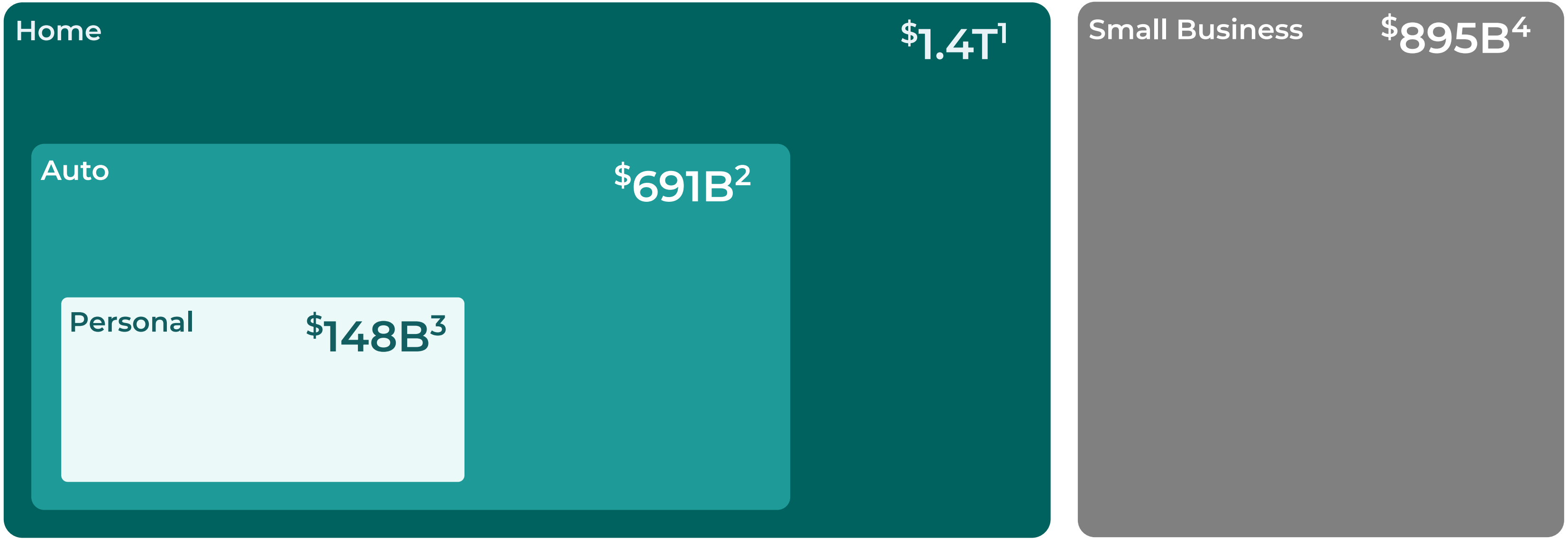
Upstart's risk grades predict a steadily increasing default rate from left to right as the borrowers get riskier.

Looking down any column, there's **significantly less difference** between default rates, regardless of credit score.

1 Upstart internal performance data as of 4/15/24. Consists of all originations made 2018-Q1 to 2023-Q4 "vintages."

Upstart's marketplace

Total addressable market of $3T in annual loan originations



1 Total mortgage originations using data provided by TransUnion for Q4 2022 – Q3 2023
2 Total auto loans using data provided by TransUnion for Q4 2022 – Q3 2023
3 Total unsecured personal loans using data provided by TransUnion for Q4 2022 – Q3 2023
4 Total small business loans using data provided by the Office of Advocacy U.S. Small Business Administration, July 2022, for 2020 fiscal year

Financial Summary

Q1’24 summary P&L and non-GAAP metrics

(in millions, except ratios and per share data)

	Q1’24	Q4’23	Q|Q	Q1’23	Y|Y
Revenue	**$127.8**	$140.3	(9%)	$102.9	24%
Revenue from Fees	**$138.1**	$152.8	(10%)	$117.1	18%
Income (Loss) from Operations	**($67.5)**	($47.5)	n/a	($131.8)	n/a
Net Income (Loss)	**($64.6)**	($42.4)	n/a	($129.3)	n/a
Adjusted Net Income (Loss)	**($27.2)**	($9.7)	n/a	($38.7)	n/a
Earnings (Loss) Per Share (Diluted)	**($0.74)**	($0.50)	n/a	($1.58)	n/a
Adjusted Earnings (Loss) Per Share (Diluted)	**($0.31)**	($0.11)	n/a	($0.47)	n/a
Contribution Profit	**$81.1**	$95.6	(15%)	$67.6	20%
Contribution Margin	**59%**	63%	(380bps)	58%	100bps
Operating Expenses	**$195.3**	$187.8	4%	$234.8	(17%)
Adjusted EBITDA	**($20.3)**	$0.6	n/a	($31.1)	n/a

