# Upstart

Q2 2023 Earnings

August 8, 2023

# 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 Q3 2023 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 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 future growth prospects and financial performance; our ability to manage the adverse effects of macroeconomic conditions and disruptions in the credit markets and banking sector, 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, lending partners; 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 28-30 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

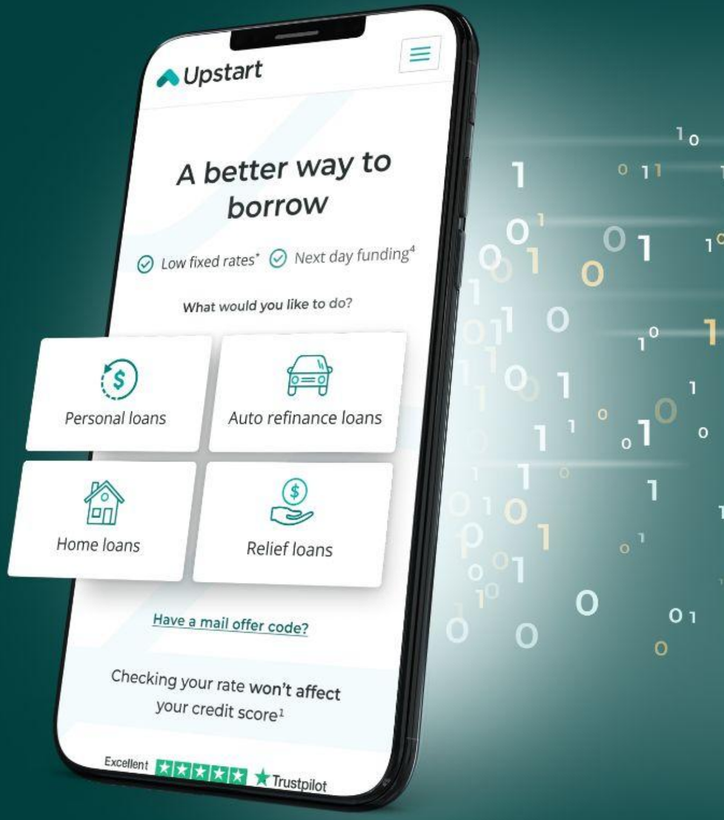
**2.7M+**[1]
Customers

**$34B+**[1]
Originations

**100**[2]
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 6/30/2023
2 as of 8/7/2023

# Q2'23 Summary

| Revenue | Income from Operations | Contribution Profit Margin | Net Income | Adjusted EBITDA |
|---|---|---|---|---|
| $135.8M | ($33.3M) | 67% | ($28.2M) | $11.0M |
| -40% y/y | from ($32.1M) in Q2'22 | vs 47% in Q2'22 | from ($29.9M) in Q2'22 | from $5.5.M in Q2'22 |

## Highlights

**87%** [1]

Of loans fully automated. A new record from 84% in Q1

**12**

Additional states added to auto lending. Now covering 65% of the US population

New patent pending **parallel timing curve calibration** accelerates new model development

**HELOC**

**Started pilot program in Colorado**

**38%**

originations in Q2 came from repeat borrowers

1 In Q2 2023 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.

# 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]


Upstart models **train on over 70 billion cells** of performance data with an average of **88,000[2] new loan repayments added each business day**.

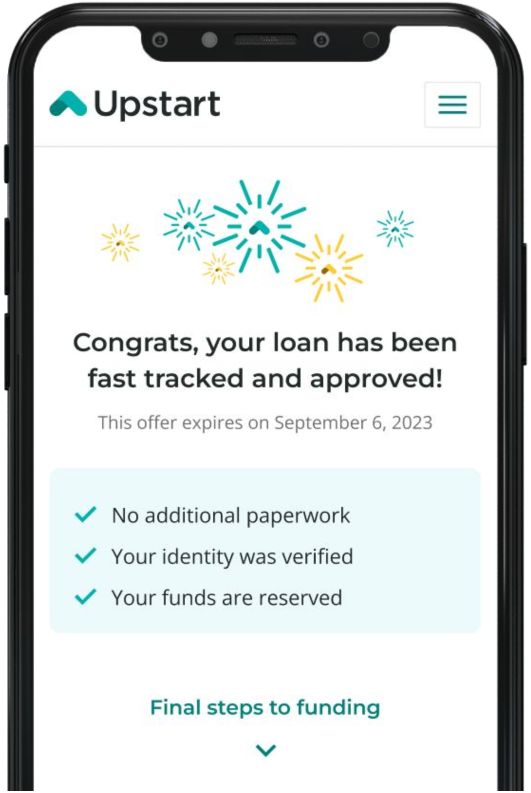
New **parallel timing curve calibration**, allows new model to re-underwrite all in-process loans from the past, generating new predictions for how they will perform in their remaining months.

