
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 September 30, 2023

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: 001-39326



OPEN LENDING CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

84-5031428

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1501 S. MoPac Expressway
Suite 450
Austin, Texas

78746

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (512) 892-0400

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	LPRO	The Nasdaq Stock Market LLC

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, a 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 Exchange Act). Yes No

As of November 7, 2023, the registrant had 119,753,737 shares of common stock, \$0.01 par value per share, outstanding.

OPEN LENDING CORPORATION
FORM 10-Q
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

OPEN LENDING CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited, in thousands, except share data)

	September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 232,608	\$ 204,450
Restricted cash	5,803	4,069
Accounts receivable, net	5,266	5,721
Current contract assets, net	37,850	54,429
Income tax receivable	9,192	9,714
Other current assets	3,137	2,361
Total current assets	293,856	280,744
Property and equipment, net	3,713	2,573
Operating lease right-of-use asset, net	4,149	4,610
Contract assets	11,381	21,001
Deferred tax asset, net	64,742	65,128
Other assets	5,539	5,575
Total assets	\$ 383,380	\$ 379,631
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 221	\$ 288
Accrued expenses	9,302	6,388
Current portion of debt	3,750	3,750
Third-party claims administration liability	5,804	4,055
Other current liabilities	896	626
Total current liabilities	19,973	15,107
Long-term debt, net of deferred financing costs	141,139	143,683
Operating lease liabilities	3,617	4,082
Other liabilities	3,926	3,935
Total liabilities	168,655	166,807
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$ 0.01 par value; 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$ 0.01 par value; 550,000,000 shares authorized, 128,198,185 shares issued and 119,499,504 shares outstanding as of September 30, 2023 and 128,198,185 shares issued and 123,646,059 shares outstanding as of December 31, 2022	1,282	1,282
Additional paid-in capital	503,981	499,625
Accumulated deficit	(188,907)	(215,819)
Treasury stock at cost, 8,698,681 shares at September 30, 2023 and 4,552,126 at December 31, 2022	(101,631)	(72,264)
Total stockholders' equity	214,725	212,824
Total liabilities and stockholders' equity	\$ 383,380	\$ 379,631

The accompanying notes are an integral part of these unaudited condensed financial statements.

OPEN LENDING CORPORATION
Condensed Consolidated Statements of Operations
(Uunaudited, in thousands, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue				
Profit share	\$ 8,022	\$ 26,523	\$ 44,433	\$ 83,990
Program fees	15,416	21,845	50,610	62,302
Claims administration and other service fees	2,568	2,293	7,478	6,481
Total revenue	26,006	50,661	102,521	152,773
Cost of services	5,369	5,199	16,917	15,072
Gross profit	20,637	45,462	85,604	137,701
Operating expenses				
General and administrative	9,875	9,335	31,041	24,785
Selling and marketing	4,509	5,981	13,136	13,708
Research and development	1,717	2,355	4,075	6,366
Total operating expenses	16,101	17,671	48,252	44,859
Operating income	4,536	27,791	37,352	92,842
Interest expense	(2,799)	(1,608)	(7,841)	(3,535)
Interest income	2,801	321	7,317	368
Other expense, net	(3)	(239)	(9)	(239)
Income before income taxes	4,535	26,265	36,819	89,436
Income tax expense	1,532	1,736	9,907	18,627
Net income	\$ 3,003	\$ 24,529	\$ 26,912	\$ 70,809
Net income per common share				
Basic	\$ 0.02	\$ 0.19	\$ 0.22	\$ 0.56
Diluted	\$ 0.02	\$ 0.19	\$ 0.22	\$ 0.56
Weighted average common shares outstanding				
Basic	120,217,857	126,228,723	121,318,872	126,222,084
Diluted	121,298,880	126,228,723	122,065,718	126,222,415

The accompanying notes are an integral part of these unaudited condensed financial statements.

OPEN LENDING CORPORATION
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Uunaudited, in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders' Equity
	Shares	Amount	Amount	Amount	Shares	Amount	Amount
Balance as of December 31, 2022	128,198,185	\$ 1,282	\$ 499,625	\$ (215,819)	(4,552,126)	\$ (72,264)	\$ 212,824
Share-based compensation	—	—	1,844	—	—	—	1,844
Restricted stock units issued, net of shares withheld for taxes	—	—	(939)	—	41,148	810	(129)
Shares repurchased, including excise tax	—	—	—	—	(3,095,334)	(21,528)	(21,528)
Net income	—	—	—	12,538	—	—	12,538
Balance as of March 31, 2023	128,198,185	\$ 1,282	\$ 500,530	\$ (203,281)	(7,606,312)	\$ (92,982)	\$ 205,549
Share-based compensation	—	—	2,361	—	—	—	2,361
Restricted stock units issued, net of shares withheld for taxes	—	—	(1,517)	—	104,283	1,386	(131)
Net income	—	—	—	11,371	—	—	11,371
Balance as of June 30, 2023	128,198,185	\$ 1,282	\$ 501,374	\$ (191,910)	(7,502,029)	\$ (91,596)	\$ 219,150
Share-based compensation	—	—	2,684	—	—	—	2,684
Restricted stock units issued, net of shares withheld for taxes	—	—	(77)	—	4,941	72	(5)
Shares repurchased, including excise tax	—	—	—	—	(1,201,593)	(10,107)	(10,107)
Net income	—	—	—	3,003	—	—	3,003
Balance as of September 30, 2023	128,198,185	\$ 1,282	\$ 503,981	\$ (188,907)	(8,698,681)	\$ (101,631)	\$ 214,725

OPEN LENDING CORPORATION
Condensed Consolidated Statements of Changes in Stockholders' Equity (continued)
(Uaudited, in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders' Equity
	Shares	Amount			Shares	Amount	
Balance as of December 31, 2021	128,198,185	\$ 1,282	\$ 496,983	\$ (282,439)	(1,985,309)	\$ (56,844)	\$ 158,982
Share-based compensation	—	—	1,281	—	—	—	1,281
Restricted stock units issued, net of shares withheld for taxes	—	—	(207)	—	5,079	168	(39)
Net income	—	—	—	23,154	—	—	23,154
Balance as of March 31, 2022	128,198,185	\$ 1,282	\$ 498,057	\$ (259,285)	(1,980,230)	\$ (56,676)	\$ 183,378
Share-based compensation	—	—	988	—	—	—	988
Restricted stock units issued, net of shares withheld for taxes	—	—	(300)	—	7,595	276	(24)
Net income	—	—	—	23,126	—	—	23,126
Balance as of June 30, 2022	128,198,185	\$ 1,282	\$ 498,745	\$ (236,159)	(1,972,635)	\$ (56,400)	\$ 207,468
Share-based compensation	—	—	1,295	—	—	—	1,295
Restricted stock units issued, net of shares withheld for taxes	—	—	(197)	—	5,212	179	(18)
Net income	—	—	—	24,529	—	—	24,529
Balance as of September 30, 2022	128,198,185	\$ 1,282	\$ 499,843	\$ (211,630)	(1,967,423)	\$ (56,221)	\$ 233,274

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

OPEN LENDING CORPORATION
Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities		
Net income	\$ 26,912	\$ 70,809
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	6,826	3,564
Depreciation and amortization of property and equipment	824	680
Amortization of debt issuance costs	319	265
Non-cash operating lease cost	461	431
Deferred income taxes	386	(7,860)
Other	10	—
Changes in assets & liabilities:		
Accounts receivable, net	455	(129)
Contract assets, net	26,199	13,016
Other current and non-current assets	(789)	1,331
Accounts payable	(67)	(1,101)
Accrued expenses	2,299	4,849
Income tax receivable, net	513	(984)
Operating lease liabilities	(412)	(363)
Third-party claims administration liability	1,749	308
Other current and non-current liabilities	218	181
Net cash provided by operating activities	65,903	84,997
Cash flows from investing activities		
Purchase of property and equipment	(103)	(222)
Capitalized software development costs	(1,485)	(415)
Net cash used in investing activities	(1,588)	(637)
Cash flows from financing activities		
Proceeds from term loans	—	150,000
Payments on term loans	(2,813)	(122,656)
Payments on revolving facility	—	(25,000)
Payment of deferred financing cost	—	(976)
Shares repurchased	(31,322)	—
Shares withheld for taxes related to restricted stock units	(288)	(81)
Net cash (used in) provided by financing activities	(34,423)	1,287
Net change in cash and cash equivalents and restricted cash	29,892	85,647
Cash and cash equivalents and restricted cash at the beginning of the period	208,519	119,509
Cash and cash equivalents and restricted cash at the end of the period	\$ 238,411	\$ 205,156
Supplemental disclosure of cash flow information:		
Interest paid	\$ 7,593	\$ 2,859
Income tax paid, net	\$ 9,008	\$ 27,471
Non-cash investing and financing:		
Property and equipment accrued but not paid	\$ 2	\$ 5
Share-based compensation for capitalized software development	\$ 63	\$ —
Capitalized software development costs accrued but not paid	\$ 230	\$ —
Accrued excise tax associated with share repurchases	\$ 290	\$ —

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

OPEN LENDING CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1— Description of Business, Background and Nature of Operations

Open Lending Corporation (either individually or together with its subsidiaries, as the context requires, the “Company”), headquartered in Austin, Texas, provides loan analytics, risk-based loan pricing, risk modeling and automated decision technology for automotive lenders throughout the United States of America (the “U.S.”), which enables each lending institution to book near-prime and non-prime automotive loans, coupled with real-time underwriting of loan default insurance, out of their existing business flow. The Company also operates as a third-party administrator that adjudicates insurance claims and premium adjustments on automotive loans.

