UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

or

o 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: 001-39142

Porch Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**83-2587663**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

411 1st Avenue S., Suite 501, Seattle, WA 98104

(Address of Principal Executive Offices) (Zip Code)

(855) 767-2400

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of Each Class	Trading symbol	Name of Exchange on which registered
Common Stock, par value $0.0001 per share	**PRCH**	**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 x No o

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 x No o

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	o	Accelerated filer	x		
Non-accelerated filer	o	Smaller reporting company	x	Emerging growth company	o

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. o

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

The number of outstanding shares of the registrant's common stock as of May 3, 2024, was 99,186,767.

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PART I —FINANCIAL INFORMATION

Item 1. Financial Statements

PORCH GROUP, INC.
Condensed Consolidated Balance Sheets (Unaudited)
(all numbers in thousands unless otherwise stated, except per share data)

	March 31, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 279,073	$ 258,418
Accounts receivable, net	20,801	24,288
Short-term investments	31,175	35,588
Reinsurance balance due	75,419	83,582
Prepaid expenses and other current assets	16,666	13,214
Deferred policy acquisition costs	20,422	27,174
Restricted cash and cash equivalents	36,820	38,814
Total current assets	480,376	481,078
Property, equipment, and software, net	17,588	16,861
Goodwill	191,907	191,907
Long-term investments	102,941	103,588
Intangible assets, net	82,505	87,216
Long-term insurance commissions receivable	196	13,429
Other assets	5,600	5,314
Total assets	$ 881,113	$ 899,393
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities		
Accounts payable	$ 5,250	$ 8,761
Accrued expenses and other current liabilities	53,466	59,396
Deferred revenue	215,771	248,683
Refundable customer deposits	16,040	17,980
Current debt	150	244
Losses and loss adjustment expense reserves	112,560	95,503
Other insurance liabilities, current	40,742	31,585
Total current liabilities	443,979	462,152
Long-term debt	432,082	435,495
Other liabilities	48,910	37,429
Total liabilities	924,971	935,076
Commitments and contingencies (Note 14)		
Stockholders' equity (deficit)		
Common stock, $0.0001 par value:	10	10
Authorized shares – 400 million and 400 million, at March 31, 2024, and December 31, 2023, respectively		
Issued and outstanding shares – 97.9 million and 97.1 million, at March 31, 2024, and December 31, 2023, respectively		
Additional paid-in capital	696,240	690,223
Accumulated other comprehensive loss	(4,690)	(3,860)
Accumulated deficit	(735,418)	(722,056)
Total stockholders' equity (deficit)	(43,858)	(35,683)
Total liabilities and stockholders' equity (deficit)	$ 881,113	$ 899,393

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

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PORCH GROUP, INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

(all numbers in thousands unless otherwise stated, except per share data)

	Three Months Ended March 31,	
	2024	**2023**
Revenue	$ 115,443	$ 87,369
Operating expenses:		
Cost of revenue	75,844	51,275
Selling and marketing	33,948	32,585
Product and technology	13,920	13,950
General and administrative	26,399	26,066
Impairment loss on intangible assets and goodwill	—	2,021
Total operating expenses	150,111	125,897
Operating loss	(34,668)	(38,528)
Other income (expense):		
Interest expense	(10,787)	(2,188)
Change in fair value of private warrant liability	(425)	345
Change in fair value of derivatives	1,483	—
Gain on extinguishment of debt	4,891	—
Investment income and realized gains, net of investment expenses	3,644	758
Other income, net	22,678	762
Total other income (expense)	21,484	(323)
Loss before income taxes	(13,184)	(38,851)
Income tax benefit (provision)	(178)	111
Net loss	(13,362)	(38,740)
Other comprehensive income (loss):		
Change in net unrealized loss, net of tax	(830)	875
Comprehensive loss	$ (14,192)	$ (37,865)
Net loss per share - basic and diluted (Note 17)	$ (0.14)	$ (0.41)
Shares used in computing basic and diluted net loss per share	97,512	95,210

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

PORCH GROUP, INC.

Condensed Consolidated Statements of Stockholders’ Equity (Deficit) (Unaudited)

(all numbers in thousands unless otherwise stated, except per share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders’ Equity (Deficit)
	Shares	Amount				
Balances as of December 31, 2023	**97,061**	**$ 10**	**$ 690,223**	**$ (722,056)**	**$ (3,860)**	**$ (35,683)**
Net loss	—	—	—	(13,362)	—	(13,362)
Other comprehensive loss, net of tax benefit less than $0.1 million	—	—	—	—	(830)	(830)
Stock-based compensation	620	—	5,368	—	—	5,368
Exercise of stock options	243	—	814	—	—	814
Income tax withholdings	(55)	—	(165)	—	—	(165)
Balances as of March 31, 2024	**97,869**	**$ 10**	**$ 696,240**	**$ (735,418)**	**$ (4,690)**	**$ (43,858)**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders’ Equity (Deficit)
	Shares	Amount				
Balances as of December 31, 2022	**98,206**	**$ 10**	**$ 670,537**	**$ (585,023)**	**$ (6,171)**	**$ 79,353**
Net loss	—	—	—	(38,740)	—	(38,740)
Other comprehensive loss, net of tax less than $0.2 million	—	—	—	—	875	875
Stock-based compensation	295	—	6,894	—	—	6,894
Exercise of stock options	5	—	8	—	—	8
Income tax withholdings	(92)	—	(204)	—	—	(204)
Repurchases of common stock	(1,396)	—	—	(3,101)	—	(3,101)
Proceeds from sale of common stock	—	—	191	—	—	191
Balances as of March 31, 2023	**97,018**	**$ 10**	**$ 677,426**	**$ (626,864)**	**$ (5,296)**	**$ 45,276**

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

PORCH GROUP, INC.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(all numbers in thousands)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	$ (13,362)	$ (38,740)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	6,317	6,015
Impairment loss on intangible assets and goodwill	—	2,021
Gain on extinguishment of debt	(4,891)	—
Loss on divestiture of business	5,244	—
Gain on settlement of contingent consideration	(14,930)	—
Change in fair value of private warrant liability	425	(345)
Change in fair value of contingent consideration	1,051	(154)
Change in fair value of derivatives	(1,483)	—
Stock-based compensation	5,368	6,894
Non-cash interest expense	10,434	1,534
Other	(799)	508
Change in operating assets and liabilities, net of acquisitions and divestitures		
Accounts receivable	(439)	2,619
Reinsurance balance due	8,174	6,286
Deferred policy acquisition costs	6,752	(8,994)
Accounts payable	(3,511)	(69)
Accrued expenses and other current liabilities	1,829	1,390
Losses and loss adjustment expense reserves	17,057	14,895
Other insurance liabilities, current	9,158	16,712
Deferred revenue	(33,017)	(24,100)
Refundable customer deposits	(2,034)	(4,607)
Other assets and liabilities, net	11,122	(3,896)
Net cash provided by (used in) operating activities	8,465	(22,031)
Cash flows from investing activities:		
Purchases of property and equipment	(41)	(356)
Capitalized internal use software development costs	(2,315)	(2,427)
Purchases, maturities, sales of short-term and long-term investments	4,705	(390)
Proceeds from sale of business	10,348	—
Acquisitions, net of cash acquired	—	(1,974)
Net cash provided by (used in) investing activities	12,697	(5,147)
Cash flows from financing activities:		
Proceeds from advance funding	—	313
Repayments of advance funding	—	(1,281)
Repayments of principal	(3,150)	(499)
Repurchase of stock	—	(5,608)
Other	649	(199)
Net cash used in financing activities	(2,501)	(7,274)
Net change in cash and cash equivalents & restricted cash and cash equivalents	$ 18,661	$ (34,452)
Cash and cash equivalents & restricted cash and cash equivalents, beginning of period	$ 297,232	$ 228,605
Cash and cash equivalents & restricted cash and cash equivalents, end of period	$ 315,893	$ 194,153
Supplemental schedule of non-cash investing and financing activities		
Non-cash reduction of convertible notes	$ 5,000	$ —
Non-cash reduction in advanced funding arrangement obligations	$ 94	$ —
Supplemental disclosures		
Cash paid for interest	$ 969	$ 1,796
Income tax refunds received (paid)	$ (174)	$ 2,380

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

PORCH GROUP, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)
(all numbers in thousands unless otherwise stated, except per share amounts)

Note 1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Porch Group, Inc., together with its consolidated subsidiaries, ("Porch Group," "Porch," the "Company," "we," "our," "us") is a leading homeowners insurance and vertical software platform and is positioned to be the best partner to help homebuyers move, maintain, and fully protect their homes. We offer differentiated products and services, with homeowners insurance at the center of this relationship.

We differentiate and look to win in the massive and growing homeowners insurance opportunity by 1) providing the best services for homebuyers, 2) led by advantaged underwriting in insurance, 3) to protect the whole home.

As a leader in the home services software-as-a-service ("SaaS") space, we've built deep relationships with approximately 30 thousand companies that are key to the home-buying transaction, such as home inspectors, mortgage companies, and title companies. These relationships provide us with early insights to United States ("U.S.") homebuyers. In partnership with these companies, we have the ability to help simplify the move for consumers with services such as insurance, warranty, moving and more.

We have two reportable segments that are also our operating segments: Vertical Software and Insurance. See Note 16, Segment Information, for additional information on our reportable segments.

Through our vertical software products we have unique insights into the majority of U.S. properties. This data helps feed our insurance underwriting models, better understand risk, and create competitive differentiation in underwriting.

We provide full protection for the home by including a variety of home warranty products alongside homeowners insurance. We are able to fill the gaps of protection for consumers, minimize surprises, and deepen our relationships and value proposition.

Unaudited Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements include the accounts of Porch Group, Inc., and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Accordingly, these unaudited condensed consolidated financial statements and notes should be read in conjunction with the Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on March 15, 2024. The information as of December 31, 2023, included in the unaudited condensed consolidated balance sheets was derived from our audited consolidated financial statements. Certain prior period amounts have been reclassified to conform to the current year's presentation.

The unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q (this "Quarterly Report") were prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments (all of which are of a normal recurring nature) considered necessary to present fairly our financial position, results of operations, comprehensive loss, stockholders' equity (deficit), and cash flows for the periods and dates presented. The results of operations for the three months ended March 31, 2024, are not necessarily indicative of the results that may be expected for the year ending December 31, 2024, or any other interim period or future year due to various factors such as management estimates and the seasonal nature of some portions of our insurance business.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported of certain assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results may differ from those estimates and assumptions.

Concentrations

Financial instruments which potentially subject us to credit risk consist principally of cash, money market accounts on deposit with financial institutions, money market funds, certificates of deposit, fixed-maturity securities, and receivable balances in the course of collection.

Our insurance carrier subsidiary has exposure and remains liable in the event of insolvency of its reinsurers. Management and its reinsurance intermediary regularly assess the credit quality and ratings of its reinsurer counterparties. As of March 31, 2024, four reinsurers represented more than 10% individually, and 60% in the aggregate, of our total reinsurance balance due.

Substantially all of our revenues in the Insurance segment are derived from customers in Texas (which represent approximately 72% of Insurance segment revenues in the three months ended March 31, 2024), South Carolina, North Carolina, Virginia, Arizona, and Illinois, which could be adversely affected by economic conditions, an increase in competition, local weather events, or environmental impacts and changes.

No individual customer represented more than 10% of total revenue for the three months ended March 31, 2024 or 2023. As of March 31, 2024, and December 31, 2023, no individual customer accounted for 10% or more of total accounts receivable.

As of March 31, 2024, we held approximately $ 280.1 million of cash with five U.S. commercial banks.

Cash and Cash Equivalents & Restricted Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. We maintain cash balances that may exceed the insured limits by the Federal Deposit Insurance Corporation.

Restricted cash equivalents as of March 31, 2024, includes $ 27.7 million held by our captive reinsurance business as collateral for the benefit of Homeowners of America Insurance Company (“HOA”), $1.4 million held in certificates of deposits and money market mutual funds pledged to the Department of Insurance in certain states as a condition of our Certificate of Authority for the purpose of meeting obligations to policyholders and creditors, $6.8 million in funds held for the payment of possible warranty claims as required under regulatory guidelines in 21 states, and $1.0 million related to acquisition indemnifications. Restricted cash equivalents as of December 31, 2023, includes $28.3 million held by our captive reinsurance business as collateral for the benefit of HOA, $1.3 million held certificates of deposit and money market mutual funds pledged to the Department of Insurance in certain states as a condition of its Certificate of Authority for the purpose of meeting obligations to policyholders and creditors, $7.3 million in funds held for the payment of possible warranty claims as required under regulatory guidelines in 19 states, and $1.9 million related to acquisition indemnifications.

