UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from ______________ to ______________

Commission File Number: 001-39326

OPEN LENDING CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	**84-5031428** (I.R.S. Employer Identification No.)
1501 S. MoPac Expressway **Suite 450** **Austin, Texas** (Address of principal executive offices)	**78746** (Zip Code)

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of May 4, 2022, the registrant had 126,217,955 shares of common stock, $0.01 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 147,404	$ 116,454
Restricted cash	3,031	3,055
Accounts receivable, net	8,060	6,525
Current contract assets, net	58,265	70,542
Income tax receivable	2,090	1,345
Other current assets	1,749	4,873
Total current assets	**220,599**	**202,794**
Property and equipment, net	2,792	2,663
Operating lease right-of-use assets, net	5,048	5,189
Non-current contract assets, net	49,187	42,414
Deferred tax asset, net	64,949	65,503
Other non-current assets	157	262
Total assets	**$ 342,732**	**$ 318,825**
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 195	$ 1,285
Accrued expenses	5,510	3,984
Current portion of debt	3,125	3,125
Third-party claims administration liability	3,029	3,050
Other current liabilities	550	621
Total current liabilities	**12,409**	**12,065**
Long-term debt, net of deferred financing costs	142,437	143,135
Non-current operating lease liabilities	4,508	4,643
Total liabilities	**$ 159,354**	**$ 159,843**
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.01 par value; 550,000,000 shares authorized, 128,198,185 shares issued and 126,217,955 shares outstanding as of March 31, 2022 and 128,198,185 shares issued and 126,212,876 shares outstanding as of December 31, 2021	1,282	1,282
Additional paid-in capital	498,057	496,983
Accumulated deficit	(259,285)	(282,439)
Treasury stock at cost, 1,980,230 shares at March 31, 2022 and 1,985,309 at December 31, 2021, respectively	(56,676)	(56,844)
Total stockholders' equity	**183,378**	**158,982**
Total liabilities and stockholders' equity	**$ 342,732**	**$ 318,825**

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

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

	Three Months Ended March 31,	
	2022	**2021**
Revenue		
Profit share	$ 28,310	$ 27,730
Program fees	19,726	14,911
Claims administration and other service fees	2,032	1,367
Total revenue	**50,068**	**44,008**
Cost of services	4,788	3,362
Gross profit	**45,280**	**40,646**
Operating expenses		
General and administrative	7,482	8,212
Selling and marketing	3,733	2,397
Research and development	1,823	591
Total operating expenses	**13,038**	**11,200**
Operating income	**32,242**	**29,446**
Interest expense	(803)	(3,289)
Interest income	25	84
Loss on extinguishment of debt	—	(8,778)
Other expense	—	(131)
Income before income taxes	**31,464**	**17,332**
Income tax expense	8,310	4,470
Net income	**$ 23,154**	**$ 12,862**
Net income per common share		
Basic	$ 0.18	$ 0.10
Diluted	$ 0.18	$ 0.10
Weighted average common shares outstanding		
Basic	126,215,698	126,803,096
Diluted	126,216,197	126,837,832

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

OPEN LENDING CORPORATION
Condensed Consolidated Statements of Changes in Stockholders’ Equity
(Unaudited, in thousands, except share and unit data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders’ Equity
	Shares	Amount	Amount	Amount	Shares	Amount	Amount
Balance as of December 31, 2021	**128,198,185**	**$ 1,282**	**$ 496,983**	**$ (282,439)**	**(1,985,309)**	**$ (56,844)**	**$ 158,982**
Share-based compensation	—	—	1,281	—	—	—	1,281
Restricted stock units issued, net of shares withheld for taxes	—	—	(207)	—	5,079	168	(39)
Net income	—	—	—	23,154	—	—	23,154
Balance as of March 31, 2022	**128,198,185**	**$ 1,282**	**$ 498,057**	**$ (259,285)**	**(1,980,230)**	**$ (56,676)**	**$ 183,378**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders’ Equity
	Shares	Amount	Amount	Amount	Shares	Amount	Amount
Balance as of December 31, 2020	**128,198,185**	**$ 1,282**	**$ 491,246**	**$ (428,406)**	**(1,395,089)**	**$ (37,500)**	**$ 26,622**
Share-based compensation	—	—	701	—	—	—	701
Net income	—	—	—	12,862	—	—	12,862
Balance as of March 31, 2021	**128,198,185**	**$ 1,282**	**$ 491,947**	**$ (415,544)**	**(1,395,089)**	**$ (37,500)**	**$ 40,185**

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

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

	Three Months Ended March 31,	
	2022	**2021**
Cash flows from operating activities		
Net income	$ 23,154	$ 12,862
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	1,281	701
Depreciation and amortization	304	388
Non-cash operating lease cost	141	134
Loss on extinguishment of debt	—	8,778
Deferred income taxes	554	1,330
Changes in assets & liabilities:		
Accounts receivable, net	(1,535)	(2,451)
Contract assets, net	5,504	(7,876)
Other current and non-current assets	3,066	1,979
Accounts payable	(1,090)	(611)
Accrued expenses	1,526	478
Income tax payable/receivable	(745)	3,151
Operating lease liabilities	(119)	(140)
Third-party claims administration liability	(21)	62
Other current and non-current liabilities	(88)	50
Net cash provided by operating activities	**31,932**	**18,835**
Cash flows from investing activities		
Purchase of property and equipment	(186)	(3)
Net cash used in investing activities	**(186)**	**(3)**
Cash flows from financing activities		
Proceeds from term loans	—	125,000
Proceeds from revolving facility	—	50,000
Payments on term loans	(781)	(166,847)
Payment of deferred financing costs	—	(1,491)
Shares withheld for taxes for restricted stock units	(39)	—
Net cash (used in) provided by financing activities	**(820)**	**6,662**
Net change in cash and cash equivalents and restricted cash	30,926	25,494
Cash and cash equivalents and restricted cash at the beginning of the period	119,509	104,148
Cash and cash equivalents and restricted cash at the end of the period	**$ 150,435**	**$ 129,642**
Supplemental disclosure of cash flow information:		
Interest paid	$ 721	$ 2,722
Income tax paid (refunded), net	8,501	(16)
Non-cash investing and financing:		
Internally developed software costs accrued but not paid	—	463
Deferred financing costs accrued but not paid	—	178

