



Q4 and Full Year 2024 Earnings
February 11, 2025

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 Q1 2025 and the full fiscal year 2025 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 sector and credit markets, including inflation and related changes in interest rates and monetary policy; 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 macroeconomic 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 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 31-33 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



3M+¹
Customers



\$42B+¹
Originations

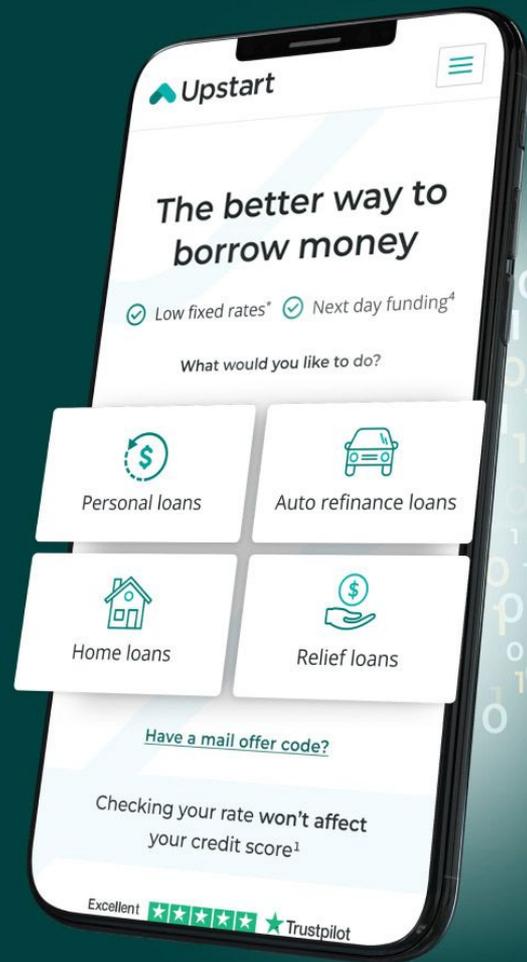


100+¹
Banks

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 12/31/2024



Q4'24 Summary

Revenue	Income from Operations	Contribution Profit Margin	Net Income	Adjusted EBITDA
\$219.0M +56% y/y	(\$4.8M) from (\$47.5M) in Q4'23	61% vs 63% in Q4'23	(\$2.8M) from (\$42.4M) in Q4'23	\$38.8M from \$0.6M in Q4'23

Highlights

91% ¹ Of loans fully automated, and 93% of instant approvals converted to funded loans	PTM Payment Transition Model: increased model accuracy by considering intermediate loan delinquency states	61% Sequential growth in auto loan originations to \$43 million	\$1.3B In new commitments from existing capital partners to purchase loans	59% Sequential growth in HELOC ² originations to \$27 million
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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 by the Company divided by the Transaction Volume, Number of Loans in the same period.

² Home Equity Line of Credit (HELOC), represents quarter-over-quarter growth in Transaction Volume, Dollars of commitments issued.

Full Year 2024 Summary

Revenue	Income from Operations	Contribution Profit Margin	Net Income	Adjusted EBITDA
\$636.5M 24% y/y	(\$172.9M) from (\$256.5M) in FY23	60% vs 63% in FY23	(\$128.6M) from (\$240.1M) in FY23	\$10.6M from (\$17.2M) in FY23

Highlights

>50%

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

28

New banks and credit unions added in 2024

Prime

Lending program launched and already used by 30 banks and credit unions to attract super prime borrowers

Model 18

Increased loan origination dollars by >15%¹ relative to the prior model at consistent credit quality

Servicing

Servicing investments helped drive a 22% reduction YoY in delinquency rate for personal loans and small dollar loans

¹ Estimated based on internal calculations.

Key Investment Areas

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

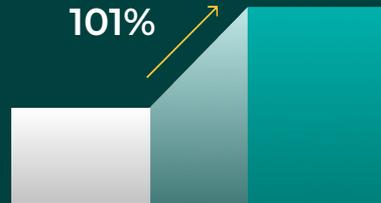
Best rates for all

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 2,500 variables, our personal loan underwriting model is **trained on nearly 82 million repayment events**.²

Approves 101% more applicants¹



Traditional model

Upstart

Results in APRs 38% lower¹



Traditional model

Upstart

With the introduction of PTM* in Q4, our underwriting model now considers significantly more repayment states - **by orders of magnitude** - leading to greater accuracy.