The reconciliation of cash, cash equivalents, and restricted cash to amounts presented in the unaudited condensed consolidated statements of cash flows are as follows:

	March 31, 2024	December 31, 2023
Cash and cash equivalents	$ 279,073	$ 258,418
Restricted cash and cash equivalents	36,820	38,814
Cash, cash equivalents, and restricted cash	$ 315,893	$ 297,232

Accounts Receivable and Long-term Insurance Commissions Receivable

Accounts receivable consist principally of amounts due from enterprise customers, other corporate partnerships, and individual policyholders. We estimate allowances for uncollectible receivables based on the creditworthiness of our customers, historical trend analysis, and macro-economic conditions. Consequently, an adverse change in those factors could affect our estimate of allowance for doubtful accounts. The allowance for uncollectible receivables at March 31, 2024, and December 31, 2023, was $0.6 million and $0.6 million, respectively.

Long-term insurance commissions receivable balance consists of the estimated commissions from policy renewals expected to be collected. We record the amount of renewal insurance commissions expected to be collected in the next twelve months as current accounts receivable.

Goodwill

We test goodwill for impairment for each reporting unit on an annual basis or more frequently when events or changes in circumstances indicate the fair value of a reporting unit is below its carrying value. We have the option to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. If we can support the conclusion that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we would not need to perform a quantitative impairment test. If we cannot support such a conclusion or we do not elect to perform the qualitative assessment, then we perform a quantitative assessment. If a quantitative goodwill impairment assessment is performed, we utilize a combination of market and income valuation approaches. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the reporting unit is less than its carrying value. We have selected October 1 as the date to perform annual impairment testing.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions to evaluate the impact of operating and macroeconomic changes on each reporting unit. The fair value of each reporting unit was estimated using a combination of income and market valuation approaches using publicly traded company multiples in similar businesses. Such fair value measurements are based predominately on Level 3 inputs. This analysis requires significant judgments including an estimate of future cash flows which is dependent on internally developed forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital, which is risk-adjusted to reflect the specific risk profile of the reporting unit being tested.

Impairment of Long-Lived Assets

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. Events that trigger a test for recoverability include a significant decrease in the market price for a long-lived asset, significant negative industry or economic trends, an accumulation of costs significantly in excess of the amount originally expected for the acquisition, a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset, or a sustained decrease in share price. When a triggering event occurs, a test for recoverability is performed, comparing projected undiscounted future cash flows to the carrying value of the asset group. If the test for recoverability identifies a possible impairment, the asset group’s fair value is measured relying primarily on an income approach. An impairment charge is recognized for the amount by which the carrying value of the asset group exceeds its estimated fair value. Management identifies the asset group that includes the potentially impaired long-lived asset, at the lowest level at which there are separate, identifiable cash flows..

We estimate the fair value of an asset group using the income approach. Such fair value measurements are based predominately on Level 3 inputs. Inherent in our development of cash flow projections are assumptions and estimates derived from a review of our operating results, business plan forecasts, expected growth rates, and cost of capital, similar to those a market participant would use to assess fair value. We also make certain assumptions about future economic conditions and other data. Many of these factors used in assessing fair value are outside the control of management and these assumptions and estimates may change in future periods.

Deferred Policy Acquisition Costs

We capitalize deferred policy acquisitions costs (“DAC”) which consist primarily of commissions, premium taxes and policy underwriting and production expenses that are directly related to the successful acquisition by our insurance company subsidiary of new or renewal insurance contracts. DAC are amortized on a straight-line basis over the terms of the policies to which they relate, which is generally one year. DAC is also reduced by ceding commissions paid by reinsurance companies which represent recoveries of acquisition costs. DAC is periodically reviewed for recoverability and adjusted if necessary. Future investment income is considered in determining the recoverability of DAC. Amortized deferred acquisition costs included in selling and marketing expense, amounted to $13.2 million and $9.3 million, for the three months ended March 31, 2024 and 2023, respectively.

Expected Credit Losses

We regularly review our individual investment securities for factors that may indicate that a decline in fair value of an investment has resulted from an expected credit loss, including:

- the financial condition and near-term prospects of the issuer, including any specific events that may affect its operations or earnings;
- the extent to which the market value of the security is below its cost or amortized cost;

- general market conditions and industry or sector specific factors;
- nonpayment by the issuer of its contractually obligated interest and principal payments; and
- our intent and ability to hold the investment for a period of time sufficient to allow for the recovery of costs.

Fair Value of Financial Instruments

Fair value principles require disclosures regarding the manner in which fair value is determined for assets and liabilities and establishes a three-tiered fair value hierarchy into which these assets and liabilities must be grouped, based upon significant levels of inputs as follows:

Level 1 Observable inputs, such as quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date;

Level 2 Observable inputs, other than Level 1 prices, such as quoted prices in active markets for similar assets and 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.

The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

Other Insurance Liabilities, Current

The following table details the components of other insurance liabilities, current, on the unaudited condensed consolidated balance sheets:

	March 31, 2024	December 31, 2023
Ceded reinsurance premiums payable	$ 15,585	$ 10,500
Commissions payable, reinsurers and agents	4,410	4,650
Advance premiums	9,765	5,975
Funds held under reinsurance treaty	9,349	9,820
General and accrued expenses payable	1,633	640
Other insurance liabilities, current	$ 40,742	$ 31,585

Note 2. Revenue

Disaggregation of Revenue

Total revenues consisted of the following:

	Three Months Ended March 31,	
	2024	2023
Vertical Software segment		
Software and service subscriptions	$ 16,936	$ 16,809
Move-related transactions	6,474	7,769
Post-move transactions	4,085	4,049
Total Vertical Software segment revenue	27,495	28,627
Insurance segment		
Insurance and warranty premiums, commissions and policy fees (1)	87,948	58,742
Total Insurance segment revenue	87,948	58,742
Total revenue	$ 115,443	$ 87,369

(1) Revenue recognized during the three months ended March 31, 2024 and 2023, includes revenue of $83.4 million and $51.0 million, respectively, which is accounted for separately from the revenue from contracts with customers.

Disclosures Related to Contracts with Customers

Timing may differ between the satisfaction of performance obligations and the invoicing and collection of amounts related to contracts with customers. Liabilities are recorded for amounts that are collected in advance of the satisfaction of performance obligations. To the extent a contract exists, as defined by ASC 606, these liabilities are classified as deferred revenue. To the extent that a contract does not exist, as defined by ASC 606, these liabilities are classified as refundable customer deposits. Refundable customer deposits related to contracts with customers were not material at March 31, 2024, and December 31, 2023.

Contract Assets - Insurance Commissions Receivable

A summary of the activity impacting the contract assets during the three months ended March 31, 2024, is presented below:

	Contract Assets
Balance at December 31, 2023	$ 17,393
Estimated lifetime value of commissions on insurance policies sold by carriers	159
Cash receipts	(262)
Sale of business (Note 15)	(16,982)
Balance at March 31, 2024	$ 308

As of March 31, 2024, and December 31, 2023, $ 0.1 million and $ 4.0 million, respectively, of contract assets were expected to be collected within the immediately following 12 months and therefore were included in current accounts receivable on the unaudited condensed consolidated balance sheets. The remaining $0.2 million and $ 13.4 million as of March 31, 2024, and December 31, 2023, respectively, of contract assets are expected to be collected after the immediately following 12 months and were included in long-term insurance commissions receivable on the unaudited condensed consolidated balance sheets.

Deferred Revenue

A summary of the activity impacting Vertical Software segment deferred revenue balances during the three months ended March 31, 2024, is presented below:

Balance at December 31, 2023	$	3,715
Revenue recognized		(4,590)
Additional amounts deferred		5,481
Balance at March 31, 2024	$	4,606

Revenue recognized for performance obligations satisfied during the three months ended March 31, 2024, includes $ 3.7 million that was included in the deferred revenue balances as of December 31, 2023.

Deferred revenue on the unaudited condensed consolidated balance sheet as of March 31, 2024, and December 31, 2023, includes $ 211.2 million and $245.0 million, respectively, of deferred revenue related to the Insurance segment. The portion of insurance premiums related to the unexpired term of policies in force as of the end of the reporting period and to be earned over the remaining term of these policies is deferred and reported as deferred revenue.

Remaining Performance Obligations

The amount of the transaction price allocated to performance obligations to be satisfied at a later date, which is not recorded in the unaudited condensed consolidated balance sheets, is immaterial as of March 31, 2024, and December 31, 2023.

We have applied the practical expedients not to present unsatisfied performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts with variable consideration that is allocated entirely to unsatisfied performance obligations or to a wholly unsatisfied promise accounted for under the series guidance, and (iii) contracts for which we recognize revenue at the amount which we have the right to invoice for services performed.

Warranty Revenue and Related Balance Sheet Disclosures

Payments received in advance of warranty services provided are included in refundable customer deposits or deferred revenue based upon the cancellation and refund provisions within the respective agreement. At March 31, 2024, we had $16.0 million, $3.8 million and $2.8 million of refundable customer deposits, deferred revenue, and non-current deferred revenue, respectively. At December 31, 2023, we had $17.9 million, $3.9 million and $2.9 million of refundable customer deposits, deferred revenue and non-current deferred revenue, respectively.

For the three months ended March 31, 2024 and 2023, we incurred $ 1.6 million and $1.2 million, respectively, in expenses related to warranty claims.

Note 3. Investments

The following table summarizes investment income and realized gains and losses on investments during the periods presented.

	Three Months Ended March 31,			
	2024		2023	
Investment income, net of investment expenses	$	3,664	$	825
Realized gains on investments		14		4
Realized losses on investments		(34)		(71)
Investment income and realized gains, net of investment expenses	$	3,644	$	758

The following tables summarize the amortized cost, fair value, and unrealized gains and losses of investment securities.

	March 31, 2024			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Fair Value
U.S. Treasuries	$ 36,212	$ 21	$ (414)	$ 35,819
Obligations of states, municipalities and political subdivisions	19,481	52	(988)	18,545
Corporate bonds	54,417	209	(2,213)	52,413
Residential and commercial mortgage-backed securities	25,217	54	(1,098)	24,173
Other loan-backed and structured securities	3,428	12	(274)	3,166
Total investment securities	$ 138,755	$ 348	$ (4,987)	$ 134,116

	December 31, 2023			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Fair Value
U.S. Treasuries	$ 43,931	$ 95	$ (330)	$ 43,696
Obligations of states, municipalities and political subdivisions	18,281	100	(961)	17,420
Corporate bonds	51,678	430	(2,067)	50,041
Residential and commercial mortgage-backed securities	25,452	153	(1,004)	24,601
Other loan-backed and structured securities	3,694	13	(289)	3,418
Total investment securities	$ 143,036	$ 791	$ (4,651)	$ 139,176

The amortized cost and fair value of securities at March 31, 2024, by contractual maturity, are shown in the following table. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	March 31, 2024	
Remaining Time to Maturity	Amortized Cost	Fair Value
Due in one year or less	$ 30,358	$ 30,229
Due after one year through five years	44,282	43,258
Due after five years through ten years	25,697	23,964
Due after ten years	9,773	9,326
Residential and commercial mortgage-backed securities	25,217	24,173
Other loan-backed and structured securities	3,428	3,166
Total	$ 138,755	$ 134,116

Investments as of March 31, 2024, include $ 37.5 million of investments held by our captive reinsurance businesses as collateral for the benefit of HOA. Of this amount, $3.3 million is classified as short-term investments, and $ 34.3 million is classified as long-term investments.