**Began using cash flow data** as part of the risk model for small dollar loans. This **incremental data has led to increased approval rates**.

1 As of 12/31/2021. Based on a comparison between the Upstart model and a credit-score only model. The APR calculation compares the two models based on the average APR offered to borrowers up to the same approval rate. The hypothetical credit-score only model used in Upstart's analysis was developed in connection with the CFPB No Action Letter access-to-credit testing program and was built from a credit-score only model trained on Upstart platform data. APR for the scorecard was averaged for each given traditional credit score grouping.
2 As of 6/20/2023

# More efficient borrowing and lending

Enabled by better AI and more sophisticated risk models




**83** Net promoter score Borrowers love Upstart with 42K+ rating us 'Excellent' on Trustpilot[1]

**87%** of loans are instantly approved and fully automated[2]

**70%** of borrowers apply through a mobile phone[3]

1 as of 6/30/2023. 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 Q2 2023. 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 fiscal year 2022

# Expanding our footprint

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

**100**[1]

Lending partners, up from 71 a year ago, and 10 at IPO

**61**[1]

Dealerships now offering Upstart powered loans, from 39 in Q1

**HELOC**

Started pilot program in Colorado

1 as of 8/7/2023

# Consumer and Credit Trends

# UMI and consumer trends

Increasing macroeconomic risk reflects both the unwinding of Q1's favorable seasonality, and a pause in the recovery of key consumer trends

June UMI

**1.68** [2]

+2.4% M|M

upstart.com/umi


## June consumer trends

**4.3%** **Personal savings rate***
vs 4.6% in March [1]

**4.4%** **CPI (Inflation)***
vs 4.9% in March [1]

**62.6%** **Labor force participation rate***
vs 62.6% in March [1]

*Statistics as of June

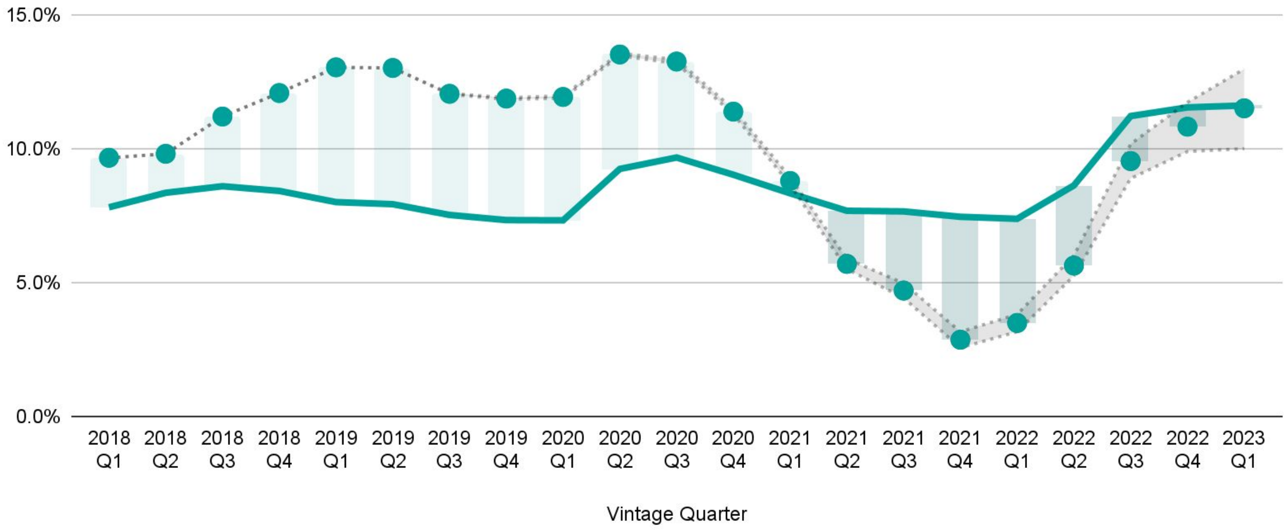
The Upstart Macro Index (UMI) estimates the impact of the macroeconomy on credit losses for Upstart-powered unsecured personal loans. UMI is expressed as a multiple of defaults relative to a static baseline due to macroeconomic changes. For example, a UMI of 1.25 for a given month suggests that the macro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

