Porch Group



Q2 2024 Earnings Presentation

August 6, 2024

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Presenters

Matt Ehrlichman
CEO, Chairman & Founder



Shawn Tabak
Chief Financial Officer



Matthew Neagle
Chief Operating Officer



Michelle Taves
GM Porch Group Media, Data & Marketing



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Disclaimer

Forward-Looking Statements

Certain statements in this presentation may be considered 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 presentation 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 possibility that a decline in our share price would result in a negative impact to our insurance carrier subsidiary's, Homeowners of America Insurance Company ("HOA"), surplus position and may require further financial support to enable HOA to meet applicable regulatory requirements and maintain financial stability rating; 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; and HOA's ability to maintain a healthy surplus 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 (including the discount associated with the shares contributed to HOA); the ability to consummate the proposed formation of the reciprocal exchange and the satisfaction of the conditions precedent to consummation of the proposed formation of such exchange, including the ability to secure regulatory approvals (on a state by state basis and initially in Texas) on the terms expected, at all or in a timely manner; our ability to successfully operate its businesses alongside a reciprocal exchange; our ability to implement our plans, forecasts and other expectations with respect to the reciprocal exchange business after the completion of the formation and to realize expected synergies and/or convert policyholders from its existing insurance carrier business into policyholders of the reciprocal exchange; potential business disruption following the formation of the reciprocal exchange; 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 for the year ended December 31, 2023, as well as those discussed in Part II, Item 1A, "Risk Factors," in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 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 presentation. You should not rely upon on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this presentation 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 release. 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.

Non-GAAP Financial Measures

This release includes non-GAAP financial measures, such as Adjusted EBITDA (Loss), Adjusted EBITDA (Loss) margin, and Free Cash Flow.

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) margin is defined as Adjusted EBITDA (Loss) divided by total revenue. Free cash flow is defined as Operating Cash Flow adjusted for the purchase of property, plant and equipment and capitalized software.

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.

You should review the tables accompanying our press release dated August 6, 2024 for reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measure. We are not providing reconciliations of non-GAAP financial measures for future periods to the most directly comparable measures prepared in accordance with GAAP. We are 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 our control.

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Agenda

1. Q2’24 Update
2. Results & Guidance
3. KPIs
4. Deep Dive: Home Factors
5. Outlook
6. Q&A



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Q2’24 Update



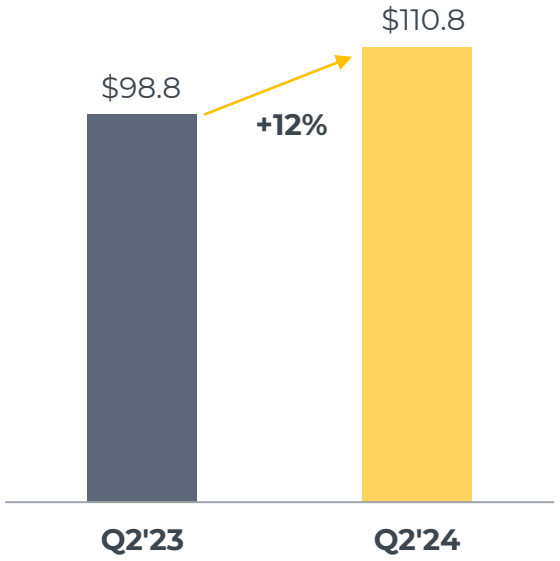
Matt Ehrlichman

CEO, Chairman & Founder

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Q2 2024 Financials: $8m Adj. EBITDA Improvement YOY

Total Revenue



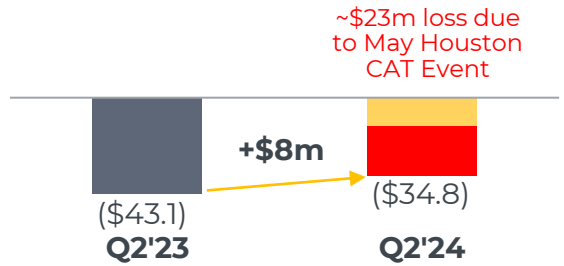
Revenue Less Cost of Revenue



18%	17%

Revenue less Cost of Revenue as a percentage of Revenue

Adjusted EBITDA (loss)[1]



(44)%	(31)%

Adjusted EBITDA margin

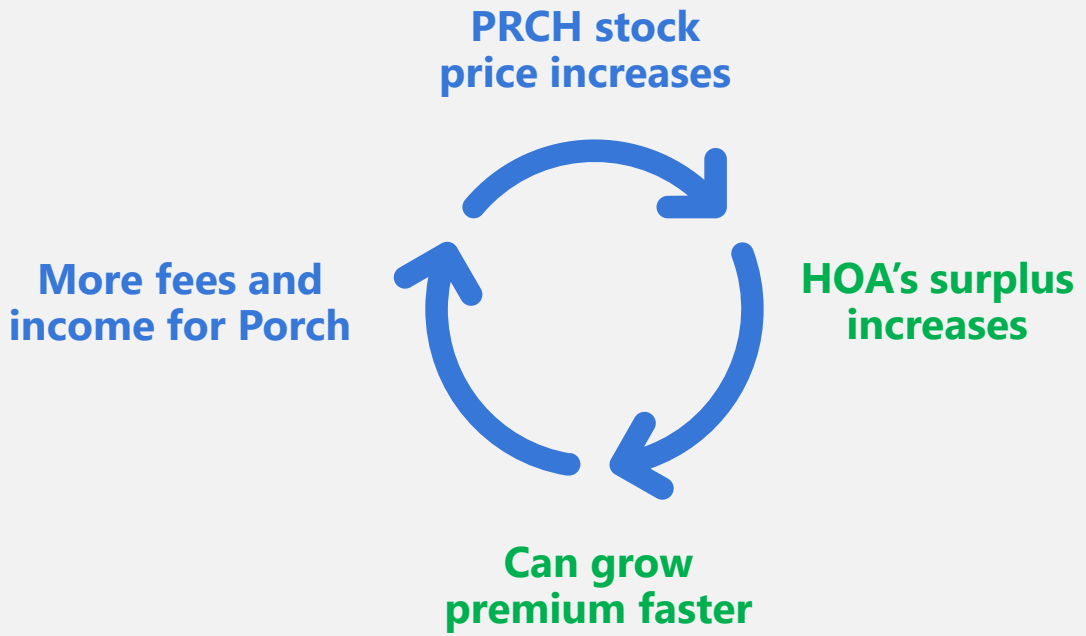
All numbers are $million unless otherwise stated.
(1) See Q2 2024 earnings release for a reconciliation of Adjusted EBITDA (loss) to the most directly comparable GAAP financial measure.

