



Q2 2024 Earnings
August 6, 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 Q3 2024 and the second half of 2024 under the heading “Outlook” and management’s estimates 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 data 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



3.0M¹
Customers



\$39B¹
Originations

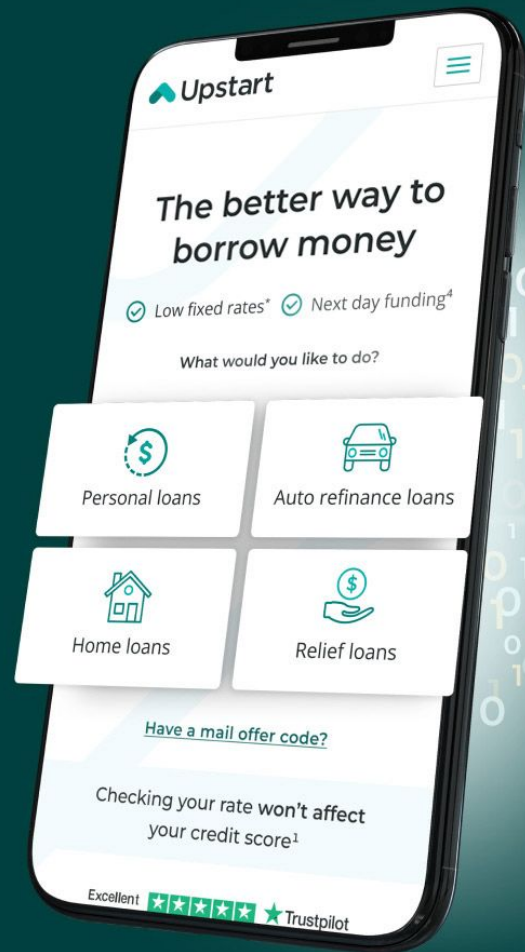


100+¹
Banks

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 7/19/2024



Q2'24 Summary

Revenue	Income from Operations	Contribution Profit Margin	Net Income	Adjusted EBITDA
\$127.6M -6% y/y	(\$55.5M) from (\$33.3M) in Q2'23	58% vs 67% in Q2'23	(\$54.5M) from (\$28.2M) in Q2'23	(\$9.3M) from \$11.0 in Q2'23

Highlights

91% ¹ Of loans fully automated, a new record, and 91% of automated approvals converted to funded loans	57% Growth in small dollar loans from Q1	Best Company Named a 2024-2025 Best Company to Work For by US News & World Report	30% Reduction in support cost per current loan	HELOC ² Live in 30 states plus DC, up from 19 in Q1
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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 Home Equity Line of Credit

Key Investment Areas

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

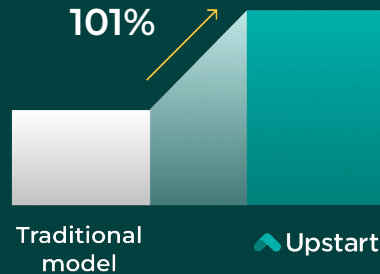
Best rates for all

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

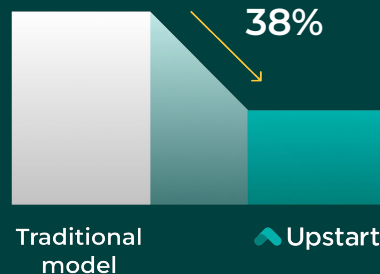
Upstart's model is **more accurate** than traditional lending models; allowing lenders to **approve more applicants** at **lower APRs**.¹

Powered by more than 1,600 variables, Upstart models are **trained on more than 73 million repayment events**, adding an average of **80,500 new repayments each business day**.²

Higher approvals¹



Lower APR¹



Our latest model generates ~ **1 million predictions** to find the right APR for each applicant.

