



**Q4 and Fiscal Year 2022 Earnings**  
**February 14, 2023**

# Disclaimer

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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 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, including inflation and related monetary policy changes, such as increasing interest rates; our ability to access sufficient loan funding, including in the securitization and whole loan sale markets; the effectiveness of our credit decisioning models and risk management efforts; our ability to retain existing, and attract new, lending partners; and our ability to operate successfully in a highly-regulated industry. Moreover, we operate in very competitive and rapidly changing environments, and new risks may emerge from time to time. It is not possible for our management 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 24-26 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.

# This is Upstart

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**Our mission is to enable effortless credit  
based on true risk.**

Why? Because credit really matters.

Money is a fundamental ingredient of life, and unless you're in the few percent of Americans with significant wealth, the price of borrowing affects you everyday. Through all of history, affordable credit has been central to unlocking mobility and opportunity.



# Upstart at a glance

Upstart is an AI lending marketplace partnering with banks and credit unions to improve access to affordable credit

## Two-sided business

consumers connected to AI-enabled lenders

## Over \$32B of loans<sup>1</sup>

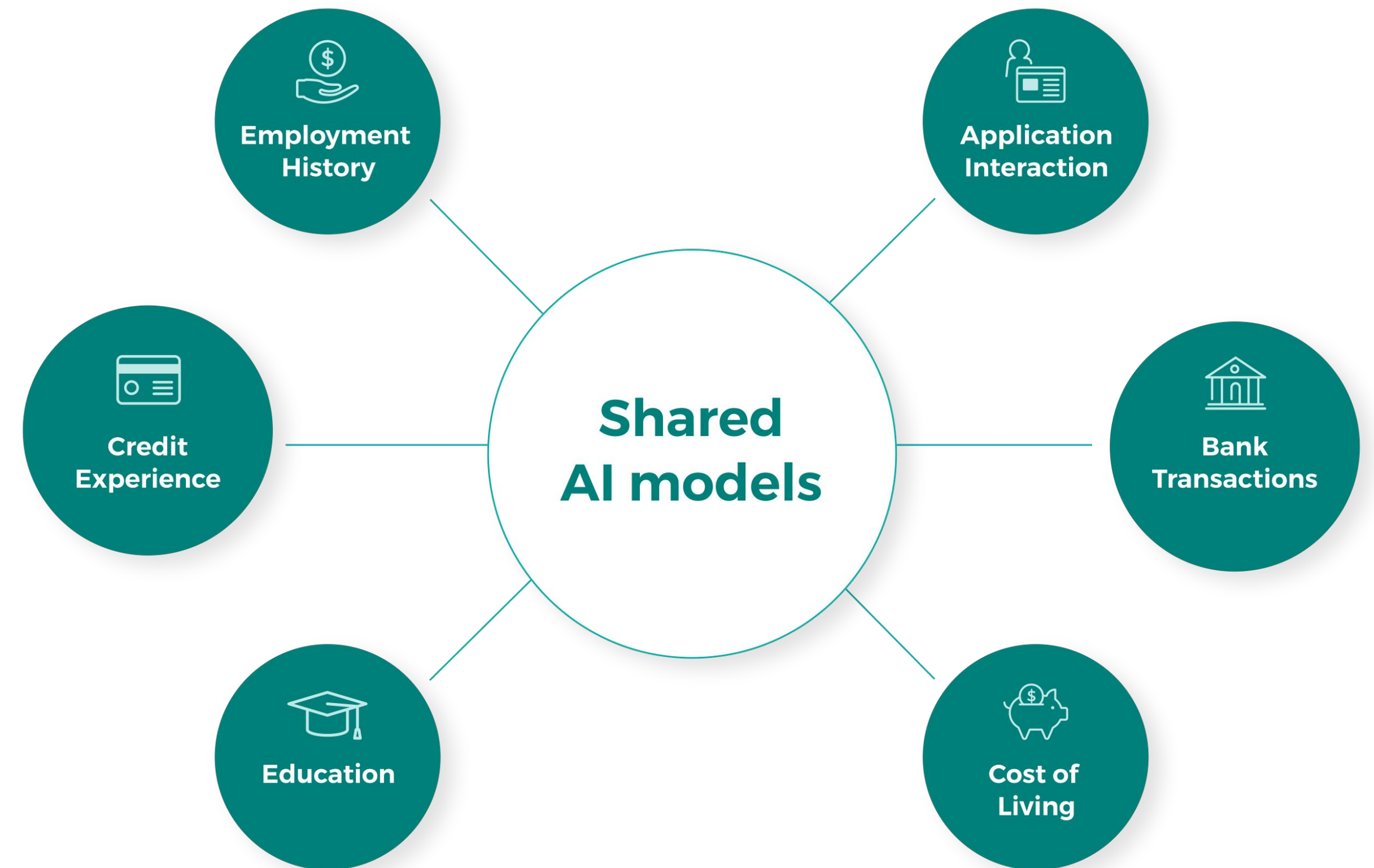
have been facilitated by our platform

## Instant and automated approvals

82% of loans are instantly approved and fully automated<sup>2</sup>

## 83 Net promoter score<sup>3</sup>

Borrowers love Upstart with 40K+ rating us 'Excellent' on Trustpilot

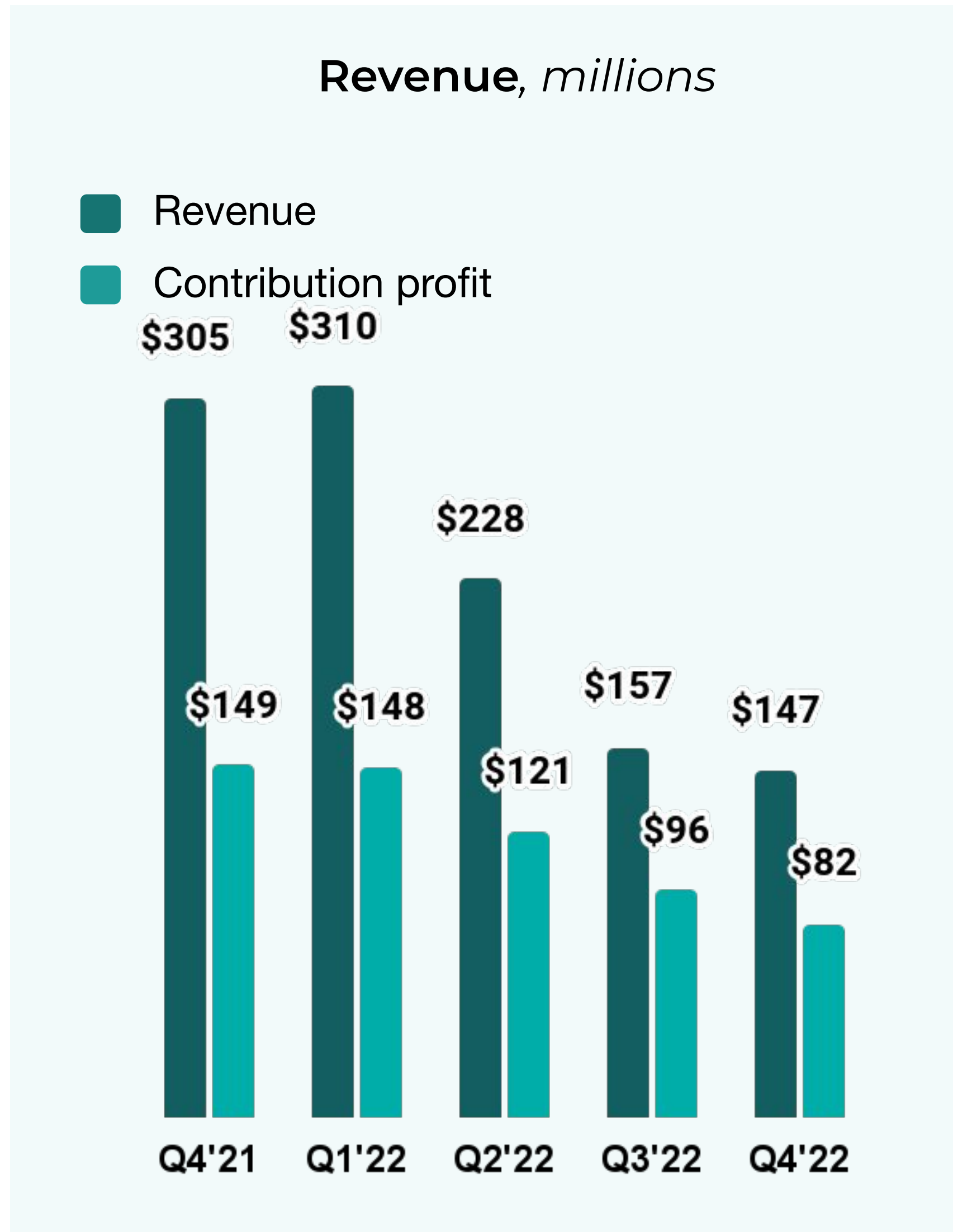


1. As of 12/31/22

2. In Q4 2022.

3. 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.

# Q4'22 Key financial highlights



## Revenue:

\$147M, down 52% Y|Y

## Income (Loss) from Operations:

(\$58.5M), down from \$60.4M in Q4'21

## Contribution Profit:

\$82.0M, down 45% Y|Y, and representing 53% of fee revenue

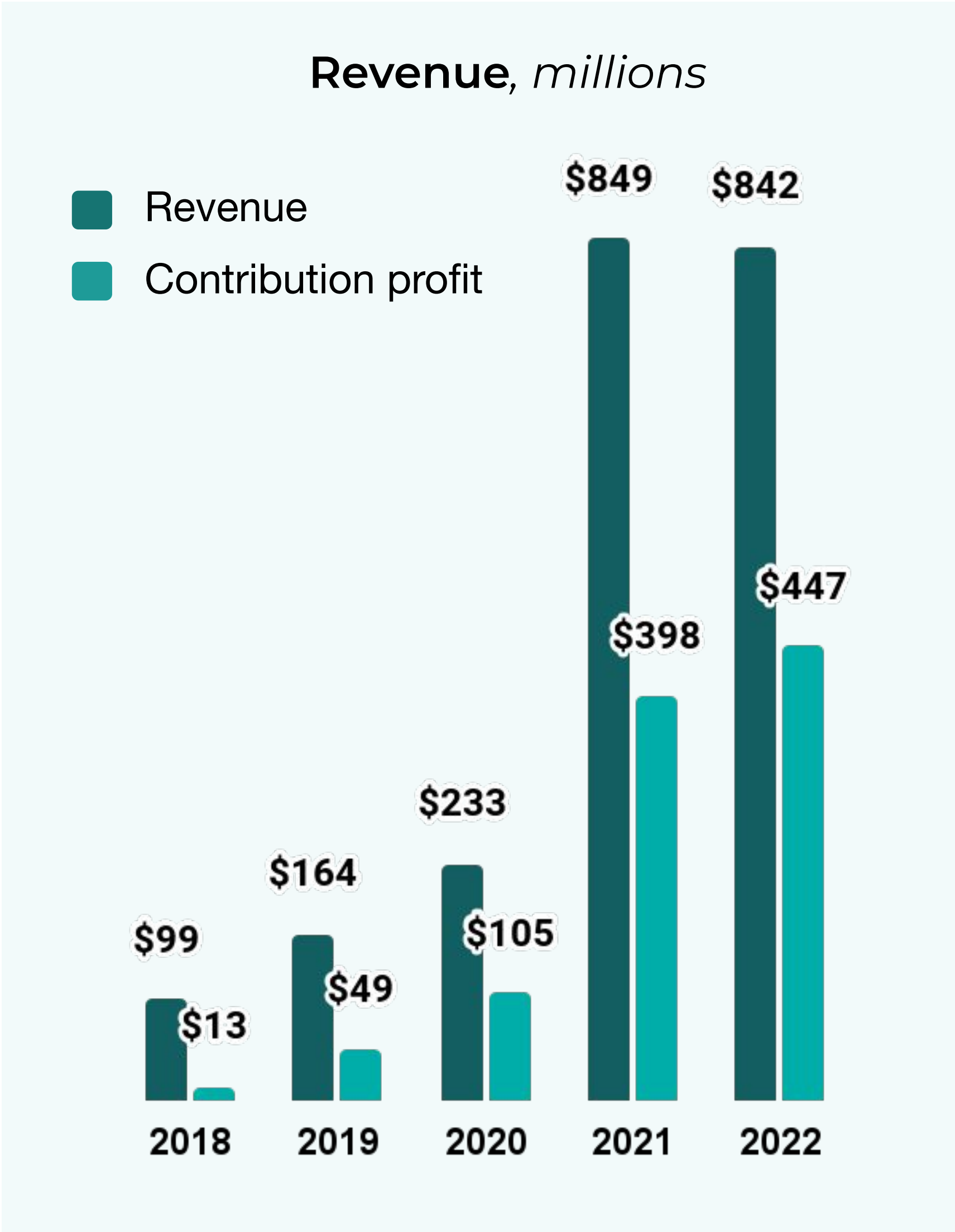
## Net Income (Loss):