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

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

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

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

Nebula Acquisition Corporation ("Nebula"), our predecessor, was originally incorporated in Delaware on October 2, 2017 as a special purpose acquisition company for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. On June 10, 2020 (the "Closing Date"), Nebula consummated a business combination (the "Business Combination") pursuant to that certain Business Combination Agreement, dated as of January 5, 2020 (as amended by that certain Amendment No. 1 and Waiver, dated as of March 18, 2020, that certain Amendment No. 2 and Consent, dated as of March 26, 2020, that certain Amendment No. 3, dated as of May 13, 2020, and that certain amendment No. 4, dated as of June 9, 2020, the "Business Combination Agreement") by and among Nebula, Open Lending, LLC, a Texas limited liability company, BRP Hold 11, Inc., a Delaware corporation ("Blocker"), the Blocker's sole stockholder, Nebula Parent Corp., a Delaware Corporation ("ParentCo"), NBLA Merger Sub LLC, a Texas limited liability company, NBLA Merger Sub Corp., a Delaware corporation, and Shareholder Representative Services LLC, a Colorado limited liability company, as the Securityholder Representative.

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

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

Note 2—Summary of Significant Accounting and Reporting Policies

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

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted from these condensed consolidated financial statements, as permitted by Securities and Exchange Commission ("SEC") rules and regulations. The Company believes the disclosures made in these condensed consolidated financial statements are adequate to make the information herein not misleading. The Company recommends that these condensed consolidated financial statements should be read in conjunction with its audited consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 ("Annual Report").

The interim data includes all adjustments that are, in the opinion of the Company's management, necessary for a fair statement of the results for the interim periods presented. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the Company's operating results for the entire fiscal year ending December 31, 2022.

Concentrations of revenue and credit risks

The Company's two largest insurance carrier partners accounted for 38% and 14% of the Company's total revenue during the three months ended March 31, 2022 and accounted for 44% and 22% of the Company's total revenue during the three months ended March 31, 2021. In the event that one or more of the Company's significant insurance carriers terminates their relationship with the Company, it could have a material and adverse effect on the Company's business and, in turn, its revenue. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash, accounts receivable and contract assets to the extent of the amounts recorded on the balance sheets.

Cash and cash equivalents are deposited in commercial analysis and savings accounts at two financial institutions, both with high credit standing. Restricted cash relates to funds held by the Company on behalf of the insurance carriers, delegated for the use of insurance claim payments. Restricted cash is deposited in commercial analysis accounts at one financial institution. The Company has not experienced any losses on its deposits of cash and cash equivalents and management believes the Company is not exposed to significant risks on such accounts.

At March 31, 2022, the Company had one customer that individually accounted for 10% of the Company's accounts receivable. At December 31, 2021, the Company had two customers that each represented 10% of the Company's accounts receivable.

The Company does not have material accounts receivable or contract asset balances that are past due and has not written off any balance in its portfolio for the periods presented. The allowance for expected credit losses on accounts receivable and contract assets receivable was less than $0.2 million at March 31, 2022 and December 31, 2021.

Use of estimates and judgments

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

The most significant items subject to such estimates and assumptions include, but are not limited to, profit share revenue recognition and the corresponding impact on contract assets, the recognition of the valuations of share-based compensation arrangements, and assessing the realizability of deferred tax assets. These estimates, although based on actual historical trend and modeling, may potentially show significant variances over time.

In connection with profit share revenue recognition and the estimation of contract assets under Accounting Standards Update ("ASU") 2014-9, Revenue from Contracts with Customers (Topic 606) ("ASC 606"), the Company uses forecasts of loan-level earned premium and insurance claim payments. These forecasts are driven by the projection of loan defaults, prepayments and default severity rates. These assumptions are based on the Company's observations of the historical behavior for loans with similar risk characteristics. The assumptions also take into consideration the forecast adjustments under various macroeconomic conditions, including the current mix of the underlying portfolio of our insurance partners. Management has accordingly adjusted these assumptions during the first three months of 2022 as a result of changes in facts and circumstances and general market conditions.

Recently issued but not yet adopted accounting pronouncements

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform within Topic 848, which provides optional expedients and exceptions to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update apply only to contracts, hedging relationships, and other transactions that reference London Inter-bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022 for which an entity has elected certain optional expedients and are retained through the end of the hedging relationship. The amendments in this update also include a general principle that permits an entity to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. If elected, the optional expedients for contract modifications must be applied consistently for all eligible contracts or eligible transactions within the relevant ASC Topic or Industry Subtopic that contains the guidance that otherwise would be required to be applied. The amendments in this update were effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company has not experienced any unintended outcomes or consequences of reference rate reform that would necessitate the adoption of this guidance. The Company will not need to consider the application of this guidance related to its credit agreements as such agreements provide for a replacement rate when LIBOR is discontinued. The Company will continue to closely monitor all potential instances of reference rate reform to determine if the adoption of ASU 2020-04 becomes necessary in the future.

Note 3—Contract Assets

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

For performance obligations satisfied in previous periods, the Company evaluates and updates its profit share revenue forecast on a quarterly basis and adjusts contract assets accordingly. During the three months ended March 31, 2022 and 2021, contract asset adjustments attributable to profit share revenue forecast adjustments were $2.6 million and $5.1 million, respectively.

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

	Contract Assets			
	Profit Share	TPA Fees	Program Fees	Total
	(in thousands)			
Ending balance as of December 31, 2021	**$ 105,486**	**$ 1,316**	**$ 6,154**	**$ 112,956**
Increase of contract assets due to new business generation	25,669	2,030	19,726	47,425
Adjustment of contract assets due to estimation of revenue from performance obligations satisfied in previous periods	2,641	—	—	2,641
Receivables transferred from contract assets upon billing the lending institutions	—	—	(19,800)	(19,800)
Payments received from insurance carriers	(33,831)	(1,987)	—	(35,818)
Provision for expected credit losses	43	1	4	48
Ending balance as of March 31, 2022	**$ 100,008**	**$ 1,360**	**$ 6,084**	**$ 107,452**

As of March 31, 2022 and December 31, 2021, the Company's contract assets consisted of $58.3 million and $70.5 million, respectively, as the portion estimated to be received within one year and $49.2 million and $42.4 million, respectively, as the non-current portion to be received beyond one year.