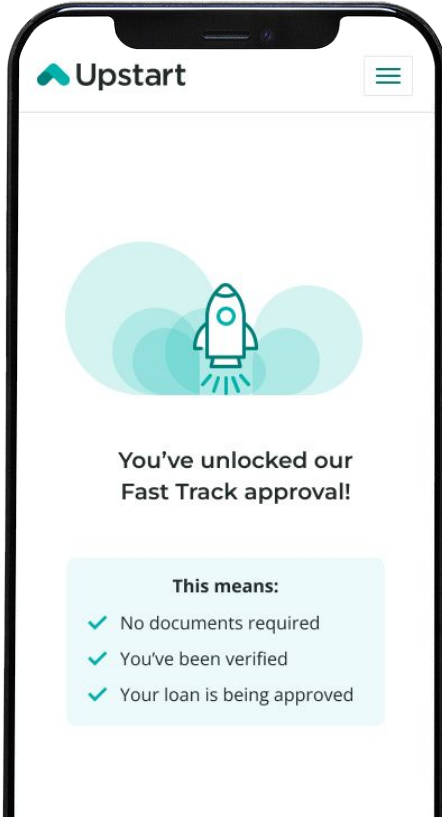
18% of all accuracy gains in this model since our inception have been delivered in the last 12 months.

¹ As of June 2024, and based on a comparison between the Upstart model and a hypothetical traditional model using Upstart data from Jan-Dec 2023. For more information on the methodology behind this study, please see Upstart's Annual Access to Credit results [here](#). In preparing the 2023 Access to Credit Report for publication, Upstart observed an error in the calibration methodology used for the hypothetical traditional model in our 2022 Access to Credit Report. This error had the effect of underestimating the lift provided by the Upstart model because it overestimated the performance of the hypothetical traditional model. After correcting for this error, the 2022 results more closely align with the results in this 2023 Report and are as follows: Upstart's model approves 93% more applicants and results in APRs that are 43% lower.

² As of 7/19/2024
 Upstart

More efficient borrowing and lending

Enabled by better AI and more sophisticated risk models



82

Net promoter score
Borrowers love Upstart with
45K+ rating us 'Excellent' on
Trustpilot¹

91%

of loans are instantly
approved and fully
automated²

>90%

of instantly approved
borrowers fund their loan,
over 3X the conversion rate
of non-automated³

¹ As of 6/30/2024. 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 Q2 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 Q2 2024

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

>50%

Of institutional funding
comes from
committed capital and
other co-investment
partnerships

Auto Servicing
Improvements

33% reduction in roll
rates and 44%
improvement in auto
recovery

HELOC

Now live in:

AL, AR, AZ, CO, CT, IA, ID,
FL, IL, KS, KY, MD, ME, MI,
MS, MT, NC, ND, NE, NJ,
NM, OK, PA, SC, SD, TN,
UT, WA, WI, WV, and DC

¹ As of 6/30/2024

Consumer and Credit Trends

UMI and consumer trends

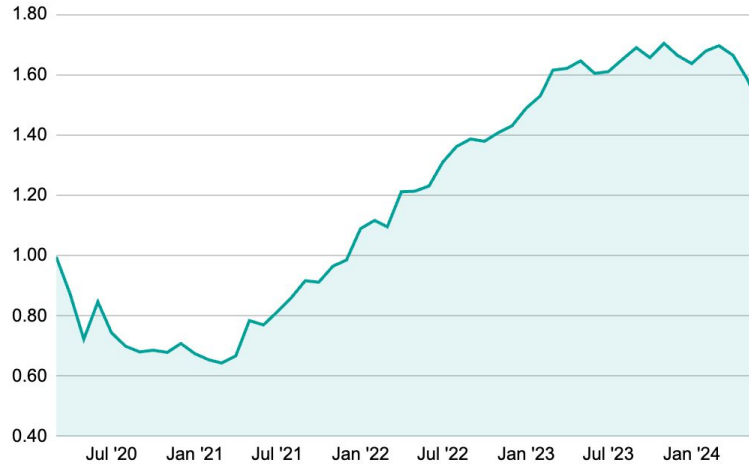
Macroeconomic risk to consumer credit is holding steady reflecting the pause in the recovery of key consumer trends