-15% YoY reduction in roll rates from one day delinquent to charge-off.

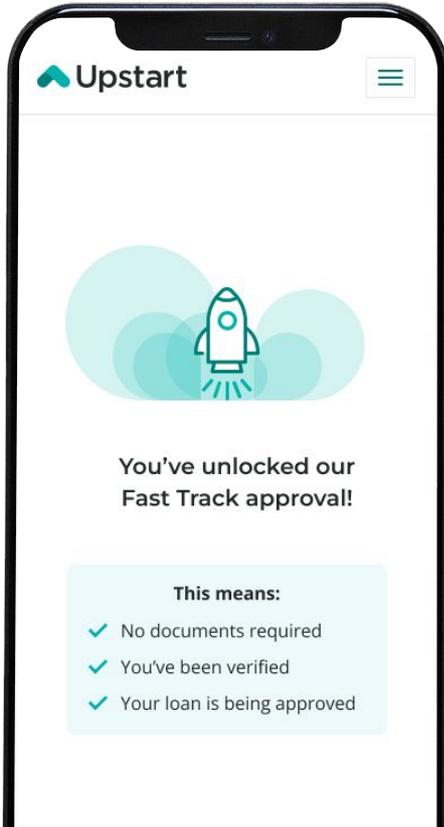
¹ As of June 2024, and based on a comparison between the Upstart model and a hypothetical traditional model using Upstart data from Jan-Dec 2023. For more information on the methodology behind this study, please see Upstart's Annual Access to Credit results [here](#).

² As of December 31, 2024.

(*) Payment Transition Model or "PTM."

More efficient borrowing and lending

Enabled by better AI and more sophisticated risk models



84

Net promoter score
Borrowers love Upstart with 49K+ rating us 'Excellent' on Trustpilot¹

91%

of loans are fully automated²

93%

of instantly approved borrowers convert to funded loans, 3X the conversion rate of non-instant

¹ As of 12/31/2024. 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 Q4 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 by the Company divided by the Transaction Volume, Number of Loans in the same period.

Expanding our footprint

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

30%

Sequential growth in
originations from banks
and credit unions

115%

Sequential growth in
Small Dollar Loan
originations

7x

Increase in conversion
from rate request to
funded loan for auto refi
borrowers in 2024

HELOC

Zero defaults across
>1,000 loans in 2024.
Now live in 36 states and
DC

Consumer and Credit Trends

UMI and consumer trends

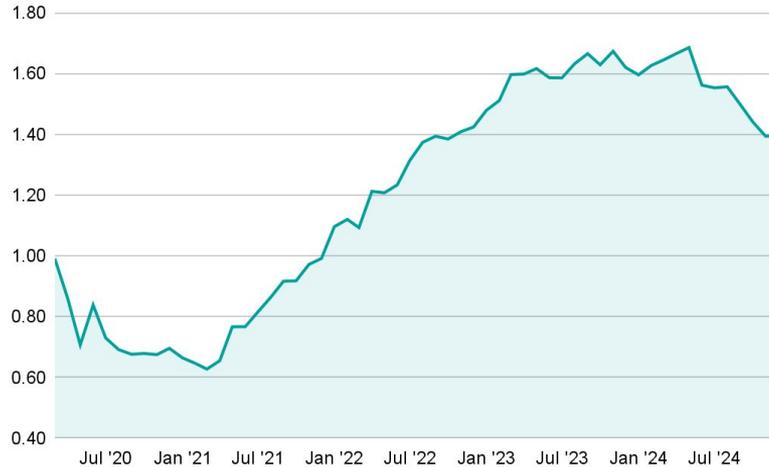
Macroeconomic risk to consumer credit has improved reflecting a recovery in key consumer trends