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New & Updated Reciprocal Application Filed

- Reciprocal application filed with the Texas Department of Insurance
- Working closely with TDI towards approval this year
- Porch will handle the day-to-day operations and receive fees as a percentage of GWP
- 18.3m Porch shares contributed into HOA:
  - Bolsters HOA's surplus
  - Long-term surplus growth strategy to support premium growth

Potential flywheel ahead[1,2]:



(1) The value of Porch Group common stock can be volatile and results may vary materially from what has been disclosed. You should not rely on this example as an indication or promise of future performance. Please refer to slide 3 of the presentation for important disclaimers.
(2) Investment of Porch Group shares held on HOA's balance sheet will be reviewed quarterly for surplus calculation, with a discount to market value applied to the amount included in surplus per insurance accounting rules.

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Key Updates

- Warranty launched Surge Protection product with early good results
- Launched Home Factors data products to third-party companies
- Filed suit against two parties regarding Vesttoo (reinsurance fraud)
- Porch recertified as a Great Place to Work

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Results & Guidance



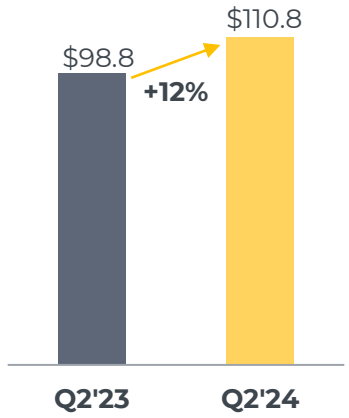
Shawn Tabak

Chief Financial Officer

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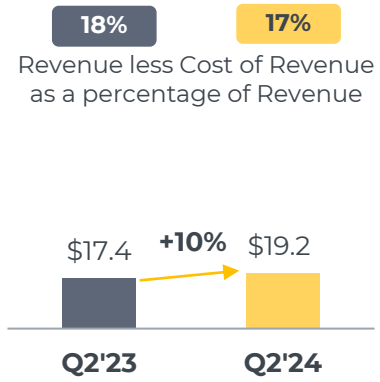
Financial Highlights[1]: Q2 2024

Total Revenue



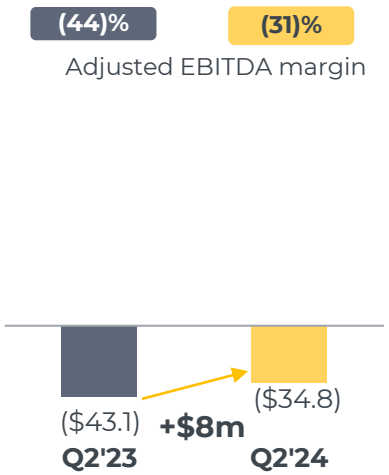
- +12% Revenue growth
- +22% Insurance segment Revenue growth

Revenue less Cost of Revenue



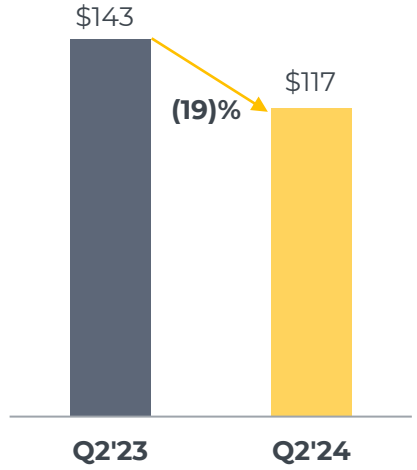
- Vertical Software margin +800bps with price increases and cost control

Adj EBITDA (loss)



- $8m improvement in Adj EBITDA over prior year
- Strong cost control

Gross Written Premium



- Decrease due to non-renewal of higher risk policies and divestiture of EIG (3rd party carrier premiums included in 2023, but not in 2024 post-sale)

All numbers are $million unless otherwise stated.

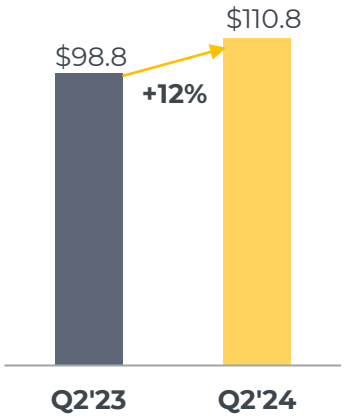
(1) See Q2 2024 earnings release for a reconciliation of Adjusted EBITDA (loss) to the most directly comparable GAAP financial measures.