Contract Costs

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

Note 4—Debt

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

	March 31, 2022	December 31, 2021
	(in thousands)	
Revolving Facility, matures in 2026	$ 25,000	$ 25,000
Term Loan due 2026	121,875	122,656
Less: unamortized deferred financing costs	(1,313)	(1,396)
Total debt	145,562	146,260
Less: current portion of debt	(3,125)	(3,125)
Total long-term debt, net of deferred financing costs	**$ 142,437**	**$ 143,135**

Term Loan due 2027

On March 11, 2020, the Company entered into a credit agreement with UBS A.G. as the administrative agent and the lenders from time to time party thereto (the “Credit Agreement”). Pursuant to the Credit Agreement, the lenders thereto funded a term loan (the “Term Loan due 2027”) in a principal amount of $170.0 million bearing an interest rate per annum of LIBOR plus 6.5% (subject to a LIBOR floor of 1%), with a maturity date in March 2027. The Term Loan due 2027 was retired by the Company paying off its outstanding principal and interest with proceeds from issuance of the Term Loan due 2026 and the Revolving Facility (both as defined below) in March 2021. The transaction was deemed as a debt extinguishment under ASC Topic 405-20, “Liabilities—Extinguishments of Liabilities,” and accordingly, the Company recognized a non-cash debt extinguishment loss of $8.8 million, which was recorded under the caption loss on extinguishment of debt in the consolidated statements of operations during the three months ended March 31, 2021. The loss on debt extinguishment was calculated as the difference between the carrying amount of the debt and the price paid to retire the debt, which primarily consisted of the write-off of the unamortized deferred financing costs related to the Term Loan due 2027.

New Credit Agreement—Term Loan due 2026 and Revolving Credit Facility

On March 19, 2021, the Company entered into a credit agreement with Wells Fargo Bank, N.A. as the administrative agent (the “New Credit Agreement”), pursuant to which the lenders thereto (i) funded a senior secured term loan in an aggregate principal amount of $125.0 million maturing in March 2026 (the “Term Loan due 2026”) and (ii) committed to provide a $50.0 million senior secured revolving credit facility, including a $10.0 million letter of credit sub-facility, maturing in March 2026 (the “Revolving Facility”). The obligations of the Company under the Term Loan due 2026 and the Revolving Facility are guaranteed by all of the Company’s U.S. subsidiaries and are secured by substantially all of the assets of the Company and its U.S. subsidiaries, subject to customary exceptions.

Interest under the Term Loan due 2026 and the Revolving Facility are, at the option of the Company, either at an Alternate Base rate (“ABR”) plus a spread ranging from 0.75% to 1.50%, or LIBOR plus a spread ranging from 1.75% to 2.50%. With respect to the ABR loans, interest will be payable at the end of each calendar quarter. With respect to the LIBOR loans, interest will be payable at the end of the selected interest period. Additionally, there is a commitment fee payable at the end of each quarter at a rate per annum ranging from 0.200% to 0.275% based on the average daily unused portion of the Revolving Facility, and other customary letter of credit fees. Pursuant to the New Credit Agreement, the interest rate spreads and commitment fees increase or decrease in increments as the Company’s Funded Secured Debt/EBITDA ratio increase or decreases.

As of March 31, 2022, both the Term Loan due 2026 and the Revolving Facility are subject a LIBOR rate of 0.21% plus a spread of 1.75% per annum. Commitment fees were accrued at 0.200% under the Revolving Facility’s unused commitment balance of $25.0 million at March 31, 2022.

In connection with the issuance of the Term Loan due 2026 and the Revolving Facility, the Company incurred total deferred financing costs of $1.7 million, of which $1.2 million was allocated to the Term Loan due 2026 and $0.5 million was allocated to the Revolving Facility. The deferred financing costs were capitalized as a contra-liability against the principal balance of the loans and are amortized as interest expense using the effective interest method. Unamortized deferred financing costs were $1.3 million as of March 31, 2022. As of March 31, 2022, the weighted average effective interest rate on the Company’s outstanding borrowings was 2.26%.

The New Credit Agreement contains a maximum total net leverage ratio financial covenant and a minimum fixed charge coverage ratio financial covenant that are tested quarterly. The maximum total net leverage ratio is 3.5 to 1.0 for periods on or prior to December 31, 2022, and then decreases to 3.0 to 1.0 after December 31, 2022. The minimum fixed charge coverage ratio is 1.25 to 1.0. As of March 31, 2022, the Company was in compliance with all required covenants under the New Credit Agreement.

Note 5—Share-Based Compensation

2020 Stock Option and Incentive Plan (the “2020 Plan”)

The 2020 Plan, approved on June 9, 2020, provides for the grant of stock options, stock appreciation rights, restricted stock units and other stock or cash-based awards. The Company initially reserved 9,693,750 shares, approximately 10% of the number of shares of its common stock outstanding upon the Closing Date, as the “Initial Limit” for the issuance of awards under the 2020 Plan. The 2020 Plan provides that beginning on January 1, 2021, the number of shares reserved and available for issuance under the plan will automatically increase each January 1st by 4% of the outstanding number of shares of the

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

Company's common stock on the immediately preceding December 31st, or the "Annual Increase." This limit is subject to adjustment in the event of a stock split, stock dividend or other change in the Company's capitalization. As of March 31, 2022, there were 19,029,306 shares reserved and available for issuance under the 2020 Plan, which includes the 4% annual increase in 2022 less restricted stock units, performance stock units and stock options granted under the 2020 Plan.