December UMI

1.40²

-7% vs 1.50 in September 2024

upstart.com/umi



December consumer trends¹

3.8% Personal savings rate
vs 4.1% in September

3.8% CPI (Inflation)
vs 4.0% in September

62.5% Labor force participation rate
vs 62.7% in September

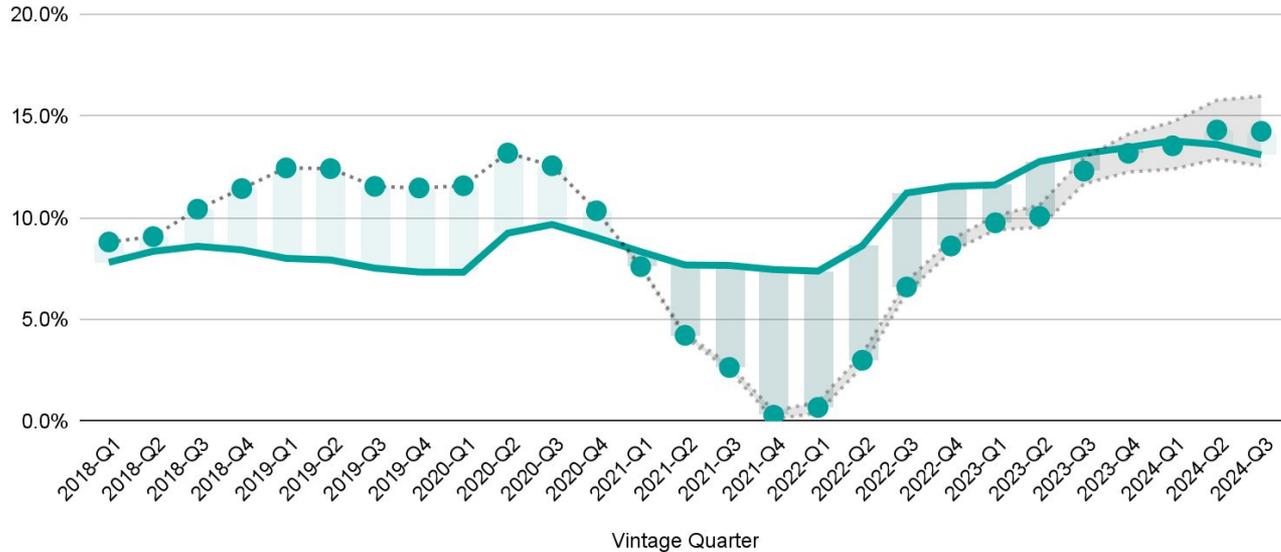
The Upstart Macro Index (UMI) estimates the impact of the macroeconomy on credit losses for Upstart-powered unsecured personal loans. UMI is expressed as a multiple of defaults relative to a static baseline due to macroeconomic changes. For example, a UMI of 1.25 for a given month suggests that the macro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

¹ See <https://fred.stlouisfed.org/>. Data for December 2024 reported as of 01/31/2025. CPI less Food and Energy, Y/Y %change.

² Upstart internally measured data as of 02/06/2025.

Recent vintages are on track to meet or exceed investors' return targets¹

Improving investor confidence helps attract more capital to our marketplace



If an investor invested equally in all Upstart cohorts, they would now expect inline annualized returns against a blended target of 9.6%²

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

¹ Upstart internal performance data as of 01/10/2025. "Upside," "expected" and "downside" percentages are based on Upstart's internal estimates of the returns observed on each vintage to date. Q4 2024 vintage is excluded due to limited seasoning available.

² Gross annualized return per Upstart internal calculations including the assumption of future cash flows based on most recent performance data as of 01/10/2025.

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**

Partnering to reach the underserved



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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](#).

Upstart risk separation

Significantly better at differentiating risk than credit scores

Annualized default rates¹

Upstart Risk Grades

	A+	B	C	D	E-	Average
700 or Above	1.5%	4.7%	7.5%	9.1%	10.0%	4.4%
680 to 699	1.6%	4.4%	6.7%	8.0%	9.1%	5.3%
660 to 679	2.1%	4.5%	7.0%	7.5%	8.7%	6.1%
640 to 659	2.0%	5.1%	7.3%	8.3%	9.5%	7.2%
639 or Below	2.6%	5.2%	7.3%	8.3%	10.5%	8.3%
Average	1.6%	4.7%	7.2%	8.3%	9.6%	

