Upstart

Q3 2023 Earnings

November 7, 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 Q4 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 through securitizations, committed capital arrangements, whole loan sales and warehouse credit facilities; the effectiveness of our credit decisioning models and risk management efforts; our ability to retain existing, and attract new, lending partners; our ability to improve and expand our platform and products; and our ability to operate successfully in a highly-regulated industry. Moreover, we operate in very competitive and rapidly changing environments, and new risks may emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Additional information will be available in other future reports that we file with the SEC from time to time, which could cause actual results to vary from expectations. Except as required by law, Upstart does not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

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

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

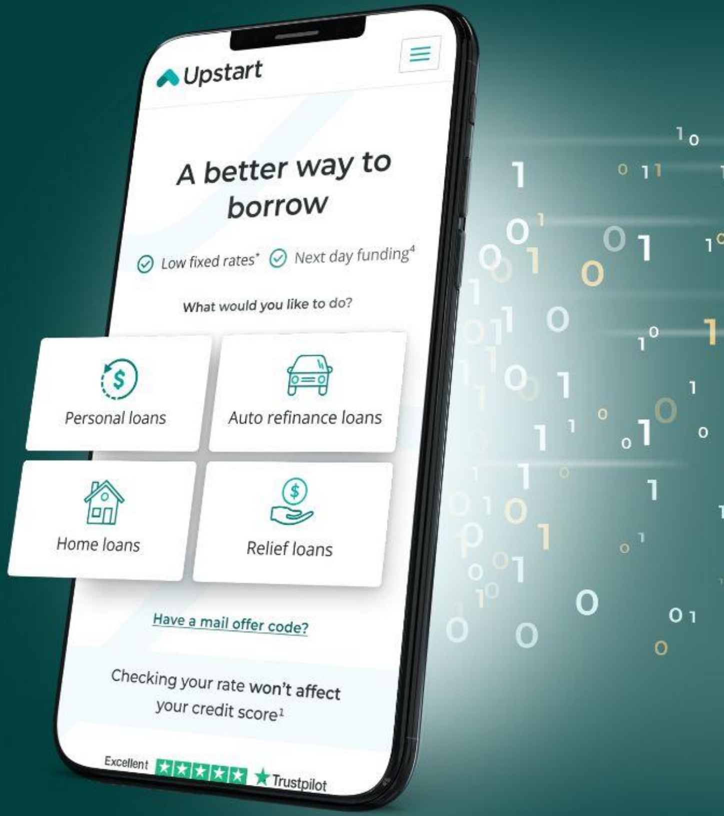
2.8M+[1]
Customers

$35B+[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 9/30/2023
2 as of 11/6/2023

Q3'23 Summary

Revenue	Income from Operations	Contribution Profit Margin	Net Income	Adjusted EBITDA
$134.6M	($43.8M)	64%	($40.3M)	$2.3M
-14% y/y	from ($58.1M) in Q3'22	vs 54% in Q3'22	from ($56.2M) in Q3'22	from ($14.4M) in Q3'22

Highlights

88%[1]

Of loans fully automated. A new record

70%

Of the US population now covered by auto lending with the addition of AR, MD & VA

Seasonality integrated to Upstart Macro Index

Enabling more nuanced risk pricing

15%

Improvement in accuracy of our personal loans model, the largest in five years

HELOC

Live in:
CO, MI, WA, and UT
Launching soon in:
AL, KY, TN, and DC

1 In Q3 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

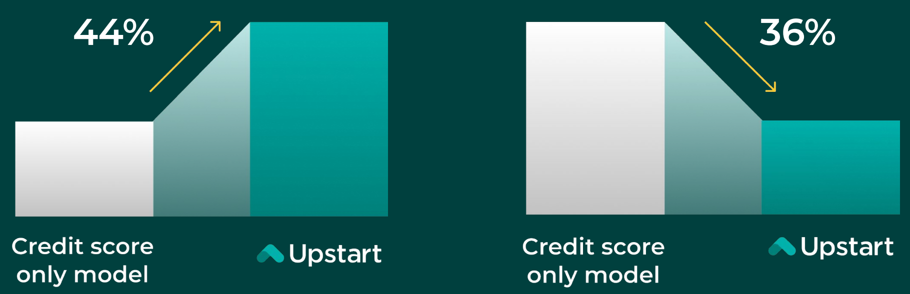
1. Best rates for all
2. More efficient borrowing and lending
3. Expanding our footprint

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]

Higher approvals[1] / Lower APR[1]



Upstart models **train on over 120 billion cells** of performance data with an average of **85,000**[2] **new loan repayments added each business day**.