June UMI

1.49²

-6.3 M|M

upstart.com/umi



June consumer trends

3.4% Personal savings rate*
vs 3.5% in May¹

4.2% CPI (Inflation)*
vs 4.3% in May¹

62.6% Labor force participation rate*
vs 62.5% in May¹

*Statistics as of July

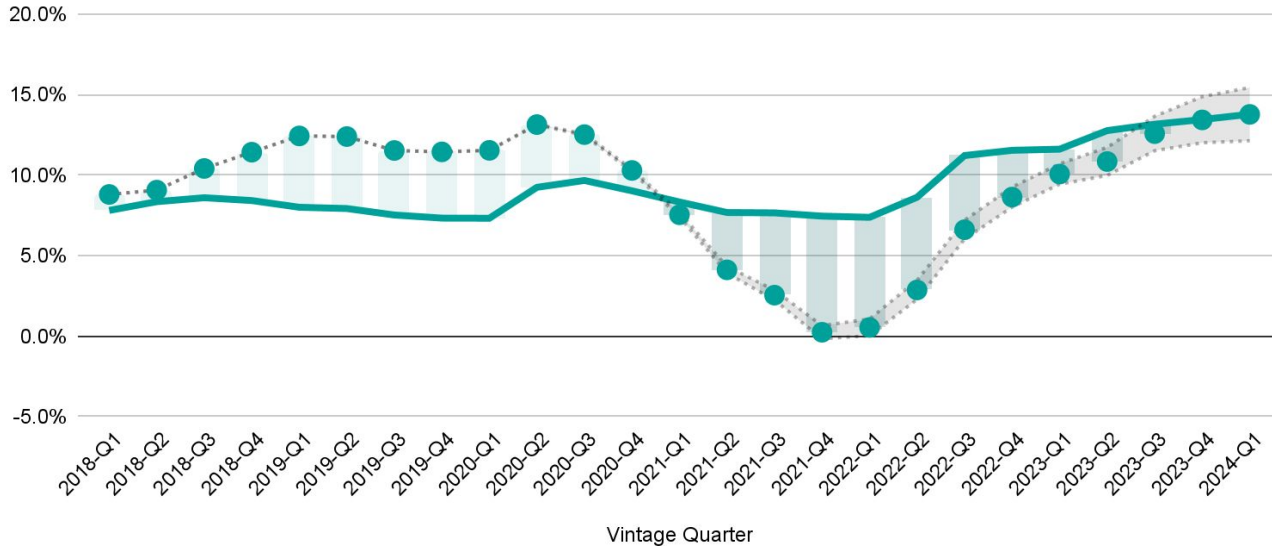
The Upstart Macro Index (UMI) estimates the impact of the macroeconomy on credit losses for Upstart-powered unsecured personal loans. UMI is expressed as a multiple of defaults relative to a static baseline due to macroeconomic changes. For example, a UMI of 1.25 for a given month suggests that the macro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

¹ <https://fred.stlouisfed.org/> CPI less Food and Energy, Y/Y %change

² Upstart internally measured data as of 7/26/2024

Upstart loan performance

Most recent vintages are now expected to deliver ~14% gross returns¹



If an investor invested equally in all Upstart cohorts, they would now expect inline annualized returns against a blended target of 9.3%²

- Target cash flows
- Expected cash flows
- Over/under performance
- Upside/downside range

¹ Upstart internal performance data as of 7/26/2024. "Upside," "baseline" and "downside" percentages are based on Upstart's internal estimates of the returns observed on each vintage to date.

² Gross annualized return per Upstart internal calculations including the 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 2023 the Upstart model approved:

116% more Black borrowers than a traditional model at 36% lower APRs¹

123% more Hispanic borrowers than a traditional model at 37% lower APRs¹

Fair and responsible use of AI



Founding member of **MoreThanFair**

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

Partnering to reach the underserved



[Go to fact sheet >](#)



[Go to press release >](#)



[Go to press release >](#)

¹ As of June 2024, 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](#). In preparing the 2023 Access to Credit Report for publication, Upstart observed an error in the calibration methodology used for the hypothetical traditional model in our 2022 Access to Credit Report. This error had the effect of underestimating the lift provided by the Upstart model because it overestimated the performance of the hypothetical traditional model. After correcting for this error, the 2022 results more closely align with the results in this 2023 Report and are as follows: Upstart's model approves 91% more Black applicants and results in APRs that are 38% lower; Upstart's model approves 110% more Hispanic applicants and results in APRs that are 42% lower.