Securities with gross unrealized loss position, aggregated by investment category and length of time the individual securities have been in a continuous loss position, are as follows:

As of March 31, 2024	Less Than Twelve Months Gross Unrealized Loss	Less Than Twelve Months Fair Value	Twelve Months or Greater Gross Unrealized Loss	Twelve Months or Greater Fair Value	Total Gross Unrealized Loss	Total Fair Value
U.S. Treasuries	$ (358)	$ 33,077	$ (56)	$ 526	$ (414)	$ 33,603
Obligations of states, municipalities and political subdivisions	(839)	10,400	(149)	1,607	(988)	12,007
Corporate bonds	(1,859)	27,414	(354)	4,590	(2,213)	32,004
Residential and commercial mortgage-backed securities	(692)	13,523	(406)	2,964	(1,098)	16,487
Other loan-backed and structured securities	(267)	2,565	(7)	51	(274)	2,616
Total securities	$ (4,015)	$ 86,979	$ (972)	$ 9,738	$ (4,987)	$ 96,717

As of December 31, 2023	Less Than Twelve Months Gross Unrealized Loss	Less Than Twelve Months Fair Value	Twelve Months or Greater Gross Unrealized Loss	Twelve Months or Greater Fair Value	Total Gross Unrealized Loss	Total Fair Value
U.S. Treasuries	$ (280)	$ 12,345	$ (50)	$ 515	$ (330)	$ 12,860
Obligations of states, municipalities and political subdivisions	(813)	8,445	(148)	1,639	(961)	10,084
Corporate bonds	(1,698)	21,104	(369)	4,677	(2,067)	25,781
Residential and commercial mortgage-backed securities	(621)	8,673	(383)	3,072	(1,004)	11,745
Other loan-backed and structured securities	(281)	2,790	(8)	52	(289)	2,842
Total securities	$ (3,693)	$ 53,357	$ (958)	$ 9,955	$ (4,651)	$ 63,312

At March 31, 2024, and December 31, 2023, there were 475 and 410 securities, respectively, in an unrealized loss position. Of these securities, 81 had been in an unrealized loss position for 12 months or longer as of March 31, 2024.

We believe there were no fundamental issues such as credit losses or other factors with respect to any of our available-for-sale securities. The unrealized losses on investments in fixed-maturity securities were caused primarily by interest rate changes. We expect that the securities will not be settled at a price less than par value of the investments. Because the declines in fair value are attributable to changes in interest rates or market conditions and not credit quality, and because we have the ability and intent to hold our available-for-sale investments until a market price recovery or maturity, we do not consider any of our investments to have any decline in fair value due to expected credit losses at March 31, 2024.

Note 4. Fair Value

The following tables summarize the fair value measurements of assets and liabilities that are measured at fair value on a recurring basis.

	Fair Value Measurement as of March 31, 2024			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Money market mutual funds	$ 158,354	$ —	$ —	$ 158,354
Debt securities:				
U.S. Treasuries	35,819	—	—	35,819
Obligations of states, municipalities and political subdivisions	—	18,545	—	18,545
Corporate bonds	—	52,413	—	52,413
Residential and commercial mortgage-backed securities	—	24,173	—	24,173
Other loan-backed and structured securities	—	3,166	—	3,166
	$ 194,173	$ 98,297	$ —	$ 292,470
Liabilities				
Contingent consideration - business combinations (1)	$ —	$ —	$ 4,576	$ 4,576
Private warrant liability	—	—	1,576	1,576
Embedded derivatives	—	—	26,648	26,648
	$ —	$ —	$ 32,800	$ 32,800

	Fair Value Measurement as of December 31, 2023			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Money market mutual funds	$ 165,744	$ —	$ —	$ 165,744
Debt securities:				
U.S. Treasuries	43,696	—	—	43,696
Obligations of states, municipalities and political subdivisions	—	17,420	—	17,420
Corporate bonds	—	50,041	—	50,041
Residential and commercial mortgage-backed securities	—	24,601	—	24,601
Other loan-backed and structured securities	—	3,418	—	3,418
	$ 209,440	$ 95,480	$ —	$ 304,920
Liabilities				
Contingent consideration - business combinations (2)	$ —	$ —	$ 18,455	$ 18,455
Private warrant liability	—	—	1,151	1,151
Embedded derivatives	—	—	28,131	28,131
	$ —	$ —	$ 47,737	$ 47,737

(1) The Condensed Consolidated Balance Sheets include $1.3 million in accrued expenses and other current liabilities and $3.3 million in other liabilities as of March 31, 2024, for contingent consideration related to business combinations.

(2) The Condensed Consolidated Balance Sheets include $14.8 million in accrued expenses and other current liabilities and $3.7 million in other liabilities as of December 31, 2023, for contingent consideration related to business combinations.

Financial Assets

Money market mutual funds are valued at the closing price reported by the fund sponsor from an actively traded exchange. As the funds are generally maintained at a net asset value which does not fluctuate, cost approximates fair value. These are included as a Level 1 measurement in the table above. The fair values for available-for-sale fixed-maturity securities are based upon prices provided by an independent pricing service. We have reviewed these prices for reasonableness and have not adjusted any prices received from the independent provider. Level 2 securities represent assets whose fair value is determined using observable market information such as previous day trade prices, quotes from less active markets or quoted prices of securities with similar characteristics. There were no transfers between Level 1 and Level 2.

Contingent Consideration – Business Combinations

As part of the acquisition of Floify, LLC ("Floify") in October 2021, we issued shares as partial closing consideration to the sellers of Floify and guaranteed that the value of those shares would equal or exceed 200% of such price on or prior to December 31, 2024 (the "True-Up Obligation"). The True-Up Obligation could be settled at our option in cash, Porch common stock, or a combination thereof. On March 27, 2024, we entered into a settlement agreement and mutual release of claims with the sellers of Floify to settle a post-closing dispute. As part of the of this agreement, the sellers of Floify agreed to terminate the True-Up Obligation in full and released from restriction approximately $0.9 million of escrowed cash to us. We estimated the fair value of the True-Up Obligation as of the settlement date using the Monte Carlo simulation method. The fair value is based on the simulated market price of our common stock over the maturity date of the True-Up Obligation. As of March 27, 2024, the key inputs used to determine the fair value of $14.9 million included the stock price of $4.13, strike price of $36.00, discount rate of 23.6% and volatility of 95%. Subsequent to the valuation, we recognized a gain on settlement in other income, net, in the Condensed Consolidated Statements of Operations and Comprehensive Loss equal to the fair value of $14.9 million. As of December 31, 2023, the key inputs used in the determination of the fair value of $ 14.0 million included the stock price of $3.08, strike price of $36.00, discount rate of 27.9% and volatility of 90%.

We estimated the fair value of the business combination contingent consideration based on specific metrics related to the acquisition of Residential Warranty Services ("RWS") in April 2022, using the discounted cash flow method. The fair value is based on a percentage of revenue over the maturity date of the contingent consideration. As of March 31, 2024, the key inputs used to determine the fair value of $4.6 million were management's cash flow estimates and the discount rate of 17%. As of December 31, 2023, the key inputs used to determine the fair value of $ 4.4 million were management's cash flow estimates and the discount rate of 17%.

Private Warrants

We estimated the fair value of the private warrants using the Black-Scholes-Merton option pricing model. As of March 31, 2024, the key inputs used to determine the fair value included exercise price of $11.50, expected volatility of 88%, remaining contractual term of 1.73 years, and stock price of $4.31. As of December 31, 2023, the key inputs used to determine the fair value included exercise price of $11.50, expected volatility of 95%, remaining contractual term of 1.98 years, and stock price of $3.08.

Embedded Derivatives

In connection with the issuance of senior secured convertible notes in April 2023 (see Note 7) and in accordance with Accounting Standards Codification 815-15, *Derivatives and Hedging – Embedded Derivatives,* certain features of the senior secured convertible notes were bifurcated and accounted for separately from the notes. The following features are recorded as derivatives.

- *Repurchase option.* If more than $30 million aggregate principal amount of the 2026 Notes remains outstanding on June 14, 2026, the 2028 Note holders have the right to require us to repurchase for cash on June 15, 2026, all or any portion of their 2028 Notes, in principal amounts of one thousand dollars or an integral number thereof, at a repurchase price equal to 106.5% of the principal amount of the 2028 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date.
- *Fundamental change option.* If we undergo a fundamental change, as defined in the indenture governing the 2028 Notes and subject to certain conditions, holders of the 2028 Notes have the right to require us to repurchase for cash all or any portion of their 2028 Notes, in principal amounts of one thousand dollars or an integral multiple thereof, at a repurchase price equal to 105.25% of the principal amount of the 2028 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. A fundamental change includes events such as a change in control, recapitalization, liquidation, dissolution, or delisting.
- *Asset sale repurchase option.* If we sell assets and receive net cash proceeds of $ 2.5 million in excess of the Asset Sale Threshold (as defined below) (such excess net cash proceeds, the "Excess Proceeds"), we must

offer to all holders of 2028 Notes to repurchase their 2028 Notes for an aggregate amount of cash equal to 50% of such Excess Proceeds at a repurchase price per 2028 Note equal to 100% of the principal amount thereof, plus accrued and unpaid interest to, but excluding, the relevant purchase date, if any. "Asset Sale Threshold" means $20.0 million in the aggregate, provided that on and after the date on which the cumulative net cash proceeds received by the Company and its restricted subsidiaries from the sale of assets after April 20, 2023, exceeds $20.0 million in the aggregate, the "Asset Sale Threshold" means $ 0.

The inputs for determining fair value of the embedded derivatives are classified as Level 3 inputs. Level 3 fair value is based on unobservable inputs based on the best information available. These inputs include the probabilities of scenarios related to a repurchase, a fundamental change, and qualifying asset sales, ranging from 3% to 29%.

Level 3 Rollforward

Fair value measurements categorized within Level 3 are sensitive to changes in the assumptions or methodology used to determine fair value, and such changes could result in a significant increase or decrease in the fair value.

The changes for Level 3 items measured at fair value on a recurring basis using significant unobservable inputs are as follows:

	Contingent Consideration - Business Combinations	Embedded Derivatives	Private Warrant Liability
Fair value as of December 31, 2023	$ 18,455	$ 28,131	$ 1,151
Settlements	(14,930)	—	—
Change in fair value, loss (gain) included in net loss [(1)]	1,051	(1,483)	425
Fair value as of March 31, 2024	$ 4,576	$ 26,648	$ 1,576

	Contingent Consideration - Business Combinations	Contingent Consideration - Earnout	Private Warrant Liability
Fair value as of December 31, 2022	$ 24,546	$ 44	$ 707
Settlements	(194)	—	—
Change in fair value, loss (gain) included in net loss [(1)]	(154)	—	(345)
Fair value as of March 31, 2023	$ 24,198	$ 44	$ 362

(1) Changes in fair value of contingent consideration related to business combinations are included in general and administrative expenses in the unaudited condensed consolidated statements of operations. Changes in fair value of the earnout contingent consideration and private warrant liability are disclosed separately in the unaudited condensed consolidated statements of operations. Changes in the fair value of the embedded derivatives are included in change in fair value of derivatives in the unaudited condensed consolidated statements of operations.

Fair Value Disclosure

As of March 31, 2024, and December 31, 2023, the fair value of the 2026 Notes (see Note 7) was $ 78.0 million and $73.1 million, respectively. The increase of $4.9 million is primarily due to the increase in the stock price at March 31, 2024, as compared to December 31, 2023. As of March 31, 2024, and December 31, 2023, the fair value of the 2028 Notes (see Note 7) was $227.5 million and $196.7 million, respectively. The increase of $30.8 million is primarily due to the increase in the stock price at March 31, 2024, as compared to December 31, 2023. The fair values of the line of credit, advance funding arrangement and other notes approximate the unpaid principal balance. All debt, other than the convertible notes which are Level 2, is considered a Level 3 measurement.

Note 5. Property, Equipment, and Software

Property, equipment, and software, net, consists of the following:

	March 31, 2024	December 31, 2023
Software and computer equipment	$ 8,247	$ 8,340
Furniture, office equipment, and other	1,537	1,573
Internally developed software	25,428	24,526
Leasehold improvements	1,176	1,176
	36,388	35,615
Less: Accumulated depreciation and amortization	(18,800)	(18,754)
Property, equipment, and software, net	$ 17,588	$ 16,861

Depreciation and amortization expense related to property, equipment, and software was $ 1.6 million and $1.2 million for the three months ended March 31, 2024 and 2023, respectively.

Note 6. Intangible Assets and Goodwill

Intangible Assets

Intangible assets are stated at cost or acquisition-date fair value less accumulated amortization and impairment. The following tables summarize intangible asset balances.

As of March 31, 2024	Weighted Average Useful Life (in years)	Intangible Assets, gross	Accumulated Amortization And Impairment	Intangible Assets, Net
Customer relationships	9.0	$ 69,026	$ (25,999)	$ 43,027
Acquired technology	5.0	28,001	(15,861)	12,140
Trademarks and tradenames	11.0	23,443	(7,207)	16,236
Non-compete agreements	5.0	301	(152)	149
Renewal rights	6.0	9,734	(3,741)	5,993
Insurance licenses	Indefinite	4,960	—	4,960
Total intangible assets		$ 135,465	$ (52,960)	$ 82,505

As of December 31, 2023	Weighted Average Useful Life (in years)	Intangible Assets, gross	Accumulated Amortization And Impairment	Intangible Assets, Net
Customer relationships	8.0	$ 69,504	$ (24,153)	$ 45,351
Acquired technology	5.0	36,041	(22,358)	13,683
Trademarks and tradenames	11.0	23,443	(6,701)	16,742
Non-compete agreements	3.0	616	(455)	161
Value of business acquired	1.0	400	(400)	—
Renewal rights	6.0	9,734	(3,415)	6,319
Insurance licenses	Indefinite	4,960	—	4,960
Total intangible assets		$ 144,698	$ (57,482)	$ 87,216

The aggregate amortization expense related to intangibles was $ 4.7 million and $4.9 million for the three months ended March 31, 2024 and 2023, respectively.

