

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: 001-38466

**GOOSEHEAD INSURANCE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

**82-3886022**

(State or other jurisdiction of  
incorporation or organization)

(IRS Employer  
Identification No.)

**1500 Solana Blvd, Building 4, Suite 4500**

**Westlake**

**76262**

**Texas**

(Address of principal executive offices)

(Zip Code)

**(469) 480-3669**

(Registrant's telephone number, including area code)

**Not applicable**

(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Class A Common Stock, par value \$.01 per share	GSHD	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  Yes  No

As of April 22, 2024, there were 25,238,152 shares of Class A common stock outstanding and 12,752,530 shares of Class B common stock outstanding.

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## Commonly used defined terms

As used in this Quarterly Report on Form 10-Q ("Form 10-Q"), unless the context indicates or otherwise requires, the following terms have the following meanings:

- **Ancillary Revenue:** Revenue that is supplemental to our Core Revenue and Cost Recovery Revenue, Ancillary Revenue is unpredictable and often outside of the Company's control. Included in Ancillary Revenue are Contingent Commissions and other income.
- **Agency Fees:** Fees separate from commissions charged directly to clients for efforts performed in the issuance of new insurance policies.
- **Annual Report on Form 10-K:** The Company's annual report on Form 10-K for the fiscal year ended December 31, 2023.
- **Carrier:** An insurance company.
- **Carrier Appointment:** A contractual relationship with a Carrier.
- **Client Retention:** Calculated by comparing the number of all clients that had at least one policy in force twelve months prior to the date of measurement and still have at least one policy in force at the date of measurement.
- **Contingent Commission:** Revenue in the form of contractual payments from Carriers contingent upon several factors, including growth and profitability of the business placed with the Carrier.
- **Core Revenue:** The most predictable revenue stream for the Company, these revenues consist of New Business Revenue and Renewal Revenue. New Business Revenue is lower-margin, but fairly predictable. Renewal Revenue is higher-margin and very predictable.
- **Cost Recovery Revenue:** Revenue received by the Company associated with cost recovery efforts associated with selling and financing franchises. Included in Cost Recovery Revenue are Initial Franchise Fees and Interest Income.
- **Franchise Agreement:** Agreements governing our relationships with Franchisees.
- **Franchisee:** An individual or entity who has entered into a Franchise Agreement with us.
- **GF:** Goosehead Financial, LLC.
- **Initial Franchise Fee:** Contracted fees paid by Franchisees to compensate Goosehead for the training, onboarding and ongoing support of new franchise locations.
- **LLC Unit:** a limited liability company unit of Goosehead Financial, LLC.
- **New Business Commission:** Commissions received from Carriers relating to policies in their first term.
- **New Business Revenue:** New Business Commissions, Agency Fees, and New Business Royalty Fees.
- **New Business Royalty Fees:** Royalty Fees received from Franchisees relating to policies in their first term
- **NPS:** Net Promoter Score is calculated based on a single question: "How likely are you to refer Goosehead Insurance to a friend, family member or colleague?" Clients that respond with a 6 or below are Detractors, a score of 7 or 8 are called Passives, and a 9 or 10 are Promoters. NPS is calculated by subtracting the percentage of Detractors from the percentage of Promoters.
- **Policies in Force:** As of any reported date, the total count of current (non-cancelled) policies placed by us with our Carriers.
- **Policy Term:** The contractual period the policy provides insurance coverage to the insured.
- **Pre-IPO LLC Members:** owners of LLC Units of GF prior to the Offering.
- **Renewal Commission:** Commissions received from Carriers relating to a policy in a renewal term.
- **Renewal Revenue:** Renewal Commissions and Renewal Royalty Fees.
- **Renewal Royalty Fees:** Royalty Fees received from Franchisees relating to a policy in a renewal term.
- **Royalty Fees:** Fees paid by Franchisees to the Company that are tied to the gross commissions paid by the Carriers related to policies sold or renewed by a franchisee.
- **The Offering:** The initial public offering completed by Goosehead Insurance, Inc. on May 1, 2018.
- **Total Written Premium:** As of any reported date, the total amount of current (non-cancelled) gross premium that is placed with Goosehead's portfolio of Carriers.

### **Special note regarding forward-looking statements**

We have made statements in this Form 10-Q that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "may," "might," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue," the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those factors discussed under the caption entitled "Item 1A. Risk factors" in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

The forward-looking statements included in this Form 10-Q are made only as of the date hereof. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We are under no duty to update any of these forward-looking statements after the date of this Form 10-Q to conform our prior statements to actual results or revised expectations.

**PART I****Item 1. Condensed Consolidated Financial Statements (Unaudited)**

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**Goosehead Insurance, Inc.**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2024	2023
<b>Revenues:</b>		
Commissions and agency fees	\$ 26,221	\$ 25,484
Franchise revenues	37,989	32,074
Interest income	250	397
<b>Total revenues</b>	<b>64,460</b>	<b>57,955</b>
<b>Operating Expenses:</b>		
Employee compensation and benefits	42,130	36,882
General and administrative expenses	17,180	15,856
Bad debts	1,127	1,655
Depreciation and amortization	2,568	2,093
<b>Total operating expenses</b>	<b>63,005</b>	<b>56,486</b>
<b>Income from operations</b>	<b>1,455</b>	<b>1,469</b>
<b>Other Income (Expense):</b>		
Interest expense	(1,487)	(1,731)
<b>Loss before taxes</b>	<b>(32)</b>	<b>(262)</b>
Tax benefit	(1,841)	(81)
<b>Net income (loss)</b>	<b>1,809</b>	<b>(181)</b>
Less: net loss attributable to non-controlling interests	(5)	(100)
<b>Net income (loss) attributable to Goosehead Insurance, Inc.</b>	<b>\$ 1,814</b>	<b>\$ (81)</b>
<b>Earnings per share:</b>		
Basic	\$ 0.07	\$ —
Diluted	\$ 0.05	\$ —
<b>Weighted average shares of Class A common stock outstanding</b>		
Basic	25,087	23,206
Diluted	38,839	23,206

See Notes to the Condensed Consolidated Financial Statements

**Goosehead Insurance, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

(In thousands, except per share amounts)

	March 31, 2024	December 31, 2023
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 51,089	\$ 41,956
Restricted cash	2,028	2,091
Commissions and agency fees receivable, net	7,487	12,903
Receivable from franchisees, net	10,034	9,720
Prepaid expenses	6,296	7,889
<b>Total current assets</b>	<b>76,934</b>	<b>74,559</b>
Receivable from franchisees, net of current portion	6,586	9,269
Property and equipment, net of accumulated depreciation	28,686	30,316
Right-of-use asset	37,121	38,406
Intangible assets, net of accumulated amortization	18,783	17,266
Deferred income taxes, net	193,518	181,209
Other assets	4,581	3,867
<b>Total assets</b>	<b>\$ 366,209</b>	<b>\$ 354,892</b>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 14,652	\$ 16,398
Premiums payable	2,028	2,091
Lease liability	9,194	8,897
Contract liabilities	3,611	4,129
Note payable	10,000	9,375
Liabilities under tax receivable agreement	4,952	—
<b>Total current liabilities</b>	<b>44,437</b>	<b>40,890</b>
Lease liability, net of current portion	55,233	57,382
Note payable, net of current portion	65,118	67,562
Contract liabilities, net of current portion	18,121	22,970
Liabilities under tax receivable agreement, net of current portion	155,060	149,302
<b>Total liabilities</b>	<b>337,969</b>	<b>338,106</b>
Class A common stock, \$0.01 par value per share -300,000 shares authorized, 25,230 shares issued and outstanding as of March 31, 2024, 24,966 shares issued and outstanding as of December 31, 2023	252	250
Class B common stock, \$0.01 par value per share -50,000 shares authorized, 12,758 issued and outstanding as of March 31, 2024, 12,954 shares issued and outstanding as of December 31, 2023	128	130
Additional paid in capital	112,428	103,228
Accumulated deficit	(45,459)	(47,056)
<b>Total stockholders' equity</b>	<b>67,349</b>	<b>56,552</b>
Non-controlling interests	(39,109)	(39,766)
<b>Total equity</b>	<b>28,240</b>	<b>16,786</b>
<b>Total liabilities and equity</b>	<b>\$ 366,209</b>	<b>\$ 354,892</b>

See Notes to the Condensed Consolidated Financial Statements

**Goosehead Insurance, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**(Unaudited)**

(In thousands)

	<b>Issued shares of Class A common stock</b>	<b>Issued shares of Class B common stock</b>	<b>Class A Common Stock</b>	<b>Class B Common Stock</b>	<b>Additional paid in capital</b>	<b>Accumulated deficit</b>	<b>Total stockholders' equity</b>	<b>Non- controlling interest</b>	<b>Total equity</b>
Balance January 1, 2024	24,966	12,954	\$ 250	\$ 130	\$ 103,228	\$ (47,056)	\$ 56,552	\$ (39,766)	\$ 16,786
Distributions	—	—	—	—	—	—	—	(42)	(42)
Net income (loss)	—	—	—	—	—	1,814	1,814	(5)	1,809
Exercise of stock options	65	—	1	—	1,862	—	1,863	—	1,863
Equity-based compensation	—	—	—	—	7,357	—	7,357	—	7,357
Activity under employee stock purchase plan	2	—	—	—	146	—	146	—	146
Redemption of LLC Units	196	(196)	2	(2)	(605)	—	(605)	605	—
Deferred tax adjustments related to Tax Receivable Agreement	—	—	—	—	439	—	439	(117)	322
Reallocation of Non-controlling interest	—	—	—	—	—	(217)	(217)	217	—
Balance March 31, 2024	25,230	12,758	\$ 252	\$ 128	\$ 112,428	\$ (45,459)	\$ 67,349	\$ (39,109)	\$ 28,240