Upstart risk separation

Significantly better at differentiating risk than credit scores

Annualized default rates¹

Upstart Risk Grades

	A+	B	C	D	E-	Average
FICO Score 700 or Above	1.2%	3.4%	6.0%	8.4%	12.9%	4.7%
680 to 699	1.6%	3.5%	6.0%	7.9%	12.8%	6.3%
660 to 679	2.4%	4.0%	6.4%	8.6%	13.8%	8.2%
640 to 659	3.3%	4.8%	6.8%	9.5%	15.9%	10.3%
639 or Below	5.7%	6.7%	8.9%	11.8%	21.8%	16.8%
Average	1.7%	4.0%	6.7%	9.4%	17.4%	

~4x more defaults between highest and lowest credit score

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

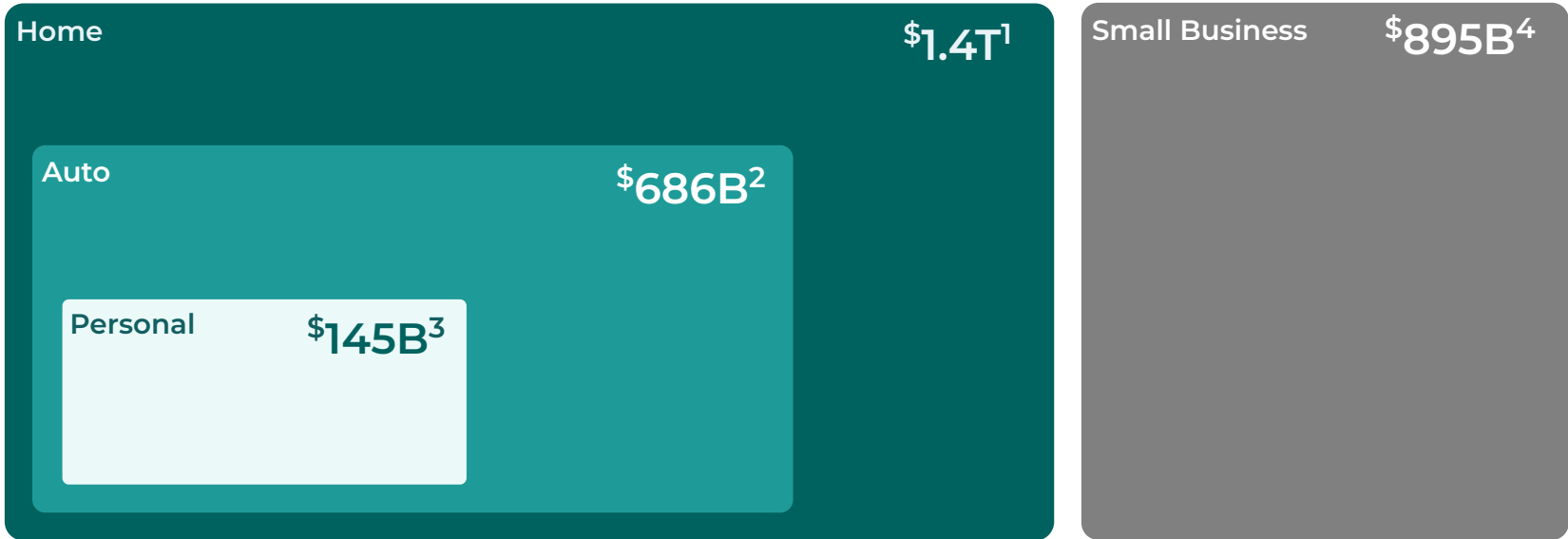
Upstart's risk grades predict a steadily increasing default rate from left to right as the borrowers get riskier.

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

¹ Upstart internal performance data as of 7/26/2024. Consist of all originations made in Q1 2018 to Q1 2024 "vintages."