The Company's flagship product, Lenders Protection Platform (“LPP”), is a cloud-based automotive lending platform. LPP supports loans made to near-prime and non-prime borrowers and is designed to underwrite default insurance by linking automotive lenders to insurance companies. The platform uses risk-based pricing models that enable automotive lenders to assess the credit risk of a potential borrower using data driven analysis. The Company's proprietary risk models project loan performance, including expected losses and prepayments in arriving at the optimal contract interest rate. LPP generates a risk-based, all-inclusive interest rate for a loan that is customized to each automotive lender, reflecting cost of capital, loan servicing and acquisition costs, expected recovery rates and target return on assets.

Nebula Acquisition Corporation (“Nebula”), our predecessor, was originally incorporated in Delaware on October 2, 2017 as a special purpose acquisition company for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. On June 10, 2020 (the “Closing Date”), Nebula completed a business combination pursuant to that certain Business Combination Agreement by and among Nebula, Open Lending, LLC, BRP Hold 11, Inc. (the “Blocker”), the Blocker's sole stockholder, Nebula Parent Corp., NBLA Merger Sub LLC, NBLA Merger Sub Corp. and Shareholder Representative Services LLC, as the security holder representative, each as defined in the Business Combination Agreement (the “Business Combination”).

Unless the context otherwise requires, “we,” “us,” “our,” “Open Lending,” and the “Company” refers to Open Lending Corporation, the combined company and its subsidiaries following the Business Combination. “Open Lending, LLC” and “Nebula” refer to Open Lending, LLC and Nebula Acquisition Corporation, respectively, prior to the Closing Date.

The Company has evaluated how it is organized and managed and has identified only one operating segment. All of the Company's operations and assets are in the U.S., and all of its revenues are attributable to U.S. customers.

Note 2— Summary of Significant Accounting and Reporting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) and include the accounts of Open Lending and all its subsidiaries that are directly or indirectly owned or controlled by the Company. All intercompany transactions and balances have been eliminated upon consolidation. Certain prior year amounts have been reclassified to conform to the Company's current presentation. Such reclassifications had no effect on the Company's previously reported net income, earnings per share, cash flows or accumulated deficit.

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted from these unaudited condensed consolidated financial statements, as permitted by Securities and Exchange Commission (“SEC”) rules and regulations. The Company believes the disclosures made in these unaudited condensed consolidated financial statements are adequate to make the information herein not misleading. The Company recommends that these unaudited condensed consolidated financial statements be read in conjunction with its audited consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the “Annual Report”).

The interim data includes all adjustments that are of a normal recurring nature, in the opinion of the Company's management, necessary for a fair statement of the results for the interim periods presented. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the Company's operating results for the entire fiscal year ending December 31, 2023.

OPEN LENDING CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(a) Concentrations of revenue and credit risks

The Company's largest insurance carrier partners accounted for 29 % and 10 % of the Company's total revenue during the three months ended September 30, 2023, and 32 % and 11 % during the nine months ended September 30, 2023. The Company's largest insurance carrier partners accounted for 36 % and 12 % of the Company's total revenue during the three months ended September 30, 2022 and 37 %, 11 % and 11 % during the nine months ended September 30, 2022.

The Company's largest lender customer accounted for 10 % of the Company's total revenue during the three months ended September 30, 2023. There were no lender customers who accounted for 10% or more of the Company's total revenue during the nine months ended September 30, 2023 or during the three and nine months ended September 30, 2022.

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash, accounts receivable and contract assets to the extent of the amounts recorded on the balance sheets.

Cash and cash equivalents are deposited in commercial analysis accounts, money market funds and U.S. Treasury securities at financial institutions with high credit standing. Restricted cash relates to funds held by the Company on behalf of the insurance carriers, designated for the use of insurance claim payments. Restricted cash is deposited in commercial analysis accounts at one financial institution. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation insurance limits of \$250,000 per institution. The Company has not experienced any losses on its deposits of cash and cash equivalents and management believes the Company is not exposed to significant risks on such accounts.

The Company's accounts receivable and contract assets are derived from revenue earned from customers. The Company maintains an allowance for expected credit losses, which represents an estimate based primarily on market implied lifetime probabilities of default and loss severities for assets with similar risk characteristics. As these inputs are derived from market observations, they inherently include forward-looking expectations about macro-economic conditions. The allowance is evaluated quarterly by the Company for adequacy by taking into consideration factors such as reasonableness of the market implied loss statistics, historical lifetime loss data and credit quality of the customer base. Provisions for the allowance for expected credit losses attributable to bad debt are recorded as general and administrative expenses. Account balances deemed uncollectible are written off, net of actual recoveries. If circumstances related to specific customers change, the Company's estimate of the recoverability of its contract asset could be further adjusted. The Company does not have any material accounts receivable or contract assets receivable balances that are past due and has not written off any balances in its portfolio for the periods presented. The allowance for expected credit losses on accounts receivable and contract assets receivable, in the aggregate, was approximately \$ 0.1 million at September 30, 2023 and December 31, 2022.

At September 30, 2023 and December 31, 2022, the Company had one customer that individually accounted for 15 % and 12 %, respectively, of the Company's accounts receivable, net.

(b) Use of estimates and judgments

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the unaudited condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates, and those differences may be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The most significant items subject to such estimates and assumptions include, but are not limited to, profit share revenue recognition and the corresponding impact on contract assets and assessing the realizability of deferred tax assets. The Company bases its estimates on historical trends and relevant assumptions that it believes to be reasonable under the circumstances. Accordingly, actual results could be materially different from those estimates.

In connection with profit share revenue recognition and the estimation of contract assets, the Company uses a forecast model to estimate variable consideration based on undiscounted expected future profit share to be received from the insurance carriers. The forecast model projects loan-level earned premiums and insurance claim

OPEN LENDING CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

payments driven by projections of prepayment rate, loan default rate and severity of loss. These assumptions are derived from an analysis of the historical performance of the active loan portfolio, prevailing default and prepayment trends, and macroeconomic projections. Estimates of variable consideration generated by the forecast model are constrained to the extent that it is probable that a significant reversal of revenue will not occur in future periods.

The Company continually assesses the default and prepayment assumptions of the forecast model against reported performance and lender delinquency data. The forecast model is updated to align the default and prepayment rate projections with actual experience.

(c) Recently issued but not yet adopted accounting pronouncements

Although there may be new accounting pronouncements issued or proposed by the FASB, which the Company has adopted or may adopt, as applicable, the Company believes none of these accounting pronouncements has materially impacted or will materially impact the Company's consolidated financial position or results of operations.

Note 3—Contract Assets

Changes in the Company's contract assets primarily result from the timing difference between the satisfaction of its performance obligation and the customer's payment. The Company fulfills its obligation under a contract with a customer by transferring services in exchange for consideration from the customer. The Company recognizes contract assets when it transfers services to a customer, recognizes revenue for amounts not yet billed and the right to consideration is conditional on something other than the passage of time. Accounts receivable are recorded when the customer has been billed or the right to consideration is unconditional.

For performance obligations satisfied in previous periods, the Company evaluates and updates its profit share revenue forecast on a quarterly basis and adjusts contract assets accordingly. During the three and nine months ended September 30, 2023, contract asset adjustments attributable to profit share revenue forecast adjustments resulted in decreases of \$ 8.1 million and \$ 8.5 million, respectively, as compared to increases of \$ 1.7 million and \$ 7.1 million, respectively, during the three and nine months ended September 30, 2022.