Share-based compensation expense recorded for each type of award is as follows:

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Time-Based Restricted Stock Units	$ 907	$ 233
Performance-Based Restricted Stock Units	206	277
Stock Options	168	191
Total share-based compensation expense	**$ 1,281**	**$ 701**

During the three months ended March 31, 2022 and 2021, share-based compensation expense was allocated to cost of services, general and administrative, selling and marketing, and research and development, generally based on the functional responsibilities of the award recipient in the accompanying condensed consolidated statements of operations as follows:

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
General and administrative	$ 922	$ 554
Selling and marketing	180	91
Research and development	95	28
Cost of services	84	28
Total	**$ 1,281**	**$ 701**

The following table provides information related to the Company's share-based compensation award activity for the three months ended March 31, 2022:

	Time-Based Restricted Stock Units		Stock Options		Performance-Based Restricted Stock Units	
	Number of Awards	Weighted Average Fair Value at Grant Date	Number of Awards	Weighted Average Exercise Price	Number of Awards	Weighted Average Fair Value at Grant Date
Outstanding as of December 31, 2021	**231,625**	**$ 35.17**	**194,348**	**$ 33.56**	**99,289**	**$ 33.44**
Granted	259,069	22.49	—	—	—	—
Vested	(7,214)	28.20	—	—	—	—
Forfeited or expired	(20,455)	23.42	(5,808)	33.56	(4,874)	33.44
Outstanding as of March 31, 2022	**463,025**	**$ 28.71**	**188,540**	**$ 33.56**	**94,415**	**$ 33.44**

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

The following table reflects the future share-based compensation expense for the outstanding awards at March 31, 2022:

	Unrecognized Share-based Compensation Expense	Weighted Average Amortization Period
	(in thousands)	
Time-Based Restricted Stock Units	$ 11,395	3.27 years
Stock Options	1,991	2.75 years
Performance-Based Restricted Stock Units	1,850	1.75 years
Total unrecognized share-based compensation expense	**$ 15,236**	**3.02 years**

Note 6—Net Income per Share

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted net income per share is computed based on the weighted average number of common shares outstanding plus the effect of potentially dilutive common shares outstanding during the period using the applicable methods. The potentially dilutive common shares during the three months ended March 31, 2022 and 2021 were time-based restricted stock units. The potentially dilutive common shares during the same periods did not include unvested stock options and performance-based restricted stock units containing unmet performance conditions. The potentially dilutive common shares are included in the calculation of diluted net income per share only when their effect is dilutive.

The following table sets forth the computation of basic and diluted net income per share attributable to common stockholders for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
	(in thousands, except shares and per share data)	
Basic net income per share:		
Numerator		
Net income attributable to common stockholders	**$ 23,154**	**$ 12,862**
Denominator		
Weighted average common shares	**126,215,698**	**126,803,096**
Basic net income per share attributable to common stockholders	**$ 0.18**	**$ 0.10**
Diluted net income per share:		
Numerator		
Net income attributable to common stockholders	**$ 23,154**	**$ 12,862**
Denominator		
Basic weighted average common shares	126,215,698	126,803,096
Dilutive effect of outstanding Time-Based Restricted Stock Units	499	34,736
Diluted weighted average common shares	**126,216,197**	**126,837,832**
Diluted net income per share attributable to common stockholders	**$ 0.18**	**$ 0.10**

The following potentially dilutive outstanding securities as of March 31, 2022 and 2021 were excluded from the computation of diluted net income per share because their effect would have been anti-dilutive for the periods presented, or issuance of such shares is contingent upon the satisfaction of certain conditions that were not satisfied by the end of the periods:

	Three Months Ended March 31,	
	2022	2021
Unvested and not exercised Stock Options	188,540	199,764
Unvested Time-Based Restricted Stock Units	459,431	—
Unvested Performance-Based Restricted Stock Units	94,415	99,289
Total	**742,386**	**299,053**

Pursuant to a Stock Repurchase Agreement, dated as of March 29, 2021, between Open Lending and the selling stockholders named therein, the Company repurchased from the selling stockholders on April 6, 2021 an aggregate of 612,745 shares of common stock. The repurchased shares were recorded as treasury stock in April 2021. The repurchase would have changed the number of common shares or potential common shares outstanding at the end of the current reporting period if the transaction had occurred before March 31, 2021.

Note 7—Fair Value of Financial Instruments

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

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

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

Fair Value Hierarchy

The following table presents the placement in the fair value hierarchy of the Company's debt, net of deferred financing costs at March 31, 2022 and December 31, 2021:

		Fair value measurement at March 31, 2022		
	Carrying value	**Level 1**	**Level 2**	**Level 3**
		(in thousands)		
Liabilities:				
Debt at fair value	$ 145,562	$ —	$ 145,562	$ —
Total	**$ 145,562**	**$ —**	**$ 145,562**	**$ —**

		Fair value measurement at December 31, 2021		
	Carrying value	**Level 1**	**Level 2**	**Level 3**
		(in thousands)		
Liabilities:				
Debt at fair value	$ 146,260	$ —	$ 146,260	$ —
Total	**$ 146,260**	**$ —**	**$ 146,260**	**$ —**

The carrying amount of the Company's debt approximates its fair value due to its variable interest rate that is tied to the current LIBOR plus an applicable spread. The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of any level for the periods ended March 31, 2022 and December 31, 2021.

The Company does not have any long-lived asset which is being measured at fair value on a recurring basis.

Note 8—Income Taxes

During the three months ended March 31, 2022 and 2021, the Company recognized income tax expense of $8.3 million and $4.5 million, respectively, resulting in effective tax rates of 26.5% and 25.8%, respectively. The Company's income tax expense for the three months ended March 31, 2022 and March 31, 2021 differs from amounts computed by applying the U.S. federal statutory tax rate of 21% primarily due to state income tax expenses and the officer's compensation limitation under Section 162m.

As of March 31, 2022, the Company has assessed whether it is more likely than not that the Company's deferred tax assets will be realized. In making this determination, the Company considers all available positive and negative evidence and makes certain assumptions. The Company considers, among other things, the reversal of its deferred tax liabilities, the overall business environment, its historical earnings and losses, current industry trends and its outlook for future years. The Company believes it is more-likely-than-not all deferred tax assets will be realized and has not recorded any valuation allowance as of March 31, 2022.

The Company has evaluated the aggregate exposure for uncertain tax positions for all open tax years and concluded that the Company and its predecessor have no material uncertain tax positions as of March 31, 2022 or for any open tax years. When applicable, tax penalties and interest are recognized within general and administrative expenses in the condensed consolidated statements of operations. The Company has not recorded any penalties or interest related to uncertain tax positions as of March 31, 2022 or for any open tax years.