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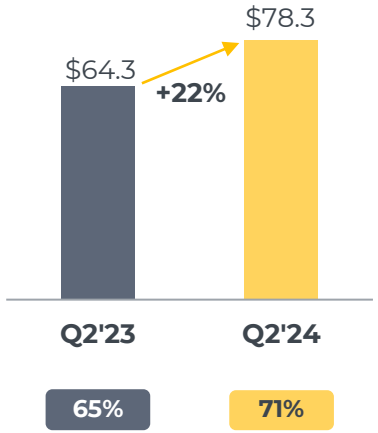
Revenue by Segment: Q2 2024

Total Revenue



- Insurance Segment was 71% of total revenue

Insurance Segment

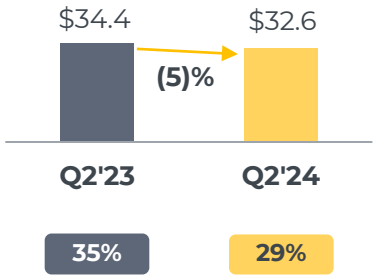


65% | 71%

% Total Revenue

- Revenue increase due to +28% premium per policy and lower ceding year-over-year
- Offsets the 35% reduction in policies in force due to non-renewals and sale of EIG

Vertical Software Segment



35% | 29%

% Total Revenue

- SaaS[1] revenue +4% over prior year driven by Rynoh and Inspection price increases, offset by Moving business
- Home sales volumes decreased 3% year-over-year

All numbers are $million unless otherwise stated.
(1) SaaS revenue includes Software and Service Subscription revenue.

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Impact Of Catastrophic Weather In Q2 2024

Insurance Segment	Q2 2024	Expected	Variance
Net attritional claims	$11m	$28m	$17m
Net seasonal weather-related claims	$52m	$64m	$12m
May Houston CAT Event	$23m	-	$(23)m
Cost of Revenue	**$86m**	**$92m**	**$6m**

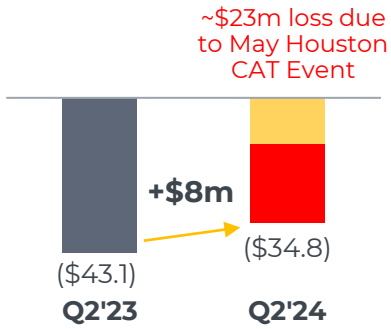
- Attritional claims costs performed $17m better than anticipated
- Net CAT weather claims costs $11m better than anticipated
- Offset by 1:10 year hurricane-like windstorm event with net claims costs of $23m

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Adjusted EBITDA[1] by Segment: Q2 2024

Total Adjusted EBITDA (loss)

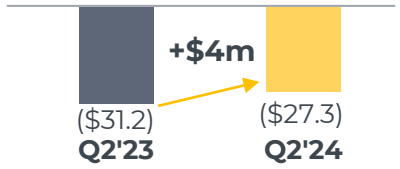


(44)% (31)%

Adjusted EBITDA margin

- $8m increase in Adj EBITDA compared to Q2'23

Insurance Segment

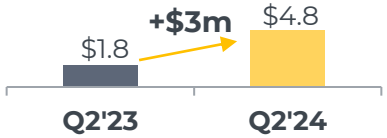


(48)% (35)%

Adjusted EBITDA margin

- $4m increase compared to prior year, driven by insurance profitability actions
- Offset by May Houston CAT Event, net claims of $23m

Vertical Software Segment

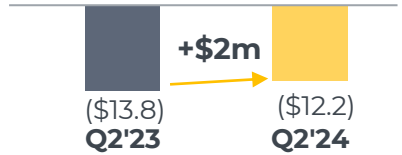


5% 15%

Adjusted EBITDA margin

- $3m improvement compared to prior year
- Price increases and cost control driving higher margins in SaaS businesses

Corporate Expenses



14% 11%

Corporate expenses as % of total revenue

- 300bps improvement in expenses as a percent of revenue, with strong cost control

All numbers are $million unless otherwise stated.

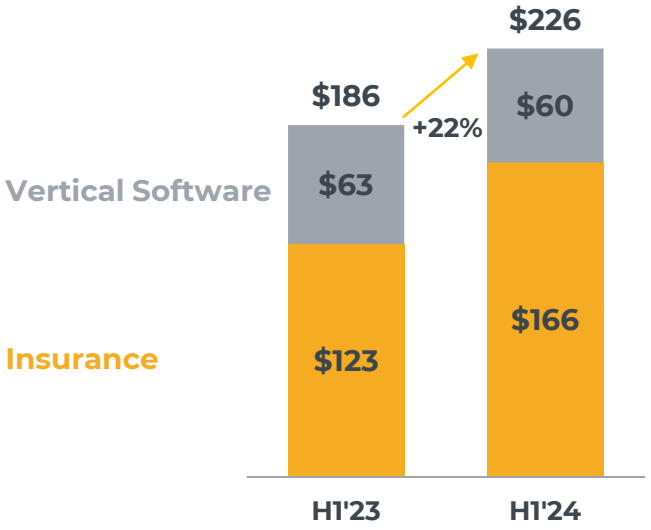
(1) See Q2 2024 earnings release for a reconciliation of Adjusted EBITDA (loss) to the most directly comparable GAAP financial measure.