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OPEN LENDING CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Contract assets balances for the periods indicated below were as follows:

	Contract Assets				
	Profit Share	Claims Administration			Total
		Program Fees	and Other Service Fees		
<i>(in thousands)</i>					
Ending balance as of June 30, 2023	\$ 50,930	\$ 6,927	\$ 1,798	\$ 59,655	
Increase of contract asset due to new business generation	16,079	15,416	2,568	34,063	
Adjustment of contract asset due to estimation of revenue from performance obligations satisfied in previous periods	(8,057)	—	—	(8,057)	
Receivables transferred from contract assets upon billing the lending institutions	—	(16,484)	—	(16,484)	
Payments received from insurance carriers	(17,295)	—	(2,645)	(19,940)	
Provision for expected credit losses	(3)	(2)	(1)	(6)	
Ending balance as of September 30, 2023	\$ 41,654	\$ 5,857	\$ 1,720	\$ 49,231	

	Contract Assets				
	Profit Share	Claims Administration			Total
		Program Fees	and Other Service Fees		
<i>(in thousands)</i>					
Ending balance as of December 31, 2022	\$ 65,889	\$ 7,932	\$ 1,609	\$ 75,430	
Increase of contract assets due to new business generation	52,950	50,610	7,478	111,038	
Adjustment of contract assets due to estimation of revenue from performance obligations satisfied in previous periods	(8,517)	—	—	(8,517)	
Receivables transferred from contract assets upon billing the lending institutions	—	(52,684)	—	(52,684)	
Payments received from insurance carriers	(68,685)	—	(7,366)	(76,051)	
Provision for expected credit losses	17	(1)	(1)	15	
Ending balance as of September 30, 2023	\$ 41,654	\$ 5,857	\$ 1,720	\$ 49,231	

As of September 30, 2023 and December 31, 2022, the Company's contract assets consisted of \$ 37.9 million and \$ 54.4 million, respectively, as the portion estimated to be received within one year and \$ 11.4 million and \$ 21.0 million, respectively, as the non-current portion to be received beyond one year.

Contract Costs

The fulfillment costs associated with the Company's contracts with customers do not meet the criteria for capitalization and therefore are expensed as incurred.

OPEN LENDING CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 4—Long-term Debt

The following table provides a summary of the Company's debt as of the periods indicated:

	September 30, 2023	December 31, 2022
	<i>(in thousands)</i>	
Term Loan due 2027	\$ 146,250	\$ 149,063
Less: Unamortized deferred financing costs	(1,361)	(1,630)
Total debt	144,889	147,433
Less: current portion of debt	(3,750)	(3,750)
Total long-term debt, net of deferred financing costs	\$ 141,139	\$ 143,683

Credit Agreement—Term Loan due 2027 and Revolving Credit Facility

On September 9, 2022, the Company entered into a First Amendment to its existing Credit Agreement (the "First Amendment") with Wells Fargo Bank, N.A., as the administrative agent, and the financial institutions party thereto, as the lenders. The First Amendment provided the Company senior secured credit facilities in an aggregate principal amount of \$ 300 million, which (i) established a term loan due 2027 with a principal amount of \$ 150 million (the "Term Loan due 2027"), and (ii) increased the borrowing capacity on the existing revolving credit facility to \$ 150 million (the "Revolving Credit Facility"), both scheduled to mature on September 9, 2027 (collectively, the "Credit Agreement").

The Company used proceeds from the Term Loan due 2027 to pay off all outstanding amounts under its prior credit agreement and pay transaction costs related to the First Amendment. The remaining proceeds were used for working capital and other general corporate purposes. The transaction was treated as a debt modification under ASC Topic 470-50, *Debt — Modifications and Extinguishments*.

The obligations of the Company under the Credit Agreement are guaranteed by all of the Company's U.S. subsidiaries and are secured by substantially all of the assets of the Company and its U.S. subsidiaries, subject to customary exceptions.

Borrowings under the Credit Agreement bear interest at a rate equal to either (i) an Alternate Base rate ("ABR") or (ii) the term Secured Overnight Financing Rate ("SOFR") plus 0.100 % ("Adjusted SOFR") plus a spread that is based upon the Company's total net leverage ratio. The spread ranges from 0.625 % to 1.375 % per annum for ABR loans and 1.625 % to 2.375 % per annum for Adjusted SOFR loans. With respect to the ABR loans, interest will be payable at the end of each calendar quarter. With respect to the Adjusted SOFR loans, interest will be payable at the end of the selected interest period (at least quarterly). Additionally, there is an unused commitment fee payable at the end of each quarter at a rate per annum ranging from 0.150 % to 0.225 % based on the average daily unused portion of the Revolving Credit Facility and other customary letter of credit fees. Pursuant to the Credit Agreement, the interest rate spread and commitment fees increase or decrease in increments as the Company's Funded Secured Debt/EBITDA ratio increases or decreases.

As of September 30, 2023, the Credit Agreement was subject to an Adjusted SOFR rate of 5.472 % plus a spread of 1.625 % per annum. Commitment fees were accrued at 0.150 % under the Revolving Credit Facility's unused commitment balance of \$ 150.0 million as of September 30, 2023. As of September 30, 2023, the effective interest rate on the Company's outstanding borrowings was 7.343 %.

In connection with the Credit Agreement, the Company incurred aggregate deferred financing costs of \$ 2.6 million, of which (i) \$ 2.1 million was allocated to the related term loans and capitalized as a contra-liability against the principal balance of the term loans, and (ii) \$ 0.5 million was allocated to the Revolving Credit Facility and included within *Other assets* on the unaudited Condensed Consolidated Balance Sheets. These deferred financing costs are amortized as interest expense using the effective interest method over the term of the Credit Agreement. Unamortized deferred financing costs related to the Term Loan due 2027 and the Revolving Credit Facility were \$ 1.4 million and \$ 0.3 million, respectively, as of September 30, 2023.

The Credit Agreement contains a maximum total net leverage ratio financial covenant and a minimum fixed charge coverage ratio financial covenant, which are tested quarterly. The maximum total net leverage ratio is 3.5 :1 for any fiscal quarter ending on or prior to June 30, 2024 and then decreases to 3.0 :1 for any fiscal quarter ending after

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June 30, 2024. The minimum fixed charge coverage ratio is 1.25 :1. As of September 30, 2023, the Company was in compliance with all required covenants under the Credit Agreement.

Note 5— Income Taxes

During the three and nine months ended September 30, 2023, the Company recognized income tax expense of \$ 1.5 million and \$ 9.9 million, respectively, resulting in effective tax rates of 33.8 % and 26.9 %, respectively. During the three and nine months ended September 30, 2022, the Company recognized income tax expense of \$ 1.7 million and \$ 18.6 million, respectively, resulting in effective tax rates of 6.6 % and 20.8 %, respectively. The Company's income tax expense for the three and nine months ended September 30, 2023 and September 30, 2022 differs from amounts computed by applying the U.S. federal statutory tax rate of 21% primarily due to state income tax expenses, the officer's compensation limitation under Section 162(m) and a discrete tax benefit of \$ 5.1 million from a change in state tax law during the third quarter of 2022, which included a tax benefit associated with the remeasurement of the Company's deferred tax assets offset by a higher current state income tax. The increase in effective tax rates for the three and nine months ended September 30, 2023 compared to the same period in 2022 is primarily due to decreased income before income taxes combined with the recognition of a discrete tax benefit associated with the enactment of state tax legislation with a retroactive effective date during the three months ended September 30, 2022.

As of September 30, 2023, the Company has assessed whether it is more likely than not that the Company's deferred tax assets will be realized. In making this determination, the Company considers all available positive and negative evidence and makes certain assumptions. The Company considers, among other things, the reversal of its deferred tax liabilities, the overall business environment, its historical earnings and losses, current industry trends and its outlook for future years. The Company believes it is more-likely-than-not all deferred tax assets will be realized and has not recorded any valuation allowance as of September 30, 2023.

In 2023, the Company changed its policy to recognize interest and penalties related to income taxes as a component of income tax expense to better align the classification with the substance of the associated transactions. This accounting policy change has no impact to net income or basic and diluted earnings per share, or to the unaudited Condensed Statements of Operations, for any previous period.

Note 6— Net Income per Share

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted net income per share is computed based on the weighted average number of common shares outstanding plus the effect of potentially dilutive common shares outstanding during the period using the applicable methods. The potentially dilutive common shares during the three and nine months ended September 30, 2023 and 2022 include unvested and unexercised stock options, unvested time-based restricted stock units and unvested performance-based restricted stock units whose performance conditions have been satisfied. The potentially dilutive common shares during the same periods did not include performance-based restricted stock units if the performance conditions of these awards have not been satisfied. The potentially dilutive common shares are included in the calculation of diluted net income per share only when their effect is dilutive.

