

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

FORM 8-K

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

Date of Report (Date of earliest event reported): November 10, 2020

OPEN LENDING CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-38339
(Commission
File Number)

82-3008583
(IRS Employer
Identification No.)

Barton Oaks One
1501 S. MoPac Expressway
Suite 450

Austin, Texas 78746
(Address of principal executive offices, including zip code)

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02. Results of Operations and Financial Condition.

On November 10, 2020, Open Lending Corporation (the "Company") issued a press release announcing its financial results for the fiscal quarter ended Septemeber 30, 2020. A copy of the press release and additional supplemental financial information are attached as Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K and are incorporated by reference herein.

The information furnished under this Item 2.02 and in the accompanying Exhibits 99.1 and 99.2 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

- 99.1 [Earnings Release issued by the Company on November 10, 2020.](#)
- 99.2 [Supplemental Earnings Information Q3 2020](#)



Open Lending Reports Third Quarter 2020 Financial Results

The Company Announces that OEM #2 Came Back Online in October as Planned

AUSTIN, TX, November 10, 2020 – Open Lending Corporation (NASDAQ: LPRO) (the “Company” or “Open Lending”), a leading provider of lending enablement and risk analytics solutions to financial institutions, today reported financial results for its third quarter of 2020.

“We are very encouraged by our third quarter results, which include an 8% increase in certified loans, a 35% increase in revenue and a 29% increase in Adjusted EBITDA compared to the third quarter of 2019,” said John Flynn, Chairman and CEO Open Lending. “Our lending partners have proven resilient and continue to utilize our platform throughout the COVID-19 pandemic. We believe the low interest rate environment, the increased demand and value of used cars, and consumers moving out of cities and reluctant to use public modes of transportation are driving these positive trends. We are also thrilled that OEM#2 came back on to our platform in October as planned.”

Three Months Ended September 30, 2020 Highlights

- The Company facilitated 20,696 certified loans during the third quarter of 2020, compared to 19,087 certified loans in the third quarter of 2019
- Total revenue was \$29.8 million, compared to \$22.1 million in the third quarter of 2019
- Gross profit was \$27.3 million, compared to \$20.2 million in third quarter of 2019
- GAAP net loss of \$(71.1) million, compared to GAAP net income of \$14.7 million in third quarter 2019. The GAAP net loss was primarily attributable to \$(83.1) million in change in estimated fair value of contingent consideration shares awarded as part of the business combination with Nebula Acquisition Corporation (“Nebula”) on June 10, 2020. Given the share price performance milestones for the contingent consideration have all been met as of August 2020, net income beginning in the fourth quarter of 2020 and beyond will not be burdened by any changes to the fair value of the contingent consideration shares.
- Adjusted EBITDA was \$19.7 million, compared to \$15.3 million in the third quarter of 2019

Adjusted EBITDA is a non-GAAP financial measure. Reconciliations of this non-GAAP financial measure to its most directly comparable GAAP financial measure are provided in the financial tables included at the end of this press release. An explanation of this measure and how it is calculated is also included under the heading “Non-GAAP Financial Measures.”

2020 Outlook

Based on third quarter results and thoughts regarding the remainder of the year, the Company is reaffirming its previously issued guidance of the following:

	<u>Full Year 2020 Outlook</u>
Total Certified Loans	85,000 - 101,000
Total Revenue	\$89 - \$108 million
Adjusted EBITDA	\$54 - \$70 million
Adjusted Operating Cash Flow ⁽¹⁾	\$34 - \$41 million

(1) Adjusted Operating Cash Flow is defined as Adjusted EBITDA, minus CAPEX, plus or minus change in contract assets.

The guidance provided above includes forward-looking statements within the meaning of U.S. securities laws. While the financial guidance takes into account the anticipated impact of the global COVID-19 pandemic, the impact of the pandemic is unprecedented and the future effect of the pandemic on the global economy and our financial results remains highly uncertain, and our actual results may differ materially. See “Forward-Looking Statements” below.