Goodwill

The goodwill balance at March 31, 2024, and December 31, 2023, was $ 191.9 million and is entirely included in our Vertical Software segment. We had no changes in the carrying amount of goodwill for the three months ended March 31, 2024.

Note 7. Debt

The following tables summarize outstanding debt as of March 31, 2024, and December 31, 2023.

	Principal	Unaccreted Discount	Debt Issuance Costs	Carrying Value
Convertible senior notes, due 2026	$ 217,000	$ —	$ (2,903)	$ 214,097
Convertible senior notes, due 2028	333,334	(111,191)	(4,149)	217,994
Other notes	150	(9)	—	141
Balance as of March 31, 2024	$ 550,484	$ (111,200)	$ (7,052)	$ 432,232

	Principal	Unaccreted Discount	Debt Issuance Costs	Carrying Value
Convertible senior notes, due 2026	$ 225,000	$ —	$ (3,311)	$ 221,689
Convertible senior notes, due 2028	333,334	(115,353)	(4,312)	213,669
Advance funding arrangement	94	—	—	94
Other notes	300	(13)	—	287
Balance as of December 31, 2023	$ 558,728	$ (115,366)	$ (7,623)	$ 435,739

Convertible Senior Notes

Interest expense recognized related to the 0.75% Convertible Senior Notes due 2026 (the “2026 Notes”) was approximately $ 0.7 million and $1.4 million for the three months ended March 31, 2024 and 2023, respectively, and includes contractual interest expense and amortization of debt issuance costs. The effective interest rate for the 2026 Notes is 1.3%.

Interest expense recognized related to the 6.75% Convertible Senior Notes due 2028 (the “2028 Notes”) was approximately $ 9.9 million and zero for the three months ended March 31, 2024 and 2023, respectively. Interest expense includes $5.6 million contractual interest expense and $ 4.3 million amortization of debt issuance costs and discount for the three months ended March 31, 2024. The effective interest rate for the 2028 Notes is 17.9%.

For the three months ended March 31, 2024, we capitalized $ 0.1 million of interest expense on the 2028 Notes related to ongoing internally developed software projects.

In February 2024, we repurchased $8.0 million aggregate principal amount of our 2026 Notes. We paid $ 3.0 million, or 37.5% of par value, plus accrued interest. We recognized a $4.9 million gain on extinguishment of debt, calculated as the difference between the reacquisition price and the net carrying amount of the portion of the 2026 Notes that was extinguished.

Advance Funding Arrangement

For certain home warranty contracts, we participated in financing arrangements with third-party financers that provided us with the contract premium upfront, less a financing fee. Third-party financers collect installment payments from the warranty contract customer which satisfy our repayment obligation over a portion of the contract term. We remain obligated to repay the third-party financer if a customer cancels its warranty contract prior to full repayment of the advance funding amount we received. As part of the arrangement, we paid financing fees, which were collected by the third-party financers upfront and were initially recognized as a debt discount. Financing fees were amortized as interest expense under the effective interest method. The implied interest rate varied per contract and was generally approximately 14% of total funding received. As of March 31, 2024, our obligation was completely satisfied with the third-party financers, we had no outstanding balance.

Note 8. Stockholders' Equity and Warrants

Common Shares Outstanding and Common Stock Equivalents

The following table summarizes our fully diluted capital structure.

	March 31, 2024	December 31, 2023
Issued and outstanding common shares	97,869	97,061
Common shares reserved for future issuance:		
Private warrants	1,796	1,796
Stock options (Note 9)	3,382	3,642
Restricted and performance stock units and awards (Note 9)	11,089	12,065
2020 Equity Plan pool reserved for future issuance (Note 9)	13,270	8,009
Convertible senior notes, due 2026 (1)	8,679	8,999
Convertible senior notes, due 2028	13,332	13,332
Contingently issuable shares in connection with acquisitions (2)	—	5,908
Total shares of common stock outstanding and reserved for future issuance	149,417	150,812

(1) In connection with the September 16, 2021, issuance of the 2026 Notes, we used a portion of the proceeds to pay for the capped call transactions, which are expected to generally reduce the potential dilution to our common stock. The capped call transactions impact the number of shares that may be issued by effectively increasing our conversion price from $25 per share to approximately $37.74, which would result in approximately 6 million potentially dilutive shares instead of the shares reported in this table as of March 31, 2024.

(2) In connection with the acquisition of Floify, we issued shares as partial closing consideration and guaranteed that the value of those shares would equal or exceed 200% of such price on or prior to December 31, 2024. If the value of those shares did not equal or exceed 200% of their value, we would have been obligated to settle any differences in cash, Porch common stock, or combination thereof. On March 27, 2024, we entered into a settlement agreement to settle a post-closing dispute. As part of this agreement, the sellers of Floify agreed to terminate this obligation in full.

Warrants

There was no activity related to private warrants during the three months ended March 31, 2024 and 2023. As of March 31, 2024, and December 31, 2023, there were 1.8 million private warrants outstanding for 11.5 million common shares. These private warrants are liability classified financial instruments measured at fair value, with periodic changes in fair value recognized through earnings and are included in “change in fair value of private warrant liability” in the unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss. See Note 4 for more information.

Note 9. Stock-Based Compensation

The following table summarizes the classification of stock-based compensation expense in the unaudited condensed consolidated statements of operations.

	Three Months Ended March 31,	
	2024	2023
Selling and marketing	$ 694	$ 1,045
Product and technology	1,095	1,449
General and administrative	3,579	4,400
Total stock-based compensation expense	$ 5,368	$ 6,894

Under our 2020 Stock Incentive Plan, employees, directors and consultants are eligible for grants of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards (“RSAs”), restricted stock units (“RSUs”), performance restricted stock units (“PRSUs”), and other stock awards, collectively referred to as “Equity Awards.”

The following table summarizes Equity Award activity for the three months ended March 31, 2024:

	Number of Options	Number of Restricted Stock Units	Number of Performance Restricted Stock Units
Balances as of December 31, 2023	3,642	8,310	3,754
Granted	—	149	—
Vested		(620)	—
Exercised	(243)	—	—
Forfeited, canceled or expired	(17)	(504)	—
Balances as of March 31, 2024	3,382	7,335	3,754

Note 10. Reinsurance

2023 Program

Our third-party quota share reinsurance program is split into three separate placements to maximize coverage and cost efficiency. The Coastal Program covers our business in certain Texas coastal regions and the Houston metropolitan area and is placed at 42% of subject property and casualty losses ("P&C losses"), as well as all business in South Carolina which is placed at 7% of P&C losses. The Core Program, which covers the portion of our business not in the Coastal Program, is placed at 9.5% of P&C losses of our remaining business in Texas and 8% of P&C losses of our business in other states. In addition, the Combined Program covers all of our business and is placed at 5% of P&C losses. All programs are effective for the period January 1, 2023, through December 31, 2023, or March 31, 2024, and are subject to certain limits and exclusions, which vary by participating reinsurer.

Property catastrophe excess of loss treaties were placed on April 1, 2023, and were updated in August 2023 after the events described in the "Terminated Reinsurance Contract" section below. Coverage for wind storms starts at $20 million per occurrence. Losses are shared between $20 million and $80 million. Over $80 million losses are covered up to a net loss of $ 440 million. We also place reinstatement premium protection to cover any reinstatement premiums due on the first four layers.

2024 Program

As of April 1, 2024, our quota share program will consist of one combined program covering all of our business in all states and is placed at 27.5% of P&C losses. All programs are effective for the period April 1, 2024, through March 31, 2025, and are subject to certain limits and exclusions, which vary by participating reinsurer.

Coverage for catastrophe events starts immediately within the quota share contracts and at $ 45.0 million per occurrence within the property catastrophe excess of loss treaties placed on April 1, 2024. Losses are shared at various levels up to $75.0 million. Over $75.0 million losses are covered up to a loss of $465.0 million. We also place reinstatement premium protection to cover any reinstatement premiums due on the first five layers.

Reinsurance Impact

The effects of reinsurance on premiums written and earned for the three months ended March 31, 2024 and 2023, were as follows:

	Three Months Ended March 31,			
	2024		2023	
	Written	Earned	Written	Earned
Direct premiums	$ 75,104	$ 108,588	$ 96,873	$ 114,824
Ceded premiums	(30,329)	(36,363)	2,266	(74,674)
Net premiums	$ 44,775	$ 72,225	$ 99,139	$ 40,150

The effects of reinsurance on incurred losses and loss adjustment expense ("LAE") for the three months ended March 31, 2024 and 2023, were as follows:

	Three Months Ended March 31,	
	2024	2023
Direct losses and LAE	$ 79,416	$ 90,015
Ceded losses and LAE	(10,483)	(47,156)
Net losses and LAE	$ 68,933	$ 42,859

The detail of reinsurance balances due is as follows:

	March 31, 2024	December 31, 2023
Ceded unearned premium	$ 41,899	$ 50,697
Losses and LAE reserve	18,556	19,911
Reinsurance recoverable	14,637	12,629
Other	327	345
Reinsurance balance due	$ 75,419	$ 83,582

Terminated Reinsurance Contract

During the second quarter of 2023, HOA discovered that Vesttoo Ltd ("Vesttoo"), which arranged capital for one of our reinsurance contracts, faced allegations of fraudulent activity in connection with collateral it provided to HOA and certain other third parties, which allegations have since been confirmed. We have communicated and met with regulators and other key stakeholders regarding the evolving situation. This reinsurance agreement provided partial quota share coverage as well as up to approximately $175 million in a catastrophic event.

As a result of its findings, and in accordance with the terms of the reinsurance agreement, HOA terminated the associated contract on August 4, 2023, with an effective date of July 1, 2023. Had the contract not been terminated, the contract would have expired on December 31, 2023, and HOA would have been contracted to pay approximately $20 million in additional premium payments during July through December 2023. Following the effective date of the termination, HOA seized available liquid collateral in the amount of approximately $47.6 million from a reinsurance trust, of which HOA was the beneficiary and recognized a charge of $36.0 million in provision for doubtful accounts in the Condensed Consolidated Statements of Operations and Comprehensive Loss for the year ended December 31, 2023. In addition, HOA is evaluating and intends to pursue all available legal claims and remedies to enforce its rights under the letter of credit required by the reinsurance agreement in the amount of $300 million as additional collateral. We are also seeking recovery of all losses and damages incurred as a result of terminating the reinsurance agreement due to allegations of fraudulent activity by third parties.

On January 19, 2024, we entered into a five-year business collaboration agreement with Aon Corp. and Aon Re, Inc. ("Aon") , resulting in payments to us of approximately $25 million in January 2024 and additional cash payments through the end of the contract term. Of the cash payments that we have or will receive through the end of the contract term, $8.7 million is non-refundable and immediately recognized in other income, net in the Condensed Consolidated Statements of Operations and Comprehensive Loss. A portion of the remaining amount is potentially refundable to Aon if we breach the agreement, including if we directly or indirectly place reinsurance with brokers unaffiliated with Aon, subject to customary cure rights. The remaining amount will be recognized in other income, net, over the term of the agreement. As part of this agreement, Aon and Porch also signed a mutual release of claims arising from the Vesttoo fraud. Porch has not released any claims against non-Aon parties related to these matters and intends to vigorously pursue recovery. In addition to this arrangement, we have also received cash recoveries from other parties in the amount of $3.0 million during the three months ended March 31, 2024.

Note 11. Unpaid Losses and Loss Adjustment Reserve

The following table summarizes the changes in the reserve balances for unpaid losses and LAE, gross of reinsurance, for the three months ended March 31, 2024:

Reserve for unpaid losses and LAE at December 31, 2023	$	95,503
Reinsurance recoverables on losses and LAE at December 31, 2023		(19,808)
Reserve for unpaid losses and LAE reserve, net of reinsurance recoverables at December 31, 2023		75,695
Add provisions (reductions) for losses and LAE occurring in:		
Current year		67,135
Prior years		1,798
Net incurred losses and LAE during the current year		68,933
Deduct payments for losses and LAE occurring in:		
Current year		(19,242)
Prior years (1)		(31,382)
Net claim and LAE payments during the current year		(50,624)
Reserve for losses and LAE, net of reinsurance recoverables at March 31, 2024		94,004
Reinsurance recoverables on losses and LAE at March 31, 2024		(18,556)
Reserve for unpaid losses and LAE at March 31, 2024	$	112,560

(1) Also includes certain charges related to Vesttoo (see Note 10).