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

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of Open Lending Corporation's condensed consolidated results of operations and financial condition. The discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto on Form 10-K for the year ended December 31, 2021. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described under the heading "Risk Factors" set forth elsewhere in this Quarterly Report on Form 10-Q and our Annual Report. Actual results may differ materially from those contained in any forward-looking statements. Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" is intended to mean the business and operations of Open Lending Corporation, and its condensed consolidated subsidiaries.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "appears," "shall," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our financial performance;
- changes in our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects and plans;
- expansion plans and opportunities;
- the impact of the relative strength of the overall economy, including its effect on unemployment, consumer spending and consumer demand for automotive products;
- the growth in loan volume from our top ten automotive lenders relative to that of other automotive lenders, and associated concentration of risks;
- the costs of services in absolute dollars and as a percentage of revenue;
- general and administrative expenses in absolute dollars and as a percentage of revenue;
- selling and marketing expenses in absolute dollars and as a percentage of revenue;
- research and development expenses in absolute dollars and as a percentage of revenue;
- the impact of projected operating cash flows and available cash on hand on our business operations in the future;
- the turnover in automotive lenders, as well as varying activation rates and volatility in usage of our Lenders Protection Platform ("LPP") by automotive lenders;
- the outcome of any known and unknown litigation and regulatory proceedings, including such legal proceedings that may be instituted in connection with the Business Combination and transactions contemplated thereby;
- the ability to maintain the listing of our common stock on Nasdaq;
- our ability to recognize the anticipated benefits of the Business Combination, which may be affected by, among other things, competition and our ability to grow and manage growth profitably;
- expenses associated with our growth as a result of demands on our operational, marketing, compliance and accounting infrastructure;
- regulatory agreements between us and state agencies regarding issues including automotive lender conduct and oversight and loan pricing;
- changes in applicable laws or regulations;
- applicable taxes, inflation, supply chain disruptions, including global hostilities and responses thereto, interest rates and the regulatory environment; and
- the effects of the ongoing COVID-19 pandemic on our business.

All forward-looking statements are based on information and estimates available to us at the time of this Quarterly Report on Form 10-Q and are not guarantees of future financial performance. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties, and other factors described in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q and our Annual Report. We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q. You should not rely upon forward-looking statements as predictions of future events.

Business Overview

We are a leading provider of lending enablement and risk analytics to credit unions, regional banks and Original Equipment Manufacturers. Our clients, collectively referred to herein as automotive lenders, make automotive consumer loans to underserved near-prime and non-prime borrowers by harnessing our risk-based pricing models, powered by our proprietary data and real-time underwriting of automotive loan default insurance coverage from insurers. Since our inception in 2000, we have facilitated over $14.7 billion in automotive loans, accumulating over 20 years of proprietary data and developing over two million unique risk profiles. We currently cater to 411 active automotive lenders.

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

Our flagship product, LPP, enables automotive lenders to make loans that are largely insured against losses from defaults. We have been developing and advancing the proprietary underwriting models used by LPP for over 20 years. We believe LPP provides significant benefits to our growing ecosystem of automotive lenders, automobile dealers, borrowers and insurers.

A key element of LPP is the ability to facilitate risk-based interest rates that are appropriate for each loan and lender and electronically submitted to our automotive lenders within approximately five seconds after we receive a loan application. Our interest rate pricing is customized to each automotive lender, reflecting the cost of capital, loan servicing costs, loan acquisition costs, expected recovery rates and target return on assets of each automotive lender. Using our risk models, we project monthly loan performance results, including expected losses and prepayments for automotive lenders that use LPP. The product of this process is a risk-based interest rate, inclusive of elements to recover all projected costs, program fees and insurance premiums, given the risk of the loan, to return a targeted return on asset goal.

We believe that our market opportunity is significant. The near-prime and non-prime automotive loan market is estimated at $250 billion annually. We are currently serving less than 2% of this market, providing a significant growth opportunity.

Executive Overview

We facilitate certified loans and have achieved financial success by increasing our penetration of the near-prime and non-prime automotive loan market while diversifying our customer base and refining our data analysis capabilities.

We facilitated 43,944 certified loans during the three months ended March 31, 2022, as compared to 33,318 certified loans during the three months ended March 31, 2021.

Total revenue was $50.1 million for the three months ended March 31, 2022, as compared to $44.0 million during the three months ended March 31, 2021.

Operating income was $32.2 million for the three months ended March 31, 2022, as compared to $29.4 million in the three months ended March 31, 2021.

Net income was $23.2 million for the three months ended March 31, 2022, as compared to net income of $12.9 million for the three months ended March 31, 2021.

Adjusted EBITDA was $33.8 million for the three months ended March 31, 2022, as compared to $30.3 million during the three months ended March 31, 2021. Information regarding use of Adjusted EBITDA, a non-GAAP measure, and a reconciliation of Adjusted EBITDA to net income, the most comparable GAAP measure, is included in *"Non-GAAP Financial Measures."*

Highlights

The table below summarizes the insured loans facilitated and the number of contracts signed with automotive lenders for the three months ended March 31, 2022 and 2021.

	Three Months Ended March 31,	
	2022	2021
Value of insured loans facilitated (in thousands)	$ 1,182,567	$ 780,341
Average loan size per certified loan	$ 26,911	$ 23,421
Number of contracts signed with automotive lenders	18	14

Key Performance Measures

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

Certified Automotive Loans

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

Average Program Fee

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

Insurers’ Aggregate Underwriting Profit

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

Insurers’ Earned Premium

We define “insurers’ earned premium” as the total insurance premium earned by insurers in a given period. Earned premiums were $59.5 million and $46.7 million, respectively, for the three months ended March 31, 2022 and 2021, respectively.

Recent Developments

Product Update

As part of our ongoing efforts to provide our customers enhanced technology and underwriting decisioning, we routinely evaluate program and system updates to LPP. As a result of these efforts, we have completed the following product updates to LPP in the first quarter of 2022:

- 84 month term limits for all channels of business for approved vehicles; and
- increased maximum front-end loan amounts for all channels.