Conference Call

Open Lending will host a conference call to discuss the third quarter 2020 financial results today at 5:00 pm ET. Hosting the call will be John Flynn, Chairman and CEO, Ross Jessup, President and COO, and Chuck Jehl, CFO. The conference call will be webcast live from the Company's investor relations website at <https://investors.openlending.com/> under the "Events" section. A replay will be available two hours after the call and can be accessed by dialing (844) 512-2921 or (412) 317-6671 for international callers; the conference ID is 13710754. The replay will be available until Tuesday, November 24, 2020. An archive of the webcast will be available at the same location on the website shortly after the call has concluded.

About Open Lending

Open Lending, through its flagship product, Lenders Protection, offers loan analytics, risk-based pricing, risk modeling and default insurance, ensuring profitable auto loan portfolios for financial institutions throughout the United States. For more information, please visit www.OpenLending.com.

Forward-Looking Statements

This press release includes certain statements that are not historical facts but are forward-looking statements for purposes of the safe harbor provisions under the United States Private Securities Litigation Reform Act of 1995, including statements related to market trends, the anticipated impact of the recent novel coronavirus (COVID-19) pandemic on factors impacting the Company's business, the Company's new lender pipeline, consumer behavior and demand for automotive loans, as well as future financial performance under the heading "2020 Outlook" above. Forward-looking statements generally are accompanied by words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "should," "would," "plan," "predict," "potential," "seem," "seek," "future," "outlook," and similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These statements are based on various assumptions and on the current expectations of the Company's management and are not predictions of actual performance. These forward-looking statements are provided for illustrative purposes only and are not intended to serve as, and must not be relied on by any investor as, a guarantee, an assurance, a prediction or a definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. Many actual events and circumstances are beyond the Company's control. These forward-looking statements are subject to a number of risks and uncertainties, including general economic, political and business conditions; the potential effects of COVID-19; applicable taxes, inflation, interest rates and the regulatory environment; the outcome of judicial proceedings to which Open Lending is, or may become a party; failure to realize the anticipated benefits of the business combination; the amount of redemption requests made by the Company's stockholders; those factors discussed in other documents of the Company filed, or to be filed, with the SEC. If the risks materialize or assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. There may be additional risks that the Company presently does not know or that they currently believe are immaterial that could also cause actual results to differ from those contained in the forward-looking statements. In addition, forward-looking statements reflect the Company's expectations, plans or forecasts of future events and views as of the date of this press release. The Company anticipates that subsequent events and developments will cause their assessments to change. However, while the Company may elect to update these forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing the Company's assessments as of any date subsequent to the date of this press release. Accordingly, undue reliance should not be placed upon the forward-looking statements.

Non-GAAP Financial Measures

Included in this press release is financial information that has not been prepared in accordance with GAAP. The Company uses Adjusted EBITDA, a non-GAAP financial measure, internally in analyzing our financial results and believe it is useful to investors, as a supplement to GAAP measures, in evaluating our ongoing operational performance. The Company believes that the use of this non-GAAP financial measure provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial results with other companies in our industry, many of which present similar non-GAAP financial measures to investors.

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, the Company believes these measures provide useful information to investors and others in understanding and evaluating its operating

results in the same manner as its management and board of directors. In addition, they 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 net income excluding interest expense, income taxes, depreciation and amortization expense, share-based compensation expense, change in fair value of contingent consideration and transaction bonuses as a result of the Business Combination. Adjusted EBITDA margin is defined as Adjusted EBITDA expressed as a percentage of total revenue.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of Adjusted EBITDA to its most directly comparable GAAP financial measure provided in the financial statement tables included below in this press release.

Contact:
ICR for Open Lending
Investors
openlending@icrinc.com

OPENLENDING CORPORATION
Consolidated Balance Sheets
(In thousands, except per share data)