	<b>Issued shares of Class A common stock</b>	<b>Issued shares of Class B common stock</b>	<b>Class A Common Stock</b>	<b>Class B Common Stock</b>	<b>Additional paid in capital</b>	<b>Accumulated deficit</b>	<b>Total stockholders' equity</b>	<b>Non- controlling interest</b>	<b>Total equity</b>
Balance January 1, 2023	23,034	14,471	\$ 228	\$ 146	\$ 70,866	\$ (60,570)	\$ 10,670	\$ (44,294)	\$ (33,624)
Net loss	—	—	—	—	—	(81)	(81)	(100)	(181)
Exercise of stock options	17	—	—	—	173	—	173	—	173
Equity-based compensation	—	—	—	—	6,620	—	6,620	—	6,620
Activity under employee stock purchase plan	4	—	—	—	201	—	201	—	201
Redemption of LLC Units	323	(323)	3	(3)	(990)	—	(990)	990	—
Deferred tax adjustments related to Tax Receivable Agreement	—	—	—	—	699	—	699	129	828
Reallocation of Non-controlling interest	—	—	—	—	—	(103)	(103)	103	—
Balance March 31, 2023	23,379	14,147	\$ 231	\$ 143	\$ 77,569	\$ (60,754)	\$ 17,189	\$ (43,173)	\$ (25,984)

See Notes to the Condensed Consolidated Financial Statements

**Goosehead Insurance, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**  
*(In thousands)*

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 1,809	\$ (181)
<b>Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:</b>		
Depreciation and amortization	2,632	2,150
Impairment expense	347	—
Bad debt expense	1,127	1,655
Equity-based compensation	7,357	6,620
Impacts of tax receivable agreement	10,711	3,574
Deferred income taxes	(11,987)	(3,322)
Noncash lease activity	(821)	245
Cloud computing arrangement implementation costs	(191)	—
<b>Changes in operating assets and liabilities:</b>		
Receivable from franchisees	1,919	1,332
Commissions and agency fees receivable	4,982	6,930
Prepaid expenses	1,593	(8,945)
Other assets	(606)	(424)
Accounts payable and accrued expenses	(1,437)	(3,477)
Contract liabilities	(5,367)	(6,444)
Premiums payable	(207)	(352)
<b>Net cash provided by (used for) operating activities</b>	<b>11,860</b>	<b>(639)</b>
<b>Cash flows from investing activities:</b>		
Issuance of notes receivable to franchisees	(100)	—
Proceeds from notes receivable to franchisees	1	8
Capitalized software development costs	(2,560)	(784)
Cash consideration paid for asset acquisitions	—	(161)
Purchase of property and equipment	(222)	(1,756)
<b>Net cash used for investing activities</b>	<b>(2,882)</b>	<b>(2,693)</b>
<b>Cash flows from financing activities:</b>		
Repayment of note payable	(1,875)	(1,250)
Proceeds from the issuance of Class A common stock	2,009	373
Member distributions and dividends	(42)	—
<b>Net cash provided by (used for) financing activities</b>	<b>91</b>	<b>(877)</b>
<b>Net increase (decrease) in cash and restricted cash</b>	<b>9,070</b>	<b>(4,209)</b>
Cash and cash equivalents, and restricted cash, beginning of period	44,047	30,387
<b>Cash and cash equivalents, and restricted cash, end of period</b>	<b>\$ 53,117</b>	<b>\$ 26,178</b>
<b>Supplemental disclosures of cash flow data:</b>		
Cash paid during the period for interest	\$ 1,425	\$ 1,675
Cash paid for income taxes	46	2

*See Notes to the Condensed Consolidated Financial Statements*

# **Goosehead Insurance, Inc.**

## **Notes to the Condensed Consolidated Financial Statements**

### **(Unaudited)**

#### **1. Organization**

Goosehead Insurance, Inc. ("GSHD") is the sole managing member of Goosehead Financial, LLC ("GF") and has the sole voting power and control of management of GF. Accordingly, GSHD consolidates the financial results of GF and reports non-controlling interest in GSHD's condensed consolidated financial statements.

GF was organized on January 1, 2016 as a Delaware Limited Liability Company and is headquartered in Westlake, TX.

GSHD (collectively with its consolidated subsidiaries, the "Company") provides personal and commercial property and casualty insurance brokerage services for its clients through a network of corporate-owned agencies and franchise units across the nation.

The Company had 14 and 12 corporate-owned locations in operation at March 31, 2024 and 2023, respectively. Franchisees are provided access to Carrier Appointments, product training, technology infrastructure, client service centers and back office services. During the three months ended March 31, 2024 and 2023, the Company onboarded 25 and 83 franchise locations, respectively, and had 1,155 and 1,387 operating franchise locations as of March 31, 2024 and 2023, respectively. No franchises were purchased during the three months ended March 31, 2024 and 2023.

All intercompany accounts and transactions have been eliminated in consolidation.

#### **2. Summary of Significant Accounting Policies**

##### ***Basis of Presentation***

The accompanying condensed consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q. Therefore, they do not include all of the annual disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). However, in the opinion of management, these statements include all adjustments, consisting of normal recurring adjustments, which are necessary for a fair presentation of the condensed consolidated financial positions at March 31, 2024 and December 31, 2023, and the condensed consolidated statements of operations, stockholders' equity and statements of cash flows for the three months ended March 31, 2024 and 2023. The interim period condensed consolidated financial statements should be read in conjunction with the *Consolidated Financial Statements* that are included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results that can be expected for the entire year. The Company experiences seasonal fluctuations of its revenue due to the timing of contingent commission revenue recognition and trends in housing market activity.

##### ***Reclassification***

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements.

##### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates as more information becomes known.

##### ***Intangible Assets***

Intangible assets are stated at cost less accumulated amortization and reflect amounts paid for the Company's web domain, computer software costs, and purchased books of business (customer accounts). The web domain is amortized over a useful life of fifteen years, computer software costs are amortized over a useful life of three to ten years, and books of business (customer accounts) are amortized over a useful life of eight years.

# Goosehead Insurance, Inc.

## Notes to the Condensed Consolidated Financial Statements

### (Unaudited)

#### **Asset Impairment**

The Company reviews all of its identifiable assets for impairment periodically and whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. In reviewing identifiable assets, if the undiscounted future cash flows were less than the carrying amount of the respective assets, an indicator of impairment would exist, and further analysis would be required to determine whether or not a loss would need to be charged against current period earnings as a component of general and administrative expenses.

Based on a review of tangible assets during the three months ended March 31, 2024, the Company identified one office lease that will be subleased and completed a recoverability assessment for assets at that location. Based on the results of the recoverability assessment, the Company determined that the undiscounted cash flows of the assets were below their carrying values. As a result, the Company compared the fair values of the assets to their carrying values and recorded an impairment expense of \$0.1 million of property and equipment and \$ 0.2 million of right-of-use asset for the amount the carrying values exceeded the fair values. The Company determined the fair values by estimating sublease cash flows based on market rates for similar properties and discounted them using the Company's internal borrowing rate.

#### **Income Taxes**

The Company accounts for income taxes pursuant to the asset and liability method which requires the recognition of deferred income tax assets and liabilities related to the expected future tax consequences arising from temporary differences between the carrying amounts and tax bases of assets and liabilities based on enacted statutory tax rates applicable to the periods in which the temporary differences are expected to reverse. Any effects of changes in income tax rates or laws are included in income tax expense in the period of enactment.

#### **Restricted Cash**

The Company holds premiums received from the insured, but not yet remitted to the Carrier, in a fiduciary capacity. Premiums received but not yet remitted included in restricted cash were \$2.0 million and \$1.6 million as of March 31, 2024 and 2023, respectively.

The following is a reconciliation of our cash and restricted cash balances as presented in the condensed consolidated statements of cash flows for the three months ended March 31, 2024 and 2023 (*in thousands*):

	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 51,089	\$ 24,588
Restricted cash	2,028	1,590
<b>Cash and cash equivalents, and restricted cash</b>	<b>\$ 53,117</b>	<b>\$ 26,178</b>

#### **Accounting pronouncements not yet adopted**

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures (Topic 740). This standard requires the Company to provide further disaggregated income tax disclosures for specific categories on the effective tax rate reconciliation, as well as additional information about federal, state/local and foreign income taxes. The standard also requires the Company to annually disclose its income taxes paid (net of refunds received), disaggregated by jurisdiction. This guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The standard is to be applied on a prospective basis, although optional retrospective application is permitted. The Company is currently evaluating the impact this guidance will have on its financial statement disclosures.

**Goosehead Insurance, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

### **3. Revenue**

#### *Commissions and fees*

The Company earns commissions, which are paid as a percentage of the policy premiums placed by the Company, by performing its obligation to identify, place, and make effective insurance coverage on behalf of its customer, the insured. The Company defines the term of the policy as the contractual period the policy provides insurance coverage to the insured, which is typically 1 year or less. Commissions earned for the placement of the initial policy term for a given insurance product are recorded as New Business Commissions. New Business Commissions are earned at a point in time on the effective date of the policy, which is when the customer's unilateral right to cancel the policy without consideration expires, as the Company has no further performance obligations for the initial term once the policy is placed and made effective.

After the initial policy term for a given insurance product, the Company earns Renewal Commissions by assisting the customer to make effective a renewal policy that satisfies the customer's current insurance coverage needs. The Company performs this obligation by monitoring the customer's policy to ensure a renewal is offered by the carrier and that the client promptly pays the premium. Alternatively, based on the needs of the customer, the Company may assist the customer to adjust coverage terms to satisfy its current insurance coverage needs or the Company may assist the customer to re-shop the insurance coverage to identify, place, and make effective a policy that better meets those needs. Renewal Commissions are earned at a point in time upon the effective date of the renewal policy term or upon the effective date of the replacement policy identified, placed, and made effective for the customer, which is when the customer's unilateral right to non-renew the policy expires, as the Company has no further performance obligations for that renewal policy term.

The transaction price for commissions revenue is set as an estimate of the variable consideration to be received for the current policy term. This estimate includes the fixed consideration due based on the contractual terms of the current policy and adjustments for estimates of modifications of the contractual terms of the current policy and/or termination of the policy before the end of the current term. This variable consideration is constrained to the extent that it is probable there will not be a significant reversal of revenue.

For Agency Fees, the Company enters into a contract with the insured, in which the Company's performance obligation is to place an insurance policy. The transaction price of the agency fee is set at the time the sale is agreed upon, and is included in the contract. Agency Fee revenue is recognized at a point in time, which is the effective date of the policy.