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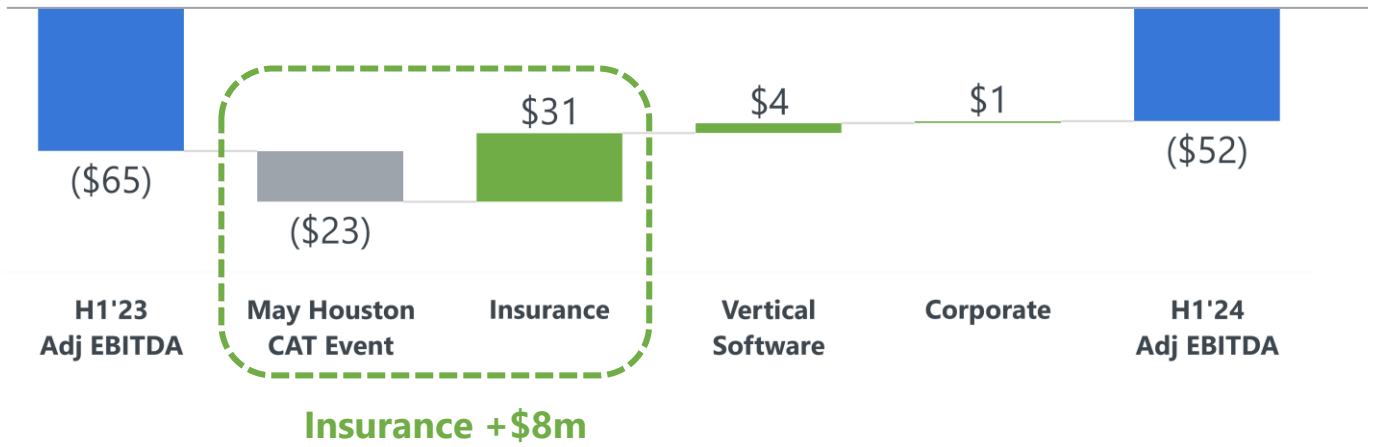
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First Half 2024: Adj EBITDA +$13m Over Prior Year

Total Revenue



Adj EBITDA (loss)

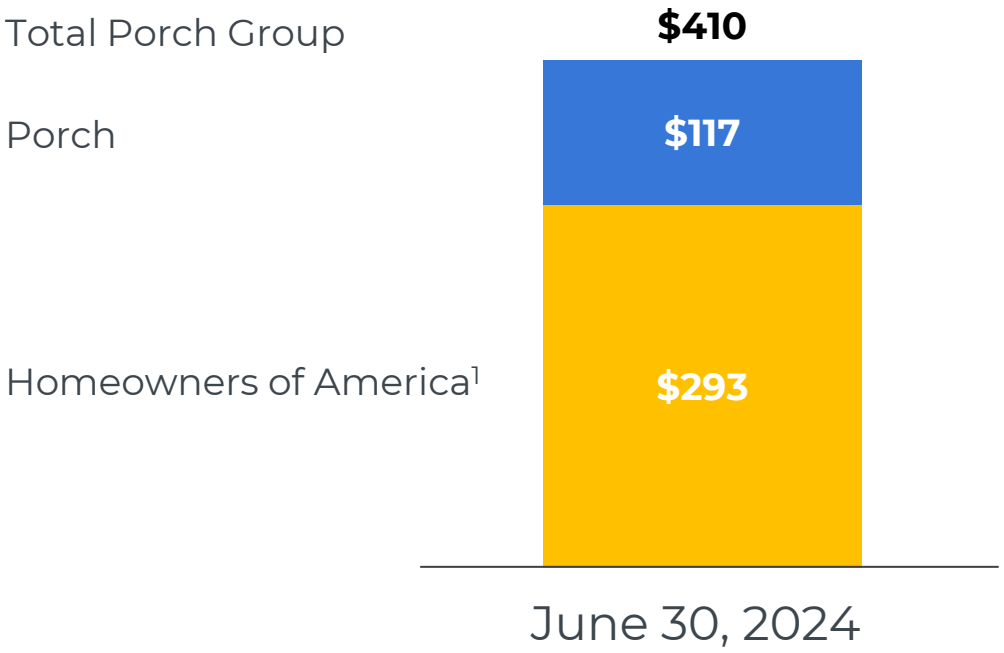


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Balance Sheet as of June 30, 2024