	September 30, 2020 (Unaudited)	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 115,153	\$ 7,676
Restricted cash	2,613	2,222
Accounts receivable	3,392	3,767
Current contract assets	27,814	29,782
Prepaid expenses	2,975	479
Other current assets	5,168	205
Deferred transaction costs	-	1,081
Total current assets	157,115	45,212
Property and equipment, net	1,315	299
Operating lease right-of-use assets, net	5,853	-
Non-current contract assets	45,174	33,169
Deferred tax asset, net	85,269	-
Other non-current assets	181	506
Total assets	\$ 294,907	\$ 79,186
Liabilities and stockholders' equity (deficit)		
Current liabilities		
Accounts payable	\$ 2,283	\$ 1,337
Accrued expenses	1,409	2,006
Income tax payable	544	-
Current portion of notes payable	4,675	2,484
Other current liabilities	4,220	2,366
Total current liabilities	13,131	8,193
Long-term notes payable, net of unamortized debt issuance costs	154,139	829
Operating lease liabilities, net of current portion	5,265	-
Other long-term liabilities	88,090	-
Total liabilities	\$ 260,625	\$ 9,022
Commitment and contingencies		
Redeemable convertible preferred Series C units, 0 and 14,278,603 units issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	-	304,943
Stockholders' equity (deficit)		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, and 0 shares issued as of September 30, 2020 and December 31, 2019, respectively	-	-
Common stock, \$0.01 par value; 550,000,000 shares authorized and 126,919,572 issued and outstanding as of September 30, 2020; 110,000,000 authorized and 37,631,052 issued and outstanding as of December 31, 2019	1,269	376
Additional paid-in capital	476,403	7,626
Accumulated deficit	(443,390)	(242,781)
Total stockholders' equity (deficit)	34,282	(234,779)
Total liabilities and stockholders' equity (deficit)	\$ 294,907	\$ 79,186

OPENLENDING CORPORATION
Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue				
Program fees	\$ 10,087	\$ 8,950	\$ 31,592	\$ 26,407
Profit share	18,544	12,310	34,482	38,089
Claims administration service fees	1,131	844	3,185	2,275
Total revenue	<u>29,762</u>	<u>22,104</u>	<u>69,259</u>	<u>66,771</u>
Cost of services	2,496	1,923	6,818	5,517
Gross profit	<u>27,266</u>	<u>20,181</u>	<u>62,441</u>	<u>61,254</u>
Operating expenses				
General and administrative	5,015	3,263	23,233	9,670
Selling and marketing	2,118	1,810	5,491	5,455
Research and development	579	291	1,286	869
Operating income	<u>19,554</u>	<u>14,817</u>	<u>32,431</u>	<u>45,260</u>
Change in fair value of contingent consideration	(83,130)	-	(131,932)	-
Interest expense	(3,572)	(70)	(7,980)	(238)
Interest income	36	7	97	15
Other income	-	3	3	9
Income/(loss) before income taxes	<u>(67,112)</u>	<u>14,757</u>	<u>(107,381)</u>	<u>45,046</u>
Provision (benefit) for income taxes	4,021	41	5,385	(58)
Net income / (loss) attributable to Open Lending Corporation	<u>\$ (71,133)</u>	<u>\$ 14,716</u>	<u>\$ (112,766)</u>	<u>\$ 45,104</u>
Net income/(loss) per common share attributable to Open Lending Corporation:				
Basic and diluted net income (loss) per share	(0.62)	(1.25)	(1.56)	(1.78)
Weighted average shares of common stock outstanding	115,189,532	37,631,052	67,828,046	37,631,052

OPEN LENDING CORPORATION
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities		
Net income (loss)	\$ (112,766)	\$ 45,104
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	2,676	1,497
Depreciation and amortization	1,112	78
Change in fair value of contingent consideration	131,932	-
Deferred income taxes	4,683	-
Changes in assets & liabilities:		
Accounts receivable	375	(828)
Contract assets	(10,037)	(16,871)
Operating lease right-of-use assets	(523)	-
Prepaid expenses	(1,415)	(293)
Other current and non-current assets	(2,002)	(388)
Accounts payable	946	(285)
Accrued expenses	(597)	829
Income tax payable	544	-
Operating lease liabilities	(280)	-
Other liabilities	1,727	295
Net cash provided by operating activities	<u>16,375</u>	<u>29,138</u>
Cash flows from investing activities		
Purchase of property and equipment	(1,097)	(66)
Net cash used in investing activities	<u>(1,097)</u>	<u>(66)</u>
Cash flows from financing activities		
Repayments of notes payable	(5,443)	(1,863)
Proceeds from issuance of long-term debt, net of issuance costs	160,233	-
Distributions to Open Lending, LLC unitholders	(135,380)	(30,361)
Proceeds from stock warrant exercise	88,042	-
Recapitalization transaction, net of transaction costs	(14,862)	-
Net cash provided by (used in) financing activities	<u>92,590</u>	<u>(32,224)</u>
Net change in cash and cash equivalents and restricted cash	<u>107,868</u>	<u>(3,152)</u>
Cash and cash equivalents and restricted cash at the beginning of the period	9,898	13,136
Cash and cash equivalents and restricted cash at the end of the period	<u>\$ 117,766</u>	<u>\$ 9,984</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 7,209	\$ 238
Income tax paid (refunded), net	158	(58)
Right-of-use assets obtained in exchange for lease obligations	5,375	-
Change in fair value of Open Lending, LLC redeemable convertible preferred units	(47,537)	104,825
Conversion of preferred stock to common stock	257,406	-