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The following table sets forth the computation of basic and diluted net income per share attributable to common stockholders for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<i>(in thousands, except shares and per share data)</i>				
Basic net income per share:				
Numerator				
Net income attributable to common stockholders	\$ 3,003	\$ 24,529	\$ 26,912	\$ 70,809
Denominator				
Weighted-average common shares outstanding	<u>120,217,857</u>	<u>126,228,723</u>	<u>121,318,872</u>	<u>126,222,084</u>
Basic net income per share attributable to common stockholders	<u><u>\$ 0.02</u></u>	<u><u>\$ 0.19</u></u>	<u><u>\$ 0.22</u></u>	<u><u>\$ 0.56</u></u>
Diluted net income per share:				
Numerator				
Net income attributable to common stockholders	\$ 3,003	\$ 24,529	\$ 26,912	\$ 70,809
Denominator				
Basic weighted-average common shares outstanding	120,217,857	126,228,723	121,318,872	126,222,084
Dilutive effect of time-based restricted stock units outstanding	1,081,023	—	746,846	331
Diluted weighted average common shares outstanding	<u>121,298,880</u>	<u>126,228,723</u>	<u>122,065,718</u>	<u>126,222,415</u>
Diluted net income per share attributable to common stockholders	<u><u>\$ 0.02</u></u>	<u><u>\$ 0.19</u></u>	<u><u>\$ 0.22</u></u>	<u><u>\$ 0.56</u></u>

The following potentially dilutive outstanding securities as of September 30, 2023 and 2022 were excluded from the computation of diluted net income per share because their effect would have been anti-dilutive for the periods presented, or issuance of such shares is contingent upon the satisfaction of certain conditions that were not satisfied by the end of the periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Unvested and unexercised stock options	146,655	182,233	146,655	182,233
Unvested time-based restricted stock units	277,037	562,071	277,037	562,071
Unvested performance-based restricted stock units	424,675	234,077	424,675	234,077
Total	<u><u>848,367</u></u>	<u><u>978,381</u></u>	<u><u>848,367</u></u>	<u><u>978,381</u></u>

Note 7—Fair Value of Financial Instruments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants. In arriving at a fair value measurement, the Company uses a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable. The three levels of inputs used to establish fair value are the following:

- Level 1 — Quoted prices in active markets for identical assets or liabilities;

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- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets, including property and equipment and operating lease right-of-use asset, are subject to fair value adjustments whenever events or circumstances indicate the carrying value of the assets may not be recoverable and are subsequently written down to fair value when impaired. During the three and nine months ended September 30, 2023 and 2022, the Company had no impairment charges related to its property and equipment or operating lease right-of-use asset.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company's financial assets measured at fair value on a recurring basis were as follows:

	Fair value measurement as of September 30, 2023				
	Total	Level 1	Level 2	Level 3	
	(in thousands)				
Cash equivalents:					
Money market funds	\$ 9,893	\$ 9,893	\$ —	\$ —	\$ —
U.S. Treasury securities	199,089	199,089	—	—	—
Total	\$ 208,982	\$ 208,982	\$ —	\$ —	\$ —

	Fair value measurement as of December 31, 2022				
	Total	Level 1	Level 2	Level 3	
	(in thousands)				
Cash equivalents:					
Money market funds	\$ 35,915	\$ 35,915	\$ —	\$ —	\$ —
U.S. Treasury securities	151,511	151,511	—	—	—
Total	\$ 187,426	\$ 187,426	\$ —	\$ —	\$ —

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The amounts reported in the unaudited Condensed Consolidated Balance Sheets as current assets or current liabilities, including *Cash, Restricted cash, Accounts receivable, net, Current contract assets, net, Other current assets, Accounts payable and Accrued expenses*, each approximate their fair value due to the short-term maturities of the instruments.

Financial Instruments Not Carried at Fair Value

The following table provides the fair value of financial assets that are not measured at fair value:

(in thousands)	September 30, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
Liabilities:				
Debt	\$ 144,889	\$ 144,889	\$ 147,433	\$ 147,433
Total	\$ 144,889	\$ 144,889	\$ 147,433	\$ 147,433

The carrying amount of the Company's debt approximates its fair value due to its variable interest rate. The fair value was determined using the Adjusted SOFR as of September 30, 2023 and December 31, 2022 plus an applicable spread, a Level 2 classification in the fair value hierarchy.

The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of any level for the periods ended September 30, 2023 and December 31, 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of Open Lending Corporation's unaudited condensed consolidated results of operations and financial condition. The discussion should be read in conjunction with the audited consolidated financial statements and notes thereto in our Annual Report. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described under the heading "Risk Factors" set forth elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report") and our Annual Report. Actual results may differ materially from those contained in any forward-looking statements. Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" is intended to mean the business and operations of Open Lending Corporation and its consolidated subsidiaries.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "appears," "shall," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Quarterly Report include, but are not limited to, statements about:

- our financial performance;
- changes in our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects and plans;
- expansion plans and opportunities;
- the impact of the relative strength of the overall economy, including its effect on unemployment, consumer spending and consumer demand for automotive products;
- the growth in loan volume from our top ten automotive lenders relative to that of other automotive lenders and associated concentration of risks;
- the costs of services in absolute dollars and as a percentage of revenue;
- general and administrative expenses, selling and marketing expenses and research and development expenses in absolute dollars and as a percentage of revenue;
- the impact of projected operating cash flows and available cash on hand on our business operations in the future;
- the turnover in automotive lenders, as well as varying activation rates and volatility in usage of LPP by automotive lenders;
- the outcome of any known and unknown litigation and regulatory proceedings, including such legal proceedings that may be instituted in connection with the Business Combination and transactions contemplated thereby;
- the ability to maintain the listing of our common stock on the Nasdaq Stock Market LLC;
- our ability to recognize the anticipated benefits of the Business Combination, which may be affected by, among other things, competition and our ability to grow and manage growth profitably;
- expenses associated with our growth as a result of demands on our operational, marketing, compliance and accounting infrastructure;
- regulatory agreements between us and state agencies regarding issues including automotive lender conduct and oversight and loan pricing;
- changes in applicable laws or regulations; and
- applicable taxes, inflation, supply chain disruptions, including global hostilities and responses thereto, interest rates and the regulatory environment.

All forward-looking statements are based on information and estimates available to us at the time of this Quarterly Report and are not guarantees of future financial performance. We undertake no obligation to update any forward-looking statements made in this Quarterly Report to reflect events or circumstances after the date of this Quarterly Report or to reflect new information or the occurrence of unanticipated events, except as required by law.

The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors described in the section titled "Risk Factors" and elsewhere in this Quarterly Report and our Annual Report. We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report. You should not rely upon forward-looking statements as predictions of future events.

Business Overview

We are a leading provider of lending enablement and risk analytics to credit unions, regional banks, finance companies and the captive finance companies of automakers. Our customers, collectively referred to herein as automotive lenders, make automotive consumer loans to underserved near-prime and non-prime borrowers by harnessing our risk-based interest rate pricing models, powered by our proprietary data and real-time underwriting of automotive loan default insurance coverage from insurers. Since our inception in 2000, we have facilitated over \$21.1 billion in automotive loans, accumulated more than 20 years of proprietary data and developed over two million unique risk profiles. We currently serve 463 active lenders.

We specialize in risk-based pricing and modeling and provide automated decision-technology for automotive lenders throughout the U.S. We target the financing needs of near-prime and non-prime borrowers, or borrowers with a credit bureau score generally between 560 and 699, who are underserved in the automotive finance industry. Traditional lenders focus on prime borrowers, where an efficient market has developed with interest rate competition that benefits borrowers. Independent finance companies focus on sub-prime borrowers. Borrowers who must utilize the near-prime and non-prime automotive lending market have fewer lenders focused on loans with longer terms or higher advance rates. As a result, many near-prime and non-prime borrowers turn to sub-prime lenders, resulting in higher interest rate loan offerings than such borrower's credit profile often merits or warrants. We seek to make this market more competitive, resulting in more attractive loan terms.

Our flagship product, LPP, is a cloud-based automotive lending platform. LPP supports loans made to near-prime and non-prime borrowers and is designed to underwrite default insurance by linking automotive lenders to insurance companies. The platform uses risk-based pricing models which enable automotive lenders to assess the credit risk of a potential borrower using data driven analysis. Our proprietary risk models project loan performance, including expected losses and prepayments in arriving at the optimal rate. With five-second decisioning, LPP recommends a risk-based, all-inclusive interest rate for a loan that is customized to each automotive lender, reflecting cost of capital, loan servicing and acquisition costs, expected recovery rates and target return on assets. LPP risk models use a proprietary score in assessing and pricing risk on automotive loan applications. This score combines credit bureau data and Fair Credit Reporting Act-compliant alternative consumer data to more effectively assess risk and determine the appropriate insurance premium for any given loan application.

LPP is powered by technology that delivers speed and scalability in providing interest rate decisioning to automotive lenders. It supports the full transaction lifecycle, including credit application, underwriting, real-time insurance approval, settlement, servicing, invoicing of insurance premiums and fees and advance data analytics of automotive lender's portfolio under the program. Through electronic system integration, our software technology connects us to parties in our ecosystem.

A key element of LPP is the unique database that drives risk decisioning using data accumulated for more than 20 years. When a loan is insured at origination, all attributes of the transaction are stored in our database. Through the claims management process, we ultimately obtain loan life performance data on each insured loan. Having granular origination and performance data allows our data scientists and actuaries to constantly evolve and refine risk models, based on actual experience and third-party information sources.

