Porch Group



Q3 2023 Earnings Presentation

November 7, 2023

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Presenters

Matt Ehrlichman
CEO, Chairman & Founder



Shawn Tabak
Chief Financial Officer



Matthew Neagle
Chief Operating Officer



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Disclaimer

Forward-Looking Statements
Certain statements in this presentation may be considered "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Although the Company believes that its plans, intentions, and expectations reflected in or suggested by these forward-looking statements are reasonable, the Company cannot assure you that it will achieve or realize these plans, intentions, or expectations. Forward-looking statements are inherently subject to risks, uncertainties, assumptions, and other factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Generally, statements that are not historical facts, including statements concerning the Company's 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 "believes," "estimates," "expects," "projects," "forecasts," "may," "will," "should," "seeks," "plans," "scheduled," "anticipates," "intends, or similar expressions.

These forward-looking statements are based upon estimates and assumptions that, while considered reasonable by the Company and its management at the time they are made, are inherently uncertain. Factors that may cause actual results to differ materially from current expectations include, but are not limited to: (1) expansion plans and opportunities, and managing growth, to build a consumer brand; (2) the incidence, frequency, and severity of weather events, extensive wildfires, and other catastrophes; (3) economic conditions, especially those affecting the housing, insurance, and financial markets; (4) expectations regarding revenue, cost of revenue, operating expenses, and the ability to achieve and maintain future profitability; (5) 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; (6) the Company's 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; (7) the uncertainty and significance of the known and unknown effects on the Company's insurance carrier subsidiary, Homeowners of America Insurance Company ("HOA"), and the Company due to the termination of a reinsurance contract following the allegations of fraud against Vesttoo Ltd. ("Vesttoo"), including, but not limited to, the implications from Demotech, Inc.'s withdrawal of HOA's financial stability rating and the length of time before the rating is restored; the outcome of Vesttoo's Chapter 11 bankruptcy proceedings; the Company's ability to successfully pursue claims arising out of the alleged 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 HOA's ability to maintain a healthy surplus; (8) 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; (9) reliance on strategic, proprietary relationships to provide the Company 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; (10) the ability to develop new, or enhance existing, products, services, and features and bring them to market in a timely manner; (11) changes in capital requirements, and the ability to access capital when needed to provide statutory surplus; (12) 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; (13) retaining and attracting skilled and experienced employees; (14) costs related to being a public company; and (15) other risks and uncertainties discussed in Part I, Item 1A, "Risk Factors," in the Company's Annual Report on Form 10-K ("Annual Report") for the year ended December 31, 2022, and in Part II, Item 1A, "Risk Factors," in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2023, June 30, 2023, and September 30, 2023, as well as those discussed 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.

Nothing in this presentation should be regarded as a representation by any person that the forward-looking statements set forth herein will be achieved or that any of the contemplated results of such forward-looking statements will be achieved. You should not place undue reliance on forward-looking statements, which speak only as of the date of this release. Unless specifically indicated otherwise, the forward-looking statements in this release 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 release. Porch does not undertake any duty to update these forward-looking statements, whether as a result of changed circumstances, new information, future events or otherwise, except as may be required by law.

Non-GAAP Financial Measures
This release includes non-GAAP financial measures, such as Adjusted EBITDA (loss) and Adjusted EBITDA (loss) as a percent of revenue.

Porch Group defines 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; provision for doubtful accounts related to reinsurance, or related recoveries; 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.

Porch Group management uses these non-GAAP financial measures as supplemental measures of the Company's 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. Porch Group believes that the use of these non-GAAP financial measures provides investors with useful information to evaluate the Company's operating and financial performance and trends and in comparing Porch Group's financial results with competitors, other similar companies and companies across different industries, many of which present similar non-GAAP financial measures to investors. However, Porch Group's definitions and methodology in calculating these non-GAAP measures may not be comparable to those used by other companies. In addition, the Company 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 Porch Group's consolidated financial statements. The Company may also incur future income or expenses similar to those excluded from these non-GAAP financial measures, and the Company's 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.

You should review the tables accompanying this release for reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measure. The Company is not providing reconciliations of non-GAAP financial measures for future periods to the most directly comparable measures prepared in accordance with GAAP. The Company is unable to provide these reconciliations without unreasonable effort because certain information necessary to calculate such measures on a GAAP basis is unavailable or dependent on the timing of future events outside of its control.