Contingent commission revenue is generated from contracts between the Company and insurance carriers, for which the Company is compensated for certain growth, profitability, or other performance-based metrics. The performance obligations for contingent commissions will vary by contract, but generally include the Company increasing profitable written premium with the insurance carrier. The transaction price for contingent commissions is estimated based on all available information and is recognized over time as the Company completes its performance obligations, as the underlying policies are placed, net of a constraint.

The Company must estimate the amount of consideration that will be received such that a significant reversal of revenue is not probable. Contingent commissions represent a form of variable consideration associated with the placement and profitability of coverage, for which we earn commissions. Contingent commissions are estimated with a constraint applied and accrued in relation to the satisfaction of the performance obligations for the period over which the contract applies. The resulting effect on the timing of recognizing contingent commissions closely follows a similar pattern as our commissions and fees with any adjustments recognized when payments are received or as additional information that affects the estimate becomes available.

#### *Franchise revenues*

Franchise revenues include initial franchise fees and ongoing new and renewal royalty fees from franchisees.

Revenue from Initial Franchise Fees is generated from a contract between the Company and a franchisee. The Company's performance obligation is to provide initial training, onboarding, ongoing support and use of the Company's business operations over the period of the franchise agreement. The transaction price is set by the franchise agreement and revenue is recognized over time as the Company completes its performance obligations.

**Goosehead Insurance, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
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Initial franchise fees are recognized as revenue over the 10-year life of the franchise contract, beginning on the start date of the contract.

Revenue from New and Renewal Royalty Fees is recorded by applying the sales- and usage-based royalties exception. Under the sales- and usage-based exception, the Company recognizes revenue over time as a franchise places and makes effective a policy for an insured. The transaction price for the royalty fee for each policy made effective is set as the contractual royalty rate multiplied by an estimate of the commissions to be received by the franchise for the current term of the policy. This estimate includes the fixed consideration due based on the contractual terms of the current policy and adjustments for estimates of modifications of the contractual terms of the current policy and/or termination of the policy before the end of the current term. This variable consideration is constrained to the extent that it is probable there will not be a significant reversal of revenue.

**Contract costs**

Additionally, the Company has evaluated ASC Topic 340 - Other Assets and Deferred Cost ("ASC 340") which requires companies to defer certain incremental cost to obtain customer contracts, and certain costs to fulfill customer contracts.

Incremental cost to obtain - The Company defers certain costs to obtain customer contracts primarily as they relate to commission-based compensation plans for selling new franchise agreements. These incremental costs are deferred and amortized over a 10-year period, which is consistent with the term of the contract. The balance of cost to obtain is included with Other assets on the Condensed Consolidated Balance Sheets.

Costs to fulfill - The Company has evaluated the need to capitalize costs to fulfill customer contracts and has determined that there are no costs that meet the definition for capitalization under ASC 340.

**Disaggregation of Revenue**

The following table disaggregates revenue by source (*in thousands*):

	<b>Three Months Ended March</b>		
	<b>31,</b>	<b>2024</b>	<b>2023</b>
<b><u>Type of revenue stream:</u></b>			
Commissions and agency fees			
Renewal Commissions	\$ 15,961	\$ 15,818	
New Business Commissions	5,681	5,517	
Agency Fees	1,911	2,230	
Contingent Commissions	2,668	1,920	
Franchise revenues			
Renewal Royalty Fees	29,053	22,752	
New Business Royalty Fees	6,234	5,671	
Initial Franchise Fees	2,245	3,063	
Other Franchise Revenues	458	587	
Interest Income	250	397	
<b>Total Revenues</b>	<b>\$ 64,460</b>	<b>\$ 57,955</b>	
<b><u>Timing of revenue recognition:</u></b>			
Transferred at a point in time	\$ 23,552	\$ 23,565	
Transferred over time	40,908	34,390	
<b>Total Revenues</b>	<b>\$ 64,460</b>	<b>\$ 57,955</b>	

**Goosehead Insurance, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
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**Contract Balances**

The following table provides information about receivables, cost to obtain, and contract liabilities from contracts with customers (*in thousands*):

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>Increase/(decrease)</b>
Cost to obtain franchise contracts <sup>(1)</sup>	\$ 2,048	\$ 2,309	\$ (261)
Commissions and agency fees receivable, net <sup>(2)</sup>	7,487	12,903	(5,416)
Receivable from franchisees <sup>(2)</sup>	16,620	18,989	(2,369)
Contract liabilities <sup>(2)(3)</sup>	21,732	27,099	(5,367)

(1) Cost to obtain franchise contracts is included in Other assets on the condensed consolidated balance sheets.

(2) Includes both the current and long term portion of this balance.

(3) Initial Franchise Fees to be recognized over the life of the contract.

The Company records Franchise Fees as contract liabilities on the Condensed Consolidated Balance Sheets when the agreement is executed. Contract liabilities are reduced as fees are recognized in revenue over the expected life of the franchise license. As the term of the franchise license is typically ten years, substantially all of the franchise fee revenue recognized in the period ended March 31, 2024 was included in the contract liabilities balance as of December 31, 2023.

Significant changes in contract liabilities are as follows (*in thousands*):

Contract liabilities at December 31, 2023	\$ 27,099
Revenue recognized during the period	(2,245)
New deferrals <sup>(1)</sup>	855
Write offs <sup>(2)</sup>	(3,977)
Contract liabilities at March 31, 2024	<u><u>\$ 21,732</u></u>

(1) Initial Franchise Fees where the consideration is received from the franchisee for services which are to be transferred to the Franchisee over the expected life of the Franchise Agreement.

(2) Franchise Fees, net of recognized revenue, no longer deferred due to the termination of the Franchise Agreement.

**4. Franchise Fees Receivable**

The balance of Franchise fees receivable included in Receivable from franchisees consisted of the following (*in thousands*):

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Franchise fees receivable <sup>(1)</sup>	\$ 8,622	\$ 15,096
Less: Unamortized discount <sup>(1)</sup>	(2,561)	(4,388)
Less: Allowance for uncollectible franchise fees <sup>(1)</sup>	(49)	(223)
Net franchise fees receivable <sup>(1)</sup>	<u><u>\$ 6,012</u></u>	<u><u>\$ 10,485</u></u>

(1) Includes both the current and long term portion of this balance.

**Goosehead Insurance, Inc.**  
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Activity in the allowance for uncollectible franchise fees was as follows *(in thousands)*:

Balance at December 31, 2023	\$ 223
Charges to bad debts	322
Write offs	(496)
Balance at March 31, 2024	\$ 49
Balance at December 31, 2022	\$ 487
Charges to bad debts	762
Write offs	(902)
Balance at March 31, 2023	\$ 347

**5. Allowance for Uncollectible Agency Fees**

Activity in the allowance for uncollectible agency fees was as follows *(in thousands)*:

Balance at December 31, 2023	\$ 508
Charges to bad debts	435
Write offs	(533)
Balance at March 31, 2024	\$ 410
Balance at December 31, 2022	\$ 450
Charges to bad debts	318
Write offs	(286)
Balance at March 31, 2023	\$ 482

**6. Property and equipment**

Property and equipment consisted of the following *(in thousands)*:

	March 31, 2024	December 31, 2023
Furniture & fixtures	\$ 11,413	\$ 11,306
Computer equipment	4,499	4,482
Network equipment	478	436
Phone system	326	326
Leasehold improvements	36,318	36,285
Total	53,034	52,834
Less accumulated depreciation	(24,348)	(22,518)
Property and equipment, net	<u>\$ 28,686</u>	<u>\$ 30,316</u>

Depreciation expense was \$1.8 million and \$1.8 million for three months ended March 31, 2024 and 2023, respectively.

**Goosehead Insurance, Inc.**  
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**7. Intangible assets**

Intangible assets consisted of the following (*in thousands*):

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Computer software & web domain	\$ 15,765	\$ 13,509
Books of business	6,895	6,895
<b>Total</b>	<b>22,660</b>	<b>20,404</b>
Less: accumulated amortization	(3,877)	(3,138)
<b>Intangible assets, net</b>	<b>\$ 18,783</b>	<b>\$ 17,266</b>

Amortization expense was \$0.7 million and \$0.3 million for three months ended March 31, 2024 and 2023, respectively.

**8. Debt**

On July 21, 2021, the Company refinanced its \$ 25 million revolving credit facility and \$ 80 million term note payable to a \$ 50 million revolving credit facility and \$100 million term note payable in order to obtain a more favorable interest rate on the outstanding debt. The Company also has the right, subject to approval by the administrative agent and each issuing bank, to increase the commitments under the credit facilities by an additional \$25 million.

On April 26, 2023, the Company entered into Amendment No.1 of the Second Amended and Restated Credit Agreement, which provided that LIBOR should be replaced with SOFR.

On April 24, 2024, the Company entered into Amendment No. 2 of the Second Amended and Restated Credit Agreement, increasing the term note payable by \$25 million and increasing the capacity of the revolving credit facility by \$ 25 million to a total capacity of \$ 75 million.

As of March 31, 2024, the Company had nothing drawn against the revolving credit facility and had a letter of credit of \$ 0.2 million applied against the maximum borrowing availability, payable on July 21, 2026. Thus, amounts available to draw totaled \$49.8 million. At March 31, 2024, the Company was accruing interest at SOFR plus 175 basis points. The revolving credit facility is collateralized by substantially all the Company's assets, which includes rights to future commissions and royalties.

The term note is payable in quarterly installments of \$ 0.6 million the first twelve months, \$ 1.3 million the next twelve months, \$ 1.9 million the next twelve months, and \$2.5 million the last twenty-four months, with a balloon payment of \$ 65.6 million on July 21, 2026. On May 31, 2023, the Company paid an additional \$10.0 million toward the term note, reducing the final balloon payment to \$ 55.6 million. The note is collateralized by substantially all of the Company's assets, which includes rights to future commissions and royalties. Interest is calculated initially at LIBOR plus 225 basis points, then at an interest rate based on the Company's leverage ratio for the preceding period. As of March 31, 2024, the Company was accruing interest at SOFR plus 175 basis points.