We believe the automotive industry is still seeking solutions to address the near-prime and non-prime borrower market. The near-prime and non-prime automotive loan origination market is a large, underserved sector, estimated at \$270 billion annually. We currently serve approximately 2% of this market, providing a significant growth opportunity. In addition, our market opportunity related to the refinancing of near-prime and non-prime automotive loans is estimated at \$40 billion annually.

Executive Overview

We facilitate certified loans and have achieved financial success by targeting the financing needs of near-prime and non-prime borrowers who are underserved in the automotive finance industry.

We facilitated 29,959 and 96,721 certified loans during the three and nine months ended September 30, 2023, as compared to 42,186 and 130,661 certified loans during the three and nine months ended September 30, 2022.

Total revenue was \$26.0 million and \$102.5 million for the three and nine months ended September 30, 2023, as compared to \$50.7 million and \$152.8 million during the three and nine months ended September 30, 2022.

Operating income was \$4.5 million and \$37.4 million for the three and nine months ended September 30, 2023, as compared to \$27.8 million and \$92.8 million in the three and nine months ended September 30, 2022.

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Net income was \$3.0 million and \$26.9 million for the three and nine months ended September 30, 2023, as compared to net income of \$24.5 million and \$70.8 million for the three and nine months ended September 30, 2022.

Adjusted EBITDA was \$10.3 million and \$52.3 million for the three and nine months ended September 30, 2023, as compared to \$29.4 million and \$97.2 million during the three and nine months ended September 30, 2022. Information regarding use of Adjusted EBITDA, a non-GAAP measure, and a reconciliation of Adjusted EBITDA to net income, the most comparable GAAP measure, is included in “Non-GAAP Financial Measures.”

Highlights

The table below summarizes the dollar value of insured loans facilitated and the number of new contracts we signed with automotive lenders for the three and nine months ended September 30, 2023 and 2022.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Certified loans	29,959	42,186	96,721	130,661
Value of insured loans facilitated (in thousands)	\$ 883,470	\$ 1,246,250	\$ 2,850,133	\$ 3,722,270
Average loan size per certified loan	\$ 29,489	\$ 29,542	\$ 29,468	\$ 28,488
Number of contracts signed with automotive lenders	8	17	29	53

We define “active lenders” as lenders who certify at least one loan during the preceding 12 months. As of September 30, 2023 and 2022, we had 463 and 430 active lenders, respectively. The table below represents lender count information for lenders with certified loan activity during the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Lenders certifying loans at beginning of period	398	371	438	396
New lenders ⁽¹⁾	17	21	38	52
Net change in lenders ⁽²⁾	(15)	5	(34)	(24)
Lenders certifying loans at end of period	400	397	442	424

(1) New lenders using LPP to certify loans for the first time during the period.

(2) Net change in the number of lenders previously onboarded who use LPP to certify loans during the period. Certain lenders experience periods of inactivity followed by periods of activity, causing the lender count to fluctuate from period to period.

Key Performance Measures

We review several key performance measures, discussed below, to evaluate business and results, measure performance, identify trends, formulate plans and make strategic decisions. We believe that the presentation of such metrics is useful to our investors and counterparties because such metrics are used to measure and model the performance of similar companies, with recurring revenue streams.

Certified Loans

We refer to “certified loans” as the loans facilitated through LPP during a given period. Additionally, we refer to loans with a one-time upfront program fee payment as “single-pay” loans. For certain loans, the program fee is paid to us over 12 monthly installments and we refer to these loans as “monthly-pay” loans.

Average Program Fee

We define “average program fee” as the total program fee revenue recognized for a period divided by the number of certified loans in that period.

Underwriting Profit

We define “underwriting profit” as the total underwriting profit expected to be received by insurers over the expected life of the certified loans.

Earned Premium

We define “earned premium” as the total insurance premium earned by insurers in a given period. Earned premiums were \$85.6 million and \$249.1 million, respectively, for the three and nine months ended September 30, 2023 and \$76.3 million and \$214.5 million, respectively, for the three and nine months ended September 30, 2022.

Recent Developments

Share Repurchase Program Extension

On October 26, 2023, the Board of Directors extended the expiration date of our previously authorized share repurchase program allowing the Company to repurchase up to \$75.0 million of the Company's outstanding common stock (the “Share Repurchase Program”) from November 17, 2023 to March 31, 2024. The Share Repurchase Program may be further amended, suspended, or discontinued at any time.

Enhanced Scorecard

On November 1, 2023, we announced the addition of new alternative data attributes for auto loan applicants to enhance the risk score generated by LPP, which allows LPP to analyze more robust car buyer data for loan decisioning.

LPP now offers:

- Decisioning that includes new data sources and new alternative data attributes, like the number of payments made over the past year, time elapsed since the initiation of the first auto loan, and the number of auto and non-auto inquiries over the last three years.
- Extended loan protection with a more inclusive credit score range that aligns with the decline of consumer credit scores.

These scorecard enhancements are now in place for all of our customers.

Key Factors Affecting Operating Results

Our future operating results and cash flows are dependent upon a number of opportunities, challenges and other factors, including the growth in the number of financial institutions and transaction volume, competition, profit share assumptions and industry trends and general economic conditions. Key factors affecting our operating results include the following:

Growth in the Number of Financial Institutions

The growth trend in active automotive lenders using LPP is a critical factor directly affecting revenue and financial results as it influences the number of loans funded on LPP. Growth in our active automotive lender relationships will depend on our ability to retain existing automotive lenders and add new ones.

Competition

We face competition to acquire and maintain automotive lenders as customers, as well as competition to facilitate the funding of near-prime and non-prime auto loans. LPP, which combines lending enablement, risk analytics, near-prime and non-prime auto loan performance data, real-time loan decisioning, risk-based pricing and auto loan default insurance, is a unique solution for which we have not identified any direct competitors. The emergence of direct competitors, providing risk, analytics and loss mitigation, which are core elements of our business, could materially impact our ability to acquire and maintain automotive lender customers. The near-prime and non-prime lending market is highly fragmented and competitive. We face competition from a diverse landscape of consumer

lenders, including traditional banks and credit unions, as well as alternative technology-enabled lenders. The emergence of other insurers, in competition with our insurers, could materially impact our business.

Profit Share Assumptions

We rely on assumptions to calculate the value of profit share revenue, which is our share of insurance partners' underwriting profit. For example, positive change in estimates associated with historic vintages generate an increase in our contract asset, additional revenues and future expected cash flows, while negative change in estimates generate a decrease in our contract asset, a reduction in revenues and future expected cash flows. Please refer to [Critical Accounting Policies and Estimates](#) for more information on these assumptions.

Industry Trends and General Economic Conditions

Our results of operations have been and may continue to be impacted by the relative strength of the overall economy and its effect on unemployment, consumer spending, consumer demand for automotive financing and our lender customer's liquidity. As general economic conditions improve or deteriorate, the amount of disposable income consumers have tends to fluctuate, which in turn impacts consumer spending levels and the willingness of consumers to enter into loans to finance purchases and consumers' ability to afford financial obligations. Specific economic factors such as inflation, rising interest rate levels, changes in monetary and related policies, market volatility, supply chain disruptions, consumer confidence and, particularly, the unemployment rate also influence consumer spending and borrowing patterns.

Concentration

Our largest insurance carrier partners accounted for 29% and 10% of our total revenue during the three months ended September 30, 2023, and 32% and 11% during the nine months ended September 30, 2023. Our largest insurance carrier partners accounted for 36% and 12% of our total revenue during the three months ended September 30, 2022 and 37%, 11% and 11% during the nine months ended September 30, 2022.

Our largest lender customer accounted for 10% of our total revenue during the three months ended September 30, 2023. There were no lender customers who accounted for more than 10% of our total revenue during the nine months ended September 30, 2023 or during the three and nine months ended September 30, 2022.

Termination or disruption of these relationships could materially and adversely impact our revenue. See “ *Item 1A—Risk Factors—Risks Related to Our Business—If we lose one or more of our insurance carriers and are unable to replace their commitments, it could have a material adverse effect on our business*” in our Annual Report.

Components of Results of Operations

Total Revenues

Our revenue is generated through three streams: (i) profit share paid to us by insurance partners, (ii) program fees paid to us by automotive lenders and (iii) claims administration service fees paid to us by insurance partners.

Profit share. Profit share represents our participation in the underwriting profit of third-party insurance partners who provide automotive lenders with credit default insurance on loans those lenders make using LPP. We receive a percentage of the aggregate monthly insurance underwriting profit. Monthly insurance underwriting profit is calculated as the monthly earned premium less expenses and losses (including reserves for incurred but not reported losses), with losses accrued and carried forward to future profit share calculations.

Program fees. Program fees are paid by automotive lenders for the use of LPP, which provides loan analytics solutions and automated issuance of credit default insurance with third-party insurance providers. These fees are based on a percentage of each certified loan's original principal balance and are recognized as revenue upfront upon certification of the loan by the lending institution. The fee percentage rate varies based on the agreement with each lender. For loans with a one-time upfront payment, there is a sliding scale of rates representing volume discounts for certain lenders. Fees are typically capped at \$600 per loan or calculated as a percentage of the funded loan amount. For monthly-pay loans, the fee paid by the lender is typically 3% of the initial amount of the loan and is not capped.