Customer rollout of these updates has been initiated and will continue into the second quarter of 2022. These recent updates will provide our lenders with expanded lending opportunities beyond LPP product parameters previously in place.

Fourth Insurance Carrier Partner

On May 2, 2022, we signed a program management agreement with a fourth insurance carrier partner, Arch Specialty Insurance Company, a part of Arch Capital Group Ltd., who will act as an additional provider of credit default insurance policies for LPP, from which we can earn profit share revenue and claims administration fees.

Key Factors Affecting Operating Results

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

Key factors affecting our operating results include the following:

Growth in the Number of Financial Institutions

The growth trend in active automotive lenders using LPP is a critical factor directly affecting revenue and financial results. It influences the number of loans funded on LPP and, therefore, the fees that we earn and the cost of the services that we provide. Growth in our active automotive lender relationships will depend on our ability to retain existing automotive lenders, add new automotive lenders and expand to new goods and services specific to our industry.

Competition

We face competition to acquire and maintain automotive lenders as customers, as well as competition to facilitate the funding of near-prime and non-prime auto loans. For LPP, which combines lending enablement, risk analytics, near-prime and non-prime auto loan performance data, real-time loan decisioning, risk-based pricing and auto loan default insurance, we do not believe there are any direct competitors. The emergence of direct competitors, providing risk, analytics and loss mitigation, which are core elements of our business, could materially impact our ability to acquire and maintain automotive lender customers. The near-prime and non-prime lending market is highly fragmented and competitive. We face competition from a diverse landscape of consumer lenders, including traditional banks and credit unions, as well as alternative technology-enabled lenders. The emergence of other insurers, in competition with our insurers, could materially impact our business.

Profit Share Assumptions

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

Industry Trends and General Economic Conditions

Our results of operations have in the past been fairly resilient to economic downturns but in the future may be impacted by the relative strength of the overall economy and its effect on unemployment, consumer spending and consumer demand for automotive products. As general economic conditions improve or deteriorate, the amount of disposable income consumers have tends to fluctuate, which in turn impacts consumer spending levels and the willingness of consumers to take out loans to finance purchases. Specific economic factors such as interest rate levels, changes in monetary and related policies, market volatility, supply chain disruptions, consumer confidence, the impact of the pandemic and, particularly, the unemployment rate also influence consumer spending and borrowing patterns.

Concentration

Our two largest insurance carrier partners accounted for 38% and 14% of our total revenue during the three months ended March 31, 2022 and accounted for 44% and 22% of our total revenue during the three months ended March 31, 2021. Termination or disruption of these relationships could materially and adversely impact our revenue.

Components of Results of Operations

Total Revenues

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

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

Program fees. Program fees are paid by automotive lenders for the use of LPP, which provides loan analytics solutions and automated issuance of credit default insurance with third-party insurance providers. These fees are based on a percentage of each certified loan's original principal balance and are recognized as revenue upfront upon receipt of the loan by the consumer. The fee percentage rate varies by type of loan. For loans with a one-time upfront payment, there is a sliding scale of rates representing volume discounts to the lender with fees generally capped at $600 per loan. This cap may vary for certain large volume lenders. For monthly pay loans, the fee paid by the lender is a flat 3% of the total amount of the loan and is not capped.

Claims administration service fees. Claims administration service fees are paid to us by third-party insurers for credit default insurance claims adjudication services performed by our subsidiary Insurance Administrative Services, LLC on its insured servicing portfolio. The administration fee is equal to 3% of the monthly insurance earned premium for as long as the loan remains outstanding.

Cost of Services and Operating Expenses

Cost of services. Cost of services primarily consists of fees paid to third party partners for lead-generation efforts, compensation and benefits expenses relating to employees engaged in lenders' services and claims administration activities, fees paid for actuarial services related to the development of the monthly premium program and fees for integration with loan origination systems of automotive lenders. We generally expect cost of services to increase in absolute dollars as the total number of certified loans continues to grow; however, we expect the cost of services to remain relatively constant in the near to immediate term as a percentage of our program fee revenue.

General and administrative expenses. General and administrative expenses are comprised primarily of expenses relating to employee compensation and benefits, non-cash share-based compensation, travel, meals and entertainment expenses, data and software expenses and professional and consulting fees. In the near to intermediate term, we expect general and administrative expenses to remain relatively constant.

Selling and marketing expenses. Selling and marketing expenses consist primarily of compensation and benefits of employees engaged in selling and marketing activities. We generally expect selling and marketing expenses to increase in absolute dollars as the total number of certified loans continues to grow in the long term; however, we expect selling and marketing expenses to remain relatively constant in the near to intermediate term as a percentage of program fee revenue.

Research and development expenses. Research and development expenses primarily consist of employee compensation and benefits expenses for employees engaged in ongoing research and development of our software technology platform. We generally expect our research and development expenses to increase in absolute dollars as our business continues to grow.

Other Income (Expense)

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

Loss on extinguishment of debt. Loss on extinguishment of debt primarily reflects unamortized deferred financing costs, which were written off in connection with the refinancing of our Term Loan due 2027 on March 19, 2021.

Results of Operations

The following table sets forth our results of operations for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,		
	2022	2021	% Change
	($ in thousands)		
Revenue			
Profit share	$ 28,310	$ 27,730	2 %
Program fees	19,726	14,911	32 %
Claims administration and other service fees	2,032	1,367	49 %
Total revenue	**50,068**	**44,008**	**14 %**
Cost of services	4,788	3,362	42 %
Gross profit	**45,280**	**40,646**	**11 %**
Operating expenses			
General and administrative	7,482	8,212	(9) %
Selling and marketing	3,733	2,397	56 %
Research and development	1,823	591	208 %
Total operating expenses	**13,038**	**11,200**	**16 %**
Operating income	**32,242**	**29,446**	**9 %**
Interest expense	(803)	(3,289)	(76) %
Interest income	25	84	(70) %
Loss on extinguishment of debt	—	(8,778)	100 %
Other expense	—	(131)	100 %
Income before income taxes	**31,464**	**17,332**	**82 %**
Income tax expense	8,310	4,470	86 %
Net income	**$ 23,154**	**$ 12,862**	**80 %**