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Agenda

1. CEO Update
2. Q3’23 Results & FY’23 Guidance
3. KPIs
4. Closing Remarks
5. Q&A



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CEO Update



Matt Ehrlichman

CEO, Chairman & Founder

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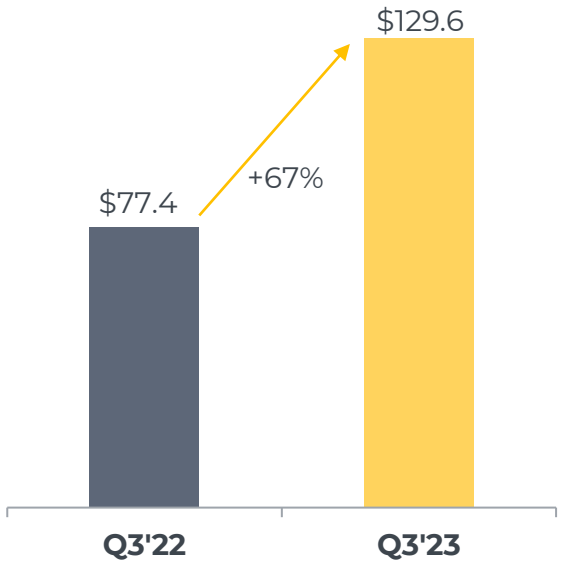
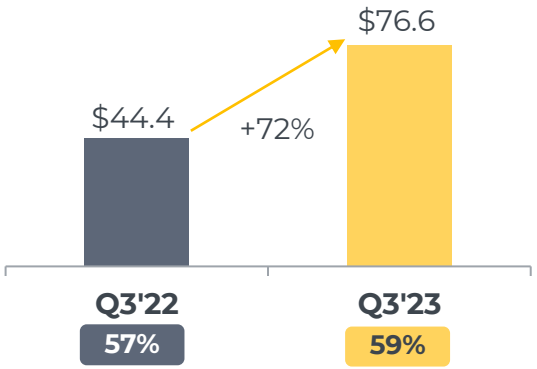
Q3 2023 Financials: Delivering Positive Adjusted EBITDA

Total Revenue ($m)



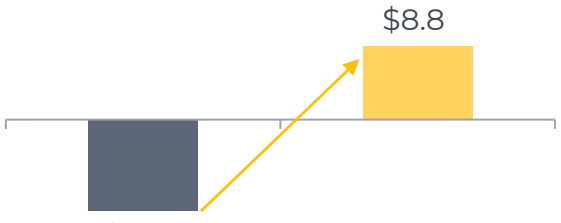
Revenue Less Cost of Revenue ($m)



Q3'22	Q3'23
57%	59%

Revenue less Cost of Revenue Margin

Adjusted EBITDA (loss)[1] ($m)



Q3'22	Q3'23
(14)%	7%

Adjusted EBITDA margin

- $130m Revenue, +67% year-over-year driven by the Insurance segment
- Revenue Less Cost of Revenue +72%
- $9m Adjusted EBITDA profit, with a 7% Adj EBITDA margin

(1) See Q3 2023 earnings release for a reconciliation of Adjusted EBITDA (loss) to the most directly comparable GAAP financial measure.

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Q3 2023 Key Updates

- HOA released from TDI supervision
- Insurance business performing very well with sustainable differentiation
- Sharing demand with 3rd party agencies continues to perform
- Software businesses launching new products to drive margin despite headwinds

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Q3’23 Results & FY’23 Guidance



Shawn Tabak

Chief Financial Officer

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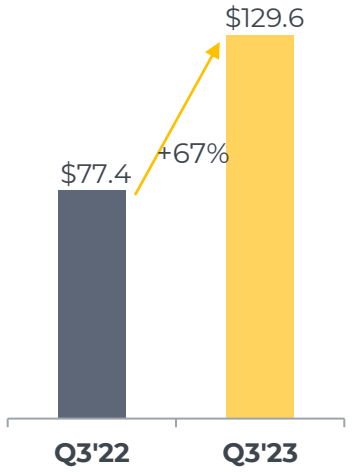
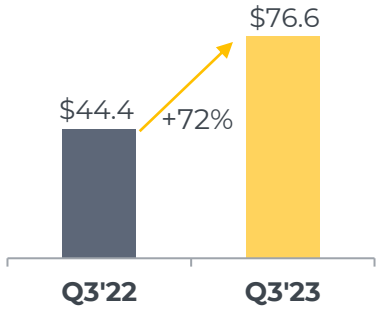
Financial Highlights[1] – Q3 2023