(\$55.3M), down from \$58.9M in Q4'21

## Adjusted EBITDA:

(\$16.6M), down from \$91.0M in Q4'21

# FY 2022 Key financial highlights



**Revenue:**  
\$842.4M, down 1% Y|Y

**Income (Loss) from Operations:**  
(\$113.9M), down from \$140.9M in FY21

**Contribution Profit:**  
\$446.8M, up 12% Y|Y, and representing 49% of fee revenue

**Net Income (Loss):**  
(\$108.7M), down from \$135.4M in FY21

**Adjusted EBITDA:**  
\$37.2M, down from \$231.9M in FY21

# Personal Unsecured Lending



Model accuracy improved as much in last seven months as prior 2.5 years.



Model automation reached its highest level to date at 82%



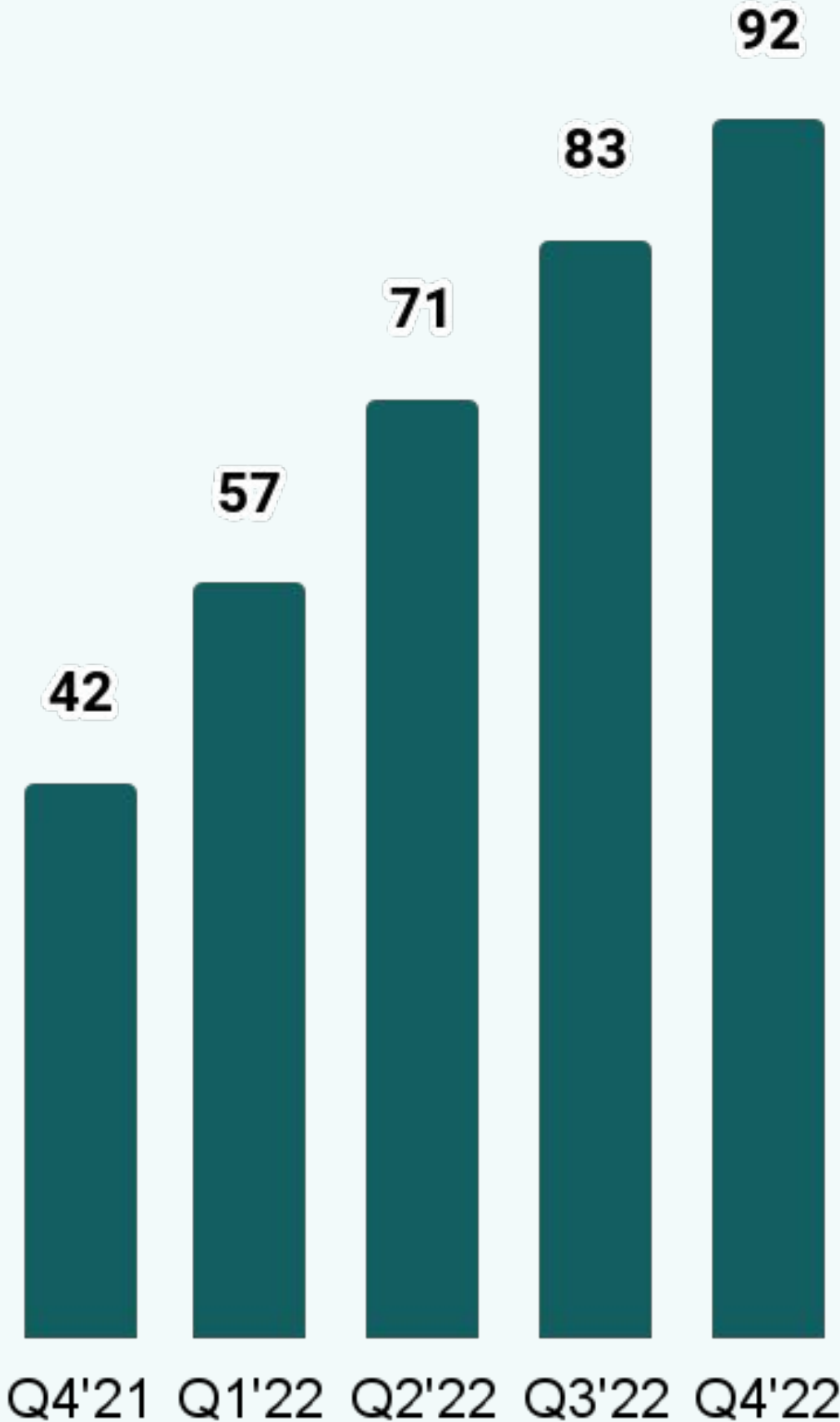
Originated more than 24,000 small dollar loans in FY22.

- More than 12,000 small dollar loans in Q4.
- 88% of Q4 small dollar loans had no human review.



The Upstart model approves 43% more Black borrowers than a traditional model at 24% lower APRs; and 46% more Hispanic borrowers than a traditional model at 25% lower APRs.<sup>2</sup>

### Bank and Credit Union Partners<sup>1</sup>



<sup>1</sup> In Q4 2022  
<sup>2</sup> As of December 31, 2021, and based on a comparison between the Upstart model and a traditional credit-score only 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



# Auto Lending



## Successful pilot of auto lending at partner rooftops.

- Upstart funded greater than 20% of the total funded loans at participating dealerships.<sup>1</sup>
- When presented with an Upstart loan offer, borrowers choose Upstart 42% of the time<sup>2</sup>.