OPENLENDING CORPORATION
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
GAAP net income (loss)	\$ (71,133)	\$ 14,716	\$ (112,766)	\$ 45,104
Less: Non-GAAP adjustments:				
Change in fair value of contingent consideration (1)	83,130	-	131,932	-
Transaction bonuses (2)	-	-	9,112	-
Interest Expense	3,572	70	7,980	238
Share-based compensation (3)	-	487	2,676	1,497
Depreciation and Amortization	167	26	406	78
Income Taxes	4,021	41	5,385	(58)
Total adjustments	90,890	624	157,491	1,755
Adjusted EBITDA	19,757	15,340	44,725	46,859
Total Revenue	\$ 29,762	\$ 22,104	\$ 69,259	\$ 66,771
Adjusted EBITDA margin	66%	69%	65%	70%

Notes:

- (1) Reflects non-cash charges for the change in the estimated fair value of contingent consideration shares from June 10, 2020 through the date when each tranche of contingent consideration shares vested as the share price performance milestone was achieved.
 - (2) Reflects transaction bonuses awarded to key employees and directors in connection with the business combination with Nebula.
 - (3) Represents non-cash charges associated with the Class B Unit Incentive Plan of Open Lending, LLC. For the three months ended September 30, 2020 represents accelerated vesting of the legacy plan as result of the business combination with Nebula.
-



Say YES to more automotive loans.

Earnings Supplement

Q3 2020

Financial Highlights

	Q3 2020
Total Certs	20,696
Revenue <i>(\$mm)</i>	\$29.8 million
Adj. EBITDA <i>(\$mm)</i>	\$19.8 million
Adj. Operating Cash Flow ¹ <i>(\$mm)</i>	\$8.8 million

(1) Defined as Adj. EBITDA, minus CAPEX, plus or minus change in contract assets

Recent Accomplishments



Company Highlights

- LPRO began trading on the Nasdaq Stock Market on June 11, 2020
 - Appointed 3 new independent Directors to the Board
 - Ross Jessup elevated to President and Chuck Jehl appointed as CFO of the Company
-

Open Lending and Partners Strongly Positioned

- Credit union and bank lenders are well capitalized and expected to have ample liquidity
 - Insurers modestly impacted relative to other industries and anticipating profitability 2020
 - Low interest rate environment, traditional lenders retrenching, and commuters shift from public modes of transportation are driving positive trends
-

Q3 Update

- OEM #2 came back on to Open Lending's platform in October 2020
 - New partnerships such as A+ Federal Credit Union, Sound Credit Union and First Inv Financial Services.
 - Partnered with 4 new refinance lenders in Q3
 - Added 11 new lender customers / contracts executed in Q3
 - 6 active implementations with "go live" dates in the next 60 days
-