The interest rate for each leverage ratio tier is as follows:

<b>Leverage Ratio</b>	<b>Interest Rate</b>
< 1.50x	SOFR + 175 bps
> 1.50x	SOFR + 200 bps
> 2.50x	SOFR + 225 bps
> 3.50x	SOFR + 250 bps

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Maturities of the term note payable for the next five years are as follows ( *in thousands*):

	<b>Amount</b>
2024	\$ 7,500
2025	10,000
2026	58,125
2027	—
2028	—
<b>Total</b>	<b>\$ 75,625</b>

The Company's note payable agreement contains certain restrictions and covenants. Under these restrictions, the Company is limited in the amount of debt incurred and distributions payable. As of March 31, 2024, the Company's maximum allowable trailing twelve months debt-to-EBITDA ratio, as defined by the credit agreement, was 4x. In addition, the credit agreement contains certain change of control provisions that, if broken, would trigger a default. Finally, the Company must maintain certain financial ratios. As of March 31, 2024, the Company was in compliance with these covenants.

Because of both instruments' variable interest rate, the note payable balance at March 31, 2024 and December 31, 2023, approximates fair value using Level 2 inputs, described below.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets.
- Level 2—Significant other observable inputs other than Level 1 prices such as quoted prices in markets that are not active, quoted prices for similar assets or other inputs that are observable, either directly or indirectly, for substantially the full term of the asset.
- Level 3—Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

## **9. Income Taxes**

GSHD is the sole managing member of GF, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, GF is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by GF is passed through to and included in the taxable income or loss of its members, including GSHD, on a pro rata basis. GSHD is subject to U.S. federal income taxes, in addition to state and local income taxes, with respect to GSHD's allocable share of income of GF.

### ***Income tax expense (benefit)***

Provision benefit from income taxes for the three months ended March 31, 2024 was \$ 1.8 million compared to \$0.1 million for the three months ended March 31, 2023. The effective tax rate was 5,753% for the three months ended March 31, 2024 and 31% for the three months ended March 31, 2023. The change in the effective tax rate for the three months ended March 31, 2024, compared to the three months ended March 31, 2023, was primarily due to the deferred tax impact of additional state tax filing requirements identified by the Company.

# **Goosehead Insurance, Inc.**

## **Notes to the Condensed Consolidated Financial Statements**

### **(Unaudited)**

#### **Deferred taxes**

Deferred tax assets at March 31, 2024 were \$ 193.5 million compared to \$ 181.2 million at December 31, 2023. The primary contributing factors to the increase in deferred tax assets are additional redemptions of LLC Units of GF for shares of Class A common stock of GSHD during the three months ended March 31, 2024 and an increase in the blended state tax rate due to additional state tax filing requirements.

#### **Tax Receivable Agreement**

GF intends to make an election under Section 754 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code") effective for each taxable year in which a redemption or exchange of LLC Units and corresponding Class B common stock for shares of Class A common stock occurs. Future taxable redemptions or exchanges are expected to result in tax basis adjustments to the assets of GF that will be allocated to the Company and thus produce favorable tax attributes. These tax attributes would not be available to GSHD in the absence of those transactions. The anticipated tax basis adjustments are expected to reduce the amount of tax that GSHD would otherwise be required to pay in the future.

GSHD entered into a tax receivable agreement with the Pre-IPO LLC Members on May 1, 2018 that provides for the payment by GSHD to the Pre-IPO LLC Members of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that GSHD actually realizes as a result of (i) any increase in tax basis in GSHD's assets and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the tax receivable agreement.

During the three months ended March 31, 2024, an aggregate of 196,121 LLC Units were redeemed by the Pre-IPO LLC Members for newly issued shares of Class A common stock. In connection with these redemptions, GSHD received 196,121 LLC Units, which resulted in an increase in the tax basis of its investment in GF subject to the provisions of the tax receivable agreement. The Company recognized a liability for the TRA Payments due to the Pre-IPO LLC Members, representing 85% of the aggregate tax benefits the Company expects to realize from the tax basis increases related to the redemptions of LLC Units, after concluding it was probable that such TRA Payments would be paid based on its estimates of future taxable income. As of March 31, 2024, the total amount of TRA Payments due to the Pre-IPO LLC Members under the tax receivable agreement was \$160.0 million, of which \$5.0 million was current and included in Liabilities under tax receivable agreement within Current liabilities on the Condensed Consolidated Balance Sheet. Future exchanges of LLC Units for Class A common stock will result in additional TRA payments.

#### **Uncertain tax positions**

GSHD has determined there are no material uncertain tax positions as of March 31, 2024.

## **10. Stockholders' Equity**

#### **Class A Common Stock**

GSHD has a total of 25,230 thousand shares of its Class A common stock outstanding at March 31, 2024. Each share of Class A common stock holds economic rights and entitles its holder to one vote per share on all matters submitted to a vote of the stockholders of GSHD.

#### **Class B Common Stock**

GSHD has a total of 12,758 thousand shares of its Class B common stock outstanding at March 31, 2024. Each share of Class B common stock has no economic rights but entitles its holder to one vote per share on all matters submitted to a vote of the stockholders of GSHD.

Holders of Class A common stock and Class B common stock vote together as a single class on all matters presented to GSHD's shareholders for their vote or approval, except as otherwise required by applicable law, by agreement, or by GSHD's certificate of incorporation.

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**Earnings Per Share**

The following table sets forth the calculation of basic earnings per share ("EPS") based on net income attributable to GSHD for the three months ended March 31, 2024 and 2023, divided by the basic weighted average number of Class A common stock as of March 31, 2024 and 2023 (*in thousands, except per share amounts*).

Diluted EPS of Class A common stock is computed by dividing net income attributable to GSHD by the weighted average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities.

Shares of the Company's Class B common stock do not share in the earnings or losses attributable to Goosehead Insurance, Inc. and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B common stock under the two-class method has not been presented. Shares of the Company's Class B common stock are, however, considered potentially dilutive shares of Class A common stock because shares of Class B common stock, together with the related LLC Units, are exchangeable into shares of Class A common stock on a one-for-one basis. The Company calculates the effects of the conversion of Class B shares to Class A shares using the "if-converted" method and includes such effects in the calculation of diluted EPS if the effects are dilutive.

The following table summarizes the calculation of EPS for the three months ended March 31, 2024 and 2023 (*in thousands*):

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Numerator:</b>		
Net income (loss) attributable to GSHD - Basic	\$ 1,814	\$ (81)
Less: net loss attributable to non-controlling interests <sup>(1)</sup>	(5)	—
Add: income tax effect on income attributable to non-controlling interests assuming conversion of Class B common shares <sup>(1)</sup>	170	—
Net income (loss) available to GSHD - Diluted	\$ 1,979	\$ (81)
<b>Denominator:</b>		
<b>Basic EPS</b>		
Weighted average outstanding Class A common shares - Basic	25,087	23,206
Earnings per share of Class A common stock - Basic	\$ 0.07	\$ —
<b>Diluted EPS</b>		
Weighted average outstanding Class A common shares - Basic	25,087	23,206
Effect of dilutive securities:		
Weighted average outstanding Class B common shares (if-converted) <sup>(1)</sup>	12,864	—
Stock options <sup>(2)</sup>	888	—
Weighted average outstanding Class A common shares - Diluted	38,839	23,206
Earnings per share of Class A common stock - Diluted	\$ 0.05	\$ —

(1) For the three months ended March 31, 2024, the impact of the conversion of Class B common shares to Class A common shares calculated under the if-converted method was dilutive, and as such, (a) 12,864 common shares (assuming the conversion of all outstanding class B common stock) were included in the Weighted average outstanding Class A common shares - Diluted and (b) \$0.2 million of non-controlling interest net income (after incremental tax effect from assuming conversion of all outstanding class B common stock), was added back to Net income attributable to GSHD - Basic to arrive at Net income available to GSHD - diluted. For the three months ended March 31, 2023, the impact of the conversion of Class B common shares to Class A common shares is excluded from the calculation of Diluted EPS because inclusion of such shares would be anti-dilutive.

(2) Dilutive stock options is computed using the treasury stock method, which are not participating securities. 967 stock options were excluded from the computation of diluted earnings per share of Class A common stock for the three months ended March 31, 2024 because the effect

# Goosehead Insurance, Inc.

## Notes to the Condensed Consolidated Financial Statements

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would have been anti-dilutive. 3,235 stock options were excluded from the computation of diluted earnings per share of Class A common stock for the three months ended March 31, 2023 because the effect would have been anti-dilutive.

#### **Share Repurchase Program**

On April 24, 2024, our board of directors approved a share repurchase program with authorization to purchase up to \$ 100 million of our Class A common stock through March 31, 2025. The share repurchase program does not require the Company to acquire any dollar amount or number of shares of common stock and may be modified, suspended, or discontinued at any time. The timing, manner, price and amount of any repurchases will be determined at the discretion of management in accordance with applicable securities laws and other restrictions. Class A common stock acquired under the program will be retired upon repurchase. Additionally, for every repurchased share of Class A common stock, the Company will direct GF to repurchase, at the price paid to repurchase such share, and cancel an LLC unit of GF held by the Company.

#### **11. Non-controlling interest**

GSHD is the sole managing member of GF and, as a result, it consolidates the financial results of GF. GSHD reports a non-controlling interest representing the economic interest in GF held by the other members of GF.

Under the amended and restated Goosehead Financial, LLC Agreement, the Pre-IPO LLC Members have the right, from and after the completion of the Offering (subject to the terms of the amended and restated Goosehead Financial, LLC Agreement), to require GSHD to redeem all or a portion of their LLC Units for, at GSHD's election, newly-issued shares of Class A common stock on a one-for-one basis or a cash payment equal to the volume weighted average market price of one share of GSHD's Class A common stock for each LLC Unit redeemed (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the amended and restated Goosehead Financial, LLC Agreement. Additionally, in the event of a redemption request by a Pre-IPO LLC Member, GSHD may, at its option, effect a direct exchange of cash or Class A common stock for LLC Units in lieu of such a redemption. Shares of Class B common stock will be cancelled on a one-for-one basis if GSHD, at the election of a Pre-IPO LLC Member, redeems or exchanges LLC Units of such Pre-IPO LLC Member pursuant to the terms of the amended and restated Goosehead Financial, LLC Agreement. Except for transfers to GSHD pursuant to the amended and restated Goosehead Financial, LLC Agreement or to certain permitted transferees, the Pre-IPO LLC Members are not permitted to sell, transfer or otherwise dispose of any LLC Units or shares of Class B common stock.