Key Performance Measures

The following table sets forth key performance measures for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,		
	2022	2021	% Change
Certified loans	43,944	33,318	32 %
Single-pay	39,561	28,942	37 %
Monthly-pay	4,383	4,376	— %
Average program fees	$ 449	$ 448	— %
Single-pay	$ 420	$ 418	— %
Monthly-pay	$ 714	$ 648	10 %

Comparison of Three Months Ended March 31, 2022 and 2021

Revenue

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Profit share		
New certified loan originations	$ 25,669	$ 22,656
Change in estimated future revenues	2,641	5,074
Total profit share	**28,310**	**27,730**
Program fees	**19,726**	**14,911**
Claims administration and other service fees	**2,032**	**1,367**
Total revenue	**$ 50,068**	**$ 44,008**

Total revenue increased by $6.1 million, or 14%, for the three months ended March 31, 2022, as compared to the same period in 2021, driven by an increase in anticipated profit share, program fees and claims administration and other service fee revenues on new originations and the change in estimated future revenues on historical vintages. As the loan default rate and severity of losses continued to be lower than anticipated during the three months ended March 31, 2022, our estimated profit share on historic business increased.

Profit share revenue increased by $0.6 million, or 2%, during the three months ended March 31, 2022, as compared to the same period in 2021. During the three months ended March 31, 2022, we recorded $25.7 million in anticipated profit share associated with 43,944 new certified loans for an average of $584 per loan as compared to $22.7 million in anticipated profit share associated with 33,318 certified loans for an average of $680 per loan during the three months ended March 31, 2021. In addition, during the three months ended March 31, 2022 we recorded $2.6 million in estimated future profit share on business in historic vintages, as compared to $5.1 million in estimated future profit share on historic vintages during the three months ended March 31, 2021.

Program fees revenue increased by $4.8 million, or 32%, for the three months ended March 31, 2022 as compared to the same period in 2021. The increase was driven by a 32% increase in certified loan volumes as compared to the prior year period.

Revenue from claims administration and other service fees, which primarily represents 3% of our insurance partners' annual earned premium, increased by $0.7 million, or 49%, for the three months ended March 31, 2022 as compared to the same period in the prior year, due to a 28% increase in total earned premiums and a 32% increase in new loan certifications.

Cost of Services, Gross Profit and Gross Margin

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Total revenue	**$ 50,068**	**$ 44,008**
Cost of services	4,788	3,362
Gross profit	**$ 45,280**	**$ 40,646**
Gross margin	**90 %**	**92 %**

Gross profit increased by $4.6 million, or 11%, during the three months ended March 31, 2022, as compared to the same period in 2021, driven by an increase in anticipated profit share, program fees and claims administration and other service fees revenues on new originations and change in estimated future revenues based on historical vintages as discussed above.

Operating Expenses, Operating Income and Operating Margin

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Total revenue	**$ 50,068**	**$ 44,008**
Gross profit	**45,280**	**40,646**
Operating expenses		
General and administrative	7,482	8,212
Selling and marketing	3,733	2,397
Research and development	1,823	591
Total operating expenses	**13,038**	**11,200**
Operating income	**$ 32,242**	**$ 29,446**
Operating margin	**64 %**	**67 %**

General and administrative expenses decreased by $0.7 million, or 9%, during the three months ended March 31, 2022, as compared to the same period last year, driven primarily by a decrease in professional and consulting fees, partially offset by increases in employee compensation and benefits as well as travel expenses.

Selling and marketing expenses increased by $1.3 million, or 56%, during the three months ended March 31, 2022 as compared to the prior year period, primarily due to an increase in employee compensation and commissions costs, driven by both increased headcounts in sales and account management as well as increased sales.

Research and development expenses increased by $1.2 million, or 208%, during the three months ended March 31, 2022, as compared to the same period in the prior year, due to increases in headcount and software development costs.

Operating income for the three months ended March 31, 2022 increased by $2.8 million, or 9%, as compared to the prior year period, driven by increases in program fees and anticipated profit share from new originations and estimated future underwriting profits on historic business.

Interest Expense

During the three months ended March 31, 2022 and 2021, interest expense was $0.8 million and $3.3 million, respectively. Interest expense decreased $2.5 million or 76% for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021, as a result of lower borrowing costs and lower outstanding debt balances during 2022.

Income Taxes

During the three months ended March 31, 2022 and 2021, we recognized income tax expense of $8.3 million and $4.5 million, respectively. The effective tax rate for the three months ended March 31, 2022 was 26.5%, as compared to an effective tax rate of 25.8% for the three months ended March 31, 2021. Income tax expense increased $3.8 million or 86% during the three months ended March 31, 2022 as compared to the three months ended March 31, 2021, primarily as a result of the 82% increase in income before income taxes as well as the increase in the effective tax rate.

Liquidity and Capital Resources

Cash Flow and Liquidity Analysis

We assess liquidity primarily in terms of our ability to generate cash to fund operating and investing activities. A significant portion of our cash from operating activities is derived from our profit share arrangements with our insurance partners, which are subject to judgments and assumptions and is, therefore, subject to variability. We believe that our existing cash resources and revolving credit facility will provide sufficient liquidity to fund our near-term working capital needs. We regularly evaluate alternatives for managing our capital structure and liquidity profile in consideration of expected cash flows, growth and operating capital requirements and capital market conditions. Refer to “Critical Accounting Policies and Estimates” in this Quarterly Report on Form 10-Q and our Annual Report for a full description of the related estimates, assumptions, and judgments.

Based on our assessment of the underlying provisions and circumstances of our contractual obligations, other than the risks that we and other similarly situated companies face with respect to the condition of the capital markets (as described in “Risk

Factors" in our Annual Report), there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur that would have a material adverse effect on our consolidated results of operations, financial condition, or liquidity.