Total Revenue ($m)



- +67% Revenue growth
- +195% Insurance segment revenue growth

Revenue less Cost of Revenue ($m)

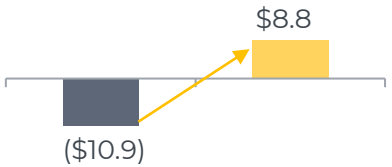


Q3'22	Q3'23
57%	59%

Revenue less Cost of Revenue Margin

- +10pp in Insurance segment driven by GLR - increases in premiums per policy, non-renewals, and other underwriting actions
- +7pp in Vertical Software segment

Adj EBITDA (loss) ($m)

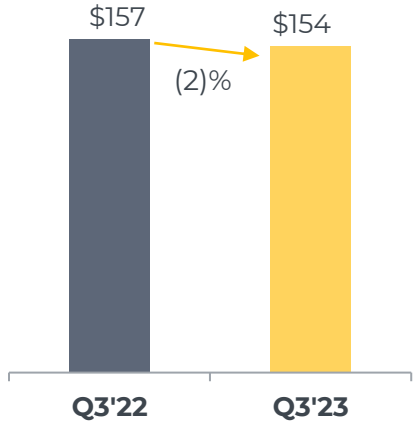


Q3'22	Q3'23
(14)%	7%

Adjusted EBITDA margin

- Adj EBITDA profit in both segments
- 7% Adjusted EBITDA margin
- Benefits strong expense control

Gross Written Premium ($m)



- Managing growth through non-renewals in line with risk appetite
- Offset by increase in premiums per policies

(1) See Q3 2023 earnings release for a reconciliation of Adjusted EBITDA (loss) to the most directly comparable GAAP financial measures.

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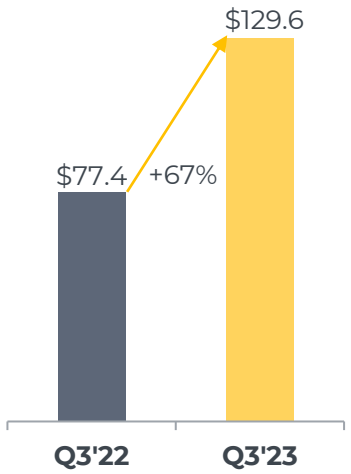
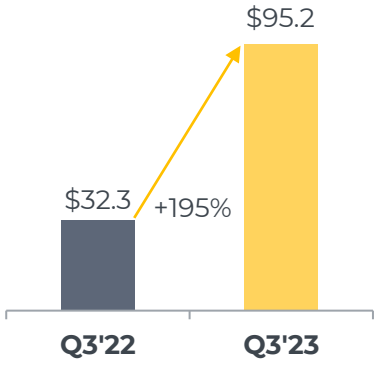
Revenue by Segment – Q3 2023

Total Revenue ($m)



- Insurance Segment was 73% of Group revenue

Insurance Segment ($m)

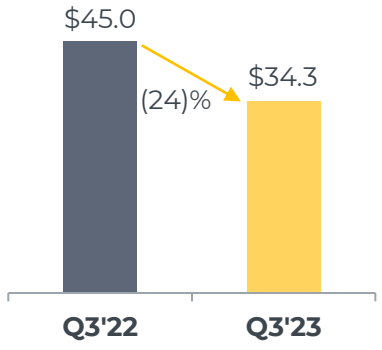


42% 73%

% Total Revenue

- Premium per policy increased 38% over prior year
- ~50% of revenue increase due to less ceding to Vesttoo

Vertical Software Segment ($m)



58% 27%

% Total Revenue

- 17% reduction in industry-wide home sales in Q3
- Moving continues to see pressure in corporate relocations market