Claims administration service fees. Claims administration service fees are paid to us by third-party insurance carrier partners for credit default insurance claims adjudication services performed by our subsidiary Insurance

Administrative Services, LLC on its insured servicing portfolio. The administration fee is equal to 3% of the monthly insurance earned premium for as long as the LPP certified loan remains outstanding.

Cost of Services and Operating Expenses

Cost of services. Cost of services primarily consists of fees paid to third-party partners for lead-generation efforts, compensation and benefits expenses relating to employees engaged in automotive lender customer service, product support and claims administration activities, fees paid for actuarial services related to the development of the monthly premium program, fees for integration with the loan origination systems of automotive lenders and fees paid to credit bureaus and data service providers for credit applicant data. In the near term, we generally expect cost of services to remain constant as a percentage of our program fee revenue.

General and administrative expenses. General and administrative expenses are comprised primarily of expenses relating to corporate-level employee compensation and benefits, non-cash share-based compensation, travel, meals and entertainment expenses, data and software expenses and professional and consulting fees. In the near term, we expect general and administrative expenses to increase as we focus on strategic initiatives.

Selling and marketing expenses. Selling and marketing expenses consist primarily of compensation and benefits of employees engaged in selling and marketing activities. We generally expect selling and marketing expenses to increase as a percentage of our program fee revenue in the near term as we focus on our go-to-market strategy.

Research and development expenses. Research and development expenses primarily consist of employee compensation and benefits expenses for employees engaged in ongoing research and development of our software technology platform. We generally expect our research and development expenses to increase in the near term as we continue to invest in new and existing products and services.

Other Income (Expense)

Interest expense. Interest expense primarily includes interest payments and the amortization of deferred financing costs in connection with the issuance of our debt.

Interest income. Interest income primarily includes interest earned on money market funds and U.S. Treasury securities.

Results of Operations

The following table sets forth our results of operations for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,			Nine Months Ended September 30, 2023		
	2023	2022	% Change	2023	2022	% Change
	(\$ in thousands)					
Revenue						
Profit share	\$ 8,022	\$ 26,523	(70) %	\$ 44,433	\$ 83,990	(47) %
Program fees	15,416	21,845	(29) %	50,610	62,302	(19) %
Claims administration and other service fees	2,568	2,293	12 %	7,478	6,481	15 %
Total revenue	26,006	50,661	(49) %	102,521	152,773	(33) %
Cost of services	5,369	5,199	3 %	16,917	15,072	12 %
Gross profit	20,637	45,462	(55) %	85,604	137,701	(38) %
Operating expenses						
General and administrative	9,875	9,335	6 %	31,041	24,785	25 %
Selling and marketing	4,509	5,981	(25) %	13,136	13,708	(4) %
Research and development	1,717	2,355	(27) %	4,075	6,366	(36) %
Total operating expenses	16,101	17,671	(9) %	48,252	44,859	8 %
Operating income	4,536	27,791	(84) %	37,352	92,842	(60) %
Interest expense	(2,799)	(1,608)	74 %	(7,841)	(3,535)	122 %
Interest income	2,801	321	773 %	7,317	368	1888 %
Other expense, net	(3)	(239)	(99) %	(9)	(239)	(96) %
Income before income taxes	4,535	26,265	(83) %	36,819	89,436	(59) %
Income tax expense	1,532	1,736	(12) %	9,907	18,627	(47) %
Net income	\$ 3,003	\$ 24,529	(88) %	\$ 26,912	\$ 70,809	(62) %

Key Performance Measures

The following table sets forth key performance measures for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% Change	2023	2022	% Change
Certified loans	29,959	42,186	(29) %	96,721	130,661	(26) %
Single-pay	26,026	36,470	(29) %	83,330	115,557	(28) %
Monthly-pay	3,933	5,716	(31) %	13,391	15,104	(11) %
Average program fees ⁽¹⁾	\$ 527	\$ 518	2 %	\$ 530	\$ 477	11 %
Single-pay	\$ 490	\$ 475	3 %	\$ 491	\$ 440	12 %
Monthly-pay ⁽¹⁾	\$ 860	\$ 793	8 %	\$ 812	\$ 762	7 %

(1) Excludes one-time adjustments of \$0.4 million and \$0.6 million for the three and nine months ended September 30, 2023, respectively.

Comparison of Three and Nine Months Ended September 30, 2023 and 2022

Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<i>(in thousands)</i>				
Profit Share				
New certified loan originations	\$ 16,079	\$ 24,853	\$ 52,950	\$ 76,855
Change in estimated revenues	(8,057)	1,670	(8,517)	7,135
Total profit share	8,022	26,523	44,433	83,990
Program fees	15,416	21,845	50,610	62,302
Claims administration and other service fees	2,568	2,293	7,478	6,481
Total revenue	\$ 26,006	\$ 50,661	\$ 102,521	\$ 152,773

Total revenue decreased by \$24.7 million, or 49%, during the three months ended September 30, 2023, as compared to the same period in 2022, driven by an \$18.5 million decrease in profit share revenue and a \$6.4 million decrease in program fees, which was partially offset by increased claims administration and other service fee revenues of \$0.3 million, as compared to the three months ended September 30, 2022.

Total revenue decreased by \$50.3 million, or 33%, during the nine months ended September 30, 2023, as compared to the same period in 2022, driven by a \$39.6 million decrease in profit share revenue and an \$11.7 million decrease in program fees, which was partially offset by increased claims administration and other service fee revenues of \$1.0 million, as compared to the nine months ended September 30, 2022.

Profit share revenue decreased by \$18.5 million, or 70%, during the three months ended September 30, 2023, as compared to the same period in 2022. Profit share revenue associated with new certified loan originations decreased \$8.8 million, or 35%, primarily due to the 29% decrease in certified loans during the three months ended September 30, 2023, as compared to the same period in 2022. Profit share revenue associated with change in estimate decreased \$9.7 million, or 58% during those same periods.

During the three months ended September 30, 2023, we recorded \$16.1 million in anticipated profit share associated with 29,959 new certified loans for an average of \$537 per loan as compared to \$24.9 million in anticipated profit share associated with 42,186 certified loans for an average of \$589 per loan during the three months ended September 30, 2022. In addition, during the three months ended September 30, 2023, we recorded a reduction of \$8.1 million in profit share revenue related to business in historic vintages primarily due to higher than anticipated loan defaults, partially offset by lower than anticipated severity of losses and prepayment rates. During the three months ended September 30, 2022, we recorded an increase of \$1.7 million in profit share revenue related to business in historic vintages primarily due to lower than anticipated severity of losses.

Profit share revenue decreased by \$39.6 million, or 47%, during the nine months ended September 30, 2023, as compared to the same period in 2022. Profit share revenue associated with new certified loan originations decreased \$23.9 million, or 31%, primarily due to the 26% decrease in certified loans during the nine months ended September 30, 2023, as compared to the same period in 2022. Profit share revenue associated with change in estimate decreased \$15.7 million, or 21% during those same periods.

During the nine months ended September 30, 2023, we recorded \$53.0 million in anticipated profit share associated with 96,721 new certified loans for an average of \$547 per loan as compared to \$76.9 million in anticipated profit share associated with 130,661 certified loans for an average of \$588 per loan during the nine months ended September 30, 2022. In addition, during the nine months ended September 30, 2023, we recorded a reduction of \$8.5 million in profit share revenue related to business in historic vintages primarily due to higher than anticipated loan defaults and prepayments, partially offset by lower than anticipated severity of losses. During the nine months ended September 30, 2022, we recorded an increase of \$7.1 million in profit share revenue related to business in historic vintages primarily due to lower than anticipated severity of losses. Program fees revenue decreased by \$6.4 million, or 29%, during the three months ended September 30, 2023 as compared to the same period in 2022 driven

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by a 29% decrease in certified loan volume, partially offset by a 2% increase in unit economics per certified loan, as compared to the prior year period.

Program fees revenue decreased by \$11.7 million, or 19%, during the nine months ended September 30, 2023 as compared to the same period in 2022 driven by a 26% decrease in certified loan volume, partially offset by an 11% increase in unit economics per certified loan, as compared to the prior year period.

Revenue from claims administration and other service fees, which primarily represents 3% of our insurance partners' earned premium, increased by \$0.3 million and \$1.0 million, or 12% and 15%, respectively, during the three and nine months ended September 30, 2023, as compared to the same periods in the prior year, due to increases in total earned premiums.