~2x more defaults between highest and lowest credit score

~6x more defaults between highest and lowest Upstart risk grade

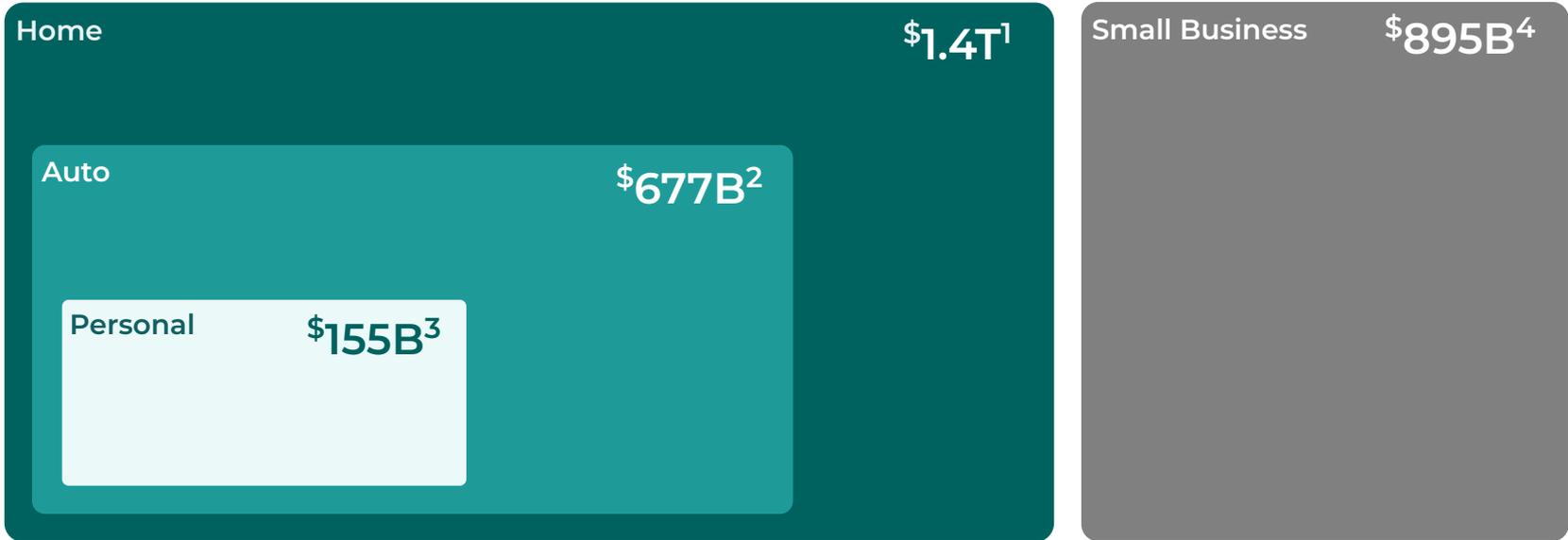
Upstart's risk grades predict a steadily increasing default rate from left to right as the borrowers get riskier.

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

¹ Upstart internal performance data as of 01/17/2025. Consist of all originations made in Q4 2022 to Q3 2024 "vintages."

Upstart's marketplace

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



1 Total mortgage originations using data provided by TransUnion for Q3 2023 – Q2 2024

2 Total auto loans using data provided by TransUnion for Q3 2023 – Q2 2024

3 Total unsecured personal loans using data provided by TransUnion for Q3 2023 – Q2 2024

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

Q4'24 summary P&L and non-GAAP metrics

(in millions, except ratios and per share data)

	Q4'24	Q3'24	Q Q	Q4'23	Y Y
Revenue	\$219.0	\$162.1	35%	\$140.3	56%
Revenue from Fees	\$199.3	\$167.6	19%	\$152.8	30%
Income (Loss) from Operations	(\$4.8)	(\$45.2)	n/a	(\$47.5)	n/a
Net Income (Loss)	(\$2.8)	(\$6.8)	n/a	(\$42.4)	n/a
Adjusted Net Income (Loss)	\$29.9	(\$5.3)	n/a	(\$9.7)	n/a
Earnings (Loss) Per Share (Diluted)	(\$0.03)	(\$0.07)	n/a	(\$0.50)	n/a
Adjusted Earnings (Loss) Per Share (Diluted)	\$0.29	(\$0.06)	n/a	(\$0.11)	n/a
Contribution Profit	\$121.9	\$102.4	19%	\$95.6	28%
Contribution Margin	61%	61%	0pp	63%	(2pp)
Operating Expenses	\$223.7	\$207.3	8%	\$187.8	19%
Adjusted EBITDA	\$38.8	\$1.4	2,644%	\$0.6	6,164%

FY24 summary P&L and non-GAAP metrics

(in millions, except ratios and per share data)