Balance Sheet items and key operating metrics

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

	Q1'24	Q4'23	Q1'23
Cash and Restricted Cash	**$439.2**	$467.8	$451.9
Loans, Notes, and Residuals	**$1,094.2**	$1,171.3	$987.3
Total Assets	**$1,927.7**	$2,017.1	$1,821.7
Total Liabilities	**$1,314.9**	$1,381.8	$1,194.5
Transaction Volume, Number of Loans	**119,380**	129,664	84,084
Transaction Volume, Dollars	**$1,130.8**	$1,253.2	$997.4
% Fully Automated	**90%**	89%	84%
Conversion Rate	**14%**	12%	8%

Loans Held on Balance Sheet

Fair Value (in millions)

	Q1'24	Q4'23	Q1'23
Testing and Evaluation (R&D)[1]	**$394**	$411	$493
Auto	***$316***	*$343*	*$401*
Other	***$78***	*$68*	*$92*
Core Personal	**$530**	$566	$489
Total whole loans on balance sheet	**$924**	**$977**	**$982**
Consolidated (securitized) Loans	**$157**	**$179**	-
Total on balance sheet	**$1,081**	**$1,156**	**$982**

In Q3'23, we completed an asset-backed securitization and retained the full residual equity, which required us to consolidate the securitization. The net retained value of the securitization is approx. $28M as of March 31, 2024.

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 loan products. R&D Loans are not yet part of our established capital markets programs or other loan funding programs with institutional investors.

Committed Capital and Other Co-Investments

in millions

	Q1'24	Q4'23	Q1'23
Capital co-invested	**$169.6**	$98.5	-
Current assessed value (undiscounted)	**$156.2**	$95.0	-
Minimum/maximum possible value	**$0 - $333.1**	$0-$205.2	-

As of March 31, Upstart has invested $169.6M linked to credit performance as part of our committed capital and other co-investments.

The value of our risk sharing investment is $156.2M, based on the actual and our expected future performance of the underlying loans.

The range of potential value spans from $0 to $333.1M, dependent on future credit performance.

Lending by Product

Personal Unsecured	Q1'24	Q4'23	Q|Q	Q1'23	Y|Y
Number of Loans	**118,743**	129,078	(8%)	82,070	45%
Transaction Dollars	**$1,111M**	$1,238M	(10%)	$952	17%

Auto Secured	Q1'24	Q4'23	Q|Q	Q1'23	Y|Y
Number of Loans	**526**	542	(3%)	2,014	(74%)
Transaction Dollars	**$13M**	$13M	-	$45	(71%)

HELOC	Q1'24	Q4'23	Q|Q	Q1'23	Y|Y
Number of Loans	**111**	44	152%	-	n/a
Transaction Dollars[1]	**$7M**	$3M	133%	-	n/a

1 HELOC transaction dollars is the total committed amount the borrower can draw against.

Outlook

	Q2'24
Revenue	approximately $125 million
Revenue From Fees	*approximately $135 million*
Net Interest Income (Loss)	*approximately ($10) million*
Contribution Margin	*approximately* 56%
Net Income (Loss)	*approximately* ($75) million
Non-GAAP Adjusted Net Income (Loss)[1]	*approximately* ($36) million
Adjusted EBITDA[1]	*approximately* ($25) million
Diluted weighted average share count	*approximately* 88.4 million shares
	Second Half 2024
Revenue From Fees	approximately $300 million
Adjusted EBITDA[1] in Q4'24	Positive

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

Financial Appendix

Financial Statements

(in thousands, except share and per share data)