Cash, cash equivalents and investments



$(26)m
Q2'24 Operating Cash Flow

H1'24: $(18)m

$(29)m
Q2'24 Free Cash Flow

H1'24: $(23)m

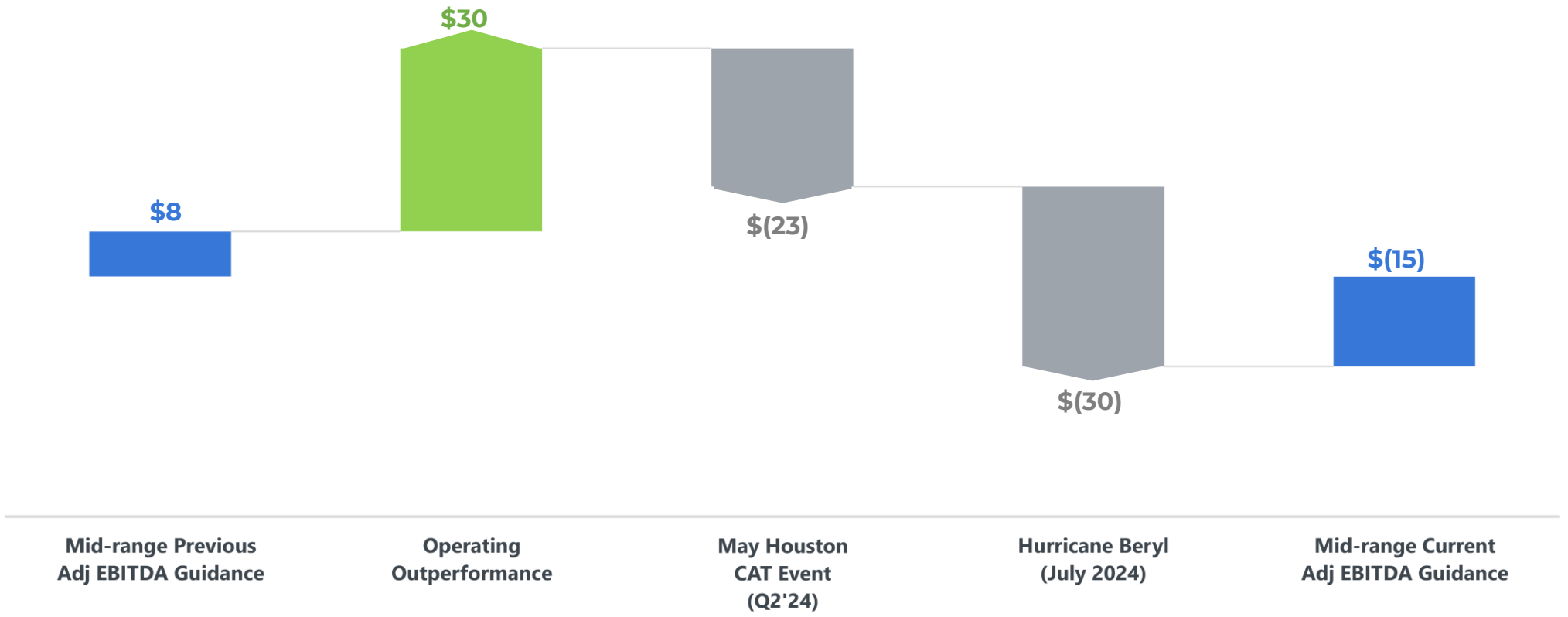
- Additional $11m restricted cash and cash equivalents held incremental to unrestricted cash above
- HOA surplus of approximately $40m, includes 18m shares[2] (equity) from Porch to support growth

All numbers are $million unless otherwise stated.
1) Homeowners of America cash, cash equivalents and investments support claims and unearned premiums reserves.
2) ~4.5 million shares contributed in Q2'24 and a further ~13.8 million in Q3'24, being a contribution of ~18 million in total.
See slide 33 for a reconciliation of Free Cash Flow to the most directly comparable GAAP financial measure.

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2024 Adjusted EBITDA Guidance Update



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2024 Guidance

$450m-$470m

Revenue
(Unchanged)

- Unchanged: 2024 Revenue growth of 5% to 9%

$190m-$200m

Revenue less Cost of Revenue
(Previously: $230m-$240m)

- Assumes 69% GLR: 5-year weighted average adjusted for H1'24 and Hurricane Beryl in July

$(20)m-$(10)m

Adj EBITDA
(Previously: $2.5m-$12.5m)

- Lower with May Houston Wind event & Hurricane Beryl in July

$460m-$480m

Gross Written Premium[1]
(Unchanged)

- Unchanged: Managing GWP approximately flat year-over-year[1]

1) Excludes ~$45 million gross written premiums with third party carriers related to Elite Insurance Group, which was sold on January 31, 2024.

Note, guidance does not assume impact for launch of reciprocal exchange. Guidance will be provided once approval received. Previous guidance was provided in May 2024 at Q1 2024 earnings.
Porch provides guidance based on current market conditions and expectation as of the date of this presentation. See Porch's earnings press release for a reconciliation of Adjusted EBITDA to its most directly comparable GAAP financial measures. Porch Group is not providing reconciliations of expected Adjusted EBITDA for future periods to the most directly comparable measures prepared in accordance with GAAP because 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 the Company's control.

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KPIs



Matthew Neagle

Chief Operating Officer

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KPIs: Q2 2024

29k
Avg Number of Companies

- Broadly in line with prior quarters (30k)

$1,253
Avg Revenue per Company per Month

- +17% vs Q2'23, driven by lower ceding and premium per policy increases
- Broadly consistent vs prior quarter (3)%

231k
Monetized Services

- 5% lower than Q2'23 and 4% lower than prior quarter predominantly driven by sale of EIG

$395
Avg Revenue Per Monetized Service

- +19% vs Q2'23 driven by growth in insurance

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Insurance Segment KPIs: Q2 2024

Insurance Segment KPIs:

$117m
Gross Written Premium
Q2'23: $143m[1]

232k
Policies in Force
Q2'23: 358k [1]

$1,348
Annualized Revenue Per Policy
Q2'23: $517 [1]

Insurance Carrier (HOA) KPIs:

$2,059
Annualized Premium Per Policy
Q2'23: $1,603

88%
Premium Retention
Q2'23: 104%

117%
Gross Loss Ratio
Q2'23: 120%

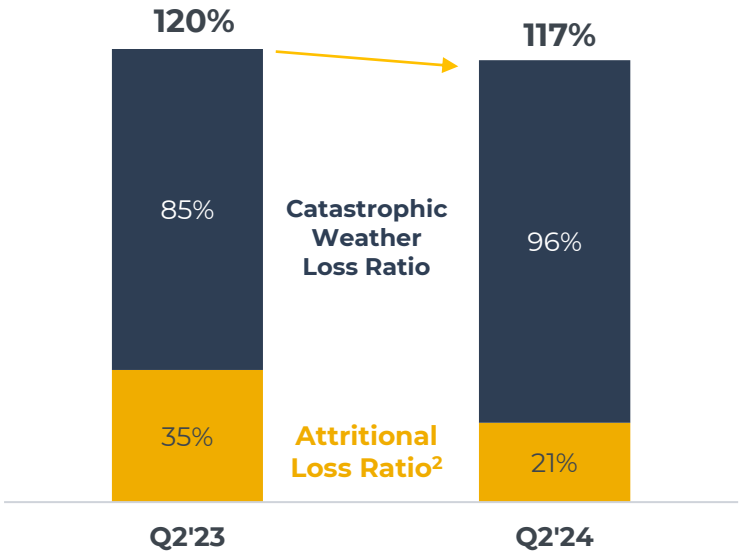
(1) 2023 includes EIG, our in-house agency, which was sold on January 31, 2024. At December 31, 2023, EIG had ~$45 million gross written premiums with third party carriers.

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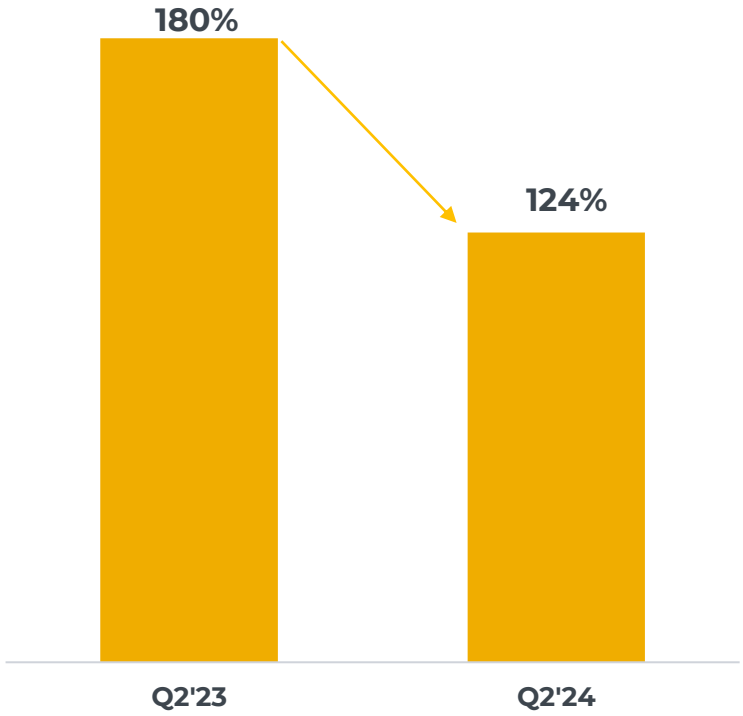
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Attritional Loss Ratio & Gross Combined Ratio Improved YoY

Gross Loss Ratio[1] improved 3pp YoY



Gross Combined Ratio improved 56pp YoY



(1) Current accident year gross loss ratio.
(2) Attritional loss ratio, excludes catastrophic weather claims.

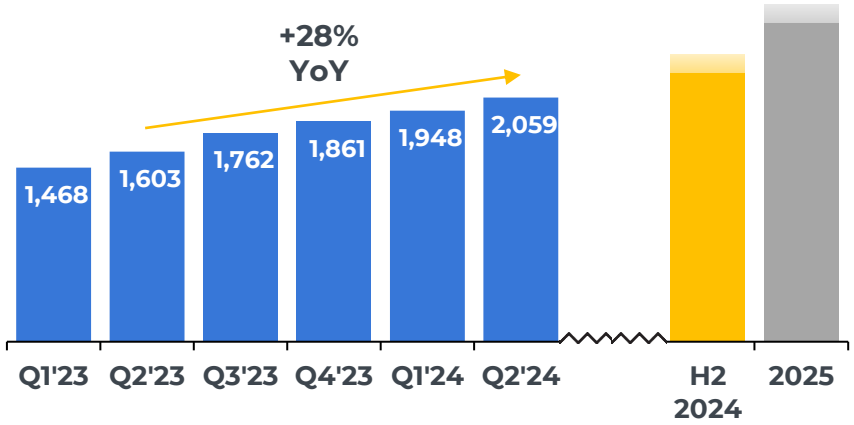
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Underwriting & Pricing Update

1. **Product:** leverage unique data to evaluate risk
2. **Price:** implement rate and deductible increases to drive profitability
3. **Portfolio:** non-renew higher risk policies in line with risk appetite

Earned Premium Per Policy ($)



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Deep Dive: Home Factors



Michelle Taves

GM Porch Group Media, Data and Marketing

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Porch Group Media – The Data Platform Arm of Porch

Porch GROUP MEDIA

- ✓ PGM (formerly V12) Acquired by Porch January 2021
- ✓ Acquisition combined power of Porch Group Media's broad consumer database and billions of buyer intent signals with Porch's unique data assets **to create property and homeowner data products**



PROPERTY DATA

- ✓ Home Interior
- ✓ Home Exterior
- ✓ Homeowners
- ✓ Risk Insights
- ✓ Project



CONSUMER DATA

- ✓ Movers
- ✓ Finances
- ✓ Life Events
- ✓ Demographics
- ✓ Lifestyle & Interests



AUTOMOTIVE DATA

- ✓ VIN
- ✓ Make, Model, Year
- ✓ Dealership Visit
- ✓ Email Address
- ✓ In-Market Shopper