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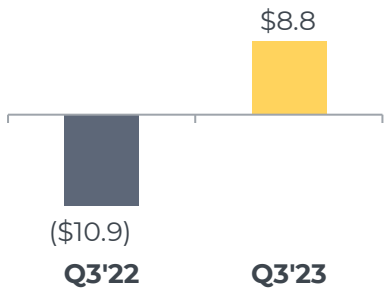
Adjusted EBITDA[1] by Segment – Q3 2023

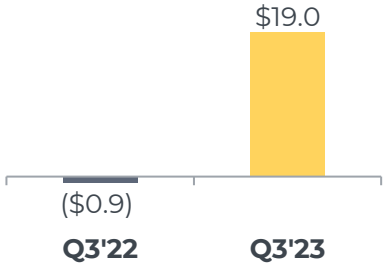
Total Adjusted EBITDA (loss) ($m)



(14)% | 7%

Adjusted EBITDA margin

Insurance Segment ($m)

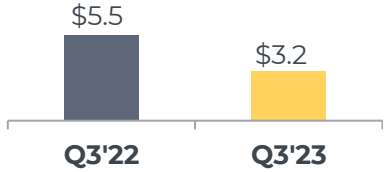


(3)% | 20%

Adjusted EBITDA margin

- Improvements in gross loss ratio drive Insurance segment results
- 20% Adjusted EBITDA margin

Vertical Software Segment ($m)

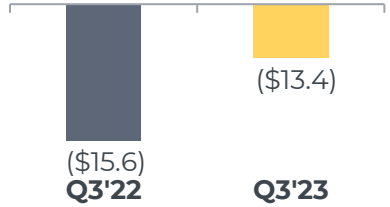


12% | 9%

Adjusted EBITDA margin

- Fixed cost control actions benefitting Adjusted EBITDA margin

Corporate Expenses ($m)



20% | 10%

Corporate expenses as % of total revenue

- 10 percentage point decrease in expense as a percent of revenue
- Benefit of cost control actions coming through and timing of certain expenses

(1) See Q3 2023 earnings release for a reconciliation of Adjusted EBITDA (loss) to the most directly comparable GAAP financial measure.

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Balance Sheet as of September 30, 2023

- $458 million unrestricted cash and investments as of September 30, 2023
  - Includes $347 million HOA cash and investments
  - In addition, $19 million restricted cash and $23 million investments held for warranty and captive businesses
- Cash flow from operations was $84 million
- $57 million cash investment in wholly-owned regulated insurance subsidiary (HOA) in exchange for:
  1. $49m 10-year surplus note (SOFR +9.75%), and
  2. Rights to all Vesttoo-related claims

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Vesttoo Recap and Update

- Task force charged with:
  - Recovering funds
  - Securing supplementary reinsurance
  - Addressing TDI supervision
- HOA appointed to Vesttoo credit committee in chapter 11 proceedings
- Terminated the contract, ceding less resulting in:
  - ~$30 million of Revenue
  - ~$10 million of Revenue less Cost of Revenue
  - ~$2 million of Adjusted EBITDA

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Updating 2023 Guidance

2023: ~50% Revenue Growth H2 2023: Adjusted EBITDA Positive

$415m **Revenue**	*Previously: ~$330m - $350m* Increase reflecting the impact of premium-per-policy increases and Vesttoo reinsurance ceding changes
$190m **Revenue Less Cost of Revenue**	*Previously: ~$145m - $160m* Assumes cat weather is in line with historic trends and a 35% gross loss ratio for the fourth quarter
$(52)m **Adj EBITDA**	*Previously: ~$(65)m - $(50)m* Guidance suggests $4m positive Adj EBITDA in Q4'23 On track for positive H2'23 Adj EBITDA and in future years on a full year basis
~$500m **Gross Written Premium**	Includes non-renewal of approximately 37,000 higher risk policies and attrition due to increased premium per policy

See Porch's earnings press release for a reconciliation of Adjusted EBITDA to its most directly comparable GAAP financial measures. Porch is not providing reconciliations of forward-looking non-GAAP guidance to the comparable GAAP measures because certain information necessary to calculate such measures on a GAAP basis is unavailable or dependent on the timing of future events outside of Porch's control. In particular, the charges excluded from these non-GAAP measures are subject to high variability and complexity due to Porch's ongoing growth.