Upstart's marketplace

Total addressable market of \$3T in annual loan originations



1 Total mortgage originations using data provided by TransUnion for Q1 2023 – Q4 2023

2 Total auto loans using data provided by TransUnion for Q1 2023 – Q4 2023

3 Total unsecured personal loans using data provided by TransUnion for Q1 2023 – Q4 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

Q2'24 summary P&L and non-GAAP metrics

(in millions, except ratios and per share data)

	Q2'24	Q1'24	Q/Q	Q2'23	Y/Y
Revenue	\$127.6	\$127.8	0%	\$135.8	(6%)
Revenue from Fees	\$130.5	\$138.1	(5%)	\$143.7	(9%)
Income (Loss) from Operations	(\$55.5)	(\$67.5)	n/a	(\$33.3)	n/a
Net Income (Loss)	(\$54.5)	(\$64.6)	n/a	(\$28.2)	n/a
Adjusted Net Income (Loss)	(\$15.3)	(\$27.2)	n/a	\$5.4	n/a
Earnings (Loss) Per Share (Diluted)	(\$0.62)	(\$0.74)	n/a	(\$0.34)	n/a
Adjusted Earnings (Loss) Per Share (Diluted)	(\$0.17)	(\$0.31)	n/a	\$0.06	n/a
Contribution Profit	\$76.1	\$81.1	(6%)	\$95.9	(21%)
Contribution Margin	58%	59%	(80bps)	67%	(1265bps)
Operating Expenses	\$183.1	\$195.3	(6%)	\$169.1	8%
Adjusted EBITDA	(\$9.3)	(\$20.3)	n/a	\$11.0	n/a

Balance Sheet items and key operating metrics

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

	Q2'24	Q1'24	Q2'23
Cash and Restricted Cash	\$560.6	\$439.2	\$509.9
Loans, Notes, and Residuals	\$832.3	\$1,094.2	\$841.5
Total Assets	\$1,820.2	\$1,927.7	\$1,763.7
Total Liabilities	\$1,225.5	\$1,314.9	\$1,125.6
Transaction Volume, Number of Loans	143,900	119,380	109,447
Transaction Volume, Dollars	\$1,109.7	\$1,130.8	\$1,175.7
% Fully Automated	91%	90%	87%
Conversion Rate	15%	14%	9%

Loans Held on Balance Sheet

Fair Value (in millions)

	Q2'24	Q1'24	Q2'23
Testing and Evaluation (R&D) ¹	\$396	\$394	\$493
<i>Auto</i>	\$294	\$316	\$413
<i>Other</i>	\$102	\$78	\$80
Core Personal	\$290	\$530	\$345
Total whole loans on balance sheet	\$686	\$924	\$838
Consolidated (securitized) Loans	\$135	\$157	-
Total on balance sheet	\$821	\$1,081	\$838

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 approximately \$21M as of June 30, 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, including small dollar loans and home equity lines of credit. 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)

	Q2'24	Q1'24	Q2'23
Capital co-invested ¹	\$236	\$161	\$40
Current assessed value ²	\$225	\$147	\$52
Minimum/maximum possible values ²	\$0 - \$492	\$0 - \$324	\$0 - \$83

¹ "Capital co-invested" was revised in Q2'24 to exclude fair value adjustments for the loans sold under committed capital and other co-investment arrangements and certain other amounts related to these arrangements from Upstart's maximum exposure to losses, which were \$260M for Q2'24, \$170M for Q1'24, and \$40M for Q2'23. The excluded amounts totaled \$24M in Q2'24, \$9M in Q1'24, and \$0 in Q2'23.
² The amounts under "Current assessed value" and "Minimum/maximum possible values" were updated in Q2'24 due to the revised definition of "Capital co-invested."

"Capital co-invested" is \$236M as of June 30, 2024, and represents management's estimate of the cumulative monetary value of Upstart's investments made in committed capital and other co-investment arrangements that are linked to the credit performance of the loans sold under these arrangements.

"Current assessed value" is \$225M and represents management's estimate of the total nominal amount of cash currently expected to be received by Upstart with respect to Capital co-invested.

"Minimum/maximum possible values" is \$0 to \$492M, and represents management's estimate of the range of potential current assessed values, dependent on the credit performance of such loans.