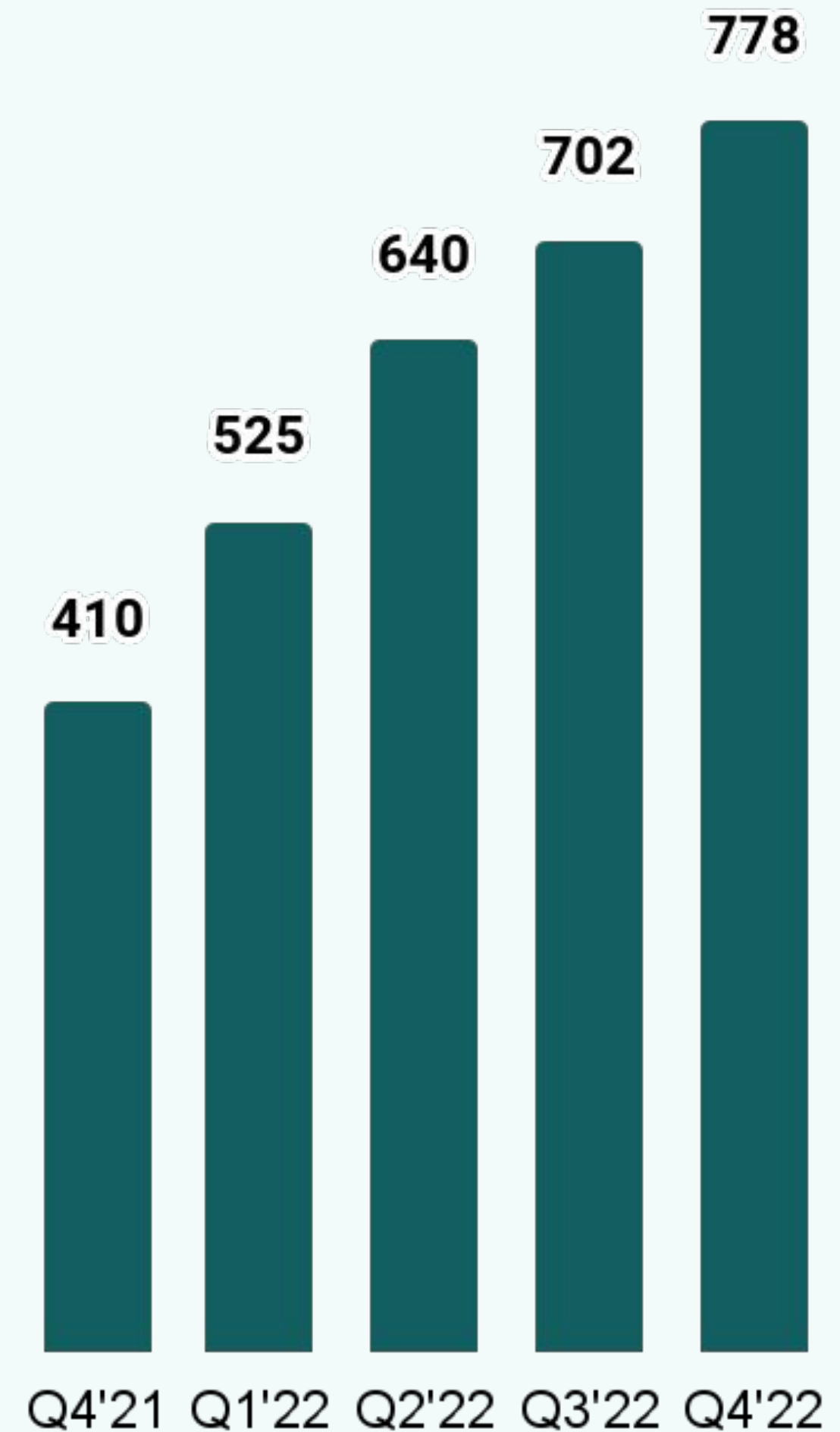
## Announced the additions to auto retail platform.

- Digital Finance: Enables a frictionless signing and contracting process, with automated verification, more loan approvals, and next-day funding powered by Upstart's AI – and no new sales process required for dealers.
- Online Sales: Enables the completion of a car purchase entirely online, including financing and e-signing contract documents.



Borrowers saved an average \$5,851<sup>3</sup> over the life of the loan with Upstart Auto refinancing.

## Auto Dealer Rooftops<sup>4</sup>



1. In Q4 2022 and excluding captive financed deals.

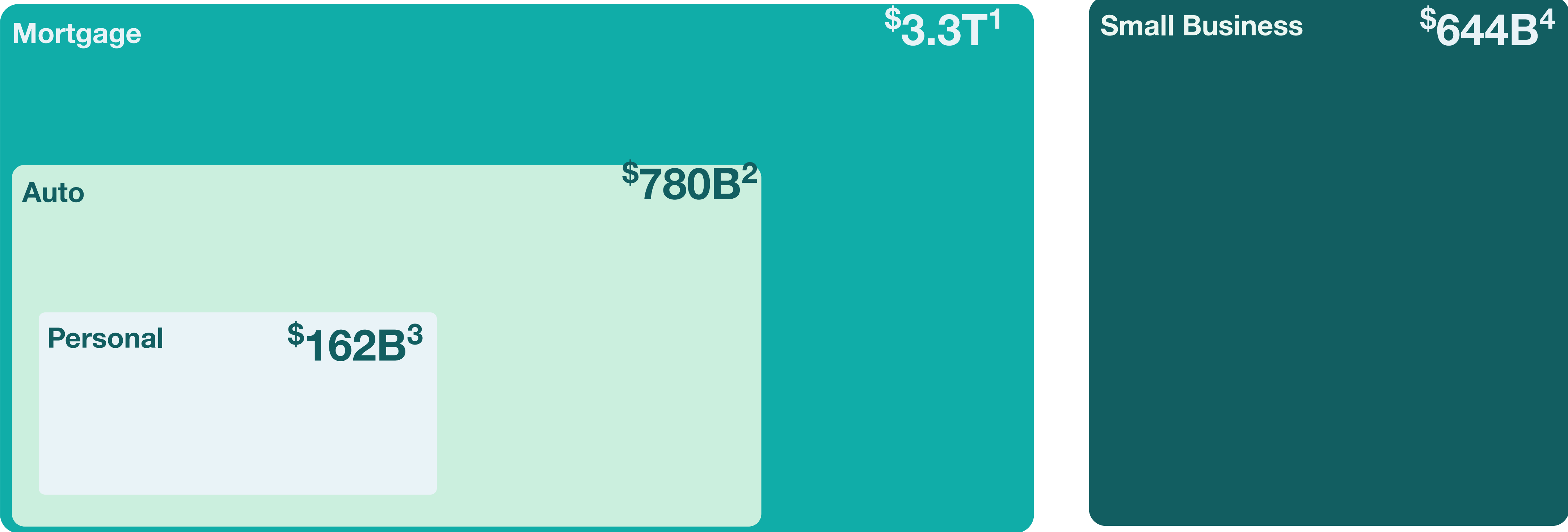
2. In Q4 2022.