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KPIs



Matthew Neagle

Chief Operating Officer

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KPIs – Q3 2023

31k
Avg Number of Companies

- Broadly similar to Q2'23 and Q3'22 with continued housing market headwinds

$1,436
Avg Revenue per Company per Month

- An increase of +72% from Q3'22
- We continue to monetize the insurance opportunity more effectively

225k
Monetized Services

- Decrease of 29% vs Q3'22 predominantly due to the industry-wide decline in home sales and corporate relocation in moving

$510
Avg Revenue Per Monetized Service

- An increase of +176% vs Q2'22 driven by growth in higher value services such as insurance and warranty

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Insurance Segment KPIs: Q3 2023 Performance

$154m

Q3'23 GWP[1]
Q3'22: $157m

334k

Policies In Force[1]
Q3'22: 391k

$1,139

Annualized Revenue Per Policy[1]
Q3'22: $300

$1,762

Annualized Premium Per Policy[2]
Q3'22: $1,276

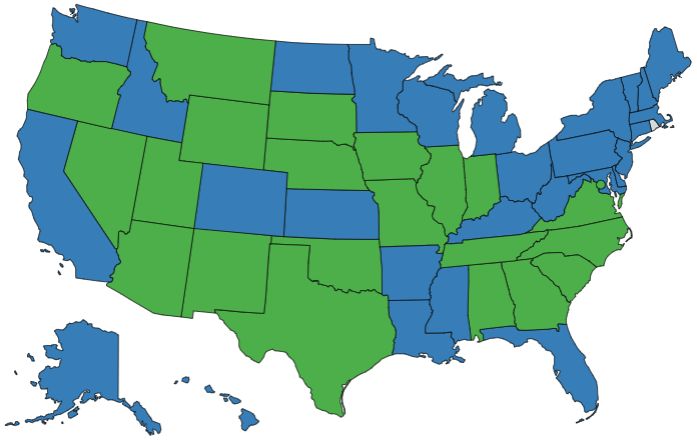
100%

Premium Retention[2]
Q3'22: 105%

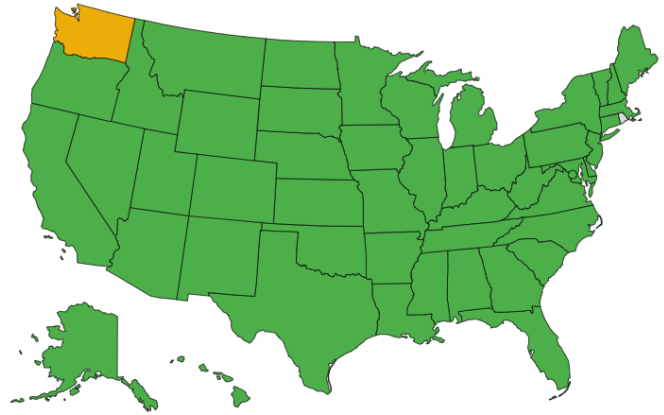
39%

Gross Loss Ratio[2]
Q3'22: 74%

Insurance
(Licensed agency in 50 states.
Carrier live in **22 states**)



Warranty
(Live in 49 states and D.C.)



- Active states
- Coming soon
- Agency only

1. GWP, Policies In Force and Annualized Revenue Per Policy relate to the Insurance Segment.
2. Annualized Premium Per Policy, Premium Retention and Gross Loss Ratio relate to HOA, our insurance carrier only.