During the three months ended March 31, 2024, an aggregate of 196 thousand LLC Units were redeemed by the non-controlling interest holders. Pursuant to the GF LLC Agreement, GSHD issued 196 thousand shares of Class A common stock in connection with these redemptions and received 196 thousand LLC Interests, increasing GSHD's ownership interest in GF. Simultaneously, and in connection with these redemptions, 196 thousand shares of Class B common stock were surrendered and cancelled.

The following table summarizes the ownership interest in GF as of March 31, 2024 (*in thousands*):

	March 31, 2024	
	LLC Units	Ownership %
Number of LLC Units held by GSHD	25,230	66.4%
Number of LLC Units held by non-controlling interest holders	12,758	33.6%
Number of LLC Units outstanding	37,988	100.0%

The weighted average ownership percentages for the applicable reporting periods are used to attribute net income to GSHD and the non-controlling interest holders. The non-controlling interest holders' weighted average ownership percentage for the three months ended March 31, 2024 was 33.9%.

**Goosehead Insurance, Inc.**  
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**12. Equity-Based Compensation**

Stock option expense was \$7.4 million for the three months ended March 31, 2024. Stock option expense was \$ 6.6 million for the three months ended March 31, 2023.

**13 Litigation**

From time to time, GSHD may be involved in various legal proceedings, lawsuits and claims incidental to the conduct of the Company's business. The Company records accruals for legal contingencies to the extent that it has concluded that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. When a material loss contingency is reasonably possible but not probable, the Company does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can be made. In the opinion of the Company's management, the likely results of any ongoing legal matters are not expected, either individually or in the aggregate, to have a material adverse effect on the Company's financial position, results of operations or cash flows.

On November 10, 2022, a verified stockholder class action complaint for declaratory relief, captioned Mickey Dollens v. Goosehead Insurance, Inc., C.A. No. 2022-1018-JTL, was filed in the Court of Chancery of the State of Delaware (the "Dollens Action"), alleging certain corporate governance documents adopted by the Company were invalid under Delaware law. On August 8, 2023, the parties entered into a proposed settlement providing for certain non-monetary benefits to the class (*i.e.*, revisions to the Company's Stockholder Agreement). Additionally, the plaintiffs have petitioned the Court for attorneys' fees and litigation expenses. While there can be no assurance regarding the ultimate outcome of the petition, the Company believes a potential loss, if any, would not be material.

## Item 2: Management's discussion and analysis of financial condition and results of operations

### OVERVIEW

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Form 10-Q. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Risk factors" and elsewhere in this report and in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.*

We are a rapidly growing personal lines independent insurance agency, reinventing the traditional approach to distributing personal lines products and services throughout the United States. We were founded with one vision in mind—to provide consumers with superior insurance coverage at the best available price and in a timely manner. By leveraging our differentiated business model and innovative technology platform, we are able to deliver to consumers a superior insurance experience. Our management team continues to own approximately 34% of the company, representing our commitment to the long-term success of the Company.

#### ***Financial Highlights for the First Quarter of 2024:***

- Total revenue increased 11% from the first quarter of 2023 to \$64.5 million
- Core Revenue\* increased by 13% from the first quarter of 2023 to \$58.8 million
- Total Written Premiums placed increased 28% from the prior-year period to \$818.8 million
- Net income (loss) increased by \$2.0 million from the first quarter of 2023 to \$1.8 million, or 3% of total revenues
- Adjusted EBITDA\* increased 15% from the first quarter of 2023 to \$11.7 million, or 18% of total revenues
- Basic and diluted earnings per share were \$0.07 and \$0.05, respectively, and Adjusted EPS\* was \$0.28 per share for the three months ended March 31, 2024
- Policies in Force increased 13% from March 31, 2023 to 1,528,000 at March 31, 2024
- Corporate sales headcount increased 6% from March 31, 2023 to 292 at March 31, 2024
  - As of March 31, 2024, 138 of these Corporate sales agents had less than one year of tenure and 154 had greater than one year of tenure
- Total franchises decreased 35% compared to the prior-year period to 1,210; total operating franchises decreased 17% from March 31, 2023 to 1,155 at March 31, 2024
  - As of March 31, 2024, 133 operating Franchisees had less than one year of tenure and 1,022 operating Franchisees had greater than one year of tenure

\*Core Revenue, Adjusted EBITDA and Adjusted EPS are non-GAAP measures. Reconciliation of Core Revenue to total revenue, Adjusted EBITDA to net income and Adjusted EPS to EPS, the most directly comparable financial measures presented in accordance with GAAP, are set forth under "Key performance indicators".

## Certain income statement line items

### Revenues

For the three months ended March 31, 2024, revenue increased by 11% to \$64.5 million from \$58.0 million for the three months ended March 31, 2023. Total Written Premium, which we believe is the best leading indicator of future revenue, increased 28% for the three months ended March 31, 2024 to \$819 million from \$638 million for the three months ended March 31, 2023. Total Written Premiums drive our current and future Core Revenue and give us potential opportunities to earn Ancillary Revenue in the form of Contingent Commissions.

Our various revenue streams do not equally contribute to the long-term value of Goosehead. For instance, Renewal Revenue and Renewal Royalty Fees are more predictable and have higher margin profiles, thus are higher quality revenue streams for the Company. Alternatively, Contingent Commissions, while high margin, are unpredictable and dependent on insurance company underwriting and forces of nature and thus are lower quality revenue for the Company. Our revenue streams can be viewed in three distinct categories: Core Revenue, Cost Recovery Revenue, and Ancillary Revenue, which are non-GAAP measures. A reconciliation of Core Revenue, Cost Recovery Revenue, and Ancillary Revenue to total revenue, the most directly comparable financial measure presented in accordance with GAAP, are set forth under "Key performance indicators".

#### Core Revenue:

- Renewal Commissions - highly predictable, higher-margin revenue stream, which is managed by our service team.
- Renewal Royalty Fees - highly predictable, higher-margin revenue stream, which is managed by our service team. For policies in their first renewal term, we see an increase in our share of royalties from 20% to 50% on the commission paid by the Carriers.
- New Business Commissions - predictable based on agent headcount and consistent ramp-up of agents, but lower margin than Renewal Commissions because of higher commissions paid to agents and higher back-office costs associated with policies in their first term. This revenue stream has predictably converted into higher-margin Renewal Commissions historically, and we expect this to continue moving forward.
- New Business Royalty Fees - predictable based on franchise count and consistent ramp-up of franchises, but lower margin than Renewal Royalty Fees because the Company only receives a royalty fee of 20% on the commissions paid by the Carrier in the first term of every policy and incurs higher back-office costs associated with policies in their first term. This revenue stream has predictably converted into higher-margin Renewal Royalty Fees historically, and we expect this to continue moving forward.
- Agency Fees - although predictable based on agent count, Agency Fees do not renew like New Business Commissions and Renewal Commissions.

#### Cost Recovery Revenue:

- Initial Franchise Fees - one-time Cost Recovery Revenue stream per franchise unit that covers the Company's costs to recruit, train, onboard, and support the franchise for the first year. These fees are fully earned and non-refundable when a franchise attends our initial training.
- Interest Income - like Initial Franchise Fees, interest income is a Cost Recovery Revenue stream that reimburses the Company for those franchises on a payment plan.

#### Ancillary Revenue:

- Contingent Commissions - although high margin, Contingent Commissions are unpredictable and susceptible to weather events and Carrier underwriting results. Management does not rely on Contingent Commissions for operating cash flow or budget planning.
- Other Franchise Revenues - book transfer fees, marketing investments from Carriers and other items that are unpredictable and supplemental to other revenue streams.

We discuss below the breakdown of our revenue by stream:

(in thousands)	Three Months Ended March 31,			
	2024	2023		
<b>Core Revenue:</b>				
Renewal Commissions <sup>(1)</sup>	\$15,961	25 %	\$15,818	27 %
Renewal Royalty Fees <sup>(2)</sup>	29,053	45 %	22,752	39 %
New Business Commissions <sup>(1)</sup>	5,681	9 %	5,517	10 %
New Business Royalty Fees <sup>(2)</sup>	6,234	10 %	5,671	10 %
Agency Fees <sup>(1)</sup>	1,911	3 %	2,230	4 %
<b>Total Core Revenue</b>	<b>58,839</b>	<b>91 %</b>	<b>51,988</b>	<b>90 %</b>
<b>Cost Recovery Revenue:</b>				
Initial Franchise Fees <sup>(2)</sup>	2,245	3 %	3,063	5 %
Interest Income	250	— %	397	1 %
<b>Total Cost Recovery Revenue</b>	<b>2,495</b>	<b>4 %</b>	<b>3,460</b>	<b>6 %</b>
<b>Ancillary Revenue:</b>				
Contingent Commissions <sup>(1)</sup>	2,668	4 %	1,920	3 %
Other Franchise Revenues <sup>(2)</sup>	458	1 %	587	1 %
<b>Total Ancillary Revenue</b>	<b>3,126</b>	<b>5 %</b>	<b>2,507</b>	<b>4 %</b>
<b>Total Revenues</b>	<b><u><u>\$64,460</u></u></b>	<b><u><u>100 %</u></u></b>	<b><u><u>\$57,955</u></u></b>	<b><u><u>100 %</u></u></b>

(1) Renewal Commissions, New Business Commissions, Agency Fees, and Contingent Commissions are included in "Commissions and agency fees" as shown on the Condensed consolidated statements of operations.

(2) Renewal Royalty Fees, New Business Royalty Fees, Initial Franchise Fees, and Other Franchise Revenues are included in "Franchise revenues" as shown on the Condensed consolidated statements of operations.

## Consolidated results of operations

The following is a discussion of our consolidated results of operations for each of the three months ended March 31, 2024 and 2023. This information is derived from our accompanying condensed consolidated financial statements prepared in accordance with GAAP.