1 https://fred.stlouisfed.org/
2 Upstart internal measured data as of 8/1/2023

Upstart

# Upstart loan performance

## Most recent vintages are now expected to deliver 11%+ gross returns[1]




Expected gross realized returns have increased from 3.5% in Q1'22 to **11.5% for Q1'23**[1]

If an investor invested equally in all Upstart cohorts, they would now expect a **9.7% gross annualized return** against a blended target of 8.6%[2]

1 Upstart internal performance data as of July 28, 2023. "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 2021 the Upstart model approved:

**43%** **more Black borrowers** than a traditional model at 24% lower APRs [1]

**46%** **more Hispanic borrowers** than a traditional model at 25% 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 December 31, 2021, and based on a comparison between the Upstart model and a traditional credit-score only model. The APR calculation compares the two models based on the average APR offered to borrowers up to the same approval rate. The hypothetical credit-score only model used in Upstart's analysis was developed in connection with the CFPB No Action Letter access-to-credit testing program and was built from a traditional credit score only model trained on Upstart platform data. APR for the scorecard was averaged for each given traditional credit score grouping.

# 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 | 1.1% | 3.4% | 6.0% | 8.4% | 13.0% | **4.5%** |
| 680 to 699 | 1.4% | 3.3% | 5.9% | 7.9% | 13.0% | **6.0%** |
| 660 to 679 | 2.2% | 3.9% | 6.4% | 8.6% | 14.0% | **8.0%** |
| 640 to 659 | 3.2% | 4.6% | 6.9% | 9.6% | 16.1% | **10.2%** |
| 639 or Below | 5.7% | 6.6% | 8.8% | 11.6% | 21.7% | **16.4%** |
| Average | **1.6%** | **3.9%** | **6.7%** | **9.5%** | **17.6%** | |

**~4x** more defaults between highest and lowest credit score

**~11x** 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 July 27, 2023. Consists of all originations made 2018-Q1 to 2023-Q1 "vintages."

# Upstart's marketplace

Total addressable market of $4T in annual loan originations

| | |
|---|---|
| Home | $2.2T[1] |
| Auto | $755B[2] |
| Personal | $170B[3] |
| Small Business | $895B[4] |

1 Total mortgage originations using data provided by TransUnion for Q1 2022 – Q4 2022
2 Total auto loans using data provided by TransUnion for Q1 2022 – Q4 2022
3 Total unsecured personal loans using data provided by TransUnion for Q1 2022 – Q4 2022
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

# Q2'23 summary P&L and non-GAAP metrics

(in millions, except ratios and per share data)

| | Q2'23 | Q1'23 | Q\|Q | Q2'22 | Y\|Y |
|---|---|---|---|---|---|
| **Revenue** | **$135.8** | $102.9 | 32% | $228.2 | (40%) |
| **Revenue from Fees** | **$143.7** | $117.1 | 23% | $258.3 | (44%) |
| **Income (Loss) from Operations** | **($33.3)** | ($131.8) | n/a | ($32.1) | n/a |
| **Net Income (Loss)** | **($28.2)** | ($129.3) | n/a | ($29.9) | n/a |
| **Adjusted Net Income (Loss)** | **$5.4** | ($38.7) | n/a | $1.0 | 455% |
| **Earnings (Loss) Per Share (Diluted)** | **($0.34)** | ($1.58) | n/a | ($0.36) | n/a |
| **Adjusted Earnings (Loss) Per Share (Diluted)** | **$0.06** | ($0.47) | n/a | $0.01 | n/a |
| **Contribution Profit** | **$95.9** | $67.6 | 42% | $120.9 | (21%) |
| **Contribution Margin** | **67%** | 58% | 903bps | 47% | 1,995bps |
| **Operating Expenses** | **$169.1** | $234.8 | (28)% | $260.3 | (35%) |
| **Adjusted EBITDA** | **$11.0** | ($31.1) | n/a | $5.5 | 99% |