IN-MARKET DATA

- ✓ Buyer Intent
- ✓ Active Shoppers
- ✓ Online Browsing

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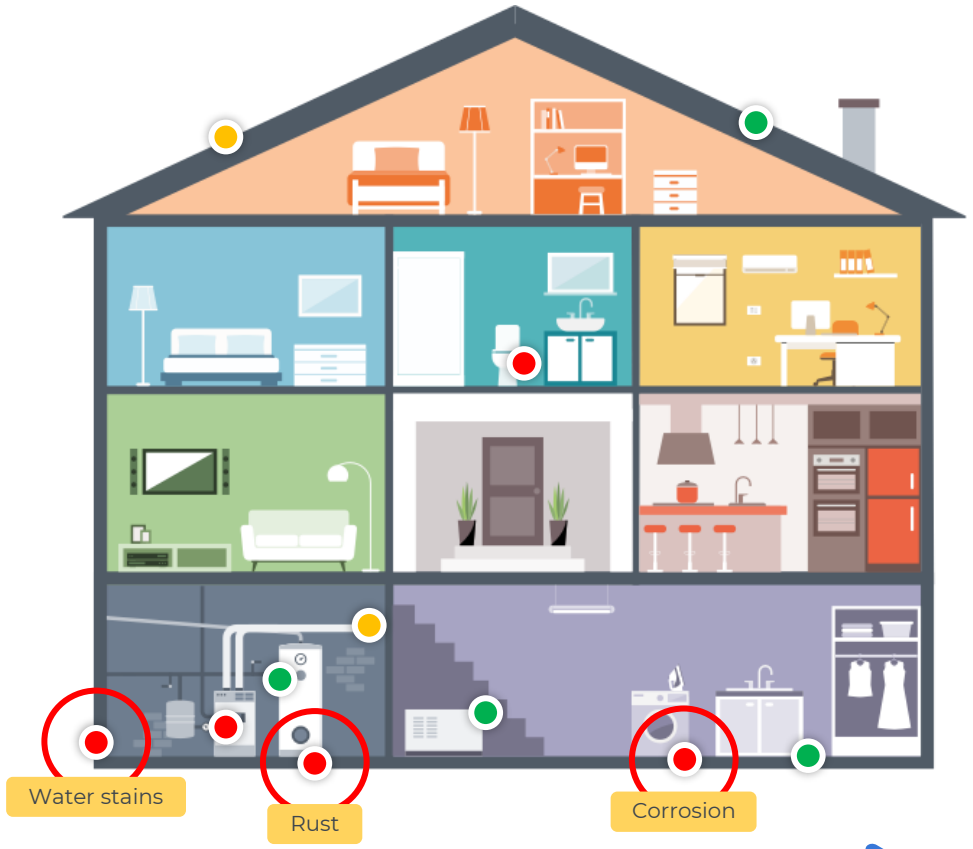
Actioning Home Factors

Home Factors in production:

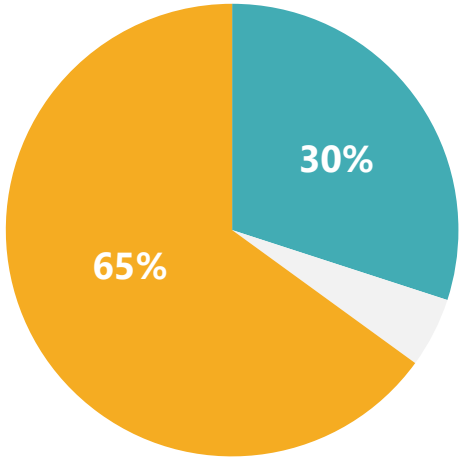
- Piping Material
- Foundation Repair / Replace
- Foundation Type
- Windows Repair / Replace
- Roofing Repair / Replace
- Roofing Materials
- Presence of Swimming Pool
- Water Heater Location
- Presence of Water Intrusion
- Window Repair / Replace

Home Factors launching in H2'24:

- Electrical Panel Capacity
- Electrical Wiring Repair
- Electrical Outlet Repair
- Water Intrusion Location
- HVAC Repair / Replace
- Basement Finish Flag
- Attic Finished Flag



Water intrusion signs correlate to higher claims losses



~65% of policyholders should pay an 8% to 10% surcharge

~30% of policyholders qualify for a ~20% discount

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Case Studies: Monetizing Our Unique Data Products



1) Insurance Carrier

Risk Use Case

- Home Factors evaluated against historic claims data
- **Result:** significant correlation with higher frequency claims, thus improves pricing accuracy



2) Large Retailer

Acquisition Use Case

- Two data products provided, homes needing repair and consumers shopping for repairs
- **Result:** +30% increase in identifying qualified consumers, thus improves marketing efficiency



3) Security Company

Retention Use Case

- MoverMatch product identifies movers before they cancel
- **Result:** 8% increase in retention and 9% reduction in cancellations, thus improving LTV of customers

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Wrap Up



Matt Ehrlichman

CEO, Chairman & Founder

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Wrap Up

- Remain focused on executing the reciprocal exchange
- Anticipate Investor Day later in 2024
- Look to grow written premium with profitable business
- Focused on full year profitability goal and excited for what is ahead