The following table summarizes our results of operations for the three months ended March 31, 2024 and 2023 *(in thousands)*:

	Three Months Ended March 31,			
	2024		2023	
<b>Revenues:</b>				
Commissions and agency fees	\$ 26,221	41 %	\$ 25,484	44 %
Franchise revenues	37,989	59 %	32,074	55 %
Interest income	250	— %	397	1 %
<b>Total revenues</b>	<b>64,460</b>	<b>100 %</b>	<b>57,955</b>	<b>100 %</b>
<b>Operating Expenses:</b>				
Employee compensation and benefits	42,130	67 %	36,882	65 %
General and administrative expenses	17,180	27 %	15,856	28 %
Bad debts	1,127	2 %	1,655	3 %
Depreciation and amortization	2,568	4 %	2,093	4 %
<b>Total operating expenses</b>	<b>63,005</b>	<b>100 %</b>	<b>56,486</b>	<b>100 %</b>
<b>Income from operations</b>	<b>1,455</b>		<b>1,469</b>	
<b>Other Income (Expense):</b>				
Interest expense	(1,487)		(1,731)	
<b>Loss before taxes</b>	<b>(32)</b>		<b>(262)</b>	
Tax benefit	(1,841)		(81)	
<b>Net income (loss)</b>	<b>1,809</b>		<b>(181)</b>	
Less: net loss attributable to non-controlling interests	(5)		(100)	
<b>Net income (loss) attributable to Goosehead Insurance, Inc.</b>	<b>\$ 1,814</b>		<b>\$ (81)</b>	

### Revenues

For the three months ended March 31, 2024 revenue increased 11% to \$64.5 million from \$58.0 million for the three months ended March 31, 2023.

#### Commissions and agency fees

Commissions and agency fees consist of new business commissions, renewal commissions, agency fees, and contingent commissions.

The following table sets forth these revenue streams by amount and as a percentage of total commissions and agency fees for the periods indicated ( *in thousands*):

	Three Months Ended March 31,			
	2024		2023	
<b>Core Revenue:</b>				
Renewal Commissions	\$ 15,961	61 %	\$ 15,818	61 %
New Business Commissions	5,681	22 %	5,517	22 %
Agency Fees	1,911	8 %	2,230	9 %
<b>Total Core Revenue:</b>	<b>23,552</b>	<b>90 %</b>	<b>23,565</b>	<b>92 %</b>
<b>Ancillary Revenue:</b>				
Contingent Commissions	2,668	10 %	1,920	8 %
<b>Commissions and agency fees</b>	<b>\$ 26,221</b>	<b>100 %</b>	<b>\$ 25,485</b>	<b>100 %</b>

Renewal Commissions increased by \$0.1 million or 1%, to \$16.0 million for the three months ended March 31, 2024 from \$15.8 million for the three months ended March 31, 2023. The increase during the three months ended March 31, 2024 was primarily attributable to an increase in the number of policies in the renewal term from March 31, 2023 to March 31, 2024 and premium rate increases.

New Business Commissions increased by \$0.2 million or 3%, to \$5.7 million for the three months ended March 31, 2024 from \$5.5 million for the three months ended March 31, 2023. The increase during the three months ended March 31, 2024 was primarily driven by an increase in the number of Corporate Sales agents. Revenue from Agency Fees decreased by \$0.3 million or 14%, to \$1.9 million for the three months ended March 31, 2024 from \$2.2 million for the three months ended March 31, 2023. The decrease in Agency Fees during the three months ended March 31, 2024 was primarily attributable to a decrease in the percentage of policies written where an Agency Fee was charged.

Revenue from Contingent Commissions increased by \$0.7 million, to \$2.7 million for the three months ended March 31, 2024 from \$1.9 million for the three months ended March 31, 2023. The increase during the three months ended March 31, 2024 was primarily attributable to an increase in Total Written Premium as well as receiving and qualifying for additional contingent commissions.

#### *Franchise revenues*

Franchise Revenues consist of Royalty Fees, Initial Franchise Fees, and Other Franchise Revenues.

The following table sets forth these revenue streams by amount and as a percentage of franchise revenues for the periods indicated ( *in thousands*):

	Three Months Ended March 31,			
	2024		2023	
<b>Core Revenues:</b>				
Renewal Royalty Fees	\$ 29,053	76 %	\$ 22,752	71 %
New Business Royalty Fees	6,234	16 %	5,671	18 %
<b>Total Core Revenues:</b>	<b>35,287</b>	<b>93 %</b>	<b>28,423</b>	<b>89 %</b>
<b>Cost Recovery Revenues:</b>				
Initial Franchise Fees	2,245	6 %	3,063	10 %
<b>Ancillary Revenues:</b>				
Other Franchise Revenues	458	1 %	587	2 %
<b>Franchise revenues</b>	<b>\$ 37,989</b>	<b>100 %</b>	<b>\$ 32,073</b>	<b>100 %</b>

Revenue from Renewal Royalty Fees increased by \$6.3 million, or 28%, to \$29.1 million for the three months ended March 31, 2024 from \$22.8 million for the three months ended March 31, 2023. The increase in revenue from Renewal Royalty Fees during the three months ended March 31, 2024 was primarily attributable to an increase in the number of policies in the renewal term and rising premium rates.

Revenue from New Business Royalty Fees increased by \$0.6 million, or 10%, to \$6.2 million for the three months ended March 31, 2024 from \$5.7 million for the three months ended March 31, 2023. The increase in revenue from New Business Royalty Fees during the three months ended March 31, 2024 was primarily attributable to an increase in agent productivity and rising premium rates.

Revenue from Initial Franchise Fees decreased by \$0.8 million, or 27%, to \$2.2 million for the three months ended March 31, 2024 from \$3.1 million for the three months ended March 31, 2023. The primary reason for this decrease was lower turnover of franchises during the period, which avoids accelerated recognition of Initial Franchise Fees for terminated franchises.

#### *Interest income*

Interest income decreased by \$0.1 million, or 37%, to \$0.3 million for the three months ended March 31, 2024 from \$0.4 million for the three months ended March 31, 2023. The decrease was primarily attributable to fewer average Franchise Agreements signed under the payment plan option.

#### **Expenses**

##### *Employee compensation and benefits*

Employee compensation and benefits expenses increased by \$5.2 million, or 14%, to \$42.1 million for the three months ended March 31, 2024 from \$36.9 million for the three months ended March 31, 2023. The 14% increase was primarily related to an increase in headcount and the hiring of more experienced team members, particularly at the leadership level, during 2023 and an increase in equity-based compensation of 11% related to stock option awards during the year.

##### *General and administrative expenses*

General and administrative expenses increased by \$1.3 million, or 8%, to \$17.2 million for the three months ended March 31, 2024 from \$15.9 million for the three months ended March 31, 2023. This increase was primarily attributable to increased spending on software and professional services and \$0.3 million asset impairment charges related to impairment of one office location the Company determined to sublease.

##### *Bad debts*

Bad debts decreased by \$0.5 million, or 32%, to \$1.1 million for the three months ended March 31, 2024 from \$1.7 million for the three months ended March 31, 2023. The decrease during the three months ended March 31, 2024 was primarily attributable to a decrease in the average tenure of a terminated franchise.

##### *Depreciation and amortization*

Depreciation and amortization increased by \$0.5 million, or 23%, to \$2.6 million for the three months ended March 31, 2024 from \$2.1 million for the three months ended March 31, 2023. This increase during the three months ended March 31, 2024 was primarily attributable to increased spending on software development since March 31, 2023, as well as book of business purchases since March 31, 2023.

##### *Interest expense*

Interest expenses decreased by \$0.2 million for the three months ended March 31, 2024, to \$1.5 million from \$1.7 million for the three months ended March 31, 2023. The primary driver of this decrease during the three months ended March 31, 2024 was a decrease in total borrowings outstanding partially offset by the rising interest rate environment.

##### *Tax benefit*

Tax benefit increased by \$1.8 million to \$1.8 million for three months ended March 31, 2024 from \$0.1 million for three months ended March 31, 2023. This increase is primarily due to the deferred tax impact of additional state tax filing requirements identified by the Company.

## Key performance indicators

Our key operating metrics are discussed below:

### **Total Written Premium**

Total Written Premium represents for any reported period, the total amount of current (non-cancelled) gross premium that is placed with Goosehead's portfolio of Carriers. Total Written Premium placed is an appropriate measure of operating performance because it reflects growth of our business relative to other insurance agencies.

The following tables show Total Written Premium placed by corporate agents and franchisees for the three months ended 2024 and 2023 (*in thousands*).

	Three Months Ended March 31,		% Change
	2024	2023	
Corporate sales Total Written Premium	\$ 168,500	\$ 146,829	15 %
Franchise sales Total Written Premium	650,285	490,882	32 %
Total Written Premium	\$ 818,785	\$ 637,711	28 %

### **Policies in Force**

Policies in Force means, as of any reported date, the total count of current (non-cancelled) policies placed with Goosehead's portfolio of Carriers. We believe that Policies in Force is an appropriate measure of operating performance because it reflects growth of our business relative to other insurance agencies.

As of March 31, 2024, we had 1.5 million Policies in Force compared to 1.5 million as of December 31, 2023 and 1.4 million as of March 31, 2023, representing a 3% and 13% increase, respectively.

### **NPS**

Net Promoter Score (NPS) is calculated based on a single question: "How likely are you to refer Goosehead Insurance to a friend, family member or colleague?" Clients that respond with a 6 or below are Detractors, a score of 7 or 8 are called Passives, and a 9 or 10 are Promoters. NPS is calculated by subtracting the percentage of Detractors from the percentage of Promoters. For example, if 50% of respondents were Promoters and 10% were Detractors, NPS is a 40. NPS is a useful gauge of the loyalty of client relationships and can be compared across companies and industries.

NPS has remained steady to 91 as of March 31, 2024, from 91 as of March 31, 2023.

### **Client Retention**

Client Retention is calculated by comparing the number of all clients that had at least one policy in force twelve months prior to the date of measurement and still have at least one policy in force at the date of measurement. We believe Client Retention is useful as a measure of how well Goosehead retains clients year-over-year and minimizes defections.

Client Retention decreased modestly to 85% at March 31, 2024 when compared to 86% at December 31, 2023 and 88% at March 31, 2023. For the trailing twelve months ended March 31, 2024, we retained 100% of the premiums we distributed in the trailing twelve months ended March 31, 2023, which decreased modestly from the 101% premium retention at December 31, 2023. Our premium retention rate is higher than our Client Retention rate as a result of both premiums increasing year over year and additional coverages sold by our sales and service teams.

### **New Business Revenue**

New Business Revenue is commissions received from the Carrier, Agency Fees received from clients, and New Business Royalty Fees from franchises relating to policies in their first term.