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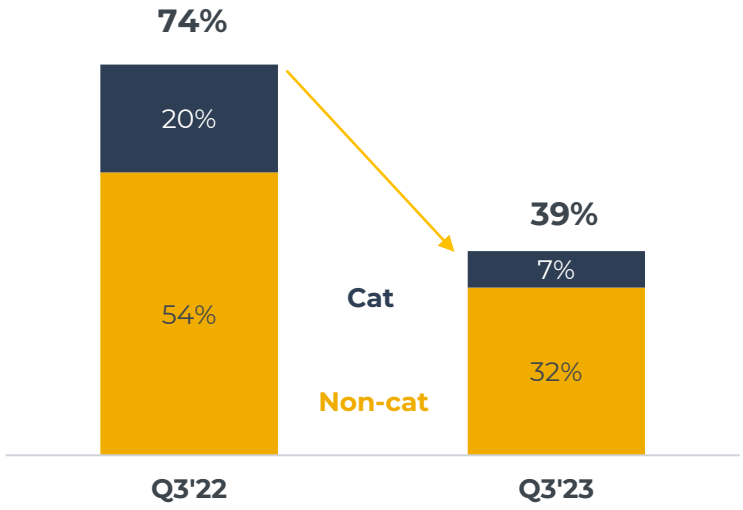
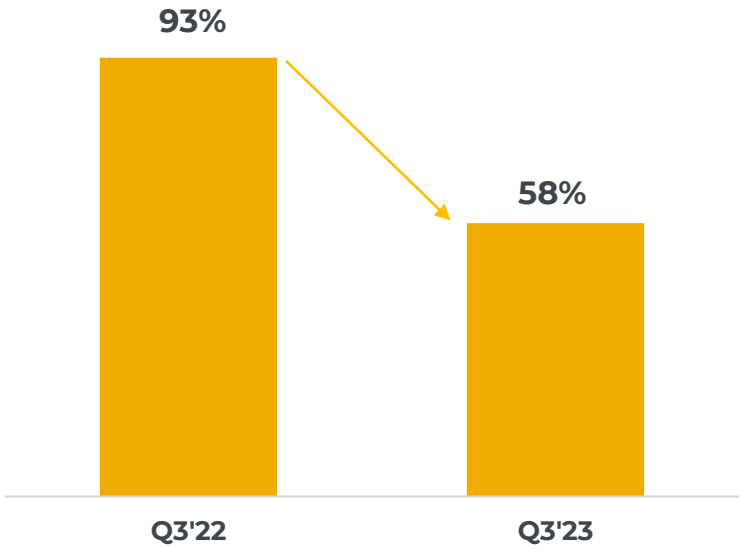
Underwriting Actions Position Porch for Profitable Growth

Q3'23 Gross Loss Ratio



Q3'23 Gross Combined Ratio



- Using unique data in 12 states which has a significant impact on our loss ratios year-over-year
- Increased deductibles in 2023, with a minimum 2% for wind/hail and 1% for other perils
- Non-renewing policies to avoid losses signaled by our data and risk modeling

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Cost Control Initiatives

- Business leaders tasked with executing a cost review
- ~300 role reduction in force completed throughout the past year
- Review material vendors, advisers, and contractors
- ~$20 million annual benefit of actions with all areas driving efficiencies

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Closing Remarks



Matt Ehrlichman

CEO, Chairman & Founder

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Q&A



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Glossary

Term	Definition
Annualized Premium Per Policy	We define Annualized Premium Per Policy as the total direct earned premium for Homeowners of America (“HOA”) , our insurance carrier, divided by the number of active insurance policies at the end of the period, multiplied by four.
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.
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 Revenue per Account per Month in Quarter	Average Revenue per Account per Month in Quarter is defined as the average revenue per month generated across all home services company customer accounts in a quarterly period. Average Revenue per Account per Month in Quarter is derived from all customers and total revenue.
Average Revenue per Monetized Service in Quarter	Average Revenue per Monetized Services in Quarter is the average revenue generated per monetized service performed in a quarterly period. When calculating Average Revenue per Monetized Service in Quarter, average revenue is defined as total quarterly service transaction revenues generated from monetized services.
Gross Loss Ratio (“GLR”)	We define Gross Loss Ratio as our insurance carrier’s gross losses divided by the gross earned premium for the respective period.
Gross Written Premium (“GWP”)	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.
Monetized Services in Quarter	Monetized Services in Quarter is defined as the total number of unique 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 a quarterly period.
Policies In Force	We define Policies in Force as the number of active 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.
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.

Non-GAAP Financial Measures

This presentation includes one or more non-GAAP financial measures, such as Adjusted EBITDA (loss), Adjusted EBITDA (loss) as a percent of revenue. Definitions of these measures and reconciliations of these measures to the most directly comparable GAAP financial measure are available in the earnings release available on the investor relations website, at ir.porchgroup.com.

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