Growth Plan

1 ▪ Expand Core Business

2 ▪ OEM Opportunity

3 ▪ CECL Relief

4 ▪ Launch into New Channels

5 ▪ Broaden Our Offerings

Q3 2020 Key Performance Indicators

	Three Months Ended September 30,		Nine Months Ended September 30,		Years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Certs							
CU & Bank Certs	19,064	18,996	54,168	55,784	74,242	56,705	
OEM Certs	1,632	91	13,236	91	4,192	-	
Total Certs	20,696	19,087	67,404	55,875	78,434	56,705	
Unit Economics							
Avg. Profit Share Revenue per Cert	\$ 896	\$ 645	\$ 512	\$ 682	\$ 676	N/A*	
Avg. Program Fee Revenue per Cert	\$ 487	\$ 469	\$ 469	\$ 473	\$ 468	\$ 443	\$
Originations							
Facilitated Loan Origination Volume (\$ in 000)	\$ 463,377	\$ 424,806	\$ 1,500,422	\$ 1,246,260	\$ 1,755,175	\$ 1,246,551	\$
Average Loan Size	\$ 22,390	\$ 22,256	\$ 22,260	\$ 22,304	\$ 22,377	\$ 21,983	\$
Channel Overview							
New Vehicle Certs as a % of Total	14.6%	11.3%	14.4%	10.8%	12.0%	12.7%	15
Used Vehicle Certs as a % of Total	85.4%	88.7%	85.6%	89.2%	88.0%	87.3%	84
Indirect Certs as a % of Total	70.7%	60.1%	74.2%	60.9%	63.3%	61.2%	68
Direct Certs as a % of Total	29.3%	39.9%	25.8%	39.1%	36.7%	38.8%	32

(1) Effective January 1, 2019, the Company adopted ASC 606 which requires us to recognize the full amount of profit share revenue up front. This was not retroactively applied to prior periods and therefore 2018 and 2017 are not comparable.

Q3 2020 Financial Update

(\$ in 000)	Three Months	Nine Months	Years Ended December 31,		
	Ended September 30 2020	Ended September 30 2020	2019	2018	2017
Revenue					
Program fees	\$ 10,087	\$ 31,592	\$ 36,667	\$ 25,044	\$ 17,064
Profit share	18,544	34,482	53,038	24,835	13,735
Claims administration service fees	1,131	3,185	3,142	2,313	1,581
Total revenue	29,762	69,259	92,847	52,192	32,380
Cost of services	2,496	6,818	7,806	4,603	3,019
Gross profit	27,266	62,441	85,041	47,589	29,361
Operating expenses					
General and administrative	5,015	23,233	13,774	12,125	7,986
Selling and marketing	2,118	5,491	7,482	6,188	4,532
Research and development	579	1,286	1,170	802	691
Operating income	19,554	32,431	62,615	28,474	16,152
Other income/expense					
Change in fair value of contingent consideration	(83,130)	(131,932)	-	-	-
Interest expense	(3,572)	(7,980)	(322)	(341)	(418)
Interest income	36	97	24	13	10
Other income	-	3	197	170	85
Net income (loss) before income tax	(67,112)	(107,381)	62,514	28,316	15,829
Provisions (benefit) for income tax	4,021	5,385	(30)	37	59
Net income (loss)	\$ (71,133)	\$ (112,766)	\$ 62,544	\$ 28,279	\$ 15,770
Adjusted EBITDA	\$ 19,757	\$ 44,725	\$ 64,925	\$ 31,309	\$ 17,273

Reconciliation of Net Income (Loss) to Consolidated Adjusted EBIT

(\$ in 000)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net income (loss)	\$ (71,133)	\$ 14,716	\$ (112,766)	\$ 45,104
Less: Non-GAAP adjustments:				
Change in fair value of contingent consideration (1)	83,130	-	131,932	-
Transaction bonuses (2)	-	-	9,112	-
Interest Expense	3,572	70	7,980	238
Share-based compensation (3)	-	487	2,676	1,497
Depreciation and amortization	167	26	406	78
Income Taxes	4,021	41	5,385	(58)
Total adjustments	90,890	624	157,491	1,755
Adjusted EBITDA	\$ 19,757	\$ 15,340	\$ 44,725	\$ 46,859
Total Revenue	\$ 29,762	\$ 22,104	\$ 69,259	\$ 66,771
Adjusted EBITDA margin	66.4%	69.4%	64.6%	70.2%

(1) Reflects non-cash charges for the change in the estimated fair value of contingent consideration earn-out shares from June 10 through September 30, 2020.

(2) Reflects transaction bonuses awarded to key employees and directors in connection with the business combination.

(3) Represents non-cash charges associated with the Class B Unit Incentive Plan of Open Lending, LLC. For the nine months ended September 30, 2020 reflects accelerated vesting of the legacy plan as result of the business combination.

Total Outstanding Share Count

Shares	In millions
Total Shares Outstanding September 30, 2020	126.9
Warrants Exercised in October 2020	1.3
Total Diluted Shares Outstanding	128.2