The following table provides a summary of cash flow data:

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Net cash provided by operating activities	$ 31,932	$ 18,835
Net cash used in investing activities	(186)	(3)
Net cash (used in) provided by financing activities	(820)	6,662

Cash Flows from Operating Activities

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

The following table summarizes the non-cash adjustments in the operating activities in the statement of cash flows:

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Net income	**$ 23,154**	**$ 12,862**
Deferred income taxes and other non-cash expenses	2,280	2,553
Non-cash losses	—	8,778
Change in contract assets	5,504	(7,876)
Change in other assets and liabilities	994	2,518
Net cash provided by operating activities	**$ 31,932**	**$ 18,835**

Net cash provided by operating activities for the three months ended March 31, 2022 is primarily attributable to operating income reduced by the net change in contract assets and other assets and liabilities. The increase in net cash provided by operating activities of $13.1 million for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021 was primarily attributable to higher profit share payments from insurance carriers and increased cash inflows from program fees related to increased certified loan volume.

Cash Flows from Investing Activities

For the three months ended March 31, 2022 and 2021, net cash used in investing activities was $(0.2) million and essentially break-even, respectively. For the three months ended March 31, 2022, the investments primarily related to computer software developed for internal use. For the three months ended March 31, 2021, the investments primarily consisted of purchases of furniture and equipment.

Cash Flows from Financing Activities

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

For the three months ended March 31, 2022, net cash used in financing activities was $(0.8) million and is primarily related to a principal payment of our Term Loan due 2026.

For the three months ended March 31, 2021, net cash provided by financing activities was $6.7 million. The cash inflow includes $175.0 million in proceeds associated with our New Credit Agreement entered into on March 19, 2021 which refinanced our existing debt, less $1.5 million in deferred financing costs associated with this facility. This was partially offset by a $166.8 million payment in full of the Term Loan due 2027.

Debt

As of March 31, 2022, we had outstanding amounts of $121.9 million related to the Term Loan due 2026 and $25.0 million related to the Revolving Facility under the New Credit Agreement that we entered into on March 19, 2021, proceeds from which were used primarily to pay the Term Loan due 2027 in full and provide cash for general corporate purposes.

Dividend

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

Non-GAAP Financial Measures

Adjusted EBITDA

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

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

Adjusted EBITDA	**Three Months Ended March 31,**	
	2022	**2021**
	(in thousands)	
Net income	**$ 23,154**	**$ 12,862**
Non-GAAP adjustments:		
Interest expense	803	3,289
Income tax expense	8,310	4,470
Depreciation and amortization expense	221	193
Share-based compensation	1,281	701
Loss on extinguishment of debt	—	8,778
Total adjustments	**10,615**	**17,431**
Adjusted EBITDA	**33,769**	**30,293**
Total revenue	**$ 50,068**	**$ 44,008**
Adjusted EBITDA margin	**67 %**	**69 %**

For the three months ended March 31, 2022, Adjusted EBITDA increased by $3.5 million, or 11%, as compared to the three months ended March 31, 2021. Adjusted EBITDA margin for the three months ended March 31, 2022 decreased to 67% as compared to 69% in the three months ended March 31, 2021. The increase in Adjusted EBITDA during the three months ended March 31, 2022 reflects our revenue growth, partially offset by an increase in the cost of services and operating expenses during the current quarter.

Critical Accounting Policies and Estimates

There have not been any material changes during the three months ended March 31, 2022 to the methodology applied by management for critical accounting policies previously disclosed in our Annual Report. Please refer to "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our Annual Report for further description of our critical accounting policies and estimates.

Contractual Obligations

We had no material changes in our contractual commitments and obligations during the three months ended March 31, 2022 from the amounts listed under "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations" in our Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Market Risk

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

Concentration Risk

We rely on our two largest insurance partners for a significant portion of our profit share and claims administration service fee revenue. Termination or disruption of this relationship could materially and adversely impact our revenue.

Interest Rate Risk

As of March 31, 2022, we had outstanding amounts of $121.9 million under the Term Loan due 2026 and $25.0 million under the Revolving Facility, both of which are scheduled to mature on March 19, 2026. Borrowings under the New Credit Facility bear interest at a rate equal to either the ABR or LIBOR plus a spread that is based upon our total net leverage ratio. The spread ranges from 1.75% to 2.50% for LIBOR loans and 0.75% to 1.50% for ABR loans. We are also charged an unused commitment fee that ranges from 0.200% to 0.275% per annum on the average daily unused portion of the Revolving Facility, which is paid quarterly in arrears and is based on our total net leverage ratio.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission, or SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(f) or 15d-15(f) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As of the date of this Quarterly Report on Form 10-Q, we were not a party to any material legal proceedings. In the future, we may become party to legal matters and claims arising in the ordinary course of business, the resolution of which we do not anticipate would have a material adverse impact on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

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

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

The following table sets forth information with respect to our repurchases of shares of common stock during the three months ended March 31, 2022.

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs
1/1/2022-1/31/2022	—	—	—	—
2/1/2022-2/28/2022	2,135	$ 18.06	—	—
3/1/2022-3/31/2022	—	—	—	—
Total	**2,135**	**$ 18.06**	**—**	**—**

(1) Consists of shares purchased from employees in order for the employees to satisfy tax withholding obligations related to share-based awards that vested during the period.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Number	Description
31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)
101*	The following financial statements from Open Lending Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022, formatted in iXBRL (Inline eXtensible Business Reporting Language):
	(i) Condensed Consolidated Balance Sheets
	(ii) Condensed Consolidated Statement of Operations
	(iii) Condensed Consolidated Statements of Stockholder's Equity
	(iv) Condensed Consolidated Statements of Cash Flows
	(v) Notes to Condensed Consolidated Financial Statements
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

*	Filed herewith.
**	Furnished herewith.

SIGNATURES

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

OPEN LENDING CORPORATION

/s/ John Flynn

John J. Flynn
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ Charles Jehl

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

May 6, 2022

Exhibit 31.1

I, John Flynn, certify that:

1 I have reviewed this Quarterly Report on Form 10-Q of Open Lending Corporation (the “Registrant”);

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

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

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

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

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

c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

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

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: May 6, 2022

/s/ John Flynn

John J. Flynn

Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

I, Charles Jehl, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Open Lending Corporation (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting;
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: May 6, 2022

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

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2022 of Open Lending Corporation, a Delaware corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, John Flynn, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John Flynn

John J. Flynn
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: May 6, 2022

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2022 of Open Lending Corporation, a Delaware corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Charles Jehl, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Charles Jehl

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

Date: May 6, 2022