	December 31, 2023	March 31, 2024
Assets		
Cash	$ 368,405	$ 300,529
Restricted cash	99,382	138,622
Loans (at fair value) (1)	1,156,413	1,080,865
Property, equipment, and software, net	42,655	40,555
Operating lease right of use assets	54,694	51,936
Beneficial interest assets (at fair value)	41,012	62,214
Non-marketable equity securities	41,250	41,250
Goodwill	67,062	67,062
Other assets (includes $48,897 and $46,079 at fair value as of December 31, 2023 and March 31, 2024, respectively)	146,227	144,634
Total assets	$ 2,017,100	$ 1,927,667
Liabilities and Stockholders' Equity		
Liabilities:		
Payable to investors	$ 53,580	$ 59,081
Borrowings	1,040,424	1,005,277
Payable to securitization note holders (at fair value)	141,416	129,092
Accrued expenses and other liabilities (includes $10,510 and $14,314 at fair value as of December 31, 2023 and March 31, 2024, respectively)	84,051	62,055
Operating lease liabilities	62,324	59,364
Total liabilities	1,381,795	1,314,869
Stockholders' equity:		
Common stock, $0.0001 par value; 700,000,000 shares authorized; 86,330,303 and 87,805,393 shares issued and outstanding as of December 31, 2023 and March 31, 2024, respectively	9	9
Additional paid-in capital	917,872	959,963
Accumulated deficit	(282,576)	(347,174)
Total stockholders' equity	635,305	612,798
Total liabilities and stockholders' equity	$ 2,017,100	$ 1,927,667

(1) Includes $179.1 million and $157.3 million of loans, at fair value, contributed as collateral for the consolidated securitization as of December 31, 2023, and March 31, 2024, respectively.

Financial Statements

(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2023	2024
Revenue:		
Revenue from fees, net	$ 117,141	$ 138,068
Interest income, interest expense, and fair value adjustments, net:		
Interest income (1)	45,315	51,171
Interest expense (1)	(7,132)	(10,714)
Fair value and other adjustments (1)	(52,397)	(50,731)
Total interest income, interest expense, and fair value adjustments, net	(14,214)	(10,274)
Total revenue	102,927	127,794
Operating expenses:		
Sales and marketing	31,438	35,150
Customer operations	40,590	39,408
Engineering and product development	110,071	63,091
General, administrative, and other	52,663	57,613
Total operating expenses	234,762	195,262
Loss from operations	(131,835)	(67,468)
Other income, net	2,597	2,884
Net loss before income taxes	(129,238)	(64,584)
Provision for income taxes	16	14
Net loss	$ (129,254)	$ (64,598)
Net loss per share, basic	$ (1.58)	$ (0.74)
Net loss per share, diluted	$ (1.58)	$ (0.74)
Weighted-average number of shares outstanding used in computing net loss per share, basic	81,911,433	87,030,695
Weighted-average number of shares outstanding used in computing net loss per share, diluted	81,911,433	87,030,695

(1) Balances for the three months ended March 31, 2024 include $8.6 million of interest income, $(2.8) million of interest expense, and $(10.7) million of fair value and other adjustments, net related to the consolidated securitization.

Financial Statements

(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2023	2024
Cash flows from operating activities		
Net loss	$ (129,254)	$ (64,598)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Change in fair value of loans	54,924	54,017
Change in fair value of servicing assets	5,479	4,286
Change in fair value of servicing liabilities	(875)	(454)
Change in fair value of beneficial interest assets	-	(4,481)
Change in fair value of beneficial interest liabilities	-	4,973
Change in fair value of financial instruments	(482)	1,551
Stock-based compensation	74,109	35,777
Gain on loan servicing rights, net	(3,613)	(2,946)
Depreciation and amortization	6,441	5,632
Non-cash interest expense	766	768
Other	(974)	(2,539)
Net changes in operating assets and liabilities:		
Purchases of loans held-for-sale	(510,003)	(796,543)
Proceeds from sale of loans held-for-sale	449,339	772,690
Principal payments received for loans held-for-sale	57,949	52,841
Principal payments received for loans held by consolidated securitizations	-	12,338
Payments on beneficial interest liabilities	-	(710)
Other assets	306	(825)
Operating lease liability and right-of-use asset	1,216	(202)
Payable to investors	(49,730)	6,893
Accrued expenses and other liabilities	(31,325)	(25,846)
Net cash provided by (used in) operating activities	$ (75,727)	$ 52,622

Financial Statements

(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2023	2024
Cash flows from investing activities		
Purchases and originations of loans held-for-investment	$ (46,382)	$ (46,152)
Principal payments received for loans held-for-investment	24,422	27,242
Principal payments received for notes receivable and repayments of residual certificates	1,566	1,225
Purchases of property and equipment	(1,111)	(684)
Capitalized software costs	(4,347)	(1,065)
Acquisition of beneficial interest assets	-	(16,940)
Payments on beneficial interest assets	-	(1,173)
Net cash used in investing activities	$ (25,852)	$ (37,547)