As a result of additional information on claims occurring in prior years becoming available to management, changes in estimates of provisions of losses and loss adjustment expenses were made resulting in an increase of $1.8 million for the three months ended March 31, 2024.

Note 12. Other Income (Expense), Net

The following table details the components of other income, net, on the Condensed Consolidated Statements of Operations and Comprehensive Loss:

	Three Months Ended March 31,	
	2024	**2023**
Interest income	$ 434	$ 720
Gain on settlement of contingent consideration	14,930	—
Loss on sale of business	(5,244)	—
Recoveries of losses on reinsurance contracts	12,570	—
Other, net	(12)	42
Other income, net	$ 22,678	$ 762

Note 13. Income Taxes

Benefit (provision) for income taxes for the three months ended March 31, 2024, and 2023, were $(0.2) million and $0.1 million, respectively, and the effective tax rates for these periods were (1.4)% and 0.3%, respectively. The difference between our effective tax rates for the 2024 and 2023 periods and the U.S. statutory rate of 21% was primarily due to a full valuation related to our net deferred tax assets.

Note 14. Commitments and Contingencies

From time to time we are or may become subject to various legal proceedings arising in the ordinary course of business, including proceedings initiated by users, other entities, or regulatory bodies. Estimated liabilities are recorded when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many instances, we are unable to determine whether a loss is probable or to reasonably estimate the amount of such a loss and, therefore, the potential future losses arising from a matter may differ from the amount of estimated liabilities we have recorded in the financial statements covering these matters. We review our estimates periodically and make adjustments to reflect negotiations, estimated settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular matter.

Cases under Telephone Consumer Protection Act

Porch and/or an acquired entity, GoSmith.com, are party to a legal proceeding alleging violations of the automated calling and/or internal and National Do Not Call restrictions of the Telephone Consumer Protection Act of 1991 and a related Washington state law claim. The proceedings were commenced as thirteen separate mass tort actions brought by a single plaintiffs' law firm in December 2019 and April/May 2020 in federal district courts throughout the United States. One of the actions was dismissed with prejudice and appealed to the Ninth Circuit Court of Appeals. While the appeal was pending, the remaining cases were consolidated in the United States District Court for the Western District of Washington, where Porch resides. On October 12, 2022, in a split decision, the Ninth Circuit Court of Appeals reversed. Following remand, that case was also consolidated with the Western District of Washington action. Plaintiffs then filed a motion for leave to file a second amended complaint, which was granted in part and denied in part. The Second Amended Complaint was filed in July 2023. In September 2023, Defendants filed a Motion to Strike the Second Amended Complaint; this motion was denied. Defendants' Motion to Dismiss was filed on February 15, 2024 and is fully briefed and awaiting a decision. The parties' filed a required Joint Status Report and Discovery Plan on February 16, 2024. Discovery is stayed until Defendants' Motion to Dismiss is decided. Plaintiffs seek actual, statutory, and/or treble damages, injunctive relief, and reasonable attorneys' fees and costs. The action is at an early stage in the litigation process. It is not possible to determine the likelihood of an unfavorable outcome of these disputes, although it is reasonably possible that the outcome of these actions may be unfavorable. Further, it is not possible to estimate the range or amount of potential loss (if the outcome should be unfavorable). We intend to contest this case vigorously.

Other

In addition, in the ordinary course of business, we and our subsidiaries are (or may become) parties to litigation involving property, personal injury, contract, intellectual property and other claims, as well as stockholder derivative actions, class action lawsuits and other matters. The amounts that may be recovered in such matters may be subject to insurance coverage. Although the results of legal proceedings and claims cannot be predicted with certainty, neither we nor any of our subsidiaries are currently a party to any legal proceedings the outcome of which, we believe, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our business, financial condition or results of operations.

Note 15. Business Disposition

On January 31, 2024, we sold our insurance agency, Elite Insurance Group ("EIG"). The estimated price is $ 12.2 million of which we have received $10.3 million in cash and recorded a receivable of $ 1.8 million as of March 31, 2024. We recorded an estimated loss of $ 5.2 million in other income, net, in the Condensed Consolidated Statements of Operations and Comprehensive Loss. The final price and amount of loss on sale will be determined after post-closing adjustments have been finalized, which is expected to occur in the second quarter of 2024.

Note 16. Segment Information

We have two reportable segments that are also our operating segments: Vertical Software and Insurance. Reportable segments were identified based on how the chief operating decision-maker ("CODM") manages the business, makes operating decisions, and evaluates operating and financial performance. Our chief executive officer acts as the CODM and reviews financial and operational information for our reportable segments. Operating segments are components of an enterprise for which separate discrete financial information is available and operational results are regularly evaluated by the CODM for the purposes of making decisions regarding resource allocation and assessing performance.

Our Vertical Software segment provides software and services to inspection, mortgage, and title companies on a subscription and transactional basis, which was 62% of total vertical software revenue, and move and post-move services, which was 38% of total vertical software revenue for the three months ended March 31, 2024. The Vertical Software segment operates as several key businesses, including inspection software and services, title insurance software, mortgage software, moving services, mover and homeowner marketing, and measurement software for roofers.

Our Insurance segment provides consumers with insurance and warranty products to protect their homes, earning revenue through premiums collected on policies, policy fees and commissions. The Insurance segment includes Homeowners of America ("HOA"), a wholly owned insurance carrier, Porticus Reinsurance ("Porticus RE"), our Cayman Islands captive reinsurer, and Porch Warranty, among other warranty brands.

The following table summarizes revenue by segment.

	Three Months Ended March 31,	
	2024	2023
Vertical Software	$ 27,495	$ 28,627
Insurance	87,948	58,742
Total revenue	$ 115,443	$ 87,369

Our segment operating and financial performance measure is Segment Adjusted EBITDA (Loss). Segment Adjusted EBITDA (Loss) is defined as revenue less the following expenses associated with each segment: cost of revenue, selling and marketing, product and technology, and general and administrative. Segment Adjusted EBITDA (Loss) also excludes non-cash items or items that management does not consider reflective of ongoing core operations.

We do not allocate shared expenses to the reportable segments. These expenses are included in the "Corporate and other" row in the following reconciliation. "Corporate and other" includes shared expenses such as selling and marketing; certain product and technology; accounting; human resources; legal; general and administrative; and other income, expenses, gains, and losses that are not allocated in assessing segment performance due to their function. Such transactions are excluded from the reportable segments' results but are included in consolidated results.

The reconciliation of Segment Adjusted EBITDA (Loss) to consolidated "Operating loss" below includes the effects of corporate and other items that the CODM does not consider in assessing segment performance.

	Three Months Ended March 31,	
	2024	2023
Segment Adjusted EBITDA (Loss):		
Vertical Software	$ 1,123	$ (396)
Insurance	(2,885)	(7,185)
Subtotal	(1,762)	(7,581)
Reconciling items:		
Corporate and other	(15,026)	(14,301)
Depreciation and amortization	(6,317)	(6,015)
Impairment loss on intangible assets and goodwill	—	(2,021)
Stock-based compensation expense	(5,368)	(6,894)
Other non-operating income	(1,176)	—
Restructuring costs [1]	(157)	(984)
Acquisition and other transaction costs	(167)	(128)
Change in fair value of contingent consideration	(1,051)	154
Investment income and realized gains	(3,644)	(758)
Operating loss	$ (34,668)	$ (38,528)

(1) Primarily consists of costs related to forming a reciprocal exchange.

The CODM does not review assets on a segment basis.

All of our revenue is generated in the United States except for an immaterial amount. As of March 31, 2024, and December 31, 2023, we did not have material assets located outside of the United States.

Note 17. Net Loss Per Share

Basic and diluted net loss per share attributable to common stockholders and is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period.

Diluted earnings per share attributable to common stockholders adjusts basic earnings per share for the potentially dilutive impact of stock options, RSUs, PRSUs, RSAs, convertible notes, earnout shares, and warrants. As we have reported losses for all periods presented, all potentially dilutive securities are antidilutive and, accordingly, basic net loss per share equals diluted net loss per share.

The following table summarizes the computation of basic and diluted net loss attributable per share to common stockholders for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Net loss used to compute net loss per share - basic and diluted	$ (13,362)	$ (38,740)
Denominator:		
Weighted average shares outstanding used to compute net loss used to compute net loss per share - basic and diluted	97,512	95,210
Net loss per share - basic and diluted	$ (0.14)	$ (0.41)

The following table discloses securities that were not included in the computation of diluted net loss per share because to do so would have been antidilutive for the periods presented:

	Three Months Ended March 31,	
	2024	2023
Stock options	3,382	3,735
Restricted stock units and awards	7,335	4,994
Performance restricted stock units	3,754	1,223
Public and private warrants	1,796	1,796
Earnout shares [(1)]	—	2,050
Convertible debt [(2)]	22,011	16,998
Contingently issuable shares in connection with acquisitions [(3)]	—	13,958

(1) Earnout shares expired on December 23, 2023, without vesting and were subsequently cancelled.

(2) In connection with the September 16, 2021, issuance of the 2026 Notes, we used a portion of the proceeds to pay for the capped call transactions, which are expected to generally reduce the potential dilution to our common stock. The capped call transactions impact the number of shares that may be issued by effectively increasing our conversion price from $25 per share to approximately $37.74, which would result in approximately 6 million potentially dilutive shares instead of the shares reported in this table as of March 31, 2024.

(3) In connection with the acquisition of Floify, we issued shares as partial closing consideration and guaranteed that the value of those shares would equal or exceed 200% of such price on or prior to December 31, 2024. If the value of those shares did not equal or exceed 200% of their value, we would have been obligated to settle any differences in cash, Porch common stock, or combination thereof. On March 27, 2024, we entered into a settlement agreement to settle a post-closing dispute. As part of this agreement, the sellers of Floify agreed to terminate this obligation in full.

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

This quarterly report on Form 10-Q (this "Quarterly Report") and the documents incorporated herein by reference contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These statements are based on the beliefs and assumptions of management. Although we believe that our plans, intentions, and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions, or expectations. Forward-looking statements are inherently subject to risks, uncertainties, and assumptions. Generally, statements that are not historical facts, including statements concerning our possible or assumed future actions, business strategies, events, or results of operations, are forward-looking statements. These statements may be preceded by, followed by, or include the words "believe," "estimate," "expect," "project," "forecast," "may," "will," "should," "seek," "plan," "scheduled," "anticipate," "intend," or similar expressions.

Forward-looking statements are not guarantees of performance. You should not put undue reliance on these statements which speak only as of the date herein. Unless specifically indicated otherwise, the forward-looking statements in this Quarterly Report do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that have not been completed as of the date of this filing. You should understand that the following important factors, among others, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements:

- expansion plans and opportunities, and managing growth, to build a consumer brand;
- the incidence, frequency, and severity of weather events, extensive wildfires, and other catastrophes;
- economic conditions, especially those affecting the housing, insurance, and financial markets;
- expectations regarding revenue, cost of revenue, operating expenses, and the ability to achieve and maintain future profitability;
- existing and developing federal and state laws and regulations, including with respect to insurance, warranty, privacy, information security, data protection, and taxation, and management's interpretation of and compliance with such laws and regulations;
- our reinsurance program, which includes the use of a captive reinsurer, the success of which is dependent on a number of factors outside management's control, along with reliance on reinsurance to protect against loss;
- the uncertainty and significance of the known and unknown effects on our insurance carrier subsidiary, Homeowners of America Insurance Company ("HOA"), and us due to the termination of a reinsurance contract following of fraud committed by Vesttoo Ltd. ("Vesttoo"), including, but not limited to, the outcome of Vesttoo's Chapter 11 bankruptcy proceedings; our ability to successfully pursue claims arising out of the fraud, the costs associated with pursuing the claims, and the timeframe associated with any recoveries; HOA's ability to obtain and maintain adequate reinsurance coverage against excess losses; HOA's ability to stay out of regulatory supervision and maintain its financial stability rating;
- uncertainties related to regulatory approval of insurance rates, policy forms, insurance products, license applications, acquisitions of businesses, or strategic initiatives, including the reciprocal restructuring, and other matters within the purview of insurance regulators;
- reliance on strategic, proprietary relationships to provide us with access to personal data and product information, and the ability to use such data and information to increase transaction volume and attract and retain customers;
- the ability to develop new, or enhance existing, products, services, and features and bring them to market in a timely manner;
- changes in capital requirements, and the ability to access capital when needed to provide statutory surplus;
- our ability to timely repay our outstanding indebtedness;
- the increased costs and initiatives required to address new legal and regulatory requirements arising from developments related to cybersecurity, privacy, and data governance and the increased costs and initiatives to protect against data breaches, cyber-attacks, virus or malware attacks, or other infiltrations or incidents affecting system integrity, availability, and performance;
- retaining and attracting skilled and experienced employees;
- costs related to being a public company; and

- other risks and uncertainties discussed in Part II, Item 1A, “Risk Factors,” in the Company’s Annual Report on Form 10-K (“Annual Report”) for the year ended December 31, 2023, as well as those discussed elsewhere in this report and in subsequent reports filed with the Securities and Exchange Commission (“SEC”), all of which are available on the SEC’s website at www.sec.gov.