	FY24	FY23	Y Y
Revenue	\$636.5	\$513.6	24%
Revenue from Fees	\$635.5	\$560.4	13%
Income (Loss) from Operations	(\$172.9)	(\$256.5)	n/a
Net Income (Loss)	(\$128.6)	(\$240.1)	n/a
Adjusted Net Income (Loss)	(\$17.8)	(\$46.9)	n/a
Earnings (Loss) Per Share (Diluted)	(\$1.44)	(\$2.87)	n/a
Adjusted Earnings (Loss) Per Share (Diluted)	(\$0.20)	(\$0.56)	n/a
Contribution Profit	\$381.5	\$353.3	8%
Contribution Margin	60%	63%	(3pp)
Operating Expenses	\$809.4	\$770.1	5%
Adjusted EBITDA	\$10.6	(\$17.2)	(n/a)

Balance Sheet items and key operating metrics

(in millions, except transaction volume (number of loans), % fully automated, and conversion rate)

	Q4'24	Q3'24	Q4'23
Cash, Cash Equivalents and Restricted Cash	\$976.3	\$655.8	\$467.8
Loans, Notes, and Residuals	\$828.4	\$666.4	\$1,171.3
Total Assets	\$2,367.0	\$1,809.0	\$2,017.1
Total Liabilities	\$1,733.7	\$1,213.4	\$1,381.8
Transaction Volume, Number of Loans	245,663	188,149	129,664
Transaction Volume, Dollars	\$2,107.5	\$1,582.3	\$1,253.2
% Fully Automated	91%	91%	89%
Conversion Rate	19%	16%	12%

Loans Held on Balance Sheet

Fair Value (in millions)

	Q4'24	Q3'24	Q4'23
Testing and Evaluation (R&D) ¹	\$455	\$399	\$411
<i>Auto</i>	\$285	\$283	\$343
<i>Other</i>	\$170	\$116	\$68
Core Personal	\$248	\$138	\$566
Total whole loans on balance sheet	\$703	\$537	\$977
Consolidated (securitized) Loans ²	\$103	\$119	\$179
Total on balance sheet	\$806	\$656	\$1,156

Total whole loans in Q4'24: \$703M

- Declined 28% YoY as we've scaled our committed capital base.
- The QoQ increase reflects the impact of unexpectedly strong borrower approval volumes in Q4, which we expect to match with third-party capital in the coming quarters.
- Our intention remains to reduce the amount of loans held on balance sheet over the course of 2025.

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.

² "Consolidated (securitized) Loans": 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 \$16M as of December 31, 2024.

Committed Capital and Other Co-Investments

(in millions)

	Q4'24	Q3'24	Q4'23
Capital co-invested ¹	\$433	\$334	\$99
Current assessed value ²	\$432	\$331	\$95
Minimum/maximum possible values ²	\$0 - \$642	\$0 - \$560	\$0 - \$205

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 \$458M for Q4'24, \$358M for Q3'24 and \$99M for Q4'23. The excluded amounts totaled \$25M in Q4'24, \$24M in Q3'24, and \$0 in Q4'23.

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."

As of December 31, 2024:

- **Capital co-invested is \$433M** 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 \$432M** 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 \$642M**, 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 Lending	Q4'24	Q3'24	Q Q	Q4'23	Y Y
Number of Loans	243,495	186,786	30%	129,078	89%
Transaction Dollars	\$2,038	\$1,539	32%	\$1,238	65%
Auto Lending	Q4'24	Q3'24	Q Q ²	Q4'23	Y Y ²
Number of Loans	1,715	1,080	59%	542	216%
Transaction Dollars	\$43	\$26	61%	\$13	224%
HELOC	Q4'24	Q3'24	Q Q	Q4'23	Y Y
Number of Loans	453	283	60%	-	n/a
Transaction Dollars ¹	\$27	\$17	59%	-	n/a

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

² Percentage changes are calculated using whole numbers and may not match the same calculation using the numbers on this page due to rounding.

Outlook¹

(in millions except for contribution margin)

	Q1'25
Revenue	\$200 million
<i>Revenue From Fees</i>	\$185 million
<i>Net Interest Income (Loss)</i>	\$15 million
Contribution Margin²	57%
GAAP Net Income (Loss)	(\$20) million
Non-GAAP Adjusted Net Income (Loss)²	\$16 million
Adjusted EBITDA²	\$27 million
Basic weighted average share count	95 million shares
Diluted weighted average share count	105 million shares
	Full Year 2025
Revenue	\$1 billion
<i>Revenue From Fees</i>	\$920 million
<i>Net Interest Income (Loss)</i>	\$80 million
GAAP Net Income	At least breakeven
Adjusted EBITDA Margin²	18%

¹ Our outlook is approximate and represents forward looking statements; see the slide titled "Disclaimer" earlier in this presentation.