Lending by Product

(in millions, except number of loans and ratios)

Personal Unsecured		Q1'24	Q1'24	Q1'24	Q1'23	Y Y
	Q2'24		Q Q			
Number of Loans	143,066	118,743	20%	106,919	34%	
Transaction Dollars	\$1,084	\$1,111	(2%)	\$1,120	(3%)	
Auto Secured		Q1'24	Q1'24	Q1'23	Y Y	
	Q2'24		Q Q			
Number of Loans	708	526	35%	2,528	(72%)	
Transaction Dollars	\$18	\$13	35%	\$56	(68%)	
HELOC		Q1'24	Q1'24	Q1'23	Y Y	
	Q2'24		Q Q			
Number of Loans	126	111	14%	-	n/a	
Transaction Dollars ¹	\$8	\$7	13%	-	n/a	

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

Outlook

	Q3'24
Revenue	approximately \$150 million
<i>Revenue From Fees</i>	<i>approximately \$155 million</i>
<i>Net Interest Income (Loss)</i>	<i>approximately (\$5) million</i>
Contribution Margin	<i>approximately 57%</i>
Net Income (Loss)	<i>approximately (\$49) million</i>
Non-GAAP Adjusted Net Income (Loss)¹	<i>approximately (\$14) million</i>
Adjusted EBITDA¹	<i>approximately (\$5) million</i>
Diluted weighted average share count	<i>approximately 90.0 million shares</i>
	Second Half 2024
Revenue From Fees	approximately \$320 million
Adjusted EBITDA¹ 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)

	<u>December 31, 2023</u>	<u>June 30, 2024</u>
Assets		
Cash	\$ 368,405	\$ 374,791
Restricted cash	99,382	185,827
Loans (at fair value) (1)	1,156,413	820,628
Property, equipment, and software, net	42,655	39,728
Operating lease right of use assets	54,694	49,144
Beneficial interest assets (at fair value)	41,012	97,804
Non-marketable equity securities	41,250	41,250
Goodwill	67,062	67,062
Other assets (includes \$48,897 and \$50,860 at fair value as of December 31, 2023 and June 30, 2024, respectively)	146,227	143,990
Total assets	<u>\$ 2,017,100</u>	<u>\$ 1,820,224</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Payable to investors	\$ 53,580	\$ 65,502
Borrowings	1,040,424	912,727
Payable to securitization note holders (at fair value)	141,416	113,652
Accrued expenses and other liabilities (includes \$10,510 and \$16,663 fair value as of December 31, 2023 and June 30, 2024, respectively)	84,051	77,259
Operating lease liabilities	62,324	56,374
Total liabilities	<u>1,381,795</u>	<u>1,225,514</u>
Stockholders' equity:		
Common stock, \$0.0001 par value; 700,000,000 shares authorized; 86,330,303 and 89,084,180 shares issued and outstanding as of December 31, 2023 and June 30, 2024, respectively	9	9
Additional paid-in capital	917,872	996,345
Accumulated deficit	(282,576)	(401,644)
Total stockholders' equity	<u>635,305</u>	<u>594,710</u>
Total liabilities and stockholders' equity	<u>\$ 2,017,100</u>	<u>\$ 1,820,224</u>

1 Includes \$179.1 million and \$135.1 million of loans, at fair value, contributed as collateral for the consolidated securitization as of December 31, 2023, and June 30, 2024, respectively.

Financial Statements

(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Revenue:				
Revenue from fees, net	\$ 143,689	\$ 130,532	\$ 260,830	\$ 268,600
Interest income, interest expense, and fair value adjustments, net:				
Interest income (1)	33,916	52,883	79,231	104,054
Interest expense (1)	(4,282)	(11,470)	(11,414)	(22,184)
Fair value and other adjustments (1)	(37,557)	(44,315)	(89,954)	(95,046)
Total interest income, interest expense, and fair value adjustments, net	(7,923)	(2,902)	(22,137)	(13,176)
Total revenue	135,766	127,630	238,693	255,424
Operating expenses:				
Sales and marketing	23,891	32,958	55,329	68,108
Customer operations	36,797	38,684	77,387	78,092
Engineering and product development	57,974	58,453	168,045	121,544
General, administrative, and other	50,448	53,021	103,111	110,634
Total operating expenses	169,110	183,116	403,872	378,378
Loss from operations	(33,344)	(55,486)	(165,179)	(122,954)
Other income, net	5,197	1,031	7,794	3,915
Net loss before income taxes	(28,147)	(54,455)	(157,385)	(119,039)
Provision for income taxes	18	15	34	29
Net loss	\$ (28,165)	\$ (54,470)	\$ (157,419)	\$ (119,068)
Net loss per share, basic	\$ (0.34)	\$ (0.62)	\$ (1.91)	\$ (1.36)
Net loss per share, diluted	\$ (0.34)	\$ (0.62)	\$ (1.91)	\$ (1.36)
Weighted-average number of shares outstanding used in computing net loss per share, basic	83,130,638	88,435,893	82,524,403	87,733,294
Weighted-average number of shares outstanding used in computing net loss per share, diluted	83,130,638	88,435,893	82,524,403	87,733,294