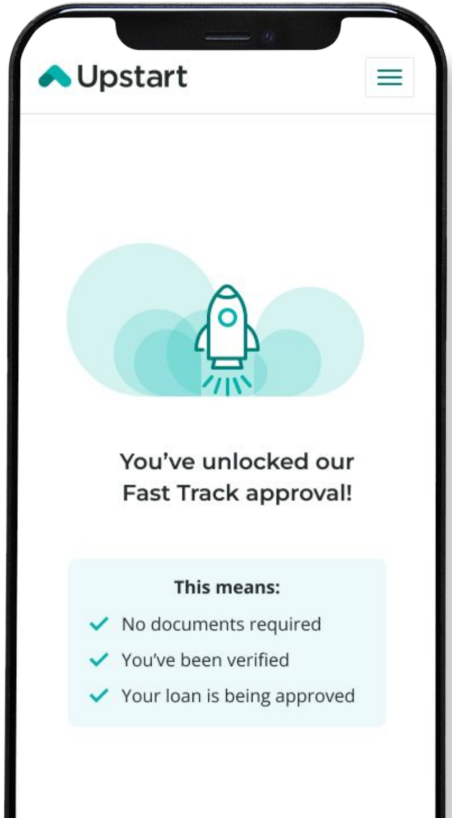
New **seasonal UMI (Upstart Macro Index) integration**. Allows for more nuanced risk pricing as well as more accurate comparisons across vintages.

Launched **new personal loan underwriting model** which returned accuracy improvements **double the next most impactful model** update in the last five years.

1 As of October 2023, and based on a comparison between the Upstart model and a hypothetical traditional model. For more information on the methodology behind this study, please see Upstart's Annual Access to Credit results here.
2 As of 9/30/2023

More efficient borrowing and lending

Enabled by better AI and more sophisticated risk models



85[1] Net promoter score Borrowers love Upstart with 42K+ rating us 'Excellent' on Trustpilot[2]

88% of loans are instantly approved and fully automated[3]

70% of borrowers apply through a mobile phone[4]

1 as of 9/30/2023. 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
3 in Q3 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..
4 in fiscal year 2022

Expanding our footprint

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

100+[1]	Auto OEM	Signed two of the nation's largest non-prime auto lenders as newest auto loan forward flow buyers	HELOC
Banks and Credit Unions, up from 10 at IPO	Partnership to power reservations, deposits, and customization for their new vehicle		Live in: CO, MI, WA, and UT Launching soon in: AL, KY, TN, and DC

1 as of 11/6/2023

Consumer and Credit Trends

UMI and consumer trends

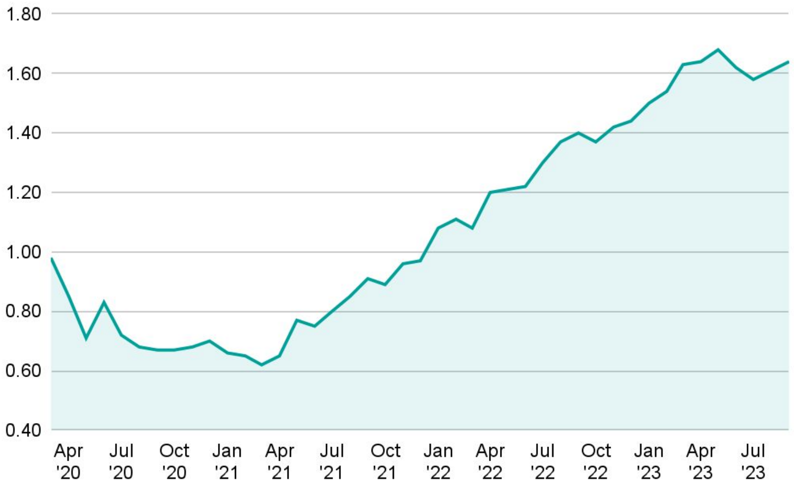
Macroeconomic risk to consumer credit is holding steady reflecting the pause in the recovery of key consumer trends

September UMI

1.64 [2]