² See the slide titled "Non-GAAP Financial Metrics" later in this presentation for information about the Non-GAAP metrics listed above.

Financial Appendix

Financial Statements

(in thousands, except share and per share data)

	December 31, 2023	December 31, 2024
Assets		
Cash and cash equivalents	\$ 368,405	\$ 788,422
Restricted cash	99,382	187,841
Loans (at fair value) ⁽¹⁾	1,156,413	806,304
Property, equipment, and software, net	42,655	39,013
Operating lease right of use assets	54,694	43,455
Beneficial interest assets (at fair value)	41,012	176,848
Non-marketable equity securities	41,250	41,250
Goodwill	67,062	67,062
Other assets (includes \$48,897 and \$107,627 at fair value as of December 31, 2023 and December 31, 2024, respectively)	146,227	216,763
Total assets	<u>\$ 2,017,100</u>	<u>\$ 2,366,958</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Payable to investors	\$ 53,580	\$ 60,173
Borrowings	1,040,424	1,402,168
Payable to securitization note holders (at fair value)	141,416	87,321
Accrued expenses and other liabilities (includes \$10,510 and \$15,883 at fair value as of December 31, 2023 and December 31, 2024, respectively)	84,051	133,800
Operating lease liabilities	62,324	50,278
Total liabilities	<u>1,381,795</u>	<u>1,733,740</u>
Stockholders' equity:		
Common stock, \$0.0001 par value; 700,000,000 shares authorized; 86,330,303 and 93,469,721 shares issued and outstanding as of December 31, 2023 and December 31, 2024, respectively	9	9
Additional paid-in capital	917,872	1,044,366
Accumulated deficit	(282,576)	(411,157)
Total stockholders' equity	<u>635,305</u>	<u>633,218</u>
Total liabilities and stockholders' equity	<u>\$ 2,017,100</u>	<u>\$ 2,366,958</u>

¹ Includes \$102.9 million and \$179.1 million of loans, at fair value, contributed as collateral for the consolidated securitization as of December 31, 2024 and December 31, 2023, respectively.

Financial Statements

(in thousands, except share and per share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2024	2023	2024
Revenue:				
Revenue from fees, net	\$ 152,846	\$ 199,276	\$ 560,431	\$ 635,466
Interest income, interest expense, and fair value adjustments, net:				
Interest income ⁽¹⁾	52,073	41,461	168,996	186,360
Interest expense ⁽¹⁾	(14,066)	(7,431)	(34,894)	(40,433)
Fair value and other adjustments ⁽¹⁾	(50,541)	(14,342)	(180,971)	(144,865)
Total interest income, interest expense, and fair value adjustments, net	(12,534)	19,688	(46,869)	1,062
Total revenue	140,312	218,964	513,562	636,528
Operating expenses:				
Sales and marketing	38,772	55,463	127,143	166,800
Customer operations	36,117	40,602	150,418	157,996
Engineering and product development	57,152	67,222	280,138	253,653
General, administrative, and other	55,772	60,427	212,388	230,935
Total operating expenses	187,813	223,714	770,087	809,384
Loss from operations	(47,501)	(4,750)	(256,525)	(172,856)
Other income, net	6,345	6,136	21,206	18,793
Expense on convertible notes	(1,179)	(4,030)	(4,706)	(7,694)
Gain on debt extinguishment	-	-	-	33,361
Net loss before income taxes	(42,335)	(2,644)	(240,025)	(128,396)
Provision for income taxes	63	111	107	185
Net loss	\$ (42,398)	\$ (2,755)	\$ (240,132)	\$ (128,581)
Net loss per share, basic	\$ (0.50)	\$ (0.03)	\$ (2.87)	\$ (1.44)
Net loss per share, diluted	\$ (0.50)	\$ (0.03)	\$ (2.87)	\$ (1.44)
Weighted-average number of shares outstanding used in computing net loss per share, basic	85,569,351	92,174,306	83,765,896	89,450,038
Weighted-average number of shares outstanding used in computing net loss per share, diluted	85,569,351	92,174,306	83,765,896	89,450,038