3. This information is estimated based on all consumers who were approved for an auto refinance loan through Upstart and accepted their final terms. As of 10/1/22, borrowers who refinance save an average of \$5,835 over the lifetime of their loans. These savings are not guaranteed. To evaluate savings on a loan you are considering refinancing, it is important to compare your APR and remaining term from your existing automotive loan to the APR and term offered through Upstart.

4. Number of total dealer locations using Upstart Auto Retail software as of the end of each financial quarter.



# \$5T annual loan origination TAM



<sup>1</sup> Total mortgage originations using data provided by TransUnion for Q3 2021 – Q2 2022

<sup>2</sup> Total auto loans using data provided by TransUnion for Q3 2021 – Q2 2022

<sup>3</sup> Total unsecured personal loans using data provided by TransUnion for Q3 2021 – Q2 2022

<sup>4</sup> Total small business loans using data provided by the Office of Advocacy U.S. Small Business Administration, September 2020, for 2019 fiscal year

# Upstart's model provides about 4X more risk separation than FICO

Upstart separates risk significantly better than FICO  
(annualized default rates)<sup>1</sup>

**Upstart Risk Grades**

	A+	B	C	D	E-	Average
<b>FICO Score</b> 700 or Above	0.8%	2.6%	4.9%	7.2%	11.4%	3.8%
680 to 699	0.9%	2.4%	4.5%	6.4%	10.8%	4.9%
660 to 679	1.4%	2.7%	4.8%	6.9%	11.4%	6.4%
640 to 659	1.9%	3.1%	4.8%	7.2%	12.8%	7.9%
639 or Below	3.5%	4.4%	6.1%	8.8%	18.0%	13.4%
<b>Average</b>	<b>1.0%</b>	<b>2.8%</b>	<b>5.0%</b>	<b>7.4%</b>	<b>14.4%</b>	

~14x more defaults between highest and lowest Upstart risk grade

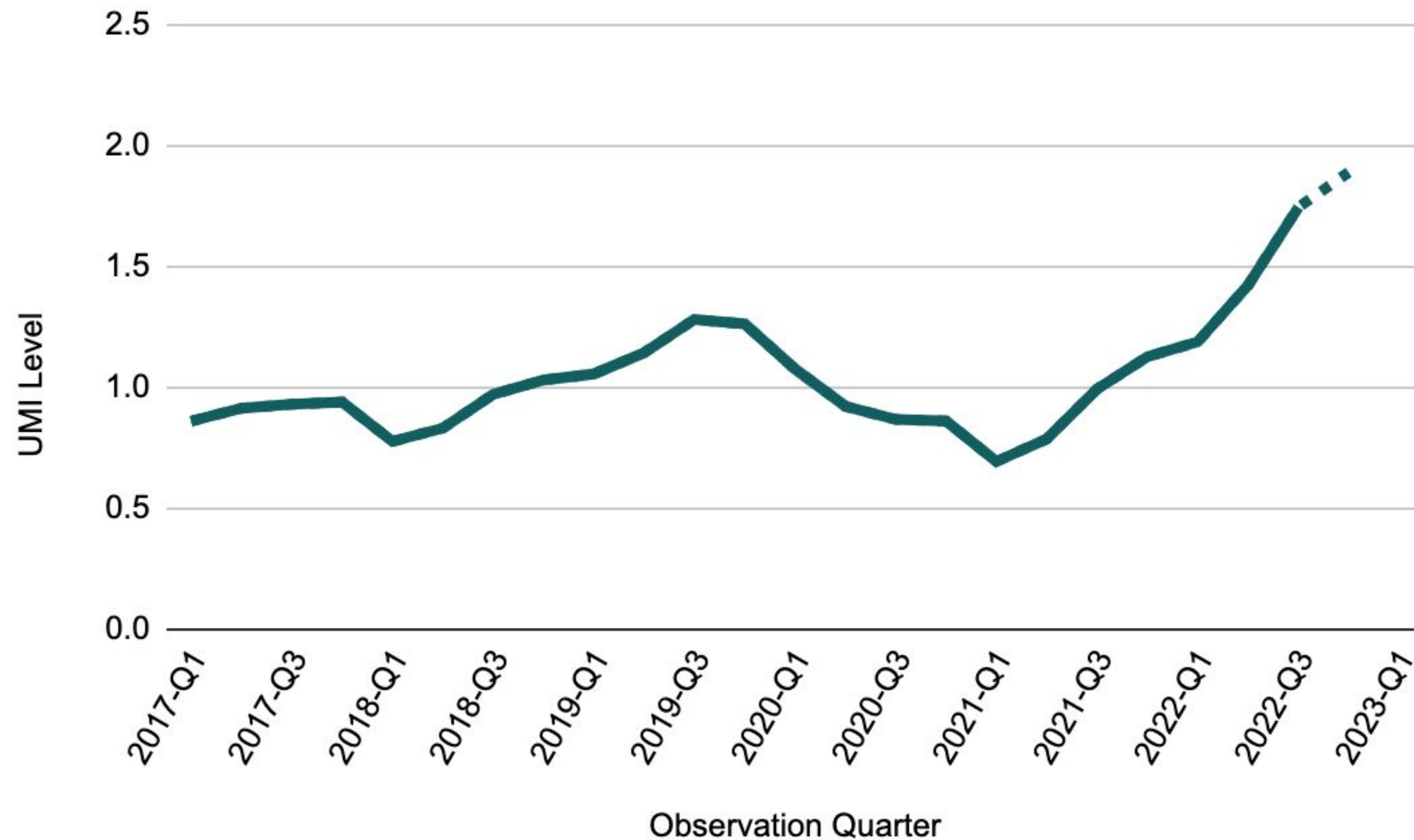
~3x more defaults between highest and lowest credit score

Upstart's risk grades predict a steadily increasing default rate from left to right as the borrowers get riskier, as it should. But if you look at any column from top to bottom, there's relatively little difference between default rates, regardless of FICO score.

1. Upstart internal performance data as of February 7, 2023. Consists of all originations made 2018-Q1 to 2022-Q2 "vintages."