-1.9% M|M

upstart.com/umi



September consumer trends

3.4% **Personal savings rate***
vs 4.9% in June [1]

5.0% **CPI (Inflation)***
vs 5.6% in June [1]

62.8% **Labor force participation rate***
vs 62.6% in June [1]

*Statistics as of September

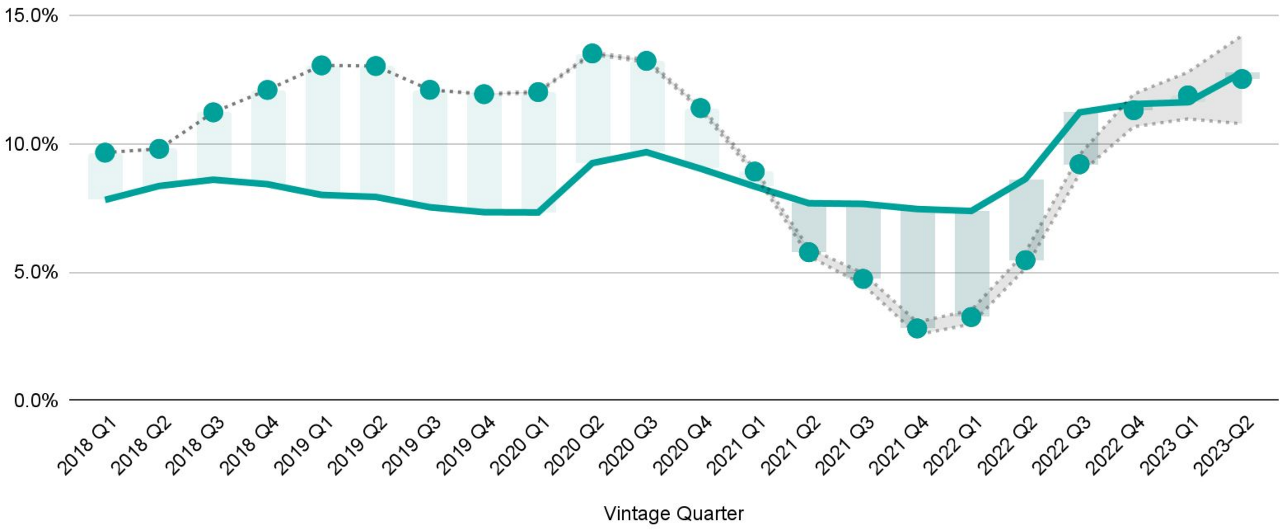
The Upstart Macro Index (UMI) estimates the impact of the macroeconomy on credit losses for Upstart-powered unsecured personal loans. UMI is expressed as a multiple of defaults relative to a static baseline due to macroeconomic changes. For example, a UMI of 1.25 for a given month suggests that the macro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

1 https://fred.stlouisfed.org/
2 Upstart internal measured data as of 10/30/2023

Upstart

Upstart loan performance

Most recent vintages are now expected to deliver ~12%+ gross returns[1]



Expected gross realized returns have increased from 5.5% in Q2'22 to **12.5% for Q2'23**[1]

If an investor invested equally in all Upstart cohorts, they would now expect a **9.9% gross annualized return** against a blended target of 8.7%[2]

1 Upstart internal performance data as of 10/30/23. "upside," "baseline" and "downside" percentages are based on Upstart's own internal estimates of the returns observed on each vintage to date.
2 Gross annualized return per Upstart internal calculation including assumption of future cash flows based on most recent performance data.

Impact and Scale

Upstart's impact

Dedicated to expanding access to credit for all

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

Closing the racial wealth gap

In 2022 the Upstart model approved:

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

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

Fair and responsible use of AI

More Than Fair

Founding member of **MoreThanFair**

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

Partnering to reach the underserved

ECONOMIC OPPORTUNITY COALITION — Go to fact sheet ➤

NCRC — Go to press release ➤

NBA National Bankers Association — Go to press release ➤

1 As of October 2023, and based on a comparison between the Upstart model and a hypothetical traditional model. Upstart does not collect demographic data on borrowers. Upstart uses standard industry methodology to estimate borrower demographic status to conduct access-to-credit analysis comparing Upstart to traditional credit model outcomes. For more information on the methodology behind this study, please see Upstart's Annual Access to Credit results here.
2 As of 9/30/2023