# Balance Sheet items and key operating metrics

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

| | Q2'23 | Q1'23 | Q2'22 |
|---|---|---|---|
| Cash and Restricted Cash | **$509.9** | $451.9 | $914.4 |
| Loans, Notes, and Residuals | **$841.5** | $987.3 | $628.5 |
| Total Assets | **$1,763.7** | $1,821.7 | $1,917.0 |
| Total Liabilities | **$1,125.6** | $1,194.5 | $1,159.9 |
| | | | |
| Transaction Volume, Number of Loans | **109,447** | 84,084 | 321,138 |
| Transaction Volume, Dollars | **$1,175.7** | $997.4 | $3,276.4 |
| % Fully Automated | **87%** | 84% | 73% |
| Conversion Rate | **9%** | 8% | 13% |

# Loans Held on Balance sheet

Fair Value (in millions, except ratios)

| | Q2'23 | Q1'23 | Q2'22 |
|---|---|---|---|
| Testing and Evaluation (R&D)[1] | **$493** | $493 | $484 |
| *Auto* | ***$413*** | *$401* | *$385* |
| *Other* | ***$80*** | *$92* | *$99* |
| Core Personal | **$345** | $489 | $140 |
| **Total** | **$838** | **$982** | **$624** |

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.

# Committed Capital Co-Investment Summary

in millions, except ratios

| | Q1'23 | Q2'23 |
|---|---|---|
| Initial capital co-invested | - | **$40.2** |
| Current assessed value (undiscounted) | - | **$51.7** |
| Minimum/maximum possible value | - | **$0 - 83.4** |

As of June 30, Upstart has invested $40.2M in risk-sharing linked to credit performance as part of our committed capital arrangements.

The value of our risk sharing investment is $51.7M, based on the actual and our expected future performance of the underlying loans.

The range of potential value spans from $0 to $83.4M, dependent on future credit performance.

# Lending by Product

(in millions, except number of loans and ratios)

| Personal Unsecured | Q2'23 | Q1'23 | Q\|Q | Q2'22 | Y\|Y |
|---|---|---|---|---|---|
| **Number of Loans** | 106,919 | 82,070 | 30% | 311,245 | (66%) |
| **Transaction Dollars** | $1,120 | $952 | 18% | $3,080 | (64%) |

| Auto Secured | Q2'23 | Q1'23 | Q\|Q | Q2'22 | Y\|Y |
|---|---|---|---|---|---|
| **Number of Loans** | 2,528 | 2,014 | 26% | 9,893 | (74%) |
| **Transaction Dollars** | $56 | $45 | 24% | $196 | (71%) |

# Outlook

| | Q3'23 |
|---|---|
| **Revenue** | approximately $140 million |
| *Revenue From Fees* | *approximately $150 million* |
| *Net Interest Income (Loss)* | *approximately ($10) million* |
| **Contribution Margin** | *approximately* 65% |
| **Net Income (Loss)** | *approximately* ($38) million |
| **Non-GAAP Adjusted Net Income (Loss)[1]** | *approximately* ($2) million |
| **Adjusted EBITDA[1]** | *approximately* $5 million |
| **Diluted weighted average share count** | *approximately* 84.5 million shares |

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, 2022 | June 30, 2023 |
|---|---|---|
| **Assets** | | |
| Cash | $ 422,411 | $ 443,672 |
| Restricted cash | 110,056 | 66,221 |
| Loans (at fair value) | 1,010,421 | 837,565 |
| Property, equipment, and software, net | 44,168 | 47,010 |
| Operating lease right of use assets | 86,335 | 80,349 |
| Beneficial interests (at fair value) | — | 28,664 |
| Non-marketable equity securities | 41,250 | 41,250 |
| Goodwill | 67,062 | 67,062 |
| Other assets (includes $42,648 and $47,585 at fair value as of December 31, 2022 and June 30, 2023, respectively) | 154,351 | 151,919 |
| Total assets | $ 1,936,054 | $ 1,763,712 |
| **Liabilities and Stockholders' Equity** | | |
| Liabilities: | | |
| Accounts payable | $ 18,715 | $ 6,937 |
| Payable to investors | 90,777 | 44,049 |
| Borrowings | 986,394 | 930,653 |
| Accrued expenses and other liabilities (includes $8,820 and $6,927 at fair value as of December 31, 2022 and June 30, 2023, respectively) | 66,946 | 47,689 |
| Operating lease liabilities | 100,787 | 96,239 |
| Total liabilities | 1,263,619 | 1,125,567 |
| Stockholders' equity: | | |
| Common stock, $0.0001 par value; 700,000,000 shares authorized; 81,259,676 and 83,811,484, shares issued and outstanding as of December 31, 2022 and June 30, 2023, respectively | 8 | 8 |
| Additional paid-in capital | 714,871 | 838,000 |
| Accumulated deficit | (42,444) | (199,863) |
| Total stockholders' equity | 672,435 | 638,145 |
| Total liabilities and stockholders' equity | $ 1,936,054 | $ 1,763,712 |