# Upstart Macro Index (UMI)

Upstart Macro Index<sup>1</sup> is designed to measure the impact of the external macro environment on loan defaults in our particular borrower portfolio, by controlling for underwriting model changes and shifting borrower characteristics over time.

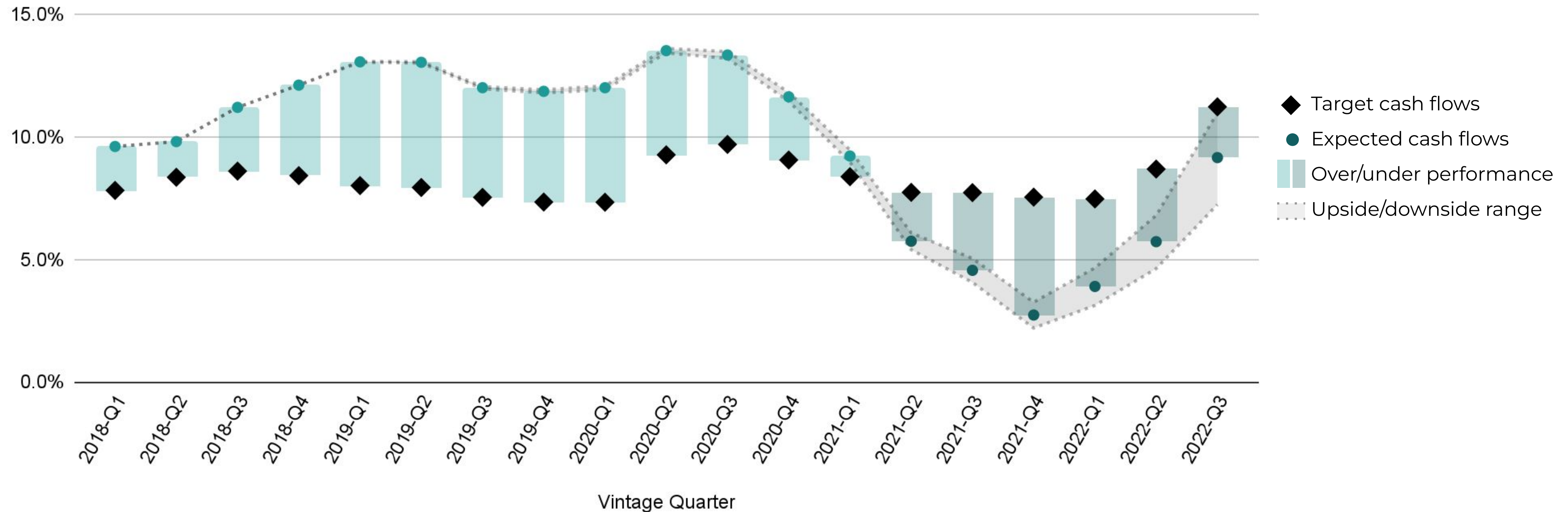


UMI moved upwards from Q3 to Q4, but at a much slower rate, and has shown signs of stabilization in the early weeks of 2023.\*

*\*We expect to complete a significant upgrade to our UMI model and launch a public reference site in Q1.*

1. Upstart internal measured data as of February 7, 2023.

# Upstart platform performance vs target is recovering<sup>1</sup>



Against a target of approximately 8% gross return since Q1 2018, the Upstart platform has seen 13 vintages overperform, with 6 expected to underperform.

If an investor invested equally in all Upstart cohorts, they would now expect a **9.7%** gross annualized return.<sup>2</sup>

1. Upstart internal performance data as of February 7, 2023. "upside", "baseline" and "downside" percentages are based on Upstart's own internal estimates of the returns observed on each vintage to date.  
 2. Gross annualized return per Upstart internal calculation including assumption of future cash flows based on most recent performance data.



# Q4'22 summary P&L and non-GAAP metrics

(in millions, except ratios and per share data)

	Q4'22	Q3'22	Q Q	Q4'21	Y Y
<b>Revenue</b>	\$146.9	\$157.2	(7%)	\$304.8	(52%)
<b>Revenue from Fees</b>	\$155.6	\$179.3	(13%)	\$287.4	(46%)
<b>Income (Loss) from Operations</b>	(\$58.5)	(\$58.1)	(1%)	\$60.4	n/a
<b>Net Income (Loss)</b>	(\$55.3)	(\$56.2)	2%	\$58.9	n/a
<b>Adjusted Net Income (Loss)</b>	(\$20.9)	(\$19.3)	(9%)	\$87.0	n/a
<b>Earnings (Loss) Per Share (Diluted)</b>	(\$0.67)	(\$0.69)	3%	\$0.61	n/a
<b>Adjusted Earnings (Loss) Per Share (Diluted)</b>	(\$0.25)	(\$0.24)	(6%)	\$0.89	n/a
<b>Contribution Profit</b>	\$82.0	\$96.0	(15%)	\$149.5	(45%)
<b>Contribution Margin</b>	53%	54%	(85bps)	52%	67bps
<b>Operating Expenses</b>	\$205.4	\$215.3	(5%)	\$244.4	(16%)
<b>Adjusted EBITDA</b>	(\$16.6)	(\$14.4)	(16%)	\$91.0	n/a

# FY22 summary P&L and non-GAAP metrics

(in millions, except ratios and per share data)

	FY22	FY21	Y Y
<b>Revenue</b>	\$842.4	\$848.6	(1%)
<b>Revenue from Fees</b>	\$907.3	\$801.3	13%
<b>Income (Loss) from Operations</b>	(\$113.9)	\$140.9	n/a
<b>Net Income (Loss)</b>	(\$108.7)	\$135.4	n/a
<b>Adjusted Net Income</b>	\$19.4	\$224.1	(91%)
<b>Earnings (Loss) Per Share (Diluted)</b>	(\$1.31)	\$1.43	n/a
<b>Adjusted Earnings Per Share (Diluted)</b>	\$0.21	\$2.37	(91%)
<b>Contribution Profit</b>	\$446.8	\$397.9	12%
<b>Contribution Margin</b>	49%	50%	(41bps)
<b>Operating Expenses</b>	\$956.3	\$707.7	35%
<b>Adjusted EBITDA</b>	\$37.2	\$231.9	(84%)