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%	3.3%	6.0%	8.3%	12.9%	**4.4%**
	680 to 699	1.4%	3.2%	5.9%	7.8%	12.8%	**5.9%**
	660 to 679	2.1%	3.9%	6.3%	8.5%	13.8%	**7.8%**
	640 to 659	3.1%	4.5%	6.8%	9.4%	15.8%	**10.0%**
	639 or Below	5.6%	6.5%	8.6%	11.3%	21.3%	**16.1%**
	Average	**1.6%**	**3.9%**	**6.6%**	**9.3%**	**17.3%**	

~4x more defaults between highest and lowest credit score

~11x more defaults between highest and lowest Upstart risk grade

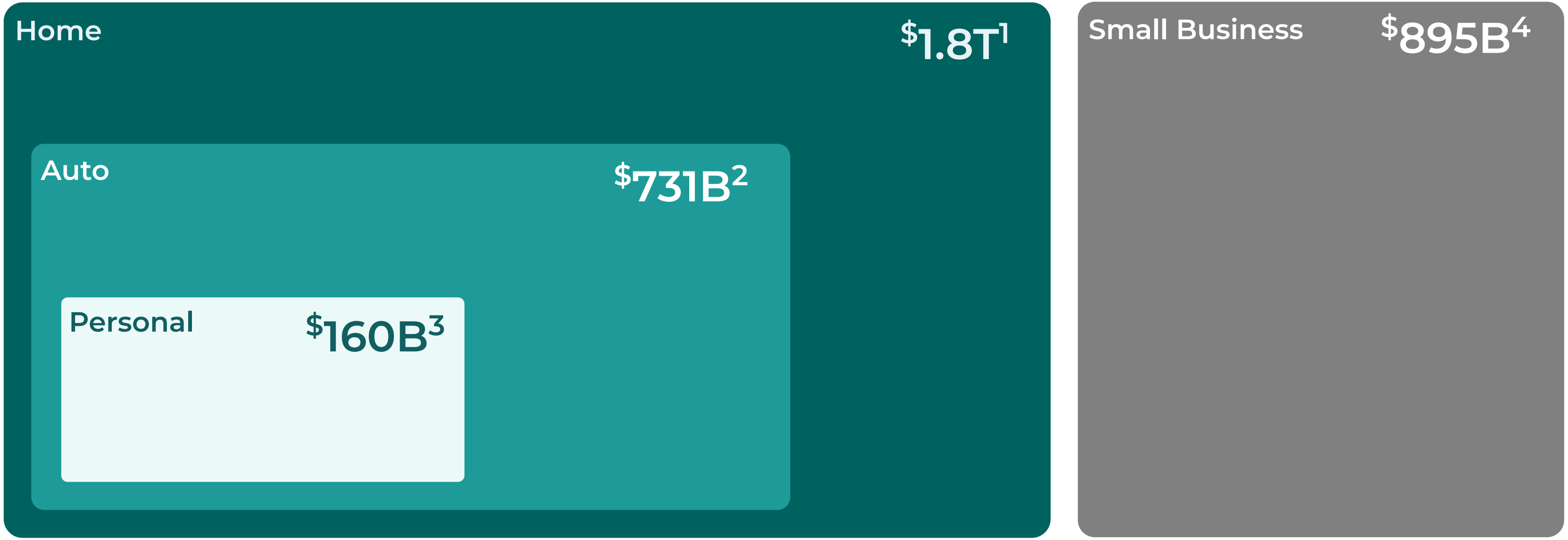
Upstart's risk grades predict a steadily increasing default rate from left to right as the borrowers get riskier.

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

1 Upstart internal performance data as of October 30, 2023. Consists of all originations made 2018-Q1 to 2023-Q2 "vintages."