1 Balances for the three months ended June 30, 2024 include \$7.7 million of interest income, \$(2.5) million of interest expense, and \$(9.3) million of fair value and other adjustments, net related to the consolidated securitization. Balances for the six months ended June 30, 2024 include \$16.3 million of interest income, \$(5.3) million of interest expense, and \$(19.9) million of fair value and other adjustments, net related to the consolidated securitization.

Financial Statements

(in thousands, except share and per share data)

	Six Months Ended June 30,	
	2023	2024
Cash flows from operating activities		
Net loss	\$ (157,419)	\$ (119,068)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Change in fair value of loans	90,341	103,778
Change in fair value of servicing assets	10,165	8,201
Change in fair value of servicing liabilities	(1,468)	(817)
Change in fair value of beneficial interest assets	1,956	(1,067)
Change in fair value of beneficial interest liabilities	(85)	9,344
Change in fair value of other financial instruments	(2,271)	(4,316)
Stock-based compensation	106,705	69,986
Gain on loan servicing rights, net	(6,960)	(5,897)
Depreciation and amortization	10,866	10,460
Non-cash interest expense	1,533	1,541
Other	(1,917)	(6,084)
Net changes in operating assets and liabilities:		
Purchases of loans held-for-sale	(1,250,346)	(1,570,013)
Proceeds from sale of loans held-for-sale	1,266,604	1,491,994
Principal payments received for loans held-for-sale	101,829	115,335
Principal payments received for loans held by consolidated securitization	-	24,714
Payments on beneficial interest liabilities	-	(2,367)
Other assets	(3,826)	5,722
Operating lease liability and right-of-use asset	1,438	(400)
Payable to investors for beneficial interest assets (1)	4,108	-
Accrued expenses and other liabilities	(29,657)	(13,129)
Net cash provided by operating activities	\$ 141,596	\$ 117,917

1 During the second quarter of 2024, the Company elected to change the presentation of changes in the payable to investors balance on the condensed consolidated statement of cash flows. Under the new presentation, a portion of the payable to investors balance related to fiduciary cash was reclassified from operating to financing activities.

Financial Statements

(in thousands, except share and per share data)

	Six Months Ended June 30,	
	2023	2024
Cash flows from investing activities		
Purchases and originations of loans held-for-investment	\$ (83,868)	\$ (110,941)
Principal payments received for loans held-for-investment	50,427	60,207
Principal payments received for notes receivable and repayments of residual certificates	2,996	2,681
Purchases of property and equipment	(1,150)	(721)
Capitalized software costs	(6,324)	(3,356)
Acquisition of beneficial interest assets	(26,427)	(63,246)
Proceeds from beneficial interest assets	-	1,729
Issuance of line of credit receivable	-	0
Net cash used in investing activities	\$ (64,346)	\$ (113,647)

Financial Statements

(in thousands, except share and per share data)

	Six Months Ended June 30,	
	2023	2024
Cash flows from financing activities		
Proceeds from borrowings	\$ 340,370	\$ 247,510
Repayments of borrowings	(397,644)	(154,999)
Principal payments made on securitization notes	-	(28,446)
Payable to investors (1)	(54,944)	17,714
Proceeds from issuance of common stock under employee stock purchase plan	5,728	4,565
Proceeds from exercise of stock options	6,672	2,219
Taxes paid related to net share settlement of equity awards	(6)	(2)
Net cash provided by (used in) financing activities	(99,824)	88,561
Change in cash and restricted cash	(22,574)	92,831
Cash and restricted cash		
Cash and restricted cash at beginning of period	532,467	467,787
Cash and restricted cash at end of period	\$509,893	\$560,618

1 During the second quarter of 2024, the Company elected to change the presentation of changes in the payable to investors balance on the condensed consolidated statement of cash flows. Under the new presentation, a portion of the payable to investors balance related to fiduciary cash was reclassified from operating to financing activities.