¹ Balances for the three months ended December 31, 2023 include \$9.6 million of interest income, (\$3.0) million of interest expense, and (\$5.9) million of fair value and other adjustments, net related to the consolidated securitization. Balances for the three months ended December 31, 2024 include \$5.9 million of interest income, (\$2.1) million of interest expense, and (\$3.8) million of fair value and other adjustments, net related to the consolidated securitization. Balances for the year ended December 31, 2023 include \$19.7 million of interest income, (\$6.7) million of interest expense, and (\$5.5) million of fair value and other adjustments, net related to the consolidated securitization. Balances for the year ended December 31, 2024 include \$29.0 million of interest income, (\$9.6) million of interest expense, and (\$29.4) million of fair value and other adjustments, net related to the consolidated securitization.

Financial Statements

(in thousands)

	Year Ended December 31,	
	2023	2024
Cash flows from operating activities		
Net loss	\$ (240,132)	\$ (128,581)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Change in fair value of loans	190,320	125,002
Change in fair value of servicing assets	22,171	16,490
Change in fair value of servicing liabilities	(2,013)	(1,246)
Change in fair value of beneficial interest assets	21,672	5,151
Change in fair value of beneficial interest liabilities	4,817	12,568
Change in fair value of other financial instruments	(2,145)	4,130
Stock-based compensation	175,039	133,400
Gain on loan servicing rights, net	(13,713)	(15,449)
Gain on debt extinguishment	-	(33,361)
Depreciation and amortization	24,903	20,549
Loan premium amortization	(3,869)	(17,021)
Non-cash interest expense and other	3,057	3,217
Net changes in operating assets and liabilities:		
Purchases of loans held-for-sale	(3,006,510)	(4,309,268)
Proceeds from sale of loans held-for-sale	2,514,627	4,101,937
Principal payments received for loans held-for-sale	189,746	192,889
Principal payments received for loans held by consolidated securitization	24,832	47,997
Payments on beneficial interest liabilities	(596)	(6,700)
Other assets	(8,932)	(8,690)
Operating lease liability and right-of-use asset	(6,822)	(807)
Payable to investors for beneficial interest assets ⁽¹⁾	5,792	-
Accrued expenses and other liabilities	(3,956)	44,124
Net cash provided by (used in) operating activities	\$ (111,712)	\$ 186,331

Financial Statements

(in thousands)

	Year Ended December 31,	
	2023	2024
Cash flows from investing activities		
Purchases and originations of loans held-for-investment	\$ (157,223)	\$ (323,096)
Proceeds from sale of loans held-for-investment	972	-
Principal payments received for loans held-for-investment	102,446	145,266
Principal payments received for notes receivable and repayments of residual certificates	4,328	5,917
Settlements of beneficial interest assets	-	(4,469)
Purchases of property and equipment	(1,527)	(837)
Capitalized software costs	(10,559)	(9,153)
Acquisition of beneficial interest assets	(56,892)	(63,284)
Proceeds from beneficial interest assets	-	11,930
Net cash used in investing activities	\$ (118,455)	\$ (237,726)

Financial Statements

(in thousands)

	Year Ended December 31,	
	2023	2024
Cash flows from financing activities		
Proceeds from warehouse borrowings	\$ 626,910	\$ 387,281
Proceeds from convertible notes issuance, net of debt issuance costs paid to lender	-	913,440
Payment of debt issuance costs paid to third party	-	(3,945)
Repayments of warehouse borrowings	(575,937)	(357,352)
Payments for repurchases of convertible notes	-	(325,344)
Purchase of capped calls	-	(40,883)
Settlement of capped calls	-	580
Principal payments made on securitization notes	(23,320)	(55,368)
Payable to investors ⁽¹⁾	(48,781)	12,385
Proceeds from issuance of securitization notes	165,318	-
Proceeds from issuance of common stock under employee stock purchase plan	8,431	7,685
Proceeds from exercise of stock options	12,881	21,414
Taxes paid related to net share settlement of equity awards	(15)	(22)
Net cash provided by financing activities	165,487	559,871
Change in cash, cash equivalents and restricted cash	(64,680)	508,476
Cash, cash equivalents and restricted cash		
Cash, cash equivalents and restricted cash at beginning of year	532,467	467,787
Cash, cash equivalents and restricted cash at end of year	\$ 467,787	\$ 976,263