Upstart's marketplace

Total addressable market of $4T in annual loan originations



1 Total mortgage originations using data provided by TransUnion for Q2 2022 – Q1 2023
2 Total auto loans using data provided by TransUnion for Q2 2022 – Q1 2023
3 Total unsecured personal loans using data provided by TransUnion for Q2 2022 – Q1 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

Q3’23 summary P&L and non-GAAP metrics

(in millions, except ratios and per share data)

	Q3’23	Q2’23	Q|Q	Q3’22	Y|Y
Revenue	**$134.6**	$135.8	(1%)	$157.2	(14%)
Revenue from Fees	**$146.8**	$143.7	2%	$179.3	(18%)
Income (Loss) from Operations	**($43.8)**	($33.3)	n/a	($58.1)	n/a
Net Income (Loss)	**($40.3)**	($28.2)	n/a	($56.2)	n/a
Adjusted Net Income (Loss)	**($3.9)**	$5.4	n/a	($19.3)	n/a
Earnings (Loss) Per Share (Diluted)	**($0.48)**	($0.34)	n/a	($0.69)	n/a
Adjusted Earnings (Loss) Per Share (Diluted)	**($0.05)**	$0.06	n/a	($0.24)	n/a
Contribution Profit	**$94.2**	$95.9	(2%)	$96.0	(2%)
Contribution Margin	**64%**	67%	260bps	54%	1,060bps
Operating Expenses	**$178.4**	$169.1	5%	$215.3	(17%)
Adjusted EBITDA	**$2.3**	$11.0	(79%)	($14.4)	n/a

Balance Sheet items and key operating metrics

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

	Q3'23	Q2'23	Q3'22
Cash and Restricted Cash	**$615.0**	$509.9	$829.9
Loans, Notes, and Residuals	**$975.1**	$841.5	$703.9
Total Assets	**$2,001.8**	$1,763.7	$1,915.3
Total Liabilities	**$1,361.0**	$1,125.6	$1,196.7
Transaction Volume, Number of Loans	**114,464**	109,447	188,519
Transaction Volume, Dollars	**$1,219.3**	$1,175.7	$1,850.5
% Fully Automated	**88%**	87%	75%
Conversion Rate	**10%**	9%	10%

Loans Held on Balance Sheet

Fair Value (in millions, except ratios)

	Q3'23	Q2'23	Q3'22
Testing and Evaluation (R&D)[1]	**$447**	$493	$451
Auto	***$380***	*$413*	*$398*
Other	***$67***	*$80*	*$53*
Core Personal	**$329**	$345	$249
Total whole loans on balance sheet	**$776**	$838	$700
Consolidated (securitized) Loans	**$196**	-	-
Total on balance sheet	**$972**	$838	$700

In Q3, we completed an asset-backed securitization and retained the full residual equity, which required us to consolidate the securitization. The net retained value of the securitization is approx. $43M as of September 30, 2023.

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

Committed Capital Co-Investment Summary

in millions, except ratios

	Q3'23	Q2'23	Q3'22
Capital co-invested	**$66.1**	$40.2	-
Current assessed value (undiscounted)	**$73.1**	$51.7	-
Minimum/maximum possible value	**$0-$138.9**	$0 - 83.4	-

As of September 30, Upstart has invested $66.1M linked to credit performance as part of our committed capital arrangements.

The value of our risk sharing investment is $73.1M, based on the actual and our expected future performance of the underlying loans.

The range of potential value spans from $0 to $138.9M, dependent on future credit performance.

Lending by Product

(in millions, except number of loans and ratios)

Personal Unsecured	Q3'23	Q2'23	Q|Q	Q3'22	Y|Y
Number of Loans	113,252	106,919	6%	185,663	(39%)
Transaction Dollars	$1,190	$1,120	6%	$1,794	(33%)

Auto Secured	Q3'23	Q2'23	Q|Q	Q3'22	Y|Y
Number of Loans	1,208	2,528	(52%)	2,856	(58%)
Transaction Dollars	$29	$56	(48)%	$57	(49%)