For the three months ended March 31, 2024, New Business Revenue grew 3% to \$13.8 million, from \$13.4 million for the three months ended March 31, 2023. Growth in New Business Revenue during the three months ended March 31, 2024 was primarily driven by growth in agent productivity and rising premium rates.

### **Renewal Revenue**

Renewal Revenue is commissions received from the Carrier and Renewal Royalty Fees from franchises received after the first term of a policy.

For the three months ended March 31, 2024, Renewal Revenue grew 17% to \$45.0 million, from \$38.6 million for the three months ended March 31, 2023. Growth in Renewal Revenue during the three months ended March 31, 2024 was primarily driven by Client Retention of 85% at March 31, 2024, and rising premium rates.

### **Non-GAAP Measures**

Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EPS are not measures of financial performance under GAAP and should not be considered substitutes for total revenue, net income, net income margin or earnings per share, which we consider to be the most directly comparable GAAP measures. We refer to these measures as "non-GAAP financial measures." We consider these non-GAAP financial measures to be useful metrics for management and investors to facilitate operating performance comparisons from period to period by excluding potential differences caused by variations in capital structures, tax position, depreciation, amortization and certain other items that we believe are not representative of our core business. Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EPS have limitations as analytical tools, and when assessing our operating performance, you should not consider Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, or Adjusted EPS in isolation or as substitutes for total revenue, net income, earnings per share, as applicable, or other consolidated income statement data prepared in accordance with GAAP. Other companies may calculate Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EPS differently than we do, limiting their usefulness as comparative measures.

### **Core Revenue**

Core Revenue is a supplemental measure of our performance and includes Renewal Commissions, Renewal Royalty Fees, New Business Commissions, New Business Royalty Fees, and Agency Fees. We believe that Core Revenue is an appropriate measure of operating performance because it summarizes all of our revenues from sales of individual insurance policies.

Core Revenue increased by \$6.9 million, or 13%, to \$58.8 million for the three months ended March 31, 2024 from \$52.0 million for the three months ended March 31, 2023. The primary drivers of the increase during the three months ended March 31, 2024 were the higher number of policies in the renewal term from March 31, 2023 to March 31, 2024 as well as premium retention of 100% as of March 31, 2024.

### **Cost Recovery Revenue**

Cost Recovery Revenue is a supplemental measure of our performance and includes Initial Franchise Fees and Interest Income. We believe that Cost Recovery Revenue is an appropriate measure of operating performance because it summarizes revenues that are viewed by management as cost recovery mechanisms.

Cost Recovery Revenue decreased by \$1.0 million, or 28%, to \$2.5 million for the three months ended March 31, 2024 from \$3.5 million for the three months ended March 31, 2023. The primary driver was a decrease in terminations of franchises, resulting in less acceleration of initial franchise fee revenue.

### **Ancillary Revenue**

Ancillary Revenue is a supplemental measure of our performance and includes Contingent Commissions and Other Franchise Revenues. We believe that Ancillary Revenue is an appropriate measure of operating performance because it summarizes revenues that are ancillary to our core business.

Ancillary Revenue increased by \$0.6 million to \$3.1 million for the three months ended March 31, 2024 from \$2.5 million for the three months ended March 31, 2023.

### **Adjusted EBITDA**

Adjusted EBITDA is a supplemental measure of our performance. We believe that Adjusted EBITDA is an appropriate measure of operating performance because it eliminates the impact of items that do not relate to business performance. Adjusted EBITDA is defined as net income (the most directly comparable GAAP measure) before interest, income taxes, depreciation and amortization, adjusted to exclude equity-based compensation,

impairment expense, and other non-operating items, including, among other things, certain non-cash charges and certain non-recurring or non-operating gains or losses.

Adjusted EBITDA increased by \$1.5 million, or 15%, to \$11.7 million for the three months ended March 31, 2024 from \$10.2 million for the three months ended March 31, 2023. The primary driver of the increase in Adjusted EBITDA during the three months ended March 31, 2024 was growth in Total Revenue.

#### **Adjusted EBITDA Margin**

Adjusted EBITDA Margin is Adjusted EBITDA as defined above, divided by total revenue excluding other non-operating items. Adjusted EBITDA Margin is helpful in measuring profitability of operations on a consolidated level.

For the three months ended March 31, 2024, Adjusted EBITDA Margin was 18% compared to 18% for the three months ended March 31, 2023 as a result of maintaining growth in expenses in proportion to growth in Total Revenue.

#### **Adjusted EPS**

Adjusted EPS is a supplemental measure of our performance, defined as earnings per share (the most directly comparable GAAP measure) before non-recurring or non-operating income and expenses. Adjusted EPS is a useful measure to management because it eliminates the impact of items that do not relate to business performance.

#### **GAAP to Non-GAAP Reconciliations**

The following tables show a reconciliation from Total Revenues to Core Revenue, Cost Recovery Revenue, and Ancillary Revenue for the three months ended March 31, 2024 and 2023 (*in thousands*):

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$ 64,460</b>	<b>\$ 57,955</b>
<b>Total Revenues</b>		
<b>Core Revenue:</b>		
Renewal Commissions <sup>(1)</sup>	\$ 15,961	\$ 15,818
Renewal Royalty Fees <sup>(2)</sup>	29,053	22,752
New Business Commissions <sup>(1)</sup>	5,681	5,517
New Business Royalty Fees <sup>(2)</sup>	6,234	5,671
Agency Fees <sup>(1)</sup>	1,911	2,230
<b>Total Core Revenue</b>	<b>58,839</b>	<b>51,988</b>
<b>Cost Recovery Revenue:</b>		
Initial Franchise Fees <sup>(2)</sup>	2,245	3,063
Interest Income	250	397
<b>Total Cost Recovery Revenue</b>	<b>2,495</b>	<b>3,460</b>
<b>Ancillary Revenue:</b>		
Contingent Commissions <sup>(1)</sup>	2,668	1,920
Other Franchise Revenues <sup>(2)</sup>	458	587
<b>Total Ancillary Revenue</b>	<b>3,126</b>	<b>2,507</b>
<b>Total Revenues</b>	<b>\$ 64,460</b>	<b>\$ 57,955</b>

(1) Renewal Commissions, New Business Commissions, Agency Fees, and Contingent Commissions are included in "Commissions and agency fees" as shown on the condensed consolidated statements of operations.

(2) Renewal Royalty Fees, New Business Royalty Fees, Initial Franchise Fees, and Other Franchise Revenues are included in "Franchise revenues" as shown on the condensed consolidated statements of operations.

The following tables show a reconciliation from net income to Adjusted EBITDA and Adjusted EBITDA margin for the three months ended March 31, 2024 and 2023 (*in thousands*):

	Three Months Ended March 31,	
	2024	2023
Net income (loss)	\$ 1,809	\$ (181)
Interest expense	1,487	1,731
Depreciation and amortization	2,568	2,093
Tax benefit	(1,841)	(81)
Equity-based compensation	7,357	6,620
Impairment expense	347	—
Adjusted EBITDA	<u>\$ 11,727</u>	<u>\$ 10,182</u>
Adjusted EBITDA Margin <sup>(1)</sup>	18 %	18 %

(1) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Total Revenue (\$11,727/\$64,460), and (\$10,182/\$57,955) for the three months ended March 31, 2024 and 2023, respectively.

The following tables show a reconciliation from basic earnings per share to Adjusted EPS (non-GAAP basis) for the three months ended March 31, 2024 and 2023. Note that totals may not sum due to rounding:

	Three Months Ended March 31,	
	2024	2023
Earnings per share - basic (GAAP)	\$ 0.07	\$ —
Add: equity-based compensation <sup>(1)</sup>	0.19	0.18
Add: impairment expense <sup>(2)</sup>	0.01	—
Adjusted EPS (non-GAAP)	\$ 0.28	\$ 0.17

(1) Calculated as equity-based compensation divided by sum of weighted average Class A and Class B shares [\$7.4 million/(25.1 million + 12.9 million)] for the three months ended March 31, 2024 and [\$6.6 million/ (23.2 million + 14.3 million)] for the three months ended March 31, 2023.

(2) Calculated as impairment expense divided by sum of weighted average Class A and Class B shares [\$0.3 million/(25.1 million + 12.9 million)] for the three months ended March 31, 2024.

## Liquidity and capital resources

### Liquidity and capital resources

We have managed our historical liquidity and capital requirements primarily through the receipt of revenues. Our primary cash flow activities involve: (1) generating cash flow from Commissions and Fees, which largely includes New Business Revenue, Renewal Revenue, and Agency Fees; (2) generating cash flow from Franchise Revenues operations, which largely includes Initial Franchise Fees and Royalty Fees; (3) borrowings, interest payments and repayments under our credit agreement; and (4) issuing shares of Class A common stock. As of March 31, 2024, our cash and cash equivalents balance was \$51.1 million. We have used cash flow from operations primarily to pay compensation and related expenses, general, administrative and other expenses, debt service, special dividends and distributions to our owners.

### Credit agreement

See "Note 8. Debt" in the condensed consolidated financial statements included herein for a discussion of the Company's credit facilities.

### **Comparative cash flows**

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated (in thousands):

	Three Months Ended March 31,			<b>Change</b>
	<b>2024</b>	<b>2023</b>		
Net cash provided by (used for) operating activities	\$ 11,860	\$ (639)	\$ 12,499	
Net cash used for investing activities	(2,882)	(2,693)	(189)	
Net cash provided by (used for) financing activities	91	(877)	968	
Net increase (decrease) in cash and cash equivalents	9,070	(4,209)	13,279	
Cash and cash equivalents, and restricted cash, beginning of period	44,047	30,387	13,660	
Cash and cash equivalents, and restricted cash, end of period	\$ 53,117	\$ 26,178	\$ 26,939	

#### *Operating activities*

Net cash provided by operating activities was \$11.9 million for the three months ended March 31, 2024 as compared to net cash used for operating activities of \$0.6 million for the three months ended March 31, 2023. This increase in net cash provided by (used for) operating activities was primarily attributable to a \$10.5 million decrease in prepaid expenses, a \$2.0 million increase in net income, a \$7.1 million increase in tax receivable agreement liability, offset by a \$8.7 million increase in deferred tax assets.