Cost of Services, Gross Profit and Gross Margin

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023		2022	
	(in thousands)			
Total revenue	\$ 26,006	\$ 50,661	\$ 102,521	\$ 152,773
Cost of services	5,369	5,199	16,917	15,072
Gross profit	\$ 20,637	\$ 45,462	\$ 85,604	\$ 137,701
Gross margin	79 %	90 %	83 %	90 %

Cost of services increased \$0.2 million, or 3%, during the three months ended September 30, 2023, as compared to the same period in 2022. Cost of services increased \$1.8 million, or 12%, during the nine months ended September 30, 2023, as compared to the same period in 2022. For both periods, the change is primarily due to higher employee compensation and benefit costs associated with the growth of our claims administration team and increased focus on product support.

Gross profit decreased by \$24.8 million and \$52.1 million, or 55% and 38%, respectively, during the three and nine months ended September 30, 2023, as compared to the same periods in 2022, primarily driven by decreases in profit share and program fee revenues, as discussed above.

Operating Expenses, Operating Income and Operating Margin

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023		2022	
	(in thousands)			
Gross profit	\$ 20,637	\$ 45,462	\$ 85,604	\$ 137,701
Operating expenses				
General and administrative	9,875	9,335	31,041	24,785
Selling and marketing	4,509	5,981	13,136	13,708
Research and development	1,717	2,355	4,075	6,366
Total operating expenses	16,101	17,671	48,252	44,859
Operating income	\$ 4,536	\$ 27,791	\$ 37,352	\$ 92,842
Total revenue	\$ 26,006	\$ 50,661	\$ 102,521	\$ 152,773
Operating margin	17 %	55 %	36 %	61 %

General and administrative expenses increased by \$0.5 million, or 6%, during the three months ended September 30, 2023 as compared to the same period in 2022 primarily driven by a \$2.0 million increase in employee compensation and benefit costs due to the expansion of our corporate administration team in 2022 partially offset by a \$1.4 million decrease in professional fees. General and administrative expenses increased by \$6.3 million, or 25%, respectively, during the nine months ended September 30, 2023, as compared to the same period last year primarily driven by higher employee compensation and benefit costs of \$5.0 million and increased business taxes of \$0.8 million.

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Selling and marketing expenses decreased by \$1.5 million, or 25%, during the three months ended September 30, 2023 as compared to the same period in 2022 primarily driven by a decrease in employee compensation. Selling and marketing expenses decreased by \$0.6 million, or 4%, during the nine months ended September 30, 2023 as compared to the same period in 2022 primarily driven by a \$1.8 million decrease in compensation partially offset by a \$1.2 million increase in marketing expenses, including event costs, media relations and branding costs.

Research and development expenses decreased by \$0.6 million, or 27%, during the three months ended September 30, 2023, as compared to the same period in 2022. Research and development expenses decreased by \$2.3 million, or 36%, during the nine months ended September 30, 2023, as compared to the same period in 2022. For both periods, the change was primarily due to increased focus on product support and the development of internal use software.

Operating income for the three and nine months ended September 30, 2023 decreased by \$23.3 million and \$55.5 million, or 84% and 60%, respectively, as compared to the prior year periods, primarily driven by decreases in total revenues as well as changes in operating expenses, as discussed above.

Interest Expense

Interest expense increased \$1.2 million, or 74%, for the three months ended September 30, 2023, as compared to the same period in 2022. Interest expense increased \$4.3 million, or 122%, for the nine months ended September 30, 2023, as compared to the same period in 2022. For both periods, interest expense increased as a result of higher borrowing costs during 2023.

Interest Income

During the three and nine months ended September 30, 2023, interest income increased \$2.5 million and \$6.9 million, respectively, compared to the same periods in 2022 primarily due to interest earned on U.S. Treasury securities.

Income Taxes

During the three months ended September 30, 2023 and 2022, we recognized income tax expense of \$1.5 million and \$1.7 million, respectively, with effective tax rates of 33.8% and 6.6%, respectively. During the nine months ended September 30, 2023 and 2022, we recognized income tax expense of \$9.9 million and \$18.6 million, respectively, with effective tax rates of 26.9% and 20.8%, respectively.

Income tax expense decreased \$0.2 million and \$8.7 million, or 12% and 47%, respectively, during the three and nine months ended September 30, 2023 as compared to the three and nine months ended September 30, 2022, primarily as a result of the decrease in income before income taxes as well as a discrete tax benefit in the third quarter of 2022 associated with the enactment of state tax legislation with a retroactive effective date of January 1, 2022.

Liquidity and Capital Resources

Cash Flow and Liquidity Analysis

We assess liquidity primarily in terms of our ability to generate cash to fund operating and investing activities. A significant portion of our cash from operating activities is derived from our profit share arrangements with our insurance partners, which are subject to judgments and assumptions and is, therefore, subject to variability. We believe that our existing cash resources and the Revolving Credit Facility will provide sufficient liquidity to fund our near-term working capital needs. We regularly evaluate alternatives for managing our capital structure and liquidity profile in consideration of expected cash flows, growth and operating capital requirements and capital market conditions. Refer to [Critical Accounting Policies and Estimates](#) in this Quarterly Report and our Annual Report for a full description of the related estimates, assumptions and judgments.

Based on our assessment of the underlying provisions and circumstances of our contractual obligations, other than the risks that we and other similarly situated companies face with respect to the condition of the capital markets (as described in "Risk Factors" in our Annual Report), there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur that would have a material adverse effect on our consolidated results of operations, financial condition, or liquidity.

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The following table provides a summary of cash flow data:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	\$ 65,903	\$ 84,997
Net cash used in investing activities	\$ (1,588)	\$ (637)
Net cash (used in) provided by financing activities	\$ (34,423)	\$ 1,287

Cash Flows from Operating Activities

Our cash flows provided by operating activities reflect net income adjusted for certain non-cash items and changes in operating assets and liabilities.

The following table summarizes the non-cash adjustments in the operating activities in the unaudited Condensed Statement of Cash Flows:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net income	\$ 26,912	\$ 70,809
Non-cash reconciling adjustments	8,826	(2,920)
Change in contract assets	26,199	13,016
Change in other assets and liabilities	3,966	4,092
Net cash provided by operating activities	\$ 65,903	\$ 84,997

Net cash provided by operating activities decreased by \$19.1 million for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022. The decrease was primarily attributable to decreased cash collections of \$36.5 million related to reduced profit share, program fees and claims administration service fee revenues, a \$5.0 million increase in cash payments related to cost of services and operating expenses and a \$4.7 million increase in interest payments. This decrease in cash was offset by an \$18.5 million reduction in income tax payments and a \$6.9 million increase in interest income received during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

Cash Flows from Investing Activities

For the nine months ended September 30, 2023 and 2022, net cash used in investing activities was \$1.6 million and \$0.6 million, respectively. For the nine months ended September 30, 2023 and 2022, the investments were primarily related to computer software developed for internal use.

Cash Flows from Financing Activities

Our cash flows used in and provided by financing activities primarily consist of share repurchases, payments of debt and deferred financing costs.

For the nine months ended September 30, 2023, net cash used in financing activities was \$34.4 million and is primarily related to the repurchase of 4,296,927 shares of our common stock held in treasury stock for a total of \$31.3 million, excluding excise tax.

For the nine months ended September 30, 2022, net cash provided by financing activities was \$1.3 million. The cash inflow of \$150.0 million relates to proceeds from our Term Loan due 2027, which paid off our then-existing debt, less \$1.0 million in deferred financing costs associated with the loan. Debt principal payments were \$122.7 million, primarily related to payment in full of the Company's term loan due 2026. In addition, we paid off all amounts outstanding under the Company's prior revolving credit facility totaling \$25.0 million.

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Debt

As of September 30, 2023, we had no amounts outstanding under the Revolving Credit Facility and \$146.3 million outstanding under our Term Loan due 2027.

Share Repurchase Program

On November 17, 2022, the Board of Directors authorized the Share Repurchase Program for up to \$75.0 million of the Company's outstanding common stock until November 17, 2023. On October 26, 2023, the Board of Directors extended the expiration date of the Share Repurchase Program to March 31, 2024. Repurchases may be made at management's discretion from time to time on the open market. The Share Repurchase Program may be suspended, amended, or discontinued at any time. Pursuant to the Share Repurchase Program, during the three and nine month periods ended September 30, 2023, the Company repurchased 1,201,593 and 4,296,927 shares at an average price of \$8.32 and \$7.29 for a total of \$10.0 million and \$31.3 million, excluding excise tax, respectively, leaving \$25.7 million available under our Share Repurchase Program as of September 30, 2023. These shares were recorded to *Treasury stock, at cost* in the unaudited Condensed Consolidated Balance Sheets, which includes \$0.3 million of excise tax expected to be paid in April 2024. This excise tax payable is included within *Accrued expenses* in the unaudited Condensed Consolidated Balance Sheets.

Dividends

Any decision to declare and pay dividends in the future will be made at the sole discretion of our Board of Directors and will depend on, among other things, results of operations, cash requirements, financial condition, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, our ability to pay dividends is limited by covenants in our existing indebtedness and may be limited by the agreements governing other indebtedness that we or our subsidiaries may incur in the future.