We caution you that the foregoing list may not contain all the risks to forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors, including those described above and elsewhere in this Quarter Report on Form 10-Q. We disclaim any obligation to update publicly any forward-looking statements, whether in response to new information, future events, or otherwise, except as required by applicable law.

Business Overview

Porch Group, Inc., together with its consolidated subsidiaries, (“Porch Group,” “Porch,” the “Company,” “we,” “our,” “us”) is a leading homeowners insurance and vertical software platform and is positioned to be the best partner to help homebuyers move, maintain, and fully protect their homes. We offer differentiated products and services, with homeowners insurance at the center of this relationship.

We differentiate and look to win in the massive and growing homeowners insurance opportunity by 1) providing the best services for homebuyers, 2) led by advantaged underwriting in insurance, 3) to protect the whole home.

As a leader in the home services software-as-a-service (“SaaS”) space, we’ve built deep relationships with approximately 30 thousand companies that are key to the home-buying transaction, such as home inspectors, mortgage companies, and title companies.

We have grown the utilization our software products across these industries. These relationships provide us with early insights to a majority of United States (“U.S.”) homebuyers. In partnership with these companies, we have the ability to help simplify the move for consumers with services such as insurance, warranty, moving and more.

Through our vertical software products we have unique insights into the majority of U.S. properties. This data helps feed our insurance underwriting models, better understand risk, and create competitive differentiation in underwriting.

We provide full protection for the home by including a variety of home warranty products alongside homeowners insurance. We are able to fill the gaps of protection for consumers, minimize surprises, and deepen our relationships and value proposition.

We have two reportable segments that are also our operating segments: Vertical Software and Insurance.

Vertical Software — Our Vertical Software segment provides software and services to inspection, mortgage, and title companies on a subscription and transactional basis, which was 62% of total vertical software revenue, and move and post-move services, which was 38% of total vertical software revenue for the three months ended March 31, 2024. The Vertical Software segment operates as several key businesses, including inspection software and services, title insurance software, mortgage software, moving services, mover and homeowner marketing, and measurement software for roofers.

Insurance — Our Insurance segment provides consumers with insurance and warranty products to protect their homes, earning revenue through premiums collected on policies, policy fees and commissions. The Insurance segment includes Homeowners of America (“HOA”), a wholly owned insurance carrier, Porticus Reinsurance (“Porticus RE”), our Cayman Islands captive reinsurer, and Porch Warranty, among other warranty brands.

The financial information herein should be read in conjunction with the consolidated financial statements for the year ended December 31, 2023, contained in our Annual Report on Form 10-K for the year ended December 31, 2023, and the Condensed Consolidated Financial Statements included in Item 1 of this Quarterly Report.

Key Performance Measures and Operating Metrics

In the management of these businesses, we identify, measure and evaluate various operating metrics. The key performance measures and operating metrics used in managing the businesses are discussed below. These key performance measures and operating metrics are not prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and may not be comparable to or calculated in the same way as other similarly titled measures and metrics used by other companies.

The following table summarizes operating metrics for each of the quarterly periods indicated.

	Three Months Ended March 31,		
	2024	2023	% Change
Gross Written Premium (in millions)	$ 83	$ 115	(28) %
Policies in Force (in thousands)	256	376	(32) %
Annualized Revenue per Policy (unrounded)	$ 1,375	$ 612	125 %
Annualized Premium per Policy (unrounded)	$ 1,948	$ 1,468	33 %
Premium Retention Rate	90 %	107 %	
Gross Loss Ratio	71 %	79 %	
Average Companies in Quarter (unrounded)	29,733	30,618	(3) %
Average Monthly Revenue per Account in Quarter (unrounded)	$ 1,294	$ 951	36 %
Monetized Services (unrounded)	240,557	214,097	12 %
Average Quarterly Revenue per Monetized Service (unrounded)	$ 422	$ 328	29 %

Gross Written Premium — We define Gross Written Premium as the total premium written by our licensed insurance carrier(s) (before deductions for reinsurance); premiums from our home warranty offerings (for the face value of one year's premium); and premiums of policies placed with third-party insurance companies for which we earn a commission.

Policies in Force — We define Policies in Force as the number of in-force policies at the end of the period for the Insurance segment, including policies and warranties written by us and policies and warranties written by third parties for which we earn a commission.

Annualized Revenue per Policy — We define Annualized Revenue per Policy as quarterly revenue for the Insurance segment, divided by the number of Policies in Force in the Insurance segment, multiplied by four.

Annualized Premium per Policy — We define Annualized Premium per Policy as the total direct earned premium for HOA, our insurance carrier, divided by the number of active insurance policies at the end of the period, multiplied by four.

Premium Retention Rate — We define Premium Retention Rate as the ratio of our insurance carrier's renewed premiums over the last four quarters to base premiums, which is the sum of the preceding year's premiums that either renewed or expired.

Gross Loss Ratio — We define Gross Loss Ratio as our insurance carrier's gross losses divided by the gross earned premium for the respective period on an accident year basis.

Average Companies in Quarter — We define Average Companies in Quarter as the straight-line average of the number of companies as of the end of period compared with the beginning of period across all of our home services verticals that (i) generate recurring revenue and (ii) generated revenue in the quarter. For new acquisitions, the number of companies is determined in the initial quarter based on the percentage of the quarter the acquired business is a part of Porch.

Average Monthly Revenue per Account in Quarter — We view our ability to increase revenue generated from existing customers as a key component of our growth strategy. Average Monthly Revenue per Account in Quarter is defined as the average revenue per month generated across all home services company customer accounts in a quarterly period. Average Monthly Revenue per Account in Quarter is derived from all customers and total revenue.

Monetized Services — We connect consumers with home services companies nationwide and offer a full range of products and services where homeowners can, among other things: (1) compare and buy home insurance policies (along with auto, flood and umbrella policies) and warranties with competitive rates and coverage; (2) arrange for a variety of services in connection with their move, from labor to load or unload a truck to full-service, long-distance moving services; (3) discover and install home automation and security systems; (4) compare internet and television options for their new home; (5) book small handyman jobs at fixed, upfront prices with guaranteed quality; and (6) compare bids from home improvement professionals who can complete bigger jobs. We track the number of monetized services performed through our platform each quarter and the revenue generated per service performed in order to measure market penetration with homebuyers and homeowners and our ability to deliver high-revenue services within those groups. Monetized Services is defined as the total number of services from which we generated revenue, including, but not limited to, new and renewing insurance and warranty customers, completed moving jobs, security installations, TV/Internet installations or other home projects, measured over the period.

Average Quarterly Revenue per Monetized Service — We believe that shifting the mix of services delivered to homebuyers and homeowners toward higher revenue services is an important component of our growth strategy. Average Quarterly Revenue per Monetized Service is the average revenue generated per monetized service performed in a quarterly period. When calculating Average Quarterly Revenue per Monetized Service, average revenue is defined as total quarterly service transaction revenues generated from monetized services.

Recent Developments

Recoveries of Losses on Terminated Reinsurance Contract

During the second quarter of 2023, HOA discovered that Vesttoo Ltd ("Vesttoo"), which arranged capital for one of our reinsurance contracts, faced allegations of fraudulent activity in connection with collateral it provided to HOA and certain other third parties, which allegations have since been confirmed. We have communicated and met with regulators and other key stakeholders regarding the evolving situation. This reinsurance agreement provided partial quota share coverage as well as up to approximately $175 million in a catastrophic event.

As a result of its findings, and in accordance with the terms of the reinsurance agreement, HOA terminated the associated contract on August 4, 2023, with an effective date of July 1, 2023. Had the contract not been terminated, the contract would have expired on December 31, 2023, and HOA would have been contracted to pay approximately $20 million in additional premium payments during July through December 2023. Following the effective date of the termination, HOA seized available liquid collateral in the amount of approximately $47.6 million from a reinsurance trust, of which HOA was the beneficiary and recognized a charge of $36.0 million in provision for doubtful accounts in the Condensed Consolidated Statements of Operations and Comprehensive Loss for the year ended December 31, 2023. In addition, HOA is evaluating and intends to pursue all available legal claims and remedies to enforce its rights under the letter of credit required by the reinsurance agreement in the amount of $300 million as additional collateral. We are also seeking recovery of all losses and damages incurred as a result of terminating the reinsurance agreement due to allegations of fraudulent activity by third parties.

On January 19, 2024, we entered into a five-year business collaboration agreement with Aon Corp. and Aon Re, Inc. ("Aon") , resulting in payments to us of approximately $25 million in January 2024 and additional cash payments through the end of the contract term. Of the cash payments that we have or will receive through the end of the contract term, $8.7 million is non-refundable and immediately recognized in other income, net in the Condensed Consolidated Statements of Operations and Comprehensive Loss. A portion of the remaining amount is potentially refundable to Aon if we breach the agreement, including if we directly or indirectly place reinsurance with brokers unaffiliated with Aon, subject to customary cure rights. The remaining amount will be recognized in other income, net, over the term of the agreement. As part of this agreement, Aon and Porch also signed a mutual release of claims arising from the Vesttoo fraud. Porch has not released any claims against non-Aon parties related to these matters and intends to vigorously pursue recovery. In addition to this arrangement, we have also received cash recoveries from other parties in the amount of $3.0 million during the three months ended March 31, 2024.

There can be no guarantee or assurance that HOA will be successful in obtaining sufficient supplemental coverage. Regardless of whether additional supplemental coverage is obtained, HOA will continue to remain responsible and committed with respect to all claims and claim settlement expenses under its policies, including claims incurred but not yet reported for prior periods and claims and expenses that are no longer subject to the reimbursement rights in favor of HOA under the terminated reinsurance contract.

Debt Repurchase

In February 2024, we repurchased $8.0 million aggregate principal amount of our 2026 Notes. We paid $3.0 million, or 37.5% of par value, plus accrued interest. We recognized a $4.9 million gain on extinguishment of debt, calculated as the difference between the reacquisition price and the net carrying amount of the portion of the 2026 Notes that was extinguished.

Sales of Business

On January 31, 2024, we sold our insurance agency, Elite Insurance Group ("EIG"). The estimated price is $12.2 million of which we have received $10.3 million in cash and recorded a receivable of $1.8 million as of March 31, 2024. We recorded an estimated loss of $5.2 million in other income, net, in the Condensed Consolidated Statements of Operations and Comprehensive Loss. The final price and amount of loss on sale will be determined after post-closing adjustments have been finalized, which is expected to occur in the second quarter of 2024.

Reciprocal Exchange

In 2023, we filed an application to form and license a Texas reciprocal exchange (the "Reciprocal") with the Texas Department of Insurance ("TDI"). If approved by the TDI, our insurance underwriting business will be conducted through the Reciprocal. A Porch subsidiary would serve as the operator (or "attorney-in-fact") for the Reciprocal. In that role it would perform underwriting, claims, and management services for the Reciprocal and receive a management fee calculated as a percentage of its premiums. Porch subsidiaries would act as general agents for the Reciprocal and HOA and would receive fees and commissions. There can be no assurance that the Reciprocal will receive regulatory approval, and if obtained, that the approval would be based on terms as proposed or subject to additional requirements that may not be acceptable to us. If the application is approved, we intend to launch Porch Insurance, a new brand and product to be offered by the Reciprocal, including unique benefits for consumers such as a free 90-day warranty and proprietary discounts to customers within the Porch ecosystem.