#### *Investing activities*

Net cash used for investing activities was \$2.9 million for the three months ended March 31, 2024, compared to net cash used for investing activities of \$2.7 million for the three months ended March 31, 2023. This increase was primarily driven by a \$1.8 million increase in capitalized software development costs offset by a \$1.5 million decrease in the purchase of property and equipment.

#### *Financing activities*

Net cash provided by financing activities was \$0.1 million for the three months ended March 31, 2024 as compared to net cash used for financing activities of \$0.9 million for the three months ended March 31, 2023. This increase in net cash provided by (used for) financing activities was primarily driven by an additional \$1.6 million increase in cash proceeds from issuance of class A common stock offset by a \$0.6 million increase in cash used for repayment of term notes.

#### **Future sources and uses of liquidity**

Our sources of liquidity are (1) cash on hand, (2) net working capital, (3) cash flows from operations and (4) our revolving credit facility. Based on our current expectations, we believe that these sources of liquidity will be sufficient to fund our working capital requirements and to meet our commitments in the foreseeable future.

We expect that our primary liquidity needs will comprise cash to (1) provide capital to facilitate the organic growth of our business, (2) pay operating expenses, including cash compensation to our employees, (3) make payments under the tax receivable agreement, (4) pay interest and principal due on borrowings under our Credit Agreement (5) pay income taxes, and (6) when deemed advisable by our board of directors, pay dividends.

#### **Dividend policy**

There have been no material changes to our dividend policy as described in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

#### **Tax receivable agreement**

We entered into a tax receivable agreement with the Pre-IPO LLC Members on May 1, 2018 that provides for the payment by us to the Pre-IPO LLC Members of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of (i) any increase in tax basis in Goosehead Insurance, Inc.'s assets and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the tax receivable agreement. See "Item 13. Certain relationships and related transactions, and director independence" of the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Holders of Goosehead Financial, LLC Units (other than Goosehead Insurance, Inc.) may, subject to certain conditions and transfer restrictions described above, redeem or exchange their LLC Units for shares of Class A common stock of Goosehead Insurance, Inc. on a one-for-one basis. Goosehead Financial, LLC intends to make an election under Section 754 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code") effective for each taxable year in which a redemption or exchange of LLC Units for shares of Class A common stock occurs, which is expected to result in increases to the tax basis of the assets of Goosehead Financial, LLC at the time of a redemption or exchange of LLC Units. The redemptions or exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Goosehead Financial, LLC. These increases in tax basis may reduce the amount of tax that Goosehead Insurance, Inc. would otherwise be required to pay in the future. We have entered into a tax receivable agreement with the Pre-IPO LLC Members that provides for the payment by us to the Pre-IPO LLC Members of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of (i) any increase in tax basis in Goosehead Insurance, Inc.'s assets resulting from (a) the purchase of LLC Units from any of the Pre-IPO LLC Members using the net proceeds from any future offering, (b) redemptions or exchanges by the Pre-IPO LLC Members of LLC Units for shares of our Class A common stock or (c) payments under the tax receivable agreement and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the tax receivable agreement. This payment obligation is an obligation of Goosehead Insurance, Inc. and not of Goosehead Financial, LLC. For purposes of the tax receivable agreement, the cash tax savings in income tax will be computed by comparing the actual income tax liability of Goosehead Insurance, Inc. (calculated with certain assumptions) to the amount of such taxes that Goosehead Insurance, Inc. would have been required to pay had there been no increase to the tax basis of the assets of Goosehead Financial, LLC as a result of the redemptions or exchanges and had Goosehead Insurance, Inc. not entered into the tax receivable agreement. Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. While the actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including the timing of redemptions or exchanges, the price of shares of our Class A common stock at the time of the redemption or exchange, the extent to which such redemptions or exchanges are taxable and the amount and timing of our income. See "Item 13. Certain relationships and related transactions, and director independence" of the Annual Report on Form 10-K. We anticipate that we will account for the effects of these increases in tax basis and associated payments under the tax receivable agreement arising from future redemptions or exchanges as follows:

- we will record an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted federal and state tax rates at the date of the redemption or exchange;
- to the extent we estimate that we will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, our expectation of future earnings, we will reduce the deferred tax asset with a valuation allowance; and
- we will record 85% of the estimated realizable tax benefit (which is the recorded deferred tax asset less any recorded valuation allowance) as an increase to the liability due under the tax receivable agreement and the remaining 15% of the estimated realizable tax benefit as an increase to additional paid-in capital.

All of the effects of changes in any of our estimates after the date of the redemption or exchange will be included in net income. Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income.

### **Contractual obligations, commitments and contingencies**

The following table represents our contractual obligations as of March 31, 2024, aggregated by type (*in thousands*):

	Contractual obligations, commitments and contingencies					
	Total	Less than		1-3 years	3-5 years	More than
		1 year	5 years			
Operating leases <sup>(1)</sup>	\$ 72,803	\$ 11,526		\$ 23,475	\$ 21,690	\$ 16,112
Debt obligations payable <sup>(2)</sup>	75,625	10,000		65,625	—	—
Interest expense <sup>(3)</sup>	10,617	5,168		5,449	—	—
Liabilities under the tax receivable agreement <sup>(4)</sup>	160,013	4,952		36,346	23,599	95,116
<b>Total</b>	<b>\$ 319,058</b>	<b>\$ 31,646</b>		<b>\$ 130,895</b>	<b>\$ 45,289</b>	<b>\$ 111,228</b>

(1) The Company leases its facilities under non-cancelable operating leases. In addition to monthly lease payments, the lease agreements require the Company to reimburse the lessors for its portion of operating costs each year. Rent expense was \$1.8 million and \$2.0 million for the three months ended March 31, 2024 and 2023.

(2) The Company refinanced its credit facilities on July 21, 2021 in the form of a \$100 million term loan, and \$50 million revolving credit facility, of which nothing was drawn as of March 31, 2024.

(3) Interest expense includes interest payments on our outstanding debt obligations under our credit agreement. Our debt obligations have variable interest rates. We have calculated future interest obligations based on the interest rate for our debt obligations as of March 31, 2024.

(4) See "Item 2. Management's discussion and analysis of financial condition and results of operation - Tax receivable agreement."

### **Share Repurchase Program**

On April 24, 2024, our board of directors approved a share repurchase program with authorization to purchase up to \$100 million of our Class A common stock through March 31, 2025. The share repurchase program does not require the Company to acquire any dollar amount or number of shares of common stock and may be modified, suspended, or discontinued at any time. The timing, manner, price and amount of any repurchases will be determined at the discretion of management in accordance with applicable securities laws and other restrictions. Class A common stock acquired under the program will be retired upon repurchase. Additionally, for every repurchased share of Class A common stock, the Company will direct GF to repurchase, at the price paid to repurchase such share, and cancel an LLC unit of GF held by the Company.

### **Off-balance sheet arrangements**

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any activities that expose us to any liability that is not reflected in our condensed consolidated financial statements except for those described under "Contractual obligations, commitments and contingencies" above.

### **Critical accounting policies**

Our discussion and analysis of our consolidated financial condition and results of operations is based upon the accompanying condensed consolidated financial statements and notes thereto, which have been prepared in accordance with GAAP. The preparation of the condensed consolidated financial statements requires us to make estimates, judgments and assumptions, which we believe to be reasonable, based on the information available. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Variances in the estimates or assumptions used to actual experience could yield materially different accounting results. On an ongoing basis, we evaluate the continued appropriateness of our accounting policies and resulting estimates to make adjustments we consider appropriate under the facts and circumstances. There have been no significant changes to our critical accounting policies as disclosed in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

### **Recent accounting pronouncements**

See "Note 2. Summary of Significant Accounting Policies—Recently Issued Accounting Pronouncements" under Part I, Item 1 of this Form 10-Q.



### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes to our exposure to market risks as described in "Item 7A. Quantitative and qualitative disclosure of market risks" in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

### **Item 4. Controls and Procedures**

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2024. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There were no changes to our internal control over financial reporting that occurred during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II**

### **Item 1. Legal Proceedings**

The information required by this Item is incorporated by reference to "Part I, Item I, Note 13. Litigation" in the condensed consolidated financial statements included herein.

### **Item 1A. Risk Factors**

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

Subject to the terms of the amended and restated Goosehead Financial, LLC Agreement, each LLC Unit is redeemable (along with the cancellation of the corresponding share of Class B common stock) for one share of Class A common stock.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

Not applicable.

### **Item 5. Other Information**

None.

## Item 6. Exhibits

[Exhibit 31.1](#)

[Certifications of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

[Exhibit 31.2](#)

[Certifications of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

[Exhibit 32](#)

[Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101.INS

XBRL Instance Document

101.SCH

XBRL Schema Document

101.CAL

XBRL Calculation Linkbase Document

101.DEF

XBRL Definition Linkbase Document

101.LAB

XBRL Label Linkbase Document

101.PRE

XBRL Presentation Linkbase

## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, we have duly caused this report to be signed on our behalf by the undersigned thereunto duly authorized.

GOOSEHEAD INSURANCE, INC.

Date: April 24, 2024

By: /s/ Mark E. Jones

Mark E. Jones

Chairman and Chief Executive Officer  
(Principal Executive Officer)

Date: April 24, 2024

By: /s/ Mark E. Jones, Jr.

Mark E. Jones, Jr.

Chief Financial Officer  
(Principal Financial Officer and Principal  
Accounting Officer)

## Exhibit 31.1

### Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Mark E. Jones, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Goosehead Insurance, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date: April 24, 2024

/s/ Mark E. Jones

Mark E. Jones  
Chief Executive Officer

## Exhibit 31.2

### Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Mark E. Jones, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Goosehead Insurance, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 24, 2024

/s/ Mark E. Jones, Jr.

Mark E. Jones, Jr.  
Chief Financial Officer

## Exhibit 32

### **CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with Goosehead Insurance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Mark E. Jones, the Chief Executive Officer and Mark E. Jones, Jr., the Chief Financial Officer of Goosehead Insurance, Inc., each certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Goosehead Insurance, Inc.

Date: April 24, 2024

/s/ Mark E. Jones

Mark E. Jones  
Chief Executive Officer

Date: April 24, 2024

/s/ Mark E. Jones, Jr.

Mark E. Jones, Jr.  
Chief Financial Officer