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Q&A



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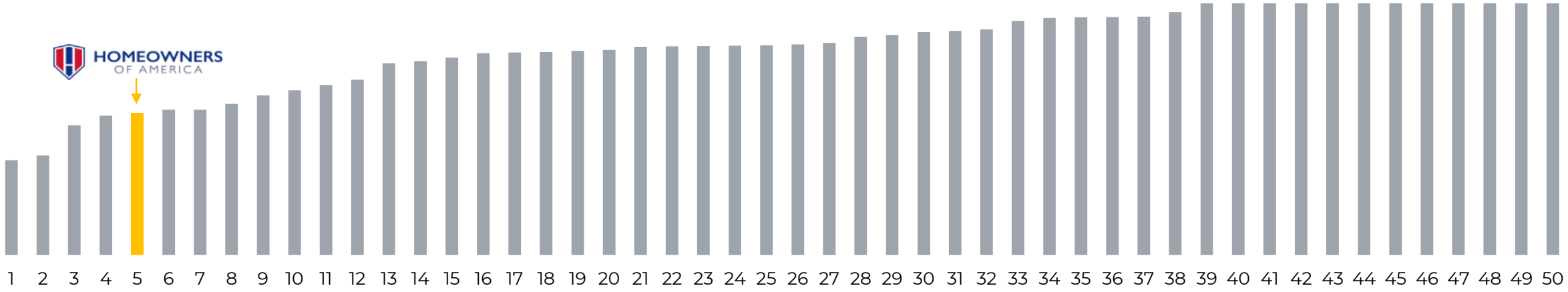
Appendix



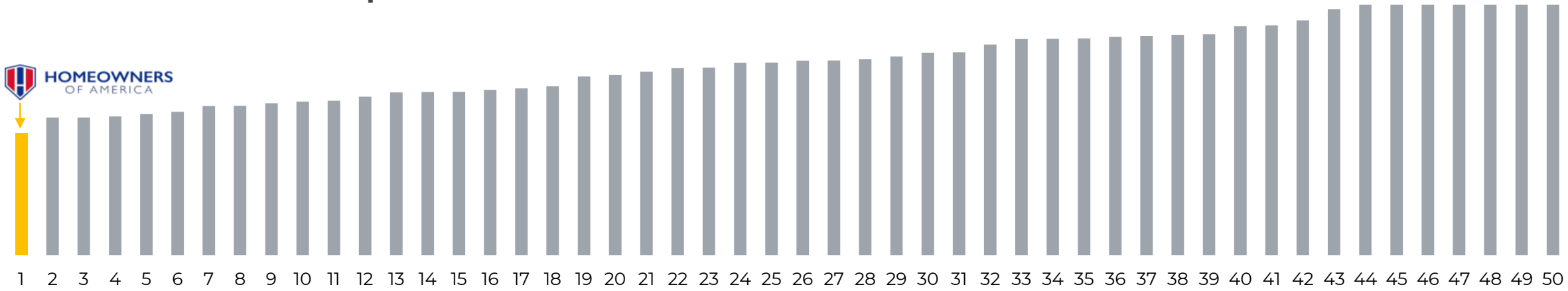
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Top Decile 2023 Direct Combined Ratio

U.S. Top 50 Homeowners' Insurance Carriers: 2023 Direct Combined Ratio[1]



Texas Top 50 Homeowners' Insurance Carriers: 2023 Direct Combined Ratio[1]



Source: AM Best Market Share Report April 2024, showing homeowners peer group.

(1) Gross Direct Combined Ratio ("DCR") as defined by AM Best, which is the sum of the Direct Loss and Loss Adjustment Expense Ratio, the Direct Policyholder Dividend Ratio, and the Underwriting Expense Ratio. Direct Combined Ratio Measures the company's overall underwriting profitability. A Direct Combined Ratio of less than 100 indicates a company is making an underwriting profit.

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2024 Reinsurance Program[1]: Per Occurrence

3rd Party Reinsurance	QS	XOL
$75m-$465m	5.5%	100%
$45m-$75m	27.5%	Shared
$0m-$45m	27.5%	0%

- Quota Share ("QS") strategically reduced to 27.5%
- Excess of Loss ("XOL") secured at a high level of coverage to help protect against significant weather events

(1) Reinsurance coverage renewed on April 1, 2024 and relates to third-party coverage, further reinsurance may from time to time be secured with our own captive reinsurer. Reinsurance programs are subject to certain limits and exclusions.

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Operating Cash Flow

Reconciliation to Adj EBITDA	Q2 2023	Q2 2024
Operating Cash Flow	**$13.3m**	**$(26.0)m**
Working capital and other	$(56.9)m	$(12.3)m
Cash interest expense	$0.5m	$3.5m
Adjusted EBITDA	**$(43.1)m**	**$(34.8)m**

Reconciliation to Free Cash Flow	Q2 2023	Q2 2024
Operating Cash Flow	**$13.3m**	**$(26.0)m**
Capitalized software costs & PPE	$(2.6)m	$(3.2)m
Free Cash Flow	**$10.6m**	**$(29.2)m**

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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.
Attritional Loss Ratio	We define Attritional Loss Ratio as our insurance carrier’s current accident year net losses excluding claims from catastrophic events, dividend by the gross earned premium for the respective period.
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	We define Average Revenue per Account per Month in Quarter 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	We define Average Revenue per Monetized Services in Quarter as 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.
Free Cash Flow	We define Free Cash Flow as Operating Cash Flow adjusted for the purchase of property, plant and equipment and capitalized software.
Gross Combined Ratio (“GCR”)	We define Gross Combined Ratio as our insurance carrier’s gross losses plus IBNR adjustments divided by the gross earned premium for the respective period, plus non-claims costs divided by the gross written premium on a calendar year basis.
Gross Loss Ratio (“GLR”)	We define Gross Loss Ratio as our insurance carrier’s current accident year 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.
HOA	Homeowners of America, our wholly owned insurance carrier
Monetized Services in Quarter	We define Monetized Services in Quarter 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 a quarterly period.
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.
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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