Reconciliation of non-GAAP financial measures

(in thousands, except ratios)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Revenue from fees, net	\$ 143,689	\$ 130,532	\$ 260,830	\$ 268,600
Loss from operations	(33,344)	(55,486)	(165,179)	(122,954)
<i>Operating Margin</i>	(23%)	(43%)	(63%)	(46%)
Sales and marketing, net of borrower acquisition costs (1)	\$ 4,842	\$ 9,741	\$ 16,568	\$ 20,072
Customer operations, net of borrower verification and servicing costs (2)	8,079	7,486	18,863	14,787
Engineering and product development	57,974	58,453	168,045	121,544
General, administrative, and other	50,448	53,021	103,111	110,634
Interest income, interest expense, and fair value adjustments, net	7,923	2,902	22,137	13,176
Contribution Profit	\$ 95,922	\$ 76,117	\$ 163,545	\$ 157,259
<i>Contribution Margin</i>	67%	58%	63%	59%

1 Borrower acquisition costs were \$19.0 million and \$23.2 million for the three months ended June 30, 2023 and 2024, respectively, and were \$38.8 million, and \$48.0 million for the six months ended June 30, 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.

2 Borrower verification and servicing costs were \$28.7 million and \$31.2 million for the three months ended June 30, 2023 and 2024, respectively, and were \$58.5 million, and \$63.3 million for the six months ended June 30, 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.

Reconciliation of non-GAAP financial measures

(in thousands, except ratios)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Total revenue	\$ 135,766	\$ 127,630	\$ 238,693	\$ 255,424
Net loss	(28,165)	(54,470)	(157,419)	(119,068)
<i>Net Loss Margin</i>	(21%)	(43%)	(66%)	(47%)
Adjusted to exclude the following:				
Stock-based compensation and certain payroll tax expenses (1)	\$ 33,519	\$ 35,410	\$ 108,545	\$ 72,843
Depreciation and amortization	4,425	4,828	10,866	10,460
Reorganization expenses	-	3,778	15,536	3,778
Expense on convertible notes	1,176	1,183	2,350	2,363
Provision for income taxes	18	15	34	29
Adjusted EBITDA	\$ 10,973	\$ (9,256)	\$ (20,088)	\$ (29,595)
<i>Adjusted EBITDA Margin</i>	8%	(7%)	(8%)	(12%)

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,	
	2023	2024	2023	2024
Net loss	\$ (28,165)	\$ (54,470)	\$ (157,419)	\$ (119,068)
Adjusted to exclude the following:				
Stock-based compensation and certain payroll tax expenses (1)	33,519	35,410	108,545	72,843
Reorganization expenses	-	3,778	15,536	3,778
Adjusted Net Income (Loss)	\$ 5,354	\$ (15,282)	\$ (33,338)	\$ (42,447)
Net loss per share:				
Basic	\$ (0.34)	\$ (0.62)	\$ (1.91)	\$ (1.36)
Diluted	\$ (0.34)	\$ (0.62)	\$ (1.91)	\$ (1.36)
Adjusted Net Income (Loss) per Share:				
Basic	\$ 0.06	\$ (0.17)	\$ (0.40)	\$ (0.48)
Diluted	\$ 0.06	\$ (0.17)	\$ (0.40)	\$ (0.48)
Weighted-average common shares outstanding:				
Basic	83,130,638	88,435,893	82,542,403	87,733,294
Diluted	91,026,284	88,435,893	82,524,403	87,733,294

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 are used in this presentation.

Thank You

The background of the slide is a solid teal color. On the right side, there are several thin, white, wavy lines that curve upwards and then downwards, creating a sense of movement and depth. The lines are stacked vertically, with the top line being the most prominent and the bottom line being the least. The overall effect is a modern and clean aesthetic.