## Balance Sheet items and key operating metrics

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

	Q4'22	Q3'22	Q4'21
<b>Cash and Restricted Cash</b>	\$532.5	\$829.9	\$1,191.2
<b>Loans, Notes, and Residuals</b>	\$1,016.6	\$703.9	\$260.8
<b>Total Assets</b>	\$1,936.1	\$1,915.3	\$1,820.5
<b>Total Liabilities</b>	\$1,263.6	\$1,196.7	\$1,013.4
<b>Transaction Volume, Number of Loans</b>	154,478	188,519	495,205
<b>Transaction Volume, Dollars</b>	\$1,542	\$1,851	\$4,098
<b>% Fully Automated</b>	82%	75%	70%
<b>Conversion Rate</b>	11%	10%	24%

## Loans Held on Balance sheet

*(in millions, except ratios)*

	Q4'22	Q3'22	Q2'22	Q1'22
<b>Testing and Evaluation (R&amp;D)<sup>1</sup></b>	\$492	\$451	\$484	\$445
<i>Auto</i>	\$398	\$398	\$385	\$230
<i>Other</i>	\$94	\$53	\$99	\$215
<b>Core Personal</b>	\$518	\$249	\$140	\$153
<b>Total</b>	<b>\$1,010</b>	<b>\$700</b>	<b>\$624</b>	<b>\$598</b>

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



# Lending by Product

*(in millions, except number of loans and ratios)*

Personal Unsecured	Q4'22	Q3'22	Q Q	Q4'21	Y Y
Number of Loans	152,120	185,663	(18%)	493,500	(69%)
Transaction Dollars	\$1,485	\$1,793	(17%)	\$4,067	(63%)
Auto Secured	Q4'22	Q3'22	Q Q	Q4'21	Y Y
Number of Loans	2,358	2,856	(17%)	1,705	38%
Transaction Dollars	\$57	\$57	flat	\$32	81%

# Lending by Product

*(in millions, except number of loans and ratios)*

Personal Unsecured	FY22	FY21	Y Y
Number of Loans	1,103,511	1,308,814	(16%)
Transaction Dollars	\$10,677	\$11,648	(8%)
Auto Secured	FY22	FY21	Y Y
Number of Loans	26,161	5,777	353%
Transaction Dollars	\$527	\$104	406%

# Outlook

	Q1'23
<b>Revenue</b>	~ \$100 million
<i>Revenue From Fees</i>	~\$110 million
<i>Net Interest Income (Loss)</i>	~(\$10) million
<b>Contribution Margin</b>	~ 55%
<b>Net Income (Loss)</b>	~ (\$145) million
<b>Non-GAAP Adjusted Net Income (Loss)<sup>1</sup></b>	~ (\$70) million
<b>Adjusted EBITDA<sup>1</sup></b>	~ (\$45) million
<b>Diluted weighted average share count</b>	~ 81.9 million shares

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

# Financial Statements

*(in thousands, except share and per share data)*

	December 31, 2021	December 31, 2022
<b>Assets</b>		
Cash	\$ 986,608	\$ 422,411
Restricted cash	204,633	110,056
Loans (at fair value)	252,477	1,010,421
Property, equipment, and software, net	24,259	44,168
Operating lease right of use assets	96,118	86,335
Non-marketable equity securities	40,000	41,250
Goodwill	67,062	67,062
Intangible assets, net	19,906	15,631
Other assets (includes \$18,388 and \$42,648 at fair value as of December 31, 2021 and December 31, 2022, respectively)	129,392	138,720
Total assets	<u>\$ 1,820,455</u>	<u>\$ 1,936,054</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 6,563	\$ 18,715
Payable to investors	107,598	90,777
Borrowings	695,432	986,394
Accrued expenses and other liabilities (includes \$13,095 and \$8,820 at fair value as of December 31, 2021 and December 31, 2022, respectively)	103,418	66,946
Operating lease liabilities	100,366	100,787
Total liabilities	<u>1,013,377</u>	<u>1,263,619</u>
<b>Stockholders' equity:</b>		
Common stock, \$0.0001 par value; 700,000,000 shares authorized; 83,659,665 and 81,259,676, shares issued and outstanding as of December 31, 2021 and December 31, 2022, respectively	8	8
Additional paid-in capital	740,849	714,871
Retained earnings (accumulated deficit)	66,221	(42,444)
Total stockholders' equity	<u>807,078</u>	<u>672,435</u>
Total liabilities and stockholders' equity	<u>\$ 1,820,455</u>	<u>\$ 1,936,054</u>



# Financial Statements

*(in thousands, except share and per share data)*

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2022	2021	2022
<b>Revenue:</b>				
Revenue from fees, net	\$ 287,387	\$ 155,597	\$ 801,275	\$ 907,272
<b>Interest income and fair value adjustments, net:</b>				
Interest income	8,614	39,292	20,634	105,580
Interest expense	(478)	(4,521)	(3,274)	(10,843)
Fair value and other adjustments	9,325	(43,455)	29,954	(159,565)
Total interest income and fair value adjustments, net	17,461	(8,684)	47,314	(64,828)
Total revenue	304,848	146,913	848,589	842,444
<b>Total operating expenses:</b>				
Sales and marketing	114,815	50,753	333,453	345,776
Customer operations	41,049	43,487	117,579	187,994
Engineering and product development	46,495	64,029	133,999	237,247
General, administrative, and other	42,075	47,142	122,677	185,290
Total operating expenses	244,434	205,411	707,708	956,307
Income (loss) from operations	60,414	(58,498)	140,881	(113,863)
Other income (expense), net	22	3,944	(5,174)	9,473
Expense on warrants and convertible notes, net	(1,169)	(1,173)	(1,976)	(4,684)
Net income (loss) before income taxes	59,267	(55,727)	133,731	(109,074)
(Benefit) provision for income taxes	323	(464)	(1,712)	(409)
Net income (loss)	\$ 58,944	\$ (55,263)	\$ 135,443	\$ (108,665)
<b>Net income (loss) per share, basic</b>				
	\$ 0.71	\$ (0.67)	\$ 1.73	\$ (1.31)
<b>Net income (loss) per share, diluted</b>				
	\$ 0.61	\$ (0.67)	\$ 1.43	\$ (1.31)
<b>Weighted-average number of shares outstanding used in computing net income</b>				
(loss) per share, basic	82,616,735	82,230,427	78,106,359	82,771,268
(loss) per share, diluted	98,804,259	82,230,427	94,772,641	82,771,268