Outlook

	Q4'23
Revenue	approximately $135 million
Revenue From Fees	*approximately $150 million*
Net Interest Income (Loss)	*approximately ($15) million*
Contribution Margin	*Approximately* 62%
Net Income (Loss)	*approximately* ($48) million
Non-GAAP Adjusted Net Income (Loss)[1]	*approximately* ($14) million
Adjusted EBITDA[1]	*approximately* $0 million
Diluted weighted average share count	*approximately* 85.6 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	September 30, 2023
Assets		
Cash	$ 422,411	$ 516,581
Restricted cash	110,056	98,447
Loans (at fair value) (1)	1,010,421	972,336
Property, equipment, and software, net	44,168	48,010
Operating lease right of use assets	86,335	77,339
Beneficial interests (at fair value)	—	36,974
Non-marketable equity securities	41,250	41,250
Goodwill	67,062	67,062
Other assets (includes $42,648 and $42,673 at fair value as of December 31, 2022 and September 30, 2023, respectively)	154,351	143,780
Total assets	$ 1,936,054	$ 2,001,779
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	$ 18,715	$ 7,072
Payable to investors	90,777	51,607
Borrowings	986,394	1,003,392
Payable to securitization note holders (at fair value)	—	153,782
Accrued expenses and other liabilities (includes $8,820 and $7,414 at fair value as of December 31, 2022 and September 30, 2023, respectively)	66,946	51,853
Operating lease liabilities	100,787	93,354
Total liabilities	1,263,619	1,361,015
Stockholders' equity:		
Common stock, $0.0001 par value; 700,000,000 shares authorized; 81,259,676 and 85,024,889, shares issued and outstanding as of December 31, 2022 and September 30, 2023, respectively	8	9
Additional paid-in capital	714,871	880,933
Accumulated deficit	(42,444)	(240,178)
Total stockholders' equity	672,435	640,764
Total liabilities and stockholders' equity	$ 1,936,054	$ 2,001,779

(1) Includes $196.5 million as of September 30, 2023 of loans, at fair value, contributed as collateral for the consolidated securitization.

Financial Statements

(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2023	2022	2023
Revenue:				
Revenue from fees, net	$ 179,348	$ 146,755	$ 751,675	$ 407,585
Interest income and fair value adjustments, net:				
Interest income (1)	22,180	37,692	66,288	116,923
Interest expense (1)	(3,050)	(9,414)	(6,322)	(20,828)
Fair value and other adjustments (1)	(41,245)	(40,476)	(116,110)	(130,430)
Total interest income and fair value adjustments, net	(22,115)	(12,198)	(56,144)	(34,335)
Total revenue	157,233	134,557	695,531	373,250
Total operating expenses:				
Sales and marketing	56,362	33,042	295,023	88,371
Customer operations	45,028	36,914	144,507	114,301
Engineering and product development	66,182	54,941	173,218	222,986
General, administrative, and other	47,752	53,505	138,148	156,616
Total operating expenses	215,324	178,402	750,896	582,274
Income (loss) from operations	(58,091)	(43,845)	(55,396)	(209,024)
Other income, net	1,880	3,540	2,018	11,334
Net income (loss) before income taxes	(56,211)	(40,305)	(53,347)	(197,690)
Provision for income taxes	12	10	55	44
Net income (loss)	(56,223)	(40,315)	(53,402)	(197,734)
Net income (loss) per share, basic	(0.69)	(0.48)	(0.64)	(2.38)
Net income (loss) per share, diluted	(0.69)	(0.48)	(0.64)	(2.38)
Weighted-average number of shares outstanding used in computing net income (loss) per share, basic	81,672,099	84,404,966	83,236,131	83,158,146
Weighted-average number of shares outstanding used in computing net income (loss) per share, diluted	81,672,099	84,404,966	83,236,131	83,158,146

(1) Balances for three and nine months ended September 30, 2023 include $10.0 million of interest income, $(3.8) million of interest expense, and $0.4 million of fair value and other adjustments, net related to the consolidated securitization.

Financial Statements

(in thousands, except share and per share data)

	Nine Months Ended September 30,	
	2022	2023
Cash flows from operating activities		
Net loss	$ (53,402)	$ (197,734)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Change in fair value of financial instruments	71,056	151,317
Stock-based compensation	92,035	142,273
Gain on loan servicing arrangement, net	(23,770)	(10,432)
Depreciation and amortization	9,859	15,800
Non-cash interest expense	2,294	2,296
Other	—	(2,260)
Net changes in operating assets and liabilities:		
Purchase of loans held-for-sale	(6,978,644)	(2,076,734)
Proceeds from sale of loans held-for-sale	6,374,107	1,875,358
Principal payments received for loans held-for-sale	104,049	139,582
Principal payments received for loans held by consolidated securitization	—	12,302
Other assets	8,719	27
Operating lease liability and right-of-use asset	7,695	1,563
Accounts payable	3,446	(11,699)
Payable to investors	(13,754)	(44,919)
Accrued expenses and other liabilities	(25,494)	(13,521)
Net cash used in operating activities	(421,804)	(16,781)

Financial Statements

(in thousands, except share and per share data)