Reconciliation of non-GAAP financial measures

(in thousands, except ratios)

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2024	2023	2024
Revenue from fees, net	\$ 152,846	\$ 199,276	\$ 560,431	\$ 635,466
Loss from operations	(47,501)	(4,750)	(256,525)	(172,856)
<i>Operating Margin</i>	(31%)	(2%)	(46%)	(27%)
Sales and marketing, net of borrower acquisition costs ⁽¹⁾	\$ 10,614	\$ 11,231	\$ 36,626	\$ 41,783
Customer operations, net of borrower verification and servicing costs ⁽²⁾	7,024	7,456	33,798	29,080
Engineering and product development	57,152	67,222	280,138	253,653
General, administrative, and other	55,772	60,427	212,388	230,935
Interest income, interest expense, and fair value adjustments, net	12,534	(19,688)	46,869	(1,062)
Contribution Profit	\$ 95,595	\$ 121,898	\$ 353,294	\$ 381,533
<i>Contribution Margin</i>	63%	61%	63%	60%

1 Borrower acquisition costs were \$28.2 million and \$44.2 million for the three months ended December 31, 2023 and 2024, respectively, and were \$90.5 million, and \$125.0 million for the year ended December 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.

2 Borrower verification and servicing costs were \$29.1 million and \$33.1 million for the three months ended December 31, 2023 and 2024, respectively, and were \$116.6 million, and \$128.9 million for the year ended December 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.

Reconciliation of non-GAAP financial measures

(in thousands, except ratios)

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2024	2023	2024
Total revenue	\$ 140,312	\$ 218,964	\$ 513,562	\$ 636,528
Net loss	(42,398)	(2,755)	(240,132)	(128,581)
<i>Net Loss Margin</i>	(30%)	(1%)	(47%)	(20%)
Adjusted to exclude the following:				
Stock-based compensation and certain payroll tax expenses ⁽¹⁾	\$ 33,409	\$ 32,087	\$ 178,400	\$ 139,726
Depreciation and amortization	9,103	4,699	24,903	20,549
Reorganization expenses	-	603	15,536	4,382
Expense on convertible notes	1,179	4,030	4,706	7,694
Gain on debt extinguishment	-	-	-	(33,361)
Net gain on lease modification	(737)	-	(737)	-
Provision for income taxes	63	111	107	185
<i>Adjusted EBITDA</i>	\$ 619	\$ 38,775	\$ (17,217)	\$ 10,594
<i>Adjusted EBITDA Margin</i>	0%	18%	(3%)	2%

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 December 31,		Year Ended December 31,	
	2023	2024	2023	2024
Net loss	\$ (42,398)	\$ (2,755)	\$ (240,132)	\$ (128,581)
Adjusted to exclude the following:				
Stock-based compensation and certain payroll tax expenses ⁽¹⁾	33,409	32,087	178,400	139,726
Reorganization expenses	-	603	15,536	4,382
Gain on debt extinguishment	-	-	-	(33,361)
Net gain on lease modification	(737)	-	(737)	-
Adjusted Net Income (Loss)	<u>\$ (9,726)</u>	<u>\$ 29,935</u>	<u>\$ (46,933)</u>	<u>\$ (17,834)</u>
Net loss per share:				
Basic	\$ (0.50)	\$ (0.03)	\$ (2.87)	\$ (1.44)
Diluted	\$ (0.50)	\$ (0.03)	\$ (2.87)	\$ (1.44)
Adjusted Net Income (Loss) Per Share:				
Basic	\$ (0.11)	\$ 0.32	\$ (0.56)	\$ (0.20)
Diluted	\$ (0.11)	\$ 0.29	\$ (0.56)	\$ (0.20)
Weighted-average common shares outstanding:				
Basic	85,569,351	92,174,306	83,765,896	89,450,038
Diluted	85,569,351	103,118,327	83,765,896	89,450,038

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, dollars; 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 Transaction Volume, Number of Loans 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 by the Company 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 gain on debt extinguishment, net gain on lease modification and 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 and Contribution Margin are not GAAP financial measures of, nor do they 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 and Contribution Margin do 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 and/or contribution margin 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, gain on debt extinguishment, net gain on lease modification 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; and
- 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.

Refer to slides 31-33 for reconciliation tables of the most comparable GAAP financial measures to the non-GAAP financial measures 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.