Non-GAAP Financial Measures

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure used by management to evaluate its operating performance, generate future operating plans and make strategic decisions, including those relating to operating expenses and the allocation of internal resources. Accordingly, we believe these measures provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors. This measure further provides useful analysis of period-to-period comparisons of our business, as it excludes the effect of certain non-cash items and certain variable charges. Adjusted EBITDA is defined as GAAP net income excluding interest expense, income taxes, depreciation and amortization expense of property and equipment and share-based compensation expense. Adjusted EBITDA margin is defined as Adjusted EBITDA expressed as a percentage of total revenue.

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The following table presents a reconciliation of GAAP net income to Adjusted EBITDA for each of the periods indicated:

Adjusted EBITDA	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Net income	\$ 3,003	\$ 24,529	\$ 26,912	\$ 70,809
Non-GAAP adjustments:				
Interest expense	2,799	1,608	7,841	3,535
Income tax expense	1,532	1,736	9,907	18,627
Depreciation and amortization of property and equipment	328	233	824	680
Share-based compensation	2,663	1,295	6,826	3,564
Total adjustments	7,322	4,872	25,398	26,406
Adjusted EBITDA	\$ 10,325	\$ 29,401	\$ 52,310	\$ 97,215
Total revenue	\$ 26,006	\$ 50,661	\$ 102,521	\$ 152,773
Adjusted EBITDA margin	40 %	58 %	51 %	64 %

For the three months ended September 30, 2023, Adjusted EBITDA decreased by \$19.1 million, or 65%, as compared to the three months ended September 30, 2022. Adjusted EBITDA margin for the three months ended September 30, 2023 decreased to 40% as compared to 58% during the same period in 2022.

For the nine months ended September 30, 2023, Adjusted EBITDA decreased by \$44.9 million, or 46%, as compared to the nine months ended September 30, 2022. Adjusted EBITDA margin for the nine months ended September 30, 2023 decreased to 51% as compared to 64% during the same period in 2022.

The decrease in Adjusted EBITDA during the three and nine months ended September 30, 2023 reflects our reduced revenue due to lower certified loan volume and the impact of profit share revenue change in estimate as well as increased cost of services and operating expenses during each period.

Critical Accounting Policies and Estimates

There have not been any material changes during the three and nine months ended September 30, 2023 to the methodology applied by management for critical accounting policies previously disclosed in our Annual Report. Please refer to “*Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates*” in our Annual Report for further description of our critical accounting policies and estimates.

Contractual Obligations

We had no material changes in our contractual commitments and obligations during the three and nine months ended September 30, 2023 from the amounts listed under “*Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations*” in our Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our operations include activities in the U.S. These operations expose us to a variety of market risks, including the effects of changes in interest rates and changes in consumer attitudes toward financing a vehicle purchase. We monitor and manage these financial exposures as an integral part of our overall risk management program.

Market Risk

In the normal course of business, we are exposed to market risk and have established policies designed to protect against the adverse effects of this exposure. We are exposed to risks associated with general economic conditions and the impact of the economic environment on consumer spending levels, the willingness of consumers to enter into loans to finance purchases and consumers ability to afford financial obligations. Consumer spending and borrowing patterns related to auto purchases are influenced by economic factors such as unemployment rates, inflation, rising interest rate levels, changes in monetary and related policies, market volatility and overall consumer confidence. We also face risk from competition to acquire, maintain and develop new relationships with automotive lenders as well as competition from a wide variety of automotive lenders who are (or are affiliated) with financial institutions and have capacity to hold loans on their balance sheets.

Concentration Risk

We rely on our three largest insurance partners for a significant portion of our profit share and claims administration service fee revenue. Termination or disruption of these relationships could materially and adversely impact our revenue. See "*Item 1A—Risk Factors—Risks Related to Our Business—If we lose one or more of our insurance carriers and are unable to replace their commitments, it could have a material adverse effect on our business*" in our Annual Report.

Interest Rate Risk

Our earnings and cash flows are subject to fluctuations due to changes in interest rates on investment of available cash balances in money market funds and U.S. Treasury securities. Our New Term Loan due 2027 also exposes us to changes in short-term interest rates since interest rates on the underlying obligations are variable.

As of September 30, 2023, we had outstanding amounts of \$146.3 million under the Term Loan due 2027, which is scheduled to mature on September 9, 2027. There were no amounts outstanding under the Revolving Credit Facility as of September 30, 2023. Borrowings under the Credit Agreement bear interest at a rate equal to Adjusted SOFR plus a spread that is based upon our total net leverage ratio. The spread ranges from 1.625% to 2.375% per annum for Adjusted SOFR loans. We are also charged an unused commitment fee that ranges from 0.150% to 0.225% per annum on the average daily unused portion of the Revolving Credit Facility, which is paid quarterly in arrears and is based on our total net leverage ratio.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, regardless of how well they were designed and are operating, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(f) or 15d-15(f) of the Exchange Act during the period covered by this Quarterly Report, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As of the date of this Quarterly Report, we were not a party to any material legal proceedings. In the future, we may become party to legal matters and claims arising in the ordinary course of business, the resolution of which we do not anticipate would have a material adverse impact on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors and other cautionary statements described under Part I, Item 1A. "Risk Factors" in our Annual Report, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or future results. There have been no material changes in our risk factors from those described in the Annual Report.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

The following table sets forth information with respect to our repurchases of shares of common stock during the three months ended September 30, 2023.

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs ⁽²⁾	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions) ⁽²⁾
7/1/2023-7/31/2023	—	\$ —	—	\$ 35.7
8/1/2023-8/31/2023	896,672	\$ 8.40	896,096	\$ 28.2
9/1/2023-9/30/2023	306,478	\$ 8.09	305,497	\$ 25.7
Total	1,203,150		1,201,593	

(1) Includes zero shares in July 2023, 576 shares in August 2023 and 981 shares in September 2023 which were purchased from employees to satisfy their tax withholding obligations related to share-based awards that vested during those months.

(2) Our Board of Directors authorized share repurchases under the Share Repurchase Program for up to \$75.0 million, effective through March 31, 2024.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Insider Trading Arrangements

During the three months ended September 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Number	Description
3.1	Amended and Restated Certificate of Incorporation of Open Lending Corporation (incorporated by reference to Exhibit 3.1 to Open Lending Corporation's Current Report on Form 8-K filed June 15, 2020).
3.2	Amended and Restated Bylaws of Open Lending Corporation (incorporated by reference to Exhibit 3.2 to Open Lending Corporation's Current Report on Form 8-K filed June 15, 2020).
10.1	First Amendment to Transition Services Agreement by and between the Company and John J. Flynn, dated July 27, 2023 (incorporated by reference to Exhibit 10.1 to Open Lending Corporation's Current Report on Form 8-K filed August 2, 2023).
31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)
101*	The following financial statements from Open Lending Corporation's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets (ii) Condensed Consolidated Statement of Operations (iii) Condensed Consolidated Statements of Changes in Stockholders' Equity (iv) Condensed Consolidated Statements of Cash Flows (v) Notes to Condensed Consolidated Financial Statements
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OPEN LENDING CORPORATION

/s/ Keith A. Jezek

Keith A. Jezek
Chief Executive Officer
(Principal Executive Officer)

/s/ Charles D. Jehl

Charles D. Jehl
Chief Financial Officer
(Principal Financial and Accounting Officer)

November 8, 2023

I, Keith A. Jezek, certify that:

- 1 I have reviewed this Quarterly Report on Form 10-Q of Open Lending Corporation (the "Registrant");
- 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 Registrant as of, and for, the periods presented in this report;
- 4 The Registrant's other certifying officer 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 Registrant 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 Registrant, 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 Registrant'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 Registrant's internal control over financial reporting that occurred during the registrant'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 Registrant's internal control over financial reporting;
- 5 The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant'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 Registrant'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: November 8, 2023

/s/ Keith A. Jezek

Keith A. Jezek

Chief Executive Officer

(Principal Executive Officer)

I, Charles D. Jehl, certify that:

- 1 I have reviewed this Quarterly Report on Form 10-Q of Open Lending Corporation (the "Registrant");
- 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 Registrant as of, and for, the periods presented in this report;
- 4 The Registrant's other certifying officer 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 Registrant 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 Registrant, 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 Registrant'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 Registrant's internal control over financial reporting that occurred during the Registrant'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 Registrant's internal control over financial reporting;
- 5 The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant'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 Registrant'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: November 8, 2023

/s/ Charles D. Jehl

Charles D. Jehl

Chief Financial Officer

(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2023 of Open Lending Corporation, a Delaware corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Keith A. Jezek, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Keith A. Jezek

Keith A. Jezek
Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2023

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

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2023 of Open Lending Corporation, a Delaware corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Charles D. Jehl, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Charles D. Jehl

Charles D. Jehl

Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: November 8, 2023