	Nine Months Ended September 30,	
	2022	2023
Cash flows from investing activities		
Purchase of loans held-for-investment	(55,294)	(121,294)
Proceeds from sale of loans held-for-investment	11,993	774
Principal payments received for loans held-for-investment	27,711	78,327
Principal payments received for notes receivable and repayments of residual certificates	5,508	3,556
Acquisition of beneficial interests	—	(39,505)
Purchase of non-marketable equity securities	(1,000)	—
Purchase of property and equipment	(7,088)	(1,285)
Capitalized software costs	(10,842)	(9,135)
Net cash used in investing activities	(29,012)	(88,562)
Cash flows from financing activities		
Payments made on securitization notes	—	(10,016)
Proceeds from issuance of securitization notes	—	165,318
Proceeds from borrowings	430,270	529,494
Repayments of borrowings	(209,079)	(514,792)
Proceeds from issuance of common stock under employee stock purchase plan	7,662	8,431
Proceeds from exercise of stock options	10,726	9,475
Taxes paid related to net share settlement of equity awards	(8)	(6)
Repurchases of common stock	(150,070)	—
Net cash provided by financing activities	89,501	187,904
Change in cash and restricted cash	(361,315)	82,561
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	$ 829,926	$ 615,028

Reconciliation of non-GAAP financial measures

(in thousands, except ratios)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2023	2022	2023
Revenue from fees, net	$ 179,348	$ 146,755	$ 751,675	$ 407,585
Loss from operations	(58,091)	(43,845)	(55,365)	(209,024)
Operating Margin	(32)%	(30)%	(7)%	(51)%
Sales and marketing, net of borrower acquisition costs(1)	$ 10,348	$ 9,444	$ 31,910	$ 26,012
Customer operations, net of borrower verification and servicing costs(2)	7,706	7,911	20,728	26,774
Engineering and product development	66,182	54,941	173,218	222,986
General, administrative, and other	47,752	53,505	138,148	156,616
Interest income and fair value adjustments, net	22,115	12,198	56,144	34,335
Contribution Profit	$ 96,012	$ 94,154	$ 364,783	$ 257,699
Contribution Margin	54%	64%	49%	63%

(1) Borrower acquisition costs were $46.0 million and $23.6 million for the three months ended September 30, 2022 and 2023, respectively, and were $263.1 million and $62.4 million for the nine months ended September 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 $37.3 million and $29.0 million for the three months ended September 30, 2022 and 2023, respectively, and were $123.8 million and $87.5 million for the nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2022	2023	2022	2023
Total revenue	$ 157,233	$ 134,557	$ 695,531	$ 373,250
Net loss	(56,223)	(40,315)	(53,402)	(197,734)
Net Loss Margin	(36)%	(30)%	(8)%	(53)%
Adjusted to exclude the following:				
Stock-based compensation and certain payroll tax expenses(1)	$ 36,957	$ 36,446	$ 93,721	$ 144,991
Depreciation and amortization	3,724	4,934	9,859	15,800
Reorganization expenses	—	—	—	15,536
Expense on convertible notes	1,172	1,177	3,511	3,527
Provision for income taxes	12	10	55	44
Adjusted EBITDA	$ (14,358)	$ 2,252	$ 53,744	$ (17,836)
Adjusted EBITDA Margin	(9)%	2%	8%	(5)%

(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 September 30,		Nine Months Ended September 30,	
	2022	2023	2022	2023
Net loss	$ (56,223)	$ (40,315)	$ (53,402)	$ (197,734)
Adjusted to exclude the following:				
Stock-based compensation and certain payroll tax expenses[1]	36,957	36,446	93,721	144,991
Reorganization expenses	—	—	—	15,536
Adjusted Net Loss	$ (19,266)	$ (3,869)	$ 40,319	$ (37,207)
Net loss per share:				
Basic	$ (0.69)	$ (0.48)	$ (0.64)	$ (2.38)
Diluted	$ (0.69)	$ (0.48)	$ (0.64)	$ (2.38)
Adjusted Net Income (Loss) per Share:				
Basic	$ (0.24)	$ (0.05)	$ 0.48	$ (0.45)
Diluted	$ (0.24)	$ (0.05)	$ 0.43	$ (0.45)
Weighted-average common shares outstanding:				
Basic	81,672,099	84,404,966	83,236,131	83,158,146
Diluted	81,672,099	84,404,966	92,991,590	83,158,146

(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