Results of Operations

Key Factors Affecting Operating Results

We have been implementing our strategy as a vertical software platform for the home by providing software and services to approximately 30 thousand pre-and-post move home service providers including inspectors, real estate, title, and mortgage companies. Our Insurance segment continues to grow in scale through both premium growth and geographic expansion. The following key factors affected our operating results in the three months ended March 31, 2024:

- We continued our insurance profitability actions by not renewing certain higher risk policies, increasing premiums per policy by 33%, and lower reinsurance ceding. These initiatives have allowed us to achieve a gross combined loss ratio of 97% and a current accident year gross loss ratio of 71%.
- We continued our cost savings initiatives by hiring highly qualified individuals to replace external contracting services.
- We had cash recoveries on terminated reinsurance contracts of approximately $28 million.
- We repurchased $8.0 million of our 2026 Convertible Notes for $3.0 million, or 37.5% of par value.
- The U.S. housing market continues to see impacts from higher interest rates, existing home inventory tightening, and affordability challenges that are impacting the Vertical Software segment. Existing home sales have declined by 3.5% for the three months ended March 31, 2024, compared to the same periods in prior year.
- ISN, Porch's largest inspection brand, implemented price increases, following more than 20 feature enhancements.
- We are now approved in 13 states to use our unique data to improve risk accuracy in pricing policies for our customers. This means we can charge a lower price for policies which are low-risk and more accurately price higher risk policies.

Three Months Ended March 31, 2024, compared to the Three Months Ended March 31, 2023

Consolidated Results

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
	(dollar amounts in thousands)			
Revenue	$ 115,443	$ 87,369	$ 28,074	32 %
Operating expenses:				
Cost of revenue	75,844	51,275	24,569	48 %
Selling and marketing	33,948	32,585	1,363	4 %
Product and technology	13,920	13,950	(30)	— %
General and administrative	26,399	26,066	333	1 %
Impairment loss on intangible assets and goodwill	—	2,021	(2,021)	(100) %
Total operating expenses	150,111	125,897	24,214	19 %
Operating loss	(34,668)	(38,528)	3,860	(10) %
Other income (expense):				
Interest expense	(10,787)	(2,188)	(8,599)	393 %
Change in fair value of private warrant liability	(425)	345	(770)	(223) %
Change in fair value of derivatives	1,483	—	1,483	N/A
Gain on extinguishment of debt	4,891	—	4,891	N/A
Investment income and realized gains, net of investment expenses	3,644	758	2,886	381 %
Other income, net	22,678	762	21,916	2,876 %
Total other income (expense)	21,484	(323)	21,807	(6,751) %
Loss before income taxes	(13,184)	(38,851)	25,667	(66) %
Income tax benefit (provision)	(178)	111	(289)	(260) %
Net loss	$ (13,362)	$ (38,740)	$ 25,378	(66) %

Revenue. Total revenue increased by $28.1 million, or 32%, from $87.4 million in the three months ended March 31, 2023, to $115.4 million in the three months ended March 31, 2024, driven by revenue in our Insurance segment as a result of lower reinsurance ceding and an increase in average premium per policy. This increase was partially offset by a 4%, or $1.1 million, decrease in revenue in our Vertical Software segment due to a 3.5% reduction in year-over-year industry home sales which adversely affected our moving business in particular.

Cost of revenue. Cost of revenue increased by $24.6 million, or 48%, from $51.3 million in the three months ended March 31, 2023, to $75.8 million in the three months ended March 31, 2024. The increase was primarily the result of the reduction in reinsurance ceding in the Insurance Segment. As a percentage of revenue, cost of revenue represented 66% of revenue in the three months ended March 31, 2024, compared with 59% in the three months ended March 31, 2023.

Impairment loss on intangible assets and goodwill. In the three months ended March 31, 2023, we recorded impairment losses on intangible assets totaling $2.0 million in our Vertical Software segment. These impairment charges reflected inflationary pressures and a deterioration of the macroeconomic environment in the housing and real estate industry. There were no impairment losses on intangible assets and goodwill in the three months ended March 31, 2024.

Interest expense. Interest expense increased by $8.6 million, or 393%, from $2.2 million in the three months ended March 31, 2023, to $10.8 million in the three months ended March 31, 2024. The increase is mainly due to interest at a higher weighted average rate on a higher aggregate debt balance after issuance of the 2028 Notes in April 2023. The non-cash amortization of debt discount and issuance costs also contributed to the increase.

Change in fair value of private warrant liability. The fair value of the private warrant liability increased in the three months ended March 31, 2024, compared to a decrease in the three months ended March 31, 2023. The increase in our common stock price drove the change for the three months ended March 31, 2024, compared with a decrease in stock price for the three months ended March 31, 2023.

Change in fair value of derivatives. In connection with the issuance of the 2028 Notes in April 2023 and in accordance with GAAP, certain features of the notes were bifurcated and accounted for separately from the notes. These features are recorded as derivatives, and changes in their fair value are recognized in net loss each period. There were no corresponding derivatives in prior year.

Gain on extinguishment of debt. In connection with the partial repurchase of the 2026 Notes, we recognized an $4.9 million gain on extinguishment of debt. See Note 7 in the notes to the unaudited condensed consolidated financial statements.

Investment income and realized gains, net of investment expenses. Investment income and realized gains, net of investment expenses, were $3.6 million and $0.8 million in the three months ended March 31, 2024 and 2023, respectively. Total investments balance was $134.1 million at March 31, 2024, and $93.1 million at March 31, 2023. A higher investment balance was the primary reason for the increased investment income.

Other income, net. Other income, net, increased by $21.9 million from $0.8 million in the three months ended March 31, 2023, to $22.7 million in the three months ended March 31, 2024. The increase is due to recoveries of losses on reinsurance contract of $12.6 million and gain on settlement of contingent consideration of $14.9 million. These are offset by loss on the sale of EIG business of $5.2 million. See Note 12 in the notes to the unaudited condensed consolidated financial statements for detail of other income, net, for each period presented.

Segment Results

SEGMENT REVENUE

The following table summarizes revenue by segment for the three months ended March 31, 2024 and 2023.

	Three Months Ended March 31,			
	2024	**2023**	**$ Change**	**% Change**
Vertical Software segment				
Software and service subscriptions	$ 16,936	$ 16,809	$ 127	1 %
Move-related transactions	6,474	7,769	(1,295)	(17) %
Post-move transactions	4,085	4,049	36	1 %
Total Vertical Software segment revenue	27,495	28,627	(1,132)	(4) %
Insurance segment				
Insurance and warranty premiums, commissions and policy fees	87,948	58,742	29,206	50 %
Total Insurance segment revenue	87,948	58,742	29,206	50 %
Total revenue	$ 115,443	$ 87,369	$ 28,074	32 %

For the three months ended March 31, 2024, Vertical Software segment revenue was $27.5 million or 24% of total revenue. For the three months ended March 31, 2023, Vertical Software segment revenue was $28.6 million or 33% of total revenue. The decrease in Vertical Software segment revenue was primarily driven by a 3.5% reduction in year-over-year industry home sales which adversely affected our moving business.

Insurance segment revenue was $87.9 million or 76% of total revenue for the three months ended March 31, 2024. Insurance segment revenue was $58.7 million or 67% of total revenue for the three months ended March 31, 2023. The increase is mainly driven by lower reinsurance ceding and a 33% increase in Annualized Premium per Policy.

SEGMENT ADJUSTED EBITDA (LOSS)

Segment Adjusted EBITDA (Loss) is defined as revenue less the following expenses associated with each segment: cost of revenue, selling and marketing, product and technology, and general and administrative expenses. Segment Adjusted EBITDA (Loss) also excludes non-cash items or items that management does not consider reflective of ongoing core operations. See *Note 16, Segment Information,* in the notes to the unaudited condensed consolidated financial statements included in Part I, Item 1, of this Quarterly Report for reconciliations to GAAP consolidated financial information for the periods presented.

The following table summarizes Segment Adjusted EBITDA (Loss) for the three months ended March 31, 2024 and 2023.

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Segment Adjusted EBITDA (Loss):				
Vertical Software	$ 1,123	$ (396)	$ 1,519	(384)%
Insurance	(2,885)	(7,185)	4,300	(60) %
Subtotal	(1,762)	(7,581)	5,819	(77)%
Corporate and other	(15,026)	(14,301)	(725)	5 %
Adjusted EBITDA (Loss)	$ (16,788)	$ (21,882)	$ 5,094	(23) %

Our Insurance segment had a Segment Adjusted EBITDA (Loss) of $2.9 million in the first quarter of 2024, representing 17% of Adjusted EBITDA (Loss) for the same period. The improvement over the same period last year was a result of our insurance profitability actions, including premium per policy increases of 33%, increasing deductibles, introducing certain coverage exclusions for select risks, and a reduction in ceded reinsurance. See Note 10 in the notes to the unaudited condensed consolidated financial statements for tabular presentation of premiums and net losses.

Vertical Software Segment Adjusted EBITDA (Loss) was $1.1 million in the first quarter of 2024, which declined compared to prior year due to the soft housing market, declines in the moving and corporate relocation industries, and inflationary pressures in fixed costs.

Corporate expenses were $15.0 million in the first quarter of 2024, a $0.7 million increase from the same period in the prior year due changing bonus payouts from equity grants to cash. Stock-based compensation expense is an adjustment to net loss to derive Adjusted EBITDA (Loss) whereas accrual for cash bonus is not an adjustment.

Non-GAAP Financial Measures

This Quarterly Report includes non-GAAP financial measures, such as Adjusted EBITDA (Loss) and Adjusted EBITDA (Loss) as a percent of revenue.

We define Adjusted EBITDA (Loss) as net income (loss) adjusted for interest expense; income taxes; depreciation and amortization; gain or loss on extinguishment of debt; other expense (income), net; impairments of intangible assets and goodwill; impairments of property, equipment, and software; stock-based compensation expense; mark-to-market gains or losses recognized on changes in the value of contingent consideration arrangements, earnouts, warrants, and derivatives; restructuring costs; acquisition and other transaction costs; and non-cash bonus expense. Adjusted EBITDA (Loss) as a percent of revenue is defined as Adjusted EBITDA (Loss) divided by total revenue.

Our management uses these non-GAAP financial measures as supplemental measures of our operating and financial performance, for internal budgeting and forecasting purposes, to evaluate financial and strategic planning matters, and to establish certain performance goals for incentive programs. We believe that the use of these non-GAAP financial measures provides investors with useful information to evaluate our operating and financial performance and trends and in comparing our financial results with competitors, other similar companies and companies across different industries, many of which present similar non-GAAP financial measures to investors. However, our definitions and methodology in calculating these non-GAAP measures may not be comparable to those used by other companies. In addition, we may modify the presentation of these non-GAAP financial measures in the future, and any such modification may be material.

You should not consider these non-GAAP financial measures in isolation, as a substitute to or superior to financial performance measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is that they exclude specified income and expenses, some of which may be significant or material, that are required by GAAP to be recorded in our consolidated financial statements. We may also incur future income or expenses similar to those excluded from these non-GAAP financial measures, and the presentation of these measures should not be construed as an inference that future results will be unaffected by unusual or non-recurring items. In addition, these non-GAAP financial measures reflect the exercise of management judgment about which income and expense are included or excluded in determining these non-GAAP financial measures.

The following table reconciles Net loss to Adjusted EBITDA (Loss) for the three months ended March 31, 2024 and 2023 (dollar amounts in thousands).

	Three Months Ended March 31,	
	2024	2023
Net loss	$ (13,362)	$ (38,740)
Interest expense	10,787	2,188
Income tax provision (benefit)	178	(111)
Depreciation and amortization	6,317	6,015
Mark-to-market gains	(7)	(499)
Gain on extinguishment of debt	(4,891)	—
Impairment loss on intangible assets and goodwill	—	2,021
Stock-based compensation expense	5,368	6,894
Other income, net [1]	(21,502)	(762)
Restructuring costs [2]	157	984
Acquisition and other transaction costs	167	128
Adjusted EBITDA (Loss)	$ (16,788)	$ (21,882)
Adjusted EBITDA (Loss) as a percentage of revenue	(15)%	(25)%

[1] Difference from Other Income, net in Condensed Consolidated Statements of Operations and Comprehensive Loss is primarily due to a portion of the income resulting from the Aon business collaboration agreement, disclosed in Note 10, that is not a non-GAAP adjustment.

[2] Primarily consists of costs related to forming a reciprocal exchange.