Financial Statements

(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2023	2024
Cash flows from financing activities		
Proceeds from borrowings	$ 60,673	$ 74,260
Repayments of borrowings	(46,962)	(110,175)
Principal payments made on securitization notes	-	(13,564)
Proceeds from issuance of common stock under employee stock purchase plan	5,728	4,565
Proceeds from exercise of stock options	1,537	1,204
Taxes paid related to net share settlement of equity awards	(5)	(1)
Net cash provided by (used in) financing activities	20,971	(43,711)
Change in cash and restricted cash	(80,608)	(28,636)
Cash and restricted cash		
Cash and restricted cash at beginning of period	532,467	467,787
Cash and restricted cash at end of period	$451,859	$439,151

Reconciliation of non-GAAP financial measures

(in thousands, except ratios)

	Three Months Ended March 31,	
	2023	2024
Revenue from fees, net	$ 117,141	$ 138,068
Loss from operations	(131,835)	(67,468)
Operating Margin	(113%)	(49%)
Sales and marketing, net of borrower acquisition costs (1)	$ 11,726	$ 10,331
Customer operations, net of borrower verification and servicing costs (2)	10,784	7,301
Engineering and product development	110,071	63,091
General, administrative, and other	52,663	57,613
Interest income, interest expense, and fair value adjustments, net	14,214	10,274
Contribution Profit	$ 67,623	$ 81,142
Contribution Margin	58%	59%

(1) Borrower acquisition costs were $19.7 million, and $24.8 million for the three months ended March 31, 2023 and 2024, 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. These costs do not include reorganization expenses associated with the January 2023 Plan.

(2) Borrower verification and servicing costs were $29.8 million, and $32.1 million for the three months ended March 31, 2023 and 2024, 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. These costs do not include reorganization expenses associated with the January 2023 Plan.

Reconciliation of non-GAAP financial measures

(in thousands, except ratios)

	Three Months Ended March 31,	
	2023	2024
Total revenue	$ 102,927	$ 127,794
Net loss	(129,254)	(64,598)
Net Loss Margin	(126%)	(51%)
Adjusted to exclude the following:		
Stock-based compensation and certain payroll tax expenses (1)	$ 75,026	$ 37,433
Depreciation and amortization	6,441	5,632
Reorganization expenses	15,536	-
Expense on convertible notes	1,174	1,180
Provision for income taxes	16	14
Adjusted EBITDA	$ (31,061)	$ (20,339)
Adjusted EBITDA Margin	(30%)	(16%)

(1) Payroll tax expenses include the 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 March 31,	
	2023	2024
Net loss	$ (129,254)	$ (64,598)
Adjusted to exclude the following:		
Stock-based compensation and certain payroll tax expenses (1)	75,026	37,433
Reorganization expenses	15,536	-
Adjusted Net Loss	$ (38,692)	$ (27,165)
Net loss per share:		
Basic	$ (1.58)	$ (0.74)
Diluted	$ (1.58)	$ (0.74)
Adjusted Net Loss per Share:		
Basic	$ (0.47)	$ (0.31)
Diluted	$ (0.47)	$ (0.31)
Weighted-average common shares outstanding:		
Basic	81,911,433	87,030,695
Diluted	81,911,433	87,030,695

(1) Payroll tax expenses include the 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 transaction volume, $; transaction volume, number of loans; conversion rate; and percentage of loans fully automated, 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 loan originations (or committed amounts for HELOCs) facilitated on our marketplace during the periods presented. We define Transaction Volume, Number of Loans as the number of loan originations (or commitments issued for HELOCs) facilitated on our marketplace during the periods 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 for personal loans and small dollar loans and from initial rate request to signing of the loan agreement for auto loans) with no human involvement required divided by the 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 and certain payroll tax expense, expense on convertible notes, depreciation, amortization, as well as certain items that are not related to core business and ongoing operations, such as reorganization expenses. We exclude stock-based compensation, expense on convertible notes, and other non-operating expenses because they are non-cash in nature and are excluded 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. However, non-GAAP financial measures are presented for supplemental informational purposes only and should not be considered a substitute for, or superior to, 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, certain employer payroll taxes on employee stock transactions, expense on convertible notes, and reorganization expenses as well as certain items that are not related to core business and ongoing operations. 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 used in this presentation are included below.

Thank You