# Financial Statements

(in thousands, except share and per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2023 | 2022 | 2023 |
| Revenue: | | | | |
| Revenue from fees, net | $ 258,345 | $ 143,689 | $ 572,327 | $ 260,830 |
| Interest income and fair value adjustments, net: | | | | |
| Interest income | 28,974 | 33,916 | 44,108 | 79,231 |
| Interest expense | (2,313) | (4,282) | (3,272) | (11,414) |
| Fair value and other adjustments | (56,844) | (37,557) | (74,865) | (89,954) |
| Total interest income and fair value adjustments, net | (30,183) | (7,923) | (34,029) | (22,137) |
| Total revenue | 228,162 | 135,766 | 538,298 | 238,693 |
| Total operating expenses: | | | | |
| Sales and marketing | 105,212 | 23,891 | 238,661 | 55,329 |
| Customer operations | 51,072 | 36,797 | 99,479 | 77,387 |
| Engineering and product development | 57,054 | 57,974 | 107,036 | 168,045 |
| General, administrative, and other | 46,940 | 50,448 | 90,396 | 103,111 |
| Total operating expenses | 260,269 | 169,110 | 535,572 | 403,872 |
| Income (loss) from operations | (32,107) | (33,344) | 2,726 | (165,179) |
| Other income, net | 2,260 | 5,197 | 138 | 7,794 |
| Net income (loss) before income taxes | (29,847) | (28,147) | 2,864 | (157,385) |
| Provision for income taxes | 24 | 18 | 43 | 34 |
| Net income (loss) | (29,871) | (28,165) | 2,821 | (157,419) |
| Net income (loss) per share, basic | (0.36) | (0.34) | 0.03 | (1.91) |
| Net income (loss) per share, diluted | (0.36) | (0.34) | 0.03 | (1.91) |
| Weighted-average number of shares outstanding used in computing net income (loss) per share, basic | 83,833,963 | 83,130,638 | 84,031,109 | 82,524,403 |
| Weighted-average number of shares outstanding used in computing net income (loss) per share, diluted | 83,833,963 | 83,130,638 | 94,509,060 | 82,524,403 |

# Financial Statements
(in thousands, except share and per share data)

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2023 |
| **Cash flows from operating activities** | | |
| Net income (loss) | $ 2,821 | $ (157,419) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Change in fair value of financial instruments | 49,103 | 98,638 |
| Stock-based compensation | 55,379 | 106,705 |
| Gain on loan servicing arrangement, net | (17,732) | (6,960) |
| Depreciation and amortization | 6,135 | 10,866 |
| Non-cash interest expense | 1,537 | 1,533 |
| Other | — | (1,917) |
| Net changes in operating assets and liabilities: | | |
| Purchase of loans held-for-sale | (5,922,801) | (1,250,346) |
| Proceeds from sale of loans held-for-sale | 5,431,635 | 1,266,604 |
| Principal payments received for loans held-for-sale | 66,790 | 101,829 |
| Other assets | 13,196 | (3,826) |
| Operating lease liability and right-of-use asset | 5,265 | 1,438 |
| Accounts payable | 15,079 | (11,786) |
| Payable to investors | (1,886) | (50,836) |
| Accrued expenses and other liabilities | (24,959) | (17,871) |
| Net cash provided by (used in) operating activities | (320,438) | 86,652 |

# Financial Statements

(in thousands, except share and per share data)

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2023 |
| **Cash flows from investing activities** | | |
| Purchase of loans held-for-investment | (13,876) | (83,868) |
| Proceeds from sale of loans held-for-investment | 83 | — |
| Principal payments received for loans held-for-investment | 18,524 | 50,427 |
| Principal payments received for notes receivable and repayments of residual certificates | 3,912 | 2,996 |
| Acquisition of beneficial interests | — | (26,427) |
| Purchase of non-marketable equity securities | (1,000) | — |
| Purchase of property and equipment | (5,578) | (1,150) |
| Capitalized software costs | (6,829) | (6,324) |
| Net cash used in investing activities | (4,764) | (64,346) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | 261,199 | 340,370 |
| Repayments of borrowings | (101,613) | (397,644) |
| Proceeds from issuance of common stock under employee stock purchase plan | 4,431 | 5,728 |
| Proceeds from exercise of stock options | 9,407 | 6,672 |
| Taxes paid related to net share settlement of equity awards | — | (6) |
| Repurchases of common stock | (125,042) | — |
| Net cash provided by (used in) financing activities | 48,382 | (44,880) |
| **Change in cash and restricted cash** | (276,820) | (22,574) |
| **Cash and restricted cash** | | |
| Cash and restricted cash at beginning of period | 1,191,241 | 532,467 |
| **Cash and restricted cash at end of period** | $ 914,421 | $ 509,893 |