Adjusted EBITDA (Loss) for the three months ended March 31, 2024, was $(16.8) million, a $5.1 million improvement from Adjusted EBITDA (Loss) of $(21.9) million for the same period in 2023. The improvement in Adjusted EBITDA (Loss) in 2024 is primarily driven by underwriting enhancements at our insurance business, including price increases implemented over the last year, as well as cost reductions across the business. The improvement was partially offset by the effects of extreme weather events, lower ceding, and the macro housing environment affecting primarily the moving business in our Vertical Software segment. Continued investments in sales and marketing and investments in IT systems further impacted Adjusted EBITDA (Loss).

Liquidity and Capital Resources

As of March 31, 2024, we had cash and cash equivalents of $279.1 million and restricted cash of $36.8 million. Restricted cash equivalents as of March 31, 2024 includes $27.7 million held by our captive reinsurance business as collateral for the benefit of Homeowners of America Insurance Company ("HOA"), $1.4 million held in certificates of deposits and money market mutual funds pledged to the Department of Insurance in certain states as a condition of our Certificate of Authority for the purpose of meeting obligations to policyholders and creditors, $6.8 million in funds held for the payment of possible warranty claims as required under regulatory guidelines in 21 states, and $1.0 million related to acquisition indemnifications.

We have incurred net losses since our inception and have an accumulated deficit at March 31, 2024, and December 31, 2023, totaling $735.4 million and $722.1 million, respectively.

As of March 31, 2024, and December 31, 2023, we had $550.5 million and $558.7 million, respectively, of aggregate principal amount outstanding in convertible notes, promissory notes, line of credit, term loan facility, and advance funding arrangement. In February 2024, we repurchased $8.0 million aggregate principal amount of our 2026 Notes. We paid $3.0 million, or 37.5% of par value, plus accrued interest. We recognized a $4.9 million gain on extinguishment of debt, calculated as the difference between the reacquisition price and the net carrying amount of the portion of the 2026 Notes that was extinguished.

Based on our current operating and growth plan, management believes cash and cash equivalents at March 31, 2024, are sufficient to finance our operations, planned capital expenditures, working capital requirements, and debt service obligations for at least the next 12 months. As our operations evolve and we continue our growth strategy, including through acquisitions, we may elect or need to obtain alternative sources of capital, and we may finance additional liquidity needs in the future through one or more equity or debt financings. We may not be able to obtain equity or additional debt financing in the future when needed or, if available, the terms may not be satisfactory to us or could be dilutive to our stockholders.

Porch Group, Inc. is a holding company that transacts the majority of its business through operating subsidiaries, including insurance subsidiaries. Consequently, our ability to pay dividends and expenses is largely dependent on dividends or other distributions from our subsidiaries. Our insurance company subsidiaries are highly regulated and are restricted by statute as to the amount of dividends they may pay without the prior approval of their respective regulatory authorities. As of March 31, 2024, our insurance carrier, HOA, held cash and cash equivalents of $204.4 million and investments of $96.6 million.

Insurance companies in the United States are also required by state law to maintain a minimum level of policyholder’s surplus. Insurance regulators in the states in which we operate have a risk-based capital standard designed to identify property and casualty insurers, or reinsurers, that may be inadequately capitalized based on inherent risks of the insurer’s assets and liabilities and its mix of net written premium. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action. See Note 10 in the notes to the unaudited condensed consolidated financial statements for a description of our reinsurance programs.

We may, at any time and from time to time, seek to retire or purchase our outstanding debt or equity through cash purchases and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

The following table provides a summary of cash flow data for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Net cash provided by (used in) operating activities	$ 8,465	$ (22,031)	$ 30,496	(138)%
Net cash provided by (used in) investing activities	12,697	(5,147)	17,844	(347)%
Net cash used in financing activities	(2,501)	(7,274)	4,773	(66)%
Change in cash, cash equivalents and restricted cash	$ 18,661	$ (34,452)	$ 53,113	(154)%

Operating Cash Flows

Net cash provided by (used in) operating activities was $8.5 million for the three months ended March 31, 2024. Net cash provided by (used in) operating activities consists primarily of positive cash flow from the non-recurring cash receipt of $25 million related to the Aon agreement (see Note 10 in the notes to the unaudited condensed consolidated financial statements) partially offset by net loss of $13.4 million during the three months ended March 31, 2024.

Net cash provided by (used in) operating activities was $(22.0) million for the three months ended March 31, 2023. Net cash provided by (used in) operating activities consists of net loss of $38.7 million, adjusted for non-cash items and the effect of changes in working capital. Non-cash adjustments include stock-based compensation expense of $6.9 million, depreciation and amortization of $6.0 million, non-cash interest expense of $1.5 million, loss (gain) on remeasurement of contingent consideration of $(0.2) million, and loss (gain) on remeasurement of private warrant liability of $(0.3) million. Net changes in working capital were net proceeds of cash of $0.2 million, primarily due to increases in deferred revenue, losses and loss adjustment expense reserves and other insurance liabilities, offset by higher reinsurance balance due.

Investing Cash Flows

Net cash provided by (used in) investing activities was $12.7 million for the three months ended March 31, 2024. Net cash provided by (used in) investing activities is primarily related to proceeds from sale of EIG of $10.3 million and maturities and sales of investments of $4.7 million offset by investments in developing internal-use software of $2.3 million.

Net cash provided by (used in) investing activities was $(5.1) million for the three months ended March 31, 2023. Net cash provided by (used in) investing activities is primarily related to acquisitions, net of cash acquired of $2.0 million, purchases of investments of $5.4 million, investments in developing internal-use software of $2.4 million, and purchases of property and equipment of $0.4 million..

Financing Cash Flows

Net cash used in financing activities was $2.5 million for the three months ended March 31, 2024. Net cash used in financing activities is primarily related to the repurchase of the 2026 Notes of $3.0 million.

Net cash used in financing activities was $7.3 million for the three months ended March 31, 2023. Net cash provided by financing activities is primarily related to proceeds from a term loan and line of credit, partially offset by repayments of advance funding and debt.

Critical Accounting Estimates

Our critical accounting policies, including the assumptions and judgements underlying them, are disclosed in the 2023 Annual Report, including those policies as discussed in Note 1 to the Notes to Consolidated Financial Statements include in the 2023 Annual Report. There have been no material changes to these policies during the three months ended March 31, 2024. .

Off-Balance Sheet Arrangements

Since the date of incorporation, we have not engaged in any off-balance sheet arrangements, as defined in the rules and regulations of the Securities and Exchange Commission (the “SEC”).

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of market and other risks, including the effects of changes in interest rates, and inflation, as well as risks to the availability of funding sources, hazard events, and specific asset risks.

Interest Rate Risk

The market risk inherent in our financial instruments and financial position represents the potential loss arising from adverse changes in interest rates. As of March 31, 2024, and December 31, 2023, we have interest-bearing debt of $550.5 million and $558.7 million, respectively. Our 0.75% Convertible Senior Notes due 2026 (the “2026 Notes”) have a principal balance of $217 million as of March 31, 2024, a fixed coupon rate of 0.75%, and an effective interest rate of 1.3%. Our 6.75% Senior Secured Convertible Notes due 2028 (the “2028 Notes”) have a principal balance of $333.3 million as of March 31, 2024, a fixed coupon rate of 6.75%, and an effective interest rate of 17.9%. Interest expense recognized related to the 6.75% Convertible Senior Notes due 2028 (the “2028 Notes”) was approximately $9.9 million for the three months ended March 31, 2024. Interest expense includes $5.6 million contractual interest expense and $4.3 million amortization of debt issuance costs and discount for the three months ended March 31, 2024. Because the coupon rates are fixed, interest expense on the 2026 Notes and the 2028 Notes will not change if market interest rates increase. Other debt as of March 31, 2024, totaled $0.2 million and is variable-rate. A 1% increase in interest rates in our variable rate indebtedness would result in a nominal change in annual interest expense.

As of March 31, 2024, our insurance segment has a $134.1 million portfolio of fixed income securities and an unrealized gain (loss) of $(4.6) million, as described in Note 3, Investments, in the notes to the unaudited condensed consolidated financial statements included in Part I, Item 1, of this Quarterly Report. In a rising interest rate environment, the portfolio would result in unrealized losses.

As of March 31, 2024, accounts receivable and reinsurance balances due were $20.8 million and $75.4 million, respectively, were not interest-bearing assets, and are generally collected in less than 180 days. As such, we do not consider these assets to have material interest rate risk.

Inflation Risk

We believe our operations have been negatively affected by inflation and the change in the interest rate environment. General economic factors beyond our control and changes in the global economic environment, specifically fluctuations in inflation, including access to credit under favorable terms, could result in lower revenues, higher costs, and decreased margins and earnings in the foreseeable future. While we take action wherever possible to reduce the impact of the effects of inflation, in the case of sustained inflation across several of the markets in which we operate, it could become increasingly difficult to effectively mitigate the increases to costs. In addition, the effects of inflation on consumers’ budgets could result in the reduction of consumer spending habits, specifically in the move and post-move markets. If unable to take actions to effectively mitigate the effect of the resulting higher costs, our profitability and financial position could be materially and adversely impacted.

Foreign Currency Risk

There was no material foreign currency risk for three months ended March 31, 2024. Our activities to date have been conducted primarily in the United States.

Other Risks

We are exposed to a variety of market and other risks, including risks to the availability of funding sources, reinsurance providers, weather and other catastrophic hazard events, and specific asset risks.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures were effective as of March 31, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

See *Note 14, Commitments and Contingencies,* in the notes to the unaudited condensed consolidated financial statements included in Part I, Item 1, of this Quarterly Report, which is incorporated by reference into this Part II, Item 1, for a description of certain litigation and legal proceedings.

In addition, in the ordinary course of business, we and our subsidiaries are (or may become) parties to litigation involving property, personal injury, contract, intellectual property and other claims, stockholder derivative actions, class action lawsuits and other matters. The amounts that may be recovered in such matters may be subject to insurance coverage. Although the results of legal proceedings and claims cannot be predicted with certainty, neither we nor any of our subsidiaries are currently a party to any legal proceedings the outcome of which, we believe, if determined adversely to us, would individually or in the aggregate have a material adverse effect on the business, financial condition or results of operations.

Item 1A. Risk Factors

As of the date of this Quarterly Report on Form 10-Q, there have been no material changes from the risk factors disclosed in Part 1, Item 1A, of the Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on March 15, 2024.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended March 31, 2024, no director or officer (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement, as each term is defined in Item 408(a) of Regulation S-K).

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Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit No.	Description
3.1	Third Amended and Restated Certificate of Incorporation of Porch Group, Inc., as filed with the Secretary of State of the State of Delaware on June 9, 2022 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K (File No. 001-39142), filed with the SEC on June 10, 2022).
3.2	Amended and Restated By-Laws of the Company, dated December 23, 2020 (incorporated by reference to Exhibit 3.2 of the Company's Form 8-K (File No. 001-39142), filed with the SEC on December 29, 2020).
10.1+†	Business Collaboration Agreement, dated January 19, 2024, among Porch Group, Inc., Porch.com, Inc., Aon Corp. and Aon Re, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 001-39142), filed with the SEC on January 25, 2024).
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

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* Filed herewith.

** These certifications are furnished to the SEC pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

\+ The schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC upon request.

† Portions of this exhibit were redacted pursuant to Item 601(b)(10) of Regulation S-K. The omitted information is not material and is the type that the Company treats as private or confidential.

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, duly authorized.

Date: May 8, 2024

PORCH GROUP, INC.

By:	/s/ Shawn Tabak
Name:	Shawn Tabak
Title:	Chief Financial Officer and Duly Authorized Officer
	(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Matthew Ehrlichman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Porch Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the 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 controls 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; and
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: May 8, 2024

By:	/s/ Matthew Ehrlichman
Name:	Matthew Ehrlichman
Title:	Chief Executive Officer
	(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Shawn Tabak, certify that:

1. I have reviewed this Annual Report on Form 10-K of Porch Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the 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 controls 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; and
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: May 8, 2024

By:	/s/ Shawn Tabak
Name:	Shawn Tabak
Title:	Chief Financial Officer
	(Principal Financial Officer)

Exhibit 32.1

Certification of CEO 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 of Porch Group, Inc. (the “Company”) on Form 10-K for the quarterly period ended March 31, 2024 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, I, the undersigned, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2024

By:	/s/ Matthew Ehrlichman
Name:	Matthew Ehrlichman
Title:	Chief Executive Officer
	(Principal Executive Officer)

Exhibit 32.2

Certification of CFO 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 of Porch Group, Inc. (the “Company”) on Form 10-K for the quarterly period ended March 31, 2024 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, I, the undersigned, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2024

By:	/s/ Shawn Tabak
Name:	Shawn Tabak
Title:	Chief Financial Officer
	(Principal Financial Officer)