# Financial Statements

*(in thousands, except share and per share data)*

	Year Ended December 31,	
	2021	2022
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 135,443	\$ (108,665)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Change in fair value of financial instruments	(228)	168,878
Stock-based compensation	73,186	125,945
Gain on loan servicing arrangement, net	(6,916)	(28,739)
Depreciation and amortization	7,541	13,513
Non-cash interest expense	1,983	3,047
Net changes in operating assets and liabilities:		
Purchase of loans held-for-sale	(8,932,604)	(7,807,429)
Proceeds from sale of loans held-for-sale	8,826,045	6,828,617
Principal payments received for loans held-for-sale	8,659	152,018
Other assets	(62,042)	4,173
Operating lease liability and right-of-use asset	3,126	10,204
Accounts payable	(7,513)	11,878
Payable to investors	62,097	(16,821)
Accrued expenses and other liabilities	59,576	(31,300)
Net cash provided by (used in) operating activities	168,353	(674,681)

# Financial Statements

*(in thousands, except share and per share data)*

	Year Ended December 31,	
	2021	2022
<b>Cash flows from investing activities</b>		
Purchase of loans held-for-investment	(159,398)	(149,298)
Proceeds from sale of loans held-for-investment	51,403	14,289
Principal payments received for loans held-for-investment	24,532	43,311
Principal payments received for notes receivable and repayments of residual certificates	11,458	6,736
Purchase of non-marketable equity securities	(40,000)	(1,250)
Purchase of property and equipment	(8,427)	(8,825)
Capitalized software costs	(6,688)	(14,088)
Purchase of certificates of deposit	—	(5,000)
Acquisition, net of cash acquired	(16,757)	—
Net cash used in investing activities	(143,877)	(114,125)
<b>Cash flows from financing activities</b>		
Repurchases of common stock	—	(177,883)
Proceeds from secondary offering, net of underwriting discounts, commissions, and offering costs	263,931	—
Proceeds from borrowings	718,422	688,813
Payment of debt issuance costs	(15,727)	—
Purchase of capped calls	(58,523)	—
Taxes paid related to net share settlement of equity awards	(236)	(16)
Repayments of borrowings	(71,316)	(400,898)
Proceeds from issuance of common stock under employee stock purchase plan	4,145	7,662
Proceeds from exercise of stock options	14,736	12,354
Net cash provided by financing activities	855,432	130,032
<b>Change in cash and restricted cash</b>	<b>879,908</b>	<b>(658,774)</b>
<b>Cash and restricted cash</b>		
Cash and restricted cash at beginning of year	311,333	1,191,241
<b>Cash and restricted cash at end of year</b>	<b>\$ 1,191,241</b>	<b>\$ 532,467</b>

# Reconciliation of non-GAAP financial measures

*(in thousands, except ratios)*

	Three Months Ended December 31,		Year Ended December 31	
	2021	2022	2021	2022
Revenue from fees, net	\$ 287,387	\$ 155,597	\$ 801,275	\$ 907,272
Income (loss) from operations	60,414	(58,498)	140,881	(113,863)
<i>Operating Margin</i>	21 %	(38) %	18 %	(13) %
Sales and marketing, net of borrower acquisition costs(1)	\$ 11,364	\$ 11,153	\$ 25,840	\$ 43,063
Customer operations, net of borrower verification and servicing costs(2)	6,596	9,458	21,797	30,186
Engineering and product development	46,495	64,029	133,999	237,247
General, administrative, and other	42,075	47,142	122,677	185,290
Interest income and fair value adjustments, net	(17,461)	8,684	(47,314)	64,828
<b>Contribution Profit</b>	<b>\$ 149,483</b>	<b>\$ 81,968</b>	<b>\$ 397,880</b>	<b>\$ 446,751</b>
<i>Contribution Margin</i>	52 %	53 %	50 %	49 %

- (1) Borrower acquisition costs were \$103.5 million and \$39.6 million for the three months ended December 31, 2021 and 2022, respectively, and were \$307.6 million and \$302.7 million for the year ended December 31, 2021 and 2022, 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.
- (2) Borrower verification and servicing costs were \$34.5 million and \$34.0 million for the three months ended December 31, 2021 and 2022, respectively, and were \$95.8 million and \$157.8 million for the year ended December 31, 2021 and 2022, 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.



# Reconciliation of non-GAAP financial measures

*(in thousands, except ratios)*

	Three Months Ended December 31,		Year Ended December 31	
	2021	2022	2021	2022
Total revenue	\$ 304,848	\$ 146,913	\$ 848,589	\$ 842,444
Net income (loss)	58,944	(55,263)	135,443	(108,665)
<i>Net Income (Loss) Margin</i>	19 %	(38) %	16 %	(13) %
Adjusted to exclude the following:				
Stock-based compensation and certain payroll tax expenses(1)	\$ 28,013	\$ 34,316	\$ 87,461	\$ 128,038
Depreciation and amortization	2,557	3,654	7,541	13,513
Expense on convertible notes	1,169	1,173	1,976	4,684
(Benefit) provision for income taxes	323	(464)	(1,712)	(409)
Acquisition-related costs	—	—	1,237	—
Adjusted EBITDA	<u>\$ 91,006</u>	<u>\$ (16,584)</u>	<u>\$ 231,946</u>	<u>\$ 37,161</u>
<i>Adjusted EBITDA Margin</i>	30 %	(11) %	27 %	4 %

- (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	
	2021	2022	2021	2022
Net income (loss)	\$ 58,944	\$ (55,263)	\$ 135,443	\$ (108,665)
Adjusted to exclude the following:				
Stock-based compensation and certain payroll tax expenses <sup>(1)</sup>	28,013	34,316	87,461	128,038
Acquisition-related costs	—	—	1,237	—
Adjusted Net Income	\$ 86,957	\$ (20,947)	\$ 224,141	\$ 19,373
Net income (loss) per share:				
Basic	\$ 0.71	\$ (0.67)	\$ 1.73	\$ (1.31)
Diluted	\$ 0.61	\$ (0.67)	\$ 1.43	\$ (1.31)
Adjusted Net Income per Share:				
Basic	\$ 1.05	\$ (0.25)	\$ 2.87	\$ 0.23
Diluted	\$ 0.89	\$ (0.25)	\$ 2.37	\$ 0.21
Weighted-average common shares outstanding:				
Basic	82,616,735	82,230,427	78,106,359	82,771,268
Diluted	98,804,259	82,230,427	94,772,641	92,023,924

- (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

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## 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) with no human involvement divided by 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 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 and certain employer payroll taxes on employee stock transactions. 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**