# Reconciliation of non-GAAP financial measures

(in thousands, except ratios)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2023 | 2022 | 2023 |
| Revenue from fees, net | $ 258,345 | $ 143,689 | $ 572,327 | $ 260,830 |
| Income (loss) from operations | (32,107) | (33,344) | 2,726 | (165,179) |
| *Operating Margin* | (12)% | (23)% | 0% | (63)% |
| Sales and marketing, net of borrower acquisition costs(1) | $ 11,927 | $ 4,842 | $ 21,562 | $ 16,568 |
| Customer operations, net of borrower verification and servicing costs(2) | 6,941 | 8,079 | 13,021 | 18,863 |
| Engineering and product development | 57,054 | 57,974 | 107,036 | 168,045 |
| General, administrative, and other | 46,940 | 50,448 | 90,396 | 103,111 |
| Interest income and fair value adjustments, net | 30,183 | 7,923 | 34,029 | 22,137 |
| Contribution Profit | $ 120,929 | $ 95,922 | $ 268,770 | $ 163,545 |
| *Contribution Margin* | 47% | 67% | 47% | 63% |

(1) Borrower acquisition costs were $93.3 million and $19.0 million for the three months ended June 30, 2022 and 2023, respectively, and were $217.1 million and $38.8 million for the six months ended June 30, 2022 and 2023, 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 $44.1 million and $28.7 million for the three months ended June 30, 2022 and 2023, respectively, and were $86.5 million and $58.5 million for the six months ended June 30, 2022 and 2023, 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2023 | 2022 | 2023 |
| Total revenue | $ 228,162 | $ 135,766 | $ 538,298 | $ 238,693 |
| Net income (loss) | (29,871) | (28,165) | 2,821 | (157,419) |
| *Net Income (Loss) Margin* | (13)% | (21)% | 1% | (66)% |
| Adjusted to exclude the following: | | | | |
| Stock-based compensation and certain payroll tax expenses(1) | $ 30,836 | $ 33,519 | $ 56,765 | $ 108,545 |
| Depreciation and amortization | 3,354 | 4,425 | 6,135 | 10,866 |
| Reorganization expenses | — | — | — | 15,536 |
| Expense on convertible notes | 1,170 | 1,176 | 2,339 | 2,350 |
| Provision for income taxes | 24 | 18 | 43 | 34 |
| Adjusted EBITDA | $ 5,513 | $ 10,973 | $ 68,103 | $ (20,088) |
| *Adjusted EBITDA Margin* | 2% | 8% | 13% | (8)% |

(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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2023 | 2022 | 2023 |
| Net income (loss) | $ (29,871) | $ (28,165) | $ 2,821 | $ (157,419) |
| Adjusted to exclude the following: | | | | |
| Stock-based compensation and certain payroll tax expenses[1] | 30,836 | 33,519 | 56,765 | 108,545 |
| Reorganization expenses | — | — | — | 15,536 |
| Adjusted Net Income (loss) | $ 965 | $ 5,354 | $ 59,586 | $ (33,338) |
| Net income (loss) per share: | | | | |
| Basic | $ (0.36) | $ (0.34) | $ 0.03 | $ (1.91) |
| Diluted | $ (0.36) | $ (0.34) | $ 0.03 | $ (1.91) |
| Adjusted Net Income (Loss) per Share: | | | | |
| Basic | $ 0.01 | $ 0.06 | $ 0.71 | $ (0.40) |
| Diluted | $ 0.01 | $ 0.06 | $ 0.63 | $ (0.40) |
| Weighted-average common shares outstanding: | | | | |
| Basic | 83,833,963 | 83,130,638 | 84,031,109 | 82,524,403 |
| Diluted | 93,340,659 | 91,026,284 | 94,509,060 | 82,524,403 |

(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

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 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 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, expense on convertible notes, depreciation, amortization, and other non-operating expenses. We exclude stock-based compensation, expense on convertible notes, 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, 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, and reorganization expenses. 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.

# Thank You